

MARIPOSA PUBLIC UTILITY DISTRICT

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mariposa Public Utility District
Mariposa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Mariposa Utility District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the 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 opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

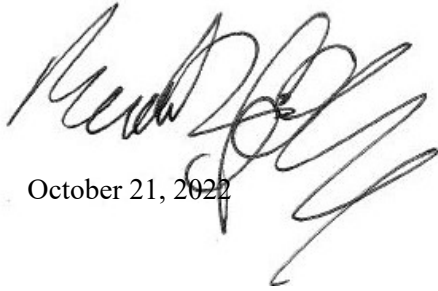
Required Supplementary Information

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.

Accounting principles generally accepted in the United State of America require that the District's Schedule of Proportionate Share of Net Pension Liability and Contributions, on pages 21 – 22 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government 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. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the Mariposa Public 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 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 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.

A handwritten signature in black ink, appearing to be 'Michael J. [unclear]', written over the date.

October 21, 2022

MARIPOSA PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Fire Protection</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and investments	\$ 1,785,707	\$ 368,424	\$ 5,087	\$ 2,159,218
Accounts receivable, net	78,366	89,992	10,165	178,523
Prepaid expenses	2,947	2,948	105,123	111,018
Taxes receivable	1,442	1,443	321	3,206
Total current assets	<u>1,868,462</u>	<u>462,807</u>	<u>120,696</u>	<u>2,451,965</u>
Non-current assets				
Restricted cash and investments	185,591	130,386	-	315,977
Capital Assets				
Property, plant, and equipment - net of accumulated depreciation	<u>12,135,252</u>	<u>10,617,673</u>	<u>321,453</u>	<u>23,074,378</u>
Total non-current assets	<u>12,320,843</u>	<u>10,748,059</u>	<u>321,453</u>	<u>23,390,355</u>
Total assets	<u>14,189,305</u>	<u>11,210,866</u>	<u>442,149</u>	<u>25,842,320</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>74,000</u>	<u>74,000</u>	<u>-</u>	<u>148,000</u>
LIABILITIES				
Current liabilities				
Accounts payable	9,651	7,428	-	17,079
Accrued interest payable	18,208	8,204	-	26,412
Current portion of long-term debt	80,000	81,610	230,139	391,749
Total current liabilities	<u>107,859</u>	<u>97,242</u>	<u>230,139</u>	<u>435,240</u>
Non-current liabilities				
Compensated absences	36,257	36,257	-	72,514
Long-term debt	2,086,212	2,814,086	-	4,900,298
Net pension liability	128,099	128,098	-	256,197
Total non-current liabilities	<u>2,250,568</u>	<u>2,978,441</u>	<u>-</u>	<u>5,229,009</u>
Total liabilities	<u>2,358,427</u>	<u>3,075,683</u>	<u>230,139</u>	<u>5,664,249</u>
DEFERRED INFLOWS OF RESOURCES	<u>133,945</u>	<u>133,945</u>	<u>-</u>	<u>267,890</u>
NET POSITION				
Net investment in capital assets	9,969,040	7,721,977	91,314	17,782,331
Restricted for debt service	185,591	130,386	-	315,977
Unrestricted	1,616,302	222,875	120,696	1,959,873
Total net position	<u>\$ 11,770,933</u>	<u>\$ 8,075,238</u>	<u>\$ 212,010</u>	<u>\$ 20,058,181</u>

MARIPOSA PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Fire Protection</u>	<u>Total</u>
Operating Revenue				
Service charges	\$ 856,151	\$ 938,534	\$ 91,140	\$ 1,885,825
Water sales - hydrant	52,980	-	-	52,980
Late charges on delinquent accounts	741	964	84	1,789
Total operating revenue	<u>909,872</u>	<u>939,498</u>	<u>91,224</u>	<u>1,940,594</u>
Operating Expense				
Salaries & wages	242,642	241,937	8,031	492,610
Taxes & benefits	90,979	91,306	10,166	192,451
Plant operation	124,462	204,261	-	328,723
Source of supply	57,461	-	-	57,461
Sewer collection operation & maintenance	-	39,296	-	39,296
Fire operation & maintenance	-	-	31,610	31,610
Transportation expense	10,735	10,734	-	21,469
Insurance	34,522	35,324	4,940	74,786
Fees and permits	25,607	16,879	-	42,486
Professional services	9,559	9,526	2,697	21,782
Administrative and customer services	43,283	18,486	2,732	64,501
Depreciation	435,735	328,011	16,292	780,038
Total operating expense	<u>1,074,985</u>	<u>995,760</u>	<u>76,468</u>	<u>2,147,213</u>
Operating income/(loss)	<u>(165,113)</u>	<u>(56,262)</u>	<u>14,756</u>	<u>(206,619)</u>
Non-operating Revenue/(Expense)				
District tax assessments	137,425	12,709	-	150,134
Property taxes	49,270	49,270	10,949	109,489
Capacity charges	131,250	122,283	-	253,533
Interest income	3,427	-	-	3,427
Other income	-	41,054	2,453	43,507
Stockton creek conservancy	(50)	-	-	(50)
Tax assessment cost	(5,799)	(112)	-	(5,911)
Interest expense	(56,000)	(50,363)	(16,414)	(122,777)
Total non-operating revenue/(expense)	<u>259,523</u>	<u>174,841</u>	<u>(3,012)</u>	<u>431,352</u>
Change in Net Position	94,410	118,579	11,744	224,733
Net Position				
Beginning of year	<u>11,676,523</u>	<u>7,956,659</u>	<u>200,266</u>	<u>19,833,448</u>
End of year	<u>\$ 11,770,933</u>	<u>\$ 8,075,238</u>	<u>\$ 212,010</u>	<u>\$ 20,058,181</u>

MARIPOSA PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds			Total
	Water	Sewer	Fire Protection	
Operating Activities				
Receipts from customers and users	\$ 916,239	\$ 941,769	\$ 91,853	\$ 1,949,861
Payments to suppliers for goods and services	(305,766)	(524,947)	(147,974)	(978,687)
Payments to employees for services	(379,116)	(378,739)	(26,941)	(784,796)
Net cash provided by (used) in operating activities	<u>231,357</u>	<u>38,083</u>	<u>(83,062)</u>	<u>186,378</u>
Non-capital Financing Activities				
Property taxes and assessments collected	186,956	62,240	11,007	260,203
Capacity charges received	131,250	122,283	-	253,533
Other income (expense)	(5,849)	40,942	2,453	37,546
Net cash provided by (used) in non-capital financing activities	<u>312,357</u>	<u>225,465</u>	<u>13,460</u>	<u>551,282</u>
Capital and Related Financing Activities				
Acquisition of capital assets	(5,331)	(16,459)	-	(21,790)
Principal paid on long-term debt	(93,000)	(80,246)	(11,789)	(185,035)
Interest paid on long-term debt	(57,380)	(50,591)	(16,414)	(124,385)
Net cash provided by (used) in capital and related financing activities	<u>(155,711)</u>	<u>(147,296)</u>	<u>(28,203)</u>	<u>(331,210)</u>
Investing Activities				
Interest received	3,427	-	-	3,427
Net Increase (Decrease) in Cash	391,430	116,252	(97,805)	409,877
Cash and Cash Equivalents				
Beginning of year	1,579,868	382,558	102,892	2,065,318
End of year	<u>\$ 1,971,298</u>	<u>\$ 498,810</u>	<u>\$ 5,087</u>	<u>\$ 2,475,195</u>
Reconciliation of Cash and Investments to the Statement of Net Position				
Cash and investments	\$ 1,785,707	\$ 368,424	\$ 5,087	\$ 2,159,218
Restricted cash and investments	185,591	130,386	-	315,977
Total cash and investments	<u>\$ 1,971,298</u>	<u>\$ 498,810</u>	<u>\$ 5,087</u>	<u>\$ 2,475,195</u>
Cash Flows from Operating Activities				
Operating income (loss)	\$ (165,113)	\$ (56,262)	\$ 14,756	\$ (206,619)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	435,735	328,011	16,292	780,038
(Increase) Decrease in prepaid expenses	6,367	2,271	629	9,267
(Increase) Decrease in accounts receivable	3,704	3,704	(104,904)	(97,496)
(Increase) Decrease in deferred outflows of resources	7,995	7,995	-	15,990
Increase (Decrease) in payables and accrued expenses	(3,841)	(194,145)	(1,091)	(199,077)
Increase (Decrease) in deferred inflows of resources	109,516	109,515	-	219,031
Increase (Decrease) in net pension liability	(162,950)	(162,950)	-	(325,900)
Increase (Decrease) in compensated absences	(56)	(56)	(8,744)	(8,856)
Net Cash Provided by (Used) in Operating Activities	<u>\$ 231,357</u>	<u>\$ 38,083</u>	<u>\$ (83,062)</u>	<u>\$ 186,378</u>

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Mariposa Public Utility District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

Reporting Entity

The District was established in 1947, for the purpose of providing water, sewer and fire protection services to the town of Mariposa. Operations are conducted under provisions of the California Public Utility Act.

Basis of Accounting

The District accounts for its operations in enterprise funds using the economic resources measurement focus and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principle operating revenues of the District are monthly utility charges to customers for public water, wastewater and fire protection services. Operating expenses for the District 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 non-operating revenues and expenses.

The District reports the following major proprietary funds:

- Water Fund — This fund accounts for the activities of providing water to rate payers of the District.
- Sewer Fund — This fund accounts for the activities of providing sewer management to rate payers of the District.
- Fire Protection Fund — This fund accounts for the activities of providing fire protection services to rate payers of the District.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

Cash and Investments – Cash and investments represent the District's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at fair value.

Accounts Receivable – Billings for water, sewer and fire protection services are sent monthly and are reflected on the accrual basis of accounting.

Capital Assets – Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Capital assets in service are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Plant	25 - 50
Transmission and Distribution	25 - 50
Equipment	5 - 10

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts (Continued)

Compensated Absences – The District allows employees to accumulate unused vacation leave. Upon termination, accumulated vacation that was not taken will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the District. A percentage of unused sick leave at retirement is applied to service credit for the purposes of calculating PERS retirement benefits.

Accumulated vacation leave that is expected to be paid with expendable available financial resources is recorded as an expense and liability as the benefits accrue.

Long-Term Obligations – Long-term debt and other long-term obligations are reported as liabilities in the Proprietary Fund Statement of Net Position. Debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Position.

Net Position/Fund Equity – The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment 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 on net position imposed by creditors, grantors, contributors, 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 resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses – The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principle operating revenues of the District are charges to customers for sales and services. 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.

Property Tax – Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Mariposa bills and collects the taxes for the District. Tax revenues are recognized by the District when billed.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts (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.

Pension – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employee Retirement System (CalPERS) plan and additions to/deduction from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,159,218
Restricted cash and investments	<u>315,977</u>
Total Cash and Investments	<u>\$ 2,475,195</u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 364
Deposits with financial institutions	926,174
Local Agency Investment Fund	<u>1,548,657</u>
Total Cash and Investments	<u>\$ 2,475,195</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 2 – Cash and Investments (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

Investments Authorized by the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code, sections 53600 and 53603. The table also identifies certain provisions of the District's investment policy that address interest rate risk, credit risk, and concentration risk.

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 Obligations	5 Years	None	None
State of California Obligations	5 Years	None	None
Banker's Acceptances	180 days	40%	30%
Prime Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Medium Term Corporate Notes	5 Years	30%	None
Mutual Funds/Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
Time Deposits	5 Years	None	None
Joint Powers Authority	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 2 – Cash and Investments (Continued)

Disclosures 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 June 30, 2022 the District had the following investments.

<u>Investment Type</u>		<u>Maturity Date</u>
State investment pool (LAIF)	\$ 1,548,657	N/A
Total	<u>\$ 1,548,657</u>	

Disclosures 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

At June 30, 2022, in accordance with State law and the District's Investment Policy, the District did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

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 requires that a financial institution secure deposit 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.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty 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. At year end, the District's cash and investments with fiscal agents had no securities exposed to credit risk.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 2 – Cash and Investments (Continued)

Investment in State 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.

Note 3 – Property, Plant and Equipment

The detail of property, plant and equipment at June 30, 2022, is as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets, not being depreciated				
Land	\$ 1,062,016	\$ -	\$ -	\$ 1,062,016
Total capital assets, not being depreciated	<u>1,062,016</u>	<u>-</u>	<u>-</u>	<u>1,062,016</u>
Capital assets, being depreciated				
Water Department	20,020,141	5,331	-	20,025,472
Sewer Department	13,829,236	16,459	-	13,845,695
Fire Department	1,595,812	-	-	1,595,812
Total capital assets, being depreciated	<u>35,445,189</u>	<u>21,790</u>	<u>-</u>	<u>35,466,979</u>
Less accumulated depreciation for				
Water Department	(8,516,501)	(435,735)	-	(8,952,236)
Sewer Department	(2,900,011)	(328,011)	-	(3,228,022)
Fire Department	(1,258,067)	(16,292)	-	(1,274,359)
Total accumulated depreciation	<u>(12,674,579)</u>	<u>(780,038)</u>	<u>-</u>	<u>(13,454,617)</u>
Total capital assets, being depreciated, net	<u>22,770,610</u>	<u>(758,248)</u>	<u>-</u>	<u>22,012,362</u>
Total capital assets, net	<u>\$ 23,832,626</u>	<u>\$ (758,248)</u>	<u>\$ -</u>	<u>\$ 23,074,378</u>

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 4 – Long-Term Debt

Long-term debt at June 30, 2022, consisted of the following:

	Restated Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Long Term Debt:					
<i>Direct borrowings:</i>					
Water Agency Loan	\$ 949,212	\$ -	\$ -	\$ 949,212	\$ -
Saxon Creek Special Assessment District Loan	1,310,000	-	(93,000)	1,217,000	80,000
Fire Station Loan	241,928	-	(11,789)	230,139	230,139
State Water Resources Control Board Loan	<u>2,975,942</u>	<u>-</u>	<u>(80,246)</u>	<u>2,895,696</u>	<u>81,610</u>
Subtotal Long Term Debt	<u>5,477,082</u>	<u>-</u>	<u>(185,035)</u>	<u>5,292,047</u>	<u>391,749</u>
Other non-current liabilities					
Compensated absences	81,370	-	(8,856)	72,514	
Net pension liability	<u>582,097</u>	<u>-</u>	<u>(325,900)</u>	<u>256,197</u>	
Subtotal Other non-current liabilities	<u>663,467</u>	<u>-</u>	<u>(334,756)</u>	<u>328,711</u>	
 Total Non-current liabilities	 <u>\$ 6,140,549</u>	 <u>\$ -</u>	 <u>\$ (519,791)</u>	 <u>\$ 5,620,758</u>	

Water Agency Loan

In December 2005, the District obtained a loan from the Mariposa County Water Agency for \$1,038,077. The loan is non interest bearing and payable at the rate of \$755 for every new single family dwelling that connects to the District's water system within a specified benefited area.

Saxon Creek Special Assessment District Loan

In September 1995, the District obtained a loan from the Farmer's Home Administration for \$2,573,910. The loan is paid semi annually at 4.5% for a period of 40 years, maturing in 2034. Mariposa County collects and forwards capital contributions from the special assessments to the District as the proceeds are received.

Fire Station Loan

In October 2005, the District obtained a loan from the USDA for \$491,000. The loan is paid monthly at 4.75% for a period of 25 years, maturing in September 2031. The loan was retired in July 2022.

California State Water Resources Control Board Loan

In February 2017, the District entered into an installment loan agreement in the amount of \$3,030,000 with the California State Water Resources Control Board to finance the construction of the District's Wastewater Treatment Facility Improvement Project. Terms of the loan include: a 30-year year term with annual interest of 1.7%; annual debt service payments, including principal and interest, total \$130,386, commencing on May 1, 2022 and maturing on May 1, 2050. The loan is secured by a lien and a pledge of the Sewer Enterprise Fund, net revenues, and any reserve fund.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 4 – Long-Term Debt (continued)

The future debt service requirements for the notes payable is as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 391,749	\$ 158,429	\$ 550,178
2024	165,997	103,842	269,839
2025	1,120,620	98,606	1,219,226
2026	176,843	93,167	270,010
2027	182,303	87,522	269,825
2028 - 2032	1,001,286	345,289	1,346,575
2033 - 2037	738,676	177,978	916,654
2038 - 2042	543,617	110,567	654,184
2043 - 2047	591,422	62,762	654,184
2048 - 2051	379,534	12,973	392,507
	<u>\$ 5,292,047</u>	<u>\$ 1,251,135</u>	<u>\$ 6,543,182</u>

Note 5 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports \$148,000 in deferred outflows related to net pension liability in the Statement of Net Position. See Note 6 for more details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports \$267,890 in deferred inflows related to net pension in the Statement of Net Position. See Note 6 for more details.

Note 6 – Defined Benefit Pension Plan

Plan Description

The District's defined benefit pension plan, the California Public Employees' Retirement System (CalPERS), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS is part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Defined Benefit Pension Plan (Continued)

Funding Policy

Active plan members in the District’s defined pension plan are required to contribute 7% of their annual salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 8.65% and 7.59% for miscellaneous classic and PEPRA employees, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Benefits provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	PEPRA
	Prior to	After
Hire Date	January 1, 2013	January 1, 2013
	2% at 60; maximum 2%	2% at 62; no COLA
Benefit Formula	COLA	
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	62
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	6.25%
Required Employer Contribution Rates	8.650%	7.590%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2022, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 77,135
Contributions – employee	\$ 27,708

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of <u>Net Pension Liability</u>
Total Net Pension Liability	\$256,197

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2021	0.01380%
Proportion – June 30, 2022	<u>0.01349%</u>
Change – Increase/(Decrease)	-0.00031%

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$13,744. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 77,135	\$ -
Differences between expected and actual experience	28,730	-
Differences between employer's contributions and proportionate share of contributions	-	(44,243)
Change in employer's proportion	42,135	-
Differences between projected and actual investment earnings	-	(223,647)
Total	<u>\$ 148,000</u>	<u>\$ (267,890)</u>

\$77,135 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
<u> </u>	
2023	\$ (41,778)
2024	(43,915)
2025	(49,526)
2026	(61,804)

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions – The collective total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of assumptions – No changes in assumptions.

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Defined Benefit Pension Plan (Continued)

Discount rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021.

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The geometric rates of return are net of administrative expenses.

Asset Class ¹	New Strategic Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	77.00%	1.81%
Private Equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities, Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

MARIPOSA PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Defined Benefit Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability \$	654,488	256,197	(73,064)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2022, the District has no reported outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2022.

Note 7 – Compensated Absences

All earned vacation hours, holiday, and compensating time is payable upon termination or retirement and are accrued as compensated absences. Compensated absences liability is calculated in accordance with GASB Statement No. 16.

Note 8 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for its general insurance coverage. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance.

Note 9 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through October 21, 2022, the date which these financial statements were available to be issued. During July 2022, the District transferred Fire Protection services operations to the County of Mariposa, including assets and liabilities recorded at year end; the effect of the transfer will be reflected in the District's financial statements in fiscal year ending June 30, 2023. Management concluded that no other material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

MARIPOSA PUBLIC UTILITY DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2022**

	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as percentage of covered employee payroll	Plan's fiduciary net position	Plan's fiduciary net position as a percentage of the Total Pension Liability
2015	0.00506%	\$ 314,774	\$ 322,336	97.65%	\$ 1,539,974	83.03%
2016	0.00991%	\$ 271,788	\$ 400,121	67.93%	\$ 1,665,568	86.73%
2017	0.01151%	\$ 399,893	\$ 417,164	95.86%	\$ 1,660,368	80.59%
2018	0.01241%	\$ 489,313	\$ 445,968	109.72%	\$ 1,945,202	79.90%
2019	0.01222%	\$ 460,632	\$ 445,968	103.29%	\$ 2,174,388	82.52%
2020	0.01301%	\$ 520,977	\$ 491,249	106.05%	\$ 2,151,474	80.51%
2021	0.01380%	\$ 582,097	\$ 532,341	109.35%	\$ 2,259,753	79.52%
2022	0.01349%	\$ 256,197	\$ 444,596	57.62%	\$ 2,760,453	91.51%

*Fiscal year 2014-15 was the first year of implementation, therefore only eight years are shown.

MARIPOSA PUBLIC UTILITY DISTRICT

SCHEDULE OF CONTRIBUTIONS

LAST 10 YEARS*

AS OF JUNE 30, 2022

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$ 22,969	\$ (22,969)	\$ -	\$ 322,336	7.13%
2016	\$ 24,814	\$ (24,814)	\$ -	\$ 400,121	6.20%
2017	\$ 24,713	\$ (24,713)	\$ -	\$ 417,164	5.92%
2018	\$ 40,918	\$ (40,918)	\$ -	\$ 445,968	9.18%
2019	\$ 46,173	\$ (46,173)	\$ -	\$ 445,968	10.35%
2020	\$ 58,438	\$ (58,438)	\$ -	\$ 491,249	11.90%
2021	\$ 70,505	\$ (70,505)	\$ -	\$ 532,341	13.24%
2022	\$ 76,576	\$ (76,576)	\$ -	\$ 444,596	17.22%

*Fiscal year 2014-15 was the first year of implementation, therefore only eight years shown.

**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***

To the Board of Directors
Mariposa Public Utility District

We have audited, 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, the financial statements of the business-type activities and each major fund of the Mariposa Public Utility District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mariposa Public Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

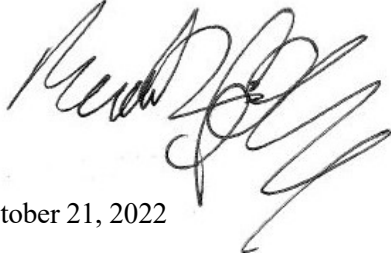
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mariposa Public 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 the financial statements. 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.

A handwritten signature in black ink, appearing to be 'Meredith J. [unclear]', written in a cursive style.

October 21, 2022