

**COMMUNITY FACILITIES DISTRICT NO. 88-1  
OF WESTERN MUNICIPAL WATER DISTRICT**

**FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE FISCAL YEARS ENDED  
June 30, 2020 and 2019**

COMMUNITY FACILITIES DISTRICT NO. 88-1  
OF WESTERN MUNICIPAL WATER DISTRICT

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For the fiscal years ended June 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Riverside, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Community Facilities District No. 88-1 of Western Municipal Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

The financial statements as of June 30, 2019, were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020, and has subsequently ceased operations. White Nelson Diehl Evans LLP's report dated December 9, 2019, expressed an unmodified opinion on those statements.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
December 17, 2020

## **BASIC FINANCIAL STATEMENTS**

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Net Position  
June 30, 2020 and 2019**

	2020	2019
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2)	\$ 275,468	\$ 275,670
Accrued interest receivable	1,225	1,288
Prepaid assets	398	398
Special assessments receivable	5,448	5,291
Total Current Assets	282,539	282,647
<b>Noncurrent Assets:</b>		
Investments (Note 2)	175,082	171,756
Special assessments receivable	686,474	772,443
Total Noncurrent Assets	861,556	944,199
Total Assets	1,144,095	1,226,846
<b>Deferred Outflows of Resources:</b>		
Deferred amount on debt refunding	179,633	197,016
Total Deferred Outflows of Resources	179,633	197,016
<b>Liabilities and Net Position</b>		
<b>Current Liabilities:</b>		
Accounts payable	300	200
Accrued interest payable	15,693	16,630
Current portion of bonds payable (Note 3)	95,000	100,000
Total Current Liabilities	110,993	116,830
<b>Noncurrent Liabilities:</b>		
Bonds payable (Note 3)	1,212,735	1,307,032
Total Noncurrent Liabilities	1,212,735	1,307,032
Total Liabilities	1,323,728	1,423,862
<b>Net Position:</b>		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

See accompanying notes to the basic financial statements

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Revenues, Expenses and Changes in Net Position  
For the years ended June 30, 2020 and 2019**

	2020	2019
<b>Revenues:</b>		
Special assessments	\$ 97,968	\$ 303,528
Investment earnings	9,440	14,828
	107,408	318,356
<b>Expenses:</b>		
Interest	81,793	93,506
Administrative fees	25,615	23,356
Intergovernmental	-	201,494
	107,408	318,356
Changes in Net Position	-	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ -	\$ -

See accompanying notes to the basic financial statements

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Cash Flows  
For the years ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Payments for administrative fees	\$ (25,515)	\$ (24,912)
Interest earnings	798	1,014
	(24,717)	(23,898)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from special assessments	183,780	199,162
Principal payments on bonds payable	(100,000)	(405,000)
Interest payments on bonds payable	(64,644)	(78,681)
Drawdown from improvement fund	-	(201,494)
Proceeds from sale of investments in reserve fund	-	113,677
	19,136	(372,336)
<b>Cash Flows from Investing Activities:</b>		
Investment earnings received	4,379	-
Purchase of investments	(171,000)	-
Proceeds from maturities of investments	172,000	-
	5,379	-
Net Cash Provided by Investing Activities		
	(202)	(396,234)
Net (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	275,670	671,904
Cash and Cash Equivalents, End of Year	\$ 275,468	\$ 275,670

(Continued)

See accompanying notes to the basic financial statements

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Cash Flows (Continued)  
For the years ended June 30, 2020 and 2019**

	2020	2019
<b>Reconciliation of Changes in Net Position to Net Cash (Used in) Operating Activities:</b>		
Changes in Net Position	\$ -	\$ -
Adjustments to Reconcile Changes in Net Position to Net Cash (Used in) Operating Activities:		
Amortization (included within interest expense)	18,086	18,700
Changes in Assets and Liabilities:		
(Increase) decrease in receivables	(42,903)	(41,042)
(Increase) decrease in accounts payable	100	(1,556)
Total Adjustments	(24,717)	(23,898)
Net Cash (Used in) Operating Activities	\$ (24,717)	\$ (23,898)

See accompanying notes to the basic financial statements

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 1: Reporting entity and summary of significant accounting policies***

***A. Organization and operations of the reporting entity***

The Community Facilities District No. 88-1 of Western Municipal Water District (District) was established by the former Murrieta County Water District to finance, relative to water and sewer facilities, the acquisition, construction, expansion, rehabilitation, leasing or purchasing of facilities and any other governmental facilities which the Murrieta County Water District as authorized by law to contribute revenue to, to construct, and to own and operate which are necessary to meet increased demands placed on the Murrieta County Water District as a result of development and rehabilitation occurring within the District.

The financing was accomplished through the authorization of special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 adopted by the Board of Directors of the former Murrieta County Water District acting as the legislative body of the District. The bonds are only payable from certain proceeds of an annual special assessment to be levied and collected from properties located within the District. At June 30, 2020 and 2019, the District consisted of 2,741 and 2,575 parcels, respectively. In the event that the special assessments are not paid when due, the only sources of funds to repay the bonds are amounts held in the bond reserve fund, or proceeds, if any, from foreclosure sales of land within the District following a delinquency in the special assessment payment. Neither the full faith and credit nor the taxing power of Western Municipal Water District, the County of Riverside, the State of California, or any other political subdivision thereof is pledged to the payments of the bonds.

On November 23, 2005, the Murrieta County Water District merged with Western Municipal Water District. This merger resulted in no change in the operations of the Community Facilities District No. 88-1.

***B. Basis of accounting and measurement focus***

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 1: Reporting entity and summary of significant accounting policies (continued)***

*C. New accounting pronouncements*

1. Current year standards implemented

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

2. There are currently no pending accounting standards not yet implemented that are anticipated to impact the District.

*D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position*

1. Cash and cash equivalents

The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Use of restricted resources

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

3. Investments and investment policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are generally stated at fair value based on the last reported sales price published on the national exchange. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment earnings are comprised of interest income, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Bond discounts

Bond discounts are amortized using the straight-line method over the remaining life of the respective debt service. Amortization expense is included in interest expense.

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 1: Reporting entity and summary of significant accounting policies (continued)***

5. Deferred inflows and outflows of resources

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Deferred amounts resulting from the refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, the District's deferred amount on refunding of debt has been classified as a deferred outflow of resources in the statement of net position in conformity with GASB 65.

*E. Use of estimates*

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

***Note 2: Cash and investments***

Cash and investments as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Deposits held with financial institutions	\$ 7,710	\$ 8,829
Money market funds	267,758	266,841
Negotiable certificates of deposit	175,082	171,756
Total cash and investments	\$ 450,550	\$ 447,426

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Authorized investments*

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by a bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Municipal Securities	5 years	30%	5%
California State and Local Agency Obligations			
Notes or Bonds of any of the other 49 states			
U.S. Treasury Obligations	10 years	None	No Limit
U.S. Government Agency Securities Obligations	10 years	None	25%
Banker's Acceptances	180 days	40%	5%
Prime Commercial Paper	270 days	25%	5%
Federally Insured Time Deposits (Non-negotiable CDs)	5 years	20% (combined with collateralized Time Deposits)	FDIC Limit
Collateralized Time Deposit (Non-negotiable CDs)	5 years	20% (combined with Federally-insured Time Deposits)	No Limit
Certified Deposit Placement Services (CDARS)	5 years	30% (combined with CDs)	No Limit
Negotiable Certificates of Deposit (NCDs)	5 years	30% (combined with CDARS)	5%
Repurchase Agreements	90 days	None	5%
Corporate Medium-Term Notes	5 years	30%	5%
Supranational	5 years	30%	10%
California State Local Agency Investment Fund	N/A	\$75 million	No Limit
Mutual Funds	N/A	20% (combined with Money Market Mutual Funds)	10%
Money Market Mutual Funds	N/A	20% (combined with Mutual Funds)	No Limit
Mortgage Pass-Through Securities	5 years	20%	5%
Asset-Backed Securities	5 years	20%	5%
Collateralized Mortgage Obligations	5 years	20%	5%
Local Government Pooled Investment Funds	N/A	None	No Limit
CalTrust Pooled Investment Funds	N/A	None	No Limit

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 2: Cash and investments (continued)***

*Authorized investments (continued)*

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by a bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	No Limit
U.S. Agency Securities	None	None	No Limit
Local Agency Bonds	None	None	No Limit
Banker's Acceptances	270 days	None	No Limit
Commercial Paper	180 days	None	No Limit
Money Market Funds	N/A	None	No Limit
Guaranteed Investment Contracts	None	None	No Limit
Certificates of Deposit	None	None	No Limit
Local Agency Investment Fund (LAIF)	N/A	\$75 million	No Limit

*Custodial credit risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). In addition, none of the District's counterparties hold the investments, for which separate safekeeping arrangements exist.

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Custodial credit risk (continued)*

At June 30, 2020 and 2019, the District had deposits with bank balances of \$7,710 and \$8,829, respectively. The Federal Deposit Insurance Corporation insures all accounts at each bank up to \$250,000.

*Interest rate risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Maturity of investments at June 30, 2020 is as follows:

Investment Type	Total	Investment Maturities (in Years)		
		1 or less	1 - 5	Over 5
Held by Bond Trustee:				
Money market funds	\$ 267,758	\$ 267,758	\$ -	\$ -
Negotiable certificates of deposit	<u>175,082</u>	<u>-</u>	<u>175,082</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 442,840</u>	<u>\$ 267,758</u>	<u>\$ 175,082</u>	<u>\$ -</u>

Maturity of investments at June 30, 2019 is as follows:

Investment Type	Total	Investment Maturities (in Years)		
		1 or less	1 - 5	Over 5
Held by Bond Trustee:				
Money market funds	\$ 266,841	\$ 266,841	\$ -	\$ -
Negotiable certificates of deposit	<u>171,756</u>	<u>171,756</u>	<u>-</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 438,597</u>	<u>\$ 438,597</u>	<u>\$ -</u>	<u>\$ -</u>

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Credit risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Credit rating of investments at June 30, 2020 is as follows:

Investment Type	Total	Minimum Legal Rating	Not Rated	Ratings as of Year End Aaa-mf/ AAAm
Held by Bond Trustee:				
Money market funds	\$ 267,758	Aa2/AAm	\$ -	\$ 267,758
Negotiable certificates of deposit	<u>175,082</u>	None	<u>175,082</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 442,840</u>		<u>\$ 175,082</u>	<u>\$ 267,758</u>

Credit rating of investments at June 30, 2019 is as follows:

Investment Type	Total	Minimum Legal Rating	Not Rated	Ratings as of Year End Aaa-mf/ AAAm
Held by Bond Trustee:				
Money market funds	\$ 266,841	Aa2/AAm	\$ -	\$ 266,841
Negotiable certificates of deposit	<u>171,756</u>	None	<u>171,756</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 438,597</u>		<u>\$ 171,756</u>	<u>\$ 266,841</u>

*Concentration of credit risk*

The investment policy of the District contains various limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total District investments are as follows:

Issuer and Investment Type	2020 Reported Amount	2019 Reported Amount
Negotiable certificates of deposit:		
Capital One National Association	\$ -	\$ 144,794
Goldman Sachs Bank USA	\$ 175,082	\$ -

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Fair value measurements*

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The hierarchy of the District's investments at June 30, 2020 is as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Held by Bond Trustee:				
Money market funds	\$ 267,758	\$ -	\$ -	\$ 267,758
Negotiable certificates of deposit	-	175,082	-	175,082
Total leveled investments	<u>\$ 267,758</u>	<u>\$ 175,082</u>	<u>\$ -</u>	<u>\$ 442,840</u>

The hierarchy of the District's investments at June 30, 2019 is as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Held by Bond Trustee:				
Money market funds	\$ 266,841	\$ -	\$ -	\$ 266,841
Negotiable certificates of deposit	-	171,756	-	171,756
Total leveled investments	<u>\$ 266,841</u>	<u>\$ 171,756</u>	<u>\$ -</u>	<u>\$ 438,597</u>

**Note 3: Long-term debt**

Long-term debt as of June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions/ Amortization	Ending Balance
Other debt:				
Series 2011 Special Tax Bonds	\$ 1,415,000	\$ -	\$ (100,000)	\$ 1,315,000
Less: unamortized discount	(7,968)	-	703	(7,265)
Total Series 2011 Special Tax Bonds	<u>\$ 1,407,032</u>	<u>\$ -</u>	<u>\$ (99,297)</u>	<u>\$ 1,307,735</u>
Total Long-Term Debt	\$ 1,407,032			\$ 1,307,735
Less: current portion	(100,000)			(95,000)
Long-Term Portion	<u>\$ 1,307,032</u>			<u>\$ 1,212,735</u>

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 3: Long-term debt (Continued)**

Long-term debt as of June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Amortization</u>	<u>Ending Balance</u>
Other debt:				
Series 2011 Special Tax Bonds	\$ 1,820,000	\$ -	\$ (405,000)	\$ 1,415,000
Less: unamortized discount	<u>(9,283)</u>	<u>-</u>	<u>1,315</u>	<u>(7,968)</u>
Total Series 2011 Special Tax Bonds	<u>\$ 1,810,717</u>	<u>\$ -</u>	<u>\$ (403,684)</u>	<u>\$ 1,407,032</u>
 Total Long-Term Debt	 \$ 1,810,717			 \$ 1,407,032
Less: current portion	<u>(305,000)</u>			<u>(100,000)</u>
Long-Term Portion	<u>\$ 1,505,717</u>			<u>\$ 1,307,032</u>

*Series 2011 Special Tax Bonds*

In September 2011, the Community Facilities District No. 88-1 issued Series 2011 Special Tax Bonds in the amount of \$3,630,000. Interest is payable semi-annually on April 1 and October 1 each year at stated rates ranging from 1.12% to 5.25%, while principal payments are payable on October 1 each year through 2030.

A portion of the 2011 Special Tax Bonds, along with other available funds, were used to refund the outstanding principal balance amount of \$1,770,000 of the Series 1996A Special Tax Refunding Bonds and \$2,310,000 of the Series 2000 Junior Lien Special Tax Bonds in October 2011 and December 2011, respectively. Proceeds from the redemption of the 1996A Special Tax Refunding Bonds, together with certain proceeds from the Improvement Area No. 2 issuance of Series 2011 Special Tax Refunding Bonds and other available funds, were used to refund all of the outstanding Murrieta Water Public Financing Authority Special Tax Revenue Bonds designated as \$4,355,000 outstanding principal amount of 1996 Series A (Senior Lien Bonds) and \$2,960,000 outstanding principal amount of 1996 Series B (Junior Lien Bonds). The remaining proceeds from the 2011 Special Tax Bond issuance were used to finance part of the cost for the improvements and modifications to the water collection and transmission system, including repair of wells proximate to CFD 88-1.

The 2011 Special Tax Bonds also has a debt service reserve requirement. At June 30, 2020, this reserve was fully funded with a balance of \$175,082.

**Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 3: Long-term debt (continued)***

Annual debt service requirements on the Series 2011 Special Tax Bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 95,000	\$ 60,869	\$ 155,869
2022	100,000	56,906	156,906
2023	105,000	52,547	157,547
2024	105,000	47,888	152,888
2025 - 2029	615,000	156,778	771,778
2030 - 2031	<u>295,000</u>	<u>15,528</u>	<u>310,528</u>
Total	1,315,000	<u>\$ 390,516</u>	<u>\$ 1,705,516</u>
Less:			
Current portion	(95,000)		
Unamortized discount	<u>(7,265)</u>		
Total Noncurrent	<u>\$ 1,212,735</u>		

***Note 4: Commitments and contingencies***

*Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

*COVID-19 Pandemic*

The COVID-19 pandemic is ongoing, and the ultimate geographic spread of the virus, the duration, and the severity of the outbreak remains uncertain. In addition, the economic implications and actions that may be taken by government authorities to contain the outbreak, or to treat its impact, are also unknown. The related financial impact on the District and the duration cannot be estimated at this time.

***Note 5: Subsequent events***

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of December 17, 2020, which is the date these financial statements were available to be issued.