

LOST HILLS UTILITY DISTRICT

FINANCIAL STATEMENTS

Years Ending June 30, 2021 and 2020

Lost Hills Utility District

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June 30, 2021 and 2020

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Albert & Associates, LLP

Certified Public Accountants

Independent Auditor's Report

The Board of Directors of the Lost Hills Utility District
Lost Hills, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Lost Hills Utility District, (the District), as of and for the years ending June 30, 2021 and 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.

Auditor's 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 business-type activities of the Lost Hills Utility District, as of June 30, 2021 and 2020, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lost Hills Utility District's basic financial statements. The Schedules of Net Position by Department and Schedules of Revenues, Expenses, and Changes in Fund Net Position by Department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Net Position by Department and Schedules of Revenues, Expenses, and Changes in Fund Net Position by Department are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Net Position by Department and Schedules of Revenues, Expenses, and Changes in Fund Net Position by Department are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021 on our consideration of Lost Hills Utility 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 Lost Hills Utility 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 Lost Hills Utility District's internal control over financial reporting and compliance.

Albert & Associates, LLP

Wasco, California
October 19, 2021

Lost Hills Utility District

STATEMENTS OF NET POSITION

PROPRIETARY FUND

June 30, 2021 and 2020

Assets:	2021	2020
Current Assets:		
Cash and investments	\$ 2,860,343	\$ 2,459,569
Receivables, net	296,055	337,231
Prepaid expenses	25,605	27,972
	<hr/>	<hr/>
Total Current Assets	3,182,003	2,824,772
Noncurrent Assets:		
Capital Assets:		
Capital assets not being depreciated	791,573	468,237
Depreciable buildings, property and equipment, net of accumulated depreciation	5,863,431	5,706,694
	<hr/>	<hr/>
Total Noncurrent Assets	6,655,004	6,174,931
	<hr/>	<hr/>
Total Assets	\$ 9,837,007	\$ 8,999,703
	<hr/>	<hr/>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 198,021	\$ 242,675
Accrued interest payable	3,881	4,007
Accrued expenses	2,907	2,751
Customer deposits	18,500	12,500
Current portion of long-term debt	22,101	21,518
	<hr/>	<hr/>
Total Current Liabilities	245,410	283,451
Noncurrent Liabilities:		
Accrued compensated absences	15,039	13,977
Bonds and notes payable	1,672,945	1,758,246
	<hr/>	<hr/>
Total Noncurrent Liabilities	1,687,984	1,772,223
	<hr/>	<hr/>
Total Liabilities	1,933,394	2,055,674
	<hr/>	<hr/>
Net Position:		
Net Invested in Capital Assets, net of related debt	4,959,958	4,395,263
Restricted For:		
Debt service (expendable)	159,681	157,582
Capital projects (expendable)	1,194,573	1,122,241
Unrestricted	1,589,401	1,268,943
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Net Position	\$ 7,903,613	\$ 6,944,029
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The accompanying notes are an integral part of these financial statements.

Lost Hills Utility District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Charges for services	\$ 1,125,134	\$ 1,051,921
Other fees	131,498	217,400
Total Operating Revenues	1,256,632	1,269,321
Operating Expenses		
Vehicles	22,270	26,910
Outside services	49,450	55,625
Professional fees	90,087	116,435
Supplies	11,691	9,364
Director fees	13,084	10,154
Depreciation	335,969	368,332
Repairs and maintenance	112,697	214,323
Contract labor	21,100	23,000
Utilities and telephone	116,160	120,854
Insurance	52,738	58,764
Taxes	43,969	46,286
Payroll	276,960	282,521
Pension expense	2,794	2,804
Total Operating Expenses	1,148,969	1,335,372
Operating Income (loss)	107,663	(66,051)
Nonoperating Revenues (Expenses)		
Interest income	31,950	48,732
Connection fees	345,905	49,532
Interest expense	(93,692)	(97,922)
State of California revenues (expenses)	-	7,712
Donation Income	520,047	-
Gain on Sale of Assets	47,711	-
Total Nonoperating Revenues (Expenses)	851,921	8,054
Change in Net Position	959,584	(57,997)
Net Position - Beginning	6,944,029	7,002,026
Net Position - Ending	\$ 7,903,613	\$ 6,944,029

The accompanying notes are an integral part of these financial statements.

Lost Hills Utility District

STATEMENTS OF CASH FLOWS PROPRIETARY FUND Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from:		
Customers	\$ 1,303,808	\$ 1,079,259
Cash paid to:		
Suppliers	(575,531)	(485,260)
Employees	(278,536)	(278,716)
	449,741	315,283
Net cash provided (used) by operating activities		
Net cash provided from noncapital financing activities:		
Connection fees	345,905	49,532
Caltrans receipts (expenditures)	-	7,712
Donation Income	520,047	-
	865,952	57,244
Net cash provided (used) by noncapital financing activities		
Cash flows from capital and related financing activities:		
Purchase of capital assets	(881,874)	(248,461)
Principal paid on capital debt	(84,718)	(129,963)
Interest paid on capital debt	(93,818)	(132,285)
Proceeds from sale of equipment	113,543	-
	(946,867)	(510,709)
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest received	31,948	48,732
	31,948	48,732
Net cash provided (used) by investing activities		
Net Increase (decrease) in cash and cash equivalents	400,774	(89,450)
Cash and equivalents, Beginning of Year	2,459,569	2,549,019
Cash and equivalents, End of Year	\$ 2,860,343	\$ 2,459,569
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 107,663	\$ (66,051)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	335,969	368,332
(Increase) decrease in accounts receivable	41,176	(193,362)
(Increase) decrease in prepaid expenses	2,367	(5,347)
Increase (decrease) in accounts payable	(44,654)	201,802
Increase (decrease) in accrued expenses	158	2,751
Increase (decrease) in customer deposits	6,000	3,300
Increase (decrease) in compensated Absences	1,062	3,858
	449,741	315,283
Net cash provided (Used) by Operating Activities	\$ 449,741	\$ 315,283

The accompanying notes are an integral part of these financial statements.

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of Lost Hills Utility District (the "District") have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the District's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A - Reporting Entity

The District was established in 1978 for the purpose of supplying sewer service in the Lost Hills area. The District purchased the entire local water district in 1989 for the purpose of operating a water system. The Sewer enterprise is referred to as the Sewer Department and the Water enterprise is referred to as the Water Department. The District is governed by an elected Board of Directors. The primary source of revenues are fees for sewer and water services.

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the reporting entity, including all of the fund types of the District (the primary government) and its component units.

Accounting principles generally accepted in the United States of America require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the District's operations. Therefore, they are reported as part of the primary government. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the District. The District has no discretely presented component units.

Blended Component Units

On July 3, 1990 the District and the Lost Hills Utility District Capital Facilities Corporation (the "Corporation") entered into a Joint Exercise of Powers Agreement for the purpose of constructing, financing, and leasing public facilities, land, and equipment for the use and benefit of the District and to borrow the necessary funds to acquire real and personal property, to enter into contracts to construct, reconstruct, modify, improve, and operate buildings, structures, equipment, facilities, and improvements. Separate financial statements are not prepared for the Corporation because it has no assets, liabilities or activity. The District Board of Directors is the governing body for the Corporation.

B - Basis of Presentation

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies, (continued)

The District has only one fund for the year ended June 30, 2021 and 2020 which is a proprietary fund type, specifically an enterprise fund.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used when the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C - Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Proprietary funds are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

The accrual basis of accounting is followed by the proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D - Assets, Liabilities, Net Position or Equity, and Other Financial Statement Items

Cash and Investments

For purposes of the Statement of Cash Flows for the Proprietary fund type, cash and cash equivalents includes all pooled cash investments, non-pooled restricted cash and restricted investments with an original maturity of three months or less. The District considers the investments held by the County of Kern to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies, (continued)

The District is permitted by both Board policy and State law to invest in various authorized investments, subject to a variety of limits and controls, including State of California bonds, U.S. Government Agency securities (Treasury and other federal agencies) and other securities (bankers' acceptances, negotiable certificates of deposit, etc.). The District investment portfolio is primarily comprised of holdings in investment pools.

Receivables

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Prepaid Items

Certain payments to vendors applicable to future accounting periods are reported as prepaid items using the consumption method of accounting. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved

Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial cost of more than \$2,500 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	10 - 20
Machinery and Equipment	5 - 8
Transmission and Distribution	20 - 75

Compensated Absences

Depending on job classification, length of service, and other factors, employees of the District are entitled to paid vacation, sick, and personal days off. The District's policy is to accrue only the cost of vacation as the benefit vests to the employee.

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies, (continued)

Long-Term Obligations

For Proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond issuance costs, including underwriters' discount, are expensed when paid.

Net Position

The proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net Invested In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, it is the District's policy to use restricted net position first, and then unrestricted net position as they are needed.

Appropriated Budget and Budgetary Control

The Board of Directors is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund. The budget is presented for reporting purposes on a budgetary basis consistent with accounting principles generally accepted in the United States of America.

The level of appropriated budgetary control is at the functional departmental level. The Board of Directors may authorize transfers of appropriations within a departmental function. Expenditures may not legally exceed total departmental appropriations. Supplemental appropriations during the year must be approved by the Board of Directors by a majority vote. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.

The District adopts a budget for the Proprietary funds; however, all Proprietary fund types are accounted for on a cost of service (net income), or "capital maintenance" measurement focus. As a result, budget comparisons are impractical. Additionally, the District is not legally mandated to report the results of operations for these Proprietary fund types on a budget comparison basis; therefore, budgetary data related to these funds has not been presented.

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies, (continued)

Use of Estimates

The preparation of financial statements in conformity 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2 – Cash and Investments

The following is a summary of the District's cash, cash equivalents, and investments with fiscal agents at June 30, 2021 and 2020:

	2021	2020
Cash on Hand	\$ 100	\$ 100
Demand Deposits	520,316	201,241
External Cash Pool - County of Kern	2,339,927	2,258,228
Total	\$ 2,860,343	\$ 2,459,569

The External cash pool – County of Kern, includes cash and investments reserved for debt service for the following certificates of participation:

	2021	2020
1992 Water Improvement	\$ 137,444	\$ 135,036
Arsenic Removal Water System Improvement	22,237	22,546
Total	\$ 159,681	\$ 157,582

Deposits:

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial credit risk. As of June 30, 2021, the District had exposure to custodial credit risk as the FDIC coverage limitation exceeded the demand deposit balance. At times throughout the year, the demand deposit balances also exceeded the federally insured limit.

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 2 – Cash and Investments, (continued)

Investments:

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All the District's investments are measured using Level 1 inputs based on quoted market prices.

The District had \$2,339,927 and \$2,258,228 held by the County of Kern at June 30, 2021 and 2020 respectively.

Interest rate risk – The District has no investment policy for interest rate risk.

Credit quality rating – The District has no investments in debt securities and therefore there is no credit quality rating to disclose. The District has no investment policy for credit quality ratings.

Concentration of credit risk – The District has no investment policy for concentration of credit risk.

Custodial credit risk – The District has no investment policy for custodial credit risk.

Note 3 – Receivables

Receivables at June 30, 2021 and 2020 consist of the following:

	2021	2020
Accounts Receivable, trade	\$ 142,689	\$ 143,494
Interest Receivable	7,021	7,020
Caltrans Reimbursement Receivable	146,345	186,717
Allowance for Doubtful accounts	None	None
	\$ 296,055	\$ 337,231

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 4 – Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2021				Balance June 30, 2021
	Balance June 30, 2020	Additions	Deletions	Transfers	
Capital assets, not being depreciated					
Land	\$ 364,971	\$ -	\$ (27,680)	\$ -	\$ 337,291
Construction in Progress	103,266	351,016	-	-	454,282
Total Capital assets, not being depreciated	468,237	351,016	(27,680)	-	791,573
Capital assets, being depreciated					
Vehicles	113,099	-	-	-	113,099
Office Building and Equipment	120,183	520,047	-	-	640,230
Waste Water System	2,960,420	-	(103,448)	-	2,856,972
Water System	9,734,830	-	-	-	9,734,830
Water Plant & Equipment	63,401	10,811	-	-	74,212
Total Capital assets, being depreciated	12,991,933	530,858	(103,448)	-	13,419,343
Less accumulated depreciation for:					
Vehicles	73,178	12,770	-	-	85,948
Office Building and Equipment	78,093	14,540	(65,296)	-	27,337
Waste Water System	2,551,679	54,806	-	-	2,606,485
Water System	4,582,289	253,853	-	-	4,836,142
Total accumulated depreciation	7,285,239	335,969	(65,296)	-	7,555,912
Total capital assets, being depreciated, net	5,706,694	194,889	(38,152)	-	5,863,431
Governmental activities capital assets, net	\$ 6,174,931	\$ 545,905	\$ (65,832)	\$ -	\$ 6,655,004

	June 30, 2020				Balance June 30, 2020
	Balance June 30, 2019	Additions	Deletions	Transfers	
Capital assets, not being depreciated					
Land	\$ 364,971	\$ -	\$ -	\$ -	\$ 364,971
Construction in Progress	-	103,266	-	-	103,266
Total Capital assets, not being depreciated	364,971	103,266	-	-	468,237
Capital assets, being depreciated					
Vehicles	70,590	42,509	-	-	113,099
Office Building and Equipment	120,183	-	-	-	120,183
Waste Water System	2,921,135	39,285	-	-	2,960,420
Water System	9,734,830	-	-	-	9,734,830
Water Plant & Equipment	-	63,401	-	-	63,401
Total Capital assets, being depreciated	12,846,738	145,195	-	-	12,991,933
Less accumulated depreciation for:					
Vehicles	50,555	22,623	-	-	73,178
Office Building and Equipment	73,968	4,125	-	-	78,093
Waste Water System	2,461,220	90,459	-	-	2,551,679
Water System	4,331,164	251,125	-	-	4,582,289
Total accumulated depreciation	6,916,907	368,332	-	-	7,285,239
Total capital assets, being depreciated, net	5,929,831	(223,137)	-	-	5,706,694
Governmental activities capital assets, net	\$ 6,294,802	\$ (119,871)	\$ -	\$ -	\$ 6,174,931

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 4 – Capital Assets, (continued)

Depreciation charged to business-type activities on the combining statements of Revenues, Expenses, and Changes in Net Position are as follows:

	2021	2020
Sewer	\$ 60,268	\$ 95,809
Water	275,701	272,523
Total	\$ 335,969	\$ 368,332

Note 5 – Long-Term Liabilities

Outstanding debt balances at June 30, 2021 and 2020 are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Certificates of Participation	\$ 1,720,096	\$ -	\$ (70,700)	\$ 1,649,396	\$ 7,500
Note Payable	66,000	-	(16,500)	49,500	16,500
Compensated Absences	13,977	1,062	-	15,039	-
Less Unamortized Discount	(6,332)	-	2,482	(3,850)	(1,899)
Total Long-Term Liabilities	\$ 1,793,741	\$ 1,062	\$ (84,718)	\$ 1,710,085	\$ 22,101

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Certificates of Participation	\$1,836,600	\$ -	(\$116,504)	\$1,720,096	\$7,500
Note Payable	82,500	-	(16,500)	66,000	16,500
Compensated Absences	10,119	3,858	-	13,977	-
Less Unamortized Discount	(9,373)	-	3,041	(6,332)	(2,482)
Total Long-Term Liabilities	\$ 1,919,846	\$ 3,858	\$ (129,963)	\$ 1,793,741	\$ 21,518

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 5 – Long-Term Liabilities, (continued)

	<u>2021</u>	<u>2020</u>
Certificates of Participation:		
<p>1992 Water Improvement Certificates of Participation (COP's) dated August 1, 1992, in the original amount of \$1,939,300 at 5.625% interest; principal and interest payable each February 1 and August 1 until August 1, 2032 maturity. COP's are secured by net revenues of the water enterprise.</p>	\$ 1,288,396	\$ 1,351,596
<p>Rate Covenant – the District is required to collect rates, fees, and charges for water services sufficient to provide net revenues equal to at least 1.25 times the debt service coming due.</p>		
<p>Reserve Requirement – The District is required to maintain a reserve account holding the dollar amount necessary to equal the maximum annual debt service on the certificates.</p>		
<p>Arsenic Removal Water System Improvement Certificates of Participation (COP's) dated October 26, 2006, in the original amount of \$440,000; principal and interest at 4.125% payable each October 1 and April 1 until October 1, 2046 maturity. Loan secured by water delivery system.</p>	361,000	368,500
<p>Rate Covenant – the District is required to collect rates, fees, and charges for water services sufficient to provide net revenues equal to the installment payments coming due.</p>		
<p>Reserve Requirement – The District is required to maintain a reserve account holding the dollar amount necessary to equal the maximum annual debt service on the certificates.</p>		
Total Certificates of Participation	1,649,396	1,720,096

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 5 – Note Payable, (continued)

Note Payable: 2021 2020

Note payable dated May 26, 1989, to Chevron Incorporated in the original amount of \$656,000 at 0% interest. On May 26, 2009, the note was amended to require the then unpaid principal balance of \$231,000 to be repaid without interest in fourteen annual installments of \$16,500 beginning May 26, 2011 until May 26, 2024 maturity. The note is secured by the water collection system. The interest rate of 0% was considerably lower than market rates for secured notes payable at that time; therefore, an imputed interest rate of 4.16% has been used for this loan which created a discount on notes payable of \$65,423. This discount reduced the original carrying amount of the note to \$165,577. The discount is being amortized over the life of the loan using the effective interest method.

	49,500	66,000
Principal	(3,850)	(6,332)
Unamortized Discounts	45,650	59,678
Compensated Absences Payable	15,039	13,977
Total Long-Term Liabilities	\$ 1,710,085	\$ 1,793,741

The annual requirements to amortize all indebtedness and other long-term liabilities outstanding at June 30, 2021, are as follows:

Year Ending June 30	June 30, 2021			
	Certificate of Participation		Note Payable	
	Principal	Interest	Principal	Interest
2022	\$ 7,596	\$ 50,970	\$ 16,500	\$ -
2023	77,500	84,929	16,500	-
2024	84,900	80,486	16,500	-
2025	93,100	75,611	-	-
2026	101,500	70,272	-	-
2027-2031	673,500	251,520	-	-
2032-2036	409,800	68,348	-	-
2037-2041	80,000	33,598	-	-
2042-2047	121,500	15,666	-	-
Total	\$ 1,649,396	\$ 731,400	\$ 49,500	\$ -

Lost Hills Utility District
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 6 – Retirement Plan

The District's defined contribution 401(k) plan, the Lost Hills Utility District 401(k) Profit Sharing Plan and Trust, provides for retirement benefits to plan members and beneficiaries. The Plan is administered by Paychex, Inc.

The Plan allows employees to make elective salary deferrals of 3% to a maximum 10% and authorizes the District to make annual discretionary matching contributions of up to 1%. For the plan year ended December 31, 2021, the District matched up to 1% of the employee's deferral, which amounted to \$2,794 (\$2,804 for December 31, 2020).

Plan participants become 20% vested in matching contributions beginning after the second year of service. This vesting increases 20% each year until fully vested after the fifth year of service.

Note 7 – State of California Utility Agreement

On March 14, 2017, the District entered into a Utility Agreement with the State of California – Department of Transportation (the State) regarding the conversion of a portion of Highway 46 from 2-lane highway to 4-lane highway. This project is requiring the relocation of certain of the District's water pipelines. The agreement acknowledged the State's liability for the work to be performed by the District and established a mechanism for cost reimbursement by the State. As of June 30, 2021, the State owed the District \$146,345 for unreimbursed costs (\$186,717 on June 30, 2020).

Note 8 – Other Disclosures

Economic Dependency

The District is dependent on user fees of customers in the district.

Date of Management Evaluation

Management has evaluated subsequent events through October 19, 2021, the date on which the financial statements were available to be issued.

Installment Purchase Contract

The District has pledged net revenues from water sales for the payment of the Certificates of Participation (COP's). Proceeds from the COP's originally provided financing for the acquisition of certain water system improvements. The COP'S are payable solely from net revenues and are payable through 2047. The total principal and interest remaining to be paid on the COP's is \$2,380,796. Principal and interest paid for the current year was \$154,766.

Subsequent Event

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact the District's customer base. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this crisis cannot be reasonably estimated at this time.

Donation Income

Donation income represents the donation and installation of modular office buildings on District owned land.

**ADDITIONAL REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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Albert & Associates, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors of the Lost Hills Utility District
Lost Hills, California:

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Lost Hills Utility District, (the District) as of and for the years ending June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Lost Hills Utility District's basic financial statements, and have issued our report thereon dated October 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lost Hills Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lost Hills Utility District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lost Hills Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert & Associates, LLP

Wasco, California
October 19, 2021

SUPPLEMENTAL INFORMATION

Lost Hills Utility District
SCHEDULES OF NET POSITION
BY DEPARTMENT
Years Ended June 30, 2021 and 2020

	2021			2020		
	Sewer	Water	Total	Sewer	Water	Total
Assets:						
Current Assets:						
Cash	\$ 1,281,392	\$ 1,578,951	\$ 2,860,343	\$ 1,059,195	\$ 1,400,374	\$ 2,459,569
Receivables, net	29,804	266,251	296,055	29,965	307,266	337,231
Prepaid Expenses	2,810	22,795	25,605	3,198	24,774	27,972
Total Current Assets	1,314,006	1,867,997	3,182,003	1,092,358	1,732,414	2,824,772
Noncurrent Assets:						
Capital Assets:						
Capital assets not being depreciated	74,825	716,748	791,573	99,760	368,477	468,237
Depreciable Buildings, Property and Equipment, net of accumulated depreciation	461,254	5,402,177	5,863,431	425,143	5,281,551	5,706,694
Total Noncurrent Assets	536,079	6,118,925	6,655,004	524,903	5,650,028	6,174,931
Total Assets	\$ 1,850,085	\$ 7,986,922	\$ 9,837,007	\$ 1,617,261	\$ 7,382,442	\$ 8,999,703
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 31,683	\$ 166,338	\$ 198,021	\$ 38,828	\$ 203,847	\$ 242,675
Accrued Interest Payable	-	3,881	3,881	-	4,007	4,007
Accrued Expenses	581	2,326	2,907	550	2,201	2,751
Customer Deposits	-	18,500	18,500	-	12,500	12,500
Current Portion of Long-Term Debt	-	22,101	22,101	-	21,518	21,518
Total Current Liabilities	32,264	213,146	245,410	39,378	244,073	283,451
Noncurrent Liabilities:						
Accrued Compensated Absences	3,008	12,031	15,039	2,796	11,181	13,977
Bonds and Notes Payable	-	1,672,945	1,672,945	-	1,758,246	1,758,246
Total Noncurrent Liabilities	3,008	1,684,976	1,687,984	2,796	1,769,427	1,772,223
Total Liabilities	35,272	1,898,122	1,933,394	42,174	2,013,500	2,055,674
Net Position:						
Net Invested in Capital Assets, net of related debt	536,079	4,423,879	4,959,958	524,903	3,870,360	4,395,263
Restricted For:						
Debt Service (expendable)	-	159,681	159,681	-	157,582	157,582
Capital Projects (expendable)	473,298	721,275	1,194,573	603,857	518,384	1,122,241
Unrestricted	805,436	783,965	1,589,401	446,327	822,616	1,268,943
Net Position	\$ 1,814,813	\$ 6,088,800	\$ 7,903,613	\$ 1,575,087	\$ 5,368,942	\$ 6,944,029

Lost Hills Utility District
SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION BY DEPARTMENT
Years Ended June 30, 2021 and 2020

	2021			2020		
	Sewer	Water	Total	Sewer	Water	Total
Operating Revenues						
Charges For Services	\$ 213,562	\$ 911,572	\$ 1,125,134	\$ 211,056	\$ 840,865	\$ 1,051,921
Other	10,620	120,878	131,498	11,537	205,863	217,400
Total Operating Revenues	224,182	1,032,450	1,256,632	222,593	1,046,728	1,269,321
Operating Expenses						
Vehicles	4,181	18,089	22,270	5,612	21,298	26,910
Outside Services	6,434	43,016	49,450	9,275	46,350	55,625
Professional Fees	31,148	58,939	90,087	38,692	77,743	116,435
Supplies	2,269	9,422	11,691	1,875	7,489	9,364
Director Fees	2,640	10,444	13,084	2,031	8,123	10,154
Depreciation	60,268	275,701	335,969	95,809	272,523	368,332
Repairs and Maintenance	23,805	88,892	112,697	23,312	191,011	214,323
Contract Labor	840	20,260	21,100	840	22,160	23,000
Utilities and Telephone	25,343	90,817	116,160	25,302	95,552	120,854
Insurance	10,646	42,092	52,738	11,752	47,012	58,764
Taxes	14,818	29,152	43,969	14,045	32,241	46,286
Payroll	55,482	221,478	276,960	52,846	229,675	282,521
Pension Expense	559	2,235	2,794	558	2,246	2,804
Total Operating Expenses	238,432	910,537	1,148,969	281,949	1,053,423	1,335,372
Operating Income (loss)	(14,250)	121,913	107,663	(59,356)	(6,695)	(66,051)
Nonoperating Revenues (Expenses)						
Interest Income	-	31,950	31,950	-	48,732	48,732
Connection Fees	140,425	205,480	345,905	38,953	10,579	49,532
Interest Expense	-	(93,692)	(93,692)	-	(97,922)	(97,922)
California State Project, net	-	-	-	-	7,712	7,712
Donation Income	104,009	416,038	520,047	-	-	-
Gain on sale of assets	9,542	38,169	47,711	-	-	-
Total Nonoperating Revenues (Expenses)	253,976	597,945	851,921	38,953	(30,899)	8,054
Income Before Transfers	239,726	719,858	959,584	(20,403)	(37,594)	(57,997)
Transfers	-	-	-	-	-	-
Change in Net Position	239,726	719,858	959,584	(20,403)	(37,594)	(57,997)
Net Position - Beginning	1,575,087	5,368,942	6,944,029	1,595,490	5,406,536	7,002,026
Net Position - Ending	\$ 1,814,813	\$ 6,088,800	\$ 7,903,613	\$ 1,575,087	\$ 5,368,942	\$ 6,944,029

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