Modesto Irrigation District

Financial Statements and
Supplementary Information

December 31, 2021 and 2020

Independent Auditors' Report

To the Board of Directors of
Modesto Irrigation District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Modesto Irrigation District and its component units (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). The 2020 audit was not conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of fiduciary net position and changes in fiduciary net position as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
April 29, 2022

MODESTO IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2021 and 2020 - Unaudited

Overview:

The following management discussion and analysis of the Modesto Irrigation District and its fiduciary funds (District) provides an overview of the financial activities and transactions for fiscal years 2021 and 2020 in the context of the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* , as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

Financial Reporting:

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

Explanation of Financial Statements:

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

Balance Sheet:

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position:

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

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

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

1. Operating Activities – analyzes the cash flow from operational activities (Operating Income and Expenses). This section of the cash flow statement reconciles the operating income to the actual cash MID received from or used in its operating activities. To facilitate this, the operating income is adjusted for any non-cash items (depreciation expenses) and any cash that was used or provided by other operating assets and liabilities.

2. Investing Activities – reflects the cash flow from all investing activities including purchases or sales of investment securities.

3. Capital Financing Activities – shows the cash flow from all financing activities. Typical sources of cash flow include funds received from borrowings, paying back debt service, and the purchase of capital assets.

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

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

The following is a comparative financial summary for years ending December 31, 2021, 2020, and 2019.

Financial Summary

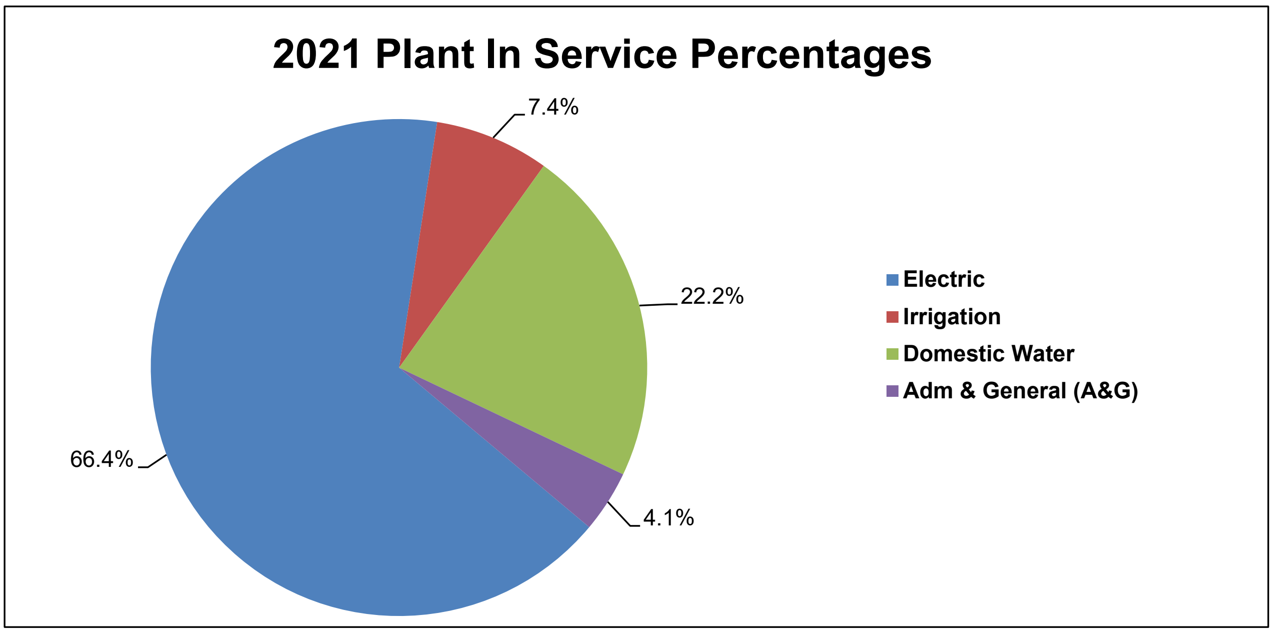
Balance Sheet *($ in thousands)*	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**	**Change from 2020 to 2021**
Assets and Deferred Outflows of Resources				
Utility plant, net	$ 691,753	$ 701,069	$ 702,912	$ (9,316)
Other noncurrent assets and investments	402,312	450,669	452,783	(48,357)
Current assets	143,393	127,764	116,538	15,629
Deferred outflows of resources	117,079	104,404	154,527	12,675
Total Assets and Deferred Outflows of Resources	$ 1,354,537	$ 1,383,906	$ 1,426,760	$ (29,369)
Liabilities, Deferred Inflows of Resources, and Net Position				
Long-term debt, net	$ 477,185	$ 530,705	$ 575,520	$ (53,520)
Noncurrent liabilities	155,797	214,682	307,164	(58,885)
Current liabilities	79,764	80,133	75,432	(369)
Deferred inflow of resources	135,067	92,150	73,758	42,917
Net position				
Net investment in capital assets	196,777	192,024	152,992	4,753
Restricted	684	1,593	-	(909)
Unrestricted	309,263	272,619	241,894	36,644
Total Liabilities, Deferred Inflows, and Net Position	$ 1,354,537	$ 1,383,906	$ 1,426,760	$ (29,369)

Statement of Revenues, Expenses, and Changes in Net Position *($ in thousands)*	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**	**Change from 2020 to 2021**
Operating revenues	$ 441,532	$ 430,902	$ 425,802	$ 10,630
Operating expenses	(392,934)	(357,813)	(342,229)	(35,121)
Operating income (loss)	48,598	73,089	83,573	(24,491)
Non-operating Income (Expenses)				
Investment and other income, net	13,122	13,971	14,319	(849)
Interest expense	(27,002)	(29,989)	(31,512)	2,987
Other non-operating income, net	3,698	3,355	4,176	343
Non-operating income (expense)	(10,182)	(12,663)	(13,017)	2,481
Contributed Capital - Electric/Water	2,072	10,924	4,469	(8,852)
Change in net position	40,488	71,350	75,025	(30,862)
Net position, beginning of year	466,236	394,886	319,861	71,350
Net Position, End of Year	$ 506,724	$ 466,236	$ 394,886	$ 40,488

ASSETS and DEFERRED OUTFLOWS

Utility Plant, net

MID has invested approximately $691.8 million in utility plant assets net of accumulative depreciation and transferred approximately $23.4 million of assets from construction in progress to utility plant in service in 2021. This includes $14.0 million in electric system additions and $2.4 million in administration and general capital asset additions. The following chart reflects the percentage breakdown of Utility Plant net of depreciation by category as of December 31, 2021.



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

Utility plant decreased by approximately $1.8 million in 2020 due to additions to in plant in service of $47.4 million, and an decrease of $5.6 million construction work in progress, offset by an increase in accumulated depreciation of $42.7 million.

Other non-current assets and investments

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

Other non-current assets and investments decreased $2.1 million in 2020. This decrease is due to scheduled amortization of $9.0 million related Regulatory costs for future recovery related to pension and post employment benefits partially offset by an increase of $7.2 million increase in Capital improvement fund.

Current assets

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

Current assets increased by approximately $8.2 million in 2020. The increase is primarily due to an increase in Customer accounts receivable of $5.2 million or 19.17%. This increase is due to the State placing a moratorium on disconnections due to non-payment during the COVID-19 pandemic. There were also small increases of $1.0 million in Materials and supplies and Prepayments when comparing 2020 to 2019.

Deferred Outflows of Resources

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

In 2020 deferred outflows of resources decreased by $50.1 million. The decrease is primarily due to a decrease of $49.2 million in Deferred outflows related to pension due to a large contribution being recognized in 2020, a decrease of $4.9 million in Deferred outflows related to OPEB, partially offset by an increase in Deferred cash flow hedges of approximately $4.9 million, partially offset by a decrease in Unamortized loss on advanced refunding of $0.9 million due to scheduled amortization during the current year.

LIABILITIES AND NET POSITION

Long-term debt

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

Long-term debt decreased by $44.8 million in 2020 due to the refunding of the 2010A Revenue bonds and the issuance of the 2020 Refunding Revenue Bonds, and scheduled debt service payments.

Non-current liabilities

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

Non-current liabilities decreased by $92.5 million in 2020. This decrease is primarily due to an decrease in the Net Pension liability of $64.7 million related to a large cash contribution made to the plan, a decrease of $19.8 million in Net OPEB liability, and a decrease of $14.1 million in Equity interest in MSR. This is partially offset by an increase in unamortized premium of $10.0 million due to the 2020 refunding revenue bonds, partially offset by scheduled amortization.

Current liabilities

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

Current liabilities increased by $4.7 million in 2020 due to an increase in Current portion of long-term debt of $2.3 million and an increase of $3.1 million in Accounts payable.

Deferred inflow of resources

Deferred inflow of resources increased by $42.9 million in 2021 due to an increase in Deferred inflows related to OPEB of $17.5 million, and an increase of Deferred inflows related to pension of $25.3 million.

Deferred inflow of resources increased by $18.4 million in 2020 due to an increase in Deferred inflows related to OPEB of $5.1 million, and an increase of Deferred inflows related to pension of $14.0 million. This is partially offset by an small decrease of $0.7 million in Unearned revenue which reflects the difference between the time the District bills the City of Modesto for Domestic Water and when the expense for depreciation is recovered and recorded.

Net position

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

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

In 2020, the District's net investment in capital assets increased by $39.0 million primarily due to investments in fixed assets and scheduled debt service payments of $37.6 million.

Unrestricted net position increased by approximately $30.7 million in 2020 due to an increase in Operating revenues of $5.1 million, and an increase in Capital contributions-Electric of $6.5 million.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating Revenues

Changes from 2020 to 2021

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

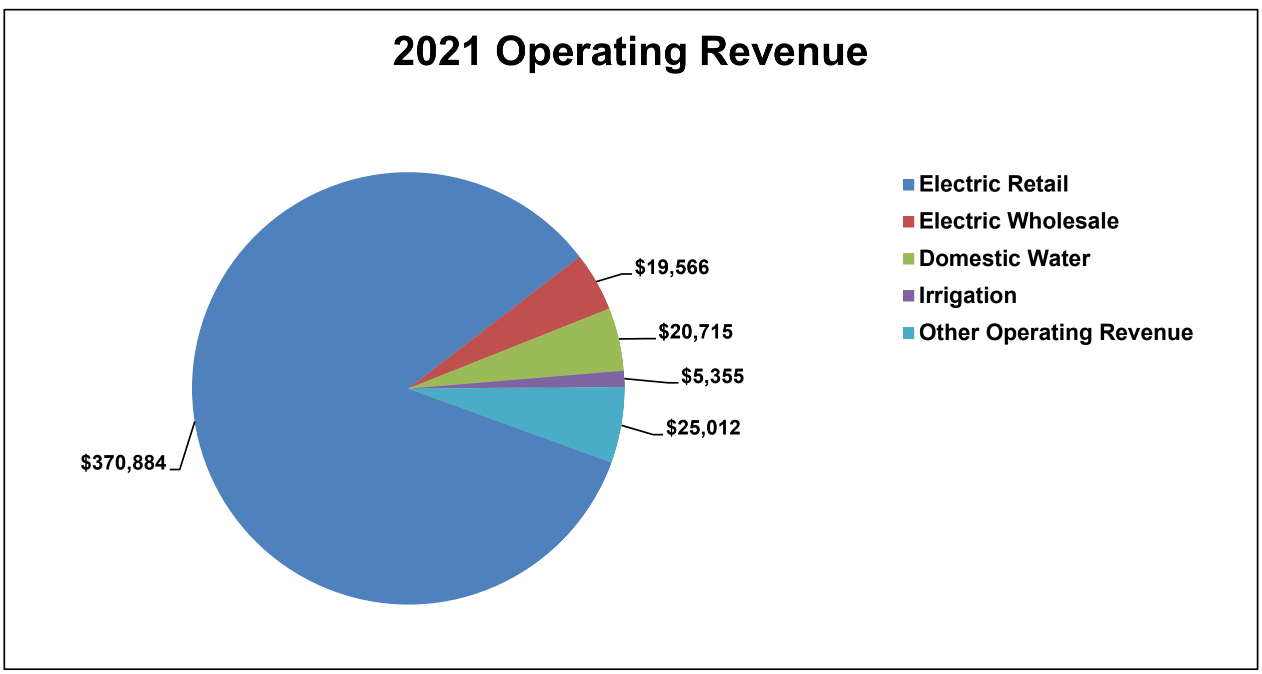
Retail electric revenue increased by $1.8 million or approximately 0.5%. Retail consumption increased over the prior year.

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

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

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

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



Operating Revenues

Changes from 2019 to 2020

In 2020, Operating revenue increased by $5.1 million or approximately 1.2%.

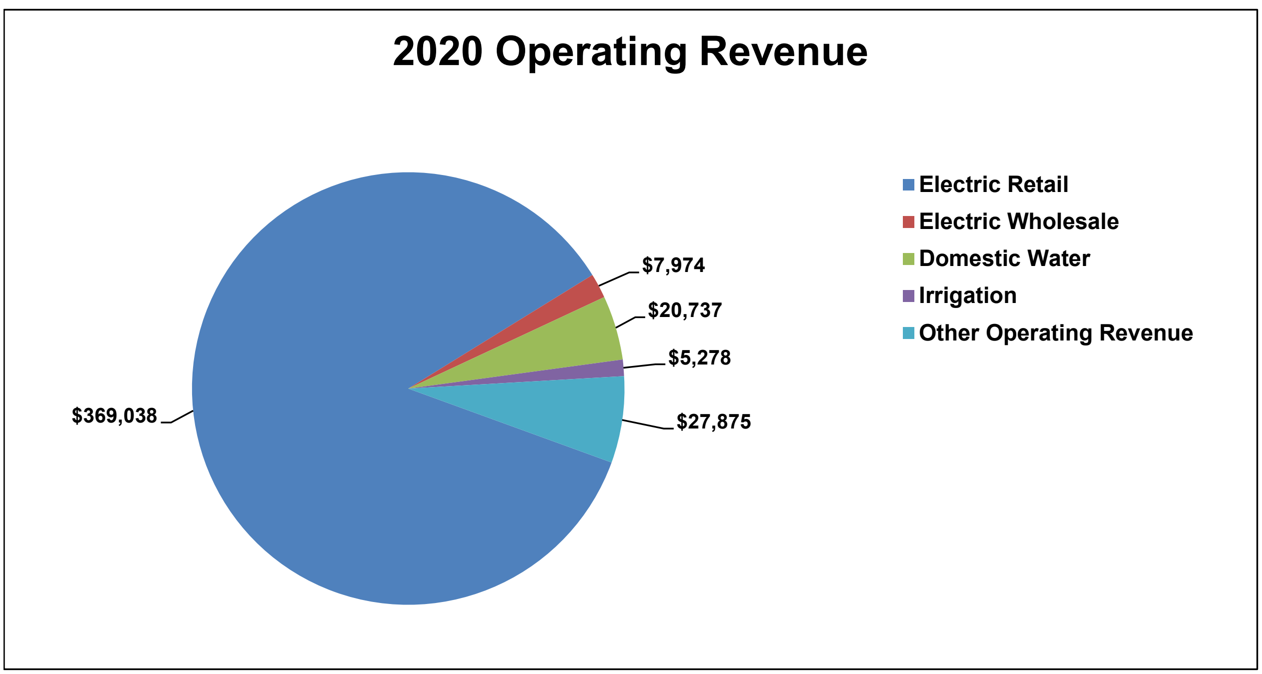
Retail electric revenue increased by $15.4 million or approximately 4.35%. Retail consumption increased over the prior year.

Wholesale electric revenue decreased by $9.3 million or approximately 53.9% primarily due to the Lodi Energy Center being offline from January 16 through June 19, 2020.

In 2020, Domestic Water revenue remained relatively flat with a small increase of $0.8 million or approximately 3.93%.

Other operating revenue decreased by $1.5 million or 5.4% primarily due to a moratorium being issued by the State on utility disconnections for non-payment.

The following is the District's 2020 operating revenue (**dollars are in thousands**):



Operating Expenses

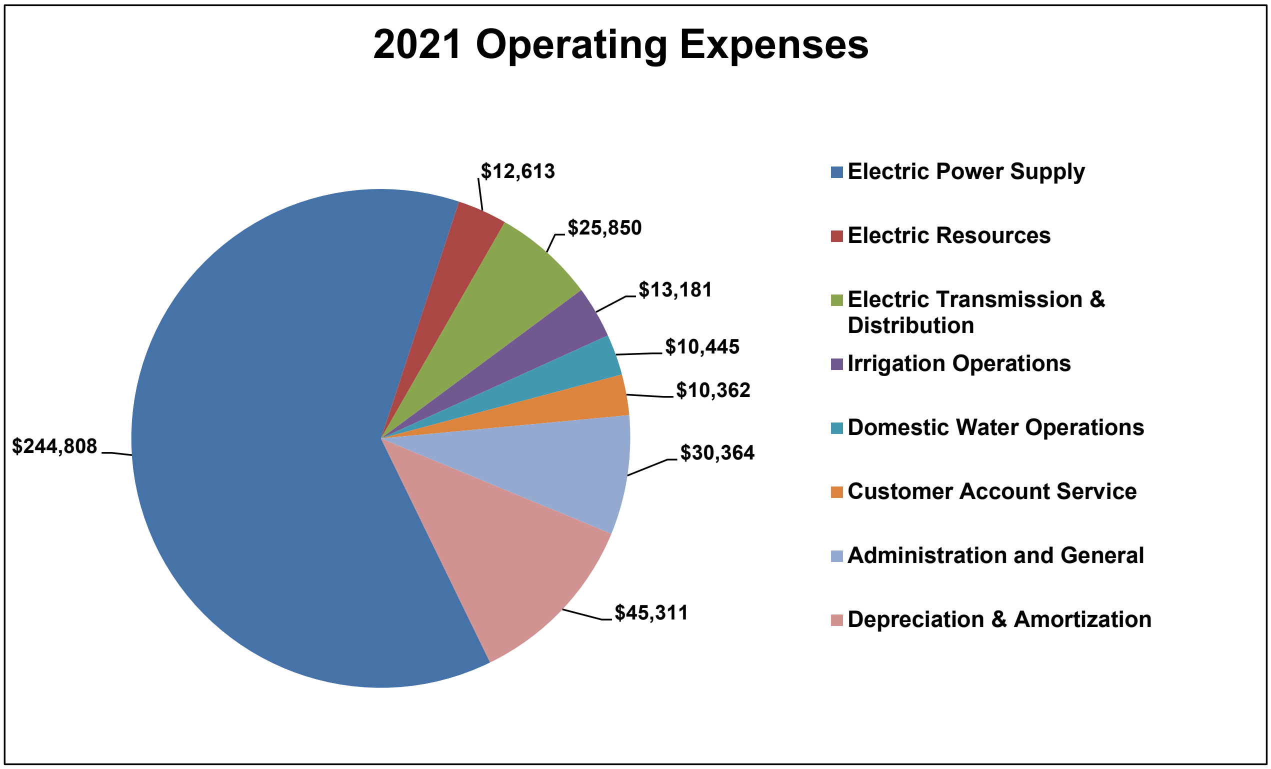
Changes from 2020 to 2021

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

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

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

The following depicts the 2021 operational expenses (**dollars are in thousands**):



Operating Expenses

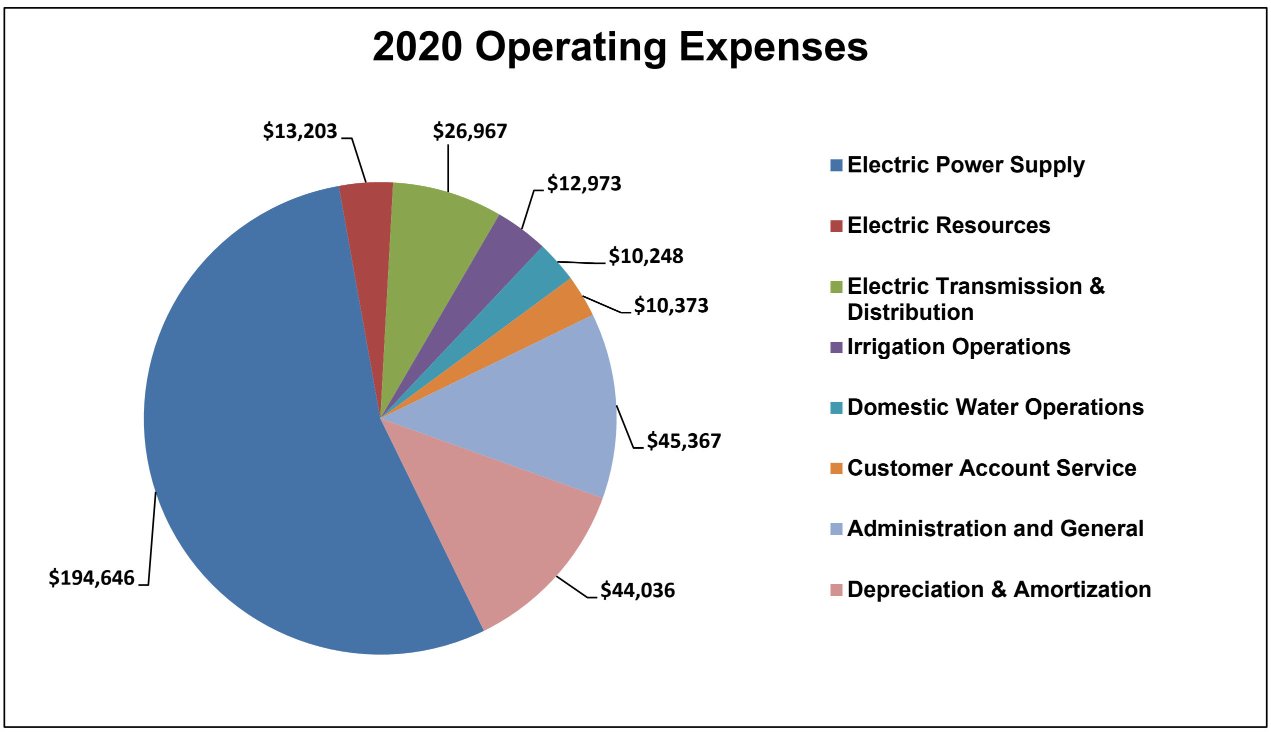
<u>Changes from 2019 to 2020</u>

Total operating expenses reflect an increase of approximately $15.6 million or 4.55% in 2020. The increase is due to increased costs for Purchased power of $8.5 million, increased costs for Electric transmission and distribution of $3.6 million related to increased tree trimming costs, and increased costs in Irrigation operations and Administrative and general of $1.5 million and $4.3 million respectively.

Purchased power and power generation expenses for 2020 reflect an increase of approximately $4.9 million or 2.6%. The change is mainly due to an increase in Purchased power costs partially offset by lower natural gas prices. Consumption increased in 2020 when compared to 2019.

Expenses for Domestic Water increased by $1.1 million or 11.5% when compared to 2019.

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



Non-Operating Revenue (Expenses)

Investment income

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

Investment and Other income, net decreased slightly in 2020 by $0.4 million due to a decrease in interest received on investments and unrealized gains on investments held.

Interest expense

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

Interest expense for 2020 decreased $1.5 million over prior year due to scheduled interest payments.

Other non-operating Income, net

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

Other non-operating income remained relatively flat with a decrease in 2020 by $0.8 million over the prior year.

Contacting the Modesto Irrigation District

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

Modesto Irrigation District

Balance Sheets
December 31, 2021 and 2020
(In Thousands)

	2021	2020
Assets and Deferred Outflows		
Capital Assets		
Plant in service	$ 1,449,273	$ 1,427,868
Less accumulated depreciation	(811,305)	(768,383)
Plant in service, net	637,968	659,485
Construction work in progress	53,785	41,584
Total capital assets	691,753	701,069
Other Assets and Investments		
Cash and investments, restricted	60,345	100,206
Investments, unrestricted	102,379	123,411
Interest receivable, restricted	224	239
Capital improvement fund	28,383	20,984
Regulatory costs for future recovery	165,207	174,407
Equity interest in TANC	14,062	11,480
Equity interest in M-S-R Public Power Agency	11,292	-
Other long-term assets	20,420	19,942
Total other assets and investments	402,312	450,669
Current Assets		
Cash and investments, unrestricted	61,676	52,047
Cash and investments, restricted	7,624	9,832
Interest receivable, unrestricted	799	1,043
Customer accounts receivable, net	43,582	35,170
Materials and supplies	15,255	13,849
Prepayments	2,968	3,190
Derivative financial instruments maturing within one year	970	298
Other current assets, net	10,519	12,335
Total current assets	143,393	127,764
Total assets	1,237,458	1,279,502
Deferred Outflows of Resources		
Deferred cash flow hedges, unrealized loss on derivatives	21,840	29,714
Unamortized loss on refunding	6,052	7,239
Deferred outflows related to OPEB	19,555	15,217
Deferred outflows related to pension	69,632	52,234
Total deferred outflows of resources	117,079	104,404
Total assets and deferred outflows	$ 1,354,537	$ 1,383,906

See notes to financial statements

Modesto Irrigation District

Balance Sheets
December 31, 2021 and 2020
(In Thousands)

	2021	2020
Liabilities, Deferred Inflows and Net Position		
Noncurrent Liabilities		
Long-term debt, net of current portion	$ 477,185	$ 530,705
Unamortized premium	45,812	45,429
Unamortized debt discount	(265)	(411)
Net pension liability	35,336	51,561
Net OPEB liability	42,476	77,489
Other liabilities	9,629	9,447
Derivative financial instruments	22,809	30,021
Equity interest in M-S-R Public Power Agency	-	1,146
Total noncurrent liabilities	632,982	745,387
Current Liabilities		
Accounts payable and other accruals	33,959	30,881
Current liabilities payable from restricted assets:		
Current portion of long-term debt	37,695	39,805
Interest payable	8,110	9,447
Total current liabilities	79,764	80,133
Total liabilities	712,746	825,520
Deferred Inflows of Resources		
Deferred inflows related to OPEB	51,422	33,893
Deferred inflows related to pension	39,313	13,998
Unearned revenue	44,332	44,259
Total deferred inflows of resources	135,067	92,150
Net Position		
Net investment in capital assets	196,777	192,024
Restricted	684	1,593
Unrestricted	309,263	272,619
Total net position	506,724	466,236
Total liabilities, deferred inflows and net position	$ 1,354,537	$ 1,383,906

See notes to financial statements

Modesto Irrigation District

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Operating Revenues		
Residential, commercial and industrial electric	$ 370,884	$ 369,038
Wholesale electric	19,566	7,974
Domestic water	20,715	20,737
Irrigation water	5,355	5,278
Equity in net income of public power agencies	16,670	19,690
Other operating income, net	8,342	8,185
Total operating revenues	441,532	430,902
Operating Expenses		
Purchased power	212,916	166,075
Power generation	31,892	28,571
Electric resources	12,613	13,203
Electric transmission and distribution	25,850	26,967
Irrigation operations	13,181	12,973
Domestic water operations	10,445	10,248
Customer account service	10,362	10,373
Administrative and general	30,364	45,367
Depreciation and amortization	45,311	44,036
Total operating expenses	392,934	357,813
Operating income	48,598	73,089
Nonoperating Revenues (Expenses)		
Investment income (expense)	(846)	8,570
Interest expense	(27,002)	(29,989)
Amortization of debt discount	(19)	(43)
Amortization of premium	8,813	7,588
Amortization of loss on refunding	(1,380)	(1,676)
Regulatory amounts collected in rates	(615)	(468)
Grant revenue	7,169	-
Other nonoperating income, net	3,698	3,355
Total nonoperating expenses	(10,182)	(12,663)
Change in net position before contributions	38,416	60,426
Capital Contributions	2,072	10,924
Change in net position	40,488	71,350
Net Position, Beginning	466,236	394,886
Net Position, Ending	$ 506,724	$ 466,236

See notes to financial statements

Modesto Irrigation District

Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash Flows From Operating Activities		
Receipts from customers	$ 428,728	$ 404,854
Receipts from public power agencies	1,651	1,651
Payments to suppliers for goods and services	(316,828)	(266,815)
Payments to employees for services	(49,536)	(48,595)
Net cash flows provided by operating activities	64,015	91,095
Cash Flows From Capital Financing Activities		
Net proceeds (payments) from issuance of long-term debt obligations	(18,352)	4,170
Repayment of long-term debt	(29,050)	(37,550)
Debt issuance costs	(526)	-
Construction expenditures	(35,257)	(43,140)
Interest paid	(27,867)	(30,648)
Contributions received for construction	1,625	10,412
Net cash flows used in capital financing activities	(109,427)	(96,756)
Cash Flows From Investing Activities		
Investments purchased	(39,845)	(55,791)
Investments sold and matured	54,556	61,487
Interest received	3,294	4,763
Net cash flows provided by investing activities	18,005	10,459
Net change in cash and cash equivalents	(27,407)	4,798
Cash and Cash Equivalents, Beginning	125,522	120,724
Cash and Cash Equivalents, Ending	$ 98,115	$ 125,522
Supplemental Disclosure of Noncash Financing and Investing Activities		
Noncash contributions by developers	$ 447	$ 512
Amortization	$ 6,799	$ 5,401
Change in arbitrage liability	$ 74	$ (49)
Bond proceeds used in refunding debt	$ (48,945)	$ (39,930)
Unrealized gain (loss) on investments	$ (3,955)	$ 4,173
Change in valuation of derivative financial instruments	$ (6,866)	$ 5,517

See notes to financial statements

Modesto Irrigation District

Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities		
Operating income	$ 48,598	$ 73,089
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Other nonoperating income	10,867	3,355
Depreciation and amortization	45,311	44,036
Undistributed income from public power agencies	(16,670)	(19,690)
Distributions from public power agencies	1,651	1,651
Change in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Customer accounts receivable, net	(8,412)	(8,174)
Other current assets, net	1,338	(849)
Materials and supplies	(1,406)	(985)
Prepayments	222	(973)
Regulatory assets	9,014	8,996
Accounts payable and other accruals	3,303	2,636
Pension related deferrals and liabilities	(48,204)	(15,644)
OPEB related deferrals and liabilities	18,074	4,380
Unearned revenue and other liabilities	329	(733)
Net cash flows provided by operating activities	$ 64,015	$ 91,095
Reconciliation of Cash and Cash Equivalents to Balance Sheets Accounts		
Cash and investments, unrestricted	$ 61,676	$ 52,047
Cash and investments, restricted	7,624	9,832
Investments, unrestricted	102,379	123,411
Cash and investments, restricted	60,345	100,206
Capital improvement fund	28,383	20,984
Total cash and investments	260,407	306,480
Less noncash equivalents	(162,292)	(180,958)
Total cash and cash equivalents	$ 98,115	$ 125,522

See notes to financial statements

Modesto Irrigation District

Statements of Fiduciary Net Position
December 31, 2021 and 2020
(In Thousands)

	2021	2020
Assets		
Cash and Cash Equivalents	$ 7,815	$ 668
Receivables		
Dividends	51	54
Investments at Fair Value		
Publicly traded stocks	53,122	48,132
Stable value	21,343	21,172
Mutual funds	657,130	576,485
Total assets	739,461	646,511
Less accrued liabilities	680	760
Net position held in trust for retiree benefits	$ 738,781	$ 645,751

See notes to financial statements

Modesto Irrigation District

Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Additions		
Additions to (reductions from) net position attributed to:		
Investment income (loss):		
Net appreciation of investments	$ 81,897	$ 70,916
Dividend income	11,782	10,381
Interest income	1	107
Investment expenses	(2,389)	(2,056)
Net investment income	91,291	79,348
Contributions:		
Employee contributions	3,844	3,708
Employer contributions	37,049	35,681
Other contributions	34	28
Total contributions	40,927	39,417
Total additions	132,218	118,765
Deductions		
Deductions from net position attributed to:		
Distributions to plan members and beneficiaries	30,451	24,389
Medical premiums paid	8,452	7,511
Other benefits expense	-	22
Administrative expenses	240	240
Consultant and professional services expenses	45	34
Total deductions	39,188	32,196
Net increase in net position held in trust for retiree benefits	93,030	86,569
Net Position Held in Trust for Retiree Benefits		
Beginning of year	645,751	559,182
End of year	$ 738,781	$ 645,751

See notes to financial statements

1. Organization and Description of Business

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

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

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the District are described below.

Reporting Entity

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

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

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

Allowance for Doubtful Accounts

The District recognizes an estimate of uncollectible accounts for its customer accounts receivable related to electric service based upon its historical experience with collections. The District has an allowance for doubtful accounts for its electric retail customers of $5,916 and $3,493 as of December 31, 2021 and 2020, respectively. The District's net expense relating to doubtful accounts for all accounts receivable is included in the accompanying statements of revenues, expenses and changes in net position as an offset to operating revenues. The District recorded bad debt expense of $10,215 and $2,944 at December 31, 2021 and 2020, respectively.

Materials and Supplies

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

The balance includes greenhouse gas allowances used for generation of $978 and $1,948 as of December 31, 2021 and 2020, respectively. Allowances are valued at the lower of cost or fair value utilizing the average cost method and charged to generation expense when used. Any allowances held for sale are recorded at fair value at year-end. No allowances were held for sale at December 31, 2021 and 2020.

(In Thousands)

Restricted Assets

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

Capital Improvement Fund

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

Prepayments

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

Regulatory Costs for Future Recovery

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

The account includes the following components:

- Unamortized debt issuance costs of previously issued bonds of the District. Unamortized debt issuance costs are being amortized over the life of the remaining bonds

- The original unfunded net pension liability under GASB Statement No. 68. The balance is being amortized straight line over 20 years to expense to match the District’s funding of the plan.

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

	2021	2020
Unamortized debt issuance costs	$ 3,112	$ 3,298
Initial unfunded pension liability	55,409	58,487
Initial unfunded OPEB liability	106,686	112,613
Ineffective derivative	-	9
Total	$ 165,207	$ 174,407

Other Current and Long-Term Assets

Other current and long-term assets represent miscellaneous receivables and deposits. Included is a receivable from the City of Modesto for a domestic water pipeline project of $657 and $970 of the 2021 and 2020 balances, respectively. Approximately $333 and $659 of the 2021 and 2020 balances, respectively, are not expected to be collected within one year. The balance of other long-term assets is a receivable from Transmission Agency for Northern California (TANC) is discussed in Note 6.

Capital Assets

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

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

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

Deferred Outflows of Resources

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

Accrued Vacation

Under terms of employment, employees are granted vacation time in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the District. At December 31, 2021 and 2020, the District recorded accrued vacation time of $4,111 and $4,166, respectively. The liability is included in accounts payable and other accruals in the accompanying balance sheets.

Other Liabilities

Other liabilities include customer meter deposits of $7,488 and $7,241 at December 31, 2021 and 2020, respectively. Other costs in the account include power cost true-ups, potential rate refunds, arbitrage liability and other miscellaneous long-term liabilities.

Asset Retirement Obligations

The District has identified potential retirement obligations related to certain transmission, distribution and irrigation canal facilities located on properties that do not have perpetual lease rights. The District's nonperpetual leased land rights generally are renewed continuously because the District intends to utilize these facilities indefinitely. Since the timing and extent of any potential asset retirements are unknown, the fair value of any obligations associated with these facilities cannot be reasonably estimated. Accordingly, a liability has not been recorded at December 31, 2021 and 2020 for these assets.

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

Net Pension Liability

A net pension liability is recorded in accordance with GASB Statement No. 68. The liability is the difference between the actuarial total pension liability and the Plan's fiduciary net position as of the measurement date. See Note 9 for additional information.

Net Other Postemployment Benefit (OPEB) Liability

A net OPEB liability is recorded in accordance with GASB Statement No. 75. The net OPEB liability is the difference between the actuarial total OPEB liability and the Plan's fiduciary net position as of the measurement date. See Note 9 for additional information.

Long-Term Debt

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

Deferred Inflows of Resources

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

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

Net Position

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

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

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

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

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

Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Electric and Irrigation Revenues

Retail and wholesale electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. The District records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2021 and 2020, unbilled revenues of $13,013 and $13,502, respectively, are included in customer accounts receivable in the balance sheets.

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

Purchased Power

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

Grant Revenue

The District was a State of California subrecipient of federal Coronavirus State and Local Fiscal Recovery Funds in the amount of $7,169. The funds are to be applied to delinquent customer accounts as dictated by the program. The District received the funds in 2022.

Capital Contributions

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

Comparative Data

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

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statements No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*. When they become effective, application of these standards may restate portions of these financial statements.

3. Cash and Investments

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

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

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

The District maintains a rate stabilization fund to protect District customers from extreme rate increases that would otherwise be necessitated by dramatic short-term changes in purchased power or other operating costs. Annual transfers into and out of the fund are determined by the District's Board of Directors (Board), which may utilize these unrestricted funds for any lawful purposes. The rate stabilization fund consists of an undivided portion of the District's general operating funds. No transfers occurred during fiscal years 2021 and 2020.

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

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

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

(In Thousands)

District Cash and Investments (Exclusive of the Fiduciary Activities)

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2021 and 2020:

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

	December 31, 2020			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government agencies	$ -	$ 62,040	$ -	$ 62,040
U.S. Treasury notes	68,394	-	-	68,394
Money market funds	81,428	-	-	81,428
Corporate medium terms notes	-	28,685	-	28,685
Municipal bonds	-	1,949	-	1,949
Derivative financial instruments	562	(30,284)	-	(29,722)
Total	$ 150,384	$ 62,390	$ -	$ 212,774

(In Thousands)

Custodial Credit Risk

Deposits

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

As of December 31, 2021 and 2020, none of the District's bank balances are known to be individually exposed to custodial credit risk.

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

Investments

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

As of December 31, 2021 and 2020, the District's investments were exposed to custodial credit risk as follows:

	2021	2020
Neither insured nor registered and held by the counterparty's trust department or agency in the District's name:		
U.S. agencies implicitly guaranteed	$ 47,627	$ 62,040
Corporate medium term notes	30,617	28,685
Municipal bonds	1,906	1,949
U.S. Treasury	69,425	68,394
Total	$ 149,575	$ 161,068

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

Credit Risk

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

As of December 31, 2021 and 2020, the District's investments were rated as follows:

Investment Type	Standard & Poors 2021	Standard & Poors 2020
LAIF	NR	NR
Money market mutual funds	NR	NR
U.S. agencies implicitly guaranteed	AA+	AA+
Corporate medium term notes	AAA - A-	AA+ - A-
Investment agreement contracts	NR	NR
Municipal bonds	AA-	NR

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

(In Thousands)

Concentration of Credit Risk

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

At December 31, 2021 and 2020, the District's investment portfolio was concentrated as follows:

Investment Type	Percentage of Portfolio 2021	2020
Fannie Mae	11%	14%
Freddie Mac	8%	6%

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

Interest Rate Risk

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

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

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

As of December 31, 2020, the District's investments exposed to interest rate risk were as follows:

		Investment Maturities in Years		
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	Greater Than 5 Years
U.S. government agencies	$ 62,040	$ 2,720	$ 59,320	$ -
Corporate medium term notes	28,685	2,750	25,935	-
LAIF	18,356	18,356	-	-
Money market fund	81,428	81,428	-	-
Municipal bonds	1,949	-	1,949	-
U.S. Treasury notes	68,394	2,336	66,058	-
Total	$ 260,852	$ 107,590	$ 153,262	$ -

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

(In Thousands)

Fiduciary Activities Investments

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

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

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

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2021 and 2020:

	2021			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds	$ 7,810	$ -	$ -	$ 7,810
Publicly traded stocks	43,810	9,312	-	53,122
Mutual funds	657,130	-	-	657,130
Total	$ 708,750	$ 9,312	$ -	718,062
Investments measured at the net asset value:				
Stable Value Fund				21,343
Total investments				$ 739,405

(In Thousands)

Investment Type	2020 Level 1	2020 Level 2	2020 Level 3	2020 Total
Money market funds	$ 637	$ -	$ -	$ 637
Publicly traded stocks	41,066	7,066	-	48,132
Mutual funds	489,689	45,435	41,361	576,485
Total	$ 531,392	$ 52,501	$ 41,361	625,254
Investments measured at the net asset value:				
Stable Value Fund				21,172
Total investments				$ 646,426

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

Custodial Credit Risk

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

As of December 31, 2021 and 2020, none of the Basic, Supplemental or Retiree Medical Plan's deposits are known to be individually exposed to custodial credit risk.

As of December 31, 2021 and 2020, the Basic Plan's investments were exposed to custodial credit risk as follows:

	2021	2020
Neither insured nor registered and held by the counterparty's trust department or agency in the District's name:		
Publicly traded stocks	$ 53,122	$ 48,132

The Supplemental Retirement and Retiree Medical Benefit Plan's investments were not exposed to custodial credit risk in 2021 and 2020.

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

Credit Risk

As of December 31, 2021 and 2020, the Plan's investments were rated as follows:

Investment Type	Standard & Poors 2021	Standard & Poors 2020
Money market funds	NR	NR

(In Thousands)

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

	2021	2020
Morning Star Rating:		
2	$ 13,048	$ -
3	36,439	18,420
4	426,631	165,760
5	107,085	27,204
Not Rated	17,279	64,391

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

Interest Rate Risk

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

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

As of December 31, 2020, the Plan's investments exposed to interest rate risk were as follows:

		Investment Maturities in Years		
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	Greater Than 5 Years
Money market funds	$ 637	$ 637	$ -	$ -
Stable Value Fund	21,172	21,172	-	-
Mutual funds	275,776	275,776	-	-
Total	$ 297,585	$ 297,585	$ -	$ -

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

(In Thousands)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit denominated in a foreign currency. The Plan had investments in publicly traded stock of $9,246 and $7,030, which were exposed to foreign currency risk at December 31, 2021 and 2020, respectively.

The Plan investments in international equity open-ended mutual funds stated at fair value as of December 31, 2021 and 2020 were:

	2021	2020
PIMCO Real Return Fund Class	$ 14,291	$ 11,192
Prudential Core Bond Fund	56,911	-
Ivy International Core Equity Fund	-	293
Blackrock Core Bond Portfolio Class K	56,304	-
Met West Total Return Bond Fund Class I	40,972	32,230
Brandes International Equity Fund	-	44,271
Prudential Total Return Fund	-	2,100
Vangard International value fund	44,788	-
AMG GW&K Small	24,046	-
BNY International Stock Fund	46,513	40,597
Goldman Sachs Emerging Equity Fund	13,312	13,810
Hartford Schroders Emerging Equity Fund	13,293	11,564
Total	$ 310,430	$ 156,057

The Plan has restrictions relating to maximum amounts invested in certain non U.S. investments, as a percentage of total portfolio, and with a single issuer. The Plan has a formal policy that allocates investments to manage its exposure to fair value losses arising from changes in currency exchange rates.

4. Restricted Assets

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

	2021	2020
Restricted accounts:		
Project Fund	$ 18,004	$ 50,620
Reserve Fund	41,374	48,632
Redemption Fund	7,624	9,827
Domestic Water and Reserve Contingency Fund	967	953
Total restricted accounts	$ 67,969	$ 110,032

Debt Related Accounts

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

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

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

(In Thousands)

Domestic Water Reserve and Contingency

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

Remediation Fund

As a condition of the Natural Gas and Supply Agreement with the M-S-R Energy Authority, the District has established a fund to track proceeds received from the sale of gas delivered per the supply agreement. These proceeds will be used for future gas supply needs. There was no balance in this account as of December 31, 2021 and 2020.

5. Changes in Capital Assets

A summary of changes in capital assets for 2021 follows:

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

(In Thousands)

A summary of changes in capital assets for 2020 follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital assets, not being depreciated/amortized:				
Land and land rights	$ 35,002	$ -	$ -	$ 35,002
Intangibles assets, not being depreciated/amortized	5,367	-	-	5,367
Total capital assets not being depreciated/ amortized	40,369	-	-	40,369
Capital assets being depreciated/amortized:				
Intangible assets, being depreciated/amortized	45,267	-	-	45,267
Electric system	938,785	12,810	(397)	951,198
Domestic water plant	217,272	377	-	217,649
Irrigation system	55,470	11,574	-	67,044
General and administrative facilities	83,139	2,840	(962)	85,017
Completed construction not classified	1,055	20,269	-	21,324
Total capital assets being depreciated/ amortized	1,340,988	47,870	(1,359)	1,387,499
Total capital assets	1,381,357	47,870	(1,359)	1,427,868
Less accumulated depreciation/amortization	(725,659)	(44,036)	1,312	(768,383)
Construction in progress	47,214	41,725	(47,355)	41,584
Net capital assets	$ 702,912	$ 45,559	$ (47,402)	$ 701,069

6. Investment in Public Power Agencies

The District's investments in public power agencies are accounted for using the equity method of accounting and consist of the following at December 31, 2021 and 2020:

	2021	2020
M-S-R Public Power Agency	$ 11,292	$ (1,146)
Transmission Agency of Northern California (TANC)	$ 14,062	$ 11,480

(In Thousands)

M-S-R Public Power Agency

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

During 2021 and 2020, the District incurred purchased power costs of $31,606 and $32,680, respectively, in connection with these Agency resources. At December 31, 2021 and 2020, the District had a payable of $2,445 and $2,421, respectively, to the Agency for its proportionate share of project related expenditures.

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

	2021	2020
Total assets	$ 79,387	$ 79,865
Total deferred outflows of resources	201	603
Total assets and deferred outflows	$ 79,588	$ 80,468
Total liabilities	$ 57,006	$ 82,761
Total net position	22,582	(2,293)
Total liabilities and net position	$ 79,588	$ 80,468
Changes in net position during the year	$ 24,875	$ 28,126

The long-term debt of the Agency, which totals $26,425 and $51,595 at December 31, 2021 and 2020, respectively, is secured by a pledge and assignment of the net electric revenues of the Agency and are supported by take-or-pay commitments, which are an operating expense of the Participant's electric system. The District's portion of the Agency's principal and interest payments during the year were $13,875 and $13,874 for December 31, 2021 and 2020, respectively.

(In Thousands)

M-S-R Energy Authority

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

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

During 2021 and 2020, the District incurred purchased gas costs of $8,459 and $4,361, respectively, in connection with the Authority. At December 31, 2021 and 2020, the District had a payable of $1,039 and $547, respectively, for purchased gas and project related expenses.

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

	2021	2020
Total assets	$ 894,989	$ 901,862
Total liabilities	$ 894,989	$ 901,862
Total net position	-	-
Total liabilities and net position	$ 894,989	$ 901,862
Changes in net position during the year	$ -	$ -

The long-term debt of the Authority totaled $891,235 and $898,275 at December 31, 2021 and 2020, respectively. The District's portion of the Authority's principal and interest payments during 2021 and 2020 were $14,680 and $13,623, respectively.

(In Thousands)

Transmission Agency of Northern California (TANC)

TANC is a joint power agency that owns a portion of the California Oregon Transmission Project (COTP), a transmission line between central California and southern Oregon. As of July 1, 2015, through a 25-year lay-off agreement and the termination of a layoff between MID and some of the other TANC members, the District has a 23.5% ownership interest in TANC for a net total scheduling entitlement of 320 MW. As a result of the 2015 25-year lay-off agreement, the District assumed the debt payment associated with the acquisition of approximately 25 MW of additional COTP transfer capability. TANC is entitled to approximately 87% of the 1,600 MW transmission capacity of the COTP. In addition, the District has a 34% share of TANC's transmission entitlement under the South of Tesla transmission agreements with Pacific Gas & Electric Company (PG&E) that provides the District with 102 MW of transmission between Tesla and Midway.
The District is responsible for 34% of the South of Tesla operating costs. In July 2006, TANC changed the method used to invoice members for transmission costs. TANC began invoicing its members at the monthly TANC Open Access Transmission Tariff (OATT) rate. The OATT rate is charged to the member based on their entitlement share of kWs. During 2021 and 2020, the District incurred transmission costs of $13,947 and $13,554, respectively, relating to these projects, which are included in purchased power expense in the accompanying statements of revenues, expenses and changes in net position. At December 31, 2021 and 2020, the District has a receivable from TANC in the amount of $20,086 and $19,283, respectively, included in other long-term assets in the accompanying balance sheets. In 2006, the District began selling excess transmission capabilities from the COTP transmission lines through TANC, as agent of the District. The District recognized $767 and $527 in revenues from transmission sales in the 2021 and 2020, respectively.

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

	2021	2020
Total assets and deferred outflows of resources	$ 368,529	$ 357,538
Total liabilities	$ 304,379	$ 305,096
Total net position	64,150	52,442
Total liabilities and net position	$ 368,529	$ 357,538
Changes in net position for six months ended	$ 30	$ 2

The long-term debt of TANC (unaudited), which totals $192,173 and $196,436 at December 31, 2021 and 2020, respectively, is collateralized by a pledge and assignment of net revenues of each agency, supported by take-and-pay commitments of the District and the other members. Should other members of these agencies default on their obligations to the agencies, the District would be required to make "step up" payments to cover a portion of the defaulted payments. The District's portion of TANC's principal and interest payments during the year were $2,467 and $2,003 for December 31, 2021 and 2020, respectively.

(In Thousands)

Balancing Authority of Northern California (BANC)

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

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

	2021	2020
Total assets	$ 7,097	$ 8,125
Total liabilities	$ 7,097	$ 8,125
Total net position	-	-
Total liabilities and net position	$ 7,097	$ 8,125
Changes in net position during the year	$ -	$ -

Modesto Irrigation District Financing Authority

The Authority is a joint power authority that provides financing for public improvements of the District and is accounted for as a component unit of the District. The revenues and expenses of the Authority are eliminated upon consolidation with the District. The Authority's summary financial information as of December 31, 2021 and 2020 and for the years then ended is as follows:

	2021	2020
Assets:		
Current assets	$ 14,048	$ 13,570
Other noncurrent assets	45,018	78,294
Debt service installment receivable, less current portion	294,935	273,795
Total assets	354,001	365,659
Deferred outflows of resources	24,881	32,023
Total assets and deferred outflows of resources	$ 378,882	$ 397,682
Liabilities and net position:		
Current liabilities	$ 13,777	$ 13,272
Derivative financial instruments	23,418	30,284
Long-term debt, net	341,357	353,870
Other noncurrent liabilities	330	256
Net position	-	-
Total liabilities and net position	$ 378,882	$ 397,682

(In Thousands)

	2021	2020
Revenues and expenses:		
Revenues:		
Debt service contributions	$ 12,609	$ 13,811
Interest income	369	733
Other nonoperating income	1,106	1,178
Total revenues	14,084	15,722
Interest expense and amortization	(14,084)	(15,722)
Change in net position	-	-
Net position, beginning	-	-
Net position, ending	$ -	$ -

	2021	2020
Cash flows:		
Net cash provided by noncapital financing activities	$ (33,672)	$ 306
Net cash provided by investing activities	394	788
Net change in cash and cash equivalents	(33,278)	1,094
Cash and cash equivalents, beginning	73,509	72,415
Cash and cash equivalents, ending	$ 40,231	$ 73,509

7. Long-Term Debt

The following bonds have been issued:

Date	Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount December 31, 2021
6/26/07	2007F Domestic Water Revenue Bonds	9/1/37	Index Rate	$ 93,190	$ 93,190
6/23/10	2010A Taxable Electric System Revenue Bonds	10/1/40	4.78-7.20%	60,325	45,385
7/23/11	2011A Electric System Refunding Revenue Bonds	7/1/26	3.85-5.00	125,380	-
8/31/11	2011C Electric System Refunding Revenue Bonds	7/1/31	4.50-5.00	32,840	-
10/25/12	2012A Electric System Refunding Revenue Bonds	7/1/32	1.00-5.00	90,065	59,320
8/14/13	2013G Domestic Water Refunding Revenue Bonds	9/11/22	2.00-5.00	43,270	5,795
7/15/15	2015A Electric System Revenue Bonds	10/1/40	4.00-5.00	67,690	67,690
7/15/15	2015B Electric System Refunding Revenue Bond	10/1/34	2.00-5.00	30,190	25,280
10/1/16	2016 Electric System Refunding Revenue Bond	10/1/34	2.00-5.00	95,240	45,785
6/20/19	2019A Electric System Revenue Bonds	10/1/39	5.00	47,355	47,355
6/20/19	2019B Electric System Revenue Bonds	10/1/31	5.00	48,495	44,635
8/6/20	2020 Electric System Refunding Revenue Bonds	10/1/32	4.00-5.00	34,920	34,920
4/06/21	2021 Electric Systems Refunding Revenue Bonds	7/1/31	5.00	48,945	45,525

(In Thousands)

General Debt Terms

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

Interest earnings on tax-exempt bond funds are subject to arbitrage rules of the Internal Revenue Service if interest earnings on the unspent tax-exempt funds are greater than the stated bond yield on the tax-exempt debt. As of December 31, 2021 and 2020, the District has recorded a liability of $330 and $256, respectively, for a potential arbitrage rebate to the IRS. Arbitrage rebates are due five years from the issuance date of the tax-exempt debt.

The District's outstanding debt obligations of $514,880 and $570,510 on December 31, 2021 and 2020, respectively, contain event of default and remedies provisions that in the event of default, outstanding amounts become immediately due and payable. The District has evaluated the event of default and remedies provisions and in the opinion of Management, the likelihood is remote that these provisions(s) will have a significant effect on the District's financial position or results of operations. The District is in compliance with required bond covenants

Long-Term Debt Repayment

Revenue bonds debt service requirements to maturity follows:

	Principal	Interest	Interest Subsidy	Total
Years ending December 31:				
2022	$ 37,695	$ 25,041	$ (1,073)	$ 61,663
2023	38,640	23,213	(1,073)	60,780
2024	39,480	21,365	(1,073)	59,772
2025	40,760	19,341	(1,073)	59,028
2026	32,415	17,510	(1,073)	48,852
2027-2031	137,525	68,043	(5,367)	200,201
2032-2036	109,895	37,782	(4,542)	143,135
2037-2040	78,470	8,723	(1,353)	85,840
Total requirements	$ 514,880	$ 221,018	$ (16,627)	$ 719,271

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions were effective March 1, 2013 for qualified bonds including the District's 2010A Series Bonds. The District received a reduced interest subsidy payment during 2021 and 2020 due to budget sequestration by the federal government. In 2021 and 2020, the District recognized $1,106 and $1,178, respectively, in revenues for its Build America Bonds, as a component of other nonoperating income, net in the statements of revenues, expenses and changes in net position. Federal subsidies for these bonds will be reduced by 5.7% through the end of the federal fiscal year ending September 30, 2030, or convening U.S. Congressional action, at which time the sequestration rate is subject to change.

The District had outstanding debt obligations totaling $3,660 and $7,100 on December 31, 2021 and 2020, respectively, which were defeased and excluded from the District's long-term debt.

(In Thousands)

Current Refunding

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

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

On August 6, 2020, bonds in the amount of $34,920 were issued with an average interest rate of 4.46% to refund $39,930 of Series 2010B Revenue Bonds with an average interest rate of 5.00%. The net proceeds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the current refunding were $55,874 with refunding receipts of $281 from 2020 through 2032. The cash flow requirements on the new bonds are $46,499 with refunding receipts of $3,749 from 2020 through 2032. The current refunding resulted in an economic gain of $12,138.

Long-Term Obligation Summary

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

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

Long-term obligation activity for the year ended December 31, 2020 is as follows:

	January 1, 2020	Additions	Reductions	December 31, 2020	Due Within One Year
Domestic Water Revenue Bonds	$ 109,760	$ -	$ 5,260	$ 104,500	$ 5,515
Revenue bonds	503,310	34,920	72,220	466,010	34,290
Unamortized debt discount	(796)	-	(385)	(411)	-
Unamortized premium	43,011	10,005	7,587	45,429	-
Other liabilities	11,335	604	2,492	9,447	-
Derivative financial instruments	24,792	4,931	-	29,723	(298)
Equity interest in M-S-R	15,209	-	14,063	1,146	-
Total	$ 706,621	$ 50,460	$ 101,237	$ 655,844	$ 39,507

In addition to the liabilities above, information on the net pension liability and the net OPEB liability is provided in Note 9.

8. Derivative Instruments

Summary of Notional Amounts and Fair Values

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

The District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred inflow (outflow) on the balance sheets. As of December 31, 2021 and 2020, all of the District's derivatives met the effectiveness test.

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

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of December 31, 2020 (amounts in thousands; gains shown as positive amounts, losses as negative).

	2020 Change in Fair Value		Fair Value, End of 2020		Notional
	Classification	Amount	Classification	Amount	(Thousands)
Cash Flow Hedges					
Interest rate derivatives:					
Pay-fixed swaps, interest rate	Deferred inflow	$ 5,517	Derivative	$ (30,284)	$ 93,190
Energy derivatives:					
Pay-fixed swaps, natural gas	Deferred inflow	595	Derivative	570	1,675 mmBtu
Options contracts	Regulatory asset	(8)	Derivative	(9)	240 mmBtu

Objective and Terms of Hedging Derivative Instruments

The objectives and terms of the District's hedging derivative instruments that were outstanding at December 31, 2021 and 2020 are summarized in the table below. The table is aggregated by the credit ratings (using the Standard & Poor's scale) of the District's counterparties. For counterparties having multiple ratings, the rating indicating the greatest degree of risk is used.

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

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

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

(In Thousands)

Objectives and terms of the District's hedging derivative instruments that were outstanding at December 31, 2020 are summarized in the table below:

Type	Objective	Notional (Thousands)	Effective Date	Maturity Date	Terms	Counterparty Rating
Pay-fixed swaps, interest rate	Hedge cash flows on the 2007F Bonds	$ 93,190	Jun-07	Sep-37	Pay 4.378-4.440%; receive 67% of LIBOR	A-
Option contracts, natural gas	Hedge cash flows on PG&E Citygate gas purchases	240 mmBtu	Dec-20	Oct-21	Collar with $2.65/mmBtu floor, $3.00 cap; settle on NYMEX	n/a
Pay-fixed swaps, natural gas	Hedge cash flows on PG&E Citygate gas purchases	1,675 mmBtu	Mar-18	Dec-23	Pay $2.93-3.32/mmBtu; receive NGI PG&E Citygage price	Between A- to BBB+

Risks of Derivative Instruments

Credit Risk

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

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

To avoid concentrations of credit risk, and to avoid the risk of itself having to post large amounts of collateral, the District seeks to spread transactions across counterparties so that, even with an adverse move in the market, the threshold values would likely not be exceeded. As of December 31, 2021 and 2020, the District did not have any collateral posted with its derivative counterparties and did not hold any collateral posted by its counterparties.

The District is exposed to credit risk to the extent that it has net fair value gains on its derivative positions with individual counterparties. If counterparty failed, those value amounts could be lost. As of December 31, 2021 and 2020, the District was in-the-money with certain of its counterparties.

(In Thousands)

Basis Risk

Basis risk is the risk that arises when a hedged item and a derivative intended to hedge that item are based on different indices. The District is exposed to basis risk when it hedges its natural gas purchases, which are priced at the PG&E Citygate index, with NYMEX futures and options contracts, which settle based on the price in Henry Hub, Louisiana. If the markets diverge such that PG&E Citygate prices increase relative to Henry Hub prices, the District would be negatively affected on the futures and options contracts that mature in 2021.

Termination Risk

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

Hedged Debt

Net cash flows for the District's synthetic fixed-rate debt are shown below. These amounts assume that the interest rates of the bonds and the reference rates of the hedging derivative instruments remain at December 31, 2021 levels. These rates will vary and, as they do, interest payments on the variable-rate bonds and net receipts/payments on the interest rate swaps will vary. The table shows only the District's effectively hedged synthetic fixed-rate debt, which is a subset of the District's total debt. As of December 31, 2021, all of the District's variable-rate debt is effectively hedged.

	Principal	Interest	Net Payment on Derivatives	Total
Years ending December 31:				
2022	$ -	$ 706	$ 3,417	$ 4,123
2023	4,275	698	3,378	8,351
2024	4,455	667	3,220	8,342
2025	4,650	635	3,055	8,340
2026	4,885	601	2,883	8,369
2027-2031	27,955	2,418	11,531	41,904
2032-2036	35,100	1,225	5,837	42,162
2037	11,870	69	327	12,266
Total	$ 93,190	$ 7,019	$ 33,648	$ 133,857

9. Employee Benefit Plans

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

Basic Retirement Plan

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard, or the initial unfunded liability is shown as a regulatory cost for future recovery on the balance sheet. The District began amortizing its deferred asset into expense over the next 20 years using straight line amortization in 2020 to match the District's funding of the Plan.

Plan Description

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

Benefits Provided

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

(In Thousands)

Employees Covered by Benefit Terms

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

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	482	471
Inactive employees entitled to but not yet receiving benefits	53	53
Active employees	429	439
Total	964	963

Contributions

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

The funding policy currently established by the Committee requires the District to contribute an amount set forth in the Recommendation Regarding Total Contributions presented in the Plan actuary's Actuarial report. The Required Annual Contributions set forth in the Recommendation regarding total contributions presented in the Actuarial Report are $19,050 and $12,491, which were contributed in 2021 and 2020, respectively.

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

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2020 and 2019 for the District's December 31, 2021 and 2020 financial statements, respectively, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of January 1, 2021 and January 1, 2020, respectively.

(In Thousands)

Actuarial Assumptions

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

	2021	2020
Actuarial valuation date	January 1, 2021	January 1, 2020
Amortization method	20 year amortization method	20 year amortization method
Asset valuation method	Smoothed fair market value method with gains and losses recognized over five years	Smoothed fair market value method with gains and losses recognized over three years
Long-term expected rate of return	6.90%	6.90%
Discount rate	6.90%	6.90%
Inflation	2.50%	2.50%
Salary increases	4.00% per year, compounded annually	4.00% per year, compounded annually
Mortality	RP-2000 Blue Collar Generation Mortality Table projected with a 7% of scale AA	RP-2000 Blue Collar Generation Mortality Table projected with a 7% of scale AA
Post-retirement adjustments	2.50%	2.50%
Overtime assumptions	4% plus 4 to 16% of current salaries for employees who are expected to have significant increase in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.	4% plus 4 to 16% of current salaries for employees who are expected to have significant increase in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.

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

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

Discount Rate

The discount rates of 6.90% was used to measure the total pension liability as of December 31, 2021 and 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed-upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(In Thousands)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, December 31, 2019	$ 372,412	$ 256,128	$ 116,284
Changes for the year:			
Service cost	6,961	-	6,961
Interest on total pension liability	27,194	-	27,194
Difference between expected and actual experience	3,390	-	3,390
Change in assumptions	27,042	-	27,042
Employer contributions	-	75,862	(75,862)
Employee contributions	-	(31)	31
Net investment income	-	53,933	(53,933)
Benefit pays, including employee refunds	(19,708)	(19,708)	-
Administrative expense	-	(439)	439
Other (benefits payable)	-	(15)	15
Net changes	44,879	109,602	(64,723)
Balance, December 31, 2020	417,291	365,730	51,561
Changes for the year:			
Service cost	7,578	-	7,578
Interest on total pension liability	28,353	-	28,353
Difference between expected and actual experience	(7,609)	-	(7,609)
Changes in assumptions	34,092	-	34,092
Employer contributions	-	23,735	(23,735)
Employee contributions	-	1,272	(1,272)
Net investment income	-	53,838	(53,838)
Benefit pays, including employee refunds	(20,558)	(20,558)	-
Administrative expense	-	(206)	206
Other (benefits payable)	-	-	-
Net changes	41,856	58,081	(16,225)
Balance, December 31, 2021	$ 459,147	$ 423,811	$ 35,336

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

The following presents the Net Pension Liability (Asset) of the employer as of December 31, 2021, calculated using the discount rate of 6.90%, as well as what the employer's Net Pension Liability (Asset) would be using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
December 31, 2021	$ 95,511	$ 35,336	$ (14,679)
December 31, 2020	$ 103,539	$ 51,561	$ 7,985

(In Thousands)

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2021 and 2020, the employer recognized pension expense of $10,919 and $21,522, respectively. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 32,972
Differences between expected and actual experience	4,359	6,341
Differences in assumptions	46,046	-
Contributions subsequent to the measurement date*	19,227	-
Total	$ 69,632	$ 39,313

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 13,998
Differences between expected and actual experience	6,160	-
Differences in assumptions	22,339	
Contributions subsequent to the measurement date*	23,735	-
Total	$ 52,234	$ 13,998

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

(In Thousands)

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

Years ending December 31:		
2022	$	1,500
2023		5,124
2024		(2,712)
2025		2,767
2026		4,413

Payable to the Pension Plan

At December 31, 2021 and 2020, the employer did not have a payable for any outstanding amount of contributions to the pension plan required.

The 2021 and 2020 required contributions were determined as part of the January 1, 2021 and January 1, 2020 actuarial valuations, respectively, using the entry age normal cost method. This method seeks to provide a level pattern of cost as a percentage of salary throughout an employee's working lifetime. A level percentage of payroll amortization is used, with an amortization period not to exceed 30 years.

Supplemental Retirement Plan

Eligible employees of the District also participate in the District's supplemental retirement plan (the Supplemental Plan). The Supplemental Plan is a defined contribution plan and serves as partial or full replacement of social security for participants, depending upon date of employment. Participants are required to contribute 5% of their compensation on a pre-tax basis. The District wholly matches the contributions. Participants become fully vested in the District's portion of their account after six months of employment. Covered payroll of Participants is the same as under the Basic Retirement Plan. Participants have a selection of investment options offered under the Plan. The District made contributions to the Supplemental Plan of $2,435 and $2,406 for 2021 and 2020, respectively. The District issues publicly available stand-alone financial statements and required supplementary information of the Plan that may be obtained by contacting the District.

Deferred Compensation Plan

The Modesto Irrigation District (the District) Deferred Compensation Plan (the Plan) was established effective as of January 1, 1980 to provide retirement income and other deferred benefits to the Employees of the District and their Beneficiaries. The District intends to maintain the Plan as an eligible deferred compensation plan within the meaning of section 457(b) of the Internal Revenue Code. The Plan is established and shall be maintained for the exclusive benefit of Participants and their Beneficiaries. The District does not provide contributions to the Plan. The Plan is participant-directed and available to all District employees, which permits them to defer a portion of their salary until future years. Plan participants are ultimately responsible for their investment decisions, therefore the Retirement Committee intends to provide a broad spectrum of investment options to allow plan participants to construct diversified portfolios designed to meet their own time horizons and risk and return objectives ranging from conservative (with an emphasis on capital preservation) to aggressive (with an emphasis on higher long-term growth potential). The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the Plan shall be held and invested in the Trust Fund in accordance with the Plan and the Trust Agreement. The Plan is managed by a third-party administrator. Plan assets were $52,634 and $49,186 at December 31, 2021 and 2020, respectively.

(In Thousands)

Health Care Benefits

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2020. The cumulative effect of the change in net position due to the change in accounting standard, or the initial unfunded liability is shown as a regulatory cost for future recovery on the balance sheets. The District began amortizing its deferred asset into expense over the next 20 years using straight line amortization in 2020 to match the District's funding of the Plan.

Plan Description

The Retiree Medical Program is a single-employer defined benefit healthcare plan. The District provides health care benefits, in accordance with District policy, to qualified retirees and their spouses. The qualification requirements for these benefits are similar to those under the District's retirement plans. The following description of the District Retiree Medical Program (Retiree Medical Plan) provides only general information. Participants should refer to the Retiree Medical Plan agreement for a more complete description of the Retiree Medical Plan's provisions.

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

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

Plan Membership

At the December 31, 2020 and 2019 valuation dates, the following employees were covered by the benefit terms:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefit payments	383	382
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active and disabled plan members	421	433
Total	804	815

Benefits Provided

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

(In Thousands)

Contributions

Section 5.03 of the Retiree Medical Plan Agreement grants the authority to establish and amend the contribution requirements of the District and Retiree Medical Plan members to the Retirement Committee. The Retiree Medical Plan Agreement directs the District to make contributions based on an actuarially determined rate. The District reserves the right to suspend or reduce the contributions otherwise payable to the Retiree Medical Plan by the District. The District's average contribution rate was 16.65% and 4.29% of covered-employee payroll, for the year ended December 31, 2021 and 2020, respectively. Plan members are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of December 31, 2020 and 2019 for the District's December 31, 2021 and 2020 financial statements, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively.

Actuarial Assumptions

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

	2021	2020
Actuarial valuation date	January 1, 2020	January 1, 2019
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Asset valuation method	Smoothed fair market value method with gains and losses recognized over three years	Smoothed fair market value method with gains and losses recognized over three years
Long-term expected rate of return	6.90%	6.90%
Discount rate	6.90%	4.80%
Inflation	2.00%	2.50%
Salary increases	4.00% per year	4.00% per year
Mortality	Pub-2010 General Employees Amount-Weighted Mortality, with generational projection using Scale MP-2020	RP-2000 Blue Collar Generation Mortality Table decreasing to 25% at age 63 and increasing to 100% at 65
Post-retirement adjustments	2.50%	2.50%
Healthcare cost trend rates	Society of Actuaries Long-Run Medical Cost Trend Model released in 2007, version 2021_b	5.0% for 2020, decreasing 0.5% per year to an ultimate rate of 4.5% for 2021 and later years.

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

(In Thousands)

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.90% and 4.80% for the years ended December 31, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will not be available to make all projected future benefit payments of current plan members. Therefore, in 2020, a blended rate was used based on the long-term expected rate of return on OPEB plan investments and the S&P Municipal Bond 20 Year High Grade Index was used to determine the total OPEB liability. In 2021, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments and the long-term expected rate of return on OPEB plan investments was used to determine the total OPEB liability.

(In Thousands)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, December 31, 2019	$ 148,946	$ 51,676	$ 97,270
Changes for the year:			
Service cost	3,402	-	3,402
Interest	6,705	-	6,705
Difference between expected and actual experience	(3,042)	-	(3,042)
Changes in assumptions	(6,169)	-	(6,169)
Contributions, employer	-	9,782	(9,782)
Contributions, employee	-	31	(31)
Net investment income	-	10,934	(10,934)
Benefit payments	(7,720)	(7,720)	-
Administrative expense	-	(70)	70
Net changes	(6,824)	12,957	(19,781)
Balance, December 31, 2020	142,122	64,633	77,489
Changes for the year:			
Service cost	3,102	-	3,102
Interest	6,644	-	6,644
Difference between expected and actual experience	(4,787)	-	(4,787)
Changes in assumptions	(20,384)	-	(20,384)
Contributions, employer	-	9,540	(9,540)
Contributions, employee	-	30	(30)
Net investment income	-	10,076	(10,076)
Benefit payments	(7,511)	(7,511)	-
Administrative expense	-	(58)	58
Net changes	(22,936)	12,077	(35,013)
Balance, December 31, 2021	$ 119,186	$ 76,710	$ 42,476

(In Thousands)

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

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

The sensitivity analysis as of December 31, 2021 and 2020 follows:

	1% Decrease	Current Discount Rate	1% Increase
December 31, 2021	$ 55,217	$ 42,476	$ 31,713
December 31, 2020	$ 96,222	$ 77,489	$ 62,146

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

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

The sensitivity analysis as of December 31, 2021 and 2020 follows:

	1% Decrease	Healthcare Cost Trend	1% Increase
December 31, 2021	$ 29,914	$ 42,476	$ 57,478
December 31, 2020	$ 60,847	$ 77,489	$ 97,976

(In Thousands)

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

The District recognized OPEB expense of $(6,434) and $(202) for the years ended December 31, 2021 and 2020, respectively.

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

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

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,957
Changes of assumptions	5,677	27,974
Net difference between projected and actual earnings on OPEB plan investments	-	2,962
Contributions subsequent to the measurement date*	9,540	-
Total	$ 15,217	$ 33,893

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

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

Years ending December 31:	
2022	$ (11,609)
2023	(10,848)
2024	(12,571)
2025	(7,720)
2026	(4,507)
Thereafter	-

(In Thousands)

Payable to the OPEB Plan

At December 31, 2021 and 2020, the employer did not have a payable for any outstanding amount of contributions to the OPEB plan required.

10. Retiree Medical Plan

The following disclosures relate to the Retiree Medical Plan fiduciary activities as required by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Plan information related to December 31, 2020 is included in Note 9 with regard to the December 31, 2021 net OPEB liability, unless otherwise stated below.

Plan Membership

At December 31, 2021, Retiree Medical Plan membership consisted of the following:

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

Investment Policy

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

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

(In Thousands)

Rate of Return

For the year ended December 31, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense was 14.59% and 15.16%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The components of the net OPEB liability of the District at December 31, 2021, were as follows:

Total OPEB liability	$ 113,602
Retiree Medical Plan fiduciary net position	95,097
District's net OPEB liability	$ 18,505
Retiree Medical Plan fiduciary net position as a percentage of the total OPEB liability	83.7%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary Increases: 4.00%
- Investment rate of return: 6.90%
- Healthcare cost trend rates: Medical Trend assumptions were developed using the Society of Actuaries Long-Run Medical Cost Trend Model, released in December 2007 and version 2021_b
- Mortality rates were based on the Pub-2010 Amount weighted mortality with generational projection using Scale MP-2020.

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

Discount Rate

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

(In Thousands)

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

The following presents the net OPEB liability of the District for the December 31, 2021 measurement date, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate.

The sensitivity analysis as of December 31, 2021 follows:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net OPEB liability	$ 29,895	$ 18,505	$ 8,815

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

The following presents the net OPEB liability of the District for the December 31, 2021 measurement date, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

The sensitivity analysis as of December 31, 2021 follows:

	1% Decrease (4.00% Decreasing to 2.50%)	Healthcare Cost Trent Rates (5.00% Decreasing to 3.50%	1% Increase (6.00% Decreasing to 4.50%)
Net OPEB liability	$ 7,075	$ 18,505	$ 32,072

11. Commitments

The District purchases most of its purchased power from M-S-R (Note 6) and through the following long-term agreements:

Other Energy Purchase Commitments

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

Years ending December 31:	
2021	$ 118,956
2022	117,832
2023	74,697
2024	72,518
2025	72,787

-

12. Contingencies

Rate Subsidy Litigation

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

The trial court issued a December 31, 2019 ruling concluding the District’s 2016 rates violate Proposition 26. The court will determine the amount of the District’s liability, if any, in a coming remedies phase of trial set for May 10, 2022.

The District cannot predict the outcome of the litigation or the extent to which remedies against it may be available if the District is ultimately unsuccessful in the litigation. The District is vigorously defending this matter.

General Contingencies

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

Open Contracts

The District has open contracts for approximately $28,822 for various capital and operating projects. As of December 31, 2021, approximately $20,447 has been expended.

Electric Purchase Contracts

The District has entered into numerous electric purchase contracts with amounts totaling approximately 862 megawatt hours (MWh) for the purpose of fixing the rate on the District’s electric power purchases. These electric purchase contracts result in the District paying fixed rates ranging from $32,75 to $132.00 per MWh. These contracts expire periodically from February 2022 through December 2023. In addition, the District has entered into contracts for power generated by hydroelectric, solar and wind resources where the amount and cost will depend on weather variables. The hydro, solar and wind contracts expire periodically from December 2024 through December 2040.

Gas Purchase Contracts

The District has entered into numerous gas purchase contracts for the purpose of fixing the rate on the District’s natural gas purchases for its gas-fueled power plants. These gas purchase contracts result in the District paying fixed rates ranging from $2.93 to $4.93 per million British Thermal Units (mmbtu). The amounts total to approximately 5.6 million mmbtu and the contracts expire periodically from January 2022 through December 2025.

(In Thousands)

13. Risk Management

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

	2021	2020	2019
Claims liability, beginning of year	$ 563	$ 331	$ 422
Claims accrued	619	1,336	517
Claims paid/other	(767)	(1,104)	(608)
Claims liability, end of year	$ 415	$ 563	$ 331

14. Subsequent Event

The Retirement Committee approved the conversion of the retirement investor advisor for the Retirement System Basic Retirement Plan and the Retiree Medical Benefits Plan to a Discretionary Consultant Model whereby it adopted an Outsourced Chief Investment Officer (OCIO) model that shifted the investment decision responsibility to a consulting firm. As part of the transaction, the Plans also changed trustees. The new OCIO model and trustee became effective January 1, 2022.

The new OCIO has noted that during the first quarter of 2022 the market volatility has increased which does impact the investment valuations.

REQUIRED SUPPLEMENTARY INFORMATION

Modesto Irrigation District

Required Supplementary Information
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios - GASB Statements No. 74 and 75 (Unaudited)
December 31, 2021
(In Thousands)

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

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

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

Note: This schedule is to show information for 10 years.
However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Required Supplementary Information
Schedule of Employer's Contributions - GASB Statements No. 74 and 75 (Unaudited)
December 31, 2021
(In Thousands)

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

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Normal cost method
Amortization method	Level percentage of payroll, open
Amortization period	3-year smoothed market
Asset valuation method	Fair value
Inflation	1.33 percent
Healthcare cost trend rates	5.0 percent for 2020, starting in 2017 at 6.5 percent and decreasing 0.5 percent per year to an ultimate rate of 4.5 percent in 2021 2021 Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model, released in December 2007 and version 2021_b
Salary increases	4.0 percent
Investment rate of return	2021 6.90%* 2020 6.90%* 2019 6.90%* 2018 7.50%* *net of OPEB plan investment expense, including inflation
Single equivalent discount rate	2021 6.90% 2020 6.90% 2019 4.80% 2018 4.62%
Retirement age	Retirement probability begins at 10.0 percent upon obtaining the age of 55, decreasing to 5.0 percent at age 56, then increasing to 35.00 percent at age 60. At age 61 retirement probability decreases to 15.0 percent and increases to 50 percent at age 62.
Mortality (2017 - 2020)	Decreasing to 25 percent at age 63 and increasing to 100 percent at 65. RP-2000 Blue Collar Generational Mortality Table projected with a 75 percent Scale AA.
Mortality (2021)	Pub-2010 General Amount-Weighted Mortality, with generational projection using Scale MP-2020

Other Information:

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

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

Modesto Irrigation District

Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - GASB Statement No. 68 (Unaudited)
December 31, 2021
(In Thousands)

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

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

Modesto Irrigation District

Required Supplementary Information
Schedule of Employer's Contributions - GASB Statement No. 68 (Unaudited)
December 31, 2021
(In Thousands)

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

Notes to Schedule

	2021 - 2020	2019 - 2015
Actuarial cost method	Entry Age Normal Method	Entry Age Normal Method
Amortization method	20 year amortization method	30-year rolling, level-dollar amortization method
Asset valuation method	Smoothed fair market value method with gains and losses recognized over five years	Smoothed fair market value method with gains and losses recognized over three years
Long term expected rate of return	6.90%	7.50%
Discount rate	6.90%	7.50%
Inflation	2.50%	2.50%
Salary increases	4.00% per year, compounded annually	4.00% per year, compounded annually
Mortality	RP-2000 Blue Collar Generation Mortality Table projected with a 75% of scale AA	RP-2000 Blue Collar Generation Mortality Table projected with a 75% of scale AA
Post-retirement adjustments	2.50% *	2.50%
Overtime assumptions	4 percent plus 4 to 16% of current salaries for employees who are expected to have significant increased in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.	4 to 16% of current salaries for employees who are expected to have significant increased in their final average salaries due to overtime. Overtime assumption of 0% for Post-2005 eligible employees.

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

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

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

SUPPLEMENTARY INFORMATION

Modesto Irrigation District

Combining Statements of Fiduciary Net Position
December 31, 2021and 2020
(In Thousands)

	Basic Retirement Plan		Supplemental Retirement Plan		Retiree Medical Plan		Total Fiduciary Activities	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Assets								
Cash and Cash Equivalents	$ 2,598	$ 634	$ 5	$ 32	$ 5,212	$ 2	$ 7,815	$ 668
Receivables								
Dividends	51	54	-	-	-	-	51	54
Investments at Fair Value								
Publicly traded stocks	53,122	48,132	-	-	-	-	53,122	48,132
Stable value	-	-	21,343	21,172	-	-	21,343	21,172
Mutual funds	429,288	375,693	137,923	124,026	89,919	76,766	657,130	576,485
Total assets	485,059	424,513	159,271	145,230	95,131	76,768	739,461	646,511
Less accrued liabilities	646	702	-	-	34	58	680	760
Net position held in trust for retiree benefits	$ 484,413	$ 423,811	$ 159,271	$ 145,230	$ 95,097	76,710	$ 738,781	$ 645,751

Modesto Irrigation District

Combining Statements of Changes in Fiduciary Net Position
December 31, 2021 and 2020
(In Thousands)

	Basic Retirement Plan		Supplemental Retirement Plan		Retiree Medical Plan		Total Fiduciary Activities	
	2021	2020	2021	2020	2021	2020	2021	2020
Additions								
Additions to (reductions from) net position attributed to:								
Investment income (loss):								
Net appreciation of investments	$ 59,028	$ 50,858	$ 12,734	$ 11,108	$ 10,135	$ 8,950	$ 81,897	$ 70,916
Dividend income	5,721	4,931	4,738	4,325	1,323	1,125	11,782	10,381
Interest income	1	106	-	-	-	1	1	107
Investment expenses	(2,389)	(2,056)	-	-	-	-	(2,389)	(2,056)
Net investment income	62,361	53,839	17,472	15,433	11,458	10,076	91,291	79,348
Contributions:								
Employee contributions	1,381	1,272	2,435	2,406	28	30	3,844	3,708
Employer contributions	19,227	23,735	2,435	2,406	15,387	9,540	37,049	35,681
Other contributions	-	-	34	28	-	-	34	28
Total contributions	20,608	25,007	4,904	4,840	15,415	9,570	40,927	39,417
Total additions	82,969	78,846	22,376	20,273	26,873	19,646	132,218	118,765
Deductions								
Deductions from net position attributed to:								
Distributions to plan members and beneficiaries	22,122	20,537	8,329	3,852	-	-	30,451	24,389
Medical premiums paid	-	-	-	-	8,452	7,511	8,452	7,511
Other benefits expense	-	22	-	-	-	-	-	22
Administrative expenses	200	172	6	10	34	58	240	240
Consultant and professional services expenses	45	34	-	-	-	-	45	34
Total deductions	22,367	20,765	8,335	3,862	8,486	7,569	39,188	32,196
Net increase in net position held in trust for retiree benefits	60,602	58,081	14,041	16,411	18,387	12,077	93,030	86,569
Net Position Held in Trust for Retiree Benefits								
Beginning of year	423,811	365,730	145,230	128,819	76,710	64,633	645,751	559,182
End of year	$ 484,413	$ 423,811	$ 159,271	$ 145,230	$ 95,097	$ 76,710	$ 738,781	$ 645,751