

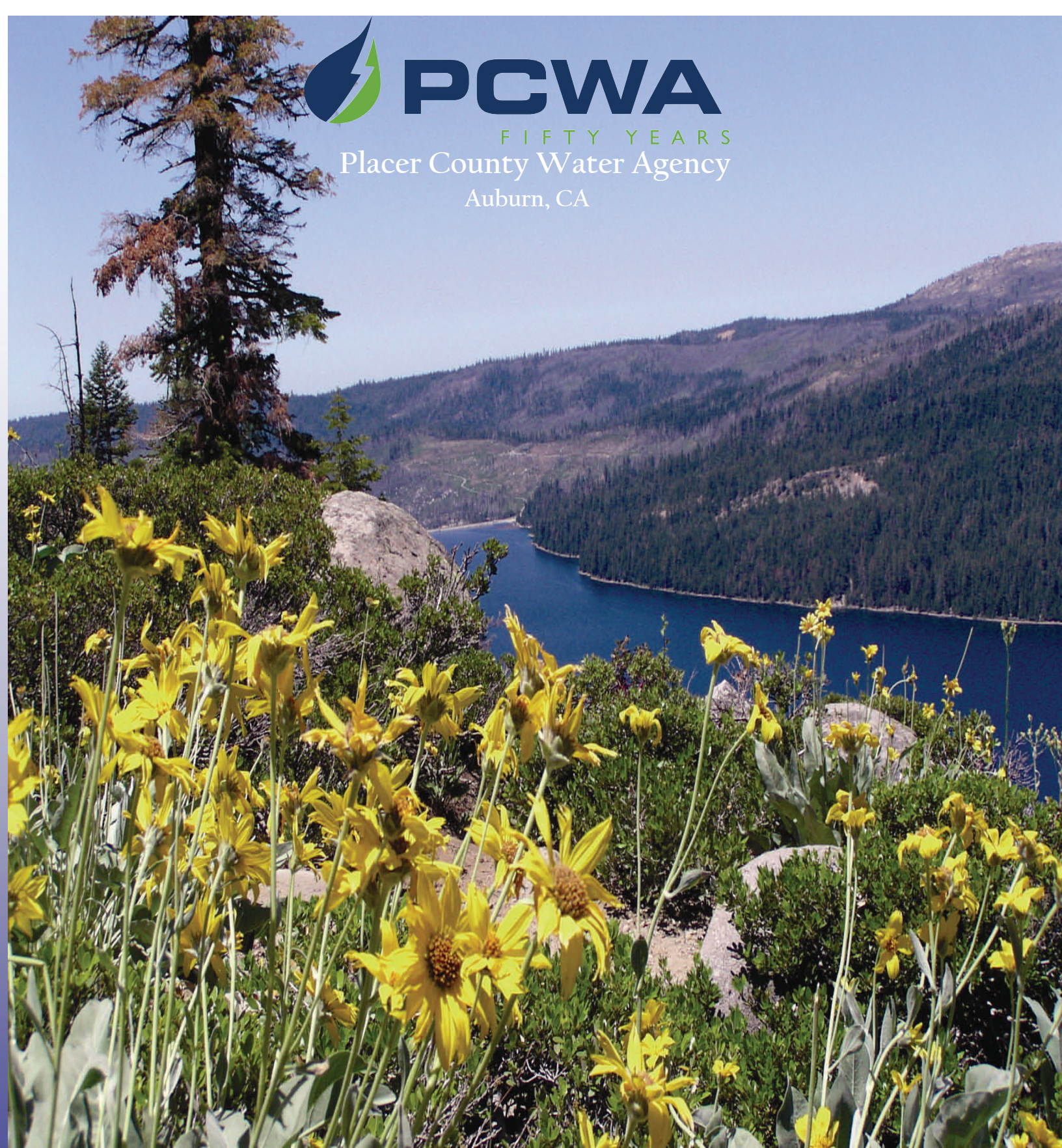


**PCWA**

FIFTY YEARS

Placer County Water Agency

Auburn, CA



# Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2007

2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007



PLACER COUNTY WATER AGENCY  
AUBURN, CALIFORNIA  
[WWW.PCWA.NET](http://WWW.PCWA.NET)

PREPARED BY THE DEPARTMENT OF FINANCIAL SERVICES

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**50 years of service. One reliable future.**



BOARD OF DIRECTORS

Gray Allen, District 1  
Alex Ferreira, District 2  
Lowell Jarvis, District 3  
Mike Lee, District 4  
Otis Wollan, District 5

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May 13, 2008

The Honorable Board of Directors and General Manager  
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, 2007. This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) and should be read in conjunction with it.

The California 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 operating budget units: Agency Wide, Water System and Power System.

### ***Agency Wide***

Agency Wide provides the water and energy advocacy and 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 serves as a local water resources management and stewardship entity striving to protect the watershed, water ways and water quality important to the people, lands and ecosystems of the County. PCWA holds extensive surface water entitlements on the Middle Fork American River. Water is sold wholesale to various water purveyors who retail it to their customers. Agency Wide wholesales water to the City of Roseville, San Juan Water District, Sacramento Suburban Water District, PCWA Zone 1 & 5, as well as California-American Water Company. 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 3 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, 3 primary storage reservoirs (French Meadows, Hell Hole and Ralston) 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 acquired its first and primary water system in 1968. With subsequent acquisitions and growth, 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, 32 water tanks and more than 525 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. Additionally, in the early 1980's with the purchase of the Zone 3 service area, the Agency acquired an additional water supply contract of 25,000 AF to serve that Zone 3 service area in the upper Western Water System. This brings the total delivered from the Yuba and Bear Rivers to 125,400 AF.

*Middle Fork Project.* In addition to the 125,400 AF available from the Yuba and Bear Rivers, 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 65,000 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 has long-term surface water supply 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 contracts to sell the Sacramento Suburban Water District up to 29,000 AF of surface water annually, until such time as that water is needed for use in Placer County. In

2007, the dry spring reduced water inflows into Folsom Reservoir, which coupled with the conditions imposed by the State Water Resources Control Board resulted in insufficient water available to fulfill the entire Sacramento Suburban Water District contract. Based on this past winter's snow pack, we anticipate being able to provide the contracted amount of water for 2008. PCWA provides water service to retail customers within the County in addition to supplying water on a wholesale basis, for example, the City of Lincoln.

### ***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 (CIP). Both serve as the foundation for the Agency's financial planning and fiscal 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 budget and increases to the operating budget require Board approval.

### ***Significant Events and Accomplishments***

In January, the Agency commissioned an actuarial study on its Post Employment Benefits (OPEB), which currently includes only the retiree medical benefits. The actuarial study results, based on a January 2007 valuation date, projected the pay-as-you-go basis unfunded actuarial liability at \$19,990,000, or the full prefunding program with an irrevocable trustee unfunded actuarial liability at \$12,656,000. Presented to the Board of Directors for consideration in August, the Board approved pursuing the full prefunding program. Over the next 10 years, the annual required contribution ranges from \$1,578,000 to \$2,105,000 with the 2008 contribution being \$1,578,000. For 2008, the Agency has incorporated the required annual contribution in the annual operating budget.

PCWA continued its water rate structure analysis and evaluation of the Best Management Practices (BMP) 11 recommendation to move the water rate structure towards a 70% volumetric pricing or use an alternative calculation based on a Canadian Model. The Agency performed the calculation of BMP 11's Canadian Model resulting in the Agency being in compliance with the BMP 11 standards without changing its water structure pricing. Further, the fixed vs. variable

operating costs analysis yielded an expected high fixed operating cost percentage with the water system's cost being split 95% to 5% for fixed and variable operating costs, respectively. This high fixed operating cost percentage is consistent with industry standards.

In March, the Agency developed and distributed its first Budget-in-Brief for the 2007 Budget Year.

In April, the Agency was awarded a \$20 million of a low interest (2.29%) State Revolving Fund loan through the California Department of Water Resources for reimbursement of funds spent to construct the Auburn Water Treatment Plant.

In April, the Board of Directors adopted a debt management policy, which had been developed and evaluated over the past six plus months.

In June, the Agency prepared for its first new money debt issuance in nine years by updating the rating agencies about the Agency and its current financial position. The Agency received strong bond ratings from both Standard & Poor's and Moody's (rating agencies), which were **AA-** and **A1**, respectively.

In the Fall, the Agency celebrated its 50<sup>th</sup> anniversary with various recognition activities, a new contemporary logo and other festivities.

Also in the Fall, the relining of the Middle Fork tunnel surge shaft was substantially completed, ending over five years since the concrete liner was found cracked with hillside leaking. As part of the power system contract, this approximately \$20 million project was paid by PG&E.

September 2007, the North Fork of the American River was restored to its historic river channel, which was closed in the early 1970's to make way for the Auburn Dam.

In October, after scaling back projected capital investment program needs in line with the development and construction slow down, the Agency issued \$33.6 million in new monies debt. These 2007 Certificates of Participation were issued to finance: 1) The completion the construction of the Auburn Tunnel Ravine Pump Station, a water system expansion, totaling approximately \$20 million, and 2) the rehabilitation of the existing water system infrastructure including portions of the Boardman Canal, Bowman Canal Siphon and other projects totaling approximately \$13 million.

November 2007, the Agency submitted documents for the MFP Water Rights Permit Extension to the State Water Resources Control Board.

Compilation and completion of the Agency's first Comprehensive Annual Financial Report (CAFR) was completed for the year ending 2006. The roots of this started several years ago and finalizing the CAFR was a milestone accomplishment.

In December, as a milestone for the MFP relicensing process, the Agency submitted to the FERC the Notice of Intent and Pre-Application Document (PAD). The PAD included 28 technical study plans that were approved by all process stakeholders.

## **ECONOMIC CONDITIONS OF PCWA**

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

### ***Placer County Economy***

Beginning in 2006 and continuing throughout 2007, construction of new housing units slowed with housing permits declining by almost 40%. This is a direct impact to the Agency as Water Connection Charge revenues, charges for new water service, declined from \$16.7 million in 2006 to \$4.4 million in 2007 with new service connection units the lowest in 12 years. Correspondingly, the Agency reprioritized and scaled back its near term CIP.

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 4% annually.

The long-term forecast for the County's growth is strong, and after the current growth slow down is over, the County's growth is expected to continue into the next decade. The population is expected to reach almost 350,000 by 2010 and 428,000 by 2020, an increase of nearly 32% over the current population.

Even with the current development slow down, the County's unemployment is low by comparison with the State at 4.8% in July 2007 compared to 5.3% for the State. Per capita income is \$41,248, over 110% of the state level.

### ***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 rates 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.

PCWA is constantly updating its comprehensive financial plan, most recently to include a water rate analysis with emphasis on a volumetric structured rate, updating the water connection charge (WCC) model, and the financing plan for funding the near-term 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 decisions and a benchmark for monitoring financial activities.

### **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 with current 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. 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**

Initially adopted in 2005, the Agency's *Net Asset Reserve and Designation Policy* was revised slightly in June 2007 to increase certain funding targets, establish aggregate funding amounts, and set the Specified Revenue Designation accounts apart from other designation accounts as each has identified revenues and expenses. 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 provides 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**

In April 2007, the Agency adopted its first *Debt Management Policy*, which 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 is intended to provide guidance for debt structure, its justification and evaluation. 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***

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 2008, both the House of Representatives and the Senate approved S2739 authorizing the transfer of the pump station to the Agency after completion. This transfer is now pending Presidential signatory, if vetoed, 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 hydroelectric facilities on the Middle Fork of American River is due to expire in 2013. The Agency submitted the Preliminary Application Document (PAD) and the Notice of Intent (NOI) in December 2007. Included in the relicensing efforts, PCWA prepared 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 preparing a financial plan to identify the comprehensive costs associated with the (MFP) as those costs change from the existing business model under the PG&E power purchase contract and the separately financed FERC Relicensing efforts to jointly approving electrical energy sales by the County of Placer and Placer County Water Agency as part of the Middle Fork Project Finance Authority (MFPFA). The preparation of this financial plan includes exploring alternatives for the marketing and sale of the electricity and ensuring financial stability during the transition from the 50 year power purchase contract with PG&E to being financially independent.

In 2007, the Agency started drafting the financial plan for the post 2013 management and operation of the Middle Fork Project hydroelectric facility. The financial plan will include the comprehensive costs associated with the MFP operation, dispatch and the sale of energy.

## **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 flows and maintains a bond ladder so that investment maturities correspond with cash outflow needs. Cash liquidity is also provided using a combination of high yield bank accounts and the State of California's investment pool, 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 workforces. 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, 2007 is an unqualified "clean" opinion.

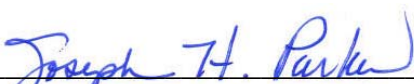
### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Placer County Water Agency for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the first year that the Agency has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Placer County  
Water Agency, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# Placer County Water Agency

December 31, 2007

## **Board of Directors**

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

## **Agency Officials**

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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**

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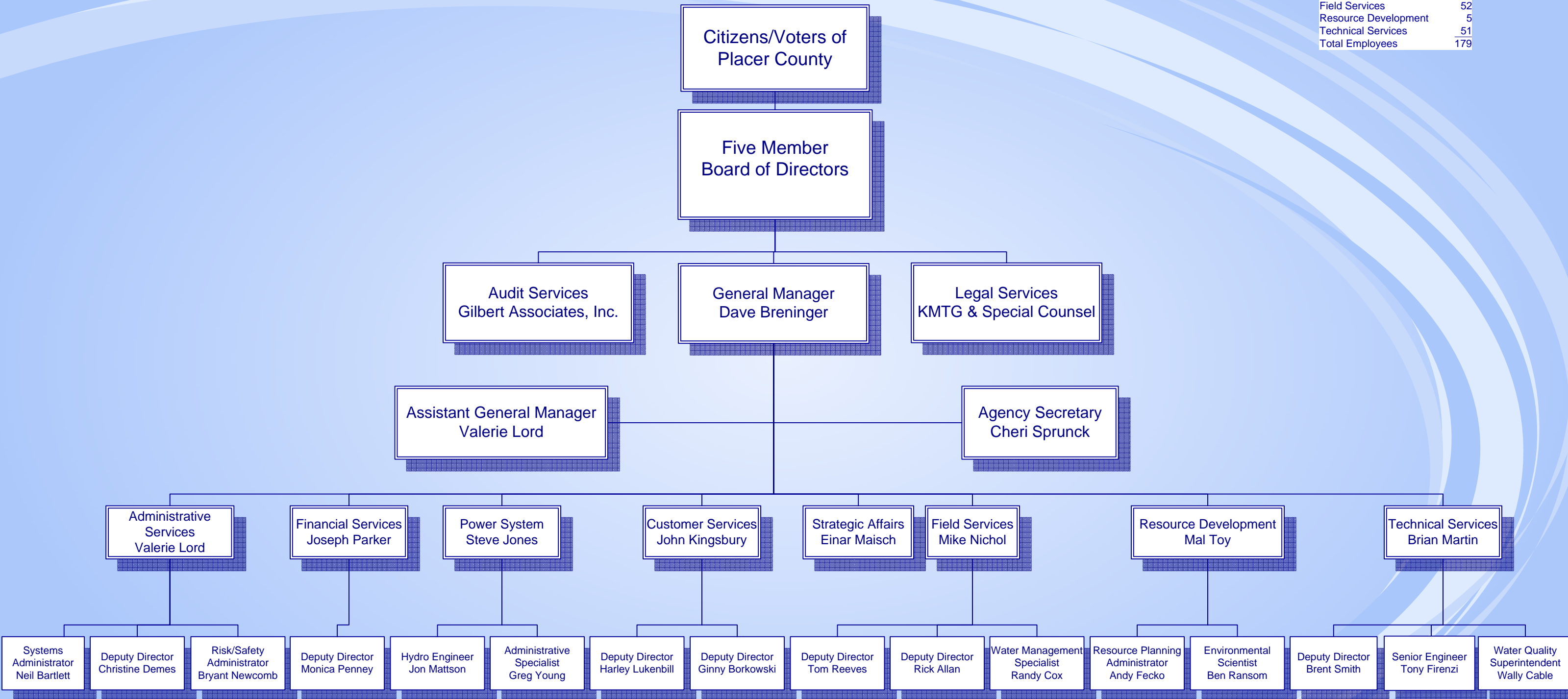
Prepared by the Placer County Water Agency  
Financial Services Department

Director of Financial Services	Joseph Parker, CPA
Deputy Director of Financial Services	Monica Penney
Financial Analyst	Roberta Meyer



# 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
<b>Total Employees</b>	<b>179</b>



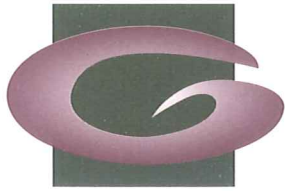
Water

Energy

**PCWA**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Placer County Water Agency (the Agency), as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2007, 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 13, 2008 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 comprise of the Agency's basic financial statements. The introductory section, statistical schedules, and supplemental schedules 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 combining financial statements as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical schedules, and other supplemental schedules as listed in the table of contents 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**  
**Sacramento, California**

**May 13, 2008**

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

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, 2007. 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
- Long-term Debt
- Economic Factors and Next Year's Budget and Rates
- Request 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 1,500 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 operations division is 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 hours 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 30 water tanks, more than 525 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, 2007

### 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 Fund*

The Agency's proprietary fund consists of 3 divisions, 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 serve 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 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 can be found on pages 70 through 78.

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

### 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 2007

- At December 31, 2007, the Agency's total assets exceeded the total liabilities by \$523.1 million (*net assets*), which is an increase of \$50.6 million or 10% over the 2006 year-end balance.
- Current assets increased \$5.5 million or 10%, which is primarily the result of an increase in accounts receivable of \$10 million coupled with a decrease in \$5 million of cash due to spending on CIP projects.
- Restricted assets for 2007 are included in the current and non-current amounts rather than reported separately, hence, the 2006 and 2005 amounts were reclassified accordingly.
- Non-current assets, other than capital assets, increased by \$17.1 million or 22%, which is primarily the result of additional long term investments of \$12.6 million, a decrease in restricted investments of \$8.2 million as funds have been spent on CIP projects and an increase in restricted investments with fiscal agent of \$14 million for 2007 debt proceeds held at fiscal agent.
- Operating revenue increased by \$17.3 million in 2007, an increase of 39% over the previous year. 2007 operating revenue at the division level changed from prior year as follows: Agency Wide was down by \$197 thousand, Water System increased \$2.5 million and Power System increased by \$14.9 million. The increase in Water System revenues was a result of increased water flows with the very dry spring in 2007 coupled with a rate adjustment. The increase in Power System revenues is the result of additional reimbursement from more non-routine maintenance and additions and betterments, primarily the Middle Fork Tunnel Surge Shaft project.
- Operating expense increased by \$8 million to \$42.2 million. 2007 operating expense at the division level changed from prior year as follows: Agency Wide increased \$1 million, Water System increased \$5.6 million and Power System increased \$1.7 million. The Water System increase in expenses is due primarily to material cost of concrete, steel, and copper as well as utility increase of fuel. The dry spring resulted in additional treatment costs of chemicals and pumping as well as more guniting being performed.
- Non operational revenue decreased by \$11.5 million. This decrease resulted primarily from the \$12 million decrease in water connection charge revenue. Fewer new water connections in 2007 compared to 2006 resulted in connection charge revenue decreasing from \$16.7 million to \$4.4 million. This amount varies 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 \$5 million. This amount will vary year-to-year depending on the Agency's acceptance of completed infrastructure projects.
- In June, the Agency prepared for its first new money debt issuance in nine years by updating the rating agencies about the Agency and its current financial position. The Agency received strong bond ratings from both Standard & Poor's and Moody's (rating agencies), which were AA- and A1, respectively. The AA- from Standard & Poor's was an upgrade from the prior rating.

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

### *Financial Position*

In 2007, the Agency's net assets increased by \$50 million to \$523 million, which is a result of a combination of activities: assets increasing \$86.5 million and liabilities increasing \$35.9 million. Generally, the \$50 million increase in net assets is because of the following: Current assets increasing \$5.5 million, which is primarily the result of an increase in accounts receivable of \$10 million coupled with a decrease in \$5 million of cash due to spending on CIP projects; Capital assets increasing \$63.8 million from 2007 project construction. Further, total liabilities increased \$35.9 million, which is comprised of the October 2007 debt financing of \$33.6 million, as well as additional accounts payable resulting from construction.

**Table 1**  
**Net Assets**  
**(In thousands)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Variance</u> <u>2006-2007 (\$)</u>	<u>Variance</u> <u>2006-2007 (%)</u>
Current assets	\$ 59,599	54,093	43,431	5,506	10%
Non-current assets	95,680	78,528	130,354	17,152	22%
Capital assets	499,366	435,536	338,111	63,830	15%
Total assets	654,645	568,157	511,896	86,488	15%
Current liabilities	31,931	22,789	20,655	9,142	40%
Non-current liabilities	99,601	72,836	78,107	26,765	37%
Total liabilities	131,532	95,625	98,762	35,907	38%
Net Assets:					
Investment in capital assets, net of related debt	414,953	364,863	262,721	50,090	14%
Restricted	42,422	54,057	109,493	(11,635)	-22%
Unrestricted	65,738	53,612	40,920	12,126	23%
Total net assets	523,113	472,532	413,134	50,581	11%
Total liabilities and net assets	\$ 654,645	568,157	511,896	86,488	15%

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

### 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>2007</u>	<u>2006</u>	<u>2005</u>	<u>Variance</u> <u>2006-2007 (\$)</u>	<u>Variance</u> <u>2006-2007 (%)</u>
Operating Revenue:					
Agency Wide	\$ 972	1,169	1,395	(197)	-17%
Power	31,184	16,233	12,308	14,951	92%
Water	29,027	26,514	23,577	2,513	9%
Total operating revenue	61,183	43,916	37,280	17,267	39%
Operating Expense:					
Water Treatment	5,070	3,866	3,934	1,204	31%
Electrical Operations	1,475	1,260	1,167	215	17%
Transmission & Distribution of Treated Water	2,599	1,976	1,659	623	32%
Transmission & Distribution of Raw Water	6,380	3,951	2,369	2,429	61%
Customer Service and Collections	3,057	2,922	838	135	5%
Repairs and Maintenance	1,462	1,432	1,246	30	2%
General and Administrative	9,471	7,197	8,110	2,274	32%
Depreciation	9,537	7,338	7,043	2,199	30%
Other	3,142	3,923	4,390	(781)	-20%
Total operating expense	42,193	33,865	30,756	8,328	25%
Net operating income	18,990	10,051	6,524	8,939	89%
Non-operating revenue					
Mandated Costs Charges	3,477	3,068	2,676	409	13%
Water Connection Charges	4,426	16,718	41,854	-12,292	-74%
Renewal & Replacement Charges	8,051	5,556	3,073	2,495	45%
Costs Recovered from Other Agencies	6,966	8,486	560	-1,520	-18%
Interest Earnings	4,776	5,136	4,174	-360	-7%
Other	2,676	2,902	2,064	-226	-8%
Total non-operating revenue	30,372	41,866	54,401	-11,494	-27%
Non-operating expense					
Interest Expense	3,545	3,296	3,125	249	8%
Other	371	334	1,827	37	11%
Total non-operating expense	3,916	3,630	4,952	286	8%
Income before capital contributions	45,446	48,287	55,973	-2,841	-6%
Capital contributions	5,135	11,111	8,083	-5,976	-54%
Change in net assets	50,581	59,398	64,056	-8,817	-15%
Beginning Net Assets	472,532	413,134	349,078	59,398	14%
Ending Net Assets	\$ 523,113	472,532	413,134	50,581	11%

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

As presented in Table 2, the Agency's 2007 total operating revenue of \$61.2 million was an increase of \$17.2 million over the 2006 amount. The total operating expense increased \$8.3 million resulting in increased net operating income by \$8.9 million.

Overall, the Agency's change in net assets for the year, including capital contributions, decreased by \$8.8 million over the 2006 change in net assets. This was primarily the result of non-operating activities:

- Non-operating revenue increased in the following categories: \$2.5 million of renewal and replacement charge revenue and \$409,000 of mandated charges. These increases are primarily a result of rate increases. Non-operating revenue decreased by \$12 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: 2002 \$38.2 million, 2003 \$8.8 million, 2004 \$35.9 million, 2005 \$41.9 million, 2006 \$16.7 million, and 2007 \$4.4 million. The Agency anticipates substantial year-to-year fluctuations; hence, the budgeting is conservative.

### *Amended Budget*

Annually, the Agency's Board of Directors adopts Operating and Capital Investment Program budgets. As stated in the Agency's Budget Policy, the budgets are considered "flexible budgets" which may be changed as activity levels change. A 2007 operating budget comparison and analysis is presented in Table 3 below:

**Table 3**  
**2007 Amended Budget and Actual**  
**(In thousands)**

	<b>2007</b>	<b>2007</b>	
	<b>Amended</b>	<b>Actual</b>	<b>Variance</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
Revenue:			
Operating:			
Agency Wide	\$ 733	972	239
Power Division	31,184	31,184	-
Water Division	28,624	29,027	403
Subtotal	<u>60,541</u>	<u>61,183</u>	<u>642</u>
Non-operating	<u>19,886</u>	<u>30,372</u>	<u>10,486</u>
Total revenue	<u>80,427</u>	<u>91,555</u>	<u>11,128</u>
Expense:			
Operating:			
Agency Wide	1,873	1,974	(101)
Power Division	5,889	5,889	-
Water Division	22,616	24,795	(2,179)
Depreciation	6,122	9,535	(3,413)
Subtotal	<u>36,500</u>	<u>42,193</u>	<u>(5,693)</u>
Non-operating-interest & debt expense	<u>3,498</u>	<u>3,916</u>	<u>(418)</u>
Total expense	<u>39,998</u>	<u>46,109</u>	<u>(6,111)</u>
Income before capital contributions	40,429	45,446	5,017
Capital contributions (not budgeted)	-	5,135	5,135
Change in net assets	<u>\$ 40,429</u>	<u>50,581</u>	<u>10,152</u>

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

As presented in Table 3, the 2007 Budget vs. Actual, non-operating revenue's positive variance is primarily due to cost recovered from other agencies. These reimbursements are for the large part from the MFP Finance Authority for relicensing efforts which are capitalizable, hence not expended. The operating expense variance is primarily a result from under budgeting for depreciation and the Agency's reprioritization of the water system capital investment program which resulted in certain projects being canceled or postponed due to the decrease in the housing development.

### CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

The largest portion of the Agency's net assets, 79% or \$415 million represents investment in capital assets necessary to provide existing and expanding services. The year's increase of 11% in total net assets is consistent with the Agency's capital investment program, as in 2007 an additional \$63.9 million was capitalized to capital assets.

At the end of 2007, the Agency had invested \$499 million in a broad range of infrastructure including water and power facilities, storage, transmission and distribution facilities, maintenance and administration facilities, vehicles and equipment. The summary of capital assets is presented in note 3 to the basic financial statements. Table 4 provides a summary of capital assets for years-ended 2007, 2006 and 2005 as follows:

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Increase</u> <u>2006-2007 (\$)</u>	<u>Increase</u> <u>2006-2007 (%)</u>
Land	\$ 8,900	8,835	2,382	65	1%
Utility plant	394,523	346,697	321,805	47,826	14%
Other property and equipment	31,239	11,125	10,445	20,114	181%
Preliminary survey	2,028	2,028	2,028	0	0%
Construction in progress	203,886	198,589	126,837	5,297	3%
Subtotal	640,576	567,274	463,497	73,302	13%
Less accumulated depreciation	141,210	131,738	125,386	9,472	7%
Total capital assets	\$ 499,366	435,536	338,111	63,830	15%

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

Foothill Raw Water Supply	\$ 21,641
Middle Fork Tunnel Surge Shaft Lining	12,972
Auburn Water Treatment Plant - 8 MGD Expansion	8,953
Middle Fork Project FERC Relicensing	6,395
Ralston Powerhouse Rewind	2,268
Duncan Creek Bridge Project	1,409
Secret Town Pipeline Replacement	1,187
French Meadows Low Level Outlet Repair	1,075
<b>Total</b>	<b>\$ 55,900</b>

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

The schedule below presents the Agency's 2008 Capital Investment Program (CIP) budget totaling \$60 million as revised to reflect the downturn in the construction of new housing.

### Capital Investment Program Budget (In thousands)

Agency Wide	\$ 7,234
Water System	51,602
Power System	<u>1,654</u>
Total	<u>\$ 60,000</u>

## LONG-TERM DEBT

At December 31, 2007, the Agency had total long-term debt outstanding of \$109.2 million excluding \$4 million in compensated absences payable. The amount outstanding increased \$27.9 million from the December 31, 2006 balance primarily because of the October 2007 new debt issuance totaling \$33.6 million, coupled with the retirement of \$4 million of Middle Fork Project Revenue Bonds. 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 7.05 times annual debt service for the western water system. In 2007, the Agency's covenanted debt was expanded from service area (Zone) 1 to the entire Western Water System (Zones 1, 2 and 3), and only includes parity debt. Hence, Table 5 presents the western water system's amounts in calculating the 2007 debt coverage ratio, which is required to be greater than 1.20. This calculation appropriately excludes the debt service on the 1963 Middle Fork Project Revenue Bonds, Series A, as those amounts are paid in conjunction with the power sales contract.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net water revenue, excluding depreciation	\$ 26,050	36,648	57,564
Debt service on certificates and other parity debt	3,697	3,547	4,006
Debt coverage ratio	7.05	10.3	14.4

The decrease in net water revenue, excluding depreciation from 2006 to 2007 is the result of water connection charge revenue decreasing \$12.3 million from \$16.7 million received in 2006 to \$4.4 million received in 2007.

At December 31, 2007 the Agency had outstanding certificates of participation stemming primarily from water expansion projects, with varying maturities through 2037. 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	\$ 84,615	4.9%*
Bonds Payable	22,710	3.6%
Loans Payable	<u>1,786</u>	<u>3.9%</u>
Total	<u>\$ 109,111</u>	4.4%

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

\*\* Not including Improvement District Debt.

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2007

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Agency's Board of Directors and management considered many factors when setting the 2008 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**  
**2008 Budget vs. 2007 Actual**  
**(In thousands)**

	<u>2008</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>% Increase/</u> <u>(Decrease)</u>
Operating revenue	\$ 53,372	61,183	(7,811)	-13%
Non-operating revenue	22,477	30,372	(7,895)	-26%
Total revenue	75,849	91,555	(15,706)	-17%
Operating Expense	41,323	42,193	(870)	-2%
Non-operating expense	4,251	3,916	335	9%
Total expense	45,574	46,109	(535)	-1%
			0	
Income (loss) before capital contributions	30,275	45,446	(34,121)	-75%
Capital contributions (unbudgeted)	-	5,135	(5,135)	-100%
Change in net assets	30,275	50,581	(39,256)	-78%
Beginning net assets	523,113	472,532	50,581	11%
Ending net assets	\$ 553,388	523,113	11,325	2%

Operating revenue is budgeted by division. Compared to the 2007 actual, the 2008 budgeted operating revenue is expected to decrease by \$7.8 million. This decrease is almost entirely rooted in maintenance projects in the power system as outlined in the power sales contract with PG&E. 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  
PROPRIETARY FUND

DECEMBER 31, 2007

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ASSETS

Current Assets:

Cash and Cash Equivalents	\$	19,696,480
Restricted Cash and Cash Equivalents		12,409,908
Restricted Cash and Cash Equivalents with Fiscal Agents		5,245,856
Water Service Receivable, Net		5,736,377
Accounts Receivable		12,102,702
Interest Receivable		1,041,234
Taxes Receivable		715,809
Due From Other Governmental Agencies		963,521
Materials and Supplies		996,722
Prepaid Expense		690,354

Total Current Assets 59,598,963

Non-Current Assets:

Investments		49,737,596
Restricted Investments		30,608,488
Restricted Investments with Fiscal Agents		13,991,692
Notes Receivable		91,989
Assessments Receivable		113,474
Unamortized Bond Issuance Costs		1,136,798
Capital Assets, Net		499,366,067

Total Non-Current Assets 595,046,104

Total Assets \$ 654,645,067  
(Continued)

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

**PLACER COUNTY WATER AGENCY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND (continued)**

DECEMBER 31, 2007

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**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$	17,834,920
Accrued Salaries and Benefits		613,121
Interest Payable		1,276,141
Current Portion of Long-Term Liabilities		6,491,686
Deposits		2,244,785
Other Current Liabilities		1,215,356
Compensated Absences Payable, Current Portion		<u>2,255,132</u>

Total Current Liabilities 31,931,141

**Non-Current Liabilities:**

Bonds and Certificates of Participation, Net		96,374,708
Loans Payable		1,324,673
Improvement District Debt		54,098
Deferred Revenue		64,101
Compensated Absences Payable		<u>1,782,986</u>

Total Non-Current Liabilities 99,600,566

Total Liabilities 131,531,707

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt		414,954,672
Restricted:		
Water System Expansion		38,644,771
Other		380,044
Unrestricted		<u>69,133,873</u>

Total Net Assets 523,113,360

Total Liabilities and Net Assets \$ 654,645,067

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 FUND**  
**DECEMBER 31, 2007**

---

<b>OPERATING REVENUES</b>	
Water Sales	\$ 28,017,466
Power Sales	31,184,062
Reimbursements	55,385
Engineering Charges	1,341,132
Customer Service Charges	559,654
Other Revenue	<u>25,547</u>
Total Operating Revenues	<u>61,183,246</u>
 <b>OPERATING EXPENSES</b>	
Purchased Water	548,603
Field Administration	827,780
Pumping Plants and Wells	813,773
Water Treatment	5,069,522
Electrical Operations	1,475,462
Transmission and Distribution of Treated Water	2,598,647
Transmission and Distribution of Raw Water	6,379,545
Customer Service and Collections	3,057,287
Repairs and Maintenance	1,461,988
Recreation	229,359
Automotive and Equipment Expenses	723,910
General and Administrative	9,471,339
Depreciation	<u>9,535,444</u>
Total Operating Expenses	<u>42,192,659</u>
Operating Income	<u>18,990,587</u>

(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**  
**PROPRIETARY FUND (continued)**

DECEMBER 31, 2007

---

NON-OPERATING REVENUES (EXPENSES)	
Mandated Costs Charges	\$ 3,476,813
Water Connection Charges	4,426,211
Raw Water Surcharges	249,357
Renewal and Replacement Charges	8,051,114
Contributions in Aid of Construction	172,762
Costs Recovered From Other Agencies	6,966,088
Interest Earnings	4,776,180
Property Taxes - Debt Service	11,047
Property Taxes	713,715
Assessments	20,195
Gain (Loss) on Disposal of Assets	18,431
Amortization of Bond Premium (Discount)	(287,863)
Program Grant Revenue	307,974
Interest Expense	(3,544,800)
Amortization of Bond Issue Costs	(83,061)
Other Income	1,181,646
Total Non-Operating Revenues	<u>26,455,809</u>
Net Income Before Capital Contributions	45,446,396
Capital Contributions	<u>5,134,544</u>
Increase in Net Assets	50,580,940
Net Assets, Beginning of Year	<u>472,532,420</u>
Net Assets, End of Year	<u><u>\$ 523,113,360</u></u>

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

**PLACER COUNTY WATER AGENCY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**YEAR ENDED DECEMBER 31, 2007**

---

Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 50,936,753
Cash Received from Other Sources	1,181,646
Cash Paid to Suppliers For Goods and Services	(5,119,798)
Cash Paid to Employees For Services	<u>(16,119,370)</u>
Net Cash Provided by Operating Activities	<u>30,879,231</u>
Cash Flows From Non-Capital Financing Activities:	
Taxes, Assessments and Other Income	750,137
Costs Recovered from Other Agencies	6,870,647
Program Grant Revenue	<u>307,974</u>
Net Cash Provided by Non-Capital Financing Activities	<u>7,928,758</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(70,501,325)
Proceeds from Issuance of Debt	32,246,905
Principal Payment on Debt	(5,765,000)
Interest Payment on Debt	(3,182,319)
Mandated Costs Charges	3,476,813
Water Connection Charges	4,426,211
Renewal and Replacement Charges	8,051,114
Raw Water Surcharges	249,357
Capital Contributed Cash	<u>172,762</u>
Net Cash Used in Capital and Related Financing Activities	<u>(30,825,482)</u>
Cash Flows From Investing Activities:	
Purchases of Investments	(99,139,000)
Proceeds From Sale/Maturity of Investments	83,485,992
Investment Income	<u>3,394,250</u>
Net Cash Used in Investing Activities	<u>(12,258,758)</u>
Net Decrease in Cash and Cash Equivalents	(4,276,251)
Cash and Cash Equivalents at Beginning of Year	<u>41,628,495</u>
Cash and Cash Equivalents at End of Year	<u>\$ 37,352,244</u>
	(Continued)

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

**PLACER COUNTY WATER AGENCY**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND (continued)**

**YEAR ENDED DECEMBER 31, 2007**

Reconciliation of Operating Income

to Net Cash Provided by Operating Activities:

Operating Income	<u>\$ 18,990,587</u>
Adjustments to Reconcile Operating Income to Cash	
Provided by Operating Activities:	
Depreciation	9,535,444
Loss on Disposal of Capital Assets	2,274,708
Other Non-Operating Income	1,181,646
Increase in Accounts and Water Services Receivable	(10,232,537)
Increase in Material and Supplies	(169,010)
Decrease in Prepaid Expenses	1,103,942
Increase in Accounts Payable and Other Liabilities	7,221,923
Increase in Deposits	361,256
Decrease in Deferred Revenues	(13,956)
Increase in Salaries and Benefits Payable	<u>625,228</u>
Total Adjustments	<u>11,888,644</u>
Net Cash Provided by Operating Activities	<u><u>\$ 30,879,231</u></u>

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	\$ 19,696,480
Restricted Cash and Cash Equivalents	12,409,908
Restricted Cash and Cash Equivalents with Fiscal Agent	<u>5,245,856</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u><u>\$ 37,352,244</u></u>

Supplemental Schedule of Noncash

Capital and Financing Activities:

Noncash Capital Contributions	\$ 5,134,544
Amortization of Bond Premiums	(287,863)
Amortization of Bond Issue Costs	83,061
Change in Fair Value of Investments	1,054,685

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

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

---

### 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.

All activities of the Agency are accounted for within a proprietary (enterprise) fund. 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.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

---

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 fund applies 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.

**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.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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***Statement of Revenues, Expenses and Changes in Net Assets*** – The 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.

### ***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 \$140,060 in allowance for doubtful accounts as of December 31, 2007.

### ***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.

### ***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. During 2007, there were no net interest costs to capitalize as the investment income slightly exceeded the interest cost; hence, no interest costs were capitalized for the year ended December 31, 2007.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

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**H. *Deferred Revenue***

Deferred revenue as of December 31, 2007, consists of the following: 1.) Refinancing interest and fees on special assessments and associated assessments of the Improvement District No. 36 (Highway 174) of \$12,548; 2.) Assistance funds received for the January 2006 storm damage from the Federal Emergency Management Agency and the Office of Emergency Services of \$36,899 and \$14,654, respectively.

**I. *Compensated Absences***

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable as of December 31, 2007 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 levied.

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

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 Agency accrues property tax revenues in the year levied and the County pays the property taxes to the Agency at the following months and proportions: 55% in December, 40% in April and 5% in June.

For the year ending December 31, 2007, the Agency's property tax revenue, other than the amount received by voter approved debt totaled \$713,715.

**K. *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.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

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**L. Bond Issuance Costs**

Bond issuance costs and original issue discounts related to the 2003, 2005 and 2007 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.

**M. Reclassifications**

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

**N. 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. In 2007, the Agency prepared an actuarial valuation and based on the results the Agency's Board approved the full funding policy. This full funding policy is being implemented in 2008 with the incorporation of the annual contribution into the budgeting and payroll process and the establishment of an irrevocable trust.

**2. Cash and Investments**

Summary

Cash and investments as of December 31, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and Cash Equivalents	\$ 19,696,480
Restricted Cash and Cash Equivalents	12,409,908
Restricted Cash and Cash Equivalents with Fiscal Agents	5,245,856
Restricted Investments with Fiscal Agents	13,991,692
Restricted Investments	30,608,488
Investments	<u>49,737,596</u>
Total	<u>\$ 131,690,020</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

Cash and investments as of December 31, 2007 consist of the following:

Cash on Hand	\$ 2,100
Deposits with Financial Institutions	12,104,666
Investments	<u>119,583,254</u>
Total	<u>\$ 131,690,020</u>

Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service as of December 31, 2007 are as follows:

Power Division:

Trust Accounts Reserve – Restricted for trust accounts	\$ 297,035
Middle Fork Project Revenue Bonds, Series A Debt Reserve – Restricted for Series A debt service	<u>3,448,634</u>
Total Power	<u>3,745,669</u>

Water Division:

1995 COP Debt Reserve – Restricted for 1995 COP debt service	225,326 *
1999 COP Debt Reserve – Restricted for 1999 COP debt service	1,155,219
2003 COP Debt Reserve – Restricted for 2003 COP debt service	942,676
2005 COP Debt Reserve – Restricted for 2005 COP debt service	756
2007 COP Debt Reserve – Restricted for 2007 COP debt service	13,163,138
Bowman Debt Reserve – Restricted for Bowman debt service	257,190
King/Del mar Debt Reserve – Restricted for King/Del mar debt service	9,690
Applegate Debt – Restricted for Applegate debt service	15,710
Dutchflat Terrace Debt – Restricted for Dutchflat Terrace debt service	2,445
Alta/Monte Vista (SWTR) Debt – Restricted for Alta/Monte Vista debt service	23,247
County Service Area 29 – Restricted for Zone 5 improvements debt service	124,961
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline debt service	157,380
Sunset Ranchos – Restricted for Regional Water Use Efficiency program debt service	2,611
Trust Accounts Reserve – Restricted by agreements for trust accounts	4,763
ID No. 36 – Highway 174 – Restricted for Highway 174 debt service	<u>2,988</u>
Total Water	<u>16,088,100</u>
Total	<u>\$ 19,833,769</u>

\*The 1995 COP's were paid in full in 2007. As of December 31, 2007, amounts were with Fiscal Agent and refunded to the Agency in 2008.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

Cash and Investments Restricted for Contractor Retention

Cash and investments restricted for contractor retention as of December 31, 2007 are as follows:

Water Division:

Auburn Constructors Retention – Restricted for Auburn Constructors retention escrow account	\$ 1,516,082
Pacific Mechanical Corporation Retention – Restricted for Pacific Mechanical retention escrow account	<u>1,881,278</u>
Total Water	<u>\$ 3,397,360</u>

**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 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	30%	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.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

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**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**

Notes to Basic Financial Statements

December 31, 2007

**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	37 to 48 Months	49 to 60 Months
U.S. Treasury Securities	\$ 10,024,840	10,024,840				
U.S. Government Agencies:						
FFCB	13,456,521	6,885,716		3,508,295	3,062,510	
FHLB	20,946,331	16,688,945	2,250,506			2,006,880
FHLMC	11,416,402	6,632,055		1,327,521	3,456,826	
FNMA	7,811,146	4,824,256	2,986,890			
Medium Term Notes	16,690,845	4,685,410	1,990,400	3,470,875	4,000,260	2,543,900
LAIF	19,999,622	19,999,622				
Subtotal	<u>100,345,707</u>	<u>69,740,844</u>	<u>7,227,796</u>	<u>8,306,691</u>	<u>10,519,596</u>	<u>4,550,780</u>
Fiscal Agent Accounts:						
Money Market	5,245,856	5,245,856				
U.S. Government Agencies:						
FFCB	4,775,178	3,630,547	1,144,631			
FHLB	4,271,334	1,275,084	2,996,250			
FAMC	3,683,298	3,683,298				
Investment Contract	1,261,881	1,261,881				
Total with fiscal agents	<u>19,237,547</u>	<u>15,096,666</u>	<u>4,140,881</u>			
 Total Investments	 <u>\$ 119,583,254</u>	 <u>84,837,510</u>	 <u>11,368,677</u>	 <u>8,306,691</u>	 <u>10,519,596</u>	 <u>4,550,780</u>

Acronyms references:

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

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

**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.

Investment Type	Fair Value	Minimum Authorized Rating	Rating as of Fiscal Year End				
			AAA	AA	A	Not Rated	Exempt
U.S. Treasury Securities							
U.S. Government Agencies:	\$ 10,024,840						10,024,840
FCB	13,456,521	N/A	\$ 13,456,521				
FHLB	20,946,331	N/A	20,946,331				
FHLMC	11,416,402	N/A	11,416,402				
FNMA	7,811,146	N/A	7,811,146				
Medium Term Notes	16,690,845	A		6,743,945	9,946,900		
LAIF	19,999,622	N/A				19,999,622	
Held by bond trustee:							
U.S. Government Agencies:							
FCB	4,775,178	N/A	4,775,178				
FHLB	4,271,334	N/A	4,271,334				
FAMC	3,683,298	N/A	3,683,298				
Money Market	5,245,856	*				5,245,856	
Investment Contract	1,261,881	N/A	1,261,881				
<b>Total</b>	<b>\$ 119,583,254</b>		<b>\$ 67,622,091</b>	<b>6,743,945</b>	<b>9,946,900</b>	<b>25,245,478</b>	<b>10,024,840</b>

\* Collateralized

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### 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 Farm Credit Bank	Federal agency securities	\$ 18,231,699
Federal Home Loan Bank	Federal agency securities	25,217,665
Federal Home Loan Mortgage Corp.	Federal agency securities	11,416,402
Federal National Mortgage Assn.	Federal agency securities	7,811,146

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

### 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 bank's 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: \$12,803,814 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, 2007, 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.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### **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 the 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 the LAIF, which amounted to \$19,999,622 at December 31, 2007.

### **Derivative Investments**

The Agency did not directly enter into any derivative investments. Included in the LAIF's investment portfolio at December 31, 2007, are certain derivative securities or similar products in the form of structured note securities totaling \$2,745,132,000, approximately 4.36% of the total portfolio and asset-backed securities totaling \$3,433,637,000, approximately 5.46% of the total portfolio. The total amount invested by all public agencies in the LAIF at December 31, 2007, was \$62,890,384,525.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

**3. Summary of Capital Assets**

The following is a summary of capital assets as of December 31, 2007:

	Balance 01/01/07	Additions	Retirements	Transfers & Adjustments	Balance at 12/31/07
<b>Agency Wide</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 526,933				526,933
Construction in Progress	10,689,254	7,089,987			17,779,241
Total Capital Assets, Not Being Depreciated	<u>11,216,187</u>	<u>7,089,987</u>			<u>18,306,174</u>
Capital Assets, Being Depreciated:					
Utility Plant	2,683,872				2,683,872
Other Property and Equipment	1,289,545	78,234			1,367,779
Total Capital Assets, Being Depreciated	<u>3,973,417</u>	<u>78,234</u>			<u>4,051,651</u>
Less Accumulated Depreciation for:					
Utility Plant	(985,542)	(66,128)			(1,051,670)
Other Property and Equipment	(1,109,939)	(59,129)			(1,169,068)
Total Accumulated Depreciation	<u>(2,095,481)</u>	<u>(125,257)</u>			<u>(2,220,738)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,877,936</u>	<u>(47,023)</u>			<u>1,830,913</u>
Total Capital Assets – Agency Wide, Net	<u>13,094,123</u>	<u>7,042,964</u>			<u>20,137,087</u>
<b>Power Division</b>					
Capital Assets, Not Being Depreciated:					
Construction in Progress	27,162,535	19,197,061			46,359,596
Total Capital Assets, Not Being Depreciated	<u>27,162,535</u>	<u>19,197,061</u>			<u>46,359,596</u>
Capital Assets, Being Depreciated:					
Utility Plant	127,298,689	18,707			127,317,396
Other Property and Equipment	2,369,055	93,225			2,462,280
Total Capital Assets, Being Depreciated	<u>129,667,744</u>	<u>111,932</u>			<u>129,779,676</u>
Less Accumulated Depreciation for:					
Utility Plant	(63,269,428)	(1,288,080)			(64,557,508)
Other Property and Equipment	(2,019,137)	(120,648)			(2,139,785)
Total Accumulated Depreciation	<u>(65,288,565)</u>	<u>(1,408,728)</u>			<u>(66,697,293)</u>
Total Capital Assets, Being Depreciated, Net	<u>64,379,179</u>	<u>(1,296,796)</u>			<u>63,082,383</u>
Total Capital Assets– Power Division, Net	<u>91,541,714</u>	<u>17,900,265</u>			<u>109,441,979</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

	<u>Balance</u> <u>01/01/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp;</u> <u>Adjustments</u>	<u>Balance at</u> <u>12/31/07</u>
<b>Water Division</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 8,308,512	64,927			8,373,439
Preliminary Survey	2,028,329				2,028,329
Construction in Progress	<u>160,736,331</u>	<u>42,649,584</u>	<u>(2,270,443)</u>	<u>(61,368,829)</u>	<u>139,746,643</u>
Total Capital Assets, Not Being Depreciated	<u>171,073,172</u>	<u>42,714,511</u>	<u>(2,270,443)</u>	<u>(61,368,829)</u>	<u>150,148,411</u>
Capital Assets, Being Depreciated:					
Utility Plant	216,714,344	5,134,548		42,672,571	264,521,463
Other Property and Equipment	<u>7,466,656</u>	<u>1,309,596</u>	<u>(63,487)</u>	<u>18,696,258</u>	<u>27,409,023</u>
Total Capital Assets, Being Depreciated	<u>224,181,000</u>	<u>6,444,144</u>	<u>(63,487)</u>	<u>61,368,829</u>	<u>291,930,486</u>
Less Accumulated Depreciation for:					
Utility Plant	(59,687,195)	(6,301,927)			(65,989,122)
Other Property and Equipment	<u>(4,666,729)</u>	<u>(1,699,532)</u>	<u>63,487</u>		<u>(6,302,774)</u>
Total Capital Assets, Being Depreciated	<u>(64,353,924)</u>	<u>(8,001,459)</u>	<u>63,487</u>		<u>(72,291,896)</u>
Total Capital Assets, Being Depreciated, Net	<u>159,827,076</u>	<u>(1,557,315)</u>		<u>61,368,829</u>	<u>219,638,590</u>
Total Capital Assets – Water Division, Net	<u>330,900,248</u>	<u>41,157,196</u>	<u>(2,270,443)</u>		<u>369,787,001</u>
<b>Total Capital Assets, Net</b>	<u>\$ 435,536,085</u>	<u>66,100,425</u>	<u>(2,270,443)</u>		<u>499,366,067</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

**4. Long-Term Debt**

The long-term debt as of December 31, 2007 including interest rates and maturities are as follows:

Description	Fiscal year issued	Interest rates	Year of final maturity	Balance at December 31, 2007
Certificates of Participation:				
1999 Certificates	1999	4.7% - 5.1%	2012	\$ 2,990,000
2003 Certificates	2003	2.0% - 5.0%	2023	13,095,000
2005 Certificates	2005	Variable	2029	34,950,000
2007 Certificates	2007	4.0% - 4.25%	2037	<u>33,580,000</u>
Certificates outstanding				<u>84,615,000</u>
Bonds Payable:				
Middle Fork Project Revenue Bonds, Series A	1963	3.5% - 3.75%	2013	<u>22,710,000</u>
Loans Payable:				
EDA Community Emergency Drought Loans	1977	5.00%	2017	149,497
State Department of Water Resources Loans:				
Dutch Flat Terrace	1990	3.37%	2015	13,784
Bowman	1992	3.62%	2008	291,771
Alta/Monte Vista (SWTR)	1995	2.95%	2016	297,044
King/Delmar	1996	3.03%	2022	234,172
Applegate	1997	3.03%	2023	447,864
Ferguson Road Land Loan	2000	5.50%	2010	34,407
Ziegelmann – Soracco Land Loans	2001	11.00%	2011	303,111
Mello-Roos Obligation	1990	5.77%	2013	<u>14,380</u>
Loans outstanding				<u>1,786,030</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>57,097</u>
Improvement District debt outstanding				<u>59,426</u>
Subtotal debt outstanding				109,170,456
Compensated Absences				<u>4,038,118</u>
Total				113,208,574
Less: Unamortized bond discounts and premiums				(956,230)
Deferred amount on refunding				<u>(3,969,061)</u>
Total long-term debt				<u><u>\$ 108,283,283</u></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, 2007

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	Balance 01/01/07	Additions	Retirements	Balance at 12/31/07	Amounts Due Within One Year
Certificates of Participation	\$ 51,925,000	33,580,000	890,000	84,615,000	1,885,000
Bonds Payable	26,710,000		4,000,000	22,710,000	4,140,000
Loans Payable	2,654,245		868,215	1,786,030	461,358
Improvement District Debt	64,610		5,184	59,426	5,328
Compensated Absences	3,576,100	2,429,213	1,967,195	4,038,118	2,255,132
<b>Totals</b>	<b>\$ 84,929,955</b>	<b>36,009,213</b>	<b>7,730,594</b>	<b>113,208,574</b>	<b>8,746,818</b>

**Certificates of Participation**

All 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 each Certificate purchase contract, the Agency has pledged, on a parity basis, the water revenues of the Agency's Western Water System and certain property taxes, to the payment of the 1999, 2003, 2005 and 2007 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. The 1995 Certificates were paid in full in 2007.

**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, 2007

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 (ARS) mode (variable rate), auctioned every 35-days, with final maturity in 2029. 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.

*Interest Rate Swap Agreement and Terms* - To manage interest rate risk and lower the Agency's borrowing costs on the 2005 COP's, the Agency entered into a \$35.2 million notional amount floating-to-fixed "synthetic fixed rate" swap agreement (interest rate swap or swap) at a 3.708% interest rate with Bank of America N. A. (Counterparty) 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 Offered 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 notional value of the swap declines with scheduled reductions in the outstanding principal of the associated debt (2005 Certificates). As of December 31, 2007, the bond and related swap agreement rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Debt Payment and Interest Swap Rates:		
Fixed rate paid to Counterparty	Fixed	3.708%
Variable rate received from Counterparty	69% of LIBOR	<u>(3.220%)</u>
Net interest rate swap payments		0.488%
Auction rate securities interest rate	ARS	<u>3.450%</u>
Synthetic interest rate on 2005 COPs		<u>3.938%</u>

*Fair Value*-As of December 31, 2007, the interest rate swap had a fair value of \$(395,505). The fair value, including accrued interest, was estimated by a third party financial consultant using a methodology used by Standard & Poor's as part of the Debt Derivative Profile scoring system's Value at Risk with a 200 +/- basis points value determining the fair value.

*Credit Risk*- At December 31, 2007, the Agency was not exposed to credit risk on the outstanding interest rate swap because the swap had a negative fair value. Should interest rates rise and fair value of the swap were to become positive, the Agency would be exposed to credit risk in the amount of the swap's fair value. At December 31, 2007, the Counterparty was rated Aaa, AA+, and AA by Moody's Investors Services, Standard & Poor's and Fitch IBCA, respectively.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

*Basis Risk-* Basis risk is the risk that the interest rate paid by the Agency on the underlying ARS to the bond holders temporarily differs from the variable swap rates received from the Counterparty. The Agency bears basis risk on the swap. As noted above, the swap exposes the Agency to basis risk should the relationship between LIBOR and ARS differ, changing the synthetic interest rate on 2005 COPs.

*Termination Risk-* The Agency may terminate the swap if the counterparty fails to perform under the terms of the contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap is terminated. A termination of the swap contract may also result in the Agency's making or receiving a termination payment based on market interest rates at the time of termination. If at the time of termination the swap has a negative fair value, the Agency would be liable to the Counterparty for a payment equal to the swap's fair value. The swap can be terminated without cost by the Agency on or after July 1, 2015.

*Swap payments and associated debt-* Using the rates at December 31, 2007, debt service requirements of the auction rate securities and net swap payments, assuming current auction rates remain the same, for their term were as follows. As rates vary, auction rate securities interest payments and net swap payments will vary.

<b>Year Ending December 31:</b>	<b>Auction Rate (Variable-Rate) Bonds</b>		<b>Interest Rate Swap, Net</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2008	\$ 300,000	1,283,406	181,461	1,764,867
2009	350,000	1,156,286	163,488	1,669,774
2010	350,000	1,144,543	161,829	1,656,372
2011	350,000	1,246,736	176,268	1,773,004
2012	375,000	1,120,777	158,449	1,654,226
2013 – 2017	5,775,000	5,311,254	750,893	11,837,147
2018 - 2022	6,950,000	4,278,579	604,940	11,833,519
2023 - 2027	13,675,000	2,503,273	353,923	16,532,196
2028 - 2029	<u>6,825,000</u>	<u>231,018</u>	<u>32,660</u>	<u>7,088,678</u>
Total	\$ <u>34,950,000</u>	<u>18,275,872</u>	<u>2,583,911</u>	<u>55,809,783</u>

In April 2008, the Agency refunded the 2005 COPs and terminated the interest rate swap. See discussion in note 13.

2007 Certificates

On October 2, 2007, Certificates of Participation (2007 Certificates) with interest rates ranging from 4.00% to 4.75% were issued by the Agency in the amount of \$33,580,000. The 2007 Certificates were issued to finance: 1) the construction of the Auburn Ravine Tunnel Pump Station an addition to the water system in the amount of approximately \$20 million, and 2) the rehabilitation of existing water system infrastructure including portions of the Boardman canal, Bowman canal siphon and other projects in the amount of approximately \$13 million.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### 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, a 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, 2007, \$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, 2007.

Data related to Western Water System Area (excluding Improvement Districts):

	<u>2007</u>
1. <u>Annual Debt Service Coverage</u>	
Net Water Revenues excluding Depreciation	\$ 26,049,902
Debt Service on Certificates and Other Parity Debt	\$ 3,697,342
Debt Service Coverage	7.05
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation as Adjusted by Water Purchases	\$ 26,598,504
Obligation Service	\$ 3,697,342
Obligation Service Coverage	7.19
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Required	\$ 1,876,718
Actual Trustee Reserve Balance	\$ 1,916,394
Reserve Requirement Coverage	1.02

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### **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 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 of which none was levied or collected for the year ending December 31, 2007. The loan was paid in full in 2007.

#### *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.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### *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.

### *State Department of Health Services Loan – Auburn Water Treatment Plant*

In 2007, the Agency entered into a loan agreement with the Department of Health Services in an amount not to exceed \$20,000,000 for the expansion of the Auburn Water Treatment Plant. This loan is on a reimbursement basis, requiring the Agency to first expend the funds then submit claims for reimbursement. As of December 31, 2007, the Agency had not submitted any claims for reimbursement; therefore, no proceeds have been received, nor has a liability been recorded. The principal and interest will be payable from Water System revenue.

### *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.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### *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, 2007:

#### *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, 2007 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, 2007 is \$1,195.

#### *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.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

As of December 31, 2007, 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
2008	\$ 1,885,000	3,110,465	4,140,000	888,750	461,357	74,310	5,328	1,552
2009	2,145,000	3,408,360	4,290,000	732,094	181,774	56,829	5,480	1,401
2010	2,215,000	3,325,507	4,455,000	569,625	186,027	43,688	5,632	1,248
2011	2,295,000	3,235,922	4,620,000	401,063	140,687	31,119	5,790	1,091
2012	2,395,000	3,140,108	4,795,000	226,219	93,860	26,385	5,951	929
2013-2017	13,505,000	14,110,122	410,000	45,468	452,770	82,673	28,916	2,046
2018-2022	16,510,000	11,109,840			255,372	24,486		
2023-2027	20,570,000	7,268,969			14,183	271		
2028-2032	14,070,000	3,313,753						
2033-2037	9,025,000	1,253,924						
	<u>\$ 84,615,000</u>	<u>53,276,970</u>	<u>22,710,000</u>	<u>2,863,219</u>	<u>1,786,030</u>	<u>339,761</u>	<u>57,097</u>	<u>8,267</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, 2007, are as follows:

Year Ending December 31,	Lease Payments
2008	\$ 107,063
2009	46,896
2010	20,890
2011	9,799
2012	5,523
Total	<u>\$ 190,171</u>

Total costs of such leases were \$107,132 for the year ended December 31, 2007.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

**5. Segment Information**

The Agency issued Certificates to finance certain additions and improvements to the Water Division's water system and to refund portions of some of the Water Division's outstanding Certificates. The Water Division provides raw water, treated water and customer service. Pursuant to the terms of each Certificate purchase contract, the Agency has pledged, on a parity basis, the water revenues of the Agency's Western Water System and certain property taxes, to the payment of the 1999, 2003, 2005 and 2007 Certificates and other parity debt.

In 1963, the Agency issued revenue bonds for the purpose of constructing the Power Division's Middle Fork Project hydroelectrical facility. The Power Division provides generated power which is presently sold to the Pacific Gas & Electric Company under a contractual agreement. 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.

Both the Water and Power Divisions are presented herein on a combined basis (i.e., the Agency). However, investors in the Certificates and revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the Water and Power Division is presented below.

Condensed Statement of Net Assets

	<b>Power Division</b>	<b>Water Division</b>
Assets:		
Current assets	\$ 16,492,121	37,257,808
Non-current assets	278,802	89,930,099
Capital assets, net	109,441,979	369,787,001
Total assets	<u>126,212,902</u>	<u>496,974,908</u>
Liabilities:		
Current liabilities	15,132,588	15,418,457
Non-current liabilities	19,671,311	80,529,273
Total liabilities	<u>34,803,899</u>	<u>95,947,730</u>
Net Assets:		
Investment in capital assets, net of related debt	90,455,711	304,361,874
Restricted	278,802	38,724,286
Unrestricted	674,490	57,941,018
Total net assets	<u>91,409,003</u>	<u>401,027,178</u>
Total liabilities and net assets	<u>\$ 126,212,902</u>	<u>496,974,908</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>Power Division</u>	<u>Water Division</u>
Operating Revenue:		
Water Sales		27,101,824
Power Sales	\$ 31,184,062	
Engineering Charges		1,341,132
Other Revenue		584,230
Total operating revenue	<u>31,184,062</u>	<u>29,027,186</u>
Operating Expense:		
Water Treatment		5,069,522
Electrical Operations	1,475,462	
Transmission & Distribution of Treated Water		2,598,647
Transmission & Distribution of Raw Water		6,379,545
Customer Service and Collections		3,057,287
Repairs and Maintenance	1,461,988	
General and Administrative	2,721,902	4,775,000
Depreciation	1,408,728	8,001,459
Other	229,359	2,914,066
Total operating expense	<u>7,297,439</u>	<u>32,795,526</u>
Net operating income (loss)	23,886,623	(3,768,340)
Non-operating revenue		
Mandated Costs Charges		3,476,813
Water Connection Charges		4,426,211
Renewal & Replacement Charges		8,051,114
Interest Earnings	124,742	3,943,033
Other	4,458	2,073,707
Total non-operating revenue	<u>129,200</u>	<u>21,970,878</u>
Non-operating expense		
Interest Expense	927,375	2,617,425
Amortization Expense	(8,821)	379,745
Total non-operating expense	<u>918,554</u>	<u>2,997,170</u>
Income before capital contributions	23,097,269	15,205,368
Capital contributions		5,134,544
Change in net assets	<u>23,097,269</u>	<u>20,339,912</u>
Beginning Net Assets	68,311,734	380,687,266
Ending Net Assets	<u>\$ 91,409,003</u>	<u>401,027,178</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

Condensed Statement of Cash Flows

	<b>Power Division</b>	<b>Water Division</b>
	<hr/>	<hr/>
Net cash provided (used) by:		
Operating activities	\$ 24,337,346	6,783,035
Noncapital financing activities	881,949	1,353,688
Capital and related financing activities	(24,273,493)	616,232
Investing activities	120,388	(14,613,876)
Net increase (decrease)	<hr/> 1,066,190	<hr/> (5,860,921)
Beginning cash and cash equivalents	4,425,412	33,933,625
Ending cash and cash equivalents	<hr/> <hr/> \$ 5,491,602	<hr/> <hr/> 28,072,704

**6. Restricted Net Assets**

As of December 31, 2007, 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>21,727</u>
Total Agency Wide	<u>21,727</u>

**Power Division:**

<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	<u>278,802</u>
Total Power	<u>278,802</u>

**Water Division:**

<u>Water Connection Charges</u> – Restricted for water system expansion	38,644,771
<u>Improvement Districts</u>	<u>79,515</u>
Total Water	<u>38,724,286</u>

Total All Fund – Restricted Net Assets	\$ <u>39,024,815</u>
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# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### 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>2007 Contributions</u>
January 1, 2007 – June 30, 2007	13.755%	\$ 1,117,849
July 1, 2007 – December 31, 2007	14.296%	1,362,664
		<u>\$ 2,480,513</u>

The required contributions for 2007 and 2006 were determined as part of the June 30, 2005 actuarial valuation of the plan.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

December 31, 2007

A summary of principal assumptions and methods used to determine the Annual Required Contribution for the periods ending December 31, 2007 is shown below:

Valuation Dates	June 30, 2006
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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
12/31/05	\$ 2,142,812	100%	\$ --
12/31/06	2,265,180	100%	--
12/31/07	2,480,513	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, 2007 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, 2007 was \$212,913.

In 2007, 51 retirees received post retirement benefits ranging from \$98 to \$485 (cap) per month.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### 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 workers compensation coverage at statutory limits.

No additional liability has been accrued at December 31, 2007, 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 2007, the Agency’s dues for 2007 – 2008 were \$5,000 for the American River Authority’s fiscal year July to June. Cumulative contributions since inception have been \$262,957. 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, 2007

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### **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 2007, the Agency received reimbursement for relicensing and related expenses from the MFPFA totaling \$6,262,674. At December 31, 2007 the Agency had a receivable in the amount of \$963,521 due from MFPFA. Cumulative reimbursements received for relicensing and related expenses from the MFPFA totals \$14,306,872. Complete audited financial statements are available at the Agency's finance office.

### **11. Construction Commitments**

At December 31, 2007, the Agency had ongoing construction commitments that totaled approximately \$13 million.

### **12. Subsequent Event**

#### American River Pump Station Title Transfer

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 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 2007, the House of Representatives (House) passed HR 482 providing this authorization. In 2008, HR 482 was combined with other bills into S2739 and on April 10, 2008, the Senate passed S2739. It then returned to the House for authorization and was approved in late April 2008. On May 8, 2008, President Bush signed S2739 into law, transferring the American River Pump Station to the Agency.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

December 31, 2007

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### 2008 Debt Refunding

On January 24, 2008, the bond insurer for the Agency's 2005 Certificates was downgraded to an A from a AAA credit rating by Fitch, this action was followed by a similar downgrading by Moody's on February 7, 2008, and Standard & Poor's on February 25, 2008. The 2005 Certificates are auction rate securities (ARS) with the interest rate reset every 35 days. These downgrades have affected the market demand for securities insured by XL Capital Assurance. Without the underlying AAA rated bond insurance on these ARS, the investors have demanded a higher interest rate. This was evidenced by the February 19, 2008, auction interest rate reset at 5.44%, which was up from 3.60% at the January 15, 2008 auction date.

In late January 2008 after the Fitch downgrading, the Agency began researching alternatives. After the February auction resetting at 1.84% higher, it was determined that refunding the 2005 Certificates would be the best alternative, thus commencing the refunding process.

In April 2008, Certificates of Participation (2008 Certificates) were issued by the Agency in the amount of \$40,385,000 to refund the outstanding \$34,950,000 2005 Certificates. The 2008 Certificates were issued with an average coupon of 4.55% and a fixed rate coupon range from 3% to 4.75%. The 2008 Certificate proceeds were used entirely to refund the 2005 Certificates, fund the debt service reserve, pay the termination cost of the interest rate swap and pay the associated issuance costs.

**PLACER COUNTY WATER AGENCY**

Required Supplementary Information

December 31, 2007

**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)

Actuarial Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded/ (Overfunded) Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (a/c)
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%
6/30/06	49,906	40,785	9,121	81.7%	9,632	94.7%





**Founded: September 11, 1957**

**PCWA Area: 1,500 square miles**

**Ownership: The people of Placer  
County**

**Governance: Five-member elected  
Board of Directors**

**Employees: 179**

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# STATISTICAL SECTION TABLE OF CONTENTS

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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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### **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..... 66-67

\* 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**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Changes in Net Assets:</b>										
Operating Revenues	\$ 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	61,183,246
Operating Expenses	(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)	(42,192,659)
Operating income	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	18,990,587
Non-Operating Revenues/(Expenses) (1)	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	26,455,809
Net Income Before Capital Contributions	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	45,446,396
Capital Contributions	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	5,134,544
Prior Period Adjustment(2)	-	(1,200,000)	-	23,935,597	141,326	-	-	-	-	-
<b>Change in Net Assets</b>	<b>13,375,488</b>	<b>17,363,398</b>	<b>35,123,457</b>	<b>56,756,789</b>	<b>51,416,895</b>	<b>34,140,413</b>	<b>51,062,142</b>	<b>64,056,759</b>	<b>59,397,828</b>	<b>50,580,940</b>
<b>Net Assets Beginning of Year</b>	<b>89,839,251</b>	<b>103,214,739</b>	<b>120,578,137</b>	<b>155,701,594</b>	<b>212,458,383</b>	<b>263,875,278</b>	<b>298,015,691</b>	<b>349,077,833</b>	<b>413,134,592</b>	<b>472,532,420</b>
<b>Net Assets End of Year</b>	<b>103,214,739</b>	<b>120,578,137</b>	<b>155,701,594</b>	<b>212,458,383</b>	<b>263,875,278</b>	<b>298,015,691</b>	<b>349,077,833</b>	<b>413,134,592</b>	<b>472,532,420</b>	<b>523,113,360</b>
<b>Net Assets by Component (3) :</b>										
Invested in Capital Assets, net of Related Debt	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	414,952,882
Restricted	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	42,422,175
Unrestricted	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	65,738,303
<b>Total Net Assets</b>	<b>\$ 103,214,739</b>	<b>120,578,137</b>	<b>155,701,594</b>	<b>212,458,383</b>	<b>263,875,278</b>	<b>298,015,691</b>	<b>349,077,833</b>	<b>413,134,592</b>	<b>472,532,420</b>	<b>523,113,360</b>

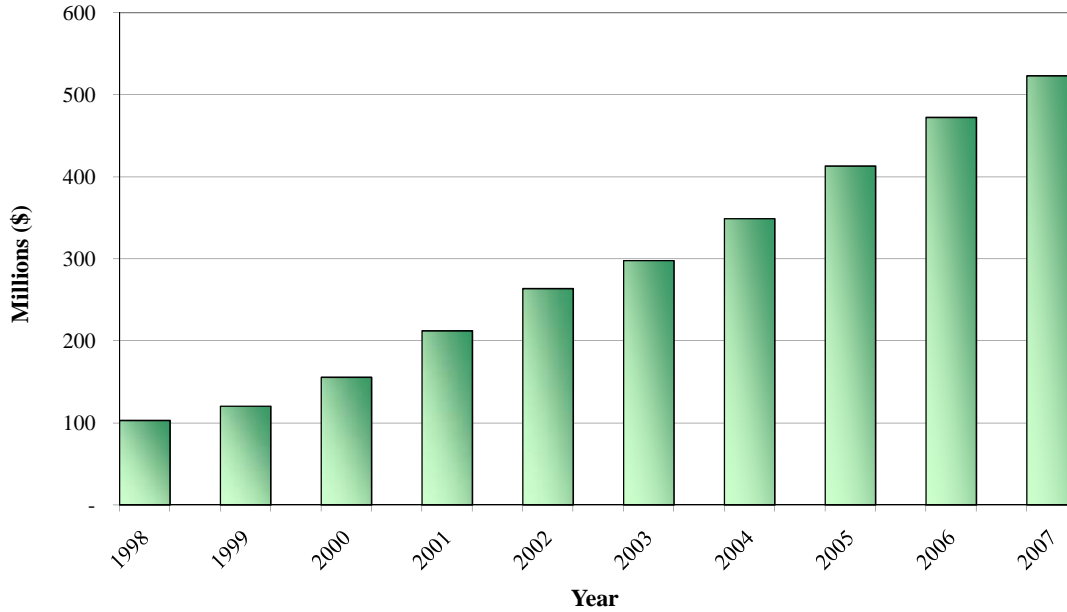
(1) Significant fluctuation in non-operating revenues (expenses) stems from the variance in Water Connection Charge payments to connect to the Agency's treated water system. (See MD&A)

(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**



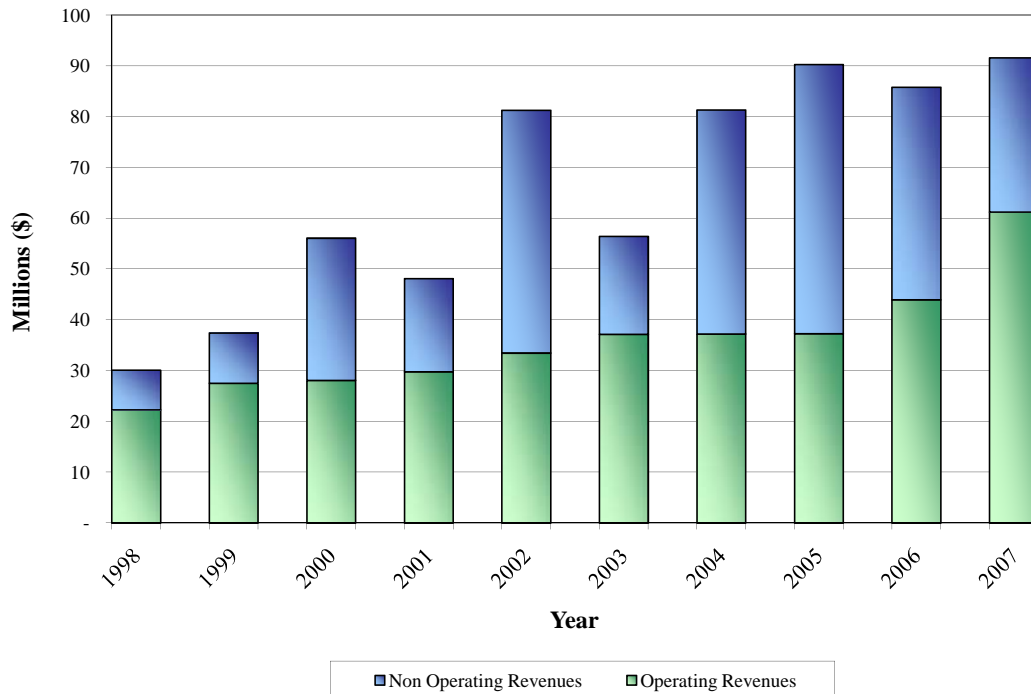
**TABLE # 2**  
**Revenues by Source**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Operating Revenues</b>										
Water Sales	\$ 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	28,017,466
Power Sales (1)	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	31,184,062
Reimbursements	53,703	107,353	63,325	62,963	46,200	48,000	210,120	69,850	53,000	55,385
Engineering Charges	410,492	426,411	599,326	996,885	745,106	713,946	1,093,080	987,022	1,217,052	1,341,132
Customer Service Charges	126,828	135,436	129,530	165,135	245,440	307,570	407,998	426,171	408,207	559,654
Other	10,354	43,235	71,683	(846)	4,784	5,445	9,738	23,503	12,548	25,547
<b>Total Operating Revenues</b>	<b>22,268,439</b>	<b>27,509,540</b>	<b>28,075,455</b>	<b>29,787,625</b>	<b>33,454,880</b>	<b>37,150,954</b>	<b>37,221,751</b>	<b>37,280,185</b>	<b>43,916,496</b>	<b>61,183,246</b>
<b>Non Operating Revenues</b>										
Water Connection Charge (2)	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	4,426,211
Renewal & Replacement Charge (3)	-	-	-	-	574,262	773,771	1,285,497	3,072,661	5,555,772	8,051,114
Mandated Costs Charge	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	3,476,813
Raw Water Surcharge	201,628	194,873	210,850	240,781	222,437	231,837	223,043	355,998	367,564	249,357
Interest Revenues	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	4,776,180
Property Taxes, Debt Service	506,398	473,293	519,693	507,074	478,730	664,888	549,773	314,073	90,554	11,047
Property Taxes, Operating	264,680	286,284	335,336	381,415	400,752	530,809	410,655	407,742	728,971	713,715
Amort. of Bond Premium (Discount)	9,823	18,892	26,387	16,237	15,109	13,947	12,736	-	-	(296,684)
Other (4,5)	1,341,215	285,949	1,063,484	1,202,254	3,136,766	3,153,482	651,783	87,679	10,201,568	8,963,780
<b>Total Non-Operating Revenues</b>	<b>7,790,429</b>	<b>9,899,588</b>	<b>27,998,003</b>	<b>18,328,456</b>	<b>47,790,095</b>	<b>19,242,397</b>	<b>44,056,129</b>	<b>52,941,333</b>	<b>41,865,945</b>	<b>30,371,533</b>
<b>Total Revenues (6)</b>	<b>\$ 30,058,868</b>	<b>37,409,128</b>	<b>56,073,458</b>	<b>48,116,081</b>	<b>81,244,975</b>	<b>56,393,351</b>	<b>81,277,880</b>	<b>90,221,518</b>	<b>85,782,441</b>	<b>91,554,779</b>
Consumption (Units)					54,200,401	51,491,405	57,074,054	54,981,868	54,744,901	54,849,493
Effective Rate per Unit of Water (7)					\$ 0.33	0.39	0.41	0.43	0.47	0.51

- (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 1998-2001.
- (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**



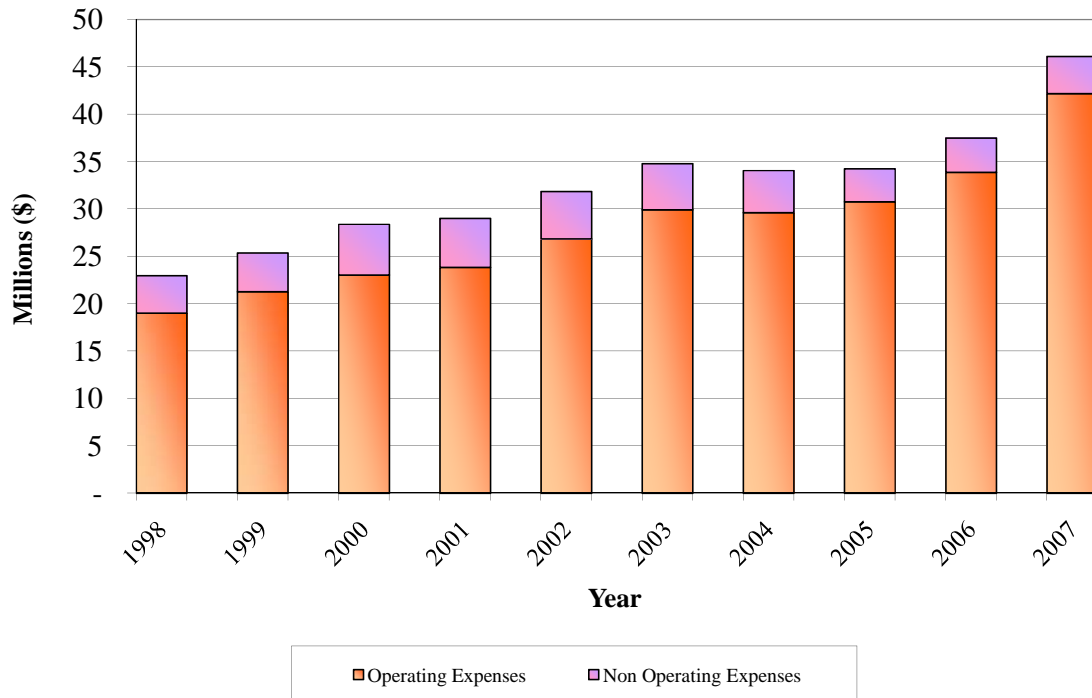
**TABLE # 3**  
**Expenses by Function**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Operating Expenses</b>										
Purchased Water	\$ 171,238	257,733	450,355	235,065	144,809	188,182	698,356	472,768	692,772	548,603
Field Administration	202,857	207,299	353,614	370,109	533,451	619,773	764,577	791,660	825,782	827,780
Pumping Plants & Wells	223,167	391,007	653,382	176,793	945,435	436,816	739,557	1,166,408	490,489	813,773
Water Treatment	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	5,069,522
Transmission & Distribution	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	8,978,192
Customer Service & Collections	700,489	804,533	894,914	989,760	1,056,950	1,015,287	881,087	838,177	2,921,951	3,057,287
<b>Total Cost of Water Sold</b>	<b>5,742,415</b>	<b>6,694,284</b>	<b>7,451,711</b>	<b>7,167,754</b>	<b>8,665,702</b>	<b>9,218,429</b>	<b>10,593,619</b>	<b>11,230,539</b>	<b>14,723,334</b>	<b>19,295,157</b>
<b>Power Division Repairs &amp; Maintenance</b>	<b>1,213,626</b>	<b>1,013,496</b>	<b>1,118,562</b>	<b>1,527,865</b>	<b>1,470,389</b>	<b>999,537</b>	<b>867,633</b>	<b>1,246,426</b>	<b>1,431,905</b>	<b>1,461,988</b>
Electrical Operations	873,428	949,856	878,649	991,289	1,010,939	1,115,528	1,385,764	1,167,079	1,259,622	1,475,462
General & Administrative	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	9,471,339
Other (1)	389,903	447,994	727,633	735,046	751,084	1,611,713	1,937,723	1,959,082	1,914,907	953,269
<b>Subtotal, Operating Expenses before Depreciation</b>	<b>13,539,558</b>	<b>15,347,862</b>	<b>16,811,857</b>	<b>17,566,164</b>	<b>20,181,024</b>	<b>21,363,350</b>	<b>22,741,376</b>	<b>23,713,266</b>	<b>26,526,922</b>	<b>32,657,215</b>
Depreciation	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	9,535,444
<b>Total Operating Expenses</b>	<b>19,009,865</b>	<b>21,255,441</b>	<b>23,034,632</b>	<b>23,830,056</b>	<b>26,841,182</b>	<b>29,924,194</b>	<b>29,610,007</b>	<b>30,756,200</b>	<b>33,865,026</b>	<b>42,192,659</b>
<b>Non Operating Expenses</b>										
Interest Expense	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	3,544,800
Amortization of Bond Discount	-	-	-	-	-	-	-	274,642	274,069	296,684
Amortization of Bond Issue Costs	101,410	80,416	100,873	94,223	87,081	95,512	169,888	91,892	59,940	74,240
<b>Total Non Operating Expenses</b>	<b>3,935,700</b>	<b>4,100,105</b>	<b>5,345,513</b>	<b>5,178,897</b>	<b>5,008,370</b>	<b>4,863,078</b>	<b>4,446,944</b>	<b>3,491,903</b>	<b>3,630,115</b>	<b>3,915,724</b>
<b>Total Expenses</b>	<b>\$ 22,945,565</b>	<b>25,355,546</b>	<b>28,380,145</b>	<b>29,008,953</b>	<b>31,849,552</b>	<b>34,787,272</b>	<b>34,056,951</b>	<b>34,248,103</b>	<b>37,495,141</b>	<b>46,108,383</b>

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

Source: Placer County Water Agency, Audited Financial Statements

**CHART #3**  
**Expenses by Function**

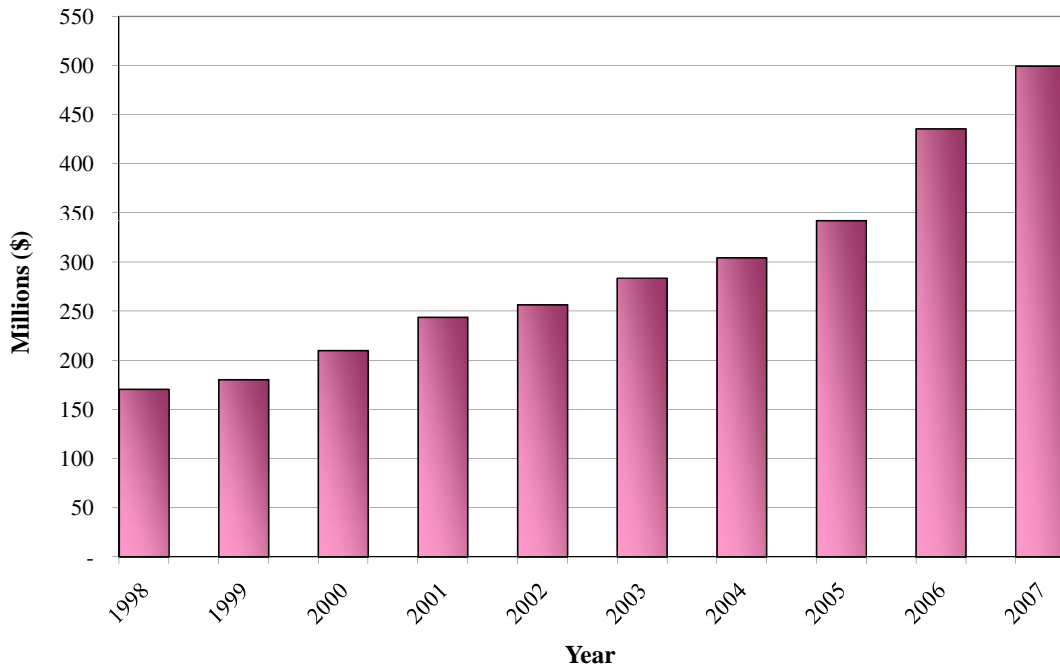


**TABLE #4  
Capital Assets  
Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Capital Assets</b>										
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	8,900,372
Utility Plant	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	394,522,731
Other Property & Equipment	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	31,239,082
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	2,028,329
Construction in Progress	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	203,885,480
Total Capital Assets	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	640,575,994
<b>Accumulated Depreciation</b>	(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)	(141,209,927)
Net Capital Assets	\$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	499,366,067

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 Six Years (1)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>TREATED WATER</b>						
<b>Consumption</b>						
Residential (Single-Unit)	14,926	15,047	16,685	15,640	16,543	17,131
Residential (Multi-Unit)	2,690	1,798	3,057	1,929	2,010	2,087
Commerical	310	2,859	210	3,240	3,345	3,534
Construction	72	202	9	365	240	262
Fire Protection	1,426	6	1,139	6	4	7
Municipal	1,506	1,014	2,076	1,080	1,232	1,286
Landscape (2)	609	1,100	1,337	1,350	1,668	1,947
Industrial	1,198	1,092	1,078	1,015	757	614
Agriculture	403	348	411	330	282	349
Resale	4,285	5,259	7,979	9,005	10,009	10,733
No Demand (3)	5	7	17	3	2	4
<b>Total Treated Water Consumption</b> <b>(Acre-Feet)</b>	<b>27,430</b>	<b>28,732</b>	<b>33,998</b>	<b>33,963</b>	<b>36,092</b>	<b>37,953</b>
<b>RAW WATER</b>						
<b>Consumption</b>						
Metered	835	1,008	537	234	369	355
Commercial Agriculture	26,196	22,592	30,192	24,609	20,920	19,499
Irrigation Customers	59,034	55,208	55,281	54,991	55,922	55,383
Landscape (2)	10,376	10,134	10,903	12,312	12,225	12,609
Resale	556	534	113	112	149	118
<b>Total Raw Water Consumption</b> <b>(Acre-Feet)</b>	<b>96,997</b>	<b>89,476</b>	<b>97,026</b>	<b>92,258</b>	<b>89,585</b>	<b>87,964</b>
<b>Total Consumption (Units) (4)</b>	<b>54,200,401</b>	<b>51,491,405</b>	<b>57,074,054</b>	<b>54,981,868</b>	<b>54,744,901</b>	<b>54,849,493</b>
<b>Total Water Sales</b>	<b>\$ 18,090,809</b>	<b>20,043,320</b>	<b>23,296,007</b>	<b>23,465,365</b>	<b>25,992,948</b>	<b>28,017,466</b>
<b>Effective Rate per unit (5)</b>	<b>0.33</b>	<b>0.39</b>	<b>0.41</b>	<b>0.43</b>	<b>0.47</b>	<b>0.51</b>

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

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

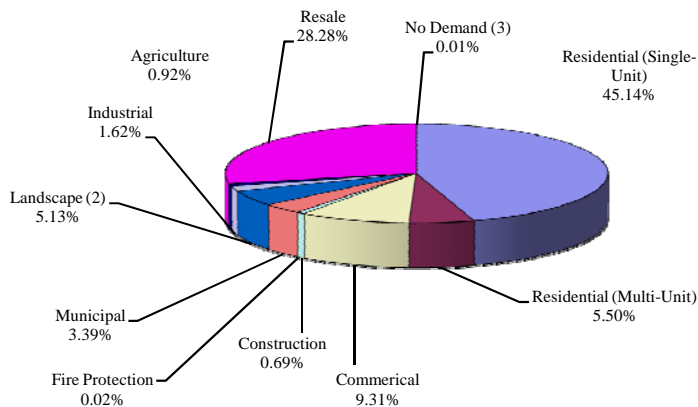
(3) Accounts that pay only monthly service, state and federal mandated, and renewal and replacement charges but are not consuming water. When these accounts begin consuming water, they are changed to the appropriate category. If PCWA is not notified before water consumption, some consumption will be billed and recorded in the "No Demand" category.

(4) One Acre-Foot is equal to 435.6 Units.

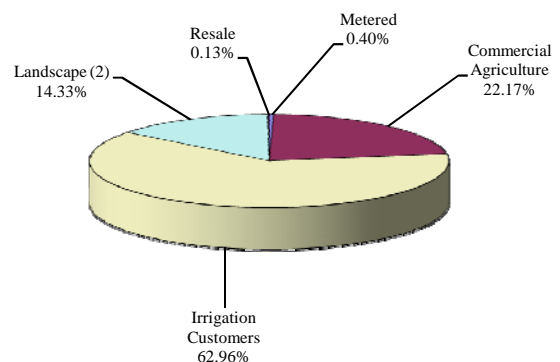
(5) Effective Rate is calculated per unit because consumption rates are per unit.

Source: Placer County Water Agency, Customer Service Department

**CHART # 5**  
**Water Consumption (Treated) 2007**



**CHART # 6**  
**Water Consumption (Raw) 2007**



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

	2002	2003	2004	2005	2006	2007
<b>TREATED WATER</b>						
<b>Water Customer Accounts</b>						
Residential (Single-Unit)	25,078	26,451	27,229	27,761	28,486	28,805
Residential (Multi-Unit)	1,417	726	1,552	728	734	742
Commerical	80	1,499	56	1,601	1,692	1,780
Construction	590	44	632	64	57	48
Fire Protection	215	582	162	689	788	864
Municipal	644	157	730	167	153	153
Landscape(3)	171	315	339	399	438	467
Industrial	2	2	2	2	2	2
Agriculture	96	83	81	80	79	79
Resale	8	8	8	8	8	9
No Demand (2)	1,344	1,073	880	815	1,421	1,313
<b>Total Treated Water Accounts</b>	<b>29,645</b>	<b>30,940</b>	<b>31,671</b>	<b>32,314</b>	<b>33,858</b>	<b>34,262</b>
<b>RAW WATER</b>						
<b>Water Customer Accounts</b>						
Metered	312	308	303	307	302	302
Commercial Agriculture	559	567	359	346	345	347
Irrigation Customers	3,954	3,870	3,212	3,278	3,293	3,299
Landscape(3)	30	39	25	30	31	31
Resale	3	3	3	3	3	4
<b>Total Raw Water Accounts</b>	<b>4,858</b>	<b>4,787</b>	<b>3,902</b>	<b>3,964</b>	<b>3,974</b>	<b>3,983</b>
<b>TOTAL WATER ACCOUNTS</b>	<b>34,503</b>	<b>35,727</b>	<b>35,573</b>	<b>36,278</b>	<b>37,832</b>	<b>38,245</b>
<b>New Connections (EDU's)</b>	<b>8,727</b>	<b>1,248</b>	<b>4,982</b>	<b>4,613</b>	<b>1,620</b>	<b>330</b>

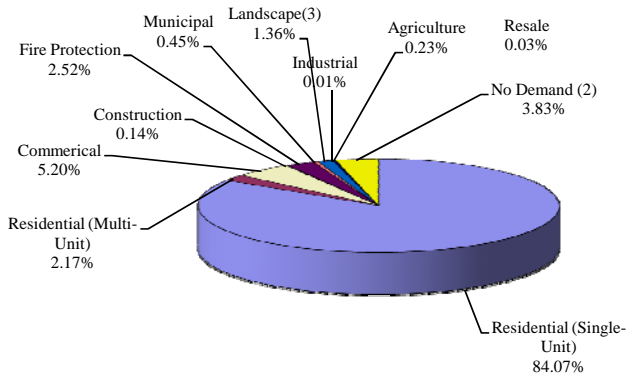
(1) Data not readily available for years prior to 2002.

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

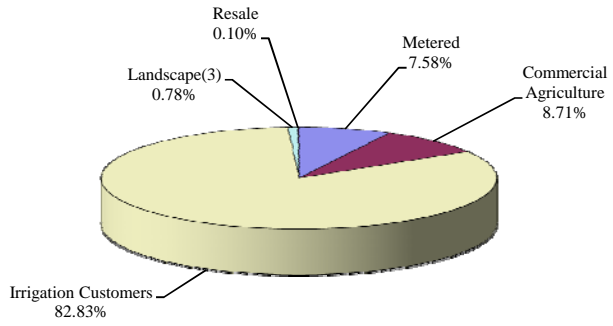
(3) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.

Source: Placer County Water Agency, Customer Service Department

**CHART # 7**  
**Water Accounts (Treated) 2007**



**CHART # 8**  
**Water Accounts (Raw) 2007**



**TABLE # 7**  
**Principal Water Users for**  
**Years Ended December 31, 1998 and 2007**

Year Ended December 31, 1998					Year Ended December 31, 2007				
Customer	Amount Billed	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold	Customer	Amount Billed	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold
City of Lincoln	\$ 333,598	3.15%	1,648	1.72%	City of Lincoln	\$ 5,617,118	14.21%	9,344	7.42%
Formica Corporation	175,490	1.66%	671	0.70%	Cal American Water	1,173,497	2.97%	1,059	0.84%
Placer County Facility Services	92,657	0.88%	259	0.27%	Formica Corporation	167,218	0.42%	270	0.21%
Placer County Atherton Center	59,334	0.56%	194	0.20%	Placer County Facility Service	158,052	0.40%	228	0.18%
Sierra Lakes Reserve Mobile Home Park	43,467	0.41%	61	0.06%	Rio Bravo Rocklin	156,675	0.40%	344	0.27%
Folsom Lake Mutual Water Co.	43,463	0.41%	140	0.15%	Thunder Valley Casino	107,593	0.27%	225	0.18%
Emerson Investments, Inc.	41,786	0.39%	146	0.15%	Sierra Lakes Mobile Home Park	105,122	0.27%	65	0.05%
Woodside Mobile Home Park	34,103	0.32%	53	0.06%	Emerson Investments	81,248	0.21%	168	0.13%
Rocklin Unified School District	27,942	0.26%	87	0.09%	Folsom Lake Mutual Water Co.	78,174	0.20%	154	0.12%
Hidden Valley	23,467	0.22%	85	0.09%	Rocklin Unified School District	75,957	0.19%	105	0.08%
Total Principal Water Users	875,307	8.27%	3,344	3.48%	Total Principal Water Users	7,720,654	19.53%	11,962	9.50%
Total all Users	\$ 10,581,477	100.00%	95,981	100.00%	Total all Users	\$ 39,529,683	100.00%	125,917	100.00%

Source: Placer County Water Agency, Customer Service Department

**TABLE # 8**  
**Metered Service Fixed Rates**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Metered Service - Treated Water</b>										
Monthly Service Charge (meter size)										
5/8-inch	\$ 8.41	8.83	9.23	9.55	9.84	10.18	10.84	11.65	12.67	13.75
3/4-inch	11.10	11.65	12.81	13.45	13.92	14.41	15.35	16.50	17.94	19.46
1-inch	13.97	14.67	16.87	18.22	19.04	19.71	20.99	22.56	24.53	26.62
1-1/2-inch	22.41	23.53	27.06	29.22	30.68	31.75	33.81	36.35	39.53	42.89
2-inch	39.10	41.05	47.21	50.99	53.54	55.41	59.01	63.44	68.99	74.85
3-inch	69.55	73.03	87.64	94.65	99.38	102.86	109.55	117.77	128.07	138.96
4-inch	96.98	101.83	122.20	131.98	138.58	143.43	152.76	164.21	178.58	193.76
6-inch	194.70	204.43	245.32	264.95	278.20	287.94	306.66	329.66	358.51	388.98
8-inch	333.87	350.56	420.67	454.32	477.04	493.74	525.83	565.27	614.73	666.98
12-inch	(2)	(2)	(2)	(2)	(2)	(2)	821.62	883.24	960.52	1,042.16
18-inch	(2)	(2)	(2)	(2)	1,236.00	1,279.26	1,362.41	1,464.59	1,592.74	1,728.12
State & Federal Mandate										
5/8-inch	3.70	3.88	4.05	4.25	3.43	3.55	3.69	3.99	4.31	4.72
3/4-inch	4.84	5.08	5.33	5.60	5.14	5.32	5.53	5.97	6.47	7.08
1-inch	6.14	6.45	6.77	7.11	8.57	8.87	9.22	9.96	10.78	11.80
1-1/2-inch	9.89	10.38	10.90	11.44	17.15	17.75	18.46	19.94	21.55	23.60
2-inch	17.18	18.04	18.90	19.84	27.44	28.40	29.54	31.90	34.48	37.76
3-inch	30.60	32.13	33.74	35.43	54.88	56.80	59.07	63.80	68.96	75.52
4-inch	42.48	44.60	46.83	49.17	85.75	88.75	92.30	99.68	107.75	118.00
6-inch	85.68	89.96	94.46	99.18	171.50	177.50	184.60	199.37	215.50	236.00
8-inch	146.93	154.28	161.99	170.09	823.19	852.00	886.08	956.97	1,034.40	1,132.80
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)	1.26	1.30	2.15	4.90	8.50	12.00
3/4-inch	(4)	(4)	(4)	(4)	1.89	1.96	3.23	7.35	12.75	18.00
1-inch	(4)	(4)	(4)	(4)	3.14	3.25	5.36	12.21	21.25	30.00
1-1/2-inch	(4)	(4)	(4)	(4)	6.29	6.51	10.74	24.46	42.50	60.00
2-inch	(4)	(4)	(4)	(4)	10.06	10.41	17.17	39.11	68.00	96.00
3-inch	(4)	(4)	(4)	(4)	20.11	20.81	34.34	78.22	136.00	192.00
4-inch	(4)	(4)	(4)	(4)	31.43	32.53	53.67	122.24	212.50	300.00
6-inch	(4)	(4)	(4)	(4)	62.85	65.05	107.33	244.46	425.00	600.00
8-inch	(4)	(4)	(4)	(4)	301.68	312.24	515.17	1,173.39	2,040.00	2,880.00
12-inch	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)
18-inch	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)
<b>Metered Service - Untreated Water</b>										
Monthly Service Charge										
5/8-inch	4.54	4.78	5.02	5.02	5.22	5.41	5.76	6.19	6.73	7.68
3/4-inch	5.94	6.24	6.55	6.55	6.81	7.05	7.51	8.07	8.78	9.53
1-inch	7.55	7.93	8.33	8.33	8.66	8.97	9.55	10.27	11.17	12.12
1-1/2-inch	11.85	12.44	13.06	13.06	13.58	14.06	14.97	16.09	16.09	17.29
2-inch	19.43	20.40	21.42	21.42	22.28	23.06	24.56	26.40	26.40	26.40
3-inch	31.92	33.51	35.19	35.19	36.60	37.88	40.34	43.37	43.37	46.44
4-inch	44.41	46.63	48.96	48.96	50.92	52.71	56.14	60.35	62.17	67.45
6-inch	83.26	87.42	91.79	91.79	95.46	98.80	105.22	113.11	113.11	113.11
8-inch	133.21	139.87	146.86	146.86	152.73	158.08	168.36	180.99	180.99	180.99
Capital Facilities Surcharge	4.50	4.50	4.50	4.72	4.91	5.08	5.28	5.49	5.71	6.20
<b>Resale Service - Untreated Water</b>										
Monthly Service Charge	25.44	25.44	26.71	27.64	28.75	29.76	31.69	34.07	52.06	56.49
<b>Private Fire Protection Service</b>										
Monthly Service Charge										
2-inch	12.84	12.84	12.84	12.84	12.84	13.29	13.76	14.24	15.49	16.85
3-inch	13.81	13.81	13.81	13.81	13.81	14.30	14.80	15.32	16.66	18.12
4-inch	15.34	15.34	15.34	15.34	15.34	15.88	16.44	17.02	18.51	20.13
6-inch	19.74	19.74	19.74	19.74	19.74	20.43	21.15	21.89	23.81	25.89
8-inch	41.61	41.61	41.61	41.61	41.61	43.07	44.58	46.14	50.18	54.57
10-inch	70.14	70.14	70.14	70.14	70.14	72.60	75.14	77.77	84.57	91.97
12-inch	112.30	112.30	112.30	112.30	112.30	116.24	120.31	124.52	135.42	147.27
16-inch	249.89	249.89	249.89	249.89	249.89	258.64	267.69	277.06	301.30	327.66

(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**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Metered Services</b>										
Residential										
First 400 CF	\$ 0.67	0.67	0.67	0.70	0.70	0.72	0.74	0.76	0.78	0.85
Next 1,600 CF	0.67	0.70	0.73	0.75	0.77	0.80	0.82	0.86	0.90	0.98
Next 2,000 CF	0.69	0.72	0.76	0.79	0.82	0.85	0.88	0.93	0.99	1.07
Next 1,800 CF	0.71	0.79	0.85	0.90	0.94	0.98	1.02	1.08	1.14	1.25
Next 1,900 CF	0.71	0.79	0.85	0.90	1.09	1.14	1.20	1.30	1.40	1.53
Over 7,700 CF	0.71	0.82	0.95	1.03	1.12	1.18	1.36	1.47	1.59	1.74
Pumped Service (3)										
First 400 CF	(4)	(4)	0.77	0.80	0.80	0.82	0.84	0.87	(3)	(3)
Next 1,600 CF	(4)	(4)	0.82	0.85	0.88	0.91	0.94	0.99	(3)	(3)
Next 2,000 CF	(4)	(4)	0.86	0.89	0.92	0.96	1.00	1.06	(3)	(3)
Next 1,800 CF	(4)	(4)	0.95	1.00	1.04	1.09	1.13	1.20	(3)	(3)
Next 1,900 CF	(4)	(4)	0.95	1.00	1.19	1.26	1.32	1.43	(3)	(3)
Over 7,700 CF	(4)	(4)	1.05	1.13	1.23	1.29	1.47	1.60	(3)	(3)
Commercial & Municipal										
First 50,000 CF	0.64	0.67	0.72	0.75	0.78	0.81	0.84	0.88	0.92	1.00
Next 950,000 CF	0.65	0.68	0.74	0.77	0.80	0.83	0.86	0.91	0.95	1.03
Over 1,000,000 CF	0.65	0.68	0.74	0.77	0.80	0.83	0.86	0.91	0.96	1.05
Municipal (5)										
First 50,000 CF	0.64	0.67	0.72	0.75	0.78	0.80	0.82	0.86	(4)	(4)
Over 50,000 CF	0.65	0.68	0.74	0.77	0.80	0.83	0.86	0.90	(4)	(4)
Industrial & Resale										
First 50,000 CF	0.67	0.66	0.70	0.73	0.76	0.78	0.80	0.83	0.86	0.93
Next 950,000 CF	0.58	0.61	0.66	0.72	0.74	0.77	0.80	0.84	0.88	0.95
Over 1,000,000 CF	0.58	0.61	0.66	0.72	0.74	0.77	0.80	0.84	0.89	0.97
Over 1,000,000 CF (6)	0.43	0.48	0.52	0.57	0.60	0.62	0.64	0.67	0.71	0.78
Golf Course, Park & Greenbelt										
First 50,000 CF	0.68	0.71	0.75	0.78	0.81	0.84	0.87	0.91	0.95	1.03
Next 950,000 CF	0.64	0.73	0.80	0.84	0.87	0.91	0.94	0.98	1.02	1.11
Over 1,000,000 CF	0.64	0.73	0.80	0.84	0.87	0.91	0.94	0.98	1.03	1.13
Special Rates (7)										
First 400 CF	0.67	0.67	0.67	0.70	0.73	0.74	0.76	0.80	0.78	0.85
Next 1,600 CF	0.67	0.67	0.67	0.70	0.73	0.74	0.76	0.80	0.90	0.98
Next 2,000 CF	0.69	0.69	0.72	0.75	0.78	0.81	0.83	0.87	0.99	1.07
Next 61,000 CF	0.90	0.09	0.10	0.10	0.10	0.11	0.11	0.12	0.12	0.12
Next 65,000 CF	0.06	0.06	0.06	0.06	0.06	0.07	0.07	0.08	0.09	0.09
Over 130,000 CF	0.05	0.06	0.06	0.06	0.06	0.07	0.07	0.08	0.09	0.09
Temporary Construction										
First 50,000 CF	1.27	1.34	1.45	1.50	1.56	1.62	1.68	1.76	1.84	2.00
Next 950,000 CF	1.30	1.36	1.47	1.53	1.59	1.66	1.72	1.82	1.90	2.06
Over 1,000,000 CF	1.30	1.36	1.47	1.53	1.59	1.66	1.72	1.82	1.92	2.10

(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 1998-2006 are displayed with the 2007 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**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Metered Services (2)</b>										
First 3,000 CF	\$ 0.23	0.30	0.32	0.32	0.33	0.34	0.35	0.36	0.37	0.37
Next 7,000 CF	0.11	0.20	0.21	0.21	0.22	0.23	0.24	0.25	0.29	0.35
Over 10,000 CF	0.07	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.12	0.20
<b>Non-Metered Services (Miner's Inches) (MI) (3)</b>										
General Irrigation Service (Winter)										
First 1/2 MI	21.42	21.42	22.49	23.27	24.20	24.93	26.68	28.55	30.55	30.55
First MI	29.56	35.47	37.24	40.96	42.60	43.88	46.95	50.24	53.76	58.33
2-9 MI	29.56	35.47	38.13	41.94	43.62	44.93	48.08	51.45	55.05	59.73
Over 9 MI	29.56	35.47	38.13	41.94	43.62	44.93	48.08	51.45	55.31	60.01
General Irrigation Service (Summer)										
First 1/2 MI	21.36	21.36	22.43	23.55	24.49	25.23	25.99	27.03	28.11	28.11
First MI	35.84	35.84	35.84	37.27	38.76	39.92	41.12	42.76	44.47	48.25
2-9 MI	26.00	30.00	36.00	37.80	39.31	40.49	42.11	44.22	46.43	50.38
Over 9 MI	24.00	30.00	36.00	37.80	39.31	40.49	42.11	44.22	46.87	51.32
Commercial Agriculture (Winter)										
First MI	29.56	31.04	31.97	33.09	34.41	35.45	37.93	40.59	43.43	47.12
Over 1 MI	29.56	31.04	32.59	33.73	35.08	36.14	38.67	41.38	44.28	48.04
Commercial Agriculture (Summer)										
First MI	35.84	37.63	39.51	40.89	42.53	43.81	45.12	46.92	46.92	46.92
2nd MI	31.09	32.64	34.27	35.47	36.89	38.00	39.14	40.71	42.34	45.94
3rd MI	28.09	29.49	30.96	32.04	33.32	34.32	35.35	36.76	38.23	41.48
4th MI	25.08	26.33	27.65	28.62	29.76	30.65	31.57	32.83	34.14	37.04
5-9 MI	23.06	24.21	25.42	26.31	27.36	28.18	29.03	30.19	31.40	34.07
10-60 MI	21.06	22.11	23.22	24.03	24.99	25.74	26.51	27.57	28.67	31.11
Over 60 MI	21.06	22.11	19.16	19.83	20.62	21.24	21.88	22.76	23.67	25.68
Golf Course, Park & Greenbelt (Winter)										
First MI	29.56	35.47	36.53	38.36	39.89	41.09	43.97	47.05	54.11	58.71
2-9 MI	29.56	35.47	38.13	40.80	42.43	43.71	46.77	50.04	55.62	60.35
Over 9 MI	30.84	37.00	40.70	44.36	46.13	47.52	50.85	54.41	56.55	61.36
Golf Course, Park & Greenbelt (Summer)										
First MI	37.27	35.47	37.24	38.73	40.28	41.49	42.73	44.44	46.22	50.15
2-9 MI	21.90	35.47	37.24	38.73	40.28	41.49	42.73	44.44	48.68	52.82
Over 9 MI	23.07	37.00	38.85	40.79	42.42	43.70	45.01	46.81	48.92	53.08
Resale Service (Miners' Inch Days) (5)										
First 1,000	1.83	1.83	1.92	1.98	2.06	2.12	2.23	2.34	5.68	5.68
Over 1,000	1.83	1.83	1.92	1.98	2.06	2.12	2.23	2.34	6.47	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 1998-2006 are displayed with the 2007 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**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Water Connection Charge (WCC)</b>										
Bowman and Auburn WTP service area	\$ 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	13,408.00
All other Zone 1 service areas	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	13,408.00
<b>Meters and Service Connections (2)</b>										
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	125.00	125.00	125.00	125.00	125.00
1"	190.00	190.00	190.00	190.00	190.00	125.00	125.00	125.00	125.00	125.00
1 1/2"	300.00	300.00	300.00	300.00	300.00	125.00	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	Cost	Cost	Cost	Cost	Cost
3/4"	525.00	525.00	525.00	525.00	525.00	Cost	Cost	Cost	Cost	Cost
1"	575.00	575.00	575.00	575.00	575.00	Cost	Cost	Cost	Cost	Cost
1 1/2"	775.00	775.00	775.00	775.00	775.00	Cost	Cost	Cost	Cost	Cost
2" or larger	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
<b>Other Miscellaneous Fees and Charges</b>										
Backflow Prevention Device Test Charge	40.00	40.00	40.00	40.00	65.00	65.00	68.00	68.00	70.00	70.00
Canal Flow Rate Change										
Regular Charge	15.00	15.00	15.00	15.00	30.00	35.00	35.00	35.00	35.00	35.00
After Hours Charge	-	-	-	-	75.00	110.00	110.00	110.00	90.00	90.00
Delinquent Payment Charge (3)	-	-	-	-	6%	6%	6%	6%	6%	6%
Door Tag Charge	-	-	-	-	22.00	22.00	24.00	24.00	25.00	25.00
Field Collection Charge	10.00	10.00	10.00	10.00	20.00	20.00	24.00	24.00	25.00	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	150.00	250.00	250.00
Second Occurrence	100.00	100.00	100.00	100.00	150.00	150.00	150.00	250.00	500.00	500.00
Third Occurrence (4)	100.00	100.00	100.00	100.00	500.00	500.00	500.00	500.00	1,000.00	1,000.00
Meter Test and Repair Deposit/Charge	30.00	30.00	30.00	30.00	35.00	35.00	40.00	40.00	40.00	40.00
Service Set-up Charge										
No Field Trip Required	30.00	30.00	30.00	30.00	15.00	15.00	15.00	15.00	15.00	15.00
Field Trip Required	30.00	30.00	30.00	30.00	35.00	35.00	35.00	35.00	35.00	35.00
After Hours Charge	75.00	75.00	75.00	75.00	95.00	110.00	110.00	110.00	90.00	90.00
Project Application Charge	-	-	-	-	100.00	100.00	105.00	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	45.00	45.00	45.00	45.00	45.00	45.00
After Hours Charge	75.00	75.00	75.00	75.00	105.00	120.00	120.00	120.00	90.00	90.00
Returned Check Charge	40.00	40.00	40.00	40.00	40.00	25.00	25.00	25.00	25.00	25.00
Temporary Construction Water Svc										
Permit Fee	-	-	-	-	-	35.00	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	79.00	79.00	80.00	80.00
WCC - Installment Payment Processing Fee	-	-	-	-	50.00	50.00	53.00	53.00	55.00	55.00
State and Federal Mandated Charge for Cross Connections (6)	155.00	155.00	155.00	155.00	155.00	155.00	163.00	163.00	175.00	175.00
State and Federal Mandated Charge for Certification of Domestic Water Source (7)	-	-	-	-	-	-	1.16	1.16	1.16	1.20
-	-	-	-	-	-	-	2.69	2.69	2.69	2.75

- (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, a Facility Tampering Charge will be assessed.
- (5) Reconnection Charge starts at amount listed 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

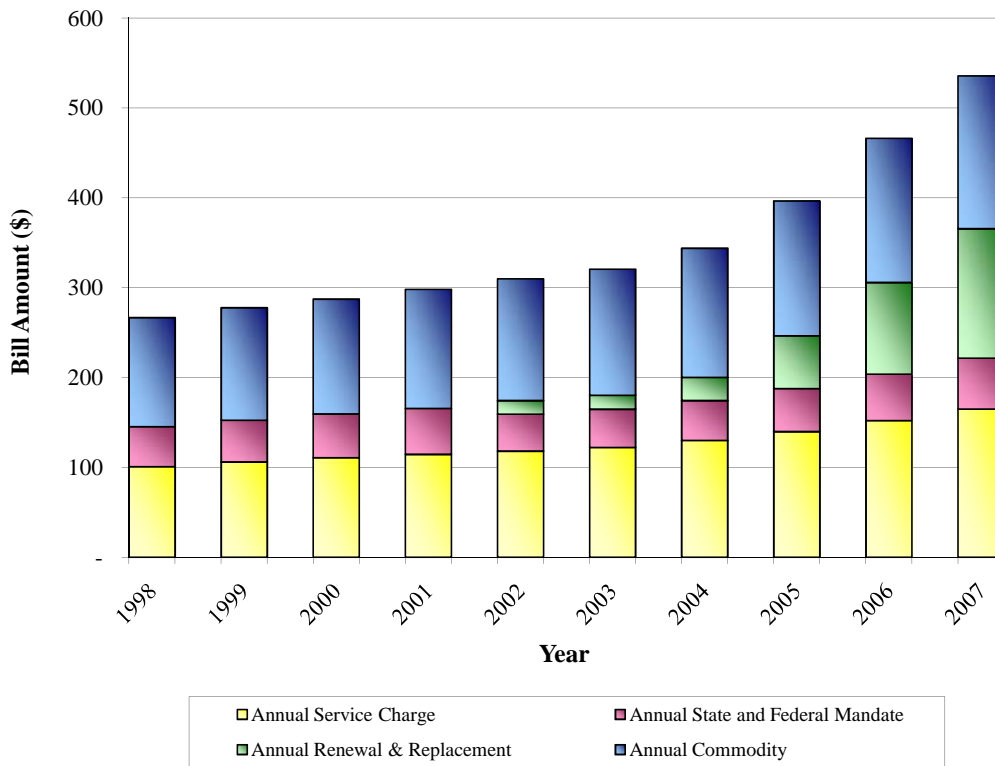
**TABLE # 12**  
**Average Annual Water Bill\* and Effective Rate Increase**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Annual Service Charge	\$ 100.92	105.96	110.76	114.60	118.08	122.16	130.08	139.80	152.04	165.00
Annual State and Federal Mandate	44.40	46.56	48.60	51.00	41.16	42.60	44.28	47.88	51.72	56.64
Annual Renewal & Replacement	-	-	-	-	15.12	15.60	25.80	58.80	102.00	144.00
Annual Commodity	121.32	125.15	127.92	132.50	135.54	140.16	143.76	150.00	160.49	170.16
<b>Annual Water Bill</b>	<b>\$ 266.64</b>	<b>277.67</b>	<b>287.28</b>	<b>298.10</b>	<b>309.90</b>	<b>320.52</b>	<b>343.92</b>	<b>396.48</b>	<b>466.25</b>	<b>535.80</b>
<b>Effective Rate Increase</b>	<b>4.12%</b>	<b>4.14%</b>	<b>3.46%</b>	<b>3.77%</b>	<b>3.96%</b>	<b>3.43%</b>	<b>7.30%</b>	<b>15.28%</b>	<b>17.60%</b>	<b>14.92%</b>

\* 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**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Water Division</b>										
<b>General Obligation Bonds</b>										
1975 General Obligation Water Bonds	\$ 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	130,000	-	-	-	-	-	-	-	-	-
General Obligation Bonds Outstanding	1,710,000	1,390,000	1,190,000	980,000	755,000	510,000	260,000	-	-	-
<b>Loans Payable</b>										
Davis-Grunsky Act Construction Loan	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 Loans	236,164	228,304	220,051	211,386	202,287	192,733	182,702	172,169	161,109	149,497
State Department of Water Resources Loans:										
Rockcrest	1,689,135	1,145,651	582,835	-	-	-	-	-	-	-
Dutch Flat Terrace	25,462	24,331	23,161	21,952	20,702	19,410	18,073	16,691	15,262	13,784
Bowman	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	291,771
Alta/Monte Vista (SWTR)	525,138	502,663	479,519	455,686	431,144	405,881	379,870	353,068	325,476	297,044
King/Delmar	331,562	321,996	312,138	301,979	291,511	280,726	269,616	258,154	246,347	234,172
Applegate	626,665	609,103	591,005	572,354	553,134	533,333	512,936	491,893	470,218	447,864
Ferguson Road Land Loan	-	-	111,794	102,473	92,625	82,223	71,235	59,626	47,362	34,407
Steffen Family Trust Loan	196,752	174,855	150,545	123,556	93,593	-	-	-	-	-
Zieglerman - Soracco Land Loans	-	-	-	605,196	566,861	525,090	481,545	424,128	365,175	303,111
Mello-Roos Obligation	46,236	44,111	41,863	39,485	36,970	31,944	30,049	29,102	26,042	14,380
Capital Lease Purchases	-	-	-	-	-	-	13,513	6,412	-	-
Loans Outstanding	9,658,320	8,495,204	7,401,682	6,748,447	6,009,016	5,051,785	4,301,727	3,492,995	2,654,245	1,786,030
<b>Improvement District (ID) Debt (1)</b>										
ID No. 10 - Aguilar Road (2)	-	-	-	-	1,134	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	1,195
ID No. 20 - Indian Springs	5,945	-	-	-	-	-	-	-	-	-
ID No. 22 - Morgan Place	18,865	9,865	-	-	-	-	-	-	-	-
ID No. 23 - Brooks Lane	22,792	17,094	11,396	5,698	-	-	-	-	-	-
ID No. 25 - Old Orchard Lane	11,184	7,456	3,728	-	-	-	-	-	-	-
ID No. 28 - Val Verde Road	91,080	73,080	55,080	37,080	19,080	-	-	-	-	-
ID No. 32 - Eagle View Lane	87,500	72,500	57,500	42,500	27,500	12,500	-	-	-	-
ID No. 36 - Highway 174	98,977	94,821	90,548	86,156	81,640	77,000	72,230	67,324	62,281	57,097
Improvement District Debt Outstanding	336,343	274,816	218,252	171,434	130,549	91,829	74,559	69,653	64,610	59,426
<b>Certificates of Participation</b>										
1993 Certificates	15,510,000	15,465,000	15,415,000	15,365,000	15,010,000	-	-	-	-	-
1995 Certificates	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	2,990,000
2003 Certificates	-	-	-	-	-	15,515,000	14,835,000	14,265,000	13,690,000	13,095,000
2005 Certificates	-	-	-	-	-	-	-	35,200,000	35,075,000	34,950,000
2007 Certificates	-	-	-	-	-	-	-	-	-	33,580,000
Certificates Outstanding	22,225,000	54,290,000	54,150,000	53,680,000	53,190,000	53,555,000	52,725,000	52,790,000	51,925,000	84,615,000
<b>Subtotal Water Division Debt Outstanding</b>	<b>33,929,663</b>	<b>64,450,020</b>	<b>62,959,934</b>	<b>61,579,881</b>	<b>60,084,565</b>	<b>59,208,614</b>	<b>57,361,286</b>	<b>56,352,648</b>	<b>54,643,855</b>	<b>86,460,456</b>
<b>Power Division</b>										
<b>Revenue Bonds</b>										
Middle Fork Project Revenue Bonds, Series A (3)	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	22,710,000
Revenue Bonds Outstanding	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	22,710,000
<b>Subtotal Power Division Debt Outstanding</b>	<b>\$ 53,830,000</b>	<b>\$ 50,730,000</b>	<b>\$ 47,820,000</b>	<b>\$ 44,595,000</b>	<b>\$ 41,550,000</b>	<b>\$ 39,538,009</b>	<b>\$ 34,370,000</b>	<b>\$ 30,590,000</b>	<b>\$ 26,710,000</b>	<b>\$ 22,710,000</b>
Subtotal Agency Debt Outstanding	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	109,170,456
Less: Unamortized bond discounts & premiums	14,382	(915,802)	(900,513)	(876,674)	(930,425)	(795,449)	(762,409)	(234,041)	(226,000)	(956,230)
Deferred Amount of Refunding	-	-	-	-	-	(703,422)	(643,244)	(4,498,892)	(4,232,860)	(3,969,062)
<b>Total PCWA Long-Term Debt</b>	<b>\$ 87,774,045</b>	<b>\$114,264,218</b>	<b>\$109,879,421</b>	<b>\$105,298,207</b>	<b>\$100,704,140</b>	<b>\$ 97,247,752</b>	<b>\$ 90,325,633</b>	<b>\$ 82,209,715</b>	<b>\$ 76,894,995</b>	<b>\$ 104,245,164</b>
<b>Per Customer (4)</b>						2,919	2,722	2,539	2,266	2,726
Number of Customer Accounts (4)						34,503	35,727	35,573	36,278	38,245

- (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 financials.  
(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. 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.

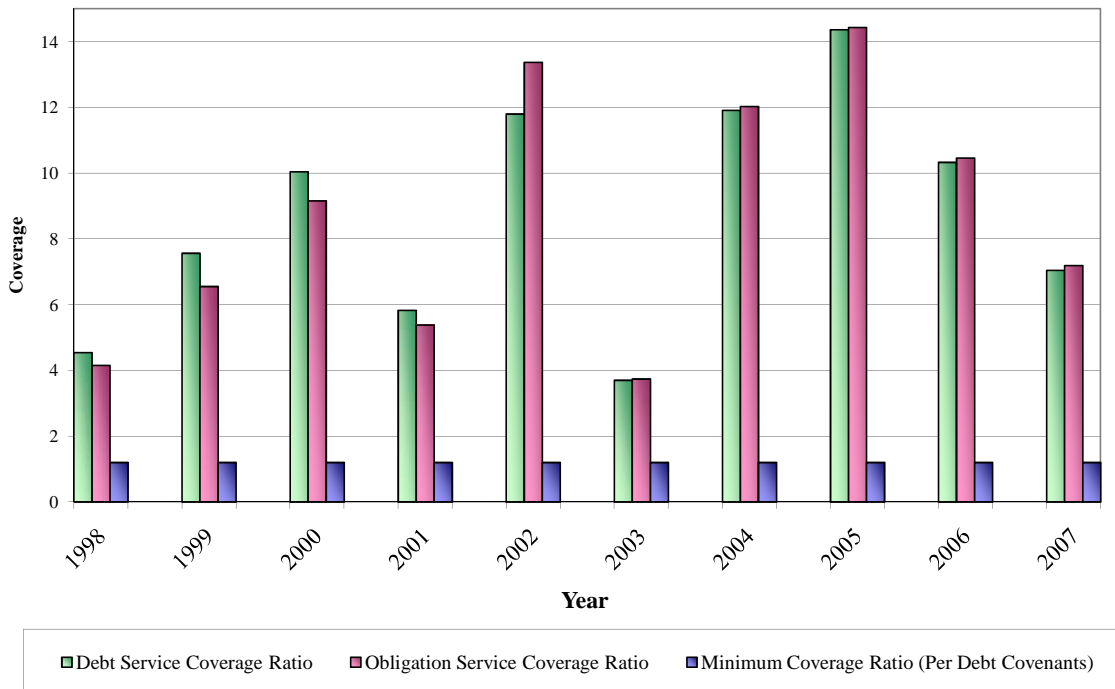
Source: Placer County Water Agency, Audited Financial Statements

**TABLE # 14**  
**Debt Service Coverage**  
**Western Water System**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Debt Service Coverage</b>										
Net Water Revenues, Excluding Depreciation	\$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	26,049,902
Debt Service on Certificates and Other Parity Debt	<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>	<u>3,697,342</u>
<b>Debt Service Coverage Ratio</b>	<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>	<u>7.05</u>
<b>Minimum Coverage Ratio (Per Debt Covenants)</b>										
	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Obligation Service Coverage</b>										
Net Water Revenues, Excl. Depreciation as Adjusted by Water Purchases	\$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	26,598,504
Obligation Service	<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>	<u>3,697,342</u>
<b>Obligation Service Coverage Ratio</b>	<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>	<u>7.19</u>
<b>Certificate Reserve Requirement</b>										
Minimum Reserve Required	\$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	1,876,718
Actual Reserve Balance	<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>	<u>1,916,394</u>
<b>Reserve Requirement Coverage</b>	<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>	<u>1.02</u>

Source: Placer County Water Agency, Audited Financial Statements

**CHART #10**  
**Debt Coverage**



**TABLE #15**  
**Demographic and Economic Statistics**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Placer County</b>										
Population	233,298	243,339	252,605	265,100	277,108	290,777	302,377	313,133	322,428	324,495
Annual % Change in Population	3.18%	4.30%	3.81%	4.95%	4.53%	4.93%	3.99%	3.56%	6.63%	3.63%
Total Personal Income (Millions) \$	7,551	8,346	9,153	9,816	10,209	10,947	11,933	13,070	*	*
Per Capita Personal Income \$	32,665	34,642	36,419	37,066	36,604	37,303	38,958	41,248	*	*
Unemployment Rate	4.1%	3.2%	3.6%	4.0%	4.9%	5.1%	4.8%	4.3%	4.2%	4.8%
<b>State of California</b>										
Population	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	37,662,518
Annual % Change in Population	1.26%	1.69%	2.04%	2.01%	1.75%	1.69%	1.48%	1.26%	2.53%	1.84%
Total Personal Income (Millions) \$	963,009	999,228	1,103,842	1,135,304	1,147,716	1,184,265	1,262,306	1,335,386	*	*
Per Capita Personal Income \$	28,374	29,828	32,463	32,882	32,803	33,400	35,219	36,109	*	*
Unemployment Rate	6.0%	5.3%	4.9%	5.4%	6.7%	6.8%	6.2%	5.4%	4.9%	5.3%

Source:

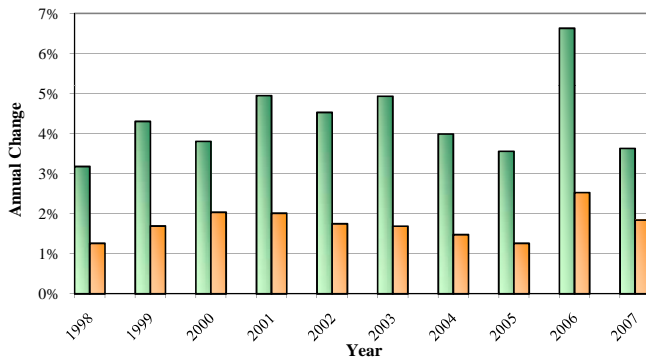
Population Data Source: California Department of Finance. Table E-6. Population as of July 1st of each year.

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

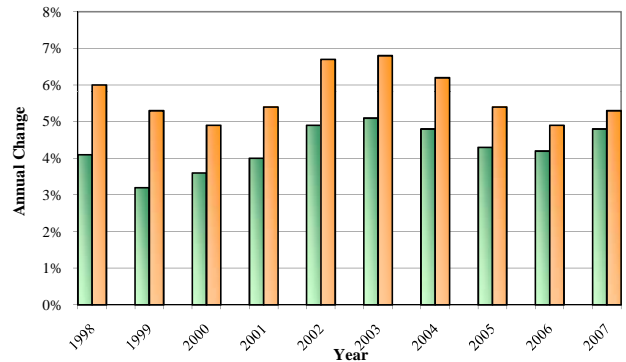
Personal Income Data Source: Bureau of Economic Development, Table CA1-3

\* Data not available for time period.

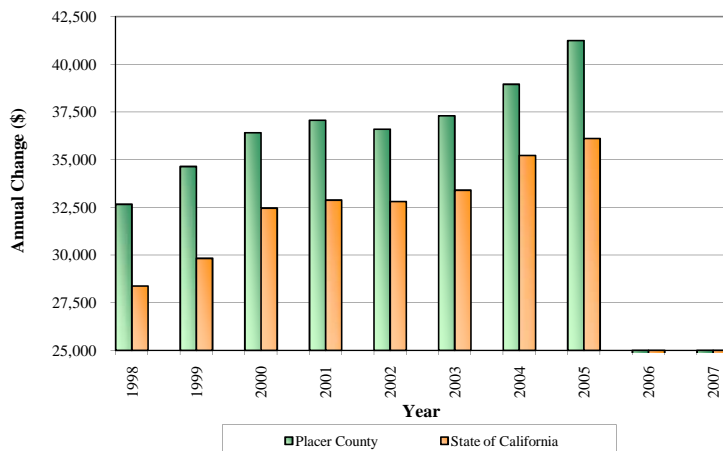
**CHART #11**  
**Annual Percentage Change in Population**  
**1998-2007**



**CHART #12**  
**Unemployment Rate**  
**1998-2007**



**CHART #13**  
**Per Capita Personal Income**  
**1998-2007**



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

1998			2007		
<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.	4,900	4.51%	Hewlett-Packard Co.	3,800	2.40%
Placer County	2,018	1.86%	Placer County	3,092	1.95%
NEC Electronics, Inc.	2,000	1.84%	Sutter Health	2,605	1.65%
Sutter Roseville Medical Center	1,375	1.26%	Kaiser Permanente	2,418	1.53%
PRIDE Industries	1,262	1.16%	PRIDE Industries Inc.	1,429	0.90%
Sierra Joint Community College	1,200	1.10%	Union Pacific Railroad Co. Inc.	1,324	0.84%
Union Pacific Railroad	1,038	0.95%	City of Roseville	1,243	0.79%
Kaiser Permanente Medical Center	749	0.69%	Raley's Inc.	1,195	0.76%
Sutter Auburn Faith Hospital	740	0.68%	Roseville Joint Unfd School Dist.	1,018	0.64%
Zytec	720	0.66%	Dry Creek Jt Elem. School Dist.	992	0.63%
Total Largest Employers	<u>16,002</u>	<u>10.39%</u>	Total Largest Employers	<u>19,116</u>	<u>12.08%</u>
Total All Employers	<u><u>108,700</u></u>	<u><u>100.00%</u></u>	Total All Employers	<u><u>158,250</u></u>	<u><u>100.00%</u></u>

Source: Sacramento Business Journal - March 9, 2007  
County of Placer Office of Economic Development

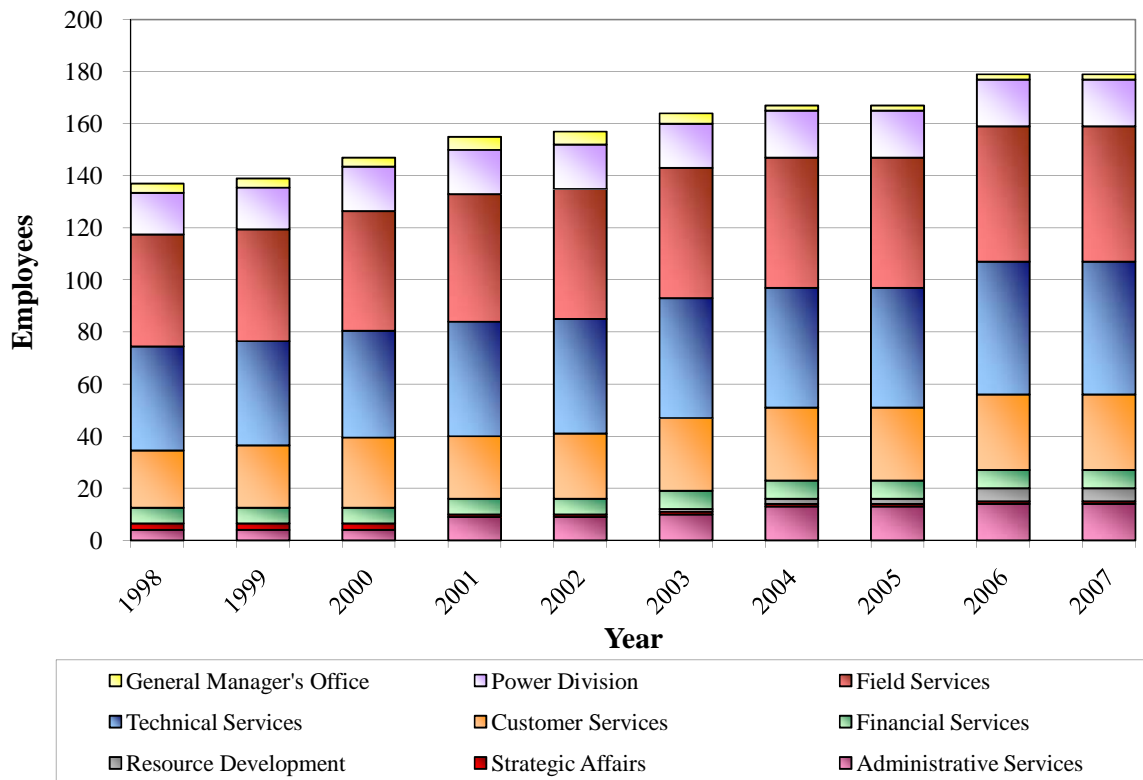
**TABLE #17**  
**Personnel Trends by Agency Department**  
**Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Agency Wide</b>										
General Manager's Office	3.5	3.5	3.5	5.0	5.0	4.0	2.0	2.0	2.0	2.0
Administrative Services	4.0	4.0	4.0	9.0 (2)	9.0	10.0	13.0	13.0	14.0	14.0
Financial Services	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	7.0
Resource Development (1)	0.0	0.0	0.0	0.0	0.0	1.0	2.0	2.0	5.0	5.0
Strategic Affairs	2.5	2.5	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Total Agency Wide</b>	<b>16.0</b>	<b>16.0</b>	<b>16.0</b>	<b>21.0</b>	<b>21.0</b>	<b>23.0</b>	<b>25.0</b>	<b>25.0</b>	<b>29.0</b>	<b>29.0</b>
<b>Water Division</b>										
Customer Services	22.0	24.0	27.0	24.0 (2)	25.0	28.0	28.0	28.0	29.0	29.0
Field Services	43.0	43.0	46.0	49.0	50.0	50.0	50.0	50.0	52.0	52.0
Technical Services	40.0	40.0	41.0	44.0	44.0	46.0	46.0	46.0	51.0	51.0
<b>Total Water Division</b>	<b>105.0</b>	<b>107.0</b>	<b>114.0</b>	<b>117.0</b>	<b>119.0</b>	<b>124.0</b>	<b>124.0</b>	<b>124.0</b>	<b>132.0</b>	<b>132.0</b>
<b>Power Division</b>										
Total Power Division	16.0	16.0	17.0	17.0	17.0	17.0	18.0	18.0	18.0	18.0
<b>Total Employees</b>	<b>137.0</b>	<b>139.0</b>	<b>147.0</b>	<b>155.0</b>	<b>157.0</b>	<b>164.0</b>	<b>167.0</b>	<b>167.0</b>	<b>179.0</b>	<b>179.0</b>

- (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 #14**  
**Personnel Trends**  
**1998-2007**



**TABLE #18**  
**Water and Power Operational Statistics**  
**Last Ten Years**

<b>WATER</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Facilities</b>										
Miles of Main Line - Treated	385	407	422	447	468	478	488	508	519	526
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	47	47	50	50	50	78	78	78
Number of Pumping Stations	10	10	10	11	11	11	11	11	12	12
Number of Storage Tanks/Reservoirs	26	26	28	29	29	29	29	29	32	32
<b>Water Received (in Acre-Feet):</b>										
Lake Spaulding via Drum Canal	83,827	100,085	95,287	96,464	92,017	91,896	95,017	92,301	93,242	95,399
American River (Middle Fork Project)	2,654	4,923	4,436	3,648	11,017	5,520	12,546	3,475	3,591	7,892
Canyon Creek	3,425	2,589	3,344	3,149	2,617	2,844	2,426	3,722	3,031	3,992
Nevada Irrigation District	-	-	-	-	-	-	741	731	1,806	1,660
South Sutter Water District	-	-	5,003	2,815	-	-	4,326	5,647	5,000	-
PG&E Zone 3 Supply	5,926	8,847	9,022	9,498	10,087	8,605	9,965	7,858	8,799	7,417
Lahontan Domestic Well	1	34	8	7	23	30	52	51	73	79
Lahontan Irrigation Well	(2)	833	761	875	755	708	713	579	542	187
<b>Total Supply</b>	<b>95,833</b>	<b>117,311</b>	<b>117,862</b>	<b>116,456</b>	<b>116,516</b>	<b>109,603</b>	<b>125,786</b>	<b>114,363</b>	<b>116,084</b>	<b>116,627</b>
<b>Water Delivered/Billed (Acre-Feet):</b>										
Treated Water Delivered	17,523	20,967	21,915	25,821	27,430	28,732	33,998	33,963	36,092	37,953
Treated Water % of Total	18.3%	18.4%	20.9%	25.1%	22.0%	24.3%	25.9%	26.9%	28.7%	30.1%
Raw Water Billed (3)	78,458	93,237	82,909	77,148	96,997	89,476	97,026	92,258	89,585	87,964
Raw Water % of Total	81.7%	81.6%	79.1%	74.9%	78.0%	75.7%	74.1%	73.1%	71.3%	69.9%
<b>Total Water Delivered/Billed</b>	<b>95,981</b>	<b>114,204</b>	<b>104,824</b>	<b>102,969</b>	<b>124,427</b>	<b>118,208</b>	<b>131,024</b>	<b>126,221</b>	<b>125,677</b>	<b>125,917</b>
<b>Average Per Day</b>	<b>263</b>	<b>313</b>	<b>287</b>	<b>282</b>	<b>341</b>	<b>324</b>	<b>359</b>	<b>346</b>	<b>344</b>	<b>345</b>
<b>Sales (Millions):</b>										
Treated Water Sales (4)	6.2	9.7	11.8	12.8	14.3	15.6	17.6	19.0	21.7	23.3
Treated Water % of Total	82.7%	82.9%	80.8%	83.7%	84.1%	85.2%	85.4%	86.0%	87.1%	87.6%
Raw Water Sales (4)	1.3	2.0	2.8	2.5	2.7	2.7	3.0	3.1	3.2	3.3
Raw Water % of Total	17.3%	17.1%	19.2%	16.3%	15.9%	14.8%	14.6%	14.0%	12.9%	12.4%
<b>Total Water Sales</b>	<b>7.5</b>	<b>11.7</b>	<b>14.6</b>	<b>15.3</b>	<b>17.0</b>	<b>18.3</b>	<b>20.6</b>	<b>22.1</b>	<b>24.9</b>	<b>26.6</b>
<b>Billings, Collections &amp; Delinquencies: (5)</b>										
Water Billings (6)	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	39,529,683
Collections	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	39,469,558
Uncollectible	80,556	30,790	2,345	5,517	62,734	23,675	35,109	35,058	31,893	60,125
Collection Percentage	99.25%	99.76%	99.99%	99.97%	99.67%	99.89%	99.86%	99.87%	99.91%	99.85%
<b>POWER</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Facilities:</b>										
Power Plants	5	5	5	5	5	5	5	5	5	5
Miles of Tunnels & Penstocks	23	23	23	23	23	23	23	23	23	23
Storage Reservoirs (7)	3	3	3	3	3	3	3	3	3	3
Annual Megawatt Hours (Millions) (8)	1.4	1.2	1.1	0.6	0.6	1.1	1.0	1.1	1.5	0.5

(1) MGD = Million Gallons per Day

(2) No reliable data for water supplied from the Lahontan wells for 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 1998-1999 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 1998-1999. Amounts for entire water system not available prior to implementation of new computer software in :

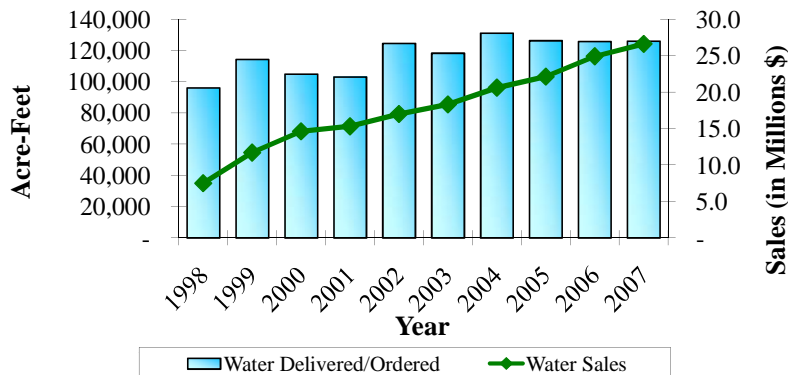
(6) Water Billings includes the amount actually billed in the fiscal year, not the revenue received. Includes water sales, surcharges, renewal and replacement charges, certain other mandated costs, penalties and other similar charges.

(7) Gross Storage Capacity (in Acre-Feet): French Meadows - 134,993; Hell Hole - 207,590; and Ralston Afterbay - 2,782.

(8) Actual Power Production. 2006 Production revised from 1.1 to 1.5 million annual megawatt hours due to revised information received from Power Division. Low 2007 Production is due to extended outages for the Surge Shaft Repair and the Ralston Rewind in addition to the reduced run-off to French Meadows and Hell Hole Reservoirs.

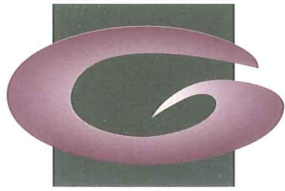
Source: Placer County Water Agency

**CHART #15**  
**Water Sales and Acre-Feet Ordered**









**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 accompanying financial statements of the Placer County Water Agency (the Agency) as of and for the year ended December 31, 2007, as listed in the table of contents, and have issued our report thereon dated May 13, 2008. 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  
Sacramento, California**

**May 13, 2008**



**PLACER COUNTY WATER AGENCY**  
**COMBINING STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,766,211	1,745,933	14,184,336	19,696,480
Restricted Cash and Cash Equivalents	21,727		12,388,181	12,409,908
Restricted Cash and Cash Equivalents with Fiscal Agents		3,745,669	1,500,187	5,245,856
Water Service Receivable, Net	71,025		5,665,352	5,736,377
Accounts Receivable	55,835	10,842,542	1,204,325	12,102,702
Interest Receivable	212,501	13,826	814,907	1,041,234
Taxes Receivable	715,809			715,809
Due From Other Funds	388,407			388,407
Due From Other Governmental Agencies	963,521			963,521
Materials and Supplies			996,722	996,722
Prepaid Expense	42,405	144,151	503,798	690,354
Total Current Assets	<u>6,237,441</u>	<u>16,492,121</u>	<u>37,257,808</u>	<u>59,987,370</u>
Non-Current Assets:				
Investments	5,471,136		44,266,460	49,737,596
Restricted Investments		278,802	30,329,686	30,608,488
Restricted Investments with Fiscal Agents			13,991,692	13,991,692
Advanced to Other Funds	881,949			881,949
Warrants Receivable - Long-Term				
Notes Receivable			91,989	91,989
Assessments Receivable			113,474	113,474
Unamortized Bond Issuance Costs			1,136,798	1,136,798
Capital Assets, Net	20,137,087	109,441,979	369,787,001	499,366,067
Total Non-Current Assets	<u>26,490,172</u>	<u>109,720,781</u>	<u>459,717,100</u>	<u>595,928,053</u>
Total Assets	<u>\$ 32,727,613</u>	<u>126,212,902</u>	<u>496,974,908</u>	<u>655,915,423</u>

(Continued)

**PLACER COUNTY WATER AGENCY**

COMBINING STATEMENT OF NET ASSETS (continued)

DECEMBER 31, 2007

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 1,058,429	9,207,848	7,568,643	17,834,920
Deferred Revenue				
Accrued Salaries and Benefits	133,871	64,059	415,191	613,121
Interest Payable		463,687	812,454	1,276,141
Current Portion of Long-Term Liabilities		4,140,000	2,351,686	6,491,686
Deposits		901,844	1,342,941	2,244,785
Due To Other Funds			388,407	388,407
Other Current Liabilities	2,050	642	1,212,664	1,215,356
Compensated Absences Payable, Current Portion	574,153	354,508	1,326,471	2,255,132
<b>Total Current Liabilities</b>	<b>1,768,503</b>	<b>15,132,588</b>	<b>15,418,457</b>	<b>32,319,548</b>
Non-Current Liabilities:				
Bonds and Certificates of Participation, Net		18,591,937	77,782,771	96,374,708
Loans Payable			1,324,673	1,324,673
Improvement District Debt			54,098	54,098
Advance From Other Funds		881,949		881,949
Deferred Revenue			64,101	64,101
Compensated Absences Payable	281,931	197,425	1,303,630	1,782,986
<b>Total Non-Current Liabilities</b>	<b>281,931</b>	<b>19,671,311</b>	<b>80,529,273</b>	<b>100,482,515</b>
<b>Total Liabilities</b>	<b>2,050,434</b>	<b>34,803,899</b>	<b>95,947,730</b>	<b>132,802,063</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	20,137,087	90,455,711	304,361,874	414,954,672
Restricted:				
Water System Expansion			38,644,771	38,644,771
Other	21,727	278,802	79,515	380,044
Unrestricted	10,518,365	674,490	57,941,018	69,133,873
<b>Total Net Assets</b>	<b>30,677,179</b>	<b>91,409,003</b>	<b>401,027,178</b>	<b>523,113,360</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,727,613</b>	<b>126,212,902</b>	<b>496,974,908</b>	<b>655,915,423</b>

**PLACER COUNTY WATER AGENCY**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2007

	<b>Agency Wide</b>	<b>Power Division</b>	<b>Water Division</b>	<b>Totals</b>
<b>OPERATING REVENUES:</b>				
Water Sales	\$ 915,642		27,101,824	28,017,466
Power Sales		31,184,062		31,184,062
Reimbursements	55,385			55,385
Engineering Charges			1,341,132	1,341,132
Customer Service Charges			559,654	559,654
Other Revenue	971		24,576	25,547
<b>Total Operating Revenues</b>	<b>971,998</b>	<b>31,184,062</b>	<b>29,027,186</b>	<b>61,183,246</b>
<b>OPERATING EXPENSES:</b>				
Purchased Water			548,603	548,603
Field Administration			827,780	827,780
Pumping Plants and Wells			813,773	813,773
Water Treatment			5,069,522	5,069,522
Electrical Operations		1,475,462		1,475,462
Transmission and Distribution of Treated Water			2,598,647	2,598,647
Transmission and Distribution of Raw Water			6,379,545	6,379,545
Customer Service and Collections			3,057,287	3,057,287
Repairs and Maintenance		1,461,988		1,461,988
Recreation		229,359		229,359
Automotive and Equipment Expenses			723,910	723,910
General and Administrative	1,974,437	2,721,902	4,775,000	9,471,339
Depreciation	125,257	1,408,728	8,001,459	9,535,444
<b>Total Operating Expenses</b>	<b>2,099,694</b>	<b>7,297,439</b>	<b>32,795,526</b>	<b>42,192,659</b>
<b>Operating Income (Loss)</b>	<b>(1,127,696)</b>	<b>23,886,623</b>	<b>(3,768,340)</b>	<b>18,990,587</b>

(Continued)

**PLACER COUNTY WATER AGENCY**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS (continued)

YEAR ENDED DECEMBER 31, 2007

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
NON-OPERATING REVENUES (EXPENSES):				
Mandated Costs Charges			3,476,813	3,476,813
Water Connection Charges			4,426,211	4,426,211
Raw Water Surcharges			249,357	249,357
Renewal and Replacement Charges			8,051,114	8,051,114
Contributions in Aid of Construction			172,762	172,762
Costs Recovered From Other Agencies	\$ 6,784,655		181,433	6,966,088
Interest Earnings	708,405	124,742	3,943,033	4,776,180
Property Taxes - Debt Service			11,047	11,047
Property Taxes	713,715			713,715
Assessments			20,195	20,195
Gain (Loss) on Disposal of Assets		4,265	14,166	18,431
Amortization of Bond Premium (Discount)		8,821	(296,684)	(287,863)
Program Grant Revenue			307,974	307,974
Interest Expense		(927,375)	(2,617,425)	(3,544,800)
Amortization of Bond Issue Costs			(83,061)	(83,061)
Other Income	64,680	193	1,116,773	1,181,646
<b>Total Non-Operating Revenues (Expenses)</b>	<b>8,271,455</b>	<b>(789,354)</b>	<b>18,973,708</b>	<b>26,455,809</b>
<b>Net Income Before Capital Contributions</b>	<b>7,143,759</b>	<b>23,097,269</b>	<b>15,205,368</b>	<b>45,446,396</b>
<b>Capital Contributions</b>			<b>5,134,544</b>	<b>5,134,544</b>
<b>Increase in Net Assets</b>	<b>7,143,759</b>	<b>23,097,269</b>	<b>20,339,912</b>	<b>50,580,940</b>
<b>Net Assets, Beginning of Year</b>	<b>23,533,420</b>	<b>68,311,734</b>	<b>380,687,266</b>	<b>472,532,420</b>
<b>Net Assets, End of Year</b>	<b>\$ 30,677,179</b>	<b>91,409,003</b>	<b>401,027,178</b>	<b>523,113,360</b>

**PLACER COUNTY WATER AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2007**

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 898,138	22,700,974	27,337,641	50,936,753
Cash Received from Other Sources	64,680	193	1,116,773	1,181,646
Cash Paid to Suppliers For Goods and Services	(2,388,907)	4,558,353	(7,289,244)	(5,119,798)
Cash Paid to Employees For Services	1,184,939	(2,922,174)	(14,382,135)	(16,119,370)
Net Cash Provided by (Used in) Operating Activities	<u>(241,150)</u>	<u>24,337,346</u>	<u>6,783,035</u>	<u>30,879,231</u>
Cash Flows From Non-Capital Financing Activities				
Taxes, Assessments and Other Income	700,803		49,334	750,137
Costs Recovered from Other Agencies	6,262,674		607,973	6,870,647
Program Grant Revenue			307,974	307,974
Due To/From Funds	(388,407)		388,407	
Advances To/From Funds	(881,949)	881,949		
Net Cash Provided by Non-Capital Financing Activities	<u>5,693,121</u>	<u>881,949</u>	<u>1,353,688</u>	<u>7,928,758</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(7,168,221)	(19,308,993)	(44,024,111)	(70,501,325)
Proceeds from Issuance of Debt			32,246,905	32,246,905
Principal Payment on Debt		(4,000,000)	(1,765,000)	(5,765,000)
Interest Payment on Debt		(964,500)	(2,217,819)	(3,182,319)
Mandated Costs Charges			3,476,813	3,476,813
Water Connection Charges			4,426,211	4,426,211
Raw Water Surcharges			249,357	249,357
Renewal and Replacement Charges			8,051,114	8,051,114
Capital Contributed Cash			172,762	172,762
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(7,168,221)</u>	<u>(24,273,493)</u>	<u>616,232</u>	<u>(30,825,482)</u>
Cash Flows From Investing Activities:				
Purchases of Investments	(5,845,235)	(10,772)	(93,282,993)	(99,139,000)
Proceeds From Sale/Maturity of Investments	7,598,409		75,887,583	83,485,992
Investment Income	481,556	131,160	2,781,534	3,394,250
Net Cash Provided By (Used in) Investing Activities	<u>2,234,730</u>	<u>120,388</u>	<u>(14,613,876)</u>	<u>(12,258,758)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	518,480	1,066,190	(5,860,921)	(4,276,251)
Cash and Cash Equivalents at Beginning of Year	<u>3,269,458</u>	<u>4,425,412</u>	<u>33,933,625</u>	<u>41,628,495</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,787,938</u>	<u>5,491,602</u>	<u>28,072,704</u>	<u>37,352,244</u>

(Continued)

**PLACER COUNTY WATER AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**YEAR ENDED DECEMBER 31, 2007**

	<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 (Used in) Operating Activities:				
Operating Income (Loss)	\$ (1,127,696)	23,886,623	(3,768,340)	18,990,587
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:				
Depreciation	125,257	1,408,728	8,001,459	9,535,444
Loss on Disposal of Capital Assets		4,265	2,270,443	2,274,708
Other Non-Operating Income	64,680	193	1,116,773	1,181,646
(Increase) in Accounts and Water Service Receivable	(73,860)	(8,483,088)	(1,675,589)	(10,232,537)
(Increase) in Material and Supplies			(169,010)	(169,010)
(Increase) Decrease in Prepaid Expenses	(19,573)	410,868	712,647	1,103,942
Increase in Accounts Payable and Other Liabilities	17,054	6,570,087	634,782	7,221,923
Increase (Decrease) in Deposits		472,500	(111,244)	361,256
(Decrease) in Deferred Revenues			(13,956)	(13,956)
Increase (Decrease) in Salaries and Benefits Payable	772,988	67,170	(214,930)	625,228
Total Adjustments	886,546	450,723	10,551,375	11,888,644
Net Cash Provided by (Used in) Operating Activities	<u>\$ (241,150)</u>	<u>24,337,346</u>	<u>6,783,035</u>	<u>30,879,231</u>
Reconciliation to Statement of Net Assets:				
Cash and Cash Equivalents	\$ 3,766,211	1,745,933	14,184,336	19,696,480
Restricted Cash and Cash Equivalents	21,727		12,388,181	12,409,908
Restricted Cash and Cash Equivalents with Fiscal Agent		3,745,669	1,500,187	5,245,856
Total Cash and Cash Equivalents Reported on Balance Sheet	<u>\$ 3,787,938</u>	<u>5,491,602</u>	<u>28,072,704</u>	<u>37,352,244</u>
Supplemental Schedule of Noncash Capital and Financing Activities:				
Noncash Capital Contributions	\$		5,134,544	5,134,544
Amortization of Bond Premiums		8,821	(296,684)	(287,863)
Amortization of Bond Issue Costs			83,061	83,061
Change in Fair Value of Investments	95,062		959,623	1,054,685

Unrestricted Board Designated Fund Equity  
For the Year Ended December 31, 2007

<u>Agency Wide</u>	<b>2007</b>
<b><u>Unrestricted - Board Designated</u></b>	
<b>Operational:</b>	
Contingencies	\$ 723,121
Operational	413,588
<b>Capital:</b>	
Routine Capital Replacement	160,949
<b>Liabilities:</b>	
Compensated Absences	501,368
Post Employment Benefit Liability (GASB 45)	1,039,439
<b>Specific Activities &amp; Projects:</b>	
Water Entitlements	220,711
Yuba & Bear River Relicensing & Watershed interests	217,401
Yearly Water Transfer Costs	106,945
Infrastructure Study Revolving Fund	49,624
Middle Fork Project - Facilities and Properties	3,946,910
Financial Assistance Program (Note 3)	35,008
<b>Total Agency Wide - Designated</b>	<b><u><u>\$ 7,415,064</u></u></b>

**Water System**

<b><u>Unrestricted - Board Designated</u></b>	
<b>Operational:</b>	
Contingencies	\$ 1,795,750
Operational	1,577,667
Rate Stabilization	2,194,065
<b>Capital:</b>	
Administration Building Maintenance and Improvements	563,132
System Replacement and Improvements	7,408,140
Vehicles, Equipment and Other Routine Capital Replacement	937,382
<b>Specified Revenue:</b>	
Renewal & Replacement Charges	2,942,529
State and Federal Mandated Charges	150,872
Capital Facilities Charge (Raw Water Surcharge)	614,950
<b>Liabilities</b>	
Compensated Absences	1,761,276
Energy (Electricity/Fuel)	1,407,244
Post Employment Benefit Liability (GASB 45)	620,382
Revolving Grant Matching Funds	1,111,495
Risk Management	108,932
<b>Specific Activities &amp; Projects:</b>	
Service Center - Corporation Yard	2,919,209
Maidu Corporation Yard Improvements	31,015
Water and Energy Efficiency Strategies	550,000
<b>Total Water System - Designated</b>	<b><u><u>\$ 26,694,040</u></u></b>

**Combined Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual  
For the Year Ended December 31, 2007**

	2007 Adopted Budget	2007 Adjusted Budget (1)	2007 Actual	Variance from Adjusted Budget (\$)	Variance from Adjusted Budget (%)
<b>Operating Revenues</b>					
Water Sales	\$ 28,358,991	27,738,991	28,017,466	278,475	1.00%
Power Sales (1)	30,524,667	31,184,062	31,184,062	-	0.00%
Reimbursements	70,385	68,000	55,385	(12,615)	-18.55%
Engineering Charges	895,000	1,140,000	1,341,132	201,132	17.64%
Customer Service Charges	400,100	400,100	559,654	159,554	39.88%
Intergovernmental	60,000	-	-	-	0.00%
Other Revenue	20,600	10,000	25,547	15,547	155.47%
Total Operating Revenues	<u>60,329,743</u>	<u>60,541,153</u>	<u>61,183,246</u>	<u>642,093</u>	<u>1.06%</u>
<b>Non-Operating Revenues</b>					
Water Connection Charge	13,000,000	4,500,000	4,426,211	(73,789)	-1.64%
Renewal & Replacement Charge	8,833,080	6,816,000	8,051,114	1,235,114	18.12%
Mandated Costs Charge	3,568,000	3,568,000	3,476,813	(91,187)	-2.56%
Raw Water Surcharge	401,708	401,708	249,357	(152,351)	-37.93%
Property Taxes	705,000	705,000	724,762	19,762	2.80%
Contributions in Aid of Construction	400,000	400,000	172,762	(227,238)	-56.81%
Interest Earnings	3,405,100	3,405,100	4,776,180	1,371,080	40.27%
Assessments	5,000	5,000	20,195	15,195	303.90%
Costs Recovered from Other Agencies	-	-	6,966,088	6,966,088	100.00%
Gain on Disposal of Assets	-	-	18,431	18,431	100.00%
Program Grant Revenue	15,000	15,000	307,974	292,974	100.00%
Other Income (2)	60,000	70,050	1,181,646	1,111,596	1586.86%
Total Non-Operating Revenues	<u>30,392,888</u>	<u>19,885,858</u>	<u>30,371,533</u>	<u>10,485,675</u>	<u>52.73%</u>
<b>Total Revenues</b>	<u>90,722,631</u>	<u>80,427,011</u>	<u>91,554,779</u>	<u>11,127,768</u>	<u>13.84%</u>
<b>Operating Expenses</b>					
Purchased Water	759,400	759,400	548,603	210,797	27.76%
Field Administration	805,746	805,746	827,780	(22,034)	-2.73%
Pumping Plant and Wells	945,500	945,500	813,773	131,727	13.93%
Water Treatment	4,770,092	4,892,242	5,069,522	(177,280)	-3.62%
Electrical Operations	1,194,624	1,475,462	1,475,462	-	0.00%
Transmission & Distribution:				-	
Treated Water	3,052,034	3,052,034	2,598,647	453,387	14.86%
Raw Water	4,628,670	4,912,303	6,379,545	(1,467,242)	-29.87%
Customer Service & Collections	3,219,745	3,246,272	3,057,287	188,985	5.82%
Repairs & Maintenance	972,688	1,461,988	1,461,988	-	0.00%
Safety	-	-	-	-	0.00%
Recreation	-	229,359	229,359	-	-100.00%
Automotive & Equipment	729,512	729,512	723,910	5,602	0.77%
General & Administration	7,165,456	7,880,233	9,471,339	(1,591,106)	-20.19%
Depreciation	6,110,000	6,110,000	9,535,444	(3,425,444)	-56.06%
Total Operating Expenses (3)	<u>34,353,467</u>	<u>36,500,051</u>	<u>42,192,659</u>	<u>(5,692,608)</u>	<u>-15.60%</u>
<b>Non-Operating Expenses</b>					
Interest Expense	3,414,336	3,420,435	3,544,800	(124,365)	-3.64%
Amortization of Bond Issue Cost	77,135	77,135	74,240	2,895	3.75%
Bond Premium/Discount Amortization	-	-	296,684	(296,684)	100.00%
Other	-	-	-	-	-100.00%
Total Non-Operating Expenses	<u>3,491,471</u>	<u>3,497,570</u>	<u>3,915,724</u>	<u>(418,154)</u>	<u>-11.96%</u>
<b>Total Expenses</b>	<u>37,844,938</u>	<u>39,997,621</u>	<u>46,108,383</u>	<u>(6,110,762)</u>	<u>-15.28%</u>
Capital Contributions	-	-	5,134,544	5,134,544	
<b>CHANGE IN NET ASSETS</b>	<u>\$ 52,877,693</u>	<u>40,429,390</u>	<u>50,580,940</u>	<u>22,373,074</u>	<u>55.34%</u>

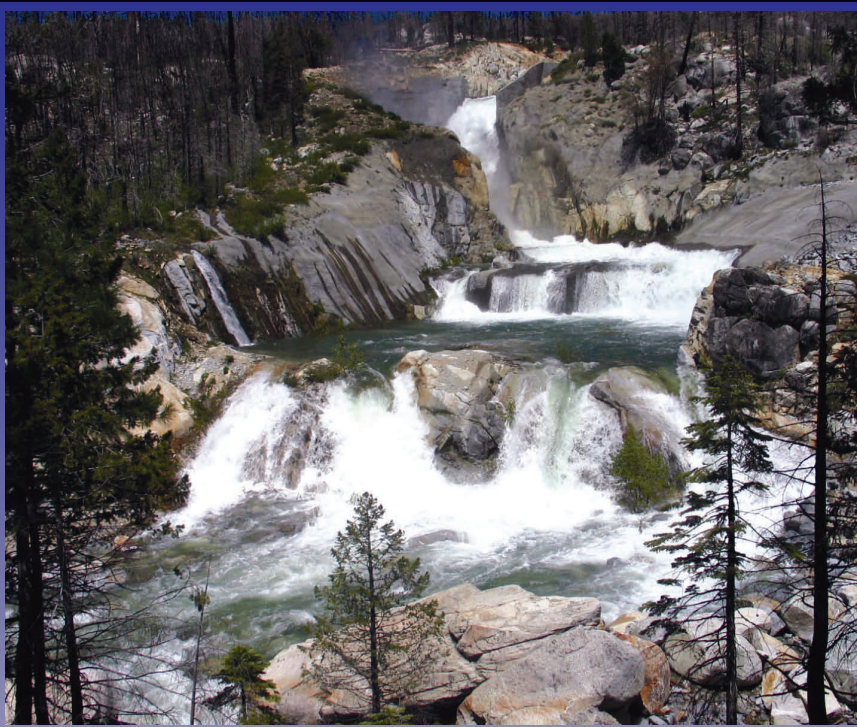
- (1) In 2007, the power division budget is on an expense reimbursement, therefore, adjusted budget reflects actual expenses and revenues per the power sales contract.
- (2) Other Income is primarily due to "mark to market" adjustments on investments and gain on debt service resulting from the 1995 COP refunding and the 1999 COP advance refunding.
- (3) The operating expense variance is primarily a result from under budgeting for depreciation and the Agency's reprioritization of the water system capital investment program resulting in expense of prior years' capital project expenditures. Departmental budgets are within current year budget.

**Adjusted Budget  
For the Last Eight Years (2000-2007)**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Operating Revenues</b>								
Water Sales	\$ 12,928,712	15,161,790	15,511,740	18,225,850	20,040,000	25,100,000	27,000,000	27,738,991
Power Sales	12,500,000	12,000,000	12,000,000	13,428,336	15,000,000	16,500,000	26,944,696	31,184,062
Reimbursements	43,800	44,880	46,200	60,108	59,200	61,000	63,000	68,000
Engineering Charges	319,080	386,880	537,150	655,949	720,000	720,000	900,000	1,140,000
Customer Service Charges	122,300	128,900	138,560	170,409	320,000	320,000	400,000	400,100
Other Revenue	2,440	5,280	4,800	35,500	-	10,000	10,050	10,000
<b>Total Operating Revenues</b>	<b>25,916,332</b>	<b>27,727,730</b>	<b>28,238,450</b>	<b>32,576,152</b>	<b>36,139,200</b>	<b>42,711,000</b>	<b>55,317,746</b>	<b>60,541,153</b>
<b>Non-Operating Revenues</b>								
Water Connection Charge	5,000,000	5,500,000	5,500,000	5,500,000	6,500,000	10,000,000	12,000,000	4,500,000
Renewal & Replacement Charge	-	-	23,900	626,000	1,030,000	2,900,000	4,300,000	6,816,000
Mandated Costs Charge	1,350,000	1,525,000	1,620,000	1,730,000	2,137,000	2,492,000	3,400,000	3,568,000
Raw Water Surcharge	195,000	210,000	240,000	220,000	245,000	246,500	330,000	401,708
Property Taxes	(6,800)	6,000	(8,100)	724,000	896,000	685,000	770,023	705,000
Contributions in Aid of Construction	287,000	198,000	225,350	250,000	250,000	250,000	400,000	400,000
Interest Earnings	500	7,600	6,000	1,418,000	1,246,000	1,540,000	3,370,000	3,405,100
Assessments	19,000	9,000	25,000	49,000	25,000	7,000	-	5,000
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	-	15,000
Other Income	46,620	50,520	45,000	34,000	108,300	8,000	10,050	70,050
<b>Total Non-Operating Revenues</b>	<b>6,999,820</b>	<b>7,506,120</b>	<b>8,124,650</b>	<b>11,584,160</b>	<b>13,637,300</b>	<b>18,528,500</b>	<b>24,585,073</b>	<b>19,885,858</b>
<b>Total Revenues</b>	<b>32,916,152</b>	<b>35,233,850</b>	<b>36,363,100</b>	<b>44,160,312</b>	<b>49,776,500</b>	<b>61,239,500</b>	<b>79,902,819</b>	<b>80,427,011</b>
<b>Operating Expenses</b>								
Purchased Water	232,500	492,990	483,020	425,000	299,000	516,832	676,000	759,400
Field Administration	595,190	544,710	596,683	721,488	694,050	822,802	807,418	805,746
Pumping Plant & Wells	159,440	170,990	167,570	985,043	210,000	799,093	869,978	945,500
Water Treatment	2,424,030	2,540,020	2,997,731	3,312,483	3,823,742	4,002,131	4,459,958	4,892,242
Electrical Operations	-	1,599,171	-	253,756	1,683,876	1,008,079	1,009,587	1,475,462
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	3,052,034
Raw Water	1,632,790	1,661,661	1,638,555	1,795,174	2,377,895	2,660,206	2,566,812	4,912,303
Customer Service & Collections	880,590	1,169,259	1,160,497	1,206,878	904,171	922,331	963,212	3,246,272 (1)
Repairs & Maintenance	-	1,865,745	-	-	835,185	450,872	429,734	1,461,988
Safety	393,940	390,660	442,110	505,234	573,732	637,849	694,539	-
Recreation	-	207,000	-	-	336,672	-	-	229,359
Automotive & Equipment	401,970	395,568	473,576	651,178	796,156	710,215	662,707	729,512
General & Administration	8,131,911	12,890,183	12,424,438	7,168,998	9,222,292	8,805,800	9,505,027	7,880,233
Depreciation	6,300,700	8,570,800	6,700,200	4,740,800	6,900,600	9,850,000	4,335,559	6,110,000
<b>Total Operating Expenses</b>	<b>22,216,071</b>	<b>33,564,568</b>	<b>28,349,062</b>	<b>23,537,908</b>	<b>30,633,004</b>	<b>33,051,949</b>	<b>29,379,531</b>	<b>36,500,051</b>
<b>Non-Operating Expenses</b>								
Interest Expense	5,265,000	5,085,000	4,921,500	1,749,906	1,568,000	4,203,601	3,998,706	3,420,435
Amortization of Bond Issue Cost	8,900	8,800	8,800	9,000	170,000	92,000	70,000	77,135
Bond Premium/Discount Amortization	-	-	-	-	-	275,000	275,500	-
Other	62,600	86,900	87,000	44,000	53,000	65,000	100,000	-
<b>Total Non-Operating Expenses</b>	<b>5,336,500</b>	<b>5,180,700</b>	<b>5,017,300</b>	<b>1,802,906</b>	<b>1,791,000</b>	<b>4,635,601</b>	<b>4,444,206</b>	<b>3,497,570</b>
<b>Total Expenses</b>	<b>27,552,571</b>	<b>38,745,268</b>	<b>33,366,362</b>	<b>25,340,814</b>	<b>32,424,004</b>	<b>37,687,550</b>	<b>33,823,737</b>	<b>39,997,621</b>
<b>Net to/from designated/reserve funds</b>								
<b>NET INCOME/(NET LOSS)</b>	<b>\$ 5,363,581</b>	<b>(3,511,418)</b>	<b>2,996,738</b>	<b>18,819,498</b>	<b>17,352,496</b>	<b>23,551,950</b>	<b>46,079,082</b>	<b>40,429,390</b>

(1) In 2007, Customer Services includes Meter Services, Customer Services and Utility Billing.





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