

Central Arizona Water Conservation District
(a Multi-County Water Conservation District
and Municipal Corporation)



Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2019

Prepared By:
Central Arizona Project
Finance and Accounting Department
Douglas A. Dunlap, CPA, Finance and Accounting Manager



CAP

CENTRAL ARIZONA PROJECT

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019

INTRODUCTORY SECTION

| | |
|--|------|
| Letter of Transmittal..... | i |
| Board of Directors..... | viii |
| District Management..... | ix |
| Certificate of Achievement for Excellence in Financial Reporting | x |
| Table of Organization | xi |

FINANCIAL SECTION

| | |
|--|---|
| Independent Auditors' Report..... | 1 |
| Management's Discussion and Analysis | 5 |

BASIC FINANCIAL STATEMENTS

| | |
|---|----|
| Statement of Net Position..... | 22 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 24 |
| Statement of Cash Flows..... | 25 |
| Notes to Financial Statements..... | 27 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District Contributions in the Arizona State Retirement System Plan | 76 |
| Note to Required Supplementary Information | 77 |
| Schedule of the District's Changes in Total OPEB Liability | 78 |

SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Combining Schedule of Net Position – By Fund and Account..... | 80 |
| Combining Schedule of Revenues, Expenses and Changes in Net Position – by Fund and Account | 84 |

STATISTICAL SECTION

| | |
|---|-----|
| Net Position by Component – Last Ten Years..... | 88 |
| Changes in Net Position – Last Ten Years..... | 90 |
| Set Water Delivery Rates for Various Classes of Water Service – Last Ten Years | 92 |
| Central Arizona Groundwater Replenishment District Assessment Rates – Last Ten Years | 94 |
| Acre/Feet of Water Delivered by Water Customer Type – Last Ten Years | 96 |
| Principal Revenue Payers (Dollars) – Annual Top Ten – Last Ten Years..... | 98 |
| Acre/Feet of Water Delivered by Customer Type – Top Ten Customers – Last Ten Years | 100 |
| Schedule of Customer Activity – Water Delivery Charges and Capital Charges | 106 |
| Schedule of Ad Valorem Property Tax – Full Cash Value and Assessed Value – Last Ten Years..... | 110 |
| Schedule of Ad Valorem Property Tax – Tax Levy and Collections – Last Ten Years..... | 111 |
| Revenue Bonds and Pledged Revenue – Last Ten Years | 112 |
| Federal Payment Obligation (Dollars) – Last Ten Years | 114 |
| Demographic and Economic Statistics – Last Ten Years..... | 116 |
| Major Employers – State of Arizona | 117 |
| Area Growth by County – Last Ten Years | 118 |
| Central Arizona Project System Map..... | 119 |
| Capital Asset Statistics – Last Ten Years..... | 120 |
| Full-Time Equivalent Employees by Function/Program – Last Ten Years | 122 |



CAP

CENTRAL ARIZONA PROJECT



April 16, 2020

TO OUR BOARD, STAKEHOLDERS AND CONSTITUENTS:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Central Arizona Water Conservation District (CAWCD, District, Central Arizona Project or CAP) for the fiscal year ended December 31, 2019.

This submission is our eighth CAFR prepared under the guidelines of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program).

This report has been prepared by the CAP Finance and Accounting Department. Management is responsible for the accuracy and completeness of the report, including the reliability of information and fairness of presentation. All appropriate disclosures necessary to enable the reader to gain an understanding of the District's financial position and results of operation have been included.

To the best of our knowledge and belief, this report is accurate and complete in all material respects, and prepared in a way to fairly present the financial position and results of operation of the District in conformance with accounting principles generally accepted in the United States of America. Management has established a comprehensive internal control framework designed to protect the District's assets and provide sufficient reliable information to allow the preparation of this report. Because the cost of internal controls should not outweigh their anticipated benefits, the District's internal control framework is designed to provide reasonable rather than absolute assurance that this report is free of material misstatement.

The District's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified opinion, which appears at the beginning of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' opinion, and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A is complementary to this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

In the early 20th century, Arizona's leaders knew the state's future depended on a water supply that was secure, stable and renewable. They pursued that vision and in 1968, President Lyndon B. Johnson signed the Colorado River Basin Project Act, which authorized construction of Central Arizona Project (CAP) by the U.S. Department of the Interior's Bureau of Reclamation.

CAP is a 336-mile system that brings Colorado River water to central and southern Arizona, is the state's single largest renewable water supply and serves 80% of the state's population. It provides a way for 1.5 million acre-feet of Arizona's Colorado River allotment to be delivered to the most populous areas of the state and reduce the use of groundwater for farming and other activities. In 1971, the Central Arizona Water Conservation District (CAWCD) was created to provide Arizona a means to repay the federal government for the reimbursable costs of construction and to manage and operate the physical system.

CAP is governed by a 15-member popularly elected Board of Directors. CAWCD Board members are elected from Maricopa (10), Pima (4) and Pinal (1) counties, serving staggered six-year terms. The Board regularly meets one to two times per month and adheres to all open meeting laws.

CAP's daily operations are managed by nearly 500 professionals who are responsible for system maintenance and operations, repayment obligations, public outreach and engaging in water resource management programs for Arizona.

CAP has more than 80 long-term water users that fall into three user groups. They use CAP's Colorado River water to run businesses, water crops and maintain households, all of which are critical to the quality of life in Arizona.

Municipal & Industrial

- CAP delivers "raw" water to cities and water utilities that then treat the water they deliver to customers.

Agricultural

- CAP's agricultural water users are primarily large irrigation districts that deliver water to farmers. The majority of CAP water is used for agriculture.

Native American Tribes

- Through a contract with the U.S. Department of the Interior, CAP delivers water to Native American Tribes in central and southern Arizona. The tribes may use their water in their community or lease it to others.

CAWCD has statutory responsibilities to provide groundwater replenishment services through the Central Arizona Groundwater Replenishment District (CAGRD). CAGRD has a statutory obligation to replenish groundwater used by members in CAP's three-county service area. Created in 1993, CAGRD must replenish groundwater withdrawals made by new developments enrolled in the CAGRD, and water providers and homeowners agree to pay the cost to replenish any amount of groundwater pumped beyond limitations set by the state.

Relationships

CAP establishes and maintains collaborative relationships with water users, tribal nations and regional, state and federal agencies. These relationships help CAP respond to emerging issues affecting CAP and its stakeholders and advance the understanding of policy issues important to CAP operations and the entire state.

Since 2009, CAWCD has had water orders in excess of the available supply and it is expected that this situation will continue. Due to potential shortage, CAWCD in coordination with its customers and the Department of Water Resources, has been forbearing some of its water entitlement and leaving it in Lake Mead. In 2018 and 2019, CAWCD and the Arizona Department of Water Resources led Arizona on its development of a Drought Contingency Plan (DCP). DCP is a set of agreements developed through a collaborative process amongst the federal government, seven Basin states, water users and Mexico designed to protect the Colorado River system through reductions and increased conservation. While it will not prevent a shortage, it will help reduce the impact and severity of shortages.

There is an Upper Basin DCP involving Colorado, New Mexico, Utah, Wyoming and the US; a Lower Basin DCP involving Arizona, California, Nevada and the US; and a companion agreement which connects these two programs and links them to Mexico through a US-Mexico agreement.

CAP water rates are based on the cost of service. CAWCD always endeavors to keep costs, and consequently rates, as low as possible while prudently operating and maintaining the reliability of such a critical resource.

Previously, the Navajo Generating Station (NGS) provided 85-90% of the power for CAP deliveries. Due to the depressed energy market, more power was purchased from the open market and less was provided by NGS in 2019. In early 2017, the NGS owners indicated that it is not economically feasible to operate the coal-fired plant past 2019, when the plant and coal leases expire. The owners negotiated agreements with the Navajo and Hopi tribes and continued to operate the plant through November 2019. NGS and the related Keyanta mine (the mine) are in the process of being decommissioned. As the Bureau of Reclamation holds a 24.3% ownership of NGS for the benefit of CAWCD, CAWCD is responsible for its portion of the decommissioning costs. Estimates have been recorded as they were made available and through 2018, CAWCD had recorded \$133.8 million of the liability. In early 2020, previously unsettled costs were agreed to with the mine and an update on the decommissioning of NGS was made available with an updated estimate of \$159.5 million (CAWCD's portion). CAWCD recorded the additional \$25.7 million in 2019. The previous estimate was completely funded and funding for the additional amount will be established during 2020.

The cost of water delivery covers approximately 85% by water delivery charges, and 15% by general ad valorem property tax. As a result, CAWCD is directly impacted by changes in property values in its service area. CAWCD's property taxes are levied based on the Primary Limited Property Value (LPV), which is forecasted to increase 4.5% to 5.0% over the next few years.

CAGR currently replenishes groundwater on behalf of 24 member service areas (MSA) and 1,160 member land (ML) subdivisions representing approximately 284,000 homes.

Revenue

CAP generates revenue in a variety of ways to fund its operation and maintenance and to fulfill repayment obligations to the federal government and bondholders. Revenue is generated by the sale of water and power, capital and facility-use fees paid by water users, property taxes paid by non-Indian reservation residents of Maricopa, Pima and Pinal counties, and investments.

The price of water is determined annually by the CAWCD Board of Directors based on projections of energy, operation, maintenance and replacement costs. As a public entity, CAP does not make a profit and has a responsibility to provide a reliable water supply at a reasonable price.

CAGR members pay for all costs associated with the CAGR and is not supported by any of CAWCD's other revenue sources.

Repayment

CAWCD has a responsibility to make an annual payment to the federal government for reimbursement of the CAP related to power, agriculture and municipal & industrial (M&I) allocation. The payment is currently between \$55-\$60 million per year. Payment is made from excess revenues received related to power, transmission, miscellaneous revenues related to the Basin Development Fund and capital charges to M&I customers.

LONG-TERM FINANCIAL PLANNING

In 2005, CAP implemented a biennial financial planning process that includes the strategic plan, the budget, the long-range financial plan, rate-setting, and reserve planning. A benefit of the biennial process is the ability to redeploy staff during the second year of the biennium to focus on more strategic areas, which allows more in-depth analysis of issues affecting CAP and their financial impacts. Budget and business planning occur in odd years for the subsequent two years and are more tactical in nature. In even years, the focus is on more strategic activities. As the focus shifts back and forth between shorter-term and longer-term planning horizons, the work done in each year of the biennium complements and enhances the work in the alternate year, and each year in the process serves as the basis for the work in the following year.

Biennial Budget

The biennial budget serves as the foundation for the District's financial planning and control. The budget is prepared in odd years for the following two years. The budget preparation process culminates in approval of the biennial budget by the CAWCD Board in November of each odd year. The budget process provides for updates to the second year if necessary. The General Manager must execute the budget within specific guidelines that are designed to provide operational flexibility while maintaining accountability. The 2020–2021 biennial budget was approved in November 2019 by the Board.

Capital Improvement Program

The biennial budget includes the District's Capital Improvement Program (CIP) and capital equipment budget, which cover the two years of the budget plus an additional four years of projections. The CIP is also updated during the long-range financial planning process in even years.

Reserve Planning, Rate Setting and the Long-Range Financial Plan

As part of its two-year financial planning cycle, in even years, which are the off years from the biennial budget, CAWCD updates its long-range financial planning model. This model includes projections of water deliveries, revenues, expenses, capital improvements and related expenditures and reserve balances, and serves as the basis for reserve planning and the rate-setting process. The projections are built up from underlying trends and assumptions such as customer demand, electricity and fuel prices, interest rates, materials costs, the labor market, property values and timing of major repairs and replacements.

Financial Policies and Procedures

The District has a set of comprehensive financial policies applicable to finance and accounting practices, the basis of accounting, the basis of budgeting, the budget approval process, capital asset management, capitalization, cash management, debt management, investments and financial reporting. A synopsis of these policies appears in the biennial budget.

MAJOR INITIATIVES

Underlying all of CAWCD's major initiatives is the 2016 CAWCD Board of Directors Strategic Plan. The 2016 Plan is organized under six Key Results Areas (KRAs): Leadership and Public Trust, Finance, Project Reliability, Water Supply, Electric Power and Replenishment. Underneath each of the KRAs are Strategic Issues, followed by Strategic Objectives, and then followed by Action Plans. The following are some of the major issues included in the 2016 Plan.

Water Leadership

This strategic issue is aimed at ensuring the CAWCD Board maintains an open and informed presence within Arizona and the water community regarding current issues and threats, and maintains continual outreach efforts to inform and educate CAP stakeholders and constituents.

Maintaining CAP's Financial Health

Objectives and action plans in this area emphasize ongoing coordination among budgeting, long-range planning, rate-setting and reserve planning activities to help ensure stable and predictable rates, sufficient and appropriate sources of funding and flexible financing alternatives.

CAP Workforce

This strategic issue is a collection of objectives and action plans aimed at building relationships among employees and work groups during times of increased retirements, the challenge of generational change as newer workers replace the aging workforce, changing demographics and a more diverse workforce and customer community. They also include maintaining the District's Voluntary Protection Plan (VPP) safety leadership designation, implementing programs that will enhance CAP's position as a regional employer of choice and action plans that will enhance the skills and job proficiency of our workforce, such as recruitment and succession planning activities, more robust knowledge transfer and training programs and an enterprise-wide leadership development program.

Effectively Manage, Operate and Maintain CAP Assets

Objectives and action plans in this area include continuously refining a comprehensive plan to assess CAP physical assets through data-driven considerations utilizing industry best practices that contain technology-related activities.

Reliability of the CAP Water Supply

Reliability includes developing strategies to optimize and augment water supplies to strengthen the CAP system through a variety of CAP, Arizona and broader Basin States activities. It also includes continued development of recovery plans to support our stakeholders in the event of a shortage. In recognition of potential shortages in the near term and in coordination with CAP stakeholders, the Arizona Department of Water Resources, the Bureau of Reclamation and the other basin states, CAWCD has been participating in programs to reduce Colorado River water consumption to increase the level of Lake Mead. The program has been successful in holding off a shortage through at least 2022 based on current projections. A structural deficit still exists in the supply and demand of Lake Mead releases. On average there are more releases than inflows into the lake as discussions on resolving the imbalance are ongoing.

Generation Resources

Efforts in this area include dealing with the impact of regulatory rulemaking and contract renegotiation at the Navajo Generating Station and identifying sustainable power generation and transmission resources for the future. When it was determined NGS was going to shut down operations, the Board embarked on establishing a power portfolio to balance maintaining predictable rates and being able to take advantage of market opportunities.

CAGRD Management and Oversight

These objectives and action plans include identification and acquisition of water supplies to meet long-term replenishment obligations and evaluate potential revisions to legislature related to the CAGRD.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded CAWCD the Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the fiscal year ending December 31, 2018. This was the seventh time CAP applied for this recognition and was found to be "proficient" in all areas. The CAFR consists of the audited financial statements and Management's Discussion and Analysis (MDA) that has been produced in previous years, supplemented by a significant amount of business, demographic and statistical information. The CAFR format has been designed to demonstrate a constructive "spirit of full disclosure" to clearly communicate the organization's financial story and motivate potential users and user groups to read the financial report that might otherwise be considered to be of interest only to accountants or investors.

The GFOA presented a Distinguished Budget Presentation Award to CAWCD for its Biennial Budget for the Biennium beginning January 1, 2018. The District previously received this esteemed award for each of its annual or biennial budgets for fifteen consecutive years. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of two years and has been submitted for the 2020-2021 Biennial Budget.

In 2019, CAWCD received the Excellence in Procurement Award from the National Purchasing Institute for the eleventh consecutive year. This prestigious award is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization.

Central Arizona Project received the 2018 North American Maintenance Excellence Award from the Foundation for Industrial Maintenance Excellence. The NAME Award was created in 1991 to honor world class performance in maintenance and reliability and is widely regarded as the most prestigious recognition in that field. The award is an annual program and involved a comprehensive assessment of CAP's maintenance program structure and processes, environmental health and safety, employee involvement and training, performance measurement, materials management and costs.

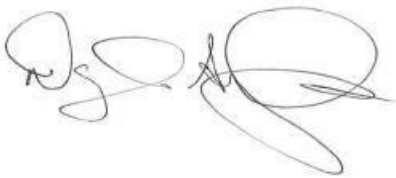
CAP also received the 2018 Uptime Award for Best Asset Management Program. This was the second time that CAP has been recognized by Uptime Magazine and Reliabilityweb.com, having received the 2015 Uptime Award for Best Leadership for Reliability Program. The Uptime Award recognized CAP's accomplishments in implementing the principles of ISO 55000, the international standard for asset management.

In 2019, CAWCD and the Arizona Department of Water Resources received the Governor's Award for Arizona's Future at Arizona's 39th Annual Environmental Excellence Awards on behalf of the Arizona Drought Contingency Plan Steering Committee for the collaboration, compromise and consensus it took to get DCP enacted.

ACKNOWLEDGEMENTS

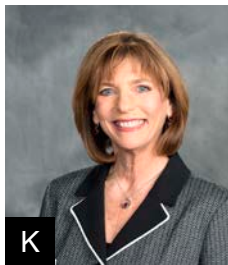
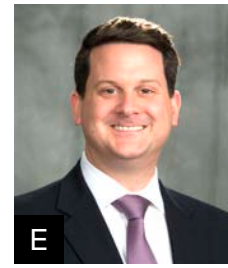
The preparation of this report could not have been accomplished without the dedicated service of the CAWCD Finance and Accounting Department and the assistance and input of personnel throughout the District. The guidance of our independent auditors, as always, was invaluable and is sincerely appreciated. I also want to thank the CAWCD Board of Directors, the General Manager and the Management Council for their ongoing involvement, interest and support.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'D. Dunlap', with a large, stylized flourish at the end.

Douglas A. Dunlap, CPA
Finance and Accounting Manager

THE CAWCD BOARD OF DIRECTORS



Lisa A. Atkins
President



Terry Goddard
Vice President



Sharon B. Megdal, Ph.D.
Secretary

Maricopa County

| | | |
|----|------------------------|------------------|
| A. | Alexandra Arboleda | Term Ending 2022 |
| B. | Lisa A. Atkins | Term ending 2024 |
| C. | Jennifer Brown | Term ending 2022 |
| D. | Terry Goddard | Term ending 2024 |
| E. | Benjamin W. Graff | Term ending 2022 |
| F. | Jim Holway | Term ending 2022 |
| G. | Mark Lewis | Term ending 2022 |
| H. | Heather Macre | Term ending 2024 |
| I. | Jennifer Martin | Term ending 2024 |
| J. | April Pinger-Tornquist | Term ending 2024 |

Pima County

| | | |
|----|-------------------------|------------------|
| K. | Karen Cesare | Term ending 2020 |
| L. | L.M. "Pat" Jacobs IV | Term ending 2020 |
| M. | Sharon B. Megdal, Ph.D. | Term ending 2020 |
| N. | Mark Taylor | Term ending 2020 |

Pinal County

| | | |
|----|---------------|------------------|
| O. | Jim Hartdegen | Term ending 2020 |
|----|---------------|------------------|

District Management

The District is governed by a fifteen-member Board of Directors elected for staggered six-year terms by voters in each of its three member counties (Maricopa, Pima, and Pinal). The number of directors from each county is based on population. Currently, ten members are elected from Maricopa County, four from Pima County and one from Pinal County. The General Manager supervises the District's current staff of approximately 485 full-time employees. The current members of the District's Management Council are as follows:

| | |
|---|----------------------------|
| General Manager | Theodore C. Cooke |
| Assistant General Manager, Operations & Maintenance | Robert D. Moody |
| General Counsel | Jay Johnson |
| Director, Centralized Maintenance & Reliability | Brian M. Buzard |
| Director, Water Policy | Patrick Dent |
| Director, Operations & Engineering | Darrin Francom |
| Director, Finance & Administration | Christopher H. Hall |
| Director, Field Maintenance | Phil Rettinger |
| Director, Public Affairs | Bridget P. Schwartz-Manock |
| Director, Employee Services | Bonnie L. Stone |
| Manager, CAGRD | Laura Grignano |



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**Central Arizona
Water Conservation District**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

December 31, 2018

Christopher P. Morrell

Executive Director/CEO

TABLE OF ORGANIZATION





CAP

CENTRAL ARIZONA PROJECT

FINANCIAL SECTION



CAP

CENTRAL ARIZONA PROJECT



INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Arizona Water Conservation District
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying statement of net position of the Central Arizona Water Conservation District (District), as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Arizona Water Conservation District as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability and contributions to the Arizona State Retirement System Plan, and the schedule of the District's changes in total OPEB liability, as listed in the table of contents, be presented 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 audit 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Central Arizona Water Conservation District's basic financial statements. The introductory section, supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Central Arizona Water Conservation District

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
April 16, 2020



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

The management of Central Arizona Water Conservation District (the District or CAWCD) offers the readers of CAWCD's financial statements this analysis and overview of the financial activities for the calendar year ended December 31, 2019. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, including accompanying notes, to enhance their understanding of the District's financial performance. The narrative will guide the readers through the District's financial performance and how it relates to CAWCD's stewardship of Central Arizona's Colorado River water entitlement and its vision to enhance the quality of life and ensure sustainable growth for current and future residents of Arizona.

FINANCIAL HIGHLIGHTS

The District's financial resources are obtained primarily from water delivery charges, surplus electricity sales, Central Arizona Groundwater Replenishment District member rates and dues and property taxes. Financial results are influenced by a number of factors, including the energy/power market, property valuations, capital needs for the maintenance, repair and replacement of aging infrastructure, snowpack, runoff and local rainfall. The following are some of the key highlights for the year ended 2019. A more detailed narrative analysis occurs in the Condensed Financial Information section.

- Assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources (net position) at the end of 2019 by \$788.1 million.
- The District's unrestricted cash reserve balances or working capital reserves at the end of 2019 were \$30.0 million. The unrestricted reserves or working capital reserves are used to meet CAWCD's ongoing obligations to customers and creditors.
- Operating revenues were \$302.2 million, a \$21.6 million increase as compared to 2018.
- Operating expenses were \$277.9 million, a \$45.9 million increase as compared to 2018.
- Non-operating revenues were \$97.1 million, a \$16.0 million increase over 2018.
- Non-operating expenses were \$27.3 million, a \$1.1 million increase over 2018.
- Capital spending was \$26.1 million in 2019. Capital costs vary from year to year based on infrastructure needs.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

DISCUSSION OF BASIC FINANCIAL STATEMENTS

CAWCD's annual financial reporting includes the basic financial statements and accompanying notes as required for its business type activities. The District reports on a calendar year basis and all financial statements are presented as of and for the year ended December 31, 2019. This comprehensive annual financial report includes the following statements:

| STATEMENT | DESCRIPTION |
|---|--|
| Statement of Net Position | A snapshot of the District's resources (assets and deferred outflows of resources) and obligations (liabilities and deferred inflows of resources) as of the last day of the calendar year. The difference between the assets/deferred outflows of resources and liabilities/deferred inflows of resources is the District's net position. |
| Statement of Revenues, Expenses, and Changes in Net Position | Lists the District's revenue (income) and expenses, both operating and non-operating for a calendar year. A positive change in net position signifies that the District received revenue in excess of the funds needed to cover expenses. |
| Statement of Cash Flows | Provides, on a cash basis, information on the District's cash receipts (sources of cash) and cash disbursements (uses of cash) for the calendar year as they apply to operating, non-capital, capital and investing financing activities. The statement includes a reconciliation to the changes in net position (accrual basis) and the balance of cash and cash equivalents. |

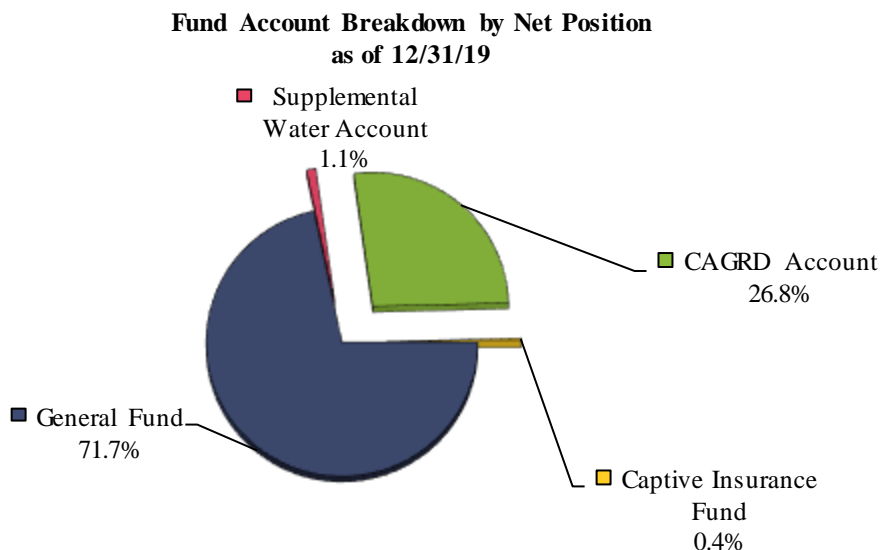
Management's Discussion and Analysis (MD&A) will cover portions of each of these statements and provide the reader condensed summaries within each section to make the discussions easier to follow. For more detailed information on the District's financial activities, separated by funds, see the combining schedules of net position and statements of revenues, expenses, and changes in net position in the Supplementary Information section located after the Notes to the Financial Statements.

The District's activities are accounted for using the accrual method and incorporate the requirements of Governmental Accounting Standards Board Statement (GASBS) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. Under enterprise fund accounting, the District is a single accounting entity for financial reporting purposes and is similar to a private business enterprise. However, within this single accounting entity, the District has identified a number of financial activities that are useful to track separately. These activities are referred to as "funds and accounts." The CAWCD Insurance Company, Inc. is a blended component unit of CAWCD, also referred to as the Captive Insurance Company (Captive). The District is not required to, and does not, publish separate financial statements for any of the individual funds and accounts except for the Captive. The Captive is required under the corporation laws for the State of Hawaii, to conduct its own external audit and publish its own audited financial statements.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

| FUND/ACCOUNT | DESCRIPTION |
|---|---|
| General Fund | The General Fund is the largest fund within the District and covers CAWCD's core business activities including the delivery of Colorado River water to central Arizona through the Central Arizona Project (CAP) canal and repayment of reimbursable construction costs to the Department of the Interior - Bureau of Reclamation (BOR). |
| Supplemental Water Account | The Supplemental Water Account includes activities related to a trust fund established by Section 7 of Public Law 98-530 and ARS § 45-3715.01 to acquire or conserve water to supplement Colorado River supplies. Funds are held by the Arizona State Treasurer. |
| Central Arizona Groundwater Replenishment District Account | The Central Arizona Groundwater Replenishment District (CAGRD) was established in 1993 as authorized by ARS § 48-3771, et seq. The CAGRD is a replenishment authority designed to help water providers and landowners comply with the State's Assured Water Supply Rules and to meet the objectives of the 1980 Groundwater Management Act. |
| Captive Insurance Company | CAWCD Insurance Company, Inc., aka Captive Insurance Company, was established to provide a self-insurance mechanism for CAWCD to fund claims for property, casualty and health insurance. The Captive is a tax exempt wholly-owned corporation formed in 2003. |

Please refer to the Notes to the Financial Statements for additional, more detailed information on these funds and accounts. The following is a breakdown of the various funds and accounts which indicates the relative size of each by net position within CAWCD.



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

CONDENSED FINANCIAL INFORMATION

The following financial information and narrative will provide the reader with an overview of the District's financial activities, including comparisons, for the years ended December 31, 2019 and December 31, 2018. This discussion will highlight areas within the financial statements that support and advance CAWCD's operations and business purpose to the residents of the State of Arizona.

This first section contains information on CAWCD's assets, liabilities and net position.

Statement of Net Position

| <i>(Dollars in millions)</i> | 2019 | 2018 | Change |
|---|-------------|-------------|---------------|
| Assets | | | |
| Current assets | \$ 425.8 | \$ 290.5 | \$ 135.3 |
| Noncurrent assets | 1,864.2 | 1,941.2 | (77.0) |
| Total assets | 2,290.0 | 2,231.7 | 58.3 |
| Deferred outflows of resources | | | |
| Pension and OPEB valuation | 9.1 | 11.1 | (2.0) |
| Total deferred outflows of resources | 9.1 | 11.1 | (2.0) |
| Total assets and deferred outflows of resources | \$ 2,299.1 | \$ 2,242.8 | \$ 56.3 |
| Liabilities | | | |
| Current liabilities | \$ 146.4 | \$ 131.1 | \$ 15.3 |
| Noncurrent liabilities | 1,304.7 | 1,369.6 | (64.9) |
| Total liabilities | 1,451.1 | 1,500.7 | (49.6) |
| Deferred inflows of resources | | | |
| Customer deposits | 43.2 | 31.0 | 12.2 |
| Pension and OPEB valuation | 16.7 | 17.1 | (0.4) |
| Total deferred inflows of resources | 59.9 | 48.1 | 11.8 |
| Net Position | | | |
| Net investment in capital assets | 251.2 | 260.1 | (8.9) |
| Non-Operating Revenues | | | |
| Master repayment agreement | 41.9 | 44.1 | (2.2) |
| Supplemental water account | 8.8 | 8.5 | 0.3 |
| Total non-operating revenues | 14.1 | 40.1 | (26.0) |
| Other restricted | 10.4 | 7.8 | 2.6 |
| Unrestricted | 461.7 | 333.4 | 128.3 |
| Total net position | 788.1 | 694.0 | 94.1 |
| Total liabilities, deferred inflows of resources and net position | \$ 2,299.1 | \$ 2,242.8 | \$ 56.3 |

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Total Assets

| <i>(Dollars in millions)</i> | 2019 | 2018 | Change |
|---|-------------------|-------------------|----------------|
| Total non-current assets | | | |
| Cash and cash equivalents | \$ 107.0 | \$ 100.0 | \$ 7.0 |
| Funds held by federal government | 51.5 | 30.0 | 21.5 |
| Water inventory | 206.2 | 100.8 | 105.4 |
| Other current assets | 61.1 | 59.7 | 1.4 |
| Total current assets | <u>425.8</u> | <u>290.5</u> | <u>135.3</u> |
| Noncurrent Assets | | | |
| Investments | 314.3 | 340.8 | (26.5) |
| Restricted assets | 97.5 | 123.8 | (26.3) |
| Agricultural water rights | 88.7 | 88.7 | - |
| Capital assets: | | | |
| Operating assets, net | 295.9 | 296.9 | (1.0) |
| Permanent service right, net | 1,065.8 | 1,089.0 | (23.2) |
| Other assets | 2.0 | 2.0 | - |
| Total noncurrent assets | <u>1,864.2</u> | <u>1,941.2</u> | <u>(77.0)</u> |
| Total assets | <u>2,290.0</u> | <u>2,231.7</u> | <u>58.3</u> |
| Deferred Outflows of Resources | | | |
| Pension valuation | 3.2 | 9.3 | (6.1) |
| OPEB valuation | <u>5.9</u> | <u>1.8</u> | <u>4.1</u> |
| Non-Ccurrent Liabilities | <u>9.1</u> | <u>11.1</u> | <u>(2.0)</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,299.1</u> | <u>\$ 2,242.8</u> | <u>\$ 56.3</u> |

Current Assets: Current assets include cash and cash equivalents, receivables, funds held by the federal government, inventory and other current assets. In 2019, current assets increased by \$135.3 million to \$425.8 million. Cash and cash equivalents increased \$7.0 million. Activity in these accounts includes transfers between short term and long term Local Government Investment Pools (LGIP), CAWCD's LGIP holds water storage funds that recorded an increase of \$35.1 million due to property taxes and interest collected. This was offset by the CAGRD LGIP funds that decreased \$17.6 million resulting from water inventory purchases.

Funds held by the federal government of \$51.5 million, represents the District's portion of the annual repayment obligation held by the Bureau of Reclamation (BOR). The increase of \$21.5 million was received through land sales, net revenue from the CAP transmission system and the Navajo Generating Station (NGS).

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Water inventory includes CAWCD's portion of Lake Pleasant storage and Lake Roosevelt storage, CAGRD's replenishment reserves and CAGRD's long term storage credits (LTSC). Overall, water inventory increased \$105.4 million to \$206.2 million. In 2019, Lake Pleasant storage increased \$4.0 million, slightly offset by a decrease in Lake Roosevelt storage. CAGRD's replenishment reserves increased \$1.3 million and CAGRD's long term storage credits increased \$100.7 million. A lease and exchange agreement between CAWCD and Gila River Indian Community (GRIC) created the majority of CAGRD's increase in water storage and the decrease in the LGIP mentioned earlier in the cash and cash equivalents discussion.

In 2019, other current assets increased by \$1.4 million to \$61.1 million and includes water delivery receivables, property tax receivables, CAGRD member lands receivable, power program receivables and prepaid contracts. Receivables for water deliveries increased \$7.4 million. Property tax receivables increased \$2.1 million and is based on increased property valuations. CAGRD Member Lands receivables increased \$1.4 million due to increased enrollment. These increases were offset by a decrease in prepaid contracts of \$11.5 million due to the closing of the NGS.

Noncurrent Assets: Included in noncurrent assets are investments, restricted assets, agricultural water rights and capital assets. The largest capital asset is the permanent service right (PSR) and for this reason it is broken out in the asset table. The PSR represents the District's right to operate and maintain the CAP system and collect revenues from operations, for which the District has incurred a repayment obligation to the United States (see Note 2 of the financial statements for detailed information). The PSR is amortized each year and consequently decreases year over year. Capital assets are discussed in more detail in the Capital Assets and Noncurrent Debt Activity section of the MD&A.

Noncurrent assets decreased by \$77.0 million during 2019. Investments and restricted assets decreased \$52.8 million. The majority of the decrease is due to funds sent to BOR for the decommissioning of the Navajo Generating Station of \$44.0 million. CAGRD reserves decreased by \$35.0 million as they continue to purchase water inventory for the Replenishment Reserves and Infrastructure and Water Rights. The fluctuation in the fair value of investments and restricted assets created an increase of \$4.0 million in 2019 compared to 2018. Operating assets decreased \$1.0 million with annual depreciation expense offsetting \$26.1 million in capital spending for 2019. The Permanent Service Right decreased \$23.2 million in accordance with the annual amortization schedule.

Deferred Outflows of Resources: The District implemented GASBS No. 75 in 2018, a change in the reporting standard for Other Postemployment Benefits (OPEB). The deferred outflows of resources - OPEB valuation represents amounts to be expensed in future years. GASBS No. 68 establishes guidelines for financial reporting of pension liability. Part of the annual adjustment includes a fluctuation in the pension valuation based on annual reports from the Arizona State Retirement System (ASRS).

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Total Liabilities

| <i>(Dollars in millions)</i> | 2019 | 2018 | Change |
|---|-------------------|-------------------|------------------|
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 29.5 | \$ 43.7 | \$ (14.2) |
| Water operations and capital charges unearned revenue | 30.7 | 29.6 | 1.1 |
| Asset retirement obligation, due within one year | 27.7 | 45.8 | (18.1) |
| Repayment obligation, due within one year | 32.9 | 32.9 | - |
| Other current liabilities | 25.6 | 24.9 | 0.7 |
| Total current liabilities | <u>146.4</u> | <u>176.9</u> | <u>(30.5)</u> |
| Noncurrent Liabilities | | | |
| Asset retirement obligation, due after one year | 51.1 | 53.1 | (2.0) |
| Repayment obligation, due after one year | 1,010.9 | 1,043.9 | (33.0) |
| Bonds payable, due after one year | 63.5 | 47.4 | 16.1 |
| Non-Indian agriculture 9(d) debt | 88.7 | 88.7 | - |
| Other noncurrent liabilities | 90.5 | 90.7 | (0.2) |
| Total noncurrent liabilities | <u>1,304.7</u> | <u>1,323.8</u> | <u>(19.1)</u> |
| Total liabilities | <u>1,451.1</u> | <u>1,500.7</u> | <u>(49.6)</u> |
| Deferred Inflows of Resources | | | |
| Customer deposits | 43.2 | 31.0 | 12.2 |
| Pension valuation | 6.9 | 8.7 | (1.8) |
| OPEB valuation | 9.8 | 8.4 | 1.4 |
| Total deferred inflows of resources | <u>59.9</u> | <u>48.1</u> | <u>11.8</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 1,511.0</u> | <u>\$ 1,548.8</u> | <u>\$ (37.8)</u> |

Current Liabilities: Current liabilities include accounts payable, unearned revenue, accrued interest and expenses, and current principal obligations.

In 2019, current liabilities decreased by \$30.5 million. Accounts payable and accrued liabilities decreased \$14.2 million, which is driven by year-over-year variability in accounts payable obligations and the value of CAGR's replenishment obligation.

Unearned revenue for water operations and capital charges increased \$1.1 million, which is a result of fluctuations in the annual invoicing schedules for the next year reflected in advanced invoicing for January and February of 2020. The \$18.1 million decrease in the asset retirement obligation represents the change in the annual amount due towards the decommissioning of the NGS.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Noncurrent Liabilities: The largest component of the District's noncurrent liabilities, \$1,010.9 million, is the federal repayment obligation which decreases annually in accordance with the annual payment schedule. The asset retirement obligation refers to the District's portion of the NGS Decommissioning due after one year (see Note 11). The remaining amount of non-current liabilities is a combination of contract revenue bonds of \$63.5 million, non-Indian agricultural debt of \$88.7 million and the noncurrent portion of the asset retirement obligation of \$51.1 million. Other noncurrent liabilities include pension liability of \$71.5 million, retirement health insurance liability of \$16.0 million, recovery liability of \$2.0 million and power agreement deposits of \$1.0 million.

Deferred Inflows of Resources: The deferred inflows of resources are the customer deposits related to the liability associated with the Rate Stabilization reserve account, various customer programs, pension valuation related to GASBS No. 68 and OPEB valuation related to GASBS No. 75 implemented in 2018.

Total Net Position

Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, increased \$94.1 million in 2019.

Net investment in capital assets: Net investment in capital assets decreased \$8.9 million in 2019. This decrease is mainly related to the District spending less on capital in 2019 compared to previous years. The amount associated with the amortization of the PSR (asset) is less than the District's annual principal payment to the federal government for the repayment obligation (liability). The annual repayment obligation is based on paying a percentage (which increases over time) of the remaining outstanding principal balance, plus interest, over a 50-year period, while amortization remains relatively flat over time. Currently, the asset is amortized approximately \$9.9 million less than the annual principal payment. As the payment percentage increases, the annual principal payment will continue to exceed amortization, increasing the net value of capital assets.

Restricted net position: Restricted net position decreased \$25.3 million in 2019.

Unrestricted net position: Unrestricted net position increased \$128.3 million in 2019.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

This section of the MD&A discusses CAWCD's revenues, expenses and changes in the net position for 2019.

Statements of Revenues, Expenses and Changes in Net Assets

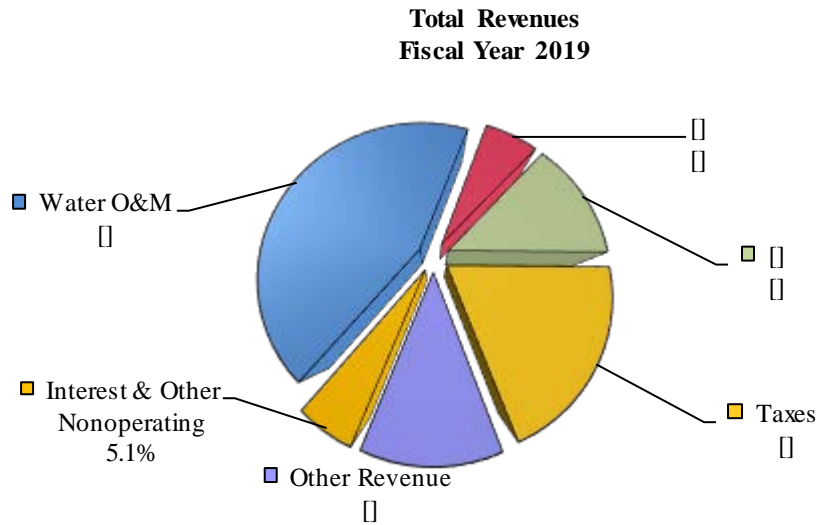
| <i>(Dollars in millions)</i> | 2019 | 2018 | Change |
|------------------------------|------------------------|------------------------|-----------------------|
| Total operating revenues | \$ 302.2 | \$ 280.6 | 21.6 |
| Total operating expenses | <u>(277.9)</u> | <u>(232.0)</u> | <u>(45.9)</u> |
| Operating income | 24.3 | 48.6 | (24.3) |
| Non-operating revenues | 97.1 | 81.1 | 16.0 |
| Non-operating expenses | <u>(27.3)</u> | <u>(26.2)</u> | <u>(1.1)</u> |
| Changes in net position | 94.1 | 103.5 | (9.4) |
| Beginning net position | <u>694.0</u> | <u>590.5</u> | <u>103.5</u> |
| Ending net position | <u><u>\$ 788.1</u></u> | <u><u>\$ 694.0</u></u> | <u><u>\$ 94.1</u></u> |

Total Revenues

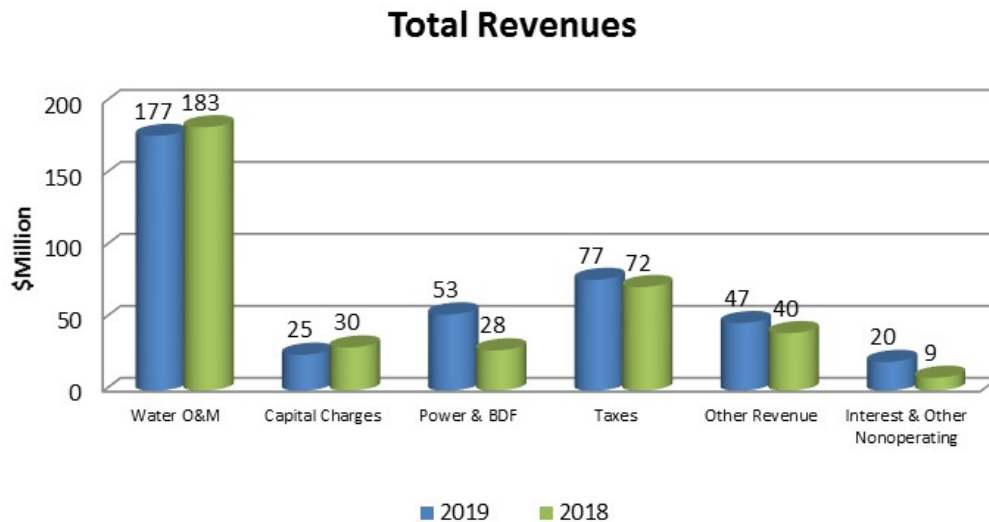
| <i>(Dollars in millions)</i> | 2019 | 2018 | Change |
|---|------------------------|------------------------|-----------------------|
| Operating revenues | | | |
| Water O&M charges | \$ 177.2 | \$ 182.3 | \$ (5.1) |
| Water service capital charges | 25.5 | 30.3 | (4.8) |
| Power and other BDF revenues | 52.7 | 27.8 | 24.9 |
| Other revenues | <u>46.8</u> | <u>40.2</u> | <u>6.6</u> |
| Non-Operating Expenses | <u>302.2</u> | <u>280.6</u> | <u>21.6</u> |
| Interest expense and other non-operating expenses | | | |
| Total non-operating expenses | 76.7 | 72.0 | 4.7 |
| Interest income and other | <u>20.4</u> | <u>9.1</u> | <u>11.3</u> |
| Total nonoperating revenues | <u>97.1</u> | <u>81.1</u> | <u>16.0</u> |
| Total revenues | <u><u>\$ 399.3</u></u> | <u><u>\$ 361.7</u></u> | <u><u>\$ 37.6</u></u> |

Total revenues, as depicted in the following chart, include operating revenues, such as water delivery Operating and Maintenance (O&M) charges, water service capital charges, power and Basin Development Fund (BDF) revenues, other revenue including CAGR and recharge sites and non-operating revenues, such as property taxes and interest earnings.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**



In 2019, total revenues increased by \$37.6 million over 2018. Water O&M decreased \$5.1 million. The majority of the decrease is due to lower reconciled rates as CAWCD is a cost of service organization. Capital charges decreased \$4.8 million as a result of a decrease in capital charge rates. Power and BDF revenues increased by \$24.9 million due to less capital spending and lower operations and maintenance expense on the NGS as it ceased operations in 2019. BDF revenue also had increased revenue from CAP Transmission O&M and Land sales. Other operating revenue increased \$6.6 million primarily due to an increase in CAGR activation fees and memberships dues as a result of increased memberships. Property taxes revenue increased by \$4.7 million due to rising assessed property valuations. Interest and other non-operating income increased by \$11.3 million due to rising interest rates, fair value adjustments and higher reserve balances.

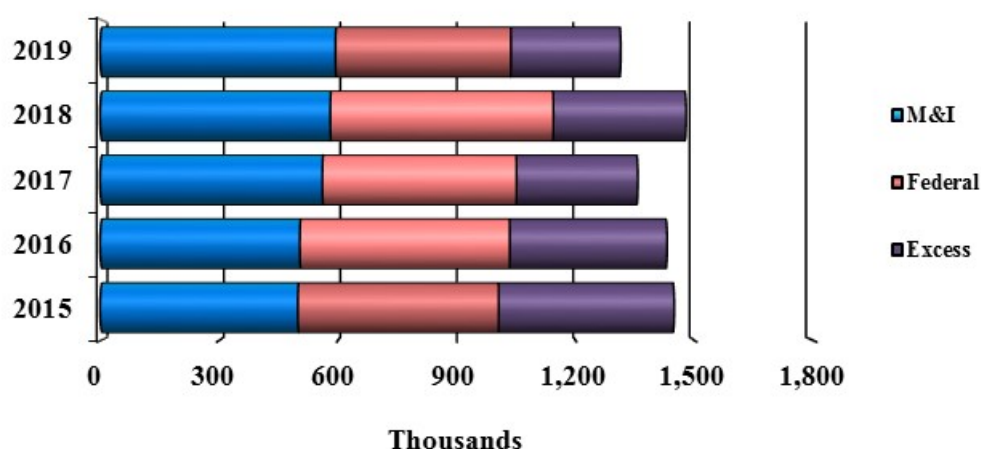


**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Water Deliveries

Water deliveries were 1,314,350 acre-feet in 2019 and 1,479,230 acre-feet in 2018, a decrease of 164,880 acre-feet. These figures do not include transfers of long-term storage credits or year-end customer reconciliations. Municipal and Industrial subcontract usage increased their 2019 deliveries by 13,082 acre-feet. Federal water deliveries decreased 119,935 acre-feet over 2018. The majority of this decrease was an agreement with the Gila River Indian Community to reduce their deliveries by 117,000 acre-feet and store it in Lake Mead in efforts to delay shortage. Excess water deliveries include Agriculture (Ag) as a part of the Ag Settlement Pool, CAGR for their Obligation and Replenishment reserve, Arizona Water Banking Authority (AWBA) for M&I Firming and Interstate agreements, and United States Bureau of Reclamation (USBR) for Firming and Temporary Water Permits. In 2019, Excess deliveries decreased 58,027 acre-feet compared to 2018. There were no deliveries for Interstate in 2019 compared to 13,500 acre-feet of Interstate deliveries in 2018. Interstate is Nevada's unused apportionment that AWBA stores pursuant to an Interstate agreement.

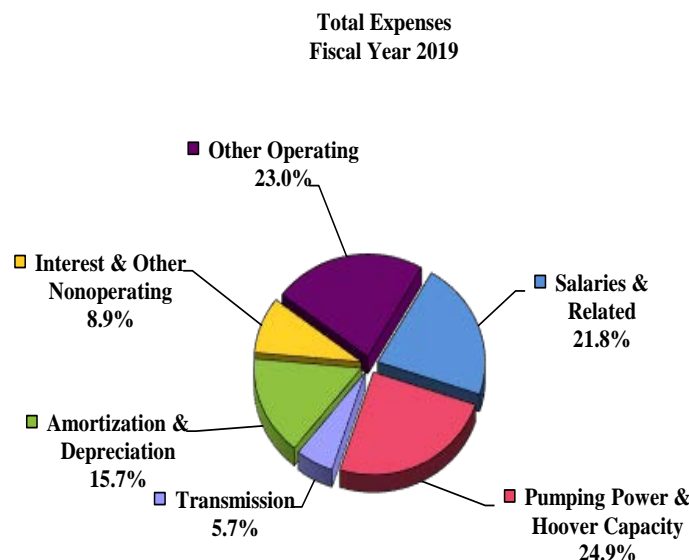
Water Deliveries (Acre-Feet) 2015 to 2019



| <i>(Dollars in millions)</i> | 2019 | 2018 | Change |
|--|----------|----------|---------|
| Operating expenses | | | |
| Salaries and related costs | \$ 66.4 | \$ 61.0 | \$ 5.4 |
| Pumping power and Hoover capacity | 75.9 | 81.8 | (5.9) |
| Transmission | 17.4 | 12.6 | 4.8 |
| Amortization | 23.0 | 23.2 | (0.2) |
| Depreciation | 25.0 | 23.2 | 1.8 |
| Other operating expenses | 70.2 | 30.2 | 40.0 |
| Total operating expenses | 277.9 | 232.0 | 45.9 |
| Non-operating expenses | | | |
| Disbursements to AWBA | 4.6 | 2.7 | 1.9 |
| Interest expense & other nonoperating expenses | 22.7 | 23.5 | (0.8) |
| Total nonoperating expenses | 27.3 | 26.2 | 1.1 |
| Total expenses | \$ 305.2 | \$ 258.2 | \$ 47.0 |

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Total expenses include operating and non-operating expenses. Operating expenses consist of salaries and related cost, pumping power, transmission, amortization and depreciation as well as other operating expenses. Non-operating expenses are primarily interest, disbursements to AWBA and other financial expenses. Rates are set in a manner that will recover an appropriate share of the District's expected operating expenses from customers. Since rates are set in advance, actual expenses may differ from the estimates used to calculate rates, which may cause the reserves to fluctuate.



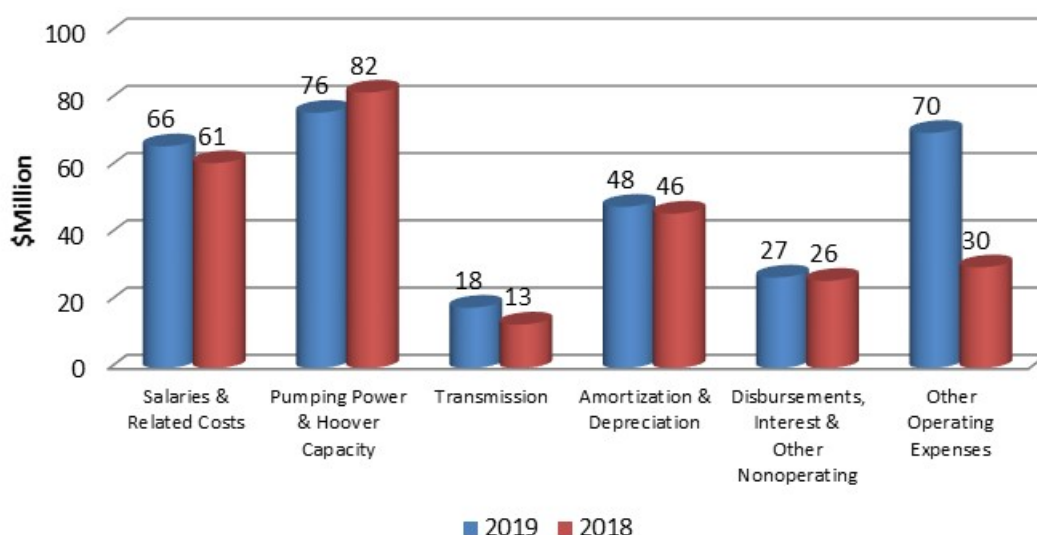
Overall, total expenses for 2019 increased \$47.0 million compared to 2018. Salaries and related costs increased \$5.4 million to \$66.4 million. This reflects the change in the ASRS valuation from the end of 2018 to end of 2019. Pumping power, including hoover capacity charges, decreased \$5.9 million mostly due to lower maintenance and capital costs at NGS with additional savings in lower costs per unit. Transmission expense is \$17.4 million, a \$4.8 million increase over 2018 transmission expense. Depreciation expense increased \$1.8 million.

Other operating expenses which include NGS decommissioning expense, outside services, materials and supplies, overhead, and CAGRD water purchases increased \$40.0 million. NGS terminated operations in November 2019. NGS decommissioning costs for 2019 increased by \$25.7 million as a result of the final contract negotiations on the Kayenta mine and updated NGS decommissioning costs. CAGRD water purchase expense increased by \$5.2 million based on replenishment obligations at the end of 2019 to meet current and future obligation needs. Outside commercial services increased \$11.6 million due to \$4.7 million in water recovery contracts that were part of the drought contingency plan; \$5.4 million in Salt River siphon maintenance; \$0.5 million in hardware and software maintenance and \$1.0 million from janitorial, security, BOR workplan expenses and utilities. Offsetting these increases is a decrease in outside professional services of \$1.6 million due to a reduction in legal services and technical studies.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Disbursements to AWBA were increased by \$1.9 million to assist AWBA with their administrative expenses. Interest expense and other non-operating expenses decreased \$0.8 million. The decrease consists of less interest paid to the federal government for the master repayment obligation and to the CAWCD Bond Series 2016 of \$1.1 million. This was offset by 0.3 million in bond issue costs and bond interest for the CAGRD Bond Series 2019.

Total Expenses



Changes In Net Position and Ending Net Position

Operating and non-operating impacts resulted in an increase in net position of \$94.1 million. The ending net position was \$788.1 million for the year.

CAPITAL ASSETS AND NONCURRENT DEBT ACTIVITY

Capital Assets: The District's investment in capital assets decreased \$24.2 million to \$1,361.7 million in 2019. The largest component of the District's capital assets is the PSR, net of accumulated amortization. The PSR (net) decreased from \$1,089.0 million in 2018 to \$1,065.8 million in 2019 per the amortization schedule, which is currently \$23.0 million per year. 2019 was a year for large projects for maintenance and repairs of the canal system, such as the Salt River siphon repair, leaving less time for capital projects. Other capital assets decreased \$1.0 million in 2019, which are assets related to the CAP for meeting its responsibilities.

More information about the District's capital assets is provided in Note 9 of the financial statements.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

| (Dollars in millions) | 2019 | 2018 | Change |
|---------------------------------|-------------------|-------------------|------------------|
| Operating assets | | | |
| Land | \$ 3.2 | \$ 3.2 | \$ - |
| Work-in-process | 16.7 | 19.3 | (2.6) |
| Intangibles | 32.3 | 33.2 | (0.9) |
| Land and structure improvements | 142.5 | 140.0 | 2.5 |
| Capital equipment | 101.2 | 101.2 | - |
| Total operating assets | <u>295.9</u> | <u>296.9</u> | <u>(1.0)</u> |
| Permanent service right | <u>1,065.8</u> | <u>1,089.0</u> | <u>(23.2)</u> |
| Total capital assets | <u>\$ 1,361.7</u> | <u>\$ 1,385.9</u> | <u>\$ (24.2)</u> |

Noncurrent Debt: The District's noncurrent debt decreased \$16.9 million in 2019 related to CAP reducing the revenue bonds obligation and the federal repayment obligation. The increase in bonds payable represents CAGR's new bond for the funding of water purchases.

SCHEDULE OF NONCURRENT DEBT

| (Dollars in millions) | 2019 | 2018 | Change |
|-----------------------------------|-------------------|-------------------|------------------|
| Noncurrent Liabilities | | | |
| Repayment obligation | \$ 1,010.9 | \$ 1,043.9 | \$ (33.0) |
| Bonds payable, due after one year | <u>63.5</u> | <u>47.4</u> | <u>16.1</u> |
| Total long-term debt | <u>\$ 1,074.4</u> | <u>\$ 1,091.3</u> | <u>\$ (16.9)</u> |

Other noncurrent liabilities are discussed in the previous Total Liabilities section of the MD&A. More information about the District's repayment obligation is provided in Note 2 of the financial statements. Note 12 discusses the District's issuance of Water Delivery O&M Revenue Bonds, Series 2016.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

CURRENTLY KNOWN ECONOMIC FACTORS IMPACTING THE FUTURE FINANCES OF CAWCD

- NGS shut down operations in November 2019. Future power needs will be partially through long-term contracts (~25%) and the remainder market purchases. The current outlook is that it will result in a lower energy costs than if NGS continued operations. A secondary impact of the closure is that the NGS surplus power sold to Salt River Project terminated and will result in a \$20+ million increase in the federal repayment. The source of these funds is anticipated to be through increased capital charges and potentially property taxes.
- Under 2007 Interim Guidelines, shortage sharing criteria agreed to among the basin states and the Department of the Interior, if the water elevation in Lake Mead falls to certain levels, the Secretary of the Interior (Secretary) will declare a shortage. The Upper and Lower Basin States worked on the Drought Contingency Plan (DCP), which is designed to protect the Colorado River system through reductions and increased conservation. They were developed through a collaborative process amongst the federal government, states, water users and Mexico. Federal legislation implementing DCP occurred in 2019. The DCP added Tier 0 as an additional shortage level. The Tier 0 shortage trigger in Lake Mead is at elevation 1,090 feet, at which point Arizona's reduction is 192,000 acre-feet. At a Tier 1 shortage, Lake Mead elevation 1,075 feet, reductions to Arizona's supply increases to 512,000 acre-feet. Additional shortage triggers occur at elevation 1,050 feet (592,000 acre-foot reduction); 1,045 feet (640,000 acre-foot reduction) and 1,025 feet (720,000 acre-foot reduction). The DCP agreements run through 2026 when it is anticipated that new shortage sharing rules will be negotiated and put into effect. Reductions to Arizona's Colorado River supply under DCP could begin as early as 2022. In 2018 and early 2019, the Arizona Department of Water Resources and Central Arizona Project jointly led nearly 40 stakeholders through months of public and small group meetings. During this process, new arrangements, which form a package called the Arizona Implementation Plan, were negotiated. The package of agreements shares the burden of impacts from the Colorado River reductions and the benefits of increased reliability for Arizona water users. In the event of a shortage, Fixed O&M costs have to be absorbed by lower delivery volumes, and water delivery rates increase correspondingly. A structural deficit remains in Lake Mead. There is more water allocated out to downstream users than on average comes into the lake. Several pilot programs have been implemented since 2015 to leave water in Lake Mead, which have resulted in increases in water rates, use of property tax revenues and are anticipated to continue in future years.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The information contained in the Management's Discussion and Analysis is intended to give our customers, taxpayers and other stakeholders a general overview of the District's finances, issues that affect the District's financial position and accountability for the money it receives. If you have questions about the report or need additional financial information, contact:

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BASIC FINANCIAL STATEMENTS

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

| ASSETS | <i>(In Thousands)</i> |
|---|-------------------------|
| CURRENT ASSETS | |
| Cash | \$ 15,272 |
| Investments | 91,769 |
| Total Cash and Cash Equivalents | <u>107,041</u> |
| Receivables: | |
| Due From Water Customers | 8,166 |
| Property Taxes, Less Allowance of \$787 | 36,713 |
| Other Receivables | 14,421 |
| Water Inventory | 206,196 |
| Funds Held by Federal Government | 51,530 |
| Other Assets | 1,735 |
| Total Current Assets | <u>425,802</u> |
| NONCURRENT ASSETS | |
| Investments | 314,210 |
| Restricted Assets | 97,524 |
| Agricultural Water Rights | 88,719 |
| Capital Assets: | |
| Operating Assets, Less Accumulated Depreciation of \$219,648 | 295,881 |
| Permanent Service Right, Less Accumulated Amortization of \$723,791 | 1,065,836 |
| Other Assets | 2,000 |
| Total Noncurrent Assets | <u>1,864,170</u> |
| Total Assets | <u>2,289,972</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension Valuation | 5,891 |
| OPEB Valuation | 3,222 |
| Total Deferred Outflows of Resources | <u>9,113</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,299,085</u> |

See accompanying Notes to Basic Financial Statements.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

LIABILITIES

(In Thousands)

CURRENT LIABILITIES

| | |
|--|----------------|
| Accounts Payable | \$ 21,756 |
| Accrued Payroll, Payroll Taxes and Other Accrued Expenses | 7,773 |
| Water Operations and Capital Charges Unearned Revenue | 30,664 |
| Asset Retirement Obligation, Due Within One Year | 27,700 |
| Current Liabilities Payable from Restricted Assets, Advances to Federal Government, and Other Noncurrent Assets: | |
| Accrued Interest Payable | 22,386 |
| Repayment Obligation, Due Within One Year | 32,929 |
| Bonds Payable, Due Within One Year | 3,165 |
| Total Current Liabilities | <u>146,373</u> |

NONCURRENT LIABILITIES

| | |
|---|------------------|
| Asset Retirement Obligation, Due After One Year | 51,147 |
| Repayment Obligation, Due After One Year | 1,010,921 |
| Bonds Payable, Due After One Year | 63,473 |
| Non-Indian Agricultural 9(d) Debt | 88,719 |
| Other Noncurrent Liabilities | 90,454 |
| Total Noncurrent Liabilities | <u>1,304,714</u> |

| | |
|-------------------|------------------|
| Total Liabilities | <u>1,451,087</u> |
|-------------------|------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|---------------|
| Customer Deposits | 43,171 |
| Pension Valuation | 6,916 |
| OPEB Valuation | 9,816 |
| Total Deferred Inflows of Resources | <u>59,903</u> |

NET POSITION

| | |
|---|----------------|
| Net Investment in Capital Assets | 251,229 |
| Restricted for Master Repayment Agreement | 41,886 |
| Restricted for Supplemental Water Account | 8,815 |
| Restricted for CAGRD Account | 14,078 |
| Restricted for Captive Insurance Company | 2,250 |
| Restricted for Bond Trust Account | 7,171 |
| Restricted for Power Agreement | 938 |
| Unrestricted | 461,728 |
| Total Net Position | <u>788,095</u> |

| | |
|---|---------------------|
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 2,299,085</u> |
|---|---------------------|

See accompanying Notes to Basic Financial Statements.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

(In Thousands)

OPERATING REVENUES

| | |
|---|----------------|
| Water Operations and Maintenance Charges | \$ 177,157 |
| Water Service Capital Charges | 25,510 |
| Power and Basin Development Fund Revenues | 52,703 |
| Other Operating Revenues | 46,848 |
| Total Operating Revenues | <u>302,218</u> |

OPERATING EXPENSES

| | |
|---|----------------|
| Salaries and Related Costs | 66,374 |
| Pumping Power | 72,568 |
| Power Transmission | 17,415 |
| Hoover Capacity Charges | 3,332 |
| Amortization of Permanent Service Right | 23,001 |
| Depreciation | 24,977 |
| Other Operating Expenses | 70,225 |
| Total Operating Expenses | <u>277,892</u> |

OPERATING INCOME

24,326

NONOPERATING REVENUES (EXPENSES)

| | |
|--|---------------|
| Property Taxes | 76,718 |
| Interest Income and Other Nonoperating Revenues | 20,380 |
| Disbursements to AWBA | (4,561) |
| Interest Expense and Other Nonoperating Expenses | (22,755) |
| Total Nonoperating Revenues (Expenses) | <u>69,782</u> |

CHANGES IN NET POSITION

94,108

Net Position - Beginning of Year

693,987

NET POSITION - END OF YEAR

\$ 788,095

See accompanying Notes to Basic Financial Statements.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---------------------------------------|-----------------|
| Cash Received from Customers | \$ 210,896 |
| Cash Received from Power Sales | 29,586 |
| Cash Paid to Employees | (65,304) |
| Cash Paid to Suppliers | (274,824) |
| Net Cash Used by Operating Activities | <u>(99,646)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|---------------|
| Cash Disbursements to Arizona Water Banking Authority | (4,561) |
| Cash Received from Property Taxes | 74,577 |
| Net Cash Provided by Noncapital Financing Activities | <u>70,016</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------------|
| Payments on Repayment Obligation, Including Interest | (25,233) |
| Issuance of Bonds Payable | 20,000 |
| Payments on Bonds Payable | (1,565) |
| Interest Paid on Bonds | (2,020) |
| Additions to Capital Assets | (26,101) |
| Proceeds from Insurance of Impaired Capital Assets | 2,272 |
| Net Cash Used by Capital and Related Financing Activities | <u>(32,647)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|---------------|
| Increase in Restricted Assets | (3,397) |
| Decrease in Restricted Assets | 30,364 |
| Purchase of Investments | (58,960) |
| Proceeds from Sale and Maturities of Investments | 88,876 |
| Investment Income Received | 12,483 |
| Net Cash Provided by Investing Activities | <u>69,366</u> |

CHANGE IN CASH AND CASH EQUIVALENTS

7,089

Cash and Cash Equivalents - Beginning of Year

99,952

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 107,041

See accompanying Notes to Basic Financial Statements.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

(In Thousands)

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

| | |
|--|--------------------|
| Operating Income | \$ 24,326 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Amortization of Permanent Service Right | 23,001 |
| Depreciation | 24,977 |
| Loss of Disposal of Capital Assets | 1,780 |
| BDF Revenue - Repayment Credit | (29,958) |
| Changes in Operating Assets and Liabilities: | |
| Due from Water Customers | (7,381) |
| Due from Other Receivables | (1,894) |
| Water Inventory | (105,369) |
| Other Assets | 12,065 |
| Funds Held by Federal Government | (21,572) |
| Deferred Outflows of Resources - Pension Valuation | 3,437 |
| Deferred Outflows of Resources - OPEB Valuation | (1,445) |
| Accounts Payable | (14,504) |
| Accrued Payroll, Payroll Taxes and Other Accrued Expenses | 307 |
| Water Operations and Capital Charges Unearned Revenue | 1,069 |
| Asset Retirement Obligation | (20,075) |
| Net Pension Liability | (498) |
| Retirees Health Insurance | (405) |
| Other Noncurrent Liabilities | 680 |
| Deferred Inflows of Resources - Customer Deposits | 12,139 |
| Deferred Inflows of Resources - Pension Valuation | (1,480) |
| Deferred Inflows of Resources - OPEB Valuation | 1,154 |
| Net Cash Used by Operating Activities | <u>\$ (99,646)</u> |

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

| | |
|---|-----------------|
| Increase in Fair Value of Investments | \$ 3,277 |
| Increase in Fair Value of Restricted Assets | 728 |
| Amortization of Bond Premium | 758 |
| Total Noncash Investing Activities | <u>\$ 4,763</u> |

See accompanying Notes to Basic Financial Statements.

Notes to the Financial Statements

Table of Contents

| | |
|--|----|
| Note 1: Summary of Significant Accounting Policies | 29 |
| Note 2: Master Repayment Agreement | 35 |
| Note 3: Operations..... | 37 |
| Note 4: Taxing Authority | 43 |
| Note 5: Cash and Investments..... | 44 |
| Note 6: Water Inventory | 46 |
| Note 7: Restricted Assets | 48 |
| Note 8: Agricultural Water Rights..... | 50 |
| Note 9: Capital Assets | 50 |
| Note 10: Deferred Outflows of Resources | 53 |
| Note 11: Asset Retirement Obligation..... | 53 |
| Note 12: Bonds Payable | 54 |
| Note 13: Repayment Obligation..... | 57 |
| Note 14: Non-Indian Agricultural 9(d) Debt..... | 58 |
| Note 15: Other Noncurrent Obligations..... | 58 |
| Note 16: Deferred Inflows of Resources | 59 |
| Note 17: Pension Plans | 60 |
| Note 18: Savings and Deferred Compensation Plans | 65 |
| Note 19: Postemployment Healthcare Plan | 65 |
| Note 20: Risk Management and Captive Insurance | 69 |
| Note 21: Self-Insurance | 72 |
| Note 22: Commitments and Contingencies | 73 |



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Central Arizona Water Conservation District (CAWCD or District) is a multi-county water conservation district organized within the State of Arizona encompassing Maricopa, Pima, and Pinal counties. The District's popularly elected Board of Directors serves as its governing body. Under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement Nos. 39 and 80, the District is a primary government with a single blended component unit, the CAWCD Insurance Company, Inc. (Captive). The Captive is included as a blended component unit because it provides services exclusively to the District. The CAWCD Insurance Company issues separate financial statements and they can be obtained upon request from the District. The District was authorized in 1971 by the Arizona State Legislature for the primary purpose of creating a single entity to enter into an agreement with the United States Department of the Interior, Bureau of Reclamation (Reclamation), for repayment of the reimbursable cost of the Central Arizona Project (CAP). The District is further empowered to serve as the operating agent of the CAP.

The CAP is a multi-purpose water resource project authorized by the Congress of the United States in 1968 by the Colorado River Basin Project Act and was constructed by Reclamation. The CAP is intended to deliver an average of approximately 1.5 million acre-feet of Arizona's annual share of Colorado River water to central and southern Arizona, which will partially replace existing groundwater uses and supplement surface water supplies. It also provides flood control, power, recreation, and fish and wildlife benefits.

Under its enabling legislation (A.R.S. §48-3701 et seq.), the District has the authority to levy ad valorem taxes against all taxable property within its boundaries. The first ad valorem tax, which may not exceed 10 cents per \$100 of assessed valuation, is for the District's operations and repayment of the construction cost repayment obligation of the CAP (Note 2). The ad valorem tax for operations and repayment was levied at 10 cents per \$100 of assessed valuation for the tax years ending June 30, 2020 and June 30, 2019. The second ad valorem tax, which may not exceed 4 cents per \$100 of assessed valuation, is for water storage to the extent that it is not required for the District's operations or the construction cost repayment obligation of the project. The ad valorem tax for water storage was levied at 4 cents per \$100 of assessed valuation in the tax years ending June 30, 2020 and June 30, 2019. Proceeds are deposited by the District with the State Treasurer and used by the District to defray annual operation, maintenance and replacement cost. The respective counties collect property taxes on behalf of the District.

In 1993, the State legislature gave the District additional authority to provide replenishment services within the District's three-county service area. This authority is commonly referred to as the Central Arizona Groundwater Replenishment District (CAGRD). The CAGRD began enrolling members in 1995. The CAGRD is responsible for using renewable water supplies to replenish (or recharge) excess groundwater used by its members. All costs of the CAGRD are to be paid by its members through assessments based on replenishment services provided.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accounting policies of the District conform to generally accepted accounting principles as applicable to an enterprise fund of a governmental unit. Accordingly, the District is accounted for using the flow of economic resources, measurement focus and the accrual basis of accounting, whereby revenues are recorded when they are earned, and expenses are recorded when the liability is incurred. CAWCD is a primary government with a single-blended component unit, the CAWCD Insurance Company, Inc. (Captive). However, the District has identified a number of financial activities that it wishes to track separately, referred to as funds and accounts:

- General Fund – Represents CAWCD's core business, the delivery of Colorado River water to central Arizona through the Central Arizona Project (CAP) and repayment of reimbursable construction costs and is, by an order of magnitude, the largest fund within the District.
- Central Arizona Groundwater Replenishment District Account (CAGRD) – Represents the activities of the CAGRD as authorized by Arizona Revised Statutes (ARS) § 48-3771 et. seq.
- Supplemental Water Account – Represents the activities related to a trust fund established by Section 7 of Public Law 98-530 and ARS § 45-3715.01 to acquire or conserve water to supplement Colorado River supplies.
- Captive Insurance Fund – Represents the activities related to the CAWCD Captive Insurance Company, Inc., to provide a self-insurance mechanism for health, property and casualty insurance.

These "funds" and "accounts" have been combined in the accompanying financial statements and all material inter-fund transactions have been eliminated.

The *statement of net position* presents the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on asset's use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of those assets which do not meet the definition of the two preceding categories. Unrestricted net position often are designated to indicate that management consider them to be available for general operations. The unrestricted component often has constraints on resources which are imposed by management but can be removed or modified by the District Board of Directors.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

- This Statement defines debt and identifies what debt is subject to specific disclosure requirements in notes to financial statements.
- CAWCD implemented this Statement in 2019.

Bond Issuance Costs and Premiums

Bond issuance costs are expensed immediately. Bond premiums are amortized over the term of the related bonds on the interest method. Bond premiums are presented as an increase of the face amount of bonds payable.

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 a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Cash and Investments

All funds, except the Captive, are to be invested in obligations issued or guaranteed by the United States or any of its agencies, collateralized repurchase agreements, obligations of the state and local governments, prime quality commercial paper and other instruments as set forth in the District's enabling legislation.

Investments are managed by the State Treasurer and maintained in investment pools (the state of Arizona Local Government Investment Pool (LGIP) 5 and the CAWCD Long-Term Pool 12). The LGIP 5 consists of participating interest earning investment contracts with maturities of less than one year. The investments are reported at fair value and the District's investments approximate the value of the pool shares and are considered a cash equivalent. The CAWCD Long-Term Pool 12 is recorded at fair value in accordance with GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water Inventory

Water inventory is valued at cost, which approximates market, using the average flow of cost method. The water inventory adjustment recognizes that the cost of power used to pump water into Lake Pleasant should be recovered, through operations maintenance and replacement (OM&R) charges, in the year the water is delivered to customers, not the year in which it is pumped into Lake Pleasant. The water inventory adjustment is valued at the actual energy cost.

In 2002, the District entered into a water exchange agreement with Salt River Project (SRP) that allowed for an exchange of up to 150,000 acre-feet. Water inventory is valued at cost, which approximates market, using the average flow of cost method. Any intentionally created surplus credits (ICS) the District earns are expensed.

The District purchased long-term storage credits (LTSC) from outside organizations through CAGRD funds. These LTSC are recorded at cost using average cost valuation method. The LTSC are maintained in separate accounts for the Replenishment Reserve and general inventory. The Replenishment Reserve is required by state statute as a means to ensure a pool of LTSC available to meet replenishment obligations in the event of a shortage or lack of other supply. The goal of the Replenishment Reserve is established statutorily and CAGRD must demonstrate progress toward the established goal. The general storage credits are LTSC that CAGRD holds it has purchased or created and are available to meet its replenishment obligation or add to its Replenishment Reserve.

Capital Assets and Depreciation

Capital assets are initially recorded at cost. Contributed assets are recorded at acquisition value as of the date received. Internally constructed assets are recorded at cost plus an allocation of overhead costs. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets ranging from three to fifty years. The costs of additions and replacements are capitalized. Work-in-process is capitalized as projects are completed. Major components of a project that have been completed and placed in service are depreciated. Repairs and maintenance are charged to expense as incurred. Retirements, sales and disposals are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any net resulting gain reflected in nonoperating revenue or any net resulting loss as operating expense within the Statements of Revenues, Expenses and Changes in Net Position.

Nondepreciable intangibles are water rights that are perpetual and do not decrease in value. Depreciable intangibles include water rights if agreements are for shorter terms (see Note 9 for further discussion) and computer software.

The Permanent Service Right is an intangible asset that represents that District's right to operate the CAP water delivery system (see Note 9).

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (Continued)

Operating assets are capitalized when over \$25,000 and are stated at cost. Assets are depreciated on the straight-line method over the estimated useful lives as follows:

| | |
|------------------------------|-----------------|
| Land | Not Depreciated |
| Intangibles – Nondepreciable | Not Depreciated |
| Structures and Improvements | 5 to 40 Years |
| Equipment | 3 to 20 Years |
| Intangibles – Depreciable | 3 to 100 Years |

Investments

Investments held by governmental entities are reported at fair value. Fair value adjustments are included in interest income and other nonoperating revenues.

Restricted Assets

Restricted assets are primarily funds held by the State Treasurer or trustees that are restricted by enabling legislation or contract.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources are reported in the basic financial statement of net position in a separate section following assets and liabilities, respectively. The District elected the optional statement of net position presentation.

The District recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. The deferred outflows of resources are related to the District's pension plan and other postemployment benefits (OPEB).

The District recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. The deferred inflows of resources relate to the District's pension and OPEB plans and customer deposits.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and additions to, or deductions from, ASRS's fiduciary net position have been determined on the same basis as they are reported by ASRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 17).

Other Postemployment Benefits (OPEB)

The District provides post-retirement healthcare insurance benefits for its retirees as a single-employer defined benefit plan which is administered through CAWCD Insurance Company, Inc. (Captive). Eligible retirees are provided medical, dental and life insurance benefits for spouses and family (see Note 19).

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The District records revenue from the sale of water, the sale of power, the levy of property taxes and the provision of certain contract services to other external or third party entities. Water rates consist of a water service capital charges and OM&R charges. Generally, OM&R charges are determined by the Board of Directors after giving consideration to the amount of OM&R costs to be paid by the various subcontractors and through property taxes. Water is delivered to subcontractors and other customers based on delivery requests. Revenue from OM&R charges is recognized as it is earned and revenue from water service capital charges is recognized monthly. Generally, OM&R charges for scheduled water deliveries are due in advance.

Revenues from contract services and the sale of power and emissions credits are recorded when earned.

Property taxes are recorded as a receivable when levied and the receivable is reduced when money is received from the counties. Tax equivalency charges are recorded when received if there is no obligation to deliver any services or provision for refund.

Operating and Nonoperating Revenues

The District's primary operating revenues are water sales, capital charges associated with water sales, power and Lower Colorado River Basin Development Fund (BDF) revenues and CAGR rates and fees. The District's primary nonoperating revenues are property taxes and interest earnings.

Operating and Nonoperating Expenses

The District's primary operating expenses are salaries and related costs, pumping power, amortization/depreciation, and outside services (other operating expenses). The District's primary nonoperating expense is interest related to the federal debt repayment and disbursements to the Arizona Water Bank Authority (AWBA).

Application of Restricted or Unrestricted Resources

In cases where an expense is incurred for purposes for which both restricted and unrestricted net position is available, the expense is applied to the restricted net position first.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash and investments with a maturity of less than one year at the time of purchase are treated as cash and cash equivalents due to their high liquidity.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 MASTER REPAYMENT AGREEMENT

The Agreement

The Bureau of Reclamation and the District have a contract for delivery of water and repayment of costs of the CAP. This contract (the Master Repayment Agreement) was originally entered into in 1972 and amended in 1988. In the Master Repayment Agreement, Reclamation agreed to construct the CAP and the District agreed to repay various reimbursable construction costs of the CAP, various OM&R costs during construction and interest during construction on various costs.

Commencement of Repayment

Reclamation notified the District that the water supply system, the first CAP construction stage, was substantially complete on October 1, 1993. This notification initiated repayment by the District for the water supply system. Reclamation notified the District that the regulatory storage facilities stage, consisting of New Waddell and Modified Roosevelt Dams, was substantially complete on September 30, 1996. This notification initiated repayment by the District for the regulatory storage facilities stage.

The Master Repayment Agreement requires the District to make annual payments to the United States on the repayment obligation related to the completed construction stages. These payments are required to be made over a 50-year period and are based on paying a percentage of the remaining outstanding repayment obligation, plus interest, with each construction stage having a separate 50-year repayment period as follows: contract years 1-7: 1%; 8-14: 1.3%; 15-21: 1.6%; 22-28: 2%; 29-35: 2.6%; and 36-50: 2.7%.

Repayment Litigation and Repayment Settlement

As a result of disputes between the District and the United States regarding the amount of the District's repayment obligation, the District filed a lawsuit against the United States in July 1995, seeking a judicial determination of the District's repayment obligation. The United States also filed a lawsuit against the District. The two lawsuits were consolidated into a single action in the Federal District Court (the Court), in Phoenix, Arizona (the Repayment Litigation). On May 9, 2000, the litigation was settled, contingent upon the satisfaction of certain conditions within a specified time period (the Repayment Settlement). On April 8, 2003, the settlement was amended to extend the time for satisfaction of the conditions necessary for entry of final judgment. On December 10, 2004, the Arizona Water Settlements Act was enacted (the Settlements Act). The Settlements Act facilitated final judgment in the Repayment Litigation by authorizing actions that were necessary to satisfy the conditions of the Repayment Settlement. These conditions were subsequently satisfied. On November 21, 2007, a final judgment was entered based upon a stipulation for judgment filed by all of the parties to the Repayment Litigation. The time for appeal of the final judgment has expired. Accordingly, the Repayment Settlement is now fully effective. The major matters resolved by the Repayment Settlement are as follows.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 MASTER REPAYMENT AGREEMENT (CONTINUED)

The Arizona Water Settlement

The Repayment Settlement required that there be a reallocation of CAP water supplies such that the total amount of CAP water allocated for federal uses be increased to 667,724 acre feet, or approximately 47% of average annual CAP supplies. The remaining CAP supplies, 747,276 acre-feet, or approximately 53% of average annual CAP supplies, were required to be made available for non-Indian agricultural, municipal, and industrial use.

This reallocation was accomplished through the relinquishment of long-term CAP entitlements by non-Indian agricultural CAP subcontractors and the eventual reallocation of those entitlements and other, uncontracted non-Indian agricultural (NIA) priority CAP water to Indian and municipal and industrial (M&I) water users. In return for the receipt of certain benefits, including the opportunity to purchase excess CAP water under short-term contracts at energy-only rates through 2030, non-Indian agricultural CAP subcontractors were offered the opportunity to relinquish their rights to NIA water under their long-term CAP subcontracts. All of the non-Indian agricultural CAP subcontractors agreed to permanently relinquish their entitlements to NIA water. (The Arizona State Land Department, a landowner within the Maricopa Stanfield Irrigation and Drainage District (MSIDD), initially elected to retain an entitlement of 9,026 acre-feet of MSIDD's entitlement under a long-term NIA CAP subcontract, but was subsequently terminated on September 1, 2009).

On August 25, 2006, the Secretary of the Interior (Secretary) reallocated 197,500 acre-feet of the relinquished and uncontracted NIA water for use by Arizona Indian tribes, bringing the total amount of CAP water allocated for federal use to 650,724 acre-feet. Under the Settlements Act, an additional 17,000 acre-feet of M&I priority CAP water may be transferred from nonfederal to federal uses in the future. If that additional water ultimately is not transferred, the District and the United States would adjust the District's repayment obligation as described below.

In the August 25, 2006 allocation decision, the Secretary also reallocated up to 96,295 acre-feet of NIA priority CAP water to the Arizona Department of Water Resources to be held in trust for eventual reallocation to non-Indian M&I entities and reallocated 65,647 acre-feet of previously uncontracted M&I priority CAP water to M&I entities. New CAP subcontracts, incorporating the additional allocations of M&I water and certain amendments required by the Settlements Act, were offered to all subcontractors of CAP water service. All of those subcontracts have been fully executed, bringing the total amount of non-Indian M&I priority CAP water under subcontract to 620,678 acre-feet. This, together with the NIA priority water allocated to the Arizona Department of Water Resources, brings the total amount of CAP water currently in non-Indian hands to 764,276 acre-feet.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 MASTER REPAYMENT AGREEMENT (CONTINUED)

Repayment Obligation

The Repayment Settlement established the principal amount of the District's repayment obligation for the water supply system and regulatory storage facilities stages of the CAP at \$1,646,462,500 based upon the agreement to increase the amount of CAP water allocated for federal use to 667,724 acre-feet. The Repayment Settlement provides that the repayment obligation is subject to further adjustment, up or down, by \$1,415 per acre-foot if the total amount of CAP water ultimately made available for federal use is not 667,724 acre-feet. The District's repayment obligation would vary inversely with the amount of CAP water allocated for federal use. Thus, if the total amount of CAP water ultimately made available for federal use is less than 667,724 acre-feet, the District's repayment obligation would be increased by \$1,415 per acre-foot of the difference. There was no adjustment to the District's repayment obligation related to the CAP water allocated for federal use in 2019.

The Repayment Settlement provided that 73% of the District's repayment obligation will bear interest at the rate established in the Master Repayment Agreement of 3.342% per annum, and 27% of the repayment obligation will be noninterest bearing. The Repayment Settlement fixed these percentages for the duration of the repayment period.

Construction Deficiencies and Other Credits

Certain disputes regarding financial responsibility for CAP construction deficiencies were resolved by the Repayment Settlement, with the District receiving appropriate credit against payments due under its repayment obligation for work performed by the District to correct these deficiencies. Certain other credits against the annual payments due from the District were also recognized and applied in the Repayment Settlement.

In 2011, the District applied a one-time prepayment of \$12,000,000 from the sale of NGS Surplus Power pursuant to the Repayment Settlement. This amount is in lieu of the last \$12,000,000 due of the noninterest bearing portion of the Repayment Obligation.

Application of Basin Development Fund Revenues

The Repayment Settlement provided that all net miscellaneous revenues and net power revenues accumulating in the BDF of the United States Treasury in each year will be credited annually against the amount due from the District on its repayment obligation.

NOTE 3 OPERATIONS

Operations and Maintenance Agreement

Reclamation has transferred responsibility for operation and maintenance of completed CAP features to the District. The District performs these responsibilities under the Master Repayment Agreement, an agreement with Reclamation for the operation and maintenance of the facilities (the OM&R Transfer Contract), and an Operating Agreement between Reclamation and the District that took effect as part of the Repayment Settlement.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 OPERATIONS (CONTINUED)

Water Delivery Contracts and Subcontracts

Long-term CAP water service began pursuant to contracts and subcontracts on October 1, 1993, upon notice of completion of the water supply system. Originally, the term of the contracts and subcontracts was generally 50 years beginning January 1, 1994. The Settlements Act required the Secretary to offer to amend all CAP contracts and subcontracts to, among other things, change the term of the contracts and subcontracts from 50 years to permanent water service, with an initial delivery term of 100 years. Pursuant to the Settlements Act, the District offered 60 new subcontracts and all were executed. In addition, the United States has entered into long-term contracts with eleven Indian entities for the delivery of CAP water. The District is not a party to these contracts but is obligated to deliver CAP water to Indian contractors under the Master Repayment Agreement.

The non-Indian subcontracts require the payment of a water service capital charge and an OM&R charge. For Municipal and Industrial (M&I) subcontractors, the water service capital charge is applicable to each subcontractor's maximum annual entitlement to CAP water. Under the M&I water service subcontracts and current District pricing structure, the M&I water service capital charge is a variable charge based on the estimated amount required to make the federal repayment less amounts available from the BDF or property taxes. The water service capital charge will not be greater than necessary to amortize project capital costs allocated to the M&I function with interest. Indian contractors of CAP water pay no water service capital charge, since the capital costs associated with the delivery of CAP water to Indian entities are not reimbursable by the District pursuant to the Master Repayment Agreement.

The OM&R costs of the CAP are of two types: energy costs and fixed costs. Energy costs are incurred to pump water from the Colorado River through the CAP aqueduct system and fixed costs are the nonenergy costs associated with operation, maintenance, and replacement. The District completed a cost of service study to better define what components properly constitute fixed OM&R costs and how to allocate those costs among classes of CAP water users.

M&I subcontractors and Indian contractors must pay OM&R charges on water scheduled for delivery.

Indian tribes, or the United States on behalf of Indian tribes, pay the fixed OM&R charges and pumping energy charges associated with the delivery of CAP water to Indian tribes. Under the Settlements Act, the United States may use funds available in the BDF to pay Indian fixed OM&R charges. The United States pays all OM&R charges for water delivered to the Ak-Chin Indian Community pursuant to a 1984 settlement of that tribe's water rights claims. Disputes that existed with respect to the amounts of those charges and the proper method of calculating OM&R charges were resolved as part of the Repayment Settlement.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 OPERATIONS (CONTINUED)

Water Delivery Contract and Subcontracts (Continued)

As an integral part of the Repayment Settlement, the District also offers a special pool of excess water to non-Indian agricultural water users pursuant to two-party contracts between the District and non-Indian agricultural water users. Those users pay pumping energy charges, but not fixed OM&R charges, for that water.

The District's Board of Directors uses the District's Long-Range Financial Plan (LRFP) to assist in setting rates for water service. In 2005, the Board of Directors adopted a two-year planning cycle. The Board revised the policy in 2010. As a result, water service charges are set every other year, including firm rates for the next year, provisional rates for the following year, and advisory rates for the subsequent four years. The provisional rates become firm the subsequent year unless updated by the Board prior to the commencement of the second year during the rate update process. The water service charges charged to M&I subcontractors and the United States on behalf of Indian contractors of CAP water service for 2019 were confirmed by the Board of Directors on June 7, 2018, at which time the Board also approved provisional rates for 2020 and advisory rates for 2021 through 2024.

Details regarding water deliveries and charges are set forth in the unaudited tables appended to these financial statements as Statistical Section.

POWER

Power Purchases

Through 2019, the power needed for the operation of the CAP pumps was provided from a number of sources. Relatively small amounts of power are available from the Hoover power plant at Hoover Dam and from CAP's New Waddell Dam pump-generating station when water is released from Lake Pleasant. The balance of CAP's pumping power needs, with the exception of market purchases that may be made for economic or operational reasons, were provided by Reclamation's interest in the NGS.

Hoover B Power Purchases

The 1984 Hoover Power Plant Act (Hoover Act) authorized upgrading the Hoover power plant, located at Hoover Dam, to increase generating capacity at the plant by 503 megawatts (MW). This additional capacity and its associated energy are known as Hoover B Power. The Hoover Act allocated 188 MW and 212,000 megawatt hours (MWh) of associated firm annual energy of the Hoover B Power to purchasers in Arizona. The Arizona Power Authority (Authority) distributes Arizona's share of the Hoover B Power. The District has contracted with Arizona Power Authority for about 162 MW of Hoover B Power. The current contract began on October 1, 2017 and continues to September 30, 2067.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 OPERATIONS (CONTINUED)

POWER (CONTINUED)

Navajo Generating Station

Reclamation is one of five participants in NGS, which consisted of three 750,000 kilowatt coal-fired, steam-electric generating units that were brought on-line between 1974 and 1976, a railroad to deliver fuel and 500 kilovolt transmission lines and switching stations to deliver the power and energy to the various participants. An agreement among the participants governed the construction, operation, and maintenance of NGS. Reclamation entered into this agreement in order to acquire a portion of the capacity of NGS for supplying the power requirements of the CAP. Reclamation has a 24.3% entitlement in the generating station, resulting in a power entitlement of 546,750 kilowatts of nominal capacity. The District was charged for the costs associated with the energy used to operate the CAP, and the payments for this energy were deposited into the Development Fund. The NGS was taken off-line in mid-November 2019, and therefore will not be a method of power supply to CAP post-2019.

Sale of NGS Surplus

On September 18, 2007, the Commissioner of Reclamation, on behalf of the Secretary, adopted the Amended NGS Power Marketing Plan (Amended Plan), which governed the sale of NGS Surplus after September 30, 2011. NGS energy in excess of the District's pumping needs was marketed by Western Area Power Administration (Western). On September 30, 2011, the District, Reclamation and Western entered into a contract, with associated operating procedures, for administration of the U.S. entitlement in the NGS Project. Pursuant to that contract, the District notified Western and Reclamation by December 15 of each year as to the amount of NGS energy that was needed for CAP pumping for the following year. NGS energy not reserved for CAP use was marketed by Western, with the proceeds of any sales deposited in the Basin Development Fund for application against the annual payments due from the District under the Master Repayment Agreement and Repayment Settlement.

SRP Power Purchase Agreement

SRP and Western entered into a NGS Power Purchase Agreement for the sale of a portion of NGS Surplus power for the period October 1, 2011, through September 30, 2031. This contract ended with the closure of NGS in mid-November 2019. SRP purchased up to 220,800 MWh per year on a unit contingent basis. The price was actual production cost, excluding capital, for all energy delivered to SRP plus a premium. After the first year, increases in production cost were capped at 4% per year, but re-priced to actual cost every three years. The premium was \$25 million in 2012 escalated at 3% annually. The proceeds from this contract were to be deposited into the Basin Development Fund to be applied towards CAP Repayment.

Hoover Surcharge

The Hoover Act also provided for the addition of a surcharge to the rates for energy sold in Arizona from the Boulder Canyon (Hoover) and Parker-Davis projects of 4.5 mills per kilowatt-hour. Revenues from the surcharge on Hoover power sales began in 1987 and revenues from Parker-Davis power sales began in 2005. Revenues from this surcharge are credited to the Basin Development Fund.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 OPERATIONS (CONTINUED)

POWER (CONTINUED)

Hoover Surcharge (Continued)

The District records these revenues as funds held by the federal government as of December 31 of each year and then applies them against the annual payment due from the District the following January 20. The application of these revenues against the annual payments due from the District under the Master Repayment Agreement is required by the Repayment Settlement.

Post-2019 Energy Portfolio

CAWCD has entered into 3 long-term contracts that provide approximately 20 - 25% of the power required for pumping needs. The remainder is purchased on the market through market forward and short-term market purchases.

MULTI-SPECIES CONSERVATION PROGRAM

On March 3, 2005, the District's Board of Directors adopted a resolution authorizing participation in the Lower Colorado River Multi-Species Conservation Program (LCR MSCP) and approving related documents.

The LCR MSCP is a comprehensive program for the protection of 26 covered species and their habitat in the Lower Colorado River Basin, including six endangered and threatened species. The purpose of the LCR MSCP is to comply with the Endangered Species Act (Act) and thereby protect existing and future activities associated with water use and power production.

The LCR MSCP is intended to satisfy the requirements of Section 7 of the Act for the federal agencies involved and the requirements for issuance of a Section 10 permit to the non-federal participants for the non-federal activities covered by the program.

The covered Arizona activities include on-going diversions of Colorado River water by users such as the CAP, future diversions, including transfers of Colorado River entitlements and changes in the points of diversion of up to 200,000 acre-feet per year, and on-going and future use of hydropower from Hoover, Parker and Davis Dams. The Section 10 permit issued to Arizona participants, including the District, authorizes the "incidental taking" of covered species during the course of carrying out covered activities.

The total costs of the program are approximately \$626,000,000, in 2003 dollars, over the 50-year period of the program and the permit (adjusted for inflation over the fifty years this amount is estimated to be \$1,226,463,000). The federal government will bear 50% of this cost. The Lower Basin States of Arizona, California and Nevada will bear the other 50%. Of the share allocated to the States, Arizona will bear 25%, or approximately \$78 million. The payments due each fiscal year will be indexed for inflation on an annual basis. The District's cost associated with the program was \$3,262,000 in 2019.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 OPERATIONS (CONTINUED)

MULTI-SPECIES CONSERVATION PROGRAM (CONTINUED)

The Arizona participants in the program include 26 entities that are agencies that have been actively involved in developing the program since its inception or are water or power users that want the protection of the Section 10 permit. The documents include: an Implementing Agreement among state and federal participants; a Funding and Management Agreement among state and federal participants; a Trust Indenture and Joint Payment Agreement from Arizona participants to a trustee; and a Permit issued by the United States Fish and Wildlife Service.

The Implementing Agreement essentially defines the relationship of the parties to the Fish and Wildlife Service with respect to the LCR MSCP. The Funding and Management Agreement defines the obligations of the state parties and Reclamation with respect to payment of LCR MSCP costs. The Trust Indenture and Joint Payment Agreement from Arizona participants to a trustee defines the relationship of the Arizona parties with respect to payment of Arizona's share of LCR MSCP costs. The Permit issued by the United States Fish and Wildlife Service is the document that gives the state parties the right to "take" species during the course of carrying out otherwise lawful activities such as water diversion and power use.

The Funding and Management Agreement allowed Arizona to pay less than 25% of the States' costs during the first ten years, in return for agreeing to make up the difference between what it pays in the early years and 25% over the next 20 years, with an inflation adjustment at the agreed rate. The District has agreed to underwrite payment of Arizona's share of LCR MSCP costs. The District may elect to pay the full 25% at any time.

Under the Trust Indenture and Joint Payment Agreement, water and power users named in the Permit are required to share in paying Arizona's share of MSCP costs. Pre-1968 and post-1968 water users (including the District) paid 25 cents per acre-foot of consumptive use of Colorado River water during the first ten years of the program; pre-1968 water users pay 50 cents per acre-foot thereafter and post-1968 water users (including the District) pay \$1.00 per acre-foot thereafter. These amounts are in 2003 dollars, and are to be escalated by a specified inflation index. Power users in Arizona will pay 12.5% of Arizona's costs. The District will have the obligation under the Trust Indenture and Joint Payment Agreement to pay any portion of the Arizona obligation that is not covered by the payments made by other Arizona participants. No party will have any right to enforce the obligation to pay other than through requesting that the Fish and Wildlife Service suspend or revoke the Permit as to any party that fails to pay its share.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 OPERATIONS (CONTINUED)

CENTRAL ARIZONA GROUNDWATER CONSERVATION DISTRICT (CAGRDR)

CAGRDR is operating under the 2015 Plan of Operation. The Plan, which was developed through a lengthy stakeholder process, was submitted to the Arizona Department of Water Resources (ADWR) on December 29, 2014. On August 15, 2015, the ADWR Director found the Plan to be consistent with the management goals of the Phoenix, Pinal and Tucson AMAs and subsequently approved the Plan. Statutes require CAGRDR to prepare and submit a new plan to ADWR every ten years. The 2015 Plan is effective through December 31, 2024.

CAGRDR was established with the requirement that all of the costs of CAGRDR be paid by its members. CAGRDR has three primary sources of revenues: annual replenishment assessments, up-front fees and membership dues. In addition, CAGRDR accrues interest on the reserves established by these sources. CAGRDR rates go into effect following the Board approval at its June Board meeting.

Annual replenishment assessments are collected from CAGRDR members based on the volume of excess groundwater they used in the previous year. CAGRDR's assessment rates are established by the individual AMA and consist of the following four components: (a) water and replenishment; (b) administrative; (c) infrastructure and water rights; and (d) replenishment reserve. Each assessment component is specifically assigned to cover costs incurred by CAGRDR.

CAGRDR has ongoing operating expenses and costs related to administration, planning, membership enrollment, water supply acquisition, annual reporting and satisfaction of annual replenishment obligation. The largest expenses incurred by CAGRDR result from purchasing and recharging water to meet existing obligation and acquisition of water rights to ensure satisfaction of future replenishment obligation.

NOTE 4 TAXING AUTHORITY

The District has the authority to levy two limited ad valorem taxes against all taxable property within its boundaries. The first ad valorem tax, which may not exceed 10 cents per \$100 of assessed valuation, is for the District's operations and payment of the District's repayment obligation to the United States. The second ad valorem tax, which may not exceed 4 cents per \$100 of assessed valuation, is for water storage to the extent that it is not required for the District's operations or payment of the repayment obligation.

The ad valorem property tax is levied against all taxable property in the District. Prior to 2015 property taxes were based on Full Cash Value (FCV). Starting in 2015, the property taxes are based on Primary (Limited) Assessed Value (LPV).

| Tax Year | General Tax Rate | Water Storage Tax Rate | Period Collected |
|----------|---------------------|------------------------------|---------------------------------------|
| 2018 | \$ 0.10 | \$ 0.04 | October 1, 2018 to September 30, 2019 |
| 2019 | \$ 0.10 | \$ 0.04 | October 1, 2019 to September 30, 2020 |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 TAXING AUTHORITY (CONTINUED)

The property taxes due to the District are billed, along with State, County and other property taxes, in September of each year and are payable in two installments, October and March. The delinquent tax dates are November 1 and May 1 and delinquent taxes are subject to a penalty of 16% per annum unless the full year tax is paid by December 31. At the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is advertised for sale in February of the succeeding year. In the event that there is no purchaser for the property at the tax sale, the title to such property is vested in the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

Additional information concerning the full cash value and assessed value of property within the District's service area, tax levies, and tax collections appears in the Statistical Section.

NOTE 5 CASH AND INVESTMENTS

Cash and Deposits

The CAWCD and Captive accounts are on demand deposits at Bank of America and First Hawaiian Bank, respectively. As of December 31, 2019, the District reported \$15,272,000 in cash on its general ledger with a bank balance of \$15,985,000. The District also holds a nonnegotiable certificate of deposit totaling \$2,395,000. The District's cash balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Pursuant to Arizona Revised Statutes (A.R.S.), Title 35, Chapter 10, all uninsured deposits of the CAWCD are collateralized as part of the Arizona Statewide Collateral Pool Program as administered by the Arizona Office of the Treasurer. All securities pledged are held in book-entry form and held at the Federal Reserve Bank.

Investments

As a multi-county water conservation district, the District's Enabling Act prescribes that the Arizona State Treasurer holds the District's investments, including the restricted assets in Note 7. The District had money in CAWCD Long-Term Pool 12 and LGIP-Pool 5 (Local Government Investment Pool). The District follows the Arizona State Treasury Investment Policy Statement. The target duration of the CAWCD Long-Term Pool 12 is 4.5 years. Securities, at time of purchase, will carry, as a minimum, an A or better rating (or equivalent) by any Nationally Recognized Statistical Rating Organization (NRSRO). Eligible securities include U.S. Treasury, U.S. agency, corporate notes, MBS/ABS, and money market instruments with a minimum of the top two ratings by any NRSRO or funds qualified in section IV (10) of the Arizona State Treasury Investment Policy Statement that invests in those assets. No state agency or general fund participation is allowed in this pool. CAWCD owns the securities in this pool (as opposed to shares).

The LGIP-Pool 5 is a pool used for liquid cash equivalent needs. The final maturity of any fixed-rate security shall not exceed 18 months from the settlement date of the purchase. The final maturity of any variable rate security shall not exceed two years. The dollar weighted average portfolio maturity shall not exceed 90 days.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The investment pools themselves are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with A.R.S. §35 311. However, the State Treasurer's Office only invests in SEC-registered investment company shares that have readily available share prices. The Master Custody Services for the Office of the Arizona State Treasurer is State Street Bank & Trust Company. The fair value of the District's position in the pool shares is the same as the value of the pool shares. Fair values of investments are determined using State Street Bank & Trust Company prices. State Street obtains security prices from independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Matrix based pricing is the process of determining the price of a nonbenchmark security by adding (subtracting) a spread in basis points to the yield of a comparable benchmark that is actively priced. Equities are priced utilizing the primary exchange closing price. In the absence of a closing price, the bid price will be utilized.

The bid price is the price a buyer is willing to pay for a security. If no pricing source is available, the cost price or the last available price from any source will be utilized. All bonds are priced using an evaluated bid price, the closing trade/bid price or the most recent mid/bid price, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). The evaluated bid is based on a compilation of primary observable market information or a broker quote in a nonactive market. The mid/bid price is the midpoint between the best bid and offer. If no pricing source is available, the cost or the last available price from any source will be utilized.

The District's portion of pooled investments (current, noncurrent, and restricted assets, excluding \$2,250,000 of restricted cash) as of December 31, 2019 consisted of the following (stated at fair value):

| | |
|---|-----------------------|
| | <i>(In Thousands)</i> |
| Local Government Investment Pool 5 | \$ 106,785 |
| Local Government Investment CAWCD Pool 12 | 386,093 |
| BBVA Bank | 2,068 |
| Zions Bank | 6,307 |
| Total | <u>\$ 501,253</u> |

Pool 5 is rated by Standard & Poor's Rating Service. The rating at December 31, 2019 was AAAf/S1+. Pool 12 is not rated by a nationally recognized statistical rating organization. The District does not have a credit risk policy for its pooled investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have an interest rate risk policy for its pooled investments.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

At December 31, 2019, the interest rate risks of the two pools in the aggregate are:

| | Fair Value | Weighted- Average Maturity (Years) |
|------------------------------------|-----------------------|---|
| | <i>(In Thousands)</i> | |
| Local Government Investment Pool 5 | \$ 106,785 | 0.12 |
| CAWCD Long-Term Pool 12 | 386,093 | 5.86 |
| Money Market Funds | 8,375 | 0.08 |
| Total | <u>\$ 501,253</u> | <u>6.06</u> |

The Board of Directors has designated end of year strategic reserve targets that are invested in Pool 12 investments. As of December 31, 2019, the reserves targets are as follows: capital reserves of \$61,000,000, contingency reserves of \$8,000,000 and operating reserves of \$75,000,000.

NOTE 6 WATER INVENTORY

The District maintains several types of water inventory (see Note 1).

Lake Inventory

Lake inventory is valued at the actual energy cost that was used to store water in the lake. The District's share of Lake Pleasant storage as of December 31, 2019 was 557,600 acre-feet valued at \$31,977,000. Typically Lake Roosevelt has an inventory balance, but through mutual agreement ended the year with an amount owed to Salt River Project which is identified as a \$0.3 million liability.

Replenishment Reserve Long Term Storage Credits (LTSC)

The District, through the CAGR, is statutorily required to establish a Replenishment Reserve. The purpose of the Replenishment Reserve is to help ensure that CAGR is capable of meeting its replenishment obligation and to enhance rate stability in times of water supply shortage or infrastructure failure. CAGR can use LTSC from the Replenishment Reserve to offset its annual replenishment obligation, rather than acquiring spot-market water supplies, which may be more expensive during shortage or outage conditions. The Reserve Target, calculated for each Active Management Area (AMA), is based on that specific AMA's projected obligation from the current CAGR Plan of Operation. CAGR has purchased some of the LTSC from CAWCD that were stored in previous years. The CAWCD credits do not have an inventory valuation. The balance of the Replenishment Reserve inventory as of December 31, 2019 is:

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 WATER INVENTORY (CONTINUED)

Replenishment Reserve Long Term Storage Credits (LTSC) (Continued)

| | <u>Acre-Feet</u> | <u>Inventory Value</u> <i>(In Thousands)</i> |
|--------------------|------------------|---|
| Phoenix AMA | | |
| External purchases | 113,745 | \$ 11,062 |
| CAWCD purchases | 100,462 | - |
| Tucson AMA | | |
| External purchases | 33,887 | 3,620 |
| CAWCD purchases | 3,571 | - |
| Pinal AMA | | |
| CAWCD purchases | 4,933 | - |
| Total | <u>256,598</u> | <u>\$ 14,682</u> |

Infrastructure & Water Rights Inventory (I&WR)

CAGRDR has acquired LTSC from outside organizations through CAGRDR I&WR funds. These LTSC are recorded at cost using average cost valuation method. The credits are available to be utilized to fulfill obligations or be transferred to the Replenishment Reserve. In 2019, CAGRDR purchased 375,000 AF of Pinal LTSC and 70,375 AF of Phoenix LTSC from the Gila River Water Storage LLC for \$95 million. In addition, CAGRDR and the Gila River Indian Community entered into a 25-year agreement to exchange 15,000 AF per year of Pinal LTSC for Phoenix LTSC. The parties also entered into a 25-year agreement to lease CAGRDR 18,185 AF/year of the Gila River Indian Community NIA priority water. The balance of the I&WR LTSC inventory as of December 31, 2019 is:

| | <u>Acre-Feet</u> | <u>Inventory Value</u> <i>(In Thousands)</i> |
|-------------|------------------|---|
| Phoenix AMA | 298,582 | \$ 69,292 |
| Tucson AMA | 131,063 | 22,745 |
| Pinal AMA | 4,933 | 67,500 |
| Total | <u>434,578</u> | <u>\$ 159,537</u> |

CAWCD LTSC Inventory

The District has internally created LTSC of 552,299 acre-feet as of December 31, 2019. These credits do not have an inventory valuation and are dedicated to CAGRDR for its replenishment obligation and Replenishment Reserve.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 RESTRICTED ASSETS

Restricted assets consist of the following at December 31, 2019:

| | <i>(In Thousands)</i> |
|---|-----------------------|
| Master Repayment Agreement Repayment Reserves | \$ 63,068 |
| Bond Trust Account | 6,307 |
| Restricted Power Agreement | 938 |
| Supplemental Water Account | 8,815 |
| CAGRD Account | 16,146 |
| Captive Insurance Company | 2,250 |
| Total | <u>\$ 97,524</u> |

Master Repayment and Operating Reserves

The District is required under the terms of the Master Repayment Agreement to establish and fund over a ten-year period (1) an operations and maintenance reserve fund of \$4,000,000 for extraordinary costs of operations, maintenance and replacement of project works (interest must remain in the account), and (2) a repayment reserve fund of \$40,000,000 for the purpose of assuring payments of future obligations.

At December 31, 2019, the fair value of the operations and maintenance and repayment reserves totaled \$6,423,000, and \$40,000,000, respectively, including accrued interest. See the cash and investments footnote (Note 5) for risk disclosures as of December 31, 2019 related to investments held by the Arizona State Treasurer.

The District redeemed its Series B bonds on November 1, 2007 and the Series A bonds were defeased in 2010. Per the Revised Stipulation Agreement, revenues from the Capacity Charge not necessary to pay debt service, costs, or rebate obligations associated with outstanding bonds or to fund reserves may be paid, at the District's option and in lieu of payment to Reclamation for deposit to the BDF, to CAWCD to be used by CAWCD solely to establish a reserve to cover the costs associated with major repair or replacement of CAP features.

At December 31, 2019, the fair value of the major repair and replacement reserve totaled \$16,645,000. See cash and investments (Note 5) for risk disclosures as of December 31, 2019 related to investments held by the Arizona State Treasurer.

Restricted Power Agreement

In 2018, a restricted asset was established for power agreements. Under the Power Purchase Agreement, PPA, a deposit is required for payment of liquidated damages prior to the start of construction of a solar power site. The initial deposit in 2018 was \$187,000. In addition, power deposits may be required to approve power trading contingent upon available credit. Two additional deposits totaling \$750,000 were made in 2019. At December 31, 2019 the balance in the restricted power agreement account was \$937,000.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 RESTRICTED ASSETS (CONTINUED)

Bond Trust Accounts

Revenue bonds were issued by the District in 2016 to finance capital improvement project expenditures on transmission projects. The bond trust accounts include the project fund, the debt service funds and a reserve fund. Bond trust accounts held by the trustee may be invested in direct obligations of, or obligations guaranteed by the U.S. government, certificates of deposit, or obligations of this State, all subject to meeting certain ratings by national agencies. The trustee holds the investments in trust for the District and the bondholders pursuant to the trust agreement. The District is required under the terms of the bond indenture to maintain a debt service reserve of \$3,625,000.

As of December 31, 2019, the fair value of the bond project fund was \$0, the debt service funds were \$2,611,000 and the debt service reserve fund was \$3,696,000.

Supplemental Water Account

In August 1985, the District's Board of Directors approved participation in an account established pursuant to legislation enacted by the Congress of the United States for the acquisition or conservation of water to supplement CAP water supplies (Supplemental Water account). The District and the United States government each have contributed \$1,000,000 to this account, which is administered by the District.

The District, acting as administrator of the account, is empowered to direct the expenditure of the trust funds in accordance with the provisions of a trust agreement between the District and the Arizona State Treasurer.

In November 2004, the Supplemental Water account was transferred from the LGIP to the CAWCD Long Term Pool, which invests primarily in U.S. Treasury, agency, corporate notes, mortgage backed securities/asset backed securities, and money market instruments with a minimum rating of A1/P1 and has a target duration of four to five years. See the cash and investments footnote (see Note 5) for the disclosures as of December 31, 2019 related to investments held by the Arizona State Treasurer.

CAGRD Account

The District is required by state statute to use replenishment reserve charges and fees within each active management area together with all interest earned on these charges and fees to store water in the active management area in advance of groundwater replenishment obligations for the purpose of developing long-term storage credits. See the cash and investments footnote (Note 5) for risk disclosures as of December 31, 2019 related to investments held by the Arizona State Treasurer.

Captive Insurance Company

The Hawaii Insurance Division has established certain minimum capital and surplus requirements for the Captive which are required to be maintained at all times. In 2011, the required reserve increased to \$2,250,000 due to the additional medical insurance benefits and claims that were handled by the Captive since 2012. As of December 31, 2019, the Captive was in compliance with the minimum capital and surplus requirements of the State of Hawaii.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 AGRICULTURAL WATER RIGHTS

During 2007, as a result of the Arizona Water Settlement (Note 2), the District obtained agricultural water rights to be reallocated. In exchange for these water rights the District assumed payment of the Non-Indian Agricultural 9(d) debt (See Note 14).

The agricultural water rights are recorded at cost of the 9(d) debt and are anticipated to be partially reallocated beginning in 2021. The Arizona Department of Water Resources has made a recommendation to the Bureau of Reclamation for reallocation of 46,629 acre-feet.

The next step is for the Bureau of Reclamation to publish the notice in the federal register for 60 days and, barring any legal issues, entering into contracts with the recipients. It is expected the process will occur in 2020 and 2021, making deliveries available in 2022. Upon allocation, recipients will pay a back capital charge, which goes toward the federal repayment, and a 9(d) debt charge, which will be deposited into a fund to make the 9(d) debt payments beginning in 2026.

NOTE 9 CAPITAL ASSETS

The District reports investment in capital assets in two separate categories. The first category includes those capital assets that are operational in nature and are more common types of capital assets. The second is the permanent service right (described below) which is reported separately due to the significance of the asset. It is an asset unique to federally funded projects that are subsequently turned over to special municipal operating districts. This separation provides readers of the District's financials key relevant information.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 CAPITAL ASSETS (CONTINUED)

The following table represents the changes in operating capital assets for the year ended December 31, 2019:

| | December 31, 2018 Balances | Increases | Decreases | December 31, 2019 Balances |
|-------------------------------------|----------------------------------|-----------------------|--------------------|----------------------------------|
| | | <i>(In Thousands)</i> | | |
| Operating Assets not Depreciated: | | | | |
| Land | \$ 3,198 | \$ - | \$ - | \$ 3,198 |
| Intangibles | 3,930 | - | - | 3,930 |
| Work-in-Process | 19,323 | 24,114 | (26,780) | 16,657 |
| Operating Assets being Depreciated: | | | | |
| Land Improvements | 9,776 | - | - | 9,776 |
| Intangibles-Software | 7,459 | 167 | (3,594) | 4,032 |
| Intangibles-Water Rights | 31,071 | - | - | 31,071 |
| Structures and Improvements | 205,064 | 13,124 | (35) | 218,153 |
| Equipment | 228,237 | 15,477 | (15,002) | 228,712 |
| Total Operating Assets | <u>508,058</u> | <u>52,882</u> | <u>(45,411)</u> | <u>515,529</u> |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (2,554) | (644) | - | (3,198) |
| Intangibles-Software | (5,487) | (539) | 3,594 | (2,432) |
| Intangibles-Water Rights | (3,763) | (560) | - | (4,323) |
| Structures and Improvements | (72,327) | (9,932) | 31 | (82,228) |
| Equipment | (127,033) | (13,302) | 12,868 | (127,467) |
| Total Accumulated Depreciation | <u>(211,164)</u> | <u>(24,977)</u> | <u>16,493</u> | <u>(219,648)</u> |
| Operating Assets, Net | <u>\$ 296,894</u> | <u>\$ 27,905</u> | <u>\$ (28,918)</u> | <u>\$ 295,881</u> |

Intangible assets consist of nondepreciable and depreciable assets. Nondepreciable assets are perpetual water rights and depreciable assets are water rights with an ending term date along with software.

Impairment Loss

The District realized \$1,770,283 in other operating expense for the impairment of the Duperon Trashrake System commissioned at Mark Wilmer Pumping Plant in 2016. Units 1 and 6 were removed from service in 2019 as they were inadequately performing the intended automated weed removal at the pump intakes.

Realized Insurance Recovery

The District realized \$3,695,259 in other nonoperating revenue and an offset of \$439,055 to operating expenses for the reimbursement of covered losses associated with the Mark Wilmer Pumping Plant Unit 6 failure. Zurich American Insurance paid \$2,134,314, and CAWCD Insurance Company covered the initial \$2,000,000 deductible amount.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 CAPITAL ASSETS (CONTINUED)

Permanent Service Right

The District's interest in the CAP represents a permanent service right pursuant to the Master Repayment Agreement and Repayment Settlement. The permanent service right represents the District's right to use the CAP water delivery system for the purpose of fulfilling its responsibility of delivering water as provided in the Master Repayment Agreement and to collect revenues produced by the CAP. The District has used the repayment obligation specified in the Repayment Settlement, plus certain advances to the federal government and other adjustments, in recording the permanent service right. The cost of the permanent service right may be adjusted in the future as a result of determinations to be made as a consequence of the Repayment Settlement.

Although the District's interest in the CAP is reflected in the accompanying statements of net position, the United States retains a paramount right or claim in the CAP arising from the original construction and operation of the CAP as a Federal Reclamation Project. The District's right to the possession and use of, and to all revenues produced by the CAP, is evidenced by the Master Repayment Agreement, various laws and other agreements with the United States. Legal title to the CAP will remain with the United States until otherwise provided by Congress.

The District amortizes/depreciates the permanent service right on the straight-line method over the original estimated useful lives of the major components of the CAP; generally 100 years for the aqueduct, 50 years for buildings and structures and 20 years for the pumping plant equipment. The Navajo Generating Station (NGS) Asset related to the asset retirement obligation (ARO) (See Note 11) has been retired as of December 31, 2019.

The following table represents the changes in the permanent service right for the year ended December 31, 2019:

| | December 31, 2018 Balances | Increases | Decreases | December 31, 2019 Balances |
|---|----------------------------------|---------------------------|------------------------|----------------------------------|
| | | <i>(In Thousands)</i> | | |
| Permanent Service Right | \$ 1,789,627 | \$ - | \$ - | \$ 1,789,627 |
| Navajo Generating Station (ARO) Assets | 1,485 | - | (1,485) | - |
| Total being Amortized/Depreciated | <u>1,791,112</u> | <u>-</u> | <u>(1,485)</u> | <u>1,789,627</u> |
| Less Accumulated Amortization/ Depreciation | | | | |
| Permanent Service Right | (700,790) | (23,001) | - | (723,791) |
| Navajo Generating Station (ARO) Assets | <u>(1,324)</u> | <u>-</u> | <u>1,324</u> | <u>-</u> |
| Total Accumulated Amortization/ Depreciation | <u>(702,114)</u> | <u>(23,001)</u> | <u>1,324</u> | <u>(723,791)</u> |
| Permanent Service Right Asset, Net | <u><u>\$ 1,088,998</u></u> | <u><u>\$ (23,001)</u></u> | <u><u>\$ (161)</u></u> | <u><u>\$ 1,065,836</u></u> |

The cost of periodic maintenance is charged to operations expense and the cost of major replacements is capitalized.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows consist of the following:

| | |
|--------------------------------|------------------------|
| | <i>(In Thousands)</i> |
| Deferred Outflows ASRS Pension | \$ 5,891 |
| Deferred Outflows OPEB | <u>3,222</u> |
| Total | <u><u>\$ 9,113</u></u> |

With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an additional line item was created, Deferred Inflows ASRS Pension. See Note 17 for further explanation.

With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an additional line item was created, Deferred Inflows OPEB. See Note 19, for further explanation.

NOTE 11 ASSET RETIREMENT OBLIGATION

The District is responsible for a minority share of the decommissioning costs of NGS and the related Kayenta mine and has recorded the obligation in accordance with GASBS 83 – *Certain Asset Retirement Obligations*.

In early 2017, the NGS owners indicated that it was not economically feasible to operate the coal-fired plant past 2019 and the plant ceased operation in November 2019. The asset retirement obligation primarily relates to final plant decommissioning and costs related to the closure of the mine.

The District's proportionate share of the remaining decommissioning cost is \$78.8 million as of December 31, 2019, of which \$27.7 million is due within one year. This represents 24.3% of the remaining total decommissioning costs. The asset retirement obligation increased \$25.7 million in 2019 and related to previously unsettled coal mine costs with Peabody Western Coal Company, the operator at the Kayenta mine, and updated estimates related to NGS decommissioning.

The CAWCD Board established a committed reserve for the asset retirement obligation with a balance of \$78.8 million as of December 31, 2019.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11 ASSET RETIREMENT OBLIGATION (CONTINUED)

The following schedule shows the change in the District's asset retirement obligations during the year ended December 31, 2019:

| | <i>In Thousands</i> |
|-----------------------|---------------------|
| Balance - January 1 | \$ 98,922 |
| Decommission Payments | (45,775) |
| Increase | 25,700 |
| Balance - December 31 | <u>\$ 78,847</u> |

NOTE 12 BONDS PAYABLE

Bonds payable consist of the following:

Water Delivery O&M Revenue Bonds, Series 2016 (2016 Bonds)

| | |
|---|------------------------------------|
| Original maturity amount of \$45,460,000, due in varying amounts through 2036; interest rates vary among individual maturities ranging from 2.00% to 5.00%. | <i>(In Thousands)</i> \$ 45,460 |
| Original Issue Premium (OIP) | <u>8,848</u> |
| Total Issuance | 54,308 |
| Less Principal Payments | (4,415) |
| Less Premium Amortization | <u>(3,255)</u> |
| Balance Series 2016 as of December 31, 2019 | 46,638 |
| Less Bonds Payable, Due Within One Year | <u>(1,645)</u> |
| Bonds Payable, Due After One Year | <u>\$ 44,993</u> |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 BONDS PAYABLE (CONTINUED)

Payments to Maturity-Bonds

The required annual payments for debt service are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> <i>(In Thousands)</i> | <u>Total</u> |
|---------------------------------|------------------|--|------------------|
| 2020 | \$ 1,645 | \$ 1,939 | \$ 3,584 |
| 2021 | 1,725 | 1,881 | 3,606 |
| 2022 | 1,760 | 1,819 | 3,579 |
| 2023 | 1,845 | 1,729 | 3,574 |
| 2024 | 1,940 | 1,635 | 3,575 |
| 2025-2029 | 11,165 | 6,679 | 17,844 |
| 2030-2034 | 14,230 | 3,532 | 17,762 |
| 2035-2036 | 6,735 | 341 | 7,076 |
| Total | <u>\$ 41,045</u> | <u>\$ 19,555</u> | <u>\$ 60,600</u> |

Water Delivery O&M Revenue Bonds Series 2016 are secured by a pledge of revenues. The bonds are secured by revenues derived by the District from the Fixed O&M charges and capital replacement charges ("Big R" charges) to the extent attributable to the debt service on the bonds. Pledged Revenues do not include any income or moneys derived from taxes or assessments authorized by the Act, Power Revenues, "Big R" charges other than Bond Replacement charges, Rate Stabilization charges or the proceeds or investment income of any bonds of the District, other than the Bonds and Parity Obligations.

The Water Delivery O&M Revenue Bonds Series 2016 are subject to optional redemption prior to maturity. The Bonds maturing prior to January 1, 2027 will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after January 1, 2027 will be subject to call for redemption prior to maturity, at the option of the District, in whole or in part, on January 1, 2026 or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Changes in bonds payable during the year ended December 31, 2019 are summarized below:

| | <u>December 31, 2018 Balance</u> | <u>Additions</u> | <u>Reductions</u> <i>(In Thousands)</i> | <u>December 31, 2019 Balance</u> | <u>Amount Due Within One Year</u> |
|---------------|--|------------------|--|--|---|
| 2016 Bonds | \$ 42,610 | \$ - | \$ (1,565) | \$ 41,045 | \$ 1,645 |
| Bond Premium | 6,351 | - | (758) | 5,593 | - |
| Bonds Payable | <u>\$ 48,961</u> | <u>\$ -</u> | <u>\$ (2,323)</u> | <u>\$ 46,638</u> | <u>\$ 1,645</u> |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 BONDS PAYABLE (CONTINUED)

Payments to Maturity-Bonds (Continued)

Water Acquisition Revenue Bonds, Series 2019 (2019 Bonds)

| | |
|---|------------------------------------|
| Original maturity amount of \$20,000,000, due through 2025, with an interest rate of 2.45%. | <i>(In Thousands)</i> \$ 20,000 |
| Less Principal Payments | - |
| Balance Series 2019 as of December 31, 2019 | 20,000 |
| Less Bonds Payable, Due Within One Year | (1,520) |
| Bonds Payable, Due After One Year | <u>\$ 18,480</u> |

The required annual payments for debt service are as follows:

| | Principal | Interest | Total |
|---------------------------------|-----------------------|-----------------|------------------|
| | <i>(In Thousands)</i> | | |
| <u>Year Ending December 31,</u> | | | |
| 2020 | \$ 1,520 | \$ 440 | \$ 1,960 |
| 2021 | 3,520 | 410 | 3,930 |
| 2022 | 3,605 | 322 | 3,927 |
| 2023 | 3,695 | 233 | 3,928 |
| 2024 | 3,785 | 141 | 3,926 |
| 2025 | 3,875 | 47 | 3,922 |
| Total | <u>\$ 20,000</u> | <u>\$ 1,593</u> | <u>\$ 21,593</u> |

Water Acquisition Revenue Bonds Series 2019 were used to purchase Infrastructure and Water Rights LTSC (see Note 6). The Bonds were Private Placement Bonds and are secured by a pledge of revenues. The bonds are payable solely from CAGR infrastructure and water rights revenues comprised of enrollment fees, activation fees, the infrastructure on water rights component, and annual membership dues. Pledged Revenues do not include any income or moneys derived from taxes or assessments authorized by the Act, Power Revenues, District Operating and Maintenance Revenue, Water Delivery Charges, Replacement Charges other than that portion of the Replacement Charges attributable to debt service for the bonds, or the proceeds or investment income of any bonds of the District, other than the Bonds.

The Water Acquisition Revenue Bonds Series 2019 are subject to optional redemption prior to maturity. The Bonds will be subject to call for redemption prior to maturity, at the option of the District, in whole or in part, on July 1, 2022 or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 BONDS PAYABLE (CONTINUED)

Payments to Maturity-Bonds (Continued)

Changes in bonds payable during the year ended December 31, 2019 are summarized below:

| | December 31, 2018 Balance | Additions | Reductions | December 31, 2019 Balance | Amount Due Within One Year |
|---------------|---------------------------------|-----------|------------|---------------------------------|----------------------------------|
| | <i>(In Thousands)</i> | | | | |
| Bonds Payable | \$ - | \$ 20,000 | \$ - | \$ 20,000 | \$ 1,520 |

NOTE 13 REPAYMENT OBLIGATION

Payments to Maturity

The required annual payments under the Repayment Settlement on the repayment obligation, described in Note 2, are as follows:

| | Principal | Interest | Total |
|---------------------------------|-----------------------|-------------------|---------------------|
| | <i>(In Thousands)</i> | | |
| <u>Year Ending December 31,</u> | | | |
| 2020 | \$ 32,929 | \$ 21,182 | \$ 54,111 |
| 2021 | 32,929 | 20,101 | 53,030 |
| 2022 | 40,456 | 19,021 | 59,477 |
| 2023 | 40,456 | 17,689 | 58,145 |
| 2024 | 40,456 | 16,357 | 56,813 |
| 2025-2029 | 215,297 | 60,968 | 276,265 |
| 2030-2034 | 221,488 | 24,907 | 246,395 |
| 2035-2039 | 222,271 | 1,061 | 223,332 |
| 2040-2044 | 188,400 | - | 188,400 |
| 2045 | 9,168 | - | 9,168 |
| Total | <u>\$ 1,043,850</u> | <u>\$ 181,286</u> | <u>\$ 1,225,136</u> |

Amounts Recorded in Financial Statements

| December 31, 2018 Balance | Additions | Reductions | December 31, 2019 Balance | Amount Due Within One Year |
|---------------------------------|-----------------------|-------------|---------------------------------|----------------------------------|
| | <i>(In Thousands)</i> | | | |
| \$ 1,076,780 | \$ - | \$ (32,930) | \$ 1,043,850 | \$ 32,929 |

The repayment obligation and amounts due on that obligation reported in these financial statements reflect the terms of the Repayment Settlement.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14 NON-INDIAN AGRICULTURAL 9(d) DEBT

During 2007, and as the result of the Arizona Water Settlement Act (see Note 2), long-term entitlements to CAP Non-Indian Agricultural (NIA) water were relinquished by CAP NIA subcontractors. Those rights will be reallocated to municipal and industrial (M&I) users (see Note 8). In exchange for relinquishing their rights, the NIA subcontractors were relieved of future payments due to the federal government known as NIA 9(d) debt. CAWCD became responsible for the 9(d) debt payments related to the Agricultural Water Rights that are held for M&I reallocation. Upon reallocation, the District will collect 9(d) charges from those M&I users sufficient to repay the District's costs in facilitating the relinquishment of the agricultural water rights.

The required annual payments related to the Non-Indian Agricultural 9(d) debt obligation are as follows:

| | <u>Principal</u> | <u>Interest</u> <i>(In Thousands)</i> | <u>Total</u> |
|---------------------------------|------------------|--|------------------|
| <u>Year Ending December 31,</u> | | | |
| 2020-2026 | \$ 2,718 | \$ - | \$ 2,718 |
| 2027-2031 | 28,291 | - | 28,291 |
| 2032-2036 | 25,600 | - | 25,600 |
| 2037-2041 | 19,746 | - | 19,746 |
| 2042-2046 | 10,851 | - | 10,851 |
| 2047 | 1,513 | - | 1,513 |
| Total | <u>\$ 88,719</u> | <u>\$ -</u> | <u>\$ 88,719</u> |

NOTE 15 OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of the following:

| | |
|---------------------------------------|-----------------------|
| | <i>(In Thousands)</i> |
| Retirees Health Insurance (Note 19) | \$ 16,036 |
| Asset Retirement Obligation (Note 16) | - |
| Net Pension Liability (Note 17) | 71,481 |
| Recovery Liability | 2,000 |
| Power Agreement Liability | 937 |
| Total | <u>\$ 90,454</u> |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 15 OTHER NONCURRENT LIABILITIES (CONTINUED)

UNDERGROUND WATER STORAGE AND RECOVERY

The Arizona Water Banking Authority (AWBA) and Southern Nevada Water Authority (SNWA) previously entered into agreements under which AWBA agreed to store 1,250,000 acre-feet of water within Arizona for the benefit of SNWA. Through 2012, 600,651 acre-feet of water had been stored under this agreement on behalf of SNWA. The parties signed an amended agreement in 2013, eliminating AWBA's obligation to store any water beyond the amount already stored. Additional water may be stored in future years if SNWA and AWBA both agree. During 2018, AWBA stored an additional 13,500 acre-feet on behalf of SNWA, bringing the total stored for SNWA to 614,151 acre-feet. When SNWA calls on the stored water, the District, as the recovery agent for AWBA, will recover stored water and forbear diversion of an equivalent volume of Colorado River water.

NOTE 16 DEFERRED INFLOWS OF RESOURCES

Deferred inflows consist of the following:

| | |
|--|-----------------------|
| | <i>(In Thousands)</i> |
| Customer Deposits - Water | \$ 2,064 |
| Customer Deposits - Rate Stabilization | 22,830 |
| Customer Deposits - Voluntary Rate Stabilization | 7,045 |
| Customer Deposits - Programs | 11,232 |
| Deferred Inflows ASRS Pension | 6,916 |
| Deferred Inflows OPEB | 9,816 |
| Total | <u>\$ 59,903</u> |

In 2003, the Bureau of Reclamation prepaid the District for 31,270 acre-feet of water to be delivered to Maricopa County Municipal Water District (MWD) at a future date no later than December 31, 2034. The water is owed to MWD for construction activities relating to New Waddell Dam, and MWD has the discretion to determine when to receive the water. The water is priced at 2003 rates (\$2,064,000) and the interest earned on the prepayment is available to the District to offset the future cost of delivering the water to MWD.

Starting in 2012, the District began collecting a portion of the water delivery rate that is dedicated to a potential future water shortage. This portion of the rate has been deposited into a separate state treasurer account for rate stabilization and has the corresponding Customer Deposits – Rate Stabilization liability. The Board has set a target of approximately \$30 million for this reserve and will continue to collect it to attain this target (including interest) or until such times the funds are needed to assist customers in reducing the Water Delivery charge. 2018 was the last year that rate stabilization was a component of the water delivery rate. The fund will continue to earn interest until the reserve is used to assist customers.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 16 DEFERRED INFLOWS OF RESOURCES (CONTINUED)

After the 2014 Rate Reconciliation was completed, there was approximately \$10.5 million more collected from the published 2014 water delivery rates than the reconciled actual costs due to lower than budgeted energy costs. A customer workshop was held to discuss the interest in a voluntary one-year supplemental shortage program to help mitigate immediate rate impacts and allow them to be phased in over a longer time. Twenty-six of the thirty-four M&I and federal customers that responded opted-in to the program. A separate state treasurer account was established and interest will remain in the account until such time the funds are withdrawn.

In 2019, the Gila River Indian Community (GRIC) created 117,000 acre-feet of Intentionally Created Surplus (ICS) at \$96/af for a total deposit of \$11,232,000. GRIC was required to pay CAWCD the CAP Fixed OM&R charge on the volume of water conserved to create ICS.

NOTE 17 PENSION PLANS

The District contributes to the Arizona State Retirement System plan described below. The plan is a component unit of the State of Arizona. At December 31, 2019, the District reported the following aggregate amounts related to the pension plan to which it contributes:

| Statements of Net Position and Statements of Activities | Business Type Activities |
|--|-----------------------------|
| | <i>(In Thousands)</i> |
| Net Pension Liability | \$ 71,481 |
| Deferred Outflows of Resources | 5,891 |
| Deferred Inflows of Resources | 6,916 |
| Pension Expense | 8,188 |

(includes 401k savings plan ER contributions - See Note 18)

Arizona State Retirement System

Plan Descriptions – District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB) plan; and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778. The report is also available on its website at www.azasrs.gov.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 17 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

| | Retirement Initial Membership Date | |
|--|--|--|
| | Before 1-Jul-11 | On or After 1-Jul-11 |
| Years of Service and Age Required to Receive Benefit | Sum of Years and Age Equals 80 10 Years Age 62 5 Years Age 50* Any Years Age 65 | 30 Years Age 55 25 Years Age 60 10 Years Age 62 5 Years Age 50* Any Years Age 65 |
| Final Average Salary is Based on | Highest Consecutive 36 Months of the Last 120 Months | Highest Consecutive 60 Months of the Last 120 Months |
| Benefit Percentage per Year of Service | 2.1% to 2.3% | 2.1% to 2.3% |

* With Actuarially Reduced Benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

The District's financial statements present an OPEB liability as it relates to the District's single-employer defined benefit plan (see Note 19). The ASRS health insurance premium benefit plan and long-term disability plan balances are not significant to the District's financial statements and are therefore omitted in this note and the basic financial statements.

Contributions – Pursuant to the Arizona Revised Statutes, contribution requirements for active members and their participating employers are established and may be amended by the ASRS Board. Contribution rates are actuarially determined and are expected to finance the costs of benefits earned by members during the year and any unfunded accrued liability. The cost of administering the Plan is financed through member and employer contributions and investment earnings. The contractually required contribution rate as a percentage of covered payroll for the period January 1, 2019 through June 30, 2019 was 11.64% for members and 11.18% for the District. The contractually required contribution rate as a percentage of covered payroll for the period July 1, 2019 through December 31, 2019 was 11.94% for members and 11.45% for the District.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 17 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

In addition, the District is required by statute to pay an Alternate Contribution Rate (ACR) for retired ASRS members who return to work. The ACR contribution rate for the period January 1, 2019 through June 30, 2019 was 10.41%. The ACR contribution rate for the period July 1, 2019 through December 31, 2019 was 10.29%.

The District's contribution to the pension plan for the year ended December 31, 2019 was \$5,894,783.

Pension Liability – At December 31, 2019 the District reported a liability of \$71,481,136 for its proportionate share of the ASRS' net pension liability. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

Total liabilities as of June 30, 2019, reflect changes in actuarial assumptions based on results of an actuarial experience study for the 5-year period ended June 30, 2016.

The District's proportion of the net pension liability was based on the District's actual contributions relative to the total of all participating employer's contributions. The District's proportion measured as of June 30, 2019 was 0.49124%, which was a decrease of 0.02487 from its proportion measured as of June 30, 2018.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended December 31, 2019, the District recognized a pension expense for ASRS of \$7,088,708. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resource |
|--|--------------------------------------|------------------------------------|
| | <u>(In Thousands)</u> | |
| Differences Between Expected and Actual Experience | \$ 1,291 | \$ 13 |
| Changes of Assumptions or Other Inputs | 302 | 2,847 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 1,607 |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | 1,234 | 2,449 |
| Contributions Subsequent to the Measurement Date | 3,064 | - |
| Total | <u>\$ 5,891</u> | <u>\$ 6,916</u> |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 17 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

The \$3,064 thousand reported as deferred outflows of resources related to ASRS pensions resulting from the District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31,</u> | <u>Amount</u> <u>(In Thousands)</u> |
|--------------------------------|--|
| 2020 | \$ (1,158) |
| 2021 | (3,053) |
| 2022 | (309) |
| 2023 | 431 |
| Total | <u>\$ (4,089)</u> |

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|-----------------------------|---------------------|
| Actuarial Valuation Date | June 30, 2018 |
| Actuarial Roll Forward Date | June 30, 2019 |
| Actuarial Cost Method | Entry age normal |
| Asset Valuation | Fair value |
| Discount Rate | 7.5% |
| Projected Salary Increases | 2.7% to 7.2% |
| Inflation | 2.3% |
| Permanent Benefit Increase | Included |
| Mortality Rate | 2017 SRA Scale U-MP |

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

The long-term contribution to expected real return on ASRS pension plan investments was determined to be 5.45% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return, geometric basis, by the target asset allocation percentage excluding any expected inflation. On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective beginning July 2018. The ASRS' estimates of geometric real rates of return for each major asset class are summarized in the following table:

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 17 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

| Asset Class | Target Asset Allocation Effective July 1, 2018 | Real Return Geometric Basis | Long-Term Contributions to Expected Real Return |
|-----------------|--|--------------------------------|---|
| Equity | 50 % | 6.09 % | 3.05 % |
| Credit | 20 | 5.36 | 1.07 |
| Real Estate | 20 | 5.85 | 1.17 |
| Interest Rate | | | |
| Sensitive Bonds | 10 | 1.62 | 0.16 |
| Total | 100 % | | 5.45 % |

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5%, which was equal to the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. 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.

Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate at June 30, 2019.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| | | <i>(In Thousands)</i> | |
| District's Proportionate Share of the Net Pension Liability | \$ 101,734 | \$ 71,481 | \$ 46,197 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 18 SAVINGS AND DEFERRED COMPENSATION PLANS

The District has adopted and maintains the Central Arizona Water Conservation District Savings Plan (Savings Plan), a defined contribution plan, in accordance with Section 401(k) of the Internal Revenue Code. The Savings Plan provides that all active, nonunion employees are eligible to participate as of their date of employment. The Savings Plan is governed by the Board of Trustees.

Eligible employees are allowed to contribute up to 98% of their biweekly compensation, subject to Internal Revenue Service limits, and the District has agreed to contribute to an employee's account an amount equal to one-half of the amount contributed by the employee up to 3% of the employee's biweekly compensation. Contributions expense, paid by the District for the Savings Plan for the year ended December 31, 2019 was approximately \$1,099,010. Accrued benefits attributable to the District's contributions on behalf of participants vest 20% for each year of completed service.

The District has adopted and maintains the Central Arizona Water Conservation District Deferred Compensation Plan in accordance with Section 457 of the Internal Revenue Code. The District does not make contributions to this plan. Only employee contributions are accepted.

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN

The District follows Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), for certain postemployment health care benefits provided by the District.

Plan Description

The District provides post-retirement healthcare insurance benefits for its retirees as a single-employer defined benefit plan which is administered through CAWCD Insurance Company, Inc. (Captive). Eligible retirees are provided medical, dental and life insurance benefits for spouses and family. The Captive provides benefits to eligible retirees through the same plan as active employees and their beneficiaries. Because retirees are able to participate in the same plan and pay the same rates as active employees, an implicit rate subsidy exists through the duration of the coverage. Upon retirement, employees hired prior to January 1, 2016 have the choice of participating in the Arizona State Retirement System retiree healthcare plan or the District's healthcare plan. Employees hired on or after January 1, 2016 have the option to participate in the ASRS retiree healthcare plan but do not have the option to participate in the District's plan. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement. The District does not issue a separate financial report for the OPEB plan.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Description (Continued)

At December 31, 2018 (Measurement Date), plan membership consisted of the following:

| | |
|---------------------------------|------------|
| Current Active Members | 389 * |
| Current Retirees and Dependents | 92 |
| Total | <u>481</u> |

**Excludes 88 active employees hired on or after January 1, 2016.*

The retirees' contributions rates for 2019 are as follows:

Retirees Monthly Medical Rates (Prior to ASRS Subsidy)

| | |
|------------------|-----------|
| Pre Age 65 | |
| Retiree Only | \$ 651.66 |
| Retiree + 1 | 1,590.06 |
| Retiree + Family | 2,137.38 |
| Post Age 65 | |
| Retiree Only | 488.74 |
| Retiree + 1 | 1,192.52 |
| Retiree + Family | 1,427.14 |

Retirees Monthly Dental Rates

| | |
|------------------|--------|
| Retiree Only | 32.87 |
| Retiree + 1 | 92.25 |
| Retiree + Family | 152.31 |

Retirees Monthly Life Insurance Rates

| | |
|--------------|------|
| Retiree Only | 3.00 |
| Retiree + 1 | 4.00 |

Funding Policy

Benefit provisions for the District's OPEB plan under Captive are pursuant to the District's policy and can be amended by the District Governing Board. The current funding policy is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the OPEB liability.

OPEB Liability

The plan's total OPEB liability of \$16,038,895 was reported as of December 31, 2019 and was measured by an actuarial valuation as of December 31, 2018. The total OPEB liability as of December 31, 2018 reflects the following changes of actuarial assumptions and benefit terms for the Captive plan:

- Trend rates on per capita health costs and expenses were updated
- Future health care trends were updated
- Discount rate was raised from 3.44% to 4.10%
- The enrollment percentage for future retirees was decreased from 60% to 55%

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Liability (Continued)

The following table shows changes in the District's OPEB liability, the District's annual OPEB cost for the year, and the amount actually contributed to the Captive plan.

| | <i>(In Thousands)</i> |
|--|-----------------------|
| Balances at January 1, 2019 | \$ 16,441 |
| Changes for the Year: | |
| Service Cost | 899 |
| Interest | 589 |
| Differences Between Expected and Actual Experience | (3,521) |
| Changes in Assumptions | 2,053 |
| Expected Benefit Payments | (425) |
| Net Changes | (405) |
| Balances at December 31, 2019 | <u>\$ 16,036</u> |

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2019 the District recognized OPEB expense of a negative \$38,946. The following chart reflects the deferred outflows and inflows of resources related to the OPEB single-employer plan.

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | <i>(In Thousands)</i> | |
| Change of Assumptions or Other Inputs | \$ 2,829 | \$ - |
| Differences Between Expected and Actual Experience | - | 9,816 |
| Benefits Paid Subsequent to the Measurement Date | 393 | - |
| Total | <u>\$ 3,222</u> | <u>\$ 9,816</u> |

The \$392,629 reported as deferred outflows of resources related to OPEB resulting from District benefits paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | Amount <i>(In Thousands)</i> |
|--------------------------|---------------------------------|
| 2020 | \$ (1,527) |
| 2021 | (1,527) |
| 2022 | (1,527) |
| 2023 | (1,527) |
| 2024 | (816) |
| 2025 | (63) |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions

Calculations and projections are based on the benefits provided under the terms of the substantive plan (the plan understood by the District and the plan members) in effect at the time of valuation on the pattern of sharing costs between the District and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short-term volatility in accrued liabilities and the actuarial value of assets.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the District is required to implement a funding policy to satisfy the projected expense.

The District's actuarial methods and significant assumptions for the Captive single-employer postemployment plan for the most recent actuarial valuation are as follows:

| | |
|------------------------------|--|
| Actuarial Valuation Date | December 31, 2018 |
| Measurement Date | December 31, 2018 |
| Actuarial Cost Method | Entry Age, level % of pay |
| Salary Increase | Wage inflation rate of 2.7% plus a merit component |
| Asset Valuation Method | N/A - No assets in qualified OPEB Trust |
| Discount Rate | 4.10% (Based on the Bond Buyer or 20-Bond GO Index as of 12/27/2018) |
| Health Care Cost Trend Range | Medical: 4.5% - 7.0% Drug: 4.5% - 7.0% |
| Contribution Trend Rates | 4.5% - 7.0% |
| Mortality Rates: | |
| Pre-Retirement | RP-2014 Employee mortality table projected generationally from 2014 in accordance with Ultimate MP 2017 Unisex scales |
| Post-Retirement | 2017 State Retirees of Arizona Employee mortality table projected generationally from 2017 in accordance with Ultimate MP 2017 Unisex scales |
| Disabled | RP-2014 Disabled Retiree mortality table projected generationally from 2014 in accordance with Ultimate MP 2017 Unisex scales |

Benefit projections assume the specified premium amount will follow the current practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the December 31, 2018 valuation were based on the results of an Arizona State Retirement System actuarial experience study for the five-year period ended June 30, 2016.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Discount Rate

The discount rate for OPEB funded entirely on a pay-as-you-go basis is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the Bond Buyer 20-Bond GO Index as of December 27, 2018 was used.

Sensitivity Analysis

The following table shows the net impact of the OPEB liability calculated using the discount rate of 4.10%, as well as what the District's liability would be if the discount rate is 1% less than and 1% greater than the current rate:

| | <u>1% Decrease (3.10%)</u> | <u>Current Discount Rate (4.10%) (In Thousands)</u> | <u>1% Increase (5.10%)</u> |
|------------------------|--------------------------------|---|--------------------------------|
| Captive OPEB Liability | \$ 18,864 | \$ 16,036 | \$ 13,811 |

The following table presents the OPEB liability calculated using the healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% less than and 1% greater than the current rate:

| | <u>1% Decrease in Healthcare Rates</u> | <u>Current Healthcare Rates (In Thousands)</u> | <u>1% Increase in Healthcare Rates</u> |
|------------------------|--|--|--|
| Captive OPEB Liability | \$ 13,829 | \$ 16,036 | \$ 18,860 |

NOTE 20 RISK MANAGEMENT AND CAPTIVE INSURANCE

The District maintains a risk management program to protect it from financial harm by identifying, analyzing, and controlling risk at the lowest possible cost. Under this program, the District believes it is more economical to manage risks internally and insure for catastrophic loss. The District's Board of Directors has designated \$5,000,000 of noncurrent unrestricted investments as a reserve for property and liability damages. With the exception of automobile physical damage, and workers compensation which is self-insured with authority from the State of Arizona, the District insures itself through the CAWCD Insurance Company, Inc. (Captive).

The Captive was incorporated under the laws of the State of Hawaii as a nonprofit captive insurance company pursuant to Article 19 of Chapter 431 of the Hawaii Revised Statutes. The Captive received its Certificate of Authority from the Hawaii Insurance Division on December 18, 2003, and operations commenced on January 1, 2004. The Certificate of Authority enables the Captive to operate as a captive insurance company in the State of Hawaii. The District is the sole member of the Captive. The Captive provides up to \$2,000,000 of coverage based on risk profile. The District also purchases excess insurance on property, casualty, including public officials' liability, and workers compensation.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 20 RISK MANAGEMENT AND CAPTIVE INSURANCE

Reserve for Losses and Loss Expenses

The reserve for losses and loss expenses includes the unpaid accumulation of case estimates for losses reported, estimates for losses incurred but not reported, and estimates of expenses for investigating and adjusting incurred losses. The reserve for unpaid losses and loss expenses is based upon the aggregated loss experience of the District and is estimated using individual case-basis valuations and statistical analysis. These estimates are subject to the effects of trends in loss severity and frequency. However, management believes the reserve for losses and loss expenses is adequate. The estimates are continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; such adjustments are included in current operations.

The following table provides a reconciliation of the beginning and ending balances of the reserve for losses and loss expenses (included in accounts payable) at December 31, 2019 and 2018:

| | 2019 | 2018 |
|--|------------------------|------------------------|
| | <u>(In Thousands)</u> | |
| Balance at January 1 | <u>\$ 5,935</u> | <u>\$ 3,224</u> |
| Add Provision for Losses and Loss Expenses for | | |
| Claims Occurring During: | | |
| Current Year | 8,291 | 11,305 |
| Prior Year | <u>(429)</u> | <u>14</u> |
| | <u>7,862</u> | <u>11,319</u> |
| Deduct Losses and Loss Expense Payments for | | |
| Claims Occurring During: | | |
| Current Year | 8,235 | 8,442 |
| Prior Year | <u>141</u> | <u>166</u> |
| | <u>8,376</u> | <u>8,608</u> |
| Balance at December 31 | <u><u>\$ 5,421</u></u> | <u><u>\$ 5,935</u></u> |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 20 RISK MANAGEMENT AND CAPTIVE INSURANCE (CONTINUED)

CAWCD Insurance Company, Inc.

The District has consolidated the Captive's financial statement amounts as a blended component unit. The condensed component unit information for the CAWCD Insurance Company, Inc. for the year ended December 31, 2019 and combining financial statements are as follows:

| Condensed Combining Statement of Net Position | CAWCD | Captive | Eliminations | Total |
|--|-----------------------|-----------------|---------------------|---------------------|
| | <i>(In Thousands)</i> | | | |
| Current Assets | \$ 421,214 | \$ 6,588 | \$ (2,000) | \$ 425,802 |
| Noncurrent Assets | 1,864,270 | 2,250 | (2,350) | 1,864,170 |
| Total Assets | 2,285,484 | 8,838 | (4,350) | 2,289,972 |
| Deferred Outflows of Resources | 9,113 | - | - | 9,113 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,294,597</u> | <u>\$ 8,838</u> | <u>\$ (4,350)</u> | <u>\$ 2,299,085</u> |
| Current Liabilities | \$ 142,879 | \$ 5,494 | \$ (2,000) | \$ 146,373 |
| Noncurrent Liabilities | 1,304,714 | - | - | 1,304,714 |
| Total Liabilities | 1,447,593 | 5,494 | (2,000) | 1,451,087 |
| Deferred Inflows of Resources | 59,903 | - | - | 59,903 |
| Net Investment in Capital Assets | 251,229 | - | - | 251,229 |
| Restricted Net Position | 72,888 | 2,250 | - | 75,138 |
| Unrestricted Net Position | 462,984 | 1,094 | (2,350) | 461,728 |
| Total Net Position | 787,101 | 3,344 | (2,350) | 788,095 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 2,294,597</u> | <u>\$ 8,838</u> | <u>\$ (4,350)</u> | <u>\$ 2,299,085</u> |

| Condensed Combining Statement of Activities | CAWCD | Captive | Eliminations | Total |
|--|-----------------------|-----------------|---------------------|-------------------|
| | <i>(In Thousands)</i> | | | |
| Operating Revenues | \$ 302,218 | \$ 9,666 | \$ (9,666) | \$ 302,218 |
| Operating Expenses | 279,442 | 8,116 | (9,666) | 277,892 |
| Operating Income (Loss) | 22,776 | 1,550 | - | 24,326 |
| Nonoperating Income | 69,766 | 16 | - | 69,782 |
| Changes in Net Position | 92,542 | 1,566 | - | 94,108 |
| Net Position - Beginning of Year | 694,559 | 1,778 | (2,350) | 693,987 |
| Net Position - End of Year | <u>\$ 787,101</u> | <u>\$ 3,344</u> | <u>\$ (2,350)</u> | <u>\$ 788,095</u> |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 20 RISK MANAGEMENT AND CAPTIVE INSURANCE (CONTINUED)

CAWCD Insurance Company, Inc. (Continued)

| Condensed Combining | CAWCD | Captive | Eliminations | Total |
|---|-----------------------|-----------------|---------------------|-------------------|
| Statement of Cash Flows | | | | |
| | <i>(In Thousands)</i> | | | |
| Net Cash Provided by Operating Activities | \$ (100,662) | \$ 1,016 | \$ - | \$ (99,646) |
| Net Cash Provided by Noncapital Financing Activities | 70,016 | - | - | 70,016 |
| Net Cash Used by Capital and Related Financing Activities | (32,647) | - | - | (32,647) |
| Net Cash Provided (Used) by Investing Activities | 69,350 | 16 | - | 69,366 |
| Net Increase in Cash and Cash Equivalents | 6,057 | 1,032 | - | 7,089 |
| Cash and Cash Equivalents - Beginning of Year | 94,588 | 5,364 | - | 99,952 |
| Cash and Cash Equivalents - End of Year | <u>\$ 100,645</u> | <u>\$ 6,396</u> | <u>\$ -</u> | <u>\$ 107,041</u> |

NOTE 21 SELF INSURANCE

The District is self-insured for workers compensation. Medical, prescriptions, dental, vision, property, and casualty lines are insured in the District's owned single parent Captive insurance company.

The District was authorized to self-insure Workers Compensation by the Industrial Commission of Arizona effective January 1, 2011. A trust account was established and contributions from inception to December 31, 2019 total \$2,993,000. Cumulative amounts paid since inception for Workers Compensation claims expenses and incurred but not reported reserves (IBNR) totaled \$1,495,755 under the self-insured Workers Compensation program. Direct costs associated with Workers Compensation were \$752,469. Interest earned was \$11,056 leaving an unencumbered ending balance of \$755,833 in the Self-Insured Workers Compensation Trust Account.

| Self-Insured Paid Claims: | 2019 | 2018 | 2017 |
|-------------------------------|--------------|--------------|--------------|
| Medical, Dental, Vision (MDV) | \$ 8,086,865 | \$ 8,203,505 | \$ 7,846,678 |
| IBNR - MDV | 1,050,060 | 1,433,778 | 1,361,657 |
| Property Casualty (PC) | 122,948 | 228,234 | 1,118,016 |
| IBNR - PC | 2,622,368 | 2,754,078 | 577,309 |
| Workers Compensation (WC) | 167,068 | 294,451 | 285,292 |
| IBNR - WC | 1,785,098 | 1,745,164 | 1,401,616 |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 22 COMMITMENTS AND CONTINGENCIES

Contingency Reserve

The District's Board of Directors has designated \$8,000,000 of noncurrent unrestricted investments to act as a contingency reserve. Of this amount, \$5,000,000 has been set aside to be available for property and liability damages to respond to any claims, judgments, and related costs against the District, its officers, directors, and employees, if any, in excess of the outstanding insurance coverage. \$1,000,000 has been designated to be available for incurred but not reported (IBNR) claims under the District's self-funded medical insurance program. \$2,000,000 has been set aside to be available for extraordinary regulatory costs.

Litigation

The District has intervened in an action that challenges the Secretary's authority in Colorado River operations. In that case, the 9th Circuit dismissed all claims except those relating to federal breach of trust. The plaintiff attempted to again amend its complaint in the District court. The court denied the plaintiff's motion to amend and the case has been appealed and is back in the 9th Circuit.



REQUIRED SUPPLEMENTARY INFORMATION

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND SCHEDULE OF THE DISTRICT CONTRIBUTIONS
IN THE ARIZONA STATE RETIREMENT SYSTEM (ASRS) PLAN
DECEMBER 31, 2019**

Schedule of Proportionate Share of Net Pension Liability

| Arizona State Retirement System | Measurement Date (June 30,) | | | | | |
|--|-----------------------------|-----------|------------------------|-----------|-----------|-----------|
| | 2014 | 2015 | 2016 (In Thousands) | 2017 | 2018 | 2019 |
| District's Proportion of the Net Pension Liability | 0.504364% | 0.493820% | 0.494950% | 0.492510% | 0.516110% | 0.496170% |
| District's Proportionate of the Net Pension Liability | \$ 74,629 | \$ 76,920 | \$ 79,890 | \$ 76,723 | \$ 71,979 | \$ 71,481 |
| District's Covered Payroll | \$ 40,827 | \$ 40,793 | \$ 41,558 | \$ 44,801 | \$ 46,507 | \$ 45,888 |
| District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll | 182.79% | 188.56% | 192.24% | 171.25% | 154.77% | 155.77% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.49% | 68.35% | 67.06% | 69.92% | 73.00% | 73.24% |

Schedule of District Contributions

| Arizona State Retirement System | Reporting Date (December 31,) | | | | | |
|--|-------------------------------|-----------|------------------------|-----------|-----------|-----------|
| | 2014 | 2015 | 2016 (In Thousands) | 2017 | 2018 | 2019 |
| Contractually Required Contribution | \$ 5,191 | \$ 5,373 | \$ 5,287 | \$ 5,435 | \$ 5,735 | \$ 5,895 |
| Contributions in Relation to the Contractually Required Contribution | 5,191 | 5,373 | 5,287 | 5,435 | 5,735 | 5,895 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's Covered Payroll | \$ 41,016 | \$ 42,362 | \$ 42,297 | \$ 44,818 | \$ 46,492 | \$ 46,184 |
| Contributions as a Percentage of Covered Payroll | 12.66% | 12.68% | 12.50% | 12.13% | 12.34% | 12.76% |

* These pension schedules are intended to show information over a 10-year period.
Additional years' information will be displayed as it becomes available.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTE TO ASRS REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATE

Actuarial determined contribution rates for ASRS are calculated as of June 30 one-year prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

| | |
|-----------------------------|---------------------|
| ASRS | |
| Actuarial Valuation Date | June 30, 2018 |
| Actuarial Roll Forward Date | June 30, 2019 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation | Fair Value |
| Discount Rate | 7.5% |
| Projected Salary Increases | 2.7% to 7.2% |
| Inflation | 2.3% |
| Permanent Benefit Increase | Included |
| Mortality Rates | 2017 SRA Scale U-MP |

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CHANGES IN TOTAL OPEB LIABILITY
DECEMBER 31, 2019**

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|------------------|------------------------------|
| | 2019 (2018) | 2018 (2017) | 2017-2010 (2016-2009) |
| Total OPEB Liability: | <i>(In Thousands)</i> | | |
| Balances at January 1, as Restated | \$ 16,441 | \$ 23,113 | Information not available |
| Changes for the Year: | | | |
| Service Cost | 899 | 1,383 | |
| Interest | 589 | 914 | |
| Differences Between Expected and Actual Experience | (3,521) | (9,937) | |
| Changes in Assumptions | 2,053 | 1,599 | |
| Expected Benefit Payments | (425) | (631) | |
| Net Changes | (405) | (6,672) | |
| Balances at December 31, | <u>\$ 16,036</u> | <u>\$ 16,441</u> | |
| Covered Payroll | \$ 42,069 | \$ 34,781 | |
| Plan Total OPEB Liability as a Percentage of Covered Payroll | 38.12% | 47.27% | |

*This schedule is intended to show information over a 10-year period
Additional year's information will be displayed as it becomes available*

SUPPLEMENTARY INFORMATION

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF NET POSITION – BY FUND AND ACCOUNT
DECEMBER 31, 2019
(In Thousands)

| ASSETS | Total | Eliminations |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 15,272 | \$ - |
| Investments | 91,769 | - |
| Total Cash and Cash Equivalents | <u>107,041</u> | <u>-</u> |
| Receivables: | | |
| Due from Water Customers | 8,166 | - |
| Property Taxes, Less Allowance of \$647 | 36,713 | - |
| Other Receivables | 14,421 | (2,000) |
| Water Inventory | 206,196 | - |
| Funds Held by Federal Government | 51,530 | - |
| Interfund Receivable | - | (280) |
| Other Assets | 1,735 | - |
| Total Current Assets | <u>425,802</u> | <u>(2,280)</u> |
| NONCURRENT ASSETS | | |
| Investments | 314,210 | (2,350) |
| Restricted Assets | 97,524 | - |
| Agricultural Water Rights | 88,719 | - |
| Capital Assets: | | |
| Operating Assets, Less Accumulated Depreciation of \$211,164 | 295,881 | - |
| Permanent Service Right, Less Accumulated Amortization of \$702,114 | 1,065,836 | - |
| Other Assets | 2,000 | - |
| Total Noncurrent Assets | <u>1,864,170</u> | <u>(2,350)</u> |
| Total Assets | <u>2,289,972</u> | <u>(4,630)</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Valuation | 5,891 | - |
| OPEB Valuation | 3,222 | - |
| Total Deferred Outflows of Resources | <u>9,113</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,299,085</u> | <u>\$ (4,630)</u> |

| General Fund | Supplemental Water Account | Central Arizona Ground Water Replenishment District Account | Captive Insurance Company |
|-----------------|----------------------------------|---|---------------------------------|
| \$ 8,490 | \$ - | \$ 241 | \$ 6,541 |
| 79,798 | - | 11,971 | - |
| 88,288 | - | 12,212 | 6,541 |
| 8,166 | - | - | - |
| 36,713 | - | - | - |
| 4,562 | - | 11,859 | - |
| 31,977 | - | 174,219 | - |
| 51,530 | - | - | - |
| 280 | - | - | - |
| 1,284 | - | 404 | 47 |
| 222,800 | - | 198,694 | 6,588 |
| 304,726 | - | 11,834 | - |
| 70,313 | 8,815 | 16,146 | 2,250 |
| 88,719 | - | - | - |
| 286,074 | - | 9,807 | - |
| 1,065,836 | - | - | - |
| 2,000 | - | - | - |
| 1,817,668 | 8,815 | 37,787 | 2,250 |
| 2,040,468 | 8,815 | 236,481 | 8,838 |
| 5,891 | - | - | - |
| 3,222 | - | - | - |
| 9,113 | - | - | - |
| \$ 2,049,581 | \$ 8,815 | \$ 236,481 | \$ 8,838 |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF NET POSITION – BY FUND AND ACCOUNT
DECEMBER 31, 2019
(In Thousands)

| | Total | Eliminations |
|--|---------------------|-------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 21,756 | \$ (2,000) |
| Accrued Payroll, Payroll Taxes and Other Accrued Expenses | 7,773 | - |
| Water Operations and Capital Charges Unearned Revenue | 30,664 | - |
| Interfund Payable | - | (280) |
| Asset Retirement Obligation, Due Within One Year | 27,700 | |
| Current Liabilities Payable from Restricted Assets, Advances to Federal Government, and Other Noncurrent Assets: | | |
| Accrued Interest Payable | 22,386 | - |
| Federal Repayment Obligation, Due Within One Year | 32,929 | - |
| Bonds Payable, Due Within One Year | 3,165 | - |
| Total Current Liabilities | <u>146,373</u> | <u>(2,280)</u> |
| NONCURRENT LIABILITIES | | |
| Asset Retirement Obligation, Due After One Year | 51,147 | - |
| Federal Repayment Obligation, Due After One Year | 1,010,921 | - |
| Bonds Payable, Due After One Year | 63,473 | - |
| Non-Indian Agricultural 9(D) Debt | 88,719 | - |
| Other Noncurrent Liabilities | 90,454 | - |
| Total Noncurrent Liabilities | <u>1,304,714</u> | <u>-</u> |
| Total Liabilities | <u>1,451,087</u> | <u>(2,280)</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Customer Deposits | 43,171 | - |
| Pension Valuation | 6,916 | - |
| OPEB Valuation | 9,816 | - |
| Total Deferred Inflows of Resources | <u>59,903</u> | <u>-</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 251,229 | - |
| Restricted for Master Repayment Agreement | 41,886 | - |
| Restricted for Supplemental Water Account | 8,815 | - |
| Restricted for CAGRD Account | 14,078 | - |
| Restricted for Captive Insurance Company | 2,250 | - |
| Restricted for Bond Trust Account | 7,171 | - |
| Restricted for Power Agreement | 938 | - |
| Unrestricted | 461,728 | (2,350) |
| Total Net Position | <u>788,095</u> | <u>(2,350)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 2,299,085</u> | <u>\$ (4,630)</u> |

| General Fund | Supplemental Water Account | Central Arizona Ground Water Replenishment District Account | Captive Insurance Company |
|-----------------|----------------------------------|---|---------------------------------|
| \$ 14,389 | \$ - | \$ 3,873 | \$ 5,494 |
| 7,773 | - | - | - |
| 30,664 | - | - | - |
| - | - | 280 | - |
| 27,700 | - | - | - |
| 22,172 | - | 214 | - |
| 32,929 | - | - | - |
| 1,645 | - | 1,520 | - |
| 137,272 | - | 5,887 | 5,494 |
| 51,147 | - | - | - |
| 1,010,921 | - | - | - |
| 44,993 | - | 18,480 | - |
| 88,719 | - | - | - |
| 90,454 | - | - | - |
| 1,286,234 | - | 18,480 | - |
| 1,423,506 | - | 24,367 | 5,494 |
| 43,171 | - | - | - |
| 6,916 | - | - | - |
| 9,816 | - | - | - |
| 59,903 | - | - | - |
| 261,422 | - | (10,193) | - |
| 41,886 | - | - | - |
| - | 8,815 | - | - |
| - | - | 14,078 | - |
| - | - | - | 2,250 |
| 5,317 | - | 1,854 | - |
| 938 | - | - | - |
| 256,609 | - | 206,375 | 1,094 |
| 566,172 | 8,815 | 212,114 | 3,344 |
| \$ 2,049,581 | \$ 8,815 | \$ 236,481 | \$ 8,838 |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BY FUND AND ACCOUNT
YEAR ENDED DECEMBER 31, 2019
(In Thousands)

| | <u>Total</u> | <u>Eliminations</u> |
|--|-------------------|---------------------|
| OPERATING REVENUES | | |
| Water Operations And Maintenance Charges | \$ 177,157 | \$ (9,295) |
| Water Service Capital Charges | 25,510 | (2,543) |
| Power And Basin Development Fund Revenues | 52,703 | - |
| Other Operating Revenues | 46,848 | (9,767) |
| Total Operating Revenues | <u>302,218</u> | <u>(21,605)</u> |
| OPERATING EXPENSES | | |
| Salaries And Related Costs | 66,374 | - |
| Pumping Power | 72,568 | - |
| Power Transmission | 17,415 | - |
| Hoover Capacity Charges | 3,332 | - |
| Amortization Of Permanent Service Right | 23,001 | - |
| Depreciation | 24,977 | - |
| Other Operating Expenses | 70,225 | (21,605) |
| Total Operating Expenses | <u>277,892</u> | <u>(21,605)</u> |
| Operating Income (Loss) | <u>24,326</u> | <u>-</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property Taxes | 76,718 | - |
| Interest Income And Other Nonoperating Revenues | 20,380 | - |
| Disbursements to AWBA | (4,561) | - |
| Interest Expense And Other Nonoperating Expenses | (22,755) | - |
| Total Nonoperating Revenues (Expenses) | <u>69,782</u> | <u>-</u> |
| CHANGES IN NET POSITION | 94,108 | - |
| Net Position - Beginning of Year | <u>693,987</u> | <u>(2,350)</u> |
| NET POSITION - END OF YEAR | <u>\$ 788,095</u> | <u>\$ (2,350)</u> |

| General Fund | Supplemental Water Account | Central Arizona Ground Water Replenishment District Account | Captive Insurance Company |
|-----------------|----------------------------------|---|---------------------------------|
| \$ 186,452 | \$ - | \$ - | \$ - |
| 28,053 | - | - | - |
| 52,703 | - | - | - |
| 2,233 | - | 44,716 | 9,666 |
| 269,441 | - | 44,716 | 9,666 |
| 65,340 | - | 1,034 | - |
| 72,568 | - | - | - |
| 17,415 | - | - | - |
| 3,332 | - | - | - |
| 23,001 | - | - | - |
| 24,916 | - | 61 | - |
| 69,198 | - | 14,516 | 8,116 |
| 275,770 | - | 15,611 | 8,116 |
| (6,329) | - | 29,105 | 1,550 |
| 76,718 | - | - | - |
| 18,904 | 308 | 1,152 | 16 |
| (4,561) | - | - | - |
| (22,403) | - | (352) | - |
| 68,658 | 308 | 800 | 16 |
| 62,329 | 308 | 29,905 | 1,566 |
| 503,843 | 8,507 | 182,209 | 1,778 |
| \$ 566,172 | \$ 8,815 | \$ 212,114 | \$ 3,344 |



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATISTICAL SECTION**

This section of the Central Arizona Water Conservation District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. These tables are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 44, Economic Condition Reporting: The Statistical Section.

Financial Trends

These schedules contain trend information to help understand how the District's financial performance and fiscal health have changed over time.

Tables

A-D

Revenue Capacity

These schedules contain information to help assess the District's most significant revenue sources: water sales and property taxes.

E-J

Debt Capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.

K-L

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

M-P

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Q-R

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial report for the relevant year.

TABLE A

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NET POSITION BY COMPONENT – LAST TEN YEARS
(Dollars in Millions)

| | 2010 | 2011 | 2012 |
|----------------------------------|---------------|---------------|---------------|
| Net Investment in Capital Assets | \$ 116 | \$ 143 | \$ 162 |
| Restricted | 86 | 95 | 92 |
| Unrestricted | 311 | 333 | 319 |
| Total Net Position | <u>\$ 513</u> | <u>\$ 571</u> | <u>\$ 573</u> |

TABLE A
(Continued)

| 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | | 2019 | |
|-------------|-----|-------------|-----|-------------|-----|-------------|-----|-------------|-----|-------------|-----|-------------|-----|
| \$ | 174 | \$ | 196 | \$ | 236 | \$ | 231 | \$ | 248 | \$ | 260 | \$ | 251 |
| | 88 | | 87 | | 79 | | 79 | | 85 | | 101 | | 75 |
| | 331 | | 363 | | 293 | | 286 | | 272 | | 333 | | 462 |
| \$ | 593 | \$ | 646 | \$ | 608 | \$ | 596 | \$ | 605 | \$ | 694 | \$ | 788 |

TABLE B

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
CHANGE IN NET POSITION – LAST TEN YEARS
(Dollars in Thousands)

| | 2010 | 2011 | 2012 |
|--|------------|------------|------------|
| Operating Revenues | | | |
| Water operations and Maintenance Charges | \$ 140,283 | \$ 148,520 | \$ 142,805 |
| Water Service Capital Charges | 10,154 | 13,677 | 12,022 |
| Power and Basin Development Fund Revenues | 59,421 | 46,800 | 21,611 |
| Reimbursements and Other Operating Revenues | 13,647 | 16,547 | 19,407 |
| Total Operating Revenues | 223,505 | 225,544 | 195,845 |
| Total Operating Expenses | 203,654 | 204,311 | 220,718 |
| Operating Income (Loss) | 19,851 | 21,233 | (24,873) |
| Nonoperating Revenues (Expenses) | | | |
| Property Taxes, Less Assignment to AWBA | 66,160 | 56,101 | 47,825 |
| Gain (Loss) on Sale of Assets | 1,730 | - | (3) |
| Interest Income and Other Nonoperating Income | 7,375 | 9,515 | 7,708 |
| Disbursements to AWBA | | | (531) |
| Interest Expense and Other Nonoperating Expenses | (30,735) | (28,968) | (28,114) |
| Total Nonoperating Revenues (Expenses) | 44,530 | 36,648 | 26,885 |
| Changes in Net Position | 64,381 | 57,881 | 2,012 |
| Net Position at Beginning of Year | 448,775 | 513,156 | 571,037 |
| Cumulative Effect of Change in Accounting Principle/Restatement Adjustment | - | - | - |
| Net Position at Beginning of Year | 448,775 | 513,156 | 571,037 |
| Net Position at End of Year | \$ 513,156 | \$ 571,037 | \$ 573,049 |

TABLE B
(Continued)

| | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | | 2019 |
|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|
| \$ | 148,300 | \$ | 167,036 | \$ | 164,298 | \$ | 168,413 | \$ | 182,814 | \$ | 182,270 | \$ | 177,157 |
| | 10,688 | | 14,565 | | 15,573 | | 15,861 | | 19,652 | | 30,300 | | 25,510 |
| | 28,555 | | 29,665 | | 22,288 | | 15,097 | | 30,261 | | 27,819 | | 52,703 |
| | 24,171 | | 27,518 | | 30,948 | | 30,709 | | 36,414 | | 40,227 | | 46,848 |
| | 211,714 | | 238,784 | | 233,107 | | 230,080 | | 269,141 | | 280,616 | | 302,218 |
| | 216,981 | | 227,415 | | 230,330 | | 286,663 | | 318,283 | | 232,040 | | 277,892 |
| | (5,267) | | 11,369 | | 2,777 | | (56,583) | | (49,142) | | 48,576 | | 24,326 |
| | 52,507 | | 60,994 | | 63,376 | | 64,571 | | 68,760 | | 72,007 | | 76,718 |
| | (22) | | 48 | | - | | - | | - | | - | | - |
| | 681 | | 7,174 | | 3,455 | | 5,687 | | 6,512 | | 9,111 | | 20,380 |
| | (706) | | (495) | | (3,041) | | (269) | | (17,889) | | (2,738) | | (4,561) |
| | (27,260) | | (26,407) | | (25,424) | | (24,855) | | (25,029) | | (23,500) | | (22,755) |
| | 25,200 | | 41,314 | | 38,366 | | 45,134 | | 32,354 | | 54,880 | | 69,782 |
| | 19,933 | | 52,683 | | 41,143 | | (11,449) | | (16,788) | | 103,456 | | 94,108 |
| | 573,049 | | 592,982 | | 645,665 | | 607,840 | | 596,391 | | 605,002 | | 693,987 |
| | - | | - | | (78,968) | | - | | 25,399 | | (14,471) | | - |
| | 573,049 | | 592,982 | | 566,697 | | 607,840 | | 621,790 | | 590,531 | | 693,987 |
| \$ | 592,982 | \$ | 645,665 | \$ | 607,840 | \$ | 596,391 | \$ | 605,002 | \$ | 693,987 | \$ | 788,095 |

TABLE C

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SET WATER DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE
– LAST TEN YEARS**

Units = \$/Acre-Foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

| | 2010 | 2011 | 2012 |
|--|--------|--------|--------|
| Municipal and Industrial | | | |
| Long-Term Subcontract (C+D) | \$ 118 | \$ 122 | \$ 122 |
| Excess Water (A+C+D) | 133 | 137 | 137 |
| Recharge (A+C+D) | 133 | 137 | 137 |
| AWBA Interstate Recharge (A+C+D+G) | 231 | 167 | 165 |
| Federal (C+D) | 118 | 122 | 122 |
| Agricultural | | | |
| Settlement Pool (D) | 49 | 53 | 49 |
| Long-Term Subcontract (B+C+D) | 118 | - | - |
| Agricultural Incentive | | | |
| Meet Settlement Pool Goals | (6) | (8) | (4) |
| Meet AWBA/CAGR D GSF Goals | (2) | (2) | (1) |
| Meet Recovery Goals | (2) | (2) | (1) |
| Miscellaneous | 90 | - | - |
| <u>RATE COMPONENTS</u> | | | |
| Capital Charges | | | |
| (A) Municipal and Industrial - Long-Term Subcontract | 15 | 15 | 15 |
| (B) Agricultural - Long-Term Subcontract | 2 | - | - |
| Delivery Charges | | | |
| (C) Fixed OM&R | 69 | 69 | 73 |
| (D) Pumping Energy Rate 1 | 49 | 53 | 49 |
| (E) Pumping Energy Rate 2 | 85 | - | - |
| (F) Pumping Energy Rate 3 | 122 | - | - |
| (G) Property Tax Equivalency | 25 | 30 | 28 |
| (H) Lost Federal Revenues | - | - | - |
| <u>UNDERGROUND STORAGE FEES</u> | | | |
| Recharge O&M | | | |
| Phoenix AMA | 8 | 8 | 8 |
| Tucson AMA | 15 | 15 | 15 |
| Recharge Capital Charge | | | |
| Phoenix AMA | 15 | 15 | 15 |
| Tucson AMA | 9 | 9 | 9 |

TABLE C
(Continued)

| 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | | 2019 | |
|------|-----|------|------|------|------|------|------|------|------|------|-----|------|-----|
| \$ | 129 | \$ | 146 | \$ | 157 | \$ | 161 | \$ | 164 | \$ | 160 | \$ | 158 |
| | 144 | | 166 | | 179 | | 184 | | 195 | | 205 | | 199 |
| | 144 | | 166 | | 179 | | 184 | | 195 | | 205 | | 199 |
| | 168 | | 189 | | - | | - | | - | | 254 | | - |
| | 129 | | 146 | | 157 | | 161 | | 164 | | 160 | | 158 |
| | 53 | | 67 | | 75 | | 76 | | 77 | | 65 | | 62 |
| | - | | - | | - | | - | | - | | - | | - |
| | (6) | | (14) | | (18) | | (15) | | (12) | | - | | - |
| | (1) | | (2) | | (2) | | (2) | | (2) | | (1) | | - |
| | (1) | | (2) | | (2) | | (2) | | (2) | | (1) | | - |
| | - | | - | | - | | - | | - | | - | | - |
| | 15 | | 20 | | 22 | | 23 | | 31 | | 45 | | 41 |
| | - | | - | | - | | - | | - | | - | | - |
| | 76 | | 79 | | 82 | | 85 | | 87 | | 95 | | 96 |
| | 53 | | 67 | | 75 | | 76 | | 77 | | 65 | | 62 |
| | - | | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - | | - |
| | 24 | | 23 | | - | | - | | - | | 49 | | - |
| | - | | - | | - | | - | | - | | - | | - |
| | 8 | | 8 | | 9 | | 10 | | 12 | | 13 | | 13 |
| | 15 | | 15 | | 15 | | 15 | | 15 | | 15 | | 15 |
| | 15 | | 15 | | 15 | | 15 | | 15 | | 15 | | 15 |
| | 9 | | 9 | | 9 | | 9 | | 9 | | 9 | | 9 |

TABLE D

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES
– LAST TEN YEARS
Units = \$/Acre-Foot**

| | 2010/11 | 2011/12 | 2012/13 |
|---|---------|---------|---------|
| Phoenix Active Management Area | | | |
| Water & Replenishment Component | \$ 140 | \$ 140 | \$ 137 |
| Administrative Component | 38 | 42 | 44 |
| Infrastructure & Water Rights Component | 131 | 170 | 204 |
| Replenishment Reserve Charge | 47 | 51 | 52 |
| Total Assessment Rate (\$/AF) | 356 | 403 | 437 |
| Pinal Active Management Area | | | |
| Water & Replenishment Component | 110 | 116 | 117 |
| Administrative Component | 38 | 42 | 44 |
| Infrastructure & Water Rights Component | 131 | 170 | 204 |
| Replenishment Reserve Charge | 45 | 53 | 56 |
| Total Assessment Rate (\$/AF) | 324 | 381 | 421 |
| Tucson Active Management Area | | | |
| Water & Replenishment Component | 155 | 155 | 161 |
| Administrative Component | 38 | 42 | 44 |
| Infrastructure & Water Rights Component | 131 | 170 | 204 |
| Replenishment Reserve Charge | 53 | 60 | 65 |
| Total Assessment Rate (\$/AF) | 377 | 427 | 474 |
| Contract Replenishment Tax - Scottsdale | | | |
| Cost of Water | 133 | 137 | 137 |
| Cost of Transportation | - | - | - |
| Cost of Replenishment | - | - | - |
| Administrative Component | 38 | 42 | 44 |
| Total Tax Rate (\$/AF) | 171 | 179 | 181 |
| Enrollment Fee - Commercial Subdivisions | - | - | - |
| Enrollment Fee | 107 | 138 | 165 |
| Activation Fee | 105 | 136 | 163 |
| Member Land Annual Membership Dues (\$/Lot) | | | |
| Phoenix AMA | - | 6.88 | 9.87 |
| Pinal AMA | - | 0.90 | 1.29 |
| Tucson AMA | - | 4.34 | 6.24 |
| Member Service Area Annual Membership Dues (\$/AF) | - | 10.35 | 14.88 |

TABLE D
(Continued)

| 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------|---------|---------|---------|---------|---------|---------|
| \$ 160 | \$ 172 | \$ 179 | \$ 186 | \$ 214 | \$ 192 | \$ 238 |
| 45 | 45 | 45 | 32 | 36 | 40 | 41 |
| 245 | 294 | 353 | 353 | 353 | 353 | 353 |
| 58 | 63 | 67 | 89 | 101 | 90 | 95 |
| 508 | 574 | 644 | 660 | 704 | 675 | 727 |
| 140 | 155 | 160 | 175 | 204 | 204 | 211 |
| 45 | 45 | 45 | 32 | 36 | 40 | 41 |
| 245 | 294 | 353 | 353 | 353 | 353 | 353 |
| 65 | 70 | 75 | 96 | 108 | 97 | 103 |
| 495 | 564 | 633 | 656 | 701 | 694 | 708 |
| 183 | 196 | 202 | 213 | 238 | 221 | 242 |
| 45 | 45 | 45 | 32 | 36 | 40 | 41 |
| 245 | 294 | 353 | 353 | 353 | 353 | 353 |
| 75 | 80 | 85 | 108 | 131 | 103 | 102 |
| 548 | 615 | 685 | 706 | 758 | 717 | 738 |
| 144 | 166 | 179 | 184 | 195 | 205 | 199 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 45 | 45 | 45 | 32 | 36 | 40 | 41 |
| 189 | 211 | 224 | 216 | 231 | 245 | 240 |
| - | - | - | 500 | 700 | 924 | 1,094 |
| 198 | 237 | 284 | 284 | 284 | 284 | 284 |
| 196 | 235 | 282 | 282 | 282 | 282 | 282 |
| 13.19 | 15.45 | 20.78 | 16.50 | 22.63 | 23.52 | 28.59 |
| 1.74 | 2.05 | 2.80 | 10.57 | 14.88 | 15.35 | 19.36 |
| 8.38 | 9.87 | 13.21 | 16.89 | 23.58 | 24.54 | 31.04 |
| 20.08 | 23.67 | 32.34 | 52.68 | 74.44 | 76.53 | 97.22 |

TABLE E

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
ACRE/FEET OF WATER DELIVERED BY WATER CUSTOMER TYPE – LAST TEN YEARS

| Description | 2010 | 2011 | 2012 |
|--------------------------------------|------------------|------------------|------------------|
| Municipal & Industrial | 426,724 | 452,466 | 489,207 |
| Agricultural | 400,684 | 400,532 | 401,223 |
| Federal | 332,819 | 501,553 | 548,374 |
| Recharge | 419,831 | 265,162 | 160,002 |
| Interstate Water Banking | 19,000 | - | - |
| Total Water Delivered | 1,599,058 | 1,619,713 | 1,598,806 |
| Transfer/Exchange of credits to CAGR | 110 | 120 | - |
| | <u>1,599,168</u> | <u>1,619,833</u> | <u>1,598,806</u> |
| Capital Charges A/F Allocation | 621,016 | 621,002 | 620,988 |

Note: Excludes transfer of stored water credits to CAGR

TABLE E
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 496,394 | 503,518 | 494,984 | 540,665 | 590,309 | 616,725 | 608,921 |
| 400,817 | 400,741 | 318,279 | 280,797 | 257,851 | 242,849 | 256,143 |
| 532,645 | 534,281 | 551,728 | 530,141 | 490,525 | 563,156 | 443,221 |
| 90,148 | 87,420 | 84,218 | 79,307 | 18,630 | 43,000 | 6,065 |
| - | - | - | - | - | 13,500 | - |
| 1,520,004 | 1,525,960 | 1,449,209 | 1,430,910 | 1,357,315 | 1,479,230 | 1,314,350 |
| 13,323 | 9,706 | 8,794 | 4,995 | 14,892 | - | - |
| 1,533,327 | 1,535,666 | 1,458,003 | 1,435,905 | 1,372,207 | 1,479,230 | 1,314,350 |
| 620,974 | 620,960 | 620,946 | 620,932 | 620,918 | 620,743 | 620,729 |

TABLE F

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
PRINCIPAL REVENUE PAYERS (DOLLARS) – ANNUAL TOP TEN – LAST TEN YEARS**

| | 2010 | 2011 | 2012 |
|--|---------------|---------------|---------------|
| Payers | | | |
| Ak-Chin Indian Community | \$ 10,322,214 | \$ 10,600,855 | \$ 10,486,257 |
| Arizona Water Banking Authority | 27,433,509 | 15,577,192 | 16,494,584 |
| Central AZ Groundwater Replenishment District | - | - | - |
| Central Arizona Irrigation & Drainage District | - | 6,840,630 | 5,457,789 |
| City of Mesa | 6,195,054 | 5,594,974 | 6,475,243 |
| City of Peoria | - | - | - |
| City of Phoenix | 18,756,876 | 16,795,082 | 17,964,754 |
| City of Scottsdale | 7,828,858 | 8,719,832 | 9,079,276 |
| City of Tucson | 13,249,141 | 17,149,975 | 19,751,564 |
| Gila River Indian Community | 12,768,190 | 27,982,565 | 34,674,453 |
| Maricopa Stanfield Irr. & Drainage District | - | - | 5,221,823 |
| Resolution Copper Mining, LLC | - | 6,850,000 | - |
| San Carlos Apache Nation | - | - | - |
| Tohono O'odham Indian Nation | 5,618,159 | 6,136,128 | 5,752,881 |
| Town of Gilbert | 12,385,931 | - | - |
| Vidler Water Company | 6,610,765 | - | - |

Note: Includes revenue from water O&M and capital charges

TABLE F
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 11,059,993 | \$ 12,342,417 | \$ 12,405,055 | \$ 14,297,578 | \$ 14,616,012 | \$ 14,287,195 | \$ 13,930,260 |
| 10,643,489 | 12,234,634 | 11,264,400 | 11,240,830 | - | 10,170,819 | - |
| 6,438,149 | 7,054,001 | 6,783,661 | 8,748,582 | 6,545,790 | 8,159,223 | - |
| 5,824,235 | - | - | - | 6,100,185 | - | - |
| 6,007,296 | 7,092,079 | 7,122,877 | 8,343,851 | 9,034,385 | 9,469,295 | 9,179,975 |
| - | - | - | - | - | - | 6,126,538 |
| 17,937,549 | 20,947,703 | 22,076,731 | 24,852,608 | 34,179,622 | 35,423,535 | 34,183,748 |
| 9,952,476 | 11,423,999 | 12,304,090 | 14,115,048 | 14,949,923 | 14,353,135 | 14,942,912 |
| 20,760,768 | 23,808,133 | 23,971,721 | 26,639,704 | 23,770,398 | 26,220,915 | 28,693,637 |
| 33,528,955 | 38,904,368 | 33,752,177 | 41,662,576 | 29,129,478 | 42,326,600 | 21,776,649 |
| - | 6,342,489 | - | - | - | - | 5,380,336 |
| - | - | - | - | - | - | - |
| - | - | 5,139,789 | 5,601,190 | - | - | - |
| 5,577,100 | 6,823,345 | 4,876,819 | 5,269,832 | 9,066,744 | 8,795,815 | 10,437,071 |
| - | - | - | - | 10,487,502 | 8,870,430 | 5,278,899 |
| - | - | - | - | - | - | - |

TABLE G

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
ACRE/FEET OF WATER DELIVERED BY CUSTOMER TYPE – TOP TEN CUSTOMERS
– LAST TEN YEARS**

| Customer Type | 2010 | 2011 | 2012 |
|---|-------------|-------------|-------------|
| Municipal & Industrial | | | |
| Arizona Water Banking Authority | 19,000 | - | - |
| Arizona Water Company | - | - | - |
| ASARCO | - | - | - |
| Central AZ Groundwater Replenishment District | 27,282 | 28,106 | 27,841 |
| City of Chandler | - | - | - |
| City of Glendale | 10,818 | 10,735 | 10,735 |
| City of Mesa | 40,190 | 35,290 | 42,748 |
| City of Peoria | 9,439 | 12,070 | 12,849 |
| City of Phoenix | 113,562 | 93,985 | 104,018 |
| City of Scottsdale | 45,943 | 51,803 | 56,093 |
| City of Surprise | 10,249 | - | - |
| City of Tucson | 93,889 | 124,203 | 144,172 |
| EPCOR | 17,649 | 18,966 | 18,611 |
| Metro Domestic Water Improvement District | - | 10,494 | 11,236 |
| Town of Gilbert | - | 7,235 | 7,235 |
| Town of Oro Valley | - | - | - |
| Agricultural | | | |
| BKW Farms, Inc. | - | - | - |
| Central AZ Irrigation & Drainage District | 120,570 | 111,070 | 120,597 |
| Harquahala Valley Irrigation District | 53,319 | 44,733 | 50,873 |
| HoHokam Irrigation & Drainage District | 35,898 | 35,926 | 36,323 |
| Kai Farms | - | - | - |
| Maricopa Stanfield Irrigation & Drainage District | 129,312 | 126,000 | 114,611 |
| Metro Domestic Water Improvement District | 4,000 | 4,000 | 4,000 |
| New Magma Irrigation & Drainage District | 30,825 | 30,325 | 37,838 |
| Queen Creek Irrigation District | 12,000 | 12,000 | 12,000 |
| Roosevelt Water Conservation District | 5,000 | 5,003 | 5,000 |
| Salt River Project | - | - | - |
| San Carlos Irrigation & Drainage District | 2,683 | 24,083 | 12,749 |
| Tonopah Irrigation District | 3,460 | 3,460 | 3,460 |

TABLE G
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------|---------|---------|---------|---------|---------|---------|
| - | - | - | - | - | - | - |
| - | - | - | 13,185 | 14,894 | 17,565 | 17,093 |
| - | - | - | - | 21,000 | 21,000 | 21,000 |
| 42,873 | 42,454 | 42,989 | 43,587 | 36,694 | 43,007 | 22,783 |
| - | 10,422 | 11,511 | - | - | - | - |
| 13,128 | 10,179 | 13,083 | 13,421 | 16,786 | 16,937 | 16,994 |
| 34,925 | 36,934 | 33,193 | 39,834 | 41,658 | 41,144 | 36,474 |
| 12,542 | 13,495 | 13,616 | 15,363 | 16,059 | 25,236 | 25,213 |
| 96,404 | 93,860 | 78,023 | 108,257 | 155,698 | 158,715 | 153,467 |
| 45,576 | 45,626 | 48,308 | 54,820 | 55,890 | 56,158 | 55,075 |
| - | - | - | - | - | - | - |
| 144,172 | 142,315 | 145,037 | 144,781 | 117,680 | 123,327 | 144,185 |
| 20,619 | 20,473 | 20,885 | 20,885 | 20,885 | 20,426 | 20,885 |
| 13,460 | 11,690 | 11,622 | - | - | - | - |
| - | - | - | 6,992 | - | - | - |
| 7,000 | - | - | - | - | - | - |
| - | - | - | - | 4 | - | - |
| 124,369 | 126,978 | 99,558 | 94,069 | 97,885 | 85,426 | 92,653 |
| 43,735 | 34,580 | 37,691 | 34,282 | 25,922 | 27,239 | 29,285 |
| 40,273 | 40,996 | 36,230 | 37,551 | 31,228 | 29,084 | 30,473 |
| - | - | - | 11 | - | - | - |
| 118,184 | 124,546 | 111,735 | 100,949 | 95,626 | 92,686 | 95,799 |
| 4,000 | 4,000 | - | - | - | - | - |
| 30,694 | 30,340 | 7,591 | - | - | - | - |
| 12,000 | 12,006 | 8,500 | 4,598 | 3,500 | 2,900 | 2,415 |
| 5,000 | 5,000 | 1,253 | 41 | - | 6 | - |
| 3,800 | 3,800 | 3,800 | - | - | - | - |
| 11,866 | 11,243 | 8,613 | 7,035 | 1,386 | 5,508 | 2,346 |
| - | - | 1,364 | 2,261 | 2,300 | - | 3,052 |

TABLE G
(Continued)

| Customer Type | 2010 | 2011 | 2012 |
|---|-------------|-------------|-------------|
| Recharge | | | |
| Active Resource Management | - | 6,000 | 6,000 |
| Arizona Water Banking Authority | 192,712 | 120,524 | 132,973 |
| Bureau of Reclamation | 3,000 | 15,000 | 12,231 |
| Central AZ Groundwater Replenishment District | 14,185 | 14,270 | 5,648 |
| Central Arizona Irrigation and Drainage District | - | 14,110 | - |
| City of Chandler | - | - | - |
| City of El Mirage | 5,000 | 11,154 | - |
| City of Mesa | - | - | - |
| Cortaro Marana Irrigation District | - | - | - |
| HoHokam Irrigation & Drainage District | - | - | - |
| Maricopa Stanfield Irrigation & Drainage District | - | - | - |
| Resolution Copper Mining Company | 40,389 | 50,000 | - |
| Town of Gilbert | 75,270 | - | - |
| Vidler Water Company | 51,573 | - | 50 |
| United States Bureau of Reclamation (BOR) | 3,000 | 15,000 | 12,231 |
| Water Utility of Greater Tonopah, Inc. | 25,002 | 25,000 | - |
| Federal | | | |
| Ak-Chin Indian Community | 84,831 | 84,212 | 82,203 |
| City of Chandler | - | - | 7,622 |
| City of Glendale | - | - | - |
| City of Goodyear | - | - | - |
| City of Mesa | - | - | - |
| City of Peoria | 6,454 | 7,000 | - |
| City of Phoenix | 28,209 | 28,209 | 28,209 |
| City of Scottsdale | 12,678 | 13,178 | 10,981 |
| Fort McDowell Yavapai Nation | - | 13,933 | 13,933 |
| Freeport McMoran Morenci | - | - | - |
| Gila River Indian Community | 108,205 | 229,324 | 283,351 |
| San Carlos Apache Tribe | 6,060 | 32,755 | 27,706 |
| San Xavier Co-op Farm | 6,046 | - | - |
| Schuk Toak | 10,571 | 12,855 | 13,895 |
| Tohono O'Odham Indian Nation | 42,761 | 45,483 | 44,055 |
| Town of Gilbert | 12,049 | 12,049 | 12,049 |

TABLE G
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------|---------|---------|---------|---------|---------|---------|
| - | - | - | - | - | - | - |
| 53,640 | 54,839 | 57,444 | 39,115 | 1,901 | 38,160 | - |
| 6,297 | 11,381 | 8,433 | 5,000 | 1,000 | 5,000 | - |
| 6,621 | 4,018 | 5,445 | 8,099 | - | - | 6,065 |
| 6,695 | 1,700 | - | 5,840 | 3,800 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,953 | 1,852 | 898 | 1,500 | 2,099 | 1,000 | - |
| 6,333 | 5,700 | 3,700 | 5,840 | 3,800 | 2,700 | - |
| 6,600 | 6,700 | 4,200 | 5,840 | 3,800 | 8,400 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 6,297 | 11,381 | - | - | - | 5,000 | - |
| - | - | - | - | - | - | - |
| 80,665 | 78,828 | 83,745 | 88,638 | 88,767 | 88,310 | 85,998 |
| - | 7,622 | - | 7,622 | 7,622 | 7,622 | 7,622 |
| - | - | - | - | - | - | - |
| - | - | - | - | 7,000 | - | - |
| - | - | 9,842 | - | - | - | - |
| - | - | - | - | 7,000 | - | - |
| 28,209 | 28,209 | 64,353 | 28,209 | 28,209 | 28,209 | 28,209 |
| 25,178 | 25,178 | 28,461 | 25,178 | 25,178 | 18,678 | 25,178 |
| 13,933 | 13,933 | 13,933 | - | - | - | - |
| - | - | - | - | 12,000 | 20,505 | 31,000 |
| 258,035 | 254,126 | 222,585 | 257,626 | 177,414 | 260,214 | 135,372 |
| 29,078 | 30,780 | 35,776 | 34,790 | 13,963 | 14,000 | 14,000 |
| 7,878 | - | - | 7,148 | - | - | - |
| 10,824 | 12,750 | 10,615 | 10,464 | - | - | - |
| 41,232 | 45,336 | 34,056 | 32,475 | 53,877 | 54,444 | 62,713 |
| 12,049 | 12,049 | 12,049 | 12,049 | 55,323 | 45,982 | 24,190 |

TABLE G
(Continued)

| Customer Type | 2010 | 2011 | 2012 |
|---|-------------|-------------|-------------|
| Total | | | |
| Ak-Chin Indian Community | 84,831 | 84,212 | 82,203 |
| Arizona Water Banking Authority | 212,712 | 120,524 | 132,973 |
| Central AZ Groundwater Replenishment District | - | - | - |
| Central AZ Irrigation & Drainage District | 120,570 | 125,586 | 120,597 |
| City of Mesa | - | - | 47,666 |
| City of Phoenix | 141,771 | 122,194 | 132,227 |
| City of Scottsdale | 58,621 | 64,981 | 67,074 |
| City of Tucson | 93,889 | 124,203 | 144,172 |
| Gila River Indian Community | 108,205 | 229,324 | 283,351 |
| Harquahala Valley Irrigation District | 53,319 | - | 50,873 |
| HoHokam Irrigation & Drainage District | - | - | - |
| Maricopa Stanfield Irrigation & Drainage District | 129,312 | 126,000 | 114,611 |
| Resolution Copper Mining, LLC | - | 50,000 | - |
| Tohono O'Odham Indian Nation | - | 45,483 | - |
| Town of Gilbert | 94,370 | - | - |
| Capital Charges A/F Allocation | | | |
| EPCOR (Arizona American Water) | 17,654 | 20,885 | 20,885 |
| Arizona State Land Department (ADOT) | 32,076 | 32,076 | 32,076 |
| ASARCO, Ray Mine | 21,000 | 21,000 | 21,000 |
| Arizona Water Company | 17,852 | 17,852 | 18,137 |
| City of Glendale | 17,236 | 17,236 | 17,236 |
| City of Mesa | 43,503 | 43,503 | 43,503 |
| City of Peoria | 25,236 | 25,236 | 25,236 |
| City of Phoenix | 122,120 | 122,120 | 122,204 |
| City of Scottsdale | 52,810 | 52,810 | 52,810 |
| City of Tucson | 144,172 | 144,172 | 144,172 |
| Metro Water Improvement District | - | - | - |

TABLE G
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------|---------|---------|---------|---------|---------|---------|
| 80,665 | 78,828 | 83,745 | 88,638 | 88,767 | 88,310 | 85,998 |
| 54,640 | 59,839 | 62,444 | - | - | - | - |
| 49,494 | 46,472 | 48,434 | 51,686 | - | - | - |
| 131,064 | 128,678 | 99,558 | 99,909 | 101,685 | 85,426 | 92,653 |
| - | - | 43,035 | 44,752 | 46,576 | 46,062 | 41,392 |
| 124,613 | 122,069 | 142,376 | 136,466 | 183,907 | 186,924 | 181,676 |
| 70,754 | 70,804 | 76,769 | 79,998 | 81,068 | 74,836 | 80,253 |
| 144,172 | 142,315 | 145,037 | 144,781 | 117,680 | 123,327 | 144,185 |
| 258,035 | 254,126 | 222,585 | 257,626 | 177,414 | 260,214 | 135,372 |
| - | - | - | - | - | - | - |
| 46,606 | 46,696 | - | 43,391 | - | - | - |
| 124,784 | 131,246 | 115,935 | 106,789 | 99,426 | 101,086 | 95,799 |
| - | - | - | - | - | - | - |
| - | - | - | - | 53,877 | 54,444 | 62,713 |
| - | - | - | - | 62,577 | 53,364 | - |
| 20,885 | 20,885 | 20,885 | 20,885 | 20,885 | 20,885 | 20,885 |
| 32,076 | 32,076 | 32,076 | 32,076 | 32,076 | 32,076 | 32,076 |
| 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 |
| 18,137 | 18,137 | 18,137 | 18,137 | 18,137 | 18,137 | 18,137 |
| 17,236 | 17,236 | 17,236 | 17,236 | 17,236 | 17,236 | 17,236 |
| 43,503 | 43,503 | 43,503 | 43,503 | 43,503 | 43,503 | 43,503 |
| 25,236 | 25,236 | 25,236 | 25,236 | 25,236 | 25,236 | 25,236 |
| 122,204 | 122,204 | 122,204 | 122,204 | 122,204 | 122,204 | 122,204 |
| 52,810 | 52,810 | 52,810 | 52,810 | 52,810 | 52,810 | 52,810 |
| 144,172 | 144,172 | 144,172 | 144,191 | 144,191 | 144,191 | 144,191 |
| - | - | - | - | - | - | - |

TABLE H

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND CAPITAL CHARGES
YEAR ENDED DECEMBER 31, 2019**

| Customer | WATER DELIVERY CHARGES | | | | | |
|---|------------------------|---------------|------------------|---------------|------------------|---------------|
| | Municipal & Industrial | | Agricultural | | Recharge | |
| | A/F Delivered | Revenue \$ | A/F Delivered | Revenue \$ | A/F Delivered | Revenue \$ |
| Ak Chin Indian Community | – | – | – | – | – | 30,000 |
| Arizona State Land Department (ADOT) | 1,122 | 194,364 | – | – | – | – |
| Arizona Water Company | 17,093 | 2,779,606 | – | – | – | – |
| ASARCO, Inc. | 21,000 | 3,318,000 | – | – | – | – |
| Avondale, City of | 5,416 | 855,728 | – | – | – | – |
| Buckeye, Town of | 280 | 44,240 | – | – | – | – |
| Carefree Water Company | 659 | 104,122 | – | – | – | – |
| Cave Creek Water Company | 1,988 | 334,936 | – | – | – | – |
| CAGRD | 22,783 | 3,689,986 | – | – | 6,065 | 1,206,935 |
| Central AZ Irrigation & Drainage District | – | – | 92,653 | 4,850,164 | – | – |
| Chandler Heights Citrus Irrigation District | – | – | 119 | 7,378 | – | – |
| Chandler, City of | 11,371 | 1,815,050 | – | – | – | – |
| Chaparral City Water Company | 8,377 | 1,374,062 | – | – | – | – |
| Circle City Water Company | – | – | – | – | – | – |
| Community Water Company - Green Valley | – | – | – | – | – | – |
| El Mirage, City of | 508 | 80,264 | – | – | – | – |
| Eloy, City of | 2,060 | 325,480 | – | – | – | – |
| EPCOR | 20,885 | 3,299,830 | – | – | – | – |
| Florence, Town of | 2,048 | 323,584 | – | – | – | – |
| Flowing Wells Irrigation District | 2,800 | 442,400 | – | – | – | – |
| Fort McDowell Yavapai Nation | – | – | – | – | – | – |
| Freeport-Miami | 2,906 | 459,148 | – | – | – | – |
| Freeport McMoran Morenci | – | – | – | – | – | – |
| Freeport McMoran Safford | – | – | – | – | – | – |
| Gila River Indian Community | – | – | – | – | – | 154,785 |
| Gilbert, Town of | 7,321 | 1,160,244 | – | – | – | – |
| Glendale, City of | 16,994 | 2,708,284 | – | – | – | – |
| Goodyear, City of | – | – | – | – | – | – |
| Green Valley Water Company | – | – | – | – | – | – |
| Harquahala Valley Irrigation District | – | – | 29,285 | 1,815,670 | – | – |
| HoHokam Irrigation & Drainage District | – | – | 30,473 | 1,705,569 | – | – |
| Marana, Town of | 2,336 | 369,088 | – | – | – | – |
| Maricopa County Parks & Recreation | 553 | 90,446 | – | – | – | – |
| Maricopa Stanfield Irrigation & Drainage District | – | – | 95,799 | 5,380,336 | – | – |
| Mesa, City of | 36,474 | 6,619,308 | – | – | – | – |
| Metro Domestic Water Improvement District | 13,460 | 2,126,680 | – | – | – | – |

TABLE H
(Continued)

| WATER DELIVERY CHARGES | | | | SUBCONTRACTOR CAPITAL CHARGES | | TOTAL PAID \$ |
|------------------------|---------------|------------------|---------------|----------------------------------|-------------------|---------------------|
| Federal | | Total | | Acre-Feet Allocation | Revenue \$ (a) | |
| A/F Delivered | Revenue \$ | A/F Delivered | Revenue \$ | | | |
| 85,998 | 13,900,260 | 85,998 | 13,930,260 | — | — | \$13,930,260 |
| — | — | 1,122 | 194,364 | 32,076 | 1,315,116 | 1,509,480 |
| — | — | 17,093 | 2,779,606 | 18,137 | 743,617 | 3,523,223 |
| — | — | 21,000 | 3,318,000 | 21,000 | 861,000 | 4,179,000 |
| — | — | 5,416 | 855,728 | 5,416 | 222,056 | 1,077,784 |
| — | — | 280 | 44,240 | 280 | 11,480 | 55,720 |
| — | — | 659 | 104,122 | 1,300 | 53,300 | 157,422 |
| — | — | 1,988 | 334,936 | 2,606 | 106,846 | 441,782 |
| — | — | 28,848 | 4,896,921 | 8,311 | 340,751 | 5,237,672 |
| — | — | 92,653 | 4,850,164 | — | — | 4,850,164 |
| — | — | 119 | 7,378 | — | — | 7,378 |
| 7,622 | 1,204,276 | 18,993 | 3,019,326 | 8,654 | 354,814 | 3,374,140 |
| — | — | 8,377 | 1,374,062 | 8,909 | 365,269 | 1,739,331 |
| — | — | — | — | 3,932 | 161,212 | 161,212 |
| — | — | — | — | 2,858 | 117,178 | 117,178 |
| — | — | 508 | 80,264 | 508 | 20,828 | 101,092 |
| — | — | 2,060 | 325,480 | 2,171 | 89,011 | 414,491 |
| — | — | 20,885 | 3,299,830 | 20,885 | 856,285 | 4,156,115 |
| — | — | 2,048 | 323,584 | 2,048 | 83,968 | 407,552 |
| — | — | 2,800 | 442,400 | 2,854 | 117,014 | 559,414 |
| 250 | 39,500 | 250 | 39,500 | — | — | 39,500 |
| — | — | 2,906 | 459,148 | — | — | 459,148 |
| 31,000 | 4,898,000 | 31,000 | 4,898,000 | — | — | 4,898,000 |
| 8,000 | 1,264,000 | 8,000 | 1,264,000 | — | — | 1,264,000 |
| 135,372 | 21,621,864 | 135,372 | 21,776,649 | — | — | 21,776,649 |
| 24,190 | 3,822,020 | 31,511 | 4,982,264 | 7,235 | 296,635 | 5,278,899 |
| 5,346 | 844,668 | 22,340 | 3,552,952 | 17,236 | 706,676 | 4,259,628 |
| — | — | — | — | 10,742 | 440,422 | 440,422 |
| — | — | — | — | 1,900 | 77,900 | 77,900 |
| — | — | 29,285 | 1,815,670 | — | — | 1,815,670 |
| — | — | 30,473 | 1,705,569 | — | — | 1,705,569 |
| — | — | 2,336 | 369,088 | 2,336 | 95,776 | 464,864 |
| — | — | 553 | 90,446 | 665 | 27,265 | 117,711 |
| — | — | 95,799 | 5,380,336 | — | — | 5,380,336 |
| 4,918 | 777,044 | 41,392 | 7,396,352 | 43,503 | 1,783,623 | 9,179,975 |
| — | — | 13,460 | 2,126,680 | 13,460 | 551,860 | 2,678,540 |

TABLE H
(Continued)

| Customer | WATER DELIVERY CHARGES | | | | | |
|--|------------------------|----------------------|------------------|----------------------|------------------|---------------------|
| | Municipal & Industrial | | Agricultural | | Recharge | |
| | A/F Delivered | Revenue \$ | A/F Delivered | Revenue \$ | A/F Delivered | Revenue \$ |
| New Magma Irrigation & Drainage District | — | 144,000 | — | — | — | — |
| Oro Valley, Town of | 10,305 | 1,628,190 | — | — | — | — |
| Pascua Yaqui Tribe | — | — | — | — | — | — |
| Peoria, City of | 25,213 | 3,985,862 | — | — | — | — |
| Phelps Dodge Corporation | — | — | — | — | — | — |
| Phoenix, City of | 153,467 | 24,716,362 | — | — | — | — |
| Queen Creek Irrigation District | — | 84,000 | 2,415 | 132,825 | — | — |
| Queen Creek, Town of | 495 | 78,210 | — | — | — | — |
| Rio Verde Utilities, Inc. | 560 | 88,480 | — | — | — | — |
| Roosevelt Water Conservation District | — | — | 1 | 62 | — | — |
| San Carlos Apache Nation | — | — | — | — | — | — |
| San Carlos Irrigation & Drainage District | — | — | 2,346 | 145,452 | — | — |
| San Tan Irrigation District | — | — | — | — | — | — |
| Scottsdale, City of | 55,075 | 8,799,578 | — | — | — | — |
| Spanish Trails Water Company | 3,037 | 479,846 | — | — | — | — |
| Surprise, City of | 10,249 | 1,619,342 | — | — | — | — |
| Tempe, City of | 4,315 | 681,770 | — | — | — | — |
| Temporary Water Permits | 637 | 558,700 | — | — | — | — |
| Tohono O'odham Nation | — | — | — | — | — | 212,865 |
| Tonopah Irrigation District | — | 275,080 | 3,052 | 171,514 | — | — |
| Tonto Hills DWID | 67 | 10,970 | — | — | — | — |
| Tonto Hills Utility Company | — | — | — | — | — | — |
| Tucson, City of | 144,185 | 22,781,806 | — | — | — | — |
| Vail Water Company | 1,857 | 293,406 | — | — | — | — |
| Water Utilities Comm Facilities District | 1,025 | 161,950 | — | — | — | — |
| Water Utility of Greater Tonopah, Inc. | — | — | — | — | — | — |
| Subtotal | 608,921 | \$ 98,902,402 | 256,143 | \$ 14,208,970 | 6,065 | \$ 1,604,585 |
| Water Storage Tax - AWBA | | | | | | (201,282) |
| Year End Reconciliations | | (1,769,302) | | | | |
| AWBA 2018 Rate Reconciliation Refund | | (205,875) | | | | |
| Ag Forbearance - USBR Pre-pay discount \$4 a/f | | | | 325,208 | | |
| CAGRD elimination | | | | | | |
| Transfer of Stored Water Credits | | | | | | 6,600,432 |
| TOTAL | 608,921 | \$ 96,927,225 | 256,143 | \$ 14,534,178 | 6,065 | \$ 8,003,735 |

(a) Excess water deliveries include a component for facility use

TABLE H
(Continued)

| WATER DELIVERY CHARGES | | | | SUBCONTRACTOR CAPITAL CHARGES | | TOTAL PAID \$ |
|------------------------|---------------|---------------|----------------|-------------------------------|----------------|----------------|
| Federal | | Total | | Acre-Feet Allocation | Revenue \$ (a) | |
| A/F Delivered | Revenue \$ | A/F Delivered | Revenue \$ | | | |
| — | — | — | 144,000 | — | — | 144,000 |
| — | — | 10,305 | 1,628,190 | 10,305 | 422,505 | 2,050,695 |
| 2,247 | 355,314 | 2,247 | 355,314 | — | — | 355,314 |
| 7,000 | 1,106,000 | 32,213 | 5,091,862 | 25,236 | 1,034,676 | 6,126,538 |
| — | — | — | — | 2,906 | 119,146 | 119,146 |
| 28,209 | 4,457,022 | 181,676 | 29,173,384 | 122,204 | 5,010,364 | 34,183,748 |
| — | — | 2,415 | 216,825 | — | — | 216,825 |
| — | — | 495 | 78,210 | 495 | 20,295 | 98,505 |
| — | — | 560 | 88,480 | 812 | 33,292 | 121,772 |
| — | — | 1 | 62 | — | — | 62 |
| 14,000 | 2,212,000 | 14,000 | 2,212,000 | — | — | 2,212,000 |
| — | — | 2,346 | 145,452 | — | — | 145,452 |
| — | — | — | — | 236 | 9,676 | 9,676 |
| 25,178 | 3,978,124 | 80,253 | 12,777,702 | 52,810 | 2,165,210 | 14,942,912 |
| — | — | 3,037 | 479,846 | 3,037 | 124,517 | 604,363 |
| — | — | 10,249 | 1,619,342 | 10,249 | 420,209 | 2,039,551 |
| 178 | 28,124 | 4,493 | 709,894 | 4,315 | 176,915 | 886,809 |
| — | — | 637 | 558,700 | — | — | 558,700 |
| 62,713 | 10,224,206 | 62,713 | 10,437,071 | — | — | 10,437,071 |
| — | — | 3,052 | 446,594 | — | — | 446,594 |
| — | — | 67 | 10,970 | — | — | 10,970 |
| — | — | — | — | 71 | 2,911 | 2,911 |
| — | — | 144,185 | 22,781,806 | 144,191 | 5,911,831 | 28,693,637 |
| — | — | 1,857 | 293,406 | 1,857 | 76,137 | 369,543 |
| 1,000 | 158,000 | 2,025 | 319,950 | 2,919 | 119,679 | 439,629 |
| — | — | — | — | 64 | 2,624 | 2,624 |
| 443,221 | \$ 70,890,422 | 1,314,350 | \$ 185,606,379 | 620,729 | \$ 25,449,889 | \$ 211,056,268 |
| | | | (201,282) | | | (201,282) |
| | (1,300,075) | | (3,069,377) | | | (3,069,377) |
| | | | (205,875) | | | (205,875) |
| | | | 325,208 | | | 325,208 |
| | | | (11,838,105) | | | (11,838,105) |
| | | | 6,600,432 | | | 6,600,432 |
| 443,221 | \$ 69,590,347 | 1,314,350 | \$ 177,217,380 | 620,729 | \$ 25,449,889 | \$ 202,667,269 |

TABLE I

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SCHEDULE OF AD VALOREM PROPERTY TAX – FULL CASH VALUE AND ASSESSED VALUE
– LAST TEN YEARS**

| Tax Year | General Tax Rate | | Water Storage Tax Rate | | Full Cash Value | Assessed Value | |
|-----------------|-------------------------|------|-------------------------------|------|------------------------|-----------------------|----------------|
| 2010 | \$ | 0.06 | \$ | 0.04 | \$ 546,257,909,981 | \$ | 60,702,230,824 |
| 2011 | \$ | 0.06 | \$ | 0.04 | \$ 456,157,812,248 | \$ | 48,999,660,396 |
| 2012 | \$ | 0.06 | \$ | 0.04 | \$ 419,142,979,943 | \$ | 44,758,562,011 |
| 2013 | \$ | 0.10 | \$ | 0.04 | \$ 403,224,528,684 | \$ | 41,836,049,147 |
| 2014 | \$ | 0.10 | \$ | 0.04 | \$ 433,462,010,696 | \$ | 44,675,371,869 |
| 2015 | \$ | 0.10 | \$ | 0.04 | \$ 443,241,856,037 | \$ | 44,435,156,807 |
| 2016 | \$ | 0.10 | \$ | 0.04 | \$ 551,066,482,724 | \$ | 66,560,470,133 |
| 2017 | \$ | 0.10 | \$ | 0.04 | \$ 585,225,972,497 | \$ | 70,918,771,749 |
| 2018 | \$ | 0.10 | \$ | 0.04 | \$ 624,861,117,352 | \$ | 75,607,115,393 |
| 2019 | \$ | 0.10 | \$ | 0.04 | \$ 677,742,035,881 | \$ | 81,680,365,478 |

Source: Maricopa, Pinal and Pima County Assessor's Office.

See Note 4 for further explanation

TABLE J

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SCHEDULE OF AD VALOREM PROPERTY TAX – TAX LEVY AND COLLECTIONS
– LAST TEN YEARS**

Collections Through 12/31/19

| Tax Year | Tax Levy | Collected to June 30 End of Tax Year | | Cumulative Delinquent Taxes | Total Collections | |
|-------------|---------------|---|------------------------|--------------------------------|-------------------|------------------------|
| | | Amount | Percent of Tax Levy | | Amount | Percent of Tax Levy |
| 2010 | \$ 61,230,515 | \$ 60,507,167 | 98.82% | \$ (66,941) | \$ 60,440,226 | 98.71% |
| 2011 | 49,088,155 | 48,887,272 | 99.59% | (19,360) | 48,867,912 | 99.55% |
| 2012 | 44,439,360 | 44,338,433 | 99.77% | 56,048 | 44,394,481 | 99.90% |
| 2013 | 58,546,802 | 58,165,450 | 99.35% | (3,329) | 58,162,121 | 99.34% |
| 2014 | 62,448,359 | 61,995,799 | 99.28% | 325 | 61,996,124 | 99.28% |
| 2015 | 62,152,675 | 61,790,504 | 99.42% | (162) | 61,790,342 | 99.42% |
| 2016 | 64,589,605 | 64,198,587 | 99.39% | (764) | 64,197,823 | 99.39% |
| 2017 | 67,936,275 | 67,597,370 | 99.50% | (1,475) | 67,595,895 | 99.50% |
| 2018 | 71,704,145 | 70,469,046 | 98.28% | 606,473 | 71,075,519 | 99.12% |
| 2019 | 76,005,465 | 43,053,482 | 56.65% | - | 43,053,482 | 56.65% |

Source: Maricopa, Pima and Pinal County Treasurer's Office

TABLE K

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REVENUE BONDS AND PLEDGED REVENUE – LAST TEN YEARS**

| Description | 2010 | 2011 | 2012 |
|---|---------------|------------|------------|
| Principal Debt | \$ 13,820,000 | \$ - | \$ - |
| Interest Debt | 760,100 | - | - |
| Total Debt Payment | 14,580,100 | - | - |
| SRP | - | - | - |
| Pledged Fixed OM&R Revenue | - | - | - |
| Power and Basin Development Fund Revenues | 59,420,700 | 46,800,100 | 21,611,300 |
| Debt Service Coverage Ratio | - | - | - |
| Total Debt on Revenue Bonds | - | - | - |

Note: Interest payments are due on January and July 1st of each year; principal

Note: Historical Ten year Supplemental information for the Revenue Bonds,
Series 2016 to be stated as it becomes available

TABLE K
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ 1,345,000 | \$ 1,505,000 | \$ 1,565,000 |
| - | - | - | 882,039 | 2,132,050 | 2,088,500 | 2,019,275 |
| - | - | - | 882,039 | 3,477,050 | 3,593,500 | 3,584,275 |
| - | - | - | - | - | - | - |
| - | - | - | - | 67,207,000 | 74,442,000 | 99,897,071 |
| 28,554,600 | 29,664,900 | 22,287,900 | 15,096,900 | 30,260,700 | 27,818,600 | 52,702,600 |
| - | - | - | 20.0 | 19.3 | 20.7 | 27.9 |
| - | - | - | 45,460,000 | 44,115,000 | 42,610,000 | 61,045,000 |

TABLE L

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
 FEDERAL REPAYMENT OBLIGATION (DOLLARS)
 PURSUANT TO THE STIPULATION AND ORDER FOR JUDGEMENT DATE 4/2003
 – LAST TEN YEARS**

| Accounting Year | Payment Made | Beginning Balance | | Beginning Balance | |
|--------------------|-----------------|-------------------|----------------|---------------------|----------------|
| | | Interest Bearing | | Noninterest Bearing | |
| Ending | 20-Jan | Stage I | Stage II | Stage I | Stage II |
| 2010 | 2011 | \$ 669,289,853 | \$ 223,032,823 | \$ 323,011,083 | \$ 105,832,798 |
| 2011 | 2012 | 650,018,026 | 216,761,250 | 322,211,083 | 93,832,798 |
| 2012 | 2013 | 630,746,199 | 210,489,677 | 321,411,083 | 93,832,798 |
| 2013 | 2014 | 611,474,373 | 204,218,104 | 320,611,083 | 93,832,798 |
| 2014 | 2015 | 592,202,546 | 197,946,530 | 319,811,083 | 93,832,798 |
| 2015 | 2016 | 567,912,762 | 191,674,957 | 319,011,083 | 93,832,799 |
| 2016 | 2017 | 543,622,979 | 185,403,384 | 318,211,083 | 93,832,799 |
| 2017 | 2018 | 519,333,196 | 179,131,811 | 317,411,083 | 93,832,798 |
| 2018 | 2019 | 494,843,412 | 171,292,344 | 316,811,083 | 93,832,798 |
| 2019 | 2020 | 470,353,629 | 163,452,878 | 316,211,083 | 93,832,798 |

TABLE L
(Continued)

| Payment Due | | | Short-Term | Long-Term | Total |
|--------------------|-----------------|---------------|--------------------------------|--------------------------------|--------------------------------|
| Principal | Interest | Total | Balance as of 12/31 | Balance as of 12/31 | Balance as of 12/31 |
| \$ 26,343,400 | \$ 29,821,424 | \$ 56,164,824 | \$ 26,343,400 | \$ 1,294,823,157 | \$ 1,321,166,557 |
| 26,343,400 | 28,967,763 | 55,311,163 | 26,343,400 | 1,256,479,757 | 1,282,823,157 |
| 26,343,400 | 28,114,103 | 54,457,503 | 26,343,400 | 1,230,136,357 | 1,256,479,757 |
| 26,343,400 | 27,260,443 | 53,603,843 | 26,343,400 | 1,203,792,958 | 1,230,136,358 |
| 31,361,357 | 26,406,782 | 57,768,139 | 31,361,357 | 1,172,431,600 | 1,203,792,957 |
| 31,361,357 | 25,385,422 | 56,746,779 | 31,361,357 | 1,141,070,244 | 1,172,431,601 |
| 31,361,357 | 24,364,061 | 55,725,418 | 31,361,357 | 1,109,708,888 | 1,141,070,245 |
| 32,929,250 | 23,342,701 | 56,271,951 | 32,929,250 | 1,076,779,638 | 1,109,708,888 |
| 32,929,250 | 22,262,257 | 55,191,507 | 32,929,250 | 1,043,850,387 | 1,076,779,637 |
| 32,929,250 | 21,181,813 | 54,111,063 | 32,929,250 | 1,010,921,137 | 1,043,850,387 |

TABLE M

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS – LAST TEN YEARS
Data by Last Available Report Year

| Population by County (1) | | | | Unemployment Rate (%) (1) | | | |
|--------------------------|-----------|---------|-----------|---------------------------|----------|-------|------|
| Year | Maricopa | Pinal | Pima | Year | Maricopa | Pinal | Pima |
| 2019 | 4,367,835 | 455,210 | 1,044,675 | 2019 | 3.60 | 4.50 | 4.10 |
| 2018 | 4,294,460 | 440,591 | 1,034,201 | 2018 | 4.30 | 5.10 | 4.70 |
| 2017 | 4,221,684 | 427,603 | 1,026,099 | 2017 | 3.90 | 4.70 | 4.20 |
| 2016 | 4,137,076 | 413,312 | 1,013,103 | 2016 | 4.20 | 5.10 | 4.50 |
| 2015 | 4,076,438 | 406,468 | 1,009,371 | 2015 | 4.60 | 5.60 | 5.00 |
| 2014 | 4,008,651 | 396,237 | 1,007,162 | 2014 | 5.20 | 6.30 | 5.50 |
| 2013 | 3,944,859 | 393,813 | 996,046 | 2013 | 5.90 | 7.20 | 6.10 |
| 2012 | 3,884,705 | 389,192 | 990,380 | 2012 | 6.60 | 7.80 | 6.70 |
| 2011 | 3,843,370 | 384,231 | 986,081 | 2011 | 7.60 | 8.70 | 7.70 |
| 2010 | 3,824,058 | 376,369 | 981,168 | 2010 | 8.80 | 9.90 | 8.70 |

| Per Capita Income (2) | | | | Personal Income (2) | | | |
|-----------------------|-----------|-----------|-----------|---------------------|----------------|---------------|---------------|
| Year | Maricopa | Pinal | Pima | Year | Maricopa | Pinal | Pima |
| 2018 | \$ 47,694 | \$ 30,644 | \$ 44,028 | 2018 | \$ 210,370,180 | \$ 13,701,923 | \$ 45,748,033 |
| 2017 | 45,573 | 29,309 | 41,637 | 2017 | 196,286,191 | 12,609,714 | 42,585,356 |
| 2016 | 43,845 | 28,492 | 39,889 | 2016 | 185,613,641 | 11,827,274 | 40,387,983 |
| 2015 | 42,962 | 27,866 | 39,177 | 2015 | 178,469,430 | 11,259,846 | 39,385,843 |
| 2014 | 41,320 | 27,068 | 38,120 | 2014 | 168,450,841 | 10,665,065 | 38,154,664 |
| 2013 | 39,451 | 26,096 | 36,794 | 2013 | 158,054,524 | 10,027,602 | 36,601,437 |
| 2012 | 39,123 | 24,973 | 36,372 | 2012 | 154,137,019 | 9,537,601 | 36,064,014 |
| 2011 | 37,554 | 24,594 | 35,215 | 2011 | 145,320,626 | 9,301,945 | 34,767,954 |
| 2010 | 36,021 | 23,317 | 33,986 | 2010 | 137,766,890 | 8,848,824 | 33,359,029 |
| 2009 | 35,633 | 24,154 | 33,818 | 2009 | 135,538,801 | 8,449,965 | 32,992,085 |

Sources:

1. Office of Economic Opportunity: AZ Labor Statistics (<http://laborstats.az.gov>)
2. U.S. Department of Commerce - Bureau of Economic Analysis (<http://www.bea.gov/regional/bearfacts/countybf.cfm>)

TABLE N

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MAJOR EMPLOYERS – STATE OF ARIZONA**
Data by Last Available Report Year

| Employer | 2019 | | | 2009 | | |
|--------------------------|-----------|------|--------------------------------------|-----------|------|--------------------------------------|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Banner Health | 38,190 | 1 | 18.60% | 23,100 | 3 | 11.63% |
| State of Arizona | 36,170 | 2 | 17.62% | 50,936 | 1 | 25.66% |
| Wal-Mart Stores, Inc | 33,619 | 3 | 16.38% | 32,814 | 2 | 16.53% |
| Wells Fargo | 16,700 | 4 | 8.13% | 14,000 | 6 | 7.05% |
| Amazon.com | 15,000 | 5 | 7.31% | - | - | - |
| Arizona State University | 14,889 | 6 | 7.25% | 13,005 | 7 | 6.55% |
| City of Phoenix | 14,129 | 7 | 6.88% | 17,068 | 4 | 8.60% |
| Raytheon | 13,000 | 8 | 6.33% | - | - | - |
| Maricopa County | 12,910 | 9 | 6.29% | 14,014 | 5 | 7.06% |
| University of Arizona | 10,696 | 10 | 5.21% | - | - | - |
| U.S. Postal Service | - | - | - | 12,600 | 8 | 6.35% |
| Honeywell Aerospace | - | - | - | 10,545 | 9 | 5.31% |
| Basha's | - | - | - | 10,460 | 10 | 5.27% |

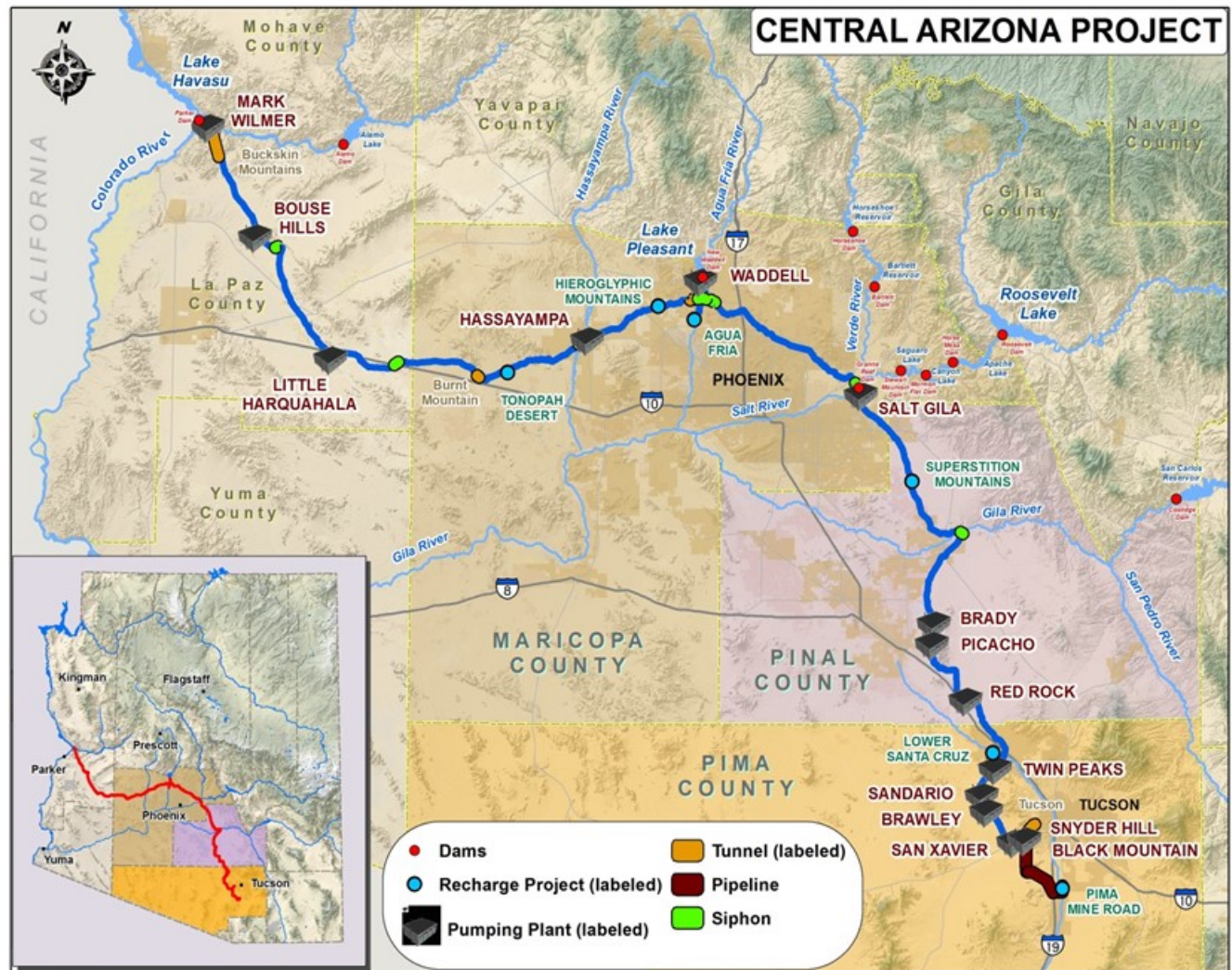
Sources: Phoenix Business Journal 2019 Book of Lists pg. 144
Phoenix Business Journal 2009 Book of Lists pg. 178

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
AREA GROWTH BY COUNTY – LAST TEN YEARS**
In Square Miles

| Year | Maricopa | Pima | Pinal |
|-------------|-----------------|-------------|--------------|
| 2019 | 9,200 | 9,187 | 5,366 |
| 2018 | 9,200 | 9,187 | 5,366 |
| 2017 | 9,200 | 9,187 | 5,366 |
| 2016 | 9,200 | 9,187 | 5,366 |
| 2015 | 9,200 | 9,187 | 5,366 |
| 2014 | 9,200 | 9,187 | 5,366 |
| 2013 | 9,200 | 9,187 | 5,366 |
| 2012 | 9,200 | 9,187 | 5,366 |
| 2011 | 9,200 | 9,187 | 5,366 |
| 2010 | 9,200 | 9,187 | 5,366 |

Source: US Census Bureau, Census of Population and Housing.
This is completed every 10 years - Last completed 2010
<http://quickfacts.census.gov/qfd/states/04/04021.html>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
CENTRAL ARIZONA PROJECT SYSTEM MAP



| Aqueduct | Length | Pumping Plants | Lift (feet) | Tunnels & Siphons | Turnouts |
|------------------|--------|----------------|-------------|-------------------|----------|
| Hayden-Rhodes | 190 | 5 | 1,251 | 10 | 18 |
| Fannin-McFarland | 63 | 1 | 86 | 1 | 16 |
| Tucson | 83 | 9 | 1,569 | 1 | 12 |
| Totals | 336 | 15 | 2,906 | 12 | 46 |

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
CAPITAL ASSET STATISTICS – LAST TEN YEARS
(Dollars in Millions)

| | 2010 | 2011 | 2012 |
|--|-------------------|-------------------|-------------------|
| Capital Assets | | | |
| (net of depreciation and amortization) | | | |
| Operating Assets | | | |
| Land | \$ 1.1 | \$ 1.9 | \$ 1.9 |
| Land Improvements | 1.1 | 1.1 | 1.2 |
| Work-in-process | 26.4 | 20.2 | 36.1 |
| Intangibles | 30.2 | 28.9 | 28.2 |
| Structures & improvements | 51.2 | 59.0 | 56.3 |
| Computers | 8.2 | 6.1 | 4.8 |
| Furniture/office equipment | 0.2 | 0.1 | 0.2 |
| Transportation | 1.9 | 1.6 | 1.4 |
| Field & other equipment | 23.6 | 35.2 | 34.8 |
| Communications | 11.9 | 17.5 | 25.6 |
| Total operating assets | 155.8 | 171.6 | 190.5 |
| Permanent Service Right | 1,281.5 | 1,253.9 | 1,227.4 |
| Total Capital Assets | <u>\$ 1,437.3</u> | <u>\$ 1,425.5</u> | <u>\$ 1,417.9</u> |

TABLE Q
(Continued)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------|------------|------------|------------|------------|------------|------------|
| \$ 1.9 | \$ 1.9 | \$ 2.0 | \$ 2.0 | \$ 3.2 | \$ 3.2 | \$ 3.2 |
| 2.3 | 5.0 | 4.7 | 4.5 | 7.9 | 7.2 | 6.6 |
| 43.7 | 20.9 | 33.6 | 48.4 | 55.7 | 19.3 | 16.7 |
| 27.6 | 31.7 | 32.5 | 32.3 | 33.9 | 33.2 | 32.2 |
| 52.4 | 76.6 | 80.0 | 82.7 | 84.6 | 132.7 | 135.9 |
| 5.6 | 7.1 | 4.6 | 7.3 | 4.4 | 4.6 | 5.2 |
| 0.2 | 0.3 | 0.2 | 0.1 | 0.1 | - | - |
| 1.5 | 1.8 | 2.3 | 2.5 | 2.7 | 3.1 | 3.2 |
| 35.2 | 46.3 | 64.4 | 62.7 | 67.3 | 69.8 | 70.9 |
| 29.1 | 27.1 | 25.6 | 25.2 | 25.6 | 23.8 | 22.0 |
| 199.5 | 218.7 | 249.9 | 267.7 | 285.4 | 296.9 | 295.9 |
| 1,204.4 | 1,181.3 | 1,158.3 | 1,135.3 | 1,112.1 | 1,089.0 | 1,065.8 |
| \$ 1,403.9 | \$ 1,400.0 | \$ 1,408.2 | \$ 1,403.0 | \$ 1,397.5 | \$ 1,385.9 | \$ 1,361.7 |

TABLE R

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM – LAST TEN YEARS**

| Function/Program | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------|-------------|-------------|-------------|-------------|
| General Manager | 6.0 | 5.3 | 3.0 | 5.0 |
| Water Policy | 3.8 | 4.9 | 4.6 | 5.0 |
| Communications and Public Affairs | 7.9 | 7.9 | 10.0 | 8.0 |
| Employee Services | 38.5 | 37.7 | 42.3 | 41.3 |
| Administration | 64.8 | 65.3 | 65.0 | 68.5 |
| Legal Services | 6.2 | 5.8 | 6.0 | 6.0 |
| Maintenance | 236.5 | 234.4 | 228.5 | 233.2 |
| Operations, Planning and Engineering | 103.7 | 107.4 | 101.2 | 103.6 |
| Total | 467.4 | 468.7 | 460.6 | 470.6 |

Source: District-Financial Services Department

Average calendar year full-time equivalent (FTE) positions are based on actual CAWCD positions filled at the end of each calendar month and then averaged for the calendar year

TABLE R
(Continued)

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 11.0 | 2.4 | 4.3 | 6.6 | 6.8 | 12.2 |
| 17.5 | 20.4 | 15.2 | 16.9 | 16.0 | 15.7 |
| 8.0 | 8.0 | 13.8 | 14.2 | 15.0 | 14.2 |
| 0.0 | 0.0 | 32.8 | 32.8 | 32.2 | 32.0 |
| 113.5 | 124.9 | 125.2 | 127.6 | 129.4 | 85.2 |
| 5.6 | 5.0 | 4.7 | 4.9 | 4.7 | 5.0 |
| 229.9 | 221.4 | 187.6 | 188.6 | 190.9 | 233.5 |
| 91.2 | 89.0 | 91.7 | 92.3 | 89.3 | 84.6 |
| 476.7 | 471.1 | 475.3 | 483.9 | 484.3 | 482.4 |

