REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

# TURLOCK IRRIGATION DISTRICT

December 31, 2021 and 2020

MOSSADAMS

# Table of Contents


| | PAGE |
|---|---|
| **Report of Independent Auditors** | 1–3 |
| **Management’s Discussion and Analysis (Unaudited)** | 4–15 |
| **Consolidated Financial Statements** | |
| Consolidated statements of net position | 16–17 |
| Consolidated statements of revenues, expenses, and changes in net position | 18 |
| Consolidated statements of cash flows | 19–20 |
| Statements of fiduciary net position of the Retirement Plan | 21 |
| Statements of changes in fiduciary net position of the Retirement Plan | 22 |
| Notes to consolidated financial statements | 23–69 |
| **Required Supplementary Information** | |
| Schedule of changes in net pension liability and related ratios as of December 31, 2021 (unaudited) | 70–71 |
| Schedule of retirement plan contributions as of December 31, 2021 (unaudited) | 72 |
| Schedule of changes in net OPEB liability and related ratios as of December 31, 2021 (unaudited) | 73 |
| Schedule of OPEB plan contributions (unaudited) | 74 |

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# Report of Independent Auditors

The Board of Directors
Turlock Irrigation District

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Turlock Irrigation District (the "District"), which comprise the consolidated statements of net position as of December 31, 2021 and 2020, and the related consolidated statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as of December 31, 2021 and 2020, and the results of its operations and its 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), the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

We did not audit the Amended and Restated Plan for Employees and Elective Officers of the Turlock Irrigation District, (the "Retirement Plan") which consists of the statements of fiduciary net position as of June 30, 2021 and 2020, statements of changes in fiduciary net position for the years then ended, and Note 11, Fiduciary Fund Retirement Plan. Those statements and Note 11 were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Retirement Plan, is based solely on the report of the other auditors.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the California Code of Regulations, Title 2, Section 1121.2, State Controller's *Minimum Audit Requirements* for California Special Districts, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of retirement plan contributions, schedule of changes in net OPEB liability and related ratios and schedule of OPEB plan contributions on pages 4 through 15 and 70 through 74 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
April 28, 2022

**Using this financial report**

The following management's discussion and analysis of Turlock Irrigation District (TID or the District) and its financial performance provides an overview of TID's financial activities for the years ended December 31, 2021 and 2020. Management's discussion and analysis should be read in conjunction with TID's financial statements and accompanying notes, which follow this section.

**Background**

TID is an irrigation district organized under the provisions of the Wright Act and has the powers provided therein. Organized in 1887, TID was the first of 65 irrigation districts to be formed in the State of California (the "State"). Its Board of Directors (the "Board") governs TID. The five members of the Board are elected from geographic divisions of TID for staggered four-year terms. The Board appoints a general manager and certain other senior managers who are responsible for the operations of TID.

Since 1923, TID has provided all the electric service within its 425 square-mile service area, which includes portions of Stanislaus, Merced and Tuolumne counties. TID's service area includes the cities of Turlock, Ceres, Hughson and a part of Modesto and the unincorporated communities of Ballico, Keyes, Denair, Hickman, Delhi and Hilmar.

Since 2003, TID has owned and operated the electric distribution facilities in a portion of the west side of Stanislaus County, including the City of Patterson, the community of Crows Landing and certain adjacent rural areas (collectively, the "Westside"). The Westside covers approximately 237 square miles.

To provide electric service within its service area, TID owns and operates an electric system, which includes generation, transmission and distribution facilities. Its generating facilities include hydroelectric, wind, natural gas-fired and other facilities. TID also purchases power and transmission service from other sources and participates in other utility arrangements.

TID also supplies water for irrigation use within 308 square miles of its service area, comprising approximately 5,800 parcels of land and 250 miles of gravity flow canals and laterals. TID's electric and irrigation systems are operated and accounted for as a single entity; hence, revenues from both systems are available to pay the obligations of TID.

**Rates and charges**

TID's Board has full and independent authority to establish revenue levels and rate schedules for all electric service provided by TID. TID is not subject to retail rate regulation by any state or federal regulatory body, and is empowered to set retail rates effective at any time. TID has maintained rates for electric service that have been sufficient to provide for all operating and maintenance costs and expenses, debt service, repairs, replacements and renewals and to provide for base capital additions to the system. The Board fixes rates and charges of TID based on a cost of service methodology.

TID had no electric rate increases for the years beginning January 1, 2021 and January 1, 2020.

Irrigation rates in a normal year are $60/acre and in a dry year are $68/acre, and there are varying tiers based on the amount of water used ranging from $2 to $20 per acre-foot. There were no irrigation rate schedule changes for 2021 or 2020.

TID has a credit requirement for all new service connections, which requires new customers to place a deposit with TID.

**Financial reporting**

TID maintains its accounts in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). TID is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. TID uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TID's accounting records generally follow the Uniform System of Accounts for public utilities and licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions in aid of construction (CIAC).

TID provides energy for residential, commercial, and industrial use and provides irrigation water for agricultural use. Accordingly, TID defines operating revenues as sales of energy, wholesale sales of energy and natural gas, irrigation sales, and other miscellaneous energy and irrigation service revenues. Operating expenses include the costs of sales and services, administration expenses, depreciation, depletion and amortization. Nonoperating revenue and expense typically includes interest income on investments, net interest and amortization expense, and other miscellaneous items.

In accordance with the GASB accounting rules which govern regulatory accounting, the Board has taken various regulatory actions for ratemaking purposes that result in the deferral of revenue or expense recognition. At December 31, 2021 and 2020, TID had total regulatory assets of $45.3 million and $47.0 million, respectively, and total regulatory credits of $169.5 million and $153.3 million, respectively. The regulatory credits are recognized in the statement of revenues, expenses and changes in net position when the Board concludes that they should be used for ratemaking purposes.

**Investment policies and procedures**

The Board reviews TID's investment policy on an annual basis. TID has contracted with Public Financial Management Asset Management (PFMAM), a leading investment manager of public entity funds, to invest TID's cash and investments. PFMAM only purchases investments on behalf of TID which are permitted by TID's investment policy. The Bank of New York Mellon Trust Company holds these investments in custody.

**Debt management program**

TID regularly reviews its debt structure, which includes the issuance of refunding bonds to achieve debt service savings.

**Component units**

The District has two component units, the Walnut Energy Center Authority (WECA) and the Tuolumne Wind Project Authority (TWPA), both of which were formed for the purposes of developing and operating generation facilities for the District's use. WECA operates a 250 MW natural gas fueled generation facility located in TID's service territory. TWPA has a membership interest in a 136.6 MW wind farm, consisting of 62 wind-turbine generators located in Klickitat County, Washington. Although WECA and TWPA are separate legal entities from TID, they are reported as part of TID because of the extent of their operational and financial relationships with TID. Additionally, TID has fiduciary responsibility for a single-employer group pension plan, the Amended and Restated Plan for Employees and Elective Officers of the Turlock Irrigation District, (the "Retirement Plan"). The Retirement Plan is a component unit which is presented as a fiduciary fund and the activities of the Retirement Plan are recorded in the Statements of Fiduciary Net Position of the Retirement Plan and Statements of Changes in Fiduciary Net Position of the Retirement Plan. Accordingly, all operations of these component units are consolidated into TID's financial statements.

**Using this financial report**

This annual financial report consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The annual financial report reflects the activities of TID primarily funded through the sale of energy, transmission, and distribution services to its retail and wholesale customers, as well as irrigation services.

**Statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows**

The statements of net position include all of TID's assets, liabilities and deferred outflows and inflows using the accrual basis of accounting, as well as information about which assets can be utilized for general purposes, and which assets are restricted as a result of bond covenants and other commitments. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as cash payments for debt service and capital expenditures and cash purchases and proceeds from investing activities during the time periods indicated.

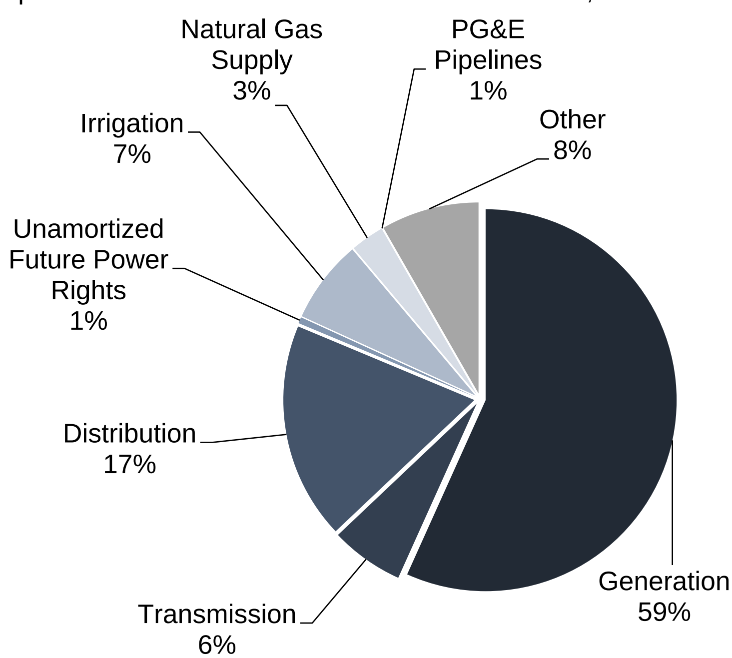
**Summary of Financial Position and Changes in Net Position as of and for the years ended December 31, 2021, 2020, and 2019:**

| *(dollars in thousands)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| ASSETS AND DEFERRED OUTFLOWS | | | |
| Utility plant, net | $ 1,176,680 | $ 1,189,219 | $ 1,194,237 |
| Cash, cash equivalents, and investments | 444,981 | 414,427 | 427,824 |
| Other noncurrent assets | 63,211 | 51,486 | 54,785 |
| Other current assets | 75,989 | 71,526 | 61,953 |
| Deferred outflows of resources | 49,565 | 73,988 | 76,554 |
| Total assets and deferred outflows | $ 1,810,426 | $ 1,800,646 | $ 1,815,353 |
| LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | | | |
| Long-term debt | $ 963,383 | $ 1,010,567 | $ 1,075,847 |
| Other noncurrent liabilities | 16,392 | 44,116 | 46,759 |
| Other current liabilities | 108,954 | 93,943 | 107,860 |
| Deferred inflows of resources | 228,915 | 200,264 | 169,749 |
| Total liabilities and deferred inflows | 1,317,644 | 1,348,890 | 1,400,215 |
| NET POSITION | | | |
| Net investment in capital assets | 216,134 | 178,653 | 141,089 |
| Restricted | 40,350 | 37,008 | 34,010 |
| Unrestricted | 236,298 | 236,095 | 240,039 |
| Total net position | 492,782 | 451,756 | 415,138 |
| Total liabilities, deferred inflows, and net position | $ 1,810,426 | $ 1,800,646 | $ 1,815,353 |
| REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | |
| Operating revenues | $ 390,952 | $ 341,976 | $ 342,967 |
| Operating expenses | (328,151) | (278,464) | (281,490) |
| Operating income | 62,801 | 63,512 | 61,477 |
| Nonoperating expense, net | (21,775) | (26,894) | (31,333) |
| Increase in net position | 41,026 | 36,618 | 30,144 |
| NET POSITION | | | |
| Beginning of year, as previously reported | 451,756 | 415,138 | 384,994 |
| End of year | $ 492,782 | $ 451,756 | $ 415,138 |

**Management's Discussion and Analysis as of and for the Year Ended December 31, 2021:**

**Assets**

*Utility Plant* – TID had approximately $1.177 million invested in utility plant assets, net of accumulated depreciation at December 31, 2021. TID transferred approximately $38.1 million of assets from construction in progress to utility plant in service in 2021 and had net disposals of $1.5 million. Net utility plant makes up 67% and 69% of TID's assets at December 31, 2021 and 2020, respectively.




During 2021, TID capitalized $58.1 million of additions to utility plant. TID invested $5.6 million in Walnut Energy Center Authority modifications and inspections, $19.1 million in relicensing fees related to Don Pedro Dam Hydroelectric facilities and upgrades, $5.7 million on routine expansion, $7.0 million on irrigation facilities, $3.2 million on emission credits, $4.2 million on T & D lines, $2.6 million on vehicle and equipment replacement $1.0 million on a new Enterprise Resource Planning system, $1.3 million on energy imbalance market implementation and $8.4 million on underground lines, substation upgrades and general capital.

**Cash, cash equivalents and investments**

TID's cash, cash equivalents and investments increased $30.6 million during 2021. This was primarily due to cash outflows from current year capital offset by current year operations.

**Other noncurrent assets**

Other noncurrent assets increased $11.7 million during 2021. This increase is primarily related to the recording of a net pension asset of $6.4 million, an increase in other postemployment benefits ("OPEB") asset of $6.7 million and an increase in derivative financial instruments of $0.4 million offset by a decrease in regulatory assets of $1.7 million.

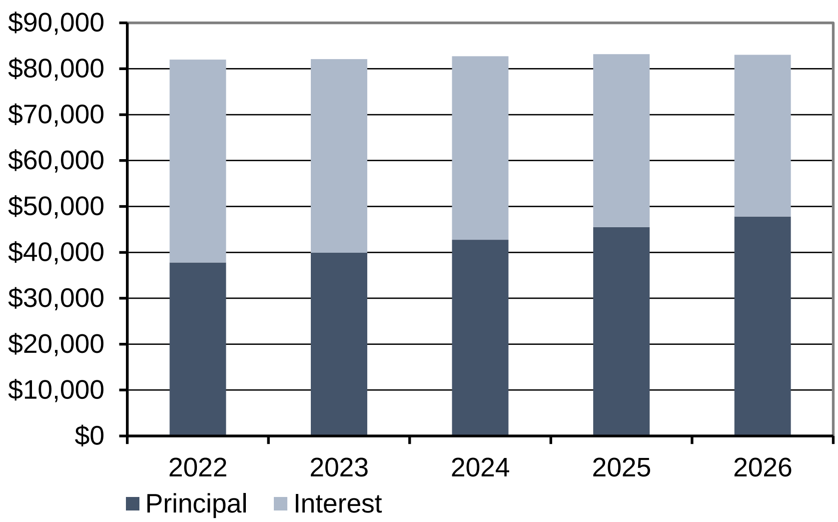
**Other current assets**
Other current assets increased $4.5 million during 2021. The decrease was due primarily an increase in wholesale accounts receivable of $4.2 million, an increase in accrued Interest and other receivables of $2.6 million, an increase in materials and supplies of $1.2 million, an increase in derivative financial instruments of $0.5 million and an increase of $0.6 million in receivable from the Transmission Agency of Northern California offset by to a decrease of $4.4 million in retail accounts receivable and a decrease in prepaid expenses and other current assets of $0.2 million.

**Deferred outflows of resources**
Deferred outflows of resources decreased $24.4 million primarily due to current year amortization of $3.1 million in debt refunding losses, a decrease of $2.3 million in cash flow hedges, a net decrease in deferred Asset Retirement Obligation (ARO) outflow of $0.9 million, a decrease of deferred pension outflows of $16.6 million and a decrease deferred Other Post-Employment Benefits (OPEB) outflows of $1.5 million.

**Liabilities and changes in net position**

*Long-term debt* – Long-term debt decreased $47.2 million primarily due to scheduled principal payments of $34.3 million, and the amortization of debt premiums of $12.9 million.

The following table shows TID's future debt service requirements from 2022 through 2026 at December 31, 2021 (dollars in thousands):




At December 31, 2021, TID's bond ratings are A2 from Moody's, AA- from Fitch and AA- from Standard and Poor's.

**Other noncurrent liabilities**
Other noncurrent liabilities decreased $27.7 million in 2021. The decrease was primarily due to a decrease of $25.8 million in the net pension liability, decrease of $3.0 million in derivative financial instruments and offset by an increase of $1.1 million in TID's asset retirement obligation.

**Other current liabilities**
Other current liabilities increased $15.0 million in 2021. The increase was due to a net increase in commercial paper of $1.1 million, a net increase in gas and power accounts payable and accrued expenses of $9.5 million, an increase of interest payable of $1.0 million, an increase in customer deposits and advances of $2.7 million and an increase of $0.7 million in derivative financial instruments.

**Deferred inflow of resources**
Deferred inflow of resources increased $28.7 million due to an increase of $18.8 million in the power supply adjustment, a net increase in deferred pension inflows of $8.5 million, an increase in deferred OPEB inflows of $3.9 million and a decrease in cash flow hedges of $0.8 million offset by a $2.6 million decrease in unrealized gain on investments and a $0.7 million decrease in deferred debt refunding gain due to current year amortization.

**Changes in net position**

**Operating revenues**
Operating revenues increased $49.0 million from $342.0 million in 2020 to $391.0 million in 2021. Wholesale electric revenues increased $31.8 million to $78.8 million in 2021 from $47.0 million in 2020, primarily as a result of an increase in average sales price and a small increase in volume sold. Sales price increased approximately 49.0% from an average of $44/megawatt hours (MWh) in 2020 to $65/MWh in 2021 while volumes increased approximately 8.4% when compared to 2020. Wholesale gas revenues increased $3.2 million primarily due to an increase in sales volume. Electric retail power revenues were up $14.5 million primarily due to a deferral of $18.8 million, which reduced revenues in 2020 as a result of the power supply adjustment compared to a deferral of $25.9 million in 2020. Consumption for 2020 was up approximately 2.7% when compared to 2020.

**Operating expenses**
Purchased power, generation and fuel expenses increased $44.9 million to $186.2 million in 2021 compared to $141.2 million in 2020. The increase is primarily due to an increase in fuel and emission related expense of $17.4 million and an increase in purchased power of $22.5 million. The remaining increase is due to increased operating and maintenance costs at the District's generating facilities. Other electric expense decreased $0.8 million due to a reduction in competitive transition charges ("CTC") for 2021. Irrigation expense remained primarily flat with a small decrease $0.3 million. Administrative and general expenses increased $2.0 million when compared to 2020 primarily due to increased insurance premiums and continued costs to accommodate employees for the California State at home order as the result of Covid-19. Depletion expense increased $2.6 million as a result of current year production from TID's gas field investments. Depreciation and amortization expense increased $1.2 million primarily due an increase in amortization of emission allowances under the State's cap and trade program of $1.6 million offset by assets being fully depreciated.

**Net investment income**
Net investment income in 2021 decreased $3.4 million when compared to 2020, primarily due to lower yields on investments.

**Other income**
Other income in 2021 increased $1.6 million due primarily to insurance proceeds of $0.8 million related to a small hydro facility, emergency grant funds of $0.8 million related to a fire, an increase in late fees of $1.4 million, an increase in property tax revenue of $0.1 million offset by a decrease in contributions in aid of construction revenue of $1.1 million and a decrease in grant revenue of $0.4.

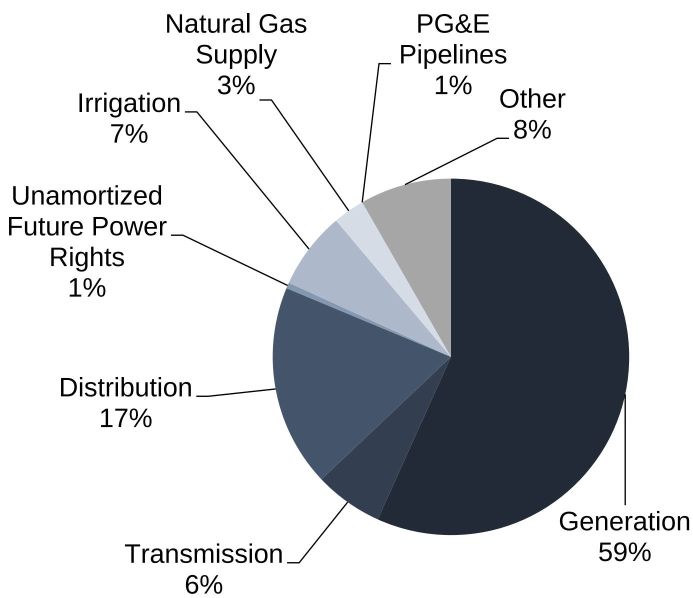
**Derivative gain (loss)**
For the year ended December 31, 2021, TID had a net loss of $0.02 million compared to a net gain of $0.7 million for the year ended December 31, 2020, due to a change in the fair value of derivative instruments.

**Net interest and amortization expense**
Net interest and amortization expense decreased $7.7 million in 2021 as compared to 2020, primarily due to a full year of savings from the bond refunding's executed in 2020 and principal pay down of debt.

**Management's Discussion and Analysis as of and for the Year Ended December 31, 2020:**

**Assets**

*Utility Plant* – TID had approximately $1,189.2 million invested in utility plant assets, net of accumulated depreciation at December 31, 2020. TID transferred approximately $51.8 million of assets from construction in progress to utility plant in service in 2020 and had net disposals of $0.3 million. Net utility plant makes up 69% of TID's assets at December 31, 2020 and 2019.



During 2020, TID capitalized $60.6 million of additions to utility plant. TID invested $1.4 million in Walnut Energy Center Authority modifications and inspections, $12.9 million in relicensing fees related to Don Pedro Dam Hydroelectric facilities and upgrades, $6.0 million on routine expansion, $5.3 million on irrigation facilities, $8.6 million on emission credits, $7.2 million on T & D lines, $7.7 million on the development of a new customer information system and $9.0 million on underground lines, substation upgrades and general capital.

**Cash, cash equivalents and investments**

TID's cash, cash equivalents and investments decreased $13.4 million during 2019. This was primarily due to cash outflows from current year capital offset by current year operations.

**Other noncurrent assets**

Other noncurrent assets decreased $3.3 million during 2020. This decrease is primarily related to a decrease in regulatory assets of $3.6 million driven by current year amortization of pension costs and a decrease in other assets of $0.1 million offset by an increase in other postemployment benefits ("OPEB") asset of $0.4 million.

**Other current assets**

Other current assets increased $9.6 million during 2020. The increase was due primarily to an increase of $7.2 million in retail accounts receivable, an increase in accrued Interest and other receivables of $4.6 million and an increase in materials and supplies of $0.2 million offset by a decrease in prepaid expenses and other current assets of $1.9 million, a decrease in wholesale accounts receivable of $0.3 million, and a decrease of $0.2 million in receivable from the Transmission Agency of Northern California.

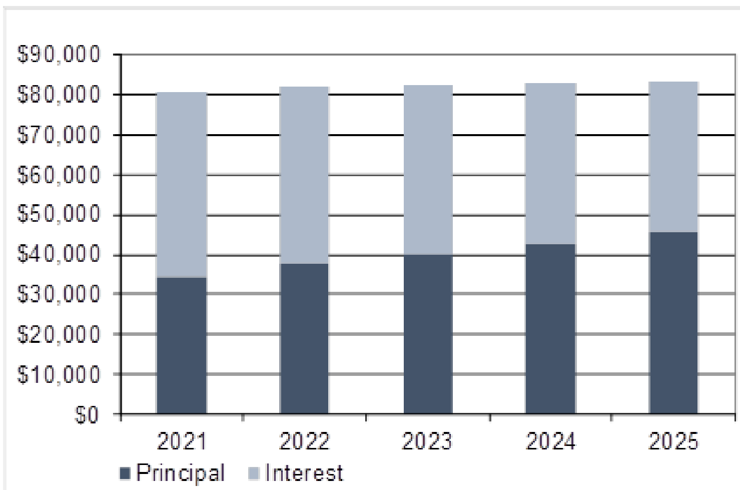
**Deferred outflows of resources**

Deferred outflows of resources decreased $2.6 million primarily due to current year amortization of $3.6 million in debt refunding losses, a decrease of $1.4 million in cash flow hedges and a net decrease in deferred ARO outflow of $0.7 million offset by an increase of deferred pension outflows of $2.5 million and an increase deferred OPEB outflows of $0.6 million.

**Liabilities and changes in net position**

*Long-term debt* – Long-term debt decreased $65.3 million primarily due to scheduled principal payments of $31.9 million, a debt refunding which resulted in a net long-term debt decrease of $16.0 million, and the amortization of debt premiums of $17.4 million.

The following table shows TID's future debt service requirements from 2021 through 2025 at December 31, 2020 (dollars in thousands):




At December 31, 2020, TID's bond ratings are A2 from Moody's, AA- from Fitch and AA- from Standard and Poor's.

**Other noncurrent liabilities**

Other noncurrent liabilities decreased $2.6 million in 2020. The decrease was primarily due to a decrease of $1.3 million in the net pension liability, decrease of $1.1 million in derivative financial instruments and a decrease of $0.4 million in TID's Pacific Gas & Electric (PG&E) pipeline obligations offset by an increase of $0.2 million in TID's asset retirement obligation.

**Other current liabilities**

Other current liabilities decreased $13.9 million in 2020. The decrease was due to a net decrease in commercial paper of $4.4 million, a net decrease in gas and power accounts payable and accrued expenses of $4.9 million, a decrease of interest payable of $2.5 million, a decrease in customer deposits and advances of $2.0 million, a decrease of $0.4 million in current portion of lease obligations and a decrease of $0.4 million in derivative financial instruments offset by an increase in accrued salaries, wages and related benefits of $0.7 million.

**Deferred inflow of resources**

Deferred inflow of resources increased $30.5 million due to an increase of $25.9 million in the power supply adjustment, a $4.1 million net increase in deferred debt refunding gain as a result of current year refunding, a net increase in deferred pension inflows of $1.5 million and $0.9 million increase in unrealized gain on investments offset by a decrease of $1.7 million in deferred auction sales and a decrease in deferred OPEB inflows of $0.2 million.

**Changes in net position**

**Operating revenues**

Operating revenues decreased $1.0 million from $343.0 million in 2019 to $342.0 million in 2020. Wholesale electric revenues decreased $7.9 million to $47.0 million in 2020 from $54.0 million in 2019, as a result of a decrease in volume sold offset by a small increase in average sales price. Volumes decreased approximately 14.0% when compared to 2019, while average sales price increased approximately 6.2% from an average of $41/megawatt hours (MWh) in 2019 to $44/MWh in 2020. Wholesale gas revenues decreased $1.6 million primarily due to a decrease in sales volume. Electric retail power revenues were up $10.5 million primarily due to a deferral of $25.9 million, which reduced revenues in 2020 as a result of the power supply adjustment compared to a deferral of $30.2 million in 2019. The Board elected to utilize electric rate stabilization of $0 million in 2020 compared to $9.6 million in 2019 to fund capital projects. Consumption for 2020 was up approximately 5.8% when compared to 2019.

**Operating expenses**

Purchased power, generation and fuel expenses decreased $2.9 million to $141.2 million in 2020 compared to $144.1 million in 2019. The decrease is primarily due to a decrease in fuel related expense of $7.5 million offset by an increase in purchased power of $7.5 million. The remaining decrease is due to decreased maintenance cost at the District's generating facilities. Other electric expense decreased $0.4 million due to a reduction in competitive transition charges ("CTC") for 2020. Irrigation expense remained primarily flat with a small decrease $0.1 million. Administrative and general expenses increased $1.0 million when compared to 2019 primarily due to increased technology costs to accommodate employees for the California Stay at home order as the result of Covid-19. Depletion expense decreased $0.4 million as a result of current year production from TID's gas field investments. Depreciation and amortization expense decreased $0.1 million primarily due to new assets being placed into service offset by a decrease in amortization of emission allowances under the State's cap and trade program.

**Net investment income**

Net investment income in 2020 decreased $0.2 million when compared to 2019, primarily due to slightly lower yields on investments.

**Other income**

Other income in 2020 increased $0.1 million due primarily to a $0.7 million increase in contributions in aid of construction revenue and an increase of $0.1 million in property tax revenue offset by a decrease in late fees of $0.7 million.

**Derivative gain**
For the year ended December 31, 2020, TID had a net gain of $0.7 million compared to a net loss of $0.1 million for the year ended December 31, 2019, due to a change in the fair value of derivative instruments.

**Net interest and amortization expense**
Net interest and amortization expense decreased $3.8 million in 2020 as compared to 2019, primarily due to savings realized from the bond refunding executed in 2020 and a full year of savings from the bond refunding’s executed in 2019.

# Turlock Irrigation District
## Consolidated Statements of Net Position
## December 31, 2021 and 2020

| *(dollars in thousands)* | 2021 | 2020 |
|---|---|---|
| ASSETS | | |
| Utility plant, net | $ 1,176,680 | $ 1,189,219 |
| Investments and other long-term assets | | |
| Cash and cash equivalents, restricted for long-term purposes | 9,567 | 2,522 |
| Short-term investments, restricted for long-term purposes | 1,236 | 15,017 |
| Long-term investments, including restricted amounts | 199,299 | 172,239 |
| Regulatory assets | 45,320 | 47,019 |
| Net OPEB asset | 10,580 | 3,910 |
| Net pension asset | 6,361 | - |
| Other assets | 557 | 557 |
| Derivative financial instruments, net of current portion | 393 | - |
| | 273,313 | 241,264 |
| CURRENT ASSETS | | |
| Cash and cash equivalents, including restricted amounts | 229,442 | 219,790 |
| Short-term investments, including restricted amounts | 5,437 | 4,859 |
| Retail accounts receivable, net | 24,056 | 28,486 |
| Wholesale accounts receivable, net | 7,849 | 3,634 |
| Accrued interest and other receivables | 20,749 | 18,127 |
| Materials and supplies, net | 5,587 | 4,379 |
| Prepaid expenses and other current assets | 2,405 | 2,575 |
| Affiliate receivable | 14,772 | 14,169 |
| Derivative financial instruments | 571 | 156 |
| | 310,868 | 296,175 |
| Total assets | 1,760,861 | 1,726,658 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred refunding loss | 7,809 | 10,859 |
| Cash flow hedges | 2,076 | 4,418 |
| Deferred OPEB outflows | 521 | 2,032 |
| Deferred ARO outflows | 9,056 | 10,018 |
| Deferred pension outflows | 30,103 | 46,661 |
| | 49,565 | 73,988 |
| Total assets and deferred outflows | $ 1,810,426 | $ 1,800,646 |



See accompanying notes.

# Turlock Irrigation District
## Consolidated Statements of Net Position
## December 31, 2021 and 2020

| *(dollars in thousands)* | 2021 | 2020 |
|---|---|---|
| LIABILITIES | | |
| Liabilities | | |
| Long-term debt, net of current portion | $ 925,603 | $ 976,247 |
| Asset retirement obligation | 15,656 | 14,580 |
| Net pension liability | - | 25,797 |
| Derivative financial instruments, net of current portion | 736 | 3,739 |
| | 941,995 | 1,020,363 |
| Current liabilities | | |
| Commercial paper | 30,571 | 29,496 |
| Current portion of long-term debt | 37,780 | 34,320 |
| Power purchases and gas payables | 13,489 | 8,580 |
| Accounts payable and accrued expenses | 15,822 | 11,164 |
| Accrued salaries, wages, and related benefits | 8,595 | 8,612 |
| Customer deposits and advances | 16,570 | 13,851 |
| Accrued interest payable | 22,548 | 21,559 |
| Derivative financial instruments | 1,359 | 681 |
| | 146,734 | 128,263 |
| Total liabilities | 1,088,729 | 1,148,626 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred refunding gain | 6,528 | 7,225 |
| Cash flow hedges | 964 | 156 |
| Deferred OPEB inflows | 5,711 | 1,825 |
| Deferred pension inflows | 46,260 | 37,759 |
| Regulatory credits | 169,452 | 153,299 |
| | 228,915 | 200,264 |
| NET POSITION | | |
| Net investment in capital assets | 216,134 | 178,653 |
| Restricted | 40,350 | 37,008 |
| Unrestricted | 236,298 | 236,095 |
| Total net position | 492,782 | 451,756 |
| Total liabilities, deferred inflows, and net position | $ 1,810,426 | $ 1,800,646 |

# Turlock Irrigation District
## Consolidated Statements of Revenues, Expenses, and Changes in Net Position
## December 31, 2021 and 2020

| *(dollars in thousands)* | 2021 | 2020 |
|---|---|---|
| OPERATING REVENUES | | |
| Electric | | |
| Retail | $ 289,834 | $ 275,323 |
| Wholesale | 78,830 | 47,052 |
| Irrigation | 15,138 | 13,213 |
| Wholesale gas | 5,237 | 2,005 |
| Other | 1,913 | 4,383 |
| | 390,952 | 341,976 |
| OPERATING EXPENSES | | |
| Purchased power | 80,532 | 58,027 |
| Generation and fuel | 105,616 | 83,200 |
| Other electric | 29,528 | 30,326 |
| Irrigation | 13,708 | 13,996 |
| Administration and general | 29,608 | 27,639 |
| Depreciation and amortization | 69,159 | 65,276 |
| | 328,151 | 278,464 |
| Operating income | 62,801 | 63,512 |
| NONOPERATING REVENUES AND EXPENSES | | |
| Net investment income | 3,100 | 6,534 |
| Other income, net | 11,978 | 10,407 |
| Derivative gain (loss) | (22) | 709 |
| Interest and amortization expense, net | (36,831) | (44,544) |
| | (21,775) | (26,894) |
| Increase in net position | 41,026 | 36,618 |
| NET POSITION | | |
| Beginning of year | 451,756 | 415,138 |
| End of year | $ 492,782 | $ 451,756 |



See accompanying notes.

# Turlock Irrigation District
## Consolidated Statements of Cash Flows
## December 31, 2021 and 2020

| *(dollars in thousands)* | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from electric customers | $ 315,586 | $ 293,381 |
| Receipts from wholesale power sales | 74,615 | 47,322 |
| Receipts from irrigation customers | 14,733 | 13,250 |
| Receipts from sales of gas | 4,714 | 2,162 |
| Payments to vendors for purchased power | (79,285) | (56,822) |
| Payments to employees and vendors for generation and fuel and other electric | (126,441) | (112,076) |
| Payments to employees and vendors for irrigation | (13,163) | (14,302) |
| Payments to employees and vendors for administration and general | (34,436) | (25,598) |
| Other receipts and payments, net | 3,823 | (1,624) |
| Net cash provided by operating activities | 160,146 | 145,693 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (54,937) | (62,889) |
| Proceeds from contributions in aid of construction | 1,746 | 2,846 |
| Proceeds from issuance of long-term debt | - | 163,263 |
| Repayment of long-term debt | (34,321) | (215,699) |
| Repayment of long-term lease obligations | - | (797) |
| Repayment of commercial paper | (425) | (4,382) |
| Proceeds from issuance of commercial paper | 1,500 | - |
| Interest payments on debt | (45,644) | (53,664) |
| Build America Bond receipts | 3,471 | 3,458 |
| Net cash used in capital and related financing activities | (128,610) | (167,864) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 3,712 | 7,349 |
| Derivative gain | (4) | 837 |
| Purchases of investments | (131,237) | (148,481) |
| Sales of investments | 112,690 | 137,815 |
| Net cash provided by investing activities | (14,839) | (2,480) |
| Net increase in cash and cash equivalents | 16,697 | (24,651) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 222,312 | 246,963 |
| End of year | $ 239,009 | $ 222,312 |
| RECONCILIATION OF CASH AND EQUIVALENTS TO BALANCE SHEET | | |
| Cash and cash equivalents restricted for long-term purposes | $ 9,567 | $ 2,522 |
| Cash and cash equivalents, including restricted amounts | 229,442 | 219,790 |
| | $ 239,009 | $ 222,312 |

# Turlock Irrigation District
## Consolidated Statements of Cash Flows
## December 31, 2021 and 2020

| *(dollars in thousands)* | 2021 | 2020 |
|---|---|---|
| ADJUSTMENT TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATIONS | | |
| Operating income | $ 62,801 | $ 63,512 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 69,159 | 65,276 |
| Other income | 8,221 | 4,435 |
| Other changes in operating assets and liabilities: | | |
| Accounts receivable | (2,686) | (12,155) |
| Materials and supplies | (1,208) | (204) |
| Prepaid expenses and other current assets | 170 | 2,014 |
| Regulatory assets and credits | 21,502 | 27,814 |
| Deferred OPEB outflows | 1,511 | (608) |
| Deferred pension inflows | 8,501 | 1,516 |
| Deferred ARO outflow | 2,038 | 835 |
| Net OPEB asset | (6,670) | (406) |
| Power purchases and gas payables | 4,909 | (1,441) |
| Accounts payable and accrued expenses | 1,514 | (1,122) |
| Accrued salaries, wages, and related benefits | (17) | 741 |
| Customer deposits and advances | 2,718 | (646) |
| Affiliate receivable | (603) | 217 |
| Deferred OPEB inflows | 3,886 | (265) |
| Deferred pension outflows | 16,558 | (2,488) |
| Net pension asset/liability | (32,158) | (1,332) |
| Net cash provided by operating activities | $ 160,146 | $ 145,693 |
| SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Accounts payable and other liabilities related to construction of capital assets | $ 8,463 | $ 5,247 |
| Investment (loss)gain from derivatives | $ 18 | $ (128) |
| Deferred refunding gain | $ - | $ 4,540 |



See accompanying notes.

# Turlock Irrigation District
## Statements of Fiduciary Net Position of the Retirement Plan
## June 30, 2021 and 2020

| *(dollars in thousands)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 9,424 | $ 10,296 |
| Receivables | | |
| Interest | 488 | 471 |
| Dividends | 130 | 103 |
| Total receivables | 618 | 574 |
| Investments, at fair value (Note 11) | | |
| U.S. Government and municipal obligations | 36,962 | 22,768 |
| International obligations | 18,597 | 1,557 |
| Domestic stocks and mutual funds | 164,993 | 154,745 |
| International stocks and mutual funds | 110,189 | 84,768 |
| Domestic fixed income securities | 64,812 | 40,028 |
| Other investments | 22,785 | 13,728 |
| Total investments | 418,338 | 317,594 |
| Total assets | $ 428,380 | $ 328,464 |
| LIABILITIES | | |
| Accrued expenses | $ 173 | $ 213 |
| Fiduciary net position restricted for pensions | $ 428,207 | $ 328,251 |

See accompanying notes.

# Turlock Irrigation District
## Statements of Changes in Fiduciary Net Position of the Retirement Plan
## For the 12 Months Ending June 30, 2021 and 2020

| *(dollars in thousands)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| ADDITIONS | | |
| Contributions | | |
| Employer | $ 13,019 | $ 13,404 |
| Participants | 2,260 | 1,875 |
| Total contributions | 15,279 | 15,279 |
| Investment income | | |
| Net (depreciation) appreciation in fair value of investments (Note 11) | 98,095 | (4,667) |
| Interest income | 2,236 | 2,497 |
| Dividend income | 5,797 | 5,812 |
| Other investment income | - | 64 |
| Investment expense | (867) | (772) |
| Net investment income | 105,261 | 2,934 |
| Total additions | 120,540 | 18,213 |
| DEDUCTIONS | | |
| Benefits paid to participants and beneficiaries | 20,230 | 19,222 |
| Refunds of contributions | 18 | 122 |
| Administrative expenses | 336 | 393 |
| Total deductions | 20,584 | 19,737 |
| NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION | 99,956 | (1,524) |
| FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of year | 328,251 | 329,775 |
| End of year | $ 428,207 | $ 328,251 |



See accompanying notes.

## Note 1 – Organization, Description of Business

The Turlock Irrigation District (TID or the District) was organized under the Wright Act in 1887 and operates under the provisions of the California Water Code as a special district of the State of California (the State). As a public power utility, TID is not subject to regulation or oversight by the California Public Utilities Commission (CPUC). TID provides electric power and irrigation water to its customers.

TID's Board of Directors (the Board) determines its rates and charges for its commodities and services. TID levies ad valorem property taxes on property located in the counties of Stanislaus and Merced. TID may also incur indebtedness, including issuing bonds, and is exempt from payment of federal and state income taxes.

## Note 2 – Summary of Significant Accounting Policies

### Method of accounting

TID maintains its accounts in accordance with accounting principles generally accepted in the United States of America (GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). TID is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. TID uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TID's accounting records generally follow the Uniform System of Accounts for public utilities and licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions in aid of construction (CIAC).

TID provides energy for residential, commercial, and industrial use and provides irrigation water for agricultural use. Accordingly, TID defines operating revenues as sales of energy, wholesale sales of energy and natural gas, irrigation sales, and other miscellaneous energy and irrigation service revenues. Operating expenses include the costs of sales and services, administration expenses, depreciation, depletion and amortization. Nonoperating revenue and expense typically includes interest income on investments, interest and amortization expense, and other miscellaneous items.

### Component units

The Walnut Energy Center Authority (WECA) owns and operates a 250 MW natural gas fueled generation facility, which commenced commercial operations in 2006. The Tuolumne Wind Project Authority (TWPA) owns a membership interest in a 136.6 MW wind farm, consisting of 62 wind-turbine generators located in Klickitat County, Washington. WECA and TWPA have no employees and all the output from both facilities is sold to TID through power purchase agreements.

Although WECA and TWPA are separate legal entities from TID, they are consolidated component units of TID and reported as part of TID because of the extent of their operational and financial relationship with TID which includes majority oversight from the same Board of Directors.

**Note 2 – Summary of Significant Accounting Policies (continued)**

Accordingly, all operations of WECA and TWPA are consolidated into TID’s financial statements as blended component units. Internal transactions, including revenues and expenses between the District’s component units and the District, have been eliminated in the accompanying financial statements in accordance with GAAP. Copies of the WECA and TWPA stand-alone annual financial report may be obtained from TID’s executive office at 333 East Canal Drive, Turlock, California 95381.

**Fiduciary Fund**
TID has a fiduciary responsibility for a defined benefit pension plan, the Amended and Restated Retirement Plan for Employees and Elective Officer of Turlock Irrigation District (the “Retirement Plan”). The financial activities of the Retirement Plan are included in the financial statements as a Statements of Fiduciary Net Position of the Retirement Plan and Statements Changes in Fiduciary Net Position of the Retirement Plan as of June 30, 2021 and 2020, the Retirement Plans fiscal year end.

**Use of estimates**
The preparation of financial statements in conformity with GAAP 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. TID’s more significant estimates include fair value estimates for investments; estimated useful lives of utility plant; total pension liability; total other postemployment benefits liability; depletion; and workers’ compensation reserves.

**Long-term and short-term debt**
Long-term debt is recorded at the principal amount of the obligations adjusted for original issue discounts and premiums. The premiums and discounts on bonds issued are amortized over the terms of the bonds using the effective interest method and recorded as a component of interest expense.

**Deferred refunding gain or loss**
Debt defeasance charges result from debt refunding transactions and comprise the difference between the reacquisition costs and the net outstanding debt balances including deferred costs of the defeased debt at the date of the defeasance transaction. Such charges are included as a component of deferred outflows or deferred inflows and amortized into interest expense over the shorter of the life of the refunded debt or the new debt, using the effective interest method.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Utility plant**

Utility plant is recorded at cost. Capital assets are generally defined by TID as assets with an initial, individual cost of more than $5 and an estimated useful life in excess of one year. The cost of additions, renewals and betterments are capitalized; repairs and minor replacements are charged to operating expenses as incurred. Interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred in compliance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. TID incurred gross interest costs of $36,831 and $44,544 during the years ended December 31, 2021 and 2020, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives, which generally range from 20 to 40 years and 40 to 150 years for electric and irrigation related assets, respectively. The estimated useful lives of furniture, fixtures, equipment and other assets range from 5 to 25 years. Upon retirement of an asset that was previously in service, the cost of depreciable utility plant, plus removal costs, less salvage, is charged to accumulated depreciation. If a capital asset is disposed of prior to being put into service, the costs capitalized to date are expensed. In addition, during the years ended December 31, 2021 and 2020, TID had net loss totaling $1,461 and $333, respectively, from retirements and disposals that were previously classified as utility plant.

Future power rights are costs incurred by TID in development of hydroelectric facilities owned by others who provide power to TID. Such costs are recorded as a component of utility plant and are amortized on a straight-line basis over the 49-year periods to which these rights apply.

**Impairment of long-lived assets**

TID accounts for potential impairments in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, under which TID evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly and when full recovery through utility rates or other means is not considered probable. There were no material impairments of long-lived assets recorded during fiscal 2021 and 2020.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Intangible assets**
TID accounts for intangible assets in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides guidance regarding how to identify, account for and report intangible assets. Intangible assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. GASB 51 provides that intangible assets be classified as capital assets, except for items explicitly excluded from the scope of the standard.

Included in nondepreciable utility plant are costs related to emission credits acquired that are necessary to operate gas fired facilities. Such credits have an indeterminate life and are therefore, not amortized.

TID is subject to the requirements under the State's cap and trade program and has purchased emission credits though the State's auction program. The cost of the emission allowances purchased is included in depreciable utility plant. Entities subject to the cap and trade program surrender allowances and offsets equal to their emissions at the end of each compliance period; therefore, TID is amortizing the purchased emission allowances based on District emissions as incurred for wholesale power sales and the amortization expense is included as a component of depreciation expense on the statement of revenues, expenses and changes in net position.

Amortization expense totaled $5,012 and $3,425 for the years ended December 31, 2021 and 2020, respectively.

**Investments in gas properties**
TID owns nonoperating ownership interests in gas producing properties in Wyoming and Texas. TID uses the successful efforts method of accounting for its investments in these gas producing properties. The costs of the investment along with costs to drill and complete wells that access economically recoverable reserves are capitalized as a component of utility plant on the statement of net position. Costs to drill wells that do not find economically recoverable reserves are expensed. The capitalized costs of producing gas properties, after considering estimated residual salvage values, are depleted by the unit-of-production method based on the estimated future production of proved reserves for the properties. If prominent events or changes in circumstances are identified, the investments in gas properties are evaluated for impairment. No impairment has been recorded to date.

Gas production from TID's share of these properties is sold to wholesale buyers as an economic hedge to offset the net cost of TID's gas supply. Sales of gas in 2021 and 2020 totaled $5,237 and $2,005, respectively. Depletion expense, which is included as a component of depreciation and amortization expense in the accompanying statement of revenues, expenses and changes in net position, totaled $6,427 and $3,835 for the years ended December 31, 2021 and 2020, respectively.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents**
Cash equivalents include all debt instruments with original maturity dates of three months or less from the date of purchase, all investments in the California Asset Management Program (CAMP) and the Local Agency Investment Fund (LAIF). The debt instruments are reported at amortized cost which approximates fair value. The investments in CAMP and LAIF are reported at their net asset value, which approximates fair value. CAMP is a joint powers authority (JPA), a public agency whose investments are limited to those permitted by the California Government Code. TID is invested in CAMP's California Asset Management Trust Cash Reserve Portfolio which is a short-term money market portfolio. Investments in CAMP shares are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency. 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 cost which approximates fair value. TID’s deposits with CAMP and LAIF are available for withdrawal generally on demand. TID has an automated investment account where at the end of the business day funds are automatically swept overnight to purchase shares in a money market mutual fund from TID’s primary bank and the primary bank automatically redeems the shares the next day. TID receives monthly interest based on the dividend rate of the money market mutual fund.

**Investments**
Investments are reported at their fair market value, in accordance with GASB issued Statement No. 72, *Fair Value Measurement and Application*. Premiums and discounts on investments are amortized using the effective interest rate method. TID defers unrealized holding gains and losses on its investments until such investments mature or are sold which is consistent with TID’s rate setting process. Realized gains and losses are included in net investment income in the accompanying statement of revenues, expenses and changes in net position.

In accordance with provisions of the credit agreements relating to TID’s long-term debt obligations, restricted funds held by trustees have been established to provide for certain debt service and project funding requirements. The restricted funds held by trustees are invested primarily in United States (U.S.) government securities and related instruments with maturities no later than the expected date of the use of such funds.

**Participation in joint power authorities**
TID’s ownership investments in JPAs are accounted for using the cost method except for the WECA and TWPA which are consolidated into TID’s financial statements.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Accounts receivable and allowance for doubtful accounts**
Accounts receivable arise from billings to customers for the sale of power and water, and certain improvements made to customers' properties. Accounts receivable also includes an estimate for unbilled retail and wholesale revenues related to power delivered between the last billing date and the last day of the reporting period.

TID recognizes an estimate of uncollectible accounts for its retail and wholesale receivables based upon its historical experience with collections, current market conditions and specific identification of known losses. At December 31, 2021 and 2020, the allowance for doubtful accounts totaled $1,209 and $1,095, respectively. TID records bad debt expense as a reduction of revenue in the statements of revenues, expenses and changes in net position. During 2021, the District received $2,512 from the California Arrearage Payment Program (CAPP), which offers assistance for California energy utility customers to help reduce past due energy bill balances that increased during the Covid-19 Pandemic. As a result, the District had approximately $0 bad debt expense for 2021 and had net bad debt expense of $734 for 2020.

**Materials and supplies**
Materials and supplies are used in TID's operations and are recorded at average cost, net of reserves for obsolete items. Reserves for obsolete items totaled $450 at December 31, 2021 and 2020, respectively.

**Long-term lease obligations**
In connection with completing the Walnut Energy Center and the Almond 2 power plant, TID entered into long-term transmission arrangements with Pacific Gas and Electric (PG&E) which included PG&E constructing new, and reinforcing existing natural gas transmission facilities. The arrangements represent, in substance, capital leases wherein TID (lessee) is obligated to repay all costs associated with the construction and reinforcement of the transmission facilities to PG&E through billings on transmission usage. In accordance with GASB accounting rules governing lease accounting, TID records its obligations to PG&E as long-term lease obligations and the associated assets in utility plant. At inception, the contracts required up-front payments totaling $23,720 plus irrevocable payment obligations which totaled $44,087 on a net present value basis to be paid over ten year periods. Amounts due within one year are classified as current.

The lease obligations have been fully amortized the related assets with a net book value of $0 and $3,329, respectively, are included in utility plant on TID's statements of net position at December 31, 2021 and 2020. Assets are recorded at the total cost to be paid over the lease term and are depreciated over the life of the lease on a straight line basis. Depreciation expense is included as a component of depreciation and amortization expense in the accompanying statement of revenues, expenses and changes in net position.

## Note 2 – Summary of Significant Accounting Policies (continued)

### Regulatory assets and credits

TID's Board has the authority to establish the level of rates charged for all District services. As a regulated entity, TID's financial statements are prepared in accordance with GASB accounting rules governing regulatory accounting, which require the effects of the rate making process to be recorded in the financial statements. Accordingly, certain expenses and revenues, normally reflected in operations as incurred, are recognized when included in rates and recovered from or refunded to customers as set forth in rate actions taken by the Board.

### Public benefit

To comply with state mandated legislation, TID's Board has specified a component of its rates, 2.85%, to be committed to public benefit expenditures. Public benefit expenditures consist of noncapital and capital expenditures for energy efficiency programs and renewable energy resources.

### Compensated absences

TID accrues vacation leave, sick leave and other compensated absences earned as liabilities when the employees earn the benefits. At December 31, 2021 and 2020, the total estimated liability for vacation, sick, and other compensated absences was $6,200 and $6,353, respectively, and is included in accrued salaries, wages and related benefits in the accompanying statements of net position.

### Self-insurance liability

Substantially all of TID's assets are insured against possible losses from fire and other risks. TID carries insurance coverage to cover general liability claims in excess of $1,000 per occurrence up to $35,000 and workers' compensation claims in excess of $750 per occurrence. TID records liabilities for unpaid claims when they are probable of occurrence and the amount can be reasonably estimated.

TID purchases its excess workers' compensation insurance from the California State Association of Counties (CSAC) Excess Insurance Authority. The risk of loss in excess of $750 per occurrence is transferred to the insurance pool.

The accompanying financial statements include accrued expenses for general liability, workers' compensation and medical, dental and vision claims based on TID's best estimates of the ultimate cost of settling outstanding claims and claims incurred, but not reported. At December 31, 2021 and 2020, TID's estimated self-insurance liability for its workers' compensation claims totaled $2,750 and $2,071, respectively, and is reported as a component of accounts payable and accrued expenses in the statements of net position.

TID is a member of CSAC's Excess Insurance Authority Health program, which administers TID's self-insurance for employee health. CSAC's purpose is to pool the risk of its members to develop and fund programs of excess insurance for its members. Members fund the program through annual premiums developed by the CSAC Board with assistance from actuary and risk management consultants. Should actual losses among pool participants be greater than funds for the program, TID would be assessed its pro-rata share of the deficiency. No such losses have occurred and no additional liability has been accrued by TID.

## Note 2 – Summary of Significant Accounting Policies (continued)

### Gas price swap and option agreements

TID uses forward purchase agreements, swaps and option agreements to hedge the impact of market volatility on gas prices for its gas fueled power plants. Such agreements are treated as derivative financial instruments as defined below. Expenses under the contracts, net of the payments received, are reported as generation and fuel expense, in the period in which the underlying gas and power deliveries occur.

### Derivative financial instruments

TID accounts for derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), which establishes accounting and financial reporting standards for the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments (Note 9).

TID records derivative financial instruments, consisting of gas price swap agreements, option agreements, and gas and electricity purchase and sales agreements that are not treated as normal purchases and normal sales, at fair value on its statements of net position. Normal purchases and sales contracts are for the purchase or sale of a commodity, such as natural gas or electricity, to be used in the normal course of operations, provided that it is probable TID will take or make delivery of the commodity specified in the derivative instrument. Changes in the fair value of derivatives that do not meet the requirements of an effective hedge transaction are included in nonoperating revenues and expenses as a derivative gain (loss). Changes in the fair value of derivatives which are effective hedges are deferred on the statements of net position.

The fair values of gas and electricity purchase and sales agreements are based on forward prices, established from published indexes from applicable regions and discounted using established interest rate indexes, where applicable, and information obtained from a pricing service where a published index is not available.

TID reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current on the statements of net position. TID is exposed to risk of nonperformance if the counterparties default or if the agreements are terminated. TID monitors these risks and does not anticipate nonperformance.

### Pension plan

TID has a single-employer group defined benefit pension plan (the “Retirement Plan”) which provides retirement benefits covering substantially all of its employees who have completed one year of continuous service. TID accounts for the Retirement Plan in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment to GASB Statement No. 27, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 68). This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses. For defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Other Post-Employment Benefits**

TID provides post-retirement medical benefits in accordance with TID policy to qualified retirees and their spouses through TID's Employee Health Care Plan (the "Health Plan") until the retiree and participating spouse reach age 65. In 2018, TID adopted GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. TID considers post-employment healthcare benefits to be OPEB costs.

TID's OPEB liability(asset) at January 1, 2021 is based upon a valuation date of June 30, 2020.

**Net position**

TID classifies its 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 reduced by the outstanding debt balances, net of deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt.

*Restricted* – This component of net position consists of assets with external constraints placed on their use. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows that do not meet the definition of restricted or net investment in capital assets.

**(dollars in thousands)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Board designated net position**
Net position includes amounts that TID's Board designates as reserves for debt service, capital improvements and rate stabilization. The rate stabilization fund represents amounts reserved for the purpose of stabilizing electric utility rates in future periods. The Board determines the annual transfers into and out of these reserves. While the Board designates these funds as reserve funds, they are not restricted and the Board can utilize such funds for any purpose.

The designated funds included in unrestricted net position were as follows at December 31:

| | 2021 | 2020 |
|---|---|---|
| Rate stabilization | $ 34,076 | $ 34,076 |
| Capital improvements | 7,791 | 7,791 |
| | $ 41,867 | $ 41,867 |

**Purchased power expenses**
A portion of TID's power needs are provided by power purchase agreements. Expenses from such agreements, along with associated transmission costs paid to other utilities, are charged to purchased power expense in the period the power was received. Adjustments to prior billings are included in purchased power expense once the payments or adjustments can be reasonably estimated. 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.

Additionally, any changes in the power supply adjustment (Note 9) balance, resulting in a regulatory asset increasing or decreasing are recorded as additions or reductions to purchased power expense and any changes resulting in a regulatory credit increasing or decreasing are recorded as additions or reductions to retail revenues. When the power supply adjustment balance changes from a regulatory credit to a regulatory asset or from a regulatory asset to a regulatory credit from one year to the next, a change to both purchased power expense and a change to retail revenues will be reflected in the statement of revenues, expenses and changes in net position. For the year ended December 31, 2021, the power supply adjustment balance increased resulting in a decrease to retail revenues of $18,813, and for the year ended December 31, 2020, the power supply adjustment balance increased resulting in a decrease to retail revenues of $25,935.

## Note 2 – Summary of Significant Accounting Policies (continued)

### Contributions in aid of construction (CIAC) and grants

TID receives CIAC for customer contributions relating to expansions to TID's distribution facilities. TID also receives grant proceeds from federal and state assisted programs for its river restoration programs and other programs. The contributions and grant proceeds are included in other income in the statement of revenues, expenses and changes in net position. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. TID considers the possibility of any material grant disallowances to be remote.

### Asset retirement obligations

TID records asset retirement obligations (AROs) where there is a legally enforceable liability associated with the retirement of tangible capital assets. An ARO is measured based on the best estimate of the current value of outlays expected to be incurred. The current value is adjusted annually for the effects of general inflation or deflation. All relevant factors are evaluated at least annually to determine whether there is a significant change in the estimate outlays and whether to remeasure the ARO. The deferred outflows of resources are reduced and recognized as outflows of resources in a systematic and rational matter over the estimated useful life of the tangible capital asset.

### California greenhouse gas legislation

California Assembly Bill 32 (AB-32) was passed by California lawmakers in 2006 and is an effort by the State of California to set a 2020 greenhouse gas emissions reduction goal into law. In an update to AB-32 Senate Bill 100 (SB-100) was passed stating that it is the policy of California that eligible renewable resources and zero-carbon resources supply 100% of retail electricity sales to retail customers by December 31, 2045. Central to this initiative is the implementation of a cap and trade program, which covers major sources of greenhouse gases (GHG) emissions in the State including power plants. The legislation directed the California Air Resources Board (ARB) to begin developing discrete early actions to reduce greenhouse gases while also preparing a scoping plan to identify how best to reach the 2020 limit. A scoping plan is expected sometime in 2022. The program starts with an enforceable compliance obligation beginning with the 2014 GHG emissions. The cap and trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap will need to surrender allowances and offsets equal to their emissions at the end of each compliance period. The District is subject to AB 32 and became subject to the requirements under the cap and trade program in 2013. The allowances distributed to the District from the State for the District's retail customers are used in operations. There is no increase in service capacity and no asset has been recognized.

### Reclassifications

Certain account reclassifications and adjustments have been made to the financial statements of the prior year in order to conform with current year presentation. These reclassifications have no effect on previously reported net income or total net position.

### Subsequent events

Subsequent events have been assessed through April 28, 2022.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Recent accounting pronouncements**
In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements in light of the COVID-19 pandemic. The Statement is effective immediately and the Board has adopted the provisions for the year ended December 31, 2020. The Authority has assessed the impact of the new statement and will postpone the implementation of; GASB No. 87, *Leases*; GASB No. 92, *Omnibus 2020*; and GASB No. 93, *Replacement of Interbank Offered Rates*.

In June 2020, GASB issued SGAS No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that 27 meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for TID in 2022. TID is currently assessing the financial statement impact of adopting this statement but does not expect it to be material.

(dollars in thousands)

## Note 3 – Utility Plant

The summarized activity of TID's utility plant during 2021 is presented below:

| | December 31, 2020 | Additions | Transfers | Disposals | December 31, 2021 |
|---|---|---|---|---|---|
| NONDEPRECIABLE UTILITY PLANT | | | | | |
| Land | $ 34,678 | $ - | $ - | $ (1,378) | $ 33,300 |
| Emission credits | 20,187 | - | - | - | 20,187 |
| Construction in progress | 80,827 | 54,926 | (38,112) | - | 97,641 |
| Total nondepreciable utility plant | 135,692 | 54,926 | (38,112) | (1,378) | 151,128 |
| DEPRECIABLE UTILITY PLANT | | | | | |
| Generation | 986,668 | - | 7,554 | (354) | 993,868 |
| Distribution | 392,033 | - | 14,690 | (1,501) | 405,222 |
| Transmission | 184,856 | - | 2,078 | (33) | 186,901 |
| General | 122,212 | - | 10,711 | (1,990) | 130,933 |
| Future power rights | 26,863 | - | 130 | - | 26,993 |
| Irrigation | 100,229 | - | 2,949 | (41) | 103,137 |
| Investment in gas properties | 123,822 | - | - | - | 123,822 |
| Emission allowances | 30,037 | 3,155 | - | (9,287) | 23,905 |
| Total depreciable utility plant | 1,966,720 | 3,155 | 38,112 | (13,206) | 1,994,781 |
| Less: accumulated depreciation, amortization, and depletion | (913,193) | (69,159) | - | 13,123 | (969,229) |
| Depreciable utility plant, net | 1,053,527 | (66,004) | 38,112 | (83) | 1,025,552 |
| Utility plant, net | $ 1,189,219 | $ (11,078) | $ - | $ (1,461) | $ 1,176,680 |

## (dollars in thousands)

### Note 3 – Utility Plant (continued)

The summarized activity of TID's utility plant during 2020 is presented below:

| | December 31, 2019 | Additions | Transfers | Disposals | December 31, 2020 |
|---|---|---|---|---|---|
| NONDEPRECIABLE UTILITY PLANT | | | | | |
| Land | $ 33,032 | $ 1,664 | $ - | $ (18) | $ 34,678 |
| Emission credits | 20,187 | - | | | 20,187 |
| Construction in progress | 82,269 | 50,362 | (51,804) | - | 80,827 |
| Total nondepreciable utility plant | 135,488 | 52,026 | (51,804) | (18) | 135,692 |
| DEPRECIABLE UTILITY PLANT | | | | | |
| Generation | 986,504 | - | 4,564 | (4,400) | 986,668 |
| Distribution | 378,906 | - | 14,339 | (1,212) | 392,033 |
| Transmission | 183,156 | - | 1,700 | - | 184,856 |
| General | 95,385 | - | 28,480 | (1,653) | 122,212 |
| Future power rights | 26,774 | - | 89 | - | 26,863 |
| Irrigation | 97,612 | - | 2,617 | - | 100,229 |
| Investment in gas properties | 123,807 | - | 15 | - | 123,822 |
| Emission allowances | 22,669 | 8,565 | - | (1,197) | 30,037 |
| Total depreciable utility plant | 1,914,813 | 8,565 | 51,804 | (8,462) | 1,966,720 |
| Less: accumulated depreciation, amortization, and depletion | (856,064) | (65,276) | - | 8,147 | (913,193) |
| Depreciable utility plant, net | 1,058,749 | (56,711) | 51,804 | (315) | 1,053,527 |
| Utility plant, net | $ 1,194,237 | $ (4,685) | $ - | $ (333) | $ 1,189,219 |

### Note 4 – Participation in Joint Powers Agencies

**Transmission Agency of Northern California**

TID is a member of the Transmission Agency of Northern California (TANC), a JPA consisting of fifteen municipal utilities. TANC is a participant, with a 79.3% share of the California-Oregon Transmission Project (COTP) and other facilities for electric power transmission. TANC develops, operates and manages these projects. The COTP provides electric transmission between the Pacific Northwest and California. TID's entitlement share of TANC's portion of the COTP and other facilities is 17.4%, representing approximately 237 megawatts (MW) of transmission capacity. TID also has a 7.4% entitlement share of TANC's transmission under the South of Tesla transmission agreements, which provides TID with 22 MW of transmission during normal operating conditions between Tesla and Midway.

Under the TANC agreements, TID is responsible for TANC's development, operating and debt service costs on a take-or-pay basis proportionate to its entitlement share. During 2021 and 2020, TID's total expenses in connection with its TANC agreements, included in purchased power expense, totaled $6,545 and $7,753, respectively. At December 31, 2021 and 2020 TID has an affiliate receivable due from TANC of $14,772 and $14,169, respectively.

(dollars in thousands)

**Note 4 – Participation in Joint Powers Agencies (continued)**

The long-term debt of TANC is collateralized by a pledge and assignment of net revenues of each JPA, supported by the take-or-pay commitments of TID and other members. As such, TID is contingently obligated for its proportionate share of TANC's liabilities of $304,379 at December 31, 2021. Should other members of TANC default on their obligations to these JPAs, TID would be required to make "step up" payments, up to 25% of its proportionate share, to cover a portion of the defaulted payments and would be entitled to the same proportion of additional transmission.

Historically, there have been no defaults by members of TANC. To obtain audited financial statements of TANC, contact TANC at 35 Iron Point Circle, Suite 225 Folsom, CA 95630.

**Walnut Energy Center Authority**

TID and Merced Irrigation District formed WECA for the principal purpose of owning and operating a 250 MW natural gas fueled generation facility that is blended into and reported as a component unit of TID. All operations of WECA are consolidated into TID's financial statements. WECA's financial information is summarized as follows:

| | 2021 | 2020 |
|---|---|---|
| SUMMARIZED STATEMENTS OF NET POSITION | | |
| Current assets | $ 34,348 | $ 36,927 |
| Noncurrent assets | 208,646 | 215,959 |
| Total assets | $ 242,994 | $ 252,886 |
| Current liabilities | $ 43,591 | $ 42,443 |
| Long-term debt, net of current portion | 197,144 | 207,884 |
| Deferred inflow of resources | 2,259 | 2,559 |
| Total liabilities and deferred inflows | $ 242,994 | $ 252,886 |

| | 2021 | 2020 |
|---|---|---|
| SUMMARIZED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | |
| Operating revenues | $ 59,298 | $ 56,173 |
| Operating expenses | (52,057) | (48,905) |
| Operating income | 7,241 | 7,268 |
| Nonoperating revenues and expenses, net | (7,241) | (7,268) |
| Changes in net position | $ - | $ - |

**(dollars in thousands)**

**Note 4 – Participation in Joint Powers Agencies (continued)**

| | 2021 | 2020 |
|---|---|---|
| SUMMARIZED STATEMENTS OF CASH FLOWS | | |
| Net cash provided by operating activities | $ 9,898 | $ 10,564 |
| Net cash used in noncapital and related financing activities | (6,270) | (6,188) |
| Net cash used in capital and related financing activities | (7,623) | (6,972) |
| Net cash provided by investing activities | 4,101 | 4,272 |
| Net increase in cash and cash equivalents | 106 | 1,676 |
| Beginning of year cash and cash equivalents | 13,078 | 11,402 |
| End of year cash and cash equivalents | $ 13,184 | $ 13,078 |

**Tuolumne Wind Project Authority**

TID and WECA formed TWPA for the principal purpose of acquiring and operating wind farm assets. TWPA is reported as a component unit of TID. All operations of TWPA are consolidated into TID's financial statements. TWPA's financial information is summarized as follows:

| | 2021 | 2020 |
|---|---|---|
| SUMMARIZED STATEMENTS OF NET POSITION | | |
| Current assets | $ 41,093 | $ 41,897 |
| Noncurrent assets | 261,522 | 276,146 |
| Deferred outflow of resources | 15,509 | 18,303 |
| Total assets and deferred outflows | $ 318,124 | $ 336,346 |
| Current liabilities | $ 24,078 | $ 23,710 |
| Noncurrent liabilities | 15,656 | 14,580 |
| Long-term debt, net of current portion | 278,390 | 298,056 |
| | $ 318,124 | $ 336,346 |

(dollars in thousands)

**Note 4 – Participation in Joint Powers Agencies (continued)**

| | 2021 | 2020 |
|---|---|---|
| SUMMARIZED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | |
| Operating revenues | $ 27,391 | $ 24,794 |
| Operating expenses | (15,828) | (13,361) |
| Operating income | 11,563 | 11,433 |
| Nonoperating revenues and expenses, net | (11,563) | (11,433) |
| Changes in net position | $ - | $ - |

| | 2021 | 2020 |
|---|---|---|
| SUMMARIZED STATEMENTS OF CASH FLOWS | | |
| Net cash provided by operating activities | $ 13,430 | $ 14,255 |
| Net cash (used in) capital and related financing activities | (13,167) | (13,915) |
| Net cash(used in) provided by investing activities | 6,999 | (15,406) |
| Net increase in cash and cash equivalents | 7,262 | (15,066) |
| Beginning of year cash and cash equivalents | 26,097 | 41,163 |
| End of year cash and cash equivalents | $ 33,359 | $ 26,097 |

**Note 5 – Cash, Cash Equivalents, and Investments**

TID’s investment policies are governed by the California Government Code and its Bond Indentures, which restrict TID’s investment securities to obligations which are unconditionally guaranteed by the U.S. government or its agencies; direct and general obligations of the State or any local agency within the State; obligations of international agencies incorporated by authority of an act of Congress; commercial paper; certificates of deposit; time certificates of deposit; repurchase agreements; medium-term corporate notes; shares of beneficial interest; mortgage pass-through securities; and deposits with the LAIF and CAMP.

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

## (dollars in thousands)

### Note 5 – Cash, Cash Equivalents, and Investments (continued)

**Credit risk**

To mitigate the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, TID limits investments to those rated, at a minimum, “A1” or equivalent for medium-term notes and “A” for commercial paper by a nationally recognized rating agency. The following schedule presents the credit risk at December 31, 2021 and 2020. The credit ratings listed are from Standard and Poor’s as of December 31, 2021. NR means not rated.

| | Credit Rating | 2021 | 2020 |
|---|---|---|---|
| CASH AND CASH EQUIVALENTS | | | |
| Deposits | NR | $ 154,919 | $ 107,526 |
| California Asset Management Program | AAAm | 457 | 55,444 |
| Local Agency Investment Fund | NR | 74,066 | 56,820 |
| | | 229,442 | 219,790 |
| SHORT-TERM INVESTMENTS | | | |
| Corporate notes | A, A-, BBB+ | 924 | 771 |
| Certificates of deposit | A-1 | 1,572 | 3,360 |
| Asset-backed securities | AAA, NR | 113 | 354 |
| Municipal notes | NR | 321 | - |
| Government sponsored enterprises | AA+ | 2,507 | 374 |
| | | 5,437 | 4,859 |
| CASH AND CASH EQUIVALENTS, RESTRICTED FOR LONG-TERM PURPOSES | | | |
| Deposits | NR | 7,299 | 241 |
| LOC deposit | NR | 2,179 | 2,179 |
| California Asset Management Program | AAAm | 89 | 102 |
| | | 9,567 | 2,522 |
| SHORT-TERM INVESTMENTS, RESTRICTED FOR LONG-TERM PURPOSES | | | |
| U.S. Treasury notes | AA+ | 1,236 | 15,017 |
| | | 1,236 | 15,017 |
| LONG-TERM INVESTMENTS | | | |
| Government sponsored enterprises | AA+ | 28,905 | 51,458 |
| Certificates of deposit | AA-, A-1, A+, A | 1,200 | 8,771 |
| U.S. Treasury notes | AA+ | 115,242 | 58,721 |
| Corporate notes | AA+, AA, AA-, A+, A, A-, BBB+, NR | 28,828 | 27,364 |
| Asset-backed securities | AAA, NR | 14,235 | 17,148 |
| International government bonds | AAA | 5,213 | 2,318 |
| Municipal notes | AA- | 4,951 | 5,707 |
| Bank Note | A | 725 | 752 |
| | | 199,299 | 172,239 |
| | | $ 444,981 | $ 414,427 |

**(dollars in thousands)**

**Note 5 – Cash, Cash Equivalents, and Investments (continued)**

The schedule below presents restricted and unrestricted balances of cash, cash equivalents and investments as of December 31:

| | 2021 | 2020 |
|---|---|---|
| GENERAL OPERATING FUNDS | | |
| Operating accounts | $ 261,423 | $ 235,048 |
| Funds designated for sale for rate stabilization | 80,754 | 80,754 |
| Funds designated for capital improvements | 7,791 | 7,791 |
| | 349,968 | 323,593 |
| RESTRICTED FUNDS | | |
| Reserve funds | 31,781 | 31,994 |
| Debt service funds | 60,718 | 56,388 |
| Water studies | 335 | 273 |
| Letter of credit deposit (time certificate) | 2,179 | 2,179 |
| | 95,013 | 90,834 |
| | $ 444,981 | $ 414,427 |

**Custodial credit risk**

This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, TID's deposits may not be returned or TID will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. TID does not have a deposit policy for custodial credit risk. At December 31, 2021 and 2020, TID had deposits totaling $1,148 and $1,257, respectively, which are insured by the FDIC. The remaining deposits of $161,070 and $108,689 are uncollateralized and uninsured at December 31, 2021 and 2020, respectively. TID's money market mutual fund is collateralized with shares held by the pledging bank's trust department, who is acting as TID's agent. All investments are held in TID's name. Investments in the LAIF and CAMP at December 31, 2021 and 2020, of $74,612 and $112,366, respectively, were uninsured and uncollateralized.

**(dollars in thousands)**

### Note 5 – Cash, Cash Equivalents, and Investments (continued)

**Concentration of credit risk**

This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. TID places no limit on the amounts invested in any one issuer for federal agency securities, except for mortgage pass through securities, which may not exceed 20% of TID's portfolio. For disclosure purposes, investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds and external investment pools are not required to be evaluated for concentration of credit risk. The following are the concentrations or risk representing 5% or greater in a single issuer in either year, all of which are government sponsored enterprises:

| | 2021 | 2020 |
|---|---|---|
| Investment type | | |
| Federal National Mortgage Association (Fannie Mae)* | | 21% |

*Does not represent 5% or more at December 31, 2021

**Interest rate risk**

Although TID 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. All of TID's cash and cash equivalents have original maturities of 90 days or less. Investments maturing within one year are classified as current. At December 31, 2021 and 2020, TID has investments with original maturities of greater than 90 days, which are therefore subject to increased interest rate risk. The following schedules indicate the interest rate risk at December 31:

| | 2021 | Weighted Average Maturity (Years) |
|---|---|---|
| Investment type | | |
| Corporate notes | $ 29,752 | 2.84 |
| Government sponsored enterprises | 31,412 | 1.75 |
| Municipal notes | 5,272 | 2.38 |
| Certificates of deposits | 2,772 | 1.05 |
| Asset-backed securities | 14,348 | 3.15 |
| International government bonds | 5,213 | 1.94 |
| Bank Note | 725 | 1.44 |
| U.S. Treasury notes | 116,478 | 2.82 |
| Total fair value | $ 205,972 | |

(dollars in thousands)

### Note 5 – Cash, Cash Equivalents, and Investments (continued)

| | 2020 | Weighted Average Maturity (Years) |
|---|---|---|
| Investment type | | |
| Corporate notes | $ 28,135 | 2.07 |
| Government sponsored enterprises | 51,831 | 2.66 |
| Municipal notes | 5,707 | 2.74 |
| Certificates of deposits | 12,131 | 1.19 |
| Asset-backed securities | 17,502 | 3.20 |
| International government bonds | 2,318 | 2.64 |
| Bank Note | 751 | 2.44 |
| U.S. Treasury notes | 73,738 | 1.62 |
| Total fair value | $ 192,113 | |

In accordance with provisions of the credit agreements relating to certain of TID's long-term debt obligations, restricted funds are maintained at levels set forth in the agreements to provide for debt service reserve and project funding requirements. These funds are held by trustees and have maturities no later than the expected date of the use of the funds.

### Note 6 – Long-Term Debt

Long-term debt consists of the following at December 31:

| | 2021 | 2020 |
|---|---|---|
| Revenue bonds, fixed interest rates of 4.0% to 5.5%, maturing through 2046 | $ 393,460 | $ 404,920 |
| WECA revenue bonds, fixed interest rates of 5.0% to 6.2%, maturing through 2037 | 182,770 | 190,765 |
| TWPA revenue bonds, fixed interest rates of 5.0% to 6.9%, maturing through 2034 | 280,770 | 295,635 |
| Total long-term debt outstanding | 857,000 | 891,320 |
| Less | | |
| Current portion | (37,780) | (34,320) |
| Unamortized premiums and discounts, net | 106,383 | 119,246 |
| Total long-term debt, net | $ 925,603 | $ 976,246 |

(dollars in thousands)

## Note 6 – Long-Term Debt (continued)

### Refunding

In October 2020, TID issued revenue refunding bonds, Series 2019, totaling $92,655, the proceeds of which were combined with $10,458 from a reserve fund and other available funds, and were used to refund of the remaining 2011 Series A revenue refunding bonds of $181,410, through a legal defeasance. Accordingly, the liability for the defeased bonds has been removed from long-term debt in the consolidated statements of net position. This refunding resulted in a net deferred accounting loss of $5, which was expensed during 2020. The refunding reduced aggregate debt service payments by $8,150 and resulted in a total economic gain of $1,619.

The Build America Bonds were sold as a taxable issue and TID receives a federal subsidy of 32%, as reduced by sequester, of the interest paid on the bonds. For the years ended December 31, 2021 and 2020, TID received $3,471 and $3,458 in this federal subsidy which is included in other income on the statement of revenues, expenses, and changes in net position.

The summarized activity of TID's long-term debt during 2021 and 2020 is presented below:

| | December 31, 2020 | Additions | Payments and Amortization | December 31, 2021 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 891,320 | $ - | $ (34,320) | $ 857,000 | $ 37,780 |
| | 891,320 | - | (34,320) | 857,000 | $ 37,780 |
| Less | | | | | |
| Unamortized premiums | 119,246 | - | (12,863) | 106,383 | |
| Total long-term debt, net | $ 1,010,566 | $ - | $ (47,183) | $ 963,383 | |

| | December 31, 2019 | Additions | Payments and Amortization | December 31, 2020 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 967,465 | $ 137,150 | $ (213,295) | $ 891,320 | $ 34,320 |
| | 967,465 | 137,150 | (213,295) | 891,320 | $ 34,320 |
| Less | | | | | |
| Unamortized premiums | 108,382 | 28,281 | (17,417) | 119,246 | |
| Total long-term debt, net | $ 1,075,847 | $ 165,431 | $ (230,712) | $ 1,010,566 | |

(dollars in thousands)

**Note 6 – Long-Term Debt (continued)**

**Component unit debt**
The TWPA and WECA revenue bonds are payable solely from the unconditional payments made by TID under Power Purchase Agreements with both TWPA and WECA, and also include amounts held by a trustee for the benefit of the registered owners of the bonds. TID has an unconditional obligation to make all payments to TWPA and WECA, regardless of the output of the projects. TID guarantees to make payments sufficient to pay principal and interest and all other payments required to be made under the Power Purchase Agreements. TWPA and WECA are not required to repay TID for any amounts under this guarantee.

**General**
The revenue bonds are collateralized by a pledge of, and a lien on, the revenues of the entire electric and irrigation system after deducting maintenance and operation costs, as defined in the bond resolutions. The 2011 Revenue Refunding Bonds, the TID first priority subordinated revenue refunding bonds, Series 2014 and the TID first priority subordinated revenue refunding bonds, Series 2016 are subordinate to the 2010 revenue refunding bonds. As noted above, the 2010 revenue refunding bonds were refunded and therefore the above mentioned TID bonds are no longer subordinated as of the refunding date. TID's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements.

Fixed rate revenue bonds totaling $89,510, $141,425, and $194,435 may be subject to redemption during 2024, 2027 and 2031, respectively, by TID without a premium or discount. Fixed rate revenue bonds totaling $184,895 may be subject to redemption by TID at any interest date with a make whole premium.

TID's scheduled future annual principal maturities and interest are as follows at December 31, 2021:

| | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 37,780 | $ 44,204 | $ 81,984 |
| 2023 | 39,925 | 42,190 | 82,115 |
| 2024 | 42,740 | 40,003 | 82,743 |
| 2025 | 45,495 | 37,676 | 83,171 |
| 2026 | 47,810 | 35,229 | 83,039 |
| 2027-2031 | 254,330 | 137,153 | 391,483 |
| 2032-2036 | 250,780 | 56,264 | 307,044 |
| 2037-2041 | 103,040 | 18,506 | 121,546 |
| 2042-2046 | 35,100 | 2,903 | 38,003 |
| | $ 857,000 | $ 414,128 | $ 1,271,128 |

**(dollars in thousands)**

### Note 7 – Commercial Paper

TID utilizes a commercial paper program which is the WECA commercial paper program, which is used to finance capital expenditures up to $60,000, primarily WECA improvements and gas field capital expenditures. At December 31, 2021 and 2020, the balance outstanding was $30,571 and $29,496, respectively, under this commercial paper program, of which $11,240 and $11,665 was taxable at December 31, 2021 and 2020, respectively. The effective interest rate for the commercial paper outstanding at December 31, 2021 and 2020 was 0.15% and 0.20%, respectively, and the average term was 59 and 85 days, respectively. A letter of credit of $65,400 supports the sale of the commercial paper and TID incurs an annual fee for this service. There has not been a term advance under the letter of credit, which expires in September 2022. The counterparty to the letter of credit is a national bank whose credit rating is AA-Stable (Standard & Poor's).

The activity of TID's commercial paper during 2021 and 2020 is presented below:

| | 2021 | 2020 |
|---|---|---|
| BALANCES, beginning of year | $ 29,496 | $ 33,878 |
| Additions | 1,500 | - |
| Payments | (425) | (4,382) |
| BALANCES, end of year | $ 30,571 | $ 29,496 |

(dollars in thousands)

## Note 8 – Regulatory Deferrals

TID's Board has taken various regulatory actions that result in differences between recognition of revenues and expenses for rate-making purposes as reflected in these consolidated financial statements and as incurred. These actions result in regulatory assets and credits. Regulatory balances are as follows:

**Regulatory assets**
Regulatory assets consist of the following at December 31:

| | 2021 | 2020 |
|---|---|---|
| Debt issuance costs | $ 5,961 | $ 6,669 |
| Pension costs | 37,661 | 40,351 |
| Unrealized loss on investments | 1,698 | - |
| | $ 45,320 | $ 47,020 |

**Regulatory credits**
Regulatory credits consist of the following at December 31:

| | 2021 | 2020 |
|---|---|---|
| Electric rate stabilization | $ 46,678 | $ 46,678 |
| Power supply adjustment | 122,775 | 103,961 |
| Unrealized gain on investments | - | 2,660 |
| | $ 169,453 | $ 153,299 |

**Regulatory assets**
*Debt issuance costs* – The debt issuance costs will be collected through retail rates over the life of the respective debt and therefore will be expensed over the life of the respective debt. Accordingly, costs incurred in connection with the issuance of debt obligations, principally underwriters' and legal fees, are deferred on the statement of net position as a regulatory asset and are amortized into interest expense over the terms of the related obligations using the effective interest method.

*Pension costs* – TID established a regulatory asset for pension costs related to the adoption of GASB 68 which required TID to record a net pension liability. The regulatory asset is being amortized over 20 years, which began in 2016.

*Unrealized loss on investments* – TID defers unrealized holding gains and losses on its investments until such investments mature or are sold which is consistent with TID's rate setting process.

**Note 8 – Regulatory Deferrals (continued)**

**Regulatory credits**

*Electric rate stabilization* – These amounts are recognized as increases in income in future periods based on a rate program approved by the Board which releases rate stabilization amounts under identified circumstances.

*Power supply adjustment* – TID's rate schedule power supply adjustment (PSA) billing factor provides for an adjustment to the kilowatt-hour (KWh) portion of customer bills to reflect variations in the variable cost of power supply, which comprises purchased power, fuel used for generation of electric energy and gas field costs including related capital costs, reduced by revenue from wholesale sales of gas and energy to other entities. The PSA rate is reset semi-annually in June and December. The Board has limited reset amounts to ($0.005) to $0.01 per KWh. A balancing account is maintained in an amount by which the energy revenues collected from retail customers are less than (or more than) the actual cost of power supply. Excesses or (deficiencies) in the balancing account are managed by increasing (or decreasing) the PSA billing factor. During 2021, $18,813 was added to the deferred power supply regulatory account. During 2020, $25,935 was added to the deferred power supply regulatory account.

*Unrealized gain on investments* – TID defers unrealized holding gains and losses on its investments until such investments mature or are sold which is consistent with TID's rate setting process.

(dollars in thousands)

## Note 9 – Derivative Financial Instruments

TID enters into contracts for the purchase of electricity to meet the expected needs of its retail customers and for the purchase, transportation and storage of natural gas to meet its generation needs. TID also enters into hedging transactions to reduce the price volatility of some of these agreements. Many of these contracts are considered derivative financial instruments under the provisions of GASB 53. For those contracts, substantially all of the electricity contracts and most of the gas related contracts qualify as normal purchases or normal sales under GASB 53 because TID takes or makes delivery under the related contract, and as a result, the contracts are not required to be recorded at fair value. The fair values of TID's derivative instruments that are not considered normal purchases or normal sales are as follows:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Derivative financial instrument assets | | |
| Gas related contracts | $ 964 | $ 156 |
| Less: current portion | (571) | (156) |
| | $ 393 | $ - |
| Derivative financial instrument liabilities | | |
| Gas related contracts | $ 2,095 | $ 4,419 |
| Less: current portion | (1,359) | (681) |
| | $ 736 | $ 3,738 |

**Note 10 – Fair Value Measurements**

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). TID utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB 72 are as follows:

**Level 1** – inputs are quoted prices (unadjusted inactive markets for identical assets or liabilities).

**Level 2** – inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

**Level 3** – inputs are unobservable inputs that reflect TID's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

*CAMP* – uses the net asset value per share as determined by the portfolio manager multiplied by the number of shares held. The portfolio includes investments exclusively in the following authorized investments: U.S. government and agency obligations, repurchase agreements collateralized by U.S. government and agency obligations, negotiable certificates of deposit, bankers' acceptances and commercial paper. The fair values of the securities are generally based on quoted market prices for similar assets.

*LAIF* – uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted market prices for similar assets.

*Government sponsored enterprises* – uses a market based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.

*U.S. Treasury notes* – uses prices quoted in active markets for those securities.

*Corporate notes* – uses a market based approach. Evaluations are based on various market and industry inputs.

*Municipal notes* – uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

**Note 10 – Fair Value Measurements (continued)**

*Asset-backed securities* – uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

*International government bonds* – uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

*Certificates of deposit* – uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

*Money market mutual fund* – uses a net asset value as determined by the fund manager. Money market mutual fund may include several different underlying obligations, of which at least 80% of the net assets are invested in U.S. Government obligations including, U.S. Treasury obligations and obligations of U.S. Government Agencies, authorities, instrumentalities, or sponsored enterprises obligations, and municipal securities.

The following table identifies the level within the fair value hierarchy that TID's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2021 and 2020, respectively. As required by GASB 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. TID's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

(dollars in thousands)

**Note 10 – Fair Value Measurements (continued)**

| | Fair Value as of December 31, 2021 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Investments, including cash and cash equivalents | | | |
| California Asset Management Program | $ - | $ 546 | $ 546 |
| Local Agency Investment Fund | - | 74,065 | 74,065 |
| U.S. Treasury Notes | 116,478 | - | 116,478 |
| Government sponsored enterprises | - | 31,412 | 31,412 |
| Corporate notes | - | 29,752 | 29,752 |
| Municipal notes | - | 5,272 | 5,272 |
| Certificates of deposit | - | 2,772 | 2,772 |
| Asset-backed securities | - | 14,348 | 14,348 |
| International government bonds | - | 5,213 | 5,213 |
| Bank Note | - | 725 | 725 |
| Total investments, including cash equivalents | $ 116,478 | $ 164,105 | $ 280,583 |

| | Fair Value as of December 31, 2020 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Investments, including cash and cash equivalents | | | |
| California Asset Management Program | $ - | $ 55,546 | $ 55,546 |
| Local Agency Investment Fund | - | 56,820 | 56,820 |
| U.S. Treasury Notes | 73,738 | - | 73,738 |
| Government sponsored enterprises | - | 51,831 | 51,831 |
| Corporate notes | - | 28,135 | 28,135 |
| Municipal notes | - | 5,707 | 5,707 |
| Certificates of deposit | - | 12,131 | 12,131 |
| Asset-backed securities | - | 17,502 | 17,502 |
| International government bonds | - | 2,318 | 2,318 |
| Bank Note | - | 752 | 752 |
| Total investments, including cash equivalents | $ 73,738 | $ 230,742 | $ 304,480 |

## Note 11 – Fiduciary Fund Retirement Plan

### Plan description and benefits provided

TID has a single-employer group defined benefit pension plan, The Amended and Restated Plan for Employees and Elective Officers of Turlock Irrigation District, (the "Retirement Plan") which provides retirement benefits covering substantially all of its employees. Employees who have completed one year of continuous service can elect to participate in the plan, but are not required to. For participants that became eligible for the Retirement Plan prior to January 1, 2013 they may retire after age 55 with benefits based on compensation and years of service to actual retirement date. For those participants that become eligible on or after January 1, 2013, they may retire after age 52 with benefits based on compensation and years of service to actual retirement date. As of each anniversary date (January 1 of each year), a retiree whose pension is being paid shall have their monthly pension subjected to a cost-of-living adjustment, as defined under the Retirement Plan. The Retirement Plan also provides death benefits for those participants having reached age 55 or 52 depending on when participants became eligible for the Retirement Plan.

TID, through the action of its Board, may amend or establish Retirement Plan provisions. The Board has appointed third parties to carry out substantially all administrative responsibilities, including custody of the Retirement Plan assets and as a result, excludes the pension trust funds from these financial statements. The Retirement Plan is a governmental plan under section 414(d) of the Internal Revenue Code (IRC). Copies of the Retirement Plan's annual financial report may be obtained from TID's executive office at 333 East Canal Drive, Turlock, California 95381. The Retirement Plan's annual financial report is the responsibility of TID.

### Summary of significant accounting policies

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan and additions to/deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 11 – Fiduciary Fund Retirement Plan (continued)**

**Funding policy**
To participate in the Retirement Plan, employees who are not members of a bargaining unit and are eligible for the Retirement Plan are required to contribute 3.25% of their earnings and employees who are members of a bargaining unit are required to contribute 4.25% of their earnings. Beginning July 1, 2020, employees who are not members of a bargaining unit and bargaining unit members' contributions increased to 4.25% and 5.25% of their earnings, respectively. Employees hired or that become eligible after January 1, 2013 are required to contribute 50% of the normal cost rate of the plan rounded to the nearest quarter of 1% as actuarially determined annually. However, the contribution rate will only adjust when the normal cost rate of the plan increases or decreases by more than 1% of payroll. For December 31, 2021 and 2020, the contribution rate for employees hired or that became eligible after January 1, 2013 was 5.5%. Under the Retirement Plan provisions established by the Board, the Retirement Plan is to be funded in amounts equal to the normal costs of the Retirement Plan plus an amortization of the past service liability. Contributions made by the employees vest immediately. Contributions made by TID are fully vested after five years of participation. For the years ended December 31, 2021 and 2020, TID made contributions of $15.3 million and $15.3 million, which includes $2.3 million and $2.0 million of employee contributions, respectively.

**Investment policy**
The Retirement Plan's investment policies are governed by the Pension Investment Committee. The Retirement Plan's investment policy includes restrictions for investments relating to Maximum amounts invested as a percentage of allocated portfolios to individual investment managers and with a single issuer, and minimum credit ratings.

**Credit risk**
To mitigate the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, the Retirement Plan limits investments to those rated, at a minimum, "Baa" or equivalent for fixed income securities and "A-1" for cash instruments.

**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 Retirement Plan's deposits may not be returned or the Retirement 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 Retirement Plan does not have a deposit policy for custodial credit risk. At the Retirement Plan's fiscal year-end of June 30, 2021 and June 30, 2020, the Retirement Plan held no cash and cash equivalents collateralized with securities held by the pledging bank's trust department.

**(dollars in thousands)**

**Note 11 – Fiduciary Fund Retirement Plan (continued)**

**Concentration of credit risk**

This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As noted above, the Retirement Plan places limits on the amount an investment manager can invest in one security. Non-participant directed investments as of the Retirement Plan's fiscal year-end of June 30, 2021 and June 30, 2020 are summarized as follows:

| | | June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| Non-participant directed investments greater than five percent of the Plan's fiduciary net position: | | | |
| DFA International Core Equity Portfolio | International stocks and mutual funds | $ 36,700 | $ 27,534 |
| DFA Emerging Markets Core Equity Portfolio | International stocks and mutual funds | 25,408 | 19,550 |
| DFA US L/C Value Portfolio | Domestic stocks and mutual funds | 44,490 | 32,022 |
| Vanguard Institutional Index Fund | Domestic stocks and mutual funds | 48,241 | 36,147 |
| | | 154,839 | 115,253 |
| Aggregate of non-participant directed investments less than five percent of the Plan's fiduciary net position | | 263,499 | 202,341 |
| | | $ 418,338 | $ 317,594 |

**Foreign currency risk**

The Retirement Plan's exposure to foreign currency risk derives from its positions in foreign currency–denominated securities. The Retirement Plan's investment policy permits its investment managers to invest up to 10 percent of the total investments under their management in foreign currency-denominated investments. At the Retirement Plan's fiscal year-end June 30, 2021 and June 30, 2020 the Retirement Plan held no investments in foreign currency denominations.

**Money weighted rate of return**

For the fiscal years ended June 30, 2021 and 2020, the annual money weighted rate of return on retirement plan investments, net of investment expense, was 32.33% and 0.74%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**(dollars in thousands)**

**Note 11 – Fiduciary Fund Retirement Plan (continued)**

**Interest rate risk**
Though the Retirement Plan has restrictions as to the credit rating of fixed income securities, 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. As of the Retirement Plan's fiscal year-end June 30, 2021 and June 30, 2020, the Retirement Plan had the following investments with maturities:

| | | Investment Maturities (in Years) at June 30, 2021 | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| Asset-backed securities and CMOs | $ 36,642 | $ - | $ 6,351 | $ 15,091 | $ 15,200 |
| Commercial bonds | 41,334 | 1,454 | 18,787 | 8,636 | 12,457 |
| U.S. agencies | 320 | - | - | - | 320 |
| U.S. treasuries | 1,932 | - | 1,508 | 196 | 228 |
| Total | $ 80,228 | $ 1,454 | $ 26,646 | $ 23,923 | $ 28,205 |

| | | Investment Maturities (in Years) at June 30, 2020 | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| Asset-backed securities and CMOs | $ 22,603 | $ - | $ 283 | $ 1,880 | $ 20,440 |
| Commercial bonds | 40,028 | 2,809 | 20,735 | 8,585 | 7,899 |
| U.S. agencies | 165 | - | - | - | 165 |
| U.S. treasuries | 1,557 | 389 | 742 | 197 | 229 |
| Total | $ 64,353 | $ 3,198 | $ 21,760 | $ 10,662 | $ 28,733 |

**Employees covered by benefit terms**
At December 31, 2021, the number of employees covered by the Retirement Plan was:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 462 |
| Inactive employees entitled to but not yet receiving benefit payments | 83 |
| Active employees | 427 |
| | 972 |

**Net pension liability**
TID's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of January 1, 2021, rolled forward on an actuarial basis.

**Note 11 – Fiduciary Fund Retirement Plan (continued)**

**Actuarial assumptions**
The actuarial methods and assumptions used for the December 31, 2021 total pension liability are as follows:

- Investment rate of return applied to assets of 7.00%;
- Discount rate of 7.00%, net of pension plan investment expense, including inflation;
- Cost of living adjustment of 2.25%;
- Inflation of 2.25%; and
- Salary increases projected on a sliding schedule based on years of service, ranging from 5.75% down to 2.25%.

The mortality assumption was updated to Pri-2012 projected with scale MP-2019 generational improvements. Based on the nature of the work, workforce, and benefit offering of TID, the actual mortality experience of TID's employees is expected to be more in line with the general US population mortality study than the Public Plan Study.

Given the size of the Retirement Plan, there is limited data available to conduct a credible experience study in all assumption areas. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

**Discount rate**
The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**(dollars in thousands)**

### Note 11 – Fiduciary Fund Retirement Plan (continued)

The long-term expected rate of return on Retirement Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the Retirement Plan's target asset allocation as of December 31, 2021 are summarized in the following table:

| | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Major asset classes | | |
| Fixed income obligations and mutual funds | 29.00% | 2.75% |
| Domestic equities | 36.90% | 5.00% |
| International equities | 25.10% | 5.75% |
| Alternative assets/private equity | 8.00% | 6.25% |
| Cash | 1.00% | 0.50% |
| Total | 100.00% | |

(dollars in thousands)

## Note 11 – Fiduciary Fund Retirement Plan (continued)

**Changes in net pension liability**

The changes in TID's net pension liability for the year ended December 31, 2021 are as follows:

| | Total Pension Liability (a) | Increase (Decrease) in Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|---|---|---|
| BALANCES, January 1, 2021 | $ 404,328 | $ 378,531 | $ 25,797 |
| Changes for the year: | | | |
| Service cost | 8,396 | - | 8,396 |
| Interest cost | 28,172 | - | 28,172 |
| Difference between expected and actual experience | 1,754 | - | 1,754 |
| Change of assumption | - | - | - |
| Contributions – employer | - | 12,959 | (12,959) |
| Contributions – employee | - | 2,321 | (2,321) |
| Benefit payments | (20,544) | (20,544) | - |
| Investment income | - | 55,582 | (55,582) |
| Administrative expenses | - | (382) | 382 |
| Other changes | - | - | - |
| Net changes | 17,778 | 49,936 | (32,158) |
| BALANCES, December 31, 2021 | $ 422,106 | $ 428,467 | $ (6,361) |

Since the prior measurement date of January 1, 2020, there have been no changes of assumptions affected the total pension liability.

**(dollars in thousands)**

**Note 11 – Fiduciary Fund Retirement Plan (continued)**

**Sensitivity of the net pension liability to changes in the discount rate**
The following presents the net pension liability as of December 31, 2021, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Net pension liability (asset) | $ 49,442 | $ (6,361) | $ (52,532) |

**Pension plan fiduciary net position**
Detailed information about the Retirement Plan’s fiduciary net position is available in the separately issued Retirement Plan financial statements, which are typically available 210 days after the fiscal year end.

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**
For the years ended December 31, 2021 and 2020, TID recognized pension expense of $8.6 million and $13.6 million, respectively.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Summarized statement of net position | | |
| Differences between expected and actual experience | $ 4,963 | $ 239 |
| Changes of assumptions | 16,073 | - |
| Net difference between projected and actual earnings on pension plan investments | 9,067 | 46,021 |
| Total | $ 30,103 | $ 46,260 |

(dollars in thousands)

**Note 11 – Fiduciary Fund Retirement Plan (continued)**

The balances as of December 31, 2021 of the deferred outflows/(inflows) of resources will be recognized in pension expense for each of the years ending December 31, as follows:

| | | |
|---|---|---|
| Years ending December 31, | 2022 | $ 2,216 |
| | 2023 | (11,161) |
| | 2024 | (5,448) |
| | 2025 | (2,065) |
| | 2026 | 292 |
| | | $ (16,166) |

**Deferred compensation plan**

TID offers its employees a deferred compensation plan (the “Deferred Plan”), which provides employees the option to defer part of their compensation until termination, retirement, death, or unforeseeable emergency. TID makes no contribution to the Deferred Plan. TID has the duty of reasonable care in the selection of investment alternatives, but neither TID nor its directors or officers have any liability for losses under the Deferred Plan. TID holds all deferred compensation assets in the name of the Deferred Plan, and accordingly, the Deferred Plan assets and corresponding liability are not recorded in the accounts of TID.

**Note 12 – Other Post-Employment Benefits**

TID provides post-retirement medical benefits in accordance with TID policy to qualified retirees and their spouses through TID’s Employee Health Care Plan (the “Health Plan”) until the retiree and participating spouse reach age 65. The Health Plan is part of the EIAHealth Program, which is a multi-employer public sector healthcare purchasing pool, for which EIAHealth is the administrator and through which the action of its Board may amend or establish Health Plan provisions. The qualification requirements for these benefits are the same as those under TID’s Retirement Plan.

The Board has appointed third parties to carry out certain administrative responsibilities. TID contributes the full cost of coverage for retirees; however, retirees contribute the estimated health care cost of dependents. For participants hired on or after January 1, 2018, TID contributes a percentage ranging from 50 percent to 100 percent of the retiree’s premium cost, based on years of service. At the time of retirement an employee may utilize the remaining balance of unused sick leave, at the rate defined in the employee’s applicable employee contract for one month’s medical coverage for an eligible dependent. Covered retirees are also responsible for personal deductibles and co-payments. Currently, 183 retirees and surviving dependents are receiving post-employment health care benefits.

TID participates in the CALPERS Pre-funding OPEB Plan, which is an irrevocable multi-employer trust and plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. To obtain a CALPERS Pre-funding Plan report contact CALPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95811.

**(dollars in thousands)**

**Note 12 – Other Post-Employment Benefits (continued)**

**Employees covered by benefit terms**
At June 30, 2021 the number of employees covered by the Health Plan was:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 104 |
| Active employees | 447 |
| | 551 |

**Net OPEB asset**
TID's net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2020, rolled forward on an actuarial basis.

**Contributions**
The actuarially determined contributions were determined by actuarial valuations using the frozen entry age actuarial cost method.

Employer contributions were $15,278 for the years ended December 31, 2021 and 2020. Total covered-employee payroll and contributions as a percentage of covered-employee payroll was $44,522 and 34.32% for the year ended December 31, 2021. Total covered-employee payroll and contributions as a percentage of covered-employee payroll was $43,756 and 34.92% for the year ended December 31 2020, respectively.

**Actuarial methods and assumptions**
Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

(dollars in thousands)

**Note 12 – Other Post-Employment Benefits (continued)**

In the most recent actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 7.00% investment rate of return per year, inflation rate of 2.75% per year, payroll increases range from 1.25% to 3.25% per annum based on years of service, in aggregate and an annual healthcare cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 5% after four years. Assets of the Health Plan, as of the latest actuarial report, were valued on a market value basis. Future gains and losses may be averaged over five years subject to certain restrictions. The unfunded actuarial accrued liability (UAAL) is being amortized over rolling 15 years using a level dollar amortization method.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021 are summarized in the following table:

| | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Major asset classes | | |
| Global equity | 59.00% | 5.50% |
| Global debt securities | 25.00% | 2.35% |
| Inflation assets | 5.00% | 1.50% |
| Commodities | 3.00% | 1.75% |
| Real Estate Investment Trusts (REITs) | 8.00% | 3.65% |
| Total | 100.00% | |

## (dollars in thousands)

### Note 12 – Other Post-Employment Benefits (continued)

**Changes in net OPEB asset**

The changes in TID's net OPEB asset for the year ended June 30, 2021 are as follows:

| | Total OPEB Liability (a) | Increase (Decrease) in Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a)-(b) |
|---|---|---|---|
| BALANCES, July 1, 2020 | $ 20,611 | $ 24,520 | $ (3,909) |
| Changes for the year | | | |
| Service cost | 1,041 | - | 1,041 |
| Interest cost | 1,449 | - | 1,449 |
| Contributions – employer | - | 1,920 | (1,920) |
| Contributions – employee | - | - | - |
| Benefit payments | (1,920) | (1,920) | - |
| Investment income | - | 6,741 | (6,741) |
| Administrative expenses | - | (14) | 14 |
| Difference between expected and actual experience | (810) | - | (810) |
| Change of assumption | 297 | - | 297 |
| Net changes | 57 | 6,727 | (6,670) |
| BALANCES, June 30, 2021 | $ 20,668 | $ 31,247 | $ (10,579) |

Since the prior measurement date of June 30, 2021, there have been no changes of assumptions that affected the total pension liability.

**Sensitivity of the net OPEB asset to changes in the discount rate**

The following presents the net OPEB asset as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Net OPEB liability (asset) | $ (9,064) | $ (10,579) | $ (11,964) |

**(dollars in thousands)**

**Note 12 – Other Post-Employment Benefits (continued)**

**Sensitivity of the net OPEB liability to changes in healthcare cost trend rates**

| | 1% Decrease (5.50%HMO/5.50%PPO decreasing to 3.50%HMO/3.50%PPO) | Current Healthcare Cost Trend Rates (6.50%HMO/6.50%PPO decreasing to 4.50%HMO/4.50%PPO) | 1% Increase (7.50%HMO/7.50%PPO increasing to 5.50%HMO/5.50%PPO) |
|---|---|---|---|
| Net OPEB liability (asset) | $ (12,350) | $ (10,579) | $ (8,522) |

**OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB**

For the years ended December 31, 2021 and 2020, TID recognized OPEB expense of $0.3 million and $0.7 million, respectively.

At December 31, 2021, TID 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 |
|---|---|---|
| Summarized statement of net position | | |
| Differences between expected and actual experience | $ - | $ 2,253 |
| Changes of assumptions | 521 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 3,458 |
| Contribution made subsequent to the measurement date | - | - |
| Total | $ 521 | $ 5,711 |

The balances as of December 31, 2021 of the deferred outflows/(inflows) of resources will be recognized in pension expense for each of the years ending December 31, as follows:

| | | |
|---|---|---|
| Years ending December 31, | 2022 | $ (1,111) |
| | 2023 | (1,106) |
| | 2024 | (1,143) |
| | 2025 | (1,307) |
| | 2026 | (302) |
| | Thereafter | (221) |
| | | $ (5,190) |

## Note 13 – Asset Retirement Obligations

In 2019, TID adopted GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. GASB 83 establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Recognition occurs when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates the government to perform the asset retirement activities. GASB 83 requires the measurement of the ARO be based on the probability weighted best estimate of the current value of outlays expected to be incurred, and adjusted for general inflation or deflation at least annually. It requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. The ARO should only be remeasured when the result of the evaluation indicates a significant change in the estimated outlays. GASB 83 also requires disclosures of descriptive information about the nature of a government's AROs including the methods and assumptions used for the estimates of the liabilities, the estimated remaining useful life of the associated tangible capital assets, how any funding and assurance requirements are being met, and the amount of any assets restricted for payment of the AROs (if not separately displayed in the financial statements).

If a liability for an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government should disclose that fact and the reasons therefor.

As described in Note 2 and 4, TWPA has a membership interest in a 136.6 MW wind farm, consisting of 62 wind-turbine generators located in Klickitat County, Washington and is a blended component unit of TID. In conjunction with the purchase of the Tuolumne Wind Project, TID recorded an ARO related to a decommissioning plan approved by Klickitat County. As the decommissioning plan represents a legal obligation to clean up the site at the retirement of the asset to comply with the approved contract with the Klickitat County, Washington, it meets the definition of an ARO. The Project is operated and maintained pursuant to an operating and maintenance agreement with the operator. During 2019, the operator obtained an estimate, from a third party, to determine the estimated cost of executing the decommissioning plan. The previous estimate had been performed at the time of purchase of the Tuolumne Wind Project. The estimate presented a list of the work that will be performed on site such as turbine removal, foundation removal and road removal. Cost estimates include labor and equipment use.

The liability recognized for the ARO was $15,656 and $14,580 for the year ended December 31, 2021 and 2020, respectively. The estimated remaining useful life of the Project is approximately 12 years. The deferred outflows recognized was $9,056 and $10,018 as of December 31, 2021 and 2020 and is amortized over the remaining useful life of the Project. During the years ended December 31, 2021 and 2020, TID recorded $2,038 and $835 of expense, respectively.

## Note 14 – Commitments

**Power sales agreement**

TID supplies energy to Merced Irrigation District (MeID) under a ten-year Power Supply Agreement (MeID Agreement) that began on May 1, 2017. The price for the energy under the MeID Agreement is based on the market price of energy in California. However, MeID is obligated to provide for capacity resources under the MeID Agreement. The MeID Agreement includes certain ancillary services that can be competitively procured and for the provision of certain control room services. Transmission service and ancillary services provided by TID are addressed by a separate Interconnection and Transmission Agreement. Either Party may terminate the agreement on two-year's notice effective on an anniversary date not before 2021. Sales and services provided under the agreements totaled $44,440 and $29,408 in 2021 and 2020, respectively, and have been recorded in electric wholesale revenues within the statement of revenues, expenses and changes in net position.

**Power purchase agreements**

TID has a long-term power purchase agreement with a power producer to purchase capacity and associated energy to meet its load requirements, the contract expires in December 2024. Capacity and certain energy is purchased on a take-or-pay basis. Power purchased under the agreement totaled $2,471 and $1,132 in 2021 and 2020, respectively, and has been recorded in purchased power expense within the statement of revenues, expenses and changes in net position.

**Gas purchase agreements**

TID has three natural gas supply agreements with three counterparties to meet the consumption of its natural gas fired power plants. Each contract is with a different counterparty. The first contract obligates the fuel manager to supply all the natural gas required by TID's Walnut and Almond power plants (excluding the Almond 2 power plant) up to 27,000 million British Thermal Units (MMBtu) per day. This contract terminates on April 1, 2022. The second contract obligates the fuel manager to supply all the natural gas required by the Walnut Energy Center up to 55,000 MMBtu per day. This contract expires on January 1, 2026.

The third contract obligates the fuel manager to supply all the natural gas required by the Almond 2 power plant up to 50,400 MMBtu per day. Beginning April 1, 2022, this contract will obligate the fuel manager to supply all the natural gas required by two of the Districts power plants. This contract expires on January 1, 2025. All contracts allow for TID to purchase gas from parties other than the fuel manager and obligate the fuel manager to purchase TID's excess gas. All contracts provide for pre-determined index-based prices or a mutually agreed upon price. Fuel purchased under the three agreements totaled $33,364 and $30,342 in 2021 and 2020, respectively, and has been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position.

(dollars in thousands)

**Note 14 – Commitments (continued)**

**Gas transportation capacity and storage agreements**
TID has nine long-term gas transportation capacity agreements and one long-term gas storage agreement with Canadian and U.S. companies to transport natural gas to TID's natural gas fired power plants from gas supply basins in Alberta, Canada. The gas transportation capacity agreements complement TID's gas purchase agreements, described above, but expire through 2033. Payments under these agreements totaled $3,156 and $3,164 in 2021 and 2020, respectively, and have been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position.

The approximate future minimum obligations for the above described power purchase, gas supply, and gas transportation and storage contracts are as follows at December 31, 2021:

| | | |
|---|---|---|
| 2022 | $ | 6,975 |
| 2023 | | 3,552 |
| 2024 | | 2,833 |
| 2025 | | 2,532 |
| 2026 | | 2,587 |
| Thereafter | | 19,368 |
| | $ | 37,847 |

**Solar power purchase agreement**
TID has a twenty-year power purchase agreement to purchase 100% of the output from a 54 megawatt Solar Plant to assist TID in meeting its environment compliance requirements. TID purchases the output along with the environmental attributes as it is produced, which began in February 2017. Purchases under this agreement totaled $6,153 and $6,073 in 2021 and 2020, respectively, and have been recorded in purchased power expense within the statement of revenues, expenses and changes in net position. The annual purchases under the remaining term of the power purchase agreement (based on guaranteed energy production under the purchase power agreement) is estimated to as follows:

| | | |
|---|---|---|
| 2022 | $ | 7,683 |
| 2023 | | 7,664 |
| 2024 | | 7,644 |
| 2025 | | 7,625 |
| 2026 | | 7,605 |
| Thereafter | | 76,216 |
| | $ | 114,437 |

(dollars in thousands)

**Note 14 – Commitments (continued)**

**Land leases**

TWPA has leases with nine land owners on which its turbines are located. The land owners are paid a fixed price per kilowatt-hour based on the output of the respective turbines. Each agreement is for 20 years beginning in 2009 with two 10-year renewal options. Total expense for the years ended December 31, 2021 and 2020 was $1,144 and $1,203, respectively, and has been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position. The annual lease expense under the remaining initial term of the land leases (based on average wind data measured for 10 years) is estimated as follows:

| | |
|---|---|
| 2022 | $ 1,154 |
| 2023 | 1,154 |
| 2024 | 1,154 |
| 2025 | 1,154 |
| 2026 | 1,154 |
| Thereafter | 3,885 |
| | $ 9,655 |

**Note 15 – Contingencies & Uncertainties**

**General contingencies**

In the normal course of operations, TID is party to various claims, legal actions and complaints, including possible liability for environmental matters. Although the ultimate outcome of these matters is not presently determinable, TID's management believes the resolution of all such pending matters will not have a material adverse effect on TID's financial position.

# Required Supplementary Information

(dollars in thousands)

**Schedule of changes in net pension liability and related ratios** – The schedule of changes in net pension liability and related ratios is presented below for the years for which TID has the available data. Ultimately, this schedule will present 10 years of data.

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Total pension liability | | | | | | |
| Service cost | $ 8,396 | $ 8,450 | $ 6,152 | $ 6,032 | $ 5,236 | $ 5,168 |
| Interest | 28,172 | 27,481 | 26,099 | 24,841 | 23,688 | 22,620 |
| Difference between expected and actual experience | 1,754 | 1,148 | 3,390 | 3,999 | 3,486 | 1,846 |
| Change of assumptions | - | 19,359 | - | - | 17,027 | - |
| Benefit payments | (20,544) | (20,154) | (18,865) | (17,554) | (16,426) | (16,110) |
| Net change in total pension liability | 17,778 | 36,284 | 16,776 | 17,318 | 33,011 | 13,524 |
| Total pension liability – beginning | 404,328 | 368,044 | 351,268 | 333,950 | 300,939 | 287,415 |
| Total pension liability – ending (a) | $ 422,106 | $ 404,328 | $ 368,044 | $ 351,268 | $ 333,950 | $ 300,939 |
| Plan fiduciary net position | | | | | | |
| Contributions – employer | $ 12,959 | $ 13,240 | $ 13,462 | $ 13,746 | $ 48,921 | $ 14,071 |
| Contributions – employee | 2,321 | 2,039 | 1,818 | 1,534 | 1,358 | 1,208 |
| Investment income | 55,582 | 42,806 | 53,993 | (21,321) | 42,344 | 21,686 |
| Benefit payments | (20,544) | (20,154) | (18,865) | (17,554) | (16,426) | (16,110) |
| Administrative expenses | (382) | (360) | (392) | (382) | (295) | (274) |
| Other changes | (1) | 45 | 120 | 8 | - | 3 |
| Net change in fiduciary net position | 49,935 | 37,616 | 50,136 | (23,969) | 75,902 | 20,584 |
| Total fiduciary net position – beginning | 378,531 | 340,915 | 290,779 | 314,748 | 238,846 | 218,262 |
| Total fiduciary net position – ending (b) | $ 428,466 | $ 378,531 | $ 340,915 | $ 290,779 | $ 314,748 | $ 238,846 |
| TID's net position liability – ending (a)-(b) | $ (6,360) | $ 25,797 | $ 27,129 | $ 60,489 | $ 19,202 | $ 62,093 |
| Plan fiduciary net position as a percentage of the total pension liability | 101.51% | 93.62% | 92.63% | 82.78% | 94.25% | 79.37% |
| Covered-employee payroll | $ 44,522 | $ 43,756 | $ 39,392 | $ 38,144 | $ 36,366 | $ 35,245 |
| Plan net pension liability as a percentage of covered-employee payroll | -14.29% | 58.96% | 68.87% | 158.58% | 52.80% | 176.18% |
| Annual money-weighted rate of return | 14.80% | 12.61% | 18.27% | -6.44% | 16.86% | 9.43% |

(dollars in thousands)

### Schedule of changes in net pension liability and related ratios – continued

| | 2015 |
|---|---|
| Total pension liability | |
| Service cost | $ 4,369 |
| Interest | 23,032 |
| Difference between expected and actual experience | (1,910) |
| Change of assumptions | 2,630 |
| Benefit payments | (14,606) |
| Net change in total pension liability | 13,515 |
| Total pension liability – beginning | 273,900 |
| Total pension liability – ending (a) | $ 287,415 |
| Plan fiduciary net position | |
| Contributions – employer | $ 14,167 |
| Contributions – employee | 1,112 |
| Investment income | (2,208) |
| Benefit payments | (14,606) |
| Administrative expenses | (303) |
| Other changes | 1 |
| Net change in fiduciary net position | (1,837) |
| Total fiduciary net position – beginning | 220,099 |
| Total fiduciary net position – ending (b) | $ 218,262 |
| TID's net position liability – ending (a)-(b) | $ 69,153 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.94% |
| Covered-employee payroll | $ 33,349 |
| Plan net pension liability as a percentage of covered-employee payroll | 207.36% |
| Annual money-weighted rate of return | -1.15% |

(dollars in thousands)

### Schedule of retirement plan contributions

The schedule of retirement plan contributions is presented below for the years for which TID has the available data. Ultimately, this schedule will present 10 years of data.

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 12,270 | $ 12,132 | $ 11,859 | $ 11,413 | $ 13,372 | $ 12,975 | $ 11,863 |
| Contributions in relation to the actuarially determined contribution | 15,279 | 15,278 | 15,278 | 15,278 | 50,279 | 15,279 | 15,279 |
| Contribution deficiency (excess) | $ (3,009) | $ (3,146) | $ (3,419) | $ (3,865) | $ (36,907) | $ (2,304) | $ (3,416) |
| Covered-employee payroll | 44,522 | 43,756 | 39,392 | 38,144 | 36,366 | 35,245 | 33,349 |
| Contributions as a percentage of covered-employee payroll | 34.32% | 34.92% | 38.78% | 40.05% | 138.26% | 43.35% | 45.82% |

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 12,975 | $ 11,863 | $ 15,324 | $ 14,417 | $ 14,514 | $ 12,340 | $ 10,756 |
| Contributions in relation to the actuarially determined contribution | 15,279 | 15,279 | 46,561 | 15,279 | 13,083 | 12,338 | 10,081 |
| Contribution deficiency (excess) | $ (2,304) | $ (3,416) | $ (31,237) | $ (862) | $ 1,431 | $ 2 | $ 675 |
| Covered-employee payroll | 35,245 | 33,349 | 31,643 | 33,824 | 34,218 | 33,960 | 33,878 |
| Contributions as a percentage of covered-employee payroll | 43.35% | 45.82% | 147.14% | 45.17% | 38.23% | 36.33% | 29.76% |

### Notes to Schedule

The actuarially determined contributions for 2021 and 2020 were determined by actuarial valuations using the frozen entry age actuarial cost method. The actuarial assumptions utilized for the January 1, 2021 and 2020 actuarial valuations were as follows:

| | January 1, 2021 | January 1, 2020 |
|---|---|---|
| Assumption | | |
| Investment rate of return | 7.00% | 7.00% |
| Discount rate | 7.00% | 7.00% |
| Cost of living adjustment | 2.25% | 2.25% |
| Inflation | 2.25% | 2.25% |

Realized and unrealized gains are phased in to the actuarial value of Retirement Plan assets over a three-year period, and may be adjusted so that the actuarial value of Retirement Plan assets are not less than 80% or more than 120% of the fair market value of the Retirement Plan's assets as of the current valuation date. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll basis. The remaining amortization period in the latest actuary report was 15 years.

# Turlock Irrigation District
## Schedule of Changes in Net OPEB Asset and Related Ratios (Unaudited)
## December 31, 2021
(dollars in thousands)

### Schedule of changes in net OPEB asset and related ratios

The schedule of changes in net OPEB asset and related ratios is presented below for the years for which TID has the available data. Ultimately, this schedule will present 10 years of data.

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Total OPEB liability | | | | |
| Service cost | $ 1,041 | $ 1,023 | $ 1,102 | $ 1,072 |
| Interest | 1,449 | 1,417 | 1,514 | 1,476 |
| Difference between expected and actual experience | (810) | (51) | (2,371) | - |
| Change of assumptions | 297 | - | 406 | - |
| Benefit payments | (1,920) | (1,969) | (1,969) | (2,100) |
| Net change in total OPEB liability | 57 | 420 | (1,318) | 448 |
| Total OPEB liability – beginning | 20,611 | 20,191 | 21,509 | 21,061 |
| Total OPEB liability – ending (a) | $ 20,668 | $ 20,611 | $ 20,191 | $ 21,509 |
| Plan fiduciary net position | | | | |
| Contributions – employer | $ 1,920 | $ 1,969 | $ 1,969 | $ 8,470 |
| Investment income | 6,741 | 837 | 1,377 | 1,276 |
| Benefit payments | (1,920) | (1,969) | (1,969) | (2,100) |
| Administrative expenses | (14) | (12) | (4) | (10) |
| Other changes | - | - | - | (20) |
| Net change in fiduciary net position | 6,727 | 825 | 1,373 | 7,616 |
| Total fiduciary net position – beginning | 24,520 | 23,695 | 22,322 | 14,706 |
| Total fiduciary net position – ending (b) | $ 31,247 | $ 24,520 | $ 23,695 | $ 22,322 |
| TID's net OPEB liability (asset) – ending (a)-(b) | $ (10,579) | $ (3,909) | $ (3,504) | $ (813) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 151.2% | 119.0% | 117.4% | 103.8% |
| Covered-employee payroll | $ 47,078 | $ 46,082 | $ 44,740 | $ 41,273 |
| Plan net OPEB asset as a percentage of covered-employee payroll | -22.5% | -8.5% | -7.8% | -2.0% |

(dollars in thousands)

**Schedule of OPEB plan contributions**

The schedule of OPEB plan contributions is presented below for the years for which TID has the available data. Ultimately, this schedule will present 10 years of data.

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Actuarially determined contribution | $ 711 | $ 1,943 | $ 1,943 | $ 1,938 |
| Contributions in relation to the actuarially determined contribution | 1,920 | 1,969 | 1,969 | 8,470 |
| Contribution deficiency (excess) | $ (1,209) | $ (26) | $ (26) | $ (6,532) |
| Covered-employee payroll | 47,078 | 46,082 | 44,740 | 41,273 |
| Contributions as a percentage of covered-employee payroll | 4.08% | 4.27% | 4.40% | 20.52% |

**Notes to Schedule**

In the most recent actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 7.00% investment rate of return per year, inflation rate of 2.75% per year, payroll increases range from 1.25% to 3.25% per annum based on years of service, in aggregate and an annual healthcare cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 5% after four years. Assets of the Health Plan, as of the latest actuarial report, were valued on a market value basis. Future gains and losses may be averaged over five years subject to certain restrictions. The unfunded actuarial accrued liability (UAAL) is being amortized over rolling 15 years using a level dollar amortization method.

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