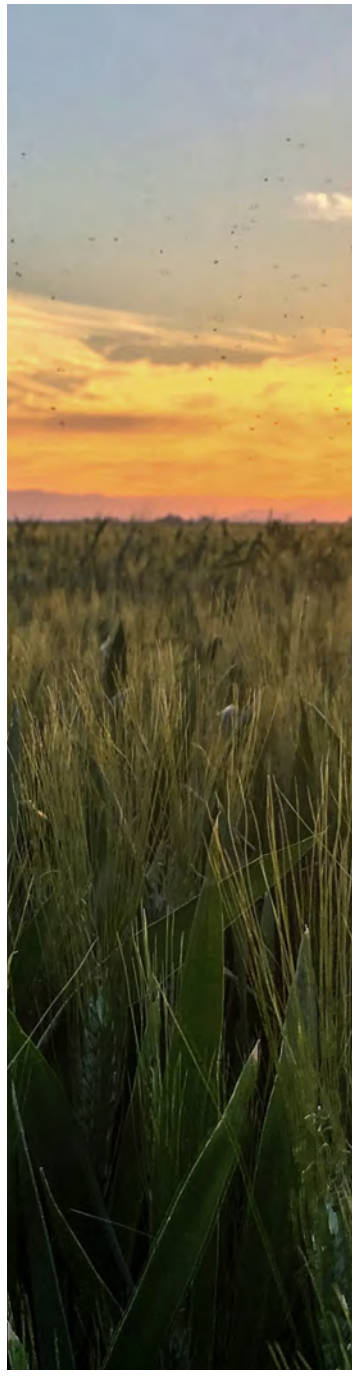
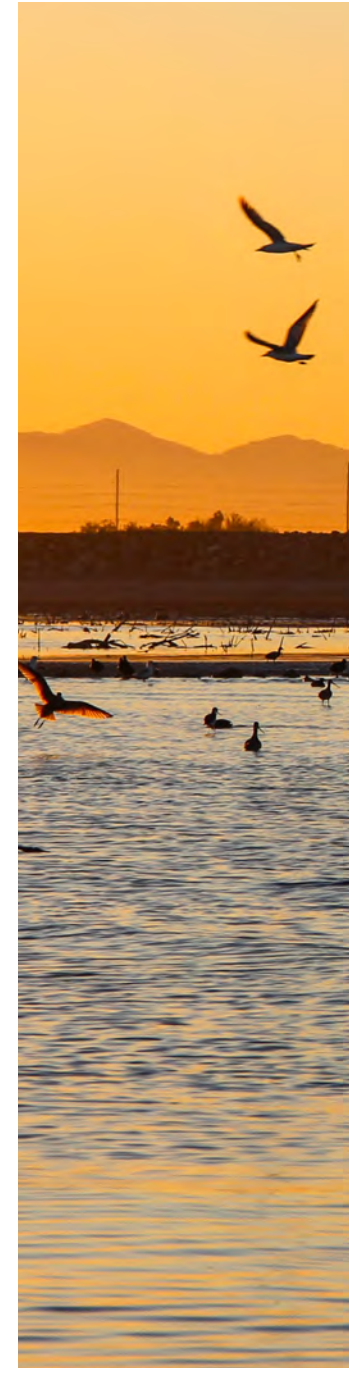
IMPERIAL IRRIGATION DISTRICT





ANNUAL REPORT 2018


IMPERIAL
DISTRICT
WATER
POWER
IID
A century of service.

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Holding Fast To Customer Values

When I look back on 2018, I am proud overall of the opportunities seized and the frequent successes by our Imperial Irrigation District. From the challenges of the ill-conceived Western grid regionalization attempt to the legal action against Riverside County over net metering to what seemed like a ticking time bomb with the federally imposed Drought Contingency Plan, your nonprofit IID stood up to outside interests, protected customers and directed the utility forward.

District management, staff and your board of directors continue to work together to ensure we protect Imperial Valley's water rights and our energy Balancing Authority

while providing excellent electric service at some of the lowest rates in California.

In step with these goals is the collective protection of the region. This is why California's Salton Sea remains of monumental concern to IID and to the residents of the Imperial and Coachella valleys. We are encouraged and will continue to push for a firm federal funding commitment for the Salton Sea. The 2018 Farm Bill presents opportunities for this and we are working with the Department of Agriculture and our members of Congress to prioritize this request.

Water wise, as the largest contractor of Colorado River water, we continue to play a major role among the Lower Basin, carrying out the nation's largest ag-to-urban water transfer to help urban Southern California. Our conservation efforts are unmatched, which leads us to investigate storage opportunities while working to ensure the Salton Sea is never left out of further negotiations on the river.

On the energy front, IID and a coalition made up of public power, organized labor and environmentalists, successfully defended California's energy sovereignty, pushing back against an expanded regional Western grid. This is very important to IID and to our customers because this protects the district's Balancing Authority and our ability to maintain local control, which is key to being able to provide low rates. Rest assured, as a staunch advocate for renewable energy development in this region and throughout California, your IID will continue to actively oppose similar threats.

As we look to the future, I am excited about the new partnership with Citizens Energy on the first-of-its kind community solar project that will benefit all of IID's low-income customers and promote the use of local renewable resources. Similarly, we've taken a great opportunity to collaborate with our neighbors in Mexico through an agreement that has enabled the district to provide energy during high summer demand periods, building international relations and public goodwill.

Although our work remains far from finished, whether in the complex arenas of energy, water or the Salton Sea, your IID board, staff and management team will continue to:

Vigorously guard against outside special interests.

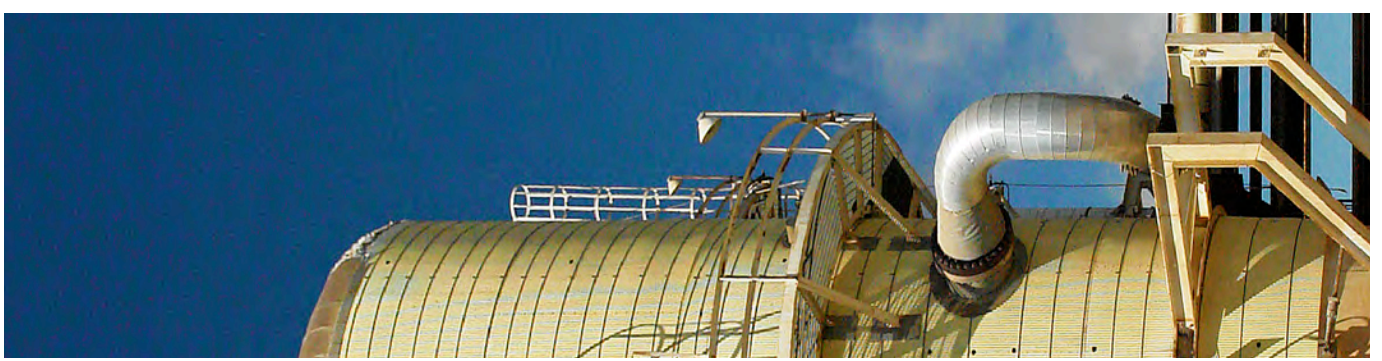
Fight to protect our water rights and energy Balancing Authority.

Maintain system reliability for the sustained benefit of the regional economy, the environment and the communities we serve.

Deliver the highest level of customer service to all customers.

Thank you.

Erik Ortega, Board President, 2019



ENERGY

Pioneering Energy Solutions

Much has been said over the past few years about California's renewable energy potential and the state working toward the goal of securing 100% of its energy portfolio from renewable energy sources.

The Imperial Valley, particularly the Imperial Irrigation District – the third largest public power provider in the state – is well positioned to be a leader in this effort. The area has an abundance of locally produced solar, wind, biomass, and by many estimates, the largest source of geothermal energy in the Western Hemisphere.

IID is on the frontlines in the pursuit of more renewable energy, advocating for the expansion of locally generated green energy to stimulate economic development, job creation and responsible stewardship of resources and the environment.

As the state moves forward with its renewable energy goals, the district stands at the helm, diligently pursuing the growth of renewable energy for the overall benefit of the region.

Leading The Nation In Community Solar

In 2018, a number of significant energy advancements took place for IID and its customers.

The IID Board of Directors kicked off the year by approving a 23-year agreement with Citizens Energy Corporation to purchase locally produced renewable energy from what will be one of the largest community solar facilities in the nation – the IID/Citizens low-income community solar project.

Through a unique partnership, clean, green electric power will flow from this first-of-its-kind community solar project that will not only provide renewable energy to, but lower the electric utility bills for, all of IID's qualified, low-income customers in the Imperial and Coachella valleys.

The project will serve upwards of 12,000 electric customers in this economically stressed desert area who will see their monthly bills reduced under IID's Residential Energy Assistance Program and the district's new eGreen Program.

The project will generate 30 megawatts of power for the IID grid and is located on 200 acres of district-owned land near its Midway Substation. Through a unique arrangement with Citizens (which is investing into the IID service area from its ownership in the Sunrise Powerlink) IID is able to secure this power at the lowest cost it has ever been able to procure for solar energy. The district will directly pass these savings to all of its qualified low-income electric customers.

In addition to receiving the locally generated, renewable energy and the new

Green Energy

A new green energy rate was developed by IID in 2018 that allows customers to acquire green energy from the district.

The new rate can be helpful for businesses that are required to procure renewable energy. The program provides customers with an alternative solution to support the environment without having to invest in renewable energy systems.

Establishment of the rate was a result of the district listening to customer needs, and tailoring rates, policies and services to meet those needs.

A champion for renewable energy, IID has invested millions in incentives to help customers take part in its renewable energy programs, including issuing rebates, weatherizing homes, tuning up air conditioning units and offering savings on energy and excess power sold to IID through its net metering and net billing programs.

discount, IID's low-income customers can now say they, too, are part of the state's green energy revolution, reaping the benefits of renewable energy use without having to purchase a rooftop system.

Optimizing Resources

In working to keep customers first, through keen management of the purchased power and fuel budget and the optimization of the district's energy resource supply, the Energy Department saved ratepayers $27.2 million in 2018.

This was accomplished by conducting a thorough analysis of how the district generates and purchases energy, realigning its sources of energy and making sure IID uses the right energy at the right time to achieve maximum efficiency and cost savings.

The ability to optimize energy resources is important as IID incorporates more renewable energy sources into its grid.

Customers Save Through Solar Purchase

In 2018, when IID completed the purchase of the 20-megawatt SunPeak Solar plant, an immediate system-wide savings of about $3.2 million a year was created for IID customers.

Now owned by the district, the solar plant generates enough electricity to serve approximately 14,000 homes, which is essentially the entire IID customer base of Niland, California,

where the plant is located.

The acquisition of the solar facility is part of IID's commitment to keep rates low and provide customers with clean, reliable, cost-efficient renewable energy while working to become a leader in utility-scale renewable energy in California.

Bettering The System

There was much activity to maintain and upgrade the electric system in 2018.

The Energy Department completed internal distribution/transmission line upgrades to improve reliability and updated its 10-year distribution system expansion plans in the Imperial and Coachella valleys. Work included load forecasting, new distribution substations, substation upgrades, proposed transmission lines and distribution upgrades and replacements.

In keeping with IID's commitment to reliable power, the district invested $7.8 million in substation infrastructure. These upgrades replaced outdated equipment with more modern applications.

IID's trained personnel and technicians did the work. The engineering staff designed the schematics, the machine shop created the framework to house and support the equipment and relay technicians wired the panels while working with staff to install, test and make all systems operational.

IID substation, Coachella Valley.

BESS At Work

The envy of energy providers everywhere, the district is working to make its battery energy storage system (one of the largest of its kind in the West) even better.

IID's 30 megawatt, 20 megawatt-hour battery energy storage system provides operational support across IID's Balancing Authority, providing grid flexibility and increased reliability, facilitating solar generation, frequency regulation and power balancing.

The battery was the first in the nation to restore energy to one of its own electric power stations without relying on an external transmission network.

As the flow of renewable energy into the IID grid fluctuates, the battery works to smooth power supplies and acts as a spinning reserve, assignments that typically require expensive fossil fuel generation.

The resulting increase in efficiency lowers operating costs throughout the lifetime of the project, a direct benefit to district customers.

IID's battery energy storage system and a pair of solar fields as viewed from the steam plant. Today's top technology and renewable energy working side by side.

Geothermal energy is a hot commodity in the Imperial Valley and part of IID's renewable energy portfolio, of which 100 percent comes from local energy sources.

Positioned for Opportunity

In a continually changing, fast-paced environment, IID works to stay ahead of the curve by responsibly preparing for, and helping shape, the future.

Integrated Planning

In 2018, by collaboration, the Energy Department prepared the Integrated Resource Plan for 2019-30. This provides an integrated approach to identifying the generation and power system resources needed to sustain IID's overall mission to continue as a

fiscally responsible public agency providing reliable, efficient and affordably priced water and energy service to the communities it serves.

Adopted by the board of directors in December, the district will continuously update the IRP as the changing environment of legislation, regulation, system status, opportunities and overall organizational conditions evolve. In balancing these objectives, all activities are driven by the key organizational principles of the district.

Support For Clean Energy

In September, California adopted its boldest energy target yet – 100% carbon-free electricity by 2045.

The legislation passed the California Senate and Assembly and was signed by the governor. It is yet another step toward less pollution and more clean energy.

Senate Bill 100 sets three targets for California: 50% renewables by 2026; 60% renewables by 2030; and a goal of 100% carbon-free energy by 2045.

IID supported the bill, seeing the pursuit of 100% renewable energy as a major economic driver of renewable energy production in the district's service area.

Geothermal Potential

With California needing to reach a 100% green goal by 2045, Imperial Valley's extensive geothermal resources are now even better positioned to lead the renewable energy movement.

In Imperial County, the geothermal industry is the largest payer of property taxes. A 50-megawatt facility can employ over 30 full-time, well-paying jobs. Geothermal is cost-effective and can play an important role in meeting California's short-term and long-term goals.

Additionally, geothermal offers an economic opportunity for rural communities like the Imperial and Coachella valleys that provides a significant rate of return to state and local governments in the form of taxes, jobs and increased business.

IID and its partners are positive about the role geothermal resources can play in California's energy future and will continue to advocate for its development in the region.

Working Together For Development

IID and the California Independent System Operator announced in March 2018 that both parties reached a settlement that ends existing litigation between them.

As the settlement is being finalized and both parties work toward implementation, IID anticipates that the end result will be an increase in the amount of renewable energy generated from within the district's service area for export to the rest of California.

As part of the settlement, CAISO has agreed to contribute up to $40 million toward the cost of upgrading one of IID's high voltage transmission lines to allow more electricity to flow from the Imperial Valley to other markets. CAISO has also agreed to do more to help promote geothermal development in the Salton Sea Known Geothermal Resource Area. Developing Imperial Valley's robust geothermal resource is a high priority for IID.

Both parties also agreed to establish a local coordinating working group to address important issues as they arise in the future. The agreement creates a common platform to move forward on issues about which IID and CAISO have an interest. Both parties have expressed a desire and willingness to move forward in amore collaborative manner.

United In Opposing Regionalization

The IID was unwavering in its opposition to Assembly Bill 813, which attempted to regionalize the state's power grid, helping send it to defeat in 2018.

Had the legislation succeeded, it would have allowed for energy produced by coal from other states into California, essentially turning back renewable energy efforts as well as impede IID's sovereignty as a Balancing Authority.

IID staff and lobbyists fought the bill in Sacramento with the help of environmental groups like the Sierra Club, organized labor, environmental justice groups and business organizations. Other public power providers and trade groups rounded out the coalition.

IID steam plant, El Centro.

Meeting Customer Needs

IID took important actions in 2018 to allow more customers to participate in its public benefit programs.

Helping More People

IID's Residential Energy Assistance Program (REAP) offers a 20% discount to income-qualified customers and a 30% discount for qualifying senior citizens (age 62 and older).

Following unanimous action by the board of directors, the district lowered the age to

Created by and for the public, IID takes pride in providing customer service and reliable energy that all customers can count on.

qualify for the senior discount from 65 to 62, allowing more customers, who qualify by age and income, to receive the senior discount on their monthly electric bill.

Prior to the board's action, the district had about 5,300 seniors enrolled in the program. With the change, IID saw an increase of approximately 700 additional customers now benefitting from the program.

IID also adopted new income guidelines that raised the maximum income level to qualify for its assistance programs to 200% of the federal poverty level. By doing this, more low-income families can participate in the financial assistance programs offered

by the district to get help with their electric bill as energy usage is high during the region's harsh summer months.

Additionally, the district opened the REAP program to self-employed customers and extended the renewal period for those customers enrolled in the Medical Equipment Energy Usage Assistance Program.

Successful Public Programs

IID continued its quest in 2018 to help customers save energy and money, while reducing carbon emissions. With funds generated by the Public Benefits Charge, the district invested more than $5 million in a wide array of energy efficiency programs for residential and non-residential customers.

IID spurred the retirement of high energy consuming appliances and equipment and helped create energy savings through four primary programs:

• *The **Energy Rewards Program** encouraged customers to switch from high-energy consuming appliances to energy efficient products, such as ENERGYSTAR®-rated refrigerators and clothes washers.*

• *Commercial customers who sought to retrofit equipment, renovate existing buildings or construct new facilities, took advantage of the **Customer Energy Solutions** and the **New Construction Energy Efficiency Programs** to maximize energy efficiency in their operations.*

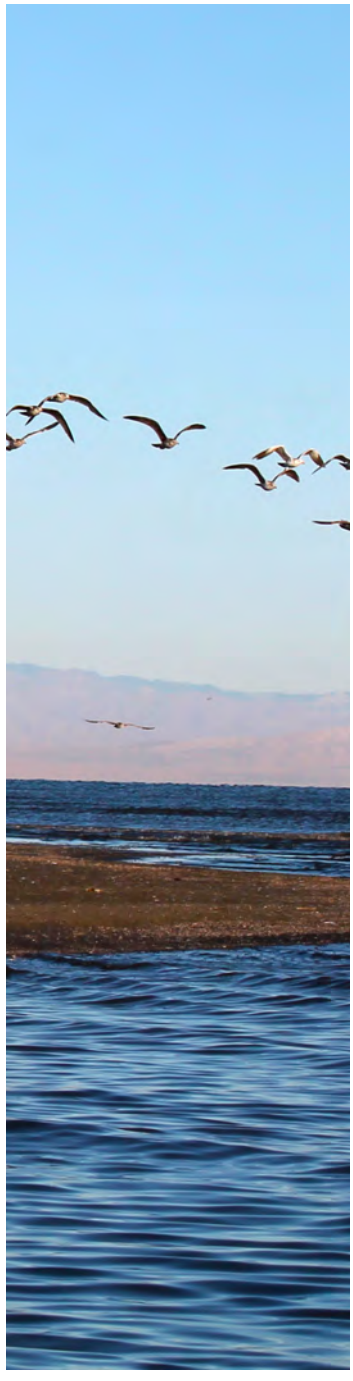
• *The **Quality AC Tune-up Program**, which provided customers with air conditioner maintenance at no cost, also helped generate significant energy savings through improved operational efficiency.*

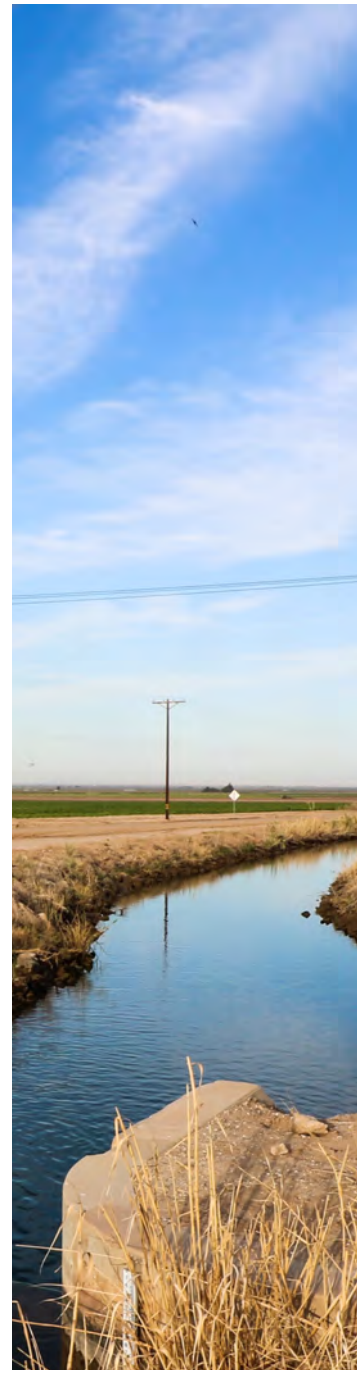
The $1 million Energy Efficient Schools Initiative, administered by IID, funded retrofits for hundreds of air conditioners at various K-12 public, private and charter schools throughout IID's service area.

Overall, through customer participation, the district was able to save more than 17 million kilowatt-hours of energy—equivalent to powering 2,096 homes for a year.

IID connects with customers, providing information on a number of beneficial public programs offered by the district.

WATER





The Value Of Our Water Stewardship

Five million football fields a foot deep in water. Actually, it's a bit more than that. Call it 5.3 million, and it's measured by the acre-foot.

Roughly, that's the equivalent volume of water the Imperial Irrigation District, the largest contractor of Colorado River water, has conserved, in total, since the inception of the nation's largest ag-to-urban water transfer pact (the 2003 Quantification Settlement Agreement).

The value of IID's unquestionably successful work is beyond measure, affecting life, business, industry and agricultural practices in Southern California, as well as 40 million people across the West who depend on the Colorado River.

IID has reached this level of success while operating under a consumptive use cap of 3.1 million acre-feet a year and despite being judicially required to revoke implementation of its system to equitably distribute water among its water users.

It's more Colorado River water than the state of California is entitled to in a year, but more importantly, it illustrates the magnitude of the difference the district is able to make for the river, California and for the Imperial Valley, if given an opportunity.

Board Entertains Federal Interest

Early in the year, the IID Board of Directors welcomed U.S. Bureau of Reclamation Commissioner Brenda W. Burman, who addressed the board and the public to discuss the challenging hydrology at Lake Mead and tell of Reclamation's stepped-up efforts to develop a Drought Contingency Plan.

During her presentation, the commissioner noted that Lake Mead, the nation's largest man-made reservoir (in terms of the amount of water it can hold) was only 39 percent full and was projected to be nearing levels that could trigger allocation cutbacks by the end of 2018.

Reclamation predicted there was a 57% chance that Lake Mead would reach those shortage conditions by 2020.

For Good Of The Public And The Environment

Holding some of the oldest and largest water rights along the Colorado River, Imperial Valley's only source of water, IID has been instrumental throughout history as an active, committed partner in the Lower Basin.

In line with the commissioner's concerns, in December 2018, due to the seriousness of the extended drought throughout the entire Colorado River basin and the impact that it is having at Lake Mead, the IID Board of Directors approved the intrastate agreements associated with the DCP, which was meant to reduce risks from the ongoing drought on the oversubscribed river.

IID did so after years of discussion on the DCP and numerous public workshops and was willing to contribute up to 250,000 acre-feet of excess conservation in storage, if needed, to stave off shortages at Lake Mead.

The board's action, however, stipulated that IID's implementation of these agreements and consideration of the broader DCP is suspended until there is a federal commitment to match state funding in order to complete implementation of

Substantial Water Numbers

The final water accounting numbers for 2018 document IID water uses and conservation program yields as verified by the Bureau of Reclamation.

Since IID began ramping up its water conservation efforts in 2003 to meet the needs of the Quantification Settlement Agreement, the district has conserved close to 5.3 million acre-feet of water.

This impressive volume, totaling 5,288,696 acre-feet between 2003 and 2018, is more Colorado River water than the 4.4 million-acre feet the state of California is entitled to each year.

Other detailed accomplishments of 2018 include:

• IID's conservation programs yielded a total of 495,897 acre-feet, representing nearly 16 percent of its annual entitlement and meeting all 2018 water conservation and transfer obligations.

• IID created 130,197 acre-feet of Extraordinary Conservation Intentionally Created Surplus (ECICS) in excess of its water transfer obligations.

• IID exceeded its approved water order by 41,024 acre-feet, which was immediately paid back using excess ECICS; thus avoiding an overrun.

• A total of 1,579 acre-feet of IID's excess ECICS was stored in Lake Mead, bringing the balance of stored ICS in IID's Lake Mead account to 50,000 acre-feet. This is the maximum amount that IID is allowed to store within Lake Mead.

• The remaining 87,594 acre-feet of IID's excess ECICS was intended for storage within the Metropolitan Water District's water system under an agreement authorized by the IID board in December 2018.

Imperial Dam and All-American Canal waterworks.

Phase I (the first 10 years) of California's Salton Sea Management Program.

The state developed the Salton Sea Management Program to address California's restoration commitment, which was made to facilitate IID's approval of the 2003 QSA. This authorized implementation of the water conservation and transfer programs that reduce inflow to the sea, causing tens of thousands of acres of exposed playa, resulting in severe public and environmental air quality and habitat impacts.

Standing Up For The Sea

IID has been working tirelessly on behalf of the Salton Sea, California's largest and most troubled lake, which straddles Imperial and Riverside counties where it is surrounded by blighted, impoverished areas far from the eyes of Sacramento and Washington, D.C., whose residents and habitat are forced to contend daily with the fallout from the dying sea.

The district and its partners pushed hard to get the attention of the State of California, the entity responsible to restore the sea as a condition to the ag-to-urban water conservation and transfer agreements; however, while conserved water continues to flow to the Southern California coast, the sea continues to shrink to the detriment of local residents and the environment.

Decades Of Water Safety

IID's iconic mascot Dippy Duck has helped the district mark nearly six decades of its successful educational water safety campaign, reminding the public to be safe by staying away from canals.

Since 1959, IID has presented the safety campaign to children in the Imperial Valley, augmenting the educational message with a public awareness effort to spread the word about canal safety.

In 1966, Dippy became IID's mascot, visiting more than 21,000 kindergarten through sixth grade students each spring. His water safety program funds safe swimming places and other summer activities while his lively, colorful and positive image, ubiquitous throughout the Imperial Valley during summer months, cheerfully reinforces the water safety messages to children of all ages.

IID operates and maintains more than 3,100 miles of canals and drains. The safety campaign informs children of the hazards of swimming in or playing near these waterways, with Dippy Duck leading the charge.

In recent years, IID's program has expanded to include canal safety awareness in local high schools.

The state has struggled to implement its 10-year plan now with this late start and the lack of sufficient effort in earlier years. This has contributed to IID's concerns about the lack of full Phase I funding to implement the approximately 30,000 acres of projects the state committed to, so it is critical to find additional financial support via state appropriations or other supplemental monies from other sources, such as bond revenues or federal cost-sharing.

In 2018, IID requested funds for the state's sea restoration projects from the federal Farm Bill, earning the support of California's U.S. Senator Dianne Feinstein who called on the United States Department of Agriculture to quickly implement drought provisions Congress approved that are included in the bill to protect the sea.

The year closed with IID continuing to seek a firm commitment of federal funds for the state's plan, believing such a commitment would signal strong support for public health, the environment, the agricultural industry and bolster future resiliency of the Colorado River in the West.

On behalf of the people and species impacted by the dying sea, IID continues to work with federal representatives to seek financial resources for the state's plan to ensure the long-term viability of the QSA and additional drought response measures that may be necessary in the future within the Lower Basin.

The receding shores of California's Salton Sea.

State Attention

In April 2018, California's Lt. Gov. Gavin Newsom and staff paid a visit to the Salton Sea. His attention coincided with a State Lands Commission hearing.

Accompanied by IID staff and Director Jim Hanks, Newsom visited Red Hill Bay and a geothermal power plant adjacent to the sea. The State Lands Commission has oversight over California's public lands, which includes land at and around the Salton Sea.

The district shared with him the devastating impacts on public health, agriculture and tourism by the declining sea, as well as the opportunities due to the significant reserves of geothermal energy in the Salton Sea Known Geothermal Resource Area.

The lieutenant governor expressed much interest in the Salton Sea and local geothermal energy potential, vowing to help the area and insisting that IID and the communities affected by the sea hold him accountable. IID looks forward to working closely with the state in protecting public health and the environment, developing geothermal and other renewable energy and making the Salton Sea 10-year plan a reality.

Support For Joint Understanding

In June 2018, Imperial and Riverside counties adopted a joint memorandum of understanding on the Salton Sea that garnered IID's support. The agreement establishes a partnership between the counties in support of shared priority projects and overall sea restoration efforts.

IID supports the goals of both counties, with specific priorities of the state's 10-year plan and projects that protect public health.

The district will continue to collaborate as a partner with the state and both counties, recognizing that there is common agreement that serious problems at the sea need to be addressed.

Water At Work

IID's Water Department continues to carry out the daily task of managing the delivery to farms, industry and municipalities and maintaining the drainage system, continually making improvements along the way.

Both on-farm and system water conservation measures ramped up in 2018, generating excess conservation once again but continuing to improve water use efficiencies districtwide. For the conveyance system, additional seepage recovery pumps have been installed along the East Highline Canal and new mid-laterals have entered the design phase. Crews have also been hard at work cleaning and repairing

operational reservoirs to help with capacity to maximize the system flexibility.

In addition to carrying out the work of the QSA, the successful conservation program with the Metropolitan Water District of Southern California completed its third decade of partnership and continued operation. The MET program has funded infrastructure upgrades to modernize IID's water delivery system that alone have created over 2.6 million acre-feet of conserved water since 1990.

A steward of Imperial Valley's sole source of water, the district's work and infrastructure system helps make the valley one of the most productive agricultural regions in the nation, supporting an annual gross agricultural value of over $2 billion a year in the production of cattle, harvested crops, vegetable crops, alfalfa, hay and much more.

Food grows where water flows.

Preserving Water And Energy History

During the summer of 2018, the district donated a part of its rich history to Imperial Valley's Pioneers Museum.

Delivered by crane from IID's Drop 4 hydroelectric plant on the All-American Canal, the 28,000-pound propeller now housed at the museum is an iconic figure of the valley's long and distinguished water and energy history.

Since 1947, water carried by the irrigation system through the All-American Canal drove the propeller, simultaneously generating efficient, clean, reliable hydroelectric power for valley homes and businesses.

Still at work today, hydroelectricity remains a local, productive source of clean energy.

Large Reservoir Pursued

Over the past few years, IID has looked at ways to develop storage opportunities, whether on the Colorado River, within California or in the Imperial Valley. Building new reservoirs and groundwater storage opportunities in the valley is necessary for the district's water management.

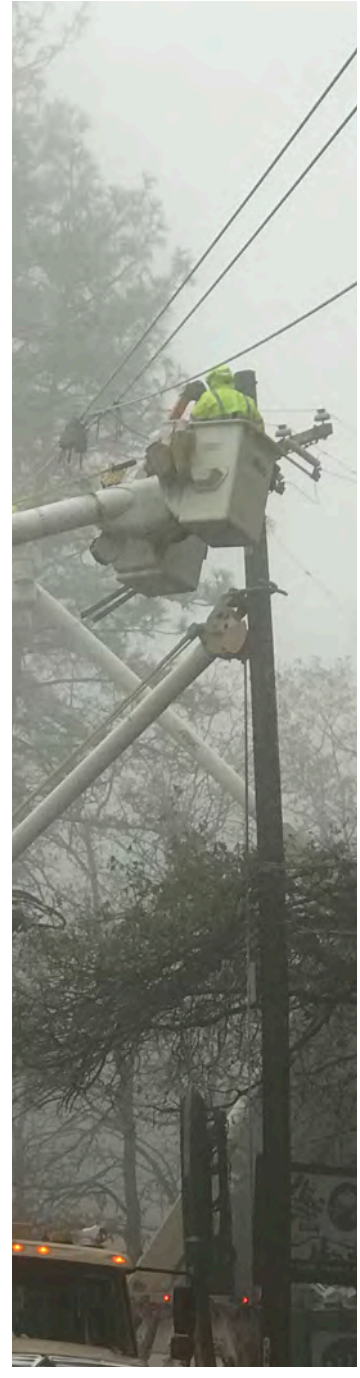
IID has finalized the design of a proposed reservoir near the East Highline Canal, which, if the project goes forward, would have a 2,900 acre-feet of operational capacity. The district also started the environmental review work and other documentation in 2018.

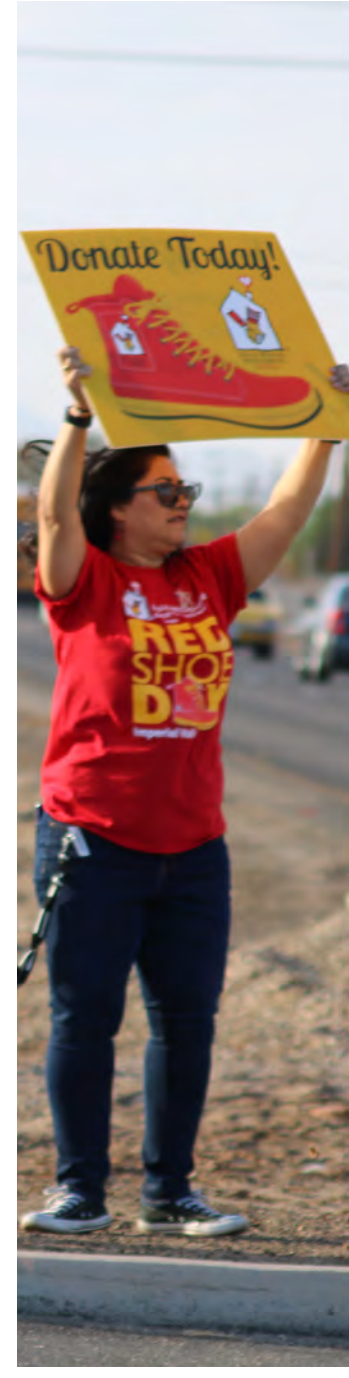
IID purchased 526 acres of land for the potential siting of the proposed reservoir; the district is also looking into the potential acquisition of additional property for the project.

Further environmental analysis, however, need to be completed before any final decisions are made at the proposed site.

Near the terminus of the East Highline Canal.

MAKING A DIFFERENCE





Coming To The Aid Of Others

The winter of 2018 won't easily be forgotten. Certainly not for those who were in some way touched by the deadliest and most destructive wildfire in California history.

Though it may have occurred some 700 miles north of the IID service area, the Camp Fire was up close and personal for IID as district line construction crews and other staff members joined an army of over 2,700 utility responders who descended on Northern California to assist in restoring services to the fire-ravaged city of Paradise.

IID crews worked to reinstall power poles and lines, working tirelessly to establish power to the homes and businesses that remained in an effort to bring some life back to the area.

It was not easy. As rain fell, it made things even more difficult, bringing up concerns over the danger of mudslides due to the treacherous terrain made even more challenging by the remnants of the blaze.

Seventeen district crewmembers signed up for the call, their dedication temporarily taking them away from loved ones as the response spanned well beyond the Thanksgiving holiday. In what was described as a "tent city" set amid the devastation, crews from near and far peacefully enjoyed turkey, potatoes and stuffing in shifts as their fellow teams worked on.

It was gratifying to be a part of this effort as brothers and sisters in the utility industry, to come together to lend a hand in a time of need.

Getting Plugged In!

Throughout the year, IID employees proudly plug into the local communities they serve, but the notion of giving really takes on a surge when Public Power Week rolls around.

In addition to providing customers with energy efficiency information, Public Power Week 2018 saw employees raise money for **Red Shoe Day** – the drive to benefit local families who use the Ronald McDonald House.

Management and staff also came to the aid of our furry friends in the first **Animal Shelter Pet Food Drive**, coordinated by members of the IID Employee Relief Fund, donating and delivering hundreds of pounds of cat and dog food to local animal shelters.

As winter approached, employees took up the mantle in an effort to warm children and hearts during the employee-driven **Share the Warmth** winter clothing drive.

IID is proud of its role in joining thousands of utility responders in lending a hand to help Northern California recover from the devastating Carr and Camp fires of 2018.

In the spirit of the holidays, district employees collected and distributed hundreds of articles of winter clothing and a lot of good cheer to children whose families are served by Campesinos Unidos, Inc. in Brawley.

Many moms, with young children at their side, sorted through a wide selection of sweaters, blankets, beanies, gloves, jackets, mittens, thermals, socks and more – all donated by IID employees who gave from their hearts.

For many families, the opportunity to be able to provide warm winter clothing for their children couldn't have come at a better time.

As spring dawned, the district found itself in a familiar spot – as the top collective contributor to the local United Way.

Through the internal "**Share the Green**" fundraising campaign, employees continued the long tradition of supporting local communities by financially giving to the local agency.

During the IID 2018 fundraising campaign, employees pledged over $72,000 in personal funds to support the critical resources of the local United Way agencies, which work to improve lives and support thriving communities across Imperial and Riverside counties.

As a group, IID employees continually are the single largest annual donor to the United Way of the Imperial Valley. In the Coachella Valley, the district's La Quinta Division employees regularly lead in per capita giving to the United Way of the Desert.

Team IID came out in force for a multitude of charitable activities to promote community goodwill, including the Share the Warmth winter clothing drive (above) and the Animal Shelter Pet Food Drive (below).

2018 OVERVIEW

MISSION STATEMENT

The Imperial Irrigation District is a fiscally responsible public agency whose mission is to provide reliable, efficient and affordably priced water and energy service to the communities it serves.

VISION STATEMENT

The Imperial Irrigation District will protect its water rights and energy balancing authority, deliver the highest level of customer service and maintain system reliability for the sustained benefit of the regional economy, the environment and the communities it serves in a fiscally responsible manner.

WATER

2018 Water Accounting

(acre-feet at Imperial Dam)

QSA entitlement - 3,100,000

Total in-valley use - 2,625,422

Conservation - 495,897*

Underrun – none

Number of Farm Accounts

5,316

Areas Receiving Water

(acres)

Farmable area – 471,682

Irrigated Area – 444,098

Miles of Canals

1,668

IID Storage Balance

(acre-feet)

324,740**

Areas Receiving Water

(acres)

Farmable area – 471,682

Irrigated Area – 444,098

ENERGY

Number of Electric Accounts

(as of December 2018)

155,516

IID Load for 2018

(megawatt-hours)

3,763,277

Transmission Lines

(miles)

1,803

Number of Substations

134

Miles of Distribution

Overhead - 3,396

Underground - 1,667

Electric Service Territory

(square miles)

6,611

Historical Power Peak

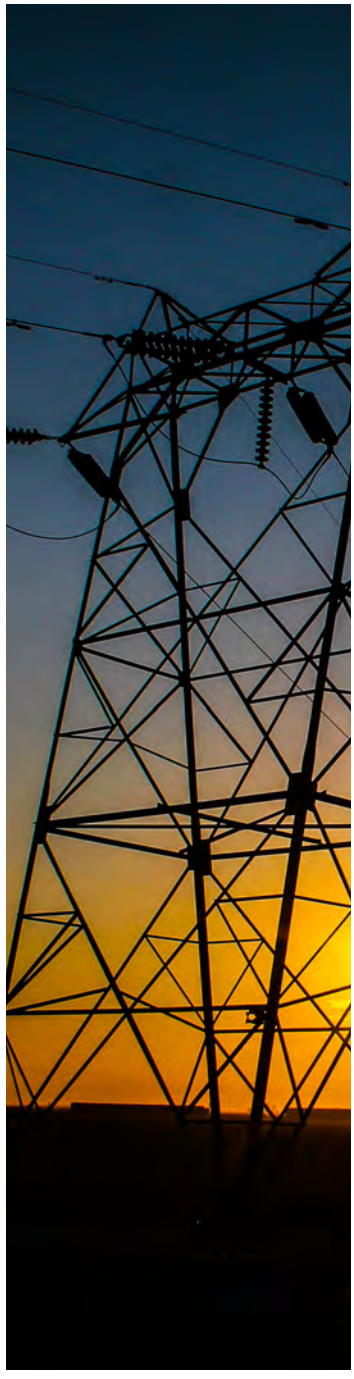
(July 7, 2017)

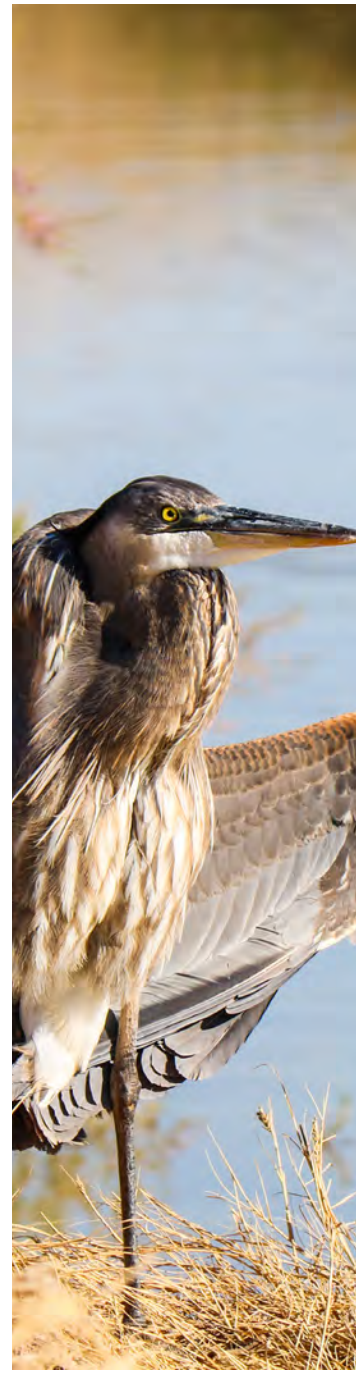
1,073 megawatts

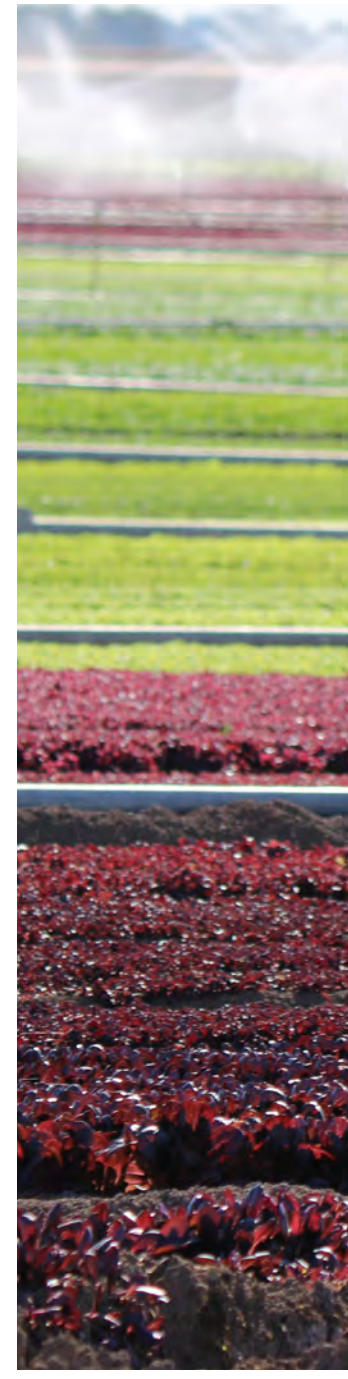
** For at-to-urban transfers, Salton Sea mitigation and IID storage purposes.*

*** Provisional values pending final certification by United States Bureau of Reclamation and Metropolitan Water District. MWD diverted this volume in 2018, and has yet to execute the 2018 storage agreement authorized by IID on December 10, 2018. The final disposition of this conservation is disputed, so this volume will not be credited to IID's benefit until resolved as noted in footnote 7, Table 18 of Reclamation's 2018 Decree Accounting.*

FINANCIAL STATEMENTS







REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

IMPERIAL IRRIGATION DISTRICT

December 31, 2018 and 2017

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Imperial Irrigation District
Imperial, California

Report on the Financial Statements

We have audited the accompanying individual (Water and Energy) and combined (Total) financial statements of Imperial Irrigation District (the District), which comprise the individual and combined statements of net position as of December 31, 2018 and 2017, and the related individual and combined 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these individual and combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the individual and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Imperial Irrigation District as of December 31, 2018 and 2017, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, and the schedule of net OPEB liability on page 70, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management bout the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Portland, Oregon
May 7, 2019

Introduction – The management of the Imperial Irrigation District (the District or IID) offers the following narrative discussion and analysis of the District's financial performance during the years ended December 31, 2018 and 2017. This discussion and analysis should be read in conjunction with the District's financial statements and the accompanying notes that follow this section.

Background – Situated in the agriculturally rich Imperial Valley of Southern California, the Imperial Irrigation District delivers water to approximately 520,000 acres of highly productive farmland, as well as provides wholesale water to local municipalities within its approximately 1,658 square mile service area. Established by a vote of the people in 1911, the District is the nation's largest irrigation district.

In order to take advantage of the hydroelectric generation potential of the All-American Canal, the District entered the power business in 1936, now the third largest public power utility in the State and is widely regarded as an economic catalyst in the Imperial and Coachella Valley regions. The District provides generation, transmission, and distribution services to more than 155,516 residential, commercial, and industrial customers.

With a combined work force of approximately 1,353 employees, the District is leading the way in irrigation efficiency and innovation, while expanding the range of value-added energy services including the promotion of renewable energy resources in this dynamic desert corridor.

Setting of rates – The District is governed by a five-member board of directors (board) elected by the citizens residing within the District's water service area. The board has full and independent authority to establish the rates charged for all District services. The District is not subject to retail rate regulation by any state or federal regulatory body, and is empowered to set retail rates effective at any time. Changes in electric retail rates require public hearings followed by formal action by the board. Regarding water rates, California Constitution Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act" affords property owners and tenants the opportunity to file written protests against proposed fees and charges applicable to property related services. If written protests against the proposed fee are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed.

Financial highlights – During fiscal year 2018, Imperial Irrigation District's operating revenues decreased by $19.3 million (3%) from 2017 levels. The decrease in revenue is attributable to the Water Department by $4 million, mainly due to lower Salton Sea fallowing and local entity mitigation program winding down and an offset by an increase in water transfer revenues. In addition, the Energy Departments had a decrease of $15.3 million from an Energy Cost Adjustment ("ECA") and lower Open Access Transmission Tariff ("OATT") study reimbursements. Total operating expenses decreased by $55.2 million from fiscal year 2017. The Energy Department is a key financial driver with decreases on purchased power and fuel costs, higher surplus power and gas sales and an auction of greenhouse allowances of $19.7 million; operation and maintenance, and general and administration expenses of $4.5 million, mainly due to a lower legal expenses, public benefit incentives and outside services offset with a minor salary increase. Water Department's decrease operation expenses of $34.9 million is mainly due to a decrease in Salton Sea fallowing on farm conservation and a local entity program. In addition, both departments had a combined increase in depreciation of $3.9 million.

The net effect of non-operating revenue and expenses as well as capital contributions resulted in an increase in net position of $22.2 million. Once added to the operating income of $26.4 million, total net position increased by $48.6 million in fiscal year 2018.

During fiscal year 2017, Imperial Irrigation District's operating revenues increased by $3.2 million (0.5%) from 2016 levels. This attributable to the Water Department by $5.2 million, mainly due to higher Agricultural sales, Salton Sea mitigation and water transfer revenues, which were offset by the Energy Department's decrease of $2.0 million coming from the deferral of Energy Cost Adjustment ("ECA") offset by wheeling retail sales and OATT study reimbursements. Total operating expenses decreased by $2.5 million from fiscal year 2016. The Energy Department is a key financial driver with lower purchased power and fuel costs due to market pricing opportunities of $11.8 million, operation and maintenance, and general and administration expenses of $6 million due to reduction in canceled projects and write offs. Water Department's increase in operation and maintenance and general and administration expenses of $10.1 million is mainly due to an increase in on-farm conservation, labor, legal, and medical expenses. In addition, both departments had a combined increase in depreciation of $5.2 million. The net effect of non-operating revenue and expenses as well as capital contributions resulted in an increase in net position of $12.7 million. The main driver includes $18.9 million coming from SCPPA's project stabilization fund which funded the OPEB trust held by California Employers' Retiree Benefit Trust for the Energy Department's OPEB obligation. Once added to the operating loss of $9.5 million, total net position increased by $3.3 million in fiscal year 2017.

Introduction to the financial statements – This section is intended to serve as an introduction to the District's financial statements, which are comprised of the following: 1) statements of net position, 2) statements of revenues, expenses, and changes in net position, 3) statements of cash flows, and 4) notes to financial statements.

The *statements of net position* present information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflow of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial health of the District.

The *statements of revenues, expenses, and changes in net position* present information showing how the District's net position changed during the most recent year, reflecting the activities of the District primarily funded through the sale of energy, transmission, and distribution services to its retail and wholesale electric customers, as well as sales of irrigation and municipal water. All changes in net position are reported as soon as the underlying events give rise to the change occurring, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows during future periods (e.g., materials and services received but not yet paid for by the District).

The *statements of cash flows* present information on cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing. They also report other cash uses, such as payments for debt service and capital additions.

The *notes to the financial statements and required supplementary information* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements described above.

The District's accounting records are maintained in accordance with accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). As a proprietary fund, the District follows the accrual basis of accounting in which revenues are recognized when earned, and costs and expenses are recognized when incurred. Separate accounting records are maintained for the District's Water and Energy operations, with each being reported as an enterprise fund within the accompanying financial statements.

Financial analysis – The majority of the District's net position reflects its net investment in capital assets, which represents capital assets, less the remaining outstanding balance of debt used to acquire those assets. The District's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,640 million and $1,625.3 million as of December 31, 2018 and 2017, respectively. A portion of the District's net position (89.41% and 89.9% as of December 31, 2018 and 2017, respectively) reflects its net investment in capital assets such as land and land rights, buildings, vehicles, equipment, drainage structures, canal linings, canal structures, transmission, distribution, and general plant owned by the Water and Energy Departments. The District uses these capital assets to provide services to its ratepayers. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from rate revenues and cash reserves.

An additional portion of the District's $38.1 million (2.3%) and $11.4 million (0.7%) as of December 31, 2018 and 2017, respectively, represent resources that are subject to external restrictions on how they may be used. The unrestricted portion of the District's net position $135.5 million (8.26%) and $152.5 million (9.4%) as of December 31, 2018 and 2017 respectively, may be used to meet the District's ongoing obligations to creditors and customers.

Summary of financial position – The following tables provide condensed financial information for the combined operations of the Energy and Water divisions of the District for the years ended December 31, 2018, 2017, and 2016:

	2018	2017	2016
Assets and deferred outflows			
Utility plant, net	$ 2,092,858,664	$ 2,025,061,704	$ 2,004,114,414
Other assets	610,300,232	593,759,475	655,498,331
Deferred outflow of resources	56,734,560	52,392,737	49,463,012
Total assets and deferred outflows	$ 2,759,893,456	$ 2,671,213,916	$ 2,709,075,757
Liabilities and deferred inflow			
Long-term liabilities	$ 828,311,662	$ 824,887,645	$ 872,830,756
Current liabilities	206,158,614	136,516,499	139,307,326
Deferred inflow of resources	85,488,285	84,476,971	74,868,797
Total liabilities and deferred inflows	$ 1,119,958,561	$ 1,045,881,115	$ 1,087,006,879
Net position			
Net investment in capital assets	$ 1,466,266,075	$ 1,461,391,458	$ 1,430,375,586
Restricted	38,143,067	11,391,848	54,940,024
Unrestricted	135,525,753	152,549,495	136,753,268
Total net position	$ 1,639,934,895	$ 1,625,332,801	$ 1,622,068,878

Net position – The District's net position increased in 2018 by $48.6 million (3.1%) and increased in 2017 by $3.3 million (0.2%). The increase in fiscal year 2018 is driven by Energy department $26 million and Water department $22.6 million. The increase in Energy Department is mainly due to surplus power and gas sales, auction of greenhouse allowances in addition to lower purchased power and fuel costs due to market pricing opportunities. Other contributors are lower spending on legal, public benefit programs, outside services offset with a minor increase on labor costs, and higher capital contributions. The increase in Water Department is attributable to higher revenues mainly from water transfer price increase, and agricultural sales; this was offset by lower operating revenues and expenses related to Salton Sea fallowing water, on farm conservation, local entity mitigation program offset with a minor labor increase.

The increase in fiscal year 2017 was driven by the Energy Department $22.1 million which offset by the Water Department decrease of $18.9 million. The increase in Energy Department is mainly due to lower fuel and purchase power coming from market pricing opportunities, lower expenses on cancelled projects, labor costs, and outside services, in addition to other revenue from SCPPA's project stabilization fund, used to fund the OPEB trust held by CERBT for the Energy Department's OPEB obligation and capital contributions. The decrease in Water Department is attributable to higher operating expenses related to on-farm conservation, labor costs, and legal expenses.

Utility plant – Net utility plant increased by $67.8 million (3.4%) during 2018. The net change is due to an increase in the Energy of $73.4 million which was offset by a decrease on the Water Department of $5.7 million. The purchase of solar plant Sunpeak - Imperial Valley Solar Company (IVSC)1 LLC, Switchyard and network upgrades on Seville solar one and two, Midway 83WI 8ME, offset by additional depreciation from capitalized projects, are the main drivers on Energy's utility plant. Canal concrete lining and vehicles offset by additional depreciation from capitalized projects are the primary drivers on Water's utility plant.

Net utility plant increased by $20.9 million (1%) during 2017. The change is due to increases in the Energy and Water Department by $14.1 million and $6.8 million, respectively. Switchyard and network upgrades on Solar Gen – Arkansas, Alhambra and Sonora, Fleet shop building and Niland unit 1 replacement offset by additional depreciation from capitalized projects, which are the main drivers on Energy's utility plant. Imperial Dam electrical upgrade, EHL Reservoir land, Fleet building, canal concrete lining and vehicles offset by additional depreciation from capitalized projects are the primary drivers on Water's utility plant.

Other assets and deferred outflows of resources – Other assets increased by $20.9 million (3.2%) in 2018. This is driven primarily by the Energy department's increase in cash and investments of $18.1 million, mainly due to surplus power and gas sales, auction of greenhouse allowances and lower operating expenses and capital projects, other increases include prepaid expenses $5.2 million and loss on refunding and deferred OPEB outflows of $1.7 million. This increase was offset by reductions in accounts receivable $1.3 million, Inventory $2.2 million and prepaid pension $1.3 million. In addition, the Water department increased cash and investments of $7.5 million, mainly due to higher revenues from agricultural sales and water transfers as well as lower operating expenses and capital projects. Other increases include deferred OPEB outflows of $2.6 million and prepaid expenses $0.2 million; which were offset by reductions in accounts receivable $8.3 million, Inventory $0.2 million and prepaid pension $1.1 million.

Other assets decreased by $58.8 million (8.3%) in 2017. This is driven primarily by the Water Department's reduction in cash and investments of $57.8 million, mainly due to the funding of OPEB Trust, on farm conservation payments and an increase in capital projects; other decrease came from prepaid pension obligation by $1.1 million. This was offset by an increase in net receivables of $8.2 million and a combined effect of inventory and prepaid expenses of $0.7 million. Energy Department had a decrease in cash and investments of $11.3 million mainly driven by funding of OPEB and capital projects. Other decreases include inventory and prepaid expenses of $4 million, prepaid pension obligation of $1.3 million, which is offset by increases in net accounts receivable of $4.9, and loss on refunding of $2.9 million due to issuance of 2017 Bonds.

Long-term liabilities – Long-term liabilities increased by $3.4 million (0.4%) in 2018. The key drivers are increases in other post-employment benefits of $16 million from the effect of the implementation of GASB 75 and the funding of OPEB trust at Calpers, advances and deposits of $6.9 million, primarily from OATT for transmission build out, self-insurance of $2.4 million and a minor increase to other liabilities of $0.5 million. Bond principal payments along with amortization of premium and discounts of $18.4 million in addition to vehicle capital leases of $4.4 million offset the increase.

Long-term liabilities decreased by $47.9 million (5.5%) in 2017. The key drivers were other post-employment benefits of $35 million, due to the combined effect of funding the trust held at CERBT and year-end accruals, the issuance of 2017 Bonds which defeased the remaining series 2011A, B & C bond obligations along with principal payment of bond debt for a combined decrease effect of $5.8 million when compared to prior year. Other decreases include vehicle capital leases of $4.5 million and advances and deposits of $2.8 million primarily from OATT for transmission build out offset by a minor increase to other liabilities of $0.2 million.

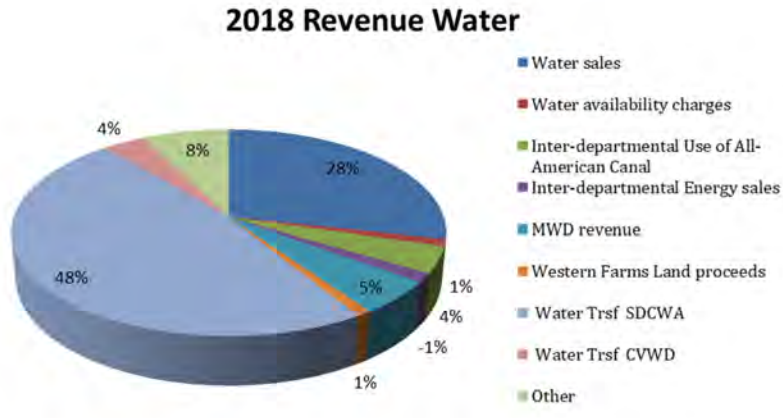
Current liabilities and deferred inflows – Current liabilities and deferred inflows increased by $70.6 million (32%) during 2018. Primary drivers are increases on Commercial paper $80.5 million, proceeds used to fund the purchase of Sunpeak – IVSC1 solar company, current other post-employment benefits $8 million, ECA regulatory deferral of $1 million, self-insurance $1.2 million. Reduction in advances and deposits of $9.6 million due to the payoff of water transfer loan, accounts payable $9.5 million and other payables $1 million, offset the increase.

Current liabilities and deferred inflows increased by $6.8 million (3.2%) during 2017. Key drivers are increase on ECA regulatory deferral of $9.6 million, generated by ECA billing factors for 2017, advances and deposits of $11.4 million mainly due to water transfer loan reclassified to short term and bonds current portion of $0.9 million. Decrease on self-insurance of $4.3 million, other current liabilities of $8.4 million, other payables of $0.7 million and accrued compensation of $1.7 million offset the decrease.

Summary of operations and changes in net position – The District's change in net position for fiscal year 2018 is an increase of $48.6 million (3.1%); for 2017 and 2016, an increase of $3.3 million (0.2%), and decrease of $16.8 million (1%), respectively. The table below summarizes the revenues and expenses of the District for the years 2018, 2017, and 2016.

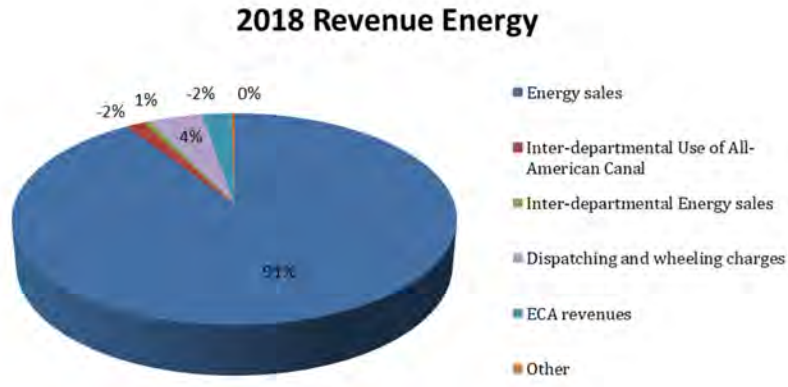
	2018	2017	2016	Variance 2017 to 2018
Operating revenues				
Water operating revenues	$ 174,999,516	$ 179,022,814	$ 173,754,664	-2%
Power operating revenues	440,263,429	455,587,946	457,621,321	-3%
Total operating revenues	615,262,945	634,610,760	631,375,985	-3%
Operating expenses				
Purchased energy	145,474,655	151,453,904	158,246,842	-4%
Cost of fuel	30,610,903	44,352,022	49,384,928	-31%
Other power expenses	149,058,170	151,384,354	160,314,043	-2%
All-American Canal operations	8,536,218	8,568,451	7,337,034	0%
Operation and maintenance of irrigation systems and dams	124,578,180	158,702,080	151,543,810	-22%
General and administrative	23,587,025	26,602,129	21,975,640	-11%
Depreciation and amortization	107,010,251	103,026,416	97,819,216	4%
Total operating expenses	588,855,402	644,089,356	646,621,513	-9%
Nonoperating revenues (expenses)				
Investment income	7,760,822	5,063,072	3,405,058	53%
Interest expense	(23,181,205)	(23,560,127)	(21,140,224)	-2%
Other income	12,911,811	21,576,477	4,429,865	-40%
Total nonoperating expenses	(2,508,572)	3,079,422	(13,305,301)	181%
Capital contributions	24,744,986	9,663,097	11,755,906	156%
Increase (decrease) in net position	48,643,957	3,263,923	(16,794,923)	-1390%
Total net position, beginning of year	1,625,332,801	1,622,068,878	1,638,863,801	0%
Adjustment to beginning net position (see OPEB Note 13)	(34,041,863)	-	-	100%
Beginning net position, as adjusted	1,591,290,938	1,622,068,878	1,638,863,801	-2%
Total net position, end of year	$ 1,639,934,895	$ 1,625,332,801	$ 1,622,068,878	0.9%

Water revenues – Water revenues decreased by $4 million (2.25%) in 2018. Changes are attributable mainly to a decrease in Salton Sea fallowing of $19.9 million and local entity mitigation program winding down $8.1 million and other revenues of $.8 million. This was offset by an increase in Water transfer revenue of $21.9 million, driven by a rate increase from $640.75 per acre-foot in 2017 to $652.37, in addition to a volumetric increase of 30000 acre feet in 2018. Other increases include Metropolitan Water District revenue ("MWD") of $1.5 million, a minor volumetric increase primarily from Agricultural revenue of $1.4 million.

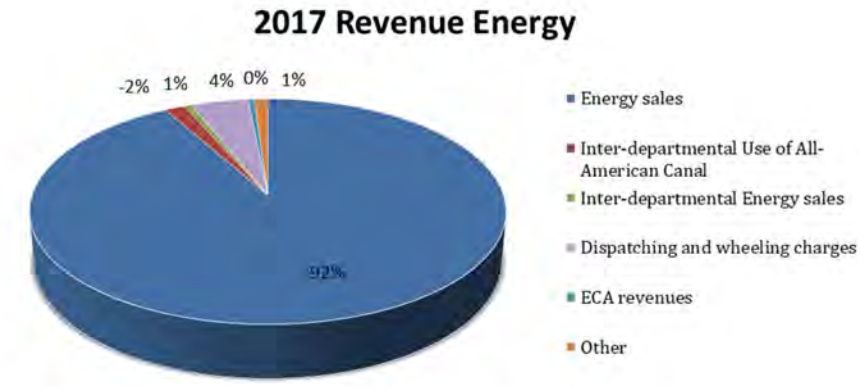


Water revenues increased by $5.3 million (3%) in 2017. Changes are attributable to increase in Salton Sea mitigation water by $3 million, Water transfer revenue increased by $1.3 million, driven by a rate increase from $630.87 per acre-foot in 2016 to $640.75 in 2017. Other increases include JPA mitigation by $0.5 million, a minor volume increase in Agricultural revenue by $0.9 million and MWD $0.5 million. Lower Local Entity revenue of $0.9 million offset these increases.

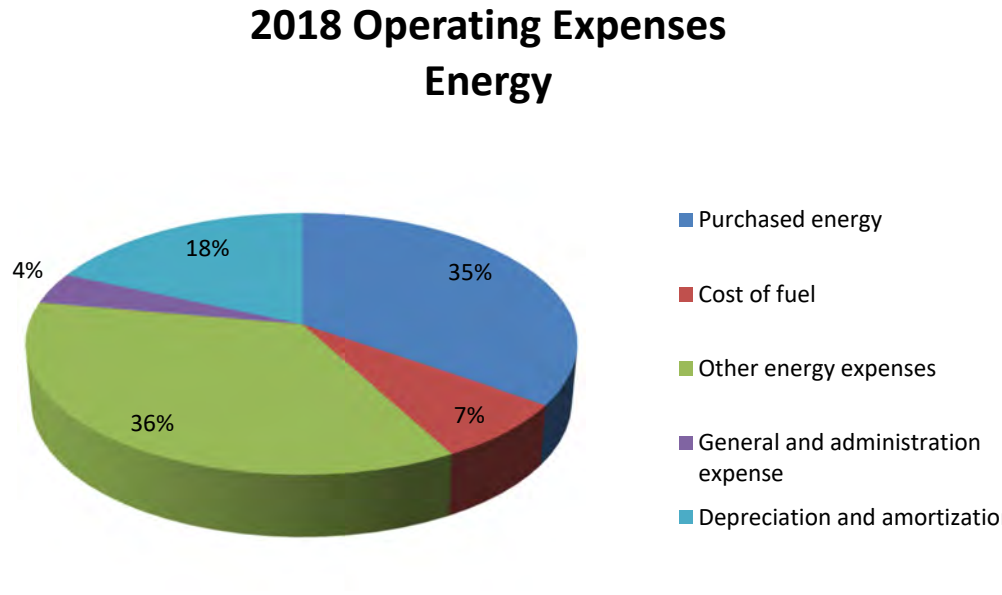
Power revenues – Power revenues decreased by $15.3 million (3.36%) in 2018. This change is primarily due to a decrease in ECA revenue of $13.9 million, driven by a deferred over collection coming from rolling 2018 billing factors, and $3.7 million of other revenue mainly from OATT studies and rental income. This was offset by a $2.3 million 0.6%, mainly from a volumetric increase in KWH on retail agricultural and industrial sales.



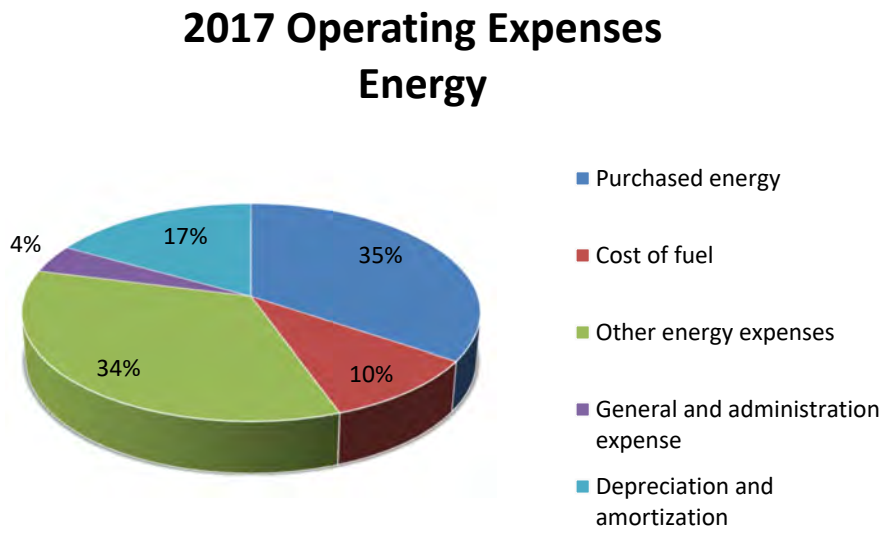
Power revenues decreased by $2 million (0.4%) in 2017. This change is primarily due to a decrease in ECA revenue of $14.8 million, driven by a deferred over collection coming from 2017 billing factors offset by a volumetric increase of 1.34%. This was offset by a $5.5 million volumetric increase in KWH on retail sales, $1 million price change generated mainly from agricultural and industrial sales, $2.7 million from dispatching and wheeling charges, and $3.6 million of other revenue mainly from OATT studies and rental income.



Operating expenses – Operating expenses decreased by $55.2 million (8.6%) in 2018. The change is mainly due to a reduction in the Energy department of $21.8 million, driven primarily by $19.7 million of purchased energy and fuel costs, reduced by higher wholesale, CARB auction proceeds and lower fuel costs due to natural gas prices. Other energy and general and administration expenses decreased by $4.5 million dollars mainly due to a reduction in legal, public benefit programs and outside services. The Water Department had a decrease of $33.4 million mainly due to $34.1 million in operation and maintenance of irrigation systems and dams and general and administration $0.8 million, key drivers are lower Salton Sea fallowing, local entity mitigation and on farm conservation programs. This was offset by a combined increase in depreciation of $4 million.



Operating expenses decreased by $2.5 million (0.4%) in 2017. The change is mainly due to a reduction in the Energy department driven primarily by $11.8 million of purchased energy and fuel costs, reduced by higher wholesale and CARB auction proceeds, a credit from SCPPA project stabilization fund and lower fuel costs due to natural gas prices. Other energy and general and administration expenses decreased by $6 million dollars due to a reduction in cancelation of projects, outside services, and labor costs. This was offset by the Water Department increase mainly due to $10.1 million in operation and maintenance of irrigation systems and dams, driven by higher conservation programs, labor costs and legal expenses, in addition to a combined increase in depreciation of $5.2 million.



Non-operating revenues and expenses – Non-operating expenses net of non-operating revenues decreased by $5.6 million in 2018 when compared to prior year. The primary drivers are a reduction of $18.9 million contribution from SCPPA's project stabilization fund offset with lower capital replacement expenses of $3.6 million from Niland Unit 1 turbine incurred in 2017. Higher revenue from impact fees of $6.2 million, investment income of $2.7 million due to higher returns and other income of $0.8 million, offset the decrease.

Non-operating expenses net of non-operating revenues increased by $16.4 million in 2017 when compared to 2016. The primary driver is a $18.9 million contribution from SCPPA's project stabilization fund. This money funded the OPEB trust held by CERBT for the Energy Department's OPEB obligation following the funding strategy approved by the board on December 20, 2016 in addition to investment income of $1.6 million due to higher returns and other income of $1.9 million. This was offset by a net expense of $3.6 million coming from Niland Unit 1 turbine replacement and interest expense of $2.4 million coming from revenue bonds.

Capital contributions – Capital contributions represent funds received from state and federal agencies, as well as private developers, for the construction and acquisition of capital assets. Capital contributions increased in 2018 by $15 million versus a decrease in 2017 of $2 million. Higher contributions for energy developer interconnection upgrades on Seville solar Anza sub and 92KV gen tie, Midway 83MI, 8ME in addition to water's electrical upgrades on the Imperial dam are the main drivers of the increase.

Utility plant and debt administration

	2018	2017	2016
Utility plant, not being depreciated			
Land and land rights	$ 72,146,995	$ 71,988,290	$ 66,948,486
Construction in process	82,007,443	115,976,076	143,653,458
Total utility plant, not being depreciated	154,154,438	187,964,366	210,601,944
Utility plant, being depreciated			
Structures and improvements	194,600,926	170,313,062	160,047,813
Dredges and field equipment	33,353,448	31,648,094	29,101,041
Automobiles and trucks	37,138,303	38,640,292	39,942,385
Other plant equipment	182,352,196	187,627,205	182,904,638
Steam plant equipment	352,877,422	381,191,917	352,141,743
Hydroelectric generating equipment	39,999,106	39,999,106	39,999,106
Gas turbines	133,101,773	122,498,608	132,423,304
Other production equipment	80,500,000	-	-
Transmission plant	516,072,343	474,335,550	420,024,636
Distribution plant	1,055,987,581	1,023,049,968	991,618,087
Roads, railroads, and bridges	4,648,777	4,648,777	4,648,777
Reservoirs and dams	10,931,283	10,902,441	10,902,413
Canals	334,820,877	328,824,336	320,513,196
Drainage	135,703,101	131,793,350	128,829,120
All-American Canal	326,505,858	326,505,858	326,505,858
Total utility plant, being depreciated	3,438,592,994	3,271,978,564	3,139,602,117
Protection of water rights	30,555,094	30,555,094	30,555,094
Other intangible assets	21,796,026	-	-
Less accumulated depreciation	(1,534,491,835)	(1,449,080,214)	(1,361,161,632)
Less accumulated amortization	(17,748,053)	(16,356,106)	(15,483,109)
Total utility plant, being depreciated, net	1,938,704,226	1,837,097,338	1,793,512,470
Utility plant, net	$ 2,092,858,664	$ 2,025,061,704	$ 2,004,114,414

Utility plant – Net utility plant increased by $67.8 million (3.3%) during 2018. The net change is due to an increase in the Energy of $73.4 million which was offset by a decrease on the Water Department of $5.7 million. The purchase of solar plant Sunpeak-IVSC1, Switchyard and network upgrades on Seville solar one and two, Midway 83WI 8ME, offset by additional depreciation from capitalized projects, are the main drivers on Energy's utility plant. Canal concrete lining and vehicles offset by additional depreciation from capitalized projects are the primary drivers on Water's utility plant.

Additional information on the District's utility plant assets can be found in Note 3 of the Notes to Financial Statements accompanying this report.

Long-term debt – The District's outstanding debt obligations, including both the current and long-term portions, consisted of the following as of December 31:

	2018	2017	2016
Revenue bonds	$ 587,946,662	$ 603,878,893	$ 606,539,457
Pension obligation bonds	50,168,778	52,508,675	54,698,574
Capital leases	7,784,695	12,184,089	16,662,384
Total long term debt	$ 645,900,135	$ 668,571,657	$ 677,900,415

The District's total debt, including both the current and long-term portions, decreased by $22.6 million in 2018. The change is driven by principal payments of revenue bonds of $12.5 million, pension obligation bonds of $2.3 million and vehicle leases of $4.4 million, in addition to amortization of bonds premiums and discounts of $3.4 million.

The District's total debt, including both the current and long-term portions, decreased by $9.3 million in 2017. This is mainly due to the principal payments of revenue bonds for $13.8 million and vehicle leases for $4.5 million, in addition to amortization of bonds premiums and discounts of $3.2 million. The outstanding balance of the new 2017 revenue bonds for $105 million include refunded taxable commercial paper used on capital repairs of Niland Units 1 and 2 as well as portion of construction of Fleet shop, in addition to the advance refunded outstanding principal balance of 2011A, B & C revenue bonds obligations used on El Centro Unit 3 repowering project for a combined decrease effect of $92.8 million.

Additional information on the District's long-term debt may be found in Note 5 of the Notes to Financial Statements accompanying this report.

Imperial Irrigation District
Statements of Net Position

	As of December 31, 2018			As of December 31, 2017		
	Water	Energy	Total	Water	Energy	Total
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
CURRENT ASSETS						
Cash and cash equivalents						
Unrestricted	$ 34,498,034	$ 40,557,945	$ 75,055,979	$ 16,340,365	$ 30,913,947	$ 47,254,312
Restricted	13,284,517	23,760,391	37,044,908	18,460,096	2,657,550	21,117,646
Total cash and cash equivalents	47,782,551	64,318,336	112,100,887	34,800,461	33,571,497	68,371,958
Investments – current (See Note 2)	32,454,550	101,744,635	134,199,185	52,862,446	118,652,407	171,514,853
Receivables						
Trade	5,497,598	38,142,954	43,640,552	9,024,168	42,725,384	51,749,552
Interest	693,751	1,272,392	1,966,143	835,017	1,590,183	2,425,200
Other	11,418,637	6,796,957	18,215,594	15,858,258	2,833,726	18,691,984
Total receivables	17,609,986	46,212,303	63,822,289	25,717,443	47,149,293	72,866,736
Less allowance for doubtful accounts	(705,218)	(4,113,596)	(4,818,814)	(474,654)	(3,724,539)	(4,199,193)
Net receivables	16,904,768	42,098,707	59,003,475	25,242,789	43,424,754	68,667,543
Inventory	831,854	17,585,082	18,416,936	1,010,455	19,807,857	20,818,312
Prepaid expenses	4,559,110	9,262,658	13,821,768	4,316,406	4,082,324	8,398,730
Total current assets	102,532,833	235,009,418	337,542,251	118,232,557	219,538,839	337,771,396
NONCURRENT ASSETS						
Utility plant						
Utility plant, not being depreciated						
Land and land rights	46,522,653	25,624,342	72,146,995	46,521,049	25,467,241	71,988,290
Construction in process	31,933,293	50,074,150	82,007,443	49,724,764	66,251,312	115,976,076
Utility plant, being depreciated	905,768,371	2,532,824,623	3,438,592,994	889,169,650	2,382,808,914	3,271,978,564
Protection of water rights	30,555,094	-	30,555,094	30,555,094	-	30,555,094
Other intangible assets	21,796,026	-	21,796,026	-	-	-
Total utility plant	1,036,575,437	2,608,523,115	3,645,098,552	1,015,970,557	2,474,527,467	3,490,498,024
Less accumulated depreciation	(383,361,334)	(1,151,130,501)	(1,534,491,835)	(358,447,768)	(1,090,632,446)	(1,449,080,214)
Less accumulated amortization	(17,748,053)	-	(17,748,053)	(16,356,106)	-	(16,356,106)
Total utility plant, net	635,466,050	1,457,392,614	2,092,858,664	641,166,683	1,383,895,021	2,025,061,704
Investments – long-term (see Note 2)	73,882,482	168,064,365	241,946,847	58,908,562	163,804,264	222,712,826
Other assets						
Prepaid pension obligation	14,950,587	15,860,547	30,811,134	16,145,685	17,129,568	33,275,253
Total other assets	14,950,587	15,860,547	30,811,134	16,145,685	17,129,568	33,275,253
Total noncurrent assets	724,299,119	1,641,317,526	2,365,616,645	716,220,930	1,564,828,853	2,281,049,783
DEFERRED OUTFLOW OF RESOURCES						
Unamortized loss on refunding	-	49,638,769	49,638,769	-	52,392,737	52,392,737
Other post employment benefits related outflows	2,598,896	4,496,895	7,095,791	-	-	-
Total deferred outflow of resources	2,598,896	54,135,664	56,734,560	-	52,392,737	52,392,737
Total assets and deferred outflow of resources	$ 829,430,848	$ 1,930,462,608	$ 2,759,893,456	$ 834,453,487	$ 1,836,760,429	$ 2,671,213,916

See accompanying notes.

Imperial Irrigation District
Statements of Net Position

	As of December 31, 2018			As of December 31, 2017		
	Water	Energy	Total	Water	Energy	Total
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Payable from unrestricted assets						
Accounts payable	$ 27,047,252	$ 26,276,009	$ 53,323,261	$ 34,120,422	$ 28,744,781	$ 62,865,203
Accrued interest payable	847,950	4,787,349	5,635,299	887,131	4,382,361	5,269,492
Accrued compensation and payroll taxes	4,219,677	2,397,243	6,616,920	3,140,723	2,709,156	5,849,879
Accrued vacation and sick leave	1,973,119	1,286,628	3,259,747	1,958,382	1,226,842	3,185,224
Accrued other post employment benefits	3,000,000	5,000,000	8,000,000	-	-	-
Self-insurance	1,770,070	4,311,192	6,081,262	1,470,072	3,336,462	4,806,534
Capital leases – current portion	1,903,056	2,108,229	4,011,285	2,060,981	2,338,415	4,399,396
Total payable from nonrestricted assets	40,761,124	46,166,650	86,927,774	43,637,711	42,738,017	86,375,728
Liabilities payable from restricted assets:						
Obligation bonds – current portion	1,214,925	1,290,075	2,505,000	1,137,325	1,207,675	2,345,000
Revenue bonds – current portion	-	12,495,000	12,495,000	-	12,495,000	12,495,000
Commercial paper	-	80,500,000	80,500,000	-	-	-
Advances and deposits from customers	445,701	16,780,383	17,226,084	11,144,763	15,722,826	26,867,589
Total liabilities payable from restricted assets	1,660,626	111,065,458	112,726,084	12,282,088	29,425,501	41,707,589
Water availability charges	1,821,783	-	1,821,783	1,813,537	-	1,813,537
Other current liabilities	3,149,933	1,533,040	4,682,973	5,395,515	1,224,130	6,619,645
Total current liabilities	47,393,466	158,765,148	206,158,614	63,128,851	73,387,648	136,516,499
NONCURRENT LIABILITIES						
Long-term debt						
Revenue bonds	-	575,451,662	575,451,662	-	591,383,893	591,383,893
Obligation bonds payable	23,116,932	24,546,846	47,663,778	24,329,382	25,834,293	50,163,675
Capital leases	1,360,629	2,412,781	3,773,410	3,243,655	4,541,038	7,784,693
Total long-term debt	24,477,561	602,411,289	626,888,850	27,573,037	621,759,224	649,332,261
Other noncurrent liabilities						
Advances	23,496,293	59,293,638	82,789,931	25,984,064	49,854,364	75,838,428
Other post employment benefits	33,604,435	59,666,237	93,270,672	28,297,638	48,963,678	77,261,316
Accrued vacation and sick leave, noncurrent portion	6,133,385	7,935,053	14,068,438	5,848,372	7,502,131	13,350,503
Self-insurance	3,287,272	8,006,499	11,293,771	2,730,134	6,196,287	8,926,421
Other noncurrent liabilities	-	-	-	-	178,716	178,716
Total other noncurrent liabilities	66,521,385	134,901,427	201,422,812	62,860,208	112,695,176	175,555,384
Total noncurrent liabilities	90,998,946	737,312,716	828,311,662	90,433,245	734,454,400	824,887,645
Total liabilities	138,392,412	896,077,864	1,034,470,276	153,562,096	807,842,048	961,404,144
DEFERRED INFLOW OF RESOURCES						
ECA regulatory deferral	-	18,673,887	18,673,887	-	17,662,573	17,662,573
Regulatory deferral	-	66,814,398	66,814,398	-	66,814,398	66,814,398
Total deferred inflows	-	85,488,285	85,488,285	-	84,476,971	84,476,971
NET POSITION						
Net investment in capital assets	632,202,364	834,063,711	1,466,266,075	635,862,046	825,529,412	1,461,391,458
Restricted	10,866,212	27,276,855	38,143,067	6,522,815	4,869,033	11,391,848
Unrestricted	47,969,860	87,555,893	135,525,753	38,506,530	114,042,965	152,549,495
Total net position	691,038,436	948,896,459	1,639,934,895	680,891,391	944,441,410	1,625,332,801
Total liabilities, deferred inflow of resources, and net position	$ 829,430,848	$ 1,930,462,608	$ 2,759,893,456	$ 834,453,487	$ 1,836,760,429	$ 2,671,213,916

See accompanying notes.

Imperial Irrigation District
Statements of Revenues, Expenses, and Changes in Net Position

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Water	Energy	Total	Water	Energy	Total
OPERATING REVENUE						
Energy sales						
Energy revenues	$ -	$ 434,359,705	$ 434,359,705	$ -	$ 431,954,971	$ 431,954,971
ECA revenues	-	(11,671,814)	(11,671,814)	-	2,293,830	2,293,830
Total energy sales	-	422,687,891	422,687,891	-	434,248,801	434,248,801
Water sales	51,050,134	-	51,050,134	49,586,892	-	49,586,892
Water availability charges	1,908,963	-	1,908,963	1,937,345	-	1,937,345
Interdepartmental charges:						
Use of All-American Canal	7,466,800	(7,466,800)	-	7,401,300	(7,401,300)	-
Energy sales	(2,529,036)	2,529,036	-	(2,552,925)	2,552,925	-
Dispatching and wheeling charges	-	21,460,659	21,460,659	-	21,211,490	21,211,490
Water funds						
MWD revenue	9,491,751	-	9,491,751	7,960,474	-	7,960,474
Western Farms Land proceeds	1,782,671	-	1,782,671	1,691,215	-	1,691,215
Water transfer revenue						
SDCWA	85,899,100	-	85,899,100	67,044,000	-	67,044,000
CVWD	6,442,970		6,442,970	3,399,550	-	3,399,550
Other	13,486,163	1,052,643	14,538,806	42,554,963	4,976,030	47,530,993
Total operating revenue	174,999,516	440,263,429	615,262,945	179,022,814	455,587,946	634,610,760
OPERATING EXPENSE						
Purchased energy	-	145,474,655	145,474,655	-	151,453,904	151,453,904
Cost of fuel	-	30,610,903	30,610,903	-	44,352,022	44,352,022
Operation and maintenance		149,058,170	149,058,170	-	151,384,354	151,384,354
Operation and maintenance of All-American Canal	8,536,218		8,536,218	8,568,451	-	8,568,451
Operation and maintenance of irrigation system and dams	124,578,180		124,578,180	158,702,080	-	158,702,080
General and administration expense	7,198,124	16,388,901	23,587,025	7,997,281	18,604,848	26,602,129
Depreciation and amortization	30,461,486	76,548,765	107,010,251	28,958,307	74,068,109	103,026,416
Total operating expense	170,774,008	418,081,394	588,855,402	204,226,119	439,863,237	644,089,356
Operating income (loss)	4,225,508	22,182,035	26,407,543	(25,203,305)	15,724,709	(9,478,596)
NONOPERATING REVENUES (EXPENSES)						
Investment income	2,308,450	5,452,372	7,760,822	1,590,078	3,472,994	5,063,072
Interest expense	(74,006)	(23,107,199)	(23,181,205)	(108,919)	(23,451,208)	(23,560,127)
Other income	7,480,789	5,431,022	12,911,811	3,681,453	17,895,024	21,576,477
Total nonoperating revenue (expense)	9,715,233	(12,223,805)	(2,508,572)	5,162,612	(2,083,190)	3,079,422
Income (loss) before capital contributions	13,940,741	9,958,230	23,898,971	(20,040,693)	13,641,519	(6,399,174)
CAPITAL CONTRIBUTIONS	8,674,436	16,070,550	24,744,986	1,169,469	8,493,628	9,663,097
Increase (decrease) in net position	22,615,177	26,028,780	48,643,957	(18,871,224)	22,135,147	3,263,923
NET POSITION, beginning of year	680,891,391	944,441,410	1,625,332,801	699,762,615	922,306,263	1,622,068,878
Adjustment to beginning net position (see OPEB note 13)	(12,468,132)	(21,573,731)	(34,041,863)	-	-	-
Beginning NET POSITION as adjusted	668,423,259	922,867,679	1,591,290,938	699,762,615	922,306,263	1,622,068,878
NET POSITION, end of year	$ 691,038,436	$ 948,896,459	$ 1,639,934,895	$ 680,891,391	$ 944,441,410	$ 1,625,332,801

See accompanying notes.

Imperial Irrigation District
Statements of Cash Flows

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Water	Energy	Total	Water	Energy	Total
CASH FLOW FROM OPERATING ACTIVITIES						
Cash received from customers	$ 163,119,352	$ 458,280,709	$ 621,400,061	$ 158,063,560	$ 473,121,079	$ 631,184,639
Cash paid to employees and suppliers	(6,003,026)	(15,119,880)	(21,122,906)	(6,802,184)	(17,335,827)	(24,138,011)
Cash received (paid) for inter-departmental services	4,937,764	(4,937,764)	-	4,848,375	(4,848,375)	-
Cash paid for energy and water costs	(145,061,074)	(338,405,311)	(483,466,385)	(181,420,481)	(370,528,156)	(551,948,637)
Net cash from operating activities	16,993,016	99,817,754	116,810,770	(25,310,730)	80,408,721	55,097,991
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
Other non-operating income	7,409,588	5,229,655	12,639,243	3,537,727	17,756,298	21,294,025
CASH FLOW FROM CAPITAL AND RELATED FINANCING						
Payments on commercial paper	-	80,500,000	80,500,000	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	105,006,253	105,006,253
Principal payments on long-term debt	(3,178,277)	(16,061,118)	(19,239,395)	(3,211,483)	(107,907,212)	(111,118,695)
Interest paid on long-term debt	(110,713)	(23,382,846)	(23,493,559)	(143,120)	(30,312,433)	(30,455,553)
Capital expenditures	(24,760,853)	(150,046,358)	(174,807,211)	(35,720,146)	(88,253,559)	(123,973,705)
Sale of capital assets	71,201	201,367	272,568	143,726	138,726	282,452
Capital contributions	8,674,436	16,070,550	24,744,986	1,169,469	8,493,628	9,663,097
Net cash used in capital and related financing activities	(19,304,206)	(92,718,405)	(112,022,611)	(37,761,554)	(112,834,597)	(150,596,151)
CASH FLOW FROM INVESTING ACTIVITIES						
Interest received	2,449,717	5,770,164	8,219,881	1,712,369	3,318,567	5,030,936
Proceeds from sale of investments	115,104,700	82,158,012	197,262,712	78,819,636	22,463,342	101,282,978
Purchase of investments	(109,670,725)	(69,510,341)	(179,181,066)	(24,480,155)	(2,755,780)	(27,235,935)
Net cash used in investing activities	7,883,692	18,417,835	26,301,527	56,051,850	23,026,129	79,077,979
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,982,090	30,746,839	43,728,929	(3,482,707)	8,356,551	4,873,844
CASH AND CASH EQUIVALENTS, beginning of year	34,800,461	33,571,497	68,371,958	38,283,168	25,214,946	63,498,114
CASH AND CASH EQUIVALENTS, end of the year	$ 47,782,551	$ 64,318,336	$ 112,100,887	$ 34,800,461	$ 33,571,497	$ 68,371,958

See accompanying notes.

Imperial Irrigation District
Statements of Cash Flows

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Water	Energy	Total	Water	Energy	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Operating (loss) income	$ 4,225,508	$ 22,182,035	$ 26,407,543	$ (25,203,305)	$ 15,724,709	$ (9,478,596)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Provision for depreciation and amortization	30,461,486	76,548,765	107,010,251	28,958,307	74,068,109	103,026,416
Other post-employment benefits expense	4,502,958	7,791,513	12,294,471	5,305,721	8,015,942	13,321,663
(Increase) decrease in assets and increase (decrease) in liabilities:						
Trade accounts receivable, net	3,757,134	4,971,486	8,728,620	(819,899)	(4,050,272)	(4,870,171)
Other receivables	4,439,622	(3,963,231)	476,391	(7,587,609)	(752,641)	(8,340,250)
Inventories	178,601	2,222,774	2,401,375	(7,716)	4,300,078	4,292,362
Prepaid expenses	(242,704)	(5,180,335)	(5,423,039)	(654,007)	(294,260)	(948,267)
Prepaid pension obligation	1,195,098	1,269,021	2,464,119	1,195,097	1,269,021	2,464,118
Accounts payable	(7,073,170)	(2,468,772)	(9,541,942)	642,750	(470,335)	172,415
Accrued compensation and payroll taxes	1,078,954	(311,913)	767,041	(615,917)	(1,133,533)	(1,749,450)
Employment benefits (OPEB Trust and pay as you go)	(11,263,190)	(18,159,579)	(29,422,769)	(18,129,900)	(30,236,658)	(48,366,558)
Accrued compensated absences	299,751	492,709	792,460	17,699	227,278	244,977
Self-insurance	857,136	2,784,941	3,642,077	(708,580)	(3,564,167)	(4,272,747)
Other non current liabilities	-	(178,716)	(178,716)	-	(182,221)	(182,221)
Advances and deposits from customers	(13,186,833)	10,496,831	(2,690,002)	772,194	7,809,290	8,581,484
Water availability charges	8,246	-	8,246	(32,303)	-	(32,303)
Other current liabilities	(2,245,581)	308,911	(1,936,670)	(8,443,262)	70,207	(8,373,055)
ECA regulatory deferral	-	1,011,314	1,011,314	-	9,608,174	9,608,174
Total adjustments	12,767,508	77,635,719	90,403,227	(107,425)	64,684,012	64,576,587
NET CASH USED IN OPERATING ACTIVITIES	$ 16,993,016	$ 99,817,754	$ 116,810,770	$ (25,310,730)	$ 80,408,721	$ 55,097,991

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Reporting entity – The Imperial Irrigation District (the District or IID) is a public entity organized in 1911 under the California Irrigation District Law (codified at Division 11 of the California Water Code) (the Law). The District has the power under law to, among other things, provide irrigation and electric service within its geographic boundaries, an area of 1,658 square miles for water and 6,898 square miles for power. In connection therein, the District has the powers of eminent domain to contract, to construct works, to fix rates and charges for commodities of services, and to incur indebtedness. In addition to irrigation services, the District supplies untreated water to cities and towns covering approximately 815 square miles.

The District entered the power business in 1936 to utilize the hydroelectric generation potential of the All-American Canal. Since that time the District has added geothermal, natural gas, coal, solar, nuclear, wind, and biomass to its energy portfolio. The District's energy system serves over 155,516 residential, commercial and industrial customers.

The District is governed by a five-member board of directors (Board) elected by the citizens residing within the District's water service boundaries.

Basis of accounting – The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized in the period earned and expenses are recognized in the period incurred. The effects of inter-departmental transactions relative to the use of All-American Canal water and energy charges have not been eliminated from the financial statements of the Water and Energy Departments, as the District's board of directors believes that the respective operating results of such enterprise funds should remain separate to facilitate management review and appropriate rate setting. Such separation is also required for evidence of compliance with the covenants of the District's outstanding indebtedness.

The District maintains separate accounting records for the Water and Energy Departments. Each of these Departments is reported as a separate enterprise fund, and the combined totals represent the business-type activities in the financial statements. The District's Water and Energy Department's basis of accounting conform to the accounting principles generally accepted in the United States of America.

Accounting pronouncements – The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

Note 1 – Summary of Significant Accounting Policies (continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for financial statement for periods beginning after June 15, 2017. Statement 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The District adopted the provisions of this statement and accordingly and has adjusted beginning net position as of January 1, 2018. This resulted in a $34 million reduction in beginning net position for combined Water and Power (see OPEB Note 13).

Net position – The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

Net investment in capital assets – Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long term borrowings that are attributable to the acquisition, construction, or improvement of those assets. The District's utility plant assets include plant, equipment, land, water rights and other intangibles (see Note 3).

Restricted – Restricted consists of assets that have restrictions placed upon their use either by the District's board of directors, or through external constraints imposed either by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through enabling legislation.

Unrestricted – Unrestricted consists of net position, net of related liabilities, that does not meet the definition of "restricted" or "net investment in capital assets."

Utility plant – Utility plant includes plant and equipment, stated at cost. Maintenance and repairs are charged to operating expense as incurred. The cost of constructed assets includes labor and related labor overheads, materials, allocated indirect charges such as engineering and supervision, and certain administrative and general expenses. The cost of minor replacements is included in maintenance expense.

The District has an undivided interest in certain energy generation stations and transmission systems that are jointly owned among several other governmental electrical utility operators. The operating agreements under which the facilities were constructed require that each participant provide its own construction financing. The District's proportionate share of construction and improvement costs for such jointly owned facilities has been included in an appropriate category of utility plant. The District incurs certain minimum operating costs on jointly owned facilities, whether or not it takes delivery of its proportionate share of the energy generated. Such expenses are included in the accompanying statements of revenues, expenses and changes in net position. Buildings, vehicles, equipment, drainage structures, canal linings, canal structures, transmission, distribution and general plant owned by the Water and Energy Departments are depreciated on a straight-line basis over their estimated useful lives.

Note 1 – Summary of Significant Accounting Policies (continued)

The estimated average useful lives of utility plant assets are as follows:

Structure and improvements	20 – 50 years
Generation	33 years
Transmission and distribution	33 years
Canals and drainage	30 years
General plant and equipment	5 – 10 years

Protection of water rights – The District capitalizes costs associated with the protection of water rights. Such costs include legal and consulting fees paid by the District in an effort to sustain the District's priority use of Colorado River water. These costs are amortized on a straight-line basis over a 35-year period. Amortization charges for protection of water rights were $774,261 and $872,997 for the years ended December 31, 2018 and 2017, respectively.

Other intangible assets – The District along with other Imperial Dam stakeholder agencies, as defined in the All-American Canal O&M agreement, completed electrical systems upgrades to Imperial and Laguna Dam facilities, which is owned by the United States Bureau of Reclamation but operated and maintained by the District. The Districts total share of the project costs are capitalized as other intangible assets, as the District has a right of use of the asset, and are amortized on a straight-line basis over a 35-year period. Amortization charges for other intangible assets were $617,686 for the year ended on December 31, 2018.

Inventory – Inventory consisting of fuel oil, materials, and supplies are recorded at cost on a weighted-average basis.

Revenue recognition – The principal customers of the Water Department are farm operators and Imperial County municipalities. The municipalities treat the water and resell it to their residential and business customers. The Water Department recognizes revenue as customers are billed at the end of each month for water delivered during the month. In addition, each landowner pays an annual water availability fee based on the acreage owned. The water availability charge is billed in advance in December of each year and is amortized monthly throughout the year.

The Energy Department sells energy to residential, commercial, and industrial customers. Excess energy and natural gas, if any, are sold on the wholesale market. Energy revenues are recognized as earned based on monthly metered usage. Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. The District records unbilled revenue from the date meters were last read through year end.

Allowance for doubtful accounts – A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable are considered past due after 30 days.

Note 1 – Summary of Significant Accounting Policies (continued)

Operating and non-operating revenue and expense – The District's primary purpose is to provide water for agricultural and municipal use and to provide energy for residential, commercial, and industrial use. Accordingly, the District defines operating revenues as water sales, revenues from water transfers under the Quantification Settlement Agreement and Related Agreements (QSA), sales of energy, wholesale sales of energy and gas, and other miscellaneous water and energy service revenues. Operating expenses include the cost of sales and services, administrative expenses, depreciation, and amortization. Non-operating revenue and expense typically includes interest income on investments, interest expense, and other miscellaneous items.

Restricted assets – Restricted assets represent allocations of cash and investment resources pursuant to board authorized restrictions, as well as covenants on the Revenue Bonds, and for other legally restricted purposes, as follows:

Debt service reserve fund – Represents cash and investments held by the Revenue Bond trustees for debt service in accordance with their associated trust agreements.

Construction fund – Represents funds set aside for the District's capital improvement program, including unspent Commercial Paper, Revenue Bond and COP proceeds, and certain equipment and property reserves.

Other restricted funds – Represents funds set aside for both the Water and Energy Departments. Water Department restricted funds include among other things Local Entity funds, Metropolitan Water District Supervisory Control and Data Acquisition (MWD SCADA) funds, San Diego County Water Authority (SDCWA) advances for the All-American Canal and capital projects for the system conservation requirements contained in the Quantification Settlement Agreement, the All-American Canal – Imperial Dam replacement fund, All-American Canal lining for San Luis Rey and SDCWA, customer deposits and advances, debt service installment and current portion of OPEB. Energy Department restricted funds include amounts received through the Public Benefit Charge (PBC), customer deposits and advances, Energy Costs Adjustment and Rate Stabilization Funds, debt service installment funds, financing energy proceeds, and current portion of OPEB funds.

Cash, cash equivalents, and investments – The District invests its idle cash on a daily basis. Investments consist primarily of federal agency securities, bank certificates of deposit, medium-term corporate notes, and obligations of the U.S. government.

Investments are stated at fair value. Fair value is determined based on market closing prices or bid/ask prices for regularly-traded securities. The fair value of guaranteed investment contracts and other investments is estimated based on similarly traded securities. The fair value of government-sponsored investment pools and other similar investments is stated at share value or appropriate allocation of the fair value of the pool, if separately reported. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. A portion of the realized gains or losses on investments that have been held more than one year and sold in the current year was recognized as increases or decreases in fair value of investments in prior years.

Note 1 – Summary of Significant Accounting Policies (continued)

Investment earnings, including the change in fair value, are allocated to the District's operating Departments on a monthly basis according to their relative investment balances.

The District considers all cash and cash deposits, investments in the State Treasurer's Local Agency Investment Fund, and other investments with initial maturities of less than 90 days at the date of purchase to be cash and cash equivalents in the presentation of the District's financial statements.

Income tax – The District qualifies for tax-exempt status as an integral part of the State of California or a political subdivision in accordance with Internal Revenue Code (IRC) Section 115.

Prepaid pension obligation – In June 2001, the District issued $75,000,000 Taxable Pension Obligation Revenue Bonds, Series 2001. Net proceeds of the bonds were used to fund the District's unfunded actuarial pension liability upon the termination of the District's defined benefit pension plan on June 30, 2001. Such amount is presented on the accompanying statements of net position as a prepaid pension obligation to be amortized over the life of the 2001 Bonds (30 years) on a straight-line basis.

Environmental liabilities – The District has accrued a liability for pollution remediation activities in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 outlines five specific obligating events that give rise to estimating expected pollution remediation outlays. These outlays may be accrued as a liability and expensed, or if appropriate, capitalized. See Note 11 – Commitments and Contingencies.

Capital contributions – Capital contributions for water and energy represent contributions of cash and/or capital assets from developers, customers, and other third parties. Capital contributions are recorded in the statements of revenues, expenses and changes in net position at fair value at the time of receipt.

Compensated absences – District employees earn vacation and sick leave in varying amounts depending on length of service. Upon termination from District service, employees are entitled to full payment for accrued vacation at their final pay rates and are also entitled to payment of approximately one-half of their accrued sick leave at such rates. The District records its obligation for vacation and sick leave when earned by eligible employees based on current pay rates.

Regulatory accounting – The District has established regulatory accounts to reduce significant year-to-year variations in rates. Amounts deposited into the accounts are excluded from the statements of revenues, expenses and changes in net position. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

Regulatory deferral (rate stabilization) – As of December 31, 2018 and 2017, the regulatory liability fund balance is $66.8 million. The maximum board approved limit for the regulatory liability fund balance is $100.0 million; no fund monies were used to offset applicable power supply costs in the current year.

Note 1 – Summary of Significant Accounting Policies (continued)

Energy Cost Adjustment (ECA) regulatory deferral – The ECA formula is structured to allow changes to fixed and variable power supply costs to be recovered from a pass-through rate; it includes fuel and purchased power and other related costs and revenues from wholesale and retail energy. This enables a recovery of energy costs and responds quickly to any changes out of the utility's control. In addition, an ECA Renewable (ECA-R) factor formula captures the incremental cost difference between the total cost of meeting renewable portfolio standards and the cost of fuel and purchased power without meeting those standards; it includes the incremental cost of renewable energy to be offset by greenhouse gas allowance revenues. Starting in 2016, the ECA factor and ECA-R Factor fluctuate based on twelve-month actual rolling average costs and sales. During 2018, the effect of both lower fuel and purchased power, mainly from the wholesale of surplus gas and power, as well as greenhouse allowances, lead to an ECA deferral of $16.5 million. The District, through the ECA-R rolling rate, returned to customers a total of $15.5 million, for a combined net increase of $1 million to the ECA regulatory deferral account. As of December 31, 2018 the ECA regulatory deferral balance was $18.7 million and as of December 31, 2017 the balance was $17.7 million.

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources follow assets on the statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. In the statement of net position, this includes resources that are received before the Utility has met eligibility requirements related to time. Deferred inflows of resources follow liabilities on the statement of net position.

Unamortized premiums, discounts and loss on refunding – Original issue and reacquired bond premiums and discounts relating to revenue bonds are amortized over the terms of the respective bond issues using the bonds outstanding method. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, losses on debt refunding have been deferred and amortized over the shorter of the remaining life of the old or new debt. Bond issuance costs are expensed in the period incurred.

Other post-employment benefits – The District's deferred outflows of resources to OPEB relate to differences between the projected and actual return on investments measured as of December 31, 2018, which will be amortized to OPEB expense in a straight line over the next four years.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and disclose material contingent liabilities existing at the date of issuance. Actual results may differ from these estimates.

Reclassifications – Certain prior period balances were reclassified to conform with current year presentation.

Note 2 – Cash and Investments

Cash and investments as of December 31, 2018 and 2017 are classified in the accompanying financial statements as follows:

	2018	2017
Cash and cash equivalents – unrestricted	$ 75,055,979	$ 47,254,312
Cash and cash equivalents – restricted	37,044,908	21,117,646
	112,100,887	68,371,958
Investments – current	134,199,185	171,514,853
Investments – long term	241,946,847	222,712,826
	376,146,032	394,227,679
Total cash and investments	$ 488,246,919	$ 462,599,637

	2018	2017
Cash on hand	$ 8,410	$ 8,410
Deposits with financial institutions ($4,756,067 and $4,978,682 at fiscal agents, respectively)	112,092,477	68,363,548
Investments ($5,556,799 and $5,739,373 at fiscal agents, respectively)	376,146,032	394,227,679
Total cash and investments	$ 488,246,919	$ 462,599,637

Investments authorized by the California Government Code and the Imperial Irrigation District's investment policy.

Note 2 – Cash and Investments (continued)

The following table identifies the investment types that are authorized by the District's Investment Policy, which is in compliance with the California Government Code.

Authorized Investment Type	Maximum Maturity*	Maximum Portfolio Percentage	Maximum Investment Per Issuer
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base value	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Debt reserves are exempt from the maximum maturity limits.

Investments by fund consisted of the following:

	Water		Energy	
Investments	2018	2017	2018	2017
Unrestricted	$ 79,750,467	$ 83,087,397	$ 123,795,551	$ 122,479,044
Restricted – other	23,586,565	27,216,003	55,525,164	73,378,709
Restricted – ECA overcollection	-	-	18,673,887	17,662,573
Restricted – rate stabilization fund	-	-	66,814,398	66,814,398
Restricted – OPEB	3,000,000	1,467,608	5,000,000	2,121,947
Total	$ 106,337,032	$ 111,771,008	$ 269,809,000	$ 282,456,671
Investments – current	$ 32,454,550	$ 52,862,446	$ 101,744,635	$ 118,652,407
Investments – long-term	$ 73,882,482	$ 58,908,562	$ 168,064,365	$ 163,804,264

Interest rate risk – Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by following a hold-to-maturity investment approach, purchasing a combination of shorter 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.

Note 2 – Cash and Investments (continued)

As of December 31, 2018, the District had the following investments and maturities:

Investment Type	Market Value	Investment Maturities (in Years) Less than 1 Year	1 – 5 Years	More than 5 Years
U.S. Treasury obligations	$ 95,160,958	$ 31,327,403	$ 63,833,555	$ -
U.S. Agency securities	256,988,121	90,474,566	166,513,555	-
Certificates of deposit	11,220,529	5,076,170	6,144,359	-
Municipal bonds	12,776,424	7,321,046	5,455,378	-
Total	$ 376,146,032	$ 134,199,185	$ 241,946,847	$ -

As of December 31, 2017, the District had the following investments and maturities:

Investment Type	Market Value	Investment Maturities (in Years) Less than 1 Year	1 – 5 Years	More than 5 Years
U.S. Treasury obligations	$ 114,292,237	$ 74,761,144	$ 39,531,093	$ -
U.S. Agency securities	252,044,476	81,358,005	170,686,471	-
Certificates of deposit	9,274,072	3,536,260	5,737,812	-
Municipal bonds	18,616,894	11,859,444	6,757,450	-
Total	$ 394,227,679	$ 171,514,853	$ 222,712,826	$ -

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 under the California Government Code, the District's investment policy, or related debt covenants and the actual rating as of year-end for each investment type.

Investments and their associated credit ratings at December 31, 2018 are as follows:

Investment Type	Market Value	Min Rating	Not Rated	Credit Rating as of Year End Aaa/AAA	Aa/AA	A
U.S. Treasury obligations	$ 95,160,958	N/A	$ -	$ 95,160,958	$ -	$ -
U.S. Agency securities	256,988,121	N/A	-	256,988,121	-	-
Certificates of deposit	11,220,529	N/A	11,220,529	-	-	-
Municipal bonds	12,776,424	A	-	-	10,785,456	1,990,968
	$ 376,146,032		$ 11,220,529	$ 352,149,079	$ 10,785,456	$ 1,990,968

Note 2 – Cash and Investments (continued)

Investments and their associated credit ratings at December 31, 2017 are as follows:

Investment Type	Market Value	Min Rating	Not Rated	Credit Rating as of Year End Aaa/AAA	Aa/AA	A
U.S. Treasury obligations	$ 114,292,237	N/A	$ -	$ 114,292,237	$ -	$ -
U.S. Agency securities	252,044,476	N/A	-	252,044,476	-	-
Certificates of deposit	9,274,072	N/A	9,274,072	-	-	-
Municipal bonds	18,616,894	A	-	-	15,563,817	3,053,077
	$ 394,227,679		$ 9,274,072	$ 366,336,713	$ 15,563,817	$ 3,053,077

The District invests its funds as allowed under California Government Code Sections 53601 and 53635. The value of the District's investment portfolio fluctuates in an inverse relationship with changes in market interest rates. Unrealized and realized gains and losses are recognized in the statements of revenues, expenses, and changes in net position as income or expense under non-operating revenue and expense.

Concentration of credit risk – The investment policy of the District contains no limitations on the amount that may be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total District investments include the following at December 31, 2018:

Issuer	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association – FNMA	Federal Agency	$ 74,931,260	16.0%
Federal Home Loan Banks – FHLBanks	Federal Agency	53,909,267	11.5%
Federal Home Loan Mortgage Corp. – FHLMC	Federal Agency	62,652,846	13.4%
Federal Farm Credit Bank – FFCB	Federal Agency	65,494,748	14.0%
U.S. Treasury Notes	Treasury	95,160,958	20.3%

Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the investor 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, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of a third party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local government 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of December 31, 2018 and 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Note 2 – Cash and Investments (continued)

Investment in state investment pool – The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements based on the District'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.

Fair value measurement – In accordance with Statement 72, Fair Value is 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). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

The hierarchy of inputs used to generate the valuation is classified into three different levels:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for an asset, either directly or indirectly.

Level 3 – Inputs are unobservable inputs from the asset or liability where there is very little market activity and they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

The District's fair value measurements are performed on a recurring basis. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The tables following present fair value balances and their levels within the fair value hierarchy as of December 31, 2018 and 2017. The investment balances presented exclude amounts related to Government Money Market Funds, Certificates of Deposits and Guaranteed Investment Contracts, as these have been specifically scoped out of GASB 72.

Note 2 – Cash and Investments (continued)

The District has the following fair value measurements at December 31, 2018:

		Fair Value Using		
	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury obligations	$ 95,160,958	$ 95,160,958	$ -	$ -
U.S. agencies securities	256,988,121	256,988,121	-	-
Municipal bonds	12,776,424	-	12,776,424	-
Total debt securities	364,925,503	352,149,079	12,776,424	-
Total investments by fair value level	364,925,503	352,149,079	12,776,424	-
Investments not subject to fair value hierarchy				
Certificates of deposit	11,220,529			
Total investments	$ 376,146,032			

The District has the following fair value measurements at December 31, 2017:

		Fair Value Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury obligations	$ 114,292,237	$ 114,292,237	$ -	$ -
U.S. agencies securities	252,044,476	252,044,476	-	-
Municipal bonds	18,616,894	-	18,616,894	-
Total debt securities	384,953,607	366,336,713	18,616,894	-
Total investments by fair value level	384,953,607	$ 366,336,713	$ 18,616,894	$ -
Investments not subject to fair value hierarchy				
Certificates of deposit	9,274,072			
Total investments	$ 394,227,679			

Note 3 – Utility Plant

Utility plant is comprised of the following at December 31, 2018:

Water	January 1, 2018	Additions	Retirements	Transfers	December 31, 2018
Utility plant, not being depreciated					
Land and land rights	$ 46,521,049	$ 1,604	$ -	$ -	$ 46,522,653
Construction in process	49,724,764	14,530,880	-	(32,322,351)	31,933,293
Total utility plant, not being depreciated	96,245,813	14,532,484	-	(32,322,351)	78,455,946
Utility plant, being depreciated					
Structures and improvements	16,112,694	272,800	(29,793)	5,980,211	22,335,912
Canals	328,824,336	2,671,393	-	3,325,148	334,820,877
Drainage	131,793,350	3,133,717	-	776,034	135,703,101
All-American Canal	326,505,858	-	-	-	326,505,858
Dredges and field equipment	21,378,986	1,262,915	(235,197)	-	22,406,704
Automobiles and trucks	14,955,071	2,156,485	(1,549,591)	-	15,561,965
Other plant equipment	37,867,617	846,918	(2,488,185)	447,024	36,673,374
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	7,082,961	28,842	-	-	7,111,803
Total utility plant, being depreciated	889,169,650	10,373,070	(4,302,766)	10,528,417	905,768,371
Protection of water rights	30,555,094	-			30,555,094
Other intangible assets	-	2,092	-	21,793,934	21,796,026
Less accumulated depreciation	(358,447,768)	(29,006,369)	4,092,803	-	(383,361,334)
Less accumulated amortization water rights	(16,356,106)	(1,391,947)	-	-	(17,748,053)
Total utility plant, being depreciated, net	544,920,870	(20,023,154)	(209,963)	32,322,351	557,010,104
Utility plant, net	$ 641,166,683	$ (5,490,670)	$ (209,963)	$ -	$ 635,466,050

Energy	January 1, 2018	Additions	Retirements	Transfers	December 31, 2018
Utility plant, not being depreciated					
Land and land rights	$ 25,467,241	$ 99,750	$ -	$ 57,351	$ 25,624,342
Construction in process	66,251,312	16,502,069	-	(32,679,231)	50,074,150
Total utility plant, not being depreciated	91,718,553	16,601,819	-	(32,621,880)	75,698,492
Utility plant, being depreciated					
Structures and improvements	154,200,368	10,823,614	(118,510)	7,359,542	172,265,014
Dredges and field equipment	10,269,108	882,113	(204,477)	-	10,946,744
Automobiles and trucks	23,685,221	492,598	(2,601,481)	-	21,576,338
Other plant equipment	149,759,588	3,384,474	(8,913,968)	1,448,728	145,678,822
Steam plant equipment	381,191,917	-	(18,545)	(28,295,950)	352,877,422
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	122,498,608	-	-	10,603,165	133,101,773
Other production equipment	-	80,500,000	-	-	80,500,000
Transmission plant	474,335,550	7,800,937	(964,922)	34,900,778	516,072,343
Distribution plant	1,023,049,968	29,875,167	(3,543,171)	6,605,617	1,055,987,581
Reservoirs and dams	3,819,480	-	-	-	3,819,480
Total utility plant, being depreciated	2,382,808,914	133,758,903	(16,365,074)	32,621,880	2,532,824,623
Less accumulated depreciation	(1,090,632,446)	(76,611,936)	16,113,881	-	(1,151,130,501)
Total utility plant, being depreciated, net	1,292,176,468	57,146,967	(251,193)	32,621,880	1,381,694,122
Utility plant, net	$ 1,383,895,021	$ 73,748,786	$ (251,193)	$ -	$ 1,457,392,614

Note 3 – Utility Plant (continued)

Combined Water and Energy	January 1, 2018	Additions	Retirements	Transfers	December 31, 2018
Utility plant, not being depreciated					
Land and land rights	$ 71,988,290	$ 101,354	$ -	$ 57,351	$ 72,146,995
Construction in process	115,976,076	31,032,949	-	(65,001,582)	82,007,443
Total utility plant, not being depreciated	187,964,366	31,134,303	-	(64,944,231)	154,154,438
Utility plant, being depreciated					
Structures and improvements	170,313,062	11,096,414	(148,303)	13,339,753	194,600,926
Dredges and field equipment	31,648,094	2,145,028	(439,674)	-	33,353,448
Automobiles and trucks	38,640,292	2,649,083	(4,151,072)	-	37,138,303
Other plant equipment	187,627,205	4,231,392	(11,402,153)	1,895,752	182,352,196
Steam plant equipment	381,191,917	-	(18,545)	(28,295,950)	352,877,422
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	122,498,608	-	-	10,603,165	133,101,773
Other production equipment	-	80,500,000	-	-	80,500,000
Transmission plant	474,335,550	7,800,937	(964,922)	34,900,778	516,072,343
Distribution plant	1,023,049,968	29,875,167	(3,543,171)	6,605,617	1,055,987,581
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	10,902,441	28,842	-	-	10,931,283
Canals	328,824,336	2,671,393	-	3,325,148	334,820,877
Drainage	131,793,350	3,133,717	-	776,034	135,703,101
All-American Canal	326,505,858	-	-	-	326,505,858
Total utility plant, being depreciated	3,271,978,564	144,131,973	(20,667,840)	43,150,297	3,438,592,994
Protection of water rights	30,555,094	-	-	-	30,555,094
Other intangible assets	-	2,092	-	21,793,934	21,796,026
Less accumulated depreciation	(1,449,080,214)	(105,618,305)	20,206,684	-	(1,534,491,835)
Less accumulated amortization water rights	(16,356,106)	(1,391,947)	-	-	(17,748,053)
Total utility plant, being depreciated, net	1,837,097,338	37,123,813	(461,156)	64,944,231	1,938,704,226
Utility plant, net	$ 2,025,061,704	$ 68,258,116	$ (461,156)	$ -	$ 2,092,858,664

Note 3 – Utility Plant (continued)

Utility plant is comprised of the following at December 31, 2017:

Water	January 1, 2017	Additions	Retirements	Transfers	December 31, 2017
Utility plant, not being depreciated					
Land and land rights	$ 46,520,949	$ 100	$ -	$ -	$ 46,521,049
Construction in process	29,823,482	27,197,032	-	(7,295,750)	49,724,764
Total utility plant, not being depreciated	76,344,431	27,197,132	-	(7,295,750)	96,245,813
Utility plant, being depreciated					
Structures and improvements	15,630,686	156,725	-	325,283	16,112,694
Canals	320,513,196	2,287,677	-	6,023,463	328,824,336
Drainage	128,829,120	2,053,425	-	910,805	131,793,350
All-American Canal	326,505,858	-	-	-	326,505,858
Dredges and field equipment	20,380,909	1,173,610	(175,533)	-	21,378,986
Automobiles and trucks	13,957,814	2,347,896	(1,350,639)	-	14,955,071
Other plant equipment	37,226,385	605,033	-	36,199	37,867,617
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	7,082,933	28	-	-	7,082,961
Total utility plant, being depreciated	874,775,678	8,624,394	(1,526,172)	7,295,750	889,169,650
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(331,787,251)	(28,025,342)	1,364,825	-	(358,447,768)
Less accumulated amortization water rights	(15,483,109)	(872,997)	-	-	(16,356,106)
Total utility plant, being depreciated, net	558,060,412	(20,273,945)	(161,347)	7,295,750	544,920,870
Utility plant, net	$ 634,404,843	$ 6,923,187	$ (161,347)	$ -	$ 641,166,683

Energy	January 1, 2017	Additions	Retirements	Transfers	December 31, 2017
Utility plant, not being depreciated					
Land and land rights	$ 20,427,537	$ 503,795	$ -	$ 4,535,909	$ 25,467,241
Construction in process	113,829,976	41,177,391	-	(88,756,055)	66,251,312
Total utility plant, not being depreciated	134,257,513	41,681,186	-	(84,220,146)	91,718,553
Utility plant, being depreciated					
Structures and improvements	144,417,127	611,404	-	9,171,837	154,200,368
Dredges and field equipment	8,720,132	1,651,591	(102,615)	-	10,269,108
Automobiles and trucks	25,984,571	1,899,694	(4,199,044)	-	23,685,221
Other plant equipment	145,678,253	3,666,927	-	414,408	149,759,588
Steam plant equipment	352,141,743	-	-	29,050,174	381,191,917
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	132,423,304	-	(9,924,696)	-	122,498,608
Transmission plant	420,024,636	20,378,203	(2,634,458)	36,567,169	474,335,550
Distribution plant	991,618,087	26,697,330	(4,282,007)	9,016,558	1,023,049,968
Reservoirs and dams	3,819,480	-	-	-	3,819,480
Total utility plant, being depreciated	2,264,826,439	54,905,149	(21,142,820)	84,220,146	2,382,808,914
Less accumulated depreciation	(1,029,374,381)	(74,128,076)	12,870,011	-	(1,090,632,446)
Total utility plant, being depreciated, net	1,235,452,058	(19,222,927)	(8,272,809)	84,220,146	1,292,176,468
Utility plant, net	$ 1,369,709,571	$ 22,458,259	$ (8,272,809)	$ -	$ 1,383,895,021

Note 3 – Utility Plant (continued)

Combined Water and Energy	January 1, 2017	Additions	Retirements	Transfers	December 31, 2017
Utility plant, not being depreciated					
Land and land rights	$ 66,948,486	$ 503,895	$ -	$ 4,535,909	$ 71,988,290
Construction in process	143,653,458	68,374,423	-	(96,051,805)	115,976,076
Total utility plant, not being depreciated	210,601,944	68,878,318	-	(91,515,896)	187,964,366
Utility plant, being depreciated					
Structures and improvements	160,047,813	768,129	-	9,497,120	170,313,062
Dredges and field equipment	29,101,041	2,825,201	(278,148)	-	31,648,094
Automobiles and trucks	39,942,385	4,247,590	(5,549,683)	-	38,640,292
Other plant equipment	182,904,638	4,271,960	-	450,607	187,627,205
Steam plant equipment	352,141,743	-	-	29,050,174	381,191,917
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	132,423,304	-	(9,924,696)	-	122,498,608
Transmission plant	420,024,636	20,378,203	(2,634,458)	36,567,169	474,335,550
Distribution plant	991,618,087	26,697,330	(4,282,007)	9,016,558	1,023,049,968
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	10,902,413	28	-	-	10,902,441
Canals	320,513,196	2,287,677	-	6,023,463	328,824,336
Drainage	128,829,120	2,053,425	-	910,805	131,793,350
All-American Canal	326,505,858	-	-	-	326,505,858
Total utility plant, being depreciated	3,139,602,117	63,529,543	(22,668,992)	91,515,896	3,271,978,564
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(1,361,161,632)	(102,153,418)	14,234,836	-	(1,449,080,214)
Less accumulated amortization water rights	(15,483,109)	(872,997)	-	-	(16,356,106)
Total utility plant, being depreciated, net	1,793,512,470	(39,496,872)	(8,434,156)	91,515,896	1,837,097,338
Utility plant, net	$ 2,004,114,414	$ 29,381,446	$ (8,434,156)	$ -	$ 2,025,061,704

Note 4 – Commercial Paper Programs

Water and electrical system – $200 million – On May 15, 2007, the District obtained a $200 million Non-Taxable and Taxable Commercial Paper (CP) program to fund water and energy projects. The outstanding commercial paper as of December 31, 2018 and 2017 is Series B taxable $80.5 million and zero balance respectively. The District utilized the proceeds under the CP to fund the Energy Department's purchase of Sun Peak - IVSC1 solar generation plant, for $80.5 million.

The District has a Letter of Credit from MUFG Union Bank for $109 million.

Note 5 – Long-Term Debt and Liabilities

A summary of the District's long-term debt and liabilities is as follows:

Water	Maturity Dates	Range of Interest Rates	January 1, 2018	Additions	Reductions	December 31, 2018	Current Portion
Pension obligation revenue bond 2001, net of unamortized original issue discount of $29,693	2031	5.70%–7.00%	$ 25,466,707	$ -	$ (1,134,850)	$ 24,331,857	$ 1,214,925
Obligation under capital leases			$ 5,304,637	$ -	$ (2,040,952)	$ 3,263,685	$ 1,903,056
Accrued vacation and sick leave			$ 7,806,754	$ 4,781,162	$ (4,481,412)	$ 8,106,504	$ 1,973,119
OPEB as adjusted			$ 40,765,770	$ 7,101,855	$ (11,263,190)	$ 36,604,435	$ 3,000,000

Energy	Maturity Dates	Range of Interest Rates	January 1, 2018	Additions	Reductions	December 31, 2018	Current Portion
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $1,830,326	2023	5.00%	$ 22,262,595	$ -	$ (3,322,269)	$ 18,940,326	$ 3,095,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,391,589	2028	0.35%-5.00%	24,404,802	-	(243,213)	24,161,589	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,717,732	2045	5.00%	21,056,549	-	(63,817)	20,992,732	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $108,890	2035	0.62%–4.30%	18,309,673	-	(788,563)	17,521,110	805,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $21,178,403	2038	3.00%-5.00%	183,416,754	-	(1,063,351)	182,353,403	2,585,000
Refunding revenue bonds – 2015D	2040	4.50%	8,875,000	-	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $7,031	2029	0.95-3.03%	25,932,325	-	(3,784,356)	22,147,969	1,205,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $10,523,062	2046	5.00%	59,280,008	-	(376,946)	58,903,062	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $22,839,948	2041	4.00-5.00%	135,346,600	-	(996,652)	134,349,948	-
Refunding revenue bonds – 2017, net of unamortized original issue premium of $9,486,523	2047	4.00-5.00%	104,994,587	-	(5,293,064)	99,701,523	4,805,000
Total revenue bonds			$ 603,878,893	$ -	$ (15,932,231)	$ 587,946,662	$ 12,495,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $31,529	2031	5.70%–7.00%	$ 27,041,968	$ -	$ (1,205,047)	$ 25,836,921	$ 1,290,075
Obligation under capital leases			$ 6,879,453	$ -	$ (2,358,443)	$ 4,521,010	$ 2,108,229
Accrued vacation and sick leave			$ 8,728,972	$ 6,552,238	$ (6,059,529)	$ 9,221,681	$ 1,286,628
OPEB as adjusted			$ 70,537,409	12,288,407	(18,159,579)	$ 64,666,237	$ 5,000,000

Note 5 – Long-Term Debt and Liabilities (continued)

Combined Water and Energy	Maturity Dates	Range of Interest Rates	January 1, 2018	Additions	Reductions	December 31, 2018	Current Portion
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $1,830,326	2023	5.00%	$ 22,262,595	$ -	$ (3,322,269)	$ 18,940,326	$ 3,095,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,391,589	2028	0.35%–5.00%	24,404,802	-	(243,213)	24,161,589	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,717,732	2045	5.00%	21,056,549	-	(63,817)	20,992,732	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $108,890	2035	0.62%-4.30%	18,309,673	-	(788,563)	17,521,110	805,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $21,178,403	2038	3.00%-5.00%	183,416,754	-	(1,063,351)	182,353,403	2,585,000
Refunding revenue bonds – 2015D	2040	4.50%	8,875,000	-	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $7,031	2029	0.95-3.03%	25,932,325	-	(3,784,356)	22,147,969	1,205,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $10,523,062	2046	5.00%	59,280,008	-	(376,946)	58,903,062	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $22,839,948	2041	4.00-5.00%	135,346,600	-	(996,652)	134,349,948	-
Refunding revenue bonds – 2017, net of unamortized original issue premium of $9,486,523	2047	4.00-5.00%	104,994,587	-	(5,293,064)	99,701,523	4,805,000
Total revenue bonds			$ 603,878,893	$ -	$ (15,932,231)	$ 587,946,662	$ 12,495,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $61,222	2031	5.70%–7.00%	$ 52,508,675	$ -	$ (2,339,897)	$ 50,168,778	$ 2,505,000
Total obligation bonds payable			$ 52,508,675	$ -	$ (2,339,897)	$ 50,168,778	$ 2,505,000
Obligation under capital leases			$ 12,184,090	$ -	$ (4,399,395)	$ 7,784,695	$ 4,011,285
Accrued vacation and sick leave			$ 16,535,726	$ 11,333,400	$ (10,540,941)	$ 17,328,185	$ 3,259,747
OPEB as adjusted			$ 111,303,179	$ 19,390,262	$ (29,422,769)	$ 101,270,672	$ 8,000,000

Water	Maturity Dates	Range of Interest Rates	January 1, 2017	Additions	Reductions	December 31, 2017	Current Portion
Pension obligation revenue bond 2001, net of unamortized original issue discount of $34,642	2031	5.70%–7.00%	$ 26,528,808	$ -	$ (1,062,101)	$ 25,466,707	$ 1,137,325
Obligation under capital leases			$ 7,451,544	$ -	$ (2,146,907)	$ 5,304,637	$ 2,060,981
Accrued vacation and sick leave			$ 7,789,055	$ 4,667,075	$ (4,649,376)	$ 7,806,754	$ 1,958,382
Other post employment benefits			$ 41,121,817	$ 6,671,681	$ (19,495,860)	$ 28,297,638	$ -

Note 5 – Long-Term Debt and Liabilities (continued)

Energy	Maturity Dates	Range of Interest Rates	January 1, 2017	Additions	Reductions	December 31, 2017	Current Portion
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $26,692	2020	3.00%–6.25%	$ 6,166,692	$ -	$ (6,166,692)	$ -	$ -
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $1,366,893	2041	3.00%–5.00%	45,481,893	-	(45,481,893)	-	-
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $1,197,400	2041	3.00%–5.25%	45,562,400	-	(45,562,400)	-	-
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $2,574,863	2023	5.00%	25,439,863	-	(3,177,268)	22,262,595	2,950,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,878,015	2028	0.35%-5.00%	24,648,015	-	(243,213)	24,404,802	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,845,366	2045	5.00%	21,120,366	-	(63,817)	21,056,549	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $121,764	2035	0.62%–4.30%	19,088,236	-	(778,563)	18,309,673	795,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $23,305,105	2038	3.00%-5.00%	184,480,105	-	(1,063,351)	183,416,754	-
Refunding revenue bonds – 2015D	2040	4.50%	8,875,000	-	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $8,319	2029	0.95-3.03%	29,676,681	-	(3,744,356)	25,932,325	3,785,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $11,276,954	2046	5.00%	59,656,954	-	(376,946)	59,280,008	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $24,833,252	2041	4.00-5.00%	136,343,252	-	(996,652)	135,346,600	-
Refunding revenue bonds – 2017, net of unamortized original issue premium of $9,826,253	2047	4.00-5.00%	-	105,006,253	(11,666)	104,994,587	4,965,000
Total revenue bonds			$ 606,539,457	$ 105,006,253	$ (107,666,817)	$ 603,878,893	$ 12,495,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $36,784	2031	5.70%–7.00%	$ 28,169,766	$ -	$ (1,127,798)	$ 27,041,968	$ 1,207,675
Obligation under capital leases			$ 9,210,840	$ -	$ (2,331,387)	$ 6,879,453	$ 2,338,415
Accrued vacation and sick leave			$ 8,501,695	$ 6,070,692	$ (5,843,415)	$ 8,728,972	$ 1,226,841
Other post employment benefits			$ 71,184,394	$ 10,136,049	$ (32,356,765)	$ 48,963,678	$ -

Note 5 – Long-Term Debt and Liabilities (continued)

Combined Water and Energy	Maturity Dates	Range of Interest Rates	January 1, 2017	Additions	Reductions	December 31, 2017	Current Portion
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $26,692	2020	3.00%–6.25%	$ 6,166,692	$ -	$ (6,166,692)	$ -	$ -
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $1,366,893	2041	3.00%–5.00%	45,481,893	-	(45,481,893)	-	-
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $1,197,400	2041	3.00%–5.25%	45,562,400	-	(45,562,400)	-	-
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $2,574,863	2023	5.00%	25,439,863	-	(3,177,268)	22,262,595	2,950,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,878,015	2028	0.35%-5.00%	24,648,015	-	(243,213)	24,404,802	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,845,366	2045	5.00%	21,120,366	-	(63,817)	21,056,549	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $121,764	2035	0.62%–4.30%	19,088,236	-	(778,563)	18,309,673	795,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $23,305,105	2038	3.00%-5.00%	184,480,105	-	(1,063,351)	183,416,754	-
Refunding revenue bonds – 2015D	2040	4.50%	8,875,000	-	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $8,319	2029	0.95-3.03%	29,676,681	-	(3,744,356)	25,932,325	3,785,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $11,276,954	2046	5.00%	59,656,954	-	(376,946)	59,280,008	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $24,833,252	2041	4.00-5.00%	136,343,252	-	(996,652)	135,346,600	-
Refunding revenue bonds – 2017, net of unamortized original issue premium of $9,826,253	2047	4.00-5.00%	-	105,006,253	(11,666)	104,994,587	4,965,000
Total revenue bonds			$ 606,539,457	$ 105,006,253	$ (107,666,817)	$ 603,878,893	$ 12,495,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $71,426	2031	5.70%–7.00%	$ 56,743,471	$ -	$ (2,189,899)	$ 54,553,572	$ 2,345,000
Total obligation bonds payable			$ 56,743,471	$ -	$ (2,189,899)	$ 54,553,572	$ 2,345,000
Obligation under capital leases			$ 16,662,384	$ -	$ (4,478,294)	$ 12,184,090	$ 4,399,396
Accrued vacation and sick leave			$ 16,290,750	$ 10,737,767	$ (10,492,791)	$ 16,535,726	$ 3,185,223
Other post employment benefits			$ 112,306,211	$ 16,807,730	$ (51,852,625)	$ 77,261,316	$ -

Note 6 – Revenue Bonds

2008 issue – energy – On November 1, 2018, the outstanding principal for all defeased 2008A Bonds was paid in full from the proceeds placed in the irrevocable trust. As of December 31, 2018, the balance of the defeased bonds is zero.

2011A issue – energy – On February 24, 2011, the District issued $78,065,000 of Electric System Refunding Revenue Bonds Series 2011A to refund non-taxable Commercial Paper Series A Notes of $75,000,000. The proceeds of the Commercial Paper Series A Notes were used to finance a portion of the El Centro Unit 3 Repowering Project, as well as fund a reserve account for the bonds and pay cost of issuance of the bonds. The Repowering Project went in to commercial operation on October 5, 2012. The 2011A Revenue Bonds were the first of three issuances to refund Commercial Paper utilized to fund the Repowering Project.

The Series 2011A Bonds consist of $78,065,000 serial and term bonds. The serial bonds comprise $24,135,000 of the issuance, mature in amounts ranging from $1,135,000 to $2,225,000 at rates ranging from 3.00% to 5.25% and mature on November 1, 2012 through November 1, 2026. The term bonds comprise $53,930,000 of the issuance, mature in amounts of $13,225,000 and $40,705,000 at rates of 5.50% and 6.25% on November 1 of years 2031 and 2041, with mandatory sinking fund redemption starting in 2027 and 2032, respectively.

The Series 2011A Bonds were issued with an original issue premium of $428,423 and costs of issuance of $791,736. The original issue premium is amortized over the life of the Series 2011A Bonds. The outstanding balance of the Series 2011A Bonds was $6,166,692 at December 31, 2016, including unamortized original issue premium of $26,692.

On July 14, 2016, the Series 2011A Bonds were partially defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2016B-2. The Series 2016B-2 Bonds partial defeasance of the Series 2011A Bonds obligation was dated July 1, 2016. Proceeds from the Series 2016B-2 Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $65,745,000 of the Series 2011A Bonds outstanding principal is considered defeased and, as of December 31, 2016, the corresponding liabilities have been removed from the accompanying statements of net position.

On December 18, 2017, the remaining Series 2011A Bonds were fully defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2017. Proceeds from the Series 2017 Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $4,715,000 of the Series 2011A Bonds outstanding principal is considered defeased and, as of December 31, 2017, the corresponding liabilities have been removed from the accompanying statements of net position.

2011B Issue – energy – On June 16, 2011, the District issued $75,485,000 of Electric System Refunding Revenue Bonds Series 2011B to refund non-taxable Commercial Paper Series A Notes of $75,000,000. The proceeds of the Commercial Paper Series A Notes were used to finance a portion of the El Centro Unit 3 Repowering Project, fund a reserve account for the bonds and pay cost of issuance of the bonds. The 2011B Revenue Bonds were the second of three issuances to refund Commercial Paper utilized for the El Centro Unit 3 Repower Project which went into commercial operation on October 5, 2012.

Note 6 – Revenue Bonds (continued)

The Series 2011B Bonds consist of $75,485,000 serial and term bonds. The serial bonds comprise $26,930,000 of the issuance, mature in amounts ranging from $1,180,000 to $2,360,000 at rates ranging from 3.00% to 5.00% and mature on November 1, 2012 through November 1, 2027. The term bonds comprise $48,555,000 of the issuance, mature in amounts of $10,680,000, $16,635,000 and $21,240,000 at a rate of 5.00% on November 1 of years 2031, 2036 and 2041, with mandatory sinking fund redemption starting in 2028, 2032, and 2037, respectively.

The Series 2011B Bonds were issued with an original issue premium of $2,615,385 and costs of issuance of $646,385. The original issue premium is amortized over the life of the Series 2011B Bonds. The outstanding balance of the Series 2011B Bonds was $45,481,893 at December 31, 2016, including unamortized original issue premium of $1,366,893.

On July 14, 2016, the Series 2011B Bonds were partially defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2016B-2. The Series 2016B-2 Bonds partial defeasance of the Series 2011B Bonds obligation was dated July 1, 2016. Proceeds from the Series 2016B-2 Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $25,015,000 of the Series 2011B Bonds outstanding principal is considered defeased and, as of December 31, 2016, the corresponding liabilities have been removed from the accompanying statements of net position.

On December 18, 2017, the remaining Series 2011B Bonds were fully defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2017. Proceeds from the Series 2017 Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $42,665,000 of the Series 2011B Bonds outstanding principal is considered defeased and, as of December 31, 2017, the corresponding liabilities have been removed from the accompanying statements of net position.

2011C issue – energy – On August 4, 2011, the District issued $75,745,000 of Electric System Refunding Revenue Bonds Series 2011C to refund non-taxable Commercial Paper Series A Notes of $75,000,000. The proceeds of the Commercial Paper Series A Notes were used to finance a portion of the El Centro Unit 3 Repowering Project, fund a reserve account for the bonds and pay cost of issuance of the bonds. The Series 2011C Bonds were the last of three issuances to refund Commercial Paper utilized for the El Centro Unit 3 Repower Project which went in to commercial operation on October 5, 2012.

The Series 2011C Bonds consist of $75,745,000 serial and term bonds. The serial bonds comprise $26,975,000 of the issuance, mature in amounts ranging from $1,135,000 to $2,225,000 at rates ranging from 3.00% to 5.00% and mature on November 1, 2012 through November 1, 2027. The term bonds comprise $48,770,000 of the issuance, mature in amounts of $10,675,000, $16,735,000 and $21,360,000 at rates of 5.00% to 5.25% on November 1 of years 2031, 2036 and 2041, with mandatory sinking fund redemption starting in 2028, 2032 and 2037, respectively.

The Series 2011C Bonds were issued with an original issue premium of $2,276,155 and costs of issuance of $553,411. The original issue premium is amortized over the life of the Series 2011C Bonds. The outstanding balance of the Series 2011C Bonds was $45,562,400 at December 31, 2016, including unamortized original issue premium of $1,197,400.

Note 6 – Revenue Bonds (continued)

On July 14, 2016, the Series 2011C Bonds were partially defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2016B-2. The Series 2016B-2 Bonds partial defeasance of the Series 2011C Bonds obligation was dated July 1, 2016. Proceeds from the Series 2016B-2 Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $25,045,000 of the Series 2011C Bonds outstanding principal is considered defeased and, as of December 31, 2016, the corresponding liabilities have been removed from the accompanying statements of net position.

On December 18, 2017, the remaining Series 2011C Bonds were fully defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2017. Proceeds from the Series 2017 Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $42,910,000 of the Series 2011C Bonds outstanding principal is considered defeased and, as of December 31, 2017, the corresponding liabilities have been removed from the accompanying statements of net position.

2011D Issue – energy – On December 21, 2011, the District issued $22,865,000 of Electric System Refunding Revenue Bonds, Series 2011D, the proceeds of which were used to refund a portion of the District's 2003 Certificates of Participation, fund a reserve account for the bonds and pay cost of issuance of the bonds. The Series 2011D Bonds refunded $24,825,000 of outstanding 2003 Electric System COPs and generated net present value savings of $2.7 million, or 11.0%, with an average annual reduction in debt service of $300,000.

The Series 2011D Bonds consist of $22,865,000 serial bonds maturing in amounts ranging from $2,805,000 to $3,765,000 at a rate of 5.00% from November 1, 2017 through November 1, 2023.

The Series 2011D Bonds were issued with an original issue premium of $4,436,209 and costs of issuance of $276,826. The original issue premium is amortized over the life of the Series 2011D Bonds. The outstanding balance of the Series 2011D Bonds was $18,940,326 at December 31, 2018, including unamortized original issue premium of $1,830,326. The total unamortized loss on refunding included in deferred outflow of resources was $1,028,342 at December 31, 2018. The terms of the Series 2011D Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

A summary of the District's outstanding liability for the Series 2011D Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ 3,095,000	$ 855,500	$ 3,950,500
November 1, 2020	3,250,000	700,750	3,950,750
November 1, 2021	3,415,000	538,250	3,953,250
November 1, 2022	3,585,000	367,500	3,952,500
November 1, 2023	3,765,000	188,250	3,953,250
Original issue premium	1,830,326	-	1,830,326
Totals	$ 18,940,326	$ 2,650,250	$ 21,590,576

Note 6 – Revenue Bonds (continued)

2012A issue – energy – On May 31, 2012, the District issued $32,560,000 of Electric System Refunding Revenue Bonds Series 2012A, the proceeds of which were used to refund the outstanding balance of the District's 2003 Certificates of Participation, fund a reserve account for the bonds and pay cost of issuance of the bonds. The Series 2012A refunded $37,065,000 of the outstanding 2003 Electric System COPs and generated net present value savings of $2,722,959.

The Series 2012A Bonds consist of $32,560,000 serial bonds maturing in amounts ranging from $850,000 to $4,630,000 at rates ranging from 0.350% to 5.00% from November 1, 2012 through November 1, 2016 and November 1, 2024 through November 1, 2028.

The Series 2012A Bonds were issued with an original issue premium of $3,992,739 and costs of issuance of $280,965. The original issue premium is amortized over the life of the Series 2012A Bonds. The outstanding balance of the Series 2012A Bonds was $24,161,589 at December 31, 2018, including unamortized original issue premium of $2,391,589. The total unamortized loss on refunding included in deferred outflow of resources was $1,055,855 at December 31, 2018.The terms of the Series 2012A Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

A summary of the District's outstanding liability for the 2012A Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ -	$ 1,023,550	$ 1,023,550
November 1, 2020	-	1,023,550	1,023,550
November 1, 2021	-	1,023,550	1,023,550
November 1, 2022	-	1,023,550	1,023,550
November 1, 2023	-	1,023,550	1,023,550
November 1, 2024 – 2028	21,770,000	2,920,150	24,690,150
Original issue premium	2,391,589	-	2,391,589
Totals	$ 24,161,589	$ 8,037,900	$ 32,199,489

2015A issue – energy – On August 13, 2015, the District issued $19,275,000 of Electric System Refunding Revenue Bonds Series 2015A, the proceeds of which were used to refund the outstanding balance of the District's tax-exempt revenue commercial paper issued to finance the Hassayampa-North Gila transmission project, fund a reserve account for the bonds and pay cost of issuance of the bonds. The Series 2015A refunded $20,400,000 of the outstanding tax-exempt revenue commercial paper.

The Series 2015A Bonds consist of $19,275,000 term bonds maturing in amounts of $8,715,000 and $10,560,000 at a rate of 5.00% on November 1 of years 2040 and 2045, with mandatory sinking fund redemption starting in 2035 and 2041, respectively.

Note 6 – Revenue Bonds (continued)

The Series 2015A Bonds were issued with an original issue premium of $1,935,774 and costs of issuance of $180,181. The original issue premium is amortized over the life of the Series 2015A Bonds. The outstanding balance of the Series 2015A Bonds was $20,992,732 at December 31, 2018, including unamortized original issue premium of $1,717,732. The terms of the Series 2015A Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and December 31, 2017.

A summary of the District's outstanding liability for the Series 2015A Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ -	$ 963,750	$ 963,750
November 1, 2020	-	963,750	963,750
November 1, 2021	-	963,750	963,750
November 1, 2022	-	963,750	963,750
November 1, 2023	-	963,750	963,750
November 1, 2024 - 2028	-	4,818,750	4,818,750
November 1, 2029 – 2033	-	4,818,750	4,818,750
November 1, 2034 – 2038	5,160,000	4,524,750	9,684,750
November 1, 2039 – 2043	9,575,000	2,617,500	12,192,500
November 1, 2044 – 2045	4,540,000	343,250	4,883,250
Original issue premium	1,717,732	-	1,717,732
Totals	$ 20,992,732	$ 21,941,750	$ 42,934,482

2015B issue – energy – On August 13, 2015, the District issued $19,990,000 of Electric System Refunding Revenue Bonds Series 2015B, the proceeds of which were used to refund the outstanding balance of the District's taxable revenue commercial paper issued to finance the Hassayampa-North Gila transmission project, fund a reserve account for the bonds and pay cost of issuance of the bonds. The Series 2015B Bonds refunded $19,100,000 of the outstanding taxable revenue commercial paper.

The Series 2015B Bonds consist of $19,990,000 serial and term bonds. The serial bonds comprise $8,465,000 of the issuance, mature in amounts ranging from $780,000 to $955,000 at rates ranging from 0.62% to 3.56% and mature on November 1, 2016 through November 1, 2025. The term bonds comprise $11,525,000 of the issuance, mature in amounts of $5,360,000 and $6,165,000 at rates of 4.16% to 4.30% on November 1 of years 2030 and 2035, with mandatory sinking fund redemption starting in 2026 and 2031, respectively.

The Series 2015B Bonds were issued with an original issue discount of $130,883 and costs of issuance of $168,709. The original issue discount is amortized over the life of the Series 2015B Bonds. The outstanding balance of the Series 2015B Bonds was $17,521,110 at December 31, 2018, including unamortized original issue discount of $108,890. The terms of the Series 2015B Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

Note 6 – Revenue Bonds (continued)

A summary of the District's outstanding liability for the Series 2015B Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ 805,000	$ 669,468	$ 1,474,468
November 1, 2020	825,000	652,885	1,477,885
November 1, 2021	845,000	633,002	1,478,002
November 1, 2022	865,000	610,188	1,475,188
November 1, 2023	890,000	583,805	1,473,805
November 1, 2024 – 2028	4,960,000	2,415,383	7,375,383
November 1, 2029 – 2033	6,065,000	1,309,916	7,374,916
November 1, 2034 – 2035	2,375,000	145,125	2,520,125
Original issue discount	(108,890)	-	(108,890)
Totals	$ 17,521,110	$ 7,019,772	$ 24,540,882

2015C issue – energy – On January 21, 2016, the District issued $161,175,000 of Electric System Refunding Bonds Series 2015C, the proceeds of which were used to refund a portion of the District's Series 2008A Bonds and pay cost of issuance of the bonds. The Series 2015C Bonds refunded $167,350,000 of the outstanding Series 2008A Bonds and generated net present value savings of $20,110,515.

The Series 2015C Bonds consist of $161,175,000 serial bonds maturing in amounts ranging from $2,585,000 to $20,070,000 at rates ranging from 3.00% to 5.00% from November 1, 2019 through November 1, 2038.

The Series 2015C Bonds were issued with an original issue premium of $24,368,456 and costs of issuance of $484,727. The original issue premium is amortized over the life of the Series 2015C Bonds. The outstanding balance of the Series 2015C Bonds was $182,353,403 at December 31, 2018, including unamortized original issue premium of $21,178,403. The total unamortized loss on refunding included in deferred outflow of resources was $19,487,094 at December 31, 2018.

The terms of the Series 2015C Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

Note 6 – Revenue Bonds (continued)

A summary of the District's outstanding liability for the Series 2015C Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ 2,585,000	$ 7,407,381	$ 9,992,381
November 1, 2020	2,715,000	7,278,131	9,993,131
November 1, 2021	2,855,000	7,142,381	9,997,381
November 1, 2022	2,995,000	6,999,631	9,994,631
November 1, 2023	3,150,000	6,849,881	9,999,881
November 1, 2024 – 2028	18,350,000	31,859,655	50,209,655
November 1, 2029 – 2033	53,740,000	25,399,405	79,139,405
November 1, 2034 – 2038	74,785,000	12,659,562	87,444,562
Original issue premium	21,178,403	-	21,178,403
Totals	$ 182,353,403	$ 105,596,027	$ 287,949,430

2015D issue – energy – On August 6, 2015, the District was allocated authority by the Internal Revenue Service to issue $8,877,000 of New Clean Renewable Energy Bonds to finance two low-head hydroelectric projects. On January 21, 2016, the District issued $8,875,000 of Electric System Refunding Revenue Bonds Series 2015D (Federally Taxable New Clean Renewable Energy Bonds-Direct Payment), the proceeds of which were used to refund the outstanding balance of the District's taxable commercial paper issued to finance the two low-head hydroelectric projects and pay cost of issuance of the bonds. The Series 2015D Bonds refunded $8,839,000 of outstanding taxable commercial paper.

The Series 2015D Bonds consist of one term bond in the amount of $8,875,000 with a rate of 4.50% maturing on November 1, 2040. The Series 2015D Bonds were issued with costs of issuance of $35,861 and no original issue premium or discount. The outstanding balance of the Series 2015D Bonds was $8,875,000 at December 31, 2018.

The District issued the Series 2015D Bonds as "New Clean Renewable Energy Bonds" as defined in Section 54C of the Internal Code of 1986 (the "Code") and will irrevocably elect under Section 6431(f)(3) of the Code to receive a direct interest subsidy payment from the United States Treasury equal to the lesser of (i) the amount of interest payable on the 2015D Bonds, or (ii) seventy percent (70%) of the amount of interest which would have been payable on the 2015D Bonds if interest was determined at the applicable credit rate determined under Section 54A(b)(3) of the Code. To receive a direct subsidy payment, the District is required to make certain filings (currently Form 8038-CP) with the Internal Revenue Service not less than 45 days nor more than 90 days before each interest payment date that the District expects to receive a direct subsidy payment. Failure to timely file the required form could result in the delay or denial of receipt of the direct subsidy payment. The District is obligated to make all payments of principal of and interest on the Series 2015D Bonds whether or not direct subsidy payments are received. Payment of the subsidy may be offset against amounts that may be owed to the United States or its agencies by the District.

Note 6 – Revenue Bonds (continued)

Also, it is possible that subsidy payments could be reduced or discontinued or the timing of the receipt could be changed as a result of changes in the federal law. The owners of the Series 2015D Bonds are not entitled to receive a credit against tax imposed by the Code with respect to the Series 2015D Bonds. Federal subsidy payments totaling $274,882 and $272,418 were received and recognized as to offset the interest due on the Series 2015D Bonds for the years ended December 31, 2018 and 2017, respectively.

The terms of the Series 2015D Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017. See Note 19 – Subsequent Events.

A summary of the District's outstanding liability for the Series 2015D Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ -	$ 399,375	$ 399,375
November 1, 2020	-	399,375	399,375
November 1, 2021	-	399,375	399,375
November 1, 2022	-	399,375	399,375
November 1, 2023	-	399,375	399,375
November 1, 2024 – 2028	-	1,996,875	1,996,875
November 1, 2029 – 2033	-	1,996,875	1,996,875
November 1, 2034 – 2038	-	1,996,875	1,996,875
November 1, 2039 – 2040	8,875,000	798,750	9,673,750
Totals	$ 8,875,000	$ 8,786,250	$ 17,661,250

2016A issue – energy – On July 14, 2016, the District issued $31,645,000 of Electric System Refunding Revenue Bonds Series 2016A (Federally Taxable), the proceeds of which were used to refund the remaining outstanding District's Series 2008A Bonds and pay cost of issuance of the bonds. The Series 2016A Bonds, along with the Series 2008A Bonds Reserve Fund release and other district funds, refunded $51,780,000 of the outstanding Series 2008A Bonds and generated net present value savings of $7,655,492.

The Series 2016A Bonds consist of $31,645,000 serial bonds maturing in amounts ranging from $485,000 to $9,000,000 at rates ranging from 0.945% to 3.032% from November 1, 2016 through November 1, 2029.

The Series 2016A Bonds were issued with an original issue discount of $8,641 and costs of issuance of $87,198. The original issue discount is amortized over the life of the Series 2016A Bonds. The outstanding balance of the Series 2016A Bonds was $22,147,969 at December 31, 2018, including unamortized original issue discount of $7,031. The total unamortized loss on refunding included in deferred outflow of resources was $4,883,477 at December 31, 2018.

Note 6 – Revenue Bonds (continued)

The terms of the Series 2016A Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

A summary of the District's outstanding liability for the Series 2016A Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ 1,205,000	$ 572,715	$ 1,777,715
November 1, 2020	1,225,000	556,809	1,781,809
November 1, 2021	1,245,000	536,609	1,781,609
November 1, 2022	1,265,000	512,966	1,777,966
November 1, 2023	1,295,000	487,527	1,782,527
November 1, 2024 – 2028	6,920,000	1,860,957	8,780,957
November 1, 2029	9,000,000	272,880	9,272,880
Original issue discount	(7,031)	-	(7,031)
Totals	$ 22,147,969	$ 4,800,463	$ 26,948,432

2016B-1 issue – energy – On July 14, 2016, the District issued $48,380,000 of Electric System Refunding Revenue Bonds Series 2016B-1 (Tax-Exempt), the proceeds of which were used to refund the outstanding balance of the District's tax-exempt commercial paper issued to finance an energy battery storage project, major refurbishment of a hydroelectric plant and transmission restoration capital projects as well as to pay cost of issuance of the bonds. The Series 2016B-1 Bonds refunded $59,700,000 of outstanding tax-exempt commercial paper.

The Series 2016B-1 Bonds consist of a serial bond and a term bond totaling $48,380,000. The serial bond matures in the amount of $16,900,000 at a rate of 5% on November 1, 2034. The term bond matures in the amount of $31,480,000 at a rate of 5% on November 1, 2046, with mandatory sinking fund redemption starting in 2042.

The Series 2016B-1 Bonds were issued with costs of issuance of $145,427 and original issue premium of $11,465,427. The original issue premium is amortized over the life of the Series 2016B-1 Bonds. The outstanding balance of the Series 2016B-1 Bonds was $58,903,062 at December 31, 2018, including unamortized original issue premium of $10,523,062.

The terms of the Series 2016B-1 Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

Note 6 – Revenue Bonds (continued)

A summary of the District's outstanding liability for the Series 2016B-1 Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ -	$ 2,419,000	$ 2,419,000
November 1, 2020	-	2,419,000	2,419,000
November 1, 2021	-	2,419,000	2,419,000
November 1, 2022	-	2,419,000	2,419,000
November 1, 2023	-	2,419,000	2,419,000
November 1, 2024 – 2028	-	12,095,000	12,095,000
November 1, 2029 – 2033	-	12,095,000	12,095,000
November 1, 2034 – 2038	16,900,000	8,715,000	25,615,000
November 1, 2039 – 2043	10,780,000	7,607,000	18,387,000
November 1, 2044 – 2046	20,700,000	2,222,000	22,922,000
Original issue premium	10,523,062	-	10,523,062
Totals	$ 58,903,062	$ 54,829,000	$ 113,732,062

2016B-2 issue – energy – On July 14, 2016, the District issued $111,510,000 of Electric System Refunding Revenue Bonds Series 2016B-2 (Tax-Exempt), the proceeds of which were used to partially refund a portion of the District's outstanding Series 2011A Bonds, Series 2011B Bonds and Series 2011C Bonds as well as to pay cost of issuance of the Series 2016B-2 bonds. The Series 2016B-2 Bonds refunded $65,745,000 of the outstanding Series 2011A Bonds, $25,015,000 of the outstanding Series 2011B Bonds and $25,045,000 of the outstanding Series 2011C Bonds for a total par refunded of $115,805,000. The partial refunding of Series 2011A Bonds, Series 2011B Bonds and Series 2011C Bonds generated net present value savings of $10,868,487, $2,676,007 and $2,783,040, respectively, for a total net present value savings of $16,327,534.

The Series 2016B-2 Bonds consist of $111,510,000 serial bonds and one term bond. The serial bonds comprise $91,545,000 of the issuance and mature in amounts ranging from $2,975,000 to $8,740,000 at rates ranging from 4.00% to 5.00% from November 1, 2021 through November 1, 2036. The term bond matures in an amount of $19,965,000 at a rate of 5% on November 1, 2041, with mandatory sinking fund redemption starting in 2037.

The Series 2016B-2 Bonds were issued with an original issue premium of $25,331,578 and costs of issuance of $340,979. The original issue premium is amortized over the life of the Series 2016B-2 Bonds. The outstanding balance of the Series 2016B-2 Bonds was $134,349,948 at December 31, 2018, including unamortized original issue premium of $22,839,948. The total unamortized loss on refunding included in deferred outflow of resources was $17,956,524 at December 31, 2018.

The terms of the Series 2016B-2 Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

Note 6 – Revenue Bonds (continued)

A summary of the District's outstanding liability for the Series 2016B-2 Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ -	$ 5,256,050	$ 5,256,050
November 1, 2020	-	5,256,050	5,256,050
November 1, 2021	5,255,000	5,256,050	10,511,050
November 1, 2022	5,520,000	4,993,300	10,513,300
November 1, 2023	5,790,000	4,717,300	10,507,300
November 1, 2024 – 2028	33,195,000	19,066,750	52,261,750
November 1, 2029 – 2033	31,945,000	10,624,450	42,569,450
November 1, 2034 – 2038	17,245,000	5,810,750	23,055,750
November 1, 2039 – 2041	12,560,000	1,276,500	13,836,500
Original issue premium	22,839,948	-	22,839,948
Totals	$ 134,349,948	$ 62,257,200	$ 196,607,148

2017 issue – energy – On December 18, 2017, the District issued $95,180,000 of Electric System Refunding Revenue Bonds Series 2017 (Tax-Exempt). The proceeds were used to refund the outstanding balance of the District's taxable commercial paper issued for the costs of Niland turbine repairs and a portion of new fleet building, to refund the District's remaining outstanding Series 2011A Bonds, Series 2011B Bonds and Series 2011C Bonds as well as to pay cost of issuance of the Series 2017 bonds. The Series 2017 Bonds, along with the Series 2011A, Series 2011B, and Series 2011C Reserve Fund release and other district funds, refunded $4,715,000 of the outstanding Series 2011A Bonds, $42,665,000 of the outstanding Series 2011B Bonds and $42,910,000 of the outstanding Series 2011C Bonds for a total par refunded of $90,290,000. The refunding of remaining outstanding Series 2011A Bonds, Series 2011B Bonds and Series 2011C Bonds generated net present value savings of $13,782,200.

The Series 2017 Bonds consist of $95,180,000 serial bonds maturing in amounts ranging from $335,000 to $7,685,000 at rates ranging from 1.21% to 2.83% from November 1, 2018 through November 1, 2047.

The Series 2017 Bonds were issued with an original issue premium of $9,826,253 and costs of issuance of $426,266. The original issue premium is amortized over the life of the Series 2017 Bonds. The outstanding balance of the Series 2017 Bonds was $99,701,523 at December 31, 2018, including unamortized original issue premium of $9,486,523. The total unamortized loss on refunding included in deferred outflow of resources was $5,227,476 at December 31, 2018.

The terms of the Series 2017 Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

Note 6 – Revenue Bonds (continued)

A summary of the District's outstanding liability for the Series 2017 Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2019	$ 4,805,000	$ 3,754,900	$ 8,559,900
November 1, 2020	5,045,000	3,514,650	8,559,650
November 1, 2021	335,000	3,262,400	3,597,400
November 1, 2022	355,000	3,245,650	3,600,650
November 1, 2023	370,000	3,227,900	3,597,900
November 1, 2024 – 2028	2,155,000	15,842,000	17,997,000
November 1, 2029 – 2033	14,455,000	15,023,450	29,478,450
November 1, 2034 – 2038	36,510,000	9,694,800	46,204,800
November 1, 2039 – 2043	24,915,000	2,329,400	27,244,400
November 1, 2044 – 2047	1,270,000	129,400	1,399,400
Original issue premium	9,486,523	-	9,486,523
Totals	$ 99,701,523	$ 60,024,550	$ 159,726,073

Defeased bonds – As of December 31, 2018, the balance of the defeased bonds is:

Issue	Amount
2004 Water Certificates of Participation	$ 26,575,000
2010 Water Refunding Revenue Bonds	11,650,000
2011 Water Refunding Revenue Bonds	11,830,000
Total Water defeased bonds	$ 50,055,000
2011A Energy Refunding Revenue Bonds (partial)	$ 65,745,000
2011A Energy Refunding Revenue Bonds	3,220,000
2011B Energy Refunding Revenue Bonds (partial)	25,015,000
2011B Energy Refunding Revenue Bonds	41,145,000
2011C Energy Refunding Revenue Bonds (partial)	25,045,000
2011C Energy Refunding Revenue Bonds	41,385,000
Total Energy defeased bonds	$ 201,555,000
Total IID defeased bonds	$ 251,610,000

These bonds were defeased during 2009 through 2017, and they constitute a contingent liability of the District only to the extent that cash and investments presently in the control of the escrow agent are not sufficient to meet debt service requirements, and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

Note 7 – Other Long-Term Debt

Pension obligation revenue bonds, 2001 issue – On June 1, 2001, the District issued $75,000,000 Taxable Pension Obligation Revenue Bonds, Series 2001, at interest rates ranging from 5.70% to 7.00%. Net proceeds of the bonds were used to fund the District's unfunded actuarial pension liability upon the termination of the District's defined benefit pension plan, effective June 30, 2001.

The 2001 Taxable Pension Obligation Revenue Bonds are non-callable and were issued with an original issue discount of $153,057 and a cost of issuance of $1,502,073. The original issue discount is being amortized over the life of the 2001 Taxable Pension Obligation Revenue Bonds. The outstanding balance of the 2001 Taxable Pension Obligation Revenue Bonds was $24,331,857 for the water portion and $25,836,921 for the energy portion at December 31, 2018.

The 2001 Taxable Pension Obligation Revenue Bonds are payable from and secured by a pledge of and lien on the utility system revenues. The amortization of interest on these Bonds is an operation and maintenance cost of the electric and water systems.

The terms of the Series 2001 Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2018 and 2017.

A summary of the District's outstanding liability for the 2001 Taxable Pension Obligation Revenue Bonds is as follows:

Due Date	Principal Amount	Interest	Total Debt Service
January 1, 2019	$ 2,505,000	$ 3,410,406	$ 5,915,406
January 1, 2020	2,680,000	3,231,783	5,911,783
January 1, 2021	2,865,000	3,040,758	5,905,758
January 1, 2022	3,060,000	2,835,876	5,895,876
January 1, 2023	3,270,000	2,616,225	5,886,225
January 1, 2024 – 2028	20,100,000	9,208,584	29,308,584
January 1, 2029 – 2031	15,750,000	1,703,450	17,453,450
Original issue discount	(61,222)	-	(61,222)
Totals	$ 50,168,778	$ 26,047,082	$ 76,215,860

Note 8 – Capital Leases

The District acquires certain operating equipment through capital lease agreements expiring at various times through 2021. The outstanding balance was $3,263,685 for the water portion and $4,521,010 for the energy portion at December 31, 2018. The estimated future minimum lease payments, including interest, under these leases are as follows:

		Total
Year ending December 31,	2019	$ 4,105,495
	2020	2,881,240
	2021	933,010
	Total minimum lease payments	7,919,745
	Less amount representing interest	(135,050)
	Present value of minimum lease payments	$ 7,784,695

Note 9 – 401(a) Retirement Plan

In June 2001, the District terminated the Imperial Irrigation District Employee Pension Plan (Plan) and replaced the Plan with a new defined contribution plan (401(a)). All remaining obligations, including the District's unfunded actuarial pension liability, were funded by the net proceeds of the District's Taxable Pension Obligation Revenue Bonds, Series 2001. Plan participants were allowed to either rollover benefits to the new 401(a) plan or have an annuity purchased for them.

Effective January 1, 2018 the 401(a) plan was amended to reflect a District contribution of 9% of the base salary for all employees. As of December 31, 2017 the District contributed 8% of the base salary for all employees except for employees in the International Brotherhood of Electrical Workers, Professional Salaried Association and General Manager, which effective January 1, July 1 and May 23, 2017, respectively, received 9%.

Participants in the plan can make after-tax contributions in whole percentages of up to 18% of their base salary. Starting on February 18, 2015 the District added under the 401 (a) plan, a before tax employee contribution and employer matching option for employees in the Professional Salaried Association; this option includes the Executive Management Association as of April 21, 2016 and effective January 1, 2018, employees in the International Brotherhood of Electrical Workers or who is an unrepresented employee. The employer will make matching contributions to the plan in the amount of 100% of the participant's first 1% before-tax or Roth contributions. Participants may also make before tax contributions in whole percentages of up to 75% of their base salary. Total maximum contributions to the plan, including both the employer and employee portions, is based on the 415c limit per year approved by the IRS. Participants immediately vest in all personal contributions to the plan, and are 100% vested in employer contributions plus actual earnings at the three-year mark. The District's 2018 and 2017 contributions were $10,459,243 and $9,674,061, respectively.

Note 10 – Inter-Departmental Transactions

Although the Water and Energy Departments of the District maintain separate accounting records, there are certain inter-departmental transactions. Significant transactions primarily involve charges by the Water Department to the Energy Department for the use of water to generate electricity on the canal system. The inter-departmental charge for use of water in the All-American Canal to generate electricity is based upon a formula approved by the board of directors in June 2009.

Charges for use of buildings, vehicles, and equipment are based upon a pro rata distribution of costs of related maintenance, operation and depreciation. General and administrative expenses of the District are allocated between Departments on a reasonable and consistent basis relative to the benefits derived by each.

Note 11 – Commitments and Contingencies

Self-insurance – The District is self-insured for workers' compensation claims and for health benefits. Excess coverage for health benefits for 2018 and 2017 was provided by PartnersRe. As of December 31, 2018 and 2017, the District accrued $4,086,342 for water and $9,175,897 for energy, and $3,935,206 for water and $8,759,006 for energy, respectively, for estimated workers' compensation claims to be paid in future periods. In addition, the District is partially self-insured for general claims and carries excess insurance coverage for general liability matters. As of December 31, 2018 and 2017, the District's management accrued $971,000 for water and $3,141,792 for energy and $265,000 for water and $773,743 for energy, respectively, for these estimated general liability claims.

Such amounts have been included under the financial statement caption entitled "self-insurance" in the accompanying statements of net position at December 31, 2018 and 2017.

The unpaid claims liabilities include estimated amounts for incurred but not reported (IBNR) claims. IBNR claims are those that were incurred during the calendar year but not yet reported at the balance sheet date. Claim liabilities are calculated based on recent claims history and settlement trends.

Changes in the District's self-insurance claims liability for the two years ended December 31, 2018 are as follows:

Liability at January 1, 2017	$ 18,005,702
Incurred and adjusted claims	(4,551,824)
Claim payments and change in estimates	279,077
Liability at December 31, 2017	13,732,955
Incurred and adjusted claims	(134,376)
Claim payments and changes in estimates	3,776,454
Liability at December 31, 2018	$ 17,375,033

Note 11 – Commitments and Contingencies (continued)

A summary of the District's self-insurance claims for the two years ended December 31, 2018 are as follows:

December 31, 2018	Current	Long-Term	Total
Water	$ 4,311,192	$ 8,006,499	$ 12,317,691
Energy	1,770,070	3,287,272	5,057,342
Totals	$ 6,081,262	$ 11,293,771	$ 17,375,033

December 31, 2017	Current	Long-Term	Total
Water	$ 1,470,072	$ 2,730,134	$ 4,200,206
Energy	3,336,462	6,196,287	9,532,749
Totals	$ 4,806,534	$ 8,926,421	$ 13,732,955

Excess coverage for health insurance is provided by a commercial insurance policy after payment of large deductibles, referred to as self-insurance retention. Self-insurance and commercial coverage limits are as follows:

Type of Coverage	Self-Insurance	Commercial Coverage
Health benefits	Up to $290,000 per person per year	No lifetime maximum

Environmental liabilities – Following is a brief description of the significant sites that require environmental remediation: North of Barbara Ave at Niland Street, and Aloha Lane between Brawley and Thermal Avenue. The District determined that the structure and grounds have deteriorated presenting a public hazard, and will demolish and haul debris to clean up the land. The plan is to complete remediation in 2019.

IID has identified the El Centro Generating station roof for repair; this will require asbestos abatement due to original roof membrane removal. At this time the roof is in relative good shape and the replacement project has been canceled. The buildings/structures must be kept in good physical condition, if asbestos is not removed, damaged ACM where fiber release could potentially occur, must be repaired, encapsulated or enclosed, so that no fiber release occurs. Notices to the CARB / CalEPA will be issued prior to start of a repair project. Estimates for asbestos removal and disposal are included in the liability accrual.

As of December 31, 2018, the District has included in its accounts payable liability a total of $1.2 million for those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB 49. Estimated outlays are based on current cost and no adjustments were made for discounting or inflation.

Note 11 – Commitments and Contingencies (continued)

Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to price fluctuations, technological advances, or applicable laws or regulations.

Take or pay contracts – The District has two energy and capacity contracts with the Southern California Public Power Authority (SCPPA), a joint powers authority formed under the Joint Powers Act of the California Legislature of 1980. The District purchases 6.5% of the energy generated by SCPPA's 5.91% ownership in the Palo Verde Nuclear Generating Station (the Palo Verde Project), a nuclear-fueled generating station near Phoenix, Arizona. The Palo Verde Project agreements expire in 2030. The District also previously purchased 50.98% of the capacity and energy generated by SCPPA's 41.8% ownership of the San Juan Generating Station Unit 3 (the San Juan Project), a coal-fueled generating station in New Mexico. The San Juan Project agreements were set to expire in 2022 but, with the retirement of Units 2 and 3 discussed below, the District exited the San Juan Project on December 31, 2017.

The billings for fuel, operations and maintenance, administrative and general, and other costs for these projects were as follows:

Fiscal Year	Project	Fuel	Non-Fuel	Total
2017	San Juan	$ 7,627,987	$ 16,786,115	$ 24,414,102
	Palo Verde	1,016,515	3,956,287	4,972,802
2018	San Juan	$ -	$ 79,542	$ 79,542
	Palo Verde	874,594	3,502,111	4,376,705

The San Juan Generating Station is a source that is subject to the statutory obligations of the federal Clean Air Act to reduce visibility impacts. On October 9, 2014, the United States Environmental Protection Agency ("EPA") issued a final rule approving a plan to provide a Best Available Retrofit Technology path to comply with federal visibility rules at the San Juan Generating Station, which among other things would result in the retirement of the San Juan Generating Station Units 2 and 3 by the end of 2017. The EPA rule became effective November 10, 2014.

Note 11 – Commitments and Contingencies (continued)

To meet the 2017 closure deadline, SCPPA owners who participate in Unit 3 of the San Juan Project, including the District, and other San Juan Project participants mediated concerning and negotiated terms which would, among other matters, allow the California San Juan Project owners to exit Units 3 and 4 of the San Juan Project. After extended mediated negotiations, five related restructuring agreements were reached that restructured the ownership of the San Juan Project and addressed other related issues: a Restructuring Agreement, an amended Mine Reclamation Agreement, a Decommissioning Agreement, and two amendments to the SJPPA, a Restructuring Amendment and an Exit Date Amendment. All five agreements were fully executed by July 31, 2015. On July 31, 2015, Public Service Company of New Mexico ("PNM"), filed the executed agreements with the New Mexico Public Regulations Commission (the "NMPRC"), seeking approval of PNM's acquisition of further capacity in Unit 4 and abandonment of Units 2 and 3 (the "Proceeding"). NMPRC approval was issued December 16, 2015. A party to the Proceeding has appealed that decision to the New Mexico Supreme Court and that appeal is pending. The appeal does not stay implementation of the restructuring of the San Juan Project. The District is unaware whether the New Mexico Supreme Court has issued a decision on that appeal and it is unknown what, if any, decision will be issued by the New Mexico Supreme Court or what effect if might have on restructuring, which has now been implemented.

The Restructuring Amendment to the SJPPA was filed with FERC for regulatory approval as was a request for approval of PNM's acquisition of the ownership interest in San Juan of SCPPA and other participants exiting the San Juan Project. FERC granted approval on December 30, 2015.

PNM also entered into agreements with a new miner for the San Juan coal mine and filed them with the NMPRC. Those agreements became effective on January 31, 2016, at which time the Restructuring Agreement, amended Mine Reclamation Agreement, and Decommissioning Agreement also became effective. As a result, SCPPA project participants, including the District, were entitled to and did exit the San Juan Project at the end of 2017.

Throughout 2017 the participants in the San Juan Project engaged in discussions to effectuate the implementation of the Restructuring Agreement and entered into a series of agreements to carry out such implementation. One of those agreements was a New Exit Date Amendment that superseded the Exit Date Amendment from July 2015. The New Exit Date Amendment was necessary to address entities (not including SCPPA or the District) that would take capacity in Unit 4, and did not address the closure of Unit 3. The New Exit Date Amendment was submitted to FERC on September 19, 2017 and accepted for filing by FERC on November 15, 2017.

Unit 3 closed on December 18, 2017, and SCPPA exited the San Juan Project on December 31, 2017. At the current time, although both the amended Mine Reclamation Agreement and Decommissioning Agreement are effective, the District cannot reasonably estimate what its decommissioning obligation may be for its ownership interest in Unit 3 of the San Juan Project, or whether deposits being made into a reclamation trust account will cover all the costs of coal mining reclamation obligations.

Note 11 – Commitments and Contingencies (continued)

Energy supply purchase commitment – The District has two energy supply contracts with the United States Department of Energy Western Area Power Administration Desert Southwest Region for Parker Davis and Boulder Canyon Projects. These agreements terminate on September 30, 2028 and September 30, 2067, respectively. The District is committed to purchase all Parker Davis available power up to 26 megawatts in any given hour during winter months and 32 megawatts in any given hour during summer months. On Boulder Canyon, the District is committed to purchase all available power up to 3 megawatts in any given hour throughout the year. As of December 31, 2018, the District's estimated remaining purchase commitment under these agreements is $26,601,177 and $5,982,621, respectively.

The District has entered into contracts with various vendors to purchase natural gas. These commitments vary in the amount of natural gas to be purchased and when the natural gas will be delivered to the District. Open commitments of the District at December 31, 2018 total $35,438,646.

The list of contracts is as follows:

Vendor	Delivery Period	Liability
EDF Trading North America	January 2019 to April 2020	$ 17,863,221
BP	January 2019 to March 2020	9,622,122
Macquarie	January 2019 to August 2020	7,953,303
		$ 35,438,646

The District has entered into contracts with various vendors to purchase energy. These commitments vary in the terms and the amount of energy to purchase, and when it will be delivered to the District. The estimated remaining commitment of the District at December 31, 2018 is $1,165,263,389 based on contract pricing.

The contracts are as follows:

Vendor	Delivery Period	Liability
CalEnergy	January 2019 to December 2028	$ 257,250,561
Seville Solar Two	January 2019 to July 2041	135,403,833
Desert View Power	January 2019 to May 2022	122,811,039
Southern California Public Power Authority	January 2019 to January 2042	119,779,495
96WI 8ME	January 2019 to September 2041	114,446,692
Dominion Solar Holdings	January 2019 to July 2044	109,307,395
GeoGenCo	June 2020 to May 2049	104,371,699
Sol Orchard Imperial 1	January 2019 to November 2038	96,044,410
Imperial Solar 1	January 2019 to April 2035	40,530,000
Citizens Imperial Solar	June 2019 to May 2042	32,378,083
Sol Orchard Community 1	January 2019 to June 2038	29,686,015
Yuma County Water Users Association	January 2019 to July 2023	3,254,167
		$ 1,165,263,389

Note 11 – Commitments and Contingencies (continued)

Letter of credit – As part of the All American Canal lining project, the District was required to post an Irrevocable Standby Letter of Credit in the amount of $1,155,150 for the benefit of the California Department of Fish and Game as beneficiary. This Letter of Credit was established pursuant to the terms of the Incidental Take Permit as a security device for the performance of the District as project manager in completing its obligation under the Permit. In August 2011, the District requested the amount of funding assurances be reduced because some of the mitigation secured by the funding had been completed. The California Department of Fish and Game approved Amendment No. 2 to Permit No. 2081 to reduce the amount of the security from $1,155,150 to $427,350.

The Letter of Credit will automatically be extended for a period of one year until official written notification is provided. All costs of this letter of credit, including any claim if needed, is reimbursed by the Department of Water Resources (DWR) and/or San Diego County Water Authority (SDCWA).

Note 12 – Construction Commitments

At December 31, 2018, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
Water		
System Conservation Program	$ 16,550,971	2019
New Briar Flume Crossing AAC Phase I	3,060,679	2019
Fabrication of Pilot Knob Wasteway Gates	1,707,040	2023
Imperial Dam Sluiceway Gate Replacement	1,533,492	2019
Date Drain Relocation	946,550	2019
Dahlia Drain Pipeline EC Wastewater Treatment Plant	414,349	2019
East Highline Lat 11 Heading Replacement	361,800	2019
Gila Diversion Check & Gila Sluiceway Gate Pair	322,358	2021
Various Projects	1,577,047	2019
Power		
OATT & External Major Customer Funded Projects	13,194,344	2019
Drop 4 U1 Major Turbine Refurbishment	3,794,010	2019
EC Switching Station Bus Split	3,005,887	2020
300MVA 230/92 kV Xfmr for ECSS Spare Transformer	2,822,000	2019
Salton City Substation Replacement Bank No. 2	820,549	2019
CI 92kv Line Transmission Reconductoring	550,839	2019
CD Line Relay Lifecycle Replacement Project	519,833	2019
CS 92-kV Transmission Line Relocation @ Madison	453,202	2019
H14 Circuit Imprvements-Holvtille Substation	415,591	2019
Various Projects	467,687	2019

Note 13 – Other Post-Employment Benefits Other Than Pensions

On January 1, 2018 Imperial Irrigation District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions as amended, and GASB No. 57, OPEB Measurement by Agent Employers and Agent Multiple-employer Plans. Specifically, Statement No. 75 recognizes the long-term obligation for health and life insurance benefits offered to retirees.

Plan description – The District's provides health and welfare benefit plans including medical, prescription drug, and behavioral health benefits (EAP) for qualified retirees and certain dependents. The District's plan is an agent multiple- employer benefit OPEB plan administered by CalPERS CERBT Strategy 2 OPEB Trust. The authority to establish and amend the benefit terms and financing is accomplished through the District's Board of Directors.

Benefits provided – Beginning in 2015, the District offers two separate plan designs for its medical/Rx benefits, called Plan A and Plan B. Plan B has higher deductibles, out-of-pocket maximums, and in-network coinsurance percentages. The ghost rates for Plan B are about 5% lower than for plan A.

The District charges its retirees and survivors according to a schedule of premiums that is updated each year according to a table of retiree increases for a given overall increase in healthcare costs; the increase is ultimately at the District Board's discretion.

Except as noted below, benefits are payable for the lifetime of the retiree, spouse, and dependent children while eligible to remain on parents' coverage. Survivor benefits are provided in the event that a retiree pre-deceases his/her spouse.

Eligibility – Employees are eligible upon reaching retirement age of 60 with a minimum of ten years of service. Employees hired before May 14, 2013 for International Brotherhood of Electrical Workers (IBEW) members, and before September 17, 2013 for Professional Salaried Association (PSA) members, have the option for early retirement upon reaching the age of 55 once the minimum years of service is met. Effective October 1, 2002, an "Early Retirement Age" option was approved by the board of directors for employees in the "Executive" class of service. These employees have the option to retire once they obtain the age of 52 if they have a minimum of 15 years of service.

For employees hired before May 14, 2013 for IBEW members, and before September 17, 2013 for PSA members, the District pays a maximum contribution per month ranging from $1,257 to $2,314 and shall provide medical benefits to the retiree and certain dependents. For employees first employed after the said dates, the District shall pay a maximum contribution per month of $1,146 and shall provide medical benefits for the retiree only. This provision does not guarantee the continuance of any specific medical benefits plan by the District. The retired employee will be responsible for and pay to the District the cost for retiree health benefits in excess of the maximum contribution.

The District's contribution for retiree medical benefits shall terminate upon the sooner of the retiree's 65th birthday, upon eligibility of the retired unit member for Medicare, or upon the date that the retiree becomes covered by another employer who provides full health benefits.

Note 13 – Other Post-Employment Benefits Other Than Pensions (continued)

Plan membership consisted of the following at December 31, 2018:

Inactive plan members or beneficiaries receiving benefit payment	540
Active plan member	1,395
Total	1,935

Net OPEB Liability – The District's Net OPEB Liability of $101,270,672 was measured as of December 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of January 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

As of January 1, 2018 the district recognized an OPEB beginning net position adjustment of $34,041,863.

At December 31, 2018 the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Differences between projected and actual return investments	7,095,791	-
Total	$ 7,095,791	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Fiscal Year ending June 30:		
2019	$ 1,773,948	$ -
2020	1,773,948	-
2021	1,773,948	-
2022	1,773,947	-
Total	$ 7,095,791	$ -

Note 13 – Other Post-Employment Benefits Other Than Pensions (continued)

Actuarial assumptions – The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumptions	
Salary increases	3.00 percent
Investment rate of return	6.25 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 percent for 2017; 5.00 percent for 2018 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the January 1, 2017 valuation were based on a review of plan experience during the period January 1, 2015 to December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6.25 percent.

The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
12/31/18	12/31/18	6.25%	3.71%	6.25%

Note 13 – Other Post-Employment Benefits Other Than Pensions (continued)

Changes in Net OPEB liability

Total OPEB liability as of 1/1/2018	$ 186,675,086
Service Cost	3,830,040
Interest	11,478,756
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(6,122,769)
Net change in total OPEB liability	9,186,027
Total OPEB liability as of 12/31/2018 (b)	195,861,113
Plan fiduciary net position	
Contributions – employer	29,422,769
Net investment loss	(4,048,476)
Benefit payments	(6,122,769)
Trustee fees	(13,933)
Administrative expense	(19,057)
Net change in plan fiduciary net position	19,218,534
Plan fiduciary net position – beginning (c)	75,371,907
Plan fiduciary net position – ending (d)	94,590,441
Net OPEB liability – beginning (c) – (a)	111,303,179
Net OPEB liability – ending (d) – (b)	$ 101,270,672

Sensitivity analysis – Below presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate and healthcare cost trend rates:

Discount rate	1% Decrease -5.25%	Discount Rate (6.25%)	1% Increase -7.25%
Net OPEB liability	$ 133,066,452	$ 101,270,672	$ 75,514,167

Healthcare cost trend	1% Decrease (5.00% to 4.00%)	Trend Rate (6.00% to 5.00%)	1% Increase (7.00% to 6.00%)
Net OPEB liability	$ 70,278,650	$ 101,270,672	$ 140,635,944

The District recognized OPEB expense of $12,297,471 and $15,266,878 for the years ended, on December 31, 2018 and 2017 respectively.

Note 14 – Metropolitan Water District Water Conservation Program

In December 1988, the District and the Metropolitan Water District of Southern California (MWD) entered into a water conservation agreement that became effective December 1989. Under the terms of the conservation agreement, MWD paid for the capital cost and continues to pay annual operation and maintenance and capital costs for specific conservation projects within the District. The purpose of such payments is to provide funds for the District to construct and maintain water conservation projects in the Imperial Valley.

In return, MWD is entitled to a quantity of water equal to the amount of water conserved by these projects, which total between 100,000 and 110,000 acre-feet annually. The water must be used in the calendar year it is conserved. In 2018 and 2017, the District received $9,864,671 and $7,960,475, respectively, as reimbursement for approved capital, operation, and maintenance costs. Cumulative payments received since inception total approximately $319,978,708 through December 31, 2018. The District is to be reimbursed for approved amounts, including certain indirect costs, through the year 2041.

Note 15 – Salton Sea Authority

The District is a member of the Salton Sea Authority (the Authority), a Joint Powers Authority formed in 1993 for the purpose of working with the State of California, the federal government, and the Republic of Mexico in the development of programs to ensure certain continued beneficial use of the Salton Sea. These beneficial uses include its primary purpose as a depository for agricultural drainage, storm water and wastewater flows, together with protection of endangered species, fisheries, waterfowl and recreation.

The Authority consists of the District, the Coachella Valley Water District, the counties of Imperial and Riverside, each of which appoints two voting members, and the Torres Martinez Indian Tribe with one voting member to the Authority’s board of directors.

The Authority has undertaken, or expects to undertake, projects, either singularly or in cooperation with other agencies, which may relate to:

- The Salton Sea’s surface elevation
- The Salton Sea’s salinity
- The Salton Sea fish and wildlife
- Public recreation facilities and opportunities
- Protection and enhancement of water quality in the Salton Sea
- Reduction or elimination of threats to public health, safety, and welfare
- Conservation of water
- Encouragement of compatible planning and development adjacent to and in proximity of the Salton Sea
- Establishment of ongoing maintenance and operations programs to accomplish the purposes of the Authority

Note 15 – Salton Sea Authority (continued)

- Management of by-products resulting from projects undertaken by the Authority, including the beneficial reuse of these by-products
- Acquisition of sufficient revenues to retire debt and to fulfill the financial obligations of the Authority

The projects planned by the Authority are expected to be funded primarily through state and federal grants, in addition to direct and in-kind funding from the members. Funds contributed by the District, which are not material to the District's financial statements, are expensed as incurred. Financial statements of the Authority can be obtained from the Executive Office of the County of Riverside.

Note 16 – Trust Lands

On February 5, 2004, the District board of directors approved Resolution 2-2004 which authorized the purchase of approximately 41,700 acres of land (Western Farms Land, or Trust Lands) in order to facilitate the District's ability to perform its obligations under the District Water Conservation and Transfer Project (Transfer Project), including the District/San Diego County Water Authority Water Conservation and Transfer Agreement and the Quantification Settlement Agreement and Related Agreements (collectively, QSA).

On April 1, 2004, the District issued Certificates of Participation (COPs) for $87,725,000 to acquire the Western Farms Land. The land was to be used primarily for the implementation of a range of water conservation measures and to reduce water usage through fallowing the land in order to satisfy the water transfer obligations pursuant to the 2003 Water Transfer agreement with SDCWA.

On April 13, 2004, the District entered into the 2004 Installment Purchase Contract dated April 1, 2004 in order to facilitate the acquisition of the Trust Lands from Western Farms, LP. The Western Farms Land Purchase was funded by the 2004 Taxable Revenue Certificates of Participation (2004 Water System Project) (the Certificates) in a principal amount equal to the aggregate principal amount of the 2004 Installment Payments.

On July 26, 2005, the District adopted Resolution 18-2005 (the Original Resolution) which established a "Land Sale Disposition Policy" and authorized the sale of portions of the Western Farms Land (Trust Lands). Resolution 5-2006, adopted on February 7, 2006 declared that the Trust Lands were no longer necessary for present or prospective purposes, and therefore, were surplus to the District needs. The board also expressed its intent to dispose of the Trust Lands on such terms as may be in the best interest of the District. There have been no sales of Western Farm Land since year 2015.

In 2015, net sales of Western Farms Land totaled $931,791 for 185.4 acres. The proceeds from these land sales, by resolution, pay for cost of sales and reimburse the District's Water Department for all cost incurred for the operation, maintenance, administration and cost of debt issued to purchase the Western Farms Land.

Note 17 – Noncurrent Advances

San Diego County Water Authority (SDCWA) advance – Pursuant to section 5.6 of the revised 4th amendment of the QSA SDCWA agreed to prepay $10 million for future deliveries of water. Interest on the prepayment shall begin to accrue at the end of Agreement Year 16 (2018) using SDCWA's weighted average cost of funds for its short-term and long-term debt outstanding as shown in SDCWA's annual financial report for each fiscal year ending June 30. If the District elects not to repay the total in 2018, beginning in 2019 through the end of Agreement Year 2032, IID shall credit SDCWA's monthly invoice in 180 equal monthly installments of $55,556 plus accrued interest. All amounts due to SDCWA as repayment for the advance are made from the water transfer revenues. On December 20, 2018, the advance from SDCWA was paid in full and the corresponding liability was removed from other advances and deposits.

On October 3, 2003, IID and SDCWA signed the revised 4th amendment to the water transfer agreement. Included in the amendment was a new section titled "14.5 Mitigation of Socio-Economic Impacts Caused by Land Fallowing." This section laid out the funding obligations of IID and SDCWA. SDCWA was to fund an initial payment of $10 million to be made in four installments. SDCWA would be reimbursed for this initial payment via credits against payments due from SDCWA beginning in Agreement Year 16 (2018). The obligation to repay SDCWA is contingent upon the water transfer agreement remaining in effect. If for any reason the transfer is suspended or terminated, the District's obligation will terminate. As of December 31, 2018, $9.5 million obligation is reflected herein as other advances under other non-current liabilities and $0.2 million has been moved to current liabilities under other advances and deposits.

In addition during 2010, SDCWA advanced $50 million to the District to fund capital projects necessary to implement system efficiency measures designed to conserve water for subsequent transfer to SDCWA, as required under the terms of the QSA.

The terms of the agreement dictate that if a water transfer stoppage occurs as a result of a court order, and the stoppage results in the termination of the agreement, the District must repay SDCWA as set forth below:

Year of Termination	Amount of Repayment
2019	$ 5,000,000

As of December 31, 2018, the District recognized as revenue $ 45 million of the $50 million advance, representing the portion that is no longer subject to repayment under the repayment release clause. Of the total $50 million advance, $ 33.1 million has been spent on conservation programs.

A liability for the portion of the advance still subject to the potential repayment is included in the accompanying statements of net position, with $5 million under other noncurrent liabilities – advances.

Note 17 – Noncurrent Advances (continued)

Transmission expansion and generator interconnection agreements – A number of independent power merchant projects are planned or under development in the District's service area. The majority of the energy associated with these projects is intended for export to users in southwestern California and Arizona. Currently, projects totaling 1766 MW of generation are in the active interconnection queue. IID is working with IPPs to bring the generation online to aid California in meeting its renewable goals. RPS has moved beyond a 2020 horizon and the State's requirements continue to increase.

Generators seeking interconnection to the transmission system and customers seeking transmission service for purposes of export are processed under IID's Open Access Transmission Tariff, originally adopted by the IID Board in 2011. The OATT tariff sets forth the studies necessary to provide reliable interconnection and transmission service to eligible customers, and identifies infrastructure requirements necessary to mitigate any impacts identified in the study process. The infrastructure requirements are captured in Generator Interconnection Agreements and, less commonly, Transmission Service Agreements.

Identified network upgrades will be funded primarily by those independent power producers requesting interconnection to the District's system or seeking transmission service, as applicable. The District will provide reimbursement for network upgrades through transmission rate credits taken against transmission service charges.

As of December 31, 2018, there are 14 generator interconnection projects representing a total of 2672 MW of proposed generation in the interconnection queue. Two projects with a total generation output of 95 MW interconnected to the IID system and achieved commercial operation as of December 31, 2018. Both projects export from the IID system into the California Independent System Operator Corporation Balancing Authority Area.

As of December 31, 2018, the balance of amounts paid to the District by participating generators and available for use to fund future studies and construction totaled $27.1 million, which are shown in the accompanying statements of net positions as advances with $7.9 million under current liabilities and $19.2 million as noncurrent liabilities. As of December 31, 2017, the balance of amounts paid to the District by participating generators and available for use to fund future studies and construction totaled $27.4 million, which are shown in the accompanying statements of net positions as advances with $6.3 million under current liabilities and $21.1 million as noncurrent liabilities.

Other advances – As of December 31, 2018, the District held both current and noncurrent deposits from customers in the amounts of $9.4 million and $18.3 million and as of December 31, 2017of $12.1 million and $18.9 million for the Water and Energy Departments, respectively. The majority of the advances are for, purchased power agreements, security deposits, upfront impact fees for drain mitigation and crossings, water clearing house deposits, and AAC OM&R among others.

Note 18 – Quantification Settlement Agreement (QSA) – Water Transfer

The QSA and Related Agreements are a series of contracts among the Imperial Irrigation District (IID), San Diego County Water Authority (SDCWA), Coachella Valley Water District (CVWD), the Metropolitan Water District of Southern California (MWD), Vista Irrigation District, the City of Escondido, the State of California and its various agencies, the U.S. Department of Interior and its various agencies, and others. The QSA and Related Agreements settle numerous disputes among and between the contracting parties regarding the nature, priority, volume, reasonable use and transferability of Colorado River water. In addition, the QSA and Related Agreements provide for certain limitations on Colorado River water use by certain parties, provide for the transfer of conserved water from the IID to others, provide for the transfer and sharing of conserved water by other parties with each other, and establish the right to do conserved water transfers by the parties within certain parameters. The QSA and Related Agreements also specify the environmental mitigation obligations of various parties and the payment responsibility for environmental mitigation by various parties for environmental impacts caused by the QSA and Related Agreements. The term of the QSA and Related Agreements commenced in October 2003 and has a term of 45 years. Renewal for an additional 30 years will occur if both IID and SDCWA consent.

The following is a summary of the District's water transfer and environmental mitigation obligations related to the QSA for the period 2018–2021:

	Water Transfer SDCWA – CVWD		Mitigation Water Salton Sea		IID Environmental Payment Obligations	
Year	Quantity Acre-feet	Value	Quantity Acre-feet	Value	QSA-JPA	Salton Sea Restoration
2018	193,000	(1)	-	-	$ 2,261,221	$ 600,275
2019	228,000	(1)	-	-	2,473,610	760,965
2020	263,000	(1)	-	-	2,726,346	930,755
2021	278,000	(1)	-	-	2,885,115	1,009,134

From 2018 to 2034, prices will be adjusted according to changes in the gross domestic product implicit price deflator, and for 2035 through 2047, the prices are determined according to the formula set forth in the Agreement for Transfer of Conserved Water by and between Imperial Irrigation District and San Diego County Water Authority and the Fourth Amendment thereto.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position date but before financial statements are issued or are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. The District has evaluated subsequent events through May 7, 2019, which is the date the financial statements were issued.

The following are subsequent events that have been noted that had no effect on the financial statements as of December 31, 2018:

Bond redemption – On January 21, 2016, IID issued $8,875,000 of Clean Renewable Energy Bonds to finance two low-head hydroelectric projects (see Note 6 – Revenue Bonds-2015D Issue). On March 19, 2018, the board approved cancellation of the two projects. As a result, IID redeemed $7,675,000 of the outstanding bonds on January 21, 2019. On March 29, 2019, the remaining balance of $1,200,000 for the Series 2015D Bonds were redeemed.

Required Supplementary Information

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

Required Supplementary Information
Schedule of Changes in Employer's Total OPEB Liability
Last Ten Fiscal Years*

Total OPEB liability as of 1/1/2018 (a)	$ 186,675,086
Service Cost	3,830,040
Interest	11,478,756
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments1	(6,122,769)
Net change in total OPEB liability	9,186,027
Total OPEB liability as of 12/31/2018 (b)	195,861,113
Plan fiduciary net position	
Contributions – employer	29,422,769
Net investment income	(4,048,476)
Benefit payments	(6,122,769)
Trustee fees	(13,933)
Administrative expense	(19,057)
Net change in plan fiduciary net position	19,218,534
Plan fiduciary net position – beginning (c)	75,371,907
Plan fiduciary net position – ending (d)	94,590,441
Net OPEB liability – beginning (c) – (a)	111,303,179
Net OPEB liability – ending (d) – (b)	$ 101,270,672
Plan fiduciary net position as a percentage of the total OPEB liability	48%
Covered Employee Payroll	$ 113,748,780
Total OPEB liability as a percentage of covered payroll	89%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