Turlock Irrigation District

Consolidated Financial Statements and Required Supplemental Information
December 31, 2015 and 2014

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Turlock Irrigation District
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December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
Turlock Irrigation District

We have audited the accompanying consolidated financial statements of the Turlock Irrigation District and its component units (the "District"), and the related notes to the financial statements, which collectively comprise the District's consolidated statements of net position as of December 31, 2015 and 2014 and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2015 and 2014 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District adopted the provisions of GASB Statement No. 65, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date –an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying management's discussion and analysis included on pages 3 through 12 and required supplemental information on pages 53 through 55 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

PricewaterhouseCoopers LLP

San Francisco, California
April 19, 2016

The following management's discussion and analysis of Turlock Irrigation District (TID or the District) and its financial performance provides an overview of TID's financial activities for the years ended December 31, 2015 and 2014. Management's discussion and analysis should be read in conjunction with TID's financial statements and accompanying notes, which follow this section.

Background

TID is an irrigation district organized under the provisions of the Wright Act and has the powers provided therein. Organized in 1887, TID was the first of 65 irrigation districts to be formed in the State of California (the State). Its Board of Directors (the Board) governs TID. The five members of the Board are elected from geographic divisions of TID for staggered four-year terms. The Board appoints a general manager and certain other senior managers who are responsible for the operations of TID.

Since 1923, TID has provided all the electric service within its 425 square-mile service area, which includes portions of Stanislaus, Merced and Tuolumne counties. TID's service area includes the cities of Turlock, Ceres, Hughson and a part of Modesto and the unincorporated communities of Ballico, Keyes, Denair, Hickman, Delhi and Hilmar.

Since 2003, TID has owned and operated the electric distribution facilities in a portion of the west side of Stanislaus County, including the City of Patterson, the community of Crows Landing and certain adjacent rural areas (collectively, the "Westside"). The Westside covers approximately 237 square miles.

To provide electric service within its service area, TID owns and operates an electric system, which includes generation, transmission and distribution facilities. Its generating facilities include hydroelectric, wind, natural gas-fired and other facilities. TID also purchases power and transmission service from other sources and participates in other utility arrangements.

TID also supplies water for irrigation use within 308 square miles of its service area, comprising approximately 5,800 parcels of land and 250 miles of gravity flow canals and laterals. TID's electric and irrigation systems are operated and accounted for as a single entity; hence, revenues from both systems are available to pay the obligations of TID.

Rates and Charges

TID's Board has full and independent authority to establish revenue levels and rate schedules for all electric service provided by TID. TID 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. TID has maintained rates for electric service that have been sufficient to provide for all operating and maintenance costs and expenses, debt service, repairs, replacements and renewals and to provide for base capital additions to the system. The Board fixes rates and charges of TID based on a cost of service methodology.

TID increased electric rates by an average of 2.00% and 4.00% effective January 1, 2015 and 2014, respectively.

On January 13, 2015, the Board of Directors adopted a new irrigation rate schedule, which went into effect on February 1, 2015. The new fixed rates in a normal year are $60/acre and in a dry year are $68/acre, and there are varying tier rates based on the amount of water used ranging from $2 to $20 per acre-foot. Previously fixed rates were $23/acre in a normal year and $26/acre in a dry year, with varying tier rates based on the amount of water used ranging from $2 to $20 per acre-foot.

TID has a credit requirement for all new service connections, which requires new customers to place a deposit with TID.

Financial Reporting

TID maintains its accounts in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). TID is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. TID uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TID's accounting records generally follow the Uniform System of Accounts for public utilities and licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions in aid of construction (CIAC).

TID provides energy for residential, commercial, and industrial use and provides irrigation water for agricultural use. Accordingly, TID defines operating revenues as sales of energy, wholesale sales of energy and natural gas, irrigation sales, and other miscellaneous energy and irrigation service revenues. Operating expenses include the costs of sales and services, administration expenses, depreciation, depletion and amortization. Nonoperating revenue and expense typically includes interest income on investments, interest expense, and other miscellaneous items.

In accordance with the GASB accounting rules which govern regulatory accounting, the Board has taken various regulatory actions for ratemaking purposes that result in the deferral of revenue or expense recognition. At December 31, 2015 and 2014 TID had total regulatory assets of $62.5 million and $8.9 million, respectively, and total regulatory credits of $88.0 million and $72.0 million, respectively. The regulatory credits are recognized in the statement of revenues, expenses and changes in net position when determined by the Board for ratemaking purposes.

Investment Policies and Procedures

The Board reviews TID's investment policy on an annual basis. TID has contracted with Public Financial Management, Inc. (PFM), a leading investment manager of public entity funds, to invest TID's cash and investments. PFM only purchases investments on behalf of TID which are permitted by TID's investment policy. The Bank of New York Mellon Trust Company holds these investments in custody.

Debt Management Program

TID regularly reviews its debt structure, which includes the issuance of refunding bonds to achieve debt service savings.

Component Units

The District has two component units, the Walnut Energy Center Authority (WECA) and the Tuolumne Wind Project Authority (TWPA), both of which were formed for the purposes of developing and operating generation facilities for the District's use. WECA operates a 250 MW natural gas fueled generation facility located in TID's service territory. TWPA has a membership interest in a 136.6 MW wind farm, consisting of 62-wind turbine generators located in Klickitat County, Washington. Although WECA and TWPA are separate legal entities from TID, they are reported as part of TID because of the extent of their operational and financial relationships with TID. Accordingly, all operations of these component units are consolidated into TID's financial statements.

Using This Financial Report

This annual financial report consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The annual financial report reflects the activities of TID primarily funded through the sale of energy, transmission, and distribution services to its retail and wholesale customers, as well as irrigation services.

Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows

The statements of net position include all of TID's assets, liabilities and deferred outflows and inflows using the accrual basis of accounting, as well as information about which assets can be utilized for general purposes, and which assets are restricted as a result of bond covenants and other commitments. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as cash payments for debt service and capital expenditures and cash purchases and proceeds from investments during the time periods indicated.

Summary of Financial Position and Changes in Net Position as of and for the Years Ended December 31, 2015, 2014 and 2013

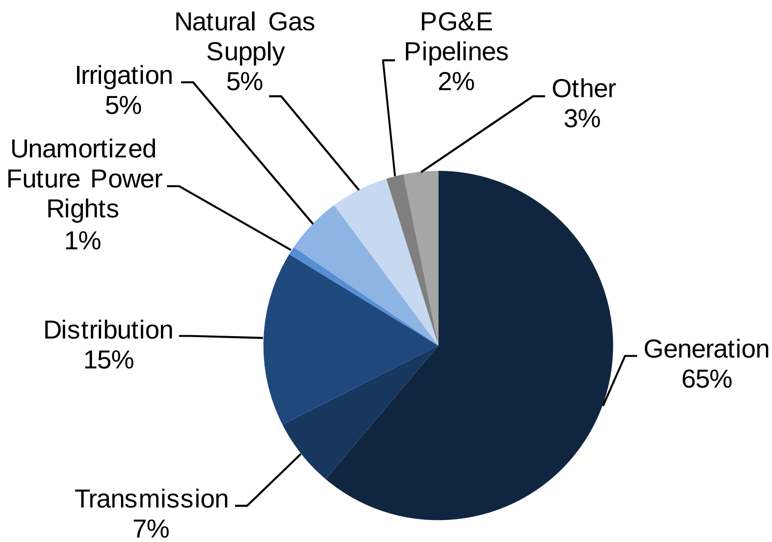
(dollars in thousands)	2015	2014	2013
Assets and deferred outflows			
Utility plant, net	$ 1,252,976	$ 1,261,661	$ 1,288,248
Cash, cash equivalents and investments	309,533	302,888	316,740
Other noncurrent assets	62,846	39,925	8,957
Other current assets	57,565	52,252	45,683
Deferred outflows of resources	20,535	1,450	2,007
Total assets and deferred outflows	$ 1,703,455	$ 1,658,176	$ 1,661,635
Liabilities, deferred inflows and net position			
Long-term debt	$ 1,051,212	$ 1,077,092	$ 1,113,215
Other noncurrent liabilities	74,715	6,137	8,170
Other current liabilities	187,868	191,941	163,701
Deferred inflows of resources	93,565	76,034	72,540
Total liabilities and deferred inflows	1,407,360	1,351,204	1,357,626
Net position			
Net investment in capital assets	145,361	133,129	155,552
Restricted	31,155	26,052	24,957
Unrestricted	119,579	147,791	123,500
Total net position	296,095	306,972	304,009
Total liabilities, deferred inflows & net position	$ 1,703,455	$ 1,658,176	$ 1,661,635
Revenue, expenses and changes in net position			
Operating revenues	$ 332,479	$ 369,152	$ 350,395
Operating expenses	(277,251)	(319,479)	(306,395)
Operating income	55,228	49,673	44,000
Nonoperating expense, net	(35,481)	(46,710)	(50,315)
Increase (decrease) in net position	19,747	2,963	(6,315)
Net position			
Beginning of year, as previously reported	306,972	304,009	310,324
Cumulative effect of accounting change (Note 3)	(30,624)	-	-
Beginning of year, as restated	276,348	-	-
End of year	$ 296,095	$ 306,972	$ 304,009

Management's Discussion and Analysis as of and for the Year Ended December 31, 2015

Assets

Utility Plant

TID invested approximately $1,253.0 million in utility plant assets, net of accumulated depreciation at December 31, 2015. TID transferred approximately $40.6 million of assets from construction in progress to utility plant in service in 2015 and had net disposals of less than $0.1 million. Net utility plant makes up 74% of TID's assets at December 31, 2015, compared to 76% in the prior year.



During 2015, TID capitalized $53.9 million of additions to utility plant. TID invested $2.8 million in Walnut Energy Center Authority modifications and inspections, $3.7 in relicensing fees related to Don Pedro Dam Hydroelectric facilities and upgrades, $8.0 million on routine expansion, $6.9 on irrigation facilities, $4.3 on emission credits, $9.1 million on T & D lines, $2.9 million on property acquisition and improvements and $1.2 million on underground lines, substation upgrades and general capital.

Cash, Cash Equivalents and Investments

TID's cash, cash equivalents and investments increased $6.6 million during 2015. This was primarily due to cash inflows from current year operations offset by cash used from capital activities.

Other Noncurrent Assets

Other noncurrent assets increased $22.9 million during 2015. This increase is primarily related to an increase in regulatory assets of $53.6 million primarily due to the adoption of GASB Statement No. 68 (GASB 68) and the recording of a new regulatory asset offset by a decrease in other assets of $30.6 million. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses. For defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. (see Note 3 to the financial statements).

Other Current Assets

Other current assets increased $5.3 million during 2015. The increase was due primarily to an increase of $3.9 million in a receivable from the Transmission Agency of Northern California, an increase of $1.2 million in retail accounts receivable and an increase of $1.6 million in prepaid expenses and other current assets offset by a decrease in accrued interest and other receivables of $0.7 million and a decrease in derivative financial instruments of $0.7 million.

Deferred Outflows of Resources

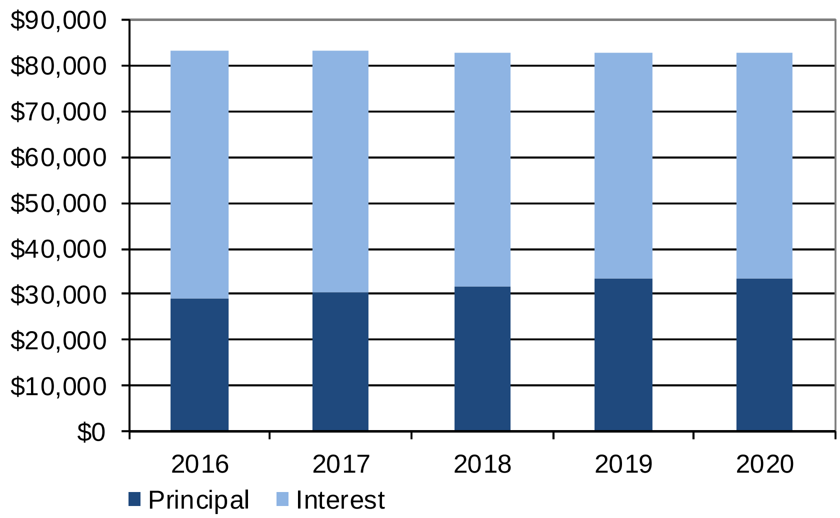
Deferred outflows of resources increased $19.1 million primarily due to the adoption of GASB Statement No. 68 resulting in the recording of $19.0 million in deferred outflows. The remaining change consists of individual insignificant items.

Liabilities and Changes in Net Position

Long-term Debt

Long-term debt decreased $25.9 million primarily due to scheduled principal payments of $23.2 million and the amortization of debt premiums of $2.7 million.

The following table shows TID's future debt service requirements from 2016 through 2020 at December 31, 2015 (dollars in thousands):



At December 31, 2015, TID's bond ratings are A2 from Moody's, A+ from Fitch and A from Standard and Poor's.

Other Noncurrent Liabilities

Other noncurrent liabilities increased $68.6 million in 2015. The increase was primarily due to the adoption of GASB 68 resulting in the recording of a $69.2 million net pension liability and an increase of $0.2 million in asset retirement obligation due to current year amortization offset by a decrease of $0.8 million in TID's Pacific Gas & Electric (PG&E) pipeline obligations due to payments made.

Other Current Liabilities

Other current liabilities decreased $4.3 million in 2015. The decrease was due to a net decrease in gas and power accounts payable and accrued expenses of $4.1 million, a decrease in customer deposits and advances of $2.1 million and a decrease of $1.4 million in the current portion of lease obligations offset by a net increase in commercial paper of $2.5 million and an increase in accrued salaries, wages and related interest payable of $0.7 million. The remaining change consists of individual insignificant items.

Deferred Inflow of Resources

Deferred inflow of resources increased $17.5 million due to an increase of $16.4 million in the power supply adjustment, as a result of current year power supply adjustment, and an increase in deferred pension inflows of $1.7 million, due to the adoption of GASB 68 offset by a $0.4 million decrease in deferred refunding gain as a result of current year amortization. The remaining change consists of individual insignificant items.

Changes in Net Position

Operating Revenues

Operating revenues decreased $36.7 million from $369.2 million in 2014 to $332.5 million in 2015. Wholesale electric revenues decreased $13.4 million to $51.0 million in 2015 from $64.3 million in 2014, as a result of an increase in volume sold offset by a decrease in average sales price. Volumes increased approximately 5% when compared to 2014 while average sales price decreased approximately 22% from an average of $46/megawatt hours (MWh) in 2014 to $36/MWh in 2015. Wholesale gas revenues decreased $14.2 million due to a decrease in sales volume. Electric retail power revenues were down $13.0 million due to a $16.4 million deferral of revenues as a result of the power supply adjustment compared to a recognition of $3.1 million in 2014 offset by an increase in rates of 2%.

Operating Expenses

Purchased power, generation and fuel expenses were $152.9 million in 2015 compared to $185.9 million in 2014. The decrease is primarily due to a decrease in purchased power of $8.7 million and a decrease in fuel expense of $23.1 million. Other electric expense decreased $0.2 million due to decreased maintenance costs of distribution station equipment and lines. Irrigation expense decreased $0.5 million due to less pumping and water available for irrigation. Administrative and general expenses decreased $0.7 million when compared to 2014 primarily due to decreased pension expense. Depletion expense decreased $6.5 million due to TID only taking 42% of its entitled production and deferring the remaining entitlement into future periods for TID's investments in gas properties. Depreciation and amortization expense decreased $7.9 million primarily due to a decrease in amortization of emission allowances under the State's cap and trade program.

Net Investment Income

Net investment income in 2015 increased $0.3 million when compared to 2014, primarily due to higher yields on investments.

Other Income

Other income increased $4.5 million due to an increase in contributions in aid of construction of $1.7 million, a $1.9 million settlement for a previously disposed of fuel cell project and an increase of $0.7 million in other electric income.

Derivative Gain (Loss)

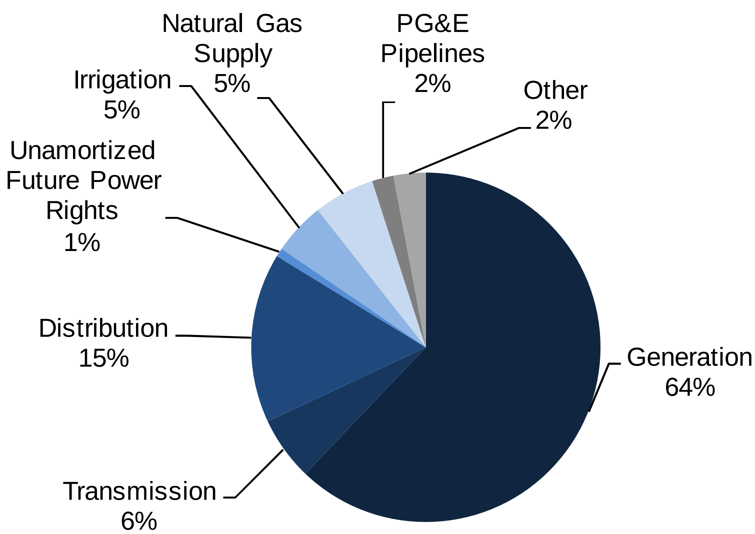
For the year ended December 31, 2015 TID had a net gain of $2.2 million compared to a net gain of $0.1 million for the year ended December 31, 2014, due to a change in the fair value of derivative instruments. The remaining change consists of individual insignificant items.

Interest Expense
Interest expense decreased $4.3 million in 2015 as compared to 2014, primarily due to savings realized through bond refundings.

Management's Discussion and Analysis as of and for the Year Ended December 31, 2014

Assets

Utility Plant
TID invested approximately $1,261.7 million in utility plant assets, net of accumulated depreciation at December 31, 2014. TID transferred approximately $27.5 million of assets from construction in progress to utility plant in service in 2014 and had net disposals of less than $0.1 million. Net utility plant makes up 76% of TID's assets at December 31, 2014, compared to 78% in the prior year.



During 2014, TID capitalized $43.9 million of additions to utility plant. TID invested $3.7 million in Walnut Energy Center Authority modifications and inspections, $6.0 in relicensing fees related to Don Pedro Dam Hydroelectric facilities and upgrades, $7.8 million on routine expansion, $8.8 million on irrigation facilities, $6.1 million on emission credits, $4.0 million on T & D lines, and $7.5 million on underground lines, substation upgrades and general capital.

Cash, Cash Equivalents and Investments
TID's cash, cash equivalents and investments decreased $13.9 million during 2014. This was primarily due to cash used from capital activities primarily offset by cash inflows from current year operations.

Other Noncurrent Assets
Other noncurrent assets increased $31.0 million during 2014. This increase is the result of a $30.6 million prepaid asset primarily related to a prepayment to the pension fund, additional debt issuance costs from 2014 financings of $1.4 million and a slight increase in improvement district warrants of $0.1 million offset by current year amortization of a regulatory asset related to debt issuance costs of $0.7 million and a decrease in other receivables in the amount of $0.4 million.

Other Current Assets

Other current assets increased $6.6 million during 2014. The increase was due primarily to an increase of $ 4.1 million in a receivable from the Transmission Agency of Northern California, an increase of $ 2.1 million in accrued interest and other receivables, an increase in derivative financial instruments of $0.9 million, an increase in prepaid expenses and other current assets of $2.9 million primarily due to a prepayment of purchase power offset by decreases in retail accounts receivable of $ 1.7 million and wholesale accounts receivable of $1.9 million. The remaining change consists of individual insignificant items.

Deferred Outflows of Resources

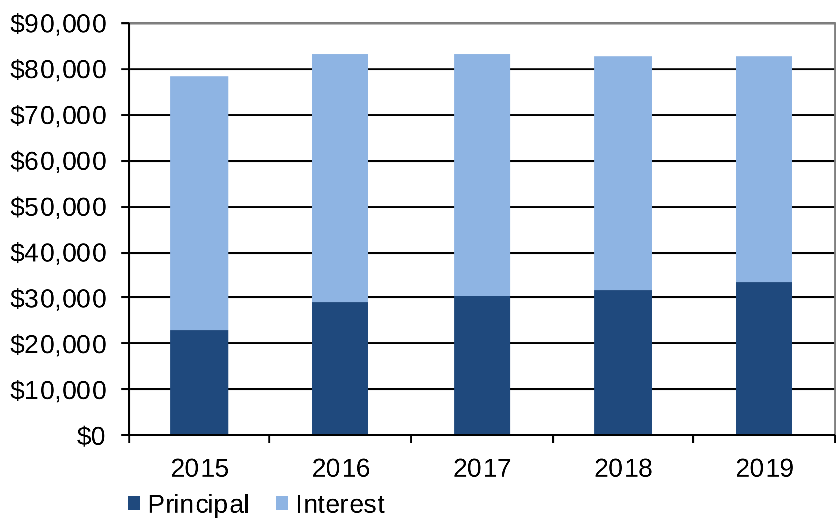
Deferred outflows of resources decreased $0.6 million primarily due to current year amortization of deferred losses on bond refundings.

Liabilities and Changes in Net Position

Long-term Debt

Long-term debt decreased $36.1 million primarily due to scheduled principal payments of $22.7 million; the amortization of debt premiums of $2.0 million and principal savings from 2014 debt refinancings of approximately $11.4 million.

The following table shows TID's future debt service requirements from 2015 through 2019 at December 31, 2014 (dollars in thousands):



At December 31, 2014, TID's bond ratings are A2 from Moody's, A+ from Fitch and A from Standard and Poor's.

Other Noncurrent Liabilities

Other noncurrent liabilities decreased $ 2.0 million in 2014. The decrease was primarily due to a decrease of $2.2 million in TID's Pacific Gas & Electric (PG&E) pipeline obligations due to payments made offset by an increase of $0.2 million in asset retirement obligation due to current year amortization.

Other Current Liabilities

Other current liabilities increased $28.2 million in 2014. The increase was due to a net increase in Commercial paper of $28.7 million, an increase in customer deposits and advances of $1.0 million and a net increase in gas and power accounts payable and accrued expenses of $0.2 million, offset by a decrease in accrued interest payable of $ 1.7 million.

Deferred Inflow of Resources

Deferred inflow of resources increased $3.5 million due to a $4.0 million deferred gain on TID's 2014 refunding bonds, current year deferral of proceeds received at auction in the amount of $2.4 million and an increase of $0.2 million on deferred unrealized gain on investments offset by a reduction of $3.1 million in the power supply adjustment as a result of current year power supply recognition.

Changes in Net Position

Operating Revenues

Operating revenues increased $18.8 million from $350.4 million in 2013 to $369.2 million in 2014. Wholesale electric revenues decreased $9.2 million to $64.3 million in 2014 from $73.5 million in 2013, as a result of a decrease in volume sold offset by an increase in average sales price. Volumes decreased approximately 16% when compared to 2013 while average sales price increased approximately 7% from an average of $43/megawatt hours (MWh) in 2013 to $46/MWh in 2014. Wholesale gas revenues increased $4.7 million due to an increase in sales volume. Electric retail power revenues were up $23.5 million primarily due to an increase in rates of 4% and $3.1 million in revenues as a result of the power supply adjustment compared to a deferral of $12.1 million.

Operating Expenses

Purchased power, generation and fuel expenses were $185.9 million in 2014 compared to $175.9 million in 2013. The increase is due to an increase in purchased power of $4.6 million and an increase in fuel of $13.1 million due to increased generation at both Walnut Energy Center Authority and Almond 2 power plants. Fossil generation is up approximately $1.5 million due to hydro generation being down 35% when compared to 2013, resulting in higher internal plant operating costs from TID's gas fired plants. Other electric expense decreased $0.7 million due to decreased maintenance of distribution systems and transmission lines. Public benefits expense remained relatively flat. Irrigation expense decreased $0.7 million due to less water delivery expense. Administrative and general expenses decreased $1.1 million when compared to 2013 primarily due to decreased pension expense. Loss on disposal of utility plant decreased $2.4 million as there was no loss on disposal for 2014. Depletion expense increased $3.0 million due to an increase in TID's gas well production investments in Wyoming and Texas. Depreciation and amortization expense increased $2.9 million primarily due to an increase in amortization of emission allowances under the State's cap and trade program.

Net Investment Income

Net investment income in 2014 decreased $0.3 million when compared to 2013, primarily due to lower yields on investments.

Other Income

Other income increased $0.2 million due to an increase in contributions in aid of construction.

Derivative Gain (Loss)

For the year ended December 31, 2014 TID had a net gain of $0.1 million compared to a net loss of $0.9 million for the year ended December 31, 2013, due to a change in the fair value of derivative instruments.

Interest Expense

Interest expense decreased $2.7 million in 2014 as compared to 2013, primarily due to savings realized through bond refundings.

Turlock Irrigation District
Consolidated Statements of Net Position
December 31, 2015 and 2014

(dollars in thousands)	**2015**	**2014**
Assets		
Utility plant, net	$ 1,252,976	$ 1,261,661
Investments and other long-term assets		
Cash and cash equivalents, restricted for long-term purposes	3,091	16,301
Short-term investments, restricted for long-term purposes	56,278	26,163
Long-term investments, including restricted amounts	123,404	150,618
Regulatory assets	62,470	8,896
Other assets	367	31,029
Derivative financial instruments, net of current portion	9	-
	245,619	233,007
Current assets		
Cash and cash equivalents, including restricted amounts	118,987	102,816
Short-term investments, including restricted amounts	7,773	6,990
Retail accounts receivable, net	21,385	20,225
Wholesale accounts receivable, net	3,978	4,079
Accrued interest and other receivables	7,198	7,924
Materials and supplies, net	3,314	3,213
Prepaid expenses and other current assets	13,086	11,346
Affiliate receivable	8,399	4,503
Derivative financial instruments	205	962
	184,325	162,058
Total assets	1,682,920	1,656,726
Deferred Outflows of Resources		
Deferred refunding loss	1,246	1,450
Cash flow hedges	243	-
Deferred pension outflows	19,046	-
	20,535	1,450
Total assets and deferred outflows	$ 1,703,455	$ 1,658,176

The accompanying notes are an integral part of these consolidated financial statements.

Turlock Irrigation District
Consolidated Statements of Net Position (continued)
December 31, 2015 and 2014

(dollars in thousands)	2015	2014
Liabilities		
Liabilities		
Long-term debt, net of current portion	$ 1,022,037	$ 1,053,927
Asset retirement obligation	3,702	3,496
Long-term lease obligations	1,827	2,641
Net pension liability	69,153	-
Derivative financial instruments, net of current portion	33	-
	1,096,752	1,060,064
Current liabilities		
Commercial paper	121,112	118,588
Current portion of long-term debt	29,175	23,165
Power purchases and gas payables	6,081	7,546
Accounts payable and accrued expenses	15,274	17,668
Accrued salaries, wages and related benefits	6,660	5,928
Customer deposits and advances	10,033	12,142
Accrued interest payable	27,516	27,613
Current portion of lease obligations	982	2,409
Derivative financial instruments	210	47
	217,043	215,106
Total liabilities	1,313,795	1,275,170
Deferred Inflows of Resources		
Deferred refunding gain	3,637	4,003
Cash flow hedges	214	-
Deferred pension inflows	1,671	-
Regulatory credits	88,043	72,031
	93,565	76,034
Net position		
Net investment in capital assets	145,361	133,129
Restricted	31,155	26,052
Unrestricted	119,579	147,791
Total net position	296,095	306,972
Total liabilities, deferred inflows and net position	$ 1,703,455	$ 1,658,176

The accompanying notes are an integral part of these consolidated financial statements.

Turlock Irrigation District
Consolidated Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2015 and 2014

(dollars in thousands)	2015	2014
Operating revenues		
Electric		
Retail	$ 262,657	$ 275,699
Wholesale	50,973	64,341
Irrigation	14,311	7,758
Wholesale gas	2,898	17,061
Other	1,640	4,293
	332,479	369,152
Operating expenses		
Purchased power	55,202	63,926
Generation and fuel	97,656	121,951
Other electric	29,449	29,692
Irrigation	11,294	11,828
Administration and general	21,135	21,640
Depreciation and amortization	62,515	70,442
	277,251	319,479
Operating income	55,228	49,673
Nonoperating revenues and expenses		
Net investment income	1,462	1,177
Other income, net	13,851	9,357
Derivative gain	2,206	94
Interest expense	(53,000)	(57,338)
	(35,481)	(46,710)
Increase in net position	19,747	2,963
Net position		
Beginning of year, as previously reported	306,972	304,009
Cumulative effect of accounting change (Note 3)	(30,624)	-
Beginning of year, as restated	276,348	-
End of year	$ 296,095	$ 306,972

The accompanying notes are an integral part of these consolidated financial statements.

Turlock Irrigation District
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

(dollars in thousands)	**2015**	**2014**
Cash flows from operating activities		
Receipts from electric customers	$ 278,689	$ 275,497
Receipts from wholesale power sales	51,074	66,191
Receipts from irrigation customers	13,629	7,932
Receipts from sales of gas	4,708	15,990
Payments to vendors for purchased power	(57,972)	(68,677)
Payments to employees and vendors for generation and fuel and other electric	(123,683)	(144,135)
Payments to employees and vendors for irrigation	(11,204)	(11,752)
Payments to employees and vendors for administration and general	(25,651)	(54,729)
Other receipts and payments, net	(2,219)	(551)
Net cash provided by operating activities	127,371	85,766
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(54,501)	(44,614)
Proceeds from contributions in aid of construction	4,708	2,967
Proceeds from issuance of long-term debt	-	167,764
Repayment of long-term debt	(23,165)	(198,805)
Repayment of long-term lease obligations	(2,241)	(1,659)
Repayment of commercial paper	(11,476)	(2,800)
Proceeds from issuance of commercial paper	14,000	31,500
Interest payments on debt	(55,019)	(59,956)
Interest payments on long-term lease obligations	(242)	(356)
Proceeds from the sale of emission credits	-	2,374
Build America Bond receipts	3,412	3,405
Net cash used in capital and related financing activities	(124,524)	(100,180)
Cash flows from investing activities		
Investment income	1,576	1,238
Derivative loss	3,120	(886)
Purchases of investments	(156,199)	(102,960)
Sales of investments	151,617	105,121
Net cash provided by investing activities	114	2,513
Net increase (decrease) in cash and cash equivalents	2,961	(11,901)
Cash and cash equivalents		
Beginning of year	119,117	131,018
End of year	$ 122,078	$ 119,117
Reconciliation of cash and equivalents to balance sheet		
Cash and cash equivalents restricted for long-term purposes	$ 3,091	$ 16,301
Cash and cash equivalents, including restricted amounts	118,987	102,816
	$ 122,078	$ 119,117

The accompanying notes are an integral part of these consolidated financial statements.

Turlock Irrigation District
Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2015 and 2014

(dollars in thousands)	**2015**	**2014**
Adjustment to reconcile operating income to net cash provided by operations		
Operating income	$ 55,228	$ 49,673
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	62,515	70,442
Other income	5,841	3,000
Other changes in operating assets and liabilities		
Accounts receivable	(446)	1,353
Materials and supplies	(101)	(119)
Prepaid expenses and other current assets	(1,702)	(33,144)
Regulatory assets and credits	16,424	(3,093)
Deferred pension inflows	1,671	-
Power purchases and gas payables	(1,465)	451
Accounts payable and accrued expenses	(1,627)	788
Accrued salaries, wages and related benefits	732	(442)
Customer deposits and advances	(2,109)	941
Affiliate receivable	(3,896)	(4,084)
Deferred pension outflows	(19,046)	-
Net pension liability	15,352	-
Net cash provided by operating activities	$ 127,371	$ 85,766
Supplemental noncash investing and financing activities		
Accounts payable and other liabilities related to construction of capital assets	$ 5,046	$ 5,607
Investment gain (loss) from derivatives	(914)	980
Deferred refunding gain	-	4,171

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

1. Organization, Description of Business

The Turlock Irrigation District (TID or the District) was organized under the Wright Act in 1887 and operates under the provisions of the California Water Code as a special district of the State of California (the State). As a public power utility, TID is not subject to regulation or oversight by the California Public Utilities Commission (CPUC). TID provides electric power and irrigation water to its customers.

TID's Board of Directors (the Board) determines its rates and charges for its commodities and services. TID levies ad valorem property taxes on property located in the counties of Stanislaus and Merced. TID may also incur indebtedness, including issuing bonds, and is exempt from payment of federal and state income taxes.

2. Summary of Significant Accounting Policies

Method of Accounting
TID maintains its accounts in accordance with accounting principles generally accepted in the United States of America (GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). TID is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. TID uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TID's accounting records generally follow the Uniform System of accounts for public utilities and licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions in aid of construction (CIAC).

TID provides energy for residential, commercial, and industrial use and provides irrigation water for agricultural use. Accordingly, TID defines operating revenues as sales of energy, wholesale sales of energy and natural gas, irrigation sales, and other miscellaneous energy and irrigation service revenues. Operating expenses include the costs of sales and services, administration expenses, depreciation, depletion and amortization. Nonoperating revenue and expense typically includes interest income on investments, interest expense, and other miscellaneous items.

Component Units
The Walnut Energy Center Authority (WECA) owns and operates a 250 MW natural gas fueled generation facility, which commenced commercial operations in 2006. The Tuolumne Wind Project Authority (TWPA) owns a membership interest in a 136.6 MW wind farm, consisting of 62-wind turbine generators located in Klickitat County, Washington. WECA and TWPA have no employees and all the output from both facilities is sold to TID through power purchase agreements.

Although WECA and TWPA are separate legal entities from TID, they are consolidated component units of TID and reported as part of TID because of the extent of their operational and financial relationship with TID which includes majority oversight from the same Board of Directors. Accordingly, all operations of WECA and TWPA are consolidated into TID's financial statements. Internal transactions, including revenues and expenses between the District's component units and the District, have been eliminated in the accompanying financial statements in accordance with GAAP. Copies of the WECA and TWPA stand-alone annual financial report may be obtained from TID's executive office at 333 East Canal Drive, Turlock, California 95381.

(in thousands of dollars)

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. TID's more significant estimates include fair value estimates for investments and derivative financial instruments; allowance for doubtful accounts; estimated useful lives of utility plant; total pension liability; and workers' compensation reserves.

Long-term and Short-term Debt
Long-term debt is recorded at the principal amount of the obligations adjusted for original issue discounts and premiums. The premiums and discounts on bonds issued are amortized over the terms of the bonds using the effective interest method and recorded as a component of interest expense.

Deferred Refunding Gain or Loss
Debt defeasance charges result from debt refunding transactions and comprise the difference between the reacquisition costs and the net outstanding debt balances including deferred costs of the defeased debt at the date of the defeasance transaction. Such charges are included as a component of deferred outflows or deferred inflows and amortized into interest expense over the shorter of the life of the refunded debt or the new debt, using the effective interest method.

Utility Plant
Utility plant is recorded at cost. The cost of additions, renewals and betterments are capitalized; repairs and minor replacements are charged to operating expenses as incurred. Interest and related financing costs are capitalized as a component of major utility plant development projects. TID incurred gross interest costs of $54,903 and $58,533 during the years ended December 31, 2015 and 2014, respectively, of which $1,722 and $1,195 were capitalized during 2015 and 2014, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives, which generally range from 20 to 40 years and 40 to 150 years for electric and irrigation related assets, respectively. The estimated useful lives of furniture, fixtures, equipment and other assets range from 5 to 25 years. Upon retirement of an asset that was previously in service, the cost of depreciable utility plant, plus removal costs, less salvage, is charged to accumulated depreciation. If a capital asset is disposed of prior to being put into service, the costs capitalized to date are expensed. In addition, during the years ended December 31, 2015 and 2014, TID had net expense totaling $110 and $16, respectively, from retirements and disposals that were previously classified as utility plant.

Future power rights are costs incurred by TID in development of hydroelectric facilities owned by others who provide power to TID. Such costs are recorded as a component of utility plant and are amortized on a straight-line basis over the 49-year periods to which these rights apply.

(in thousands of dollars)

Impairment of Long-Lived Assets

TID accounts for potential impairments in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, under which TID evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly and when full recovery through utility rates or other means is not considered probable. There were no impairments of long-lived assets recorded during fiscal 2015 or 2014.

Intangible Assets

TID accounts for intangible assets in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides guidance regarding how to identify, account for and report intangible assets. Intangible assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. *Accounting and Financial Reporting for Intangible Assets* provides that intangible assets be classified as capital assets, except for items explicitly excluded from the scope of the standard.

Included in nondepreciable utility plant are costs related to emission credits acquired that are necessary to operate gas fired facilities. Such credits have an indeterminate life and are therefore, not amortized.

TID is subject to the requirements under the State's cap and trade program and has purchased emission credits though the State's auction program. The cost of the emission allowances purchased is included in depreciable utility plant. Entities subject to the cap and trade program surrender allowances and offsets equal to their emissions at the end of each compliance period; therefore TID is amortizing the purchased emission allowances based on District emissions as incurred for wholesale power sales and the amortization expense is included as a component of depreciation expense on the statement of revenues, expenses and changes in net position. Amortization expense totaled $3,735 and $5,848, respectively, for the years ended December 31, 2015 and 2014.

Investments in Gas Properties

TID owns nonoperating ownership interests in gas producing properties in Wyoming and Texas. TID uses the successful efforts method of accounting for its investments in gas producing properties. Costs to drill and complete wells that access economically recoverable reserves are capitalized as a component of utility plant on the statement of net position. Costs to drill wells that do not find economically recoverable reserves are expensed. The capitalized costs of producing gas properties, after considering estimated residual salvage values, are depleted by the unit-of-production method based on the estimated future production of proved reserves for the properties. If prominent events or changes in circumstances are identified, the investments in gas properties are evaluated for impairment. No impairment has been recorded to date.

(in thousands of dollars)

Gas production from TID's share of these properties is sold to wholesale buyers as an economic hedge to offset the net cost of TID's gas supply. Sales of gas in 2015 and 2014 totaled $2,898 and $17,061, respectively. Depletion expense, which is included as a component of depreciation and amortization expense in the accompanying statement of revenues, expenses and changes in net position, totaled $4,452 and $10,907, respectively, for the years ended December 31, 2015 and 2014.

Cash, Cash Equivalents and Investments
Cash equivalents include all debt instruments with original maturity dates of three months or less from the date of purchase and all investments in the California Asset Management Program (CAMP) and the Local Agency Investment Fund (LAIF). The debt instruments are reported at amortized cost which approximates fair value and the investments in CAMP and LAIF are reported at their net asset value, which approximates fair value. TID has a repurchase agreement where at the end of the business day funds are swept overnight to purchase a government sponsored enterprise from TID's primary bank and the primary bank buys the investment back plus any interest earned on the following day. Beginning in 2015, the repurchase agreement was replaced with an automated investment account where at the end of the business day funds are automatically swept overnight to purchase shares in a money market mutual fund from TID's primary bank and the primary bank automatically redeems the shares the next day. TID receives monthly interest based on the dividend rate of the money market mutual fund. CAMP is a joint powers authority (JPA) and public agency whose investments are limited to those permitted by the California Government Code. Investments in CAMP shares are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency. LAIF has an equity interest in the State of California Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The PMIA cash and investments are recorded at cost which approximates fair value. TID's deposits with CAMP and LAIF are available for withdrawal generally on demand.

Investments are carried at their fair market value, generally based on market prices quoted by dealers for those or similar investments.

In accordance with provisions of the credit agreements relating to TID's long-term debt obligations, restricted funds held by trustees have been established to provide for certain debt service and project funding requirements. The restricted funds held by trustees are invested primarily in United States (U.S.) government securities and related instruments with maturities no later than the expected date of the use of such funds.

Participation in Joint Power Authorities
TID's ownership investments in JPAs are accounted for using the cost method except for the WECA and TWPA which are consolidated into TID's financial statements.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable arise from billings to customers for the sale of power and water, and certain improvements made to customers' properties. Accounts receivable also includes an estimate for unbilled retail and wholesale revenues related to power delivered between the last billing date and the last day of the reporting period.

(in thousands of dollars)

TID recognizes an estimate of uncollectible accounts for its retail and wholesale receivables based upon its historical experience with collections, current market conditions and specific identification of known losses. At December 31, 2015 and 2014, the allowance for doubtful accounts totaled $300 and $350, respectively. TID records bad debt expense as a reduction of revenue in the statements of revenues, expenses and changes in net position. In 2015 and 2014, net bad debt expense was $289 and $566, respectively.

Materials and Supplies
Materials and supplies are used in TID's operations and are recorded at average cost, net of reserves for obsolete items. Reserves for obsolete items totaled $450 at December 31, 2015 and 2014.

Long-Term Lease Obligations
In connection with completing the Walnut Energy Center and the Almond 2 power plant, TID entered into long-term transmission arrangements with Pacific Gas and Electric (PG&E) which included PG&E constructing new, and reinforcing existing natural gas transmission facilities. The arrangements represent, in substance, capital leases wherein TID (lessee) is obligated to repay all costs associated with the construction and reinforcement of the transmission facilities to PG&E through billings on transmission usage. In accordance with GASB accounting rules governing lease accounting, TID records its obligations to PG&E as long-term lease obligations and the associated assets in utility plant. At inception, the contracts required up-front payments totaling $23,720 plus irrevocable payment obligations which totaled $44,087 on a net present value basis to be paid over ten year periods. Amounts due within one year are classified as current.

The lease obligations are included in TID's statements of net position at December 31, 2015 and 2014 with a balance of $2,809 and $5,050, respectively, along with the related assets with a net book value of $20,230 and $25,106, respectively, in utility plant. Assets are recorded at the total cost to be paid over the lease term and are depreciated over the life of the lease on a straight line basis. Depreciation expense is included as a component of depreciation and amortization expense in the accompanying statement of revenues, expenses and changes in net position. Annual future lease payments will vary over the next seven years based on the District's use of the pipelines, but will total the remaining lease obligation over the next seven years.

Regulatory Assets and Credits
TID's Board has the authority to establish the level of rates charged for all District services. As a regulated entity, TID's financial statements are prepared in accordance with GASB accounting rules governing regulatory accounting, which require the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and revenues, normally reflected in operations as incurred, are recognized when included in rates and recovered from or refunded to customers as set forth in rate actions taken by the Board.

Public Benefit
TID's Board has specified a component of its rates, 2.85%, to be committed to public benefit expenditures. Public benefit expenditures consist of noncapital and capital expenditures for energy efficiency programs and renewable energy resources. Differences between amounts collected, as a component of rates and amounts expended for public benefit are included in the regulatory account. No public benefit regulatory balance existed as of December 31, 2015 and 2014.

(in thousands of dollars)

Compensated Absences
TID accrues vacation leave, sick leave and other compensated absences earned as liabilities when the employees earn the benefits. At December 31, 2015 and 2014, the total estimated liability for vacation, sick, and other compensated absences was $4,747 and $4,136, respectively, and is included in accrued salaries, wages and related benefits in the accompanying statements of net position.

Self-Insurance Liability
Substantially all of TID's assets are insured against possible losses from fire and other risks. TID carries insurance coverage to cover general liability claims in excess of $1,000 per occurrence up to $35,000 and workers' compensation claims in excess of $750 per occurrence. TID records liabilities for unpaid claims when they are probable of occurrence and the amount can be reasonably estimated.

TID purchases its excess workers' compensation insurance from the California State Association of Counties (CSAC) Excess Insurance Authority. The risk of loss in excess of $750 per occurrence is transferred to the insurance pool.

The accompanying financial statements include accrued expenses for general liability, workers' compensation and medical, dental and vision claims based on TID's best estimates of the ultimate cost of settling outstanding claims and claims incurred, but not reported. At December 31, 2015 and 2014, TID's estimated self-insurance liability for its workers' compensation claims totaled $1,500 and $3,050, respectively, and is reported as a component of accounts payable and accrued expenses in the statements of net position.

TID is a member of CSAC's Excess Insurance Authority Health program, which administers TID's self-insurance for employee health. CSAC's purpose is to pool the risk of its members to develop and fund programs of excess insurance for its members. Members fund the program through annual premiums developed by the CSAC Board with assistance from actuary and risk management consultants. Should actual losses among pool participants be greater than funds for the program, TID would be assessed its pro-rata share of the deficiency. No such losses have occurred and no additional liability has been accrued by TID.

Gas Price Swap and Option Agreements
TID uses forward purchase agreements, swaps and option agreements to hedge the impact of market volatility on gas prices for its gas fueled power plants. Such agreements are treated as derivative financial instruments as defined below. Expenses under the contracts, net of the payments received, are reported as generation and fuel expense, in the period in which the underlying gas and power deliveries occur.

Derivative Financial Instruments
TID accounts for derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), which establishes accounting and financial reporting standards for the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments (Note 10).

(in thousands of dollars)

TID records derivative financial instruments, consisting of gas price swap agreements, option agreements, and gas and electricity purchase and sales agreements that are not treated as normal purchases and normal sales, at fair value on its statement of net position. Normal purchases and normal sales are contracts that are for the purchase or sale of a commodity, such as natural gas or electricity, to be used in the normal course of operations, provided that it is probable TID will take or make delivery of the commodity specified in the derivative instrument. Changes in the fair value of derivatives that do not meet the requirements of an effective hedge transaction are included in nonoperating revenues and expenses as a derivative gain (loss). Changes in the fair value of derivatives which are effective hedges are deferred on the statements of net position.

The fair values of gas and electricity purchase and sales agreements are based on forward prices from both published indexes from applicable regions and discounted using established interest rate indexes, where applicable, and information obtained from a pricing service where a published index is not available.

TID reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current on the consolidated statement of net position. TID is exposed to risk of nonperformance if the counterparties default or if the agreements are terminated. TID monitors these risks and does not anticipate nonperformance.

Net Position

TID classifies its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses and unspent debt proceeds.

Restricted

This component of net position consists of assets with external constraints placed on their use. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation.

Unrestricted

This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows that do not meet the definition of restricted or net investment in capital assets.

Board Designated Net Position

Net position includes amounts that TID's Board designates as reserves for debt service, capital improvements and rate stabilization. The rate stabilization fund represents amounts reserved for the purpose of stabilizing electric utility rates in future periods. The Board determines the annual transfers into and out of these reserves. While the Board designates these funds as reserve funds, they are not restricted and the Board can utilize such funds for any purpose.

(in thousands of dollars)

The designated funds included in unrestricted net position were as follows at December 31:

	2015	2014
Rate stabilization	$ 34,076	$ 34,076
Capital improvements	7,791	7,791
	$ 41,867	$ 41,867

Purchased Power Expenses

A portion of TID's power needs are provided by power purchase agreements. Expenses from such agreements, along with associated transmission costs paid to other utilities, are charged to purchased power expense in the period the power was received. Adjustments to prior billings are included in purchased power expense once the payments or adjustments can be reasonably estimated. Gains or losses on power purchase and sale transactions that are settled without physical delivery are recorded as net additions or reductions to purchased power expense. Additionally, any changes in the power supply adjustment (Note 9) balance, resulting in a regulatory asset increasing or decreasing are recorded as additions or reductions to purchased power expense and any changes resulting in a regulatory credit increasing or decreasing are recorded as additions or reductions to retail revenues. When the power supply adjustment balance changes from a regulatory credit to a regulatory asset or from a regulatory asset to a regulatory credit from one year to the next, a change to both purchased power expense and a change to retail revenues will be reflected in the statement of revenues, expenses and changes in net position. For the year ended December 31, 2015, the power supply adjustment balance increased resulting in a decrease to retail revenues of $14,056, and for the year ended December 31, 2014, the power supply adjustment balance decreased resulting in an addition to retail revenues of $3,094.

CIAC and Grants

TID receives CIAC for customer contributions relating to expansions to TID's distribution facilities. TID also receives grant proceeds from federal and state assisted programs for its river restoration programs and other programs. The contributions and grant proceeds are included in other income in the statement of revenues, expenses and changes in net position. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements, although TID considers the possibility of any material grant disallowances to be remote.

Asset Retirement Obligations

The accounting for asset retirement obligations requires the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets. Under these rules, an obligation is recorded only when legally binding retirement obligations exist under enacted laws, statutes, written contracts or oral contracts. Asset retirement obligations (AROs) are recognized at fair value as incurred and capitalized as a component of the cost of the related tangible long-lived assets with a corresponding amount recorded as a liability.

TID has identified asset retirement obligations related to certain generation, transmission and distribution facilities located on properties that do not have perpetual leases. TID's nonperpetual leased land rights generally are renewed continuously because TID intends to utilize these facilities indefinitely. Since the timing and extent of any potential asset retirements are unknown, the fair value of any obligations associated with these facilities cannot be reasonably estimated and therefore no liability has been recorded at December 31, 2015 or 2014.

(in thousands of dollars)

In conjunction with the purchase of the Tuolumne Wind Project, TID recorded an ARO related to a decommissioning plan approved by Klickitat County. As the decommissioning plan represents a legal obligation to clean up the site at the retirement of the asset to comply with the approved contract with the Klickitat County, Washington, it meets the definition of an ARO. During the years ended December 31, 2015 and 2014, TID recorded $205 and $194 of accretion expense, respectively. As of December 31, 2015, the ARO liability is $3,702.

California Greenhouse Gas Legislation
California Assembly Bill 32 (AB-32) was passed by California lawmakers in 2006 and is an effort by the State of California to set a 2020 greenhouse gas emissions reduction goal into law. The goal is to reach a statewide emission limit of 427 million metric tons of carbon dioxide equivalent of greenhouse gases (GHG). Central to this initiative is the implementation of a cap and trade program, which covers major sources of GHG emissions in the State including power plants. The legislation directed the California Air Resources Board (ARB) to begin developing discrete early actions to reduce greenhouse gases while also preparing a scoping plan to identify how best to reach the 2020 limit. The program starts with an enforceable compliance obligation beginning with the 2014 GHG emissions. The cap and trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap will need to surrender allowances and offsets equal to their emissions at the end of each compliance period. The District is subject to AB 32 and became subject to the requirements under the cap and trade program in 2013. The allowances distributed to the District from the State for the District's retail customers are used in operations. There is no increase in service capacity and no asset has been recognized.

Subsequent Events
Subsequent events have been assessed through April 19, 2016.

Recent Accounting Pronouncements
In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. This statement requires investments to be measured at fair value, which is described as an exit price. GASB 72 requires valuation techniques that are appropriate in the circumstances and for which sufficient data are available to be used to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This statement establishes a hierarchy of inputs to the valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management assumptions. A fair value takes into account the highest and best use for a nonfinancial asset. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB 72 is effective for TID in 2016. Management of TID is currently assessing the financial statement impact of adopting this statement, but does not believe that its impact will be material.

(in thousands of dollars)

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 extends the approach to accounting and financial reporting established in GASB 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB 68 should not be considered pension plan assets. It also clarifies the application of certain provisions of GASB 67 and 68. The requirements of GASB 73 are effective for TID in 2016. This standard is not expected to have any impact on TID's financial statements.

In June 2015, GASB issued Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which replaces Statement No. 43*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 74 also includes requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This standard establishes new accounting and financial reporting requirements for OPEB plans. The requirements of GASB 74 are effective for TID in 2017. This standard will not have any impact on TID's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, as amended, and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria. This statement is effective for TID in 2018. Management of TID is currently assessing the financial statement impact of adopting this standard.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 establishes the hierarchy of GAAP for state and local governments. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Category A is comprised of GASB statements. Category B includes GASB Technical Bulletins, GASB Implementation Guides, and literature of the AICPA cleared by the GASB. GASB 76 is effective for TID in 2016. Management of TID is currently assessing the financial statement impact of adopting this statement, but does not believe that its impact will be material.

(in thousands of dollars)

3. Accounting Change

TID has a single-employer group defined benefit pension plan (the "Retirement Plan") which provides retirement benefits covering substantially all of its employees who have completed one year of continuous service. In 2015, TID adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment to GASB Statement No. 27, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB 68). This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses. For defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Prior to the adoption of GASB 68, TID reported a prepaid pension asset of $30.6 million, which was included as a component of Other Assets on the Consolidated Statements of Net Position, for the cumulative amount of overfunded actuarially required contributions, consistent with prior accounting standards. Under GASB 68, TID's entire unfunded pension liability is required to be recognized and reported as an obligation in the financial statements.

For practical purposes, TID elected, as permitted by GASB 68, to report the prior periods' cumulative effect of applying GASB 68 as a restatement of the beginning net position for the period in which GASB 68 is first applied. In addition, TID elected to follow accounting for regulated operations under GASB 62. Accordingly, TID's prior periods' cumulative effect related to the unfunded pension liability as of January 1, 2015 of $53.8 million was recognized in fiscal year 2015 along with the recording of a corresponding regulatory asset. TID's previously reported prepaid pension asset was reduced with a corresponding charge to opening net position at January 1, 2015.

TID's unfunded pension liability at January 1, 2015 is based upon a valuation date of January 1, 2015.

In conjunction with TID's adoption of GASB 68, it also adopted GASB No. 71, (GASB 71). GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Adoption of this statement had no effect on TID's financial statements.

(in thousands of dollars)

4. Utility Plant

The summarized activity of TID's utility plant during 2015 is presented below:

	December 31, 2014	Additions	Transfers	Disposals	December 31, 2015
Nondepreciable utility plant					
Land	$ 31,246	$ 670	$ -	$ (33)	$ 31,883
Emission credits	20,187	-	-	-	20,187
Construction in progress	27,158	48,890	(40,590)	-	35,458
Total nondepreciable utility plant	78,591	49,560	(40,590)	(33)	87,528
Depreciable utility plant					
Generation	966,669	-	6,857	(31)	973,495
Distribution	332,020	-	16,119	(1,441)	346,698
Transmission	150,225	-	8,361	-	158,586
General	75,265	-	3,030	(1,685)	76,610
Future power rights	26,738	-	-	-	26,738
Irrigation	69,205	-	5,876	-	75,081
Investment in gas properties	123,214	-	347	-	123,561
Emission allowances	13,708	4,380	-	(8,159)	9,929
Total depreciable utility plant	1,757,044	4,380	40,590	(11,316)	1,790,698
Less: Accumulated depreciation, amortization and depletion	(573,974)	(62,515)	-	11,239	(625,250)
Depreciable utility plant, net	1,183,070	(58,135)	40,590	(77)	1,165,448
Utility plant, net	$ 1,261,661	$ (8,575)	$ -	$ (110)	$ 1,252,976

(in thousands of dollars)

The summarized activity of TID's utility plant during 2014 is presented below:

	December 31, 2013	Additions	Transfers	Disposals	December 31, 2014
Nondepreciable utility plant					
Land	$ 31,246	$ -	$ -	$ -	$ 31,246
Emission credits	20,187	-	-	-	20,187
Construction in progress	16,953	37,745	(27,540)	-	27,158
Total nondepreciable utility plant	68,386	37,745	(27,540)	-	78,591
Depreciable utility plant					
Generation	958,620	-	8,049	-	966,669
Distribution	319,478	-	13,719	(1,177)	332,020
Transmission	150,029	-	196	-	150,225
General	74,357	-	2,719	(1,811)	75,265
Future power rights	26,738	-	-	-	26,738
Irrigation	66,420	-	2,785	-	69,205
Investment in gas properties	123,142	-	72	-	123,214
Emission allowances	8,573	6,126	-	(991)	13,708
Total depreciable utility plant	1,727,357	6,126	27,540	(3,979)	1,757,044
Less: Accumulated depreciation, amortization and depletion	(507,495)	(70,442)	-	3,963	(573,974)
Depreciable utility plant, net	1,219,862	(64,316)	27,540	(16)	1,183,070
Utility plant, net	$ 1,288,248	$ (26,571)	$ -	$ (16)	$ 1,261,661

5. Participation in Joint Powers Agencies

Transmission Agency of Northern California

TID is a member of the Transmission Agency of Northern California (TANC), a JPA consisting of fifteen municipal utilities. TANC is a participant, with a 79.3% share of the California-Oregon Transmission Project (COTP) and other facilities for electric power transmission. TANC develops, operates and manages these projects. The COTP provides electric transmission between the Pacific Northwest and California. TID's entitlement share of TANC's portion of the COTP and other facilities is 17.4%, representing approximately 237 megawatts (MW) of transmission capacity. TID also has a 7.4% entitlement share of TANC's transmission under the South of Tesla transmission agreements, which provides TID with 22 MW of transmission during normal operating conditions between Tesla and Midway.

Under the TANC agreements, TID is responsible for TANC's development, operating and debt service costs on a take-or-pay basis proportionate to its entitlement share. During 2015 and 2014, TID's total expenses in connection with its TANC agreements, included in purchased power expense, totaled $5,721 and $5,548, respectively. At December 31, 2015 and 2014 TID has an affiliate receivable due from TANC of $8,399 and $4,503, respectively.

(in thousands of dollars)

Northern California Power Agency (NCPA)
While NCPA develops and operates numerous projects for the generation and transmission of electric power, TID participates in two of NCPA's geothermal projects. TID has a 6.3% entitlement share in the capacity and energy from NCPA Geothermal Plants l and 2 (the Geothermal Project). TID is responsible for development, operating and debt service costs on a take-or-pay basis in proportion to its entitlement share. TID's expenses relating to the Geothermal Project, included in purchased power expense, were $1,923 and $2,029 in 2015 and 2014, respectively.

The long-term debt of TANC and NCPA is collateralized by a pledge and assignment of net revenues of each JPA, supported by the take-or-pay commitments of TID and other members. As such, TID is contingently obligated for its proportionate share of TANC's liabilities of $377,158 and NCPA's debt related to the Geothermal Project of $35,155 at December 31, 2015. Should other members of TANC or NCPA default on their obligations to these JPAs, TID would be required to make "step up" payments, up to 25% of its proportionate share, a combined maximum of $121,000, to cover a portion of the defaulted payments and would be entitled to the same proportion of additional power production or transmission. Historically, there have been no defaults by members of TANC or NCPA. To obtain audited financial statements of NCPA, contact NCPA at 651 Commerce Drive, Roseville, CA 95678 and for TANC audited financial statements, contact TANC at 35 Iron Point Circle, Suite 225 Folsom, CA 95630.

(in thousands of dollars)

Walnut Energy Center Authority
TID and Merced Irrigation District formed WECA for the principal purpose of owning and operating a 250 MW natural gas fueled generation facility that is blended into and reported as a component unit of TID. All operations of WECA are consolidated into TID's financial statements. WECA's financial information is summarized as follows:

	2015	2014
Summarized statement of net position		
Current assets	$ 22,705	$ 20,784
Noncurrent assets	298,389	309,951
Total assets	$ 321,094	$ 330,735
Current liabilities	$ 62,816	$ 64,706
Long-term debt, net of current portion	255,064	262,523
Deferred inflow of resources	3,214	3,506
Total liabilities and deferred inflows	$ 321,094	$ 330,735

	2015	2014
Summarized statements of revenues, expenses and changes in net position		
Operating revenues	$ 70,051	$ 84,166
Operating expenses	58,432	69,831
Operating income	11,619	14,335
Nonoperating revenues and expenses, net	(11,619)	(14,335)
Changes in net position	$ -	$ -

	2015	2014
Summarized statements of cash flows		
Net cash provided by operating activities	$ 12,670	$ 15,796
Net cash (used in) provided by noncapital and relating financing activities	(13,414)	4,432
Net cash used in capital and relating financing activities	(7,995)	(15,947)
Net cash provided by (used in) investing activities	11,179	(6,502)
Net increase (decrease) in cash and cash equivalents	2,440	(2,221)
Beginning of year cash and cash equivalents	9,986	12,207
End of year cash and cash equivalents	$ 12,426	$ 9,986

(in thousands of dollars)

Tuolumne Wind Project Authority

TID and WECA formed TWPA for the principal purpose of acquiring and operating wind farm assets. TWPA is reported as a component unit of TID. All operations of TWPA are consolidated into TID's financial statements. TWPA's financial information is summarized as follows:

	2015	2014
Summarized statement of net position		
Current assets	$ 25,307	$ 27,316
Noncurrent assets	384,829	395,836
Total assets	$ 410,136	$ 423,152
Current liabilities	$ 25,683	$ 26,124
Noncurrent liabilities	3,701	3,496
Long-term debt, net of current portion	380,752	393,532
Total liabilities	$ 410,136	$ 423,152

	2015	2014
Summarized statements of revenues, expenses and changes in net position		
Operating revenues	$ 33,257	$ 34,048
Operating expenses	13,420	13,749
Operating income	19,837	20,299
Nonoperating revenues and expenses, net	(19,837)	(20,299)
Changes in net position	$ -	$ -

	2015	2014
Summarized statements of cash flows		
Net cash provided by operating activities	$ 19,096	$ 20,567
Net cash used in capital and relating financing activities	(19,682)	(20,317)
Net cash provided by investing activities	2,994	349
Net increase in cash and cash equivalents	2,408	599
Beginning of year cash and cash equivalents	24,500	23,901
End of year cash and cash equivalents	$ 26,908	$ 24,500

(in thousands of dollars)

6. Cash, Cash Equivalents and Investments

TID's investment policies are governed by the California Government Codes and its Bond Indentures, which restricts TID's investment securities to obligations which are unconditionally guaranteed by the U.S. government or its agencies; direct and general obligations of the State or any local agency within the State; commercial paper; certificates of deposit; time certificates of deposit; repurchase agreements; medium-term corporate notes; shares of beneficial interest; mortgage pass-through securities; and deposits with the LAIF and CAMP.

TID's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of the total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

(in thousands of dollars)

Credit Risk
To mitigate the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, TID limits investments to those rated, at a minimum, "A1" or equivalent for medium-term notes and "A" for commercial paper by a nationally recognized rating agency. The following schedule presents the credit risk at December 31, 2015 and 2014. The credit ratings listed are from Standard and Poor's as of December 31, 2015. NR means not rated and TSY refers to U.S. Treasury securities.

	Credit Rating	2015	2014
Cash and cash equivalents			
Deposits	NR	$ 64,757	$ 59,235
California Asset Management Program	AAAm	4,097	4,092
Money Market Mutual Fund	AAAm	25,121	-
Repurchase agreements	NR	-	24,467
Local Agency Investment Fund	NR	25,012	15,022
		118,987	102,816
Short-term investments			
Corporate notes	A-1+, AA-	2,283	2,836
Time certificate	NR	-	2,177
Municipal notes	AAA, AA	2,216	1,227
Certificates of deposit	A-1	2,273	-
U.S. Treasury Notes	AA+	1,001	-
Government sponsored enterprises	AA+	-	750
		7,773	6,990
Cash and cash equivalents, restricted for long-term purposes			
Deposits	NR	793	1,731
LOC deposit	NR	2,177	-
California Asset Management Program	AAAm	121	14,570
		3,091	16,301
Short-term investments, restricted for long-term purposes			
U.S. Treasury Notes	AA+	45,608	17,106
Government sponsored enterprises	AA+	10,670	9,057
		56,278	26,163
Long-term investments			
Government sponsored enterprises	AA+	10,787	29,124
Certificates of deposit	A+, AA-, A-1	21,236	13,563
U.S. Treasury Notes	AA+	64,821	83,670
Corporate notes	AAA, AA+, AA,AA-,A+,A	26,299	21,017
Municipal notes	AAA, AA, A	261	3,244
		123,404	150,618
		$ 309,533	$ 302,888

(in thousands of dollars)

The schedule below presents restricted and unrestricted balances of cash, cash equivalents and investments as of December 31:

	2015	2014
General operating funds		
Operating accounts	$ 88,604	$ 85,157
Funds designated for rate stabilization	69,200	69,200
Funds designated for capital improvements	7,791	7,791
	165,595	162,148
Restricted funds		
Construction funds	-	1,656
Reserve funds	83,842	84,282
Debt service funds	56,676	51,487
Water Studies	1,243	1,138
Letter of credit deposit (time certificate)	2,177	2,177
	143,938	140,740
	$ 309,533	$ 302,888

Custodial Credit Risk
This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, TID's deposits may not be returned or TID will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. TID does not have a deposit policy for custodial credit risk. At December 31, 2015 and 2014, TID had deposits totaling $1,375 and $1,348, respectively, which are insured by the FDIC. The remaining deposits of $66,352 and $59,618 are uncollateralized and uninsured at December 31, 2015 and 2014, respectively. TID's money market mutual fund is collateralized with shares held by the pledging bank's trust department, who is acting as TID's agent. All investments are held in TID's name. Investments in the LAIF and CAMP at December 31, 2015 and 2014, of $29,230 and $33,684, respectively, were uninsured and uncollateralized.

Concentration of Credit Risk
This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. TID places no limit on the amounts invested in any one issuer for federal agency securities, except for mortgage pass through securities, which may not exceed 20% of TID's portfolio. For disclosure purposes, investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds and external investment pools are not required to be evaluated for concentration of credit risk. The following are the concentrations of risk representing 5% or greater in a single issuer in either year, all of which are government sponsored enterprises:

	2015	2014
Investment type		
Federal Home Loan Bank (FHLB)	7 %	
Federal National Mortgage Association (Fannie Mae)*		7 %

*Does not represent 5% or more at December 31, 2015

(in thousands of dollars)

Interest Rate Risk
Although TID has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates. All of TID's cash and cash equivalents have original maturities of 90 days or less. Investments maturing within one year are classified as current. At December 31, 2015, TID has investments with maturities, which are therefore subject to increased interest rate risk. The following schedule indicates the interest rate risk at December 31, 2015:

	Fair Value	Weighted Average Maturity (Years)
Investment type		
Corporate notes	$ 28,582	1.81
Government sponsored enterprises	21,457	1.34
Municipal notes	2,477	0.80
Certificate of deposits	23,509	1.48
U.S Treasury Notes	111,430	1.58
Total fair value	$ 187,455	
Portfolio weighted average maturity		1.56

In accordance with provisions of the credit agreements relating to certain of TID's long-term debt obligations, restricted funds are maintained at levels set forth in the agreements to provide for debt service reserve and project funding requirements. These funds are held by trustees and have maturities no later than the expected date of the use of the funds.

7. Long-term Debt

Long-term debt consists of the following at December 31:

	2015	2014
Revenue bonds, fixed interest rates of 2.0% to 5.5%, maturing through 2041	$ 380,575	$ 388,865
TWPA revenue bonds, fixed interest rates of 4.0% to 6.9%, maturing through 2034	392,615	404,720
WECA revenue bonds, fixed interest rates of 2.0% to 6.2%, maturing through 2034	246,255	249,025
Total long-term debt outstanding	1,019,445	1,042,610
Less		
Current portion	(29,175)	(23,165)
Unamortized premiums and discounts, net	31,767	34,482
Total long-term debt, net	$ 1,022,037	$ 1,053,927

(in thousands of dollars)

Refunding

In July 2014, TID issued first priority subordinated revenue refunding bonds, Series 2014 totaling $36,925, the proceeds of which were combined with $6,834 from a reserve fund, and used to refinance the 2003 Series A revenue refunding bonds of $20,795 and the 2003 Certificates of Participation of $26,785. This refunding resulted in a net deferred accounting gain of $536, which is being amortized over the life of the refunding issue. The refunding reduced aggregate debt service payments by $13,741 and resulted in a total economic gain of $5,564.

Concurrent with the TID first priority subordinated revenue refunding bonds, Series 2014, WECA revenue refunding bonds, 2014 series A in the amount of $111,940 were issued. The proceeds from the issued WECA revenue refunding bonds, 2014 series A were combined with $3,010 from a reserve fund, and used to refinance the WECA 2004 Series A revenue bonds of $128,500. This refunding resulted in a net deferred accounting gain of $3,635, which is being amortized over the life of the refunding issue. The refunding reduced aggregate debt service payments by $24,495 and resulted in a total economic gain of $17,114.

TWPA sold a portion of their outstanding bonds as Build America Bonds under the American Recovery and Reinvestment Act. The Build America Bonds were sold as a taxable issue and TID receives a federal subsidy of 32%, as reduced by sequester, of the interest paid on the bonds. For the years ended December 31, 2015 and 2014 TID received $3,412 and $3,405 in this federal subsidy which is included in other income on the statement of revenues, expenses, and changes in net position.

(in thousands of dollars)

The summarized activity of TID's long-term debt during 2015 and 2014 is presented below:

	December 31, 2014	Additions	Payments and Amortization	December 31, 2015	Amounts Due Within One Year
Revenue bonds	1,042,610	-	(23,165)	1,019,445	29,175
	1,042,610	-	(23,165)	1,019,445	$ 29,175
Less					
Unamortized premiums	34,482	-	(2,715)	31,767	
Total long-term debt, net	$ 1,077,092	$ -	$ (25,880)	$ 1,051,212	

	December 31, 2013	Additions	Payments and Amortization	December 31, 2014	Amounts Due Within One Year
Revenue bonds	$ 1,065,765	$ 148,865	$ (172,020)	$ 1,042,610	$ 23,165
Certificates of participation	26,785	-	(26,785)	-	-
	1,092,550	148,865	(198,805)	1,042,610	$ 23,165
Less					
Unamortized premiums	20,665	20,289	(6,472)	34,482	
Total long-term debt, net	$ 1,113,215	$ 169,154	$ (205,277)	$ 1,077,092	

Component Unit Debt

The TWPA and WECA revenue bonds are payable solely from the unconditional payments made by TID under Power Purchase Agreements with both TWPA and WECA, and also include amounts held by a trustee for the benefit of the registered owners of the bonds. TID has an unconditional obligation to make all payments to TWPA and WECA, regardless of the output of the projects. TID guarantees to make payments sufficient to pay principal and interest and all other payments required to be made under the Power Purchase Agreements. TWPA and WECA are not required to repay TID for any amounts under this guarantee.

General

The revenue bonds are collateralized by a pledge of, and a lien on, the revenues of the entire electric and irrigation system after deducting maintenance and operation costs, as defined in the bond resolutions. The 2011 Revenue Refunding Bonds and the TID first priority subordinated revenue refunding bonds, Series 2014 are subordinate to the 2010 revenue refunding bonds and commercial paper. TID's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements.

Fixed rate revenue bonds totaling $186,380, $204,990, $176,400 and $89,510 may be subject to redemption during 2019, 2020, 2021 and 2024, respectively, by TID without a premium or discount. Fixed rate revenue bonds totaling $203,425 may be subject to redemption by TID at any interest date with a make whole premium.

(in thousands of dollars)

TID's scheduled future annual principal maturities and interest are as follows at December 31, 2015:

	Principal	Interest	Total
2016	$ 29,175	$ 53,871	$ 83,046
2017	30,610	52,454	83,064
2018	31,745	50,987	82,732
2019	33,365	49,361	82,726
2020	34,940	47,630	82,570
2021-2025	202,700	208,184	410,884
2026-2030	247,235	145,604	392,839
2031-2035	259,885	66,100	325,985
2036-2041	135,925	18,720	154,645
2041-2045	13,865	-	13,865
	$ 1,019,445	$ 692,911	$ 1,712,356

8. Commercial Paper

TID utilizes two commercial paper programs, one for various financing needs up to $100,000, primarily for financing capital expenditures. At December 31, 2015 and 2014 the balance outstanding under this commercial paper program was $70,651 and $62,605, respectively of which the entire balance was tax-exempt at December 31, 2015 and 2014, respectively. The effective interest rate for the commercial paper outstanding at December 31, 2015 and 2014 was .05% and .08%, respectively, and the average term was 35 and 94 days, respectively. A letter of credit of $109,000 supports the sale of the commercial paper and TID incurs an annual fee for this service. There has not been a term advance under the letter of credit, which expires in July 2017. The counterparty to the letter of credit is a national bank whose credit rating is A Stable (Standard & Poor's).

The other commercial paper program is the WECA commercial paper program, which is used to finance capital expenditures up to $80,000, primarily WECA improvements and gas field capital expenditures. At December 31, 2015 and 2014, the balance outstanding was $50,461, and $55,983, respectively, under this commercial paper program, of which $24,004 and $32,983 was taxable at December 31, 2015 and 2014, respectively. The effective interest rate for the commercial paper outstanding at December 31, 2015 and 2014 was 0.17% and 0.14%, respectively, and the average term was 80 and 129 days, respectively. A letter of credit of $87,200 supports the sale of these outstanding commercial paper and TID incurs an annual fee for this service. There has not been a term advance under the letter of credit, which expires in September 2018. The counterparty to the letter of credit is a national bank whose credit rating is AA- Stable (Standard & Poor's).

(in thousands of dollars)

The activity of TID's commercial paper during 2015 and 2014 is presented below:

	2015	2014
Balances at beginning of year	$ 118,588	$ 89,888
Additions	14,000	31,500
Payments	(11,476)	(2,800)
Balances at end of year	$ 121,112	$ 118,588

9. Regulatory Deferrals

TID's Board has taken various regulatory actions that result in differences between recognition of revenues and expenses for rate-making purposes as reflected in these consolidated financial statements and as incurred. These actions result in regulatory assets and credits. Regulatory balances are as follows:

Regulatory Assets
Regulatory assets consist of the following at December 31:

	2015	2014
Debt issuance costs	$ 8,183	$ 8,896
Unrealized loss on investments	486	-
Pension costs	53,801	-
	$ 62,470	$ 8,896

Regulatory Credits
Regulatory credits consist of the following at December 31:

	2015	2014
Electric rate stabilization	$ 35,124	$ 35,124
Power supply adjustment	50,545	34,121
Deferred auction sales	2,374	2,374
Unrealized gain on investments	-	412
	$ 88,043	$ 72,031

Regulatory Assets

Debt issuance costs
The debt issuance costs will be collected through retail rates over the life of the respective debt and therefore will be expensed over the life of the respective debt. Accordingly, costs incurred in connection with the issuance of debt obligations, principally underwriters' and legal fees, are deferred on the statement of net position as a regulatory asset and are amortized into interest expense over the terms of the related obligations using the effective interest method.

(in thousands of dollars)

Pension costs
TID established a regulatory asset for pension costs related to the implementation of GASB 68 which requires TID to record a net pension liability. Amortization of the regulatory asset will begin in 2017 as part of the next rate review.

Unrealized loss on Investments
TID defers unrealized holding gains and losses on its investments until such investments mature or are sold which is consistent with TID's rate setting process.

Regulatory Credits

Electric Rate Stabilization
Historically, TID deferred interest earnings on net assets designated for electric rate stabilization. These amounts are recognized as increases in income in future periods based on a rate program approved by the Board which releases rate stabilization amounts under identified circumstances.

Power Supply Adjustment
TID's rate schedule power supply adjustment (PSA) billing factor provides for an adjustment to the kilowatt-hour (KWh) portion of customer bills to reflect variations in the variable cost of power supply, which comprises purchased power, fuel used for generation of electric energy and gas field costs including related capital costs, reduced by revenue from wholesale sales of gas and energy to other entities. The PSA rate is reset semi-annually in June and December. The Board has limited reset amounts to ($0.005) to $0.01 per KWh. A balancing account is maintained in an amount by which the energy revenues collected from retail customers are less than (or more than) the actual cost of power supply. Excesses or (deficiencies) in the balancing account are managed by increasing (or decreasing) the PSA billing factor. During 2015, $16,424 was added to the deferred power supply regulatory credit and during 2014, $3,093 was removed from the deferred power supply regulatory credit. On December 31, 2015 and 2014, TID had an excess, or a regulatory credit of $50,545 and $34,121, respectively.

Deferred Auction Sales
TID has participated in the carbon allowance auctions under AB-32, the Global Warming Solutions Act. In 2015, the Board authorized the deferral of AB-32 auction proceeds from the sale of emission credits, to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs will be deferred into future years. TID has spent less than it has collected in AB-32 revenues and has recorded a regulatory credit of $2,374 at December 31, 2014 and 2015.

Unrealized Gain on Investments
TID defers unrealized holding gains and losses on its investments until such investments mature or are sold which is consistent with TID's rate setting process.

(in thousands of dollars)

10. Derivative Financial Instruments

TID enters into contracts for the purchase of electricity to meet the expected needs of its retail customers and for the purchase, transportation and storage of natural gas to meet its generation needs. TID also enters into hedging transactions to reduce the price volatility of some of these agreements. Many of these contracts are considered derivative financial instruments under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). For those contracts, substantially all of the electricity contracts and most of the gas related contracts qualify as normal purchases or normal sales under GASB 53 because TID takes or makes delivery under the related contract, and as a result, the contracts are not required to be recorded at fair value. The fair values of TID's derivative instruments that are not considered normal purchases or normal sales are as follows:

	December 31, 2015	December 31, 2014
Derivative financial instrument assets		
Gas related contracts	$ 214	$ 667
Electric related contracts	-	295
Total derivative financial instruments	214	962
Less: Current portion	(205)	(962)
	$ 9	$ -
Derivative financial instrument liabilities		
Gas related contracts	$ 243	$ -
Electric related contracts		47
Total derivative financial instruments	243	47
Less: Current portion	(210)	(47)
	$ 33	$ -

11. Retirement Plans

Plan Description and Benefits Provided

TID has a single-employer group defined benefit pension plan (the "Retirement Plan") which provides retirement benefits covering substantially all of its employees. Employees who have completed one year of continuous service can elect to participate in the plan, but are not required to. For participants that became eligible for the Retirement Plan prior to January 1, 2013 they may retire after age 55 with benefits based on compensation and years of service to actual retirement date. For those participants that become eligible on or after January 1, 2013 they may retire after age 52 with benefits based on compensation and years of service to actual retirement date. The Retirement Plan also provides death benefits for those participants having reached age 55 or 52 depending on when participants became eligible for the Retirement Plan.

(in thousands of dollars)

TID, through the action of its Board, may amend or establish Retirement Plan provisions. The Board has appointed third parties to carry out substantially all administrative responsibilities, including custody of the Retirement Plan assets and as a result, excludes the pension trust funds from these financial statements. The Retirement Plan is a governmental plan under section 414(d) of the Internal Revenue Code (IRC). Copies of the Retirement Plan's annual financial report may be obtained from TID's executive office at 333 East Canal Drive, Turlock, California 95381. The Retirement Plan's annual financial report is the responsibility of TID.

Summary of Significant Accounting Policies
For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan and additions to/deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Funding Policy
To participate in the Retirement Plan, employees who are not members of a bargaining unit and are eligible for the Retirement Plan are required to contribute 2.25% of their earnings and employees who are members of a bargaining unit are required to contribute 3.25% of their earnings. Employees hired or that become eligible after January 1, 2013 are required to contribute 50% of the normal cost rate of the plan rounded to the nearest quarter of 1% as actuarially determined annually. However, the contribution rate will only adjust when the normal cost rate of the plan increases or decreases by more than 1% of payroll. For December 31, 2015 and 2014 the contribution rate for employees hired or that became eligible after January 1, 2013 was 6.5% and 6.5%, respectively. Under the Retirement Plan provisions established by the Board, the Retirement Plan is to be funded in amounts equal to the normal costs of the Retirement Plan plus an amortization of the past service liability. Contributions made by the employees vest immediately. Contributions made by TID are fully vested after five years of participation. For the years ended December 31, 2015 and 2014, TID made contributions of $15.3 million and $46.6 million, which includes $1.1 million and $1.0 million of employee contributions, respectively.

Employees Covered by Benefit Terms
At December 31, 2015, the number of employees covered by the Retirement Plan was:

Inactive employees or beneficiaries currently receiving benefit payments	385
Inactive employees entitled to but not yet receiving benefit payments	83
Active Employees	412
	880

Net Pension Liability
TID's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of January 1, 2015 rolled forward on an actuarial basis.

(in thousands of dollars)

Actuarial Assumptions
The actuarial methods and assumptions used for the December 31, 2015 total pension liability are as follows:

- Investment rate of return applied to assets of 7.95%;
- Discount rate of 7.95%, net of pension plan investment expense, including inflation;
- Cost of living adjustment of 2.75%;
- Inflation of 2.75%; and
- Salary increases projected on a sliding schedule based on years of service, ranging from 3.25% down to 1.25%.

Mortality rates were based on the RP-2006 Blue Collar Mortality Tables with generational improvements beginning in 2006, based on the Social Security Administration's assumptions scale.

Given the size of the Retirement Plan, there is limited data available to conduct a credible experience study in all assumption areas. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. A limited experience study was performed in conjunction with the 2015 valuation.

Discount rate
The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(in thousands of dollars)

The long-term expected rate of return on Retirement Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Retirement Plan's target asset allocation as of December 31, 2015 are summarized in the following table:

Major Asset Classes	Target Allocation	Long-term Expected Real Rate of Return
Fixed income obligations and mutual funds	24.0%	3.25%
Domestic equities	38.0%	5.25%
International equities	26.0%	6.00%
Alternative assets/private equity	11.0%	6.50%
Cash	1.0%	1.00%
Total	100%	

Changes in Net Pension Liability
The changes in TID's net pension liability for the year ended December 31, 2015 are as follows:

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at January 1, 2015	$ 273,900	$ 220,099	$ 53,801
Changes for the year:			
Service cost	4,369	-	4,369
Interest cost	23,032	-	23,032
Difference between expected and actual experience	(1,910)	-	(1,910)
Change of assumption	2,630	-	2,630
Contributions-employer	-	14,167	(14,167)
Contributions-employee	-	1,112	(1,112)
Benefit payments	(14,606)	(14,606)	-
Investment income	-	(2,208)	2,208
Administrative expenses	-	(303)	303
Other changes	-	1	(1)
Net Changes	13,515	(1,837)	15,352
Balances at December 31, 2015	$ 287,415	$ 218,262	$ 69,153

(in thousands of dollars)

Since the prior measurement date of January 1, 2015, there have been changes of assumptions that affected the total pension liability. The changes of assumptions are summarized as follows:

Assumption	January 1, 2015	December 31, 2015
Investment rate of return	8.50%	7.95%
Discount rate	8.50%	7.95%
Cost of living adjustment	3.50%	2.75%
Inflation	3.50%	2.75%

In addition, the mortality table used in determining the pension liability was changed from the RP-2000 Healthy Male and Female Mortality Table at January 1, 2015 to the RP-2006 Blue Collar Mortality Table at December 31, 2015 and the assumed salary increase was changed from 4.50% at January 1, 2015 to a scale based on years of service at December 31, 2015.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability as of December 31, 2015, calculated using the discount rate of 7.95%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.95%) or 1-percentage-point higher (8.95%) than the current rate:

	1% Decrease (6.95%)	Current Discount Rate (7.95%)	1% Increase (8.95%)
Net Pension Liability	$ 108,883	$ 69,153	$ 36,222

Pension plan fiduciary net position

Detailed information about the Retirement Plan's fiduciary net position is available in the separately issued Retirement Plan financial statements.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the years ended December 31, 2015 and 2014, TID recognized pension expense of $12.1 million and $15.3 million, respectively.

At December 31, 2015, TID reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Summarized statement of net position	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,671
Changes of assumptions	2,301	-
Net difference between projected and actual earnings on pension plan investments	16,745	-
Total	$ 19,046	$ 1,671

(in thousands of dollars)

The balances as of December 31, 2015 of the deferred outflows/(inflows) of resources will be recognized in pension expense for each of the years ending December 31, as follows:

	Amount
2016	$ 4,276
2017	4,276
2018	4,276
2019	4,276
2020	90
Thereafter	180
	$ 17,374

Deferred Compensation Plan

TID offers its employees a deferred compensation plan (the “Deferred Plan”), which provides employees the option to defer part of their compensation until termination, retirement, death, or unforeseeable emergency. TID makes no contribution to the Deferred Plan. TID has the duty of reasonable care in the selection of investment alternatives, but neither TID nor its directors or officers have any liability for losses under the Deferred Plan. TID holds all deferred compensation assets in the name of the Deferred Plan, and accordingly, the Deferred Plan assets and corresponding liability are not recorded in the accounts of TID.

12. Other Post-Employment Benefits

TID provides post-retirement medical benefits in accordance with TID policy to qualified retirees and their spouses through TID’s Employee Health Care Plan (the “Health Plan”) until the retiree and participating spouse reach age 65. The Health Plan is a single-employer group, for which TID is the administrator and through which the action of its Board may amend or establish Health Plan provisions. The qualification requirements for these benefits are the same as those under TID’s Retirement Plan. The Board has appointed third parties to carry out certain administrative responsibilities. TID contributes the full cost of coverage for retirees; however, retirees contribute the estimated health care cost of dependents. At the time of retirement an employee may utilize the remaining balance of unused sick leave, at the rate defined in the employee’s applicable employee contract for one month’s medical coverage for an eligible dependent. Covered retirees are also responsible for personal deductibles and co-payments. Currently, 191 retirees and surviving dependents are receiving post-employment health care benefits.

TID participates in the CALPERS Pre-funding OPEB Plan, which is an irrevocable multi-employer trust and plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. To obtain a CALPERS Pre-funding Plan report contact CALPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95811.

TID follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions* (GASB 45), which establishes standards of accounting and financial reporting for OPEB expense and related OPEB liabilities or assets. OPEB arises from an exchange of salaries and benefits for employee services rendered. TID considers post-

(in thousands of dollars)

employment healthcare benefits to be OPEB costs. During 2015 and 2014, TID's post-retirement health care benefit contributions were $2,552 and $2,608, respectively, net of premiums received from retirees for eligible dependents.

Actuarial Methods and Assumptions
Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 the 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 value of assets.

In the most recent actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 7.28% investment rate of return per year, inflation rate of 2.75% per year, payroll increases of 3.25% per annum, in aggregate and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements to an ultimate rate of 5% after five years. Assets of the Health Plan, as of the latest actuarial report, were valued on a market value basis. Future gains and losses may be averaged over five years subject to certain restrictions. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll basis. The remaining amortization period in the latest actuary report was 21 years.

Annual OPEB Cost and Net OPEB Obligation
TID's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the years ended December 31, 2015 and 2014, TID's annual OPEB expense of $2,600 and $2,467, respectively, was equal to the ARC. The following table shows the components of TID's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in TID's net OPEB prepaid cost:

	2015	**2014**
Annual required contribution	$ 2,600	$ 2,467
Annual OPEB cost	2,600	2,467
Contributions made	2,552	2,608
(Increase)/Decrease in net OPEB prepaid cost	48	(141)
Net OPEB prepaid cost		
Beginning of year	(4,502)	(4,361)
End of year	$ (4,454)	$ (4,502)

(in thousands of dollars)

TID's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB prepaid cost for the years ended 2015, 2014 and 2013 is as follows:

	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Prepaid Cost
Fiscal Years Ended December 31,			
2015	$ 2,600	98 %	$ (4,454)
2014	2,467	106 %	(4,502)
2013	2,146	161 %	(4,361)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for such benefits. The 2015 schedule of funding progress is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2015	$ 13,168	$ 23,932	$ 10,764	55.0%	$ 37,171	29.0%

13. Commitments

Power Sales Agreement

TID supplies power and energy to Merced Irrigation District (MeID) under a negotiated contract that expires April 30, 2017. Under the agreement TID sells power on a full requirements basis to meet all the MeID energy and capacity requirements except as defined under the agreement. TID receives an energy payment in accordance with the formula defined in the agreement, based in part on the market price of energy in California. Under a separate interconnection agreement, TID is compensated for the use of its transmission system. Sales and services provided under the agreements totaled $25,404 and $32,204 in 2015 and 2014, respectively, and have been recorded in electric wholesale revenues within the statement of revenues, expenses and changes in net position.

Power Purchase Agreements

TID has two long-term power purchase agreements with other power producers to purchase capacity and associated energy to meet its load requirements, which expire through December 2024. Capacity and certain energy is purchased on a take-or-pay basis. Power purchased under these agreements totaled $19,031 and $21,833 in 2015 and 2014, respectively, and has been recorded in purchased power expense within the statement of revenues, expenses and changes in net position.

(in thousands of dollars)

City and County of San Francisco
TID and the City and County of San Francisco (CCSF) have a power sales agreement which allocates a share of excess Hetch Hetchy Project capacity and energy to TID through 2015. TID purchased $5,855 and $6,301 of power in 2015 and 2014, respectively, under the CCSF agreement which has been recorded in purchased power expense within the statement of revenues, expenses and changes in net position.

Gas Purchase Agreements
TID has three natural gas supply agreements with three counterparties to meet the consumption of its natural gas fired power plants. Each contract is with a different counterparty. The first contract obligates the fuel manager to supply all the natural gas required by TID's Walnut and Almond power plants (excluding the Almond 2 power plant) up to 27,000 million British Thermal Units (MMBtu) per day. This contract automatically renews for a 1 year term unless terminated by either party. The second contract obligates the fuel manager to supply all the natural gas required by the Walnut Energy Center up to 55,000 MMBtu per day. This contract expires on January 1, 2021. The third contract obligates the fuel manager to supply all the natural gas required by the Almond 2 power plant up to 50,400 MMBtu per day. This contract expires on January 1, 2018. All contracts allow for TID to purchase gas from parties other than the fuel manager and obligate the fuel manager to purchase TID's excess gas. All contracts provide for pre-determined index-based prices or a mutually agreed upon price. Fuel purchased under the three agreements totaled $36,683 and $56,401 in 2015 and 2014, respectively, and has been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position.

Gas Transportation Capacity and Storage Agreements
TID has nine long-term gas transportation capacity agreements and one long-term gas storage agreement with Canadian and U.S. companies to transport natural gas to TID's natural gas fired power plants from gas supply basins in Alberta, Canada. The gas transportation capacity agreements complement TID's gas purchase agreements, described above, but expire through 2033. Payments under these agreements totaled $3,640 and $3,812 in 2015 and 2014, respectively, and have been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position.

(in thousands of dollars)

The approximate future minimum obligations for the above described power purchase, gas supply, and gas transportation and storage contracts are as follows at December 31, 2015:

	Amount
2016	$ 26,522
2017	27,196
2018	27,555
2019	3,421
2020	3,322
Thereafter	39,337
	$ 127,353

Land Leases

TWPA has leases with nine land owners on which its turbines are located. The land owners are paid a fixed price per kilowatt-hour based on the output of the respective turbines. Each agreement is for 20 years with two 10-year renewal options. Total expense for the years ended December 31, 2015 and 2014 was $949 and $1,097, respectively, and has been recorded in generation and fuel expense within the statement of revenues, expenses and changes in net position. The annual lease expense under the remaining initial term of the land leases (based on average wind data for the last 10 years) is estimated as follows:

	Amount
2016	$ 1,154
2017	1,154
2018	1,154
2019	1,154
2020	1,154
Thereafter	10,809
	$ 16,579

14. Contingencies

General Contingencies

In the normal course of operations, TID is party to various claims, legal actions and complaints, including possible liability for environmental matters. Although the ultimate outcome of these matters is not presently determinable, TID's management believes the resolution of all such pending matters will not have a material adverse effect on TID's financial position.

Required Supplemental Information

Turlock Irrigation District
Required Supplemental Information - (Unaudited)
December 31, 2015 and 2014

(in thousands of dollars)

Schedule of Changes in Net Pension Liability and Related Ratios
The schedule of changes in net pension liability and related ratios is presented below for the year for which TID has the available data. Ultimately, this schedule will present 10 years of data.

	2015
Total pension liability	
Service cost	$ 4,369
Interest	23,032
Difference between expected and actual experience	(1,910)
Change of assumptions	2,630
Benefit payments	(14,606)
Net Change in total pension liability	13,515
Total pension liability-beginning	273,900
Total pension liability ending (a)	$ 287,415
Plan fiduciary net position	
Contributions-employer	$ 14,167
Contributions-employee	1,112
Investment income	(2,208)
Benefit payments	(14,606)
Administrative expenses	(303)
Other changes	1
Net change in fiduciary net position	(1,837)
Total fiduciary net positon-beginning	220,099
Total fiduciary net positon-ending (b)	$ 218,262
TID's net pension liability-ending (a)-(b)	$ 69,153
Plan fiduciary net position as a percentage of the total pension liability	75.94%
Covered-employee payroll	$ 33,349
Plan net pension liability as a percentage of covered-employee payroll	207.36%

(in thousands of dollars)

Notes to Schedule:
The change of assumptions is summarized as follows:

Assumption	January 1, 2015	December 31, 2015
Investment rate of return	8.50%	7.95%
Discount rate	8.50%	7.95%
Cost of living adjustment	3.50%	2.75%
Inflation	3.50%	2.75%

In addition, the mortality table was changed from the RP-2000 Healthy Male and Female Mortality Table on January 1, 2015 to the RP-2006 Blue Collar Mortality Table and salary increase were changed from 4.50% at January 1, 2015 to a scale based on years of service at December 31, 2015.

Schedule of Retirement Plan Contributions
The schedule of Retirement Plan Contributions for the last 10 years is presented below:

	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 11,863	$ 15,324	$ 14,417	$ 14,514	$ 12,340
Contributions in relation to the actuarially determined contribution	15,279	46,561	15,279	13,083	12,338
Contribution deficiency (excess)	(3,416)	(31,237)	(862)	1,431	2
Covered-employee payroll	33,349	31,643	33,824	34,218	33,960
Contributions as a percentage of covered-employee payroll	45.82%	147.14%	45.17%	38.23%	36.33%

	2010	2009	2008	2007	2006
Actuarially determined contribution	$ 10,756	$ 10,611	$ 6,332	$ 6,002	$ 6,005
Contributions in relation to the actuarially determined contribution	10,081	10,663	6,371	6,577	6,890
Contribution deficiency (excess)	675	(52)	(39)	(575)	(885)
Covered-employee payroll	33,878	32,705	30,327	27,728	25,508
Contributions as a percentage of covered-employee payroll	29.76%	32.60%	21.01%	23.72%	27.01%

Notes to Schedule
The actuarially determined contributions for 2015 and 2014 were determined by actuarial valuations using the frozen entry age actuarial cost method. The actuarial assumptions utilized for the January 1, 2015 and 2014 actuarial valuations were as follows:

- Investment rate of return applied to assets of 8.5% per year;
- Discount rate applied to the pension benefit obligation of 8.5% per year;
- Salary increases of 4.5% per year;

(in thousands of dollars)

- Inflation of 3.50%; and
- Cost of living adjustment of 3.5% per year.

For mortality assumptions, the RP-2000 Healthy Male and Female Mortality Tables were utilized projected to 2015 using projection table BB.

Realized and unrealized gains are phased in to the actuarial value of Retirement Plan assets over a three year period, and may be adjusted so that the actuarial value of Retirement Plan assets are not less than 80% or more than 120% of the fair market value of the Retirement Plan's assets as of the current valuation date. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll basis. The remaining amortization period in the latest actuary report was 15 years.

Schedule of Funding Progress for Other Post-Employment Benefits

As discussed in Note 12, the schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As participants in the CALPERS Pre-funding OPEB, TID is required to obtain an actuarial valuation every two years. The schedule of funding progress for the last three actuary valuations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2015	$ 13,168	$ 23,932	$ 10,764	55.0 %	$ 37,171	29.0 %
June 30, 2013	11,178	29,183	18,005	38.3 %	33,599	53.6 %
June 30, 2011	9,137	24,328	15,191	37.6 %	36,022	42.2 %