

Salt River Valley Water Users' Association

(Operating for the United States)

Roosevelt Dam Federal Irrigation

and

Power Project, Arizona

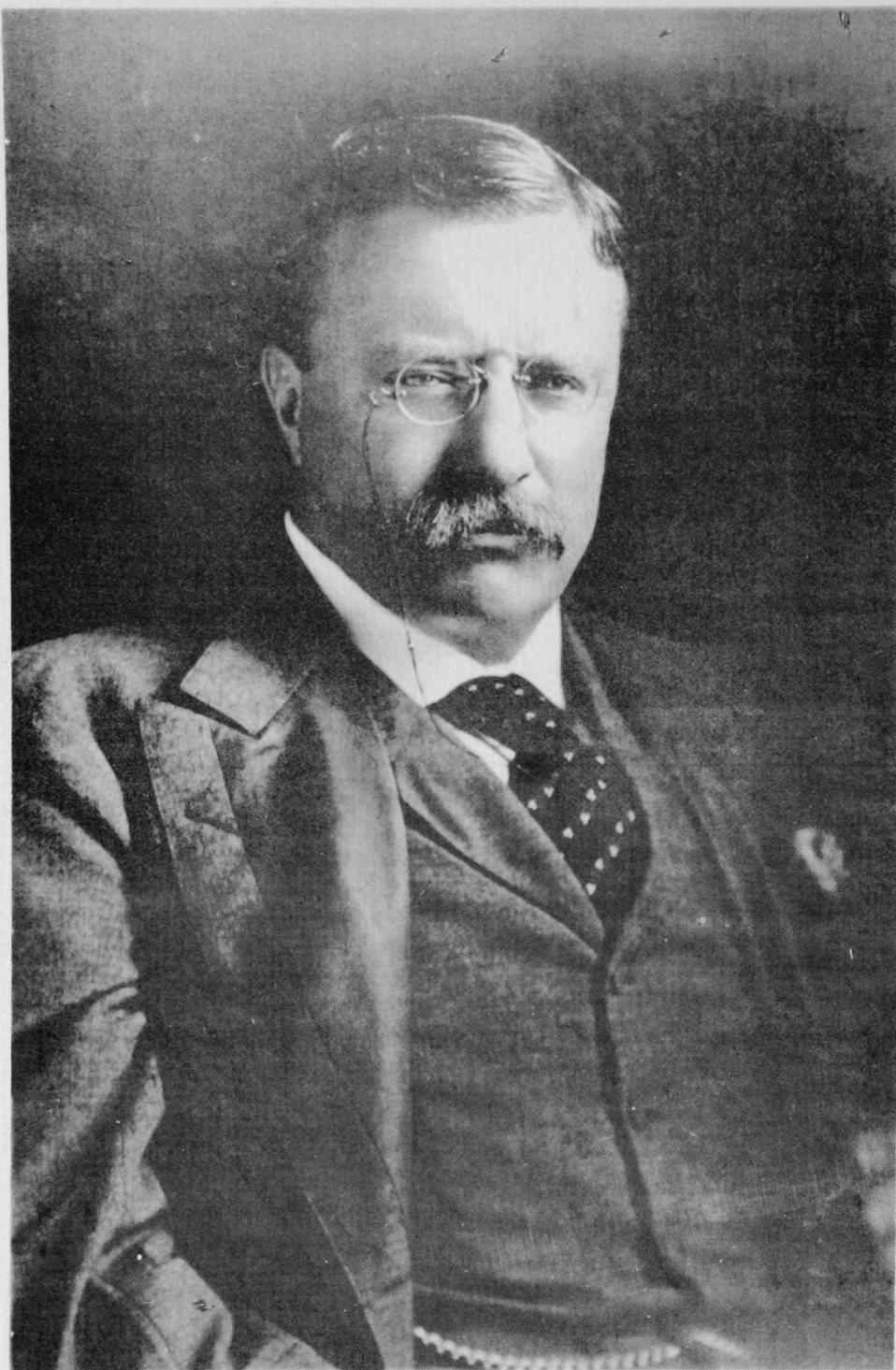
at 4%
Advertised in June, '37, but no bid (Salt River Project) *12/31/37*
Bid of syndicate of 18 buyers for
4 1/4% bonds @ 95.25 was rejected 12/14/37
Bid of syndicate
@ 97.07 was accepted 1/11/38
= rate of 4.47% *4 1/4%*

FIRST ISSUE OF TAX EXEMPT

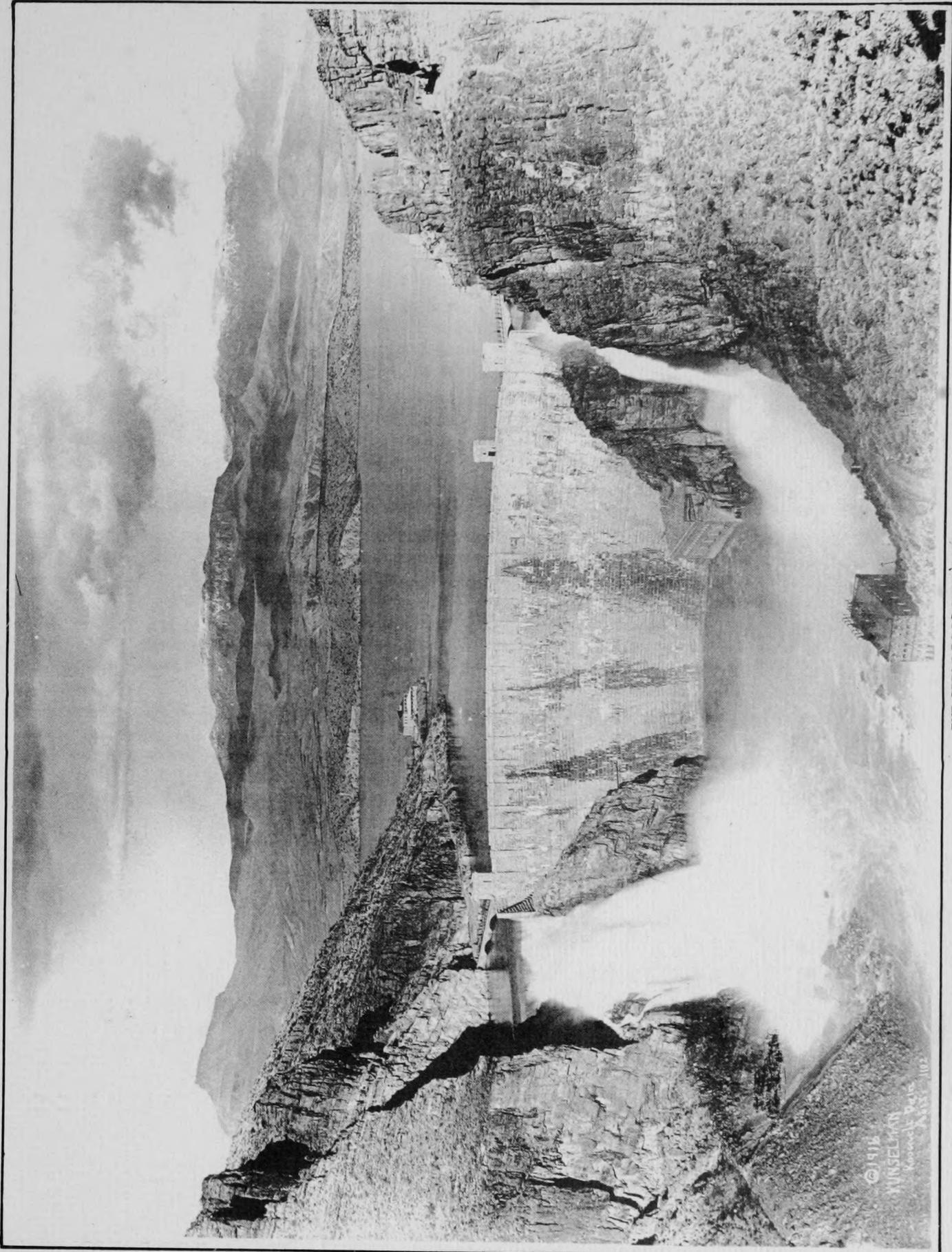
MUNICIPAL BONDS

of

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT
AND POWER DISTRICT



With best wishes to the
Salt River Valley Water Users Association
from
Theodore Roosevelt



THE GREAT ROOSEVELT DAM
Dedicated by Theodore Roosevelt, February, 1911

© 1916
WINSLOW
Roosevelt Park
1102

Salt River Valley Water Users' Association

PHOENIX, ARIZONA

(Operating for the United States)

ROOSEVELT DAM FEDERAL IRRIGATION AND POWER PROJECT, ARIZONA

**OFFERS \$3,197,000 IN TAX EXEMPT
MUNICIPAL BONDS**

of

**SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT
AND POWER DISTRICT**

(Embracing all lands of Salt River Project)

(Being part of an authorized first issue of \$13,000,000.00)

\$1,000.00 Denominations

Dated October 1, 1937. Due Serially January 1, from 1948 to 1964,
both inclusive.

Interest due January 1, and July 1

The proceeds will be used to call and redeem \$3,000,000 of
the 6% Refunding Bonds of Salt River Valley Water Users' Associa-
tion subject to call at any time at 103 and interest, and to deliver to
the Association bonds of the District in exchange for Association

*From Dean Ryder
3-R Ranch
T. J. [unclear]*

bonds purchased and redeemed by the Association subsequent to December 31, 1936, in the amount of \$169,000 and to defray costs of the refinancing of Association bonds in the amount of \$28,000.

This is part of the first issue of a legally organized taxing subdivision of the State of Arizona, embracing the entire Salt River Project, comprising 242,000 acres of highly improved agricultural lands surrounding the City of Phoenix, capital of Arizona. Payment of principal and interest is guaranteed by the Salt River Valley Water Users' Association, operators of the Salt River Project, with its highly developed hydro-electric power system of 105,500 HP, and an unlimited power of assessment on its member lands.

SALT RIVER VALLEY WATER USERS' ASSOCIATION

A corporation organized in 1903, under Arizona Laws, has successfully operated the United States Bureau of Reclamation Salt River Project for twenty years under agreement with the Secretary of the Interior.

OFFICERS

LIN B. ORME, President
E. W. BECK, Treasurer F. C. HENSHAW, Secretary
A. C. HUBER, Vice-President

BOARD OF GOVERNORS

1st District—I. E. Moore	6th District—Ed A. Geare
2nd District—Rudolph Johnson	7th District—James Thomas
3rd District—R. K. Wood	8th District—V. I. Corbell
4th District—C. E. Cartwright	9th District—John H. Dobson
5th District—Kemper Marley	10th District—M. T. Shultz

COUNCIL

1st District — C. A. Cook V. T. Rains C. A. Sanderson	6th District—S. W. Tracht E. H. Hand Henry H. Foltz
2nd District—Ray R. Fram F. A. Charlebois W. E. Campbell	7th District—C. T. Thompson W. M. Stewart E. H. Richardson
3rd District — Peter Truog John W. Seargeant James E. Carlton	8th District—Arthur E. Price M. E. Jones, Jr. George Cocke
4th District — J. E. Pothast E. E. Jack Fred A. Nelssen	9th District—Louis Groehler T. J. Hughes J. F. Freestone
5th District — Dean Ryder W. Wilkins Jay T. Ellingson	10th District—Rosel Cooley Ira N. Kempton Geo. L. Freestone

H. J. LAWSON, General Superintendent and Chief Engineer

E. GREIG SCOTT, Chief Counsel

CHARLES A. LAMBIE, Special Counsel

CHAPMAN & CUTLER, Bond Counsel

ORGANIZATION

The Salt River Valley Water Users' Association was incorporated under the laws of the Territory of Arizona on February 9, 1903, to cooperate with the United States Government in constructing, operating, maintaining and further developing the Salt River Project. The Association develops and distributes all hydro-electric power generated by power plants located at four dams on the Salt River, below and including the Roosevelt Dam, about 70 miles above Phoenix, Arizona, and also operates the Salt River Project, an irrigation system embracing 242,000 acres of highly developed agricultural lands in a compact area surrounding the capital city of Phoenix. Ownership and advisory supervision is retained by the Government. Financial and physical conditions are checked periodically by the United States Bureau of Reclamation, acting for the Secretary of the Interior. Although performing a public service, it is not (due to the relationship between the Association and the United States Government) under the jurisdiction of the State Corporation Commission from a rate fixing or service standpoint, and the properties operated by the Association are not subject to taxation. The Salt River Project, including the Roosevelt Dam, and embracing all lands within Salt River Project Agricultural Improvement and Power District, was constructed by the United States Bureau of Reclamation at a cost of over \$11,000,000.00. Completed in 1911, it was operated by the United States until November 1, 1917, when control and management was turned over to the Association. The original contract cost of the Project to be repaid by the Association was \$10,166,021.97, of which \$7,116,215.41 has since been repaid to the Government. In addition to the investment by the Government, the Association has expended in excess of \$21,000,000 in additions and improvements to the Project, under the provisions of the Reclamation Extension Act, authorizing the Secretary of the Interior to cooperate with Water Users in extending, improving and completing Federal Projects.

Only owners of Salt River Project lands are eligible to be shareholders in the Association. Stock of the Association is authorized to the extent of 250,000 shares. Each share of stock represents the water right to and requires the ownership of one acre of Project land and can be transferred only with the land. Under the Articles of Incorporation, the landowners, as shareholders, have invested

the Association with the power to levy and collect assessments on their lands sufficient to cover all construction, improvement, replacement, operation, maintenance and debt service of the Association. The power to levy and collect assessments for purposes of the Association is absolute and may be exercised without limit and without recourse to law.

The By-laws, and the agreements of the Association with the United States require that the Association refuse delivery of water to lands that are delinquent in the payment of assessments levied; the result of the working of this provision is that with \$15,276,990 levied in operation, maintenance and construction assessments since the taking over of the Project by the Association in November, 1917, the delinquency at present is one-half of one per cent due from lands not being cultivated. In addition to the power of enforcing payment of assessments by refusing water service, delinquent assessments are a lien on the lands of the delinquent stockholders, and such lands may be sold to satisfy Association assessments by foreclosure proceedings in which the equity of redemption under the State law is only six months. During the entire twenty year period that the Association has operated the Project, it has never been necessary to exercise this power. The assessment for the year ending December 31, 1936, was \$2.30 per acre, or \$556,600. The assessment levied for collection during the current fiscal year is, also, \$2.30 per acre.

Same for 1938 + '37

PURPOSE OF ISSUE

The bonds of Salt River Project Agricultural Improvement and Power District, or the proceeds of the sale thereof, will be turned over to the Association, and under terms of an agreement now in effect, will be used to call and redeem 5½% and 6% outstanding bonds of the Association in the amount of \$6,746,000, and to pay when due, or to retire by even exchange for district bonds, \$6,254,000 of 6% bonds made or guaranteed by the Association.

POWER DEVELOPMENT

The total generating capacity of the hydro-electric plants operated by the Association is 105,500 HP, the greater portion of which has been completed within the past ten years. The generating plant at Roosevelt Dam has an installed capacity of 24,000 HP, the Mormon Flat plant, completed in 1926, has an installed capacity of 12,500 HP, the Horse Mesa plant, completed in 1927, has a capacity of 43,000 HP, and the Stewart Mountain plant, completed in 1930, has a capacity of 17,500 HP. These plants, together with the four "Valley Plants" with a combined generating capacity of 8,500 HP, make up the total of 105,500 HP mentioned. In addition to its hydro-electric generating plants, the Association is now installing a 7,500 HP Diesel unit for standby purposes, and has calls for varying amounts of power on steam generating plants of Central Arizona Light and Power Company, Inspiration Consolidated Copper Company and others, with installed capacities of over 50,000 HP. The Association has in operation at the present time 360 miles of high voltage transmission lines (not including distribution lines), the major portion of which is of substantial steel tower and steel pole construction.

POWER REVENUES

The United States has reserved for the Salt River Project all power sites on the Salt River below and including Roosevelt Dam, 70 miles above Phoenix. It is the largest producer of electric power in Arizona. A complete distribution system for service of power to the lands of all shareholders was constructed in 1929, and the Salt River Project is one of the few districts in the United States with electric service available for all rural homes. It sells at wholesale and retail the power not required by itself and its shareholders. Its present power markets include the furnishing of power to the Inspiration Consolidated Copper Company, the largest user of power in Arizona; to Central Arizona Light & Power Company, the largest distributor of electrical energy in Arizona, and serving the City of Phoenix; to the Nevada Consolidated Copper Company, and Magma Copper Company. The Association also furnishes electrical energy to the towns of Mesa, Scottsdale and Tolleson, and to the Roosevelt, Marinette, Goodyear, Arcadia, Casa Grande and

Eloy irrigation districts, thus giving to the Association a fully diversified demand for its power, comprising municipal, public utility, mining, industrial and agricultural loads. The Association has 5,425 rural domestic and residential customers, who contributed to its gross revenues more than \$319,000 during the year ended December 31, 1936.

The Association's power revenues for the past ten years are as follows:

	GROSS POWER REVENUES	NET POWER REVENUES BEFORE INTEREST AND DEPRECIATION
1927 year ended Sept. 30.....	\$1,568,887.06	\$1,225,600.42
1928 year ended Sept. 30.....	2,393,333.16	1,813,377.26
1929 year ended Sept. 30.....	2,772,371.12	1,289,118.52
1930 year ended Sept. 30.....	2,727,684.78	1,319,482.35
1931 year ended Sept. 30.....	2,588,874.35	1,370,857.19
1932 year ended Sept. 30.....	1,748,797.93	793,602.70
1933 year ended Sept. 30.....	1,852,045.30	1,158,738.21
1934 year ended Sept. 30.....	2,107,646.92	1,415,480.67
1935 year ended Sept. 30.....	2,156,660.55	1,379,686.18
1935 Sept. 30 to Dec. 31.....	543,426.50	371,210.16
1936 year to Dec. 31.....	2,974,832.42	1,905,537.24

Net power revenues for the year 1936 as shown above, were equal to two and one-half times the maximum annual interest charges of \$765,823.40 on the Association's total outstanding bonded indebtedness. It is expected that the power revenues for 1937 will show a substantial increase over 1936 as the gross revenues for the first four months of the current year were \$969,617.46 as compared with a gross revenue of \$751,081.76 for the same period of 1936, an increase of 29%. The fact that the reservoirs contain more water than for many years, resulting in the maintenance of a higher head for power generation, will reduce the Association's power purchase account, thereby increasing the net return.

SECURITY

The bonds of Salt River Project Agricultural Improvement and Power District are the general obligations of the District issued pursuant to state statutes and are secured by the annual levy of taxes for bond service as required by the laws of the State of Arizona. In addition thereto, the Salt River Valley Water Users' Association

has agreed, unconditionally, to guarantee payment of principal and interest, when due, on bonds or other obligations of the District made and issued by the District in accordance with the terms and conditions of the agreement between the Association and the District. In protection of this guarantee, the Association has agreed that it will, annually, assess, levy and collect an assessment equal to the tax levied by the District, which said amount shall be cancelled or credited to the lands of the Association only when, and if, the respective owners thereof shall present to the Treasurer of the Association, a proper receipt showing payment in full of taxes and penalties levied by the District in the calendar year for which the assessment was made by the Association. The effect of this provision will be that the landowner must pay his District tax promptly to obtain irrigation service for his land.

VALUATION

The lands and buildings included within the Salt River Project were appraised in October, 1928, by the Superintendent of Banks of the State of California at \$72,634,000. The total cost of the power developments is \$17,841,579.90, making a total valuation of \$90,475,579.90. The total bonded debt of the Association outstanding, including the bonds guaranteed by the Association, is \$12,972,000, and the balance due to the United States Government on original construction is \$3,202,296.96, including funded interest, making a total of \$16,174,296.96. This valuation includes the irrigation improvements within the Project, which cost \$13,720,257.27. This new issue of bonds will not increase the indebtedness of Association or District lands, as an Association bond must be retired for each District bond issued and exchanged or sold.

The Project valuation is being increased at this time by the construction of a flood control and storage dam on the Verde River and by the improvement of other project dams and works by the United States Bureau of Reclamation at a cost of \$6,000,000, to be paid by the Association over a period of forty years without interest, beginning one year after completion, probably in 1939.

This dam will provide for the utilization by the Project of both the normal and flood flow of the Salt and Verde Rivers, and their tributaries. The new dam is expected to increase by 150,000

acre feet per year, the water available for irrigation of the Project, and to this extent relieve the Association from the necessity of pumping water from underground sources to supplement the available surface flow. As such pumping costs in excess of \$1 per acre foot, the new dam should save the Association in pumping costs more than the annual construction payments to the United States for this dam.

FINANCIAL STATEMENT

Following is the financial statement of the Association as of December 31, 1936, after giving effect to the new construction contract for payment to the Government of \$6,000,000:

Original Project Cost.....	\$10,166,021.97	
Subsequent Expenditures by Association and new contract with United States.....	27,395,815.20	
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Total Cost of Power and Irrigation Properties, Equipment, etc.....		\$37,561,837.17
Balance due Government on original construction.....	\$ 3,202,296.96	
Commitment under new contract with United States.....	6,000,000.00	
 Bonded Debt:		
6% Refunding Gold Bonds due 1956	3,000,000.00	
6% Gold Bonds due 1938 to 1947 (Mormon Flat Development).....	1,621,000.00	
6% Gold Bonds due 1938 to 1943 (Horse Mesa Development).....	2,322,000.00	
5½% Gold Bonds due 1931-1958 (Stewart Mountain Development)	3,746,000.00	
6% District Bonds guaranteed by Association, due 1931 to 1954.....	2,301,000.00	
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TOTAL: Balance due Government and Bonded Debt		\$22,192,296.96 = 60%

AGRICULTURAL DEVELOPMENT

As stated above, the Association embraces approximately 242,000 acres of agricultural lands, practically all of which are under cultivation. Located within the boundaries of the Association are 12 cities and towns, which include Phoenix, Mesa, Tempe, Chandler and Glendale, with a combined population of 90,000. The total population within the Association boundaries is officially estimated at 145,000. Within the Project there are 17,000 pieces of property subject to assessments, and a like number of water service accounts served by 1,325 miles of distributing canals and laterals. Excellent transportation facilities are provided by the main line of the Southern Pacific which runs through Phoenix, and by the Phoenix Branch of the Atchison, Topeka and Santa Fe Railway. The Project is traversed by an extensive network of splendid highways, totalling over 950 miles, and no farm is more than one and one-half miles from a concrete-surfaced road. The growing season in the Salt River Valley extends throughout the entire year, and crops mature and are marketed in every month of the year. This continuous growing season makes possible the raising of a large variety of crops, which include: alfalfa, cotton, garden truck, lettuce, cantaloupes, berries, small grains, citrus and deciduous fruits. The total value of all agricultural products marketed from the Project during the twenty years ended with 1935 was \$373,547,335, exclusive of citrus nursery stock, live-stock, dairy, poultry and associated products, the average annual value of which, for the same period, was \$6,000,000, making an aggregate total for the twenty years of \$493,547,335.

The Project obtains its water supply from Roosevelt Lake, and the flow of the Salt River, regulated and controlled by a series of impounding reservoirs, augmented by the uncontrolled flow of the Verde River and by pumping from the underground storage. The run-off of the Salt River during the forty-eight year period ended with the 1936 season averaged 806,417 feet annually, while the run-off of the Verde River during the thirty year period ended with 1936 averaged 534,267 acre feet annually. The storage capacity of Roosevelt Lake and the three other reservoirs below the Lake aggregate 1,790,000 acre feet. This total storage capacity will be increased to 1,990,000 acre feet upon completion of the Bartlett

Dam on the Verde River now under construction by the United States Bureau of Reclamation. A complete drainage system has been installed, operated by electrically driven pumps, which not only controls the ground water table, but, as stated above, provides water for irrigation use.

FUTURE DEVELOPMENT

With the completion of the Bartlett Dam the development of water, both surface and underground, available for the Project, will be complete. The Power Division, under present plans, will spend \$1,500,000 over the next ten years in acquiring modern generating equipment for standby purposes, using for that purpose the money at present consumed in operating the generating plants of others on a rental basis. It is not contemplated that additional funded debt will be created for that purpose. There should at some future time be a change from 25 cycle to 60 cycle power in the hydro-electric generators. This change would, also, require new motor and other appliances for the customers. However, this change can be accomplished gradually by converting one generating unit and one consuming district at a time, at least until there is some material reduction in present debt. It is, of course, impossible in a growing community to consider a plant for the generation and distribution of electric power as being complete at any time, but the foregoing constitute the only two major items of construction needed to care for present output and demand.

MANAGEMENT

Owing to its corporate form of organization, and the fact that the shareholders who elect the Board of Governors are required to be property owners to the extent of one acre of land for each share of stock, the Association, though quasi-municipal in character, enjoys a high order of business ability in its Governors and Officers. The growth and prosperity of the City of Phoenix, and the whole Salt River Valley is vitally dependent upon a proper business administration of the Project, and this fact is considered ample assurance that the Association will continue to enjoy a capable and efficient business management.

**RELATIONSHIP BETWEEN SALT RIVER VALLEY WATER
USERS' ASSOCIATION AND SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT AND
POWER DISTRICT**

/ /

The Salt River Valley Water Users' Association was incorporated in 1903 under the general incorporating laws of the Territory of Arizona, as a private corporation, for the purpose of obtaining for the owners of lands within the boundaries described in its Articles, the benefits of irrigation, drainage, and of power for domestic and farm uses. These services were to be accomplished either by the construction and operation of works necessary or useful for that purpose, or by and through a contract with the United States for the construction and operation of such works.

It was necessary to incorporate the Association as a private corporation, although the purpose was a public one, because the laws of the then Territory of Arizona at that time did not provide for public corporations organized for the purposes contemplated by the Association.

The Association, in carrying out the purposes for which it was organized, incurred a large debt to the United States for the construction and operation by the United States of works necessary and useful for those purposes and in addition thereto, has incurred a large indebtedness through the construction of other works with the cooperation of the United States upon property of the United States, which, although constructed, purchased or otherwise acquired by the Association, are, under the Reclamation Act, a part of the Salt River Project of the United States Bureau of Reclamation, and under the Federal Reclamation Act, are the property of the United States.

Since its admission to the United States, the State of Arizona has adopted laws authorizing the organization of public corporations for the identical purposes for which this Association was incorporated. These laws grant to the public corporations certain rights, privileges and immunities not enjoyed by the Association. Among these are the right of perpetual succession, the power of eminent domain, the power of forceable inclusion of lands within the boundaries of such public corporations, the power of taxation, the power to make necessary rules and regulations to carry out their powers, and exemption of their property and securities from taxation. In order to obtain for themselves these benefits, privileges and immunities, the owners of all of the lands within the boundaries of the Association (Salt River Project) have organized an agricultural improvement district under the appropriate Sections of the Code of Arizona, known as Salt River Project Agricultural Improvement and Power District. The lands and boundaries of this District are identical with those of the Association (Salt River Project).

The Association, under its contracts with the United States, is operating the Salt River Project as Agent for the Government, and pursuant thereto, is serving with irrigation, drainage and power for domestic and farm uses, the identical lands of the Association and the District.

The contracts between the Association and the United States are not assignable. Therefore, in order to obtain for the lands of the Association, and of the District, both the benefits of irrigation provided by the United States through its contracts with the Association and the rights, privileges and immunities granted to agricultural improvement districts under State laws, it is necessary that both the Association and the District remain in existence, and in authority. To this end, the Association and the District entered into an agreement for the purpose of distributing between the parties, the rights and obligations which each should exercise and assume in carrying out the common purpose for which they were respectively incorporated and organized.

By the provisions of the agreement, the Association is to continue to operate the Salt River Project, supplying water for irrigation, providing drainage, and supplying power for domestic and farm uses to the lands of the District, under contracts with the

United States now in force or hereafter to be made. It also agrees to turn over to the District certain real and personal properties which are owned by the United States, but are carried for convenience in the name of the Association, and upon which the Association has heretofore been assessed for State and County Taxes.

The Association further agrees to turn over to the District annually all revenue which it receives from the operation of the Salt River Project not required to be used and expended or held by it in carrying out its contracts with the United States.

The Association also agrees to guarantee the bonds to be issued by the District, and to receive them from the District and use them for the purpose of redeeming its own outstanding obligations incurred in the construction of works included within the Salt River Project.

The District agrees to receive and hold the property conveyed to it by the Association for the use and benefit of the United States, and to use the income turned over to it by the Association for the purpose of redeeming and paying obligations of the Association now outstanding and not refunded by the issue of district bonds, and also for the purpose of meeting installments of principal and interest on its own bonds issued in pursuance of the agreement.

The District further agrees to levy annually, a tax sufficient to meet the difference between the income turned over to the District by the Association, and the amount necessary to meet principal and interest maturing and accruing upon the obligations of the Association not refunded by the District and in meeting principal and interest of District bonds issued under the agreement.

The District also agrees to assume and pay, as its own obligation, the outstanding obligations of the Association incurred in the construction of the works of the Salt River Project, and to submit to its electors the question whether the District should issue its bonds in the amount of \$13,000,000 for that purpose.

This issue has been authorized by the electors of the District, and the District will make, execute, issue and deliver to the Association, or sell its bonds in the amount of \$13,000,000 for the above purposes.

The District further agrees from time to time, when requested by the Association, to submit to its electors, the question of the issuance of other and further bonds when necessary to carry out the purposes of the District and of the agreement, and upon authorization therefor, to make, execute, issue and deliver or sell the same.

The District also agrees to exercise its power of eminent domain when necessary to accomplish the purposes for which the District was organized, and to permit use of the property so acquired by the Association as Agent of the District for such purposes.

It is mutually agreed that both parties shall do all things necessary to carry out the respective promises of the agreement, and that the Association shall pay all the costs and expenses incurred by the District, until such time as funds are received by the District.

Authorization for the assumption by the District of the obligations of the Association, and the issuance of District bonds in payment thereof, or in exchange therefor, was granted to Agricultural Improvement Districts by amendments to Sections 3467-3514, inclusive, of the Revised Code of Arizona, 1928, passed by the Twelfth Legislature in its first special session, designated as Chapter 10 of the Acts of that Session.

The Secretary of the Interior has approved the contract between the Association and the District, subject to the prior rights of the United States in the premises.

LAW OFFICES OF
CHAPMAN AND CUTLER
III WEST MONROE STREET
CHICAGO

EDWARD F. BRUBAKER
WILLIAM H. SHORT
SAMUEL R. SHAMBAUGH
MULLER KOEPEL
GEORGE H. JIRGAL
PAUL W. CUTLER
ROSCOE C. NASH
ROBERT H. O'BRIEN
ROBERT L. GROVER
WILLIAM G. CAPLES
JOHN J. BALLUFF
ROBERT S. BURROWS
ROBERT H. BARNES
ROBERT F. DIEKMAN
DAVID A. HOWARD
ROBERT W. MANLY

August 3, 1937.

THEODORE S. CHAPMAN
HENRY E. CUTLER
ROBERT O. FARRELL
HAL CROMPTON BANGS
WILBUR J. ALTFILISCH
PERRY M. CHADWICK
SPENCER LE ROY
OSWALD MALAND
AMOS H. WATTS
GALEN V. KNIGHT
DAYTON OGDEN
R. J. FRANKENSTEIN, JR.
DAVID TALLANT
JOSEPH A. MATTER
MELVIN J. EHRlich
RALPH F. HUCK
ADOLPH C. JOHNSON

Mr. Lin B. Orme, President,
Salt River Valley Water Users' Association,
Water Users' Building,
Phoenix, Arizona.

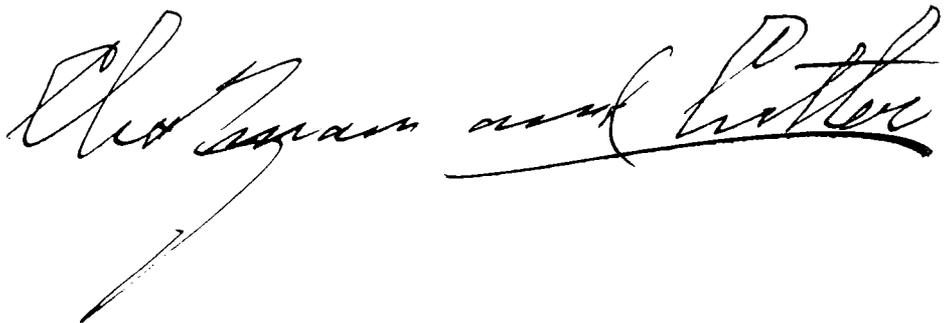
Dear Sir:

We have examined certified copies of proceedings had in connection with the organization of Salt River Project Agricultural Improvement and Power District, Maricopa County, Arizona, and the authorization of bonds of said District in the amount of \$13,000,000 for refinancing a like amount of bonds of Salt River Valley Water Users' Association and we are of the opinion that said District is organized in conformity with the laws of the State of Arizona and that said \$13,000,000 bonds of the District have been legally authorized and may be issued from time to time as provided by resolution adopted by the Board of Directors thereof on April 19, 1937, authorizing said bonds, and by statute.

In our opinion, under existing law and rulings thereon, said bonds when outstanding will be exempt as to interest from federal income taxes.

Yours very truly,

HEC.D

A large, stylized handwritten signature in cursive script, reading "Chapman and Cutler". The signature is written in dark ink and is positioned below the typed name of the law firm.

SALT RIVER PROJECT

LOCATION AND AREA

The Salt River Project is located in south central Arizona on both sides of the Salt River and comprises 242,000 acres (about 380 square miles) of farm land, exclusive of irrigated townsite areas. A partial water supply is also furnished to approximately 90,000 acres of adjacent non-project land.

WATER SUPPLY

The water supply comes from the Salt and Verde Rivers, supplemented by 170 pumping plants for utilizing underground water. The two rivers drain a watershed of approximately 12,000 square miles, about evenly divided between them. They unite four miles above the Granite Reef diversion dam. Storage is provided on Salt River by Roosevelt (1,412,000 ac. ft.), Horse Mesa (245,000 ac. ft.), Mormon Flat (63,000 ac. ft.), and Stewart Mountain (70,000 ac. ft.) reservoirs, forming a continuous chain of lakes nearly 60 miles long, with a total storage of 1,790,000 ac. ft. A storage dam is now being constructed at the Bartlett site on the Verde River, and upon its completion in 1938, will increase the total storage by 200,000 ac. ft. The capacity of the canal system permits the use of all river flow up to floods of 4,000 second feet. The Project has no drainage problem, since the ground water level is fully controlled by the pumps. The canal and lateral system, exclusive of farm ditches, totals 1,325 miles, over 30 miles of the major canals being lined with concrete. The main canals on the north and south sides of the river have capacities at their heads of approximately 2000 second feet each.

POWER SYSTEM

The project operates eight hydro-electric power plants, with aggregate turbine capacity of 115,000 HP, (simultaneous generating capacity 105,500 HP). Out of 836 ft. fall from high water level at Roosevelt to the crest of Granite Reef Diversion dam, 729 ft. head is utilized for power at the four storage dams, while 200 ft. fall is utilized in four plants located on the canals in the valley. The transmission system, consisting of 1,365 miles of power lines, of which 360 miles are primary lines of 40,000 to 110,000 volts, distributes energy for agricultural, mining and industrial use in Maricopa and adjoining counties, service being extended to every farm on the project. Approximately 50,000 HP standby steam power is available under contracts with the local power company and nearby mines, and the Association is installing a 7,500 HP Diesel plant for additional standby purposes.

HISTORY OF PROJECT DEVELOPMENT

A large part of the Salt River Project was cultivated in pre-historic times and many interesting remains of the ancient irrigation systems and villages still exist. White men first began irrigating here in 1867 and by 1900 approximately 150,000 acres had been brought under cultivation, an area greatly in excess of the capacity of the water supply without storage. In 1904 a contract was made with the U. S. Reclamation Service for the construction of Roosevelt Dam, which was begun in 1906 and completed in 1911. The Government also built the Granite Reef diversion dam and acquired and improved the numerous independent canals and ditches, welding them into a unified system. The operation and maintenance of the Project was turned over as a going concern to the Salt River Valley Water Users' Association in November, 1917. A program of additional storage and power development on Salt River, involving the increase in capacity of the Roosevelt Lake and power plant and the construction of the three dams and plants between Roosevelt and Granite Reef, was begun, with the approval of the Secretary of the Interior, in December, 1922, and completed in March, 1930, increasing the storage by 650,000 ac. ft. and the

generating capacity by 85,000 HP. The period since 1917 has seen the construction of the Cave Creek flood control dam, the system of drainage and irrigation pumping plants, the electrification of the valley, the improvement and extension of the power transmission system and numerous other items. The total cost of Project works in 1936 was \$31,560,000, about evenly divided between the irrigation and power divisions.

FUTURE DEVELOPMENT

With the completion of the Bartlett Dam the development of water, both surface and underground, available for the project, will be complete. The Power Division, under present plans, will spend \$1,500,000 over the next ten years in acquiring modern generating equipment for standby purposes, using for that purpose the money at present consumed in operating the generating plants of others on a rental basis. It is not contemplated that additional funded debt will be created for that purpose. There should at some future time be a change from 25 cycle to 60 cycle power in the hydro-electric generators. This change would, also, require new motor and other appliances for the customers. However, this change can be accomplished gradually by converting one generating unit and one consuming district at a time, at least until there is some material reduction in present debt. It is, of course, impossible in a growing community to consider a plant for the generation and distribution of electric power as being complete at any time, but the foregoing constitute the only major items of construction needed to care for present output and demand.

STATUS OF LAND

There is no settlement problem on the project, since all land is in private ownership and highly developed. There are no public lands open for entry. General farming lands sell from \$175 to \$250 per acre. Land adapted to citrus and otherwise especially favored, brings from \$250 an acre up.

CLIMATE

The climate is semi-tropical. The elevation averages 1,200 feet above sea level. The average annual rainfall over a period of 40 years is 7.5 inches. The annual percentage realized of possible sunshine hours, average for Phoenix, is 84. The summer days are hot, but the nights are fairly cool. The low humidity, however, makes the highest temperatures much less oppressive than lower temperatures in localities with higher humidity. The spring, fall and winter months are delightful. Winter temperatures permit the growing of citrus in the more favored sections and of lettuce, peas, grain, alfalfa pasture, etc., over the entire Valley. Approximately 80 per cent of the Project area is in winter crops. Such frosts as occur are light and the average period between the first killing frost and the last killing frost in spring is 69 days.

CROPS AND LIVESTOCK

The leading crops, according to the present areas, are cotton and alfalfa. Grain, which makes a good winter growth and furnishes excellent winter pasture, is third in acreage. A large area is devoted to cantaloupes in summer and to lettuce in the fall and winter. Dates, grapes and figs have long been grown, but it is only recently that dates have been planted in large commercial groves. A notable recent development is the great increase in citrus plantings. Plums and apricots, with some peaches and pears, are the principal deciduous fruits, but the areas planted are not extensive. Corn, hegari, and the various sorghums are grown for feed and ensilage. Wheat, oats and barley are the other principal grains. The wheat is of excellent milling quality. In 1936 there were 24,000 producing dairy cows on the Project. Conditions are exceptionally favorable for an expansion of this industry. The excellent winter pasture supports large numbers of cattle and sheep brought in from the ranges nearby and elsewhere in the State. Some hogs are raised, their production usually being a side issue to general farming. Natural conditions are ideal for poultry raising, but the industry is considerably underdeveloped. The farmers have strong cooperative organizations for the marketing of cotton, hay and grain, lettuce, vegetables and citrus. The Project is well supplied with meat packing houses, flour mills, creameries, milk condenseries, cotton gins and fruit packing houses.

TOWNS AND CITIES

There are 12 towns within the project limits, seven being incorporated. The largest towns are Phoenix, with a population in 1936 of about 75,000, and 111,000 within a five mile radius; Mesa (4,000), Tempe (2,800), Chandler (1,600), and Glendale (4,000). Other small towns 2,600. The rural population is approximately 55,000. In 1936, the Project had 86 schools, representing an investment of \$6,000,000, 70 churches and 7 banks. Phoenix is the state capital, and the County Seat of Maricopa County. Its institutions include 3 banks with deposits in 1936 of \$51,000,000; 55 churches, 41 grade and grammar schools, 2 high schools, 2 colleges, 5 creameries, 10 public parks, 9 theatres, 46 hotels and 2 flour mills.

TRANSPORTATION

The Project is served by the Southern Pacific and Santa Fe railroads. There are 350 miles of concrete paved roads within the Project outside of towns and 600 miles of improved roads. Few farms are more than a mile from pavement. Fast truck services are operated to the Coast and eastern points, and to marketing points within the state. Regular air mail and passenger service is maintained from Phoenix.

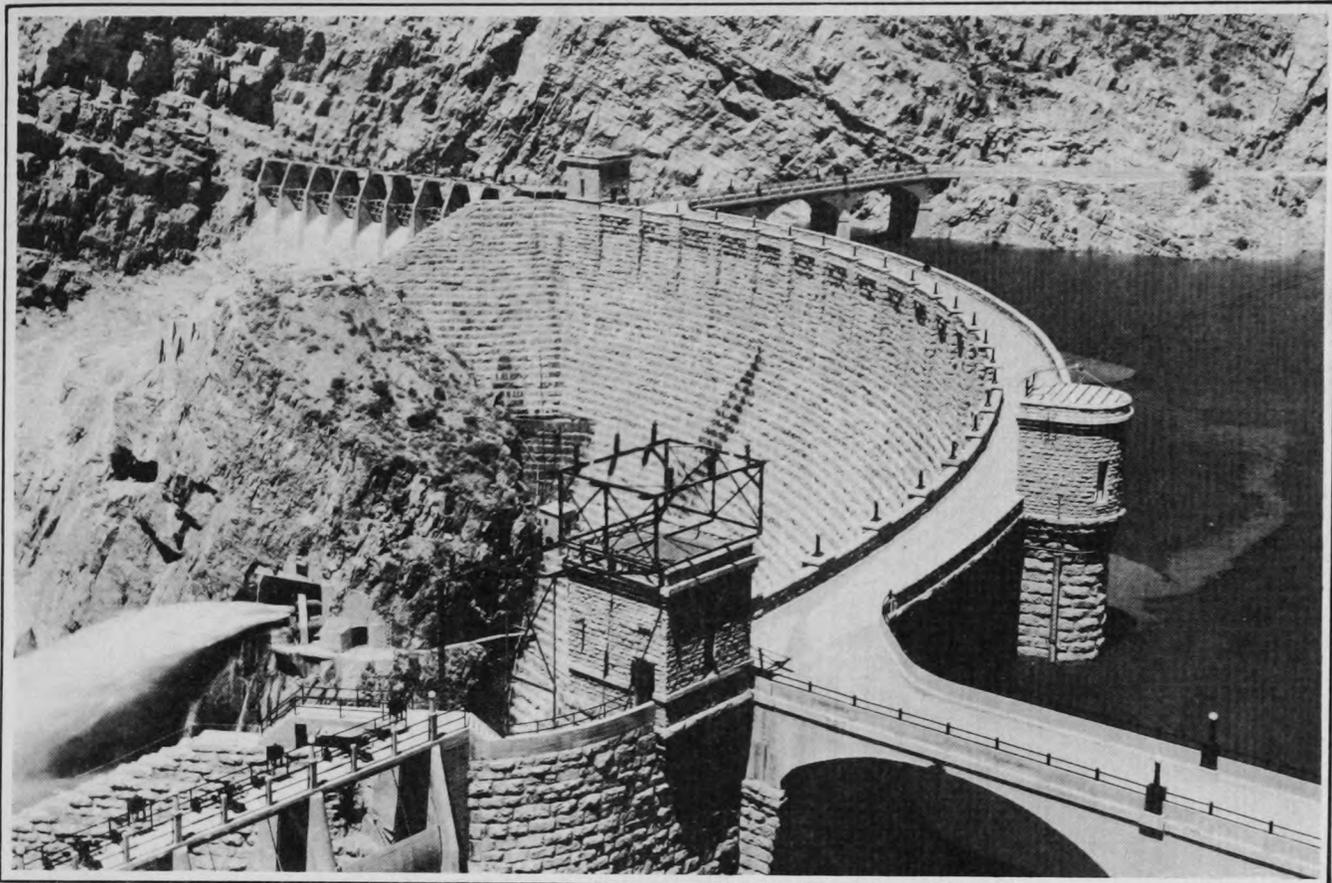
RECREATION

The nearby lakes and high, pine-clad mountain region to the north and east are easily accessible over excellent highways. The Valley has many winter visitors, a large percentage of whom maintain permanent homes. Abundant accommodations are available, ranging from the various palatial hotels to well-equipped auto courts.

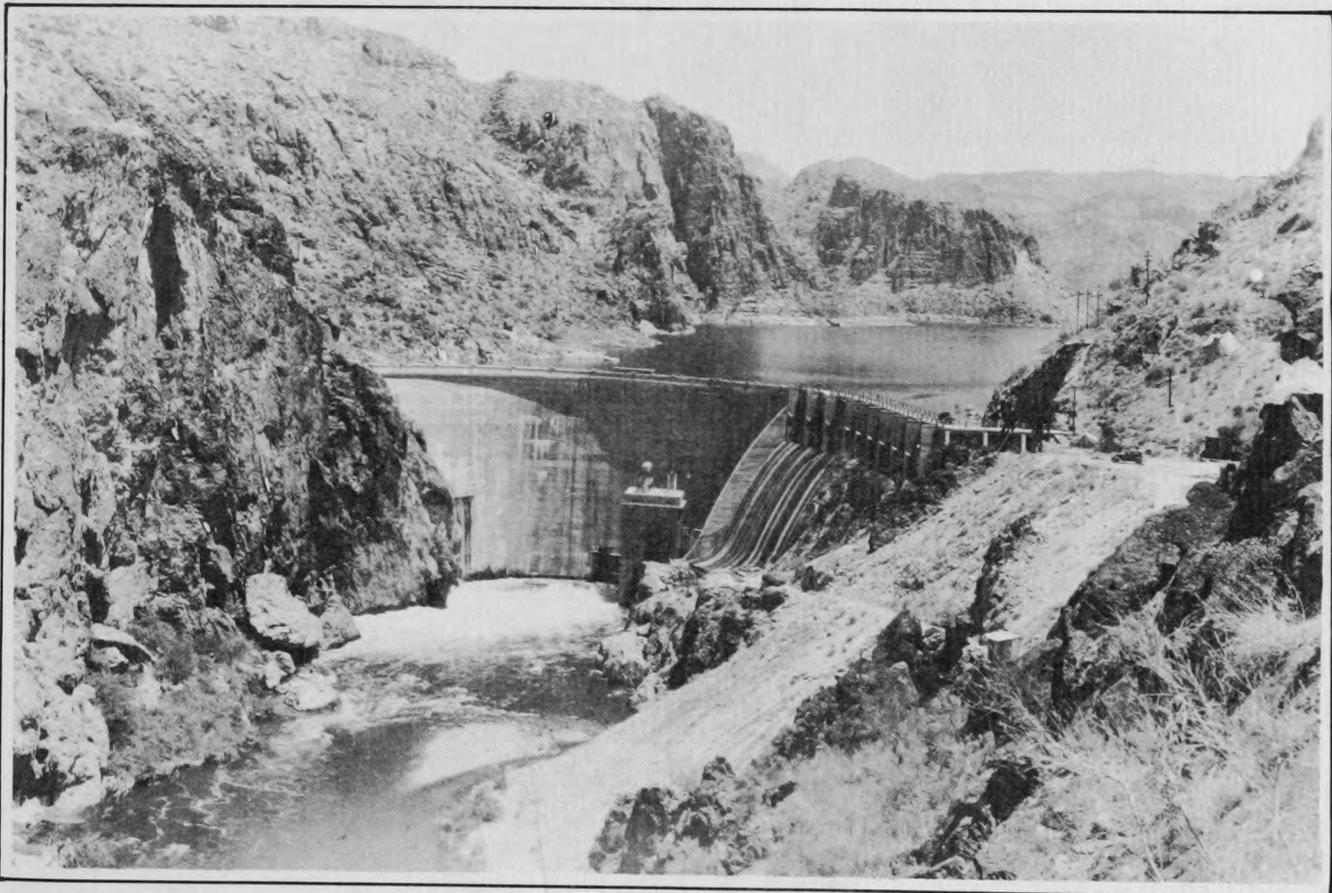
SALT RIVER VALLEY WATER USERS' ASSOCIATION

The Association is a corporation organized in 1903, under territorial laws. In 1936 its individual members numbered 13,000, representing 17,000 water service accounts. The purpose of the corporation was to take advantage of the "Reclamation Act", passed

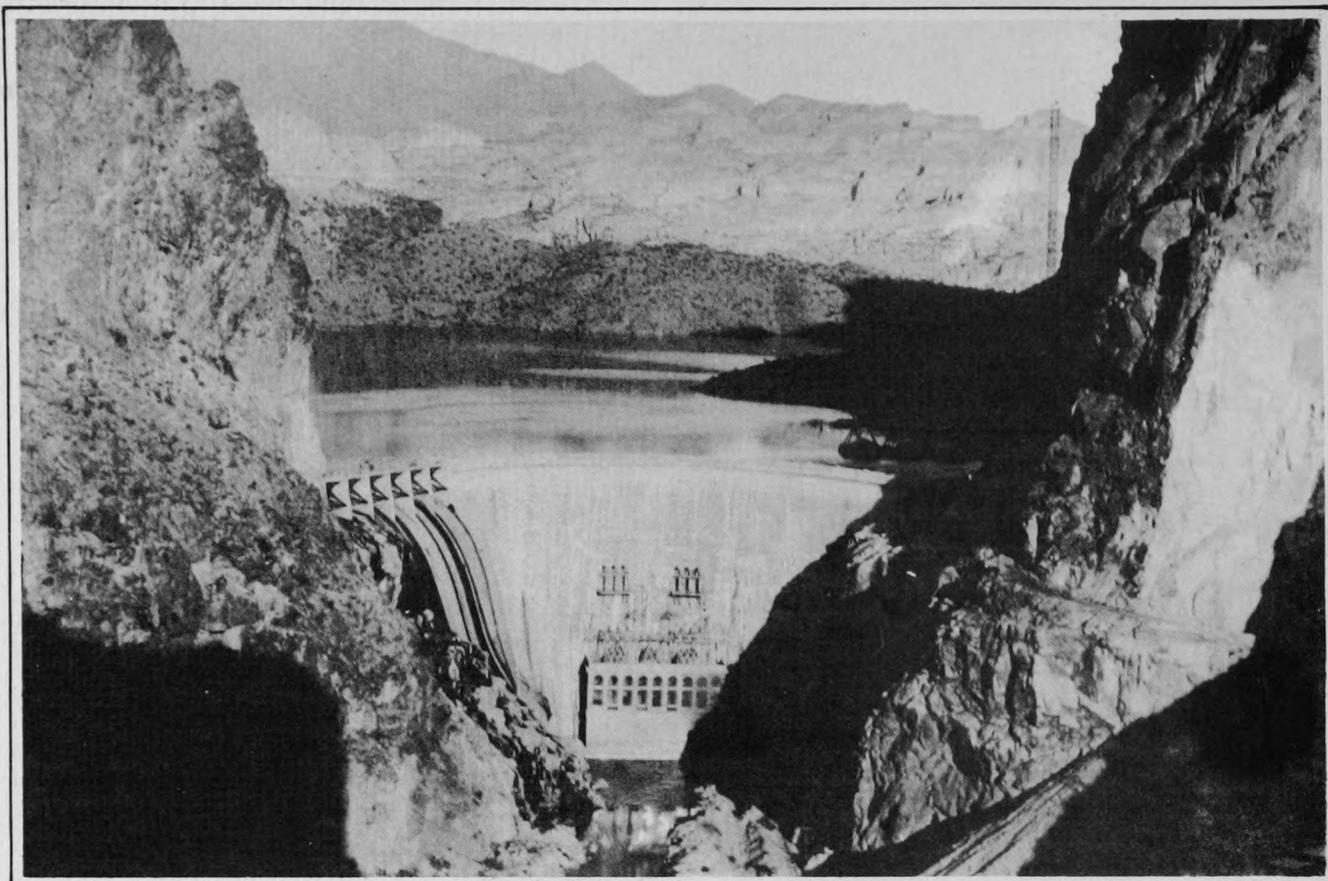
by Congress in 1902. The Association has the legal power to create what amounts to a first mortgage lien on the lands of its shareholders and by virtue of this power was able in 1904 to make a contract with the United States under the Reclamation Act, whereby the Government agreed to build the Project works and the Association to repay the cost over a long period of time. When the Project was turned over to the farmers in 1917 the unpaid construction debt was \$10,000,000 of which \$7,000,000 has since been repaid. These debt payments, plus the additional development described, have been financed by direct assessments collected from the land owners, by power revenues and by bond issues.



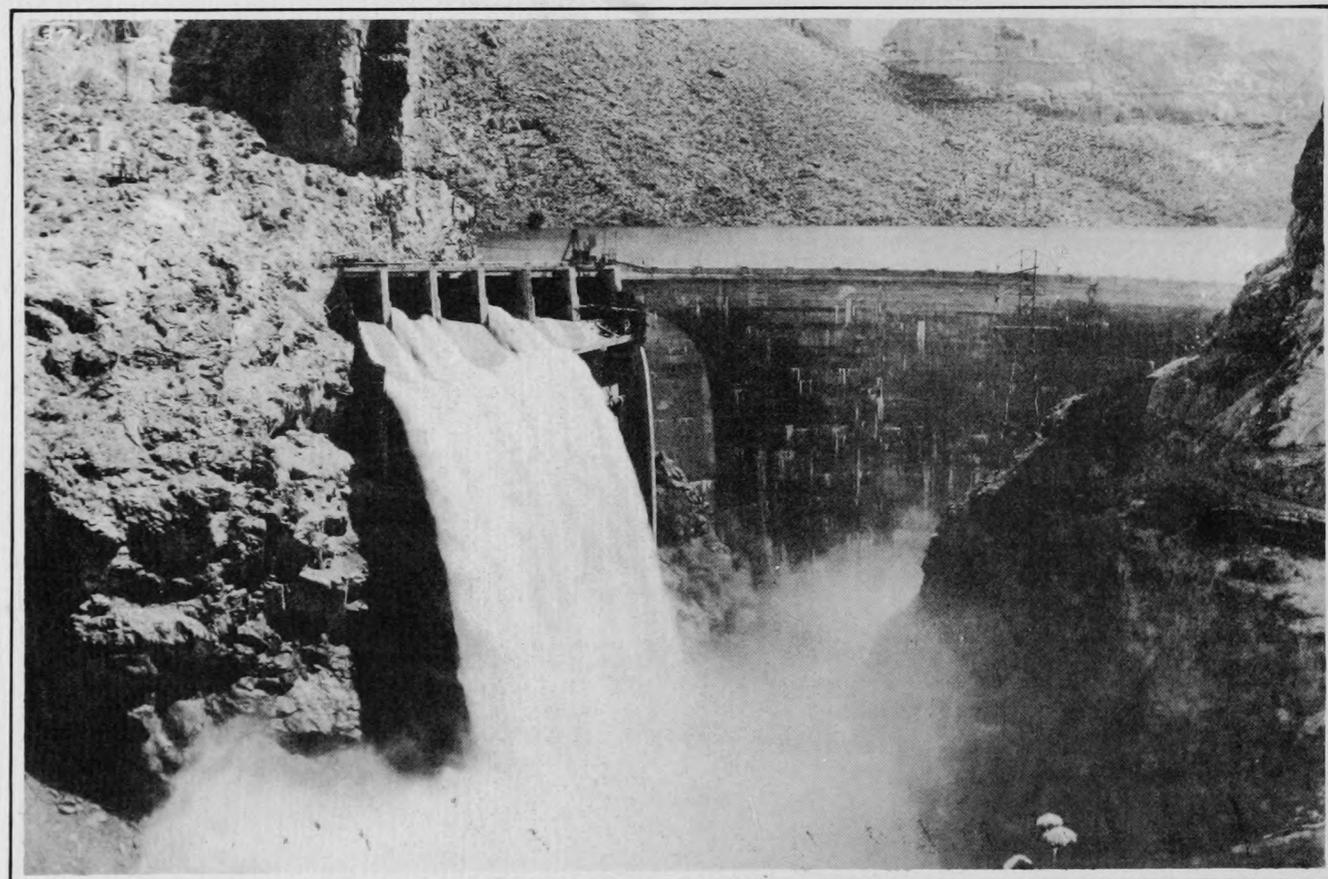
ROOSEVELT DAM, POWER PLANT HIDDEN BY LEFT WING OF DAM



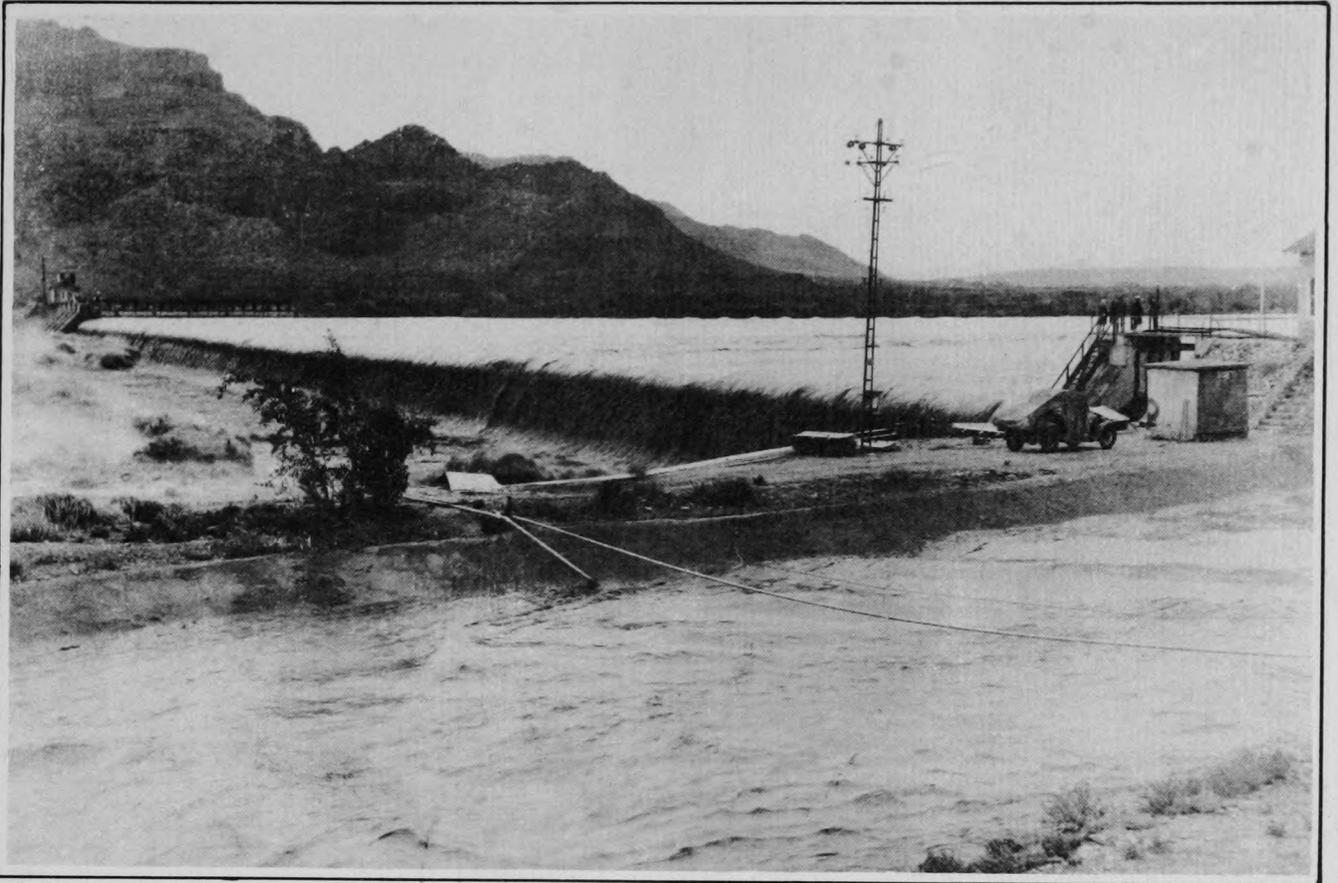
MORMON FLAT DAM AND POWER PLANT



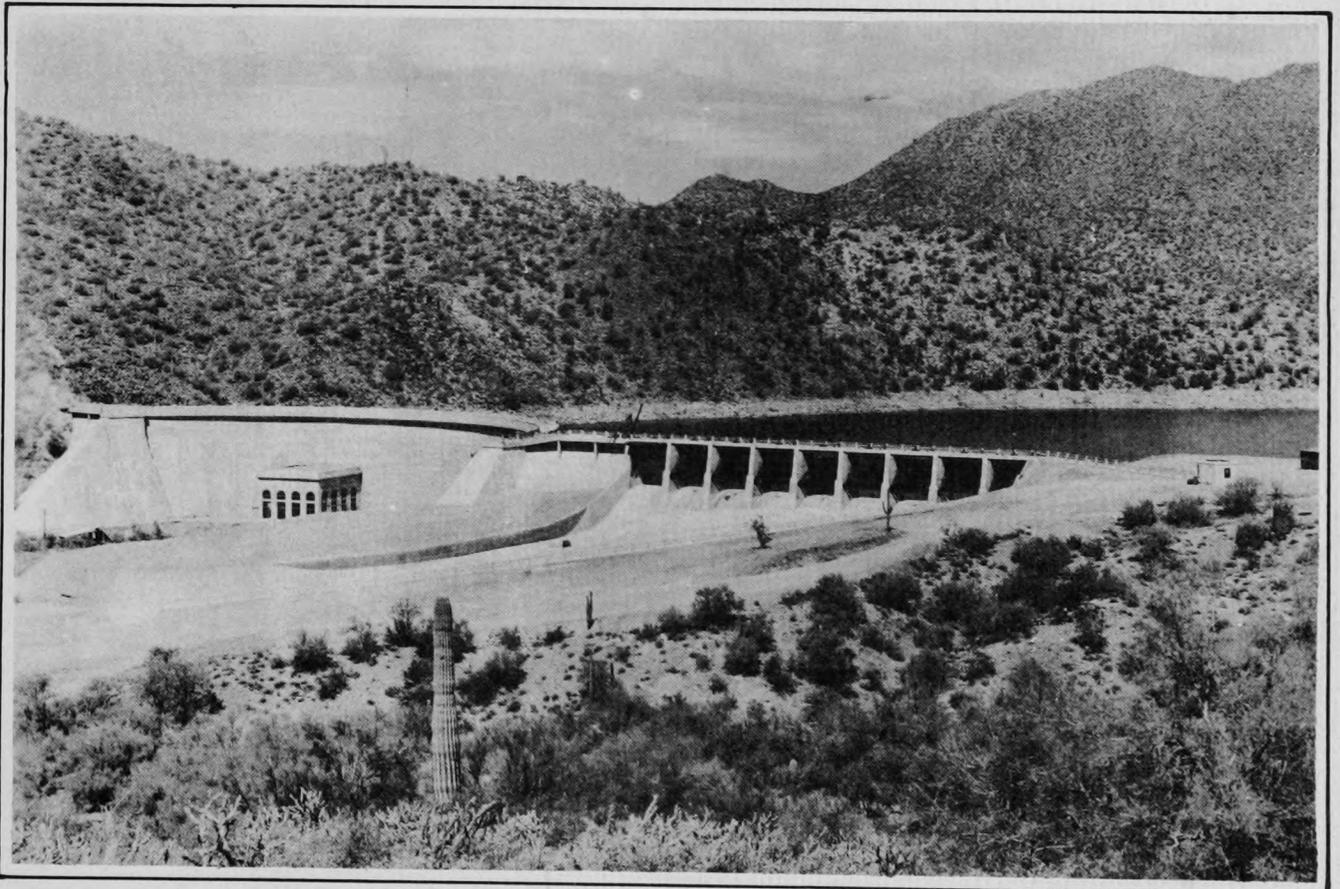
HORSE MESA DAM AND POWER PLANT



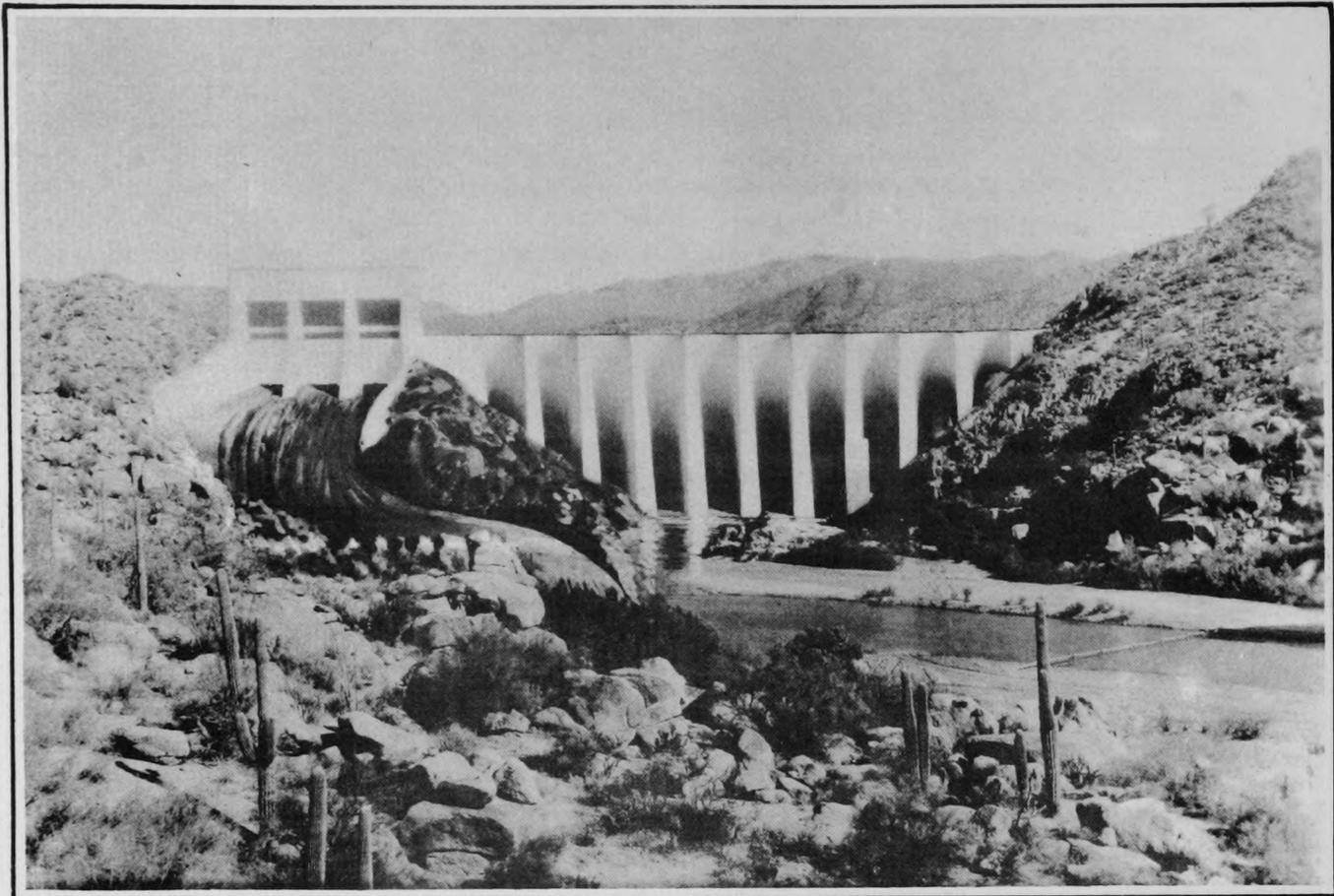
HORSE MESA DAM — SPILLWAY DISCHARGING



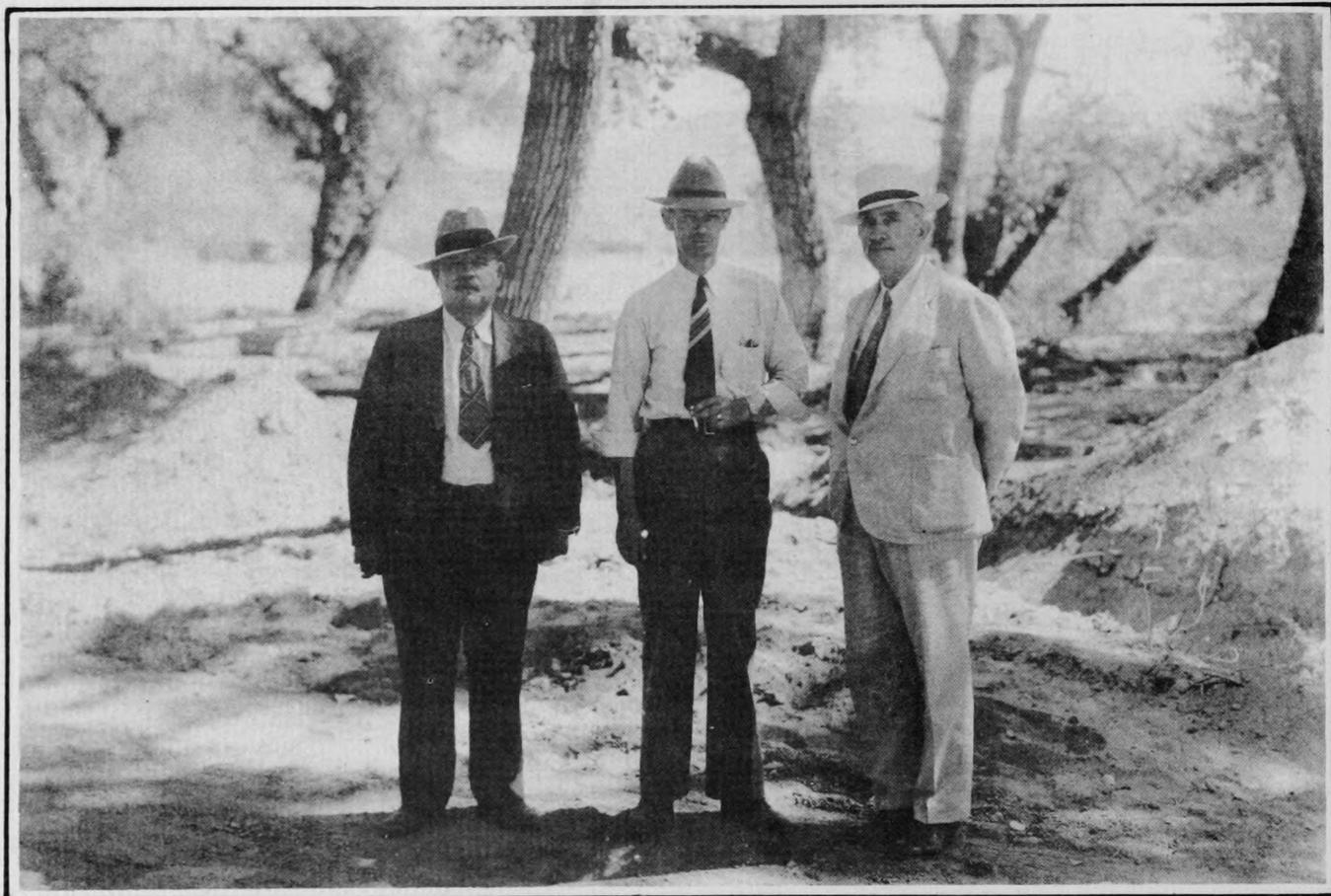
GRANITE REEF DIVERSION DAM — SALT RIVER IN FLOOD



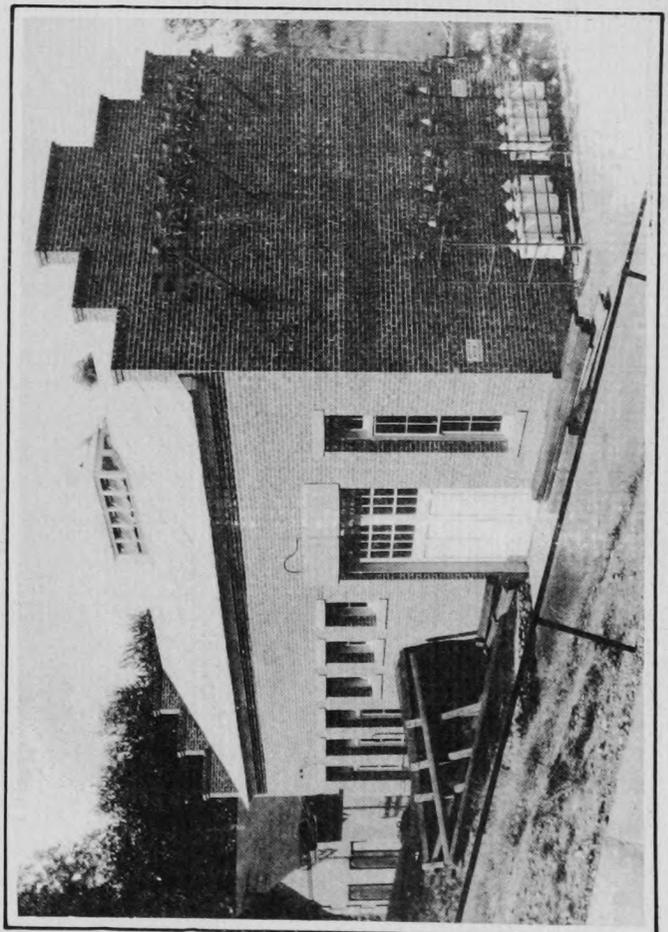
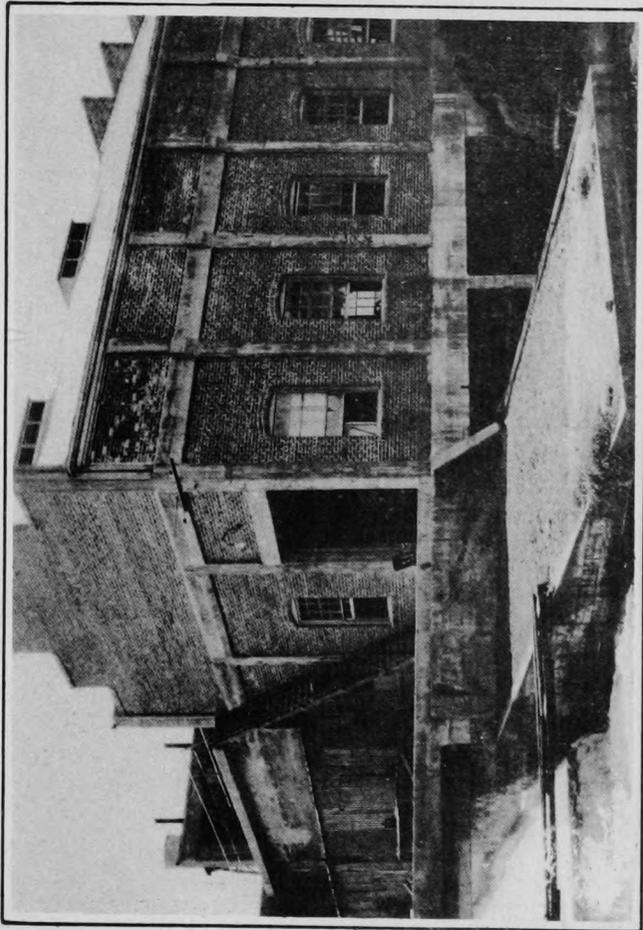
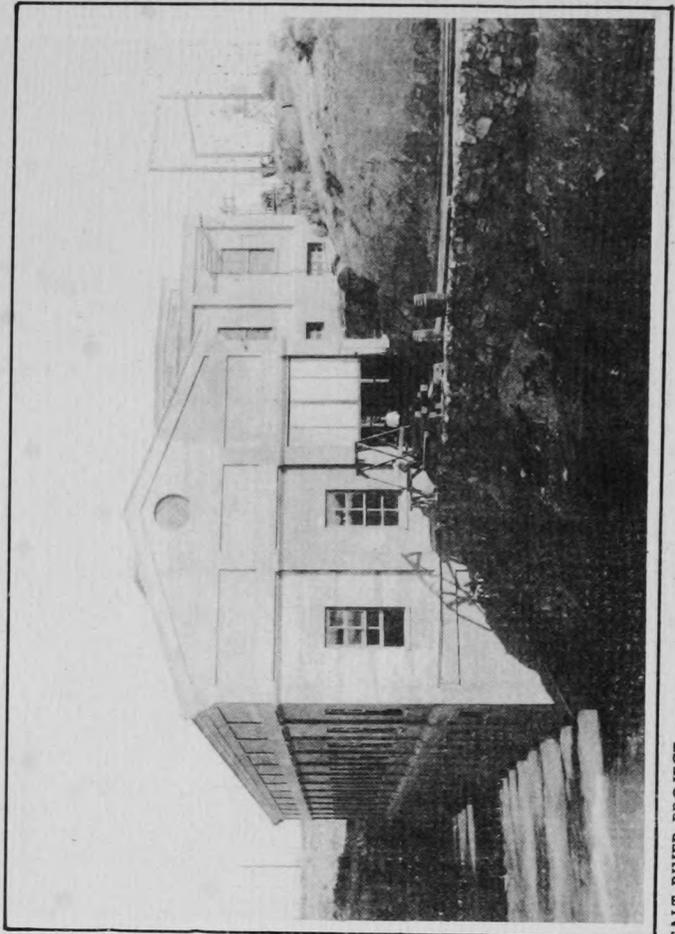
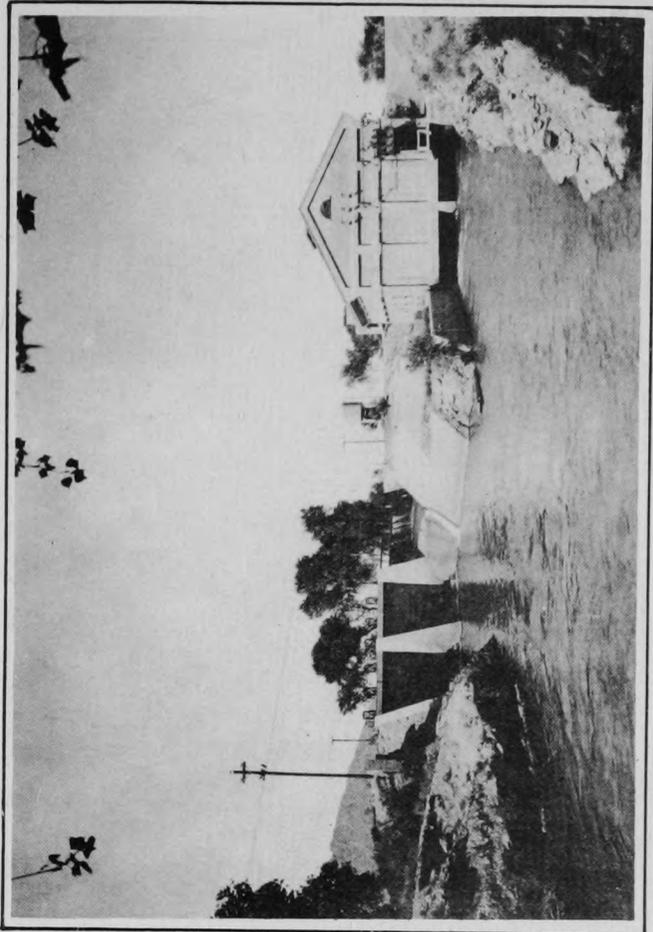
STEWART MOUNTAIN DAM AND POWER PLANT



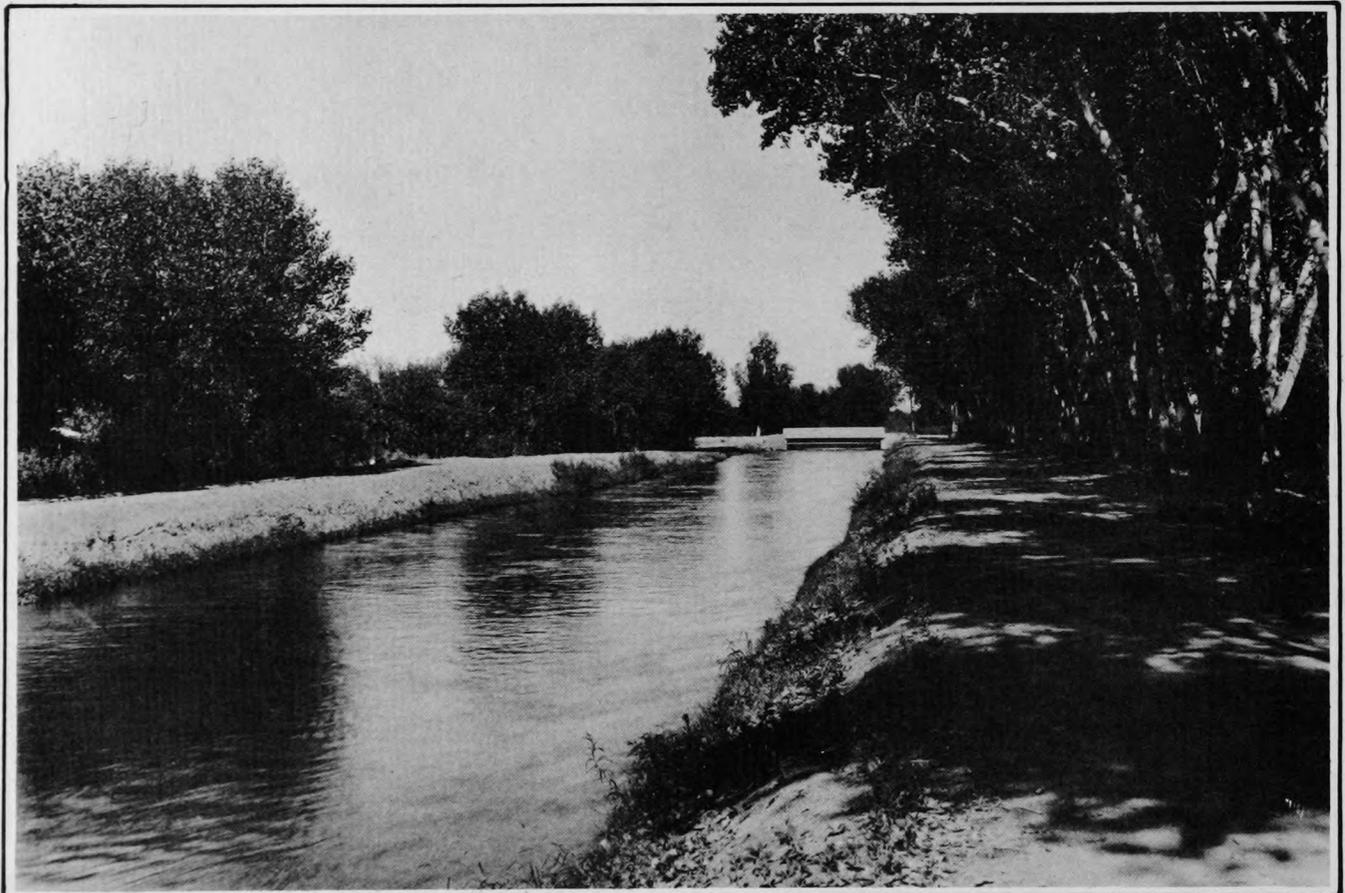
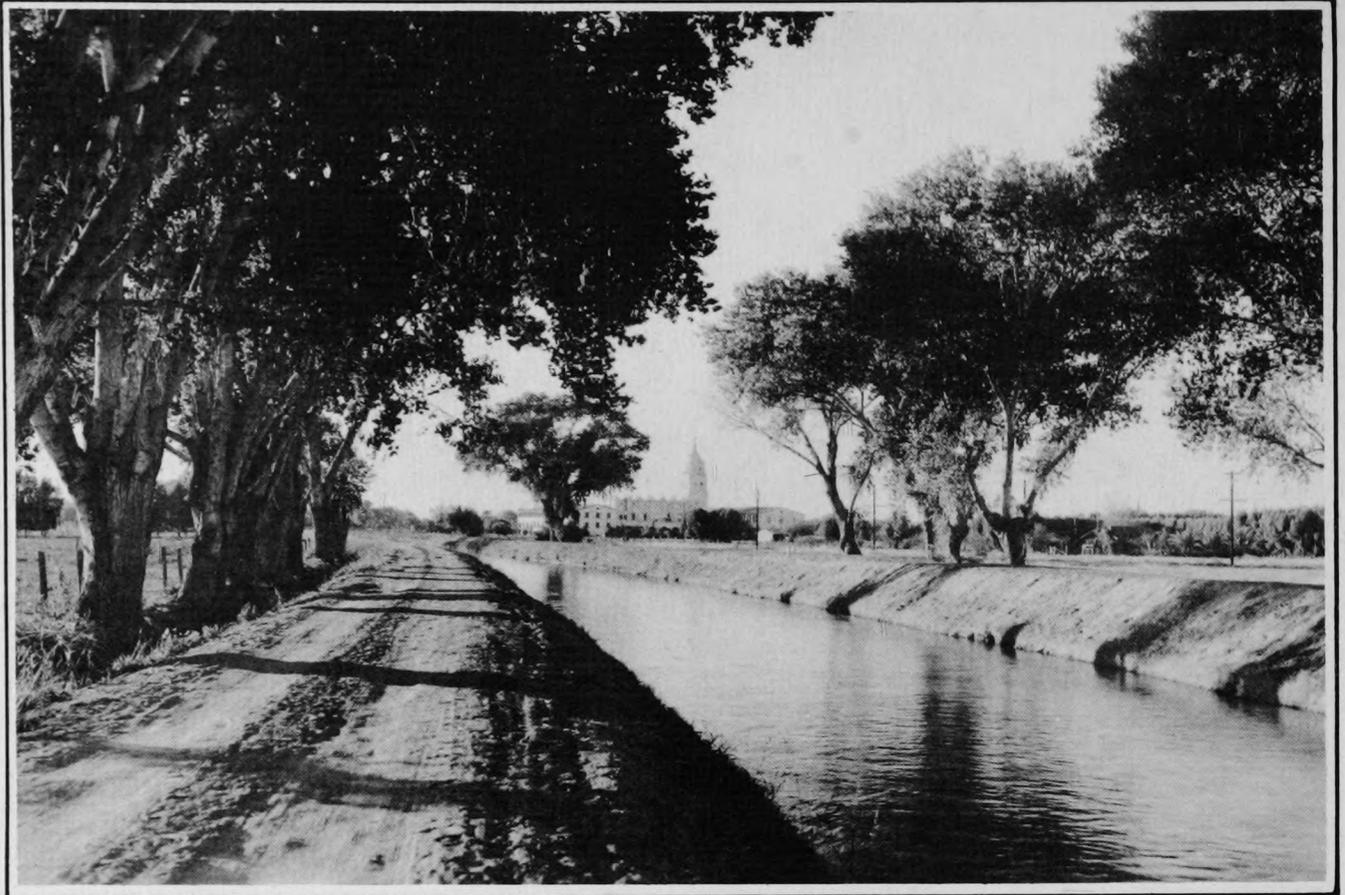
BARTLETT STORAGE DAM, NOW UNDER CONSTRUCTION ON VERDE RIVER
(Photographed from model)



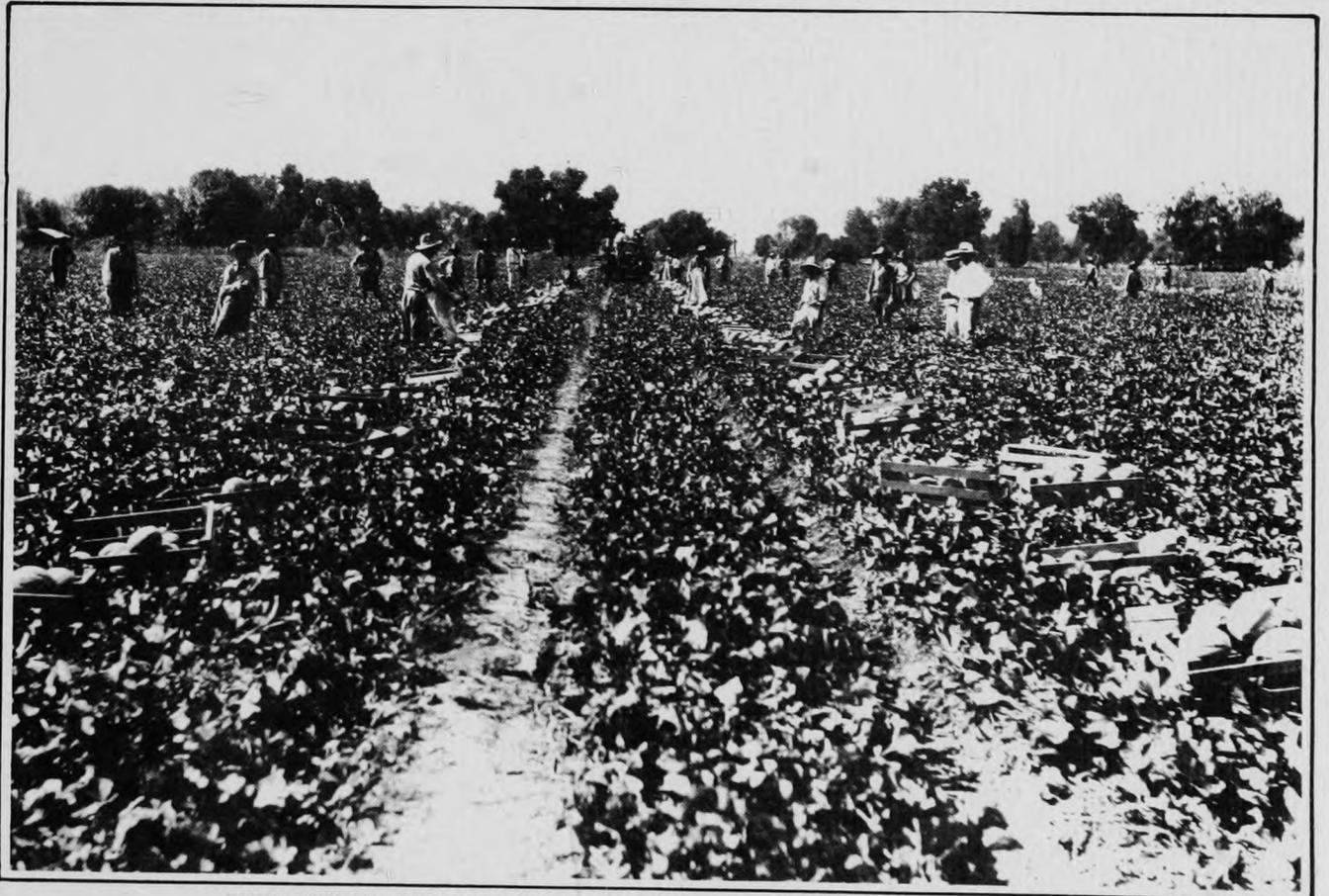
Left to right, LIN B. ORME, President, Salt River Valley Water Users' Association,
JOHN C. PAGE, Commissioner, Bureau of Reclamation, and
CARL HAYDEN, United States Senator
(Photographed at Bartlett Dam Site)



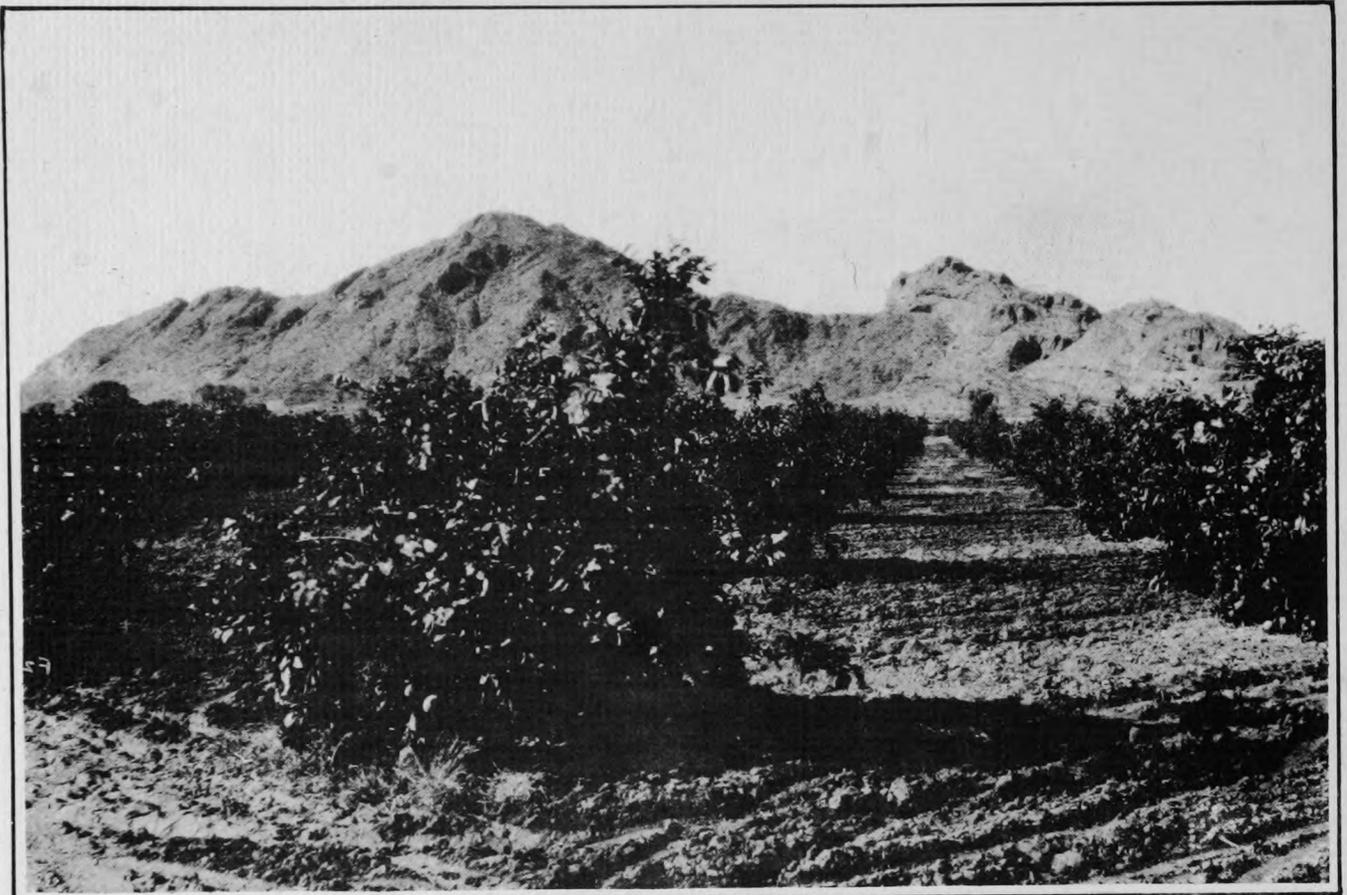
VALLEY POWER PLANTS, SALT RIVER PROJECT



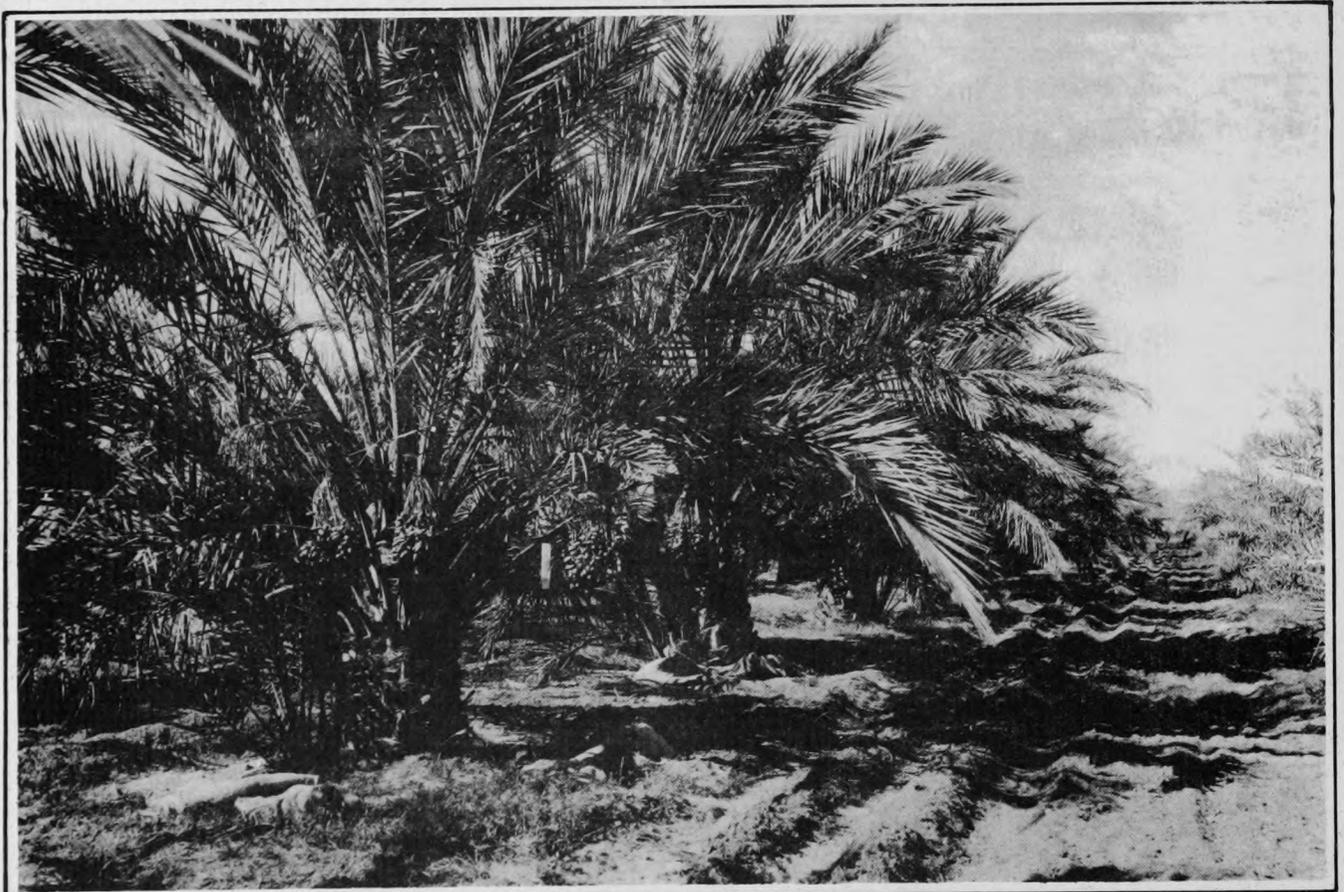
CANAL SCENES, SALT RIVER PROJECT

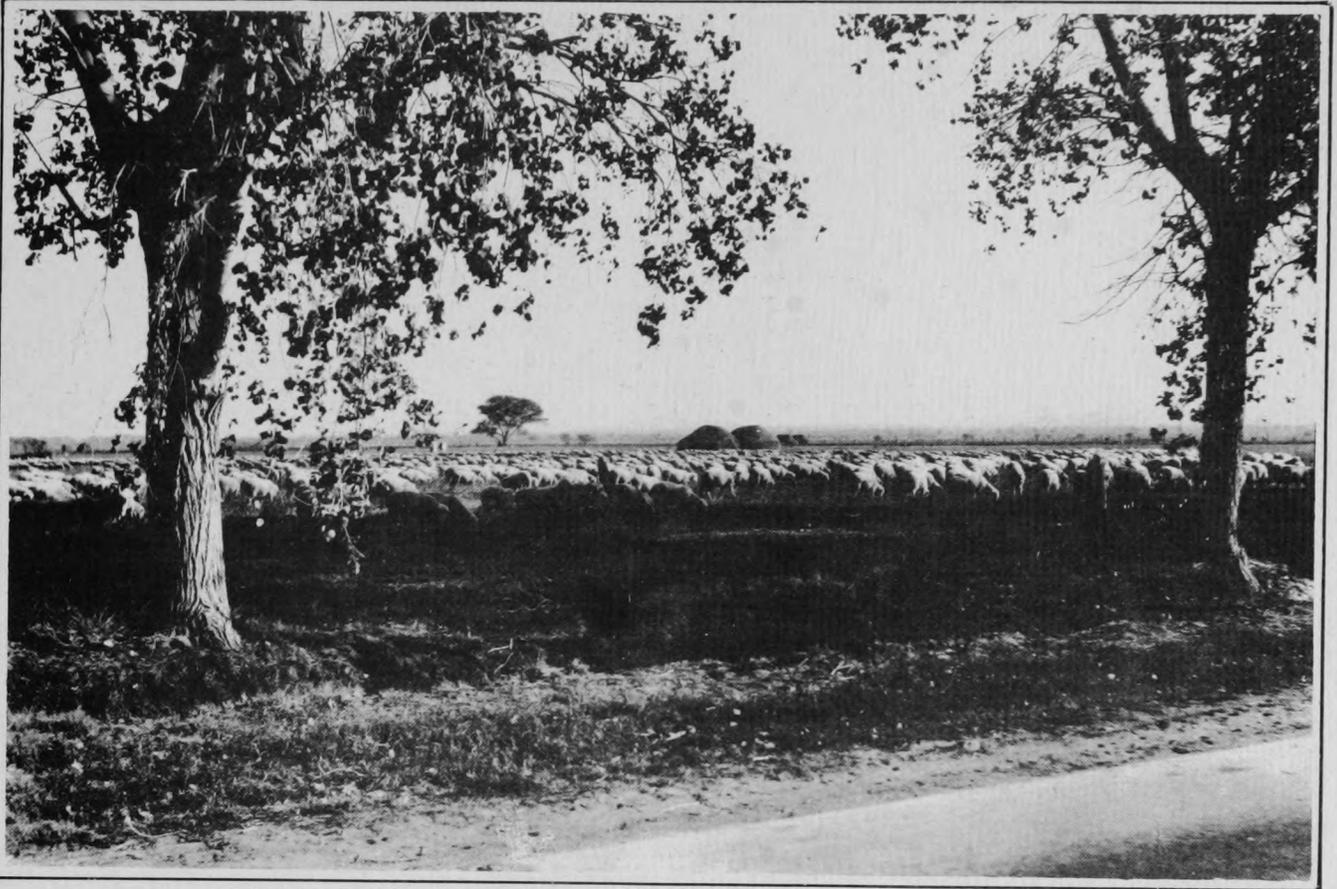


THOUSANDS OF ACRES OF WINTER LETTUCE ON THE SALT RIVER PROJECT ARE FOLLOWED BY A SUMMER CROP OF CANTALOUPE

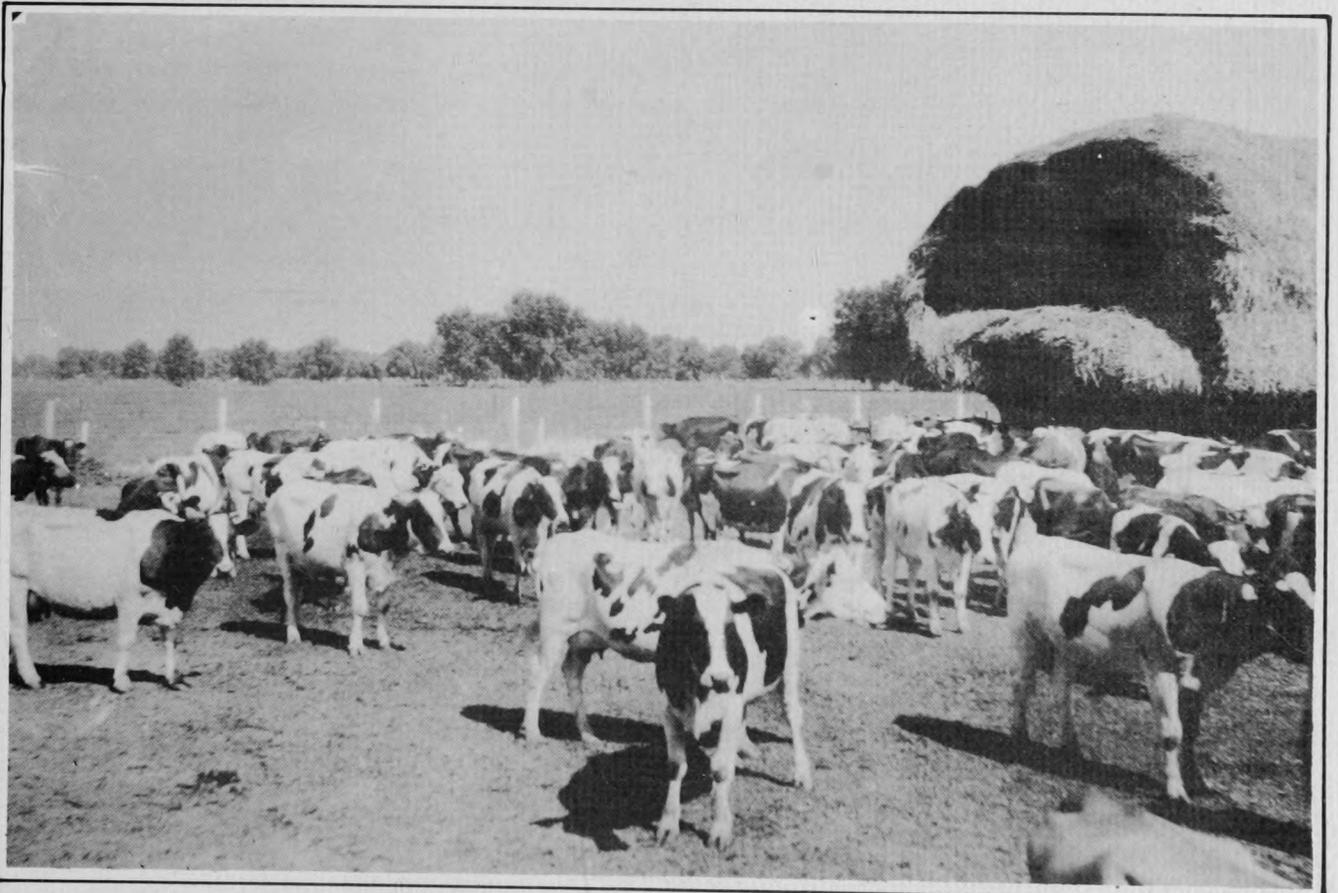


THE PRODUCTION OF CITRUS FRUITS AND DATES IS AN IMPORTANT INDUSTRY
ON THE SALT RIVER PROJECT

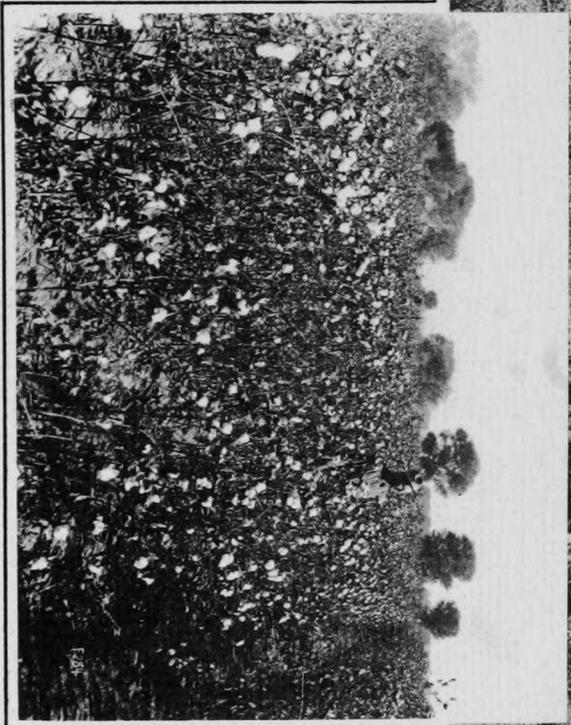




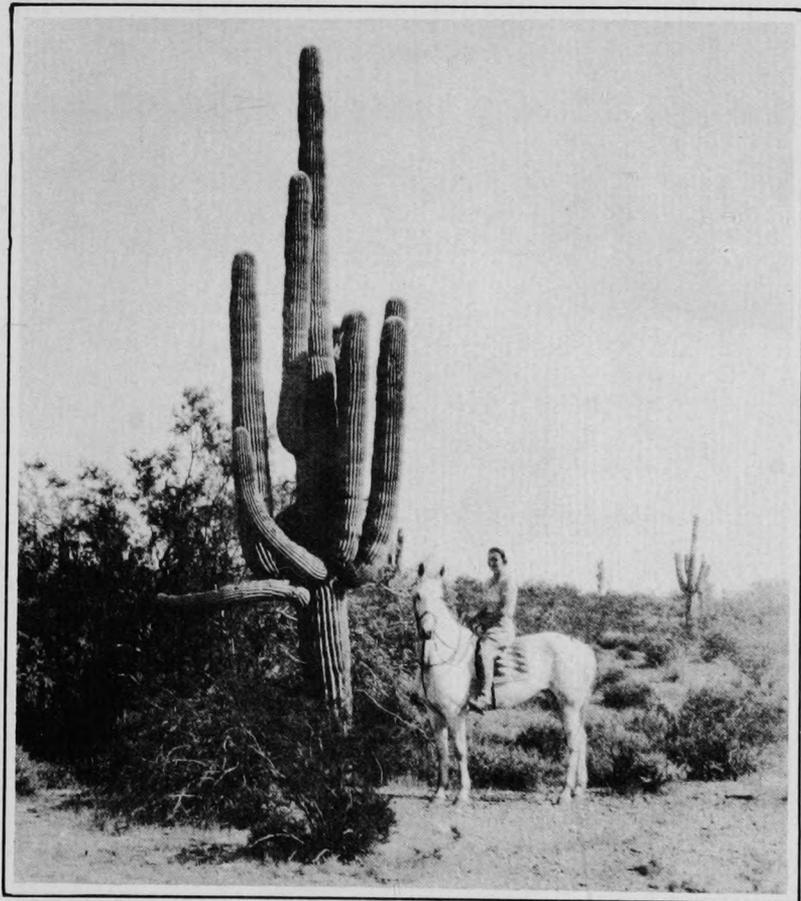
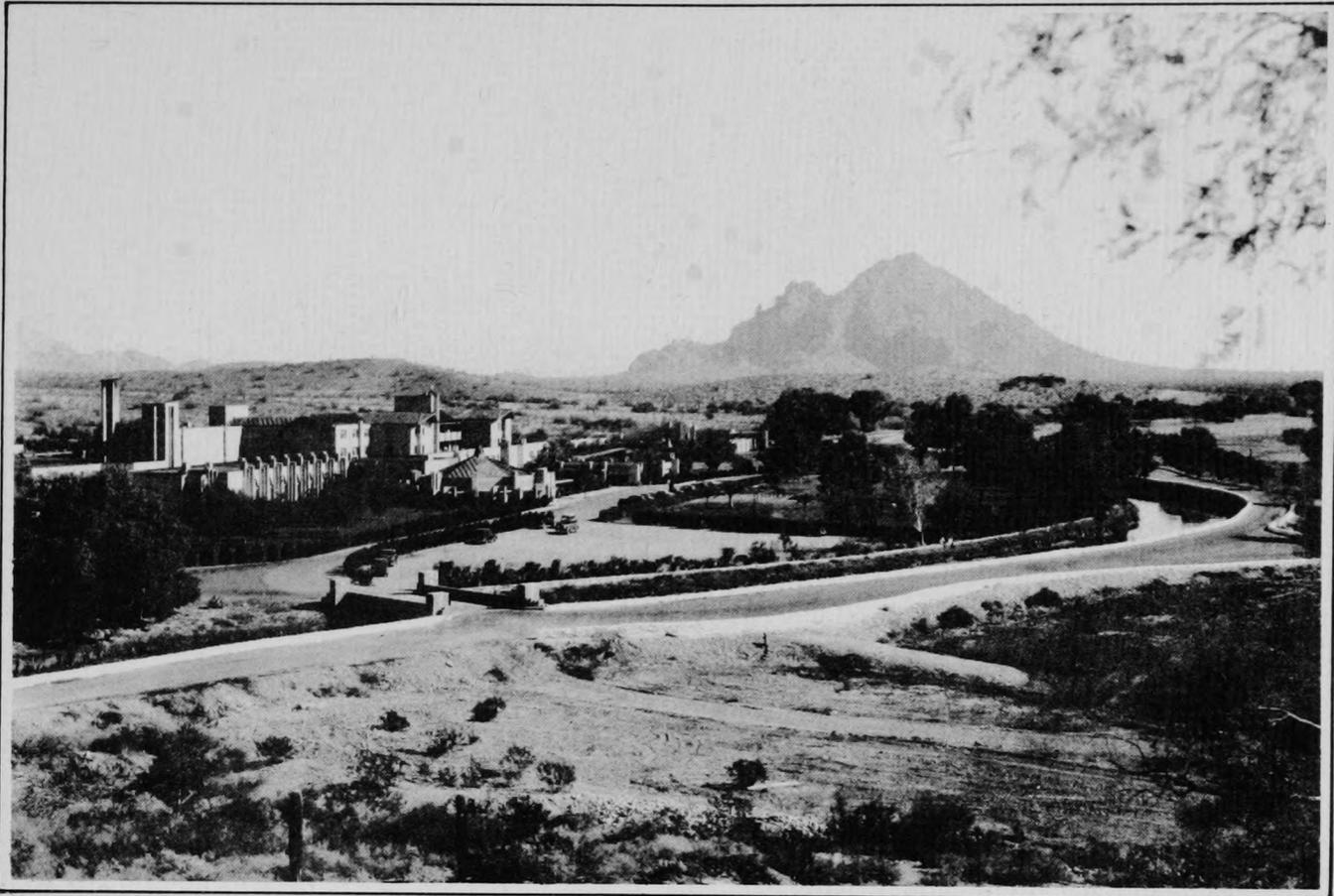
THOUSANDS OF SHEEP FROM THE RANGE LAND ARE WINTERED ON THE SALT RIVER PROJECT



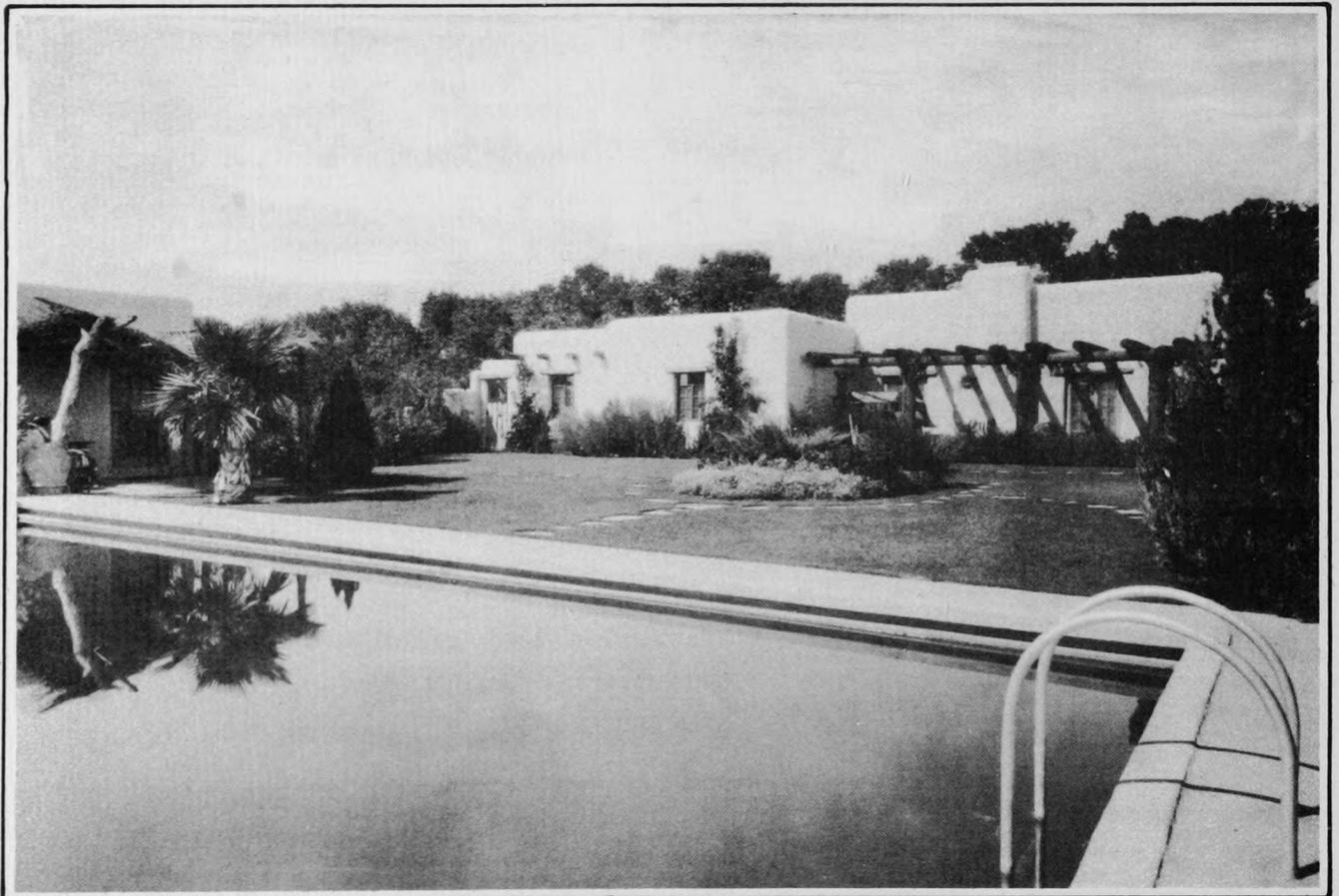
DAIRYING AND FATTENING OF RANGE CATTLE ARE IMPORTANT PROJECT INDUSTRIES



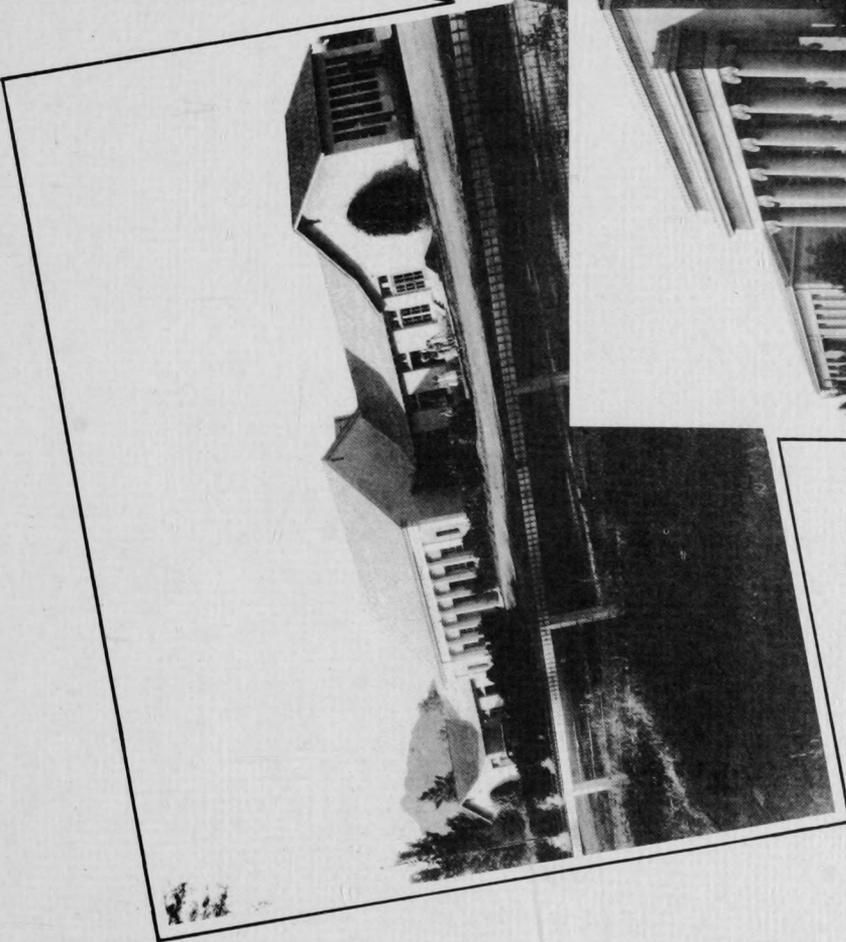
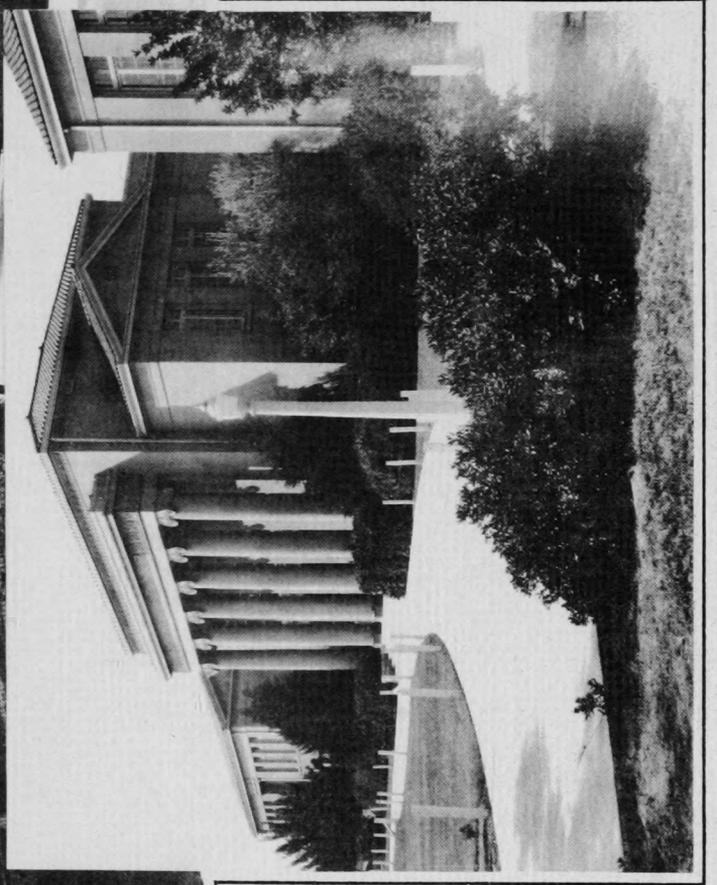
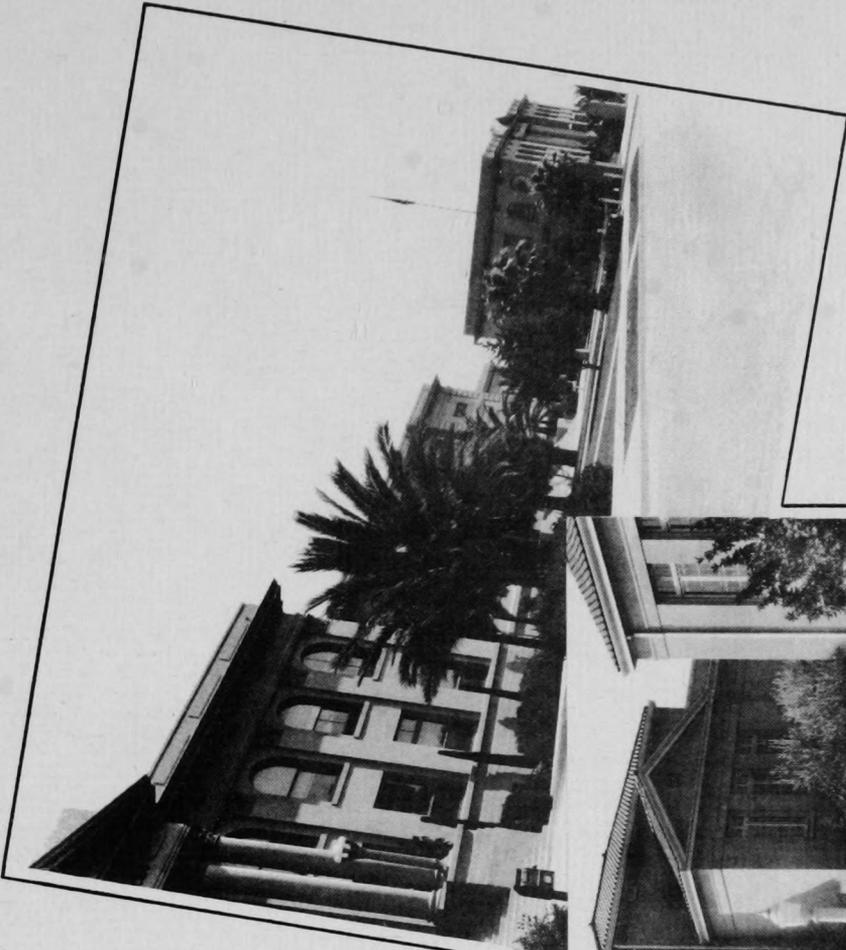
FIELD CROPS, SALT RIVER PROJECT — ALFALFA, COTTON, HEGARI



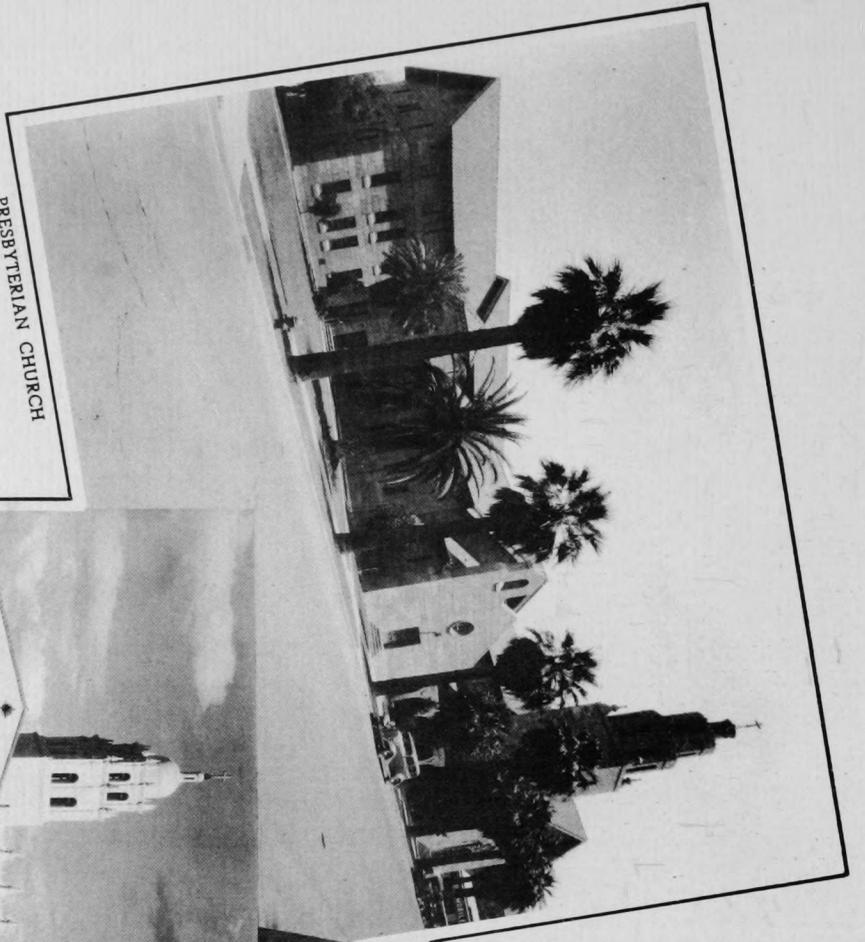
THE
SALT
RIVER
PROJECT
HAS
HOTELS
AND
RESORTS
TO
ATTRACT
THE
WINTER
VISITOR



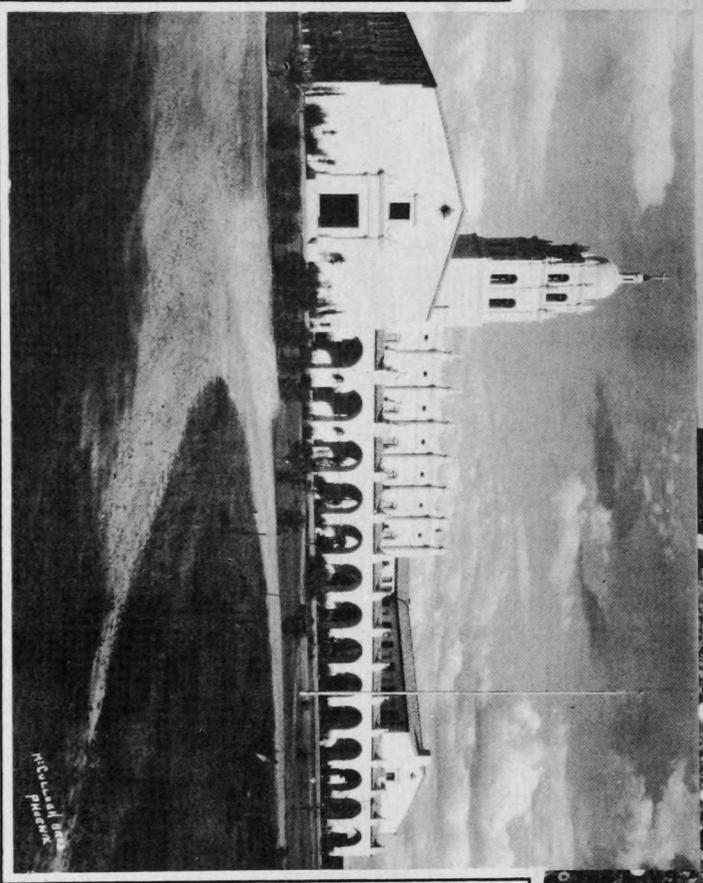
COUNTRY HOMES, SALT RIVER PROJECT



TYPICAL SALT RIVER PROJECT SCHOOLS



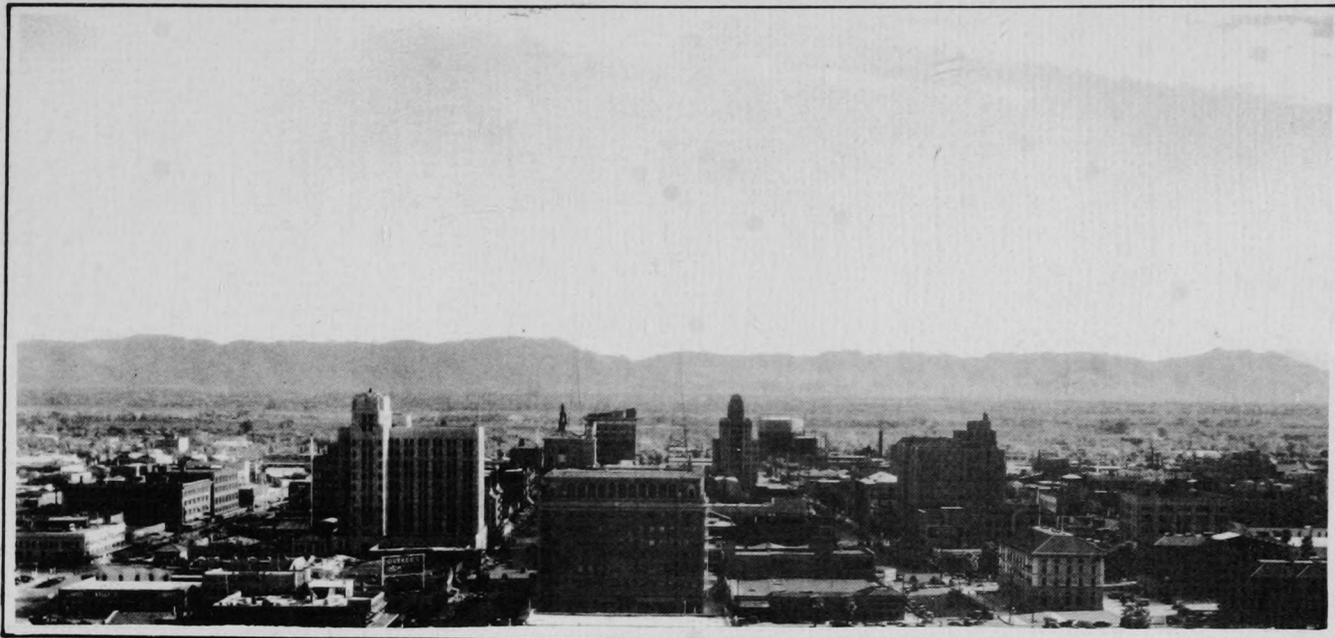
PRESBYTERIAN CHURCH



ST. FRANCIS XAVIER



MORMON TEMPLE



PHOENIX

A

CITY

OF

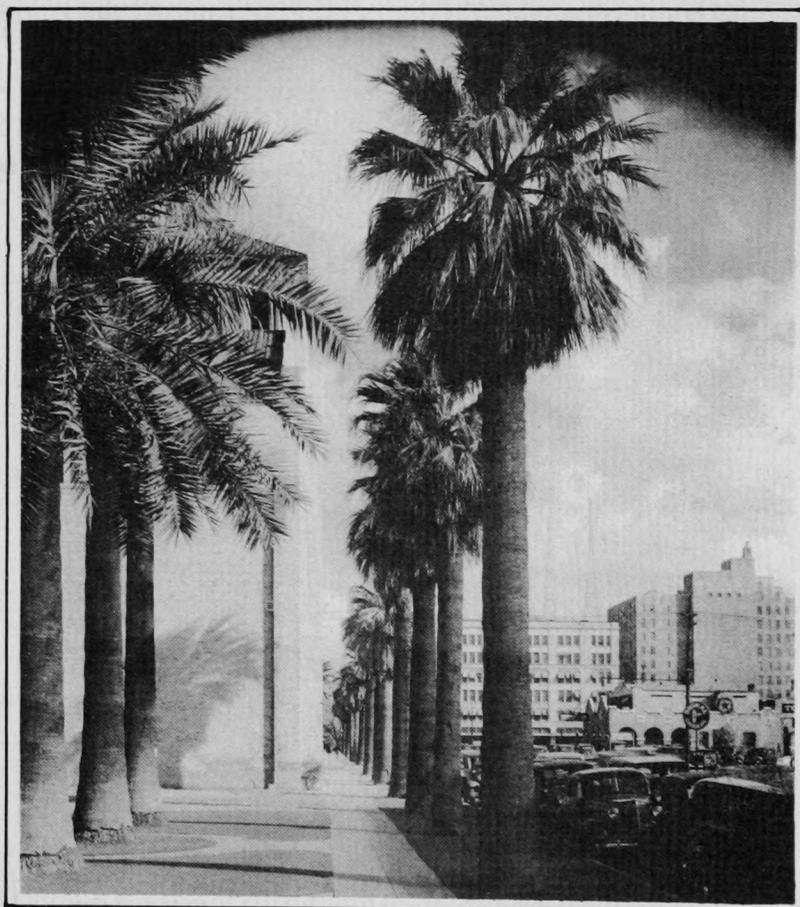
MODERN

BUILDINGS

AND

BEAUTIFUL

VISTAS



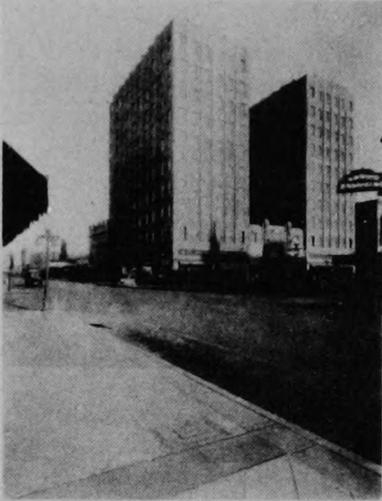


STATE HOUSE, PHOENIX



MARICOPA COUNTY COURT HOUSE AND CITY HALL

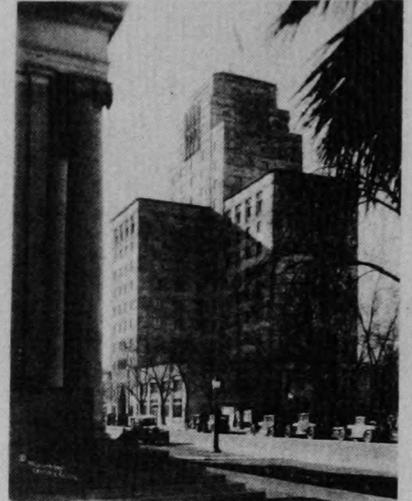
OFFICE BUILDINGS AND HOTELS, SALT RIVER PROJECT



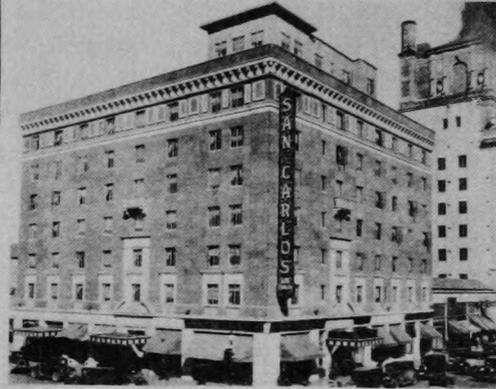
TITLE & TRUST BLDG



SAN MARCOS HOTEL



HOTEL WESTWARD HO



SECURITY BUILDING



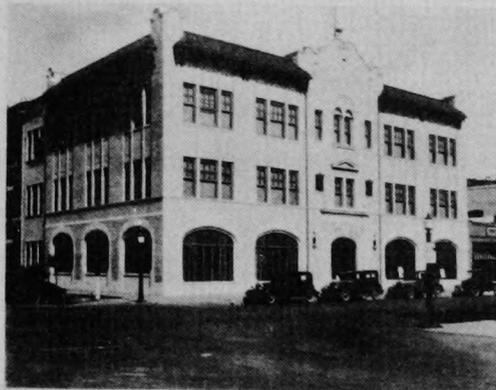
HOTEL ADAMS



LUHRS TOWER



WARD BUILDING



ESTRENE BUILDING



LUHRS BUILDING

SALT RIVER VALLEY WATER USERS' ASSOCIATION
PHOENIX, ARIZONA
September 1, 1937