

Tri-Dam Power Authority
Annual Financial Report
For the Fiscal Years Ended December 31, 2021 and 2020

Tri-Dam Power Authority

Board of Directors as of December 31, 2021

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

Tri-Dam Power Authority
Jarom Zimmerman, General Manager

Tri-Dam Power Authority

Annual Financial Report

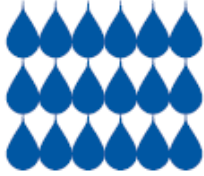
For the Fiscal Years Ended December 31, 2021 and 2020

Tri-Dam Power Authority
Annual Financial Report
For the Fiscal Years Ended December 31, 2021 and 2020

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Tri-Dam Power Authority (Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Authority'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.

Independent Auditor's Report, continued

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Project'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 Project'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Independent Auditor's Report, continued

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 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 our report dated September 15, 2022, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance. This report can be found on pages 27 and 28.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
September 15, 2022

Tri-Dam Power Authority
Management's Discussion and Analysis
For the Fiscal Years Ended December 31, 2021 and 2020
With comparative amounts for December 31, 2019
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, 2021 and 2020. 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 2021, the Authority's net position decreased 4.63% or \$1,278,989 to \$26,363,000 as a result of net income of \$1,226,011 from ongoing operations offset by \$2,505,000 in distributions to the Districts. 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 2021, the Authority's total revenues decreased 22.75% or \$766,555 to \$2,603,585. In fiscal year 2020, the Authority's total revenues decreased 56.90% or \$4,448,499 to \$3,370,140.
- In fiscal year 2021, the Authority's total expenses decreased 11.33% or \$176,070 to \$1,377,574. In fiscal year 2020, the Authority's total expenses increased 8.59% or \$122,903 to \$1,553,644.
- In fiscal year 2021, the Authority's distributions to the Districts decreased 61.10% or \$3,934,000 from \$6,439,000 to \$2,505,000. 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.

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 provides information about the Authority's cash receipts and cash payments during the reporting periods. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides 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
For the Fiscal Years Ended December 31, 2021 and 2020
With comparative amounts for December 31, 2019
Provided for Illustrative Purposes

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 and 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 26.

Statements of Net Position

| Condensed Statements of Net Position | | | | | |
|---|----------------------|-------------------|--------------------|-------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>Change</u> | <u>2019</u> | <u>Change</u> |
| Assets: | | | | | |
| Current assets | \$ 3,780,188 | 5,375,283 | (1,595,095) | 8,704,540 | (3,329,257) |
| Capital assets, net | 22,795,244 | 23,293,992 | (498,748) | 23,732,555 | (438,563) |
| Total assets | <u>26,575,432</u> | <u>28,669,275</u> | <u>(2,093,843)</u> | <u>30,763,118</u> | <u>(32,856,961)</u> |
| Liabilities: | | | | | |
| Current liabilities | 212,432 | 1,027,286 | (814,854) | 172,602 | 854,684 |
| Total liabilities | <u>212,432</u> | <u>1,027,286</u> | <u>(814,854)</u> | <u>172,602</u> | <u>854,684</u> |
| Net position: | | | | | |
| Net investment in capital assets | 22,795,244 | 23,293,992 | (498,748) | 23,732,555 | (438,563) |
| Unrestricted | 3,567,756 | 4,347,997 | (780,241) | 8,531,938 | (4,183,941) |
| Total net position | <u>\$ 26,363,000</u> | <u>27,641,989</u> | <u>(1,278,989)</u> | <u>32,264,493</u> | <u>(4,622,504)</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 \$26,363,000 and \$27,641,989 as of December 31, 2021 and 2020, respectively.

Tri-Dam Power Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended December 31, 2021 and 2020
With comparative amounts for December 31, 2019
Provided for Illustrative Purposes

Statements of Net Position, continued

A portion of the Authority's net position, 86.47% and 84.27% as of December 31, 2021 and 2020, 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. At the end of the fiscal year 2021 and 2020, the Authority showed a positive balance in its unrestricted net position of \$3,567,756 and \$4,347,997, 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>2021</u> | <u>2020</u> | <u>Change</u> | <u>2019</u> | <u>Change</u> |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues: | | | | | |
| Operating revenues | \$ 2,594,996 | 3,344,908 | (749,912) | 7,775,029 | (4,430,121) |
| Non-operating revenues | 8,589 | 25,232 | (16,643) | 43,610 | (18,378) |
| Total revenues | <u>2,603,585</u> | <u>3,370,140</u> | <u>(766,555)</u> | <u>7,818,639</u> | <u>(4,448,499)</u> |
| Expenses: | | | | | |
| Operating expenses | 884,249 | 1,061,421 | (177,172) | 927,875 | 133,546 |
| Non-operating expense | - | - | - | 3,396 | (3,396) |
| Depreciation expense | 493,325 | 492,223 | 1,102 | 499,470 | (7,247) |
| Total expenses | <u>1,377,574</u> | <u>1,553,644</u> | <u>(176,070)</u> | <u>1,430,741</u> | <u>122,903</u> |
| Net income before distribution to Districts | 1,226,011 | 1,816,496 | (590,485) | 6,387,898 | (4,571,402) |
| Distributions to Districts | <u>(2,505,000)</u> | <u>(6,439,000)</u> | <u>3,934,000</u> | <u>(4,868,000)</u> | <u>(1,571,000)</u> |
| Change in net position | (1,278,989) | (4,622,504) | 3,343,515 | 1,519,898 | (6,142,402) |
| Net position, beginning 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> |
| Net position, end of year | <u>\$ 26,363,000</u> | <u>27,641,989</u> | <u>(1,278,989)</u> | <u>32,264,493</u> | <u>(4,622,504)</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 4.63% or \$1,278,989 to \$26,363,000 as a result of net income of \$1,226,011 from ongoing operations offset by \$2,505,000 in distributions to the Districts.

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.

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

The Authority's total revenues decreased 22.75% or \$766,555 to \$2,603,585. In fiscal year 2020, the Authority's total revenues decreased 56.90% or \$4,448,499 to \$3,370,140.

The Authority's operating revenues decreased 22.42% or \$749,912 to \$2,594,996, due to a decrease in power generation revenue as a result of persisting drought conditions. In fiscal year 2020, 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 result of decreased water flow due to drought conditions.

Tri-Dam Power Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended December 31, 2021 and 2020
With comparative amounts for December 31, 2019
Provided for Illustrative Purposes

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

The Authority's non-operating revenues decreased 65.96% or \$16,643 to \$8,589, due to a decrease in investment earnings as compared to the prior year. In fiscal year 2020, 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.

The Authority's total expenses decreased 11.33% or \$176,070 to \$1,377,574. In fiscal year 2020, the Authority's total expenses increased 8.59% or \$122,903 to \$1,553,644.

The Authority's operating expenses decreased 16.69% or \$177,172 to \$884,249, due primarily to decreases of \$172,517 in maintenance and \$65,827 in operations, offset by an increase of \$61,172 in general and administrative as compared to the prior year. In fiscal year 2020, 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.

The Authority had no non-operating expenses in 2021. In fiscal year 2020, 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.

The Authority's depreciation expense increased 0.22% or \$1,102 to \$493,225 due primarily to the new depreciable assets added in the prior year offset by the maturing of existing capital assets. In fiscal year 2020, the Authority's depreciation expense decreased 1.45% or \$7,247 to \$492,223 due primarily to the maturing of existing capital assets.

The Authority's distributions to the Districts decreased 61.10% or \$3,934,000 to \$2,505,000 as determined by the member Districts at fiscal year-end. In fiscal year 2020, the Authority's distributions to the Districts increased 32.27% or \$1,571,000 to \$6,439,000 as determined by the member Districts at fiscal year-end.

Capital Asset Administration

At the end of fiscal years 2021 and 2020, the Authority's investment in capital assets amounted to \$22,795,244 and \$23,293,992 (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 2021, were as follows:

| | Balance 2020 | Transfers/ Additions | Transfers/ Deletions | Balance 2021 |
|---------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 5,423 | - | (5,423) | - |
| Depreciable assets | 45,375,607 | - | (100,000) | 45,275,607 |
| Accumulated depreciation | <u>(22,087,038)</u> | <u>(493,325)</u> | <u>100,000</u> | <u>(22,480,363)</u> |
| Total capital assets, net | <u>\$ 23,293,992</u> | <u>(493,325)</u> | <u>(5,423)</u> | <u>22,795,244</u> |

Tri-Dam Power Authority
Management's Discussion and Analysis, continued
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With comparative amounts for December 31, 2019
Provided for Illustrative Purposes

Capital Asset Administration, continued

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> |

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Consequently, 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 events.

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: Sharon Cisneros, Chief Financial Officer of Oakdale Irrigation District acting on behalf of Tri-Dam Authority/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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 2,790,473 | 4,735,417 |
| Accrued interest receivable | 627 | 1,716 |
| Accounts receivable | 893,736 | 566,824 |
| Accounts receivable – other | 5,314 | - |
| Prepaid expenses | 84,614 | 71,326 |
| Inventory | 5,424 | - |
| Total current assets | <u>3,780,188</u> | <u>5,375,283</u> |
| Non-current assets: | | |
| Capital assets – not being depreciated (note 3) | - | 5,423 |
| Capital assets – being depreciated, net (note 3) | <u>22,795,244</u> | <u>23,288,569</u> |
| Total non-current assets | <u>22,795,244</u> | <u>23,293,992</u> |
| Total assets | <u>26,575,432</u> | <u>28,669,275</u> |
| Current liabilities: | | |
| Accounts payable | 17,768 | 6,357 |
| Due to Tri-Dam Project (note 4) | <u>194,664</u> | <u>1,020,929</u> |
| Total current liabilities | <u>212,432</u> | <u>1,027,286</u> |
| Total liabilities | <u>212,432</u> | <u>1,027,286</u> |
| Net position: (note 5) | | |
| Net investment in capital assets | 22,795,244 | 23,293,992 |
| Unrestricted | <u>3,567,756</u> | <u>4,347,997</u> |
| Total net position | <u>\$ 26,363,000</u> | <u>27,641,989</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, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|--------------------|
| Operating revenues: | | |
| Power generation | \$ 2,594,996 | 3,344,908 |
| Total operating revenues | 2,594,996 | 3,344,908 |
| Operating expenses: | | |
| Operations | 243,621 | 309,448 |
| Maintenance | 253,604 | 426,121 |
| General and administrative | 387,024 | 325,852 |
| Total operating expenses | 884,249 | 1,061,421 |
| Operating income before depreciation expense | 1,710,747 | 2,283,487 |
| Depreciation expense | (493,325) | (492,223) |
| Operating income | 1,217,422 | 1,791,264 |
| Non-operating revenues, net: | | |
| Investment earnings | 1,964 | 25,232 |
| Gain from disposition of capital assets | 6,625 | - |
| Total non-operating revenues, net | 8,589 | 25,232 |
| Net income before distributions to districts | 1,226,011 | 1,816,496 |
| Distributions to Districts: (note 6) | (2,505,000) | (6,439,000) |
| Change in net position | (1,278,989) | (4,622,504) |
| Net position, beginning of year | 27,641,989 | 32,264,493 |
| Net position, end of year | \$ 26,363,000 | 27,641,989 |

See accompanying notes to the basic financial statements

Tri-Dam Power Authority
Statements of Cash Flows
For the Fiscal Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|-------------------|------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers for power generation | \$ 2,262,770 | 3,488,990 |
| Cash paid to vendors and suppliers for materials and services | (1,712,391) | (221,593) |
| Net cash provided by operating activities | 550,379 | 3,267,397 |
| Cash flows from non-capital financing activities: | | |
| Cash distribution to Oakdale Irrigation District | (1,252,500) | (3,219,500) |
| Cash distribution to South San Joaquin Irrigation District | (1,252,500) | (3,219,500) |
| Net cash used in non-capital financing activities | (2,505,000) | (6,439,000) |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | - | (53,660) |
| Proceeds from the sale of capital assets | 6,625 | - |
| Net cash provided by (used in) capital and related financing activities | 6,625 | (53,660) |
| Cash flows from investing activities: | | |
| Interest and investment earnings | 3,052 | 29,942 |
| Net cash provided by investing activities | 3,052 | 29,942 |
| Net decrease in cash and cash equivalents | (1,944,944) | (3,195,321) |
| Cash and cash equivalents: | | |
| Beginning of year | 4,735,417 | 7,930,738 |
| End of year | \$ 2,790,473 | 4,735,417 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 1,217,422 | 1,791,264 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 493,325 | 492,223 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | |
| (Increase)Decrease in assets: | | |
| Accounts receivable | (326,912) | 144,082 |
| Accounts receivable – other | (5,314) | - |
| Prepaid expenses | (13,288) | (14,856) |
| Increase(Decrease) in liabilities: | | |
| Accounts payable | 11,411 | 4,592 |
| Due to Tri-Dam Project | (826,265) | 850,092 |
| Total adjustments | (667,043) | 1,476,133 |
| Net cash provided by operating activities | \$ 550,379 | 3,267,397 |

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, 2021 and 2020

(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.

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, 2021 and 2020

(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. 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.

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 labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Consequently, the related financial impact on the 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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

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

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)

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** – 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** – 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** – 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 is 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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

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

8. Capital Assets, continued

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 |

9. Net Position

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

- **Investment in capital assets** – consists of capital assets net of accumulated depreciation and outstanding debt used to acquire those assets.
- **Unrestricted** – 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.

(2) Cash and Investments

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

| | 2021 | 2020 |
|--------------------------------------|--------------|-------------|
| Cash and cash equivalents | | |
| Deposits with financial institutions | \$ 1,703,671 | 3,647,814 |
| Local Agency Investment Fund (LAIF) | 1,086,802 | 1,087,603 |
| Total cash and cash equivalents | \$ 2,790,473 | 4,735,417 |

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

(2) Cash and Investments, continued

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

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|------------------|
| Deposits with financial institutions | \$ 1,703,671 | 3,647,814 |
| Total cash and deposits | <u>1,703,671</u> | <u>3,647,814</u> |
| Local Agency Investment Fund (LAIF) | <u>1,086,802</u> | <u>1,087,603</u> |
| Total investments | <u>1,086,802</u> | <u>1,087,603</u> |
| Total cash and investments | <u>\$ 2,790,473</u> | <u>4,735,417</u> |

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.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio *</u> | <u>Maximum Investment in One Issuer</u> |
|--|-----------------------------|--|---|
| 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, 2021 and 2020

(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, 2021, 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) | \$ 1,086,802 | 1,086,802 | - | - |

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 | - | - |

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

(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, 2021, 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>1,086,802</u> | N/A | \$ <u>1,086,802</u> |

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> |

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 39% and 23% as of December 31, 2021 and 2020, 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>2021</u> | <u>2020</u> |
|---|-------------|-----------------|
| Coupling Capacitor Voltage Transformer (CCTV) for Revenue Metering | \$ - | \$ 5,423 |
| Total construction-in-process | \$ <u>-</u> | \$ <u>5,423</u> |

During the fiscal year ended December 31, 2021, the Authority reclassified the balance to inventory as the balance represents unused backup equipment.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

(3) Capital Assets, continued

Changes in capital assets for December 31 were as follows:

| | <u>Balance 2020</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2021</u> |
|-------------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Construction-in-process | \$ 5,423 | - | (5,423) | - |
| Total non-depreciable assets | <u>5,423</u> | <u>-</u> | <u>(5,423)</u> | <u>-</u> |
| Depreciable assets: | | | | |
| Hydroelectric production facilities | 19,142,689 | - | (100,000) | 19,042,689 |
| Conveyance tunnel | 22,123,528 | - | - | 22,123,528 |
| Roads and bridges | 1,510,573 | - | - | 1,510,573 |
| Other equipment | <u>2,598,817</u> | <u>-</u> | <u>-</u> | <u>2,598,817</u> |
| Total depreciable assets | <u>45,375,607</u> | <u>-</u> | <u>(100,000)</u> | <u>45,275,607</u> |
| Accumulated depreciation: | | | | |
| Hydroelectric production facilities | (11,502,407) | (244,461) | 100,000 | (11,646,868) |
| Conveyance tunnel | (7,611,656) | (221,242) | - | (7,832,898) |
| Roads and bridges | (526,689) | (14,971) | - | (541,660) |
| Other equipment | <u>(2,446,286)</u> | <u>(12,651)</u> | <u>-</u> | <u>(2,458,937)</u> |
| Total accumulated depreciation | <u>(22,087,038)</u> | <u>(493,325)</u> | <u>100,000</u> | <u>(22,480,363)</u> |
| Total depreciable assets, net | <u>23,288,569</u> | <u>(493,325)</u> | <u>-</u> | <u>22,795,244</u> |
| Total capital assets, net | <u>\$ 23,293,992</u> | <u>(493,325)</u> | <u>(5,423)</u> | <u>22,795,244</u> |

Changes in capital assets for December 31 were as follows:

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

| | <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> |

(4) Due to Tri-Dam Project

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

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|------------------|
| Due to Tri-Dam Project | | |
| Payroll fiscal year 2019 | \$ - | 168,837 |
| Equipment rental fiscal year 2019 | - | 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 |
| Payroll fiscal year 2021 | 98,035 | - |
| Insurance allocation | 90,169 | - |
| U.S. Geological Survey allocation fiscal year 2021 | <u>6,460</u> | <u>-</u> |
| Due to Tri-Dam Project | <u>\$ 194,664</u> | <u>1,020,929</u> |

(5) Net Position

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

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|---------------|-------------|
| Investment in capital assets: | | |
| Capital assets – not being depreciated | \$ - | 5,423 |
| Capital assets – being depreciated, net | 22,795,244 | 23,288,569 |
| Total net investment in capital assets | 22,795,244 | 23,293,992 |
| Unrestricted net position: | | |
| Non-spendable net position: | | |
| Inventory | 5,424 | - |
| Prepaid expenses | 84,614 | 71,326 |
| Total non-spendable net position | 90,038 | 71,326 |
| Spendable net position is designated as follows: | | |
| Maintenance reserve | - | 23,000 |
| Operating reserve | - | 1,000,000 |
| Unreserved | 3,477,718 | 3,253,671 |
| Total spendable net position | 3,477,718 | 4,276,671 |
| Total unrestricted net position | 3,567,756 | 4,347,997 |
| Total net position | \$ 26,363,000 | 27,641,989 |

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

(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:

| | 2021 | 2020 |
|---------------------------------------|--------------|-------------|
| Oakdale Irrigation District | \$ 1,252,500 | 3,219,500 |
| South San Joaquin Irrigation District | 1,252,500 | 3,219,500 |
| Total distributions to Districts | \$ 2,505,000 | 6,439,000 |

(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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019, 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, 2021, that have 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. 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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

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.

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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

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.

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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

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.

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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 98

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 100, continued

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(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.

Tri-Dam Power Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended December 31, 2021 and 2020

(9) Commitments and Contingencies, continued

Litigation

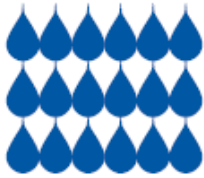
In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the Authority believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on the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

(10) Subsequent Events

There are no known events occurring after December 31, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of September 15, 2022, 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 statements of net position as of December 31, 2021 and 2020 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon date September 15, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

**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***

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*.

Authority's Responses to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of finding and recommendation. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
September 15, 2022

**Tri-Dam Power Authority
Schedule of Finding and Response
For the Year Ended December 31, 2021**

| <u>Finding Number</u> | <u>Finding and Recommendation</u> |
|--------------------------------------|---|
| <i>Material Weakness</i> | |
| 2021-001 | <u>Year-End Closing Process</u> |
| Criteria | The State Controller’s Minimum Audit Requirements for California Special Districts require an annual audit is required by a public accounting firm. A primary component of this requirement is that the auditor is independent and not part of management’s decision making or controls. As part of annual engagement communication, the auditor assumes prior to the start of our audit fieldwork: that accounts have been properly reconciled, that prepared year-end schedules and accounting records are accurate, and that the accounts and records have been reviewed by a member of management with suitable skill, knowledge, and experience. |
| Condition | During our audit, we noted account balances which lacked supporting audit schedules that accurately agreed the Authority’s activities to the final trial balances. As a result, adjustments of a material nature were required to correct the Authority’s account balances at year-end. |
| Cause | The Authority’s year-end closing processes and controls did not reasonably ensure that balances are properly reconciled at year-end. |
| Effect | The Authority’s financial statements contain material misstatements. |
| Recommendation | The Authority implement year-end closing processes and controls to reasonably ensure that balances are properly reconciled at year-end. |
| View of Responsible Officials | Management agrees with the audit finding. The Authority will review and amend its existing policies and procedures to ensure effective internal controls over the preparation and review of the Authority’s year-end close of its books and records. |