



2008 Annual Report
Water Infrastructure Finance Authority of
Arizona

Janet Napolitano
Governor



Stephen A. Owens
Chairman

Water Infrastructure Finance Authority of Arizona

Judy Navarrete
Executive Director



The Governor of Arizona
The President of the Senate
The Speaker of the House of Representatives
And the Citizens of the State of Arizona

We are pleased to provide the Water Infrastructure Finance Authority of Arizona's 2008 Annual Report, pursuant to A.R.S. 49-1204.

The Water Infrastructure Finance Authority of Arizona (WIFA) protects Arizona's water quality by helping communities address their water infrastructure needs. WIFA continues to be recognized as a premier financial institution in Arizona as well as nationally by providing below market low interest loans financed from the sale of AAA rated revenue bonds. In this fiscal year the Board approved over \$300 million in loans to assist communities in the development and improvement of their wastewater and drinking water facilities. Infrastructure projects are an economic investment in Arizona because they provide job opportunities to local communities, help create the infrastructure for sustainable practices, and provide long-term solutions for Arizona's wastewater and drinking water challenges.

WIFA accomplishes its mission through its financial and technical assistance programs that help maintain and improve water quality in Arizona. This year WIFA provided \$12.1 million in low interest loans to the Yavapai-Apache Nation for wastewater and drinking water infrastructure and improvements. WIFA also provided technical assistance grants to the Navajo Nation Tribal Utility Authority to conduct a water distribution loss study and another grant to the Sipaulovi Village to conduct a water infrastructure assessment.

WIFA's financial and technical assistance programs and commitment to service will continue to benefit the citizens of Arizona by enhancing public health and quality of life.

A handwritten signature in black ink, appearing to read "Stephen A. Owens". The signature is fluid and cursive, written over a white background.

Stephen A. Owens, Chairman
WIFA, Board of Directors

WIFA working for Arizona

WIFA was the first DWSRF to lend funds to a tribal nation

Over \$1 billion of investment in Arizona's communities since 1992, resulting in approximately 40,000 jobs

Funded more than 222 projects across the state since inception

Impacted communities throughout Arizona in FY 2008 by investing over \$300 million through 37 low-interest loans



WIFA's Standards

Customer Service

WIFA recognizes that customer service is our highest priority. We remain professional, courteous and accountable throughout the process.

Cooperation

WIFA works with local, state and federal agencies and various non-governmental organizations to find the best financing options to meet local needs.

Dedication

WIFA is committed to creating financing solutions to meet the water infrastructure needs of Arizona's communities.



WIFA is an independent agency of the state of Arizona established to finance the construction, rehabilitation, and improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects. Generally, WIFA offers borrowers below market interest on loans for one hundred percent of eligible project costs.

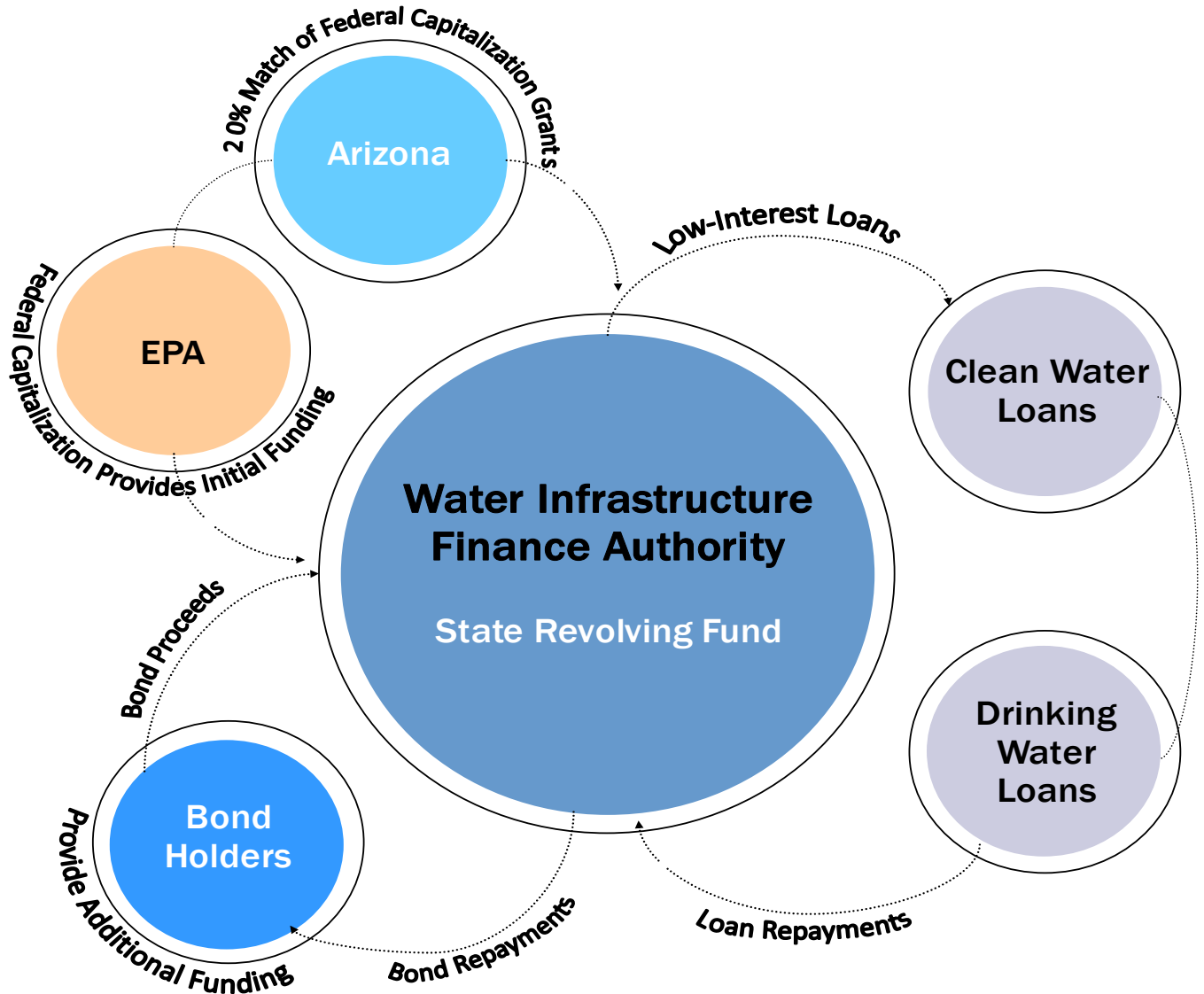
WIFA operates as a “bond bank” and is able to issue bonds on behalf of communities for basic water infrastructure. Through an active portfolio and sound financial management, WIFA provides significant savings through low-interest loans.

WIFA’s principal tools for providing low-interest loans include the Clean Water Revolving Fund created in 1987 by the Environmental Protection Agency for publicly-held wastewater treatment projects, and the Drinking Water Revolving Fund created in 1997 to provide states with funding to address important drinking water projects that are necessary to ensure public health.





How the WIFA Loan Program Works



Water Infrastructure Finance Authority of Arizona

WIFA

2008 Annual Report

Table of Contents

I. Goal and Performance Measures	
A. Goal 1: Award WIFA's Financial Resources in Accordance with the Water Quality Needs of Arizona's Citizens.....	1
B. Goal 2: Manage WIFA's Loan and Bond Portfolio and Maintain WIFA's Fiscal Integrity to Meet the Water Quality Funding Needs of Arizona's Future Generations.....	5
C. Goal 3: Facilitate Access to and Efficiently Deliver Financial and Technical Assistance.....	8
D. Goal 4: Coordinate with other Funding Sources, Technical Resources and Regulatory Authorities.....	14
II. What's New and Looking Ahead.....	16
A. WIFA Funds Distributed by District in FY 2008	18
III. Statement of Finances	
A. Statement of Financial Position.....	19
B. Statement of Revenues, Expenses, and Changes in Fund Net Assets...	20
C. Statement of Net Assets.....	21
IV. WIFA Board of Directors and WIFA Staff.....	22
V. WIFA Assisting Arizona in FY 2008	25

Goal 1: Award WIFA's Financial Resources in Accordance with the Water Quality Needs of Arizona's Citizens

WIFA continues to provide financial assistance to a diverse number of communities with varying levels of water quality and infrastructure needs. During Fiscal Year (FY) 2008, WIFA executed 17 Clean Water (CW) and 21 Drinking Water (DW) loans (see Table 1 and 2).

By balancing a community's relative environmental health and financial needs, WIFA was able to provide and expedite project funding in an efficient and timely manner.

WIFA continues to maintain its level of assistance directed to the most significant public health and water quality problems.

Table I: Executed Clean Water Financial Assistance Agreements (Loans) in FY 2008

Applicant Name	Project Name	Committed Amount
Chino Valley, Town of	Chino Meadows Sewer Project	\$ 4,853,000.00
Clarkdale, Town of	Town of Clarkdale Broadway Water Reclamation Facility	\$ 728,290.00
Douglas, City of	City of Douglas, Wastewater Treatment Plant and Facility Improvements	\$ 4,500,000.00
Eagar, Town of	Town of Eagar Sewer Expansion Project	\$ 1,967,000.00
El Mirage, City of	WWTP Contact Chlorination Station	\$ 1,900,000.00
Kingman, City of	Hilltop Wastewater treatment plant upgrades	\$ 4,200,000.00
Lake Havasu, City of	Lake Havasu City Wastewater System Expansion	\$ 53,285,000.00
Oro Valley, Town of	Reclaimed Water System Phase 2	\$ 6,000,000.00
Peoria, City of	Butler Drive Water Reclamation Facility	\$ 42,741,541.00
Peoria, City of	Butler Drive Water Reclamation Facility	\$ 8,575,253.00
Prescott, City of	2007 CIP Wastewater System Improvement Projects	\$ 4,703,000.00
Safford, City of	Safford Sewer collection reconfiguration	\$ 1,246,423.97
Safford, City of	Safford Sewer collection reconfiguration	\$ 1,948,576.03
Sahuarita, Town of	Wastewater Capacity Upgrades	\$ 28,350,000.00
Sahuarita, Town of	Wastewater Capacity Upgrades	\$ 4,375,525.00
Williams, City of	Williams WWTP - Phase II	\$ 7,529,561.00
Yavapai-Apache Nation	Tunli and Clarkdale Wastewater Infrastructure	\$ 8,767,067.25
Total: 17		\$185,670,237.25

Table II: Executed Drinking Water Financial Assistance Agreements (Loans) in FY 2008

Applicant Name	Project Name	Committed Amount
Ashcreek Water Company	Transmission Improvement Project--Flush Lines	\$ 8,600.00
Cave Creek, Town of	Water System Improvements - Phase 2	\$ 5,500,000.00
Cave Creek, Town of	Cave Creek Water Company Treatment Plant Improvements	\$ 5,500,000.00
Douglas, City of	City of Douglas, Arsenic Compliance Program	\$ 1,500,000.00
Eagar, Town of	Town of Eagar Water System Expansion	\$ 929,000.00
El Mirage, City of	Mandated Water System Improvements	\$ 4,040,000.00
Gila Bend, Town of	Water System Improvements	\$ 1,000,000.00
Green Valley DWID	Storage Tank Rehab and New Pipelines	\$ 700,000.00
Metro DWID	Phase II of \$28,000,000 Capital Improvement Program	\$ 12,625,000.00
Naco Water Company	Naco Water Co. - Phase II	\$ 1,160,000.00
Oak Creek Utility Corp.	New Storage Tank	\$ 40,000.00
Prescott, City of	2007 CIP Drinking Water System Improvement Projects	\$ 9,854,000.00
Queen Creek, Town of	Water Company Acquisition	\$ 40,000,000.00
Safford, City of	TMT rehab. and placement of water storage tanks	\$ 6,349,268.07
Safford, City of	TMT rehab. and placement of water storage tanks	\$ 1,260,731.93
Tucson, City of	CAVSARP Booster Expansion, W571	\$ 17,800,000.00
Valley Utilities Water Company, Inc.	Replacement well for well #6	\$ 250,000.00
WATCO, Inc	Silver Lake Estates & Bourden Ranch Estates Storage & Tie-line	\$ 600,000.00
Water Utilities Community Facilities District	WUCFD Mesa Interconnect	\$ 5,000,000.00
Yavapai-Apache Nation	Tunli and Clarkdale Drinking Water Infrastructure	\$ 3,453,487.00
Total: 20		\$117,570,087.00

WIFA continues to promote funding projects that assist communities in meeting regulatory compliance. In FY 2008, over 30% of the loans were awarded to communities with compliance issues.

Compliance Related Projects

Fiscal Year	CW	DW	Total
2007	3	7	10
2008	6	6	12

In determining the interest rate for a loan, WIFA provides a 5% to 30% discount on the tax-exempt AAA Bond Rate for government entities and the prevailing prime-rate plus 2% for non-government entities. The percentage of the discount is based on the community's local fiscal capacity, which is measured by the area's median household income, user rates and charges; the community's outstanding and proposed debt; and cost effectiveness of the project. The final interest rates for the loans closed in FY 2008 averaged 3.285% for governmental entities and 5.492% for non-governmental entities, representing an average discount from the base interest rate of 24% and 27% respectively.

“Over the past several years we have worked with WIFA to obtain Technical Assistance and place our projects on the Priority List. Our experience with the WIFA staff has overall been very positive and we look forward to good working relations in the future. The WIFA employees have always assisted and answered our questions in a timely manner.”

Gregory T. Henry, P.E.,
City Engineer
City of Kingman, Arizona



Consistent with WIFA's Strategic Plan goals and ongoing objectives, WIFA used its resources in accordance with the needs of Arizona's citizens by funding projects that consolidate water and wastewater systems, reuse/recharge treated effluent, reduce the reliance on non-renewable water supplies and protect groundwater contamination from septic systems.

Clean Water Revolving Fund (CWRF)

- 6 of the 17 CW loans awarded in FY 2008 were used in part to replace decentralized systems with centralized systems.
- 8 of the 17 CW loans awarded in FY 2008 addressed recycled water distribution needs.

Drinking Water Revolving Fund (DWRF)

In response to the recently promulgated federal arsenic maximum contaminant level of 10 ppb, WIFA has been committed to providing financial and technical assistance to both publicly and privately owned drinking water facilities in meeting the compliance standard.

In this fiscal year, 6 of the 20 drinking water loans had at least some component related to meeting the new standard which included:

- System consolidation,
- Surface water blending, or
- Well-site treatment technologies.

WIFA continued to expand its co-funding and assistance to small rural communities by leading the Rural Water Infrastructure Committee (RWIC). The RWIC serves as a “One-Stop Funding Source” for small rural communities (< 10,000 population). The RWIC is working towards developing new ways to cooperate in assisting Arizona’s small rural communities. More detail is provided on the RWIC in Goal 4.

“This is the first time Oro Valley has used WIFA and it has been a pleasure to work with WIFA staff and we appreciate their knowledge and professionalism. We look forward to working with WIFA on future projects.”

Philip C. Saletta, P.E.
Town of Oro Valley
Water Utility Director

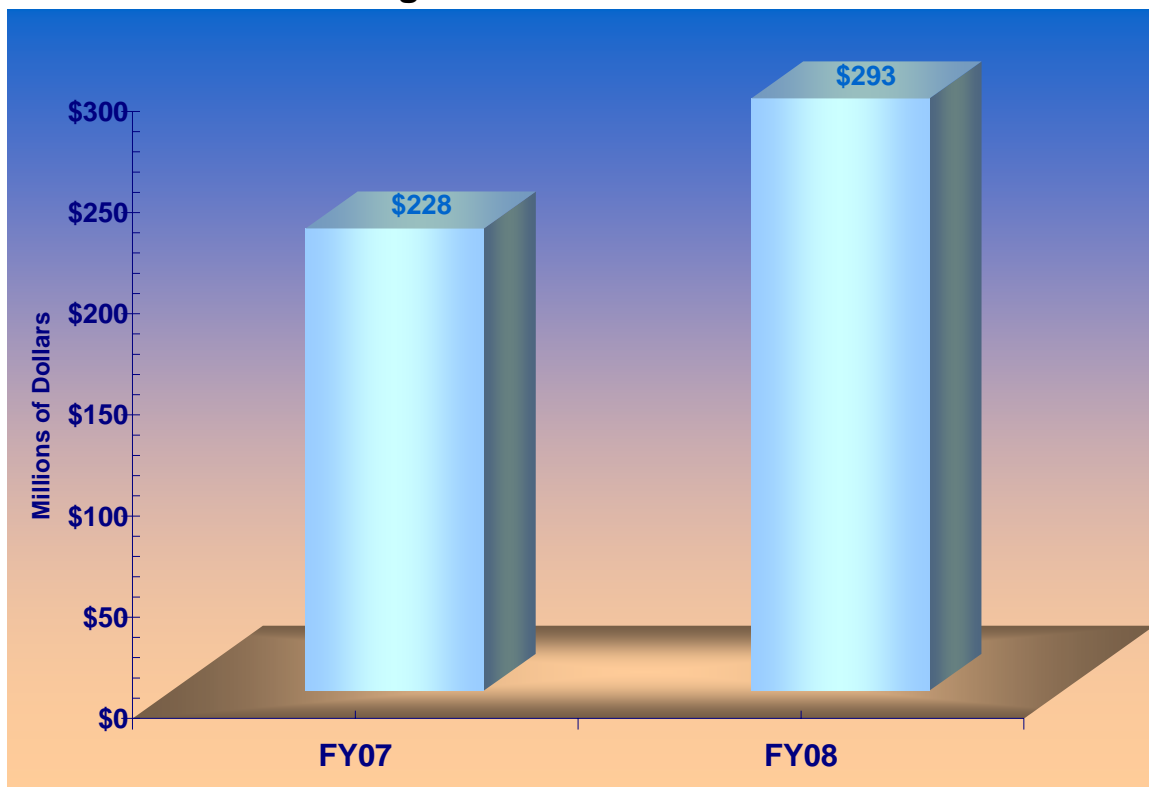
Goal 2: Manage WIFA’s Loan and Bond Portfolio and Maintain WIFA’s Fiscal Integrity to Meet the Water Quality Funding Needs of Arizona’s Future Generations.

Through FY 2008, WIFA maintained “AAA” credit ratings from Moody’s Investors Service, Standard and Poor’s, and Fitch. WIFA continues to maintain these ratings due to its demonstrated commitment to responsible fiscal fund management. These ratings are among the highest awarded and reduce WIFA’s cost of borrowing from investors when WIFA issues bonds. This allows WIFA to establish its loan rates as low as possible, thereby passing on the savings to its borrowers.

A vital measure of the benefit WIFA loans provide to communities throughout Arizona is the savings to Arizona tax payers when compared to traditional market financing. In FY 2008, WIFA’s below-market interest rates and reduced closing costs saved Arizona communities millions of dollars over the terms of their loan.

Figure 1 reflects an increase in WIFA’s investment portfolio. The dollars invested are primarily used to originate loans to WIFA borrowers and provide additional security to our bond portfolio. Additionally, interest generated from the investment funds helps to subsidize WIFA borrower interest rates.

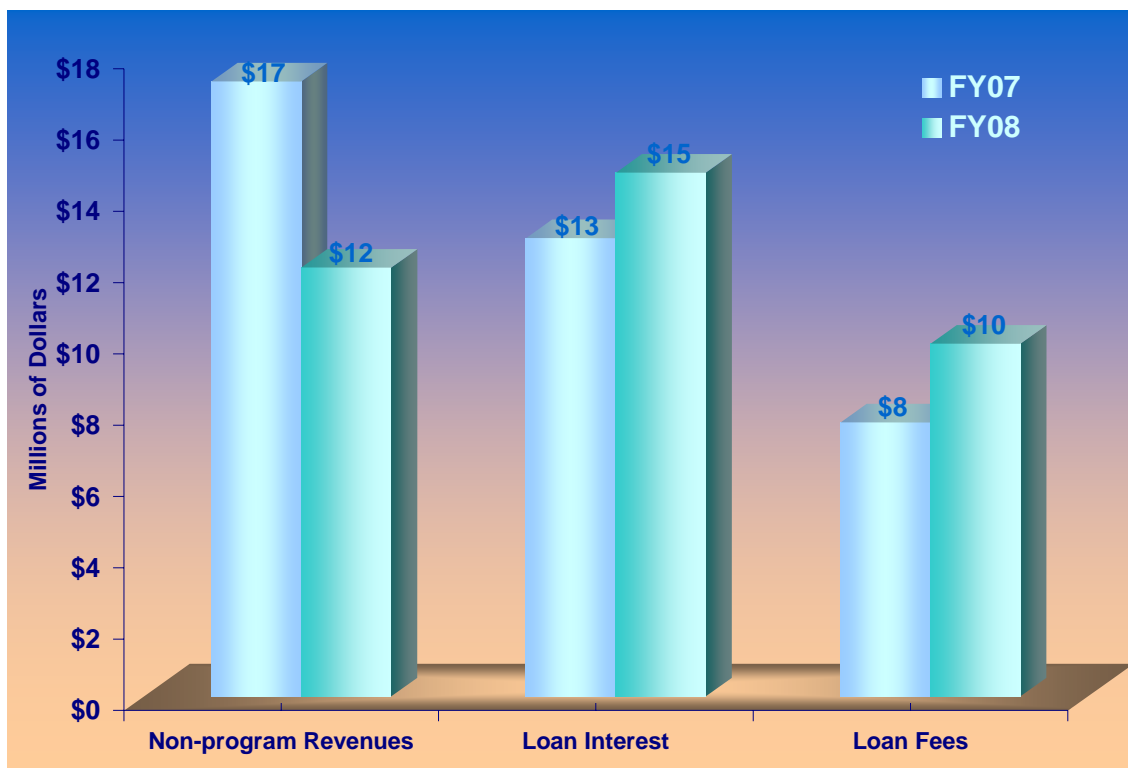
Figure 1. Funds Invested



In addition to maintaining fiscal integrity, WIFA invests its monies to ensure its growth stays on pace with inflation. Figure 2 compares FY 2007 and FY 2008 investments:

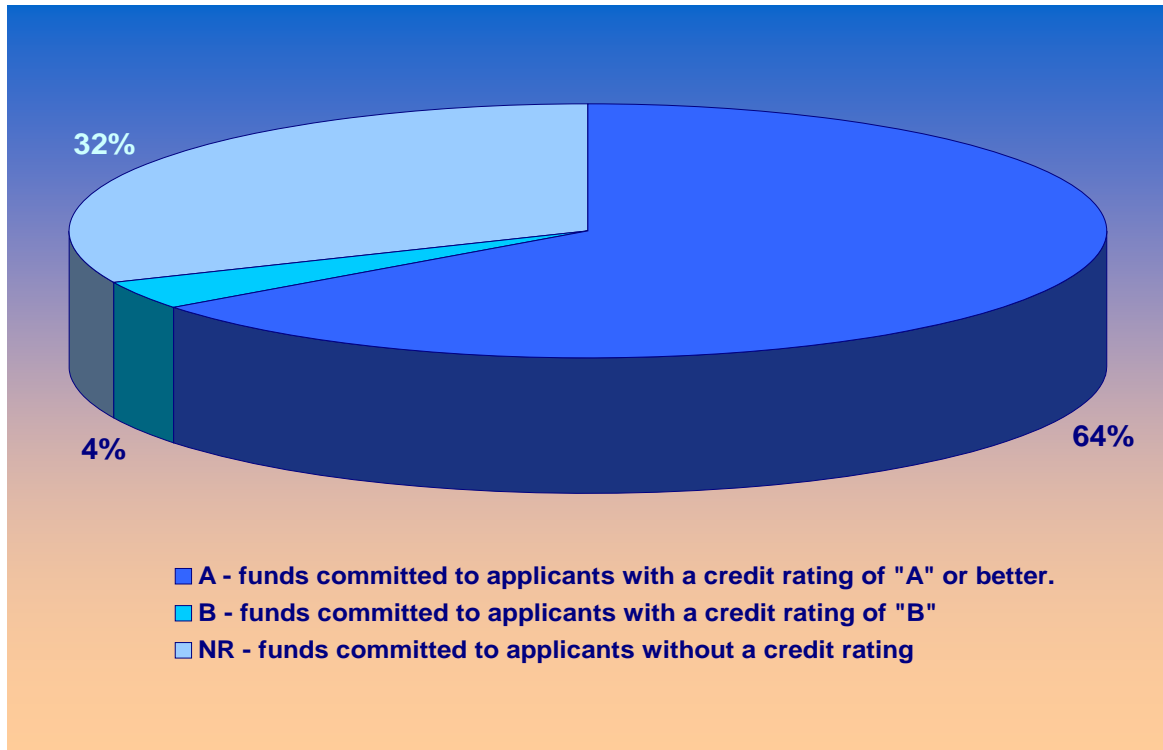
- A downturn in market conditions lead to a decrease in non-program revenue.
- WIFA's loan interest revenues and loan fees increased due to a higher number of loans in repayment status.

Figure 2: Income Fiscal Year



During FY 2008, WIFA continued to maintain a diverse portfolio of borrowers by balancing the needs of low-credit, high-priority borrowers with high-credit, low-priority borrowers. Figure 3 demonstrates that more than 50% of funds committed through loans in FY 2008 were to borrowers with a credit rating of 'A' or better. The presence of strong borrowers within the portfolio benefits all program participants.

Figure 3: FY 2008 Funds Committed Applicant Ratings



Goal 3: Facilitate Access to and Efficiently Deliver Financial and Technical Assistance

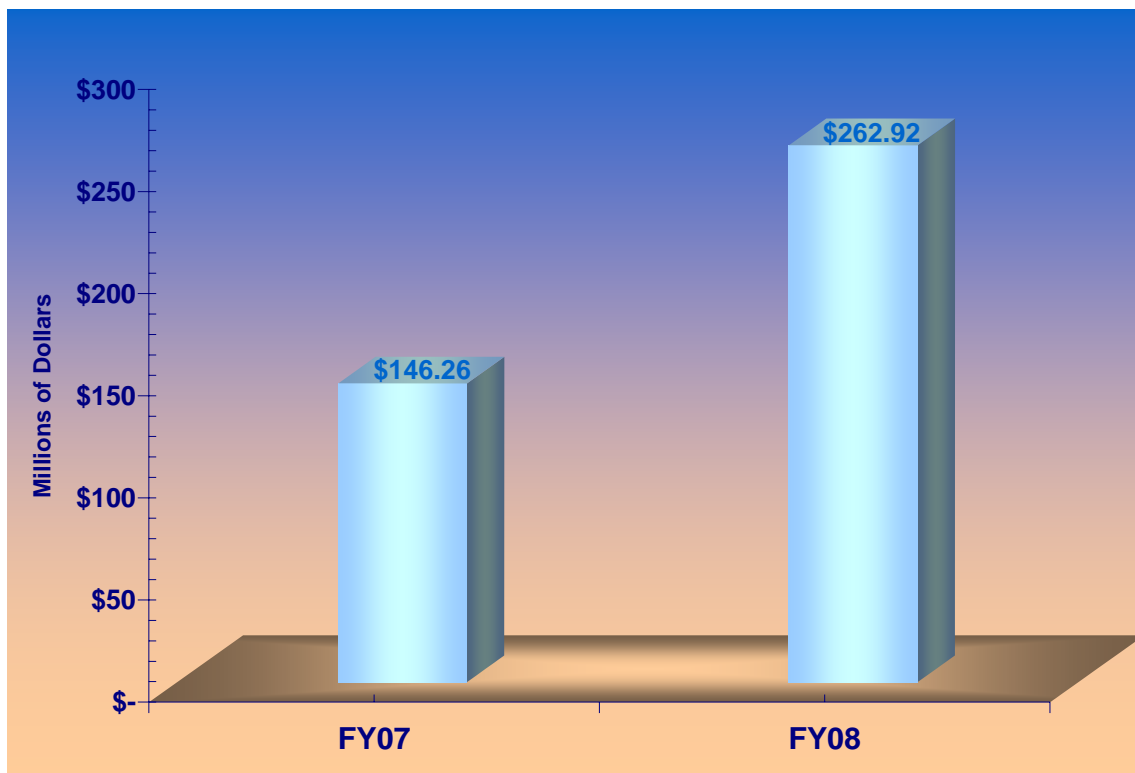
Financial Assistance

During FY 2008, WIFA received 15 applications requesting \$228,512,242 in financial assistance for CW projects and 35 applications requesting \$80,605,975 in financial assistance for DW projects.

WIFA continues to market the use of the State Revolving Fund (SRF) program through the use of the Financial Alternatives Comparison Tool (FACT) to small communities to help them make informed decisions regarding their funding options. WIFA staff and small communities are currently participating in a beta test for a new and improved version of FACT.

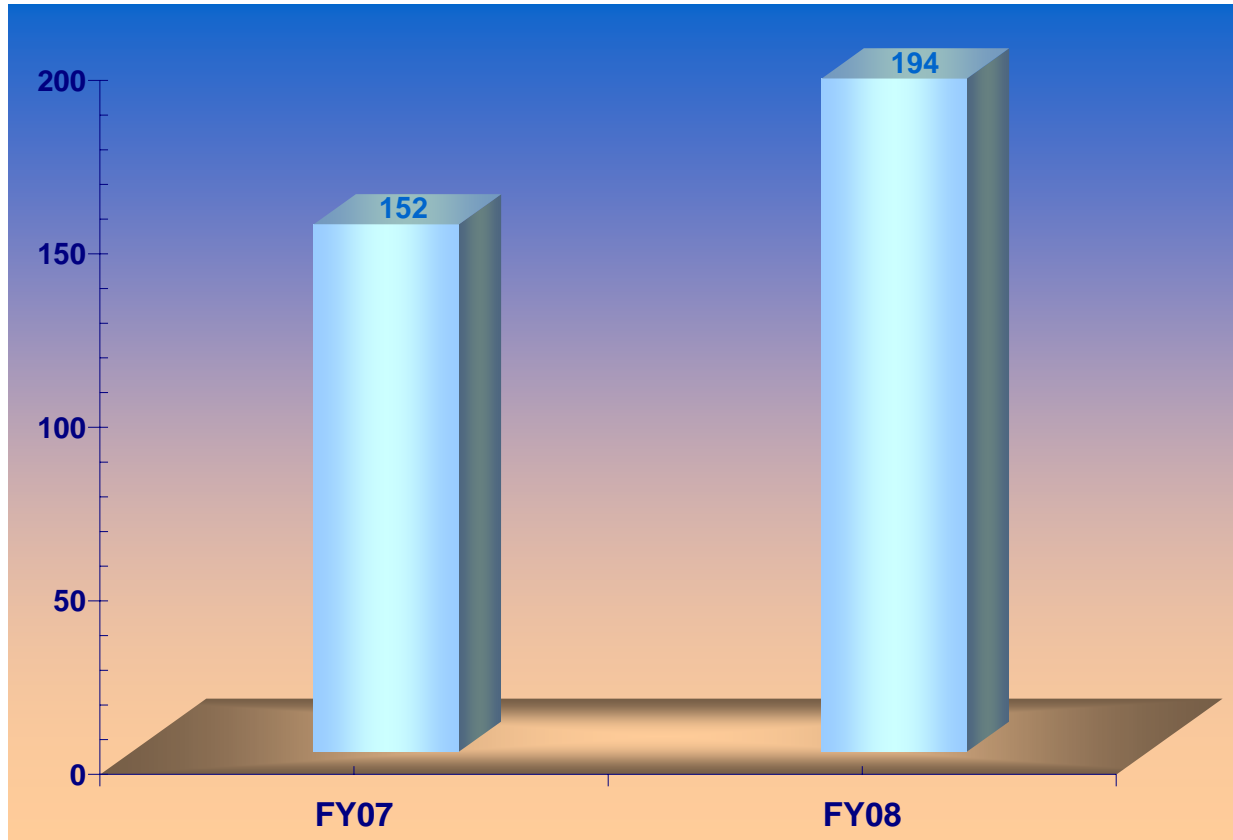
Figures 4 and 5 demonstrate the dollar amount of disbursements and the number of disbursements approved for FY 2007 and FY 2008. The median number of days it takes WIFA to make a disbursement is 6 working days.

Figure 4: FY 2008 Amount Disbursed



WIFA continuously strives to improve the loan application process and to efficiently deliver financial assistance in a timely and convenient manner. WIFA processed loans in an average of 7 weeks in FY 2007, and 5.70 weeks in FY 2008.

Figure 5: FY 2008 Number of Disbursements



“Our people on limited income would have struggled much more without WIFA’s low interest, long-term financing that did not even require individuals to qualify for credit.”

“I am not sure how we could have completed our sewer without the financing from WIFA.”

Pawan Agrawal, PE
Public Works Director/City Engineer
City of Bullhead City

Figure 6: FY 2008 Clean Water Assistance by Population Size

As seen in Figures 6 and 7, WIFA continues to assist small communities by helping them obtain the best possible funding package available.

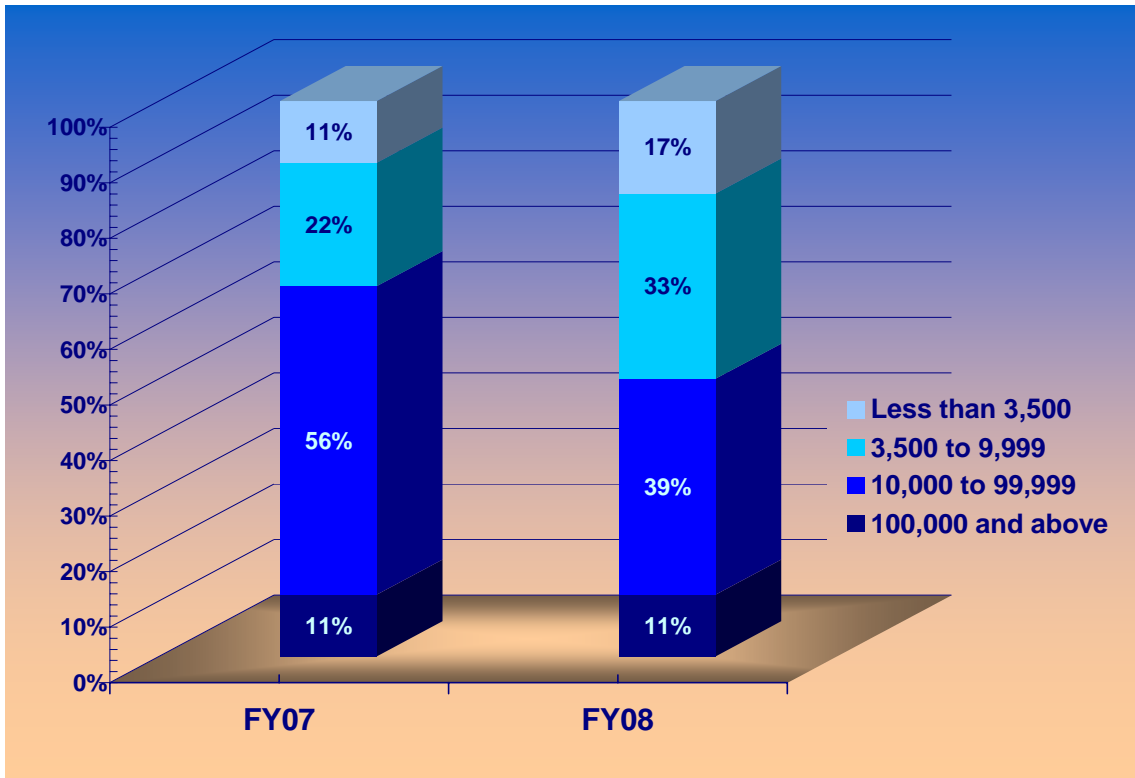
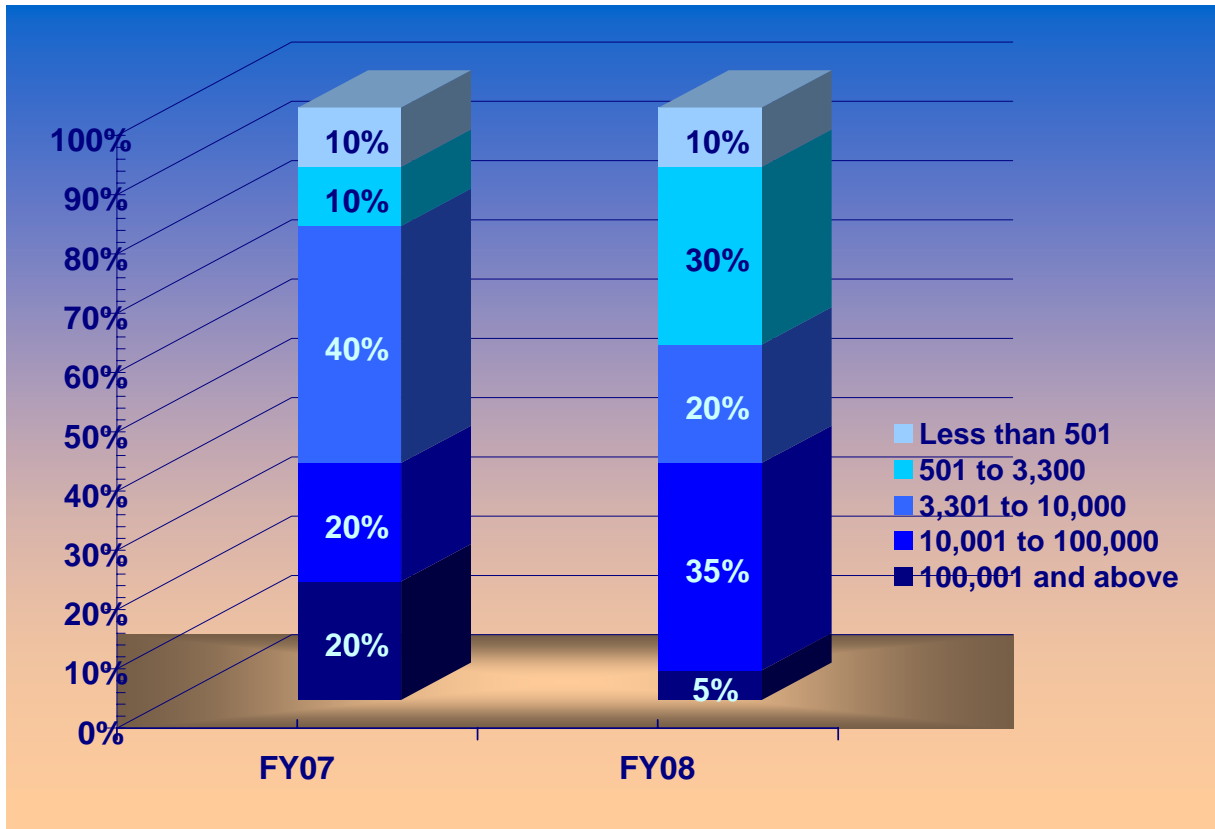


Figure 7: DW Assistance by Population Size



"I can honestly say of all the government/bureaucratic outfits we have to deal with, the WIFA TA program has become one of the most, if not THE most user friendly processes we have encountered.

The paperwork is simple and intelligible, and the staff from the top down has always been helpful, and even cheerful about it."

Thanks,
Gavin Lamont
Alpine Sanitary District

Technical Assistance

WIFA provides technical assistance through pre-design and design grants to eligible clean water and drinking water systems with limited resources. WIFA grants were created to assist systems achieve financial, legal, managerial and technical capacity.

WIFA received 16 applications requesting \$570,000 in technical assistance for clean water projects; 14 technical assistance clean water projects were awarded for a total of \$358,475.00. WIFA received 33 applications requesting \$998,000 in technical assistance for drinking water; 24 technical assistance drinking water projects were awarded for a total of \$500,000. (see table III and IV below).

Table III: Awarded Clean Water Technical Assistance (Grants) in FY 2008

Applicant Name	Project Name	Committed Amount
Alpine Sanitary District	Environmental Impact Mitigation Master Plan	\$ 23,350.00
Buckskin Sanitary District	WWTP & Main Trunkline PER	\$ 35,000.00
Eloy, City of	Headworks Project	\$ 30,000.00
Fawn Brook DWID	Sewer Collection System Design Project	\$ 25,000.00
Hayden, Town of	Wastewater Treatment System Improvements	\$ 35,000.00
McMullen Valley Water Conservation District	Feasibility Study	\$ 15,000.00
Mogollon Domestic Wastewater Improvement District	Sewer Collection System Design	\$ 17,500.00
Parker, Town of	Wastewater Master Plan	\$ 35,000.00
Sahuarita, Town of	Wastewater Treatment Expansion	\$ 35,000.00
Santa Cruz County	Feasibility Study	\$ 22,375.00
Somerton, City of	Sanitary Sewer Model Calibration Study	\$ 20,000.00
Thatcher, Town of	Sanitary Collection System Expansion Pre-Design	\$ 14,000.00
Virgin River DWID	Sewer Collection System & Treatment Plant Improvements	\$ 16,250.00
Yuma County Improvement District	Sanitary Sewer Project	\$ 35,000.00
Total: 14		\$ 358,475.00

Table IV: Awarded Drinking Water Technical Assistance (Grants) in FY 2008

Applicant Name	Project Name	Committed Amount
Ashcreek Water Company	Design of Domestic Water System Improvements	\$ 17,277.00
Cochise County	District Formation Assessment	\$ 18,750.00
Congress DWID	Transmission Line/Rate Study	\$ 17,500.00
Douglas, City of	Arsenic Mitigation Project	\$ 20,000.00
El Mirage, City of	Water System Electrical Optimization Project	\$ 30,000.00
Gila Bend, Town of	DW System Improvements	\$ 35,000.00
Groom Creek WUA	Preliminary Engineering Report	\$ 35,000.00
Hatch Valley Water Improvement District	Water System Improvements	\$ 7,500.00
Holiday Hills DWID	Improvement Project	\$ 35,000.00
Livco Water Co.	Water System Evaluation	\$ 3,500.00
Mayer Domestic Water Improvement District	System Surveying and Mapping	\$ 35,000.00
Naco Water Company	Hydrogeologic Assessment	\$ 35,000.00
Northern Sunrise Water Company	System Upgrades - Design	\$ 25,000.00
Oak Creek Utility Corp.	Storage Tank Site Design	\$ 35,000.00
Pinedale DWID	Capacity and Usage	\$ 4,375.00
San Juan Southern Paiute Tribe	Hidden Springs Water System Improvements	\$ 10,000.00
So-Hi DWID	Design of Tie End & Extension	\$ 35,000.00
Southern Sunrise Water Company	System Upgrades	\$ 15,000.00
St. David DWID	Preliminary Engineering Report	\$ 15,625.00
Tierra Buena Water Co.	Arsenic Mitigation Project	\$ 11,750.00
Tonto Hills Improvement Association	Preliminary Engineering Design	\$ 10,000.00
Valle Verde Water Co.	System Assessment	\$ 25,500.00
Valley Utilities Water Company, Inc.	Nitrate Treatment Study & Master Plan	\$ 10,723.00
Verde Lakes Water Corporation	District Formation	\$ 12,500.00
Total: 24		\$ 500,000.00

This past year, WIFA automated the technical assistance application and the evaluation process. This ensured that the application was processed in a timely and efficient manner and was very well received by our applicants.

Goal 4: To Coordinate with Other Funding Sources, Technical Resources and Regulatory Authorities

WIFA continues its efforts to reach out to small rural communities through the Rural Water Infrastructure Committee (RWIC), an informal partnership of various federal and state agencies that provide loans, grants and technical assistance to Arizona's rural communities.

The RWIC continues to expand its partnerships, and among its newest members, is the Arizona Water Institute (AWI).

Through RWIC meetings, WIFA has increased coordination with other state funding agencies as well as with technical assistance providers to bring the best possible financial options to Arizona's small communities. In FY 2008, WIFA co-funded 12 CW and DW projects, such as:

- City of Douglas with the North American Development Bank (Nadbank)
- City of Safford with U.S Rural Development (USDA RD)
- Gila Bend with the Community Development Block Grant (CDBG)

In addition to working with the RWIC partners, WIFA continues to maintain a high level of coordination with the Arizona Department of Environmental Quality-Water Quality Division, increasing communication and information sharing by meeting on a quarterly basis and joining forces to better serve Arizona's rural communities.

As part of the coordination effort and outreach to small communities, the RWIC held a project meeting in Payson in June 2007 and another in St. David in November 2007. The RWIC also held two executive committee meetings in June 2007 and April 2008. These meetings included discussion on how to improve RWIC outreach, communication efforts and how to best meet the current needs of small communities.



The RWIC Website Message Board

A message board for the RWIC website was created to increase communication efforts among committee members. The message board collects project information which is then stored in a data base, where co-funding efforts are tracked and reported.

The screenshot shows the RWIC website interface. At the top, there is a banner with the text "RURAL WATER INFRASTRUCTURE COMMITTEE RWIC" and "ONE STOP FUNDING" over a desert landscape with saguaros. Below the banner is a navigation bar with "MEMBER PAGE", "Welcome back James! | [My account](#) | [Logout](#) 0", and "Wed Apr 16 14:48:52 2008".

The main content area is divided into three columns:

- Project List:** A list of projects with details for each:
 - Highland Pines DWID:** Contact: [Pat Fitzgerald](#), Telephone: 928-778-0578, Status: Active. 1 of 6. [View](#) | [Selected](#)
 - Pinedale DWID:** Contact: [Bob Sternberger](#), Telephone: 928-537-8163, Status: Active. 2 of 6. [Delete](#) | [View](#) | [Select](#)
 - Holiday Hills DWID:** Contact: [Pat Fitzgerald](#), Telephone: 928-778-3627, Status: Pending. 3 of 6. [Delete](#) | [View](#) | [Select](#)
 - Snowflake:** Contact: [Gary E. Fenstermaker](#), Telephone: 928-536-7103, Status: Pending. 4 of 6. [Delete](#) | [View](#) | [Select](#)
 - Livco Water Company:** Contact: [Jenni Wicks](#), Telephone: 928-337-2266, Status: Pending. 5 of 6. [Delete](#) | [View](#) | [Select](#)
- Project: Highland Pines DWID:** A detailed view of the selected project. It shows a post by "Jon Bernreuter" dated "4/15/2008". The post content is: "New storage tank & main replacement: Engineering on new storage tank and replacement of old mains. Parts of the system are 50 years old and consist of pipe sizes and materials no longer made. Fittings are no longer available. We are in the process of a leak detection program due to water loss. Our improvement district has great need for financial help." Below the post is a "Post" button and a text input field.
- Commitment Assistance:** Shows "Agency: WIFA" and "TA FY 2007 - \$12,500". It has "Delete" and "Edit" buttons. Below is a "Submit" button and a text input field.

At the bottom of the page, there is a footer: "Copyright © 2007 | All rights reserved | [Privacy Policy](#) | [Accessibility](#)"

"I attended a session on the RWIC during a Arizona Small Utilities Association training Conference a few years ago. Our district was facing major replacement and upgrades to insure public health and safety and here was help. We had worked hard to budget for the work we had to do but still needed information and financing. "

"The different agencies and associations involved with the RWIC group were instrumental in facilitating the completion of over one million dollars in upgrades and improvements. We are now using their help for other systems and need them to keep up the great work."

Patricia Fitzgerald
System Manager, Ponderosa Park DWID



What's New

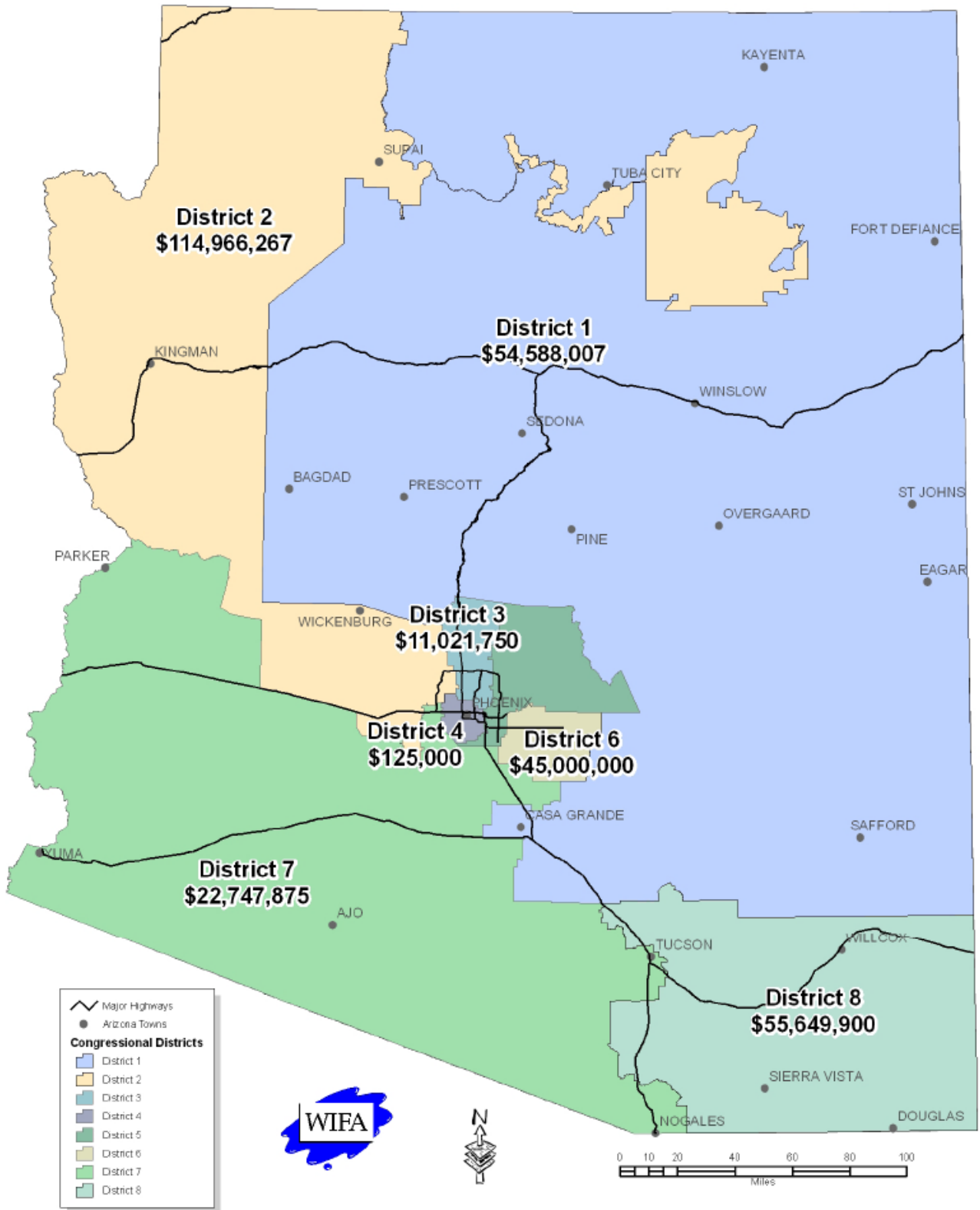
- WIFA updated its website making it more accessible and easier to navigate. As a result a WIFA Project Priority List application can now be completed online. The option allows for applicants to update/change information on their application at any time.
- Through the use of WIFA's new loan and grants tracking system (LGTS). WIFA can now create loan documents, tract projects from concept to completion, provide timely disbursements and ensure quality control.
- WIFA awarded the Yavapai-Apache Nation \$12 million in loans for water projects in Yavapai County.
- WIFA issued \$238 million in water revenue bonds in April 2008.
- WIFA traded its Chevrolet Suburban vehicle for a more cost effective and fuel efficient Toyota PRIUS. The Suburban averaged approximately 16 miles per gallon, while the Prius has averaged approximately 42 miles per gallon.
- In FY 2008, WIFA provided a total of 37 loans. Almost twice as many as in FY 2007.



Looking Ahead

- WIFA continues to identify processes that can be automated in support of Governor Janet Napolitano's efficiency initiative.
- WIFA has initiated, and will continue to improve, a new automated annual loan review process which will save time and improve customer service.
- WIFA will soon produce an online project finance application, which will greatly reduce paper use, improve staff efficiency and improve convenience to our borrowers.
- WIFA staff will be working on updating existing rules, policies and procedures to conform with recent statutory changes and to meet Arizona's water and wastewater needs.
- WIFA will be changing its evaluation process by integrating sustainability criteria to encourage fuel reduction, reduce pollution loads and increase the use of alternative energy.

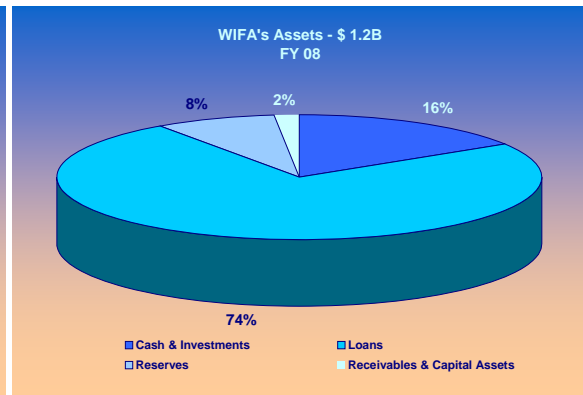
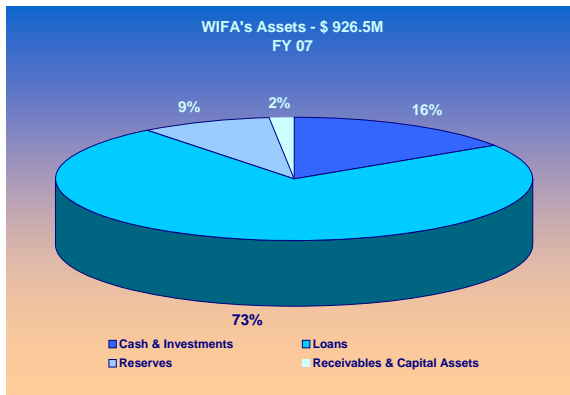
WIFA Funds Distributed by District FY08



Statement of Financial Position

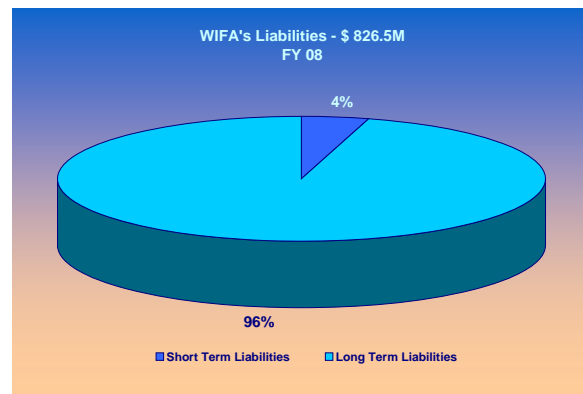
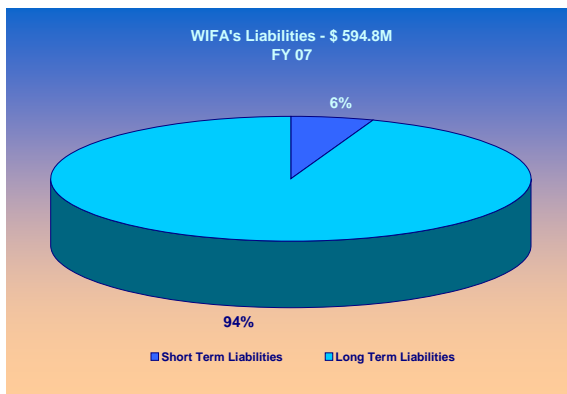
Assets

During FY 2008, assets increased due to a larger number of loans being originated.



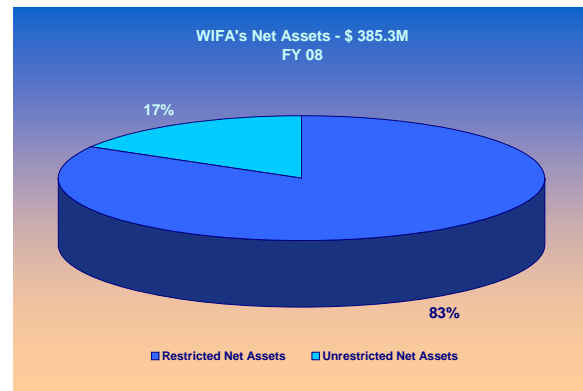
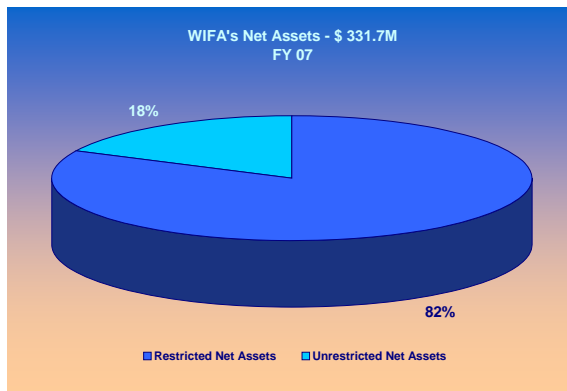
Liabilities

WIFA's liabilities increased from FY 2007 due to the issue of new bonds in FY 2008.



Net Assets

WIFA's net assets continue to grow; primarily the result of capital contributions and loan activities.



**STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET ASSETS**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**

PROGRAM REVENUES	FY07	FY08
Interest Income	\$12,858,853	\$14,694,820
Debt Management Fees	7,686,481	9,892,657
TOTAL PROGRAM REVENUE	\$20,545,334	\$24,587,477
PROGRAM EXPENSES		
Interest Expense	\$27,674,977	\$26,578,875
Depreciation	7,818	0
Administration & Set Asides	3,090,719	4,284,082
Hardship Grant Expense	37,058	75,354
Financial Assistance	0	0
Technical Assistance	819,898	516,420
TOTAL EXPENSES	\$31,630,470	\$31,454,731
NET INCOME	(\$11,085,136)	(\$6,867,254)
NONPROGRAM REVENUES		
Administrative Grants	\$1,579,386	\$1,991,818
Investments Earnings	15,671,403	10,034,896
Total Nonprogram Revenues	\$17,250,789	\$12,026,714
INCOME BEFORE CONTRIBUTIONS	\$6,165,653	\$5,159,460
CONTRIBUTED CAPITAL - FEDERAL	\$9,531,985	\$46,384,513
CONTRIBUTED CAPITAL - STATE	3,195,100	2,095,100
CHANGE IN NET ASSETS	\$18,892,738	\$53,639,073
TOTAL NET ASSETS - Beginning of Year	\$312,796,812	\$331,689,550
TOTAL NET ASSETS - End of year	\$331,689,550	\$385,328,623

The financial statements for WIFA for the year ended June 30, 2008 have been audited by an independent certified public accounting firm, Henry & Horne, P.C. Copies of the complete audited financial statements are available at the WIFA website, www.azwifa.gov.

STATEMENT OF NET ASSETS

THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA STATEMENT OF NET ASSETS

ASSETS	FY07	FY08
Cash	\$147,499,162	\$195,621,994
Investments	80,895,835	97,100,544
Accrued Interest Receivable	8,702,811	10,283,905
Capital Assets (net of depreciation)	0	0
Debt Management Fees Receivable	3,723,729	5,001,451
Loans	682,374,856	899,221,106
Deferred Bond Issue Costs	3,300,533	4,566,212
TOTAL ASSETS	<u>\$926,496,926</u>	<u>\$1,211,795,212</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued Payroll	52,780	3,272
Compensated Absences	46,000	65,036
Interest Payable	6,865,653	8,943,764
Bonds Payable	557,450,000	770,260,000
Unamortized Bond Premiums	35,244,178	51,799,488
Deferred Amount on Retired Bonds	(7,480,204)	(6,925,971)
Loan Reserve	2,628,969	2,321,000
TOTAL LIABILITIES	<u>\$594,807,376</u>	<u>\$826,466,589</u>
NET ASSETS		
Net assets invested in capital assets	0	0
Restricted for capitalization grants	273,096,494	321,576,107
Unrestricted	58,593,056	63,752,516
TOTAL NET ASSETS	<u>\$331,689,550</u>	<u>\$385,328,623</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$926,496,926</u>	<u>\$1,211,795,212</u>

WIFA Board of Directors

WIFA's 12 member Board of Directors provides leadership in setting the Authority's administrative policies and approving loans and grants for borrowers. WIFA's Board of Directors offer expertise on environmental, financial, business, and governmental issues.

Stephen A. Owens

Chairman

Ron Doba

Municipalities >50,000

Mark Herberer

Sanitary Districts from Counties <500,000

Cynthia Seelhammer

Counties >500,000 Population

Paul T. Gardner

Water Systems >500 Customers

Lisa Danka

Arizona Dept of Commerce

Karen Smith

Arizona Dept of Water Resources

William Garfield

Water Systems <500 Customers

Steve Olea

Arizona Corporation Commission

Alberta Tippeconnic

Tribal Representative

Mayor Stanley Gibson

Municipalities <50,000 and Counties <500,000

Mark Swenson

Office of State Treasurer

WIFA Staff

WIFA's staff has broad state and local government experience as well as private sector business and finance experience. WIFA's staff is committed to providing exceptional service to Arizona's communities.

Judy Navarrete
Executive Director

Sandy Sutton
Chief Financial Officer

Veronica Rivera
Communications Director

Kim Marsh
Senior Loan Officer

Angie Valenzuela
Senior Loan Officer

Jon Bernreuter
Environmental Supervisor

Bryan Christopher
Network Administrator

Ruby Hernandez
Administrative Secretary

James Mañalac
Systems Analyst

Tahne Corcutt
Environmental Specialist

Don States
Controller

Angelica Romero
Business Manager

Kari Maclsaac
Staff Accountant

Yolanda Mendoza
Assistant to the Executive Director

Julie Flores
Financial Analyst

Credits:

Editor: Veronica Rivera

Co-Editor: Sandy Sutton

Other Contributions: James Mañalac, Yolanda Mendoza

**Technical Review: Judy Navarrete, Don States, Tahne Corcutt,
Kim Marsh, Angie Valenzuela, Jon Bernreuter**

Maps: Jean Ann Rodine

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WIFA Assisting Arizona in FY08

