Central Arizona Project

Year-to-Date 2nd Quarter

2026 Financial Review

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CAP
CENTRAL ARIZONA PROJECT

Financial Overview

The following discussion presents an overview of the financial activity and condition of the Central Arizona Water Conservation District (CAWCD or District). It summarizes the 2026 financial and budget performance through the second quarter and provides a projection for the full year. More detailed explanations are covered in the following pages.

Highlights

TOTAL REVENUES: As shown on the graphs to the right, total 2026 revenues through the second quarter were $174 million, $10 million lower than budget. The full-year total revenue forecast is $523 million, $15 million higher than budget. The full year variance is primarily due to expected water O&M charges, interest income, and other revenues all exceeding budgeted amounts.

TOTAL EXPENSES: As shown on the graphs to the right, total expenses through the second quarter were $143 million, $9 million lower than budget. The full-year total expense forecast is $328 million, $5 million lower than budget.

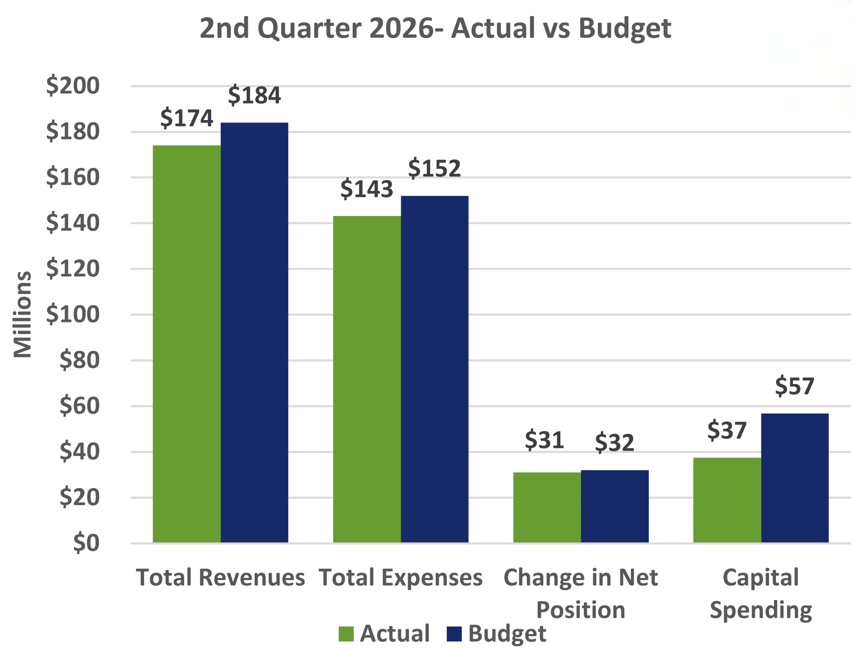
See Total Revenues and Total Expenses sections on pages 6-7 for additional information.

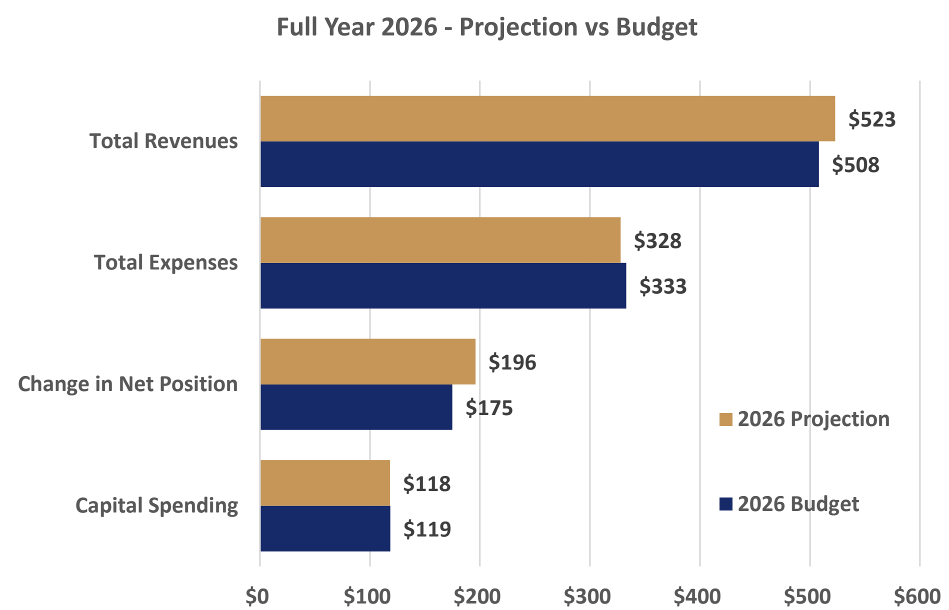
CHANGE IN NET POSITION: The second quarter change in net position, which is the difference between revenues and expenses, was $31 million, or $1 million lower than budget. The full year forecast is $196 million, which is $21 million higher than budget.

See Statements of Net Position on page 4 for additional information.

CAPITAL: Capital spending through the second quarter was $37 million, $20 million lower than budget. The full-year capital spending forecast is $118 million, $1 million lower than budget. The Project Steering Committee has reviewed and adjusted planned capital spending for full year 2026, and it will continue to review projects and equipment needs to determine if additional adjustments must be made or if additional spending authority is needed.

See Capital section starting on page 53 for additional information.





Statements of Net Position

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
Total assets and deferred outflows at the end of 2026 are projected to be $98 million higher than the 2025 year end balance.

CURRENT ASSETS: One of the largest components of the District's current assets is water inventory, which represents long term storage credits (LTSCs) and lake inventories. Water inventory is projected to increase by $23 million in 2026. Cash and short term investments are projected to increase by $43 million for the year.

NONCURRENT ASSETS: The largest component of the District's capital assets is the net permanent service right (PSR). The PSR represents the District's right to operate the Central Arizona Project system and collect revenues from operations, for which the District has incurred a repayment obligation to the United States. For 2026, the net PSR is expected to decrease from $939 million to $921 million. Net operating capital assets, which grow as a result of completed capital projects, are projected to increase by $90 million.

Long term investments and restricted assets are expected to decrease by $56 million, primarily because of projected expenses for Aqueduct Hydrology & the Water Education Center.

Through the 2007 Arizona Water Settlements Act, the District acquired 96,295 acre-feet of non-Indian agricultural water rights, valued at $89 million. In 2021, 44,530 acrefeet were allocated to M&I subcontractors leaving a remaining balance of 51,765 acre-feet valued at $48 million. The remaining NIA priority water rights were previously indicated to be reallocated by 2030.

DEFERRED OUTFLOWS OF RESOURCES: Includes Pension & Other Post-Employment Benefits (OPEB) valuation and upfront payments. Valuations for deferred pension and OPEB outflows, which make up the majority of the balance, are completed at year-end by an actuarial firm contracted by the Arizona State Retirement System.

Total Assets and Deferred Outflows of Resources
2026 vs. 2025

(in millions)	2026	2025	Change	
Current assets				
Cash and cash equivalents	$ 400	$ 357	$ 43	10.8%
Funds held by federal gov't	8	8	-	0.0%
Water inventory	282	259	23	8.2%
Other current assets	91	75	16	17.6%
Total current assets	781	699	82	10.5%
Noncurrent assets				
Investments and restricted assets	780	836	(56)	(7.2%)
Agricultural water rights	48	48	-	0.0%
Capital assets - operating, net	449	359	90	20.0%
Capital assets - PSR, net	921	939	(18)	(2.0%)
Other assets	1	1	-	0.0%
Total noncurrent assets	2,199	2,183	16	0.7%
Deferred outflows of resources				
Pension & OPEB valuation and upfront payments	21	21	-	0.0%
Total assets & deferred outflows of resources	$ 3,001	$ 2,903	98	3.3%

Total Liabilities, Deferred Inflows of Resources, and Net Position

CURRENT LIABILITIES: Current liabilities include payables, accrued interest, and current principal obligations. Overall, current liabilities are projected to decrease by $50 million in 2026.

NONCURRENT LIABILITIES: Noncurrent liabilities are projected to decrease by $48 million, primarily because the federal repayment obligation decreased $43 million from the annual payment and contract revenue bonds will decrease by $3 million . The Non-Indian Agricultural 9(d) debt should decrease by $6 million, reflecting the annual payment to the USBR. In addition, asset retirement obligation and other noncurrent liabilities both increased to $2 million.

DEFERRED INFLOWS OF RESOURCES: Deferred inflows include customer deposits and upfront payments, as well as deferred inflow OPEB and pension valuation. Deferred inflows of resources are projected to have no changes from 2025.

NET POSITION: Net position, which is the difference between total assets and deferred outflows and total liabilities and deferred inflows, is projected to increase $196 million in 2026.

Total Liabilities, Deferred Inflows of Resources, and Net Position

2026 vs. 2025

(in millions)	**2026**	**2025**	**Change**	
Current liabilities	**161**	**211**	**$ (50)**	**(31.1%)**
Noncurrent liabilities				
Repayment obligation, net	728	771	$ (43)	(5.9%)
Contract revenue bonds	27	30	(3)	(11.1%)
Ag water right debt	80	86	(6)	(7.5%)
Asset retirement obligation	24	22	2	8.3%
Other noncurrent liabilities	106	104	2	1.9%
Total noncurrent liabilities	965	1,013	(48)	(5.0%)
Deferred inflows of resources				
Customer deposits and upfront payments	36	36	-	0.0%
Deferred inflow OPEB	4	4	-	0.0%
Deferred inflow pension	6	6	-	0.0%
Total deferred inflows of resources	46	46	-	0.0%
Total Liabilities and deferred inflows of resources	**1,172**	**1,270**	**(98)**	**(8.4%)**
Net position				
Investments in capital assets	569	452	$ 117	20.6%
Restricted, net	118	133	(15)	(12.7%)
Unrestricted, net	1,142	1,048	94	8.2%
Total net position	1,829	1,633	196	10.7%
Total liabilites, deferred inflows of resources, & net position	$ 3,001	$ 2,903	$ 98	3.3%

Statement of Revenues, Expenses, and Change in Net Position

Net position increased $31 million through the second quarter, compared to a budgeted increase of $32 million. Net position is projected to increase by $196 million for the year. The factors contributing to the year-to-date and full-year net position change are discussed in the sections that follow.

Total Revenues

2ND QUARTER 2026 BUDGET PERFORMANCE: Total revenues through the second quarter were $174 million compared to a budget of $184 million.

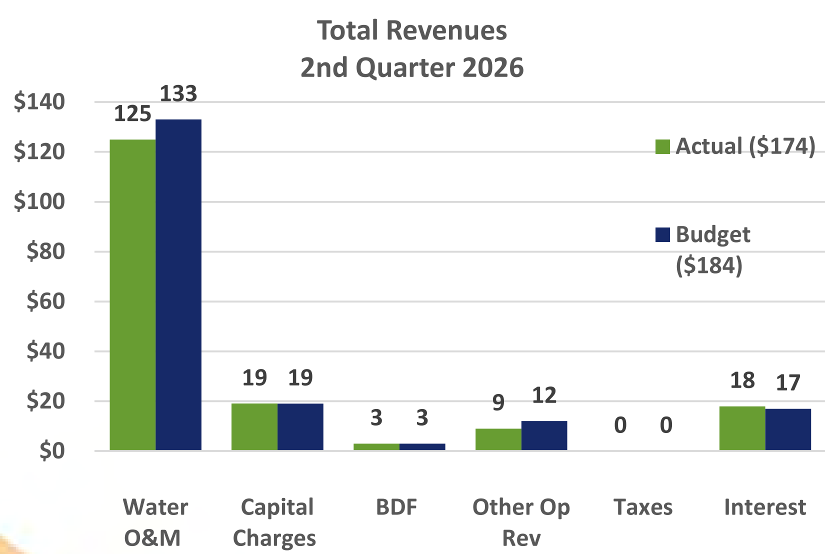
- Water O&M charges were $8 million lower than budget due to lower water deliveries associated with the Pool 1 repairs.
- Other revenues were $3 million lower than budget primarily as a result of lower than anticipated recharge revenue.
- All other operating revenue categories are projected to be at or near budget.

FULL-YEAR 2026 BUDGET PERFORMANCE: At year-end, total revenues are projected to be $523 million, $15 million higher than budget.

Operating Revenues are projected to be $9 million higher than budget.

- Water O&M charges and water service capital charges are both projected to be $1 million higher due to less federal system conservation than planned.
- Other operating revenues are projected to be $7 million higher than budget, mainly attributed to higher CAGRD revenue.
- All other operating revenue categories are projected to be at or near budget

Nonoperating Revenues are expected to be $6 million higher than budget primarily due to enhanced investment strategies and favorable fair value adjustment.



Full-Year 2026

(Dollars in millions)	Forecast	Budget	Variance	
Operating Revenue				
Water O&M charges	$ 247	$ 246	$ 1	0.4%
Water service capital charges	39	38	1	2.6%
BDF revenues	7	7	-	0%
Other revenues	77	70	7	10%
	370	361	9	13%
Nonoperating Revenues				
Property taxes	113	112	1	0.9%
Interest income & other	40	35	5	14.3%
	153	147	6	4.1%
Total Revenues	$ 523	$ 508	$ 15	3.0%

TOTAL EXPENSES

2ND QUARTER 2026 BUDGET PEFORMANCE: Total expenses through the second quarter were $143 million, $9 million lower than budget.

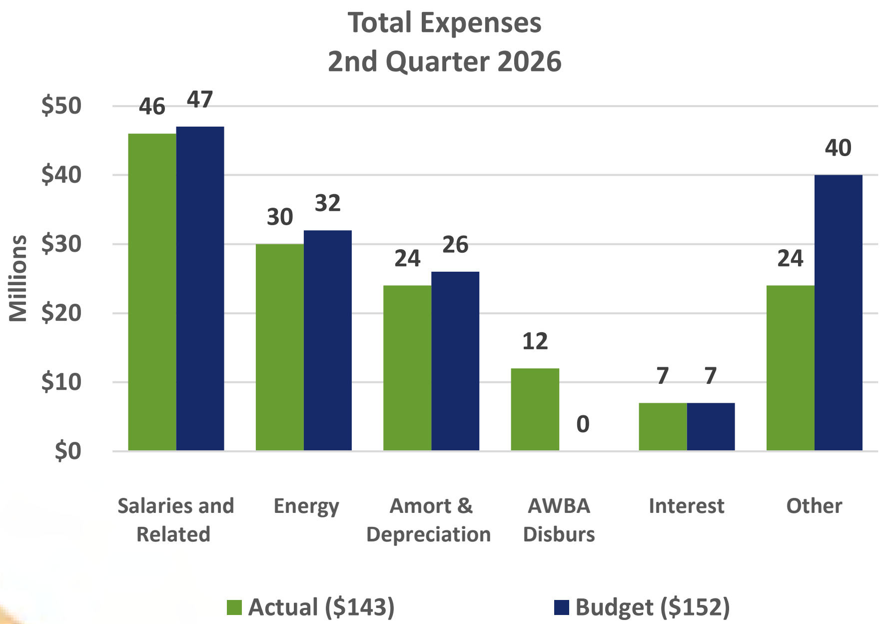
- Energy charges were $2 million lower than budget, primarily due to lower deliveries.
- Depreciation and Amortization were $2 million lower than budget due to Pool 1 and other priorities resulting in a reduced depreciation schedule.
- Other expenses were $16 million lower than budget due to cancellation of Agua Fria Siphon (AFS) Reline project.
- All other expense categories were at or near budget.

FULL-YEAR 2026 BUDGET PERFORMANCE: At year-end, total expenses are expected to be $328 million, $5 million lower than budget.

Operating Expenses are projected to be $5 million lower than budget.

- Energy expenses are projected to be $2 million lower than budget due to a decrease in weighted-average price per MWh.
- Amortization and depreciation forecasated to be $3 million under budget due to project work and equipment purchases shifting to other competing priorities.

Nonoperating Expenses are projected to be near budget.



Full-Year 2026

(Dollars in millions)	Forecast	Budget	Variance	
Operating Expenses				
Salary and related cost	$ 95	$ 95	$ -	0.0%
Energy	67	69	2	2.9%
Amortization and depreciation	49	53	4	8%
Other expenses	92	91	(1)	-1%
	303	308	5	9%
Nonoperating Expenses				
AWBA Disbursement	12	12	-	0.0%
Interest expense	13	13	-	0.0%
	25	25	-	0.0%
Total Expenses	$ 328	$ 333	$ 5	1.5%

CENTRAL ARIZONA PROJECT

Statement of Revenues, Expenses and Change in Net Position
All Funds/Accounts

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026					
	Actual	Budget	Variance ($)	Variance (%)	Forecast	Budget	Additional Spending Authority	Total Spending Authority	Variance ($)	Variance (%)
Operating Revenues										
Water O&M charges	$ 124,752	$ 132,705	$ (7,953)	(6.0%)	$ 247,080	$ 246,064	$ -	$ 246,064	$ 1,016	0.4%
Water service capital charges	19,260	19,005	255	1.3%	38,520	38,576	-	38,576	(56)	(0.1%)
Basin Development Fund revenues	2,605	2,900	(295)	(10.2%)	7,514	6,950	-	6,950	564	8.1%
Other revenues	9,077	12,290	(3,213)	(26.1%)	77,373	69,967	-	69,967	7,406	10.6%
Total Operating Revenues	$ 155,694	$ 166,900	$ (11,206)	(6.7%)	$ 370,487	$ 361,557	$ -	$ 361,557	$ 8,930	2.5%
Operating Expenses										
Salaries and related costs	$ (47,194)	$ (47,162)	$ (32)	(0.1%)	$ (94,806)	$ (95,341)	$ -	$ (95,341)	$ 535	0.6%
Energy	(29,816)	(32,107)	2,291	7.1%	(67,430)	(69,092)	-	(69,092)	1,662	2.4%
Transmission	(6,698)	(5,842)	(856)	(14.7%)	(12,347)	(11,564)	-	(11,564)	(783)	(6.8%)
Amortization	(9,063)	(9,063)	0	0.0%	(18,125)	(18,125)	-	(18,125)	-	0.0%
Depreciation	(14,501)	(17,055)	2,554	15.0%	(31,467)	(34,668)	-	(34,668)	3,201	9.2%
Other Operating Costs:									-	
Outside services	(14,858)	(24,268)	9,410	38.8%	(53,562)	(55,123)	-	(55,123)	1,561	2.8%
Materials and supplies	(5,651)	(6,478)	827	12.8%	(11,248)	(11,930)	-	(11,930)	682	5.7%
Water for underground storage	5,406	2,960	2,446	82.6%	(8,252)	(5,892)	-	(5,892)	(2,360)	(40.1%)
Overhead	3,130	2,914	216	7.4%	6,690	5,883	-	5,883	807	13.7%
Other expenses	(5,168)	(9,557)	4,389	45.9%	(12,364)	(12,630)	-	(12,630)	266	2.1%
Subtotal other costs	(17,141)	(34,429)	17,288	50.2%	(78,736)	(79,692)	-	(79,692)	956	1.2%
Total Operating Expenses	(124,413)	(145,658)	21,245	14.6%	(302,911)	(308,482)	-	(308,482)	5,571	1.8%
Operating Income/(Loss)	$ 31,281	$ 21,242	$ 10,039	47.3%	$ 67,576	$ 53,075	$ -	$ 53,075	$ 14,501	27.3%
Nonoperating Revenues/(Expenses)										
Property taxes	$ 1	$ -	$ 1		$ 113,134	$ 111,708	$ -	$ 111,708	$ 1,426	1.3%
Interest income and other	18,002	17,314	688	4.0%	39,819	34,745	-	34,745	5,074	14.6%
Disbursements to AWBA	(11,522)	(203)	(11,319)	(5,575.9%)	(11,767)	(420)	(11,400)	(11,820)	53	0.4%
Interest expense and other	(6,594)	(6,593)	(1)	(0.0%)	(13,187)	(13,188)	-	(13,188)	1	0.0%
Total Nonoperating Revenues/(Expenses)	(113)	10,518	(10,631)	(101.1%)	127,999	132,845	(11,400)	121,445	6,554	5.4%
Change in net position	31,168	31,760	(592)	(1.9%)	195,575	185,920	(11,400)	174,520	21,055	12.1%
Net position at beginning of period	1,632,645	1,640,319	(7,674)	(0.5%)	1,632,645	1,640,319	-	1,640,319	(7,674)	(0.5%)
Net position at end of period	$1,663,813	$1,672,079	$ (8,266)	(0.5%)	$1,828,220	$1,826,239	$ (11,400)	$1,814,839	$ 13,381	0.7%

Statement of Revenues, Expenses and Change in Net Position By Fund/Account

(Dollars in Thousands)

	YTD - 2nd Quarter 2026	Elimination	General Fund	Supplemental Water	CAGRD Account	Captive Insurance Fund
Operating Revenues						
Water O&M charges	$ 124,752	$ (5,341)	$ 130,093	$ -	$ -	$ -
Water service capital charges	19,260	(689)	19,949	-	-	-
Basin Development Fund revenues	2,605	-	2,605	-	-	-
Other revenues	9,077	(6,701)	686	-	8,390	6,702
Total Operating Revenues	155,694	(12,731)	153,333	-	8,390	6,702
Operating Expenses						
Salaries and related costs	(47,194)	-	(46,395)	-	(799)	-
Energy	(29,816)	-	(29,816)	-	-	-
Transmission	(6,698)	-	(6,698)	-	-	-
Amortization	(9,063)	-	(9,063)	-	-	-
Depreciation	(14,501)		(14,470)	-	(31)	-
Other operating costs:						
Outside services	(14,858)	-	(14,150)	-	(586)	(122)
Materials and supplies	(5,651)	-	(5,651)	-	-	-
Water for recharge	5,406	6,030	-	-	(624)	-
Overhead	3,130	-	3,998	-	(868)	-
Other expenses	(5,168)	6,701	(5,328)	-	(115)	(6,426)
Subtotal other costs	(17,141)	12,731	(21,131)	-	(2,193)	(6,548)
Total Operating Expenses	(124,413)	12,731	(127,573)	-	(3,023)	(6,548)
Operating Income/(Loss)	31,281	-	25,760	-	5,367	154
Nonoperating Revenues/(Expenses)						
Property taxes	1	-	1	-	-	-
Interest income and other	18,002	-	14,907	146	2,716	233
Disbursements to AWBA	(11,522)		(11,522)			
Interest expense and other	(6,594)	-	(6,594)	-	-	-
Total Nonoperating Revenues/(Expenses)	(113)	-	(3,208)	146	2,716	233
Change in Net Position	31,168	-	22,552	146	8,083	387
Net position at beginning of period	1,632,645	(2,350)	1,194,918	10,074	413,587	16,416
Cumulative-effect of change in accounting prin	-		-			
Net position at beginning of period-restated	1,632,645	(2,350)	1,194,918	10,074	413,587	16,416
Net position at end of period	$ 1,663,813	$ (2,350)	$ 1,217,470	$ 10,220	$ 421,670	$ 16,803

Statement of Revenues, Expenses and Change in Net Position By Fund/Account

(Dollars in Thousands)

	Full Year 2026	Elimination	General Fund	Supplemental Water	CAGRD Account	Captive Insurance Fund
Operating Revenues						
Water O&M charges	**$ 247,080**	$ (7,656)	254,736	$ -	$ -	$ -
Water service capital charges	**38,520**	(1,379)	39,899	-	-	-
Basin Development Fund Revenues	**7,514**	-	7,514	-	-	-
Other revenues	**77,373**	(13,334)	2,362	-	75,010	13,335
Total Operating Revenues	**370,487**	(22,369)	304,511	-	75,010	13,335
Operating Expenses						
Salaries and related costs	**(94,806)**	-	(93,558)	-	(1,248)	-
Energy	**(67,430)**	-	(67,430)	-	-	-
Transmission	**(12,347)**	-	(12,347)	-	-	-
Amortization	**(18,125)**	-	(18,125)	-	-	-
Depreciation	**(31,467)**	-	(31,406)	-	(61)	-
Other operating costs:						
Outside services	**(53,562)**	-	(52,278)	-	(1,019)	(265)
Materials and supplies	**(11,248)**	-	(11,248)	-	-	-
Water for recharge	**(8,252)**	9,035	-	-	(17,287)	-
Overhead	**6,690**	-	8,068	-	(1,378)	-
Other expenses	**(12,364)**	13,334	(11,900)	-	(238)	(13,560)
Subtotal other costs	**(78,736)**	22,369	(67,358)	-	(19,922)	(13,825)
Total Operating Expenses	**(302,911)**	22,369	(290,224)	-	(21,231)	(13,825)
Operating Income/(Loss)	**67,576**	-	14,287	-	53,779	(490)
Nonoperating Revenues/(Expenses)						
Property taxes	**113,134**	-	113,134	-	-	-
Interest income and other	**39,819**	-	33,892	329	5,125	473
Disbursements to AWBA	**(11,767)**	-	(11,767)			
Interest expense and other	**(13,187)**	-	(13,187)	-	-	-
Total Nonoperating Revenues/(Expenses)	**127,999**	-	122,072	329	5,125	473
Change in Net Position	**195,575**	-	136,359	329	58,904	(17)
Net position at beginning of period	**1,632,645**	(2,350)	1,194,918	10,074	413,587	16,416
Cumulative-effect of change in accounting prin	**-**		-		-	
Net position at beginning of period-restated	**1,632,645**	(2,350)	1,194,918	10,074	413,587	16,416
Net position at end of period	**$ 1,828,220**	$ (2,350)	1,331,277	$ 10,403	$ 472,491	$ 16,399

Statement of Net Position

(Dollars in Thousands)

	2025	As of 06/30/2026	As of 12/31/2026
Assets			
Current Assets			
Cash	$ 22,748	$ 38,613	$ 23,635
Short term investments	333,989	304,306	375,977
Total cash and cash equivalents	356,737	342,919	399,612
Receivables			
Due from water customers	1,594	(5,290)	1,344
Due from property taxes, less allowance for doubtful accounts	52,759	3,171	55,897
Other receivables	3,182	12,998	1,921
Water inventory	259,292	279,822	282,343
Funds held by federal government	7,697	2,663	7,698
Other assets	18,605	1,205	32,338
Total Current Assets	699,866	637,488	781,153
Noncurrent Assets			
Long term investments	688,223	723,778	649,554
Restricted assets	147,520	137,039	130,679
Agriculture water rights	47,663	47,663	47,663
Capital assets, less accumulated depreciation	359,099	382,021	448,617
Permanent service right, less accumulated amortization	938,802	929,739	920,677
Other assets	1,806	1,806	1,774
Total Noncurrent Assets	2,183,133	2,222,046	2,198,964
Total Assets	2,882,979	2,859,534	2,980,117
Deferred Outflows of Resources			
Pension & OPEB valuation and upfront payments	20,790	20,790	20,756
Total Deferred Outflows of Resources	20,790	20,790	20,756
Total Assets and Deferred Outflows of Resources	**$ 2,903,769**	**$ 2,880,324**	**$ 3,000,873**

Statement of Net Position

(Dollars in Thousands)

	2025	As of 06/30/2026	As of 12/31/2026
Liabilities			
Current Liabilities			
Accounts payable	$ 93,845	$ 48,234	$ 47,028
Accrued payroll, payroll taxes and other accrued expenses	5,919	5,060	6,358
Water operations, capital charges, and unearned revenue	49,470	92,915	43,381
Asset retirement obligation due within one year	40	40	6,720
Current liabilities payable from restricted assets, advances to federal government, and other noncurrent assets:			
Accrued interest payable	14,362	6,796	12,893
Repayment obligation, due within one year	42,808	42,808	42,808
Contract revenue bonds, due within one year	2,120	2,225	2,225
Non-Indian agricultural 9(D) debt, due within one year	2,688	-	-
Total Current Liabilities	211,252	198,078	161,413
Noncurrent Liabilities:			
Repayment obligation, due after one year	771,007	728,199	728,199
Contract revenue bonds, due after one year, net	30,042	27,614	27,412
Non-Indian agricultural 9(d) debt	86,001	86,001	80,343
Asset retirement obligation due after one year	22,033	25,869	24,067
Other noncurrent liabilities	104,295	104,255	104,723
Subtotal Noncurrent Liabilities	1,013,378	971,938	964,744
Total Liabilities	1,224,630	1,170,016	1,126,157
Deferred Inflows of Resources			
Customer deposits	36,357	36,358	36,359
Deferred inflow OPEB	4,091	4,091	4,091
Pension valuation	6,046	6,046	6,046
Total Deferred Inflows of Resources	46,494	46,495	46,496
NET POSITION			
Net investment in capital assets	451,924	510,914	568,649
Restricted	133,158	130,243	117,786
Unrestricted	1,047,563	1,022,656	1,141,785
Total Net Position	1,632,645	1,663,813	1,828,220
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 2,903,769**	**$ 2,880,324**	**$ 3,000,873**

Statement of Net Position by Fund

(Dollars in Thousands)

	As of 12/31/2026	Elimination	General Fund	Supplemental Water	CAGRD Account	Captive Insurance
ASSETS						
Current Assets						
Cash and short term investments	$ 399,612	$ -	$ 252,177	$ -	$ 128,273	$ 19,162
Receivables	59,162	(86)	57,748	-	1,500	-
Water inventory	282,343	-	25,302	-	257,041	-
Funds held by / advanced to federal government	7,698		7,698			
Other	32,338	(800)	13,927	-	19,126	85
Total Current Assets	781,153	(886)	356,852	-	405,940	19,247
Noncurrent Assets						
Long term investments and restricted assets	780,233	(2,350)	714,322	10,403	55,608	2,250
Agriculture water rights	47,663	-	47,663	-	-	-
Capital assets, less accumulated depreciation	448,617	-	421,329	-	27,288	-
Permanent service right, less accumulated amortizatio	920,677	-	920,677	-	-	-
Other assets, less accumulated amortization	1,774	-	1,774	-	-	-
Bond issuance costs, net of accumulated amortization	-	-	-	-	-	-
Total Noncurrent Assets	2,198,964	(2,350)	2,105,765	10,403	82,896	2,250
TOTAL ASSETS	2,980,117	(3,236)	2,462,617	10,403	488,836	21,497
DEFERRED OUTFLOWS OF RESOURCES	20,756	-	20,756	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 3,000,873**	**$ (3,236)**	**$ 2,483,373**	**$ 10,403**	**$ 488,836**	**$ 21,497**

Statement of Net Position by Fund

(Dollars in Thousands)

	As of 12/31/2026	Elimination	General Fund	Supplemental Water	CAGRD Account	Captive Insurance
LIABILITIES						
Current Liabilities						
Accounts payable / accrued payroll	$ 53,386	$ (86)	$ 34,529	$ -	$ 13,845	$ 5,098
Water operations and capital charges deferred revenue	43,381	-	40,881	-	2,500	-
Accrued decommissioning - current	6,720		6,720			
Other current liabilities	57,926	(800)	58,726	-	-	-
Total Current Liabilities	161,413	(886)	140,856	-	16,345	5,098
Noncurrent Liabilities						
Asset retirement obligation due after one year	24,067		24,067			
Repayment obligation, due after one year	728,199	-	728,199	-	-	-
Contract revenue bonds, due after one year, net	27,412	-	27,412	-	-	-
Non-Indian agricultural 9(d) debt	80,343	-	80,343	-	-	-
Other noncurrent liabilities	104,723	-	104,723	-	-	-
Total Noncurrent Liabilities	964,744	-	964,744	-	-	-
Total Liabilities	1,126,157	(886)	1,105,600	-	16,345	5,098
DEFERRED INFLOWS OF RESOURCES						
Customer deposits and upfront payments	36,359	-	36,359	-	-	-
Deferred inflow OPEB	4,091		4,091			
Pension valuation	6,046	-	6,046	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	46,496	-	46,496	-	-	-
NET POSITION						
Net investment in capital assets	568,649	-	541,361	-	27,288	-
Restricted	117,786	-	74,025	10,403	31,108	2,250
Unrestricted	1,141,785	(2,350)	715,891	-	414,095	14,149
TOTAL NET POSITION	1,828,220	(2,350)	1,331,277	10,403	472,491	16,399
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	**$ 3,000,873**	**$ (3,236)**	**$ 2,483,373**	**$ 10,403**	**$ 488,836**	**$ 21,497**

2026 Spending Authority

(Dollars in Thousands)

	General Fund Operating[1]	General Fund Nonoperating	CAGRD Operating[2]	Captive Insurance Fund[3]	Capital Budget
Board Approved Budget	$ 216,587	$ 13,608	$ 4,649	$ 274	$ 118,623
Additional Spending Authority					
AWBA Transfer[4]		11,400			
Final Spending Authority	**$ 216,587**	**$ 25,008**	**$ 4,649**	**$ 274**	**$ 118,623**
Actual Operating Expenses	**$ 210,447**	**$ 24,954**	**$ 3,944**	**$ 265**	**$ 118,238**
Variance ($) Fav/(Unfav)	**$ 6,140**	**$ 54**	**$ 705**	**$ 9**	**$ 385**
Variance (%)	**2.8%**	**0.2%**	**15.2%**	**3.3%**	**0.3%**

NOTES

[1] Energy and transmission are excluded because of market volatility and are administered by an Energy Risk Oversight Committee

[2] CAGRD water for recharge to meet obligations is excluded

[3] Underwriting expenses of the Captive are excluded

[4] Transfer $10.5M in Phoenix AMA and $900K in Tucson AMA to purchase LTSCs, consistent with the Board-approved resolution of Water Storage Tax proceeds

Annual Repayment Obligation
Master Repayment Contract

(Dollars in Thousands)

	2025	2026			Notes
	Actual	Forecast	Budget	Variance	
Sources of Funds					
Net Line Rental Revenue	2,463	1,975	1,975	-	
Hoover 4.5 mil Surcharge	2,720	3,006	2,997	9	
Parker-Davis	2,719	2,519	2,215	304	A
Net CAP Transmission Revenues (including line losses)	(2,006)	(795)	(1,046)	251	B
Land-related Revenues:					
Land Use	1,248	809	809	-	
Land Sales	419	-	-	-	
Interest on Deposits	134	184	183	1	
Total Credits Toward Repayment	**$ 7,697**	**$ 7,698**	**$ 7,133**	**$ 565**	
Uses of Funds					
Principal	$ 42,808	$ 42,808	$ 42,808	$ -	
Interest	13,609	12,194	12,194	-	
Gross Payment *(Due Jan. 20th, following year-end)*	$ 56,417	$ 55,002	$ 55,002	$ -	
Net Due / Excess Funds for Repayment	**$ (48,720)**	**$ (47,304)**	**$ (47,869)**	**$ 565**	
CAP NGS Energy & Navajo Transmission Reconciliation	**$ (34)**	**$ -**	**$ -**	**$ -**	
Net Funds Due to/from Federal Government	**$ (48,754)**	**$ (47,304)**	**$ (47,869)**	**$ 565**	

Notes:

A Parker-Davis surchage revenue over budget due to higher than expected kilowatt hour usage

B Positive variance due to Q4 increase in WAPA's projected revenue transfer of "One Transmission Rate"

Staffing - Average Full Time Equivalent (FTE)

	2nd Quarter	2026		Variance		Notes
	2026	Forecast	Budget	FTEs	%	
Management Council	11.3	12.3	13.0	0.7	5.4%	
AGM - Finance & Admin Group						
Finance & Administration						
Finance & Accounting	22.0	22.0	21.0	(1.0)	(4.8%)	
Supply Chain & Facilities	27.0	27.0	27.0	-	0.0%	
Total Finance and Administration	49.0	49.0	48.0	(1.0)	(2.1%)	
Technology & Governance						
Analytics	8.3	8.7	9.0	0.3	3.3%	
Information Technology	27.8	27.6	29.0	1.4	4.8%	
Enterprise Security	12.5	12.8	13.0	0.2	1.5%	
Total Technology & Governance	48.6	49.1	51.0	1.9	3.7%	
Employee Services						
Cent Learning & Development	6.0	6.0	6.0	-	0.0%	
Safety, Health & Environmental	9.8	10.3	11.0	0.7	6.4%	
Human Resources	7.0	7.3	7.5	0.2	2.1%	
Total Employee Services	22.8	23.6	24.5	0.9	3.5%	
AGM - Water Policy Group						
Water Policy						
CAGRD	8.9	8.0	9.0	1.0	11.1%	
Water Policy	4.9	6.4	5.0	(1.4)	(28.0%)	
Water Resources	7.8	7.4	9.0	1.6	17.6%	
Total Water Policy	21.6	21.8	23.0	2.6	11.2%	
Legal	6.0	6.0	6.0	-	0.0%	
AGM - Public & Intergov't Affairs	17.5	17.7	18.0	0.3	1.7%	
AGM - Ops & Engineering Group						
Centralized Maint & Reliability						
Centralized Maintenance	64.3	67.1	72.0	4.9	6.8%	
Maintenance Control	39.9	40.1	42.0	1.9	4.5%	
Total Centralized Maint & Reliability	104.2	107.2	114.0	6.8	6.0%	
Field Maintenance						
Operational Technology	35.1	35.9	36.0	0.1	0.3%	
South Area Maintenance	43.7	43.8	45.0	1.2	2.7%	
West Area Maintenance	44.1	44.0	46.0	2.0	4.3%	
Total Field Maintenance	122.9	123.7	127.0	3.3	2.6%	
Operations and Engineering						
Engineering	59.3	59.2	58.0	(1.2)	(2.1%)	
Power Program Admin	2.0	2.0	2.0	-	0.0%	
Water Operations	26.4	27.6	29.0	1.4	4.8%	
Total Operations and Engineering	87.7	88.8	89.0	0.2	0.2%	
Vacancy/Salary Savings Equivalent		(3.5)	(15.0)	(11.5)	76.7%	
Total FTE	**491.6**	**495.8**	**498.5**	**2.7**	**0.5%**	

General Fund

The General Fund ended the second quarter with a net position increase of $23 million compared to a budgeted increase of $28 million. The General Fund is projected to end the year with a net position increase of $136 million.

The discussion on pages 20-21 summarizes the General Fund's 2026 budget performance through the second quarter as well as the full year projection.

Water Deliveries

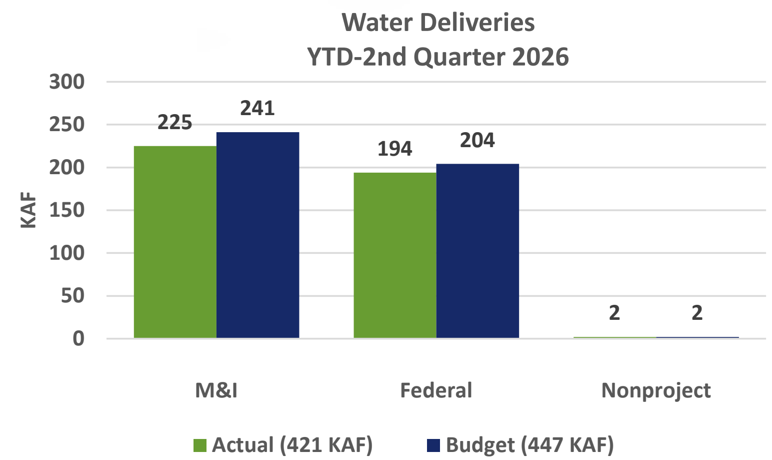
Through the second quarter, total water deliveries were 421 thousand acre-feet, 26 thousand acre-feet lower than budget. The full year total water delivery forecast is 51 thousand acre-feet higher than budget.

The higher delivery volume is mainly due to a decrease in system conservation from federal customers, which was lower than anticipated in the budget.

GENERAL FUND

Budget Performance - 2nd Quarter 2026

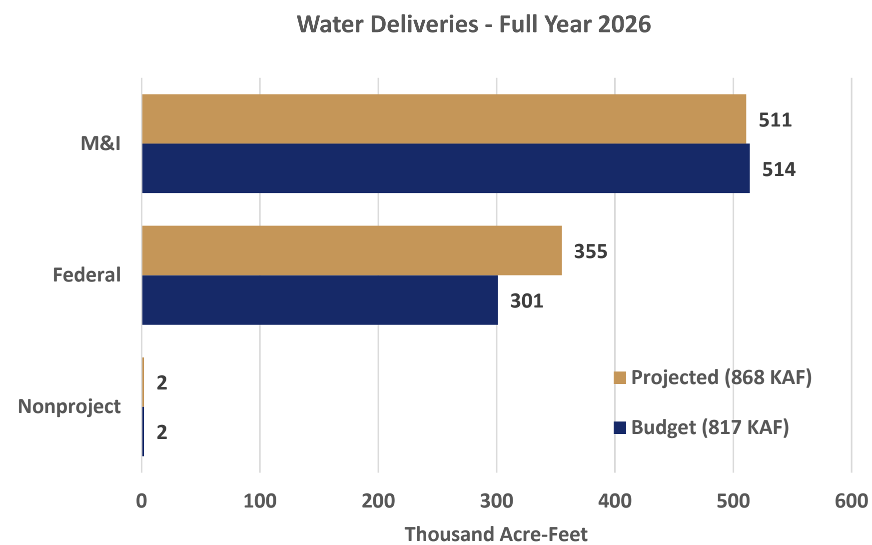
(Dollars in thousands)	Actuals	Budget	Variance	
Revenues	$ 168,241	$ 177,552	$ (9,311)	(5.2%)
Expenses	(145,689)	(149,209)	3,520	2.4%
Change in Net Position	22,552	28,343	(5,791)	
Beginning Net Position	1,194,918	1,194,609	309	
Ending Net Position	$ 1,217,470	$ 1,222,952	$ (5,482)	



GENERAL FUND

Budget Performance - Full Year

(Dollars in thousands)	Actuals	Budget	Variance	
Revenues	$ 451,537	$ 447,500	$ 4,037	0.9%
Expenses	(315,178)	(322,251)	7,073	2.2%
Change in Net Position	136,359	125,249	11,110	
Beginning Net Position	1,194,918	1,194,609	309	
Ending Net Position	$ 1,331,277	$ 1,319,858	$ 11,419	



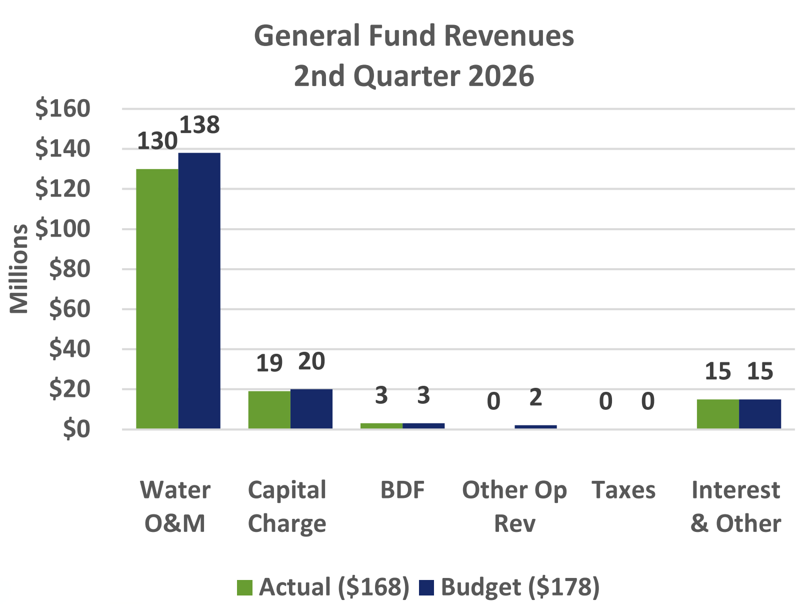
General Fund Revenues

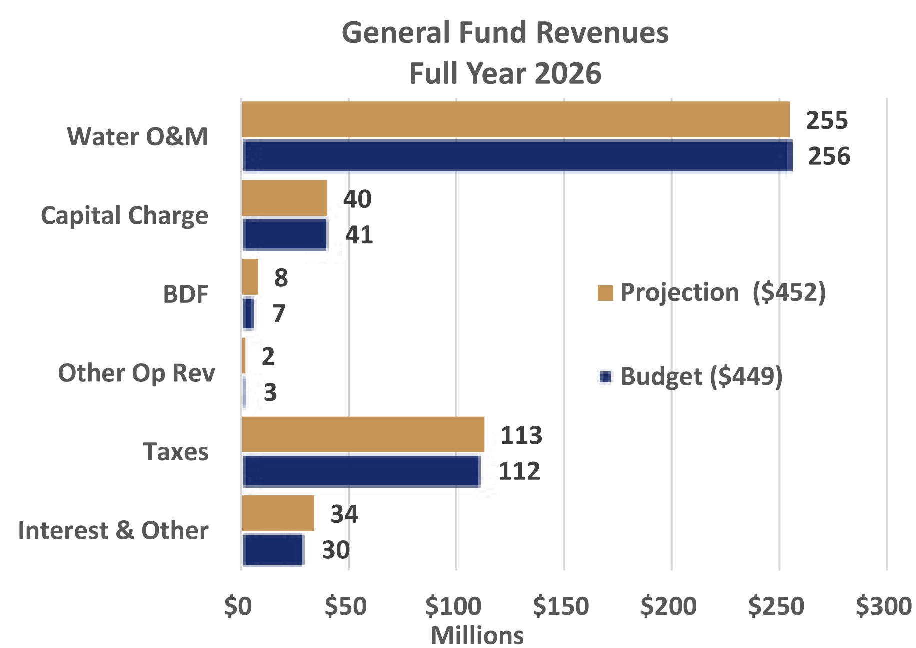
2ND QUARTER 2026 BUDGET PERFORMANCE: Through the second quarter of 2026, total General Fund revenues were $168 million, $10 million lower than budget.

- Water O&M charges were $8 million lower than budget due to lower water deliveries associated with emergency repairs at Pool 1.
- Capital charges were $1 million lower than budget due to nonproject water deliveries planned as wheeling, but instead were used for firming.
- Other General Fund operating revenues were below budget due to decreased deliveries to recharge sites.
- All General Fund operating and nonoperating revenue categories are expected to be at or near budget.

FULL YEAR 2026 BUDGET PERFORMANCE: Full year General Fund revenues are projected to be $452 million, $3 million more than the budget The key factors contributing to the variance are:

- Water O&M & Capital Charge revenues are projected to be $1 million lower than budget due to lower system by federal customers.
- Property taxes are forecasted to be $1 million higher than budget due to revised growth rates.
- Interest and other are projected to be $4 million higher than budget due to favorable fair value adjustment.
- All General Fund operating and nonoperating revenue categories are expected to be at or near budget.





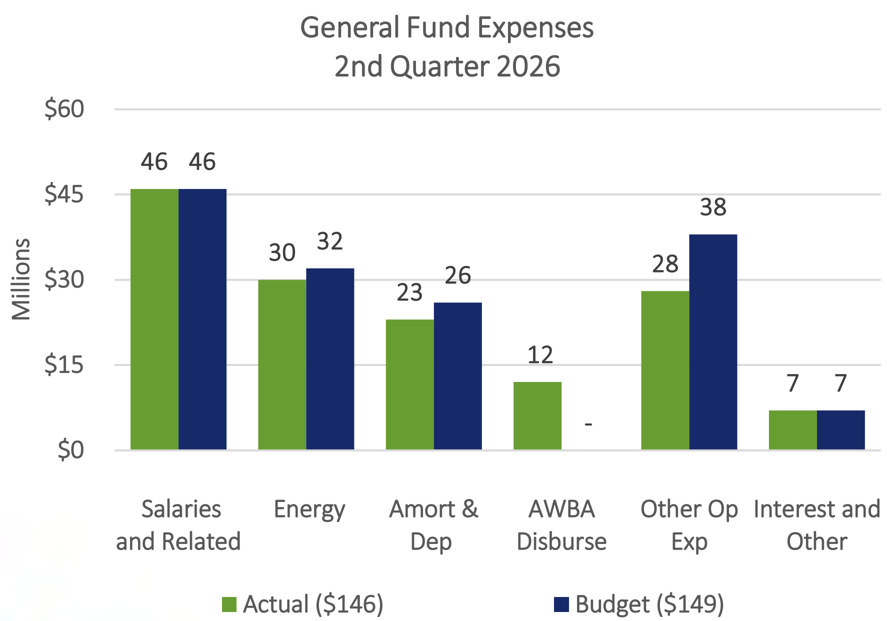
General Fund Expenses

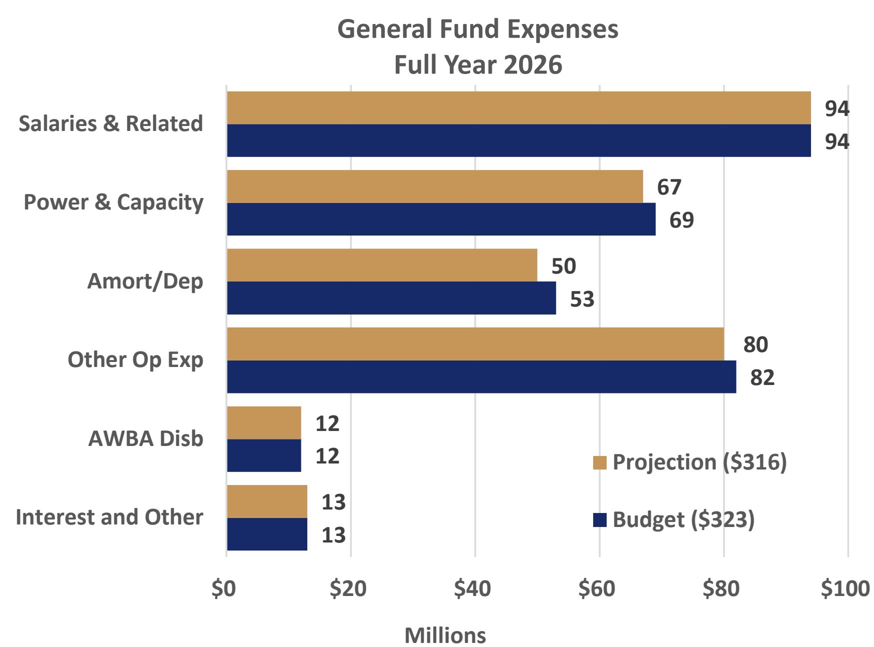
2ND QUARTER 2026 BUDGET PERFORMANCE: Through the second quarter of 2026, total General Fund expenses were $146 million, $3 million lower than budget. Key factors contributing to the variance were:

- Amortization and depreciation were $3 million lower than budget due to Pool 1 shifting project work and equipment purchases.
- Energy expenses are $2 million lower than budget due to an updated pumping schedule necessitated by repairs at Pool 1 and the weighted-average price per MWh is forecasted to be below budget.
- Other expenses were $10 million lower than budget, primarily because of the cancellation of an extraordinary maintenance project and conservation program expenses that have not occurred as of yet.
- AWBA Disbursements were $12 million higher than budget due to the Board-approved spending authorty for ther purchase of LTSC.
- All other expense categories were at or near budget.

FULL YEAR 2026 BUDGET PERFORMANCE: Total 2026 General Fund expenses are expected to be $316 million, $7 million lower than budget.

- Power and Capacity are projected to be $2 million lower than budget due to repair work at Pool 1, which resulted in reduced pumping from mid-January to mid-March and will push some diversion volume to the fourth quarter.
- Amortization and depreciation are forecasted to be $3 million lower than budget due to continuous repairs in Pool 1 and other priorities, resulting in a reduced depreciation schedule.
- Other operating expenses are projected to be $2 million lower than budget due to cancellation of the Agua Fria Siphon Reline extraordinary maintenance project, offset by other unexpected projects.
- All other operating and nonoperating expenses are projected to be at or near budget.





General Fund Reserves

The District maintains several reserves, many of which are restricted for specific purposes. The District also maintains the following reserves that the Board has specified:

- **STRATEGIC RESERVES** are cash reserves for unusual or unplanned events, such as equipment failures, business interruption or unplanned costs. These reserves may be drawn upon if unusual or unplanned events occur, or they may never be used at all.
- **EXTRAORDINARY COST RESERVES** were established through Board action, and these reserves are essentially a revolving fund intended to pay for large expenses that may either not be appropriate for the water rate or may cause unplanned "spikes" in the water rate.
- **WORKING CAPITAL is a** self-replenishing fund used to smooth out timing differences in revenue and spending, within and across years.

The CAWCD Board reviews each of the reserve targets biennially, and on April 2, 2026 approved separate revised reserve targets. Each of them is calculated with a consistent methodology applicable for each reserve type, in accordance with Government Finance Officers Association (GFOA) best practices.

Known planned expenses or events are included in the budget, and funded on a "pay as you go" basis through water rates and taxes. Other reserves have been established for specific purposes, such as the water storage reserve, or rate stabilization reserve, and are not included in these reserves.

Working Capital will fluctuate depending on operational needs of the District and capital spending. Funds typically decrease throughout the year until property taxes are received, primarily in May-June and again in November-December.

Reserves Management Guidelines

The Board established Reserve Management Guidelines to identify a flow of funds. The general rule is to fill Strategic Reserves to target, then fill Working Capital to target, and then fill Extraordinary Cost Reserves to target. Extraordinary Cost Reserves are currently below the newly established target, and will take several years to get to the target. Once that target is met, any excess funds will flow to Working Capital

End of Year Balance Projections

Strategic Reserves and Working Capital are projected to be at target at year-end The eight-year Extraordinary Cost Reserve (ECR) target is projected to be $376 million at year-end, exclusive of any dedicated funds.

Board Established Targets

(Dollars in Millions)

Strategic Reserves	
Capital Reserve	**$82**
Operating Reserve	**$91**
Contingency Reserve	**$8**
Total Strategic Reserves Target	**$181**
Total Extraordinary Cost Reserves Target	**$707**
Total Working Capital Target	**$110**

General Fund Cash and Investments

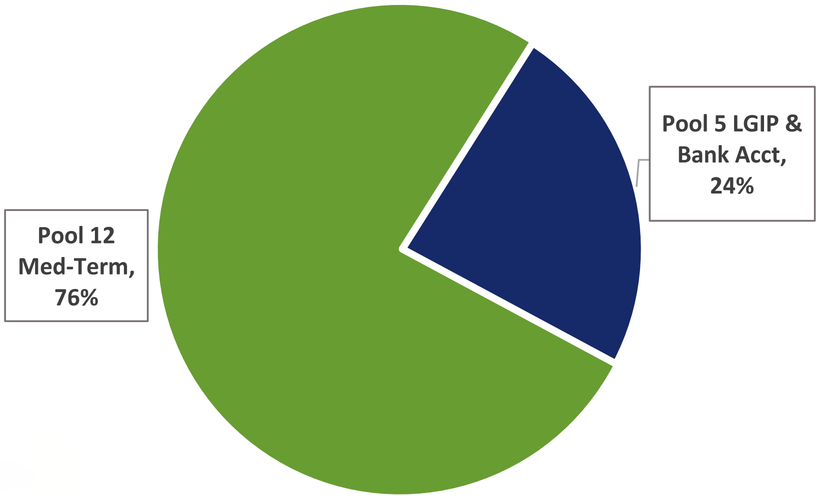
As prescribed by the District's Enabling Act, the Arizona State Treasurer holds the District's investments. These investments are held in the following investment pools:

- Pool 5 (Local Government Investment Pool or LGIP) – Used for liquid cash equivalent needs consisting of shortterm investments.
- Pool 12 (CAWCD MediumTerm Pool) – Provides investments in medium- to long term securities with a target duration of two to four years.

The average investment yields for funds invested with the State Treasurer through June 2026 were 3.88% for pool 12 and 3.67% for pool 5.

Funds needed to meet the immediate expenses and costs of the District are held with Bank of America.

General Fund Investments



As shown on the following table, the District maintains several reserves to meet specific purposes:

	Market Value as of	
(Dollars in millions)	**6/30/26**	**12/31/25**
Strategic Reserves		
Assigned Reserves		
Capital Reserve	72	73
Operating Reserve	84	85
Contingency Reserve	8	8
Total Strategic Reserves	**164**	**166**
Working Capital	**$ 110**	**$ 91**
Extraordinary Cost Reserves	**$ 528**	**$ 454**
Other Reserves		
Navajo Decommissioning	$ 23	$ 19
Repayment Reserve	39	40
Emergency OM&R Reserve	7	7
System Use Reserve	4	4
Tribal ICS Reserve	39	38
Bond Reserve	5	7
9(d) Debt Reserve	31	33
Recovery Reserve	6	6
Recharge O & M	9	9
Total Other Reserves	**163**	**163**
Total Reserves	**$ 965**	**$ 874**

Statement of Revenues, Expenses and Change in Net Position
General Fund

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026						
	Actual	Budget	Variance ($)	Variance (%)	Forecast	Budget	Additional Spending	Total Spending Authority	Variance ($)	Variance (%)	Notes
Water Deliveries (acre-feet in thousands)	421	447	(26)	(5.8%)	868	817	-	817	51	6.2%	
Operating Revenues											
Water O&M charges	130,093	$ 138,095	(8,002)	(5.8%)	254,736	$ 255,814	$ -	$ 255,814	$ (1,078)	(0.4%)	A
Water service capital charges	19,949	19,977	(28)	(0.1%)	39,899	40,520	-	40,520	(621)	(1.5%)	
Basin Development Fund Revenues	2,605	2,900	(295)	(10.2%)	7,514	6,950	-	6,950	564	8.1%	
Other revenues	686	1,736	(1,050)	(60.5%)	2,362	2,701	-	2,701	(339)	(12.6%)	
Total Operating Revenues	153,333	162,708	(9,375)	(5.8%)	304,511	305,985	-	305,985	(1,474)	(0.5%)	
Operating Expenses											
Salaries and related costs	(46,395)	(46,358)	(37)	(0.1%)	(93,558)	(93,734)	-	(93,734)	176	0.2%	
Energy	(29,816)	(32,107)	2,291	7.1%	(67,430)	(69,092)	-	(69,092)	1,662	2.4%	B
Transmission	(6,698)	(5,842)	(856)	(14.7%)	(12,347)	(11,564)	-	(11,564)	(783)	(6.8%)	C
Amortization of Permanent Service Right	(9,063)	(9,063)	-	0.0%	(18,125)	(18,125)	-	(18,125)	-	0.0%	
Depreciation and Amortization	(14,470)	(17,024)	2,554	15.0%	(31,406)	(34,607)	-	(34,607)	3,201	9.2%	D
Other operating costs:											
Outside services	(14,150)	(23,412)	9,262	39.6%	(52,278)	(53,740)	-	(53,740)	1,462	2.7%	E
Materials and supplies	(5,651)	(6,478)	827	12.8%	(11,248)	(11,930)	-	(11,930)	682	5.7%	
Overhead	3,998	3,728	270	7.2%	8,068	7,511	-	7,511	557	7.4%	
Other expenses	(5,328)	(5,857)	529	9.0%	(11,900)	(11,962)	-	(11,962)	62	0.5%	
Total other operating expenses	(21,131)	(32,019)	10,888	34.0%	(67,358)	(70,121)	-	(70,121)	2,763	3.9%	
Total Operating Expenses	(127,573)	(142,413)	14,840	10.4%	(290,224)	(297,243)	-	(297,243)	7,019	2.4%	
Operating Income/(Loss)	25,760	20,295	5,465	26.9%	14,287	8,742	-	8,742	5,545	63.4%	
Nonoperating Revenues/(Expenses)											
Property taxes	1	-	1		113,134	111,708		111,708	1,426	1.3%	
Interest income and other	14,907	14,844	63	0.4%	33,892	29,807	-	29,807	4,085	13.7%	F
Disbursements to AWBA	(11,522)	(203)	(11,319)	(5575.9%)	(11,767)	(420)	(11,400)	(11,820)	53	0.4%	G
Interest expense and other	(6,594)	(6,593)	(1)	(0.0%)	(13,187)	(13,188)	-	(13,188)	1	0.0%	
Net Nonoperating Income/(Loss)	(3,208)	8,048	(11,256)	(139.9%)	122,072	127,907	(11,400)	116,507	5,565	4.8%	
Change in Net Position	22,552	28,343	(5,791)	(20.4%)	136,359	136,649	(11,400)	125,249	11,110	8.9%	
Net Position at beginning of period	1,194,918	1,194,609	309	0.0%	1,194,918	1,194,609	-	1,194,609	309	0.0%	
Net Position at end of period	1,217,470	$1,222,952	$ (5,482)	(0.4%)	1,331,277	$ 1,331,258	$ (11,400)	$ 1,319,858	$ 11,419	0.9%	

Statement of Revenues, Expenses and Change in Net Position
General Fund
Notes

A **Water O&M Revenue:** Water O&M charges are projected to be $1 million lower than budget due to additional available water, as a result of lower system conservation by federal customers**.**

B **Energy:** The weighted-average price per MWh is forecast to be $1.70/MWh below budget.

C **Transmission:** Forecast assumes El Paso Electric transmission will continue at full rate through September.

D **Depreciation & Amortization:** Project work and equipment purchases have shifted because of Pool 1 and other competing priorities, resulting in a reduced depreciation schedule.

E **Outside Services:** Full year is $1.5 million under budget due to cancellation of Agua Fria Siphon (AFS) Reline extraordinary maintenance project.

F **Interest Income:** Full-year forecast higher than budget because of a favorable fair value adjustment.

G **Disbursements to AWBA:** Board approved additional spending authority for the purchase of LTSC, $10.5M (Phoenix AMA) and $900K (Tucson AMA).

Water Volumes

(In Acre-feet)

	YTD - 2nd Quarter 2026				Full Year 2026				
	Actual	Budget	Variance (A/F)	Variance (%)	Forecast	Budget	Variance (A/F)	Variance (%)	Notes
PROJECT WATER DELIVERIES			-				-		
Municipal & Industrial Water Subcontract	225,114	240,911	(15,797)	(6.6%)	511,051	513,997	(2,946)	(0.6%)	
Federal Contract	194,130	204,016	(9,886)	(4.8%)	355,129	300,980	54,149	18.0%	A
Subtotal Project Water Deliveries	**419,244**	**444,927**	**(25,683)**	**(5.8%)**	**866,180**	**814,977**	**51,203**	**6.3%**	
NONPROJECT WATER DELIVERIES									
Firming - Federal	1,771	-	1,771	-	2,033	-	2,033	-	
Firming - CAWCD	-	1,040	(1,040)	(100.0%)	-	1,040	(1,040)	(100.0%)	
Other Wheeled Water-Federal	-	-	-	-	-	-	-	-	
Other Wheeled Water - CAWCD	-	943	(943)	(100.0%)	-	943	(943)	(100.0%)	
Subtotal Nonproject Water	1,771	1,983	(212)	(10.7%)	2,033	1,983	50	2.5%	
Total Water Deliveries	**421,015**	**446,910**	**(25,895)**	**(5.8%)**	**868,213**	**816,960**	**51,253**	**6.3%**	
Transfer of credits to CAGRD	-	-	-	-	10	10,095	(10,085)	(99.9%)	B
Take or Pay/Adjustment	-	-	-	-	-	-	-	-	
Billed Fixed OM&R Water Volumes	**421,015**	**446,910**	**(25,895)**	**(5.8%)**	**868,223**	**827,055**	**41,168**	**5.0%**	

A The higher project water delivery volume is due to a revised Federal system conservation volume.

B Actual is lower than budget due to updated legislative guidance regarding replenishment reserve targets.

Water Revenues and Capital Charges

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026				Notes
	Actual	Budget	Variance ($)	Variance (%)	Forecast	Budget	Variance ($)	Variance (%)	
PROJECT WATER REVENUES									
Municipal & Industrial Water Subcontract	$ 69,560	$ 74,442	$ (4,882)	(6.6%)	$ 149,942	$ 158,984	$ (9,042)	(5.7%)	
Federal Contract	59,986	63,041	(3,055)	(4.8%)	104,195	93,096	11,099	11.9%	
Subtotal Project Water Deliveries	129,546	137,483	(7,937)	(5.8%)	254,137	252,080	2,057	0.8%	A
NONPROJECT WATER REVENUES									
Firming - Federal	547	-	547	-	596	-	596	-	
Firming - CAWCD	-	321	(321)	(100.0%)	-	321	(321)	(100.0%)	
Other Wheeled Water-Federal	-	-	-	-	-	-	-	-	
Other Wheeled Water - CAWCD	-	291	(291)	(100.0%)	-	291	(291)	(100.0%)	
Subtotal Nonproject Water Revenues	547	612	(65)	(10.6%)	596	612	(16)	(2.6%)	
Water O&M Charges before adjustments	130,093	138,095	(8,002)	(5.8%)	254,733	252,692	2,041	0.8%	
Misc. Adjustments	-	-	-	-	-	-	-	-	
Transfer of credits to CAGRD	-	-	-	-	3	3,122	(3,119)	(99.9%)	
Take/Pay Adj.	-	-	-	-	-	-	-	-	
Total Water O&M Charges	$ 130,093	$ 138,095	$ (8,002)	(5.8%)	$ 254,736	$ 255,814	$ (1,078)	(0.4%)	
CAPITAL & FACILITY USE CHARGES									
M&I subcontractors	19,949	19,977	$ (28)	(0.1%)	39,898	39,955	(57)	(0.1%)	
M&I nonsubcontract	-	-	-	-	1	565	(564)	(99.8%)	
Facility Use Charges - Pima & Maricopa (interstate)	-	-	-	-	-	-	-	-	
Facility Use Charges - Nonproject Water	-	-	-	-	-	-	-	-	
Underground storage facilities	-	-	-	-	-	-	-	-	
Total Capital & Facility Use Charges	$ 19,949	$ 19,977	$ (28)	(0.1%)	$ 39,899	$ 40,520	$ (621)	(1.5%)	

A The higher total water delivery revenue is mainly due to a change in a federal system conservation agreement.

Energy & Transmission Adjustment

	YTD - 2nd Quarter 2026				Full Year 2026				
			Variance				Variance		Notes
	Actual	Budget	($)	(%)	Forecast	Budget	(Amount)	(%)	
ENERGY (MWH)				-					
Waddell	7,782	6,870	(912)	(13.3%)	27,813	26,900	(913)	(3.4%)	
Hoover	82,845	65,789	(17,056)	(25.9%)	132,372	115,316	(17,056)	(14.8%)	
Long-term Contracts	147,098	48,137	(98,961)	(205.6%)	334,774	89,413	(245,361)	(274.4%)	
Market Purchases	734,292	1,056,716	322,424	30.5%	1,139,887	1,378,051	238,164	17.3%	
Total MWH	**972,017**	**1,177,512**	**205,495**	**17.5%**	**1,634,846**	**1,609,680**	**(25,166)**	**(1.6%)**	
ENERGY RATE ($/MWH)									
Waddell	$ -	$ -	$ -	0.0%	$ -	$ -	$ -	0.0%	
Hoover	42.57	48.67	6.10	12.5%	45.07	48.73	3.66	7.5%	
Long-term Contracts	55.87	66.46	10.58	15.9%	50.49	24.99	(25.51)	(102.1%)	A
Market Purchases	35.58	39.63	4.05	10.2%	40.22	45.36	5.15	11.3%	B
Weighted Average ($/MWH)	**$ 39.28**	**$ 41.24**	**$ 1.96**	**4.8%**	**$ 42.76**	**$ 44.46**	**$ 1.70**	**3.8%**	
ENERGY COSTS ($000)									
Waddell	$ -	$ -	$ -	0.0%	$ -	$ -	$ -	0.0%	
Hoover	3,527	3,202	(325)	(10.1%)	5,966	5,619	(347)	(6.2%)	E
Long-term Contracts	8,219	3,199	(5,020)	(156.9%)	16,904	2,234	(14,670)	(656.7%)	A, E
Market Purchases	26,126	41,873	15,747	37.6%	45,841	62,512	16,671	26.7%	B
Gross Energy Costs ($000)	**$ 37,872**	**$ 48,274**	**$ 10,402**	**21.5%**	**$ 68,711**	**$ 70,365**	**$ 1,654**	**2.4%**	
Energy Scheduling Services	$ 539	$ 468	$ (71)	(15.2%)	$ 912	$ 1,150	$ 238	20.7%	
MWD Agreement Expense	-	-	-	0.0%	80	80	-	0.0%	
Lake Pleasant Adjustment	(9,389)	(6,059)	3,330	(55.0%)	(2,272)	(2,503)	(231)	9.2%	C
Lake Roosevelt Adjustment	794	-	(794)	0.0%	-	-	-	0.0%	C
Total Energy ($000)	**$ 29,816**	**$ 42,683**	**$ 12,867**	**30.1%**	**$ 67,431**	**$ 69,092**	**$ 1,661**	**2.4%**	
TRANSMISSION ADJUSTMENT									
Elec Trans-Losses	$ 802	$ 2,046	$ 1,244	60.8%	$ 1,737	$ 2,387	$ 650	27.2%	D
Elec Trans-SRP SALT GILA	286	129	(157)	(121.7%)	511	74	(437)	(590.5%)	D
Elec Trans-Brady/Pichacho/RR	-	-	-	0.0%	-	-	-	0.0%	D
Elec Trans-WECC Trans	106	92	(14)	(15.2%)	136	178	42	23.6%	D
Total Transmission Adjustment ($000)	**$ 1,194**	**$ 2,267**	**$ 1,073**	**47.3%**	**$ 2,384**	**$ 2,639**	**$ 255**	**9.7%**	
OTHER ADJUSTMENT									
Other Income	(80)	-	-	0.0%	(80)	(650)	(570)	87.7%	E
Total Energy, Transmission & Other Adjustments ($000)	**$ 30,930**	**$ 44,950**	**$ 14,020**	**31.2%**	**$ 69,735**	**$ 71,081**	**$ 1,346**	**1.9%**	

Notes explaining the variances are shown on following page.

Energy & Transmission Adjustment

Notes

A As part of the CAP power portfolio, three long-term contracts are in place for 2026. The first is a 20 year power purchase agreement at a fixed contract energy price from a solar facility (currently in year-seven), and two others with Capital Power and Tucson Electric and Power. CP and TEP will provide power in the spring and fall to support pumping operations.

B Repair work in Pool 1 resulted in reduced pumping from mid-January to mid-March, and will push some diversion volume to Q4. The forecast includes those changes as well as favorable summer sales. CAP continues to explore price stability and looks to the forward energy auctions as a method to accomplish this. The day-ahead duck-curve energy pricing continues to remain favorable.

C The Lake Pleasant & Lake Roosevelt variances are the net impact of storing (negative number) and releasing (positive number) water. The energy cost to store water in the lakes is held as inventory rather than being expensed. When used, the inventory amount is added to the energy cost. Lake Pleasant will gain approximately 3 thousand acre-feet of water, increasing inventory, and there are no plans for Lake Roosevelt (through the SRP/CAP exchange agreement) to contribute to the supply.

D Transmission costs, which are variable in nature, are included in energy costs. Transmission losses are contractually assessed to the affected transmission systems and are projected to decrease over planned amounts due to favorable rates. Beginning in 2024, WAPA combined four transmission systems under one rate, the One Transmission Rate (OTR), in order to improve price stability, streamline transmission scheduling, and to reduce administrative costs.

E Sale of 2024/25 year-to-date renewable energy certificates (RECs) to Harrison Renewable Energy.

Underground Storage—Operations and Maintenance

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026				
	Actual	Budget	Variance ($)	Variance (%)	Forecast	Budget	Variance ($)	Variance (%)	Notes
Water Deliveries *(KAF)*	12	31	(19)	(61.3%)	34	51	(17)	(33.3%)	A
Revenues									
Other revenues	$ 181	$ 478	$ (297)	(62.1%)	$ 513	$ 765	$ (252)	(32.9%)	
Total Revenues	$ 181	$ 478	$ (297)	(62.1%)	$ 513	$ 765	$ (252)	(32.9%)	B
Expenses									
Salaries and related costs	$ (127)	$ (37)	$ (90)	(243.2%)	$ (165)	$ (75)	$ (90)	(120.0%)	C
Other operating costs:									
Outside services	(127)	(44)	(83)	(188.6%)	(235)	(295)	60	20.3%	D
Materials and supplies	(34)	(5)	(29)	(580.0%)	(44)	(14)	(30)	(214.3%)	
Other expenses	(141)	(66)	(75)	(113.6%)	(261)	(137)	(124)	(90.5%)	E
Total other operating costs	(302)	(115)	(187)	(162.6%)	(540)	(446)	(94)	(21.1%)	
Total Expenses	$ (429)	$ (152)	$ (277)	(2)	$ (705)	$ (521)	$ (184)	(35.3%)	
Change in Net Position	$ (173)	$ 326	$ (574)	$ (2)	$ (192)	$ 244	$ (436)	(178.7%)	
Net position at beginning of period	8,783	9,371	(588)	(6.3%)	8,783	9,371	(588)	(6.3%)	
Net position at end of period	$ 8,610	$ 9,697	$ (1,162)	(12.0%)	$ 8,591	$ 9,615	$ (1,024)	(10.7%)	
Expense Summary									
Aqua Fria	$ (70)	$ (20)	$ (50)	(250.0%)	$ (110)	$ (61)	$ (49)	(80.3%)	F
Hieroglyphic Mountains	(106)	(55)	(51)	(92.7%)	(149)	(123)	(26)	(21.1%)	
Lower Santa Cruz	(37)	(40)	3	7.5%	(140)	(97)	(43)	(44.3%)	G
Pima Mine Road	(148)	(15)	(133)	(886.7%)	(195)	(190)	(5)	(2.6%)	
Superstition Mountain	(39)	(21)	(18)	(85.7%)	(66)	(44)	(22)	(50.0%)	H
Tonopah Desert	(29)	(1)	(28)	(2800.0%)	(45)	(6)	(39)	(650.0%)	I
Total Expenses	$ (429)	$ (152)	$ (277)	(182.2%)	$ (705)	$ (521)	$ (184)	(35.3%)	

Notes explaining the variances are shown on the following page.

Underground Storage—Operations and Maintenance

Notes

A, B **Water Deliveries and Total Revenues**: Full- year deliveries in Q2 are projected to be 17 KAF lower than budget. As a result, revenue is $252 thousand lower than budget.

C **Salaries and Related Costs:** Total salaries & related costs are projected to be $90k higher than budget mainly due to increased maintenance work at the recharge sites.

D **Outside Services:** Full year forecast projected to be $60k under budget due to lower-than-expected deliveries and power cost.

E **Other Expenses:** Full year expenses are projected to be $124k higher than budgeted due to increased wheeling fees which were negotiated after the budget was developed.

F **Agua Fria:** Total Year-to-Date forecasted to be $50k above budget due to continuous maintenance on inflow gate.

G **Lower Santa Cruz:** Full year forecasted projected to be $43k above budget due to increased maintenance.

H **Supersition Mountain**: Is projected to be $22k above budget due to increased maintenance work at the recharge sites and lower-than-expected power costs.

I **Tonopah Desert:** Full Year projected to be $39k above budget due to ongoing maintenance on replacing a monitoring well pump.

Underground Storage—Recovery

(Dollars in Thousands)

	2025 Actual	YTD - 2nd Quarter 2026				Full Year 2026			
		Actual	Budget	Variance ($)	Variance (%)	Forecast	Budget	Variance ($)	Variance (%)
Revenues									
Other revenues	$ 32	$ -	$ -	$ -		$ 32	$ 71	$ (39)	54.9%
Total Revenues	$ 32	$ -	$ -	$ -		$ 32	$ 71	$ (39)	54.9%
Expenses									
Salaries and related costs									
Other operating costs:									
Outside services	(80)	(48)	(250)	202	80.8%	(580)	(571)	(9)	(1.6%)
Materials and supplies									
Other expenses	(1)	(1)	-	(1)		(1)	-	(1)	
Total other operating costs	(81)	(49)	(250)	201	80.4%	(581)	(571)	(10)	(1.8%)
Total Expenses	$ (81)	$ (49)	$ (250)	$ 201	80.4%	$ (581)	$ (571)	$ (10)	(1.8%)
Change in Net Position	(49)	(49)	(250)	201	80.4%	(549)	(500)	(49)	(9.8%)
Net position at beginning of period	(502)	(551)	(549)	(2)	(0.4%)	(551)	(549)	(2)	(0.4%)
Net position at end of period	$ (551)	$ (600)	$ (799)	$ 199	(24.9%)	$ (1,100)	$ (1,049)	$ (51)	4.9%

Extraordinary Maintenance Projects

(Dollars in Thousands)

	2025 Actuals	YTD- 2nd Quarter 2026 Actual	YTD- 2nd Quarter 2026 Budget	YTD- 2nd Quarter 2026 Variance ($)	YTD- 2nd Quarter 2026 Variance (%)	Full Year 2026 Forecast	Full Year 2026 Total Budget	Full Year 2026 Variance ($)	Full Year 2026 Variance (%)	
Expenses										
Salaries and related costs	$ (587)	$ (197)	$ (293)	$ 96	32.8%	(319)	(537)	218	41%	
Other operating costs:					-				-	
Outside services	(1,845)	(1,032)	(2,280)	1,248	54.7%	(9,554)	(11,880)	2,326	20%	
Materials and supplies	(48)	(36)	-	(36)	-	(36)	-	(36)	-	
Other expenses/overhead	(608)	(227)	(273)	46	16.8%	(366)	(501)	135	27%	
Subtotal	(2,501)	(1,295)	(2,553)	1,258	59.7%	(9,955)	(12,381)	2,425	20%	
Total Expenses	$ (3,088)	$ (1,492)	$ (2,846)	$ 1,354	56.1%	(10,274)	(12,918)	2,644	20%	A,B

	Total Project Costs Through 2025	2026 Forecast	Balance Remaining	Forecast	Total Budget	Variance ($)	Variance (%)	Notes
EM-Reline Discharge Lines & Manifolds at Salt Gila	$ (5,010)	$ (100)	$ -	$ (5,110)	$ (5,275)	$ 165	3.1%	A
EM-Agua Fria Siphon Lining Repairs	(487)	(217)	-	(704)	(10,447)	9,743	93.3%	B
EM-Waterline Installation PFO	-	(2,279)	-	(2,249)	(2,244)	(5)	(0.2%)	C
EM-Pool 1 Repair and Stabliliztion	-	(7,678)	-	(7,708)	-	(7,708)	-	D
Total	$ (5,497)	$ (10,274)	$ -	$ (15,771)	$ (17,966)	$ 2,195	12.2%	

Notes:

A Reline project at Salt Gila pumping plant forecast accommodates additional inspector for 10 weeks; closeout expedited to continue through Q2 2026. This is a "Big R" funded project.

B Lining repairs were planned in Aqua Fria Siphon; however, project was cancelled by PSC

C Waterline installation at PFO exceeds the $2M threshold qualifying it as an EM project funded by "Big R"

D Canal lining and embankment repairs in Pool 1 are expected to exceed $3M total; it is anticipated that this work will be funded by the Capital Strategic Reserve

2026 Rate Reconciliation

(Dollars in Thousands)

	Forecast	Published	Budget
General Fund Operating Expenses	$ 290,390	$ 287,487	$ 297,243
Adjustments for O&M Expenses			
Depreciation & Amortization	(49,697)	(50,356)	(52,732)
Energy	(67,430)	(66,641)	(69,092)
Transmission & Other Adjustments	(2,304)	(3,492)	(1,989)
Underground Storage Site O&M	(705)	(569)	(521)
Extraordinary Maintenance (when part of "Big R")	(10,274)	(14,000)	(12,918)
Other Income	(1,771)	(773)	(1,870)
Compensated Mitigation (Funded by 'Big R')	-	-	-
Programs Funded by Water Storage Tax Reserve	(2,188)	(1,000)	(2,000)
Programs Funded by Recovery Reserve	(581)	(1,500)	(571)
Programs Funded by Extraordinary Cost Reserve	(10,860)	(5,000)	(11,240)
Total Adjustments	(145,810)	(143,331)	(152,933)
Fixed O&M Expenses	**$ 144,580**	**$ 144,156**	**$ 144,310**
Energy, Transmission & Other Adjustments			
Energy	$ 67,430	$ 66,641	$ 69,092
Transmission & Other Adjustments	2,304	3,492	1,989
Total Energy, Transmission & Other Adjustments	**$ 69,734**	**$ 70,133**	**$ 71,081**

2026 Rate Reconciliation

(Dollars in Thousands)

Subcontract / Federal Rates

	Forecast	Published	Budget	Variance Publ vs Forecast
Water Delivery Costs (*Thousands*)				
Fixed O&M Expenses	$ 144,580	$ 144,156	$ 144,310	$ (424)
Total Energy & Transmission Adjustment Expenses	69,734	70,133	71,081	399
Water Delivery (*Acre-Feet*)				
Billed Fixed OM&R Water Volume	868,223	825,000	827,055	(43,223)
Pumping Energy Rate Water Volume	868,223	825,000	827,055	(43,223)
Water Delivery Rate (*$/AF*)				
Calculated Fixed O&M Rate	$ 166.52	$ 175.00	$ 174.49	$ 8.48
Capital Replacement Component ("Big R")	46.56	49.00	48.88	2.44
Total Fixed OM&R	**213.08**	**224.00**	**223.37**	**10.92**
Calculated Pumping Energy Rate	80.32	85.00	85.94	4.68
Total Pumping Energy Rate	**80.32**	**85.00**	**85.94**	**4.68**
Total Delivery Rate	**$ 293.40**	**$ 309.00**	**$ 309.31**	**$ 15.60**

Long Term Contract Reconciliation-Fixed OM&R ($000) - (Refund)/Bill	$ (9,480)
Long Term Contract Reconciliation-Energy ($000) - (Refund)/Bill	$ (4,063)
Total Long Term Contract Reconciliation ($000) - (Refund)/Bill	$ (13,544)

Central Arizona Groundwater Replenishment District (CAGRD)

BUDGET PERFORMANCE - Full Year 2026

(Dollars in Thousands)	Forecast	Budget	Change	
Revenues	$ 80,135	$ 71,445	$ 8,690	12%
Expenses	(21,231)	(22,235)	1,004	5%
Change in Net Position	58,904	49,210	9,694	20%
Beginning Net Position	413,587	420,581	(6,994)	
Ending Net Position	$ 472,491	$ 469,791	$ 2,700	

Total Revenues

Total CAGRD revenues are projected to be $80.1 million for the year, $8.7 million higher than budget.

The full-year operating revenue forecast is projected to be $7.7 million higher than budget due to:

- Fee revenue is projected $4.2 million higher than budgeted.
- Dues revenue is projected to be $1.7 million higher than budgeted because of higher projected infrastructure and water rights revenue, which directly impacts Dues revenue.
- Rates revenue project to be $1.8 million than budget.

Nonoperating income is projected to be $1 million above budget due to favorable interest rates

Total Expenses

Total CAGRD expenses are projected to be $21.2 million for the year, $1 million lower than budget, primarily because water expenses are projected to be 0.3 million lower as a result of lower obligation than expected. This expense represents an estimate of 2026 pumping and any 2026 long-term storage credit purchases from CAWCD.

Reserves

CAGRD maintains the following cash reserves that are held by the Arizona State Treasurer:

Administrative – Funds are used to cover CAGRD's administrative expenses.

Infrastructure and Water Rights – Funds are dedicated to developing water supplies and infrastructure necessary for CAGRD to meet its replenishment obligations. In accordance with the current Plan of Operation and the direction of the CAWCD Board of Directors, CAGRD is actively pursuing the development of additional water supplies to meet replenishment obligations in both the near and long-term.

CAGRD has secured several water supplies through various mechanisms. These supplies range from permanent CAP M&I subcontract entitlements to a long-term water lease from an Arizona tribal community. CAGRD has also entered into several agreements to purchase long-term storage credits and has contracted for a 100-year lease of municipal effluent. These various supplies represent approximately 35,000 acre-feet/year of a 100-year water supply. In addition, CAGRD is evaluating a potential $113 million, 100-year water supply.

Water and Replenishment – Funds are used to purchase and recharge water to meet CAGRD's annual replenishment obligation on a cost-of-service basis. Water is not purchased until CAGRD receives the revenue. This methodology helps ensure CAGRD's financial health by not incurring unnecessary debt.

Replenishment Reserve – Funds are used to accrue long-term storage credits to establish and build a replenishment reserve as required by state law.

CAP
CENTRAL ARIZONA PROJECT

Statement of Revenues, Expenses and Change in Net Position
CAGRD

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026					
			Variance						Variance	
	Actual	Budget	($)	(%)	Forecast	Budget	Additional Spending	Spending Authority	($)	(%)
Operating Revenues										
Other operating revenue										
Revenue-Rates	$ (24)	$ 1	$ (25)	(2500.0%)	$ 40,096	$ 38,290		$ 38,290	$ 1,806	4.7%
Revenue-Fees	8,385	10,552	(2,167)	(20.5%)	22,159	17,955		17,955	4,204	23.4%
Revenue-Dues	29	-	29		12,755	11,021		11,021	1,734	15.7%
Total Operating Revenues	8,390	10,553	(2,163)	(20.5%)	75,010	67,266		67,266	7,744	11.5%
Operating Expenses										
Salaries and related costs	(799)	(804)	5	0.6%	(1,248)	(1,607)		(1,607)	359	22.3%
Depreciation	(31)	(31)	-	0.0%	(61)	(61)		(61)	-	0.0%
Other operating costs:										
Outside services	(586)	(719)	133	18.5%	(1,019)	(1,109)	-	(1,109)	90	8.1%
Water for underground storage	(624)	-	(624)		(17,287)	(17,586)		(17,586)	299	1.7%
Overhead	(868)	(814)	(54)	(6.6%)	(1,378)	(1,628)		(1,628)	250	15.4%
Other expenses	(115)	(127)	12	9.4%	(238)	(244)	-	(244)	6	2.5%
Total other operating costs	(2,193)	(1,660)	(533)	(32.1%)	(19,922)	(20,567)	-	(20,567)	645	3.1%
Total Operating Expenses	(3,023)	(2,495)	(528)	(21.2%)	(21,231)	(22,235)	-	(22,235)	1,004	4.5%
Net Operating Income/(loss)	5,367	8,058	(2,691)	(33.4%)	53,779	45,031	-	45,031	8,748	19.4%
Nonoperating Revenues/(Expenses)										
Interest income and other	2,716	2,090	626	30.0%	5,125	4,179		4,179	946	22.6%
Interest expense and other	-	-	-		-	-	-	-	-	
Net Nonoperating Income/(Loss)	2,716	2,090	626	30.0%	5,125	4,179	-	4,179	946	22.6%
Change in Net Position	$ 8,083	$ 10,148	$ (2,065)	(20.3%)	$ 58,904	$ 49,210	$ -	$ 49,210	$ 9,694	19.7%

See page 39 for significant variance explanations.

CAGRD Replenishment Obligation Year and Corresponding Purchased Water

(In Acre-Feet)

2026	Phoenix AMA	Pinal AMA	Tucson AMA	Total AMAs
Outstanding obligation - 2025 year-end	35,583	(2,153)	3,500	36,930
Adjustment for official 2025 CDAR submission (pending)	681	962	503	2,146
Adjustment for 2022 MWD credit (See **Note** below)	1,242	-	-	1,242
Updated 2025 obligation	37,506	(1,191)	4,003	40,318
Less: Obligation met - water deliveries	(27,227)	-	-	(27,227)
Less: Obligation met - CAP LTSCs	-	-	-	-
Less: Obligation met - CAGRD I&WR LTSCs	(10,279)	-	(4,003)	(14,282)
Remaining obligation for current and prior years	-	(1,191)	-	(1,191)
Estimated obligation from 2026 groundwater pumping	39,474	456	3,909	43,839
Total obligation - 2026 year-end	39,474	(735)	3,909	42,648

Note: The Arizona Department of Water Resources credited CAGRD with 1,242 LTSC following a 2022 MWD GSF permit issue. The credits were used to meet CAGRD's outstanding obligation.

CAGRD Fund Balances

(Dollars in Thousands)

	2025 Actual	2026 Q2 Actual	2026 Forecast
Administrative:			
Beginning Fund Balance	$ 1,639	$ 1,489	$ 1,489
Revenue	2,466	786	2,587
Operating expenses	(2,706)	(1,484)	(2,373)
Interest revenue	90	33	66
Ending Fund Balance	**$ 1,489**	**$ 824**	**$ 1,769**
Conservation:			
Beginning Fund Balance	$ 777	$ 677	$ 677
Revenue	58	26	81
Operating expenses	(190)	-	(240)
Interest revenue	32	13	25
Ending Fund Balance	**$ 677**	**$ 716**	**$ 543**

CAGRD Fund Balances

(Dollars in Thousands)

	2026 Forecast		
	Phoenix AMA	Pinal AMA	Tucson AMA
Water and Replenishment (Obligation):			
Beginning Fund Balance	$ 4,738	$ 231	$ 886
Revenue	12,625	11	1,391
Water Purchased	(9,938)	-	-
CAWCD Credits Purchased	-	-	-
I&WR Credits Purchased	(3,752)	-	(1,461)
Interest revenue (expense)	211	9	36
Ending Balance	$ 3,884	$ 308	$ 969
Replenishment Reserve:			
Beginning Fund Balance	$ 8,543	$ 2	$ 620
Replenishment Reserve Revenue	1,482	3	108
CAWCD Credits Purchased	-	(4)	-
Interest revenue (expense)	330	-	24
Ending Balance	$ 10,355	$ 1	$ 752

CAGRD Fund Balances

(Dollars in Thousands)

	2025 Actual	2026 Q2 Actual	2026 Forecast
Infrastructure and Water Rights:			
Beginning Fund Balance	$ 113,343	$ 133,499	$ 133,499
Revenue	40,181	15,827	48,270
Proceeds from LTSC internal transfers	-	-	3,752
Reimbursement from Obligation	14,702	(1,255)	9,938
NIA Reallocation and 9(d) Debt	(7,430)	-	-
GRIC and other Lease Considerations	(16,180)	(6,948)	(11,163)
Water Costs for LTSC	(1,836)	(6)	(36)
Long-tem water supply acquisition	-	(250)	(250)
LTSC purchases	(12,833)	(14,165)	(21,518)
Technical Studies & Other Operating Expe	(1,431)	(778)	(1,654)
Interest revenue	4,983	2,481	4,962
Ending Fund Balance	**$ 133,499**	**$ 128,405**	**$ 165,800**

CAGRD Enrollment and Activation Summary

Figure 1: Member Land Enrollment

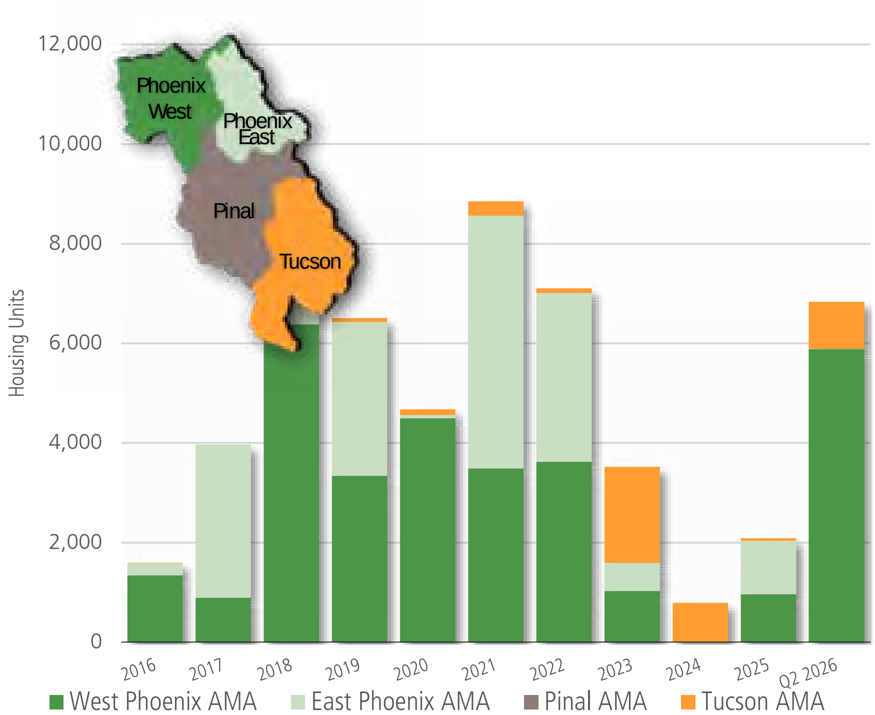


Figure 2: Activation Units

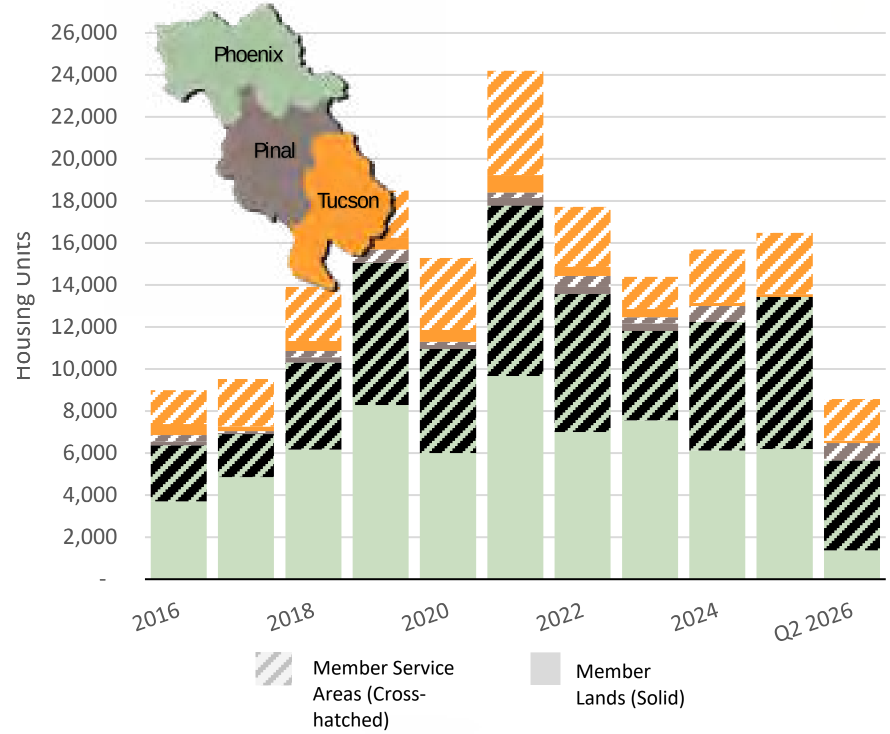


Table 1: Enrollment Units Through Q2 2026

AMA	ML Lots	Projected Demand (AF/year)
West Phoenix	5,885	3,297
East Phoenix	3	57
Pinal	-	-
Tucson	948	493
TOTAL	**6,836**	**3,847**

Table 2: Activation Units Through Q2 2026

AMA	ML Lots	MSA Lots	Total Lots
Phoenix	1,363	4,286	**5,649**
Pinal	-	825	**825**
Tucson	123	1,981	**2,104**
TOTAL	**1,486**	**7,092**	**8,578**

CAGRD Enrollment and Activation Summary

Enrollment Through Q2 2026

An individual subdivision enrolls as a Member Land (ML) of CAGRD when: (1) its owner executes and records an irrevocable declaration of covenants, conditions, and restrictions (“ML Declaration”) running with the land that includes the land in CAGRD and subjects it to the replenishment assessment; and (2) the owner and the municipal provider that will supply water to the subdivision execute and record an agreement (“ML Agreement”) under which the water provider agrees to submit the water delivery information necessary to calculate the replenishment assessment for each parcel of land annually to CAGRD. Individual parcels within a CAGRD ML are categorized as Category 1 MLs or Category 2 MLs. Category 2 MLs are those parcels that are part of a golf course and that choose not to participate in CAGRD’s replenishment reserve program. Category 1 MLs are all ML parcels that do not qualify as Category 2 MLs.

Figure 1 illustrates the recent history of CAGRD Member Land enrollment from 2016 through Q2 2026. Table 1 provides a breakdown by AMA of Member Land enrollment activity through Q2 2026. The Phoenix AMA had three new enrollments with a total of 5,888 lots and a projected demand of 3,354 AF/yr. The Tucson AMA had one new enrollment with 948 lots and a projected demand of 493 AF/yr. Through Q2 2026, no new subdivisions enrolled within the Pinal AMA.

Activation Through Q2 2026

The Arizona Department of Real Estate issues a public report allowing the sale of lots within subdivisions. Prior to this report being issued for subdivisions within CAGRD MLs and MSAs, an Activation Fee must be paid to CAGRD per residential unit offered for sale. Figure 2 shows the recent history of activation lots in Member Lands and Member Service Areas by AMA. MSA lots are represented with crosshatching while ML lots are solid colors by AMA. The number of lots activated through Q2 2026 was 8,578 (Member Land lots = 1,486; Member Service Area lots = 7,092). Table 2 provides a breakdown by AMA of lots that were activated through Q2 2026. By comparison, there were 9,817 units activated through Q2 2025.

CENTRAL ARIZONA PROJECT

Statement of Revenues, Expenses and Change in Net Position Captive Insurance Fund

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026				
	Actual	Budget	Variance ($)	Variance (%)	Forecast	Total Spending Authority	Variance ($)	Variance (%)	Notes
Operating Revenues									
Other revenues	$ 6,702	$ 6,723	$ (21)	(0.3%)	$ 13,335	$ 13,445	$ (110)	(0.8%)	
Total Operating Revenues	6,702	6,723	(21)	(0.3%)	13,335	13,445	(110)	(0.8%)	
Operating Expenses									
Other Operating Costs:									
Outside services	(122)	(137)	15	10.9%	(265)	(274)	9	3.3%	
Other expenses	(6,426)	(6,935)	509	7.3%	(13,560)	(13,869)	309	2.2%	
Total Operating Expenses	(6,548)	(7,072)	524	7.4%	(13,825)	(14,143)	318	2.2%	
Net Operating Income/(Loss)	154	(349)	503	144.1%	(490)	(698)	208	30%	
Nonoperating Revenues/(Expenses)									
Interest income and other	233	240	(7)	(2.9%)	473	480	(7)	(1.5%)	
Net Nonoperating Income/(Loss)	233	240	(7)	(2.9%)	473	480	(7)	(1.5%)	
Change in net position	387	(109)	496	455.0%	(17)	(218)	201	92.2%	
Net position at beginning of period	16,416	17,348	(932)	(5.4%)	16,416	17,348	(932)	(5.4%)	
Net position at end of period	$ 16,803	$ 17,239	$ (436)	(2.5%)	$ 16,399	$ 17,130	$ (731)	(4.3%)	

CAP
CENTRAL ARIZONA PROJECT

Statement of Revenues, Expenses and Change in Net Position Supplemental Water Account

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026				
	Actual	Budget	Variance ($)	Variance (%)	Forecast	Budget	Variance ($)	Variance (%)	Notes
Non-operating Revenues/(Expenses)									
Interest income / FV Adj	$ 146	$ 140	$ 6	4.3%	$ 329	$ 279	$ 50	17.9%	A
Total Non-operating Revenues/(Expenses)	146	140	6	4.3%	329	279	50	17.9%	
Change in Net Position	146	140	6	4.3%	329	279	50	17.9%	
Net position at beginning of period	10,074	10,131	(57)	(0.6%)	10,074	10,131	(57)	(0.6%)	
Net position at end of period	$ 10,220	$ 10,271	$ (51)	(0.5%)	$ 10,403	$ 10,410	$ (7)	(0.1%)	

Notes:

A. Full year interest income higher than budget due to favorable interest rates

CAP
CENTRAL ARIZONA PROJECT

Capital

The Project Steering Committee (PSC) oversees the individual projects ensuring total capital spending does not exceed the annual approval amount and if necessary may request approval from the Board for additional spending.

The Project Management Office and Engineering with the support of the PSC reviewed the current projects and Asset Modifications. Change in scope, scheduling and timing are the main causes for project cost variances. The projects experiencing the most significant variances during 2026 are listed in the following table.

Scada replacement at Control Center

Generator replacement (multisite)

2026 CAWCD CAPITAL SPENDING

(Dollars in Thousands)	2026 Projection	2026 Budget	Variance
Capital Equipment	$ 6,086	$ 6,403	$ 317
Capital Projects			
Water Education Center*	36,882	26,210	(10,672)
SRP-CAP Interconnection Facility*	-	5,000	5,000
Aqueduct Hydrology Improvement*	46,014	41,742	(4,272)
Machine Shop Column Rehab Headquarters	49	2,314	2,265
Generator Replacements PPs	3,470	5,480	2,010
Multi Use Buildings Headquarters-Bouse Maintenance Yard	1,569	3,492	1,923
Harcuvar Substation Upgrade	-	1,793	1,793
Electromechanical Relay Phase 2	3,695	5,353	1,658
Unit Breaker Replacement Hassayampa	1,877	1,059	(818)
All Other Capital Projects	18,596	19,776	1,180
Subtotal - Capital Projects	$ 112,153	$ 112,219	$ 67
Total CAWCD Capital Spending	$ 118,238	$ 118,623	$ 384

TOTAL CAWCD CAPITAL PROJECTS

Many of the projects cover multiple years. Consequently, projects may be completed early and increase costs in the current year or may be delayed and push costs into later years. For this reason, the PSC monitors the project's total cost performance, in addition to annual spending. The following table lists significant projects and their total projected variances.

(Dollars in Thousands)	Projection	Budget	Variance
Capital Projects - Ten Largest			
Aqueduct Hydrology Improvement*	$ 249,034	$ 176,071	$ 72,963
Water Education Center*	63,197	51,062	12,135
Electromechanical Relay Phase 2	43,497	41,742	1,755
Generator Replacements PPs	27,163	30,346	(3,183)
SCADA Replacement Control Center	25,952	25,799	153
Roof Replacement Multi Site	24,396	25,446	(1,050)
SRP-CAP Interconnection Facility*	24,000	25,000	(1,000)
Backup Power Systems Replacement at Checks & TO	18,722	17,923	799
Condition Based Monitoring	16,916	15,851	1,065
Transformer McCullough*	15,000	15,000	-

CENTRAL ARIZONA PROJECT

2026 Capital Spending Variance Summary

(Dollars in Thousands)

	YTD - 2nd Quarter 2026				Full Year 2026			
			Variance			Total	Variance	
	Actual	Budget	($)	(%)	Forecast	Current CIP Budget	($)	(%)
SUMMARY								
Capital Spending								
Salaries and related costs	$ 2,889	$ 2,883	$ (6)	(0.2%)	$ 6,045	$ 5,839	$ (206)	(3.5%)
Equipment and Structures	30,269	46,082	15,813	34.3%	98,856	95,290	(3,566)	(3.7%)
Other expenses:								
Outside services	1,002	4,312	3,310	76.8%	5,525	10,614	5,089	47.9%
Materials and supplies & other expe	99	573	474	82.7%	1,122	1,036	(86)	(8.3%)
Overhead expenses	3,130	2,892	(238)	(8.2%)	6,690	5,845	(845)	(14.5%)
Subtotal other expenses	4,231	7,777	3,546	45.7%	13,337	17,495	4,158	23.8%
Total Capital	$ 37,389	$ 56,742	$ 19,353	34.1%	$ 118,238	$ 118,623	$ 386	0.3%

2026 CAWCD Capital Spending Variance Detail

(Dollars in Thousands)

	2nd Quarter 2026				Full Year 2026				
			Variance			Total	Variance		
Projects	Actual	Budget	($)	(%)	Projection	Current CIP Budget	($)	(%)	Notes
CAPITAL EQUIPMENT									
Buildings & Structures	$ -	$ 604	$ 604	100.0%	$ 54	604	$ 550	91.1%	
Vehicles	756	485	(271)	(55.8%)	1,142	1,260	118	9.4%	
Field & Other Equipment	1,339	1,289	(50)	(3.8%)	4,390	4,039	(351)	(8.7%)	
Communication Equipment	-	500	500	100.0%	500	500	-	0.0%	
Capital Equipment Total	**$ 2,137**	**$ 2,878**	**$ 741**	**25.7%**	**$ 6,086**	**6,403**	**$ 317**	**5.0%**	
2026 Budgeted Projects									
Air Compressors Brady, Picacho, Red Rock	$ 144	$ 39	$ (105)	(269.5%)	$ 144	39	$ (105)	(269.5%)	
Aqueduct Hydrology Improvement*	14,135	21,101	6,967	33.0%	46,014	41,742	(4,272)	(10.2%)	A
Backup Power Systems Replacement at Checks & TO	1,392	2,603	1,211	46.5%	4,890	5,082	192	3.8%	
Basin Improvement Pima Mine Road*	-	-	-	-	-	24	24	100.0%	
Condition Based Monitoring	1,197	1,234	37	3.0%	1,901	2,602	701	27.0%	
Core Yard Road Upgrade Headquarters	-	100	100	100.0%	33	261	227	87.2%	
Electromechanical Relay Phase 2	920	1,961	1,041	53.1%	3,695	5,353	1,658	31.0%	B
Generator Replacements PPs	1,205	3,224	2,019	62.6%	3,470	5,480	2,010	36.7%	C
Harcuvar Substation Upgrade	-	32	32	100.0%	-	1,793	1,793	100.0%	D
HVAC Replacement Headquarters Building 2	76	145	69	47.7%	503	762	259	34.0%	
Isolation Valves Black Mountain/Snyder Hill	23	33	11	31.7%	42	33	(9)	(26.1%)	
Iron Mountain Data Center Refresh	-	69	69	100.0%	138	137	(0)	(0.0%)	
Machine Shop Column Rehab Headquarters	4	269	264	98.4%	49	2,314	2,265	97.9%	E
Monitor Well Pima Mine Recharge*	15	116	101	87.2%	420	499	79	15.8%	
Motor Exciters Twin Peaks/Sandario Snyder Hill/Black Mountain	101	115	15	12.9%	180	215	35	16.3%	
Multi Use Buildings Headquarters-Bouse Maintenance Yard	280	1,184	904	76.4%	1,569	3,492	1,923	55.1%	F
Network Refresh 2026	34	138	103	75.0%	275	275	-	0.0%	
Network WAN Refresh	751	400	(351)	(87.6%)	800	800	0	0.0%	
Potable Water Line TFO	132	1,964	1,832	93.3%	2,600	3,124	523	16.8%	
Pump Casings/Improvements SND/BLK	216	400	184	46.0%	417	933	517	55.4%	G
Roof Replacement Multi Site	28	166	138	83.4%	253	432	179	41.3%	
SCADA Replacement Control Center	905	1,394	490	35.1%	2,962	2,789	(174)	(6.2%)	
SRP-CAP Interconnection Facility*	-	2,500	2,500	100.0%	-	5,000	5,000	100.0%	
Strainer System Replacement Waddell	47	-	(47)	-	132	12	(120)	(981.7%)	
Transformer McCullough*	-	50	50	100.0%	50	50	0	0.0%	
Transformer Failure Mitigation Mark Wilmer	45	237	191	80.8%	968	534	(434)	(81.4%)	
Transmission Line & Hardening Salt Gila*	84	130	46	35.4%	217	372	155	41.7%	
Unit Breaker Replacement Hassayampa	57	235	178	75.7%	1,877	1,059	(818)	(77.2%)	H
VAF Filter Replacement Hassayampa	70	156	85	54.9%	447	526	80	15.1%	
Water Education Center*	12,923	13,733	810	5.9%	36,882	26,210	(10,672)	(40.7%)	I
Windows Server Refresh 2026	139	138	(2)	(1.3%)	275	275	-	0.0%	
Totals - 2026 Budgeted Projects	**$ 34,921**	**$ 53,864**	**$ 18,943**	**35.2%**	**$ 111,204**	**112,220**	**$ 1,016**	**0.9%**	

2026 CAWCD Capital Spending Variance Detail (Cont.)

(Dollars in Thousands)

	2nd Quarter 2026				Full Year 2026				
			Variance			Total Current	Variance		
	Actual	Budget	($)	(%)	Projection	CIP Budget	($)	(%)	Notes
Projects Without a Budget in 2026									
Covered Parking PFO	52	-	(52)	-	291	-	(291)	-	
Roof Fall Protection HDQ	75	-	(75)	-	224	-	(224)	-	
Parking Lot Upgrades HDQ	9	-	(9)	-	9	-	(9)	-	
Heat Exchanger HQ B1	194	-	(194)	-	386	-	(386)	-	
Fire Door Upgrade Multi Site	-	-	-	-	21	-	(21)	-	
Gabion Bank Protection NR Siphon	-	-	-	-	17	-	(17)	-	
Totals - Projects Without a Budget in 2026	**$ 330**	**$ -**	**$ (330)**	**0.0%**	**$ 949**	**$ -**	**$ (949)**	**0.0%**	
NET CAPITAL	**$ 37,388**	**$ 56,742**	**$ 19,354**	**34.1%**	**$ 118,238**	**118,623**	**$ 384**	**0.3%**	

Notes: If there is a positive/negative variance > $1.0 million, or b): there is a positive/negative variance > 30% and > than $500K.

* These projects are funded with sources separate from "Big R"

A **Aqueduct Hydrology Improvement*:** Work beginning with design, and includes Phase 1 Hydrology and details design & Phase 2 Hydrology.

B **Electro Mech Relay Phase 2:** The MWP plant phase has been moved up to accommodate the outage schedule. Project is under budget for 2026, however, forecasts have increased to reflect current scope and inflation-adjusted pricing for future years.

C **Generator Replacements PPs:** After successful pilot design contract executed, redesigned generators scheduled for installation in 2026-2030. Increase reflects new design and revised unit and labor pricing.

D **Harcuvar Substation Upgrade:** WAPA capital schedule is delayed for a scope evaluation, and Harcuvar upgrades have been pushed back by at least one year. No prepayment will be required in 2026.

E **Machine Shop Column Rehab Headquarters:** Repairs will begin with immediate needs, and remaining work has been pushed beyond the 2026 budget cycle.

F **Multi Use Buildings Headquarters-Bouse Maintenance Yard**: Project forecast reflects estimated increases in construction costs, and additional building requirements. Design work is underway and construction of both facilities will be finalized in 2027.

G **Pump Casings/Improvements SND/BLK:** Cost overrun is resulting from additional inspection requirements, and increased manufacturing costs.

H **Unit Breaker Replacement Hassayampa:** Project is in the pre-construction phase, and forecast includes increased material and labor estimates. Costs will finalize as full scope is determined.

I **Water Education Center**: The project team remains committed to executing this important project. The current construction contract price has utilized portions of the staff administered contingency provided by the CAWCD Board, with negotiations on some potential contract changes ongoing. The listed total project costs include the design, forecasted Mortenson construction costs, external special inspection services, and all internal labor costs for contract administration, project management, and construction inspection.

Total CAWCD Capital Projects Variance Detail

(Dollars in Thousands)

Projects	Through 2025	2026 Projection	Remaining Balance	Total Projected	Total Current CIP Budget	Variance ($)	Variance (%)	Notes
2026 Budgeted Projects								
Air Compressors Brady, Picacho, Red Rock	$ 2,135	$ 144	$ (0)	$ 2,279	$ 2,080	$ (199)	(9.6%)	
Aqueduct Hydrology Improvement*	5,495	46,014	197,525	249,034	176,071	(72,963)	(41.4%)	A
Backup Power Systems Replacement at Checks & TO	12,882	4,890	950	18,722	17,923	(799)	(4.5%)	
Basin Improvement Pima Mine Road*	-	-	3,312	3,312	3,320	8	0.2%	
Condition Based Monitoring	12,853	1,901	2,162	16,916	15,851	(1,065)	(6.7%)	B
Core Yard Road Upgrade Headquarters	-	33	1,912	1,945	1,491	(454)	(30.5%)	
Electromechanical Relay Phase 2	18,036	3,695	21,766	43,497	41,742	(1,755)	(4.2%)	C
Generator Replacements PPs	1,049	3,470	22,644	27,163	30,346	3,183	10.5%	D
Harcuvar Substation Upgrade	400	-	3,358	3,758	3,758	-	0.0%	
HVAC Replacement Headquarters Building 2	449	503	12,725	13,677	15,868	2,191	13.8%	E
Isolation Valves Black Mountain/Snyder Hill	3,810	42	(0)	3,852	3,906	54	1.4%	
Iron Mountain Data Center Refresh	-	138	-	138	275	138	50.0%	
Machine Shop Column Rehab Headquarters	-	49	295	344	2,352	2,008	85.4%	F
Monitor Well Pima Mine Recharge*	-	420	-	420	499	79	15.8%	
Motor Exciters Twin Peaks/Sandario Snyder Hill/Black Mountain	1,906	180	22	2,108	2,176	68	3.1%	
Multi Use Buildings Headquarters-Bouse Maintenance Yard	1,471	1,569	2,308	5,348	5,704	356	6.2%	
Network Refresh 2026	-	275	-	275	275	-	0.0%	
Network WAN Refresh	-	800	-	800	1,600	800	50.0%	G
Potable Water Line TFO	228	2,600	31	2,859	3,411	552	16.2%	
Pump Casings/Improvements SND/BLK	999	417	3,640	5,055	6,797	1,742	25.6%	H
Roof Replacement Multi Site	-	253	24,142	24,396	25,446	1,050	4.1%	I
SCADA Replacement Control Center	10,706	2,962	12,283	25,952	25,799	(153)	(0.6%)	
SRP-CAP Interconnection Facility*	-	-	24,000	24,000	25,000	1,000	4.0%	
Strainer System Replacement Waddell	-	132	2,041	2,173	2,028	(145)	(7.2%)	
Transformer McCullough*	-	50	14,950	15,000	15,000	-	0.0%	
Transformer Failure Mitigation Mark Wilmer	-	968	3,233	4,201	3,817	(384)	(10.1%)	
Transmission Line & Hardening Salt Gila*	-	217	3,124	3,341	3,538	197	5.6%	
Unit Breaker Replacement Hassayampa	-	1,877	3,683	5,560	5,555	(5)	(0.1%)	
VAF Filter Replacement Hassayampa	-	447	2,020	2,467	2,526	59	2.3%	
Water Education Center*	17,263	36,882	9,052	63,197	51,062	(12,135)	(23.8%)	J
Windows Server Refresh 2026	-	275	-	275	275	-	0.0%	
Totals - 2026 Budgeted Projects	**$ 89,682**	**$ 111,204**	**$ 371,180**	**$ 572,066**	**$ 495,491**	**$ (76,575)**	**(15.5%)**	

Total CAWCD Capital Projects Variance Detail (cont.)

(Dollars in Thousands)

	Through 2025	2026 Projection	Remaining Balance	Total Projected	Total Current CIP Budget	Variance ($)	Variance (%)	Notes
Projects Without a Budget in 2026								
Covered Parking PFO	-	291	-	291	-	(291)	-	
Roof Fall Protection HDQ	1,122	224	(0)	1,346	-	(1,346)	-	
Parking Lot Upgrades HDQ	3,342	9	0	3,351	-	(3,351)	-	
Heat Exchanger HQ B1	14	386	(0)	400	-	(400)	-	
Fire Door Upgrade Multi Site	-	21	1,090	1,111	1,134	23	2.0%	
Gabion Bank Protection NR Siphon	-	17	1,012	1,029	1,130	101	9.0%	
Totals - Projects Without a Budget in 2026	**$ 4,478**	**$ 949**	**$ 2,101**	**$ 7,528**	**$ 2,264**	**$ (5,264)**	**(232.5%)**	
Totals - Budgeted & Unbudgeted	**$ 94,160**	**$ 112,153**	**$ 373,281**	**$ 579,593**	**$ 497,755**	**$ (81,838)**	**(16.4%)**	

Notes: If there is a positive/negative variance > $1.0 million, or b): there is a positive/negative variance > 30% and > than $500K.

* These projects are funded with sources separate from "Big R"

A **Air Compressors Brady, Picacho, Red Rock:** Material cost and contractor pricing exceeded budget. Project was delayed out of 2024 fall outage and rescheduled due to budget availability at the time**.**

B **Condition Based Monitoring**: Team finalizing Pilot Project (Phase I) installing CBM on Waddell Units 7 & 8. Team is developing remote login access, and generating data prior to Phase II, which will start in 2027.

C **Electro Mech Relay Phase 2**: The MWP plant phase has been moved up to accommodate the outage schedule. Project forecasts have increased to reflect current scope and inflation-adjusted pricing for future years.

D **Generator Replacements PPs:** After successful pilot design contract executed, redesigned generators scheduled for installation in 2026-2030. Increase reflects new design and increased unit pricing.

E **HVAC Replacement Headquarters Building 2:** Project scope evaluation ongoing. Currently facing much higher than anticipated materials and installation costs for new HVAC units.

F **Machine Shop Column Rehab Headquarters:** Repairs will begin with immediate needs, and remaining work has been pushed beyond the 2026 budget cycle.

G **Network WAN Refresh:** Project is in an evaluation phase. Full costs will finalize as full scope is determined.

H **Pump Casings/Improvements SND/BLK:** Initial units delivered to BLK, and will require modifications. Cost overrun is resulting from additional inspection requirements, and increased manufacturing costs.

I **Roof Replacement Multi Site:** Project scope remaining consistent with original plans, increased labor and material costs are the main driver of the variance.

J **Water Education Center**: The project team remains committed to executing this important project. The current construction contract price has utilized portions of the staff administered contingency provided by the CAWCD Board, with negotiations on some potential contract changes ongoing. The listed total project costs include the design, forecasted Mortenson construction costs, external special inspection services, and all internal labor costs for contract administration, project management, and construction inspection.

Strategic Plan Update

Q2 2026

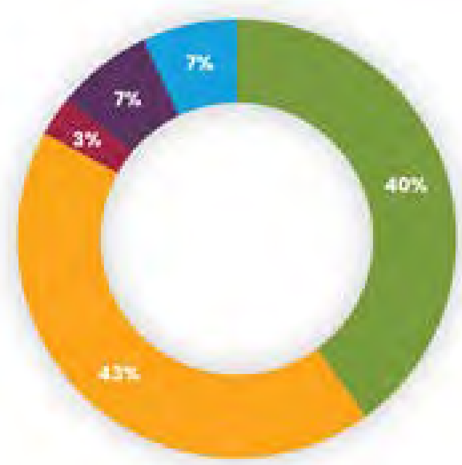
BACKGROUND

In 2020, the Board adopted the 2022 Board Strategic Plan. Facilitated by an external consultant, the 18-month process included several Board retreats, input from employees, and two rounds of stakeholder forums. Implementation of the new plan began with the 2022-23 budget cycle and continues through the end of 2027. The Plan provides high-level strategic guidance to the organization and defines CAP's Vision, Mission, and Values. It also defines eight Key Result Areas (KRAs) and identifies 3-5 Strategic Issues for each KRA. This hierarchy of issues serves as the context for many other planning activities at CAP, including the biennial budget, the Strategic Asset Management Plan, the "Big 5" organization-wide objectives, Board reports and employee performance goals. As part of CAP's two-year budget process, staff links the Board Strategic Plan to the biennial Business Plans to ensure that organizational goals are consistent with the strategic direction provided by the Board. The Public and Intergovernmental Affairs Department coordinates strategic planning activities for the organization.

PROGRESS UPDATE

For 2026-27, staff developed 129 action plans to implement the Board Strategic Plan. Of those, 61 have been "operationalized," meaning that work continues on an ongoing basis.

CAP 2026-27 Business Plan Overall Summary as of Q2 2026



- **Status Pending:** not yet started
- **In Progress:** work is underway
- **Ongoing:** work is continuous
- **Upcoming:** work is scheduled to begin later in the cycle
- **Completed**

STRATEGIC PLAN IN ACTION

Each quarter, we will highlight the work being done on the strategic plan.

KEY RESULT AREA:

FINANCE

Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges.

Strategic Issue: Manage capital and operations and maintenance budgets, debt, revenues, tax rates, water rates, and reserves effectively and transparently.

In May 2026, CAP was once again awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association.

KEY RESULT AREA:

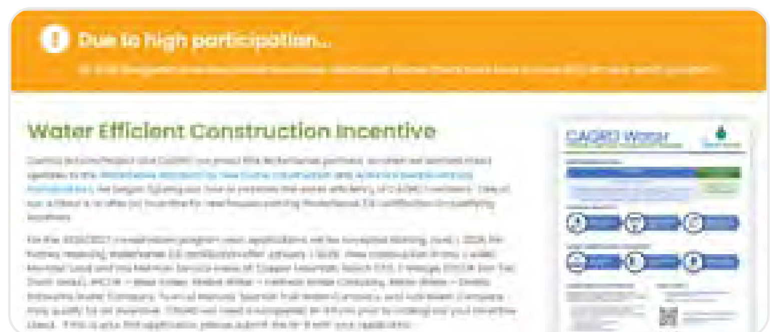
GROUNDWATER REPLENISHMENT

Fulfilling CAP's groundwater replenishment responsibilities in accordance with statutory requirements

Strategic Issue: Participate actively in dialogues regarding the resilience and long-term role of the CAGRD.

On June 10, 2026, Water Policy staff participated in the CAP/SRP/ADWR annual water resource GIS forum, presenting on ag-to-urban and the Colorado River, and GIS at CAP.

Strategic Issue: Enhance public outreach and education regarding the importance of water conservation and groundwater replenishment.



CAGRD offered the Water Efficient Construction Incentive Program for the fourth year. The popular program once again distributed all of the funds in less than a month.

KEY RESULT AREA:

POWER

Building a reliable, diversified, and sustainable energy portfolio

Strategic Issue: Actively engage in the transmission market to ensure access to diversified, low-cost energy resources.

In May, the Power Program team participated in a power auction. The graphic shows the progress of the auction as bids were awarded.

KEY RESULT AREA:

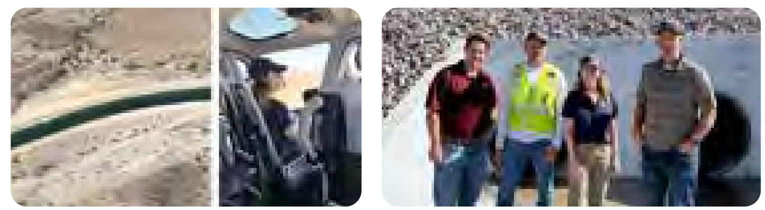
PROJECT RELIABILITY

Providing reliable and cost-effective operations, maintenance, and replacement of CAP infrastructure and technology assets

Strategic Issue: Implement and improve CAP's strategic asset management plan program to ensure long-term infrastructure viability.

On April 2, 2026 the Mechanical Maintenance group pulled out a radial gate for replacement that had been in place since at least 1999.

In May 2026, Gunner Kraayenbrink and Clint Wilburn from the Protective Coatings Department worked on a seal on Unit 5 at Waddell Pump/ Generating Plant.



In May 2026, General Manager Burman visited Pool 1 to see the current situation and visit with the crews working to monitor and mitigate conditions.

Strategic Issue: Maintain and improve the security and reliability of information technology systems.

In June 2026, the Technology team introduced CAP – Secure Together, a new initiative focused on making security awareness a part of our everyday culture and giving everyone a simple way to help protect CAP. The goal is to make it easy to speak up, share concerns, and help CAP continuously improve.

KEY RESULT AREA:

PUBLIC TRUST, PARTNERSHIPS, AND LEADERSHIP

Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership.

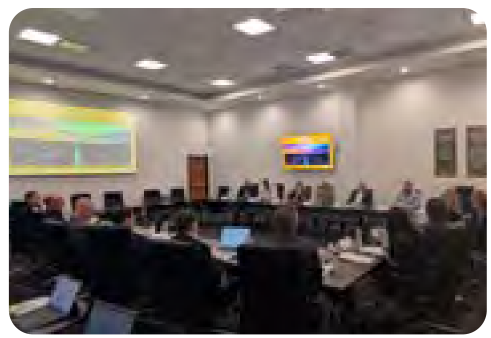
Strategic Issue: Increase awareness of CAP and engage the general public on CAP's role in the management of Arizona's water.

In May 2026, Education Program Administrator Renee McBride promoted the WEC at the Arizona Association of Gifted and Talented summer seminar.

Strategic Issue: Continue active Board and staff engagement with constituents, stakeholders and other water entities.

In April 2026, Board Leadership and staff traveled to Washington DC to discuss the latest on the Colorado River with Secretary of the Interior Doug Burgum and most members of the Arizona Congressional delegation.

In May 2026, General Manager Burman presented at the Women in Water and Agriculture event.



On June 16, 2026, President Goddard presented to the Buckeye City Council.

KEY RESULT AREA:

STEWARDSHIP AND SUSTAINABILITY

Serving as proactive leaders in sustainability and responsible, collaborative stewards of CAP's Colorado River Supply.

Strategic Issue: Explore opportunities to support sound water management within CAP's jurisdiction and through partnerships.

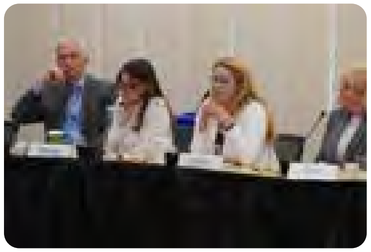
On April 11, 2026, CAP staff participated in the 2026 Arizona Water Awareness Month Festival focused on the importance of our state's water resources.

KEY RESULT AREA:

WATER SUPPLY

Providing a reliable CAP water supply for the short- and long-term.

Strategic Issue: Actively participate in plans and support relationships to maintain a healthy Colorado River System.



On May 13, 2026, CAP and ADWR hosted an Arizona Reconsultation Committee (ARC) meeting at CAP Headquarters.

In June 2026, CAP staff met with the Executive Director of the Lincoln Institute of Land Policy.

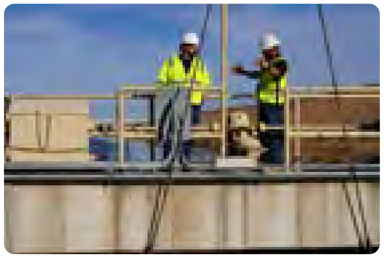
KEY RESULT AREA:

WORKFORCE

Being a premier employer that attracts and retains an exceptional and diverse workforce.

Strategic Issue: Engage in innovative professional development opportunities to enhance CAP's workforce.

On May 6, 2026, the CAP Women's Leadership Network held its quarterly meeting featuring the 5 Chairs TEDx video, a communication framework with activities and discussion led by CAGRD Manager Laura Grignano.



Centralized Learning and Development staff shadowed the Mechanical Maintenance Group on April 2, 2026, to learn more about the work these crews perform.

CAP
CENTRAL ARIZONA PROJECT