TRI-DAM POWER AUTHORITY

Strawberry, California

Annual Financial Report
December 31, 2009

TRI DAM POWER AUTHORITY

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MARCELLO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Tri-Dam Power Authority
Strawberry, California

We have audited the accompanying financial statements of the business-type activities of the Tri-Dam Power Authority (the Authority) as of and for the fiscal year ended December 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tri-Dam Power Authority as of December 31, 2009, and the respective changes in financial position and cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Marcello & Company

Certified Public Accountants
Sacramento, California
March 4, 2010

TRI-DAM POWER AUTHORITY
Management's Discussion And Analysis
December 31, 2009

March 4, 2010

Commissioners of the Tri-Dam Power Authority,
Other Interested Individuals and Entities,

This letter accompanies the Tri-Dam Power Authority's basic financial statements including the notes to those financial statements for the year ended December 31, 2009. This document, constituting a discussion and analysis of the financial activities and position of the Tri-Dam Power Authority, prepared by its management, is intended to be read in conjunction with the statements and the independent auditor's letter-report dated March 4, 2010 on those statements.

This document supplements management's regular written reports to Commissioners of the Tri-Dam Power Authority. This annual written report is occasioned by the various requirements of the Governmental Accounting Standards Board (GASB) which Tri-Dam Power Authority has adopted.

BACKGROUND

Tri-Dam Power Authority was created in 1982 by, and is a joint-venture of, the ***Oakdale Irrigation District*** and the ***South San Joaquin Irrigation District*** (Districts). The five elected directors from each of the two districts comprise the ten Commissioners of the Authority. Management of the Authority is vested in the Secretary/General Manager and the managers for operations, maintenance, and finance/administration. The ***Tri-Dam Power Authority*** and the ***Tri-Dam Project*** share the same management, administrative facilities, and operations and maintenance staff. The Authority reimburses the Project for the Authority's share of expenses.

The Authority is engaged in hydroelectric generation and transmission from a single power plant (Sandbar) on the Middle Fork of the Stanislaus River located in the Stanislaus National Forest, Tuolumne County, California. Electric output from the plant is sold to Pacific Gas & Electric Company (PG&E) under agreements which extend through 2016. The Authority's Sandbar plant is licensed by the Federal Energy Regulatory Commission (FERC) for 50 years through 2033. The Authority's facilities are situated on federal public lands (Stanislaus National Forest).

Operation and maintenance of the Sandbar plant, including how much water is available for hydroelectric generation, is subject to various federal and state regulations and fees. Maintenance of the plant, access ways, transmission power lines, communications facilities, and the like is subject to regulation by the FERC and the US Forest Service.

The Sandbar plant was constructed with the $62,000,000 proceeds of a 1984 bond issue with an original interest rate of 11.375%. That debt was refunded in 1994 for $52,055,000 at a rate of 7.25%. The remaining 1994 bonds were refunded on May 1, 2005 with a $28,855,000 installment sales agreement payable over 12 years at 5.15% per annum interest.

POWER REVENUE

Electric generation is measured in kilowatts (kW). Payments are made to generators for kW "capacity", and for actual energy generated – kilowatt hours (kWh). The Authority's agreements with PG&E provide for payments for kWh generated and for "capacity." Net generation for the 2009 year was approximately 89,000,000 kWh, an increase of 37,400,000 kWh (72%) from the prior year's generation of 52,200,000 kWh.

Payments received from PG&E were $5,913,000 of which $3,452,000 (58%) represent energy payments and $2,461,000 (42%) represent capacity payments. This compares with payments from PG&E during 2008 of $7,066,000. (These amounts, like all those in this document, have been rounded and in some cases are approximations.)

The 16% decrease in power revenues (energy and capacity) is a reflection of significantly decreased power prices (weighted average of energy and capacity combined for 2009 $0.0661 vs. $0.1359 for 2008) while generation grew by about 72%. (The capacity portion of power revenues is nearly constant from year to year at about $2,500,000.)

The price paid for energy was fixed by agreement with PG&E by "season" (summer/winter) and by "time-of-day" (peak/partial-peak/off-peak/super-off-peak) for five years through July 31, 2006 after which the price paid for energy fluctuates according to market conditions, season, and time-of-day.

Investment earnings for 2009 were down about 58% from $259,000 to $110,000 owing principally to sharply declining earnings rates.

EXPENSES

The largest expense is for interest expense ($1,101,000 for 2009) on the remaining outstanding debt acquired through refinancing in conjunction with the original construction of the hydroelectric plant and related facilities. Interest is paid at the rate of 5.15% per annum on the installment note. Debt service (principal plus interest) is level for the 24 semi-annual payments of $1,627,216 beginning November 1, 2005 and concluding January 1, 2017.

Operating expenses for the Authority total $1,302,000 for 2009 compared to $1,431,000 for 2008. After **depreciation and amortization** ($700,000), the largest expense category is for ***wages and benefits*** ($385,000), followed (for 2009) by ***supplies***, parts, utilities, rentals, and miscellaneous ($80,000), ***insurance*** ($79,000), federal and state ***fees and assessments*** ($32,000), ***professional services*** including legal, auditing, memberships, and trustees ($18,000), and ***annual maintenance*** ($9,000). Management expects similar expenses for 2010.

All of these expenses are for the ***operation and maintenance*** (O&M expenses) of the hydroelectric plant and related facilities and systems and for ***general and administrative*** expense of the Authority itself and total $2,402,000 for 2009 compared to $2,635,000 for 2008. Overall operating expense declined about $231,000 (about 9%) from 2008 to 2009. This is within a typical year-to-year variance in expense.

DISTRIBUTION OF EARNINGS

Tri-Dam Power Authority's practice, policy, and the installment sale agreement permit the distribution to the Districts of 'surplus' funds in excess of that required to meet debt service obligations and related reserve requirements. Distributions are made in December pursuant to Sections 4.07 and 4.08 of the Installment Sale Agreement.

In December 2009 a distribution of $2,300,000 was made in equal shares to the Districts. A distribution of $3,600,000 was made to the Districts in 2008 and $3,000,000 in 2007.

ASSETS, LIABILITIES, NET ASSETS, and CASH FLOWS

The assets held by the Authority are principally of the kind and in the amounts required by the installment sale agreement (with Bank of America) and to support on-going, normal, operations. Cash sufficient to meet 12 to 18 months operating needs is typically held in the Revenue Fund and in a pooled fund with the State of California (Local Agency Investment Fund). Other funds are invested according to the installment sales agreement requirements and the Authority's investment policy. Invested funds are principally held by Union Bank and Bank of America as custodians. Tri-Dam Project staff manages the investment of the funds.

The 2009 net additions to 'Property, Plant, and Equipment' amounted to $244,000. These were for improvements to the Sandbar security systems ($34,000) and for an upgrade to the plant's exciter ($210,000). Depreciation expense in 2009 reduced the net book value of all property, plant, and equipment by $700,000.

Total Assets declined by $816,000 to $32,646,000 (about 2.4%) from 2008 to 2009. Total Net Assets (equity) increased by $1,352,000 (12.3%) in the same period. The net asset increase reflects the effect of the 2009 net income of $3,652,000 compared to distributions in 2009 of $2,300,000.

The Tri-Dam Power Authority's basic financial statements are designed to meet the needs of the Commissioners and management, comply with regulatory requirements and offer other readers a general overview of the Authority's finances and evidence of accountability. Either the Chief Financial Officer or Secretary/General Manager is available to interested persons to respond to questions or to provide appropriate supplemental information.

Sincerely yours,

Dan Pope	Summer Nicotero
Secretary & General Manager	Chief Financial Officer

FINANCIAL STATEMENTS

TRI-DAM POWER AUTHORITY
Statement of Net Assets
December 31, 2009

	2009	2008 *(for comparative purposes only)*
ASSETS		
Current Assets		
Cash and investments	$ 1,455	$ 699,232
Prepaid expenses	33,948	31,929
totals	35,403	731,161
Restricted Current Assets		
Cash and investments	4,297,686	4,035,428
Accrued interest receivable	55,326	81,925
Accounts receivable - power generation	450,000	349,000
totals	4,803,012	4,466,353
Property, Plant, and Equipment		
Sandbar Flat Power Plant:		
Hydraulic Production	18,025,225	17,815,229
Conveyance tunnel	22,123,528	22,123,528
Roads and bridges	1,510,573	1,510,573
Other equipment	2,401,033	2,367,383
Accumulated depreciation	(16,253,083)	(15,552,765)
totals	27,807,276	28,263,948
Total Assets	$ 32,645,691	$ 33,461,463
LIABILITIES		
Current Liabilities		
Bank account overdraft	$ 32,014	$ -
Accrued interest payable	180,723	194,438
Accounts payable	7,126	35,532
Accrued expenses	27,441	50,000
Accounts payable - Tri-Dam Project	4,582	600
Current portion of long-term debt	2,251,169	2,139,563
totals	2,503,055	2,420,133
Long-Term Liabilities		
Note Payable	20,036,467	22,176,030
Less: Current portion shown above	(2,251,169)	(2,139,563)
totals	17,785,298	20,036,467
Total Liabilities	20,288,353	22,456,600
NET ASSETS		
Invested in capital assets, net of related debt	7,770,809	6,087,918
Restricted	4,803,012	4,466,353
Unrestricted	(216,483)	450,592
Total Net Assets	12,357,338	11,004,863
Total Liabilities and Net Assets	$ 32,645,691	$ 33,461,463

The accompanying notes are an integral part of these financial statements

TRI-DAM POWER AUTHORITY
Statement of Revenue, Expenses, and Change in Net Assets
Year Ended December 31, 2009

	2009	*for comparative purposes only* 2008
Operating Revenue		
Power generation revenue	$ 5,944,972	$ 7,060,359
Other revenue	147	68
totals	5,945,119	7,060,427
Operating Expenses		
Operations	253,146	243,875
Maintenance	154,010	283,299
Administrative and general	194,054	204,008
Depreciation	700,317	699,832
totals	1,301,527	1,431,014
Operating Income	4,643,592	5,629,413
Nonoperating Revenue (Expenses)		
Investment earnings	110,036	258,925
Interest expense	(1,101,153)	(1,203,488)
totals	(991,117)	(944,563)
Change in Net Assets	3,652,476	4,684,850
Net Assets - Beginning	11,004,863	9,920,013
Less: Distributions to Districts	(2,300,000)	(3,600,000)
Net Assets - End of Year	$ 12,357,339	$ 11,004,863

The accompanying notes are an integral part of these financial statements

TRI-DAM POWER AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2009

	2009	*for comparative purposes only* 2008
CASH FLOWS PROVIDED BY (USED FOR)		
Operating Activities		
Cash received from customers for power generation	$ 5,843,972	$ 7,055,359
Other operating receipts	147	68
Cash payments to suppliers for goods & services	(618,198)	(719,709)
Net cash provided (used)	5,225,921	6,335,718
Noncapital Financing Activities		
Cash distribution to Districts	(2,300,000)	(3,600,000)
Net cash provided (used)	(2,300,000)	(3,600,000)
Capital and Related Financing Activities		
Interest paid on long-term debt	(1,114,868)	(1,220,942)
Repayment of principal against loan	(2,139,563)	(2,033,490)
Purchase of capital assets	(243,645)	(24,783)
Net cash provided (used)	(3,498,077)	(3,279,215)
Investing Activities		
Investment earnings	136,637	257,926
Net cash provided (used)	136,637	257,926
Net Increase (Decrease) in Cash	(435,518)	(285,571)
Cash and Cash Equivalents - beginning	4,734,661	5,020,232
Cash and Cash Equivalents - end of year	$ 4,299,143	$ 4,734,661
Cash as reported on the Statement of Net Assets		
Current - cash and investments	$ 1,455	$ 699,232
Restricted - cash and investments	4,297,686	4,035,429
Totals	$ 4,299,141	$ 4,734,661
Operating Activities Analysis		
Operating Income (page 7)	$ 4,643,592	$ 5,629,413
Reconciliation adjustments:		
Depreciation, a noncash expense	700,317	699,832
Decrease (increase) in power generation receivable	(101,000)	(5,000)
Decrease (increase) in prepaid expenses	(2,019)	509
Increase (decrease) in accounts payable	(28,406)	14,839
Increase (decrease) in bank account overdraft	32,014	-
Increase (decrease) in accrued expenses	(22,559)	-
Increase (decrease) in payable to Tri-Dam Project	3,982	(3,875)
Net cash provided (used)	$ 5,225,921	$ 6,335,718

The accompanying notes are an integral part of these financial statements

TRI-DAM POWER AUTHORITY
Notes to Financial Statements
December 31, 2009

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Authority as follows:

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Tri-Dam Power Authority (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 (Districts). The Authority is governed by all five elected directors of the Oakdale Irrigation District and by 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 necessary improvements.

The Authority has no employees and shares the facilities of the Tri-Dam Project. While the Authority is in substance governed by the same elected officials controlling the Tri-Dam Project, it is a separate financial reporting entity. The debts and obligations of the Authority are payable solely from the net revenues and other specified funds of the Authority. Accordingly, the accompanying financial statements exclude the assets, liabilities, net assets, revenues, expenses, and other financial data of the Tri-Dam Project.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The funds maintained by the Authority are required primarily by the Installment Sale Agreement entered into on May 1, 2008 for the purpose of redeeming the Authority's 1994 Hydroelectric Refunding Revenue Bonds.

The funds of the Authority are combined into one financial reporting entity to enable the Authority to report its financial activity as a governmental proprietary enterprise fund. Proprietary enterprise funds are accounted for on the flow of economic-resources-measurement-focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Authority has elected to follow Paragraph 7 of Governmental Accounting Standards Board (GASB) Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* Under this pronouncement, a governmental entity applies, for financial reporting purposes, all Financial Accounting Standards Board statements and related guidance except for those that conflict or contradict GASB pronouncements.

In the accompanying financial statements, the Authority has eliminated transfers between its various funds and any interfund payables or receivables.

The Authority maintains the following funds:

Revenue Fund: All revenues received by the Authority are to be deposited initially into this fund. After December 1st of each year during the term of the installment sale agreement, but not later than December 31st of that year, if the Authority has made the deposits from the revenue fund into the

Note 1 - Summary of Significant Accounting Policies

maintenance and operation fund, the replacement reserve fund and the debt service fund to the extent required by the installment sale agreement and has paid its installment payments that are due and payable during the calendar year in which such deposits are made. Revenues then held in the Revenue Fund may be withdrawn by the Authority and used for any lawful purposes of the Authority.

In addition to the revenue fund the Installment Sale Agreement establishes the following funds and accounts.

1. Maintenance and operation fund
2. Replacement reserve fund
3. Debt service reserve fund

All revenues are required to be deposited in the revenue fund and are to be set aside by the Authority, during the term of the Installment Sale Agreement, at the following times in the following respective funds in the following order of priority:

Maintenance and Operations Fund: On or before the first day of each December, the Authority shall, from the money in the revenue fund, deposit in the maintenance and operations fund a sum equal to the amount required by the Authority for the payment of budgeted maintenance and operations costs for the next succeeding year. All money in the maintenance and operations fund shall be used and withdrawn by the Authority solely for the purpose of paying the maintenance and operations costs as they become due and payable.

Replacement Reserve Fund: On or before the first day of each December, the Authority shall, from the remaining money in the revenue fund, transfer to the replacement reserve fund a sum of money to increase or restore the fund balance therein to the "replacement reserve amount." The "replacement reserve amount" means, that for any year $650,000 multiplied by the percentage increase in such year of the "Consumer Price Index for All Urban Consumers" (CPI-U) and specifically for the "Selected local area: San Francisco-Oakland-San Jose, CA", over such index for the prior year. If at any time the fund balance in the replacement reserve fund exceeds the replacement reserve amount and if the Authority is not then in default under the installment sale agreement, the Authority shall withdraw the amount of such excess from such fund and shall deposit such excess in the revenue fund. Except for such withdrawals, all money in the replacement reserve fund shall be used and withdrawn by the Authority solely for the purpose of paying the replacement costs as they become due and payable.

Debt Service Reserve Fund: On or before the first day of each December, the Authority shall, from the remaining money in the revenue fund, deposit in the debt service reserve fund a sum of money sufficient to restore the fund balance therein to the debt service reserve amount ($2,885,000) provided that no deposit need be made if the fund balance contained therein is at least equal to the debt service reserve amount. If at any time the fund balance contained in the debt service reserve fund exceeds the debt service reserve amount and if the Authority is not then in default under the installment sale agreement, the Authority may authorize the transfer of such excess to the revenue fund. Except for such transfers, all money in the debt service reserve fund shall be used and withdrawn solely for the purpose of paying principal or interest under the installment sale agreement.

Note 1 - Summary of Significant Accounting Policies

C. Assets, Liabilities, and Net Assets

1. *Deposits and Investments*

The Authority's cash and cash equivalents are considered to be cash, demand deposits, money market funds, deposits with the State of California Local Agency Investment Fund (subject to withdrawal on demand), and short-term investments with original maturities of three months or less from the date of acquisition.

Trading securities are debt securities bought and held principally for the purpose of selling them in the near future. Such debt securities include, among other items, US Treasury securities, US Government Agency securities, municipal securities, corporate bonds, commercial paper, and interest-only and principal-only strips. Such investments are carried at fair value, with unrealized gains and losses included in earnings of the Authority.

2. *Receivables*

Trade accounts receivable are carried at net realizable values. The Authority records power generation receivables for energy deliveries to Pacific Gas and Electric Company (PG&E) and capacity payments due from PG&E for energy deliveries made during the year, but unpaid at December 31, 2009.

3. *Prepayments*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

4. *Restricted Assets*

Certain proceeds of the Authority's installment sale contract, as well as certain resources set aside for repayment of the installment sale note, are classified as restricted assets on the balance sheet because their use is limited by the installment sale agreement. Restricted resources are used to fund appropriations only after the unrestricted resources are depleted.

5. *Capital Assets*

Property, plant, and equipment are stated at historical cost. Historical cost includes interest expense capitalized during construction net of applicable earnings. During the current period, there was no capitalized interest. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Note 1 - Summary of Significant Accounting Policies

Class of Capital Asset	Estimated Lives in Years
Dams	100
Buildings and turbines	50
Accessory equipment and fixtures	25
Equipment	10

D. Power Generation Revenue

Power Purchase Agreement: Power revenue is recognized pursuant to the terms and provisions of a Power Purchase Agreement with PG&E referred to as PG&E Standard Offer Number 4, dated June 14, 1994 (Agreement).

Under the Agreement, which expires January 1, 2017, PG&E is to make monthly payments to the Tri-Dam Power Authority for energy and capacity delivered to PG&E during on-peak, partial-peak, and off-peak periods. The Authority was be paid for energy deliveries at prices equal to PG&E's full short-run avoided operating costs (SRAC), which are California Public Utility Commission-approved costs forming the basis of PG&E's published energy prices. During 2009 the SRAC was replaced by the California Independent System Operator (CAISO) Market Redesign Technology Upgrade (MRTU).

Under the Agreement, the Authority is also to be paid for firm capacity of 15,000 kWh. To receive firm capacity payments, the firm capacity is to be delivered for all of the on-peak hours in PG&E's peak months of June, July, and August, as specified in the Agreement. Monthly firm capacity payments are based upon formulas established in the Agreement. In the event the Authority does not provide the contract capacity, the capacity payments are to be readjusted for the actual amount delivered to PG&E, which may require the Authority to reimburse PG&E for any prior months' overpayment.

The Agreement was amended in 1995 to amend Article 4, "Energy Price," Appendix E, "Firm Capacity," and to add certain operating limitations to the Agreement in order to resolve a longstanding dispute regarding the amount of firm capacity to which the Authority was entitled to under the Agreement.

E. Related Party Transactions

Significant related party transactions consisting primarily of cash distributions to the Districts are charged directly to net assets. Charges from the Tri-Dam Project for operations, maintenance and administrative support expenses are incurred in the normal course of business, and for 2009 was approximately $554,000.

F. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position, operations, and cash flows.

Note 1 - Summary of Significant Accounting Policies (concluded)

H. Net Assets

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted. Cash distributions made by the Authority to the Oakdale Irrigation District and the South San Joaquin Irrigation District are recorded as charges against net assets.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.

I. Governmental Accounting Standards Board Statement No. 40

The Authority adopted the provisions of GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment of GASB Statement No. 3.* This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The statement requires certain disclosures of investment that have fair values that are highly sensitive to changes in interest rates.

Note 2 - Cash and Investments

Cash and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments - current assets	$ 1,455
Cash overdraft - (liability)	(32,014)
Cash and investments - restricted current assets	4,297,686
Total cash and investments	$ 4,267,127

Cash and investments as of December 31, 2009 consist of the following:

Deposits with financial institutions in:	
• Money market accounts	$1,224,373
• Checking accounts (overdraft)	(32,014)
• Certificates of Deposits	893,472
Investment in Local Agency Investment Fund (LAIF)	1,455
Investment in US Government obligations	748,001
Investment in Corporate bonds	1,431,840
Total cash and investments	$ 4,267,127

Note 2 - Cash and Investments (continued)

Investments Authorized by the Authority's Investment Policy
The Authority's management is given discretion to invest funds for the benefit of Tri-Dam Power Authority. All funds invested are managed to meet the guidelines stated in both California Code Section 53600, et. seq. and the Authority's investment policy. The following additional guidelines and directives are followed by management:

1. The legal, final maturity of any single security within the investment portfolio will not exceed five years at purchase, with maturities laddered to protect against market swings.

2. The *weighted average life* of the portfolio will not exceed three years.

3. Corporate obligations, including corporate debentures and medium-term notes, must be rated "A" or its equivalent or better by a nationally recognized rating service, and no more than 30% of the portfolio may be invested in this sector at any one time.

4. Corporate obligations including bank certificates of deposit, commercial paper, money market funds, all with maturities of less than 400 days, shall not be subject to the 30% limitation set forth above.

Investments Authorized by Debt Agreements
Investment of debt proceeds held by a bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Types	Maximum Maturity
U.S. Treasury obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	30 years
Corporate bonds	5 years

Disclosures Relating to 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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 except that no more than 30% of the portfolio may be invested in corporate obligations. At December 31, 2009 the Authority had 34% ($1,431,840) of its portfolio invested in corporate obligations with all of those investments being covered by the US Federal Deposit Insurance Corporation (FDIC) insurance.

Note 2 - Cash and Investments (continued)

Investment in State Investment Pool
The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. As of December 31, 2009, LAIF had more than 2,770 participants and approximately $22 billion in investments. Annual reports of the Pooled Money Investment Account (PMIA) may be obtained from the California Treasurer's web site at www.treasurer.ca.gov.

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 are recorded on an amortized cost basis.

Disclosures Relating to 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 is the sensitivity of its fair value to changes in market interest rates. As of fiscal year end, the weighted average maturity of the investments contained in the LAIF State investment pool is approximately 8.4 months. 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 maturity date of each class of investment:

		Maturity Date
State investment pool (LAIF)	$ 1,455	8.4 months average maturity
US Government agencies	748,001	36.0 months average maturity
Corporate obligations	1,431,840	28.8 months average maturity
Certificates of Deposit	893,472	3.9 months average maturity
Money Market	1,224,373	N/A - due on demand

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 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, 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 the 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.

Note 2 - Cash and Investments (concluded)

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. 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 investments. 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).

Note 3 - Power Generation Revenue and Receivables

Power generation revenue was provided by:

Category	2009	2008
Energy deliveries	$3,458,707	$ 4,478,607
Capacity payments	2,486,265	2,581,752
Total	$ 5,944,972	$ 7,060,359

At December 31, 2009, power generation receivables in the amount of $450,000 represented revenue earned from energy deliveries, $357,500, and capacity payments, $92,500, for the month of December 2009.

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Depreciable assets				
Hydraulic production	$ 17,815,229	$ 209,996	$ -	$ 18,025,225
Conveyance tunnel	22,123,528	-	-	22,123,528
Roads and bridges	1,510,573	-	-	1,510,573
Other equipment	2,367,383	33,650	-	2,401,033
subtotals	43,816,713	243,646	-	44,060,359
Accumulated depreciation	(15,552,765)	(700,317)	-	(16,253,083)
Total Capital Assets, net	$ 28,263,948	$ (456,672)	$ -	$ 27,807,276

Note 5 - Sand Bar Hydroelectric Project Financing

On July 1, 1994, the Tri-Dam Power Authority issued Refunding Revenue Bonds of $52,055,000 with an interest rate of 7.50 percent. These Bonds were refunded in 2006 with Bank of America (successor in interest to LaSalle Bank, Chicago) which provided for an interest rate reduction from 7.5% to 5.15%. The Authority paid down the principal balance $9.5 million in 2006 and expects to save $3,069,266 through refunding of these bonds.

Note 5 - Sand Bar Hydroelectric Project Financing (concluded)

Commercial Loan: Note Payable - Authorized and issued May 2006, due in semi-annual installments of $1,627,216 principal and interest, through January 2017, for the purpose of refunding the Authority's Sand Bar Project 1994 Hydroelectric Revenue Bonds.

Long-term debt activity for the year ended December 31, 2009, was as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Commercial loan	$ 22,176,030	$ -	$ 2,139,563	$ 20,036,467	$ 2,251,169

Scheduled Payments: Future annual principal and interest requirements are as follows:

Year End	Commercial Loan		
December 31,	Principal	Interest	Total
2010	$ 2,251,169	$ 1,003,263	$ 3,254,432.1
2011	2,368,597	885,835	3,254,432
2012	2,492,151	762,281	3,254,432
2013	2,622,149	632,283	3,254,432
2014	2,758,928	495,504	3,254,432
2015-2017	7,543,473	565,602	8,109,075
	-	-	-
Totals	$ 20,036,467	$ 4,344,768	$ 24,381,235

Note 6 - Compliance with Installment Sale Agreement

At December 31, 2009 the Authority was in substantial compliance with the requirements of the installment sale agreement.

Note 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; and natural disasters, for which the Authority, through the Tri-Dam Project, carries commercial insurance. The Project carries, jointly with the Tri-Dam Power Authority, commercial insurance coverage which includes $75 million on real and personal property (excluding dams and penstocks), $15 million business income interruption coverage (30 days waiting period and 6 months period of indemnity). The Project also carries, jointly with Tri-Dam Power Authority, $1 million general liability for all owned vehicles. There were no settlements in 2009 that exceeded applicable coverages.

Note 8 - Contingencies

Water Rights: The State Water Resources Control Board (SWRCB) has been conducting water-rights hearings to implement the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary it adopted May 1995. Oakdale Irrigation District and South San Joaquin Irrigation District (Districts) joined other irrigation districts in proposing the *San Joaquin River Group Agreement* (Agreement) to the SWRCB. The water flow schedules in that Agreement were adopted by the SWRCB (Decision 1641). It is anticipated that the Decision will be challenged in court and that the Districts will be obliged to defend the action. If the action to set aside the Decision is successful, the impact on the Authority is uncertain.

Tax Compliance: The Authority's 1984 and 1994 Revenue Bonds have been retired; however, there were some interpretations and estimates made in regard to that Bond Issue's compliance with certain Federal tax laws and the handling of Bond proceeds by the Authority. The treatment of such Bond proceeds by the Authority was in accordance with the directions of the Authority's Bond Counsel; however no approval of this treatment by the Internal Revenue Service (IRS) has been requested or received in regard to the final disposition of this matter. The potential impact of any adverse finding by the IRS, should any be made, is unknown at the present time.

Refunding: In 2005 the Authority advance refunded its 1994 Revenue Bonds in order to take advantage of lower interest rates and significantly reduce its annual debt service. The Authority believes that with at least average precipitation and energy prices of at least 30 mils per kWh adequate revenues will be generated to meet debt service. The Bond reserve provides a financial cushion during low water years and/or periods of lower energy prices.

Note 9 - New Pronouncements

The GASB has issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets.*" This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

The GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions,*" issued in March 2009, initially distinguishes fund balance between amounts that are considered non-spendable, such as fund balance associated with long-term notes receivable or inventory, and other amounts that are classified as spendable based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted - Amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - Amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority.
- Assigned - Amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed.
- Unassigned - The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Note 9 - New Pronouncements (concluded)

The new standard also clarifies the definitions of individual governmental fund types. It also specifies how economic stabilization or "rainy day" amounts should be reported. Because of the specific nature of these accounts, the statement considers stabilization amount as *specific purposes*. Stabilization amounts should be reported in the general fund as restricted or committed if they meet the appropriate criteria. Only if the resources in the stabilization arrangement derive from a restricted or committed revenue source could a stabilization fund be reported as a special revenue fund.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by this statement. The capital projects fund type was clarified for better alignment with the needs of financial statement users and prepares. Definitions are as follows:

- General fund - Account for and report all financial resources and uses not accounted for and reported in another fund.

- Special revenue funds - Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- Capital projects funds - Account for and report financial resources that are restricted, committed, or assigned to the expenditure for capital outlays, including the acquisition of construction of capital facilities and other capital assets.

- Debt service funds - Account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

- Permanent funds - Account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

The requirements of this Statement are effective for fiscal periods beginning after June 15, 2010 with earlier implementation encouraged.

Carvell Printer Instructions — Date: 3-19-2010

Report Name: POWER AUTHORITY

Quantity 10 — Need by: ASAC

BINDING

Marcello supplies these types:

Pearl coil _____

Silver coil _____

Clear coil _____

23 TOTAL PAGES

Carvell Printing supplies these types:

Black plastic comb ✓

Black coil _____

Other ______________________________

Butterfly (duplex) pages: — N/A

NOTE - Last page is a "blank" page - yes

Please call if you have any questions, Ralph Marcello, cell 704-6003, office 979-9079, home 488-0748

c…Printer Instructions.doc