"Facing The Future . .

Proud of Our Past"

DISTRICT
1911 1986
WATER
75TH Anniversary
POWER

IMPERIAL IRRIGATION DISTRICT

1986 Annual Report

Contents

IMPERIAL IRRIGATION DISTRICT

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Board of Directors

Gerald L. Moore	Lloyd W. Allen	PRESIDENT Leroy E. Edwards	William R. Condit	John R. Benson
Division 2	Division 3	Division 5	Division 1	Division 4
Imperial	Calipatria	Holtville	El Centro	Brawley

First IID Board of Directors

The first Imperial Irrigation District Board of Directors meeting was held on July 25, 1911. Pictured (left to right) Porter N. Ferguson, farmer of Holtville; Fritz Kloke, farmer and banker of Calexico; H. L. Peck, merchant and farmer of Imperial; Earl C. Pound, real estate dealer and farmer of Brawley; W. O. Hamilton, merchant and farmer of El Centro.

NOTE: Most photos reflect back on the 75-year history of the District which we celebrated this year.

Leroy Edwards, President, Board of Directors

"Facing the Future . . . Proud of Our Past"

Nineteen hundred and eighty-six marked the 75th Anniversary of the formation of Imperial Irrigation District. A monumental cleanup effort culminated in a day-long celebration and barbecue.

Throughout this year's annual report we have featured past events, facilities and people who were instrumental in our proud heritage.

Dr. Oliver Wozencraft was first to envision the transformation of the Imperial Valley. He worked for over 30 years on his dream to bring water to the desert. It was not until the persistent Charles Rockwood convinced Anthony Heber and others to invest in his development that Wozencraft's dream was realized.

The engineering expertise of George Chaffey and Charles N. Perry turned this entrepreneurial spirit into an engineering reality; but even the skilled engineers could not cope with the full wrath of the Colorado River during the floods of 1905 and 1906.

These floods left the Valley with a less than dependable supply of water and a bankrupt delivery company. Through the efforts of John M. Eshleman, W. F. Holt, Phil Swing and others, several public meetings and a subsequent ballot created the publicly owned Imperial Irrigation District. The first Board of Directors had a dream to create an all-American canal rather than rely on good relations with Mexico to provide our water.

Phil Swing, of course, continued to play a major role in the development of the District. Together with Board member Mark Rose, by then Representative Swing, moved the Boulder Canyon Project through the United States Congress. This act authorized not only Hoover Dam to control the rampaging Colorado River, but the construction of Imperial Dam and the All-American Canal. In 1942 the promise envisioned during the early years of the District was fulfilled.

Munson J. (Mike) Dowd gave 42 years of service to the District. Most of that time he was Chief Engineer. He guided operations and engineering of the District in the lean times of the 20s and 30s and in the boom times, during construction of Imperial Dam and the All-American Canal. It was through his efforts that much of the early District and Valley history is preserved in the Dowd Library.

His co-leader during these years was the sometimes imposing Evan T. Hewes. His strong leadership enabled the District to withstand the financial crisis of the 30s and prosper in the post World War II era. He was also the key figure who brought the District into the power business in 1936.

Many other people have helped the District face crises during the recent decades including the California vs. Arizona law suit and the threat of acreage limitation.

The following reports will detail these accomplishments and pose some interesting opportunities for future Boards.

All-American Canal Dedication

Evan T. Hewes introduced Board member Mark Rose and Congressman Phill Swing (seated foreground) at the All-American Canal dedication October 12, 1940.

Productive Planning For The Next 75 Years

Charles L. Shreves, General Manager

The General Manager is the Chief Executive of the District and reports to the Board of Directors.

Nineteen eighty-six was an extremely busy and productive year for the Imperial Irrigation District (IID). One very time-consuming task, with strong potential influence on the activities of the District for many years to come, was supervision of Parsons Water Resources, Inc., in developing a Systems Flow Model, an Implementation Plan, a Standard Procedures Manual, and an Environmental Impact Report concerning the project aspects of transferring 100,000 acre-feet of conserved water annually, and a program to ultimately conserve a total of 500,000 acre-feet. This Program EIR would entail the potential transfer of 250,000 acre-feet (including the 100,000 acre-feet of the Project EIR) and retaining 250,000 acre-feet for future expansion of industry or other water use requirements in Imperial County. Many meetings to discuss these issues, review the progress, and give guidance were necessary prior to the completion of these studies and final approval of the EIR.

The General Manager worked with the Corps of Engineers to request funds for a reconnaisance study of the flood control problems associated with the District's drainage system, rivers and the Salton Sea. The Federal budget for 1988 contains $500,000 for the Corps of Engineers to initiate this study. Visits with the Riverside County Flood Control District and the Los Angeles County Flood Control District were made to determine the preliminary steps necessary to establish a flood control district, which is a possibility in the future. Liaison visits with the appropriate congressional representatives, as well as a presentation on flooding problems within Imperial County, were necessary to obtain the appropriate funding in the President's budget.

On another liaison trip to the Department of the Interior, along with Board President Leroy E. Edwards and Chief Legal Counsel John Penn Carter, a presentation was made to the Undersecretary of the Department of the Interior and the Commissioner of the Bureau of Reclamation and their staffs concerning the utilization of Colorado River water by the Imperial Irrigation District, and the status of our negotiations with the Metropolitan Water District (MWD) regarding a proposed transfer of conserved water. We received assurance that the Federal government would not interfere with the State Water Code which allows the transfer of conserved water.

Negotiations with the Metropolitan Water District terminated in mid-year when Imperial Irrigation District requested that MWD either indemnify IID against losses caused by legal action resulting from conservation efforts which damaged the Salton Sea, or

Over 3000 people attended the half-day 75th Anniversary Celebration and barbecue. Speeches were followed by facilities tours and displays of projects and events of the IID's 75 years in the water business, and 50 years as the Valley's power company.

Lonnie McGlocklin, Assistant General Manager

pay $250 per acre-foot per year, adjusted for inflation, for the water. Also, in case of drought, IID would suspend the transfer of water. MWD should acknowledge IID's right under the State Water Code to transfer water it has conserved, and the term of the agreement should be for no longer than 25 years. I believe that negotiations will be continued during the next year and that compromises may be necessary on both sides.

The Water Department ended the year with less than $4 million in total reserves, with a deficit budget for the next year. Future legal actions could require a water rate increase in order to meet obligations.

The District experienced almost total success in the eradication of hydrilla during the year. The Directors of the California Fish and Game, the California Department of Food and Agriculture, and the Area Director of the U.S. Department of Agriculture have been strongly supportive of IID's efforts (especially after observing the control activities of the IID vis-a-vis that of Mexico, just south of our border where the growth of hydrilla is still running rampant).

Several presentations were made during the year in an effort to advise public agencies of the IID position concerning water and power. Of note was a presentation made at a Palm Springs meeting of the Geothermal Resources Council to explain the progress of the geothermal industry in Imperial County.

A draft environmental impact report is being prepared concerning the construction of a 230-kV power line from Coachella Valley south to Heber to export the geothermal power of the Valley to the Southern California Edison Company. This line will be paid for by the geothermal developers with some reserve capacity (40 MW) being made available for IID.

IID filed suit against the engineering firm of Sverdrup and Parcel for more than $6 million because of additional costs arising out of their contract to design hydroelectric plant facilities which were constructed at Drop 1 and the East Highline Canal. Improper soil sampling, designing concrete instead of steel piles, and improper dewatering caused extreme delays and resulted in excess costs to the District prior to completion of these projects.

A contract for the long-time purchase of electrical power from El Paso Electric Company was completed. Without purchased power, the District does not have the capability to meet demand during the hot summer months. This contract will run until the year 2002. The District still provides power at lower rates than any of the surrounding utilities and has not increased rates since 1983.

The District has contracted with the Independent Insurance Agents of Im-

Dignitaries from throughout California's water community presented resolutions commemorating the 75 years of service. Left to right: Los Angeles Mayor Tom Bradley; IID Directors, John Benson, Leroy Edwards, Bill Condit and Lloyd Allen; Imperial County Board of Supervisors, Chairman Abe Seabolt; Director of the California Department of Water Resources, David Kennedy; IID staff, Lonnie McGlocklin and Charles Shreves.

perial County to provide insurance coverage. After interviewing several applicant agencies, the firm of Tyler-Duncan was selected which, we believe, will improve our District facilities and liability coverage and lower our costs.

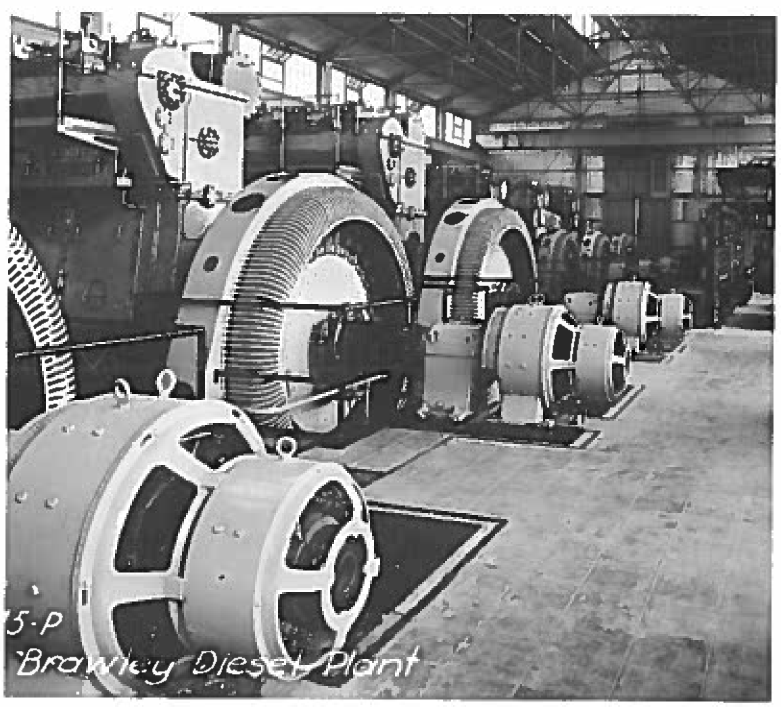
On the personnel side of the District, I would like to state that good progress was made in the development of a training program. We identified our needs for management and supervisory skills, apprenticeship programs, employee-customer relations, and user skills for word processing and computers. Courses have been developed and training is underway.

An evaluation of the insurance program for employees resulted in improvements to the program such as a 100 percent of annual salary death benefit for all employees. Because of competitive bids, the overall cost to the District for this coverage decreased (although the Metropolitan Life Insurance Company was retained as the insuring agency) and benefits increased.

A highlight of the year was the 75th Anniversary celebration which gave us an opportunity to reflect on the history and progress made by the District since its founding in 1911. Guest speakers included David Kennedy, Director, Department of Water Resources, and Tom Bradley, Mayor, City of Los Angeles. Tours of facilities and a good old-fashioned barbecue was enjoyed by more than 3,000 visitors.

We continue to recognize achievements of employees for outstanding service, length of employment, and special programs such as the Employee of the Month. I am constantly impressed with the dedication of and hard work accomplished by our employees. I am convinced that by providing them the appropriate training, leadership, equipment and facilities, we will continue to improve our service. Our goal is always to provide outstanding service for minimal cost.

Major challenges ahead for 1987 include the reopening of negotiations with the Metropolitan Water District and initiation of construction of the 230-kV line to export geothermal power. I look to the future with optimism because the directors and staff of the District are dedicated to the service of the people of Imperial County.



Brawley Diesel Plant

Brawley Diesel Plant went on line in 1936 and enabled the District to enter the power business. In a few short years the hydroelectric electrical energy created at drops along the All-American Canal would supply much of the power needs of the Valley.

Donald Twogood, Executive Officer

Conserving Our Resources For The Future

The Executive Officer to the Board of Directors, Donald Twogood, retired on October 31, 1986, and has not been replaced. He was 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 responsibility was to work closely with the Board and the General Manager on policy matters, including keeping them informed on proposed projects and legislation on the state and federal levels which may affect District operations and services directly or indirectly. This is now being accomplished by the Director of Public Information and Community Services.

The Executive Officer represented the District on several committees and participated in regular or special conferences including the Association of California Water Agencies (ACWA), California Municipal Utilities Association (CMUA), Colorado River Water Users Association (CRWUA), and the California Water Resources Association (CWRA). Other boards or committees included: Southern California Public Power Authority (SCPPA), an 11-member organization, through which the District has a share (14.6 MW) of the Palo Verde Project in Arizona; and Sponsors' Management Committee, of the Heber Binary Project, a 45-MW geothermal power plant in which IID has a 10% ownership. These duties have been assigned to others within the District staff.

Legislation

The ACWA and CMUA legislative committees reviewed more than 400 bills introduced by the State Legislature, which appeared to affect the public member agencies. The District tracked 19 bills of particular concern. One of these was Assemblyman Katz's, a bill which provides for use of available conveyance capacity in public facilities for transfer of water. Three bills opposed by the District relating to wages and employee benefits were vetoed by the Governor.

Water Conservation

The Water Conservation Task Group, chaired by the Executive Officer, met regularly during the year, working with the District's consultant, Parsons Water Resources, to develop procedures and recommend programs to implement the District's Water Conservation Plan. The Group also participated in the preparation of a draft Environment Impact Report for both an initial 100,000 acre-feet (AF) per year transfer and an expanded water conservation program designed to conserve up to 500,000 AF of water per year. Another achievement of the Task Group was the preparation of the 1986 Update to the Conservation Plan, which was submitted to and accepted by the Board in August.

Nineteen eighty-six, the District's 75th year, saw considerable progress, especially in continued and concentrated efforts in planning for the generations to come. This will continue as others pick up the batons passed by Don Twogood's retirement.

Hundreds of Imperial Valley citizens gathered to celebrate the District's entry in the power business at a dedication barbecue in Brawley, October 17, 1938.

Managing The System With Innovative Programs

Robert Wilson, Water Department Manager

The District's gravity-flow canal system delivered 2,336,583 acre-feet of water to over 5,421 farm headgates, nine cities and towns, and all other water users in its Imperial Valley service area in 1986.

This amount delivered to users was 1,286 acre-feet above that in 1985.

Water is diverted from the Colorado River at Imperial Dam through the District's All-American Canal Headworks and desilting basins, then into the All-American Canal for transporting to Imperial, Yuma and Coachella Valleys.

The total diversion through the All-American Canal Headworks in 1986 was 8,397,790 acre-feet (an acre-foot equals 326,000 gallons), including 225,512 acre-feet used in desilting operations and returned to the river.

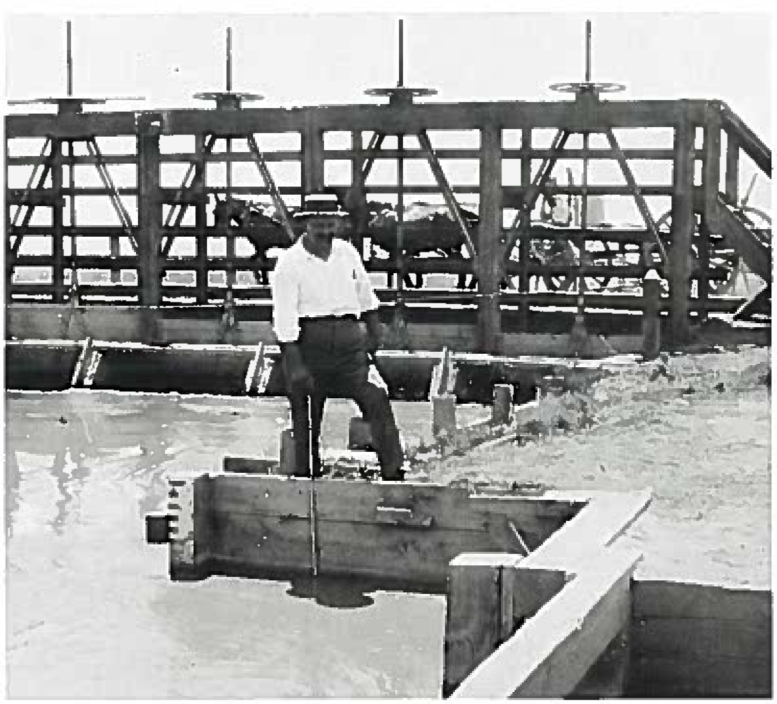
Water diversions for all agencies served by the All-American Canal totaled 8,172,278 acre-feet, a decrease of 194,780 acre-feet from 1985.

During August, the IID requested and received approval from the U.S. Bureau of Reclamation (USBR) to allow more daily changes in discharge to the Colorado River at Pilot Knob to maximize hydroelectric generation along the All-American Canal.

The USBR approved this request during present surplus flow conditions, but with some reservations for the future when upstream releases from storage will be for downstream requirements. The requested changes at Pilot Knob to River should not exceed ±200 cubic feet per second (cfs), except during emergencies or at midnight when IID irrigation order changes are made. Also, changes should not be made during daily water measurements at the Northern International Boundary, which are in progress between the hours of 6 a.m. and 10 a.m.

Bypass Gates 3 and 4 were utilized to great advantage the latter part of November and first part of December to accommodate IID in repairs in Desilting Basin No. 3 and also to keep the Colorado River flow at Yuma down as requested by the USBR so that a private contractor could build various "jetties" on the California side of the River below Yuma.

The Water Department's responsibilities include operation and maintenance of the All-American Canal headworks and desilting basins at Imperial Dam, 82 miles of All-American Canal, 3 miles of New Briar Canal, a 1,592-mile network of other main and lateral canals, 52 miles of drains in the All-American Canal Section and 1,405 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.



Wisteria Heading

Early delivery structures and headgates were constructed out of wood. Pictured is an early hydrographer at the Wisteria Heading.

The District's gravity-flow canal and drainage systems serve an area of 525,561 acres of irrigated farmland within the District's 1,062,290 acres.

For the 36th straight year, a favorable salt balance was maintained in Imperial Valley soils as 55.75% 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 30,647 miles of underground drain tile in individual fields since 1929, of which 455 miles were installed in 1986.

The lowest water-surface elevation for the year for the Salton Sea was -227.15 and occurred October 1, 1986; the highest elevation was -225.95 and occurred May 1, 1986.

The State Water Resources Control Board, in Decision 1600, determined that there were water conservation opportunities in the IID. The IID developed an extensive Water Conservation Plan. The Draft Water Conservation Plan was distributed in January, 1985, and the Final and Supplemental Water Conservation Plans were distributed in October, 1985. The 1986 Water Conservation Plan Update was completed and submitted to the IID Board August 12, 1986, and distributed upon approval.

As part of the 1985 Water Conservation Plan for Tailwater Pumpback Demonstration Project two tailwater pumpback installations were added:

1. Newside Canal, deliveries 30-A and 33, southwest corner Tract 189, 14-13.
2. Ash Lateral 25 Canal, delivery 61-E, northwest corner Lot 2, Section 16, 16-15.

These tailwater pumpback systems were installed in accordance with agreements between IID and landowners.

Several tailwater structures were replaced, repaired or rearranged during the year in accordance with the IID's Water Conservation Plan.

The 21-Point Water Conservation program, the official Water Conservation program since July 1, 1980, continued through 1986.

Water continued to be released and diverted to the four storage reservoirs: J. M. Sheldon, Kakoo Singh, Oscar Fudge and "Red" Sperber. Diversions to the reservoirs were as follows: Sheldon-24,748 AF; Singh-31,667 AF; Fudge-26,165 AF and Sperber-28,314 AF.

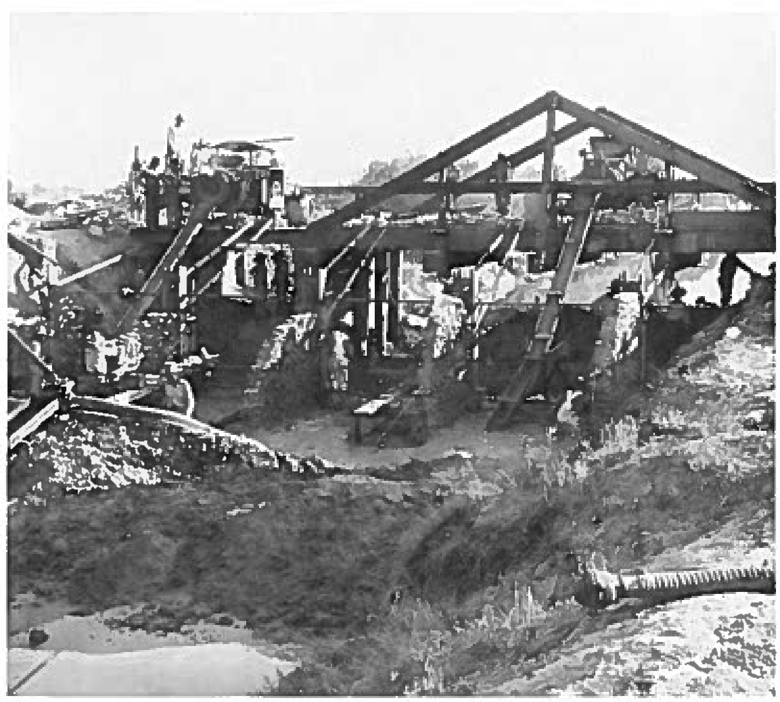
Personnel continued to check surface field discharge.

Irrigation Scheduling, using the neutron probe method, continued this year, and under contract with the Department of Water Resources (DWR) Office of Water Conservation, scheduling using California Irrigation Management Information System (CIMIS) was initiated.

District representatives and five-grower members of a committee of the Water Conservation Advisory Board

Early Canal Construction

Pictured is a standard check along the East Highline Canal, circa 1928. Even the large checks were constructed using many hand laborers. Although some concrete was used the frame work was still a wooden structure.



drafted the final report "Incentive Committee Report to the Water Conservation Advisory Board" December, 1986. Two of the seven initial incentives proposed by the Committee to the Board of Directors were adopted. The first incentive involved delaying the notification time to the District for adjustments to the last 12 hours of the run to 4:30 p.m. The second incentive was adopted on a trial basis for 45 days in Holtville Division for using 12-hour runs for stand establishment.

The Lateral Fluctuation Study continued this year with emphasis being placed on determination of the effects of the East Highline Canal fluctuations on the flows of the study laterals. Computer programming has been developed to analyze the data that is being collected with a minimum amount of labor.

The Water Conservation Plan was updated to include all pertinent data that has been developed since the plan was prepared in 1985.

A meeting was held in December, 1986, with the operators of the five demonstration tailwater pumpback systems to discuss the operational problems encountered and data collected during the first year of operation.

Information was submitted to DWR Office of Water Conservation to complete the application for a $2.95 million low-interest water conservation loan that will include funds for the construction of a reservoir, concrete lining of two miles of the South Alamo Canal and 2.5 miles of a spill interceptor canal system. It is expected these funds will be received starting in the fall of 1987.

Imperial Dam

Construction of the dam and desilting works was started in 1935 and completed in 1938 under the authorization of the Boulder Canyon Project Act of 1928. The dam's main function is diversion of water. The storage capacity of the reservoir above the dam is minor. Due to its shallow depth, the original storage space was soon filled with silt and sand. The reservoir area now consists of a shallow lake with well-defined channels to the All-American and Gila Headworks.

Hydrilla

The Hydrilla Control Research Program was involved in the following main activities during 1986. Chief among these was repeated assessment of impacts associated with triploid grass carp introduction in the fall of 1985. Rapid and effective reduction of hydrilla and other aquatic plants was noted throughout the large supply canals early in 1986. Nearly all hydrilla was removed from these canals by July, 1986. No conclusive impacts to resident fish or other aquatic organisms were noted during food habit studies and fishermen creel surveys. Fishing pressure and success levels were well documented during the year. These studies will continue until California Department of Fish and Game is assured that the triploid grass carp represents an environmentally sound, effective and efficient method of controlling aquatic vegetation.

Fish movement studies have shown the fish to be reluctant to travel extensively from the initial stocking site, at least until the available food source is depleted. Electrical barriers were studied as a possible means of restricting fish movement into nontarget sites or of "herding" fish for subsequent removal.

Induced spawning trials of 1986 demonstrated production of viable sperm cells by male triploid grass carp (these sperm capable of initiating some development — one fry lived several weeks), but *no* mature eggs were observed.

In September, the Hydrilla Technical Advisory Committee held a formal review of the IID program. Attendees, including Jack Parnell, Director of California Department of Fish and Game; Claire Berryhill, Director of California Department of Food and Agriculture; and Bill Chase, Area Director, U.S. Department of Agriculture-Agriculture Research Service, were strongly supportive of the IID efforts and feel the program has major implications for aquatic weed control in the Western U.S.

All-American Canal

The Canal was also authorized by the Boulder Canyon Project Act of 1928. The 82-mile long canal became the Valley's sole source of water in 1942. Five hydroelectric drop facilities were planned as part of the original design. Pictured is the AAC being cut through the sand hills east of Imperial Valley.

Power Reserves For The Future

Henry Legaspi, Power Department Manager

For the fourth year in a row, the abnormally high flows on the Colorado River have enabled the Imperial Irrigation District to maintain a high level of its resource mix from hydro generation. Coupled with the lower fuel costs experienced in 1986, this served to keep the average revenue from kilowatt-hour sales at 6.16 cents, slightly less than 1985 and considerably less than the high of 6.28 cents in 1983.

In an effort to meet future loads at the most reasonable cost, the Imperial Irrigation District evaluated 18 alternatives including the repowering of one of the District's own generation units at the El Centro Steam Plant, then entered into a new contract with El Paso Electric Company (EPE) for the purchase of 100 MW capacity through 1992 and 150 MW through 2002. It is important to note that should the District's load increase as projected then additional generation will be required about 1995 notwithstanding the EPE contract which must be replaced in 2002.

The solution of the future for the District may be geothermal energy. Although geothermal energy today is not a good bargain for the District, it could become so in the future if the cost of fossil fuels rise.

The current geothermal load interconnected on IID facilities is 170 MW. One additional geothermal facility was interconnected onto the District's grid in 1986 (Ormesa I) for transmission of its 24 MW net output to Southern California Edison (SCE). Plans are currently underway for additions to Ormesa I and the Vulcan Plant which could bring the total net geothermal output to 204 MW by mid-1988. In addition, construction is underway on a 15 MW net output biomass plant from which output also is to be transmitted to SCE.

The 20-mile 230-kV transmission line and related substation, Coachella Valley Substation, was completed and placed in service in 1986 which enables the District to export up to 150 MW to SCE. In order to export amounts greater than 150 MW, the 230-kV transmission system must be brought down to the Imperial Valley. The joint DEIR/EA process was initiated by the District and the Bureau of Land Management (BLM) in late 1985. It should be completed in 1987 with construction commencing shortly thereafter.

First Rural Power Pole

The Rural Electric Association enabled the new IID Power Department to begin service to the wide spread farming community. Pictured is the celebration commemorating the setting of the first power pole near Magnolia School on February 8, 1938.

Coachella Valley Growth

Imperial Irrigation District provides and distributes electricity to more than 60,000 customers in Imperial County and parts of Riverside County. The District began serving power to Coachella Valley on October 15, 1943, when the District purchased properties of Nev-Cal, the private power company in business at that time.

Over the years, the District has grown in both customers and system load. In 1962, the average number of power customers in IID's service area totalled 31,818 and total sales were 721,738,000 kilowatt hours (kwh). The 1962 record usage peak reached 167,200 kilowatts (kw).

By comparison, the 1986 peak for Coachella Valley alone climbed to 168,300 kw, higher than the 1962 peak for IID's entire service area.

One 161-kV and three 92-kV lines transmit electrical power to Coachella from the hydroelectric, steam, gas and diesel plants in Imperial Valley. In addition, the District relies on purchased power for about 50% of its supply. To accommodate summer peak loads in Coachella Valley, a generating plant, utilizing four gas turbines, was built in Coachella in 1973. The Coachella plant has a total generating capacity (nameplate rating) of 92,600 kw.

Increases in both customers and electrical consumption have necessitated continuous upgrading and development of generation and transmission facilities.

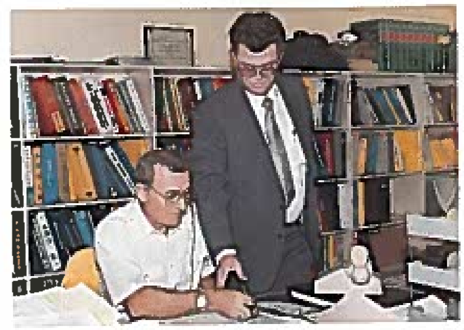
There are approximately 1,000 miles of distribution lines in Coachella Valley. The first underground power lines in the Valley were laid in La Quinta and Bermuda Dunes in 1961. Now, with rapid development of large businesses, housing projects and many plush resorts and golf courses, underground service has become widespread. In 1986, more than 50 miles of power lines were placed underground.

Coachella Valley is fast becoming a resort wonderland. The landscaping and architecture of the area are important and demanding factors in IID's power planning and design. The far-reaching growth in areas from La Quinta to Sky Valley requires a great deal of foresight. Coachella Division is working hard to keep ahead of the area's growing needs, while continuing to provide efficient and friendly service at the lowest possible rates.

Drop 4 Hydroelectric Plant

The first hydroelectric plant in operation on the All-American Canal was Drop 4 completed in 1941 with a rated kilowatt output of 19,600 kw. During the mid-forties the hydroelectric output provided all the electric power required by the Valley.

Anniversary Celebration Showcases The Support Services



William Mordah, Operations Services Manager, reviews purchases with Purchasing Agent Glen Hopkins.

Buildings & Grounds Section

The Buildings & Grounds Section is responsible for all routine and emergency repairs and maintenance required for District facilities and property. They also provide support services for Power and Water Department projects.

Executive Building Complex

Remodeling of the Personnel, Water and Power offices was completed. New air-conditioning units were installed for the Board Room. All driveways and the north and west parking areas were repaved. A sloped urethane roof membrane was installed.

Headquarters Yard

The Power Store was relocated and a new Receiving Office was built in the area vacated by the Power Store. The area formerly occupied by the Water Store has been included in the Mechanical Section — a new classroom, toolroom, employees' lounge/lunchroom and office were constructed in this area. The Power Dock was remodeled.

A storage building was converted to refrigeration and plumbing shops to allow for storage of parts and equipment.

Extensive yard cleanup was required in preparation for the 75th Anniversary Celebration. Buildings & Grounds crews installed a new flagpole and aided in the installation of the 75th Anniversary monument on the front lawn area of Building J-1. The chemical storage dock was repaired and painted.

Power Department

Trenching work was accomplished for the Power Department at various job sites. A crew installed approximately 1400′ PVC pipe and poured concrete pads at the Airport job site.

Buildings & Grounds crews handled the moving of equipment and computers into the new SOC Building.

Divisions

Buildings & Grounds personnel modified the counters to install computer and CRT installations in division offices and at Headquarters.

Manufacturing

During 1986, the Buildings & Grounds Section manufactured 192 anchor cones, 25 junction boxes, 168 marker posts, 187 gates and 252 pedestals for District operations.

Dredge Alpha

Dredge Alpha was one of many dredges needed by the California Development Company and the early IID to continually clear the main delivery canals from silt buildup. This silt removal was on-going until the opening of Imperial Dam, lessened the silt in the water being delivered to the farm.

Mechanical Section

The Mechanical Section includes the Automotive Shop, Heavy Equipment Shop, Transportation Unit and Welding and Machine Shop.

The Heavy Equipment Shop is responsible for maintenance and repair of the District's heavy equipment fleet consisting of 64 units including draglines, angledozers and cranes. The heavy equipment fleet operated 54,737 hours in 1986. Some repairs are accomplished at the job site to minimize equipment downtime; there were 564 field repairs made last year. There were 479 repair jobs completed in the Heavy Equipment Shop. Additionally, hydraulic equipment is maintained by the Heavy Equipment Shop. A total of 365 hydraulic maintenance/repair jobs were completed. Shop equipment purchases for 1986 included a portable air compressor, 20-ton hydraulic jacks and a floor model drill press.

The Machine and Welding Shop handles routine maintenance/repair required by the District's automotive and heavy equipment fleets. Additionally, they fabricate parts required for Water and Power Department projects. A total of 2,864 shop orders were completed in 1986.

The Automotive Shop and Service Station is responsible for maintenance and repairs of 597 vehicles which, during 1986, were driven 7,262,144 miles and 81 vehicles which operated 82,678 hours. The scope of duties handled by this unit includes auto repair/ maintenance, bodywork and painting, electrical repairs, air-conditioning repairs, tune-ups, tire changing and mounting, and maintenance of fuel facilities for the automotive and heavy equipment fleets. There were 2,830 vehicle repairs and 347 tune-ups accomplished in 1986.

The Transportation Unit is responsible for heavy equipment and material moves to various job sites. Materials and heavy equipment must be properly loaded on the trailers and drivers must also know the available, legal routes which may be travelled. Transportation completed 1,568 heavy equipment moves driving a total of 62,597 miles. There were 530 material moves accomplished in 1986 with 26,238 miles driven.

Mechanical Section's personnel prepared specifications for the purchase of replacements/additions for the heavy field equipment and automotive fleets. 1986 Field Equipment Budget purchases included a Caterpillar IT-28 Tool Carrier, three rental wheel tractors, a forklift, and a 30,000 lb. kalyn flatbed trailer. 1986 Automotive Budget purchases included 52 ½-ton pickups, four ¾-ton pickups, nine ¾-ton units with service bodies, seven 1-ton units with duals, one ¾-ton van, two personnel boom trucks, three line-construction trucks, eight material trailers and two backhoe trailers.

Ruth Dredge

The "Ruth Dredge" was the early work horse of the IID maintenance efforts. Continued dredging was necessary to allow for accurate delivery to the farmer. This dredge was used throughout the early system.

Purchasing & Stores Section

The Purchasing & Stores Section's main objective is to obtain the materials, equipment and services required for District operations at the best price for the money expended. Additionally, Purchasing & Stores is responsible for the storage and distribution of materials and equipment. A search for new sources of supply is ongoing. Purchasing's staff had 816 vendor appointments scheduled last year. Daily contact and liaison with other departments is required to accomplish the acquisition of supplies and services.

The combined value of the Water and Power Stores inventory was $2,441,075 as of December 31, 1986. An inventory of approximately 3,000 items is carried in the combined stores. There were 18,742 requisitions for Stores' stock processed by Stores and Inventory Control Records personnel.

The Purchasing staff issued 7,116 purchase orders in 1986. They also performed necessary expediting work required to obtain materials by required delivery dates. A new feature was added to the mainframe computer purchase order program last year. The delivery due dates are entered into the computer for each purchase order issued and this information is available to the department requesting the material as well as the Purchasing staff. Additionally, to prevent stock material outages, the stock minimums were raised.

There were 52 bid invitations issued in 1986. These bids were issued for items such as vehicles, trailers, conductors, power poles, transformers, concrete ditch lining, pipe lining, construction projects, etc. There were 35 written Requests for Quotation sent out for various materials such as office supplies, lumber, lighting fixtures, chemicals, etc. A total of 39 Service Agreements were issued to cover required outside services for special projects, office machines maintenance, janitorial services, etc.

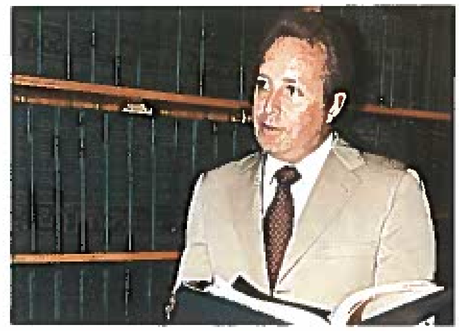
Purchasing's staff is also responsible to the acquisition of nonstock materials required for District operations. The number of clearing account requisitions processed for purchase was 15,185; the total value of these purchases for the year was $10,995,257.

Purchasing & Stores Section is responsible for disposing of equipment and materials which are of no further use to the District. Most salvage materials and equipment are sold by bid or public auction. Some salvage items are sold daily, such as used poles, wire reels, etc., using salvage value pricing established by the Purchasing Agent. Purchasing & Stores Section aided by Mechanical Section held one public auction in 1986; the revenue from this sale was $49,360. Total salvage sold during 1986 was $63,079.

California Development Company Headquarters

The first operating headquarters of the California Development Company was located near the point where the original Alamo Canal reentered the United States. This site has been dedicated as a historical landmark. It is located one mile east of Calexico.

Legal Foundations For The Future



J. Penn Carter, Chief Legal Council

The Legal Department furnishes legal advice and counsel to the Board of Directors, 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 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, activities of the Legal Department are largely reflected in the activities of 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 worker's 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 five Assistant Counsels.

Major litigation pending during 1986 includes the following:

Salton Sea Flooding Cases

In 1986, an Appellate Court held that IID could not protect itself from liability by virtue of flooding easements executed by property owners during the past 30 years. The appellate decision reversed a finding by the trial court that the flooding easements absolved IID from liability for damages occasioned by the rising Salton Sea. The decision undoubtedly will result in further claims being made.

Speculation that water conservation measures may reduce the elevation of the Salton Sea has also brought threats of future claims for damages for reducing the level of the Sea, thus depriving adjacent property owners of recreational values.

State Water Resources Control Board

Also in 1986, an Appellate Court reversed a judgment in favor of IID that the State Water Resources Control Board exceeded its jurisdiction in requiring IID to adopt and implement a water conservation plan acceptable to the Board. The Appellate Court remanded the case to the trial court, which will now decide whether the Board's finding of water waste is supported by substantial evidence.

Miscellaneous Litigation

The Legal Department handled other litigation during the year, including actions filed against the District for personal injuries and wrongful death, actions filed on behalf of the District for collection of delinquent accounts, and actions filed on behalf of the District for recovery of damages for injuries sustained by District facilities.

CD Company Becomes IID

Pictured are Mr. W. H. Holabrid, Reciever for the California Development Company; Mr. Kloke, IID Board member; and Mr. Tyler inspecting the brush weir at Sharps Heading in 1912.

Past, Present and Future . . . People Make The Difference

Bruce Penner, Personnel Manager

Operations

Emphasis was placed on improving statistical reports and personnel related records. Many of the reports and records can now be generated by the computer whereas they were previously tabulated by hand from card files.

Several personnel administrative practices were amended and monitored to comply with the enactment of major pieces of Federal legislation including the Fair Labor Standards Amendments of 1985 relating to employees of State and Local Governments, the Consolidated Omnibus Reconciliation Act of 1985 (COBRA) pertaining to the continuation of medical benefits to terminated and retired employees and their dependents, the Tax Reform Act of 1986 covering employee benefits, and amendments to the Age Discrimination in Employment Act of 1975 prohibiting mandatory retirement from employment due to age.

Employment & Affirmative Action

Development began on a computerized applicant tracking system that will monitor active applications from initial submittal through screening, interviewing and notification. There was a running average of 638 active applications on file with 2,264 new applications filed.

Full-time employment averaged 962.

Affirmative Action continued to progress and, by year end, minority employment had increased to 52.9%, only 0.7% less than the 53.6% hiring goal set forth in the consent decree in 1972.

The employment net turnover (replacement) rate was 2.3% of average employment, compared to 3.9% in 1985. Fewer employees left their jobs in 1986.

A drug and alcohol screening policy was developed and added to the preemployment physical program to detect the abuse of alcohol and presence of illegal drugs in candidates for employment.

Benefits

In efforts to contain rising costs of medical and life benefits, cost containment features and improvements were incorporated into the medical and life benefits plan. The Board of Directors approved a recommendation from management that Metropolitan Life continue as Administrators of the Plan and develop the cost containment and improvement features.

Medical costs for 1986 were $1,836,769 which was 14.2% over 1985. Workers' Compensation costs were less in 1986 than they were in 1985 by 24.2%, $394,301 in 1986 compared to $521,435 in 1985. This was due primarily to fewer accident claims filed and lower claims settlement costs.

Early Innovation

The construction of the new weir at Sharps Heading in July 1912. In the early days engineers found that by using mats lashed together and allowing the silt to accumulate in the mats an inexpensive weir could be constructed. This method was faster and less expensive than the use of rock.

IN-HOUSE TRAINING 1986

Department	Supervisory Skills Development		Improving Public Contact Skills		Computer Users	
	Number Employees	Hours	Number Employees	Hours	Number Employees	Hours
General Manager	21	336	2	16	4	2
Finance & Accounting	29	464	3	24	1	36
Personnel	15	240			7	131
Operations Services	31	496			2	6
Power	136	2,176	24	192	34	50
Water	97	1,552	2	16	2	30
TOTAL	329	5,264	31	248	50	255

Due to increases in the payroll, contributions to the retirement plan were up 18.4% over 1985. Contributions are based on a percentage of payroll. The plan is completely funded by the District and contributions amounted to $1,778,684.

Premiums for Vision Care benefits were $96,220, up 2.9% over 1985, but claims payments were up 16.5% for a total of $83,851. The net effect was a loss in reserves to $12,369, which is well within reserve limits.

Training

The Training Section conducted 5,767 hours of in-house training for 410 employees. This training included supervisory skills development for District supervisors; improving public contact skills for employees who deal with the public; and personal computer and work station operating procedures for employees who use computers in their work place.

In addition, 233 hours of training was presented to 111 employees by outside trainers. A substance abuse seminar was presented to the top 100 management employees by William Oakes, Imperial County Substance Abuse Administrator, and an IBM-sponsored organization and time management seminar was presented to 11 secretaries by Jim Strain of Crossland Office Supply.

In August, a Computer Training Specialist position was established to develop and implement computer training programs.

Tuition reimbursement costs for the year were $3,882 for 25 employees.

Compensation

Employees were granted a 5% wage adjustment for 1986, plus equity adjustments were made to various classifications through the year where it was found through the District's job evaluation and rating plan that classifications had significantly changed to merit an adjustment. Total payroll amounted to $26,950,305.

Service Awards

Service awards were presented to 136 employees; 45 ten years; 27 fifteen years; 14 twenty years; 13 twenty-five years; 14 thirty years; 13 thirty-five years; and 10 forty years. The total amounted to 2,735 years of service.

Health & Safety

Safety awards were issued to 41 departments, sections and units for completing a full year without a lost-time accident.

Also, safe driving awards were issued to 139 employees for driving at least 24,000 miles without a preventable accident in the last two years, and 46 employees received an award for driving 12,000 accident free miles in the last five years.

Levee Repairs

In 1905, an unanticipated winter flood poured out of the Gila River in Arizona and into the Colorado; the river poured its full flow down the Alamo Canal into the Salton Sink, creating the Salton Sea. Repeated attempts to close the break in the levee between the canal and the river failed. In 1907, the California Development Company and the Southern Pacific Company reconstructed the levee and returned the Colorado to its customary river channel into the Gulf of California.

Financial Stability For The Future


Kristine Fontaine, Finance Department Manager

General Accounting

During 1986, fixed assets were converted to the new computer system. An accounts payable discount feature was added to facilitate the payment of invoices. In order to satisfy the needs of many employees, direct deposit was made available for the first time in 1986.

As employees have become proficient, more and more reports are being made using the personal computers. Not only has this proved to be more efficient, but more information is now available on a more timely basis.

Customer Accounting

Working very closely with the Division Offices, a new water order entry system was developed in conjunction with the water billing system. The Water Offices now have immediate access to all facets of the water order and billing systems.

Toward the end of the year, water availability, pipe and small acreage billing were also converted.

Data Processing

Throughout the year, Data Processing has been very supportive in all areas of conversion, as well as modifying and enhancing existing applications. Extensive programming and design work was done on the Work Order applications for both Water and Power to enable them to begin processing in 1987. Cash Drawer — a computerized cash register/accounts receivable data collection system — was developed and tested in 1986 for implementation in 1987. By the middle of 1986, all data entry had been successfully distributed to the users. This has resulted in more job involvement Districtwide by employees.

Office Services

Approximately 2,500 pieces of internal and external mail were distributed daily during the year. In order to expedite the external mail, a new postage machine was purchased. Hundreds of printing jobs were done during the year, as well as the microfilming of District records as part of an ongoing process.

Treasurer's Office

A modem was installed in 1985 to interface with the bank primarily to receive daily updates of bank balances. Use of the modem in 1986 was expanded to include the ability to initiate wire transfers to and from various District accounts.

Prior to 1986, reconciliation of the District's operating bank accounts were prepared manually. The payroll account was reconciled by the bank. Installation of computer software during 1986 has facilitated in-house reconciliation of all District bank accounts.

A tabulated comparison of cash receipts and disbursements is shown below:

Year	Receipts	Disbursements
1986	$125,885,457	$126,326,078
1985	117,003,120	126,989,177
1984	119,736,457	117,409,803
1983	184,943,685*	133,485,571

*$65,000,000 proceeds from Certificates of Deposit

Rockwood Heading and Intake Canal — 1917

Over the years, difficulties with the controlling of diversions through the open intake canal had been increasing, and it was desirable, if possible, to reduce the amount of bedload silt brought into the canal system from the river. A new heading, known as Rockwood Heading, was constructed during 1917-1918 in the bank of the River 1¼ miles upstream from Hanlon Heading, in accordance with the recommendation of the Consulting Board, and the Alamo canal was extended upstream from Hanlon Heading to the new heading.

IMPERIAL IRRIGATION DISTRICT
Combined Financial Statements
December 31, 1986 and 1985

The Board of Directors
Imperial Irrigation District:

We have examined the combined balance sheets of the Imperial Irrigation District as of December 31, 1986 and 1985 and the related combined statements of operations, 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, 1986 and 1985 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.

March 1, 1987

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

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

Years Ended December 31, 1986 and 1985

	1986			1985		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
CURRENT ASSETS:						
Cash, cash equivalents & investments, at cost	$ -0-	$ 251,483	$ 251,483	$ 945,490	$ 1,768,745	$ 2,714,235
Energy supply contract receivable	-0-	2,284,144	2,284,144	-0-	-0-	-0-
Trade accounts receivable	3,946,674	8,270,703	12,217,377	3,205,017	6,970,462	10,175,479
Less allowance for doubtful accounts	200,000	469,000	669,000	162,440	152,716	315,156
Net trade accounts receivable	3,746,674	7,801,703	11,548,377	3,042,577	6,817,746	9,860,323
Inventories:						
Fuel oil	-0-	4,325,838	4,325,838	-0-	4,338,183	4,338,183
Materials and supplies	537,618	1,991,947	2,529,565	535,730	1,571,773	2,107,503
Prepaid expenses & deferred charges	102,836	306,744	409,580	61,960	260,936	322,896
Total current assets	4,387,128	16,961,859	21,348,987	4,585,757	14,757,383	19,343,140
CASH AND CASH EQUIVALENTS RESTRICTED AS TO USE AND ALLOCATED FOR:						
Debt service	239,340	10,641,831	10,881,171	279,935	11,400,033	11,679,968
Construction	2,160,139	19,644,910	21,805,049	1,905,744	17,699,954	19,605,698
Self-insurance	589,060	965,687	1,554,747	492,325	500,940	993,265
Other restricted	769,133	17,898,515	18,667,648	4,537,081	14,127,186	18,664,267
	3,757,672	49,150,943	52,908,615	7,215,085	43,728,113	50,943,198
UTILITY PLANT, at cost						
Plant in service	137,909,976	258,106,505	396,016,481	133,624,374	182,737,796	316,362,170
Less accumulated depreciation	33,003,311	98,373,775	131,377,086	29,967,471	91,686,751	121,654,222
	104,906,665	159,732,730	264,639,395	103,656,903	91,051,045	194,707,948
Construction in process	506,334	9,119,146	9,625,480	455,549	66,150,353	66,605,902
	105,412,999	168,851,876	274,264,875	104,112,452	157,201,398	261,313,850
	$ 113,557,799	$ 234,964,678	$ 348,522,477	$ 115,913,294	$ 215,686,894	$ 331,600,188

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

COMBINED BALANCE SHEETS, CONTINUED

Years Ended December 31, 1986 and 1985

	1986			1985		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
LIABILITIES AND DISTRICT EQUITY						
CURRENT LIABILITIES:						
Current maturities of long-term debt	$ 736,514	$ 3,195,946	$ 3,932,460	$ 734,146	$ 3,928,207	$ 4,662,353
Accounts payable	765,098	5,435,406	6,200,504	1,693,714	6,266,866	7,960,580
Accrued interest payable	1,136	758,985	760,121	761	855,112	855,873
Accrued compensation and payroll taxes	1,609,784	-0-	1,609,784	1,277,844	-0-	1,277,844
Accrued vacation and sick leave	1,766,808	1,812,708	3,579,516	940,497	911,156	1,851,653
Deferred revenues, current portion	991,492	-0-	991,492	999,262	-0-	999,262
Total current liabilities	5,870,832	11,203,045	17,073,877	5,646,224	11,961,341	17,607,565
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Advances and deposits from customers	250	679,119	679,369	500	622,426	622,926
Refundable to customers	-0-	14,036,421	14,036,421	-0-	9,658,013	9,658,013
	250	14,715,540	14,715,790	500	10,280,439	10,280,939
LONG-TERM DEBT:						
Certificates of Participation	-0-	53,650,000	53,650,000	-0-	56,725,000	56,725,000
All-American Canal obligation	4,831,069	285,605	5,116,674	5,540,868	326,407	5,867,275
Obligations under capital leases	45,054	135,162	180,216	71,734	215,203	286,937
	4,876,123	54,070,767	58,946,890	5,612,602	57,266,610	62,879,212
DEFERRED CREDITS AND OTHER LIABILITIES:						
Other accrued expenses, noncurrent portion	7,450,000	385,000	7,835,000	2,000,000	-0-	2,000,000
Deferred revenues, noncurrent portion	298,062	-0-	298,062	299,898	-0-	299,898
Advances for construction	-0-	113,062	113,062	-0-	221,438	221,438
Accrued sick leave, noncurrent portion	117,113	37,858	154,971	261,886	332,363	594,249
	7,865,175	535,920	8,401,095	2,561,784	553,801	3,115,585
Total Liabilities	18,612,380	80,525,272	99,137,652	13,821,110	80,062,191	93,883,301
DISTRICT EQUITY:						
Contributions in aid of construction	4,011,840	2,100,515	6,112,355	4,279,703	1,110,581	5,390,284
Retained earnings:						
Undesignated	87,175,908	103,555,276	190,731,184	90,597,396	89,064,009	179,661,405
Designated retained earnings—restricted assets	3,757,671	48,783,615	52,541,286	7,215,085	45,450,113	52,665,198
	90,933,579	152,338,891	243,272,470	97,812,481	134,514,122	232,326,603
Total District equity	94,945,419	154,439,406	249,384,825	102,092,184	135,624,703	237,716,887
	$ 113,557,799	$ 234,964,678	$ 348,522,477	$ 115,913,294	$ 215,686,894	$ 331,600,188

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF OPERATIONS

Years Ended December 31, 1986 and 1985

	1986			1985		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
OPERATING REVENUES:						
Power Sales	$ -0-	$ 87,270,500	$ 87,270,500	$ -0-	$ 84,780,096	$ 84,780,096
Water Sales	21,513,848	-0-	21,513,848	21,483,933	-0-	21,483,933
Water availability charge	1,023,650	-0-	1,023,650	1,034,939	-0-	1,034,939
Interdepartmental charges:						
Use of All-American Canal	334,499	(334,499)	-0-	334,499	(334,499)	-0-
Power sales	(487,665)	487,665	-0-	(457,351)	457,351	-0-
Other	549,563	2,328,001	2,877,564	678,387	1,394,933	2,073,320
	22,933,895	89,751,667	112,685,562	23,074,407	86,297,881	109,372,288
OPERATING EXPENSES:						
Cost of fuel	-0-	11,345,679	11,345,679	-0-	17,345,179	17,345,179
Purchased power	-0-	34,044,221	34,044,221	-0-	28,444,068	28,444,068
Other power expenses	-0-	8,942,042	8,942,042	-0-	7,324,824	7,324,824
Operation and maintenance of All-American Canal	1,428,652	-0-	1,428,652	1,323,764	-0-	1,323,764
Operation and maintenance of irrigation system and dams	12,898,209	-0-	12,898,209	11,813,034	-0-	11,813,034
General and administration expense	13,550,919	10,752,760	24,303,679	9,797,022	11,123,523	20,920,545
Provision for depreciation	2,121,914	6,270,478	8,392,392	1,899,842	5,579,679	7,479,521
Provision for loss on experimental farm	31,917	-0-	31,917	21,001	-0-	21,001
	30,031,611	71,355,180	101,386,791	24,854,663	69,817,273	94,671,936
Net operating earnings (loss)	(7,097,716)	18,396,487	11,298,771	(1,780,256)	16,480,608	14,700,352
NONOPERATING REVENUES (EXPENSES):						
Interest income	227,787	4,060,405	4,288,192	1,246,649	4,938,001	6,184,650
Interest expense	(8,973)	(4,632,123)	(4,641,096)	(19,062)	(4,879,494)	(4,898,556)
	218,814	(571,718)	(352,904)	1,227,587	58,507	1,286,094
Net earnings (loss)	$ (6,878,902)	$ 17,824,769	$ 10,945,867	$ (552,669)	$ 16,539,115	$ 15,986,446

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF CHANGES IN DISTRICT EQUITY

Years Ended December 31, 1986 and 1985

	1986		
	Water Department	Power Department	Combined
RETAINED EARNINGS:			
Balance at January 1, 1986	$ 97,812,481	$ 134,514,122	$ 232,326,603
Net earnings (loss)	(6,878,902)	17,824,769	10,945,867
Balance at December 31, 1986	90,933,579	152,338,891	243,272,470
CONTRIBUTIONS IN AID OF CONSTRUCTION:			
Balance at January 1, 1986	4,279,703	1,110,581	5,390,284
Contributions received	2,329	1,089,246	1,091,575
Less amortization	(270,192)	(99,312)	(369,504)
Balance at December 31, 1986	4,011,840	2,100,515	6,112,355
Total District equity at December 31, 1986	$ 94,945,419	$ 154,439,406	$ 249,384,825

	1985		
	Water Department	Power Department	Combined
RETAINED EARNINGS:			
Balance at January 1, 1985	$ 98,365,150	$ 117,975,007	$ 216,340,157
Net earnings (loss)	(552,669)	16,539,115	15,986,446
Balance at December 31, 1985	97,812,481	134,514,122	232,326,603
CONTRIBUTIONS IN AID OF CONSTRUCTION:			
Balance at January 1, 1985	4,499,762	-0-	4,499,762
Contributions received	52,269	1,110,581	1,162,850
Less amortization	(272,328)	-0-	(272,328)
Balance at December 31, 1985	4,279,703	1,110,581	5,390,284
Total District equity at December 31, 1985	$ 102,092,184	$ 135,624,703	$ 237,716,887

See accompanying notes to combined financial statements.

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1986 and 1985

	1986			1985		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
FINANCIAL RESOURCES PROVIDED BY:						
Operations:						
Net earnings (loss)	$ (6,878,902)	$ 17,824,769	$ 10,945,867	$ (552,669)	$ 16,539,115	$ 15,986,446
Items which did not require outlay of working capital during the year:						
Depreciation and amortization	2,765,649	6,587,713	9,353,362	2,392,723	5,608,530	8,001,253
Increase (decrease) in noncurrent portion of accrued sick leave	(144,773)	(294,505)	(439,278)	80,239	86,800	167,039
Total working capital provided (used) by operations	(4,258,026)	24,117,977	19,859,951	1,920,293	22,234,445	24,154,738
Decrease in construction in process	-0-	57,031,207	57,031,207	-0-	-0-	-0-
Increase in noncurrent portion of other accrued expenses and deferred revenues	5,448,164	385,000	5,833,164	-0-	-0-	-0-
Contributions in aid of construction	2,329	1,089,246	1,091,575	52,269	1,110,581	1,162,850
Decrease in restricted assets	3,457,413	-0-	3,457,413	864,223	7,252,191	8,116,414
Increase (decrease) in liabilities payable from restricted assets	(250)	4,435,101	4,434,851	(1,300)	(1,794,473)	(1,795,773)
	4,649,630	87,058,531	91,708,161	2,835,485	28,802,744	31,638,229
FINANCIAL RESOURCES APPLIED TO:						
Decrease in noncurrent portion of other accrued expenses and deferred revenues	-0-	-0-	-0-	15,354	-0-	15,354
Addition to utility plant in service, net	4,285,603	75,368,710	79,654,313	6,013,985	9,856,758	15,870,743
Addition to construction in process	50,785	-0-	50,785	455,549	13,581,677	14,037,226
Decrease in advances for construction	-0-	108,376	108,376	-0-	129,205	129,205
Decrease in long-term debt	736,479	3,195,843	3,932,322	734,147	3,928,207	4,662,354
Transfers to restricted funds, net	-0-	5,422,830	5,422,830	-0-	-0-	-0-
	5,072,867	84,095,759	89,168,626	7,219,035	27,495,847	34,714,882
Increase (decrease) in working capital	$ (423,237)	$ 2,962,772	$ 2,539,535	$ (4,383,550)	$ 1,306,897	$ (3,076,653)

(Continued)

IMPERIAL IRRIGATION DISTRICT

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION, CONTINUED

Years Ended December 31, 1986 and 1985

	1986			1985		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
SUMMARY OF CHANGES IN WORKING CAPITAL COMPONENTS:						
Increase (decrease) in current assets:						
Cash, cash equivalents and investments, at cost	$ (945,490)	$(1,517,262)	$(2,462,752)	$(3,629,433)	$ 1,759,790	$(1,869,643)
Energy supply contract receivable	-0-	2,284,144	2,284,144	-0-	-0-	-0-
Accounts receivable, net	704,097	983,957	1,688,054	631,983	1,396,594	2,028,577
Inventories	1,888	407,829	409,717	(61,310)	(352,805)	(414,115)
Prepaid expenses and deferred charges	40,876	45,808	86,684	(78,933)	30,758	(48,175)
	(198,629)	2,204,476	2,005,847	(3,137,693)	2,834,337	(303,356)
DECREASE (INCREASE) IN CURRENT LIABILITIES:						
Current maturities on long-term debt	$ (2,368)	$ 732,261	$ 729,893	$ (2,158)	$ (231,558)	$ (233,716)
Accounts payable	928,616	831,460	1,760,076	(763,323)	(1,274,981)	(2,038,304)
Accrued interest payable	(375)	96,127	95,752	(761)	142,948	142,187
Accrued vacation and sick leave	(826,311)	(901,552)	(1,727,863)	(203,948)	(163,849)	(367,797)
Accrued compensation and payroll taxes	(331,940)	-0-	(331,940)	(300,554)	-0-	(300,554)
Deferred revenues	7,770	-0-	7,770	24,887	-0-	24,887
	(224,608)	758,296	533,688	(1,245,857)	(1,527,440)	(2,773,297)
Increase (decrease) in working capital	$ (423,237)	$ 2,962,772	$ 2,539,535	$(4,383,550)	$ 1,306,897	$(3,076,653)

See accompanying notes to combined financial statements.

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. Such account classifications used by the Power Department are specified by the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The account classifications of the Water Department 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. All 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 1986 and 1985 was equivalent to 2.0% and 1.3% of average depreciable water plant, respectively. 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 consisting of fuel oil, materials and supplies are recorded at cost on a first-in, first-out weighted average basis.

Reclassifications

Certain reclassifications have been made to amounts previously reported in 1985 to conform to the 1986 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.

Cash, Cash Equivalents and Investments

The District invests its idle cash on a daily basis. Certain of these investments are made in bank certificates of deposit and are considered cash equivalents. Other investments consist primarily of federal mortgage notes generally maturing within one to two years.

Such 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 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. 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.

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended December 31, 1986 and 1985

Note 3 - Long-Term Debt

Long-term debt consists of the following:

	1986				
	Water Department		Power Department		
	Current portion	Long-term	Current portion	Long-term	Total
Certificates of Participation (Note 4)	$ -0-	-0-	$ 3,075,000	$53,650,000	$56,725,000
All-American Canal obligation (Note 5)	709,799	4,831,069	40,801	285,605	5,867,274
Obligation under capital lease (Note 6)	26,715	45,054	80,145	135,162	287,076
	$ 736,514	$ 4,876,123	$ 3,195,946	$54,070,767	$62,879,350

	1985				
	Water Department		Power Department		
	Current portion	Long-term	Current portion	Long-term	Total
Certificates of Participation (Note 4)	$ -0-	-0-	$ 2,905,000	$56,725,000	$59,630,000
All-American Canal obligation (Note 5)	$ 709,799	$ 5,540,868	$ 40,800	$ 326,407	$ 6,617,874
Obligation under capital lease (Note 6)	24,347	71,734	982,407	215,203	1,293,691
	$ 734,146	$ 5,612,602	$ 3,928,207	$57,266,610	$67,541,565

Note 4-Certificates of Participation

The proceeds from a $65,000,000 issue of Certificates of Participation (Certificates) were 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 controlling and dispatching of the District's power resources, and certain hydroelectric generating facilities to be utilized by the District.

The Certificates are payable annually on May 1. Interest is payable semiannually on May 1 and November 1, with interest rates ranging from 5.0% to 8.6%.

Principal payments are due as follows:

Due Date	Principal Amount
May 1, 1987	$ 3,075,000
May 1, 1988	3,275,000
May 1, 1989	3,505,000
May 1, 1990	3,760,000
May 1, 1991	4,045,000
Thereafter	39,065,000
	$56,725,000

Note 5 - All-American Canal Contract

Pursuant to the terms of the Boulder Canyon Project, the 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 Federal Government. 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 Federal Government for water supplied to the District. The unpaid balance at December 31, 1986 and 1985 was $5,867,274 and $6,617,874, respectively, as set forth in note 3.

The District receives its entire water supply for its irrigation system from the Federal Government under this contract. Deliveries of water and use of the All-American Canal are guaranteed, in perpetuity, 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 as 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:

	1986	1985		
	Computer and word processing equipment	Electronic data processing equipment	Hydroelectric generators drop 5	Total
1986	$ -0-	$ 131,640	$ 991,209	$ 1,122,849
1987	131,640	131,640	-0-	131,640
1988	131,640	131,640	-0-	131,640
1989	65,820	65,820	-0-	65,820
Total minimum lease payments	329,100	460,740	991,209	1,451,949
Less amount representing interest	42,024	76,414	81,844	158,258
Present value of minimum lease payments	$ 287,076	$ 384,326	$ 909,365	$ 1,293,691

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. Beginning January 1, 1985, the Plan was amended, whereby all contributions are made by the District. The District's contribution to the Plan equals amounts accrued. Amounts charged to operations were $1,632,028 and $1,568,887 for 1986 and 1985, respectively. Recent actuarial information is as follows:

	JANUARY 1	
	1986	1985
Actuarial present value of accumulated Plan benefits:		
Vested	$ 11,310,580	$ 10,691,227
Nonvested	2,705,220	1,850,511
Total	$ 14,015,800	$ 12,541,738
Net assets available for Plan benefits	$ 17,078,197	$ 14,885,555

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

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended December 31, 1986 and 1985

Note 8 - Utility Plant

Plant in service is comprised of the following:

	1986			1985		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
Land and land rights	$ 5,170,851	$ 2,641,627	$ 7,812,478	$ 5,082,823	$ 1,383,898	$ 6,466,721
Structures and improvements	3,205,240	30,565,155	33,770,395	3,109,377	8,640,304	11,749,681
Canals	63,072,650	-0-	63,072,650	61,964,424	-0-	61,964,424
Drainage	26,952,097	-0-	26,952,097	25,809,463	-0-	25,809,463
All-American Canal	23,863,478	-0-	23,863,478	23,863,478	-0-	23,863,478
Conservation equipment	807,397	-0-	807,397	-0-	-0-	-0-
Dredges and field equipment	4,590,324	454,844	5,045,168	4,541,270	-0-	4,541,270
Autos and trucks	6,849,930	2,210,636	9,060,566	6,017,373	1,662,489	7,679,862
Other plant and equipment	3,398,009	16,948,065	20,346,074	3,236,166	10,287,788	13,523,954
Steam plant equipment	-0-	20,713,110	20,713,110	-0-	20,215,055	20,215,055
Hydroelectric generating equipment	-0-	19,341,149	19,341,149	-0-	13,684,845	13,684,845
Gas turbines	-0-	21,065,163	21,065,163	-0-	21,061,163	21,061,163
Transmission plant	-0-	62,016,753	62,016,753	-0-	31,063,367	31,063,367
Distribution plant	-0-	78,554,257	78,554,257	-0-	72,752,289	72,752,289
Reservoirs and dams	-0-	3,595,746	3,595,746	-0-	1,986,598	1,986,598
Plant in service	$137,909,976	$258,106,505	$396,016,481	$133,624,374	$182,737,796	$316,362,170
Depreciation expense was as follows:						
Included in operation and maintenance expenses	$ 643,735	$ 317,235	$ 960,970	$ 492,881	$ 28,851	$ 521,732
Provision for depreciation	2,121,914	6,270,478	8,392,392	1,899,842	5,579,679	7,479,521
	$ 2,765,649	$ 6,587,713	$ 9,353,362	$ 2,392,723	$ 5,608,530	$ 8,001,253

Note 9 · Energy Supply Contract Receivable

The District has entered into an energy supply contract with El Paso Electric Company. The agreement resulted in an immediate refund of approximately $2.3 million and an additional refund of $141,000 per month for the period January 1, 1987 through 1991. The agreement, which terminates April 30, 2002, reduces the fixed kilowatt per hour rate to $19.70 from $29.17 per kilowatt hour.

Note 10 · Litigation

Legal action brought against the District involving damage to property surrounding the Salton Sea due to a rise in the water level was settled in 1985. Such settlement resulted in the District paying claimants approximately $8.5 million. Such settlement amount was charged against operations in 1985 and has been included in the accompanying combined statement of operations under the caption, "General and administration expense."

In the ordinary course of operations, the District is the subject of claims and litigation from outside parties including cases similar to those settled in 1985 as discussed in the preceding paragraph. After consultation with legal counsel, the District believes that adequate provision has been made for the costs, if any, of the ultimate outcome of the legal proceedings, such that these matters will not materially affect the District's financial condition.

Note 11 · Commitments and Contingencies

The District is self-insured for workers' compensation claims and employee medical care benefits. At December 31, 1986, the District has accrued $835,000 for estimated claims to be paid in the future. Such amounts have been included in deferred credits and other liabilities, other accrued expenses in the accompanying combined balance sheets. 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:

1987	$4,459,000
1988	6,306,000
1989	7,009,000
1990	7,091,000
1991	7,123,000

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