REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

TUOLUMNE WIND PROJECT AUTHORITY
(A COMPONENT UNIT OF THE
TURLOCK IRRIGATION DISTRICT)

December 31, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

Board of Directors
Tuolumne Wind Project Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tuolumne Wind Project Authority (the "Authority"), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tuolumne Wind Project Authority as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tuolumne Wind Project Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tuolumne Wind Project Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1121.2, State Controller's *Minimum Audit Requirements* for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tuolumne Wind Project Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tuolumne Wind Project Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 4 through 8 is required by accounting principles generally accepted in the United States of America 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Portland, Oregon
April 28, 2022

Using this financial report

The following management's discussion and analysis of the Tuolumne Wind Project Authority (the "Authority") and its financial performance provides an overview of the Authority's financial activities for the years ended December 31, 2021 and 2020. This management's discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes, which follow this section.

Background

The Authority is a joint exercise of powers authority formed pursuant to a joint exercise of powers agreement creating the Authority. The Turlock Irrigation District (TID) and the Walnut Energy Center Authority (WECA) formed the Authority by executing the joint powers authority (JPA) in 2008. The purpose of the Authority is to develop, own, and operate the Tuolumne Wind Project (the Project). The Authority is authorized to enter into contracts and issue revenue bonds in support of the Project.

Pursuant to the asset contribution agreement between TID and the Authority, TID provides technical, general, and administrative services to meet the Authority's needs. Neither TID nor WECA has any obligation or liability beyond that specifically provided in the joint powers agreement and the project agreements (the Agreements). Pursuant to the Agreements, TID is responsible for all costs of the Authority and all of the power generation output is owned by TID.

Project

The Authority issued the 2009 revenue bonds to finance the acquisition of the Project, a 136.6 mega-watt wind farm power generating facility. A portion of the bonds were used to reimburse TID for costs incurred during the acquisition process. The facility achieved commercial operation and the acquisition was completed in 2009.

Financial reporting

The Authority maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Authority is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Authority uses the economic resources measurement focus and 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's operating expenses are paid by TID and as such are excluded from the cash flow statements; as are the associated revenues. The Authority's commission is comprised of TID's Board of Directors. The Authority is a separate legal entity; however, due to the extent of its operational and financial relationship with TID, it is included in the consolidated financial statements of TID as a component unit.

Statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows

The statements of net position include all of the Authority's assets, deferred outflows of resources and liabilities using the accrual basis of accounting, as well as information about which assets can be utilized for general purposes and which assets are restricted as a result of bond covenants and other commitments. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as cash payments for debt service and capital expenditures and cash purchases and proceeds from investing activities during the time periods indicated.

(dollars in thousands)

Summary of Financial Position and Changes in Net Position as of and for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
ASSETS AND DEFERRED OUTFLOWS			
Noncurrent lease receivable	$ 243,330	$ 257,859	$ 272,574
Restricted cash, cash equivalents, and investments	42,155	41,999	41,163
Other current assets	17,130	18,185	20,148
Deferred outflows of resources	15,509	18,303	21,347
Total assets and deferred outflows	$ 318,124	$ 336,346	$ 355,232
LIABILITIES AND NET POSITION			
Long-term debt	$ 278,390	$ 298,056	$ 317,449
Other noncurrent liabilities	15,656	14,580	14,430
Other current liabilities	24,078	23,710	23,353
Total liabilities	318,124	336,346	355,232
NET POSITION	-	-	-
Total liabilities and net position	$ 318,124	$ 336,346	$ 355,232

	2021	2020	2019
OPERATING REVENUES			
Lease revenue	$ 27,391	$ 24,794	$ 25,352
OPERATING EXPENSES			
Transmission	2,866	3,421	3,771
Land leases	1,144	1,203	1,034
Operation and maintenance	10,023	6,926	7,156
Administrative and general	1,795	1,811	1,696
Total operating expenses	15,828	13,361	13,657
Operating income	11,563	11,433	11,695
NONOPERATING REVENUES AND EXPENSES			
Other income	3,364	3,978	4,199
Interest and amortization expense, net	(14,927)	(15,411)	(15,894)
Total nonoperating revenues and expenses	(11,563)	(11,433)	(11,695)
Change in net position	-	-	-
NET POSITION			
Beginning of year	-	-	-
End of year	$ -	$ -	$ -

Management’s Discussion and Analysis as of and for the Year Ended December 31, 2021:

Noncurrent lease receivable
As of December 31, 2021 and 2020, total costs capitalized by the Authority, which are to be recovered in the form of lease payments from TID, were $243.3 million and $257.9 million, respectively. The lease receivable comprises 76% and 77% of the Authority’s assets and deferred outflows as of December 31, 2021 and 2020, respectively. The decrease in 2021 is primarily due to a reduction in outstanding principal debt of $15.6 million of TWPA’s scheduled bond principal payments as set forth in the Agreements. These collections from TID reduce the lease receivable balance.

Restricted cash, cash equivalents and investments
The Authority’s restricted cash, cash equivalents and investments increased $0.2 million to $42.2 million in 2021 compared to $42.0 million in 2020, and is due to current year increase in the scheduled debt payments due in 2021.

Other current assets
The decrease in other current assets of $1.1 million to $17.1 million in 2021, compared to $18.2 million in 2020, is primarily a result of current year operations.

Deferred outflows of resources
Deferred outflows of resources decreased $2.8 million to $15.5 million in 2021, compared to $18.3 million in 2020, primarily due to scheduled amortization of a deferred loss of $2.0 million and amortization of ARO of $0.8 million.

Long-term debt
Long-term debt decreased $19.7 million to $278.4 million in 2021, compared to $298.1 million in 2020. The decrease in 2021 is due to classifying the current portion of debt as a current liability of $15.6 million and current year amortization of bond premiums of $4.1 million.

Other noncurrent current liabilities
Current liabilities increased $1.1 million to $15.7 million in 2021, compared to $14.6 million in 2020, due to an increase in inflation for the authority’s asset retirement obligation.

Other current liabilities
Current liabilities increased $0.4 million to $24.1 million in 2021, compared to $23.7 million in 2020, due to an increase in the current portion of long-term debt payable of $0.7 million offset and a decrease in accrued interest payable of $0.3 million.

Lease revenue
Lease revenue increased $2.6 million to $27.4 million for the year ended December 31, 2021, compared to lease revenue of $24.8 million for the year ended December 31, 2020, and is a function of total expenses of the operating organization.

Operating expenses

The Authority's transmission and land lease expenses decreased $0.6 million to $4.0 million in 2021, compared to $4.6 million in 2020. The Authority's transmission and land lease expenses are based on contracted rates with the providers and are a function of the output of the generating facility. The generating facility produced 401,250 and 422,364 MWh, respectively, for the years ended December 31, 2021 and 2020. The Authority's operations and maintenance expense increased $3.1 million to $10.0 million in 2021, compared to $6.9 million in 2020, due to additional maintenance activities performed in 2021. The Authority's administrative and general expenses remained flat at $1.8 million for 2021 and 2020.

Other income

Other income decreased $0.6 million to $3.4 million in 2021 when compared to $4.0 million in 2020, primarily due to investment market conditions.

Interest and amortization expense, net

Interest and amortization expense, net on the revenue bonds decreased $0.5 million to $14.9 million in 2021, when compared to $15.4 million in 2020, primarily due to a principal payment of $14.9 million which lowered the outstanding principal for the year.

Management's Discussion and Analysis as of and for the Year Ended December 31, 2020:

Noncurrent lease receivable

As of December 31, 2020 and 2019, total costs capitalized by the Authority, which are to be recovered in the form of lease payments from TID, were $257.9 million and $272.6 million, respectively. The lease receivable comprises 77% of the Authority's assets as of December 31, 2020 and 2019, respectively. The decrease in 2020 is primarily due to a reduction in outstanding principal debt of $14.9 million of TWPA's scheduled bond principal payments as set forth in the Agreements. These collections from TID reduce the lease receivable balance.

Restricted cash, cash equivalents and investments

The Authority's restricted cash, cash equivalents and investments increased $0.8 million to $42.0 million in 2020 compared to $41.2 million in 2019, and is due to current year increase in the scheduled debt payments due in 2020.

Other current assets

The decrease in other current assets of $2.1 million to $18.0 million in 2020, compared to $20.1 million in 2019, is primarily a result of current year operations.

Deferred outflows of resources

Deferred outflows of resources decreased $2.9 million to $18.3 million in 2020, compared to $21.3 million in 2019, primarily due to scheduled amortization of a deferred loss of $2.2 million and amortization of ARO of $0.7 million.

Long-term debt
Long-term debt decreased $19.4 million to $298.1 million in 2020, compared to $317.4 million in 2019. The decrease in 2020 is due to classifying the current portion of debt as a current liability of $14.9 million and current year amortization of bond premiums of $4.5 million.

Other noncurrent current liabilities
Current liabilities increased $0.2 million to $14.6 million in 2020, compared to $14.4 million in 2019, due to an increase in inflation for the authority's asset retirement obligation.

Other current liabilities
Current liabilities increased $0.3 million to $23.7 million in 2020, compared to $23.4 million in 2019, due to an increase in the current portion of long-term debt payable of $0.7 million offset and a decrease in accrued interest payable of $0.4 million.

Lease revenue
Lease revenue decreased $0.5 million to $24.8 million for the year ended December 31, 2020, compared to lease revenue of $25.3 million for the year ended December 31, 2019, and is a function of total expenses of the operating organization.

Operating expenses
The Authority's transmission and land lease expenses decreased $0.2 million to $4.6 million in 2020, compared to $4.8 million in 2019. The Authority's transmission and land lease expenses are based on contracted rates with the providers and are a function of the output of the generating facility. The generating facility produced 422,364 and 362,927 MWh, respectively, for the years ended December 31, 2020 and 2019. The Authority's operations and maintenance expense decreased $0.3 million to $6.9 million in 2020, compared to $7.2 million in 2019, due to additional maintenance activities performed in 2019. The Authority's administrative and general expenses increased $0.1 million to $1.8 million in 2020, compared to $1.7 million in 2019 due to a slight decrease in insurance expense.

Other income
Other income decreased $0.2 million to $4.0 million in 2020 when compared to $4.2 million in 2019, primarily due to investment market conditions.

Interest and amortization expense, net
Interest and amortization expense, net on the revenue bonds decreased $0.5 million to $15.4 million in 2020, when compared to $15.9 million in 2019, primarily due to a principal payment of $14.2 million which lowered the outstanding principal for the year.

Tuolumne Wind Project Authority
Statements of Net Position
(dollars in thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Noncurrent lease receivable from Turlock Irrigation District	$ 243,330	$ 257,859
Investments and other noncurrent assets		
Cash and cash equivalents restricted for long-term purposes	9,396	2,385
Short-term Investments restricted for long-term purposes	-	8,761
Investments restricted for long-term purposes	8,796	7,141
Total investments and other noncurrent assets	18,192	18,287
Current assets		
Restricted cash and cash equivalents	23,963	23,712
Due from Turlock Irrigation District	16,344	17,441
Prepaid assets	786	744
Total current assets	41,093	41,897
Total assets	302,615	318,043
DEFERRED OUTFLOWS OF RESOURCES		
Deferred asset retirement obligation	9,056	9,868
Deferred refunding loss	6,453	8,435
	15,509	18,303
Total assets and deferred outflows of resources	$ 318,124	$ 336,346
LIABILITIES AND NET POSITION		
Noncurrent liabilities		
Long-term debt, net of current portion	$ 278,390	$ 298,056
Asset retirement obligation	15,656	14,580
Total noncurrent liabilities	294,046	312,636
Current liabilities		
Current portion of long-term debt	15,605	14,865
Accrued interest payable	8,473	8,845
Total current liabilities	24,078	23,710
COMMITMENTS (Note 7)		
NET POSITION	-	-
Total liabilities and net position	$ 318,124	$ 336,346

See accompanying notes.

Tuolumne Wind Project Authority
Statements of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)

	Years Ended December 31, 2021	Years Ended December 31, 2020
OPERATING REVENUES		
Lease revenue	$ 27,391	$ 24,794
OPERATING EXPENSES		
Transmission	2,866	3,421
Land leases	1,144	1,203
Operation and maintenance	10,023	6,926
Administrative and general	1,795	1,811
Total operating expenses	15,828	13,361
Operating income	11,563	11,433
NONOPERATING REVENUES AND EXPENSES		
Other income	3,364	3,978
Interest and amortization expense, net	(14,927)	(15,411)
Total nonoperating revenues and expenses	(11,563)	(11,433)
Change in net position	-	-
NET POSITION		
Beginning of year	-	-
End of year	$ -	$ -

See accompanying notes.

Tuolumne Wind Project Authority
Statements of Cash Flows
(dollars in thousands)

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from the District	$ 13,430	$ 14,255
Net cash provided by operating activities	13,430	14,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments on long-term debt	(17,378)	(18,083)
Repayment of long-term debt	(14,865)	(14,155)
Repayment received on long-term lease receivable	15,605	14,865
Build America Bond receipts	3,471	3,458
Net cash used in capital and related financing activities	(13,167)	(13,915)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(209)	(43,293)
Sale of investments	7,142	27,402
Investment income	66	485
Net cash provided by investing activities	6,999	(15,406)
Net increase in cash and cash equivalents	7,262	(15,066)
CASH AND CASH EQUIVALENTS		
Beginning of year	26,097	41,163
End of year	$ 33,359	$ 26,097
ADJUSTMENT TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATIONS		
Operating income	$ 11,563	$ 11,433
Asset retirement obligation expense	812	835
Adjustments to reconcile operating income to net cash provided by operating activities		
Change in prepaids	(42)	(59)
Change in due to/due from Turlock Irrigation District	1,097	2,046
Net cash provided by operating activities	$ 13,430	$ 14,255

See accompanying notes.

Note 1 – Organization and Description of the Business

The Tuolumne Wind Project Authority (the Authority) is a joint powers authority (JPA) formed by the Turlock Irrigation District (TID) and Walnut Energy Center Authority pursuant to the California Government Code. The purpose of the Authority is to own and operate the Tuolumne Wind Project (the Project). The Project, which is a 136.6 mega-watt, wind farm electric power generating facility, commenced commercial operations and was acquired by the Authority in 2009. The Authority is a component unit of TID.

Pursuant to the asset contribution agreement (AC Agreement) between TID and the Authority, TID provides the Authority with any administrative services the Authority may require. The Authority has no employees. The Authority is exempt from payment of federal and state income taxes. The Authority's operating expenses are comprised of land leases, certain administrative costs, transmission costs, and operations and maintenance costs in connection with related operation and maintenance agreements. Certain costs are borne directly by TID and are not included in these financial statements.

Pursuant to the power purchase agreement (PPA) (Note 6), TID is obligated to purchase all of the electricity produced by the Project. Accordingly, TID makes capacity and energy payments to the Authority, reflected as lease revenue in the statement of revenues, expenses, and changes in net position. The Authority is obligated to reimburse TID for the actual costs of Project operations, transmission, operations and maintenance, general and administrative and all expenditures necessary to provide capacity and energy from the Project.

Note 2 – Summary of Significant Accounting Policies

Method of accounting

The Authority maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Authority is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Authority uses the economic resources measurement focus and 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's operating expenses are paid by TID and as such are excluded from the cash flow statements; as are the associated revenues.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. The Authority's most significant estimates relate to its asset retirement obligation and fair value estimates for its investments.

Note 2 – Summary of Significant Accounting Policies (continued)

Lease receivable
In accordance with the AC Agreement and the PPA, TID's obligation to repay all costs under those agreements is unconditional. The PPA and AC Agreement together represent, in substance, a capital lease arrangement wherein TID (lessee) is obligated to repay all capital and operating costs of the facility and bears all risks of ownership. As such, the Authority records its net investment in utility plant as a capital lease in accordance with GASB accounting guidance governing lease accounting. As lessor, the Authority records its unrecovered financing costs associated with this in substance leasing arrangement as a direct financing lease receivable in the statements of net position, all of which is classified as noncurrent.

The AC Agreement and the PPA provide for recovery of all costs incurred by the Authority in connection with the financing and operation of the Project. As such, lease revenue is recognized when operating and interest expenses are incurred, offset by net investment income. There is no margin or net position to be retained by the Authority; nor is the Authority expected to sustain any losses under these agreements. As such, the Authority is designed to operate on a break-even basis with no net position through the life of the AC Agreement and the PPA.

Cash and cash equivalents, and investments
Cash equivalents include all debt instruments with original maturity dates of three months or less from the date of purchase. The debt instruments are reported at amortized cost which approximates fair value.

All investments are carried at their fair value, generally based on market prices quoted by dealers for those or similar investments. Other income includes both realized gains and losses and unrealized changes in the fair value of investments.

In accordance with provisions of the credit agreements relating to the Authority's long-term debt obligations, restricted funds held by trustees have been established to provide for certain debt service and project funding requirements. The restricted funds held by trustees are invested in instruments with maturities no later than the expected date of the use of such funds. At December 31, 2021 and 2020, all of the Authority's cash and cash equivalents and investments are held in restricted funds.

Long-term debt
Long-term debt is recorded at the principal amount of the obligations, adjusted for original issuance premium. The premium on bonds issued is amortized over the terms of the bonds using the effective interest method.

Deferred refunding gain or loss
Debt defeasance charges result from debt refunding transactions and comprise the difference between the reacquisition costs and the net outstanding debt balances including deferred costs of the defeased debt at the date of the defeasance transaction. Such charges are included as a component of deferred outflows or deferred inflows and amortized into interest expense over the shorter of the life of the refunded debt or the new debt, using the effective interest method.

Note 2 – Summary of Significant Accounting Policies (continued)

Debt issuance costs
Costs incurred in connection with the issuance of debt obligations, principally underwriters' and legal fees are expensed as incurred.

Asset retirement obligations
The Authority records asset retirement obligations (AROs) where there is a legally enforceable liability associated with the retirement of tangible capital assets. An ARO is measured based on the best estimate of the current value of outlays expected to be incurred. The current value is adjusted annually for the effects of general inflation or deflation. All relevant factors are evaluated at least annually to determine whether there is a significant change in the estimate outlays and whether to remeasure the ARO. The deferred outflows of resources are reduced and recognized as outflows of resources in a systematic and rational matter over the estimated useful life of the tangible capital asset.

Due from (to) Turlock Irrigation District
Receivables from and payables to TID are a result of timing differences incurred through the operations of the Project, which will net to $0 at the termination of the PPA. Amounts due from (to) TID relating to these transactions amounted to $16,344 and $17,441 as of December 31, 2021 and 2020, respectively.

Subsequent events
Subsequent events have been assessed through April 28, 2022.

Recent accounting pronouncements
In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements in light of the COVID-19 pandemic. The Statement is effective immediately and the Board has adopted the provisions for the year ended December 31, 2020. The Authority has assessed the impact of the new statement and will postpone the implementation of; GASB No. 87, *Leases*; GASB No. 92, *Omnibus 2020*; and GASB No. 93, *Replacement of Interbank Offered Rates*.

Note 3 – Cash, Cash Equivalents, and Investments

The Authority's investment policies are governed by the California Government Codes and its bond indenture, which restricts the Authority's investment securities to obligations which are unconditionally guaranteed by the U.S. government or its agencies; direct and general obligations of the State of California (the State) or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; supranational securities, asset and mortgage-backed securities; time certificates of deposit; repurchase agreements; medium-term corporate notes; shares of beneficial interest; and mortgage pass-through securities.

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

(dollars in thousands)

Note 3 – Cash, Cash Equivalents and Investments (continued)

Credit risk

To mitigate the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, the Authority limits investments to those rated, at a minimum, "A1" or equivalent for medium-term notes and "A" for commercial paper by a nationally recognized rating agency. At December 31, 2021 and 2020, all funds are deposited either with a bank or the trustee. The credit ratings listed are from Standard and Poor's as of December 31, 2021. NR means not rated.

	Credit Rating	2021	2020
Cash and cash equivalents			
Deposits	NR	$ 23,963	$ 23,712
Short-term investments restricted for long-term purposes			
US Treasury Note	AA+	-	7,141
		-	7,141
Investments restricted for long-term purposes			
US Treasury Note	AA+	207	-
Government Sponsored Enterprise	AA+	8,589	8,761
		8,796	8,761
Cash and cash equivalents restricted for long-term purposes			
LOC deposit	NR	2,179	2,179
Deposits	NR	7,217	206
		9,396	2,385
		$ 42,155	$ 41,999
Restricted funds			
LOC deposit		$ 2,179	$ 2,179
Reserve funds		16,013	16,108
Debt service fund		23,963	23,712
		$ 42,155	$ 41,999

In accordance with provisions of the credit agreements relating to certain of the Authority's long-term debt obligations, restricted funds are maintained at levels set forth in the credit agreements to provide for debt service reserve and project funding requirements. Funds are held by trustees as deposits and investments at December 31, 2021 and 2020. In addition, the Authority has placed $2,179 in a restricted account as collateral related to a letter of credit (LOC) that expires on December 31, 2023.

(dollars in thousands)

Note 3 – Cash, Cash Equivalents and Investments (continued)

Custodial credit risk
This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Authority's deposits may not be returned or the Authority will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Authority does not have a deposit policy for custodial credit risk. Currently the FDIC offers deposit insurance coverage of $250 for deposit accounts. At December 31, 2021 and 2020 the Authority had deposits of $500, which are insured by the FDIC. The remaining deposits totaling $32,859 and $25,391 are uninsured and uncollateralized at December 31, 2021 and 2020, respectively.

Concentration of credit risk
This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Authority places no limit on the amounts invested in any one issuer for federal agency securities, except for mortgage pass-through securities, which may not exceed 20% of the Authority's portfolio. For disclosure purposes, investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds and external investment pools are not required to be evaluated for concentration of credit risk. The following are the concentrations of credit risk representing 5% or greater in a single issuer in either year, all of which are Government sponsored enterprises:

	2021	2020
Freddie Mac Notes	78%	55%

Interest rate risk
Although the Authority has a policy that restricts the maturities of its investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates. At December 31, 2021 and 2020, all of the Authority's investments had stated maturities of less than 4 years.

(dollars in thousands)

Note 4 – Fair Value Measurement

Fair Value Measurement and Application (GASB 72) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Authority utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB 72 are as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs that reflect the Authority's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below.

Government sponsored enterprises – uses a market based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.

U.S. Treasury Notes – uses prices quoted in active markets for those securities.

The following table identifies the level within the fair value hierarchy that the Authority's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2021 and 2020, respectively. As required by GASB 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Authority's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

	At Fair Value as of December 31, 2021		
	Level 1	Level 2	Total
Investments			
Government sponsored enterprises	$ -	$ 8,589	$ 8,589
U.S. Treasury Notes	207	-	207
Total investments	$ 207	$ 8,589	$ 8,796

(dollars in thousands)

Note 4 – Fair Value Measurement (continued)

	At Fair Value as of December 31, 2020		
	Level 1	Level 2	Total
Investments			
Government sponsored enterprises	$ -	$ 8,761	$ 8,761
U.S. Treasury Notes	7,141	-	7,141
Total investments	$ 7,141	$ 8,761	$ 15,902

Note 5 – Long-Term Debt

Long-term debt consists of the following at December 31:

	2021	2020
2009 revenue bonds, Series B, fixed interest rate of 6.92%, maturing through 2034	$ 151,605	$ 151,605
Refunding revenue bonds, 2016 Series A, fixed interest rate of 5.00%, maturing through 2029	129,165	144,030
Total long-term debt outstanding	280,770	295,635
Less		
Current portion	(15,605)	(14,865)
Unamortized premiums	13,225	17,286
Total long-term debt	$ 278,390	$ 298,056

(dollars in thousands)

Note 5 – Long-Term Debt (continued)

Summarized activity of the Authority's long-term debt for the years ended December 31, 2021 and 2020 is presented below:

	December 31, 2020	Additions	Payments and Amortization	December 31, 2021	Amounts Due Within One Year
Revenue bonds	$ 295,635	$ -	$ (14,865)	$ 280,770	$ 15,605
Unamortized premiums	17,286	-	(4,061)	13,225	
Total long-term debt, net	$ 312,921	$ -	$ (18,926)	$ 293,995	

	December 31, 2019	Additions	Payments and Amortization	December 31, 2020	Amounts Due Within One Year
Revenue bonds	$ 309,790	$ -	$ (14,155)	$ 295,635	$ 14,865
Unamortized premiums	21,814	-	(4,528)	17,286	
Total long-term debt, net	$ 331,604	$ -	$ (18,683)	$ 312,921	

General

The Series B bonds outstanding are Build America Bonds under the American Recovery and Reinvestment Act. The Build America Bonds were sold as a taxable issue and TID receives a federal subsidy of 32%, as reduced by sequester, of the interest paid on the bonds. For the years ended December 31, 2021 and 2020, the Authority received $3,471 and $3,458, respectively, in this federal subsidy, which is included in other income on the statements of revenues, expenses, and changes in net position.

The revenue bonds are payable solely from the unconditional payments made by TID under the PPA, and also includes amounts held by a trustee for the benefit of the registered owners of the bonds. TID has an unconditional obligation to make all payments to the Authority under the PPA, regardless of the output of the Project.

The Authority's bond resolutions contain covenants that require a stipulated minimum funding of revenue bond reserves and various other requirements.

Fixed rate revenue bonds totaling $23,020 may be subject to redemption by the Authority in 2027 without premium or discount. Additionally, fixed rate revenue bonds totaling $151,605 may be subject to redemption at any interest date with a make whole premium as defined in the Bond Indenture which is calculated based on differences between prevailing market interest rates and effective interest rates of the bonds to be redeemed.

(dollars in thousands)

Note 5 – Long-Term Debt (continued)

The Authority's scheduled future annual principal maturities and interest, assuming no redemption as noted above, are as follows at December 31, 2021:

	Principal	Interest	Total
2022	$ 15,605	$ 16,166	$ 31,771
2023	16,385	15,347	31,732
2024	17,205	14,487	31,692
2025	18,065	13,583	31,648
2026	18,970	12,635	31,605
2027-2031	105,525	46,262	151,787
2032-2035	89,015	6,339	95,354
	$ 280,770	$ 124,819	$ 405,589

Interest and amortization expense, net totaled $14,927 and $15,411 for the years ended December 31, 2021 and 2020, respectively.

Note 6 – Power Purchase Agreement

The PPA provides for the sale of all capacity and energy to TID and terminates on the date all bonds have been paid in full. Capacity and energy payments are calculated based upon the operating costs of the Project plus fixed payment amounts as defined in the PPA. TID has an unconditional obligation to make capacity and energy payments to the Authority under the PPA, regardless of the output of the Project. TID has the right to purchase the Project from the Authority during the period one year prior to and one year after the termination of the PPA for $0.1. The PPA will terminate on the date on which all bond commitments outstanding have been paid and discharged in full, which currently is scheduled to occur in 2034.

Note 7 – Asset Retirement Obligations

As described in Note 1, TWPA owns and operates a 136.6 MW wind farm, consisting of 62 wind-turbine generators located in Klickitat County, Washington. In conjunction with the purchase of the Project, TWPA recorded an ARO related to a decommissioning plan approved by Klickitat County. As the decommissioning plan represents a legal obligation to clean up the site at the retirement of the asset to comply with the approved contract with Klickitat County, Washington, it meets the definition of an ARO.

An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. GASB 83 establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Note 7 – Asset Retirement Obligations (continued)

The Project is operated and maintained pursuant to an operating and maintenance agreement with the operator. During 2019, the operator obtained an estimate, from a third party, to determine the estimated cost of executing the decommissioning plan. The estimate presented a list of the work that will be performed on site such as turbine removal, foundation removal and road removal. Cost estimates include labor and equipment use.

The liability recognized for the ARO was $15,656 and $14,580 for the years ended December 31, 2021 and 2020, respectively. The estimated remaining useful life of the Project is approximately 14 years. The deferred outflows recognized was $9,056 and $9,868 as of December 31, 2021 and 2020, respectively and is amortized over the remaining useful life of the Project. During the years ended December 31, 2021 and 2020, TID recorded $1,888 and $985 of expense, respectively.

Note 8 – Commitments

Operations and maintenance agreement
The Project is being operated and maintained pursuant to an operating and maintenance agreement with the operator, which expired in November 2020. After the initial term, the operating and maintenance agreement was renewed for 10 years, expiring in 2029. Total expense under the operations and maintenance agreement amounted to $365 and $358 for the years ended December 31, 2021 and 2020, respectively.

Service agreements
There are two service agreements with each of the manufacturers of the 62 turbines for TWPA. One service agreement is for 42 turbines and expires in 2029. The other service agreement for 20 turbines and expires in 2029. Both service agreements are for standard operations and maintenance on the respective manufacturer's turbines over the life of the agreement. Both service agreements include warranty provisions, as well as performance and availability guarantees.

The Authority also has a Balancing Services Agreement with a 3rd party. This Service Agreement provides for integration of TWP schedules, and makes the energy scheduled firm in nature.

The Authority also has two interconnection and transmission agreements with local utilities in the Pacific Northwest. The interconnection agreements allow for the delivery of the wind energy output to various delivery points in the northwest United States. One agreement has an initial term that expires in 2020 with a one-year automatic renewal thereafter and the other agreement expires in 2029 and has a 10-year renewal option. Total expenses under the Authority's service, interconnection and transmission agreements amounted to $7,298 and $6,705 for the years ended December 31, 2021 and 2020, respectively.

(dollars in thousands)

Note 8 – Commitments (continued)

Land leases

The Authority has leases with nine land owners on which the turbines reside. The land owners are paid a fixed per unit price based on the total monthly output of the respective turbines. Each agreement is for 20 years, expiring in 2029, with two 10-year renewal options. Total expense for the years ended December 31, 2021 and 2020 was $1,144 and $1,203, respectively. The annual lease expense under the remaining initial term of the land leases (based on historical average wind data) is estimated as follows as of December 31, 2021:

	Amount
2022	$ 1,154
2023	1,154
2024	1,154
2025	1,154
2026	1,154
Thereafter	3,885
	$ 9,655

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