

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



Comprehensive Annual Financial Report
For the Fiscal Years Ended December 31, 2014 and 2013

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



CAP

CENTRAL ARIZONA PROJECT

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CAP
CENTRAL ARIZONA PROJECT



April 16, 2015

To our Board, Customers and Constituents:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Central Arizona Water Conservation District (CAWCD, District, Central Arizona Project or CAP) for the fiscal years ended December 31, 2014 and 2013.

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

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

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

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

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

PROFILE OF THE DISTRICT

The Central Arizona Water Conservation District is a multi-county water conservation district comprised of Maricopa, Pinal and Pima counties in central and southern Arizona. CAWCD was created in 1971 pursuant to state law to provide a means for Arizona to repay the federal government for the reimbursable costs of construction of the Central Arizona Project and to manage, operate and maintain the CAP. Over time, CAWCD's statutory responsibilities have expanded to include authorization to provide groundwater replenishment services through the Central Arizona Groundwater Replenishment District (CAGR) and to build, operate and maintain underground storage projects.

While generally having the same powers as a municipal corporation, CAWCD is a special district with responsibility as a large regional water utility. The Central Arizona Project is Arizona's largest renewable water provider, with an entitlement of nearly 1.5 million acre-feet of Colorado River water during normal supply conditions. An acre-foot of water is equal to approximately 326,000 gallons, enough water to serve about three average homes for a year in the CAP service area. CAP typically delivers its full allocation each year.

The Central Arizona Project aqueduct begins at the Arizona-California border near the confluence of the Bill Williams and Colorado Rivers at Lake Havasu and extends east and then south past Tucson to the Tohono O'odham Nation. The CAP system includes approximately 335 miles of aqueduct, 15 pumping plants, 22 tunnels and siphons, and 88 turnouts. Using its pumps, CAP lifts water nearly 3,000 feet from the Colorado River to the CAP terminus just south of Tucson. Construction began at Lake Havasu in 1973 and was completed 20 years later at a total cost of approximately \$4 billion.

CAWCD is governed by a 15 member popularly-elected Board of Directors. Board members are elected from Maricopa (10), Pima (4) and Pinal (1) counties and regularly meet twice per month. Members serve staggered six-year terms and are not compensated for their time. CAP is operated and maintained by approximately 470 employees, of which two-thirds work at CAP headquarters located in north Phoenix, with the remainder working at facilities located throughout the CAP system. CAWCD is a self-contained organization, with all the functions normally associated with a large regional water utility, including operations and maintenance, engineering, materials management and resource planning as well as communications, government affairs and business planning and general administrative departments such as legal, finance, human resources, facilities management and information technology.

LOCAL ECONOMY

The CAP service area includes over 5 million people, approximately 80% of Arizona's population, and spans nearly 24,000 square miles. Nearly 50 cities and communities are located in the CAP service area, including Arizona's largest cities, Phoenix, Arizona's capital, Tucson, Mesa, Chandler, Glendale and Scottsdale and encompassing the bulk of Arizona's economic activity.

According to the 2014 Decennial Census, population growth in Arizona has increased about 27% since 2000 and nearly 77% since 1990. Growth in Maricopa County has increased at about the same pace, Pima County at a slower rate and Pinal County at a much faster rate. While the rate of population growth slowed and even reversed in some areas in the latter part of the last decade due to the economy, the slowdown is expected to be temporary. By 2045, Arizona's population is expected to increase by 70% over 2014 levels. Growth in Maricopa and Pima Counties is expected to occur at a slower pace while Pinal County is expected to triple by 2040.

While the Arizona economy was strong during most of the last decade, including a boom in the housing market, the latter part of the decade saw significant weakening in the housing market as well as a general decline in the economy due to the 2007-2009 recession and its aftereffects, the accompanying rise in unemployment and sharp downturn in the financial markets, all of which contributed to the slowdown in population growth referenced above.

As a raw water provider, CAWCD's customers include not only municipal customers, but also industrial customers, Indian communities, irrigation districts, the Arizona Water Banking Authority and CAGR. In addition, CAWCD collects a general ad valorem property tax from across its service area. Consequently, CAP experiences all of the economic difficulties being experienced by its constituency, either directly or indirectly.

CAP's water rates are based on the cost of service. The cost of water delivery is covered approximately 85% by water delivery charges, and 15% by general ad valorem property tax. As a result, CAWCD has been directly impacted by the significant declines in property values in its service area. In 2006, as a response to significant increases in property values, the CAWCD Board reduced the CAP general ad valorem assessment rate by 25%, from 8 cents per \$100 of assessed valuation to 6 cents. In 2007-2012, as property values came back down to, and even dropped below, the property values in 2006, the Board did not increase the rate. In 2013, the Board increased the ad valorem tax rate to the statutory maximum of 10 cent per \$100 of assessed valuation, and committed the incremental amount to a special reserve to deal with significant financial uncertainties related to the Navajo Generating Station (NGS), energy markets and potential shortage on the Colorado River. It is generally believed that property values have reached their bottom and are beginning to recover. Proposition 117, passed by the voters of Arizona in 2012, amends the Constitution of the State of Arizona to limit year-over-year increases in assessed property valuations for property tax purposes to no more than 5%, beginning in the 2015 tax year.

CAWCD is also indirectly impacted by the economy, as CAP customers suffer from loss of sales tax or property tax revenues, shrinkage in the population served, lower fixed cost absorption and increased costs. CAWCD always endeavors to keep costs and rates as low as possible while prudently operating and maintaining the reliability of such a critical resource.

Despite the poor economy, since 2009 CAWCD has had water orders in excess of the available supply and it is expected that this situation will continue.

LONG-TERM FINANCIAL PLANNING

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

Biennial Budget

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

Capital Improvement Program

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

Reserve Planning, Rate Setting and the Long Range Financial Plan

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

Financial Policies and Procedures

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

MAJOR INITIATIVES

Underlying all of CAWCD's major initiatives is the 2011 Integrated Strategic Plan (2011 Plan), which was an augmentation of the 2010 CAWCD Board of Directors Strategic Plan, which was, in turn, a major update to the 2006 CAWCD Strategic Plan. The CAWCD Board of Directors is involved in a number of activities that may result in updates to the Strategic Plan, particularly in the areas of Electric Power, Water Supply and Replenishment.

The 2011 Plan includes over 200 initiatives to be undertaken or completed during the next five years, organized under six Key Results Areas: Leadership and Public Trust, Finance, Project Reliability, Water Supply, Electric Power and Replenishment. The following are some of the major initiatives included in the 2011 Plan.

Building a Strong CAP Work Community

This initiative is a collection of action plans aimed at building relationships among employees and work groups during times of increased retirements, the challenge of generational change as newer workers replace the aging workforce, changing demographics and a more diverse workforce and customer community.

Establishing and Maintaining Coordinated Financial Strategies

Initiatives in this area emphasize ongoing coordination among budgeting, long-range forecasting, rate-setting and reserve planning activities to help ensure stable and predictable rates, sufficient and appropriate sources of funding and flexible financing alternatives. This area also includes technology-related action plans such as further development of a technology strategic plan and enterprise architecture standards and implementing major upgrades to enterprise applications.

Managing Our Workforce

This initiative includes maintaining the District's Voluntary Protection Plan (VPP) safety leadership designation, implementing programs that will enhance CAP's position as a regional employer of choice and action plans that will enhance the skills and job proficiency of our workforce, such as recruitment and succession planning activities, more robust knowledge transfer and training programs and an enterprise-wide leadership development program.

Effectively Managing, Operating and Maintaining CAP Assets

Initiatives in this area include the continuing implementation of enterprise asset management practices focused on reliability-centered maintenance. This area also includes technology-related activities, such as the implementation of an automated data collection system in support of condition-based monitoring of equipment and introduction of mobile asset management devices, completion of a headquarters spatial needs analysis and establishing an enterprise risk management program.

Enhancing the Reliability of CAP's Water Supply

This initiative includes development of an Integrated Resource Plan (IRP) for water and power, completing CAP's underground storage recovery plan, finalizing the program for the allocation of 65,000 acre-feet of non-Indian agriculture priority water and completing and implementing wheeling agreements in support of the acquisition of additional supplies.

Maintaining and Enhancing Existing Power and Transmission Resources and Identifying Reliable and Cost-Effective Alternatives

Efforts in this area include dealing with the impact of regulatory rulemaking and contract renegotiation at the Navajo Generating Station and coordinating with the IRP to identify sustainable generation and transmission resources for the future.

Fulfilling the Responsibilities of CAGRD

This initiative includes identification and acquisition of water supplies to meet long-term replenishment obligations and beginning to implement the Plan of Operation that was submitted for approval in December 2014.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada presented a Distinguished Budget Presentation Award to CAWCD for its Biennial Budget for the Biennium beginning January 1, 2014. The District previously received this esteemed award for each of its annual or biennial budgets for thirteen consecutive years. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of two years.

In 2014, CAWCD received the Excellence in Procurement Award from the National Purchasing Institute for the sixth consecutive year. This prestigious award is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Theodore C. Cooke', written in a cursive style.

Theodore C. Cooke, D.B.A.
Assistant General Manager, Finance and Information Technologies

THE CAWCD BOARD OF DIRECTORS



Pam Pickard
President



Warren
Tenney
Vice-President



Lisa Atkins
Secretary

Maricopa County

- | | |
|----------------------|------------------|
| A. Lisa Atkins | Term Ending 2018 |
| B. Gayle Burns | Term ending 2016 |
| C. Guy Carpenter | Term ending 2018 |
| D. Frank Fairbanks | Term ending 2016 |
| E. Terry Goddard | Term ending 2018 |
| F. Jim Holway, Ph.D. | Term ending 2016 |
| G. Mark Lewis | Term ending 2016 |
| H. Heather Macre | Term ending 2018 |
| I. Cynthia Moulton | Term ending 2016 |
| J. Pam Pickard | Term ending 2018 |

Pima County

- | | |
|--------------------------|------------------|
| K. L.M. "Pat" Jacobs, IV | Term ending 2014 |
| L. Sharon Megdal, Ph.D. | Term ending 2014 |
| M. Warren Tenney | Term ending 2014 |
| N. Carol E. Zimmerman | Term ending 2014 |

Pinal County

- | | |
|------------------|------------------|
| O. Jim Hartdegen | Term ending 2014 |
|------------------|------------------|

District Management

The District is governed by a fifteen-member Board of Directors elected for staggered six-year terms by voters in each of its three member counties (Maricopa, Pima, and Pinal). The number of directors from each county is based on population. Currently, ten members are elected from Maricopa County, four from Pima County and one from Pinal County. The General Manager supervises the District's current staff of approximately 470 full-time employees. The current members of the District's Executive Staff are as follows:

General Manager	David Modeer
Assistant General Manager-Finance and Information Technologies	Theodore C. Cooke
Assistant General Manager-Operations and Maintenance	Thomas W. McCann
Assistant General Manager-Strategic Initiative and Public Policy	Marie S. Pearthree
General Counsel	Jay Johnson
Associate General Manager-Communications and Public Affairs	Kathryn B. Royer



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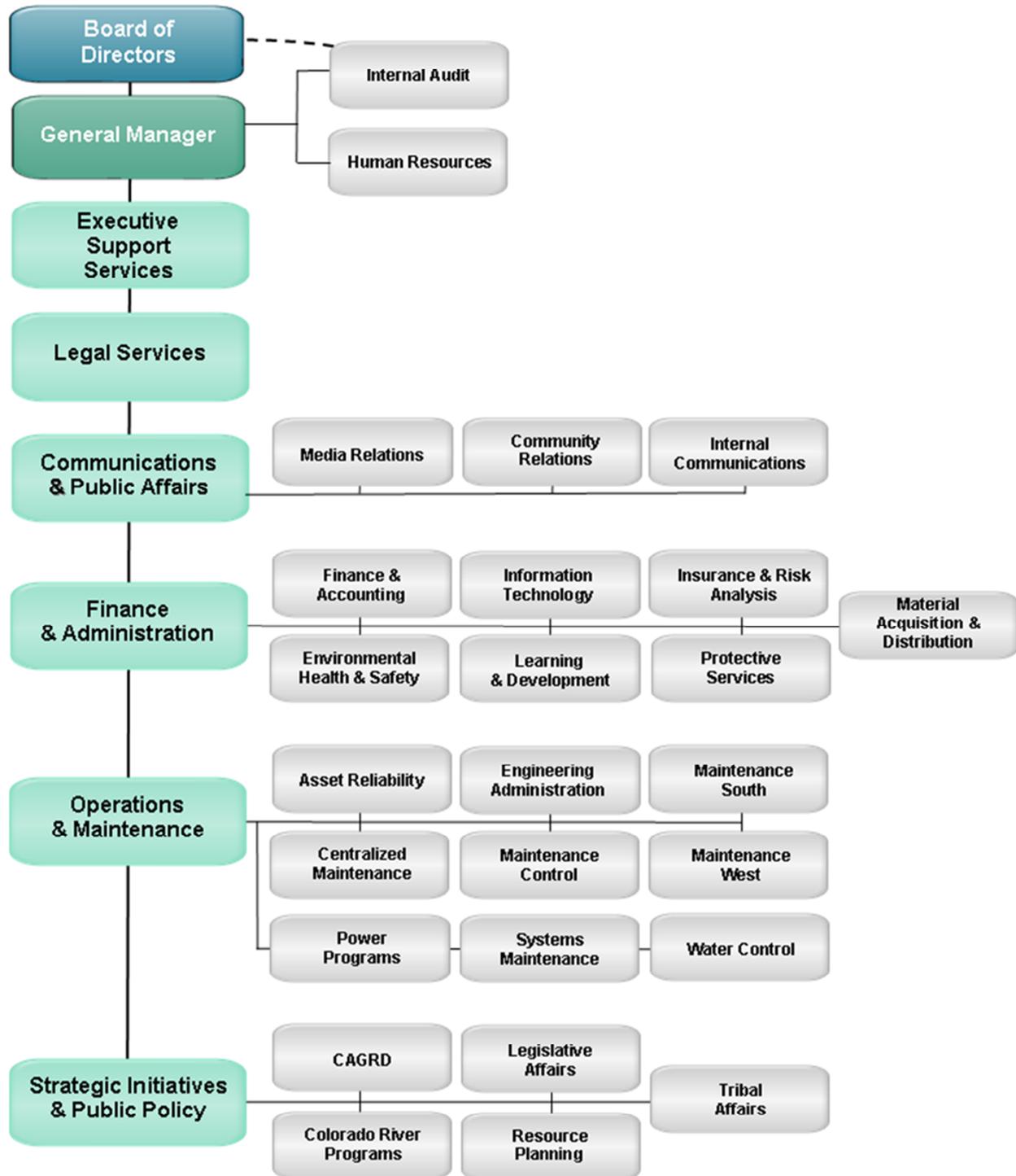
**Central Arizona Water Conservation
District, Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

TABLE OF ORGANIZATION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Arizona Water Conservation District
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying statements of net position of the Central Arizona Water Conservation District, as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Arizona Water Conservation District as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Arizona Water Conservation District's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**CliftonLarsonAllen LLP**

Phoenix, Arizona
April 16, 2015



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

The management of Central Arizona Water Conservation District (the District or CAWCD) offers the readers of CAWCD's financial statements this analysis and overview of the financial activities for the calendar years ended December 31, 2014 and 2013. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, including accompanying notes, to enhance their understanding of the District's financial performance. The narrative will guide the readers through the District's financial performance and how it relates to CAWCD's stewardship of Central Arizona's Colorado River water entitlement and its vision to enhance the quality of life and ensure sustainable growth for current and future residents of Arizona.

FINANCIAL HIGHLIGHTS

The District's financial resources are obtained primarily from water delivery charges, surplus electricity sales and property taxes. Financial results are influenced by a number of factors, including the energy/power market, property valuations, capital needs for the maintenance, repair and replacement of aging infrastructure, snowpack and runoff and local rainfall. The following are some of the key highlights for the year ended 2014. A more detailed narrative analysis occurs in the Condensed Financial Information section.

- Assets of the District exceeded liabilities and deferred inflows (net position) at the end of 2014 by \$645.7 million, an increase of \$52.7 million over 2013. Net position was \$593.0 million at the end of 2013, an increase of \$20.0 million over 2012.
- The District's unrestricted cash reserve balances or Working Capital reserves at the end of 2014 were \$29.9 million compared to \$20.5 million at the end of 2013. The unrestricted reserves or working capital reserves are used to meet CAWCD's ongoing obligations to customers and creditors.
- Operating revenues increased \$27.1 million in 2014 and had increased \$15.9 million in 2013.
- Operating expenses increased \$10.5 million in 2014 and had decreased \$3.8 million in 2013.
- Non-operating revenues increased \$15.2 million in 2014 as compared to a \$2.5 million decrease in 2013.
- Non-operating expenses decreased \$0.9 million in 2014 as compared to a \$0.8 million decrease in 2013.
- Capital expenditures were \$34.4 million in 2014 and \$26.4 million in 2013, an \$8.0 million increase. Capital expenditures will continue to increase as the infrastructure ages.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

DISCUSSION OF BASIC FINANCIAL STATEMENTS

CAWCD's annual financial reporting includes three basic financial statements and accompanying notes as required for its business type activities. The District reports on a calendar year basis and all financial statements are presented on a comparative basis for 2014 and 2013. This annual financial report includes the following statements:

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

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

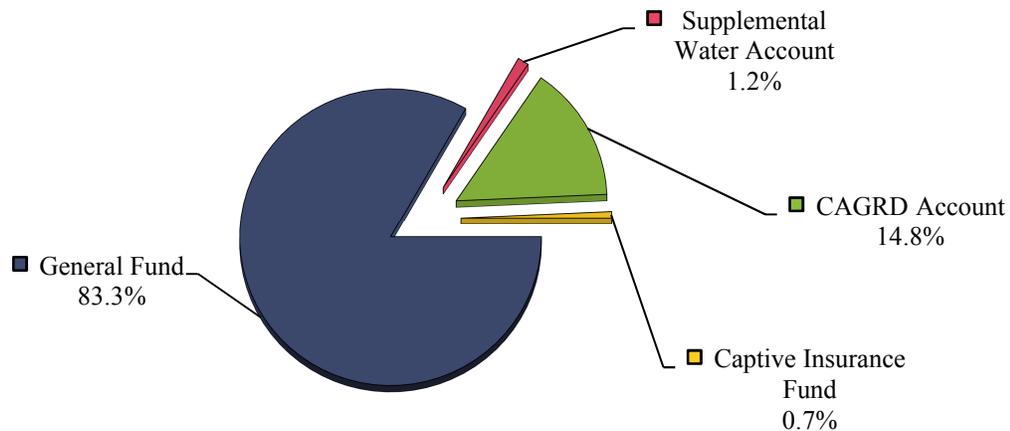
The District's activities are accounted for using the accrual method and incorporate the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. Under enterprise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

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

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

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

**Fund-Account Net Position Breakdown
as of 12/31/14**



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

CONDENSED FINANCIAL INFORMATION

The following financial information and narrative will provide the reader with an overview of the District's financial activities, including comparisons, for the years ended December 31, 2014, December 31, 2013 and December 31, 2012. This discussion will highlight areas within the financial statements that support and advance CAWCD's operations and business purpose to the residents of the State of Arizona.

Assets

Current Assets: Current assets include cash, receivables, inventory and other current assets. In 2014, current assets increased by \$28.9 million. Cash and cash equivalents increased \$17.8 million due to the transfer of funds from noncurrent reserve accounts to short term reserve accounts to cover normal operational needs and the annual Federal Repayment obligation due in January 2015. Other current assets increased by \$11.1 million and include receivables, water storage inventory and other assets. Receivables decreased \$2.6 million attributed to CAWCD receivables for water delivery decreasing \$3.7 million from the end of year customer water delivery reconciliation (there was an increased amount of remarketing among customers who prepaid for water deliveries creating an increased credit/refund situation at year end). This decrease was partially offset by \$1.0 million in CAGR D receivables from rate increases. The increase in water storage inventory is due in part to a \$2.3 million increase in Lake Pleasant inventory related to an increase of the average energy rate from \$30.70/MWH (Megawatt Hour) to \$32.24/MWH and higher volume. The District's share of Lake Pleasant storage was 543,310 acre feet at the end of 2014 compared to 518,153 acre feet at the end of 2013. CAGR D was also actively acquiring \$4.2 million in long term storage credits. There was a \$0.4 million write off of intentionally created surplus credits as it was deemed the credits would be left in the lake to support lake levels for an extended period of time (see Note 1 of the financial statements, inventory policy, for detailed information). The other assets increase was related to prepayments for the Navajo Generating Station (NGS) January reserved energy. NGS had a planned outage in January 2014 which created a low prepayment in December 2013. NGS is operating at normal capacity in January 2015 which increased the December 2014 prepayment.

In 2013, current assets decreased by \$11.9 million. Cash and cash equivalents decreased \$22.9 million due to normal operational needs and the transfer of cash between funds to cover those needs. Other current assets increased by \$11.0 million and included receivables and water storage inventory. Receivables for CAGR D increased \$8.6 million as a result of rate increases, the majority of which were for the Infrastructure and Water Rights component which covers water acquisition activities and assets. The increase of \$7.8 million in water storage inventory is mostly due to an increase in Lake Pleasant water storage. The District's share of Lake Pleasant storage was 518,153 acre feet at the end of 2013 compared to 425,895 acre feet at the end of 2012.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Current Assets						
Cash and cash equivalents	\$ 119.0	\$ 101.2	\$ 17.8	\$ 101.2	\$ 124.1	\$ (22.9)
Other current assets	92.8	81.7	11.1	81.7	70.7	11.0
Total current assets	211.8	182.9	28.9	182.9	194.8	(11.9)
Noncurrent Assets						
Funds held by /advanced to federal gov't	38.0	37.5	0.5	37.5	16.9	20.6
Investments and restricted assets	329.5	310.6	18.9	310.6	305.0	5.6
Capital assets						
Operating assets, net	218.7	199.5	19.2	199.5	190.5	9.0
Permanent service right, net	1,181.4	1,204.4	(23.0)	1,204.4	1,227.4	(23.0)
Other assets	88.7	88.7	-	88.7	88.7	-
Total noncurrent assets	1,856.3	1,840.7	15.6	1,840.7	1,828.5	12.2
Total assets	\$ 2,068.1	\$ 2,023.6	\$ 44.5	\$ 2,023.6	\$ 2,023.3	\$ 0.3

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

Noncurrent assets increased by \$15.6 million during 2014. Investments and restricted assets increased \$18.9 million. These reserve balances were most affected by an increase in Operating Reserves by \$15.0 million due to a Board approved increase in the Operating Reserve fund balance in April 2014 from \$45.0 million to \$60.0 million. In 2013, the Board approved \$0.04 of the \$0.10 property tax rate be placed in the Extraordinary Cost reserve fund. This fund increased by \$17.5 million in 2014. The Rate Stabilization Fund is a designated cash fund established in 2012 to mitigate rate shock in the event of a declared shortage on the Colorado River. At the end of 2014, the rate stabilization fund balance was \$16.1 million, an increase of \$3.5 million over 2013's year-end balance. These increases were partially offset by the decrease of \$15.0 million in the Capital Reserve fund, transferred to working capital to use for operating costs. The funds that flow from current to noncurrent reserves based on operational need were rerouted to the Operating Reserve Fund, instead of the Capital Reserve fund, to reach the required new \$60.0 million reserve balance. Increases in fair value and reserve funds held for the Arizona Water Bank contributed to the total increase. Funds held by the federal government increased by \$0.5 million over 2013. Property and Equipment increased by \$19.2 million in conjunction with the increased capital spending on the CAP infrastructure. The PSR decreased by \$23.0 million due to annual amortization of the PSR.

In 2013, noncurrent assets increased by \$12.2 million. Investments and restricted assets increased \$5.6 million. The Rate Stabilization Fund had an ending balance in 2013 of \$12.6 million, an increase of \$4.9 million over 2012. Funds held by the federal government increased

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by \$20.6 million over 2012 due to increased surplus power revenues and a reduction in costs associated with the operations of the NGS affecting the repayment funds available in the Basin and Development Fund (BDF). Property and Equipment increased by \$9.0 million. The PSR decreased by \$23.0 million.

Liabilities and Deferred Inflows of Resources

Current Liabilities: Current liabilities include payables, unearned revenue, accrued interest, and current principal obligations.

In 2014, current liabilities increased by \$19.4 million. Accounts payable/accrued liabilities increased \$12.6 million mainly due to \$7.0 million end of year rate and water delivery reconciliations and \$6.4 million in large contracts performed in the last quarter of 2014 but not paid until 2015. The increase in accounts payable was offset by a decrease in CAGRD payables due to the delivery of recharge obligations during the same period that the obligation is posted. Unearned revenue for water operations and capital charges increased \$2.7 million due to changes in water delivery rates corresponding to increased power costs.

In 2013, current liabilities increased by \$1.8 million. Unearned revenue for water operations and capital charges increased \$6.1 million due to an increase in water delivery rates established to cover the rising cost of power and a \$5 per acre foot increase in the capital charge needed for the federal repayment. This was offset by a reduction in accounts payable of \$3.4 million mostly due to payments and accrual reversals for the APS transmission cost share project.

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Current Liabilities						
Accounts payable/accrued liabilities	\$ 35.1	\$ 22.5	\$ 12.6	\$ 22.5	\$ 25.9	\$ (3.4)
Water operations and capital charges unearned revenue	37.4	34.7	2.7	34.7	28.6	6.1
Other current liabilities	57.7	53.6	4.1	53.6	54.5	(0.9)
Total current liabilities	130.2	110.8	19.4	110.8	109.0	1.8
Noncurrent Liabilities						
Repayment obligation	1,172.4	1,203.8	(31.4)	1,203.8	1,230.1	(26.3)
Non-Indian Ag debt	88.7	88.7	-	88.7	88.7	-
Other noncurrent liabilities	16.7	15.5	1.2	15.5	14.3	1.2
Total noncurrent liabilities	1,277.8	1,308.0	(30.2)	1,308.0	1,333.1	(25.1)
Total liabilities	1,408.0	1,418.8	(10.8)	1,418.8	1,442.1	(23.3)
Deferred Inflows of Resources						
Customer deposits	14.4	11.8	2.6	11.8	8.2	3.6
Total deferred inflows of resources	14.4	11.8	2.6	11.8	8.2	3.6
Total liabilities and deferred inflows of resources	\$ 1,422.4	\$ 1,430.6	\$ (8.2)	\$ 1,430.6	\$ 1,450.3	\$ (19.7)

Noncurrent Liabilities: The largest component of the District's noncurrent liabilities is the federal repayment obligation. The decrease in the noncurrent federal repayment obligation was \$31.4 million in 2014 and \$26.3 million in 2013 in accordance with the annual payment schedule.

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Deferred Inflows of Resources: GASB Statement No. 63 established guidelines for financial reporting of deferred outflows of resources, deferred inflows of resources and net position. GASB Statement No. 65 identified additional areas that are to be classified as deferred inflows of resources which included customer deposits. Deferred inflows of resources are reported as a separate section of the Statement of Net Position. The \$14.4 million balance of deferred inflows is primarily the Rate Stabilization fund discussed above in the noncurrent assets section. This is the liability associated with the Rate Stabilization reserve account.

Net Position

Net position, the difference between assets, liabilities and deferred inflows of resources, increased \$52.7 million in 2014 and \$20.0 million in 2013.

Net investment in capital assets: Net investment in capital assets increased \$22.5 million in 2014 and \$12.3 million in 2013. This increase is mainly related to the District continuing to replace aging infrastructure systems and equipment. An increase in effluent water rights of \$4.8 million for CAGR added to the 2014 increase. These funds are to be used for recharge project design, permitting and land acquisition. The amount associated with the amortization of the PSR (asset) no longer exceeds the District's annual principal payment to the federal government for the repayment obligation (liability). The annual repayment obligation is based on paying a percentage (which increases over time) of the remaining outstanding principal balance, plus interest, over a 50-year period, while amortization remains relatively flat over time. Currently, the asset is amortized approximately \$3.3 million less than the annual principal payment. As the payment percentage increases, the annual principal payment will continue to exceed amortization, increasing the net value of capital assets.

Restricted net position: Restricted net position decreased \$2.1 million in 2014 and \$3.7 million in 2013. The 2014 and 2013 decreases were related to the decreases in funds held by the federal government (which are applied against the federal repayment) and a transfer of \$5.8 million from restricted reserves to unrestricted reserves to be used for major repair and replacement of aging infrastructure.

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<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Assets						
Capital assets	\$ 1,400.1	\$ 1,403.9	\$ (3.8)	\$ 1,403.9	\$ 1,417.9	\$ (14.0)
Other assets	668.0	619.7	48.3	619.7	605.4	14.3
Total assets	<u>\$ 2,068.1</u>	<u>\$ 2,023.6</u>	<u>\$ 44.5</u>	<u>\$ 2,023.6</u>	<u>\$ 2,023.3</u>	<u>\$ 0.3</u>
Liabilities						
Current liabilities	\$ 130.2	\$ 110.8	\$ 19.4	\$ 110.8	\$ 109.0	\$ 1.8
Noncurrent liabilities	1,277.8	1,308.0	(30.2)	1,308.0	1,333.1	(25.1)
Total liabilities	<u>1,408.0</u>	<u>1,418.8</u>	<u>(10.8)</u>	<u>1,418.8</u>	<u>1,442.1</u>	<u>(23.3)</u>
Deferred Inflows of Resources						
Resources						
Customer deposits	14.4	11.8	2.6	11.8	8.2	3.6
Total deferred inflows of resources	<u>14.4</u>	<u>11.8</u>	<u>2.6</u>	<u>11.8</u>	<u>8.2</u>	<u>3.6</u>
Net Position						
Net investment in capital assets	196.2	173.7	22.5	173.7	161.4	12.3
Restricted, net	86.6	88.7	(2.1)	88.7	92.4	(3.7)
Unrestricted, net	362.9	330.6	32.3	330.6	319.2	11.4
Total net position	<u>645.7</u>	<u>593.0</u>	<u>52.7</u>	<u>593.0</u>	<u>573.0</u>	<u>20.0</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,068.1</u>	<u>\$ 2,023.6</u>	<u>\$ 44.5</u>	<u>\$ 2,023.6</u>	<u>\$ 2,023.3</u>	<u>\$ 0.3</u>

Unrestricted net position: Unrestricted net position increased \$32.3 million in 2014 and \$11.4 million in 2013. In 2014, the increase was due to the transfer of \$5.8 million mentioned in the previous discussion for restricted assets, \$15.0 million in a Board approved increase in reserve balances, \$17.5 million for extraordinary costs from property tax revenue, an increase in fair value and the movement of other long-term restricted funds to short term reserve funds to cover operational needs. The \$17.5 million in property tax rates of \$0.04 per assessed property valuations began in 2013. These funds are committed reserves, by the District's Board authority, to the Extraordinary Cost Reserve fund established to address unpredictable cost concerns due to the uncertainty in the power and related markets (see Note 6 for additional discussion).

Cash Flows

Cash and cash equivalents increased by \$17.8 million in 2014. Cash flow from operating activities increased by \$49.8 million due to an increase in cash received by customers and power sales, offset by an increase in cash paid for operational costs. The increase of \$8.6 million in noncapital financing activities was a result of the increase in the property tax rate from \$0.06 to \$0.10 per assessed property valuations as discussed in the previous section. Cash flows from capital and related financing activities decreased \$10.9 million due to an increase in capital asset and project costs to sustain CAP's infrastructure. Cash flows from investing activities decreased by \$6.8 million due to a decrease in proceeds from sale and maturity of investments.

In 2013, Cash and cash equivalents decreased by \$22.9 million. Cash flow from operating activities decreased by \$56.3 million. The increase of \$4.6 million in noncapital financing activities was a result of the increase in the property tax rate from \$0.06 to \$0.10 per assessed

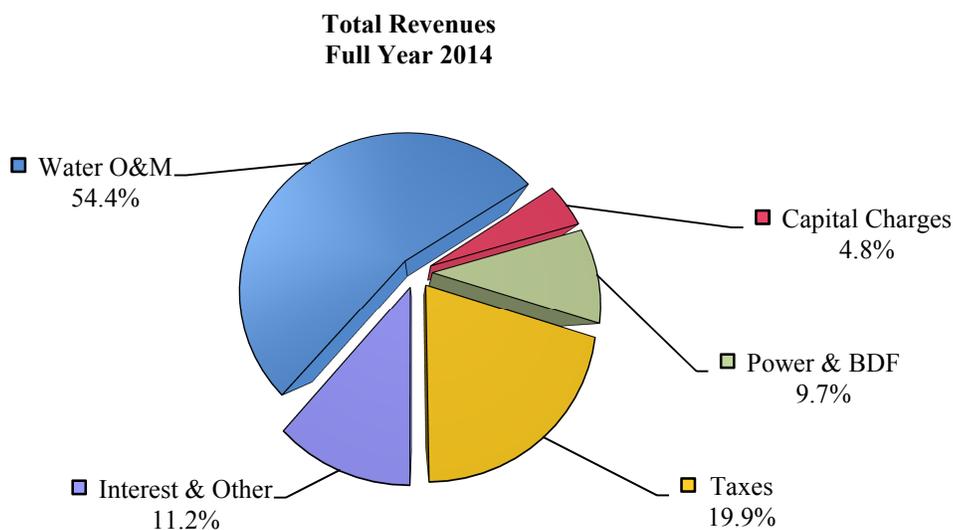
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property valuations. Cash flows from capital and related financing activities increased \$29.6 million because of less cash required for the annual repayment obligation to the federal government due to the increase in annual revenue from the Basin Development Fund (BDF). 2013 cash outflows from investing activities decreased by \$17.6 million compared to 2012 due mainly to a net transfer of \$21.0 million in funds between restricted, unrestricted, current and noncurrent reserve accounts

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Cash flows from operating activities	\$ 23.3	\$ (26.5)	\$ 49.8	\$ (26.5)	\$ 29.8	\$ (56.3)
Cash flows from noncapital financing activities	61.0	52.4	8.6	52.4	47.8	4.6
Cash flows from capital and related financing activities	(54.2)	(43.3)	(10.9)	(43.3)	(72.9)	29.6
Cash flows from investing activities	(12.3)	(5.5)	(6.8)	(5.5)	(23.1)	17.6
Change in cash and cash equivalents	17.8	(22.9)	40.7	(22.9)	(18.4)	(4.5)
Cash and cash equivalents at beginning of year	101.2	124.1	(22.9)	124.1	142.5	(18.4)
Cash and cash equivalents at end of year	\$ 119.0	\$ 101.2	\$ 17.8	\$ 101.2	\$ 124.1	\$ (22.9)

Revenues

Total revenues, as depicted in the chart below, include operating revenues, such as water delivery operations and maintenance (O&M) charges, water service capital charges, power and BDF revenues, and non-operating revenues, such as property taxes and interest earnings.

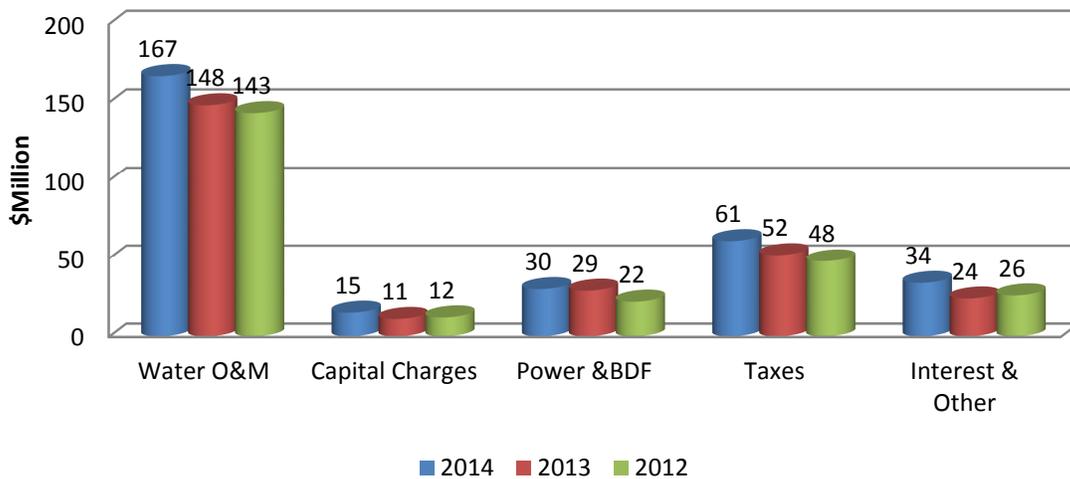


In 2014, total revenues increased by \$42.3 million. Water O&M charges increased \$18.7 million and water service capital charges increased \$3.9 million due to rate increases. Rates are approved by the Board of Directors and are designed to cover operational costs and

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maintenance of an aging infrastructure system. Increased power expense over the last few years has been a driving factor in CAWCD's rate changes. Power and BDF revenues increased by \$1.1 million. Property tax revenue increased by \$8.6 million due to the property tax increase in 2013 discussed in more detail in the next paragraph. Interest income and other increased by \$6.6 million due to the change in fair value of CAWCD's reserve investment accounts. Reimbursements and other income increased by \$3.4 million mainly due to an increase in CAGR revenue.

Total Revenues



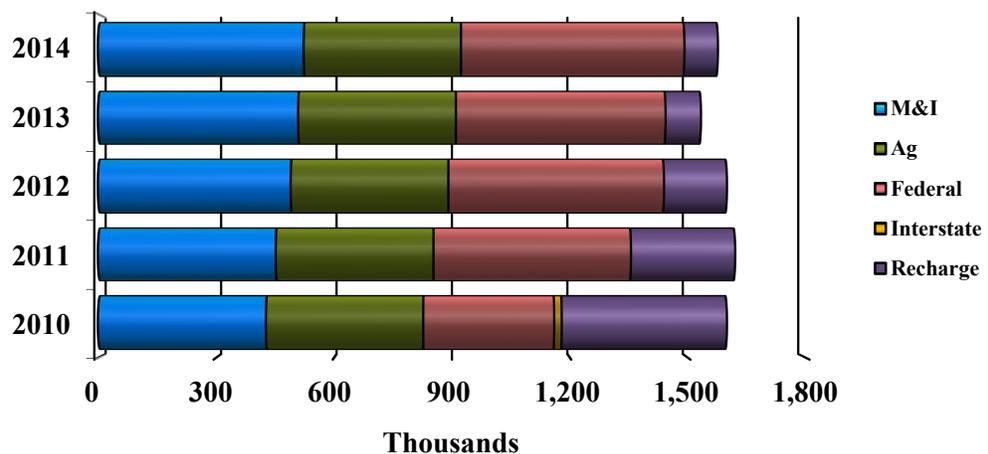
2013 total revenues increased by \$13.4 million. Water O&M charges increased \$5.5 million as a result of a rate increase offset some by a decrease in delivered acre-feet. Water service capital charges decreased \$1.3 million which reflects the move from Excess and Recharge deliveries to Federal deliveries. Federal customers do not pay the capital component of the water delivery rate, whereas Excess and Recharge customers are charged the capital component on delivered water. Power and BDF revenues increased by \$7.0 million due to lower NGS expenses for operations and capital projects and a temporary improvement in the energy market due to the cold winter in the east. Property tax revenue increased by \$4.6 million. The CAP Board approved an increase in property tax from \$0.06 to \$0.10 per assessed valuation in order to establish a new reserve fund for mitigation of unanticipated cost concerns. Interest and other income decreased by \$2.4 million. Other income includes the recharge O&M revenue and CAGR revenue. The drop in interest revenue of \$7.1 million is offset by an increase of \$4.7 million in CAGR revenue due to a CAGR rate increase.

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<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Operating revenues						
Water O&M charges	\$ 167.0	\$ 148.3	\$ 18.7	\$ 148.3	\$ 142.8	\$ 5.5
Water service capital charges	14.6	10.7	3.9	10.7	12.0	(1.3)
Power & other BDF revenues	29.7	28.6	1.1	28.6	21.6	7.0
Reimbursements & other	27.5	24.1	3.4	24.1	19.4	4.7
Total operating revenues	238.8	211.7	27.1	211.7	195.8	15.9
Nonoperating revenues						
Property taxes	61.0	52.4	8.6	52.4	47.8	4.6
Interest income & other	6.7	0.1	6.6	0.1	7.2	(7.1)
Total nonoperating revenues	67.7	52.5	15.2	52.5	55.0	(2.5)
Total revenues	\$ 306.5	\$ 264.2	\$ 42.3	\$ 264.2	\$ 250.8	\$ 13.4

Water deliveries were 1,535,666 acre-feet in 2014 and 1,533,327 acre-feet in 2013 (including credits), an increase of 2,339 acre-feet, which is within normal variance ranges. Municipal contractual agreements with Indian tribes increased off-reservation federal deliveries in recent years. The increase in the federal class of water is offset by a decrease in recharge deliveries as they only have access to excess water, which is reduced due to the federal increase. There have been no Interstate deliveries since 2010, also as a result of the shrinking availability of excess water.

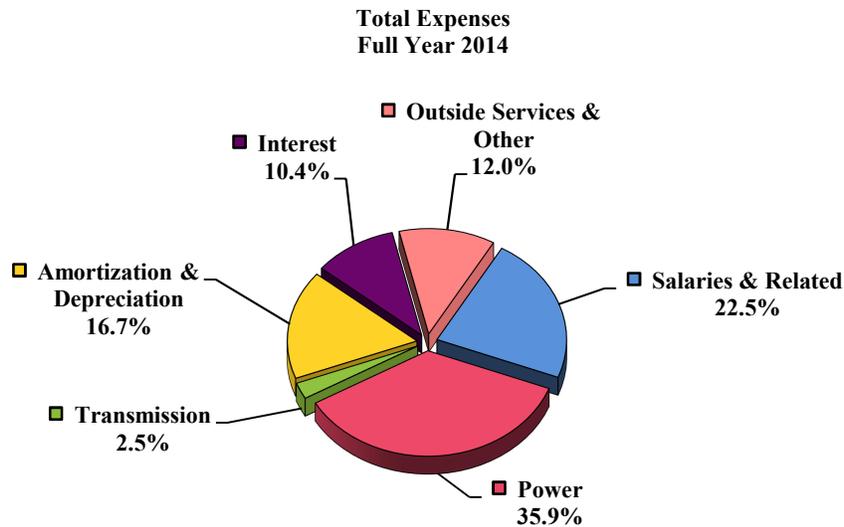
Water Deliveries (Acre-Feet) 2008 to 2014



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Total Expenses

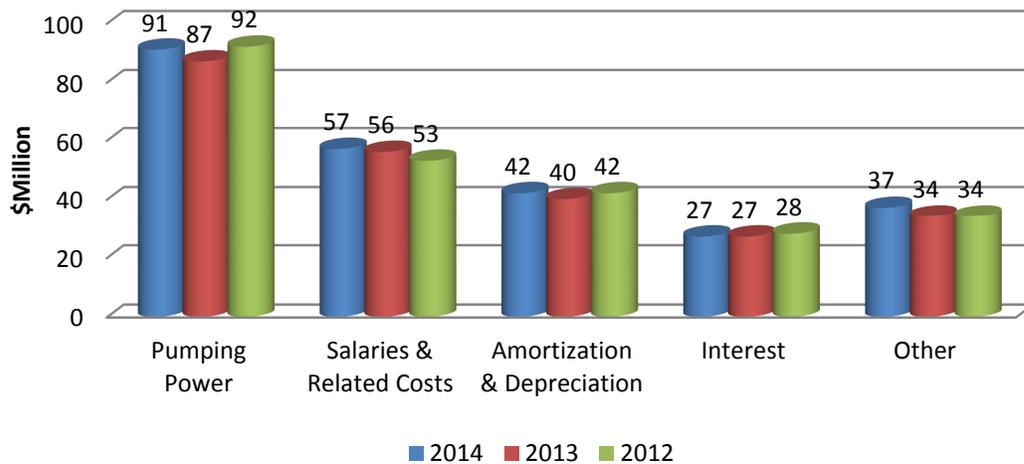
Total expenses include operating and non-operating expenses. Operating expenses consist of salaries and related cost, professional services, pumping power and power transmission, amortization and depreciation as well as other operating expenses. Non-operating expenses are primarily interest and other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



Total expenses for 2014 increased \$9.6 million compared to 2013. Salaries and related costs increased by \$1.1 million which reflects the annual increase in salaries. Pumping power expense increased \$4.4 million due to a rate increase of \$57.61/MWH to \$60.45/MWH. Depreciation expense increased \$2.2 million reflecting the increased spending on capital projects and equipment required for optimum utilization of the CAP canal. Other operating expenses include outside services, materials and supplies, transmission costs, overhead, and CAGR water purchases. The increase of \$2.8 million in other operating expenses are due mostly to Colorado shortage mitigation programs and the CAGR water acquisition program.

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Total Expenses



2013 expenses decreased \$4.6 million compared to 2012. Salaries and related costs increased by \$2.9 million. Part of this increase was the result of hiring employees to fill vacancies carried forward from 2012 as well as some increased cost in benefits. Pumping power expense decreased \$4.9 million. This was partially due to the reduction of delivered acre feet of water reducing the need for power and a slightly lower cost per MWH. Amortization and Depreciation expense decreased \$1.7 million with the combination of the reduction in amortization of the PSR offset by the increase of depreciation on capital assets. Other operating expenses decreased \$0.1 million and includes outside services, materials and supplies, transmission costs, overhead, and CAGR water purchases.

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Operating expenses						
Salaries & related costs	\$ 57.2	\$ 56.1	\$ 1.1	\$ 56.1	\$ 53.2	\$ 2.9
Pumping power	91.1	86.7	4.4	86.7	91.6	(4.9)
Amortization	23.0	23.0	-	23.0	26.5	(3.5)
Depreciation	19.5	17.3	2.2	17.3	15.5	1.8
Other	36.6	33.8	2.8	33.8	33.9	(0.1)
Total operating expenses	227.4	216.9	10.5	216.9	220.7	(3.8)
Non-operating expenses	26.4	27.3	(0.9)	27.3	28.1	(0.8)
Total expenses	\$ 253.8	\$ 244.2	\$ 9.6	\$ 244.2	\$ 248.8	\$ (4.6)

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Changes In Net Position and Ending Net Position

Net position increased \$52.7 million in 2014 and \$20.0 million in 2013.

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Total operating revenues	\$ 238.8	\$ 211.7	\$ 27.1	\$ 211.7	\$ 195.8	\$ 15.9
Total operating expenses	(227.4)	(216.9)	(10.5)	(216.9)	(220.7)	3.8
Operating income (loss)	11.4	(5.2)	16.6	(5.2)	(24.9)	19.7
Non-operating revenues	67.7	52.5	15.2	52.5	55.0	(2.5)
Non-operating expenses	(26.4)	(27.3)	0.9	(27.3)	(28.1)	0.8
Changes in net position	52.7	20.0	32.7	20.0	2.0	18.0
Beginning net position	593.0	573.0	20.0	573.0	571.0	2.0
Ending net position	\$ 645.7	\$ 593.0	\$ 52.7	\$ 593.0	\$ 573.0	\$ 20.0

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CAPITAL ASSET AND NONCURRENT DEBT ACTIVITY

Capital Assets: The District's investment in capital assets decreased \$3.8 million to \$1,400.1 million in 2014 and decreased \$14.0 million to \$1,403.9 million in 2013. The largest component of the District's capital assets is the PSR, net of accumulated amortization. The PSR (net) has decreased from \$1,204.4 million in 2013 to \$1,181.4 million in 2014 per the amortization schedule, which is approximately \$23.0 million per year. The increase in capital projects and purchases, as the CAP infrastructure ages, offsets the annual reduction of the PSR.

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

**SCHEDULE OF CAPITAL ASSETS
(Net of Depreciation and Amortization)**

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Operating assets						
Land	\$ 1.9	\$ 1.9	\$ -	\$ 1.9	\$ 1.9	\$ -
Work-in-process	59.2	43.7	15.5	43.7	36.1	7.6
Intangibles	32.3	27.7	4.6	27.7	28.2	(0.5)
Structures and improvements	51.9	54.7	(2.8)	54.7	57.5	(2.8)
Equipment	73.4	71.5	1.9	71.5	66.8	4.7
Operating assets	218.7	199.5	19.2	199.5	190.5	9.0
Permanent service right	1,181.4	1,204.4	(23.0)	1,204.4	1,227.4	(23.0)
Total capital assets	\$ 1,400.1	\$ 1,403.9	\$ (3.8)	\$ 1,403.9	\$ 1,417.9	\$ (14.0)

Noncurrent Debt: The District's noncurrent debt decreased \$31.4 million in 2014 and decreased \$26.3 million in 2013.

SCHEDULE OF NONCURRENT DEBT

<i>(Dollars in millions)</i>	2014	2013	Change	2013	2012	Change
Repayment obligation	\$ 1,172.4	\$ 1,203.8	\$ (31.4)	\$ 1,203.8	\$ 1,230.1	\$ (26.3)
Total long-term debt	\$ 1,172.4	\$ 1,203.8	\$ (31.4)	\$ 1,203.8	\$ 1,230.1	\$ (26.3)

Noncurrent debt is discussed in the previous Total Liabilities section of the MD&A. More information about the District's repayment obligation is provided in Note 3 of the financial statements.

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CURRENTLY KNOWN ECONOMIC FACTORS IMPACTING THE FUTURE FINANCES OF CAWCD

- The Environmental Protection Agency has issued a final Best Available Retrofit Technology (BART) rule for NGS that will require the shutdown of one of the three generating units by 2020, which will increase the cost per unit of electricity produced, and the installation of costly new controls to reduce nitrogen oxide emissions at the plant by 2030. In addition, the owners of NGS, including the Bureau of Reclamation, are in the process of finalizing negotiations on a plant site lease and coal supply agreement that both expire in 2019. Two of the owners plan to exit by the end of the current lease, and discussions are ongoing as to how that objective can be accomplished. Depending on the cost of the required new controls, and the resolution of the land lease and coal supply agreement and other outcomes that are currently uncertain, the owners of NGS could determine that the most economical alternative would be to close the plant, which would require CAWCD to obtain another source of power. Either of these results, i.e., the installation of expensive new control equipment together with increased costs due to new lease terms or the closure of NGS, could lead to substantial increases in CAP water rates, tax rates or both, and to reductions in revenues from sales of surplus NGS power.

- Under shortage sharing criteria agreed to among the basin states and the Department of the Interior, if the water elevation in Lake Mead falls to certain levels, the Secretary will declare a shortage. The first shortage trigger in Lake Mead is at elevation 1,075 feet, at which point CAP's share of the declared shortage would be 320,000 acre-feet. In the event of a shortage, Fixed O&M costs would have to be absorbed by lower delivery volumes, and water delivery rates would increase correspondingly. Additional shortage triggers occur at elevation 1,050 feet (400,000 acre-foot reduction to CAP) and 1,025 feet (480,000 acre-foot reduction to CAP). The Colorado River basin has experienced a prolonged drought since the turn of this century. By November 2010, the water level in Lake Mead had fallen to elevation 1082, only 7 feet above the first shortage trigger. System runoff in 2011 was well above average, raising the water level in Lake Mead more than 50 feet, but runoff in subsequent years has been below average, and the elevation at the end of 2014 was 1,087 feet. Water storage in the two major main-stem reservoirs, Lake Powell and Lake Mead, remains below 50 percent of capacity, and a continuation of drought conditions could lead to a shortage declaration as soon as 2016. CAWCD, the Bureau of Reclamation, Metropolitan Water District of Southern California and Southern Nevada Water Authority have entered into a memorandum of understanding to use best efforts to create a "protection volume" of 740,000 acre-feet water to be left in Lake Mead between 2014 and 2017 in order to keep the lake above the shortage trigger elevations as long as possible. CAP's share of the protection volume is 345,000 acre-feet, and the measures used to create this volume will include forbearance on diversions and "turnback" of water that has been ordered. Some of this volume may include Intentionally Created Surplus (ICS) that could be available to CAP at some future date once shortage has ended and other conditions are met. Creation of the protection volume will incur some cost and will also reduce deliveries, which, together, may result in increases in water rates or increased use of property tax revenues or reserve balances.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

- Proposition 117 was passed by the voters of Arizona on November 6, 2012. This referendum amended Article IX, Section 18 of the Arizona Constitution to limit annual increases in assessed property valuations for property tax purposes to no more than 5% of the previous year's value. This change will take effect beginning with the 2015 tax year. Previously, CAP's *ad valorem* taxing authority has been based on the Full Cash Value (FCV), which is allowed to fluctuate with the market without restriction. In addition, the property valuation that serves as the base year starting point will be the 2014 Limited Property Value (LPV), which will be lower than the 2014 FCV. Property values in the CAP service area have declined drastically since 2007, but valuations have slowly begun to improve since 2013. Consequently, the revenue that CAP will be able to collect beginning in 2015 from its current levy (10 cents per \$100 of assessed valuation out of a maximum 10 cent authority) will be less than it otherwise would have been. Because of the replacement of the FCV with the LPV in the base year, CAP's 2015 tax revenue is expected to stay flat or even decline slightly in 2015 at the same tax rate.
- Reclamation's 24.3% ownership share of NGS represents about 4,200 gigawatt hours (GWH) in a typical year. CAP uses about 2,800 GWH for pumping, although a portion of this is sold and replaced by other electricity from the market in order to meet operational needs and to take advantage of shaping and displacement price opportunities, if any. The balance, approximately 1,400 GWH per year, is sold by Western as NGS Surplus and the proceeds are applied towards CAP's repayment obligation. Both CAP's energy costs and CAP's annual net repayment (after applying all applicable credits from the Basin Development Fund) are exposed to the market. CAP's rates are set in advance and, while they are reconciled for some customers, if rates do not anticipate large fluctuations in the energy market, there may be both short-term and longer-term impacts on CAP's reserves, either favorable or unfavorable. Energy prices dropped 30-50% in 2009 from where they had been the previous five years due to an oversupply situation in the natural gas market that occurred in part as a result of the recession. During 2012, natural gas prices dropped another 50% from 2009-2011 levels, which resulted in losses in market transactions. Energy prices recovered somewhat in 2013 and early 2014, but have again fallen to about the level they were in 2012.
- GASB has issued Statement No. 68. This statement's primary objective is to improve accounting and financial reporting of pensions by state and local governments, provide decision-useful information, support assessments of accountability and interperiod equity and create additional transparency. This new standard will have an impact on CAWCD's financial statements beginning in 2015.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

ASSETS

	2014	2013
	<i>(In Thousands)</i>	
CURRENT ASSETS		
Cash	\$ 11,564	\$ 11,243
Cash Equivalents	107,444	89,990
	119,008	101,233
Receivables:		
Due From Water Customers	9,774	13,447
Other Receivables	9,597	8,562
Water Inventory	61,384	53,087
Other Assets	12,097	6,625
	211,860	182,954
NONCURRENT ASSETS		
Funds Held by Federal Government	37,987	37,491
Investments	216,543	194,608
Restricted Assets	113,022	115,988
Agricultural Water Rights	88,719	88,719
Capital Assets:		
Operating Assets, Less Accumulated Depreciation of \$133,646 and \$115,888 at December 31, 2014 and 2013, Respectively	218,661	199,488
Permanent Service Right, Less Accumulated Amortization of \$609,756 and \$586,738 at December 31, 2014 and 2013, Respectively	1,181,356	1,204,374
	1,856,288	1,840,668
Total Assets	\$ 2,068,148	\$ 2,023,622

See accompanying notes.

LIABILITIES

	2014	2013
	<i>(In Thousands)</i>	
CURRENT LIABILITIES		
Accounts Payable	\$ 26,779	\$ 14,179
Accrued Payroll, Payroll Taxes and Other Accrued Expenses	8,344	8,331
Water Operations and Capital Charges Unearned Revenue	37,369	34,707
Current Liabilities Payable from Restricted Assets, Advances to Federal Government, and Other Noncurrent Assets:		
Accrued Interest Payable	26,407	27,260
Repayment Obligation, Due Within One Year	31,362	26,343
Total Current Liabilities	130,261	110,820
NONCURRENT LIABILITIES		
Repayment Obligation, Due After One Year	1,172,431	1,203,793
Non-Indian Agricultural 9(d) Debt	88,719	88,719
Other Noncurrent Liabilities	16,645	15,493
Total Noncurrent Liabilities	1,277,795	1,308,005
Total Liabilities	1,408,056	1,418,825
DEFERRED INFLOWS OF RESOURCES		
Customer Deposits	14,427	11,815
Total Deferred Inflows of Resources	14,427	11,815
NET POSITION		
Net Investment in Capital Assets	196,224	173,726
Restricted for Master Repayment Agreement	61,970	66,690
Restricted for Supplemental Water Account	8,047	7,882
Restricted for CAGR Account	14,348	11,906
Restricted for Captive Insurance Company	2,250	2,250
Unrestricted	362,826	330,528
Total Net Position	645,665	592,982
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,068,148	\$ 2,023,622

See accompanying notes.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
	<i>(In Thousands)</i>	
OPERATING REVENUES		
Water Operations and Maintenance Charges	\$ 167,036	\$ 148,300
Water Service Capital Charges	14,565	10,688
Power and Basin Development Fund Revenues	29,665	28,555
Reimbursements and Other Operating Revenues	27,518	24,171
	<u>238,784</u>	<u>211,714</u>
OPERATING EXPENSES		
Salaries and Related Costs	57,183	56,147
Pumping Power	91,066	86,700
Power Transmission	6,261	6,289
Hoover Capacity Charges	3,830	4,090
Amortization of Permanent Service Right	23,018	23,018
Depreciation	19,491	17,288
Other Operating Expenses	26,566	23,449
	<u>227,415</u>	<u>216,981</u>
Total Operating Expenses	<u>227,415</u>	<u>216,981</u>
Operating Income (Loss)	<u>11,369</u>	<u>(5,267)</u>
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	60,994	52,437
Gain (loss) on Sale of Assets	48	(22)
Interest Income and Other Nonoperating Revenues	6,679	45
Interest Expense and Other Nonoperating Expenses	(26,407)	(27,260)
	<u>41,314</u>	<u>25,200</u>
Total Nonoperating Revenues, Net	<u>41,314</u>	<u>25,200</u>
CHANGES IN NET POSITION	<u>52,683</u>	<u>19,933</u>
NET POSITION AT BEGINNING OF YEAR	<u>592,982</u>	<u>573,049</u>
NET POSITION AT END OF YEAR	<u>\$ 645,665</u>	<u>\$ 592,982</u>

See accompanying notes.



CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 179,439	\$ 131,930
Cash Received from Power Sales	26,163	25,388
Cash Paid to Employees	(57,170)	(55,673)
Cash Paid to Suppliers	(125,129)	(128,142)
	<u>23,303</u>	<u>(26,497)</u>
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		
ACTIVITIES		
Cash Received from Property Taxes	60,994	52,438
	<u>60,994</u>	<u>52,438</u>
CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Payments on Repayment Obligation, Net	(15,616)	(16,967)
Additions to Capital Assets	(39,156)	(26,333)
Proceeds from Disposal of Capital Assets	540	23
	<u>(54,232)</u>	<u>(43,277)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(54,232)</u>	<u>(43,277)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Restricted Assets	(3,053)	(3,046)
Decrease in Restricted Assets	6,278	5,262
Purchase of Investments	(36,369)	(34,911)
Proceeds from Sale and Maturities of Investments	15,054	20,971
Investment Income Received	5,800	6,155
	<u>(12,290)</u>	<u>(5,569)</u>
Net Cash Used in Investing Activities	<u>(12,290)</u>	<u>(5,569)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	17,775	(22,905)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	101,233	124,138
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 119,008	\$ 101,233

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2014 and 2013

	2014	2013
	<i>(In Thousands)</i>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 11,369	\$ (5,267)
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by (Used In) Operating Activities:		
Amortization of Permanent Service Right	23,018	23,018
Depreciation	19,491	17,288
BDF Revenue - Repayment Credit	(37,987)	(37,491)
Changes in Operating Assets and Liabilities:		
Due from Water Customers	3,673	(497)
Due from Other Receivables	(1,035)	(1,939)
Water Inventory	(8,297)	(7,838)
Other Assets	(5,472)	(758)
Funds Held by Federal Government	(496)	(20,569)
Accounts Payable	12,600	(3,913)
Accrued Payroll, Payroll Taxes and Other Accrued Expenses	13	474
Water Operations and Capital Charges		
Unearned Revenue	2,662	6,100
Other Noncurrent Liabilities	1,152	1,270
Deferred Inflows	2,612	3,625
	<u>\$ 23,303</u>	<u>\$ (26,497)</u>
NONCASH INVESTING ACTIVITIES		
Increase (Decrease) in Fair Value of Investments	\$ 620	\$ (3,823)
Increase (Decrease) in Fair Value of Restricted Assets	259	(2,287)
	<u>\$ 879</u>	<u>\$ (6,110)</u>

See accompanying notes.



Notes to the Financial Statements

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CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Under its enabling legislation (A.R.S. §48-3701 *et seq.*), the District has the authority to levy ad valorem taxes against all taxable property within its boundaries. The first ad valorem tax, which may not exceed 10 cents per \$100 of assessed valuation, is for the District's operations and repayment of the construction cost repayment obligation of the CAP (Note 3). The ad valorem tax for operations and repayment was levied at 10 cents per \$100 of assessed valuation for the tax years ending June 30, 2015 and June 30, 2014 and at 6 cents per \$100 of assessed valuation for the tax year ended June 30, 2013. The second ad valorem tax, which may not exceed 4 cents per \$100 of assessed valuation, is for water storage to the extent that it is not required for the District's operations or the construction cost repayment obligation of the project. The ad valorem tax for water storage was levied at 4 cents per \$100 of assessed valuation in the tax years ended June 30, 2015, 2014 and 2013. Proceeds were deposited by the District with the State Treasurer and used by the District to defray annual operation, maintenance and replacement costs. The respective counties collect property taxes on behalf of the District.

In 1993, the State legislature gave the District additional authority to provide replenishment services within the District's three-county service area. This authority is commonly referred to as the Central Arizona Groundwater Replenishment District (CAGRDR). The CAGRDR began enrolling members in 1995. As of December 31, 2014 and 2013, there were 1,098 and 1,087 member lands, respectively (individual subdivisions) and 23 and 23 member service areas, respectively. The CAGRDR is responsible for using renewable water supplies to replenish (or recharge) excess groundwater used by its members. All costs of the CAGRDR are to be paid by its members through assessments based on replenishment services provided. CAGRDR's total net replenishment obligation was approximately 396,000 (estimate pending final Arizona Department of Water Resources reports) for 2014 and 363,000 acre-feet for 2013.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accounting policies of the District conform to generally accepted accounting principles as applicable to an enterprise fund of a governmental unit. Accordingly, the accrual basis of accounting is utilized, whereby revenues are recorded when they are earned, and expenses are recorded when the liability is incurred. The District's books and records include separate accounts and projects that are described as "accounts" or "fund": a general fund, Supplemental Water account, Captive fund and CAGR account. This "fund" and these "accounts" have been combined in the accompanying financial statements. All material inter-fund transactions have been eliminated.

New Accounting Standards

GASB Statement No. 68, Accounting and Financial Reporting for Pensions will be implemented in 2015. This standard establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through pension plans. It also establishes requirements for reporting information about pension-related financial support provided by entities that make contributions to pension plans that are used to provide pensions to the employees of other entities. At this time CAWCD has not determined the magnitude of this statement on the basic financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Unrestricted Investments

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

Investments are managed by the State Treasurer and maintained in investment pools (the state of Arizona Local Government Investment Pool (LGIP) 5 and the CAWCD Long-Term Pool 12). The LGIP 5 consists of participating interest earning investment contracts with maturities of less than one year and, therefore, is recorded at cost and is considered cash equivalents. The CAWCD Long-Term Pool 12 is recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Inventory

Inventory is comprised of mainly replacement parts. The District charges all such replacement parts to expense upon acquisition.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water Inventory

The water inventory adjustment for water inventory is a means to adjust the pumping energy component of water service charges to recognize that the cost of power used to pump water into Lake Pleasant should be recovered, through operations maintenance and replacement (OM&R) charges, in the year the water is delivered to customers, not the year in which it is pumped into Lake Pleasant. The water inventory adjustment is valued at the actual energy cost.

The District's share of Lake Pleasant storage as of December 31, 2014 and 2013 was 543,310 acre-feet and 518,153 acre-feet, respectively.

In 2002, the District entered into a water exchange agreement with Salt River Project (SRP) that allowed for an exchange of up to 150,000 acre-feet. In 2014 and 2013, the District's remaining share was 31,463 acre-feet and 31,468 acre-feet, respectively with Salt River Project. The water inventory adjustment represents the actual energy cost when the water was stored associated with the change in storage level over the calendar year.

As the result of a one-year test run of the Yuma Desalting Plant beginning in 2010, the Bureau of Reclamation assigned intentionally created surplus credits (ICS) to the District. These credits were valued at the District's M&I water rate at \$364,000. In 2014, it was determined the ICS would not be utilized in the near future and would be kept in Lake Mead to help in shortage mitigation. The ICS inventory was expensed in 2014 to reflect this purpose. The District is earning additional ICS credits and are subsequently expensing the cost.

Long term storage credits (LTSC) are recorded at cost using average cost valuation method. As of December 31, 2014 and 2013, the LTSC value was \$12,578,056 and \$8,376,164, respectively.

Capital Assets and Depreciation

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

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

The Permanent Service Right is an intangible asset that represents that District's right to operate the CAP water delivery system (see Note 2).

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (Continued)

Operating assets are capitalized when over \$5,000 and are stated at cost. Assets are depreciated on the straight-line method over the estimated useful lives as follows:

Land	Not depreciated
Intangibles – non depreciable	Not depreciated
Structures and improvements	5-40 years
Equipment	3-20 years
Intangibles – depreciable	3-50 years

Agricultural Water Rights

During 2007, as a result of the Arizona Water Settlement (Note 3), the District obtained agricultural water rights to be reallocated (Note 9). The agricultural water rights are recorded at cost and may be partially reallocated beginning in 2016 dependent on the Arizona Department of Water Resources reallocation process.

Investments

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

Restricted Assets

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

Deferred Inflows/Outflows of Resources

The District reports long-term customer deposits as deferred inflows of resources (Note 11). The District currently does not have any deferred outflows of resources.

Revenue Recognition

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

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Property taxes are recorded as revenue when earned. Tax equivalency charges are recorded when received if there is no obligation to deliver any services or provision for refund.

Operating and Nonoperating Revenues

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

Operating and Nonoperating Expenses

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

Application of Restricted or Unrestricted Resources

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

Statements of Cash Flows

For the purpose of the statements of cash flows, investments in the LGIP are treated as cash and cash equivalents due to their high liquidity.

Reclassifications

Certain reclassifications have been made to the 2013 amounts to correspond to the 2014 financial statement presentation. Total net position and changes in net position for 2013 are unchanged as a result of the reclassifications.

NOTE 2 CAPITAL ASSETS

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 CAPITAL ASSETS (CONTINUED)

	December 31, 2013			December 31, 2014
	Balances	Increases	Decreases	Balances
	<i>(In Thousands)</i>			
Operating Assets not Depreciated:				
Land	\$ 1,941	\$ 3	\$ -	\$ 1,944
Work-in-Process	16,305	4,550	-	20,855
Intangibles	3,663	4,800	-	8,463
Operating Assets being Depreciated:				
Land Improvements	2,855	830	(143)	3,542
Work-in-Process	35,086	22,011	(6,608)	50,489
Intangibles	29,355	566	(233)	29,688
Structures and Improvements	80,094	709	(58)	80,745
Equipment	146,077	12,295	(1,791)	156,581
Total Operating Assets	<u>315,376</u>	<u>45,764</u>	<u>(8,833)</u>	<u>352,307</u>
Less Accumulated Depreciation for:				
Work-in-Process	(7,705)	(4,537)	88	(12,154)
Intangibles	(5,274)	(607)	-	(5,881)
Structures and Improvements	(28,232)	(4,152)	27	(32,357)
Equipment	(74,677)	(10,195)	1,618	(83,254)
Total Accumulated Depreciation	<u>(115,888)</u>	<u>(19,491)</u>	<u>1,733</u>	<u>(133,646)</u>
Operating Assets, Net	<u>\$ 199,488</u>	<u>\$ 26,273</u>	<u>\$ (7,100)</u>	<u>\$ 218,661</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 CAPITAL ASSETS (CONTINUED)

	December 31, 2012			December 31, 2013
	Balances	Increases	Decreases	Balances
	<i>(In Thousands)</i>			
Operating Assets not Depreciated:				
Land	\$ 1,941	\$ -	\$ -	\$ 1,941
Work-in-Process	10,625	5,680	-	16,305
Intangibles	3,663	-	-	3,663
Operating Assets being Depreciated:				
Land Improvements	1,205	1,650	-	2,855
Work-in-Process	31,650	18,124	(14,688)	35,086
Intangibles	31,087	59	(1,791)	29,355
Structures and Improvements	80,370	403	(679)	80,094
Equipment	135,852	15,797	(5,572)	146,077
Total Operating Assets	296,393	41,713	(22,730)	315,376
Less Accumulated Depreciation for:				
Work-in-Process	(6,236)	(1,469)	-	(7,705)
Intangibles	(6,493)	(572)	1,791	(5,274)
Structures and Improvements	(24,043)	(4,205)	16	(28,232)
Equipment	(69,133)	(11,042)	5,498	(74,677)
Total Accumulated Depreciation	(105,905)	(17,288)	7,305	(115,888)
Operating Assets, Net	\$ 190,488	\$ 24,425	\$ (15,425)	\$ 199,488

Total depreciation expense was approximately \$19,491,000 and \$17,288,000 for the years ended December 31, 2014 and 2013, respectively.

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

Permanent Service Right

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 CAPITAL ASSETS (CONTINUED)

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

The District amortizes/depreciates the permanent service right on the straight-line method over the estimated useful lives of the major components of the CAP, generally 100 years for the aqueduct, 30 years for the Navajo Generating Station (NGS) power plant and related transmission facilities, 50 years for buildings and structures and 20 years for the pumping plant equipment.

	December 31, 2013			December 31, 2014		
	Balances	Increases	Decreases	Balances		
	<i>(In Thousands)</i>					
Permanent Service Right	\$ 1,789,627	\$ -	\$ -	\$ 1,789,627		
Navajo Generating Station Assets	1,485	-	-	1,485		
Total being Amortized/Depreciated	1,791,112	-	-	1,791,112		
Less Accumulated Amortization/ Depreciation						
Permanent Service Right	(585,788)	(23,001)	-	(608,789)		
Navajo Generating Station Assets	(950)	(17)	-	(967)		
Total Accumulated Amortization/ Depreciation	(586,738)	(23,018)	-	(609,756)		
Permanent Service Right Asset, Net	<u>\$ 1,204,374</u>	<u>\$ (23,018)</u>	<u>\$ -</u>	<u>\$ 1,181,356</u>		

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 2 CAPITAL ASSETS (CONTINUED)

	December 31, 2013			December 31, 2014		
	Balances	Increases	Decreases	Balances	Balances	Balances
	<i>(In Thousands)</i>					
Permanent Service Right	\$ 1,789,627	\$ -	\$ -	\$ 1,789,627		
Navajo Generating Station Assets	1,485	-	-	1,485		
Total being Amortized/Depreciated	1,791,112	-	-	1,791,112		
Less Accumulated Amortization/ Depreciation						
Permanent Service Right	(562,787)	(23,001)	-	(585,788)		
Navajo Generating Station Assets	(933)	(17)	-	(950)		
Total Accumulated Amortization/ Depreciation	(563,720)	(23,018)	-	(586,738)		
Permanent Service Right Asset, Net	<u>\$ 1,227,392</u>	<u>\$ (23,018)</u>	<u>\$ -</u>	<u>\$ 1,204,374</u>		

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

NOTE 3 MASTER REPAYMENT AGREEMENT

The Agreement

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

Commencement of Repayment

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 MASTER REPAYMENT AGREEMENT (CONTINUED)

Commencement of Repayment (Continued)

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

Repayment Litigation and Repayment Settlement

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

The Arizona Water Settlement

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

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

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 3 MASTER REPAYMENT AGREEMENT (CONTINUED)

The Arizona Water Settlement (Continued)

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

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

Repayment Obligation

The Repayment Settlement established the principal amount of the District's repayment obligation for the water supply system and regulatory storage facilities stages of the CAP at \$1,646,462,500 based upon the agreement to increase the amount of CAP water allocated for federal use to 667,724 acre-feet. The Repayment Settlement provides that the repayment obligation is subject to further adjustment, up or down, by \$1,415 per acre-foot if the total amount of CAP water ultimately made available for federal use is not 667,724 acre-feet. The District's repayment obligation would vary inversely with the amount of CAP water allocated for federal use. Thus, if the total amount of CAP water ultimately made available for federal use is less than 667,724 acre-feet, the District's repayment obligation would be increased by \$1,415 per acre-foot of the difference. There was no adjustment to the District's repayment obligation related to the CAP water allocated for federal use in 2014 and 2013.

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

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 3 MASTER REPAYMENT AGREEMENT (CONTINUED)

Construction Deficiencies and Other Credits

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

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

Application of Development Fund Revenues

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

Payments to Maturity

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

	Principal	Interest	Total
	<i>(In Thousands)</i>		
2015	\$ 31,362	\$ 26,407	\$ 57,769
2016	31,362	25,385	56,747
2017	31,362	24,364	55,726
2018	32,929	23,342	56,271
2019	32,929	22,262	55,191
2020-2024	187,227	94,350	281,577
2025-2029	215,294	60,968	276,262
2030-2034	221,486	24,908	246,394
2034-2039	222,273	1,061	223,334
2040-2044	188,402	-	188,402
2045	9,167	-	9,167
	<u>\$ 1,203,793</u>	<u>\$ 303,047</u>	<u>\$ 1,506,840</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 MASTER REPAYMENT AGREEMENT (CONTINUED)

Changes in Repayment Obligation Balance

December 31, 2013 Balance	Additions	Reductions	December 31, 2014 Balance	Amount Due Within One Year
<i>(In Thousands)</i>				
\$ 1,230,136	\$ -	\$ (26,343)	\$ 1,203,793	\$ 31,362
December 31, 2012 Balance	Additions	Reductions	December 31, 2013 Balance	Amount Due Within One Year
\$ 1,256,479	\$ -	\$ (26,343)	\$ 1,230,136	\$ 26,343

Amounts Recorded in Financial Statements

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

NOTE 4 OPERATIONS

Operations and Maintenance Agreement

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

Water Delivery Contracts and Subcontracts

Long-term CAP water service began pursuant to contracts and subcontracts on October 1, 1993, upon notice of completion of the water supply system. Originally, the term of the contracts and subcontracts was generally 50 years beginning January 1, 1994. The Settlements Act required the Secretary to offer to amend all CAP contracts and subcontracts to, among other things, change the term of the contracts and subcontracts from 50 years to permanent water service, with an initial delivery term of 100 years. Pursuant to the Settlements Act, the District offered 60 new subcontracts and all were executed. In addition, the United States has entered into long-term contracts with eleven Indian entities for the delivery of CAP water. The District is not a party to these contracts but is obligated to deliver CAP water to Indian contractors under the Master Repayment Agreement. Total CAP water deliveries for 2014 and 2013 were 1,535,666 and 1,533,327 acre-feet (including credits), respectively.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 OPERATIONS (CONTINUED)

Water Delivery Contract and Subcontracts (Continued)

The non-Indian subcontracts require the payment of a water service capital charge and an OM&R charge. For Municipal and Industrial (M&I) subcontractors, the water service capital charge is applicable to each subcontractor's maximum annual entitlement to CAP water. Under the M&I water service subcontracts and current District pricing structure, the M&I water service capital charge is a variable charge, which began at an annual rate of \$10.50 per acre-foot of entitlement in 1994, increasing to \$48 per acre-foot of entitlement by 1999. The M&I water service capital charge was reduced following the Repayment Settlement. For 2014, the rate was \$20 per acre-foot. The amount of this M&I water service capital charge may be adjusted periodically by the District as a result of repayment determinations provided for in the Master Repayment Agreement and to reflect all sources of revenue, but the water service capital charge will not be greater than necessary to amortize project capital costs allocated to the M&I function with interest. Indian contractors of CAP water pay no water service capital charge, since the capital costs associated with the delivery of CAP water to Indian entities are not reimbursable by the District pursuant to the Master Repayment Agreement.

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

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

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

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

The District's Board of Directors uses the District's Long-Range Financial Plan (LRFP) to assist in setting rates for water service. In 2005, the Board of Directors adopted a two-year planning cycle. The Board revised the policy in 2010. As a result, water service charges are set every other year, including firm rates for the next year, provisional rates for the following year, and advisory rates for the subsequent four years. The provisional rates become firm the subsequent year unless updated by the Board prior to the commencement of the second year during the rate update process. The water service charges charged to M&I subcontractors and the United States on behalf of Indian contractors of CAP water service for 2014 were confirmed by the Board of Directors on June 6, 2013, at which time the Board also approved advisory rates for 2015.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 4 OPERATIONS (CONTINUED)

Water Delivery Contract and Subcontracts (Continued)

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

CAGRD Obligations

CAGRD's annual water replenishment obligation recorded for years ended December 31, 2014 and 2013 were approximately 34,000 and 33,900 acre-foot, respectively.

NOTE 5 POWER

Power Purchases

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

Hoover B Power Purchases

The 1984 Hoover Power Plant Act (Hoover Act) authorized upgrading the Hoover power plant, located at Hoover Dam, to increase generating capacity at the plant by 503 megawatts (MW). This additional capacity and its associated energy is known as Hoover B Power. The Hoover Act allocated 188 MW and 212,000 megawatt hours (MWh) of associated firm annual energy of the Hoover B Power to purchasers in Arizona. The Arizona Power Authority (Authority) distributes Arizona's share of the Hoover B Power. The District has contracted with Arizona Power Authority for all but 26.5 MW of Hoover B Power. The contract expires in 2017. The District is actively participating in the process for the Arizona Power Authority to allocate power post-2017, and there is no guarantee that the District will retain all of its current allocation.

Power Revenues

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 POWER (CONTINUED)

Navajo Generating Station

Reclamation is one of six participants in NGS, which consists of three 750,000 kilowatt coal-fired, steam-electric generating units that were brought on-line between 1974 and 1976, a railroad to deliver fuel and 500 kilovolt transmission lines and switching stations to deliver the power and energy to the various participants. An agreement among the participants governs the construction, operation, and maintenance of NGS. Reclamation entered into this agreement in order to acquire a portion of the capacity of NGS for supplying the power requirements of the CAP. Reclamation has a 24.3% entitlement in the generating station, resulting in a power entitlement of 546,750 kilowatts of nominal capacity. The District is charged for the costs associated with the energy used to operate the CAP, and the payments for this energy are deposited into the Development Fund.

Sale of NGS Surplus

On September 18, 2007, the Commissioner of Reclamation, on behalf of the Secretary, adopted the Amended NGS Power Marketing Plan (Amended Plan), which governs the sale of NGS Surplus after September 30, 2011. Under the Amended Plan, energy from Reclamation's share of NGS is available to meet all of the District's estimated pumping energy requirements in excess of capacity and energy supplied to the District from Hoover Dam or New Waddell Dam. NGS energy in excess of the District's pumping needs is marketed by Western.

On September 30, 2011, the District, Reclamation and Western entered into a contract, with associated operating procedures, for administration of the U.S. entitlement in the NGS Project. Pursuant to that contract, the District will notify Western and Reclamation by December 15 of each year as to the amount of NGS energy that is needed for CAP pumping for the following year. NGS energy not reserved for CAP use will be marketed by Western, with the proceeds of any sales to be deposited in the Development Fund for application against the annual payments due from the District under the Master Repayment Agreement and Repayment Settlement.

SRP Power Purchase Agreement

SRP and Western have entered into a NGS Power Purchase Agreement for the sale of a portion of NGS Surplus power for the period October 1, 2011, through September 30, 2031. SRP will purchase up to 220,800 MWh per year on a unit contingent basis. The price will be actual production cost, excluding capital, for all energy delivered to SRP plus a premium. After the first year, increases in production cost are capped at 4% per year, but re-priced to actual cost every three years. The premium is \$25 million in 2012 escalated at 3% annually. The premium is to be re-priced in year 11 of the contract based on the change in natural gas prices and subject to a maximum change of \$7,000,000 in either direction and escalating at 3% annually thereafter. The proceeds from this contract are to be deposited into the BDF to be applied towards CAP Repayment.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 POWER (CONTINUED)

Hoover Surcharge

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

Parker-Davis power sales began in 2005. Revenues from this surcharge are credited to the Development Fund.

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

NOTE 6 CASH AND INVESTMENTS

Cash

The CAWCD and Captive accounts are on demand deposits at Bank of America and First Hawaiian Bank, respectively. As of December 31, 2014, the District reported approximately \$11,564,000 in cash on its general ledger with bank balances of \$12,639,000. As of December 31, 2013, the District reported \$11,243,000 in cash on its general ledger with bank balances of \$12,027,000. The District's cash balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Pursuant to a Depository Agreement between CAWCD and the Bank of America all of the District's eligible public funds on deposit with the bank in excess of FDIC coverage are collateralized pursuant to A.R.S. 35-323. All securities pledged are held in book-entry form at the Bank of New York Mellon.

Investments

As a multi-county water conservation district, the District's Enabling Act prescribes that the Arizona State Treasurer holds the District's investments, including the restricted assets in Note 7. The District had money in CAWCD Long-Term Pool 12 and LGIP-Pool 5 (Local Government Investment Pool).

The target duration of the CAWCD Long-Term Pool 12 is 4.5 years. Securities, at time of purchase, will carry, as a minimum, an A or better rating by either Moody's Investors Service or Standard and Poor's Rating Service or their successors. Eligible securities include U.S. Treasury, agency, corporate notes, mortgage backed securities/asset backed securities, and money market instruments with a minimum rating of A1/P1.

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

The Captive accounts are held with First Hawaiian Bank. These amounts are held in certificate of deposits.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The investment pools themselves are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311. However, the State Treasurer's Office only invests in SEC-registered investment company shares that have readily available share prices. On April 1, 2014 the Master Custody Services for the Office of the Arizona State Treasurer has changed provider from JP Morgan to State Street Bank & Trust Company. The fair value of the District's position in the pool shares is the same as the value of the pool shares. Fair values of investments are determined using State Street Bank & Trust Company prices. State Street obtains security prices from independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Matrix based pricing is the process of determining the price of a non benchmark security by adding (subtracting) a spread in basis points to the yield of a comparable benchmark that is actively priced. Equities are priced utilizing the primary exchange closing price. All bonds are priced using an evaluated bid, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). The evaluated bid is based on a compilation of primary observable market information or a broker quote in a non-active market.

The District's portion of pooled investments as of December 31, 2014 and 2013, consisted of the following (stated at fair value):

	2014	2013
	<i>(In Thousands)</i>	
Pooled Investments - Current:		
Local Government Investment Pool 5	\$ 107,444	\$ 89,990
Pooled Investments - noncurrent:		
CAWCD Long-Term Pool 12	216,148	194,213
First Hawaiian Bank	395	395
 Pooled Investments - included in restricted assets:		
Local Government Investment Pool 5	14,348	11,906
CAWCD Long-Term Pool 12	96,424	101,832
First Hawaiian Bank	2,250	2,250
	<u>113,022</u>	<u>115,988</u>
	<u>\$ 437,009</u>	<u>\$ 400,586</u>

Pool 5 is rated by Standard & Poor's Rating Service. The rating at December 31, 2014 and 2013, was AAf/S1+. Pool 12 is not rated by a nationally recognized statistical rating organization. The District does not have a credit risk policy for its pooled investments.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 6 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

At December 31, 2014, the interest rate risks of the two pools in the aggregate are:

	Fair Value	Weighted- Average Maturity (Years)
<i>(In Thousands)</i>		
Local Government Investment Pool 5	\$ 121,792	0.16
CAWCD Long-Term Pool 12	312,572	5.55
	\$ 434,364	4.04
First Hawaiian Bank Certificate of Deposit	\$ 395	1.83

The Board of Directors has designated end of year strategic reserve targets that are invested in Pool 12 investments. The reserves are currently being funded to the revised targets as follows: capital reserves of \$75,000,000, contingency reserves of \$10,000,000 and operating reserves of \$45,000,000.

At December 31, 2013, the interest rate risks of the two pools in the aggregate are:

	Fair Value	Weighted- Average Maturity (Years)
<i>(In Thousands)</i>		
Local Government Investment Pool 5	\$ 101,896	0.10
CAWCD Long-Term Pool 12	296,045	6.27
	\$ 397,941	4.69
First Hawaiian Bank Certificate of Deposit	\$ 2,250	1.08

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7 RESTRICTED ASSETS

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

	2014	2013
	<i>(In Thousands)</i>	
Master Repayment Agreement repayment and operating reserves	\$ 45,864	\$ 45,743
Revised Stipulation Agreement major repairs or replacement	42,513	48,207
Supplemental Water account	8,047	7,882
CAGR account	14,348	11,906
Captive Insurance Company	2,250	2,250
	\$ 113,022	\$ 115,988

The District statements of net position report \$86,615,000 and \$88,728,000 of restricted net position as of December 31, 2014 and 2013, respectively.

Master Repayment and Operating Reserves

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

At December 31, 2014, the fair value of the operations and maintenance and repayment reserves totaled \$5,864,000, and \$40,000,000, respectively. See the cash and investments footnote (Note 6) for risk disclosures as of December 31, 2014 and 2013 related to investments held by the Arizona State Treasurer.

The District redeemed its Series B bonds on November 1, 2007. The District discharged its Series A bonds on June 1, 2009 as there were sufficient funds in reserve to make the remaining debt service payments. Per the Revised Stipulation Agreement, revenues from the Capacity Charge not necessary to pay debt service, costs, or rebate obligations associated with outstanding bonds or to fund reserves may be paid, at the District's option and in lieu of payment to Reclamation for deposit to the BDF, to CAWCD to be used by CAWCD solely to establish a reserve to cover the costs associated with major repair or replacement of CAP features.

At December 31, 2014 and 2013, the fair value of the major repair and replacement reserve totaled \$42,513,000 and \$48,207,000, respectively. See cash and investments (Note 6) for risk disclosures as of December 31, 2014 and 2013, related to investments held by the Arizona State Treasurer.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 7 RESTRICTED ASSETS (CONTINUED)

Supplemental Water Account

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

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

In November 2004, the Supplemental Water account was transferred from the LGIP to the CAWCD Long-Term Pool, which invests primarily in U.S. Treasury, agency, corporate notes, mortgage backed securities/asset backed securities, and money market instruments with a minimum rating of A1/P1 and has a target duration of four to five years. See the cash and investments footnote (see Note 6) for the disclosures as of December 31, 2014 and 2013 related to investments held by the Arizona State Treasurer.

CAGRD Account

The District is required by state statute to use replenishment reserve charges and fees within each active management area together with all interest earned on these charges and fees to store water in the active management area in advance of groundwater replenishment obligations for the purpose of developing long-term storage credits. See the cash and investments footnote (Note 6) for risk disclosures as of December 31, 2014 and 2013, related to investments held by the Arizona State Treasurer.

Captive Insurance Company

The Hawaii Insurance Division has established certain minimum capital and surplus requirements for the Captive which are required to be maintained at all times. In 2011, the required reserve increased to \$2,250,000 due to the additional health insurance benefits and claims that were to be handled by the Captive in 2012. As of December 31, 2014 and 2013, the Captive was in compliance with the minimum capital and surplus requirement of the State of Hawaii.

NOTE 8 UNDERGROUND WATER STORAGE AND RECOVERY

The AWBA and Southern Nevada Water Authority (SNWA) previously entered into agreements under which AWBA agreed to store 1,250,000 acre-feet of water within Arizona for the benefit of SNWA. Through 2012, 600,651 acre-feet of water had been stored under this agreement on behalf of SNWA. No additional water was stored in 2014. The parties signed an amended agreement in 2013, eliminating AWBA's obligation to store any water beyond the amount already stored. Additional water may be stored in future years if SNWA and AWBA both agree. When SNWA calls on the stored water, the District, as the recovery agent for AWBA, will recover stored water, at SNWA's expense, and forbear diversion of an equivalent volume of Colorado River water.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 9 NON-INDIAN AGRICULTURAL 9(d) DEBT

During 2007, and as the result of the Arizona Water Settlement Act (Note 3), long-term entitlements to CAP non-Indian Agricultural (NIA) water were relinquished by CAP NIA subcontractors. Those rights will be reallocated to municipal and industrial (M&I) users. Upon reallocation, the District will collect charges from those M&I users sufficient to repay the District's costs in facilitating the relinquishment of the agricultural water rights.

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

	Principal	Interest	Total
	<i>(In Thousands)</i>		
2014-2025	\$ -	\$ -	\$ -
2026-2030	25,351	-	25,351
2031-2035	26,566	-	26,566
2036-2040	22,307	-	22,307
2041-2045	10,812	-	10,812
2046-2047	3,683	-	3,683
	<u>\$ 88,719</u>	<u>\$ -</u>	<u>\$ 88,719</u>

NOTE 10 OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of the following:

	2014	2013	Change
	<i>(In Thousands)</i>		
Retirees Health Insurance	\$ 3,862	\$ 3,319	\$ 543
Asset Retirement Obligation (Note 15)	12,783	12,174	609
	<u>\$ 16,645</u>	<u>\$ 15,493</u>	<u>\$ 1,152</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11 DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of the following:

	2014	2013	Change
	<i>(In Thousands)</i>		
Customer Deposits - Water	\$ 2,064	\$ 2,064	\$ -
Customer Deposits - Rate Stabilization	12,363	9,751	2,612
	\$ 14,427	\$ 11,815	\$ 2,612

In 2003, the Bureau of Reclamation prepaid the District for 31,270 acre-feet of water to be delivered to Maricopa County Municipal Water District (MWD) at a future date no later than December 31, 2034. The water is owed to MWD for construction activities relating to New Waddell Dam, and MWD has the discretion to determine when to receive the water. The water is priced at 2003 rates (\$2,063,820) and the interest earned on the prepayment is available to the District to offset the future cost of delivering the water to MWD.

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

NOTE 12 COMMITMENTS AND CONTINGENCIES

Contingency Reserve

The District's Board of Directors has designated \$10,000,000 of noncurrent unrestricted investments to act as a contingency reserve. Of this amount, \$5,000,000 has been set aside to be available for property and liability damages to respond to any claims, judgments and related costs against the District, its officers, directors and employees, if any, in excess of the outstanding insurance coverage. \$3,000,000 has been designated to be available for incurred but not reported (IBNR) claims under the District's self-funded medical insurance program. \$2,000,000 has been set aside to be available for extraordinary regulatory costs.

Litigation

The District has intervened in an action that challenges the Secretary's authority in Colorado River operations and in an action that challenges rules relating to certain water transfers. The District is also participating in certain administrative proceedings that could increase the costs of operating the CAP or reduce District revenues going forward. The outcome of these matters cannot be predicted at this time.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 13 PENSION PLANS

Benefits were provided for service prior to July 1, 1998, through the Central Arizona Water Conservation District Retirement Plan (the District Plan) and from July 1, 1998, through December 31, 2013, through the Arizona State Retirement System Plan (ASRS Plan). Employees retired or terminated prior to July 1, 1998, or their beneficiaries, continue to be provided benefits through the District Plan, which was terminated in 2004. Annuities were purchased during 2004 to cover remaining obligations.

Arizona State Retirement System Plan

Effective July 1, 1998, the District became a member of the ASRS, a cost-sharing, multiple-employer, public employee retirement system established by the State of Arizona to provide benefits for employees of the State and participating political subdivisions and school districts. The ASRS Board administers the ASRS Plan, which is a defined benefit pension plan. The ASRS Plan provides for retirement, disability, health insurance premium benefits and death and survivor benefits as established by State statute. Substantially all employees of the District are covered by the ASRS Plan.

The ASRS Plan issues a Comprehensive Annual Financial Report, including financial statements and supplemental information, which may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix Arizona 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778.

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees (50% employee/50% employer). The employee and employer contribution rates for the ASRS Plan years ended June 30, 2014, June 30, 2013, and June 30, 2012, were set at 11.54%, 11.14%, and 10.74%, respectively, of covered wages as determined by actuarial computations. The contribution rate for plan year ending June 30, 2015, is 11.60%.

Contributions for calendar years 2014, 2013, and 2012, were \$10,570,699, \$10,178,600, and \$9,216,918, respectively, for the District, and 100% of the contributions were assessed by ASRS.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 14 SAVINGS AND DEFERRED COMPENSATION PLANS

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

Eligible employees are allowed to contribute up to 98% of their biweekly compensation, subject to IRS limits, and the District has agreed to contribute to an employee's account an amount equal to one-half of the amount contributed by the employee up to three percent of the employee's biweekly compensation. Contributions expense, paid by the District for the Savings Plan for the years ended December 31, 2014 and 2013, was approximately \$1,020,000 and \$998,000, respectively. Accrued benefits attributable to the District's contributions on behalf of participants vest 20% for each year of completed service.

During 2003, the District adopted and currently maintains the Central Arizona Water Conservation District Deferred Compensation Plan in accordance with Section 457 of the Internal Revenue Code. The District does not make contributions to this plan. Only employee contributions are accepted.

NOTE 15 ASSET RETIREMENT OBLIGATION

On January 1, 2003, the District adopted accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. The liabilities are recognized at fair value as incurred and capitalized as part of the related tangible long-lived assets. Accretion of the liability due to the passage of time is an operating expense and the capitalized cost is depreciated over the useful life of the long-lived asset.

The District has an asset retirement obligation for NGS, of which the District's share is 24.3%. The asset retirement obligation primarily relates to final plant decommissioning. This obligation is based on the requirements for removing portions of the plant at the end of the lease term. The estimated liability for the District's portion of the decommissioning in 2044 is approximately \$53,736,000.

The following schedule shows the change in the District's asset retirement obligations, included in other noncurrent liabilities (Note 10), during the years ended December 31, 2014 and 2013:

	2014	2013
	<i>(In Thousands)</i>	
Balance at January 1	\$ 12,174	\$ 11,594
Accretion expense	609	580
Balance at December 31	\$ 12,783	\$ 12,174

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 16 TAX LEVY AUTHORITY

The District has the authority to levy two limited ad valorem taxes against all taxable property within its boundaries. The first ad valorem tax, which may not exceed 10 cents per \$100 of assessed valuation, is for the District's operations and payment of the District's repayment obligation to the United States. The second ad valorem tax, which may not exceed 4 cents per \$100 of assessed valuation, is for water storage to the extent that it is not required for the District's operations or payment of the repayment obligation. The ad valorem tax for operations and repayment was levied at 10 cents per \$100 of assessed valuation for tax years 2014 and 2013 and 6 cents per \$100 of assessed valuation for tax year 2012. The ad valorem tax for water storage was levied at 4 cents per \$100 of assessed valuation for the tax years ended 2012, 2013 and 2014. The ad valorem tax for water storage is deposited with the District to be used by the District to defray annual operation, maintenance and replacement cost. The respective counties collect property taxes on behalf of the District.

Tax Year	Period Collected
2012	October 1, 2012 to September 30, 2013
2013	October 1, 2013 to September 30, 2014
2014	October 1, 2014 to September 30, 2015

The ad valorem property tax is levied against all taxable property in the District. In each county within the District, the County Assessor establishes a full cash value for each parcel of taxable property. Based on the applicable property classification ratio, the assessed value of each parcel is determined.

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

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

NOTE 17 RISK MANAGEMENT AND CAPTIVE INSURANCE

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 17 RISK MANAGEMENT AND CAPTIVE INSURANCE (CONTINUED)

The Captive was incorporated under the laws of the State of Hawaii as a nonprofit captive insurance company pursuant to Article 19 of Chapter 431 of the Hawaii Revised Statutes. The Captive received its Certificate of Authority from the Hawaii Insurance Division on December 18, 2003, and operations commenced on January 1, 2004. The Certificate of Authority enables the Captive to operate as a captive insurance company in the State of Hawaii. The District is the sole member of the Captive. The Captive provides the first \$2,000,000 of coverage on all lines of coverage. The District also purchases reinsurance on property, public officials' liability and workers' compensation, as authorized by the Industrial Commission of Arizona, over the \$2,000,000 covered by the Captive.

Reserve for Losses and Loss Expenses

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

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

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Balance at January 1	<u>\$ 2,752</u>	<u>\$ 2,418</u>
Add provision for losses and loss expenses for claims occurring during:		
Current year	9,084	7,558
Prior year	<u>(363)</u>	<u>(1,136)</u>
	<u>8,721</u>	<u>6,422</u>
Deduct losses and loss expense payments for claims occurring during:		
Current year	7,553	5,919
Prior year	<u>411</u>	<u>169</u>
	<u>7,964</u>	<u>6,088</u>
Balance at December 31	<u><u>\$ 3,509</u></u>	<u><u>\$ 2,752</u></u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 18 MULTI-SPECIES CONSERVATION PROGRAM

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

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

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

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

The total costs of the program are approximately \$626,000,000, in 2003 dollars, over the 50-year period of the program and the permit (adjusted for inflation over the fifty years this amount is estimated to be \$1,264,717,000). The federal government will bear 50% of this cost. The Lower Basin States of Arizona, California and Nevada will bear the other 50%. Of the share allocated to the States, Arizona will bear 25%, or approximately \$78 million. The payments due each fiscal year will be indexed for inflation on an annual basis. The District's cost associated with the program was \$1,806,000 and \$2,292,000 in 2014 and 2013, respectively.

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

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

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 18 MULTI-SPECIES CONSERVATION PROGRAM (CONTINUED)

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

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

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

Upon retirement, retirees have the choice of joining the ASRS retiree healthcare plan or the District's plan. The ASRS Plan issues a Comprehensive Annual Financial Report, including financial statements and supplemental information, which may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix Arizona 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778. The District's self insured employee and retiree health plan is a single-employer defined benefit plan. Eligible retirees are provided medical, dental and life insurance benefits for spouses and family.

The retirees receive a subsidy for health insurance premium benefit from Arizona State Retirement System for up to a maximum of \$215 per month. The \$215 may be prorated on a combination of years of service, dependents and Medicare.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funding Policy

The District's plan is financed on a pay-as-you-go basis. During 2014, plan members contributed \$265,580 of the annual required contribution of \$894,146 or 29.70%.

Retirees Contribution Rates for 2014

Retirees Monthly Medical Rates (prior to ASRS subsidy)	
Pre Age 65	
Retiree Only	\$551.43
Retiree + 1	\$1,345.47
Retiree + Family	\$1,808.62
Post Age 65	
Retiree Only	\$413.57
Retiree + 1	\$1,009.09
Retiree + Family	\$1,472.27
Retirees Monthly Dental Rates	
Retiree Only	\$32.87
Retiree + 1	\$92.25
Retiree + Family	\$152.31
Retirees Monthly Life Insurance Rates	
Retiree Only	\$4.10
Retiree + 1	\$6.15

Required Supplementary Information
Schedule of Employer Contributions

Plan Year Beginning	Annual Required Contributions	Actual Contributions	Percentage Contributed
January 1, 2012	\$986,017	\$261,328	26.50%
January 1, 2013	\$950,255	\$196,051	20.60%
January 1, 2014	\$894,146	\$265,580	29.70%

The total cost of providing postemployment benefits is projected. This amount is then discounted to determine the actuarial present value of the projected cost of these benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the plan.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)
January 1, 2012	\$0	\$8,802,956	\$8,802,956	0%
January 1, 2013	\$0	\$8,350,444	\$8,350,444	0%
January 1, 2014	\$0	\$7,441,916	\$7,441,916	0%

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funding Policy (Continued)

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's OPEB obligation.

2014 Net OPEB Obligation (NOO)							
Fiscal Year Beginning	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase (Decrease) in NOO (d) - (e) (f)	NOO as of End of Year (g)
January 1, 2012	\$986,017	\$87,252	(\$130,761)	\$942,508	\$261,325	\$681,183	\$2,620,124
January 1, 2013	\$950,255	\$117,906	(\$180,755)	\$887,406	\$196,051	\$691,355	\$3,311,476
January 1, 2014	\$894,146	\$149,017	(\$234,064)	\$809,099	\$265,580	\$543,519	\$3,854,998

As stated above, the plan members contributed \$265,580 of the annual required contribution of \$894,146 or 29.70% for the plan year ended 2014.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

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

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

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 19 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Required Supplementary Information

Valuation date	January 1, 2014		
Actuarial cost method	Entry age normal, level annual dollar amount		
Amortization method	30-year closed amortization, with initial payment determined as if future payments would theoretically remain on a level dollar basis		
Remaining amortization period	23 years as of January 1, 2014		
Asset valuation method	N/A		
Post-retirement increases Actuarial assumptions:			
Investment rate of return	4.50%		
Discount rate	4.50%		
Projected payroll increases	N/A		
Health care cost trend rate:			
Medical	7.0% from January 1, 2014 to December 31, 2014, decreasing over eight years until it reaches an ultimate rate of 5%		
Drug	7.0% from January 1, 2014 to December 31, 2014, decreasing over eight years until it reaches an ultimate rate of 5%		
Inflation rate	N/A		
Plan Membership:	January 1, 2014	January 1, 2013	January 1, 2012
Current Retirees and Dependents	95	88	78
Current Active Members	<u>464</u>	<u>454</u>	<u>449</u>
Total	<u><u>559</u></u>	<u><u>542</u></u>	<u><u>527</u></u>

NOTE 20 SELF INSURANCE

The District is self-insured for medical, prescriptions, dental, vision, property, casualty and workers compensation. Dental and vision coverages were transferred from District to CAWCD Insurance Company January 1, 2013. Dental and vision services obtained prior to January 1, 2013 will be paid by District and all outstanding claims are expected to be settled within one year.

The District was authorized to self-insure Workers' Compensation by the Industrial Commission of Arizona effective January 1, 2011. A trust account was established and contributions from inception to December 31, 2014 total \$1,338,000. Cumulative paid since inception for Workers' Compensation claims expenses and incurred but not reported reserves (IBNR) totaled \$218,064 under self-insured Workers Compensation program. Direct costs associated with Workers' Compensation was \$350,760. Interest earned on the account balance was \$1,539 leaving an unencumbered ending balance of \$770,715 in the Self-Insured Workers Compensation Trust Account.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 20 SELF INSURANCE (CONTINUED)

Self-Insured paid claims:	2014	2013	2012
Medical, Dental, Vision (MDV)	\$ 7,523,077	\$ 5,909,671	\$ 6,322,163
IBNR - MDV	1,271,869	1,003,006	1,290,900
Property Casualty (PC)	319,874	78,015	43,658
IBNR - PC	1,138,001	621,315	282,000
Workers Compensation (WC)	41,665	21,018	22,432
IBNR - WC (2004 thru 2013)	1,098,922	1,127,814	910,000

NOTE 21 SUBSEQUENT EVENT

Management evaluated subsequent events through April 16, 2015, the date the financial statements were available to be issued and did not find any material events.

SUPPLEMENTARY INFORMATION

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF NET POSITION – BY FUND AND ACCOUNT
December 31, 2014
(In Thousands)

	Total	Eliminations	General Fund
Assets			
Current assets:			
Cash	\$ 11,564	\$ -	\$ 6,276
Cash equivalents	107,444	-	68,391
Total cash and cash equivalents	119,008	-	74,667
Receivables:			
Due from water customers, less allowance for doubtful accounts	9,774	(168)	9,942
Other	9,597	(119)	1,167
Water inventory	61,384	-	32,668
Interfund receivable	-	(59)	-
Other	12,097	-	12,053
Total current assets	211,860	(346)	130,497
Noncurrent assets:			
Funds held by federal government	37,987	-	37,987
Investments	216,543	(2,350)	218,498
Restricted assets	113,022	-	88,377
Agricultural water rights	88,719	-	88,719
Capital assets			
Operating assets, less accumulated depreciation	218,661	-	210,311
Permanent service right, less accumulated amortization	1,181,356	-	1,181,356
Total noncurrent assets	1,856,288	(2,350)	1,825,248
Total assets	\$ 2,068,148	\$ (2,696)	\$ 1,955,745

continued

Central Arizona Ground Water		
Supplemental Water Account	Replenishment District Account	Captive Insurance Company
\$ -	\$ -	\$ 5,288
-	39,053	-
-	39,053	5,288
-	-	-
-	8,549	-
-	28,716	-
-	59	-
-	-	44
-	76,377	5,332
-	-	-
-	-	395
8,047	14,348	2,250
-	-	-
-	8,350	-
-	-	-
8,047	22,698	2,645
<u>\$ 8,047</u>	<u>\$ 99,075</u>	<u>\$ 7,977</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF NET POSITION – BY FUND AND ACCOUNT
December 31, 2014
(In Thousands)

	<u>Total</u>	<u>Eliminations</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 26,779	\$ (287)
Accrued payroll, payroll taxes and other accrued expenses	8,344	-
Water operations and capital charges unearned revenue	37,369	-
Interfund payable	-	(59)
Current liabilities payable from restricted assets, advances to federal government, and other noncurrent assets:		
Accrued interest payable	26,407	-
Repayment obligation, due within one year	31,362	-
Total current liabilities	<u>130,261</u>	<u>(346)</u>
Noncurrent liabilities:		
Repayment obligation, due after one year	1,172,431	-
Non-Indian Agricultural 9(d) debt	88,719	-
Other noncurrent liabilities	16,645	-
Total noncurrent liabilities	<u>1,277,795</u>	<u>-</u>
Total liabilities	<u>1,408,056</u>	<u>(346)</u>
Deferred Inflows of Resources		
Customer deposits	14,427	-
Net position (deficits)		
Net investment in capital assets	196,224	-
Restricted for Master Repayment Agreement	61,970	-
Restricted for Supplemental Water account	8,047	-
Restricted for CAGR D Account	14,348	-
Restricted for Captive Insurance Company	2,250	-
Unrestricted	362,826	(2,350)
Total net position (deficit)	<u>645,665</u>	<u>(2,350)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,068,148</u>	<u>\$ (2,696)</u>

continued

Central Arizona Ground Water Replenishment			
General Fund	Supplemental Water Account	District Account	Captive Insurance Company
\$ 20,501	\$ -	\$ 2,979	\$ 3,586
8,344	-	-	-
37,369	-	-	-
59	-	-	-
26,407	-	-	-
31,362	-	-	-
124,042	-	2,979	3,586
1,172,431	-	-	-
88,719	-	-	-
16,645	-	-	-
1,277,795	-	-	-
1,401,837	-	2,979	3,586
14,427	-	-	-
187,874	-	8,350	-
61,970	-	-	-
-	8,047	-	-
-	-	14,348	-
-	-	-	2,250
289,637	-	73,398	2,141
539,481	8,047	96,096	4,391
\$ 1,955,745	\$ 8,047	\$ 99,075	\$ 7,977

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BY FUND AND ACCOUNT
Year Ended December 31, 2014
(In Thousands)**

	<u>Total</u>	<u>Eliminations</u>
Operating revenues		
Water operations and maintenance charges	\$ 167,036	\$ (5,968)
Water service capital charges	14,565	(929)
Power and Basin Development Fund revenues	29,665	-
Reimbursements and other operating revenues	27,518	(8,612)
Total operating revenues	<u>238,784</u>	<u>(15,509)</u>
Operating expenses		
Salaries and related costs	57,183	-
Pumping power	91,066	-
Transmission and capacity charges	10,091	-
Amortization of permanent service right	23,018	-
Depreciation	19,491	-
Other operating expenses	26,566	(15,509)
Total operating expenses	<u>227,415</u>	<u>(15,509)</u>
Operating income (loss)	<u>11,369</u>	<u>-</u>
Nonoperating revenues (expenses)		
Property taxes	60,994	-
Loss on sale of assets	48	-
Interest income and other nonoperating revenues	6,679	-
Interest expense and other nonoperating expenses	(26,407)	-
Total nonoperating revenues (expenses)	<u>41,314</u>	<u>-</u>
Changes in net position	52,683	-
Net position at beginning of year	592,982	(2,350)
Net position at end of year	<u>\$ 645,665</u>	<u>\$ (2,350)</u>

continued

General Fund	Supplemental Water Account	Central Arizona Ground Water Replenishment District Account	Captive Insurance Company
\$ 173,004	\$ -	\$ -	\$ -
15,494	-	-	-
29,665	-	-	-
1,844	-	26,408	7,878
220,007	-	26,408	7,878
56,251	-	932	-
91,066	-	-	-
10,091	-	-	-
23,018	-	-	-
19,491	-	-	-
24,666	-	8,486	8,923
224,583	-	9,418	8,923
(4,576)	-	16,990	(1,045)
60,994	-	-	-
48	-	-	-
6,439	165	68	7
(26,407)	-	-	-
41,074	165	68	7
36,498	165	17,058	(1,038)
502,983	7,882	79,038	5,429
\$ 539,481	\$ 8,047	\$ 96,096	\$ 4,391



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATISTICAL SECTION**

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

Financial Trends

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

Tables

A - D

Revenue Capacity

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

E - J

Debt Capacity

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

K - L

Demographic and Economic Information

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

M - P

Operating Information

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

Q - R

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

TABLE A

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

	2005	2006	2007
Net investment in capital assets	\$ (39)	\$ (18)	\$ 19
Restricted	58	64	53
Unrestricted	206	237	307
Total net position	<u>\$ 225</u>	<u>\$ 283</u>	<u>\$ 379</u>

TABLE A
(continued)

2008	2009	2010	2011	2012	2013	2014
\$ 36	\$ 86	\$ 116	\$ 143	\$ 162	\$ 174	\$ 196
66	78	86	95	92	88	87
297	285	311	333	319	331	363
<u>\$ 399</u>	<u>\$ 449</u>	<u>\$ 513</u>	<u>\$ 571</u>	<u>\$ 573</u>	<u>\$ 593</u>	<u>\$ 646</u>

TABLE B

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

	2005	2006	2007
Operating revenues			
Water operations and maintenance charges	\$ 92,126	\$ 111,922	\$ 108,792
Water service capital charges	20,283	19,303	46,734
Power and Basin Development Fund revenues	75,729	70,263	64,149
Reimbursements and other operating revenues	9,848	13,370	14,752
Total operating revenues	197,986	214,858	234,427
Total operating expenses	164,763	183,553	190,242
Operating income (loss)	33,223	31,305	44,185
Nonoperating revenues (expenses)			
Property taxes, less assignment to AWBA	46,267	51,230	57,039
Gain (loss) on sale of assets	-	-	-
Interest income and other nonoperating income	9,416	14,958	31,738
Interest expense and other nonoperating expenses	(40,975)	(38,996)	(37,467)
Total nonoperating revenues (expenses)	14,708	27,192	51,310
Changes in net position	47,931	58,497	95,495
Net position at beginning of year	176,701	224,632	283,129
Cumulative effect of change in accounting principle	-	-	-
Net position at beginning of year, as restated	176,701	224,632	283,129
Net position at end of year	\$ 224,632	\$ 283,129	\$ 378,624

TABLE B
(continued)

	2008	2009	2010	2011	2012	2013	2014
\$	97,660	\$ 127,395	\$ 140,283	\$ 148,520	\$ 142,805	\$ 148,300	\$ 167,036
	13,815	13,745	10,154	13,677	12,022	10,688	14,565
	49,639	48,630	59,421	46,800	21,611	28,555	29,665
	14,943	15,010	13,647	16,547	19,407	24,171	27,518
	176,057	204,780	223,505	225,544	195,845	211,714	238,784
	195,652	207,835	203,654	204,311	220,718	216,981	227,415
	(19,595)	(3,055)	19,851	21,233	(24,873)	(5,267)	11,369
	65,027	69,941	66,160	56,101	47,825	52,437	60,994
	-	-	1,730	-	(3)	(22)	48
	10,685	11,802	7,375	9,515	7,177	45	6,679
	(35,802)	(32,224)	(30,735)	(28,968)	(28,114)	(27,260)	(26,407)
	39,910	49,519	44,530	36,648	26,885	25,200	41,314
	20,315	46,464	64,381	57,881	2,012	19,933	52,683
	378,624	398,939	448,775	513,156	571,037	573,049	592,982
	-	3,372	-	-	-	-	-
	378,624	402,311	448,775	513,156	571,037	573,049	592,982
\$	398,939	\$ 448,775	\$ 513,156	\$ 571,037	\$ 573,049	\$ 592,982	\$ 645,665

TABLE C

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

Units = \$/acre-foot

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

	2005	2006	2007
Municipal and Industrial			
Long Term Subcontract (C+D)	\$ 79	\$ 82	\$ 87
Excess Water (A+C+D)	107	106	108
Recharge (A+C+D)	73	82	61
AWBA Interstate Recharge (A+C+D+G)	153	174	210
Federal (C+D)	79	82	87
Agricultural			
Settlement Pool (D)	32	33	35
Long Term Subcontract (B+C+D)	81	84	89
Agricultural Incentive			
Meet Settlement Pool Goals	n/a	n/a	n/a
Meet AWBA/CAGR D GSF Goals	n/a	n/a	n/a
Meet Recovery Goals	n/a	n/a	n/a
Miscellaneous (A+C+D)	67	77	56
<u>RATE COMPONENTS</u>			
Capital Charges			
(A) Municipal and Industrial - Long Term Subcontract	28	24	21
(B) Agricultural - Long Term Subcontract	2	2	2
Delivery Charges			
(C) Fixed OM&R	47	49	52
(D) Pumping Energy Rate 1	32	33	35
(E) Pumping Energy Rate 2	62	72	51
(F) Pumping Energy Rate 3	58	80	112
(G) Property Tax Equivalency	20	21	25
(H) Lost Federal Revenues	6	5	5
<u>UNDERGROUND STORAGE FEES</u>			
Recharge O&M			
Phoenix AMA	8	8	8
Tucson AMA	12	12	13
Recharge Capital Charge			
Phoenix AMA	15	15	15
Tucson AMA	9	9	9

**TABLE C
(continued)**

2008		2009		2010		2011		2012		2013		2014	
\$	91	\$	108	\$	118	\$	122	\$	122	\$	129	\$	146
	112		126		133		137		137		144		166
	51		82		133		137		137		144		166
	217		233		231		167		165		168		189
	91		108		120		122		122		129		146
	36		45		49		53		49		53		67
	93		110		118		n/a		n/a		n/a		n/a
	n/a		(6)		(6)		(8)		(4)		(6)		(14)
	n/a		(1)		(2)		(2)		(1)		(1)		(2)
	n/a		(1)		(2)		(2)		(1)		(1)		(2)
	46		75		90		n/a		n/a		n/a		n/a
	21		18		15		15		15		15		20
	2		2		2		n/a		n/a		n/a		n/a
	55		63		69		69		73		76		79
	36		45		49		53		49		53		67
	41		70		85		n/a		n/a		n/a		n/a
	115		125		122		n/a		n/a		n/a		n/a
	26		27		25		30		28		24		23
	5		n/a										
	8		8		8		8		8		8		8
	15		15		15		15		15		15		15
	15		15		15		15		15		15		15
	9		9		9		9		9		9		9

TABLE D

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT
RATES – LAST TEN YEARS**

Units = \$/acre-foot

	2005/06	2006/07	2007/08
Phoenix Active Management Area			
Water & Replenishment Component	\$ 101	\$ 107	\$ 112
Administrative Component	40	30	28
Infrastructure & Water Rights Component	40	77	79
Replenishment Reserve Charge	31	22	21
Total Assessment Rate (\$/AF)	212	236	240
Pinal Active Management Area			
Water & Replenishment Component	81	79	87
Administrative Component	40	30	28
Infrastructure & Water Rights Component	40	77	79
Replenishment Reserve Charge	31	24	25
Total Assessment Rate (\$/AF)	192	210	219
Tucson Active Management Area			
Water & Replenishment Component	115	123	133
Administrative Component	40	30	28
Infrastructure & Water Rights Component	40	77	79
Replenishment Reserve Charge	31	21	25
Total Assessment Rate (\$/AF)	226	251	265
Contract Replenishment Tax - Scottsdale			
Cost of Water	107	106	108
Cost of Transportation	-	-	-
Cost of Replenishment	-	-	-
Administrative Component	40	30	28
Total Tax Rate (\$/AF)	147	136	136
Enrollment Fee	20	23	23
Activation Fee	60	62	63
Member Land Annual Membership Dues (\$/Lot)			
Phoenix AMA	n/a	n/a	n/a
Pinal AMA	n/a	n/a	n/a
Tucson AMA	n/a	n/a	n/a
Member Service Area Annual Membership Dues (\$/AF)	n/a	n/a	n/a

**TABLE D
(continued)**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
\$	134	\$ 143	\$ 140	\$ 140	\$ 137	\$ 160	\$ 172
	33	33	38	42	44	45	45
	91	101	131	170	204	245	294
	33	41	47	51	52	58	63
	291	318	356	403	437	508	574
	100	107	110	116	117	140	155
	33	33	38	42	44	45	45
	91	101	131	170	204	245	294
	31	38	45	53	56	65	70
	255	279	324	381	421	495	564
	143	153	155	155	161	183	196
	33	33	38	42	44	45	45
	91	101	131	170	204	245	294
	39	46	53	60	65	75	80
	306	333	377	427	474	548	615
	112	126	133	137	137	144	166
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	33	33	38	42	44	45	45
	145	159	171	179	181	189	211
	26	83	107	138	165	198	237
	73	81	105	136	163	196	235
	n/a	n/a	n/a	6.88	9.87	13.19	15.45
	n/a	n/a	n/a	0.90	1.29	1.74	2.05
	n/a	n/a	n/a	4.34	6.24	8.38	9.87
	n/a	n/a	n/a	10.35	14.88	20.08	23.67

TABLE E

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

Description	2005	2006	2007
Municipal & Industrial	394,231	429,755	567,498
Agricultural	381,731	436,846	408,137
Federal	137,705	145,094	154,227
Recharge	242,716	303,505	446,139
Interstate Water Banking	120,541	189,127	124,022
Total water delivered	1,276,924	1,504,327	1,700,023
Transfer/Exchange of credits to CAGR	270	-	5,883
Total water delivered and credits transferred	1,277,194	1,504,327	1,705,906
Capital Charges A/F Allocation	555,440	555,426	555,412

TABLE E
(continued)

2008	2009	2010	2011	2012	2013	2014
502,764	509,075	426,724	452,466	489,207	496,394	503,518
405,650	397,694	400,684	400,532	401,223	400,817	400,741
192,336	233,539	332,819	501,553	548,374	532,645	534,281
447,274	410,905	419,831	265,162	160,002	90,148	87,420
-	59,024	19,000	-	-	-	-
1,548,024	1,610,237	1,599,058	1,619,713	1,598,806	1,520,004	1,525,960
-	11,897	110	120	-	13,323	9,706
1,548,024	1,622,134	1,599,168	1,619,833	1,598,806	1,533,327	1,535,666
621,045	621,031	621,016	621,002	620,988	620,974	620,960

TABLE F

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

	2005	2006	2007
Payers			
Ak-Chin Indian Community	\$ 6,006,150	\$ 6,509,429	\$ 7,262,412
Arizona Water Banking Authority	27,952,871	43,138,317	31,872,507
Central AZ Groundwater Replenishment District	N/A	N/A	N/A
Central Arizona Irrigation & Drainage District	4,477,520	4,658,098	5,661,675
City of Chandler	N/A	N/A	4,337,195
City of Mesa	4,685,028	4,381,108	9,111,760
City of Peoria	2,290,690	N/A	4,916,728
City of Phoenix	14,110,344	12,944,221	20,027,333
City of Scottsdale	5,387,807	5,947,058	7,423,223
City of Tucson	8,673,132	8,373,424	14,704,829
Gila River Indian Community	N/A	N/A	N/A
Harquahala Valley Irrigation District	N/A	3,469,356	N/A
Maricopa Stanfield Irrigation & Drainage District	5,566,468	5,608,334	6,431,365
Resolution Copper Mining, LLC	N/A	2,871,104	N/A
Tohono O'odham Indian Nation	N/A	N/A	N/A
Town of Gilbert	N/A	N/A	N/A
Vidler Water Company	2,438,482	N/A	N/A

Note: Includes revenue from water O&M and capital

TABLE F
(continued)

2008	2009	2010	2011	2012	2013	2014
\$ 7,262,202	\$ 9,037,332	\$ 10,322,214	\$ 10,600,855	\$ 10,486,257	\$ 11,059,993	\$ 12,342,417
7,328,662	15,555,195	27,433,509	15,577,192	16,494,584	10,643,489	12,234,634
4,651,437	N/A	N/A	N/A	N/A	6,438,149	7,054,001
6,029,164	5,566,232	N/A	6,840,630	5,457,789	5,824,235	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
5,057,874	6,603,334	6,195,054	5,594,974	6,475,243	6,007,296	7,092,079
N/A	N/A	N/A	N/A	N/A	N/A	N/A
15,489,250	17,578,305	18,756,876	16,795,082	17,964,754	17,937,549	20,947,703
6,059,947	7,105,252	7,828,858	8,719,832	9,079,276	9,952,476	11,423,999
14,800,652	13,680,000	13,249,141	17,149,975	19,751,564	20,760,768	23,808,133
4,137,018	N/A	12,768,190	27,982,565	34,674,453	33,528,955	38,904,368
N/A	N/A	N/A	N/A	N/A	N/A	N/A
5,869,172	6,119,967	N/A	N/A	5,221,823	N/A	6,342,489
N/A	6,286,640	N/A	6,850,000	N/A	N/A	N/A
N/A	N/A	5,618,159	6,136,128	5,752,881	5,577,100	6,823,345
N/A	11,971,954	12,385,931	N/A	N/A	N/A	N/A
N/A	N/A	6,610,765	N/A	N/A	N/A	N/A

TABLE G

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

Customer Type	2005	2006	2007
Municipal & Industrial			
Arizona Water Banking Authority	120,541	189,127	124,022
Central AZ Groundwater Replenishment District	14,411	21,169	23,755
Chaparral City Water Company	N/A	N/A	N/A
City of Chandler	N/A	N/A	N/A
City of Glendale	15,391	10,506	N/A
City of Mesa	24,394	21,543	39,650
City of Peoria	17,200	17,811	19,886
City of Phoenix	122,100	125,411	140,857
City of Scottsdale	44,164	57,253	52,565
City of Surprise	N/A	N/A	N/A
City of Tempe	N/A	N/A	N/A
City of Tucson	61,596	62,320	90,880
EPCOR (Arizona American Water)	14,161	12,218	16,352
Metro Domestic Water Improvement District	N/A	N/A	N/A
Salt River Project	16,716	23,001	93,274
Town of Gilbert	N/A	N/A	N/A
Town of Oro Valley	N/A	N/A	N/A
Agricultural			
Arizona State Land Department	N/A	9,026	9,026
BKW Farms, Inc.	3,740	N/A	N/A
Central AZ Irrigation & Drainage District	114,156	116,070	116,070
Cortaro Marana Irrigation District	5,750	N/A	N/A
Harquahala Valley Irrigation District	44,238	105,132	61,502
HoHokam Irrigation & Drainage District	36,915	35,898	45,898
Maricopa Stanfield Irrigation & Drainage District	111,961	100,156	113,658
Metro Domestic Water Improvement District	N/A	N/A	N/A
New Magma Irrigation & Drainage District	31,083	32,025	27,325
Queen Creek Irrigation District	18,112	18,112	12,000
Roosevelt Water Conservation District	7,845	5,011	5,004
Salt River Project	N/A	3,464	4,136
San Carlos Irrigation & Drainage District	N/A	N/A	4,826
Tonopah Irrigation District	3,460	3,460	N/A
Recharge			
Active Resource Management	24,925	N/A	N/A
Apache Junction Water Company	N/A	2,883	N/A
Arizona Water Banking Authority	92,732	172,093	260,868
Augusta Resource Corporation	N/A	N/A	15,000
Central AZ Groundwater Replenishment District	7,715	5,465	14,573
Central Arizona Irrigation and Drainage District	N/A	N/A	N/A
City of Avondale	5,000	5,000	5,135

TABLE G
(continued)

2008	2009	2010	2011	2012	2013	2014
N/A	59,024	19,000	N/A	N/A	N/A	N/A
31,992	36,811	27,282	28,106	27,841	42,873	42,454
5,684	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	10,422
14,236	16,800	10,818	10,735	10,735	13,128	10,179
31,610	36,536	40,190	35,290	42,748	34,925	36,934
20,747	17,548	9,439	12,070	12,849	12,542	13,495
128,821	113,372	113,562	93,985	104,018	96,404	93,860
47,884	53,094	45,943	51,803	56,093	45,576	45,626
N/A	N/A	10,249	N/A	N/A	N/A	N/A
N/A						
128,265	102,638	93,889	124,203	144,172	144,172	142,315
14,262	16,862	17,649	18,966	18,611	20,619	20,473
8,858	N/A	N/A	10,494	11,236	13,460	11,690
N/A						
N/A	42,395	N/A	7,235	7,235	N/A	N/A
N/A	N/A	N/A	N/A	N/A	7,000	N/A
9,026	N/A	N/A	N/A	N/A	N/A	N/A
N/A	1,635	N/A	N/A	N/A	N/A	N/A
134,882	129,162	120,570	111,070	120,597	124,369	126,978
N/A						
34,484	36,626	53,319	44,733	50,873	43,735	34,580
42,259	39,967	35,898	35,926	36,323	40,273	40,996
126,983	133,155	129,312	126,000	114,611	118,184	124,546
N/A	N/A	4,000	4,000	4,000	4,000	4,000
30,325	30,325	30,825	30,325	37,838	30,694	30,340
12,500	12,500	12,000	12,000	12,000	12,000	12,006
5,000	5,004	5,000	5,003	5,000	5,000	5,000
N/A	N/A	N/A	N/A	N/A	3,800	3,800
3,491	4,228	2,683	24,083	12,749	11,866	11,243
3,460	3,460	3,460	3,460	3,460	N/A	N/A
N/A	20,000	N/A	6,000	6,000	N/A	N/A
N/A						
216,990	165,042	192,712	120,524	132,973	53,640	54,839
20,000	N/A	N/A	N/A	N/A	N/A	N/A
20,937	8,457	14,185	14,270	5,648	6,621	4,018
N/A	N/A	N/A	14,110	N/A	6,695	1,700
N/A	N/A	5,000	2,656	N/A	N/A	N/A

TABLE G
(continued)

Customer Type	2005	2006	2007
Recharge (Continued)			
City of Chandler	21,000	15,000	22,025
City of El Mirage	N/A	N/A	N/A
City of Goodyear	13,324	12,500	7,000
City of Mesa	16,129	16,310	16,087
City of Peoria	5,206	N/A	N/A
City of Tempe	N/A	N/A	N/A
Cortaro Marana Irrigation District	N/A	N/A	N/A
HoHokam Irrigation & Drainage District	N/A	N/A	N/A
Maricopa Stanfield Irrigation & Drainage District	N/A	N/A	N/A
Queen Creek Irrigation District	N/A	N/A	N/A
Resolution Copper Mining Company	N/A	34,807	38,797
Rosemont Copper	N/A	N/A	N/A
Salt River Project	N/A	N/A	N/A
Town of Gilbert	10,000	7,000	11,500
Vidler Water Company	32,411	27,770	26,442
United States Bureau of Reclamation (BOR)	N/A	N/A	N/A
Water Utility of Greater Tonopah, Inc.	N/A	N/A	N/A
Federal			
Ak-Chin Indian Community	75,432	82,953	88,707
City of Chandler	3,395	2,366	N/A
City of Glendale	5,358	5,357	5,346
City of Mesa	4,927	4,925	4,918
City of Peoria	N/A	N/A	N/A
City of Phoenix	13,236	13,234	13,209
City of Scottsdale	N/A	N/A	N/A
Fort McDowell Yavapai Nation	N/A	N/A	N/A
Gila River Indian Community	N/A	N/A	3,793
San Carlos Apache Tribe	6,597	6,830	7,134
San Xavier Co-op Farm	2,625	2,528	3,264
Schuk Toak	10,739	8,107	12,220
Tohono O'Odham Indian Nation	N/A	N/A	N/A
Town of Gilbert	12,086	12,083	12,049

**TABLE G
(continued)**

2008	2009	2010	2011	2012	2013	2014
18,000	14,145	N/A	N/A	N/A	N/A	N/A
N/A	N/A	5,000	11,154	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
16,043	16,000	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	200	N/A	N/A
N/A	N/A	N/A	N/A	N/A	1,953	1,852
N/A	N/A	N/A	N/A	N/A	6,333	5,700
N/A	N/A	N/A	N/A	N/A	6,600	6,700
N/A	N/A	N/A	N/A	N/A	2,009	1,230
50,595	76,034	40,389	50,000	N/A	N/A	N/A
15,000	15,000	N/A	N/A	N/A	N/A	N/A
N/A	N/A	4,700	3,506	N/A	N/A	N/A
11,500	63,163	75,270	N/A	N/A	N/A	N/A
36,277	48,700	51,573	N/A	50	N/A	N/A
N/A	N/A	3,000	15,000	12,231	6,297	11,381
19,997	22,917	25,002	25,000	N/A	N/A	N/A
84,164	83,679	84,831	84,212	82,203	80,665	78,828
7,622	7,622	N/A	N/A	7,622	N/A	7,622
5,346	5,346	N/A	N/A	N/A	N/A	N/A
4,918	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	6,454	7,000	N/A	N/A	N/A
13,209	28,209	28,209	28,209	28,209	28,209	28,209
N/A	N/A	12,678	13,178	10,981	25,178	25,178
N/A	N/A	N/A	13,933	13,933	13,933	13,933
37,478	31,582	108,205	229,324	283,351	258,035	254,126
N/A	8,628	6,060	32,755	27,706	29,078	30,780
7,837	6,621	6,046	N/A	N/A	7,878	N/A
13,639	14,622	10,571	12,855	13,895	10,824	12,750
N/A	23,087	42,761	45,483	44,055	41,232	45,336
12,049	12,049	12,049	12,049	12,049	12,049	12,049

TABLE G
(continued)

Customer Type	2005	2006	2007
Total			
Ak-Chin Indian Community	71,705	78,423	83,476
Arizona Water Banking Authority	213,273	361,220	384,890
Central AZ Groundwater Replenishment District	N/A	N/A	N/A
Central AZ Irrigation & Drainage District	114,156	116,070	116,070
City of Mesa	45,450	42,778	60,655
City of Phoenix	135,336	138,645	154,066
City of Scottsdale	47,558	57,253	56,928
City of Tucson	61,596	62,320	90,880
Gila River Indian Community	N/A	N/A	N/A
Harquahala Valley Irrigation District	44,238	105,132	61,502
HoHokam Irrigation & Drainage District	36,915	35,898	N/A
Maricopa Stanfield Irrigation & Drainage District	111,961	100,156	113,658
Resolution Copper Mining, LLC	N/A	N/A	N/A
Salt River Project	N/A	N/A	97,410
Tohono O'Odham Indian Nation	N/A	N/A	N/A
Town of Gilbert	N/A	N/A	N/A
 Capital Charges A/F Allocation			
EPCOR (Arizona American Water)	17,654	17,654	17,654
Arizona State Land Department (ADOT)	32,076	32,076	32,076
ASARCO, Ray Mine	21,000	21,000	21,000
Arizona Water Company	8,884	8,884	8,884
City of Glendale	14,183	14,183	14,183
City of Mesa	36,388	36,388	36,388
City of Peoria	19,709	19,709	19,709
City of Phoenix	113,914	113,914	113,914
City of Scottsdale	49,829	49,829	49,829
City of Tucson	135,966	135,966	135,966
Metro Water Improvement District	N/A	N/A	N/A

TABLE G
(continued)

2008	2009	2010	2011	2012	2013	2014
78,812	83,679	84,831	84,212	82,203	80,665	78,828
216,990	165,042	212,712	120,524	132,973	54,640	59,839
52,929	N/A	N/A	N/A	N/A	49,494	46,472
134,882	129,162	120,570	125,586	120,597	131,064	128,678
52,571	57,454	N/A	N/A	47,666	N/A	N/A
142,030	141,581	141,771	122,194	132,227	124,613	122,069
47,884	56,917	58,621	64,981	67,074	70,754	70,804
128,265	102,638	93,889	124,203	144,172	144,172	142,315
N/A	N/A	108,205	229,324	283,351	258,035	254,126
N/A	N/A	53,319	N/A	50,873	N/A	N/A
N/A	N/A	N/A	N/A	N/A	46,606	46,696
126,983	133,155	129,312	126,000	114,611	124,784	131,246
50,595	76,034	N/A	50,000	N/A	N/A	N/A
N/A						
N/A	N/A	N/A	45,483	N/A	N/A	N/A
N/A	117,607	94,370	N/A	N/A	N/A	N/A
17,654	17,654	17,654	20,885	20,885	20,885	20,885
32,076	32,076	32,076	32,076	32,076	32,076	32,076
21,000	21,000	21,000	21,000	21,000	21,000	21,000
N/A	N/A	17,852	17,852	18,137	18,137	18,137
17,236	17,236	17,236	17,236	17,236	17,236	17,236
43,503	43,503	43,503	43,503	43,503	43,503	43,503
25,236	25,236	25,236	25,236	25,236	25,236	25,236
122,120	122,120	122,120	122,120	122,204	122,204	122,204
52,810	52,810	52,810	52,810	52,810	52,810	52,810
144,172	144,172	144,172	144,172	144,172	144,172	144,172
13,460	13,460	N/A	N/A	N/A	N/A	N/A

TABLE H

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND CAPITAL CHARGES
Year Ended December 31, 2014**

Customer	WATER DELIVERY CHARGES					
	Municipal & Industrial		Agricultural		Recharge	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$
Ak Chin Indian Community	-	\$ -	-	\$ -	-	\$ -
Ancala Country Club	442	73,867	-	-	-	-
Arizona Public Service	73	27,364	-	-	-	-
Arizona State Land Department (ADOT)	-	1,185	-	-	-	-
Arizona Water Banking Authority	5,000	830,000	-	-	54,839	11,404,634
Arizona Water Company	5,029	788,349	-	-	-	-
Arizona Wholesale Growers, Inc.	85	19,654	-	-	-	-
ASARCO, Inc.	-	-	-	-	-	-
Avondale, City of	5,416	790,736	-	-	-	-
AVRA Water Cooperative, Inc.	-	-	-	-	-	-
BKW Farms, Inc.	-	-	1,635	86,655	-	-
Bureau of Reclamation	-	-	-	-	11,381	1,889,246
Buckeye, Town of	-	-	-	-	-	-
Carefree Water Company	502	73,529	-	-	-	-
Cave Creek Water Company	2,000	300,690	-	-	-	-
CAGRD	42,454	6,296,976	-	-	4,018	597,105
Central AZ Irrigation & Drainage District	-	-	126,978	6,221,922	1,700	57,800
Chandler Heights Citrus Irrigation District	-	-	282	14,946	-	-
Chandler, City of	10,422	1,521,612	-	-	-	-
Chaparral City Water Company	6,429	1,013,368	-	-	-	-
Circle City Water Company	-	-	-	-	-	-
Collegiate Golf Foundation	510	84,660	-	-	-	-
Community Water Company - Green Valley	-	-	-	-	-	-
Cortaro-Marana Irrigation District	-	-	-	-	1,852	29,632
El Mirage, City of	508	74,168	-	-	-	-
Eloy, City of	1,944	285,957	-	-	-	-
EPCOR	20,473	2,997,906	-	-	-	-
Florence, Town of	2,048	299,008	-	-	-	-
Flowing Wells Irrigation District	2,800	408,800	-	-	-	-
Fondomonte Arizona, LLC	-	-	303	51,090	-	-
Fort McDowell Yavapai Nation	-	-	-	-	-	-
Gila River Indian Community	-	-	-	-	-	49,041
Gilbert, Town of	6,701	980,242	-	-	-	-
Glendale, City of	10,179	1,554,706	-	-	-	-
Goodyear, City of	8,171	1,192,966	-	-	-	-
Green Valley Water Company	-	-	-	-	-	-
H2O Water Company	548	88,028	-	-	-	-
Harquahala Valley Irrigation District	-	-	34,580	1,832,740	-	-
HoHokam Irrigation & Drainage District	-	-	40,996	2,008,804	5,700	-
JADAAL, Inc	67	12,607	-	-	-	-

**TABLE H
(continued)**

				SUBCONTRACTOR CAPITAL CHARGES		
Federal		Total		Acre-Feet Allocation	Revenue \$ (a)	TOTAL PAID
A/F Delivered	Revenue \$	A/F Delivered	Revenue \$			
78,828	\$ 12,342,417	78,828	\$ 12,342,417	-	\$ -	\$ 12,342,417
-	-	442	73,867	-	-	73,867
-	-	73	27,364	-	-	27,364
-	-	-	1,185	32,076	641,520	642,705
-	-	59,839	12,234,634	-	-	12,234,634
-	-	5,029	788,349	18,137	362,740	1,151,089
-	-	85	19,654	-	-	19,654
-	-	-	-	21,000	420,000	420,000
-	-	5,416	790,736	5,416	108,320	899,056
-	-	-	-	808	16,160	16,160
-	-	1,635	86,655	-	-	86,655
-	-	11,381	1,889,246	-	-	1,889,246
-	-	-	-	307	6,140	6,140
-	-	502	73,529	1,300	26,000	99,529
-	-	2,000	300,690	2,606	52,120	352,810
-	-	46,472	6,894,081	7,996	159,920	7,054,001
-	-	128,678	6,279,722	-	-	6,279,722
-	-	282	14,946	315	6,300	21,246
7,622	1,112,812	18,044	2,634,424	8,654	173,080	2,807,504
-	-	6,429	1,013,368	8,909	178,180	1,191,548
-	-	-	-	3,932	78,640	78,640
-	-	510	84,660	-	-	84,660
-	-	-	-	2,858	57,160	57,160
-	-	1,852	29,632	-	-	29,632
-	-	508	74,168	508	10,160	84,328
-	-	1,944	285,957	2,171	43,420	329,377
-	-	20,473	2,997,906	20,885	417,700	3,415,606
-	-	2,048	299,008	2,048	40,960	339,968
-	-	2,800	408,800	2,873	57,460	466,260
-	-	303	51,090	-	-	51,090
13,933	2,034,218	13,933	2,034,218	-	-	2,034,218
254,126	38,855,327	254,126	38,904,368	-	-	38,904,368
12,049	1,759,154	18,750	2,739,396	7,235	144,700	2,884,096
5,346	780,516	15,525	2,335,222	17,236	344,720	2,679,942
-	-	8,171	1,192,966	10,742	214,840	1,407,806
-	-	-	-	1,900	38,000	38,000
-	-	548	88,028	147	2,940	90,968
-	-	34,580	1,832,740	-	-	1,832,740
-	-	46,696	2,008,804	-	-	2,008,804
-	-	67	12,607	-	-	12,607

**TABLE H
(continued)**

Customer	WATER DELIVERY CHARGES					
	Municipal & Industrial		Agricultural		Recharge	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$
Kai Farms	-	\$ -	1,000	\$ 53,000	-	\$ 193,800
LaFarge North America	-	-	-	-	-	-
LSM GOLF	536	89,867	-	-	-	-
Marana, Town of	1,528	223,088	-	-	-	-
Maricopa County Parks & Recreation	586	95,262	-	-	-	-
Maricopa Drilling & Equipment Company	-	-	-	-	-	-
Maricopa Stanfield Irrigation & Drainage District	-	11,935	124,546	6,102,754	6,700	227,800
Maricopa Water District	-	-	4,000	212,000	-	-
Mazatzal Tree Farm	-	-	-	-	-	-
Mesa, City of	36,934	5,503,991	-	-	-	-
Metro Domestic Water Improvement District	11,690	1,706,740	-	-	-	-
New Harquahala Generating Company, LLC	510	84,759	-	-	-	-
New Magma Irrigation & Drainage District	-	216,000	30,340	1,547,340	-	-
Oasis Golf Resort & Community, LLC	408	75,846	-	-	-	-
Oro Valley, Town of	9,000	1,314,000	-	-	-	-
Pascua Yaqui Tribe	-	-	-	-	-	-
Peoria, City of	13,495	2,010,165	-	-	-	-
Phelps Dodge Corporation	-	-	-	-	-	-
Phoenix, City of	93,860	13,935,109	-	-	-	-
Picacho Elementary School	3	894	-	-	-	-
Pinal County Department of Public Works	21	4,971	-	-	-	-
Pine Water Company	-	-	-	-	-	-
Queen Creek Irrigation District	-	63,000	12,006	612,306	1,230	64,357
Queen Creek, Town of	400	59,440	-	-	-	-
Recreational Center, Inc.	-	-	-	-	-	-
Red Mountain Ranch Country Club	397	81,049	-	-	-	-
Red Mountain Ranch Owners Association	16	3,151	-	-	-	-
Rio Verde Utilities, Inc.	400	58,400	-	-	-	-
Roosevelt Water Conservation District	-	-	5,000	265,000	-	-
Salt River Project	-	-	3,800	201,400	-	-
San Carlos Apache Nation	-	-	-	-	-	-
San Carlos Irrigation & Drainage District	-	-	11,243	595,879	-	-
San Tan Irrigation District	-	-	-	-	-	-

**TABLE H
(continued)**

				SUBCONTRACTOR CAPITAL CHARGES		TOTAL PAID
Federal		Total		Acre-Feet Allocation	Revenue \$ (a)	
A/F Delivered	Revenue \$	A/F Delivered	Revenue \$			
-	\$ -	1,000	\$ 246,800	-	\$ -	\$ 246,800
-	-	-	-	-	-	-
-	-	536	89,867	-	-	89,867
-	-	1,528	223,088	1,528	30,560	253,648
-	-	586	95,262	665	13,300	108,562
-	-	-	-	-	-	-
-	-	131,246	6,342,489	-	-	6,342,489
-	-	4,000	212,000	-	-	212,000
-	-	-	-	-	-	-
4,918	718,028	41,852	6,222,019	43,503	870,060	7,092,079
-	-	11,690	1,706,740	13,460	269,200	1,975,940
-	-	510	84,759	-	-	84,759
-	-	30,340	1,763,340	-	-	1,763,340
-	-	408	75,846	-	-	75,846
-	-	9,000	1,314,000	10,305	206,100	1,520,100
500	73,000	500	73,000	-	-	73,000
7,000	1,022,000	20,495	3,032,165	25,236	504,720	3,536,885
-	-	-	-	2,906	58,120	58,120
28,209	4,118,514	122,069	18,053,623	122,204	2,444,080	20,497,703
-	-	3	894	-	-	894
-	-	21	4,971	-	-	4,971
-	-	-	-	161	3,220	3,220
-	-	13,236	739,663	-	-	739,663
-	-	400	59,440	348	6,960	66,400
-	-	-	-	-	-	-
-	-	397	81,049	-	-	81,049
-	-	16	3,151	-	-	3,151
-	-	400	58,400	812	16,240	74,640
-	-	5,000	265,000	-	-	265,000
-	-	3,800	201,400	-	-	201,400
30,780	4,493,880	30,780	4,493,880	-	-	4,493,880
-	-	11,243	595,879	-	-	595,879
-	-	-	-	236	4,720	4,720

**TABLE H
(continued)**

Customer	WATER DELIVERY CHARGES					
	Municipal & Industrial		Agricultural		Recharge	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$
San Xavier Co-Op Farm	-	\$ -	-	\$ -	-	\$ -
Schafer, Todd & June	-	-	66	10,956	-	-
Schuk Toak	-	-	-	-	-	-
Scottsdale, City of	45,626	6,691,811	-	-	-	-
Shea Homes, Inc - Encanterra	54	8,964	-	-	-	-
Spanish Trails Water Company	180	26,280	-	-	-	-
Surprise, City of	5,443	794,678	-	-	-	-
TGV Investments, LLC	-	-	469	77,854	-	-
Tempe, City of	4,315	629,990	-	-	-	-
Temporary Water Permits	266	153,972	-	-	-	-
Tohono O'odham Nation	-	-	-	-	-	185,724
Tonopah Irrigation District	-	308,542	3,497	178,347	-	47,346
Tonto Hills DWID	68	10,165	-	-	-	-
Tonto Hills Utility Company	-	-	-	-	-	-
Tucson, City of	142,315	20,924,693	-	-	-	-
Vail Water Company	1,856	271,055	-	-	-	-
Valencia Water Company	-	-	-	-	-	-
Vidler Water Company	-	-	-	-	-	-
Viewpoint RV & Golf Resort	468	85,806	-	-	-	-
Vistancia Land Holdings, LLC	18	3,285	-	-	-	-
Water Utilities Comm Facilities District	1,324	193,304	-	-	-	-
Water Utility of Greater Tonopah, Inc.	-	-	-	-	-	-
Subtotal	503,518	75,356,590	400,741	20,072,993	87,420	14,746,485
Water Storage Tax - AWBA						(7,166,294)
Year End Reconciliations		(3,182,274)		-		3,500
Rate Stabilization Fund		(1,006,504)		(1,692)		(174,849)
CAGR elimination						
Transfer of Stored Water Credits						1,397,664
TOTAL	503,518	\$ 71,167,812	400,741	\$20,071,301	87,420	\$ 8,806,506

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

**TABLE H
(continued)**

				SUBCONTRACTOR CAPITAL CHARGES		TOTAL PAID
Federal		Total		Acre-Feet Allocation	Revenue \$ (a)	
A/F Delivered	Revenue \$	A/F Delivered	Revenue \$			
7,528	\$ 1,109,753	7,528	\$ 1,109,753	-	\$ -	\$ 1,109,753
-	-	66	10,956	-	-	10,956
12,750	1,862,764	12,750	1,862,764	-	-	1,862,764
25,178	3,675,988	70,804	10,367,799	52,810	1,056,200	11,423,999
-	-	54	8,964	-	-	8,964
-	-	180	26,280	3,037	60,740	87,020
-	-	5,443	794,678	10,249	204,980	999,658
-	-	469	77,854	-	-	77,854
178	25,988	4,493	655,978	4,315	86,300	742,278
-	-	266	153,972	-	-	153,972
45,336	6,637,621	45,336	6,823,345	-	-	6,823,345
-	-	3,497	534,235	-	-	534,235
-	-	68	10,165	-	-	10,165
-	-	-	-	71	1,420	1,420
-	-	142,315	20,924,693	144,172	2,883,440	23,808,133
-	-	1,856	271,055	1,857	37,140	308,195
-	-	-	-	43	860	860
-	-	-	-	-	-	-
-	-	468	85,806	-	-	85,806
-	-	18	3,285	-	-	3,285
-	-	1,324	193,304	2,919	58,380	251,684
-	-	-	-	64	1,280	1,280
534,281	80,621,980	1,525,960	190,798,048	620,960	12,419,200	203,217,248
		-	(7,166,294)			(7,166,294)
	(3,658,703)	-	(6,837,477)		(3,220)	(6,840,697)
	(1,134,814)	-	(2,317,859)			(2,317,859)
		-	(6,897,515)			(6,897,515)
		-	1,397,664			1,397,664
534,281	\$ 75,828,463	1,525,960	\$ 168,976,567	620,960	\$ 12,415,980	\$ 181,392,547

TABLE I

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

Tax Year	General Tax Rate	Water Storage Tax Rate	Full Cash Value	Assessed Value
2005	\$ 0.08	\$ 0.04	\$ 336,753,118,147	\$ 40,525,437,546
2006	\$ 0.08	\$ 0.04	374,884,758,920	44,711,654,147
2007	\$ 0.08	\$ 0.04	523,855,376,230	60,089,796,995
2008	\$ 0.06	\$ 0.04	632,375,833,329	71,355,056,573
2009	\$ 0.06	\$ 0.04	632,321,619,316	71,087,269,662
2010	\$ 0.06	\$ 0.04	546,257,909,981	60,702,230,824
2011	\$ 0.06	\$ 0.04	456,157,812,248	48,999,660,396
2012	\$ 0.06	\$ 0.04	419,142,979,943	44,758,562,011
2013	\$ 0.10	\$ 0.04	403,224,528,684	41,836,049,147
2014	\$ 0.10	\$ 0.04	433,462,010,696	44,675,371,869

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

See Note 16 for further explanation

TABLE J

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

Fiscal Year	Tax Levy	Collected to June 30 End of Tax Fiscal Year (a)		Collections in Subsequent Years	Total Collections (b)	
		Amount	Percent of Tax Levy		Amount	Percent of Tax Levy
2005-2006	\$ 48,256,092	\$47,521,161	98.48%	\$ 222,520	\$47,743,681	98.94%
2006-2007	53,410,040	52,558,280	98.41%	273,525	52,831,804	98.92%
2007-2008	59,926,578	59,163,195	98.73%	297,574	59,460,770	99.22%
2008-2009	70,952,638	69,940,046	98.57%	399,456	70,339,502	99.14%
2009-2010	70,963,965	69,585,087	98.06%	420,834	70,005,922	98.65%
2010-2011	61,230,739	59,714,093	97.52%	363,534	60,077,628	98.12%
2011-2012	49,088,421	48,243,194	98.28%	219,005	48,462,199	98.72%
2012-2013	44,439,905	43,816,998	98.60%	223,657	44,040,655	99.10%
2013-2014	58,162,280	56,850,330	97.74%	681,284	57,531,615	98.92%
2014-2015	62,095,736	(c)		(c)	(c)	

(a) Reflects collections made through June 30, the end of the taxing fiscal year, on such year's levy.

(b) Reflects collections made through December 31, 2013 against current and prior levies.

(c) In the process of collection.

Source: Maricopa, Pima and Pinal County Treasurers' Office

TABLE K

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

Description	2005	2006	2007
Principal Debt	\$ 22,085,000	\$ 22,850,000	\$ 38,235,000
Interest Debt	\$ 5,072,011	\$ 4,309,722	\$ 3,415,376
SRP	\$ 25,200,000	\$ 25,200,000	\$ 24,300,000
Debt Service Coverage Ratio	0.927937172	0.927844549	0.583428106
Total Debt on Revenue Bonds	\$ 98,662,000	\$ 77,780,000	\$ 41,079,000

**TABLE K
(continued)**

2008	2009	2010	2011	2012	2013	2014
\$ 13,340,000	\$ 14,075,000	\$ 13,820,000	\$ -	\$ -	\$ -	\$ -
\$ 2,267,936	\$ 1,534,226	\$ 760,100	\$ -	\$ -	\$ -	\$ -
\$ 14,400,000	\$ 6,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
0.922607576	0.384388054	-	-	-	-	-
\$ 27,785,000	\$ 13,820,000	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE L

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

Accounting Year	Payment made	Beginning Balance		Beginning Balance	
		Interest Bearing		Non-Interest Bearing	
Ending	20-Jan	Stage I	Stage II	Stage I	Stage II
2005	2006	\$ 758,122,052	\$ 248,511,090	\$ 327,011,083	\$ 105,832,798
2006	2007	742,613,692	243,415,436	326,211,083	105,832,798
2007	2008	727,105,333	238,319,783	325,411,083	105,832,798
2008	2009	707,833,506	233,224,130	324,611,083	105,832,798
2009	2010	688,561,680	228,128,477	323,811,083	105,832,798
2010	2011	669,289,853	223,032,823	323,011,083	105,832,798
2011	2012	650,018,026	216,761,250	322,211,083	93,832,798
2012	2013	630,746,199	210,489,677	321,411,083	93,832,798
2013	2014	611,474,373	204,218,104	320,611,083	93,832,798
2014	2015	592,202,546	197,946,530	319,811,083	93,832,798

**TABLE L
(continued)**

Payment Due			Short Term	Long Term	Total
Principal	Interest	Total	Balance as of 12/31	Balance as of 12/31	Balance as of 12/31
\$ 21,404,013	\$ 33,641,680	\$ 55,045,693	\$ 21,404,013	\$ 1,418,073,010	\$ 1,439,477,023
21,404,013	32,953,093	54,357,106	21,404,013	1,396,668,996	1,418,073,009
25,167,480	32,264,507	57,431,987	25,167,480	1,371,501,517	1,396,668,997
25,167,480	31,450,146	56,617,626	25,167,480	1,346,334,037	1,371,501,517
25,167,480	30,635,785	55,803,265	25,167,480	1,321,166,558	1,346,334,038
26,343,400	29,821,424	56,164,824	26,343,400	1,294,823,157	1,321,166,557
26,343,400	28,967,763	55,311,163	26,343,400	1,256,479,757	1,282,823,157
26,343,400	28,114,103	54,457,503	26,343,400	1,230,136,357	1,256,479,757
26,343,400	27,260,443	53,603,843	26,343,400	1,203,792,958	1,230,136,358
31,361,357	26,406,782	57,768,139	31,361,357	1,172,431,600	1,203,792,957

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

Population by County (1)				Unemployment Rate (%) (1)			
<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>	<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>
2014	4,008,651	396,237	1,007,162	2014	5.90	7.20	6.20
* 2013	4,009,412	389,350	996,554	2013	6.10	7.50	6.40
* 2012	3,942,169	387,365	992,394	2012	7.10	8.90	7.30
* 2011	3,868,525	383,553	987,573	2011	7.70	9.50	7.80
2010	3,827,371	383,842	982,154	2010	9.60	11.70	9.40
2009	3,803,779	349,830	975,580	2009	8.90	12.00	8.80
2008	3,771,061	335,311	967,778	2008	5.10	7.10	5.60
2007	3,711,954	306,174	955,869	2007	3.20	4.50	3.60
2006	3,642,884	271,328	940,930	2006	3.50	4.90	3.90
2005	3,538,988	235,708	920,298	2005	4.00	5.60	4.50

Per Capita Income (2 & 3)				Personal Income (2 & 3)			
<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>	<u>Year</u>	<u>Maricopa</u>	<u>Pinal</u>	<u>Pima</u>
2013	40,030	25,511	37,063	2013	160,497,824	9,932,684	36,935,363
2012	39,300	24,834	34,961	2012	154,926,697	9,619,961	36,058,871
2011	38,071	24,287	34,961	2011	147,724,000	9,302,000	34,596,000
2010	36,695	22,752	33,884	2010	140,352,000	8,742,000	33,278,000
2009	36,272	23,421	33,803	2009	137,971,000	8,193,000	32,978,000
2008	37,112	24,825	34,578	2008	146,898,132	8,169,017	34,917,977
2007	37,666	23,749	33,183	2007	145,880,680	7,187,122	33,069,716
2006	36,829	23,785	32,085	2006	139,069,591	6,432,734	31,297,982
2005	34,551	23,524	30,110	2005	126,010,741	5,585,829	28,573,761
2004	32,561	21,213	27,917	2004	114,049,001	4,682,261	25,801,213

Sources:

1. Office of Employment and Population Statistics - 2014 estimate as of July 1, 2014
<http://www.workforce.az.gov/population-estimates.aspx>;

*Source: US Census Bureau - Last Revised: 06-Jan-2014 -
<http://quickfacts.census.gov/qfd/states/04/04019.html>

2. United States Department of Labor - Local Area Unemployment Statistics Map (By State/ County) last updated: December 31, 2013. Unemployment:
<http://data.bls.gov/map/MapToolServlet>

3. U.S. Department of Commerce - Bureau of Economic Analysis. Income:
<http://www.bea.gov/regional/docs/income/scb.cfm>

TABLE N

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MAJOR EMPLOYERS – STATE OF ARIZONA
Current Year and Ten Years Ago**

Employer	2014			2004		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Arizona	49,278	1	1.18%	50,363	1	1.64%
Wal-Mart Stores, Inc	32,169	2	0.77%	18,677	2	0.61%
Banner Health	25,270	3	0.61%	13,756	3	0.45%
City of Phoenix	14,983	4	0.36%	13,095	5	0.43%
Wells Fargo	14,713	5	0.35%			
Maricopa County	12,698	6	0.30%	13,482	4	0.44%
Arizona State University	12,222	7	0.29%	10,005	9	0.33%
Intel	11,900	8	0.28%	9,500	10	0.31%
JP Morgan Chase	11,042	9	0.26%			
Bank of America	11,000	10	0.26%			
Honeywell International				12,000	6	0.39%
U.S. Postal Service				11,406	7	0.37%
Raytheon				10,200	8	0.33%
Albertson's-Osco				9,500	10	0.31%

Source: Phoenix Business Journal 2014 Book of Lists pg. 128

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

<u>Year</u>	<u>Maricopa</u>	<u>Pima</u>	<u>Pinal</u>
2014	9,200	9,187	5,366
2013	9,200	9,187	5,366
2012	9,200	9,187	5,366
2011	9,200	9,187	5,366
2010	9,200	9,187	5,366
2009	9,200	9,187	5,366
2008	9,200	9,187	5,366
2007	9,200	9,187	5,366
2006	9,200	9,187	5,366
2005	9,200	9,187	5,366

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

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
CENTRAL ARIZONA PROJECT SYSTEM MAP**



Aqueduct	Length	Pumping Plants	Lift (feet)	Tunnels & Siphons	Turnouts
Hayden-Rhodes	191	5	1,251	11	29
Fannin-McFarland	58	1	86	1	30
Tucson	87	9	1,569	10	29
Totals	336	15	2,906	22	88

TABLE Q

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

	2005	2006	2007
Capital Asset (net of depreciation and amortization)			
Operating Assets			
Land	\$ 0.8	\$ 0.8	\$ 0.8
Land Improvements	-	-	-
Work-in-process	29.9	39.7	38.3
Intangibles	-	-	-
Structures & improvements	14.8	14.2	18.4
Computers	3.6	2.5	2.8
Furniture/office equipment	0.3	0.3	0.2
Transportation	1.8	1.9	2.3
Field & other equipment	11.1	13.7	21.3
Communications	6.1	4.6	3.0
Total operating assets	68.4	77.7	87.1
Permanent Service Right	1,430.5	1,400.1	1,369.7
Total capital assets	<u>\$ 1,498.9</u>	<u>\$ 1,477.8</u>	<u>\$ 1,456.8</u>

TABLE Q
(continued)

	2008	2009	2010	2011	2012	2013	2014
\$	1.1	\$ 1.1	\$ 1.1	\$ 1.9	\$ 1.9	\$ 1.9	\$ 1.9
	-	0.1	1.1	1.1	1.2	2.3	2.8
	19.7	23.7	26.4	20.2	36.1	43.7	59.2
	-	30.4	30.2	28.9	28.2	27.6	31.7
	44.2	48.8	51.2	59.0	56.3	52.4	49.1
	2.8	1.5	8.2	6.1	4.8	5.6	7.1
	0.3	0.2	0.2	0.1	0.2	0.2	0.3
	2.3	2.3	1.9	1.6	1.4	1.5	1.8
	24.1	23.1	23.6	35.2	34.8	35.2	37.7
	1.7	5.3	11.9	17.5	25.6	29.1	27.1
	96.2	136.5	155.8	171.6	190.5	199.5	218.7
	1,338.9	1,309.2	1,281.5	1,253.9	1,227.4	1,204.4	1,181.3
\$	1,435.1	\$ 1,445.7	\$ 1,437.3	\$ 1,425.5	\$ 1,417.9	\$ 1,403.9	\$ 1,400.0

TABLE R

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM – LAST TEN YEARS
 (Dollars in Millions)**

Function/Program	Full Time Equivalent Positions (Average)		
	2005	2006	2007
General Manager	5.5	5.0	5.0
Strategic Initiative & Public Policy	-	-	-
Communications and Public Affairs	6.8	7.2	7.0
Employee Services	37.6	37.3	37.0
Administration	73.3	70.2	70.5
Legal Services	6.6	6.3	6.3
Maintenance	234.6	229.7	226.4
Operations, Planning and Engineering	89.6	94.8	96.6
Total	454.0	450.5	448.8

Source: District-Financial Services Department

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

Full Time Equivalent Positions for 2014 reflected the re-organization done in November.

TABLE R
(continued)

2008	2009	2010	2011	2012	2013	2014
4.8	5.8	6.0	5.3	3.0	5.0	11.0
-	1.1	3.8	4.9	4.6	5.0	17.5
6.7	7.5	7.9	7.9	10.0	8.0	8.0
36.2	37.5	38.5	37.7	42.3	41.3	-
73.0	63.4	64.8	65.3	65.0	68.5	113.5
6.4	6.8	6.2	5.8	6.0	6.0	5.6
230.8	242.1	236.5	234.4	228.5	233.2	229.9
96.3	100.4	103.7	107.4	101.2	103.6	91.2
454.2	464.6	467.4	468.6	460.6	470.6	476.7

