

Placer County Water Agency

Auburn, California



Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2006

2006 COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006



PLACER COUNTY WATER AGENCY
AUBURN, CALIFORNIA
WWW.PCWA.NET

PREPARED BY THE DEPARTMENT OF FINANCIAL SERVICES

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Introductory Section



Boardman Canal

Placer County Water Agency

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BOARD OF DIRECTORS

Gray Allen, District 1
Alex Ferreira, District 2
Lowell Jarvis, District 3
Mike Lee, District 4
Otis Wollan, District 5
David Breninger, General Manager
Ed Tiedemann, General Counsel

June 28, 2007

Honorable Board of Directors,
Customers and Interested Parties of the Placer County Water Agency:

The Department of Financial Services is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Placer County Water Agency (PCWA or Agency) for the year ended December 31, 2006.

This is PCWA's first CAFR. This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) and should be read in conjunction with it.

The Government Code requires an annual independent audit of PCWA's financial statements by a Certified Public Accountant (CPA). The Agency's financial statements have been audited by Gilbert Associates, Inc. (auditor), a firm of licensed CPAs. The auditor's opinion is included in the financial section of this CAFR.

The CAFR is believed to be accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position, the changes in financial position and the cash flow of the Agency. All disclosures necessary to enable the reader to gain the maximum understanding of PCWA's financial activity have been included. While the independent auditors have expressed an opinion that PCWA's financial statements are presented in conformity with generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Agency.

OVERVIEW OF THE PLACER COUNTY WATER AGENCY

PCWA was created in 1957 under its own state legislative act entitled the "Placer County Water Agency Act." The Agency is a special district located in Placer County (County), bordered by the State of Nevada on the east, Nevada County on the north, Yuba and Sutter Counties on the west and Sacramento and El Dorado Counties on the south. Placer County occupies an area of approximately 1,500 square miles, which includes relatively level valley lands in its western portion and extends easterly into the Sierra-Nevada Mountains to Lake Tahoe and the Nevada state line. The County is located immediately northeast of Sacramento County, approximately 100 miles northeast of the San Francisco Bay metropolitan area. Interstate Route 80 transects Placer County from west to east. The Agency has a staff of 179 regular employees providing services to its three functions: Agency Wide, Water System and Power System.

Agency Wide

Agency Wide provides the water and energy stewardship functions within the boundaries of the County. Agency officials understand the complexities, interrelationships and importance of sustaining reliable and affordable water and energy for Placer County's present and future needs. PCWA holds extensive surface water entitlements. Water is sold wholesale to various water purveyors who retail it to their customers. Agency Wide activities are varied and far ranging. These include involvement in water issues affecting the Lake Tahoe and Truckee River system, the American River system, the Yuba/Bear Rivers system, the Central Valley Project and the Bay/Delta system. PCWA is actively involved in numerous collaborative partnerships, including watershed planning, groundwater management, and regional infrastructure and conjunctive use projects. Advocacy for PCWA water entitlements and energy resources for Placer County are at the forefront of Agency Wide interests and activities. The Middle Fork Project (MFP), an Agency Wide asset, consists of 2 storage reservoirs and 5 diversion dams, 5 power plants, diversion and water transmittal facilities, 5 tunnels and related facilities, plus the Auburn diversion tunnel and pumping plant. The revenue bonds which funded the construction of the MFP were approved by a vote of the people of Placer County. No single community or water system has a superior entitlement to receive the benefits of the MFP. The financial activities that flow from the sale of water from the MFP are kept in the Agency Wide division. The financial activities that flow from the operation and maintenance of the MFP and the sale of power are kept under the Power System division.

Power System

PCWA's Power System was established with the construction of the MFP that began in 1963 and was completed in 1967. PCWA owns and operates 5 interconnected hydroelectric power plants, 2 major storage reservoirs (French Meadows and Hell Hole) and 24 miles of tunnels. The MFP can generate, at peak power, 244 megawatts that averages 1.1 billion kilowatt hours annually of hydroelectric power that is wholesaled to Pacific Gas and Electric Company (PG&E) per the 1963 power sales contract. The power sales contract states that PCWA power sale revenues are a reimbursement by PG&E for operational expenses, routine maintenance, additions and betterments and payment of debt service for the Series "A" revenue bonds issued in 1963 to finance the MFP. The power generated by the MFP is sufficient to provide reliable power to more than 100,000 homes. The MFP also provides important public recreational opportunities, including campgrounds and boating facilities as constructed by PCWA and operated through the U.S. Forest Service.

Water System

PCWA's Water System was acquired in 1968. PCWA has become the largest water purveyor in the County, serving more than 38,000 water accounts in two water service areas; the Western Water System and the Eastern Water System. Surface water supplies are purchased from PG&E and Agency Wide. The backbone of the water system is the 165 miles of canals, ditches, flumes and several small reservoirs that PCWA owns and operates, most of which were built in the gold rush era. PCWA sells a significant amount of raw water for irrigation of pastures, orchards, rice fields, farms, ranches, golf courses and landscaping. The Agency owns and operates 8 water treatment plants, 25 water tanks and more than 500 miles of treated water pipelines. Treated surface water is sold directly to PCWA customers residing in Auburn, Colfax, Loomis, Rocklin, portions of Roseville and throughout various unincorporated areas of the County. Treated water

is also sold wholesale to the City of Lincoln and others who retail it directly to their customers. The Agency also uses groundwater for customers in a few unincorporated areas of the County including the Eastern Water System area of Lahontan and Martis Valley.

Sources of Water Supply

PCWA currently obtains raw water for the Water System from two primary sources: (i) the Lake Spaulding Drum Canal through a PG&E Water Supply Contract and (ii) the Middle Fork of the American River. PCWA obtains its water fresh from the Sierra snow pack runoff, either from Lake Spaulding via the Drum Canal or from the American River. The water furnished to treated water customers is processed at water treatment plants carefully monitored by a team of licensed professional water treatment operators. PCWA's water meets or exceeds all Federal and State public health and quality standards.

Lake Spaulding Drum Canal. PCWA currently obtains approximately 90% of its raw water supply for the Water System from the Yuba and Bear Rivers through PG&E's Drum-Spaulding Unit Power System, which consists of several reservoirs and a series of canals, tunnels and hydroelectric generation facilities. The PG&E supply is based on a June 18, 1968, Water Supply Contract that allows PCWA to take delivery of up to a maximum of 100,400 acre feet (AF) per year from specified diversion points along the canal system through May 1, 2013. PCWA expects that prior to May 1, 2013, it will enter into a new contract with PG&E that would allow PCWA to purchase a similar amount of water, subject to possible upward revisions in the price it pays for such water.

Middle Fork Project. In addition to the 100,400 AF available from the Water Supply Contract, PCWA has up to 120,000 AF of water available from appropriated water rights developed through construction in the 1960s of its Middle Fork Project on the American River. MFP water can be diverted into the Water System service area through the Auburn tunnel and from Folsom Reservoir.

In addition to the two primary sources above, the Agency has rights to approximately 90,000 AF of water from various other sources. One source of raw water is from the United States Bureau of Reclamation's Central Valley Project. This source will provide up to 35,000 AF annually.

PCWA is currently obligated under long-term contracts to sell the City of Roseville up to 30,000 AF of water annually and the San Juan Water District up to 25,000 AF of water annually. Additionally, PCWA is obligated to sell the Sacramento Suburban Water District up to 29,000 AF of water annually, until such time as that water is needed for use in Placer County. PCWA provides water service to retail customers within the County in addition to supplying water on a wholesale basis to the City of Lincoln and Cal American Water.

Governance

PCWA is a public agency (special district) governed by a five member independently elected Board of Directors (Board) serving staggered four-year terms with one Director from each of the five Placer County supervisorial districts. The Directors reside within their geographical district areas and are elected by the constituents of that district only. Annually, a Chairman and Vice Chair are chosen among the Board members. PCWA operates under a Board-Manager form of

government. The General Manager is appointed by the Board to administer the daily affairs of the Agency and carry out the policies of the Board of Directors.

The Board meets in regular session on the first and third Thursdays of each month. Regular meetings are held at 2:00 p.m. at the Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California. Board meetings are open to the public.

Budget Process

Annually, the Agency prepares and adopts an operating budget and updates its five-year capital investment program. Both serve as the foundation for the Agency's financial planning and control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. Department directors have the discretion to transfer budgeted funds between accounts/activities within their departments. Two consenting departments can transfer budgeted funds between their departments. Changes to the Capital Investment Program (CIP) budget and increases to the operating budget require Board approval.

Significant Events and Accomplishments

In January 2006, PCWA entered into a Joint Powers Agreement with the County to form the Middle Fork Project Finance Authority (MFPFA). The MFPFA serves the mutual interests of PCWA and the County to provide financing of studies, programs, procedures, projects, services, improvements, modifications and other costs that may be required to obtain a new Federal Energy Regulatory Commission (FERC) license of the MFP by the Agency. The MFPFA was established to approve future electrical energy sales and to distribute revenues from those sales. This agreement resulted in over \$8.4 million reimbursed to the Agency in 2006 for current and prior year expenses.

In July 2006, the California Supreme Court's Big Horn decision required changes to certain water rates, fees and charges to follow the Proposition 218 notification process when adjustments are being proposed. This accelerated the Budget process by almost two months and increased operating expenses to comply with this rate adjustment notification process.

In October 2006, PCWA received the Notice of Acceptance (NOA) on a State Revolving Fund loan of \$20 million for the Auburn Water Treatment Plant already under construction. The loan proceeds will reimburse the Agency for funds spent on the replacement and expansion of the water treatment plant. Completion of the plant is expected in August 2007.

ECONOMIC CONDITIONS OF PCWA

PCWA's jurisdiction is contiguous with the boundaries of Placer County, hence, County wide economic information follows:

Placer County Economy

Placer County continues to be one of the fastest growing counties in the State of California. In the last decade the County has experienced an overall population growth of approximately 43%.

While the annual percentage of population change has been steadily declining since 2001, the County still enjoys more than twice the population growth than the State of California at nearly 3%.

Over the last 15 years, Placer County's 128% job growth is the highest in the state according to a report by the California Budget Project. This year the County has had a net increase of over 2,500 jobs and the unemployment rate has decreased from 4.3% to 4.2%.

Placer County is ranked 10th in the state for per capita income. The County's per capita income is over \$40,000, approximately 10% higher than that of the State of California. In addition, the County has the lowest percentage of persons below the poverty level in the State.

The County's rapid growth is expected to continue into the next decade. The population is expected to reach almost 350,000 by 2010 and 456,000 by 2020, an increase of 42% over the current population.

Long-term Financial Planning

Annually, during the Budget process, the Agency reviews its water rates, fees and charges and makes adjustments as needed to provide the revenues necessary to cover the Water System's coming year operating expenses. Correspondingly, both the Power System and Agency Wide budgets are reviewed to ensure they are balanced. The Agency's Capital Investment Program is reported for the next 5 years yet is projected up to 30 years out for the water system to ensure sufficient planning for necessary infrastructure.

With certain Water System infrastructure reaching the end of its maintainable life, in 2002 PCWA adopted a new component to the water bill to specifically fund the replacement of aging infrastructure. The new *renewal and replacement* charge is in the process of being phased in and has increased over the past 5 years.

In 2003, PCWA issued refunding debt in the form of fixed rate Certificates of Participation (COP's) to refinance the 1993 COP's. Again in 2005, the Agency issued refunding debt in the form of auction rate securities (variable rate) COP's with a floating-to-fixed "synthetic fixed rate" swap agreement with Bank of America to refinance a portion of the 1995 COP's and an advanced refunding of a portion of the 1999 COP's. These refundings resulted in a net present value savings of 10.7% or approximately \$4.216 million.

PCWA is currently in the process of updating its comprehensive financial plan to include a water rate analysis with emphasis on a volumetric structured rate, a study of the water connection charges (WCC), and a financing plan for the funding of the Agency's five-year, \$240 million CIP budget.

FINANCIAL POLICIES AND GUIDELINES

The financial integrity of PCWA is of utmost importance. Maintaining fiscal stability is a critical component of the overall financial plan. PCWA is accountable to its ratepayers and the public for the use of public funds. Resources should be used wisely to ensure adequate funding

for services, public facilities and infrastructure necessary to meet present and future needs. PCWA's financial policies and guidelines provide the backbone for making financial decision and a benchmark for monitoring financial activity.

General Financial Policy Guidelines

The General Financial Policy Guidelines, adopted in March 2005, provide a framework to guide the Agency's decision-making with respect to operations, budgeting, debt issuance, and financial planning. These guidelines provide overview policy guidelines in the areas of general, revenue, budgeting and expenses, net assets reserves and designations, investments, debt management, capital improvements, purchasing and fixed assets.

These guidelines state:

- ✓ The Agency will manage its financial assets in a sound and prudent manner.
- ✓ The Agency will maintain sound financial practices in accordance with generally accepted accounting principles, the Agency Act, Local, State and Federal laws and regulations.
- ✓ The Agency will maintain and further develop programs to assure its long-term ability to pay all the costs necessary to provide the level and quality of service required by its customers.

These guidelines are to promote sound financial management and to ensure that its finances are managed in a manner, which will:

- Support the continued delivery of quality services,
- Ensure the Agency's stability, efficiency and effectiveness in accomplishing the Board of Director's goals and objectives,
- Maintain a balanced budget annually to ensure that the Agency is operating within its revenue constraints, even when faced with growth demands, and
- Maintain adequate designations and reserves necessary to meet known and unknown future obligations.

More detailed and specific financial policies have been developed and are addressed in specific policies discussed below.

Investment Policy

The Agency's *Investment Policy* follows California Government Code objectives of safety, liquidity and yield (in that priority order). Reviewed and approved by the Board of Directors in the first quarter of each year, PCWA's Investment Policy is up to date and current with existing regulations. The Director of Financial Services also serves as the Agency's Treasurer who annually reviews the Investment Policy and as necessary, submits recommended revisions to the Board for their annual consideration and approval. In 2005, the Investment Policy was substantially updated and Board approved in March 2005. The investing process is carefully monitored to ensure compliance with the Investment Policy and other applicable regulations.

Budget Policy

In 2006, the Agency's long standing *Budget Policy* was updated and expanded to provide a more contemporary framework to match the current and existing budget process. Approved by the Board in November 2006, the revised Budget Policy more clearly defines the budget process for both the operating and CIP budgets. This also provides better guidance to Agency personnel performing budgetary process functions. The policy requires balanced budgets, which will serve as a financial plan to promote financial stability while accomplishing the Board's goals and objectives.

Net Asset Reserve and Designation Policy

After almost a year of formation, the Agency's *Net Asset Reserve and Designation Policy* was initially considered and adopted by the Board in March 2005. This policy is designed to distinguish between restricted (reserved) and unrestricted (designated) net assets, establish distinct purposes for each designation, set funding targets and accumulation levels for designations, and identify events or conditions prompting use.

The Net Asset Reserve and Designation Policy is to provide guidance for establishing, funding and using reserves and designations to meet known future obligations and unforeseen needs as deemed prudent and/or required by agreement. As available and deemed appropriate, unrestricted net assets are funded to designations in the following broad categories: Operational, Capital, Liabilities, Specific Activities, and Specified Revenue. Each category is further defined by distinct designation accounts, for example, designation for contingencies under the operational category. Each designation account has a description for purpose, funding amount, funding source and use. The policy establishes the guidelines for funding of designation accounts in the budgeting process. The capital designation category is primarily funded through the budgeting and funding of depreciation.

Debt Management Policy

Initially adopted in April 2007, the *Debt Management Policy* provides written guidelines and restrictions that affect the amount and type of debt issued by the Agency, the issuance process, and the management of the debt portfolio. The policy should assist in the justification for the debt structure, improved quality decisions and demonstrate a commitment to long-term financial planning. The primary objective of the Debt Management Policy is to establish conditions for the use of debt and to create procedures and policies that minimize PCWA's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting.

Fixed Asset Policy

Initially adopted in March 2005, the *Fixed Asset Policy* establishes the policy for asset capitalization and safeguarding. The policy defines capital-type items (fixed assets) as land, buildings, machinery or equipment with an original cost of \$2,500 or greater and a useful life of more than one year.

The Fixed Asset Policy stems from two objectives: (1) To accurately account for and report capital assets in financial reports and to update the guidelines for capitalizing capital-type

items, and (2) to establish procedures to protect Agency fixed assets from damage, loss or theft.

Fraud Policy

The financial integrity is of utmost importance to PCWA. Initially adopted in June 2004, the *Fraud Policy* formalizes the expectations of personal honesty and integrity required of Agency officials and employees. This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed if fraud is suspected or identified and the subsequent investigation process.

Major Initiatives

In February 2006, funding for the Middle Fork Project American River Hydroelectric Project Relicensing Program was secured through the newly formed Middle Fork Project Finance Authority with the County Treasurer's financing. This provides the basis for restructuring the budget units to best reflect today's operational activities and those of the future.

The Agency continues its active involvement at the Board and management levels in a wide variety of water and energy related issues affecting Placer County. This involvement includes the Agency's continued participation in the Bay-Delta Process, Lake Tahoe and Truckee River issues, a county-wide financial assistance program, American and Yuba/Bear River watershed interests, and an integrated water resources program including surface water, reclaimed water, conservation and groundwater management issues. The Agency's involvement includes the Bay-Delta process and possible impacts upon Placer County's water supplies through CALFED and its related programs, monitoring the Truckee River operating agreement, hearings on water right matters important to the Agency that are under consideration by the State Water Resources Board; Sacramento River water diversion project; legislative and regulatory advocacy at the state and federal levels; adapting the organization to an ever-changing and expanding role as a resource agency on water and energy issues; greater involvement in watershed, groundwater and planning strategies; and continued support of local Cities and the County's general plans (including Placer Legacy) relevant to water.

In 1962, PCWA completed the original American River Pump Station to access its Middle Fork Project water rights. In 1972, under threat of condemnation, the Agency conveyed title of the facilities and surrounding property to the United States Bureau of Reclamation (Bureau) to make way for the Auburn Dam. In the early 1990s, the Bureau agreed to rebuild the American River Pump Station and return title to the facilities and property. However, it was later determined that Congressional authorization would be required to return title to the Agency. In March 2007, the House of Representatives passed HR 482 providing this authorization. Currently, the bill is pending the Senate to authorize this transfer. If the Senate does not approve this, then the United States Government would retain title. To date the Agency has provided \$25.6 million towards its share of construction of the American River Pump Station. The Pump Station is expected to be complete in 2008.

The Agency's FERC license to operate its electrical facilities on the Middle Fork of American River is due to expire in 2013. The Agency is diligently pursuing a new license and is anticipating the submittal of the Preliminary Application Document (PAD) and the Notice of

Intent (NOI) in December 2007. Included in the relicensing efforts, PCWA will be preparing various environmental studies for the 2007 Water Rights renewals. Along with the expiration of the existing license is the 1963 Power Sales Contract with PG&E. PCWA is currently exploring alternatives for the marketing and sale of the electricity.

FINANCIAL INFORMATION

Internal Controls

Elected officials and those employed by the Agency are entrusted as stewards of public resources. Whether cash, equipment or water rights, these resources are entrusted to their care and need to be properly safeguarded, managed and accounted for. As with any good business operation, good decisions are based upon complete, accurate, reliable, relevant and timely information. A strong system of effective internal controls will provide a backbone for good stewardship and sound decision-making.

Internal controls are the system of checks and balances an organization employs to prevent and detect errors in the processing of data (accurate and reliable), to promote smooth operation, to monitor and maintain compliance and to safeguard and manage the entity's assets.

Integrated into the Agency's daily activities, internal controls are incorporated within the overall control environment. The Agency's control environment includes its organizational structure, culture, philosophies, policies and procedures as established by the Board and management. The control environment sets the "tone from the top" and promotes the organizational integrity of information for stewardship and decision-making.

PCWA is responsible for designating and maintaining an internal control structure to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate financial data are accounted for and compiled into financial information including the annual financial statements. The internal control structure is designed to provide reasonable assurance the financial and other management information is authorized, accurate, and reliable. This concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Cash Management

PCWA's cash is invested in securities allowable under the California State Government Code and in compliance with the Agency's Investment Policy. PCWA monitors cash flow needs and maintains bond ladders to mature as cash outflow is anticipated. Cash liquidity is also maintained using a combination of a high yield "premier" bank account and the Local Agency Investment Fund (LAIF).

Risk Management

PCWA employs a full time Risk Manager with responsibilities in insurance procurement, claims management, contract review, employee and facility safety, and risk assessment. PCWA is traditionally insured with its insurance programs split between the Power System and Water

System with different insurers except for the Workers' Compensation program, which combines both work forces. The basic coverage for both divisions is \$1 million per occurrence plus aggregates of \$2 million for the Power System and \$3 million for the Water System and excess insurances in General Liability. Property programs are for stated values. The deductibles for the General Liability and Property Insurance policies are \$5,000 and \$10,000 respectively.

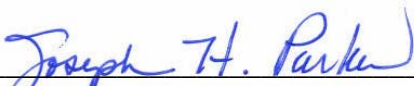
Independent Audit

California Government Code and Agency policy require an annual audit of PCWA's financial records by a Certified Public Accountant. Through a competitive bid process in 2003, Gilbert Associates, Inc. was selected to conduct the audit of PCWA's financial statements. The auditor's report for the year ending December 31, 2006 is an unqualified "clean" opinion.

Acknowledgements

This CAFR reflects the hard work, talent and commitment of the staff members of the Financial Services Department. This document could not have been accomplished without their efforts and each contributor deserves sincere appreciation.

Respectfully Submitted,



Joseph H. Parker, CPA
Director, Department of Financial Services

Placer County Water Agency

December 31, 2006

Board of Directors

District 1	Gray Allen
District 2	Alex Ferreira
District 3, Board Chair	Lowell Jarvis
District 4, Vice Chair	Michael Lee
District 5	T. Otis Wollan

Agency Officials

General Manager	David Breninger
Agency Counsel	Edward Tiedemann
Director of Administrative Services	Valerie Lord
Director of Financial Services	Joseph Parker
Director of Power Systems	Steve Jones
Director of Strategic Affairs	Einar Maisch
Director of Customer Services	John Kingsbury
Director of Field Services	Michael Nichol
Director of Resource Development	Mal Toy
Director of Technical Services	Brian Martin

Acknowledgements

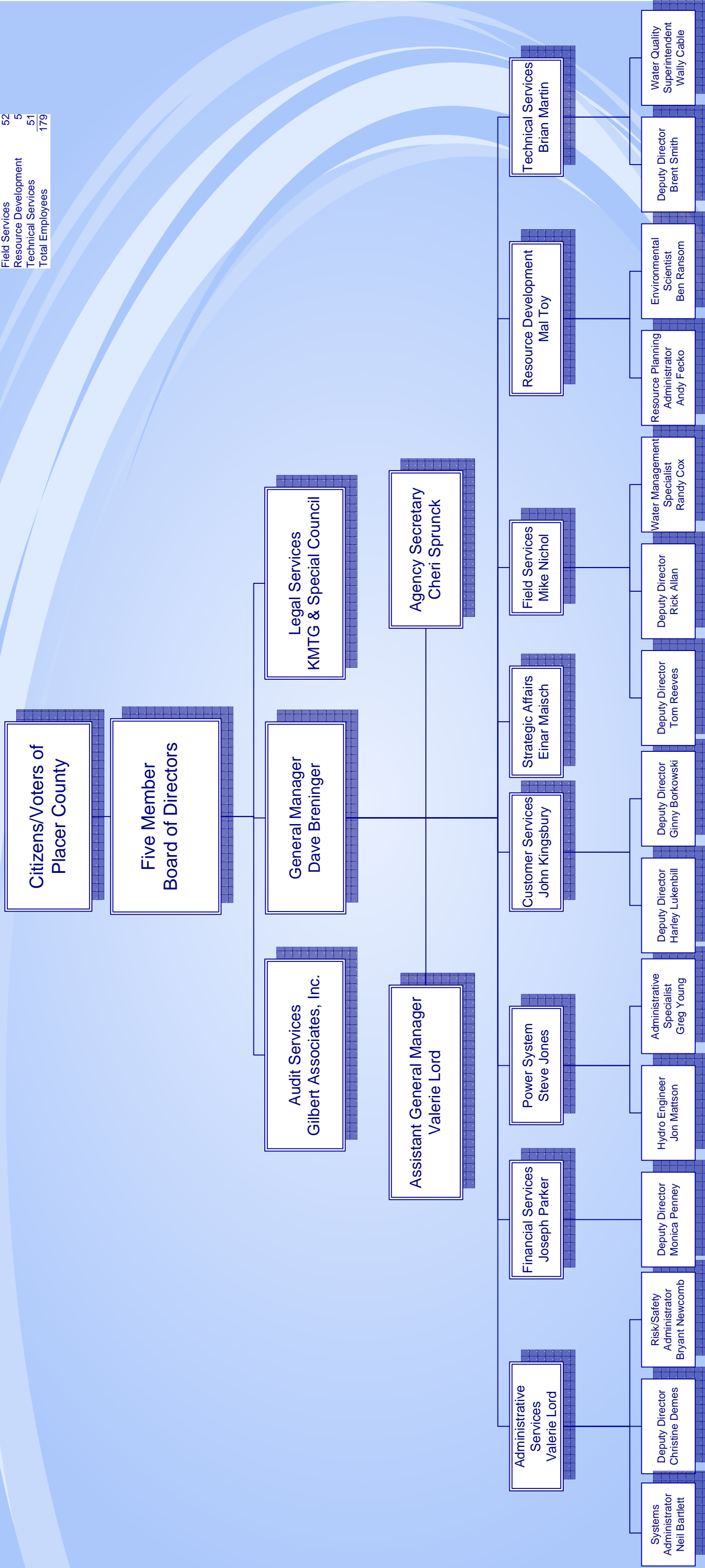
Prepared by the Placer County Water Agency
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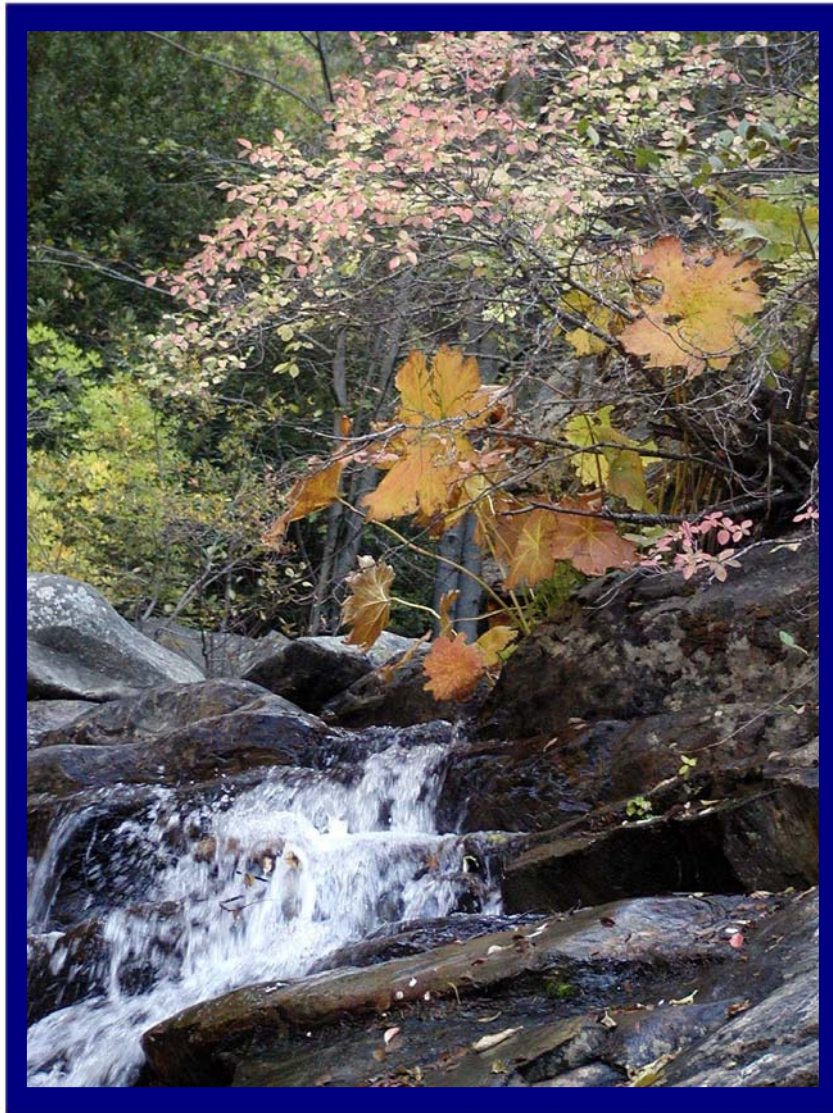


Placer County Water Agency Organizational Structure

General Manager	2
Administrative Services	14
Financial Services	7
Power System	18
Customer Services	29
Strategic Affairs	1
Field Services	52
Resource Development	5
Technical Services	51
Total Employees	179



Financial Section



Middle Fork of the American River Tributary



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Placer County Water Agency
Auburn, California**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Placer County Water Agency (the Agency), as of and for the year ended December 31, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of December 31, 2006, and the respective changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2007 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, and the Schedule of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the Agency's basic financial statements. The introductory section, supplemental schedules, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, supplemental schedules, and statistical section, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC

May 23, 2007

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

This section presents management's analysis of the Placer County Water Agency's (the Agency) financial condition and activities as of and for the year ended December 31, 2006. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Agency's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The Agency, as the primary governmental entity, includes, within the financial statements, the financial position and activities of the Placer County Water Agency Public Facilities Corporation (Corporation) as a component unit. The Corporation is a blended component unit and does not issue separate financial statements.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets and Capital Investment Program
- Long-term Debt
- Economic Factors and Next Year's Budget and Rates
- Requests for Information

ORGANIZATION AND BUSINESS

The Agency was created in 1957 under its own legislative Act and since inception has been actively involved in Placer County's 1500 square mile area on a variety of water and energy issues. The Agency provides treated and raw water services, produces hydroelectric power and provides stewardship over water and energy in Placer County. The Agency recovers cost of service through user fees.

The Agency's general fund, titled "Agency Wide," holds extensive surface water entitlements for which water is sold wholesale to various water purveyors. Agency Wide interests and activities include water entitlement and energy resources throughout Placer County.

The Agency's power system was established with the construction of the Middle Fork American River Hydroelectric Project that began in 1963 and was completed in 1967. This Project constructed an integrated system of five interconnected hydroelectric power plants, two major storage reservoirs (French Meadows and Hell Hole), dams and tunnels with the capability of producing 1.1 million megawatt hour annually.

The Agency's water system was acquired in 1968. The Agency operates an integrated treated and raw water system that directly and indirectly serves over 300,000 people. Through 165 miles of canals, ditches, and flumes, as well as several small reservoirs, most of which was built in the gold rush era, the Agency serves raw water customers and transmits water for treatment. The Agency owns and operates 8 water treatment plants, over 20 water tanks, and more than 500 miles of treated water pipelines. The treated water is supplied to residential, commercial, industrial, and other governmental users in the cities and surrounding areas of Auburn, Colfax, Loomis, Rocklin, portions of Roseville and various unincorporated areas of Placer County. Agency treated water is also sold wholesale to the City of Lincoln and others who retail it directly to their customers. The Agency also utilizes ground water for customers in a few unincorporated areas of Placer County.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Agency's Basic Financial Statements are designed to provide readers with a broad overview of the finances of the Placer County Water Agency. There are three components to the Basic Financial Statements: (1) Financial Statements, (2) Notes to the Basic Financial Statements, and (3) Required Supplementary Information.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

Proprietary Funds

The Agency's proprietary funds consist of 3 enterprise funds, the Agency Wide, the Water System and the Power System. Enterprise funds are used to account for operations that are financed and operated in a similar manner to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Agency's proprietary fund statements include the following:

The *Statement of Net Assets (Balance Sheet)* presents information on the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may service as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the *Statement of Activities or Statement of Revenues, Expenses and Changes in Net Assets* presents the results of the Agency's operations over the course of the fiscal year ending December 31st and information as to how the *net assets* changed during the year. This statement can be used as an indicator to determine the Agency's credit worthiness and the extent to which the Agency has successfully recovered its costs through user fees and other charges. All changes in net assets are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expense are reported in this statement for some items that will result in cash flow in future fiscal periods, such as delayed collection of operating revenue and the expense of employee earned but unused vacation leave.

The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, capital, noncapital and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and excludes noncash accounting measures of depreciation and amortization of assets. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Notes to Basic Financial Statements

The Notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The Notes to Basic Financial Statements are located immediately following the financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the Agency's funding of its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found on page 49 of this report. Other supplemental information detailing the unrestricted designated fund equity at year-end can be found on page 55.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

FINANCIAL ANALYSIS

Our financial analysis introduces the accompanying financial statements. One of the most important questions to ask is the following: "Is the Agency, as a whole, better off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses and changes in net assets present financial information regarding the Agency's activities in a manner to answer that question. These two statements report the Agency's net assets and the changes resulting from the year's activity. You can think of the Agency's net assets—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net assets is one indicator of whether its financial health is improving or deteriorating. However, other considerations, both financial and non-financial factors such as changes in economic conditions, population growth, zoning, new or changed government legislation and others, should also be evaluated.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2006

- At December 31, 2006, the Agency's total assets exceeded the total liabilities by \$472.5 million (*net assets*), which is an increase of \$59 million or 14% over the 2005 year-end balance.
- Current assets increased by \$11 million or 56%, which is primarily the result of investments shifting to shorter term investments, such as Local Agency Investment Fund (LAIF), to take advantage of the increase in short term interest rates and to meet current capital spending needs.
- Restricted assets decreased by \$49 million or 44%, which is primarily the result of substantially less water connection revenue in 2006 and robust Capital Investment Program spending on three long-range projects: American River Pump Station, Auburn Water Treatment Plant Expansion and Foothill Raw Water Supply Pipelines.
- Non-current assets, other than capital assets, decreased by \$3 million or 7%, which is primarily the result of shifting investments to shorter maturities.
- Operating revenue increased to \$44 million in 2006, an increase of 18% over the previous year. 2006 operating revenue at the division level changed from prior year as follows: Agency Wide was down by \$226 thousand, Water System increased by \$3 million and Power System increased by \$4 million. The increase in Water System revenues was a result of increased water flows coupled with a rate adjustment. The increase in Power System revenues is the result of additional reimbursement from more non-routine maintenance.
- Operating expense increased by \$3 million to \$33.9 million. 2006 operating expense at the division level changed from prior year as follows: Agency Wide increased \$377 thousand, Water System increased \$2.3 million and Power System increased \$458 thousand. The Water System increase in expenses is due primarily to material cost of concrete, steel, and copper as well as utility increase of fuel.
- Non-operational revenue decreased by \$12.5 million. This decrease resulted from the \$25 million decrease in water connection revenue and \$7.9 million increase in costs recovered from other agencies. Fewer water connections in 2006 compared to 2005 caused the decrease in 2006 water connection revenue of \$25 million to \$16.7 million. This amount can vary significantly year-to-year depending primarily on housing construction demands.
- Capital contributions, consisting of water system infrastructure contributed to the Agency upon project completion, totaled \$11.1 million. This amount can vary substantially year-to-year depending on the Agency's acceptance of completed infrastructure projects.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

Financial Position

In 2006, the Agency's net assets increased by \$59 million to \$472.5 million, which is a result of a combination of activities: assets increasing \$56.3 million and liabilities decreasing \$3.1 million. Generally, the \$59 million increase in net assets is because of the following: Current assets increasing \$11.1 million due to shifting of investments to shorter maturity investments; Restricted assets decreasing \$49.1 million from spending of cash and investments primarily on construction and shifting of investments to shorter maturities and; Capital assets increasing \$97.4 million from 2006 project construction. Further, total liabilities decreased \$3.1 million, which is comprised of a \$2.1 million increase in current liabilities as accounts payable increased from construction activity and a \$5.2 million decrease in non-current liabilities from debt service principal installment payments.

Table 1
Net Assets
(In thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Variance</u> <u>2005-2006 (\$)</u>	<u>Variance</u> <u>2005-2006 (%)</u>
Current assets	\$ 31,188	20,009	21,491	11,179	56%
Restricted assets	61,755	110,899	95,581	(49,144)	(44%)
Non-current assets	39,678	42,877	29,937	(3,199)	(7%)
Capital assets	435,536	338,111	304,183	97,425	29%
Total assets	<u>568,157</u>	<u>511,896</u>	<u>451,192</u>	<u>56,261</u>	<u>11%</u>
Current liabilities	22,789	20,655	15,830	2,134	10%
Non-current liabilities	72,836	78,107	86,284	(5,271)	(7%)
Total liabilities	<u>95,625</u>	<u>98,762</u>	<u>102,114</u>	<u>(3,137)</u>	<u>(3%)</u>
Net Assets:					
Investment in capital assets, net of related debt	364,863	266,721	223,577	98,142	37%
Restricted	55,533	104,079	85,861	(48,546)	(47%)
Unrestricted	52,136	42,334	39,640	9,802	23%
Total net assets	<u>472,532</u>	<u>413,134</u>	<u>349,078</u>	<u>59,398</u>	<u>14%</u>
Total liabilities and net assets	<u>\$ 568,157</u>	<u>511,896</u>	<u>451,192</u>	<u>56,261</u>	<u>11%</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

Results of Operations

The following table (Table 2) shows changes in the Agency's net assets for the year.

Table 2
Changes in Net Assets
(In thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Variance</u> <u>2005-2006 (\$)</u>	<u>Variance</u> <u>2005-2006 (%)</u>
Operating Revenue:					
Agency Wide	\$ 1,169	1,395	2,618	(226)	(16%)
Power	16,233	12,308	12,205	3,925	32%
Water	26,514	23,577	22,399	2,937	12%
Total operating revenue	43,916	37,280	37,222	6,636	18%
Operating Expense:					
Operating expense	33,865	30,756	29,610	3,109	10%
Net operating income	10,051	6,524	7,612	3,527	54%
Non-operating revenue	41,866	54,401	44,443	(12,535)	(23%)
Non-operating expense	3,630	4,952	4,834	(1,322)	(27%)
Income before capital contributions	48,287	55,973	47,221	(7,686)	(14%)
Capital contributions	11,111	8,083	3,841	3,028	37%
Change in net assets	59,398	64,056	51,062	(4,658)	(7%)
Beginning Net Assets	413,134	349,078	298,016	64,056	18%
Ending Net Assets	\$ 472,532	413,134	349,078	59,398	14%

As presented in Table 2, the Agency's total operating revenue of \$43.9 million was increased from the 2005 amount by \$6.6 million. The total operating expense increased \$3.1 million resulting in increased net operating income of \$3.5 million.

Overall, the Agency's change in net assets for the year, including capital contributions, decreased by \$4.7 million over the 2005 change in net assets. This was primarily the result of non-operating activities:

- Non-operating revenue increased in the following categories: \$7.9 million of revenue recovered from other agencies, \$2.5 million of renewal and replacement charge revenue, \$.9 million of interest revenue, and \$.4 million of mandated charges. Non-operating revenue decreased by \$25 million of water connection charges. Over the past six years, annual water connection charge revenue has varied widely depending on residential and commercial construction activity, as follows: 2001 \$10 million, 2002 \$38.2 million, 2003 \$8.8 million, 2004 \$35.9 million, 2005 \$41.9 million, and 2006 \$16.7 million. The Agency anticipates substantial year-to-year fluctuations; hence, the budgeting is conservative.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

Amended Budget

Annually, the Agency's Board of Directors adopts Operating and Capital Improvement Plan budgets. The budgets are flexible budgets and may be revised by Board action during the year. A 2006 Operating budget comparison and analysis is presented in Table 3 below:

**Table 3
2006 Actual vs. 2006 Amended Budget
(In thousands)**

	2006		
	<u>2006 Actual</u>	<u>Amended Budget</u>	<u>Variance</u>
Revenue:			
Operating:			
Agency Wide	\$ 1,169	1,363	(194)
Power Division	16,233	26,945	(10,712)
Water Division	26,514	27,010	(496)
Subtotal	43,916	55,318	(11,402)
Non-operating	41,866	24,580	17,286
Total revenue	85,782	79,898	5,884
Expense:			
Operating:			
Agency Wide	1,007	1,131	(124)
Power Division	4,221	4,694	(473)
Water Division	21,299	22,156	(857)
Depreciation	7,338	5,836	1,502
Subtotal	33,865	33,817	48
Non-operating-interest & debt expense	3,630	3,999	(369)
Total expense	37,495	37,816	(321)
Income before capital contributions	48,287	42,082	6,205
Capital contributions (not budgeted)	11,111	-	11,111
Change in net assets	\$ 59,398	42,082	17,316

As presented in Table 3, the 2006 Actual vs. Budget most significant variance was the \$17.3 million variance in revenue-non-operating, which resulted from being conservative overall. Water connection charge revenue was greater than anticipated (budgeted), coupled with unbudgeted revenue from costs recovered from other agencies which were not anticipated.

Revenue from operations was less than the adopted budget by \$11.4 million. This is primarily attributed to the power division revenue, as it was \$10.7 million less than budgeted. In 2006, certain power division expenses were postponed, including the surge shaft project, the Ralston re-wind project, and turbine runners project. These postponed projects directly correspond to less revenue as the power division revenue is based on the annual expenses per the power contract with PG&E. The revenue received is actually an expense reimbursement. Therefore, the reimbursable expense fluctuation will directly change power division revenue.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

The largest portion of the Agency's net assets, 77% or \$436 million represents investment in capital assets necessary to provide existing and expanding services. The year's increase of 14% in total net assets is consistent with the Agency's implementation of its capital investment program.

At the end of 2006, the Agency had invested \$436 million in a broad range of infrastructure including water and power facilities, storage, transmission and distribution facilities, maintenance and administration facilities, vehicles and equipment. Table 4 provides a summary of capital assets for years ended 2006, 2005 and 2004 as follows:

**Table 4
Capital Assets
(In thousands)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Increase 2005-2006 (\$)</u>	<u>Increase 2005-2006 (%)</u>
Land	\$ 4,780	2,382	2,382	2,398	101%
Utility plant	346,697	321,805	313,192	24,892	8%
Other property and equipment	11,125	10,445	9,868	680	7%
Preliminary survey	2,028	2,028	2,028	0	0%
Construction in progress	202,644	126,837	95,056	75,807	60%
Subtotal	<u>567,274</u>	<u>463,497</u>	<u>422,526</u>	<u>103,777</u>	<u>22%</u>
Less accumulated depreciation	<u>131,738</u>	<u>125,386</u>	<u>118,343</u>	<u>6,352</u>	<u>5%</u>
Total capital assets	<u>\$ 435,536</u>	<u>338,111</u>	<u>304,183</u>	<u>97,425</u>	<u>29%</u>

This year's major additions included in construction in progress are as follows (in thousands):

American River Pump Station	\$ 22,001
Auburn Water Treatment Plant Expansion – 8 MGD	18,229
Foothill Raw Water Supply Line	12,767
Sunset Industrial Tank & Pump Station	5,677
Middle Fork Project FERC Relicensing	5,104
Middle Fork Tunnel Surge Shaft	4,153
Foothill Phase II Water Treatment Plant	3,672
Gold Run Pipe Replacement	1,601
Foothill Phase II Pipelines	1,212
Second Floor Master Plan	971
Sunset to Highway 65 Oversizing	<u>836</u>
Total	<u>\$ 76,223</u>

The schedule below presents the Agency's 2007 Capital Investment Program (CIP) budget totaling \$121.2 million. Based on the availability of current resources and projected cash flows, the Agency plans on issuing new debt during 2007 to cover about half of the water system CIP. The summary of capital assets is presented in note 3 to the basic financial statements.

**Capital Investment Plan Budget
(In thousands)**

Agency Wide	\$ 4,926
Water System	95,403
Power System	<u>20,857</u>
Total	<u>\$ 121,186</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

LONG-TERM DEBT

At December 31, 2006, the Agency had total long-term debt outstanding of \$81.3 million excluding \$3.6 million in compensated absences payable. The amount outstanding decreased \$5.6 million from the December 31, 2005 balance because of the current year principal payments. More detailed information about the Agency's long-term debt is presented in note 4 to the basic financial statements.

One area that demonstrates the Agency's financial strength and future borrowing capability is seen in its debt coverage ratio which was 10.3 times annual debt services for the water system Zone 1. Currently, the Agency's covenanted debt is in the water system's Zone 1, and only includes parity debt. Hence, Table 5 presents only the water system's Zone 1 amounts in calculating the current debt coverage ratio, which is required to be greater than 1.20. This calculation appropriately excludes the debt service on the Middle Fork Project Revenue Bonds, Series A, as those amounts are paid in conjunction with the power division contract.

Table 5
Debt Coverage Ratio- Water System
(In thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net water revenue, excluding depreciation	\$36,648	\$ 57,564	\$ 48,004
Debt service on certificates and other parity debt	\$3,547	4,006	4,030
Debt coverage ratio	10.3	14.4	11.9

The substantial decrease in net water revenue, excluding depreciation, from 2005 to 2006 is the result of receiving \$16.7 million in water connection charge revenue versus \$41.9 million received in 2005.

At December 31, 2006, the Agency had outstanding certificates of participation stemming primarily from water expansion projects, with varying maturities through 2029. The Agency's current weighted average cost of capital is 4.4% in outstanding debt as shown in the following table:

Table 6
Cost of Capital
(In thousands)

	<u>Debt</u> <u>Balance</u>	<u>Average Coupon</u> <u>Rate</u>
Certificates of Participation	\$ 51,925	4.9%*
Bonds Payable	26,710	3.6%
Loans Payable	<u>2,654</u>	<u>3.9%</u>
Total	<u>\$ 81,289</u>	4.4%

* Estimated at current rates as the 2005 certificates refunding is variable rate.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Agency's Board of Directors and management considered many factors when setting the 2007 budget, rates and fees. Management and the Board assessed the available working capital, the operating and capital needs of the Agency, imposed costs, potential customer growth, potential regulatory impact, and other uncertainties. Based on this assessment and management's recommendation, the Board approved an adjustment to water rates primarily to offset the continued imposed non-discretionary costs including fuel, utilities, chemicals, cement and steel, as well as other cost of living increases.

Table 7
2007 Budget vs. 2006 Actual
(In thousands)

	2007 Budget	2006 Actual	Increase/ (Decrease)
Operating revenue	\$ 60,330	43,916	16,414
Non-operating revenue	26,340	41,866	(15,526)
Total revenue	86,670	85,782	888
Operating expense	37,898	33,865	4,033
Non-operating expense	6,842	3,630	3,212
Total expense	44,740	37,495	7,245
Income (loss) before capital contributions	41,930	48,287	(6,357)
Capital contributions (unbudgeted)	-	11,111	(11,111)
Change in net assets	41,930	59,398	(17,468)
Beginning net assets	472,532	413,134	59,398
Ending net assets	\$ 514,462	472,532	41,930

Operating revenue is budgeted by division. Compared to the 2006 actual, the 2007 budgeted operating revenue is expected to increase by \$16 million. The water system's operating revenue is budgeted to increase by \$1.9 million with rate and growth changes, and the power division's 2007 operating revenue is budgeted to increase by \$14 million, primarily from increased additions & betterments in 2007 over the 2006 actual, as previously discussed.

The 2007 non-operating revenue budget is substantially less than the 2006 actual as water connection charge revenue is budgeted conservatively.

Capital contributions vary annually based on completed infrastructure projects accepted during the calendar year and historically have not been budgeted.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Directors, ratepayers and creditors with a general overview of the Agency's finances and demonstrate the Agency's accountability for the monies it receives. If you have questions about this report or need additional financial information, please contact: the Director of the Department of Financial Services, 144 Ferguson Road, Auburn, California, 95604.

PLACER COUNTY WATER AGENCY

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	18,723,138
Water Service Receivable, Net		5,057,476
Accounts Receivable		2,500,165
Interest Receivable		713,989
Taxes Receivable		702,897
Due From Other Governmental Agencies		868,080
Materials and Supplies		827,712
Prepaid Expense		1,794,296

Total Current Assets 31,187,753

Restricted Assets:

Restricted Cash and Cash Equivalents		17,426,760
Restricted Cash and Cash Equivalents with Fiscal Agents		5,478,597
Restricted Investments		38,849,785

Total Restricted Assets 61,755,142

Non-Current Assets:

Investments		38,771,306
Notes Receivable		140,890
Assessments Receivable		131,566
Unamortized Bond Issuance Costs		634,283
Capital Assets, Net		435,536,085

Total Non-Current Assets 475,214,130

Total Assets \$ 568,157,025

(Continued)

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY
STATEMENT OF NET ASSETS (continued)
DECEMBER 31, 2006

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 10,728,260
Accrued Salaries and Benefits	449,911
Interest Payable	913,660
Current Portion of Long-Term Liabilities	5,745,765
Deposits	1,883,529
Other Current Liabilities	1,100,093
Compensated Absences Payable, Current Portion	<u>1,967,195</u>

Total Current Liabilities 22,788,413

Non-Current Liabilities:

Bonds and Certificates of Participation, Net	69,301,140
Loans Payable	1,788,664
Improvement District Debt	59,426
Deferred Revenue	78,057
Compensated Absences Payable	<u>1,608,905</u>

Total Non-Current Liabilities 72,836,192

Total Liabilities 95,624,605

NET ASSETS

Invested in Capital Assets, Net of Related Debt	364,863,054
Restricted	55,533,180
Unrestricted	<u>52,136,186</u>

Total Net Assets 472,532,420

Total Liabilities and Net Assets \$ 568,157,025

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

STATEMENT OF ACTIVITIES

DECEMBER 31, 2006

OPERATING REVENUES	
Water Sales	\$ 25,992,948
Power Sales	16,232,741
Reimbursements	53,000
Engineering Charges	1,217,052
Customer Service Charges	408,207
Other Revenue	12,548
	<hr/>
Total Operating Revenues	43,916,496
	<hr/>
OPERATING EXPENSES	
Purchased Water	692,772
Field Administration	825,782
Pumping Plants and Wells	490,489
Water Treatment	3,865,521
Electrical Operations	1,259,622
Transmission and Distribution of Treated Water	1,975,944
Transmission and Distribution of Raw Water	3,950,875
Customer Service and Collections	2,921,951
Repairs and Maintenance	1,431,905
Safety	1,182,557
Recreation	83,933
Automotive and Equipment Expenses	648,417
General and Administrative	7,197,154
Depreciation	7,338,104
	<hr/>
Total Operating Expenses	33,865,026
	<hr/>
Operating Income	10,051,470
	<hr/>

(Continued)

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

STATEMENT OF ACTIVITIES (continued)

DECEMBER 31, 2006

NON-OPERATING REVENUES (EXPENSES)	
Mandated Costs Charges	\$ 3,067,699
Water Connection Charges	16,717,799
Raw Water Surcharges	367,564
Renewal and Replacement Charges	5,555,772
Contributions in Aid of Construction	268,581
Costs Recovered From Other Agencies	8,485,738
Interest Earnings	5,136,018
Property Taxes - Debt Service	90,554
Property Taxes	728,971
Assessments	2,207
Amortization of Bond Premium (Discount)	(274,069)
Program Grant Revenue	82,879
Interest Expense	(3,296,106)
Amortization of Bond Issue Costs	(59,940)
Other Income	1,362,163
	<hr/>
Total Non-Operating Revenues	38,235,830
	<hr/>
Net Income Before Capital Contributions	48,287,300
	<hr/>
Capital Contributions	11,110,528
	<hr/>
Increase in Net Assets	59,397,828
	<hr/>
Net Assets, Beginning of Year	413,134,592
	<hr/>
Net Assets, End of Year	\$ 472,532,420

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 43,244,424
Cash Received from Other Sources	1,362,163
Cash Paid to Suppliers For Goods and Services	(9,422,139)
Cash Paid to Employees For Services	<u>(14,020,905)</u>
Net Cash Provided by Operating Activities	<u>21,163,543</u>
Cash Flows From Non-Capital Financing Activities:	
Taxes, Assessments and Other Income	821,732
Costs Recovered from Other Agencies	8,485,738
Program Grant Revenue	<u>82,879</u>
Net Cash Provided by Non-Capital Financing Activities	<u>9,390,349</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(91,017,574)
Principal Payment on Debt	(5,588,788)
Interest Payment on Debt	(3,507,822)
Water Connection Charges	16,717,799
Renewal and Replacement Charges	5,555,772
Mandated Costs Charges	3,067,699
Raw Water Surcharges	367,564
Capital Contributed Cash	<u>268,581</u>
Net Cash Used in Capital and Related Financing Activities	<u>(74,136,769)</u>
Cash Flows From Investing Activities:	
Purchases of Investments	(42,650,033)
Proceeds From Sale/Maturity of Investments	94,515,430
Investment Income	<u>5,352,008</u>
Net Cash Provided by Investing Activities	<u>57,217,405</u>
Net Increase in Cash and Cash Equivalents	13,634,528
Cash and Cash Equivalents at Beginning of Year	<u>27,993,967</u>
Cash and Cash Equivalents at End of Year	<u>\$ 41,628,495</u>
	(Continued)

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2006

Reconciliation of Operating Income
to Net Cash Provided by Operating Activities:

Operating Income	<u>\$ 10,051,470</u>
Adjustments to Reconcile Operating Income to Cash	
Provided by Operating Activities:	
Depreciation	7,338,104
Other Non-Operating Expense	1,362,163
Loss on Disposal of Capital Assets	1,364,481
Increase in Accounts and Water Services Receivable	(724,327)
Increase in Material and Supplies	(63,982)
Increase in Prepaid Expenses	(553,607)
Increase in Accounts Payable and Other Liabilities	1,896,063
Decrease in Deposits	(124,387)
Increase in Deferred Revenues	52,255
Increase in Salaries and Benefits Payable	<u>565,310</u>
Total Adjustments	<u>11,112,073</u>
Net Cash Provided by Operating Activities	<u><u>\$ 21,163,543</u></u>

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	\$ 18,723,138
Restricted Cash and Cash Equivalents	17,426,760
Restricted Cash and Cash Equivalents with Fiscal Agent	<u>5,478,597</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u><u>\$ 41,628,495</u></u>

Supplemental Schedule of Noncash

Capital and Financing Activities:	
Noncash Capital Contributions	\$ 11,110,528
Amortization of Bond Premiums	(274,069)
Amortization of Bond Issue Costs	59,940

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2006

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,257,685	1,258,446	14,207,007	18,723,138
Water Service Receivable, Net			5,057,476	5,057,476
Accounts Receivable	53,000	2,359,454	87,711	2,500,165
Interest Receivable	80,714	20,244	613,031	713,989
Taxes Receivable	702,897			702,897
Due From Other Governmental Agencies	441,540		426,540	868,080
Materials and Supplies			827,712	827,712
Prepaid Expense	22,832	555,019	1,216,445	1,794,296
Total Current Assets	<u>4,558,668</u>	<u>4,193,163</u>	<u>22,435,922</u>	<u>31,187,753</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents	11,773		17,414,987	17,426,760
Restricted Cash and Cash Equivalents with Fiscal Agents		3,166,966	2,311,631	5,478,597
Restricted Investments		268,030	38,581,755	38,849,785
Total Restricted Assets	<u>11,773</u>	<u>3,434,996</u>	<u>58,308,373</u>	<u>61,755,142</u>
Non-Current Assets:				
Investments	7,129,248		31,642,058	38,771,306
Notes Receivable			140,890	140,890
Assessments Receivable			131,566	131,566
Unamortized Bond Issuance Costs			634,283	634,283
Capital Assets, Net	13,094,123	91,541,714	330,900,248	435,536,085
Total Non-Current Assets	<u>20,223,371</u>	<u>91,541,714</u>	<u>363,449,045</u>	<u>475,214,130</u>
Total Assets	<u>\$ 24,793,812</u>	<u>99,169,873</u>	<u>444,193,340</u>	<u>568,157,025</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS

DECEMBER 31, 2006

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,041,474	2,637,934	7,048,852	10,728,260
Accrued Salaries and Benefits	33,266	48,455	368,190	449,911
Interest Payable		500,812	412,848	913,660
Current Portion of Long-Term Liabilities		3,985,000	1,760,765	5,745,765
Deposits		429,344	1,454,185	1,883,529
Other Current Liabilities	1,951	469	1,097,673	1,100,093
Compensated Absences Payable, Current Portion	110,670	304,938	1,551,587	1,967,195
Total Current Liabilities	<u>1,187,361</u>	<u>7,906,952</u>	<u>13,694,100</u>	<u>22,788,413</u>
Non-Current Liabilities:				
Bonds and Certificates of Participation, Net		22,755,758	46,545,382	69,301,140
Loans Payable			1,788,664	1,788,664
Improvement District Debt			59,426	59,426
Deferred Revenue			78,057	78,057
Compensated Absences Payable	73,031	195,429	1,340,445	1,608,905
Total Non-Current Liabilities	<u>73,031</u>	<u>22,951,187</u>	<u>49,811,974</u>	<u>72,836,192</u>
Total Liabilities	<u>1,260,392</u>	<u>30,858,139</u>	<u>63,506,074</u>	<u>95,624,605</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	13,094,123	67,967,922	283,801,009	364,863,054
Restricted	11,773	268,031	55,253,376	55,533,180
Unrestricted	10,427,524	75,781	41,632,881	52,136,186
Total Net Assets	<u>23,533,420</u>	<u>68,311,734</u>	<u>380,687,266</u>	<u>472,532,420</u>
Total Liabilities and Net Assets	<u>\$ 24,793,812</u>	<u>99,169,873</u>	<u>444,193,340</u>	<u>568,157,025</u>

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2006

	Agency Wide	Power Division	Water Division	Totals
OPERATING REVENUES:				
Water Sales	\$ 1,115,631		24,877,317	25,992,948
Power Sales		16,232,741		16,232,741
Reimbursements	53,000			53,000
Engineering Charges			1,217,052	1,217,052
Customer Service Charges			408,207	408,207
Other Revenue	405		12,143	12,548
Total Operating Revenues	1,169,036	16,232,741	26,514,719	43,916,496
OPERATING EXPENSES:				
Purchased Water			692,772	692,772
Field Administration			825,782	825,782
Pumping Plants and Wells			490,489	490,489
Water Treatment			3,865,521	3,865,521
Electrical Operations		1,259,622		1,259,622
Transmission and Distribution of Treated Water			1,975,944	1,975,944
Transmission and Distribution of Raw Water			3,950,875	3,950,875
Customer Service and Collections			2,921,951	2,921,951
Repairs and Maintenance		1,431,905		1,431,905
Safety		549,512	633,045	1,182,557
Recreation		83,933		83,933
Automotive and Equipment Expenses			648,417	648,417
General and Administrative	1,006,844	896,349	5,293,961	7,197,154
Depreciation	89,554	1,391,469	5,857,081	7,338,104
Total Operating Expenses	1,096,398	5,612,790	27,155,838	33,865,026
Operating Income (Loss)	72,638	10,619,951	(641,119)	10,051,470

(Continued)

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS (continued)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
NON-OPERATING REVENUES (EXPENSES):				
Mandated Costs Charges			3,067,699	3,067,699
Water Connection Charges			16,717,799	16,717,799
Raw Water Surcharges			367,564	367,564
Renewal and Replacement Charges			5,555,772	5,555,772
Contributions in Aid of Construction			268,581	268,581
Costs Recovered From Other Agencies	\$ 8,485,738			8,485,738
Interest Earnings	614,925	105,110	4,415,983	5,136,018
Property Taxes - Debt Service			90,554	90,554
Property Taxes	728,971			728,971
Assessments			2,207	2,207
Amortization of Bond Premium (Discount)		10,174	(284,243)	(274,069)
Program Grant Revenue			82,879	82,879
Interest Expense		(992,358)	(2,303,748)	(3,296,106)
Amortization of Bond Issue Costs			(59,940)	(59,940)
Other Income	150,621	2,046	1,209,496	1,362,163
Total Non-Operating Revenues (Expenses)	9,980,255	(875,028)	29,130,603	38,235,830
Net Income Before Capital Contributions and Transfers	10,052,893	9,744,923	28,489,484	48,287,300
Capital Contributions			11,110,528	11,110,528
Transfer In		30,095	87,327	117,422
Transfer Out	(87,327)		(30,095)	(117,422)
Increase in Net Assets	9,965,566	9,775,018	39,657,244	59,397,828
Net Assets, Beginning of Year	13,567,854	58,536,716	341,030,022	413,134,592
Net Assets, End of Year	\$ 23,533,420	68,311,734	380,687,266	472,532,420

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

YEAR ENDED DECEMBER 31, 2006

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 569,841	16,515,692	26,158,891	43,244,424
Cash Received from Other Sources	150,621	2,046	1,209,496	1,362,163
Cash Paid to Suppliers For Goods and Services	(118,157)	(2,064,984)	(7,238,998)	(9,422,139)
Cash Paid to Employees For Services	(361,606)	(1,848,602)	(11,810,697)	(14,020,905)
 Net Cash Provided by Operating Activities	 240,699	 12,604,152	 8,318,692	 21,163,543
Cash Flows From Non-Capital Financing Activities				
Taxes, Assessments and Other Income	728,971		92,761	821,732
Costs Recovered from Other Agencies	8,485,738			8,485,738
Program Grant Revenue			82,879	82,879
Transfers To/From Other Funds	(87,327)	30,095	57,232	
 Net Cash Provided by Non-Capital Financing Activities	 9,127,382	 30,095	 232,872	 9,390,349
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(5,288,290)	(7,570,636)	(78,158,648)	(91,017,574)
Principal Payment on Debt		(3,880,000)	(1,708,788)	(5,588,788)
Interest Payment on Debt		(1,101,858)	(2,405,964)	(3,507,822)
Water Connection Charges			16,717,799	16,717,799
Renewal and Replacement Charges			5,555,772	5,555,772
Mandated Costs Charges			3,067,699	3,067,699
Raw Water Surcharges			367,564	367,564
Capital Contributed Cash			268,581	268,581
 Net Cash Used in Capital and Related Financing Activities	 (5,288,290)	 (12,552,494)	 (56,295,985)	 (74,136,769)
Cash Flows From Investing Activities:				
Purchases of Investments	(3,906,190)	(9,364)	(38,734,479)	(42,650,033)
Proceeds From Sale/Maturity of Investments	1,357,322		93,158,108	94,515,430
Investment Income	666,764	91,675	4,593,569	5,352,008
 Net Cash Provided By (Used in) Investing Activities	 (1,882,104)	 82,311	 59,017,198	 57,217,405
 Net Increase in Cash and Cash Equivalents	 2,197,687	 164,064	 11,272,777	 13,634,528
Cash and Cash Equivalents at Beginning of Year	1,071,771	4,261,348	22,660,848	27,993,967
Cash and Cash Equivalents at End of Year	\$ 3,269,458	4,425,412	33,933,625	41,628,495

(Continued)

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 72,638	10,619,951	(641,119)	10,051,470
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities:				
Depreciation	89,554	1,391,469	5,857,081	7,338,104
Other Non-Operating Income	150,621	2,046	1,209,496	1,362,163
Loss on Disposal of Capital Assets			1,364,481	1,364,481
(Increase) Decrease in Accounts and Water Service Receivable	(599,195)	282,951	(408,083)	(724,327)
Increase in Material and Supplies			(63,982)	(63,982)
Increase in Prepaid Expenses	(15,627)	(207,962)	(330,018)	(553,607)
Increase in Accounts Payable and Other Liabilities	503,004	669,162	723,897	1,896,063
Increase (Decrease) in Deposits		(176,500)	52,113	(124,387)
Increase in Deferred Revenues			52,255	52,255
Increase in Salaries and Benefits Payable	39,704	23,035	502,571	565,310
Total Adjustments	168,061	1,984,201	8,959,811	11,112,073
Net Cash Provided by Operating Activities	<u>\$ 240,699</u>	<u>12,604,152</u>	<u>8,318,692</u>	<u>21,163,543</u>
Reconciliation to Statement of Net Assets:				
Cash and Cash Equivalents	\$ 3,257,685	1,258,446	14,207,007	18,723,138
Restricted Cash and Cash Equivalents	11,773		17,414,987	17,426,760
Restricted Cash and Cash Equivalents with Fiscal Agent		3,166,966	2,311,631	5,478,597
Total Cash and Cash Equivalents Reported on Balance Sheet	<u>\$ 3,269,458</u>	<u>4,425,412</u>	<u>33,933,625</u>	<u>41,628,495</u>
Supplemental Schedule of Noncash Capital and Financing Activities:				
Noncash Capital Contributions			\$ 11,110,528	11,110,528
Amortization of Bond Premiums		\$ 10,174	(284,243)	(274,069)
Amortization of Bond Issue Costs			\$ 59,940	59,940

The accompanying notes are an integral part of these financial statements.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The Placer County Water Agency (the Agency) was formed by a special act of the California State Legislature in 1957 for the purpose of developing adequate water supplies for the County of Placer (the County). The Agency is coterminous with the County, and until January 16, 1975, the Board of Supervisors of Placer County constituted the Board of Directors of the Agency. On July 1, 1975, the Placer County Water Agency was designated as successor to Placer County Water Works No. 1 and assumed all of its assets and obligations. The Agency is legally separate and fiscally independent of the County; hence, is not a component unit of the County. The Agency owns water rights on the Middle Fork of the American River, which are used for the generation of electricity, through its hydroelectric facilities. The Agency provides water treatment and the distribution of both raw and treated water to customers in Placer County. The Agency's generated power is presently sold to the Pacific Gas & Electric Company under a contractual agreement.

The Agency's financial statements present the Agency and its one component unit, the Placer County Water Agency Public Facilities Corporation (the Corporation).

Reporting for a component unit on the Agency's financial statements can be blended or discretely presented. A blended component unit, although a legally separate entity, is in substance, part of the Agency's obligations. A blended component unit is an extension of the Agency and so data from this unit is combined with data of the Agency. A discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the Agency. The Corporation is considered a blended component unit as it meets the criteria to be classified as a blended component unit. The Agency's Board of Directors serves as the Corporation's Board of Directors. The purpose of the Corporation is to provide financial assistance to the Agency by financing the acquisition, construction, improvement, and remodeling of capital projects and facilities. Debt financed by the Corporation is reflected as debt of the Agency. The Corporation does not issue separate financial statements.

B. Basis of Presentation and Accounting

The accounts of the Agency are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

All activities of the Agency are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Agency reports the following major proprietary (enterprise) funds:

The **Agency Wide fund** accounts for items that benefit the Agency's entire jurisdiction not included in Water Division or Power Division funds.

The **Power Division fund** accounts for operations of the hydroelectric facilities.

The **Water Division fund** accounts for operations of the water system including raw water, treated water and customer service.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Agency are charges to customers for sales and services. The Agency's *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as tax assessments and investment earnings, result from nonexchange transactions or ancillary activities, in which the Agency gives (receives) value without directly receiving (giving) equal value in exchange.

Proprietary funds are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, and revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

The financial statements of the Agency are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America for water utilities.

For its proprietary activities, the Agency does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Statement of Net Assets – The statement of net assets is designed to display the financial position of the Agency. The Agency’s fund equity is segregated into three categories defined as follows:

- **Invested in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets. These net assets are considered non-expendable.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “investment in capital assets, net of related debt”. Amounts included as unrestricted net assets are available for designation for specific purposes as established by the Agency’s Board of Directors.

Statement of Activities/Statement of Revenues, Expenses and Changes in Net Assets – The statement of activities and statement of revenues, expenses and changes in net assets are the operating statements for proprietary funds. Revenues are reported by major source. These statements distinguish between operating and non-operating revenues and expenses and present a separate subtotal for operating revenues, operating expenses, and operating income.

C. Cash and Investments

Investments are stated at amortized cost, which approximates fair value. The Agency pools its cash and investments to maximize investment earnings. Interest income earned on cash and investments is allocated as received to the various funds based on the prior month end average balance.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments (including restricted assets) with original maturities of three months or less at the date of purchase to be cash and cash equivalents.

E. Customer Receivables

Customer receivables are presented net of \$69,336 in allowance for doubtful accounts as of December 31, 2006.

F. Materials and Supplies

Materials and supplies inventories consist of water meters, pipe, valves and other items for system maintenance and are valued at cost using the weighted average cost method.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

G. Capital Assets

The Agency's capital assets purchased or constructed are capitalized at historical cost, while contributed assets are recorded at estimated fair market value at the time received for assets with an individual cost of more than \$2,500. The Agency provides for depreciation of all assets under the straight-line method over the useful life of the asset. Depreciation has been provided using estimated useful lives as follows:

Dams, tunnels and waterways	100 years
Reservoirs	70 years
Treatment and pumping plants, transmission and distribution	30-40 years
Heavy equipment	10 years
Vehicles, tools, shop and office equipment and furniture	5 years

The Agency capitalizes interest costs, net of investment income earned from tax-exempt borrowings, on constructed assets that are specific to the borrowings incurred to construct those assets. No proceeds from borrowing funded current year constructed assets; hence, no interest costs were capitalized for the year ended December 31, 2006.

H. Deferred Revenue

Deferred revenue consists of refinancing interest and fees on special assessments and associated assessments of the Improvement District No. 36 (Highway 174) and Davis-Grunsky Act Construction Loan. These amounts represent the unearned portion of refinancing interest and fees received. Deferred revenue also consists of January 2006 storm damage assistance funds received from the Federal Emergency Management Agency and the Office of Emergency Services of \$32,538 and \$28,328, respectively.

I. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable as of December 31, 2006 are included on the statement of net assets.

J. Property Tax Revenue

Property tax in California is levied in accordance with Article XIII A of the State Constitution. The property taxes are placed in a pool, and then allocated to the local governments. Property tax revenue is recognized in the year in which taxes are lien.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 10 Second installment – February 10
Delinquent date:	First installment – December 11 Second installment – April 11

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

The Agency's property taxes are billed, collected and distributed to the Agency by the County. Starting with the 1993-94-tax year, the County implemented the Teeter Plan. As such, the Agency receives 100 percent of the secured property tax levied to which it is entitled, whether or not collected. The County pays the taxes to the Agency at the following proportions: 55% in December, 40% in April and 5% in June.

For the year ending December 31, 2006, the Agency's property tax revenue, other than the amount received by voter approved debt, totaled \$728,971.

K. Interfund Transactions

Following is a description of interfund transactions made as a part of the Agency's operation.

1. Quasi-external charges for current services – transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenses in the disbursing fund.
2. Reimbursements (expense transfers) – transactions to reimburse a fund for specific expenses incurred for the benefit of another fund (i.e. share or allocated costs). These transactions are recorded as expenses in the disbursing fund and a reduction of expenses in the receiving fund.
3. Operating transfers – all other interfund transactions, which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

L. Water Connection Charges

Water Connection Charges (WCC) are charged for service connection to the treated water system and are recorded as revenue when received. WCC revenues are restricted by California Government Code for expansion to the existing water system and are committed for payments on the certificates of participation.

M. Bond Issuance Costs

Bond issuance costs and original issue discounts related to the 2003 and 2005 certificates of participation, and premium related to the Middle Fork Project Revenue Bonds, are being amortized to expense using the bonds outstanding method over the life of the debt.

N. Reclassifications

Certain reclassifications were made to prior year balances to conform to current year presentation.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

O. Effects of Future Pronouncements

In June 2004, GASB issued Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits. Annual other postemployment benefits (OPEB) cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. However, in 2006 the Agency established and funded a designated amount for OPEB totaling \$1.6 million. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. The Agency's required implementation of these new reporting requirements is for the year ended December 31, 2008.

2. Cash and Investments

Summary

Cash and investments as of December 31, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and Cash Equivalents	\$ 18,723,138
Restricted Cash and Cash Equivalents	17,426,760
Restricted Cash and Cash Equivalents with Fiscal Agents	5,478,597
Restricted Investments	38,849,785
Investments	<u>38,771,306</u>
Total	<u>\$ 119,249,586</u>
Cash on Hand	\$ 2,100
Deposits with Financial Institutions	10,087,080
Investments	<u>109,160,406</u>
Total	<u>\$ 119,249,586</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service as of December 31, 2006 are as follows:

Power Division:

<u>Trust Accounts Reserve</u> – Restricted for trust accounts	\$ 199,171
<u>Middle Fork Project Revenue Bonds, Series A Debt Reserve</u> – Restricted for Series A debt service	<u>2,967,795</u>
Total Power	<u>3,166,966</u>

Water Division:

1995 COP Debt Reserve – Restricted for 1995 COP debt service	229,774
1999 COP Debt Reserve – Restricted for 1999 COP debt service	1,154,840
2003 COP Debt Reserve – Restricted for 2003 COP debt service	922,734
2005 COP Debt Reserve – Restricted for 2005 COP debt service	722
Davis-Grunsky Loan – Restricted for Davis-Grunsky debt service	170,182
Bowman Debt Reserve – Restricted for Bowman debt service	247,253
King/Del mar Debt Reserve – Restricted for King/Del mar debt service	9,315
Applegate Debt – Restricted for Applegate debt service	15,103
Dutchflat Terrace Debt – Restricted for Dutchflat Terrace debt service	2,351
Alta/Monte Vista (SWTR) Debt – Restricted for Alta/Monte Vista debt service	22,348
County Service Area 29 – Restricted for Zone 5 improvements debt service	120,133
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline debt service	151,300
Sunset Ranchos – Restricted for Regional Water Use Efficiency program debt service	2,510
Trust Accounts Reserve – Restricted by agreements for trust accounts	3,561
ID No. 36 – Highway 174 – Restricted for Highway 174 debt service	<u>2,872</u>
Total Water	<u>3,054,998</u>
Total All Fund	<u>\$ 6,221,964</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Investments Authorized by the California Government Code and the Agency’s Investment Policy

The California Government Code governs the permissible investment types for the Agency, which is further restricted by the Agency’s Investment Policy. The table below identifies these authorized investment types, as well as identifies certain provisions of the California Government Code (or the Agency’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. Investments of debt proceeds or reserve funds held by debt trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the Agency’s investment policy and are addressed in the following section.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities	5 years	None	None
U.S. Government Agencies and Instrumentalities	5 years	None	None
State of California Notes/Bonds	5 years	None	None
Bankers’ Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	1 year	30%	None
Time Certificates of Deposit	2 years	None	None
Repurchase Agreements	1 year	50%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Passbook deposits	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments held by Debt Trustees Are Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the Agency’s investment policy govern the investment of debt proceeds or reserve funds held by debt trustees. The table below identifies the investment types that are authorized for investments held by debt trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities	None	None	None
U.S. Government Agencies and Instrumentalities	None	None	None
Bankers’ Acceptances	1 Year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	Maturity of debt	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Repurchase Agreements	30 days	None	None
California Arbitrage Management Trust	None	None	None

PLACER COUNTY WATER AGENCY

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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flow and liquidity needed for operating or capital activities. Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's year-end investments by maturity:

Investment Type	Fair Value	Remaining Maturity		
		12 Months Or Less	13 to 24 Months	25 to 36 Months
U.S. Government Agencies:				
FFCB	\$ 2,813,900	986,880	1,827,020	
FHLB	27,336,039	13,916,329	13,419,710	
FHLMC	12,255,918	11,286,608	969,310	
FNMA	23,380,068	20,475,678		2,904,390
Medium Term Notes	10,573,286	5,977,150	4,596,136	
LAIF	27,322,598	27,322,598		
Subtotal	<u>103,681,809</u>	<u>79,965,243</u>	<u>20,812,176</u>	<u>2,904,390</u>
Fiscal Agent Accounts:				
Money Market	4,216,716	4,216,716		
Investment Contract	<u>1,261,881</u>	<u>1,261,881</u>		
Total with fiscal agents	<u>5,478,597</u>	<u>5,478,597</u>		
Total Investments	<u>\$ 109,160,406</u>	<u>85,443,840</u>	<u>20,812,176</u>	<u>2,904,390</u>

Acronyms references:

- FFCB - Federal Farm Credit Bank
- FHLB - Federal Home Loan Bank
- FHLMC - Federal Home Loan Mortgage Corporation
- FNMA - Federal National Mortgage Association
- LAIF - Local Agency Investment Fund

Disclosures Relating to Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

PLACER COUNTY WATER AGENCY

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Investment Type	Fair Value	Minimum Authorized Rating	Rating as of Fiscal Year End			Not Rated
			AAA	AA	A	
U.S. Government Agencies:						
FFCB	\$ 2,813,900	N/A	\$ 2,813,900			
FHLB	27,336,039	N/A	27,336,039			
FHLMC	12,255,918	N/A	12,255,918			
FNMA	23,380,068	N/A	23,380,068			
Medium Term Notes	10,573,286	A	998,650	5,122,020	4,452,616	
LAIF	27,322,598	N/A				27,322,598
Held by bond trustee:						
Money Market	4,216,716	AAA				4,216,716
Investment Contract	1,261,881	N/A	1,261,881			
Total	\$ 109,160,406		\$ 68,046,456	5,122,020	4,452,616	31,539,314

Concentration of Credit Risk

The Agency's investment policy follows California Government Code regarding limitations on the amount that can be invested in any one investment type and does not further limit investments in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government Agencies:		
Federal Home Loan Bank	Federal agency securities	\$ 27,336,039
Federal Home Loan Mortgage Corp.	Federal agency securities	12,255,918
Federal National Mortgage Assn.	Federal agency securities	23,380,068

The Agency had no other investments in any one issuer exceeding 5% or more of total investments by reporting unit.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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. The third party bank trustee agreement must comply with California Government Code, which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Agency's Investment Policy states all securities owned by the Agency shall be held in safekeeping by a third party banks trust department acting as agent for the Agency.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$12,308,658 of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in accounts collateralized with securities held by the pledging financial institution's trust department but not in the Agency's name. As of December 31, 2006, all of the Agency's investments, with the exception of the investment in LAIF which is exempt from this disclosure requirement, were held by the broker-dealer (counterparty) that was used by the Agency to purchase the securities.

Investment in State Investment Pool – Local Agency Investment Fund

The California State Treasurer maintains an investment pool in a special fund through which local governments may pool investments. The investment pool is named the Local Agency Investment Fund (LAIF). The Agency is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California and the Local Investment Advisory Board (Board). The Board consists of five members as designated by State Statute. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is the Agency's proportionate share of its investment in LAIF, which amounted to \$27,322,598 at December 31, 2006.

Derivative Investments

The Agency did not directly enter into any derivative investments. Included in LAIF's investment portfolio at December 31, 2006, are certain derivative securities or similar products in the form of structured note securities totaling \$200,000,000, approximately .35% of the total portfolio and asset-backed securities totaling \$1,618,861,000, approximately 2.83% of the total portfolio. The total amount invested by all public agencies in LAIF at December 31, 2006, was \$57,200,684,840.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

3. Summary of Capital Assets

The following is a summary of capital assets as of December 31, 2006:

	Balance 01/01/06	Additions	Retirements	Transfers & Adjustments	Balance at 12/31/06
Agency Wide					
Capital Assets, Not Being Depreciated:					
Land	\$ 526,933				526,933
Construction in Progress	5,548,670	5,283,270		(142,686)	10,689,254
Total Capital Assets, Not Being Depreciated	<u>6,075,603</u>	<u>5,283,270</u>		<u>(142,686)</u>	<u>11,216,187</u>
Capital Assets, Being Depreciated:					
Utility Plant	2,683,872				2,683,872
Other Property and Equipment	1,178,295	8,631	(37,103)	139,722	1,289,545
Total Capital Assets, Being Depreciated	<u>3,862,167</u>	<u>8,631</u>	<u>(37,103)</u>	<u>139,722</u>	<u>3,973,417</u>
Less Accumulated Depreciation for:					
Utility Plant	(919,416)	(65,479)		(647)	(985,542)
Other Property and Equipment	(1,122,967)	(24,075)	37,103		(1,109,939)
Total Accumulated Depreciation	<u>(2,042,383)</u>	<u>(89,554)</u>	<u>37,103</u>	<u>(647)</u>	<u>(2,095,481)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,819,784</u>	<u>(80,923)</u>		<u>139,075</u>	<u>1,877,936</u>
Total Capital Assets – Agency Wide, Net	<u>7,895,387</u>	<u>5,202,347</u>		<u>(3,611)</u>	<u>13,094,123</u>
Power Division					
Capital Assets, Not Being Depreciated:					
Construction in Progress	19,682,008	7,488,391		(7,864)	27,162,535
Total Capital Assets, Not Being Depreciated	<u>19,682,008</u>	<u>7,488,391</u>		<u>(7,864)</u>	<u>27,162,535</u>
Capital Assets, Being Depreciated:					
Utility Plant	127,283,692	14,997			127,298,689
Other Property and Equipment	2,336,888	67,248	(42,945)	7,864	2,369,055
Total Capital Assets, Being Depreciated	<u>129,620,580</u>	<u>82,245</u>	<u>(42,945)</u>	<u>7,864</u>	<u>129,667,744</u>
Less Accumulated Depreciation for:					
Utility Plant	(61,983,278)	(1,286,150)			(63,269,428)
Other Property and Equipment	(1,956,763)	(105,319)	42,945		(2,019,137)
Total Accumulated Depreciation	<u>(63,940,041)</u>	<u>(1,391,469)</u>	<u>42,945</u>		<u>(65,288,565)</u>
Total Capital Assets, Being Depreciated, Net	<u>65,680,539</u>	<u>(1,309,224)</u>		<u>7,864</u>	<u>64,379,179</u>
Total Capital Assets– Power Division, Net	<u>85,362,547</u>	<u>6,179,167</u>			<u>91,541,714</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

	<u>Balance</u> <u>01/01/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance at</u> <u>12/31/06</u>
Water Division					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,855,163			2,397,894	4,253,057
Preliminary Survey	2,028,329				2,028,329
Construction in Progress	<u>105,605,888</u>	<u>76,288,223</u>	<u>(1,469,059)</u>	<u>(15,633,266)</u>	<u>164,791,786</u>
Total Capital Assets, Not Being Depreciated	<u>109,489,380</u>	<u>76,288,223</u>	<u>(1,469,059)</u>	<u>(13,235,372)</u>	<u>171,073,172</u>
Capital Assets, Being Depreciated:					
Utility Plant	191,836,887	11,763,368	(10,884)	13,124,973	216,714,344
Other Property and Equipment	<u>6,929,573</u>	<u>1,213,974</u>	<u>(790,254)</u>	<u>113,363</u>	<u>7,466,656</u>
Total Capital Assets, Being Depreciated	<u>198,766,460</u>	<u>12,977,342</u>	<u>(801,138)</u>	<u>13,238,336</u>	<u>224,181,000</u>
Less Accumulated Depreciation for:					
Utility Plant	(54,631,071)	(5,059,331)	3,207		(59,687,195)
Other Property and Equipment	<u>(4,772,135)</u>	<u>(797,750)</u>	<u>902,509</u>	<u>647</u>	<u>(4,666,729)</u>
Total Capital Assets, Being Depreciated	<u>(59,403,206)</u>	<u>(5,857,081)</u>	<u>905,716</u>	<u>647</u>	<u>(64,353,924)</u>
Total Capital Assets, Being Depreciated, Net	<u>139,363,254</u>	<u>7,120,261</u>	<u>104,578</u>	<u>13,238,983</u>	<u>159,827,076</u>
Total Capital Assets – Water Division, Net	<u>248,852,634</u>	<u>83,408,484</u>	<u>(1,364,481)</u>	<u>3,611</u>	<u>330,900,248</u>
Total Capital Assets, Net	<u>\$ 342,110,568</u>	<u>94,789,998</u>	<u>(1,364,481)</u>	<u>-</u>	<u>435,536,085</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

4. Long-Term Debt

The long-term debt as of December 31, 2006 including interest rates and maturities are follows:

<u>Description</u>	<u>Fiscal year issued</u>	<u>Interest rates</u>	<u>Year of final maturity</u>	<u>Balance at December 31, 2006</u>
Certificates of Participation:				
1995 Certificates	1995	5.3%	2007	\$ 170,000
1999 Certificates	1999	4.7% - 5.1%	2012	2,990,000
2003 Certificates	2003	2.0% - 5.0%	2023	13,690,000
2005 Certificates	2005	Variable	2029	<u>35,075,000</u>
Certificates outstanding				<u>51,925,000</u>
Bonds Payable:				
Middle Fork Project Revenue Bonds, Series A	1963	3.5% - 3.75%	2013	<u>26,710,000</u>
Loans Payable:				
Davis-Grunsky Act Construction Loan	1976	2.5%	2008	139,004
EDA Community Emergency Drought Loans	1977	5.0%	2017	161,109
State Department of Water Resources Loans:				
Dutch Flat Terrace	1990	3.37%	2015	15,262
Bowman	1992	3.62%	2008	858,250
Alta/Monte Vista (SWTR)	1995	2.95%	2016	325,476
King/Delmar	1996	3.03%	2022	246,347
Applegate	1997	3.03%	2023	470,218
Ferguson Road Land Loan	2000	5.5%	2010	47,362
Ziegelmann – Soracco Land Loans	2001	11.0%	2011	365,175
Mello-Roos Obligation	1990	5.77%	2013	<u>26,042</u>
Loans outstanding				<u>2,654,245</u>
Improvement District (ID) Debt:				
ID No. 10 – Aquilar Road	1977	5.5% - 6.5%	1998	1,134 *
ID No. 11 – Lakeshore	1978	6.75%	1989	1,195*
ID No. 36 – Highway 174	1996	2.78%	2017	<u>62,281</u>
Improvement District debt outstanding				<u>64,610</u>
Subtotal debt outstanding				81,353,855
Compensated Absences				<u>3,576,100</u>
Total				84,929,955
Less: Unamortized bond discounts and premiums				(226,000)
Deferred amount on refunding				<u>(4,232,860)</u>
Total long-term debt				<u>\$ 80,471,095</u>

* ID No. 10 & 11 warrants have reached maturity yet certain warrants have not been presented for payment, hence they remain as a liability.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

	Balance 01/01/06	Additions	Retirements	Balance at 12/31/06	Amounts Due Within One Year
Certificates of Participation	\$ 52,790,000		865,000	51,925,000	890,000
Bonds Payable	30,590,000		3,880,000	26,710,000	3,985,000
Loans Payable	3,492,995		838,750	2,654,245	865,581
Improvement District Debt	69,653		5,043	64,610	5,184
Compensated Absences	3,021,274	2,285,345	1,730,519	3,576,100	1,967,195
Totals	\$ 89,963,922	2,285,345	7,319,312	84,929,955	7,712,960

Certificates of Participation

All four outstanding Certificates issuances represent undivided fractional interests in installment payments made, between the Agency and the Placer County Water Agency Public Facilities Corporation (Corporation) as the purchase price for certain additions and improvements as specified below in the individual Certificate issues.

Pursuant to the terms of the each Certificate purchase contract, the Agency has pledged, on a parity basis, the water revenues of the Agency's Water System Zone No. 1 tax zone and certain property taxes, to the payment of the 1995, 1999, 2003 and 2005 Certificates and other parity debt.

1995 Certificates

On June 1, 1995, Certificates of Participation (1995 Certificates) were issued by the Placer County Water Agency in the amount of \$7,000,000. The 1995 Certificates were issued to finance certain additions and improvements to the Agency's water system, including the Agency's second phase of its Cross Basin Pipeline Project. The 2005 Certificates refunded a portion totaling \$5,435,000 of the 1995 Certificates resulting in only the maturities to July 2007 outstanding.

1999 Certificates

On September 1, 1999, Certificates of Participation (1999 Certificates) were issued by the Agency in the amount of \$32,255,000. The 1999 Certificates were issued to finance certain additions and improvements to the Agency's water system, including Foothill Water Treatment Plant Expansion, Penryn-Lincoln Pipeline, Sunset Storage Tank and Pipeline. The 2005 Certificates advance refunded a portion totaling \$28,975,000 of the 1999 Certificates resulting in only the maturities to July 2012 outstanding.

2003 Certificates

On September 11, 2003, Certificates of Participation (2003 Certificates) were issued by the Agency in the amount of \$15,515,000 to refund the outstanding \$15,151,930 1993 Certificates. The 2003 Certificates were issued with an average coupon of 4.53% and a coupon range from 2.0% to 5.0%. The 2003 Certificate proceeds were used entirely to refund the 1993 Certificates and pay the associated issuance costs.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

2005 Certificates

On May 11, 2005, Second Senior Water Revenue Certificates of Participation (2005 Certificates) were issued by the Agency in the amount of \$35,200,000 to current refund a portion of the 1995 Certificates and advance refund a portion of the 1999 Certificates. As a result, the refunded certificates are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$4,123,883. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The 2005 Certificates were sold in an auction rate securities mode (variable rate), auctioned every 35-days, with final maturity in 2029. The Agency entered into a \$35.2 million notional amount floating-to-fixed "synthetic fixed rate" swap agreement at a 3.708% interest rate with Bank of America N. A., which commenced May 11, 2005, the settlement date of the 2005 Certificates. The swap entitles the Agency to receive variable rate payments as follows: (i) from May 11, 2005 until July 4, 2006 equal to the lesser of the Bond Market Association Municipal Swap Index less 10 basis points or the actual rate on the 2005 Certificates; (ii) from July 5, 2006 through June 28, 2009 equal to the lesser of 69% of the London InterBank Offering Rate (LIBOR) or the auction rate on the 2005 Certificates and (iii) from June 29, 2009 through July, 2029 equal to 69% of LIBOR. The swap can be terminated without cost by the Agency on or after July 1, 2015. The notional value of the swap declines with scheduled reductions in the outstanding principal on the 2005 Certificates.

Prior Year Defeasance

The 2005 Certificates advance refunded a portion of the outstanding 1999 Certificates totaling \$28,975,000. Proceeds from the 2005 Certificates were used to purchase direct noncallable U.S. Treasury securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Certificates. As a result, the portion of the 1999 Certificates refunded are considered defeased and the related liability is not reported in the statement of net assets. As of December 31, 2006, \$28,975,000 of the 1999 Certificates was outstanding.

Certificates of Participation Debt Covenants

The Certificates of Participation purchase contracts require the Agency to ensure that:

- (1) the net water revenues shall be at least 120% of debt service on all outstanding contracts and bonds,
- (2) the net water revenues shall be at least 100% of debt service on all outstanding contracts and bonds plus the obligation service for all outstanding obligations, and
- (3) the certificates reserve requirements shall be met.

According to the Agency's legal counsel, in calculating net water revenue, no deduction for depreciation or amortization is to be made.

The following calculation indicates the Agency's compliance with these criteria for the year ended December 31, 2006.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Data related to Water Division Zone I (excluding Improvement Districts):

	<u>2006</u>
1. <u>Annual Debt Service Coverage</u>	
Net Water Revenues excluding Depreciation	\$ 36,648,317
Debt Service on Certificates and Other Parity Debt	\$ 3,547,125
Debt Service Coverage	10.33
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation	
as Adjusted by Water Purchases	\$ 37,101,063
Obligation Service	\$ 3,547,125
Obligation Service Coverage	10.46
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Required	\$ 1,880,364
Actual Trustee Reserve Balance	\$ 1,889,384
Reserve Requirement Coverage	1.00

Bonds Payable

Middle Fork Project Revenue Bonds, Series A

In 1963, Resolution No. 63-11 authorized the issuance of bonds in the principal amount not to exceed \$140,000,000, which was voter approved in a special revenue bond election. The original series (Series A), dated May 1, 1963, consisted of both serial and term bonds totaling \$115,000,000 for the purpose of constructing the Middle Fork Project hydroelectrical facility. The term bonds maturing January 1, 2003, and July 1, 2012 are subject to mandatory sinking fund redemptions. Final maturity of the serial bonds is January 1, 2013.

The revenue bonds are payable, both principal and interest, from any revenues of the Middle Fork Project (power revenues). These bonds are secured by water revenues, however, pursuant to an agreement (dated April 30, 1963) with the purchaser of power sales, Pacific Gas & Electric Company, the variable semi-annual payments are to be made from the power sales in sufficient amounts to pay the annual debt service payments.

Loans Payable

Davis-Grunsky Act Construction Loan

In 1976, Resolution No. 76-1 authorized the approval of a construction loan agreement between the State of California, Department of Water Resources and the Placer County Water Agency Zone I under the Davis-Grunsky Act totaling \$2,359,392, for the purpose of financing the acquisition, construction and completion of the domestic water supply system. Payments of principal and interest have been provided by the levying of special ad valorem tax within Zone I tax area.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

EDA – Community Emergency Drought Loans

In 1977, the Agency entered into two contracts for loans with the United States Economic Development Administration (EDA) under the Community Emergency Drought Relief Act of 1977. The first, on August 7, 1977, the Agency contracted with EDA for a loan in the amount of \$85,000 (together with an \$85,000 grant) for the purchase of electricity to pump water from the American River to an existing system. The second, on November 2, 1977, the Agency entered into a contract with the EDA for a loan in the amount of \$310,000 for the construction of a transmission line and other items referred to as the “Nevada Street Project.”

State Department of Water Resources Loan – Dutchflat Terrace

In 1990, the Agency entered into an agreement with the Department of Water Resources for a Safe Drinking Water Bond Law of 1984 for a grant totaling \$400,000 and a loan totaling \$31,990, (plus a 4 percent administration fee). The purpose of the loan was to finance the installation of a major treated water transmission line and associated appurtenances in Zone III service area. Principal and interest are payable from Water System revenue.

State Department of Water Resources Loan – Bowman

In 1992, the Agency entered into an agreement with the Department of Water Resources for a Safe Drinking Water Bond Law of 1986 for a loan not to exceed \$5,000,000 (plus a 5 percent administration fee). The purpose of the loan was to finance the installation of two water treatment package plants and treated water pipelines. The principal and interest are payable from Water System revenue.

State Department of Water Resources Loan – Alta/Monte Vista (SWTR)

In 1995, the Agency entered into an agreement with the Department of Water Resources for a grant totaling \$400,000 and a loan not to exceed \$539,000 (plus a 5 percent administration fee). The purpose of the loan was to finance water system improvements to meet the safe drinking water standards in Zone III service area. Principal and interest are payable from Water System revenue.

State Department of Water Resources Loan – King/Delmar

In 1996, the Agency entered into an agreement with the Department of Water Resources for a grant totaling \$125,000 and a Safe Drinking Water Bond Law of 1986 loan amount not to exceed \$325,000 (plus a 5 percent administration fee). The purpose of the loan was to finance the construction of water system improvements to meet the safe drinking water standards for the domestic water supply. The principal and interest are payable from Water System revenue.

State Department of Water Resources Loan – Applegate

In 1997, the Agency entered into an agreement with the Department of Water Resources for a grant totaling \$400,000 and a loan not to exceed \$605,000 (plus a 5 percent administration fee). The purpose of the loan was to finance water system improvements to meet the safe drinking water standards in Zone III service area. The principal and interest are payable from Water System revenue.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Ferguson Road Land Loan

During 2000, the Agency purchased land that was financed, pursuant to the purchase agreement, by a \$117,000 note. The note is secured by the real property.

Ziegelmann – Soracco Land Loans

During 2001, the Agency purchased land that was financed, pursuant to the purchase agreement, by two notes, totaling \$623,844. The notes are secured by the real property.

Mello-Roos Obligation

On October 17, 1990, the Agency purchased property from Stanford Ranch, Inc., for a new water tank site at fair market value of \$165,000, less \$83,100. The \$83,100 represents the present value of the amount required to discharge the lien of the CFD No. 2 bonds (Mello-Roos) on the property. This obligation was recorded as debt and will be paid annually until final payment in 2013.

Improvement District Debt

From time to time to finance water system construction and improvements, property owners have formed improvement districts. Upon request and approval of the affected property owners, which are deemed to benefit from the improvements, the properties are issued special assessment warrants and special assessments are levied. The warrants are the responsibility of the individual improvement district and the principal and interest are payable solely from the property assessments levied.

The following summarizes the individual improvement districts with debt outstanding and warrants payable balances at December 31, 2006:

Improvement District No. 10 (Aquilar Road)

In 1977, warrants totaling \$77,400 were issued for the purpose of financing the installation of pipeline, fire hydrants and other facilities on Aquilar Road. Final maturity of the warrants was July 1998. However, not all warrants have been presented for payment, and therefore, these unrepresented amounts are carried as a liability in the financial statements. The unrepresented and outstanding warrants principal balance at December 31, 2006 is \$1,134.

Improvement District No. 11 (Lakeshore)

In 1978, warrants totaling \$178,044 were issued for the purpose of financing improvements to Lakeshore Mutual Water Company's water system. Final maturity of the warrants was July 1989. However, not all warrants have been presented for payment, and therefore, these unrepresented amounts are carried as a liability in the financial statements. The unrepresented and outstanding warrants principal balance at December 31, 2006 is \$1,195.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Improvement District No. 36 (Highway 174)

In 1996, Improvement District No. 36 was formed and funded through a California Safe Drinking Water Bond Law of 1986 grant totaling \$306,000 and a loan totaling \$100,000, (plus a 5 percent administration fee), for the purpose of financing the Highway 174 water system improvements.

As of December 31, 2006, annual debt service requirements of activities to maturity are as follows:

Year Ending December 31:	Certificates of Participation		Bonds Payable		Loans Payable		Improvement District Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 890,000	2,044,485	3,985,000	1,039,594	865,581	107,906	5,184	1,696
2008	1,445,000	2,014,005	4,140,000	888,750	461,357	74,310	5,328	1,552
2009	1,540,000	1,958,578	4,290,000	732,094	181,774	56,829	5,480	1,401
2010	1,585,000	1,899,925	4,455,000	569,625	186,027	43,688	5,632	1,248
2011	1,640,000	1,835,541	4,620,000	401,063	140,687	31,119	5,790	1,091
2012-2016	9,280,000	8,057,225	5,220,000	271,688	484,951	98,965	31,474	2,929
2017-2021	11,355,000	5,984,916			262,858	32,801	3,393	47
2022-2026	14,115,000	3,347,197			71,010	2,049		
2027-2031	10,075,000	599,847						
	<u>\$ 51,925,000</u>	<u>27,741,719</u>	<u>26,710,000</u>	<u>3,902,814</u>	<u>2,654,245</u>	<u>447,667</u>	<u>62,281</u>	<u>9,964</u>

Operating Leases

The Agency has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements as of December 31, 2006, are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2007	\$ 86,015
2008	58,932
2009	15,319
Total	<u>\$ 160,266</u>

Total costs of such leases were \$69,389 for the year ended December 31, 2006.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

5. Restricted Net Assets

As of December 31, 2006, the Agency, including improvement districts, had the following restrictions to net assets:

Agency Wide Division:

<u>IRS Section 125</u> – Reserve for employees Section 125 account	\$ <u>11,773</u>
Total Agency Wide	<u>11,773</u>

Power Division:

<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	<u>268,031</u>
Total Power	<u>268,031</u>

Water Division:

<u>Auburn Constructors Retention</u> – Restricted for Auburn Constructors retention escrow account	1,475,893
<u>Water Connection Charges</u> – Restricted for water system expansion Improvement Districts	<u>53,720,312</u>
Total Water	<u>55,253,376</u>
Total All Fund – Restricted Net Assets	\$ <u>55,533,180</u>

6. Interfund Transactions

Interfund transfers for the year ended December 31, 2006 were as follows:

Transfers Out	Transfers In		
	<u>Power</u>	<u>Water</u>	<u>Total</u>
Agency Wide		87,327	87,327
Water	\$ <u>30,095</u>		<u>30,095</u>
Totals	\$ <u>30,095</u>	<u>87,327</u>	<u>117,422</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

7. Defined Benefit Pension Plan

Plan Description

The Agency contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system defined benefit pension plan that acts as a common investment and administrative agent for participating public entities with the State of California. Copies of CalPERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, California 95814.

Funding Policy

The Agency makes contributions required of Agency employees on their behalf and for their account. The rates are set by statute and therefore generally remain unchanged from year to year. The present actuarially determined rates of annual covered payroll are as follows:

<u>Category</u>	<u>Member Rates as a Percentage of Wages</u>
Local miscellaneous members	8%

The contribution requirements of the plan members are established by State statutes and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

The Agency's pension plan maintains a plan year (ending June 30 annually) different from that of the Agency. For this reason, required contribution rates change on July 1 of each fiscal year.

The Agency's annual required contribution rates (as a % of payroll) and contributions were as follows:

	<u>Required Contribution Rate</u>	<u>2006 Contributions</u>
January 1, 2006 – June 30, 2006	16.673%	\$ 1,153,657
July 1, 2006 – December 31, 2006	13.755%	1,111,523
		<u>\$ 2,265,180</u>

The required contributions for 2006 and 2005 were determined as part of the June 30, 2004 actuarial valuation of the plan.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

A summary of principal assumptions and methods used to determine the Annual Required Contribution for the periods ending December 31, 2006 is shown below:

Valuation Dates	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	29 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.0%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level % of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-Year Trend Information (in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
<u>12/31/04</u>	<u>\$ 1,728,753</u>	<u>100%</u>	<u>\$ --</u>
12/31/05	2,142,812	100%	--
12/31/06	2,265,180	100%	--

8. Retiree Health Benefits

Based on Memorandums of Understanding between the Agency and the employees' union, retirees may purchase health coverage with unused sick leave. The cost to the Agency for the year ended December 31, 2006 was \$0. The Agency also provides health care benefits to its retirees through PERS. The cost to the Agency in the year ended December 31, 2006 was \$185,343.

In 2006, 49 retirees received post retirement benefits ranging from \$223 to \$460 (cap) per month.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

9. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters.

Placer County Water Agency is a member of the Association of California Water Agencies – Joint Powers Insurance Authority (JPIA). The JPIA’s members have pooled funds to be self-insured for liability, property, pollution liability, and workers compensation insurance. Placer County Water Agency (excluding Power) participates in the property program for losses exceeding \$10,000. The JPIA was created effective July 5, 1979, and has continued without interruption since that time.

The Agency carries numerous other policies with commercial insurance carriers. The Agency is insured for general liability as well as losses resulting from crime, pollution, disinfectant release, auto liability, employee benefits, wrongful acts and failure to supply. These policies provide coverage up to \$39,000,000 (\$1,000,000 - \$3,000,000 per occurrence) and carry a deductible of \$5,000. The Agency has Worker’s Compensation coverage at statutory limits.

No additional liability has been accrued at December 31, 2006, based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

10. Joint Powers

American River Authority

On June 8, 1982, the Agency entered into a joint powers agreement with Placer County, El Dorado County and the El Dorado County Water Agency. In 1996, San Joaquin County also entered into the joint powers agreement. The agreement called for the formation of the “American River Authority.” The purpose of this agreement is to provide for a joint exercise, through the authority of powers common to each of the parties, to study, develop, design, finance, acquire, construct, operate, maintain and replace dams, reservoirs, tunnels, conduits, hydroelectric facilities and any and all works related and incidental thereto on the American River between the Placer County Water Agency’s Middle Fork American River Project and the Folsom Reservoir.

In 2006, the Agency’s dues for 2006 – 2007 were \$5,000 for the American River Authority’s fiscal year July to June. Cumulative contributions since inception have been \$257,957. The future financial impact of this agreement to the Agency is not currently known. Complete audited financial statements are available from El Dorado County Auditor-Controller’s office.

Association of California Water Agencies – Joint Power Insurance Authorities

As discussed in Note 9, the Agency is a member of the Association of California Water Agencies – Joint Power Insurance Authority (JPIA). The JPIA’s members have pooled funds to be self-insured for liability, property, underground storage tanks (UST), pollution liability, and workers compensation insurance. Placer County Water Agency is one of 297 member districts. Complete audited financial statements can be obtained at the JPIA’s Office at 5620 Birdcage Street, Suite 200, Citrus Heights, California 95610-7623.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2006

Middle Fork Project Finance Authority

On January 10, 2006, the Agency entered into a Joint Powers Agreement with the County. The agreement called for the formation of the "Middle Fork Project Finance Authority" (MFPFA). The purpose of this agreement is to establish an Authority to serve the mutual interests of the Agency and the County, exclusively, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and other costs that may be required to obtain a new Federal Energy Regulatory Commission (FERC) license or which may be completed under the current or subsequent FERC license of the Middle Fork Hydroelectric Project by the Agency, to approve Future Electrical Energy Sales, and to distribute revenues from Future Electrical Energy Sales. In March 2006, the Middle Fork Project Finance Authority issued the Middle Fork Project Finance Authority Revenue Bond, Series 2006 (Bond) in the amount of \$100 million to provide funds for relicensing costs and related expenses. Payment of principal and interest on the Bond shall commence in February 2015 from Middle Fork Project hydroelectric revenue received by the Authority. The Bond is secured by a pledge of Middle Fork Project hydroelectric revenue received subsequent to February 2013 and matures on April 1, 2036.

In 2006, the Agency received reimbursement for 2006 and prior years' relicensing and related expenses from the MFPFA totaling \$8,458,462. Complete audited financial statements are available at the Agency's finance office.

11. Construction Commitments

At December 31, 2006, the Agency had ongoing construction commitments that totaled approximately \$43 million.

12. Contingency

Included in the Water Division capital assets, construction in progress, is \$25.6 million the Agency has provided the United States Bureau of Reclamation (Bureau) towards construction of the American River Pump Station project. The \$25.6 million consists of \$10.6 million for upsizing and \$15 million of contributed funds that were used by the Bureau to accelerate completion to meet the Agency's needs. In a 2003 Agreement with the Bureau, the Agency was required to advance the funds to the Bureau prior to the Bureau's award of the construction contract.

In 1962, the Agency completed the original American River Pump Station to access its Middle Fork Project water rights. In 1972, under threat of condemnation, the Agency conveyed title of the facilities and surrounding property to the Bureau to make way for the Auburn Dam. In the early 1990's, the Bureau agreed to rebuild the American River Pump Station facilitates and return title to the facilities and property. However, it was later determined that Congressional authorization would be required to return title to the Agency. In March 2007, the House of Representatives passed HR 482 providing this authorization. Currently, the bill (HR 482) is pending in the Senate to authorize the transfer of the pump station to the Agency upon completion.

If the Senate does not approve this, then the United States Government would retain title.

PLACER COUNTY WATER AGENCY

Required Supplementary Information

December 31, 2006

SCHEDULE OF FUNDING PROGRESS

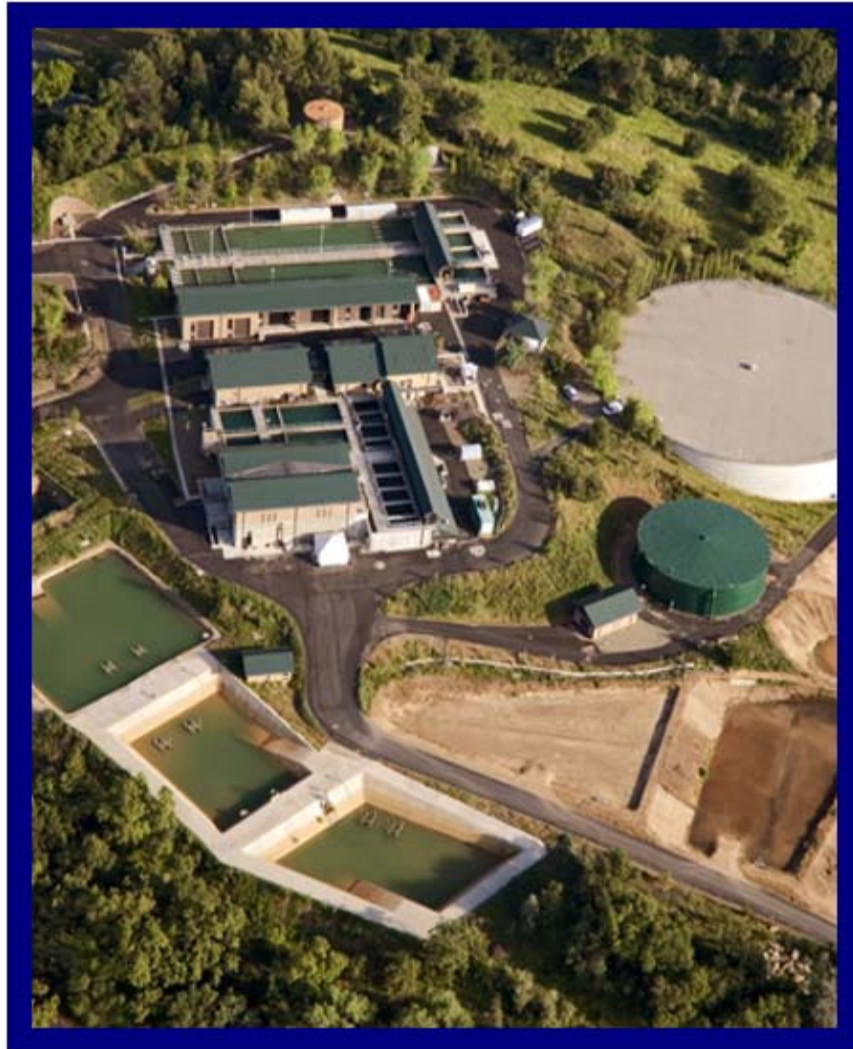
The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll.

(in thousands)

<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Accrual Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded/ (Overfunded) Liability (a-b)</u>	<u>Funded Ratio (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (a/c)</u>
6/30/03	\$ 37,515	\$ 31,147	\$ 6,368	83.0%	\$ 8,489	75.0%
6/30/04	40,880	33,693	7,186	82.4%	8,800	81.7%
6/30/05	44,941	37,038	7,903	82.4%	9,101	86.8%



Compliance Report



Foothill Water Treatment Plant



**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**

**Board of Directors
Placer County Water Agency
Auburn, California**

We have audited the financial statements of the business-type activities and each major fund of Placer County Water Agency (the Agency) as of and for the year ended December 31, 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated May 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller's General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 determination of financial statement amounts. 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*.

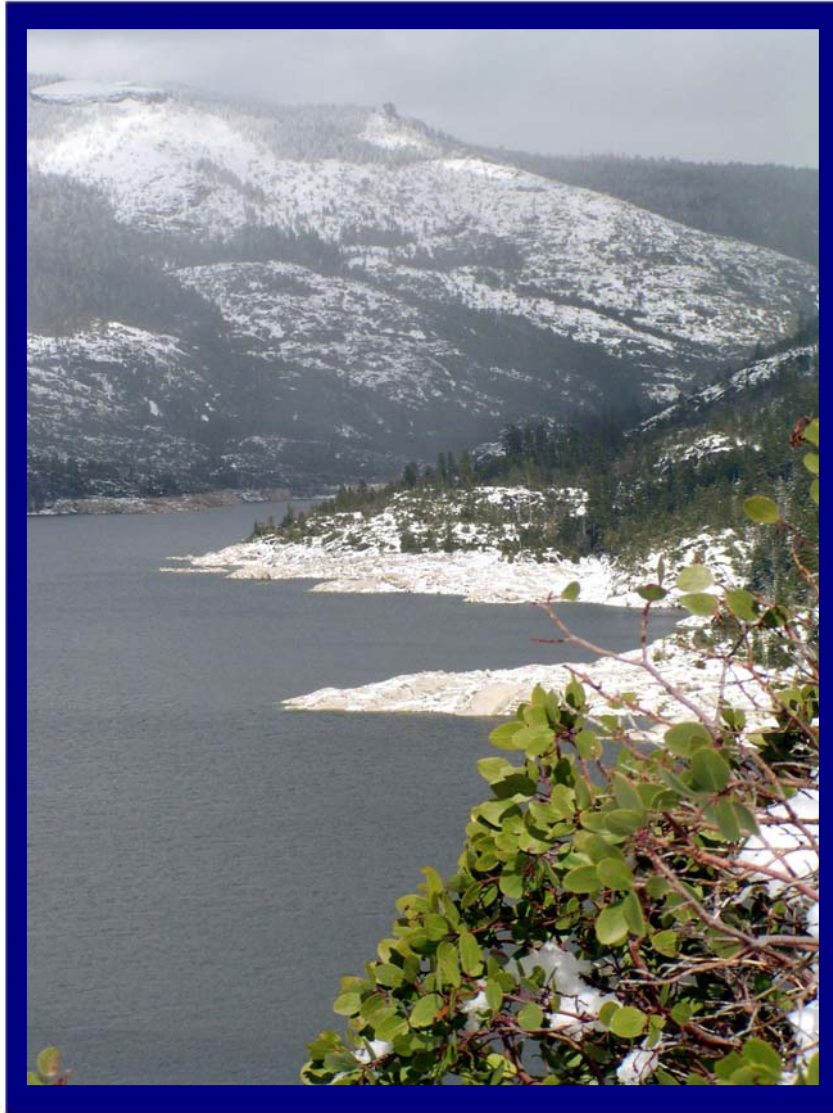
This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC

May 23, 2007

Supplemental Schedules



Hell Hole Reservoir

Combined Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
For the Year Ended December 31, 2006

	2006 Adopted Budget	2006 Adjusted Budget	2006 Actual	Variance from Adjusted Budget (\$)	Variance from Adjusted Budget (%)
Operating Revenues					
Water Sales	\$ 27,000,000	27,000,000	25,992,948	(1,007,052)	-3.73%
Power Sales (1)	26,944,696	26,944,696	16,232,741	(10,711,955)	-39.76%
Reimbursements	63,000	63,000	53,000	(10,000)	-15.87%
Engineering Charges	900,000	900,000	1,217,052	317,052	35.23%
Customer Service Charges	400,000	400,000	408,207	8,207	2.05%
Other Revenue	10,050	10,050	12,548	2,498	24.86%
Total Operating Revenues	<u>55,317,746</u>	<u>55,317,746</u>	<u>43,916,496</u>	<u>(11,401,250)</u>	<u>-20.61%</u>
Non-Operating Revenues					
Water Connection Charge	12,000,000	12,000,000	16,717,799	4,717,799	39.31%
Renewal & Replacement Charge	4,300,000	4,300,000	5,555,772	1,255,772	29.20%
Mandated Costs Charge	3,400,000	3,400,000	3,067,699	(332,301)	-9.77%
Raw Water Surcharge	330,000	330,000	367,564	37,564	11.38%
Property Taxes	770,023	770,023	819,525	49,502	6.43%
Contributions in Aid of Construction	400,000	400,000	268,581	(131,419)	-32.85%
Interest Earnings	3,270,000	3,370,000	5,136,018	1,766,018	52.40%
Assessments	5,000	-	2,207	2,207	100.00%
Costs Recovered from Other Agencies	-	-	8,485,738	8,485,738	100.00%
Gain on Disposal of Assets	5,000	5,000	26,352	21,352	427.04%
Program Grant Revenue	-	-	82,879	82,879	100.00%
Other Income (2)	10,050	10,050	1,335,811	1,325,761	13191.65%
Total Non-Operating Revenues	<u>24,490,073</u>	<u>24,585,073</u>	<u>41,865,945</u>	<u>17,280,872</u>	<u>70.29%</u>
Total Revenues	<u>79,807,819</u>	<u>79,902,819</u>	<u>85,782,441</u>	<u>5,879,622</u>	<u>7.36%</u>
Operating Expenses					
Purchased Water	738,000	676,000	692,772	(16,772)	-2.48%
Field Administration	755,418	807,418	825,782	(18,364)	-2.27%
Pumping Plant and Wells	869,978	869,978	490,489	379,489	43.62%
Water Treatment	3,944,607	4,459,958	3,865,521	594,437	13.33%
Electrical Operations	1,222,028	1,009,587	1,259,622	(250,035)	-24.77%
Transmission & Distribution:				-	
Treated Water	2,430,825	2,399,000	1,975,944	423,056	17.63%
Raw Water	2,527,291	2,566,812	3,950,875	(1,384,063)	-53.92%
Customer Service & Collections	931,294	963,212	2,921,951	(1,958,739)	-203.35%
Repairs & Maintenance	954,461	429,734	1,431,905	(1,002,171)	-233.21%
Safety	694,539	694,539	1,182,557	(488,018)	-70.27%
Recreation	-	-	83,933	(83,933)	-100.00%
Automotive & Equipment	662,707	662,707	648,417	14,290	2.16%
General & Administration	12,007,855	9,505,027	7,197,154	2,307,873	24.28%
Depreciation	5,835,559	4,335,559	7,338,104	(3,002,545)	-69.25%
Total Operating Expenses	<u>33,574,562</u>	<u>29,379,531</u>	<u>33,865,026</u>	<u>(4,485,495)</u>	<u>-15.27%</u>
Non-Operating Expenses					
Interest Expense	4,534,500	3,998,706	3,296,106	702,600	17.57%
Amortization of Bond Issue Cost	100,000	70,000	59,940	10,060	14.37%
Bond Premium/Discount Amortization	-	275,500	274,069	1,431	0.52%
Other	-	100,000	-	100,000	100.00%
Total Non-Operating Expenses	<u>4,634,500</u>	<u>4,444,206</u>	<u>3,630,115</u>	<u>814,091</u>	<u>18.32%</u>
Total Expenses	<u>38,209,062</u>	<u>33,823,737</u>	<u>37,495,141</u>	<u>(3,671,404)</u>	<u>-10.85%</u>
Capital Contributions	-	-	11,110,528	11,110,528	
CHANGE IN NET ASSETS	<u>\$ 41,598,757</u>	<u>46,079,082</u>	<u>59,397,828</u>	<u>20,661,554</u>	<u>44.84%</u>

(1) In 2006, certain power division projects were postponed. These postponed projects directly correspond to less revenue as the power division revenue is based on the annual expenses per the power contract with PG&E. The revenue received is actually an expense reimbursement, therefore, the reimbursable expense fluctuation will directly change the power division revenue.

(2) Other Income is primarily due to "mark to market" adjustments on investments and gain on debt service resulting from the 1995 COP refunding and the 1999 COP advance refunding.

Adjusted Budget
For the Last Seven Years (2000-2006)

	2000	2001	2002	2003	2004	2005	2006
Operating Revenues							
Water Sales	\$ 12,928,712	15,161,790	15,511,740	18,225,850	20,040,000	25,100,000	27,000,000
Power Sales	12,500,000	12,000,000	12,000,000	13,428,336	15,000,000	16,500,000	26,944,696
Reimbursements	43,800	44,880	46,200	60,108	59,200	61,000	63,000
Engineering Charges	319,080	386,880	537,150	655,949	720,000	720,000	900,000
Customer Service Charges	122,300	128,900	138,560	170,409	320,000	320,000	400,000
Other Revenue	2,440	5,280	4,800	35,500	-	10,000	10,050
Total Operating Revenues	<u>25,916,332</u>	<u>27,727,730</u>	<u>28,238,450</u>	<u>32,576,152</u>	<u>36,139,200</u>	<u>42,711,000</u>	<u>55,317,746</u>
Non-Operating Revenues							
Water Connection Charge	5,000,000	5,500,000	5,500,000	5,500,000	6,500,000	10,000,000	12,000,000
Renewal & Replacement Charge	-	-	23,900	626,000	1,030,000	2,900,000	4,300,000
Mandated Costs Charge	1,350,000	1,525,000	1,620,000	1,730,000	2,137,000	2,492,000	3,400,000
Raw Water Surcharge	195,000	210,000	240,000	220,000	245,000	246,500	330,000
Property Taxes	(6,800)	6,000	(8,100)	724,000	896,000	685,000	770,023
Contributions in Aid of Construction	287,000	198,000	225,350	250,000	250,000	250,000	400,000
Interest Earnings	500	7,600	6,000	1,418,000	1,246,000	1,540,000	3,370,000
Assessments	19,000	9,000	25,000	49,000	25,000	7,000	-
Costs Recovered from Other Agencies	-	-	-	-	-	-	-
Gain on Disposal of Assets	-	-	-	-	-	-	5,000
Program Grant Revenue	108,500	-	447,500	1,033,160	1,200,000	400,000	-
Other Income	46,620	50,520	45,000	34,000	108,300	8,000	10,050
Total Non-Operating Revenues	<u>6,999,820</u>	<u>7,506,120</u>	<u>8,124,650</u>	<u>11,584,160</u>	<u>13,637,300</u>	<u>18,528,500</u>	<u>24,585,073</u>
Total Revenues	<u>32,916,152</u>	<u>35,233,850</u>	<u>36,363,100</u>	<u>44,160,312</u>	<u>49,776,500</u>	<u>61,239,500</u>	<u>79,902,819</u>
Operating Expenses							
Purchased Water	232,500	492,990	483,020	425,000	299,000	516,832	676,000
Field Administration	595,190	544,710	596,683	721,488	694,050	822,802	807,418
Pumping Plant & Wells	159,440	170,990	167,570	985,043	210,000	799,093	869,978
Water Treatment	2,424,030	2,540,020	2,997,731	3,312,483	3,823,742	4,002,131	4,459,958
Electrical Operations	-	1,599,171	-	253,756	1,683,876	1,008,079	1,009,587
Transmission & Distribution							
Treated Water	1,063,010	1,065,811	1,264,682	1,771,876	1,975,633	1,865,739	2,399,000
Raw Water	1,632,790	1,661,661	1,638,555	1,795,174	2,377,895	2,660,206	2,566,812
Customer Service & Collections	880,590	1,169,259	1,160,497	1,206,878	904,171	922,331	963,212
Repairs & Maintenance	-	1,865,745	-	-	835,185	450,872	429,734
Safety	393,940	390,660	442,110	505,234	573,732	637,849	694,539
Recreation	-	207,000	-	-	336,672	-	-
Automotive & Equipment	401,970	395,568	473,576	651,178	796,156	710,215	662,707
General & Administration	8,131,911	12,890,183	12,424,438	7,168,998	9,222,292	8,805,800	9,505,027
Depreciation	6,300,700	8,570,800	6,700,200	4,740,800	6,900,600	9,850,000	4,335,559
Total Operating Expenses	<u>22,216,071</u>	<u>33,564,568</u>	<u>28,349,062</u>	<u>23,537,908</u>	<u>30,633,004</u>	<u>33,051,949</u>	<u>29,379,531</u>
Non-Operating Expenses							
Interest Expense	5,265,000	5,085,000	4,921,500	1,749,906	1,568,000	4,203,601	3,998,706
Amortization of Bond Issue Cost	8,900	8,800	8,800	9,000	170,000	92,000	70,000
Bond Premium/Discount Amortization	-	-	-	-	-	275,000	275,500
Other	62,600	86,900	87,000	44,000	53,000	65,000	100,000
Total Non-Operating Expenses	<u>5,336,500</u>	<u>5,180,700</u>	<u>5,017,300</u>	<u>1,802,906</u>	<u>1,791,000</u>	<u>4,635,601</u>	<u>4,444,206</u>
Total Expenses	<u>27,552,571</u>	<u>38,745,268</u>	<u>33,366,362</u>	<u>25,340,814</u>	<u>32,424,004</u>	<u>37,687,550</u>	<u>33,823,737</u>
Net to/from designated/reserve funds							
NET INCOME/(NET LOSS)	<u>\$ 5,363,581</u>	<u>(3,511,418)</u>	<u>2,996,738</u>	<u>18,819,498</u>	<u>17,352,496</u>	<u>23,551,950</u>	<u>46,079,082</u>

Unrestricted Board Designated Fund Equity
For the Fiscal Year Ended December 31, 2006

	2006
<u>Agency Wide</u>	
<u>Unrestricted - Board Designated</u>	
Operational:	
Contingencies	\$ 700,583
Operational	400,000
Capital:	
Routine Capital Replacement	155,344
Liabilities:	
Compensated Absences	280,368
Potential Unfunded Retiree Benefits Liability (GASB 45)	1,019,704
Specific Activities & Projects:	
Water Entitlements	212,184
Yuba & Bear River Relicensings & Watershed interests	228,291
Yearly Water Transfer Costs	102,813
Infrastructure Study Revolving Fund	47,707
Middle Fork Project - Facilities and Properties	4,771,633
Financial Assistance Program	35,008
Total Agency Wide - Designated	\$ 7,953,635

Water System

<u>Unrestricted - Board Designated</u>	
Operational:	
Contingencies	\$ 1,565,436
Operational	1,264,461
Rate Stabilization	2,121,100
Capital:	
Administration Building Maintenance and Improvements	2,425,299
System Replacement and Improvements	5,923,831
Vehicles, Equipment and Other Routine Capital Replacement	877,009
Specified Revenue:	
Renewal & Replacement Charge	4,328,462
State and Federal Mandated Charge	2,901,670
Capital Facilities Charge (Raw Water Surcharge)	621,735
Liabilities:	
Compensated Absences	1,697,499
Potential Unfunded Retiree Benefits Liability (GASB 45)	600,000
Revolving Grant Matching Funds	848,453
Risk Management	104,723
Specific Activities & Projects:	
American River Pumps	1,352,873
Service Center - Corporation Yard	1,364,376
Maidu Corporation Yard Improvements	29,816
Total Water System - Designated	\$ 28,026,743



Statistical Section



Ralston Reservoir After Bay Dam

STATISTICAL SECTION TABLE OF CONTENTS

This part of the Placer County Water Agency’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about PCWA’s overall financial health.

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DEBT CAPACITY

These schedules present information to assess the affordability of PCWA’s current levels of outstanding debt and ability to issue additional debt 70-71

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules provide information on the demographic and economic environment in which PCWA conducts business..... 72-73

OPERATING INFORMATION

These schedules provide information on PCWA’s service infrastructure to assist the reader in understanding how the information in PCWA’s financial report relates to the services PCWA provides and the activities it performs..... 74-75

SOURCES

Unless otherwise noted, the information in these schedules is derived from audited financial statements of the relevant years.

* Since 1963 PCWA has had a 50 year contract with Pacific Gas & Electric Company (PG&E) for the sale of all power generated at PCWA’s Middle Fork power plants. Schedules related to Power Sales as an own source revenue are not included in the Statistical Section as PG&E is the only power customer and rates are set as a reimbursement of costs per the 1963 contract.

TABLE # 1
Changes in Net Assets and Net Assets by Component
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Changes in Net Assets:										
Operating Revenues	\$ 23,818,151	22,268,439	27,509,540	28,075,455	29,787,625	33,454,880	37,150,954	37,221,751	37,280,185	43,916,496
Operating Expenses	(22,221,925)	(19,009,865)	(21,255,441)	(23,034,632)	(23,830,056)	(26,841,182)	(29,924,194)	(29,610,007)	(30,756,200)	(33,865,026)
Operating income	1,596,226	3,258,574	6,254,099	5,040,823	5,957,569	6,613,698	7,226,760	7,611,744	6,523,985	10,051,470
Non-Operating Revenues/(Expenses) (1)	1,823,051	3,854,729	5,799,483	22,652,490	13,149,559	42,781,725	14,379,319	39,609,185	49,449,430	38,235,830
Net Income Before Capital Contributions	3,419,277	7,113,303	12,053,582	27,693,313	19,107,128	49,395,423	21,606,079	47,220,929	55,973,415	48,287,300
Capital Contributions	3,580,671	6,262,185	6,509,816	7,430,144	13,714,064	1,880,146	12,534,334	3,841,213	8,083,344	11,110,528
Prior Period Adjustment(2)	-	-	(1,200,000)	-	23,935,597	141,326	-	-	-	-
Change in Net Assets	6,999,948	13,375,488	17,363,398	35,123,457	56,756,789	51,416,895	34,140,413	51,062,142	64,056,759	59,397,828
Net Assets Beginning of Year	82,839,303	89,839,251	103,214,739	120,578,137	155,701,594	212,458,383	263,875,278	298,015,691	349,077,833	413,134,592
Net Assets End of Year	89,839,251	103,214,739	120,578,137	155,701,594	212,458,383	263,875,278	298,015,691	349,077,833	413,134,592	472,532,420
Net Assets by Component (3):										
Invested in Capital Assets, net of Related Debt	42,869,880	49,132,065	55,583,509	62,932,508	135,913,703	158,842,906	196,199,751	223,576,766	266,721,048	364,863,054
Restricted	919,791	1,189,441	1,042,375	1,132,717	603,173	405,284	68,582,159	85,861,194	104,079,031	55,533,180
Unrestricted	46,049,580	52,893,233	63,952,253	91,636,369	75,941,507	104,627,088	33,233,781	39,639,873	42,334,513	52,136,186
Total Net Assets	\$ 89,839,251	103,214,739	120,578,137	155,701,594	212,458,383	263,875,278	298,015,691	349,077,833	413,134,592	472,532,420

(1) Significant fluctuation in non-operating revenues (expenses) stems from the variance in Water Connection Charge payments to connect to the Agency's treated water system. (See MD&A)
(2) A prior period adjustment was made to close PERC (currently WCC) deferred revenue to retained earnings. It was determined that this revenue had been earned in prior years.
(3) In 2006, PCWA reclassified net assets for years 2003, 2004, and 2005 to reflect restricted cash and cash equivalents with fiscal agents used to pay debt service.

Source: Placer County Water Agency Audited Financial Statements

CHART #1
Total Net Assets

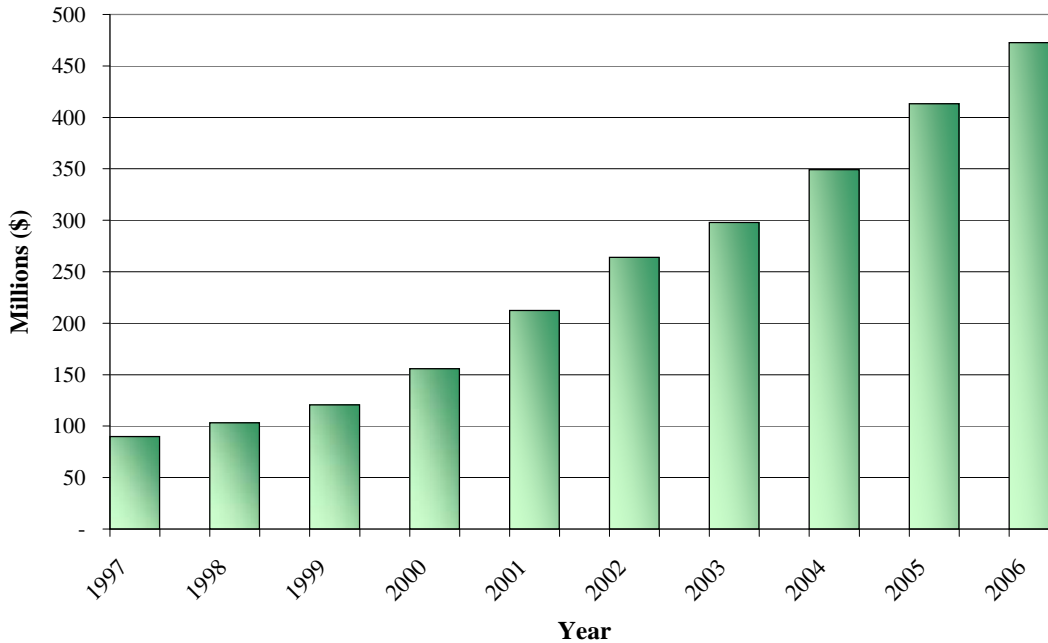


TABLE # 2
Revenues by Source
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating Revenues										
Water Sales	\$12,456,732	10,639,308	13,187,903	15,438,487	17,739,739	18,090,809	20,043,320	23,296,007	23,465,365	25,992,948
Power Sales (1)	10,747,802	11,027,754	13,609,202	11,773,104	10,823,749	14,322,541	16,032,673	12,204,808	12,308,274	16,232,741
Reimbursements	81,065	53,703	107,353	63,325	62,963	46,200	48,000	210,120	69,850	53,000
Engineering Charges	414,203	410,492	426,411	599,326	996,885	745,106	713,946	1,093,080	987,022	1,217,052
Customer Service Charges	111,104	126,828	135,436	129,530	165,135	245,440	307,570	407,998	426,171	408,207
Other	7,245	10,354	43,235	71,683	(846)	4,784	5,445	9,738	23,503	12,548
Total Operating Revenues	23,818,151	22,268,439	27,509,540	28,075,455	29,787,625	33,454,880	37,150,954	37,221,751	37,280,185	43,916,496
Non Operating Revenues										
Water Connection Charge (2)	1,367,483	2,333,550	4,475,804	21,120,063	11,970,560	38,245,963	8,832,910	35,890,471	41,853,957	16,717,799
Renewal & Replacement Charge (3)	-	-	-	-	-	574,262	773,771	1,285,497	3,072,661	5,555,772
Mandated Costs Charge	1,057,058	1,123,288	1,252,487	1,515,617	1,623,808	1,614,023	2,034,980	2,204,297	2,675,635	3,067,699
Raw Water Surcharge	209,054	201,628	194,873	210,850	240,781	222,437	231,837	223,043	355,998	367,564
Interest Revenues	1,315,599	2,009,847	2,912,006	3,206,573	2,386,327	3,102,053	3,005,773	2,827,874	4,173,588	5,136,018
Property Taxes, Debt Service	466,808	506,398	473,293	519,693	507,074	478,730	664,888	549,773	314,073	90,554
Property Taxes, Operating	247,109	264,680	286,284	335,336	381,415	400,752	530,809	410,655	407,742	728,971
Amort. of Bond Premium (Discount)	20,384	9,823	18,892	26,387	16,237	15,109	13,947	12,736	-	-
Other (4,5)	1,142,476	1,341,215	285,949	1,063,484	1,202,254	3,136,766	3,153,482	651,783	87,679	10,201,568
Total Non-Operating Revenues	5,825,971	7,790,429	9,899,588	27,998,003	18,328,456	47,790,095	19,242,397	44,056,129	52,941,333	41,865,945
Total Revenues (6)	\$29,644,122	30,058,868	37,409,128	56,073,458	48,116,081	81,244,975	56,393,351	81,277,880	90,221,518	85,782,441
Consumption (Units)						54,200,401	51,491,405	57,074,054	54,981,868	54,744,901
Effective Rate per Unit of Water (7)						\$ 0.33	0.39	0.41	0.43	0.47

- (1) Since 1963 the Agency has had a 50 year contract with Pacific Gas & Electric Company (PG&E) for the sale of all power generated at the Agency's Middle Fork power plants. Schedules related to Power Sales as an own source revenue are not included in the Statistical Section as PG&E is the only power customer and rates are set as a reimbursement of costs per the 1963 contract.
- (2) Water Connection Charge was titled Plant Expansion and Replacement Charge (PERC) in 1999-2001
- (3) Renewal and Replacement charge implemented in 2002.
- (4) Includes contributions in aid of construction, program grant revenues, costs recovered from other agencies and other net income/expense.
- (5) Significant difference in 2006 due to prior year expense recovered from the Middle Fork Project Finance Authority.
- (6) Significant fluctuations in total revenues stems from the variance in Water Connection Charge revenues.
- (7) Effective Rate Per Unit of Water is calculated by dividing total Water Sales by Consumption Units.

Source: Placer County Water Agency Audited Financial Statements

CHART #2
Total Revenues

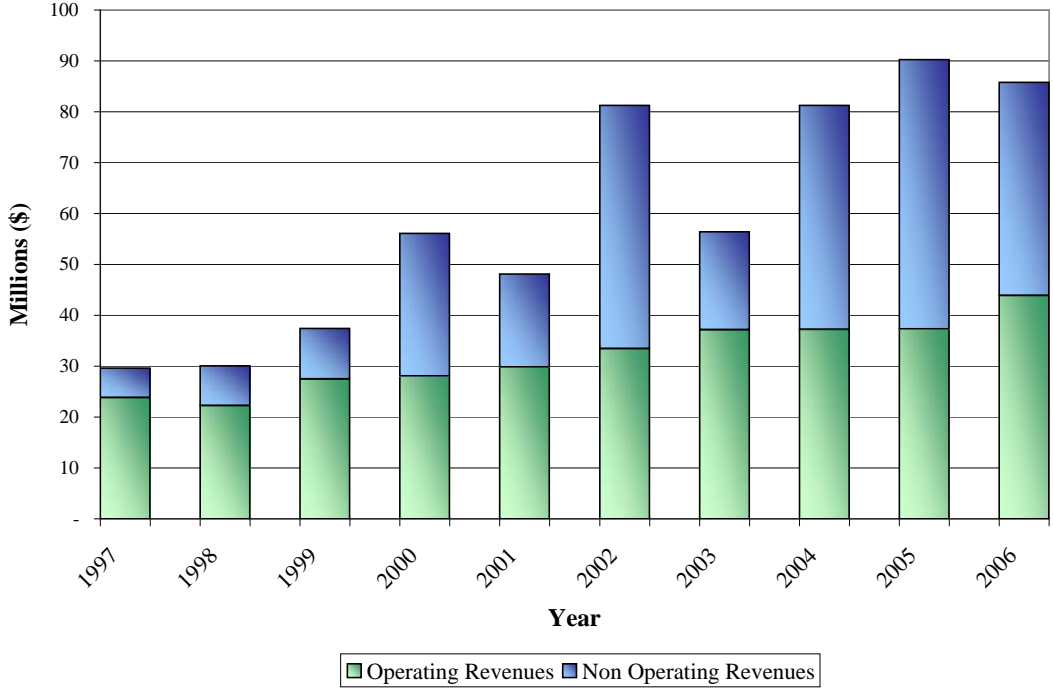


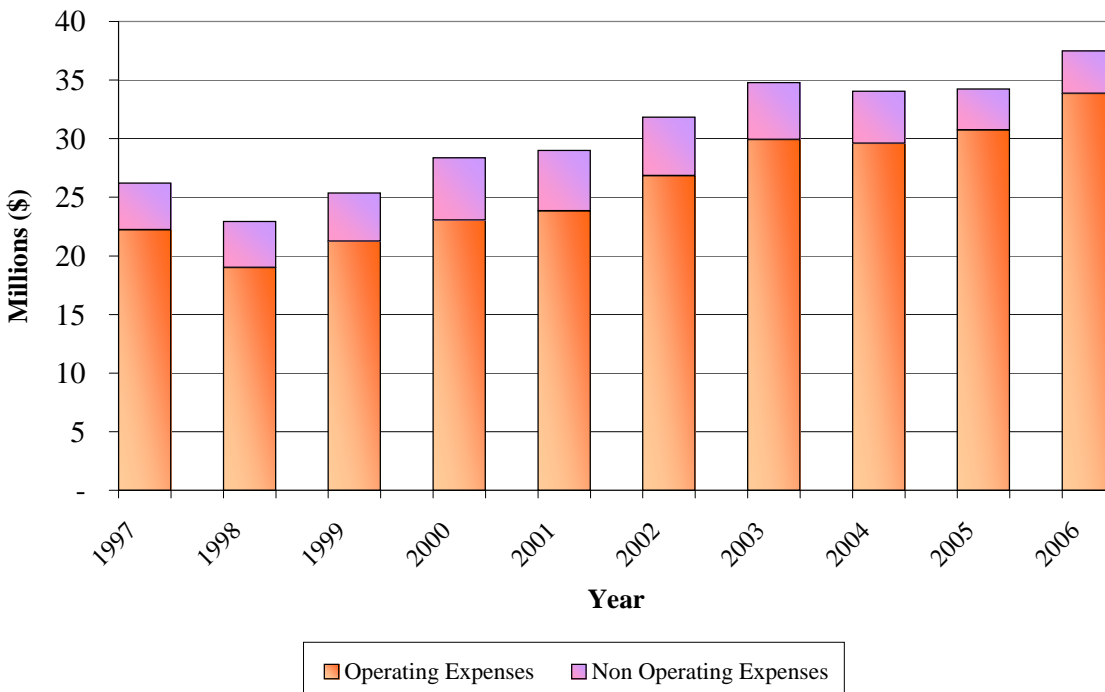
TABLE # 3
Expenses by Function
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating Expenses										
Purchased Water	\$ 1,179,770	171,238	257,733	450,355	235,065	144,809	188,182	698,356	472,768	692,772
Field Administration	183,099	202,857	207,299	353,614	370,109	533,451	619,773	764,577	791,660	825,782
Pumping Plants & Wells	480,014	223,167	391,007	653,382	176,793	945,435	436,816	739,557	1,166,408	490,489
Water Treatment	2,079,803	2,007,015	2,194,524	1,935,390	2,658,730	2,860,467	3,088,788	3,485,857	3,933,578	3,865,521
Transmission & Distribution	2,323,146	2,437,649	2,839,188	3,164,056	2,737,297	3,124,590	3,869,583	4,024,185	4,027,948	5,926,819
Customer Service & Collections	708,341	700,489	804,533	894,914	989,760	1,056,950	1,015,287	881,087	838,177	2,921,951
Total Cost of Water Sold	6,954,173	5,742,415	6,694,284	7,451,711	7,167,754	8,665,702	9,218,429	10,593,619	11,230,539	14,723,334
Power Division Repairs & Maintenance	3,513,254	1,213,626	1,013,496	1,118,562	1,527,865	1,470,389	999,537	867,633	1,246,426	1,431,905
Electrical Operations	833,668	873,428	949,856	878,649	991,289	1,010,939	1,115,528	1,385,764	1,167,079	1,259,622
General & Administrative	5,429,275	5,320,186	6,242,232	6,635,302	7,144,210	8,282,910	8,418,143	7,956,637	8,110,140	7,197,154
Other (1)	412,191	389,903	447,994	727,633	735,046	751,084	1,611,713	1,937,723	1,959,082	1,914,907
Subtotal, Operating Expenses before Depreciation	17,142,561	13,539,558	15,347,862	16,811,857	17,566,164	20,181,024	21,363,350	22,741,376	23,713,266	26,526,922
Depreciation	5,079,364	5,470,307	5,907,579	6,222,775	6,263,892	6,660,158	8,560,844	6,868,631	7,042,934	7,338,104
Total Operating Expenses	22,221,925	19,009,865	21,255,441	23,034,632	23,830,056	26,841,182	29,924,194	29,610,007	30,756,200	33,865,026
Non Operating Expenses										
Interest Expense	3,951,980	3,834,290	4,019,689	5,244,640	5,084,674	4,921,289	4,767,566	4,277,056	3,125,369	3,296,106
Amortization of Bond Discount	-	-	-	-	-	-	-	-	274,642	274,069
Amortization of Bond Issue Costs	50,940	101,410	80,416	100,873	94,223	87,081	95,512	169,888	91,892	59,940
Total Non Operating Expenses	4,002,920	3,935,700	4,100,105	5,345,513	5,178,897	5,008,370	4,863,078	4,446,944	3,491,903	3,630,115
Total Expenses	<u>\$ 26,224,845</u>	<u>\$ 22,945,565</u>	<u>\$ 25,355,546</u>	<u>\$ 28,380,145</u>	<u>\$ 29,008,953</u>	<u>\$ 31,849,552</u>	<u>\$ 34,787,272</u>	<u>\$ 34,056,951</u>	<u>\$ 34,248,103</u>	<u>\$ 37,495,141</u>

(1) Includes Safety, Recreation, and Automotive & Equipment Expenses.

Source: Placer County Water Agency Audited Financial Statements

CHART #3
Expenses by Function



**TABLE #4
Capital Assets
Last Ten Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Capital Assets										
Land	\$ -	526,933	1,382,381	1,504,460	2,393,878	2,393,878	2,382,096	2,382,096	2,382,096	4,779,990
Utility Plant	228,098,127	239,843,888	247,268,343	255,986,426	265,122,343	281,338,396	308,022,589	313,192,196	321,804,451	346,696,905
Other Property & Equipment	3,558,696	3,666,243	4,061,363	4,926,303	5,716,177	6,048,460	9,252,292	9,868,023	10,444,756	11,125,256
Preliminary Survey	-	-	1,711,054	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329
Construction in Progress	6,435,567	9,102,823	14,508,830	40,097,340	69,486,249	72,265,092	73,434,305	95,054,617	130,836,566	202,643,575
Total Capital Assets	238,092,390	253,139,887	268,931,971	304,542,858	344,746,976	364,074,155	395,119,611	422,525,261	467,496,198	567,274,055
Accumulated Depreciation	(77,504,825)	(82,714,242)	(88,613,976)	(94,762,751)	(101,026,643)	(107,610,368)	(111,474,068)	(118,342,699)	(125,385,630)	(131,737,970)
Net Capital Assets	\$160,587,565	170,425,645	180,317,995	209,780,107	243,720,333	256,463,787	283,645,543	304,182,562	342,110,568	435,536,085

Source: Placer County Water Agency Audited Financial Statements

**CHART #4
Net Capital Assets**

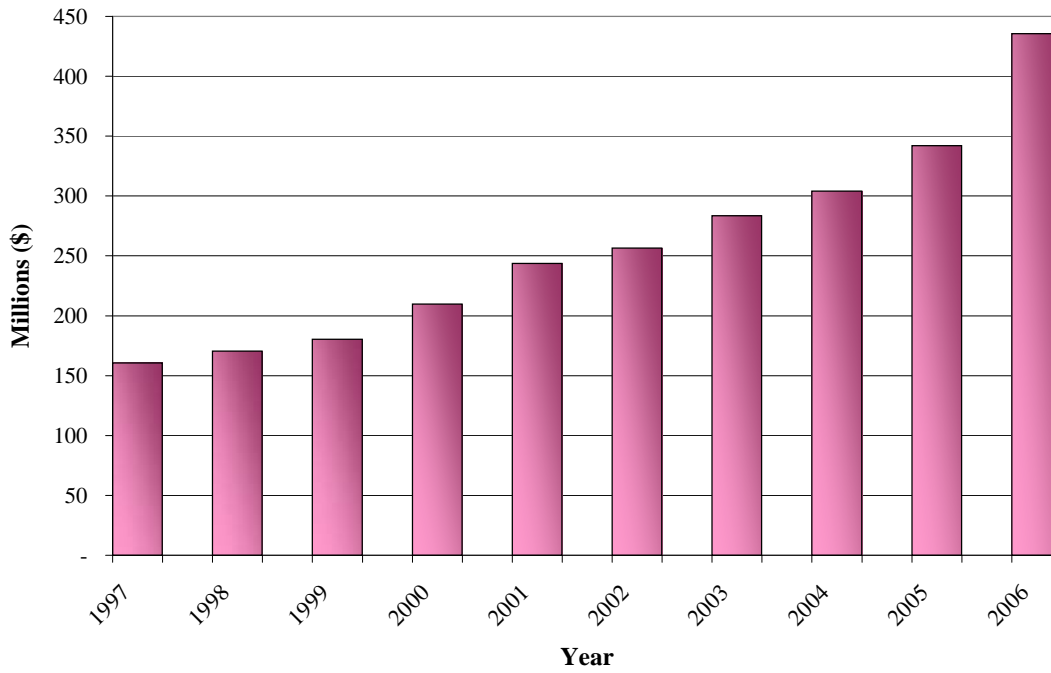


TABLE # 5
Water Consumption and Water Sales by Type of Customer
Last Five Years (1)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
TREATED WATER					
Consumption					
Residential (Single-Unit)	14,926	15,047	16,685	15,640	16,543
Residential (Multi-Unit)	2,690	1,798	3,057	1,929	2,010
Commerical	310	2,859	210	3,240	3,345
Construction	72	202	9	365	240
Fire Protection	1,426	6	1,139	6	4
Municipal	1,506	1,014	2,076	1,080	1,232
Landscape (2)	609	1,100	1,337	1,350	1,668
Industrial	1,198	1,092	1,078	1,015	757
Agriculture	403	348	411	330	282
Resale	4,285	5,259	7,979	9,005	10,009
No Demand (3)	5	7	17	3	2
Total Treated Water Consumption (Acre-Feet)	<u>27,430</u>	<u>28,732</u>	<u>33,998</u>	<u>33,963</u>	<u>36,092</u>
RAW WATER					
Consumption					
Metered	835	1,008	537	234	369
Commercial Agriculture	26,196	22,592	30,192	24,609	20,920
Irrigation Customers	59,034	55,208	55,281	54,991	55,922
Landscape (2)	10,376	10,134	10,903	12,312	12,225
Resale	556	534	113	112	149
Total Raw Water Consumption (Acre-Feet)	<u>96,997</u>	<u>89,476</u>	<u>97,026</u>	<u>92,258</u>	<u>89,585</u>
Total Consumption (Units) (4)	<u>54,200,401</u>	<u>51,491,405</u>	<u>57,074,054</u>	<u>54,981,868</u>	<u>54,744,901</u>
Total Water Sales	18,090,809	20,043,320	23,296,007	23,465,365	25,992,948
Effective Rate per unit (5)	<u>0.33</u>	<u>0.39</u>	<u>0.41</u>	<u>0.43</u>	<u>0.47</u>

- (1) Data not readily available for years prior to 2002.
(2) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.
(3) Accounts that pay only monthly service, state and federal mandated and renewal and replacement charges but are not consuming water. When these accounts begin consuming water, they are changed to the appropriate category. If PCWA is not notified before water consumption, some consumption will be billed and recorded in the "No Demand" category.
(4) One Acre-Foot is equal to 435.6 Units.
(5) Effective Rate is calculated per unit because consumption rates are per unit.

Source: Placer County Water Agency Audited Financial Statements

CHART # 5
Water Consumption (Treated) 2006

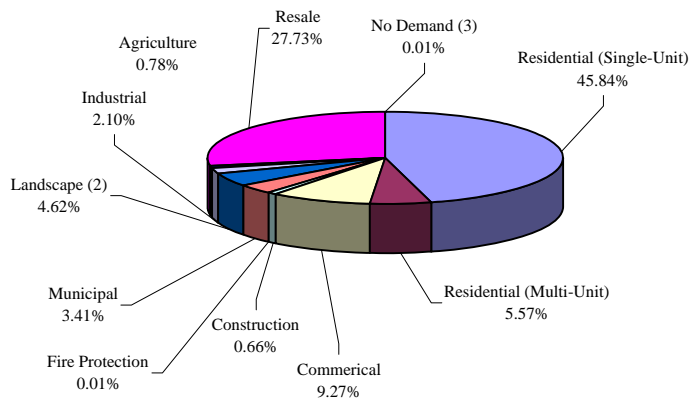


CHART # 6
Water Consumption (Raw) 2006

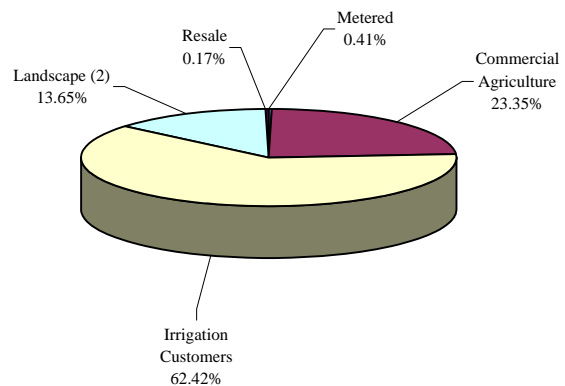


TABLE # 6
Water Accounts by Type of Customer
Last Five Years (1)

	2002	2003	2004	2005	2006
TREATED WATER					
Water Customer Accounts					
Residential (Single-Unit)	25,078	26,451	27,229	27,761	28,486
Residential (Multi-Unit)	1,417	726	1,552	728	734
Commerical	80	1,499	56	1,601	1,692
Construction	590	44	632	64	57
Fire Protection	215	582	162	689	788
Municipal	644	157	730	167	153
Landscape(3)	171	315	339	399	438
Industrial	2	2	2	2	2
Agriculture	96	83	81	80	79
Resale	8	8	8	8	8
No Demand (2)	1,344	1,073	880	815	1,421
Total Treated Water Accounts	29,645	30,940	31,671	32,314	33,858
RAW WATER					
Water Customer Accounts					
Metered	312	308	303	307	302
Commercial Agriculture	559	567	359	346	345
Irrigation Customers	3,954	3,870	3,212	3,278	3,293
Landscape(3)	30	39	25	30	31
Resale	3	3	3	3	3
Total Raw Water Accounts	4,858	4,787	3,902	3,964	3,974
TOTAL WATER ACCOUNTS	34,503	35,727	35,573	36,278	37,832
New Connections (EDU's)	8,727	1,248	4,982	4,613	1,620

(1) Data not readily available for years prior to 2002.

(2) Accounts that pay only monthly service, state and federal mandated and renewal and replacement charges but are not consuming water.

(3) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.

Source: Placer County Water Agency Audited Financial Statements

CHART # 7
Water Accounts (Treated) 2006

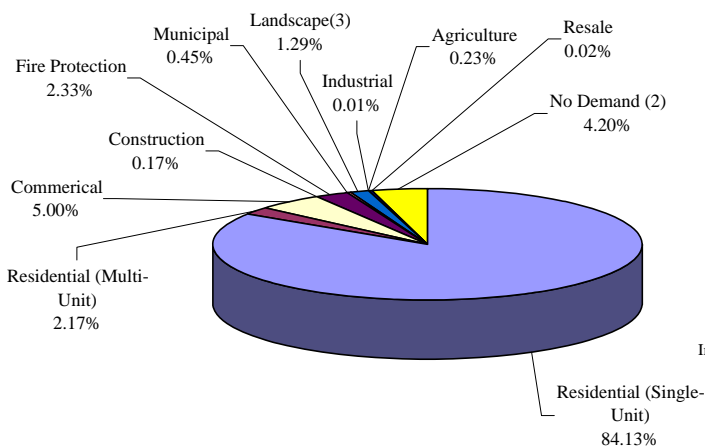


CHART # 8
Water Accounts (Raw) 2006

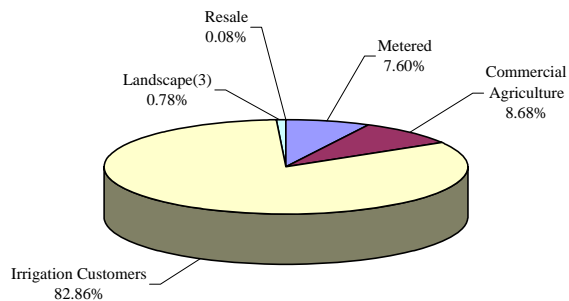


TABLE # 7
Principal Water Users for
Years Ended December 31, 2006 and 1998

Customer	Year Ended December 31, 2006				Year Ended December 31, 1998 (1)			
	Amount Billed	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold	Amount Billed	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold
City of Lincoln	\$ 4,482,723	13.12%	8,770	6.98%	\$ 333,598	3.15%	1,648	1.72%
Cal American Water	1,641,291	4.80%	891	0.71%	175,490	1.66%	671	0.70%
Formica Corporation	254,024	0.74%	547	0.44%	92,657	0.88%	259	0.27%
Placer County Facility Service	136,368	0.40%	223	0.18%	59,334	0.56%	194	0.20%
Thunder Valley Casino	90,709	0.27%	201	0.16%	43,467	0.41%	61	0.06%
Rio Bravo	87,131	0.26%	210	0.17%	43,463	0.41%	140	0.15%
Emerson Investments Inc	79,815	0.23%	181	0.14%	41,786	0.39%	146	0.15%
Folsom Lake Mutual Water Co.	70,648	0.21%	153	0.12%	34,103	0.32%	53	0.06%
Rocklin Unified School District	70,311	0.21%	113	0.09%	27,942	0.26%	87	0.09%
Sierra Lakes Mobile Home Park	69,693	0.20%	54	0.04%	23,467	0.22%	85	0.09%
Total Principal Water Users	6,982,713	20.44%	11,343	9.03%	875,307	8.27%	3,344	3.48%
Total all Users	34,159,636	100.00%	125,677	100.00%	\$ 10,581,477	100.00%	95,981	100.00%

(1) Displaying information for fiscal year ended 1998 (eight years ago) rather than fiscal year ended 1997 (nine years ago) because information for 1997 is not readily available.

Source: Placer County Water Agency, Customer Service Department

TABLE # 8
Metered Service Fixed Rates
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Metered Service - Treated Water										
Monthly Service Charge (meter size)										
5/8-inch	\$ 8.13	8.41	8.83	9.23	9.55	9.84	10.18	10.84	11.65	12.67
3/4-inch	10.72	11.10	11.65	12.81	13.45	13.92	14.41	15.35	16.50	17.94
1-inch	13.50	13.97	14.67	16.87	18.22	19.04	19.71	20.99	22.56	24.53
1-1/2-inch	21.65	22.41	23.53	27.06	29.22	30.68	31.75	33.81	36.35	39.53
2-inch	37.78	39.10	41.05	47.21	50.99	53.54	55.41	59.01	63.44	68.99
3-inch	67.20	69.55	73.03	87.64	94.65	99.38	102.86	109.55	117.77	128.07
4-inch	93.70	96.98	101.83	122.20	131.98	138.58	143.43	152.76	164.21	178.58
6-inch	188.12	194.70	204.43	245.32	264.95	278.20	287.94	306.66	329.66	358.51
8-inch	322.58	333.87	350.56	420.67	454.32	477.04	493.74	525.83	565.27	614.73
12-inch	(2)	(2)	(2)	(2)	(2)	(2)	(2)	821.62	883.24	960.52
18-inch	(2)	(2)	(2)	(2)	(2)	1,236.00	1,279.26	1,362.41	1,464.59	1,592.74
State & Federal Mandate										
5/8-inch	3.58	3.70	3.88	4.05	4.25	3.43	3.55	3.69	3.99	4.31
3/4-inch	4.68	4.84	5.08	5.33	5.60	5.14	5.32	5.53	5.97	6.47
1-inch	5.93	6.14	6.45	6.77	7.11	8.57	8.87	9.22	9.96	10.78
1-1/2-inch	9.56	9.89	10.38	10.90	11.44	17.15	17.75	18.46	19.94	21.55
2-inch	16.60	17.18	18.04	18.90	19.84	27.44	28.40	29.54	31.90	34.48
3-inch	29.57	30.60	32.13	33.74	35.43	54.88	56.80	59.07	63.80	68.96
4-inch	41.04	42.48	44.60	46.83	49.17	85.75	88.75	92.30	99.68	107.75
6-inch	82.78	85.68	89.96	94.46	99.18	171.50	177.50	184.60	199.37	215.50
8-inch	141.96	146.93	154.28	161.99	170.09	823.19	852.00	886.08	956.97	1,034.40
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Renewal & Replacement										
5/8-inch	(4)	(4)	(4)	(4)	(4)	1.26	1.30	2.15	4.90	8.50
3/4-inch	(4)	(4)	(4)	(4)	(4)	1.89	1.96	3.23	7.35	12.75
1-inch	(4)	(4)	(4)	(4)	(4)	3.14	3.25	5.36	12.21	21.25
1-1/2-inch	(4)	(4)	(4)	(4)	(4)	6.29	6.51	10.74	24.46	42.50
2-inch	(4)	(4)	(4)	(4)	(4)	10.06	10.41	17.17	39.11	68.00
3-inch	(4)	(4)	(4)	(4)	(4)	20.11	20.81	34.34	78.22	136.00
4-inch	(4)	(4)	(4)	(4)	(4)	31.43	32.53	53.67	122.24	212.50
6-inch	(4)	(4)	(4)	(4)	(4)	62.85	65.05	107.33	244.46	425.00
8-inch	(4)	(4)	(4)	(4)	(4)	301.68	312.24	515.17	1,173.39	2,040.00
12-inch	(4)	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(3)
18-inch	(4)	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(3)
Metered Service - Untreated Water										
Monthly Service Charge										
5/8-inch	4.54	4.54	4.78	5.02	5.02	5.22	5.41	5.76	6.19	6.73
3/4-inch	6.48	5.94	6.24	6.55	6.55	6.81	7.05	7.51	8.07	8.78
1-inch	8.24	7.55	7.93	8.33	8.33	8.66	8.97	9.55	10.27	11.17
1-1/2-inch	12.91	11.85	12.44	13.06	13.06	13.58	14.06	14.97	16.09	16.09
2-inch	21.22	19.43	20.40	21.42	21.42	22.28	23.06	24.56	26.40	26.40
3-inch	34.87	31.92	33.51	35.19	35.19	36.60	37.88	40.34	43.37	43.37
4-inch	48.51	44.41	46.63	48.96	48.96	50.92	52.71	56.14	60.35	62.17
6-inch	90.96	83.26	87.42	91.79	91.79	95.46	98.80	105.22	113.11	113.11
8-inch	145.53	133.21	139.87	146.86	146.86	152.73	158.08	168.36	180.99	180.99
Capital Facilities Surcharge	4.50	4.50	4.50	4.50	4.72	4.91	5.08	5.28	5.49	5.71
Resale Service - Untreated Water										
Monthly Service Charge	24.58	25.44	25.44	26.71	27.64	28.75	29.76	31.69	34.07	52.06
Private Fire Protection Service										
Monthly Service Charge										
2-inch	12.41	12.84	12.84	12.84	12.84	12.84	13.29	13.76	14.24	15.49
3-inch	13.34	13.81	13.81	13.81	13.81	13.81	14.30	14.80	15.32	16.66
4-inch	14.82	15.34	15.34	15.34	15.34	15.34	15.88	16.44	17.02	18.51
6-inch	19.07	19.74	19.74	19.74	19.74	19.74	20.43	21.15	21.89	23.81
8-inch	40.20	41.61	41.61	41.61	41.61	41.61	43.07	44.58	46.14	50.18
10-inch	67.77	70.14	70.14	70.14	70.14	70.14	72.60	75.14	77.77	84.57
12-inch	108.50	112.30	112.30	112.30	112.30	112.30	116.24	120.31	124.52	135.42
16-inch	241.44	249.89	249.89	249.89	249.89	249.89	258.64	267.69	277.06	301.30

(1) Rates are for Zone 1 service area. Zone 1 makes up 95% of total water customers and 94% of total water sales revenue, and therefore has the most significant impact on determining fees & charges.

(2) Rate not established for meter size.

(3) Charges for meters larger than 8 inches shall be determined based on the applicant's estimated maximum day demand set forth in the applicant's application for treated waterservice.

(4) Renewal and Replacement rate implemented in 2002.

Source: Placer County Water Agency, Annual Rate Books

TABLE # 9
Commodity Rates for Treated Water (I, 2)
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Metered Services										
Residential										
First 400 CF	\$ 0.64	0.67	0.67	0.67	0.70	0.70	0.72	0.74	0.76	0.78
Next 1,600 CF	0.64	0.67	0.70	0.73	0.75	0.77	0.80	0.82	0.86	0.90
Next 2,000 CF	0.66	0.69	0.72	0.76	0.79	0.82	0.85	0.88	0.93	0.99
Next 1,800 CF	0.66	0.71	0.79	0.85	0.90	0.94	0.98	1.02	1.08	1.14
Next 1,900 CF	0.66	0.71	0.79	0.85	0.90	1.09	1.14	1.20	1.30	1.40
Over 7,700 CF	0.66	0.71	0.82	0.95	1.03	1.12	1.18	1.36	1.47	1.59
Pumped Service (3)										
First 400 CF	(4)	(4)	(4)	0.77	0.80	0.80	0.82	0.84	0.87	(3)
Next 1,600 CF	(4)	(4)	(4)	0.82	0.85	0.88	0.91	0.94	0.99	(3)
Next 2,000 CF	(4)	(4)	(4)	0.86	0.89	0.92	0.96	1.00	1.06	(3)
Next 1,800 CF	(4)	(4)	(4)	0.95	1.00	1.04	1.09	1.13	1.20	(3)
Next 1,900 CF	(4)	(4)	(4)	0.95	1.00	1.19	1.26	1.32	1.43	(3)
Over 7,700 CF	(4)	(4)	(4)	1.05	1.13	1.23	1.29	1.47	1.60	(3)
Commercial & Municipal										
First 50,000 CF	0.63	0.64	0.67	0.72	0.75	0.78	0.81	0.84	0.88	0.92
Next 950,000 CF	0.55	0.65	0.68	0.74	0.77	0.80	0.83	0.86	0.91	0.95
Over 1,000,000 CF	0.55	0.65	0.68	0.74	0.77	0.80	0.83	0.86	0.91	0.96
Municipal (5)										
First 50,000 CF	0.59	0.64	0.67	0.72	0.75	0.78	0.80	0.82	0.86	(4)
Over 50,000 CF	0.54	0.65	0.68	0.74	0.77	0.80	0.83	0.86	0.90	(4)
Industrial & Resale										
First 50,000 CF	0.59	0.67	0.66	0.70	0.73	0.76	0.78	0.80	0.83	0.86
Next 950,000 CF	0.54	0.58	0.61	0.66	0.72	0.74	0.77	0.80	0.84	0.88
Over 1,000,000 CF	0.54	0.58	0.61	0.66	0.72	0.74	0.77	0.80	0.84	0.89
Over 1,000,000 CF (6)	0.40	0.43	0.48	0.52	0.57	0.60	0.62	0.64	0.67	0.71
Golf Course, Park & Greenbelt										
First 50,000 CF	0.65	0.68	0.71	0.75	0.78	0.81	0.84	0.87	0.91	0.95
Next 950,000 CF	0.55	0.64	0.73	0.80	0.84	0.87	0.91	0.94	0.98	1.02
Over 1,000,000 CF	0.55	0.64	0.73	0.80	0.84	0.87	0.91	0.94	0.98	1.03
Special Rates (7)										
First 400 CF	0.64	0.67	0.67	0.67	0.70	0.73	0.74	0.76	0.80	0.78
Next 1,600 CF	0.64	0.67	0.67	0.67	0.70	0.73	0.74	0.76	0.80	0.90
Next 2,000 CF	0.66	0.69	0.69	0.72	0.75	0.78	0.81	0.83	0.87	0.99
Next 61,000 CF	0.87	0.90	0.09	0.10	0.10	0.10	0.11	0.11	0.12	0.12
Next 65,000 CF	0.53	0.06	0.06	0.06	0.06	0.06	0.07	0.07	0.08	0.09
Over 130,000 CF	0.05	0.05	0.06	0.06	0.06	0.06	0.07	0.07	0.08	0.09
Temporary Construction										
First 50,000 CF	1.27	1.27	1.34	1.45	1.50	1.56	1.62	1.68	1.76	1.84
Next 950,000 CF	1.11	1.30	1.36	1.47	1.53	1.59	1.66	1.72	1.82	1.90
Over 1,000,000 CF	1.11	1.30	1.36	1.47	1.53	1.59	1.66	1.72	1.82	1.92

(1) Rates are for Zone 1 service area. Zone 1 makes up 95% of total water customers and 94% of total water sales revenue, and therefore has the most significant impact on determining fees & charges.

(2) Commodity rates are per 100 cubic feet.

(3) Metered Pumped Service changed in 2006. Charge no longer included in rate schedule, to be determined based on cost to pump water to service areas.

(4) Rates for pumped service not included in Rate Book for 1997-1999.

(5) Commercial & Municipal had separate rate structures until 2006. Municipal rates for 2006 included in Commercial & Municipal rates.

(6) Rate for public agencies and public utilities who own, operate and maintain their own distribution systems, storage reservoirs and pumping plants, and who resell water to individual users.

(7) Special rates are for customers involuntarily deprived of untreated water service.

* Tier structures have gone through certain revisions over the past 10 years. In 1997 there were 2 tiers for metered residential service. Other tiers were established in the following years until we arrived at our current 6 tier rate structure. Water use per tier (cubic-feet) varies on an annual basis. Rates shown above for years 1997-2005 are displayed with the 2006 tier structure. Actual ranges of cubic-feet differed slightly.

Source: Placer County Water Agency, Annual Rate Books

TABLE # 10
Commodity Rates for Untreated Water (I)
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Metered Services (2)										
First 3,000 CF	\$ 0.25	0.23	0.30	0.32	0.32	0.33	0.34	0.35	0.36	0.37
Next 7,000 CF	0.12	0.11	0.20	0.21	0.21	0.22	0.23	0.24	0.25	0.29
Over 10,000 CF	0.07	0.07	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.12
Non-Metered Services (Miner's Inches) (MI) (3)										
General Irrigation Service (Winter)										
First 1/2 MI	21.42	21.42	21.42	22.49	23.27	24.20	24.93	26.68	28.55	30.55
First MI	28.56	29.56	35.47	37.24	40.96	42.60	43.88	46.95	50.24	53.76
2-9 MI	28.56	29.56	35.47	38.13	41.94	43.62	44.93	48.08	51.45	55.05
Over 9 MI	28.56	29.56	35.47	38.13	41.94	43.62	44.93	48.08	51.45	55.31
General Irrigation Service (Summer)										
First 1/2 MI	21.36	21.36	21.36	22.43	23.55	24.49	25.23	25.99	27.03	28.11
First MI	34.63	35.84	35.84	35.84	37.27	38.76	39.92	41.12	42.76	44.47
2-9 MI	22.28	26.00	30.00	36.00	37.80	39.31	40.49	42.11	44.22	46.43
Over 9 MI	20.35	24.00	30.00	36.00	37.80	39.31	40.49	42.11	44.22	46.87
Commercial Agriculture (Winter)										
First MI	(4)	29.56	31.04	31.97	33.09	34.41	35.45	37.93	40.59	43.43
Over 1 MI	(4)	29.56	31.04	32.59	33.73	35.08	36.14	38.67	41.38	44.28
Commercial Agriculture (Summer)										
First MI	(4)	35.84	37.63	39.51	40.89	42.53	43.81	45.12	46.92	46.92
2nd MI	(4)	31.09	32.64	34.27	35.47	36.89	38.00	39.14	40.71	42.34
3rd MI	(4)	28.09	29.49	30.96	32.04	33.32	34.32	35.35	36.76	38.23
4th MI	(4)	25.08	26.33	27.65	28.62	29.76	30.65	31.57	32.83	34.14
5-9 MI	(4)	23.06	24.21	25.42	26.31	27.36	28.18	29.03	30.19	31.40
10-60 MI	(4)	21.06	22.11	23.22	24.03	24.99	25.74	26.51	27.57	28.67
Over 60 MI	(4)	21.06	22.11	19.16	19.83	20.62	21.24	21.88	22.76	23.67
Golf Course, Park & Greenbelt (Winter)										
First MI	28.56	29.56	35.47	36.53	38.36	39.89	41.09	43.97	47.05	54.11
2-9 MI	28.56	29.56	35.47	38.13	40.80	42.43	43.71	46.77	50.04	55.62
Over 9 MI	28.56	30.84	37.00	40.70	44.36	46.13	47.52	50.85	54.41	56.55
Golf Course, Park & Greenbelt (Summer)										
First MI	21.16	37.27	35.47	37.24	38.73	40.28	41.49	42.73	44.44	46.22
2-9 MI	21.16	21.90	35.47	37.24	38.73	40.28	41.49	42.73	44.44	48.68
Over 9 MI	21.36	23.07	37.00	38.85	40.79	42.42	43.70	45.01	46.81	48.92
Resale Service (Miners' Inch Days) (5)										
First 1,000	1.77	1.83	1.83	1.92	1.98	2.06	2.12	2.23	2.34	5.68
Over 1,000	1.77	1.83	1.83	1.92	1.98	2.06	2.12	2.23	2.34	6.47

(1) Rates are for Zone 1 service area. Zone 1 makes up 95% of total water customers and 94% of total water sales revenue, and therefore has the most significant impact on determining fees & charges.

(2) Commodity rates are per 100 cubic feet.

(3) Non-metered services of untreated water are delivered in Miners' Inches. One Miner's Inch is equal to 11.22 gallons per minute. The Summer irrigation season is defined as the period of April 15 through October 15, both inclusive, of each year. Rates are per Miner's Inch.

(4) Commercial Agriculture rates were established in 1998.

(5) One Miner's Inch Day is equal to 16,156.80 gallons or 2,160 cubic feet.

* Tier structures have gone through certain revisions over the past 10 years. Water use per tier varies on an annual basis. Rates shown above for years 1997-2005 are displayed with the 2006 tier structure. Actual ranges of cubic-feet/minor's inches differed slightly.

Source: Placer County Water Agency, Annual Rate Books

TABLE # 11
Schedule of Other Water System Fees & Charges (I)
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Water Connection Charge (WCC)										
Bowman and Auburn WTP service area	6,469.00	6,469.00	6,469.00	6,469.00	6,469.00	6,469.00	8,971.00	9,141.00	9,286.00	11,373.00
All other Zone 1 service areas	5,719.00	5,719.00	5,719.00	5,719.00	5,719.00	5,719.00	7,971.00	8,122.00	9,286.00	11,373.00
Meters and Service Connections (2)										
Installation of Meter to Existing Svc										
5/8" x 3/4"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
3/4"	140.00	140.00	140.00	140.00	140.00	140.00	125.00	125.00	125.00	125.00
1"	190.00	190.00	190.00	190.00	190.00	190.00	125.00	125.00	125.00	125.00
1 1/2"	300.00	300.00	300.00	300.00	300.00	300.00	125.00	125.00	125.00	125.00
2" or larger	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Installation of Service Lateral & Meter										
5/8" x 3/4"	475.00	475.00	475.00	475.00	475.00	475.00	Cost	Cost	Cost	Cost
3/4"	525.00	525.00	525.00	525.00	525.00	525.00	Cost	Cost	Cost	Cost
1"	575.00	575.00	575.00	575.00	575.00	575.00	Cost	Cost	Cost	Cost
1 1/2"	775.00	775.00	775.00	775.00	775.00	775.00	Cost	Cost	Cost	Cost
2" or larger	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Other Miscellaneous Fees and Charges										
Backflow Prevention Device Test Charge	40.00	40.00	40.00	40.00	40.00	65.00	65.00	68.00	68.00	70.00
Canal Flow Rate Change										
Regular Charge	15.00	15.00	15.00	15.00	15.00	30.00	35.00	35.00	35.00	35.00
After Hours Charge	-	-	-	-	-	75.00	110.00	110.00	110.00	90.00
Delinquent Payment Charge (3)	-	-	-	-	-	6%	6%	6%	6%	6%
Door Tag Charge	-	-	-	-	-	22.00	22.00	24.00	24.00	25.00
Field Collection Charge	10.00	10.00	10.00	10.00	10.00	20.00	20.00	24.00	24.00	25.00
Fire Flow Information Charge	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Facility Tampering Charge										
First Occurrence	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	150.00	250.00
Second Occurrence	100.00	100.00	100.00	100.00	100.00	100.00	150.00	150.00	250.00	500.00
Third Occurrence (4)	100.00	100.00	100.00	100.00	100.00	500.00	500.00	500.00	500.00	1,000.00
Meter Test and Repair Deposit/Charge	30.00	30.00	30.00	30.00	30.00	35.00	35.00	40.00	40.00	40.00
Service Set-up Charge										
No Field Trip Required	30.00	30.00	30.00	30.00	30.00	15.00	15.00	15.00	15.00	15.00
Field Trip Required	30.00	30.00	30.00	30.00	30.00	35.00	35.00	35.00	35.00	35.00
After Hours Charge	75.00	75.00	75.00	75.00	75.00	95.00	110.00	110.00	110.00	90.00
Project Application Charge	-	-	-	-	-	100.00	100.00	105.00	105.00	105.00
Pressure Test Charge	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Reconnection Charge (5)										
Charge	30.00	30.00	30.00	30.00	30.00	45.00	45.00	45.00	45.00	45.00
After Hours Charge	75.00	75.00	75.00	75.00	75.00	105.00	120.00	120.00	120.00	90.00
Returned Check Charge	40.00	40.00	40.00	40.00	40.00	40.00	25.00	25.00	25.00	25.00
Temporary Construction Water Svc										
Permit Fee	-	-	-	-	-	-	35.00	35.00	35.00	35.00
Connection Charge	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Variances and Waivers of Rules and Regulations or Rates										
Water Service Written Estimate	75.00	75.00	75.00	75.00	75.00	75.00	75.00	79.00	79.00	80.00
WCC - Installment Payment Processing Fee	-	-	-	-	-	50.00	50.00	53.00	53.00	55.00
State and Federal Mandated Charge for Cross Connections (6)	155.00	155.00	155.00	155.00	155.00	155.00	155.00	163.00	163.00	175.00
State and Federal Mandated Charge for Certification of Domestic Water Source (7)	-	-	-	-	-	-	-	1.16	1.16	1.16
-	-	-	-	-	-	-	-	2.69	2.69	2.69

(1) Fees and Charges are for Zone 1 service area. Zone 1 makes up 95% of total water customers and 94% of total water sales revenue, and therefore has the most significant impact on determining fees & charges.

(2) Time and Materials and meters/parts are charged to customer in addition to Meter Set and Installation Charge.

(3) Delinquent Payment Charge is a percentage of the delinquent amount on a balance greater than \$20. Established in 2002.

(4) On third occurrence of facility tampering, or after having to pull the meter, Facility Tampering Charge for third occurrence will be charged.

(5) Reconnection Charge starts at \$45 with a graduated penalty of \$10 per occurrence within a 12 month period.

(6) State and Federal Mandated Charge for Cross Connections is a monthly charge per assembly.

(7) State and Federal Mandated Charge for Certification of Domestic Water Source is a monthly charge per account.

Source: Placer County Water Agency, Annual Rate Books

TABLE # 12
Schedule of Effective Rate Increases
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Annual Service Charge	\$ 97.56	\$ 100.92	\$ 105.96	\$ 110.76	\$ 114.60	\$ 118.08	\$ 122.16	\$ 130.08	\$ 139.80	\$ 152.04
Annual State and Federal Mandate	42.96	44.40	46.56	48.60	51.00	41.16	42.60	44.28	47.88	51.72
Annual Renewal & Replacement	-	-	-	-	-	15.12	15.60	25.80	58.80	102.00
Annual Commodity	115.56	121.32	125.15	127.92	132.50	135.54	140.16	143.76	150.00	160.49
Annual Water Bill	\$ 256.08	266.64	277.67	287.28	298.10	309.90	320.52	343.92	396.48	466.25
Effective Rate Increase	-	4.12%	4.14%	3.46%	3.77%	3.96%	3.43%	7.30%	15.28%	17.60%

* Annual bill amount is based on an average household using 18,000 cubic feet per year (the equivalent of 11,220 gallons per month) with a 5/8" meter.
Rates are based on Zone 1 rates, as Zone 1 makes up 95% of customers and 94% of water sales revenue.

Source: Placer County Water Agency Customer Service Department

CHART #9
Average Household Annual Water Bill

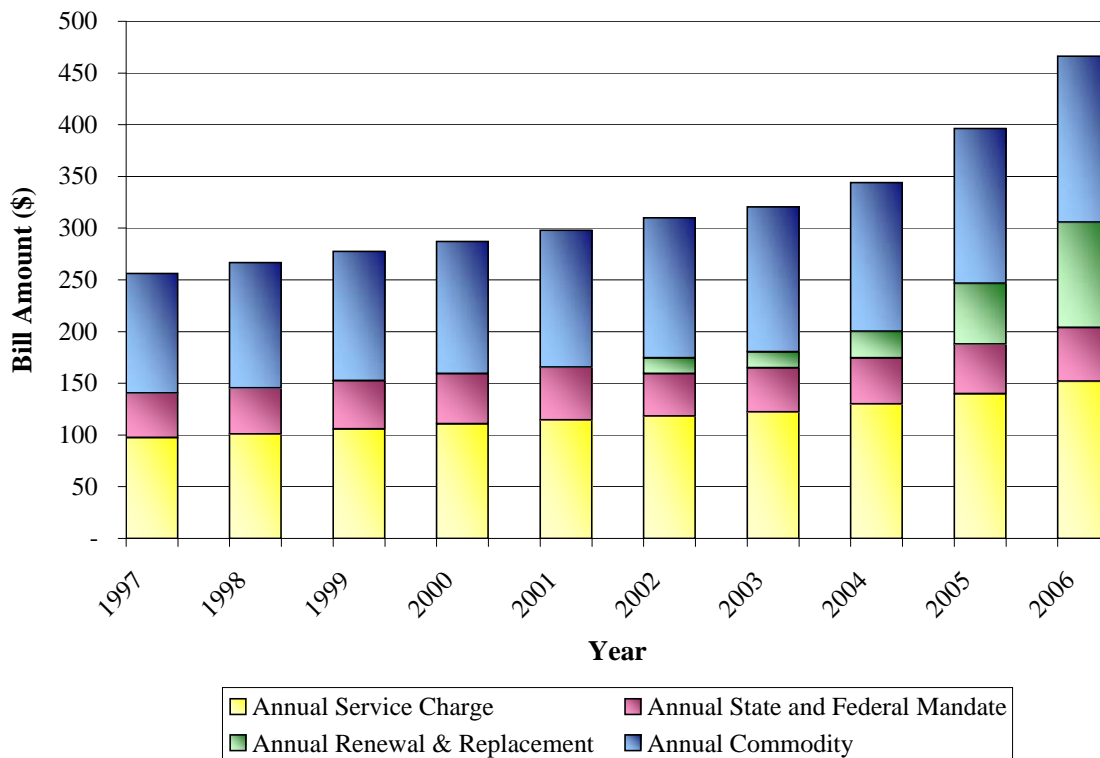


TABLE # 13
Schedule of Outstanding Debt
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Water Division										
General Obligation Bonds										
1975 General Obligation Water Bonds	\$ 1,760,000	1,580,000	1,390,000	1,190,000	980,000	755,000	510,000	260,000	-	-
Placer County Waterworks District No. 1 1964 Water Bonds, Series A	250,000	130,000	-	-	-	-	-	-	-	-
General Obligation Bonds Outstanding	<u>2,010,000</u>	<u>1,710,000</u>	<u>1,390,000</u>	<u>1,190,000</u>	<u>980,000</u>	<u>755,000</u>	<u>510,000</u>	<u>260,000</u>	<u>-</u>	<u>-</u>
Loans Payable										
Davis-Grunsky Act Construction Loan	1,354,055	1,245,523	1,134,396	1,020,437	903,647	783,789	535,346	406,467	274,161	139,004
EDA Community Emergency Drought Loan	253,700	236,164	228,304	220,051	211,386	202,287	192,733	182,702	172,169	161,109
State Department of Water Resources Loans										
Rockcrest	2,213,951	1,689,135	1,145,651	582,835	-	-	-	-	-	-
Dutch Flat Terrace	26,556	25,462	24,331	23,161	21,952	20,702	19,410	18,073	16,691	15,262
Bowman	4,542,650	4,735,683	4,309,794	3,868,334	3,410,733	2,936,400	2,445,099	1,935,721	1,407,591	858,250
Alta/Monte Vista (SWTR)	545,843	525,138	502,663	479,519	455,686	431,144	405,881	379,870	353,068	325,476
King/Delmar	341,250	331,562	321,996	312,138	301,979	291,511	280,726	269,616	258,154	246,347
Applegate	635,250	626,665	609,103	591,005	572,354	553,134	533,333	512,936	491,893	470,218
Ferguson Road Land Loan	-	-	-	111,794	102,473	92,625	82,223	71,235	59,626	47,362
Steffen Family Trust Loan	216,476	196,752	174,855	150,545	123,556	93,593	-	-	-	-
Zieglerman - Soracco Land Loan	-	-	-	-	605,196	566,861	525,090	481,545	424,128	365,175
Mello-Roos Obligation	48,246	46,236	44,111	41,863	39,485	36,970	31,944	30,049	29,102	26,042
Capital Lease Purchases	32,374	-	-	-	-	-	-	13,513	6,412	-
Loans Outstanding	<u>10,210,351</u>	<u>9,658,320</u>	<u>8,495,204</u>	<u>7,401,682</u>	<u>6,748,447</u>	<u>6,009,016</u>	<u>5,051,785</u>	<u>4,301,727</u>	<u>3,492,995</u>	<u>2,654,245</u>
Improvement District (ID) Debt (1)										
ID No. 10 - Aguilar Road (2)	-	-	-	-	-	1,134	1,134	1,134	1,134	1,134
ID No. 11 - Lakeshore (2)	-	-	-	-	-	1,195	1,195	1,195	1,195	1,195
ID No. 19 - Oak Terrace	3,482	-	-	-	-	-	-	-	-	-
ID No. 20 - Indian Springs	11,889	5,945	-	-	-	-	-	-	-	-
ID No. 22 - Morgan Place	27,865	18,865	9,865	-	-	-	-	-	-	-
ID No. 23 - Brooks Lane	28,490	22,792	17,094	11,396	5,698	-	-	-	-	-
ID No. 25 - Old Orchard Lane	14,912	11,184	7,456	3,728	-	-	-	-	-	-
ID No. 28 - Val Verde Road	109,080	91,080	73,080	55,080	37,080	19,080	-	-	-	-
ID No. 32 - Eagle View Lane	102,500	87,500	72,500	57,500	42,500	27,500	12,500	-	-	-
ID No. 36 - Highway 174	103,020	98,977	94,821	90,548	86,156	81,640	77,000	72,230	67,324	62,281
Improvement District Debt Outstanding	<u>401,238</u>	<u>336,343</u>	<u>274,816</u>	<u>218,252</u>	<u>171,434</u>	<u>130,549</u>	<u>91,829</u>	<u>74,559</u>	<u>69,653</u>	<u>64,610</u>
Certificates of Participation										
1993 Certificates	15,550,000	15,510,000	15,465,000	15,415,000	15,365,000	15,010,000	-	-	-	-
1995 Certificates	6,825,000	6,715,000	6,600,000	6,480,000	6,350,000	6,215,000	6,075,000	5,925,000	335,000	170,000
1999 Certificates	-	-	32,225,000	32,255,000	31,965,000	31,965,000	31,965,000	31,965,000	2,990,000	2,990,000
2003 Certificates	-	-	-	-	-	-	15,515,000	14,835,000	14,265,000	13,690,000
2005 Certificates	-	-	-	-	-	-	-	-	35,200,000	35,075,000
Certificates Outstanding	<u>22,375,000</u>	<u>22,225,000</u>	<u>54,290,000</u>	<u>54,150,000</u>	<u>53,680,000</u>	<u>53,190,000</u>	<u>53,555,000</u>	<u>52,725,000</u>	<u>52,790,000</u>	<u>51,925,000</u>
Subtotal Water Division Debt Outstanding	<u>\$ 34,996,589</u>	<u>\$ 33,929,663</u>	<u>\$ 64,450,020</u>	<u>\$ 62,959,934</u>	<u>\$ 61,579,881</u>	<u>\$ 60,084,565</u>	<u>\$ 59,208,614</u>	<u>\$ 57,361,286</u>	<u>\$ 56,352,648</u>	<u>\$ 54,643,855</u>
Power Division										
Revenue Bonds										
Middle Fork Project Revenue Bonds, Series A(3)	55,345,000	53,830,000	50,730,000	47,820,000	44,595,000	41,550,000	39,538,009	34,370,000	30,590,000	26,710,000
Revenue Bonds Outstanding	<u>55,345,000</u>	<u>53,830,000</u>	<u>50,730,000</u>	<u>47,820,000</u>	<u>44,595,000</u>	<u>41,550,000</u>	<u>39,538,009</u>	<u>34,370,000</u>	<u>30,590,000</u>	<u>26,710,000</u>
Subtotal Power Division Debt Outstanding	<u>\$ 55,345,000</u>	<u>\$ 53,830,000</u>	<u>\$ 50,730,000</u>	<u>\$ 47,820,000</u>	<u>\$ 44,595,000</u>	<u>\$ 41,550,000</u>	<u>\$ 39,538,009</u>	<u>\$ 34,370,000</u>	<u>\$ 30,590,000</u>	<u>\$ 26,710,000</u>
Subtotal Agency Debt Outstanding	90,341,589	87,759,663	115,180,020	110,779,934	106,174,881	101,634,565	98,746,623	91,731,286	86,942,648	81,353,855
Less: Unamortized bond discounts & premiums	-	14,382	(915,802)	(900,513)	(876,674)	(930,425)	(795,449)	(762,409)	(234,041)	(226,000)
Deferred Amount of Refunding	-	-	-	-	-	-	(703,422)	(643,244)	(4,498,892)	(4,232,860)
Total PCWA Long-Term Debt	<u>\$ 90,341,589</u>	<u>\$ 87,774,045</u>	<u>\$ 114,264,218</u>	<u>\$ 109,879,421</u>	<u>\$ 105,298,207</u>	<u>\$ 100,704,140</u>	<u>\$ 97,247,752</u>	<u>\$ 90,325,633</u>	<u>\$ 82,209,715</u>	<u>\$ 76,894,995</u>
Per Customer (4)						2,919	2,722	2,539	2,266	2,033
Number of Customer Accounts(4)						<u>34,503</u>	<u>35,727</u>	<u>35,573</u>	<u>36,278</u>	<u>37,832</u>

- (1) In 2002, PCWA formed ID 37 - Merry Knoll. This improvement district was funded by a combination grant through the County of Placer and an internal loan, therefore no debt is reported in the audited financial statement.
(2) Certain ID No. 10 & 11 warrants have not been presented for payment, hence they remain as a liability.
(3) The revenue bonds are payable, both principal and interest, from any revenues of the Middle Fork Project (power revenues). These bonds are secured by water revenues however, pursuant to the 1963 power sales agreement with Pacific Gas & Electric Company, the debt service payments are made by PG&E.
(4) Information not readily available for years prior to 2002

Source: Placer County Water Agency Audited Financial Statement

TABLE # 14
Debt Service Coverage
Water System - Zone 1
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Service Coverage										
Net Water Revenues, Excluding Depreciation	\$ 3,778,107	6,420,332	10,715,850	28,854,493	20,140,788	47,994,506	16,968,912	48,003,642	57,564,733	36,648,317
Debt Service on Certificates and Other Parity Debt	<u>1,410,844</u>	<u>1,413,844</u>	<u>1,416,344</u>	<u>2,872,028</u>	<u>3,454,265</u>	<u>4,066,961</u>	<u>4,583,741</u>	<u>4,030,064</u>	<u>4,006,331</u>	<u>3,547,125</u>
Debt Service Coverage Ratio	<u>2.68</u>	<u>4.54</u>	<u>7.57</u>	<u>10.05</u>	<u>5.83</u>	<u>11.80</u>	<u>3.70</u>	<u>11.91</u>	<u>14.37</u>	<u>10.33</u>
Minimum Coverage Ratio (Per Debt Covenants)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Obligation Service Coverage										
Net Water Revenues, Excl. Depreciation as Adjusted by Water Purchases	\$ 3,778,107	6,591,570	10,973,483	29,166,553	20,325,645	48,139,015	17,149,332	48,490,916	57,842,311	37,101,063
Obligation Service	<u>1,697,973</u>	<u>1,585,082</u>	<u>1,674,076</u>	<u>3,184,088</u>	<u>3,776,325</u>	<u>3,598,764</u>	<u>4,583,741</u>	<u>4,030,064</u>	<u>4,006,331</u>	<u>3,547,125</u>
Obligation Service Coverage Ratio	<u>2.23</u>	<u>4.16</u>	<u>6.55</u>	<u>9.16</u>	<u>5.38</u>	<u>13.38</u>	<u>3.74</u>	<u>12.03</u>	<u>14.44</u>	<u>10.46</u>
Certificate Reserve Requirement										
Minimum Reserve Required	\$ 1,721,245	1,721,245	1,721,245	3,994,670	3,994,670	3,994,670	3,994,670	3,994,670	1,831,500	1,880,364
Actual Reserve Balance	<u>1,735,424</u>	<u>1,733,692</u>	<u>1,724,651</u>	<u>4,122,774</u>	<u>4,085,800</u>	<u>4,121,066</u>	<u>3,996,805</u>	<u>4,059,268</u>	<u>1,864,692</u>	<u>1,889,384</u>
Reserve Requirement Coverage	<u>1.01</u>	<u>1.01</u>	<u>1.00</u>	<u>1.03</u>	<u>1.02</u>	<u>1.03</u>	<u>1.00</u>	<u>1.02</u>	<u>1.02</u>	<u>1.00</u>

Source: Placer County Water Agency Audited Financial Statements

CHART #11
Debt Coverage

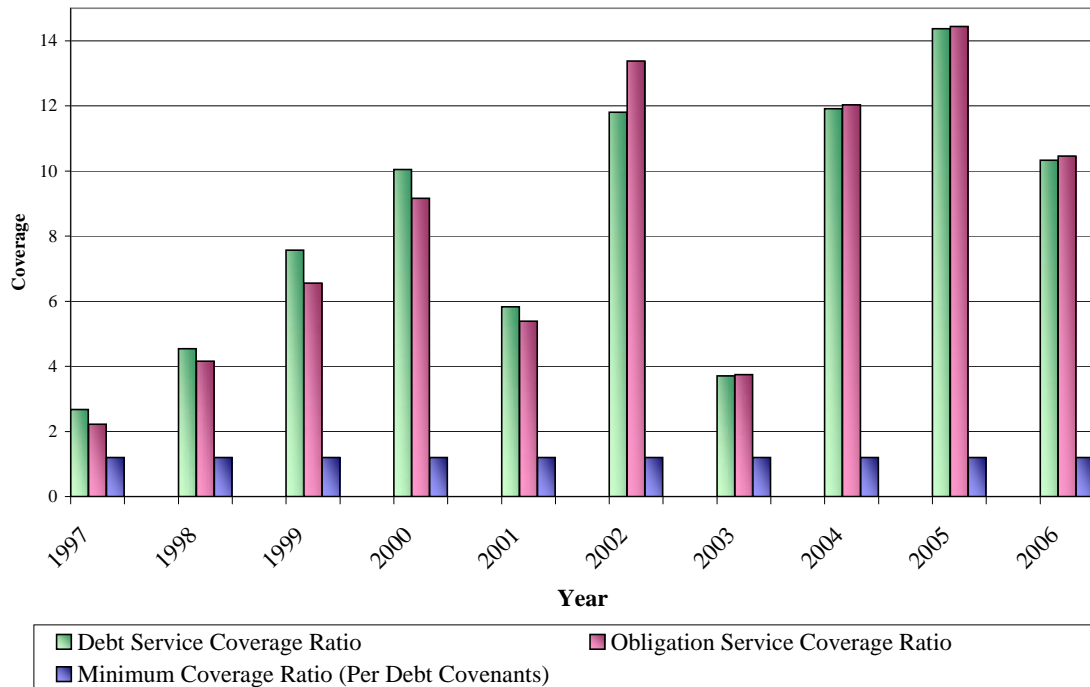


TABLE #15
Demographic and Economic Statistics
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Placer County										
Population	226,101	233,298	243,339	252,605	265,100	277,108	290,777	302,377	313,133	322,428
Annual % Change in Population	3.48%	3.18%	4.30%	3.81%	4.95%	4.53%	4.93%	3.99%	3.56%	2.97%
Total Personal Income (Millions)	\$ 6,798	7,551	8,346	9,153	9,816	10,209	10,947	11,933	*	*
Per Capita Personal Income	\$ 30,597	32,665	34,642	36,419	37,066	36,604	37,303	38,958	*	*
Unemployment Rate	4.7%	4.1%	3.2%	3.6%	4.0%	4.9%	5.1%	4.8%	4.3%	4.2%
State of California										
Population	32,452,789	32,862,965	33,418,578	34,098,740	34,784,382	35,392,960	35,990,107	36,522,026	36,981,931	37,444,385
Annual % Change in Population	1.53%	1.26%	1.69%	2.04%	2.01%	1.75%	1.69%	1.48%	1.26%	1.25%
Total Personal Income (Millions)	\$ 860,545	963,009	999,228	1,103,842	1,135,304	1,147,716	1,184,265	1,262,306	*	*
Per Capita Personal Income	\$ 26,490	28,374	29,828	32,463	32,882	32,803	33,400	35,219	*	*
Unemployment Rate	6.4%	6.0%	5.3%	4.9%	5.4%	6.7%	6.8%	6.2%	5.4%	4.9%

Source:

Population Data Source: California Department of Finance. Table E-6. Population as of July 1st of each year.

Unemployment Data Source: State of California, Employment Development Department.

Personal Income Data Source: Bureau of Economic Development, Table CA1-3

* Data not available for time period.

CHART #12
Annual Percentage Change in Population
1997-2006

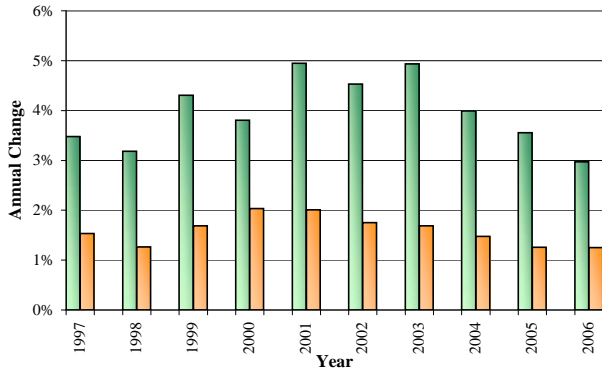


CHART #13
Unemployment Rate
1997-2006

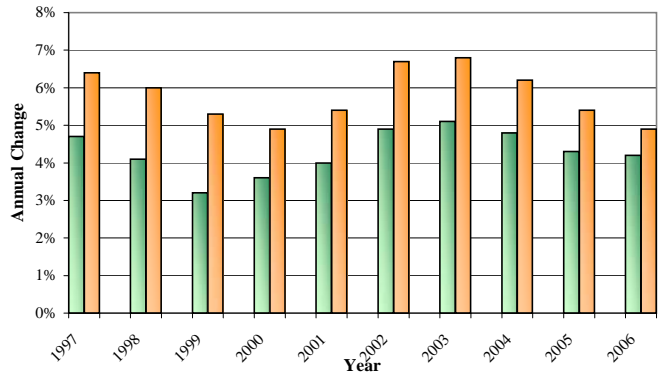
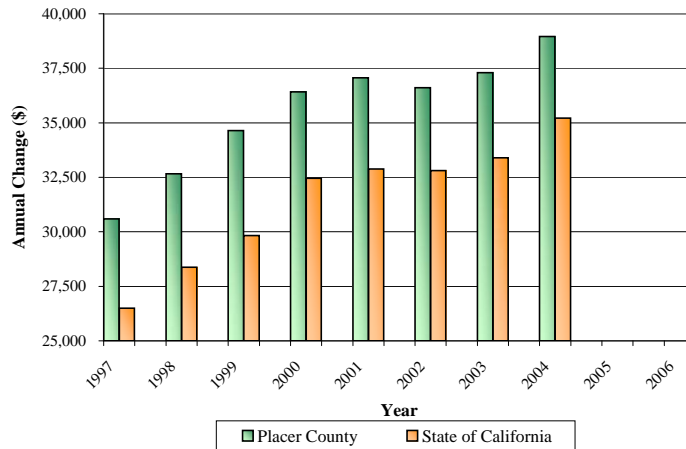


CHART #14
Per Capita Personal Income
1997-2006



**TABLE #16
Principal Employers of Placer County
Current Year and Nine Years Ago**

2006			1997		
<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Hewlett-Packard Co.	4,000	2.53%	Hewlett-Packard Co.	4,000	3.82%
Placer County	2,527	1.60%	Placer County	2,064	1.97%
Kaiser Permanente	1,980	1.25%	NEC Electronics America Inc.	2,050	1.96%
City of Roseville	1,288	0.81%	PRIDE Industries Inc.	1,839	1.76%
Raley's Inc.	1,251	0.79%	Union Pacific Railroad Co. Inc.	1,600	1.53%
Squaw Valley Ski Corp.	1,200	0.76%	Sutter Roseville Hospital	1,356	1.30%
Union Pacific Railroad Co. Inc.	1,100	0.70%	Sutter Auburn Faith Hospital	788	0.75%
Wal-Mart Stores Inc.	1,053	0.67%	City of Roseville	751	0.72%
PRIDE Industries Inc.	1,050	0.66%	Sierra College	733	0.70%
Sutter Health	985	0.62%	Kaiser Permanente	550	0.53%
Total Largest Employers	16,434	10.39%		15,731	15.04%
Total All Employers	158,250	100.00%		104,600	100.00%

Source: County of Placer - Data as of March 2006

TABLE #17
Personnel Trends by Agency Department
Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agency Wide										
General Manager's Office	3.5	3.5	3.5	3.5	5.0	5.0	4.0	2.0	2.0	2.0
Administrative Services	4.0	4.0	4.0	4.0	9.0 (2)	9.0	10.0	13.0	13.0	14.0
Financial Services	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
Resource Development (1)	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0	2.0	5.0
Strategic Affairs	2.5	2.5	2.5	2.5	1.0	1.0	1.0	1.0	1.0	1.0
Total Agency Wide	16.0	16.0	16.0	16.0	21.0	21.0	23.0	25.0	25.0	29.0
Water Division										
Customer Services	22.0	22.0	24.0	27.0	24.0 (2)	25.0	28.0	28.0	28.0	29.0
Field Services	43.0	43.0	43.0	46.0	49.0	50.0	50.0	50.0	50.0	52.0
Technical Services	40.0	40.0	40.0	41.0	44.0	44.0	46.0	46.0	46.0	51.0
Total Water Division	105.0	105.0	107.0	114.0	117.0	119.0	124.0	124.0	124.0	132.0
Power Division										
Total Power Division	16.0	16.0	16.0	17.0	17.0	17.0	17.0	18.0	18.0	18.0
Total Power Division	16.0	16.0	16.0	17.0	17.0	17.0	17.0	18.0	18.0	18.0
Total Employees	137.0	137.0	139.0	147.0	155.0	157.0	164.0	167.0	167.0	179.0

- (1) Resource Development Department established in 2003 and renamed in 2005. Formerly Planning Services.
(2) Information Systems Division moved from Customer Services Department to Administrative Services Department in 2001.
(3) 8 new positions added in 2000 and 2001.
7 New positions added in 2003.
12 new positions added in 2006.

Source: Placer County Water Agency Administrative Services Department

CHART #15
Personnel Trends
1997-2006

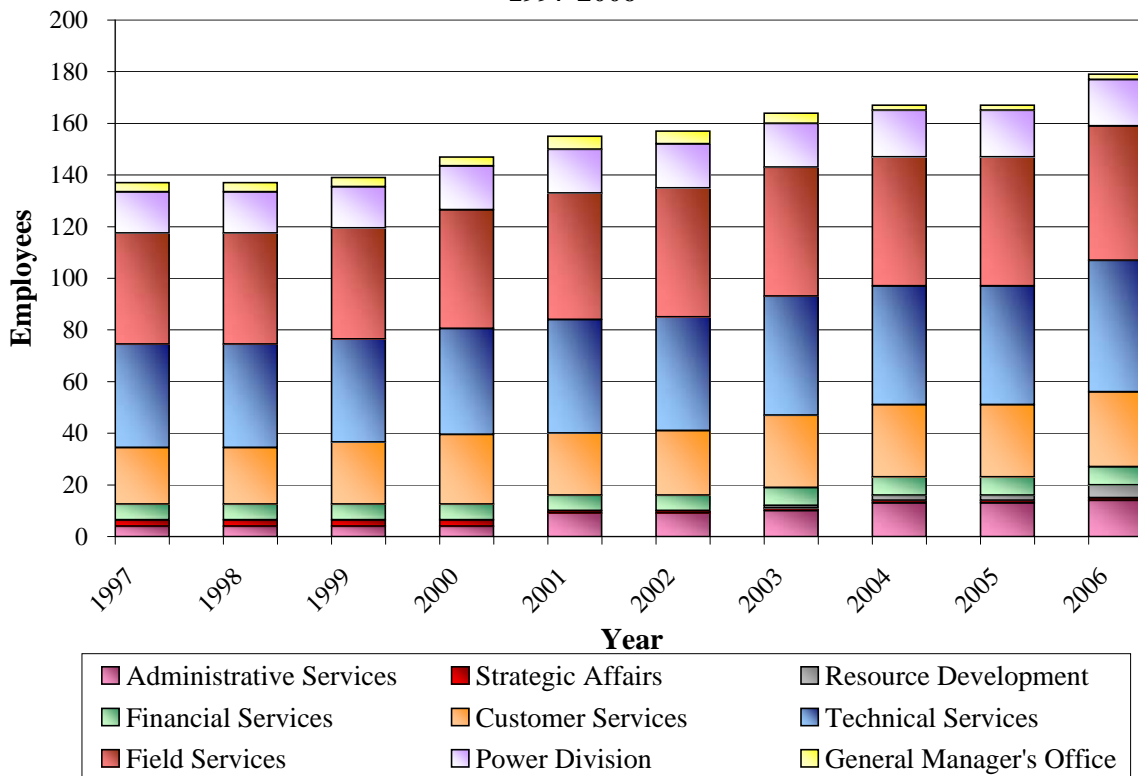


TABLE #18
Water and Power Operational Statistics
Last Ten Years

WATER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Facilities										
Miles of Main Line - Treated	381	385	407	422	447	468	478	488	508	519
Miles of Canals - Raw	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) (1)	44	44	44	47	47	50	50	50	78	78
Number of Pumping Stations	10	10	10	10	11	11	11	11	11	12
Number of Storage Tanks/Reservoirs	26	26	26	28	29	29	29	29	29	32
Water Received (in Acre-Feet):										
Lake Spaulding via Drum Canal	103,782	83,827	100,085	95,287	96,464	92,017	91,896	95,017	92,301	93,242
American River (Middle Fork Project)	3,232	2,654	4,923	4,436	3,648	11,017	5,520	12,546	3,475	3,591
Canyon Creek	3,093	3,425	2,589	3,344	3,149	2,617	2,844	2,426	3,722	3,031
Nevada Irrigation District	-	-	-	-	-	-	-	741	731	1,806
South Sutter Water District	-	-	-	5,003	2,815	-	-	4,326	5,647	5,000
PG&E Zone 3 Supply	7,776	5,926	8,847	9,022	9,498	10,087	8,605	9,965	7,858	8,799
Lahontan Domestic Well	(2)	1	34	8	7	23	30	52	51	73
Lahontan Irrigation Well	(2)	(2)	833	761	875	755	708	713	579	542
Total Supply	117,883	95,833	117,311	117,862	116,456	116,516	109,603	125,786	114,363	116,084
Water Delivered/Billed (Acre-Feet):										
Treated Water Delivered	19,620	17,523	20,967	21,915	25,821	26,928	27,793	33,268	33,307	36,091
Treated Water % of Total	19.2%	18.3%	18.4%	20.9%	25.1%	25.7%	26.7%	30.5%	30.9%	28.7%
Raw Water Billed (3)	82,801	78,458	93,237	82,909	77,148	77,780	76,282	75,674	74,375	89,556
Raw Water % of Total	80.8%	81.7%	81.6%	79.1%	74.9%	74.3%	73.3%	69.5%	69.1%	71.3%
Total Water Delivered/Billed	102,421	95,981	114,204	104,824	102,969	104,708	104,075	108,942	107,682	125,647
Average Per Day	281	263	313	287	282	287	285	298	295	344
Sales (Millions):										
Treated Water Sales (4)	8.0	6.2	9.7	11.8	12.8	14.3	15.6	17.6	19.0	21.7
Treated Water % of Total	83.3%	82.7%	82.9%	80.8%	83.7%	84.1%	85.2%	85.4%	86.0%	87.1%
Raw Water Sales (4)	1.6	1.3	2.0	2.8	2.5	2.7	2.7	3.0	3.1	3.2
Raw Water % of Total	16.7%	17.3%	17.1%	19.2%	16.3%	15.9%	14.8%	14.6%	14.0%	12.9%
Total Water Sales	9.6	7.5	11.7	14.6	15.3	17.0	18.3	20.6	22.1	24.9
Billings, Collections & Delinquencies: (5)										
Water Billings (6)	\$10,792,776	10,765,573	12,635,902	17,493,882	17,501,440	19,242,176	20,840,418	24,270,286	27,861,596	34,159,636
Collections	10,700,080	10,685,017	12,605,111	17,491,536	17,495,923	19,179,442	20,816,742	24,235,177	27,826,538	34,127,743
Uncollectible	92,696	80,556	30,790	2,345	5,517	62,734	23,675	35,109	35,058	31,893
Collection Percentage	99.14%	99.25%	99.76%	99.99%	99.97%	99.67%	99.89%	99.86%	99.87%	99.91%
POWER										
Facilities:										
Power Plants	5	5	5	5	5	5	5	5	5	5
Miles of Tunnels	24	24	24	24	24	24	24	24	24	24
Storage Reservoirs	2	2	2	2	2	2	2	2	2	2
Annual Megawatt Hours (Millions) (7)	1.3	1.4	1.2	1.1	0.6	0.6	1.1	1.0	1.1	1.1

(1) MGD = Million Gallons per Day

(2) No reliable data for water supplied from the Lahontan wells for 1997 and 1998.

(3) Raw Water is amount billed, not necessary delivered or consumed. Includes those customers purchasing in excess of current use to ensure availability for the future.

(4) Water Sales for 1997-1999 are Zone 1 only. Beginning in 2000, Water Sales include all zones.

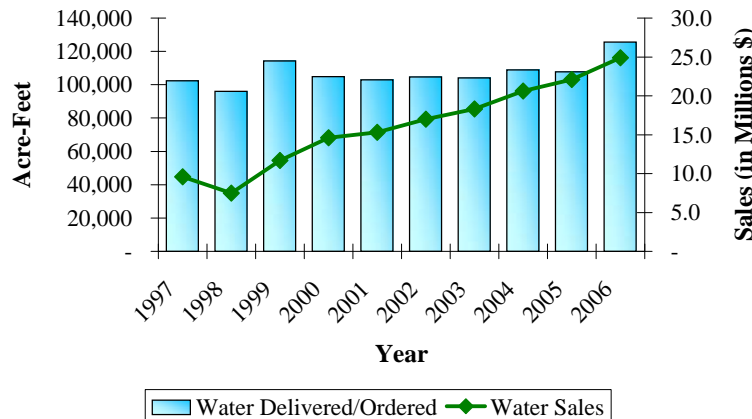
(5) Billings, Collections and Delinquencies reflect amounts for zone 1 only in years 1997-1999. Amounts for entire water system not available prior to implementation of new computer software in 2000.

(6) Water Billings includes the amount actually billed in the fiscal year, not the revenue received. Includes water sales, surcharges, renewal and replacement charges, certain other mandated costs, penalties and other similar charges.

(7) Actual Power Production.

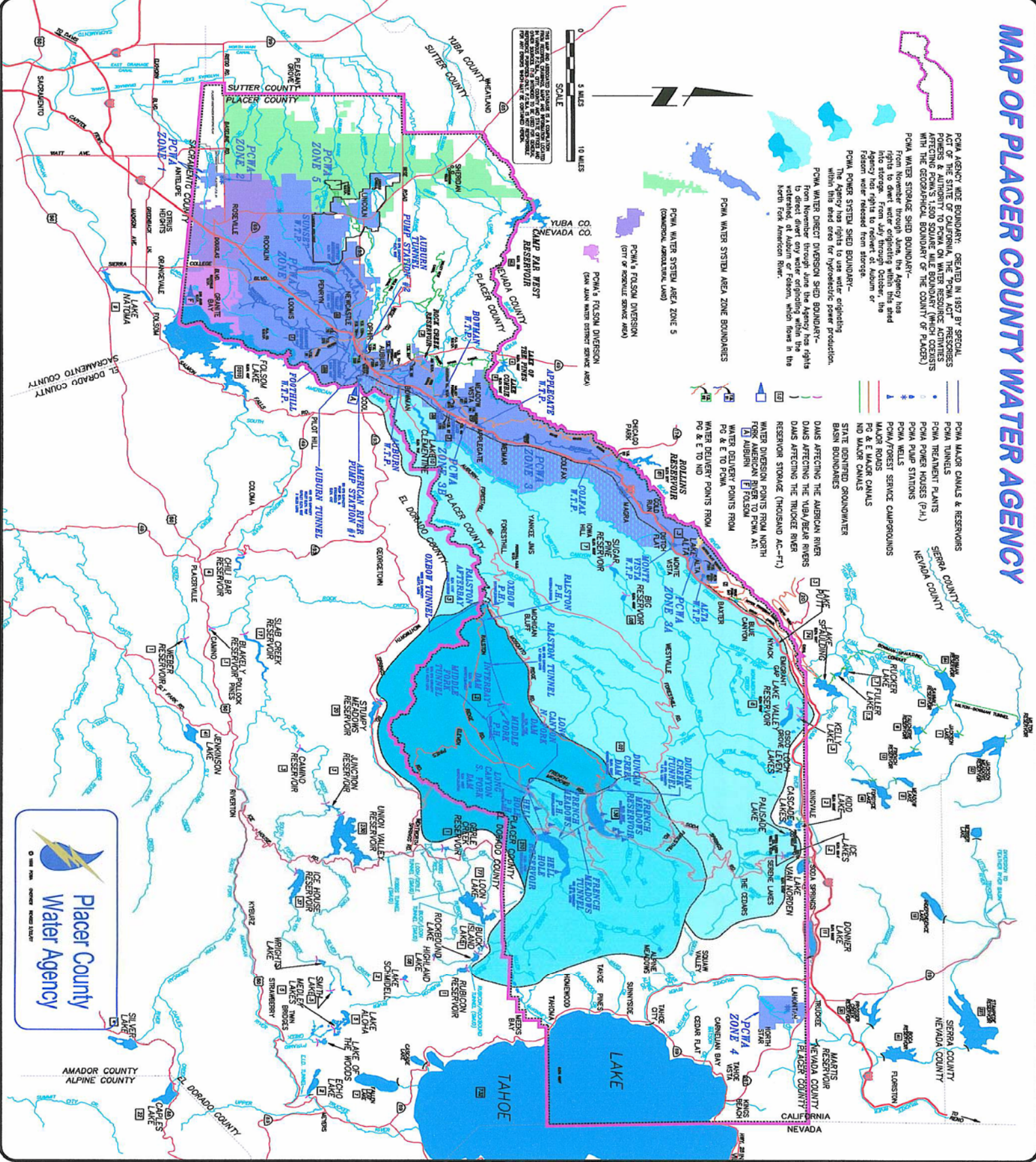
Source: Placer County Water Agency

CHART #16
Water Sales and Acre-Feet Ordered





MAP OF PLACER COUNTY WATER AGENCY



PCWA AGENCY AND BOUNDARY. CREATED IN 1937 BY SPECIAL ACT OF THE STATE OF CALIFORNIA, THE "PCWA ACT" PRESERVES POWERS & AUTHORITY TO PCWA ON WATER RESOURCE ACTIVITIES AFFECTING PCWA'S 1,500 SQUARE MILE BOUNDARY (WHICH COINCIDES WITH THE GEOGRAPHICAL BOUNDARY OF THE COUNTY OF PLACER).

PCWA WATER STORAGE SHED BOUNDARY. From November through June, the Agency has rights to divert water originating within this shed into storage. From July through October, the Agency has rights to divert water originating within this shed from storage.

PCWA POWER SYSTEM SHED BOUNDARY. The Agency has rights to use water originating within this shed area for hydroelectric power production.

PCWA WATER DIRECT DIVERSION SHED BOUNDARY. From November through June the Agency has rights to divert any water originating within the watershed of Auburn or Folsom, which flows in the North Fork American River.

PCWA WATER SYSTEM AREA ZONE BOUNDARIES

- PCWA WATER SYSTEM AREA, ZONE 5 (COMMERCIAL AGRICULTURAL LAND)
- PCWA'S FOLSOM DIVERSION (OFF OF FOLSOM SERVICE AREA)
- PCWA'S FOLSOM DIVERSION (SUN JAN WATER SERVICE AREA)

- PCWA MAJOR CANALS & RESERVOIRS
- PCWA TUNNELS
- PCWA TREATMENT PLANTS
- PCWA POWER HOUSES (P-H)
- PCWA PUMP STATIONS
- PCWA WELLS
- PCWA/FOREST SERVICE CAMPGROUNDS
- PC & E MAJOR CANALS
- NO MAJOR CANALS
- STATE IDENTIFIED GROUNDWATER BASIN BOUNDARIES
- DAMS AFFECTING THE AMERICAN RIVER
- DAMS AFFECTING THE YUBA/BEAR RIVERS
- DAMS AFFECTING THE TRUCKEE RIVER
- RESERVOIR STORAGE (THOUSAND AC.-FT.)
- WATER DIVERSION POINTS FROM NORTH FORK AMERICAN RIVER TO PCWA AT:
 - A AUBURN
 - F FOLSOM
- WATER DELIVERY POINTS FROM PC & E TO PCWA
- WATER DELIVERY POINTS FROM PC & E TO NID



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