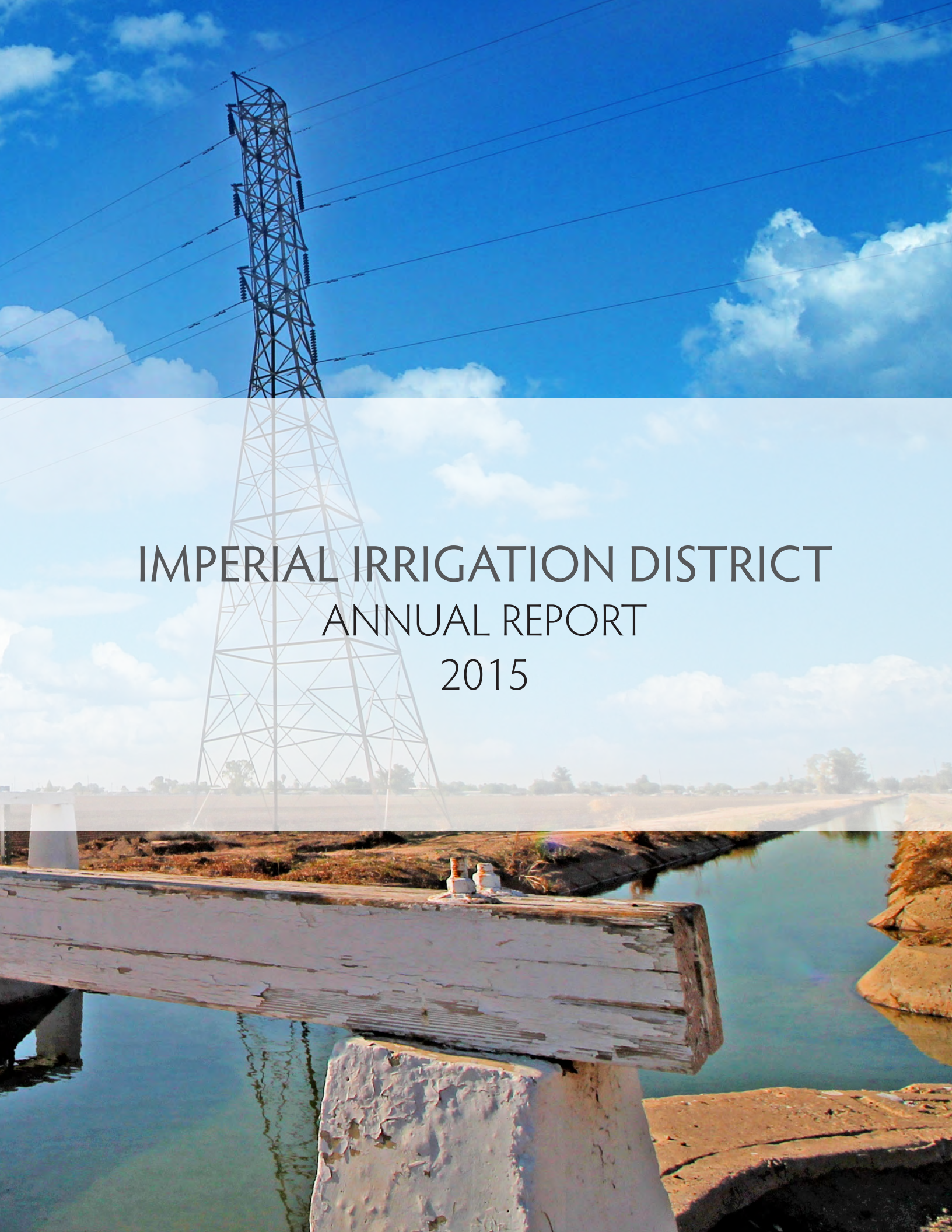

IMPERIAL IRRIGATION DISTRICT

ANNUAL REPORT

2015

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BOARD OF DIRECTORS

Matt Dessert
Division 1

Bruce Kuhn
Division 2

James C. Hanks
Division 3

Stephen W. Benson
Division 4

Norma Sierra Galindo
Division 5

MANAGEMENT

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General Manager

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Secretary to the Board

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Manager, Energy Department

MICHAEL A. PACHECO
Manager, Water Department

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Manager, Water Department

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Chief Technology Officer

ANTONIO ORTEGA
Goverment Affairs & Communications Officer

FLORENTINO F. ZARAGOZA
Reliability Compliance Officer

FRAMING LONG-TERM SOLUTIONS

In many respects, 2015 was a transformational year for IID's Water and Energy departments. Intricately linked at the foot of California's most troubled lake, the district moved forward in serving the interests of its ratepayers and the rest of California.

The third largest public power provider in the state and one of the largest irrigation districts in the nation, IID's Board of Directors took the lead in 2015, releasing a draft framework document that details a comprehensive vision and action plan in support of the Salton Sea Restoration & Renewable Energy Initiative.

To avert the impending demise of the Salton Sea, eventual public health crisis and spur carbon-free electrical energy development for California, our joint initiative with Imperial County is a multiphased approach to sea restoration, featuring an incremental plan that serves as a bridge between current conditions and longer-range measures.

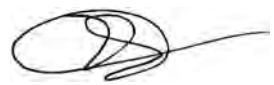
The vision is for a smaller, sustainable sea, one that will minimize dust emissions, preserve and create avian habitat, expand economic opportunity and tap the renewable energy potential to help the West meet the toughest renewable energy and greenhouse gas emission standards in the nation.

IID's approach provides a viable solution, solving water and energy needs across the state, preserving the Quantification Settlement Agreement and related water transfers that are critical to a reliable Southern California water supply. We also address construction of additional habitat and an infrastructure that promotes development of renewable energy in areas of exposed playa while protecting public health by providing air quality mitigation, restoring the sea's ecosystem and providing for economic growth.

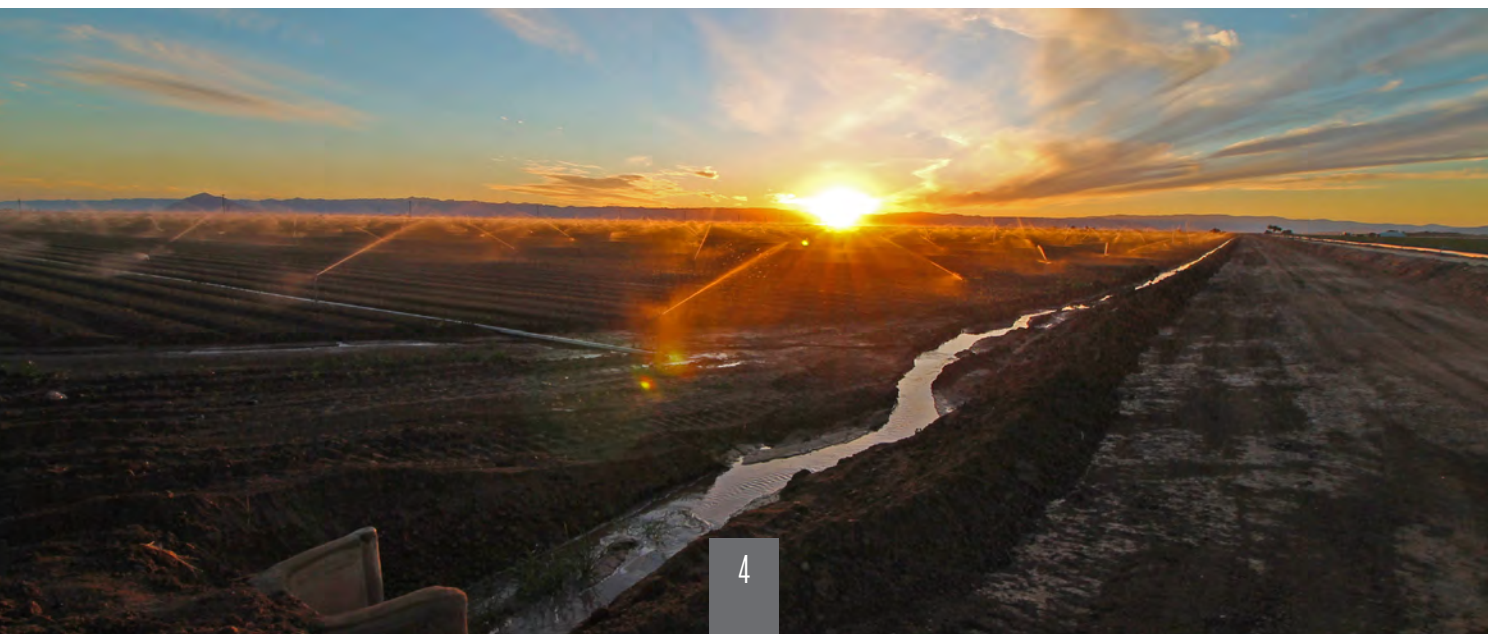
Having set all this in motion with our partner, Imperial County, the district is pleased to see tangible results begin to take place, such as the ground breaking for the Red Hill Bay project, an effort that could prove pivotal for restoration efforts moving forward.

On the energy front, the district and the county are united behind the joint renewable energy initiative. As your local utility, the district continues to diligently work at finding solutions to benefit the local ratepayer, such as enhancing its transmission and distribution system, working with developers on renewable energy solutions and strengthening the reliability of the IID grid by building one of the largest battery energy storage systems in the nation.

Imperial Irrigation District is proud of the action it's taken in the water and energy industries at the local level as it continues to provide low, stable rates and reliable service while also doing the work to bring long-term solutions for California and the West.



Norma Sierra Galindo
IID Board President, 2016



A COMPREHENSIVE VISION FOR PROGRESS

There has been more progress at the Salton Sea in the last year than in the decades that have preceded it. Momentum is clearly building as signs point to continuing action to address the state's largest and most troubled body of water.

The year 2015 will be remembered for cooperation, progress and unity among key parties and for the breakthroughs initiated by the Salton Sea Restoration & Renewable Energy Initiative.

Strong state, federal and local partnerships developed in the wake of the legal compromise between IID and Imperial County over the decade-long legal dispute regarding the Quantification Settlement Agreement, provided certainty so action could be taken. For the first time since the water transfer agreements were approved, IID and the county were able to develop a joint strategy for the sea, namely, addressing the need for the state of California to fulfill its restoration commitment.

While, at the moment, a final comprehensive restoration plan has yet to be completed, there's no question that recent efforts, spawned by a sense of urgency to protect public health and the sea's ecosystem, while sustaining a reliable water supply for Southern California, have been fruitful.

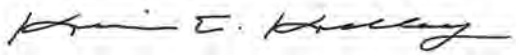
California responded to IID's petition with dispatch. The governor's office created a new Salton Sea Task Force to develop clear and achievable milestones and, in September, appointed a former IID biologist to lead the state's Salton Sea policy to expedite restoration.

In October, the administration announced legislative action that calls for a series of measures to help protect sea habitat and air quality. Lawmakers subsequently approved legislation to increase the renewable portfolio standard to 50 percent by year 2030. This is in addition to the executive order calling for California to establish a greenhouse gas reduction target of 40 percent below 1990 levels, also by 2030.

Aggressive benchmarks to be sure – but more importantly, for IID and the Salton Sea, it could be a perfect fit as the district stands primed to meet California's renewable energy needs. Some of this renewable energy, without a doubt, needs to come from the Salton Sea and the largest Known Geothermal Resource Area, which can serve as California's renewable energy proving grounds.

Yes, the Salton Sea and the Colorado River system are connected and complicated, but the conserved water transferred from the Imperial Valley to Southern California is contingent on there being a solution to a dying sea, not 10 years from now, but now.

With mitigation water ending in 2017, the Salton Sea's tipping point is quickly approaching. IID looks with confidence to be part of the state's comprehensive effort to develop the near-term and medium-term projects into a larger vision that address the Salton Sea for the next 30 years.



Kevin E. Kelley
IID General Manager

REASON FOR OPTIMISM

For California's most troubled lake …

For more than a dozen years, the Imperial Valley has waited for Sacramento lawmakers to live up to the state's promise to restore the Salton Sea.

After years of false starts and warnings of disaster to public health, the environment and an impoverished regional economy as the sea's shoreline retreats with no solution in sight, it wasn't until Imperial Irrigation District and Imperial County took a stand in November 2014, seeking to modify the State Water Resources Control Board's 2002 order, that the sea has since become a hotbed of activity.

So much activity occurred in 2015, there is new, real hope on the horizon. Many advocates are now convinced that California is poised to make good on its promise to revitalize the dying lake.

The state's largest lake, of course, is in peril due to water conservation efforts in the Imperial Valley which generate conserved water for Southern California, resulting in less agricultural return flows to the sea. A declining seashore is both an environmental and public health hazard as dry sediment becomes airborne, affecting air quality. Also, a smaller sea means saltier water, potentially making it impossible for fish to reproduce, affecting the viability of the Pacific Flyway.

What makes the pace of the declining sea worse is that in a short amount of time (end of 2017) mitigation water, which has been flowing to the sea since the Quantification Settlement Agreement was reached in 2003, will cease, hastening its decline.

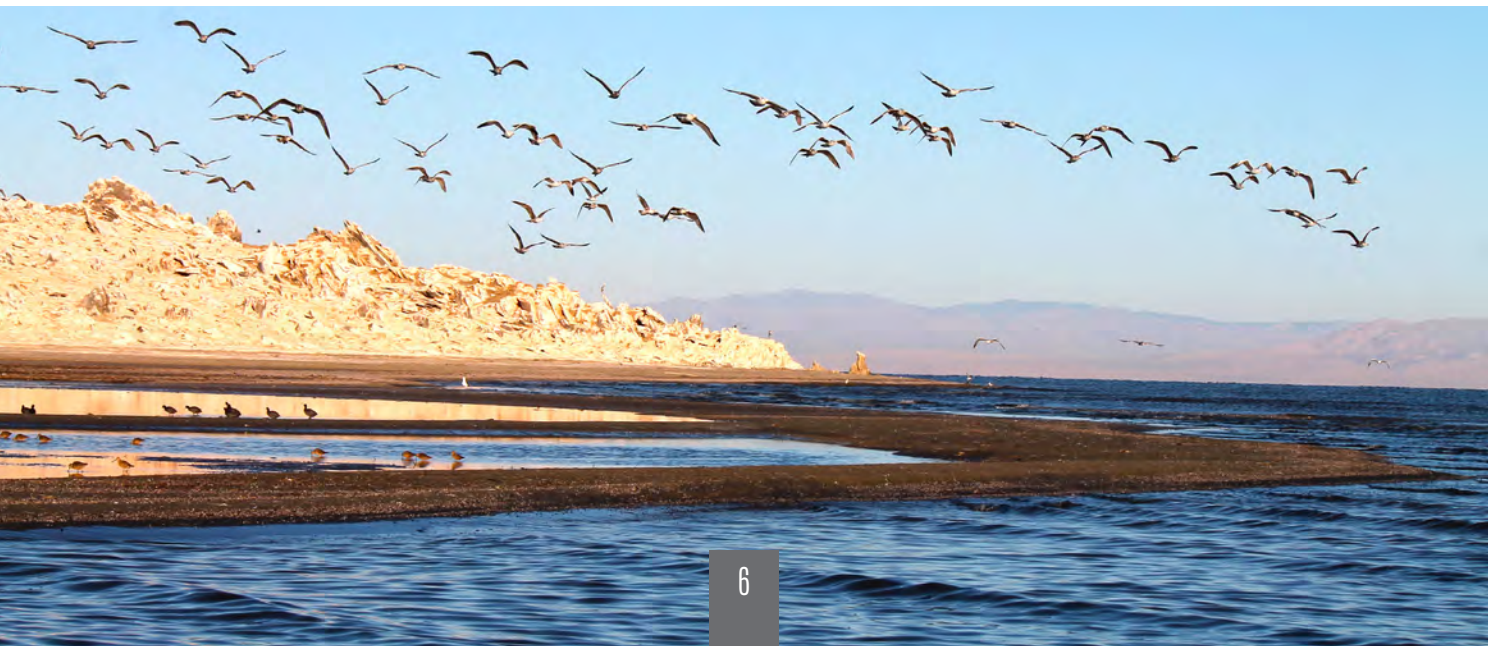
With time being of the essence, there has been more progress, politically and on the ground by all parties involved, including the state of California, IID, Imperial County, U.S. Fish & Wildlife Service, U.S. Bureau of Reclamation – you name it – than ever before.

Many positive steps have been taken of late that there is real hope for restoration, prevention of public health and environmental crisis and for IID to play a role in meeting the state's emerging renewable energy needs.

Yet, there is much to do and time is critical. The district continues to seek cooperation and asks responsible agencies to adopt immediate, comprehensive and long-term measures to protect the region's air quality and wildlife from the impacts of reduced sea elevation, increased salinity and dramatic increases to exposed playa. IID believes this can be accomplished with cooperation and with a focus on tapping the sea's renewable energy resources.

Lawsuit settled. In February, IID and Imperial County settled their legal dispute over the QSA, with the county withdrawing its appeals. This ushered in an era of cooperation and joined the two local public agencies in approaching Sacramento as a united front, raising awareness of the perils of a dying sea and urging state action.

Task force. A month later, Gov. Brown unveiled his 2015-16 budget, which included the formation of a Salton Sea Task Force to develop an action plan to get several long-stalled pilot projects underway. Under the task force, a Salton



Sea Management Program would implement a sustainable habitat and air-quality management and mitigation plan. This is critical for protecting regional air quality and natural resources, maintaining ag-to-urban water conservation transfers to Southern California and for supporting longer-term Colorado River water supply management plans.

Framework. In July, IID and Imperial County released a draft framework document that provides a comprehensive vision and specific actions in support of its Salton Sea Restoration & Renewable Energy Initiative. The initiative is a multiphased approach to sea restoration, bridging the gap between current conditions and longer-range restoration measures. The draft framework document details short-, medium- and long-term implementation plans, calling for a smaller, sustainable sea, and declares the need for $3.15 billion to restore the sea, replacing the state's $9 billion restoration plan that died in the state Legislature.

Leadership. In September, the governor's office named Bruce Wilcox, former IID program manager with expertise in Salton Sea issues, to a newly created position within California's Natural Resources Agency to head up state restoration efforts.

Action. Later in September, the Little Hoover Commission, an independent state watchdog agency, issued a report that urged state officials to "take immediate action at the Salton Sea," warning of a "public health catastrophe" that threatens the Coachella and Imperial valleys.

Projects. In October, Gov. Brown signed Assembly Bill 1095, authored by local representative Eduardo Garcia, that calls for the state's Natural Resources Agency to submit a list of "shovel-ready" restoration projects to the state Legislature by March 31, 2016. Concurrently, Gov. Brown issued Agency Actions to move forward projects to protect the Salton Sea.

Red Hill restoration. Supported by many, the U.S. Fish & Wildlife Service, with IID assistance, broke ground on a first-of-its-kind restoration project at the southern edge of the Salton Sea. The project will create shallow water habitat on up to 600 acres of exposed lakebed, providing habitat for migratory birds and suppressing dust emissions.

Funding. In January 2016, Gov. Brown proposed $80 million to aid the sea. The earmark is more than the state has previously allocated for restoration programs at the lake; it will help build the infrastructure necessary to move agricultural return flows through channels constructed on the exposed shoreline to habitat projects, air quality mitigation locations and other uses.

Backbone support. That same month, the IID Board of Directors, approved a defined scope of work for $500,000 to develop and conceptually design the backbone infrastructure project for sea restoration. The project will initiate the design of the restoration water supply facilities infrastructure while ensuring the protection and continued functionality of IID drainage facilities.

Emerging geo. In March 2016, believing that geothermal energy development has a place at the sea and in the state's toolbox of renewable energies, IID approved a lease agreement in the sea's Known Geothermal Resource Area to explore development of a 250-megawatt geothermal energy plant.

STRIKING A WATER BALANCE

Collaboration during trying times.

Providing more than 95 percent of its water to grow food and fiber for the nation, supporting agriculture and driving local, regional and state economies during the worst droughts in history, Imperial Irrigation District's role in California water matters cannot be overstated.

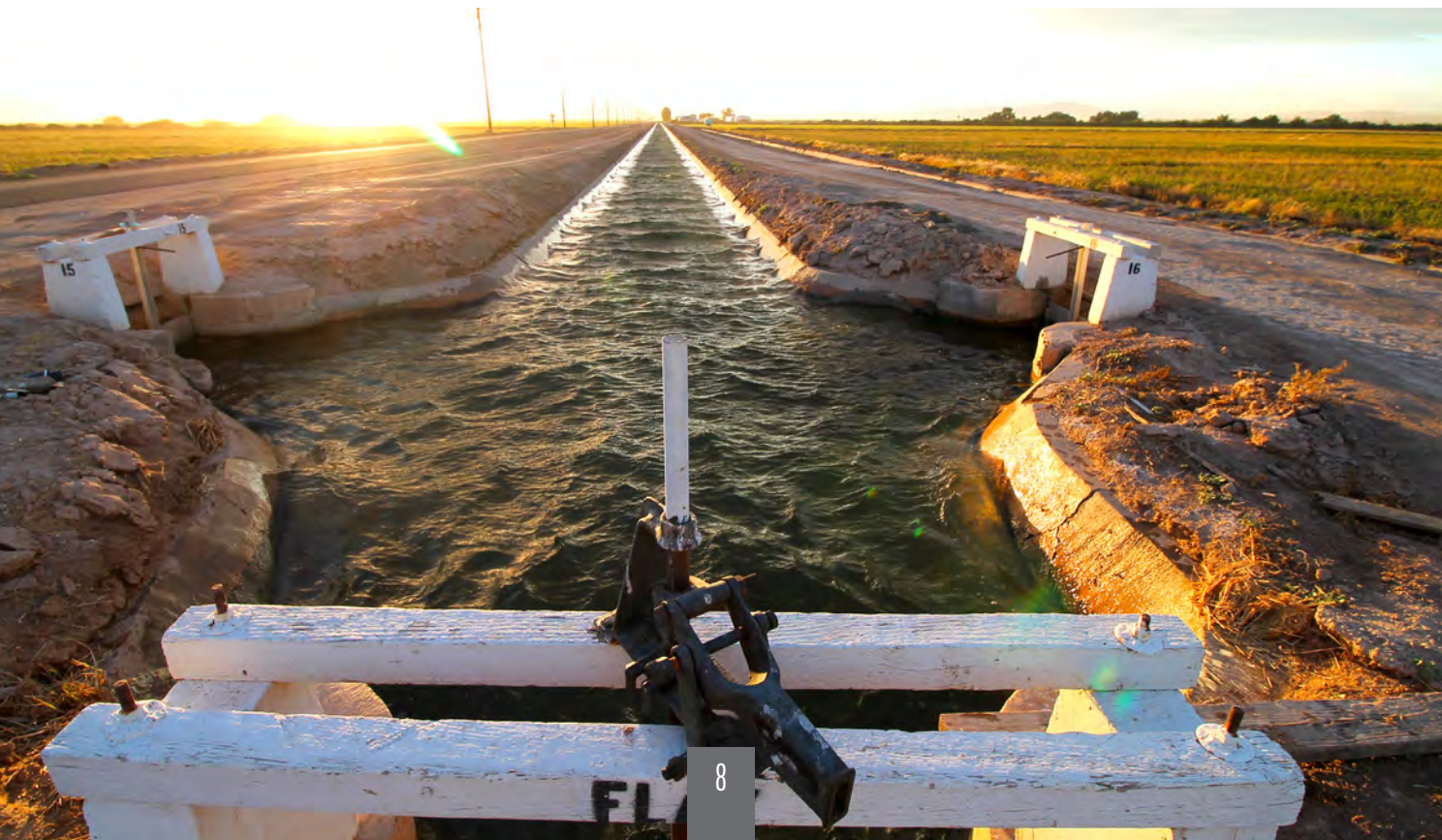
IID has rights to the largest annual entitlement of Colorado River water among the seven Lower Basin states (3.1 million acre-feet), making the district's conservation efforts paramount to maintaining agricultural production and generating conserved water for a Southern California that only seems to be getting drier.

The seven Lower Basin states.

Critical Flexibility

Today, with approximately one quarter of Southern California's freshwater supply coming from the Colorado River for agricultural, urban and environmental purposes, the river is under severe constraints due to an extended drought and population growth.

During the current 16-year drought, water levels at lakes Mead and Powell have significantly dropped and upper basin snowpack has fallen below average, increasing the likelihood that a shortage could be declared on the river in the near term if conditions don't improve.



Compounding the drought on the river is the fact that, in 2015, 38 percent of California was considered to be suffering from "exceptional drought" while 90 percent experienced some levels of drought.

While these conditions make the state's plan to utilize and distribute its Colorado River water supply under the terms of the 2003 Quantification Settlement Agreement even more critical today than it was when the landmark deal was signed, fresh avenues have opened for collaboration.

In addition to its scheduled conservation measures, IID's fallowing program generated an extra 50,000 acre-feet in 2015. Most of this was delivered to the Salton Sea as early mitigation water in support of the water transfer, to cover exposed playa and to address air quality at the sea – a body of water that has received increased attention during the drought and faces a crisis when scheduled mitigation deliveries end after 2017.

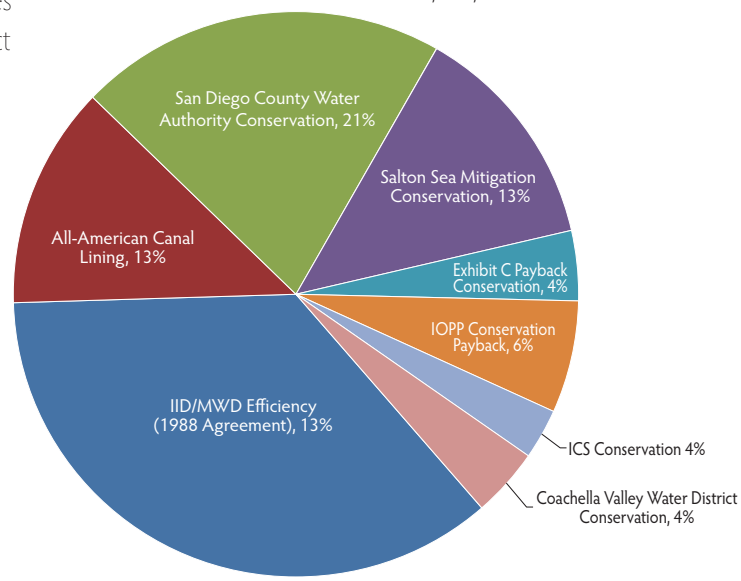
In the spirit of cooperation, the district entered into an agreement with the Metropolitan Water District of Southern California in 2015 to store intentionally created surplus water. The agreement provides more flexibility for IID to bank water created by on-farm conservation measures, helping MWD during the drought and providing operational flexibility for IID.

QSA Conservation

While conserving water has long been practiced by IID and Imperial Valley growers, what continues to evolve is the annual volume of water the district is conserving for transfer to Southern California and as mitigation for the Salton Sea under the QSA. In 2015, IID was on track to conserve 246,000 acre-feet (which includes 110,000 for the sea). This overall conservation target increases to 271,000 acre-feet in 2016, and levels off at 303,000 between years 2025 and 2047.

To generate this volume of water, IID is transitioning from land fallowing to on-farm and system efficiency conservation, aggressively ramping up these methods.

IID QSA CONSERVATION SUMMARY
2003-2015 TOTAL CONSERVATION = 3,767,114 AF



In 2015, there was overwhelming support for the on-farm efficiency conservation program as farmers stepped up, creating more than 40,000 additional acre-feet of conserved water for storage purposes. Growers, who have been helpful in identifying conservation measures, are using more sprinkler, drip irrigation and pumping methods and 12-hour water orders to generate conserved water.

In the system efficiency conservation realm, the district kicked off several capital improvement projects, building a number of interties along major canals and started planning efforts to double its operational reservoir capacity through the development of more system reservoirs. IID carefully manages multiple projects to upgrade the water delivery system to generate conserved water, while, at the same time, providing operational flexibility to growers to boost overall conservation.

Managing Water

In addition to the QSA-related conservation efforts and the generation of 105,000 acre-feet annually for Southern California under the IID-MWD agreement, the district apportions its annual water supply to all its water users to support its Colorado River water management responsibilities.

A water management tool, the district's equitable distribution plan provides flexibility under the system of apportionment to allow agricultural water users to share water through a districtwide clearinghouse to finish crops. As a result, Imperial Valley farming continues to be successful while preventing overruns as the district is assisted by the farming community to meet its conservation goals.

With the end of fallowing and mitigation water to the sea drawing near and the district working on the best ways to update its water delivery system while helping farmers conserve water, IID has begun looking for opportunities to create groundwater storage and construct additional operational reservoirs to support the best management of its river entitlement and provide its water users with broad flexibility.

One thing the droughts have taught us all is that it is more important now than ever for water users to manage this natural resource to the best of our collective ability. IID's vision, therefore, is to do just that through aggressive conservation, upholding the water transfers, supporting a long-term solution to the Salton Sea and continued collaboration with state and Colorado River water users.

Lake Mead

Colorado River

A VISION TO RENEW CALIFORNIA

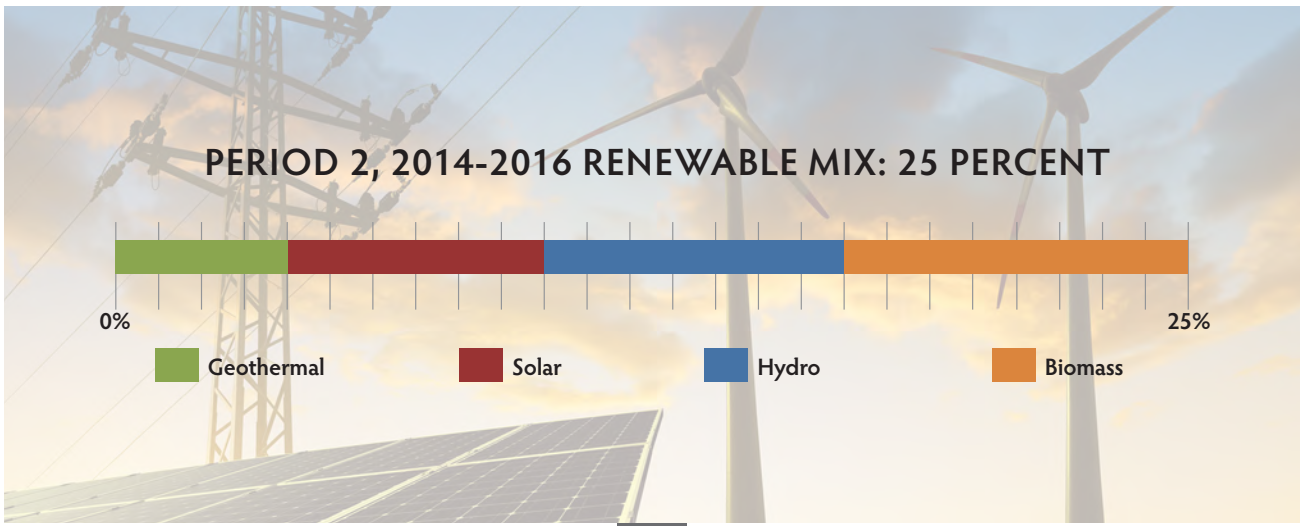
Setting the pace in an ever-changing energy world.

Seated in the heart of the Imperial and Coachella valleys – the renewable energy capital of the world that boasts a projected 42,000 megawatts of renewable energy potential – public power provider Imperial Irrigation District pursues a long-term vision to meet emerging renewable energy needs.

As the third largest public utility in California and one of nine balancing authorities in the state, the district is a powerhouse of renewable energy, owning hydroelectric, solar, biomass and geothermal resources. Additionally, IID has the ability to tap the largest known geothermal reservoir in the nation at the Salton Sea Known Geothermal Resource Area.

Recognizing the district's tremendous value at the local, state and regional level, the Energy Department is working to develop strategic partnerships across the industry and is strengthening its ties with renewable energy developers to move locally generated renewable energy throughout the West.

Over the course of the next several decades, California's renewable requirements will grow. Consensus is building that suggests a number of the renewable energy projects necessary to meet the state's 50 percent renewable portfolio and reduce greenhouse gas emissions mandates should be sited in the IID service area, where the resources are located.



Geothermal and Other Renewables

Among the district's most ambitious energy goals is the Salton Sea Restoration & Renewable Energy Initiative, a plan that calls for developing 1,700 megawatts of new geothermal energy from the Known Geothermal Resource Area located on district, public and private land near the foot of the sea.

It is a creative solution that will help meet renewable energy demands, create jobs, cover the exposed lakebed and reduce harmful dust emissions. The district is committed to furthering the growth of renewable energy development on its lands for utility-scale generation projects, such as geothermal, solar, wind and subsurface mining operations as well as for emerging resources that include algae and solar gradient ponds.

The initiative will first focus on developing enough renewable energy for more than one million homes, providing the state electric grid with a reliable source of renewable energy that is not subject to weather or seasonal fluctuations.

Economic Development

The Energy Department also pursues the strategic directive of supporting economic development in the IID service territory, increasing interconnections and business development efforts. The district is proactively working with business and industry leaders interested in relocating to the IID service area, attracted by its proximity to major markets, availability of a strong labor force, affordable standard of living and a wealth of renewable energy resources. The abundance of green energy gives large, environmentally conscious businesses alternative power supply options and plenty of room for expansion.

To further enhance renewable development, IID provides siting assistance, identification of least cost infrastructure and provides credits toward transmission development to accommodate interconnection to its electric system. The district is also willing to entertain pseudo tie, dynamic scheduling transfer and traditional scheduling options for generators located within the IID balancing authority area and is open to considering diverse market structures.

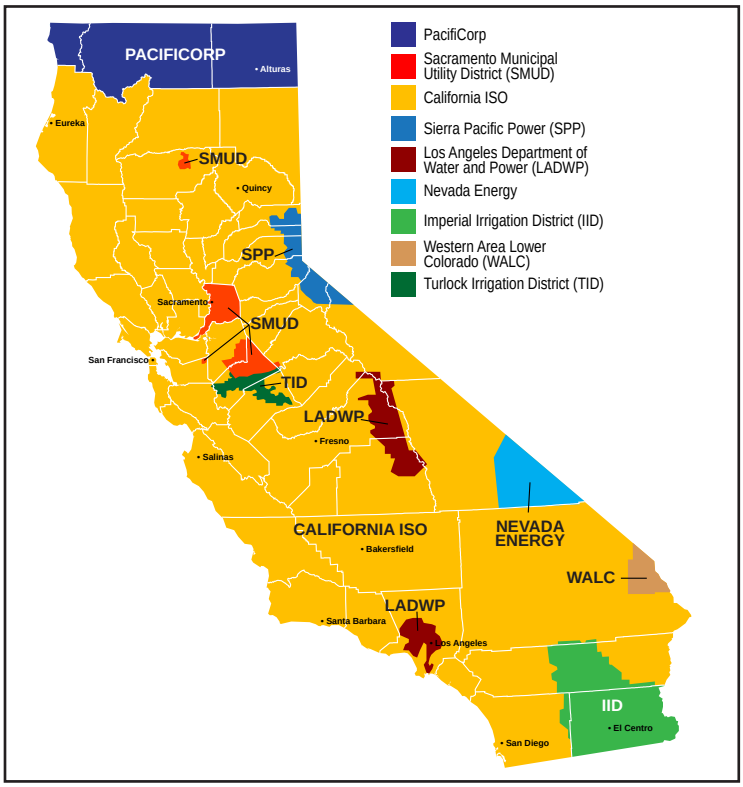
IID is committed to serving as a catalyst for economic development, restructuring internal processes to complete projects and drawing economic development to the Imperial and Coachella valleys. These efforts help preserve and position the district's public power business model, ensure its historically low rates and meet the demands and expectations in an evolving energy landscape.

Electron Superhighway

Because IID is strategically located between Western and neighboring state markets, it is optimally positioned to serve as a transmission corridor for locally generated renewable energy. Creation of additional transmission infrastructure in the IID service area will create a wealth of benefits for a variety of stakeholders.

IID's future transmission plans include the Desert Southwest project (500kV line), the Strategic Transmission Expansion Plan (500kV circuit), Hassayampa-North Gila (500kV line) and a planned direct interconnection with Mexico's Comision Federal de Electricidad by single or multiple intertie points.

Additionally, the district is working with the California Independent System Operator to remove barriers to transmission development. This includes the creation of the Fern Switching Station, a multi-user interconnection facility with a direct connection to CAISO at the Imperial Valley Substation, a facility jointly owned by IID and San Diego Gas & Electric. This facility could serve as a major injection point for renewable energy from the IID service area to the CAISO market.



Balancing authorities in California.

Your Utility At Work

At the end of the day, IID is a publicly owned utility that serves 152,000 energy consumers in the Imperial and Coachella valleys and manages 1,100 megawatts of power during peak generation periods.

The district is governed by a board of directors whose members are elected locally and are ever mindful of their responsibility to the public. Facing escalating costs to provide services to its customers, ensure reliability of the electrical infrastructure, meet state and environmental mandates and preserve its credit rating, in 2015, the IID Board of Directors passed the first electric rate increase in 20 years and redesigned the energy cost adjustment factor. Despite the increase, IID's electric rates continue to remain among the lowest in California.

During 2015, the district also refinanced several long-term electrical system revenue bonds at lower interest rates. This resulted in lower debt service payments and assists in keeping electric rates low.

To further meet customer and regional needs, the district's integrated energy resource plan calls for heavily investing in energy capital projects over the next five years. Many of these needs are driven by IID's commitment to maintain control of its balancing authority in a regulatory environment that has become more stringent.

Projects include a state-of-the-art battery energy storage system to help manage an increase in intermittent renewable energy on the IID grid, the purchase of a solar generating facility, the development of several mini-hydroelectric generators along main canal waterways and major upgrades to the transmission system. This work will result in a stronger system that can reliably serve energy customers while providing the ability to export a greater amount of renewable energy to the Western grid.

Battery energy storage system located next to the IID generation station.

It is a fast-paced, complicated and rapidly-changing energy world today, yet Imperial Irrigation District is moving forward in serving its ratepayers by working to export renewables, attract economic development, address Salton Sea restoration and renewable energy development and provide a means to solve state-wide renewable energy concerns – all key components of the district's long term vision.

FINANCIAL STATEMENTS

Report of Independent Auditors
and Financial Statements for

Imperial Irrigation District

December 31, 2015 and 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To 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, 2015 and 2014 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 and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. 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 District'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 opinions.

REPORT OF INDEPENDENT AUDITORS (continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective individual and combined financial position of Imperial Irrigation District as of December 31, 2015 and 2014, and the individual and combined 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 Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 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 inquiries of management about 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.

Moss Adams LLP

Portland, Oregon
May 31, 2016

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, 2015 and 2014. 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 521,800 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 and is 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 152,725 residential, commercial, and industrial customers.

With a combined work force of approximately 1,361 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 2015, The Imperial Irrigation District operating revenues increased by $13.5 million (2.3%) from 2014 level. The increase in revenue is mainly attributable to the Energy department which had an overall 7.4% increase in energy rates charged to retail customers along with an energy cost adjustment (ECA) formula restructure of its base and renewable portions. Total operating expenses increased by $14.4 million (2.4%) from fiscal year 2014. This increase in expenses is mainly driven by the water department with higher conservation programs of $20.4 million offset by lower fuel and purchase power costs of $6.3 million.

After adding the net decrease of $1.8 million from non-operating revenue, expenses and capital contributions to operating income of $9.4 million, total net position increased by $7.6 million in fiscal year 2015.

During fiscal year 2014, The Imperial Irrigation District's operating revenues decreased by $0.2 million (0.04%) from 2013 level. The decrease in revenue is mainly driven by the Energy department due to a decrease in the Energy cost adjustment offset by an increase in retail sales, water transfer sales and other operating revenues. Total operating expenses decreased by $4.4 million (0.7%) from fiscal year 2013. This decrease in expenses is mainly driven by a reduction of $19.2 million in fuel and purchased power costs due to lower renewable compliance requirement, offset by an increase of $14.8 million attributable to the water department conservation programs and other expenses. After adding the net increase of non-operating revenue - expense and capital contributions for the year of $11.7 million to operating income of $10.3 million, total net position increased by $22 million in fiscal year 2014.

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* presents 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* presents 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 giving rise to the change occurs, 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 actual cash receipts and payments during the year.

The *notes to the financial statements* 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. This accounting method is similar to that followed by for-profit entities. 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 $1,638.8 million and $1,631.2 million as of December 31, 2015 and 2014, respectively. A portion of the District's net position (89.1% and 88.5% as of December 31, 2015 and 2014, respectively) reflects its net investment in capital assets such as 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; consequently, these assets are not available for future spending. 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 be provided by other current sources including rate revenues and cash reserves since the capital assets themselves cannot be used to repay these liabilities.

An additional portion of the District's $71.5 million (4.4%) and $70.8 million (4.3%) as of December 31, 2015 and 2014, respectively, represent resources that are subject to external restrictions on how they may be used. The unrestricted portion of the District's net position $107.6 million (6.6%) and $117.5 million (7.2%) as of December 31, 2015 and 2014, 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, 2015, 2014, and 2013:

	2015	2014	2013	Variance 2014 to 2015
Assets and deferred outflows				
Utility plant, net	$ 1,992,179,636	$ 1,978,028,563	$ 1,953,005,038	1%
Other assets	655,620,268	626,446,448	589,422,917	5%
Total assets and deferred outflows	$ 2,647,799,904	$ 2,604,475,011	$ 2,542,427,955	2%
Liabilities and deferred inflow				
Long-term liabilities	$ 780,035,425	$ 735,189,712	$ 723,644,348	6%
Current liabilities	137,464,560	155,252,362	121,812,140	-11%
Deferred inflow of resources	91,436,118	82,814,398	87,755,967	10%
Total liabilities and deferred inflows	$ 1,008,936,103	$ 973,256,472	$ 933,212,455	4%
Net position				
Net investment in capital assets	$ 1,459,663,116	$ 1,442,852,209	$ 1,449,330,199	1%
Restricted	71,521,016	70,861,481	72,270,887	1%
Unrestricted	107,679,669	117,504,849	87,614,414	-8%
Total net position	$ 1,638,863,801	$ 1,631,218,539	$ 1,609,215,500	0%

Net position – The District's net position increased in both 2015 and 2014 by $7.6 million (0.5%) and $22 million (1.4%), respectively. In fiscal year 2015 the increase in net position was primarily driven by the Energy department with $19.7 million offset by a decrease in Water department of $12.1 million. The main driver on the Energy department is higher retail revenue due to the electric rate increase and restructure of ECA formula, in addition to lower operating expenses primarily on fuel. The decrease in Water department's net position is primarily attributable to higher operating expenses related to conservation programs. Both the ECA restructure and the overall average rate increase of 7.4% in retail electric rates were approved by the board on November 18, 2014, and were effective January 1, 2015.

In fiscal year 2014, the increase in net position was made up by the Energy Department $14.9 million and Water department $7.1 million. The main driver on the Energy department was a decrease in revenue due to a reduction of the ECA rate, offset by lower fuel and purchase power. The Water department net position increase was primarily driven by higher water transfer sales due to a rate increase as well as higher non-operating revenue mainly due to western farm land sales.

Utility plant – Net utility plant increased by $14.1 million (0.7%) during 2015. The change is driven by an asset increase in the Energy Department of $16.3 million which was offset by a reduction in Water Department of $2.2 million. The increase on Energy's utility plant is primarily attributable to the BESS battery storage project in progress, as well as La Quinta L, K & V line restoration which were damaged during a storm. The reduction in Water's utility plant is the result of an increase in depreciation greater than the asset additions mainly attributable to the Imperial Dam upgrade, heavy equipment acquisitions and canal and drainage projects.

Net utility plant increased by $25 million (1.3%) during 2014, the change is mainly driven by an increase in Energy of $33.7 million which was offset by a reduction in Water of $8.6 million. The increase in Energy's utility plant is primarily attributable to the construction of Path 42 230KV and Hassayampa North Gila 500KV, two transmission projects. The reduction in Water's utility plant is the result of an increase in depreciation greater than the asset additions which are mainly canal and drainage projects.

Other assets and deferred outflows of resources – Other assets increased by $29.1 million (4.7%) in 2015. This is driven by higher cash and investments of $32.6 million mainly attributable to the energy department rate increase, plus higher prepaid expenses of $1.3 million. This was offset by reductions in prepaid pension obligations of $2.5 million; net receivables of $1.9 million and loss on refunding of $0.4 million.

Other assets decreased by $37 million (6.3%) in 2014 primarily as a result of increases in cash and investments of $23.9 million most of which are attributable to the water department, net receivables of $13.8 million prepaid expenses of $0.6 million, and inventory of $1.6 million. This was offset by a reduction in prepaid pension obligations of $2.5 million, and loss on refunding of $0.4 million.

Long-term liabilities – Long-term liabilities increased by $44.8 million (6.1%) in 2015. This was mainly driven by the issuance of revenue bonds 2015A&B of $40.2 million used to fund Energy capital projects, accrued other post-employment benefits of $15.3 million, capital leases of $5.5 million, advances and deposits of $0.8 million, other non-current liabilities of $0.5 million and other accrued employee related liabilities of $0.4 million. This increase was offset by annual debt payments on revenue bonds of $14.1 million and self-insurance of $3.8 million.

Long-term liabilities increased by $11.5 million (1.6%) in 2014. The change was driven mainly by increases in accrued other post-employment benefits of $15.5 million, and advances $9.9 million, which are primarily for capital, interconnection and construction projects. This was offset by reductions in annual debt payment of revenue bonds of $11.6 million, pension obligation bonds of $1.9 million, capital leases of $0.2 million and other accrued employee related liabilities of $0.2 million.

Other liabilities and deferred inflows – Other liabilities decreased by $9.2 million (3.9%) during 2015. This was primarily driven by the payoff of commercial paper of $39.5 million used to fund Energy capital projects, regulatory deferral of $16 million, used to offset a portion of applicable power supply costs for 2015 and current portion of self-insurance of $2 million. This was offset by increases in ECA regulatory deferral of $24.6 million, generated by an over collection from the ECA rate restructure, accounts payable of $11.7 million, advances and deposits of $5.1 million, other current liabilities and payables of $4.1 million, combined increase in the current portion of obligation bonds of $1.4 million, and capital leases of $1.4 million.

Other liabilities increased by $28.5 million (13.6%) during 2014. This was primarily driven by increases in commercial paper of $39.5 million used to fund Energy capital projects, as well as a combined increase in the current portion of obligation bonds and certificate of participation of $0.6 million. This was offset by decreases in regulatory deferral of $4.9 million, which was used to offset a portion of ECA applicable power supply costs for 2014, accounts payable $3.3 million, advances and deposits of $1.8 million, capital leases of $0.7 million and other current liabilities of $0.9 million.

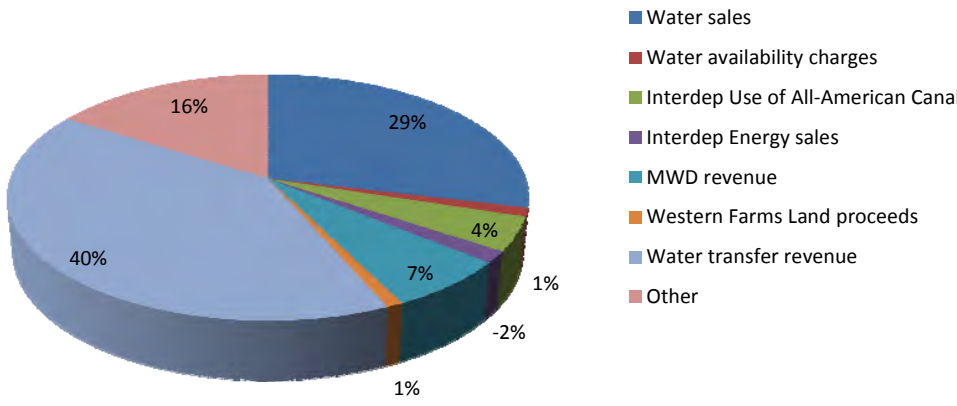
Summary of Operations and Changes in Net Position

Increases in the District's net position for fiscal years 2015, 2014, and 2013 were $7.6 million (0.5%), $22 million (1.4%), and $8 million (0.5%), respectively. The table below summarizes the revenues and expenses of the District for the years 2015, 2014, and 2013.

	2015	2014	2013	Variance 2014 to 2015
Operating revenues				
Water operating revenues	$ 162,689,902	$ 162,525,953	$ 157,625,978	0%
Power operating revenues	452,222,960	438,862,699	443,978,259	3%
Total operating revenues	614,912,862	601,388,652	601,604,237	2%
Operating expenses				
Purchased energy	147,483,624	141,363,317	165,597,603	4%
Cost of fuel	54,672,682	64,016,021	61,366,393	-15%
Other power expenses	139,292,213	142,398,909	140,098,084	-2%
All-American Canal operations	7,148,750	7,272,981	8,149,497	-2%
Operation and maintenance of irrigation systems and dams	142,044,171	121,615,351	108,743,028	17%
General and administrative	22,249,814	21,854,084	20,689,508	2%
Depreciation and amortization	92,586,438	92,541,801	90,874,482	0%
Total operating expenses	605,477,692	591,062,464	595,518,595	2%
Nonoperating revenues (expenses)				
Investment income	3,411,210	5,264,555	(169,094)	-35%
Interest expense	(25,446,476)	(25,323,354)	(25,917,322)	0%
Other income	7,653,357	9,228,601	8,254,477	-17%
Total nonoperating expenses	(14,381,909)	(10,830,198)	(17,831,939)	33%
Capital contributions	12,592,001	22,507,049	19,788,867	-44%
Increase in net position	7,645,262	22,003,039	8,042,570	-65%
Total net position, beginning of year	1,631,218,539	1,609,215,500	1,601,172,930	1%
Total net position, end of year	$ 1,638,863,801	$ 1,631,218,539	$ 1,609,215,500	0%

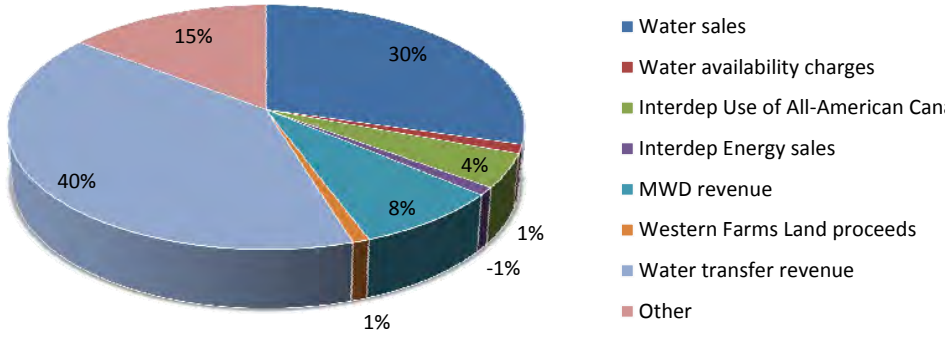
Water revenues – Water revenues increased by $0.16 million (0.1%) in 2015. Changes are attributable to increase of $1.4 million on Water transfer revenue mainly driven by a rate increase from $594 per acre foot in 2014 to $624 per acre foot in 2015; other increases include salton sea mitigation of $2.8 million and local entity of $0.4 million. This was offset by decreases of Metropolitan Water District (MWD) revenue of $2.3 million, Western Farms Land sales of $1 million, volumetric decrease of municipal water sales of $0.7 million and JPA mitigation revenue of $0.5 million.

2015 Revenue Water

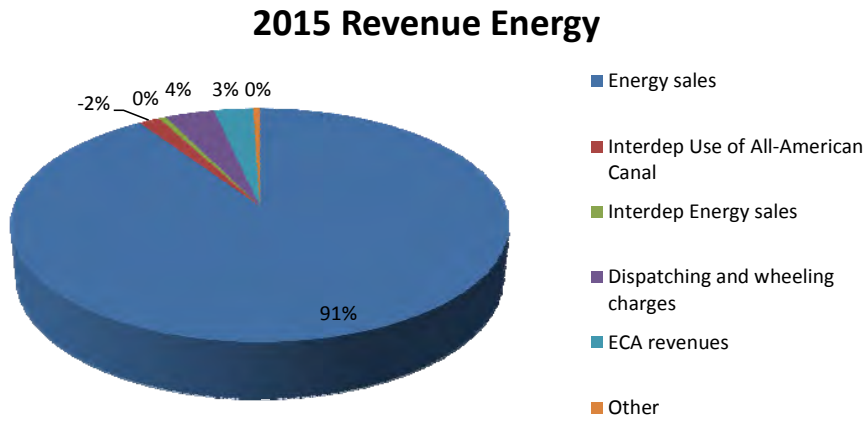


Water revenues increased by $4.9 million (3.1%) in 2014. Changes are attributable to an increase of $5.7 million of Water transfer revenue driven mainly by a rate increase from $540 per acre foot in 2013 to $594 per acre foot in 2014; higher Metropolitan Water District (MWD) revenue $1.2 million, salton sea mitigation $2.7 million, JPA mitigation $2.0 million, as well as a volumetric increase in water sales of $0.3 million, and other revenues of $0.3 million. This was offset by a reduction in municipal water sales of $1.3 million, which was driven by a price reduction from $68 to $20 per acre foot effective March 1st, 2014; other decreases include lower Western Farms Land sales of $2.8 million and Local Entity of $3.2 million.

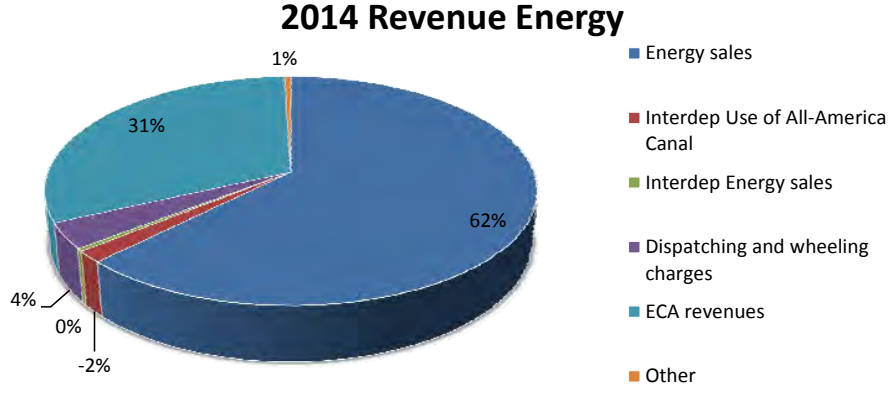
2014 Revenue Water



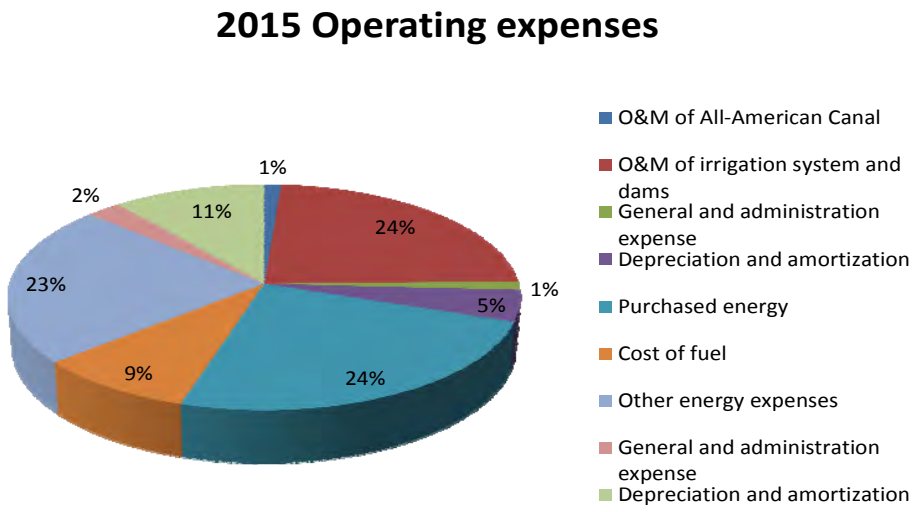
Power revenues – Power revenues increased by $13.4 million (3%) in 2015. This change is driven primarily by the overall 7.4% increase in energy rates along with the Energy Cost Adjustment (ECA) formula restructure of its base and renewable portions. This generated additional retail sales of $31.2 million, as well as an increased revenue recognition from deferred rate stabilization of $11 million, used to offset applicable purchase power and fuel costs; in addition dispatching and wheeling increased by $1 million. These increases were offset by the deferral of ECA over collection revenue of $24.6 million and a volumetric reduction in KWH sales of $5.2 million.



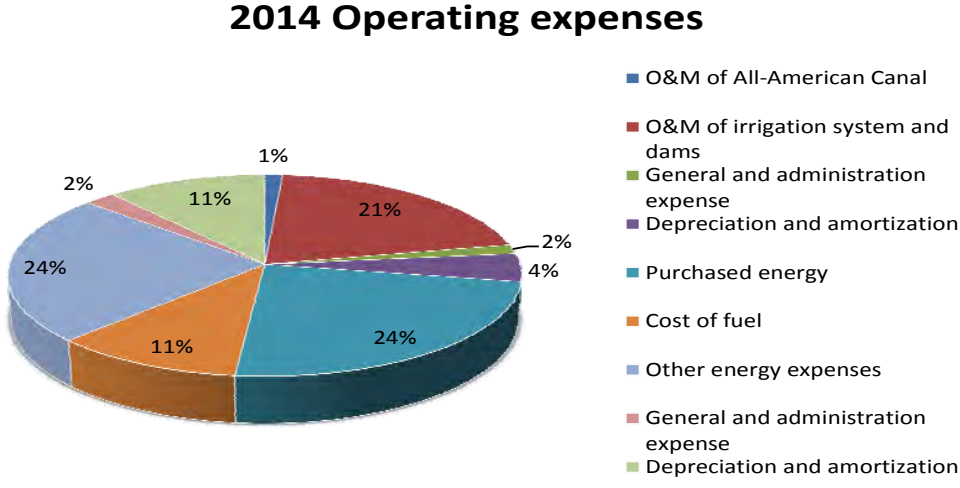
Power revenues decreased by $5.1 million (1.2%) in 2014. This is mainly driven by a decrease in the ECA revenue of $14 million, due to IID being able to recognize less income from deferred revenue due to the ECA rate being higher in 2014 than 2013 as well as lower purchase power and fuel costs. This was offset by an increase in retail energy sales of $6.7 million, dispatching and wheeling of $2 million and other revenues of approximately $0.2 million.



Operating expenses – Operating expenses increased by $14.4 million (2.4%) in 2015. The change is primarily driven by the increase of Water Department conservation programs of $20.4 million, purchased energy of $6.1 million and general and administration expenses of $0.4 million; this was offset by a decrease in natural gas costs of $9.3 million, other energy expenses of $3.1 million and operation and maintenance of All American Canal of $0.1 million.



Operating expenses decreased by $4.5 million (0.7%) in 2014. The change is primarily driven by a reduction in purchased energy of $24.2 million due to a lower requirement on renewable compliance for 2014; which was offset by increases in fuel expenses of $2.6 million, other Energy expenses due to maintenance agreements of $2.3 million, fallowing expenses of $10.7 million, on farm conservation of $3.3 million, and depreciation expense of $1.6 million, as well as a reduction of other expenses of $0.8 million.



Non-operating revenues and expenses – Non-operating expenses net of non-operating revenues increased by $3.5 million (32.8%) in 2015. This is primarily due to the decrease in market value of investments of $2.5 million offset by interest income of $0.7 million, increases in debt interest expense for the year of $0.1 million, and a decrease in other income of $1.6 million mainly due to the disposition of assets, offset by revenues primarily from solar developers for operating and maintenance expenses for irrigation and drainage maintenance as well as analysis and impact fees and lower grant reimbursements.

Non-operating expenses net of non-operating revenues decreased by $7 million (39.3%) in 2014. This is primarily due to the increase in market value on investments of $5.2 million, interest income of $0.2 million, reduction in debt interest payments for the year of $0.6 million as well as an increase to other income of $1 million due to gain in disposition of assets, offset by lower revenues primarily from solar developers for operating and maintenance expenses for irrigation and drainage maintenance as well as analysis and impact fees and lower grant reimbursements.

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 decreased in 2015 by $9.9 million versus an increase in 2014 of $2.7 million. The decrease was driven mainly by lower contributions for Energy developer interconnection fees.

Utility Plant and Debt Administration

	2015	2014	2013
Utility plant, not being depreciated			
Land and land rights	$ 64,628,878	$ 63,685,294	$ 61,632,489
Construction in process	169,256,521	141,171,723	101,427,472
Total utility plant, not being depreciated	233,885,399	204,857,017	163,059,961
Utility plant, being depreciated			
Structures and improvements	148,442,089	145,224,474	125,157,519
Dredges and field equipment	27,255,086	21,139,310	18,966,150
Automobiles and trucks	32,158,875	30,322,740	30,893,281
Other plant equipment	164,175,517	164,650,472	159,355,408
Steam plant equipment	351,444,558	350,764,481	350,130,792
Hydroelectric generating equipment	39,999,106	39,999,106	38,274,039
Gas turbines	132,423,304	132,423,304	132,320,222
Transmission plant	380,104,826	371,431,882	372,010,380
Distribution plant	956,340,323	919,843,459	894,969,377
Roads, railroads, and bridges	4,648,777	4,648,777	3,933,706
Reservoirs and dams	10,835,437	10,706,422	10,589,208
Canals	310,470,978	307,723,826	296,979,281
Drainage	126,731,152	124,518,571	121,621,190
All-American Canal	326,505,858	326,505,858	326,254,965
Total utility plant, being depreciated	3,011,535,886	2,949,902,682	2,881,455,518
Protection of water rights	30,555,094	30,555,094	30,555,094
Less accumulated depreciation	(1,269,186,637)	(1,193,549,126)	(1,109,201,434)
Less accumulated amortization	(14,610,106)	(13,737,104)	(12,864,101)
Total utility plant, being depreciated, net	1,758,294,237	1,773,171,546	1,789,945,077
Utility plant, net	$ 1,992,179,636	$ 1,978,028,563	$ 1,953,005,038

Utility plant – Net utility plant increased by $14.1 million (0.7%) in 2015 and increased by $25 million (1.3%) in 2014. The increase is primarily attributable to the BESS battery storage project, La Quinta L, K & V line restoration, as well as an increase in heavy equipment purchases. This was offset by increased depreciation attributable to the capitalization of the SOC Backup control, heavy equipment acquisitions and canal and drainage projects.

Additional information on the District's utility plant assets may 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:

	2015	2014	2013
Revenue bonds	$ 531,306,467	$ 501,864,060	$ 512,957,635
Capital leases	7,138,283	184,751	1,043,544
Pension obligation bonds	56,743,471	58,663,370	60,468,268
Total long term debt	$ 595,188,221	$ 560,712,181	$ 574,469,447

The District's total debt, including both the current and long-term portion, increased by $34.4 million in 2015. This is mainly due to the issuance of revenue bonds 2015 A&B of $40.2 million for Energy Department capital projects. In addition, there was an increase in capital leases for the Water Department of $5.6 million, which was offset by an overall annual debt service payment of $12.7 million.

The District's total debt, including both the current and long-term portion, decreased by $13.8 million in 2014, mainly due to the annual debt service payment of $12.9 million as well as a capital lease reduction of $0.9 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.

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IMPERIAL IRRIGATION DISTRICT
STATEMENTS OF NET POSITION

	As of December 31, 2015			As of December 31, 2014		
	Water	Energy	Total	Water	Energy	Total
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
CURRENT ASSETS						
Cash and cash equivalents						
Unrestricted	$ 23,751,359	$ 23,744,483	$ 47,495,842	$ 39,083,132	$ 24,962,710	$ 64,045,842
Restricted	17,688,965	6,419,824	24,108,789	17,711,646	8,295,802	26,007,448
Total cash and cash equivalents	41,440,324	30,164,307	71,604,631	56,794,778	33,258,512	90,053,290
Investments – current (See Note 2)	54,271,933	24,838,485	79,110,418	62,662,522	50,282,548	112,945,070
Receivables						
Trade	7,160,669	37,718,954	44,879,623	7,041,613	36,425,779	43,467,392
Interest	892,687	967,528	1,860,215	786,852	672,401	1,459,253
Other	10,034,425	6,763,017	16,797,442	11,996,277	8,579,590	20,575,867
Total receivables	18,087,781	45,449,499	63,537,280	19,824,742	45,677,770	65,502,512
Less allowance for doubtful accounts	(347,136)	(3,617,262)	(3,964,398)	(365,420)	(3,614,548)	(3,979,968)
Net receivables	17,740,645	41,832,237	59,572,882	19,459,322	42,063,222	61,522,544
Inventory	939,308	18,405,249	19,344,557	917,750	18,369,341	19,287,091
Prepaid expenses	3,213,293	3,275,301	6,488,594	3,008,746	2,149,949	5,158,695
Total current assets	117,605,503	118,515,579	236,121,082	142,843,118	146,123,572	288,966,690
NONCURRENT ASSETS						
Utility plant						
Utility plant, not being depreciated						
Land and land rights	46,520,949	18,107,929	64,628,878	45,583,988	18,101,306	63,685,294
Construction in process	23,302,666	145,953,855	169,256,521	12,047,874	129,123,849	141,171,723
Utility plant, being depreciated	848,675,239	2,162,860,647	3,011,535,886	839,786,317	2,110,116,365	2,949,902,682
Protection of water rights	30,555,094	-	30,555,094	30,555,094	-	30,555,094
Total utility plant	949,053,948	2,326,922,431	3,275,976,379	927,973,273	2,257,341,520	3,185,314,793
Less accumulated depreciation	(305,699,259)	(963,487,378)	(1,269,186,637)	(283,253,006)	(910,296,120)	(1,193,549,126)
Less accumulated amortization	(14,610,106)	-	(14,610,106)	(13,737,104)		(13,737,104)
Total utility plant, net	628,744,583	1,363,435,053	1,992,179,636	630,983,163	1,347,045,400	1,978,028,563
Investments – long-term (see Note 2)	124,430,612	250,936,853	375,367,465	101,410,840	189,028,853	290,439,693
Other assets						
Prepaid pension obligation	18,535,880	19,667,610	38,203,490	19,730,978	20,936,631	40,667,609
Total other assets	18,535,880	19,667,610	38,203,490	19,730,978	20,936,631	40,667,609
Total noncurrent assets	771,711,075	1,634,039,516	2,405,750,591	752,124,981	1,557,010,884	2,309,135,865
DEFERRED OUTFLOW OF RESOURCES						
Loss on refunding	-	5,928,231	5,928,231	-	6,372,456	6,372,456
Total assets and deferred outflow of resources	$ 889,316,578	$ 1,758,483,326	$ 2,647,799,904	$ 894,968,099	$ 1,709,506,912	$ 2,604,475,011

See accompanying notes.

IMPERIAL IRRIGATION DISTRICT
STATEMENTS OF NET POSITION

	As of December 31, 2015			As of December 31, 2014		
	Water	Energy	Total	Water	Energy	Total
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Payable from unrestricted assets						
Accounts payable	$ 21,617,907	$ 30,001,777	$ 51,619,684	$ 17,627,192	$ 22,319,569	$ 39,946,761
Accrued interest payable	958,058	5,388,879	6,346,937	988,401	5,235,300	6,223,701
Accrued compensation and payroll taxes	2,459,274	2,192,084	4,651,358	2,032,109	1,598,421	3,630,530
Accrued vacation and sick leave	1,835,739	1,588,363	3,424,102	1,623,220	1,558,291	3,181,511
Self-insurance	1,460,168	2,713,678	4,173,846	3,313,695	2,913,326	6,227,021
Capital leases – current portion	1,217,101	400,648	1,617,749	121,425	49,110	170,535
Total payable from nonrestricted assets	29,548,247	42,285,429	71,833,676	25,706,042	33,674,017	59,380,059
Liabilities payable from restricted assets:						
Obligation bonds – current portion	994,250	1,055,750	2,050,000	933,625	991,375	1,925,000
Revenue bonds – current portion	-	12,195,000	12,195,000	-	10,875,000	10,875,000
Commercial paper	-	-	-	-	39,500,000	39,500,000
Advances and deposits from customers	1,181,779	26,138,287	27,320,066	2,249,047	19,990,379	22,239,426
Total liabilities payable from restricted assets	2,176,029	39,389,037	41,565,066	3,182,672	71,356,754	74,539,426
Water availability charges	1,823,990	-	1,823,990	1,830,053	-	1,830,053
Other current liabilities	21,205,525	1,036,303	22,241,828	19,453,461	49,363	19,502,824
Total current liabilities	54,753,791	82,710,769	137,464,560	50,172,228	105,080,134	155,252,362
NONCURRENT LIABILITIES						
Long-term debt						
Revenue bonds	-	519,111,467	519,111,467	-	490,989,060	490,989,060
Obligation bonds payable	26,526,333	28,167,138	54,693,471	27,518,109	29,220,261	56,738,370
Capital leases	4,482,486	1,038,048	5,520,534	14,216	-	14,216
Total long-term debt	31,008,819	548,316,653	579,325,472	27,532,325	520,209,321	547,741,646
Other noncurrent liabilities						
Advances	37,553,248	22,654,168	60,207,416	41,670,941	17,773,990	59,444,931
Other post employment benefits	43,830,030	75,789,455	119,619,485	37,887,239	66,350,603	104,237,842
Accrued vacation and sick leave, noncurrent portion	5,797,449	6,787,514	12,584,963	5,771,595	6,429,230	12,200,825
Self-insurance	2,711,740	5,039,687	7,751,427	6,154,005	5,410,463	11,564,468
Other noncurrent liabilities	-	546,662	546,662	-	-	-
Total other noncurrent liabilities	89,892,467	110,817,486	200,709,953	91,483,780	95,964,286	187,448,066
Total noncurrent liabilities	120,901,286	659,134,139	780,035,425	119,016,105	616,173,607	735,189,712
Total liabilities	175,655,077	741,844,908	917,499,985	169,188,333	721,253,741	890,442,074
DEFERRED INFLOW OF RESOURCES						
ECA regulatory deferral	-	24,621,720	24,621,720	-	-	-
Regulatory deferral	-	66,814,398	66,814,398	-	82,814,398	82,814,398
Total deferred inflows	-	91,436,118	91,436,118	-	82,814,398	82,814,398
NET POSITION						
Net investment in capital assets	623,044,995	836,618,121	1,459,663,116	630,847,524	812,004,685	1,442,852,209
Restricted	35,309,242	36,211,774	71,521,016	32,685,934	38,175,547	70,861,481
Unrestricted	55,307,264	52,372,405	107,679,669	62,246,308	55,258,541	117,504,849
Total net position	713,661,501	925,202,300	1,638,863,801	725,779,766	905,438,773	1,631,218,539
Total liabilities, deferred inflow of resources, and net position	$ 889,316,578	$ 1,758,483,326	$ 2,647,799,904	$ 894,968,099	$ 1,709,506,912	$ 2,604,475,011

See accompanying notes.

IMPERIAL IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Water	Energy	Total	Water	Energy	Total
OPERATING REVENUE						
Energy sales						
Energy revenues	$ -	$ 423,423,378	$ 423,423,378	$ -	$ 283,115,979	$ 283,115,979
ECA revenues	-	13,919,446	13,919,446	-	142,830,003	142,830,003
Total energy sales	-	437,342,824	437,342,824	-	425,945,982	425,945,982
Water sales	48,251,499	-	48,251,499	48,950,607	-	48,950,607
Water availability charges	1,925,306	-	1,925,306	1,922,305	-	1,922,305
Interdepartmental charges:						
Use of All-American Canal	7,486,200	(7,486,200)	-	7,458,300	(7,458,300)	-
Energy sales	(2,596,938)	2,596,938	-	(1,700,984)	1,700,984	-
Dispatching and wheeling charges	-	17,446,870	17,446,870	-	16,404,932	16,404,932
Water funds						
MWD revenue	11,241,494	-	11,241,494	13,549,001	-	13,549,001
Western Farms Land proceeds	1,490,891	-	1,490,891	1,537,187	-	1,537,187
Water transfer revenue	68,043,480	-	68,043,480	66,648,740	-	66,648,740
Other	26,847,970	2,322,528	29,170,498	24,160,797	2,269,101	26,429,898
Total operating revenue	162,689,902	452,222,960	614,912,862	162,525,953	438,862,699	601,388,652
OPERATING EXPENSE						
Purchased energy	-	147,483,624	147,483,624	-	141,363,317	141,363,317
Cost of fuel	-	54,672,682	54,672,682	-	64,016,021	64,016,021
Other energy expenses	-	139,292,213	139,292,213	-	142,398,909	142,398,909
Operation and maintenance of All-American Canal	7,148,750	-	7,148,750	7,272,981	-	7,272,981
Operation and maintenance of irrigation system and dams	142,044,171	-	142,044,171	121,615,351	-	121,615,351
General and administration expense	7,372,420	14,877,394	22,249,814	8,791,792	13,062,292	21,854,084
Depreciation and amortization	27,098,545	65,487,893	92,586,438	26,324,725	66,217,076	92,541,801
Total operating expense	183,663,886	421,813,806	605,477,692	164,004,849	427,057,615	591,062,464
Operating income (loss)	(20,973,984)	30,409,154	9,435,170	(1,478,896)	11,805,084	10,326,188
NONOPERATING REVENUES (EXPENSES)						
Investment income	1,260,627	2,150,583	3,411,210	1,981,802	3,282,753	5,264,555
Interest expense	(47,834)	(25,398,642)	(25,446,476)	(37,220)	(25,286,134)	(25,323,354)
Other income	5,477,226	2,176,131	7,653,357	4,921,012	4,307,589	9,228,601
Total nonoperating revenue (expense)	6,690,019	(21,071,928)	(14,381,909)	6,865,594	(17,695,792)	(10,830,198)
Income (loss) before capital contributions	(14,283,965)	9,337,226	(4,946,739)	5,386,698	(5,890,708)	(504,010)
CAPITAL CONTRIBUTIONS	2,165,700	10,426,301	12,592,001	1,690,293	20,816,756	22,507,049
Increase (decrease) in net position	(12,118,265)	19,763,527	7,645,262	7,076,991	14,926,048	22,003,039
NET POSITION, beginning of year	725,779,766	905,438,773	1,631,218,539	718,702,775	890,512,725	1,609,215,500
NET POSITION, end of year	$ 713,661,501	$ 925,202,300	$ 1,638,863,801	$ 725,779,766	$ 905,438,773	$ 1,631,218,539

See accompanying notes.

IMPERIAL IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Water	Energy	Total	Water	Energy	Total
CASH FLOW FROM OPERATING ACTIVITIES						
Cash received from customers	$ 155,254,401	$ 478,275,080	$ 633,529,481	$ 153,706,846	$ 434,342,578	$ 588,049,424
Cash paid to employees and suppliers	(7,372,420)	(14,877,394)	(22,249,814)	(8,791,792)	(13,062,292)	(21,854,084)
Cash received(paid) for interdepartmental services	4,889,262	(4,889,262)	-	5,757,316	(5,757,316)	-
Cash paid for energy and water costs	(144,115,774)	(324,530,462)	(468,646,236)	(118,994,990)	(347,831,195)	(466,826,185)
Net cash from operating activities	8,655,469	133,977,962	142,633,431	31,677,380	67,691,775	99,369,155
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
Other non-operating income	5,477,226	2,176,131	7,653,357	4,921,012	4,307,589	9,228,601
CASH FLOW FROM CAPITAL AND RELATED FINANCING						
Proceeds from issuance of commercial paper	-	(39,500,000)	(39,500,000)	-	39,500,000	39,500,000
Principal payments on long-term debt	4,632,795	29,843,245	34,476,040	(1,206,807)	(12,550,459)	(13,757,266)
Interest paid on long-term debt	1,116,921	(23,531,817)	(22,414,896)	1,129,347	(23,687,449)	(22,558,102)
Capital expenditures	(25,203,174)	(81,877,547)	(107,080,721)	(18,577,557)	(99,888,013)	(118,465,570)
Sale of capital assets	1,275,000	-	1,275,000	2,845,000	-	2,845,000
Capital contributions	2,165,700	10,426,301	12,592,001	1,690,293	20,816,756	22,507,049
Net cash from capital and related financing activities	(16,012,758)	(104,639,818)	(120,652,576)	(14,119,724)	(75,809,165)	(89,928,889)
CASH FLOW FROM INVESTING ACTIVITIES						
Interest received	1,154,792	1,855,456	3,010,248	1,888,838	3,332,592	5,221,430
Sales of investments	184,488,672	153,662,789	338,151,461	54,864,649	78,767,779	133,632,428
Purchase of investments	(199,117,855)	(190,126,725)	(389,244,580)	(68,107,403)	(59,183,402)	(127,290,805)
Net cash from investing activities	(13,474,391)	(34,608,480)	(48,082,871)	(11,353,916)	22,916,969	11,563,053
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,354,454)	(3,094,205)	(18,448,659)	11,124,752	19,107,168	30,231,920
CASH AND CASH EQUIVALENTS, beginning of year	56,794,778	33,258,512	90,053,290	45,670,026	14,151,344	59,821,370
CASH AND CASH EQUIVALENTS, end of the year	$ 41,440,324	$ 30,164,307	$ 71,604,631	$ 56,794,778	$ 33,258,512	$ 90,053,290

See accompanying notes.

IMPERIAL IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Water	Energy	Total	Water	Energy	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Operating (loss) income	$ (20,973,984)	$ 30,409,154	$ 9,435,170	$ (1,478,896)	$ 11,805,084	$ 10,326,188
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Provision for depreciation and amortization	27,098,545	65,487,893	92,586,438	26,324,725	66,217,076	92,541,801
Other post-employment benefits expense	5,942,791	9,438,852	15,381,643	5,873,011	9,629,874	15,502,885
Cost of land sales included in operating income	343,209	-	343,209	900,244	-	900,244
(Increase) decrease in assets and increase (decrease) in liabilities:						
Trade accounts receivable, net	(137,340)	(1,290,461)	(1,427,801)	(8,864)	(8,108,808)	(8,117,672)
Other receivables	1,961,852	1,816,573	3,778,425	(2,484,459)	(3,122,596)	(5,607,055)
Inventories	(21,558)	(35,908)	(57,466)	329,320	(2,022,773)	(1,693,453)
Prepaid expenses	(204,547)	(1,125,352)	(1,329,899)	(1,443,202)	862,929	(580,273)
Accounts payable	3,990,715	7,682,208	11,672,923	2,336,378	(5,670,913)	(3,334,535)
Accrued compensation and payroll taxes	427,165	593,663	1,020,828	(78,090)	95,215	17,125
Accrued compensated absences	238,373	388,356	626,729	543,331	78,557	621,888
Self-insurance	(5,295,792)	(570,424)	(5,866,216)	2,332,594	(3,025,837)	(693,243)
Other non current liabilities	-	546,662	546,662	-	-	-
Advances and deposits from customers	(5,184,961)	11,028,086	5,843,125	1,190,347	6,925,137	8,115,484
Water availability charges	(6,063)	-	(6,063)	(9,353)	-	(9,353)
ECA regulatory deferral		24,621,720	24,621,720	-	-	-
Other current liabilities	1,752,064	986,940	2,739,004	195,294	(1,029,601)	(834,307)
Regulatory deferral	-	(16,000,000)	(16,000,000)	-	(4,941,569)	(4,941,569)
Sale of assets included in operating income (loss)	(1,275,000)	-	(1,275,000)	(2,845,000)	-	(2,845,000)
Total adjustments	29,629,453	103,568,808	133,198,261	33,156,276	55,886,691	89,042,967
NET CASH FROM OPERATING ACTIVITIES	$ 8,655,469	$ 133,977,962	$ 142,633,431	$ 31,677,380	$ 67,691,775	$ 99,369,155

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 6,471 square miles for power. In connection therewith, 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, and biomass to its energy portfolio. The District's energy system serves over 152,725 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 interdepartmental 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Net position – *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 and water rights (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 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 Statement 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.

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 $873,003 for the years ended December 31, 2015 and 2014.

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.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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, and All American Canal lining for San Luis Rey and SDCWA. Energy Department restricted funds include amounts received through the Public Benefit Charge (PBC), customer deposits and advances, Energy Costs Adjustment and Rate Stabilization 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 were recognized as increases or decreases in fair value of investments in prior years. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 Statement 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 Statement 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, 2015 the regulatory liability fund balance is $66.8 million. The maximum board approved limit for the regulatory liability fund balance is $100 million; $16 million was used to offset applicable power supply costs in the current year.

Energy Cost Adjustment (ECA) regulatory deferral: In 2014 the ECA Factor and energy base rate were reviewed as part of a comprehensive retail electric cost-of-service. As a result of this, the ECA formula was restructured based on industry standards, to allow changes to fixed and variable power supply costs to be recovered from a pass-through rate. The shifting of power supply costs from the ECA Factor to retail energy rates allowed the District to reset the ECA factor to zero to enable a recovery of energy costs and respond quickly to any changes out of the utility's control. In addition a new ECA Renewable (ECA-R) factor formula was adopted to capture the incremental cost difference between the total cost of meeting renewable portfolio standards and the cost of fuel and purchase power without meeting those standards. This generated a separate ECA rate schedule with a recalculated ECA-R component of $0.0067/kWh. Both the ECA restructure and the overall average rate increase of 7.4% in retail electric rates were approved by the board on November 18, 2014, and were effective January 1, 2015. Starting in 2016, the ECA factor and ECA-R Factor will begin to fluctuate based on twelve month actual rolling average costs and sales.

The restructured ECA includes fuel and purchase power and other related costs and revenues from wholesale and retail energy. The ECA-R includes the incremental cost of renewable energy to be offset by greenhouse gas allowance revenues. As a result of the twelve month rolling average calculation, the actual ECA renewable and non-renewable costs generated an over-collected amount of $24.6 million. The balance of the ECA regulatory deferral as of December 31, 2015 was $24.6 million. The board approved the use of this over-collected amount during 2016 to lower the ECA and ECA-R billing factors.

Note 1 – Summary of Significant Accounting Policies (continued)

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 Refundings of Debt Reported by Proprietary Activities, losses on debt refundings 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.

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.

Note 2 – Cash and Investments

Cash and investments as of December 31, 2015 and 2014 are classified in the accompanying financial statements as follows:

	2015	2014
Cash and cash equivalents – unrestricted	$ 47,495,842	$ 64,045,842
Cash and cash equivalents – restricted	24,108,789	26,007,448
	71,604,631	90,053,290
Investments – current	79,110,418	112,945,070
Investments – long term	375,367,465	290,439,693
	454,477,883	403,384,763
Total cash and investments	$ 526,082,514	$ 493,438,053

Cash and investments as of December 31, 2015 and 2014 consist of the following:

	2015	2014
Cash on hand	$ 9,510	$ 9,410
Deposits with financial institutions ($8,372,133 and $5,346,477 at fiscal agents, respectively)	71,595,121	90,043,880
Investments ($30,968,766 and $32,756,613 at fiscal agents, respectively)	454,477,883	403,384,763
Total cash and investments	$ 526,082,514	$ 493,438,053

Note 2 – Cash and Investments (continued)

Investments authorized by the California Government Code and the Imperial Irrigation District's investment policy – 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	2015	2014	2015	2014
Unrestricted	$ 120,394,932	$ 103,257,060	$ 99,310,186	$ 82,626,213
Restricted – other	58,307,613	60,816,302	85,029,034	73,870,790
Restricted – ECA Overcollection	-	-	24,621,720	-
Restricted – rate stabilization fund	-	-	66,814,398	82,814,398
Total	$ 178,702,545	$ 164,073,362	$ 275,775,338	$ 239,311,401
Investments – current	$ 54,271,933	$ 62,662,522	$ 24,838,485	$ 50,282,548
Investments – long-term	$ 124,430,612	$ 101,410,840	$ 250,936,853	$ 189,028,853

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, 2015, 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	$ 130,534,033	$ 27,954,660	$ 102,579,373	$ -
U.S. Agency securities	270,036,309	18,533,181	251,503,128	-
Certificates of deposit	17,546,746	5,405,123	12,141,623	-
Corporate medium-term notes	2,993,457	-	2,993,457	-
Municipal bonds	33,367,338	27,217,454	6,149,884	-
Total	$ 454,477,883	$ 79,110,418	$ 375,367,465	$ -

As of December 31, 2014, 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	$ 108,987,346	$ 74,856,110	$ 34,131,236	$ -
U.S. Agency securities	248,965,312	8,091,672	240,873,640	-
Certificates of deposit	12,027,631	5,889,814	6,137,817	-
Municipal bonds	33,404,474	24,107,474	9,297,000	-
Total	$ 403,384,763	$ 112,945,070	$ 290,439,693	$ -

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, 2015 are as follows:

Investment Type	Market Value	Min Rating	Not Rated	Credit Rating as of Year End Aaa/AAA	Aa/AA	A	B	Not Rated
U.S. Treasury obligations	$ 130,534,033	N/A	$ -	$ 130,534,033	$ -	$ -	$ -	$ -
U.S. Agency securities	270,036,309	N/A	-	270,036,309	-	-	-	-
Certificates of deposit	17,546,746	N/A	17,546,746	-	-	-	-	-
Corporate medium-term notes	2,993,457	A	-	2,993,457	-	-	-	-
Municipal bonds	33,367,338	A	-	4,311,758	28,522,467	533,113	-	-
	$ 454,477,883		$ 17,546,746	$ 407,875,557	$ 28,522,467	$ 533,113	$ -	$ -

Note 2 – Cash and Investments (continued)

Investments and their associated credit ratings at December 31, 2014 are as follows:

Investment Type	Market Value	Min Rating	Not Rated	Credit Rating as of Year End				
				Aaa/AAA	Aa/AA	A	B	Not Rated
U.S. Treasury obligations	$ 108,987,346	N/A	$ -	$ 108,987,346	$ -	$ -	$ -	$ -
U.S. Agency securities	248,965,312	N/A	-	248,965,312	-	-	-	-
Certificates of deposit	12,027,631	N/A	12,027,631	-	-	-	-	-
Municipal bonds	33,404,474	A	-	1,266,593	31,860,634	277,247	-	-
	$ 403,384,763		$ 12,027,631	$ 359,219,251	$ 31,860,634	$ 277,247	$ -	$ -

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 Statement 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, 2015:

Issuer	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association – FNMA	Federal Agency	$ 78,929,491	15.0%
Federal Home Loan Banks – FHLBanks	Federal Agency	$ 30,157,207	5.7%
Federal Home Loan Mortgage Corp. – FHLMC	Federal Agency	$ 84,242,688	16.0%
Federal Farm Credit Bank – FFCB	Federal Agency	$ 70,213,181	13.3%
U. S. Treasury Notes	Treasury	$ 130,534,033	24.8%

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, 2015 and 2014, 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.

Note 3 – Utility Plant

Utility plant is comprised of the following at December 31, 2015:

Water	January 1, 2015	Additions	Retirements	Transfers	December 31, 2015
Utility plant, not being depreciated					
Land and land rights	$ 45,583,988	$ 1,280,170	$ (343,209)	$ -	$ 46,520,949
Construction in process	12,047,874	11,900,047	-	(645,255)	23,302,666
Total utility plant, not being depreciated	57,631,862	13,180,217	(343,209)	(645,255)	69,823,615
Utility plant, being depreciated					
Structures and improvements	12,993,467	246,885	(283,954)	-	12,956,398
Canals	307,723,826	2,560,696	-	186,456	310,470,978
Drainage	124,518,571	1,753,782	-	458,799	126,731,152
All-American Canal	326,505,858	-	-	-	326,505,858
Dredges and field equipment	14,745,092	6,802,868	(1,267,906)	-	20,280,054
Automobiles and trucks	11,938,036	800,140	(289,372)	-	12,448,804
Other plant equipment	29,825,748	733,938	(2,942,425)	-	27,617,261
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	6,886,942	129,015	-	-	7,015,957
Total utility plant, being depreciated	839,786,317	13,027,324	(4,783,657)	645,255	848,675,239
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(283,253,006)	(26,225,542)	3,779,289	-	(305,699,259)
Less accumulated amortization water rights	(13,737,104)	(873,002)	-	-	(14,610,106)
Total utility plant, being depreciated, net	573,351,301	(14,071,220)	(1,004,368)	645,255	558,920,968
Utility plant, net	$ 630,983,163	$ (891,003)	$ (1,347,577)	$ -	$ 628,744,583

Note 3 – Utility Plant (continued)

Energy	January 1, 2015	Additions	Retirements	Transfers	December 31, 2015
Utility plant, not being depreciated					
Land and land rights	$ 18,101,306	$ 6,623	$ -	$ -	$ 18,107,929
Construction in process	129,123,849	45,945,320	-	(29,115,314)	145,953,855
Total utility plant, not being depreciated	147,225,155	45,951,943	-	(29,115,314)	164,061,784
Utility plant, being depreciated					
Structures and improvements	132,231,007	568,144	(148,539)	2,835,079	135,485,691
Dredges and field equipment	6,394,218	586,471	(5,657)	-	6,975,032
Automobiles and trucks	18,384,704	1,494,342	(168,975)	-	19,710,071
Other plant equipment	134,824,724	3,553,094	(9,087,207)	7,267,645	136,558,256
Steam plant equipment	350,764,481	626,923	-	53,154	351,444,558
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	132,423,304	-	-	-	132,423,304
Transmission plant	371,431,882	1,649,708	(266,230)	7,289,466	380,104,826
Distribution plant	919,843,459	27,683,827	(2,856,933)	11,669,970	956,340,323
Reservoirs and dams	3,819,480	-	-	-	3,819,480
Total utility plant, being depreciated	2,110,116,365	36,162,509	(12,533,541)	29,115,314	2,162,860,647
Less accumulated depreciation	(910,296,120)	(65,487,893)	12,296,635	-	(963,487,378)
Total utility plant, being depreciated, net	1,199,820,245	(29,325,384)	(236,906)	29,115,314	1,199,373,269
Utility plant, net	$ 1,347,045,400	$ 16,626,559	$ (236,906)	$ -	$ 1,363,435,053

Combined Water and Energy	January 1, 2015	Additions	Retirements	Transfers	December 31, 2015
Utility plant, not being depreciated					
Land and land rights	$ 63,685,294	$ 1,286,793	$ (343,209)	$ -	$ 64,628,878
Construction in process	141,171,723	57,845,367	-	(29,760,569)	169,256,521
Total utility plant, not being depreciated	204,857,017	59,132,160	(343,209)	(29,760,569)	233,885,399
Utility plant, being depreciated					
Structures and improvements	145,224,474	815,029	(432,493)	2,835,079	148,442,089
Dredges and field equipment	21,139,310	7,389,339	(1,273,563)	-	27,255,086
Automobiles and trucks	30,322,740	2,294,482	(458,347)	-	32,158,875
Other plant equipment	164,650,472	4,287,032	(12,029,632)	7,267,645	164,175,517
Steam plant equipment	350,764,481	626,923	-	53,154	351,444,558
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	132,423,304	-	-	-	132,423,304
Transmission plant	371,431,882	1,649,708	(266,230)	7,289,466	380,104,826
Distribution plant	919,843,459	27,683,827	(2,856,933)	11,669,970	956,340,323
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	10,706,422	129,015	-	-	10,835,437
Canals	307,723,826	2,560,696	-	186,456	310,470,978
Drainage	124,518,571	1,753,782	-	458,799	126,731,152
All-American Canal	326,505,858	-	-	-	326,505,858
Total utility plant, being depreciated	2,949,902,682	49,189,833	(17,317,198)	29,760,569	3,011,535,886
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(1,193,549,126)	(91,713,435)	16,075,924	-	(1,269,186,637)
Less accumulated amortization water rights	(13,737,104)	(873,002)	-	-	(14,610,106)
Total utility plant, being depreciated, net	1,773,171,546	(43,396,604)	(1,241,274)	29,760,569	1,758,294,237
Utility plant, net	$ 1,978,028,563	$ 15,735,556	$ (1,584,483)	$ -	$ 1,992,179,636

Note 3 – Utility Plant (continued)

Utility plant is comprised of the following at December 31, 2014:

Water	January 1, 2014	Additions	Retirements	Transfers	December 31, 2014
Utility plant, not being depreciated					
Land and land rights	$ 43,600,437	$ 2,883,795	$ (900,244)	$ -	$ 45,583,988
Construction in process	14,992,953	2,954,903		(5,899,982)	12,047,874
Total utility plant, not being depreciated	58,593,390	5,838,698	(900,244)	(5,899,982)	57,631,862
Utility plant, being depreciated					
Structures and improvements	12,514,703	358,862	-	119,902	12,993,467
Canals	296,979,281	6,361,130	-	4,383,415	307,723,826
Drainage	121,621,190	2,728,143	-	169,238	124,518,571
All-American Canal	326,254,965	-	-	250,893	326,505,858
Dredges and field equipment	13,173,988	1,820,484	(249,380)	-	14,745,092
Automobiles and trucks	12,415,019	626,471	(1,103,454)	-	11,938,036
Other plant equipment	29,016,187	982,334	(413,050)	240,277	29,825,748
Roads, railroads, and bridges	3,933,706	8,924	-	706,147	4,648,777
Reservoirs and dams	6,855,982	30,960	-	-	6,886,942
Total utility plant, being depreciated	822,765,021	12,917,308	(1,765,884)	5,869,872	839,786,317
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(259,418,829)	(25,451,722)	1,617,545	-	(283,253,006)
Less accumulated amortization water rights	(12,864,101)	(873,003)	-	-	(13,737,104)
Total utility plant, being depreciated, net	581,037,185	(13,407,417)	(148,339)	5,869,872	573,351,301
Utility plant, net	$ 639,630,575	$ (7,568,719)	$ (1,048,583)	$ (30,110)	$ 630,983,163

Note 3 – Utility Plant (continued)

Energy	January 1, 2014	Additions	Retirements	Transfers	December 31, 2014
Utility plant, not being depreciated					
Land and land rights	$ 18,032,052	$ 69,254	$ -	$ -	$ 18,101,306
Construction in process	86,434,519	73,041,310	-	(30,351,980)	129,123,849
Total utility plant, not being depreciated	104,466,571	73,110,564	-	(30,351,980)	147,225,155
Utility plant, being depreciated					
Structures and improvements	112,642,816	1,809,405	(55,098)	17,833,884	132,231,007
Dredges and field equipment	5,792,162	616,137	(14,081)	-	6,394,218
Automobiles and trucks	18,478,262	573,376	(666,934)	-	18,384,704
Other plant equipment	130,339,222	4,584,748	(1,144,508)	1,045,262	134,824,724
Steam plant equipment	350,130,791	29,172	-	604,518	350,764,481
Hydroelectric generating equipment	38,274,039	3,931	-	1,721,136	39,999,106
Gas turbines	132,320,222	940	-	102,142	132,423,304
Transmission plant	372,010,380	702,653	(1,679,341)	398,190	371,431,882
Distribution plant	894,969,377	18,553,674	(2,270,493)	8,590,901	919,843,459
Reservoirs and dams	3,733,226	197	-	86,057	3,819,480
Total utility plant, being depreciated	2,058,690,497	26,874,233	(5,830,455)	30,382,090	2,110,116,365
Less accumulated depreciation	(849,782,605)	(66,217,076)	5,703,561	-	(910,296,120)
Total utility plant, being depreciated, net	1,208,907,892	(39,342,843)	(126,894)	30,382,090	1,199,820,245
Utility plant, net	$ 1,313,374,463	$ 33,767,721	$ (126,894)	$ 30,110	$ 1,347,045,400

Combined Water and Energy	January 1, 2014	Additions	Retirements	Transfers	December 31, 2014
Utility plant, not being depreciated					
Land and land rights	$ 61,632,489	$ 2,953,049	$ (900,244)	$ -	$ 63,685,294
Construction in process	101,427,472	75,996,213	-	(36,251,962)	141,171,723
Total utility plant, not being depreciated	163,059,961	78,949,262	(900,244)	(36,251,962)	204,857,017
Utility plant, being depreciated					
Structures and improvements	125,157,519	2,168,267	(55,098)	17,953,786	145,224,474
Dredges and field equipment	18,966,150	2,436,621	(263,461)	-	21,139,310
Automobiles and trucks	30,893,281	1,199,847	(1,770,388)	-	30,322,740
Other plant equipment	159,355,409	5,567,082	(1,557,558)	1,285,539	164,650,472
Steam plant equipment	350,130,791	29,172	-	604,518	350,764,481
Hydroelectric generating equipment	38,274,039	3,931	-	1,721,136	39,999,106
Gas turbines	132,320,222	940	-	102,142	132,423,304
Transmission plant	372,010,380	702,653	(1,679,341)	398,190	371,431,882
Distribution plant	894,969,377	18,553,674	(2,270,493)	8,590,901	919,843,459
Roads, railroads, and bridges	3,933,706	8,924	-	706,147	4,648,777
Reservoirs and dams	10,589,208	31,157	-	86,057	10,706,422
Canals	296,979,281	6,361,130	-	4,383,415	307,723,826
Drainage	121,621,190	2,728,143	-	169,238	124,518,571
All-American Canal	326,254,965	-	-	250,893	326,505,858
Total utility plant, being depreciated	2,881,455,518	39,791,541	(7,596,339)	36,251,962	2,949,902,682
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(1,109,201,434)	(91,668,798)	7,321,106	-	(1,193,549,126)
Less accumulated amortization water rights	(12,864,101)	(873,003)	-	-	(13,737,104)
Total utility plant, being depreciated, net	1,789,945,077	(52,750,260)	(275,233)	36,251,962	1,773,171,546
Utility plant, net	$ 1,953,005,038	$ 26,199,002	$ (1,175,477)	$ -	$ 1,978,028,563

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 District has a Letter of Credit from MUFG Union Bank for $109 million. The outstanding commercial paper as of December 31, 2015 and 2014 is $0.0 million and $39.5 million, respectively. The District utilized proceeds under the CP to mainly fund the Energy Department Hassayampa North Gila 500 KV transmission line capital project.

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, 2015	Additions	Reductions	December 31, 2015	Current Portion
Pension obligation revenue bond 2001, net of unamortized original issue discount of $37,117	2031	5.70%-7.00%	$ 28,451,734	$ -	$ (931,151)	$ 27,520,583	$ 994,250
Obligation under capital leases			$ 135,641	$ 5,861,430	$ (297,484)	$ 5,699,587	$ 1,217,101
Accrued vacation and sick leave			$ 7,394,815	$ 4,918,239	$ (4,679,866)	$ 7,633,188	$ 1,835,739
Other post employment benefits			$ 37,887,239	$ 6,713,359	$ (770,568)	$ 43,830,030	$ -

Energy	Maturity Dates	Range of Interest Rates	January 1, 2015	Additions	Reductions	December 31, 2015	Current Portion
Refunding revenue bonds – 2008 , net of unamortized original issue discount of $1,411,603	2038	3.00%-5.25%	$ 221,976,121	-	$ (4,257,723)	$ 217,718,398	$ 4,540,000
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $361,083	2041	3.00%-6.25%	74,905,016	-	(1,303,933)	73,601,083	1,355,000
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $2,228,451	2041	3.00%-5.00%	74,139,437	-	(1,400,986)	72,738,451	1,380,000
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $1,949,194	2041	3.00%-5.25%	74,139,646	-	(1,395,452)	72,744,194	1,385,000
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $2,947,132	2023	5.00%	26,184,401	-	(372,269)	25,812,132	-
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $3,121,227	2028	0.350%-5.00%	30,519,439	-	(2,873,212)	27,646,227	2,755,000
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,909,183	2045	5.00%	-	21,210,773	(26,590)	21,184,183	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $128,201	2035	0.620%-4.30%	-	19,990,000	(128,201)	19,861,799	780,000
Total revenue bonds			$ 501,864,060	$ 41,200,773	$ (11,758,366)	$ 531,306,467	$ 12,195,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $39,411	2031	5.70%-7.00%	$ 30,211,636	$ -	$ (988,748)	$ 29,222,888	$ 1,055,750
Obligation under capital leases			$ 49,110	$ 1,478,921	$ (89,335)	$ 1,438,696	$ 400,648
Accrued vacation and sick leave			$ 7,987,521	$ 6,390,347	$ (6,001,991)	$ 8,375,877	$ 1,588,363
Other post employment benefits			$ 66,350,603	$ 10,597,238	$ (1,158,386)	$ 75,789,455	$ -

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

Combined Water and Energy	Maturity Dates	Range of Interest Rates	January 1, 2015	Additions	Reductions	December 31, 2015	Current Portion
Refunding revenue bonds – 2008, net of unamortized original issue discount of $1,536,156	2038	3.00%-5.25%	$ 221,976,121	$ -	$ (4,257,723)	$ 217,718,398	$ 4,540,000
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $388,948	2041	3.00%-6.25%	74,905,016	-	(1,303,933)	73,601,083	1,355,000
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $2,400,422	2041	3.00%-5.00%	74,139,437	-	(1,400,986)	72,738,451	1,380,000
Refunding revenue bonds – 2011C, net of unamortized original issue premium of $2,100,099	2041	3.00%-5.25%	74,139,646	-	(1,395,452)	72,744,194	1,385,000
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $3,691,670	2023	5.00%	26,184,401	-	(372,269)	25,812,132	-
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $3,607,652	2028	0.350%-5.00%	30,519,439	-	(2,873,212)	27,646,227	2,755,000
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,909,183	2045	5.00%	-	21,210,773	(26,590)	21,184,183	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $128,201	2035	0.620%-4.30%	-	19,990,000	(128,201)	19,861,799	780,000
Total revenue bonds			$ 501,864,060	$ 41,200,773	$ (11,758,366)	$ 531,306,467	$ 12,195,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $76,528	2031	5.70%-7.00%	$ 58,663,370	$ -	$ (1,919,899)	$ 56,743,471	$ 2,050,000
Total obligation bonds payable			$ 58,663,370	$ -	$ (1,919,899)	$ 56,743,471	$ 2,050,000
Obligation under capital leases			$ 184,751	$ 7,340,351	$ (386,819)	$ 7,138,283	$ 1,617,749
Accrued vacation and sick leave			$ 15,382,336	$ 11,308,586	$ (10,681,857)	$ 16,009,065	$ 3,424,102
Other post employment benefits			$ 104,237,842	$ 17,310,597	$ (1,928,954)	$ 119,619,485	$ -

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

Water	Maturity Dates	Range of Interest Rates	January 1, 2014	Additions	Reductions	December 31, 2014	Current Portion
Pension obligation revenue bond 2001, net of unamortized original issue discount of $39,591	2031	5.70%-7.00%	$ 29,327,110	$ -	$ (875,376)	$ 28,451,734	$ 933,625
Obligation under capital leases			$ 467,072	$ -	$ (331,431)	$ 135,641	$ 121,425
Accrued vacation and sick leave			$ 6,851,484	$ 6,270,876	$ (5,727,545)	$ 7,394,815	$ 1,623,220
Other post employment benefits			$ 32,014,228	$ 6,775,756	$ (902,745)	$ 37,887,239	$ -

Energy	Maturity Dates	Range of Interest Rates	January 1, 2014	Additions	Reductions	December 31, 2014	Current Portion
Certificates of participation – 2003**	2028	-	$ -	$ -	$ -	$ -	$ -
Refunding revenue bonds – 2008, net of unamortized original discount of $1,473,879	2038	3.00%-5.25%	$ 226,028,844	$ -	$ (4,052,723)	$ 221,976,121	$ 4,320,000
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $375,016	2041	3.00%-6.25%	76,148,948	-	(1,243,932)	74,905,016	1,290,000
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $2,314,437	2041	3.00%-5.00%	75,490,422	-	(1,350,985)	74,139,437	1,315,000
Refunding revenue bonds – 2011C net, of unamortized original issue premium of $2,024,646	2041	3.00%-5.25%	75,470,099	-	(1,330,453)	74,139,646	1,320,000
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $3,319,401	2023	5.00%	26,556,670	-	(372,269)	26,184,401	-
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $3,364,439	2028	0.350%-5.00%	33,262,652	-	(2,743,213)	30,519,439	2,630,000
Total revenue bonds			$ 512,957,635	$ -	$ (11,093,575)	$ 501,864,060	$ 10,875,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $42,039	2031	5.70%-7.00%	$ 31,141,158	$ -	$ (929,522)	$ 30,211,636	$ 991,375
Obligation under capital leases			$ 576,472	$ -	$ (527,362)	$ 49,110	$ 49,110
Accrued vacation and sick leave			$ 7,908,964	$ 4,533,809	$ (4,455,252)	$ 7,987,521	$ 1,598,291
Other post employment benefits			$ 56,720,729	$ 11,099,927	$ (1,470,053)	$ 66,350,603	$ -

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

Combined Water and Energy	Maturity Dates	Interest Rates	January 1, 2014	Additions	Reductions	December 31, 2014	Current Portion
Certificates of participation – 2003	2028	1.00%-5.25%	$ -	$ -	$ -	$ -	$ -
Certificates of participation - 2004	2034	2.45%-6.10%	-	-	-	-	-
Refunding revenue bonds – 2008, net of unamortized original discount of $1,536,156							
Refunding revenue bonds – 2010	2029	2.00%-5.00%	-	-	-	-	-
Refunding revenue bonds – 2011	2029	2.00%-5.00%	-	-	-	-	-
$1,473,879	2038	3.00%-5.25%	$ 226,028,844	$ -	$ (4,052,723)	$ 221,976,121	$ 4,320,000
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $375,016	2041	3.00%-6.25%	76,148,948	-	(1,243,932)	74,905,016	1,290,000
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $2,314,437	2041	3.00%-5.00%	75,490,422	-	(1,350,985)	74,139,437	1,315,000
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $2,024,646	2041	3.00%-5.25%	75,470,099	-	(1,330,453)	74,139,646	1,320,000
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $3,319,401	2023	5.00%	26,556,670	-	(372,269)	26,184,401	-
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $3,364,439	2028	0.350%-5.00%	33,262,652	-	(2,743,213)	30,519,439	2,630,000
Total revenue bonds			$ 512,957,635	$ -	$ (11,093,575)	$ 501,864,060	$ 10,875,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $81,630	2031	5.70%-7.00%	60,468,268	-	(1,804,898)	58,663,370	1,925,000
Obligation under capital leases			$ 1,043,544	$ -	$ (858,793)	$ 184,751	$ 170,535
Accrued vacation and sick leave			$ 14,760,448	$ 10,804,685	$ (10,182,797)	$ 15,382,336	$ 3,221,511
Other post employment benefits			$ 88,734,957	$ 17,875,683	$ (2,372,798)	$ 104,237,842	$ -

Note 6 – Revenue Bonds

2008 issue – energy – On August 5, 2008, the District issued $250,000,000 of Electric System Refunding Revenue Bonds, Series 2008A to finance the simple cycle natural gas fired Niland generation plant and substantial improvements to the District's transmission facilities, to refund Non-Taxable Commercial Paper of $169,845,000, and to defease the remaining outstanding principal of the 1998 COPs of $48,373,209 at an average interest rate of 5.09%. The 1998 COPs maturing on November 1, 2009 through 2018 are considered defeased and the liability for those COPs has been removed from the accompanying Statements of Net Position.

The Series 2008A Bonds consist of $250,000,000 serial and term certificates. The serial certificates comprise $71,905,000 of the issuance, mature in amounts ranging from $3,260,000 to $4,965,000 at rates ranging from 3.00% to 5.25% and mature on November 1, 2008 through November 1, 2025. The term certificates comprise $178,095,000 of the issuance, mature in amounts of $14,845,000, $67,035,000 and $96,215,000 at rates of 5.25%, 5.00% and 5.125% on November 1 of years 2028, 2033, and 2038, with mandatory sinking fund redemption starting in 2026, 2029, and 2034, respectively.

Note 6 – Revenue Bonds (continued)

The 2008A Revenue Bonds were issued with an original issue discount of $1,868,298 and costs of issuance of $2,484,116. The original issue discount is amortized over the life of the 2008A Bond. The outstanding balance of the Series 2008A Bonds was $217,718,398 at December 31, 2015, including unamortized original issue discount of $1,411,602. The terms of the Series 2008A Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2015 and 2014.

On January 21, 2016 the District issued the Electric System Refunding Revenue Bonds, Series 2015C, the proceeds of which were used to refund a portion of the 2008A Refunding Revenue bonds. Refer to Note 19 for additional details.

A summary of the District's outstanding liability for the 2008A Revenue Bonds is as follows:

2008A COP's - Note Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ 4,540,000	$ 11,146,844	$ 15,686,844
November 1, 2017	4,725,000	10,953,894	15,678,894
November 1, 2018	4,965,000	10,717,644	15,682,644
November 1, 2019	3,260,000	10,469,394	13,729,394
November 1, 2020	3,435,000	10,298,244	13,733,244
November 1, 2021 – 2025	20,110,000	48,588,231	68,698,231
November 1, 2026 – 2030	37,430,000	42,449,120	79,879,120
November 1, 2031 – 2035	80,080,000	28,429,131	108,509,131
November 1, 2036 – 2040	60,585,000	6,313,230	66,898,230
Original issue discount	(1,411,602)	-	(1,411,602)
Totals	$ 217,718,398	$ 179,365,732	$ 397,084,130

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 Revenue 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.

Note 6 – Revenue Bonds (continued)

The 2011A Revenue 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 2011A Bonds. The outstanding balance of the Series 2011A Bonds was $73,601,083 at December 31, 2015, including unamortized original issue premium of $361,083. The terms of the Series 2011A Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2015 and 2014.

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

2011A COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ 1,355,000	$ 4,045,188	$ 5,400,188
November 1, 2017	1,425,000	3,977,438	5,402,438
November 1, 2018	1,495,000	3,906,188	5,401,188
November 1, 2019	1,570,000	3,831,438	5,401,438
November 1, 2020	1,650,000	3,752,938	5,402,938
November 1, 2021 – 2025	9,590,000	17,413,988	27,003,988
November 1, 2026 – 2030	12,475,000	14,525,438	27,000,438
November 1, 2031 – 2035	16,705,000	10,297,963	27,002,963
November 1, 2036 – 2040	21,855,000	5,142,773	26,997,773
November 1, 2041 – 2045	5,120,000	281,600	5,401,600
Original issue premium	361,083	-	361,083
Totals	$ 73,601,083	$ 67,174,952	$ 140,776,035

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 in to commercial operation on October 5, 2012.

The Series 2011B Revenue 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.

Note 6 – Revenue Bonds (continued)

The 2011B Revenue 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 2011B Bonds. The outstanding balance of the Series 2011B Bonds was $72,738,451 at December 31, 2015, including unamortized original issue premium of $2,228,451. The terms of the Series 2011B Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2015 and 2014.

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

2011B COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ 1,380,000	$ 3,525,500	$ 4,905,500
November 1, 2017	1,450,000	3,456,500	4,906,500
November 1, 2018	1,520,000	3,384,000	4,904,000
November 1, 2019	1,595,000	3,308,000	4,903,000
November 1, 2020	1,675,000	3,228,250	4,903,250
November 1, 2021 – 2025	9,730,000	14,797,000	24,527,000
November 1, 2026 – 2030	12,415,000	12,109,000	24,524,000
November 1, 2031 – 2035	15,845,000	8,678,750	24,523,750
November 1, 2036 – 2040	20,230,000	4,300,750	24,530,750
November 1, 2041 – 2045	4,670,000	233,500	4,903,500
Original issue premium	2,228,451	-	2,228,451
Totals	$ 72,738,451	$ 57,021,250	$ 129,759,701

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 2011C Revenue 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 Revenue 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.

Note 6 – Revenue Bonds (continued)

The 2011C Revenue 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 2011C Bonds. The outstanding balance of the Series 2011C Bonds was $72,744,194 at December 31, 2015, including unamortized original issue premium of $1,949,194. The terms of the Series 2011C Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2015 and 2014.

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

2011C COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ 1,385,000	$ 3,548,738	$ 4,933,738
November 1, 2017	1,455,000	3,479,488	4,934,488
November 1, 2018	1,525,000	3,406,738	4,931,738
November 1, 2019	1,605,000	3,330,488	4,935,488
November 1, 2020	1,685,000	3,250,238	4,935,238
November 1, 2021 – 2025	9,755,000	14,901,940	24,656,940
November 1, 2026 – 2030	12,415,000	12,243,702	24,658,702
November 1, 2031 – 2035	15,930,000	8,735,188	24,665,188
November 1, 2036 – 2040	20,340,000	4,325,250	24,665,250
November 1, 2041 – 2045	4,700,000	235,000	4,935,000
Original issue premium	1,949,194	-	1,949,194
Totals	$ 72,744,194	$ 57,456,770	$ 130,200,964

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 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 2011D Revenue 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 2011D Revenue 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 2011D Bonds. The outstanding balance of the Series 2011D Bonds was $25,812,132 at December 31, 2015, including unamortized original issue premium of $2,947,132. 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, 2015 and 2014.

Note 6 – Revenue Bonds (continued)

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

2011D COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ -	$ 1,143,250	$ 1,143,250
November 1, 2017	2,805,000	1,143,250	3,948,250
November 1, 2018	2,950,000	1,003,000	3,953,000
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 – 2025	10,765,000	1,094,000	11,859,000
Original issue premium	2,947,132	-	2,947,132
Totals	$ 25,812,132	$ 5,939,750	$ 31,751,882

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 2012A refunded $37,065,000 of the outstanding 2003 Electric System COPs and generated net present value savings of $2,722,959.

The 2012A Revenue 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 2012A Revenue Bonds were issued with an original issue premium of $3,992,739 and costs of issuance of $266,777. The original issue premium is amortized over the life of the 2012A Bonds. The outstanding balance of the Series 2012A Bonds was $27,646,227 at December 31, 2015, including unamortized original issue premium of $3,121,227. The terms of the Series 2012A Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2015 and 2014.

Note 6 – Revenue Bonds (continued)

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

2012A COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ 2,755,000	$ 1,161,300	$ 3,916,300
November 1, 2017	-	1,023,550	1,023,550
November 1, 2018	-	1,023,550	1,023,550
November 1, 2019	-	1,023,550	1,023,550
November 1, 2020	-	1,023,550	1,023,550
November 1, 2021 – 2025	8,610,000	4,907,750	13,517,750
November 1, 2026 – 2030	13,160,000	1,083,050	14,243,050
Original issue premium	3,121,227	-	3,121,227
Totals	$ 27,646,227	$ 11,246,300	$ 38,892,527

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 2015A refunded $20,400,000 of the outstanding tax-exempt revenue commercial paper.

The 2015A Revenue 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.

The 2015A Revenue Bonds were issued with an original issue premium of $1,935,774 and costs of issuance of $810,774. The original issue premium is amortized over the life of the 2015A Bonds. The outstanding balance of the Series 2015A Bonds was $21,184,183 at December 31, 2015, including unamortized original issue premium of $1,909,183. 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 year ended December 31, 2015.

Note 6 – Revenue Bonds (continued)

2015A COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ -	$ 963,750	$ 963,750
November 1, 2017	-	963,750	963,750
November 1, 2018	-	963,750	963,750
November 1, 2019	-	963,750	963,750
November 1, 2020	-	963,750	963,750
November 1, 2021 – 2025	-	4,818,750	4,818,750
November 1, 2026 – 2030	-	4,818,750	4,818,750
November 1, 2031 – 2035	435,000	4,818,750	5,253,750
November 1, 2036 – 2040	8,280,000	3,922,000	12,202,000
November 1, 2041 – 2045	10,560,000	1,636,000	12,196,000
Original issue premium	1,909,183	-	1,909,183
Totals	$ 21,184,183	$ 24,833,000	$ 46,017,183

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 2015B refunded $19,100,000 of the outstanding taxable revenue commercial paper.

The 2015B Revenue 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.

Note 6 – Revenue Bonds (continued)

The 2015B Revenue Bonds were issued with an original issue discount of $130,883 and costs of issuance of $759,117. The original issue discount is amortized over the life of the 2015B Bonds. The outstanding balance of the Series 2015B Bonds was $19,861,799 at December 31, 2015, including unamortized original issue discount of $128,201. 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 year ended December 31, 2015.

2015B COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2016	$ 780,000	$ 694,793	$ 1,474,793
November 1, 2017	785,000	689,956	1,474,956
November 1, 2018	795,000	681,950	1,476,950
November 1, 2019	805,000	669,468	1,474,468
November 1, 2020	825,000	652,885	1,477,885
November 1, 2021 – 2025	4,475,000	2,902,966	7,377,966
November 1, 2026 – 2030	5,360,000	2,012,499	7,372,499
November 1, 2031 – 2035	6,165,000	781,954	6,946,954
Original issue discount	(128,201)	-	(128,201)
Totals	$ 19,861,799	$ 9,086,471	$ 28,948,270

Defeased Bonds:

As of December 31, 2015, the balance of the defeased bonds is:

Issue	Amount
2004 Water Certificates of Participation	$ 26,575,000
2010 Water Refunding Revenue Bonds	17,020,000
2011 Water Refunding Revenue Bonds	12,295,000
Total IID defeased bonds	$ 55,890,000

These bonds were defeased during 2009 through 2012, 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 $27,520,583 for the water portion and $29,222,888 for the energy portion at December 31, 2015.

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 Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2015 and 2014.

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

2001 Taxable Pension Obligation COP's - Note

Due Date	Principal Amount	Interest	Total Debt Service
January 1, 2016	$ 2,050,000	$ 3,880,132	$ 5,930,132
January 1, 2017	2,195,000	3,733,892	5,928,892
January 1, 2018	2,345,000	3,577,488	5,922,488
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 – 2025	16,435,000	13,004,243	29,439,243
January 1, 2026 – 2030	23,000,000	6,204,300	29,204,300
January 1, 2031 – 2035	5,610,000	196,349	5,806,349
Original issue discount	(76,529)	-	(76,529)
Totals	$ 56,743,471	$ 37,238,593	$ 93,982,064

Note 8 – Capital Leases

The District acquires certain operating equipment through capital lease agreements expiring at various times through 2020. The outstanding balance was $5,699,587 for the water portion and $1,438,696 for the energy portion at December 31, 2015. The estimated future minimum lease payments, including interest, under these leases are as follows:

		Total
Year ending December 31,	2016	$ 1,732,730
	2017	1,715,654
	2018	1,715,654
	2019	1,252,954
	2020	1,015,223
	Total minimum lease payments	7,432,215
	Less amount representing interest	(293,932)
	Present value of minimum lease payments	$ 7,138,283

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.

Under the 401(a) plan, the District contributes 7% of the base salary for all employees, except for salaried employees in the Professional Salaried Association (PSA) and the Executive Management Association (EMA) bargaining units which receive an 8% contribution. 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. The employer will make matching contributions to the plan in the amount of 100% of the participant's first 1% before-tax 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 2015 and 2014 contributions were $7,932,171 and $7,463,263, 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 is provided by Reliastar. As of December 31, 2015 and 2014, the District accrued $2,636,908 for water and $6,455,879 for energy, and $3,317,701 for water and $6,735,938 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, 2015 and 2014, the District's management accrued $1,535,000 for water and $1,297,486 for energy and $5,400,000 for water and $1,587,852 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 Statement of Net Position at December 31, 2015 and 2014.

The unpaid claims liabilities include estimated amounts for incurred but not reported (IBNR) claims. IBNR claims are claims 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, 2015 are as follows:

Liability at January 1, 2014	$ 18,484,732
Incurred claims	7,108,865
Claim payments and change in estimates	(7,802,108)
Liability at December 31, 2014	17,791,489
Incurred claims	1,985,000
Claim payments and changes in estimates	(7,851,216)
Liability at December 31, 2015	$ 11,925,273

Note 11 – Commitments and Contingencies (continued)

A summary of the District's self-insurance claims for the two years ended December 31, 2015 are as follows:

December 31, 2015	Current	Long-Term	Total
Water	$ 1,460,168	$ 2,711,740	$ 4,171,908
Energy	2,713,678	5,039,687	7,753,365
Totals	$ 4,173,846	$ 7,751,427	$ 11,925,273

December 31, 2014	Current	Long-Term	Total
Water	$ 3,313,695	$ 6,154,005	$ 9,467,700
Energy	2,913,326	5,410,463	8,323,789
Totals	$ 6,227,021	$ 11,564,468	$ 17,791,489

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 $275,000 per person per year	No lifetime maximum

Environmental Liabilities – Following is a brief description of the significant sites that require environmental remediation: Marina Mobile Estates club house in Desert Shores and Salton Sea beach: Marina, 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 the District will demolish and haul debris to clean up the land.

As part of an EPA audit the District self-reported some PCB contamination in the soil at the Former Indio Substation in Indio, California and former Coachella substation in Coachella California. Soil sampling and analysis of PCB concentrations, and the depth and breadth of contamination will dictate the scope of remediation. Soil remediation via excavation and regulatory compliant disposal will meet EPA standards of less than 50ppm PCB, as well as California standards. Work for all sites is expected to be completed by 2016 and will allow for use of the sites as the District deems appropriate.

As of December 31, 2015 the District has included in its accounts payable liability a total of $1.3 million dollars 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 were 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 purchases 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 will exit the San Juan Project in 2017.

The terms of these contracts require that the District make certain minimum payments, whether or not the District receives energy, based on the debt service requirements of the projects. Payments for these obligations will be made from the Energy Department's operating revenues received during the year that the payment is due. The following schedule details the amount of debt service that is due and payable by the District for each project.

Fiscal Year	Palo Verde Project	San Juan Project	Total SCPPA "Take or Pay" Commitment
2016	$ 809,063	$ 11,184,386	$ 11,993,449
2017	811,891	10,966,786	11,778,677
2018	816,733	-	816,733
	$ 2,437,687	$ 22,151,172	$ 24,588,859

The District also makes monthly payments to SCPPA for its portion of project costs, which include charges for operation and maintenance of the electric generating plants, certain common facilities costs, and decommissioning the Palo Verde Nuclear Generating Station. Such charges are recorded by the District as Purchased Energy in the Statement of Revenue, Expenses, and Changes in Net Position.

Note 11 – Commitments and Contingencies (continued)

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
2014	San Juan	$ 22,997,556	$ 21,757,805	$ 44,755,361
	Palo Verde	1,225,849	4,507,156	5,733,005
2015	San Juan	$ 21,252,642	$ 23,410,460	$ 44,663,102
	Palo Verde	1,267,878	4,256,070	5,523,948

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. Regulatory proceedings and other related litigation concerning the application of federal Clean Air Act requirements at the San Juan Generating Station have been ongoing. On February 15, 2013, PNM, the New Mexico Environment Department and the United States Environmental Protection Agency (the "EPA") agreed to pursue a plan that could provide a Best Available Retrofit Technology path to comply with federal visibility rules at the San Juan Generating Station. This agreement would, among other things, result in the retirement of the San Juan Generating Station Units 2 and 3 by the end of 2017. On October 9, 2014, the EPA issued a final rule approving the plan. The EPA rule became effective November 10, 2014.

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 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, 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. It is unknown what, if any, decision will be issued by the New Mexico Supreme Court or what effect if might have on such restructuring.

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. The Exit Date Amendment to the SJPPA is to be with FERC no sooner than 120 days and no later than 60 days before the end of 2017.

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

Note 11 – Commitments and Contingencies (continued)

Agreement, amended Mine Reclamation Agreement, and Decommissioning Agreement also became effective. As a result, SCPPA project participants, including the District, may exit the San Juan Project at the end of 2017.

At the current time, it cannot be reasonably determined what obligation, if any, the District will have with respect to Unit 3 after 2017 nor can it be determined what action the EPA may take if the deadline for closure of Unit 3 is not met. Additionally, 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.

Energy supply purchase commitment

The District has an energy supply contract with the United States Department of Energy Western Area Power Administration Desert Southwest Region for the Parker Davis Project. This agreement terminates September 30, 2028. The District is committed to purchase all available power up to 26 megawatts in any given hour during winter months and 32 megawatts in any given hour during summer months. As of December 31, 2015, the District's estimated remaining purchase commitment under this agreement is $27,788,680.

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, 2015 total $56,056,672.

The list of contracts is as follows:

Vendor	Delivery Period	Liability
Barclays	January 2016 to December 2016	$ 5,036,829
BP	January 2016 to July 2017	4,712,198
EDF Trading North America	January 2016 to March 2018	17,623,149
Cargill	January 2017 to December 2017	1,867,315
Macquarie	February 2016 to August 2018	26,817,181
		$ 56,056,672

The District has entered into contracts with various vendors to purchase energy. These commitments vary in the terms and the amount of energy to be purchased, and when the energy will be delivered to the District. The estimated remaining commitment of the District at December 31, 2015 is $1,059,524,000 based on contract pricing.

Note 11 – Commitments and Contingencies (continued)

The contracts are as follows:

Vendor	Delivery Period	Liability
Coral Power	January 2015 to December 2017	$ 7,245,954
Desert View Power	January 2015 to May 2022	227,879,136
Imperial Valley Solar Company	January 2015 to August 2041	159,820,318
Yuma County Water User Association	January 2015 to December 2017	2,093,080
Sol Orchard Imperial 1	January 2015 to November 2038	109,191,914
Imperial Solar 1	January 2015 to April 2035	47,940,087
Dominion Solar Holdings	January 2016 to July 2044	123,485,069
96WI 8ME	September 2016 to September 2041	125,036,285
Seville Solar Two	July 2016 to July 2041	147,932,515
Sol Orchard Community 1	January 2016 to June 2038	33,749,773
Southern California Public Power Authority	January 2016 to January 2025	75,149,869
		$ 1,059,524,000

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, 2015, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
Water		
Various Projects	$ 4,291,692	2016
System Conservation Program	15,689,737	2017
Imperial Dam Electrical Upgrade	11,859,503	2017
Power		
Low Head Hydroelectric Program Development	733,100	2016
Check No. 8 at Westside Main Canal Low Head Hydro Plant	4,492,000	2017
Foxglove Check at Westside Main Canal Low Head Hydro Plant	4,385,000	2017
Bulk Electric System Project	600,000	2016
Niland 161/92 kV Transformer Replacement	4,000,000	2016
Ramon 230/92kV Bank 2 Transformer Addition	3,487,000	2016
EC Generation Station Unit 2-1 Turbine	5,325,100	2016
Battery Energy Storage System	22,775,000	2016
OATT & External Major Customer Funded Projects	11,826,400	2017

Note 13 – Other Post-Employment Benefits Other Than Pensions

In 2007, the District implemented GASB Statement 45, *Accounting and Financial Reporting for Postemployment benefits other than pensions by State and Local Governmental Employers*.

Plan description – The District provides post-employment benefits in the form of health medical benefits in accordance with District policy to qualified retirees and certain dependents. The District does not issue a separate financial report.

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.

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

For employees hired before May 14, 2013 for IBEW members, and before September 17, 2013 for PSA members, the District shall provide medical benefits to the retiree and certain dependents; and for employees first employed by the District on May 14, 2013 or later for IBEW and on September 17, 2013 or later for PSA members, the District shall provide medical benefits for the retiree only.

Plan membership consisted of the following at December 31, 2015:

Retirees over 65 and dependents receiving benefits	592
Retirees under 65 and dependents receiving benefits	167
Total active employees in the plan	1,280
Total	2,039

Current policy – For employees hired before May 14, 2013 for IBEW members, and before September 17, 2013 for PSA members, effective January 1, 2014, the District pays a maximum contribution per month ranging anywhere from $1,051 to $3,305 for retirees depending upon the age of the employee and the number of dependents the employees includes in the plan. Benefits are payable for the lifetime of the retiree, spouse, and dependent children to age 26.

For employees hired on May 14, 2013 or later for IBEW members, and on September 17, 2013 or later for PSA members, effective January 1, 2014, the District shall pay a maximum contribution per month per retiree toward the total cost of retiree health benefit coverage in the amount of $1,146. The District shall provide retiree only medical benefits.

This provision does not guarantee the continuance of any specific medical benefits plan by the District. The retired employee may continue to pay for any coverage for the employee's spouse and/or dependents as long as the retired employee makes regular and timely payments for the excess costs. 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. The retired employee will be responsible for and pay to the District the cost for retiree health benefits in excess of the maximum contribution. In the event that the retired employee fails to make regular and timely payments to the District for the excess costs, the District's contribution for retiree medical benefits shall cease.

The board reserves the right to adjust retiree contribution amounts payable by retirees.

Funding policy – For financial reporting purposes, an actuarial valuation is required at least biennially for other post-employment benefit (OPEB) plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more. The District prepared an actuarial valuation for its health insurance program during 2015 which will be utilized for fiscal years 2015–2016.

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

Annual OPEB cost and net OPEB obligation – The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or excess funding) not to exceed 30 years. The following table shows the components of the District's annual OPEB cost that is being utilized for fiscal years 2015–2016.

Annual required contribution	$ 21,184,908
Pay as you go contributions to the plan	(5,803,265)
Increase in net OPEB obligation	15,381,643
Net obligation, beginning of year	104,237,842
Net obligation, end of year	$ 119,619,485

The District's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and net total OPEB obligation for 2015 and two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Total OPEB Obligation
December 31, 2013	$ 20,999,185	26.6%	$ 88,734,957
December 31, 2014	$ 20,999,185	26.2%	$ 104,237,842
December 31, 2015	$ 21,184,908	27.3%	$ 119,619,485

Funded status progress – For 2015, the annual required contribution for OPEB was $21 million and was recorded as an expense. The District has internally reserved cash in the amount of the total aggregated OPEB Obligation liability for 2007–2015 of $119.6 million.

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 4.5% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the fifth year. Both rates included a 3% inflation assumption.

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

The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years. The District's payroll is not used in the amortization of the UAAL. A level dollar payroll method is used.

Schedule of funding progress – (amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Projected Unit Cr(b)	Unfunded AAL U(UAAL) (b – a)	Funded Ratio (a / b)	Payroll (c)	Percentage of Payroll ([b – a] / c)
December 31, 2013	$ -	$ 214,473	$ 214,473	0.0%	$ 101,771	210.7%
December 31, 2014	$ -	$ 214,473	$ 214,473	0.0%	$ 104,053	206.1%
December 31, 2015	$ -	$ 222,325	$ 222,325	0.0%	$ 104,819	212.1%

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 2015 and 2014, the District received $11,241,494 and $13,549,001, respectively, as reimbursement for approved capital, operation, and maintenance costs. Cumulative payments received since inception total approximately $294,669,823 through December 31, 2015. 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.

Note 15 – Salton Sea Authority (continued)

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
- 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.

Note 16 – Trust Lands (continued)

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.

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. At December 31, 2015, the balance of the advance from SDCWA was $10 million under other noncurrent liabilities – advances.

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, 2015 the $10 million obligation is reflected here in as other advances under other non-current liabilities.

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.

Note 17 – Noncurrent Advances (continued)

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
2016	$ 9,000,000
2017	6,000,000
2018	5,000,000

As of December 31, 2015, the District recognized as revenue $38 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, $13.6 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 Statement of Net Position, with $3 million included under other current liabilities, and the remaining $9 million under other noncurrent liabilities – advances.

Transmission expansion and generator interconnection agreements – A number of renewable 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 73 MW of generation are in the active interconnection study process. It is anticipated that much of this proposed generation could come on line within the District's service area by 2020 to meet California's utilities' renewable portfolio requirements.

The proposed merchant generation will require the expansion and upgrading of the District's existing transmission facilities to accommodate the injection of renewable power into and out of IID's service territory into the California Independent System Operator (CAISO), Western Area Power Administration, Arizona Public Service or The Salt River Project. These network upgrades will be initially funded primarily by those independent power producers requesting interconnection to the District's system and seeking transmission services. The District will provide reimbursement through transmission rate credits taken against transmission service charges.

The District completed the Transitional Cluster Interconnection Study process, for nine Generator Interconnection Agreements for projects proposing injection of 888 MW into the District's system. Three transitional cluster generators totaling 72MW elected to move forward and achieved commercial operation in 2015. Two of the projects, totaling 40 MW, export from the IID system for the benefit of San Diego Gas & Electric; the remaining MW will serve IID load effective June 2016. Two additional Transitional Cluster generators with 80 MW have signed generator interconnection agreements and intend to move forward with interconnection prior to the end of 2016. One of the projects (50 MW) will export from the IID system to Pacific Gas & Electric to serve load beginning January 2019. The remaining 30 MW will serve the IID system effective January 2017.

Note 17 – Noncurrent Advances (continued)

The remaining Transitional Cluster participants with generation totaling 736 MW have elected not to move forward and are currently in suspension. The District has also completed a second reanalysis of a downsized Cluster 1, with a final composition of six new generators proposing injection of 285 MW. Of the Cluster 1 projects, two generators have signed interconnection agreements for projects totaling 125 MW with anticipated commercial operation dates in 2017-2018. Additionally two projects have authorized IID to tender generator interconnection agreements for additional 70MW. Three projects totaling 90 MW require additional analysis. As of December 31, 2015, the balance of amounts paid to the District by participating generators and available for use to fund future studies and construction totaled $27.3 million, which are shown in the accompanying statement of net positions as advances with $17.5 million under current liabilities and $9.8 million as noncurrent liabilities. As of December 31, 2014 the balance for both current and noncurrent was $23.8 million.

Other advances – As of December 31, 2015, the District held both current and noncurrent deposits from customers in the amounts of $9.7 million and $18.2 million for the Water and Energy departments, respectively. The majority of the advances are for construction projects, purchase power agreements, upfront impact fees for drain mitigation and crossings, water clearing house deposits, and AAC Imperial Dam capital replacement among others. As of December 31, 2014, the balance for the Water and Energy departments was $11.9 million and $13.9 million, respectively.

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 minimum term of 35 years if a termination right is exercised by the SDCWA by the end of 2017, or a term of 45 years if that right is not exercised. Renewal for an additional 30 years will occur if both IID and SDCWA consent.

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

The following is a summary of the District's water transfer and environmental mitigation obligations related to the QSA for the period 2015–2018:

	Water Transfer SDCWA – CVWD		Mitigation Water Salton Sea		IID Environmental Payment	
Year	Quantity Acre-feet	Value	Quantity Acre-feet	Value	QSA-JPA	Salton Sea Restoration
2015	136,000	$ 65,326,080	110,000	$ 13,841,400	$ 1,873,380	$ 422,567
2016	141,000	(1)	130,000	16,807,900	1,929,600	435,200
2017	145,000	(1)	150,000	19,927,045	1,987,469	448,301
2018	193,000	(1)	-	-	2,261,221	600,275

(1) Transfer price from 2003-2015 is fixed per the Fifth Amendment to Agreement between Imperial Irrigation District and San Diego County Water Authority for Transfer of Conserved Water. From 2016 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 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.

Numerous lawsuits were filed relating to the QSA and Related Agreements. Some of the lawsuits in the coordinated QSA litigation were brought by certain landowners alleging that the QSA and Related Agreements injured them and others, but all lawsuits for damages were either dismissed by the Superior Court and not appealed or voluntarily dismissed.

IID filed an action to determine that 13 contracts that it executed are valid and binding agreements. That action resulted in a judgment in 2010 in which the Superior Court found that 12 of the 13 QSA and Related Agreements which were before the Court violated the State Constitution and were therefore invalid (on one contract there was no ruling). Because of this finding of invalidity, various other coordinated cases included in the environmental review process and mitigation for some of the QSA and Related Agreements were dismissed as moot. The judgment was appealed by IID and other parties.

On December 7, 2011, the Third District Court of Appeal overturned the trial court's invalidity judgment, and remitted the case for trial of the rest of the matters.

Numerous losing parties sought rehearing from the Court of Appeal, which that court denied. Petitions for review were then filed and, on March 14, 2012, the California Supreme Court denied review. In addition, Cuatro Del Mar filed a Petition For A Writ Of Certiorari with the U.S. Supreme Court, which was denied on October 1, 2012.

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

The QSA cases were returned to the Sacramento Superior Court and the remaining issues were tried on November 13–14, 2012. On July 31, 2013, after considering all objections filed regarding the proposed statement of decision, the court issued the final statement of decision, including final judgments for the 3 remaining QSA cases, which validated the QSA and Related Agreements being challenged and rejected all of the remaining legal challenges to the agreements. Following the final decision, various parties filed memoranda of costs and attorney fees motions, with opposition to each. On May 16, 2014, the court issued final orders awarding IID's costs in an approximate amount of $74,042. The court also issued a final order denying the attorney fees motion against IID in its entirety.

The July 31, 2013 final statement of decision was appealed by Cuatro Del Mar, POWER, the Barioni parties, the Imperial County and the Imperial County Air Pollution Control District. The only parties that did not file a notice of appeal was the Morgan/Holtz parties. Imperial County, Imperial County Air Pollution Control District and the Barioni parties appealed the orders awarding costs and an order awarding attorney fees to SDCWA from Imperial County. On October 15, 2014, the court granted a joint stipulation and request to stay this appeal until resolution of the appeal of the merits of the case. Briefing in the appellate case was completed in 2014, but settlement was reached among the parties in 2014 and 2015 before an oral argument hearing was scheduled.

On September 3, 2014, IID entered into a Release and Settlement Agreement with POWER, Cuatro Del Mar and the Barioni parties for dismissal of appeals applicable to those parties and providing for IID to pay $500,000 and waive recovery of costs from these three parties. Payment was made by IID and, on September 26, 2014, those appeals were dismissed. IID's insurance company AEGIS is submitting reimbursement for 50% (or $250,000) of the settlement amount.

On February 3, 2015, IID also entered into a Release and Settlement Agreement with Imperial County and the Imperial County Air Pollution Control District for dismissal of all appeals applicable to those parties and providing for IID to pay $750,000 and waive recovery of costs from these two parties. Payment was made by IID and, on May 26, 2015, those appeals were dismissed. IID's insurance company AEGIS is submitting reimbursement for 50% (or $375,000) of the settlement amount. Also on May 26, 2015 the cross-appeal was dismissed by the court for being moot the final dismissals were memorialized in a published decision by the court found at 237 Cal. App. 4th 72 (2015). With this final decision, this litigation has been resolved in its entirety.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet 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 31, 2016, which is the date the financial statements were issued. There were no subsequent events to recognize in the financial statements.

Note 19 – Subsequent Events (continued)

The following are subsequent events that have been noted that had no effect on the financial statements as of December 31, 2015:

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

The 2015C Revenue 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 2015C Revenue Bonds were issued with an original issue premium of $3,992,739 and costs of issuance of $266,777. The original issue premium is amortized over the life of the 2015C Bonds. The terms of the Series 2015C Bond indenture require the District to maintain certain Obligation Coverage Ratios which the District is required to comply with beginning on July 31, 2016 for the year ended December 31, 2015.

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 2015D bonds refunded $8,839,000 of outstanding taxable commercial paper.

The 2015D Revenue 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 2015D Revenue Bonds were issued with costs of issuance of $35,861 and no original issue premium or discount.

The District issued the 2015D Revenue Bonds as "New Clean Renewable Energy Bonds" as defined in Section 54C of the Internal Revenue 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 Revenue Bonds, or (ii) seventy percent (70%) of the amount of interest which would have been payable on the 2015D Revenue 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 2015D Revenue 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 19 – Subsequent Events (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 2015D Revenue Bonds are not entitled to receive a credit against tax imposed by the Code with respect to the 2015D Revenue Bonds.

The terms of the Series 2015D Bond indenture require the District to maintain certain Obligation Coverage Ratios which the District is required to comply with beginning on July 31, 2016 for the year ended December 31, 2015.


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