

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, 2018

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
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CAP

CENTRAL ARIZONA PROJECT



April 18, 2019

TO OUR BOARD, CUSTOMERS 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, 2018.

This submission is our seventh CAFR prepared under the guidelines of the Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting 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 auditors have 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 twice 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.

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 continuing into 2019, CAP 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 voluntary 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 has been purchased from the open market and less has been provided by NGS. 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 to continue to operate the plant through 2019 and decommission it after the lease expires. CAWCD's portion of the full amount of the decommissioning costs were recorded in 2017 and payments have been made in 2018 as the plant is readied for full decommissioning in later 2019. In 2018, the Board dedicated the Extraordinary Cost Reserve to fund the full amount of the decommissioning estimates.

The cost of water delivery is covered 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.

Repayment and 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.

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.

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. While currently voluntary, the program has been successful in holding off a shortage through at least 2020 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 coordinating with the Arizona Electric Power Company's Integrated Resource Plan to identify sustainable power generation and transmission resources for the future.

CAGR 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 CAGR.

AWARDS AND ACKNOWLEDGEMENTS

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, 2017. 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 will be submitted for the 2020-2021 Biennial Budget.

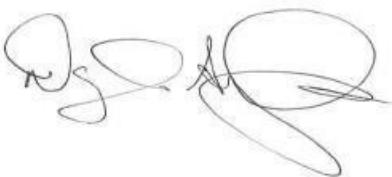
In 2018, CAWCD received the Excellence in Procurement Award from the National Purchasing Institute for the tenth consecutive year. This prestigious award is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization.

In 2018 Central Arizona Project received the 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 evaluation 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.

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 auditor, 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,



Douglas A. Dunlap, CPA
Finance and Accounting Manager

2018 CAWCD BOARD OF DIRECTORS



Lisa Atkins
President



Jim Holway, Ph.D.
Vice President



Sharon Megdal, Ph.D.
Secretary

Maricopa County

- | | |
|-----------------------|------------------|
| A. Alexandra Arboleda | Term Ending 2022 |
| B. Lisa Atkins | Term ending 2018 |
| C. Jennifer Brown | Term ending 2022 |
| D. Terry Goddard | Term ending 2018 |
| E. Benjamin Graff | Term ending 2022 |
| F. Jim Holway, Ph.D. | Term ending 2022 |
| G. Mark Lewis | Term ending 2022 |
| H. Rod Lewis | Term ending 2018 |
| I. Heather Macre | Term ending 2018 |
| J. Pam Pickard | Term ending 2018 |

Pima County

- | | |
|--------------------------|------------------|
| K. Karen Cesare | Term ending 2020 |
| L. L.M. "Pat" Jacobs, IV | Term ending 2020 |
| M. Sharon 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 480 full-time employees. The current members of the District's Executive Staff are as follows:

General Manager	Theodore C. Cooke
Deputy General Manager	Thomas W. McCann
General Counsel	Jay Johnson
Director, Finance and Administration	Christopher H. Hall
Director, Public Affairs	Bridget P. Schwartz-Manock
Director, Water Policy	Suzanne K. Ticknor
Director, Centralized Maintenance and Reliability	Brian M. Buzard
Director, Employee Services	Bonnie L. Stone
Director, Field Maintenance	Robert D. Moody
Director, Operations and Engineering	Darrin Francom
Director, Technology	Philip E. Cook



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Central Arizona
Water Conservation District**

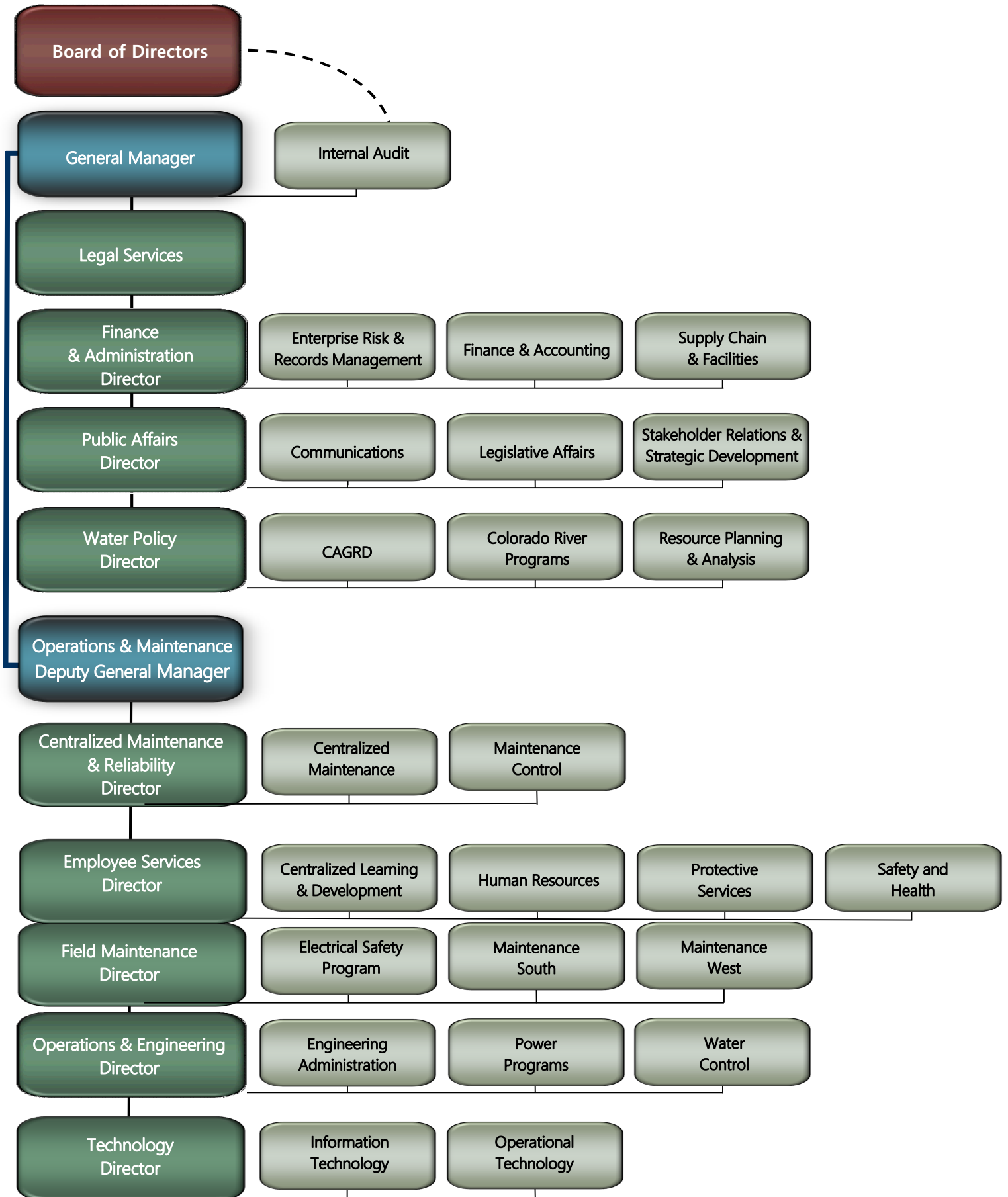
**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

December 31, 2017

Christopher P. Morill

Executive Director/CEO

TABLE OF ORGANIZATION



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, 2018, 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, 2018, 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.

Emphasis-of-Matter Regarding a Restatement of Net Position

During fiscal year ended December 31, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the District reported a restatement for the change in accounting principle (See Note 1). Our auditors' opinion is not modified with respect to the restatement.

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 in 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 18, 2019



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 2018. 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 2018 by \$694.0 million.
- The District's unrestricted cash reserve balances or working capital reserves at the end of 2018 were \$25.9 million. The unrestricted reserves or working capital reserves are used to meet CAWCD's ongoing obligations to customers and creditors.
- Operating revenues were \$280.6 million, a \$10.5 million increase as compared to 2017.
- Operating expenses were \$232.0 million, an \$87.3 million decrease as compared to 2017.
- Non-operating revenues were \$81.1 million, a \$5.8 million increase over 2017.
- Non-operating expenses were \$26.2 million, a \$16.7 million decrease over 2017.
- Capital expenditures were \$34.8 million in 2018. Capital expenditures vary from year to year based on infrastructure needs.
- The District had a restatement of net position of \$14.5 million for December 31, 2017 as a result of the implementation of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 on a comparative basis for 2018. This comprehensive annual financial report includes the following statements:

STATEMENT	DESCRIPTION
<p>Statement of Net Position</p>	<p>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.</p>
<p>Statement of Revenues, Expenses, and Changes in Net Position</p>	<p>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.</p>
<p>Statement of Cash Flows</p>	<p>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.</p>

The 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.

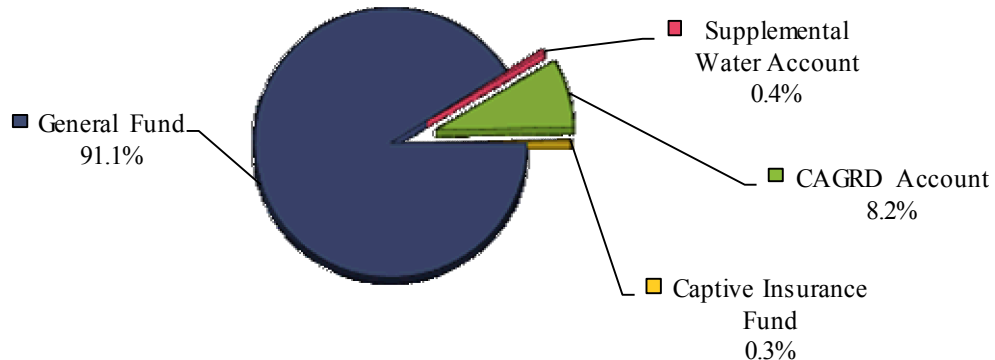
The District's activities are accounted for using the accrual method and incorporate the requirements of Governmental Accounting Standards Board Statement (GASBS) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. Under enterprise 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, 2018**

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 within CAWCD.

**Fund Account Breakdown
as of 12/31/18**



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018 and December 31, 2017. 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.

Total Assets

<i>(Dollars in millions)</i>	2018	2017 (Restated)	Change
Current Assets			
Cash and cash equivalents	\$ 100.0	\$ 73.2	\$ 26.8
Funds held by federal government	30.0	30.4	(0.4)
Other current assets	160.5	159.4	1.1
Total current assets	<u>290.5</u>	<u>263.0</u>	<u>27.5</u>
Noncurrent Assets			
Investments and restricted assets	464.6	443.1	21.5
Capital assets:			
Operating assets, net	296.9	285.4	11.5
Permanent service right, net	1,089.0	1,112.2	(23.2)
Other assets	90.7	89.7	1.0
Total noncurrent assets	<u>1,941.2</u>	<u>1,930.4</u>	<u>10.8</u>
Total assets	<u>2,231.7</u>	<u>2,193.4</u>	<u>38.3</u>
Deferred Outflows of Resources			
Pension valuation	9.3	6.8	2.5
OPEB valuation	1.8	0.6	1.2
Total deferred outflows of resources	<u>11.1</u>	<u>7.4</u>	<u>3.7</u>
Total assets and deferred outflows of resources	<u>\$ 2,242.8</u>	<u>\$ 2,200.8</u>	<u>\$ 42.0</u>

Current Assets: Current assets include cash and cash equivalents, receivables, funds held by the federal government, inventory and other current assets. In 2018, current assets increased by \$27.5 million to \$290.5 million. Cash and cash equivalents increased \$26.8 million. Contributing factors include increases in the Local Government Investment Pools (LGIP) held by CAWCD for the Arizona Water Banking Authority (AWBA) and CAGRD of \$7.4 million and \$5.8 million, respectively. The balance of \$13.6 million represents funds moved between long-term and short-term reserves to maintain the district's current overhead costs.

Funds held by federal government of \$30.0 million, representing the District's portion of the annual repayment obligation held by the Bureau of Reclamation (BOR) and received through various land and power programs, remained steady compared to 2017. Other current assets increased by \$1.1 million and include receivables, water storage inventory and other assets. Property tax receivables increased \$1.4 million and is based on increased property valuations. Other receivables decreased by \$0.7 million due to CAGRD Member Lands. A \$3.5 million decrease in water storage inventory includes a \$4.1 million increase in long-term storage credits (LTSC) for the CAGRD replenishment reserve and CAGRD's Water and Infrastructure inventory offset by a reduction in water inventory stored in Lake Pleasant of \$7.6 million. Other assets, which are mainly prepaid contracts, increased \$5.9 million.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Noncurrent Assets: Included in noncurrent assets are investments, restricted assets, 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 3 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 increased by \$10.8 million during 2018. Investments and restricted assets increased \$21.5 million as the District used cash flow to build the reserve accounts closer to their target balances. Operating assets increased \$11.5 million in conjunction with the increased capital spending on CAP infrastructure. 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, 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).

Total Liabilities

<i>(Dollars in millions)</i>	2018	2017 (Restated)	Change
Current Liabilities			
Accounts payable and accrued expenses	\$ 43.7	\$ 38.1	\$ 5.6
Water operations and capital charges unearned revenue	29.6	29.5	0.1
Other current liabilities	57.8	58.8	(1.0)
Total current liabilities	131.1	126.4	4.7
Noncurrent Liabilities			
Repayment obligation	1,043.9	1,076.8	(32.9)
Non-Indian Agricultural 9(d) debt	88.7	88.7	-
Bonds payable, due after one year	47.4	49.8	(2.4)
Other noncurrent liabilities	189.6	233.7	(44.1)
Total noncurrent liabilities	1,369.6	1,449.0	(79.4)
Total liabilities	1,500.7	1,575.4	(74.7)
Deferred Inflows of Resources			
Customer deposits	31.0	29.9	1.1
Pension valuation	8.7	5.0	3.7
OPEB valuation	8.4	-	8.4
Total deferred inflows of resources	48.1	34.9	13.2
Total liabilities and deferred inflows of resources	\$ 1,548.8	\$ 1,610.3	\$ (61.5)

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

In 2018, current liabilities increased by \$4.7 million. Accounts payable and accrued liabilities increased \$5.6 million, which is driven by year-over-year variability in accounts payable obligations and the value of CAGR's replenishment obligation.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Unearned revenue for water operations and capital charges increased \$0.1 million, which is a result of increased rates for the next year reflected in advanced invoicing for January and February of 2019. The \$1.0 million decrease in the other current liabilities is related to the change in the current portion of the federal repayment obligation and the current bond payable amount.

Noncurrent Liabilities: The largest component of the District's noncurrent liabilities, \$1,043.9 million, is the federal repayment obligation which decreases annually in accordance with the annual payment schedule. The remaining amount of non-current liabilities is a combination of contract revenue bonds of \$47.4 million, non-Indian agricultural debt of \$88.7 million. Other noncurrent liabilities include pension liability of \$72.0 million, retirement health insurance liability of \$16.4 million, asset retirement obligation of \$99.0 million, recovery liability of \$2.0 million and power agreement deposits of \$0.2 million.

The pension liability was a result of the GASBS No. 68 implementation. The asset retirement obligation refers to the District's portion of the NGS Decommissioning (see Note 16).

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

<i>(Dollars in millions)</i>	2018	2017 (Restated)	Change
Assets			
Capital assets	\$ 1,385.9	\$ 1,397.6	\$ (11.7)
Other assets	845.8	795.8	50.0
Total assets	<u>2,231.7</u>	<u>2,193.4</u>	<u>38.3</u>
Deferred Outflows of Resources			
Pension and OPEB valuation	11.1	7.4	3.7
Total deferred outflows of resources	<u>11.1</u>	<u>7.4</u>	<u>3.7</u>
Total assets and deferred outflows of resources	<u>\$ 2,242.8</u>	<u>\$ 2,200.8</u>	<u>\$ 42.0</u>
Liabilities			
Current liabilities	\$ 131.1	\$ 126.4	\$ 4.7
Noncurrent liabilities	1,369.6	1,449.0	(79.4)
Total liabilities	<u>1,500.7</u>	<u>1,575.4</u>	<u>(74.7)</u>
Deferred Inflows of Resources			
Customer deposits	31.0	29.9	1.1
Pension and OPEB valuation	17.1	5.0	12.1
Total deferred inflows of resources	<u>48.1</u>	<u>34.9</u>	<u>13.2</u>
Net Position			
Net investment in capital assets	260.1	248.0	12.1
Restricted	100.5	84.6	15.9
Unrestricted	333.4	257.9	75.5
Total net position	<u>694.0</u>	<u>590.5</u>	<u>103.5</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,242.8</u>	<u>\$ 2,200.8</u>	<u>\$ 42.0</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Net position, the difference between assets, deferred outflow of resources, liabilities, and deferred inflows of resources, increased \$103.5 million in 2018. The implementation of GASBS No. 75 required a restatement of 2017's net position from \$605.0 million to \$590.5 million, a reduction of \$14.5 million (see Note 1 – New Accounting Standards).

Net investment in capital assets: Net investment in capital assets increased \$12.1 million in 2018. This increase is mainly related to the District continuing to replace aging infrastructure systems and equipment. 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 increased \$15.9 million in 2018.

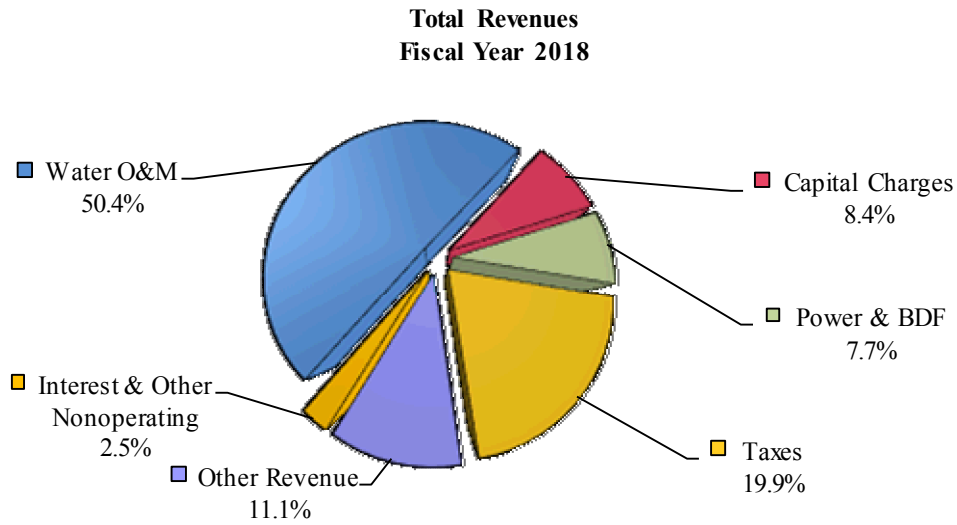
Unrestricted net position: Unrestricted net position increased \$75.5 million in 2018.

Total Revenues

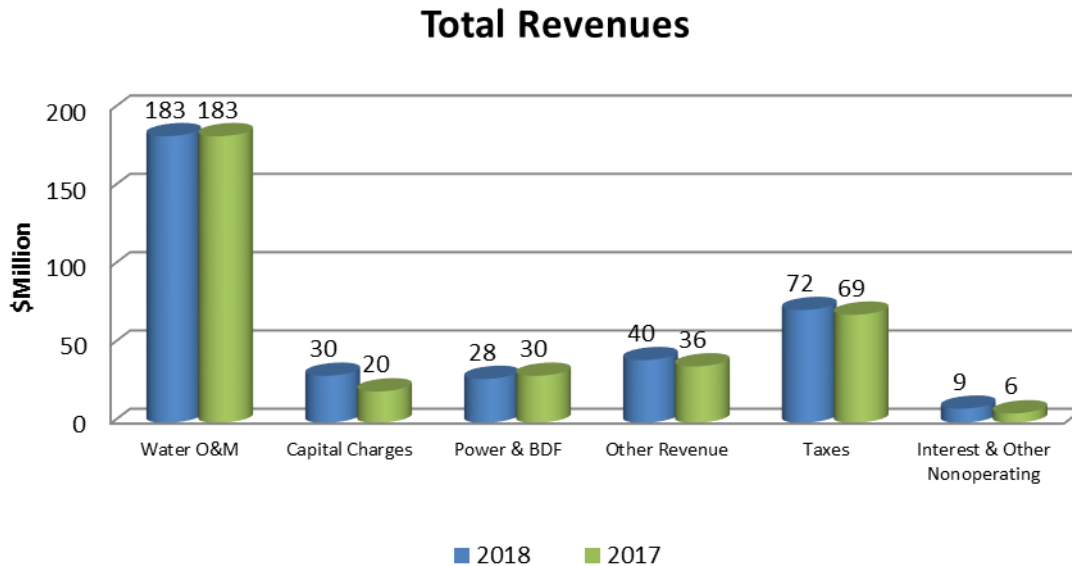
<i>(Dollars in millions)</i>	2018	2017	Change
Operating Revenues			
Water O&M charges	\$ 182.3	\$ 182.8	\$ (0.5)
Water service capital charges	30.3	19.6	10.7
Power and BDF revenues	27.8	30.3	(2.5)
Other revenues	40.2	37.4	2.8
Total operating revenues	280.6	270.1	10.5
Nonoperating Revenues			
Property taxes	72.0	68.8	3.2
Interest income and other	9.1	6.5	2.6
Total nonoperating revenues	81.1	75.3	5.8
Total revenues	\$ 361.7	\$ 345.4	\$ 16.3

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 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, 2018**



In 2018, total revenues increased by \$16.3 million over 2017. Water O&M decreased \$0.5 million. The majority of the decrease is due to lower reconciled rates as CAWCD is a cost of service organization. Capital charges increased \$10.7 million as a result of an increase in capital charge rates. Power and BDF revenues decreased by \$2.5 million due to higher CAP transmission expenses. Other operating revenue increased \$2.8 million primarily due to CAGR rate increases. Property taxes revenue increased by \$3.2 million due to rising assessed property valuations. Interest and other non-operating income increased by \$2.6 million due to rising interest rates and higher reserve balances.

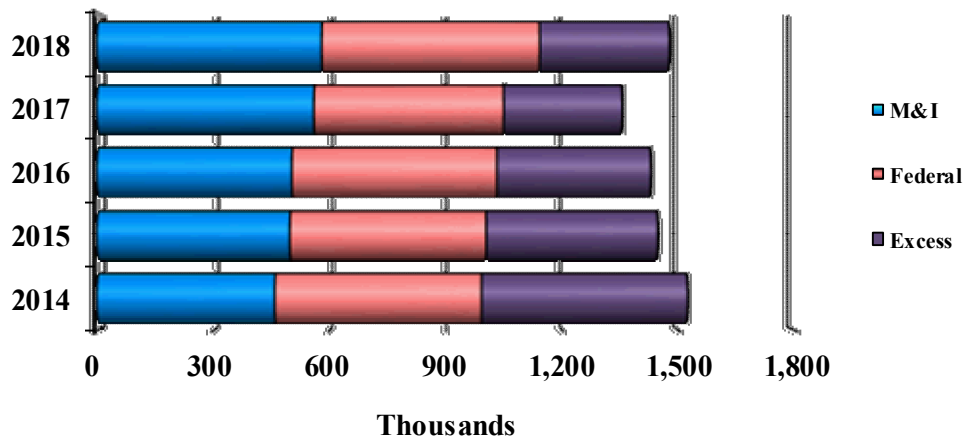


**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Water Deliveries

Water deliveries were 1,479,230 acre-feet in 2018 and 1,357,315 acre-feet in 2017, an increase of 121,915 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 deliveries by 19,640 over 2017 deliveries. Federal water deliveries increased 72,631 acre-feet over 2017. Excess water deliveries include Agriculture (Ag) as a part of the Ag Settlement Pool, CAGRDR 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 2018, Excess deliveries increased 29,644 acre-feet compared to 2017. Deliveries for Interstate, Nevada's unused apportionment that the AWBA stored pursuant to an Interstate agreement, were 13,500 acre-feet in 2018 compared to no Interstate deliveries in 2017. Forbearance programs resulted in a decrease in the Ag Settlement Pool of 15,002 acre-feet. Additional availability increased CAGRDR, AWBA and USBR deliveries.

Water Deliveries (Acre-Feet) 2014 to 2018

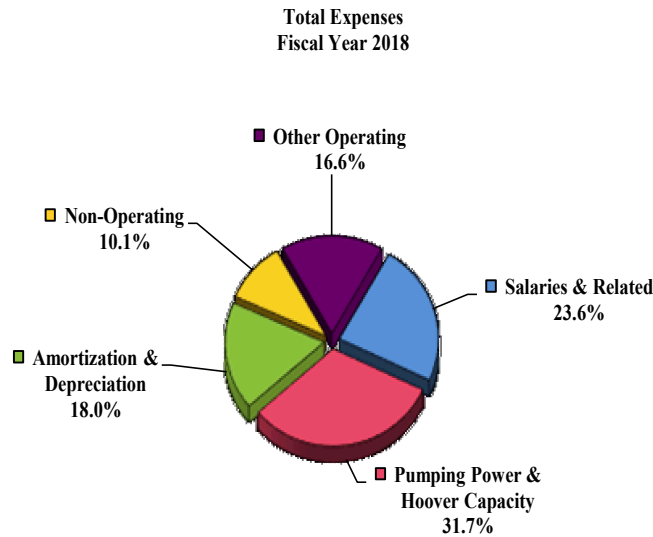


Total Expenses

<i>(Dollars in millions)</i>	2018	2017	Change
Operating Expenses			
Salaries and related costs	\$ 61.0	\$ 61.0	\$ -
Pumping power and Hoover capacity	81.8	90.6	(8.8)
Amortization	23.2	23.2	-
Depreciation	23.2	21.0	2.2
Other	42.8	123.5	(80.7)
Total operating expenses	232.0	319.3	(87.3)
Nonoperating Expenses			
Disbursements to AWBA	2.7	17.9	(15.2)
Interest expense and other nonoperating expenses	23.5	25.0	(1.5)
Total nonoperating expenses	26.2	42.9	(16.7)
Total expenses	\$ 258.2	\$ 362.2	\$ (104.0)

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

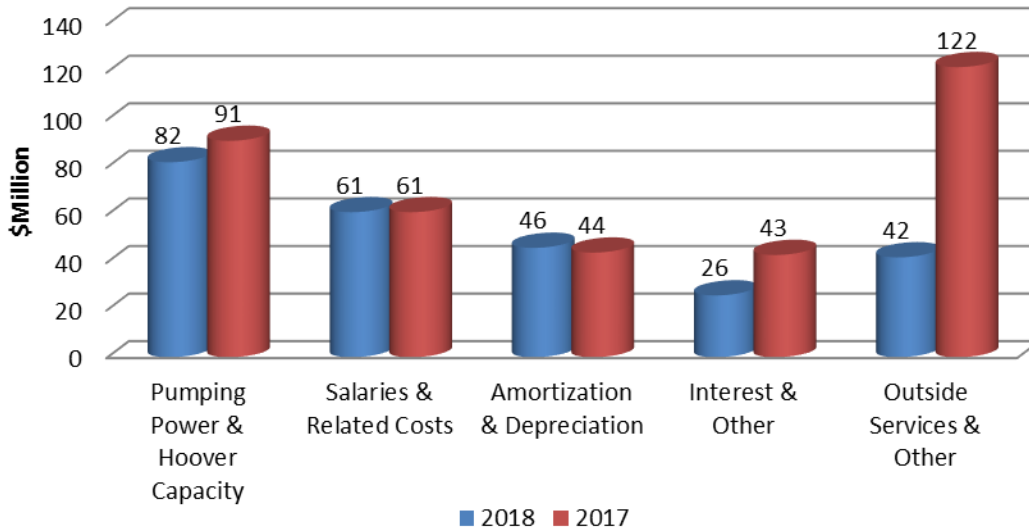
Total expenses include operating and non-operating expenses. Operating expenses consist of salaries and related cost, professional services, pumping power and power transmission, amortization and depreciation as well as other operating expenses. Non-operating expenses are primarily interest, disbursements 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, and reserves may consequently fluctuate.



Overall, total expenses for 2018 decreased \$104.0 million compared to 2017. Salaries and related costs did not change from 2017 to 2018 which reflects CAP's management's efforts to keep a stable and reliable work force, filling open positions as they become available. Pumping power including hoover capacity charges decreased \$8.8 million mostly due to lower maintenance and capital costs at NGS with additional savings in lower unit costs. Depreciation expense increased \$2.2 million. Other operating expenses which include NGS decommissioning expense, outside services, materials and supplies, transmission costs, overhead, and CAGR water purchases decreased \$80.7 million. The NGS decommissioning estimated costs remain at \$71.3 million, which was expensed in 2017, with no added expense in 2018 (see Note 16). Included in the decrease is \$5.3 million in 2017 funding for a Tucson reliability program that did not occur in 2018. CAGR water purchase expense was reduced by \$11.2 million due to 2017 adjustments to remove long-term storage credits transferred from CAWCD to CAGR from asset inventory of \$7.3 million and a 2018 year-end adjustment of \$3.9 million after CAGR purchased more available excess water towards their future obligations. Offsetting these decreases are an increase in claims and losses for property and equipment of \$2.3 million and a \$4.9 million increase for travel, outside services and materials and supplies. Disbursements to AWBA were reduced by \$15.2 million due to less purchases of long-term storage credits. 2018 Interest expense was \$1.5 million lower due to a payment of interest on ASRS 401K contributions in 2017.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Total Expenses



Changes In Net Position and Ending Net Position

Operating and non-operating impacts resulted in an increase in net position of \$103.5 million. The ending net position was \$694.0 million for the year.

<i>(Dollars in millions)</i>	2018	2017 (Restated)	Change
Total operating revenues	\$ 280.6	\$ 270.1	\$ 10.5
Total operating expenses	<u>(232.0)</u>	<u>(319.3)</u>	<u>87.3</u>
Operating income	48.6	(49.2)	97.8
Non-operating revenues	81.1	75.3	5.8
Non-operating expenses	<u>(26.2)</u>	<u>(42.9)</u>	<u>16.7</u>
Changes in net position	103.5	(16.8)	120.3
Beginning net position	590.5	621.8	(31.3)
Restatement - See Note 1	-	<u>(14.5)</u>	<u>14.5</u>
Ending net position, as restated	<u>\$ 694.0</u>	<u>\$ 590.5</u>	<u>\$ 103.5</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS AND NONCURRENT DEBT ACTIVITY

Capital Assets: The District's investment in capital assets decreased \$11.7 million to \$1,385.9 million in 2018. The largest component of the District's capital assets is the PSR, net of accumulated amortization. The PSR (net) decreased from \$1,112.2 million in 2017 to \$1,089.0 million in 2018 per the amortization schedule, which is currently \$23.2 million per year. The increase in capital projects and purchases, as the CAP infrastructure ages, offsets the annual reduction of the PSR. Other capital assets increased \$11.5 million in 2018, which are assets related to the CAP for meeting its responsibilities.

More information about the District's capital assets is provided in Note 2 of the financial statements.

<i>(Dollars in millions)</i>	2018	2017	Change
Operating assets			
Land	\$ 3.2	\$ 3.2	\$ -
Work-in-process	19.3	55.7	(36.4)
Intangibles	33.2	33.9	(0.7)
Land and structure improvements	140.0	92.5	47.5
Capital equipment	101.2	100.1	1.1
Total operating assets	<u>296.9</u>	<u>285.4</u>	<u>11.5</u>
Permanent service right	<u>1,089.0</u>	<u>1,112.2</u>	<u>(23.2)</u>
Total capital assets	<u>\$ 1,385.9</u>	<u>\$ 1,397.6</u>	<u>\$ (11.7)</u>

Noncurrent Debt: The District's noncurrent debt decreased \$35.3 million in 2018 related to CAP reducing the revenue bonds obligation and the federal repayment obligation.

SCHEDULE OF NONCURRENT DEBT

<i>(Dollars in millions)</i>	2018	2017	Change
Noncurrent Liabilities			
Repayment obligation	\$ 1,043.9	\$ 1,076.8	\$ (32.9)
Bonds payable, due after one year	<u>47.4</u>	<u>49.8</u>	<u>(2.4)</u>
Total long-term debt	<u>\$ 1,091.3</u>	<u>\$ 1,126.6</u>	<u>\$ (35.3)</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 3 of the financial statements. Note 9 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, 2018**

CURRENTLY KNOWN ECONOMIC FACTORS IMPACTING THE FUTURE FINANCES OF CAWCD

- The NGS owners have announced their intention to cease operations of NGS at the end of the current lease term (December 22, 2019). As a result, new sources of power for CAP pumping will be required and power revenues from NGS Surplus sales will terminate. In anticipation, CAWCD is currently involved in a process outlined by the CAWCD Board to replace NGS power, when it is no longer available, with power resources available in the market. Current outlook indicates a reduction in near-future energy rates due to lower costs of power as compared to NGS operational costs.
- 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 have been working on Drought Contingency Plans (DCP), which are designed to protect the Colorado River system through voluntary reductions and increased conservation. They were developed through a collaborative process amongst the federal government, states, water users and Mexico. Federal legislation implementing DCP is anticipated in 2019. The DCP adds 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 would be 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 2020. 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.
- On January 31, 2019, CAWCD, the Gila River Indian Community (GRIC) and Gila River Water Storage LLC (GRWS) signed a number of agreements that will provide a renewable water supply to meet its CAGR statutory replenishment obligations for the next 25 years. Starting in 2020, this historic acquisition involves water coming from three sources:
 - 15,000 acre-feet per year of high-priority Central Arizona Project (CAP) water through an exchange with the GRIC
 - 18,185 acre-feet per year of slightly lower priority CAP water through a lease with the GRIC
 - 445,375 acre-feet of long-term storage credits (LTSCs) in the Pinal and Phoenix Active Management Areas (AMAs) from GRWS

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

An initial payment of \$65 million dollars was due and paid on March 4, 2019 for the purchase of LTSCs. A second payment of \$30 million is due in early August. A fourth agreement contributes \$2.5 million to the GRIC for development of recovery well infrastructure on the reservation. In addition to these initial payments, starting in 2020, there will be annual costs associated with both the Recovery & Exchange agreement as well as the Lease Agreement.

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:

Douglas A. Dunlap, CPA
Finance and Accounting Manager
Post Office Box 43020
Phoenix, Arizona 85080-3020
623-869-2360
ddunlap@cap-az.com

Christopher H. Hall
Director, Finance and Administration
Post Office Box 43020
Phoenix, Arizona 85080-3020
623-869-2632
chall@cap-az.com

BASIC FINANCIAL STATEMENTS

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS	<i>(In Thousands)</i>
CURRENT ASSETS	
Cash	\$ 11,351
Investments	88,601
Total Cash and Cash Equivalents	<u>99,952</u>
Receivables:	
Due From Water Customers	785
Property Taxes, Less Allowance of \$647	34,572
Other Receivables	10,527
Water Inventory	100,827
Funds Held by Federal Government	29,958
Other Assets	13,800
Total Current Assets	<u>290,421</u>
NONCURRENT ASSETS	
Investments	340,849
Restricted Assets	123,763
Agricultural Water Rights	88,719
Capital Assets:	
Operating Assets, Less Accumulated Depreciation of \$211,164	296,894
Permanent Service Right, Less Accumulated Amortization of \$702,114	1,088,998
Other Assets	2,000
Total Noncurrent Assets	<u>1,941,223</u>
Total Assets	<u>2,231,644</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Valuation	9,328
OPEB Valuation	1,777
Total Deferred Outflows of Resources	<u>11,105</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 2,242,749</u></u>

See accompanying Notes to Basic Financial Statements.

LIABILITIES*(In Thousands)***CURRENT LIABILITIES**

Accounts Payable	\$ 36,260
Accrued Payroll, Payroll Taxes and Other Accrued Expenses	7,466
Water Operations and Capital Charges Unearned Revenue	29,595
Current Liabilities Payable from Restricted Assets, Advances to Federal Government, and Other Noncurrent Assets:	
Accrued Interest Payable	23,292
Repayment Obligation, Due Within One Year	32,929
Bonds Payable, Due Within One Year	1,565
Total Current Liabilities	<u>131,107</u>

NONCURRENT LIABILITIES

Repayment Obligation, Due After One Year	1,043,851
Bonds Payable, Due After One Year	47,396
Non-Indian Agricultural 9(d) Debt	88,719
Other Noncurrent Liabilities	189,599
Total Noncurrent Liabilities	<u>1,369,565</u>
 Total Liabilities	 <u>1,500,672</u>

DEFERRED INFLOWS OF RESOURCES

Customer Deposits	31,032
Pension Valuation	8,662
OPEB Valuation	8,396
Total Deferred Inflows of Resources	<u>48,090</u>

NET POSITION

Net Investment in Capital Assets	260,151
Restricted for Master Repayment Agreement	44,092
Restricted for Supplemental Water Account	8,507
Restricted for CAGR Account	40,123
Restricted for Captive Insurance Company	2,250
Restricted for Bond Trust Account	5,242
Restricted for Power Agreement	257
Unrestricted	333,365
Total Net Position	<u>693,987</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 2,242,749</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, 2018**

	<i>(In Thousands)</i>
OPERATING REVENUES	
Water Operations and Maintenance Charges	\$ 182,270
Water Service Capital Charges	30,300
Power and Basin Development Fund Revenues	27,819
Other Operating Revenues	40,227
Total Operating Revenues	<u>280,616</u>
OPERATING EXPENSES	
Salaries and Related Costs	61,053
Pumping Power	79,326
Power Transmission	12,596
Hoover Capacity Charges	2,481
Amortization of Permanent Service Right	23,161
Depreciation	23,186
Other Operating Expenses	30,237
Total Operating Expenses	<u>232,040</u>
OPERATING INCOME	<u>48,576</u>
NONOPERATING REVENUES (EXPENSES)	
Property Taxes	72,007
Interest Income and Other Nonoperating Revenues	9,111
Disbursements to AWBA	(2,738)
Interest Expense and Other Nonoperating Expenses	(23,500)
Total Nonoperating Revenues (Expenses)	<u>54,880</u>
CHANGES IN NET POSITION	103,456
Net Position - Beginning of Year, As Restated	<u>590,531</u>
NET POSITION - END OF YEAR	<u><u>\$ 693,987</u></u>

See accompanying Notes to Basic Financial Statements.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	<i>(In Thousands)</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 223,161
Cash Received from Power Sales	29,255
Cash Paid to Employees	(65,508)
Cash Paid to Suppliers	(151,622)
Net Cash Provided by Operating Activities	<u>35,286</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Disbursements to Arizona Water Banking Authority	(2,738)
Cash Received from Property Taxes	70,615
Net Cash Provided by Noncapital Financing Activities	<u>67,877</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on Repayment Obligation, Including Interest	(25,839)
Payments on Bonds Payable	(1,505)
Interest Paid on Bonds	(2,089)
Additions to Capital Assets	(34,750)
Proceeds from Disposal of Capital Assets	71
Net Cash Used by Capital and Related Financing Activities	<u>(64,112)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in Restricted Assets	(18,784)
Decrease in Restricted Assets	16,089
Purchase of Investments	(106,168)
Proceeds from Sale and Maturities of Investments	85,933
Investment Income Received	10,608
Net Cash Used by Investing Activities	<u>(12,322)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	26,729
Cash and Cash Equivalents - Beginning of Year	<u>73,223</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 99,952</u></u>

See accompanying Notes to Basic Financial Statements.

(In Thousands)

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

Operating Income	\$ 48,576
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization of Permanent Service Right	23,161
Depreciation	23,186
BDF Revenue - Repayment Credit	(30,432)
Changes in Operating Assets and Liabilities:	
Due from Water Customers	1,999
Due from Other Receivables	663
Water Inventory	3,497
Other Assets	(6,897)
Funds Held by Federal Government	474
Deferred Outflows of Resources - Pension Valuation	(2,557)
Deferred Outflows of Resources - OPEB Valuation	(1,146)
Accounts Payable	5,904
Accrued Payroll, Payroll Taxes and Other Accrued Expenses	(289)
Water Operations and Capital Charges Unearned Revenue	95
Net Pension Liability	(4,744)
Retirees Health Insurance	(6,672)
Other Noncurrent Liabilities	(32,707)
Deferred Inflows of Resources - Customer Deposits	1,100
Deferred Inflows of Resources - Pension Valuation	3,679
Deferred Inflows of Resources - OPEB Valuation	8,396
Net Cash Provided by Operating Activities	<u>\$ 35,286</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

Decrease in Fair Value of Investments	\$ (1,272)
Decrease in Fair Value of Restricted Assets	(253)
Amortization of Bond Premium and Accrued Interest	821
Gain on Sale of Capital Assets	28
Total Noncash Investing Activities	<u>\$ (676)</u>

See accompanying Notes to Basic Financial Statements.



Notes to the Financial Statements

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**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, and GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, 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 3). 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, 2019 and June 30, 2018. 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, 2019 and June 30, 2018. 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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization and Reporting Entity (Continued)

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 (CAGRDR). The CAGRDR began enrolling members in 1995. As of December 31, 2018, there were 1,144 member lands (individual subdivisions) and 24 member service areas. The CAGRDR is responsible for using renewable water supplies to replenish (or recharge) excess groundwater used by its members. All costs of the CAGRDR are to be paid by its members through assessments based on replenishment services provided. CAGRDR's 2018 ending replenishment obligation was approximately 7,819 acre-feet (estimate pending final Arizona Department of Water Resources reports).

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. This The District's books and records include separate accounts and projects that are described as "account" or "fund". a general fund, supplemental water account, Captive fund and CAGRDR account. This "fund" and these "accounts" have been combined in the accompanying financial statements. 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, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

In 2018, the District implemented Government Accounting Standards Board Statement (GASBS) No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

In 2018, the District implemented GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this guidance had a cumulative prior period decrease of \$14.5 million on net position as of December 31, 2017.

Net position as of December 31, 2017, has been restated as follows for the implementation of GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Beginning Net Position, As Previously Reported at December 31, 2017	\$ 605,002
Restatement Adjustment - Implementation of GASBS No. 75:	
Change in Net OPEB Liability (Measurement Date as of December 31, 2017)	(15,102)
Deferred Outflows - Authority Contributions Made During Fiscal Year 2017	631
Total Restatement Adjustment	(14,471)
 Net Position, As Restated at December 31, 2017	 \$ 590,531

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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

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 and, therefore, is recorded at cost and is 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*.

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. The District's share of Lake Pleasant storage as of December 31, 2018 was 487,254 acre-feet.

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. As of December 31, 2018, the District's balance of stored water in Lake Roosevelt, SRP's reservoir, was 13,005 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 CAGR D funds. These LTSC are recorded at cost using average cost valuation method. As of December 31, 2018, these LTSC were composed of 327,096 acre-feet and valued at \$58,812,000. The District has internally created LTSC, of which 78,022 acre-feet have been transferred to CAGR D's replenishment reserve and has a remaining balance of 585,467 acre-feet as of December 31, 2018.

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 resulting gain or loss reflected in nonoperating revenue or expenses within the Statements of Revenues, Expenses and Changes in Net Position.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (Continued)

Nondepreciable intangibles are water rights, including long-term storage credits and intentionally created surplus credits, that are perpetual and do not decrease in value. Depreciable intangibles include water rights if agreements are for shorter terms (see Note 2 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 2).

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 50 Years

Agricultural Water Rights

During 2007, as a result of the Arizona Water Settlement (Note 3), the District obtained agricultural water rights to be reallocated (Note 10). The agricultural water rights are recorded at cost and may be partially reallocated beginning in 2021 dependent on the Arizona Department of Water Resources and Bureau of Reclamation reallocation process.

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 post-employment 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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 20).

Revenue Recognition

The District records revenue from the sale of water, the sale of power, the collection 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).

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are treated as cash and cash equivalents due to their high liquidity.

NOTE 2 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.

The following table represents the changes in operating capital assets for the year ended December 31, 2018:

	December 31, 2017	Increases	Decreases	December 31, 2018
	Balances			Balances
	<i>(In Thousands)</i>			
Operating Assets not Depreciated:				
Land	\$ 3,198	\$ -	\$ -	\$ 3,198
Intangibles	10,043	-	(6,113)	3,930
Work-in-Process	55,688	31,757	(68,122)	19,323
Operating Assets being Depreciated:				
Land Improvements	9,776	-	-	9,776
Intangibles	32,018	6,512	-	38,530
Structures and Improvements	147,924	57,140	-	205,064
Equipment	215,258	13,576	(597)	228,237
Total Operating Assets	<u>473,905</u>	<u>108,985</u>	<u>(74,832)</u>	<u>508,058</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,909)	(645)	-	(2,554)
Intangibles	(8,175)	(1,075)	-	(9,250)
Structures and Improvements	(63,297)	(9,030)	-	(72,327)
Equipment	(115,151)	(12,436)	554	(127,033)
Total Accumulated Depreciation	<u>(188,532)</u>	<u>(23,186)</u>	<u>554</u>	<u>(211,164)</u>
Operating Assets, Net	<u>\$ 285,373</u>	<u>\$ 85,799</u>	<u>\$ (74,278)</u>	<u>\$ 296,894</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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 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 16) has been modified to reflect its remaining useful life through December 31, 2019.

The following table represents the changes in the permanent service right for the year ended December 31, 2018:

	December 31, 2017		December 31, 2018	
	Balances	Increases	Decreases	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>-</u>	<u>1,791,112</u>
Less Accumulated Amortization/ Depreciation				
Permanent Service Right	(677,790)	(23,000)	-	(700,790)
Navajo Generating Station (ARO) Assets	<u>(1,163)</u>	<u>(161)</u>	-	<u>(1,324)</u>
Total Accumulated Amortization/ Depreciation	<u>(678,953)</u>	<u>(23,161)</u>	-	<u>(702,114)</u>
Permanent Service Right Asset, Net	<u>\$ 1,112,159</u>	<u>\$ (23,161)</u>	<u>\$ -</u>	<u>\$ 1,088,998</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, 2018**

NOTE 3 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, 2018**

NOTE 3 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, 2018**

NOTE 3 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 2018.

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 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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 MASTER REPAYMENT AGREEMENT (CONTINUED)

Payments to Maturity

The required annual payments under the Repayment Settlement on the repayment obligation are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<i>(In Thousands)</i>		
2019	\$ 32,929	\$ 22,262	\$ 55,191
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
2024-2028	211,691	67,963	279,654
2029-2033	221,095	32,223	253,318
2034-2038	222,271	3,107	225,378
2039-2043	222,271	-	222,271
2044-2045	19,753	-	19,753
Total	<u>\$ 1,076,780</u>	<u>\$ 203,548</u>	<u>\$ 1,280,328</u>

Amounts Recorded in Financial Statements

December 31, 2017 Balance	Additions	Reductions	December 31, 2017 Balance	Amount Due Within One Year
<i>(In Thousands)</i>				
\$ 1,109,709	\$ -	\$ (32,929)	\$ 1,076,780	\$ 32,929

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

NOTE 4 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, 2018**

NOTE 4 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. Total CAP water deliveries for 2018 were 1,479,230 acre-feet (including credits).

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, which began at an annual rate of \$10.50 per acre-foot of entitlement in 1994, increasing to \$48 per acre-foot of entitlement by 1999. The M&I water service capital charge was reduced following the Repayment Settlement. For 2018, the rate was \$45 per acre-foot. The amount of this M&I water service capital charge may be adjusted periodically by the District as a result of repayment determinations provided for in the Master Repayment Agreement and to reflect all sources of revenue, but 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, 2018**

NOTE 4 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 2018 were confirmed by the Board of Directors on June 8, 2017, at which time the Board also approved provisional rates for 2018 and advisory rates for 2019 through 2022.

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

CAGRD Obligations

CAGRD's water replenishment obligation for the year ended December 31, 2018 was 7,819 acre-feet.

NOTE 5 POWER

Power Purchases

The power needed for the operation of the CAP pumps is 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, are 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, 2018**

NOTE 5 POWER (CONTINUED)

Power Revenues

Power revenues are generated from the sale of NGS Surplus (power associated with Reclamation's NGS entitlement that is in excess of CAP's pumping requirements of the CAP) and from a surcharge on energy sold in Arizona from the Boulder Canyon (Hoover) and Parker-Davis projects.

Navajo Generating Station

Reclamation is one of five participants in NGS, which consists 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 governs 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 is charged for the costs associated with the energy used to operate the CAP, and the payments for this energy are deposited into the Development Fund.

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 governs the sale of NGS Surplus after September 30, 2011. NGS energy in excess of the District's pumping needs is 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 will notify Western and Reclamation by December 15 of each year as to the amount of NGS energy that is needed for CAP pumping for the following year. NGS energy not reserved for CAP use will be marketed by Western, with the proceeds of any sales to be 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 have 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 will end with the closure of NGS (See Note 16). SRP will purchase up to 220,800 MWh per year on a unit contingent basis. The price will be actual production cost, excluding capital, for all energy delivered to SRP plus a premium. After the first year, increases in production cost are capped at 4% per year, but re-priced to actual cost every three years. The premium is \$25 million in 2012 escalated at 3% annually. The premium is to be repriced in year 11 of the contract based on the change in natural gas prices and subject to a maximum change of \$7,000,000 in either direction and escalating at 3% annually thereafter. The proceeds from this contract are to be deposited into the Basin Development Fund to be applied towards CAP Repayment.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 POWER (CONTINUED)

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.

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.

NOTE 6 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, 2018, the District reported \$11,351,000 in cash on its general ledger with bank balances of \$11,718,000 and 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, 2018**

NOTE 6 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, 2018 consisted of the following (stated at fair value):

	<i>(In Thousands)</i>
Local Government Investment Pool 5	\$ 128,981
Local Government Investment CAWCD Pool 12	415,711
Zions Bank	6,271
Total	<u>\$ 550,963</u>

Pool 5 is rated by Standard & Poor’s Rating Service. The rating at December 31, 2018 was AAf/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, 2018**

NOTE 6 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

At December 31, 2018, 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	\$ 128,724	0.07
CAWCD Long-Term Pool 12	415,968	4.34
Money Market Funds	6,271	0.08
Total	\$ 550,963	4.49

The Board of Directors has designated end of year strategic reserve targets that are invested in Pool 12 investments. As of December 31, 2018, 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 7 RESTRICTED ASSETS

Restricted assets, including accrued interest receivable, consist of the following at December 31, 2018:

<i>(In Thousands)</i>	
Master Repayment Agreement	
Repayment Reserves	\$ 66,355
Bond Trust Account	6,271
Restricted Power Agreement	257
Supplemental Water Account	8,507
CAGR Account	40,123
Captive Insurance Company	2,250
Total	\$ 123,763

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, 2018, the fair value of the operations and maintenance and repayment reserves totaled \$6,200,000, and \$40,000,000, respectively, including accrued interest. See the cash and investments footnote (Note 6) for risk disclosures as of December 31, 2018 related to investments held by the Arizona State Treasurer.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 RESTRICTED ASSETS (CONTINUED)

Master Repayment and Operating Reserves (Continued)

At December 31, 2018, the fair value of the major repair and replacement reserve totaled \$20,155,000. See cash and investments (Note 6) for risk disclosures as of December 31, 2018 related to investments held by the Arizona State Treasurer.

Bond Trust Accounts

Revenue bonds were issued by the District in 2016 to finance capital improvement project costs 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, 2018, the fair value of the bond project fund was \$-0-, the debt service funds were \$2,617,000 and the debt service reserve fund was \$3,654,000.

Ag Forbearance II

In 2016, the District established a restricted reserve fund for the Ag Forbearance II program. This system conservation program will generate approximately 25,000 acre-feet of water in Lake Mead. The Bureau of Reclamation sent the District \$2,510,000 to establish a funding source that would mitigate increases in the Pumping Energy Rate in 2017 and 2018 for the Irrigation District stakeholders who participate in the Ag Forbearance II system conservation effort. The Ag Forbearance II program was completed in 2018 and the remaining balance as of December 31, 2018 was \$-0-.

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. A deposit of \$70,000 was made in 2018 by a potential power trader. At December 31, 2018, the balance in the restricted power agreement account was \$257,000.

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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 RESTRICTED ASSETS (CONTINUED)

Supplemental Water Account (Continued)

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 (Note 6) for the disclosures as of December 31, 2018 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 6) for risk disclosures as of December 31, 2018 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, 2018, the Captive was in compliance with the minimum capital and surplus requirements of the State of Hawaii.

NOTE 8 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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 BONDS PAYABLE

Bonds payable consist of the following (*in thousands*):

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%	\$ 45,460
Original Issue Premium (OIP)	<u>8,848</u>
Total Issuance	54,308
Less Principal Payments	(2,850)
Less Premium Amortization	<u>(2,497)</u>
Balance Series 2016 as of December 31, 2018	48,961
Less Bonds Payable, Due Within One Year	<u>(1,565)</u>
Bonds Payable, Due After One Year	<u><u>\$ 47,396</u></u>

Payments to Maturity-Bonds

The required annual payments for debt service are as follows:

<u>Year Ending December 31,</u>	Principal	Interest	Total
	<i>(In Thousands)</i>		
2019	\$ 1,565	\$ 2,019	\$ 3,584
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
2024-2028	10,655	7,204	17,859
2029-2033	13,550	4,226	17,776
2034-2036	9,865	756	10,621
Total	<u><u>\$ 42,610</u></u>	<u><u>\$ 21,573</u></u>	<u><u>\$ 64,183</u></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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 BONDS PAYABLE (CONTINUED)

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, 2018 are summarized below:

	December 31, 2017			December 31, 2018		Amount Due Within One Year
	Balance	Additions	Reductions	Balance		
	<i>(In Thousands)</i>					
2016 Bonds	\$ 44,115	\$ -	\$ (1,505)	\$ 42,610	\$ 1,565	
Bond Premium	7,172	-	(821)	6,351	-	
Bonds Payable	<u>\$ 51,287</u>	<u>\$ -</u>	<u>\$ (2,326)</u>	<u>\$ 48,961</u>	<u>\$ 1,565</u>	

NOTE 10 NON-INDIAN AGRICULTURAL 9(d) DEBT

During 2007, and as the result of the Arizona Water Settlement Act (Note 3), 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. Upon reallocation, the District will collect 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>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<i>(In Thousands)</i>		
2019-2025	\$ -	\$ -	\$ -
2026-2030	25,351	-	25,351
2031-2035	26,566	-	26,566
2036-2040	22,307	-	22,307
2041-2045	10,812	-	10,812
2046-2047	3,683	-	3,683
Total	<u>\$ 88,719</u>	<u>\$ -</u>	<u>\$ 88,719</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of the following:

	<i>(In Thousands)</i>
Retirees Health Insurance	\$ 16,441
Asset Retirement Obligation (Note 16)	98,922
Net Pension Liability (Note 14)	71,979
Recovery Liability	2,000
Power Agreement Liability	257
Total	\$ 189,599

NOTE 12 DEFERRED INFLOWS OF RESOURCES

Deferred inflows consist of the following:

	<i>(In Thousands)</i>
Customer Deposits - Water	\$ 2,064
Customer Deposits - Rate Stabilization	22,101
Customer Deposits - Voluntary Rate Stabilization	6,867
Deferred Inflows ASRS Pension	8,662
Deferred Inflows OPEB	8,396
Total	\$ 48,090

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, 2018**

NOTE 12 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.

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 14 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 20, Postemployment Healthcare Plan for further explanation.

NOTE 13 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, which may be reasserted by the plaintiff amending its complaint. The parties and the district court have worked out a schedule for that process. The District is a defendant in a matter brought by an Indian tribe that seeks a declaratory judgment and no damages are involved.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 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, 2018, 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	\$ 71,979
Deferred Outflows of Resources	9,328
Deferred Inflows of Resources	8,662
Pension Expense	3,228
<i>(includes 401k savings plan ER contributions - See Note 15)</i>	

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.

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

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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 20). 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, 2018 through June 30, 2018 was 11.34% for members and 10.90% for the District. The contractually required contribution rate as a percentage of covered payroll for the period July 1, 2018 through December 31, 2018 was 11.64% for members and 11.18% for the District.

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, 2018 through June 30, 2018 was 9.26%. The ACR contribution rate for the period July 1, 2018 through December 31, 2018 was 10.41%.

The District's contribution to the pension plan for the year ended December 31, 2018 was \$5,734,743.

Pension Liability – At December 31, 2018 the District reported a liability of \$71,979,182 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, 2017, to the measurement date of June 30, 2018.

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, 2018 was 0.51611%, which was an increase of 0.0236% from its proportion measured as of June 30, 2017.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended December 31, 2018, the District recognized a pension expense for ASRS of \$2,110,847. At December 31, 2018, 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
	<i>(In Thousands)</i>	
Differences Between Expected and Actual Experience	\$ 1,983	\$ 397
Changes of Assumptions or Other Inputs	1,905	6,382
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,731
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	2,479	152
Contributions Subsequent to the Measurement Date	2,961	-
Total	\$ 9,328	\$ 8,662

The \$2,961 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, 2019. 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:

	Amount
	<i>(In Thousands)</i>
<u>Year Ended December 31,</u>	
2019	\$ 1,689
2020	(581)
2021	(2,626)
2022	(777)
Total	\$ (2,295)

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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

Actuarial Valuation Date	June 30, 2017
Actuarial Roll Forward Date	June 30, 2018
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 5.07% 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:

<u>Asset Class</u>	<u>Target Asset Allocation Effective July 1, 2018</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Contributions to Expected Real Return</u>
Equity	50 %	5.50 %	2.75 %
Fixed Income	30	3.83	1.15
Real Estate	20	5.85	1.17
Total	<u>100 %</u>		<u>5.07 %</u>

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5%. 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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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, 2018.

	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	\$ 102,608	\$ 71,979	\$ 46,389

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

NOTE 15 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 IRS 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, 2018 was approximately \$1,116,600. 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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 ASSET RETIREMENT OBLIGATION

On January 1, 2003, the District adopted accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. 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*. The asset retirement obligation primarily relates to final plant decommissioning. This obligation is based on the requirements for removing portions of the plant at the end of the lease term. The estimated total remaining decommissioning cost is \$556.2 million as of 2017, no updated estimates have occurred in 2018. The District’s proportionate share of the remaining decommissioning cost is 24.3% or \$98.9 million as of December 31, 2018. The District has established a committed reserve for decommission costs \$97.1 million in committed reserves as of December 31, 2018.

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 to continue to operate the plant through 2019 and decommission it after the lease expires. Discussions continue regarding the potential transfer of NGS to new owners and the plant’s continued operation after 2019. In recognition of this change (the plant was originally planned to operate to 2044), CAWCD recorded an additional \$71.3 million decommissioning expense in 2017 to reflect the most current estimate of the CAWCD portion of the liability.

The following schedule shows the change in the District’s asset retirement obligations, included in other noncurrent liabilities (Note 11), during the year ended December 31, 2018:

	<i>In Thousands</i>
Balance - January 1	\$ 132,886
Decommission Payments	(33,964)
Balance - December 31	\$ 98,922

NOTE 17 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).

<u>Tax Year</u>	<u>Period Collected</u>
2017	October 1, 2017 to September 30, 2018
2018	October 1, 2018 to September 30, 2019

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 17 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 Other District Information section.

NOTE 18 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.

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.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 18 RISK MANAGEMENT AND CAPTIVE INSURANCE (CONTINUED)

Reserve for Losses and Loss Expenses (Continued)

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, 2018:

	<i>(In Thousands)</i>
Balance at January 1	<u>\$ 3,224</u>
Add Provision for Losses and Loss Expenses for Claims Occurring During:	
Current Year	11,305
Prior Year	<u>14</u>
	<u>11,319</u>
Deduct Losses and Loss Expense Payments for Claims Occurring During:	
Current Year	8,442
Prior Year	<u>166</u>
	<u>8,608</u>
Balance at December 31	<u><u>\$ 5,935</u></u>

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, 2018 and combining financial statements are as follows:

Condensed Combining Statement of Net Position	CAWCD	Captive	Eliminations	Total
Current Assets	\$ 285,780	\$ 5,536	\$ (895)	\$ 290,421
Noncurrent Assets	<u>1,941,323</u>	<u>2,250</u>	<u>(2,350)</u>	<u>1,941,223</u>
Total Assets	2,227,103	7,786	(3,245)	2,231,644
Deferred Outflows of Resources	<u>11,105</u>	<u>-</u>	<u>-</u>	<u>11,105</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,238,208</u>	<u>\$ 7,786</u>	<u>\$ (3,245)</u>	<u>\$ 2,242,749</u>
Current Liabilities	\$ 125,994	\$ 6,008	\$ (895)	\$ 131,107
Noncurrent Liabilities	<u>1,369,565</u>	<u>-</u>	<u>-</u>	<u>1,369,565</u>
Total Liabilities	<u>1,495,559</u>	<u>6,008</u>	<u>(895)</u>	<u>1,500,672</u>
Deferred Inflows of Resources	48,090	-	-	48,090
Net Investment in Capital Assets	260,151	-	-	260,151
Restricted Net Position	98,221	2,250	-	100,471
Unrestricted Net Position	<u>336,187</u>	<u>(472)</u>	<u>(2,350)</u>	<u>333,365</u>
Total Net Position	<u>694,559</u>	<u>1,778</u>	<u>(2,350)</u>	<u>693,987</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,238,208</u>	<u>\$ 7,786</u>	<u>\$ (3,245)</u>	<u>\$ 2,242,749</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 18 RISK MANAGEMENT AND CAPTIVE INSURANCE (CONTINUED)

Condensed Combining Statement of Activities	<u>CAWCD</u>	<u>Captive</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues	\$ 280,616	\$ 10,103	\$ (10,103)	\$ 280,616
Operating Expenses	<u>229,645</u>	<u>12,498</u>	<u>(10,103)</u>	<u>232,040</u>
Operating Income (Loss)	50,971	(2,395)	-	48,576
Nonoperating Income	<u>54,863</u>	<u>17</u>	<u>-</u>	<u>54,880</u>
Transfer of Asset				
Changes in Net Position	105,834	(2,378)	-	103,456
Net Position - Beginning of Year As Restated	<u>588,725</u>	<u>4,156</u>	<u>(2,350)</u>	<u>590,531</u>
Net Position - End of Year	<u>\$ 694,559</u>	<u>\$ 1,778</u>	<u>\$ (2,350)</u>	<u>\$ 693,987</u>
Condensed Combining Statement of Cash Flows	<u>CAWCD</u>	<u>Captive</u>	<u>Eliminations</u>	<u>Total</u>
Net Cash Provided by Operating Activities	\$ 34,982	\$ 303	\$ -	\$ 35,285
Net Cash Provided by Noncapital Financing Activities	67,877	-	-	67,877
Net Cash Used by Capital and Related Financing Activities	(64,112)	-	-	(64,112)
Net Cash Provided (Used) by Investing Activities	<u>(12,339)</u>	<u>17</u>	<u>-</u>	<u>(12,322)</u>
Net Increase in Cash and Cash Equivalent	26,408	320	-	26,728
Cash and Cash Equivalents - Beginning of Year	<u>68,034</u>	<u>5,189</u>	<u>-</u>	<u>73,223</u>
Cash and Cash Equivalents - End of Year	<u>\$ 94,442</u>	<u>\$ 5,509</u>	<u>\$ -</u>	<u>\$ 99,951</u>

NOTE 19 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 nonfederal participants for the nonfederal activities covered by the program.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 19 MULTI-SPECIES CONSERVATION PROGRAM (CONTINUED)

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 \$1,218,947,000). 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 \$2,889,000 in 2018.

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 will pay 50 cents per acre-foot thereafter and post-1968 water users (including the District) will pay \$1.00 per acre-foot thereafter. These amounts are in 2003 dollars, and are to be escalated by a specified inflation index.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 19 MULTI-SPECIES CONSERVATION PROGRAM (CONTINUED)

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.

NOTE 20 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. This Statement replaces the requirements of GASB Statement No. 45. As a result of the implementation of GASB Statement No. 75, a restatement of net position as of December 31, 2017 is required, see Note 1 – New Accounting Standards.

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.

At December 31, 2017 (Measurement Date), plan membership consisted of the following:

Current Active Members	401 *
Current Retirees and Dependents	91
Total	492

**Excludes 52 active employees hired on or after January 1, 2016.*

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 20 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Retirees' contributions rates for 2018 are as follows:

Retirees Monthly Medical Rates (Prior to ASRS Subsidy)

Pre Age 65		
Retiree Only	\$	638.88
Retiree + 1		1,558.88
Retiree + Family		2,095.48
Post Age 65		
Retiree Only		479.16
Retiree + 1		1,169.14
Retiree + Family		1,399.16
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 \$16,441,850 was reported as of December 31, 2018 and was measured by an actuarial valuation as of December 31, 2017. The total OPEB liability as of December 31, 2017 reflects the following changes of actuarial assumptions and benefit terms for the Captive plan:

- Trend rates on per capita costs and contributions were updated.
- Assumed turnover rates, disability incidence rates and mortality rates for healthy and disabled lives were updated to be the same as those used in the Arizona State Retirement System Annual Actuarial Valuation as of June 30, 2017.
- No benefit changes were included since the prior valuation.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 20 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, 2018, as Restated	\$ 23,113
Changes for the Year:	
Service Cost	1,383
Interest	914
Differences Between Expected and Actual Experience	(9,937)
Changes in Assumptions	1,599
Expected Benefit Payments	(631)
Net Changes	<u>(6,672)</u>
Balances at December 31, 2018	<u>\$ 16,441</u>

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018 the District recognized OPEB expense of \$1,005,342. 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	\$ 1,351	\$ -
Differences Between Expected and Actual Experience	-	8,396
Contributions Subsequent to the Measurement Date	426	-
Total	<u>\$ 1,777</u>	<u>\$ 8,396</u>

The \$425,540 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
	<i>(In Thousands)</i>
2019	\$ (1,293)
2020	(1,293)
2021	(1,293)
2022	(1,293)
2023	(1,293)
2024	(580)

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 20 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, 2017
Measurement date	December 31, 2017
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	3.44% (Based on the Bond Buyer or 20-Bond GO Index as of 12/28/2017)
Health care cost trend range	Medical: 4.5% - 7.0% Drug: 4.5% - 8.5%
Contribution trend rates	4.5% - 8.5%
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, 2017 valuation were based on the results of an Arizona State Retirement System actuarial experience study for the 5-year period ended June 30, 2016.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 20 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 28, 2017 was used.

Sensitivity Analysis

The following table shows the net impact of the OPEB liability calculated using the discount rate of 3.44%, 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:

	1% Decrease (2.44%)	Current Discount Rate (3.44%) <i>(In Thousands)</i>	1% Increase (4.44%)
Captive OPEB Liability	\$ 19,460	\$ 16,441	\$ 14,088

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:

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates <i>(In Thousands)</i>	1% Increase in Healthcare Cost Trend Rates
Captive OPEB Liability	\$ 14,079	\$ 16,441	\$ 19,501

NOTE 21 SUBSEQUENT EVENTS

On January 31, 2019, CAWCD, the Gila River Indian Community (GRIC) and Gila River Water Storage LLC (GRWS) signed a number of agreements that will provide a renewable water supply to meet its CAGR statutory replenishment obligations for the next 25 years. Starting in 2020, this historic acquisition involves water coming from three sources:

- 15,000 acre feet per year of high-priority Central Arizona Project (CAP) water through an exchange with the GRIC
- 18,185 acre feet per year of slightly lower priority CAP water through a lease with the GRIC
- 445,375 long-term storage credits (LTSCs) in the Pinal and Phoenix Active Management Areas (AMAs) from GRWS

An initial payment of \$65 million dollars was due and paid on March 4, 2019 for the purchase of LTSCs. A second payment of \$30 million is due in early August. A fourth agreement contributes \$2.5 million to the GRIC for development of recovery well infrastructure on the reservation. In addition to these initial payments, starting in 2020, there will be annual costs associated with both the Recovery & Exchange agreement as well as the Lease Agreement.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 SELF INSURANCE

The District is self-insured for medical, prescriptions, dental, vision, property, casualty, and workers compensation.

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, 2018 total \$2,668,000. Cumulative amounts paid since inception for Workers Compensation claims expenses and incurred but not reported reserves (IBNR) totaled \$1,404,574 under the self-insured Workers Compensation program. Direct costs associated with Workers Compensation were \$665,280. Interest earned was \$7,239 leaving an unencumbered ending balance of \$605,384 in the Self-Insured Workers Compensation Trust Account.

Self-Insured Paid Claims:	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medical, Dental, Vision (MDV)	\$ 8,203,505	\$ 7,846,678	\$ 6,820,820
IBNR - MDV	1,433,778	1,361,657	1,190,974
Property Casualty (PC)	228,234	1,118,016	281,706
IBNR - PC	2,754,078	577,309	1,519,282
Workers Compensation (WC)	294,451	285,292	258,276
IBNR - WC	1,745,164	1,401,616	1,212,908



CAP

CENTRAL ARIZONA PROJECT

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, 2018**

Schedule of Proportionate Share of Net Pension Liability

Arizona State Retirement System	Measurement Date (June 30,)				
	2014	2015	2016	2017	2018
	<i>(In Thousands)</i>				
District's Proportion of the Net Pension Liability	0.504364%	0.493820%	0.494950%	0.492510%	0.516110%
District's Proportionate of the Net Pension Liability	\$ 74,629	\$ 76,920	\$ 79,890	\$ 76,723	\$ 71,979
District's Covered Payroll	\$ 40,827	\$ 40,793	\$ 41,558	\$ 44,801	\$ 46,507
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%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.49%	68.35%	67.06%	69.92%	73.00%

Schedule of District Contributions

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

* 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, 2018**

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, 2017
Actuarial Roll Forward Date	June 30, 2018
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, 2018**

	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017-2009 (2016-2008)
Total OPEB Liability:	<i>(In Thousands)</i>	
Balances at January 1, as Restated	\$ 23,113	Information not available
Changes for the Year:		
Service Cost	1,383	
Interest	914	
Differences Between Expected and Actual Experience	(9,937)	
Changes in Assumptions	1,599	
Expected Benefit Payments	(631)	
Net Changes	<u>(6,672)</u>	
Balances at December 31,	<u>\$ 16,441</u>	
 Covered Payroll	 \$ 34,781	
 Plan Total OPEB Liability as a Percentage of Covered Payroll	 47.3%	

*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, 2018
(In Thousands)

ASSETS	Total	Eliminations
CURRENT ASSETS		
Cash	\$ 11,351	\$ -
Investments	88,601	-
Total Cash and Cash Equivalents	99,952	-
Receivables:		
Due from Water Customers	785	-
Property Taxes, Less Allowance of \$647	34,572	-
Other Receivables	10,527	-
Water Inventory	100,827	-
Funds Held by Federal Government	29,958	-
Interfund Receivable	-	(895)
Other Assets	13,800	-
Total Current Assets	290,421	(895)
NONCURRENT ASSETS		
Investments	340,849	(2,350)
Restricted Assets	123,763	-
Agricultural Water Rights	88,719	-
Capital Assets:		
Operating Assets, Less Accumulated Depreciation of \$211,164	296,894	-
Permanent Service Right, Less Accumulated Amortization of \$702,114	1,088,998	-
Other Assets	2,000	-
Total Noncurrent Assets	1,941,223	(2,350)
Total Assets	2,231,644	(3,245)
DEFERRED OUTFLOWS OF RESOURCES		
Pension Valuation	9,328	-
OPEB Valuation	1,777	-
Total Deferred Outflows of Resources	11,105	-
Total Assets and Deferred Outflows of Resources	\$ 2,242,749	\$ (3,245)

General Fund	Supplemental Water Account	Central Arizona Ground Water Replenishment District Account	Captive Insurance Company
\$ 5,753	\$ -	\$ 89	\$ 5,509
59,015	-	29,586	-
<u>64,768</u>	<u>-</u>	<u>29,675</u>	<u>5,509</u>
785	-	-	-
34,572	-	-	-
346	-	10,181	-
28,624	-	72,203	-
29,958	-	-	-
-	-	895	-
13,773	-	-	27
<u>172,826</u>	<u>-</u>	<u>112,954</u>	<u>5,536</u>
322,564	-	20,635	-
72,883	8,507	40,123	2,250
88,719	-	-	-
287,026	-	9,868	-
1,088,998	-	-	-
2,000	-	-	-
<u>1,862,190</u>	<u>8,507</u>	<u>70,626</u>	<u>2,250</u>
2,035,016	8,507	183,580	7,786
9,328	-	-	-
1,777	-	-	-
<u>11,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,046,121</u>	<u>\$ 8,507</u>	<u>\$ 183,580</u>	<u>\$ 7,786</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF NET POSITION – BY FUND AND ACCOUNT
DECEMBER 31, 2018
(In Thousands)

	Total	Eliminations
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 36,260	\$ -
Accrued Payroll, Payroll Taxes and Other Accrued Expenses	7,466	-
Water Operations and Capital Charges Unearned Revenue	29,595	-
Interfund Payable	-	(895)
Current Liabilities Payable from Restricted Assets, Advances to Federal Government, and Other Noncurrent Assets:		
Accrued Interest Payable	23,292	-
Repayment Obligation, Due Within One Year	32,929	-
Bonds Payable, Due Within One Year	1,565	-
Total Current Liabilities	131,107	(895)
NONCURRENT LIABILITIES		
Repayment Obligation, Due After One Year	1,043,851	-
Bonds Payable, Due After One Year	47,396	-
Non-Indian Agricultural 9(D) Debt	88,719	-
Other Noncurrent Liabilities	189,599	-
Total Noncurrent Liabilities	1,369,565	-
Total Liabilities	1,500,672	(895)
DEFERRED INFLOWS OF RESOURCES		
Customer Deposits	31,032	-
Pension Valuation	8,662	-
OPEB Valuation	8,396	-
Total Deferred Inflows of Resources	48,090	-
NET POSITION		
Net Investment in Capital Assets	260,151	-
Restricted for Master Repayment Agreement	44,092	-
Restricted for Supplemental Water Account	8,507	-
Restricted for CAGR Account	40,123	-
Restricted for Captive Insurance Company	2,250	-
Restricted for Bond Trust Account	5,242	-
Restricted for Power Agreement	257	-
Unrestricted	333,365	(2,350)
Total Net Position	693,987	(2,350)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,242,749	\$ (3,245)

General Fund	Supplemental Water Account	Central Arizona Ground Water Replenishment District Account	Captive Insurance Company
\$ 28,881	\$ -	\$ 1,371	\$ 6,008
7,466	-	-	-
29,595	-	-	-
895	-	-	-
23,292	-	-	-
32,929	-	-	-
1,565	-	-	-
<u>124,623</u>	<u>-</u>	<u>1,371</u>	<u>6,008</u>
1,043,851	-	-	-
47,396	-	-	-
88,719	-	-	-
189,599	-	-	-
<u>1,369,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,494,188</u>	<u>-</u>	<u>1,371</u>	<u>6,008</u>
31,032	-	-	-
8,662	-	-	-
8,396	-	-	-
<u>48,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
250,283	-	9,868	-
44,092	-	-	-
-	8,507	-	-
-	-	40,123	-
-	-	-	2,250
5,242	-	-	-
257	-	-	-
203,969	-	132,218	(472)
<u>503,843</u>	<u>8,507</u>	<u>182,209</u>	<u>1,778</u>
<u>\$ 2,046,121</u>	<u>\$ 8,507</u>	<u>\$ 183,580</u>	<u>\$ 7,786</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BY FUND AND ACCOUNT
YEAR ENDED DECEMBER 31, 2018
(In Thousands)

	<u>Total</u>	<u>Eliminations</u>
OPERATING REVENUES		
Water Operations And Maintenance Charges	\$ 182,270	\$ (4,559)
Water Service Capital Charges	30,300	(1,935)
Power And Basin Development Fund Revenues	27,819	-
Other Operating Revenues	40,227	(9,332)
Total Operating Revenues	<u>280,616</u>	<u>(15,826)</u>
OPERATING EXPENSES		
Salaries And Related Costs	61,053	-
Pumping Power	79,326	-
Power Transmission	12,596	-
Hoover Capacity Charges	2,481	-
Amortization Of Permanent Service Right	23,161	-
Depreciation	23,186	-
Other Operating Expenses	30,237	(15,826)
Total Operating Expenses	<u>232,040</u>	<u>(15,826)</u>
Operating Income (Loss)	<u>48,576</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	72,007	-
Interest Income And Other Nonoperating Revenues	9,111	-
Disbursements to AWBA	(2,738)	-
Interest Expense And Other Nonoperating Expenses	(23,500)	-
Total Nonoperating Revenues (Expenses)	<u>54,880</u>	<u>-</u>
CHANGES IN NET POSITION	103,456	-
Net Position - Beginning of Year, as Restated	<u>590,531</u>	<u>(2,350)</u>
NET POSITION - END OF YEAR	\$ 693,987	\$ (2,350)

General Fund	Supplemental Water Account	Central Arizona Ground Water Replenishment District Account	Captive Insurance Company
\$ 186,829	\$ -	\$ -	\$ -
32,235	-	-	-
27,819	-	-	-
1,913	-	38,515	9,131
<u>248,796</u>	<u>-</u>	<u>38,515</u>	<u>9,131</u>
59,891	-	1,162	-
79,326	-	-	-
12,596	-	-	-
2,481	-	-	-
23,161	-	-	-
23,125	-	61	-
30,219	-	4,318	11,526
<u>230,799</u>	<u>-</u>	<u>5,541</u>	<u>11,526</u>
<u>17,997</u>	<u>-</u>	<u>32,974</u>	<u>(2,395)</u>
72,007	-	-	-
7,544	154	1,396	17
(2,738)	-	-	-
(23,500)	-	-	-
<u>53,313</u>	<u>154</u>	<u>1,396</u>	<u>17</u>
71,310	154	34,370	(2,378)
432,533	8,353	147,839	4,156
<u>\$ 503,843</u>	<u>\$ 8,507</u>	<u>\$ 182,209</u>	<u>\$ 1,778</u>



**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.

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

	<u>2009</u>		<u>2010</u>		<u>2011</u>
Net Investment in Capital Assets	\$ 86	\$	116	\$	143
Restricted	78		86		95
Unrestricted	285		311		333
Total Net Position	<u>\$ 449</u>	\$	<u>513</u>	\$	<u>571</u>

TABLE A
(Continued)

2012	2013	2014	2015	2016	2017	2018
\$ 162	\$ 174	\$ 196	\$ 236	\$ 231	\$ 248	\$ 260
92	88	87	79	79	85	101
319	331	363	293	286	272	333
<u>\$ 573</u>	<u>\$ 593</u>	<u>\$ 646</u>	<u>\$ 608</u>	<u>\$ 596</u>	<u>\$ 605</u>	<u>\$ 694</u>

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

	2009	2010	2011
Operating Revenues			
Water operations and Maintenance Charges	\$ 127,395	\$ 140,283	\$ 148,520
Water Service Capital Charges	13,745	10,154	13,677
Power and Basin Development Fund Revenues	48,630	59,421	46,800
Reimbursements and Other Operating Revenues	15,010	13,647	16,547
Total Operating Revenues	204,780	223,505	225,544
Total Operating Expenses	207,835	203,654	204,311
Operating Income (Loss)	(3,055)	19,851	21,233
Nonoperating Revenues (Expenses)			
Property Taxes, Less Assignment to AWBA	69,941	66,160	56,101
Gain (Loss) on Sale of Assets	-	1,730	-
Interest Income and Other Nonoperating Income	11,802	7,375	9,515
Disbursements to AWBA			
Interest Expense and Other Nonoperating Expenses	(32,224)	(30,735)	(28,968)
Total Nonoperating Revenues (Expenses)	49,519	44,530	36,648
Changes in Net Position	46,464	64,381	57,881
Net Position at Beginning of Year	398,939	448,775	513,156
Cumulative Effect of Change in Accounting Principle/Restatement Adjustment	3,372	-	-
Net Position at Beginning of Year	402,311	448,775	513,156
Net Position at End of Year	\$ 448,775	\$ 513,156	\$ 571,037

TABLE B
(Continued)

	2012	2013	2014	2015	2016	2017	2018
\$	142,805	\$ 148,300	\$ 167,036	\$ 164,298	\$ 168,413	\$ 182,814	\$ 182,270
	12,022	10,688	14,565	15,573	15,861	19,652	30,300
	21,611	28,555	29,665	22,288	15,097	30,261	27,819
	19,407	24,171	27,518	30,948	30,709	36,414	40,227
	195,845	211,714	238,784	233,107	230,080	269,141	280,616
	220,718	216,981	227,415	230,330	286,663	318,283	232,040
	(24,873)	(5,267)	11,369	2,777	(56,583)	(49,142)	48,576
	47,825	52,507	60,994	63,376	64,571	68,760	72,007
	(3)	(22)	48	-	-	-	-
	7,708	681	7,174	3,455	5,687	6,512	9,111
	(531)	(706)	(495)	(3,041)	(269)	(17,889)	(2,738)
	(28,114)	(27,260)	(26,407)	(25,424)	(24,855)	(25,029)	(23,500)
	26,885	25,200	41,314	38,366	45,134	32,354	54,880
	2,012	19,933	52,683	41,143	(11,449)	(16,788)	103,456
	571,037	573,049	592,982	645,665	607,840	596,391	605,002
	-	-	-	(78,968)	-	25,399	(14,471)
	571,037	573,049	592,982	566,697	607,840	621,790	590,531
\$	573,049	\$ 592,982	\$ 645,665	\$ 607,840	\$ 596,391	\$ 605,002	\$ 693,987

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)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Municipal and Industrial			
Long-Term Subcontract (C+D)	\$ 108	\$ 118	\$ 122
Excess Water (A+C+D)	126	133	137
Recharge (A+C+D)	82	133	137
AWBA Interstate Recharge (A+C+D+G)	233	231	167
Federal (C+D)	108	118	122
Agricultural			
Settlement Pool (D)	45	49	53
Long-Term Subcontract (B+C+D)	110	118	-
Agricultural Incentive			
Meet Settlement Pool Goals	(6)	(6)	(8)
Meet AWBA/CAGR D GSF Goals	(1)	(2)	(2)
Meet Recovery Goals	(1)	(2)	(2)
Miscellaneous	75	90	-
<u>RATE COMPONENTS</u>			
Capital Charges			
(A) Municipal and Industrial - Long-Term Subcontract	18	15	15
(B) Agricultural - Long-Term Subcontract	2	2	-
Delivery Charges			
(C) Fixed OM&R	63	69	69
(D) Pumping Energy Rate 1	45	49	53
(E) Pumping Energy Rate 2	70	85	-
(F) Pumping Energy Rate 3	125	122	-
(G) Property Tax Equivalency	27	25	30
(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)**

	2012	2013	2014	2015	2016	2017	2018
\$	122	\$ 129	\$ 146	\$ 157	\$ 161	\$ 164	\$ 160
	137	144	166	179	184	195	205
	137	144	166	179	184	195	205
	165	168	189	-	-	-	254
	122	129	146	157	161	164	160
	49	53	67	75	76	77	65
	-	-	-	-	-	-	-
	(4)	(6)	(14)	(18)	(15)	(12)	-
	(1)	(1)	(2)	(2)	(2)	(2)	(1)
	(1)	(1)	(2)	(2)	(2)	(2)	(1)
	-	-	-	-	-	-	-
	15	15	20	22	23	31	45
	-	-	-	-	-	-	-
	73	76	79	82	85	87	95
	49	53	67	75	76	77	65
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	28	24	23	-	-	-	49
	-	-	-	-	-	-	-
	8	8	8	9	10	12	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**

	2009/10	2010/11	2011/12
Phoenix Active Management Area			
Water & Replenishment Component	\$ 143	\$ 140	\$ 140
Administrative Component	33	38	42
Infrastructure & Water Rights Component	101	131	170
Replenishment Reserve Charge	41	47	51
Total Assessment Rate (\$/AF)	318	356	403
Pinal Active Management Area			
Water & Replenishment Component	107	110	116
Administrative Component	33	38	42
Infrastructure & Water Rights Component	101	131	170
Replenishment Reserve Charge	38	45	53
Total Assessment Rate (\$/AF)	279	324	381
Tucson Active Management Area			
Water & Replenishment Component	153	155	155
Administrative Component	33	38	42
Infrastructure & Water Rights Component	101	131	170
Replenishment Reserve Charge	46	53	60
Total Assessment Rate (\$/AF)	333	377	427
Contract Replenishment Tax - Scottsdale			
Cost of Water	126	133	137
Cost of Transportation	-	-	-
Cost of Replenishment	-	-	-
Administrative Component	33	38	42
Total Tax Rate (\$/AF)	159	171	179
Enrollment Fee - Commercial Subdivisions			
Enrollment Fee	83	107	138
Activation Fee	81	105	136
Member Land Annual Membership Dues (\$/Lot)			
Phoenix AMA	-	-	6.88
Pinal AMA	-	-	0.90
Tucson AMA	-	-	4.34
Member Service Area Annual Membership Dues (\$/AF)			
	-	-	10.35

**TABLE D
(Continued)**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
\$	137	\$ 160	\$ 172	\$ 179	\$ 186	\$ 214	\$ 192
	44	45	45	45	32	36	40
	204	245	294	353	353	353	353
	52	58	63	67	89	101	90
	437	508	574	644	660	704	675
	117	140	155	160	175	204	204
	44	45	45	45	32	36	40
	204	245	294	353	353	353	353
	56	65	70	75	96	108	97
	421	495	564	633	656	701	694
	161	183	196	202	213	238	221
	44	45	45	45	32	36	40
	204	245	294	353	353	353	353
	65	75	80	85	108	131	103
	474	548	615	685	706	758	717
	137	144	166	179	184	195	205
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	44	45	45	45	32	36	40
	181	189	211	224	216	231	245
	-	-	-	-	500	700	924
	165	198	237	284	284	284	284
	163	196	235	282	282	282	282
	9.87	13.19	15.45	20.78	16.50	22.63	23.52
	1.29	1.74	2.05	2.80	10.57	14.88	15.35
	6.24	8.38	9.87	13.21	16.89	23.58	24.54
	14.88	20.08	23.67	32.34	52.68	74.44	76.53

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

Description	2009	2010	2011
Municipal & Industrial	509,075	426,724	452,466
Agricultural	397,694	400,684	400,532
Federal	233,539	332,819	501,553
Recharge	410,905	419,831	265,162
Interstate Water Banking	59,024	19,000	-
Total Water Delivered	1,610,237	1,599,058	1,619,713
Transfer/Exchange of credits to CAGR	11,897	110	120
	<u>1,622,134</u>	<u>1,599,168</u>	<u>1,619,833</u>
Capital Charges A/F Allocation	621,031	621,016	621,002

Note: Excludes transfer of stored water credits to CAGR

TABLE E
(Continued)

2012	2013	2014	2015	2016	2017	2018
489,207	496,394	503,518	494,984	540,665	590,309	616,725
401,223	400,817	400,741	318,279	280,797	257,851	242,849
548,374	532,645	534,281	551,728	530,141	490,525	563,156
160,002	90,148	87,420	84,218	79,307	18,630	43,000
-	-	-	-	-	-	13,500
1,598,806	1,520,004	1,525,960	1,449,209	1,430,910	1,357,315	1,479,230
-	13,323	9,706	8,794	4,995	14,892	-
1,598,806	1,533,327	1,535,666	1,458,003	1,435,905	1,372,207	1,479,230
620,988	620,974	620,960	620,946	620,932	620,918	620,743

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Payers			
Ak-Chin Indian Community	\$ 9,037,332	\$ 10,322,214	\$ 10,600,855
Arizona Water Banking Authority	15,555,195	27,433,509	15,577,192
Central AZ Groundwater Replenishment District	-	-	-
Central Arizona Irrigation & Drainage District	5,566,232	-	6,840,630
City of Mesa	6,603,334	6,195,054	5,594,974
City of Phoenix	17,578,305	18,756,876	16,795,082
City of Scottsdale	7,105,252	7,828,858	8,719,832
City of Tucson	13,680,000	13,249,141	17,149,975
Gila River Indian Community	-	12,768,190	27,982,565
Maricopa Stanfield Irr. & Drainage District	6,119,967	-	-
Resolution Copper Mining, LLC	6,286,640	-	6,850,000
San Carlos Apache Nation	-	-	-
Tohono O'odham Indian Nation	-	5,618,159	6,136,128
Town of Gilbert	11,971,954	12,385,931	-
Vidler Water Company	-	6,610,765	-

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

**TABLE F
(Continued)**

2012	2013	2014	2015	2016	2017	2018
\$ 10,486,257	\$ 11,059,993	\$ 12,342,417	\$ 12,405,055	\$ 14,297,578	\$ 14,616,012	\$ 14,287,195
16,494,584	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
5,457,789	5,824,235	-	-	-	6,100,185	-
6,475,243	6,007,296	7,092,079	7,122,877	8,343,851	9,034,385	9,469,295
17,964,754	17,937,549	20,947,703	22,076,731	24,852,608	34,179,622	35,423,535
9,079,276	9,952,476	11,423,999	12,304,090	14,115,048	14,949,923	14,353,135
19,751,564	20,760,768	23,808,133	23,971,721	26,639,704	23,770,398	26,220,915
34,674,453	33,528,955	38,904,368	33,752,177	41,662,576	29,129,478	42,326,600
5,221,823	-	6,342,489	-	-	-	-
-	-	-	-	-	-	-
-	-	-	5,139,789	5,601,190	-	-
5,752,881	5,577,100	6,823,345	4,876,819	5,269,832	9,066,744	8,795,815
-	-	-	-	-	10,487,502	8,870,430
-	-	-	-	-	-	-

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

Customer Type	2009	2010	2011
Municipal & Industrial			
Arizona Water Banking Authority	59,024	19,000	-
Arizona Water Company	-	-	-
ASARCO	-	-	-
Central AZ Groundwater Replenishment District	36,811	27,282	28,106
City of Chandler	-	-	-
City of Glendale	16,800	10,818	10,735
City of Mesa	36,536	40,190	35,290
City of Peoria	17,548	9,439	12,070
City of Phoenix	113,372	113,562	93,985
City of Scottsdale	53,094	45,943	51,803
City of Surprise	-	10,249	-
City of Tucson	102,638	93,889	124,203
EPCOR	16,862	17,649	18,966
Metro Domestic Water Improvement District	-	-	10,494
Town of Gilbert	42,395	-	7,235
Town of Oro Valley	-	-	-
Agricultural			
BKW Farms, Inc.	1,635	-	-
Central AZ Irrigation & Drainage District	129,162	120,570	111,070
Harquahala Valley Irrigation District	36,626	53,319	44,733
HoHokam Irrigation & Drainage District	39,967	35,898	35,926
Kai Farms	-	-	-
Maricopa Stanfield Irrigation & Drainage District	133,155	129,312	126,000
Metro Domestic Water Improvement District	-	4,000	4,000
New Magma Irrigation & Drainage District	30,325	30,825	30,325
Queen Creek Irrigation District	12,500	12,000	12,000
Roosevelt Water Conservation District	5,004	5,000	5,003
Salt River Project	-	-	-
San Carlos Irrigation & Drainage District	4,228	2,683	24,083
Tonopah Irrigation District	3,460	3,460	3,460

**TABLE G
(Continued)**

2012	2013	2014	2015	2016	2017	2018
-	-	-	-	-	-	-
-	-	-	-	13,185	14,894	17,565
-	-	-	-	-	21,000	21,000
27,841	42,873	42,454	42,989	43,587	36,694	43,007
-	-	10,422	11,511	-	-	-
10,735	13,128	10,179	13,083	13,421	16,786	16,937
42,748	34,925	36,934	33,193	39,834	41,658	41,144
12,849	12,542	13,495	13,616	15,363	16,059	25,236
104,018	96,404	93,860	78,023	108,257	155,698	158,715
56,093	45,576	45,626	48,308	54,820	55,890	56,158
-	-	-	-	-	-	-
144,172	144,172	142,315	145,037	144,781	117,680	123,327
18,611	20,619	20,473	20,885	20,885	20,885	20,426
11,236	13,460	11,690	11,622	-	-	-
7,235	-	-	-	6,992	-	-
-	7,000	-	-	-	-	-
-	-	-	-	-	4	-
120,597	124,369	126,978	99,558	94,069	97,885	85,426
50,873	43,735	34,580	37,691	34,282	25,922	27,239
36,323	40,273	40,996	36,230	37,551	31,228	29,084
-	-	-	-	11	-	-
114,611	118,184	124,546	111,735	100,949	95,626	92,686
4,000	4,000	4,000	-	-	-	-
37,838	30,694	30,340	7,591	-	-	-
12,000	12,000	12,006	8,500	4,598	3,500	2,900
5,000	5,000	5,000	1,253	41	-	6
-	3,800	3,800	3,800	-	-	-
12,749	11,866	11,243	8,613	7,035	1,386	5,508
3,460	-	-	1,364	2,261	2,300	-

**TABLE G
(Continued)**

Customer Type	2009	2010	2011
Recharge			
Active Resource Management	20,000	-	6,000
Arizona Water Banking Authority	165,042	192,712	120,524
Bureau of Reclamation	-	3,000	15,000
Central AZ Groundwater Replenishment District	8,457	14,185	14,270
Central Arizona Irrigation and Drainage District	-	-	14,110
City of Chandler	14,145	-	-
City of El Mirage	-	5,000	11,154
City of Mesa	16,000	-	-
Cortaro Marana Irrigation District	-	-	-
HoHokam Irrigation & Drainage District	-	-	-
Maricopa Stanfield Irrigation & Drainage District	-	-	-
Resolution Copper Mining Company	76,034	40,389	50,000
Town of Gilbert	63,163	75,270	-
Vidler Water Company	48,700	51,573	-
United States Bureau of Reclamation (BOR)	-	3,000	15,000
Water Utility of Greater Tonopah, Inc.	22,917	25,002	25,000
Federal			
Ak-Chin Indian Community	83,679	84,831	84,212
City of Chandler	7,622	-	-
City of Glendale	5,346	-	-
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
Fort McDowell Yavapai Nation	-	-	13,933
Freeport McMoran Morenci	-	-	-
Gila River Indian Community	31,582	108,205	229,324
San Carlos Apache Tribe	8,628	6,060	32,755
San Xavier Co-op Farm	6,621	6,046	-
Schuk Toak	14,622	10,571	12,855
Tohono O'Odham Indian Nation	23,087	42,761	45,483
Town of Gilbert	12,049	12,049	12,049

**TABLE G
(Continued)**

2012	2013	2014	2015	2016	2017	2018
6,000	-	-	-	-	-	-
132,973	53,640	54,839	57,444	39,115	1,901	38,160
12,231	6,297	11,381	8,433	5,000	1,000	5,000
5,648	6,621	4,018	5,445	8,099	-	-
-	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
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50	-	-	-	-	-	-
12,231	6,297	11,381	-	-	-	5,000
-	-	-	-	-	-	-
82,203	80,665	78,828	83,745	88,638	88,767	88,310
7,622	-	7,622	-	7,622	7,622	7,622
-	-	-	-	-	-	-
-	-	-	-	-	7,000	-
-	-	-	9,842	-	-	-
-	-	-	-	-	7,000	-
28,209	28,209	28,209	64,353	28,209	28,209	28,209
10,981	25,178	25,178	28,461	25,178	25,178	18,678
13,933	13,933	13,933	13,933	-	-	-
-	-	-	-	-	12,000	20,505
283,351	258,035	254,126	222,585	257,626	177,414	260,214
27,706	29,078	30,780	35,776	34,790	13,963	14,000
-	7,878	-	-	7,148	-	-
13,895	10,824	12,750	10,615	10,464	-	-
44,055	41,232	45,336	34,056	32,475	53,877	54,444
12,049	12,049	12,049	12,049	12,049	55,323	45,982

**TABLE G
(Continued)**

Customer Type	2009	2010	2011
Total			
Ak-Chin Indian Community	83,679	84,831	84,212
Arizona Water Banking Authority	165,042	212,712	120,524
Central AZ Groundwater Replenishment District	-	-	-
Central AZ Irrigation & Drainage District	129,162	120,570	125,586
City of Mesa	57,454	-	-
City of Phoenix	141,581	141,771	122,194
City of Scottsdale	56,917	58,621	64,981
City of Tucson	102,638	93,889	124,203
Gila River Indian Community	-	108,205	229,324
Harquahala Valley Irrigation District	-	53,319	-
HoHokam Irrigation & Drainage District	-	-	-
Maricopa Stanfield Irrigation & Drainage District	133,155	129,312	126,000
Resolution Copper Mining, LLC	76,034	-	50,000
Tohono O'Odham Indian Nation	-	-	45,483
Town of Gilbert	117,607	94,370	-
Capital Charges A/F Allocation			
EPCOR (Arizona American Water)	17,654	17,654	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
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	122,120
City of Scottsdale	52,810	52,810	52,810
City of Tucson	144,172	144,172	144,172
Metro Water Improvement District	13,460	-	-

**TABLE G
(Continued)**

2012	2013	2014	2015	2016	2017	2018
82,203	80,665	78,828	83,745	88,638	88,767	88,310
132,973	54,640	59,839	62,444	-	-	-
-	49,494	46,472	48,434	51,686	-	-
120,597	131,064	128,678	99,558	99,909	101,685	85,426
47,666	-	-	43,035	44,752	46,576	46,062
132,227	124,613	122,069	142,376	136,466	183,907	186,924
67,074	70,754	70,804	76,769	79,998	81,068	74,836
144,172	144,172	142,315	145,037	144,781	117,680	123,327
283,351	258,035	254,126	222,585	257,626	177,414	260,214
50,873	-	-	-	-	-	-
-	46,606	46,696	-	43,391	-	-
114,611	124,784	131,246	115,935	106,789	99,426	101,086
-	-	-	-	-	-	-
-	-	-	-	-	53,877	54,444
-	-	-	-	-	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	144,172	144,191	144,191	144,191
-	-	-	-	-	-	-

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND CAPITAL CHARGES
YEAR ENDED DECEMBER 31, 2018**

Customer	WATER DELIVERY CHARGES					
	Municipal & Industrial		Agricultural		Recharge	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$
Ak Chin Indian Community	-	-	-	-	-	79,125
Arizona State Land Department (ADOT)	330	59,450	-	-	-	-
Arizona Water Banking Authority	-	-	-	-	38,160	10,170,819
Arizona Water Company	17,565	2,810,495	-	-	-	-
ASARCO, Inc.	21,000	3,360,000	-	-	-	-
Avondale, City of	5,416	866,560	-	-	-	-
Bureau of Reclamation	-	-	-	-	5,000	1,034,000
Buckeye, Town of	294	47,040	-	-	-	-
Carefree Water Company	650	104,000	-	-	-	-
Cave Creek Water Company	1,860	325,150	-	-	-	-
CAGRD	43,007	7,785,228	-	-	-	-
Central AZ Irrigation & Drainage District	-	-	85,426	5,120,936	-	-
Chandler, City of	11,515	1,847,055	-	-	-	-
Chaparral City Water Company	6,796	1,097,620	-	-	-	-
Circle City Water Company	-	-	-	-	-	-
Community Water Company - Green Valley	-	-	-	-	-	-
Cortaro-Marana Irrigation District	-	-	-	-	1,000	16,000
El Mirage, City of	508	81,280	-	-	-	-
Eloy, City of	1,663	266,840	-	-	-	-
EPCOR	20,426	3,311,765	-	-	-	-
Florence, Town of	2,048	327,680	-	-	-	-
Flowing Wells Irrigation District	2,800	448,000	-	-	-	-
Freeport-Miami	2,906	464,960	-	-	-	-
Freeport McMoran Morenci	-	-	-	-	-	-
Freeport McMoran Safford	-	-	-	-	-	-
Gila River Indian Community	-	-	-	-	-	-
Gilbert, Town of	7,382	1,187,735	-	-	-	-
Glendale, City of	16,937	2,738,325	-	-	-	-
Goodyear, City of	-	-	-	-	-	-
Green Valley Water Company	-	-	-	-	-	-
Harquahala Valley Irrigation District	-	-	27,239	1,770,535	-	-
HoHokam Irrigation & Drainage District	-	-	29,084	1,832,426	2,700	91,800
Kai Farms	-	-	-	-	105	1,680
Marana, Town of	2,336	373,760	-	-	-	-
Maricopa County Parks & Recreation	568	93,445	-	-	-	-
Maricopa Stanfield Irrig. & Drainage District	-	-	92,686	5,565,610	8,400	285,600

**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 \$			
88,310	14,208,070	88,310	14,287,195	-	-	\$14,287,195
-	-	330	59,450	32,076	1,443,420	1,502,870
-	-	38,160	10,170,819	-	-	10,170,819
-	-	17,565	2,810,495	18,137	816,165	3,626,660
-	-	21,000	3,360,000	21,000	945,000	4,305,000
-	-	5,416	866,560	5,416	243,720	1,110,280
-	-	5,000	1,034,000	-	-	1,034,000
-	-	294	47,040	294	13,230	60,270
-	-	650	104,000	1,300	58,500	162,500
-	-	1,860	325,150	2,606	117,270	442,420
-	-	43,007	7,785,228	8,311	373,995	8,159,223
-	-	85,426	5,120,936	-	-	5,120,936
7,622	1,219,520	19,137	3,066,575	8,654	389,430	3,456,005
-	-	6,796	1,097,620	8,909	400,905	1,498,525
-	-	-	-	3,932	176,940	176,940
-	-	-	-	2,858	128,610	128,610
-	-	1,000	16,000	-	-	16,000
-	-	508	81,280	508	22,860	104,140
-	-	1,663	266,840	2,171	97,695	364,535
-	-	20,426	3,311,765	20,885	939,825	4,251,590
-	-	2,048	327,680	2,048	92,160	419,840
-	-	2,800	448,000	2,854	128,430	576,430
-	-	2,906	464,960	-	-	464,960
20,505	3,280,800	20,505	3,280,800	-	-	3,280,800
8,505	1,360,800	8,505	1,360,800	-	-	1,360,800
260,214	42,326,600	260,214	42,326,600	-	-	42,326,600
45,982	7,357,120	53,364	8,544,855	7,235	325,575	8,870,430
5,346	855,360	22,283	3,593,685	17,236	775,620	4,369,305
-	-	-	-	10,742	483,390	483,390
-	-	-	-	1,900	85,500	85,500
-	-	27,239	1,770,535	-	-	1,770,535
-	-	31,784	1,924,226	-	-	1,924,226
-	-	105	1,680	-	-	1,680
-	-	2,336	373,760	2,336	105,120	478,880
-	-	568	93,445	665	29,925	123,370
-	-	101,086	5,851,210	-	-	5,851,210

**TABLE H
(Continued)**

Customer	WATER DELIVERY CHARGES					
	Municipal & Industrial		Agricultural		Recharge	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$
Maricopa Water District	-	21,000	-	-	-	-
Mesa, City of	41,144	6,724,780	-	-	-	-
Metro Domestic Water Improvement District	13,460	2,153,600	-	-	-	-
New Magma Irrigation & Drainage District	-	220,512	-	-	-	-
Oro Valley, Town of	10,305	1,648,800	-	-	-	-
Pascua Yaqui Tribe	-	-	-	-	-	-
Peoria, City of	25,236	4,037,760	-	-	-	-
Phelps Dodge Corporation	-	-	-	-	-	-
Phoenix, City of	158,715	25,410,915	-	-	-	-
Queen Creek Irrigation District	-	77,700	2,900	162,400	-	-
Queen Creek, Town of	495	79,200	-	-	-	-
Rio Verde Utilities, Inc.	480	76,800	-	-	-	-
Roosevelt Water Conservation District	-	-	6	390	-	-
San Carlos Apache Nation	-	-	-	-	-	-
San Carlos Irrigation & Drainage District	-	-	5,508	358,020	-	-
San Tan Irrigation District	-	-	-	-	-	-
Scottsdale, City of	56,158	8,988,205	-	-	-	-
Spanish Trails Water Company	3,037	485,920	-	-	-	-
Surprise, City of	10,249	1,639,840	-	-	-	-
Tempe, City of	4,315	690,400	-	-	-	-
Temporary Water Permits	806	350,874	-	-	-	-
Tohono O'odham Nation	-	-	-	-	-	36,705
Tonopah Irrigation District	-	338,000	-	-	1,135	38,590
Tonto Hills DWID	68	11,165	-	-	-	-
Tonto Hills Utility Company	-	-	-	-	-	-
Tucson, City of	123,327	19,732,320	-	-	-	-
Vail Water Company	1,857	297,120	-	-	-	-
Water Utilities Comm Facilities District	1,066	171,510	-	-	-	-
Water Utility of Greater Tonopah, Inc.	-	-	-	-	-	-
Subtotal	616,725	\$ 100,752,809	242,849	\$ 14,810,317	56,500	\$ 11,754,319
Water Storage Tax - AWBA						(5,724,219)
Year-End Reconciliations		(9,394,970)				
Rate Stabilization Fund		(618,735)				(56,500)
CAGR Elimination						
TOTAL	616,725	\$ 90,739,104	242,849	\$ 14,810,317	56,500	\$ 5,973,600

(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 \$			
-	-	-	21,000	-	-	21,000
4,918	786,880	46,062	7,511,660	43,503	1,957,635	9,469,295
-	-	13,460	2,153,600	13,460	605,700	2,759,300
-	-	-	220,512	-	-	220,512
-	-	10,305	1,648,800	10,305	463,725	2,112,525
947	156,555	947	156,555	-	-	156,555
4,298	687,680	29,534	4,725,440	25,236	1,135,620	5,861,060
-	-	-	-	2,906	130,770	130,770
28,209	4,513,440	186,924	29,924,355	122,204	5,499,180	35,423,535
-	-	2,900	240,100	-	-	240,100
-	-	495	79,200	495	22,275	101,475
-	-	480	76,800	812	36,540	113,340
-	-	6	390	-	-	390
14,000	2,240,000	14,000	2,240,000	-	-	2,240,000
-	-	5,508	358,020	-	-	358,020
-	-	-	-	236	10,620	10,620
18,678	2,988,480	74,836	11,976,685	52,810	2,376,450	14,353,135
-	-	3,037	485,920	3,037	136,665	622,585
-	-	10,249	1,639,840	10,249	461,205	2,101,045
178	28,480	4,493	718,880	4,315	194,175	913,055
-	-	806	350,874	-	-	350,874
54,444	8,759,110	54,444	8,795,815	-	-	8,795,815
-	-	1,135	376,590	-	-	376,590
-	-	68	11,165	-	-	11,165
-	-	-	-	71	3,195	3,195
-	-	123,327	19,732,320	144,191	6,488,595	26,220,915
-	-	1,857	297,120	1,857	83,565	380,685
1,000	160,000	2,066	331,510	2,919	131,355	462,865
-	-	-	-	64	2,880	2,880
563,156	\$ 90,928,895	1,479,230	\$ 218,246,340	620,743	\$ 27,933,435	\$ 246,179,775
	(9,170,296)		(5,724,219)			(5,724,219)
	(571,829)		(18,565,266)			(18,565,266)
			(1,247,064)			(1,247,064)
			(8,073,210)			(8,073,210)
563,156	\$ 81,186,770	1,479,230	\$ 184,636,581	620,743	\$ 27,933,435	\$ 212,570,016

**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
2009	\$ 0.06	\$ 0.04	\$ 632,321,619,316	\$ 71,087,269,662
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

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

See Note 17 for further explanation

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

Collections Through 12/31/18

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
2009	\$ 70,963,686	\$ 68,256,398	96.18%	\$ 1,697,576	\$ 69,953,974	98.58%
2010	61,230,515	59,639,518	97.40%	412,967	60,052,485	98.08%
2011	49,088,155	48,353,937	98.50%	125,998	48,479,935	98.76%
2012	44,439,360	43,926,101	98.85%	80,130	44,006,231	99.03%
2013	58,546,802	57,670,193	98.50%	495,758	58,165,951	99.35%
2014	62,448,359	61,681,367	98.77%	310,743	61,992,110	99.27%
2015	62,152,675	61,459,859	98.89%	331,623	61,791,482	99.42%
2016	64,589,605	63,915,442	98.96%	289,196	64,204,638	99.40%
2017	67,936,275	67,166,199	98.87%	89,586	67,255,785	99.00%
2018	71,704,145	40,407,545	56.35%	-	40,407,545	56.35%

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

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

Description	2009	2010	2011
Principal Debt	\$ 14,075,000	\$ 13,820,000	\$ -
Interest Debt	1,534,226	760,100	-
Total Debt Payment	15,609,226	14,580,100	-
SRP	6,000,000	-	-
Pledged Fixed OM&R Revenue	-	-	-
Power and Basin Development Fund Revenues	42,629,700	59,420,700	46,800,100
Debt Service Coverage Ratio	0.4	-	-
Total Debt on Revenue Bonds	13,820,000	-	-

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

**TABLE K
(Continued)**

	2012	2013	2014	2015	2016	2017	2018
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 1,345,000	\$ 1,505,000
	-	-	-	-	882,039	2,132,050	2,088,500
	-	-	-	-	882,039	3,477,050	3,593,500
	-	-	-	-	-	-	-
	-	-	-	-	-	67,207,000	74,442,000
	21,611,300	28,554,600	29,664,900	22,287,900	15,096,900	30,260,700	27,818,600
	-	-	-	-	20.0	19.3	20.7
	-	-	-	-	45,460,000	44,115,000	42,610,000

**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
2009	2010	\$ 688,561,680	\$ 228,128,477	\$ 323,811,083	\$ 105,832,798
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

**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
\$ 25,167,480	\$ 30,635,785	\$ 55,803,265	\$ 25,167,480	\$ 1,321,166,558	\$ 1,346,334,037
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

**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)			
<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>	<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>
2018	4,294,460	440,591	1,034,201	2018	4.40	5.30	4.80
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
2009	3,821,136	364,995	984,274	2009	9.80	12.90	9.70

Per Capita Income (2)				Personal Income (2)			
<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>	<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>
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
2008	38,451	26,372	36,037	2008	145,000,934	8,842,838	34,876,190

Sources:

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

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

Employer	2018			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Arizona	36,310	1	10.66%	50,079	1	16.15%
Banner Health	34,776	2	10.21%	17,020	3	5.49%
Wal-Mart Stores, Inc	34,090	3	10.01%	30,174	2	9.73%
Wells Fargo	14,818	4	4.35%	14,000	6	4.52%
City of Phoenix	13,776	5	4.05%	14,453	4	4.66%
Maricopa County	12,939	6	3.80%	14,057	5	4.53%
Arizona State University	12,715	7	3.73%	12,727	7	4.11%
Honor Health	11,296	8	3.32%	-	-	-
Dignity Health	11,182	9	3.28%	-	-	-
Intel Corp	11,000	10	3.23%	-	-	-
Fry's Food & Drug Stores	-	-	-	11,780	8	3.80%
U.S. Postal Service	-	-	-	11,000	9	3.55%
Honeywell Aerospace	-	-	-	10,700	10	3.45%

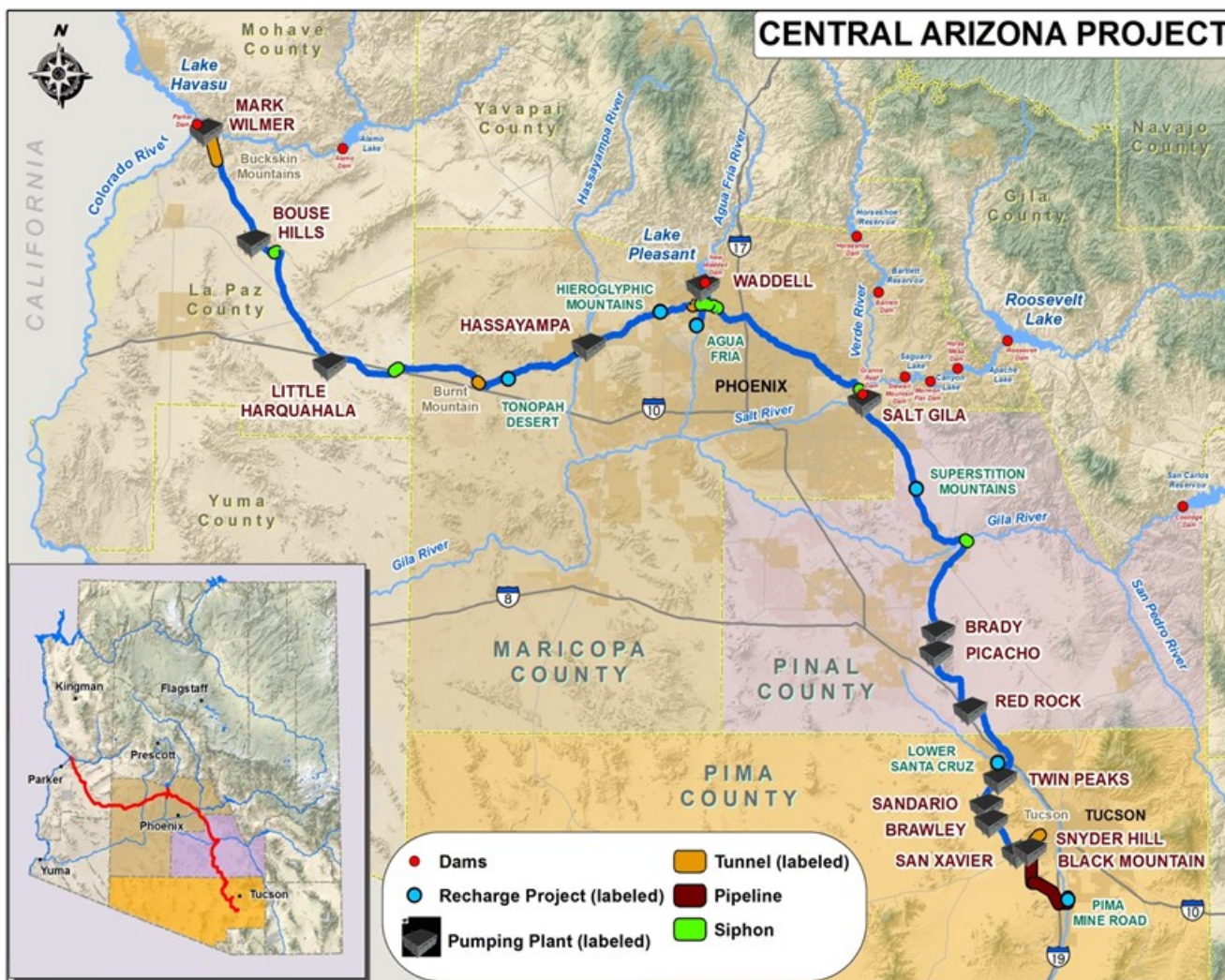
Sources: Phoenix Business Journal 2018 Book of Lists pg. 128
Phoenix Business Journal 2008 Book of Lists pg. 186

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

<u>Year</u>	<u>Maricopa</u>	<u>Pima</u>	<u>Pinal</u>
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
2009	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)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital Assets			
(net of depreciation and amortization)			
Operating Assets			
Land	\$ 1.1	\$ 1.1	\$ 1.9
Land Improvements	0.1	1.1	1.1
Work-in-process	23.7	26.4	20.2
Intangibles	30.4	30.2	28.9
Structures & improvements	48.8	51.2	59.0
Computers	1.5	8.2	6.1
Furniture/office equipment	0.2	0.2	0.1
Transportation	2.3	1.9	1.6
Field & other equipment	23.1	23.6	35.2
Communications	5.3	11.9	17.5
Total operating assets	<u>136.5</u>	<u>155.8</u>	<u>171.6</u>
Permanent Service Right	1,309.2	1,281.5	1,253.9
Total Capital Assets	<u>\$ 1,445.7</u>	<u>\$ 1,437.3</u>	<u>\$ 1,425.5</u>

TABLE Q
(Continued)

	2012	2013	2014	2015	2016	2017	2018
\$	1.9	\$ 1.9	\$ 1.9	\$ 2.0	\$ 2.0	\$ 3.2	\$ 3.2
	1.2	2.3	5.0	4.7	4.5	7.9	7.2
	36.1	43.7	20.9	33.6	48.4	55.7	19.3
	28.2	27.6	31.7	32.5	32.3	33.9	33.2
	56.3	52.4	76.6	80.0	82.7	84.6	132.7
	4.8	5.6	7.1	4.6	7.3	4.4	4.6
	0.2	0.2	0.3	0.2	0.1	0.1	-
	1.4	1.5	1.8	2.3	2.5	2.7	3.1
	34.8	35.2	46.3	64.4	62.7	67.3	69.8
	25.6	29.1	27.1	25.6	25.2	25.6	23.8
	190.5	199.5	218.7	249.9	267.7	285.4	296.9
	1,227.4	1,204.4	1,181.3	1,158.3	1,135.3	1,112.1	1,089.0
\$	1,417.9	\$ 1,403.9	\$ 1,400.0	\$ 1,408.2	\$ 1,403.0	\$ 1,397.5	\$ 1,385.9

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

Function/Program	2009	2010	2011	2012
General Manager	5.8	6.0	5.3	3.0
Water Policy	1.1	3.8	4.9	4.6
Communications and Public Affairs	7.5	7.9	7.9	10.0
Employee Services	37.5	38.5	37.7	42.3
Administration	63.4	64.8	65.3	65.0
Legal Services	6.8	6.2	5.8	6.0
Maintenance	242.1	236.5	234.4	228.5
Operations, Planning and Engineering	100.4	103.7	107.4	101.2
Total	464.6	467.4	468.7	460.6

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)**

2013	2014	2015	2016	2017	2018
5.0	11.0	2.4	4.3	6.6	6.8
5.0	17.5	20.4	15.2	16.9	16.0
8.0	8.0	8.0	13.8	14.2	15.0
41.3	0.0	0.0	32.8	32.8	32.2
68.5	113.5	124.9	125.2	127.6	129.4
6.0	5.6	5.0	4.7	4.9	4.7
233.2	229.9	221.4	187.6	188.6	190.9
103.6	91.2	89.0	91.7	92.3	89.3
470.6	476.7	471.1	475.3	483.9	484.3

