



Placer County Water Agency
Auburn, CA

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2009



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009



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

PREPARED BY THE DEPARTMENT OF FINANCIAL SERVICES

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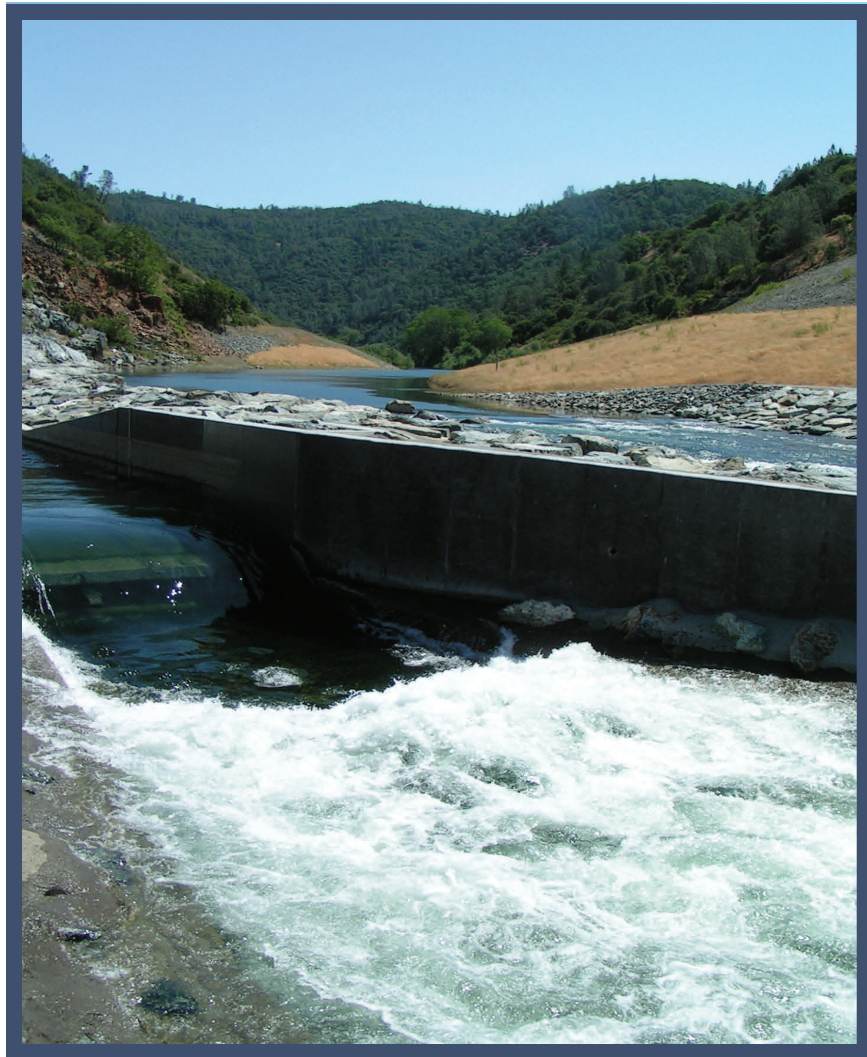
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Introductory Section



American River Pump Station
100 Cubic Feet Per Second (CFS)



PLACER COUNTY WATER AGENCY
SINCE 1957

BOARD OF DIRECTORS	BUSINESS CENTER
Gray Allen, District 1	144 Ferguson Road
Alex Ferreira, District 2	MAIL
Lowell Jarvis, District 3	P.O. Box 6570
Mike Lee, District 4	Auburn, CA 95604
Ben Mavy, District 5	PHONE
David Breninger, General Manager	530.823.4850
Ed Tiedemann, General Counsel	800.464.0030
	WWW.PCWA.NET

March 26, 2010

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, 2009. 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 Maze & Associates (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 Division and Power Division.

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 Western Water System, 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 Division.

Power Division

PCWA's Power Division 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 million megawatt 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 Division

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, 37 water tanks and more than 547 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 Division 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 Western 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 the 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 Western 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. 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

Commencing in January 2009, the Agency changed its water rate structure to be more volumetric with the State and Federal Mandate Charge revenue being incorporated into the commodity tiers rates, resulting in a 9.7% shift to a more volumetric rate structure for the average customer.

In February 2009, the Agency was presented with two awards from the American Society of Civil Engineers, Sacramento Section for Outstanding Project of the Year for the American River Pump Station and Restoration and Outstanding Integrated Design Project for the Ophir Road Pump Station.

In March 2009, the Agency entered into an agreement with San Diego County Water Authority for a one-time water sale of 20,000 acre-feet of MFP water. The net proceeds of the sale were approximately \$4,500,000.

In 2009, the Agency entered into a co-funding agreement with PG&E for the required spillway improvements at LL Anderson Dam at French Meadows Reservoir with a total project budget of \$20.2 million. Under the agreement, PG&E will pay 40% of the construction cost. The Agency's 60% share of this funding was approved as part of the 2010 Middle Fork Finance Authority budget. On December 17, 2009, the Board of Directors awarded the construction contract for the project. The Middle Fork Project Finance Authority is discussed in Note 9.

PCWA continued efforts towards obtaining a new FERC license of the Middle Fork Project hydroelectric facilities.

The Agency enhanced customer service, banking, and cash management through the Agency's ability to accept online credit card and electronic check payments for water utility bills, provide customer online bill statement viewing, provide optional payment via Electronic Fund Transfers (EFT's) to our vendors and implementing a remote deposit process that captures the customer's check payment with an electronic scan deposit.

ECONOMIC CONDITIONS OF PCWA

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

Placer County Economy

The pace of new development has slowed to levels not seen since the early 1980's. This is a direct impact to the Agency as the Water Connection Charge revenues, charges for new water service, remained low at \$6.4 million in 2009 compared to \$3.5 million in 2008 with new service connection units among the lowest in 13 years. Correspondingly, capacity expansion projects will continue to be postponed.

In the last decade the County has experienced an overall population growth of approximately 42%. The population increased 1.7% in Placer County from 2008 to 2009, making it one of the fastest growing counties in California.

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 from the current population of 344,565. The population is expected to reach almost 386,000 by 2015 and 428,000 by 2020, an increase of nearly 24% over the current population.

Even with the current development slow down, the County's unemployment at 10.6% at December 2009 is lower than the State total at 11.4%. Per capita income is \$45,471, almost 109% 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 Division's coming year operating expenses. Correspondingly, both the Power Division 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 Division 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 7 years.

PCWA is constantly updating its comprehensive financial plan, most recently by developing a water connection charge facilities agreement deferred payment program for housing development to assist in stimulating the local economy.

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. During 2008, the Agency updated and revised the Investment Policy, which was adopted in the first quarter of 2009 for use throughout the year.

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 and amended in 2007, 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.

Capital Asset Policy

In August 2009, the Agency revised and updated its *Capital Asset Policy*, initially adopted in March 2005. This Policy establishes the policy for asset capitalization and safeguarding and defines capital-type items (fixed assets) as land, buildings, machinery or equipment with an original cost of \$5,000 or greater and a useful life of more than one year.

The Capital 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.

Identity Theft Prevention Program

In 2008, the Agency adopted an *Identity Theft Prevention Policy* consistent with Federal Trade Commission (FTC) Red Flag rules. This policy provides for the identification, detection, and response to patterns, practices, or specific activities ("red flags") that could detect identity theft.

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.

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 2009, the Agency continued 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. The focus of the Agency's Relicensing work in 2009 was completing technical studies and associated reports that document environmental, recreation, and public safety conditions in and around Middle Fork Project facilities.

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, County Treasurer and the State of California's 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 Division and Water Division 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 Division and \$3 million for the Water Division 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 2008, Maze & Associates was selected to conduct the audit of PCWA's financial statements. The Auditor's report for the year ending December 31, 2009 is an unqualified "clean" opinion.

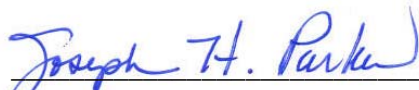
Awards and Acknowledgements

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, 2008. 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, 2008

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

Placer County Water Agency

December 31, 2009

Board of Directors

District 2, Chair	Alex Ferreira
District 3 Vice Chair	Lowell Jarvis
District 1	Gray Allen
District 4	Michael Lee
District 5	Ben Mavy

Agency Officials

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

Acknowledgements

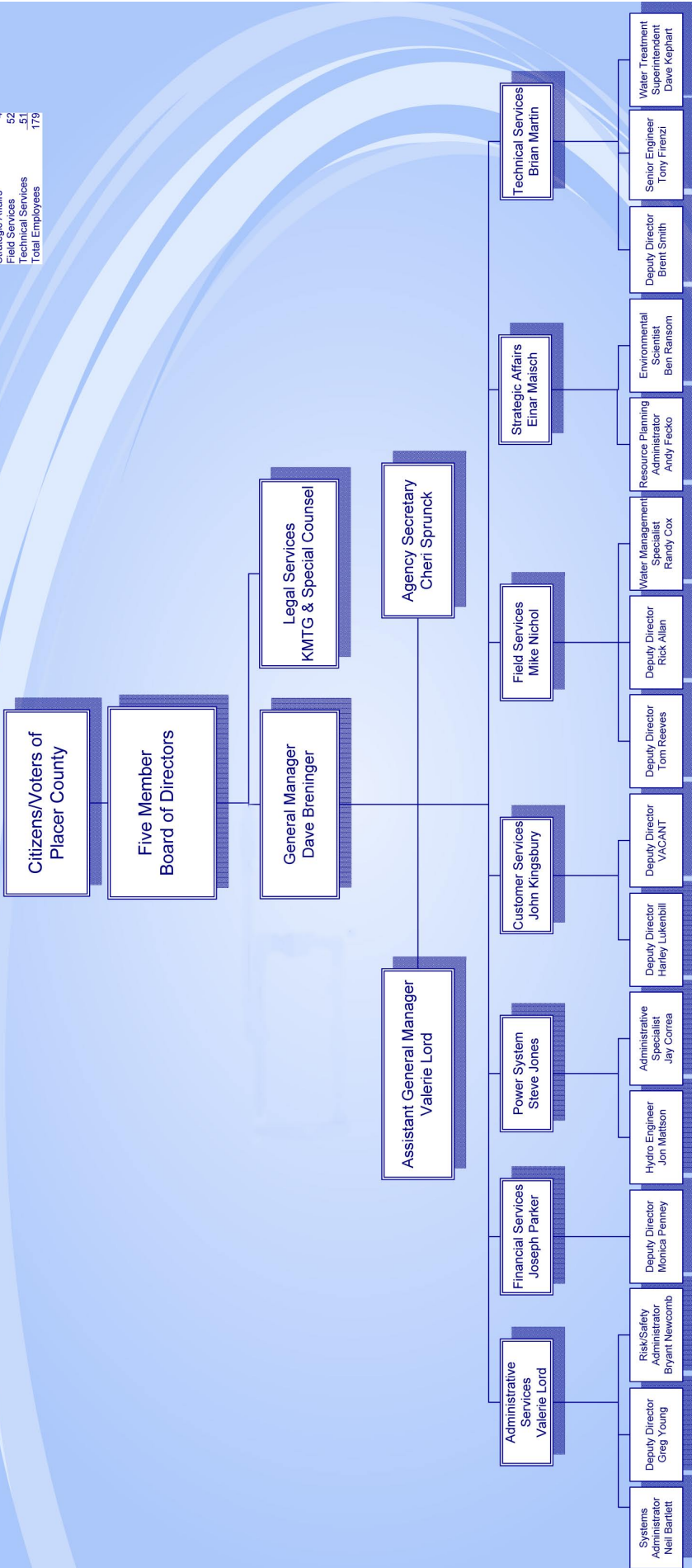
Prepared by the Placer County Water Agency
Department of Financial Services

Director of Financial Services	Joseph Parker, CPA
Deputy Director of Financial Services	Monica Penney
Financial Analyst	Diel Eckhardt



Placer County Water Agency Organizational Structure

General Manager	2
Administrative Services	16
Financial Services	17
Power System	17
Public Services	28
Strategic Affairs	4
Field Services	4
Technical Services	52
Total Employees	179



Financial Section



Auburn Water Treatment Plant
8 Million Gallons Per Day (MGD)

INDEPENDENT AUDITORS' REPORT

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

We have audited the basic financial statements of the Placer County Water Agency for the year ended December 31, 2009. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the 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 basic financial statements referred to above present fairly in all material respects the financial position of the Placer County Water Agency at December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Management's Discussion and Analysis and Required Supplementary Information is required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Agency. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the Table of Contents were not audited by us, and we do not express an opinion on this information.

March 26, 2010



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PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

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, 2009. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Agency's basic financial statements.

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

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

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets and Capital Investment Program
- Long-term Debt
- Requests for Information

ORGANIZATION AND BUSINESS

The Agency was created in 1957 under its own legislative Act and since inception has been actively involved in Placer County's 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 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 Division was established with the construction of the Middle Fork American River Hydroelectric Project (MFP) 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 that is wholesaled to 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.

The Agency's Water Division 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, 37 water tanks, more than 547 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

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

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.

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 Division and the Power Division. 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.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

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 can be found on pages 21 through 52 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplemental information. Such required supplementary information regarding the Agency's funding of its obligation to provide pension and other post-employment healthcare benefits to its employees can be found on page 53 of this report. Other supplemental information can be found on pages 54 through 59 of this report.

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 2009

- At December 31, 2009, the Agency's total assets exceeded total liabilities by \$634 million (net assets), which is an increase of \$27.2 million or 4% over the 2008 year-end balance.
- Capital assets (net) increased \$13.2 million or 2% to \$593 million.
- Operating revenue decreased \$2.4 million or 5% to \$47.6 million.
- Operating expense increased \$2.3 million or 5% to \$52.5 million.
- Other income (expense) increased \$4.4 million or 18% from \$24.1 million to \$28.5 million.
- Capital contributions decreased \$56.4 million or (94%), as the 2008 contribution reflected a \$43.9 million United States Government capital contribution of the American River Pump Station project. Also contributing to the decrease is the continued decline in development.

Financial Position

The Agency's net assets increased by \$27.2 million to \$634 million (*see Table 1 on the following page*), which is a result of a combination of assets increasing \$12.7 million and liabilities decreasing \$14.5 million.

The highlights of the \$27.2 million increase in net assets are as follows:

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

- Current assets decreased \$51.3 million and non-current assets increased \$50.8 million (net decrease of \$0.5 million), which is primarily the result of increasing investment duration by investing in longer term (non-current) rather than shorter term (current) investments.
- Capital assets increased \$13.2 million from current year construction and capital contributions.
- Liabilities decreased \$14.5 million from current year debt service payments and decreased accounts payable resulting from reduced construction.

Table 1
Net Assets
(In thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>%</u>
Current Assets	\$ 70,831	122,178	(51,347)	-42%
Non-Current Assets	101,210	50,402	50,808	101%
Capital Assets	593,144	579,907	13,237	2%
Total Assets	<u>765,185</u>	<u>752,487</u>	<u>12,698</u>	<u>2%</u>
Current Liabilities	19,572	26,387	(6,815)	-26%
Non-Current Liabilities	111,377	119,087	(7,710)	-6%
Total Liabilities	<u>130,949</u>	<u>145,474</u>	<u>(14,525)</u>	<u>-10%</u>
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	476,267	455,983	20,284	4%
Restricted	61,095	64,883	(3,788)	-6%
Unrestricted	96,874	86,147	10,727	12%
Total Net Assets	<u>634,236</u>	<u>607,013</u>	<u>27,223</u>	<u>4%</u>
Total Liabilities and Net Assets	<u>\$ 765,185</u>	<u>752,487</u>	<u>12,698</u>	<u>2%</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

Results of Operations

The Agency's 2009 total operating revenue of \$47.6 million was a decrease of \$2.4 million compared to the 2008 amount (*see Table 2 on the following page*). The total operating expense increased \$2.3 million resulting in a net decrease to operating income of \$4.7 million. Overall, the Agency's change in net assets for the year, including capital contributions, decreased by \$56.7 million over the 2008 change in net assets. The major components of this decrease are as follows:

- Operating revenue decreased by \$2.4 million or 5% to \$47.6 million. 2009 operating revenue at the division level changed as follows: Agency Wide decreased \$0.04 million, Water Division increased \$2.2 million and Power Division decreased \$4.5 million. The increase in Water Division revenues reflects a rate increase and rate structure adjustment to a more volumetric structure. Power Division revenues decreased by \$4.5 million or (26%) to \$13.0 million as a result of lower expenses hence reduced reimbursement from PG&E for reduced non-routine maintenance and additions and betterments.
- Operating expense increased by \$2.3 million or 5% to \$52.5 million. 2009 operating expense at the division level changed from prior year as follows: Agency Wide decreased \$0.2 million, Water Division increased \$5.6 million and Power Division decreased \$3.1 million. The increase in Water Division expense is driven by a \$6.1 million increase in depreciation reflecting the Agency's continual investment in its infrastructure and a \$3.0 million decrease in Engineering costs due to decreased expensing of repair and maintenance projects. Power Division repair and maintenance expense decreased \$4.0 million, also due to decreased expensing of repair and maintenance projects.
- Non-operating revenue (net of non-operating expense) increased by \$4.4 million or 19% to \$28.4 million. This increase resulted primarily from an increase in one-time out of county water sales of \$3.0 million, a decrease in State and Federal Mandated Cost charges of \$3.6 million due to this charge's revenue being incorporated with the commodity tiers in 2009, a \$1.0 million decrease in interest earnings due to declining interest rates, a \$2.0 million increase in other income reflecting the mark to market adjustment on investments, and a \$2.9 million increase in water connection charge revenue. More new water connections in 2009 compared to 2008 resulted in connection charge revenue increasing from \$3.5 million to \$6.4 million. This amount varies significantly year-to-year depending on construction demands.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled \$3.6 million, which was comprised of various developer's agreement contributions.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

Table 2 shows changes in the Agency's net assets for the year.

Table 2
Changes in Net Assets
(In thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Agency Wide	\$ 1,164	1,204	(40)	-3%
Power	13,022	17,560	(4,538)	-26%
Water	33,408	31,210	2,198	7%
Total Operating Revenues	<u>47,594</u>	<u>49,974</u>	<u>(2,380)</u>	<u>-5%</u>
Operating Expenses:				
Water Treatment	5,046	4,908	138	3%
Electrical Operations	1,653	1,598	55	3%
Transmission & Distribution of Treated Water	2,485	1,963	522	27%
Transmission & Distribution of Raw Water	4,894	4,585	309	7%
Customer Service and Collections	3,662	3,669	(7)	0%
Repairs and Maintenance	1,731	5,765	(4,034)	-70%
Engineering	2,000	5,016	(3,016)	-60%
General and Administrative	9,159	8,136	1,023	13%
Depreciation	18,642	11,833	6,809	58%
Other	3,244	2,736	508	19%
Total Operating Expenses	<u>52,516</u>	<u>50,209</u>	<u>2,307</u>	<u>5%</u>
Net Operating Income	(4,922)	(235)	(4,687)	1994%
Non-Operating Revenue				
Mandated Costs Charges	267	3,867	(3,600)	-93%
Water Connection Charges	6,440	3,503	2,937	84%
Renewal & Replacement Charges	9,063	8,697	366	4%
Water Sales	5,500	2,500	3,000	120%
Costs Recovered from Other Agencies	7,491	6,629	862	13%
Interest Earnings	3,389	4,436	(1,047)	-24%
Other	1,725	(258)	1,983	-769%
Total Non-Operating Revenue	<u>33,875</u>	<u>29,374</u>	<u>4,501</u>	<u>15%</u>
Non-Operating Expense				
Interest Expense	4,872	4,801	71	1%
Amortization Expense	507	523	(16)	-3%
Total Non-Operating Expense	<u>5,379</u>	<u>5,324</u>	<u>55</u>	<u>1%</u>
Income Before Capital Contributions	23,574	23,815	(241)	-1%
Capital Contributions	3,649	60,085	(56,436)	-94%
Change in Net Assets	<u>27,223</u>	<u>83,900</u>	<u>(56,677)</u>	<u>-68%</u>
Beginning Net Assets	607,013	523,113	83,900	16%
Ending Net Assets	<u>\$ 634,236</u>	<u>607,013</u>	<u>27,223</u>	<u>4%</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

Amended Budget

Although not specifically prescribed by SGAS 34, management has opted to present budgetary information. 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.

As presented in Table 3, the 2009 Budget and Actual, non-operating revenue's positive variance is primarily due to cost recovered from other agencies. Reimbursements from the MFP Finance Authority totaling \$7.5 million for relicensing efforts are capitalizable, hence not expended. In addition, a one-time out of county water sale in the amount of \$5.5 million was not budgeted. The operating expense variance is primarily a result from under budgeting for depreciation. The Agency's designation policy establishes the funding of depreciation up to 100% of prior year's actual depreciation expense. The 2009 budget reflected a 63% funding level.

Table 3
2009 Amended Budget and Actual
(In thousands)

	2009 Amended Budget	2009 Actual	Variance
Revenue:			
Operating:			
Agency Wide	\$ 990	1,164	174
Power Division	13,022	13,022	-
Water Division	35,357	33,408	(1,949)
Subtotal	<u>49,369</u>	<u>47,594</u>	<u>(1,775)</u>
Non-Operating	15,318	33,875	18,557
Total Revenue	<u>64,687</u>	<u>81,469</u>	<u>16,782</u>
Expense:			
Operating:			
Agency Wide	1,823	1,076	747
Power Division	6,541	6,541	-
Water Division	29,645	26,257	3,388
Depreciation	7,422	18,642	(11,220)
Subtotal	<u>45,431</u>	<u>52,516</u>	<u>(7,085)</u>
Non-Operating-Interest & Debt Expense	4,539	5,379	(840)
Total Expense	<u>49,970</u>	<u>57,895</u>	<u>(7,925)</u>
Income Before Capital			
Contributions	14,717	23,574	8,857
Capital Contributions (Not Budgeted)	-	3,649	3,649
Change in Net Assets	<u>\$ 14,717</u>	<u>27,223</u>	<u>12,506</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

The largest portion of the Agency's net assets, 75% or \$476 million represents investment in capital assets necessary to provide existing and expanding services. The year's increase of 4% in total net assets is consistent with the Agency's capital investment program, as in 2009 an additional \$13.2 million was capitalized to capital assets.

At the end of 2009, the Agency had invested \$593 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 2009 and 2008 as follows:

Table 4
Capital Assets
(In thousands)

	<u>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Land	\$ 15,540	11,657	3,883	33%
Utility Plant	592,987	577,193	15,794	3%
Other Property and Equipment	75,874	71,365	4,509	6%
Preliminary Survey	400	400	-	0%
Construction in Progress	79,272	72,018	7,254	10%
Subtotal	<u>764,073</u>	<u>732,633</u>	<u>31,440</u>	<u>4%</u>
Less Accumulated Depreciation	<u>170,929</u>	<u>152,726</u>	<u>18,203</u>	<u>12%</u>
Total Capital Assets	<u>\$ 593,144</u>	<u>579,907</u>	<u>13,237</u>	<u>2%</u>

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

Agency Wide

Middle Fork Project FERC Relicensing	\$ 5,724
Foresthill Facilities Center	3,535
Auburn Tunnel Plug Removal	903

Water

Auburn Water Treatment Plant Raw Water Pipe	3,236
Secret Town Pipeline Replacement Phase 2	2,123
Safe School Route Phase 4	861
Water Quality Building Renovation	716
Meter Replacement Program	<u>634</u>
Total	<u>\$ 17,732</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

The schedule below presents the Agency's 2010 Capital Investment Program (CIP) budget totaling \$35 million, reflecting a substantial reduction in the Water Division capital budget from the prior year due to the downturn in the construction of new housing and an increase in the Agency Wide capital budget to reflect the commencement of the LL Anderson Dam Spillway Modification project.

Capital Investment Program Budget (In thousands)

Agency Wide	\$ 18,697
Water Division	12,660
Power Division	<u>3,646</u>
Total	<u>\$ 35,003</u>

LONG-TERM DEBT

At December 31, 2009, the Agency had total long-term debt outstanding of \$121.0 million excluding the \$4.6 million in compensated absences payable. The outstanding amount decreased \$7.3 million during the year primarily because of the following:

- The retirement of \$4.3 million of Middle Fork Project Revenue Bonds.
- The retirement of \$2.3 million of Certificates of Participation.
- The repayment of \$0.7 million of loans payable.

More detailed information about the Agency's long-term debt is presented in note 4 to the basic financial statements.

A financial ratio that demonstrates the Agency's financial strength and future borrowing capability is the Agency's debt coverage ratio which was 4.18 times annual debt service for the western water system at December 31, 2009. Table 5 presents the western water system's debt coverage ratio and exhibits both 2009 and 2008 ratios being greater than the 1.20 debt covenant requirement. 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>2009</u>	<u>2008</u>
Net Water Revenue, Excluding Depreciation	\$ 29,380	\$ 24,838
Debt Service on Certificates and Other Parity Debt	7,032	4,860
Debt Coverage Ratio	4.18	5.11

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2009

At December 31, 2009 the Agency had outstanding certificates of participation stemming primarily from water system expansion projects, with varying maturities through 2037. The Agency's current weighted average cost of capital is 4.0% in outstanding debt as shown in the following table:

Table 6
Cost of Capital
(In thousands)

	Debt	Average Coupon
	<u>Balance*</u>	<u>Rate</u>
Certificates of Participation	\$ 86,145	4.4%
Bonds Payable	14,230	3.6%
Loans Payable	<u>20,607</u>	<u>2.4%</u>
Total	<u>\$ 120,982</u>	4.0%

* Not including Improvement District Debt.

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.

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PLACER COUNTY WATER AGENCY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2009

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	31,504,756
Restricted Cash and Cash Equivalents		13,053,122
Restricted Cash and Cash Equivalents with Fiscal Agents		17,361,167
Water Service Receivable, Net		5,470,134
Account Receivable		321,842
Interest Receivable		608,863
Taxes Receivable		645,030
Materials and Supplies		985,366
Prepaid Expense		880,386

Total Current Assets		70,830,666
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Non-Current Assets:

Investments		67,360,333
Restricted Investments		30,680,900
Notes Receivable		154,185
Assessments Receivable		78,641
Unamortized Bond Issuance Costs		2,935,868
Capital Assets, Net		593,144,121

Total Noncurrent Assets		694,354,048
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Total Assets		\$ 765,184,714
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(Continued)

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2009

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 3,930,690
Accrued Salaries and Benefits	797,921
Interest Payable	2,302,612
Current Portion of Long-Term Liabilities	7,747,264
Deposits	2,116,749
Other Current Liabilities	206,853
Compensated Absences Payable, Current Portion	<u>2,469,864</u>
Total Current Liabilities	<u>19,571,953</u>
Non-Current Liabilities:	
Bonds and Certificates of Participation, Net	89,425,034
Loans Payable	19,705,137
Improvement District Debt	42,986
Deferred Revenue	60,175
Compensated Absences Payable	<u>2,143,469</u>
Total Non-Current Liabilities	<u>111,376,801</u>
Total Liabilities	<u>130,948,754</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	476,266,686
Restricted:	
Water System Expansion	57,125,386
Other	3,969,803
Unrestricted	<u>96,874,085</u>
Total Net Assets	<u>634,235,960</u>
Total Liabilities and Net Assets	<u>\$ 765,184,714</u>

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES	
Water Sales	\$ 33,324,492
Power Sales	13,021,578
Reimbursements	60,192
Engineering Charges	427,685
Customer Service Charges	720,659
Other Revenue	<u>38,902</u>
Total Operating Revenues	<u>47,593,508</u>
OPERATING EXPENSES	
Purchased Water	556,381
Field Administration	845,047
Pumping Plants and Wells	924,010
Water Treatment	5,045,678
Electrical Operations	1,652,677
Transmission and Distribution of Treated Water	2,485,308
Transmission and Distribution of Raw Water	4,893,950
Customer Service and Collections	3,662,276
Repairs and Maintenance	1,731,400
Recreation	187,501
Automotive and Equipment Expenses	730,705
Engineering	1,999,696
General and Administrative	9,158,631
Depreciation	<u>18,642,481</u>
Total Operating Expenses	<u>52,515,741</u>
Operating Income (Loss)	<u>(4,922,233)</u>

(Continued)

See accompanying notes to the financial statements

PLACER COUNTY WATER AGENCY
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

NONOPERATING REVENUES (EXPENSES)	
Water Connection Charges	\$ 6,439,564
Renewal and Replacement Charges	9,062,968
Mandated Costs Charges	267,334
Raw Water Surcharges	272,440
Contributions in Aid of Construction	32,326
Water Sales	5,500,000
Costs Recovered From Other Agencies	7,491,378
Interest Earnings	3,389,310
Property Taxes	620,330
Assessments	1,882
Gain (Loss) on Disposal of Assets	54,278
Amortization of Bond Premium (Discount)	(9,221)
Program Grant Revenue	256,965
Interest Expense	(4,871,615)
Amortization of Bond Issue Costs	(498,118)
Other Income	485,959
Total Non-Operating Revenues	28,495,780
Net Income Before Capital Contributions	23,573,547
Capital Contributions	3,649,500
Increase in Net Assets	27,223,047
Net Assets, Beginning of Year	607,012,913
Net Assets, End of Year	\$ 634,235,960

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 48,982,033
Cash Received (Paid) from Other	485,959
Cash Paid to Suppliers for Goods and Services	(19,855,100)
Cash Paid to Employees for Services	<u>(21,286,537)</u>
Net Cash Provided by Operating Activities	<u>8,326,355</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Taxes, Assessments and Other Income	723,411
Water Sale	5,500,000
Costs Recovered from Other Agencies	8,659,889
Program Grant Revenue	<u>256,965</u>
Net Cash Flows from Non-Capital Financing Activities	<u>15,140,265</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(28,230,099)
Principal Payment on Debt	(7,052,006)
Interest Payment on Debt	(5,172,493)
Mandated Costs Charges	267,334
Water Connection Charges	6,439,564
Raw Water Surcharges	272,440
Renewal and Replacement Charges	9,062,968
Capital Contributed Cash	<u>32,326</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(24,379,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(113,890,000)
Proceeds from Sale/Maturity of Investments	62,837,121
Investment Income	<u>3,247,417</u>
Net Cash Flows from Investing Activities	<u>(47,805,462)</u>
Net Cash Flows	(48,718,808)
Cash and Cash Equivalents at Beginning of Year	<u>110,637,853</u>
Cash and Cash Equivalents at End of Year	<u>\$ 61,919,045</u>

(Continued)

See accompanying notes to the financial statements

PLACER COUNTY WATER AGENCY
 STATEMENTS OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

Reconciliation of Operating Income (Loss)	
To Cash Flows from Operating Activities	
Operating Income (Loss)	<u>\$ (4,922,233)</u>
Adjustments to Reconcile Operating Income (Loss) to Cash	
Flows from Operating Activities	
Depreciation	18,642,481
Loss on Disposal of Capital Assets	54,278
Other Non-Operating Income	485,959
Changed in:	
Accounts and Water Service Receivable	1,525,754
Material and Supplies	2,396
Prepaid Expenses	(28,023)
Notes Receivable & Assessments Receivable	26,743
Accounts Payable and Other Liabilities	(7,557,619)
Deferred Revenues	(1,882)
Salaries and Benefits Payable	260,591
Deposits	<u>(162,090)</u>
Total Adjustments	<u>13,248,588</u>
Net Cash Flows from Operating Activities	<u><u>\$ 8,326,355</u></u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 31,504,756
Restricted Cash and Cash Equivalents	13,053,122
Restricted Cash and Cash Equivalents with Fiscal Agent	<u>17,361,167</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u><u>\$ 61,919,045</u></u>
Supplemental Schedule of Noncash	
Capital and Financing Activities:	
Noncash Capital Contributions	\$3,649,500
Change in Fair Value of Investments	(642,003)

See accompanying notes to the financial statements

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PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies

A. Description of the Primary Government and 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.

B. Description of the Component Unit

The Agency has one component unit, the Placer County Water Agency Public Facilities Corporation (the Corporation) which is considered a blended component unit as it meets the criteria to be classified as a blended component unit.

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 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.

C. Basis of Presentation

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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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.

D. Basis of Accounting

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.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 (such as through debt covenants), grantors, contributors or laws or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “investment in capital assets, net of related debt”. Amounts included as unrestricted net assets are available for designation for specific purposes as established by the Agency’s Board of Directors.

Statement of Revenues, Expenses and Changes in Net Assets – The statement of revenues, expenses and changes in net assets is the operating statement 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.

E. 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.

F. Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains and losses and the unrealized appreciation (depreciation) of those investments.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality and type as obtained from market makers.

G. Water Service Receivable

Water service receivables are presented net of \$171,366 in allowance for doubtful accounts as of December 31, 2009.

Customer water meters are read on a cyclical basis throughout a monthly or bimonthly period. Revenue is recognized in the period that the water is used.

H. 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.

I. 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 \$5,000 and a useful life of one year or greater.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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 2009, 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, 2009.

The purpose of depreciation is to spread the cost of capital assets over the life of the assets. The amount charged to depreciation expense each year represents that year's pro rata share of depreciable capital assets.

Depreciation of all capital assets in service, excluding land, is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is a reduction in the book value of the capital assets.

Capital assets are depreciated using the straight-line method of depreciation over the useful life of the asset. The Agency has assigned the useful lives listed below to capital assets:

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

J. Deferred Revenue

Deferred revenue as of December 31, 2009, consists of the following: 1) Refinancing interest and fees on special assessments and associated assessments of the Improvement District No. 36 (Highway 174) of \$8,622; 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.

K. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable as of December 31, 2009 are included on the statement of net assets.

L. 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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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, 2009, the Agency’s property tax revenue totaled \$620,330.

M. 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.

N. Water Sales

The Agency has two types of water sales: 1. On-going retailed or wholesaled water sales to customers connected to the Agency’s water system infrastructure; 2. Individual contracted one-time water sales to other water providers or the environmental water bank. The on-going water sales are recorded as operating revenue and the one-time water sales are recorded as non-operating revenue.

O. Bond Issuance Costs

Bond issuance costs and original issue discounts related to the 2003, 2007 and 2008 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.

2. Cash and Investments

Cash and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$ 31,504,756
Restricted Cash and Cash Equivalents	13,053,122
Restricted Cash and Cash Equivalents with Fiscal Agents	17,361,167
Investments	67,360,333
Restricted Investments	<u>30,680,900</u>
Total	<u>\$ 159,960,278</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Cash and investments as of December 31, 2009 consist of the following:

Cash on Hand	\$ 2,300
Deposits with Financial Institutions	16,021,893
Investments	<u>143,936,085</u>
Total	<u>\$ 159,960,278</u>

Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service as of December 31, 2009 are as follows:

Power Division:

Trust Accounts Reserve – Restricted for trust accounts	\$ 310,218
Middle Fork Project Revenue Bonds, Series A Debt Reserve – Restricted for Series A debt service	<u>3,336,663</u>
Total Power	<u>3,646,881</u>

Water Division:

1999 COP Debt Reserve – Restricted for 1999 COP debt service	1,113,662
2003 COP Debt Reserve – Restricted for 2003 COP debt service	933,101
2007 COP Debt Reserve – Restricted for 2007 COP debt service	7,277,023
2008 COP Debt Reserve – Restricted for 2008 COP debt service	4,325,254
Auburn Water Treatment Plant Debt Reserve – Restricted for Auburn Water Treatment Plant debt service	62,616
King/Delmar Debt Reserve – Restricted for King/Delmar debt service	10,188
Applegate Debt – Restricted for Applegate debt service	16,517
Dutch Flat Terrace Debt – Restricted for Dutchflat Terrace debt service	2,571
Alta/Monte Vista (SWTR) Debt – Restricted for Alta/Monte Vista debt service	24,441
County Service Area 29 – Restricted for Zone 5 improvements debt service	131,383
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline debt service	165,469
Sunset Ranchos – Restricted for Regional Water Use Efficiency program debt service	2,745
Trust Accounts Reserve – Restricted by agreements for trust accounts	2,630
ID No. 36 – Highway 174 – Restricted for Highway 174 debt service	<u>7,059</u>
Total Water	<u>14,074,659</u>

Total	<u>\$ 17,721,540</u>
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PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Cash and Investments Restricted for Contractor Retention

At December 31, 2009 the Agency had no contractor retention accounts on deposit with financial institutions.

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

The California Government Code and the Agency’s Investment Policy allow the Agency to invest in the following authorized and permitted investment types provided the approved percentage and maturities limits are not exceeded.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum in Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities	5 years	up to 100%	No limit
U.S. Government Agencies and Instrumentalities	5 years	up to 100%	No limit
State of California Notes/Bonds	5 years	25%	No limit
Bankers Acceptances	180 days	25%	5%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	1 year	20%	No limit
Collateralized Certificates of Deposit	2 years	30%	No limit
Repurchase Agreements	7 days	20%	No limit
Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Passbook deposits	N/A	up to 100%	No limit
Local Agency Investment Fund (LAIF)	Upon Demand	\$50 million	No limit
Local Municipal Bonds	5 years	30%	No limit
Placer County Treasurer’s Investment Pool	Upon Demand	up to 100%	No limit

* Excluding amounts held by bond trustee that are restricted by debt agreement rather than California Government Code restrictions.

Investments of debt proceeds or reserve funds held by debt trustees or fiscal agents are governed by the provisions of debt agreements and are addressed in the following section.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Investments held by Debt Trustees Are Authorized by Debt Agreements

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Agency resolutions, bond indentures or State statutes. 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.

<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	up to 100%	No limit
U.S. Government Agencies and Instrumentalities	None	up to 100%	No limit
Bankers' Acceptances	1 Year	up to 100%	No limit
Commercial Paper	None	up to 100%	No limit
Money Market Mutual Funds	N/A	up to 100%	No limit
Investment Contracts	Maturity of debt	up to 100%	No limit
Local Agency Investment Fund (LAIF)	None	up to 100%	No limit
Repurchase Agreements	30 days	up to 100%	No limit
California Arbitrage Management Trust	None	up to 100%	No limit

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer an investment's maturity, the greater the sensitivity of its fair value to changes in market interest rates. The Agency's investment policy states that interest rate risk will be mitigated by:

- (a) Structuring the Agency's portfolio so that securities mature to meet the Agency's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
- (b) Managing the overall average maturity of the portfolio on a shorter term to maturity basis, not to exceed 2 ½ years.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) 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	\$ 12,059,292	12,059,292				
U.S. Government Agencies:						
FFCB	22,383,691	8,407,451	7,049,070	3,974,990	2,952,180	
FHLB	41,335,255	17,874,415	11,068,170	2,981,250	5,967,210	3,444,210
FHLMC	1,855,445	1,326,585	528,860			
FMAC	6,121,200		6,121,200			
TVA	7,516,755	3,835,070	3,681,685			
Medium Term Notes	9,459,060		2,089,420	7,369,640		
County Treasurer	10,135,872	10,135,872				
LAIF	15,708,348	15,708,348				
Subtotal	126,574,918	69,347,033	30,538,405	14,325,880	8,919,390	3,444,210
Fiscal Agent Accounts:						
Money Market	17,361,167	17,361,167				
Total Investments	\$ 143,936,085	86,708,200	30,538,405	14,325,880	8,919,390	3,444,210

Acronyms references:

- FFCB - Federal Farm Credit Bank
- FHLB - Federal Home Loan Bank
- FHLMC - Federal Home Loan Mortgage Corporation
- FMAC - Farmer Mortgage Corporation
- TVA - Tennessee Valley Authority
- LAIF - Local Agency Investment Fund

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of credit quality ratings by a nationally recognized statistical rating organization. Presented below is the minimum authorized rating requirement at the time of purchase, where applicable, by the California Government Code, the Agency's investment policy, or debt agreements. Also, presented below are the December 31, 2009 actual credit quality ratings for each investment type as provided by Moody's Investor Services, Inc.

The Agency's investment policy states that credit risk will be mitigated by:

- (a) Limiting investments to only the most creditworthy types of securities;
- (b) By pre-qualifying the financial institutions with which Agency will do business; and
- (c) By diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the Agency.

Investment Type	Fair Value	Minimum Authorized Rating	Rating as of Year-End					Not Rated	Exempt
			Aaa	Aa2	A2	A3			
U.S. Treasury Securities									
U.S. Government Agencies:	\$ 12,059,292								12,059,292
FFCB	22,383,691	N/A	\$ 22,383,691						
FHLB	41,335,255	N/A	41,335,255						
FHLMC	1,855,445	N/A	1,855,445						
FMAC	6,121,200	N/A					6,121,200		
TVA	7,516,755	N/A	7,516,755						
Medium Term Notes	9,459,060	A		4,696,065	2,673,575	2,089,420			
County Treasurer	10,135,872	N/A					10,135,872		
LAIF	15,708,348	N/A					15,708,348		
Held by bond trustee:									
Money Market	17,361,167	*					17,361,167		
Total	\$ 143,936,085		\$ 73,091,146	4,696,065	2,673,575	2,089,420	49,326,587		12,059,292

* Collateralized

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. 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. Agency investments in the securities of any individual issuer, other than U.S. Treasury securities, LAIF, County Treasurer and, mutual funds, that represent 5% or more of total Agency investments are as follows:

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government Agencies:		
Federal Farm Credit Bank	Federal agency securities	\$ 22,383,691
Federal Home Loan Bank	Federal agency securities	41,335,255
Tennessee Valley Authority	Federal agency securities	7,516,755

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

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 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.

California Law and the Agency’s investment policy require banks and savings & loan institutions to pledge government securities with a market value of 110% of the Agency’s cash on deposit as collateral for deposits. 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 Agency’s investment policy states all securities owned by the Agency shall be held in safekeeping by a third party bank trust department acting as an agent of the Agency under the terms of the custody agreement.

The Agency invests in individual investments and in two investment pools (LAIF and the county treasury). Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the Agency as the owner in the “book entry” recording system. In order to increase security, the Agency employs the Trust Department of a bank or trustee as the custodian.

The Agency’s deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits total \$33,825,238, which is collateralized with securities held by the pledging financial institution’s Trust Department but not in the Agency’s name.

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 Section 16429 under the oversight of the Treasurer of the State of California and the Local Investment Advisory Board (Advisory Board). The Advisory Board consists of five members as designated by State Statute.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

The Agency reports its investment in LAIF at the fair value provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is the Agency's proportionate share of its investment in the LAIF, which amounted to \$15,708,348 at December 31, 2009.

Included in the LAIF's investment portfolio at December 31, 2009, are collateralized mortgage obligations, mortgaged backed securities, and other asset-back securities, structured notes, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, US Treasury Notes and Bills and corporations. At December 31, 2009, the amount invested by all public agencies in the LAIF totaled \$67,177,118,442, which includes structured notes totaling \$2.43 billion (3.6%) and asset-backed securities totaling \$3.06 billion (4.6%). At December 31, 2009, the LAIF investments mature in an average of 222 days.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

3. Summary of Capital Assets

The following is a summary of capital assets as of December 31, 2009:

	Balance 01/01/09	Additions	Retirements	Transfers & Adjustments	Balance 12/31/09
Agency Wide					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,795,526			3,467,219	6,262,745
Construction in Progress	23,403,036	9,884,208		(3,593,178)	29,694,066
Total Capital Assets, Not Being Depreciated	<u>26,198,562</u>	<u>9,884,208</u>	<u>-</u>	<u>(125,959)</u>	<u>35,956,811</u>
Capital Assets, Being Depreciated:					
Utility Plant	2,683,872				2,683,872
Other Property and Equipment	1,537,988	20,925	(3,520)	125,959	1,681,352
Total Capital Assets, Being Depreciated	<u>4,221,860</u>	<u>20,925</u>	<u>(3,520)</u>	<u>125,959</u>	<u>4,365,224</u>
Less Accumulated Depreciation for:					
Utility Plant	(1,117,798)	(66,131)			(1,183,929)
Other Property and Equipment	(1,227,032)	(77,794)	3,520		(1,301,306)
Total Accumulated Depreciation	<u>(2,344,830)</u>	<u>(143,925)</u>	<u>3,520</u>	<u>-</u>	<u>(2,485,235)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,877,030</u>	<u>(123,000)</u>	<u>-</u>	<u>125,959</u>	<u>1,879,989</u>
Total Capital Assets - Agency Wide, Net	<u>28,075,592</u>	<u>9,761,208</u>	<u>-</u>	<u>-</u>	<u>37,836,800</u>
Power Division					
Capital Assets, Not Being Depreciated:					
Construction in Progress	12,140,163	2,243,528		(340,913)	14,042,778
Total Capital Assets, Not Being Depreciated	<u>12,140,163</u>	<u>2,243,528</u>	<u>-</u>	<u>(340,913)</u>	<u>14,042,778</u>
Capital Assets, Being Depreciated:					
Utility Plant	166,399,941	24,197	(17,967)	118,102	166,524,273
Other Property and Equipment	2,441,901	298,186	(94,999)	222,811	2,867,899
Total Capital Assets, Being Depreciated	<u>168,841,842</u>	<u>322,383</u>	<u>(112,966)</u>	<u>340,913</u>	<u>169,392,172</u>
Less Accumulated Depreciation for:					
Utility Plant	(65,889,346)	(2,017,129)	17,967		(67,888,508)
Other Property and Equipment	(2,203,376)	(122,520)	94,999		(2,230,897)
Total Accumulated Depreciation	<u>(68,092,722)</u>	<u>(2,139,649)</u>	<u>112,966</u>	<u>-</u>	<u>(70,119,405)</u>
Total Capital Assets, Being Depreciated, Net	<u>100,749,120</u>	<u>(1,817,266)</u>	<u>-</u>	<u>340,913</u>	<u>99,272,767</u>
Total Capital Assets - Power Division, Net	<u>112,889,283</u>	<u>426,262</u>	<u>-</u>	<u>-</u>	<u>113,315,545</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

	<u>Balance</u> <u>01/01/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/09</u>
Water Division					
Capital Assets, Not Being Depreciated:					
Land	\$ 8,861,898	164,534		251,098	9,277,530
Preliminary Survey	399,718				399,718
Construction in Progress	<u>36,474,522</u>	<u>14,132,769</u>		<u>(15,071,980)</u>	<u>35,535,311</u>
Total Capital Assets, Not Being Depreciated	<u>45,736,138</u>	<u>14,297,303</u>	<u>-</u>	<u>(14,820,882)</u>	<u>45,212,559</u>
Capital Assets, Being Depreciated:					
Utility Plant	408,108,707	3,974,519		11,695,959	423,779,185
Other Property and Equipment	<u>67,385,336</u>	<u>1,136,733</u>	<u>(322,227)</u>	<u>3,124,923</u>	<u>71,324,765</u>
Total Capital Assets, Being Depreciated	<u>475,494,043</u>	<u>5,111,252</u>	<u>(322,227)</u>	<u>14,820,882</u>	<u>495,103,950</u>
Less Accumulated Depreciation for:					
Utility Plant	(73,444,135)	(11,048,145)			(84,492,280)
Other Property and Equipment	<u>(8,843,918)</u>	<u>(5,310,762)</u>	<u>322,227</u>		<u>(13,832,453)</u>
Total Accumulated Depreciation	<u>(82,288,053)</u>	<u>(16,358,907)</u>	<u>322,227</u>	<u>-</u>	<u>(98,324,733)</u>
Total Capital Assets, Being Depreciated, Net	<u>393,205,990</u>	<u>(11,247,655)</u>	<u>-</u>	<u>14,820,882</u>	<u>396,779,217</u>
Total Capital Assets - Water Division, Net	<u>438,942,128</u>	<u>3,049,648</u>	<u>-</u>	<u>-</u>	<u>441,991,776</u>
Total Capital Assets, Net	<u><u>\$579,907,003</u></u>	<u><u>13,237,118</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>593,144,121</u></u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

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4. Long-Term Obligations

The Agency generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The long-term debt as of December 31, 2009 including interest rates and maturities are as follows:

Description	Fiscal year issued	Interest rates	Year of final maturity	Balance at December 31, 2009
Certificates of Participation:				
1999 Certificates	1999	4.7% - 5.1%	2012	\$ 1,880,000
2003 Certificates	2003	2.0% - 5.0%	2023	11,870,000
2007 Certificates	2007	4.0% - 4.25%	2037	32,535,000
2008 Certificates	2008	3.0% - 4.75%	2029	39,860,000
Certificates outstanding				<u>86,145,000</u>
Bonds Payable:				
Middle Fork Project Revenue Bonds, Series A	1963	3.5% - 3.75%	2013	<u>14,230,000</u>
Loans Payable:				
US EDA Community Emergency Drought Loans	1977	5.00%	2017	124,501
California Department of Water Resources Loans:				
Dutch Flat Terrace	1990	3.37%	2015	10,677
Alta/Monte Vista (SWTR)	1995	2.95%	2016	237,640
King/Delmar	1996	3.03%	2022	208,709
Applegate	1997	3.03%	2023	401,115
California Department of Health Services Loan:				
Auburn Water Treatment Plant	2008	2.29%	2029	19,603,076
Ferguson Road Land Loan	2000	5.50%	2010	6,262
Mello-Roos Obligation	1990	5.77%	2013	14,789
Loans outstanding				<u>20,606,769</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	46,289
Improvement District debt outstanding				<u>48,618</u>
Subtotal debt outstanding				121,030,387
Compensated Absences				<u>4,613,333</u>
Total				125,643,720
Less: Unamortized bond discounts and premiums				(661,117)
Deferred amount on refunding				(3,448,849)
Total long-term debt				<u>\$ 121,533,754</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, 2009

The following is a summary of changes in long-term obligations for the year ended December 31, 2009:

	Balance 01/01/09	Additions	Retirements	Balance at 12/31/09	Amounts Due Within One Year
Certificates of Participation	\$ 88,465,000		2,320,000	86,145,000	2,385,000
Bonds Payable	18,530,000		4,300,000	14,230,000	4,455,000
Loans Payable	21,327,569		720,800	20,606,769	901,632
Improvement District Debt	54,098		5,480	48,618	5,632
Compensated Absences	4,336,935	1,755,219	1,478,821	4,613,333	2,469,864
Totals	\$ <u>132,713,602</u>	<u>1,755,219</u>	<u>8,835,101</u>	<u>125,643,720</u>	<u>10,217,128</u>

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 to the payment of the 1999, 2003, 2007 and 2008 Certificates and other parity debt.

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, 2009

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.

2008 Certificates

On April 24, 2008, Certificates of Participation (2008 Certificates) were issued by the Agency in the amount of \$40,385,000. The 2008 Certificates were issued to refinance the outstanding 2005 Certificates. The 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. The 2008 Certificate proceeds were used entirely to refinance the 2005 Certificates, fund the \$3.4 million debt service reserve, pay the termination cost of the interest rate swap and pay the associated issuance costs. The 2008 Certificates have an average coupon rate of 4.55% and a fixed rate coupon range from 3.0% to 4.75%.

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 non-callable 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, 2009, \$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, 2009.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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

	<u>2009</u>
1. <u>Annual Debt Service Coverage</u>	
Net Water Revenues excluding Depreciation	\$ 29,380,115
Debt Service on Certificates and Other Parity Debt	\$ 7,032,243
Debt Service Coverage	4.18
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation	
as Adjusted by Water Purchases	\$ 29,936,496
Obligation Service	\$ 8,087,243
Obligation Service Coverage	3.70
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Required	\$ 5,046,998
Actual Trustee Reserve Balance	\$ 5,166,187
Reserve Requirement Coverage	1.02

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

US 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.” Principal and interest are payable from Water System revenue.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

California Department of Water Resources Loan – Dutch Flat 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.

California 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.

California 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.

California 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.

California 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. The purpose of the loan was to finance the upgrades to the Auburn Water Treatment Plant. The principal and interest are 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.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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. The loans were paid in full in 2009.

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, 2009:

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, 2009 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, 2009 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, 2009

Debt Service Requirements

As of December 31, 2009, annual debt service requirements (excluding matured debt and compensated absences) 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
2010	\$ 2,385,000	3,822,401	4,455,000	492,187	901,632	477,267	5,632	1,248
2011	2,470,000	3,730,195	4,620,000	323,625	917,021	455,530	5,790	1,091
2012	2,570,000	3,626,745	2,730,000	148,781	939,194	433,357	5,951	929
2013	2,685,000	3,516,740	2,425,000	45,469	959,572	410,580	6,119	761
2014	2,785,000	3,409,340			980,337	387,417	6,290	590
2015-2019	15,730,000	15,227,456			5,097,072	1,577,096	16,507	695
2020-2024	19,340,000	11,580,156			5,486,395	961,261		
2025-2029	24,620,000	6,640,650			5,325,546	309,830		
2030-2034	7,910,000	2,370,600						
2035-2037	5,650,000	515,925						
	<u>\$86,145,000</u>	<u>54,440,208</u>	<u>14,230,000</u>	<u>1,010,062</u>	<u>20,606,769</u>	<u>5,012,338</u>	<u>46,289</u>	<u>5,314</u>

Future Water Revenues Pledged

The pledge of future Water Revenues ends upon repayment of the Senior, Second Senior and Parity long-term debt obligations with remaining debt service as December 31, 2009, totaling \$180.5 million as follows:

- Senior obligations with remaining debt service totaling \$32.7 million for the Middle Fork Project Bonds, Series A, 1999 and 2003 Certificates of Participation, the State Department of Water Resources Loans for Alta/Monte Vista, Applegate, Dutch Flat Terrace and King/Delmar, which is scheduled be repaid in 2023.
- Second Senior obligations with remaining debt service totaling \$122.0 million for the 2007 and 2008 Certifications of Participation, which is scheduled to be repaid in 2037.
- Parity debt obligations with remaining debt service totaling \$25.8 million for the US EDA Community Emergency Drought loans and the California Department of Health Services loan, which is scheduled to be repaid in 2029.

As disclosed in the 2008 certificates offering statement, projected net revenues are expected to provide coverage over debt service of 2.7 over the life of the bonds. For fiscal year 2009, Water Fund Revenues including operating revenues and non-operating interest earnings amounted to \$36.4 million and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$ 26.3 million represented coverage of 4.18 over the \$7.0 million in debt service, excluding the Series ‘A’ as they are paid from the power sales contract.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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, 2009, are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2010	\$ 49,663
2011	31,559
2012	13,641
2013	-
2014	-
Total	<u>\$ 94,863</u>

Total costs of such leases were \$67,914 for the year ended December 31, 2009.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

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 to the payment of the 1999, 2003, 2007 and 2008 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

	<u>Power Division</u>	<u>Water Division</u>
Assets:		
Current assets	\$ 6,762,364	58,549,996
Non-current assets	293,130	90,988,564
Capital assets, net	113,315,545	441,991,776
Total assets	<u>120,371,039</u>	<u>591,530,336</u>
Liabilities:		
Current liabilities	7,106,547	10,506,739
Non-current liabilities	12,582,839	100,947,805
Total liabilities	<u>19,689,386</u>	<u>111,454,544</u>
Net Assets:		
Investment in capital assets, net of related debt	99,076,980	339,352,906
Restricted	3,940,011	57,034,002
Unrestricted	(2,335,338)	83,688,884
Total net assets	<u>100,681,653</u>	<u>480,075,792</u>
Total liabilities and net assets	<u>\$ 120,371,039</u>	<u>591,530,336</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

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

	<u>Power Division</u>	<u>Water Division</u>
Operating Revenue:		
Water Sales	\$	32,222,790
Power Sales	13,021,578	
Customer Service Charges		720,659
Other Revenue		<u>464,363</u>
Total operating revenue	<u>13,021,578</u>	<u>33,407,812</u>
Operating Expense:		
Water Treatment		5,045,678
Electrical Operations	1,652,677	
Transmission & Distribution of Treated Water		2,485,308
Transmission & Distribution of Raw Water		4,893,950
Customer Service and Collections		3,662,276
Repairs and Maintenance	1,731,400	
Engineering	15,619	1,984,077
General and Administrative	2,953,393	5,129,296
Depreciation	2,139,649	16,358,907
Other	<u>187,501</u>	<u>3,056,143</u>
Total operating expense	<u>8,680,239</u>	<u>42,615,635</u>
Net operating income (loss)	4,341,339	(9,207,823)
Non-operating revenue		
Water Connection Charges		6,439,564
Renewal & Replacement Charges		9,062,968
Mandated Costs Charges		267,334
Interest Earnings	74,757	2,977,129
Other	<u>(37,181)</u>	<u>1,354,404</u>
Total non-operating revenue	37,576	20,101,399
Non-operating expense		
Interest Expense	568,637	4,302,978
Amortization Expense	<u>9,221</u>	<u>498,118</u>
Total non-operating expense	<u>577,858</u>	<u>4,801,096</u>
Income before capital contributions	3,801,057	6,092,480
Capital contributions		3,649,500
Transfer In/(out)	<u>(704,234)</u>	<u>894,362</u>
Change in net assets	3,096,823	10,636,342
Beginning Net Assets	<u>97,584,830</u>	<u>469,439,450</u>
Ending Net Assets	<u>\$ 100,681,653</u>	<u>480,075,792</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Condensed Statement of Cash Flows

	<u>Power Division</u>	<u>Water Division</u>
Net cash provided (used) by:		
Operating activities	\$ 3,774,389	5,735,308
Noncapital financing activities	739,888	1,153,209
Capital and related financing activities	(7,530,164)	(6,944,669)
Investing activities	80,349	(42,114,694)
Net increase (decrease)	(2,935,538)	(42,170,846)
Beginning cash and cash equivalents	9,218,460	93,522,219
Ending cash and cash equivalents	<u>\$ 6,282,922</u>	<u>51,351,373</u>

6. Restricted Net Assets

As of December 31, 2009, 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	\$ 29,792
Total Agency Wide	<u>29,792</u>

Power Division:

<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	293,130
Total Power	<u>293,130</u>

Water Division:

<u>Water Connection Charges</u> – Restricted for water system expansion	42,966,402
<u>Improvement Districts</u>	84,325
Total Water	<u>43,050,727</u>
Total All Fund – Restricted Net Assets	<u>\$ 43,373,649</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

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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 within 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, the 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>2009 Contributions</u>
January 1, 2009 – June 30, 2009	14.904%	\$ 1,355,340
July 1, 2009 – December 31, 2009	14.634%	1,533,674
		<u>\$ 2,889,014</u>

The required contributions for 2009 and 2008 were determined as part of the June 30, 2007 actuarial valuation of the plan.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

A summary of principal assumptions and methods used to determine the Annual Required Contribution for the periods ending December 31, 2009 is shown below:

Valuation Dates	June 30, 2008
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
12/31/07	\$ 2,480,513	100%	\$ --
12/31/08	2,761,786	100%	--
12/31/09	2,889,014	100%	--

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

8. 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, 2009, 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.

9. 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 2009, the Agency’s dues for 2008 – 2009 were \$0 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 8, 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 290 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, 2009

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 2009, the Agency received reimbursement for relicensing and related expenses from the MFPFA totaling \$7,491,378. Cumulative reimbursements received for relicensing and related expenses from the MFPFA total \$29,347,280. Complete audited financial statements are available at the Agency’s finance office.

10. Construction Commitments

At December 31, 2009 the Agency had ongoing construction commitments that totaled approximately \$3 million.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

11. Post-Employment Health Benefits

Plan Description. The Placer County Water Agency Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Agency. The plan provides healthcare benefits to certain employees who retire from the Agency on or after attaining age 50 with at least five years of service, or retire for disability in accordance with State statutes and with various Agency Employee Associations' Memoranda of Understanding (MOU). The Agency provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). Benefits are summarized below:

Eligibility – Retire directly from the Agency under CalPERS

Medical Benefit – The Agency contributes the larger of the Public Employees' Medical and Hospital Care Act (PEMHCA) and MOU benefit.

- PEMHCA Benefit under “unequal method” equal to 5% of active contribution times years in PEMHCA (maximum increase of \$100)
- “MOU benefit” ≥ 10 years of Agency service: equal to 5% of Agency service up to 100% of the employer share of the active employee plus one premium at time of retirement:

<u>Year of Retirement</u>	<u>Monthly Cap</u>
2003 – 2005	\$435
2006	460
2007	485
2008 – 2009	510

Based on Memoranda 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, 2009 was \$8,854. The Agency also provides health care benefits to its retirees through PERS. The cost to the Agency in the year ended December 31, 2009 was \$258,737.

In 2009, 60 retirees received post retirement benefits ranging from \$182 to \$510 (cap) per month.

During fiscal year 2008, the Agency implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). As part of the implementation, the Agency elected to participate in an irrevocable trust to provide a funding mechanism for the OPEB and to apply the provisions of the statement on a prospective basis. The Trust, California Employers' Retiree Benefit Trust (CERBT), is administrated by CalPERS and managed by a separately appointed board which is not under the control of the Agency Board. CERBT is not considered a component unit by the Agency and has been excluded from these financial statements. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB 43 disclosure information in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS website at www.calpers.ca.gov.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

Funding Policy. The Agency's policy is to prefund these benefits by accumulating assets in CERBT discussed above pursuant to Agency Board Resolution. The contribution requirements of the plan members and the Agency are established by and may be amended by the Agency. The Agency prefunds plan benefits through the California Employers' Retiree Benefit Trust (CERBT) by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Actuarial Methods and Assumptions. The annual required contribution (ARC) was determined as part of a January 1, 2007 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Agency's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using on a closed basis using a 30 year amortization period that began January 1, 2008.

Annual OPEB Cost and Net OPEB Obligation. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended December 31, 2009, the Agency contributed the ARC to the Plan as presented below:

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2009

	<u>Total</u>
Annual required contribution (ARC) and Annual OPEB cost	<u>\$ 1,630,000</u>
Contributions made:	
Agency portion of current year premiums paid	258,737
Prefunding Contributions to CERBT	<u>1,371,263</u>
Total contributions	1,630,000
Contributions less than the ARC	-
Net OPEB Obligation at December 31, 2008	<u>-</u>
Net OPEB Obligation at December 31, 2009	<u><u>\$ -</u></u>

The Agency's annual required contributions and actual contribution for the years ended December 31 are set forth below:

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 1,571,332	\$ 1,571,332	100%	\$ -
12/31/2009	1,630,000	1,630,000	100%	-

PLACER COUNTY WATER AGENCY

Required Supplementary Information

December 31, 2009

SCHEDULE OF FUNDING PROGRESS

The Defined Benefit Pension Plan's 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-b)/c]
6/30/06	\$ 49,906	\$ 40,785	\$ 9,121	81.7%	\$ 9,632	94.7%
6/30/07	54,661	44,920	9,741	82.2%	10,752	90.6%
6/30/08	61,947	49,135	12,812	79.3%	12,226	104.8%

The Post-Employment Health Benefits Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2009 actuarial study is presented below:

(in thousands)

Actuarial Valuation Date	Entry Age Actuarial Accrual Liability (a)	Actuarial Value of Assets (b)	Underfunded/ (Overfunded) Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
1/1/2007	\$ 12,656	\$	\$ 12,656	0.0%	\$ 10,801	125.5%
1/1/2009	13,473	1,346	12,127	10.0%	11,907	101.8%

PLACER COUNTY WATER AGENCY
 COMBINING BALANCE SHEET
 DECEMBER 31, 2009

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,254,958	2,636,041	24,613,757	31,504,756
Restricted Cash and Cash Equivalents	29,792		13,023,330	13,053,122
Restricted Cash and Cash Equivalents with Fiscal Agents		3,646,881	13,714,286	17,361,167
Water Service Receivable, Net			5,470,134	5,470,134
Accounts Receivable	60,192	56,765	204,885	321,842
Interest Receivable	119,305	12,706	476,852	608,863
Taxes Receivable	645,030			645,030
Materials and Supplies			985,366	985,366
Prepaid Expense	409,029	409,971	61,386	880,386
	<u>5,518,306</u>	<u>6,762,364</u>	<u>58,549,996</u>	<u>70,830,666</u>
Total Current Assets				
Non-Current Assets:				
Investments	9,928,233		57,432,100	67,360,333
Restricted Investments		293,130	30,387,770	30,680,900
Advanced to Other Funds	2,507,942			2,507,942
Notes Receivable			154,185	154,185
Assessments Receivable			78,641	78,641
Unamortized Bond Issuance Costs			2,935,868	2,935,868
Capital Assets, Net	37,836,800	113,315,545	441,991,776	593,144,121
	<u>50,272,975</u>	<u>113,608,675</u>	<u>532,980,340</u>	<u>696,861,990</u>
Total Non-Current Assets				
Total Assets	<u>\$ 55,791,281</u>	<u>120,371,039</u>	<u>591,530,336</u>	<u>767,692,656</u>

(Continued)

PLACER COUNTY WATER AGENCY
COMBINING BALANCE SHEET
DECEMBER 31, 2009

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,164,311	1,131,677	1,634,702	3,930,690
Accrued Salaries and Benefits	171,981	78,190	547,750	797,921
Interest Payable		267,375	2,035,237	2,302,612
Current Portion of Long-Term Liabilities		4,455,000	3,292,264	7,747,264
Deposits		807,375	1,309,374	2,116,749
Other Current Liabilities	449	515	205,889	206,853
Compensated Absences Payable, Current Portion	621,926	366,415	1,481,523	2,469,864
	<u>1,958,667</u>	<u>7,106,547</u>	<u>10,506,739</u>	<u>19,571,953</u>
Total Current Liabilities				
Non-Current Liabilities:				
Bonds and Certificates of Participation, Net		9,783,565	79,641,469	89,425,034
Loans Payable			19,705,137	19,705,137
Improvement District Debt			42,986	42,986
Advance From Other Funds		2,507,942		2,507,942
Deferred Revenue			60,175	60,175
Compensated Absences Payable	354,099	291,332	1,498,038	2,143,469
	<u>354,099</u>	<u>12,582,839</u>	<u>100,947,805</u>	<u>113,884,743</u>
Total Non-Current Liabilities				
	<u>354,099</u>	<u>12,582,839</u>	<u>100,947,805</u>	<u>113,884,743</u>
Total Liabilities	<u>2,312,766</u>	<u>19,689,386</u>	<u>111,454,544</u>	<u>133,456,696</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	37,836,800	99,076,980	339,352,906	476,266,686
Restricted				
Water System Expansion			57,125,386	57,125,386
Other	29,792	3,940,011		3,969,803
Unrestricted	15,611,923	(2,335,338)	83,597,500	96,874,085
	<u>53,478,515</u>	<u>100,681,653</u>	<u>480,075,792</u>	<u>634,235,960</u>
Total Net Assets				
	<u>53,478,515</u>	<u>100,681,653</u>	<u>480,075,792</u>	<u>634,235,960</u>
Total Liabilities and Net Assets	<u>\$ 55,791,281</u>	<u>120,371,039</u>	<u>591,530,336</u>	<u>767,692,656</u>

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
OPERATING REVENUES				
Water Sales	\$ 1,101,702		32,222,790	33,324,492
Power Sales		13,021,578		13,021,578
Reimbursements	60,192			60,192
Engineering Charges			427,685	427,685
Customer Service Charges			720,659	720,659
Other Revenue	2,224		36,678	38,902
	<u>1,164,118</u>	<u>13,021,578</u>	<u>33,407,812</u>	<u>47,593,508</u>
OPERATING EXPENSES				
Purchased Water			556,381	556,381
Field Administration			845,047	845,047
Pumping Plants and Wells			924,010	924,010
Water Treatment			5,045,678	5,045,678
Electrical Operations		1,652,677		1,652,677
Transmission and Distribution of Treated Water			2,485,308	2,485,308
Transmission and Distribution of Raw Water			4,893,950	4,893,950
Customer Service and collections			3,662,276	3,662,276
Repairs and Maintenance		1,731,400		1,731,400
Recreation		187,501		187,501
Automotive and Equipment Expenses			730,705	730,705
Engineering		15,619	1,984,077	1,999,696
General and Administrative	1,075,942	2,953,393	5,129,296	9,158,631
Depreciation	143,925	2,139,649	16,358,907	18,642,481
	<u>1,219,867</u>	<u>8,680,239</u>	<u>42,615,635</u>	<u>52,515,741</u>
Operating Income (Loss)	<u>(55,749)</u>	<u>4,341,339</u>	<u>(9,207,823)</u>	<u>(4,922,233)</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
NON-OPERATING REVENUES (EXPENSES)				
Water Connection Charges			6,439,564	6,439,564
Renewal and Replacement Charges			9,062,968	9,062,968
Mandated Costs Charges			267,334	267,334
Raw Water Surcharges			272,440	272,440
Contributions in Aid of construction			32,326	32,326
Water Sale	5,500,000			5,500,000
Costs Recovered From Other Agencies	7,491,378			7,491,378
Interest Earnings	337,424	74,757	2,977,129	3,389,310
Property Taxes	620,330			620,330
Assessments			1,882	1,882
Gain (Loss) on Disposal of Assets		4,000	50,278	54,278
Amortization of bond Premium (Discount)		(9,221)		(9,221)
Program Grant Revenue			256,965	256,965
Interest Expense		(568,637)	(4,302,978)	(4,871,615)
Amortization of Bond Issue Costs			(498,118)	(498,118)
Other	(213,373)	(41,181)	740,513	485,959
Total Non-Operating Revenues (Expenses)	<u>13,735,759</u>	<u>(540,282)</u>	<u>15,300,303</u>	<u>28,495,780</u>
Net Income Before Capital Contributions	13,680,010	3,801,057	6,092,480	23,573,547
Contributions and Transfers				
Capital Contributions			3,649,500	3,649,500
Transfers in	(80,162)	16,059	1,905,421	1,841,318
Transfers out	(109,966)	(720,293)	(1,011,059)	(1,841,318)
Increase in Net Assets	13,489,882	3,096,823	10,636,342	27,223,047
Net Assets, Beginning of Year	<u>39,988,633</u>	<u>97,584,830</u>	<u>469,439,450</u>	<u>607,012,913</u>
Net Assets, End of Year	<u>\$ 53,478,515</u>	<u>100,681,653</u>	<u>480,075,792</u>	<u>634,235,960</u>

PLACER COUNTY WATER AGENCY
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,161,803	12,913,852	34,906,378	48,982,033
Cash Received (Paid) from Other	(213,373)	(41,181)	740,513.00	485,959
Cash Paid to Suppliers for Goods and Services	(3,256,145)	(5,951,367)	(10,647,588)	(19,855,100)
Cash Paid to Employees for Services	(4,056,313)	(2,406,711)	(14,823,513)	(21,286,537)
Cash Received (Paid) for Service Level Support	<u>5,180,686</u>	<u>(740,204)</u>	<u>(4,440,482)</u>	<u></u>
Net Cash Provided by Operating Activities	<u>(1,183,342)</u>	<u>3,774,389</u>	<u>5,735,308</u>	<u>8,326,355</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Taxes, Assessments and Other Income	721,529		1,882	723,411
Water Sale	5,500,000			5,500,000
Costs Recovered from Other Agencies	8,659,889			8,659,889
Program Grant Revenue			256,965	256,965
Transfers In	(80,162)	16,059	1,905,421	1,841,318
Transfers Out	(109,966)	(720,293)	(1,011,059)	(1,841,318)
Advances to/from Funds	<u>(1,444,122)</u>	<u>1,444,122</u>	<u></u>	<u></u>
Net Cash Flows from Non-Capital Financing Activities	<u>13,247,168</u>	<u>739,888</u>	<u>1,153,209</u>	<u>15,140,265</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(9,905,133)	(2,565,911)	(15,759,055)	(28,230,099)
Principal Payment on Debt		(4,305,957)	(2,746,049)	(7,052,006)
Interest Payment on Debt		(658,296)	(4,514,197)	(5,172,493)
Mandated Costs Charges			267,334	267,334
Water Connection Charges			6,439,564	6,439,564
Raw Water Surcharges			272,440	272,440
Renewal and Replacement Charges			9,062,968	9,062,968
Capital Contributed Cash			<u>32,326</u>	<u>32,326</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(9,905,133)</u>	<u>(7,530,164)</u>	<u>(6,944,669)</u>	<u>(24,379,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	(9,361,758)	(3,623)	(104,524,619)	(113,890,000)
Proceeds from Sale/Maturity of Investments	3,312,471		59,524,650	62,837,121
Investment Income	<u>278,170</u>	<u>83,972</u>	<u>2,885,275</u>	<u>3,247,417</u>
Net Cash Flows from Investing Activities	<u>(5,771,117)</u>	<u>80,349</u>	<u>(42,114,694)</u>	<u>(47,805,462)</u>
Net Cash Flows	(3,612,424)	(2,935,538)	(42,170,846)	(48,718,808)
Cash and Cash Equivalents at Beginning of Year	<u>7,897,174</u>	<u>9,218,460</u>	<u>93,522,219</u>	<u>110,637,853</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,284,750</u>	<u>6,282,922</u>	<u>51,351,373</u>	<u>61,919,045</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) To Cash Flows From Operating Activities				
Operating Income (Loss)	<u>(55,749)</u>	<u>4,341,339</u>	<u>(9,207,823)</u>	<u>(4,922,233)</u>
Adjustments to Reconcile Operating Income (Loss) to Cash Flows from Operating Activities				
Depreciation	143,925	2,139,649	16,358,907	18,642,481
Gain (Loss) of Disposal of Capital Assets		4,000	50,278	54,278
Other Non-Operating Income	(213,373)	(41,181)	740,513	485,959
Changed in:				
Accounts and Water Service Receivable	(2,315)	(18,913)	1,546,982	1,525,754
Material and Supplies			2,396	2,396
Prepaid Expenses	9,601	(52,961)	15,337	(28,023)
Notes Receivable & Assessments Receivable			26,743	26,743
Accounts Payable and Other Liabilities	(1,141,570)	(2,562,237)	(3,853,812)	(7,557,619)
Deferred Revenues			(1,882)	(1,882)
Salaries and Benefits Payable	76,139	53,506	130,946	260,591
Deposits		(88,813)	(73,277)	(162,090)
Total Adjustments	<u>(1,127,593)</u>	<u>(566,950)</u>	<u>14,943,131</u>	<u>13,248,588</u>
Net Cash Flows From Operating Activities	<u>\$ (1,183,342)</u>	<u>3,774,389</u>	<u>5,735,308</u>	<u>8,326,355</u>
Reconciliation to Statement of Net Assets				
Cash and Cash Equivalents	\$ 4,254,958	2,636,041	24,613,757	31,504,756
Restricted Cash and Cash Equivalents	29,792		13,023,330	13,053,122
Restricted Cash and Cash Equivalents with Fiscal Agent		3,646,881	13,714,286	17,361,167
Total Cash and Cash Equivalents Reported on Balance Sheet	<u>\$ 4,284,750</u>	<u>6,282,922</u>	<u>51,351,373</u>	<u>61,919,045</u>
Supplemental Schedule of Noncash Capital and Financing Activities				
Noncash Capital Contributions			3,649,500	3,649,500
Change in Fair Value of Investments	(72,354)		(569,649)	(642,003)

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Statistical Section

WATER FACTS

1 Cubic Foot	=	7.48 GAL
100 Cubic Feet	=	748 GAL
100 Cubic Feet	=	1CCF (std. bill unit*)
1 Acre Foot**	=	43,560 CF
1 Acre Foot**	=	325,851 GAL
1 CFS	=	448.8 GPM
1 CFS	=	646,272 GPD
1 CFS for 24 hours	=	1.98 AF
1 CFS for 30 days	=	59.5 AF
1 CFS for one year	=	724 AF
1 Gallon	=	8.34 Pounds
1 MGD	=	3.07 AF per day
1 MGD	=	1,120 AF per year
1 Miners' Inch	=	11.22 GPM
1 Miners' Inch	=	16,157 GPD
1 Miners' Inch	=	1.49 AF for 30 days
1 Miners' Inch	=	18.10 AF for 1 year

ABBREVIATIONS

AF	=	Acre foot	GAL	=	Gallon
CF	=	Cubic foot	GPD	=	Gallons per day
CCF	=	100 Cubic feet	GPM	=	Gallons per minute
CFS	=	Cubic foot per second	MGD	=	Million gallons per day

* The Agency bills per unit of measure, which is 100 cubic feet (unit).

** An acre-foot of water is enough to cover one acre of land one foot deep.

STATISTICAL SECTION TABLE OF CONTENTS

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

<u>CONTENTS</u>	<u>PAGE</u>
FINANCIAL TRENDS These schedules contain financial trend information for assessing PCWA’s financial performance and well-being over time	62-65
REVENUE CAPACITY These schedules present revenue capacity information to assess PCWA’s ability to generate revenues. Water and Power* sales are PCWA’s most significant revenue sources.....	66-73
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* 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.

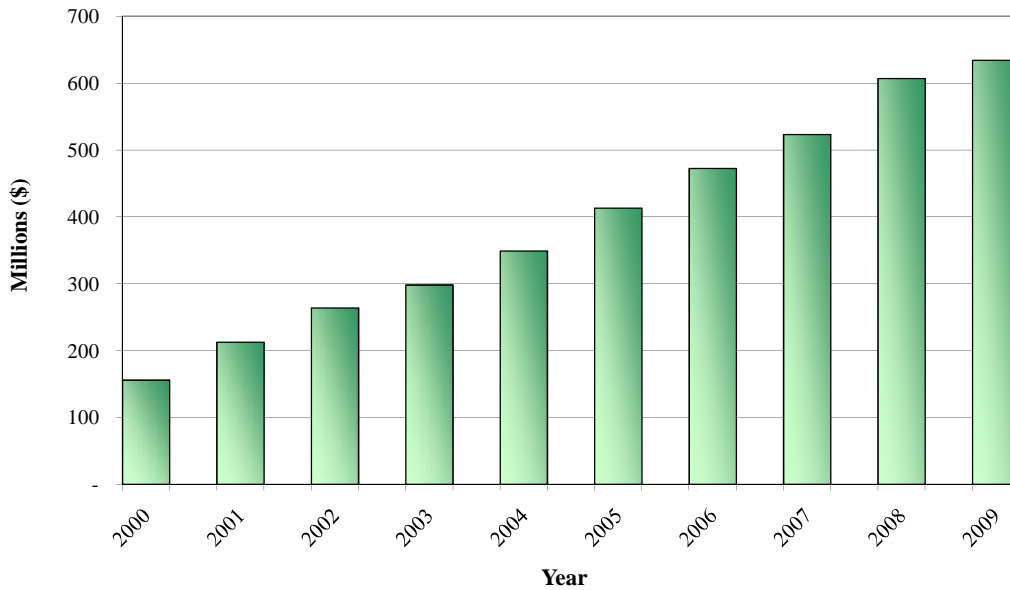
PLACER COUNTY WATER AGENCY
TABLE # 1
Changes in Net Assets and Net Assets by Component
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in Net Assets:										
Operating Revenues	\$ 28,075,455	29,787,625	33,454,880	37,150,954	37,221,751	37,280,185	43,916,496	61,183,246	49,973,848	47,593,508
Operating Expenses	(23,034,632)	(23,830,056)	(26,841,182)	(29,924,194)	(29,610,007)	(30,756,200)	(33,865,026)	(42,192,659)	(50,209,165)	(52,515,741)
Operating Income	5,040,823	5,957,569	6,613,698	7,226,760	7,611,744	6,523,985	10,051,470	18,990,587	(235,317)	(4,922,233) (4)
Non-Operating Revenues/(Expenses)(1)	22,652,490	13,149,559	42,781,725	14,379,319	39,609,185	49,449,430	38,235,830	26,455,809	24,049,456	28,495,780
Net Income Before Capital Contributions	27,693,313	19,107,128	49,395,423	21,606,079	47,220,929	55,973,415	48,287,300	45,446,396	23,814,139	23,573,547
Capital Contributions	7,430,144	13,714,064	1,880,146	12,534,334	3,841,213	8,083,344	11,110,528	5,134,544	60,085,414	3,649,500
Prior Period Adjustment(2)	-	23,935,597	141,326	-	-	-	-	-	-	-
Change in Net Assets	35,123,457	56,756,789	51,416,895	34,140,413	51,062,142	64,056,759	59,397,828	50,580,940	83,899,553	27,223,047
Net Assets Beginning of Year	120,578,137	155,701,594	212,458,383	263,875,278	298,015,691	349,077,833	413,134,592	472,532,420	523,113,360	607,012,913
Net Assets End of Year	155,701,594	212,458,383	263,875,278	298,015,691	349,077,833	413,134,592	472,532,420	523,113,360	607,012,913	634,235,960
Net Assets by Component (3) :										
Invested in Capital Assets, net of Related Debt	62,932,508	135,913,703	158,842,906	196,199,751	223,576,766	266,721,048	364,863,054	414,952,882	455,983,194	476,266,686
Restricted	1,132,717	603,173	405,284	68,582,159	85,861,194	104,079,031	55,533,180	42,422,175	64,882,646	61,095,189
Unrestricted	91,636,369	75,941,507	104,627,088	33,233,781	39,639,873	42,334,513	52,136,186	65,738,303	86,147,073	96,874,085
Total Net Assets	\$ 155,701,594	212,458,383	263,875,278	298,015,691	349,077,833	413,134,592	472,532,420	523,113,360	607,012,913	634,235,960

- (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.
- (4) The decrease in 2009 operating income is attributable to a decrease in operating revenue of \$2.4 million and an increase in operating expense of \$2.3 million. The decrease in operating revenue is primarily due to a decrease of \$4.5 million in Power Division revenue as a result of lower reimbursement from PG&E for reduced non-routine maintenance and additions and betterments offset by an increase of \$2.2 million in Water Division revenue reflecting a rate increase and rate structure adjustment to a more volumetric structure. The increase in operating expense is primarily due to an increase in depreciation of \$6.8 million offset by a decrease in engineering expense of \$3.0 million and an decrease in Power Division repair and maintenance expense of \$4.0 million.

Source: Placer County Water Agency, Audited Financial Statements

CHART #1
Total Net Assets



PLACER COUNTY WATER AGENCY

TABLE # 2

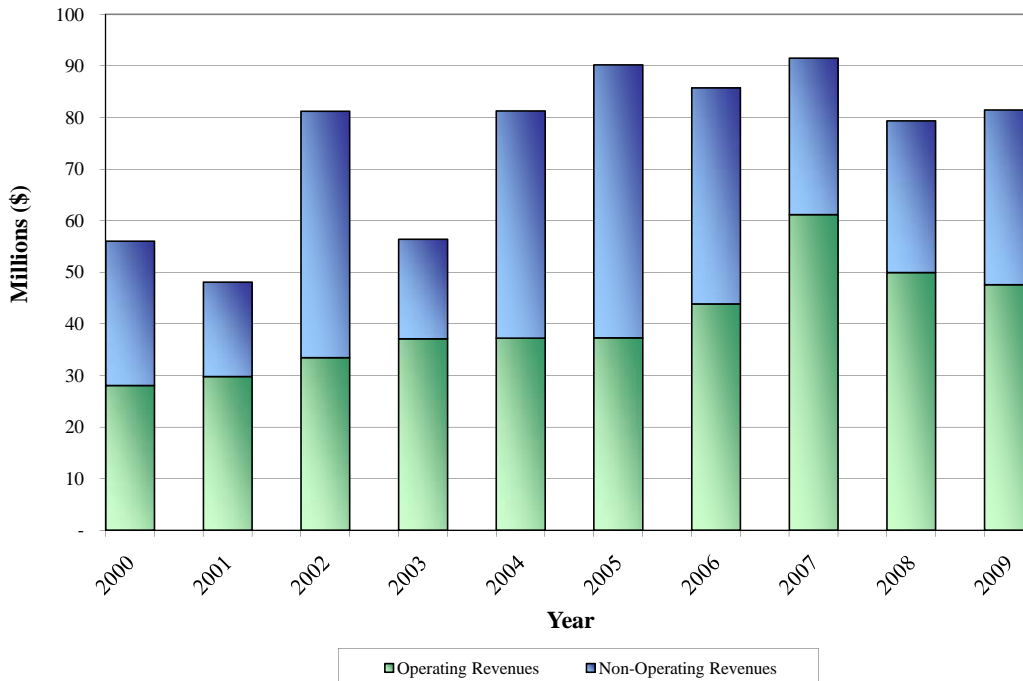
**Revenues by Source
Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues										
Water Sales	\$ 15,438,487	17,739,739	18,090,809	20,043,320	23,296,007	23,465,365	25,992,948	28,017,466	30,623,251	33,324,492
Power Sales (1)	11,773,104	10,823,749	14,322,541	16,032,673	12,204,808	12,308,274	16,232,741	31,184,062	17,560,262	13,021,578
Reimbursements	63,325	62,963	46,200	48,000	210,120	69,850	53,000	55,385	57,877	60,192
Engineering Charges	599,326	996,885	745,106	713,946	1,093,080	987,022	1,217,052	1,341,132	1,022,958	427,685
Customer Service Charges	129,530	165,135	245,440	307,570	407,998	426,171	408,207	559,654	694,941	720,659
Other	71,683	(846)	4,784	5,445	9,738	23,503	12,548	25,547	14,559	38,902
Total Operating Revenues	28,075,455	29,787,625	33,454,880	37,150,954	37,221,751	37,280,185	43,916,496	61,183,246	49,973,848	47,593,508
Non-Operating Revenues										
Water Connection Charge (2)	21,120,063	11,970,560	38,245,963	8,832,910	35,890,471	41,853,957	16,717,799	4,426,211	3,503,063	6,439,564
Renewal & Replacement Charge(3)	-	-	574,262	773,771	1,285,497	3,072,661	5,555,772	8,051,114	8,696,868	9,062,968
Mandated Costs Charge	1,515,617	1,623,808	1,614,023	2,034,980	2,204,297	2,675,635	3,067,699	3,476,813	3,866,668	267,334
Raw Water Surcharge	210,850	240,781	222,437	231,837	223,043	355,998	367,564	249,357	265,697	272,440
Water Sales	140,000	1,500,000	-	200,000	1,402,500	-	-	43,617	2,500,000	5,500,000
Costs Recovered from Other Agencies (4)	676,810	27,923	715,908	1,251,246	799,003	560,283	8,485,738	6,966,088	6,629,020	7,491,378
Interest Revenues	3,206,573	2,386,327	3,102,053	3,005,773	2,827,874	4,173,588	5,136,018	4,776,180	4,435,530	3,389,310
Property Taxes, Debt Service	519,693	507,074	478,730	664,888	549,773	314,073	90,554	11,047	-	-
Property Taxes	335,336	381,415	400,752	530,809	410,655	407,742	728,971	713,715	759,079	620,330
Amort. of Bond Premium (Discount)	26,387	16,237	15,109	13,947	12,736	-	-	(296,684)	-	-
Other (5)	246,674	(325,669)	2,420,858	1,702,236	(1,549,720)	(472,604)	1,715,830	1,954,075	(1,281,884)	831,410
Total Non-Operating Revenues	27,998,003	18,328,456	47,790,095	19,242,397	44,056,129	52,941,333	41,865,945	30,371,533	29,374,041	33,874,734
Total Revenues (6)	\$ 56,073,458	48,116,081	81,244,975	56,393,351	81,277,880	90,221,518	85,782,441	91,554,779	79,347,889	81,468,242
Consumption (Units)				51,491,405	57,025,703	54,981,868	54,744,901	54,849,615	56,320,031	56,052,137
Effective Rate per Unit of Water(7)				0.39	0.41	0.43	0.47	0.51	0.54	0.59

- (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 2000-2001.
- (3) Renewal and Replacement charge implemented in 2002 as infrastructure charge.
- (4) Significant amounts beginning in 2006 are because of the expense recovered from the Middle Fork Project Finance Authority.
- (5) Includes contributions in aid of construction, program grant revenues, mark to market adjustment on investments and other net income/expense.
- (6) Significant fluctuations in total revenues stems primarily 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**



PLACER COUNTY WATER AGENCY

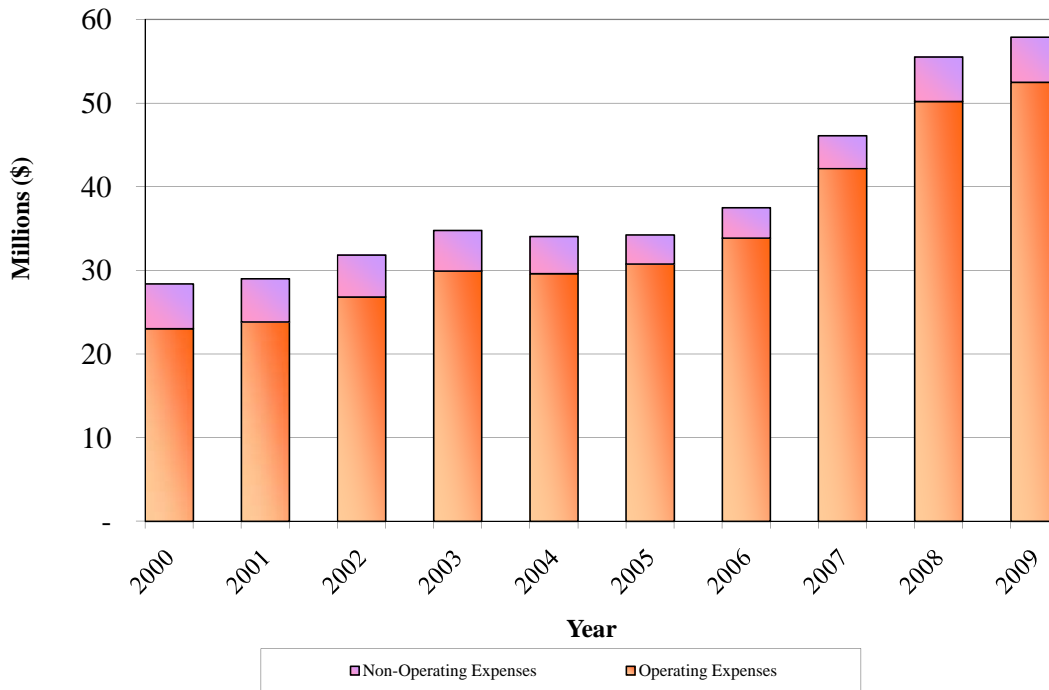
**TABLE # 3
Expenses by Function
Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Expenses										
Purchased Water	\$ 450,355	235,065	144,809	188,182	698,356	472,768	692,772	548,603	506,356	556,381
Field Administration	353,614	370,109	533,451	619,773	764,577	791,660	825,782	827,780	926,740	845,047
Pumping Plants & Wells	653,382	176,793	945,435	436,816	739,557	1,166,408	490,489	813,773	343,307	924,010
Water Treatment	1,935,390	2,658,730	2,860,467	3,088,788	3,485,857	3,933,578	3,865,521	5,069,522	4,907,964	5,045,678
Electrical Operations	878,649	991,289	1,010,939	1,115,528	1,385,764	1,167,079	1,259,622	1,475,462	1,597,988	1,652,677
Transmission & Distribution-Treated	1,213,430	1,264,891	1,505,330	1,782,087	1,932,340	1,658,876	1,975,944	2,598,647	1,962,865	2,485,308
Transmission & Distribution-Untreated	1,950,626	1,472,406	1,619,260	2,087,496	2,091,845	2,369,072	3,950,875	6,379,545	4,585,251	4,893,950
Customer Service & Collections	894,914	989,760	1,056,950	1,015,287	881,087	838,177	2,921,951	3,057,287	3,668,885	3,662,276
Power Division Repairs & Maintenance	1,118,562	1,527,865	1,470,389	999,537	867,633	1,246,426	1,431,905	1,461,988	5,764,758	1,731,400
Engineering	1,997,211	2,519,154	2,481,328	2,115,065	2,253,397	2,413,505	2,691,527	2,937,450	5,015,721	1,999,696
General & Administrative	4,638,091	4,625,056	5,801,582	6,303,078	5,703,240	5,696,635	4,505,627	6,533,889	8,136,282	9,158,631
Other (1)	727,633	735,046	751,084	1,611,713	1,937,723	1,959,082	1,914,907	953,269	960,387	918,206
Subtotal, Operating Expenses before Depreciation	16,811,857	17,566,164	20,181,024	21,363,350	22,741,376	23,713,266	26,526,922	32,657,215	38,376,504	33,873,260
Depreciation	6,222,775	6,263,892	6,660,158	8,560,844	6,868,631	7,042,934	7,338,104	9,535,444	11,832,661	18,642,481
Total Operating Expenses	23,034,632	23,830,056	26,841,182	29,924,194	29,610,007	30,756,200	33,865,026	42,192,659	50,209,165	52,515,741
Non-Operating Expenses										
Interest Expense	5,244,640	5,084,674	4,921,289	4,767,566	4,277,056	3,125,369	3,296,106	3,544,800	4,801,404	4,871,615
Amortization of Bond Discount	-	-	-	-	-	274,642	274,069	296,684	16,819	9,221
Amortization of Bond Issue Costs	100,873	94,223	87,081	95,512	169,888	91,892	59,940	74,240	506,362	498,118
Total Non-Operating Expenses	5,345,513	5,178,897	5,008,370	4,863,078	4,446,944	3,491,903	3,630,115	3,915,724	5,324,585	5,378,954
Total Expenses	\$ 28,380,145	29,008,953	31,849,552	34,787,272	34,056,951	34,248,103	37,495,141	46,108,383	55,533,750	57,894,695

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

Source: Placer County Water Agency, Audited Financial Statements

**CHART #3
Expenses by Function**



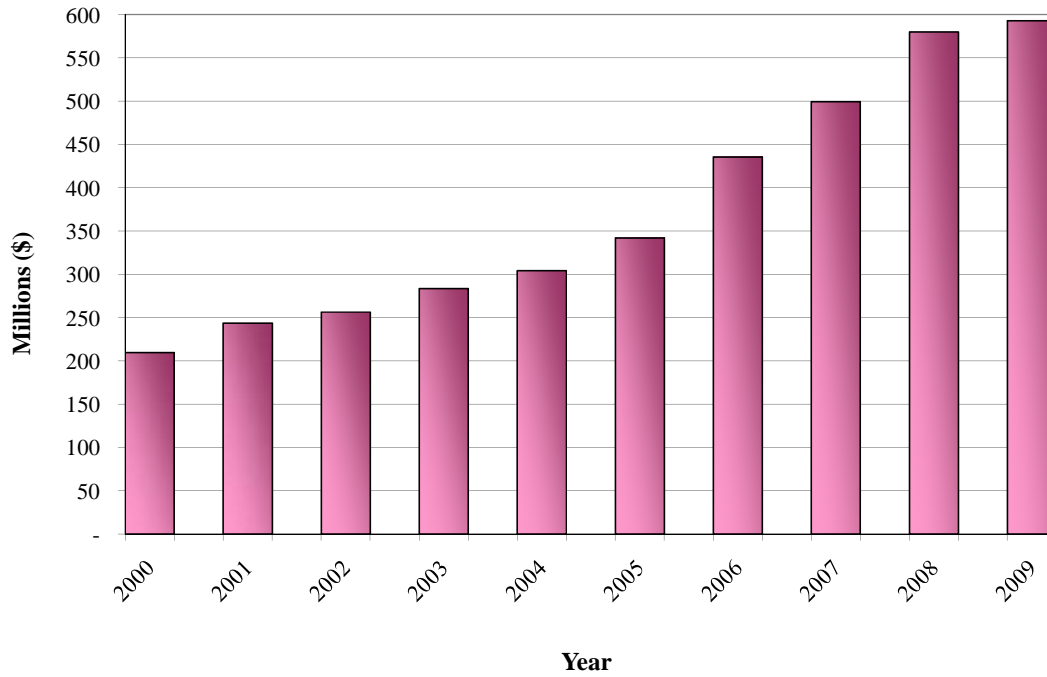
PLACER COUNTY WATER AGENCY

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Capital Assets										
Land	\$ 1,504,460	2,393,878	2,393,878	2,382,096	2,382,096	2,382,096	4,779,990	8,900,372	11,657,424	15,540,275
Utility Plant	255,986,426	265,122,343	281,338,396	308,022,589	313,192,196	321,804,451	346,696,905	394,522,731	577,192,520	592,987,330
Other Property & Equipment	4,926,303	5,716,177	6,048,460	9,252,292	9,868,023	10,444,756	11,125,256	31,239,082	71,365,225	75,874,016
Preliminary Survey	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	399,718	399,718
Construction in Progress	<u>40,097,340</u>	<u>69,486,249</u>	<u>72,265,092</u>	<u>73,434,305</u>	<u>95,054,617</u>	<u>130,836,566</u>	<u>202,643,575</u>	<u>203,885,480</u>	<u>72,017,721</u>	<u>79,272,155</u>
Total Capital Assets	<u>304,542,858</u>	<u>344,746,976</u>	<u>364,074,155</u>	<u>395,119,611</u>	<u>422,525,261</u>	<u>467,496,198</u>	<u>567,274,055</u>	<u>640,575,994</u>	<u>732,632,608</u>	<u>764,073,494</u>
Accumulated Depreciation	<u>(94,762,751)</u>	<u>(101,026,643)</u>	<u>(107,610,368)</u>	<u>(111,474,068)</u>	<u>(118,342,699)</u>	<u>(125,385,630)</u>	<u>(131,737,970)</u>	<u>(141,209,927)</u>	<u>(152,725,605)</u>	<u>(170,929,373)</u>
Net Capital Assets	<u>\$209,780,107</u>	<u>243,720,333</u>	<u>256,463,787</u>	<u>283,645,543</u>	<u>304,182,562</u>	<u>342,110,568</u>	<u>435,536,085</u>	<u>499,366,067</u>	<u>579,907,003</u>	<u>593,144,121</u>

Source: Placer County Water Agency, Audited Financial Statements

**CHART #4
Net Capital Assets**



PLACER COUNTY WATER AGENCY

TABLE # 5

**Water Consumption and Water Sales by Type of Customer
Last Seven Years (1)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
TREATED WATER							
Consumption							
Residential (Single-Unit)	15,047	16,685	15,640	16,543	17,131	17,766	16,154
Residential (Multi-Unit)	1,798	2,076	1,929	2,010	2,087	2,207	2,029
Commercial	2,859	2,946	3,240	3,345	3,534	3,540	3,214
Construction	202	210	365	240	262	91	62
Fire Protection	6	9	6	4	7	5	7
Municipal	1,014	1,139	1,080	1,232	1,286	1,389	1,209
Landscape (2)	1,100	1,337	1,350	1,668	1,947	2,194	1,927
Industrial	1,092	1,078	1,015	757	614	379	415
Agriculture	348	411	330	282	349	398	356
Resale	5,259	7,979	9,005	10,009	10,733	10,893	10,575
No Demand (3)	7	17	3	2	4	1	-
Total Treated Water Consumption (Acre-Feet)	<u>28,732</u>	<u>33,887</u>	<u>33,963</u>	<u>36,092</u>	<u>37,953</u>	<u>38,863</u>	<u>35,948</u>
RAW WATER							
Consumption							
Metered	1,008	537	234	369	355	328	355
Commercial Agriculture	22,592	30,192	24,609	20,920	19,499	22,405	24,514
Irrigation Customers	55,208	55,281	54,991	55,922	55,383	55,800	55,302
Landscape (2)	10,134	10,903	12,312	12,225	12,609	11,777	11,967
Resale	534	113	112	149	118	120	592
Total Raw Water Consumption (Acre-Feet)	<u>89,476</u>	<u>97,026</u>	<u>92,258</u>	<u>89,585</u>	<u>87,964</u>	<u>90,430</u>	<u>92,730</u>
Total Consumption (Units) (4)	<u>51,491,405</u>	<u>57,025,703</u>	<u>54,981,868</u>	<u>54,744,901</u>	<u>54,849,615</u>	<u>56,320,031</u>	<u>56,052,137</u>
Total Water Sales	\$ 20,043,320	23,296,007	23,465,365	25,992,948	28,017,466	30,623,251	33,324,492
Effective Rate per unit (5)	0.39	0.41	0.43	0.47	0.51	0.54	0.59

(1) Data not readily available for years prior to 2003.

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

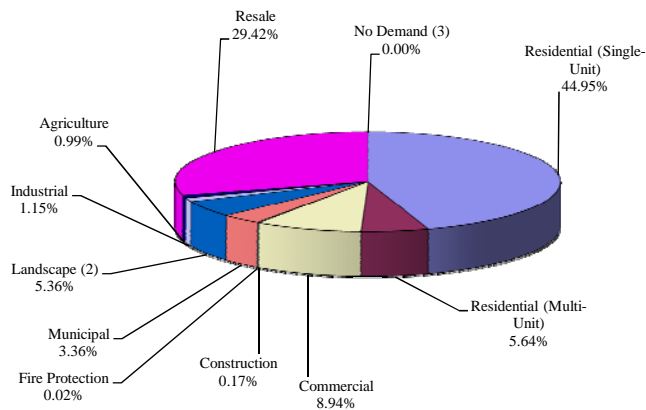
(3) Accounts that pay only monthly service and renewal and replacement charges but are not consuming water. When these accounts begin consuming water, they are changed to the appropriate category. If PCWA is not notified before water consumption, some consumption will be billed and recorded in the "No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

(4) One Acre-Foot is equal to 435.6 Units which is equal to 325,851 gallons.

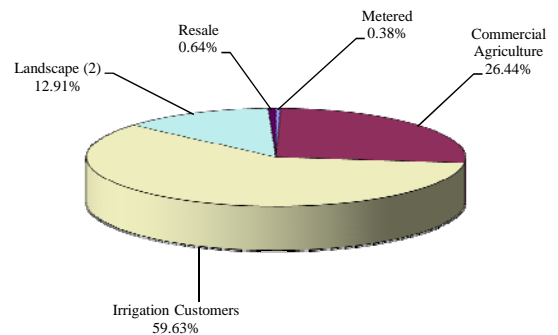
(5) Effective Rate is calculated per unit (100 cubic feet) because consumption rates are per unit.

Source: Placer County Water Agency, Customer Service Department

**CHART # 5
Water Consumption (Treated) 2009**



**CHART # 6
Water Consumption (Raw) 2009**



PLACER COUNTY WATER AGENCY

TABLE # 6

**Water Accounts by Type of Customer
Last Seven Years (1)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
TREATED WATER							
Water Customer Accounts							
Residential (Single-Unit)	26,451	27,229	27,761	28,486	28,805	29,024	29,625
Residential (Multi-Unit)	726	730	728	734	742	746	742
Commercial	1,499	1,552	1,601	1,692	1,780	1,815	1,838
Construction	44	56	64	57	48	24	16
Fire Protection	582	632	689	788	864	887	885
Municipal	157	162	167	153	153	169	169
Landscape(3)	315	339	399	438	467	486	485
Industrial	2	2	2	2	2	1	1
Agriculture	83	81	80	79	79	81	78
Resale	8	8	8	8	9	9	9
No Demand (2)	1,073	880	815	1,421	1,313	1,124	752
Total Treated Water Accounts	30,940	31,671	32,314	33,858	34,262	34,366	34,600
RAW WATER							
Water Customer Accounts							
Metered	308	303	307	302	302	291	290
Commercial Agriculture	567	359	346	345	347	350	330
Irrigation Customers	3,870	3,212	3,278	3,293	3,299	3,408	3,070
Landscape(3)	39	25	30	31	31	30	28
Resale	3	3	3	3	4	6	6
Total Raw Water Accounts	4,787	3,902	3,964	3,974	3,983	4,085	3,724
TOTAL WATER ACCOUNTS	35,727	35,573	36,278	37,832	38,245	38,451	38,324
New Connections (EDU's)	1,248	4,982	4,613	1,620	331	277	465

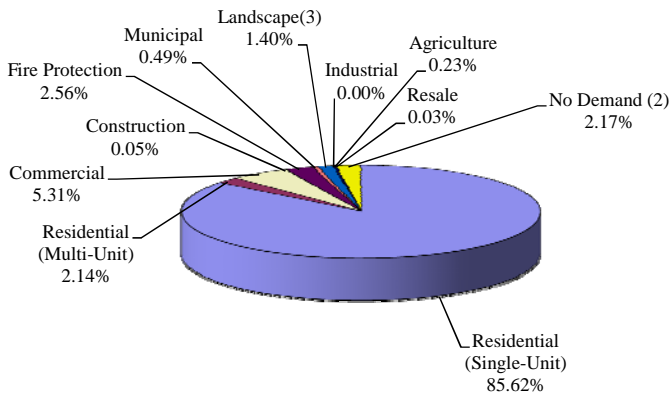
(1) Data not readily available for years prior to 2003.

(2) Accounts that have paid the water connection charge and are paying monthly service and renewal and replacement charges but are not consuming water.

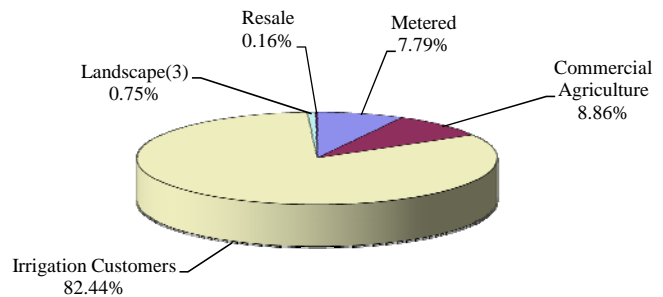
(3) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.

Source: Placer County Water Agency, Customer Service Department

**CHART # 7
Water Accounts (Treated) 2009**



**CHART # 8
Water Accounts (Raw) 2009**



PLACER COUNTY WATER AGENCY
TABLE # 7
Principal Water Users for
Years Ended December 31, 2000 and 2009

Year Ended December 31, 2000					Year Ended December 31, 2009				
Customer	Amount Billed (1)	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold	Customer	Amount Billed (1)	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold
City of Lincoln	\$ 651,213	3.72%	2,793	2.19%	City of Lincoln	\$ 6,666,204	15.45%	9,328	7.25%
Formica Corporation	197,387	1.13%	664	0.52%	Cal American Water	1,018,575	2.36%	931	0.72%
Placer County Facility Service	129,853	0.74%	353	0.28%	Rocklin Unified School District	417,256	0.97%	522	0.41%
Rio Bravo Rocklin	112,631	0.64%	379	0.30%	Rio Bravo Rocklin	213,499	0.49%	415	0.32%
Rocklin Unified School District	109,162	0.62%	290	0.23%	Placer County Facility Service	198,733	0.46%	231	0.18%
Randall Realty Corporation	82,817	0.47%	121	0.10%	Randall Realty Corporation	183,555	0.43%	129	0.10%
Emerson Investments	64,458	0.37%	197	0.15%	United Auburn Indian Community	177,841	0.41%	279	0.22%
Fairfield Investments Inc	59,145	0.34%	80	0.06%	Stamas Corp Inc	161,799	0.37%	109	0.08%
Folsom Lake Mutual Water Co.	49,817	0.28%	158	0.12%	Demmon Meridian Partnership	148,320	0.34%	101	0.08%
B R E Properties Inc.	47,900	0.27%	74	0.06%	Sierra Lakes Mobile Home Park	101,206	0.23%	57	0.04%
Total Principal Water Users	<u>1,504,383</u>	<u>8.60%</u>	<u>5,109</u>	<u>4.00%</u>	Total Principal Water Users	<u>9,286,988</u>	<u>21.52%</u>	<u>12,102</u>	<u>9.40%</u>
Total all Users	<u>\$ 17,493,882</u>	<u>100.00%</u>	<u>127,600</u>	<u>100.00%</u>	Total all Users	<u>\$ 43,160,740</u>	<u>100.00%</u>	<u>128,681</u>	<u>100.00%</u>

(1) Amount billed includes water sales, customer service charges, renewal & replacement charge, mandated costs charge and raw water surcharge.

Source: Placer County Water Agency, Customer Service Department

PLACER COUNTY WATER AGENCY

TABLE # 8

Metered Service Fixed Rates (1)

Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Metered Service - Treated Water										
Monthly Service Charge (meter size)										
5/8-inch	\$ 9.23	9.55	9.84	10.18	10.84	11.65	12.67	13.75	13.75	14.20
3/4-inch	12.81	13.45	13.92	14.41	15.35	16.50	17.94	19.46	19.46	20.09
1-inch	16.87	18.22	19.04	19.71	20.99	22.56	24.53	26.62	26.62	27.49
1-1/2-inch	27.06	29.22	30.68	31.75	33.81	36.35	39.53	42.89	42.89	44.28
2-inch	47.21	50.99	53.54	55.41	59.01	63.44	68.99	74.85	74.85	77.28
3-inch	87.64	94.65	99.38	102.86	109.55	117.77	128.07	138.96	138.96	143.48
4-inch	122.20	131.98	138.58	143.43	152.76	164.21	178.58	193.76	193.76	200.06
6-inch	245.32	264.95	278.20	287.94	306.66	329.66	358.51	388.98	388.98	401.62
8-inch	420.67	454.32	477.04	493.74	525.83	565.27	614.73	666.98	666.98	688.66
12-inch	(2)	(2)	(2)	(2)	821.62	883.24	960.52	1,042.16	1,042.16	1,076.03
16-inch	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	1,548.20
18-inch	(2)	(2)	1,236.00	1,279.26	1,362.41	1,464.59	1,592.74	1,728.12	1,728.12	1,784.28
State & Federal Mandate										
5/8-inch	4.05	4.25	3.43	3.55	3.69	3.99	4.31	4.72	5.27	(5)
3/4-inch	5.33	5.60	5.14	5.32	5.53	5.97	6.47	7.08	7.91	(5)
1-inch	6.77	7.11	8.57	8.87	9.22	9.96	10.78	11.80	13.19	(5)
1-1/2-inch	10.90	11.44	17.15	17.75	18.46	19.94	21.55	23.60	26.37	(5)
2-inch	18.90	19.84	27.44	28.40	29.54	31.90	34.48	37.76	42.20	(5)
3-inch	33.74	35.43	54.88	56.80	59.07	63.80	68.96	75.52	84.39	(5)
4-inch	46.83	49.17	85.75	88.75	92.30	99.68	107.75	118.00	131.87	(5)
6-inch	94.46	99.18	171.50	177.50	184.60	199.37	215.50	236.00	263.73	(5)
8-inch	161.99	170.09	823.19	852.00	886.08	956.97	1,034.40	1,132.80	1,265.90	(5)
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(5)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(5)
Renewal & Replacement										
5/8-inch	(4)	(4)	1.26	1.30	2.15	4.90	8.50	12.00	12.50	13.00
3/4-inch	(4)	(4)	1.89	1.96	3.23	7.35	12.75	18.00	18.75	19.50
1-inch	(4)	(4)	3.14	3.25	5.36	12.21	21.25	30.00	31.25	32.50
1-1/2-inch	(4)	(4)	6.29	6.51	10.74	24.46	42.50	60.00	62.50	65.00
2-inch	(4)	(4)	10.06	10.41	17.17	39.11	68.00	96.00	100.00	104.00
3-inch	(4)	(4)	20.11	20.81	34.34	78.22	136.00	192.00	200.00	208.00
4-inch	(4)	(4)	31.43	32.53	53.67	122.24	212.50	300.00	312.50	325.00
6-inch	(4)	(4)	62.85	65.05	107.33	244.46	425.00	600.00	625.00	650.00
8-inch	(4)	(4)	301.68	312.24	515.17	1,173.39	2,040.00	2,880.00	3,000.00	3,120.00
12-inch	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
18-inch	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Metered Service - Untreated Water										
Monthly Service Charge										
5/8-inch	5.02	5.02	5.22	5.41	5.76	6.19	6.73	7.68	8.62	8.90
3/4-inch	6.55	6.55	6.81	7.05	7.51	8.07	8.78	9.53	9.93	10.25
1-inch	8.33	8.33	8.66	8.97	9.55	10.27	11.17	12.12	12.37	12.77
1-1/2-inch	13.06	13.06	13.58	14.06	14.97	16.09	16.09	17.29	17.29	17.85
2-inch	21.42	21.42	22.28	23.06	24.56	26.40	26.40	26.40	26.40	27.26
3-inch	35.19	35.19	36.60	37.88	40.34	43.37	43.37	46.44	46.44	47.95
4-inch	48.96	48.96	50.92	52.71	56.14	60.35	62.17	67.45	67.45	69.64
6-inch	91.79	91.79	95.46	98.80	105.22	113.11	113.11	113.11	113.11	116.79
8-inch	146.86	146.86	152.73	158.08	168.36	180.99	180.99	180.99	180.99	186.87
Capital Facilities Surcharge	4.50	4.72	4.91	5.08	5.28	5.49	5.71	6.20	6.65	6.87
Resale Service - Untreated Water										
Monthly Service Charge	26.71	27.64	28.75	29.76	31.69	34.07	52.06	56.49	56.49	58.33
Private Fire Protection Service										
Monthly Service Charge										
2-inch	12.84	12.84	12.84	13.29	13.76	14.24	15.49	16.85	17.96	18.54
3-inch	13.81	13.81	13.81	14.30	14.80	15.32	16.66	18.12	20.76	21.43
4-inch	15.34	15.34	15.34	15.88	16.44	17.02	18.51	20.13	23.05	23.80
6-inch	19.74	19.74	19.74	20.43	21.15	21.89	23.81	25.89	28.73	29.66
8-inch	41.61	41.61	41.61	43.07	44.58	46.14	50.18	54.57	54.57	56.34
10-inch	70.14	70.14	70.14	72.60	75.14	77.77	84.57	91.97	96.13	99.25
12-inch	112.30	112.30	112.30	116.24	120.31	124.52	135.42	147.27	153.92	158.92
16-inch	249.89	249.89	249.89	258.64	267.69	277.06	301.30	327.66	342.47	353.60

- (1) Rates are for the Western Water System service area. The Agency's Western Water System makes up 99% of total water customers, water flow and total water sales revenue, and therefore has the most significant impact on determining fees & charges.
- (2) Rate not established since there were no meters of this size in these years.
- (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 water service then recalculated based on use.
- (4) Renewal and Replacement rate implemented in 2002.
- (5) In 2009, the State and Federal Mandate Charge revenue was incorporated into the commodity tiers for a more volumetric water rate structure.

Source: Placer County Water Agency, Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water, produced annually.

PLACER COUNTY WATER AGENCY
TABLE # 9
Commodity Rates for Treated Water (1, 2)
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Metered Services										
Residential (3)										
First 400 CF	\$ 0.67	0.70	0.70	0.72	0.74	0.76	0.78	0.85	0.94	1.25
Next 600 CF	0.73	0.75	0.77	0.80	0.82	0.86	0.90	0.98	1.07	1.35
Next 1,000 CF	0.73	0.75	0.77	0.80	0.82	0.86	0.90	0.98	1.14	1.44
Next 2,000 CF	0.76	0.79	0.82	0.85	0.88	0.93	0.99	1.07	1.18	1.55
Next 1,800 CF	0.85	0.90	0.94	0.98	1.02	1.08	1.14	1.25	1.35	1.65
Next 1,900 CF	0.85	0.90	1.09	1.14	1.20	1.30	1.40	1.53	1.65	1.92
Over 7,700 CF	0.95	1.03	1.12	1.18	1.36	1.47	1.59	1.74	1.88	2.16
Pumped Service (4)										
First 400 CF	0.77	0.80	0.80	0.82	0.84	0.87	(4)	(4)	(4)	(4)
Next 1,600 CF	0.82	0.85	0.88	0.91	0.94	0.99	(4)	(4)	(4)	(4)
Next 2,000 CF	0.86	0.89	0.92	0.96	1.00	1.06	(4)	(4)	(4)	(4)
Next 1,800 CF	0.95	1.00	1.04	1.09	1.13	1.20	(4)	(4)	(4)	(4)
Next 1,900 CF	0.95	1.00	1.19	1.26	1.32	1.43	(4)	(4)	(4)	(4)
Over 7,700 CF	1.05	1.13	1.23	1.29	1.47	1.60	(4)	(4)	(4)	(4)
Municipal (5)										
First 50,000 CF	0.72	0.75	0.78	0.80	0.82	0.86	(5)	(5)	(5)	(5)
Over 50,000 CF	0.74	0.77	0.80	0.83	0.86	0.90	(5)	(5)	(5)	(5)
Commercial & Municipal (6)										
First 50,000 CF	0.72	0.75	0.78	0.81	0.84	0.88	0.92	1.00	1.07	(6)
Next 950,000 CF	0.74	0.77	0.80	0.83	0.86	0.91	0.95	1.03	1.10	(6)
Over 1,000,000 CF	0.74	0.77	0.80	0.83	0.86	0.91	0.96	1.05	1.13	(6)
Non-Residential (6)										
First 50,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	1.28
Next 450,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	1.31
Over 500,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	1.35
Industrial & Resale										
First 50,000 CF	0.70	0.73	0.76	0.78	0.80	0.83	0.86	0.93	1.00	1.10
Next 950,000 CF	0.66	0.72	0.74	0.77	0.80	0.84	0.88	0.95	1.02	1.11
Over 1,000,000 CF	0.66	0.72	0.74	0.77	0.80	0.84	0.89	0.97	1.04	1.12
Over 1,000,000 CF (7)	0.52	0.57	0.60	0.62	0.64	0.67	0.71	0.78	0.84	(7)
Industrial & Resale-Public Agencies & Public Utilities (7)										
First 42,500,000 CF	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	1.11
Over 42,500,000 CF	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	1.34
Golf Course, Park & Greenbelt										
First 50,000 CF	0.75	0.78	0.81	0.84	0.87	0.91	0.95	1.03	1.10	(6)
Next 950,000 CF	0.80	0.84	0.87	0.91	0.94	0.98	1.02	1.11	1.19	(6)
Over 1,000,000 CF	0.80	0.84	0.87	0.91	0.94	0.98	1.03	1.13	1.21	(6)
Special Rates (8)										
First 400 CF	0.67	0.70	0.73	0.74	0.76	0.80	0.78	0.85	0.94	1.25
Next 600 CF	0.67	0.70	0.73	0.74	0.76	0.80	0.90	0.98	1.07	1.35
Next 1,000 CF	0.67	0.70	0.73	0.74	0.76	0.80	0.90	0.98	1.14	1.44
Next 2,000 CF	0.72	0.75	0.78	0.81	0.83	0.87	0.99	1.07	1.18	1.55
Next 61,000 CF	0.10	0.10	0.10	0.11	0.11	0.12	0.12	0.12	0.12	0.12
Next 65,000 CF	0.06	0.06	0.06	0.07	0.07	0.08	0.09	0.09	0.10	0.10
Over 130,000 CF	0.06	0.06	0.06	0.07	0.07	0.08	0.09	0.09	0.10	0.10
Temporary Construction										
First 50,000 CF	1.45	1.50	1.56	1.62	1.68	1.76	1.84	2.00	2.14	2.56
Next 450,000 CF	1.47	1.53	1.59	1.66	1.72	1.82	1.90	2.06	2.20	2.62
Next 500,000 CF	1.47	1.53	1.59	1.66	1.72	1.82	1.90	2.06	2.20	2.70
Over 1,000,000 CF	1.47	1.53	1.59	1.66	1.72	1.82	1.92	2.10	2.26	2.70

- (1) Rates are for the Western Water System service area. The Agency's Western Water System makes up 99% of total water customers, water flow and total water sales revenue, and therefore has the most significant impact on determining fees & charges.
- (2) Commodity rates are per 100 cubic feet.
- (3) In 2009, the State and Federal Mandate Charge revenue was incorporated into the commodity tiers for a more volumetric water rate structure.
- (4) 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.
- (5) Commercial & Municipal had separate rate structures until 2006. Municipal rates for 2006 included in Commercial & Municipal rates.
- (6) In 2009, the treated water customer classes of Golf Course, Park & Greenbelt and Commercial & Municipal were consolidated into a Non-Residential Customer Class rate schedule.
- (7) 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. In 2009, the rate structure of Metered Industrial & Resale for Public Agencies & Public Utilities changed.
- (8) Special rates are for customers involuntarily deprived of untreated water service.

* Tier structures have gone through certain revisions over the past 10 years. In 2000 there were 5 tiers for metered residential service. Other tiers were established in the following years until we arrived at our current 7 tier rate structure. Water use per tier (cubic-feet) varies on an annual basis. Rates shown above for years 2000-2008 are displayed with the 2009 tier structure. Actual ranges of cubic-feet differed slightly.

PLACER COUNTY WATER AGENCY
TABLE # 10
Commodity Rates for Untreated Water (I)
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Metered Services (2)										
First 3,000 CF	\$ 0.32	0.32	0.33	0.34	0.35	0.36	0.37	0.37	0.37	0.38
Next 7,000 CF	0.21	0.21	0.22	0.23	0.24	0.25	0.29	0.35	0.43	0.36
Over 10,000 CF	0.09	0.09	0.10	0.10	0.10	0.11	0.12	0.20	0.28	0.29
Non-Metered Services (Miner's Inches) (MI) (3)										
General Irrigation Service (Winter) (4)										
First 1/2 MI	22.49	23.27	24.20	24.93	26.68	28.55	30.55	30.55	30.55	31.09
First MI	37.24	40.96	42.60	43.88	46.95	50.24	53.76	58.33	60.23	62.18
2-9 MI	38.13	41.94	43.62	44.93	48.08	51.45	55.05	59.73	61.67	63.67
Over 9 MI	38.13	41.94	43.62	44.93	48.08	51.45	55.31	60.01	61.96	63.97
General Irrigation Service (Summer) (4)										
First 1/2 MI	22.43	23.55	24.49	25.23	25.99	27.03	28.11	28.11	28.11	28.11
First MI	35.84	37.27	38.76	39.92	41.12	42.76	44.47	48.25	49.82	51.44
2-9 MI	36.00	37.80	39.31	40.49	42.11	44.22	46.43	50.38	52.02	53.71
Over 9 MI	36.00	37.80	39.31	40.49	42.11	44.22	46.87	51.32	52.99	54.71
Commercial Agriculture (Winter)										
First MI	31.97	33.09	34.41	35.45	37.93	40.59	43.43	47.12	48.65	50.23
Over 1 MI	32.59	33.73	35.08	36.14	38.67	41.38	44.28	48.04	49.60	51.21
Commercial Agriculture (Summer)										
First MI	39.51	40.89	42.53	43.81	45.12	46.92	46.92	46.92	48.44	50.01
2nd MI	34.27	35.47	36.89	38.00	39.14	40.71	42.34	45.94	47.43	48.97
3rd MI	30.96	32.04	33.32	34.32	35.35	36.76	38.23	41.48	42.83	44.22
4th MI	27.65	28.62	29.76	30.65	31.57	32.83	34.14	37.04	38.24	39.48
5-9 MI	25.42	26.31	27.36	28.18	29.03	30.19	31.40	34.07	35.18	36.32
10-60 MI	23.22	24.03	24.99	25.74	26.51	27.57	28.67	31.11	32.12	33.16
Over 60 MI	19.16	19.83	20.62	21.24	21.88	22.76	23.67	25.68	26.51	27.37
Golf Course, Park & Greenbelt (Winter) (4)										
First MI	36.53	38.36	39.89	41.09	43.97	47.05	54.11	58.71	60.62	(4)
2-9 MI	38.13	40.80	42.43	43.71	46.77	50.04	55.62	60.35	62.31	(4)
Over 9 MI	40.70	44.36	46.13	47.52	50.85	54.41	56.55	61.36	63.55	(4)
Golf Course, Park & Greenbelt (Summer) (4)										
First MI	37.24	38.73	40.28	41.49	42.73	44.44	46.22	50.15	51.78	(4)
2-9 MI	37.24	38.73	40.28	41.49	42.73	44.44	48.68	52.82	54.54	(4)
Over 9 MI	38.85	40.79	42.42	43.70	45.01	46.81	48.92	53.08	54.81	(4)
Resale Service (Miners' Inch Days) (5)										
First 1,000	1.92	1.98	2.06	2.12	2.23	2.34	5.68	5.68	5.68	5.24
Over 1,000	1.92	1.98	2.06	2.12	2.23	2.34	6.47	6.47	6.47	5.41

- (1) Rates are for the Western Water System service area. The Agency's Western Water System makes up 99% of total water customers, water flow and 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) In 2009, the untreated water customer classes of Golf Course, Park & Greenbelt were consolidated into the General Irrigation Service rate schedule.
- (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 2000-2008 are displayed with the 2009 seven tier structure. Actual ranges of cubic-feet/minor's inches differed slightly.

Source: Placer County Water Agency, Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water, produced annually.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water Connection Charge (WCC)										
Bowman and Auburn WTP service area	\$ 6,469.00	6,469.00	6,469.00	8,971.00	9,141.00	9,286.00	11,373.00	13,408.00	14,414.00	15,440.00
All other Zone 1 service areas	5,719.00	5,719.00	5,719.00	7,971.00	8,122.00	9,286.00	11,373.00	13,408.00	14,414.00	15,440.00
Meters and Service Connections (2)										
Installation of Meter to Existing Svc										
5/8" x 3/4"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	130.00
3/4"	140.00	140.00	140.00	125.00	125.00	125.00	125.00	125.00	125.00	130.00
1"	190.00	190.00	190.00	125.00	125.00	125.00	125.00	125.00	125.00	130.00
1 1/2"	300.00	300.00	300.00	125.00	125.00	125.00	125.00	125.00	125.00	130.00
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	Cost	Cost	Cost	Cost	Cost	Cost	Cost
3/4"	525.00	525.00	525.00	Cost	Cost	Cost	Cost	Cost	Cost	Cost
1"	575.00	575.00	575.00	Cost	Cost	Cost	Cost	Cost	Cost	Cost
1 1/2"	775.00	775.00	775.00	Cost	Cost	Cost	Cost	Cost	Cost	Cost
2" or larger	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Other Miscellaneous Fees and Charges										
Backflow Prevention Device Test Charge	40.00	40.00	65.00	65.00	68.00	68.00	70.00	70.00	105.00	109.00
Canal Flow Rate Change										
No Field Trip Required	15.00	15.00	30.00	35.00	35.00	35.00	35.00	35.00	15.00	16.00
Field Trip Required	15.00	15.00	30.00	35.00	35.00	35.00	35.00	35.00	65.00	67.00
After Hours Charge	-	-	75.00	110.00	110.00	110.00	90.00	90.00	115.00	119.00
Credit Card or Electronic Payment Charge	-	-	-	-	-	-	-	-	-	2.75
Delinquent Payment Charge (3)	-	-	6%	6%	6%	6%	6%	6%	6%	6%
Door Tag Charge	-	-	22.00	22.00	24.00	24.00	25.00	25.00	25.00	26.00
Field Collection Charge	10.00	10.00	20.00	20.00	24.00	24.00	25.00	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	150.00	250.00	250.00	250.00	250.00
Second Occurrence	100.00	100.00	150.00	150.00	150.00	250.00	500.00	500.00	500.00	250.00
Third Occurrence	100.00	100.00	500.00	500.00	500.00	500.00	1,000.00	1,000.00	1,000.00	250.00
Meter Reread Charge	-	-	-	-	-	-	-	-	-	20.00
Meter Test and Repair Deposit/Charge	30.00	30.00	35.00	35.00	40.00	40.00	40.00	40.00	60.00	62.00
Service Set-up Charge										
No Field Trip Required	30.00	30.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	16.00
Field Trip Required	30.00	30.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	36.00
After Hours Charge	75.00	75.00	95.00	110.00	110.00	110.00	90.00	90.00	115.00	119.00
Project Application Charge	-	-	100.00	100.00	105.00	105.00	105.00	105.00	105.00	109.00
Pressure Test Charge	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	85.00	88.00
Reconnection Charge (4)										
Treated Services	30.00	30.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	47.00
Untreated Services	30.00	30.00	45.00	45.00	45.00	45.00	45.00	45.00	65.00	67.00
After Hours Charge	75.00	75.00	105.00	120.00	120.00	120.00	90.00	90.00	115.00	119.00
Returned Check Charge	40.00	40.00	40.00	25.00	25.00	25.00	25.00	25.00	25.00	26.00
Temporary Construction Water Svc										
Permit Fee	-	-	-	35.00	35.00	35.00	35.00	35.00	40.00	42.00
Connection Charge	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	104.00
Variances and Waivers of Rules and Regulations or Rates										
Water Service Written Estimate	75.00	75.00	75.00	75.00	79.00	79.00	80.00	80.00	180.00	187.00
WCC - Installment Payment	-	-	50.00	50.00	53.00	53.00	55.00	55.00	105.00	109.00
Processing Fee	155.00	155.00	155.00	155.00	163.00	163.00	175.00	175.00	175.00	182.00
State and Federal Mandated Charge for Cross Connections (5)										
State and Federal Mandated Charge for Certification of Domestic Water Source (6)	-	-	-	-	2.69	2.69	2.69	2.75	3.96	4.11
Water Waste Charge (3rd & 4th occurrence)	-	-	-	-	-	-	-	-	75.00	75.00

- (1) Rates are for the Western Water System service area. The Agency's Western Water System makes up 99% of total water customers, water flow and 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) Reconnection Charge starts at amount listed with a graduated penalty of \$10 per occurrence within a 12 month period.
- (5) State and Federal Mandated Charge for Cross Connections is a monthly charge per assembly.
- (6) State and Federal Mandated Charge for Certification of Domestic Water Source is a monthly charge per account.

Source: Placer County Water Agency, Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water, produced annually.

PLACER COUNTY WATER AGENCY
TABLE # 12
Average Annual Water Bill* and Effective Rate Increase
Last Ten Years

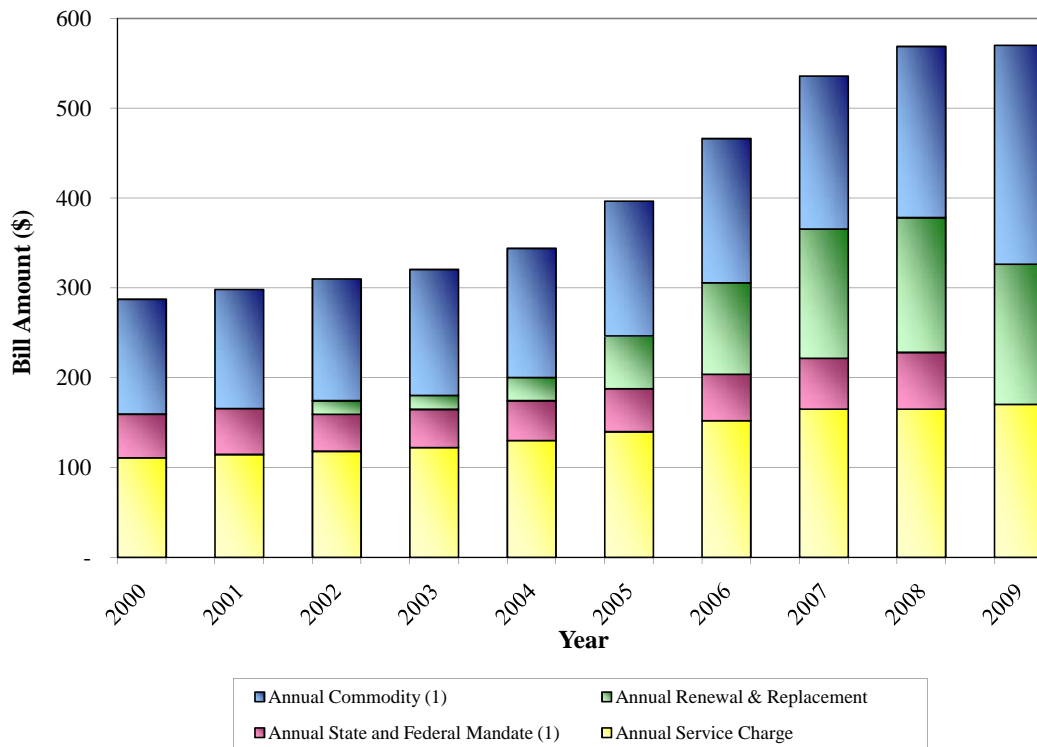
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Annual Service Charge	\$ 110.76	114.60	118.08	122.16	130.08	139.80	152.04	165.00	165.00	170.40
Annual State and Federal Mandate (1)	48.60	51.00	41.16	42.60	44.28	47.88	51.72	56.64	63.24	-
Annual Renewal & Replacement	-	-	15.12	15.60	25.80	58.80	102.00	144.00	150.00	156.00
Annual Commodity (1)	127.92	132.50	135.54	140.16	143.76	150.00	160.49	170.16	190.56	243.60
Annual Water Billed Amount	<u>\$ 287.28</u>	<u>298.10</u>	<u>309.90</u>	<u>320.52</u>	<u>343.92</u>	<u>396.48</u>	<u>466.25</u>	<u>535.80</u>	<u>568.80</u>	<u>570.00</u>
Effective Rate Increase	<u>3.46%</u>	<u>3.77%</u>	<u>3.96%</u>	<u>3.43%</u>	<u>7.30%</u>	<u>15.28%</u>	<u>17.60%</u>	<u>14.92%</u>	<u>6.16%</u>	<u>0.21%</u>

* Annual bill amount is based on water use of 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 the Western Water System rates, as the Agency's Western Water System makes up 99% of customers, water flow and water sales revenue. The Agency's practice is to bill on a bi-monthly basis.

(1) In 2009, the State and Federal Mandate Charge was blended with the commodity tiers.

Source: Placer County Water Agency, Customer Service Department

CHART #9
Average Household Annual Water Bill



PLACER COUNTY WATER AGENCY

TABLE # 13

**Schedule of Outstanding Debt
Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water Division										
General Obligation Bonds										
1975 General Obligation Water Bonds	\$ 1,190,000	980,000	755,000	510,000	260,000	-	-	-	-	-
Placer County Waterworks District No. 1 1964 Water Bonds, Series A	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds Outstanding	1,190,000	980,000	755,000	510,000	260,000	-	-	-	-	-
Loans Payable										
Davis-Grunsky Act Construction Loan	1,020,437	903,647	783,789	535,346	406,467	274,161	139,004	-	-	-
EDA Community Emergency Drought Loan	220,051	211,386	202,287	192,733	182,702	172,169	161,109	149,497	137,304	124,501
State Department of Water Resources Loans										
Rockerest	582,835	-	-	-	-	-	-	-	-	-
Dutch Flat Terrace	23,161	21,952	20,702	19,410	18,073	16,691	15,262	13,784	12,257	10,677
Bowman	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)	479,519	455,686	431,144	405,881	379,870	353,068	325,476	297,044	267,784	237,640
King/Delmar	312,138	301,979	291,511	280,726	269,616	258,154	246,347	234,172	221,637	208,709
Applegate	591,005	572,354	553,134	533,333	512,936	491,893	470,218	447,864	424,850	401,115
California Department of Health Services Loan										
Auburn Water Treatment Plant	-	-	-	-	-	-	-	-	20,000,000	19,603,076
Ferguson Road Land Loan	111,794	102,473	92,625	82,223	71,235	59,626	47,362	34,407	20,720	6,262
Steffen Family Trust Loan	150,545	123,556	93,593	-	-	-	-	-	-	-
Ziegelman - Soracco Land Loan	-	605,196	566,861	525,090	481,545	424,128	365,175	303,111	224,502	-
Mello-Roos Obligation	41,863	39,485	36,970	31,944	30,049	29,102	26,042	14,380	18,515	14,789
Capital Lease Purchases	-	-	-	-	13,513	6,412	-	-	-	-
Loans Outstanding	7,401,682	6,748,447	6,009,016	5,051,785	4,301,727	3,492,995	2,654,245	1,786,030	21,327,569	20,606,769
Improvement District (ID) Debt (1)										
ID No. 10 - Aguilar Road (2)	-	-	1,134	1,134	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	1,195	1,195
ID No. 23 - Brooks Lane	11,396	5,698	-	-	-	-	-	-	-	-
ID No. 25 - Old Orchard Lane	3,728	-	-	-	-	-	-	-	-	-
ID No. 28 - Val Verde Road	55,080	37,080	19,080	-	-	-	-	-	-	-
ID No. 32 - Eagle View Lane	57,500	42,500	27,500	12,500	-	-	-	-	-	-
ID No. 36 - Highway 174	90,548	86,156	81,640	77,000	72,230	67,324	62,281	57,097	51,769	46,289
Improvement District Debt Outstanding	218,252	171,434	130,549	91,829	74,559	69,653	64,610	59,426	54,098	48,618
Certificates of Participation										
1993 Certificates	15,415,000	15,365,000	15,010,000	-	-	-	-	-	-	-
1995 Certificates	6,480,000	6,350,000	6,215,000	6,075,000	5,925,000	335,000	170,000	-	-	-
1999 Certificates	32,255,000	31,965,000	31,965,000	31,965,000	31,965,000	2,990,000	2,990,000	2,990,000	2,450,000	1,880,000
2003 Certificates	-	-	-	15,515,000	14,835,000	14,265,000	13,690,000	13,095,000	12,490,000	11,870,000
2005 Certificates	-	-	-	-	-	35,200,000	35,075,000	34,950,000	-	-
2007 Certificates	-	-	-	-	-	-	-	33,580,000	33,140,000	32,535,000
2008 Certificates	-	-	-	-	-	-	-	-	40,385,000	39,860,000
Certificates Outstanding	54,150,000	53,680,000	53,190,000	53,555,000	52,725,000	52,790,000	51,925,000	84,615,000	88,465,000	86,145,000
Subtotal Water Division Debt Outstanding	62,959,934	61,579,881	60,084,565	59,208,614	57,361,286	56,352,648	54,643,855	86,460,456	109,846,667	106,800,387
Power Division										
Revenue Bonds										
Middle Fork Project Revenue Bonds, Series A(3)	47,820,000	44,595,000	41,550,000	39,538,009	34,370,000	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000
Revenue Bonds Outstanding	47,820,000	44,595,000	41,550,000	39,538,009	34,370,000	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000
Subtotal Power Division Debt Outstanding	47,820,000	44,595,000	41,550,000	39,538,009	34,370,000	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000
Subtotal Agency Debt Outstanding	110,779,934	106,174,881	101,634,565	98,746,623	91,731,286	86,942,648	81,353,855	109,170,456	128,376,667	121,030,387
Less: Unamortized bond discounts & premiums	(900,513)	(876,674)	(930,425)	(795,449)	(762,409)	(234,041)	(226,000)	(956,230)	(696,668)	(661,117)
Deferred Amount of Refunding	-	-	-	(703,422)	(643,244)	(4,498,892)	(4,232,860)	(3,969,062)	(3,707,572)	(3,448,849)
Total PCWA Long-Term Debt	\$109,879,421	105,298,207	100,704,140	97,247,752	90,325,633	82,209,715	76,894,995	104,245,164	123,972,427	116,920,421
Per Customer (4)				2,722	2,539	2,266	2,033	2,726	3,224	3,051
Number of Customer Accounts(4)				35,727	35,573	36,278	37,832	38,245	38,451	38,324

(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 2003.

Source: Placer County Water Agency, Audited Financial Statements

PLACER COUNTY WATER AGENCY

TABLE # 14

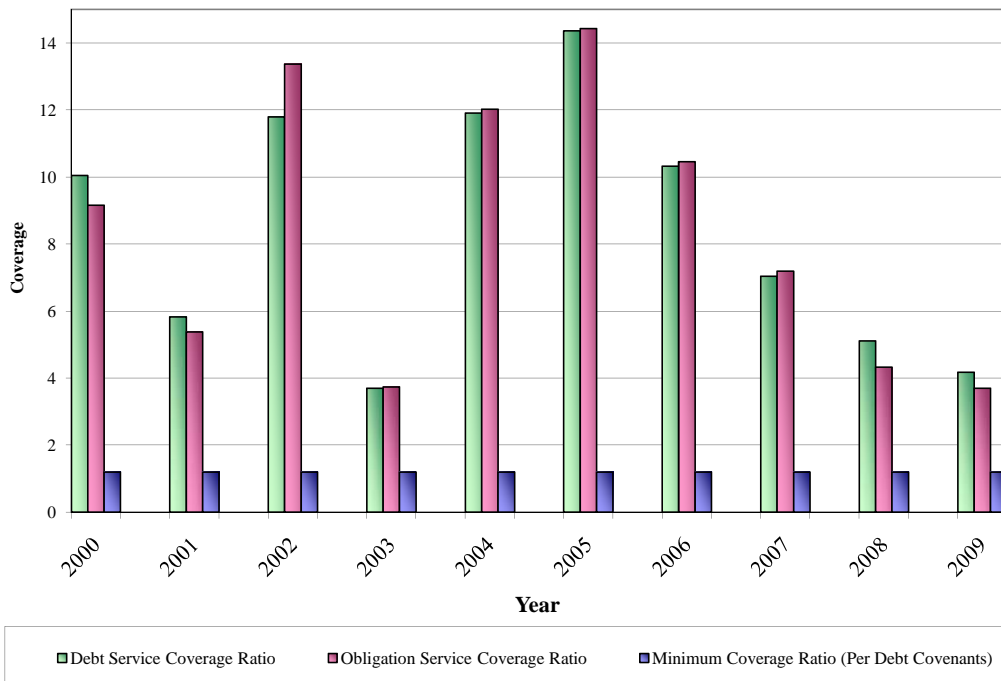
**Debt Service Coverage
Western Water System
Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Service Coverage										
Net Water Revenues,										
Excluding Depreciation	\$ 28,854,493	20,140,788	47,994,506	16,968,912	48,003,642	57,564,733	36,648,317	26,049,902	24,837,976	29,380,115
Debt Service on Certificates and Other Parity Debt	<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>	<u>4,859,644</u>	<u>7,032,243</u>
Debt Service Coverage Ratio	<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>	<u>5.11</u>	<u>4.18</u>
Minimum Coverage Ratio (Per Debt Covenants)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Debt Service Coverage without Water Connection Charge Revenue (WCC) (1)										
Net Water Revenues,										
Excluding Depreciation and WCC	\$ 7,734,430	8,170,228	9,748,543	8,136,002	12,113,171	15,710,776	19,930,518	21,623,691	21,334,913	22,940,551
Debt Service on Certificates and Other Parity Debt	<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>	<u>4,859,644</u>	<u>7,032,243</u>
Debt Service Coverage Ratio	<u>2.69</u>	<u>2.37</u>	<u>2.40</u>	<u>1.77</u>	<u>3.01</u>	<u>3.92</u>	<u>5.62</u>	<u>5.85</u>	<u>4.39</u>	<u>3.26</u>
Obligation Service Coverage										
Net Water Revenues, Excl. Depreciation as Adjusted by Water Purchases	\$ 29,166,553	20,325,645	48,139,015	17,149,332	48,490,916	57,842,311	37,101,063	26,598,504	25,344,332	29,936,496
Obligation Service	<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>	<u>5,854,644</u>	<u>8,087,243</u>
Obligation Service Coverage Ratio	<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>	<u>4.33</u>	<u>3.70</u>
Certificate Reserve Requirement										
Minimum Reserve Required	\$ 3,994,670	3,994,670	3,994,670	3,994,670	3,994,670	1,831,500	1,880,364	1,876,718	5,092,234	5,046,998
Actual Reserve Balance with Fiscal Agent	<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>	<u>5,166,094</u>	<u>5,166,187</u>
Reserve Requirement Coverage	<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>	<u>1.01</u>	<u>1.02</u>

(1) As Water Connection Charge Revenue can vary substantially from year to year with development, provided herein are the net water revenues excluding Water Connection Charge Revenue.

Source: Placer County Water Agency, Audited Financial Statements

**CHART #10
Debt Coverage**



PLACER COUNTY WATER AGENCY
TABLE #15
Demographic and Economic Statistics
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Placer County										
Population	252,605	265,100	277,108	290,777	302,377	313,133	322,428	324,495	338,750	344,565
Annual % Change in Population	3.81%	4.95%	4.53%	4.93%	3.99%	3.56%	2.97%	0.64%	4.39%	1.72%
Total Personal Income (Millions) \$	9,153	9,816	10,209	10,947	11,933	13,070	14,248	15,102	*	*
Per Capita Personal Income \$	36,419	37,066	36,604	37,303	38,958	41,248	43,937	45,471	*	*
Unemployment Rate	3.6%	4.0%	4.9%	5.1%	4.8%	4.3%	4.2%	4.8%	6.4%	10.6%
State of California										
Population	34,098,740	34,784,382	35,392,960	35,990,107	36,522,026	36,981,931	37,444,385	37,662,518	38,148,493	38,487,889
Annual % Change in Population	2.04%	2.01%	1.75%	1.69%	1.48%	1.26%	1.25%	0.58%	1.29%	0.89%
Total Personal Income (Millions) \$	1,103,842	1,135,304	1,147,716	1,184,265	1,262,306	1,335,386	1,436,446	1,520,755	*	*
Per Capita Personal Income \$	32,463	32,882	32,803	33,400	35,219	36,109	39,626	41,805	*	*
Unemployment Rate	4.9%	5.4%	6.7%	6.8%	6.2%	5.4%	4.9%	5.4%	7.2%	11.4%

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
2000-2009

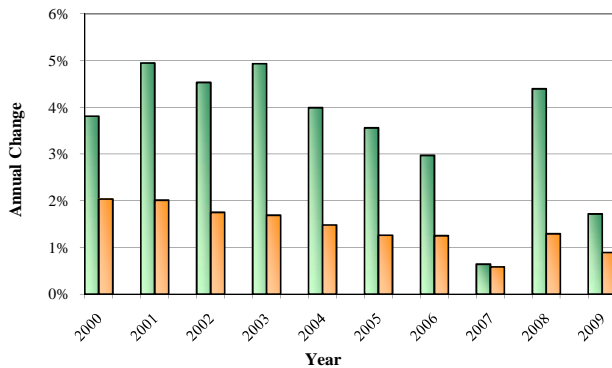


CHART #12
Unemployment Rate
2000-2009

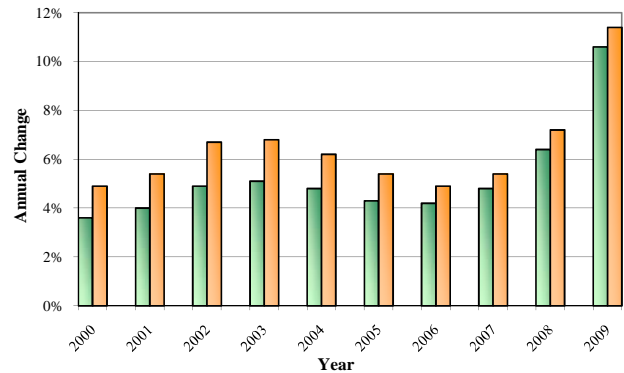
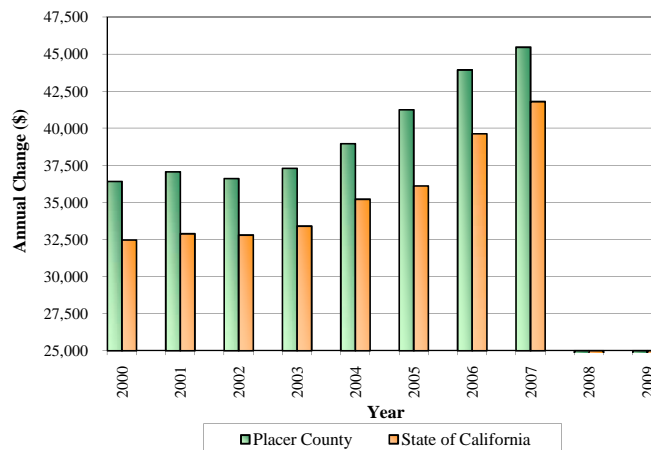


CHART #13
Per Capita Personal Income
2000-2009



PLACER COUNTY WATER AGENCY
TABLE #16
Principal Employers of Placer County
Years Ended December 31, 2000 and 2009

2000			2009		
Company or Organization	Number of Employees	Percent of Total Employment	Company or Organization	Number of Employees	Percent of Total Employment
Hewlett-Packard Co.	5,700	4.48%	Kaiser Permanente	3,281	2.05%
Placer County	3,479	2.73%	Placer County	2,400	1.50%
PRIDE Industries	1,532	1.20%	Sutter Health	2,270	1.42%
NEC Electronics Inc.	1,500	1.18%	Hewlett-Packard Co.	2,000	1.25%
Union Pacific Railroad	1,327	1.04%	Union Pacific Railroad Co. Inc.	2,000	1.25%
Kaiser Permanente	1,300	1.02%	Thunder Valley Casino Resort	1,651	1.03%
Artesyn Solutions Inc.	1,030	0.81%	PRIDE Industries Inc.	1,352	0.84%
Sutter Roseville Medical Center	973	0.76%	Northstar-At-Tahoe	1,250	0.78%
Sierra College	950	0.75%	City of Roseville	1,100	0.69%
City of Roseville	925	0.73%	Dry Creek Joint Elem. School Dist.	1,088	0.68%
Total Largest Employers	<u>18,716</u>	<u>14.70%</u>	Total Largest Employers	<u>18,392</u>	<u>11.49%</u>
Total All Employers	<u>127,300</u>	<u>100.00%</u>	Total All Employers	<u>160,100</u>	<u>100.00%</u>

Source: Sacramento Business Journal - March 20, 2009
State of California, Employment Development Department

PLACER COUNTY WATER AGENCY

TABLE #17

**Personnel Trends by Agency Department
Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agency Wide										
General Manager's Office	3.5	5.0	5.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0
Administrative Services	4.0	9.0 (2)	9.0	10.0	13.0	13.0	14.0	14.0	16.0	16.0
Financial Services	6.0	6.0	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Resource Development (1)	0.0	0.0	0.0	1.0	2.0	2.0	5.0	5.0	0.0	0.0
Strategic Affairs	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	4.0
Total Agency Wide	16.0	21.0	21.0	23.0	25.0	25.0	29.0	29.0	29.0	29.0
Water Division										
Customer Services	27.0	24.0 (2)	25.0	28.0	28.0	28.0	29.0	29.0	29.0	29.0
Field Services	46.0	49.0	50.0	50.0	50.0	50.0	52.0	52.0	52.0	52.0
Technical Services	41.0	44.0	44.0	46.0	46.0	46.0	51.0	51.0	51.0	51.0
Total Water Division	114.0	117.0	119.0	124.0	124.0	124.0	132.0	132.0	132.0	132.0
Power Division										
Total Power Division	17.0	17.0	17.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0
Total Employees (3)	147.0	155.0	157.0	164.0	167.0	167.0	179.0	179.0	179.0	179.0

(1) Resource Development Department established in 2003 and renamed in 2005. Formerly Planning Services. Merged with Strategic Affairs in 2008.

(2) Information Systems Division moved from Customer Services Department to Administrative Services Department in 2001.

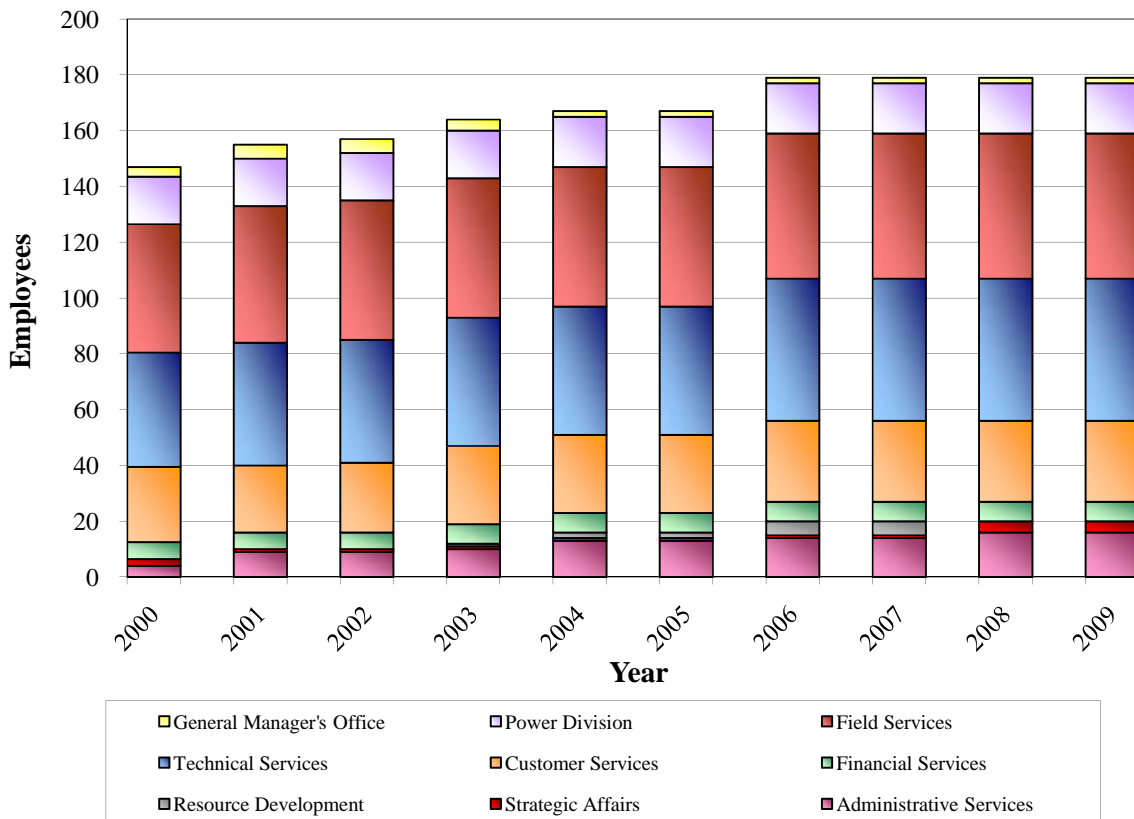
(3) 8 new positions added in 2000 and 2001.

7 new positions added in 2003.

12 new positions added in 2006.

Source: Placer County Water Agency, Administrative Services Department

**CHART #14
Personnel Trends
2000-2009**



PLACER COUNTY WATER AGENCY

TABLE #18

**Water and Power Operational Statistics
Last Ten Years**

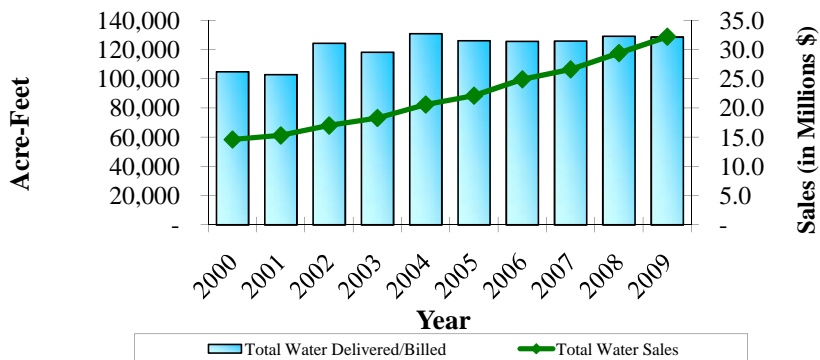
WATER	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Facilities										
Miles of Main Line - Treated	422	447	468	478	488	508	519	526	543	547
Miles of Canals - Raw	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) (1)	47	47	50	50	50	78	78	78	80	80
Number of Pumping Stations	10	11	11	11	11	11	12	12	15	17
Number of Storage Tanks	28	29	29	29	29	29	32	32	34	37
Water Received (in Acre-Feet):										
Lake Spaulding via Drum Canal	95,287	96,464	92,017	91,896	95,017	92,301	93,242	95,399	103,200	95,594
American River (Middle Fork Project)	4,436	3,648	11,017	5,520	12,546	3,475	3,591	7,892	9,469	10,841
Canyon Creek	3,344	3,149	2,617	2,844	2,426	3,722	3,031	3,992	2,912	2,790
Nevada Irrigation District	-	-	-	-	741	731	1,806	1,660	1,664	1,602
South Sutter Water District	5,003	2,815	-	-	4,326	5,647	5,000	-	-	-
PG&E Zone 3 Supply	9,022	9,498	10,087	8,605	9,965	7,858	8,799	7,417	9,758	9,060
Lahontan Domestic Well	8	7	23	30	52	51	73	79	106	141
Lahontan Irrigation Well	761	875	755	708	713	579	542	187	-	3
Total Supply	117,862	116,456	116,516	109,603	125,786	114,363	116,084	116,627	127,109	120,031
Water Delivered/Billed (Acre-Feet):										
Treated Water Delivered	21,915	25,821	27,430	28,732	33,887	33,963	36,092	37,953	38,863	35,948
Treated Water % of Total	20.9%	25.1%	22.0%	24.3%	25.9%	26.9%	28.7%	30.1%	30.1%	27.9%
Raw Water Billed (2)	82,909	77,148	96,997	89,476	97,026	92,258	89,585	87,964	90,430	92,730
Raw Water % of Total	79.1%	74.9%	78.0%	75.7%	74.1%	73.1%	71.3%	69.9%	69.9%	72.1%
Total Water Delivered/Billed	104,824	102,969	124,427	118,208	130,913	126,221	125,677	125,917	129,293	128,678
Average Per Day (acre-feet)	287	282	341	324	359	346	344	345	354	353
Sales (Millions):										
Treated Water Sales	\$ 11.8	12.8	14.3	15.6	17.6	19.0	21.7	23.3	26.0	28.7
Treated Water % of Total	80.8%	83.7%	84.1%	85.2%	85.4%	86.0%	87.1%	87.6%	88.4%	89.1%
Raw Water Sales	\$ 2.8	2.5	2.7	2.7	3.0	3.1	3.2	3.3	3.4	3.5
Raw Water % of Total	19.2%	16.3%	15.9%	14.8%	14.6%	14.0%	12.9%	12.4%	11.6%	10.9%
Total Water Sales	14.6	15.3	17.0	18.3	20.6	22.1	24.9	26.6	29.4	32.2
Billings, Collections & Delinquencies:										
Water Billings (3)	\$17,493,882	17,501,440	19,242,176	20,840,418	24,270,286	27,861,596	34,159,636	39,529,683	43,057,084	43,160,740
Collections	\$17,491,536	17,495,923	19,179,442	20,816,742	24,235,177	27,826,538	34,127,743	39,472,331	42,966,092	43,027,166
Uncollectible	\$ 2,345	5,517	62,734	23,675	35,109	35,058	31,893	57,352	90,992	133,574
Collection Percentage	99.99%	99.97%	99.67%	99.89%	99.86%	99.87%	99.91%	99.85%	99.79%	99.69%

POWER	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Facilities:										
Power Plants	5	5	5	5	5	5	5	5	5	5
Miles of Tunnels & Penstocks	24	24	24	24	24	24	24	24	24	24
Storage Reservoirs (4)	3	3	3	3	3	3	3	3	3	3
Annual Megawatt Hours (Millions) (5)	1.1	0.6	0.6	1.1	1.0	1.1	1.5	0.5	0.6	0.9

- (1) MGD = Million Gallons per Day
- (2) 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.
- (3) Water Billings includes the amount actually billed in the fiscal year, not the cash received. Includes water sales, monthly service charges, surcharges, renewal and replacement charges, certain other mandated costs, penalties and other similar charges.
- (4) Gross Storage Capacity (in Acre-Feet): French Meadows - 134,993; Hell Hole - 207,590; and Ralston Afterbay - 2,782.
- (5) 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. Reduced run-off to French Meadows and Hell Hole Reservoirs was also experienced in 2008.

Source: Placer County Water Agency

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



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**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 of the
Placer County Water Agency
Auburn, California

We have audited the financial statements of the Placer County Water Agency as of and for the year ended December 31, 2009, and have issued our report thereon dated March 26, 2010. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions 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.

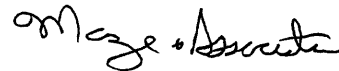
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we did issue our separate Memorandum of Internal Control dated March 26, 2010.

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 that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Mage + Associates". The signature is written in a cursive, flowing style.

March 26, 2010



**PLACER COUNTY WATER AGENCY
Unrestricted Board Designated Fund Equity
For the Fiscal Year Ended December 31, 2009**

<u>Agency Wide</u>	2009
Operational:	
Contingencies	\$ 760,283
Operational	432,480
Capital:	
Routine Capital Replacement	469,221
Liabilities:	
Compensated Absences	527,134
Specific Activities & Projects:	
Water Entitlements	1,824,039
Yuba & Bear River Relicensings & Watershed interests	228,574
Yearly Water Transfer Costs	112,441
Middle Fork Project - Auburn Diversion Unit	2,007,513
Infrastructure Study Revolving Fund	52,174
Middle Fork Project - Facilities and Properties	1,156,744
Power System - Service Level Support	2,224,827
Financial Assistance Program	135,008
Total Agency Wide - Designated	\$ 9,930,438

Water Division

Operational:	
Contingencies	\$ 1,888,746
Operational	2,128,547
Revenue Volatility	3,261,469
Energy Volatility	800,000
Capital:	
Building and Facilities Maintenance and Improvements	1,005,446
System Replacement and Improvements	8,041,212
Vehicles, Equipment and Other Routine Capital Replacement	885,376
Specified Revenue:	
Renewal & Replacement Charges	14,701,210
State and Federal Mandated Charges	5,378,614
Raw Water Surcharge	1,277,837
Liabilities:	
Compensated Absences	1,851,791
Revolving Grant Matching Funds	1,040,334
Risk Management	114,530
Specific Activities & Projects:	
Water and Energy Efficiency Strategies	267,519
Service Center - Corporation Yard	5,347,850
Catastrophic Event	2,000,000
Total Water Division - Designated	\$ 49,990,481

PLACER COUNTY WATER AGENCY
Combined Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
For the Year Ended December 31, 2009

	2009 Adopted Budget	2009 Adjusted Budget (1)	2009 Actual	Variance from Adjusted Budget (\$)	Variance from Adjusted Budget (%)
Operating Revenues					
Water Sales	\$ 34,799,800	34,799,800	33,324,492	(1,475,308)	-4.24%
Power Sales (1)	12,957,452	13,021,578	13,021,578	-	0.00%
Reimbursements	60,192	60,192	60,192	-	0.00%
Engineering Charges	980,000	980,000	427,685	(552,315)	-56.36%
Customer Service Charges	502,500	502,500	720,659	218,159	43.41%
Other Revenue	5,000	5,000	38,902	33,902	678.04%
Total Operating Revenues	<u>49,304,944</u>	<u>49,369,070</u>	<u>47,593,508</u>	<u>(1,775,562)</u>	<u>-3.60%</u>
Non-Operating Revenues					
Water Connection Charge	2,100,000	2,100,000	6,439,564	4,339,564	206.65%
Renewal & Replacement Charge	8,435,000	8,435,000	9,062,968	627,968	7.44%
Mandated Costs Charge	-	-	267,334	267,334	100.00%
Raw Water Surcharge	250,000	250,000	272,440	22,440	8.98%
Contributions in Aid of Construction	220,000	220,000	32,326	(187,674)	-85.31%
Water Sales	-	-	5,500,000	5,500,000	100.00%
Costs Recovered from Other Agencies	-	-	7,491,378	7,491,378	100.00%
Interest Earnings	3,800,000	3,400,000	3,389,310	(10,690)	-0.31%
Property Taxes	800,000	800,000	620,330	(179,670)	-22.46%
Assessments	-	-	1,882	1,882	100.00%
Gain on Disposal of Assets	-	4,000	54,278	50,278	1256.95%
Program Grant Revenue	150,000	150,000	256,965	106,965	71.31%
Other Income (2)	10,600	(40,581)	485,959	526,540	-1297.50%
Total Non-Operating Revenues	<u>15,765,600</u>	<u>15,318,419</u>	<u>33,874,734</u>	<u>18,556,315</u>	<u>121.14%</u>
Total Revenues	<u>65,070,544</u>	<u>64,687,489</u>	<u>81,468,242</u>	<u>16,780,753</u>	<u>25.94%</u>
Operating Expenses					
Purchased Water	755,736	755,736	556,381	199,355	26.38%
Field Administration	927,861	927,861	845,047	82,814	8.93%
Pumping Plant and Wells	1,161,089	1,135,089	924,010	211,079	18.60%
Water Treatment	6,042,764	6,073,764	5,045,678	1,028,086	16.93%
Electrical Operations	1,342,007	1,652,677	1,652,677	-	0.00%
Transmission & Distribution:					
Treated Water	3,146,279	3,151,279	2,485,308	665,971	21.13%
Raw Water	5,385,657	5,385,657	4,893,950	491,707	9.13%
Customer Service & Collections	3,977,347	3,949,522	3,662,276	287,246	7.27%
Repairs & Maintenance	1,059,822	1,731,400	1,731,400	-	0.00%
Recreation	-	187,501	187,501	-	0.00%
Automotive & Equipment	828,029	824,000	730,705	93,295	11.32%
Engineering	2,603,019	2,582,338	1,999,696	582,642	22.56%
General & Administration	9,613,615	9,652,711	9,158,631	494,080	5.12%
Depreciation	6,608,950	7,421,649	18,642,481	(11,220,832)	-151.19%
Total Operating Expenses (3)	<u>43,452,175</u>	<u>45,431,184</u>	<u>52,515,741</u>	<u>(7,084,557)</u>	<u>-15.59%</u>
Non-Operating Expenses					
Interest Expense	4,536,193	4,529,486	4,871,615	(342,129)	-7.55%
Amortization of Bond Issue Cost	-	-	498,118	(498,118)	-100.00%
Amortization of Bond Premium/Discount	-	9,221	9,221	-	0.00%
Total Non-Operating Expenses	<u>4,536,193</u>	<u>4,538,707</u>	<u>5,378,954</u>	<u>(840,247)</u>	<u>-18.51%</u>
Total Expenses	<u>47,988,368</u>	<u>49,969,891</u>	<u>57,894,695</u>	<u>(7,924,804)</u>	<u>-15.86%</u>
Capital Contributions	-	-	3,649,500	3,649,500	100.00%
CHANGE IN NET ASSETS	<u>\$ 17,082,176</u>	<u>14,717,598</u>	<u>27,223,047</u>	<u>12,505,449</u>	<u>84.97%</u>

(1) In 2009, the Power Division budget is on an expense reimbursement basis, therefore, adjusted budget reflects actual expenses and revenues per the power sales contract.

(2) Other Income is primarily due to "mark to market" adjustments and losses on investments.

(3) The operating expense variance is primarily a result from under budgeting for depreciation.

PLACER COUNTY WATER AGENCY
Adjusted Budget
For the Last Ten Years (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues										
Water Sales	\$ 12,928,712	15,161,790	15,511,740	18,225,850	20,040,000	25,100,000	27,000,000	27,738,991	30,668,200	34,799,800
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	17,560,262	13,021,578
Reimbursements	43,800	44,880	46,200	60,108	59,200	61,000	63,000	68,000	57,877	60,192
Engineering Charges	319,080	386,880	537,150	655,949	720,000	720,000	900,000	1,140,000	800,000	980,000
Customer Service Charges	122,300	128,900	138,560	170,409	320,000	320,000	400,000	400,100	502,400	502,500
Other Revenue	2,440	5,280	4,800	35,500	-	10,000	10,050	10,000	5,000	5,000
Total Operating Revenues	25,916,332	27,727,730	28,238,450	32,576,152	36,139,200	42,711,000	55,317,746	60,541,153	49,593,739	49,369,070
Non-Operating Revenues										
Water Connection Charge	5,000,000	5,500,000	5,500,000	5,500,000	6,500,000	10,000,000	12,000,000	4,500,000	2,200,000	2,100,000
Renewal & Replacement Charge	-	-	23,900	626,000	1,030,000	2,900,000	4,300,000	6,816,000	8,090,000	8,435,000
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	4,035,000	-
Raw Water Surcharge	195,000	210,000	240,000	220,000	245,000	246,500	330,000	401,708	219,123	250,000
Contributions in Aid of Construction	287,000	198,000	225,350	250,000	250,000	250,000	400,000	400,000	415,000	220,000
Water Sales	-	-	-	-	-	-	-	-	-	-
Costs Recovered from Other Agencies	-	-	-	-	-	-	-	-	20,000	-
Interest Earnings	500	7,600	6,000	1,418,000	1,246,000	1,540,000	3,370,000	3,405,100	3,458,636	3,400,000
Property Taxes	(6,800)	6,000	(8,100)	724,000	896,000	685,000	770,023	705,000	820,000	800,000
Assessments	19,000	9,000	25,000	49,000	25,000	7,000	-	5,000	-	-
Gain on Disposal of Assets	-	-	-	-	-	-	5,000	-	-	4,000
Program Grant Revenue	108,500	-	447,500	1,033,160	1,200,000	400,000	-	15,000	324,657	150,000
Other Income	46,620	50,520	45,000	34,000	108,300	8,000	10,050	70,050	7,047	(40,581)
Total Non-Operating Revenues	6,999,820	7,506,120	8,124,650	11,584,160	13,637,300	18,528,500	24,585,073	19,885,858	19,589,463	15,318,419
Total Revenues	32,916,152	35,233,850	36,363,100	44,160,312	49,776,500	61,239,500	79,902,819	80,427,011	69,183,202	64,687,489
Operating Expenses										
Purchased Water	232,500	492,990	483,020	425,000	299,000	516,832	676,000	759,400	716,400	755,736
Field Administration	595,190	544,710	596,683	721,488	694,050	822,802	807,418	805,746	1,351,731	927,861
Pumping Plant & Wells	159,440	170,990	167,570	985,043	210,000	799,093	869,978	945,500	1,299,251	1,135,089
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	5,161,004	6,073,764
Electrical Operations	-	1,599,171	-	253,756	1,683,876	1,008,079	1,009,587	1,475,462	1,597,990	1,652,677
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	2,556,169	3,151,279
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	4,743,270	5,385,657
Customer Service & Collections	880,590	1,169,259	1,160,497	1,206,878	904,171	922,331	963,212	3,246,272	3,587,304	3,949,522 (1)
Repairs & Maintenance	-	1,865,745	-	-	835,185	450,872	429,734	1,461,988	5,764,760	1,731,400
Safety	393,940	390,660	442,110	505,234	573,732	637,849	694,539	-	-	-
Recreation	-	207,000	-	-	336,672	-	-	229,359	189,849	187,501
Automotive & Equipment	401,970	395,568	473,576	651,178	796,156	710,215	662,707	729,512	808,487	824,000
Engineering	1,283,827	1,460,651	1,821,354	1,778,777	1,530,024	2,011,148	2,085,327	2,586,574	2,585,903	2,582,338
General & Administration	6,848,084	11,429,532	10,603,084	5,390,221	7,692,268	6,794,652	7,419,700	5,293,659	9,157,199	9,652,711
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	6,635,466	7,421,649
Total Operating Expenses	22,216,071	33,564,568	28,349,062	23,537,908	30,633,004	33,051,949	29,379,531	36,500,051	46,154,783	45,431,184
Non-Operating Expenses										
Interest Expense	5,265,000	5,085,000	4,921,500	1,749,906	1,568,000	4,203,601	3,998,706	3,420,435	3,000,305	4,529,486
Amortization of Bond Issue Cost	8,900	8,800	8,800	9,000	170,000	92,000	70,000	77,135	-	-
Amortization of Bond Premium/Discount	-	-	-	-	-	275,000	275,500	-	16,819	9,221
Other	62,600	86,900	87,000	44,000	53,000	65,000	100,000	-	-	-
Total Non-Operating Expenses	5,336,500	5,180,700	5,017,300	1,802,906	1,791,000	4,635,601	4,444,206	3,497,570	3,017,124	4,538,707
Total Expenses	27,552,571	38,745,268	33,366,362	25,340,814	32,424,004	37,687,550	33,823,737	39,997,621	49,171,907	49,969,891
Net to/from designated/reserve funds										
NET INCOME (LOSS)	\$ 5,363,581	(3,511,418)	2,996,738	18,819,498	17,352,496	23,551,950	46,079,082	40,429,390	20,011,295	14,717,598

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