



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

ARIZONA MUNICIPAL WATER USERS ASSOCIATION MANAGEMENT BOARD

MEETING NOTICE AND AGENDA

December 10, 2025 – 10:00 a.m.

**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: 81536675632
(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 for the November 12, 2025 Meeting
2. Next Meeting Date: January 14, 2025 @ 10:00 a.m.
3. Post-2026 Colorado River Operations
4. 2026 Legislative Session
5. AMWUA's Conservation Efforts
6. Annual Financial Audit Report for Fiscal Year 2025
7. AMWUA Management Board Chair and Vice-Chair for 2026

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

3003 North Central Avenue, Suite 1550, Phoenix, Arizona 85012 • (602) 248-8482 • amwua.org



**MANAGEMENT BOARD
MEETING MINUTES
November 12, 2025
HYBRID MEETING**

MEMBERS PRESENT

Kirk Beaty, Avondale, Chair
Brett Fleck for David Burks, Peoria, Vice Chair
Jeremy Abbott, Chandler
Eric Braun for Jessica Marlow, Gilbert
Ron Serio, Glendale
Barbara Chappell, Goodyear
Chris Hassert, Mesa
Nazario Prieto for Brandy Kelso, Phoenix
Gretchen Baumgardner for Kira Peters, Scottsdale
Craig Caggiano for Tara Ford, Tempe

AMWUA STAFF PRESENT

Michelle Barclay, AMWUA	Tyenesha Fields, AMWUA	Aly Slobodzian, AMWUA
Paul Bergelin, AMWUA	Warren Tenney, AMWUA	

A. Call to Order

Kirk Beaty called the meeting to order at 10:00 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the September 10, 2025, Meeting

Upon a motion by Chris Hassert, seconded by Jeremy Abbott, the AMWUA Management Board unanimously approved the meeting minutes from October 8, 2025.

2. Next Meeting Date: Wednesday, January 14, 2025 @ 10:00 a.m.

3. Post-2026 Colorado River Operations

Warren Tenney, Executive Director, provided an update on the ongoing Colorado River negotiations. Mr. Tenney noted that despite the federal government's expectation for a November 11 agreement, the Basin States had failed to find consensus, and the federal representatives did not threaten any action but indicated that state-to-state discussions will continue. Governor Hobbs and state legislative leaders issued a joint statement urging stronger federal involvement. Reclamation still anticipates releasing a draft EIS for post-2026 guidelines by the end of the year, followed by a final EIS in mid-2026 and a required record of decision by October 1, 2026.

Mr. Tenney outlined worsening hydrologic conditions: total system storage has declined 12% from last year, Lake Mead and Lake Powell remain under one-third capacity, and 2025 inflows to Powell are projected to be the fifth lowest on record. Dry soil conditions, weak monsoons, and warmer temperatures continue to reduce runoff efficiency. Mr. Tenney explained that Arizona should expect at least a 760,000-acre-foot reduction under either a negotiated or federal plan and highlighted issues raised in recent statewide meetings—including questions about underground storage, water banking credits, and protection of priority systems.

Mr. Tenney reviewed how major stakeholder groups may be affected, emphasizing that municipal providers face the greatest risk—especially communities heavily reliant on CAP, such as Cave Creek. In determining how Arizona will address Colorado River reductions, various stakeholders will have a voice including tribes, on-river agricultural and municipal users, the CAGRD, development community, and newly designated providers. Mr. Tenney stressed the need for any post-2026 intra-Arizona plan to reduce risks to cities. While short-term offsets may come from the aquifer, long-term resilience will require developing new, more expensive water supplies and investing in infrastructure, protect aquifers, and accelerate development of new water supplies. He concluded by noting that uncertainty will persist even after decisions are made, reinforcing the need for continued preparation for deeper future reductions.

Chris Hassert asked Mr. Tenney whether the post-2026 agreement would require Congressional approval. Mr. Tenney said it is likely—though not certain—that both Congress and the Arizona Legislature will need to act, depending on the final package and any funding components. Mr. Hassert commented that this would further compress the timeline. Mr. Hassert then asked for clarification on the Arizona Water Banking Authority's firming responsibilities, given that some stored water, such as in Tonopah, is not accessible.

Mr. Tenney explained that the Water Banking Authority has credits stored across multiple recharge sites, and the key outstanding question is how those credits will be distributed—either directly to municipal providers for CAP wet-water delivery or through local recovery systems. Mr. Tenney noted that AMWUA previously

recommended distributing credits to firm up 20% of a shortage to M&I CAP users. but the Arizona Water Banking Authority has not made any decision. In response to Mr. Hassert's follow-up question, Mr. Tenney confirmed that the Commission of the Arizona Water Banking Authority Commission is the ultimate decision maker.

Eric Braun asked Mr. Tenney whether commercial-sector representatives were involved in discussions, noting the strong link between municipal water availability and statewide economic impacts. Mr. Tenney responded that the recent ADWR meeting included only Colorado River water users. However, he noted that ADWR Director Mr. Buschatzke encouraged continued stakeholder discussions, and in those smaller conversations the business community has been included. Mr. Tenney added that AMWUA is also engaging the business sector to ensure they understand the seriousness of the Colorado River situation. Mr. Braun emphasized the importance of business-sector involvement, noting that these entities can help support municipal positions and may have advocacy channels not available to water providers, making their participation a valuable tool for advancing Arizona's water-supply needs.

4. 2026 Legislative Agenda

Aly Slobodzian, AMWUA's Government Relations Director, outlined the policy landscape shaping the upcoming legislative session, noting the Colorado River will be the main focus. Ms. Slobodzian added that rural groundwater management, the tension between housing and water policy, and limited state discretionary funding—affected by recent federal tax changes—will also influence discussions. Ms. Slobodzian emphasized AMWUA's core message to lawmakers is that: water security provided by municipalities is essential to Arizona's economic stability and future business investment.

Ms. Slobodzian then summarized AMWUA's 2026 legislative agenda, which continues to prioritize protecting cities' authority to manage their water resources and infrastructure, safeguarding municipal and statewide Colorado River rights, supporting development of new supplies such as Bartlett Dam and Advanced Water Purification, defending the Groundwater Management Act and the 100-year Assured Water Supply standard, protecting aquifers and stored water access, supporting ADWR and ADEQ functions, advancing practical conservation and efficiency measures, and ensuring safe drinking water.

Upon a motion by Brett Fleck, seconded by Gretchen Baumgardner, the AMWUA Management Board unanimously recommended that the Board of Directors approve and adopt the 2026 Legislative Agenda.

5. Fiscal Year 2026 Quarterly Report – First Quarter

Mr. Tenney reported that the first-quarter financial statements, included in the agenda packet, show total expenses of \$367,444 as of September 30, which is \$99,913 under budget. He explained that the variance is primarily due to two vacant staff positions during the quarter—one of which has since been filled with Aly’s onboarding—and the timing of payments in the professional services and water conservation categories. Mr. Tenney noted that the variance is expected to narrow as the year progresses.

Upon a motion by Ron Serio, seconded by Craig Caggiano, the AMWUA Management Board unanimously approved the Fiscal Year First Quarter Financial Report and recommended it to the AMWUA Board as presented.

6. Nominating Committee for 2026 Board Chair and Vice-Chair

Kirk Beaty reviewed the eligibility requirements in the by-laws for the 2026 Management Board Chair and Vice Chair. Based on the criteria, eligible members include Kirk Beaty, David Burks, Barbara Chappell, Tara Ford, Jessica Marlow, Chris Hassert, and Ron Serio.

Mr. Beaty appointed Tara Ford, Jeremy Abbott, and Ron Serio (chair) to serve as the nominating committee. Mr. Beaty noted that the nominating committee will bring its recommendation to the December meeting.

C. Member Reports

No member reports were made.

D. Executive Director’s Report

Mr. Tenney reported that SRP’s total reservoir storage is 54% full as of this morning, compared to 73% at the same time last year.

Mr. Tenney also provided an update on AMWUA’s media partnership with KTAR, now entering its third month under the one-year agreement. Each week, KTAR airs the Water Watch Wednesday segment, which is broadcast 12 times throughout the day and supported by coordinated social media engagement to broaden outreach. Mr. Tenney noted that KTAR’s first article under the agreement, published last week, focused on the water security provided by AMWUA municipalities—a key message over the past year. The next article will address the Colorado River and its impacts on municipal providers. He added that AMWUA is strategically planning the timing of future articles to align with key issues that may emerge during the legislative session.

E. Future Agenda Items

No future agenda items were requested.

F. Adjournment

Mr. Beaty adjourned the meeting at 10:58 am.

AMWUA Management Board

INFORMATION SUMMARY

December 10, 2025

Post-2026 Colorado River Operations

ANNUAL PLAN REFERENCE

Colorado River Transition

Assist, monitor, and coordinate the impacts of reduced Colorado River water to ensure our members' interests are forefront.

Strategic Plan: Facilitate our Strength in Numbers, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Prepare for Impacts of Drought & Shortage, Minimize Financial Impact

SUMMARY

The seven Colorado River Basin States did not reach an agreement for post-2026 operating guidelines by the November 11th deadline set by the federal government. However, the federal government did not announce its own proposal for post-2026. Instead, it deferred to the Basin States to continue their discussions. What will be decided for the Colorado River's operations remains unknown, which is increasing uncertainty about the impact of reductions to Arizona in 2027 and beyond. The lack of decision also narrows the amount of time that municipal providers have to prepare for these reductions.

At the same time, recent hydrological data continues to confirm that the Colorado River is producing less water. This year's projected unregulated runoff inflow into Lake Powell was 49% of average despite the snowpack in the upper Colorado River Basin being nearly average this winter. This next winter will be consequential to the river's long-term hydrology and operations, potentially requiring greater than currently anticipated reductions.

RECOMMENDATION

The AMWUA Management Board is requested to ask questions and discuss the Colorado River situation.

AMWUA MANAGEMENT BOARD INFORMATION SUMMARY

December 10, 2025

2026 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 and educate legislators on issues important to AMWUA
- Identify 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 2026 legislative session will start on January 12th. The Colorado River is anticipated to dominate water discussions at the Legislature. Rural groundwater reform is also expected to be a significant issue. It will also not be surprising to see legislation generated from the ongoing tension between homebuilding and water management.

AMWUA staff will share perspective about the upcoming legislative session.

RECOMMENDATION

The AMWUA Management Board is requested to ask questions and respond to AMWUA staff's presentation regarding the 2026 legislative session.

2026 LEGISLATIVE AGENDA

AMWUA will advocate that legislators:

- Understand that water security is the foundation for a thriving economy.
- Recognize the critical role municipal water providers play in Arizona's water management.
- Partner with municipal water providers to ensure Arizona continues to thrive through converging water challenges including reduced Colorado River water and stressed aquifers.

AMWUA supports legislation that:

Empowers Municipal Water Providers

- Protects municipal water providers' ability to manage their water resources and infrastructure to reliably serve their customers.

Invests in Arizona's Water Future

- Supports municipal water providers' efforts to secure additional water supplies and improve infrastructure, including Bartlett Dam expansion and Advanced Water Purification.
- Funds the development of new water supplies through the Water Infrastructure Finance Authority's Long-Term Water Augmentation Fund.

Supports Statewide Water Management

- Safeguards the Groundwater Management Act and the 100-year Assured Water Supply standard.
- Protects our aquifers including our member cities' access to their stored water.
- Supports the efforts of the Arizona Department of Water Resources and the Arizona Department of Environmental Quality to strengthen water security.

Safeguards Our Colorado River Use

- Protects the priorities, rights, and contracts of member cities' Colorado River supplies.
- Defends Arizona's rights to the Colorado River.

Promotes Water Conservation

- Advances practical, effective water efficiency and conservation efforts.

Ensures Safe Drinking Water

- Protects and enhances the quality of members' water supplies, including proposals to improve watershed management.
- Supports sustainable funding for the Arizona Water Quality Assurance Revolving Fund.

AMWUA MANAGEMENT BOARD

INFORMATION SUMMARY

December 10, 2025

AMWUA's Conservation Efforts

ANNUAL PLAN REFERENCE

Conservation & Demand Management

Excel as a leader in water conservation by effectively strategizing with members on program development and implementation and coordinating awareness about conservation efforts to enhance sustainable water resources.

Strategic Plan: Facilitate our Strength in Numbers, Educate – Excel as an Expert and Resource, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Strengthen Groundwater Management, Prepare for Impacts of Drought & Shortage

Colorado River Transition

Assist, monitor, and coordinate the impacts of reduced Colorado River water to ensure our members' interests are forefront.

- Facilitate opportunities to assist and synchronize continuing preparation for less Colorado River water.

Strategic Plan: Facilitate our Strength in Numbers, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Prepare for Impacts of Drought & Shortage, Minimize Financial Impact

SUMMARY

AMWUA staff will provide an update to the report given at the September 10th meeting. Specifically, we will report on AMWUA's demand management efforts to coordinate with its members' conservation teams to prepare for Colorado River reductions with 2026.

RECOMMENDATION

The AMWUA Management Board is requested to ask questions and discuss AMWUA's conservation efforts.

MANAGEMENT BOARD

INFORMATION SUMMARY

December 10, 2025

Annual Financial Audit Report for Fiscal Year 2025

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, 2025 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, 2025.

Forvis Mazar did not make any findings for the Fiscal Year 2025 audit, which is good and means AMWUA is in a solid financial situation.

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 2025 under budget and continues to be on a fiscally sound footing to meet the future needs of the Association.

RECOMMENDATION

It is requested that the AMWUA Management Board recommend to the AMWUA Board of Directors acceptance of the audit report as presented.

SUGGESTED MOTION

I move that the AMWUA Management Board recommend to the AMWUA Board of Directors acceptance of the AMWUA Annual Financial Audit Report for Fiscal Year 2025.

ATTACHMENTS

- **Attachment A:** Forvis Mazar Report to the Board of Directors for Fiscal Year 2025 Audit.
- **Attachment B:** Financial Statements for Fiscal Years 2025.

Forvis Mazars Report to the Board of Directors and Management

Arizona Municipal Water Users Association (AMWUA)
Results of the 2025 Financial Statement Audit, Including Required Communications
June 30, 2025

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

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information: • As of and for the year ended June 30, 2025. • Conducted in accordance with our contract dated August 25, 2025.
Our Responsibilities	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).
Audit Scope & Inherent Limitations to Reasonable Assurance	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.
Extent of Our Communication	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.
Independence	The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.



Matter	Discussion
Distribution Restriction	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: • The Board of Directors, and Management

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

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

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- Effective July 1, 2024, the AMWUA was required to adopt GASB 101, Compensated Absences. The statement was issued to meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Adoption of GASB 101 did not have an impact on the AMWUA's beginning of year net position.

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:

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

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:

- No matters are reportable

Uncorrected Misstatements

No matters are reportable.

Other Required Communications

Other Material Communications

Listed below is another material communication between management and us related to the audit:

- Management representation letter (see Attachments)

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, AZ 85012

Provided to:

Forvis Mazars, LLP

Certified Public Accountants
14221 North Dallas Parkway, Suite 400
Dallas, TX 75254

The undersigned (We) are providing this letter in connection with Forvis Mazars' audits of our financial statements as of and for the years ended June 30, 2025 and 2024.

Our representations are current and effective as of the date of Forvis Mazars' report: November 20, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: August 25, 2025.

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 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.

Misappropriation, Misstatements, & Fraud

5. 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.
6. 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.
7. 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.
8. 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, citizens, suppliers, or others.
9. 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

10. 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 the financial statements and known facts thereafter without consideration of potential mitigating effects of management's plans and concluded substantial doubt does not exist.

Related Parties

11. 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.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America..

12. 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.

13. 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

14. 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.

15. 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.
16. 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.
17. 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.
18. 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

19. 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
20. 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

21. 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.

Transactions, Records, & Adjustments

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. 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.
24. We have everything we need to keep our books and records.
25. 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.

Governmental Accounting & Disclosure Matters

26. 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.
27. 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.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
29. 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.
30. Leases have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 87, *Leases*.
31. The government has properly measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101, *Compensated Absences*.
32. 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.

33. With regard to pension and other post employment 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.

Nonprofit Accounting & Disclosure Matters

34. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

Accounting & Disclosure

35. 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.
36. 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.
37. 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.

Revenue, Accounts Receivable, & Inventory

38. Adequate provisions, allowances, or other adjustments in basis have been recorded for any material losses from:
- a. Uncollectible receivables.
 - b. Sales commitments, including those unable to be fulfilled.
 - c. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

39. 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.
40. 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 a lack of diversity related to employers, industries, inflows of resources, workforce covered by collective bargaining agreements, providers of financial resources, or suppliers of material, labor or services, loans, investments, or deposits, or constraints, which refer to a limitation imposed by an external party or by formal action of a government's highest level of decision-making authority related to limitations on raising revenue, limitations on spending, limitations on the incurrence of debt, or mandated spending, 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

41. 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 accounting principles generally accepted in the United States of America.
 - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

GASB Statement 101, Compensated Absences

42. In connection with the adoption of GASB Statement No. 101, *Compensated Absences* (GASB 101), we represent that footnotes to the financial statements appropriately describe the adoption of GASB 101 and include all disclosures required under GASB 101.

Warren Tenney

Warren Tenney (Nov 28, 2025 12:55:04 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, 2025 and 2024



Arizona Municipal Water Users Association
Phoenix, Arizona

Financial Statements
June 30, 2025 and June 30, 2024

Issued by:
Finance Department

Arizona Municipal Water Users Association
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June 30, 2025 and 2024

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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 years ended June 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise 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 AMWUA as of June 30, 2025 and 2024 and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 AMWUA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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 requires 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
November 20, 2025**

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024**

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, 2025 and 2024.

Financial and Operational Highlights

Total net position for AMWUA equaled \$152,379 at June 30, 2025 and \$60,850 at June 30, 2024, increasing by \$91,529 for fiscal year 2025 and decreasing by \$183,680 for fiscal year 2024.

For fiscal year 2025, revenues assessed to the member cities totaled \$1,679,469, which represents a \$137,529 increase from fiscal year 2024, including a carryover credit of \$22,000. 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. 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	\$ 515,784	30.71
Mesa	202,768	12.07
Scottsdale	142,399	8.48
Tempe	144,336	8.59
Glendale	139,486	8.31
Chandler	124,114	7.39
Gilbert	119,178	7.10
Peoria	109,082	6.50
Goodyear	92,670	5.52
Avondale	89,652	5.34
	<u>\$ 1,679,469</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	\$ 908,305	\$ 739,727	\$ 739,727
Employee Benefits	186,000	152,654	152,654
Professional Services	225,020	280,750	285,250
Occupancy	217,000	233,293	27,792
Travel and Training	11,500	6,892	6,892
Capital Outlay	11,000	5,476	5,476
Office Operating Expenses	36,300	39,078	39,078
Water Conservation	106,345	297,679	200,396
	<u>\$ 1,701,470</u>	<u>\$ 1,755,549</u>	<u>\$ 1,457,265</u>

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024**

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 \$201,924. Expenditures for Employee Benefits include payroll taxes; payroll processing; medical, dental, and disability insurance; and cell phone allowance. The savings were due to vacant positions 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, Legal, Legislative, and Financial. The actual was over budget by \$55,730 primarily due to temporary services in response to vacant positions.

Expenditures for Occupancy include building lease, building operating expenses, and telephone and internet charges. The actual was over budget by \$16,923.

Expenditures for Travel and Training were under budget by \$4,608.

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 \$5,524.

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 \$2,778.

Expenditures for Water Conservation were \$191,334 over budget primarily due to printing and distribution of the Desert Landscape Book, which was authorized by the board and paid for by the reserve fund.

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
Years Ended June 30, 2025 and 2024**

Summary of Net Position

	2025	2024	2023
Current assets	\$ 1,207,320	\$ 1,116,567	\$ 1,270,725
Net OPEB asset	34,743	27,590	31,533
Net capital assets	856,433	1,000,475	1,151,280
Deferred outflows of resources	191,670	109,224	150,530
Total assets and deferred outflows of resources	<u>\$ 2,290,166</u>	<u>\$ 2,253,856</u>	<u>\$ 2,604,068</u>
Current liabilities	\$ 224,883	\$ 226,422	\$ 219,883
Net pension liability	897,684	807,454	900,987
Lease liability	921,055	1,045,402	1,156,359
Deferred inflows of resources	94,165	113,728	82,309
Net investment in capital assets	(188,969)	(155,884)	(103,672)
Restricted net position	88,429	91,276	105,219
Unrestricted	252,919	125,458	242,983
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,290,166</u>	<u>\$ 2,253,856</u>	<u>\$ 2,604,068</u>

- Current assets increased by \$90,753 in 2025 and decreased by \$154,158 in 2024. 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 \$144,042 during fiscal year 2025 and decreased by \$150,805 during fiscal year 2024. 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. In 2025, furniture and equipment increased by \$3,916 and depreciation expense was \$147,958. AMWUA's threshold for capitalization is \$1,000 with a useful life of greater than one year.
- Current liabilities decreased by \$1,539 in 2025 and increased by \$6,539 in 2024. 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 increased by \$91,529 to \$152,379 in fiscal year 2025 and decreased by \$183,680 to \$60,850 in fiscal year 2024.

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.

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024**

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, 2025, the balance of the Reserve Fund is \$268,640. 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, 2025, the balance of the Office Lease Stabilization fund is \$53,686. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

Summary of Changes in Net Position

	2025	2024	2023
Operating revenues			
Annual assessments	\$ 1,679,469	\$ 1,541,940	\$ 1,419,541
Other	59,283	14	4
Total operating revenues	1,738,752	1,541,954	1,419,545
Operating expenses	1,605,221	1,705,094	1,352,223
Nonoperating revenues (expenses)			
Interest on investments	46,501	76,298	34,593
Interest paid	(88,503)	(96,838)	(104,225)
Total nonoperating revenues (expenses)	(42,002)	(20,540)	(69,632)
Increase (decrease) in net position	91,529	(183,680)	(2,310)
Net position, July 1	60,850	244,530	246,840
Net position, June 30	<u>\$ 152,379</u>	<u>\$ 60,850</u>	<u>\$ 244,530</u>

- Actual annual assessments billed to the cities increased by \$137,529 in 2025 and increased by \$122,399 in 2024. Annual assessments include a decrease for a carryover credit given to the members. The carryover credit for June 30, 2025 was \$22,000 and for June 30, 2024 was \$88,000.
- Other revenues increased \$59,269 in 2025. Other revenues include a \$56,140 increase in conservation revenue, which relates to AMWUA's water conservation efforts with member cities.
- Total operating expenses decreased by \$99,873 in 2025 and increased by \$352,871 in 2024.

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024**

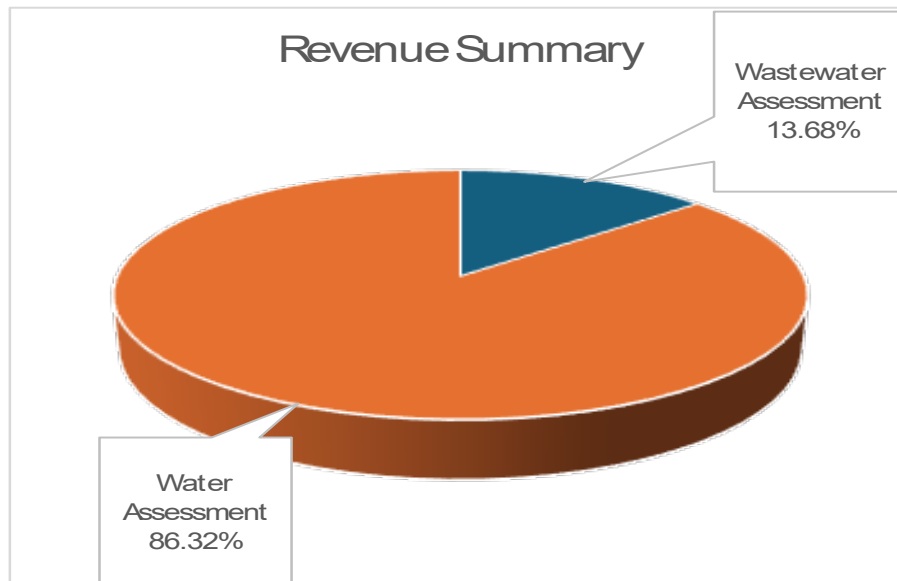
- Nonoperating revenues/expenses increased by \$21,462 in 2025 and decreased by \$49,092 in 2024. Nonoperating revenues/expenses consist of interest on investments and interest on the operating lease.

Operating Revenues

AMWUA's revenue is primarily generated by water and wastewater assessments from member cities. For fiscal year 2025, of the \$1,679,469 in revenue recognized from annual assessments, \$1,449,748 represents water assessments and \$251,720 represents wastewater assessments with the remaining credit of \$22,000 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, 2025:

Revenue Summary for Fiscal Year Ended June 30, 2025 (Total = \$1,679,469)

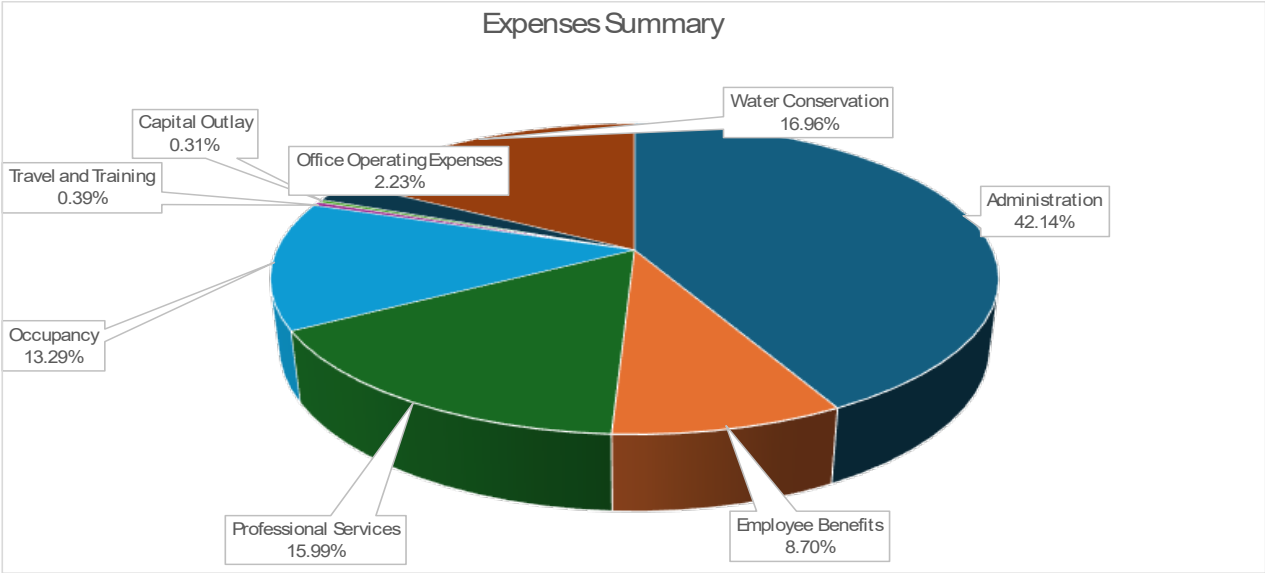


**Arizona Municipal Water Users Association
Management’s Discussion and Analysis
Years Ended June 30, 2025 and 2024**

Operating Expenses

The following chart shows AMWUA’s operating expenses by category for the fiscal year ended June 30, 2025:

Expenses Summary for Fiscal Year Ended June 30, 2025 (Total = \$1,605,221)



AMWUA’s Capital and Lease Assets

	2025	2024	2023
Property and equipment	\$ 1,505,551	\$ 1,543,208	\$ 1,543,208
Leasehold improvements	-	7,102	7,102
Less accumulated depreciation and amortization	(649,118)	(549,835)	(399,030)
Net property and equipment	<u>\$ 856,433</u>	<u>\$ 1,000,475</u>	<u>\$ 1,151,280</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 93.62% of property and equipment. Net property and equipment decreased \$144,042 during fiscal year 2025 and decreased by \$150,805 during fiscal year 2024.

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 2025, the AMWUA Board of Directors approved the fiscal year 2026 budget. The fiscal year 2026 budget increased by 9.87% over the fiscal year 2025 budget. The actual assessments to the members are being increased and include a \$22,000 carryover from prior year. Comparing the FY26 budget to FY25 budget after the carryovers, there is a 4.76% increase.

**Arizona Municipal Water Users Association
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024**

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, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 255,035	\$ 314,840
Investments	909,934	795,091
Prepaid expenses and other assets	42,351	6,636
Total Current Assets	1,207,320	1,116,567
Noncurrent Assets		
Net OPEB asset	34,743	27,590
Capital assets, net	856,433	1,000,475
Total Noncurrent Assets	891,176	1,028,065
Total Assets	2,098,496	2,144,632
Deferred Outflows of Resources		
OPEB plan items	2,104	2,639
Pension plan items	189,566	106,585
Total Deferred Outflows of Resources	191,670	109,224
Total Assets and Deferred Outflows of Resources	\$ 2,290,166	\$ 2,253,856

Arizona Municipal Water Users Association
Statements of Net Position
June 30, 2025 and 2024

(Continued)

	2025	2024
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 33,497	\$ 23,537
Unearned revenue	-	18,197
Compensated absences payable	67,039	73,731
Lease liability	124,347	110,957
Total Current Liabilities	224,883	226,422
Noncurrent Liabilities		
Net pension liability	897,684	807,454
Lease liability	921,055	1,045,402
Total Noncurrent Liabilities	1,818,739	1,852,856
Total Liabilities	2,043,622	2,079,278
Deferred Inflows of Resources		
OPEB plan items	12,898	12,146
Pension plan items	81,267	101,582
Total Deferred Inflows of Resources	94,165	113,728
Net Position		
Net investment in capital assets	(188,969)	(155,884)
Restricted		
Post-employment benefits	34,743	27,590
Other	53,686	63,686
Unrestricted	252,919	125,458
Total Net Position	152,379	60,850
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,290,166	\$ 2,253,856

Arizona Municipal Water Users Association
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Annual assessments	\$ 1,679,469	\$ 1,541,940
Other	59,283	14
Total Operating Revenues	1,738,752	1,541,954
Operating Expenses		
Salaries	802,839	955,639
Benefits	89,542	95,390
Occupancy costs	41,585	35,831
Legal and accounting	184,439	153,290
Temporary services	83,023	54,220
Water conservation	200,396	204,560
Printing and duplicating	3,297	6,725
Consulting services	4,800	4,800
Depreciation and amortization	147,958	150,806
Travel and meetings	9,922	8,833
Office supplies	7,819	9,787
Subscription and reference materials	7,631	6,511
Postage and shipping	636	880
General business insurance	5,500	5,173
Dues	5,040	1,642
Conferences	10,794	11,007
Total Operating Expenses	1,605,221	1,705,094
Operating Income (Loss)	133,531	(163,140)
Nonoperating Revenues (Expenses)		
Interest on investments	46,501	76,298
Interest paid	(88,503)	(96,838)
Total Nonoperating Revenues (Expenses)	(42,002)	(20,540)
Change in Net Position	91,529	(183,680)
Net Position, Beginning of Year	60,850	244,530
Net Position, End of Year	\$ 152,379	\$ 60,850

Arizona Municipal Water Users Association
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from members and customers	\$ 1,720,555	\$ 1,560,151
Cash paid to employees	(918,006)	(1,055,724)
Cash paid to suppliers and vendors	(590,636)	(469,583)
Net Cash Provided by Operating Activities	211,913	34,844
Cash Flows from Capital and Related Financing Activities		
Principal paid on lease	(110,957)	(98,593)
Interest paid on lease	(88,503)	(96,838)
Transfers from Investment Account	691,500	1,420,000
Transfers to Investment Account	(760,010)	(1,150,000)
Purchases of capital assets	(3,916)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(271,886)	74,569
Cash Flows from Investing Activities		
Interest on investments	168	47
Net Cash Provided by Investing Activities	168	47
Increase (Decrease) in Cash and Cash Equivalents	(59,805)	109,460
Cash and Cash Equivalents, Beginning of Year	314,840	205,380
Cash and Cash Equivalents, End of Year	\$ 255,035	\$ 314,840
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 133,531	\$ (163,140)
Adjustments		
Depreciation and amortization	147,958	150,805
(Increase) decrease in assets		
Prepaid expenses and other current assets	(35,715)	69,869
Increase (decrease) in liabilities		
Accounts payable	9,960	(36,193)
Unearned revenue	(18,197)	18,197
Compensated absences payable	(6,692)	12,171
Pension plan items	(13,066)	(13,185)
OPEB plan items	(5,866)	(3,680)
Net Cash Provided by Operating Activities	\$ 211,913	\$ 34,844

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

Arizona Municipal Water Users Association (AMWUA or Association) 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.

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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, 2025, the balance of the Reserve Fund is \$268,640. 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, 2025, the balance of the Office Lease Stabilization fund is \$53,686. Pursuant to the policy, these funds are held in the LGIP with the Arizona State Treasurer.

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Leases

AMWUA is a lessee for noncancellable leases and recognizes a lease liability and a right-of-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 it 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.

Other Post-Employment Benefits (OPEB)

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 when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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Restricted Net Position

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

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.”

Accounting Pronouncements Adopted in Fiscal Year 2025

AMWUA adopted GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The adoption of GASB 101 had no impact on AMWUA's beginning of year net position.

AMWUA adopted GASB Statement No. 102, *Certain Risk Disclosures*, for the year ended June 30, 2025. The new accounting guidance requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The adoption of GASB 102 had no impact on AMWUA's beginning of year net position.

Future Financial Reporting Requirements

The GASB has issued the following potentially significant statements which AMWUA has not yet adopted and which require adoption subsequent to June 30, 2025. AMWUA will evaluate the potential impact on AMWUA's net position.

<u>Statement No.</u>	<u>Title</u>	<u>Adoption Required</u>
103	<i>Financial Reporting Model Improvements</i>	June 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	June 30, 2026

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, 2025, the bank balance was \$255,035. AMWUA had no petty cash at June 30, 2025.

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, 2025 and 2024.

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.

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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 AA Af/S1+ by Standard and Poor’s.

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 255,035	\$ 314,840
Investments in LGIP	<u>909,934</u>	<u>795,091</u>
Total cash and investments	<u>\$ 1,164,969</u>	<u>\$ 1,109,931</u>

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Note 3. Capital Assets

Capital assets at June 30, 2025 consist of the following:

	Beginning Balance July 1, 2024	Increase	Decrease	Ending Balance June 30, 2025
Capital assets				
Furniture and equipment	\$ 133,701	\$ 3,916	\$ (41,574)	\$ 96,043
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	3,916	(48,676)	1,505,551
Less accumulated depreciation and amortization				
Furniture and equipment	(119,882)	(7,007)	41,574	(85,315)
Leasehold improvements	(7,102)	-	7,102	-
Leased buildings and improvements	(422,852)	(140,951)	-	(563,803)
Total accumulated depreciation and amortization	(549,836)	(147,958)	48,676	(649,118)
Capital assets, net of accumulated depreciation and amortization	<u>\$ 1,000,475</u>	<u>\$ (144,042)</u>	<u>\$ -</u>	<u>\$ 856,433</u>

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	1,550,311	-	-	1,550,311
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	(399,031)	(150,805)	-	(549,836)
Capital assets, net of accumulated depreciation and amortization	<u>\$ 1,151,280</u>	<u>\$ (150,805)</u>	<u>\$ -</u>	<u>\$ 1,000,475</u>

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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 were as follows at June 30, 2025:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 124,347	\$ 79,142
2027	138,849	68,670
2028	154,555	56,994
2029	171,564	44,014
2030	189,985	29,623
2031	<u>266,102</u>	<u>14,453</u>
Total	<u>\$ 1,045,402</u>	<u>\$ 292,896</u>

Note 5. Changes in Long-Term Liabilities

Long-term liabilities consist of the following at June 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease payable	\$ 1,156,359	\$ -	\$ (110,957)	\$ 1,045,402	\$ 124,347
Compensated absences payable	<u>73,731</u>	<u>13,466</u>	<u>(20,158)</u>	<u>67,039</u>	<u>67,039</u>
Long-term liabilities	<u>\$ 1,230,090</u>	<u>\$ 13,466</u>	<u>\$ (131,115)</u>	<u>\$ 1,112,441</u>	<u>\$ 191,386</u>

Long-term liabilities consist of the following at June 20, 2024:

	<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	<u>61,560</u>	<u>24,824</u>	<u>(12,653)</u>	<u>73,731</u>	<u>73,731</u>
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>

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Note 6. Annual Assessments

AMWUA assesses membership dues based upon operating costs for the year. During fiscal year 2025, 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.

The following summarizes the dues assessed for fiscal years 2025 and 2024. The 2025 assessments are net of a \$22,000 credit given to members:

Voting Members	2025	2024
City of Chandler*	\$ 124,114	\$ 113,767
City of Glendale	139,486	128,926
City of Mesa	202,768	186,093
City of Peoria*	109,082	100,586
City of Phoenix	515,784	467,605
City of Scottsdale	142,399	132,342
City of Tempe	144,336	133,895
Town of Gilbert*	119,178	109,206
City of Goodyear*	92,670	85,847
City of Avondale*	89,652	83,673
Total annual assessments	<u>\$ 1,679,469</u>	<u>\$ 1,541,940</u>

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

Note 7. 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, liability, and workers' compensation and director and officers. There were no claims in any of the past three fiscal years.

Note 8. 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 2025 and 2024. Annual assessments are based upon the Board-adopted budget. For additional information on annual assessments, see Note 6.

Note 9. Pensions and Other Postemployment Benefits

Plan Description

AMWUA employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS 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.

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-

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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 12.27% (12.12% 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 12.27% (12.05% for retirement, 0.15% for health insurance premium benefit, and 0.07% 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 10.19% (10.14% 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 \$72,990 and \$88,340 for the years ended June 30, 2025 and 2024, respectively. AMWUA's contributions to the health insurance premium benefit plan were \$863 and \$717 for the years ended June 30, 2025 and 2024, respectively. AMWUA funded 100% of its annual required contribution to the ASRS for the years ended June 30, 2025 and 2024.

Net Pension/OPEB Liability (Asset)

The net OPEB asset and net pension liability were measured as of June 30, 2024. 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, 2023 to the measurement date of June 30, 2024.

AMWUA's proportion of the net OPEB asset or net pension liability was based on AMWUA's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024.

At June 30, 2025, 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, 2024, AMWUA's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2023 was:

ASRS	Net Pension/ OPEB Liability (Asset)	AMWUA % Proportion	Increase (Decrease)
Pension	\$ 897,684	0.00561%	\$ 90,230
Health insurance premium benefit	(34,743)	0.00575%	(7,153)

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

Expense

AMWUA recognized the following pension/OPEB expense (income) for the year ended June 30, 2025:

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ASRS	Pension/OPEB Expense (Income)
Pension	\$ 65,924
Health insurance premium benefit	(5,003)

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

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

Deferred Outflows/Inflows of Resources

AMWUA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources at June 30, 2025:

	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	\$ 50,108	\$ -	\$ 1,005	\$ 8,389
Changes of assumptions or other inputs	-	-	-	360
Net difference between projected and actual earnings on pension plan investments	-	57,327	-	2,388
Changes in proportion and differences between contributions and proportionate share of contributions	66,468	23,940	1,099	1,761
Contributions subsequent to the measurement date	72,990	-	-	-
Total	<u>\$ 189,566</u>	<u>\$ 81,267</u>	<u>\$ 2,104</u>	<u>\$ 12,898</u>

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, 2026. Other amounts reported as deferred

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outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
2026	\$ (15,056)	\$ (6,501)
2027	75,396	(1,509)
2028	(14,511)	(1,550)
2029	(10,520)	(961)
2030	-	(273)
Total	<u>\$ 35,309</u>	<u>\$ (10,794)</u>

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

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>88,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 106,585</u>	<u>\$ 101,582</u>	<u>\$ 2,639</u>	<u>\$ 12,146</u>

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:

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

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Actuarial Assumptions

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

	2025	2024
Actuarial valuation date	June 30, 2023	June 30, 2022
Actuarial roll forward date	June 30, 2024	June 30, 2023
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, 2023 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	44%	4.48%
Credit	23%	4.40%
Interest rate sensitive bonds	6%	-0.45%
Private equity	10%	6.11%
Real estate	17%	6.05%
Total	100%	

Discount Rate

At June 30, 2024 and 2023, 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

Arizona Municipal Water Users Association
Notes to Financial Statements
June 30, 2025 and 2024

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:

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2025			
Proportionate share of			
Net pension liability	\$ 1,374,538	\$ 897,684	\$ 500,268
Net insurance premium benefit (asset)	(25,258)	(34,743)	(42,807)
ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2024			
Proportionate share of			
Net pension liability	\$ 1,209,448	\$ 807,454	\$ 472,263
Net insurance premium benefit (asset)	(19,284)	(27,590)	(34,648)

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.

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

	2025	2024	2023	2022	2021
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
AMWUA's proportion of the net pension liability (asset)	0.00561%	0.00499%	0.00552%	0.00592%	0.00544%
AMWUA's proportionate share of the net pension liability (asset)	\$ 897,684	\$ 807,454	\$ 900,987	\$ 777,862	\$ 942,563
AMWUA's covered payroll	\$ 765,534	\$ 636,022	\$ 632,390	\$ 656,240	\$ 600,259
AMWUA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	117.26%	126.95%	142.47%	118.53%	157.03%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%
	2020	2019	2018	2017	2016
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
AMWUA's proportion of the net pension liability (asset)	0.00589%	0.00627%	0.00602%	0.00541%	0.00624%
AMWUA's proportionate share of the net pension liability (asset)	\$ 857,064	\$ 874,444	\$ 937,799	\$ 873,228	\$ 924,728
AMWUA's covered payroll	\$ 621,646	\$ 630,523	\$ 586,438	\$ 506,728	\$ 576,162
AMWUA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	137.87%	138.69%	159.91%	172.33%	160.50%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%

ASRS, Health Insurance Premium Benefit

	2025	2024	2023	2022	2021
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
AMWUA's proportion of the net OPEB liability (asset)	0.00575%	0.00511%	0.00565%	0.00607%	0.00557%
AMWUA's proportionate share of the net OPEB liability (asset)	\$ (34,743)	\$ (27,590)	\$ (31,533)	\$ (29,574)	\$ (3,944)
AMWUA's covered payroll	\$ 784,638	\$ 651,317	\$ 657,096	\$ 666,427	\$ 593,959
AMWUA's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.43%	-4.24%	-4.80%	-4.44%	-0.66%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	137.51%	134.37%	137.79%	130.24%	104.33%
	2020	2019	2018		
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017		
AMWUA's proportion of the net OPEB liability (asset)	0.00604%	0.00621%	0.00593%		
AMWUA's proportionate share of the net OPEB liability (asset)	\$ (1,669)	\$ (2,236)	\$ (3,228)		
AMWUA's covered payroll	\$ 620,006	\$ 602,194	\$ 564,436		
AMWUA's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.27%	-0.37%	-0.57%		
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	101.62%	0.00621%	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

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 72,990	\$ 88,340	\$ 74,040	\$ 75,950	\$ 75,823
Contributions in relation to the actuarially determined contribution	72,990	88,340	74,040	75,950	75,823
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
AMWUA's covered payroll	\$ 765,534	\$ 636,022	\$ 632,390	\$ 632,390	\$ 656,240
Contributions as a percentage of covered-employee payroll	9.53%	13.89%	11.71%	12.01%	11.55%
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 67,109	\$ 69,500	\$ 68,727	\$ 54,980	\$ 54,980
Contributions in relation to the actuarially determined contribution	67,109	69,500	68,727	54,980	54,980
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
AMWUA's covered payroll	\$ 586,096	\$ 621,646	\$ 630,523	\$ 506,728	\$ 506,728
Contributions as a percentage of covered-employee payroll	11.45%	11.18%	10.90%	10.78%	10.85%

ASRS, Health Insurance Premium Benefit

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 863	\$ 717	\$ 1,379	\$ 2,598	\$ 2,913
Contributions in relation to the actuarially determined contribution	863	717	1,379	2,598	2,913
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
AMWUA's covered payroll	\$ 784,638	\$ 651,317	\$ 657,096	\$ 666,427	\$ 593,959
Contributions as a percentage of covered-employee payroll	0.11%	0.11%	0.21%	0.39%	0.49%
	2020	2019	2018		
Actuarially determined contribution	\$ 2,859	\$ 2,664	\$ 2,534		
Contributions in relation to the actuarially determined contribution	2,859	2,664	2,534		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
AMWUA's covered payroll	\$ 620,006	\$ 602,194	\$ 564,436		
Contributions as a percentage of covered-employee payroll	0.46%	0.44%	0.45%		

NOTE: The OPEB schedules in the required supplementary information are intended to show information for 10 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, 2024 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, 2024 reflect changes in actuarial assumptions based upon the results of an actuarial experience.

MANAGEMENT BOARD
INFORMATION SUMMARY

December 10, 2025

AMWUA Management Board Chair and Vice-Chair for 2026

STRATEGIC PLAN REFERENCE

Operational Principles – Facilitate our Strength in Numbers

SUMMARY

The AMWUA Management Board is to elect a Chair and Vice-Chair to serve from January 1, 2026 through December 31, 2026. To accomplish this, the current Management Board Chair appointed Jeremy Abbott of Chandler, Tara Ford of Tempe, and Ron Serio of Glendale as the nominating committee to recommend a candidate for Chair and a candidate for Vice-Chair at the December 10, 2025 meeting.

Per the AMWUA Bylaws, the qualifications for serving as an officer are 1) serve as a member of the current Management Board for at least the immediately preceding twelve months (January 2025 – December 2025); 2) have not missed more than three Management Board meetings in the preceding twelve months; 3) be able to serve at least one year as Chair or Vice-Chair; and 4) the Chair and Vice-Chair may serve a maximum of two consecutive years in the same position.

RECOMMENDATION

The Management Board is requested to consider and approve the Nominating Committee's recommendation for Chair and Vice-Chair for 2026.