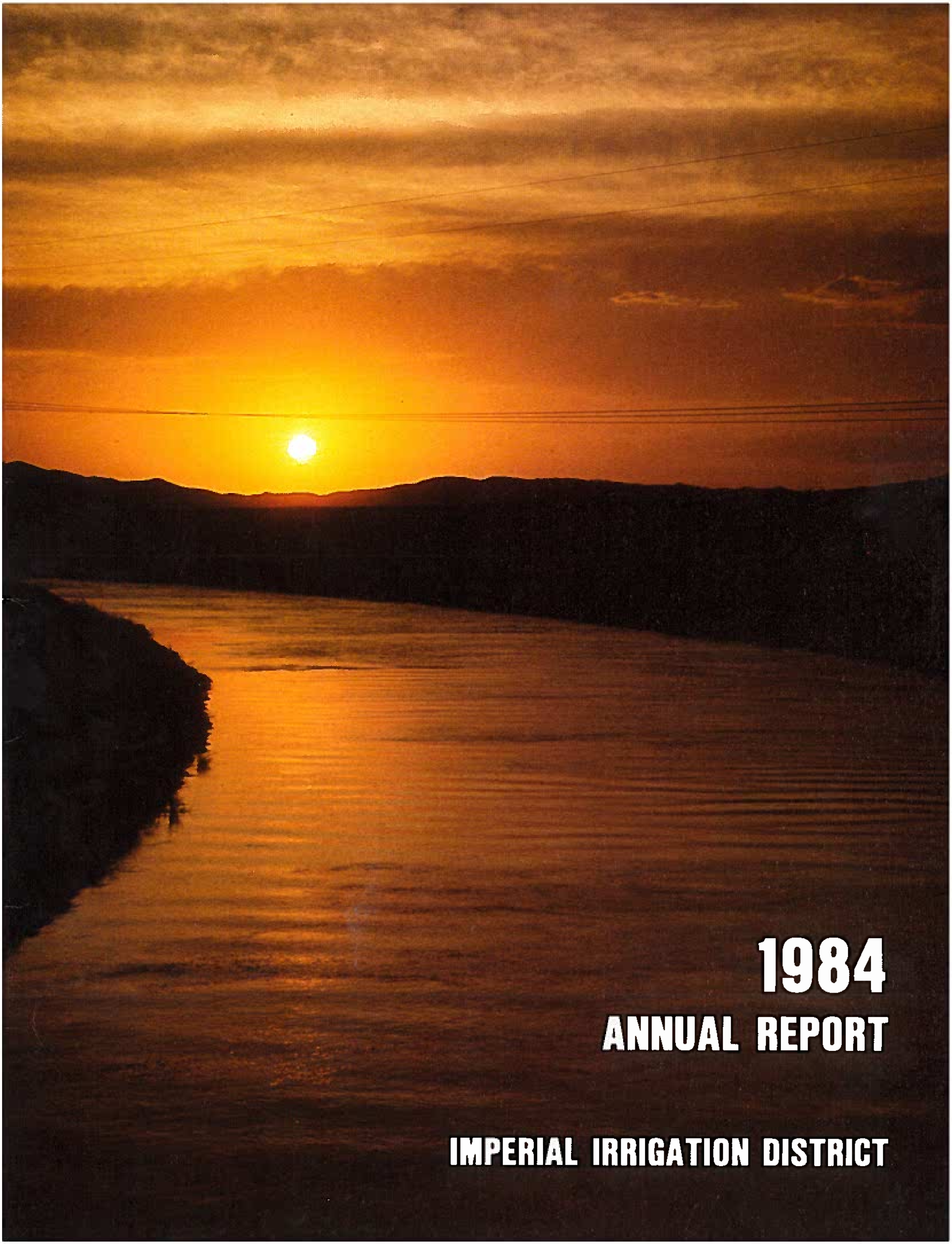

1984
ANNUAL REPORT

IMPERIAL IRRIGATION DISTRICT

Contents

IMPERIAL IRRIGATION DISTRICT

1284 MAIN STREET
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Board of Directors

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Division 5
Holtville

President
Lloyd W. Allen
Division 3
Calipatria

William R. Condit
Division 1
El Centro

John R. Benson
Division 4
Brawley

Gerald L. Moore
Division 2
Imperial

A Year of Transition

The past year can best be characterized as a "Year of Transition." Both the Water and Power Departments showed a recovery based on several factors.

The Water Department benefited from an above normal sale of water. The termination of the Department of Agriculture's "Payment in Kind" program (PIK) was the key factor contributing to the turnaround. This increased income allowed the District to intensify efforts to conserve water. In fact, over 43 miles of canals were concrete lined.

The Power Department again benefited from high water flows on the Colorado River which enabled the District to operate its hydro electric plants near capacity. This meant lower power costs for IID customers. In addition, two new hydro plants were completed at Drop 1 and the East Highline Turnout. These two new facilities will add a capacity of 7.6 megawatts to our system.

Water Department Engineer Jessie Silva discusses the progress of the hydro projects with Board Members Lloyd Allen and John Benson.

The areas of biggest change came with the hiring of a new General Manager, Charles L. Shreves. Shreves, a former Colonel in the Corps of Engineers, brought a wealth of managerial skills which he has used to implement many changes. A reorganization of the management team has improved efficiency of the organization. Our new General Manager also encouraged the Board to provide the necessary tools to better manage our District. A new computer and word processors are only two examples of this commitment to upgrade the District.

The Board also saw a need to once again become active outside the District. In April we retained the Ferguson Company to represent the IID in Washington, D.C. On our first visit to the nation's capitol, we testified in support of Salinity Control legislation. We were also able to restore $100,000 to the Department of Agriculture's budget for our hydrilla research project as a result of the General Manager's letters and our lobbyist.

In June the State Water Resources Control Board announced their decision regarding the operation of our system. They found we were not reasonably using all the water we diverted and ordered the District to prepare a water conservation plan. Although we challenged the State Board's authority for such an order, we began to document our continuing conservation efforts in a single document.

A bright note for 1984 was the beginning of serious discussions with Metropolitan Water District concerning funding for upgrades in our water delivery system in exchange for conserved water. This is a major change in the thinking regarding water policy in the west and especially within California. In theory the District would receive a modern delivery system without the huge outlay of funds and without passing that finance burden along to the area farmers.

Our year was full of exciting new challenges and concepts. I am proud we were able to meet some of those challenges, begin to revitalize the nation's largest gravity-flow irrigation system and plan for our future power needs.

Renew The Spirit

General Manager
Charles L. Shreves

I am pleased to report that my first year as General Manager of the Imperial Irrigation District was quite successful as reflected in the financial and operating division reports. Water sales increased by nine percent and power sales increased by six percent. Costs to operate the District were less than budgeted although several organizational, operational and facility upgrading changes were accomplished.

The accomplishments which are directly related to the office of the General Manager include the establishment of formal goals and objectives, improved coordination and communications, updated policies and procedures, establishment of performance standards, increased training of personnel, modernization through purchase of personal computers and word processors, improved work scheduling for the Maintenance and Buildings and Grounds Sections, increased interface with outside agencies, establishment of standards for correspondence and report preparation, increased public awareness of the magnitude of the irrigation and power systems, establishment of a formal audit plan, and several morale building programs such as employee of the month, a more meaningful service award program, recognition of retiring employees, certificates of appreciation for outstanding service, flex-time schedules where appropriate, a suggestion program, and changing to an employee requested biweekly payday schedule.

Among the problems facing the District at the end of the year are lawsuits concerning flooding of land around the Salton Sea, and the State Water Resources Control Board (SWRCB) Decision 1600 which requires the District to prepare a water conservation plan and establish several measures to control the use of water for irrigation. The District has filed suit against the SWRCB contesting their authority to establish these requirements.

Conservation efforts in 1984 resulted in the level of the Salton Sea declining slightly from the previous year, which has not happened previously.

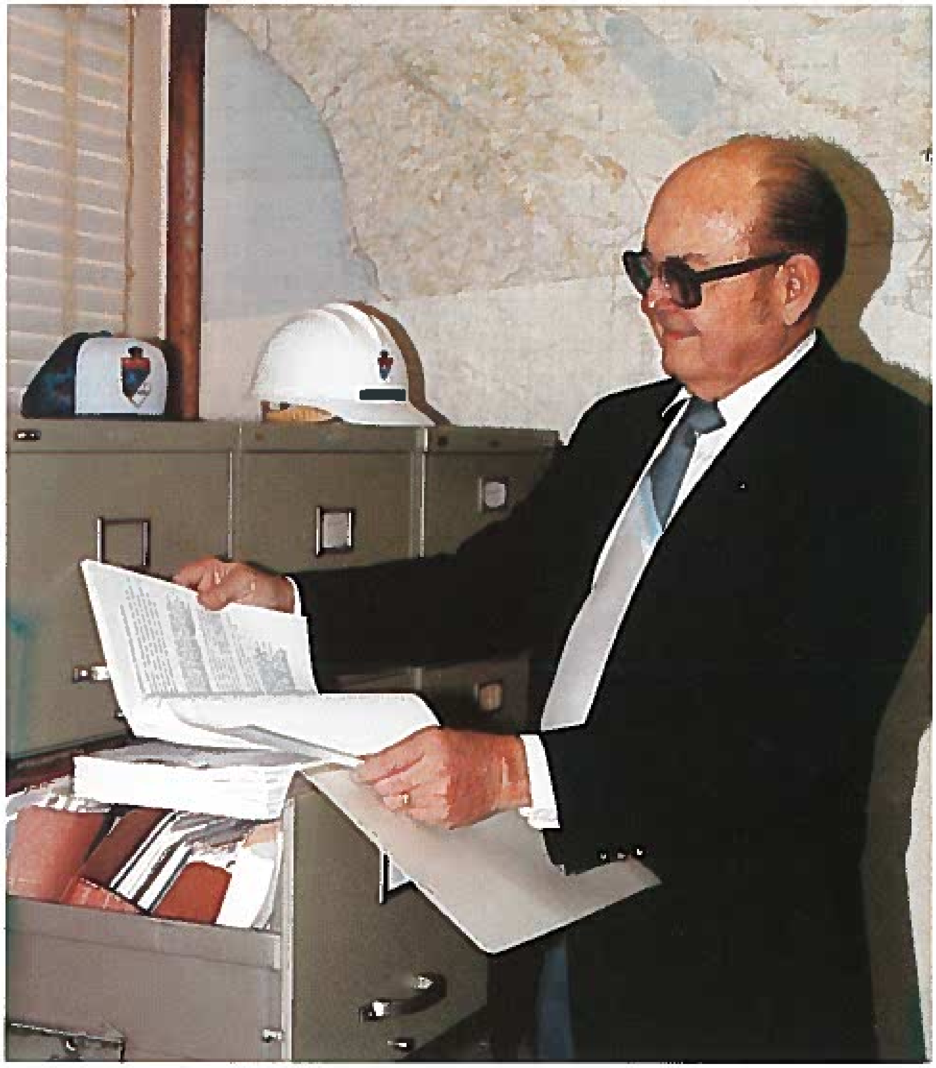
We have entered into discussions with the Metropolitan Water District concerning the transfer of conserved water. We are also discussing with the Parsons Engineering Company of Pasadena, California, the possibility of having them assist us in this effort.

Another problem which must be addressed in the future is our aging work force, especially in the key management positions of both the Water and Power Departments. Within three years, the personnel in the top echelons of both the Water and Power Departments will be eligible for retirement. An extensive training program will be required to develop current employees with high managerial potential to fill these vacancies. Outside recruiting will also be necessary for some positions.

Our buildings, facilities and systems in both the Power and Water Departments are getting old and planning for the necessary upgrading of them will be necessary.

We closed out our year with the completion and dedication of two additional hydroelectric power plants in December. The Drop No. 1 plant is rated at 6,000 KW and the East Highline plant is rated at 1,600 KW.

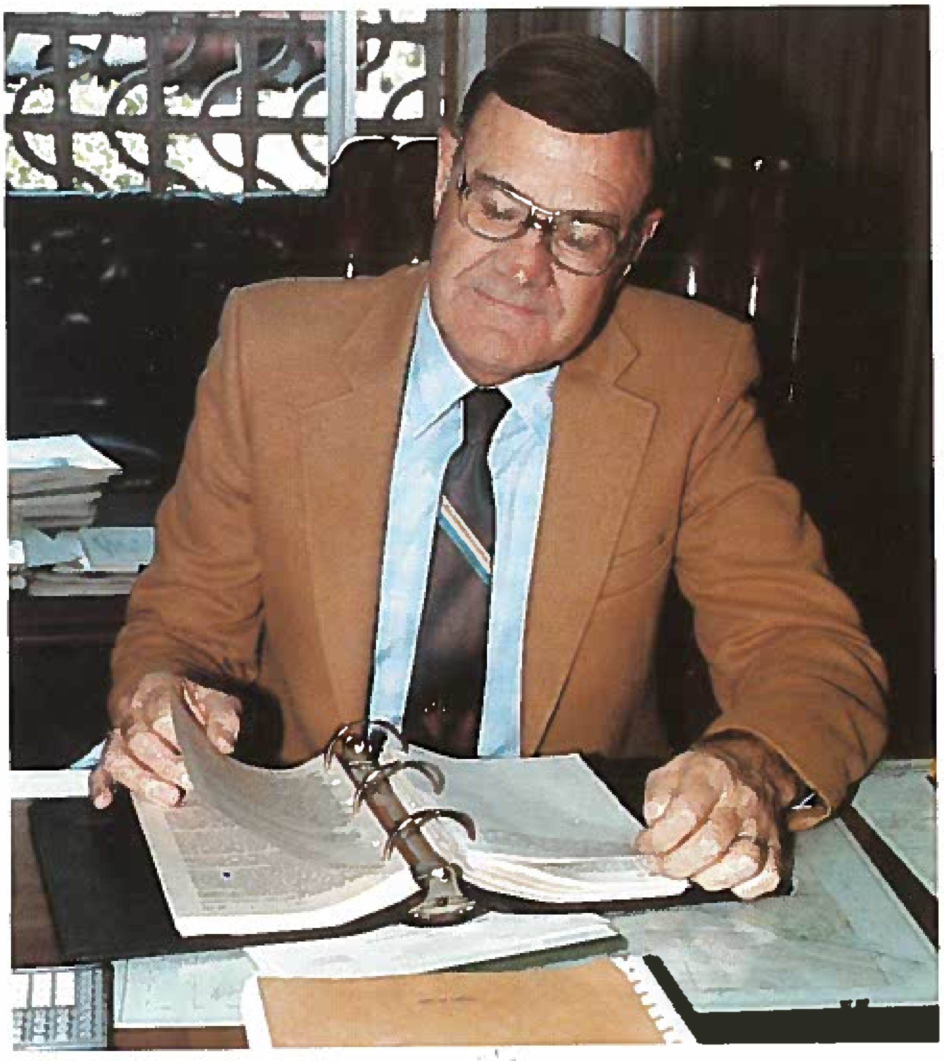
Overall, it has been a good year. Our employees have been challenged and have responded well. Our morale is high and we look forward to continued modernization and improvements in our operations and systems in the future.



Assistant to the General Manager Lonnie McGlocklin.

Board President Lloyd Allen and General Manager Charles Shreves present service award to Bruce W. Simonton.

Expanded Relations



Executive Officer
Donald Twogood

The Executive Officer to the Board of Directors is responsible for protecting and advancing the interests and rights of the District involving relationships with governmental entities, community groups, industry, and the general public. A major responsiblity is to work closely with the Board and the General Manager on policy matters, including keeping them informed of proposed projects and legislation on the state and federal levels which may affect District operations and services directly or indirectly. An additional duty is the chairmanship of an in-house task group to formulate specific water conservation programs both short and long-term.

The Executive Officer represents the District on several committees and participates in numerous regular or special conferences including the Association of California Water Agencies (ACWA), California Municipal Utilities Association (CMUA), National Water Resources Association (NWRA), Colorado River Water Users Association (CRWUA), and the California Water Resources Association (CWRA). Other boards or committees include: Southern California Public Power Authority, an 11-member organization, through which the District has a share (14.6 MW) of the Palo Verde Project in Arizona; Sponsors' Management Committee of the Heber Binary Project, a 49-MW geothermal power plant in which IID has a 10% ownership; and Brawley Research Center Committee, which oversees the distribution of special funds for research in irrigated desert agriculture in cooperation with the USDA.

Legislation

Several hundred state bills were reviewed during the year in conjunction with ACWA and CMUA legislative committees. One of those that passed was AB 2542, introduced by Assemblyman Peace, which provides for protection of IID's water rights. Two resolutions involving New River, AJR 102 (Peace) and SJR 38 (Speraw) passed, each calling on the Federal Government to expedite proposals to halt the flow of contaminates in the New River. A bill introduced by Senator Keene, SB 2216, amends Government Code Chapter 1126 to permit the legislative body of a local agency to meet in closed session with its legal counsel regarding the purchase, sale, lease, or exchange of property.

The Board was advised of passage in late summer of two bills on the federal level of special interest to the District. The first was the Hoover Dam power uprate (S. 268), under which the District now has an opportunity for an allocation of power from that project. The second was the successful passage of the Colorado River Salinity Control legislation (S. 752) providing for continued and expanded efforts to reduce salinity in the River, of obvious concern to the District.

Water Forum

The Executive Officer represented the District at two seminars of the California Water Forum; the first at USC in March and the last at UC Davis in July, each attended by more than 100 private and public sector leaders concerned with California's water future. The major continuing effort by this group is to develop a consensus on how to satisfy water needs throughout the state, especially the Sacramento-San Joaquin Delta issue. This effort has become even more important after the failure of the legislature to approve any major water bills in 1984. The possible transfer of conserved water from IID to MWD is considered a significant part of the statewide water solution, especially in the near-term.

Water Conservation

At mid-year, the Executive Officer was appointed chairman of a five-member task group to develop expanded water conservation programs, and to prepare a comprehensive water conservation plan. The task group met at least bi-monthly for six months on a schedule which provided for completion of a draft plan by February 1, 1985. The stated intent of the Plan is that it be a general plan for improvement of the District's water conveyance and delivery systems, which will increase operating efficiencies, reduce losses, and conserve water. At years end preparation of the plan was on schedule.

In direct relation to the water conservation plan, the Board designated a five-person committee (two Board Members, General Manager, Chief Legal Counsel and Executive Officer) to meet with interested parties to negotiate possible funding of physical works and other conservation programs by such parties, in exchange for use of the conserved water. Meetings were held with representatives of the geothermal industry and the Metropolitan Water District of Southern California (MWD). Geothermal developers need a firm water supply to operate geothermal-electric power plants in the Valley, while MWD needs water to meet the continual growth within its vast urban service area extending from southern Ventura County to San Diego, which current sources (State Water Project and Colorado River) will be unable to supply within three to five years.

Water conservation will continue to be an important element of the District's responsibilities.

ON-FARM TAILWATER RECOVERY SYSTEM

Reservoir and return pump.

Return pipe and field head ditch.

The River Ran Full

The District's gravity-flow canal system delivered 2,386,328 acre-feet of water to over 5,424 farm headgates, nine cities and towns, and all other water users in its Imperial Valley service area in 1984.

This amount delivered to users was 206,085 acre-feet above that in 1983.

Water is diverted from the Colorado River at Imperial Dam through the District's All-American Canal headworks and desilting basins into the All-American Canal where it is transported to Imperial, Yuma and Coachella Valleys.

The total diversion through the All-American Canal headworks in 1984, was 8,520,423 acre-feet (an acre-foot equals 326,000 gallons), including 251,311 acre-feet used in desilting operations and returned to the river.

Water diversions for all agencies served by the All-American Canal totaled 8,269,112 acre-feet, an increase of 474,731 acre-feet from 1983. This increase was because of high river releases resulting in diversions for power generation at the Pilot Knob Hydro Plant.

The above-average upstream releases were caused by heavy snowpack runoff filling the reservoirs and heavy flows of the Colorado River. This increased the heavy trash and silt load at the All-American Canal headworks which caused a tremendous increase in District labor and expense. The crews worked around the clock to keep the trash racks clear and desilting basins open to maintain the maximum discharge into the All-American Canal. These river flows caused drainage problems in the Bard Valley which would have been heavier and could have increased flooding if the flow into the All-American Canal had not been maximized.

The Water Department's responsibilities include operation and maintenance of the All-American Canal headworks and desilting basins at Imperial Dam, 80 miles of All-American Canal, 3 miles of New Briar Canal, a 1,599-mile network of other main and lateral canals, 52 miles of drains in All-American Canal Section and 1,400 miles of main and lateral drains. Due to the concrete lining of the Coachella Branch of the All-American Canal in 1980, the Coachella Valley Water District now operates and maintains this 49-mile section.

The District's gravity-flow canal and drainage systems serve an area of 511,750 acres of irrigated farmland within the District's 1,062,290 acres.

For the 34th straight year, a favorable salt balance was maintained in Imperial Valley soils as 26.58 percent more salt was discharged through the District's drainage system than was brought into the Valley by importation of Colorado River water for irrigation. This has resulted from the installation of 29,538 miles of underground drain tile in individual fields since 1929, of which 566 miles were installed in 1984.

The continued rise in the surface elevation of the Salton Sea is causing serious drainage problems in the cultivated areas adjacent to the Sea. The lowest water surface elevation was −227.05 and occurred November 1, 1984, and the highest elevation was −226.00 and occurred June 1, 1984.

The State Water Resources Control Board, in Decision 1600, determined that there are water conservation opportunities in the IID and the District is developing an extensive Water Conservation Plan to be submitted January 31, 1985.

In accordance with Resolution No. 9-84, January 24, 1984, "In the interest of water conservation, improvement of operation and maintenance efficiencies, the control of hydrilla and reduction of right-of-way requirements; the District may undertake the rearrangement and concrete lining of its irrigation lateral canals at no cost to the ad-

Water Department Manager
Robert Wilson

jacent landowner."

The District assumed the total cost of concrete lining District laterals in accordance with the above-mentioned resolution except in special circumstances which were described in the resolution.

The first official IID orientation class for new hydrographers and zanjeros was conducted; five hydrographers and seven zanjeros were present. The class was held August 29 and 30, with a trip to Imperial Dam on the 30th.

The 21-point Water Conservation Program which became the official water conservation program for the IID effective July 1, 1980, continued through 1984.

Water continued to be released and diverted to the four storage reservoirs: J. M. Sheldon, Kakoo Singh, Oscar Fudge, and Herman "Red" Sperber. Diversions to the reservoirs were as follows: Sheldon — 24,221 AF; Fudge — 24,937 AF; Singh — 29,109 AF and Sperber — 24,518 AF.

Personnel continued to check tailwater discharge.

Irrigation Training

A small irrigation training program was implemented in 1984. Several farmers and irrigators were trained to observe and record the stream advance and tailwater in border strip irrigation. Adjustments were then made during the irrigation to reduce the amount of tailwater. Unit irrigation efficiencies of 90 to 95 percent were achieved during the training period.

Previously, unit irrigation efficiencies of 70 to 75 percent had been monitored. During 1984 these fields were monitored and unit efficiencies increased to 85 to 95 percent. Although limited in size this program was very successful.

Hydrilla

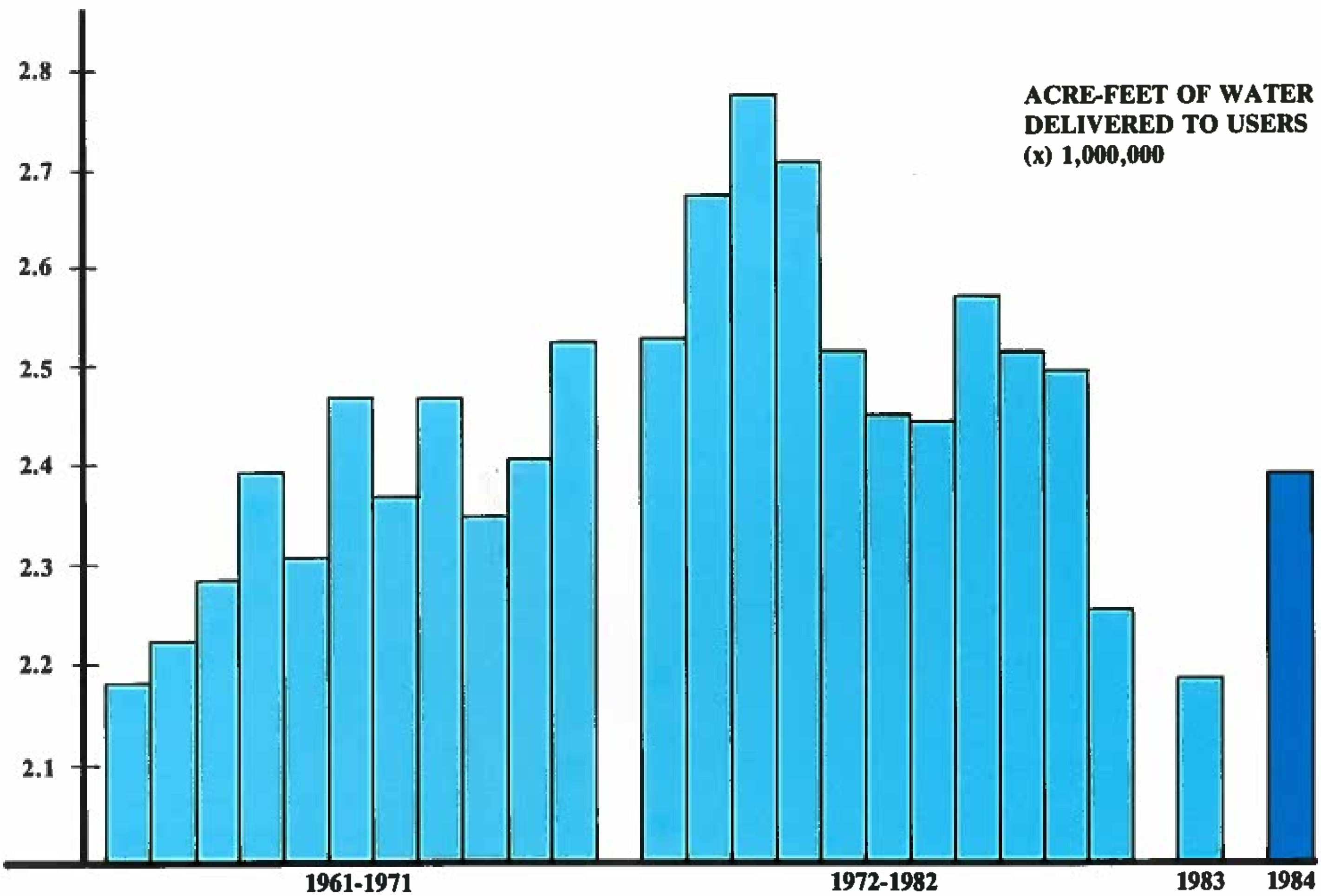
The All-American Canal, New River and Wistaria Ponds, All-American Canal Westside Main Pond, and Fudge and Sheldon Reservoirs had to be lowered several times during the year for inspection and control of hydrilla. The Fudge and Sheldon Reservoirs were also emptied several times during the year.

Grass Carp

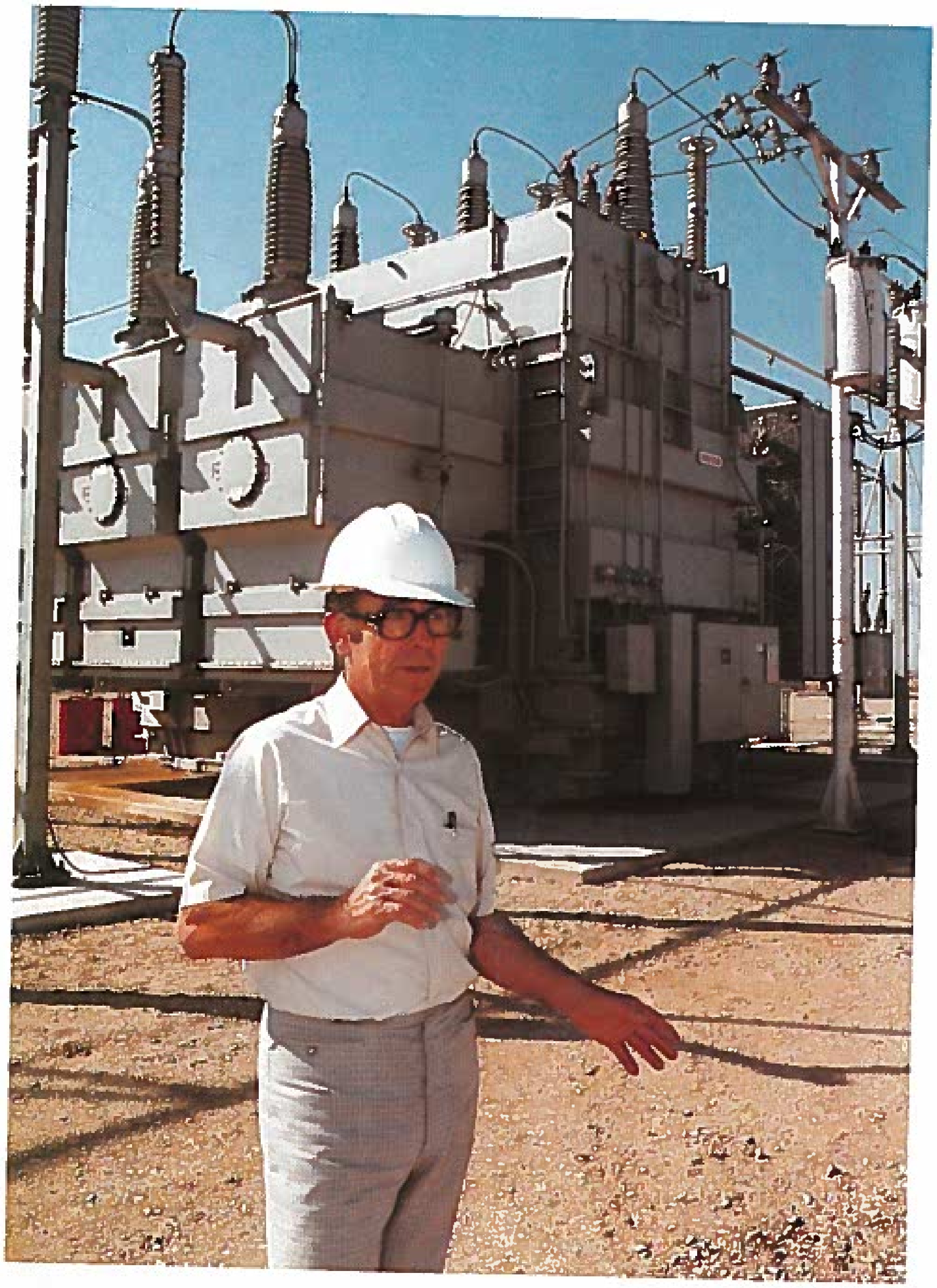
Hybrid Grass Carp were put in Sections 1 and 2 and Triploid Grass Carp were put in Sections 3 and 4 of the Wormwood Lateral 3 Canal in April. The Triploid Grass Carp were easily capable of preventing regrowth of hydrilla in all tests; the Hybrid Grass Carp were unable to keep up with the dense regrowth.

The California Department of Fish & Game Commission ruled in July, 1984 that the IID could introduce the limited number of hybrid grass carp that it possessed into Oscar Fudge Reservoir, and allow the fish to distribute themselves in the lower portion of the Central Main Canal system.

Personnel of IID and the Coachella Valley Water District initiated the preparation of a Draft Environmental Impact Statement in fall of 1984, for the operational introduction of triploid grass carp for general aquatic weed control and hydrilla eradication.



More Hydro, Systems Upgrades Mean Lower Bills



Power Department Manager
Henry Legaspi

In 1972 approximately 45% of the District's generation was produced at the El Centro Steam Plant when a barrel of oil cost the District $2.25. Only 15% was produced at the Steam Plant in 1984. For the second year in a row, due to high flows in the Colorado River, the generation produced by the District's hydro generation plants was significantly increased over that produced in 1972.

Nineteen Hundred Eighty-Four marked the completion of hydro generation plants at Drop No. 1 and at the East Highline Turnout on the All-American Canal. Coupled with the completion of the hydro generation plant on Drop No. 5 in 1982, these three facilities represent an annual displacement of approximately 100,000 barrels of oil.

The 18 mile 230-kv transmission line interconnecting the District's electrical system to the 500-kv Southwest Powerlink, along with the 230/161-kv substation additions to the El Centro Switching Station, were completed and placed in operation.

With the completion of the 230-kv interconnection to the Southwest Powerlink, the District was able to put into effect its Power Purchase Agreement with El Paso Electric Co. which will enable the District to import up to 100-mw of firm energy at less cost than can be produced at the El Centro Steam Plant.

The District's new System Control Center building was completed and is awaiting the arrival of the equipment related to communication and control which makes up the SCADA/AGC System.

Prior to the completion of this SCADA/AGC System, the District is operating with an interim AGC system that has been installed at the present Dispatch Center. This interim system is enabling the automatic balancing of the generation requirements, with the imports and exports to the system.

The SCADA/AGC System, consisting of microwave, radio frequencies and cables, when completed, will have the built-in capability of allowing its use for voice and other business data communication reducing costs from other telephone companies.

The upgrading of the "VXW" 34.5-kv transmission line was completed and interconnected to the SDG&E 49-mw Binary Geothermal Plant under construction in Heber. Ten percent of the output of this plant will satisfy the District's ownership interest, with the remainder being exported to the SDG&E system.

Two other 34.5-kv transmission lines are being upgraded for the export of energy to the SCE system. The "LX" line from Calexico to El Centro for the Dravo Project, and the "PN" line for about 11 miles southwest of Niland to the Magma Project.

Under design and material acquisition stage is a 20 mile 230-kv transmission line from SCE's Mirage Substation to a new IID substation to be located at the intersection of Avenue 52 with the Coachella Branch of the All-American Canal to the east of Coachella. This line will be the first stage of stages required to bring the 230-kv transmission grid from the SCE system north of Coachella to El Centro. This first 20 mile in-service date is June, 1986.

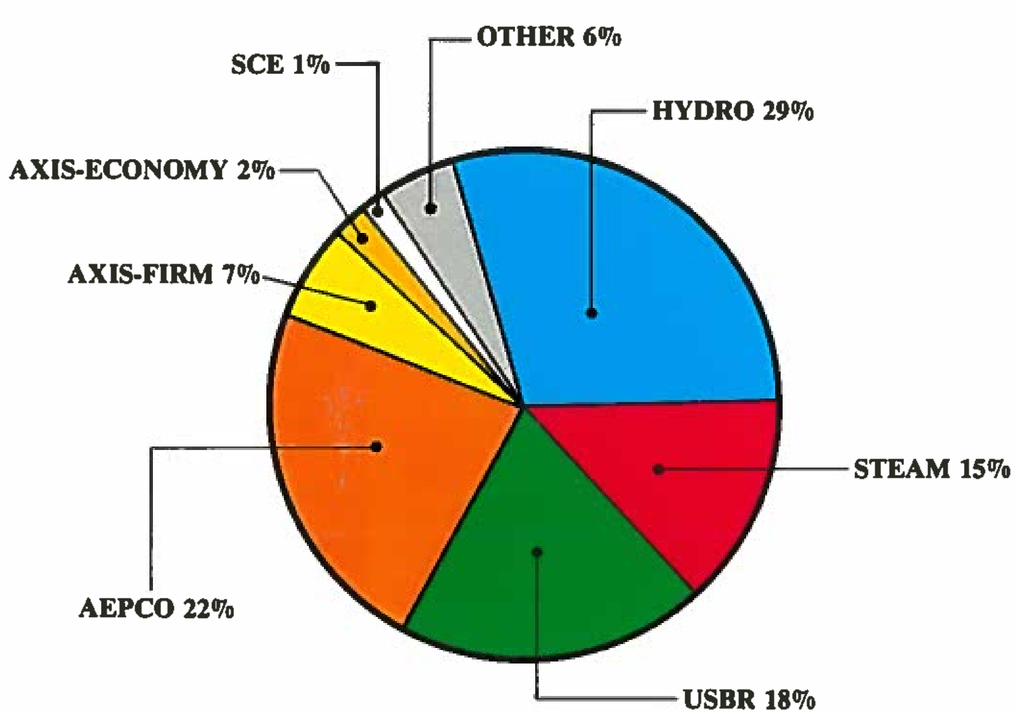
The first 20 mile leg will be integrated to the IID's present electrical grid and will be used for the import of energy to the IID and as a means of improving the system reliability, as well as for the export of the geothermal resource from the Imperial Valley to the SCE system.

It is expected that the following stages of the 230-kv transmission system which are required for the export of geothermal resources anticipated to come on line beyond 1986 will be funded by the geothermal developers.

AVERAGE NUMBER OF CUSTOMERS

	1983	1984
Residential	47,401	48,528
Commercial and Industrial	8,643	8,872
Agricultural	900	922
Other	966	969
TOTAL	57,910	59,291

SOURCES OF ELECTRIC ENERGY — 1984



Keep'm Running

During the past year the Operations Services Department personnel conscientiously performed their duties of keeping District facilities in good order, maintaining appropriate inventory levels, obtaining required materials and services at the best price and value, efficiently maintaining field and automobile fleets, and obtaining all necessary agreements and rights-of-way concerning District properties and projects. Additionally, the Operations Services Department performed various support activities as requested by other departments.

Kelly Hori and Operations Manager William Mordah.

Buildings and Grounds Section

The Buildings and Grounds Section performed emergency repairs in addition to routine maintenance.

The duties included construction of substation foundations, air conditioning and plumbing repairs, fence and gate repairs, and gardening. This section also manufactured several structures unique to District operations.

The relocation of some elements of the management structure caused several remodeling jobs. Carpet installation was an integral part of these remodeling efforts. This activity was not limited to the operating headquarters. Many of the division offices also received repairs and remodeling.

Other activities included preparation for the dedication of two new hydroelectric plants and the Mid-Winter Fair display.

Mechanical Section

This section is responsible for replacement, maintenance and transportation of heavy equipment and materials.

The heavy equipment purchases included two angledozers, a ¾-yard dragline/lifting crane and two backhoe/loaders. The automotive fleet additions and replacements totaled 11 sedans, 65 standard pickups (½-ton), 10 cab and chassis units (¾-ton), and three personnel boom trucks (40-feet). A large passenger van was purchased to accommodate tours.

Repairs were necessary to both the heavy equipment fleet of 58 units and the automotive fleet of 579 vehicles.

Over 100,000 miles were logged in 1984 transporting heavy equipment and materials for District operations.

Purchasing and Stores Section

This section is responsible for bid invitations, purchase of materials and services, and maintenance of the water and power stores inventory. There were 102 bid invitations prepared, and 42 written requests for quotations. Stores combined inventory averaged 4,930 items, with a value of approximately $2,531,000.00.

The purchasing section processed 12,658 requisitions valued at $6,396,445.00.

Another important role of this section is the sale of salvaged or used equipment and material. The three public auctions sold 87 vehicles for a total of $112,775.00. The salvaged material sold for $212,587.00.

Right-of-Way Section

This section is charged with securing all legal easements, rights-of-way and purchase of land for the construction or operation of the District's Water and Power Departments. The total number of documents processed by classification were:

Rights-of-way	117
Encroachment Permits	23
Highway Crossings	19
Pipe Service Agreements	80
Concrete Lining Applications	68
Property Transfers	3,881
Water Availability Adjustments	408
Acreage Adjustments	314

The Right-of-Section also completed a special project to determine the total acreage of privately owned land in the Salton Sea which is located below the −225 contour line. This was found to be 4,000+ acres.

Challenges To The Water Rights

The Legal Department furnished legal advice and counsel to the Board of Directors and to the officers and employees of the District acting in their official capacity.

All litigation involving the District, or in which the District may be interested, is handled by the Legal Department. This Department, with respect to the legal features involved, supervises the preparation and execution of contracts, bids, purchases, leases, rights-of-way, annexations, deposits of funds, and other related District matters. With the exception of litigation, the activities of the Legal Department are largely reflected in the activities of the other departments of the District.

The Legal Department reviews state and federal legislative proposals which are of interest to the District and makes recommendations when necessary and as requested. The Legal Department handles all workers' compensation cases and participates in proceedings before state and federal administrative tribunals and agencies.

The Legal Department consists of the Chief Counsel, a Special Counsel, and four Assistant Counsels.

Major litigation pending during 1984 includes the following:

Flooding Cases

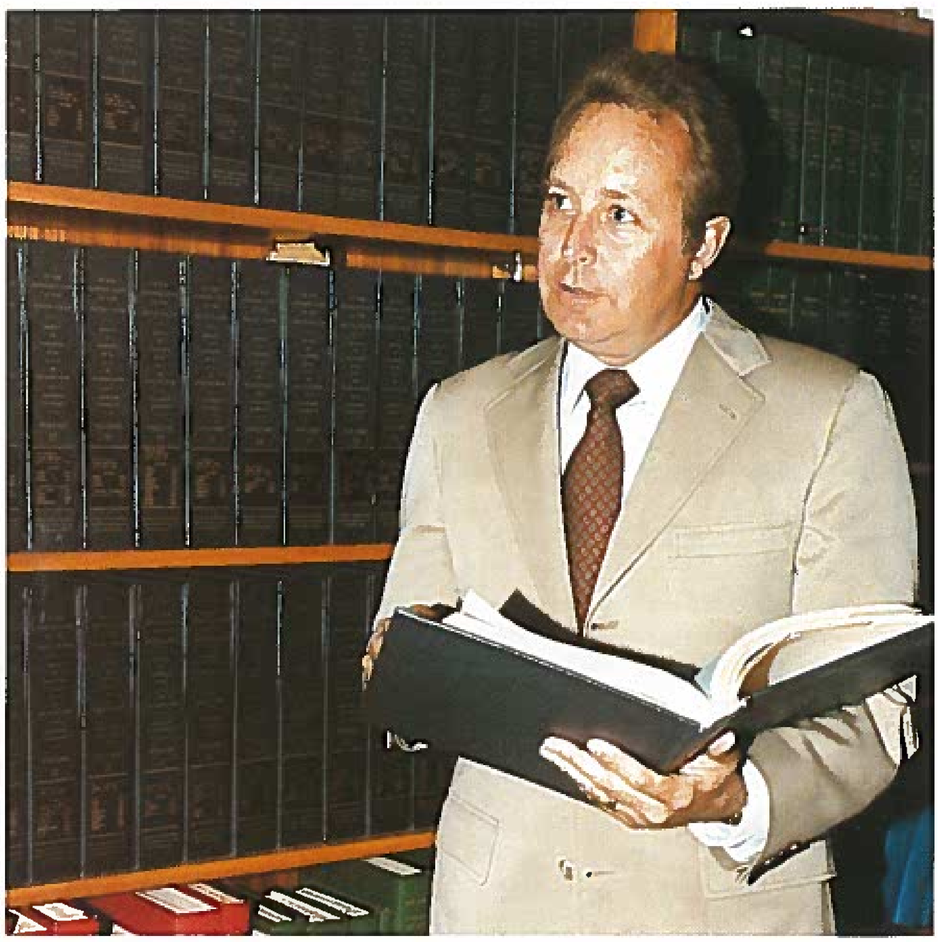
The litigation following Hurricane Kathleen (1976) and Tropical Storm Doreen (1977) has been concluded except for one case still on appeal. A final decision in this case is not expected until 1985.

During December 1982 and March 1983, rainstorms caused flooding giving rise to 14 pending lawsuits. Most of these are expected to go to trial during 1985.

The Salton Sea flooding cases are both on appeal with final decisions not expected until 1985 or 1986. These pending cases all involve flooding easements or other agreements which IID contends bar any recovery by the plaintiffs. All cases where no flooding easements existed have been settled.

State Water Resources Control Board Hearing

In 1980, the owner of farmlands within the District adjacent to the Salton Sea filed a complaint with the State Water Resources Board alleging that the District and its water users were unreasonably wasting water to the Salton Sea, thus causing his lands to be threatened with flooding. As a result of this complaint, the Department of Water Resources conducted a study and concluded that large quantities of water could be salvaged and prevented from flowing to the Salton Sea by the expenditure of several hundred million dollars.



Chief Legal Counsel
John Penn Carter

People Make The Difference

Operations

The Personnel Department moved, in August 1984, from Imperial to the Executive Offices in El Centro.

There were several major projects conducted to assist in implementing District goals and objectives that had been established by the General Manager. Among them were:

A working life and employee attitude survey to provide insights for improvements in management methods, procedures, policies, and District operations.

A major revision was made to the District's Performance Appraisal System to include the establishment of goals and performance standards for the duties of each position.

Steps were taken to begin and eventually convert to an automated personnel system.

Plans were made to assist in the conversion of payroll to a new computer system.

Employment-Affirmative Action

The reduction-in-force program, which began in 1983, continued through the first half of 1984 and leveled off in July with 904 full-time employees. By year end, employment activity had fully resumed with a full-time staff of 911.

However, this was still 6.8 percent below the 1983 staff when the reduction program began.

Although affirmative action progress dipped slightly during the reduction program, by year end minority employment had increased to 49.5 percent, the highest level since the program began.

Compensation

Employees were granted a 5.3 percent wage and benefit package on January 1, 1984, which included a 5.0 percent general increase and a .3 percent increase in benefits. Gross payroll was $23,219,349; a 2.3 percent increase over 1983.

Benefits

Benefits continued to increase in costs over previous years. Medical costs for 1984 were $1,294,957 compared to $1,198,920 for 1983 (an 8 percent increase). Workers' Compensation costs increased 19 percent, with claims and fees for 1984 amounting to $447,385 compared to $375,919 for 1983. Because of a surplus of funds in the Vision Service Plan at the beginning of the year, premiums were reduced from $90,435 to $82,531; however, claims and fees rose 22.9 percent, from $62,741 to $77,141. Retirement costs decreased 14 percent, from $963,077 to $827,821.

Service Awards

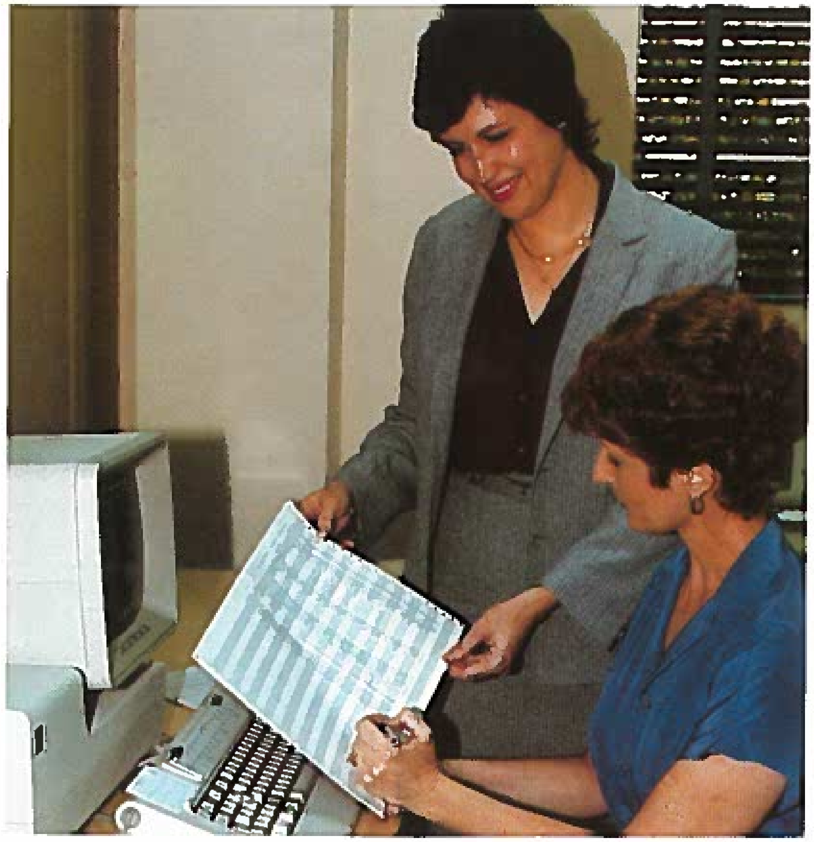
Awards for years of service were presented to 118 employees. Individual years of service ranged from 10 to 40, with a combined total of 2,090 years.

Health and Safety

Safety awards were issued to 150 employees for driving at least 24,000 miles without a preventable accident in the last two years, and 29 employees received safety awards for driving 12,000 accident free miles in the last five years. Employees safety awards were issued to 36 departments, sections and units for completing a full year without a lost-time accident.

Personnel Department Manager Bruce Penner meets with employees.

A Steady Financial Picture



Rosemary Cooper and Finance Department Manager Kristine Fontaine review a report from the new IBM 38 computer.

The District's cash reserves increased in 1984 due to increased water and power sales. Water sales in acre feet increased over 9%, and power sales in KWH increased over 6%.

Significant increases in operating revenues were also a reflection of increased sales in both water and power, an increased rate for water availability for 1984, and a rate increase in power implemented in August 1984 to provide funds for future capital expenditures. Operating revenues increased $5.5 million or 5.5%.

Nonoperating revenues increased due to additional funds available for investment during the year. Interest income for power increased substantially but was offset by interest expense on debt.

Operating expenses for water decreased slightly and power operating expenses increased slightly. The total increase was $750,000 or 1%. The increase was due to higher energy costs of $900,000. All other operating expenses decreased due to improved efficiencies implemented during the year.

Treasurer's Office

Interest received on investment of District funds increased by approximately 60% from $3,509,299 in 1983 to $5,910,095 in 1984. The increase was primarily due to increased funds available for investment.

Electric revenue bonds, issued in 1954 to finance the District's long-range power development program, were retired in 1984.

Below is a tabulated comparison of cash receipts and disbursements:

	RECEIPTS	DISBURSEMENTS
1984	119,736,457	$117,409,803
1983	184,943,685	133,485,571
1982	95,341,053	100,937,349
1981	87,018,182	89,423,412

General Accounting

Additional cash accounts were created to more accurately track budget appropriations and expenditures by major expense categories. From the information generated in the various accounts, graphs were developed for monthly review by management and the Board of Directors. The personal computer was utilized to bill the miscellaneous receivables. Working in close conjunction with Purchasing, the inventory system was successfully converted on the new computer system. A great deal of preliminary work was done in order that accounts payable, payroll, transportation and general ledger would be fully converted to the new computer system in early 1985.

Electronic Data Processing

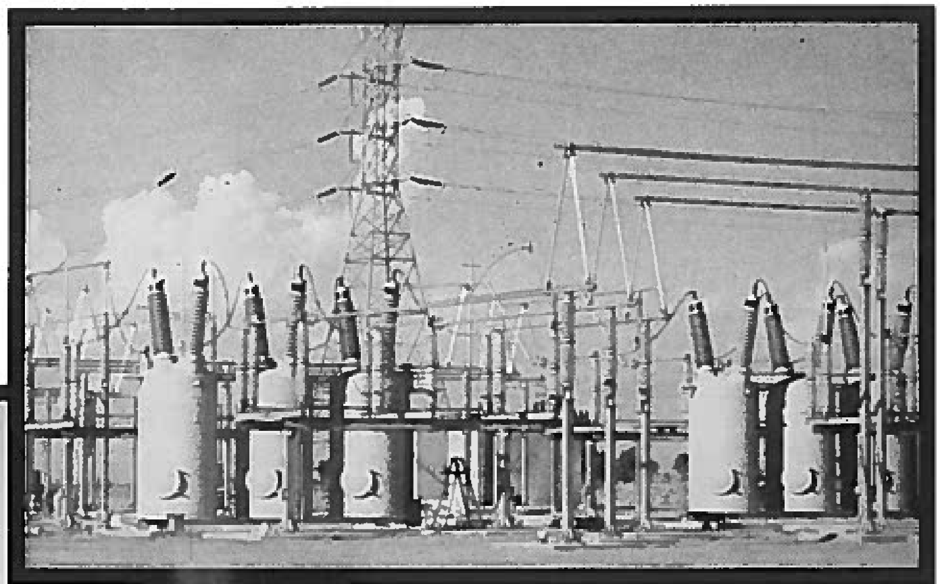
A presentation was made to the Board of Directors recommending the purchase of a new computer system. The proposal to purchase an IBM System/38 was approved, and it was delivered in July 1984. A software firm was engaged to convert all the financial and billing applications. Extensive training for programmers and operators was implemented to "learn" the new system.

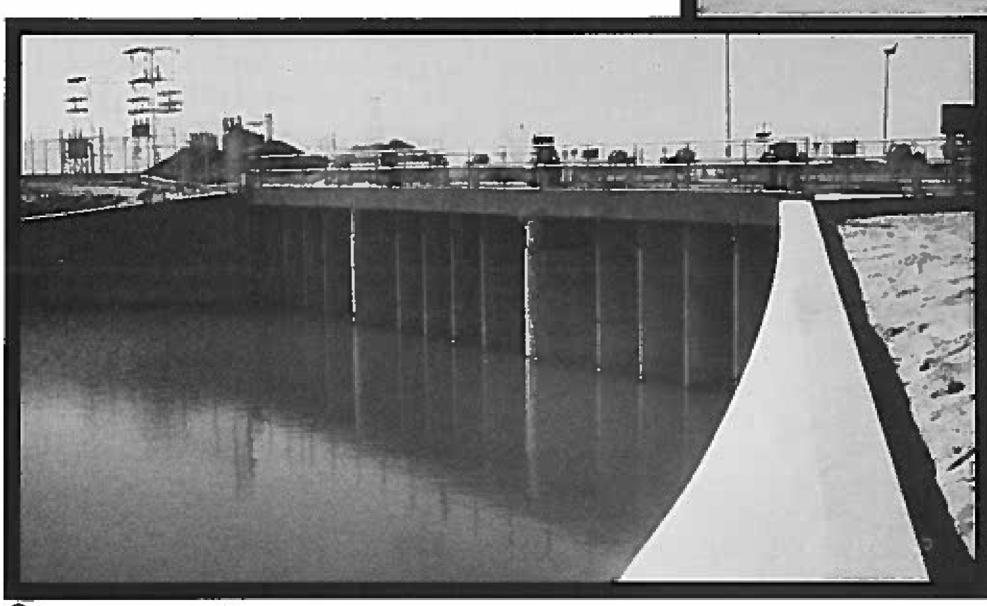
Customer Accounting

Electronic meter reading devices were implemented in March and April of 1984 and have proved to be very successful. In addition to more accurate reads, two key data entry positions were eliminated, resulting in an increase in productivity.

Administrative Services

There were 526 investigations conducted relating to damage of District property and to the property of others, and 71 claims filed against the District with 22 denied.





IMPERIAL IRRIGATION DISTRICT
Combined Financial Statements
December 31, 1984 and 1983

The Board of Directors
Imperial Irrigation District:

We have examined the combined balance sheets of the Imperial Irrigation District as of December 31, 1984 and 1983 and the related combined statements of earnings, changes in District equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined financial statements present fairly the financial position of Imperial Irrigation District as of December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Calderon, Jaham & Osborn

March 1, 1985

Calderon, Jaham & Osborn
Peat, Marwick, Mitchell & Co.

a joint venture

Certified Public Accountants

1236 State Street
El Centro, California 92243
(619) 352-6022

IMPERIAL IRRIGATION DISTRICT

COMBINED BALANCE SHEETS

December 31, 1984 and 1983

ASSETS	1984 Water Department	1984 Power Department	1984 Combined	1983 Water Department	1983 Power Department	1983 Combined
CURRENT ASSETS:						
Cash, cash equivalents & investments, at cost	$ 4,574,923	$ 8,955	$ 4,583,878	$ 1,201,269	$ 4,160,088	$ 5,361,357
Accounts receivable	2,498,062	5,664,157	8,162,219	3,840,023	7,052,404	10,892,427
Less allowance for doubtful accounts	87,468	243,005	330,473	26,103	274,506	300,609
Net accounts receivable	2,410,594	5,421,152	7,831,746	3,813,920	6,777,898	10,591,818
Inventories:						
Fuel oil	-0-	4,276,943	4,276,943	-0-	4,595,214	4,595,214
Materials and supplies	597,040	1,985,818	2,582,858	558,733	1,556,088	2,114,821
Prepaid expenses & deferred charges	140,893	230,178	371,071	149,974	255,921	405,895
Total current assets	7,723,450	11,923,046	19,646,496	5,723,896	17,345,209	23,069,105
CASH AND CASH EQUIVALENTS RESTRICTED AS TO USE AND ALLOCATED FOR:						
Debt service	279,945	11,366,378	11,646,323	-0-	11,123,978	11,123,978
Construction	1,062,886	24,803,286	25,866,172	1,014,401	25,978,352	26,992,753
Self-insurance	3,586,272	1,385,254	4,971,526	4,571,319	-0-	4,571,319
Other restricted	3,150,205	13,425,386	16,575,591	2,201,180	11,066,249	13,267,429
	8,079,308	50,980,304	59,059,612	7,786,900	48,168,579	55,955,479
UTILITY PLANT, at cost						
Plant in service	128,139,452	172,878,111	301,017,563	122,057,059	162,992,727	285,049,786
Less accumulated depreciation	27,831,483	86,075,294	113,906,777	25,929,904	81,170,692	107,100,596
	100,307,969	86,802,817	187,110,786	96,127,155	81,822,035	177,949,190
Construction in process	-0-	52,568,676	52,568,676	30,714	39,557,558	39,588,272
	100,307,969	139,371,493	239,679,462	96,157,869	121,379,593	217,537,462
OTHER ASSETS	-0-	-0-	-0-	668,064	-0-	668,064
	$116,110,727	$202,274,843	$318,385,570	$110,336,729	$186,893,381	$297,230,110

(Continued)

IMPERIAL IRRIGATION DISTRICT

COMBINED BALANCE SHEETS, CONTINUED

LIABILITIES AND DISTRICT EQUITY	1984 *Water Department*	1984 *Power Department*	1984 *Combined*	1983 *Water Department*	1983 *Power Department*	1983 *Combined*
CURRENT LIABILITIES:						
Current maturities of long-term debt	$ 731,988	$ 3,696,649	$ 4,428,637	$ 740,582	$ 4,091,196	$ 4,831,778
Accounts payable	930,391	4,991,885	5,922,276	794,177	4,768,860	5,563,037
Accrued interest payable	-0-	998,060	998,060	-0-	1,031,032	1,031,032
Accrued compensation and payroll taxes	977,290	-0-	977,290	1,103,845	-0-	1,103,845
Accrued vacation and sick leave	736,549	747,307	1,483,856	724,408	761,547	1,485,955
Deferred revenues, current portion	1,024,149	-0-	1,024,149	2,182,762	-0-	2,182,762
Total current liabilities	4,400,367	10,433,901	14,834,268	5,545,774	10,652,635	16,198,409
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Advances and deposits from customers	1,800	541,176	542,976	87,090	531,940	619,030
Refundable to customers	-0-	11,533,736	11,533,736	-0-	9,851,810	9,851,810
	1,800	12,074,912	12,076,712	87,090	10,383,750	10,470,840
LONG-TERM DEBT:						
Certificates of Participation	-0-	59,630,000	59,630,000	-0-	62,385,000	62,385,000
All-American Canal obligation	6,250,668	367,207	6,617,875	6,960,467	408,007	7,368,474
Obligations under capital leases	96,081	1,197,610	1,293,691	-0-	1,743,647	1,743,647
	6,346,749	61,194,817	67,541,566	6,960,467	64,536,654	71,497,121
DEFERRED CREDITS AND OTHER LIABILITIES:						
Other accrued expenses, noncurrent portion	2,000,000	-0-	2,000,000	2,000,000	-0-	2,000,000
Deferred revenues, noncurrent portion	315,252	-0-	315,252	252,908	-0-	252,908
Advances for construction	-0-	350,643	350,643	-0-	409,482	409,482
Accrued sick leave, noncurrent portion	181,647	245,563	427,210	204,716	221,841	426,557
	2,496,899	596,206	3,093,105	2,457,624	631,323	3,088,947
DISTRICT EQUITY:						
Contributions in aid of construction	4,499,762	-0-	4,499,762	4,831,603	-0-	4,831,603
Retained earnings:						
Undesignated	90,285,842	66,994,703	157,280,545	82,667,271	52,520,440	135,187,711
Designated retained earnings— restricted assets	8,079,308	50,980,304	59,059,612	7,786,900	48,168,579	55,955,479
Total retained earnings	98,365,150	117,975,007	216,340,157	90,454,171	100,689,019	191,143,190
Total district equity	102,864,912	117,975,007	220,839,919	95,285,774	100,689,019	195,974,793
	$116,110,727	$202,274,843	$318,385,570	$110,336,729	$186,893,381	$297,230,110

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF EARNINGS

Years Ended December 31, 1984 and 1983

	1984			1983		
	Water Department	*Power Department*	*Combined*	*Water Department*	*Power Department*	*Combined*
OPERATING REVENUES:						
Power Sales	$ -0-	$80,210,028	$80,210,028	$ -0-	$77,821,251	$77,821,251
Water Sales	22,042,166	-0-	22,042,166	19,648,656	-0-	19,648,656
Water availability charge	2,055,729	-0-	2,055,729	999,980	-0-	999,980
Interdepartmental charges:						
Use of All-American Canal	334,499	(334,499)	-0-	334,499	(334,499)	-0-
Power sales	(347,069)	347,069	-0-	(418,399)	418,399	-0-
Other (primarily royalties and rentals)	317,453	1,270,568	1,588,021	842,195	1,078,707	1,920,902
	24,402,778	81,493,166	105,895,944	21,406,931	78,983,858	100,390,789
OPERATING EXPENSES:						
Cost of fuel	-0-	13,934,769	13,934,769	-0-	16,232,883	16,232,883
Purchased power	-0-	31,761,503	31,761,503	-0-	28,558,349	28,558,349
Other power expenses	-0-	8,741,074	8,741,074	-0-	8,608,345	8,608,345
Operation and maintenance of All-American Canal	1,411,889	-0-	1,411,889	1,226,101	-0-	1,226,101
Operation and maintenance of irrigation system and dams	11,115,060	-0-	11,115,060	11,415,507	-0-	11,415,507
General and administration expense	3,351,713	4,585,824	7,937,537	3,346,975	5,149,470	8,496,445
Provision for depreciation	1,654,939	4,878,814	6,533,753	1,612,292	4,545,008	6,157,300
Provision for loss on experimental farm	42,722	-0-	42,722	35,802	-0-	35,802
	17,576,323	63,901,984	81,478,307	17,636,677	63,094,055	80,730,732
Net operating earnings	6,826,455	17,591,182	24,417,637	3,770,254	15,889,803	19,660,057
NONOPERATING REVENUES (EXPENSES):						
Interest income	1,086,602	4,823,493	5,910,095	594,900	2,914,399	3,509,299
Interest expense	(2,078)	(5,128,687)	(5,130,765)	(4,036)	(3,708,741)	(3,712,777)
Net nonoperating revenues (expenses)	1,084,524	(305,194)	779,330	590,864	(794,342)	(203,478)
Net earnings	$ 7,910,979	$17,285,988	$25,196,967	$ 4,361,118	$15,095,461	$19,456,579

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF CHANGES IN DISTRICT EQUITY

Years Ended December 31, 1984 and 1983

	1984 Water Department	1984 Power Department	1984 Combined
RETAINED EARNINGS:			
Balance at January 1, 1984	$ 90,454,171	$100,689,019	$191,143,190
Net earnings	7,910,979	17,285,988	25,196,967
Balance at December 31, 1984	98,365,150	117,975,007	216,340,157
CONTRIBUTIONS IN AID OF CONSTRUCTION:			
Balance at January 1, 1984	4,831,603	-0-	4,831,603
Refund of contributions received in prior years	(104,912)	-0-	(104,912)
Contributions received	45,304	-0-	45,304
Less amortization	(272,233)	-0-	(272,233)
Balance at December 31, 1984	4,499,762	-0-	4,499,762
Total District equity at December 31, 1984	$102,864,912	$117,975,007	$220,839,919

	1983 Water Department	1983 Power Department	1983 Combined
RETAINED EARNINGS:			
Balance at January 1, 1983	$86,093,053	$85,593,558	$171,686,611
Net earnings	4,361,118	15,095,461	19,456,579
Balance at December 31, 1983	90,454,171	100,689,019	191,143,190
CONTRIBUTIONS IN AID OF CONSTRUCTION:			
Balance at January 1, 1983	4,551,963	-0-	4,551,963
Contributions received	554,594	-0-	554,594
Less amortization	(274,954)	-0-	(274,954)
Balance at December 31, 1983	4,831,603	-0-	4,831,603
Total District equity at December 31, 1983	$95,285,774	$100,689,019	$195,974,793

See accompanying notes to combined financial statement.

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1984 and 1983

	1984			1983		
	Water Department	*Power Department*	*Combined*	*Water Department*	*Power Department*	*Combined*
FINANCIAL RESOURCES PROVIDED BY:						
Operations:						
Net earnings	$ 7,910,979	$ 17,285,988	$ 25,196,967	$ 4,361,118	$ 15,095,461	$ 19,456,579
Items which did not require outlay of working capital during the year:						
Depreciation and amortization	2,432,225	4,910,426	7,342,651	2,288,010	4,545,008	6,833,018
Increase (decrease) in noncurrent portion of accrued sick leave	(23,069)	23,722	653	(32,085)	3,035	(29,050)
Total working capital provided by operations	10,320,135	22,220,136	32,540,271	6,617,043	19,643,504	26,260,547
Proceeds from Certificates of Participation, net of current portion	-0-	-0-	-0-	-0-	62,385,000	62,385,000
Decrease in construction in process	30,714	-0-	30,714	751,737	-0-	751,737
Increase in noncurrent portion of other accrued expenses and deferred revenues	62,344	-0-	62,344	564,916	-0-	564,916
Contributions in aid of construction	45,304	-0-	45,304	554,594	-0-	554,594
Decrease in other assets	668,064	-0-	668,064	-0-	-0-	-0-
Decrease in restricted assets	-0-	-0-	-0-	1,445,485	-0-	1,445,485
Increase (decrease) in liabilities payable from restricted assets	(85,290)	1,691,162	1,605,872	59,111	9,909,862	9,968,973
	11,041,271	23,911,298	34,952,569	9,992,886	91,938,366	101,931,252
FINANCIAL RESOURCES APPLIED TO:						
Increase in other assets	-0-	-0-	-0-	414,910	-0-	414,910
Addition to utility plant in service, net	6,885,272	9,891,208	16,776,480	4,932,917	4,924,163	9,857,080
Addition to construction in process	-0-	13,011,118	13,011,118	-0-	36,577,886	36,577,886
Decrease in contributions in aid of construction	104,912	-0-	104,912			
Decrease in advances for construction	-0-	58,839	58,839	-0-	2,199,380	2,199,380
Decrease in long-term debt	613,718	3,341,837	3,955,555	740,582	1,406,196	2,146,778
Transfers to restricted funds, net	292,408	2,811,725	3,104,133	-0-	43,403,205	43,403,205
	7,896,310	29,114,727	37,011,037	6,088,409	88,510,830	94,599,239
Increase (decrease) in working capital	$ 3,144,961	$ (5,203,429)	$ (2,058,468)	$ 3,904,477	$ 3,427,536	$ 7,332,013

(Continued)

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION, CONTINUED

	1984			1983		
	Water Department	*Power Department*	*Combined*	*Water Department*	*Power Department*	*Combined*
SUMMARY OF CHANGES IN WORKING CAPITAL COMPONENTS:						
Increase (decrease) in current assets:						
Cash	$ 3,373,654	$(4,151,133)	$ (777,479)	$ 3,697,196	$ 5,783,373	$ 9,480,569
Accounts receivable, net	(1,403,326)	(1,356,746)	(2,760,072)	1,588,204	806,359	2,394,563
Inventories	38,307	111,459	149,766	(241,214)	(7,308)	(248,522)
Prepaid expenses and deferred charges	(9,081)	(25,743)	(34,824)	(23,522)	(119,834)	(143,356)
	1,999,554	(5,422,163)	(3,422,609)	5,020,664	6,462,590	11,483,254
DECREASE (INCREASE) IN CURRENT LIABILITIES:						
Current maturities on long-term debt	$ 8,594	$ 394,547	$ 403,141	$ (1,947)	$ (2,783,198)	$ (2,785,145)
Accounts payable	(136,214)	(223,025)	(359,239)	189,994	524,385	714,379
Accrued interest payable	-0-	32,972	32,972	-0-	(770,211)	(770,211)
Accrued vacation and sick leave	(12,141)	14,240	2,099	(46,126)	(6,030)	(52,156)
Accrued compensation and payroll taxes	126,555	-0-	126,555	(189,660)	-0-	(189,660)
Deferred revenue	1,158,613	-0-	1,158,613	(1,068,448)	-0-	(1,068,448)
	1,145,407	218,734	1,364,141	(1,116,187)	(3,035,054)	(4,151,241)
Increase (decrease) in working capital	$ 3,144,961	$ (5,203,429)	$ (2,058,468)	$ 3,904,477	$ 3,427,536	$ 7,332,013

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1984 and 1983

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

Separate accounting records are maintained for the Water and Power Departments of the Imperial Irrigation District (the District). The account classifications used by the District for accounting and financial reporting purposes are comparable to those used by other irrigation districts and electric utilities. The account classifications used by the Power Department are specified by the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. These accounts were adopted to facilitate computations required by a provision of the All-American Canal contract discussed in note 5. The effects of interdepartmental transactions have not been eliminated because it is the intention of the Board of Directors of the District that the operating results of such departments be segregated for management review and rate setting purposes. Such segregation is also required for evidence of compliance with debt agreement provisions regarding electric revenue bonds and the Certificates of Participation.

Utility Plant

Utility plant is stated at cost, which includes labor, materials, purchased services and certain overhead items which are capitalized in water utility plant. Such overhead relating to construction activities of the Power Department is not charged to utility plant since allocated amounts would not be significant. Water and electric plant retirements are removed from the accounts at cost, together with the related accumulated depreciation balance. Any gains or losses resulting from retirements are recorded in other revenues.

The District has an undivided interest in power generation stations and transmission systems which are jointly owned with several utilities. Each participant provides its own construction financing. The District's proportionate share of construction and improvement cost for these facilities is included in the appropriate category of utility plant. The District incurs certain minimum operating costs on jointly owned facilities, whether or not it is able to take delivery of its proportionate share of energy generated. Such expenses incurred are included in the appropriate categories of operating expenses.

Depreciation

Buildings, vehicles, equipment, drainage structures, canal linings and canal structures owned by the Water Department are depreciated on a straight-line basis over their estimated useful lives. The provision for depreciation recorded by the Water Department for 1984 and 1983 was equivalent to 1.9% of average depreciable water plant. Electric plant is depreciated on the composite method using an overall rate of 3% per annum. Expenditures which materially increase utility plant lives are capitalized while costs of maintenance and repairs are charged to expense as incurred.

Inventories

Inventories of fuel oil and materials and supplies are recorded at cost on a first-in, first-out weighted average basis.

Reclassifications

Certain reclassifications have been made to the prior years' combined financial statements to conform to the 1984 presentation.

Revenues

The principal customers of the Water Department are farm operators and cities, who in turn resell such water to their respective citizens. These customers are billed at the end of each month for sales made during the month. In addition, each landowner pays an annual water availability fee which is based upon its acreage within the District. Customers of the Power Department are billed on a cyclic basis. Water and power revenues are recorded when billed, except for the water availability fee which is billed in December but recorded as revenue ratably throughout the year.

Refundable to Customers

Fuel costs billed, to power customers, in excess of actual fuel costs incurred are considered refundable to the customer. Such costs are refunded through subsequent reduction of fuel costs billed.

Restricted Assets

Restricted funds represent allocations of cash balances pursuant to provisions of the All-American Canal contract and the covenants of the Certificates of Participation and for other purposes specified by the Board of Directors.

Investments

Investments are stated at cost, which approximates market value.

Note 2 - Interdepartmental Transactions

Although the Water and Power Departments of the District maintain separate accounting records, there are certain interdepartmental transactions. Significant transactions primarily involve charges by the Water Department to the Power Department for the use of water to generate electricity on the canal system and for the use of buildings, vehicles and equipment. The interdepartmental charge for the use of water in the All-American Canal to generate electricity is based upon amounts authorized by the Board of Directors in 1976.

Charges for use of buildings, vehicles and equipment are based upon pro rata distribution of costs of related maintenance operation and depreciation. In accordance with covenants of electric revenue bonds, the Water Department is charged for electric service furnished by the Power Department.

General and administrative expenses of the District are allocated between departments, with the majority of the expenses allocated 50% to the Power Department and 50% to the Water Department.

The combined accrued salaries, wages and payroll taxes of the District are reflected as a current liability of the Water Department in the accompanying combined financial statements, as funds adequate to cover amounts applicable to the Power Department had previously been transferred to the Water Department from the Power Department's accounts.

Note 3 - Long-Term Debt

Long-term debt consists of the following:

	Water Department Current portion	Water Department Long-term	Power Department Current portion	Power Department Long-term	Combined
1984					
Electric revenue bonds, secured by a pledge of the net revenues of the Power Department, with interest ranging from 2¾% to 3½%, maturing as follows:					
1983 and prior maturities	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
1984	-0-	-0-	-0-	-0-	-0-
	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Certificates of Participation (Note 4)	$ -0-	-0-	$ 2,755,000	$ 59,630,000	$ 62,385,000
All-American Canal obligation (Note 5)	$ 709,799	$ 6,250,668	$ 40,801	$ 367,207	$ 7,368,475
Obligation under capital lease (Note 6)	22,189	96,081	900,848	1,197,610	2,216,728
	$ 731,988	$ 6,346,749	$ 3,696,649	$ 61,194,817	$ 71,970,203
1983					
1983 and prior maturities	-0-	-0-	70,000	-0-	70,000
1984	-0-	-0-	600,000	-0-	600,000
	$ -0-	$ -0-	$ 670,000	$ -0-	$ 670,000
Certificates of Participation (Note 4)	$ -0-	-0-	$ 2,615,000	$ 62,385,000	$ 65,000,000
All-American Canal obligation (Note 5)	$ 709,799	$ 6,960,467	$ 40,801	$ 408,007	$ 8,119,074
Obligation under capital lease (Note 6)	30,783	-0-	765,395	1,743,647	2,539,825
	$ 740,582	$ 6,960,467	$ 4,091,196	$ 64,536,654	$ 76,328,899

Note 4 - Certificates of Participation

In May 1983, the District received the proceeds from $65,000,000 in Certificates of Participation (Certificates). The proceeds of this issue was used to finance: the District's ownership interest in a portion of the Southwest Powerlink between the Palo Verde Nuclear Power Plant (Palo Verde) and its Imperial Valley Substation; transmission facilities between Palo Verde and the Imperial Valley Substation; equipment to facilitate the control and dispatching of the District's power resources; and certain hydroelectric generating facilities to be utilized by the District.

The Certificates are payable from installment payments made by the District, payable on May 1 in each year. Interest is payable semiannually on May 1 and November 1, with interest rates ranging from 5% to 8.6%.

Principal payments are due as follows:

Due Date	Principal Amount
May 1, 1985	$ 2,755,000
May 1, 1986	2,905,000
May 1, 1987	3,075,000
May 1, 1988	3,275,000
May 1, 1989	3,505,000
Thereafter	46,870,000
	$62,385,000

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1984 and 1983

Note 5 - All-American Canal Contract

Pursuant to the terms of the Boulder Canyon Project, All-American Canal contract dated December 1, 1932 and the amendment and supplement to that contract dated March 4, 1952, the District assumed an initial obligation of $25,020,000 to the United States. This amount represents the District's share of the cost of construction of the All-American Canal System. This obligation has been allocated to the Water and Power Departments based on the relative cost of their plant located on the All-American Canal System. Except for the combined annual payments of $750,600 through 1994, no other amounts are due to the United States for water supplied to the District. The unpaid balance at December 31, 1984 was $7,368,475 as set forth in note 3.

The District receives its entire water supply for its irrigation system from the United States under this contract. Deliveries of water and use in perpetuity of the All-American Canal are guaranteed to the District as long as the provisions of the contract are met.

Under the All-American Canal contract and certain other agreements, the District has the right to avail itself of hydroelectric generation from the water flow through the Canal, subject to the sharing of certain derived revenues with another water district. The most significant of such sharing arrangements is with the Coachella Valley County Water District (Coachella). In 1934, Coachella leased its power rights on the Canal to the District for a period of 99 years. Expenses under this agreement are paid to the United States for the credit of Coachella and are regarded as payments made under the District's normal obligation under the All-American Canal contract.

Note 6 - Capital Leases

The District leases certain data processing equipment and hydroelectric generators. The lease terms are for five years. Such leases have been considered as capital leases. Accordingly, the amortization of the cost is recorded in depreciation expense. The following is a schedule by year of minimum lease payments under the capital lease commitments together with the present value of the net minimum lease payments:

	1984			1983		
	Computer and Word Processing Equipment	Hydroelectric Generators Drop 5	Total	Electronic Data Processing Equipment	Hydroelectric Generators Drop 5	Total
1984	$ -0-	$ -0-	$ -0-	$ 32,860	$ 991,209	$ 1,024,069
1985	131,640	991,209	1,122,849	-0-	991,209	991,209
1986	131,640	991,209	1,122,849	-0-	991,209	991,209
1987	131,640	-0-	131,640	-0-	-0-	-0-
1988	131,640	-0-	131,640	-0-	-0-	-0-
1989	65,820	-0-	65,820	-0-	-0-	-0-
Total minimum lease payments	592,380	1,982,418	2,574,798	32,860	2,973,627	3,006,487
Less amount representing interest	119,299	238,771	358,070	2,077	464,585	466,662
Present value of minimum lease payments	$ 473,081	$ 1,743,647	$ 2,216,728	$ 30,783	$ 2,509,042	$ 2,539,825

Note 7 - Employee Pension Plan

The District maintains a voluntary contributory retirement plan (the Plan) for its employees. Under the terms of the Plan, employees are eligible to participate after completing six months of continuous service. Employees become 20% vested in Plan benefits after four years of service and continue to vest 20% for every additional three years of service.

Employee contributions to the Plan and retirement benefits vary, depending upon the age of the employee at the date of entry into the Plan, the average basic monthly salary attained and the employee's retirement age. The District's contribution to the Plan equals amounts accrued. Amounts charged to operations were $815,982 and $971,543 for 1984 and 1983, respectively. Recent actuarial information is as follows:

	JANUARY 1	
Actuarial present value of accumulated Plan benefits:	1984	1983
Vested	$9,292,015	$8,366,787
Nonvested	1,918,002	1,459,266
Total	$11,210,017	$9,826,053
Net assets available for Plan benefits	$13,116,225	$11,108,463

An assumed rate of return of 8% is used to determine the actuarial present value of accumulated Plan benefits.

Note 8 - Utility Plant

Plant in service is comprised of the following:

	1984			1983		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
Land and land rights	$ 5,069,387	$ 1,374,565	$ 6,443,952	$ 5,064,976	$ 1,364,255	$ 6,429,231
Structures and improvements	3,109,377	8,615,262	11,724,639	3,106,716	8,593,838	11,700,554
Canals	57,996,527	-0-	57,996,527	53,948,758	-0-	53,948,758
Drainage	24,592,089	-0-	24,592,089	23,460,156	-0-	23,460,156
All-American Canal	23,863,478	-0-	23,863,478	23,863,478	-0-	23,863,478
Dredges and field equipment	4,466,283	-0-	4,466,283	4,071,206	-0-	4,071,206
Autos and trucks	5,949,055	754,673	6,703,728	5,770,141	180,568	5,950,709
Other plant and equipment	3,093,256	9,567,110	12,660,366	2,771,628	8,898,505	11,670,133
Steam plant equipment	-0-	20,205,035	20,205,035	-0-	20,203,538	20,203,538
Hydroelectric generating equipment	-0-	13,681,806	13,681,806	-0-	13,678,803	13,678,803
Gas turbines	-0-	21,056,561	21,056,561	-0-	21,254,581	21,254,581
Transmission plant	-0-	29,048,517	29,048,517	-0-	24,516,529	24,516,529
Distribution plant	-0-	66,587,984	66,587,984	-0-	62,315,512	62,315,512
Reservoirs and dams	-0-	1,986,598	1,986,598	-0-	1,986,598	1,986,598
Plant in service	$ 128,139,452	$ 172,878,111	$ 301,017,563	$ 122,057,059	$ 162,992,727	$ 285,049,786
Depreciation expense was as follows:						
Included in operation and maintenance expenses	$ 777,286	$ 31,612	$ 808,898	$ 675,718	-0-	$ 675,718
Provision for depreciation	1,654,939	4,878,814	6,533,753	1,612,292	4,545,008	6,157,300
	$ 2,432,225	$ 4,910,426	$ 7,342,651	$ 2,288,010	$ 4,545,008	$ 6,833,018

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1984 and 1983

Note 9 - Litigation

A number of claims and legal actions have been filed against the District and are either pending or in process. One such action involves damage to property resulting from rises in the water level of the adjacent Salton Sea. The District is alleged to have been a major contributor to these rises. A court has found the District liable in this action and has fixed damages at approximately $14 million, which includes interest and attorneys' fees. Counsel for the District is of the opinion that there is substantial reason to believe that the District will prevail in the appeals process. In the event that the court's decisions are upheld on appeal, a portion of the liability would be recovered from insurance proceeds. Should the District not prevail on appeal, the liability is not expected to be material to its combined equity.

In the ordinary course of operations, the District is the subject of claims and litigation from outside parties. After consultation with legal counsel, the District believes that these items will not have a material effect on the District's financial condition.

Note 10 - Commitments and Contingencies

The District is self-insured for workers' compensation claims and employee medical care benefits. Estimated liability on workers' compensation claims in progress is accrued. No liability is accrued in anticipation of future claims in any of the programs, as the amount of such future claims cannot be reasonably determined.

The District has entered into an energy and capacity contract which involves a substantial commitment with Southern California Public Power Authority (SCPPA), a public entity organized under the laws of the State of California. Under the contract, the District purchased 6.5% of the energy generated by SCPPA's 5.91% ownership in the Palo Verde Nuclear Project, a nuclear-fueled generating station. Under the agreement, the District will make certain minimum payments, whether or not the District receives power. The District's estimate of minimum payments due under this agreement for the next five years based upon debt service requirements is as follows:

1985	$ -0-
1986	1,730,850
1987	3,852,650
1988	5,555,030
1989	6,312,930

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