



WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

ANNUAL REPORT

December 30, 2024



**WATER
INFRASTRUCTURE**
FINANCE AUTHORITY
OF ARIZONA

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The Honorable Katie Hobbs, Governor of Arizona
The Honorable Warren Petersen, Senate President
The Honorable Ben Toma, Speaker of the House of Representatives
and the Citizens of the State of Arizona

I am pleased to present the Water Infrastructure Finance Authority (WIFA) of Arizona's 2024 Annual Report as required under A.R.S. §49-1204.

WIFA has been charged with helping to meet the existing and future water needs of this state through water conservation, reuse, and augmentation. We are making great progress towards these goals.

- This year WIFA finished awarding \$200 million in grants for long-lasting water conservation activities that will over their lifetime conserve over 5 million acre-feet of water.
- WIFA advanced water resiliency throughout the state by awarding \$64 million in loans and grants to water users outside Arizona's major urban areas.
- In November, WIFA issued a solicitation for procurement of long-term water importation projects. The solicitation will allow WIFA to accept responses from fully formed teams of project proposers who have demonstrated experience in engineering, constructing, operating, maintaining, and financing water augmentation projects. This is a major milestone in WIFA's efforts to responsibly and thoroughly pursue water importation opportunities.
- Finally, with WIFA's continued focus on our ability to continue all our efforts into the future, we successfully completed a refunding of \$109.7 million of outstanding debt, freeing up \$38.6 million in additional funds for our State Revolving Fund loan programs.

It has been an honor to serve the state of Arizona. With my upcoming retirement the WIFA Board of Directors has designated Chelsea McGuire as WIFA's Interim Director, effective January 1st, 2025. If you have any questions or need additional information, please contact her at cmcguire@azwifa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chuck Podolak'.

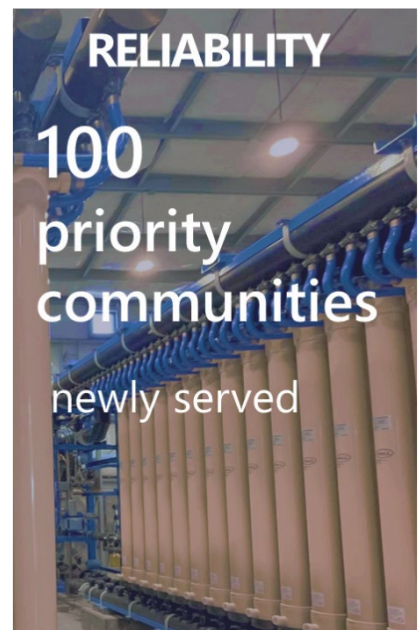
Chuck Podolak
Director, Water Infrastructure Finance Authority

Mission

To ensure the sustainability of Arizona's present and future water supply through financial investments in effective augmentation, conservation, reuse, and water quality actions.

Legislative Direction

WIFA is established for the benefit of current and future residents, the economy, and the environment of this state. WIFA shall accomplish its purposes of helping to meet existing and future water needs of this state by developing or facilitating water conservation, reuse, and augmentation projects. A.R.S. § 49-1205(B) & (C).



Strategic Framework

On August 21, 2024, the WIFA Board (Attachment 1) adopted an amended 5-Year Strategic Framework (Attachment 2) to specify how WIFA intends to accomplish the direction set forth by the Arizona Legislature. This framework sets numeric targets for augmentation, conservation, and reliability that will guide WIFA's actions. WIFA will work toward these targets as follows:

- Augmentation: Conduct a competitive process to develop the best project in-state and out-of-state projects to reach demand targets identified by potential off-takers;
- Conservation: Continue the Water Conservation Grant Fund Program to fund long-term water saving projects throughout the state; and
- Reliability: Focus on priority projects that address public health impacts in communities without capacity to address them.

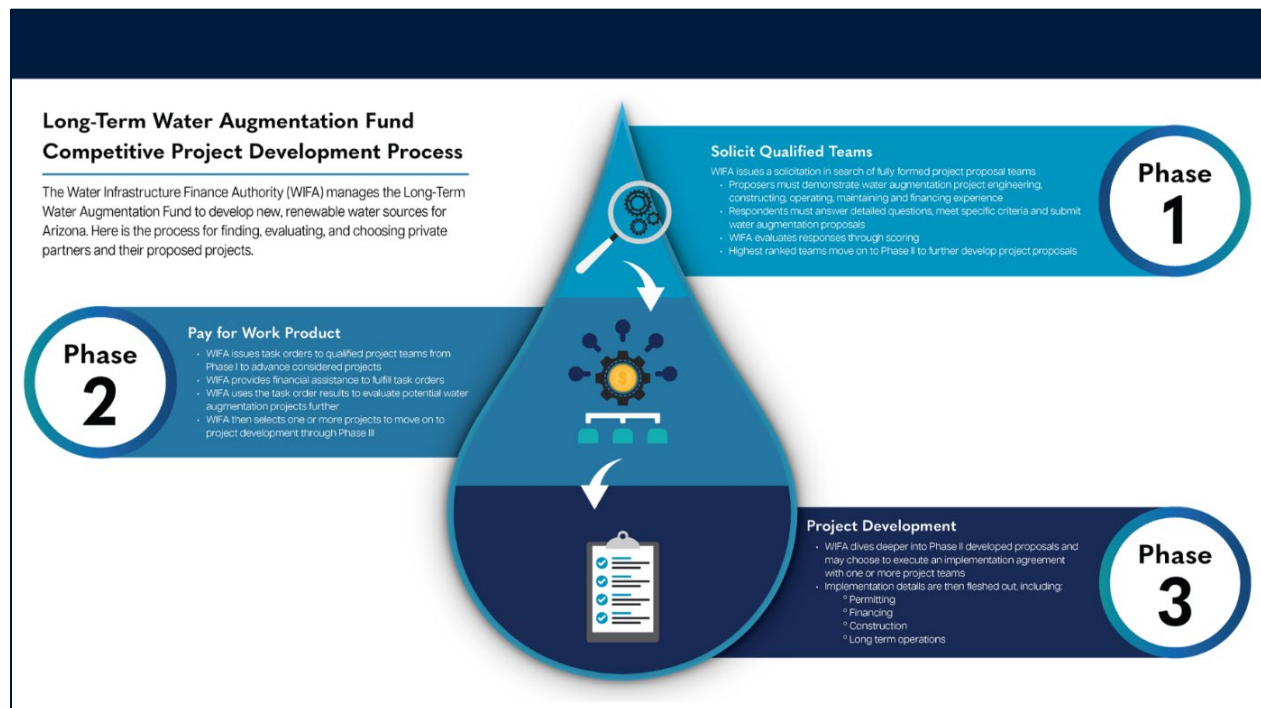
WIFA's progress towards meeting these strategic targets is described in the sections below.

Augmentation: Long Term Water Augmentation Fund (LTWAF)

WIFA expects significant demand for additional water resources in Arizona. Some, but not necessarily all, of that additional demand may be met by WIFA-funded projects. Although Arizona statutes focus WIFA's efforts on importing water from out of state, they also provide for significant WIFA funds to be used on in-state projects as well. This flexibility allows WIFA to pursue a portfolio of projects if such a portfolio is more effective to address identified water needs. It is WIFA's intent to identify the project(s) that best addresses the associated technical, financial, regulatory, legal, and political challenges by conducting a rigorous competitive process.

During 2024, WIFA focused on developing the process to identify Water Importation Projects. This involved promulgating statutorily mandated rules governing the procurement of projects through the LTWAF. See 30 A.A.R. 806 April 26, 2024. Because WIFA opted to remove unsolicited proposals from its options for procurement, the WIFA board rescinded their 2022 resolution regarding an unsolicited proposal it received, directing all interested parties toward a forthcoming competitive solicitation.

Following a series of public discussions¹ on various project delivery methods and case studies for other large infrastructure projects, WIFA's Long Term Water Augmentation committee undertook a 4-month process to develop a competitive solicitation that will serve as the first phase of a thorough selection process for a future Water Importation Project.



¹ WIFA's [Public Meetings](#) page includes recordings of all Board and Committee meetings. Of particular relevance to the solicitation development process are the May 15, 2024 Board of Directors Workshop and the July 10 and July 18 Long-Term Water Augmentation Committee meetings.

The WIFA Board approved the solicitation in November, and WIFA issued it the same day. This process will unfold over the first half of 2025 and culminate in WIFA issuing base contracts to a number of qualified teams. Those teams will work with WIFA, at WIFA's direction, to further develop augmentation proposals. WIFA will use the work product produced by these teams to engage in an alternatives analysis to compare potential augmentation options.

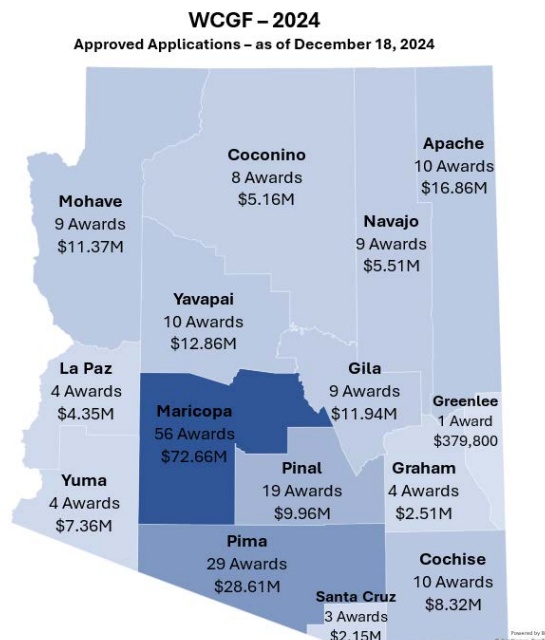
During 2024 WIFA also worked through the implications of significant cuts to WIFA's LTWAF. WIFA designed our current project development pathway in light of our reduced budget, and we are confident that our current fund balance is sufficient to support that undertaking. However, further cuts to the Long-Term Water Augmentation fund will jeopardize the success of that process, in addition to undermining the State's commitment to long-term water augmentation efforts. Continuing the trend of reallocating the Long-Term Water Augmentation fund to support other initiatives will weaken the State's ability to invest in water security infrastructure and increase the risk that WIFA will be unable to attract the types of large-scale projects capable of bringing meaningful new renewable water supplies into the state. Accordingly WIFA's [FY2026 budget request](#) asks for no additional money, but seeks to prevent further cuts. Furthermore, WIFA will continue to work with the Legislature and Governor, providing all policy makers with opportunities to signal support for WIFA's Long Term Water Augmentation Efforts in ways that require no additional financial commitment.

Conservation: Water Conservation Grant Fund

While some portions of Arizona's future supply-demand gap will be addressed with new water supplies, other portions of the gap can be addressed by activities to conserve existing supplies. As a complement to augmentation efforts, WIFA will continue the Water Conservation Grant Fund (WCGF) program in a way that realizes long-term water savings projects throughout the state.

During 2024, WIFA awarded the balance of the \$200 million that were made available for the WCGF program. It is estimated that the 185 activities funded by WIFA will conserve as much as 5.5 million acre-feet of water over the lifespan of these long-term activities. WIFA has been working with the Governor's office to promptly process reimbursement requests from the grant recipients.

WIFA was unable to fund all the nearly \$300 million in grant requests. Based on unawarded applications and subsequent outreach to other potential recipients, we believe that there is well over \$100 million in immediate demand for additional conservation actions. Accordingly, WIFA has raised our 5-year goal by 50% to funding activities that conserve 7.5 million acre-feet. To accomplish this goal, WIFA intends to seek \$25 million in additional WCGF funds each year for the next four years as reflected in WIFA's [FY2026 budget request](#).



WCGF Program Totals	Amount	AF Savings (min)	AF Savings (max)	# of Applications
Awarded	\$200,000,000	3,278,782	5,527,138	185
Tabled for Future Consideration	\$9,356,680	3,706	7,858	13
Grantee Declined	\$358,897	192	2,152	3
Denied	\$51,401,114	31,087	139,694	36
Grand Total	\$261,116,691	3,313,767	5,676,842	237

WCGF grant expenditures as of mid-December 2024 equaled nearly \$14 million (Attachment 4) with another \$16 million in reimbursement requests currently being processed. Programs and projects funded will lead to long-term, sustainable reductions in water use through 70 Advanced Meter/System Upgrade projects, 24 Agriculture System Upgrade projects, and 42 Turf Removal projects which are expected to reduce water use by approximately 125,000 acre feet (AF) per year. Improved water use efficiency will be realized through 22 Water Efficiency projects which improve efficiencies by over 6,000 AF per year. Improved water reliability will occur through 16 Recharge/Reuse projects which will be recharging and reusing nearly 23,000 AF per year. The actual water savings of projects funded will be reported in future years as projects are completed.

With the conservation funds expended in 2024, awardees have purchased more than 17,000 advanced meters, removed over 608,000 square feet of turf, purchased 1,196 efficient plumbing fixtures, and invested about \$3.8 million in advanced agricultural on-farm technology.

WCGF Environmental Impacts as of December 2024	
Square Feet of Turf Removed	608,256
Advanced Meters Purchased	17,006
\$ Invested on On-Farm Advanced Technology	\$ 3,845,457.75
Efficient Fixtures Purchased	1,196
Linear Feet of Canals Improved	6,400

Reliability: Water Supply Development, Clean Water, and Drinking Water Revolving Funds

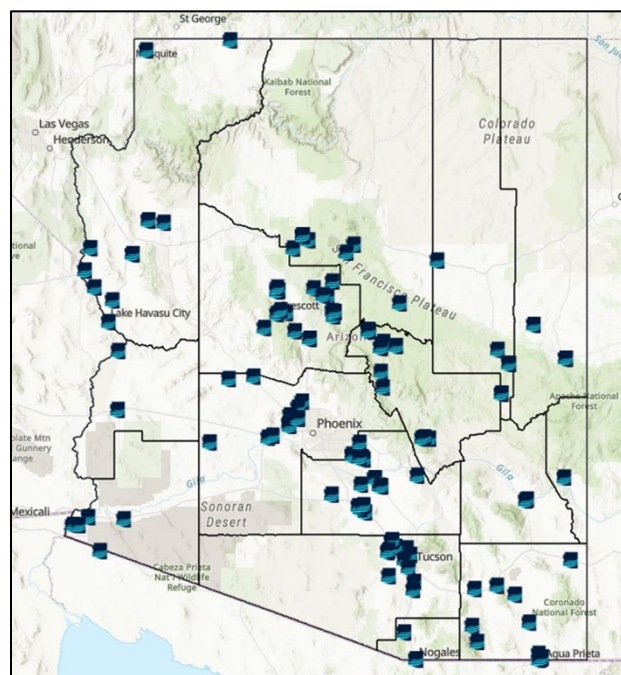
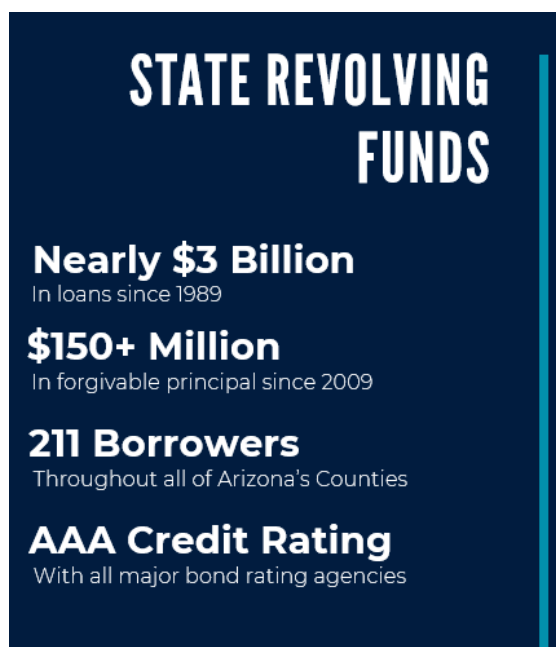
While there was significant focus in 2024 on WIFA's new programs for augmentation and conservation, we continued to assist Arizona communities in making their water systems more resilient through our revolving fund programs. In 2024, WIFA approved approximately \$150 million in subsidized loans from the Clean Water and Drinking Water State Revolving Funds. This low-cost financing allows communities with the greatest need for clean and drinking water infrastructure to access the funds they need to ensure additional reliability and safety in their water systems. It also helps these systems comply with new regulatory structures. To address the growing concern with emerging contaminants such as PFAS, and to assist with service line inventories to meet new compliance regulations, WIFA approved over \$3 million in four separate 100% forgivable loans. Overall, WIFA was able to award more than \$16 million in forgivable principal across 22 separate projects.

In addition to the existing loan programs primarily supported by Federal funds, WIFA began awarding funds through the previously dormant Water Supply Development Fund which is focused on the more rural portions of Arizona. WIFA began to accept applications for this revamped program,

building a pipeline of 48 projects seeking \$93 million in assistance, and awarding \$24.8 million to 13 projects. From FY 2024 to present thirty-three SRF and WSDRF projects have been approved for WIFA Priority Communities.

WIFA's ability to provide much-needed assistance to these communities was also challenged by a 2024 sweep of nearly one third of the funds set aside for these purposes. The Water Supply Development Committee has discussed several approaches to maintaining the sustainability of this fund in order to best meet the current and future needs of rural Arizona in light of the cuts, and WIFA plans to use funds on-hand to meet demand during 2025. However, current demand for the fund and identified rural needs will necessitate future appropriations to ensure that the fund is adequate to address rural water needs.

WIFA's ability to provide low-cost assistance to communities hinges on maintaining a strong financial position and credit rating. This was evident in 2024 with a clean audit with no findings (Attachment 5) and a AAA rating from S&P and Fitch credit rating agencies. This financial health was also confirmed by the bond market where WIFA outperformed expectations and other public entities when refunding outstanding debt in Sept 2024. To ensure WIFA can maintain this fiscal health, the board approved a revised 5-year Financial Plan (Attachment 6) setting forth a path for continued financial assistance supported by prudent borrowing while maintaining a strong credit rating to ensure the greatest value for WIFA's borrowers.



Small Drinking Water Systems Fund

Over 300 million Americans rely on community drinking water systems, and 90% of these systems are considered small public water systems (serving fewer than 10,000 people). The U.S. Environmental Protection Agency Drinking Water Action Plan has identified that economically stressed, minority and otherwise disadvantaged communities, particularly those served by small

public water systems, lack the resources to assure consistent compliance with the Safe Drinking Water Act.

Throughout the year, the Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends projects to WIFA for funding from the Small Drinking Water Systems Fund (SDWSF). Pursuant to A.R.S. § 49-355, the Legislature appropriated \$500,000 to the SDWSF in FY2017, \$500,000 in FY2020 and \$1,000,000 in FY2022. Additionally, ADEQ provided a one-time fund transfer of \$413,195 to the SDWSF in June 2024. Those funds have allowed WIFA to award 43 SDWSF grants to small systems throughout Arizona (Attachment 7).

If the five projects that are pending project completion use the entirety of their grant funds, then the total expended on SDWSF projects will be \$2,248,624.91. The total amount available from the appropriations, accrued interest, and the ADEQ transfer is \$2,450,036.62. Therefore, the SDWSF will have only \$201,411.71 remaining for this impactful program.

Attachment 1
WIFA Board



WATER INFRASTRUCTURE

FINANCE AUTHORITY OF ARIZONA

Governance Structure as of December 2024

Appointed By	Representation	Name	Voting Status	Long-Term Water Augmentation Committee	Water Supply Development Committee
Governor	Statewide	Peter Kim (Term Expire: 1-31-2028)	Voting	Member By Statute	Member By Statute
Governor	Large County (>400,000)	David Beckham (Term Expire: 1-31-2026)	Voting	Member By Statute	
Governor	Large County (>400,000)	Buchanan Davis WSDRF Committee Chairman (Term Expire: 1-31-2026)	Voting	Member By Statute	Voting
Senate President	Large County (>400,000)	Ted Cooke LIWAF Committee Chairman (Term Expire: 1-31-2026)	Voting	Member By Statute	Voting
House Minority Leader	Large County (>400,000)	Tim Thomure (Term Expire: 1-31-2026)	Voting	Member By Statute	
Governor	Small County (<400,000)	Jonathan Lines Board Chairman (Term Expire: 1-31-2028)	Voting		Member By Statute
Governor	Small County (<400,000)	Patrice Horstman (Term Expire: 1-31-2028)	Voting		Member By Statute
Senate Minority Leader	Small County (<400,000)	Susan Montgomery (Term Expire: 1-31-2028)	Voting	Voting	Member By Statute
House Speaker	Small County (<400,000)	Richard Lunt (Term Expire: 1-31-2028)	Voting	Voting	Member By Statute
Ex-officio	Senate President Designee	Sen. Sine Kerr**	Non-voting		
Ex-officio	House Speaker Designee	Rep. Gail Griffin	Non-voting		
Ex-officio	Senate Minority Leader Designee	Sen. Priya Sundareshan*	Non-voting		
Ex-officio	House Minority Leader Designee	Rep. Stephanie Stahl-Hamilton	Non-voting		
Ex-officio	State Land Commissioner	Robyn Sahid	Non-voting		
Ex-officio	Director of ADOA(designee)	Ray Diciccio	Non-voting		
Ex-officio	Director of ADWR	Thomas Buschatzke	Non-voting		
Ex-officio	Director of ADEQ	Karen Peters	Non-voting		
Ex-officio	CEO of ACA	Sandra Watson	Non-voting		

*Democratic leadership has informed WIFA that Senator. Lauren Kuby will replace Senator Sundareshan as of the start of the 2025 Legislative Session.

**Senator Sine Kerr did not run for re-election. Republican leadership has not yet informed WIFA regarding her replacement.

Attachment 2
WIFA Strategic Framework



WATER INFRASTRUCTURE

FINANCE AUTHORITY OF ARIZONA

Five- Year Strategic Framework (FY2024 -2028)

AUGMENTATION

100k -500k
acre-feet

in annual
new supplies



CONSERVATION

7.5 million
acre-feet

of water
conserved



RELIABILITY

100
priority
communities

newly served



About the Water Infrastructure Finance Authority:

Aridification and drought conditions are currently and will remain a major challenge for the State of Arizona for the foreseeable future, and Arizona must have a long-term vision to alleviate the impacts of water scarcity, in urban and rural Arizona. WIFA was established to protect current and future Arizonans, the economy, and the environment of this state by investing resources in a holistic portfolio of water supply solutions in all parts of the State of Arizona. WIFA has made significant tangible progress toward this critical goal and over the next five years, WIFA will help meet Arizona's existing and future water needs by accomplishing the following:

- **Augmentation:** conduct a competitive process to develop the best in-state and out-of-state projects to reach demand targets identified by potential off-takers
- **Conservation:** continue the Water Conservation Grant Fund Program to fund long-term water saving projects throughout the state
- **Reliability:** focus on priority projects that address public health impacts in communities without capacity to address them

WIFA 5-year Strategic Framework (FY 2024-2028)

Mission – To ensure the sustainability of Arizona’s present and future water supply through financial investments in effective augmentation, conservation, reuse, and water quality actions

Legislative Direction – WIFA is established for the benefit of current and future residents, the economy, and the environment of this state. WIFA shall accomplish its purposes of helping to meet existing and future water needs of this state by developing or facilitating water conservation, reuse, and augmentation projects.

1. Secure AUGMENTATION project(s) for between 100,000 and 500,000 acre-feet per year of new water supplies through a competitive process

- **End of 2024:** *Craft and publish* a detailed augmentation project solicitation for imported water projects
- **Spring 2025:** *Secure* additional tangible (non-financial) demonstrations of support for water importation from elected officials
- **Mid-2025:** *Select* multiple project teams to move forward for further analysis
- **Mid-2025:** *Open* application process for in-state augmentation project financial assistance
- **Late 2025:** *Reach agreement* with potential offtakers on offtake agreement structure for imported water
- **Ongoing:** *Protect* funds on-hand from additional legislative sweeps

Motivation – WIFA’s water augmentation mission was created in anticipation of significant demand for additional sustainable water resources in Arizona. WIFA is expressed directly in state statute to “investigate the feasibility of entering into agreements with public or private entities for projects to import water into this state¹”. Some, but not necessarily all, of that additional demand may be met by WIFA-funded projects. To invest our resources in a responsible and effective way, WIFA will craft and manage a competitive process to develop the best project(s) to augment water through in-state and out-of-state projects.

Background – Recognizing that it is unrealistic to assume that every supply-demand gap statewide for all sectors can or should be closed with water augmentation projects, WIFA first sought to determine the extent of potential demand for augmented water. In 2023, WIFA and its consultants reviewed existing supply and demand projections (a “top-down” approach) and held conversations with a wide array of water users (a “bottom-up” approach) to determine an appropriate scale of an imported water project.

¹ Arizona Revised Statutes 49-1203.01 (A) (2)

This assessment identified an interest in between 100,000 and 500,000 acre feet per year of augmented water over a 5-15 year timeframe. This does not represent Arizona's overall water needs, but rather, the portion of those water needs that utilities and water users believe could be effectively met through relatively expensive imported water sources. Water users continue to pursue their own strategies including acquiring additional in-state groundwater supplies, pursuing advanced water recycling projects, and increasing mandatory water efficiency measures.

While this range reflects a high level of price elasticity, it also affirms that reliable new supplies will play an important role for a critical mass water users across all sectors. Water users are enthusiastic about WIFA serving as the catalyst for bringing new supplies online.

WIFA also completed a Request for Information (RFI) in 2023. The RFI asked a broad range of water stakeholders to provide WIFA with their ideas for components of water augmentation projects. The RFI showed that there is significant appetite and capacity in the private sector for participating with WIFA in a significant water augmentation project including the private sector providing construction financing. Together the demand assessment and RFI provide WIFA with necessary information to chart a path forward.

In mid-2022 there was a commitment to fund the LTWAF with \$1 billion of state funds. At that time, WIFA had not yet defined how it planned to use the funds to accomplish its mission through its flexible authorities. After considering inputs from a range of sources, including the RFI and needs assessment, WIFA has better defined the fund uses into four general areas:

- A. Funds needed to facilitate early planning and development activities for water importation projects.
 - These include the ongoing activities of WIFA and its external consultants to solicit and develop importation concepts to a point where a full evaluation and selection can occur.
 - These may also include costs associated with project permitting.
 - WIFA is actively using the funds currently available in LTWAF toward those planning and development activities.
- B. Funds needed to secure an offtake agreement for imported water.
 - A potential project delivery model could involve WIFA entering into a master agreement for water delivery matched with sub-agreements to deliver water to utilities and users.
 - In such an arrangement, there could be costs associated with mismatches in credit, water volumes, or delivery timing.
 - The funds and authorities necessary to address these costs can be better defined later in the project identification process but will likely require additional legislative appropriations in the medium term.
- C. Funds needed to construct a project or projects to import water.
 - The capital required to construct a facility to import water in the volumes WIFA has identified will likely be multiple billions of dollars, and potentially tens of billions of dollars.
 - Even if funded to the 2022 contemplated levels, the LTWAF balance would be insufficient to construct a project exclusively with State-appropriated public funds. The scale of infrastructure needed to secure new water supplies will require capital from other (private or other public) sources. These necessitate partnerships to be economically feasible.
 - It is highly likely that the funds to construct a project will come mostly, if not exclusively, from the private sector. Nevertheless, near-term legislative actions have an impact on future availability of these funds.

- Further depletion of WIFA's funds available to contribute to a portion of the construction costs as well as uncertainty as to the commitment of Arizona's elected officials to long-term augmentation has the potential to negatively impact WIFA's ability to attract needed capital. Depleting WIFA's resources will likely make WIFA over-dependent on other sources of capital with a commensurate decrease in WIFA's influence in such a project.
- D. Funds to provide financial assistance to construct a project or projects within the state
- WIFA has a legislative mandate to pursue projects to import new water into the state and a significant amount of the LTWAF funds are reserved for this purpose.
 - However, there are financing needs for important in-state projects and WIFA can provide financial assistance for these projects.

Path Forward – WIFA recognizes that augmentation projects previously considered have been expensive and complex. It is WIFA's intent to identify the project(s) that can effectively navigate the technical, financial, regulatory, legal, and political challenges associated with such projects by conducting a rigorous competitive process. With the assistance of highly qualified technical and legal advisors, WIFA is crafting a formal solicitation for water augmentation projects to be issued by the end of 2024.

Although Arizona statutes focus WIFA's efforts on importing water from out of state, they also provide for significant WIFA funds to be used on in-state projects as well. This flexibility allows WIFA to pursue a portfolio of projects in a range of locations if such a portfolio meets identified needs better than one single project. During 2025, WIFA intends to develop and open a program for financial assistance for in-state projects using a limited portion of the LTWAF funds (no more than 25% of ~\$450 million).

The current trend of decreasing the Authority's promised and future appropriations in order to fund short-term projects, meet ongoing expenses, and balance the state budget, undermines the Authority's ability to gain the trust of the private sector as a partner in our efforts to secure a new long-term water supply for the State of Arizona. While WIFA continues to be troubled by the two-year trend of falling well short of securing the planned appropriations into the LTWAF, WIFA does anticipate having adequate funds on hand to facilitate early planning and development activities and provide a limited amount of financial assistance for projects within the state. WIFA intends to protect the funds currently on-hand necessary for these two uses while also identifying ways for the State to express affirmative, consistent support for WIFA's mission and approach. This may include legislative action to grant specific authorities and appropriate resources necessary to secure an offtake agreement for imported water, in addition to contributing the funds needed to construct a project to import water. WIFA is committed to working with all Arizona policymakers to find a secure path forward toward accomplishing the Authority's augmentation mission.

2. CONSERVE at least seven and a half million acre-feet of water by awarding water conservation grants

- **July 2025:** Secure additional grant funds from state, Federal, or private sources
- **End of 2025:** Award next round of additional grant funds

Motivation – While some portion of Arizona’s future supply-demand gap will be addressed with new water supplies, other portions of the gap can be addressed by activities to conserve existing supplies. As a complement to augmentation efforts, WIFA seeks to continue the Water Conservation Grant Fund program in a way that puts into place long-term water savings projects throughout the state.

Background – Arizona uses about as much water today as in 1957 despite tremendous population and economic growth. This is due in part to dedicated conservation measures. Conservation in municipal, industrial and agricultural sectors has been driven by factors such as regulatory pressure, cultural shifts regarding water use, education, awareness, voluntary programs, and financial incentives.

As water users become more efficient, conserving additional water becomes more costly as the “low hanging fruit” gets “picked.” This leads to differences in the costs to conserve water between different regions and sectors. The benefits of conservation also vary by region and sector. Policy goals like adapting to declining Colorado River supplies or addressing groundwater supply challenges drive a focus on particular regions and water use types.

Prior to 2024, compensated conservation activities focused primarily on addressing short term shortfalls on the Colorado River have tended to be commitments to forgo using water for a brief time in return for payments, rather than creating projects that will return savings over a long period. In contrast, most of the applications WIFA received for the Water Conservation Grant Fund have been for investments in programs that create ongoing water savings.

WIFA set an initial target of 5,000,000 acre-feet water saved over the lifespan of the funded projects. To fund conservation in support of particular focus areas, WIFA committed that at least 1/3 of its conservation resources will go to projects that address Colorado River supply challenges and at least 1/3 of its conservation resources will go to projects that address unreplenished groundwater supply challenges. Because assessing projects solely on the cost per acre-foot may not adequately focus funds toward these priority areas, WIFA considered the location and water source along with the cost of the conservation activity.

During 2023 and 2024, WIFA approved 186 grant applications totaling \$200 million. It is estimated that the activities funded by these grants will conserve 3,200,000 – 5,500,000 acre-feet of water over the lifespan of the activities – **meeting WIFA’s initial 5,000,000 acre-feet goal** as well as the Colorado River and groundwater focused goals. The 186 activities were spread over 15 counties and reflected a wide range of communities, sectors, and types of activities.

Path Forward –

While WIFA was able to fund 186 water conservation activities, the demand for funding outstripped WIFA’s available resources and eligible activities went unfunded. Based on this unmet demand and WIFA’s surveys of previous awardees and potential new applicants, WIFA believes there is significant opportunity for additional water conservation activities.

Legislative efforts to secure additional water conservation funding in 2024 were unsuccessful. WIFA is allowed to use funds from a variety of sources including private donations and the federal government and intends to pursue additional funds from multiple sources including state appropriations.

Consistent with the statewide conservation patterns, WIFA saw that initial applications submitted had a relatively low cost per acre foot for the conservation benefit achieved. As communities have their “low-hanging fruit” activities funded, WIFA anticipates seeing the cost per acre foot increase as projects shift to more complicated, nuanced, or smaller-scale projects. Accordingly, WIFA anticipates that to meet a revised goal of 7.5 million acre-feet WIFA will need to secure between \$100 million and \$200 million from a range of sources.

3. Solve water RELIABILITY and quality issues for Arizona communities in need by issuing 100 grants and subsidized loans to Priority Communities

- **FY 2024 – 2028:** Award financial assistance to 100 projects for priority communities*
- **End of 2026:** Establish a WSDRF portfolio that is projected to sustain for at least 20 years
- **Ongoing:**
 - o Award all available EPA capitalization grants within one year
 - o Achieve and maintain a 100% on-time payment within 30 days for all WIFA-issued loans
 - o Maintain AAA credit rating
 - o Begin loan disbursements within 9 months of board approval

**WIFA currently computes a financial assistance index percentage for applicants based on a variety of factors including the severity of the water quality problem being addressed, the public health issue being addressed, and the fiscal need of the borrower. For purposes of this Strategic Framework, a priority community is defined as an applicant with a financial assistance index equal to or more generous than 80%. The index is reported as the percentage of the market interest rate that the borrower will be charged – an 80% index means the borrower’s rate will be 80% of the market rate. A lower value is more generous to the borrower.*

Motivation – WIFA currently can fund approximately \$1 billion in additional projects to address water quality and quantity challenges. While this is significant, it is still much smaller than recent EPA estimates of \$15 billion worth of needs in Arizona over a 20-year period. To have the most impact, WIFA will focus its resources on priority projects that address public health impacts in communities without capacity to address them.

Background – WIFA has roughly \$150 million in funds available to issue loans and grants from the Water Supply Development Revolving Fund (WSDRF). This amount can be increased by issuing revenue bonds against loans made from the fund. Similarly, WIFA has nearly \$800 million in State Revolving Fund (SRF) equity that can be and has been leveraged by bonding to allow the loan portfolio to expand.

WIFA evaluates every application for assistance against several factors including public health and environmental considerations and the ability of the community to fund the project. Projects that solve public health and environmental challenges but would be difficult to accomplish without WIFA’s financial assistance are viewed the most favorably, which is reflected by lower interest rates applied to the WIFA loan. WIFA’s portfolio contains

a number of these higher priority projects, as well as other lower priority projects that help to balance out the portfolio and take advantage of funds that are presently available. A balanced portfolio ensures WIFA can maintain a AAA bond rating and provide the lowest possible rates for WIFA customers.

Since the beginning of FY24 WIFA has closed 13 SRF loans to priority communities and has approved 9 more which have yet to close. WIFA has also opened applications for the WSDRF and is currently conducting concerted outreach to eligible entities in at-risk basins and who have a median household income that is low enough to qualify them for a more generous WSDRF award.

Path Forward – WIFA’s comprehensive Financial Plan provides an estimate of the size of the loan portfolio WIFA could responsibly maintain while incorporating the following goals:

- 1) Meeting projected loan demand over the five years by issuing debt
- 2) Providing financial assistance to 100 priority communities
- 3) Maintaining a “AAA” bond rating

The Financial Plan forecasts a \$200 million future bond sale to support a loan portfolio of \$540 million through FY2028. Factors that could impact the loan portfolio size include the interest rate environment, WIFA’s ability to maintain debt service coverage, and WIFA’s loan portfolio composition. Multiple borrowing options will be contemplated prior to the issuance of any debt.

The Financial Plan allows WIFA to take financial impacts into consideration when approving loans, balancing infrastructure needs with program sustainability. The closer WIFA operates to employing all available resources, the more challenging it is to provide assistance for future projects and the more likely it is that WIFA will have to begin to deny some applications from eligible borrowers.

WIFA can also use the more flexible financial assistance available through the WSDRF to provide assistance to entities that may not have the creditworthiness to participate in the SRF program, but nonetheless have significant water supply infrastructure needs. The WSDRF offers more opportunity for flexibility in loan terms, as well as up to \$2 million in grant funding per application. Together, these programs will allow WIFA to develop a portfolio of borrowers that accurately reflects the water infrastructure needs of this state. While WIFA will still make all efforts to manage the WSDRF in a way that maintains the fund’s sustainability over at least the next two decades, WIFA also recognizes that the structure of the fund indicates a desire to use the WSDRF to meet needs in communities with significant resource constraints. While recent decreases to the WSDRF’s fund balance will make it significantly more challenging for WIFA to balance the sustainability and effectiveness of the fund and invest in water security projects in the rural communities where funding is the most limited and water security is the most critical, WIFA still intends to utilize the remaining money in a way that maximizes the fund’s effectiveness.

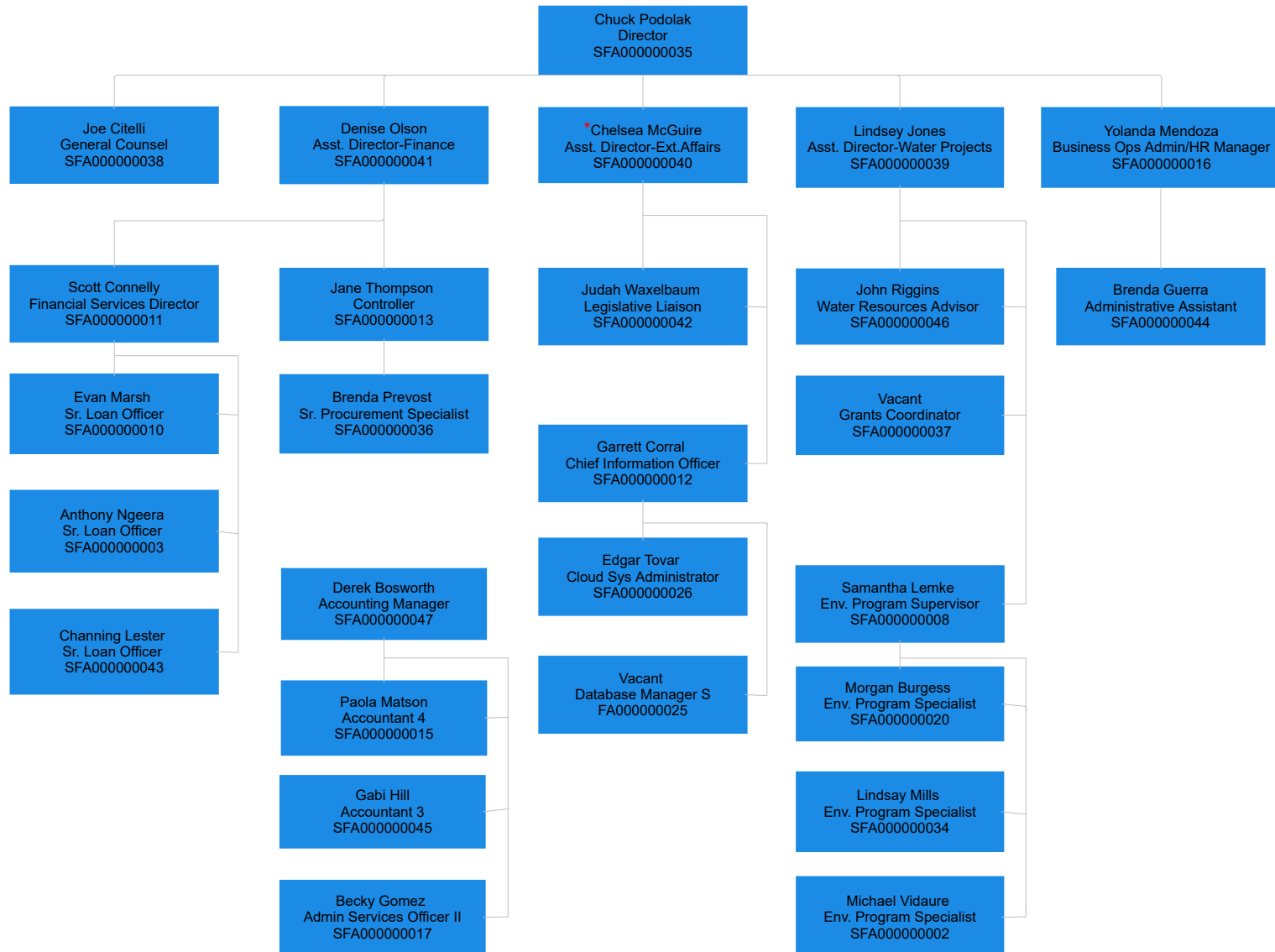
Given our unique offering of funding options for Arizona’s water systems, WIFA is setting an ambitious target for funding new projects in priority communities, defined as communities that meet the criteria for receiving higher financial assistance due to the above-stated factors. Achieving the target of 100 new priority projects will require WIFA to take on more than just 100 projects. A balanced portfolio that grows while maintaining WIFA’s top creditworthiness will likely require continued issuance to lower priority borrowers including those with strong fiscal capability that help balance the portfolio.

Attachment 3
WIFA Organizational Chart



WATER INFRASTRUCTURE

FINANCE AUTHORITY OF ARIZONA



* Interim Director effective January 1, 2025

Attachment 4
Water Conservation Grant Fund Status

Water Conservation Grant Fund - Fiscal Year 2024 Expenditures
Awardee Grantees as of December 18, 2024 - Amount Expended as of December 18, 2024

# of grants awarded	185
Total Amount Awarded	\$200,000,000.00

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Abra Water Company, Inc.	WC3-116-2024	Replacement of out dated and old water meters with new radio meters.	Advanced Meters/System Upgrades	Yavapai	\$300,000.00	15	218	327	\$ 240,000.00	80%
Alpine Domestic Water Improvement District	WC1-001-2023	Water Meter Upgrade	Advanced Meters/System Upgrades	Apache	\$250,000.00	4	48	72	\$ 125,228.52	50%
Apache Junction Sewer District	WC6-253-2024	AJSD Reclaimed Water Exchange Project	Recharge/Reuse	Pinal	\$250,000.00	1,000	0	42,249	\$ -	0%
Apache Junction Water District	WC1-002-2023	Advanced Metering Infrastructure Program	Advanced Meters/System Upgrades	Pinal	\$1,065,845.00	275	2,294	3,440	\$ -	0%
Apache Natural Resource Conservation District	WC3-117-2024	Old Concho Water Conservation & Efficiency Program	Agriculture System Upgrades	Apache	\$2,471,000.00	1,650	50,605	75,907	\$ 273,400.00	11%
Arizona Board of Regents	WC4-155-2024	Fostering Water Conservation through Algae Solutions for AZ farms	Education/ Research/Studies	Yuma	\$3,000,000.00	2,880	0	10,366	\$ -	0%
Arizona State University	WC2-068-2023	Non-functional turf removal at ASU Research Park and Papago Golf Course	Turf Removal	Maricopa	\$1,690,004.91	157	2,939	4,408	\$ -	0%
Arizona Water CO	WC2-071-2023	Free Water Conservation Kit Project	Efficient Fixtures	Pinal	\$34,667.51	82	259	388	\$ -	0%
Arizona Water CO	WC2-072-2023	High-Efficiency Toilet Rebate	Efficient Fixtures	Pinal	\$355,500.00	23	802	1,203	\$ -	0%
Arizona Water CO	WC6-276-2024	Automatic Metering Infrastructure Program - Ajo	Advanced Meters/System Upgrades	Pima	\$262,639.00	7	71	107	\$ -	0%
Arizona Water CO	WC6-279-2024	Advanced Metering Infrastructure Program - Munds Park	Advanced Meters/System Upgrades	Coconino	\$927,032.25	19	214	321	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Arizona Water CO	WC6-281-2024	Advanced Metering Infrastructure Program - Casa Grande West	Advanced Meters/System Upgrades	Pinal	\$148,057.50	5	56	84	\$ -	0%
Avondale City of	WC2-069-2023	Reduce Your Use!	Efficient Fixtures	Maricopa	\$64,875.00	7	74	111	\$ 10,656.96	16%
Avondale City of	WC5-204-2024	Enhanced Water Efficiency Audits for Avondale Municipal Properties	Efficient Fixtures	Maricopa	\$52,500.00	9	101	152	\$ -	0%
Avra Water COOP	WC4-153-2024	Advance Metering Infrastructure Project	Advanced Meters/System Upgrades	Pima	\$247,000.00	60	720	1,080	\$ 69,530.00	28%
Avra Water COOP	WC4-154-2024	Water Conservation Program	Efficient Fixtures	Pima	\$135,728.00	60	492	738	\$ 6,435.39	5%
Beaver Dam Water Company	WC6-282-2024	Beaver Dam Rural Water Advanced Meter Installation Program	Advanced Meters/System Upgrades	Mohave	\$334,641.25	3	45	68	\$ -	0%
Billy & Bonnie LLC	WC5-208-2024	meter replacement	Advanced Meters/System Upgrades	Cochise	\$26,933.61	2	23	34	\$ -	0%
Bonneville Environmental Foundation	WC2-073-2023	Irrigation infrastructure conversion from flood to cost-effective, water-efficient micro-irrigation on the Colorado River Indian Tribes (CRIT) Farms	Agriculture System Upgrades	La Paz	\$3,000,000.00	5,944	48,002	72,002	\$ 2,963,617.95	99%
Bonneville Environmental Foundation	WC1-003-2023	Cooling Water Conservation Program	Efficient Fixtures	Maricopa	\$2,990,709.35	400	4,669	7,003	\$ -	0%
Buckeye City of	WC4-160-2024	Buckeye Natural Turf Removal Rebate Program	Turf Removal	Maricopa	\$100,000.00	16	320	480	\$ -	0%
Buckeye Elementary School District	WC6-257-2024	Buckeye Elementary School District Water System Upgrades	Efficient Fixtures	Maricopa	\$77,556.00	10	120	180	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Buckeye WCDD	WC2-076-2023	BWCDD System Modernization Program - Phase IV: Lateral 67 & 68 Terminal Spill & Storage Improvement	Agriculture System Upgrades	Maricopa	\$1,575,861.29	7,569	283,838	425,756	\$ 18,696.36	1%
Buckeye WCDD	WC1-004-2023	BWCDD Irrigation District Modernization and Water Storage Program: Phase I Diversion Intake Structure	Agriculture System Upgrades	Maricopa	\$3,000,000.00	29,974	245,909	368,864	\$ -	0%
Buckskin Sanitary District	WC1-005-2023	Injection Wells Installation	Recharge/Reuse	La Paz	\$250,000.00	470	0	5,269	\$ -	0%
Bullhead City*	WC6-285-2024	City of Bullhead City Water Conservation and Rebate Program	Turf Removal	Mohave	\$3,000,000.00	262	5,240	7,860	\$ -	0%
Camp Verde Town of	WC3-114-2024	Advanced Metering Infrastructure (AMI) and Leak-Prone Main Replacement Conservation Program	Advanced Meters/System Upgrades	Yavapai	\$2,325,000.00	15	169	253	\$ 72,210.00	3%
Casa Grande City of	WC6-262-2024	City of Casa Grande City Hall Landscape Water Reduction Project	Turf Removal	Pinal	\$150,000.00	1	14	20	\$ -	0%
Cayetano Inc	WC4-158-2024	Advance Metering for Conservation	Advanced Meters/System Upgrades	Pima	\$198,000.00	11	132	198	\$ 138,000.00	70%
Central Arizona College	WC2-077-2023	Water Cooling Towers Water Reduction Project	Efficient Fixtures	Pinal	\$141,124.50	31	349	523	\$ 141,124.50	100%
Central Arizona College	WC3-122-2024	Softball Field Water Conservation	Turf Removal	Pinal	\$183,286.72	5	100	150	\$ -	0%
Central Arizona Irrigation and Drainage District	WC6-284-2024	SCADA Upgrade for Water Use Efficiency	Agriculture System Upgrades	Pinal	\$2,237,343.82	1,000	39,867	59,800	\$ -	0%
Chandler City of	WC1-008-2023	Grass Removal Rebate Program (Multi-family, HOA and Commercial Property)	Turf Removal	Maricopa	\$975,000.00	92	4,900	7,350	\$ 161,427.11	17%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Chandler City of	WC1-009-2023	Water Efficient Technology Rebate Program (Commercial, Industrial, HOA, Multi-family)	Efficient Fixtures	Maricopa	\$1,500,000.00	112	1,840	2,760	\$ 102,228.31	7%
Chandler City of	WC1-007-2023	Non-Functional Grass Removal Program (Public Property)	Turf Removal	Maricopa	\$3,000,000.00	245	1,719	2,578	\$ -	0%
Chandler City of	WC3-110-2024	Advanced Metering Infrastructure (AMI) - Customer Engagement Portal	Advanced Meters/System Upgrades	Maricopa	\$150,000.00	1,800	20,250	30,375	\$ -	0%
Clarkdale Town of	WC1-010-2023	Clarkdale Cellular Water Meter Upgrades Program	Advanced Meters/System Upgrades	Yavapai	\$562,500.00	5	56	84	\$ -	0%
Clay Springs Domestic Water Improvement District	WC4-169-2024	Clay Springs DWID AMR and Remote Monitoring Project	Advanced Meters/System Upgrades	Navajo	\$165,758.00	4	41	71	\$ 113,218.60	68%
Cochise County	WC6-229-2024	Stormwater Conservation and Aquifer Revitalization Program	Recharge/Reuse	Cochise	\$3,000,000.00	1,850	0	83,250	\$ -	0%
Coolidge Unified School District	WC6-232-2024	CUSD Water Conservation Project	Turf Removal	Pinal	\$3,000,000.00	38	760	1,140	\$ 395,492.84	13%
Cottonwood City of	WC3-125-2024	City of Cottonwood Stormwater Management	Recharge/Reuse	Yavapai	\$352,351.42	1	19	28	\$ -	0%
Creighton School District	WC6-225-2024	Kennedy School Turf Removal Project	Turf Removal	Maricopa	\$1,040,000.00	11	220	330	\$ -	0%
Creighton School District	WC6-226-2024	Turf Replacement Loma Linda Elementary School	Turf Removal	Maricopa	\$1,558,244.42	20	347	520	\$ -	0%
Douglas City of	WC3-126-2024	City of Douglas- Preliminary Engineering Study- Effluent Reuse	Education/ Research/Studies	Cochise	\$200,000.00	1,536	0	5,530	\$ -	0%
Douglas City of	WC4-159-2024	City of Douglas SCADA upgrade	Advanced Meters/System Upgrades	Cochise	\$1,729,715.00	2,749	142	213	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Drylands Alliance for Addressing Water Needs Partner with Central AZ Irrigation and Drainage District	WC6-289-2024	Parjana EGRP® Groundwater Recharge Demonstration and Education Project	Education/ Research/Studies	Pinal	\$249,999.42	1	0	4	\$ -	0%
Duncan Town of	WC3-148-2024	SCADA Installation and Pipe Retrofitting Program	Advanced Meters/System Upgrades	Greenlee	\$379,800.00	8	300	450	\$ -	0%
Eagar Town of	WC3-107-2024	Water Conservation through Automation Meter Program	Advanced Meters/System Upgrades	Apache	\$1,335,121.67	10	112	169	\$ -	0%
Eagar Town of	WC4-190-2024	Hydrant and supporting infrastructure replacement with Remote Pressure Monitoring Device installation.	Advanced Meters/System Upgrades	Apache	\$70,000.00	5	96	144	\$ -	0%
Eastern AZ College	WC2-083-2023	Monster Water Conservation and Education Program	Vegetation Management	Graham	\$185,545.00	1,055	5,219	7,828	\$ 13,019.09	7%
Eden Water	WC3-108-2023	Advanced Meter Replacement	Advanced Meters/System Upgrades	Graham	\$80,000.00	21	252	378	\$ 60,327.67	75%
El Mirage City of	WC6-227-2024	Water Recirculation Firefighting Training System	Efficient Fixtures	Maricopa	\$83,571.90	19	214	321	\$ 83,571.90	100%
El Mirage City of	WC1-013-2023	Water Production Facility Conservation Project	Recharge/Reuse	Maricopa	\$250,000.00	24	0	1,440	\$ -	0%
EPCOR Water	WC6-292-2024	Xeriscape Water Conservation EPCOR	Turf Removal	Maricopa	\$1,000,000.00	70	1,400	2,100	\$ -	0%
Flagstaff City of	WC2-081-2023	Nonrevenue Water Audit Management Program	Advanced Meters/System Upgrades	Coconino	\$136,000.00	270	0	972	\$ -	0%
Flagstaff City of	WC3-115-2024	Radio Read Meter Replacement Program	Advanced Meters/System Upgrades	Coconino	\$750,000.00	70	788	1,181	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Flagstaff City of	WC3-128-2024	Groundwater Recharge Model Development	Education/ Research/Studies	Coconino	\$80,000.00	3,500	0	12,600	\$ -	0%
Flagstaff City of	WC3-129-2024	Upper Lake Mary Watershed Monitoring and Assessment Program	Education/ Research/Studies	Coconino	\$60,000.00	661	0	2,380	\$ -	0%
Fountain Hills Town of	WC3-149-2024	Non-Functional Turf Removal on Fountain Hills Town Property	Turf Removal	Maricopa	\$130,282.00	7	131	197	\$ -	0%
Friends of the Verde River	WC1-015-2023	River Friendly Living - Camp Verde	Education/ Research/Studies	Yavapai	\$250,000.00	25	243	365	\$ -	0%
Ft. Thomas Unified School District #7	WC6-243-2024	GrassRip: Turf Takedown for H2O Heroes	Turf Removal	Graham	\$1,995,000.00	52	935	1,402	\$ -	0%
Gila Bend Town of	WC6-277-2024	Gila Bend Smart Water Meter Replacement	Advanced Meters/System Upgrades	Maricopa	\$330,000.00	100	1,200	1,800	\$ -	0%
Gilbert Town of	WC4-192-2024	Residential Grass Removal Rebate Program	Turf Removal	Maricopa	\$240,000.00	84	100	150	\$ 35,025.00	15%
Gilbert Town of	WC4-191-2024	Non-Residential Grass Removal Rebate Program	Turf Removal	Maricopa	\$60,000.00	5	1,680	2,520	\$ 4,500.00	8%
Gilbert Town of	WC1-016-2023	Municipal Grass Removal Program	Turf Removal	Maricopa	\$3,000,000.00	50	1,000	1,500	\$ 10,765.45	0%
Gilbert Town of	WC4-193-2024	Town of Gilbert Auto-flusher reduction program - phase 1	Advanced Meters/System Upgrades	Maricopa	\$3,000,000.00	65	2,097	3,145	\$ -	0%
Glendale City of	WC1-017-2023	Glendale Water Wise Rebate Program for Residential and Non-Residential Customers	Turf Removal	Maricopa	\$450,000.00	85	671	1,007	\$ 90,755.71	20%
Glendale City of	WC1-018-2023	City of Glendale Right Of Way Xeriscape Landscape Program	Turf Removal	Maricopa	\$3,000,000.00	56	1,175	1,762	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Global Water - Farmers Water Company, Inc	WC2-082-2023	Advanced Metering Infrastructure (AMI) Program	Advanced Meters/System Upgrades	Pima	\$1,600,000.00	59	708	1,062	\$ 917,169.95	57%
Globe City of	WC4-150-2024	Water Meter Upgrade and Replacement of Water Lines	Advanced Meters/System Upgrades	Gila	\$3,000,000.00	139	1,668	2,502	\$ -	0%
Goodyear City of	WC1-019-2023	Commercial, Institutional, Industrial, and HOA Lawn Removal Incentive	Turf Removal	Maricopa	\$74,000.00	40	4,771	7,156	\$ 190.90	0%
Goodyear City of	WC3-130-2024	RO Reject and Cooling Water Blowdown Conservation and Recovery Program	Efficient Fixtures	Maricopa	\$3,000,000.00	3,958	800	1,200	\$ -	0%
Grover's Hill Irrigation District	WC6-236-2024	Lyman Ditch Water Conservation Project	Agriculture System Upgrades	Apache	\$2,998,875.00	1,927	69,226	103,839	\$ -	0%
Holbrook City of	WC4-162-2024	Water Meter Upgrade	Advanced Meters/System Upgrades	Navajo	\$528,000.00	46	518	776	\$ -	0%
Kingman City of	WC2-084-2023	City of Kingman Automated Meter Reading Program	Advanced Meters/System Upgrades	Mohave	\$300,000.00	28	315	473	\$ 148,935.08	50%
Lake Havasu City	WC3-133-2024	Lake Havasu City Water Conservation Program	Turf Removal	Mohave	\$1,000,000.00	8	158	238	\$ -	0%
Lake Havasu City	WC3-134-2024	Smart Meter Upgrade	Advanced Meters/System Upgrades	Mohave	\$3,000,000.00	61	732	1,098	\$ -	0%
Liberty Utilities (Litchfield Park Water & Sewer) Corp	WC4-174-2024	Water Re-Use Program at Litchfield Park	Recharge/Reuse	Maricopa	\$3,000,000.00	1,500	60,000	90,000	\$ -	0%
Lord Arizona Water Systems	WC4-175-2024	Conservation Through Advanced Metering & Service Line Valve Improvements	Advanced Meters/System Upgrades	Apache	\$211,500.00	16	180	270	\$ 176,580.00	83%
Maine Consolidated School District #10	WC6-261-2024	McFarland Field Water Conservation Project	Turf Removal	Coconino	\$357,454.62	2	40	60	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Marana Town of	WC1-021-2023	Pilot Project to expand Water Conservation Program for Marana Water Department	Efficient Fixtures	Pima	\$242,000.00	30	7,500	11,250	\$ 2,544.23	1%
Marana Town of	WC3-124-2024	Santa Cruz River Effluent Recharge Program	Recharge/Reuse	Pima	\$3,000,000.00	225	358	536	\$ -	0%
Marana Town of	WC6-294-2024	Town of Marana AMI Meter Replacement Program	Advanced Meters/System Upgrades	Pima	\$1,116,000.00	75	899	1,349	\$ -	0%
Marana Town of*	WC5-214-2024	Town of Marana Northwest Recharge, Recovery and Delivery System (NWRRD) Program Source Water System Improvements at Marana Regional Airport	Recharge/Reuse	Pima	\$1,693,045.52	2,400	0	45,146	\$ -	0%
Maricopa Consolidated Domestic Water Improvement District	WC1-023-2023	Automated Meter Reading Installation Project	Advanced Meters/System Upgrades	Pinal	\$128,466.00	16	180	270	\$ 55,081.21	43%
Maricopa Water District	WC1-024-2023	Beardsley Canal Flume and Control Gates Improvements Project	Agriculture System Upgrades	Maricopa	\$222,786.00	3,000	264,000	396,000	\$ -	0%
Maricopa Water District	WC3-139-2024	MWD System Modernization Program: Beardsley Canal Check Structure, Lateral Heading Gates, & Off-L...	Agriculture System Upgrades	Maricopa	\$3,000,000.00	6,600	120,000	180,000	\$ -	0%
Maricopa-Stanfield Irrigation & Drainage District	WC3-140-2024	Gate Water Conservation Replacement Project	Agriculture System Upgrades	Pinal	\$390,000.00	2,135	40,031	60,047	\$ 63,831.75	16%
Mesa City of	WC2-086-2023	Mesa Parks' Non-Functional Turf Removal	Turf Removal	Maricopa	\$1,061,626.00	17	319	478	\$ -	0%
Mesa City of	WC2-087-2023	Mesa's Non-Residential Water Conservation Program	Turf Removal	Maricopa	\$916,300.00	187	3,669	5,503	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Mesa City of	WC5-213-2024	City of Mesa Equipment Upgrades	Efficient Fixtures	Maricopa	\$92,140.00	44	495	743	\$ -	0%
Metropolitan Domestic Water Improvement District	WC1-025-2023	Metro Main Advanced Metering Infrastructure (AMI) Implementation and WaterSmart Customer Platform	Advanced Meters/System Upgrades	Pima	\$3,000,000.00	1,119	9,576	14,364	\$ 462,475.25	15%
Mohave CO Flood Control District	WC1-064-2023	Hualapai Aquifer Infiltration Basins	Recharge/Reuse	Mohave	\$3,000,000.00	200	1,364	2,045	\$ -	0%
Mount Lemmon DWID	WC6-259-2024	Mt Lemmon Domestic Water Improvement District Advanced Metering Infrastructure (AMI) Program	Advanced Meters/System Upgrades	Pima	\$372,708.84	3	36	54	\$ 158,593.80	43%
Mount Lemmon DWID	WC3-118-2024	Supervisory Control and Data Acquisition (SCADA) Program	Advanced Meters/System Upgrades	Pima	\$100,000.00	3	36	54	\$ -	0%
Mount Tipton WC	WC6-278-2024	Advanced Meter Upgrade	Advanced Meters/System Upgrades	Mohave	\$500,000.00	26	312	468	\$ -	0%
Native Seeds/SEARCH	WC2-089-2023	Resilient AG Infrastructure for Native Seeds (RAINS)	Agriculture System Upgrades	Pima	\$250,000.00	11	437	655	\$ 44,805.37	18%
New Magma Irrigation and Drainage District	WC1-026-2023	Upgraded Flow Control Gates and Turnout Valves Project	Agriculture System Upgrades	Pinal	\$200,201.00	1,300	51,948	77,921	\$ 43,470.61	22%
New Magma Irrigation and Drainage District	WC2-090-2023	NMID Modernization: Phase 2 - Flow Meters, Check Valves, Liner Sealing, and Xeriscape Project	Agriculture System Upgrades	Pinal	\$231,149.62	788	8,876	13,314	\$ 20,797.87	9%
Northern Arizona University	WC3-120-2024	Landscape Water Conservation through Turf Grass Conversion & Calsense Irrigation Systems	Turf Removal	Coconino	\$687,931.70	14	206	309	\$ -	0%
Northern Arizona University	WC6-228-2024	Water leakage identification in Phoenix water transportation canal system	Education/ Research/Studies	Maricopa	\$204,308.20	254	0	914	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Northwest Fire District	WC6-247-2024	Acquisition of a Pump Pod DRAFTS (Direct Recirculating Apparatus Firefighting Training Sustainability) Unit	Efficient Fixtures	Pima	\$89,446.62	5	56	84	\$ 89,446.62	100%
Oro Valley Town of*	WC4-194-2024	Town of Oro Valley Northwest Recharge, Recovery and Delivery System Program	Recharge/Reuse	Pima	\$1,693,045.53	4,000	0	8,707	\$ -	0%
Paloma Irrigation and Drainage District	WC4-176-2024	PIDD System Modernization Program Phase IV: Lateral B Modernization for Total Channel Control Implementation Program	Agriculture System Upgrades	Maricopa	\$3,000,000.00	3,165	116,604	174,905	\$ 43,237.90	1%
Paloma Irrigation and Drainage District	WC1-027-2023	PIDD System Modernization Program - Phase III: Lateral D Modernization for Total Channel Control	Agriculture System Upgrades	Maricopa	\$2,071,497.00	2,985	119,400	179,100	\$ -	0%
Papago Buttes Domestic Water Improvement District	WC1-028-2023	AMR/AMI Water Meter Installation Project	Advanced Meters/System Upgrades	Pinal	\$62,004.00	8	90	135	\$ 49,603.20	80%
Parker Town of	WC3-109-2024	Meter and Turf Project	Advanced Meters/System Upgrades	La Paz	\$923,087.72	9	349	523	\$ -	0%
Payson Town of	WC6-239-2024	Town of Payson Water Department Advanced Meter Infrastructure Program	Advanced Meters/System Upgrades	Gila	\$3,000,000.00	31	345	517	\$ 148,101.18	5%
Payson Water Company	WC6-241-2024	Gisela Conservation Project	Advanced Meters/System Upgrades	Gila	\$250,000.00	8	320	480	\$ 10,924.81	4%
Peoria City of	WC1-029-2024	City of Peoria Parks and Recreation Water Conservation Program	Turf Removal	Maricopa	\$2,523,750.00	78	1,463	2,194	\$ 4,417.12	0%
Peoria City of	WC1-030-2023	Sunrise Mountain High School Multi-Purpose Field Turf Reduction Project	Turf Removal	Maricopa	\$250,000.00	19	380	570	\$ -	0%
Peoria City of	WC1-031-2023	AMI Implementation Study & Pilot Program	Advanced Meters/System Upgrades	Maricopa	\$3,000,000.00	1,500	18,000	27,000	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Phoenix City of	WC1-036-2023	High Efficiency Toilet Replacement and Smart Irrigation Controller Rebate	Efficient Fixtures	Maricopa	\$105,000.00	21	245	368	\$ 4,111.18	4%
Phoenix City of	WC1-037-2023	Commercial and Residential Turf Conversion Rebates	Turf Removal	Maricopa	\$3,000,000.00	115	1,568	2,352	\$ -	0%
Phoenix City of	WC4-163-2024	Cooling Tower Water Savings Project	Efficient Fixtures	Maricopa	\$2,935,000.00	65	764	1,146	\$ -	0%
Pima County	WC1-038-2023	Pima County Arthur Pack Park Water Conversion Project	Recharge/Reuse	Pima	\$250,000.00	45	75	113	\$ -	0%
Pine-Strawberry Water Improvement District	WC6-235-2024	Waterline Replacement Projects	Advanced Meters/System Upgrades	Gila	\$1,575,675.00	6	225	338	\$ 14,717.90	1%
Pinetop-Lakeside Town of	WC2-092-2023	Mountain Meadow Recreation Complex Water Tank	Advanced Meters/System Upgrades	Navajo	\$250,000.00	11	144	216	\$ -	0%
Pioneer Irrigation Company Inc	WC6-274-2024	PIC System Modernization Program: Phase 2 – Pipeline, Flow Measurement, & Reservoir Dredging Plan Project	Agriculture System Upgrades	Apache	\$3,000,000.00	1,105	44,200	66,299	\$ -	0%
Pomerene Domestic Water Improvement District**	WC2-093-2023	Water Conservation Efforts	Advanced Meters/System Upgrades	Cochise	\$155,572.08	15	169	253	\$ 155,572.08	100%
Prescott City of	WC1-040-2023	Water Meter Replacement Program	Advanced Meters/System Upgrades	Yavapai	\$3,000,000.00	405	1,458	2,187	\$ 711,394.52	24%
Prescott Valley Town of	WC5-201-2024	Town of Prescott Valley Advanced Metering Infrastructure (AMI) and Public Outreach	Advanced Meters/System Upgrades	Yavapai	\$2,191,381.00	574	456	684	\$ -	0%
Prescott Valley Town of	WC6-263-2024	Rainwater Harvesting for Aquifer Recharge	Recharge/Reuse	Yavapai	\$714,274.40	6	236	355	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Queen Creek Unified School District #95	WC6-254-2024	Queen Creek USD Water Conservation Program	Turf Removal	Maricopa	\$2,700,000.00	14	280	420	\$ -	0%
Roosevelt Irrigation District	WC4-180-2024	RID Spill Water Acquisition Project (SWAP)	Agriculture System Upgrades	Maricopa	\$200,000.00	2,477	99,080	148,620	\$ 127,106.81	64%
Roosevelt Irrigation District	WC1-041-2023	Conservation through Automation Program (CTAP)	Agriculture System Upgrades	Maricopa	\$1,906,280.85	3,109	135,000	202,500	\$ 238,821.45	13%
Roosevelt Irrigation District	WC5-221-2024	Reclaimed Water Exchange Program	Recharge/Reuse	Maricopa	\$2,250,000.00	7,000	0	236,250	\$ 12,945.96	1%
Roosevelt Irrigation District	WC3-144-2024	Concrete Canal Rehabilitation and Modernization Program (CCR)	Agriculture System Upgrades	Maricopa	\$2,189,478.23	3,600	116,588	174,881	\$ -	0%
Round Valley Unified School District	WC6-260-2024	School playground and grass sports area water conservation program	Turf Removal	Apache	\$3,000,000.00	56	1,120	1,680	\$ -	0%
Safford Unified School District	WC3-111-2024	Artificial Turf Water Conservation Project	Turf Removal	Graham	\$250,000.00	9	33	50	\$ -	0%
Saguaro Water Company	WC3-146-2024	Advance Metering for Conservation	Advanced Meters/System Upgrades	Pima	\$250,000.00	20	240	360	\$ 250,000.00	100%
Sahuarita Water Company LLC	WC4-181-2024	Sahuarita Water AMI Program	Advanced Meters/System Upgrades	Pima	\$1,493,982.00	96	1,152	1,728	\$ -	0%
San Carlos Apache Tribe	WC6-275-2024	San Carlos Household Leak Repair	Efficient Fixtures	Gila	\$250,000.00	17	204	306	\$ -	0%
San Carlos Irrigation and Drainage District	WC1-045-2023	SCIDD Phased System Improvements Program: Little Mountain Spill Water Conservatory Project	Agriculture System Upgrades	Pinal	\$555,658.40	5,792	720,600	1,080,900	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
San Carlos Irrigation and Drainage District	WC2-096-2023	SCIDD Phased Modernization and Rehabilitation Program: Ashurst-Hayden Sluice Gate Modernization Project	Agriculture System Upgrades	Pinal	\$441,546.00	19,216	217,200	325,799	\$ -	0%
San Luis City of	WC2-097-2023	Advanced Metering Infrastructure (AMI) Implementation Program	Advanced Meters/System Upgrades	Yuma	\$2,017,065.21	509	5,726	8,589	\$ 738,150.70	37%
San Simon WD	WC4-182-2024	SAN SIMON AUTOMATED METER PROJECT (SSAMP)	Advanced Meters/System Upgrades	Cochise	\$75,000.00	14	158	236	\$ -	0%
Scottsdale City of	WC1-046-2023	Expansion of residential grass removal landscape conversion REBATE activity	Turf Removal	Maricopa	\$250,000.00	22	550	825	\$ 138,675.00	55%
Scottsdale City of	WC4-166-2024	Water Conservation Commercial Water Efficiency Program	Turf Removal	Maricopa	\$985,826.00	86	484	726	\$ 123,373.87	13%
Snowflake Town of	WC1-049-2023	System wide water meter replacement program with new meters and AMI radio read modules.	Advanced Meters/System Upgrades	Navajo	\$732,418.50	18	51	76	\$ 143,668.39	20%
Snowflake Town of	WC2-098-2023	Upgrade of Municipal Golf Course Irrigation System	Efficient Fixtures	Navajo	\$250,000.00	93	930	1,395	\$ -	0%
Snowflake Unified School District #5	WC2-099-2023	Snowflake Athletic/Educational Facility Water Conservation Program	Turf Removal	Navajo	\$2,249,986.77	28	525	788	\$ 1,773,064.91	79%
So Hi Domestic Water Improvement District	WC6-233-2024	Meter upgrade to radio read with new flow meter	Advanced Meters/System Upgrades	Mohave	\$190,000.00	25	300	450	\$ -	0%
Sonoita Valley Water Company Inc	WC3-147-2024	Conservation through Advanced Meters	Advanced Meters/System Upgrades	Santa Cruz	\$41,000.00	15	60	90	\$ 26,458.12	65%
Sonoran Institute	WC2-100-2023	Aquifer recharge, river restoration, and community engagement in Arizona's Santa Cruz River	Education/ Research/Studies	Santa Cruz	\$1,620,139.00	19,000	0	113,966	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Spanish Trail WC	WC5-220-2024	Water Conservation Infrastructure Improvement Program: Pipe and Water Meter Replacement Rocking K Ranch Estates Phase I	Advanced Meters/System Upgrades	Pima	\$88,972.00	15	120	180	\$ -	0%
Springerville Town of	WC1-065-2023	Springerville AMR Meters	Advanced Meters/System Upgrades	Apache	\$524,025.00	3	34	51	\$ 240,963.45	46%
Superior Town of	WC4-195-2024	Public Space Improvements on Main Street: Using Green Infrastructure to manage flooding and revitalize vacant lots	Recharge/Reuse	Pinal	\$140,026.00	2	0	11	\$ -	0%
Surprise City of	WC1-050-2023	Enhanced Water Conservation Rebate Program	Turf Removal	Maricopa	\$159,100.00	14	280	419	\$ 6,057.06	4%
Surprise City of	WC2-101-2023	City of Surprise Turf Removal Project	Turf Removal	Maricopa	\$229,468.00	14	280	419	\$ -	0%
Surprise City of	WC4-167-2024	Water Distribution Optimization and Leak Detection using Hydrant.AI Technology	Advanced Meters/System Upgrades	Maricopa	\$309,560.00	262	3,144	4,716	\$ -	0%
Tempe City of	WC1-051-2023	Nonfunctional Turf Removal at City Parks	Turf Removal	Maricopa	\$80,244.54	2	38	56	\$ 22,407.25	28%
Tempe City of	WC5-210-2024	Non-Functional Turf Removal at Tempe Parks, City Hall and Rolling Hills Golf Course	Turf Removal	Maricopa	\$370,118.91	13	270	405	\$ -	0%
Tempe City of	WC5-222-2024	Cooling Tower Rebate for City of Tempe	Efficient Fixtures	Maricopa	\$250,000.00	800	9,231	13,846	\$ -	0%
Thim Utility Co	WC5-215-2024	Conservation Through Advanced Metering	Advanced Meters/System Upgrades	Pima	\$207,637.00	13	146	219	\$ 173,661.00	84%
Tierra Linda Water CO	WC4-184-2024	Conservation through Advanced Meters	Advanced Meters/System Upgrades	Pima	\$74,236.00	10	112	169	\$ 44,105.51	59%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Timberland Acres Domestic Water Improvement District	WC4-185-2024	Timberland Acres AMR and Modernization Program	Advanced Meters/System Upgrades	Navajo	\$263,747.00	7	78	117	\$ 50,957.13	19%
Tohono Oodham Indian Tribe	WC2-102-2023	TOUA Water Loss Reduction Program	Advanced Meters/System Upgrades	Pima	\$697,908.30	101	1,087	1,631	\$ 160,820.63	23%
Tonto Basin - North Bay Estates	WC6-244-2024	North Bay Estates Conservation Project	Advanced Meters/System Upgrades	Gila	\$250,000.00	5	200	300	\$ 3,551.59	1%
Tonto Basin - Roosevelt Lake Estates	WC6-245-2024	Roosevelt Lake Estates Conservation Project	Advanced Meters/System Upgrades	Gila	\$250,000.00	3	120	180	\$ -	0%
Tri-City Regional Sanitary District	WC6-250-2024	Tri-City Regional Sanitary District (District) Phase 1 of 3 Wastewater Collection & Treatment System for implementation of a Regional Water Conservation Activity in Southern Gila	Recharge/Reuse	Gila	\$3,000,000.00	200	8,000	12,000	\$ -	0%
Tucson City of	WC1-053-2023	Automated Metering Infrastructure (AMI) Program Phase 1	Advanced Meters/System Upgrades	Pima	\$3,000,000.00	4,257	47,891	71,837	\$ -	0%
Tucson City of	WC2-103-2023	City of Tucson Parks Turf Replacement & Non-functional Turf Removal Rebate	Turf Removal	Pima	\$1,500,400.00	29	449	674	\$ -	0%
Tucson City of	WC6-248-2024	Water Efficiency Retrofits for Underserved Multifamily Customers in Tucson	Efficient Fixtures	Pima	\$1,305,000.00	101	1,894	2,841	\$ -	0%
Tucson City of	WC5-218-2024	Automated Metering Infrastructure (AMI) Program, Phase 2	Advanced Meters/System Upgrades	Pima	\$3,000,000.00	264	2,917	4,376	\$ -	0%
Tucson City of	WC6-249-2024	Expansion of the Shirley C. Scott Southeast Houghton Area Recharge Project (SHARP).	Recharge/Reuse	Pima	\$1,261,633.78	4,000	100,000	150,000	\$ -	0%
Tucson City of*	WC4-168-2024	City of Tucson Resilient Retrofit Program	Efficient Fixtures	Pima	\$1,239,649.20	93	670	1,004	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Valle Verde Water CO	WC4-197-2024	Water Loss Reduction Program	Advanced Meters/System Upgrades	Santa Cruz	\$493,680.00	15	169	253	\$ -	0%
Valley Pioneers Water Company Inc	WC6-234-2024	Water conservation leak detection	Advanced Meters/System Upgrades	Mohave	\$48,835.00	197	2,216	3,324	\$ -	0%
Verde Natural Resource Conservation District	WC1-057-2023	Soil Moisture Monitoring and Irrigation Optimization for Agricultural Water Users	Agriculture System Upgrades	Yavapai	\$165,280.00	148	1,776	2,664	\$ 41,779.70	25%
Verde Natural Resource Conservation District	WC1-058-2023	Camp Verde Irrigation Piping Program	Agriculture System Upgrades	Yavapai	\$2,998,732.00	1,955	78,200	117,300	\$ -	0%
Voyager at White Mountain Lakes WC	WC4-198-2024	Voyager at White Mountain Lakes Water Co. AMR & Modernization Program	Advanced Meters/System Upgrades	Navajo	\$630,328.00	30	353	528	\$ 263,752.97	42%
Watershed Management Group	WC5-217-2024	Managing Local Drought Response: Development of a Coordination Blueprint	Education/ Research/Studies	Pima	\$239,041.44	6,400	0	31,482	\$ -	0%
Wenden Domestic Water Improvement District	WC6-231-2024	Water Meter Upgrade to AMI Smart Meters	Advanced Meters/System Upgrades	La Paz	\$180,000.00	12	133	199	\$ -	0%
White Mountain Apache Tribe	WC3-112-2024	White Mountain Apache Indian Tribe (WMAT) Meter Installation Program	Advanced Meters/System Upgrades	Navajo	\$434,801.48	8	89	134	\$ -	0%
White Mountain Apache Tribe	WC6-237-2024	WMAT Watershed Improvement and Water Conservation Program	Agriculture System Upgrades	Navajo and Gila	\$362,500.00	360	0	3,375	\$ -	0%
Willcox City of	WC2-105-2023	Willcox Water System Stewardship Program - Critical Infrastructure Schedule 2023	Advanced Meters/System Upgrades	Cochise	\$80,000.00	300	0	5,063	\$ -	0%
Willcox City of	WC2-106-2023	Willcox Pioneer Cemetery Turf Removal	Turf Removal	Cochise	\$118,715.00	4	75	112	\$ -	0%
Willcox City of	WC6-287-2024	Willcox Comprehensive Water Stewardship Program	Advanced Meters/System Upgrades	Cochise	\$2,375,000.00	170	1,680	2,520	\$ -	0%

Grantee	Grant #	Program/Project Title	Category	County	Grant Amount Awarded	Projected AF Savings per year	Projected AF Savings over lifespan (min)	Projected AF Savings over lifespan (max)	Amount Expended	Percentage Expended
Willcox San Simon Natural Resource Conservation District	WC6-296-2024	West Turkey Creek Watershed Resiliency Project	Education/ Research/Studies	Cochise	\$562,000.00	0	0	0	\$ -	0%
Williams Unified School District #2	WC1-060-2023	Williams Athletic Fields Water Conservation Program	Turf Removal	Coconino	\$2,158,500.00	39	731	1,097	\$ -	0%
Window Rock Unified School District #8	WC4-199-2024	Window Rock Unified School District No. 8 (Apache County, Arizona) Athletic Fields Water Conservation Program (High School & Middle School Multi-Purpose Fields)	Turf Removal	Apache	\$3,000,000.00	15	300	450	\$ -	0%
Yuma City of	WC1-061-2023	City of Yuma Irrigation Standards Modernization	Efficient Fixtures	Yuma	\$3,000,000.00	480	4,596	6,894	\$ -	0%
Yuma County	WC6-297-2024	Watereze Mellon Farms Well Water EMF Treatment	Agriculture System Upgrades	Yuma	\$840,060.00	940	18,800	28,200	\$ 840,060.00	100%
Yuma County	WC1-063-2023	Yuma County Water Conservation Program	Turf Removal	Yuma	\$1,500,000.00	46	920	1,380	\$ 79,628.61	5%

**Indicates that the total acre-feet savings have been reduced from the estimates presented to the Board of Directors, in accordance with the Board's decision to fund only specific elements or phases of the program.*

*** Pomerene DWID deobligated \$427.92 reducing their final grant award from \$156,000 to \$155,572.08.*

****Total expenditures as of December 2024 included \$604.34 for Grant WC5-202-2024 (for total of \$13,955,848.35); however grantee declined award and is in process of returning grant funds*

Total = \$200,000,000.00 189,623 3,278,782 5,527,138 \$ 13,955,244.00 ***

Attachment 5
WIFA Audited Financial Statement



Water Infrastructure Finance Authority of Arizona

A Component Unit of the State of Arizona

Financial Statements and Supplementary Information

June 30, 2024

Water Infrastructure Finance Authority of Arizona

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June 30, 2024

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Independent Auditors' Report

To the Board of Directors of
Water Infrastructure Finance Authority of Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Water Infrastructure Finance Authority of Arizona (the Authority), a component unit of the State of Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority'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 respective financial position of the business-type activities of the Authority, AZ, as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of Water Infrastructure Financing Authority, a component unit of the State of Arizona, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities, that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Arizona, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Authority'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 the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Authority's basic financial statements. The combining funding programs financial statements, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
October 17, 2024

Water Infrastructure Finance Authority of Arizona

Management's Discussion and Analysis
Year Ending June 30, 2024

As management of the Water Infrastructure Finance Authority of Arizona (WIFA), we offer readers of WIFA's financial statements this narrative overview and analysis of the financial activities of WIFA for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with WIFA's financial statements.

Highlights - Business Type Activities

- At the end of fiscal year 2024, the Net Position for WIFA had increased by \$108,422,104 to a total of \$1,434,764,480.
 - o The increases in the Clean Water and Drinking Water funds of \$7,154,347 and \$42,422,647 respectively. \$834,967,246 of the total amount is restricted for the revolving loan programs and debt.
 - o In fiscal year 2024 WIFA executed 27 loan agreements totaling \$325,726,860. Eight loans were in the Clean Water program and 19 in the Drinking Water Program, both figures represent very strong performance relative to the 10-year annual average (2014 - 2023) of an average of 17 loans for a total dollar average of \$94,298,294 per year.
 - o The State has had to make difficult choices to balance the budget resulting in painful cuts to a number of state agencies. As a result, the State initially transferred in \$189.2 million and then transferred out \$97.3 million leaving a net of \$109.7 million of additional funds in the Long-Term Water Augmentation Fund which is below the original appropriations amount of \$333 million.
 - o WIFA Received a one-time commitment of \$200 million of American Rescue Plan Act funds from State for the purpose of supporting water conservation activities through the Water Conservation Grant Fund (WCGF). As of June 30, 2024, WIFA had successfully awarded all \$200 million to fund 186 projects across all 15 Arizona counties and expects a savings up to 5.5 million acre-feet of water over their lifetime. As of June 30, 2024 disbursements from the WCGF (expenditures) amounted to \$1.7 million.
 - o WIFA had a total of nine loans retired in 2024. Three of these loans were due to prepayments of \$18.5 million.

Using This Annual Report

The financial statements included in this annual report are those of a corporate and political body of the State of Arizona. The following statements are included:

- Statement of net position - reports WIFA's current financial resources, noncurrent financial resources, current obligations, long-term obligations and the resulting net position.
- Statement of revenues, expenses and changes in net position - reports WIFA's operating revenues, operating expenses and nonoperating revenues.
- Statement of cash flows - reports WIFA's cash flows from operating activities, investing and capital and noncapital related financing activities.

Water Infrastructure Finance Authority of Arizona

Management's Discussion and Analysis
Year Ending June 30, 2024

Statement of Net Position

	2024	2023	Dollar Change
Current assets	\$ 919,988,958	\$ 849,567,856	\$ 70,421,102
Other noncurrent assets	677,260,738	668,345,415	8,915,323
Total assets	1,597,249,696	1,517,913,271	79,336,425
Deferred outflows or resources	16,411,745	19,141,696	(2,729,951)
Total assets and deferred outflows of resources	1,613,661,441	1,537,054,967	76,606,474
Current liabilities	34,805,419	30,973,146	3,832,273
Noncurrent liabilities	144,011,018	179,669,105	(35,658,087)
Total liabilities	178,816,437	210,642,251	(31,825,814)
Deferred inflows of resources	80,524	70,340	10,184
Total net position	1,434,764,480	1,326,342,376	108,422,104
Total liabilities and net position	\$ 1,613,661,441	\$ 1,537,054,967	\$ 76,606,474

Review of Revenues, Expenses and Changes in Net Position

The following table shows the condensed statement of revenues, expenses and changes in net position for the past two fiscal years.

	2024	2023	Dollar Change
Operating revenues:			
Program loan interest and fee income	\$ 18,542,237	\$ 17,070,518	\$ 1,471,719
Operating expenses:			
Total operating expenses	97,535,900	25,897,126	71,638,774
Operating income	(78,993,663)	(8,826,608)	(70,167,055)
Nonoperating revenues (expenses)	45,010,126	16,973,593	28,036,533
Income (loss) before contributions	(33,983,537)	8,146,985	(42,130,522)
Contributions	43,464,587	26,286,972	17,177,615
State appropriations (Transfers in)	255,946,558	502,345,343	(246,398,785)
State appropriations (Transfers out)	(157,005,504)	-	(157,005,504)
Change in net position	265,427,608	536,779,300	(428,357,196)
Net position, beginning	1,326,342,376	789,563,076	536,779,300
Net position, ending	\$ 1,434,764,480	\$ 1,326,342,376	\$ 108,422,104

In fiscal year 2024, total net position increased by \$108,422,104 which is attributed primarily to an increase in state appropriations of \$98,941,054.

Water Infrastructure Finance Authority of Arizona

Management's Discussion and Analysis
Year Ending June 30, 2024

Budgetary Highlights

WIFA's Board of Directors adopted an operating budget of \$5,846,386 for the period July 1, 2023 through June 30, 2024.

	<u>Amount</u>
Salaries and benefits	\$ 4,077,536
Professional and outside services	1,213,250
In-state travel	30,800
Out of state travel	9,200
Other operating	350,600
Non-Capital Equipment	<u>165,000</u>
Total	<u>\$ 5,846,386</u>

Actual expenditures were \$4,769,496 or 18.4% below budget, primarily due to an ongoing IT project. WIFA planned to complete the IT project in FY2024, but due to sourcing challenges the timeline has been extended.

Further as a result to the new funding for the LTWAF, WIFA was authorized 10 new positions. Filled positions in 2023 were 24 and filled positions fiscal year ending 2024 was 27.

Capital Assets

WIFA's capital assets consist primarily of computer equipment.

Debt Outstanding

WIFA's long-term bond debt activity for fiscal year 2024 is as follows. See additional information in Notes 6 and 7.

Beginning balance	\$ 174,260,000
Additions	-
Payments	<u>(27,910,000)</u>
Ending balance	<u>\$ 146,350,000</u>

Economic and Other Factors

Anticipated Bond Sales

WIFA is actively monitoring its use of leverage with respect to loan production and is considering possible issues of new bonds in fiscal year 2025 and beyond. However, this may change based on the demand for new loans, refunding of existing bonds and variances from anticipated federal infrastructure funding.

Federal Capitalization Grants

WIFA has received the grants awards for federal funding of \$61.7 million for Drinking Water and \$22.3 million for Clean Water in fiscal year 2025.

Financial Contact

WIFA's financial statements present users with a general overview of WIFA's finances and demonstrate WIFA's accountability. If you have any questions about the report or require additional financial information, please contact Jane Thompson, Controller, Water Infrastructure Finance Authority of Arizona, 3300 N. Central Ave, Suite 1050, Phoenix, Arizona 85012 or by phone at (602) 329-7826.

Water Infrastructure Finance Authority of Arizona

Statement of Net Position

Proprietary Funds

June 30, 2024

Current Assets

Cash and cash equivalents:

Cash with treasurer	\$ 829,743,146
Cash with trustee	16,504,147
Total cash and cash equivalents	846,247,293

Receivables, net of uncollectibles:

Program loans	69,415,812
Debt management	5,341,427
Loan Interest	3,310,387
Due from other governments	1,215,041
Investment interest	79,779
Total current assets	925,609,739

Noncurrent Assets

Investments	18,291,491
Program loans	653,348,466
Total noncurrent assets	671,639,957
Total assets	1,597,249,696

Deferred Outflows of Resources

Deferred loss on debt refundings	15,789,792
Deferred outflows related to pensions	621,953
Total deferred outflows of resources	16,411,745

Liabilities

Current liabilities:

Accounts payable	1,267,173
Accrued payroll	74,241
Compensated absences	207,130
Interest payable	1,776,875
Bonds payable-current	31,480,000
Total current liabilities	34,805,419

Noncurrent liabilities:

Loan reserves	1,604,858
Net pension liability	1,843,067
Bonds payable	140,563,093
Total noncurrent liabilities	144,011,018
Total liabilities	178,816,437

Deferred Inflows of Resources

Deferred inflows related to pensions	80,524
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Net Position

Restricted for revolving loan program and debt service	1,434,764,480
Total net position	\$ 1,434,764,480

See notes to financial statements

Water Infrastructure Finance Authority of Arizona

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2024

Operating Revenues

Program loan interest	\$ 7,214,138
Debt management fees	<u>11,328,099</u>

Total operating revenues	<u>18,542,237</u>
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Operating Expenses

Administrative expenses	12,792,285
Technical assistance	385,881
Forgivable principal expense	17,611,176
Arizona water projects	<u>66,746,558</u>

Total operating expenses	<u>97,535,900</u>
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Operating income (loss)	<u>(78,993,663)</u>
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Nonoperating Revenues (Expenses)

Administrative grants	10,050,958
Investment earnings	40,807,274
Interest expense	<u>(5,848,106)</u>

Total nonoperating revenues (expenses)	<u>45,010,126</u>
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Income (loss) before contributions and State transfers	(33,983,537)
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Contributions	43,464,587
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State Appropriations (Transfers In)	255,946,558
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Transfers Out, State Funds	<u>(157,005,504)</u>
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Change in net position	108,422,104
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Net Position, Beginning	<u>1,326,342,376</u>
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Net Position, Ending	<u><u>\$ 1,434,764,480</u></u>
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See notes to financial statements

Water Infrastructure Finance Authority of Arizona

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024

Cash Flows From Operating Activities

Receipt of borrower loan repayments	\$ 77,026,515
Loans made to borrowers	(86,187,715)
Receipt of loan interest	6,830,465
Receipt of debt management fees	10,653,206
Receipt (use) of loan reserves	41,227
Payment of administrative costs	(12,052,046)
Payment of technical assistance costs	(385,881)
Payment of forgivable principal expense	(17,611,176)
Payment of water project grants	<u>(66,746,558)</u>

Net cash provided by (used in) operating activities (88,431,963)

Cash Flows From Noncapital Financing Activities

Principal paid on bonds	(27,910,000)
Interest paid on bonds	(7,805,251)
Receipt of administrative grants	10,050,958
Proceeds from state appropriations	255,946,558
Cash transfers to other State funds	(157,005,504)
Proceeds from state and federal grant contributions	<u>42,898,294</u>

Net cash provided (used in) by noncapital financing activities 116,175,055

Cash Flows From Investing Activities

Proceeds from sale of investments	30,526
Interest received on investments	<u>40,976,644</u>

Net cash provided by (used in) investing activities 41,007,170

Net increase (decrease) in cash and cash equivalents 68,750,262

Cash and Cash Equivalents, Beginning 777,497,031

Cash and Cash Equivalents, Ending \$ 846,247,293

Water Infrastructure Finance Authority of Arizona

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024

Reconciliation of Operating Income

(Loss) to Net Cash Provided by (Used in) Operating Activities

Operating income (loss)	<u>\$ (78,993,663)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Debt management receivable	(674,893)
Loan interest receivable	(383,673)
Program loans receivable	(9,161,200)
Deferred outflows related to pensions	(281,276)
Increase (decrease) in:	
Accounts payable	596,577
Accrued payroll	(22,008)
Compensated absences	36,579
Loan reserves	41,227
Net pension liability	400,183
Deferred inflows related to pensions	<u>10,184</u>
Total adjustments	<u>(9,438,300)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (88,431,963)</u></u>

Schedule of Noncash Noncapital Related Financing and Investing Activities

Amortization of bond premiums	<u><u>\$ (4,619,497)</u></u>
Amortization of deferred amount on debt refundings	<u><u>\$ 3,011,227</u></u>
Change in fair value of investments	<u><u>\$ 215,351</u></u>

See notes to financial statements

1. Organization and Reporting Entity

Reporting Entity

The Water Infrastructure Finance Authority of Arizona (WIFA) is an independent authority of the State of Arizona (State). WIFA's financial information is presented as a major component unit in the Annual Comprehensive Financial Report of the State of Arizona. WIFA is authorized to finance the construction, rehabilitation, acquisition and improvement of water infrastructure throughout Arizona. The Authority administers several federal and state-capitalized programs, the Drinking Water State Revolving Fund, the Clean Water State Revolving Fund, the Water Supply Development Revolving Fund, the Water Conservation Grant Fund and the Long-Term Water Augmentation Fund. These funds are all reported as single column within the basic statements as listed in the table of contents. The Authority has an operating agreement with the US Environmental Protection Agency (EPA). WIFA is governed by its board consisting of nine voting members appointed by the governor and legislative leadership and nine nonvoting ex-officio members representing legislative leadership and relevant agency heads. The accompanying financial statements present information as to the transactions of WIFA.

The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987 (Clean Water Act), which required the State of Arizona to establish the Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The purpose of the fund is to provide financial assistance, including loans to political subdivisions and Indian tribes to finance construction, acquisition, restoration or rebuilding of wastewater treatment facilities.

The Drinking Water Revolving Fund was established to provide water facility loans as determined by the Board to political subdivisions of this state, Indian Tribes, and other eligible entities. The Safe Drinking Water Act programs allows WIFA to make drinking water facility loans; purchase or refinance debt obligations of drinking water facilities; assist in purchasing insurance for local drinking water facility bond obligations; pay the costs to administer the fund; fund other programs pursuant to the Safe Drinking Water Act; and provide linked deposit guarantees through third party lenders, with recourse against deposits, if payments are not made when due.

The revolving funds may consist of money appropriated by the legislature; money received from the United States Government for the purposes of the program, including capitalization grants from the Clean Water Revolving Fund and Drinking Water Revolving Fund; money received from the issuance and sale of bonds; money from Drinking Water and Wastewater Facilities as repayment for loans; interest and other income received from investing money in the fund; and gifts, grants and donations received from any public or private source. In order to receive federal capitalization grants, the State must provide matching funds in a ratio of \$1 of State matching funds for every \$5 of federal capitalization grants. The State began appropriating money for deposit into the Funds in 1998.

The Water Supply Development Revolving Fund was established in 2007 by HB 2692 and most recently revised in 2022 by HB 1070. The purpose of the fund is to help eligible water providers in Arizona that lack access to sufficient water supplies and need financial assistance to construct qualifying "water supply development projects" that are necessary to obtain additional water supplies. Funds are to be used to provide financial assistance to eligible water providers, for paying the costs to administer the fund, and conduct water supply studies. Financial assistance to water providers for eligible water supply development project costs may include loans (not to exceed \$3,000,000 for a single project), grants (not to exceed \$2,000,000 for a single project), purchasing or refinancing debt, assist in purchasing insurance for bond obligations, providing linked deposit guarantees through third party lenders, with recourse against deposits, if payments are not made when due.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

The Long-Term Water Augmentation Fund (LTWAF) was created to finance water supply development projects that would increase water supplies for the State of Arizona. Entities eligible for financial assistance include water providers, any city, town, county, district, commission, authority or other public entity that is organized and that exists under the statutory law of this state or under a voter-approved charter or initiative of this state. WIFA may also enter into Public-Private Partnerships to fund augmentation projects. Financial assistance includes loans provided by the Authority to eligible entities and credit enhancements purchased for an eligible entity's bonds or other forms of indebtedness. The LTWAF does not provide grants. WIFA will obtain full repayment for monies or financial assistance provided from the fund by the recipients of the funding or financial assistance or the recipients of any water supply development project made available from monies from the fund through water subcontracts, loan repayments, rates, fees, charges or otherwise, as appropriate.

The Water Projects Assistance Grants Fund consist of certain appropriations from the Arizona Legislature to WIFA to ensure public confidence and transparency and provide for a fair and efficient disbursement of funds received through Legislative Directed Spending. These projects provide financial assistance in providing water throughout the state.

The Water Conservation Grant fund (WCGF) was created by the Arizona legislature in 2022 to fund voluntary conservation activities. The grant program provides applicants with up to \$3 million for projects and programs aimed at reducing water use across the state. The WCGF was funded with a on-time commitment of \$200 million from the State's American Rescue Plan Act Funds.

For the Clean Water and Drinking Water Revolving Funds, WIFA is required to maintain the federal capitalization grants and state match, less administrative and other allowances, as the Funds' restricted net position, in perpetuity. Therefore, the periodic determination of revenues earned, expenses incurred and changes in net position are appropriate for capital maintenance, public policy, management control, accountability and other purposes. As a result, the accounting records are maintained as enterprise funds. Only the allowable 4% set aside from the capitalization grants and debt management fees can be expended for administrative expenses.

The accompanying financial statements present WIFA as a single fund in the basic financial statements. Included as supplementary information is the combining funding programs financial statements that present separately the funding programs of WIFA which include the Clean Water Revolving Fund, the Drinking Water Revolving Fund, the Water Supply Development Revolving Fund, the Long-Term Water Augmentation Fund, Water Projects Assistance Grants Fund and the Water Conservation Grants Fund, which include all of the revenues and the administrative expenses of WIFA.

2. Summary of Significant Accounting Policies

Proprietary Fund Financial Statements and Measurement Focus and Basis of Accounting

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major proprietary fund and the aggregated total for all funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. WIFA's financial statements are reported using the economic resources measurement focus. WIFA's accounting records are maintained on the accrual basis of accounting.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements
June 30, 2024

WIFA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with financing and administering moneys for the Clean Water, Drinking Water, Water Supply Development Revolving Fund, Long-Term Water Augmentation and Water Projects Assistance Grants Funds. The principal operating revenues of WIFA are program loan interest and management fees. WIFA's operating expenses are administrative, technical assistance, depreciation and forgivable principal expenses. All revenues and expenses, including program loan costs, not meeting this definition are reported as nonoperating revenues and expenses.

Cash Equivalents

WIFA considers all highly liquid debt instruments purchased with maturities of three months or less at acquisition date to be cash equivalents. WIFA is required to deposit funds into restricted accounts in accordance with their Master Trust Indenture.

Investments

Investments reported in accounts required by the Master Trust Indenture for debt service are reported as restricted investments. WIFA has adopted provisions of Statement No. 31 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This standard requires certain investments to be reported at fair value rather than at cost.

Investments in Guaranteed Investment Contracts are stated at cost since they are nonparticipating contracts. The investment of excess revenue in the 2001 Master Trust Indenture is stated at fair value, which approximates cost. WIFA invests its funds in accordance with the requirements for investment of funds per the Master Trust Indenture, dated September 1, 1999.

Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements.

Capital Assets

Capital assets acquired by WIFA are stated at cost. The capitalization threshold has been set at \$5,000. The purchase of equipment is typically split among the different programs. Depreciation has been allocated using the straight-line method over the estimated useful lives, which is estimated to be five to seven years for equipment assets.

Compensated Absences

WIFA employees accrue vested annual leave at a rate of 6.74 hours per pay period. Employees forfeit accumulated annual leave in excess of 200 hours for uncovered and covered employees at the end of a calendar year. Any employee who separates from State service is paid for all unused and un-forfeited annual leave at the employee's rate of pay at the time of separation.

Sick leave includes any approved period of paid absence granted an employee due to illness, injury or disability. Employees accrue sick leave at the rate of 3.7 hours per pay period without an accumulation limit. Because sick leave benefits do not vest with employees, a liability for sick leave is not accrued in the financial statements.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

Long-Term Obligations

Long-term debt is reported as fund liabilities in the applicable fund's statement of net position. Bond premiums are accrued and amortized over the life of the bonds using a blended method of effective yield and straight line.

Restricted for Revolving Loan Program and Debt Service

Restricted for Revolving Loan Program and Debt Service has constraints placed on use by external parties such as creditors, grants, laws or regulations. Included in this balance are amounts restricted by the Environmental Protection Agency (EPA) of \$742,519,837 of which \$332,352,353 is restricted for Clean Water and \$410,167,484 for Drinking Water. This represents amounts received from the EPA in the form of Capitalization Grants and state funds used as required match for the grants less administrative and other allowances. The purpose of the funds is to provide financial assistance to publicly owned wastewater treatment facilities and public and privately owned drinking water facilities. The restricted portion is based upon the Federal Capitalization Grants received, plus state match contributions, less certain allowances. For Clean Water, the allowances are the administrative costs authorized by the grant and any forgivable principal monies spent. For Drinking Water, the allowances are the same and additional amounts are set aside for certain drinking water program and technical assistance expenses. All figures are cumulative from the first award.

Restricted amounts for the revolving loan program and debt service by the EPA consisted of the following:

	<u>Clean Water</u>	<u>Drinking Water</u>	<u>Total</u>
Actual federal expenditures	\$ 342,289,187	\$ 490,554,553	\$ 832,843,740
Actual state match	62,533,513	84,328,434	146,861,947
Awarded admin	(12,036,076)	(19,552,910)	(31,588,986)
Set asides (PWSS/TA/Cap Dev)	-	(62,794,739)	(62,794,739)
Actual forgivable	(27,049,221)	(59,102,904)	(86,152,125)
Match bond principal repaid	<u>(33,385,050)</u>	<u>(23,264,950)</u>	<u>(56,650,000)</u>
Total restricted funds by EPA	<u>\$ 332,352,353</u>	<u>\$ 410,167,484</u>	<u>\$ 742,519,837</u>

Grants

Capitalization grants are restricted for revolving loan programs and are recorded as nonoperating revenue. Administrative grants used for administrative purposes are also recorded as nonoperating revenue. Federal grants may not be drawn down on until qualifying expenditures are incurred.

Fund Administration

Employees of WIFA perform administration of the Funds. Expenses relating to the administration are funded from the capitalization grant (up to a maximum of 4% of the capitalization grant) and fees charged to loan recipients.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

Deferred Charge on Debt Refunding

For advance refunding resulting in defeasance of debt reported by WIFA, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense using the effective interest rate method over the remaining life of the new debt.

Pensions

For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension (income)/expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Change in Accounting Principle

Effective for the fiscal year ending June 30, 2024, the WIFA has implemented GASB Statement No. 100, Accounting Changes and Error Corrections. This statement requires changes in accounting principles to be applied retroactively by restating prior periods, changes to or within the financial reporting entity to be reported by adjusting beginning balances of the current period, and changes in accounting estimates to be reported prospectively.

Change in Financial Statement Presentation

In accordance with GASB 100, WIFA has changed its financial statement presentation from reporting multiple project columns to a single column for all of WIFA as one reporting entity. The individual project activity is now included as supplementary information. This change is intended to enhance the understandability and comparability of the financial statements.

3. Cash and Investments

Cash and investments consisted of the following as of June 30, 2024:

State investment pool	\$ 829,743,146
Money market	<u>16,504,147</u>
Cash and cash equivalents	<u>846,247,293</u>
Guaranteed investment contract	8,144,837
U.S. Treasury notes	<u>10,146,654</u>
Total investments	<u>18,291,491</u>
Total cash and investments	<u>\$ 864,538,784</u>

Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

At June 30, 2024, the carrying amount of WIFA's cash with treasurer totaled \$829,743,146 of which all was invested in the State Agency's pool number 3 and number 4. The funds invested with the treasurer are invested according to the Investment Policy of the Arizona State Treasurer's Office.

At June 30, 2024, the carrying amount of WIFA's cash with trustee totaled \$16,504,147, of which \$16,504,147 is restricted per the Master Trust Indenture Section 5.5 Bond Account that is used for debt service and was invested in money market funds. WIFA maintains its cash held by trustee in an irrevocable trust account in the name of WIFA held by the trust department of a financial institution located in Phoenix, Arizona (separate from all other funds and investments of the trustee). These balances are invested in accordance with the Master Trust Indenture and in compliance with the Officer of the State Treasurer's investment policy. The money market funds are not insured by the Federal Deposit Insurance Corporation or collateralized by the trustee.

Investments and Restricted Investments

The State Treasurer directs WIFA's investments in accordance with the Master Bond Indenture and in compliance with the Officer of the State Treasurer's investment policy. ARS 35-312 and ARS 35-313 require the State Treasurer to invest in obligations of the U.S. or its agencies including sponsored agencies, corporations, sponsored corporations or instrumentalities, collateralized repurchase agreements, bonds or other evidence of indebtedness of the State of Arizona or its political subdivisions, commercial paper, bankers acceptances, certificates of deposit, interest-bearing savings accounts and bonds, debentures, notes and other evidences of indebtedness issued by U.S. corporations meeting certain rating criteria. WIFA's investments at June 30, 2024, consisted of collateralized guaranteed investment contracts, U.S. Treasury bonds and U.S. Treasury notes. The guaranteed investment contracts are not insured by the Federal Deposit Insurance Corporation. At June 30, 2024, WIFA's investments totaled \$18,291,491 of which \$8,144,837 is restricted per the Master Bond Indenture Section 5.5 Reserve Account. The reserve account is a pledged account held by the trustee. The remaining investments totaling \$10,146,654 are unrestricted.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. While WIFA does not have a formal policy regarding interest rate risk, it adheres to requirements within the Office of the State Treasurer's investment policy. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of WIFA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of WIFA's investments by maturity as of June 30, 2024:

Investment Type	Amount	Remaining Maturity (In Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool	\$ 829,743,146	\$ 829,743,146	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	8,144,837	8,144,837	-	-	-
Money Market Funds	16,504,147	16,504,147	-	-	-
U.S. Treasury Notes	10,146,654	799,073	941,404	1,546,501	6,859,676
Total	<u>\$ 864,538,784</u>	<u>\$ 855,191,203</u>	<u>\$ 941,404</u>	<u>\$ 1,546,501</u>	<u>\$ 6,859,676</u>

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. WIFA does not have a formal policy regarding credit risk. Presented below is the Moody's rating as of year-end for each investment type as of June 30, 2024.

Investment Type	Amount	Ratings as of Year-End From Moody's and Standard & Poors			
		Aaa	Aa	A	Unrated
State Investment Pool	\$ 829,743,146	\$ -	\$ -	\$ -	\$ 829,743,146
Guaranteed Investment					
Contracts	8,144,837	-	-	-	8,144,837
Money Market Funds	16,504,147	-	-	-	16,504,147
U.S. Treasury Notes	10,146,654	10,146,654	-	-	-
Total	<u>\$ 864,538,784</u>	<u>\$ 10,146,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 854,392,130</u>

WIFA primarily mitigates credit risk by investing in direct obligations of, or obligations the prompt payment of principal and interest on which are fully guaranteed by, the United States of America or, bonds, debentures, notes or other evidences of indebtedness issued or fully insured or guaranteed by any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America, or bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by nonfull faith and credit United States government agencies. The Guaranteed Investment contract is with the Mass Mutual Financial Group.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, WIFA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2024 all of WIFA's securities are held in the financial institution or the State of Arizona in WIFA's name. WIFA manages custodial credit risk in accordance with Arizona Revised Statutes and its investment policy.

Concentration of Credit Risk

The investment policy of WIFA contains no limitations on the amount that can be invested in any one issuer.

Total Clean Water and Drinking Water			
Issuer	Investment Type	Reported Amount	Concentration
State Treasurer's Office	State Investment Pool	\$ 829,743,146	95.98 %
	Guaranteed Investment		
Mass Mutual Financial Group	Contract	8,144,837	0.94
First American U.S. Treasury Money			
Market	Money Market	16,504,147	1.91
U.S. Treasury	U.S. Treasury Notes	10,146,654	1.17
Total cash and investments		<u>\$ 864,538,784</u>	<u>100 %</u>

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements
June 30, 2024

Fair Value Measurement

WIFA's investments at June 30, 2024, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

Investments by Fair Value	Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Guaranteed Investment				
Contracts	\$ 8,144,837	\$ -	\$ 8,144,837	\$ -
U.S. Treasury Notes	10,146,654	10,146,654	-	-
Total investments by fair value level	<u>\$ 18,291,491</u>	<u>\$ 10,146,654</u>	<u>\$ 8,144,837</u>	<u>\$ -</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is a method of supplying system-generated prices to assets using yield curves that are defined by SEI Investments Company. The amount of \$829,743,146 invested in the State Treasurer's investment pool is valued at the pool's share price multiplied by the number of shares that WIFA held. The fair value of a participant's position in the pools approximates the value of that participant's shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

In addition, WIFA had \$16,504,147 invested in money market funds that were recorded at cost.

4. Program Loans

The Funds have made loans to local governments and other communities in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semiannual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans are as follows:

	July 1, 2023	Increases	Decreases	June 30, 2024	Current Portion
Clean Water Fund	\$ 230,903,902	\$ 44,913,705	\$ (34,921,533)	\$ 240,896,074	\$ 33,848,249
Drinking Water Fund	482,699,176	41,274,010	(42,104,982)	481,868,204	35,567,563
Total	<u>\$ 713,603,078</u>	<u>\$ 86,187,715</u>	<u>\$ (77,026,515)</u>	<u>\$ 722,764,278</u>	<u>\$ 69,415,812</u>

Repayment of these loans will be made from pledged property taxes, net revenues of the systems, transaction privilege and income taxes or from special assessments. Most loans have a 0.3 to 3.0% annual administrative fee. When loans have been repaid the principal and interest for the pledged loans are placed in restricted accounts used to make bond payments. For loans that are not pledged, the money is placed in a fund from which additional loans are made.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2024, the debt service loan reserves were \$12,016 and \$1,592,842 for the Clean Water and Drinking Water funds, respectively, and no allowance for loan loss was recorded.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

5. Pension

The Authority contributes to the Arizona State Retirement Plan described below. The plan is a component unit of the State of Arizona. The Authority reported \$209,137 of pension expense related to the pension plan to which it contributes.

Arizona State Retirement Plan

Plan Description

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

The ASRS OPEB plan and the ADOA implicate rate OPEB plan have not been recorded or disclosed due to the relative insignificance of the plans to the Authority's financial statements.

Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability and survivor benefits. State statute establishes benefits 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 consecutive months of last 120 months	Highest 60 consecutive months of 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 earning. 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.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

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 year ended June 30, 2024, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.29% (12.14% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and the Authority was required by statute to contribute at the actuarially determined rate of 12.29% (12.03% for retirement, 0.11% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. In addition, the Authority was required by statute to contribute at the actuarially determined rate of 9.99% (9.94% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the Authority in positions that would typically be filled by an employee who contributes to the ASRS. The Authority's contributions to the pension plan for the year ended June 30, 2024 was \$321,284.

During fiscal year 2024, the Authority paid for ASRS pension contributions as follows: 13% from the Clean Water Fund, and 36% from the Drinking Water Fund, 1% from the Water Supply Revolving fund, and 50% from the Long-term Water Augmentation Fund.

Liability

At June 30, 2024, the Authority reported a liability of \$1,843,067 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023. The Authority's proportion of the net liability was based on fiscal year employer contributions for the year ended June 30, 2023. The Authority's proportion measured as of June 30, 2023, was 0.011392%, which was a decrease of 0.001737% from its proportion measured as of June 30, 2022.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the Authority recognized pension expense for ASRS of \$450,375. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,646	\$ -
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	65,209
Changes in proportion and differences between Authority contributions and proportionate share of contributions	259,023	15,315
Authority contributions subsequent to the measurement date	321,284	-
Total	\$ 621,953	\$ 80,524

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements
June 30, 2024

The \$321,408 reported as deferred outflows of resources related to ASRS pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Years ending June 30:

2025	\$	119,192
2026		38,780
2027		70,276
2028		(8,103)
2029		-
Thereafter		-
Total	\$	<u>220,145</u>

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Asset valuation	Fair Value
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on ASRS pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by weighing the expected future real rate of return by target asset allocation percentage. 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 Geometric Real Rate of Return
Public equity	44 %	3.50%
Credit	23	5.90
Real estate	17	5.90
Private equity	10	6.70
Interest rate sensitive	6	1.50
Total	<u>100 %</u>	

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

Discount Rate

The discount rate used to measure the ASRS total pension 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 Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the ASRS Net Liability to Changes in the Discount Rate

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability	\$ 2,760,643	\$ 1,843,067	\$ 1,077,970

Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

6. Bonds Payable

Bonds payable at June 30, 2024 are summarized below. The bonds are callable and interest is payable semiannually. The bonds are special obligations of WIFA payable solely from and secured by WIFA's assets. The obligations are not obligations, general, specific, or otherwise, of the State of Arizona or any other political subdivision thereof other than WIFA.

\$342,565,000 Water Quality Refunding bonds, series 2014R due in annual principal installments ranging from \$1,480,000 to \$44,280,000 plus semiannual interest from 2.00% - 5.00% through October 1, 2027. These bonds are callable on or after October 1, 2024.	\$ 146,350,000
Total	\$ 146,350,000
Bonds by fund are as follows:	
Arizona Clean Water Revolving Fund	\$ 36,462,060
Arizona Drinking Water Revolving Fund	\$ 109,887,940

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements
June 30, 2024

The Clean Water Fund's bond debt service requirements to maturity, including interest, are as follows:

	Clean Water		
	Principal	Interest	Total
Years ending June 30:			
2025	\$ 25,238,029	\$ 1,023,792	\$ 26,261,821
2026	-	392,841	392,841
2027	-	392,841	392,841
2028	11,224,031	196,421	11,420,452
Total long-term debt	36,462,060	2,005,895	38,467,955
Less current portion	(25,238,029)	(1,023,792)	(26,261,821)
Noncurrent portion	<u>\$ 11,224,031</u>	<u>\$ 982,103</u>	<u>\$ 12,206,134</u>

The Drinking Water Fund's bond debt service requirements to maturity, including interest, are as follows:

	Drinking Water		
	Principal	Interest	Total
Years ending June 30:			
2025	\$ 6,241,971	\$ 5,296,708	\$ 11,538,679
2026	30,270,000	4,383,909	34,653,909
2027	44,280,000	2,520,159	46,800,159
2028	29,095,969	706,580	29,802,549
Total long-term debt	109,887,940	12,907,356	122,795,296
Less current portion	(6,241,971)	(5,296,708)	(11,538,679)
Noncurrent portion	<u>\$ 103,645,969</u>	<u>\$ 7,610,648</u>	<u>\$ 111,256,617</u>

WIFA's total bond debt service requirements to maturity, including interest, are as follows:

	Total Clean Water and Drinking Water		
	Principal	Interest	Total
Years ending June 30:			
2025	\$ 31,480,000	\$ 6,320,500	\$ 37,800,500
2026	30,270,000	4,776,750	35,046,750
2027	44,280,000	2,913,000	47,193,000
2028	40,320,000	903,001	41,223,001
Total long-term debt	146,350,000	14,913,251	161,263,251
Less current portion	(31,480,000)	(6,320,500)	(37,800,500)
Noncurrent portion	<u>\$ 114,870,000</u>	<u>\$ 8,592,751</u>	<u>\$ 123,462,751</u>

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

In December 2014, WIFA issued \$342,565,000 of Water Quality Revenue Refunding Bond series 2014A and for the purpose of advance refunding a portion of the 2006 Water Quality Revenue Bonds, 2008 Water Quality Revenue Bonds, 2009 Water Quality Revenue Bonds, 2010 Water Quality Revenue Bonds and the 2012 Water Quality Refunding Bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bonds issues had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. As of June 30, 2024, there was no defeased bonds still outstanding.

In January 2018, WIFA defeased \$46,110,000 of Water Quality Revenue Bonds, Series 2010A, 2010R, 2012A, 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in program loan interest expense. An in-substance defeasance of \$1,113,514 was recorded in the Clean Water Fund on the Statement of Revenue, Expenses and Changes in Fund Net Position. As of June 30, 2024, there was no defeased bonds still outstanding.

In May 2018, WIFA defeased \$81,625,000 of Water Quality Revenue Bonds, Series 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in program loan interest expense. In-substance defeasances of \$1,584,035 and \$698,872 was recorded in the Clean Water Fund and Drinking Water Fund, respectively, on the Statement of Revenue, Expenses and Changes in Fund Net Position. The amount of the defeased bonds still outstanding as of June 30, 2024 was \$81,625,000.

In December 2020, WIFA defeased \$46,620,000 of Water Quality Revenue Bonds, Series 2012A using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in program loan interest expense. An in-substance defeasance of \$133,821 was recorded in the Clean Water Fund and \$551,724 was recorded in the Drinking Water Fund included on the Statement of Revenue, Expenses and Changes in Fund Net Position. As of June 30, 2024, there was no defeased bonds still outstanding.

The security for the bonds includes a pledge of the moneys and investments in the accounts held by the Trustee and the Financial Assistance Accounts held for WIFA, the Authority, by the State Treasurer and all pledged loans.

7. Long-Term Debt

Long-term debt activity for the fiscal year ended June 30, 2024 follows for each fund and in total.

	Clean Water				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 42,638	\$ 53,787	\$ (68,462)	\$ 27,963	\$ 27,963
Bonds payable	36,462,060	-	-	36,462,060	25,238,029
Bonds premiums	7,505,097	-	-	7,505,097	-
Net pension liability	360,721	99,836	-	460,557	-
Total	<u>\$ 44,370,516</u>	<u>\$ 153,623</u>	<u>\$ (68,462)</u>	<u>\$ 44,455,677</u>	<u>\$ 25,265,992</u>

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

	Drinking Water				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ -	\$ 75,602	\$ (127,913)	\$ (52,311)	\$ 75,602
Bonds payable	137,797,940	-	(27,910,000)	109,887,940	6,241,971
Bonds premiums	22,807,493	-	(4,619,497)	18,187,996	-
Net pension liability	1,082,163	300,347	-	1,382,510	-
Total	<u>\$ 161,687,596</u>	<u>\$ 375,949</u>	<u>\$ (32,657,410)</u>	<u>\$ 129,406,135</u>	<u>\$ 6,317,573</u>
	Water Supply Revolving Fund				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ -	\$ 51,782	\$ -	\$ 51,782	\$ 51,782
Total	<u>\$ -</u>	<u>\$ 51,782</u>	<u>\$ -</u>	<u>\$ 51,782</u>	<u>\$ 51,782</u>
	Long-Term Water Augmentation Fund				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ -	\$ 51,783	\$ -	\$ 51,783	\$ 51,782
Total	<u>\$ -</u>	<u>\$ 51,783</u>	<u>\$ -</u>	<u>\$ 51,783</u>	<u>\$ 51,782</u>
	Total WIFA				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 170,551	\$ 232,954	\$ (196,375)	\$ 207,130	\$ 207,130
Bonds payable	174,260,000	-	(27,910,000)	146,350,000	31,480,000
Bonds premiums	30,312,590	-	(4,619,497)	25,693,093	-
Net pension liability	1,442,884	400,183	-	1,843,067	-
Total	<u>\$ 206,186,025</u>	<u>\$ 633,137</u>	<u>\$ (32,725,872)</u>	<u>\$ 174,093,290</u>	<u>\$ 31,687,130</u>

8. Administrative Revenues and Expenses

WIFA has four sources of revenue to pay its administrative expenses. The Agency is authorized to utilize a portion of capitalization grants for administrative purposes (not to exceed 4% of the net capitalization grant). Additionally, WIFA receives servicing fees assessed on the outstanding loan balance from each of the local borrowers (Debt Management Revenue). These fees are used to defray program administration expenses and are collected and recorded by WIFA as separate funds at the treasurer's office. The Agency also received State general fund appropriations and other State funds as the revenue source for Long-Term Water Augmentation and Water Supply Development Revolving funds.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements

June 30, 2024

The administrative expenses reported by WIFA for June 30, 2024 are as follows:

	Clean Water Fund	Drinking Water Fund	Water Supply Revolving Fund	Long-Term Water Augmentation Fund	Total
Personnel and benefits	\$ 557,888	\$ 1,536,120	\$ 85,921	\$ 1,697,670	\$ 3,877,599
Contracts	37,840	115,329	68,731	337,133	559,033
In-state travel	3,242	8,450	5,841	26,799	44,332
Out of state travel	3,005	8,124	-	-	11,129
Other operating expenses	65,744	185,180	107,602	130,097	488,623
Equipment	-	126,924	-	-	126,924
	667,719	1,980,127	268,095	2,191,699	5,107,640
Set aside to ADEQ	-	7,678,791	-	-	7,678,791
Transfer to ADOA	1,581	4,273	-	-	5,854
Total	<u>\$ 669,300</u>	<u>\$ 9,663,191</u>	<u>\$ 268,095</u>	<u>\$ 2,191,699</u>	<u>\$ 12,792,285</u>

9. Risk Financing Activities

WIFA participates in the State of Arizona Insurance Program managed through the Risk Management Division of the Department of Administration. This program manages the State's property, environmental, general liability and workers compensation losses. For detailed information on how the program works, please contact: Arizona Department of Administration, Risk Management Office, 100 North 15th Ave 3rd Floor, Suite 301, Phoenix, AZ 85007. Phone 602-542-2182.

WIFA has not had any significant reductions in the current fiscal year's insurance coverage and has not had a claim in the last five years.

10. Capitalization Grants

While most of the money for the loans comes from State Funds, a portion comes from an annual grant award from the EPA. EPA awards WIFA a Clean Water and a Drinking Water Capitalization grant each year. Both grants provide money for loans, a portion for forgivable principal (not to exceed 30% of the total) and some administrative money (not to exceed 4% of the total grant) to assist with running the program. The Drinking Water grant provides some additional funding for other State Drinking Water activities. The grants have a budget period of four or five years but are usually spent, in their entirety, within three years.

At the beginning of fiscal year 2024, WIFA had \$30,423,495 for loans from five Clean Water grants and \$70,823,557 available for loans from six Drinking Water grants. During the year, additional amounts of \$20,582,000 from Clean Water Grants and \$62,718,000 were awarded from Drinking Water Grants. In fiscal year 2024, Clean water grant funds had expenses of \$20,115,024 for loans and \$2,818,058 in forgivable principal. In fiscal year 2024, Drinking water grant funds had expenses of \$18,590,010 for loans and \$1,512,809 in forgivable principal. Of the total administrative costs, \$558,976 were provided from the Clean Water grants and \$1,594,003 from the Drinking Water grants.

In fiscal year 2025 WIFA expects to receive \$22,310,000 for Clean Water Awards and \$61,728,000 for Drinking Water Awards.

At the end of fiscal year 2024 WIFA had \$28,072,413 available from three Clean Water grants for loans and \$119,962,858 available from three Drinking Water grants.

Water Infrastructure Finance Authority of Arizona

Notes to Financial Statements
June 30, 2024

11. Water Projects Assistance Grants

The Water Projects Assistance Grants Fund appropriated \$65M from the general fund. These funds are to be allocated in the amount of \$27.8M for the City of Gilbert wells projects, \$20M for the Little Colorado River levee, \$10M for the City of Peoria for a well project, \$3.4M for the Mohave wash recharge basin, \$810k to the City of Glendale irrigation and xeriscaping, and \$3M for Water projects assistance grants. The \$3M in water projects assistance is allocated to cities and towns in Navajo and Apache counties and irrigation districts in Cochise and Graham counties to use the funds to contract for services of outside advisors, attorneys, consultants and aides that are reasonable necessary or desirable to enable the relevant entity to adequately perform their duties.

12. Water Conservation Grant Fund

WIFA Received a one-time commitment of \$200 million of American Rescue Plan Act funds from State for the purpose of supporting water conservation activities through the Water Conservation Grant Fund (WCGF). As of June 30, 2024, WIFA had successfully awarded all \$200 million to fund 186 projects across all 15 Arizona counties and expects a savings up to 5.5 million acre-feet of water over their lifetime. As of June 30, 2024 disbursements from the WCGF (expenditures) amount to \$1.7 million.

13. Subsequent Events

On September 19, 2024, the Water Infrastructure Finance Authority of Arizona (the Authority) issued \$109,765,000 in Water Quality Revenue Refunding Bonds, Series 2024 (the Series 2024 Bonds) to advance refund \$114,870,000 of outstanding Water Quality Revenue Refunding Bonds, Series 2014A (the Refunded Bonds). The Series 2024 Bonds were issued at a premium of \$5,781,000, resulting in total proceeds of \$115,546,000.

Water Infrastructure Finance Authority of Arizona

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2024

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Authority's proportion of the net pension liability	0.008845%	0.008845%	0.009160%	0.007534%	0.008038%	0.009268%	0.010403%	0.011600%	0.012470%	0.012376%
Authority's proportionate share of the net pension liability	1,843,067	1,442,884	1,203,583	1,304,687	1,169,914	1,292,839	1,620,118	1,872,357	1,941,637	1,831,290
Authority's covered payroll	\$ 1,496,711	\$ 1,054,813	\$ 809,330	\$ 827,729	\$ 898,184	\$ 1,003,523	\$ 1,092,876	\$ 1,145,078	\$ 1,211,434	\$ 1,091,083
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	123.14%	136.79%	148.71%	157.62%	130.25%	128.83%	148.24%	163.51%	160.28%	167.84%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Water Infrastructure Finance Authority of Arizona

Required Supplementary Information
Schedule of Pension Contributions
June 30, 2024

Arizona State Retirement System	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 321,284	\$ 178,408	\$ 126,683	\$ 94,287	\$ 94,775	\$ 100,417	\$ 109,384	\$ 117,812	\$ 124,241	\$ 131,804
Authority's contributions in relation to the statutorily required contribution	321,284	178,408	126,683	94,287	94,775	100,417	109,384	117,812	124,241	131,804
Authority's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 2,670,690	\$ 1,496,711	\$ 1,054,813	\$ 809,330	\$ 827,729	\$ 898,184	\$ 1,003,523	\$ 1,092,876	\$ 1,145,078	\$ 1,211,434
Authority's contributions as a percentage of covered payroll	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.88%

Water Infrastructure Finance Authority of Arizona

Combining Statement of Net Position

Proprietary Funds

June 30, 2024

	Business-Type Activities - Enterprise Funds						
	Clean Water Revolving Fund	Drinking Water Revolving Fund	Water Supply Revolving Fund	Long-Term Water Augmentation Fund	Water Projects Assistance Grants Fund	Water Conservation Grants Fund	Total
Assets							
Current assets:							
Cash and cash equivalents:							
Cash with treasurer	\$ 131,742,332	\$ 98,192,637	\$ 152,241,668	\$ 447,566,509	\$ -	\$ -	\$ 829,743,146
Cash with trustee	15,698,017	806,130	-	-	-	-	16,504,147
Total cash and cash equivalents	147,440,349	98,998,767	152,241,668	447,566,509	-	-	846,247,293
Receivables, net of uncollectibles:							
Program loans	33,848,249	35,567,563	-	-	-	-	69,415,812
Debt management	1,836,357	3,505,070	-	-	-	-	5,341,427
Loan Interest	1,328,670	1,981,717	-	-	-	-	3,310,387
Due from other governments	3,057	1,211,984	-	-	-	-	1,215,041
Investment interest	60,632	19,147	-	-	-	-	79,779
Total current assets	184,517,314	141,284,248	152,241,668	447,566,509	-	-	925,609,739
Noncurrent assets:							
Investments	15,651,154	2,640,337	-	-	-	-	18,291,491
Program loans	207,047,825	446,300,641	-	-	-	-	653,348,466
Total noncurrent assets	222,698,979	448,940,978	-	-	-	-	671,639,957
Total assets	407,216,293	590,225,226	152,241,668	447,566,509	-	-	1,597,249,696
Deferred Outflows of Resources							
Deferred loss on debt refundings	4,105,347	11,684,445	-	-	-	-	15,789,792
Deferred outflows related to pensions	117,841	341,701	3,248	159,163	-	-	621,953
Total deferred outflows of resources	4,223,188	12,026,146	3,248	159,163	-	-	16,411,745

See notes to financial statements

Water Infrastructure Finance authority of Arizona

Combining Statement of Net Position

Proprietary Funds

June 30, 2024

	Business-Type Activities - Enterprise Funds						
	Clean Water Revolving Fund	Drinking Water Revolving Fund	Water Supply Revolving Fund	Long-Term Water Augmentation Fund	Water Projects Assistance Grants Fund	Water Conservation Grants Fund	Total
Liabilities							
Current liabilities:							
Accounts payable	10,382	1,226,229	3,046	27,516	-	-	1,267,173
Accrued payroll	9,454	25,560	785	38,442	-	-	74,241
Compensated absences	27,963	75,602	51,782	51,783	-	-	207,130
Interest payable	413,686	1,363,189	-	-	-	-	1,776,875
Bonds payable-current	25,238,029	6,241,971	-	-	-	-	31,480,000
Total current liabilities	25,699,514	8,932,551	55,613	117,741	-	-	34,805,419
Noncurrent liabilities:							
Loan reserves	12,016	1,592,842	-	-	-	-	1,604,858
Net pension liability	460,557	1,382,510	-	-	-	-	1,843,067
Bonds payable	18,729,128	121,833,965	-	-	-	-	140,563,093
Total noncurrent liabilities	19,201,701	124,809,317	-	-	-	-	144,011,018
Total liabilities	44,901,215	133,741,868	55,613	117,741	-	-	178,816,437
Deferred Inflows of Resources							
Deferred inflows related to pensions	20,126	60,398	-	-	-	-	80,524
Net Position							
Restricted for revolving loan program and debt service	366,518,140	468,449,106	152,189,303	447,607,931	-	-	1,434,764,480
Total net position	<u>\$ 366,518,140</u>	<u>\$ 468,449,106</u>	<u>\$ 152,189,303</u>	<u>\$ 447,607,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434,764,480</u>

See notes to financial statements

Water Infrastructure Finance Authority of Arizona

Combining Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds						
	Clean Water Revolving Fund	Drinking Water Revolving Fund	Water Supply Revolving Fund	Long-Term Water Augmentation Fund	Water Projects Assistance Grants Fund	Water Conservation Grants Fund	Total
Operating Revenues							
Program loan interest	\$ 3,196,513	\$ 4,017,625	\$ -	\$ -	\$ -	\$ -	\$ 7,214,138
Debt management fees	3,978,327	7,349,772	-	-	-	-	11,328,099
Total operating revenues	7,174,840	11,367,397	-	-	-	-	18,542,237
Operating Expenses							
Administrative expenses	669,300	9,663,191	268,095	2,191,699	-	-	12,792,285
Technical assistance	107,209	278,672	-	-	-	-	385,881
Forgivable principal expense	10,869,960	6,741,216	-	-	-	-	17,611,176
Arizona water projects	-	-	-	-	65,010,000	1,736,558	66,746,558
Total operating expenses	11,646,469	16,683,079	268,095	2,191,699	65,010,000	1,736,558	97,535,900
Operating income (loss)	(4,471,629)	(5,315,682)	(268,095)	(2,191,699)	(65,010,000)	(1,736,558)	(78,993,663)
Nonoperating Revenues (Expenses)							
Administrative grants	559,738	9,491,220	-	-	-	-	10,050,958
Investment earnings	6,533,337	5,163,529	9,103,327	20,007,081	-	-	40,807,274
Interest expense	(2,437,664)	(3,410,442)	-	-	-	-	(5,848,106)
Total nonoperating revenues (expenses)	4,655,411	11,244,307	9,103,327	20,007,081	-	-	45,010,126
Income (loss) before contributions and State appropriations	183,782	5,928,625	8,835,232	17,815,382	(65,010,000)	(1,736,558)	(33,983,537)
Contributions	22,933,083	20,531,504	-	-	-	-	43,464,587
Interfund Transfers In	-	15,962,518	-	-	-	-	15,962,518
Interfund Transfers Out	(15,962,518)	-	-	-	-	-	(15,962,518)
Transfers In - State Appropriations	-	-	-	189,200,000	65,010,000	1,736,558	255,946,558
Transfers Out - to Other State Funds	-	-	(59,700,110)	(97,305,394)	-	-	(157,005,504)
Change in net position	7,154,347	42,422,647	(50,864,878)	109,709,988	-	-	108,422,104
Net Position, Beginning	359,363,793	426,026,459	203,054,181	337,897,943	-	-	1,326,342,376
Net Position, Ending	\$ 366,518,140	\$ 468,449,106	\$ 152,189,303	\$ 447,607,931	\$ -	\$ -	\$ 1,434,764,480

See notes to financial statements

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

To the Board of Director's of
Water Infrastructure Finance Authority of Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Water Infrastructure Finance Authority of Arizona (the Authority), a component unit of the State of Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Tempe, Arizona
October 17, 2024

Attachment 6
WIFA 5-Year Financial Plan

Water Infrastructure Finance Authority

Five-Year Financial Plan

(FY 2025 – FY 2029)

Purpose

The Five-Year Financial Plan (Plan) sets out how the Water Infrastructure Financing Authority (WIFA) will manage resources to meet anticipated future loan demand considering historical trends and follows direction set forth in WIFA's 5-year Strategic Framework. The Plan includes sources and uses of the State Revolving Funds (SRFs) for Clean Water and Drinking Water and Water Supply Development Revolving Fund (WSDRF).

Background

Last year, the Board approved a Five-Year Financial Plan with the following guidance:

- **Meeting projected loan demand over the five years by issuing debt where necessary,**
- **Providing \$540 million in loans from the SRF and WSDRF,**
- **Providing 75 priority communities utilizing the SRFs and the WSDRF as stated in the Strategic Framework,**
- **Maintaining a “AAA” credit rating,**
- **Presenting the Board with multiple borrowing options prior to issuance of any debt.**

The Financial Plan has been updated to reflect actuals for FY 2024 and the current five-year period FY 2025 through FY 2029. In addition, the updated Financial Plan considered:

- **Budgetary sweeps of \$59.7 from the WSDRF resulting in an ending fund balance of \$152.2 million,**
- **Board Approval of \$169 million in loans for the SRFs and \$0 in loans for the WSDRF,**
- **Recent bond refunding savings in annual debt service payments totaling \$4.6 million and freeing up \$35 million in cash reserves,**
- **Board approved changing the definition of priority communities and increased the goal from 75 to 100 by FY 2028, and**
- **Slower than anticipated cash disbursements during FY 2024.**

Financial Plan

The Financial Plan includes loan capacity or amounts of loans that can be approved each year. The Board may utilize this information by taking financial impacts into consideration when approving loans for both the SRFs and the WSDRF. Considerations involve balancing infrastructure needs with program sustainability and allowing the Board to proactively manage financial resources.

The Financial Plan includes \$540 million in new loans issued through FY 2028 with an additional \$92.6 for FY 2029. This loan portfolio is sized to be comparable to historical trends and supports a “AAA” credit rating while providing assistance to 100 priority communities. The decrease of \$59.7 funding from WSDRF due to the budgetary sweeps increases the burden from the SRFs mostly in FY 2029.

Amount of Additional Loans by Year (millions)

	FY 2024 (Actuals)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total (FY25-29)
SRFs*	\$169.0	\$54.6	\$54.6	\$54.6	\$54.6	\$92.6	\$311.0
WSDRF**	\$0.0	\$38.0	\$38.0	\$38.0	\$38.0	0	\$152.0
Total	\$169.0	\$92.6	\$92.6	\$92.6	\$92.6	\$92.6	463.0
Total All Years		\$262.4	\$354.9	\$447.5	\$540.0	\$632.6	\$632.6

*Includes loans and forgivable principal.

**Includes loans, grants and forgivable principal.

Financial modeling is an ongoing process that requires updating assumptions based on the most recent information. The Financial Plan is the “most likely” or “best guess” forecast and reflects historical and recent trends in loan demand supported by a \$50 million bond sale at the beginning of FY 2027 assuming 20 years of principal and interest at a rate of 4.0% which is slightly higher than current market rates. Existing debt of \$156.5 (principal and interest payments) will be paid off by October 2027 at which time the loan capacity will increase in the SRFs.

Following is a detailed Proforma for the SRFs and graphs for supporting information of the Financial Plan.

Proforma for the SRFs

The Proforma for the SRFs depicts cash flows ensuring sources and uses are aligned over the next five years. The assumptions include Board approval of \$463 million in new loans (total of \$632 less \$169 in FY 2024) for the next five years including funds from both the SRFs and WSDRF. The Proforma only includes sources and uses for the SRF's and does not include the \$152 million available from the WSDRF. The loans from the SRFs total \$311 million and is supported by a \$50 million bond issuance in 2027 (line 11 of the Proforma). The future loans in the SRFs result in cash disbursements amounting to \$186.1 million of cash needs (line 18) and \$124.7 million in cash disbursements from the SRFs that are beyond the five-year forecast.

Additional assumptions and notes include:

Line 1 thru 4: FY 2025 through FY 2027 reflects Capitalization Grants, as well as the supplemental SRF grants provided through the Bipartisan Infrastructure Law. EPA grants forecasted in years FY 2028 and FY 2029 reflect historical base grant amounts which could face downward pressure due to the trend of growing Congressional earmarks.

Line 5: There is a lump sum payment of \$17 million from one loan in FY 2028.

Line 7: Assumes 4% earnings on average of prior year and current year fund balances.

Line 8: This represents forecast unspent set asides that are transferred for the use of loans.

Line 10 and 12: Reflects cash reserves from the 2024 bond refunding and assumes a \$50 million bond sale with principal and interest for 20 years at a rate of 4%.

Line 13: Assumes an increase of 3% annually.

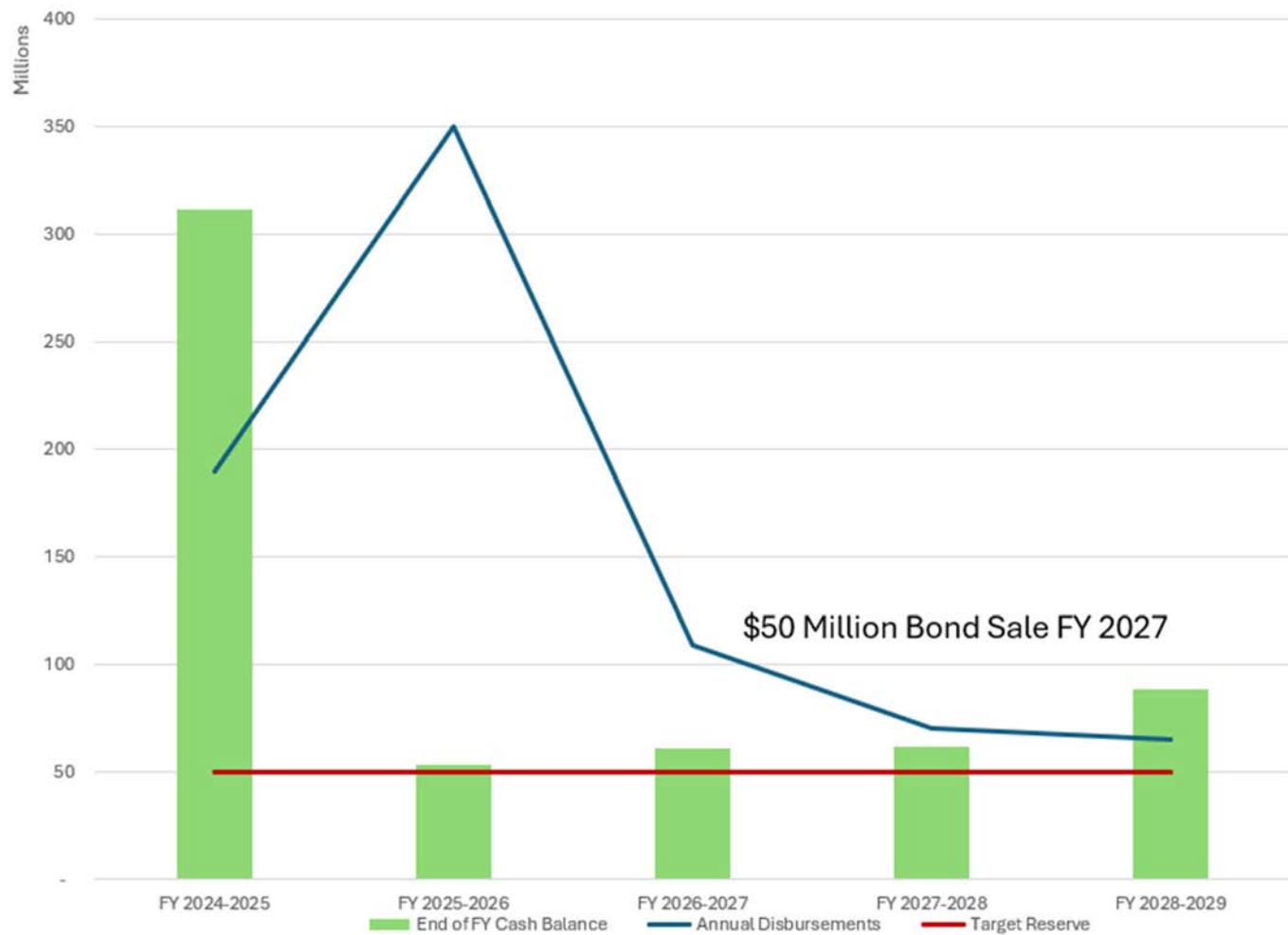
Line 15 and 16: Includes all loans approved through September 18, 2024 Board Meeting.

Five-Year Proforma SRFs (Drinking Water and Clean Water State Revolving Funds)

	1	2	3	4	5
	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029
SOURCES					
1 EPA Cap Grants	13,667,000	37,000,000	37,000,000	11,000,000	11,000,000
2 Supplemental Cap Grant	55,570,000	-	-	-	-
3 Lead Service line Cap Grant	-	-	-	-	-
4 Emerging Cont. Cap Grant	14,801,000	-	-	-	-
5 P&I Repayments from SRF Loans	89,778,503	86,108,590	80,264,028	96,118,003	73,615,930
6 P&I Repayments from SRF loans (future)	-	-	-	6,026,532	12,551,190
7 Investment Interest Earned	5,151,000	6,208,659	2,181,690	2,139,846	2,092,530
8 Other (Adjustments & unused set aside amounts)	-	-	-	5,000,000	-
9 State Appropriations	-	-	-	-	-
10 Future Bond Proceeds	35,033,750	-	50,000,000	-	-
Total Sources	214,001,253	129,317,249	169,445,717	120,284,381	99,259,650
USES					
11 Debt Service Payments Bonds Outstanding (Existing)	35,033,750	34,084,720	45,223,000	42,105,000	-
12 Debt Service Payments Bonds Outstanding (Future)	-	-	3,679,088	3,679,088	3,679,088
13 Administrative Expenses	3,219,480	3,316,064	3,415,546	3,518,013	3,623,553
14 Other Misc Expenses (TA and ADEQ set asides)	6,685,180	-	-	-	-
15 Loan Disbursements	176,281,203	283,899,521	46,341,463	3,571,960	-
16 Loan Disbursement (Restricted for Lead and EC)	7,673,085	41,897,026	20,762,846	12,477,443	6,076,602
17 Loan Disbursements Future	6,061,596	24,246,384	42,431,172	54,554,364	58,776,924
Total Uses	234,954,294	387,443,715	161,853,115	119,905,867	72,156,167
18 Beginning Cash Balance	332,877,165	311,924,124	53,797,658	61,390,260	61,768,774
Sources Less Uses (Net)	(20,953,041)	(258,126,466)	7,592,603	378,514	27,103,483
19 Ending Cash Balance	311,924,124	53,797,658	61,390,260	61,768,774	88,872,257
20 Less \$50 million for reserve	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Available Annual Amount	261,924,124	3,797,658	11,390,260	11,768,774	38,872,257

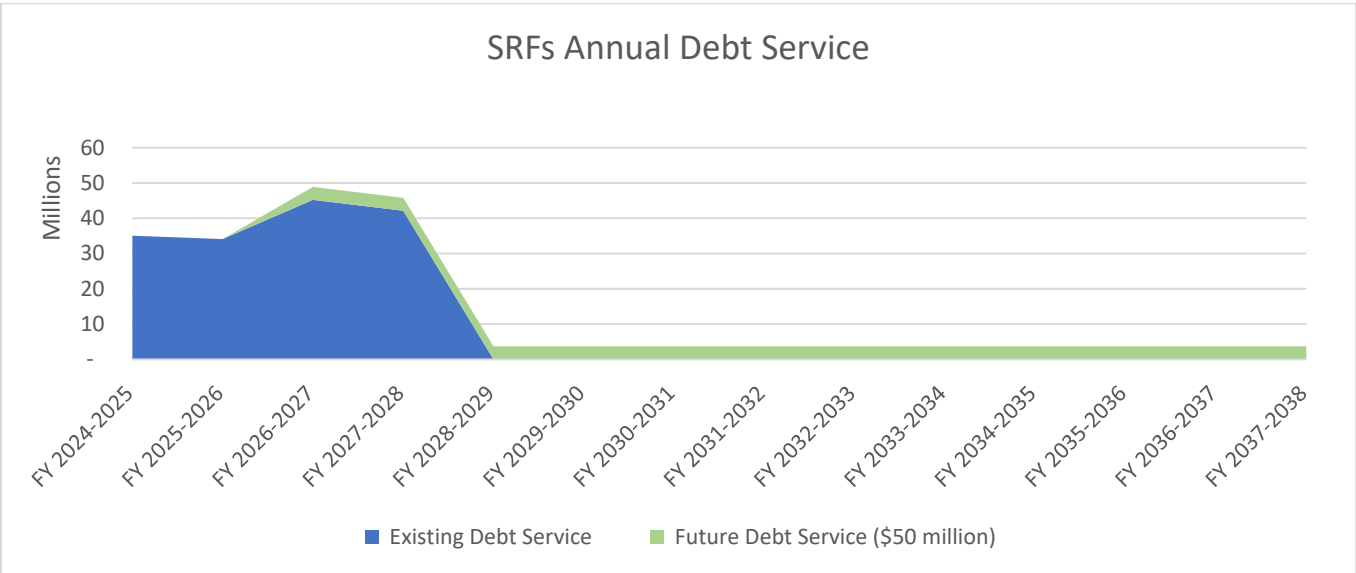
GRAPH 1 Proforma for SRFs

Graph 1 shows the Proforma 1) maintains a targeted cash balance of \$50 million across the combination of both SRFs to ensure WIFA can pay disbursements, 2) includes bond proceeds of \$50 million in FY 2027 as part of cash balance and 3) supports over \$785 million in disbursements including \$600 million in outstanding commitments from approved loans and \$186 million of disbursements from future loans. The timing of issuing debt will be dependent on meeting the actual cash disbursements for approved loans and future loan demand.



GRAPH 2 Annual Debt Service

Graph 2 provides information on existing and future annual debt service throughout the forecast period. At the beginning of FY 2025, there was \$156.5 million of principal and interest outstanding maturing in FY 2028. The Proforma also includes additional debt service for a \$50 million dollar bond sale in FY 2027 amortized over a twenty-year period. The \$50 million bond sale is less than last year’s forecast of \$200 million and is delayed two years. This is due to refunding existing debt resulting in over \$4 million savings in debt service and releasing \$35 million in cash reserves.

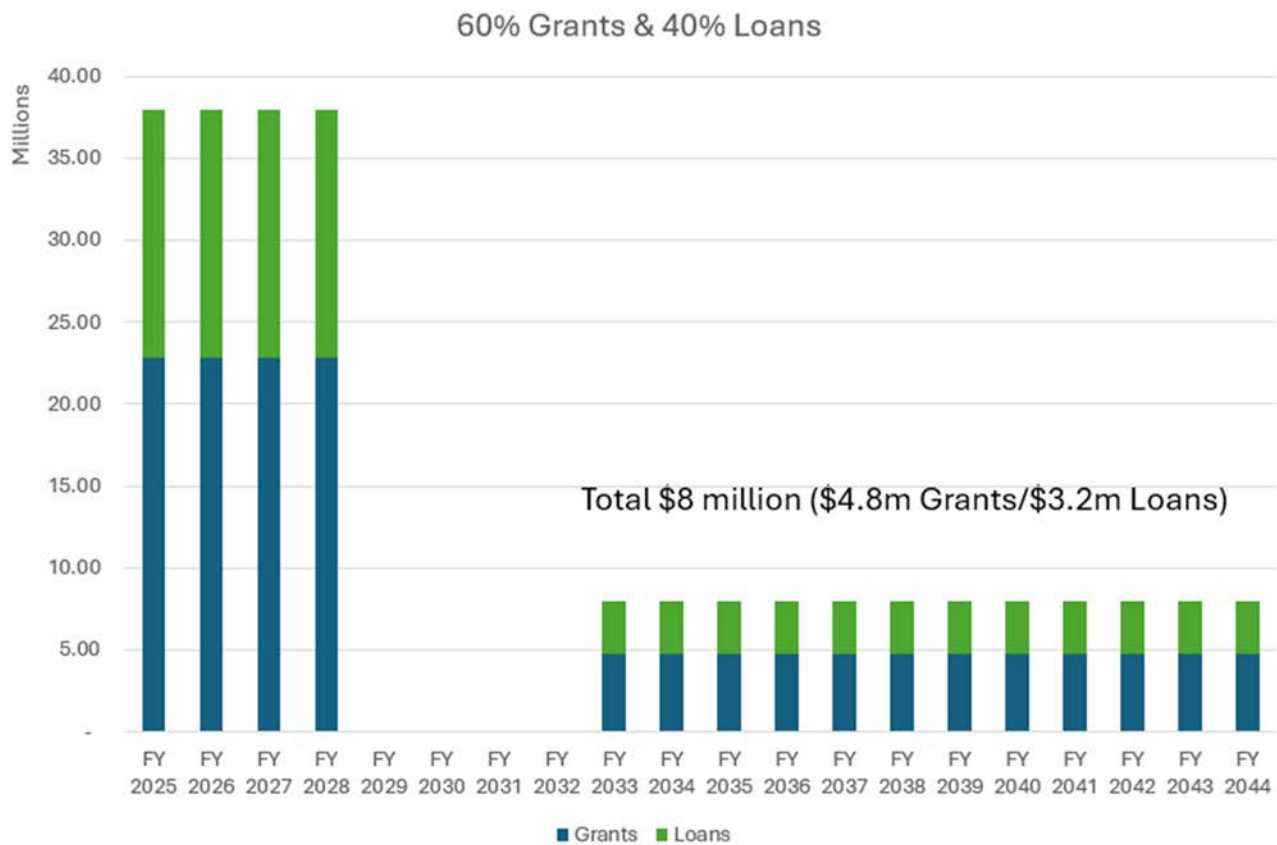


- Notes:
- 1) The structure of debt will be revised prior to issuing bonds.
 - 2) The debt service outstanding reflects the Series 2024 Bond Refunding.

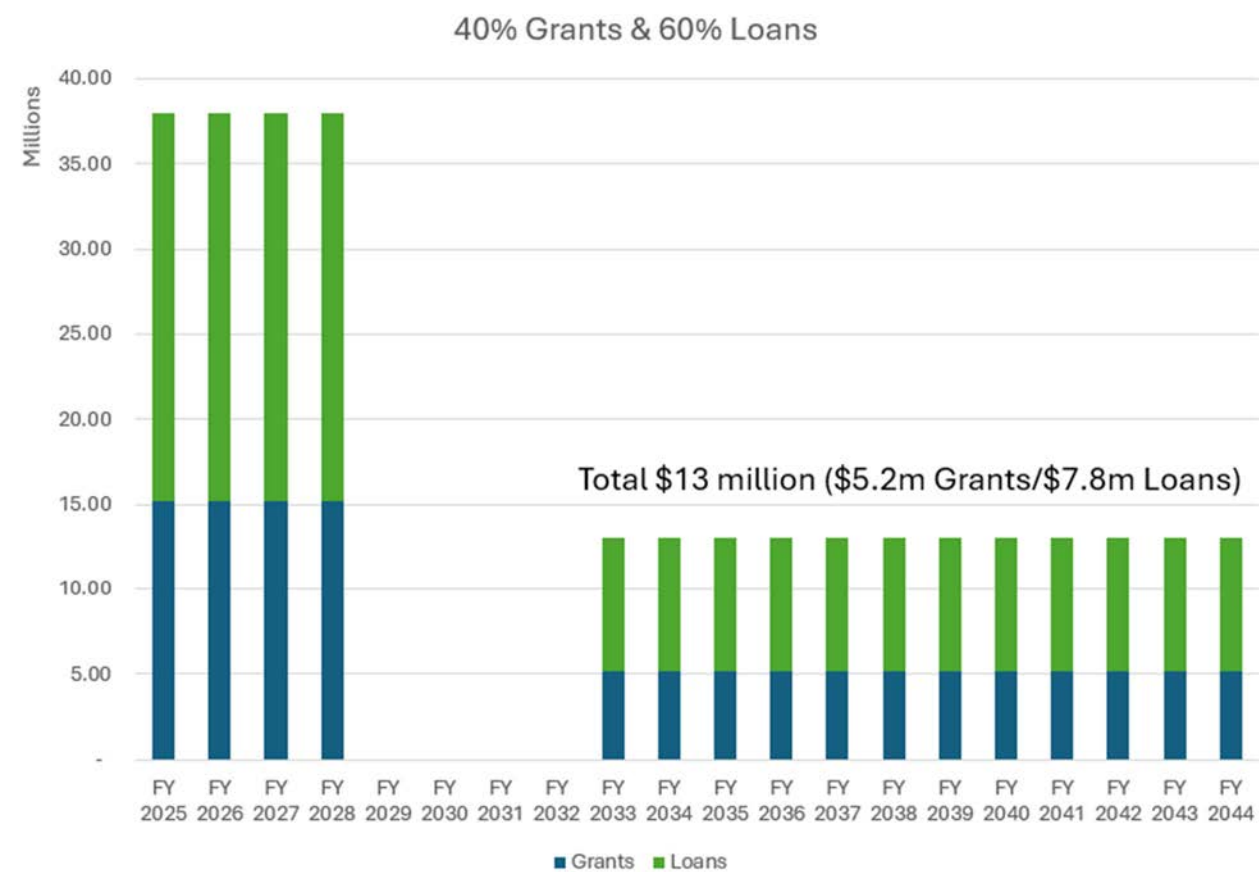
GRAPH 3-5 WSDRF

Graph 3 through 5 provides financial projections for the WSDRF for three different scenarios. In all scenarios, the assumptions are utilizing the current fund balance of \$152 million that can be used for grants or for loans. Loan assumptions are three years of no principal and interest payments followed by 20-year amortization period, a discounted interest rate for loans awarded in FY 2025 and market rates for loans in out years. After the disbursement of the initial \$152 million in funding, available funding for future loans and grants are dependent on future loan revenues and additional appropriations from the state. The scenarios include 1) 60% of fund is grants and 40% is loans 2) 40% grants and 60% loans and 3) 40% grants and 60% loans with an additional \$50 million of state funding by FY 2029. In Scenarios One and Two, there are years of no activity allowing the loan revenues to accumulate to a point where funds can support additional loans and grants. The additional amount of \$50 million in Scenario 3 enables continuous activity throughout the 20-year period.

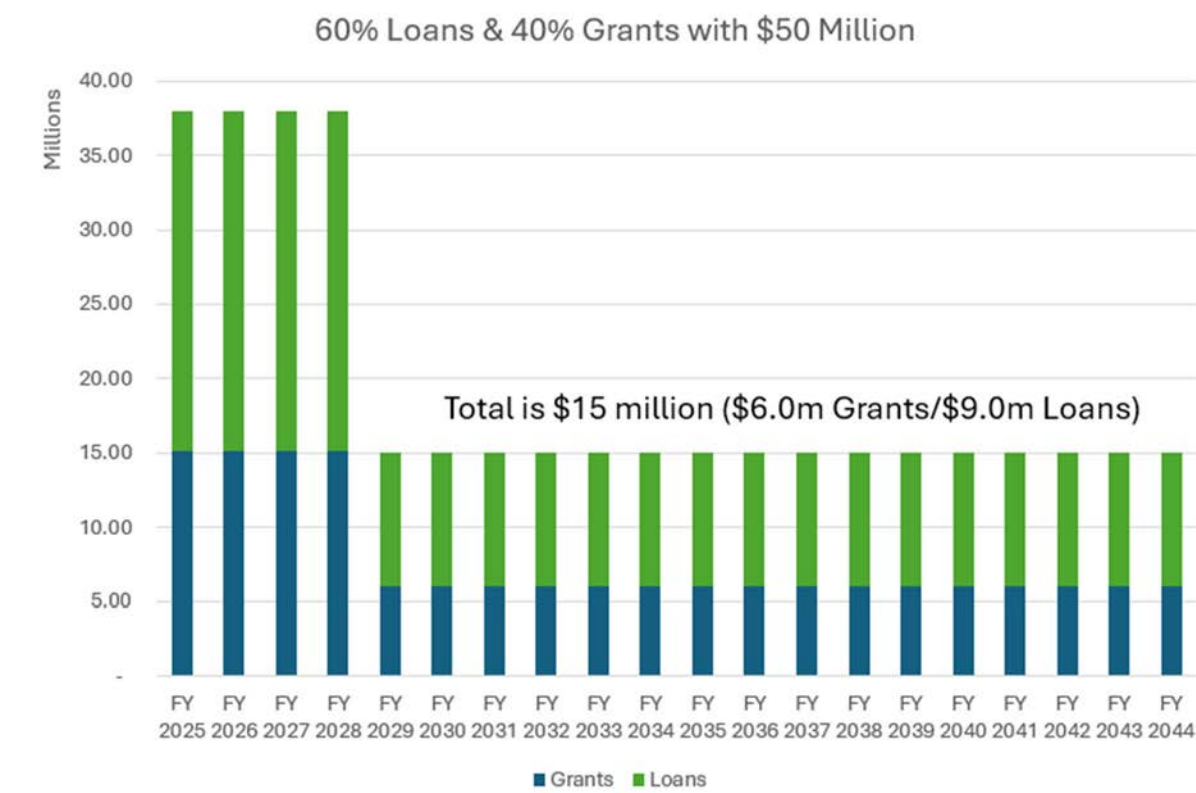
GRAPH 3: Scenario One



Graph 4: Scenario Two



Graph 5: Scenario Three



Attachment 7
Small Water Systems Fund Report

Small Drinking Water Systems Fund Fiscal Year 2024 Annual Report

Over 300 million Americans rely on community drinking water systems, with 90% of these systems serving fewer than 10,000 people (small public water system). The U.S. Environmental Protection Agency Drinking Water Action Plan has identified that economically stressed, minority and otherwise disadvantaged communities, particularly those served by small public water systems, lack the resources to assure consistent compliance with the Safe Drinking Water Act.

Throughout the year, the Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends projects to the Water Infrastructure Finance Authority (WIFA) for funding from the Small Drinking Water Systems Fund (SDWSF). Pursuant to A.R.S. § 49-355, the Legislature appropriated \$500,000 to the SDWSF in FY2017, \$500,000 in FY2020 and \$1,000,000 in FY2022. Additionally, ADEQ provided a one-time fund transfer of \$413,195 to the SDWSF in June 2024. Those funds have allowed WIFA to award 43 SDWSF grants to small systems all throughout Arizona.

For each project, ADEQ certifies that the disbursement of Small Drinking Water Systems funding is in the best interest of the state and a direct public benefit. ADEQ prepares a summary for each recommendation describing the community and the project to be funded, as well as the public health concerns to be addressed. These recommendations are included in Appendix A.

Table 1 shows the amount of expenditures from the SDWSF. Funds for new projects are committed on an on-going basis as previous projects are completed and their final costs are known. In FY 2024, four projects were awarded SDWSF grants, Desert Vista Company, Monte Vista Water Company, Worden Water Company, and Kelvin Simmons. Additionally, three projects awarded in FY 2025 are included with this report (see Appendix A for more details).

If the five projects that are pending project completion use the entirety of their grant funds, then the total expended on SDWSF projects will be \$2,248,624.91. The total amount available from the appropriations, accrued interest, and the ADEQ transfer is \$2,450,036.62. Therefore, the SDWSF will have only \$201,411.71 remaining for this impactful program.

Table 1. SDWSF Expenditures as of December 15, 2024

Recipient	Fiscal Year Awarded	Initial Project Cost	Previously Reported Expenditures	New Expenditures	Final SDWSF Grant Amount	Notes
Walden Meadows Community Coop (ACME - Thunderbird Meadows)	FY17	\$202,914.00	\$178,245.66	\$0.00	\$178,245.66	
Jones Coop Water Association	FY18	\$9,500.00	\$9,084.01	\$0.00	\$9,084.01	
Sun Leisure Estates Utility Corporation	FY18	\$95,000.00	\$71,228.45	\$0.00	\$71,228.45	
Villa Grande Domestic Water Improvement District	FY18	\$75,000.00	\$74,945.83	\$0.00	\$74,945.83	
Sun Valley Farms Unit VI Water Company Inc.	FY19	\$142,000.00	\$142,000.00	-\$49.22	\$141,950.78	Updated to reflect the final grant amount of \$141,950.78
Coldwater Canyon Water Co #2	FY19	\$12,500.00	\$10,742.10	\$0.00	\$10,742.10	
Two Tanks Community Well	FY19	\$12,500.00	\$4,932.00	\$0.00	\$4,932.00	
Monte Vista Water Co.	FY20	\$25,000.00	\$11,250.00	\$0.00	\$11,250.00	Received \$13,750 as WIIN grant (reduced SWSF Grant)
Springerville, Town of	FY20	\$185,000.00	\$83,250.00	\$0.00	\$83,250.00	Received \$101,750 as WIIN grant (reduced SWSF Grant)
Two Tanks Community Well (#2)	FY20	\$5,000.00	\$4,977.65	\$0.00	\$4,977.65	
Cibola Mutual Water Company*	FY20	\$50,000.00	\$11,357.37	\$0.00	\$11,357.37	Received \$13,881.24 as WIIN grant (reduced SWSF Grant)
White Hills Water Company*	FY20	\$40,000.00	\$17,947.12	\$0.00	\$17,947.12	Received \$21,935.38 as WIIN grant (reduced SWSF Grant)
Wildflower Water Coop	FY21	\$18,000.00	\$17,542.93	\$0.00	\$17,542.93	
Edkey Inc dba Sequoia Village School	FY21	\$34,506.74	\$34,506.74	\$0.00	\$34,506.74	

Recipient	Fiscal Year Awarded	Initial Project Cost	Previously Reported Expenditures	New Expenditures	Final SDWSF Grant Amount	Notes
Ponderosa Water LLC	FY21	\$115,624.90	\$115,624.90	\$0.00	\$115,624.90	
Somerton, City of (Valley Vista)*	FY21	\$919,714.00	\$296,814.36	\$0.00	\$296,814.36	Received \$611,683.38 as WIIN grant (reduced SWSF Grant)
Greater Soldiers Camp Permittees	FY22	\$11,000.00	\$10,286.30	\$0.00	\$10,286.30	
Appaloosa Water Co	FY22	\$45,570.89	\$45,570.89	\$0.00	\$45,570.89	
Rancho del Conejo	FY22	\$48,750.00	\$48,750.00	\$0.00	\$48,750.00	
Pinedale Estates DWID	FY22	\$20,000.00	\$20,000.00	\$0.00	\$20,000.00	
Dateland Public Water Service	FY22	\$14,000.00	\$11,300.00	\$0.00	\$11,300.00	
Sun Valley Farms U6	FY22	\$90,000.00	\$90,000.00	\$0.00	\$90,000.00	
Sierrita Mountain Water Co-Op	FY22	\$15,000.00	\$15,000.00	\$0.00	\$15,000.00	
Red Rock Crossing	FY22	\$13,500.00	\$13,500.00	\$0.00	\$13,500.00	
Rancho Sierrita	FY22	\$39,000.00	\$39,000.00	\$0.00	\$39,000.00	
Coldwater Canyon #1	FY22	\$25,000.00	\$22,124.29	\$0.00	\$22,124.29	
La Paz County Parks – Centennial Park	FY22	\$106,468.45	\$96,662.17	\$0.00	\$96,662.17	
Chino Valley (NACOG)	FY22	\$28,631.00	\$28,631.00	\$0.00	\$28,631.00	
Pinedale Estates DWID	FY22	\$50,000.00	\$29,962.17	\$0.00	\$29,962.17	
Santa Cruz Water Co.	FY22	\$60,292.05	\$8,912.29	\$0.00	\$8,912.29	
Kelvin Simmons	FY22	\$4,000.00	\$1,512.71	\$0.00	\$1,512.71	
McNeal Water Company	FY22	\$15,000.00	\$15,000.00	\$0.00	\$15,000.00	
West Salome Water Association	FY22	\$5,500.00	-	\$0.00	\$0	Terminated
Villa Grande DWID	FY22	\$160,367.00	\$70,666.99	\$89,700.01	\$160,367.00	
Sierra Vista RVP	FY22	\$122,506.19	93,512.80	\$28,993.39	\$122,506.19	
Valle Verde East Water Co.	FY23	\$20,000.00	\$3,340.00	\$0.00	\$3,340.00	
Why DWID	FY23	\$50,000.00	\$50,000.00	\$0.00	\$50,000.00	

Recipient	Fiscal Year Awarded	Initial Project Cost	Previously Reported Expenditures	New Expenditures	Final SDWSF Grant Amount	Notes
Desert Water Company	FY24	\$40,000.00	-	\$40,000.00	\$40,000.00	
Monte Vista Water Co.	FY24	\$18,000.00	\$0.00	\$12,238.04	Pending Completion	Project is ongoing
Worden Water Company	FY24	\$42,000.00	\$0.00	\$41,506.92	Pending Completion	Project is ongoing
Kelvin Simmons Water Co-Op	FY24	\$11,000.00	\$0.00	\$10,004.48	Pending Completion	Project is ongoing
Walden Meadows Community Co-Op	FY25	\$50,000.00		\$50,000.00	\$50,000.00	
Wellton, Town of	FY25	\$150,000.00	\$0.00	\$0.00	Pending Completion	Project is ongoing
Cibola Mutual Water Company	FY25	\$20,800.00	\$0.00	\$0.00	Pending Completion	Project is ongoing

Total \$3,218,645.22 \$1,798,180.73 \$272,393.62 \$2,006,824.91

Appendix A
SDWSF Project Recommendations



Katie Hobbs
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Karen Peters
Cabinet Executive Officer
Executive Deputy Director

November 8, 2023

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N.7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Funding Recommendation for Desert Water Co. AZ0410188

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Desert Water Co. to the Water Infrastructure Finance Authority of Arizona (WIFA) for a grant from the Small Drinking Water Systems Fund (SDWSF).

Desert Water Co. serves a small residential population of 160 people in an area known as Three Points in Pima County, approximately 30 miles west of the City of Tucson. The Three Points Census Designated Place is considered a *colonia*, making it both small and disadvantaged. The residents are primarily lower income and/or retirees.

The Desert Water Co. system consists of a single groundwater well (55-636074). On November 5, 2023 the well failed. A local well company, Mike's Drilling, sent a technician out and confirmed that the well pump needed to be replaced. The water system began hauling water on November 8th, averaging 7000 gallons per day costing approximately \$3500 per week.

Mike's Drilling gave them an estimate for pulling and replacing the pump, wiring, several sections of drop pipe and check valves totaling \$26,878.36. On November 13, 2023, Desert Water's operations firm, Tierra Water Management, reported a break-in at the Desert Water wellsite and that over 700 feet of wiring for the pump and tools and equipment on the well rig (equipment to pull the pump) belonging to Mike's Drilling Co., were stolen. The driller provided a new quote, including the wiring of \$38,718.36.

On November 7, Desert Water provided a current bank balance showing approximately \$3,200 in the account and no resources to pay for the well pump and hardware. Desert Water is not currently ACC regulated. As a domestic nonprofit, they would be eligible for funding from WIFA, RCAC or USDA. However, none of these funding processes are quick. The SDWSF is the only relatively quick source of funding for emergencies such as this.

To avoid situations like this in the future, ADEQ wants to ensure Desert Water increases its technical, managerial and financial (TMF) capacity of the system. It's current TMF score is 17.2%. To that end, ADEQ recommends the following Performance Targets be included in the

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WIFA grant agreement. Failure to comply with these targets may result in the water system needing to repay the grant.

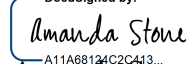
The Desert Water Co. Board of Directors must agree to:

- participate with ADEQ's Drinking Water Technical Assistance program to prepare a comprehensive system evaluation and asset management plan no later than March 1, 2024
- once the asset management plan and the rate study are completed, implement the new water rates, prepared by the certified public accountant, no later than June 30, 2024
- institute an emergency surcharge of \$20/month per connection beginning no later than Jan 1, 2024 and continuing for a minimum of 36 months. The decision to rescind the surcharge will be re-evaluated at an open board meeting no earlier than December 2026

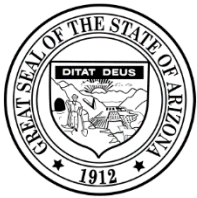
I hereby certify that an award from the Small Drinking Water Systems Fund to the Desert Water Co. is in the best interest of the State. A grant award not to exceed \$40,000 will allow Desert Water Co. to replace the pump and motor and continue providing its customers with healthy drinking water. ADEQ has confirmed that the new pump and motor is an exact replacement or "like for like", so no additional permitting is required.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Value Stream Manager at 602.771.0053 or carusona.laura@azdeq.gov.

Sincerely,

DocuSigned by:

A11A68134C2C43...
Amanda Stone
Deputy Director

cc: SWSF Criteria



Katie Hobbs
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Karen Peters
Director

August 28, 2023

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N. 7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Funding Recommendation for Monte Vista Water Co. AZ0402043

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Monte Vista Water Co. to the Water Infrastructure Finance Authority of Arizona (WIFA) for a grant from the Small Drinking Water Systems Fund.

Monte Vista Water Co. serves a small mobile home park located approximately 3 miles north of the City of Douglas on US 191. The community is both small and disadvantaged. The residents are primarily lower income and/or retirees. MHI for Douglas \$39,479; Arizona MHI \$65,913 – both in 2021 dollars.

The water supply for the Monte Vista Water Co. is a single groundwater well with elevated arsenic. In 2020, as part of a larger system upgrade funded by WIFA, the water system installed an arsenic adsorption treatment system utilizing NXT-3A (lanthanum based) media. The manufacturer estimated the expected media life at 3.3 years. However, since the installation was approved in June 2020, the media has had to be replaced three times. Despite being changed in July 2022, the arsenic concentrations are already approaching the MCL and the system is anticipated to exceed again in 4th quarter 2023.

Despite the manufacturer's estimates, the media is only lasting 10-12 months. Rather than continuing with the lanthanum-based media, ADEQ engineers have determined that granular ferric oxide media, known as Bayoxide or E33, is a better treatment solution for this small water system and they estimate the media will last 3.5-4 years before needing to be replaced.

An Arizona based vendor for E33 has provided a quote for the media, installation and parts totaling \$13,392.56. Allowing for taxes, freight and contingencies, this recommendation is requesting a grant not to exceed \$18,000.

Monte Vista Water Co. is co-regulated by the Arizona Corporation Commission (ACC). In order to obtain funding for media replacement it would need to get debt authorization from the ACC before going to any funding agencies. The authorization and funding processes would take a minimum of 6-12 months.

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Monte Vista is currently delinquent on a condition with the Commission's decision on the previous WIFA funded project which required them to file for a permanent rate case no later than July 1, 2019. To ensure that Monte Vista has sufficient rates in place to cover higher operational costs of the WIFA funded improvements and to fund media replacement in 3-4 years, the following Performance Target has been added to the recommendation.

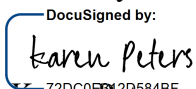
File permanent rate case application with the Arizona Corporation Commission no later than October 31, 2023

ADEQ has offered technical assistance to the water system in preparing the rate case. The new operations firm, Tierra Water Management, indicates that they are currently working on preparing the rate case and are aware of the performance target.

I hereby certify that an award from the Small Drinking Water Systems Fund to the Monte Vista Water Co. is in the best interest of the State. A grant award of \$18,000 will allow Monte Vista Water Co. to change the media before exceeding the MCL and continue providing its customers with healthy drinking water.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Value Stream Manager at 602.771.0053 or carusona.laura@azdeq.gov.

Sincerely,

DocuSigned by:

72DC0E912D584BF...
Karen Peters
Director

cc: SWSF Criteria



Katie Hobbs
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Karen Peters
Cabinet Executive Officer
Executive Deputy Director

November 13, 2023

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N. 7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Funding Recommendation for Worden Water Co. AZ0410132

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Worden Water Co. to the Water Infrastructure Finance Authority of Arizona (WIFA) for an emergency grant from the Small Drinking Water Systems Fund (SDWSF).

Worden Water Co. serves a small residential population of 60 people in an area known as Three Points in Pima County, approximately 30 miles west of the City of Tucson. The Three Points Census Designated Place is considered a *colonia*, making it both small and disadvantaged. The residents are primarily lower income and/or retirees.

The Worden Water Co. system consists of a single groundwater well (55-630515). On August 4, 2023 the pump failed. In trying to install a new pump, it was determined that the well casing had collapsed 22 feet below ground and that drilling a new well was the best option. The water system began hauling water on August 5th, averaging 7000 gallons per day, and costing approximately \$3500 per week or \$10,000 per month.

Worden Water has worked closely with ACC staff to process requests for an emergency rate surcharge, to help cover the hauling costs, and debt authorization to be able to apply to WIFA for funding to drill a new well, replace the pump and motor and ancillary repair costs.

The Commission approved the emergency tariff and debt authorization at its November open meeting but due to the holidays, WIFA will not meet again until February, 2024. This means, if Worden's request to WIFA for funding is approved, the funding will not be available until May, 2024. Mr. Worden has been hauling for five months. At nearly \$10,000 per month, he cannot afford to haul for another 5-6 months.

For those reasons, this request is to provide Worden Water with a SDWSF grant to install a new 6-inch well immediately. The driller estimate for this project is \$67,178.65. The grant request is not to exceed \$42,000 and the driller is willing to carry the balance of the project cost until Worden Water has funding. ADEQ will work with Pima Department of Environmental Quality on the necessary sampling so that the well can be put into use as soon as it is determined safe to

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back taxes (\$2,672.40) as part of the transaction. The total grant request is for \$11,000 which includes \$725 for contingencies.

Once the property is purchased, ADEQ will work with the Arizona Department of Administration's job order contracting program to hire a contractor to clear the site, secured it and drill the new well. Once the water quality of the new well is known, ADEQ will work with the water system and Grupo Mexico, parent company of the Asarco Ray Mine, to install new storage, treatment as needed, and eventually replace the distribution system for the entire community.

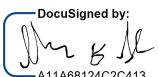
ADEQ recommends the following Performance Target be included in the WIFA grant agreement. Failure to comply with these targets may result in the water system needed to repay the grant.

Kelvin Simmons Water Co-op agrees to work closely with Magnus Title Agency to complete the sales transaction including satisfying the tax liens by June 30, 2024

I hereby certify that an award from the Small Drinking Water Systems Fund to the Kelvin Simmons Water Co-op. is in the best interest of the State. A grant award not to exceed \$11,000 will allow Kelvin Simmons to purchase this small non-conforming parcel to drill the new well. After numerous investigations, it is believed the new well is key to the community eventually receiving healthy drinking water.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Value Stream Manager at 602.771.0053 or carusona.laura@azdeq.gov.

Sincerely,

DocuSigned by:

A11A68124C2C443
Amanda Stone
Deputy Director

cc: SWSF Criteria for Kelvin Simmons Water Co-op



Katie Hobbs
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Karen Peters
Cabinet Executive Officer
Executive Deputy Director

March 21, 2024

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N. 7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Funding Recommendation for Kelvin Simmons Water Co-op AZ0411035

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Kelvin Simmons Water Co-op to the Water Infrastructure Finance Authority of Arizona (WIFA) for an emergency grant from the Small Drinking Water Systems Fund (SDWSF).

Kelvin Simmons serves a portion of the residential population in Riverside, AZ, an unincorporated community about 12 miles north of Kearny, in Pinal County. The area is considered a *colonia*, making the water system both small and disadvantaged. The residents are primarily lower income and/or retirees.

The water system consists of a single groundwater well (55-627463) that has been exceeding the uranium maximum contaminant level of 30 ug/L since before 2010. The most recent sample was 67 ug/L. ADEQ's technical assistance program has been working with Kelvin Simmons since 2018, exploring several treatment options including centralized treatment at the well, centralized water softening, and use of reverse osmosis, point-of use devices in each kitchen. Lack of disposal options and FEMA floodway issues preclude centralized treatment at the current wellsite.

The existing well is drilled into granite which is likely the source of the uranium. The technical assistance program has sampled a number of the private wells in the community. Based on the water quality results and driller logs, better water quality may be found in the eastern part of the community which is situated in the conglomerate geology. The water system has negotiated the tentative purchase of a small 0.18 acre lot that is situated in the conglomerate geology. At its current size, the county will not issue a building permit for a residential dwelling, but "public and quasi-public uses" including public or private utility and facilities, are permitted uses in this General Rural zoning.

A land appraisal assessed the parcel's market value at \$9,431. The owner is willing to sell the parcel and pay off the back taxes for \$7,700. Magnus Title Agency has quoted fees totaling \$2,573 which includes title insurance, sale documents, recording of the deed and paying off the

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back taxes (\$2,672.40) as part of the transaction. The total grant request is for \$11,000 which includes \$725 for contingencies.

Once the property is purchased, ADEQ will work with the Arizona Department of Administration's job order contracting program to hire a contractor to clear the site, secured it and drill the new well. Once the water quality of the new well is known, ADEQ will work with the water system and Grupo Mexico, parent company of the Asarco Ray Mine, to install new storage, treatment as needed, and eventually replace the distribution system for the entire community.

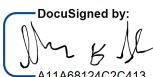
ADEQ recommends the following Performance Target be included in the WIFA grant agreement. Failure to comply with these targets may result in the water system needed to repay the grant.

Kelvin Simmons Water Co-op agrees to work closely with Magnus Title Agency to complete the sales transaction including satisfying the tax liens by June 30, 2024

I hereby certify that an award from the Small Drinking Water Systems Fund to the Kelvin Simmons Water Co-op. is in the best interest of the State. A grant award not to exceed \$11,000 will allow Kelvin Simmons to purchase this small non-conforming parcel to drill the new well. After numerous investigations, it is believed the new well is key to the community eventually receiving healthy drinking water.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Value Stream Manager at 602.771.0053 or carusona.laura@azdeq.gov.

Sincerely,

DocuSigned by:

A11A68124C2C443
Amanda Stone
Deputy Director

cc: SWSF Criteria for Kelvin Simmons Water Co-op



Katie Hobbs
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Karen Peters
Deputy Director

September 11, 2024

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N.7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Funding Recommendation for Walden Meadows Community Co-op (AZ0413184)

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Walden Meadows Community Co-op to the Water Infrastructure Finance Authority of Arizona (WIFA) for a grant from the Small Drinking Water Systems Fund (SDWSF).

The Walden Meadows Community Co-op serves a small residential population of 880 people in the unincorporated community of Wilhoit in Yavapai County. The Wilhoit Census Designated Place has a median household income (MHI) of \$43,882, below the Arizona MHI of \$59,321.

On September 20, 2023, the Co-op discovered their Well #2 had ceased working. Well #2 serves three-quarters of the community so the water company instituted Stage 2 water restrictions immediately. On September 22, Turner Pump discovered the pump motor had failed. Turner arranged to pull the pump three days later when their rig was onsite. Recognizing the delay, the water system instituted Stage 3 water restrictions. Once Turner was onsite, it was determined that the pump, motor, electrical cable and several drop pipe “sticks” had to be replaced totaling \$40,927.77.

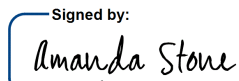
In January 2024, the water company discovered that Well #1 was only pumping 10 gallons per minute, far below what is required to serve their community. Upon pulling the pump, they discovered multiple holes in the well casing, electrical line casing and the pump, all of which require replacement. Turner Pump gave an estimate of \$34,703.98. The September emergency drained their reserve account so they cannot afford the necessary work on Well #1 without additional assistance. As the weather warms, the capacity of Well #1 will become a greater issue of supply and therefore the health of the community and this funding is working to prevent a greater emergency.

It’s important to point out the role Walden Meadows has in the Wilhoit area. In 2019, at the behest of the Arizona Corporation Commission (ACC), the owner of Acme Water - Thunderbird Meadows, transferred all his property, assets and the Certificate of Convenience and Necessity (CC&N) to Walden Meadows. Among other issues at the time, Thunderbird Meadows was suffering from major water loss and had no viable water sources. It was receiving all its water

from Walden Meadows and owed Walden over \$110,000 for water purchases. The ACC awarded Acme Water \$178,246 from the Small Drinking Water Systems Fund to replace much of the distribution system prior to the transfer of ownership. More recently, Walden Meadows extended its CC&N and franchise agreement to prevent a Known, Ongoing, Unauthorized Impact (KOU) by connecting Burro Inn & RV Park as a customer and eliminating another very small public water system. Burro Inn had high nitrates in their water source and requested service from Walden Meadows rather than install treatment. I hereby certify that an award from the Small Drinking Water Systems Fund to the Walden Meadows Community Co-op is in the best interest of the State. A grant award of \$50,000 will give Walden Meadows sufficient reserve funding to support their ongoing commitment to provide its customers with healthy drinking water. It also recognizes Walden Meadows efforts to be a regional provider in this rural part of the state.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Value Stream Manager at 602.771.0053 or carusona.laura@azdeq.gov.

Sincerely,

Signed by:

~~Amanda Stone~~
Deputy Director

cc: SWSF Criteria



Katie Hobbs
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Karen Peters
Cabinet Executive Officer
Executive Deputy Director

September 27, 2024

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N.7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Alternate Drinking Water Funding Recommendation for Town of Wellton (AZ0414022)

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Town of Wellton to the Water Infrastructure Finance Authority of Arizona (WIFA) for a grant from the Small Drinking Water Systems Fund (SDWSF) for Alternate Drinking Water.

The Town of Wellton Public Water System (PWS) provides water service to the Town of Wellton, a community of 2,375 people in Yuma County. The median household income (MHI) is \$52,654 with 13% of the population living in poverty. About half of the population (49.6%) is 65 years or older and 25% of the population is under 18 years of age.

In February of 2014, the Town reported a drinking water exceedance of Total Trihalomethanes (TTHMs) above the maximum contaminate levels (MCL) set forth in the Safe Drinking Water Act. Since February of 2014, the PWS and ADEQ have worked towards finding a permanent solution to the TTHM exceedances, which have proven to be unsuccessful. In March of 2024, it was determined that a new clarifier should be installed which may help resolve the exceedances. The system is currently working to obtain funding to install the clarifier and make other system improvements which should resolve the exceedances by summer of 2025.

Until the PWS can provide drinking water to the Town that meets safe drinking water standards, ADEQ is requiring that the PWS provide an alternate source of drinking water. An alternate source of water is a source of water that meets drinking water standards and is not the primary source of water that the PWS delivers to its customers. ADEQ believes that the water being provided by the PWS is a potential endangerment to the public health because of violations of drinking water standards.

Historically and currently, the PWS has not and does not have the funding to provide an alternate source of drinking water and residents have been served unhealthy water for more than 10 years. ADEQ recently securing funding for alternate drinking water and will be providing a grant award to fund a voucher system which will utilize the three existing Diamond Brooks drinking water vending machines, which are currently located in the Town of Wellton. Up until now, each resident

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was responsible to pay for their own drinking water from these vending machines. Each customer of the PWS will now be provided with an electronic code which will allow access to the drinking water vending machines and provide all residents with safe drinking water, regardless of ability to pay. Diamond Brooks will bill the PWS monthly and WIFA will be refunding the PWS to allow for payment.

I hereby certify that an award from the Small Drinking Water Systems Fund to the Town of Wellton is in the best interest of the State. A grant award of \$150,000 will afford the Town of Wellton with sufficient funding to provide alternate drinking water for its customers until a permanent commitment to provide its customers with healthy drinking water and recognizes the Town of Wellton's efforts to be a regional provider in this rural part of the state.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Value Stream Manager at 602.771.0053 or carusona.laura@azdeq.gov.

Sincerely,

Signed by:

Amanda Stone

A1114812006413
Amanda Stone
Deputy Director

cc: SWSF Criteria



Katie Hobbs
Governor

Arizona Department of Environmental Quality



Karen Peters
Deputy Director

November 4, 2024

Mr. Chuck Podolak, Director
Water Infrastructure Finance Authority of Arizona
100 N. 7th Avenue, Suite 130
Phoenix, AZ 85007

Re: Funding Recommendation for Cibola Mutual Water Co. AZ0415123

Dear Mr. Podolak:

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Arizona Corporation Commission (ACC), recommends the Cibola Mutual Water Co. to the Water Infrastructure Finance Authority of Arizona (WIFA) for a grant from the Small Drinking Water Systems Fund (SDWSF).

Cibola Mutual serves a small residential population of 197 people in the unincorporated community of Cibola, along the Colorado River, approximately 50 miles north of Yuma. The Cibola Census Designated Place is considered a colonia, making it both small and disadvantaged. Cibola has been struggling with a disinfection byproducts issue since 2016.

Currently, Cibola Mutual is having extreme difficulty producing sufficient potable water due to clogged membrane filters. The Colorado River is the sole source of water for this water system. Due to its location on the lower portion of the river, the water quality is quite variable from flood stage waters and agricultural runoff. This variability in quality makes the current treatment system crucial to providing safe, sustainable drinking water. The water treatment system features an Altapac membrane treatment system, consisting of two parallel skids each having a prefilter and two ultrafilters with 5-10 nm pore size.

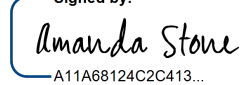
In addition to disinfection byproduct issues, Cibola Mutual has also had challenges retaining a qualified operator. The most recent operator, who was employed by Cibola for approximately two years, failed to replace the pre-filters as required and continued operating the system without them, causing the recently purchased filter skid (circa 2021) to foul prematurely. The system has recently hired Tim Burns, designated operator for the Town of Wellton, as a remote operator. Mr. Burns has replaced the pre-filters, but the damage to the membrane filters is irreversible. The system is having difficulty meeting potable demand and is backwashing daily if not more frequently. The system has two complete sets of membrane filters, but the balance available in the SDWSF grant only allows for replacing one set.

The vendor is quoting 8-10 weeks for delivery of the filters. Cibola can order them as soon as the grant agreement is signed. Once delivered, the current operator can install the filter skid. The WesTech quote is for \$19,300. The request is for \$20,800 to cover possible sales tax.

I hereby certify that an award from the Small Drinking Water Systems Fund to the Cibola Mutual Water Co. is in the best interest of the State. A grant award of \$20,800 will allow Cibola Mutual Water Co. to replace one set of filters to be able to provide its customers with a consistent & healthy supply of drinking water.

If you have any questions concerning this recommendation, please contact me directly or have your staff contact: Laura Carusona, Drinking Water Section Manager at 480.612.5686 or carusona.laura@azdeq.gov.

Sincerely,

Signed by:

A11A68124C2C413...
Amanda Stone
Deputy Director

cc: SWSF Criteria