Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

Turlock Irrigation District

December 31, 2022 and 2021

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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, which comprise the consolidated statements of net position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Turlock Irrigation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Turlock Irrigation District's ability to continue as a going concern within one year after the date that the financial statements are 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 the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts 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.

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, 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 Turlock Irrigation 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 Turlock Irrigation 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District recently adopted the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, effective for periods ending after June 15, 2021. The adoption of this resulted in the restatement of previously reported amounts for the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

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.

Moss Adams LLP

Portland, Oregon
April 28, 2023

Management's Discussion and Analysis (Unaudited)

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, 2022 and 2021. 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, 2022 and January 1, 2021.

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 2022 or 2021.

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, 2022 and 2021, TID had total regulatory assets of $59.5 million and $45.3 million, respectively, and total regulatory credits of $152.9 million and $169.5 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.

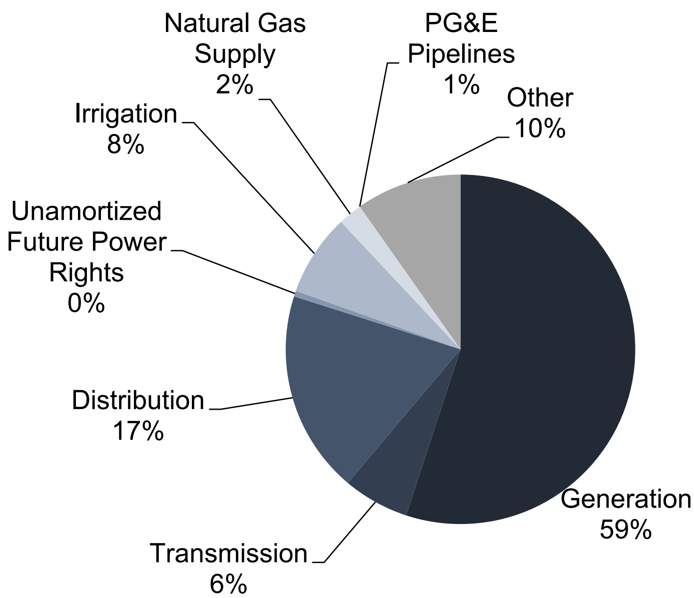
Summary of Financial Position and Changes in Net Position as of and for the years ended December 31, 2022, 2021, and 2020:

(dollars in thousands)	2022	2021 *(Restated)*	2020
ASSETS AND DEFERRED OUTFLOWS			
Utility plant, net	$ 1,196,583	$ 1,176,680	$ 1,189,219
Cash, cash equivalents, and investments	445,593	444,981	414,427
Other noncurrent assets	84,811	67,902	51,486
Other current assets	91,713	75,989	71,526
Deferred outflows of resources	110,387	49,565	73,988
Total assets and deferred outflows	$ 1,929,087	$ 1,815,117	$ 1,800,646
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Long-term debt	$ 913,514	$ 963,383	$ 1,010,567
Other noncurrent liabilities	92,611	20,906	44,116
Other current liabilities	157,903	109,131	93,943
Deferred inflows of resources	221,037	228,915	200,264
Total liabilities and deferred inflows	1,385,065	1,322,335	1,348,890
NET POSITION			
Net investment in capital assets	286,908	216,134	178,653
Restricted	42,482	40,350	37,008
Unrestricted	214,632	236,298	236,095
Total net position	544,022	492,782	451,756
Total liabilities, deferred inflows, and net position	$ 1,929,087	$ 1,815,117	$ 1,800,646
REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	$ 487,528	$ 390,952	$ 341,976
Operating expenses	(418,552)	(328,151)	(278,464)
Operating income	68,976	62,801	63,512
Nonoperating expense, net	(17,736)	(21,775)	(26,894)
Increase in net position	51,240	41,026	36,618
NET POSITION			
Beginning of year, as previously reported	492,782	451,756	415,138
End of year	$ 544,022	$ 492,782	$ 451,756

Management's Discussion and Analysis as of and for the Year Ended December 31, 2022:

Assets

Utility Plant – TID had approximately $1.197 million invested in utility plant assets, net of accumulated depreciation at December 31, 2022. TID transferred approximately $44.3 million of assets from construction in progress to utility plant in service in 2022 and had net disposals of $0.1 million. Net utility plant makes up 66% and 67% of TID's assets at December 31, 2022 and 2021, respectively.



During 2022, TID capitalized $87.7 million of additions to utility plant. TID invested $2.1 million in Walnut Energy Center Authority modifications and inspections, $20.0 million in relicensing fees related to Don Pedro Dam Hydroelectric facilities and upgrades, $9.8 million on routine expansion, $8.5 million on irrigation facilities, $18.5 million on emission credits, $22.9 million on T & D lines, $2.2 million on vehicle and equipment replacement $5.7 million on a new Enterprise Resource Planning system, and $6.5 million on underground lines, substation upgrades and general capital.

Cash, cash equivalents and investments

TID's cash, cash equivalents and investments increased $0.6 million during 2022. This was primarily due to cash outflows from current year capital offset by current year operations.

Other noncurrent assets

Other noncurrent assets increased $16.9 million during 2022. This increase is related to an increase in regulatory assets of $14.2 million, an increase in derivative financial instruments of $2.9 million and an increase other assets of $13.8 million primarily due the adoption of GASB 87, offset by a decrease in other post employment benefits ("OPEB") asset of $7.7 million and a decrease in net pension asset of $6.4 million

Other current assets

Other current assets increased $15.7 million during 2022. The increase was due primarily an increase in wholesale accounts receivable of $12.5 million, an increase in materials and supplies of $3.1 million, an increase in derivative financial instruments of $3.3 million, an increase of $1.0 million in retail accounts receivable, an increase of $0.7 million in receivable from the Transmission Agency of Northern California and an increase in prepaid expenses and other current assets of $0.1 million offset by a decrease in increase in accrued Interest and other receivables of $5.0 million.

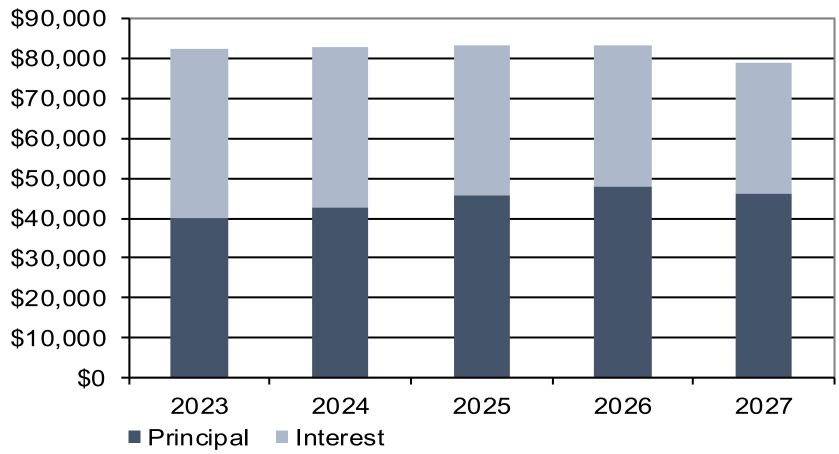
Deferred outflows of resources

Deferred outflows of resources increased $60.8 million primarily due to an increase of deferred pension outflows of $52.9 million, an increase of $7.5 million in cash flow hedges and an increase deferred Other Post-Employment Benefits (OPEB) outflows of $3.7 million offset by current year amortization of $2.5 million in debt refunding losses and a net decrease in deferred Asset Retirement Obligation (ARO) outflow of $0.8 million.

Liabilities and changes in net position

Long-term debt – Long-term debt decreased $49.9 million primarily due to scheduled principal payments of $37.8 million, and the amortization of debt premiums of $12.1 million.

The following table shows TID's future debt service requirements from 2023 through 2027 at December 31, 2022 (dollars in thousands):



At December 31, 2022, 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 increased $71.7 million in 2022. The increase was primarily due to an increase of $71.5 million in the net pension liability, an increase of $1.0 million in TID's asset retirement obligation offset by a decrease of $0.7 million in derivative financial instruments and a decrease in lease payable of $0.1 million.

Other current liabilities
Other current liabilities increased $48.8 million in 2022. The increase was due to a net increase in gas and power accounts payable and accrued expenses of $28.7 million, an increase in customer deposits and advances of $15.0 million and an increase of $8.6 million in derivative financial instruments offset by a net decrease in commercial paper of $2.7 million and a decrease of interest payable of $0.8 million.

Deferred inflow of resources
Deferred inflow of resources decreased $7.9 million due to a decrease in deferred OPEB inflows of $3.3 million, a decrease of $10.5 million in deferred pension inflows, and a net decrease in regulatory credits of $16.5 million offset by an increase in cash flow hedges of $6.3 and an increase in deferred lease inflows of $16.8 million.

Changes in net position

Operating revenues
Operating revenues increased $96.6 million from $391.0 million in 2021 to $487.5 million in 2022. Wholesale electric revenues increased $41.8 million to $120.6 million in 2022 from $78.8 million in 2021, primarily as a result of an increase in average sales price as volume sold remained primarily flat. Sales price increased approximately 52.6% from an average of $65/megawatt hours (MWh) in 2021 to $101/MWh in 2022. Wholesale gas revenues increased $3.7 million due to an increase in sales volume and price. Electric retail power revenues were up $52.9 million primarily due to $27.8 million recognition of electric rate stabilization and recognition of $0.8 million in revenues as a result of the power supply adjustment compared to a deferral of $18.8 million as a result of the power supply adjustment, which reduced revenues in 2021. Consumption for 2022 was up approximately 1.7% when compared to 2021.

Operating expenses
Purchased power, generation and fuel expenses increased $71.2 million to $257.4 million in 2022 compared to $186.2 million in 2021. The increase is primarily due to an increase in fuel and emission related expense of $38.3 million and an increase in purchased power of $33.3 million offset by a deferral of purchased power related to the power supply adjustment of $6.6 million. The remaining increase is due to increased operating and maintenance costs at the District's generating facilities. Other electric expense increased $10.5 million due to increased distribution maintenance activities and increased pension expense due to poor stock market performance in 2022. Irrigation expense increased $3.3 million primarily due to increased water delivery costs, canal maintenance and increased pension expense due to poor stock market performance in 2022. Administrative and general expenses increased $6.9 million when compared to 2021 primarily due to increased insurance premiums and increased pension expense due to poor stock market performance in 2022. Depletion expense increased $0.7 million as a result of current year production from TID's gas field investments. Depreciation and amortization expense decreased $2.2 million primarily due assets being fully depreciated.

Net investment income
Net investment income in 2022 decreased $0.7 million when compared to 2021, primarily due to lower yields on investments.

Other income
Other income in 2022 increased $3.8 million due primarily to insurance settlement proceeds that resulted in a gain of $3.2 million realized as a result of a fire and the subsequent increase in the replacement estimate related to the fire that destroyed a building owned by TID in 2016 and an increase in contributions in aid of construction revenue of $1.4 million offset by emergency grant funds decrease of $0.8 million related to a fire received in 2021.

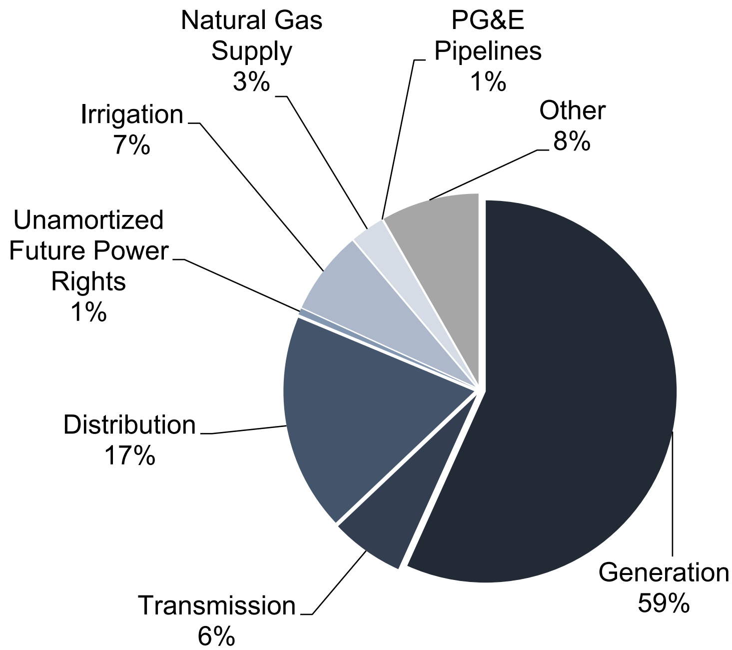
Derivative gain (loss)
For the year ended December 31, 2022, TID had a net loss of $0.3 million compared to a net loss of $0.02 million for the year ended December 31, 2021, due to a change in the fair value of derivative instruments.

Net interest and amortization expense
Net interest and amortization expense decreased $1.2 million in 2022 as compared to 2021, primarily due to principal pay down of debt.

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 post employment 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 to 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.

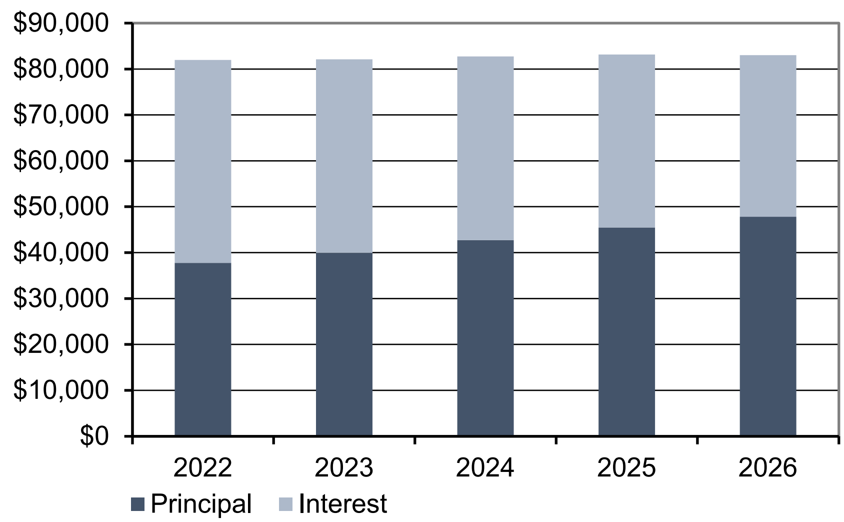
Deferred outflows of resources

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, a decrease of $3.0 million in derivative financial instruments 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 to 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 and 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 million.

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.

Consolidated Financial Statements

Turlock Irrigation District
Consolidated Statements of Net Position
December 31, 2022 and 2021

(dollars in thousands)	2022	2021 *(Restated)*
ASSETS		
Utility plant, net	$ 1,196,583	$ 1,176,680
Investments and other long-term assets		
Cash and cash equivalents, restricted for long-term purposes	2,639	9,567
Short-term investments, restricted for long-term purposes	17,793	1,236
Long-term investments, including restricted amounts	169,761	199,299
Regulatory assets	59,537	45,320
Net OPEB asset	2,926	10,580
Net pension asset	-	6,361
Other assets	19,014	5,248
Derivative financial instruments, net of current portion	3,334	393
	275,004	278,004
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	240,013	229,442
Short-term investments, including restricted amounts	15,387	5,437
Retail accounts receivable, net	25,066	24,056
Wholesale accounts receivable, net	20,343	7,849
Accrued interest and other receivables	15,740	20,749
Materials and supplies, net	8,725	5,587
Prepaid expenses and other current assets	2,505	2,405
Affiliate receivable	15,441	14,772
Derivative financial instruments	3,893	571
	347,113	310,868
Total assets	1,818,700	1,765,552
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding loss	5,298	7,809
Cash flow hedges	9,624	2,076
Deferred OPEB outflows	4,220	521
Deferred ARO outflows	8,233	9,056
Deferred pension outflows	83,012	30,103
	110,387	49,565
Total assets and deferred outflows	$ 1,929,087	$ 1,815,117

See accompanying notes.

Turlock Irrigation District
Consolidated Statements of Net Position
December 31, 2022 and 2021

(dollars in thousands)	2022	2021 *(Restated)*
LIABILITIES		
Liabilities		
Long-term debt, net of current portion	$ 873,589	$ 925,603
Asset retirement obligation	16,674	15,656
Net pension liability	71,519	-
Lease payable	4,418	4,514
Derivative financial instruments, net of current portion	-	736
	966,200	946,509
Current liabilities		
Commercial paper	27,826	30,571
Current portion of long-term debt	39,925	37,780
Power purchases and gas payables	34,893	13,489
Accounts payable and accrued expenses	22,440	15,999
Accrued salaries, wages, and related benefits	9,466	8,595
Customer deposits and advances	31,520	16,570
Accrued interest payable	21,735	22,548
Derivative financial instruments	10,023	1,359
	197,828	146,911
Total liabilities	1,164,028	1,093,420
DEFERRED INFLOWS OF RESOURCES		
Deferred refunding gain	5,857	6,528
Cash flow hedges	7,227	964
Deferred OPEB inflows	2,408	5,711
Deferred pension inflows	35,786	46,260
Deferred lease inflows	16,839	-
Regulatory credits	152,920	169,452
	221,037	228,915
NET POSITION		
Net investment in capital assets	286,908	216,134
Restricted	42,482	40,350
Unrestricted	214,632	236,298
Total net position	544,022	492,782
Total liabilities, deferred inflows, and net position	$ 1,929,087	$ 1,815,117

See accompanying notes.

Turlock Irrigation District
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

(dollars in thousands)	2022	2021
OPERATING REVENUES		
Electric		
Retail	$ 342,773	$ 289,834
Wholesale	120,579	78,830
Irrigation	14,711	15,138
Wholesale gas	8,888	5,237
Other	577	1,913
	487,528	390,952
OPERATING EXPENSES		
Purchased power	107,226	80,532
Generation and fuel	150,159	105,616
Other electric	39,991	29,528
Irrigation	17,004	13,708
Administration and general	36,485	29,608
Depreciation and amortization	67,687	69,159
	418,552	328,151
Operating income	68,976	62,801
NONOPERATING REVENUES AND EXPENSES		
Net investment income	2,422	3,100
Other income, net	15,756	11,978
Derivative gain (loss)	(310)	(22)
Interest and amortization expense, net	(35,604)	(36,831)
	(17,736)	(21,775)
Increase in net position	51,240	41,026
NET POSITION		
Beginning of year	492,782	451,756
End of year	$ 544,022	$ 492,782

See accompanying notes.

Turlock Irrigation District
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(dollars in thousands)	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electric customers	$ 314,560	$ 315,586
Receipts from wholesale power sales	108,085	74,615
Receipts from irrigation customers	14,853	14,733
Receipts from sales of gas	9,225	4,714
Payments to vendors for purchased power	(106,648)	(79,285)
Payments to employees and vendors for generation and fuel and other electric	(169,816)	(126,441)
Payments to employees and vendors for irrigation	(17,048)	(13,163)
Payments to employees and vendors for administration and general	(13,889)	(34,436)
Other receipts and payments, net	22,830	3,823
Net cash provided by operating activities	162,152	160,146
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(88,219)	(54,937)
Proceeds from contributions in aid of construction	6,489	1,746
Repayment of long-term debt	(37,780)	(34,321)
Repayment of commercial paper	(2,745)	(425)
Proceeds from issuance of commercial paper	-	1,500
Interest payments on debt	(45,988)	(45,644)
Repayment of lease obligation	(177)	-
Proceeds from the sale of emission credits	11,999	-
Build America Bond receipts	3,462	3,471
Net cash used in capital and related financing activities	(152,959)	(128,610)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,410	3,712
Derivative gain	70	(4)
Purchases of investments	(32,662)	(131,237)
Sales of investments	24,632	112,690
Net cash used in investing activities	(5,550)	(14,839)
Net increase in cash and cash equivalents	3,643	16,697
CASH AND CASH EQUIVALENTS		
Beginning of year	239,009	222,312
End of year	$ 242,652	$ 239,009
RECONCILIATION OF CASH AND EQUIVALENTS TO BALANCE SHEET		
Cash and cash equivalents restricted for long-term purposes	$ 2,639	$ 9,567
Cash and cash equivalents, including restricted amounts	240,013	229,442
	$ 242,652	$ 239,009

See accompanying notes.

Turlock Irrigation District
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(dollars in thousands)	2022	2021
ADJUSTMENT TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATIONS		
Operating income	$68,976	$62,801
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	67,687	69,159
ARO accretion expense	1,841	2,038
Other income	9,226	8,221
Other changes in operating assets and liabilities:		
Accounts receivable	(5,922)	(2,686)
Materials and supplies	(3,138)	(1,208)
Prepaid expenses and other current assets	473	170
Regulatory assets and credits	(32,425)	21,502
Deferred OPEB outflows	(3,699)	1,511
Deferred pension inflows	(10,474)	8,501
Net OPEB asset	7,654	(6,670)
Power purchases and gas payables	21,404	4,909
Accounts payable and accrued expenses	7,024	1,514
Accrued salaries, wages, and related benefits	871	(17)
Customer deposits and advances	11,655	2,718
Affiliate receivable	(669)	(603)
Deferred OPEB inflows	(3,303)	3,886
Deferred pension outflows	(52,909)	16,558
Net pension asset/liability	77,880	(32,158)
Net cash provided by operating activities	$ 162,152	$ 160,146
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable and other liabilities related to construction of capital assets	$ 7,583	$ 8,463
Investment (loss)gain from derivatives	$ 380	$ 18

See accompanying notes.

Turlock Irrigation District
Statements of Fiduciary Net Position of the Retirement Plan
June 30, 2022 and 2021

(dollars in thousands)	2022	2021
ASSETS		
Cash and cash equivalents	$ 8,893	$ 9,424
Receivables		
Interest	548	488
Dividends	93	130
Total receivables	641	618
Investments, at fair value (Note 11)		
U.S. Government and municipal obligations	33,649	36,962
International obligations	16,877	18,597
Domestic stocks and mutual funds	127,108	164,993
International stocks and mutual funds	86,243	110,189
Domestic fixed income securities	62,539	64,812
Other investments	27,153	22,785
Total investments	353,569	418,338
Total assets	$ 363,103	$ 428,380
LIABILITIES		
Accrued expenses	$ 156	$ 173
Fiduciary net position restricted for pensions	$ 362,947	$ 428,207

See accompanying notes.

Turlock Irrigation District
Statements of Changes in Fiduciary Net Position of the Retirement Plan
For the 12 Months Ending June 30, 2022 and 2021

(dollars in thousands)	2022	2021
ADDITIONS		
Contributions		
Employer	$ 9,869	$ 13,019
Participants	2,401	2,260
Total contributions	12,270	15,279
Investment income (loss)		
Net (depreciation) appreciation in fair value of investments (Note 11)	(64,474)	98,095
Interest income	2,463	2,236
Dividend income	6,771	5,797
Investment expense	(978)	(867)
Net investment income (loss)	(56,218)	105,261
Total additions, net of investment income (loss)	(43,948)	120,540
DEDUCTIONS		
Benefits paid to participants and beneficiaries	20,984	20,230
Refunds of contributions	-	18
Administrative expenses	328	336
Total deductions	21,312	20,584
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(65,260)	99,956
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	428,207	328,251
End of year	$ 362,947	$ 428,207

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.

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, 2022 and 2021, 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.

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 $35,604 and $36,831 during the years ended December 31, 2022 and 2021, 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, 2022 and 2021, TID had net loss totaling $127 and $1,461, 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 2022 and 2021.

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 $5,364 and $5,012 for the years ended December 31, 2022 and 2021, 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 2022 and 2021 totaled $8,888 and $5,237, 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 $7,032 and $6,427 for the years ended December 31, 2022 and 2021, respectively.

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.

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, 2022 and 2021, the allowance for doubtful accounts totaled $1,200 and $1,209, 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. During 2022 TID received $185 CAPP funds and had $234 in bad debt expense and approximately $0 bad debt expense for 2021.

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, 2022 and 2021.

Leases

TID adopted GASB Statement No. 87, *Leases,* in 2022 (see Note 3). Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset (see Note 5).

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using TID's incremental borrowing rate on the Statements of Net Position. The amortization of the discount for lessor contracts is recorded as Lease receivable for TID on the Statements of Net Position with the offset to interest income in Interest and other income on the Statements of Revenue, Expenses and Change in Net Position (see Note 5).

For lessee contracts, lease assets and liabilities are reported at present value using TID's incremental borrowing rate on the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Interest payable on the Statement of Net Position with the offset to Lease interest expense for TID on the Statement of Revenue, Expenses and Change in Net Position (see Note 5).

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, 2022 and 2021, the total estimated liability for vacation, sick, and other compensated absences was $6,921 and $6,200, 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, 2022 and 2021, TID's estimated self-insurance liability for its workers' compensation claims totaled $2,976 and $2,750, 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.

Credit and market risk

TID enters into forward purchase and sales commitments for physical delivery of gas and electricity with utilities and power marketers. TID is exposed to credit risk related to nonperformance by its wholesale counterparties under the terms of these contractual agreements. In order to limit the risk of counterparty default, TID has a wholesale counterparty risk policy which includes using the credit agency ratings of TID's counterparties and other credit services, credit enhancements for counterparties that do not meet an acceptable risk level, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. TID is also subject to similar requirements for many of its gas and power purchase agreements. TID uses a combination of cash and securities to satisfy its collateral requirements to counterparties. At December 31, 2022 and December 31, 2021 had $0 deposited to satisfy its collateral requirements to counterparties. At December 31, 2022 and December 31, 2021 TID held deposits totaling $10,000 and $0, respectively, from counterparties which are included in Customer deposits, advances and collateral in the Statements of Net Position.

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 11).

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.

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 December 31, 2022 is based upon a valuation date of June 30, 2022.

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)

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:

	2022	2021
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 10) 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, 2022, the power supply adjustment balance decreased resulting in an increase to retail revenues of $775 and a decrease to purchased power expense of $6,585, and for the year ended December 31, 2021, the power supply adjustment balance increased resulting in a decrease to retail revenues of $18,813.

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.

Recent accounting pronouncements

In March 2020, GASB issued Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” (GASB 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for TID in 2023. TID is currently assessing the financial impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued Statement No. 96, “Subscription-Based Information Technology Arrangements” (GASB 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, Leases, as amended. This statement is effective for TID in 2023. TID is currently assessing the financial statement impact of adopting this statement.

In June 2022, GASB issued Statement No. 100, “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62” (GASB 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for TID in 2024. TID is currently assessing the financial statement impact of adopting this statement.

In June 2022, GASB issued Statement No. 101, “Compensated Absences” (GASB 101), to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for TID in 2024. TID is currently assessing the financial statement impact of adopting this statement.

(dollars in thousands)

Note 3 – Accounting Change

In June 2017, GASB issued Statement No. 87, *Leases,* (GASB 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

TID implemented GASB No. 87 in 2022, retroactive to the beginning of 2021. TID has assessed whether its leases meet the requirements of GASB 87. The implementation impacted the Statements of Net Position when the lease assets and liabilities were recorded. There was no impact on Net Position for 2021 due to the restatement. As a result of the implementation the following changes were made in Consolidated Statement of Net Position for 2021. Other assets under investments and other long-term assets increased $4,692, accounts payable and accrued expense under current liabilities increased $177 and lease payable under liabilities increased $4,514.

Note 4 – Utility Plant

The summarized activity of TID's utility plant during 2022 is presented below:

	December 31, 2021	Additions	Transfers	Disposals	December 31, 2022
NONDEPRECIABLE UTILITY PLANT					
Land	$ 33,300	$ -	$ -	$ -	$ 33,300
Emission credits	20,187	-	-	-	20,187
Construction in progress	97,641	69,309	(44,279)	-	122,671
Total nondepreciable utility plant	151,128	69,309	(44,279)	-	176,158
DEPRECIABLE UTILITY PLANT					
Generation	993,868	-	6,084	(122)	999,830
Distribution	405,222	-	20,021	(2,062)	423,181
Transmission	186,901	-	2,923	(59)	189,765
General	130,933	-	8,676	(1,209)	138,400
Future power rights	26,993	-	739	-	27,732
Irrigation	103,137	-	5,836	(315)	108,658
Investment in gas properties	123,822	49	-	-	123,871
Emission allowances	23,905	18,359	-	(1,609)	40,655
Total depreciable utility plant	1,994,781	18,408	44,279	(5,376)	2,052,092
Less: accumulated depreciation, amortization, and depletion	(969,229)	(67,687)	-	5,249	(1,031,667)
Depreciable utility plant, net	1,025,552	(49,279)	44,279	(127)	1,020,425
Utility plant, net	$ 1,176,680	$ 20,030	$ -	$ (127)	$ 1,196,583

(dollars in thousands)

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

Note 5 – Leases

Lessee

TWPA has agreements with nine land owners on which its turbines are located. The landowners are paid a fixed price per kilowatt-hour based on the output of the respective turbines, which includes a minimum annual payment under each agreement. The minimum annual payment component meets the definition of a lease under GASB 87 and the minimum lease obligation over the life of the leases has been recorded as a lease obligation and a lease asset as of December 31, 2021. Each agreement is for 20 years beginning in 2009 with two 10-year renewal options. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that lease agreements will be renewed with reasonable certainty. The interest rate is estimated to be 5.5%. For the year ended December 31, 2022 total expense incurred under the agreement was $1,203 and $1,144, respectively, of which $511 has been recorded as interest expense of the leased asset, $324 has been recorded as amortization expense of the leased asset and the remaining $368 relates to variable payments paid under the agreement and has been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position. At December 31, 2022 and 2021 TID had a lease asset included in other assets of $4,692 and accumulated amortization of $324 and $0, respectively. At December 31, 2022 and 2021, lease payable included in current liabilities, accounts payable and accrued expenses were $96 and $177, respectively, and lease payable included in liabilities of $4,418 and $4,514, respectively.

(dollars in thousands)

TID's scheduled future annual principal maturities and interest are as follows at December 31, 2022:

	Principal	Interest	Total
2023	$ 96	$ 248	$ 344
2024	101	243	344
2025	107	237	344
2026	118	232	350
2027	124	225	349
2028-2032	731	1,014	1,745
2033-2037	965	791	1,756
2038-2042	1,279	491	1,770
2043-2047	990	117	1,107
2048-2049	4	-	4
	$ 4,515	$ 3,598	$ 8,113

Lessor

In November 2022, TID signed an agreement with a third party, to lease a land site at a TID substation. Under the lease, the third party has exclusive use and occupancy of the site to develop a new generator. The initial term of the agreement runs through December 31, 2027 with an option to extend the agreement for an additional two and a half years ending on June 30, 2030 by the third party. The initial fee is an annual payment of $2,500, escalating 2% for each subsequent year. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that Lessees will exercise the renewal options with reasonable certainty. The interest rate is estimated to be 5.5%. As a result, TID has recorded a lease receivable of $16,839 at December 31, 2022. The first payment is due in January 2023, and no revenue has been recorded for the year ended December 31, 2022. At December 31, 2022 and 2021 deferred inflows were $16,839 and $0, respectively. At December 31, 2022 and 2021, lease receivable included in current assets, accrued interest and other receivables were $2,500 and $0, respectively and lease receivables included in investments and other long-term assets, other assets of $14,339 and $0. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

Note 6 – 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 2022 and 2021, TID's total expenses in connection with its TANC agreements, included in purchased power expense, totaled $6,189 and $6,545, respectively. At December 31, 2022 and 2021 TID has an affiliate receivable due from TANC of $15,441 and $14,772, respectively.

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 $309,290 at December 31, 2022. 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.

(dollars in thousands)

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:

	2022	2021
SUMMARIZED STATEMENTS OF NET POSITION		
Current assets	$ 32,562	$ 34,348
Noncurrent assets	196,635	208,646
Total assets	$ 229,197	$ 242,994
Current liabilities	$ 41,278	$ 43,591
Long-term debt, net of current portion	185,948	197,144
Deferred inflow of resources	1,971	2,259
Total liabilities and deferred inflows	$ 229,197	$ 242,994

	2022	2021
SUMMARIZED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 86,814	$ 59,298
Operating expenses	(79,206)	(52,057)
Operating income	7,608	7,241
Nonoperating revenues and expenses, net	(7,608)	(7,241)
Changes in net position	$ -	$ -

	2022	2021
SUMMARIZED STATEMENTS OF CASH FLOWS		
Net cash provided by operating activities	$ 9,697	$ 9,898
Net cash used in noncapital and related financing activities	(8,875)	(6,270)
Net cash used in capital and related financing activities	(7,204)	(7,623)
Net cash provided by investing activities	6,878	4,101
Net increase in cash and cash equivalents	496	106
Beginning of year cash and cash equivalents	13,184	13,078
End of year cash and cash equivalents	$ 13,680	$ 13,184

(dollars in thousands)

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:

	2022	2021 (Restated)
SUMMARIZED STATEMENTS OF NET POSITION		
Current assets	$ 41,371	$ 41,168
Noncurrent assets	249,776	266,052
Deferred outflow of resources	12,944	15,509
Total assets and deferred outflows	$ 304,091	$ 322,729
Current liabilities	$ 24,564	$ 24,169
Noncurrent liabilities	21,092	20,170
Long-term debt, net of current portion	258,435	278,390
	$ 304,091	$ 322,729

	2022	2021 (Restated)
SUMMARIZED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 25,743	$ 27,466
Operating expenses	(13,899)	(15,484)
Operating income	11,844	11,982
Nonoperating revenues and expenses, net	(11,844)	(11,982)
Changes in net position	$ -	$ -

	2022	2021 (Restated)
SUMMARIZED STATEMENTS OF CASH FLOWS		
Net cash provided by operating activities	$ 13,139	$ 13,849
Net cash (used in) capital and related financing activities	(12,895)	(13,586)
Net cash (used in) provided by investing activities	(6,859)	6,999
Net increase in cash and cash equivalents	(6,615)	7,262
Beginning of year cash and cash equivalents	33,359	26,097
End of year cash and cash equivalents	$ 26,744	$ 33,359

Note 7 – 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)

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, 2022 and 2021. The credit ratings listed are from Standard and Poor's as of December 31, 2022. NR means not rated.

	Credit Rating	2022	2021
CASH AND CASH EQUIVALENTS			
Deposits	NR	$ 125,703	$ 154,919
California Asset Management Program	AAAm	91,054	457
Money Market Mutual Fund	AAAm	18,841	-
Local Agency Investment Fund	NR	4,415	74,066
		240,013	229,442
SHORT-TERM INVESTMENTS			
Corporate notes	A+	1,314	924
Certificates of deposit	A-2	1,188	1,572
Asset-backed securities	AAA, NR	37	113
Municipal notes	AAA	2,068	321
U.S. Treasury notes	AA+	2,656	-
International government bonds	AAA	2,247	-
Government sponsored enterprises	AA+	5,877	2,507
		15,387	5,437
CASH AND CASH EQUIVALENTS, RESTRICTED FOR LONG-TERM PURPOSES			
Deposits	NR	295	7,299
LOC deposit	NR	2,179	2,179
California Asset Management Program	AAAm	165	89
		2,639	9,567
SHORT-TERM INVESTMENTS, RESTRICTED FOR LONG-TERM PURPOSES			
Government sponsored enterprises	AA+	10,921	-
U.S. Treasury notes	AA+	6,872	1,236
		17,793	1,236
LONG-TERM INVESTMENTS			
Government sponsored enterprises	AA+	6,629	28,905
Certificates of deposit	A	1,704	1,200
U.S. Treasury notes	AA+	106,549	115,242
Corporate notes	AA, AA-, A+, A, A-, BBB+	39,250	28,828
Asset-backed securities	AAA, NR	11,103	14,235
International government bonds	AAA	1,687	5,213
Municipal notes	AAA, AA+, AA, AA-, NR	2,839	4,951
Bank Note	A	-	725
		169,761	199,299
		$ 445,593	$ 444,981

(dollars in thousands)

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

	2022	2021
GENERAL OPERATING FUNDS		
Operating accounts	$ 167,711	$ 261,423
Funds designated for sale for rate stabilization	174,997	80,754
Funds designated for capital improvements	7,791	7,791
	350,499	349,968
RESTRICTED FUNDS		
Reserve funds	30,547	31,781
Debt service funds	62,034	60,718
Water studies	334	335
Letter of credit deposit (time certificate)	2,179	2,179
	95,094	95,013
	$ 445,593	$ 444,981

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, 2022 and 2021, TID had deposits totaling $1,237 and $1,148, respectively, which are insured by the FDIC. The remaining deposits of $124,762 and $161,070 are uncollateralized and uninsured at December 31, 2022 and 2021, 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, 2022 and 2021, of $95,634 and $74,612, respectively, were uninsured and uncollateralized.

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. As of December 31, 2022, the concentrations or risk representing 5% or greater in a single issuer, all of which are government sponsored enterprises, is 11% for Freddie Mac Notes. No concentrations or risks representing 5% or greater in a single issuer existed as of December 31, 2021.

(dollars in thousands)

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, 2022 and 2021, 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:

	2022	Weighted Average Maturity (Years)
Investment type		
Corporate notes	$ 40,563	3.09
Government sponsored enterprises	23,428	1.25
Municipal notes	4,908	1.47
Certificates of deposits	2,893	1.75
Asset-backed securities	11,140	3.34
International government bonds	3,933	1.11
U.S. Treasury notes	116,076	2.59
Total fair value	$ 202,941	

	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	

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.

(dollars in thousands)

Note 8 – Long-Term Debt

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

	2022	2021
Revenue bonds, fixed interest rates of 5.0%, maturing through 2046	$ 379,555	$ 393,460
WECA revenue bonds, fixed interest rates of 5.0% to 6.2%, maturing through 2037	174,500	182,770
TWPA revenue bonds, fixed interest rates of 5.0% to 6.9%, maturing through 2034	265,165	280,770
Total long-term debt outstanding	819,220	857,000
Less		
Current portion	(39,925)	(37,780)
Unamortized premiums and discounts, net	94,294	106,383
Total long-term debt, net	$ 873,589	$ 925,603

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, 2022 and 2021, TID received $3,462 and $3,471 in this federal subsidy which is included in other income on the statement of revenues, expenses, and changes in net position.

(dollars in thousands)

The summarized activity of TID's long-term debt during 2022 and 2021 is presented below:

	December 31, 2021	Additions	Payments and Amortization	December 31, 2022	Amounts Due Within One Year
Revenue bonds	$ 857,000	$ -	$ (37,780)	$ 819,220	$ 39,925
	857,000	-	(37,780)	819,220	$ 39,925
Less					
Unamortized premiums	106,383	-	(12,089)	94,294	
Total long-term debt, net	$ 963,383	$ -	$ (49,869)	$ 913,514	

	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	

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 $181,260 may be subject to redemption by TID at any interest date with a make whole premium.

(dollars in thousands)

TID’s scheduled future annual principal maturities and interest are as follows at December 31, 2022:

	Principal	Interest	Total
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	46,170	32,861	79,031
2028-2032	270,175	121,800	391,975
2033-2037	210,575	44,572	255,147
2038-2042	89,575	14,027	103,602
2043-2046	26,755	1,567	28,322
	$ 819,220	$ 369,925	$ 1,189,145

Note 9 – 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, 2022 and 2021, the balance outstanding was $27,826 and $30,571, respectively, under this commercial paper program, of which $8,495 and $11,240 was taxable at December 31, 2022 and 2021, respectively. The effective interest rate for the commercial paper outstanding at December 31, 2022 and 2021 was 3.20% and 0.15%, respectively, and the average term was 5 days and 59 days, respectively. A letter of credit of $43,600 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 August 2025. The counterparty to the letter of credit is a national bank whose credit rating is A+ Stable (Standard & Poor’s).

The activity of TID’s commercial paper during 2022 and 2021 is presented below:

	2022	2021
BALANCES, beginning of year	$ 30,571	$ 29,496
Additions	-	1,500
Payments	(2,745)	(425)
BALANCES, end of year	$ 27,826	$ 30,571

(dollars in thousands)

Note 10 – 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:

	2022	2021
Debt issuance costs	$ 5,283	$ 5,961
Pension costs	34,971	37,661
Power supply adjustment	6,585	-
Unrealized loss on investments	12,698	1,698
	$ 59,537	$ 45,320

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

	2022	2021
Electric rate stabilization	$ 140,921	$ 46,678
Deferred auction sales	11,999	-
Power supply adjustment	-	122,774
	$ 152,920	$ 169,452

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.

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 2022, the Board elected to transfer $122,000 from the deferred power supply regulatory account to the electric rate stabilization deferred regulatory account and $6,585 was added the deferred power supply regulatory account.

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.

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. During 2022, the Board elected to transfer $122,000 from the deferred power supply regulatory account to the electric rate stabilization deferred regulatory account and utilize $27,757 from the rate stabilization regulatory account to fund capital.

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 2022, the Board elected to transfer $122,000 from the deferred power supply regulatory account to the electric rate stabilization deferred regulatory account and $775 was removed from the deferred power supply regulatory account. During 2021, $18,813 was added to the deferred power supply regulatory account.

Deferred auction sales – TID has participated in the carbon allowance auctions under AB-32, the Global Warming Solutions Act. In 2014, the Board authorized the deferral of AB-32 auction proceeds from the sale of emission credits, to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs will be deferred into future years. As funds are spent on AB-32 programs the deferred auction sales are recognized in rates. TID has spent less than it has collected in AB-32 revenues and has recorded a regulatory credit of $11,999 and $0 at December 31, 2022 and 2021, respectively.

(dollars in thousands)

Note 11 – 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, 2022	December 31, 2021
Derivative financial instrument assets		
Gas related contracts	$ 7,227	$ 964
Less: current portion	(3,893)	(571)
	$ 3,334	$ 393
Derivative financial instrument liabilities		
Gas related contracts	$ 10,023	$ 2,095
Less: current portion	(10,023)	(1,359)
	$ -	$ 736

Note 12 – 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.

(dollars in thousands)

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, 2022 and 2021, 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.

	Fair Value as of December 31, 2022		
	Level 1	Level 2	Total
Investments, including cash and cash equivalents			
California Asset Management Program	$ -	$ 91,220	$ 91,220
Local Agency Investment Fund	-	4,415	4,415
U.S. Treasury Notes	116,076	-	116,076
Government sponsored enterprises	-	23,428	23,428
Corporate notes	-	40,563	40,563
Municipal notes	-	4,908	4,908
Certificates of deposit	-	2,893	2,893
Asset-backed securities	-	11,140	11,140
International government bonds	-	3,933	3,933
Total investments, including cash equivalents	$ 116,076	$ 182,500	$ 298,576

(dollars in thousands)

	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

Note 13 – 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.

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, 2022 and 2021, the contribution rate for employees hired or that became eligible after January 1, 2013 was 6.0% and 5.5%, respectively. 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, 2022 and 2021, TID made contributions of $12.3 million and $15.3 million, which includes $2.5 million and $2.3 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, 2022 and June 30, 2021, the Retirement Plan held no cash and cash equivalents collateralized with securities held by the pledging bank's trust department.

(dollars in thousands)

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, 2022 and June 30, 2021 are summarized as follows:

		June 30, 2022	June 30, 2021
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	$ 28,907	$ 36,700
DFA Emerging Markets Core Equity Portfolio	International stocks and mutual funds	20,390	25,408
DFA US L/C Value Portfolio	Domestic stocks and mutual funds	37,781	44,490
Vanguard Institutional Index Fund	Domestic stocks and mutual funds	39,589	48,241
		126,667	154,839
Aggregate of non-participant directed investments less than five percent of the Plan's fiduciary net position		226,902	263,499
		$ 353,569	$ 418,338

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, 2022 and June 30, 2021 the Retirement Plan held no investments in foreign currency denominations.

Money weighted rate of return

For the fiscal years ended June 30, 2022 and 2021, the annual money weighted rate of return on retirement plan investments, net of investment expense, was -13.25% and 32.33%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(dollars in thousands)

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, 2022 and June 30, 2021, the Retirement Plan had the following investments with maturities:

		Investment Maturities (in Years) at June 30, 2022			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Asset-backed securities and CMOs	$ 33,391	$ 216	$ 2,679	$ 1,374	$ 29,122
Commercial bonds	41,924	2,711	15,296	9,163	14,754
U.S. agencies	258	-	-	-	258
International	3,285	-	2,941	165	179
Total	$ 78,858	$ 2,927	$ 20,916	$ 10,702	$ 44,313

		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
International	1,932	-	1,508	196	228
Total	$ 80,228	$ 1,454	$ 26,646	$ 23,923	$ 28,205

Employees covered by benefit terms

At December 31, 2022, the number of employees covered by the Retirement Plan was:

Inactive employees or beneficiaries currently receiving benefit payments	468
Inactive employees entitled to but not yet receiving benefit payments	94
Active employees	413
	975

Net pension liability

TID's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of January 1, 2022, rolled forward on an actuarial basis.

Actuarial assumptions
The actuarial methods and assumptions used for the December 31, 2022 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 2.75%;
- 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-2020 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 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)

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, 2022, are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Major asset classes		
Fixed income obligations and mutual funds	29.0%	2.75%
Domestic equities	36.9%	5.00%
International equities	25.1%	5.75%
Alternative assets/private equity	8.0%	6.25%
Cash	1.0%	0.50%
Total	100.0%	

(dollars in thousands)

Changes in net pension liability

The changes in TID's net pension liability for the year ended December 31, 2022 are as follows:

	Total Pension Liability (a)	Increase (Decrease) in Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
BALANCES, January 1, 2022	$ 422,106	$ 428,467	$ (6,361)
Changes for the year:			
Service cost	8,415	-	8,415
Interest cost	29,385	-	29,385
Difference between expected and actual experience	(4,010)	-	(4,010)
Change of assumption	(2,632)	-	(2,632)
Contributions – employer	-	9,783	(9,783)
Contributions – employee	-	2,488	(2,488)
Benefit payments	(21,470)	(21,470)	-
Investment income	-	(58,595)	58,595
Administrative expenses	-	(391)	391
Other changes	-	(7)	7
Net changes	9,688	(68,192)	77,880
BALANCES, December 31, 2022	$ 431,794	$ 360,275	$ 71,519

(dollars in thousands)

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 measurement date of December 31, 2021, a change in assumptions that had an impact on the total pension liability was an increase of 0.50% contribution rate as of January 1, 2022 for those employees that were hired or became eligible after January 1, 2013 for the Retirement Plan.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability as of December 31, 2022, 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)	$ 127,844	$ 71,519	$ 24,788

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

(dollars in thousands)

For the years ended December 31, 2022 and 2021, TID recognized pension expense of $27.0 million and $8.6 million, respectively.

TID reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Summarized statement of net position		
Differences between expected and actual experience	$ 2,421	$ (3,208)
Changes of assumptions	9,680	(2,106)
Net difference between projected and actual earnings on pension plan investments	70,911	(30,472)
Total	$ 83,012	$ (35,786)

	December 31, 2021	
	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)

The balances as of December 31, 2022, 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,	2023	$	5,239
	2024		10,952
	2025		14,343
	2026		16,692
		$	47,226

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 13 – 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, 156 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)

Employees covered by benefit terms

At June 30, 2022 the number of employees covered by the Health Plan was:

Inactive employees or beneficiaries currently receiving benefit payments	156
Active employees	452
	608

Net OPEB asset

TID's net OPEB asset as of December 31, 2022 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2021, 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 $0 and $1,920 for the years ended December 31, 2022, and 2021, respectively. TID did not make contributions for the year ended December 31, 2022, as TID had a net OPEB asset. Total covered-employee payroll and contributions as a percentage of covered-employee payroll was $47,078 and 4.08% for the year ended December 31, 2021.

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.

In the most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.00% investment rate of return per year, inflation rate of 2.75% per year, payroll growth of 2.75% per year plus merit increased increases based on the 2017 CALPERS pension plan, in aggregate and actual health premiums were used with an annual healthcare cost trend rate of 6.25% beginning in 2023, 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.

(dollars in thousands)

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, 2022, are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Major asset classes		
Global equity	49.00%	N/A
Global debt securities	23.00%	N/A
Inflation assets	5.00%	N/A
Commodities	8.00%	N/A
Real Estate Investment Trusts (REITs)	20.00%	N/A
Total	105.00%	6.00%

Changes in net OPEB asset

The changes in TID’s net OPEB asset for the year ended June 30, 2022 are as follows:

	Total OPEB Liability (a)	Increase (Decrease) in Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
BALANCES, July 1, 2021	$ 20,668	$ 31,248	$ (10,580)
Changes for the year			
Service cost	1,067	-	1,067
Interest cost	1,461	-	1,461
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Benefit payments	(1,761)	(1,761)	-
Investment income	-	(4,179)	4,179
Administrative expenses	-	(7)	7
Difference between expected and actual experience	(597)	-	(597)
Change of assumption	1,537	-	1,537
Net changes	1,707	(5,947)	7,654
BALANCES, June 30, 2022	$ 22,375	$ 25,301	$ (2,926)

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

(dollars in thousands)

	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
Difference between expected and actual experience			-
			-
Change of assumption			-
Contributions – employer	-	1,920	(1,920)
Contributions – employee	-	-	-
Benefit payments	(1,920)	(1,920)	-
Investment income	-	6,741	(6,741)
Administrative expenses	-	(13)	13
Difference between expected and actual experience	(810)	-	(810)
Change of assumption	297	-	297
Net changes	57	6,728	(6,671)
BALANCES, June 30, 2021	$ 20,668	$ 31,248	$ (10,580)

Since the prior measurement date of June 30, 2021, there have been changes of assumptions that affected the total OPEB liability. Actual premiums were used in projecting valuation results from June 30, 2021. The discount rate has been updated to 6.00% has of June 30, 2022 based on CERBT expected rate of return as of June 30, 2022

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

The following presents the net OPEB asset as of December 31, 2022, calculated using the discount rate of 6.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability (asset)	$ (1,249)	$ (2,926)	$ (4,462)

(dollars in thousands)

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)	$ (5,142)	$ (2,926)	$ (331)

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

For the years ended December 31, 2022 and 2021, TID recognized OPEB expense of $0.6 million and $(0.3) million, respectively.

TID reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Summarized statement of net position		
Differences between expected and actual experience	$ -	$ 2,408
Changes of assumptions	1,824	-
Net difference between projected and actual earnings on OPEB plan investments	2,396	-
Total	$ 4,220	$ 2,408

	December 31, 2021	
	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
Total	$ 521	$ 5,711

(dollars in thousands)

The balances as of December 31, 2022 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,	2023	$	249
	2024		212
	2025		48
	2026		1,053
	2027		38
	Thereafter		212
		$	1,812

Note 14 – 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 $16,674 and $15,656 for the year ended December 31, 2022, and 2021, respectively. The estimated remaining useful life of the Project is approximately 11 years. The deferred outflows recognized was $8,233 and $9,056 as of December 31, 2022, and 2021 and is amortized over the remaining useful life of the Project. During the years ended December 31, 2022, and 2021, TID recorded $1,841 and $2,038 of expense, respectively.

Note 15 – 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 $66,224 and $44,440 in 2022 and 2021, 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 $3,549 and $2,471 in 2022 and 2021, 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 terminated 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.

(dollars in thousands)

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 District's 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 $77,964 and 33,364 in 2022 and 2021, respectively, and has been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position.

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 $13,442 and $8,983 in 2022 and 2021, 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, 2022:

2023	$ 7,197
2024	2,990
2025	2,520
2026	2,574
2027	2,629
Thereafter	16,647
	$ 34,557

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 $7,658 and $6,153 in 2022 and 2021, 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:

2023	$ 7,664
2024	7,644
2025	7,625
2026	7,605
2027	7,586
Thereafter	68,630
	$ 106,754

Note 16 – 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

Turlock Irrigation District
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
(dollars in thousands)
December 31, 2022

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.

	2022	2021	2020	2019	2018
Total pension liability					
Service cost	$ 8,415	$ 8,396	$ 8,450	$ 6,152	$ 6,032
Interest	29,385	28,172	27,481	26,099	24,841
Difference between expected and actual experience	(4,010)	1,754	1,148	3,390	3,999
Change of assumptions	(2,632)	-	19,359	-	-
Benefit payments	(21,470)	(20,544)	(20,154)	(18,865)	(17,554)
Net change in total pension liability	9,688	17,778	36,284	16,776	17,318
Total pension liability – beginning	422,106	404,328	368,044	351,268	333,950
Total pension liability – ending (a)	$ 431,794	$ 422,106	$ 404,328	$ 368,044	$ 351,268
Plan fiduciary net position					
Contributions – employer	$ 9,783	$ 12,959	$ 13,240	$ 13,462	$ 13,746
Contributions – employee	2,488	2,321	2,039	1,818	1,534
Investment income	(58,595)	55,582	42,806	53,993	(21,321)
Benefit payments	(21,470)	(20,544)	(20,154)	(18,865)	(17,554)
Administrative expenses	(391)	(382)	(360)	(392)	(382)
Other changes	(6)	-	45	120	8
Net change in fiduciary net position	(68,191)	49,936	37,616	50,136	(23,969)
Total fiduciary net position – beginning	428,466	378,531	340,915	290,779	314,748
Total fiduciary net position – ending (b)	$ 360,275	$ 428,467	$ 378,531	$ 340,915	$ 290,779
TID's net position liability – ending (a)-(b)	$ 71,519	$ (6,361)	$ 25,797	$ 27,129	$ 60,489
Plan fiduciary net position as a percentage of the total pension liability	83.44%	101.51%	93.62%	92.63%	82.78%
Covered-employee payroll	$ 45,101	$ 44,522	$ 43,756	$ 39,392	$ 38,144
Plan net pension liability as a percentage of covered-employee payroll	158.58%	-14.29%	58.96%	68.87%	158.58%
Annual money-weighted rate of return	-13.52%	14.80%	12.61%	18.27%	-6.44%

Turlock Irrigation District
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
(dollars in thousands)
December 31, 2022

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

	2017	2016	2015
Total pension liability			
Service cost	$ 5,236	$ 5,168	$ 4,369
Interest	23,688	22,620	23,032
Difference between expected and actual experience	3,486	1,846	(1,910)
Change of assumptions	17,027	-	2,630
Benefit payments	(16,426)	(16,110)	(14,606)
Net change in total pension liability	33,011	13,524	13,515
Total pension liability – beginning	300,939	287,415	273,900
Total pension liability – ending (a)	$ 333,950	$ 300,939	$ 287,415
Plan fiduciary net position			
Contributions – employer	$ 48,921	$ 14,071	$ 14,167
Contributions – employee	1,358	1,208	1,112
Investment income	42,344	21,686	(2,208)
Benefit payments	(16,426)	(16,110)	(14,606)
Administrative expenses	(295)	(274)	(303)
Other changes	-	3	1
Net change in fiduciary net position	75,902	20,584	(1,837)
Total fiduciary net position – beginning	238,846	218,262	220,099
Total fiduciary net position – ending (b)	$ 314,748	$ 238,846	$ 218,262
TID's net position liability – ending (a)-(b)	$ 19,202	$ 62,093	$ 69,153
Plan fiduciary net position as a percentage of the total pension liability	94.25%	79.37%	75.94%
Covered-employee payroll	$ 36,366	$ 35,245	$ 33,349
Plan net pension liability as a percentage of covered-employee payroll	52.80%	176.18%	207.36%
Annual money-weighted rate of return	16.86%	9.43%	-1.15%

Turlock Irrigation District
Schedule of Retirement Plan Contributions (Unaudited)
(dollars in thousands)
December 31, 2022

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.

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 11,507	$ 12,270	$ 12,132	$ 11,859	$ 11,413
Contributions in relation to the actuarially determined contribution	12,270	15,279	15,278	15,278	15,278
Contribution deficiency (excess)	$ (763)	$ (3,009)	$ (3,146)	$ (3,419)	$ (3,865)
Covered-employee payroll	45,101	44,522	43,756	39,392	38,144
Contributions as a percentage of covered-employee payroll	27.21%	34.32%	34.92%	38.78%	40.05%

	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 13,372	$ 12,975	$ 11,863	$ 15,324	$ 14,417
Contributions in relation to the actuarially determined contribution	50,279	15,279	15,279	46,561	15,279
Contribution deficiency (excess)	$ (36,907)	$ (2,304)	$ (3,416)	$ (31,237)	$ (862)
Covered-employee payroll	36,366	35,245	33,349	31,643	33,824
Contributions as a percentage of covered-employee payroll	138.26%	43.35%	45.82%	147.14%	45.17%

Notes to schedule

The actuarially determined contributions for 2022 and 2021 were determined by actuarial valuations using the frozen entry age actuarial cost method. The actuarial assumptions utilized for the January 1, 2022 and 2021 actuarial valuations were as follows:

	January 1,	
	2022	2021
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)
(dollars in thousands)
December 31, 2022

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.

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 1,067	$ 1,041	$ 1,023	$ 1,102	$ 1,072
Interest	1,461	1,449	1,417	1,514	1,476
Difference between expected and actual experience	(597)	(810)	(51)	(2,371)	-
Change of assumptions	1,537	297	-	406	-
Benefit payments	(1,761)	(1,920)	(1,969)	(1,969)	(2,100)
Net change in total OPEB liability	1,707	57	420	(1,318)	448
Total OPEB liability – beginning	20,668	20,611	20,191	21,509	21,061
Total OPEB liability – ending (a)	$ 22,375	$ 20,668	$ 20,611	$ 20,191	$ 21,509
Plan fiduciary net position					
Contributions – employer	$ -	$ 1,920	$ 1,969	$ 1,969	$ 8,470
Investment income	(4,179)	6,741	837	1,377	1,276
Benefit payments	(1,761)	(1,920)	(1,969)	(1,969)	(2,100)
Administrative expenses	(7)	(13)	(12)	(4)	(10)
Other changes	-	-	-	-	(20)
Net change in fiduciary net position	(5,947)	6,728	825	1,373	7,616
Total fiduciary net position – beginning	31,248	24,520	23,695	22,322	14,706
Total fiduciary net position – ending (b)	$ 25,301	$ 31,248	$ 24,520	$ 23,695	$ 22,322
TID's net OPEB liability (asset) – ending (a)-(b)	$ (2,926)	$ (10,580)	$ (3,909)	$ (3,504)	$ (813)
Plan fiduciary net position as a percentage of the total OPEB liability	113.1%	151.2%	119.0%	117.4%	103.8%
Covered-employee payroll	$ 49,813	$ 47,078	$ 46,082	$ 44,740	$ 41,273
Plan net OPEB asset as a percentage of covered-employee payroll	-5.9%	-22.5%	-8.5%	-7.8%	-2.0%

Turlock Irrigation District
Schedule of OPEB Plan Contributions (Unaudited)
(dollars in thousands)
December 31, 2021

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.

	2022	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	49,813	47,078	46,082	44,740	41,273
Contributions as a percentage of covered-employee payroll	N/A	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 6.00% investment rate of return per year, inflation rate of 2.75% per year, payroll growth of 2.75% per year plus merit increased increases based on the 2017 CALPERS pension plan, in aggregate and actual health premiums were used with an annual healthcare cost trend rate of 6.25% beginning in 2023, 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.