Report of Independent Auditors
and Financial Statements for

Intermountain Rural Electric Association

March 31, 2017 and 2016

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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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, 2017 and 2016, and the related statements of operations and comprehensive income (loss), 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, 2017 and 2016, 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
June 22, 2017

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INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
BALANCE SHEETS

ASSETS

	March 31, 2017	March 31, 2016
ELECTRIC PLANT		
Plant in service	$ 1,263,041,384	$ 1,226,207,478
Less accumulated depreciation	(294,602,803)	(270,690,953)
Net plant in service	968,438,581	955,516,525
Construction work in progress	37,449,227	28,090,910
Net utility plant	1,005,887,808	983,607,435
INVESTMENTS AND OTHER ASSETS	25,430,761	24,116,448
CURRENT ASSETS		
Cash and cash equivalents	2,577,440	2,769,057
Receivables (less provision for uncollectible accounts of $383,032 and $358,327 in 2017 and 2016, respectively)	11,448,227	10,445,238
Unbilled revenue	15,241,765	15,493,220
Materials and supplies	2,489,329	2,377,534
Prepayments and other current assets	2,668,343	2,422,489
Total current assets	34,425,104	33,507,538
DEFERRED DEBITS	11,876,867	13,766,896
Total assets	$ 1,077,620,540	$ 1,054,998,317

See accompanying notes.

LIABILITIES AND CAPITAL

	March 31, 2017	March 31, 2016
CAPITAL EQUITIES		
Memberships	$ 680,245	$ 667,995
Patronage capital	278,159,735	256,575,376
Other equities	11,646,997	9,867,034
Other comprehensive loss	(1,312,747)	(855,075)
Total	289,174,230	266,255,330
LONG-TERM LIABILITIES	690,437,592	702,600,700
OTHER LONG-TERM OBLIGATIONS	16,036,676	15,046,022
CURRENT LIABILITIES		
Current maturities of long-term debt	19,106,121	15,149,708
Current advance on line of credit	10,000,000	7,000,000
Accounts payable	17,874,700	17,294,640
Accrued expenses	6,098,120	5,205,393
Accrued taxes	17,489,484	17,284,135
Customer deposits	2,668,640	2,504,557
Total	73,237,065	64,438,433
DEFERRED CREDITS	8,734,977	6,657,832
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
Total liabilities and capital	$ 1,077,620,540	$ 1,054,998,317

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Years Ended March 31, 2017	2016
OPERATING REVENUE		
Electric energy revenue	$ 283,621,421	$ 279,823,862
Miscellaneous electric revenue	2,891,616	2,724,581
Total operating revenue	286,513,037	282,548,443
OPERATING EXPENSES		
Cost of power purchased	88,582,558	91,645,009
Power production expense	31,565,939	26,756,704
Maintenance of transmission plant	1,241,519	1,280,464
Operating expenses - distribution	5,919,095	5,475,565
Maintenance of distribution plant	12,505,508	12,690,399
Accounting and collection expenses	7,277,704	7,143,731
Other customer expenses	622,170	843,544
Administrative and general	14,009,397	13,334,538
Depreciation	34,055,291	33,040,210
Regulatory liability expense	3,531,036	6,624,238
Taxes	11,893,518	11,605,755
Total operating expenses	211,203,735	210,440,157
Electric operating margin	75,309,302	72,108,286
Less: Interest on long-term debt	42,992,865	43,877,305
Operating margin before capital credits	32,316,437	28,230,981
Capital credits	3,922,848	3,988,099
Operating margin	36,239,285	32,219,080
Interest revenue	386,550	212,854
Other revenue	178,221	67,056
Nonoperating margin	564,771	279,910
NET MARGIN	36,804,056	32,498,990
Comprehensive income (loss)	(457,672)	6,282,754
COMPREHENSIVE INCOME	$ 36,346,384	$ 38,781,744

See accompanying notes.

	Years Ended March 31, 2017	2016
Memberships		
Balance at April 1,	$ 667,995	$ 658,700
Additions	12,250	9,295
Balance at March 31,	680,245	667,995
Patronage capital		
Balance at April 1,	256,575,376	237,748,828
Transfer of net margins	36,804,056	32,498,990
Retirement of capital credits, net	(15,219,697)	(13,672,442)
Balance at March 31,	278,159,735	256,575,376
Other equity		
Balance at April 1,	9,867,034	8,476,940
Additions	1,779,963	1,390,094
Balance at March 31,	11,646,997	9,867,034
Other comprehensive loss		
Balance at April 1,	(855,075)	(7,137,829)
Unrealized gain on investments	5,935	16,238
Unrealized (loss)/gain on pension benefits	(295,223)	1,364,245
Unrealized (loss)/gain on FASB ASC 715 other benefits	(168,384)	4,902,271
Balance at March 31,	(1,312,747)	(855,075)
Total equities and margins	$ 289,174,230	$ 266,255,330

See accompanying notes.

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	$ 36,804,056	$ 32,498,990
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	34,055,291	33,040,210
Depreciation charged to clearing	450,907	420,173
Amortization of deferred power costs	1,000,331	1,000,331
Amortization of refinance fee	868,836	45,126
Accretion of asset retirement obligation	277,081	264,184
Patronage capital credits assigned by associated organizations	(3,922,848)	(3,988,099)
Decrease (increase) in		
Receivables, net	(1,002,989)	(646,342)
Unbilled revenue	251,455	(1,293,005)
Prepayments and other current assets	(245,854)	14,929
Other deferred debits	889,698	731,452
Increase (decrease) in		
Accounts payable	580,060	3,730,441
Accrued liabilities	1,098,076	(1,329,066)
Customer deposits	164,083	(413,304)
Other deferred credits	2,749,269	(64,823)
Net change in pension benefits	(73,269)	505,601
Net change in postretirement benefits	323,235	893,758
Net cash provided by operating activities	74,267,418	65,410,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant, net	(56,786,571)	(51,975,036)
(Decrease) increase in materials and supplies	(111,795)	16,325
Decrease in nonutility property	10,305	10,305
Increase in marketable securities	(3,072)	(2,889)
Capital credits redeemed	2,607,237	2,652,154
Net cash used in investing activities	(54,283,896)	(49,299,141)

See accompanying notes.

	Years Ended March 31, 2017	Years Ended March 31, 2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings on long-term debt	$ 15,000,000	$ -
Payments on long-term debt	(16,723,950)	(12,057,656)
Payments on debt refinance fee	(7,351,581)	(6,390,413)
Line of credit borrowings	3,000,000	7,000,000
Capital refunds to members	(13,444,033)	(12,291,197)
Customer advances for construction, net	(672,124)	(634,834)
Increase in other capital	16,549	18,144
Net cash used in financing activities	(20,175,139)	(24,355,956)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(191,617)	(8,244,541)
CASH AND CASH EQUIVALENTS – beginning of year	2,769,057	11,013,598
CASH AND CASH EQUIVALENTS – end of year	$ 2,577,440	$ 2,769,057
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 42,143,143	$ 43,704,539

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. The association currently reports using a March 31 fiscal year end.

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 in associated organizations are carried at cost, 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 and cash equivalents – The Association considers short-term investments, except temporary investments, with original maturities of three months or less to be cash equivalents.

Receivables – Receivables 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, receivables are considered past due after 30 days.

Note 2 – Summary of Significant Accounting Policies (continued)

Fair value of financial instruments – Financial instruments include cash, and investments. 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, which includes 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, 2017 and 2016, 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 energy usage and 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 margins, are components of comprehensive income (loss).

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 pension and postretirement benefit obligations. 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.

Reclassifications – Prior period financial statement amounts have been reclassified to conform with current period presentation.

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 June 22, 2017, the date the financial statements were available to be issued.

Note 3 – Electric Plant

Electric plant consists of the following as of March 31:

	2017	2016
Distribution plant	$ 721,783,690	$ 691,353,241
Generation plant	394,161,287	393,724,958
Transmission plant	70,445,619	68,545,440
General plant	72,314,813	68,247,864
Generation asset retirement obligation	4,319,021	4,319,021
Intangible plant	16,954	16,954
Plant in service	$ 1,263,041,384	$ 1,226,207,478
Construction work in progress – distribution and general	$ 36,090,156	$ 27,748,025
Construction work in progress – Comanche III generation	1,359,071	342,885
Construction work in progress	$ 37,449,227	$ 28,090,910

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:

	2017	2016
Investment in associated organizations, at cost	$ 25,059,256	$ 23,743,645
Nonutility property, net	236,228	246,533
Investment in marketable securities	135,277	126,270
Total	$ 25,430,761	$ 24,116,448

Note 4 – Investments and Other Assets (continued)

Equities in other organizations at March 31 were as follows:

	2017	2016
NRUCFC, Herndon, Virginia:		
Capital credits	$ 10,066,652	$ 9,439,423
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	7,651,809	6,993,913
Membership	1,000	1,000
Other organizations	116,610	86,124
Total	$ 25,059,256	$ 23,743,645

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, 2017 and 2016. 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, 2017 and 2016. Accumulated amortization as of March 31, 2017 and 2016 was $17,640,000 and $16,934,400, respectively. The amortization period ended 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, 2017 and 2016.

Note 5 – Deferred Debits (continued)

Deferred debits at March 31 were as follows:

	2017	2016
Terminal facilities	$ 6,950,389	$ 7,245,120
Xcel Energy operating deposit	4,298,000	4,298,000
Regulatory asset	-	791,154
PSCo deferred power costs	-	705,600
Long-range study	350,299	326,042
Miscellaneous	85,950	224,099
Retired employee life/long term care insurance	192,229	176,881
Total	$ 11,876,867	$ 13,766,896

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:

	2017	2016
NRUCFC		
2.90% to 6.85% notes, maturing 2038	$ 38,993,265	$ 40,000,000
2.90% to 4.90% notes, maturing 2041	208,026,620	210,390,301
2.50% to 4.65% notes, maturing 2042	14,798,637	15,000,000
CoBank		
4.28% to 6.537% distribution construction loans maturing 2029	71,726,485	75,209,023
6.651% to 6.756% generation loans maturing through 2039	329,152,621	335,314,366
3.25% to 5.046% distribution construction loans maturing through 2027	44,913,038	48,151,612
3.53%, notes maturing 2041	14,730,687	-
Subtotal	722,341,353	724,065,302
Less: current maturities	19,106,121	15,149,708
Less: conversion option fee	12,797,640	6,314,894
Total	$ 690,437,592	$ 702,600,700

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 were repriced to lower interest rates and again, $85.6 million on April 29, 2016. Conversion fees of $6.4 million and $7.4 million were incurred in March and April 2016 to reprice these notes and were recorded as contra-debt in accordance with ASU 2015-03 and ASC 835.

Note 6 – Long-Term Liabilities (continued)

There were no unadvanced loan funds for distribution construction available to the Association on loan commitments with CoBank or CFC as of year-end. On April 29, 2016, the Association entered into a new loan agreement with CoBank for $15 million. This loan has a fixed rate of 3.5% and will mature in 2041.

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

2018	$ 19,106,121
2019	20,644,131
2020	22,605,046
2021	24,124,810
2022	25,644,448
Thereafter	610,216,797
	$ 722,341,353

Note 7 – Line of Credit

The Association has three general lines of credit at variable interest rates, one with CoBank in the amount of $30,000,000, and two with CFC (a Guaranteed line of credit in the amount of $10,000,000, and As Offered line of credit in the amount of $20,000,000). The CoBank line has a maturity date of October 31, 2017, and the CFC lines have a maturity date of July 31, 2017, with yearly automatic renewals thereafter, unless terminated by either party. As of March 31, 2017, no funds had been advanced on the CoBank line of credit or the CFC – Guaranteed line of credit, and $10,000,000 had been advanced on the CFC – As Offered line of credit at an interest rate of 2.10%.

Note 8 – Other Long-Term Obligations

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

	2017	2016
Pension plan obligations	$ 4,705,127	$ 4,483,173
Postretirement benefit obligations	5,378,150	4,886,531
Asset retirement obligations	5,953,399	5,676,318
Total	$ 16,036,676	$ 15,046,022

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.

Note 8 – Other Long-Term Obligations (continued)

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.

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 comprehensive income (loss).

The Association uses a December 31 measurement date for its pension and post-retirement 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	
	2017	2016	2017	2016
Benefit obligation	$ (18,070,528)	$ (17,122,201)	$ (7,097,633)	$ (6,556,130)
Fair value of plan assets	13,365,401	12,639,028	1,719,483	1,669,599
Funded status	(4,705,127)	(4,483,173)	(5,378,150)	(4,886,531)
Unrecognized loss (gain)	4,054,409	3,759,186	(2,677,691)	(2,846,075)
Net amount recognized	$ (650,718)	$ (723,987)	$ (8,055,841)	$ (7,732,606)

	Pension Benefits		FASB ASC 715 – Other Benefits	
	2017	2016	2017	2016
Weighted average assumptions				
Discount rate	3.99%	4.13%	4.20%	4.40%
Expected return on plan assets	N/A	N/A	4.25%	4.00%
Rate of compensation increase	3.75%	3.75%	N/A	N/A
Net periodic benefit cost	$ 911,575	$ 1,204,661	$ (627,000)	$ 3,978,761
Employer and employee contributions	911,575	786,270	-	-
Benefits paid	712,249	411,404	169,569	93,011

Note 8– Other Long-Term Obligations (continued)

For measurement purposes a 6.8% 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, 2017 and 2016 amounted to $2,937,828 and $3,072,109, respectively.

The Association has a 401(k) savings plan for employees. Employer contributions for the years ended March 31, 2017 and 2016 amounted to $688,169 and $645,464, respectively.

Plan Assets

Weighted average asset allocations, by asset category:

	Pension Benefits		FASB ASC 715 – Other Benefits	
	2017	2016	2017	2016
Debt securities	59%	0%	N/A	N/A
Equity securities	41%	66%	22%	17%
Insurance company general account	0%	34%	N/A	N/A
Money market funds	N/A	N/A	78%	83%
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
2017	$ 602,870	$ 111,063
2018	905,727	123,512
2019	1,019,549	158,656
2020	81,456	191,654
2021	98,732	230,947
Years 2022–2026	7,236,766	1,535,970

Note 8 – Other Long-Term Obligations (continued)

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.

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, 2015	$ 5,412,134
Increase in the present value of the obligation (accretion)	264,184
Balance – March 31, 2016	5,676,318
Increase in the present value of the obligation (accretion)	277,081
Balance – March 31, 2017	$ 5,953,399

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:

	2017	2016
Customers' advances for construction	$ 3,336,040	$ 4,008,164
Regulatory liability	2,230,428	-
Customers' energy prepayments	1,510,508	1,409,902
Deferred installation costs of special equipment	1,579,832	1,165,793
Unamortized joint use income	78,169	73,973
Total	$ 8,734,977	$ 6,657,832

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.

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 all of the energy generated by the facility. The facility is contractually obligated to generate 2,447 MWh per MW AC during the first year of the agreement, which is reduced annually by 12 MWh per MW AC until the contract ends in 2041. The facility will be designed to produce no less than 11 MW AC and no more than 13.2 MW AC.