Report of Independent Auditors
and Financial Statements for

Intermountain Rural Electric Association

March 31, 2016 and 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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BOARD OF DIRECTORS AND CEO

NAME	TITLE	ADDRESS
Timothy L. White	President	Castle Rock, Colorado
Bruff Shea	Vice President	Franktown, Colorado
James C. Dozier	Secretary-Treasurer	Bailey, Colorado
James Anest	Assistant Secretary-Treasurer	Parker, Colorado
Robert Graf	Director	Centennial, Colorado
Michael Kempe	Director	Littleton, Colorado
Gene Sperry	Director	Woodland Park, Colorado
Patrick Mooney	Chief Executive Officer	Denver, Colorado

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Intermountain Rural Electric Association

Report on Financial Statements

We have audited the accompanying financial statements of Intermountain Rural Electric Association (the Association) which comprise the balance sheets as of March 31, 2016 and 2015, and the related statements of revenues and expenses, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

REPORT OF INDEPENDENT AUDITORS (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intermountain Rural Electric Association as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Portland, Oregon
July 5, 2016

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INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
BALANCE SHEETS

ASSETS

	March 31, 2016	March 31, 2015
ELECTRIC PLANT		
Plant in service	$ 1,226,207,478	$ 1,191,915,013
Less accumulated depreciation	(270,690,953)	(245,388,206)
Net plant in service	955,516,525	946,526,807
Construction work in progress	28,090,910	18,565,975
Net utility plant	983,607,435	965,092,782
INVESTMENTS AND OTHER ASSETS	28,414,448	27,069,681
CURRENT ASSETS		
Cash and cash equivalents	2,769,057	11,013,598
Receivables (less provision for uncollectible accounts of $358,327 and $799,321 in 2016 and 2015, respectively)	10,445,238	9,798,896
Unbilled revenue	15,493,220	14,200,215
Materials and supplies	2,377,534	2,393,859
Prepayments and other current assets	2,422,489	2,407,026
Total current assets	33,507,538	39,813,594
DEFERRED DEBITS	9,468,896	11,200,679
Total assets	$ 1,054,998,317	$ 1,043,176,736

See accompanying notes.

LIABILITIES AND CAPITAL

	March 31, 2016	March 31, 2015
CAPITAL EQUITIES		
Memberships	$ 667,995	$ 658,700
Patronage capital	256,575,376	237,748,828
Other equities	9,867,034	8,476,940
Other comprehensive loss	(855,075)	(7,137,829)
Total	266,255,330	239,746,639
LONG-TERM LIABILITIES	702,600,700	724,056,846
OTHER LONG-TERM OBLIGATIONS	15,046,022	19,648,995
CURRENT LIABILITIES		
Current maturities of long-term debt	15,149,708	12,066,113
Current advance on line of credit	7,000,000	-
Accounts payable	17,294,640	13,564,199
Accrued expenses	5,205,393	6,382,042
Accrued taxes	17,284,135	17,436,552
Customer deposits	2,504,557	2,917,861
Total	64,438,433	52,366,767
DEFERRED CREDITS	6,657,832	7,357,489
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
Total liabilities and capital	$ 1,054,998,317	$ 1,043,176,736

See accompanying notes.

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
STATEMENTS OF REVENUES AND EXPENSES

	Years Ended March 31, 2016	2015
OPERATING REVENUE		
Electric energy revenue	$ 279,823,862	$ 270,163,858
Miscellaneous electric revenue	2,724,581	2,382,777
Total operating revenue	282,548,443	272,546,635
OPERATING EXPENSES		
Cost of power purchased	91,645,009	88,801,944
Power production expense	26,756,704	28,279,617
Maintenance of transmission plant	1,280,464	1,635,692
Operating expenses - distribution	5,475,565	5,947,068
Maintenance of distribution plant	12,690,399	12,209,775
Accounting and collection expenses	7,143,731	7,252,380
Other customer expenses	843,544	856,237
Administrative and general	13,334,538	11,311,524
Depreciation	33,040,210	30,366,275
Regulatory liability expense	6,624,238	2,790,445
Taxes	11,605,755	12,075,297
Total operating expenses	210,440,157	201,526,254
Electric operating margin	72,108,286	71,020,381
Less: Interest on long-term debt	43,877,305	44,905,876
Operating margin before capital credits	28,230,981	26,114,505
Capital credits	3,988,099	4,127,316
Operating margin	32,219,080	30,241,821
Interest revenue	212,854	346,697
Other revenue (expense)	67,056	(372,145)
Nonoperating margin	279,910	(25,448)
NET MARGIN	$ 32,498,990	$ 30,216,373

 See accompanying notes.

	Years Ended March 31, 2016	Years Ended March 31, 2015
Memberships		
Balance at April 1,	$ 658,700	$ 646,325
Additions	9,295	12,375
Balance at March 31,	667,995	658,700
Patronage capital		
Balance at April 1,	237,748,828	220,871,049
Transfer of net margins	32,498,990	30,216,373
Retirement of capital credits, net	(13,672,442)	(13,338,594)
Balance at March 31,	256,575,376	237,748,828
Other equity		
Balance at April 1,	8,476,940	7,134,739
Additions	1,390,094	1,342,201
Balance at March 31,	9,867,034	8,476,940
Other comprehensive loss		
Balance at April 1,	(7,137,829)	(3,683,203)
Unrealized gain on investments	16,238	10,118
Unrealized gain/(loss) on pension benefits	1,364,245	(2,751,235)
Unrealized gain/(loss) on FASB ASC 715 other benefits	4,902,271	(713,509)
Balance at March 31,	(855,075)	(7,137,829)
Total equities and margins	$ 266,255,330	$ 239,746,639

See accompanying notes.

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	$ 32,498,990	$ 30,216,373
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	33,040,210	30,366,275
Depreciation charged to clearing	420,173	299,425
Amortization of deferred power costs	1,000,331	1,000,331
Amortization of refinance fee	45,126	-
Accretion of asset retirement obligation	264,184	251,888
Patronage capital credits assigned by associated organizations	(3,988,099)	(4,127,316)
Decrease (increase) in		
Receivables, net	(646,342)	(1,614,819)
Unbilled revenue	(1,293,005)	(81,911)
Prepayments and other current assets	14,929	(186,711)
Other deferred debits	731,452	(1,849,964)
Increase (decrease) in		
Accounts payable	3,730,441	(3,679,780)
Accrued liabilities	(1,329,066)	(538,177)
Customer deposits	(413,304)	1,745,497
Other deferred credits	(64,823)	(255,239)
Net change in pension benefits	505,601	8,644
Net change in postretirement benefits	893,758	988,177
Net cash provided by operating activities	65,410,556	52,542,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant, net	(51,975,036)	(45,207,371)
Increase in materials and supplies	16,325	13,011
Decrease in nonutility property	10,305	9,970
(Increase) decrease in marketable securities	(2,889)	22,290
Capital credits redeemed	2,652,154	2,734,691
Net cash used in investing activities	(49,299,141)	(42,427,409)

See accompanying notes.

	Years Ended March 31, 2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (12,057,656)	$ (9,803,082)
Payments on debt refinance fee	(6,390,413)	-
Line of credit activity, net	7,000,000	-
Capital refunds to members	(12,291,197)	(11,996,722)
Customer advances for construction, net	(634,834)	157,845
Increase in other capital	18,144	12,704
Net cash used in financing activities	(24,355,956)	(21,629,255)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,244,541)	(11,513,971)
CASH AND CASH EQUIVALENTS – beginning of year	11,013,598	22,527,569
CASH AND CASH EQUIVALENTS – end of year	$ 2,769,057	$ 11,013,598
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 43,704,539	$ 45,071,909

See accompanying notes.

Note 1 – Nature of Organization and Operations

Intermountain Rural Electric Association (the Association or IREA) is a Colorado cooperative engaged in the distribution and sale of electric energy to its members in a 5,000 square mile service territory located within the Denver area. The accompanying financial statements reflect the financial position and results of operations for the Association. The Association's headquarters is located in Sedalia, Colorado.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to regulated enterprises, which conform to policies prescribed by the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts – Electric.

Electric plant and depreciation – Electric plant assets are stated at cost (see Note 3). Cost includes contracted services, direct labor and materials, interest capitalized during construction on the generation assets, and indirect charges. Contributions in aid of construction reduce additions to the electric plant. The provision for depreciation is determined by the straight-line method over estimated useful asset lives (as specified by FERC for electric plant) ranging from four to sixty years.

Maintenance of the plant is charged to expense as incurred. For electric plant, the actual or average cost of property replaced or renewed is removed from electric plant and such cost plus removal cost less salvage is charged to accumulated depreciation.

Management assesses impairment and the existence of asset retirement obligations annually and as circumstances warrant.

Investments – Investments are carried at cost, which approximates fair value, plus capital credits allocated and not retired (see Note 4). The Association's investments in marketable securities are classified by management as available-for-sale and are reported at fair value. Unrealized gains and losses are reported as other comprehensive income and a separate component of equity. The cost of available-for-sale securities sold is determined based on average cost.

Cash equivalents – The Association considers short-term investments, except temporary investments, with original maturities of three months or less to be cash equivalents.

Accounts receivable – Accounts receivable are recorded when invoices are issued and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on historical losses, review of specific problem accounts, existing economic conditions, and the financial stability of customers. Generally, accounts receivable are considered past due after 30 days.

Note 2 – Summary of Significant Accounting Policies (continued)

Fair value of financial instruments – Financial instruments include cash, investments and long-term debt. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations.

The Association has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Materials and supplies – Materials and supplies consist primarily of items for construction and maintenance of the electric plant and are stated at average cost.

Deferred debits and credits – Deferred debits and credits consist of deferrals in accordance with Generally Accepted Accounting Principles and regulatory assets and liabilities. Due to regulation of its rates by its Board, the Association is subject to regulatory accounting requirements. Accordingly, certain costs and income may be deferred as a regulatory asset or liability that would otherwise be charged to expenses or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery (see Note 5 and Note 9).

Income taxes – The Association is exempt from income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code. The Cooperative adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. As of March 31, 2016 and 2015, the Association does not have any uncertain tax positions. The Association files an exempt organization tax return in the U.S. federal jurisdiction.

Patronage capital – Margins are assigned to individual Association members' capital credit accounts based upon their share of payments of electric service provided by the Association during the year. Amounts are assigned to members immediately after year end. Non-operating margins are allocated to members at the discretion of the Board of Directors. Capital credits are returned to members in accordance with the Association's bylaws.

Revenue recognition and unbilled revenue – The Association utilizes cycle billing and records revenue billed to its customers when the meters are read each month. In addition, the Association records unbilled revenue for electric power delivered but not yet billed monthly.

Other comprehensive income (loss) – Accounting principles generally require that recognized revenue, expense, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale marketable securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Marketing expense – Marketing costs are expensed as incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

Postretirement benefits – The Association reports the current economic status (the overfunded or underfunded status) of the plan in its balance sheet and measures the plan assets and plan obligations as of the balance sheet date based upon an actuarial analysis (see Note 8).

Accrued vacation – The Association accrues accumulated unpaid vacation as the obligation is incurred and accumulated unpaid vacation is included in "Accrued expenses".

Concentration of credit risk – Financial instruments that are exposed to concentrations of credit risk consist primarily of cash, including temporary investments and receivables.

Credit is extended to customers generally without collateral requirements; however, deposits are obtained from certain customers and formal shut-off procedures are in place.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation and postretirement benefit obligation. Actual results could differ from those estimates.

Assets pledged – Substantially all assets are pledged as security for long-term debt to the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB.

Subsequent events – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Association has evaluated subsequent events through July 5, 2016, the date the financial statements were available to be issued. Please see Note 11 for related disclosures.

Note 3 – Electric Plant

Electric plant consists of the following as of March 31:

	2016	2015
Distribution plant	$ 691,353,241	$ 671,118,639
Generation plant	393,724,958	389,487,224
Transmission plant	68,545,440	67,501,845
General plant	68,247,864	59,471,330
Generation asset retirement obligation	4,319,021	4,319,021
Intangible plant	16,954	16,954
Plant in service	$ 1,226,207,478	$ 1,191,915,013
Construction work in progress – distribution	$ 27,748,025	$ 16,990,407
Construction work in progress – Comanche III generation	342,885	1,575,568
Construction work in progress	$ 28,090,910	$ 18,565,975

Provision has been made for depreciation of generation plant on a straight-line composite rate of 1.895%. Provision has been made for depreciation of transmission and distribution plant on a straight-line composite rate of 2.75%. General plant depreciation rates have been applied on a straight-line basis at rates which will depreciate the assets over their estimated useful lives.

Note 4 – Investments and Other Assets

The Association is a member of various cooperatives and associations. Patronage capital from associated organizations is recorded at the stated amount of the certificates. Patronage capital will be returned to the Association based upon the respective entities' bylaws subject to certain restrictions and financial health.

Investments consist of the following as of March 31:

	2016	2015
Equities in other organizations, at cost	$ 23,743,645	$ 22,407,700
Xcel Energy operating deposit	4,298,000	4,298,000
Nonutility property net	246,533	256,838
Investment in marketable securities	126,270	107,143
Total	$ 28,414,448	$ 27,069,681

Note 4 – Investments and Other Assets (continued)

Equities in other organizations at March 31 were as follows:

	2016	2015
NRUCFC, Herndon, Virginia:		
Capital credits	$ 9,439,423	$ 8,795,305
Zero term certificates, maturing through 2038	4,276,308	4,276,308
Capital term certificates, 5.00% maturing through 2080	2,036,677	2,036,677
Loan term certificates, 3.00% maturing through 2030	909,200	909,200
Membership	1,000	1,000
CoBank, ACB:		
Capital credits	6,993,913	6,326,239
Membership	1,000	1,000
Other organizations	86,124	61,971
Total	$ 23,743,645	$ 22,407,700

The Association's investments in marketable securities are presented at fair value, and fall within the Level 1 fair value hierarchy as of March 31, 2016 and 2015. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Note 5 – Deferred Debits

As part of the resolution of the Colo-Ute bankruptcy and transfer of the power contract to Public Service Company of Colorado (PSCo), the Association paid $17,640,000 to the Trustee in consideration of its Wholesale Power Contract with Colo-Ute and the ability to benefit from certain Western Area Power Administration power allocations and a favorable long-term power supply contract with PSCo. The Association is amortizing this deferral under the provisions of FASB ASC 980 over a 25 year period. $705,600 was amortized for the years ended March 31, 2016 and 2015. Accumulated amortization as of March 31, 2016 and 2015 was $16,934,400 and $16,228,800, respectively. The amortization period ends on March 31, 2017.

Terminal facilities represent the cost of substation high-side equipment that was transferred to Public Service Company during the years 2000 to 2008. The Association is amortizing this deferral under the provisions of FASB ASC 980 over the expected life of this equipment. $294,730 was amortized for the years ended March 31, 2016 and 2015.

Note 5 – Deferred Debits (continued)

Deferred debits at March 31 were as follows:

	2016	2015
Terminal facilities	$ 7,245,120	$ 7,539,850
Regulatory asset	791,154	1,837,812
PSCo deferred power costs	705,600	1,411,200
Long-range study	326,042	81,601
Miscellaneous	224,099	143,001
Retired employee life/long term care insurance	176,881	187,215
Total	$ 9,468,896	$ 11,200,679

Note 6 – Long-Term Liabilities

Lien accommodations have been executed with CFC and CoBank. Long-term debt is represented by mortgage notes payable to CFC and CoBank. The agreements contain certain financial and non-financial covenants. Following is a summary of outstanding long-term debt as of March 31:

	2016	2015
NRUCFC		
5.35% notes bullet maturing 2031	$ 15,000,000	$ 15,000,000
5.35% notes bullet maturing 2032	-	25,000,000
2.85% to 7.35% notes bullet maturing 2033	150,390,301	180,390,301
2.90% notes bullet maturing 2034	-	5,000,000
6.00% to 6.05% notes bullet maturing 2038	-	40,000,000
4.95% to 5.10% notes, maturing 2038	40,000,000	-
2.90% to 4.90% notes, maturing 2041	60,000,000	-
CoBank		
4.28% to 6.537% distribution construction loans maturing 2029	75,209,023	78,458,088
6.651% to 6.756% generation loans maturing through 2039	335,314,366	341,091,354
3.25% to 5.046% distribution construction loans maturing through 2027	48,151,612	51,183,216
Subtotal	724,065,302	736,122,959
Less: current maturities	15,149,708	12,066,113
Less: conversion option fee	6,314,894	-
Total	$ 702,600,700	$ 724,056,846

On March 1, 2016, the Association entered into new loan agreements with NRUCFC to restructure the existing bullet notes into amortizing debt. Also on March 1, 2016, $90 million of NRUCFC notes where repriced to lower interest rates. A $6.4 million conversion fee was incurred to reprice these notes and was recorded as contra-debt in accordance with ASU 2015-03 and ASC 835. There were no unadvanced loan funds for distribution construction available to the Association on loan commitments with CoBank or CFC as of the audit date.

Note 6 – Long-Term Liabilities (continued)

Maturities of long-term debt for the next five fiscal years and thereafter are as follows:

2017	$ 15,149,708
2018	16,221,147
2019	17,274,548
2020	18,397,364
2021	20,686,325
Thereafter	636,336,210
	$ 724,065,302

Note 7 – Line of Credit

The Association has two $30 million general lines of credit, one with CFC and one with CoBank. As of March 31 2016, no funds had been advanced on the CFC line of credit and $7,000,000 had been advanced on the CoBank line of credit.

Note 8 – Other Long-Term Obligations

At March 31, other long-term obligations were as follows:

	2016	2015
Pension plan obligations	$ 4,483,173	$ 5,341,817
Postretirement benefit obligations	4,886,531	8,895,044
Asset retirement obligations	5,676,318	5,412,134
Total	$ 15,046,022	$ 19,648,995

The Association has three noncontributory defined benefit pension plans that, in total, cover substantially all employees. The plans provide defined benefits based on years of service and compensation rates near retirement.

The Association has a post retirement plan for employees, which provides health insurance and long-term care insurance after retirement. The health care plan is contributory with participants' contributions adjusted annually. The long-term care plan is purchased at retirement and participants make yearly contributions toward the cost. The Association will pay up to one-half of the retiree and dependent premiums for any retiree based on the following formula:

Ten percent vesting per year beginning at age 55, times the number of service years, times .01677.

Note 8 – Other Long-Term Obligations (continued)

The Association adopted the recognition and disclosure requirements of FASB ASC 715 as of March 31, 2009. FASB ASC 715 requires recognition of the funded status of postretirement benefits on the balance sheet, on a prospective basis. The change in the liability for postretirement benefits is recorded as an adjustment to Other Comprehensive Loss.

The Association uses a December 31 measurement date for its pension plans. The following disclosure reflects the obligation and funded status as of March 31:

Obligation and Funded Status

	Pension Benefits		FASB ASC 715 – Other Benefits	
	2016	2015	2016	2015
Benefit obligation	$ (17,122,201)	$ (17,430,768)	$ (6,556,130)	$ (10,605,613)
Fair value of plan assets	12,639,028	12,088,951	1,669,599	1,710,569
Funded status	(4,483,173)	(5,341,817)	(4,886,531)	(8,895,044)
Unrecognized loss (gain)	3,759,186	5,123,431	(2,846,075)	2,056,196
Net amount recognized	$ (723,987)	$ (218,386)	$ (7,732,606)	$ (6,838,848)

	Pension Benefits		FASB ASC 715 – Other Benefits	
	2016	2015	2016	2015
Weighted average assumptions				
Discount rate	4.13%	3.79%	4.40%	4.03%
Expected return on plan assets	N/A	N/A	4.00%	4.00%
Rate of compensation increase	3.75%	4.00%	N/A	N/A
Net periodic benefit cost	$ 1,204,661	$ 855,811	$ 3,978,761	$ (1,745,180)
Employer and employee contributions	786,270	738,789	-	-
Benefits paid	411,404	531,815	93,011	88,158

For measurement purposes a 6.6% annual rate of increase, declining to a 4.4% ultimate trend rate of increase in the cost per capita of covered health care benefits was assumed.

The Association also has two fully insured pension funds. Total pension costs for the plans for the years ended March 31, 2016 and 2015 amounted to $3,072,109 and $2,757,074, respectively.

The Association has a 401(k) savings plan for employees. Employer contributions for the years ended March 31, 2016 and 2015 amounted to $645,464 and $615,921, respectively.

Note 8– Other Long-Term Obligations (continued)

Plan Assets

Weighted average asset allocations, by asset category:

	Pension Benefits		FASB ASC 715 – Other Benefits	
	2016	2015	2016	2015
Equity securities	66%	65%	17%	18%
Insurance company general account	34%	35%	N/A	N/A
Money market funds	N/A	N/A	83%	82%
Total	100%	100%	100%	100%

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Benefits	FASB ASC 715 – Other Benefits
2016	$ 851,989	$ 98,853
2017	623,705	108,438
2018	929,320	126,383
2019	1,100,574	151,646
2019	103,505	177,429
Years 2021–2025	5,229,831	1,258,412

Asset Retirement Obligations

During 2010, construction was completed on the Comanche III generating facility. As of the date of completion, the Association became legally obligated to share in the costs to dismantle and remove Comanche III at the termination of its estimated useful life of 60 years. Accordingly, a liability was established equal to the present value of the Association's obligation, and the carrying amount of Comanche III was increased by the same amount. This liability has increased by applying the interest method of accretion to the liability and the capitalized costs have been depreciated over the useful life of 60 years.

Note 8 – Other Long-Term Obligations (continued)

The following is a reconciliation of the aggregate retirement liability associated with the Association's obligation to dismantle and remove Comanche III:

Balance – March 31, 2014	$ 5,160,246
Increase in the present value of the obligation (accretion)	251,888
Balance – March 31, 2015	5,412,134
Increase in the present value of the obligation (accretion)	264,184
Balance – March 31, 2016	$ 5,676,318

Note 9 – Deferred Credits

A regulatory balancing account was authorized by the Association's Board of Directors to normalize the costs related to the three year cyclical maintenance outages planned for Comanche III. The regulatory balance has been established under the provisions of FASB ASC 980. The Association will recover the outage costs through consumer rates.

At March 31, deferred credits were as follows:

	2016	2015
Customers' advances for construction	$ 4,008,164	$ 4,642,998
Customers' energy prepayments	1,409,902	1,265,701
Deferred installation costs of special equipment	1,165,793	1,376,544
Unamortized joint use income	73,973	72,246
Total	$ 6,657,832	$ 7,357,489

Note 10 – Commitments and Contingencies

The Association is a joint owner with Public Service Company of Colorado and Holy Cross Energy in Comanche III, a supercritical coal-fired generating facility. Comanche III achieved commercial operation on July 6, 2010. The Association's ownership percentage is 25 1/3%. The Association is obligated to fund its percentage ownership share of the operating and maintenance costs of the plant and is entitled to that share of the plant's generation. The plant was designed to produce 750 MW and is rated at or above that level.

Note 10 – Commitments and Contingencies (continued)

The Association entered into an interconnection agreement and a power purchase agreement with Victory Solar LLC, owners of a solar power generating facility. The Association is obligated to purchase 2,447 MWh per MC AC during the first year of the agreement and that amount reduced annually by 12 MWh per MC AC until the contract ends in 2041. The facility will be designed to produce no less than 11 MW AC and no more than 13.2MW AC.

Note 11 – Subsequent Events

On April 12, 2016, the Association entered into a loan agreement with CoBank for $15 million. This loan has a fixed rate of 3.53% and will mature in 2041. Approximately $285,000 of principal will be due on this loan during fiscal 2017.

On May 1, 2016, $120.4 million in NRUCFC notes began amortization in accordance with the new loan agreements as described in Note 6. Approximately $2.1 million of principal on these notes will be due during fiscal 2017.

On May 1, 2016, the fixed to maturity interest rate on $85.6 million of NRUCFC restructured debt was reduced from 7.35% to 6.85%. A conversion fee of $7.35 million was accessed on this repricing and will be recorded as contra-debt in accordance with ASU 2015-03 and ASC 835.