

**Tri-Dam Power Authority
Annual Financial Report**

For the Fiscal Years Ended December 31, 2020 and 2019



Tri-Dam Power Authority

Tri-Dam Power Authority Board of Directors as of December 31, 2020

Name	Agency	Title	Division	Elected/ Appointed	Current Term
Mike Weststeyn	South San Joaquin Irrigation District	President	4	Elected	November 2024
Bob Holmes	South San Joaquin Irrigation District	Director	1	Elected	December 2022
John Holbrook	South San Joaquin Irrigation District	Director	5	Elected	November 2024
Dave Kamper	South San Joaquin Irrigation District	Director	3	Elected	December 2022
Ralph Roos	South San Joaquin Irrigation District	Director	2	Elected	November 2024
Herman Doorenbal	Oakdale Irrigation District	Vice-President	2	Elected	December 2022
Tom Orvis	Oakdale Irrigation District	Director	3	Elected	December 2022
Brad DeBoer	Oakdale Irrigation District	Director	5	Elected	December 2022
Ed Tobias	Oakdale Irrigation District	Director	1	Elected	December 2024
Linda Santos	Oakdale Irrigation District	Director	4	Elected	December 2024

**Tri-Dam Power Authority
Jarom Zimmerman, General Manager
31885 Old Strawberry Road
Strawberry, California 95375
(209) 965-3996 – www.tridamproject.com**

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Financial Section



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Independent Auditor's Report

Board of Directors
Tri-Dam Power Authority
Strawberry, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Tri-Dam Power Authority (Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Independent Auditor's Report, continued

Other-Matters

The financial statements of the Authority for the year ended December 31, 2019, were audited by another auditor, who expressed an unmodified opinion on those statements on April 13, 2020.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. This report can be found on pages 28 and 29.



Fedak & Brown LLP
Cypress, California
July 15, 2021

Tri-Dam Power Authority
Management's Discussion and Analysis
For the Fiscal Years Ended December 31, 2020 and 2019
With comparative amounts for December 31, 2018
Provided for Illustrative Purposes

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Tri-Dam Power Authority (Authority) provides an introduction to the financial statements of the Authority for the fiscal years ended December 31, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2020, the Authority's net position decreased 14.33% or \$4,622,504 to \$27,641,989 as a result of net income of \$1,816,496 from ongoing operations offset by \$6,439,000 in distributions to the Districts. In fiscal year 2019, the Authority's net position increased 4.94% or \$1,519,898 to \$32,264,493 as a result of net income of \$6,387,898 from ongoing operations offset by \$4,868,000 in distributions to the Districts.
- In fiscal year 2020, the Authority's total revenues decreased 56.90% or \$4,448,499 to \$3,370,140. In fiscal year 2019, the Authority's total revenues increased 51.25% or \$2,649,260 to \$7,818,639.
- In fiscal year 2020, the Authority's total expenses increased 8.59% or \$122,903 to \$1,553,644. In fiscal year 2019, the Authority's total expenses increased 14.66% or \$182,879 to \$1,430,741.
- In fiscal year 2020, the Authority's distributions to the Districts increased 32.27% or \$1,571,000 from \$4,868,000 to \$6,439,000. In fiscal year 2019, the Authority's distributions to the Districts decreased 34.06% or \$2,515,000 to \$4,868,000.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Authority's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources and net position. They also provide the basis for computing a rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current and prior years' revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Authority's operations over the past years and can be used to determine if the Authority has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provide information about the Authority's cash receipts and cash payments during the reporting periods. The Statement of Cash Flows report cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provide answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

Tri-Dam Power Authority
Management's Discussion and Analysis, continued
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Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. You can think of the Authority's net position – the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 27.

Statements of Net Position

Condensed Statements of Net Position					
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Assets:					
Current assets	\$ 5,375,283	8,704,540	(3,329,257)	6,615,317	2,089,223
Capital assets, net	<u>23,293,992</u>	<u>23,732,555</u>	<u>(438,563)</u>	<u>24,235,421</u>	<u>(502,866)</u>
Total assets	<u>28,669,275</u>	<u>32,437,095</u>	<u>(3,767,820)</u>	<u>36,204,915</u>	<u>(39,972,735)</u>
Liabilities:					
Current liabilities	<u>1,027,286</u>	<u>172,602</u>	<u>854,684</u>	<u>106,143</u>	<u>66,459</u>
Total liabilities	<u>1,027,286</u>	<u>172,602</u>	<u>854,684</u>	<u>106,143</u>	<u>66,459</u>
Net position:					
Net investment in capital assets	23,293,992	23,732,555	(438,563)	24,235,421	(502,866)
Unrestricted	<u>4,347,997</u>	<u>8,531,938</u>	<u>(4,183,941)</u>	<u>6,509,174</u>	<u>2,022,764</u>
Total net position	<u>\$ 27,641,989</u>	<u>32,264,493</u>	<u>(4,622,504)</u>	<u>30,744,595</u>	<u>1,519,898</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$27,641,989 and \$32,264,493 as of December 31, 2020 and 2019, respectively.

A portion of the Authority's net position, 84.27% and 73.56% as of December 31, 2020 and 2019, respectively, reflects the Authority's investment in capital assets net of accumulated depreciation. The Authority uses these capital assets to provide services to customers within the Authority's service area; consequently, these assets are *not* available for future spending.

Tri-Dam Power Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended December 31, 2020 and 2019
With comparative amounts for December 31, 2018
Provided for Illustrative Purposes

Statements of Net Position, continued

At the end of the fiscal year 2020 and 2019, the Authority showed a positive balance in its unrestricted net position of \$4,347,997 and \$8,531,938, respectively. See note 5 for a detailed analysis.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 3,344,908	7,775,029	(4,430,121)	5,133,607	2,641,422
Non-operating revenues	<u>25,232</u>	<u>43,610</u>	<u>(18,378)</u>	<u>35,772</u>	<u>7,838</u>
Total revenues	<u>3,370,140</u>	<u>7,818,639</u>	<u>(4,448,499)</u>	<u>5,169,379</u>	<u>2,649,260</u>
Expenses:					
Operating expenses	1,061,421	927,875	133,546	744,540	183,335
Non-operating expense	-	3,396	(3,396)	-	3,396
Depreciation expense	<u>492,223</u>	<u>499,470</u>	<u>(7,247)</u>	<u>503,322</u>	<u>(3,852)</u>
Total expenses	<u>1,553,644</u>	<u>1,430,741</u>	<u>122,903</u>	<u>1,247,862</u>	<u>182,879</u>
Net income before distributions to Districts	1,816,496	6,387,898	(4,571,402)	3,921,517	2,466,381
Distributions to Districts	<u>(6,439,000)</u>	<u>(4,868,000)</u>	<u>(1,571,000)</u>	<u>(7,383,000)</u>	<u>2,515,000</u>
Change in net position	(4,622,504)	1,519,898	(6,142,402)	(3,461,483)	4,981,381
Net position, beginning of year	<u>32,264,493</u>	<u>30,744,595</u>	<u>1,519,898</u>	<u>34,206,078</u>	<u>(3,461,483)</u>
Net position, end of year	<u>\$ 27,641,989</u>	<u>32,264,493</u>	<u>(4,622,504)</u>	<u>30,744,595</u>	<u>1,519,898</u>

The Statements of Revenues, Expenses and Changes in Net Position show how the Authority's net position changed during the year. In the case of the Authority, net position decreased 14.33% or \$4,622,504 to \$27,641,989 as a result of net income of \$1,816,496 from ongoing operations offset by \$6,439,000 in distributions to the Districts.

In fiscal year 2019, the Authority's net position increased 4.94% or \$1,519,898 to \$32,264,493 as a result of net income of \$6,387,898 from ongoing operations offset by \$4,868,000 in distributions to the Districts.

A closer examination of the sources of changes in net position reveals that:

The Authority's total revenues decreased 56.90% or \$4,448,499 to \$3,370,140. In fiscal year 2019, the Authority's total revenues increased 51.25% or \$2,649,260 to \$7,818,639.

The Authority's operating revenues decreased 56.98% or \$4,430,121 to \$3,344,908, due to a decrease in power generation revenue as compared to the prior year. In fiscal year 2019, the Authority's operating revenues increased 51.45% or \$2,641,422 to \$7,775,029, due to an increase in power generation revenue as compared to the prior year.

The Authority's non-operating revenues decreased 42.14% or \$18,378 to \$25,232, due to a decrease in investment earnings as compared to the prior year. In fiscal year 2019, the Authority's non-operating revenues increased 21.91% or \$7,838 to \$43,610, due to an increase in investment earnings as compared to the prior year.

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Statements of Revenues, Expenses and Changes in Net Position, continued

The Authority's total expenses increased 8.59% or \$122,903 to \$1,553,644. In fiscal year 2019, the Authority's total expenses increased 14.66% or \$182,879 to \$1,430,741.

The Authority's operating expenses increased 14.39% or \$133,546 to \$1,061,421, due primarily to increases of \$147,779 in maintenance and \$9,574 in general and administrative, offset by a decrease of \$23,807 in operations as compared to the prior year. In fiscal year 2019, the Authority's operating expenses increased 24.62% or \$183,335 to \$927,875, due primarily to increases of \$92,900 in maintenance, \$63,628 in operations, and \$26,807 in general and administrative as compared to the prior year.

The Authority's non-operating expenses decreased 100% or \$3,396 to \$0, due to a decrease in loss on disposition of capital assets as compared to the prior year. In fiscal year 2019, the Authority's non-operating expenses increased 100% or \$3,396, due to an increase in loss on disposition of capital assets as compared to the prior year.

The Authority's depreciation expense decreased 1.45% or \$7,247 to \$492,223 due primarily to the maturing of existing capital assets. In fiscal year 2019, the Authority's depreciation expense decreased 0.77% or \$3,852 to \$499,470 due primarily to the maturing of existing capital assets.

The Authority's distributions to the Districts increased 32.27% or \$1,571,000 as determined by the member Districts at fiscal year-end. In fiscal year 2019, the Authority's distributions to the Districts decreased 34.06% or \$2,515,000 as determined by the member Districts at fiscal year end.

Capital Asset Administration

At the end of fiscal years 2020 and 2019, the Authority's investment in capital assets amounted to \$23,293,992 and \$23,732,555 (net of accumulated depreciation), respectively. This investment in capital assets includes construction-in-process, hydroelectric production facilities, conveyance tunnels. Roads and bridges, and other equipment. See further detailed information in note 3.

Changes in capital asset amounts for 2020, were as follows:

	<u>Balance 2019</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 10,847	53,660	(59,084)	5,423
Depreciable assets	45,316,523	59,084	-	45,375,607
Accumulated depreciation	<u>(21,594,815)</u>	<u>(492,223)</u>	<u>-</u>	<u>(22,087,038)</u>
Total capital assets, net	<u>\$ 23,732,555</u>	<u>(379,479)</u>	<u>(59,084)</u>	<u>23,293,992</u>

Changes in capital asset amounts for 2019, were as follows:

	<u>Balance 2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 14,243	-	(3,396)	10,847
Depreciable assets	45,316,523	-	-	45,316,523
Accumulated depreciation	<u>(21,095,345)</u>	<u>(499,470)</u>	<u>-</u>	<u>(21,594,815)</u>
Total capital assets, net	<u>\$ 24,235,421</u>	<u>(499,470)</u>	<u>(3,396)</u>	<u>23,732,555</u>

Tri-Dam Power Authority
Management's Discussion and Analysis, continued
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Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Authority and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the Authority's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the Authority's funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact: Brian Jaruszewski, Finance and Administrative Manager of Tri-Dam Project at 31885 Old Strawberry Road, Strawberry, CA 95375 or by phone (209) 965-3996.

Basic Financial Statements

Tri-Dam Power Authority
Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,735,417	7,930,738
Accrued interest receivable	1,716	6,426
Accounts receivable	566,824	710,906
Prepaid expenses	<u>71,326</u>	<u>56,470</u>
Total current assets	<u>5,375,283</u>	<u>8,704,540</u>
Non-current assets:		
Capital assets – not being depreciated (note 3)	5,423	10,847
Capital assets – being depreciated, net (note 3)	<u>23,288,569</u>	<u>23,721,708</u>
Total non-current assets	<u>23,293,992</u>	<u>23,732,555</u>
Total assets	<u>28,669,275</u>	<u>32,437,095</u>
Current liabilities:		
Accounts payable	6,357	1,765
Due to Tri-Dam Project (note 4)	<u>1,020,929</u>	<u>170,837</u>
Total current liabilities	<u>1,027,286</u>	<u>172,602</u>
Total liabilities	<u>1,027,286</u>	<u>172,602</u>
Net position: (note 5)		
Net investment in capital assets	23,293,992	23,732,555
Unrestricted	<u>4,347,997</u>	<u>8,531,938</u>
Total net position	<u>\$ 27,641,989</u>	<u>32,264,493</u>

See accompanying notes to the basic financial statements

Tri-Dam Power Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Power generation	\$ 3,344,908	7,775,029
Total operating revenues	3,344,908	7,775,029
Operating expenses:		
Operations	309,448	333,255
Maintenance	426,121	278,342
General and administrative	325,852	316,278
Total operating expenses	1,061,421	927,875
Operating income before depreciation expense	2,283,487	6,847,154
Depreciation expense	(492,223)	(499,470)
Operating income	1,791,264	6,347,684
Non-operating revenues (expenses), net:		
Investment earnings	25,232	43,610
Loss from disposition of capital assets	-	(3,396)
Total non-operating revenues (expenses), net	25,232	40,214
Net income before distributions to districts	1,816,496	6,387,898
Distributions to the Districts: (note 6)		
Oakdale Irrigation District	(3,219,500)	(2,434,000)
South San Joaquin Irrigation District	(3,219,500)	(2,434,000)
Total distributions to the Districts	(6,439,000)	(4,868,000)
Change in net position	(4,622,504)	1,519,898
Net position, beginning of year	32,264,493	30,744,595
Net position, end of year	\$ 27,641,989	32,264,493

See accompanying notes to the basic financial statements

Tri-Dam Power Authority
Statements of Cash Flows
For the Fiscal Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities :		
Cash receipts from customers for power generation	\$ 3,488,991	7,241,850
Cash paid to vendors and suppliers for materials and services	(221,594)	(876,575)
Net cash provided by operating activities	3,267,397	6,365,275
Cash flows from non-capital financing activities:		
Cash distribution to Oakdale Irrigation District	(3,219,500)	(2,434,000)
Cash distribution to South San Joaquin Irrigation District	(3,219,500)	(2,434,000)
Net cash used in non-capital financing activities	(6,439,000)	(4,868,000)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(53,660)	-
Net cash used in capital and related financing activities	(53,660)	-
Cash flows from investing activities:		
Interest and investment earnings	29,942	43,477
Net cash provided by investing activities	29,942	43,477
Net (decrease) increase in cash and cash equivalents	(3,195,321)	1,540,752
Cash and cash equivalents:		
Beginning of year	7,930,738	6,389,986
End of year	\$ 4,735,417	7,930,738
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,791,264	6,347,684
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	492,223	499,470
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable	144,082	(533,179)
Prepaid expenses	(14,856)	(15,159)
Increase(Decrease) in liabilities:		
Accounts payable	4,592	(1,271)
Due to Tri-Dam Project	850,092	67,730
Total adjustments	1,476,133	17,591
Net cash provided by operating activities	\$ 3,267,397	6,365,275

See accompanying notes to the basic financial statements

Tri-Dam Power Authority
Notes to the Basic Financial Statements
For the Fiscal Years Ended December 31, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Authority was formed as a separate entity under a Joint Exercise of Powers Agreement dated October 14, 1982 between the Oakdale Irrigation District and the South San Joaquin Irrigation District (the Member Districts). The agreement will remain in effect until January 1, 2034. The Authority is governed by all five elected directors of the Oakdale Irrigation District and all five elected directors of the South San Joaquin Irrigation District; all members of the Board of Commissioners are also members of the Joint Board of Directors of the Tri-Dam Project. In 1984, the Authority issued Revenue Bonds to provide financing to acquire and construct one hydraulic turbine and generator to be installed in the vicinity of the Sand Bar Flat Diversion Dam, together with a related diversion facility, conveyance tunnel, transmission line, and necessary access roads, bridges, land, and improvements. The bonds were completely paid off in November 2016.

The Tri-Dam Project (the Project) is a related entity formed in 1948 under a joint cooperation agreement between the two Member Districts. Although it is operated jointly with the Authority, the Project's activity is excluded from the accompanying financial statements because the Authority is a separate legal entity that issues separate financial statements as required by its Joint Exercise of Powers Agreement. While the Project has the same joint board of directors as does the Authority, the Authority is not responsible for debts or other obligations of the Project, nor is the Project responsible for the debts or obligations of the Authority.

The Authority has an expense reimbursement policy with Tri-Dam Project under which labor, equipment rental and certain other expenses incurred for Authority activities are reimbursed to the Project. The Authority has no employees, but direct labor and labor-related costs for Project employees are reimbursed by the Authority under the expense reimbursement policy based on actual time incurred by Project employees on Authority activities. The Authority does not reimburse the Project for a proportional share of the Project's net pension liability as determined under GASB Statement No. 68, but does reimburse the Project for a proportional share of the Project's actuarially determined required pension contributions and postemployment benefits liability computed using direct salaries. The Project's management, at its discretion, may allow the Authority to defer the repayment of the reimbursable expenses until the Authority has sufficient available cash.

B. Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing power development to its service area on a continuing basis be financed or recovered primarily through user charges (electricity sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as power generation sales, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The Authority recognizes revenue from power generation based on billings performed monthly. The Authority accrues revenues with respect to power sold but not billed at the end of a fiscal period.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's proprietary fund.

The Authority has adopted the following GASB pronouncement in the current year:

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on Authority and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of the Authority's cash is invested in interest bearing accounts. The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

4. Investments and Investment Policy

The Authority has adopted an investment policy directing management to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Investments are to be made in the following areas:

- a. State of California Local Area Investment Fund (LAIF)

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – This valuation level is based on quoted prices in active markets for identical assets. The Authority does not currently hold any investments valued at this level.
- **Level 2** – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals. The Authority does not currently hold any investments valued at this level.
- **Level 3** – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market. The Authority does not currently hold any investments valued at this level.

The Authority’s investment in LAIF is valued at amortized cost therefore the Authority has determined it does not meet fair value measurement criteria.

6. Accounts Receivable

Trade accounts receivable are carried at net realizable values. The Authority records power generation receivables for energy deliveries to the City of Santa Clara, California. The Authority has determined that an allowance for doubtful accounts was not necessary.

7. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods are recorded as prepaid items in the basic financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

8. Capital Assets

Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with an equivalent service potential in an orderly market at the acquisition date. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Hydroelectric production facilities	25-100 years
Conveyance tunnel	100 years
Roads and bridges	10-100 years
Other equipment	5-25 years

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

9. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Investment in Capital Assets Component of Net Position** – This component of net position consists of capital assets net of accumulated depreciation and outstanding debt used to acquire those assets.
- **Unrestricted Component of Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the investment in capital assets.

10. Related Party Transactions

Significant related party transactions consist primarily of cash distributions to and contributions from the Districts that are charged directly to net position. In addition, the Authority reimburses the Tri-Dam Project for payroll and other shared expenses throughout the fiscal year.

11. Power Generation Revenue

The Authority recognizes power generation revenue based on billings rendered on a monthly basis.

12. Budgetary Policies

The Authority adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

13. Reclassification

For the year ended December 31, 2020, certain classifications have been revised to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2020 presentation.

(2) Cash and Investments

Cash and cash equivalents as of December 31 are classified in the Statements of Net Position as follows:

	2020	2019
Cash and cash equivalents		
Deposits with financial institutions	\$ 3,647,814	6,863,370
Local Agency Investment Fund (LAIF)	1,087,603	1,067,368
Total cash and cash equivalents	\$ 4,735,417	7,930,738

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(2) Cash and Investments, continued

Cash and cash equivalents as of December 31 consisted of the following:

	2020	2019
Deposits with financial institutions	\$ 3,647,814	6,863,370
Total cash and deposits	3,647,814	6,863,370
Local Agency Investment Fund (LAIF)	1,087,603	1,067,368
Total investments	1,087,603	1,067,368
Total cash and investments	\$ 4,735,417	7,930,738

Investments Authorized by the California Government Code and the Authority's Investment Policy

The following table identifies the investment types that are authorized by the Authority in accordance with the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years**	100%	None
U.S. Government Agency Securities	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase agreements	1 year	100%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	100%	None
Beneficial Interest of a Joint Power Authority	N/A	100%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the Authority's legislative body in accordance with Government Code

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(2) Cash and Investments, continued

Investment in State Investment Pool, continued

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the Authority's bank balances, up to \$250,000 is federally insured. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity date:

Investment maturities as of December 31, 2020, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Local Agency Investment Fund (LAIF)	\$ 1,087,603	1,087,603	-	-

Investment maturities as of December 31, 2019, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Local Agency Investment Fund (LAIF)	\$ 1,067,368	1,067,368	-	-

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(2) Cash and Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of December 31, 2020, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of year-end Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ <u>1,087,603</u>	N/A	\$ <u>1,087,603</u>

Credit ratings as of December 31, 2019, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of year-end Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ <u>1,067,368</u>	N/A	\$ <u>1,067,368</u>

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Authority investments. The Authority's deposit portfolio with government agencies, LAIF, is 23% and 13% as of December 31, 2020 and 2019, respectively, of the Authority's total depository and investment portfolio.

(3) Capital Assets

Construction-In-Progress

The Authority has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Coupling Capacitor Voltage Transformer (CCVT) for Revenue Metering	\$ <u>5,423</u>	<u>10,847</u>
Total construction-in-process	\$ <u>5,423</u>	<u>10,847</u>

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(3) Capital Assets, continued

Changes in capital assets for December 31 were as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Construction-in-process	\$ 10,847	53,660	(59,084)	5,423
Total non-depreciable assets	<u>10,847</u>	<u>53,660</u>	<u>(59,084)</u>	<u>5,423</u>
Depreciable assets:				
Hydroelectric production facilities	19,137,266	5,423	-	19,142,689
Conveyance tunnel	22,123,528	-	-	22,123,528
Roads and bridges	1,510,573	-	-	1,510,573
Other equipment	<u>2,545,156</u>	<u>53,661</u>	<u>-</u>	<u>2,598,817</u>
Total depreciable assets	<u>45,316,523</u>	<u>59,084</u>	<u>-</u>	<u>45,375,607</u>
Accumulated depreciation:				
Hydroelectric production facilities	(11,237,325)	(265,082)	-	(11,502,407)
Conveyance tunnel	(7,408,850)	(202,806)	-	(7,611,656)
Roads and bridges	(512,966)	(13,723)	-	(526,689)
Other equipment	<u>(2,435,674)</u>	<u>(10,612)</u>	<u>-</u>	<u>(2,446,286)</u>
Total accumulated depreciation	<u>(21,594,815)</u>	<u>(492,223)</u>	<u>-</u>	<u>(22,087,038)</u>
Total depreciable assets, net	<u>23,721,708</u>	<u>(433,139)</u>	<u>-</u>	<u>23,288,569</u>
Total capital assets, net	<u>\$ 23,732,555</u>	<u>(379,479)</u>	<u>(59,084)</u>	<u>23,293,992</u>

Changes in capital assets for December 31 were as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Construction-in-process	\$ 14,243	-	(3,396)	10,847
Total non-depreciable assets	<u>14,243</u>	<u>-</u>	<u>(3,396)</u>	<u>10,847</u>
Depreciable assets:				
Hydroelectric production facilities	19,137,266	-	-	19,137,266
Conveyance tunnel	22,123,528	-	-	22,123,528
Roads and bridges	1,510,573	-	-	1,510,573
Other equipment	<u>2,545,156</u>	<u>-</u>	<u>-</u>	<u>2,545,156</u>
Total depreciable assets	<u>45,316,523</u>	<u>-</u>	<u>-</u>	<u>45,316,523</u>
Accumulated depreciation:				
Hydroelectric production facilities	(10,992,829)	(244,496)	-	(11,237,325)
Conveyance tunnel	(7,187,607)	(221,243)	-	(7,408,850)
Roads and bridges	(497,996)	(14,970)	-	(512,966)
Other equipment	<u>(2,416,913)</u>	<u>(18,761)</u>	<u>-</u>	<u>(2,435,674)</u>
Total accumulated depreciation	<u>(21,095,345)</u>	<u>(499,470)</u>	<u>-</u>	<u>(21,594,815)</u>
Total depreciable assets, net	<u>24,221,178</u>	<u>(499,470)</u>	<u>-</u>	<u>23,721,708</u>
Total capital assets, net	<u>\$ 24,235,421</u>	<u>(499,470)</u>	<u>(3,396)</u>	<u>23,732,555</u>

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(4) Due to Tri-Dam Project

At December 31, due to Tri-Dam Project was comprised of the following transactions:

	<u>2020</u>	<u>2019</u>
Due to Tri-Dam Project		
Payroll fiscal year 2019	\$ 168,837	168,837
Equipment rental fiscal year 2019	2,000	2,000
U.S. Geological Survey allocation fiscal year 2019	6,330	-
Payroll fiscal year 2020	646,945	-
Insurance allocation	166,020	-
U.S. Geological Survey allocation fiscal year 2020	6,330	-
Equipment rental fiscal year 2020	24,000	-
Accounts payable reimbursement – digital clock	467	-
Total due to Tri-Dam Project	<u>\$ 1,020,929</u>	<u>170,837</u>

(5) Net Position

As of December 31, the calculation of net position is as follows:

	<u>2020</u>	<u>2019</u>
Investment in capital assets:		
Capital assets – not being depreciated	\$ 5,423	10,847
Capital assets – being depreciated, net	<u>23,288,569</u>	<u>23,721,708</u>
Total net investment in capital assets	<u>23,293,992</u>	<u>23,732,555</u>
Unrestricted net position:		
Non-spendable net position:		
Prepaid expenses	<u>71,326</u>	<u>56,470</u>
Total non-spendable net position	<u>71,326</u>	<u>56,470</u>
Spendable net position is designated as follows:		
Maintenance reserve	23,000	23,000
Operating reserve	1,000,000	1,000,000
Unrestricted	<u>3,253,671</u>	<u>7,452,468</u>
Total spendable net position	<u>4,276,671</u>	<u>8,475,468</u>
Total unrestricted net position	<u>4,347,997</u>	<u>8,531,938</u>
Total net position	<u>\$ 27,641,989</u>	<u>32,264,493</u>

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(6) Distributions to the Districts

The Authority provided the following cash distributions to the Districts from surplus operation funds during the year ended December 31:

	2020	2019
Oakdale Irrigation District	\$ 3,219,500	2,434,000
South San Joaquin Irrigation District	3,219,500	2,434,000
Total distributions to Districts	\$ 6,439,000	4,868,000

(7) Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance policies with a variety of carriers in amounts to meet statutory requirements.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending December 31, 2020, 2019, and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2020, 2019, and 2018, respectively.

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 90, continued

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year.

Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued 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. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 97, continued

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(9) Commitments and Contingencies

Construction Contracts

The Authority has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the Authority's replacement reserves and advances for construction.

Grant Awards

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the Authority believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on the Authority's financial position, results of operations, or cash flows.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Authority has not included any contingencies in the financial statements specific to this issue.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2020 and 2019

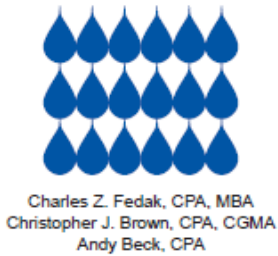
(10) Subsequent Events

On January 21, 2021, the Tri-Dam Board (Board) determined that by merging the operations of Tri-Dam Project (Project) and Tri-Dam Authority (Authority) would create synergies of efficiency and cost savings for the two entities. Specifically, towards bookkeeping cleanup and to increase the efficiency of Tri-Dam operations. The Board has authorized the General Manager to begin the process of consolidating the Project and Authority with an effective changeover date of January 1, 2022.

There are no other known events occurring after December 31, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of July 15, 2021, which is the date the financial statements were available to be issued.

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Report on Internal Controls and Compliance



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**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on the Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
Tri-Dam Power Authority
Strawberry, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tri-Dam Power Authority (Authority), which comprise the statement of net position as of December 31, 2020 and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon date July 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on the Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards, continued***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
July 15, 2021