REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

IMPERIAL IRRIGATION DISTRICT

December 31, 2017 and 2016

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Report of Independent Auditors

To the Board of Directors
Imperial Irrigation District
Imperial, California

Report on the Financial Statements

We have audited the accompanying individual (Water and Energy) and combined (Total) financial statements of Imperial Irrigation District (the District), which comprise the individual and combined statements of net position as of December 31, 2017 and 2016, and the related individual and combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these individual and combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the individual and combined financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective individual and total financial position of Imperial Irrigation District as of December 31, 2017 and 2016, and the individual and combined results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Moss Adams LLP

Portland, Oregon
May 30, 2018

Introduction

The management of the Imperial Irrigation District (the District or IID) offers the following narrative discussion and analysis of the District's financial performance during the years ended December 31, 2017 and 2016. This discussion and analysis should be read in conjunction with the District's financial statements and the accompanying notes that follow this section.

Background

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

In order to take advantage of the hydroelectric generation potential of the All-American Canal, the District entered the power business in 1936, now the third largest public power utility in the State and is widely regarded as an economic catalyst in the Imperial and Coachella Valley regions. The District provides generation, transmission, and distribution services to more than 154,465 residential, commercial, and industrial customers.

With a combined work force of approximately 1,342 employees, the District is leading the way in irrigation efficiency and innovation, while expanding the range of value-added energy services including the promotion of renewable energy resources in this dynamic desert corridor.

Setting of Rates

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

Financial Highlights

During fiscal year 2017, Imperial Irrigation District's operating revenues increased by $3.2 million (0.5%) from 2016 levels. The increase in revenues is attributable to the Water Department by $5.2 million, mainly due to higher Agricultural sales, Salton Sea mitigation and water transfer revenues, which were offset by the Energy Department's decrease of $2.0 million coming from the deferral of Energy Cost Adjustment ("ECA") offset by wheeling retail sales and Oatt study reimbursements. Total operating expenses decreased by $2.5 million from fiscal year 2016. The Energy Department is a key financial driver with lower purchased power and fuel costs due to market pricing opportunities of $11.8 million, operation and maintenance, and general and administration expenses of $6 million due to reduction in canceled projects and write offs. Water Department's increase in operation and maintenance and general and administration expenses of $10.1 million is mainly due to an increase in on-farm conservation, labor, legal, and medical expenses. In addition, both departments had a combined increase in depreciation of $5.2 million.

The net effect of non-operating revenue and expenses as well as capital contributions resulted in an increase in net position of $12.7 million. The main driver includes $18.9 million coming from SCPPA's project stabilization fund. This money funded the OPEB trust held by California Employers' Retiree Benefit Trust for the Energy Department's OPEB obligation following the funding strategy approved by the board on December 20, 2016. Once added to the operating loss of $9.5 million, total net position increased by $3.3 million in fiscal year 2017.

During fiscal year 2016, Imperial Irrigation District operating revenues increased by $16.5 million (2.7%) from 2015 levels. The increase in revenues is attributable to the Water Department by $11 million, mainly due from Local Entity and Salton Sea mitigation revenues, as well as the Energy Department by $5.4 million from higher retail sales. Total operating expenses increased by $41.1 million from fiscal year 2015. Energy Department is a key driver with purchased power and fuel costs up by $5.4 million due to higher renewables costs, while operation and maintenance expenses are up by $21 million, due to a combination of canceled projects, a note receivable write off, higher labor costs, and legal contingencies. Water Department's increase in operation and maintenance expense of $9.5 million is mainly due to an increase in Local Entity, legal and labor costs. In addition, both departments had a combined increase in depreciation of $5.2 million. The net effect of non-operating revenue and expenses as well as capital contributions resulted in a decrease in net position of $1.5 million. Once added to the operating loss of $15.2 million, total net position decreased by $16.8 million in fiscal year 2016.

Introduction to the Financial Statements

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

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

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

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

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements described above. The District's accounting records are maintained in accordance with accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). As a proprietary fund, the District follows the accrual basis of accounting in which revenues are recognized when earned, and costs and expenses are recognized when incurred. This accounting method is similar to that followed by for-profit entities. Separate accounting records are maintained for the District's Water and Energy operations, with each being reported as an enterprise fund within the accompanying financial statements.

Financial Analysis

The majority of the District's net position reflects its net investment in capital assets, which represents capital assets, less the remaining outstanding balance of debt used to acquire those assets. The District's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,625.3 million and $1,622.0 million as of December 31, 2017 and 2016, respectively. A portion of the District's net position (89.9% and 88.2% as of December 31, 2017 and 2016, respectively) reflects its net investment in capital assets such as buildings, vehicles, equipment, drainage structures, canal linings, canal structures, transmission, distribution, and general plant owned by the Water and Energy Departments. The District uses these capital assets to provide services to its ratepayers. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from rate revenues and cash reserves.

An additional portion of the District's $11.4 million (0.7%) and $54.9 million (3.4%) as of December 31, 2017 and 2016, respectively, represent resources that are subject to external restrictions on how they may be used. The unrestricted portion of the District's net position $152.5 million (9.4%) and $136.8 million (8.4%) as of December 31, 2017 and 2016 respectively, may be used to meet the District's ongoing obligations to creditors and customers.

Summary of Financial Position

The following tables provide condensed financial information for the combined operations of the Energy and Water divisions of the District for the years ended December 31, 2017, 2016, and 2015:

	2017	2016	2015	Variance 2016 to 2017
Assets and deferred outflows				
Utility plant, net	$ 2,025,061,704	$ 2,004,114,414	$ 1,992,179,636	1%
Other assets and deferred outflows	646,152,212	704,961,343	655,620,268	-8%
Total assets and deferred outflows	$ 2,671,213,916	$ 2,709,075,757	$ 2,647,799,904	-1%
Liabilities and deferred inflow				
Long-term liabilities	$ 824,887,645	$ 872,830,756	$ 780,035,425	-5%
Current liabilities	136,516,499	139,307,326	137,464,560	-2%
Deferred inflow of resources	84,476,971	74,868,797	91,436,118	13%
Total liabilities and deferred inflows	$ 1,045,881,115	$ 1,087,006,879	$ 1,008,936,103	-4%
Net position				
Net investment in capital assets	$ 1,461,391,458	$ 1,430,375,586	$ 1,459,663,116	2%
Restricted	11,391,848	54,940,024	71,521,016	-79%
Unrestricted	152,549,495	136,753,268	107,679,669	12%
Total net position	$ 1,625,332,801	$ 1,622,068,878	$ 1,638,863,801	0.2%

Net position – The District's net position increased in 2017 by $3.3 million (0.2%) and decreased in 2016 by $16.8 million (1%). The increase in fiscal year 2017 was driven by the Energy Department $22.1 million which offset by the Water Department decrease of $18.9 million. The increase in Energy Department is mainly due to lower fuel and purchase power coming from market pricing opportunities, lower expenses on cancelled projects, labor costs, and outside services, in addition to other revenue from SCPPA's project stabilization fund, used to fund the OPEB trust held by CERBT for the Energy Department's OPEB obligation and capital contributions. The decrease in Water Department is attributable to higher operating expenses related to on-farm conservation, labor costs, and legal expenses.

The decrease in fiscal year 2016 was driven by the Water Department's $13.9 million decrease and the Energy Department's $2.9 million decrease. The decrease in Water Department is attributable to higher operating expenses related to Salton Sea and local entity conservation programs, labor cost and legal expenses. The Energy Department was affected by higher purchased power and fuel costs due to renewables as well as operating expenses primarily for cancelled projects, right of way note receivable write off, legal expenses and higher labor costs.

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

Net utility plant increased by $11.9 million (0.6%) during 2016. The change was due to increases in the Energy and Water Department by $6.2 million and $5.7 million, respectively. An increase on BESS battery storage project, L line restoration, spare transformer 225KV and vehicle leases, offset by additional depreciation from capitalized projects, are the main drivers on Energy's utility plant. Imperial Dam upgrade, acquisition of building, canal concrete lining and vehicles leases, offset by additional depreciation from capitalized projects, are the primary drivers on Water's utility plant.

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

Other assets increased by $49.3 million (7.5%) in 2016. This is driven primarily by the Energy Department's deferred loss on refunding from the issuance of revenue bonds 2015C, 2016A and 2016B2 totaling $43.5 million, inventory increase due to material re-stocked from cancelled projects of $5.8 million, higher cash and investments of $21.4 million due to bond proceeds and a combined increase to prepaid expenses of $0.9 million. These increases were offset by decreases to net accounts receivable of $4.1 million primarily from a right of way note receivable write off, reduction on prepaid pension obligation $2.5 million and Water Department's reduction in cash and investments of $15.7 million due to Local Entity, San Diego County Water Authority (SDCWA) and Metropolitan Water District (MWD).

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

Long-term liabilities increased by $92.8 million (11.9%) in 2016. This was mainly driven by the issuance of new revenue bonds used for capital expenditures. The issuance of 2015D and 2016B1 refunded taxable and tax-exempt commercial paper. The issuance of 2016B2 partially defeased series 2011A, B & C bond obligations. The issuance of 2015C and 2016A defeased the series 2008A bond obligation all for a combined increase effect of $85.5 million when compared to prior year. Other increases include vehicle capital leases of $6.7 million and advances and deposits of $18.4 million primarily from Open Access Transmission Tariff (OATT) for transmission build out. Other accrued employee-related liabilities increased by $1.5 million. The increases were offset by bond principal payments of $12 million and the net change in other post-employment benefits of $7.3 million.

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

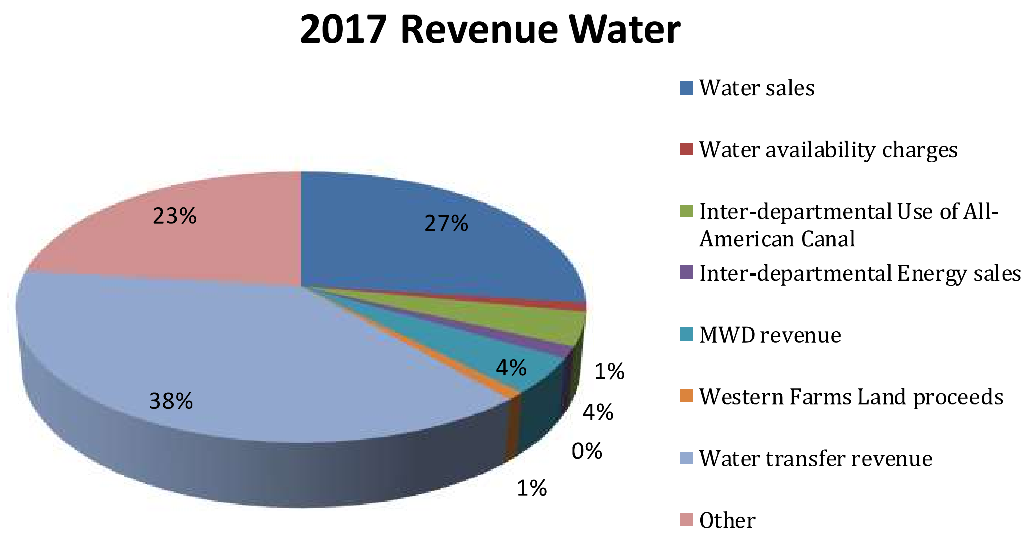
Other liabilities and deferred inflows decreased by $14.7 million (6.4%) during 2016. This was primarily driven by a reduction on ECA regulatory deferral of $16.6 million, used to credit ECA billing factors for 2016 and advances and deposits reclassified to long term advances for $11.9 million. Increases in self-insurance of $4.9 million, other current liabilities and payables of $3.4 million vehicle capital leases current portion of $2.7 million and accrued compensation of $2.8 million offset the decrease.

Summary of Operations and Changes in Net Position

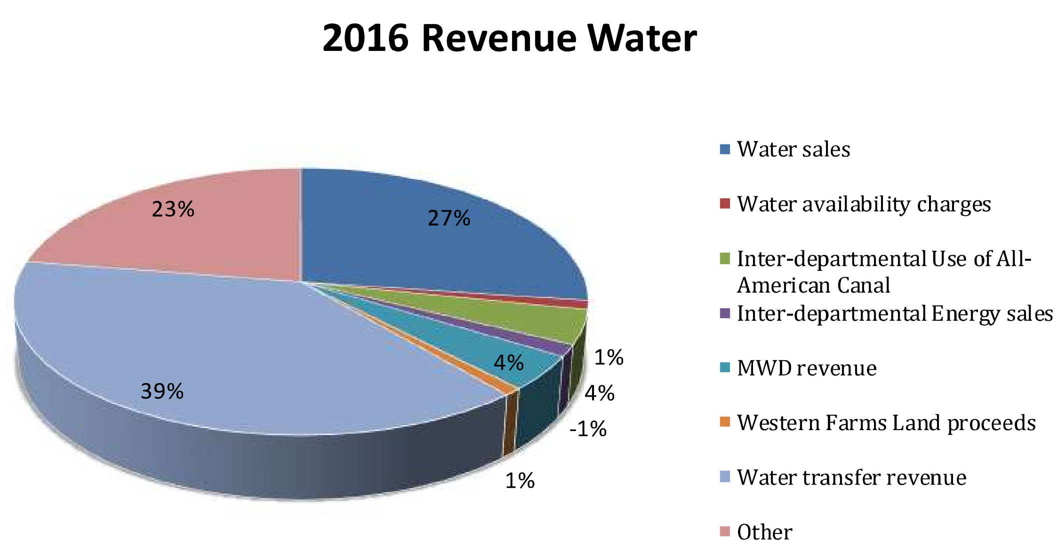
The District’s change in net position for fiscal year 2017 is an increase of $3.3 million (0.2%); for 2016 and 2015, a decrease of $16.8 million (1%), and increase of $7.6 million (0.5%), respectively. The table below summarizes the revenues and expenses of the District for the years 2017, 2016, and 2015.

	2017	2016	2015	Variance 2016 to 2017
Operating revenues				
Water operating revenues	$ 179,022,814	$ 173,754,664	$ 162,689,902	3%
Power operating revenues	455,587,946	457,621,321	452,222,960	0%
Total operating revenues	634,610,760	631,375,985	614,912,862	1%
Operating expenses				
Purchased energy	151,453,904	158,246,842	147,483,624	-4%
Cost of fuel	44,352,022	49,384,928	54,672,682	-10%
Other power expenses	151,384,354	160,314,043	139,292,213	-6%
All-American Canal operations	8,568,451	7,337,034	7,148,750	17%
Operation and maintenance of irrigation systems and dams	158,702,080	151,543,810	142,044,171	5%
General and administrative	26,602,129	21,975,640	22,249,814	21%
Depreciation and amortization	103,026,416	97,819,216	92,586,438	5%
Total operating expenses	644,089,356	646,621,513	605,477,692	0%
Nonoperating revenues (expenses)				
Investment income	5,063,072	3,405,058	3,411,210	49%
Interest expense	(23,560,127)	(21,140,224)	(25,446,476)	11%
Other income	21,576,477	4,429,865	7,653,357	387%
Total nonoperating expenses	3,079,422	(13,305,301)	(14,381,909)	123%
Capital contributions	9,663,097	11,755,906	12,592,001	-18%
Increase (decrease) in net position	3,263,923	(16,794,923)	7,645,262	119%
Total net position, beginning of year	1,622,068,878	1,638,863,801	1,631,218,539	-1%
Total net position, end of year	$ 1,625,332,801	$ 1,622,068,878	$ 1,638,863,801	0.2%

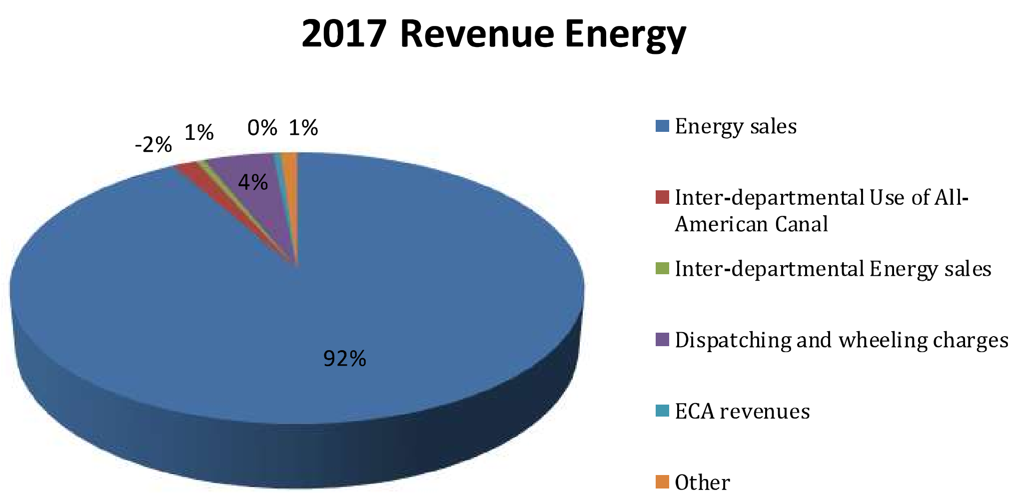
Water revenues – Water revenues increased by $5.3 million (3%) in 2017. Changes are attributable to increase in Salton Sea mitigation water by $3 million, Water transfer revenue increased by $1.3 million, driven by a rate increase from $630.87 per acre-foot in 2016 to $640.75 in 2017. Other increases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



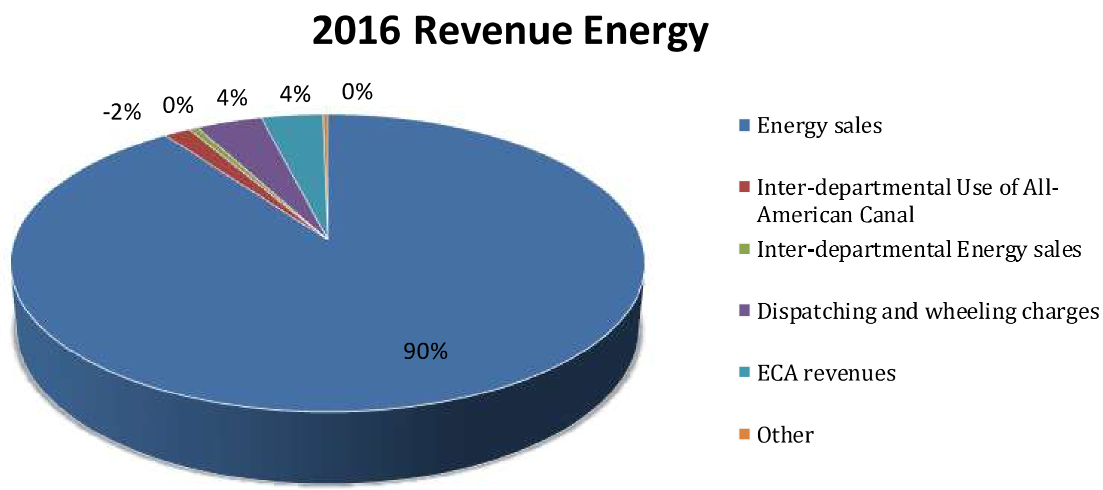
Water revenues increased by $11 million (6.8%) in 2016. Changes are attributable to increases in conservation programs from Local Entity revenue of $9.1 million, Salton Sea mitigation water $3 million and JPA mitigation revenue $1.6 million. In addition, Water transfer revenue increased by $1 million, driven by a rate increase from $624.00 per acre-foot in 2015 to $630.87 in 2016. Lower Metropolitan Water District (MWD) revenue of $3.7 million offset these increases.



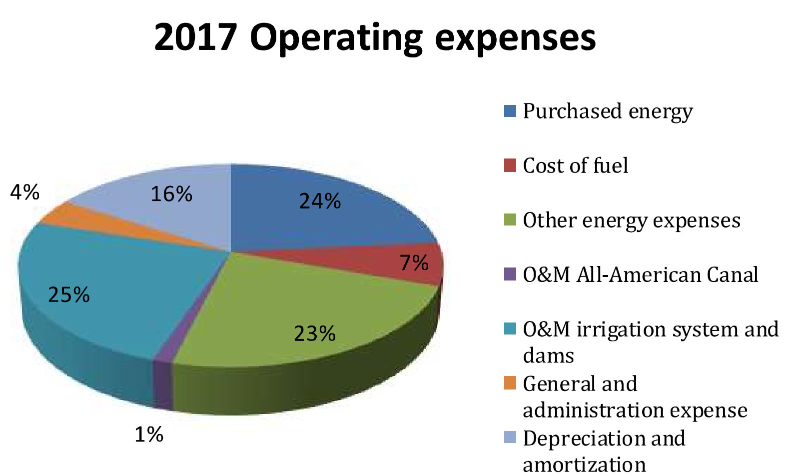
Power revenues – Power revenues decreased by $2 million (0.4%) in 2017. This change is primarily due to a decrease in ECA revenue of $14.8 million, driven by a deferred over collection coming from 2017 billing factors offset by a volumetric increase of 1.34%. This was offset by a $5.5 million volumetric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



Power revenues increased by $5.4 million (1.2%) in 2016. This change is primarily due to ECA revenue of $3.2 million, driven by higher credits to billing factors coming from the 2015 ECA over-collection, a $0.9 million volumetric increase in KWH on retail sales, $1.1 million price change generated mainly from agricultural sales, and $1 million from dispatching and wheeling charges. These increases were offset by a reduction in other revenue $0.8 million.

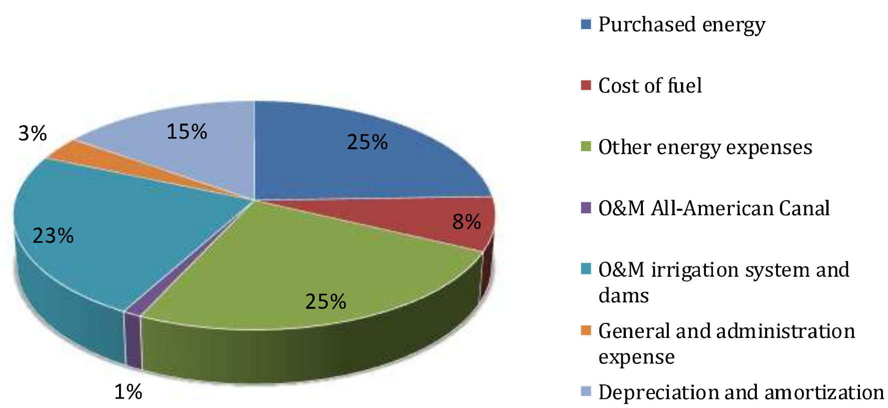


Operating expenses – Operating expenses decreased by $2.5 million (0.4%) in 2017. The change is mainly due to a reduction in the Energy department driven primarily by $11.8 million of purchased energy and fuel costs, reduced by higher wholesale and CARB auction proceeds, a credit from SCPPA project stabilization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



Operating expenses increased by $41.1 million (6.8%) in 2016. The change is due to Energy and Water Department increases by $31.7 million and $9.4 million, respectively. The increase is driven primarily by $10.7 million of purchased energy impacted by higher renewables; $21 million dollars in other energy expenses which were affected by cancelled projects IV SS & Dixieland sub, Transmission Path 41 and S line 230 KV upgrade; right of way note receivable write off, legal expenses, and higher labor costs; $9.5 million in operation and maintenance of irrigation systems and dams, driven primarily by higher conservation programs, labor costs and legal expenses, in addition to a combined increase in depreciation of $5.2 million. Lower cost of fuel due to natural gas prices offset these increases by $5.3 million. General and administration expense increased by $2.8 million primarily due to legal expenses.

2016 Operating expenses



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

Non-operating expenses net of non-operating revenues decreased by $1.1 million (7.5%) in 2016. The primary driver was a reduction on interest expense of $4.3 million due to refunded revenue bonds, which was offset by other income $3.2 million primarily due to lower grants.

Capital contributions – Capital contributions represent funds received from state and federal agencies, as well as private developers, for the construction and acquisition of capital assets. Capital contributions decreased in 2017 by $2 million versus a decrease in 2016 of $0.8 million. Lower contributions for energy developer interconnection fees are the main driver of the decrease.

Utility Plant and Debt Administration

	2017	2016	2015
Utility plant, not being depreciated			
Land and land rights	$ 71,988,290	$ 66,948,486	$ 64,628,878
Construction in process	115,976,076	143,653,458	169,256,521
Total utility plant, not being depreciated	187,964,366	210,601,944	233,885,399
Utility plant, being depreciated			
Structures and improvements	170,313,062	160,047,813	148,442,089
Dredges and field equipment	31,648,094	29,101,041	27,255,086
Automobiles and trucks	38,640,292	39,942,385	32,158,875
Other plant equipment	187,627,205	182,904,638	164,175,517
Steam plant equipment	381,191,917	352,141,743	351,444,558
Hydroelectric generating equipment	39,999,106	39,999,106	39,999,106
Gas turbines	122,498,608	132,423,304	132,423,304
Transmission plant	474,335,550	420,024,636	380,104,826
Distribution plant	1,023,049,968	991,618,087	956,340,323
Roads, railroads, and bridges	4,648,777	4,648,777	4,648,777
Reservoirs and dams	10,902,441	10,902,413	10,835,437
Canals	328,824,336	320,513,196	310,470,978
Drainage	131,793,350	128,829,120	126,731,152
All-American Canal	326,505,858	326,505,858	326,505,858
Total utility plant, being depreciated	3,271,978,564	3,139,602,117	3,011,535,886
Protection of water rights	30,555,094	30,555,094	30,555,094
Less accumulated depreciation	(1,449,080,214)	(1,361,161,632)	(1,269,186,637)
Less accumulated amortization	(16,356,106)	(15,483,109)	(14,610,106)
Total utility plant, being depreciated, net	1,837,097,338	1,793,512,470	1,758,294,237
Utility plant, net	$ 2,025,061,704	$ 2,004,114,414	$ 1,992,179,636

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

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

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

	2017	2016	2015
Revenue bonds	$ 603,878,893	$ 606,539,457	$ 531,306,467
Pension obligation bonds	52,508,675	54,698,574	56,743,471
Capital leases	12,184,089	16,662,384	7,138,283
Total long term debt	$ 668,571,657	$ 677,900,415	$ 595,188,221

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

The District's total debt, including both the current and long-term portion, increased by $82.7 million in 2016. This is mainly due to the issuance of new revenue bonds used for capital expenditures. The issuance of 2015D and 2016B1 refunded taxable and tax-exempt commercial paper used for two low-head hydroelectric projects and for an energy battery storage project, respectively. The issuance of 2016B2, partially defeased 2011A, B & C revenue bonds obligations used on El Centro Unit 3 repowering project. The issuance of 2015C and 2016A defeased the series 2008A bond obligation used for Niland generation plant, improvements to IID's transmission facilities, refund non-taxable commercial paper and to defease outstanding principal balance of 1998 COPs; the overall revenue bond activity generated a combined increase effect of $85.2 million. In addition, there was an increase on vehicle capital leases of $9.5 million. Revenue bond principal payments of $12 million offset the overall increase.

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

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Imperial Irrigation District
Statements of Net Position

	As of December 31, 2017			As of December 31, 2016		
	Water	Energy	Total	Water	Energy	Total
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
CURRENT ASSETS						
Cash and cash equivalents						
Unrestricted	$ 16,340,365	$ 30,913,947	$ 47,254,312	$ 18,579,453	$ 22,927,656	$ 41,507,109
Restricted	18,460,096	2,657,550	21,117,646	19,703,715	2,287,290	21,991,005
Total cash and cash equivalents	34,800,461	33,571,497	68,371,958	38,283,168	25,214,946	63,498,114
Investments – current (See Note 2)	52,862,446	118,652,407	171,514,853	36,330,146	23,185,225	59,515,371
Receivables						
Trade	9,024,168	42,725,384	51,749,552	8,065,143	38,139,018	46,204,161
Interest	835,017	1,590,183	2,425,200	957,308	1,435,756	2,393,064
Other	15,858,258	2,833,726	18,691,984	8,270,649	2,081,085	10,351,734
Total receivables	25,717,443	47,149,293	72,866,736	17,293,100	41,655,859	58,948,959
Less allowance for doubtful accounts	(474,654)	(3,724,539)	(4,199,193)	(335,528)	(3,188,445)	(3,523,973)
Net receivables	25,242,789	43,424,754	68,667,543	16,957,572	38,467,414	55,424,986
Inventory	1,010,455	19,807,857	20,818,312	1,002,739	24,107,935	25,110,674
Prepaid expenses	4,316,406	4,082,324	8,398,730	3,662,399	3,788,064	7,450,463
Total current assets	118,232,557	219,538,839	337,771,396	96,236,024	114,763,584	210,999,608
NONCURRENT ASSETS						
Utility plant						
Utility plant, not being depreciated						
Land and land rights	46,521,049	25,467,241	71,988,290	46,520,949	20,427,537	66,948,486
Construction in process	49,724,764	66,251,312	115,976,076	29,823,482	113,829,976	143,653,458
Utility plant, being depreciated	889,169,650	2,382,808,914	3,271,978,564	874,775,678	2,264,826,439	3,139,602,117
Protection of water rights	30,555,094	-	30,555,094	30,555,094	-	30,555,094
Total utility plant	1,015,970,557	2,474,527,467	3,490,498,024	981,675,203	2,399,083,952	3,380,759,155
Less accumulated depreciation	(358,447,768)	(1,090,632,446)	(1,449,080,214)	(331,787,251)	(1,029,374,381)	(1,361,161,632)
Less accumulated amortization	(16,356,106)	-	(16,356,106)	(15,483,109)	-	(15,483,109)
Total utility plant, net	641,166,683	1,383,895,021	2,025,061,704	634,404,843	1,369,709,571	2,004,114,414
Investments – long-term (see Note 2)	58,908,562	163,804,264	222,712,826	129,780,344	278,979,008	408,759,352
Other assets						
Prepaid pension obligation	16,145,685	17,129,568	33,275,253	17,340,782	18,398,589	35,739,371
Total other assets	16,145,685	17,129,568	33,275,253	17,340,782	18,398,589	35,739,371
Total noncurrent assets	716,220,930	1,564,828,853	2,281,049,783	781,525,969	1,667,087,168	2,448,613,137
DEFERRED OUTFLOW OF RESOURCES						
Unamortized loss on refunding	-	52,392,737	52,392,737	-	49,463,012	49,463,012
Total assets and deferred outflow of resources	$ 834,453,487	$ 1,836,760,429	$ 2,671,213,916	$ 877,761,993	$ 1,831,313,764	$ 2,709,075,757

	As of December 31, 2017			As of December 31, 2016		
	Water	Energy	Total	Water	Energy	Total
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Payable from unrestricted assets						
Accounts payable	$ 34,120,422	$ 28,744,781	$ 62,865,203	$ 33,477,672	$ 29,215,116	$ 62,692,788
Accrued interest payable	887,131	4,382,361	5,269,492	923,806	5,095,071	6,018,877
Accrued compensation and payroll taxes	3,140,723	2,709,156	5,849,879	3,756,640	3,842,689	7,599,329
Accrued vacation and sick leave	1,958,382	1,226,842	3,185,224	1,890,480	1,445,868	3,336,348
Self-insurance	1,470,072	3,336,462	4,806,534	1,718,075	7,407,122	9,125,197
Capital leases – current portion	2,060,981	2,338,415	4,399,396	2,053,738	2,327,099	4,380,837
Total payable from nonrestricted assets	43,637,711	42,738,017	86,375,728	43,820,411	49,332,965	93,153,376
Liabilities payable from restricted assets:						
Obligation bonds – current portion	1,137,325	1,207,675	2,345,000	1,064,575	1,130,425	2,195,000
Revenue bonds – current portion	-	12,495,000	12,495,000	-	11,665,000	11,665,000
Advances and deposits from customers	11,144,763	15,722,826	26,867,589	944,218	14,511,192	15,455,410
Total liabilities payable from restricted assets	12,282,088	29,425,501	41,707,589	2,008,793	27,306,617	29,315,410
Water availability charges	1,813,537	-	1,813,537	1,845,840	-	1,845,840
Other current liabilities	5,395,515	1,224,130	6,619,645	13,838,777	1,153,923	14,992,700
Total current liabilities	63,128,851	73,387,648	136,516,499	61,513,821	77,793,505	139,307,326
NONCURRENT LIABILITIES						
Long-term debt						
Revenue bonds	-	591,383,893	591,383,893	-	594,874,457	594,874,457
Obligation bonds payable	24,329,382	25,834,293	50,163,675	25,464,233	27,039,341	52,503,574
Capital leases	3,243,655	4,541,038	7,784,693	5,397,806	6,883,741	12,281,547
Total long-term debt	27,573,037	621,759,224	649,332,261	30,862,039	628,797,539	659,659,578
Other noncurrent liabilities						
Advances	25,984,064	49,854,364	75,838,428	35,412,415	43,256,708	78,669,123
Other post employment benefits	28,297,638	48,963,678	77,261,316	41,121,817	71,184,394	112,306,211
Accrued vacation and sick leave, noncurrent portion	5,848,372	7,502,131	13,350,503	5,898,575	7,055,827	12,954,402
Self-insurance	2,730,134	6,196,287	8,926,421	3,190,711	5,689,794	8,880,505
Other noncurrent liabilities	-	178,716	178,716	-	360,937	360,937
Total other noncurrent liabilities	62,860,208	112,695,176	175,555,384	85,623,518	127,547,660	213,171,178
Total noncurrent liabilities	90,433,245	734,454,400	824,887,645	116,485,557	756,345,199	872,830,756
Total liabilities	153,562,096	807,842,048	961,404,144	177,999,378	834,138,704	1,012,138,082
DEFERRED INFLOW OF RESOURCES						
ECA regulatory deferral	-	17,662,573	17,662,573	-	8,054,399	8,054,399
Regulatory deferral	-	66,814,398	66,814,398	-	66,814,398	66,814,398
Total deferred inflows	-	84,476,971	84,476,971	-	74,868,797	74,868,797
NET POSITION						
Net investment in capital assets	635,862,046	825,529,412	1,461,391,458	626,953,300	803,422,286	1,430,375,586
Restricted	6,522,815	4,869,033	11,391,848	21,590,553	33,349,471	54,940,024
Unrestricted	38,506,530	114,042,965	152,549,495	51,218,762	85,534,506	136,753,268
Total net position	680,891,391	944,441,410	1,625,332,801	699,762,615	922,306,263	1,622,068,878
Total liabilities, deferred inflow of resources, and net position	$ 834,453,487	$ 1,836,760,429	$ 2,671,213,916	$ 877,761,993	$ 1,831,313,764	$ 2,709,075,757

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

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Water	Energy	Total	Water	Energy	Total
OPERATING REVENUE						
Energy sales						
Energy revenues	$ -	$ 431,954,971	$ 431,954,971	$ -	$ 425,445,419	$ 425,445,419
ECA revenues	-	2,293,830	2,293,830	-	17,147,425	17,147,425
Total energy sales	-	434,248,801	434,248,801	-	442,592,844	442,592,844
Water sales	49,586,892	-	49,586,892	48,671,957	-	48,671,957
Water availability charges	1,937,345	-	1,937,345	1,931,258	-	1,931,258
Interdepartmental charges:						
Use of All-American Canal	7,401,300	(7,401,300)	-	7,352,400	(7,352,400)	-
Energy sales	(2,552,925)	2,552,925	-	(2,521,191)	2,521,191	-
Dispatching and wheeling charges	-	21,211,490	21,211,490	-	18,485,937	18,485,937
Water funds						
MWD revenue	7,960,474	-	7,960,474	7,483,739	-	7,483,739
Western Farms Land proceeds	1,691,215	-	1,691,215	1,575,110	-	1,575,110
Water transfer revenue	70,443,550	-	70,443,550	69,116,710	-	69,116,710
Other	42,554,963	4,976,030	47,530,993	40,144,681	1,373,749	41,518,430
Total operating revenue	179,022,814	455,587,946	634,610,760	173,754,664	457,621,321	631,375,985
OPERATING EXPENSE						
Purchased energy	-	151,453,904	151,453,904	-	158,246,842	158,246,842
Cost of fuel	-	44,352,022	44,352,022	-	49,384,928	49,384,928
Operation and maintenance	-	151,384,354	151,384,354	-	160,314,043	160,314,043
Operation and maintenance of All-American Canal	8,568,451	-	8,568,451	7,337,034	-	7,337,034
Operation and maintenance of irrigation system and dams	158,702,080	-	158,702,080	151,543,810	-	151,543,810
General and administration expense	7,997,281	18,604,848	26,602,129	6,254,000	15,721,640	21,975,640
Depreciation and amortization	28,958,307	74,068,109	103,026,416	27,960,882	69,858,334	97,819,216
Total operating expense	204,226,119	439,863,237	644,089,356	193,095,726	453,525,787	646,621,513
Operating income (loss)	(25,203,305)	15,724,709	(9,478,596)	(19,341,062)	4,095,534	(15,245,528)
NONOPERATING REVENUES (EXPENSES)						
Investment income	1,590,078	3,472,994	5,063,072	1,229,442	2,175,616	3,405,058
Interest expense	(108,919)	(23,451,208)	(23,560,127)	(104,402)	(21,035,822)	(21,140,224)
Other income	3,681,453	17,895,024	21,576,477	2,841,248	1,588,617	4,429,865
Total nonoperating revenue (expense)	5,162,612	(2,083,190)	3,079,422	3,966,288	(17,271,589)	(13,305,301)
Income (loss) before capital contributions	(20,040,693)	13,641,519	(6,399,174)	(15,374,774)	(13,176,055)	(28,550,829)
CAPITAL CONTRIBUTIONS	1,169,469	8,493,628	9,663,097	1,475,888	10,280,018	11,755,906
Increase (decrease) in net position	(18,871,224)	22,135,147	3,263,923	(13,898,886)	(2,896,037)	(16,794,923)
NET POSITION, beginning of year	699,762,615	922,306,263	1,622,068,878	713,661,501	925,202,300	1,638,863,801
NET POSITION, end of year	$ 680,891,391	$ 944,441,410	$ 1,625,332,801	$ 699,762,615	$ 922,306,263	$ 1,622,068,878

See accompanying notes.

Imperial Irrigation District
Statements of Cash Flows

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Water	Energy	Total	Water	Energy	Total
CASH FLOW FROM OPERATING ACTIVITIES						
Cash received from customers	$ 158,063,560	$ 473,121,079	$ 631,184,639	$ 160,047,857	$ 458,811,325	$ 618,859,182
Cash paid to employees and suppliers	(6,802,184)	(17,335,827)	(24,138,011)	(5,058,902)	(14,452,619)	(19,511,521)
Cash received (paid) for inter-departmental services	4,848,375	(4,848,375)	-	4,831,209	(4,831,209)	-
Cash paid for energy and water costs	(181,420,481)	(370,528,156)	(551,948,637)	(148,051,718)	(372,618,735)	(520,670,453)
Net cash from operating activities	(25,310,730)	80,408,721	55,097,991	11,768,446	66,908,762	78,677,208
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
Other non-operating income	3,537,727	17,756,298	21,294,025	2,715,928	1,463,297	4,179,225
CASH FLOW FROM CAPITAL AND RELATED FINANCING						
Proceeds from issuance of long-term debt	-	105,006,253	105,006,253	3,180,576	91,567,711	94,748,287
Principal payments on long-term debt	(3,211,483)	(107,907,212)	(111,118,695)	(2,420,394)	(9,615,699)	(12,036,093)
Interest paid on long-term debt	(143,120)	(30,312,433)	(30,455,553)	(138,654)	(64,864,411)	(65,003,065)
Capital expenditures	(35,720,146)	(88,253,559)	(123,973,705)	(33,621,142)	(76,132,852)	(109,753,994)
Sale of capital assets	143,726	138,726	282,452	125,320	125,320	250,640
Capital contributions	1,169,469	8,493,628	9,663,097	1,475,888	10,280,018	11,755,906
Net cash used in capital and related financing activities	(37,761,554)	(112,834,597)	(150,596,151)	(31,398,406)	(48,639,913)	(80,038,319)
CASH FLOW FROM INVESTING ACTIVITIES						
Interest received	1,712,369	3,318,567	5,030,936	1,164,821	1,707,388	2,872,209
Proceeds from sale of investments	78,819,636	22,463,342	101,282,978	173,856,052	110,236,589	284,092,641
Purchase of investments	(24,480,155)	(2,755,780)	(27,235,935)	(161,263,997)	(136,625,484)	(297,889,481)
Net cash used in investing activities	56,051,850	23,026,129	79,077,979	13,756,876	(24,681,507)	(10,924,631)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,482,707)	8,356,551	4,873,844	(3,157,156)	(4,949,361)	(8,106,517)
CASH AND CASH EQUIVALENTS, beginning of year	38,283,168	25,214,946	63,498,114	41,440,324	30,164,307	71,604,631
CASH AND CASH EQUIVALENTS, end of the year	$ 34,800,461	$ 33,571,497	$ 68,371,958	$ 38,283,168	$ 25,214,946	$ 63,498,114

See accompanying notes.

Imperial Irrigation District
Statements of Cash Flows

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Water	Energy	Total	Water	Energy	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Operating (loss) income	$ (25,203,305)	$ 15,724,709	$ (9,478,596)	$ (19,341,062)	$ 4,095,534	$ (15,245,528)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Provision for depreciation and amortization	28,958,307	74,068,109	103,026,416	27,960,882	69,858,334	97,819,216
Other post-employment benefits expense	5,305,721	8,015,942	13,321,663	5,458,644	8,257,159	13,715,803
(Increase) decrease in assets and increase (decrease) in liabilities:						
Trade accounts receivable, net	(819,899)	(4,050,272)	(4,870,171)	(916,082)	(848,881)	(1,764,963)
Other receivables	(7,587,609)	(752,641)	(8,340,250)	1,763,776	4,681,932	6,445,708
Inventories	(7,716)	4,300,078	4,292,362	(63,431)	(5,702,686)	(5,766,117)
Prepaid expenses	(654,007)	(294,260)	(948,267)	(449,106)	(512,763)	(961,869)
Prepaid pension obligation	1,195,097	1,269,021	2,464,118	1,195,098	1,269,021	2,464,119
Accounts payable	642,750	(470,335)	172,415	11,859,765	(786,661)	11,073,104
Accrued compensation and payroll taxes	(615,917)	(1,133,533)	(1,749,450)	1,297,366	1,650,605	2,947,971
Employment benefits (OPEB Trust payment)	(18,129,900)	(30,236,658)	(48,366,558)	(8,166,857)	(12,862,220)	(21,029,077)
Accrued compensated absences	17,699	227,278	244,977	155,867	125,818	281,685
Self-insurance	(708,580)	(3,564,167)	(4,272,747)	736,878	5,343,551	6,080,429
Other non current liabilities	-	(182,221)	(182,221)	-	(185,725)	(185,725)
Advances and deposits from customers	772,194	7,809,290	8,581,484	(2,378,394)	8,975,445	6,597,051
Water availability charges	(32,303)	-	(32,303)	21,850	-	21,850
Other current liabilities	(8,443,262)	70,207	(8,373,055)	(7,366,748)	117,620	(7,249,128)
ECA regulatory deferral	-	9,608,174	9,608,174	-	(16,567,321)	(16,567,321)
Total adjustments	(107,425)	64,684,012	64,576,587	31,109,508	62,813,228	93,922,736
NET CASH USED IN OPERATING ACTIVITIES	$ (25,310,730)	$ 80,408,721	$ 55,097,991	$ 11,768,446	$ 66,908,762	$ 78,677,208

 See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Reporting entity

The Imperial Irrigation District (the District or IID) is a public entity organized in 1911 under the California Irrigation District Law (codified at Division 11 of the California Water Code) (the Law). The District has the power under law to, among other things, provide irrigation and electric service within its geographic boundaries, an area of 1,658 square miles for water and 6,471 square miles for power. In connection therein, the District has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities of services, and to incur indebtedness. In addition to irrigation services, the District supplies untreated water to cities and towns covering approximately 815 square miles.

The District entered the power business in 1936 to utilize the hydroelectric generation potential of the All-American Canal. Since that time the District has added geothermal, natural gas, coal, solar, nuclear, wind, and biomass to its energy portfolio. The District's energy system serves over 154,465 residential, commercial and industrial customers.

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

Basis of accounting

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

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

Accounting pronouncements

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

Note 1 – Summary of Significant Accounting Policies (continued)

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for periods beginning after June 15, 2015. The District implemented this new pronouncement in 2016 and reports its assets and liabilities accordingly. Fair Value is defined in Statement 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This statement also establishes a three-level hierarchy to the valuation techniques used to measure fair value and sets forth the required disclosure for fair value measurements, the level of fair value hierarchy and a description of the valuation techniques or methods used for determining recurring fair value measurements (see Note 2).

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

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

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

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

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

The District has an undivided interest in certain energy generation stations and transmission systems that are jointly owned among several other governmental electrical utility operators. The operating agreements under which the facilities were constructed require that each participant provide its own construction financing. The District's proportionate share of construction and improvement costs for such jointly owned facilities has been included in an appropriate category of utility plant. The District incurs certain minimum operating costs on jointly owned facilities, whether or not it takes delivery of its proportionate share of the energy generated. Such expenses are included in the accompanying statements of revenues, expenses and changes in net position.

Buildings, vehicles, equipment, drainage structures, canal linings, canal structures, transmission, distribution and general plant owned by the Water and Energy Departments are depreciated on a straight-line basis over their estimated useful lives.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Protection of water rights
The District capitalizes costs associated with the protection of water rights. Such costs include legal and consulting fees paid by the District in an effort to sustain the District's priority use of Colorado River water. These costs are amortized on a straight-line basis over a 35-year period. Amortization charges for protection of water rights were $872,997 and $873,003 for the years ended December 31, 2017 and 2016, respectively.

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Energy Cost Adjustment (ECA) regulatory deferral: The ECA formula is structured to allow changes to fixed and variable power supply costs to be recovered from a pass-through rate; it includes fuel and purchased power and other related costs and revenues from wholesale and retail energy. This enables a recovery of energy costs and responds quickly to any changes out of the utility's control. In addition, an ECA Renewable (ECA-R) factor formula captures the incremental cost difference between the total cost of meeting renewable portfolio standards and the cost of fuel and purchased power without meeting those standards; it includes the incremental cost of renewable energy to be offset by greenhouse gas allowance revenues. Starting in 2016, the ECA factor and ECA-R Factor fluctuated based on twelve-month actual rolling average costs and sales. The balance of the ECA regulatory deferral account as of December 31, 2017 was $17.7 million and as of December 31, 2016 was $8.1 million.

Unamortized premiums, discounts and loss on refunding

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

Use of estimates

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

Reclassifications

Certain prior year balances in the statement of cash flows have been reclassified to conform with current year presentation. These reclassifications have no impact on the prior year net position.

Note 2 – Cash and Investments

Cash and investments as of December 31, 2017 and 2016 are classified in the accompanying financial statements as follows:

	2017	2016
Cash and cash equivalents – unrestricted	$ 47,254,312	$ 41,507,109
Cash and cash equivalents – restricted	21,117,646	21,991,005
	68,371,958	63,498,114
Investments – current	171,514,853	59,515,371
Investments – long term	222,712,826	408,759,352
	394,227,679	468,274,723
Total cash and investments	$ 462,599,637	$ 531,772,837

	2017	2016
Cash on hand	$ 8,410	$ 8,710
Deposits with financial institutions ($4,978,682 and $4,275,774 at fiscal agents, respectively)	68,363,548	63,489,404
Investments ($5,739,373 and $13,330,778 at fiscal agents, respectively)	394,227,679	468,274,723
Total cash and investments	$ 462,599,637	$ 531,772,837

Note 2 – Cash and Investments (continued)

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

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

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

* Debt reserves are exempt from the maximum maturity limits.

Investments by fund consisted of the following:

	Water		Energy	
Investments	2017	2016	2017	2016
Unrestricted	$ 83,087,397	$ 125,878,639	$ 122,479,044	$ 132,239,859
Restricted – other	27,216,003	40,231,851	73,378,709	95,055,577
Restricted – ECA Overcollection	-	-	17,662,573	8,054,399
Restricted – rate stabilization fund	-	-	66,814,398	66,814,398
Restricted – OPEB	1,467,608	-	2,121,947	-
Total	$ 111,771,008	$ 166,110,490	$ 282,456,671	$ 302,164,233
Investments – current	$ 52,862,446	$ 36,330,146	$ 118,652,407	$ 23,185,225
Investments – long-term	$ 58,908,562	$ 129,780,344	$ 163,804,264	$ 278,979,008

Note 2 – Cash and Investments (continued)

Interest rate risk
Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by following a hold-to-maturity investment approach, purchasing a combination of shorter and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

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

As of December 31, 2016, the District had the following investments and maturities:

Investment Type	Market Value	Less than 1 Year	1 – 5 Years	More than 5 Years
U.S. Treasury obligations	$ 151,811,180	$ 19,992,930	$ 131,818,250	$ -
U.S. Agency securities	278,720,391	19,003,210	259,717,181	-
Certificates of deposit	14,517,597	5,275,346	9,242,251	-
Corporate medium-term notes	3,002,838	3,002,838	-	-
Municipal bonds	20,222,717	12,241,047	7,981,670	-
Total	$ 468,274,723	$ 59,515,371	$ 408,759,352	$ -

Credit risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required under the California Government Code, the District's investment policy, or related debt covenants and the actual rating as of year-end for each investment type.

Note 2 – Cash and Investments (continued)

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

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

Investments and their associated credit ratings at December 31, 2016 are as follows:

Investment Type	Value	Rating	Rated	Aaa/AAA	Aa/AA	A
U.S. Treasury obligations	$ 151,811,180	N/A	$ -	$ 151,811,180	$ -	$ -
U.S. Agency securities	278,720,391	N/A	-	278,720,391	-	-
Certificates of deposit	14,517,597	N/A	14,517,597	-	-	-
Corporate medium-term notes	3,002,838		-	3,002,838	-	-
Municipal bonds	20,222,717	A	-	2,025,481	17,428,847	768,389
	$ 468,274,723		$ 14,517,597	$ 435,559,890	$ 17,428,847	$ 768,389

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

Concentration of credit risk

The investment policy of the District contains no limitations on the amount that may be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total District investments include the following at December 31, 2017:

Issuer	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association – FNMA	Federal Agency	$ 91,363,403	19.5%
Federal Home Loan Banks – FHLBanks	Federal Agency	36,540,069	7.8%
Federal Home Loan Mortgage Corp. – FHLMC	Federal Agency	43,387,426	9.3%
Federal Farm Credit Bank – FFCB	Federal Agency	78,257,906	16.7%
U.S. Treasury Notes	Treasury	114,292,237	24.4%

Note 2 – Cash and Investments (continued)

Custodial credit risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the investor will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of a third party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of December 31, 2017 and 2016, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in state investment pool
The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements based on the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 2 – Cash and Investments (continued)

Fair value measurement
In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for periods beginning after June 15, 2015. In accordance with Statement 72, Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

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

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

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

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

The District's fair value measurements are performed on a recurring basis. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The tables following present fair value balances and their levels within the fair value hierarchy as of December 31, 2017 and 2016. The investment balances presented exclude amounts related to Government Money Market Funds, Certificates of Deposits and Guaranteed Investment Contracts, as these have been specifically scoped out of GASB 72.

Fair value of District's investments under GASB 72
Debt and other securities classified in Level 1 of the fair value hierarchy are valued through the evaluation of information obtained from live data sources including active market makers and inter-dealer brokers and the use of prices quoted in active markets for those securities.

Note 2 – Cash and Investments (continued)

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

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

The District has the following fair value measurements at December 31, 2016:

	December 31, 2016	Fair Value Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury obligations	$ 151,811,180	$ 151,811,180	$ -	$ -
U.S. agencies securities	278,720,391	278,720,391	-	-
Municipal bonds	20,222,717	-	20,222,717	-
Total debt securities	450,754,288	430,531,571	20,222,717	-
Other				
Corporate	3,002,838	-	3,002,838	-
Total investments by fair value level	453,757,126	$ 430,531,571	$ 23,225,555	$ -
Investments not subject to fair value hierarchy				
Certificates of deposit	14,517,597			
Total investments	$ 468,274,723			

Note 3 – Utility Plant

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

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

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

Note 3 – Utility Plant (continued)

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

Note 3 – Utility Plant (continued)

Utility plant is comprised of the following at December 31, 2016:

Water	January 1, 2016	Additions	Retirements	Transfers	December 31, 2016
Utility plant, not being depreciated					
Land and land rights	$ 46,520,949	$ -	$ -	$ -	$ 46,520,949
Construction in process	23,302,666	20,850,209	-	(14,329,393)	29,823,482
Total utility plant, not being depreciated	69,823,615	20,850,209	-	(14,329,393)	76,344,431
Utility plant, being depreciated					
Structures and improvements	12,956,398	2,451,531	-	222,757	15,630,686
Canals	310,470,978	4,692,924	-	5,349,294	320,513,196
Drainage	126,731,152	1,619,970	-	477,998	128,829,120
All-American Canal	326,505,858	-	-	-	326,505,858
Dredges and field equipment	20,280,054	808,171	(707,316)	-	20,380,909
Automobiles and trucks	12,448,804	1,860,570	(351,560)	-	13,957,814
Other plant equipment	27,617,261	1,330,254	(474)	8,279,344	37,226,385
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	7,015,957	66,976	-	-	7,082,933
Total utility plant, being depreciated	848,675,239	12,830,396	(1,059,350)	14,329,393	874,775,678
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(305,699,259)	(27,087,879)	999,887	-	(331,787,251)
Less accumulated amortization water rights	(14,610,106)	(873,003)	-	-	(15,483,109)
Total utility plant, being depreciated, net	558,920,968	(15,130,486)	(59,463)	14,329,393	558,060,412
Utility plant, net	$ 628,744,583	$ 5,719,723	$ (59,463)	$ -	$ 634,404,843

Energy	January 1, 2016	Additions	Retirements	Transfers	December 31, 2016
Utility plant, not being depreciated					
Land and land rights	$ 18,107,929	$ 373,195	$ -	$ 1,946,413	$ 20,427,537
Construction in process	145,953,855	35,361,600	-	(67,485,479)	113,829,976
Total utility plant, not being depreciated	164,061,784	35,734,795	-	(65,539,066)	134,257,513
Utility plant, being depreciated					
Structures and improvements	135,485,691	447,977	-	8,483,459	144,417,127
Dredges and field equipment	6,975,032	1,806,721	(61,621)	-	8,720,132
Automobiles and trucks	19,710,071	7,672,288	(1,397,788)	-	25,984,571
Other plant equipment	136,558,256	4,366,180	(1,420)	4,755,237	145,678,253
Steam plant equipment	351,444,558	-	(6,248)	703,433	352,141,743
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	132,423,304	-	-	-	132,423,304
Transmission plant	380,104,826	2,096,682	(459,844)	38,282,972	420,024,636
Distribution plant	956,340,323	24,143,459	(2,179,660)	13,313,965	991,618,087
Reservoirs and dams	3,819,480	-	-	-	3,819,480
Total utility plant, being depreciated	2,162,860,647	40,533,307	(4,106,581)	65,539,066	2,264,826,439
Less accumulated depreciation	(963,487,378)	(69,858,334)	3,971,331	-	(1,029,374,381)
Total utility plant, being depreciated, net	1,199,373,269	(29,325,027)	(135,250)	65,539,066	1,235,452,058
Utility plant, net	$ 1,363,435,053	$ 6,409,768	$ (135,250)	$ -	$ 1,369,709,571

Note 3 – Utility Plant (continued)

Combined Water and Energy	January 1, 2016	Additions	Retirements	Transfers	December 31, 2016
Utility plant, not being depreciated					
Land and land rights	$ 64,628,878	$ 373,195	$ -	$ 1,946,413	$ 66,948,486
Construction in process	169,256,521	56,211,809	-	(81,814,872)	143,653,458
Total utility plant, not being depreciated	233,885,399	56,585,004	-	(79,868,459)	210,601,944
Utility plant, being depreciated					
Structures and improvements	148,442,089	2,899,508	-	8,706,216	160,047,813
Dredges and field equipment	27,255,086	2,614,892	(768,937)	-	29,101,041
Automobiles and trucks	32,158,875	9,532,858	(1,749,348)	-	39,942,385
Other plant equipment	164,175,517	5,696,434	(1,894)	13,034,581	182,904,638
Steam plant equipment	351,444,558	-	(6,248)	703,433	352,141,743
Hydroelectric generating equipment	39,999,106	-	-	-	39,999,106
Gas turbines	132,423,304	-	-	-	132,423,304
Transmission plant	380,104,826	2,096,682	(459,844)	38,282,972	420,024,636
Distribution plant	956,340,323	24,143,459	(2,179,660)	13,313,965	991,618,087
Roads, railroads, and bridges	4,648,777	-	-	-	4,648,777
Reservoirs and dams	10,835,437	66,976	-	-	10,902,413
Canals	310,470,978	4,692,924	-	5,349,294	320,513,196
Drainage	126,731,152	1,619,970	-	477,998	128,829,120
All-American Canal	326,505,858	-	-	-	326,505,858
Total utility plant, being depreciated	3,011,535,886	53,363,703	(5,165,931)	79,868,459	3,139,602,117
Protection of water rights	30,555,094	-	-	-	30,555,094
Less accumulated depreciation	(1,269,186,637)	(96,946,213)	4,971,218	-	(1,361,161,632)
Less accumulated amortization water rights	(14,610,106)	(873,003)	-	-	(15,483,109)
Total utility plant, being depreciated, net	1,758,294,237	(44,455,513)	(194,713)	79,868,459	1,793,512,470
Utility plant, net	$ 1,992,179,636	$ 12,129,491	$ (194,713)	$ -	$ 2,004,114,414

Note 4 – Commercial Paper Programs

Water and electrical system – $200 million
On May 15, 2007, the District obtained a $200 million Non-Taxable and Taxable Commercial Paper (CP) program to fund water and energy projects. There is no outstanding commercial paper as of December 31, 2017 and 2016.

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

Note 5 – Long-Term Debt and Liabilities

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

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

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

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

Combined Water and Energy	Maturity Dates	Range of Interest Rates	January 1, 2017	Additions	Reductions	December 31, 2017	Current Portion
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $26,692	2020	3.00%–6.25%	$ 6,166,692	$ -	$ (6,166,692)	$ -	$ -
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $1,366,893	2041	3.00%–5.00%	45,481,893	-	(45,481,893)	-	-
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $1,197,400	2041	3.00%–5.25%	45,562,400	-	(45,562,400)	-	-
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $2,574,863	2023	5.00%	25,439,863	-	(3,177,268)	22,262,595	2,950,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,878,015	2028	0.35%–5.00%	24,648,015	-	(243,213)	24,404,802	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,845,366	2045	5.00%	21,120,366	-	(63,817)	21,056,549	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $121,764	2035	0.62%-4.30%	19,088,236	-	(778,563)	18,309,673	795,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $23,305,105	2038	3.00%-5.00%	184,480,105	-	(1,063,351)	183,416,754	-
Refunding revenue bonds – 2015D	2040	4.50%	8,875,000	-	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $8,319	2029	0.95-3.03%	29,676,681	-	(3,744,356)	25,932,325	3,785,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $11,276,954	2046	5.00%	59,656,954	-	(376,946)	59,280,008	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $24,833,252	2041	4.00-5.00%	136,343,252	-	(996,652)	135,346,600	-
Refunding revenue bonds – 2017, net of unamortized original issue premium of $9,826,253	2047	4.00-5.00%	-	105,006,253	(11,666)	104,994,587	4,965,000
Total revenue bonds			$ 606,539,457	$ 105,006,253	$ (107,666,817)	$ 603,878,893	$ 12,495,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $71,426	2031	5.70%–7.00%	$ 54,698,574	$ -	$ (2,189,899)	$ 52,508,675	$ 2,345,000
Total obligation bonds payable			$ 54,698,574	$ -	$ (2,189,899)	$ 52,508,675	$ 2,345,000
Obligation under capital leases			$ 16,662,384	$ -	$ (4,478,294)	$ 12,184,090	$ 4,399,396
Accrued vacation and sick leave			$ 16,290,750	$ 10,737,767	$ (10,492,791)	$ 16,535,726	$ 3,185,223
Other post employment benefits			$ 112,306,211	$ 16,807,730	$ (51,852,625)	$ 77,261,316	$ -

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

Water	Maturity Dates	Range of Interest Rates	January 1, 2016	Additions	Reductions	December 31, 2016	Current Portion
Pension obligation revenue bond 2001, net of unamortized original issue discount of $34,642	2031	5.70%–7.00%	$ 27,520,583	$ -	$ (991,775)	$ 26,528,808	$ 1,064,575
Obligation under capital leases			$ 5,699,587	$ 3,107,776	$ (1,355,819)	$ 7,451,544	$ 2,053,738
Accrued vacation and sick leave			$ 7,633,188	$ 4,859,922	$ (4,704,055)	$ 7,789,055	$ 1,890,480
Other post employment benefits			$ 43,830,030	$ 5,458,644	$ (8,166,857)	$ 41,121,817	$ -

Energy	Maturity Dates	Range of Interest Rates	January 1, 2016	Additions	Reductions	December 31, 2016	Current Portion
Refunding revenue bonds – 2008 , net of unamortized original issue discount of $0	2038	3.00%–5.25%	$ 217,718,398	$ -	$ (217,718,398)	$ -	$ -
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $26,692	2020	3.00%–6.25%	73,601,083	-	(67,434,391)	6,166,692	1,425,000
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $1,366,893	2041	3.00%–5.00%	72,738,451	-	(27,256,558)	45,481,893	1,450,000
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $1,197,400	2041	3.00%–5.25%	72,744,194	-	(27,181,794)	45,562,400	1,455,000
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $2,574,863	2023	5.00%	25,812,132	-	(372,269)	25,439,863	2,805,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,878,015	2028	0.35%-5.00%	27,646,227	-	(2,998,212)	24,648,015	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,845,366	2045	5.00%	21,184,183	-	(63,817)	21,120,366	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $121,764	2035	0.62%–4.30%	19,861,799	-	(773,563)	19,088,236	785,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $23,305,105	2038	3.00%-5.00%	-	185,543,456	(1,063,351)	184,480,105	-
Refunding revenue bonds – 2015D	2040	4.50%	-	8,875,000	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $8,319	2029	0.95-3.03%	-	31,636,359	(1,959,678)	29,676,681	3,745,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $11,276,954	2046	5.00%	-	59,845,427	(188,473)	59,656,954	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $24,833,252	2041	4.00-5.00%	-	136,841,578	(498,326)	136,343,252	-
Total revenue bonds			$ 531,306,467	$ 422,741,820	$ (347,508,830)	$ 606,539,457	$ 11,665,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $36,784	2031	5.70%–7.00%	$ 29,222,888	$ -	$ (1,053,122)	$ 28,169,766	$ 1,130,425
Obligation under capital leases			$ 1,438,696	$ 8,903,268	$ (1,131,124)	$ 9,210,840	$ 2,327,099
Accrued vacation and sick leave			$ 8,375,877	$ 6,325,788	$ (6,199,970)	$ 8,501,695	$ 1,445,868
Other post employment benefits			$ 75,789,455	$ 8,257,159	$ (12,862,220)	$ 71,184,394	$ -

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

Combined Water and Energy	Maturity Dates	Range of Interest Rates	January 1, 2016	Additions	Reductions	December 31, 2016	Current Portion
Refunding revenue bonds – 2008, net of unamortized original issue discount of $0	2038	3.00%–5.25%	$ 217,718,398	$ -	$ (217,718,398)	$ -	$ -
Refunding revenue bonds – 2011A, net of unamortized original issue premium of $26,692	2020	3.00%–6.25%	73,601,083	-	(67,434,391)	6,166,692	1,425,000
Refunding revenue bonds – 2011B, net of unamortized original issue premium of $1,366,893	2041	3.00%–5.00%	72,738,451	-	(27,256,558)	45,481,893	1,450,000
Refunding revenue bonds – 2011C, net of unamortized original issue premium of of $1,197,400	2041	3.00%–5.25%	72,744,194	-	(27,181,794)	45,562,400	1,455,000
Refunding revenue bonds – 2011D, net of unamortized original issue premium of $2,574,863	2023	5.00%	25,812,132	-	(372,269)	25,439,863	2,805,000
Refunding revenue bonds – 2012A, net of unamortized original issue premium of $2,878,015	2028	0.35%–5.00%	27,646,227	-	(2,998,212)	24,648,015	-
Refunding revenue bonds – 2015A, net of unamortized original issue premium of $1,845,366	2045	5.00%	21,184,183	-	(63,817)	21,120,366	-
Refunding revenue bonds – 2015B, net of unamortized original issue discount of $121,764	2035	0.62%–4.30%	19,861,799	-	(773,563)	19,088,236	785,000
Refunding revenue bonds – 2015C, net of unamortized original issue premium of $23,305,105	2038	3.00%-5.00%	-	185,543,456	(1,063,351)	184,480,105	-
Refunding revenue bonds – 2015D	2040	4.50%	-	8,875,000	-	8,875,000	-
Refunding revenue bonds – 2016A, net of unamortized original issue discount of $8,319	2029	0.95-3.03%	-	31,636,359	(1,959,678)	29,676,681	3,745,000
Refunding revenue bonds – 2016B-1, net of unamortized original issue premium of $11,276,954	2046	5.00%	-	59,845,427	(188,473)	59,656,954	-
Refunding revenue bonds – 2016B-2, net of unamortized original issue premium of $24,833,252	2041	4.00-5.00%	-	136,841,578	(498,326)	136,343,252	-
Total revenue bonds			$ 531,306,467	$ 422,741,820	$ (347,508,830)	$ 606,539,457	$ 11,665,000
Pension obligation revenue bond – 2001, net of unamortized original issue discount of $71,426	2031	5.70%–7.00%	$ 56,743,471	$ -	$ (2,044,897)	$ 54,698,574	$ 2,195,000
Total obligation bonds payable			$ 56,743,471	$ -	$ (2,044,897)	$ 54,698,574	$ 2,195,000
Obligation under capital leases			$ 7,138,283	$ 12,011,044	$ (2,486,943)	$ 16,662,384	$ 4,380,837
Accrued vacation and sick leave			$ 16,009,065	$ 11,185,710	$ (10,904,025)	$ 16,290,750	$ 3,336,348
Other post employment benefits			$ 119,619,485	$ 13,715,803	$ (21,029,077)	$ 112,306,211	$ -

Note 6 – Revenue Bonds

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

The Series 2008A Bonds consist of $250,000,000 serial and term certificates. The serial certificates comprise $71,905,000 of the issuance, mature in amounts ranging from $3,260,000 to $4,965,000 at rates ranging from 3.00% to 5.25% and mature on November 1, 2008 through November 1, 2025. The term certificates comprise $178,095,000 of the issuance, mature in amounts of $14,845,000, $67,035,000 and $96,215,000 at rates of 5.25%, 5.00% and 5.13% on November 1 of years 2028, 2033, and 2038, with mandatory sinking fund redemption starting in 2026, 2029, and 2034, respectively.

The Series 2008A Bonds were issued with an original issue discount of $1,868,298 and costs of issuance of $2,484,116. The original issue discount was being amortized over the life of the Series 2008A Bonds. The outstanding balance of the Series 2008A Bonds was $217,718,398 at December 31, 2015, including unamortized original issue discount of $1,411,602.

On January 21, 2016, the Series 2008A Bonds were partially defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2015C. The Series 2015C Bonds partial defeasance of the Series 2008A Bonds obligation was dated January 1, 2016. Proceeds from the Series 2015C Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $167,350,000 of the Series 2008A Bonds outstanding principal is considered defeased and, as of December 31, 2016, the corresponding liabilities have been removed from the accompanying statements of net position.

On July 14, 2016, the remaining Series 2008A Bonds were fully defeased from proceeds of the Electric System Refunding Revenue Bonds, Series 2016A. The Series 2016A Bonds defeasance of the outstanding principal of the Series 2008A Bonds obligation was dated July 1, 2016. Proceeds from the Series 2016A Bonds were placed in an irrevocable trust to provide for all future debt service payments. As a result, $51,780,000 of the Series 2008A Bonds outstanding principal is considered defeased and, as of December 31, 2016, the corresponding liabilities have been removed from the accompanying statements of net position.

Note 6 – Revenue Bonds (continued)

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

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

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

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

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

The terms of the Series 2011A Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

Note 6 – Revenue Bonds (continued)

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

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

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

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

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

The terms of the Series 2011B Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

Note 6 – Revenue Bonds (continued)

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

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

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

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

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

The terms of the Series 2011C Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

Note 6 – Revenue Bonds (continued)

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

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

The Series 2011D Bonds were issued with an original issue premium of $4,436,209 and costs of issuance of $276,826. The original issue premium is amortized over the life of the Series 2011D Bonds. The outstanding balance of the Series 2011D Bonds was $22,262,593 at December 31, 2017, including unamortized original issue premium of $2,202,593. The total unamortized loss on refunding included in deferred outflow of resources was $1,237,497 at December 31, 2017. The terms of the Series 2011D Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ 2,950,000	$ 1,003,000	$ 3,953,000
November 1, 2019	3,095,000	855,500	3,950,500
November 1, 2020	3,250,000	700,750	3,950,750
November 1, 2021	3,415,000	538,250	3,953,250
November 1, 2022	3,585,000	367,500	3,952,500
November 1, 2023	3,765,000	188,250	3,953,250
Original issue premium	2,202,593	-	2,202,593
Totals	$ 22,262,593	$ 3,653,250	$ 25,915,843

Note 6 – Revenue Bonds (continued)

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

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

The Series 2012A Bonds were issued with an original issue premium of $3,992,739 and costs of issuance of $280,965. The original issue premium is amortized over the life of the Series 2012A Bonds. The outstanding balance of the Series 2012A Bonds was $24,404,802 at December 31, 2017, including unamortized original issue premium of $2,634,802. The total unamortized loss on refunding included in deferred outflow of resources was $1,163,230 at December 31, 2017.The terms of the Series 2012A Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ -	$ 1,023,550	$ 1,023,550
November 1, 2019	-	1,023,550	1,023,550
November 1, 2020	-	1,023,550	1,023,550
November 1, 2021	-	1,023,550	1,023,550
November 1, 2022	-	1,023,550	1,023,550
November 1, 2023 – 2028	21,770,000	3,943,700	25,713,700
Original issue premium	2,634,802	-	2,634,802
Totals	$ 24,404,802	$ 9,061,450	$ 33,466,252

Note 6 – Revenue Bonds (continued)

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

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

The Series 2015A Bonds were issued with an original issue premium of $1,935,774 and costs of issuance of $180,181. The original issue premium is amortized over the life of the Series 2015A Bonds. The outstanding balance of the Series 2015A Bonds was $21,056,550 at December 31, 2017, including unamortized original issue premium of $1,781,550. The terms of the Series 2015A Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and December 31, 2016.

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ -	$ 963,750	$ 963,750
November 1, 2019	-	963,750	963,750
November 1, 2020	-	963,750	963,750
November 1, 2021	-	963,750	963,750
November 1, 2022	-	963,750	963,750
November 1, 2023 - 2027		4,818,750	4,818,750
November 1, 2028 – 2032	-	4,818,750	4,818,750
November 1, 2033 – 2037	3,510,000	4,700,250	8,210,250
November 1, 2038 – 2042	9,120,000	3,073,500	12,193,500
November 1, 2043 – 2046	6,645,000	675,500	7,320,500
Original issue premium	1,781,550	-	1,781,550
Totals	$ 21,056,550	$ 22,905,500	$ 43,962,050

Note 6 – Revenue Bonds (continued)

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

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

The Series 2015B Bonds were issued with an original issue discount of $130,883 and costs of issuance of $168,709. The original issue discount is amortized over the life of the Series 2015B Bonds. The outstanding balance of the Series 2015B Bonds was $18,309,673 at December 31, 2017, including unamortized original issue discount of $115,327. The terms of the Series 2015B Bond indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ 795,000	$ 681,950	$ 1,476,950
November 1, 2019	805,000	669,468	1,474,468
November 1, 2020	825,000	652,885	1,477,885
November 1, 2021	845,000	633,002	1,478,002
November 1, 2022	865,000	610,188	1,475,188
November 1, 2023 – 2027	4,780,000	2,594,941	7,374,941
November 1, 2028 – 2032	5,820,000	1,555,493	7,375,493
November 1, 2033 – 2035	3,690,000	303,795	3,993,795
Original issue discount	(115,327)	-	(115,327)
Totals	$ 18,309,673	$ 7,701,722	$ 26,011,395

Note 6 – Revenue Bonds (continued)

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

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

The Series 2015C Bonds were issued with an original issue premium of $24,368,456 and costs of issuance of $484,727. The original issue premium is amortized over the life of the Series 2015C Bonds. The outstanding balance of the Series 2015C Bonds was $183,416,755 at December 31, 2017, including unamortized original issue premium of $22,241,755. The total unamortized loss on refunding included in deferred outflow of resources was $20,465,526 at December 31, 2017.

The terms of the Series 2015C Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ -	$ 7,407,381	$ 7,407,381
November 1, 2019	2,585,000	7,407,381	9,992,381
November 1, 2020	2,715,000	7,278,131	9,993,131
November 1, 2021	2,855,000	7,142,381	9,997,381
November 1, 2022	2,995,000	6,999,631	9,994,631
November 1, 2023 – 2027	16,500,000	32,684,655	49,184,655
November 1, 2028 – 2032	42,470,000	27,522,905	69,992,905
November 1, 2033 – 2037	70,985,000	15,557,443	86,542,443
November 1, 2038	20,070,000	1,003,500	21,073,500
Original issue premium	22,241,755	-	22,241,755
Totals	$ 183,416,755	$ 113,003,408	$ 296,420,163

Note 6 – Revenue Bonds (continued)

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

The Series 2015D Bonds consist of one term bond in the amount of $8,875,000 with a rate of 4.50% maturing on November 1, 2040. The Series 2015D Bonds were issued with costs of issuance of $35,861 and no original issue premium or discount. The outstanding balance of the Series 2015D Bonds was $8,875,000 at December 31, 2017.

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

Also, it is possible that subsidy payments could be reduced or discontinued or the timing of the receipt could be changed as a result of changes in the federal law. The owners of the Series 2015D Bonds are not entitled to receive a credit against tax imposed by the Code with respect to the Series 2015D Bonds. Federal subsidy payments totaling $272,418 and $212,109 were received and recognized as to offset the interest due on the Series 2015 D Bonds for the years ended December 31, 2017 and 2016, respectively.

The terms of the Series 2015D Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016. See Note 19 – Subsequent Events.

Note 6 – Revenue Bonds (continued)

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ -	$ 399,375	$ 399,375
November 1, 2019	-	399,375	399,375
November 1, 2020	-	399,375	399,375
November 1, 2021	-	399,375	399,375
November 1, 2022	-	399,375	399,375
November 1, 2023 – 2027	-	1,996,875	1,996,875
November 1, 2028 – 2032	-	1,996,875	1,996,875
November 1, 2033 – 2037	-	1,996,875	1,996,875
November 1, 2038 – 2040	8,875,000	1,198,125	10,073,125
Totals	$ 8,875,000	$ 9,185,625	$ 18,060,625

2016A issue – energy

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

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

The Series 2016A Bonds were issued with an original issue discount of $8,641 and costs of issuance of $87,198. The original issue discount is amortized over the life of the Series 2016A Bonds. The outstanding balance of the Series 2016A Bonds was $25,932,325 at December 31, 2017, including unamortized original issue discount of $7,675. The total unamortized loss on refunding included in deferred outflow of resources was $5,330,818 at December 31, 2017.

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

Note 6 – Revenue Bonds (continued)

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ 3,785,000	$ 614,160	$ 4,399,160
November 1, 2019	1,205,000	572,715	1,777,715
November 1, 2020	1,225,000	556,809	1,781,809
November 1, 2021	1,245,000	536,609	1,781,609
November 1, 2022	1,265,000	512,966	1,777,966
November 1, 2023 – 2027	7,720,000	2,061,338	9,781,338
November 1, 2028 – 2029	9,495,000	560,026	10,055,026
Original issue discount	(7,675)	-	(7,675)
Totals	$ 25,932,325	$ 5,414,623	$ 31,346,948

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

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

The Series 2016B-1 Bonds were issued with costs of issuance of $145,427 and original issue premium of $11,465,427. The original issue premium is amortized over the life of the Series 2016B-1 Bonds. The outstanding balance of the Series 2016B-1 Bonds was $59,280,008 at December 31, 2017, including unamortized original issue premium of $10,900,008.

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

Note 6 – Revenue Bonds (continued)

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ -	$ 2,419,000	$ 2,419,000
November 1, 2019	-	2,419,000	2,419,000
November 1, 2020	-	2,419,000	2,419,000
November 1, 2021	-	2,419,000	2,419,000
November 1, 2022	-	2,419,000	2,419,000
November 1, 2023 – 2027	-	12,095,000	12,095,000
November 1, 2028 – 2032	-	12,095,000	12,095,000
November 1, 2033 – 2037	16,900,000	9,560,000	26,460,000
November 1, 2038 – 2042	5,260,000	7,870,000	13,130,000
November 1, 2043 – 2046	26,220,000	3,533,000	29,753,000
Original issue premium	10,900,008	-	10,900,008
Totals	$ 59,280,008	$ 57,248,000	$ 116,528,008

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

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

The Series 2016B-2 Bonds were issued with an original issue premium of $25,331,578 and costs of issuance of $340,979. The original issue premium is amortized over the life of the Series 2016B-2 Bonds. The outstanding balance of the Series 2016B-2 Bonds was $135,346,600 at December 31, 2017, including unamortized original issue premium of $23,836,600. The total unamortized loss on refunding included in deferred outflow of resources was $18,740,082 at December 31, 2017.

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

Note 6 – Revenue Bonds (continued)

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ -	$ 5,256,050	$ 5,256,050
November 1, 2019	-	5,256,050	5,256,050
November 1, 2020	-	5,256,050	5,256,050
November 1, 2021	5,255,000	5,256,050	10,511,050
November 1, 2022	5,520,000	4,993,300	10,513,300
November 1, 2023 – 2027	30,975,000	20,615,500	51,590,500
November 1, 2028 – 2032	36,830,000	12,177,750	49,007,750
November 1, 2033 – 2037	16,575,000	6,608,250	23,183,250
November 1, 2038 – 2041	16,355,000	2,094,250	18,449,250
Original issue premium	23,836,600	-	23,836,600
Totals	$ 135,346,600	$ 67,513,250	$ 202,859,850

2017 issue – energy

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

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

The Series 2017 Bonds were issued with an original issue premium of $9,826,253 and costs of issuance of $426,266. The original issue premium is amortized over the life of the Series 2017 Bonds. The outstanding balance of the Series 2017 Bonds was $104,994,587 at December 31, 2017, including unamortized original issue premium of $9,814,587. The total unamortized loss on refunding included in deferred outflow of resources was $5,455,584 at December 31, 2017.

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

Note 6 – Revenue Bonds (continued)

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

Due Date	Principal Amount	Interest	Total Debt Service
November 1, 2018	$ 4,965,000	$ 3,480,517	$ 8,445,517
November 1, 2019	4,805,000	3,754,900	8,559,900
November 1, 2020	5,045,000	3,514,650	8,559,650
November 1, 2021	335,000	3,262,400	3,597,400
November 1, 2022	355,000	3,245,650	3,600,650
November 1, 2023 – 2027	2,050,000	15,944,500	17,994,500
November 1, 2028 – 2032	8,360,000	15,378,250	23,738,250
November 1, 2033 – 2037	35,580,000	11,118,000	46,698,000
November 1, 2038 – 2042	32,125,000	3,614,400	35,739,400
November 1, 2043 – 2047	1,560,000	191,800	1,751,800
Original issue premium	9,814,587	-	9,814,587
Totals	$ 104,994,587	$ 63,505,067	$ 168,499,654

Defeased Bonds

As of December 31, 2017, the balance of the defeased bonds is:

Issue	Amount
2004 Water Certificates of Participation	$ 26,575,000
2010 Water Refunding Revenue Bonds	15,300,000
2011 Water Refunding Revenue Bonds	12,145,000
Total Water defeased bonds	$ 54,020,000
2008A Energy Refunding Revenue Bonds (partial)	$ 167,350,000
2008A Energy Refunding Revenue Bonds	47,240,000
2011A Energy Refunding Revenue Bonds (partial)	65,745,000
2011A Energy Refunding Revenue Bonds	4,715,000
2011B Energy Refunding Revenue Bonds (partial)	25,015,000
2011B Energy Refunding Revenue Bonds	42,665,000
2011C Energy Refunding Revenue Bonds (partial)	25,045,000
2011C Energy Refunding Revenue Bonds	42,910,000
Total Energy defeased bonds	$ 420,685,000
Total IID defeased bonds	$ 474,705,000

Note 6 – Revenue Bonds (continued)

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

Note 7 – Other Long-Term Debt

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

The 2001 Taxable Pension Obligation Revenue Bonds are non-callable and were issued with an original issue discount of $153,057 and a cost of issuance of $1,502,073. The original issue discount is being amortized over the life of the 2001 Taxable Pension Obligation Revenue Bonds. The outstanding balance of the 2001 Taxable Pension Obligation Revenue Bonds was $25,466,707 for the water portion and $27,041,968 for the energy portion at December 31, 2017.

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

The terms of the Series 2001 Bonds indenture require the District to maintain certain Obligation Coverage Ratios with which the District has complied for the years ended December 31, 2017 and 2016.

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

Due Date	Principal Amount	Interest	Total Debt Service
January 1, 2018	$ 2,345,000	$ 3,577,488	$ 5,922,488
January 1, 2019	2,505,000	3,410,406	5,915,406
January 1, 2020	2,680,000	3,231,783	5,911,783
January 1, 2021	2,865,000	3,040,758	5,905,758
January 1, 2022	3,060,000	2,835,876	5,895,876
January 1, 2023 – 2027	18,790,000	10,562,009	29,352,009
January 1, 2028 – 2031	20,330,000	2,966,250	23,296,250
Original issue discount	(66,325)	-	(66,325)
Totals	$ 52,508,675	$ 29,624,570	$ 82,133,245

Note 8 – Capital Leases

The District acquires certain operating equipment through capital lease agreements expiring at various times through 2021. The outstanding balance was $5,304,637 for the water portion and $6,879,453 for the energy portion at December 31, 2017. The estimated future minimum lease payments, including interest, under these leases are as follows:

		Total
Year ending December 31,	2018	$ 4,561,272
	2019	4,105,495
	2020	2,881,240
	2021	933,009
	Total minimum lease payments	12,481,016
	Less amount representing interest	(296,926)
	Present value of minimum lease payments	$ 12,184,090

Note 9 – 401(a) Retirement Plan

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

Under the 401(a) plan, the District contributes 8% of the base salary for all employees except for employees in the International Brotherhood of Electrical Workers, Professional Salaried Association and General Manager, which effective January 1, July 1 and May 23, 2017, respectively, receive 9%. Participants in the plan can make after-tax contributions in whole percentages of up to 18% of their base salary. Starting on February 18, 2015 the District added under the 401 (a) plan, a before tax employee contribution and employer matching option for employees in the Professional Salaried Association; this option includes the Executive Management Association as of April 21, 2016. The employer will make matching contributions to the plan in the amount of 100% of the participant's first 1% before-tax contributions. Participants may also make before tax contributions in whole percentages of up to 75% of their base salary. Total maximum contributions to the plan, including both the employer and employee portions, is based on the 415c limit per year approved by the IRS. Participants immediately vest in all personal contributions to the plan, and are 100% vested in employer contributions plus actual earnings at the three-year mark. The District's 2017 and 2016 contributions were $9,674,061 and $8,856,654, respectively.

Note 10 – Inter-Departmental Transactions

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

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

Note 11 – Commitments and Contingencies

Self-insurance

The District is self-insured for workers' compensation claims and for health benefits. Excess coverage for health benefits for 2017 and 2016 was provided by PartnersRe and Voya, respectively. As of December 31, 2017 and 2016, the District accrued $3,935,205.96 for water and $8,759,006.82 for energy, and $3,473,786 for water and $8,504,786 for energy, respectively, for estimated workers' compensation claims to be paid in future periods. In addition, the District is partially self-insured for general claims and carries excess insurance coverage for general liability matters. As of December 31, 2017 and 2016, the District's management accrued $265,000 for water and $773,743 for energy and $1,435,000 for water and $4,592,130 for energy, respectively, for these estimated general liability claims.

Such amounts have been included under the financial statement caption entitled "self-insurance" in the accompanying statements of net position at December 31, 2017 and 2016.

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

Changes in the District's self-insurance claims liability for the two years ended December 31, 2017 are as follows:

Liability at January 1, 2016	$ 11,925,273
Incurred and adjusted claims	-
Claim payments and change in estimates	6,080,429
Liability at December 31, 2016	18,005,702
Incurred and adjusted claims	(4,551,824)
Claim payments and changes in estimates	279,077
Liability at December 31, 2017	$ 13,732,955

Note 11 – Commitments and Contingencies (continued)

A summary of the District's self-insurance claims for the two years ended December 31, 2017 are as follows:

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

December 31, 2016	Current	Long-Term	Total
Water	$ 1,718,075	$ 3,190,711	$ 4,908,786
Energy	7,407,122	5,689,794	13,096,916
Totals	$ 9,125,197	$ 8,880,505	$ 18,005,702

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

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

Environmental liabilities – Following is a brief description of the significant sites that require environmental remediation: North of Barbara Ave at Niland Street, and Aloha Lane between Brawley and Thermal Avenue. The District determined that the structure and grounds have deteriorated presenting a public hazard, and will demolish and haul debris to clean up the land. The plan is to complete remediation in 2018.

IID has identified the El Centro Generating station roof for repair; this will require asbestos abatement due to original roof membrane removal. The solicitation process will begin in 2018 and notices to the CARB / CalEPA will be issued prior to start of this project. Estimates for asbestos removal and disposal are included in the liability accrual.

In 2017, IID completed the demolition, hauling of debris and cleanup of self-reported, structure and grounds that presented a public hazard on Marina Mobile Estates club house in Desert Shores, and Salton Sea Beach Marina.

Note 11 – Commitments and Contingencies (continued)

As of December 31, 2017, the District has included in its accounts payable liability a total of $1.2 million for those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB 49. Estimated outlays are based on current cost and no adjustments were made for discounting or inflation.

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

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

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

Fiscal Year	Project	Fuel	Non-Fuel	Total
2016	San Juan	$ 19,043,694	$ 27,652,740	$ 46,696,434
	Palo Verde	1,138,660	2,834,864	3,973,524
2017	San Juan	$ 7,627,987	$ 16,786,115	$ 24,414,102
	Palo Verde	1,016,515	3,956,287	4,972,802

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

Note 11 – Commitments and Contingencies (continued)

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

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

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

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

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

Note 11 – Commitments and Contingencies (continued)

Energy supply purchase commitment

The District has two energy supply contracts with the United States Department of Energy Western Area Power Administration Desert Southwest Region for Parker Davis and Boulder Canyon Projects. These agreements terminate on September 30, 2028 and September 30, 2067, respectively. The District is committed to purchase all Parker Davis available power up to 26 megawatts in any given hour during winter months and 32 megawatts in any given hour during summer months. On Boulder Canyon, the District is committed to purchase all available power up to 3 megawatts in any given hour throughout the year. As of December 31, 2017, the District's estimated remaining purchase commitment under these agreements is $29,315,032 and $6,105,342, respectively.

The District has entered into contracts with various vendors to purchase natural gas. These commitments vary in the amount of natural gas to be purchased and when the natural gas will be delivered to the District. Open commitments of the District at December 31, 2017 total $38,330,337.

The list of contracts is as follows:

Vendor	Delivery Period	Liability
Macquarie	January 2018 to August 2020	$ 20,743,354
EDF Trading North America	January 2018 to October 2020	10,306,534
BP	January 2018 to July 2020	7,280,449
		$ 38,330,337

Note 11 – Commitments and Contingencies (continued)

The District has entered into contracts with various vendors to purchase energy. These commitments vary in the terms and the amount of energy to purchase, and when it will be delivered to the District. The estimated remaining commitment of the District at December 31, 2017 is $1,282,884,552 based on contract pricing.

The contracts are as follows:

Vendor	Delivery Period	Liability
CalEnergy	January 2019 to December 2028	$ 257,250,561
Desert View Power	January 2018 to May 2022	158,356,447
Imperial Valley Solar Company	January 2018 to August 2041	151,121,930
Seville Solar Two	January 2018 to July 2041	141,652,469
96WI 8ME	January 2018 to September 2041	119,728,210
Dominion Solar Holdings	January 2018 to July 2044	113,997,319
Sol Orchard Imperial 1	January 2018 to November 2038	100,461,297
Southern California Public Power Authority	January 2018 to January 2042	133,862,491
Imperial Solar 1	January 2018 to April 2035	43,024,478
Sol Orchard Community 1	January 2018 to June 2038	31,051,267
Citizens Imperial Solar	June 2019 to May 2017	32,378,083
		$ 1,282,884,552

Letter of credit

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

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

Note 12 – Construction Commitments

At December 31, 2017, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
Water		
System Conservation Program	$ 14,160,109	2018
Imperial Dam Sluiceway Gate Replacement	2,516,827	2018
Imperial Dam Clarifier Valve Replacement	1,135,889	2018
Overhaul Roller Gates	784,010	2018
Westside Main at Tuberose Check	596,102	2018
Mesquite Lat Concrete Lining	434,970	2018
Various Projects	1,637,789	2018
Power		
OATT & External Major Customer Funded Projects	5,925,233	2018
Drop 4 U1 Major Turbine Refurbishment	5,921,953	2018
Subtn- Niland 161/92kV Transfrm & Upgrad	3,681,891	2018
GNPLT-BES Bank Protection Replacement	1,731,463	2018
Cesar Chavez Blvd Pole Relocation	1,585,861	2018
Naval Special Group One Project	1,338,983	2018
L 161-kV Transmission Line Relocation	1,077,813	2018
92-kV Sytem Protection Relay Upgrade	798,409	2018
Breaker Replacement	644,638	2018
CI 92kv Line Transmission Reconductoring	547,935	2018
H14 Circuit Imprvements-Holvtille Substation	433,120	2018

Note 13 – Other Post-Employment Benefits Other Than Pensions

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

Plan description

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

Eligibility

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

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

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

Plan membership consisted of the following at December 31, 2017:

Retirees over 65 and dependents receiving benefits	683
Retirees under 65 and dependents receiving benefits	144
Total active employees in the plan	1,264
Total	2,091

Current policy
For employees hired before May 14, 2013 for IBEW members, and before September 17, 2013 for PSA members, effective January 1, 2014, the District pays a maximum contribution per month ranging anywhere from $1,257 to $2,314 for retirees depending upon the age of the employee and the number of dependents the employees includes in the plan. Benefits are payable for the lifetime of the retiree, spouse, and dependent children to age 26.

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

This provision does not guarantee the continuance of any specific medical benefits plan by the District. The retired employee may continue to pay for any coverage for the employee's spouse and/or dependents as long as the retired employee makes regular and timely payments for the excess costs. The District's contribution for retiree medical benefits shall terminate upon the sooner of the retiree's 65th birthday, upon eligibility of the retired unit member for Medicare, or upon the date that the retiree becomes covered by another employer who provides full health benefits. The retired employee will be responsible for and pay to the District the cost for retiree health benefits in excess of the maximum contribution. In the event that the retired employee fails to make regular and timely payments to the District for the excess costs, the District's contribution for retiree medical benefits shall cease.

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

Funding policy
For financial reporting purposes, an actuarial valuation is required at least biennially for other post-employment benefit (OPEB) plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more. The District prepared an actuarial valuation for its health insurance program during 2017 which will be utilized for current fiscal year.

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

On December 20, 2016, the District's board approved the establishment of an OPEB trust fund with CalPERS California Employers' Retiree Benefit Trust (CERBT) and the District's OPEB trust account with CERBT was opened on December 27, 2016. The CERBT Trust is an IRS Section 115 trust fund dedicated to prefunding OPEB for all eligible California public agencies. To obtain a CERBT report, please contact CalPERS at 1-888-CALPERS (1-888-225-7377).

Additionally, the board approved a funding plan that includes funding the annual required contribution, and funding the prior years' liability with a one-time $30 million contribution and the remaining balance over fifteen years.

Annual OPEB cost and net OPEB obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or excess funding) not to exceed 30 years. The following table shows the components of the District's annual OPEB cost that is being utilized for December 31:

	2017	2016
Annual required contribution	$ 15,266,878	$ 21,184,908
Pay as you go contributions to the plan	(1,945,215)	(7,469,105)
Increase in net OPEB obligation	13,321,663	13,715,803
Contributions made	(48,366,558)	(21,029,077)
Increase / (Decrease) in net OPEB obligation	(35,044,895)	(7,313,274)
Net obligation, beginning of year	112,306,211	119,619,485
Net obligation, end of year	$ 77,261,316	$ 112,306,211

The District's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and net total OPEB obligation for 2017 and two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Total OPEB Obligation
December 31, 2015	$ 21,184,908	27.3%	$ 119,619,485
December 31, 2016	21,184,908	134.5%	112,306,211
December 31, 2017	15,266,878	329.5%	77,261,316

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

Funded status progress

For 2017, the annual required contribution for OPEB was $15,266,887 and was recorded as an expense. Following the approved funding policy for OPEB liability, Trust contributions towards 2015 and prior years were $37,947,724 and $8,000,000, during 2017 and 2016, respectively. In addition, contributions towards current year ARC were $10,418,834 and $13,029,077 during 2017 and 2016, respectively. Additionally, the District has internally reserved cash for unfunded OPEB liability for 2007–2017 of $77,261,316.

Actuarial methods and assumptions

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

The actuarial cost method used for determining the benefit obligations changed from the Projected Unit Credit for 2016 to Entry Age and Level Percent of Pay Method for 2017 in anticipation of GASB 75. The actuarial assumptions included a 4.5% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, an annual health care cost trend rate of 6% for 2017 and 5% for 2018 and forward. Both rates included a 3% inflation assumption.

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

Schedule of funding progress – (amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Projected Unit Cr(b)	Unfunded AAL U(UAAL) (b – a)	Funded Ratio (a / b)	Payroll (c)	Percentage of Payroll ([b – a] / c)
December 31, 2015	$ -	$ 222,325	$ 222,325	0.0%	$ 104,819	212.1%
December 31, 2016	21,029	222,325	201,296	9.5%	110,326	201.5%
December 31, 2017	69,395	228,080	158,685	30.4%	110,044	207.3%

Note 14 – Metropolitan Water District Water Conservation Program

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

In return, MWD is entitled to a quantity of water equal to the amount of water conserved by these projects, which total between 100,000 and 110,000 acre-feet annually. The water must be used in the calendar year it is conserved. In 2017 and 2016, the District received $7,960,475 and $7,483,739, respectively, as reimbursement for approved capital, operation, and maintenance costs. Cumulative payments received since inception total approximately $310,114,037 through December 31, 2017. The District is to be reimbursed for approved amounts, including certain indirect costs, through the year 2041.

Note 15 – Salton Sea Authority

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

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

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

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

Note 15 – Salton Sea Authority (continued)

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

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

Note 16 – Trust Lands

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

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

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

On July 26, 2005, the District adopted Resolution 18-2005 (the Original Resolution) which established a "Land Sale Disposition Policy" and authorized the sale of portions of the Western Farms Land (Trust Lands). Resolution 5-2006, adopted on February 7, 2006 declared that the Trust Lands were no longer necessary for present or prospective purposes, and therefore, were surplus to the District needs. The board also expressed its intent to dispose of the Trust Lands on such terms as may be in the best interest of the District. There were no sales of Western Farm Land in year 2016.

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

Note 17 – Noncurrent Advances

San Diego County Water Authority (SDCWA) advance – Pursuant to section 5.6 of the revised 4th amendment of the QSA SDCWA agreed to prepay $10 million for future deliveries of water. Interest on the prepayment shall begin to accrue at the end of Agreement Year 16 (2018) using SDCWA's weighted average cost of funds for its short-term and long-term debt outstanding as shown in SDCWA's annual financial report for each fiscal year ending June 30. If the District elects not to repay the total in 2018, beginning in 2019 through the end of Agreement Year 2032, IID shall credit SDCWA's monthly invoice in 180 equal monthly installments of $55,556 plus accrued interest. All amounts due to SDCWA as repayment for the advance are made from the water transfer revenues. At December 31, 2017, the balance of the advance from SDCWA was $10 million. The District has the intention to pay in full during 2018 and has moved the balance to current liabilities under other advances and deposits.

On October 3, 2003, IID and SDCWA signed the revised 4th amendment to the water transfer agreement. Included in the amendment was a new section titled "14.5 Mitigation of Socio-Economic Impacts Caused by Land Fallowing." This section laid out the funding obligations of IID and SDCWA. SDCWA was to fund an initial payment of $10 million to be made in four installments. SDCWA would be reimbursed for this initial payment via credits against payments due from SDCWA beginning in Agreement Year 16 (2018). The obligation to repay SDCWA is contingent upon the water transfer agreement remaining in effect. If for any reason the transfer is suspended or terminated, the District's obligation will terminate. As of December 31, 2017, $9.8 million obligation is reflected herein as other advances under other non-current liabilities and $0.2 million has been moved to current liabilities under other advances and deposits.

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

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

Year of Termination	Amount of Repayment
2017	$ 6,000,000
2018	5,000,000

As of December 31, 2017, the District recognized as revenue $44 million of the $50 million advance, representing the portion that is no longer subject to repayment under the repayment release clause. Of the total $50 million advance, $29.4 million has been spent on conservation programs.

A liability for the portion of the advance still subject to the potential repayment is included in the accompanying statements of net position, with $1 million included under other current liabilities, and the remaining $5 million under other noncurrent liabilities – advances.

Note 17 – Noncurrent Advances (continued)

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

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

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

As of December 31, 2017, there are fifteen generator interconnection projects representing a total of 1766 MW of proposed generation in the interconnection queue. Two projects with a total generation output of 33 MW interconnected to the IID system and achieved commercial operation as of December 31, 2017. In 2016, three projects totaling 25 MW of generation achieved commercial operation. Of the five projects, 20 MW export from the IID system for the benefit of San Diego Gas & Electric, the remaining MW serves IID load.

As of December 31, 2017, the balance of amounts paid to the District by participating generators and available for use to fund future studies and construction totaled $27.4 million, which are shown in the accompanying statements of net positions as advances with $6.3 million under current liabilities and $21.1 million as noncurrent liabilities. As of December 31, 2016, the balance for both current and noncurrent was $34.7 million.

Other advances
As of December 31, 2017, the District held both current and noncurrent deposits from customers in the amounts of $12.1 million and $18.9 million for the Water and Energy Departments, respectively. The majority of the advances are for construction projects, purchased power agreements, upfront impact fees for drain mitigation and crossings, water clearing house deposits, and AAC Imperial Dam capital replacement among others. As of December 31, 2016, the balance for the Water and Energy Departments was $10.3 million and $18.9 million, respectively.

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

The QSA and Related Agreements are a series of contracts among the Imperial Irrigation District (IID), San Diego County Water Authority (SDCWA), Coachella Valley Water District (CVWD), the Metropolitan Water District of Southern California (MWD), Vista Irrigation District, the City of Escondido, the State of California and its various agencies, the U.S. Department of Interior and its various agencies, and others. The QSA and Related Agreements settle numerous disputes among and between the contracting parties regarding the nature, priority, volume, reasonable use and transferability of Colorado River water. In addition, the QSA and Related Agreements provide for certain limitations on Colorado River water use by certain parties, provide for the transfer of conserved water from the IID to others, provide for the transfer and sharing of conserved water by other parties with each other, and establish the right to do conserved water transfers by the parties within certain parameters. The QSA and Related Agreements also specify the environmental mitigation obligations of various parties and the payment responsibility for environmental mitigation by various parties for environmental impacts caused by the QSA and Related Agreements. The term of the QSA and Related Agreements commenced in October 2003 and has a minimum term of 35 years if a termination right is exercised by the SDCWA by the end of 2017, or a term of 45 years if that right is not exercised. Renewal for an additional 30 years will occur if both IID and SDCWA consent. SDCWA chose not to exercise its early termination right at the end of 2017.

The following is a summary of the District's water transfer and environmental mitigation obligations related to the QSA for the period 2017–2020:

	Water Transfer SDCWA – CVWD		Mitigation Water Salton Sea		IID Environmental Payment Obligations	
Year	Quantity Acre-feet	Value	Quantity Acre-feet	Value	QSA-JPA	Salton Sea Restoration
2017	145,000	(1)	150,000	$ 19,927,045	$ 1,987,469	$ 448,301
2018	193,000	(1)	-	-	2,261,221	600,275
2019	228,000	(1)	-	-	2,473,610	760,965
2020	263,000	(1)	-	-	2,726,346	930,755

From 2017 to 2034, prices will be adjusted according to changes in the gross domestic product implicit price deflator, and for 2035 through 2047, the prices are determined according to the formula set forth in the Agreement for Transfer of Conserved Water by and between Imperial Irrigation District and San Diego County Water Authority and the Fourth Amendment thereto.

Numerous lawsuits were filed relating to the QSA and Related Agreements. As of December 31, 2017, there are no open lawsuits as all lawsuits were resolved and any final settlement payments were paid and/or received in 2016.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position date but before financial statements are issued or are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. The District has evaluated subsequent events through May 30, 2018, which is the date the financial statements were issued.

The following are subsequent events that have been noted that had no effect on the financial statements as of December 31, 2017:

Cancellation of projects
On January 21, 2016, IID issued $8,875,000 of Clean Renewable Energy Bonds to finance two low-head hydroelectric projects (see Note 6 – Revenue Bonds-2015D Issue). On March 19, 2018, the board approved cancellation of the two projects. As a result, IID plans to exercise the bonds' call option in 2019 and pay off the debt as well as payback previously received federal subsidies.

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