TRI-DAM POWER AUTHORITY

AUDITED FINANCIAL STATEMENTS

December 31, 2011

TRI-DAM POWER AUTHORITY

AUDITED FINANCIAL STATEMENTS

December 31, 2011 and 2010

TABLE OF CONTENTS

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Tri-Dam Power Authority
Strawberry, California

We have audited the accompanying financial statements of the Tri-Dam Power Authority (the Authority) as of December 31, 2011 and 2010 and for the years then ended, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Richardson & Company

April 11, 2012

MANAGEMENT’S DISCUSSION
AND ANALYSIS

Tri-Dam Power Authority

Management's Discussion and Analysis

For the Year Ended December 31, 2011

This discussion and analysis provides an overview of the Tri-Dam Power Authority's (Authority) financial position as of December 31, 2011 and 2010, and the Authority's financial performance for the years then ended. We encourage readers to consider the information presented here in conjunction with the more comprehensive information furnished in the accompanying transmittal letter, our basic financial statements, and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

Factors to consider when reading the financial statements:

- Operating revenues increased $1.8 million in 2011, reflecting increased energy generation revenues.
- Net assets increased $4.0 million, from $14.2 million in 2010 to $18.1 million in 2011, due to positive results of operations.
- Operating expenses of $1.3 million in 2011 represent a $256,000 decline from 2010, primarily due to reduced maintenance and depreciation expense.
- Non-operating expenses decreased $416,000 to $550,000 in 2011, down from $966,000 in 2010, due to reduced interest expense resulting from a full year's benefit of the September 2010 bond refinancing and corresponding retirement of a portion of the outstanding debt.
- For every dollar in liabilities, the Authority holds $2.23 in assets, up from $1.83 in 2010, also a result of the positive results of operations.

FINANCIAL ANALYSIS OF THE AUTHORITY

This discussion and analysis is intended to serve as an introduction to the Authority's 1) Basic Financial Statements, 2) Supplementary Information, and 3) Compliance Reporting.

Basic Financial Statements

This section includes the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; the Statement of Cash Flows; and the Notes to the Basic Financial Statements. The Statement of Net Assets details the changes in net assets due to increases / decreases in assets and liabilities. Increases or decreases in net assets are a potential indicator of financial strength when analyzed over a period of years. The Statement of Revenues, Expenses, and Changes in Net Assets provide information relating to the revenues, expenses, and subsequent changes in net assets for the fiscal year reported. The Statement of Cash Flows breaks down the sources and uses of cash by activity. The notes to the financial statements are a crucial part of the financial statements as they provide a narrative of the trends and outlook behind the numbers as well as supplementary information that should be considered when analyzing the data. The notes to the financial statements begin on page 10.

The financial data contained herein reflects the audited 2011 and 2010 financial results.

STATEMENT OF NET ASSETS

Net Assets

As previously mentioned, net assets can be an indicator of the financial strength of an organization. The Authority's total assets exceeded liabilities by $18.1 million at December 31, 2011, including an increase of $2.3 million in unrestricted net assets. This is an indication of an improvement in the Authority's financial condition.

The two largest components of the Authority's net assets were invested in capital assets of $12.6 million and unrestricted net assets of $3.9 million. Net assets invested in capital assets, net of related debt, represents the Authority's investment in capital assets that will be eliminated with depreciation. The Authority utilizes capital assets for day to day operations and energy generation. Capital assets provide the Authority with the ability to continue operations and do not represent liquid assets that could be used to pay future obligations. See the capital assets section for more information on the changes in this component of net assets. Unrestricted net assets increased due to the change in net assets discussed below, less distributions to Member Districts.

The Authority maintains a debt service reserve that is required under the Revenue Refunding Bond agreement with a current minimum balance of $1.65 million. In addition, the Authority's Board of Directors has imposed minimum reserve balances, which can be changed at the Board's discretion. These limits are in place to ensure adequate reserve balances exist in the event of a system failure or to fund future projects.

The following table illustrates the Authority's condensed statement of net assets for 2011, 2010 and 2009.

	Condensed Statement of Net Assets				
	2011	2010	Increase (Decrease)	2009	Increase (Decrease)
Assets					
Current Assets	$ 3,495,525	$ 1,071,880	$ 2,423,645	$ 1,226,616	$ (154,736)
Restricted Assets	2,281,599	2,491,988	(210,389)	3,611,798	(1,119,810)
Capital Assets	27,114,990	27,699,807	(584,817)	27,807,277	(107,470)
Total Assets	$ 32,892,114	$ 31,263,675	$ 1,628,439	$ 32,645,691	$ (1,382,016)
Liabilities					
Current and Other Liabilities	$ 2,604,143	$ 2,562,415	$ 41,728	$ 2,503,055	$ 59,360
Long-Term Liabilities	12,152,918	14,550,307	(2,397,389)	17,785,298	(3,234,991)
Total Liabilities	14,757,061	17,112,722	(2,355,661)	20,288,353	(3,175,631)
Net Assets					
Invested in Capital Assets, Net of Related Debt	12,632,517	10,911,746	1,720,771	7,770,810	3,140,936
Restricted for Debt Service	1,645,687	1,645,071	616	3,611,798	(1,966,727)
Unrestricted	3,856,849	1,594,136	2,262,713	974,730	619,406
Total Net Assets	18,135,053	14,150,953	3,984,100	12,357,338	1,793,615
Total Liabilities and Net Assets	$ 32,892,114	$ 31,263,675	$ 1,628,439	$ 32,645,691	$ (1,382,016)

The cash and cash equivalents balance is comprised of approximately $94,000 in bank deposits and $5.0 million in investments. The $5.0 million in investments is mainly held in money market funds and medium term corporate notes, with less than 1% held in the Local Agency Investment Fund (LAIF).

Capital assets, net of depreciation, decreased $585,000 during 2011, due to normal deprecation, net of a small addition from a transformer replacement project.

Liabilities

Total Liabilities decreased $2.4 million in 2011, primarily due to principal payments made on the 2010 Revenue Refunding Bonds. For a more detailed discussion of the debt refinancing refer to Note D.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Net Assets captures the assets, liabilities, and net assets at a specific point in time while the Statement of Revenues, Expenses, and Changes in Net Assets details the results of operations for the current year.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2011	2010	Increase (Decrease)	2009	Increase (Decrease)
Operating Revenues	$ 7,800,444	$ 5,957,632	$ 1,842,812	$ 5,945,119	$ 12,513
Operating Expenses	1,291,858	1,547,910	(256,052)	1,301,525	246,385
Net Profit from Operations	6,508,586	4,409,722	2,098,864	4,643,594	(233,872)
Nonoperating Revenues (Expenses):					
Invesment Earnings	8,807	49,439	(40,632)	110,036	(60,597)
Gain on sale of assets	16,500	--	16,500	--	--
Interest Expense	(549,793)	(965,546)	415,753	(1,101,154)	135,608
Total Non-Operating Revenues (Expenses)	(524,486)	(916,107)	391,621	(991,118)	75,011
Change in Net Assets	5,984,100	3,493,615	2,490,485	3,652,476	(158,861)
Net Assets, Beginning of Year	14,150,953	12,357,338	1,793,615	11,004,862	1,352,476
Less: Distributions to Districts	(2,000,000)	(1,700,000)	(300,000)	(2,300,000)	600,000
Net Assets, End of Year	$ 18,135,053	$ 14,150,953	$ 3,984,100	$ 12,357,338	$ 1,793,615

Revenues

Total revenues increased $1.8 million in 2011 primarily due to a significant increase in power generation revenue, which increased approximately $1.9 million. Investment earnings were minimal due to market conditions, and decreased by $41,000 to $8,800.

Operating Expenses

The Authority's operating expenses decreased a total of $256,000 in 2011. This decrease was primarily due to lower wages and overhead expense resulting from a lack of capital improvement projects and reduction in required maintenance at the Sand Bar power generation plant.

Changes in Net Assets

The change in net assets (net income) increased $2.5 million, or 71%, in 2011. Significantly improved power generation revenue due to above normal precipitation was the primary reason for the increase. In addition, total expenses decreased by $672,000, or 26.7%. The reduction in total expenses resulted from the lower operating expenses discussed above, along with a reduction in interest expense of $416,000 due to lower interest costs associated with the 2010 debt refinancing and subsequent principal pay down. Additional interest expense savings are anticipated in future years as outstanding debt continues to be retired.

CAPITAL ASSETS

At the close of 2011, the Authority's investment in capital assets (net of accumulated depreciation) decreased $585,000 due to normal depreciation, net of a small addition to complete the transformer upgrade at the Sand Bar power plant. Capital asset categories are construction in progress, hydraulic production facilities, conveyance tunnel, roads and bridges, and other equipment.

	2011	2010	Increase (Decrease)
Construction in progress	$ -	$ 607,990	$ (607,990)
Hydraulic production facilities	18,627,206	18,000,442	626,764
Conveyance tunnel	22,123,528	22,123,528	-
Roads and bridges	1,510,573	1,510,573	-
Other equipment	2,425,816	2,425,816	-
Total Capital Assets	44,687,123	44,668,349	18,774
Less:accumulated depreciation	(17,572,133)	(16,968,542)	(603,591)
Net Capital Assets	$ 27,114,990	$ 27,699,807	$ (584,817)

Note C contains additional information regarding capital assets.

ECONOMIC FACTORS AND THE FUTURE

General economic conditions are expected to remain weak in 2012. When combined with an increased supply of competing energy sources such as natural gas and other renewable energy, electricity prices are expected to remain low throughout the year. Moreover, snow depths are well below average levels, which could negatively impact energy generation unless conditions improve during the spring. Accordingly, it is reasonable to expect a reduction in power generation revenue during 2012.

Expenses for 2012 are budgeted to increase slightly as wage rates and benefit costs increase and a small capital improvement project is started.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to Rick Dodge, Finance and Administrative Manager, P.O. Box 1158, Pinecrest, California, 95364-0158 or rdodge@tridamproject.com.

BASIC FINANCIAL STATEMENTS

TRI-DAM POWER AUTHORITY

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

	2011	2010
ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents	$ 3,449,031	$ 1,033,731
Prepaid expenses	46,494	38,149
Total Unrestricted Current Assets	3,495,525	1,071,880
Restricted Current Assets		
Cash and cash equivalents with fiscal agent	1,340,363	1,030,530
Investments with fiscal agent	305,324	614,541
Accrued interest receivable	160	306
Accounts receivable - power generation	331,179	480,094
Total Restricted Current Assets	1,977,026	2,125,471
Total Current Assets	5,472,551	3,197,351
Capital Assets		
Not depreciated		607,990
Depreciated, net	27,114,990	27,091,817
Total Capital Assets	27,114,990	27,699,807
Noncurrent Assets		
Deferred Charges	304,573	366,517
Total Restricted Noncurrent Assets	304,573	366,517
Total Noncurrent Assets	27,419,563	28,066,324
TOTAL ASSETS	$ 32,892,114	$ 31,263,675
LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities	$ 10,947	$ 68,829
Accrued interest payable	87,335	143,916
Accounts payable - Tri-Dam Project	143,987	95,870
Long-term debt - current portion	2,340,000	2,240,000
Compensated absences - current portion	21,874	13,800
Total Current Liabilities	2,604,143	2,562,415
Noncurrent Liabilities		
Long-term debt - noncurrent portion	12,142,473	14,548,061
Compensated absences - noncurrent portion	10,445	2,246
Total Noncurrent Liabilities	12,152,918	14,550,307
TOTAL LIABILITIES	14,757,061	17,112,722
NET ASSETS		
Invested in capital assets, net of related debt	12,632,517	10,911,746
Restricted for debt service	1,645,687	1,645,071
Unrestricted	3,856,849	1,594,136
TOTAL NET ASSETS	18,135,053	14,150,953
TOTAL LIABILITIES AND NET ASSETS	$ 32,892,114	$ 31,263,675

The accompanying notes are an integral part of these financial statements.

TRI-DAM POWER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Power generation revenue	$ 7,800,309	$ 5,939,145
Other revenue	135	18,487
Total Operating Revenues	7,800,444	5,957,632
Operating Expenses		
Operations	275,201	336,039
Maintenance	151,782	306,620
Administrative and general	261,284	189,790
Depreciation	603,591	715,461
Total Operating Expenses	1,291,858	1,547,910
NET INCOME FROM OPERATIONS	6,508,586	4,409,722
Nonoperating Revenues (Expenses)		
Investment earnings	8,807	17,501
Gain on sale of investments		31,938
Interest expense	(549,793)	(965,546)
Gain on disposal of capital assets	16,500	
Total Nonoperating Revenues (Expenses)	(524,486)	(916,107)
CHANGE IN NET ASSETS	5,984,100	3,493,615
Net Assets, Beginning of Year	14,150,953	12,357,338
Less: Distributions to Member Districts	(2,000,000)	(1,700,000)
NET ASSETS, END OF YEAR	$ 18,135,053	$ 14,150,953

The accompanying notes are an integral part of these financial statements.

TRI-DAM POWER AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers for power generation	$ 7,949,224	$ 5,909,051
Other operating receipts	135	18,487
Cash payments to suppliers for goods & services	(455,678)	(385,224)
Cash payments to employees	(234,426)	(341,844)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,259,255	5,200,470
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash distributions to Member Districts	(2,000,000)	(1,700,000)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	(2,000,000)	(1,700,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on long-term debt	(610,018)	(1,002,451)
Principal paid on long-term debt	(2,240,000)	(1,139,892)
Proceeds from issuance of long-term debt		16,804,458
Transfer to trustee to repay note payable		(18,896,575)
Debt issuance costs paid		(382,816)
Purchases of capital assets	(18,774)	(607,991)
Procees from disposal of capital assets	16,500	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(2,852,292)	(5,225,267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment securities	300,000	1,578,889
Purchases of investment securities		
Interest received	18,170	90,869
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	318,170	1,669,758
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,725,133	(55,039)
Cash and cash equivalents - beginning of year	2,064,261	2,119,300
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,789,394	$ 2,064,261
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Unrestricted cash and cash equivalents	$ 3,449,031	$ 1,033,731
Restricted cash and cash equivalents with fiscal agent	1,340,363	1,030,530
CASH AND CASH EQUIVALENTS	$ 4,789,394	$ 2,064,261

(Continued)

TRI-DAM POWER AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

For the years ended December 31, 2011 and 2010

	2011	2010
Reconcilation of net income from operations to net cash provided by operating activities:		
Net income from operations	$ 6,508,586	$ 4,409,722
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	603,591	715,461
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(8,345)	(4,201)
Decrease (increase) in accounts receivable - power generation	148,915	(30,094)
Increase (decrease) in accounts payable and other liabilities	(57,882)	2,248
Increase (decrease) in payable to Tri-Dam Project	48,117	91,288
Increase (decrease) in compensated absences	16,273	16,046
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,259,255	$ 5,200,470
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Change in the fair values of investments	$ (2,795)	$ (4,259)

The accompanying notes are an integral part of these financial statements.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Tri-Dam Power Authority (the Authority) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As allowed by the GASB, the Authority has elected to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant of the Authority's accounting policies are described below.

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 or until the Authority's debt, including interest thereon, is repaid unless extended by both parties. 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 purpose of the Authority is to account for the activities related to the facilities above, as financed by the long-term debt described in the long-term liability footnote.

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 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 debt 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.

Basis of Presentation – Fund Accounting: The Authority's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. A fund is a self-balancing set of accounts. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets for the enterprise fund represent the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Earned but unbilled power generation revenue is accrued as revenue.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of power generation revenue. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Principles: The Board of Commissioners does not operate under any legal budgeting constraints. Budget integration is employed as a management control device. Budgets are formally adopted by the Commission and take effect on each January 1.

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including deposits with banks, deposits in the State of California Local Agency Investment Fund (LAIF) and money market mutual funds, including assets of the type described above that are restricted.

Restricted Assets: Certain proceeds of the Authority's long-term debt are classified as restricted investments on the statement of net assets because their use is limited by applicable bond covenants. The "reserve" account is used to report resources set aside to make up potential future deficiencies in the bond's debt service.

Accounts Receivable: Trade accounts receivable are carried at net realizable values. The Authority records power generation and capacity receivables for energy deliveries to Pacific Gas and Electric Company (PG&E). The Authority has determined that an allowance for doubtful accounts is not necessary.

Capital Assets: Capital assets are recorded at historical cost. Historical cost includes interest expense on debt capitalized during construction. Contributed assets are valued at estimated fair value on the date received. 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. Depreciation is calculated using the straight line method over the following estimated useful lives:

Class of Capital Asset	Estimated Lives in Years
Hydraulic production facilities	25 - 100
Conveyance tunnel	100
Roads and bridges	10 - 100
Other equipment	5 - 25

It is the Authority's policy to capitalize all capital assets with a cost of $5,000 or more. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Bonds Payable, Bond Premiums and Deferred Charges: Long-term debt is reported as long-term liabilities in the statement of net assets. Bond premiums and issuance costs are deferred and amortized into interest expense over the life of the bonds using the straight-line method, which approximates the interest method. Bonds payable are reported on the statement of net assets net of the applicable bond premiums. Bond issuance costs are reported as deferred charges on the statement of net assets, which is a component of Noncurrent Assets.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The Authority's Memorandum of Understanding (MOU) allows employees to accumulate unused vacation and sick leave, subject to policy limits. Vacation is earned at the rate of 80 to 168 hours per year, depending upon the number of years of service. Sick leave is earned at the rate of 96 hours per year after the first year of service. All unused vacation and 25% of unused sick leave is paid upon separation. The liability for these compensated absences is recorded as a long-term liability in the statement of net assets. The current portion of this liability is estimated based on historical trends. The cost of compensated absences is recorded in the period it is incurred.

Net Assets: The government-wide financial statements present net assets. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The purpose of the restriction is reported on the face of the statement of net assets.

Unrestricted Net Assets – This category represents net assets not restricted for any project or other purpose.

Power Generation Revenues: Power revenues are 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, Pacific Gas and Electric Company (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 is to be paid for energy deliveries at prices equal to PG&E's full short-run avoided operating costs (SRAC) under the agreement, which are California Public Utility Commission-approved costs forming the basis of PG&E's published energy prices.

Under the Agreement, the Authority is also to be paid for firm capacity of 15,000 kW. 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.

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. These risks are covered by commercial insurance purchased from independent third parties. The commercial insurance is subject to a deductible. No significant claims resulting in the need for a claims liability for insurance deductibles occurred during the years ended December 31, 2011 and 2010. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the prior year.

Related Party Transactions: The Authority's Board selected Oak Valley Community Bank for its day-to-day banking activities. Two Board members own stock in the bank. The Authority also makes distributions to the Member Districts.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain reclassifications were made to conform to the current presentation. These reclassifications had no effect on the previously reported change in net assets.

New Pronouncements: In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the Authority to reassess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred, which will affect the accounting for these items related to the Authority's debt agreement. The provisions of this Statement are effective for periods beginning after December 15, 2012.

The Authority will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE B – CASH AND INVESTMENTS

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

	2011	2010
Deposits with financial institutions	$ 93,551	$ 5,467
Local Agency Investment Fund (LAIF)	1,469	1,463
Money market mutual funds	3,354,011	1,026,801
Total unrestricted cash and cash equivalents	3,449,031	1,033,731
Money market mutual funds	1,340,363	532,411
Negotiable certificates of deposit		498,119
Total restricted cash and cash equivalents with fiscal agent	1,340,363	1,030,530
Medium term corporate notes	305,324	614,541
Total restricted investments with fiscal agent	305,324	614,541
Total cash and investments	$ 5,094,718	$ 2,678,802

NOTE B – CASH AND INVESTMENTS (Continued)

Cash and investments as of December 31 consisted of the following for disclosure under GASB 40:

	2011	2010
Deposits with financial institutions	$ 93,551	$ 5,467
Negotiable certificates of deposit		498,119
Total cash and deposits	93,551	503,586
Medium-term corporate notes	305,324	614,541
Money market mutual funds	4,694,374	1,559,212
Local Agency Investment Fund (LAIF)	1,469	1,463
Total investments	5,001,167	2,175,216
Total cash and investments	$ 5,094,718	$ 2,678,802

Investment policy: California statutes authorize governments to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized by 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 the bond trustee 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.

The Authority's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
California local agency debt	5 years	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposits	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term corporate notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
LAIF	N/A	None	None

The Authority complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The Authority will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The 2010 Revenue Refunding Bonds debt agreement contains certain provisions that address interest rate risk and credit risk, but not concentration of credit risk.

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Bankers acceptances	None	None	None
Commercial paper	None	None	None
Negotiable certificates of deposits	None	None	None
Investment agreements	None	None	None
Repurchase agreements	1 year	None	None
Medium term corporate notes	3 years	None	None
Mutual funds	N/A	None	None
LAIF	N/A	None	None

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 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 is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Authority's investment policy does not contain any provisions limiting interest rate risk that are more restrictive than what is specified in the California Government Code.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity at December 31, 2011:

	Total	Remaining Maturity 12 Months or Less
Money market mutual funds	$ 3,354,011	$ 3,354,011
LAIF	1,469	1,469
Held by bond trustee:		
Money market mutual funds	1,340,363	1,340,363
Medium term corporate notes	305,324	305,324
Total	$ 5,001,167	$ 5,001,167

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 year-end for each investment type.

NOTE B – CASH AND INVESTMENTS (Continued)

	Total	Minimum Legal Rating	Ratings as of Year End AAA	Not Rated
Money market mutual funds	$ 3,354,011	AAA/Aaa	$ 3,354,011	
LAIF	1,469	N/A		$ 1,469
Held by bond trustee:				
Money market mutual funds	1,340,363	AAA/Aaa	1,340,363	
Medium term corporate notes	305,324	AAA/Aaa	305,324	
	$ 5,001,167		$ 4,999,698	$ 1,469

Concentration of Credit Risk: The investment policy of the Authority limits the amount that can be invested in any one issuer to the amounts specified by the California Government Code. The California Government Code limits the amount that may be invested in any one issuer, as disclosed in the preceding table. GASB Statement No. 40 requires disclosure of investments with one issuer exceeding 5% of total investments, with the exception of U.S. Treasury obligations, U.S. Agency Securities and external investment pools. There are no investments in any one issuer (other than mutual funds) that represent 5% or more of total Authority investments.

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. 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At December 31, 2011 and 2010, the carrying amount of the Authority's deposits were $93,551 and $5,467 and the balances in financial institutions were $99,014 and $7,874, respectively. All of the balances in financial institutions were covered by federal depository insurance at December 31, 2011 and 2010.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total amount invested on December 31, 2011 by all public agencies in LAIF is $68,012,877,285 managed by the State Treasurer. Of that amount, 94.0% is invested in non-derivative financial products and 6.0% in structured notes and asset-backed financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. 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.

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended December 31 was as follows:

	Balance at January 1, 2011	Additions	Disposals	Transfers and Adjustments	Balance at December 31, 2011
Capital assets, not being depreciated:					
Construction in Progress	$ 607,990	$ 18,774		$ (626,764)	
Total capital assets, not being depreciated	607,990	18,774		(626,764)	
Capital assets, being depreciated:					
Hydraulic production facilities	$18,000,442			626,764	$18,627,206
Conveyance tunnel	22,123,528				22,123,528
Roads and bridges	1,510,573				1,510,573
Other equipment	2,425,816				2,425,816
Total capital assets being depreciated, net	44,060,359			626,764	44,687,123
Accumulated depreciation:					
Hydraulic production facilities	(9,038,031)	(297,026)			(9,335,057)
Conveyance tunnel	(5,417,725)	(221,235)			(5,638,960)
Roads and bridges	(368,832)	(16,314)			(385,146)
Other equipment	(2,143,954)	(69,016)			(2,212,970)
Total accumulated depreciation	(16,968,542)	(603,591)			(17,572,133)
Capital assets depreciated, net	27,091,817	(603,591)		626,764	27,114,990
Capital assets, net	$27,699,807	$ (584,817)	$ -	$ -	$27,114,990

NOTE C – CAPITAL ASSETS (Continued)

	Balance at January 1, 2010	Additions	Disposals	Transfers and Adjustments	Balance at December 31, 2010
Capital assets, not being depreciated:					
Construction in Progress		$ 607,990			$ 607,990
Total capital assets, not being depreciated		607,990			607,990
Capital assets, being depreciated:					
Hydraulic production facilities	$18,025,225			$ (24,783)	$18,000,442
Conveyance tunnel	22,123,528				22,123,528
Roads and bridges	1,510,573				1,510,573
Other equipment	2,401,033			24,783	2,425,816
Total capital assets being depreciated, net	44,060,359				44,060,359
Accumulated depreciation:					
Hydraulic production facilities	(8,660,858)	(377,173)			(9,038,031)
Conveyance tunnel	(5,196,490)	(221,235)			(5,417,725)
Roads and bridges	(352,516)	(16,316)			(368,832)
Other equipment	(2,043,218)	(100,736)			(2,143,954)
Total accumulated depreciation	(16,253,082)	(715,460)			(16,968,542)
Capital assets depreciated, net	27,807,277	(715,460)			27,091,817
Capital assets, net	$27,807,277	$ (107,470)	$ -	$ -	$27,699,807

NOTE D – LONG-TERM LIABILITIES

The activity of long-term liabilities during the years ended December 31 was as follows:

	Balance at January 1, 2011	Additions	Repayments	Balance at December 31, 2011	Due within One Year
2010 Revenue Refunding Bonds	$ 16,400,000		$ (2,240,000)	$ 14,160,000	$ 2,340,000
Compensated absences	16,046	$ 35,708	(19,435)	32,319	21,874
Total long-term liabilities	16,416,046	$ 35,708	$ (2,259,435)	14,192,319	$ 2,361,874
Unamortized bond premium	388,061			322,473	
Less: Current portion	(2,253,800)			(2,361,874)	
	$ 14,550,307			$ 12,152,918	

NOTE D – LONG-TERM LIABILITIES (Continued)

	Balance at January 1, 2010	Additions	Repayments	Balance at December 31, 2010	Due within One Year
2010 Revenue Refunding Bonds		$16,400,000		$16,400,000	$ 2,240,000
2005 Note Payable	$20,036,467		$(20,036,467)		
Compensated absences		17,217	(1,171)	16,046	13,800
Total long-term liabilities	20,036,467	$16,417,217	$(20,037,638)	16,416,046	$ 2,253,800
Unamortized bond premium				388,061	
Less: Current portion	(2,251,169)			(2,253,800)	
Due in more than one year	$17,785,298			$14,550,307	

Description of Debt:

On September 23, 2010, the Authority issued 2010 Revenue Refunding Bonds (the Bonds) in the amount of $16,400,000. The proceeds of the Bonds were used to refund the 2005 Note Payable from Bank of America, which previously refunded the debt used to construct the hydraulic turbine and generator in the vicinity of Sand Bar Flat Diversion Dam, together with the related diversion facility, conveyance tunnel, transmission line and access roads, bridges, land and improvements in 1982. The Bonds are secured by a lien on the net revenues of the Authority's electric system. Semi-annual principal payments of $1,090,000 to $2,165,000 and semi-annual interest payments of $43,300 to $335,803 are due on May 1 and November 1 from May 1, 2011 through November 1, 2016. Interest rates on the Bonds range from 2% to 4%.

The Bonds are subject to a reserve requirement at any date of the lesser of (i) 10% of the principal amounts of the Bonds, (ii) an amount equal to the maximum annual debt service payments payable to maturity of the Bonds, or (iii) 125% of the average annual debt service payments payable through maturity of the Bonds.

The requirements to amortize the outstanding business-type activities debt as of December 31 were as follows:

	2010 Revenue Refunding Bonds		
Year Ending December 31,	Principal	Interest	Total
2012	$ 2,340,000	$ 511,616	$ 2,851,616
2013	2,400,000	449,000	2,849,000
2014	2,495,000	352,100	2,847,100
2015	2,595,000	251,300	2,846,300
2016	4,330,000	129,900	4,459,900
	$ 14,160,000	$ 1,693,916	$ 15,853,916

NOTE E – NET ASSETS

Designations: Designations of unrestricted net assets may be imposed by the Board of Commissioners to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. The following is a summary of designated net asset balances at December 31:

	2011	2010
Maintenance reserve:		
For replacement and maintenance expenditures on water storage and delivery systems and hydroelectric generation facilities.	$ 17,799	$ 17,377
Operating reserve	1,000,000	1,000,000
Total designated net assets	$ 1,017,799	$ 1,017,377

The resolution establishing the maintenance reserve provides for increases in the reserve each year by an amount equal to the change in the Consumer Price Index (CPI). The operating reserve does not have a provision to increase the reserve based on the CPI.

Amounts in excess of the maintenance reserve and operating reserve, rounded to the nearest $200,000, may be transferred in equal shares to each Member District according to a Resolution of the Joint Boards of the Member Districts. The distributions are considered at the December board meeting.

NOTE F – DISTRIBUTIONS TO MEMBER DISTRICTS

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

	2011	2010
Oakdale Irrigation District	$1,000,000	$ 850,000
South San Joaquin Irrigation District	1,000,000	850,000
Total distributions to Member Districts	$2,000,000	$1,700,000

NOTE G – EMPLOYEES' RETIREMENT PLAN

Plan Description: The Authority contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. All full and part time Authority employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months full-time equivalent monthly pay. The Authority is a member of the Miscellaneous 2.5% at 55 Risk Pool. Copies of the PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE G – EMPLOYEES' RETIREMENT PLAN (Continued)

Funding Policy: Active plan members are required to contribute 8% of their annual covered salary, which is shared between the Authority and the employees. The Authority agrees to contribute approximately 5.7% of the employee's contribution and the employees contribute approximately 2.3% as specified in the related MOU. Contributions made on behalf of Authority employees total $15,197 and $24,348 for the years ended December 31, 2011 and 2010, respectively. The Authority is also required to contribute at an actuarially determined rate: the rate for January 1 to June 30, 2010 was 9.790%, the rate for July 1, 2010 to June 30, 2011 was 10.263%, and the rate from July 1 to December, 2011 was 13.353%. The contribution requirements of plan members and the Authority are established and may be amended by PERS. The Authority's total contributions for years ended December 31, 2011, 2010, and 2009 were $45,246, $65,087 and $43,013, respectively.

NOTE H–OTHER POSTRETIREMENT EMPLOYEE BENEFITS (OPEB)

Plan Description: The Authority's other postemployment benefits (OPEB) plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Authority. The Plan provides healthcare insurance coverage for eligible retirees through the Authority's group medical insurance plan, which covers both active and retired participants. Employees are eligible to participate in the Plan if they have ten years of continuous service, attain age 55 and retire directly from the Authority. Since premiums are determined for active employees and retirees on a combined basis, an implied subsidy must be reflected under GASB 45. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Project and its employees as approved by the Commissioners. The Plan provides that the Authority will continue to provide retired employees group medical coverage and that retired employees will reimburse the Authority for one-half of their health insurance costs for up to ten years of benefits. At age 65 the retired employee is dropped from coverage and becomes eligible to participate in the federal government's Medicare insurance program.

Funding Policy: The contribution requirements of the Plan participants and the Authority are established and may be amended by the Authority. The Authority's funding commitment is in accordance with a Memorandum of Understanding (MOU) with its employees and subject to change with each new MOU. Employees are not required to contribute to the plan. It is the policy of the Authority to fund postretirement healthcare premiums on a pay-as-you go basis. The Authority has no separate trust or plan assets.

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Authority's Net OPEB obligation:

	2011	2010
Annual required contribution (ARC)	$ 5,219	$ 6,363
Interest on net OPEB obligation	81	115
Adjustment to annual required contribuion		
Annual OPEB cost (expense)	5,300	6,478
Contributions made	(2,859)	(6,478)
(Increase) decrease in net asset	2,441	
Net OPEB obligation (asset) - end of year	$ 2,441	$ -

The OPEB liability is reported as part of accounts payable and other liabilities due to immateriality of the amount.

NOTE H – OTHER POSTRETIREMENT EMPLOYEE BENEFITS (OPEB) (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the new OPEB obligation for years ending December 31 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	$ 2,509	100%	$ -
December 31, 2010	6,478	100%	-
December 31, 2011	2,859	54%	2,441

Funded Status and Funding Progress: As of December 31, 2011 and 2010, the Plan was not funded. The Plan operates on a pay-as-you go basis.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on the following page, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the December 31, 2011 and 2010 valuations, the Authority elected to use the alternative measurement method as allowed under Governmental Accounting Standards Board Statement No. 45. The Authority computed its ARC using the unit cost credit method with UAAL amortized as a level dollar amount. The actuarial assumptions include health premium increases of 4.0% to 9.4% in 2011 and 4.1% to 4.9% in 2010 and the following assumptions for both 2011 and 2010: a 4.0% investment rate of return, an average retirement age of 60, a 94% to 100% probability of remaining employed until retirement and an average life expectancy of more than 65 years. The initial UAAL was amortized as a level dollar amount over a fixed 29 and 30-year period as of December 31, 2011 and 2010, respectively.

NOTE H – OTHER POSTRETIREMENT EMPLOYEE BENEFITS (OPEB) (Continued)

Required Supplementary Information
Other Postemployment Benefits Plan (OPEB)
Schedule of Funding Progress of OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (b)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2010	$ -	$ 51,820	$ 51,820	0.00%	$ 406,509	12.75%
December 31, 2011		36,343	36,343	0.00%	243,203	14.94%

NOTE I – CONTINGENCIES

Water Rights: The State Water Resources Control Board (SWRCB) continues to periodically conduct hearings relating to the development and implementation of a water quality control plan(s) for the San Francisco Bay and Sacramento/San Joaquin Delta. If implemented, these plans could, among other measures, affect the amount and timing of water to be released into the Delta by water rights holders such as Oakdale Irrigation District and South San Joaquin Irrigation District. The implementation of these plans could also negatively impact the Authority's power generating activities on the Stanislaus River. The Districts are actively involved in these and other regulatory proceedings and litigation related to water rights and water supply. It is not possible to determine the potential cost or financial impact of the Plan(s) to the Districts or the Authority.

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.

Claims: The Authority is a party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the Authority's legal counsel believe that there are no loss contingencies that would have a material adverse impact on the financial position of the Authority.

COMPLIANCE REPORT

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Tri-Dam Power Authority
Strawberry, California

We have audited the basic financial statements of the Tri-Dam Power Authority (the Authority) as of and for the year ended December 31, 2011 and have issued our report thereon dated April 11, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings as finding 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

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, contracts, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Authority in a separate letter dated April 11, 2012.

Board of Commissioners
Tri-Dam Power Authority

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, Oakdale Irrigation District, South San Joaquin Irrigation District, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

April 11, 2012

TRI-DAM POWER AUTHORITY

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2011

CURRENT YEAR FINDINGS:

None

STATUS OF PRIOR YEAR FINDINGS:

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Condition: The Authority's capital assets were misstated.

Effect: Capital assets needed to be reconciled to the supporting detail records and a number of adjustments needed to be posted to correct the balances of capital assets and accumulated depreciation, which delayed the completion of the audit.

Cause: A number of adjustments were posted to capital asset accounts in the general ledger in prior years that were not reflected on the capital asset detail records. As a result, the Chief Financial Officer had to spend a significant amount of time to correct the capital asset detail records, reconcile the balances to the general ledger and post correcting journal entries. Had this reconciliation been performed earlier in the year it would not have delayed the completion of the audit.

Recommendation: We recommend capital asset transactions be posted periodically throughout the year. Ideally capital asset entries should be posted on a monthly or quarterly basis. The detail list of capital assets should be reconciled to the general ledger after updating the list for current activity. It appears the December 31, 2010 capital asset records were properly reconciled at the conclusion of the audit.

Status of Prior Year Finding: Although improvement was noted, the Authority did not reconcile capital assets regularly throughout the year. We continue to recommend capital assets be reconciled and posted regularly throughout the year.

Management's Response: We began posting capital asset additions and reconciling the capital asset detail list to the general ledger on a quarterly basis in 2012.