

Modesto Irrigation District

Financial Statements and
Supplementary Information

December 31, 2022 and 2021

Modesto Irrigation District

Table of Contents
December 31, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	4
Financial Statements	
Balance Sheets	15
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Statements of Fiduciary Net Position	20
Statements of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22
Required Supplementary Information	
Schedule of Changes in the Employer's Net OBEB Liability and Related Ratios - Retiree Medical Plan	71
Schedule of Employer's Contributions – Retiree Medical Plan	72
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - Basic Retirement Plan	73
Schedule of Employer's Contributions – Basic Retirement Plan	74
Notes to the Required Supplementary Information	75
Supplementary Information	
Combining Statements of Fiduciary Net Position	77
Combining Statements of Changes in Fiduciary Net Position	78

Independent Auditors' Report

To the Board of Directors of
Modesto Irrigation District

Opinion

We have audited the accompanying financial statements of the Modesto Irrigation District and its component units (District), as of and for the years ended December 31, 2022 and 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 opinion.

Emphasis of Matter

As discussed in Note 2, the District adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to prior periods presented. Our opinion is not modified with respect to this matter.

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.

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

In performing an audit in accordance with GAAS, 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

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of fiduciary net position and changes in fiduciary net position as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
April 28, 2023

MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Overview:

The following management discussion and analysis of the Modesto Irrigation District and its fiduciary funds (District) provides an overview of the financial activities and transactions for fiscal years 2022 and 2021 in the context of the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

Financial Reporting:

The District's accounting records are maintained in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Explanation of Financial Statements:

The financial statements for the District include a Balance Sheet; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position; and Notes to the Financial Statements.

Balance Sheet:

The Balance Sheet provides information about assets, deferred outflows of resources, liabilities, deferred inflows of resources and equity of the District at a specific point in time. Assets are economic resources the District owns that have value and can either be sold or used by the District to produce products or services that can be sold. Assets include power generation plants, vehicles, equipment, inventory, cash and investments, and customer accounts receivable.

Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time.

Liabilities are amounts of money that the District owes to others. This includes debt, money owed to suppliers for materials, payroll, and taxes owed to other governmental agencies.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Equity or Net Position are the funds that would be left if the District sold all of its assets and paid off all of its liabilities.

Statement of Revenues, Expenses and Changes in Net Position:

The Statement of Revenues, Expenses and Changes in Net Position is more commonly known as the Income Statement. This statement provides information regarding the District's operations including revenue earned and expenses incurred over a one year period. The "bottom line" of the statement shows the District's end of year net position.

MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Statement of Cash Flows:

The Statement of Cash Flows reports the District's inflows and outflows of cash. This report provides management with information regarding cash on hand and the ability to pay expenses and purchase assets.

A cash flow statement reflects changes over time rather than absolute dollar amounts at a point in time. The bottom line of the cash flow statement shows the net increase or decrease in cash for the period. Cash flow statements are divided into three activities: (1) operating activities; (2) investing activities; and (3) capital financing activities.

1. Operating Activities – analyzes the cash flow from operational activities (Operating Income and Expenses). This section of the cash flow statement reconciles the operating income to the actual cash MID received from or used in its operating activities. To facilitate this, the operating income is adjusted for any non-cash items (depreciation expenses) and any cash that was used or provided by other operating assets and liabilities.
2. Investing Activities – reflects the cash flow from all investing activities including purchases or sales of investment securities.
3. Capital Financing Activities – shows the cash flow from all financing activities. Typical sources of cash flow include funds received from borrowings, paying back debt service, and the purchase of capital assets.

Statement of Fiduciary Net Position:

The Statement of Fiduciary Net Position (Balance Sheet) reports the financial resources available for future pension and other retirement benefits.

Statement of Changes in Fiduciary Net Position:

The Statement of Changes in Fiduciary Net Position (Income Statement) reflects the additions and deductions and net increase (decrease) in net position held in trust for pension and other retirement benefits.

MODESTO IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

The following is a comparative financial summary for years ending December 31, 2022, 2021, and 2020.

Financial Summary

Balance Sheet <i>(\$ in thousands)</i>	December 31, 2022	Restated * December 31, 2021	December 31, 2020	Change from 2021 to 2022
Assets and Deferred Outflows of Resources				
Utility plant, net	\$ 690,445	\$ 691,753	\$ 701,069	\$ (1,308)
Other noncurrent assets and investments	371,607	405,340	450,669	(33,733)
Current assets	128,889	143,637	127,764	(14,748)
Deferred outflows of resources	<u>88,411</u>	<u>117,079</u>	<u>104,404</u>	<u>(28,668)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,279,352</u>	<u>\$ 1,357,809</u>	<u>\$ 1,383,906</u>	<u>\$ (78,457)</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
Long-term debt, net	\$ 438,545	\$ 477,185	\$ 530,705	\$ (38,640)
Noncurrent liabilities	74,144	155,797	214,682	(81,653)
Current liabilities	91,917	79,764	80,133	12,153
Deferred inflow of resources	165,146	138,339	92,150	26,807
Net position				
Net investment in capital assets	222,645	196,777	192,024	25,868
Restricted	1,369	684	1,593	685
Unrestricted	<u>285,586</u>	<u>309,263</u>	<u>272,619</u>	<u>(23,677)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 1,279,352</u>	<u>\$ 1,357,809</u>	<u>\$ 1,383,906</u>	<u>\$ (78,457)</u>
Statement of Revenues, Expenses, and Changes in Net Position <i>(\$ in thousands)</i>				
	December 31, 2022	Restated * December 31, 2021	December 31, 2020	Change from 2021 to 2022
Operating revenues	\$ 450,114	\$ 441,532	\$ 430,902	\$ 8,582
Operating expenses	<u>(429,387)</u>	<u>(392,934)</u>	<u>(357,813)</u>	<u>(36,453)</u>
Operating income (loss)	20,727	48,598	73,089	(27,871)
Non-operating Income (Expenses)				
Investment and other income, net	2,738	13,274	13,971	(10,536)
Interest expense	(25,055)	(27,002)	(29,989)	1,947
Other non-operating income, net	<u>3,441</u>	<u>3,546</u>	<u>3,355</u>	<u>(105)</u>
Non-operating income (expense)	(18,876)	(10,182)	(12,663)	(8,694)
Contributed Capital - Electric/Water	1,025	2,072	10,924	(1,047)
Change in net position	<u>2,876</u>	<u>40,488</u>	<u>71,350</u>	<u>(37,612)</u>
Net position, beginning of year	<u>506,724</u>	<u>466,236</u>	<u>394,886</u>	<u>40,488</u>
Net Position, End of Year	<u>\$ 509,600</u>	<u>\$ 506,724</u>	<u>\$ 466,236</u>	<u>\$ 2,876</u>

* 2021 balances were restated for the implementation of GASB No. 87, Leases. 2020 balances are presented as originally reported.

MODESTO IRRIGATION DISTRICT

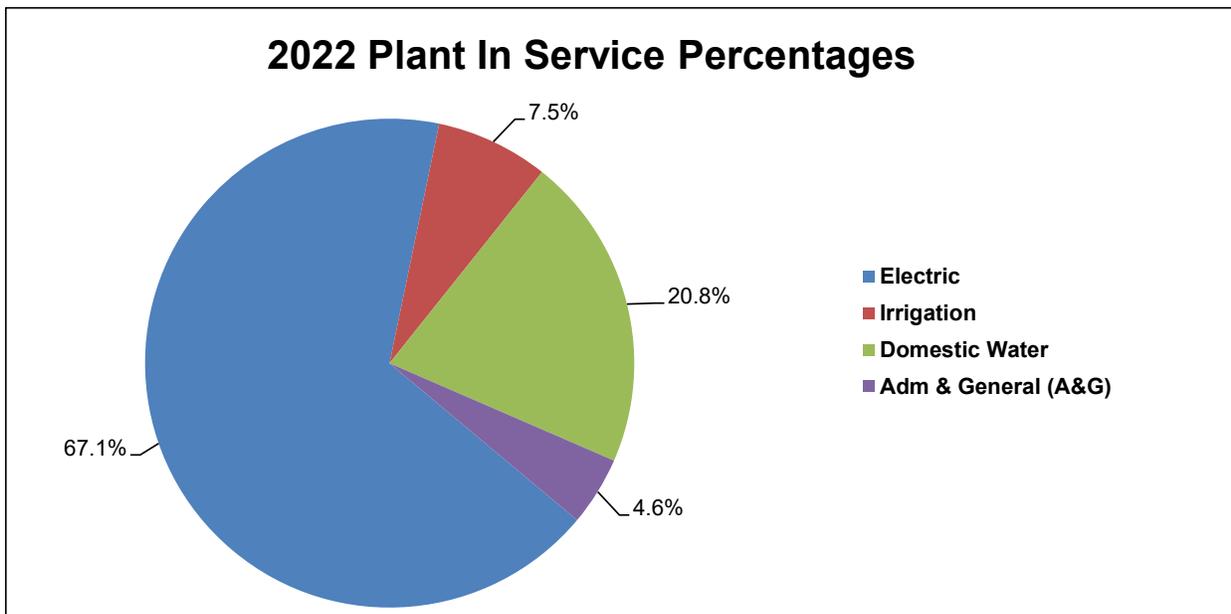
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

ASSETS and DEFERRED OUTFLOWS

Utility Plant, net

MID has invested approximately \$690.4 million in utility plant assets net of accumulative depreciation and transferred approximately \$28.2 million of assets from construction in progress to utility plant in service in 2022. This includes \$23.4 million in electric system additions, \$1.9 million in irrigation system additions, \$0.3 million in domestic water additions, and \$2.6 million in administration and general capital asset additions. The following chart reflects the percentage breakdown of Utility Plant net of depreciation by category as of December 31, 2022.



Utility plant decreased by approximately \$1.3 million in 2022 due to additions to plant in service of \$26.8 million offset by an increase of \$14.5 million construction work in progress. Accumulated depreciation increased \$42.6 million due to annual depreciation expense.

Utility plant decreased by approximately \$9.3 million in 2021 due to additions to in plant in service of \$21.4 million offset by an increase of \$12.2 million construction work in progress. Accumulated depreciation increased \$42.9 million.

Other non-current assets and investments

Other non-current assets and investments decreased \$33.6 million in 2022. This decrease is due to a decrease in Investments, unrestricted of \$36.5 million due to increased commodity and purchased power costs, scheduled amortization of \$9.5 million related regulatory costs for future recovery related to pension and post employment benefits, a decrease in cash and investments - restricted of \$17.7 million related to spending \$18.0 million in bond proceeds on capital improvements. This is partially offset by an increase of \$7.4 million increase in Capital improvement fund, an increase of \$9.3 million related to a new land lease recorded in 2022 in accordance with GASB 87, and increases of \$3.3 million and \$8.3 million in Equity interest in TANC and Equity interest in M-S-R Public Power Agency respectively.

Other non-current assets and investments decreased \$48.4 million in 2021. This decrease is due to scheduled amortization of \$9.2 million related regulatory costs for future recovery related to pension and post employment benefits, a decrease in cash and investments - restricted of \$39.9 million related to spending \$32.6 million in bond proceeds on capital improvements. This is partially offset by an increase of \$7.4 million increase in Capital improvement fund.

MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Current assets

Current assets decreased by approximately \$14.7 million in 2022. The decrease is primarily due to a decrease in Cash and cash equivalents - unrestricted of \$15.4 million or 25% due to increased commodity and purchased power costs during 2022 along with a decrease in Customer accounts receivable of \$5.2 million or 11.85%. This decrease is due to the application of CAPP 2.0 (California Arrearage Payment Program) funds in the amount of \$1.8 million received and applied to customer accounts in December. It is also worthy to note that collections resumed in April 2022 and the first disconnects began in June 2022. These decreases were partially offset with an increase in materials and supplies of \$2.5 million or 16.3% over prior year and an increase in Other current assets, net of \$2.5 million primarily due to the current portion of a new land lease recorded in 2022 in accordance with GASB 87.

Current assets increased by approximately \$15.6 million in 2021. The increase is primarily due to an increase in Customer accounts receivable of \$11.2 million or 44.69%. This increase is due to the continued State issued moratorium on disconnections due to non-payment during the COVID-19 pandemic. The increase was offset by an increase in the allowance for doubtful accounts of \$2.4 million. There was also an increase in Cash and cash equivalents-unrestricted of \$9.6 million related to the transfer of bond proceeds from restricted to unrestricted. These increases were offset by decreases in Cash and cash equivalents-restricted of \$2.2 million and Other current assets of \$1.8 million.

Deferred Outflows of Resources

In 2022 deferred outflows of resources decreased by \$28.7 million. The decrease is primarily due to a decrease of \$15.4 million in Deferred cash flow hedges - Unrealized loss on derivatives, a decrease of \$8.8 million in Deferred outflows related to pension due to a contribution being recognized in 2022, an decrease of \$3.3 million in Deferred outflows related to OPEB, and a decrease in Unamortized loss on advanced refunding of \$1.2 million due to scheduled amortization during the current year.

In 2021 deferred outflows of resources increased by \$12.7 million. The increase is primarily due to an increase of \$17.4 million in Deferred outflows related to pension due to a contribution being recognized in 2021, an increase of \$4.3 million in Deferred outflows related to OPEB, partially offset by an decrease in Deferred cash flow hedges of approximately \$7.9 million and a decrease in Unamortized loss on advanced refunding of \$1.2 million due to scheduled amortization during the current year.

LIABILITIES AND NET POSITION

Long-term debt

Long-term debt decreased by \$38.6 million in 2022 due to scheduled debt service payments.

Long-term debt decreased by \$53.5 million in 2021 due to the refunding of the 2010A Revenue bonds and the issuance of the 2021 Refunding Revenue Bonds, and scheduled debt service payments.

Non-current liabilities

Non-current liabilities decreased by \$81.7 million in 2022. This decrease is primarily due to the Net Pension liability of \$35.3 million at year end 2021 becoming a Net pension asset of \$1.1 million at year end 2022, a decrease of \$23.9 million in Net OPEB liability, a decrease in the fair value of derivative financial instruments of \$14.7 million, and schedule amortization of debt premium of \$8.4 million during 2022, partially offset by a small increase of \$0.7 million in Other liabilities.

Non-current liabilities decreased by \$58.9 million in 2021. This decrease is primarily due to an decrease in the Net Pension liability of \$16.2 million, a decrease of \$35.0 million in Net OPEB liability, and Equity interest in MSR going from a \$1.1 million noncurrent liability to a \$11.3 million asset.

MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Current liabilities

Current liabilities increased by \$12.1 million in 2022 due to an increase in of \$11.9 million in Accounts payable due mainly to an increase in commodity prices, an increase of \$0.9 million in Current portion of long-term debt, partially offset by a small decrease in Interest payable of \$0.7 million.

Current liabilities decreased by \$0.4 million in 2021 due to a decrease in Current portion of long-term debt of \$2.1 million partially offset by an increase of \$3.1 million in Accounts payable.

Deferred inflow of resources

Deferred inflow of resources increased by \$26.8 million in 2022 due to an increase in Deferred inflows related to pension of \$15.6 million, and an increase of \$11.2 million Deferred inflows related to leases compared to \$3.3 million in the restated 2021 numbers due to a new lease recorded in 2022 in accordance with GASB 87.

Deferred inflow of resources increased by \$44.3 million in 2021 due to an increase in Deferred inflows related to OPEB of \$17.5 million, an increase of Deferred inflows related to pension of \$25.3 million, and a restatement of 2021 Deferred inflows related to leases of \$3.3 million related to the implementation of GASB 87.

Net position

In 2022, the District's net investment in capital assets increased by \$25.9 million primarily due to investments in fixed assets offset by a decrease in outstanding debt.

Unrestricted net position decreased by approximately \$23.7 million in 2022 due to a decrease in Investments - unrestricted and Cash and cash equivalents - unrestricted primarily due to increased commodity and purchased power costs in 2022.

In 2021, the District's net investment in capital assets increased by \$4.8 million primarily due to investments in fixed assets offset by a decrease in outstanding debt.

Unrestricted net position increased by approximately \$36.6 million in 2021 due to an increase in Operating revenues of \$1.8 million, an increase in Wholesale electric revenue of \$11.6 million, and a decrease in Administrative and general expense of \$15.0 million.

MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating Revenues

Changes from 2021 to 2022

In 2022, Operating revenue increased by \$8.6 million or approximately 1.94%.

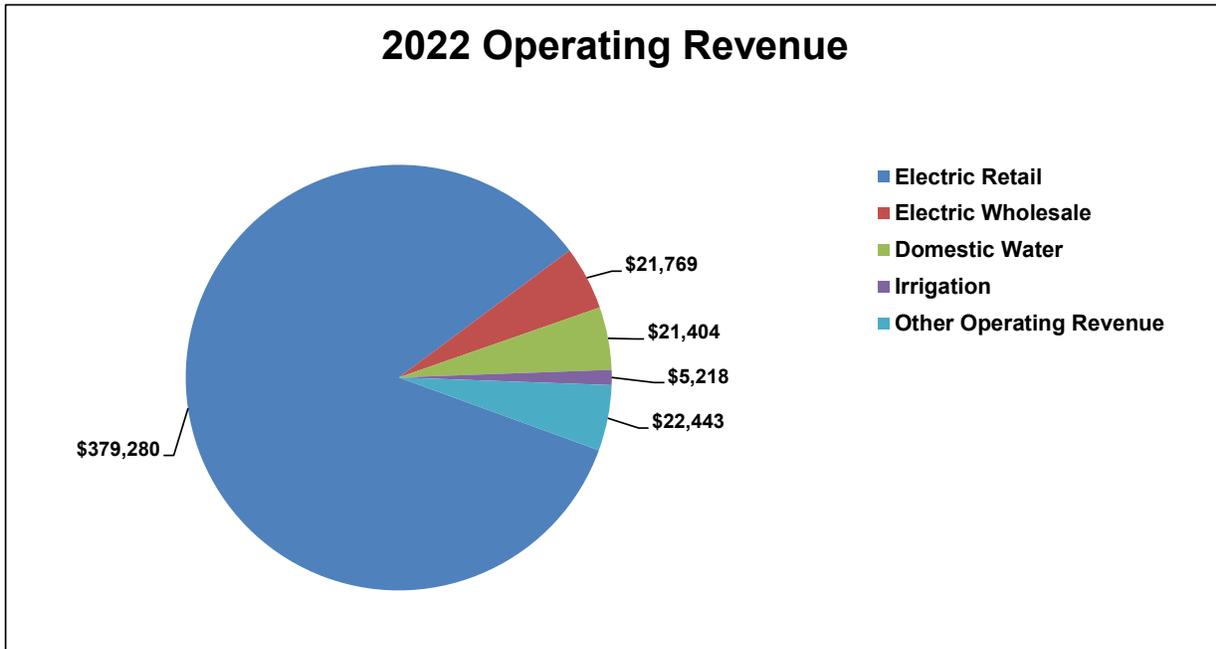
Retail electric revenue increased by \$8.4 million or approximately 2.26%. Retail consumption increased over the prior year.

Wholesale electric revenue increased by \$2.2 million or approximately 11.26% over prior year.

In 2022, Domestic Water revenue remained relatively flat with a small increase of \$0.7 million or approximately 3.33%.

Other operating revenue remained relatively flat with a small decrease of \$0.1 million or 2.56%.

The following is the District's 2022 operating revenue (**dollars are in thousands**):



MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Operating Revenues

Changes from 2020 to 2021

In 2021, Operating revenue increased by \$10.6 million or approximately 2.47%.

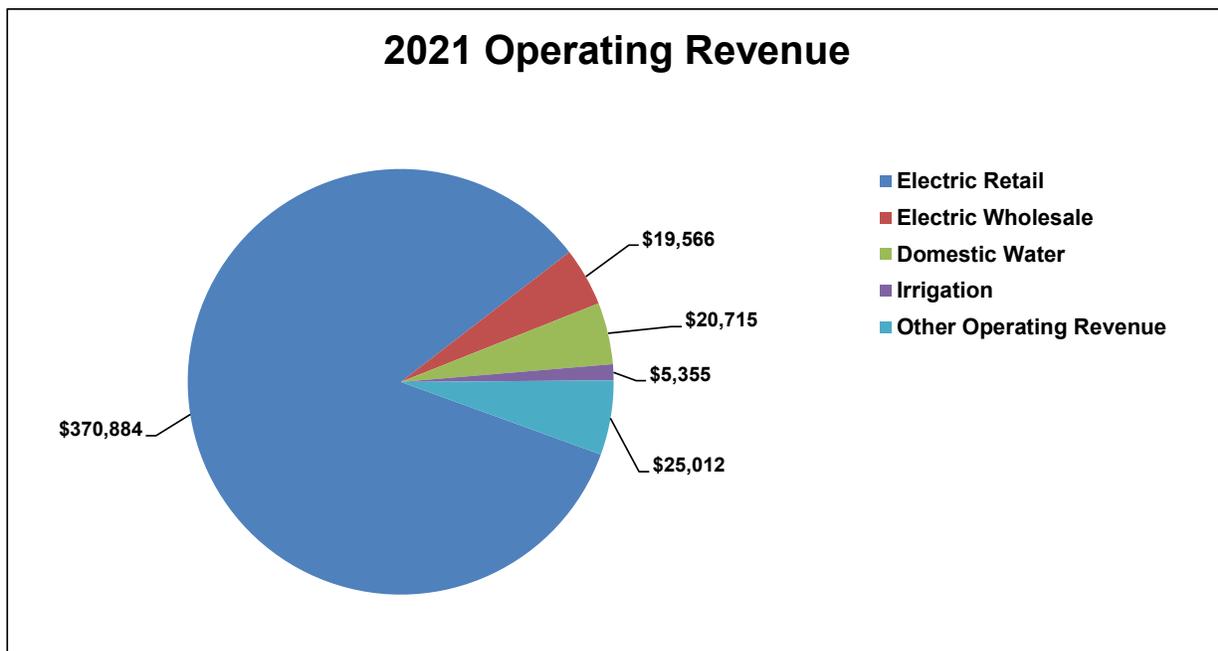
Retail electric revenue increased by \$1.8 million or approximately 0.5%. Retail consumption increased over the prior year.

Wholesale electric revenue increased by \$11.6 million or approximately 145.37% primarily due to the Lodi Energy Center being online the entire year.

In 2021, Domestic Water revenue remained relatively flat with a small decrease of \$22 thousand or approximately .11%.

Other operating revenue remained relatively flat with a small increase of \$0.2 million or 1.92%.

The following is the District's 2021 operating revenue (**dollars are in thousands**):



MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Operating Expenses

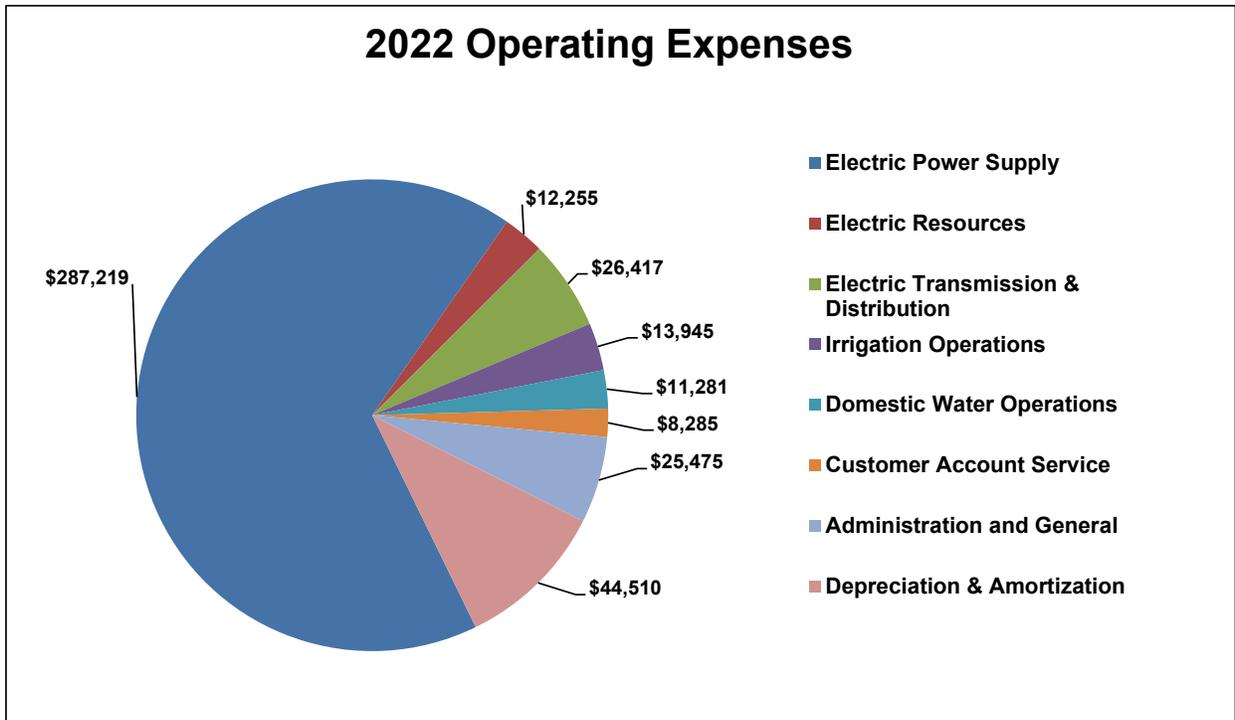
Changes from 2021 to 2022

Total operating expenses reflect an increase of approximately \$36.5 million or 9.28% in 2022. The increase is due to increased costs for Purchased power of \$41.6 million, partially offset by a decrease of \$4.9 million in Administrative and general costs.

Purchased power and power generation expenses for 2022 reflect an increase of approximately \$42.4 million or 17.32%. The change is mainly due to an increase in Purchased power costs and an increase in natural gas prices. Consumption increased in 2022 when compared to 2021.

Expenses for Domestic Water increased by \$0.8 million or 8.00% when compared to 2021.

The following depicts the 2022 operational expenses (**dollars are in thousands**):



MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Operating Expenses

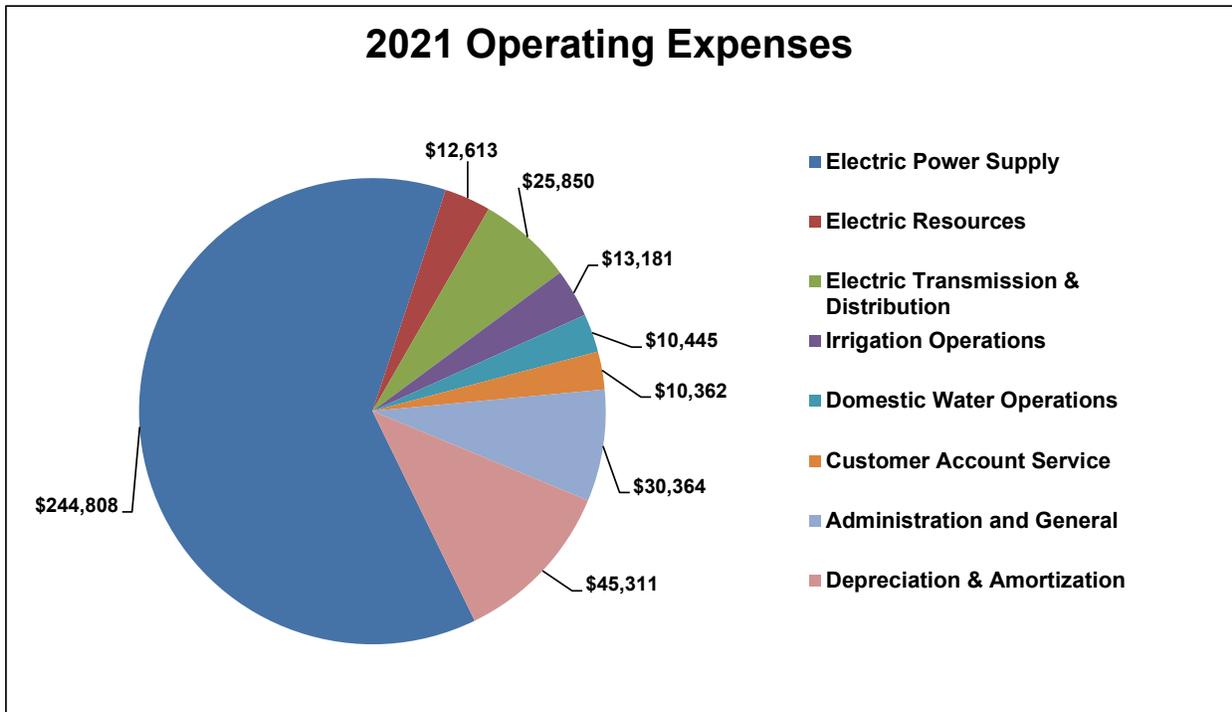
Changes from 2020 to 2021

Total operating expenses reflect an increase of approximately \$35.1 million or 9.82% in 2021. The increase is due to increased costs for Purchased power of \$46.8 million, partially offset by a decrease of \$15.0 million in Administrative and general costs.

Purchased power and power generation expenses for 2021 reflect an increase of approximately \$50.2 million or 25.8%. The change is mainly due to an increase in Purchased power costs and an increase in natural gas prices. Consumption increased in 2021 when compared to 2020.

Expenses for Domestic Water increased by \$0.2 million or 1.92% when compared to 2020.

The following depicts the 2020 operational expenses (dollars are in thousands):



MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021 - Unaudited

Non-Operating Revenue (Expenses)

Investment income

Investment and Other income, net decreased in 2022 by \$10.5 million due to investment losses of \$4.7 million in interest received on investments and unrealized gains on investments held, partially offset by Grant revenue in the amount of \$1.8 million in 2022 compared to \$7.2 million in 2021.

Investment and Other income, net decreased slightly in 2021 by \$0.8 million due to a decrease of \$9.4 million in interest received on investments and unrealized gains on investments held, partially offset by Grant revenue in the amount of \$7.2 million in 2021.

Interest expense

Interest expense for 2022 decreased \$1.9 million over prior year due to scheduled interest payments.

Interest expense for 2021 decreased \$3.0 million over prior year due to scheduled interest payments.

Other non-operating income, net

Other non-operating income remained relatively flat with a decrease in 2022 of \$0.1 million over the prior year.

Other non-operating income remained relatively flat with an increase in 2021 by \$0.3 million over the prior year.

Contacting the Modesto Irrigation District

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Controller's Office at P.O. Box 4060, Modesto, CA 95352.

Modesto Irrigation District

Balance Sheets

December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u> (Restated)
Assets and Deferred Outflows of Resources		
Capital Assets		
Plant in service	\$ 1,476,086	\$ 1,449,273
Less accumulated depreciation	<u>(853,951)</u>	<u>(811,305)</u>
Plant in service, net	622,135	637,968
Construction work in progress	<u>68,310</u>	<u>53,785</u>
Total capital assets	<u>690,445</u>	<u>691,753</u>
Other Assets and Investments		
Cash and investments, restricted	42,679	60,345
Investments, unrestricted	65,909	102,379
Interest receivable, restricted	191	224
Lease receivable	12,187	3,028
Capital improvement fund	35,774	28,383
Regulatory costs for future recovery	155,734	165,207
Net pension asset, restricted	1,104	-
Equity interest in TANC	17,409	14,062
Equity interest in M-S-R Public Power Agency	19,637	11,292
Other long-term assets	<u>20,983</u>	<u>20,420</u>
Total other assets and investments	<u>371,607</u>	<u>405,340</u>
Current Assets		
Cash and investments, unrestricted	46,260	61,676
Cash and investments, restricted	6,537	7,624
Interest receivable, unrestricted	800	799
Customer accounts receivable, net	38,419	43,582
Materials and supplies	17,741	15,255
Prepayments	4,286	2,968
Derivative financial instruments maturing within one year	1,627	970
Other current assets, net	<u>13,219</u>	<u>10,763</u>
Total current assets	<u>128,889</u>	<u>143,637</u>
Total assets	<u>1,190,941</u>	<u>1,240,730</u>
Deferred Outflows of Resources		
Deferred cash flow hedges, unrealized loss on derivatives	6,467	21,840
Unamortized loss on refunding	4,861	6,052
Deferred outflows related to OPEB	16,217	19,555
Deferred outflows related to pension	<u>60,866</u>	<u>69,632</u>
Total deferred outflows of resources	<u>88,411</u>	<u>117,079</u>
Total assets and deferred outflows	<u>\$ 1,279,352</u>	<u>\$ 1,357,809</u>

See notes to financial statements

Modesto Irrigation District

Balance Sheets

December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u> (Restated)
Liabilities, Deferred Inflows of Resources and Net Position		
Noncurrent Liabilities		
Long-term debt, net of current portion	\$ 438,545	\$ 477,185
Unamortized premium	37,444	45,812
Unamortized debt discount	(249)	(265)
Net pension liability	-	35,336
Net OPEB liability	18,505	42,476
Other liabilities	10,350	9,629
Derivative financial instruments	<u>8,094</u>	<u>22,809</u>
Total noncurrent liabilities	<u>512,689</u>	<u>632,982</u>
Current Liabilities		
Accounts payable and other accruals	45,854	33,959
Current liabilities payable from restricted assets:		
Current portion of long-term debt	38,640	37,695
Interest payable	<u>7,423</u>	<u>8,110</u>
Total current liabilities	<u>91,917</u>	<u>79,764</u>
Total liabilities	<u>604,606</u>	<u>712,746</u>
Deferred Inflows of Resources		
Deferred inflows related to OPEB	51,907	51,422
Deferred inflows related to pension	54,956	39,313
Deferred inflows related to leases	14,431	3,272
Unearned revenue	<u>43,852</u>	<u>44,332</u>
Total deferred inflows of resources	<u>165,146</u>	<u>138,339</u>
Net Position		
Net investment in capital assets	222,645	196,777
Restricted for debt service	265	684
Restricted for pension	1,104	-
Unrestricted	<u>285,586</u>	<u>309,263</u>
Total net position	<u>509,600</u>	<u>506,724</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,279,352</u>	<u>\$ 1,357,809</u>

See notes to financial statements

Modesto Irrigation District

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u> (Restated)
Operating Revenues		
Residential, commercial and industrial electric	\$ 379,280	\$ 370,884
Wholesale electric	21,769	19,566
Domestic water	21,404	20,715
Irrigation water	5,218	5,355
Equity in net income of public power agencies	11,693	16,670
Other operating income, net	10,750	8,342
	<u>450,114</u>	<u>441,532</u>
Total operating revenues		
Operating Expenses		
Purchased power	254,529	212,916
Power generation	32,690	31,892
Electric resources	12,255	12,613
Electric transmission and distribution	26,417	25,850
Irrigation operations	13,945	13,181
Domestic water operations	11,281	10,445
Customer account service	8,285	10,362
Administrative and general	25,475	30,364
Depreciation and amortization	44,510	45,311
	<u>429,387</u>	<u>392,934</u>
Total operating expenses		
Operating income	<u>20,727</u>	<u>48,598</u>
Nonoperating Revenues (Expenses)		
Investment income (expense)	(5,785)	(694)
Interest expense	(25,055)	(27,002)
Amortization of debt discount	(16)	(19)
Amortization of premium	8,368	8,813
Amortization of loss on refunding	(1,079)	(1,380)
Regulatory amounts collected in rates	(579)	(615)
Grant revenue	1,829	7,169
Other nonoperating income, net	3,441	3,546
	<u>(18,876)</u>	<u>(10,182)</u>
Total nonoperating expenses		
Change in net position before contributions	1,851	38,416
Capital Contributions	<u>1,025</u>	<u>2,072</u>
Change in net position	2,876	40,488
Net Position, Beginning	<u>506,724</u>	<u>466,236</u>
Net Position, Ending	<u>\$ 509,600</u>	<u>\$ 506,724</u>

See notes to financial statements

Modesto Irrigation District

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 447,355	\$ 428,728
Receipts from public power agencies	-	1,651
Payments to suppliers for goods and services	(349,988)	(316,828)
Payments to employees for services	(49,951)	(49,536)
	<u>47,416</u>	<u>64,015</u>
Net cash flows provided by operating activities	<u>47,416</u>	<u>64,015</u>
Cash Flows From Capital Financing Activities		
Net proceeds (payments) from issuance of long-term debt obligations	-	(18,352)
Repayment of long-term debt	(37,695)	(29,050)
Debt issuance costs	-	(526)
Construction expenditures	(42,201)	(35,257)
Interest paid	(25,742)	(27,867)
Contributions received for construction	519	1,625
	<u>(105,119)</u>	<u>(109,427)</u>
Net cash flows used in capital financing activities	<u>(105,119)</u>	<u>(109,427)</u>
Cash Flows From Investing Activities		
Investments purchased	(30,408)	(39,845)
Investments sold and matured	49,728	54,556
Interest received	3,435	3,294
	<u>22,755</u>	<u>18,005</u>
Net cash flows provided by investing activities	<u>22,755</u>	<u>18,005</u>
Net change in cash and cash equivalents	(34,948)	(27,407)
Cash and Cash Equivalents, Beginning	<u>98,115</u>	<u>125,522</u>
Cash and Cash Equivalents, Ending	<u>\$ 63,167</u>	<u>\$ 98,115</u>
Supplemental Disclosure of Noncash Financing and Investing Activities		
Noncash contributions by developers	<u>\$ 506</u>	<u>\$ 447</u>
Amortization	<u>\$ 6,693</u>	<u>\$ 6,799</u>
Change in arbitrage liability	<u>\$ (208)</u>	<u>\$ 74</u>
Bond proceeds used in refunding debt	<u>\$ -</u>	<u>\$ (48,945)</u>
Unrealized gain (loss) on investments	<u>\$ (8,980)</u>	<u>\$ (3,955)</u>
Change in valuation of derivative financial instruments	<u>\$ (15,373)</u>	<u>\$ (6,866)</u>
Noncash lease receivable addition	<u>\$ 11,403</u>	<u>\$ -</u>

See notes to financial statements

Modesto Irrigation District

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income to Net Cash		
Flows Provided by Operating Activities		
Operating income	\$ 20,727	\$ 48,598
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Other nonoperating income	5,270	10,867
Depreciation and amortization	44,510	45,311
Undistributed income from public power agencies	(11,693)	(16,670)
Distributions from public power agencies	-	1,651
Change in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Customer accounts receivable, net	5,163	(8,412)
Lease Receivables	(112)	-
Other current assets, net	(907)	1,338
Materials and supplies	(2,486)	(1,406)
Prepayments	(1,318)	222
Regulatory assets	9,005	9,014
Accounts payable and other accruals	11,403	3,303
Pension related deferrals and liabilities	(27,794)	(48,204)
OPEB related deferrals and liabilities	(4,385)	18,074
Unearned revenue and other liabilities	33	329
	<u>33</u>	<u>329</u>
Net cash flows provided by operating activities	<u>\$ 47,416</u>	<u>\$ 64,015</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheets Accounts		
Cash and investments, unrestricted	\$ 46,260	\$ 61,676
Cash and investments, restricted	6,537	7,624
Investments, unrestricted	65,909	102,379
Cash and investments, restricted	42,679	60,345
Capital improvement fund	<u>35,774</u>	<u>28,383</u>
Total cash and investments	197,159	260,407
Less noncash equivalents	<u>(133,992)</u>	<u>(162,292)</u>
Total cash and cash equivalents	<u>\$ 63,167</u>	<u>\$ 98,115</u>

See notes to financial statements

Modesto Irrigation District

Statements of Fiduciary Net Position

December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and Cash Equivalents	\$ 8,083	\$ 7,815
Receivables		
Dividends	63	51
Investments at Fair Value		
Publicly traded stocks	204,135	53,122
Exchange traded funds	145,853	-
Corporate Bonds	4,912	-
US Treasuries	2,623	-
US Agency securities	6,048	-
Stable value	25,513	21,343
Mutual funds	212,717	657,130
	<u>609,947</u>	<u>739,461</u>
Total assets		
	609,947	739,461
Less accrued liabilities	<u>397</u>	<u>680</u>
Net position held in trust for retiree benefits	<u>\$ 609,550</u>	<u>\$ 738,781</u>

See notes to financial statements

Modesto Irrigation District

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
Additions		
Additions to (reductions from) net position attributed to:		
Investment income (loss):		
Net appreciation of investments	\$ (137,195)	\$ 81,897
Dividend income	13,665	11,782
Interest income	2,389	1
Investment expenses	<u>(941)</u>	<u>(2,389)</u>
Net investment income	<u>(122,082)</u>	<u>91,291</u>
Contributions:		
Employee contributions	4,052	3,844
Employer contributions	30,255	37,049
Other contributions	<u>31</u>	<u>34</u>
Total contributions	<u>34,338</u>	<u>40,927</u>
Total additions	<u>(87,744)</u>	<u>132,218</u>
Deductions		
Deductions from net position attributed to:		
Distributions to plan members and beneficiaries	32,589	30,451
Medical premiums paid	8,500	8,452
Other benefits expense	-	-
Administrative expenses	363	240
Consultant and professional services expenses	<u>35</u>	<u>45</u>
Total deductions	<u>41,487</u>	<u>39,188</u>
Net increase in net position held in trust for retiree benefits	(129,231)	93,030
Net Position Held in Trust for Retiree Benefits		
Beginning of year	<u>738,781</u>	<u>645,751</u>
End of year	<u>\$ 609,550</u>	<u>\$ 738,781</u>

See notes to financial statements

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

1. Organization and Description of Business

The Modesto Irrigation District (the District) was formed in 1887 and operates as a nonregulated special district of the State of California. The District provides electric power on an exclusive basis within a 160 square mile service area in Stanislaus County and in the Don Pedro Reservoir area in Tuolumne County. The District also provides electric power in portions of southern San Joaquin County. The District provides irrigation water to an area of California's Central Valley that lies between the Tuolumne and Stanislaus rivers. The District also operates a surface water treatment plant that provides water for the City of Modesto's (the City) domestic water supply.

The District is managed by a Board of Directors. The District's Board of Directors has the authority to fix rates and charges for the District's commodities and services. As a public power utility, the District is not subject to regulation or oversight by the California Public Utilities Commission (CPUC). The District may also incur indebtedness including issuing bonds. The District is exempt from payment of federal and state income taxes.

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. 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

As required by accounting principles generally accepted in the United States of America, these financial statements present the District, its component unit, the Modesto Irrigation District Financing Authority (the Authority), and the following component units presented as fiduciary activities (collectively referred to as the Plan):

Retirement System Basic Retirement Plan (a pension trust fund) is a single-employer defined benefit plan for all eligible District employees and Directors.

Retirement System Supplemental Retirement Plan (a pension trust fund) is a defined contribution plan and serves as partial or full replacement of social security for participants, depending upon date of employment.

Retiree Medical Benefits Plan (an other postemployment benefit trust fund) is a single-employer defined benefit healthcare plan for all eligible retirees and their spouses.

The Authority, a joint power authority composed of the District and the City of Redding, provides financing for public improvements of the District. The District's Board of Directors serves as the Authority's Board, and District employees provide all of the Authority's administrative and management functions. All of the Authority's financial transactions, except the payment of debt service, are transacted with the District. Accordingly, all operations of the Authority are consolidated into the District's financial statements.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The District's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

Presentation 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 expenses during the reporting period. Actual results could differ from those estimates.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the District's leasing activities. The District adopted this statement effective January 1, 2022. The accounting change has been applied retroactively to 2021.

Cash and Cash Equivalents

Cash equivalents include all financial instruments with maturity dates of 90 days or less from the date of purchase and all investments in the Local Agency Investment Fund (LAIF), and money market mutual funds. LAIF has an equity interest in the State of California Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The PMIA cash and investments are recorded at amortized cost, which approximates fair value. The District's deposits with LAIF are generally available for withdrawal on demand.

Investments

Generally, all investments are carried at their fair value, except for guaranteed investment contracts (GICs), which are carried at cost. Fair values are based on methods and inputs as outlined in Note 3. Fair values may have changed significantly after year-end.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Allowance for Doubtful Accounts

The District recognizes an estimate of uncollectible accounts for its customer accounts receivable related to electric service based upon its historical experience with collections. The District has an allowance for doubtful accounts for its electric retail customers of \$3,206 and \$5,916 as of December 31, 2022 and 2021, respectively. The District's net expense relating to doubtful accounts for all accounts receivable is included in the accompanying statements of revenues, expenses and changes in net position as an offset to operating revenues. The District recorded bad debt expense of \$910 and \$10,215 at December 31, 2022 and 2021, respectively.

Materials and Supplies

Materials and supplies are generally used for construction, operation and maintenance work, and are not for resale. They are valued at the lower of cost or fair value utilizing the average cost method and charged to construction or expense when used.

The balance includes greenhouse gas allowances used for generation of \$2,484 and \$978 as of December 31, 2022 and 2021, respectively. Allowances are valued at the lower of cost or fair value utilizing the average cost method and charged to generation expense when used. Any allowances held for sale are recorded at fair value at year-end. No allowances were held for sale at December 31, 2022 and 2021.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Capital Improvement Fund

The District bills each customer a per kilowatt-hour capital infrastructure surcharge. These funds are segregated to pay for future capital improvements.

Prepayments

The balance represents payments to vendors for costs applicable to future accounting periods.

Regulatory Costs for Future Recovery

As a regulated entity, the District's financial statements are prepared in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which require that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the change in net position as incurred are recognized when included in rates. The District records regulatory assets and credits to reflect rate-making actions of the Board.

The account includes the following components:

- Unamortized debt issuance costs of previously issued bonds of the District. Unamortized debt issuance costs are being amortized over the life of the remaining bonds
- The original unfunded net pension liability under GASB Statement No. 68. The balance is being amortized straight line over 20 years to expense to match the District's funding of the plan.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

- The original unfunded net OPEB liability under GASB Statement No. 75. The balance is being amortized straight line over 20 years to expense to match the District's funding of the plan.

	<u>2022</u>	<u>2021</u>
Unamortized debt issuance costs	\$ 2,644	\$ 3,112
Initial unfunded pension liability	52,331	55,409
Initial unfunded OPEB liability	<u>100,759</u>	<u>106,686</u>
Total	<u>\$ 155,734</u>	<u>\$ 165,207</u>

Other Current and Long-Term Assets

Other current and long-term assets represent miscellaneous receivables and deposits. Included is a receivable from the City of Modesto for a domestic water pipeline project of \$333 and \$657 of the 2022 and 2021 balances, respectively. Approximately \$0 and \$333 of the 2022 and 2021 balances, respectively, are not expected to be collected within one year. The balance of other long-term assets is a receivable from Transmission Agency for Northern California (TANC) discussed in Note 7.

Leases

The District is a lessor because it leases capital assets to other entities. As a lessor, the District reports a lease receivable and corresponding deferred inflow of resources in the financial statements. The District continues to report and depreciate the capital assets being leased as capital assets. The District has a policy to recognize leases with an initial contract value over \$250 as a lease receivable. The current portion of the lease receivable (\$2,243 in 2022 and \$244 in 2021) are included in other current assets on the balance sheet.

Capital Assets

Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of three years.

Capital assets are stated at cost or the estimated acquisition value at the time of contribution to the District. Costs and related accumulated depreciation of assets sold or otherwise disposed of are eliminated from the accounts and related gains or losses are considered nonoperating. The costs of replacement are charged to District plant. Repair and maintenance costs are charged to expense in the period incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets, which generally range from twenty to fifty years for electric and domestic water plant assets and ten to one hundred years for irrigation system assets. The estimated useful lives of furniture, fixtures, equipment and other assets range from 5 to 20 years.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Accrued Vacation

Under terms of employment, employees are granted vacation time in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the District. At December 31, 2022 and 2021, the District recorded accrued vacation time of \$4,467 and \$4,111, respectively. The liability is included in accounts payable and other accruals in the accompanying balance sheets.

Other Liabilities

Other liabilities include customer meter deposits of \$7,777 and \$7,488 at December 31, 2022 and 2021, respectively. Other costs in the account include power cost true-ups, potential rate refunds, arbitrage liability and other miscellaneous long-term liabilities.

Asset Retirement Obligations

The District has identified potential retirement obligations related to certain transmission, distribution and irrigation canal facilities located on properties that do not have perpetual lease rights. The District's nonperpetual leased land rights generally are renewed continuously because the District intends to utilize these facilities indefinitely. Since the timing and extent of any potential asset retirements are unknown, the fair value of any obligations associated with these facilities cannot be reasonably estimated. Accordingly, a liability has not been recorded at December 31, 2022 and 2021 for these assets.

The District accrues costs related to capital assets when an obligation to decommission facilities or other liability is legally required.

Net Pension Liability (Asset)

A net pension liability (asset) is recorded in accordance with GASB Statement No. 68. The liability (asset) is the difference between the actuarial total pension liability and the Plan's fiduciary net position as of the measurement date. See Note 10 for additional information.

Net Other Postemployment Benefit (OPEB) Liability

A net OPEB liability is recorded in accordance with GASB Statement No. 75. The net OPEB liability is the difference between the actuarial total OPEB liability and the Plan's fiduciary net position as of the measurement date. See Note 10 for additional information.

Long-Term Debt

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the balance sheets. The balance at year-end for the loss on refunding is shown as a deferred outflow of resources in the balance sheets.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Billings to the City in connection with the Domestic Water Project (the Project) in advance of the operation of the facility were recorded as unearned revenues. Annual differences between billings to the City and the District's annual Project costs are charged or credited to unearned revenues. These differences are being amortized over the life of the facility. Accordingly, the District's financial statements reflect Domestic Water operations on a break-even basis, consistent with the operating agreements between the District and the City.

Net Position

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - this component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

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 principal operating revenues of the District are charges to customers for sales and services. Operating expenses 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.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Electric and Irrigation Revenues

Retail and wholesale electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. The District records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2022 and 2021, unbilled revenues of \$12,580 and \$13,013, respectively, are included in customer accounts receivable in the balance sheets.

Irrigation revenues are recognized when billed based on annual assessments, payable with installment payments due in June and December.

Purchased Power

The majority of the District's power needs are provided by power purchases. These power purchases are principally made under long-term agreements with the M-S-R Public Power Agency and the Hetch Hetchy System, owned and operated by the City and County of San Francisco. Additionally, the District purchases power from others under various power purchase agreements. Gains or losses on power purchase and sale transactions that are settled without physical delivery are recorded as net additions or reductions to purchased power expense.

Grant Revenue

In 2021, the District was a State of California subrecipient of federal Coronavirus State and Local Fiscal Recovery Funds in the amount of \$7,169. In 2022, the District received additional State budget funding of \$1,829. The funds are to be applied to delinquent customer accounts as dictated by the programs.

Capital Contributions

Cash and capital assets are contributed to the District from customers and external parties. The value of property contributed to the District is reported as capital contributions on the statements of revenues, expenses and changes in net position.

Comparative Data

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 2022*, Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, and Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

3. Cash and Investments

The District's investment policies are governed by the California Government Codes and its bond indenture, which restricts the District's investment securities to obligations which are unconditionally guaranteed by the United States (U.S.) government or its agencies or instrumentalities; direct and general obligations of the State of California (State) or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; time certificates of deposit; repurchase agreements; reverse repurchase agreements or securities lending agreements; medium-term corporate notes; shares of beneficial interest; mortgage pass-through securities; financial futures and financial option contracts; and deposits with the LAIF. Investments in LAIF are unregistered, pooled funds. LAIF is a component of the Pooled Money Investment Account Portfolio managed by the State Treasurer, in accordance with Government Code Sections 16430 and 16480. The fair value of the District's investments in LAIF approximates the value of its pool shares.

The District's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities and minimum credit ratings.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250 for time and savings accounts (including NOW accounts), \$250 for interest bearing demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250 for the combined amount of all deposit accounts.

The District maintains a rate stabilization fund to protect District customers from extreme rate increases that would otherwise be necessitated by dramatic short-term changes in purchased power or other operating costs. Annual transfers into and out of the fund are determined by the District's Board of Directors (Board), which may utilize these unrestricted funds for any lawful purposes. The rate stabilization fund consists of an undivided portion of the District's general operating funds. No transfers occurred during fiscal years 2022 and 2021.

The Plan's investment policies are governed primarily by the "Prudent Person Rule" which restricts the Plan's investments to only those securities which would be selected by a person of prudence, diligence and intelligence in the management of his or her own affairs, giving due consideration to safety or principal and income. The Plan, under the guidelines of its investment policies, is authorized to invest its cash in various financial instruments, including cash and equivalents, domestic equities, international equities, convertible securities, bankers acceptances, commercial paper, certificates of deposit, repurchase and reverse repurchase agreements, financial futures, financial option contracts, medium term notes, corporate bonds, shares issued by diversified management companies, hedge funds and deposits with the LAIF.

The Plan's investment policy and guidelines are established by and may be amended by the District's Retirement Committee (the Committee) and the District's Board of Directors. The Committee is responsible for overseeing the investment management of the Plan. This includes, but is not limited to, reviewing and evaluating investment activities regularly to assure that the Plan's investment policy and guidelines are followed.

The Plan's investment policy includes restrictions for investments related to maximum amounts invested as a percentage of total portfolios, with a single issuer, and within market sectors and styles, minimum market capitalization, maximum maturities and minimum credit ratings.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

District Cash and Investments (Exclusive of the Fiduciary Activities)

The following disclosures relate to the District, exclusive of the fiduciary activities.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset (liability). Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements include the following:

- Institutional bond quotes for U.S. government agency securities, corporate medium term notes and U.S. Treasury notes.
- Trader-entered price information for money market mutual funds.
- JJ Kenny municipal information for municipal bonds.
- Bloomberg pricing of similar assets for its interest rate swap.
- Market information from NYMEX for its natural gas swaps and futures.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2022 and 2021:

Investment Type	December 31, 2022			
	Level 1	Level 2	Level 3	Total
U.S. government agencies	\$ -	\$ 22,500	\$ -	\$ 22,500
U.S. Treasury notes	69,301	-	-	69,301
Money market funds	32,774	-	-	32,774
Corporate medium terms notes	-	27,640	-	27,640
Municipal bonds	-	1,834	-	1,834
Derivative financial instruments	2,135	(8,602)	-	(6,467)
Total	\$ 104,210	\$ 43,372	\$ -	\$ 147,582

Investment Type	December 31, 2021			
	Level 1	Level 2	Level 3	Total
U.S. government agencies	\$ -	\$ 47,627	\$ -	\$ 47,627
U.S. Treasury notes	69,425	-	-	69,425
Money market funds	46,599	-	-	46,599
Corporate medium terms notes	-	30,617	-	30,617
Municipal bonds	-	1,906	-	1,906
Derivative financial instruments	1,579	(23,418)	-	(21,839)
Total	\$ 117,603	\$ 56,732	\$ -	\$ 174,335

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of December 31, 2022 and 2021, none of the District's bank balances are known to be individually exposed to custodial credit risk.

The District's investment policy does not address this risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2022 and 2021, the District's investments were exposed to custodial credit risk as follows:

	<u>2022</u>	<u>2021</u>
Neither insured nor registered and held by the counterparty's trust department or agency in the District's name:		
U.S. agencies implicitly guaranteed	\$ 22,500	\$ 47,627
Corporate medium term notes	27,640	30,617
Municipal bonds	1,834	1,906
U.S. Treasury	69,301	69,425
	<u> </u>	<u> </u>
Total	<u>\$ 121,275</u>	<u>\$ 149,575</u>

The District's investment policy addresses this risk. All securities owned by the District shall be held in safekeeping by a third-party custodian, acting as agent for the District under the terms of a custody agreement.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2022 and 2021, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	
	<u>2022</u>	<u>2021</u>
LAIF	NR	NR
Money market mutual funds	NR	NR
U.S. agencies implicitly guaranteed	AA+	AA+
Corporate medium term notes	AAA – A-	AAA - A-
Investment agreement contracts	NR	NR
Municipal bonds	AA-	AA-

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The District's investment policy addresses this risk. The District limits investments to those allowed by Sections 53601 of the California Government code that address the risk allowable for each investment.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2022 and 2021, the District's investment portfolio was concentrated as follows:

Investment Type	Percentage of Portfolio	
	2022	2021
Fannie Mae	7%	11%
Freddie Mac	5%	8%

The District's investment policy addresses this risk and places limits on the amounts invested in specific types of investments.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2022, the District's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities in Years		
		Less Than 1 Year	1-5 Years	Greater Than 5 Years
U.S. government agencies	\$ 22,500	\$ 5,350	\$ 17,150	\$ -
Corporate medium term notes	27,640	1,095	26,545	-
LAIF	2,117	2,117	-	-
Money market fund	32,774	32,774	-	-
Municipal bonds	1,834	1,834	-	-
U.S. Treasury notes	69,302	7,533	61,769	-
Total	<u>\$ 156,167</u>	<u>\$ 50,703</u>	<u>\$ 105,464</u>	<u>\$ -</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

As of December 31, 2021, the District's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities in Years		
		Less Than 1 Year	1-5 Years	Greater Than 5 Years
U.S. government agencies	\$ 47,627	\$ -	\$ 47,627	\$ -
Corporate medium term notes	30,617	4,535	26,082	-
LAIF	12,745	12,745	-	-
Money market fund	46,599	46,599	-	-
Municipal bonds	1,906	-	1,906	-
U.S. Treasury notes	69,425	5,487	63,938	-
Total	<u>\$ 208,919</u>	<u>\$ 69,366</u>	<u>\$ 139,553</u>	<u>\$ -</u>

Though the District has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Fiduciary Activities Investments

The following disclosures relate to the District's Fiduciary Activities.

The Plans categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

The valuation methods for recurring fair value measurements include the following:

Publicly traded stocks are valued at the most recent closing price reported on the market on which individual securities are traded.

Mutual funds, money market funds, and exchange traded funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The level 2 and level 3 mutual funds are valued based on a manual method using pricing provided by various sources such as the issuer, investment manager, fund accountant, etc. or default price if a price is not provided.

U.S. agency securities, U.S. treasuries, and corporate bonds are valued using institutional bond quotes.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Stable Value Fund is a collective fund that seeks to maintain a stable net asset value. It invests primarily in a diversified portfolio of fixed income securities from U.S. and foreign issuers, including corporate, mortgage-backed, and government, and agency bonds.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2022 and 2021:

Investment Type	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 7,886	\$ -	\$ 7,886
Publicly traded stocks	204,135	-	-	204,135
Exchange traded funds	116,785	29,068	-	145,853
Corporate bonds	-	4,912	-	4,912
Mutual funds	114,099	98,618	-	212,717
US agency securities	-	6,048	-	6,048
US treasuries	-	2,623	-	2,623
Total	<u>\$ 435,019</u>	<u>\$ 149,155</u>	<u>\$ -</u>	584,174
Investments measured at the net asset value:				
Stable Value Fund				<u>25,513</u>
Total investments				<u>\$ 609,687</u>
Investment Type	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 7,810	\$ -	\$ -	\$ 7,810
Publicly traded stocks	43,810	9,312	-	53,122
Mutual funds	657,130	-	-	657,130
Total	<u>\$ 708,750</u>	<u>\$ 9,312</u>	<u>\$ -</u>	718,062
Investments measured at the net asset value:				
Stable Value Fund				<u>21,343</u>
Total investments				<u>\$ 739,405</u>

Investments Measured Using NAV: These funds have no unfunded commitments, the redemption frequency is daily - bi-annually, and the redemption notice period ranges from 0 - 92 days.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Custodial Credit Risk

This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Plan's deposits may not be returned, or the Plan will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Plan's investment policy does not address this risk.

As of December 31, 2022 and 2021, none of the Basic, Supplemental or Retiree Medical Plan's deposits are known to be individually exposed to custodial credit risk.

As of December 31, 2022 and 2021, the Basic and Retiree Medical Plan's investments were exposed to custodial credit risk as follows:

	<u>2022</u>	<u>2021</u>
Neither insured nor registered and held by the counterparty's trust department or agency in the District's name:		
Publicly traded stocks	\$ 204,135	\$ 53,122
Corporate bonds	4,912	-
US treasuries	2,623	-
US agency securities	<u>6,048</u>	<u>-</u>
Total	<u>\$ 217,718</u>	<u>\$ 53,122</u>

The Supplemental Retirement Plan's investments were not exposed to custodial credit risk in 2022 and 2021.

The Plan's investment policy does not address this risk.

Credit Risk

As of December 31, 2022 and 2021, the Plan's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	
	<u>2022</u>	<u>2021</u>
Money market funds	NR	NR
Corporate bonds	A+, AA, A-, BBB+, BBB, AA+	n/a
US agency securities	AA+	n/a

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

In addition, the Plans had investments in mutual funds, bond funds rated as follows:

	<u>2022</u>	<u>2021</u>
Morning Star Rating:		
1	\$ 2,714	\$ -
2	7,513	13,048
3	74,660	36,439
4	94,480	426,631
5	35,031	107,085
Not Rated	-	17,279

To mitigate the risk that an issuer of an investment will not fulfill its obligation to the owner of the investment, the Plan limits investments in certain securities to those that met or exceed certain minimum credit ratings established by nationally recognized rating agencies. Commercial paper must be rated at a minimum of A-1 and P-1 by Standard & Poor's and Moody's, respectively. Bankers' acceptances and certificates of deposit must have been purchased from larger well-capitalized banks with a minimum of an A rating from one of the major rating agencies. Banker's acceptances must also be eligible for both purchases and discount by the Federal Reserve Bank. The pooled fund investments with LAIF are not rated. Noninvestment Grade securities may be purchased up to a maximum of 20% of the portfolio value.

Interest Rate Risk

As of December 31, 2022, the Plan's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities in Years		
		0-5 Years	6-10 Years	Greater Than 10 Years
Corporate bonds	\$ 4,913	\$ 825	\$ 3,814	\$ 274
Exchange traded funds*	18,453	18,453	-	-
US treasuries	2,623	214	262	2,147
US agency securities	6,048	-	-	6,048
Stable Value Fund	25,513	25,513	-	-
Mutual funds	214,948	214,948	-	-
Total	<u>\$ 272,498</u>	<u>\$ 259,953</u>	<u>\$ 4,076</u>	<u>\$ 8,469</u>

*Only includes exchange traded funds including bond funds.

As of December 31, 2021, the Plan's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities in Years		
		Less Than 1 Year	1-5 Years	Greater Than 5 Years
Money market funds	\$ 7,810	\$ 7,810	\$ -	\$ -
Stable Value Fund	21,343	21,343	-	-
Mutual funds	595,269	595,269	-	-
Total	<u>\$ 624,422</u>	<u>\$ 624,422</u>	<u>\$ -</u>	<u>\$ -</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The Plan has restrictions as to the maturities of some of the investments and has a formal policy that allocates investments to manage its exposure to fair value losses arising from increases in interest rates.

4. Restricted Assets

Certain proceeds of the District's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheets because their use is limited. The following accounts are reported as restricted assets

	<u>2022</u>	<u>2021</u>
Restricted accounts:		
Project Fund	\$ 22	\$ 18,004
Reserve Fund	41,677	41,374
Redemption Fund	6,537	7,624
Domestic Water and Reserve Contingency Fund	980	967
Net Pension Asset	1,104	-
Total restricted accounts	<u>\$ 50,320</u>	<u>\$ 67,969</u>

Debt Related Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next 12 months.

Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Project - Used to report debt proceeds restricted for use in construction.

Domestic Water Reserve and Contingency

As a condition of the Treatment and Delivery Agreement with the City of Modesto for domestic water, the District has established an account for the payment of emergency maintenance items that arise.

Remediation Fund

As a condition of the Natural Gas and Supply Agreement with the M-S-R Energy Authority, the District has established a fund to track proceeds received from the sale of gas delivered per the supply agreement. These proceeds will be used for future gas supply needs. There was no balance in this account as of December 31, 2022 and 2021.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

5. Changes in Capital Assets

A summary of changes in capital assets for 2022 follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Capital assets, not being depreciated/amortized:				
Land and land rights	\$ 35,002	\$ -	\$ -	\$ 35,002
Intangibles assets, not being depreciated/amortized	5,367	-	-	5,367
Total capital assets not being depreciated/amortized	40,369	-	-	40,369
Capital assets being depreciated/amortized:				
Intangible assets, being depreciated/amortized	45,267	-	-	45,267
Electric system	965,228	45,939	(605)	1,010,562
Domestic water plant	217,914	259	(63)	218,110
Irrigation system	68,330	1,960	(396)	69,894
General and administrative facilities	85,457	7,272	(845)	91,884
Completed construction not classified	26,708	(26,708)	-	-
Total capital assets being depreciated/amortized	1,408,904	28,722	(1,909)	1,435,717
Total capital assets	1,449,273	28,722	(1,909)	1,476,086
Less accumulated depreciation/amortization	(811,305)	(44,504)	1,858	(853,951)
Construction in progress	53,785	42,742	(28,217)	68,310
Net capital assets	\$ 691,753	\$ 26,960	\$ (28,268)	\$ 690,445

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

A summary of changes in capital assets for 2021 follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
Capital assets, not being depreciated/amortized:				
Land and land rights	\$ 35,002	\$ -	\$ -	\$ 35,002
Intangibles assets, not being depreciated/amortized	5,367	-	-	5,367
Total capital assets not being depreciated/amortized	40,369	-	-	40,369
Capital assets being depreciated/amortized:				
Intangible assets, being depreciated/amortized	45,267	-	-	45,267
Electric system	951,198	14,492	(462)	965,228
Domestic water plant	217,649	265	-	217,914
Irrigation system	67,044	1,368	(82)	68,330
General and administrative facilities	85,017	2,363	(1,923)	85,457
Completed construction not classified	21,324	5,384	-	26,708
Total capital assets being depreciated/amortized	1,387,499	23,872	(2,467)	1,408,904
Total capital assets	1,427,868	23,872	(2,467)	1,449,273
Less accumulated depreciation/amortization	(768,383)	(45,311)	2,389	(811,305)
Construction in progress	41,584	35,630	(23,429)	53,785
Net capital assets	<u>\$ 701,069</u>	<u>\$ 14,191</u>	<u>\$ (23,507)</u>	<u>\$ 691,753</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

6. Leases

The District's adopted GASB Statement No. 87, *Leases*, effective January 1, 2022. The impact of the implementation did not affect net position. However, prior period balances were restated for the new standard. The following balances were restated from 2021.

	As originally reported (12/31/21)	Adjustment for GASB No. 87	As restated (12/31/21)
Other current assets, net	\$ 10,519	\$ 244	\$ 10,763
Lease receivable	-	3,028	3,028
Deferred inflows related to leases	-	3,272	3,272

The District has the following lessor agreements:

Date	Lease Receivable Description	Final Maturity	Interest Rate	Outstanding Receivable	
				2022	2021
2005, 2016, 2021	Various ground and tower leases	2029 – 2036	5.00%	\$ 2,008	\$ 2,136
4/8/14	Fiber optic cable	9/30/24	5.00%	1,020	1,136
11/18/22	Land lease	12/31/27	4.50%	11,403	-
	Totals			<u>\$ 14,431</u>	<u>\$ 3,272</u>

The District recognized \$244 and \$219 of lease revenue in 2022 and 2021, respectively. The District recognized \$161 and \$152 of interest revenue in 2022 and 2021, respectively.

7. Investment in Public Power Agencies

The District's investments in public power agencies are accounted for using the equity method of accounting and consist of the following at December 31, 2022 and 2021:

	2022	2021
M-S-R Public Power Agency	<u>\$ 19,637</u>	<u>\$ 11,292</u>
Transmission Agency of Northern California (TANC)	<u>\$ 17,409</u>	<u>\$ 14,062</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

M-S-R Public Power Agency

The District, the City of Santa Clara and the City of Redding formed M-S-R Public Power Agency (Agency) for the principal purpose of acquiring electric power resources for the electric systems of its members. The District owns a 50% interest in generation assets owned by the Agency. The District's deficit investment in prior years derives from its proportionate interest in the Agency's deficit and the District's commitment to repay its share of the Agency's debt, among other costs and obligations, through its take-or-pay commitment. The Agency no longer has a deficit balance as of December 31, 2021. The District is liable for its proportionate share of the Agency's long-term debt and asset retirement obligations related to the San Juan Project. The Agency divested its interest in the San Juan Plant, a 507-megawatt (MW) unit of a coal-fired electricity generating plant located in New Mexico, as of December 31, 2017. In 2006, the Agency entered into agreements with Iberdrola Renewables, Inc., to purchase renewable energy from the Big Horn wind project. The District's share of the Big Horn output is 12.5% and is obligated to make payments commensurate with its share of the project.

During 2022 and 2021, the District incurred purchased power costs of \$22,523 and \$31,606, respectively, in connection with these Agency resources. At December 31, 2022 and 2021, the District had a payable of \$1,836 and \$2,445, respectively, to the Agency for its proportionate share of project related expenditures.

Summarized financial information of the Agency is as follows at December 31:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 63,727	\$ 79,387
Total deferred outflows of resources	-	201
Total assets and deferred outflows	<u>\$ 63,727</u>	<u>\$ 79,588</u>
Total liabilities	\$ 24,456	\$ 57,006
Total net position	<u>39,271</u>	<u>22,582</u>
Total liabilities and net position	<u>\$ 63,727</u>	<u>\$ 79,588</u>
Changes in net position during the year	<u>\$ 16,689</u>	<u>\$ 24,875</u>

The long-term debt of the Agency, which totals \$0 and \$26,425 at December 31, 2022 and 2021, respectively, is secured by a pledge and assignment of the net electric revenues of the Agency and are supported by take-or-pay commitments, which are an operating expense of the Participant's electric system. The District's portion of the Agency's principal and interest payments during the year were \$13,737 and \$13,875 for December 31, 2022 and 2021, respectively.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

M-S-R Energy Authority

The District, the City of Santa Clara and the City of Redding formed M-S-R Energy Authority (Authority) for the principal purpose to acquire, construct, maintain, operate and finance projects for the benefit of any one or more of the Members. On September 10, 2009, the Authority entered into a series of 30-year prepaid gas contracts with Citigroup Energy, Inc., which are financed by nonrecourse revenue bonds. The Authority also entered into matching Natural Gas Supply Agreements (Supply Agreements) whereby each member is obligated to purchase the natural gas from the Authority at a discount from the Index Price. The Supply Agreements will continue in effect until September 30, 2039, unless terminated earlier due to certain defaults, as set forth therein, or the termination of the matching prepaid gas contract. If the Authority fails on any day to deliver the quantity of natural gas required to be delivered pursuant to a Supply Agreement, the member will have no obligation for any of the natural gas supply that was not delivered as a result of such delivery default.

Billings to the members are designed to provide, over the life of the project, full recovery of costs as defined by the indenture and project contracts, and as prescribed by the Authority. Rates are structured to systematically provide for the current debt service requirements, operating costs and reserves. The net costs to be recovered from future participant billings consist primarily of timing differences related to the debt service requirements included in rates. In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, certain income and expense amounts which would be recognized during the current time period are deferred and not included in the determination of income until such costs are recoverable through participant billings. Under the current rate structure, costs are expected to be recovered over the 30-year term of the Natural Gas Supply Agreement.

During 2022 and 2021, the District incurred purchased gas costs of \$14,654 and \$8,459, respectively, in connection with the Authority. At December 31, 2022 and 2021, the District had a payable of \$2,477 and \$1,039, respectively, for purchased gas and project related expenses.

Summarized financial information of the Authority is as follows at December 31:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 888,204	\$ 894,989
Total liabilities	\$ 888,204	\$ 894,989
Total net position	-	-
Total liabilities and net position	\$ 888,204	\$ 894,989
Changes in net position during the year	\$ -	\$ -

The long-term debt of the Authority totaled \$881,000 and \$891,235 at December 31, 2022 and 2021, respectively. The District's portion of the Authority's principal and interest payments during 2022 and 2021 were \$15,357 and \$14,680, respectively.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Transmission Agency of Northern California (TANC)

TANC is a joint power agency that owns a portion of the California Oregon Transmission Project (COTP), a transmission line between central California and southern Oregon. As of July 1, 2015, through a 25-year lay-off agreement and the termination of a layoff between MID and some of the other TANC members, the District has a 23.5% ownership interest in TANC for a net total scheduling entitlement of 320 MW. As a result of the 2015 25-year lay-off agreement, the District assumed the debt payment associated with the acquisition of approximately 25 MW of additional COTP transfer capability. TANC is entitled to approximately 87% of the 1,600 MW transmission capacity of the COTP. In addition, the District has a 34% share of TANC's transmission entitlement under the South of Tesla transmission agreements with Pacific Gas & Electric Company (PG&E) that provides the District with 102 MW of transmission between Tesla and Midway.

The District is responsible for 34% of the South of Tesla operating costs. In July 2006, TANC changed the method used to invoice members for transmission costs. TANC began invoicing its members at the monthly TANC Open Access Transmission Tariff (OATT) rate. The OATT rate is charged to the member based on their entitlement share of kW. During 2022 and 2021, the District incurred transmission costs of \$14,120 and \$13,947, respectively, relating to these projects, which are included in purchased power expense in the accompanying statements of revenues, expenses and changes in net position. At December 31, 2022 and 2021, the District has a receivable from TANC in the amount of \$20,983 and \$20,086, respectively, included in other long-term assets in the accompanying balance sheets. In 2006, the District began selling excess transmission capabilities from the COTP transmission lines through TANC, as agent of the District. The District recognized \$1,060 and \$767 in revenues from transmission sales in the 2022 and 2021, respectively.

Summarized unaudited financial information of TANC is as follows at December 31:

	<u>2022</u>	<u>Restated 2021*</u>
Total assets and deferred outflows of resources	\$ 389,364	\$ 372,783
Total liabilities and deferred inflows of resources	\$ 310,286	\$ 308,633
Total net position	79,078	64,150
Total liabilities and net position	\$ 389,364	\$ 372,783
Changes in net position for six months ended	\$ 7	\$ -

* Note 2021 balances were restated for the implementation of GASB Statement No. 87.

The long-term debt of TANC (unaudited), which totals \$187,860 and \$192,173 at December 31, 2022 and 2021, respectively, is collateralized by a pledge and assignment of net revenues of each agency, supported by take-and-pay commitments of the District and the other members. Should other members of these agencies default on their obligations to the agencies, the District would be required to make "step up" payments to cover a portion of the defaulted payments. The District's portion of TANC's principal and interest payments during the year were \$2,465 and \$2,467 for December 31, 2022 and 2021, respectively.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Balancing Authority of Northern California (BANC)

The District and three other California municipal utilities formed BANC in 2009. One new member joined in 2013. BANC was formed to perform North American Electric Reliability Corporation (NERC) functions that would otherwise be performed by the BANC members or on their behalf.

Summarized financial information of BANC is as follows at December 31:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 15,028	\$ 7,097
Total liabilities	\$ 15,028	\$ 7,097
Total net position	-	-
Total liabilities and net position	\$ 15,028	\$ 7,097
Changes in net position during the year	\$ -	\$ -

Modesto Irrigation District Financing Authority

The Authority is a joint power authority that provides financing for public improvements of the District and is accounted for as a component unit of the District. The revenues and expenses of the Authority are eliminated upon consolidation with the District. The Authority's summary financial information as of December 31, 2022 and 2021 and for the years then ended is as follows:

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets	\$ 16,503	\$ 14,048
Other noncurrent assets	25,615	45,018
Debt service installment receivable, less current portion	299,408	294,935
Total assets	341,526	354,001
Deferred outflows of resources	9,813	24,881
Total assets and deferred outflows of resources	\$ 351,339	\$ 378,882
Liabilities and net position:		
Current liabilities	\$ 14,887	\$ 13,777
Derivative financial instruments	8,602	23,418
Long-term debt, net	327,728	341,357
Other noncurrent liabilities	122	330
Net position	-	-
Total liabilities and net position	\$ 351,339	\$ 378,882

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Revenues and expenses:		
Revenues:		
Debt service contributions	\$ 11,700	\$ 12,609
Interest income	675	369
Other nonoperating income	1,079	1,106
	<u>13,454</u>	<u>14,084</u>
Total revenues	13,454	14,084
Interest expense and amortization	<u>(13,454)</u>	<u>(14,084)</u>
Change in net position	-	-
Net position, beginning	<u>-</u>	<u>-</u>
Net position, ending	<u>\$ -</u>	<u>\$ -</u>
	<u>2022</u>	<u>2021</u>
Cash flows:		
Net cash provided by noncapital financing activities	\$ (19,330)	\$ (33,672)
Net cash provided by investing activities	675	394
	<u>(18,655)</u>	<u>(33,278)</u>
Net change in cash and cash equivalents	(18,655)	(33,278)
Cash and cash equivalents, beginning	<u>40,231</u>	<u>73,509</u>
Cash and cash equivalents, ending	<u>\$ 21,576</u>	<u>\$ 40,231</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

8. Long-Term Debt

The following bonds have been issued:

Date	Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount December 31, 2022
6/26/07	2007F Domestic Water Revenue Bonds	9/1/37	Index Rate	\$ 93,190	\$ 93,190
6/23/10	2010A Taxable Electric System Revenue Bonds	10/1/40	4.78-7.20%	60,325	45,385
7/23/11	2011A Electric System Refunding Revenue Bonds	7/1/26	3.85-5.00	125,380	-
8/31/11	2011C Electric System Refunding Revenue Bonds	7/1/31	4.50-5.00	32,840	-
10/25/12	2012A Electric System Refunding Revenue Bonds	7/1/32	1.00-5.00	90,065	50,965
8/14/13	2013G Domestic Water Refunding Revenue Bonds	9/11/22	2.00-5.00	43,270	-
7/15/15	2015A Electric System Revenue Bonds	10/1/40	4.00-5.00	67,690	65,435
7/15/15	2015B Electric System Refunding Revenue Bond	10/1/34	2.00-5.00	30,190	24,090
10/1/16	2016 Electric System Refunding Revenue Bond	10/1/34	2.00-5.00	95,240	32,655
6/20/19	2019A Electric System Revenue Bonds	10/1/39	5.00	47,355	47,355
6/20/19	2019B Electric System Revenue Bonds	10/1/31	5.00	48,495	44,635
8/6/20	2020 Electric System Refunding Revenue Bonds	10/1/32	4.00-5.00	34,920	34,920
4/06/21	2021 Electric Systems Refunding Revenue Bonds	7/1/31	5.00	48,945	38,555

General Debt Terms

The net revenue of the District's electric system is pledged for repayment of Certificates of Participation (COPs) and Revenue Bonds. The Domestic Water Revenue Bonds are collateralized by a pledge of payments made by the City of Modesto relating to domestic water services. Interest on certificates and revenue bonds is generally payable semi-annually, except for interest on certain COPs that is payable on the last day of each interest rate reset period.

Interest earnings on tax-exempt bond funds are subject to arbitrage rules of the Internal Revenue Service if interest earnings on the unspent tax-exempt funds are greater than the stated bond yield on the tax-exempt debt. As of December 31, 2022 and 2021, the District has recorded a liability of \$122 and \$330, respectively, for a potential arbitrage rebate to the IRS. Arbitrage rebates are due five years from the issuance date of the tax-exempt debt.

The District's outstanding debt obligations of \$477,185 and \$514,880 on December 31, 2022 and 2021, respectively, contain event of default and remedies provisions that in the event of default, outstanding amounts become immediately due and payable. The District has evaluated the event of default and remedies provisions and in the opinion of Management, the likelihood is remote that these provisions will have a significant effect on the District's financial position or results of operations. The District is in compliance with required bond covenants

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Long-Term Debt Repayment

Revenue bonds debt service requirements to maturity follows:

	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
Years ending December 31:				
2023	\$ 38,640	\$ 23,213	\$ (1,073)	\$ 60,780
2024	39,480	21,365	(1,073)	59,772
2025	40,760	19,341	(1,073)	59,028
2026	32,415	17,510	(1,073)	48,852
2027	25,005	16,155	(1,073)	40,087
2028-2032	133,345	61,509	(5,367)	189,487
2033-2037	118,180	32,141	(4,020)	146,301
2038-2040	49,360	4,743	(801)	53,302
Total requirements	<u>\$ 477,185</u>	<u>\$ 195,977</u>	<u>\$ (15,553)</u>	<u>\$ 657,609</u>

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions were effective March 1, 2013 for qualified bonds including the District's 2010A Series Bonds. The District received a reduced interest subsidy payment during 2022 and 2021 due to budget sequestration by the federal government. In 2022 and 2021, the District recognized \$1,079 and \$1,106, respectively, in revenues for its Build America Bonds, as a component of other nonoperating income, net in the statements of revenues, expenses and changes in net position. Federal subsidies for these bonds will be reduced by 5.7% through the end of the federal fiscal year ending September 30, 2030, or convening U.S. Congressional action, at which time the sequestration rate is subject to change.

The District had outstanding debt obligations totaling \$0 and \$3,660 on December 31, 2022 and 2021, respectively, which were defeased and excluded from the District's long-term debt.

Current Refunding

On March 6, 2021, bonds in the amount of \$48,945 were issued with an average interest rate of 5.00% to refund \$75,525 of Series 2011A&B and 2011C Revenue Bonds with an average interest rate of 4.90%. The net proceeds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the refunding were \$93,345 with refunding receipts of \$11,711 from 2021 through 2031. The cash flow requirements on the new bonds are \$61,162 with refunding receipts of \$5,492 from 2021 through 2031. The refunding resulted in an economic gain of \$12,058.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Long-Term Obligation Summary

Long-term obligation activity for the year ended December 31, 2022 is as follows:

	January 1, 2022	Additions	Reductions	December 31, 2022	Due Within One Year
Domestic Water Revenue					
Bonds	\$ 98,985	\$ -	\$ 5,795	\$ 93,190	\$ 4,275
Revenue bonds	415,895	-	31,900	383,995	34,365
Unamortized debt discount	(265)	-	(16)	(249)	-
Unamortized premium	45,812	-	8,368	37,444	-
Other liabilities	9,629	999	278	10,350	-
Derivative financial instruments	21,839	-	15,372	6,467	(1,627)
Equity interest in M-S-R	-	-	-	-	-
Total	<u>\$ 591,895</u>	<u>\$ 999</u>	<u>\$ 61,697</u>	<u>\$ 531,197</u>	<u>\$ 37,013</u>

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	January 1, 2021	Additions	Reductions	December 31, 2021	Due Within One Year
Domestic Water Revenue					
Bonds	\$ 104,500	\$ -	\$ 5,515	\$ 98,985	\$ 5,795
Revenue bonds	466,010	48,945	99,060	415,895	31,900
Unamortized debt discount	(411)	-	(146)	(265)	-
Unamortized premium	45,429	10,088	9,705	45,812	-
Other liabilities	9,447	976	794	9,629	-
Derivative financial instruments	29,723	-	7,884	21,839	(970)
Equity interest in M-S-R	1,146	-	1,146	-	-
Total	<u>\$ 655,844</u>	<u>\$ 60,009</u>	<u>\$ 123,958</u>	<u>\$ 591,895</u>	<u>\$ 36,725</u>

In addition to the liabilities above, information on the net pension liability and the net OPEB liability is provided in Note 10.

9. Derivative Instruments

Summary of Notional Amounts and Fair Values

The District enters into contracts to hedge its exposure to power and natural gas prices, and to procure energy supplies. The District also enters into contracts to hedge its exposure to fluctuating interest rates. These contracts are evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, to determine whether they meet the definition of derivative instruments, and, if so, whether they effectively hedge the expected cash flows associated with interest rate and energy exposures.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred inflow (outflow) on the balance sheets. As of December 31, 2022 and 2021, all of the District's derivatives met the effectiveness test.

For energy derivatives, fair values are estimated by comparing contract prices to forward market prices quoted by third party market participants or provided in relevant industry publications. For interest rate derivatives, the District subscribes to a financial information service that it uses to verify fair value estimates obtained from its counterparties.

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of December 31, 2022 (amounts in thousands; gains shown as positive amounts, losses as negative).

	2022 Change in Fair Value		Fair Value, End of 2022		Notional (Thousands)
	Classification	Amount	Classification	Amount	
Cash Flow Hedges					
Interest rate derivatives:					
Pay-fixed swaps, interest rate	Deferred outflow	\$ 14,815	Derivative	\$ (8,602)	\$ 93,190
Energy derivatives:					
Pay-fixed swaps, natural gas	Deferred inflow	557	Derivative	2,135	1,118 mmBtu

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of December 31, 2021 (amounts in thousands; gains shown as positive amounts, losses as negative).

	2021 Change in Fair Value		Fair Value, End of 2021		Notional (Thousands)
	Classification	Amount	Classification	Amount	
Cash Flow Hedges					
Interest rate derivatives:					
Pay-fixed swaps, interest rate	Deferred outflow	\$ 6,867	Derivative	\$ (23,417)	\$ 93,190
Energy derivatives:					
Pay-fixed swaps, natural gas	Deferred inflow	1,008	Derivative	1,578	1,118 mmBtu

Objective and Terms of Hedging Derivative Instruments

The objectives and terms of the District's hedging derivative instruments that were outstanding at December 31, 2022 and 2021 are summarized in the table below. The table is aggregated by the credit ratings (using the Standard & Poor's scale) of the District's counterparties. For counterparties having multiple ratings, the rating indicating the greatest degree of risk is used.

The interest rate swaps are designed to synthetically fix the cash flows associated with variable rate bonds. The interest rate that the District pays on the 2007F bonds is 67% of LIBOR plus a spread. With the interest rate swaps, the District pays the counterparty a fixed rate and receives 67% of LIBOR. Netting out the LIBOR-based payments, the District's effective interest rate is the sum of the fixed rate paid to the swap counterparty and the spread.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The District hedges its power and natural gas costs so that it can offer predictable rates to its retail electric customers, stabilize its finances and enhance its credit profile. The District maintains a Risk Management Program (RMP) to control the price, credit and operational risks arising from its power and natural gas market activities. Under the RMP, authorized District personnel assemble a portfolio of swaps, options, futures and forward contracts over time with the goal of making the District's purchased power and fuel budget more predictable.

Type	Objective	Notional (Thousands)	Effective Date	Maturity Date	Terms	Counterparty Rating
Pay-fixed swaps, interest rate	Hedge cash flows on the 2007F Bonds	\$ 93,190	Jun-07	Sep-37	Pay 4.378- 4.440%; receive 67% of LIBOR	A-
Pay-fixed swaps, natural gas	Hedge cash flows on PG&E Citygate gas purchases	1,096 mmBtu	Oct-20	Dec-25	Pay \$3.235- 5.51/mmBtu; receive NGI PG&E Citygate price	Between A- to BBB

Objectives and terms of the District's hedging derivative instruments that were outstanding at December 31, 2021 are summarized in the table below:

Type	Objective	Notional (Thousands)	Effective Date	Maturity Date	Terms	Counterparty Rating
Pay-fixed swaps, interest rate	Hedge cash flows on the 2007F Bonds	\$ 93,190	Jun-07	Sep-37	Pay 4.378- 4.440%; receive 67% of LIBOR	A-
Pay-fixed swaps, natural gas	Hedge cash flows on PG&E Citygate gas purchases	1,188 mmBtu	Oct-19	Dec-24	Pay \$2.93- 3.77/mmBtu; receive NGI PG&E Citygate price	Between A to BBB

Risks of Derivative Instruments

Credit Risk

Credit risk is the risk of loss due to a counterparty defaulting on its obligations. The District seeks to minimize credit risk by transacting with creditworthy counterparties. Interest rate swap counterparties are evaluated at the time of transaction execution. For energy counterparties, the District follows a procedure under its RMP wherein the District will accept more potential credit risk from counterparties having greater amounts of tangible net worth and higher credit ratings. The procedure restricts the District from executing energy hedge transactions with counterparties rated lower than BBB by Standard & Poor's or Fitch rating services, or Baa2 by Moody's.

The District uses industry standard agreements to document derivative transactions. These agreements include netting clauses whereby, if the District and the counterparty owe each other payment, the party owing the greater amount pays the net. The District also uses collateral posting provisions to manage credit risk. These provisions require an out-of-the-money party to post cash, letters of credit, or other pre-agreed liquid securities to the extent that the mark-to-market value of derivative positions with a given counterparty exceeds a threshold value. Thresholds are negotiated individually with counterparties, and the netting provisions include rights to set off against posted collateral.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

To avoid concentrations of credit risk, and to avoid the risk of itself having to post large amounts of collateral, the District seeks to spread transactions across counterparties so that, even with an adverse move in the market, the threshold values would likely not be exceeded. As of December 31, 2022 and 2021, the District did not have any collateral posted with its derivative counterparties and did not hold any collateral posted by its counterparties.

The District is exposed to credit risk to the extent that it has net fair value gains on its derivative positions with individual counterparties. If counterparty failed, those value amounts could be lost. As of December 31, 2022 and 2021, the District was in-the-money with certain of its counterparties.

Basis Risk

Basis risk is the risk that arises when a hedged item and a derivative intended to hedge that item are based on different indices. The District is exposed to basis risk when it hedges its natural gas purchases, which are priced at the PG&E Citygate index, with NYMEX futures and options contracts, which settle based on the price in Henry Hub, Louisiana. If the markets diverge such that PG&E Citygate prices increase relative to Henry Hub prices, the District would be negatively affected on the futures and options contracts that mature in 2022.

Termination Risk

Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default and mergers in which the successor entity does not meet credit criteria. One aspect of termination risk is that the District would lose the hedging benefit of a derivative that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination the mark-to-market value of the derivative was a liability to the District, the District could be required to pay that amount to the counterparty. Termination risk is associated with all of the District's derivatives up to the fair value amounts.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Hedged Debt

Net cash flows for the District's synthetic fixed-rate debt are shown below. These amounts assume that the interest rates of the bonds and the reference rates of the hedging derivative instruments remain at December 31, 2022 levels. These rates will vary and, as they do, interest payments on the variable-rate bonds and net receipts/payments on the interest rate swaps will vary. The table shows only the District's effectively hedged synthetic fixed-rate debt, which is a subset of the District's total debt. As of December 31, 2022, all of the District's variable-rate debt is effectively hedged.

	<u>Principal</u>	<u>Interest</u>	<u>Net Payment on Derivatives</u>	<u>Total</u>
Years ending December 31:				
2023	\$ 4,275	\$ 3,512	\$ 565	\$ 8,352
2024	4,455	3,349	539	8,343
2025	4,650	3,179	511	8,340
2026	4,885	3,001	483	8,369
2027	5,105	2,814	453	8,372
2028-2032	29,250	10,934	1,761	41,945
2033-2037	40,570	4,687	755	42,012
Total	<u>\$ 93,190</u>	<u>\$ 31,476</u>	<u>\$ 5,067</u>	<u>\$ 129,733</u>

10. Employee Benefit Plans

The District maintains two retirement plans and a retiree medical benefits plan for its eligible employees. The Retirement Committee of the District's Board of Directors oversees the plans. The District has a Human Resources Department that performs plan administrative functions. Plan investments are managed by the District Treasury Department and third-party investment managers. All funds of the plans are separate assets of the retirement plans and are not assets of the District.

Basic Retirement Plan

Plan Description

The Basic Retirement Plan (the Plan) is a single-employer defined benefit pension plan for eligible employees. All employees who normally work 20 hours per week or more and at least five months per year, except leased employees, employees whose work classification is excluded from coverage under the Plan by a collective bargaining agreement, and individuals employed in work experience and student intern classifications, are eligible. There are three tiers of employees covered. Tier 1 is comprised of Pre-2006 eligible employees. Tier 2 is comprised of Post-2005 eligible employees. Tier 3 is comprised of Post-2012 eligible employees. The Plan provides retirement, disability and death benefits to plan members and beneficiaries. The District issues publicly available stand-alone financial statements and required supplementary information of the Plan that may be obtained by contacting the District. The fiduciary net position reported in these statements has been determined on the same basis as the Plan.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Benefits Provided

Benefits provided for Tier 1 and 2 employees include monthly benefits of 2.75% of the final average monthly earnings multiplied by a credited service factor. Tier 3 employees receive a monthly benefit equal to a percentage between 1% if retirement occurs at age 52 and 2.5% if retirement occurs at age 67 or older multiplied by a credited service factor. For ages 52 through 67, the percentage is between 1% and 2.5%. Vesting periods are five years for all tiers. Normal retirement age is 60 for Tier 1 and 2 employees with reduced early retirement options at 55 with five years of service. Tier 3 employees may retire at age 52, but cost of living adjustments are only given to employees that retire on or after age 55 with 5 years of service. Final average compensation is calculated based on the highest average monthly earnings during the 36 consecutive months out of the last 120 months for Tier 1 and Tier 2 employees. Tier 3 employee benefits are calculated as the highest average monthly earnings received during the 36 consecutive month's immediately preceding separation of service. Cost of living adjustments are provided for all employees who have been receiving benefits for more than one year excepted as noted above. The cost of living adjustment is based on the increase in the U.S. Labor Department cost of living index, but it may not exceed 4%. For post-2005 eligible employees, such adjustment shall not exceed 3%. Tier 3 employees that leave the District's service may withdraw his or her contribution if they are not yet vested. Benefit terms may be amended by the Board of Directors.

Employees Covered by Benefit Terms

At the December 31, 2022 and 2021 valuation dates, the following employees were covered by the benefit terms:

	<u>2021</u>	<u>2020</u>
Inactive employees or beneficiaries currently receiving benefits	501	482
Inactive employees entitled to but not yet receiving benefits	60	53
Active employees	<u>419</u>	<u>429</u>
Total	<u>980</u>	<u>964</u>

Contributions

The Board of Directors has established, and may amend, the contribution requirements for Plan members and the District set forth in the terms of the Plan. The terms of the Plan empower the Retirement Committee of the District (the Committee) to make, at reasonable intervals, an analysis of the funding requirements of the Plan for the payment of retirement benefits and expenses based on reasonable actuarial assumptions and methods which take into account the experience of the Plan and the reasonable expectations, and on the basis of this analysis, to establish a funding policy for the Plan. The terms of the Plan state that, subject to the Board of Directors' right to suspend or reduce contributions to the Plan at any time, the District shall contribute to the Plan at least once a year the amounts necessary to maintain the Plan on a sound actuarial basis, in a manner consistent with the funding policy established by the Committee.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The funding policy currently established by the Committee requires the District to contribute an amount set forth in the Recommendation Regarding Total Contributions presented in the Plan actuary's Actuarial report. The Required Annual Contributions set forth in the Recommendation regarding total contributions presented in the Actuarial Report are \$17,336 and \$19,050, which were contributed in 2022 and 2021, respectively.

The District was the sole participating employer and contributing entity. Prior to 1989, participants were allowed to make voluntary contributions and prior to 1977, participating contributions were required. The Plan was amended as of January 1, 2013; new member employees are required to contribute an amount equal to one-half of the defined benefits' normal cost through payroll deductions.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of December 31, 2021 and 2020 for the District's December 31, 2022 and 2021 financial statements, respectively, and the total pension liability used to calculate the net pension liability (asset) was determined by an annual actuarial valuation as of January 1, 2022 and January 1, 2021, respectively.

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions:

	2022	2021
Actuarial valuation date	January 1, 2022	January 1, 2021
Amortization method	20 year amortization method	20 year amortization method
Asset valuation method	Smoothed fair market value method with gains and losses recognized over five years	Smoothed fair market value method with gains and losses recognized over three years
Long-term expected rate of return	6.90%	6.90%
Discount rate	6.90%	6.90%
Inflation	2.50%	2.50%
Salary increases	4.00% per year, compounded annually	4.00% per year, compounded annually
Mortality	RP-2000 Blue Collar Generation Mortality Table projected with a 7% of scale AA	RP-2000 Blue Collar Generation Mortality Table projected with a 7%% of scale AA
Post-retirement adjustments	2.50%	2.50%
Overtime assumptions	4% plus 4 to 16% of current salaries for employees who are expected to have significant increase in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.	4% plus 4 to 16% of current salaries for employees who are expected to have significant increase in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The Plan's investment policy does not establish long-term expected rates of return for each asset class. The target allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Cash	- %
Fixed income and U.S. governmental obligations	25.0
International stocks	15.0
Domestic stocks	45.0
Hedge funds	10.0
Public real estate	5.0
Opportunistic portfolio	-

Discount Rate

The discount rates of 6.90% was used to measure the total pension liability as of December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed-upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance, December 31, 2020	\$ 417,291	\$ 365,730	\$ 51,561
Changes for the year:			
Service cost	7,578	-	7,578
Interest on total pension liability	28,353	-	28,353
Difference between expected and actual experience	(7,609)	-	(7,609)
Change in assumptions	34,092	-	34,092
Employer contributions	-	23,735	(23,735)
Employee contributions	-	1,272	(1,272)
Net investment income	-	53,838	(53,838)
Benefit pays, including employee refunds	(20,558)	(20,558)	-
Administrative expense	-	(206)	206
Other (benefits payable)	-	-	-
Net changes	41,856	58,081	(16,225)
Balance, December 31, 2021	459,147	423,811	35,336
Changes for the year:			
Service cost	8,795	-	8,795
Interest on total pension liability	31,229	-	31,229
Difference between expected and actual experience	6,260	-	6,260
Changes in assumptions	-	-	-
Employer contributions	-	19,227	(19,227)
Employee contributions	-	1,381	(1,381)
Net investment income	-	62,361	(62,361)
Benefit pays, including employee refunds	(22,122)	(22,122)	-
Administrative expense	-	(245)	245
Other (benefits payable)	-	-	-
Net changes	24,162	60,602	(36,440)
Balance, December 31, 2022	\$ 483,309	\$ 484,413	\$ (1,104)

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Net Pension Liability (Asset) of the employer as of December 31, 2022, calculated using the discount rate of 6.90%, as well as what the employer's Net Pension Liability (Asset) would be using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
December 31, 2022	\$ 61,637	\$ (1,104)	\$ (53,269)
December 31, 2021	\$ 95,511	\$ 35,336	\$ (14,679)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Modesto Irrigation District Retirement System Basic Retirement Plan report.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022 and 2021, the employer recognized pension expense of \$5,305 and \$10,919, respectively. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>December 31, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 49,884
Differences between expected and actual experience	7,869	5,072
Differences in assumptions	35,661	-
Contributions subsequent to the measurement date*	17,336	-
Total	<u>\$ 60,866</u>	<u>\$ 54,956</u>
	<u>December 31, 2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 32,972
Differences between expected and actual experience	4,359	6,341
Differences in assumptions	46,046	-
Contributions subsequent to the measurement date*	19,227	-
Total	<u>\$ 69,632</u>	<u>\$ 39,313</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date is recognized as a reduction in the net pension liability in the subsequent year.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2023	\$ (392)
2024	(8,227)
2025	(2,748)
2026	(1,102)
2027	1,043

Payable to the Pension Plan

At December 31, 2022 and 2021, the employer did not have a payable for any outstanding amount of contributions to the pension plan required.

The 2022 and 2021 required contributions were determined as part of the January 1, 2022 and January 1, 2021 actuarial valuations, respectively, using the entry age normal cost method. This method seeks to provide a level pattern of cost as a percentage of salary throughout an employee's working lifetime. A level percentage of payroll amortization is used, with an amortization period not to exceed 30 years.

Supplemental Retirement Plan

Eligible employees of the District also participate in the District's supplemental retirement plan (the Supplemental Plan). The Supplemental Plan is a defined contribution plan and serves as partial or full replacement of social security for participants, depending upon date of employment. Participants are required to contribute 5% of their compensation on a pre-tax basis. The District wholly matches the contributions. Participants become fully vested in the District's portion of their account after six months of employment. Covered payroll of Participants is the same as under the Basic Retirement Plan. Participants have a selection of investment options offered under the Plan. The District made contributions to the Supplemental Plan of \$2,456 and \$2,435 for 2022 and 2021, respectively. The District issues publicly available stand-alone financial statements and required supplementary information of the Plan that may be obtained by contacting the District.

Deferred Compensation Plan

The Modesto Irrigation District (the District) Deferred Compensation Plan (the Plan) was established effective as of January 1, 1980 to provide retirement income and other deferred benefits to the Employees of the District and their Beneficiaries. The District intends to maintain the Plan as an eligible deferred compensation plan within the meaning of section 457(b) of the Internal Revenue Code. The Plan is established and shall be maintained for the exclusive benefit of Participants and their Beneficiaries. The District does not provide contributions to the Plan. The Plan is participant-directed and available to all District employees, which permits them to defer a portion of their salary until future years. Plan participants are ultimately responsible for their investment decisions, therefore the Retirement Committee intends to provide a broad spectrum of investment options to allow plan participants to construct diversified portfolios designed to meet their own time horizons and risk and return objectives ranging from conservative (with an emphasis on capital preservation) to aggressive (with an emphasis on higher long-term growth potential). The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the Plan shall be held and invested in the Trust Fund in accordance with the Plan and the Trust Agreement. The Plan is managed by a third-party administrator. Plan assets were \$45,898 and \$52,634 at December 31, 2022 and 2021, respectively.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Health Care Benefits

Plan Description

The Retiree Medical Program is a single-employer defined benefit healthcare plan. The District provides health care benefits, in accordance with District policy, to qualified retirees and their spouses. The qualification requirements for these benefits are similar to those under the

District's retirement plans. The following description of the District Retiree Medical Program (Retiree Medical Plan) provides only general information. Participants should refer to the Retiree Medical Plan agreement for a more complete description of the Retiree Medical Plan's provisions.

The Retiree Medical Plan is governed by ten committee members. The ten member committee consist of: two District Board of Directors, the General Manager of the District, an employee who serves as chief financial officer of the District, an employee who serves as chief human resources manager of the District, the general counsel of the District, an employee employed in the Utility Services and Maintenance bargaining unit, an employee employed in the Administrative, Technical and Clerical bargaining unit, an employee employed in the Professional and Supervisory bargaining unit, and an employee employed in the Modesto Irrigation District Employees Association bargaining unit.

Plan provisions and contribution requirements were established by and may be amended by the District's Board of Directors.

The financial information for the Retiree Medical Plan is reported in the fiduciary funds statements. The Retiree Medical Plan does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

Modesto Irrigation District Retiree Medical Plan Net Position Restricted for Other Postemployment Benefits

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 1,537	\$ 5,212
Investments at fair value	78,943	89,919
Total assets	80,480	95,131
Less accrued liabilities	63	34
Net position held in trust for other postemployment benefits	<u>\$ 80,417</u>	<u>\$ 95,097</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Modesto Irrigation District Retiree Medical Plan Changes in Net Position Restricted for Other Postemployment Benefits

	<u>2022</u>	<u>2021</u>
Additions:		
Contributions	\$ 10,493	\$ 15,415
Investments income/(loss)	(16,645)	11,458
Total additions	(6,152)	26,873
Deductions:		
Benefit payments	8,500	8,452
Administrative expenses	28	34
Total deductions	8,528	8,486
Increase in net position	(14,680)	18,387
Net position held in trust for other postemployment benefits - beginning	95,097	76,710
Net position held in trust for other postemployment benefits - ending	<u>\$ 80,417</u>	<u>\$ 95,097</u>

Plan Membership

At the December 31, 2021 and 2020 valuation dates, the following employees were covered by the benefit terms:

	<u>2021</u>	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefit payments	416	383
Inactive plan members entitled to but not yet receiving benefit payments		
Active and disabled plan members	407	421
Total	<u>823</u>	<u>804</u>

Benefits Provided

The District contributes the full cost of coverage for employees who retired before 1992; employees who retire in 1992 and thereafter pay a portion of the monthly premium for eligible dependent coverage; and the District pays the remainder of the cost of the plan. Covered retirees are also responsible for personal deductibles and co-payments. The District pays for post-retirement dental and vision care for retirees only to age 65. Section 5.03 of the Retiree Medical Plan Agreement grants the authority to establish and amend the benefit terms to the Retirement Committee.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Contributions

Section 5.03 of the Retiree Medical Plan Agreement grants the authority to establish and amend the contribution requirements of the District and Retiree Medical Plan members to the Retirement Committee. The Retiree Medical Plan Agreement directs the District to make contributions based on an actuarially determined rate. The District reserves the right to suspend or reduce the contributions otherwise payable to the Retiree Medical Plan by the District. The District's average contribution rate was 23.82% and 16.65% of covered-employee payroll, for the year ended December 31, 2022 and 2021, respectively. Plan members are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of December 31, 2021 and 2020 for the District's December 31, 2022 and 2021 financial statements, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 and 2020, respectively.

Actuarial Assumptions

The total OPEB liability was determined, using the following actuarial assumptions:

	<u>2022</u>	<u>2021</u>
Actuarial valuation date	January 1, 2021	January 1, 2020
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Asset valuation method	Smoothed fair market value method with gains and losses recognized over three years	Smoothed fair market value method with gains and losses recognized over three years
Long-term expected rate of return	6.90%	6.90%
Discount rate	6.90%	6.90%
Inflation	2.00%	2.00%
Salary increases	4.00% per year	4.00% per year
Mortality	Pub-2010 General Employees Amount-Weighted Mortality, with generational projection using Scale MP-2020	Pub-2010 General Employees Amount-Weighted Mortality, with generational projection using Scale MP-2020
Post-retirement adjustments	2.50%	2.50%
Healthcare cost trend rates	Society of Actuaries Long-Run Medical Cost Trend Model released in 2007, version 2021_b	Society of Actuaries Long-Run Medical Cost Trend Model released in 2007, version 2021_b

The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The total return should exceed the Retiree Medical Plan's actuarial assumption of 6.9%. The Retiree Medical Plan's investment policy does not establish long-term expected rates of return for each asset class. The following is the Board's adopted asset allocation policy:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	- %
Fixed Income and U.S. governmental obligations	25.0
International stocks	15.0
Domestic stocks	45.0
Hedge funds	10.0
Public real estate	5.0
Opportunistic portfolio	-

Discount Rate

The discount rate used to measure the total OPEB liability was 6.90% for the years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will be available to make all projected future benefit payments of current plan members and the long-term expected rate of return on OPEB plan investments was used to determine the total OPEB liability.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, December 31, 2020	\$ 142,122	\$ 64,633	\$ 77,489
Changes for the year:			
Service cost	3,102	-	3,102
Interest	6,644	-	6,644
Difference between expected and actual experience	(4,787)	-	(4,787)
Changes in assumptions	(20,384)	-	(20,384)
Contributions, employer	-	9,540	(9,540)
Contributions, employee	-	30	(30)
Net investment income	-	10,076	(10,076)
Benefit payments	(7,511)	(7,511)	-
Administrative expense	-	(58)	58
Net changes	(22,936)	12,077	(35,013)
Balance, December 31, 2021	119,186	76,710	42,476
Changes for the year:			
Service cost	2,084	-	2,084
Interest	7,937	-	7,937
Difference between expected and actual experience	3,714	-	3,714
Changes in assumptions	(10,867)	-	(10,867)
Contributions, employer	-	15,387	(15,387)
Contributions, employee	-	28	(28)
Net investment income	-	11,458	(11,458)
Benefit payments	(8,452)	(8,452)	-
Administrative expense	-	(34)	34
Net changes	(5,584)	18,387	(23,971)
Balance, December 31, 2022	\$ 113,602	\$ 95,097	\$ 18,505

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

The sensitivity analysis as of December 31, 2022 and 2021 follows:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
December 31, 2022	\$ 29,895	\$ 18,505	\$ 8,815
December 31, 2021	55,217	42,476	31,713

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

The sensitivity analysis as of December 31, 2022 and 2021 follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend</u>	<u>1% Increase</u>
December 31, 2022	\$ 7,075	\$ 18,505	\$ 32,072
December 31, 2021	29,914	42,476	57,478

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District recognized OPEB expense of \$(9,683) and \$(6,434) for the years ended December 31, 2022 and 2021, respectively.

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,096	\$ 4,975
Changes of assumptions	2,657	37,696
Net difference between projected and actual earnings on OPEB plan investments	-	9,236
Contributions subsequent to the measurement date*	10,464	-
Total	<u>\$ 16,217</u>	<u>\$ 51,907</u>

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,359
Changes of assumptions	4,167	38,500
Net difference between projected and actual earnings on OPEB plan investments	-	6,563
Contributions subsequent to the measurement date*	15,388	-
	<u>19,555</u>	<u>-</u>
Total	<u>\$ 19,555</u>	<u>\$ 51,422</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date is recognized as a reduction in the net pension liability in the subsequent year.

Deferred outflows resulting from contributions subsequent to the measurement date is recognized as a reduction in the net OPEB liability in the subsequent year. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2023	\$ (13,177)
2024	(14,901)
2025	(10,049)
2026	(6,836)
2027	(1,191)
Thereafter	-

Payable to the OPEB Plan

At December 31, 2022 and 2021, the employer did not have a payable for any outstanding amount of contributions to the OPEB plan required.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

11. Retiree Medical Plan

The following disclosures relate to the Retiree Medical Plan fiduciary activities as required by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Plan information related to December 31, 2021 is included in Note 10 with regard to the December 31, 2022 net OPEB liability, unless otherwise stated below.

Plan Membership

At December 31, 2022, Retiree Medical Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	416
Inactive plan members entitled to but not yet receiving benefit payments	-
Active and disabled plan members	<u>407</u>
Total	<u><u>823</u></u>

Investment Policy

The Retiree Medical Plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Retirement Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Retiree Medical Plan's investment policy includes restrictions for investments related to maximum amounts invested as a percentage of total portfolio, with a single issuer, and within market sectors and styles, minimum market capitalization, maximum maturities, and minimum credit ratings. See the target investment mix below. The total return should exceed the Retiree Medical Plan's actuarial assumption of 6.90%. The Retiree Medical Plan's investment policy does not establish long-term expected rates of return for each asset class. The following is the Board's adopted asset allocation policy:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	- %
Fixed income and U.S. governmental obligations	25.0
International stocks	15.0
Domestic stocks	45.0
Hedge funds	10.0
Public real estate	5.0
Opportunistic portfolio	-

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Rate of Return

For the year ended December 31, 2022 and 2021, the annual money-weighted rate of return on investments, net of investment expense was -17.16% and 14.59%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The components of the net OPEB liability of the District at December 31, 2022, were as follows:

Total OPEB liability	\$ 114,848
Retiree Medical Plan fiduciary net position	<u>80,417</u>
District's net OPEB liability	<u>\$ 34,431</u>
Retiree Medical Plan fiduciary net position as a percentage of the total OPEB liability	<u>70.0%</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: Medical CPI: 2.0% per year
- Salary Increases: 4.00%
- Investment rate of return: 6.90%
- Healthcare cost trend rates: Medical Trend assumptions were developed using the Society of Actuaries Long-Run Medical Cost Trend Model, released in December 2007 and version 2021_b
- Mortality rates were based on the Pub-2010 Amount weighted mortality with generational projection using Scale MP-2020.

The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District for the December 31, 2022 measurement date, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate.

The sensitivity analysis as of December 31, 2022 follows:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Net OPEB liability	\$ 45,795	\$ 34,431	\$ 24,743

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District for the December 31, 2022 measurement date, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

The sensitivity analysis as of December 31, 2022 follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trent Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 21,926	\$ 34,431	\$ 49,286

12. Commitments

The District purchases most of its purchased power from M-S-R (Note 7) and through the following long-term agreements:

Other Energy Purchase Commitments

The District has a number of other power and natural gas purchase agreements with various entities, which provide for power and fuel deliveries, under various terms and conditions. Total commitments under these agreements over the next five years are as follows:

Years ending December 31:	
2023	\$ 117,550
2024	80,009
2025	76,385
2026	70,906
2027	71,280

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

13. Contingencies

Rate Subsidy Litigation

Hobbs v. Modesto Irrigation District is a class-action challenge to District power rates filed in March 2016. A further suit by the same plaintiff as to rates the District adopted in December 2018 is currently stayed pending the outcome of the challenge to the 2016 rates. These challenges stem from Proposition 26, which California voters adopted on November 2, 2010. The lawsuits allege MID uses funds collected from electric customers to subsidize its irrigation and water operations and that power rates therefore illegally tax electric customers. The suit seeks refunds of alleged illegal taxes. No details of the challenge to 2018 rates are available, but the District expects the plaintiff will assert similar theories.

The trial court issued a December 31, 2019 ruling concluding the District's 2016 rates violate Proposition 26. It issued a February 21, 2023 tentative statement of decision declining to award any refunds of power rates, concluding the District had established on the basis of the record on which it made 2018 rates that power rates did not subsidize irrigation and water operations. The case will therefore lead to a judgment awarding only declaratory relief as to the since-repealed 2016 rates and, perhaps, an award of attorney fees to plaintiffs' counsel.

The District does not anticipate that the case will have a material impact on its finances.

General Contingencies

In the normal course of operations, the District is party to various claims, legal actions and complaints. However, the District's counsel and management believe that the ultimate resolution of these matters will not have a significant adverse effect on the financial position or results of operations of the District.

Open Contracts

The District has open contracts for approximately \$43,666 for various capital and operating projects. As of December 31, 2022, approximately \$14,340 has been expended.

Electric Purchase Contracts

The District has entered into numerous electric purchase contracts with amounts totaling approximately 2,205 megawatt hours (MWh) for the purpose of fixing the rate on the District's electric power purchases. These electric purchase contracts result in the District paying fixed rates ranging from \$32.75 to \$162.00 per MWh. These contracts expire periodically from March 2023 through December 2025. In addition, the District has entered into contracts for power generated by hydroelectric, solar and wind resources where the amount and cost will depend on weather variables. The hydro, solar and wind contracts expire periodically from December 2024 through December 2040.

Gas Purchase Contracts

The District has entered into numerous gas purchase contracts for the purpose of fixing the rate on the District's natural gas purchases for its gas-fueled power plants. These gas purchase contracts result in the District paying fixed rates ranging from \$3.24 to \$9.50 per million British Thermal Units (mmbtu). The amounts total to approximately 5.3 million mmbtu and the contracts expire periodically from January 2023 through December 2025.

Modesto Irrigation District

Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

14. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance. The District is self insured for general and liability claims up to \$1,000. The District also has excess liability insurance for claims over \$1,000. There was no significant decrease in coverage over the prior year. Settled claims have not exceeded insurance coverage in each of the past three years. Claims are paid as they are incurred. Total accrual and payment history is shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Claims liability, beginning of year	\$ 415	\$ 563	\$ 331
Claims accrued	1,719	619	1,336
Claims paid/other	<u>(1,461)</u>	<u>(767)</u>	<u>(1,104)</u>
Claims liability, end of year	<u>\$ 673</u>	<u>\$ 415</u>	<u>\$ 563</u>

15. Subsequent Event

Rate Adjustment

On November 15, 2022, the District had a public hearing and approved an increase in electric rates effective January 1, 2023 of 7.4% and January 1, 2024 of 3.5%.

Authorization of Bonds

On March 14, 2023, the Modesto Irrigation District Board of Directors authorized the issuance of the 2023 A & B Electric Revenue Bonds for the purpose of providing capital financing and refunding of existing debt service. The revenue bonds will be issued by the Modesto Irrigation District Financing Authority through its joint exercise of powers agreement for the benefit of the District's facilities.

REQUIRED SUPPLEMENTARY INFORMATION

Modesto Irrigation District

Required Supplementary Information

Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios - Retiree Medical Plan (Unaudited)

December 31, 2022

(In Thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 2,124	\$ 2,083	\$ 3,102	\$ 3,402	\$ 5,041	\$ 4,479
Interest	7,622	7,937	6,644	6,705	6,053	6,263
Differences between expected and actual experience	-	3,714	(4,787)	(3,042)	(599)	-
Changes of assumptions	-	(10,866)	(20,384)	(6,169)	(33,732)	10,207
Benefit payments	(8,500)	(8,452)	(7,511)	(7,720)	(7,469)	(7,049)
Net change in total OPEB liability	1,246	(5,584)	(22,936)	(6,824)	(30,706)	13,900
Total OPEB Liability, Beginning	113,602	119,186	142,122	148,946	179,652	165,752
Total OPEB Liability, Ending (a)	<u>\$ 114,848</u>	<u>\$ 113,602</u>	<u>\$ 119,186</u>	<u>\$ 142,122</u>	<u>\$ 148,946</u>	<u>\$ 179,652</u>
Plan Fiduciary Net Position						
Contributions, employer	\$ 10,464	\$ 15,387	\$ 9,540	\$ 9,782	\$ 9,870	\$ 7,749
Contributions, employee	29	28	30	31	26	25
Net investment income	(16,645)	11,458	10,076	10,934	(2,856)	7,180
Benefit payments	(8,500)	(8,452)	(7,511)	(7,720)	(7,469)	(5,935)
Administrative expenses	(28)	(34)	(58)	(70)	(75)	(79)
Net change in plan fiduciary net position	(14,680)	18,387	12,077	12,957	(504)	8,940
Plan Fiduciary Net Position, Beginning	95,097	76,710	64,633	51,676	52,180	43,240
Plan Fiduciary Net Position, Ending (b)	80,417	95,097	76,710	64,633	51,676	52,180
Net OPEB Liability, Ending (a) - (b)	<u>\$ 34,431</u>	<u>\$ 18,505</u>	<u>\$ 42,476</u>	<u>\$ 77,489</u>	<u>\$ 97,270</u>	<u>\$ 127,472</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	70.02%	83.71%	64.36%	45.48%	34.69%	29.05%
Covered-Employee Payroll	\$ 43,933	\$ 41,664	\$ 47,295	\$ 43,888	\$ 42,110	\$ 40,803
Net OPEB Liability as a Percentage of Covered-Employee Payroll	78.37%	44.41%	89.81%	176.56%	230.99%	312.41%
Annual Money Weighted Rate of Return on OPEB Plan Investments	-17.16%	14.59%	15.16%	20.42%	-5.43%	16.00%

Notes to Schedule:

The District implemented GASB Statement No. 74 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

The District implemented GASB Statement No. 75 in fiscal year 2018. The District uses a one year lag in its measurement date to record its net OPEB liability in the District's financial statements.

Note: This schedule is to show information for 10 years.

However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Modesto Irrigation District

Required Supplementary Information

Schedule of Employer's Contributions - Retiree Medical Plan (Unaudited)

December 31, 2022

(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 10,464	\$ 2,093	\$ 2,195	\$ 2,092	\$ 2,426	\$ 1,646
Contributions in relation to the actuarially determined contribution	<u>10,464</u>	<u>6,935</u>	<u>2,029</u>	<u>2,093</u>	<u>2,426</u>	<u>1,839</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (4,842)</u>	<u>\$ 166</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (193)</u>
Covered-employee payroll	\$ 43,933	\$ 41,664	\$ 47,295	\$ 43,888	\$ 42,110	\$ 40,803
Contributions as a percentage of covered-employee payroll	23.82%	16.65%	4.29%	4.77%	5.76%	4.51%

Modesto Irrigation District

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios - Basic Retirement Plan (unaudited)

December 31, 2022

(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 8,795	\$ 7,578	\$ 6,961	\$ 6,979	\$ 6,915	\$ 6,126	\$ 6,460	\$ 5,996
Interest	31,229	28,353	27,194	26,042	24,722	23,581	22,503	21,705
Difference between expected and actual experience	6,260	(7,609)	3,390	1,300	3,965	1,583	356	-
Changes of assumptions	-	34,092	27,042	-	-	-	-	-
Benefit payments including employee refunds	(22,122)	(20,558)	(19,708)	(18,340)	(17,058)	(15,562)	(14,508)	(13,448)
Net change in total pension liability	24,162	41,856	44,879	15,981	18,544	15,728	14,811	14,253
Total Pension Liability, Beginning	459,147	417,291	372,412	356,431	337,887	322,159	307,348	293,095
Total Pension Liability, Ending	<u>\$ 483,309</u>	<u>\$ 459,147</u>	<u>\$ 417,291</u>	<u>\$ 372,412</u>	<u>\$ 356,431</u>	<u>\$ 337,887</u>	<u>\$ 322,159</u>	<u>\$ 307,348</u>
Plan Fiduciary Net Position								
Contributions, employer	\$ 19,227	\$ 23,735	\$ 75,862	\$ 12,883	\$ 13,155	\$ 11,854	\$ 12,120	13,221
Contributions, employee	1,381	1,272	(31)	572	477	739	465	72
Net Investment income	62,361	53,838	53,933	(14,875)	37,866	16,325	(237)	14,852
Benefit payments including employee refunds	(22,122)	(20,558)	(19,708)	(18,341)	(17,058)	(15,562)	(14,508)	(13,448)
Administrative expense	(245)	(206)	(439)	(224)	(189)	(155)	(142)	(159)
Other	-	-	(15)	(51)	-	-	-	-
Net change in plan fiduciary net position	60,602	58,081	109,602	(20,036)	34,251	13,201	(2,302)	14,538
Plan Fiduciary Net Position, Beginning	423,811	365,730	256,128	276,164	241,913	228,712	231,014	216,476
Plan Fiduciary Net Position, Ending	<u>\$ 484,413</u>	<u>\$ 423,811</u>	<u>\$ 365,730</u>	<u>\$ 256,128</u>	<u>\$ 276,164</u>	<u>\$ 241,913</u>	<u>\$ 228,712</u>	<u>\$ 231,014</u>
Employer Net Pension Liability (Asset)	<u>\$ (1,104)</u>	<u>\$ 35,336</u>	<u>\$ 51,561</u>	<u>\$ 116,284</u>	<u>\$ 80,267</u>	<u>\$ 95,974</u>	<u>\$ 93,447</u>	<u>\$ 76,334</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.23%	92.30%	87.64%	68.78%	77.48%	71.60%	70.99%	75.16%
Covered-Employee Payroll	\$ 45,399	\$ 44,820	\$ 42,193	\$ 41,166	\$ 41,274	\$ 39,112	\$ 38,211	\$ 35,448
Employer's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-2.43%	78.84%	122.20%	282.48%	194.47%	245.38%	244.56%	215.34%
Annual Money-Weighted Rate of Return	14.55%	14.42%	20.94%	-5.33%	15.45%	7.04%	-0.10%	6.70%

Notes to Schedule:

GASB 68 requires that 10 years of comparative data be shown for all the data presented above. However, as this information is unavailable for the periods preceding 2015, only the data since 2015 is being presented.

Modesto Irrigation District

Required Supplementary Information

Schedule of Employer's Contributions - Basic Retirement Plan (Unaudited)

December 31, 2022

(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 17,336	\$ 19,050	\$ 12,491	\$ 18,261	\$ 12,825	\$ 12,833	\$ 11,781	\$ 12,057
Contributions in relation to the actuarially determined contribution	<u>17,336</u>	<u>19,226</u>	<u>23,735</u>	<u>75,862</u>	<u>12,883</u>	<u>13,155</u>	<u>11,854</u>	<u>12,120</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (176)</u>	<u>\$ (11,244)</u>	<u>\$ (57,601)</u>	<u>\$ (58)</u>	<u>(322)</u>	<u>(73)</u>	<u>(63)</u>
Covered-employee payroll	\$ 45,825	\$ 45,399	\$ 44,820	\$ 42,193	\$ 41,166	\$ 41,274	\$ 39,112	\$ 38,211
Contributions as a percentage of covered-employee payroll	38%	42%	53%	180%	31%	32%	30%	32%

GASB 68 requires that 10 years of comparative data be shown for all the data presented above. However, as this information is unavailable for the periods preceding 2015, only the data since 2015 is being presented.

Modesto Irrigation District

Required Supplementary Information
Notes to the Required Supplementary Information
December 31, 2022
(In Thousands)

Retiree Medical Plan

Valuation Date:

Actuarially determined contribution rates are calculated as of:

Fiscal year 2022	1/1/2022
Fiscal year 2021	1/1/2021
Fiscal year 2020	1/1/2020
Fiscal year 2019	1/1/2019
Fiscal year 2018	10/15/2018
Fiscal year 2017	1/1/2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Normal cost method
Amortization method	Level percentage of payroll, open
Amortization period	3-year smoothed market
Asset valuation method	Fair value
Inflation	1.33 percent
Healthcare cost trend rates	5.0 percent for 2020, starting in 2017 at 6.5 percent and decreasing 0.5 percent per year to an ultimate rate of 4.5 percent in 2021
Salary increases	2022 Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-4.0 percent
Investment rate of return	2022 6.90%* 2021 6.90%* 2020 6.90%* 2019 6.90%*
	*net of OPEB plan investment expense, including inflation
Single equivalent discount rate	2022 6.90% 2021 6.90% 2020 6.90% 2019 4.80%
Retirement age	Retirement probability begins at 10.0 percent upon obtaining the age of 55, decreasing to 5.0 percent at age 56, then increasing to 35.00 percent at age 60. At age 61 retirement probability decreases to 15.0 percent and increases to 50 percent at age 62.
Mortality (2017 - 2020)	Decreasing to 25 percent at age 63 and increasing to 100 percent at 65. RP-2000 Blue Collar Generational Mortality Table projected with a 75 percent Scale AA.
Mortality (2021)	Pub-2010 General Amount-Weighted Mortality, with generational projection using Scale MP-2020

Other Information:

The District implemented GASB Statement No. 74 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

The District implemented GASB Statement No. 75 in fiscal year 2018. The District uses a one year lag in its measurement date to record its net OPEB liability in the District's financial statements.

Modesto Irrigation District

Required Supplementary Information
 Notes to the Required Supplementary Information
 December 31, 2022
 (In Thousands)

Basic Retirement Plan

	2022 - 2020	2019 - 2015
Actuarial cost method	Entry Age Normal Method	Entry Age Normal Method
Amortization method	20 year amortization method	30-year rolling, level-dollar amortization method
Asset valuation method	Smoothed fair market value method with gains and losses recognized over five years	Smoothed fair market value method with gains and losses recognized over three years
Long term expected rate of return	6.90%	7.50%
Discount rate	6.90%	7.50%
Inflation	2.50%	2.50%
Salary increases	4.00% per year, compounded annually	4.00% per year, compounded annually
Mortality	RP-2000 Blue Collar Generation Mortality Table projected with a 75% of scale AA	RP-2000 Blue Collar Generation Mortality Table projected with a 75% of scale AA
Post-retirement adjustments	2.50% *	2.50%
Overtime assumptions	4 percent plus 4 to 16% of current salaries for employees who are expected to have significant increased in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.	4 to 16% of current salaries for employees who are expected to have significant increased in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.

* Beginning in 2021, the post-retirement adjustments assumed a 2.40% for Tier 1 (Pre-2006 hires), 2.24 percent for Tier 2 and 3.

Normal retirement age - tier 1 and tier 2	60
Normal retirement age - tier 3	65

GASB 68 requires that 10 years of comparative data be shown for all the data presented above. However, as this information is unavailable for the periods preceding 2015, only the data since 2015 is being presented.

SUPPLEMENTARY INFORMATION

Modesto Irrigation District

Combining Statements of Fiduciary Net Position

December 31, 2022 and 2021

(In Thousands)

	Basic Retirement Plan		Supplemental Retirement Plan		Retiree Medical Plan		Total Fiduciary Activities	
	2022	2021	2022	2021	2022	2021	2022	2021
Assets								
Cash and Cash Equivalents	\$ 6,501	\$ 2,598	\$ 45	\$ 5	\$ 1,537	\$ 5,212	\$ 8,083	\$ 7,815
Receivables								
Dividends	63	51	-	-	-	-	63	51
Investments at Fair Value								
Publicly traded stocks	170,337	53,122	-	-	33,798	-	204,135	53,122
Exchange traded funds	120,620	-	-	-	25,233	-	145,853	-
Corporate Bonds	4,087	-	-	-	825	-	4,912	-
US Treasuries	2,189	-	-	-	434	-	2,623	-
US Agency Securities	5,026	-	-	-	1,022	-	6,048	-
Stable value	-	-	25,513	21,343	-	-	25,513	21,343
Mutual funds	86,550	429,288	108,536	137,923	17,631	89,919	212,717	657,130
Total assets	395,373	485,059	134,094	159,271	80,480	95,131	609,947	739,461
Less accrued liabilities	334	646	-	-	63	34	397	680
Net position held in trust for retiree benefits	<u>\$ 395,039</u>	<u>\$ 484,413</u>	<u>\$ 134,094</u>	<u>\$ 159,271</u>	<u>\$ 80,417</u>	<u>95,097</u>	<u>\$ 609,550</u>	<u>\$ 738,781</u>

Modesto Irrigation District

Combining Statements of Changes in Fiduciary Net Position

December 31, 2022 and 2021

(In Thousands)

	Basic Retirement Plan		Supplemental Retirement Plan		Retiree Medical Plan		Total Fiduciary Activities	
	2022	2021	2022	2021	2022	2021	2022	2021
Additions								
Additions to (reductions from) net position attributed to:								
Investment income (loss):								
Net appreciation of investments	\$ (91,775)	\$ 59,028	\$ (26,952)	\$ 12,734	\$ (18,468)	\$ 10,135	\$ (137,195)	\$ 81,897
Dividend income	6,940	5,721	4,989	4,738	1,736	1,323	13,665	11,782
Interest income	2,302	1	-	-	87	-	2,389	1
Investment expenses	(941)	(2,389)	-	-	-	-	(941)	(2,389)
Net investment income	(83,474)	62,361	(21,963)	17,472	(16,645)	11,458	(122,082)	91,291
Contributions:								
Employee contributions	1,568	1,381	2,455	2,435	29	28	4,052	3,844
Employer contributions	17,336	19,227	2,455	2,435	10,464	15,387	30,255	37,049
Other contributions	-	-	31	34	-	-	31	34
Total contributions	18,904	20,608	4,941	4,904	10,493	15,415	34,338	40,927
Total additions	(64,570)	82,969	(17,022)	22,376	(6,152)	26,873	(87,744)	132,218
Deductions								
Deductions from net position attributed to:								
Distributions to plan members and beneficiaries	24,439	22,122	8,150	8,329	-	-	32,589	30,451
Medical premiums paid	-	-	-	-	8,500	8,452	8,500	8,452
Other benefits expense	-	-	-	-	-	-	-	-
Administrative expenses	330	200	5	6	28	34	363	240
Consultant and professional services expenses	35	45	-	-	-	-	35	45
Total deductions	24,804	22,367	8,155	8,335	8,528	8,486	41,487	39,188
Net increase in net position held in trust for retiree benefits	(89,374)	60,602	(25,177)	14,041	(14,680)	18,387	(129,231)	93,030
Net Position Held in Trust for Retiree Benefits								
Beginning of year	484,413	423,811	159,271	145,230	95,097	76,710	738,781	645,751
End of year	\$ 395,039	\$ 484,413	\$ 134,094	\$ 159,271	\$ 80,417	\$ 95,097	\$ 609,550	\$ 738,781