



Public Notice Pursuant to A.R.S. § 38-431.02

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
BOARD OF DIRECTORS**

MEETING NOTICE AND AGENDA

January 30, 2025

**This meeting will be held as a Hybrid meeting.
Attendance in person is welcomed; Others may join via Zoom.
Access this [Link](#) to join via Zoom. Meeting ID: 889 7057 7007**
(Option to join by phone: 602-753-0140, same Meeting ID as above)

- A. Call to Order**
- B. General Business—Items for Discussion and Possible Action**
 - 1. Approval of the Minutes from the December 19, 2024 Meeting
 - 2. Next Meeting Date: February 27, 2025 @ 11:00 a.m.
 - 3. 2025 Legislative Session
 - 4. Ag-to-Urban Concept
 - 5. Annual Financial Audit Report for Fiscal Year 2024
- C. Member Reports**
- D. Executive Director’s Report**
- E. Future Agenda Items**
- F. Adjournment**

*The order of the agenda may be altered or changed by the AMWUA Board of Directors. Members of the AMWUA Board of Directors may attend in person or by internet conferencing.

More information about AMWUA public meetings is available online at www.amwua.org/what-we-do/public-meetings, or by request.

Arizona Municipal Water Users Association



**BOARD OF DIRECTORS
MEETING MINUTES
December 19, 2024
HYBRID MEETING**

BOARD MEMBERS PRESENT

Councilmember Sheri Lauritano, Goodyear, President
Vice Mayor Scott Anderson, Gilbert, Vice President
Councilmember Mark Freeman, Mesa, Secretary/Treasurer
Councilmember Nikki Amberg, Tempe
Councilmember Jennifer Crawford, Peoria
Councilwoman Kesha Hodge Washington, Phoenix
Councilmember Curtis Nielson, Avondale
Councilmember Matt Orlando, Chandler
Councilmember Bart Turner, Glendale

BOARD MEMBERS NOT PRESENT

Mayor David Ortega, Scottsdale

AMWUA Staff

Barry Aarons, Aarons Group
Michelle Barclay, AMWUA
Paul Bergelin, AMWUA

Kathleen Ferris, AMWUA
Tyenesha Fields, AMWUA
Rhett Larson, AMWUA

Warren Tenney, AMWUA
Sheri Trapp, AMWUA
Simone Williams, AMWUA

A. Call to Order

Sheri Lauritano called the meeting to order at 11:01 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the November 21, 2024 Meeting

Upon a motion made by Mr. Turner and a second made by Ms. Crawford, the AMWUA Management Board unanimously approved the November 21, 2024 meeting minutes.

2. Next Meeting Date: Thursday, January 30, 2025 – 11:00 a.m.

3. 2025 Legislative Session and Potential Legislation

Warren Tenney, AMWUA 's Executive Director, highlighted key issues for the upcoming legislative session starting January 13, 2025. The session is expected to revisit topics such as challenges to the Phoenix AMA groundwater model and the connection between affordable housing and groundwater concerns. With a slight increase in the Republican majority in both the Senate and House, collaboration with these representatives will be essential to addressing water issues effectively. A primary focus will be the Ag-to-Urban concept, initially proposed as Senate Bill 1172 and vetoed last year. This concept involves retiring irrigated grandfathered rights to create credits for water use designations, aiming to reduce groundwater pumping and align with AMA management goals. Targeting Phoenix and Pinal AMAs, the Arizona Department of Water Resources (ADWR) is proposing seven key guardrails: eligibility criteria for retired land, consumer protection measures to ensure groundwater wells maintain depth, limits on groundwater portability, program timeframes, conservation requirements, conversion rates for retired acreage, and replenishment obligations using renewable supplies.

ADWR is leading efforts to refine the concept, emphasizing transparency and data-driven decisions to ensure aquifer benefits. However, debate persists over whether implementation should proceed through rulemaking or legislation. Stakeholders, including the Central Arizona Groundwater Replenishment District (CAGR), are assessing potential impacts on groundwater management and replenishment plans. AMWUA plans to analyze the proposal, advocate for effective guardrails, and ensure the program benefits aquifers and member communities. Further updates from ADWR are expected in January, with ongoing discussions to refine the Ag-to-Urban process. This collaborative approach seeks to address groundwater sustainability while balancing legislative and administrative priorities.

Mr. Orlando stated support for the approach being taken, noting it as a good start with room for additional detail. He noted the importance of encouraging designations and finding the correct conversion rate that aligns with aquifer sustainability and memberships. He highlighted the importance of determining an appropriate timeframe for credits, suggesting that 100 years might be too long. Mr. Orlando then asked what support or input was needed from the Board to ensure success in upcoming discussions.

Mr. Tenney emphasized the importance of collaboration with the Board and the Water Resource Advisory Group to identify key questions and uncertainties that need to be addressed. He highlighted the need for active engagement in the stakeholder process initiated by ADWR and for thoughtful analysis to determine the most appropriate guardrails to advocate for during the process. Due to the lack of a concrete proposal, it is challenging to take a definitive stance at this time. However, he expressed optimism about ADWR's commitment to a data-driven approach, underscoring the importance of analysis to ensure the proposed measures benefit the aquifer rather than relying solely on policy adjustments without evidence. Mr. Tenney emphasized the importance of asking questions, analyzing data, and seeking input from ADWR to shape effective guardrails, whether through legislation or rulemaking. The goal is to advocate for a proposal that genuinely benefits the aquifer and stakeholders. Mr. Tenney expressed optimism about the importance of a data-driven approach to the legislative process.

Mr. Tenney reported CAWCD plans to pursue in statute a new formula for calculating the CAGR's Annual Membership Dues that would be based on actual replenishment obligations

instead of the plan's projections. This would not change the total revenues collected by CAGR and is to ensure equity among member lands and member service areas.

Mr. Tenney reported that the Arizona Department of Environmental Quality (ADEQ) is pursuing statutory authority to inspect advanced water purification facilities, a step seen as vital for expanding the use of advanced water technologies while countering misinformation that could hinder progress.

Mr. Tenney also noted that the Alternative Path to Designation (ADAW) rules were officially adopted. While essential for addressing groundwater limitations in the Phoenix Active Management Area (AMA), the rules will most likely be challenged in the Legislature.

Finally, the Central Arizona Home Builders Association, with support from the Goldwater Institute, has threatened litigation against the Arizona Department of Water Resources (ADWR) regarding the Phoenix AMA groundwater model and subdivision halts outside designated providers. This action would be an attack on Arizona's Groundwater Management Code and 100-year Assured Water Supply Program, which are critical to sustaining current and future water needs. Unfortunately, this will divert ADWR's resources.

Mr. Turner expressed concerns, stating that the second bullet point on the slide represents an existential threat to the health and welfare of residents. He emphasized that the groundwater offset program is not meant to be a permanent solution but rather a temporary bridge to the future while renewable resources and technology catch up. He questioned why there is resistance to accepting the good faith efforts of cities to create a bridge to a renewable future without dismantling the 100-year plan, which would leave everyone at risk. Kathy Ferris responded that the homebuilders are presenting weak arguments for suing. She clarified that ADWR's approach to the unmet demand model and the denial of certificates has been in place for nearly 20 years and was consistently followed under both Governor Ducey and Governor Hobbs. She believes the development community has been aware of this approach since at least 2006. She further stated that the legal argument from the Goldwater Institute is questionable, and she is confident that ADWR will prevail in court.

Mr. Tenney commented on the challenges ahead in the upcoming legislative session. He acknowledged that recent events highlighted the busy and difficult legislative landscape, with numerous bills impacting water policy. Despite the challenges faced in the previous session, including tough conversations and differing opinions, he emphasized the importance of working together as a unified team. He pointed out that AMWUA's efforts, along with those of other stakeholders, successfully defeated harmful bills, and Governor Hobbs vetoed several problematic ones. He stressed that the key to success in the coming session will be collaboration, data sharing, and thorough analysis of legislation to advocate for positions that protect Arizona's water security. He emphasized the power of AMWUA cities working together to navigate the legislative process.

4. Messaging the Municipal Perspective for the 2025 Legislative Session

Sheri Trapp, AMWUA's Communication Director, outlined the organization's strategic approach to preparing for the upcoming legislative session. Recognizing the need to be well-prepared, AMWUA has developed targeted messaging specifically for legislators, though it can also be

adapted for the general public as necessary. This initiative builds on the success of their five-year Colorado River shortage awareness campaign, which has evolved over time to meet changing circumstances. The messaging strategy, which has been refined through collaboration with internal and external stakeholders, aims to highlight the critical importance of water security for Arizona's economy and communities.

The primary objective of this initiative is to emphasize that water security is the foundation of thriving communities and a robust economy, achieved through significant investments by municipalities in their water systems. The messaging stresses that water security, which ensures access to clean and reliable water, is a direct result of these investments. The goal is to ensure that legislators understand the importance of maintaining and enhancing water security in Arizona, and to position AMWUA cities as the water experts in their communities.

5. Post-2026 Colorado River Operational Guidelines

Paul Berglin, AMWUA's Water Policy Advisor, discussed the ongoing developments surrounding the Colorado River guidelines and the challenges facing Arizona and the lower division states. He explained that the Bureau of Reclamation recently released a brief description of five alternatives for managing the river, but these alternatives have raised concerns, particularly for Arizona. The process follows the National Environmental Policy Act (NEPA), which requires consultation with stakeholders and analysis of alternatives. However, the alternatives presented by Reclamation seem to combine elements from various proposals, without identifying a preferred option.

Mr. Berglin emphasized that all alternatives envision significant water shortages for the lower division states, including potential impacts on the Central Arizona Project, without corresponding reductions for the upper division states. Additionally, the alternatives fail to address long-standing infrastructure issues at Glen Canyon Dam, which could limit the ability to release water in emergencies. He also highlighted the ongoing debate between the lower and upper division states, with the former pushing for shared responsibility in managing shortages and the latter pointing to climate change and historical underuse of their water allocation. The increasing uncertainty and the possibility of costly litigation are additional concerns. Reclamation plans to begin more detailed analysis of the alternatives next month, but the situation remains precarious for Arizona's water security.

6. Recommendation for 2025 AMWUA Board Officers

President Sheri Lauritano thanked the Board members who had applied for office positions. She reported that the Nomination Committee comprised of Councilmembers Amber, Turner, and herself recommended Mayor-elect Scott Anderson as President, Mayor-elect Freeman as Vice President, and Councilwoman Keisha Hodge Washington as Secretary-Treasurer.

Mr. Turner made a motion to approve the recommendations and Mr. Orlando seconded. The Board unanimously approved the motion.

C. Member Reports

There were no member reports.

D. Executive Director's Report

Mr. Tenney acknowledged the challenges faced by the AMWUA team due to staff turnover, including the recent loss of both the Conservation Coordinator and Conservation Specialist to ASU. He emphasized that the conservation coordinator position is being advertised. He asked for patience as the team works to maintain progress despite being understaffed. Mr. Tenney also mentioned that they will ensure competitiveness in the upcoming budget for these roles.

He expressed appreciation for working together on important water security issues and wished everyone a Merry Christmas and Happy Holidays.

E. Future Agenda Items

There were no requested future agenda items.

F. Adjournment

Ms. Lauritano adjourned the meeting at 12:34 p.m.

AMWUA BOARD OF DIRECTORS

INFORMATION SUMMARY

January 30, 2025

2025 Legislative Session

ANNUAL PLAN REFERENCE

Legislation

Effectively advocate with one voice at the Legislature.

- Monitor, analyze and clarify state and federal legislation of interest to our members.
- Engage with legislators to inform them about the issues important to AMWUA including identifying and working with legislators to champion water issues.

Strategic Plan: Collaborate and Advocate for Solutions, Safeguard Water Supplies, Reinforce Groundwater Management, Prepare for Impacts of Drought & Shortage, Pursue Post-2025 Water Policy

SUMMARY

The First Regular Session of the 57th Legislature began on January 13, 2025. To date, 965 bills have been introduced as of the writing of this report. Of those, 76 bills are water related, and we have identified 31 bills that we are recommending to support or oppose. The Management Board provided recommendations on 8 of those 31 bills when they met on January 15, 2025.

In preparation for the 2025 Legislative Session, the AMWUA 2025 Legislative Agenda was approved by the Board of Directors on November 21, 2024. AMWUA has also be preparing messaging to emphasize the importance of water security, the 100-year assured water supply standard, and Advanced Water Purification. AMWUA hosted a legislative breakfast at the Capitol on January 22, 2025.

At the January 30th Board meeting, staff will review the most pressing of the 31 bills.

RECOMMENDATION

Staff requests that the AMWUA Management Board recommend to the AMWUA Board of Directors adoption of the legislative positions presented in this Board packet. Under the suggested motion, each bill is hyperlinked to its individual summary in this report.

Depending on the introduction of legislation before the January 30, 2025 Board meeting, the AMWUA Board of Directors may be asked to provide direction regarding additional legislation.

SUGGESTED MOTION

I move that the AMWUA Board of Directors adopt the following legislative positions as outlined in the Board packet:

Support

HB 2082 TPT; exemption; wastewater; pipes (Griffin)
HB 2090 acting in concert; evidence; exceptions (Griffin)
HB 2093 subdivided lands; violations; civil penalties (Griffin)
HB 2103 appropriation; Colorado River Compact; defense (Griffin)
HB 2162 reporting; groundwater pumping; measuring (Crews)
HB 2248 well drilling application; location; GPS (Mathis)
HB 2253 water efficient plumbing fixtures (Mathis)
HB 2476 appropriation; water conservation grant fund (Stahl Hamilton)
HB 2477 state lands; leases; groundwater use (Stahl Hamilton)
HB 2481 adequate water supply; statewide requirements (Stahl Hamilton)
HB 2485 land division; application; attestation (Mathis)
HB 2638 on-farm efficiency program; continuation (Griffin)
HCR 2016 reinstatement; WIFA monies (Griffin)

Oppose

HB 2056 geoengineering; prohibition (Fink)
HB 2088 subsequent AMA; director; removal (Griffin)
HB 2089 subsequent AMA; voters; removal (Griffin)
HB 2203 historical water use; subsequent AMA (Griffin)
HB 2204 assured water supply; commingling (Griffin)
HB 2270 groundwater model; stormwater recharge; AMAs (Griffin)
HB 2276 legislative ratification; rulemaking; regulatory costs (Gress)
HB 2297 designation; assured water supply; offset (Griffin)
HB 2299 assured water supply; certificate; model (Griffin)
HB 2317 residential building materials; requirements; prohibition (Gillette)
HB 2319 private property; design; regulations; prohibition (Gillette)
HB 2412 augmentation; Phoenix; Pinal; Tucson; AMA (Kolodin)
HB 2413 effluent; proportional share; recharge; compensation (Kolodin)
HB 2414 remedial groundwater incentives; PFAS (Kolodin)
HB 2550 department of water resources; review (Diaz)

SB 1013 municipalities; counties; fee increases; vote (Petersen)

SB 1088 ADWR; hydrology reports (Hoffman)

SB 1114 assured water supply; analysis; availability (Dunn)

House Bills

HB 2056 geoengineering; prohibition (Fink)

Recommended Position – Oppose

HB 2056 would prohibit someone from engaging in geoengineering, which includes weather modification and clouding seeding. As part of that prohibition, this bill would repeal part of the statutes for the Arizona Department of Water Resources (ADWR) that allows it to regulate and license those who conduct weather control, cloud seeding, or other activities intended to artificially produce rainfall. HB 2056 requires the Arizona Department of Environmental Quality (ADEQ) Director to investigate credible reports of geoengineering within two hours of receipt. The ADEQ Director must also investigate reports of “excessive electromagnetic radiation or fields caused by human activity in any part of the spectrum.” Anyone found guilty of violating this prohibition would be guilty of class 4 felony and liable for a civil penalty of at least \$500,000 per violation with each day of geoengineering constituting a separate violation.

Cloud seeding has not been done in Arizona, but SRP is currently researching the feasibility of cloud seeding in the White Mountains in eastern Arizona. Cloud seeding may produce some increase in precipitation or snowpack, though the amount produced varies with each project. One dilemma in the drought-plagued southwest is that seeding only works when there are seed-able storms. It nonetheless may be premature remove this technology from being used to in Arizona.

HB 2082 TPT; exemption; wastewater; pipes (Griffin)

Recommended Position – Support

Arizona has a transactions privilege tax (TPT) which is different than a sales tax. The TPT is actually a tax on a vendor for the privilege of doing business in Arizona. Various business activities in Arizona are subject to TPT and must be licensed. Additionally, Arizona assesses a Use Tax, which applies to those businesses that do not have a presence in Arizona and therefore are not subject to TPT. This tax protects Arizona businesses who otherwise would be at a competitive disadvantage when out-of-state businesses sell goods to Arizona customers without charge tax. The Use Tax rate is identical to the TPT rate (5.6%).

Under state law, certain forms of retail classification are exempt from the TPT or Use Tax. For example, pipes or valves that are at least four inches in diameter and transport certain substances such as water and coal slurry are exempt from TPT or Use Tax. This exemption also applies to components that are used in operating those pipes and valves, including compressor units, regulators, machinery and equipment, fittings, and seals.

HB 2082 would expand this TPT and Use Tax exemption to cover pipes, valves and other related infrastructure used to transport wastewater. If enacted, the bill would become effective on the first day of the month following the general effective date. The general effective date for bills is 90 days after the end of the legislative session.

The cost savings associated with this measure aligns with AMWUA’s legislative priority of supporting “the ability of municipal water providers to ensure the long-term viability of their communities.” However, this bill should be discussed further with the Management Board to determine whether this approach is worthwhile.

HB 2088 subsequent AMA; director; removal (Griffin)

Recommended Position – Oppose

HB 2088 introduces a mechanism for periodic review of subsequent AMAs (Active Management Areas) by the ADWR Director. If areas within an AMA no longer meet statutory criteria, the AMA designation can be repealed following a public hearing process. Currently, once an AMA is designated, it cannot be rescinded.

A subsequent active management area (AMA) may be designated by the Arizona Department of Water Resources (ADWR) Director if any one of the following statutory criteria are satisfied:

1. Active management practices are needed to preserve existing groundwater supplies for future needs;
2. Land subsidence or fissuring is endangering property or potential groundwater storage capacity; or
3. Use of groundwater is resulting in actual or threatened water quality degradation.

Under current law, once a subsequent AMA is designated, it cannot be rescinded. ADWR Director Tom Buschatzke designated the Willcox AMA on December 19, 2024, and the process is underway to potentially declare a subsequent AMA in the Gila Bend Groundwater Basin.

In addition to technical concerns, all subsequent AMAs are in rural areas that primarily rely on groundwater. It is difficult to envision a scenario in which aquifer levels in part of an AMA stabilize enough that the AMA is no longer necessary.

We opposed HB 2061 ([subsequent active management area; removal](#)) last session out of concern that it would attempt to repeal the Douglas AMA. Our concern for that AMA and the newly created Willcox AMA remain. An AMA provides more stability by monitoring and managing groundwater pumping than the status quo.

HB 2089 subsequent AMA; voters; removal (Griffin)

Recommended Position – Oppose

As noted under HB 2088 (subsequent AMA; director; removal), a subsequent active management area (AMA) may be designated by the Director of the Arizona Department of Water Resources (ADWR) if at least one of three statutory criteria are satisfied or by vote of local residents through a statutorily prescribed process. Once established, there is no way to revoke a subsequent AMA.

HB 2089 would establish a process in which local residents could circulate a petition to revoke a subsequent AMA 10 years after it was designated. If at least 10% of residents sign this petition within the prescribed time frame, the applicable county board of supervisors will forward it to the ADWR Director. If the ADWR Director determines that the conditions for declaring a subsequent AMA still exist, the election to revoke the AMA is cancelled. However, if the ADWR Director determines that an AMA is no longer necessary or declines to file an order, an election will be held on whether to remove the AMA. (The ADWR Director's order is an appealable agency action. Depending on the outcome, the ADWR Director may need to file a new determination that could lead to the election being held or cancelled.)

All subsequent AMAs are in rural areas that are primarily reliant on groundwater. It is therefore difficult to imagine any plausible scenario in which aquifer levels would stabilize enough in the long-term that the AMA would no longer be necessary. Additionally, allowing the election to proceed if the ADWR Director declines to file an order on whether the AMA is necessary seems problematic. Given what would be at stake for a community's future when groundwater is the only reliable water supply, affirmative evidence that an AMA is no longer necessary should be required for an election to proceed.

HB 2090 acting in concert; evidence; exceptions (Griffin)

Recommended Position – Support

Acting in concert to illegally subdivide lands refers to the efforts of different parties to take turns acquiring and then dividing tracts of land among each other until the resulting lots have the same form and appearance as subdivided lands. This effort is seen as contributing to preventing "wildcat" subdivisions and steers clear of many requirements that apply to subdivided lands, including demonstrating a 100-year water supply in an active management area.

HB 2090 would clarify that it is unlawful to act in concert by dividing a parcel into six or more lots within a ten-year time period. It would declare that familial relationships, well sharing agreements, and road maintenance agreements are on their own insufficient grounds for showing acting in concert. For counties outside of Maricopa and Pima, using the same contractor, architect, engineer, home inspector, landscape architect, or surveyor would in and of itself similarly be insufficient grounds for acting in concert.

Representative Griffin introduced a similar bill last session ([HB 2006 – real estate; acting in concert](#)), which passed through the House but was ultimately held on the Senate floor. AMWUA took a neutral position on this bill because while it attempted to address concerns raised by the Governor's Water Policy Council, the language was inconsistent with the council's recommendation.

By providing more clarity on what constitutes acting in concert to illegally subdivide land, HB 2090 could make it easier for county attorneys or the State Real Estate Commissioner to take action against "wildcat" subdivisions. However, more information is needed on whether the carve-outs to acting in concert make it difficult to prosecute this offense.

HB 2093 subdivided lands; violations; civil penalties (Griffin)

Recommended Position – Support

Under current law, those who illegally subdivide lots may be assessed a civil fine of now more than \$2,000 per infraction. However, an infraction that involves more than one lot in a subdivision is considered a single infraction. HB 2093 would amend statute so that the civil fine would apply per lot where a violation occurs.

This change is consistent with a recommendation from the Governor’s Water Policy Council to combat illegally subdividing. Rep. Griffin introduced a similar bill last year (HB 2007 – subdivided lands; civil penalties) that passed the House but never received a floor vote in the Senate. AMWUA supported this bill last session. In AMAs, illegally subdividing lands undermines the Assured Water Supply Program and with it, the Groundwater Management Act. Supporting this bill is warranted.

HB 2103 appropriation; Colorado River Compact; defense (Griffin)

Recommended Position – Support

HB 2103 appropriates \$1 million from the state General Fund to the Arizona Department of Water Resources to defend, protect, and enforce Arizona’s allocation of Colorado River water under the Colorado River Compact.

HB 2162 reporting; groundwater pumping; measuring (Crews)

Recommended Position – Support

There are different requirements for metering and annual reporting pumping from wells in Arizona based on the well’s pumping capacity, location, and use. For example, “exempt wells” which have a pumping capacity of less than 35 gallons per minute are not required to use a water measuring device. By contrast, most nonexempt wells in active management areas (AMAs), irrigation non-expansion areas (INAs), and wells in four groundwater basins and sub-basins that are used to transport groundwater to initial AMAs must have a measuring device and any pumping annually reported. However, there are certain exemptions for AMAs and INAs that apply to nonexempt wells that withdraw 10 or fewer AF annually or that serve 10 or fewer irrigation acres.

HB 2162 would generally require metering and annually reporting for all nonexempt wells in Arizona. However, those using a nonexempt well outside of an AMA or INA to pump 10 or fewer AF annually for a non-irrigation use would be exempt from this requirement. These users would have to annually report an estimate of annual pumping to ADWR. Similarly, those who withdraw groundwater from a nonexempt well outside of an AMA or INA to irrigate lands would be exempt from metering if the groundwater was used to irrigate 10 or fewer acres that are not part of an integrated farming operation. This exemption for smaller farming operations would also apply to annual reporting requirements.

Similar versions of this bill have been introduced in previous sessions (HB 2399 – report; groundwater pumping; measuring [2024], HB 2266 – reporting; groundwater pumping; measuring [2023], HB 2467 – reporting; groundwater pumping; measuring [2022], SB 1022 – groundwater pumping; measuring; reporting [2022]). None of have ever received a committee hearing.

HB 2203 historical water use; subsequent AMA (Griffin)

Recommended Position – Oppose

Under current law, the five years preceding the designation of an active management area (AMA) dictate which lands may continue to be irrigated. For example, if land was irrigated any time within the five years preceding the initiation of a process to designate a subsequent AMA, it may continue to be irrigated once the AMA was established. A similar five-year historical period applies when determining the service area of an irrigation district within an AMA and how much groundwater may be pumped from Type 1 and Type 2 non-irrigation grandfathered rights.

HB 2203 would lengthen this historical period from five to ten years, which would have the effect of increasing the amount of land that may be legally irrigated in a subsequent AMA as well as the volume of groundwater that may be pumped from Type 1 and Type 2 non-irrigation grandfathered rights. Taken together, these changes would increase the amount of pumping that could occur in a subsequent AMA and undermine efforts to reduce aquifer depletion. These changes would apply retroactively from August 29, 2022, which would make it apply to the Douglas AMA and Willcox AMA, as well as any subsequent AMA that is designated moving forward.

There is one technical change that may need to be remedied. By redefining the service area of an irrigation district that delivered groundwater when an AMA was designated to include any lands that were irrigated at any time in the preceding ten (instead of five) years, HB 2203 would enable the expansion of some irrigation districts' service areas in initial AMAs. In all likelihood, this expansion could not lead to a corresponding increase in irrigated acreage because the other changes HB 2203 makes only apply to subsequent AMAs. However, this discrepancy may need to be addressed.

HB 2204 assured water supply; commingling (Griffin)

Recommended Position - Oppose

HB 2204 would direct the Arizona Department of Water Resources (ADWR) to consider any type of waters that are commingled when making an Assured Water Supply (AWS) determination.

Most water providers utilize a combination of water supplies in their systems, such as groundwater, Central Arizona Project water, and Salt River Project water. Water providers that have Designations of Assured Water Supply like the AMWUA cities have their water supplies

reviewed every 10-15 years by the ADWR to determine compliance with AWS criteria. This is why subdivisions that receive service from these designated providers do not need to obtain Certificates of Assured Water Supply (CAWS). Water providers that lack designations must have their supplies regularly reviewed by ADWR when it is evaluating whether to issue a CAWS for a proposed development. Since the Phoenix AMA groundwater model projected that groundwater is overallocated over the next 100 years, ADWR has refused to issue any CAWS for proposed developments served by undesignated providers that have groundwater commingled in their distribution system.

There has been an effort to allow CAWS to be issued for developments served by undesignated providers if these providers obtain renewable water supplies for these developments. However, the key issue that must be addressed is limiting the amount of groundwater that these undesignated water providers pump. Absent any limitation, a provider could simply shift around renewable supplies in its portfolio to serve a CAWS while pumping greater volumes of groundwater, which is inimical to the AWS Program's goal.

HB 2204 also contains a provision prohibiting ADWR from requiring a subdivider to obtain a water supply that is more than 100% of the water needed to meet the subdivider's purpose when applying for a CAWS or commitment of water service. There are concerns that this amendment could make this bill conflict with ADWR's upcoming Alternative Pathway to Designation rules which led us to change our recommended position to oppose.

HB 2204 is a repeat of [HB 2017 \(assured water supply; commingling\)](#) from last session, which Governor Hobbs vetoed. AMWUA was opposed to that bill.

[HB 2248](#) well drilling application; location; GPS (Mathis)

Recommended Position – Support

To drill a well or deepen an existing well, someone must file a notice of intention to drill with the Arizona Department of Water Resources (ADWR). This notice requires certain information about the well, including a legal description of its location on a tract of land. However, legal descriptions are imprecise measurements of location. HB 2248 would additionally require GPS coordinates for the well's location on any notice of intention to drill. Having this location data would enhance the accuracy of ADWR's datasets and, in turn, lead to better information that can inform policy.

[HB 2253](#) water efficient plumbing fixtures (Mathis)

Recommended Position – Support

Starting in 2027, HB 2253 would prohibit someone from distributing, selling, importing, or installing plumbing fixtures in new residential construction or replacing fixtures in existing residential construction that either are not WaterSense-labeled, meet or exceed criteria established by the WaterSense Program, or do not have criteria established by the WaterSense Program. A similar prohibition would apply to evaporative cooling systems and decorative

fountains that lack a water recycling or reuse system. ADWR would be allowed to waive this requirement for historic fixtures as determined by rule.

Some water providers have varying levels of requirements to use WaterSense-labeled fixtures for new developments. Although the requirements of HB 2253 may not result in considerable water savings, it would help facilitate a culture of water conservation.

HB 2270 groundwater model; stormwater recharge; AMAs (Griffin)

Recommended Position – Oppose

HB 2270 would require the Arizona Department of Water Resources (ADWR) to adopt rules to update its groundwater models for active management areas (AMAs) to account for any natural, incidental, or artificial stormwater recharge created through new or existing infrastructure. Any recharge generated by this new or existing infrastructure would be assumed to offset a portion of future groundwater use. Finally, ADWR would be required to annually update these models to reflect any new recharge.

Stormwater recharge have been discussed as a way to improve aquifer health, but there are many logistical challenges to these efforts which may make modeling impractical. The volume of water generated by precipitation and the frequency of precipitation events may vary with each year to the extent that it makes no appreciable difference in the long-term health of aquifers. Whether stormwater recharge actually percolates deep enough to benefit the aquifer is also an unresolved question. The Arizona Tri-University Recharge and Water Reliability Project is currently researching where and when water might be available for recharge. It would be best to wait for this group to conclude its work before proposing legislative changes. Finally, there is the possibility that stormwater recharge is captured by a Designated provider's groundwater allowance, which increases by at least 4% annually based on incidental recharge.

HB 2276 legislative ratification; rulemaking; regulatory costs (Gress)

Recommended Position – Oppose

HB 2276 would require any proposed rule that is “estimated to increase regulatory costs” in Arizona by more than \$100,000 within five years to be submitted to the Office of Economic Opportunity (OEO) for review. Any proposed rule that the OEO confirms will cost the state more than \$500,000 within five years may not become effective until the Legislature enacts legislation ratifying the proposed rule. After confirming the cost, the OEO would submit the proposed rule to the Administrative Rules Oversight Committee, and the Committee would submit the rule to the Legislature “as soon as practicable”. An agency is prohibited from submitting a finalized rule until the Legislature ratifies the rule, and the agency must terminate the proposed rule if the Legislature fails to ratify it within the same legislative session that it was submitted to the Committee. Additionally, any person regulated by an agency proposing a rule and any State Legislator may submit a rule to the OEO for review.

HB 1153 is similar to [SB 1153 \(regulatory costs; rulemaking; legislative ratification\)](#) from last year's session, which was vetoed, and [SCR 1012 \(rulemaking; legislative ratification; regulatory costs\)](#), which was voted down as Proposition 315.

HB 2276 is concerning because of the wide-ranging negative impacts it could have on the ability of ADWR, ADEQ, and every other state agency to fulfill their public service missions. It may also violate the separation of powers by overreaching legislative authority into executive branch functions. Oversight of agency rulemaking should be handled through public stakeholder processes, and not through the political machinations of the legislature.

[HB 2297](#) designation; assured water supply; offset (Griffin)

Recommended Position – Oppose

HB 2297 would write into statute the recently adopted rules for the Alternative Pathway to Designation (ADWR). However, this version of ADAWS would drastically reduce the cut to groundwater physical availability when a provider incorporates renewable supplies into its designation from 25% to 5% of the 100-year volume for those renewable supplies. We opposed this effort because the 25% "groundwater offset" is essential for ADAWS to work to sufficiently a provider's reduce long-term groundwater pumping when there is unmet demand in the Phoenix AMA.

[HB 2299](#) assured water supply; certificate; model (Griffin)

Recommended Position – Oppose

HB 2299 would require ADWR to review undecided or denied applications for Certificates of Assured Water Supply (CAWS) if the applicant requests such a review. Only applications filed within the Phoenix AMA and between January 26, 2021 and May 31, 2023 are eligible for review. ADWR must notify all eligible applicants of the possible review within five days of the effective date of this bill, and the review must be requested within 90 days of the effective date of this bill. ADWR must issue a determination for these reviews within 15 days and must use the 2006-2009 Salt River Valley Regional Model or the 2006 Lower Hassayampa Sub-basin Model when conducting these reviews.

HB 2299 is a repeat of [HB 2062 \(assured water supply; certificate; model\)](#) from last session, which was vetoed. It attempts to free up water that is held by certificates that were either denied or had their development put on hold due to the release of the Phoenix AMA Groundwater Model. The requirement for ADWR to use outdated models for these reviews would enable significantly more groundwater pumping, which would undermine aquifer health and could adversely impact some AMWUA members. It also has the potential to blow up the Central Arizona Groundwater Replenishment District by forcing it to assume more replenishment obligations than its portfolio can support.

HB 2317 residential building materials; requirements; prohibition (Gillette)

Recommended Position – Oppose

HB 2317 prohibit a municipality from directly or indirectly prohibiting the use of building materials used in construction or modification of a residential building if that material is approved by the municipality’s building code. A municipality would also be prohibited from applying similar restrictions on materials used in construction or modification of prefabricated buildings.

Municipalities use building regulations and plumbing codes to improve water efficiency in residences by requiring certain water efficient appliances and fixtures. For example, some cities and towns require appliances with third-party water efficiency certifications such as EPA WaterSense. Similarly, cities and towns may incorporate green building and graywater regulations into their municipal codes to encourage more efficient water reuse. These regulations may not be part of a national model code but are nonetheless important for reducing water use and stretching every drop of water further here in Arizona. This bill is concerning because it could make it harder for cities and towns to require necessary water conservation measures that help ensure water security for all of us.

HB 2319 private property; design; regulations; prohibition (Gillette)

Recommended Position – Oppose

HB 2319 would prohibit a municipality from adopting or enforcing any regulation, standard, stipulation or other requirement on an individually owned single-family lot that limits the use of a building material or product unless doing so would violate an applicable building code. This prohibition could have implications for municipalities that require WaterSense certified products. However, HB 2319 similarly limits a municipality from preventing the installation or use of water conservation products or materials.

HB 2412 augmentation; Phoenix; Pinal; Tucson; AMA (Kolodin)

Recommended Position – Oppose

HB 2412 would allow Long-Term Water Augmentation Fund monies to be used to create new sources of water within Arizona or purchase new water created in Arizona. However, fund monies cannot be used to purchase existing water or rights to existing water unless the purchase is related to creating a “new water source” or rights to “new water” created in Arizona. Fund monies could also be used to acquire or construct facilities to convey or deliver newly created water within Arizona. Finally, HB 2412 would require 75% of fund monies to be used for water supply development projects that benefit end users in the Phoenix, Pinal, and Tucson active management areas (AMAs).

HB 2412 never defines “new water” or “new sources of water” that are created in Arizona and how those differ from “existing water”, which is similarly undefined. Since HB 2412 prohibits fund monies from being used to “purchase existing water or rights to existing water from an in-

state user unless the purchase is related to the creation of a new source of water,” it can be plausibly argued that water resulting from advanced water purification or raising Bartlett Dam would not qualify as “new water”. Additionally, the provision limiting the use of fund monies to end users in the Phoenix, Pinal, and Tucson AMAs is problematic because the projects supported by this fund could benefit other users.

HB 2413 effluent; proportional share; recharge; compensation (Kolodin)

Recommended Position – Oppose

HB 2413 would require a municipal provider that has an exclusive water area and that owns or operates a wastewater system that produces effluent to compensate customers for a proportional share of the effluent that the provider does not recharge into the active management area (AMA) aquifer. The bill would also declare that effluent not recharged into the AMA is an eligible customer's property. Additionally, HB 2413 prescribes a process by which each municipal provider would determine how much to compensate its customers for any wastewater they provide. Finally, HB 2413 authorizes the Arizona Department of Water Resources to enforce its provisions.

HB 2413 attempts to override *APS vs. Long* (1989), which established that effluent is the property right of the entity that produced it. In doing so, it could facilitate a taking and lead to Gift Clause violations. Were HB 2413 implemented, it would undo the long-term planning and economic development efforts that many municipal providers have undertaken. Treated effluent has any number of valuable applications beyond recharge into the aquifer, such as watering turf areas in public spaces or as an input for industrial processes. Moreover, HB 2413 never addresses what happens to effluent once a municipal provider recharges it into the aquifer. For example, could a provider store effluent underground to earn a long-term storage credit and then recover that effluent at a later date? Ultimately, this bill will harm the ability of municipal providers to utilize this important water resource as they determine is best for their residents.

HB 2414 remedial groundwater incentives; PFAS (Kolodin)

Recommended Position – Oppose

HB 2414 is similar to HB 2186 (remedial groundwater incentive; brackish groundwater) from last session. Under current law, there is an exemption that allows four municipal water providers (including Goodyear and Scottsdale) to pump up to a total of 65,000 acre-feet annually of remediated groundwater without it counting against their groundwater allowance and physical availability. These four providers were specified because they were the only ones who had utilized a previous statute regarding remediated water. They have never reached this annual threshold. In fact, at most these four providers pump close to half that volume of water. This exemption is slated to expire in 2050. However, HB 2413 would make this exemption permanent and would allow any water provider to apply for this exemption. Moreover, groundwater with PFAS that exceeds the maximum contaminant level would qualify for this exemption. Taken together, this bill would allow a dramatic expansion of pumping in any active management areas (AMA), which would be problematic for aquifer levels. The use of this remediated groundwater could be considered

consistent with an AMA's management goal and could be used towards a Certificate or Designation of Assured Water Supply if the applicant meets metering and notice requirements.

Although PFAS contamination is a point of concern for municipal water providers, incentivizing its treatment by exempting its use from requirements of the Assured Water Supply Program is problematic. Aquifers in the Phoenix and Pinal AMAs will already be under considerable stress with anticipated cuts to the CAP M&I pools, and enabling up to 65,000 AF/year of unreplenished pumping will only worsen aquifer health.

HB 2476 appropriation; water conservation grant fund (Stahl Hamilton)

Recommended Position – Support

HB 2476 would appropriate \$100 million from the state General Fund to the Water Conservation Grant Fund in FY 2026. The Water Conservation Grant Fund received a \$200 million appropriation in American Rescue Plan Act (ARPA) monies and an additional \$14 million allocation of ARPA monies at the end of this calendar. The Water Conservation Grant Fund lacks a dedicated revenue source, and the infusion of state General Fund dollars could be helpful in meeting Arizona's conservation needs. Unlike ARPA monies, state General Fund dollars would come with less burdensome reporting requirements.

HB 2477 state lands; leases; groundwater use (Stahl Hamilton)

Recommended Position – Support

HB 2477 is a repeat of bills offered last legislative session (HB 2358 and SB 1106 – state lands; leases; groundwater use). It would require ADWR to establish rules to govern an annual groundwater withdrawal fee that it will levy upon each lessee of state trust land for agricultural purposes that is located outside of an active management area (AMA) or irrigation non-expansion area (INA). These lessees would be required to submit a report to ADWR each year that details the locations of any wells, the amount of groundwater withdrawn from these wells, and why the groundwater was used.

HB 2477 would disincentivize agricultural groundwater use on state trust lands outside of AMAs and INAs, including Butler Valley, which is one of three western Arizona groundwater basins from which groundwater may be withdrawn and transported to AMAs. It would also bring additional revenue to ADWR.

HB 2481 adequate water supply; statewide requirements (Stahl Hamilton)

Recommended Position – Support

HB 2481 is a repeat of HB 2359 (adequate water supply; statewide requirements) from last session. It would require a city, town, or county to ensure that a subdivision has an adequate water supply or will be served by a provider with an adequate water supply before it may be platted. This bill would also require the Department of Real Estate to ensure that a subdivision has an adequate water supply or will be served by a provider with an adequate water supply

before it may issue a public report and allow sale or lease of the land. This bill would also repeal provisions that allow capital investment and infrastructure assurances that would allow development to continue despite no adequate water supply existing.

Currently, most areas outside of active management areas (AMAs) do not require an adequate water supply before development can occur. Developers may apply for determination of adequate water supply with ADWR, but it is not required. Some areas (e.g. Yuma County, Town of Clarkdale) do require an adequate water supply before development, despite not being located in an AMA. This bill would place that “mandatory adequacy” requirement on all areas of the state outside of AMAs and is therefore a big step forward in ensuring that we have water first, and then development.

HB 2485 land division; application; attestation (Mathis)

Recommended Position – Support

HB 2485 would require the applicant for a building permit for a residential single-family home in an unincorporated area to identify ownership interests in the property. A permit applicant for a home within a subdivision must provide a public report if they own six or more properties within the parent parcel or intend to create a subdivision. An applicant would be exempt from this requirement under certain circumstances. Additionally, HB 2485 would require a land division applicant to disclose any ownership interests in the property and sign an attestation statement on illegally subdividing lands.

HB 2550 department of water resources; review (Diaz)

Recommended Position – Oppose

HB 2550 would move up the termination date for the Arizona Department of Water Resources (ADWR) to July 1, 2026.

HB 2638 on-farm efficiency program; continuation (Griffin)

Recommended Position – Support

The On-Farm Efficiency Program provides grants to farmers who install water efficient irrigation systems. The program is scheduled to sunset on December 31, 2026. HB 2638 would push its sunset date back to December 31, 2029.

HCR 2016 reinstatement; WIFA monies (Griffin)

Recommended Position – Support

HCR 2016 is a resolution that states Arizona is committed to investing in long-term solutions for water scarcity in urban and rural Arizona, the Water Infrastructure Finance Authority's mission is critical to Arizona's future, private-public partnerships will be needed for the infrastructure

necessary to secure new water supplies, and that the Legislature will work to reinstate the full appropriation needed to secure new water supplies.

Senate Bills

SB 1013 municipalities; counties; fee increases; vote (Petersen)

Recommended Position – Oppose

SB 1013 is a repeat bill that prohibits a city or town council from levying or imposing an increase in any assessment, tax, or fee without a 2/3 vote. It also imposes a similar requirement on county boards of supervisors.

Senate President Petersen introduced an identical bill last session (SB 1056) that passed the Senate despite opposition from the Arizona League of Cities & Towns, the County Supervisors Association of Arizona, and numerous cities and towns. This bill stalled in the House after it was amended with a strike-everything amendment that contained a version of the language in SB 1181 (groundwater replenishment; member lands; areas) that applied only to the Pinal AMA. Ultimately, SB 1181 moved forward and was signed into law, and there was no effort to restore SB 1056 to its original language.

Last session, AMWUA opposed SB 1056 because it would create additional barriers that undermine the ability of cities and their water and wastewater utilities to serve their residents. The policy contained in this bill remains harmful to AMWUA's membership. Therefore, a position of "oppose" is warranted.

SB 1088 ADWR; hydrology reports (Hoffman)

Recommended Position – Oppose

SB 1088 would require the Arizona Department of Water Resources and Governor to provide a copy of any report an active management area's (AMAs) hydrologic conditions to members of the House and Senate Natural Resources Committee 30 days before the report is formally issued. In doing so, it would give lawmakers, and any party that happens to receive this report from a lawmaker, a sneak preview of any projections and findings from an AMA groundwater model.

SB 1088 is identical to [SB 1289 \(DWR; hydrology reports\)](#), which Governor Hobbs vetoed last session. AMWUA opposed SB 1289. No one was given a copy of the reports on the projections and findings of the Pinal AMA or Phoenix AMA groundwater model before those were publicly released. Establishing a special exemption in state law would set a poor precedent.

SB 1114 assured water supply; analysis; availability (Dunn)

Recommended Position – Oppose

SB 1114 is a repeat of HB 2589 (assured water supply; analysis; availability) from last legislative session. This bill would require the Arizona Department of Water Resources (ADWR) to consider an Analysis of Assured Water Supply (that was issued before May 31, 2023, and has not expired) as a valid demonstration of physical availability of groundwater for the amount stated in the Analysis. The analysis must have included a finding of physical availability of groundwater. Additionally, ADWR must subtract the amount of groundwater “represented” by all Certificates that were already issued based on the analysis from the amount of groundwater considered physically available based on the analysis. An Analysis holder would be allowed to reduce the remaining volume of groundwater reserved in that Analysis by 15% after a Certificate has been issued.

SB 1114 is an attempt to require ADWR to resume the granting of some Certificates despite the release of the Phoenix AMA groundwater model. Issued Analyses are already considered in the model, and it has been demonstrated that sufficient physical availability does not exist. The Analyses that this bill applies to would not have been issued if they were based on ADWR’s most recent modeling. In fact, ADWR has stopped issuing new Analyses in the Phoenix AMA simply because there is not enough physical availability of groundwater. Requiring ADWR to issue Certificates based on the outdated modeling from these Analyses would be contrary sound water management or scientific best practices.

AMWUA BOARD OF DIRECTORS
INFORMATION SUMMARY
January 30, 2025

Ag-to-Urban Concept

ANNUAL PLAN REFERENCE

Legislation

Effectively advocate with one voice at the Legislature.

- Monitor, analyze and clarify state and federal legislation of interest to our members.
- Engage with legislators to inform them about the issues important to AMWUA including identifying and working with legislators to champion water issues.

Strategic Plan: Collaborate and Advocate for Solutions, Safeguard Water Supplies, Reinforce Groundwater Management, Prepare for Impacts of Drought & Shortage, Pursue Post-2025 Water Policy

SUMMARY

At the December 2, 2024, meeting of the Governor’s Water Policy Council, ADWR introduced how the State wants to pursue the Ag-to-Urban concept. ADWR stated that this concept was worth pursuing because it could reduce groundwater pumping, if done correctly. To that end, ADWR discussed seven “guardrails” that would be necessary for this concept, which include limiting this program’s scope of agricultural lands within a Designated provider’s service area, requiring three out of five years of past use, requiring additional conservation measures on any converted acreage, and sunseting the program after a certain period of time. There are other guardrails, such as the conversion rate and portability of groundwater, that ADWR is still refining.

ADWR initiated a stakeholder process on January 16, 2025 with the intent to develop the Ag-to-Urban proposal, which would then be adopted through a rulemaking process. Legislators have responded that they intend to pursue the concept through legislation rather than through rules. Senator Shope met with a group of stakeholders on January 21, 2025.

AMWUA staff will provide an update about the process to develop the Ag-to-Urban concept.

RECOMMENDATION

It is requested that the AMWUA Board of Directors ask questions and discuss the Ag-to-Urban concept.

AMWUA BOARD OF DIRECTORS
INFORMATION SUMMARY
January 30, 2025

Annual Financial Audit Report for Fiscal Year 2024

STRATEGIC PLAN REFERENCE

Operational Principles – Manage an Efficient and Effective Association

SUMMARY

The AMWUA Annual Financial Audit Report for the fiscal year ending June 30, 2024 is presented for your review and information. This audit report issued by the independent accounting firm of Forvis Mazar includes their opinion that the financial statements included in this report present fairly, in all material respects, the financial position of AMWUA as of June 30, 2024.

The auditors noted that AMWUA had some discrepancies in recording payments related to the Arizona State Retirement System health insurance premium benefit plan in Fiscal Year 2023. All balances are accurately stated as of June 30, 2024, and no other significant issues were noted.

AMWUA takes seriously its fiduciary responsibility to our member cities by fulfilling our mission requirements within the parameters of the approved budget. This independent audit report confirms that AMWUA completed Fiscal Year 2024 under budget and continues to be on a fiscally sound footing to meet the future needs of the Association.

RECOMMENDATION

The AMWUA Management Board recommends that the AMWUA Board of Directors accept the audit report as presented.

SUGGESTED MOTION

I move that the AMWUA Board of Directors accept the AMWUA Annual Financial Audit Report for Fiscal Year 2024.

ATTACHMENTS

- **Attachment A:** Board of Directors Governance Letter
- **Attachment B:** Annual Financial Audit Report

Arizona Municipal Water Users Association

Forvis Mazars Report to the Board of Directors

Arizona Municipal Water Users Association (AMWUA)

Results of the 2024 Financial Statement Audit, Including Required Communications

June 30, 2024

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none">• As of and for the year ended June 30, 2024.• Conducted in accordance with our contract dated May 28, 2024
Our Responsibilities	<p>Forvis Mazars is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope & Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
Extent of Our Communication	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>
Your Responsibilities	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>

Matter	Discussion
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> • Board of Directors and Management • Others within the Entity

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management’s estimation process and our procedures for testing the reasonableness of those estimates include:

- Estimated useful lives of capital assets
- Net pension/OPEB liability (asset) and related deferred outflows/inflows of resources

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Net pension/OPEB liability (asset)
- Related party transactions

Our Judgment About the Quality of the Entity’s Accounting Principles

During the course of the audit, we made the following observations regarding the Entity’s application of accounting principles:

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Adjustment to restate beginning net position

Uncorrected Misstatements

No matters are reportable.

Other Required Communications

Significant Issues Discussed with Management

Prior to Retention

No matters are reportable.

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Restatement of beginning net position related to prior year errors in the net OPEB asset and related deferred inflows/outflows of resources
- Classification of net position balances

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of AMWUA as of and for the year ended June 30, 2024, in accordance with GAAS, we considered the Entity's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- Board of Directors and Management
- Others within the Entity

Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.





Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a significant deficiency.

Significant Deficiency

- AMWUA's financial statements required prior period adjustments for proper financial statement presentation. The results of our test work indicated AMWUA did not properly record the net OPEB asset and related deferred outflows of resources and deferred inflows of resources for the Arizona State Retirement System health insurance premium benefit (OPEB) plan. As of June 30, 2024, all balances are properly stated.



Attachments

Management Representation Letter (Attachment A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.



Attachment A

Management Representation Letter

Representation of:
Arizona Municipal Water Users Association
3003 N. Central Ave.
Phoenix, Arizona 85012

Provided to:
Forvis Mazars, LLP
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, TX 75254

The undersigned (“We”) are providing this letter in connection with Forvis Mazars’ audit of our financial statements as of and for the year ended June 30, 2024.

Our representations are current and effective as of the date of Forvis Mazars’ report: January 7, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: May 28, 2024.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of Forvis Mazars’ Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.

3. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts.
4. We have responded fully and truthfully to all your inquiries.

Government Auditing Standards

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, including those pertaining to adopting, approving, and amending budgets, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

Misappropriation, Misstatements, & Fraud

11. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance.

12. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in internal control over financial reporting, or
 - b. Others when the fraud could have a material effect on the financial statements.
13. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity’s assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, analysts, SEC or other regulators, short-sellers, suppliers, or others.
15. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

Ongoing Operations

16. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management’s plans not yet fully implemented and concluded substantial doubt does not exist.

Related Parties

17. We have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware. The entity has not entered into any new agreements with a related party or modified terms related to an existing related-party transaction during the year under audit, or as of the date of this letter. Further, we do not have any existing or ongoing agreements with related parties that are still in effect as of the date of this letter.
18. We understand that the term related party refers to:
 - Affiliates
 - Management and members of their immediate families
 - Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings & Regulations

19. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
20. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
21. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
22. There are no regulatory examinations currently in progress for which we have not received examination reports.
23. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act*, nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
24. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations:

Nonattest Services

25. You have provided nonattest services, including the following, during the period of this engagement:
 - Preparing a draft of the financial statements and related notes and supplementary information
26. With respect to these services:
 - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
 - e. We have established and maintained internal controls, including monitoring ongoing activities.

- f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

- 27. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
- 28. The entity has restated the 2023 financial statements to conform with accounting principles generally accepted in the United States of America. Management has provided you with all relevant information regarding the restatement. We are not aware of any other known matters that required correction in the financial statements.
- 29. With regard to supplementary information:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - e. We understand that consolidating supplementary information is for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of each of the individual companies.

Transactions, Records, & Adjustments

- 30. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 31. The entity has appropriately reconciled its general ledger accounts to their related supporting information. All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. All intracompany (and intercompany) accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.
- 32. We have everything we need to keep our books and records.
- 33. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
- 34. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

Governmental Accounting & Disclosure Matters

35. With regard to deposit and investment activities:
 - a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
 - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
36. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
38. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance is available and have determined that net position is properly recognized under the policy.
39. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
40. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis (pension, and other postemployment benefit information), has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
41. With regard to pension and other postretirement benefits (OPEB):
 - a. We believe the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b. We have provided you with the entity's most current pension and OPEB plan instrument for the audit period, including all plan amendments.
 - c. The participant data provided to you related to pension and OPEB plans are true copies of the data submitted or electronically transmitted to the plan's actuary.

- d. The participant data that we provided the plan's actuary for the purposes of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements were complete.

Accounting & Disclosure

- 42. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.
- 43. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
 - h. Known or anticipated asset retirement obligations.
 - i. Supplier finance arrangements.
- 44. Except as disclosed in the financial statements, the entity has:
 - a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements, except for the events of default under the [enter description] of debt for which we obtained a waiver.

Revenue, Accounts Receivable, & Inventory

- 45. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Excess or obsolete inventories.
 - c. Sales commitments, including those unable to be fulfilled.

- d. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

46. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
47. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or markets, loans, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Fair Value

48. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
 - a. The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated course of action.
 - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
 - c. The significant assumptions appropriately reflect market participant assumptions.
 - d. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Warren Tenney

[Warren Tenney \(Jan 7, 2025 13:16 MST\)](#)


Warren Tenney, Executive Director
wtenney@amwua.org



Arizona Municipal Water Users Association

**Independent Auditor's Report, Financial Statements,
and Required Supplementary Information**

June 30, 2024 and 2023



Arizona Municipal Water Users Association
Phoenix, Arizona

Financial Statements
June 30, 2024 and June 30, 2023

Issued by:
Finance Department

Arizona Municipal Water Users Association
Contents
June 30, 2024 and 2023

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Statements of Net Position.....	10
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension/OPEB Liability (Asset)	30
Schedule of Pension/OPEB Contributions.....	31
Note to Required Supplementary Information.....	32

Independent Auditor's Report

Board of Directors
Arizona Municipal Water Users Association
Phoenix, Arizona

Opinion

We have audited the financial statements of the Arizona Municipal Water Users Association (AMWUA), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the AMWUA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the AMWUA as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the AMWUA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The 2023 financial statements, before they were restated for the matter discussed in Note 11, were audited by other auditors, and their report thereon, dated October 9, 2023, expressed an unmodified opinion on those financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the AMWUA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AMWUA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AMWUA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Forvis Mazars, LLP

**Dallas, Texas
January 7, 2025**

**Arizona Municipal Water Users Association
Management’s Discussion and Analysis
June 30, 2024 and 2023**

The following Management’s Discussion and Analysis of Arizona Municipal Water Users Association’s (AMWUA) activities and financial performance provides an introduction to AMWUA’s financial statements for the fiscal years ended June 30, 2024 and 2023.

Financial and Operational Highlights

Total net position for AMWUA equaled \$60,850 at June 30, 2024 and \$244,530 at June 30, 2023 decreasing by \$183,680 for fiscal year 2024 and decreasing by \$2,310 for fiscal year 2023.

For fiscal year 2024, revenues assessed to the member cities totaled \$1,541,940, which represents a \$122,399 increase from fiscal year 2023, including a carryover credit of \$88,000. For fiscal year 2023, revenues assessed to the member cities totaled \$1,419,541, which represents a \$23,058 increase from fiscal year 2022, including a carryover credit of \$85,000. Each city is assessed the same amount for the first 50% of the water portion of the budget, and the second 50% is based on population.

City	Assessment	Percentage
Phoenix	\$ 467,605	30.33
Mesa	186,093	12.07
Scottsdale	132,342	8.58
Tempe	133,895	8.68
Glendale	128,926	8.36
Chandler	113,767	7.38
Gilbert	109,206	7.08
Peoria	100,586	6.52
Goodyear	85,847	5.57
Avondale	83,673	5.43
	<u>\$ 1,541,940</u>	<u>100.00</u>

Below is a listing of operating expenditures by major budget category comparing the approved budget to actual budget (cash) basis, and actual GAAP basis:

	Approved Budget	Actual Budgeted Expenditures	Actual GAAP
Administration	\$ 875,525	\$ 800,635	\$ 886,536
Employee Benefits	188,000	169,472	169,472
Professional Services	207,920	240,489	223,048
Occupancy	220,744	218,887	218,887
Travel and Training	11,500	8,428	8,428
Capital Outlay	11,500	8,223	8,223
Office Operating Expenses	32,750	34,245	34,245
Water Conservation	82,000	95,461	95,461
	<u>\$ 1,629,939</u>	<u>\$ 1,575,840</u>	<u>\$ 1,644,300</u>

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
June 30, 2024 and 2023**

Overview of Operating Expenditures

Expenditures for Administration include salaries and pension-funding payments to the Arizona State Retirement System. The actual for Administration and Employee Benefits was under budget by \$93,418. Expenditures for Employee Benefits include payroll taxes; payroll processing; medical, dental, and disability insurance; and cell phone allowance. The savings was due to a vacant position during the year, timing of staff compensation and health benefit plan participation changes.

Expenditures for Professional Services include audit fees and contracts for the following services: Website Maintenance and Redevelopment, Communication, Legal, Legislative, and Financial. The actual was over budget by \$32,569, primarily due to using contract services during the year due to a vacant position.

Expenditures for Occupancy include building lease, building operating expenses, and telephone and internet charges. The actual was under budget by \$1,857.

Expenditures for Travel and Training were under budget \$3,072.

Expenditures for Capital Outlay include the copier lease and money spent on computer software and hardware upgrades. The expenditures for this line item were under budget by \$3,277.

Expenditures for Office Operating Expenses include all expenses related to office operations. This includes supplies, meetings (lunch and snacks provided to attendees of the Management and Board meetings), printing costs, postage and deliveries, subscription and reference, dues and memberships, office liability insurance, and equipment maintenance costs. The actual was over budget by \$1,495.

Expenditures for Water Conservation and the Water Loss Control and Training Program were \$13,461 over budget due to a new agreement for the Smartscape Training Program.

Overview of the Financial Statements

AMWUA's basic financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and the notes to the financial statements. AMWUA's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
June 30, 2024 and 2023**

Summary of Net Position

	2024	2023 as Restated	2022 as Restated
Current assets	\$ 1,116,567	\$ 1,270,725	\$ 1,156,298
Net OPEB asset	27,590	31,533	29,574
Net capital assets	1,000,475	1,151,280	1,302,086
Deferred outflows of resources	109,224	150,530	239,272
Total assets and deferred outflows of resources	\$ 2,253,856	\$ 2,604,068	\$ 2,727,230
Current liabilities	\$ 115,465	\$ 121,290	\$ 70,152
Net pension liability	807,454	900,987	777,862
Lease liability	1,156,359	1,254,952	1,342,128
Deferred inflows of resources	113,728	82,309	290,248
Net investment in capital assets	(155,884)	(103,672)	(40,042)
Restricted net position	91,276	105,219	83,686
Unrestricted	125,458	242,983	203,196
Total liabilities, deferred inflows of resources, and net position	\$ 2,253,856	\$ 2,604,068	\$ 2,727,230

- Current assets decreased by \$154,158 in 2024 and increased by \$114,427 in 2023. Current assets consist primarily of cash, investments in the Arizona State Local Government Investment Pool, and in some years, a small amount of receivables and prepaids. Since the cash assessments generally match the anticipated expenses for each fiscal year, the cash and investments balances will fluctuate based upon the level of actual expenditures compared to the approved budget.
- Net OPEB asset represents AMWUA's proportionate share of the net OPEB asset of the Arizona State Retirement System. This reporting requirement was implemented to satisfy the requirements of GASB 75.
- Net capital assets decreased by \$150,805 during fiscal year 2024 and decreased by \$150,806 during fiscal year 2023. Capital assets consist of office furniture, equipment, and certain leasehold improvements. In 2021, AMWUA capitalized \$1,409,508 for the right-of-use asset in accordance with GASB 87. In 2022, AMWUA capitalized \$6,674 for the purchase of a microphone system upgrade for the board room. AMWUA's threshold for capitalization is \$1,000 with a useful life of greater than one year.
- Current liabilities decreased by \$5,825 in 2024 and increased by \$51,138 in 2023. At fiscal year-end, all current liabilities consist of unpaid operating expenses.
- Net pension liability represents AMWUA's proportionate share of the net pension liability of the Arizona State Retirement System. This reporting requirement was implemented in fiscal year 2015 to satisfy the requirements of GASB 68.
- Total net position decreased by \$183,680 to \$60,850 in fiscal year 2024 and decreased by \$2,310 to \$244,530 in fiscal year 2023.

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
June 30, 2024 and 2023**

Contingency and Reserve Funds Status

In March 2013, the Board of Directors approved the Contingency Fund and Reserve Fund Policy directing and restricting the use of AMWUA's excess cash.

The Contingency Fund was established in the amount of \$600,000 and may only be used as authorized by the Board of Directors for unanticipated emergency or extraordinary expenses. Pursuant to the policy, these funds are held in the Local Government Investment Pool (LGIP) with the Arizona State Treasurer.

The Reserve Fund was established with a balance equal to the difference between AMWUA's excess cash and the Contingency Fund. If the balance of the Reserve Fund falls below \$50,000, the Board of Directors shall determine how to restore the balance to at least \$50,000. Monies in the Reserve Fund may only be used as authorized by the Board of Directors. In accordance with the policy, this fund may not be used for ongoing operational expenses but may be used for capital expenditures (such as office equipment and furniture), to offset the cost of relocating the office, or for professional services that fall outside of the normal operations of AMWUA. At June 30, 2024, the balance of the Reserve Fund is \$282,307. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

In June 2020, the Board of Directors approved the Office Lease Stabilization Fund Policy to smooth the effect of rent increases in future years. AMWUA received six months of free rent overlapping fiscal year 2021 and fiscal year 2022. Rather than reduce budget and assessments, AMWUA kept these consistent and designated \$90,000 (\$45,000 in each fiscal year) to be held in the Office Lease Stabilization Fund. Beginning in fiscal year 2022, \$10,000 will be utilized to reduce the office space line item in future budgets. At June 30, 2024, the balance of the Office Lease Stabilization fund is \$63,686. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

Summary of Changes in Net Position

	<u>2024</u>	<u>2023 as Restated</u>	<u>2022 as Restated</u>
Operating revenues			
Annual assessments	\$ 1,541,940	\$ 1,419,541	\$ 1,396,484
Other	14	4	45,250
	<u>1,541,954</u>	<u>1,419,545</u>	<u>1,441,734</u>
Total operating revenues			
	<u>1,541,954</u>	<u>1,419,545</u>	<u>1,441,734</u>
Operating expenses	<u>1,705,094</u>	<u>1,352,223</u>	<u>1,376,819</u>
Nonoperating revenues (expenses)			
Interest on investments	76,298	34,593	2,464
Interest paid	(96,838)	(104,225)	(73,174)
	<u>(20,540)</u>	<u>(69,632)</u>	<u>(70,710)</u>
Total nonoperating revenues (expenses)			
	<u>(20,540)</u>	<u>(69,632)</u>	<u>(70,710)</u>
Increase (decrease) in net position	(183,680)	(2,310)	(5,795)
Net position, July 1, as Restated	<u>244,530</u>	<u>246,840</u>	<u>252,635</u>
Net position, June 30	<u>\$ 60,850</u>	<u>\$ 244,530</u>	<u>\$ 246,840</u>

**Arizona Municipal Water Users Association
Management’s Discussion and Analysis
June 30, 2024 and 2023**

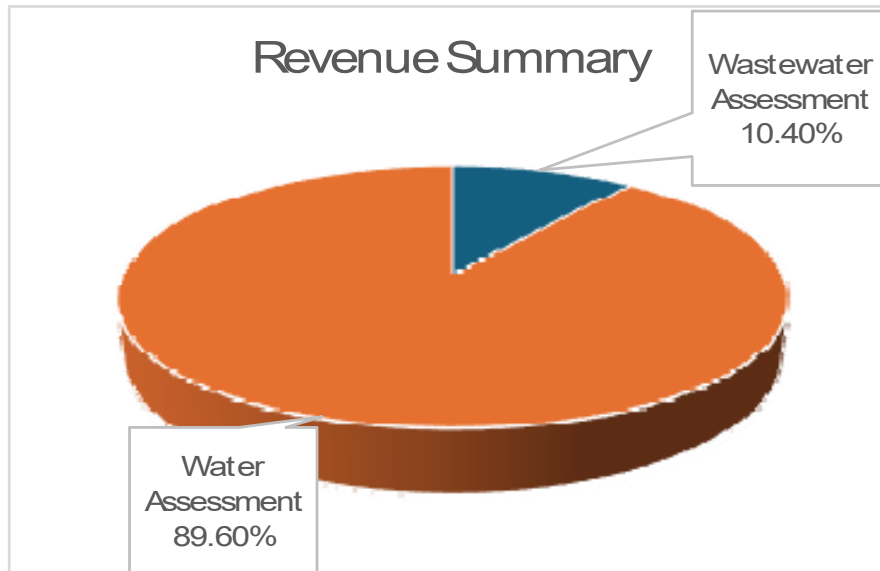
- Actual annual assessments billed to the cities increased by \$122,399 in 2024 and increased by \$23,057 in 2023. Annual assessments include a decrease for a carryover credit given to the members. The carryover credit for June 30, 2024 was \$88,000 and June 30, 2023 was \$85,000.
- Other revenues increased \$10 in 2024. Other revenues include a contribution in the LGIP investment account.
- Total operating expenses increased by \$352,871 in 2024 and decreased by \$24,596 in 2023.
- Nonoperating revenues/expenses increased by \$49,092 in 2024 and increased by \$1,078 in 2023. Nonoperating revenues/expenses consist of interest on investments and interest on the operating lease.

Operating Revenues

AMWUA’s revenue is primarily generated by water and wastewater assessments from member cities. For fiscal year 2024 of the \$1,541,940 in revenue recognized from annual assessments, \$1,381,870 represents water assessments, \$248,070 represents wastewater assessments with the remaining credit of \$88,000 applied to overall assessments due.

The following chart shows the sources and the percentage of all revenue by category for the fiscal year ended June 30, 2024:

Revenue Summary for Fiscal Year Ended June 30, 2024 (Total = \$1,541,940)

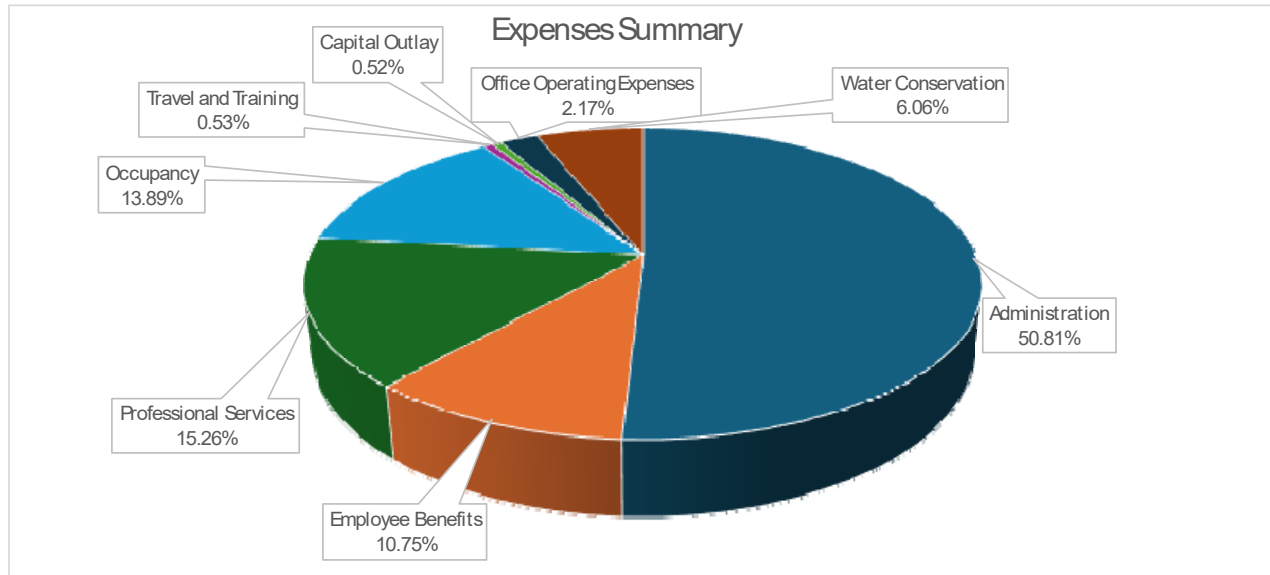


**Arizona Municipal Water Users Association
Management’s Discussion and Analysis
June 30, 2024 and 2023**

Operating Expenses

The following chart shows AMWUA’s operating expenses by category for the year ended June 30, 2024:

Expenses Summary for Fiscal Year Ended June 30, 2024 (Total = \$1,705,094)



AMWUA’s Capital and Lease Assets

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Property and equipment	\$ 1,543,208	\$ 1,543,208	\$ 1,543,208
Leasehold improvements	7,102	7,102	7,102
Less accumulated depreciation and amortization	<u>(549,835)</u>	<u>(399,030)</u>	<u>(248,224)</u>
Net property and equipment	<u>\$ 1,000,475</u>	<u>\$ 1,151,280</u>	<u>\$ 1,302,086</u>

AMWUA owns no real property. Property and equipment consist of office equipment for office operations and administration such as office furniture, computers, telephone equipment, etc. The right-of-use asset is 91.33% of property and equipment. Net property and equipment decreased \$150,805 during fiscal year 2024 and decreased by \$150,806 during fiscal year 2023.

Economic Factors and Next Year’s Budget

All AMWUA members are voting members, and each member pays 50% of the AMWUA water portion of the budget equally and the remaining 50% by member population. Wastewater assessments are based on flow ownership in the 91st Avenue WWTP at 204.50 mgd.

In June 2024, the AMWUA Board of Directors approved the fiscal year 2025 budget. The fiscal year 2025 budget increased by 4.39% over the fiscal year 2024 budget. The actual assessments to the members are being increased and include a \$22,000 carryover from prior year. Comparing the FY25 budget to FY24 budget after the carryovers, there is a 3.04% increase.

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
June 30, 2024 and 2023**

Requests For Financial Information

This financial report is designed to provide a general overview of AMWUA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of AMWUA.

Arizona Municipal Water Users Association
Statements of Net Position
June 30, 2024 and 2023

	2024	2023 as Restated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 314,840	\$ 205,380
Investments	795,091	988,840
Prepaid expenses and other assets	6,636	76,505
Total Current Assets	<u>1,116,567</u>	<u>1,270,725</u>
Noncurrent Assets		
Net OPEB asset	27,590	31,533
Capital Assets, net	1,000,475	1,151,280
Total Noncurrent Assets	<u>1,028,065</u>	<u>1,182,813</u>
Total Assets	<u>2,144,632</u>	<u>2,453,538</u>
Deferred Outflows of Resources		
OPEB plan items	2,639	1,020
Pension plan items	106,585	149,510
Total Deferred Outflows of Resources	<u>109,224</u>	<u>150,530</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,253,856</u>	<u>\$ 2,604,068</u>

Arizona Municipal Water Users Association
Statements of Net Position (Continued)
June 30, 2024 and 2023

	2024	2023 as Restated
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 23,537	\$ 59,730
Deferred revenue	18,197	-
Compensated absences payable	73,731	61,560
Lease liability	110,957	98,593
Total Current Liabilities	226,422	219,883
Noncurrent Liabilities		
Net pension liability	807,454	900,987
Lease liability	1,045,402	1,156,359
Total Noncurrent Liabilities	1,852,856	2,057,346
Total Liabilities	2,079,278	2,277,229
Deferred Inflows of Resources		
OPEB plan items	12,146	18,150
Pension plan items	101,582	64,159
Total Deferred Inflows of Resources	113,728	82,309
Net Position		
Net investment in capital assets	(155,884)	(103,672)
Restricted		
Post-employment benefits	27,590	31,533
Other	63,686	73,686
Unrestricted	125,458	242,983
Total Net Position	60,850	244,530
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,253,856	\$ 2,604,068

Arizona Municipal Water Users Association
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023 as Restated
Operating Revenues		
Annual assessments	\$ 1,541,940	\$ 1,419,541
Other	14	4
Total Operating Revenues	<u>1,541,954</u>	<u>1,419,545</u>
Operating Expenses		
Salaries	955,639	808,662
Benefits	95,390	84,794
Occupancy costs	35,831	18,078
Legal and accounting	153,290	136,651
Temporary services	54,220	52,920
Water conservation	204,560	50,353
Printing and duplicating	6,725	4,486
Consulting services	4,800	4,800
Depreciation and amortization	150,806	150,806
Travel and meetings	8,833	7,254
Office supplies	9,787	8,491
Subscription and reference materials	6,511	6,049
Postage and shipping	880	694
General business insurance	5,173	4,944
Dues	1,642	1,539
Conferences	11,007	11,702
Total Operating Expenses	<u>1,705,094</u>	<u>1,352,223</u>
Operating Income (Loss)	<u>(163,140)</u>	<u>67,322</u>
Nonoperating Revenues (Expenses)		
Interest on investments	76,298	34,593
Interest paid	(96,838)	(104,225)
Total Nonoperating Revenues (Expenses)	<u>(20,540)</u>	<u>(69,632)</u>
Change in Net Position	(183,680)	(2,310)
Net Position, Beginning of Year	244,530	238,361
<i>Adjustment error correction</i>	-	8,479
Net Position, Beginning of Year, as Restated	<u>244,530</u>	<u>246,840</u>
Net Position, End of Year	<u>\$ 60,850</u>	<u>\$ 244,530</u>

Arizona Municipal Water Users Association
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u> <u>as Restated</u>
Cash Flows Provided by Operating Activities		
Cash received from members and customers	\$ 1,560,151	\$ 1,422,811
Cash paid to employees	(1,055,724)	(895,305)
Cash paid to suppliers and vendors	<u>(469,583)</u>	<u>(328,928)</u>
Net Cash Provided by Operating Activities	<u>34,844</u>	<u>198,578</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Principal paid on lease	(98,593)	(87,176)
Interest paid on lease	(96,838)	(104,225)
Transfers from Investment Account	1,420,000	100,000
Transfers to Investment Account	<u>(1,150,000)</u>	<u>(200,000)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>74,569</u>	<u>(291,401)</u>
Cash Flows Provided by Investing Activities		
Interest on investments	<u>47</u>	<u>179</u>
Net Cash Provided by Investing Activities	<u>47</u>	<u>179</u>
Increase (Decrease) in Cash and Cash Equivalents	109,460	(92,644)
Cash and Cash Equivalents, Beginning of Year	<u>205,380</u>	<u>298,024</u>
Cash and Cash Equivalents, End of Year	<u>\$ 314,840</u>	<u>\$ 205,380</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (163,140)	\$ 67,322
Adjustments		
Depreciation and amortization	150,805	150,806
Prepaid expenses and other current assets	69,869	(72,657)
Accounts payable	(36,193)	54,957
Deferred revenue	18,197	-
Compensated absences payable	12,171	(3,819)
Pension plan items	(13,185)	7,893
OPEB plan items	<u>(3,680)</u>	<u>(5,924)</u>
Net Cash Provided by Operating Activities	<u>\$ 34,844</u>	<u>\$ 198,578</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Arizona Municipal Water Users Association (AMWUA) was incorporated on March 10, 1969. The Association is a nonprofit corporation formed for the purpose of providing a forum for the discussion of planning for the solution of regional water problems, to ensure maximum efficiency and economy in maintaining and securing water and water rights, and in producing, treating, conserving, and distributing water for urban uses through the pooling of common resources and intergovernmental cooperation.

The more significant of AMWUA's accounting policies are described below.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

AMWUA is a special purpose governmental entity engaged only in business-type activities. It is required to present the financial statements required for enterprise funds, which include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It also requires a Management's Discussion and Analysis as required supplementary information.

Use of Estimates in Preparing Financial Statements

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 disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, AMWUA evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, AMWUA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

AMWUA places all of its investments within the Arizona Local Government Investment Pool (LGIP). All such investments are stated at fair value based upon quoted market prices. Investment income is included in nonoperating revenues in the financial statements.

Capital Assets

Capital assets are initially recorded at cost. These assets are depreciated using the straight-line method over their estimated useful lives, generally 3 to 5 years for furniture and equipment. The capitalization threshold is \$1,000 with a useful life greater than one year. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the associated lease. Intangible right-of-use assets are amortized over the lease term or the underlying asset's useful life. The useful life of the intangible right-of-use asset is 10 years.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Operating Revenues

Operating revenues primarily reflect members' assessments for water and wastewater activities. All operating revenues are recognized when earned. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax-Exempt Status

AMWUA has received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code. AMWUA is also exempt from State of Arizona taxation.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

AMWUA's personnel regulations generally provide for granting paid time off in varying amounts. Benefits are accrued when earned by employees.

Contingency and Reserve Funds Status

In March 2013, the Board of Directors approved the Contingency Fund and Reserve Fund Policy directing and restricting the use of AMWUA's excess cash.

The Contingency Fund was established in the amount of \$600,000 and may only be used as authorized by the Board of Directors for unanticipated emergency or extraordinary expenses. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

The Reserve Fund was established with a balance equal to the difference between AMWUA's excess cash and the Contingency Fund. Monies in the Reserve Fund may only be used as authorized by the Board of Directors. In accordance with the policy, this fund may not be used for ongoing operational expenses but may be used for capital expenditures (such as office equipment and furniture), to offset the cost of relocating the office, or for professional services that fall outside of the normal operations of AMWUA. At June 30, 2024, the balance of the Reserve Fund is \$282,307. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

In June 2020, the Board of Directors approved the Office Lease Stabilization Fund Policy to smooth the effect of rent increases in future years. AMWUA received six months of free rent overlapping fiscal year 2021 and fiscal year 2022. Rather than reduce budget and assessments, AMWUA kept these consistent and designated \$90,000 (\$45,000 in each fiscal year) to be held in the Office Lease Stabilization Fund. Beginning in fiscal year 2022, \$10,000 will be utilized to reduce the office space line item in future budgets. At June 30, 2024, the balance of the Office Lease Stabilization fund is \$63,686. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Leases

AMWUA is a lessee for noncancellable leases and recognizes a lease liability and a right-to-use lease asset (lease asset) in the financial statements. AMWUA recognizes lease liabilities with an initial, individual value of \$30,000 or more. AMWUA uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease.

At the commencement of the lease, AMWUA measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Key estimates and judgements related to leases include how AMWUA determines (1) the discount rate is uses to discount expected lease payments to present value, (2) lease term, and (3) lease payments.

- AMWUA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, AMWUA uses the IRS applicable federal rate tables to measure the interest rate of lease liabilities as its incremental borrowing rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payment and purchase option price that AMWUA is reasonably certain to exercise.

AMWUA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure lease asset and liability if certain changes occur that are expected to significantly affect the amount of lease liability.

Pensions

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

Post-Employment Benefits

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized.

Net Position Flow Assumption

In the financial statements, AMWUA applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Net Investment in Capital Assets – This amount consists of capital, lease and subscription assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt, that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Note 2. Cash and Investments

AMWUA places its cash with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. At June 30, 2024, the bank balance was \$323,234. AMWUA had no petty cash at June 30, 2024 and \$500 of petty cash at June 20, 2023.

AMWUA places all of its investments within the LGIP. The Arizona State Treasurer’s Office operates this pool to provide professional short-term investment services to a wide array of public entities. By investing in the LGIP, participants are able to benefit from the substantial aggregate buying power of the state portfolio as well as a pool of monies from other participants. Therefore, AMWUA has no individual investments in excess of 5% of the total investments as of June 30, 2024 and 2023.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer’s investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares, and the participant’s shares are not identified with specific investments and not subject to custodial credit risk.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated “P1” by Moody’s investors or “A1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

The LGIP is primarily invested in commercial paper and government agency notes, with lesser investments in repurchase agreements and corporate notes. AMWUA’s funds are invested in Pool 5 with the LGIP, which is rated AAAf/S1+ by Standard.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

The following is a summary of AMWUA's cash and investments:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 314,840	\$ 205,380
Investments in LGIP	795,091	988,840
Total cash and investments	<u>\$ 1,109,931</u>	<u>\$ 1,194,220</u>

Note 3. Capital Assets

Capital assets at June 30, 2024 consist of the following:

	Beginning Balance July 1, 2023	Increase	Decrease	Ending Balance June 30, 2024
Capital assets				
Furniture and equipment	\$ 133,701	\$ -	\$ -	\$ 133,701
Leasehold improvements	7,102	-	-	7,102
Right-of-use asset				
Leased buildings and improvements	1,409,508	-	-	1,409,508
Total depreciable assets	<u>1,550,311</u>	<u>-</u>	<u>-</u>	<u>1,550,311</u>
Less accumulated depreciation and amortization				
Furniture and equipment	(110,027)	(9,855)	-	(119,882)
Leasehold improvements	(7,102)	-	-	(7,102)
Leased buildings and improvements	(281,902)	(140,950)	-	(422,852)
Total accumulated depreciation and amortization	<u>(399,031)</u>	<u>(150,805)</u>	<u>-</u>	<u>(549,836)</u>
Capital assets, net of accumulated depreciation and amortization	<u>\$ 1,151,280</u>	<u>\$ (150,805)</u>	<u>\$ -</u>	<u>\$ 1,000,475</u>

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Capital assets at June 30, 2023 consist of the following:

	Beginning Balance July 1, 2022	Increase	Decrease	Ending Balance June 30, 2023
Capital assets				
Furniture and equipment	\$ 133,701	\$ -	\$ -	\$ 133,701
Leasehold improvements	7,102	-	-	7,102
Right-of-use asset				
Leased buildings and improvements	1,409,508	-	-	1,409,508
Total depreciable assets	1,550,311	-	-	1,550,311
Less accumulated depreciation and amortization				
Furniture and equipment	(100,172)	(9,855)	-	(110,027)
Leasehold improvements	(7,102)	-	-	(7,102)
Leased buildings and improvements	(140,951)	(140,951)	-	(281,902)
Total accumulated depreciation and amortization	(248,225)	(150,806)	-	(399,031)
Capital assets, net of accumulated depreciation and amortization	\$ 1,302,086	\$ (150,806)	\$ -	\$ 1,151,280

Note 4. Leases

AMWUA entered into a facility lease which expires September 2031. The related obligation under the lease agreement has been recorded at the present value of its future minimum lease payments using a discount rate of 8%. Amortization of right-of-use assets recorded under leases is included with depreciation and amortization expense.

The net present value and future minimum lease payments at year-end were as follows:

	Principal	Interest
2025	\$ 110,957	\$ 88,503
2026	124,347	79,142
2027	138,849	68,670
2028	154,555	56,994
2029	171,564	44,014
2030–2032	456,087	44,075
Total	\$ 1,156,359	\$ 381,398

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Note 5. Changes in Long-Term Liabilities

Long-term liabilities at June 30, 2024 consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease payable	\$ 1,254,952	\$ -	\$ (98,593)	\$ 1,156,359	\$ 110,957
Compensated absences payable	61,560	24,824	(12,653)	73,731	73,731
Long-term liabilities	<u>\$ 1,316,512</u>	<u>\$ 24,824</u>	<u>\$ (111,246)</u>	<u>\$ 1,230,090</u>	<u>\$ 184,688</u>

Long-term liabilities at June 30, 2023 consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease payable	\$ 1,342,128	\$ -	\$ (87,176)	\$ 1,254,952	\$ 98,593
Compensated absences payable	65,379	9,524	(13,343)	61,560	61,560
Long-term liabilities	<u>\$ 1,407,507</u>	<u>\$ 9,524</u>	<u>\$ (100,519)</u>	<u>\$ 1,316,512</u>	<u>\$ 160,153</u>

Note 6. Annual Assessments

AMWUA assesses membership dues based upon operating costs for the year. During fiscal year 2024, the members paid 50% of the AMWUA water portion of the budget equally and the remaining 50% was allocated based on member population. The wastewater portion of the budget is paid only by the five members who own an interest in the 91st Avenue Wastewater Treatment Plant. Wastewater assessments are based on percentage of ownership in the 204.50 million gallons per day plant.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

The following summarizes the dues assessed for fiscal years 2024 and 2023. The 2024 assessments are net of an \$88,000 credit given to members:

<u>Voting Members</u>	<u>2024</u>	<u>2023</u>
City of Chandler*	\$ 113,767	\$ 104,190
City of Glendale	128,926	118,626
City of Mesa	186,093	171,845
City of Peoria*	100,586	91,850
City of Phoenix	467,605	432,429
City of Scottsdale	132,342	122,419
City of Tempe	133,895	123,601
Town of Gilbert*	109,206	99,872
City of Goodyear*	85,847	78,150
City of Avondale*	83,673	76,559
	<u>\$ 1,541,940</u>	<u>\$ 1,419,541</u>
Total annual assessments	<u>\$ 1,541,940</u>	<u>\$ 1,419,541</u>

*Member does not have an ownership interest in the 91st Avenue Wastewater Treatment Plant.

Note 7. Deferred Compensation Plans

In October 2004, AMWUA became eligible to join the Arizona State Retirement System (ASRS). The ASRS is a cost-sharing multiple-employer defined benefit pension plan established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. Additionally, the ASRS provides a health insurance premium benefit (OPEB) plan and sponsors medical and dental coverage for retired members. AMWUA made monthly retirement contributions into the ASRS at the rate of 12.29% and 12.17% of the participants' annual salaries in 2024 and 2023, respectively. AMWUA still maintains the Plan 457, in that each employee who wishes to participate has an individual account to which the employee may make voluntary contributions.

Note 8. Risk Management

AMWUA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. AMWUA carries commercial insurance for risks of loss, including property, and liability and workers' compensation and director and officers. There were no claims in any of the past three fiscal years.

Note 9. Related-Party Transactions

AMWUA's governing board is comprised of individuals from each member city. The member cities contributed nearly all revenues in the form of annual assessments during fiscal years 2024 and 2023. Annual assessments are based upon the Board-adopted budget. For additional information on annual assessments, see Note 6.

Note 10. Pensions and Other Postemployment Benefits

Plan Description

AMWUA employees participate in the ASRS. The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

Benefits Provided

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

	Retirement Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of the last 120 months	Highest 60 months of the last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

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

Health insurance premium benefits are available to retired or disabled members with five years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.29% (12.14% for retirement and 0.15% for long-term disability) of the members’ annual covered payroll, and AMWUA was required by statute to contribute at the actuarially determined rate of 12.03% (11.99% for retirement, 0.15% for health insurance premium benefit, and 0.11% for long-term disability) of the active members’ annual covered payroll. In addition, AMWUA was required by statute to contribute at the actuarially determined rate of 9.99% (9.94% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for AMWUA in positions that would typically be filled by an employee who contributes to the ASRS. AMWUA’s contributions related to the pension were \$88,340 and \$74,040 for the years ended June 30, 2024 and 2023, respectively. AMWUA’s contributions to the health insurance premium benefit plan were \$717 and \$1,379 for the years ended June 30, 2024 and 2023, respectively. AMWUA funded 100% of its annual required contribution to the ASRS for the years ended June 30, 2024 and 2023.

Net Pension/OPEB Liability (Asset)

The net OPEB asset and net pension liability were measured as of June 30, 2023. The total liability used to calculate the net OPEB asset or net pension liabilities was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

AMWUA's proportion of the net OPEB asset or net pension liability were based on AMWUA’s actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023.

At June 30, 2024, AMWUA reported the following asset and liability for its proportionate share of the ASRS’ net pension/OPEB asset or liability. In addition, at June 30, 2023, AMWUA’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2022 was:

ASRS	Net Pension/ OPEB Liability	AMWUA % Proportion	Increase (Decrease)
Pension	\$ 807,454	0.00499%	\$ (93,533)
Health insurance premium benefit	(27,590)	0.00511%	3,943

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

At June 30, 2023, AMWUA reported the following asset and liability for its proportionate share of the ASRS' net pension/OPEB asset or liability. In addition, at June 30, 2022, AMWUA's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2021 was:

ASRS	Net Pension/ OPEB Liability	AMWUA % Proportion	Increase (Decrease)
Pension	\$ 900,987	0.00600%	\$ 123,125
Health insurance premium benefit	(31,533)	0.00565%	1,959

Expense

For the year ended June 30, 2024, AMWUA recognized the following pension and OPEB expense/(income):

ASRS	Pension/OPEB Expense (Income)
Pension	\$ 78,763
Health insurance premium benefit	(2,963)

For the year ended June 30, 2023, AMWUA recognized the following pension and OPEB expense/(income):

ASRS	Pension/OPEB Expense (Income)
Pension	\$ 81,933
Health insurance premium benefit	(4,545)

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Deferred Outflows/Inflows of Resources

At June 30, 2024, AMWUA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,245	\$ -	\$ 1,164	\$ 10,289
Changes of assumptions or other inputs	-	-	-	549
Net difference between projected and actual earnings on pension plan investments	-	28,568	-	1,212
Changes in proportion and differences between contributions and proportionate share of contributions	-	73,014	1,475	96
Contributions subsequent to the measurement date	88,340	-	-	-
Total	\$ 106,585	\$ 101,582	\$ 2,639	\$ 12,146

The amounts reported as deferred outflows of resources related to ASRS pension and OPEB resulting AMWUA contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset or a reduction of the net pension/OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension	Health Insurance Premium Benefit
2025	\$ (53,190)	\$ (4,275)
2026	(57,385)	(4,740)
2027	30,788	(302)
2028	(3,550)	(344)
2029	-	154
Total	\$ (83,337)	\$ (9,507)

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

At June 30, 2023, AMWUA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,677	\$ -	\$ -	\$ 16,094
Changes of assumptions or other inputs	44,718	-	512	860
Net difference between projected and actual earnings on pension plan investments	-	23,733	-	1,060
Changes in proportion and differences between contributions and proportionate share of contributions	23,075	40,426	508	136
Contributions subsequent to the measurement date	74,040	-	-	-
Total	\$ 149,510	\$ 64,159	\$ 1,020	\$ 18,150

The amounts reported as deferred outflows of resources related to ASRS pension and OPEB resulting AMWUA contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset or a reduction of the net pension/OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension	Health Insurance Premium Benefit
2024	\$ 44,475	\$ (4,733)
2025	(29,944)	(5,156)
2026	(41,206)	(5,670)
2027	37,986	(765)
2029	-	(806)
Total	\$ 11,311	\$ (17,130)

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Actuarial Assumptions

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

	<u>2024</u>	<u>2023</u>
Actuarial valuation date	June 30, 2022	June 30, 2021
Actuarial roll forward date	June 30, 2023	June 30, 2022
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.0%	7.0%
Projected salary increases	2.9%–8.4% for pensions	2.9%–8.4% for pensions
Inflation	2.3%	2.3%
Permanent base increases	Included for pensions	Included for pensions
Mortality rates	2017 SRA Scale U-mp	2017 SRA Scale U-mp

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage excluding any expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	44%	1.54%
Credit	23%	1.36%
Interest rate sensitive bonds	6%	0.09%
Private equity	10%	0.67%
Real estate	17%	1.00%
Total	<u>100%</u>	

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Discount Rate

At June 30, 2023 and 2022, the discount rate used to measure the ASRS total pension/OPEB (asset) liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under state statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension/OPEB (asset) liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents AMWUA's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what the proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

2024

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of			
Net pension liability	\$ 1,209,448	\$ 807,454	\$ 472,263
Net insurance premium benefit (asset)	(19,284)	(27,590)	(34,648)

2023

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of			
Net pension liability	\$ 1,329,379	\$ 900,987	\$ 543,774
Net insurance premium benefit (asset)	(22,674)	(31,533)	(39,049)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2024 and 2023

Note 11. Restatement of Prior Years' Financial Statements for Misstatement

In prior years, AMWUA did not appropriately include the asset, deferred outflows of resources, and deferred inflows of resources related to the ASRS' health insurance premium benefit (OPEB) plan. AMWUA retroactively restated the financial statements to include the plan. Additionally, fiscal year 2023 has been corrected for ending net position classifications. The changes impacted the following line items for fiscal year 2023:

	2023 as Previously Reported	Adjustment for Correction of Error	2023 as Restated
Statements of Financial Position			
Deferred Outflows of Resources - OPEB plan items	\$ -	\$ 1,020	\$ 1,020
Net OPEB asset	\$ -	\$ 31,533	\$ 31,533
Deferred Inflows of Resources - OPEB plan items	\$ -	\$ (18,150)	\$ (18,150)
Net Position - Net investment in capital assets	\$ -	\$ (103,672)	\$ (103,672)
Net Position - Restricted for Post-employment benefits	\$ 73,686	\$ 31,533	\$ 105,219
Net Position - Unrestricted	\$ 156,441	\$ 86,542	\$ 242,983
Statements of Revenues, Expenses and Changes in Net Position			
Benefits	\$ 90,718	\$ (5,924)	\$ 84,794
Statements of Cash Flows			
Operating income (loss)	\$ 61,398	\$ 5,924	\$ 67,322
Change in OPEB plan items	\$ -	\$ (5,924)	\$ (5,924)

Required Supplementary Information

**Arizona Municipal Water Users Association
Schedule of the Proportionate Share of the Net Pension/OPEB Liability (Asset)
Arizona State Retirement System
Last Ten Fiscal Years**

ASRS, Pension

	2024	2023	2022	2021	2020
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
AMWUA's proportion of the net pension liability (asset)	0.00499%	0.00552%	0.00592%	0.00544%	0.00589%
AMWUA's proportionate share of the net pension liability (asset)	\$ 807,454	\$ 900,987	\$ 777,862	\$ 942,563	\$ 857,064
AMWUA's covered payroll	\$ 636,022	\$ 632,390	\$ 656,240	\$ 600,259	\$ 621,646
AMWUA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	126.95%	142.47%	118.53%	157.03%	137.87%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%
	2019	2018	2017	2016	2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
AMWUA's proportion of the net pension liability (asset)	0.00627%	0.00602%	0.00541%	0.00624%	0.00815%
AMWUA's proportionate share of the net pension liability (asset)	\$ 874,444	\$ 937,799	\$ 873,228	\$ 924,728	\$ 1,198,514
AMWUA's covered payroll	\$ 630,523	\$ 586,438	\$ 506,728	\$ 576,162	\$ 735,857
AMWUA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.69%	159.91%	172.33%	160.50%	162.87%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

ASRS, Health Insurance Premium Benefit

	2024	2023	2022	2021	2020
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
AMWUA's proportion of the net OPEB liability (asset)	0.00511%	0.00565%	0.00607%	0.00557%	0.00604%
AMWUA's proportionate share of the net OPEB liability (asset)	\$ (27,590)	\$ (31,533)	\$ (29,574)	\$ (3,944)	\$ (1,669)
AMWUA's covered payroll	\$ 651,317	\$ 657,096	\$ 666,427	\$ 593,959	\$ 620,006
AMWUA's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.24%	-4.80%	-4.44%	-0.66%	-0.27%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	134.37%	137.79%	130.24%	104.33%	101.62%
	2019	2018			
Measurement date	June 30, 2018	June 30, 2017			
AMWUA's proportion of the net OPEB liability (asset)	0.00621%	0.00593%			
AMWUA's proportionate share of the net OPEB liability (asset)	\$ (2,236)	\$ (3,228)			
AMWUA's covered payroll	\$ 602,194	\$ 564,436			
AMWUA's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.37%	-0.57%			
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	102.20%	103.57%			

NOTE: The OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

**Arizona Municipal Water Users Association
Schedule of Pension/OPEB Contributions
Arizona State Retirement System
Last Ten Fiscal Years**

ASRS, Pension

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 88,340	\$ 74,040	\$ 75,950	\$ 75,823	\$ 67,109
Contributions in relation to the actuarially determined contribution	88,340	74,040	75,950	75,823	67,109
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
AMWUA's covered payroll	\$ 636,022	\$ 632,390	\$ 632,390	\$ 656,240	\$ 586,096
Contributions as a percentage of covered-employee payroll	13.89%	11.71%	12.01%	11.55%	11.45%
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 69,500	\$ 68,727	\$ 63,218	\$ 54,980	\$ 62,744
Contributions in relation to the actuarially determined contribution	69,500	68,727	63,218	54,980	62,744
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
AMWUA's covered payroll	\$ 621,646	\$ 630,523	\$ 586,438	\$ 506,728	\$ 576,161
Contributions as a percentage of covered-employee payroll	11.18%	10.90%	10.78%	10.85%	10.89%

ASRS, Health Insurance Premium Benefit

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 717	\$ 1,379	\$ 2,598	\$ 2,913	\$ 2,859
Contributions in relation to the actuarially determined contribution	717	1,379	2,598	2,913	2,859
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
AMWUA's covered payroll	\$ 651,317	\$ 657,096	\$ 666,427	\$ 593,959	\$ 620,006
Contributions as a percentage of covered-employee payroll	0.11%	0.21%	0.39%	0.49%	0.46%
	2019	2018			
Actuarially determined contribution	\$ 2,664	\$ 2,534			
Contributions in relation to the actuarially determined contribution	2,664	2,534			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
AMWUA's covered payroll	\$ 602,194	\$ 564,436			
Contributions as a percentage of covered-employee payroll	0.44%	0.45%			

NOTE: The OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

Note 1. Pensions

Actuarial Assumptions for Valuations Performed

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends

The actuarial assumptions used in the June 30, 2022 valuation were based upon the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes, which were applied to the June 30, 2020 actuarial valuation. The total liabilities as of June 30, 2022 reflect changes in actuarial assumptions based upon the results of an actuarial experience, including decreasing the discount rate from 7.5% to 7.0%.