

Home Gardens Sanitary District

(A California Special District)

**Financial Statements
and
Independent Auditors' Report**

For the Year Ended June 30, 2024



smithmarion

Home Gardens Sanitary District

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For the Year Ended June 30, 2024

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Home Gardens Sanitary District

List of Elected and Appointed Officials
For the Year Ended June 30, 2024

Elected Officials

Board of Directors

<u>Title</u>	<u>Director</u>	<u>Term Expires</u>
President	Salvador Cacho	December 2, 2028
Secretary/Treasurer	Efrain Barajas	December 1, 2028
Director	Miguel Serrato	December 1, 2026
Director	Grady Garrison	December 2, 2026
Director	Karen Samson Runion	December 2, 2026

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Board of Directors
Home Gardens Sanitary District
Corona, CA

Independent Auditors' Report

Report on the Financial Statements

Opinion

We have audited the financial statements of the business type activities of Home Gardens Sanitary District, as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise Home Gardens Sanitary District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business type activities of Home Gardens Sanitary District as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the State Controller's Minimum Audit Requirements and Reporting guidelines for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Home Gardens Sanitary District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Home Gardens Sanitary District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

MANAGEMENT'S DISCUSSION & ANALYSIS

The purpose of this MD&A is to provide a narrative overview, financial highlights, and analyses of the audited annual financial statements of Home Gardens Sanitary District (HGSD, the District). This MD&A Section is being presented as required by the provisions of the Governmental Standards Board (GASB) Statement 34, supplementary information.

The financial statements are reported on the basis of a twelve-month fiscal year, which starts on July 1 of one calendar year and ends on June 30 of the next calendar year; the fiscal year is named by the calendar year in which the fiscal year ends. Therefore, the basic annual financial statements presented in this report are for fiscal year 2024, which started July 1, 2023 and ended June 30, 2024.

Please read this overview in conjunction with your reading of the accompanying Basic Financial Statements.

THE PURPOSE OF THE DISTRICT

Home Gardens Sanitary District formed July 1, 1957, as a State of California Special District for the purpose of collection and disposal of sewage under Section 6400 et seq., of the Health and Safety Code. The area of jurisdiction of the HGSD is the Home Gardens area of the County of Riverside. Permanent operational office facilities are maintained in Home Gardens to facilitate the provision of services.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- ξ The assets of the District exceeded its liabilities at June 30, 2024 and 2023, by \$8,251,094 and \$7,969,246 (net position), respectively. Of this amount, \$3,456,650 and \$3,824,189 is identified as investment in operating plant (net of related debt) at June 30, 2024 and 2023, respectively, and is not available for operations.
- ξ As of the close of June 30, 2024 and 2023, the District reported an increase of \$533,879 and a decrease in net position of (\$320,522), respectively.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

HGSD is a special purpose government agency. As a special purpose government agency, the District maintains its financial operations in a business-type approach and is defined as a governmental enterprise fund by the Government Accounting Standards Board (GASB). Accordingly, the District is required to present its financial statements in the format of enterprise fund financial statements.

The District is not a component unit of a larger governmental body. The District issues its own financial statements.

The *enterprise fund financial statements* consist of four elements:

- 1) Statement of Net Position
- 2) Statement of Revenues, Expenses, and Changes in Net Position
- 3) Statement of Cash Flows
- 4) Notes to Financial Statements

The *Statement of Net Position* - presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses, and Changes in Net Position* - reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will result in cash flows in the subsequent years.

The *Statement of Cash Flows* - as the name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

The *Notes to Financial Statements* - provide additional information that is essential to a full understanding of the data provided by this agency in the enterprise fund financial statements.

PRESENTATION OF CONDENSED FINANCIAL INFORMATION

Following are the Statement of Net Position and a chart illustrating the Net Position by Category:

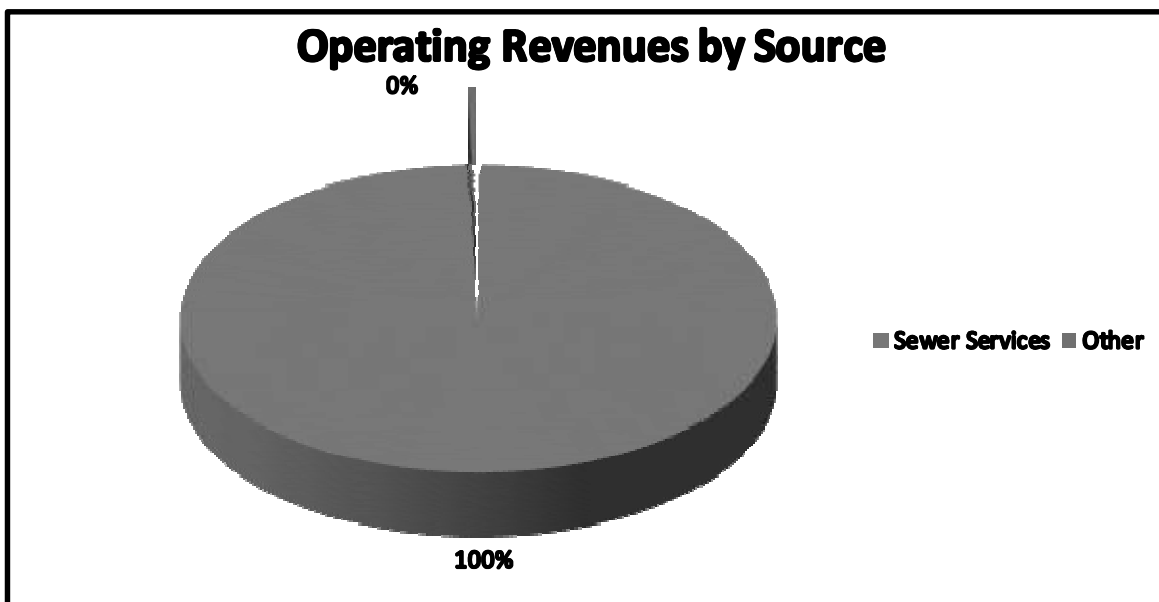
HOME GARDENS SANITARY DISTRICT		
Statement of Net Position		
For the Year Ended June 30, 2024		
	2024	2023
Cash and LAIF account	\$ 4,618,465	\$ 4,124,711
Other assets	248,024	189,834
Capital assets	4,320,900	4,355,739
Total Deferred Outflows of Resources	9,187,389	8,670,284
Accounts payable and other current liabilities	117,870	87,661
Long-term liabilities	818,425	933,899
Total Deferred Inflows of Resources	936,295	1,021,560
Net position:		
Net investment in capital assets	3,456,650	3,824,189
Unrestricted	4,794,444	4,145,057
Total Net Position	\$ 8,251,094	\$ 7,969,246

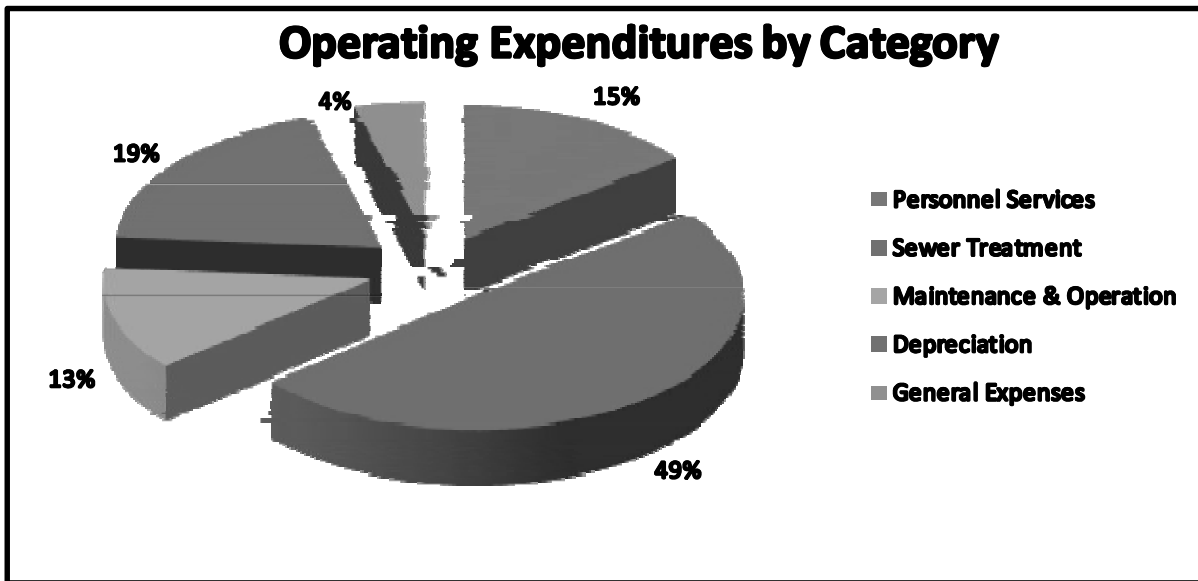
Long-term liabilities consist of accrued compensated absences and loan balances on constructed capital.

The following are the Statement of Revenues and Expenses, and Changes in Net Position, a chart illustrating the Operating Revenues by Source, and a chart illustrating the Operating Expenses by Category:

HOME GARDENS SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

Operating Revenues	2024	2023
Sewer services	\$ 1,517,247	\$ 1,364,344
Other	6,569	23,170
<i>Total operating revenues</i>	<u>1,523,816</u>	<u>1,387,514</u>
Operating Expenses		
General operating expenses	1,448,558	1,448,558
<i>Total operating expenses</i>	<u>1,448,558</u>	<u>2,078,051</u>
Operating Income (Loss)	<u>75,258</u>	<u>(690,537)</u>
Nonoperating Revenues (Expenses)		
Interest and other income	220,189	87,575
Property taxes	324,359	300,873
Interest expense	(17,436)	(18,433)
<i>Total nonoperating revenue (expenses)</i>	<u>527,112</u>	<u>370,015</u>
Change in Net Position	602,370	(320,522)
Net position - beginning	7,648,724	7,969,246
Net position - ending	<u>\$ 8,251,094</u>	<u>\$ 7,648,724</u>





FINANCIAL ANALYSIS OF OVERALL POSITION

The analysis covered in this section focuses on the Statement of Net Position and the Statement of Revenues and Expenses, and Changes in Net Position, as previously illustrated.

Statement of Net Position

At June 30, 2024 and 2023, the District reflects a strong liquid position with \$4,618,465 and \$4,124,711 in cash and LAIF account amounts, respectively.

Statement of Revenues and Expenses, and Changes in Net Position

As depicted in the Statement of Revenues and Expenses, and Changes in Net Position, the District's net position increased by \$602,370 and decrease by (\$320,522) for the years ended June 30, 2024 and 2023, respectively. Total operating revenues increased approximately by 5% as of June 30, 2024, and increased approximately by 5% in 2023.

ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

The District's Board of Directors monitors the annual operating budget throughout the fiscal year in order to avoid expenditures in excess of available funds. Monthly and quarterly financial documents are prepared to assist in this process.

Comparison of Actual and Budget

The following is an illustration of the comparison between the budget and the actual financial activity:

HOME GARDENS SANITARY DISTRICT Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2024

	Actual	Budget	Difference
Operating Revenues			
Sewer services	\$ 1,517,247	\$ 1,400,000	\$ 117,247
Other	6,569	-	6,569
<i>Total operating revenues</i>	<u>1,523,816</u>	<u>1,400,000</u>	<u>123,816</u>
Operating Expenses			
General operating expenses	1,448,558	2,209,000	760,442
<i>Total operating expenses</i>	<u>1,448,558</u>	<u>2,209,000</u>	<u>760,442</u>
Operating Income (Loss)	<u>75,258</u>	<u>(809,000)</u>	<u>884,258</u>
Nonoperating Revenues (Expenses)			
Property taxes	324,359	275,000	49,359
Interest expense	(17,436)	-	(17,436)
Interest and other income	220,189	534,000	(313,811)
<i>Total nonoperating revenue (expenses)</i>	<u>527,112</u>	<u>809,000</u>	<u>(281,888)</u>
Change in Net Position	602,370	-	(602,370)
Net position - beginning	7,648,724	7,648,724	-
Net position - ending	<u>\$ 8,251,094</u>	<u>\$ 7,648,724</u>	<u>\$ (602,370)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District maintains various capital assets. Less than 1% of the net capital assets relate to administration and support activities, the remaining 99% of the net book value supports the sewer system and treatment plant.

Long-Term Debt

Home Gardens Sanitary District has \$864,250 and \$917,701 in long-term debt outstanding, excluding compensated absences as of June 30, 2024 and 2023, respectively.

CURRENTLY KNOWN FACTS: ECONOMIC FACTORS

HGSD is primarily dependent on fees paid by customers for sewer services and receives a portion of their revenues from property taxes.

Expenses are monitored on an ongoing basis; however, sewer treatment expense represents approximately 60% of the annual operating expenses.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide a general overview of Home Gardens Sanitary District's finances for all those with an interest in Home Gardens Sanitary District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Manager at Home Gardens Sanitary District, 13538 Magnolia Ave., Corona, CA 92879.

Home Gardens Sanitary District
Statement of Net Position - Enterprise Fund
June 30, 2024

ASSETS

Current Assets

Cash	\$ 580,837
LAIF account	4,037,628
Total Cash and LAIF Account	4,618,465
Accounts receivable (net)	248,024
Total Current Assets	4,866,489
Capital assets (net)	4,320,900
Total Assets	9,187,389

Deferred Outflows of Resources

Total Deferred Outflows of Resources	-
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LIABILITIES

Current Liabilities

Accounts payable	41,240
Compensated absences - current portion	7,556
Notes payable - current portion	54,467
Prepaid sewer fees	14,607
Total Current Liabilities	117,870

Non-Current Liabilities

Compensated absences	8,642
Notes payable - S.R.L.F.	809,783
Total Non-Current Liabilities	818,425
Total Liabilities	936,295

Deferred Inflows of Resources

Total Deferred Inflows of Resources	-
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NET POSITION

Net investment in capital assets	3,456,650
Restricted	-
Unrestricted	4,794,444
Total Net Position	\$ 8,251,094

Home Gardens Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund
For the Year Ended June 30, 2024

OPERATING REVENUES

Sewer services	\$ 1,517,247
Plan check fees	5,250
Other income	1,319
Total Operating Revenues	<u>1,523,816</u>

OPERATING EXPENSES

Salaries	136,966
Employee benefits	31,025
OASDI	23,585
Director's fees	20,886
Election expense	-
Vehicle expense	1,635
Depreciation expense	280,869
Accounting fees	7,961
Insurance	24,941
Office expense	12,219
Operating expense	4,800
Research monitor	3,843
Professional services	100,863
Repairs and maintenance	75,824
Construction	-
Sewer treatment	711,601
Utilities	5,589
Total Operating Expenses	<u>1,448,558</u>
Net Operating Income (Loss)	<u>75,258</u>

NON-OPERATING REVENUES

Interest - LAIF and savings	153,621
Property taxes	324,359
Connection fees	66,568
Total Non-Operating Revenues	<u>544,548</u>

NON-OPERATING EXPENSES

Interest on long-term debt	17,436
Total Non-Operating Expenses	<u>17,436</u>
Net Non-Operating Income (Loss)	<u>527,112</u>

Change in Net Position	602,370
Net Position - Beginning Balance	<u>7,648,724</u>
Net Position - Ending Balance	<u>\$ 8,251,094</u>

Home Gardens Sanitary District
Statement of Cash Flows - Enterprise Fund
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from sewer services	\$ 1,448,756
Other receipts	6,569
Payments for personnel services	(233,975)
Payments for other operating activities	(955,227)
Net Cash Flows from Operating Activities	<u>266,123</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts of property taxes	324,359
Net Cash Flows from Noncapital Financing Activities	<u>324,359</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on capital debt	(17,436)
Payment on loans payable	(53,451)
Proceeds from connection fees	66,568
Net Cash Flows from Capital and Related Financing Activities	<u>(4,319)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from LAIF and savings	153,621
Purchase of fixed assets	(246,030)
Net Cash Flows from Investing Activities	<u>(92,409)</u>

Net increase (decrease) in cash	493,754
Cash at Beginning of Year	<u>4,124,711</u>
Cash at End of Year (Cash and LAIF Account)	<u>\$ 4,618,465</u>

**Reconciliation of Operating Income to Net Cash Provided (Used)
by Operating Activities**

Net income from operating activities	\$ 75,258
<i>Non-cash items included in net income:</i>	
Depreciation	280,869
<i>Increase (decrease) in:</i>	
Accounts payable	(21,471)
Payroll tax liability	(42)
Net Cash Flows from Operating Activities	<u>\$ 266,123</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Home Gardens Sanitary District (the District), was formed on July 1, 1957, for the purpose of collection and disposal of sewage under Section 6400 et. seq., of the Health and Safety Code.

The District's records are located at 13538 Magnolia Ave., Corona, CA 92879.

Basis of Presentation

The District's financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The District has elected to follow all relevant pronouncements of the Governmental Accounting Standards Board (GASB).

Measurement Focus and Basis of Accounting

The District reports its activities as an enterprise funds, which is used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting.

Under this basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating vs. Non-Operating Activities

Operating activities are distinguished from non-operating activities on the statement of revenues and expenses. Operating revenues and expenses generally result from providing sanitation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgetary Accounting

The District uses the following budgetary procedures prior to the beginning of each fiscal year; the District adopts and files an itemized statement of estimated operating expenses, reserve requirements and anticipated revenues with the County Auditor-Controller. The sources of finances for these operating costs and reserve requirements are (1) available retained earnings carried forward from the preceding year (2) revenue other than property taxes and (3) property taxes. The Auditor-Controller computes the tax rate necessary to provide the required debt service property tax revenue. This rate is computed by dividing the required property tax revenue per the District's submitted budget by the District's assessed valuations determined by the County Assessor. Budgetary information is not required to be presented for business-type activities in the financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers cash and all highly liquid investments with maturities of three months or less when purchased. Included therein are cash on hand, demand deposits with financial institutions, and deposits with the State of California Local Agency Investment Fund (LAIF).

Accounts Receivable

Accounts receivable are presented net of the allowance for doubtful accounts. The District provides an allowance for doubtful collections based upon a review of outstanding receivables, historical collection information, and existing economic conditions, for the year ended June 30, 2024, the District deemed 1% of total accounts receivable to be uncollectable. Collection efforts are pursued on all valid receivables until appeals are exhausted or the account is deemed uncollectible. At that point, the account is written off and sent to a collection agency, if appropriate.

Capital Assets

The District records capital assets at cost. Assets costing \$1,000 or more, with useful lives greater than one year, are capitalized. Construction in progress is recorded at cost and includes ancillary charges necessary to place the asset in use and are not depreciated until placed into service. Ancillary charges include costs such as site preparation expenditures and professional fees. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 years
Improvements	15 years
Furniture and equipment	5 - 10 years

Employee Compensated Absences

District employees earn vacation and sick leave days based on length of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time and 50% of accrued sick time. Compensated absences payable is presented in the liabilities section of the statement of net position.

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1st. Taxes are levied on July 1st and are due in two installments. The first installment is due on November 1st and is payable through December 10th without penalty. The second installment is due February 1st and becomes delinquent on April 10th. Property taxes are remitted to the District from the County of Riverside at various times throughout the year.

Connection Fees

Connection fees represent a one-time contribution of resources to the District imposed on contractors and developers for the purpose of financing growth-related construction and improvements. Connection fees are recognized as other operating revenues in the statement of revenues and expenses. Any cumulative fees collected in excess of amounts expended are shown as restricted net position. As of June 30, 2024, the District did not have cumulative fees collected in excess of amount expended.

Stewardship, Compliance, and Accountability

Although the District prepares and adopts an annual budget, budgetary information is not presented because financial reporting standards do not require the presentation of budgetary information for business-type activities in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

The District's net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets and capacity rights, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets and capacity rights excludes unspent debt proceeds.

Restricted – This component of net position consists of assets which are legally restricted by outside parties for use for a specific purpose.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". Dedicated net position represents unrestricted assets which are segregated by the Board of Directors for specific future uses.

NOTE 2 - COMPOSITION OF ACCOUNTS RECEIVABLE

The balance shown as accounts receivable consists of the following items:

Sewer service receivable	\$ 250,447
Allowance for uncollectible	<u>(2,423)</u>
Net sewer service receivable	248,024
Interest receivable	<u>-</u>
	<u><u>\$ 248,024</u></u>

NOTE 3 - COMPOSITION OF CAPITAL ASSETS

The composition of capital assets and the related accumulated depreciation are as follows:

	6/30/23	Additions	Deletions	6/30/24
Non-Depreciable Capital Assets				
Land	\$ 237,962	\$ -	\$ -	\$ 237,962
Construction in progress	-	246,031	-	246,031
Subtotal	237,962	246,031	-	483,993
Depreciable Capital Assets				
Sewer disposal system	1,621,285	-	-	1,621,285
Donated sewer disposal system	152,270	-	-	152,270
Treatment plant	6,249,979	246,031	-	6,249,979
Office equipment and furniture	28,329	-	-	28,329
Automobiles	26,284	-	-	26,284
Buildings and structures	829,295	-	-	829,295
Subtotal	8,907,442	246,031	-	8,907,442
Total Capital Assets	9,145,404	492,062	-	9,391,435
Accumulated depreciation	(4,556,859)	(280,869)	-	(5,070,535)
Net Capital Assets	\$ 4,588,545	\$ 211,193	\$ -	\$ 4,320,900

Depreciation Expense for the Year Amounted to: \$ 280,869

NOTE 4 - PENSION PLAN

Full-time employees with continuous service of twelve months are covered by a defined contribution plan funded totally by the District. The contribution rate is 25% of participant wages. The total payroll was \$157,851 and covered payroll was \$115,280. A participant is one who has sufficient year of service with the District and meets other eligibility requirements under the plan. Vesting is based on years of continuous service. A participant is 100% vested after six years of service.

Total plan contributions for the year amounted to: \$ 31,025

The plan is fully funded at year end.

NOTE 5 - NET POSTION

Activities relating to net position are as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
Beginning balance	\$ 3,824,189	\$ -	\$ 4,145,057	\$ 7,969,246
Changes:				
Change in net position	(367,539)	-	649,387	281,848
Total	\$ 3,456,650	\$ -	\$ 4,794,444	\$ 8,251,094

Home Gardens Sanitary District

Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 6 - COMPENSATED ABSENCES PAYABLE

Pursuant to GASB Statement 16, the accompanying financial statements present accrued vacation and sick pay due employees at year-end.

06/30/23	Additions	Deletions	06/30/24	Due within One Year
\$ 16,198	\$ 10,238	\$ (10,238)	\$ 16,198	\$ 7,556

NOTE 7 - COMPOSITION OF CASH AND INVESTMENTS

The District has adopted an investment policy which authorizes the District's investments in the State of California Local Agency Investment Fund (LAIF). The District selects its investments based on safety, liquidity, and yield.

Petty cash	\$ 100
Interest and non-interest bearing checking	\$ 580,737
Total insured	\$ 580,737
California Local Agency Investment Fund (LAIF)	\$ 4,037,628

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the **investment types** that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address **interest rate risk, credit risk, and concentration credit risk**. This table does not address investment of debt proceeds held by 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 investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of * Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the District investment pool is approximately 10.5 months.

Disclosure Relating to Credit Risk

Generally, 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. The District investment fund does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total District investments.

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 California Government code and the District's investment policy do not contain legal or policy requirement 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. 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 deposit.

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 investments. With respect to investment, custodial credit 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 a mutual funds or government investment pool.

Investment in District Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

NOTE 8 - JOINT VENTURE**Description of the Joint Powers Authority**

The District is a participant in the Western Riverside County Regional Wastewater Authority (Authority), formed under a joint powers agreement for the purpose of constructing a wastewater treatment facility. The Authority consists of five-member districts. The Authority has a ten-member Board of Directors comprised of one staff and one elected person for each agency. However, each agency receives only one vote.

The following represents the members of the joint venture and their respective percentage of the project:

Home Gardens Sanitary District	5%
Jurupa Community Services District	43%
City of Norco	19%
City of Corona	19%
Western	14%

Northerly Recycled Pipeline & Pump Station

On June 3, 2024, the District entered into an agreement with the Authority to pay for the construction and maintenance of the Northerly Recycled Pipeline & Pump Station. As of June 30, 2024, construction costs for the pump station have totaled \$40,781 and are recorded in Construction in Progress. The Northerly Pipeline & Pump Station will be designed to deliver 10.15 MGD of recycled water ownership percentages are based on daily flows in MGD and are as follows:

Home Gardens Sanitary District	6%
Jurupa Community Services District	48%
City of Norco	17%
City of Corona	15%
Western	15%

NOTE 9 - NOTES PAYABLE

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

Installment purchase contracts with Western Riverside County Regional Wastewater Authority, contract period August 1, 2017 through August 1, 2038, 1.9% interest rate.

	Balance at July 01, 2023	Increases	Decreases	Balance at June 30, 2024	Due within One Year
Business-Type Activities:	\$ 917,701	\$ -	\$ (53,451)	\$ 864,250	\$ 54,467
Notes from direct borrowings	\$ 917,701	\$ -	\$ (53,451)	\$ 864,250	\$ 54,467

Home Gardens Sanitary District

Notes to Financial Statements
For the Year Ended June 30, 2024

Debt service requirements on long-term debt at June 30, 2024, are as follows:

June 30,	Business-Type Activities	
	Principal	Interest
2025	\$ 54,467	\$ 16,421
2026	55,501	15,386
2027	56,556	14,331
2028	57,630	13,257
2029	58,725	12,162
Thereafter	581,370	56,615
	<u>\$ 864,250</u>	<u>\$ 128,172</u>

NOTE 10 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the District through January 29, 2025, (the date the financial statements were available to be issued) and concluded that there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein except the ones mentioned above.

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