



Placer County Water Agency
Auburn, CA

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2011



water • energy • stewardship

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2011



Placer County Water Agency
Auburn, California
www.pcwa.net

Prepared by the Department of Financial Services

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Introductory Section



Duncan Diversion Dam



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

May 1, 2012

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, 2011. 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). Maze & Associates (Auditor) have issued an unqualified "clean" opinion on the Placer County Water Agency's financial statements for the year ended December 31, 2011. 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 required 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 and its boundaries are coterminous with the boundaries of Placer County, California. Placer County (County) is 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 five-member board of directors elected by district voters for four-year terms. The Agency carries out a broad range of responsibilities including resources planning and management, retail and wholesale supply of water, and production of

hydroelectric energy and has staff of 180 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 and rights 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 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) under a 1963 power sales contract that terminates on April 30, 2013. The PG&E 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 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, the Agency 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 delivers and 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, 35 water tanks and 599 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 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 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 in the 1960's through construction 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 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, to 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 budgets serve as the foundation for the Agency's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. Department directors have the discretion to transfer budgeted funds between accounts/activities within their departments. Two consenting departments can transfer budgeted funds between their departments. Changes to the Capital Investment Program budget and increases to the operating budget require Board approval.

Significant Events and Accomplishments

In February 2011, the Agency implemented the Interactive Voice Response (IVR) System which allows customers to obtain information regarding their water bill and make payments over the phone, thereby enhancing customer service, banking and cash management.

In August 2011, the Agency launched a new and enhanced PCWA website, providing better navigation and ease of use for users.

Planning and design work continued in 2011 on the Ophir Road Pipelines Project. This project will construct an untreated water pipeline from Ophir Pump Station to Dutch Ravine and construct a treated water pipeline from the Newcastle Tank to downtown Newcastle and to Ophir Pump Station. The untreated water pipeline will increase supply to Foothill Water Treatment Plant and provide reliability.

In 2011, the Agency substantially completed work on the Federal Energy Regulatory Commission (FERC) required \$20.2 million LL Anderson Dam Spillway Widening Project. The majority of the critical infrastructure, including the new spillway gates and dam upgrades, is in place and functioning.

Significant progress was made in 2011 toward obtaining a new FERC license of the Middle Fork Project (MFP) hydroelectric facilities which is due to expire in 2013. In February 2011, the Application for New License was submitted. PCWA reached a mutually acceptable agreement with all participating stakeholders in the MFP process on new license conditions and filed supplemental information in November 2011. FERC is currently completing the environmental and regulatory process and expects to issue a new long term operating license in 2013.

A team of PCWA and County representatives (Power Marketing Team) has been working to provide a blueprint for transitioning the Agency and County into the post-2013 energy market. A new 56 month energy sale contract was signed by PCWA and PG&E in April 2012 and is currently being submitted to the California Public Utilities Commission for approval. Energy sales under the new contract begin on May 1, 2013.

The PCWA/County Power Marketing Team is also working on the development of a MFP Business Plan. The primary purpose of this Business Plan is to enable the decision makers at PCWA, the County, and the Finance Authority to provide unified policy direction for the management objectives of the MFP.

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 current recession has slowed development to early 1980's levels. This is a direct impact to the Agency as the Water Connection Charge revenues, charges to connect to new water service, remained flat at \$0.4 million in 2010 and 2011 with new service connection units the lowest in 16 years. Correspondingly, capacity expansion projects will continue to be postponed.

In the last decade the County has experienced an overall population growth of approximately 36%, making it one of the fastest growing counties in California over the past decade. The population increased 1.5% in Placer County from 2010 to 2011.

The long-term forecast for the County's growth is strong, and once the recession is over, the County's historic strong growth is projected to continue into the next decade from the current population of 355,687. The population is expected to reach 393,000 by 2016 and 435,000 by 2021, a population increase of nearly 23%.

The County's unemployment at 10.8% at December 2011 is lower than the State total at 11.7% and per capita income is \$45,614, almost 108% 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, PCWA adopted in 2001 a new component to the water rates to specifically fund the replacement of aging infrastructure. Since 2001, the renewal and replacement charge was increased each year from 2002 – 2009 in a phased-in process.

PCWA continually updates its comprehensive financial plan, most recently by developing a water connection charge facilities agreement payment program to assist in stimulating housing development thereby improving 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). During 2008, the Agency updated and revised the Investment Policy to meet changing market conditions. Reviewed and adopted by the Board of Directors in the first quarter of each year, PCWA's Investment Policy is up-to-date with current regulations. The Director of Financial Services also serves as the Agency's Treasurer who annually reviews the Investment Policy and as necessary, submits recommended revisions to the Board for their annual consideration and approval. The investing process is carefully monitored to ensure compliance with the Investment Policy and other applicable regulations.

Budget Policy

In 2006, the Agency's long standing *Budget Policy* was updated and expanded to provide a more contemporary framework to match the current and existing budget process. Adopted 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. The Agency continues participation in Bay-Delta, 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 the Delta Stewardship Council 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; 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 Middle Fork Project FERC license as well as its original 1963 Power Sales Contract with PG&E expire in 2013. PCWA continues to refine its Power Division business model as it transitions to the terms of the new PG&E power purchase contract. In 2011, 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 FERC relicensing process as well as the approval of a new energy sale contract with PG&E is a joint effort between the County of Placer and Placer County Water Agency as part of the Middle Fork Project Finance Authority (MFPFA).

The focus of the Agency's Relicensing work in 2011 was submittal of a Final License Application to FERC in February 2011 and submittal of supplemental information consistent with the agreement with all participating stakeholders in the MFP process on new license conditions in November 2011. Staff anticipates that federal and state environmental review will be completed by late summer 2012 and the process appears to be on track for license issuance in 2013. Work in 2012 will focus on assisting FERC in preparing the appropriate National Environmental Policy Act (NEPA) document and drafting a California Environmental Quality Act (CEQA) document with PCWA as lead agency. Staff intends to begin planning and design of new facilities that are part of the license that are beneficial to PCWA's interests. In addition, a new 56 month power sale agreement with PG&E was signed on April 19, 2011. California Public Utilities Commission approval is currently in process, and is expected in December 2012.

With the MFP Relicensing nearing completion and a new power sale contract under negotiation, PCWA's future MFP obligations and responsibilities have become more defined. To that end, over the next few years, fourteen new positions are proposed to be added. The new personnel will be vital to the Power System, Strategic Affairs, and Finance departments as PCWA assumes the responsibilities of an independent merchant generator in the California marketplace.

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.

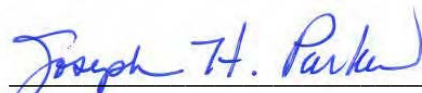
Awards and Acknowledgements

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, 2010. 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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

Placer County Water Agency

December 31, 2011

Board of Directors

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

Agency Officials

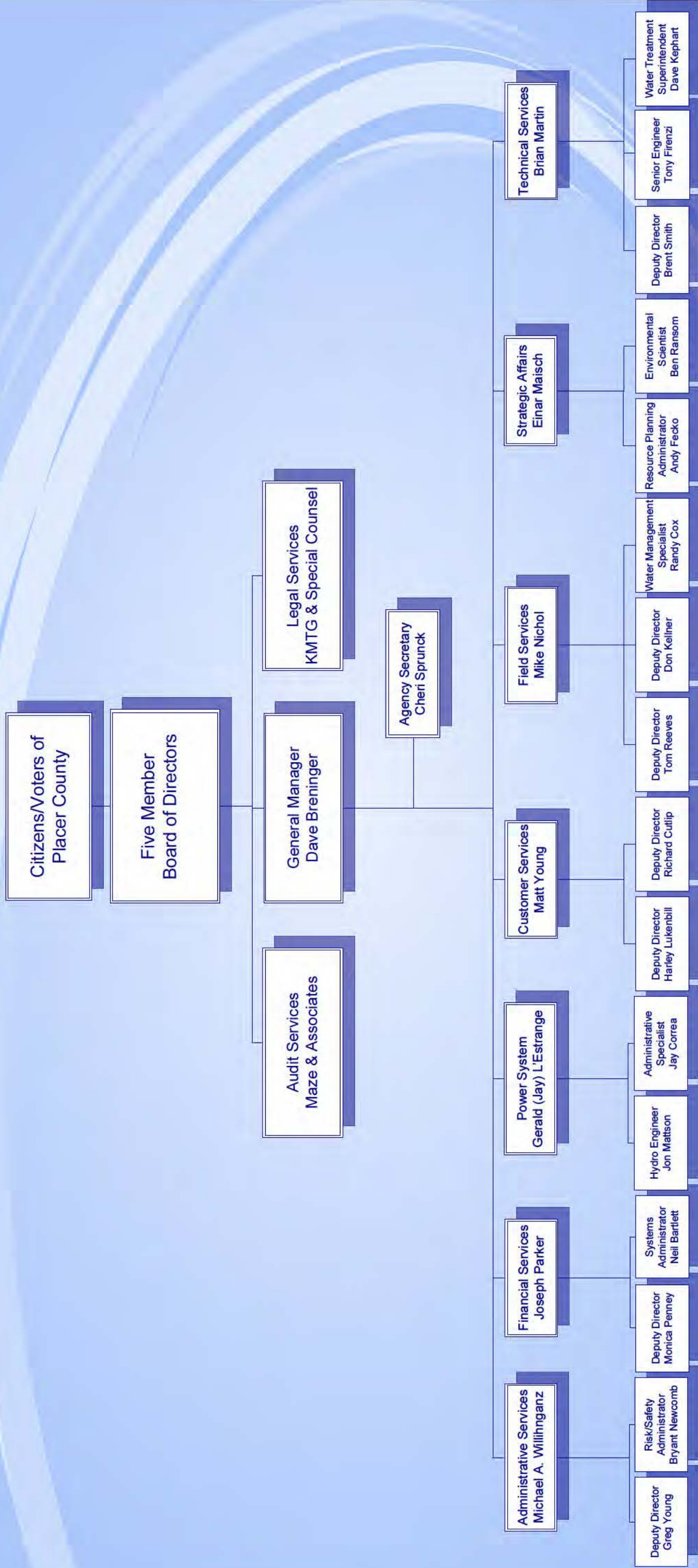
General Manager	David Breninger
Agency Counsel	Edward Tiedemann
Director of Administrative Services	Michael Willihnganz
Director of Financial Services	Joseph Parker
Director of Power Systems	Jay L'Estrange
Director of Customer Services	Matt Young
Director of Field Services	Michael Nichol
Director of Strategic Affairs	Einar Maisch
Director of Technical Services	Brian Martin

Acknowledgements

Prepared by the Placer County Water Agency
Department of Financial Services

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Deputy Director of Financial Services	Monica Penney
Financial Analyst	Diel Eckhardt

Placer County Water Agency Organizational Structure



Financial Section



Ophir Road Pipeline Project

INDEPENDENT AUDITOR'S 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, 2011. 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.

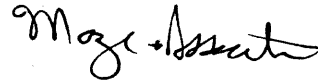
We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 ended December 31, 2011, 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 31, 2012 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information of consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Agency. The Introductory Section, Combining Financial Statements, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining Financial Statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Combining Financial Statements is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



March 31, 2012

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

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, 2011. 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, 35 water tanks, and 599 miles of treated water pipelines. The treated water is supplied to residential, commercial, industrial, and other governmental users in the cities and surrounding areas of Auburn, Colfax, Loomis, Rocklin, portions of Roseville and various unincorporated areas of

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

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, 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, 2011

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 53 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 54 of this report. Other supplemental information can be found on pages 56 through 61 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 2011

- At December 31, 2011, the Agency's total assets exceeded total liabilities by \$668 million (net assets), which is an increase of \$20.7 million or 3% over the 2010 year-end balance.
- Capital assets (net) increased \$19.9 million or 3% to \$620 million.
- Operating revenue decreased \$2.8 million or 6% to \$43.5 million.
- Operating expense increased \$2.5 million or 5% to \$54.6 million.
- Other income (expense) increased \$7.7 million or 42% from \$18.5 million to \$26.2 million.
- Capital contributions increased \$5.4 million or 1631%, Almost two-thirds of this increase is attributable to capital contributions to the Eastern Water System totaling \$3.9 million.

Financial Position

The Agency's net assets increased by \$20.7 million to \$668 million (*see Table 1 on the following page*), which is a result of a combination of assets increasing \$14.0 million and liabilities decreasing \$6.7 million.

The highlights of the \$20.7 million increase in net assets are as follows:

- Current assets decreased \$7.4 million and non-current assets increased \$1.5 million (net decrease of \$5.9 million), which is primarily the result of payment of debt service from restricted Water Connection Charge cash and increasing investment duration by investing in longer term (non-

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

current) investments rather than shorter term (current).

- Capital assets increased \$19.9 million from current year construction and capital contributions.
- Liabilities decreased \$6.7 million from current year debt service payments.

Table 1
Net Assets
(In thousands)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>%</u>
Current Assets	\$ 68,973	76,406	(7,433)	-10%
Non-Current Assets	97,608	96,058	1,550	2%
Capital Assets	619,641	599,744	19,897	3%
Total Assets	<u>786,222</u>	<u>772,208</u>	<u>14,014</u>	<u>2%</u>
Current Liabilities	21,009	21,659	(650)	-3%
Non-Current Liabilities	97,225	103,305	(6,080)	-6%
Total Liabilities	<u>118,234</u>	<u>124,964</u>	<u>(6,730)</u>	<u>-5%</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	517,953	490,318	27,635	6%
Restricted	44,318	50,118	(5,800)	-12%
Unrestricted	105,717	106,808	(1,091)	-1%
Total Net Assets	<u>667,988</u>	<u>647,244</u>	<u>20,744</u>	<u>3%</u>
Total Liabilities and Net Assets	<u>\$ 786,222</u>	<u>772,208</u>	<u>14,014</u>	<u>2%</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

Results of Operations

The Agency's 2011 total operating revenue of \$43.5 million was a decrease of \$2.8 million compared to the 2010 amount (*see Table 2 on the following page*). The total operating expense increased \$2.5 million resulting in a net decrease to operating income of \$5.3 million. Overall, the Agency's change in net assets for the year, including capital contributions, increased by \$7.7 million over the 2010 change in net assets. The major components of this increase are as follows:

- Operating revenue decreased by \$2.8 million or 6% to \$43.5 million. 2011 operating revenue at the division level changed as follows: Agency Wide increased \$0.2 million, Water Division decreased \$1.4 million and Power Division decreased \$1.6 million. The decrease in Water Division revenues reflects weather effects on water revenue, namely reduced consumption due to heavy precipitation and cooler summer temperatures, coupled with the Bear River Canal (a PG&E water supply canal) break incident that lasted from April 19 to June 6. Power Division revenues decreased by \$1.6 million or 12% 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 \$2.5 million or 5% to \$54.6 million. 2011 operating expense at the division level changed from prior year as follows: Agency Wide increased \$0.2 million, Water Division increased \$0.6 million and Power Division increased \$1.7 million. The increase in Water Division expense is driven by a \$1.1 million increase in depreciation reflecting the Agency's continual investment in its infrastructure, \$0.4 million of additional costs due to the Bear River Canal break incident and a \$0.9 million decrease in other operating expenses reflecting the Agency's efforts in keeping costs down. The increase in Power Division expense is driven by a \$0.7 million increase in depreciation combined with a \$0.7 million increase in general and administrative expenses, specifically increases in rent and compliance requirements.
- Non-operating revenue (net of non-operating expense) increased by \$7.7 million or 42% to \$26.2 million. This increase resulted from a \$4.9 million increase in costs recovered from other agencies primarily due to the L.L. Anderson Spillway Modification Project, a \$0.5 million decrease in interest earnings due to an overall decrease in the size of the investment portfolio (due in part to the payment of debt service from restricted Water Connection Charge cash), and a \$3.0 million increase in other income due to decreased expensing of repair and maintenance projects.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled \$5.7 million, which was comprised of various developer's agreement contributions.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

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

Table 2
Changes in Net Assets
(In thousands)

	2011	2010	Variance	%
Operating Revenues:				
Agency Wide	\$ 1,143	945	198	21%
Power Division	11,838	13,418	(1,580)	-12%
Water Division	30,486	31,945	(1,459)	-5%
Total Operating Revenues	<u>43,467</u>	<u>46,308</u>	<u>(2,841)</u>	<u>-6%</u>
Operating Expenses:				
Water Treatment	4,779	4,778	1	0%
Electrical Operations	1,649	1,475	174	12%
Transmission & Distribution of Treated Water	2,563	1,885	678	36%
Transmission & Distribution of Raw Water	3,611	4,276	(665)	-16%
Customer Service and Collections	3,404	3,678	(274)	-7%
Repairs and Maintenance	1,848	1,669	179	11%
Engineering	2,172	2,395	(223)	-9%
General and Administrative	8,921	8,207	714	9%
Depreciation	21,772	19,936	1,836	9%
Other	3,898	3,828	70	2%
Total Operating Expenses	<u>54,617</u>	<u>52,127</u>	<u>2,490</u>	<u>5%</u>
Net Operating Income	<u>(11,150)</u>	<u>(5,819)</u>	<u>(5,331)</u>	<u>92%</u>
Non-Operating Revenue:				
Water Connection Charge	400	427	(27)	-6%
Renewal and Replacement Charges	9,083	9,184	(101)	-1%
Costs Recovered from Other Agencies	17,902	12,981	4,921	38%
Interest Earnings	1,643	2,141	(498)	-23%
Other	2,026	(1,023)	3,049	-298%
Total Non-Operating Revenue	<u>31,054</u>	<u>23,710</u>	<u>7,344</u>	<u>31%</u>
Non-Operating Expense:				
Interest Expense	4,406	4,699	(293)	-6%
Amortization Expense	466	514	(48)	-9%
Total Non-Operating Expense	<u>4,872</u>	<u>5,213</u>	<u>(341)</u>	<u>-7%</u>
Income Before Capital Contributions	15,032	12,678	2,354	19%
Capital Contributions	5,712	330	5,382	1631%
Change in Net Assets	20,744	13,008	7,736	59%
Beginning Net Assets	647,244	634,236	13,008	2%
Ending Net Assets	<u>\$ 667,988</u>	<u>647,244</u>	<u>20,744</u>	<u>3%</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

Amended Budget

Although not specifically prescribed by Statement of Governmental Accounting Standards 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 2011 Budget and Actual, non-operating revenue's positive variance is primarily due to costs recovered from other agencies. Reimbursements from the MFP Finance Authority totaling \$12.6 million for relicensing efforts are capitalizable, hence not expended. 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 2011 budget reflected a 37% depreciation funding level.

Table 3
2011 Amended Budget and Actual
(In thousands)

	2011 Amended Budget	2011 Actual	Variance
Revenue:			
Operating:			
Agency Wide	\$ 1,065	1,143	78
Power Division	11,838	11,838	-
Water Division	33,695	30,486	(3,209)
Subtotal	46,598	43,467	(3,131)
Non-Operating	11,290	31,054	19,764
Total Revenue	57,888	74,521	16,633
Expense:			
Operating:			
Agency Wide	1,208	637	571
Power Division	7,337	7,337	-
Water Division	29,070	24,871	4,199
Depreciation	7,320	21,772	(14,452)
Subtotal	44,935	54,617	(9,682)
Non-Operating Interest and Debt Expense	5,586	4,872	714
Total Expense	50,521	59,489	(8,968)
Income Before Capital Contributions	7,367	15,032	7,665
Capital Contributions (Not Budgeted)	-	5,712	5,712
Change in Net Assets	\$ 7,367	20,744	13,377

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

The largest portion of the Agency's net assets, 78% or \$518 million represents investment in capital assets necessary to provide existing and expanding services. The year's increase of 3% in total net assets is consistent with the Agency's capital investment program, as in 2011 an additional \$19.9 million was capitalized to capital assets.

At the end of 2011, the Agency had invested \$620 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 2011 and 2010 as follows:

Table 4
Capital Assets
(In thousands)

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Land	\$ 13,418	15,558	(2,140)	-14%
Utility Plant	627,078	612,486	14,592	2%
Other Property and Equipment	86,253	79,986	6,267	8%
Preliminary Survey	400	400	-	0%
Construction in Progress	103,142	80,690	22,452	28%
Subtotal	<u>830,291</u>	<u>789,120</u>	<u>41,171</u>	<u>5%</u>
Less Accumulated Depreciation	<u>210,650</u>	<u>189,376</u>	<u>21,274</u>	<u>11%</u>
Total Capital Assets	<u>\$ 619,641</u>	<u>599,744</u>	<u>19,897</u>	<u>3%</u>

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

Agency Wide

LL Anderson Spillway Modification	\$ 10,496
Middle Fork Project FERC Relicensing	3,334
Governor Upgrades	636

Power

Ralston Powerhouse Penstock Repainting	695
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Water

Bowman Water Treatment Plant - Solids Phase 2	4,235
Foothill-Sunset Improvements	2,422
Bowman Canal Pipe	1,688
Gold Run Phase 4	1,675
Boardman Canal Relocation	<u>1,351</u>

Total

\$ 26,532

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

The schedule below presents the Agency's 2012 Capital Investment Program (CIP) budget totaling \$40.2 million, reflecting an increase in the Water Division capital budget from the prior year due to the additional funding of the Ophir Road Pipeline project.

Capital Investment Program Budget (In thousands)

Agency Wide	\$	8,427
Water Division		29,871
Power Division		1,925
Total	\$	<u>40,223</u>

LONG-TERM DEBT

At December 31, 2011, the Agency had total long-term debt outstanding of \$105.2 million excluding the \$4.5 million in compensated absences payable. The outstanding amount decreased \$8.0 million during the year primarily because of the following:

- The retirement of \$4.6 million of Middle Fork Project Revenue Bonds.
- The retirement of \$2.5 million of Certificates of Participation.
- The repayment of \$0.9 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 2.22 times annual debt service for the western water system at December 31, 2011. Table 5 presents the western water system's debt coverage ratio and exhibits both 2011 and 2010 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>2011</u>	<u>2010</u>
Net Water Revenue, Excluding Depreciation	\$ 17,104	\$ 15,897
Debt Service on Certificates and Other Parity Debt	7,693	7,700
Debt Coverage Ratio	2.22	2.06

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2011

At December 31, 2011 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 Balance *	Average Coupon Rate
Certificates of Participation	\$ 81,290	4.4%
Bonds Payable	5,155	3.6%
Loans Payable	18,765	2.3%
Total	<u>\$ 105,210</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, 2011

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 36,800,810
Restricted Cash and Cash Equivalents	12,684,897
Restricted Cash and Cash Equivalents with Fiscal Agents	10,652,250
Water Service Receivable, Net	5,570,962
Account Receivable	226,948
Interest Receivable	381,575
Taxes Receivable	631,670
Materials and Supplies	970,926
Prepaid Expense	<u>1,053,197</u>
Total Current Assets	<u>68,973,235</u>
Non-Current Assets:	
Investments	71,322,567
Restricted Investments	23,648,371
Notes Receivable	88,580
Assessments Receivable	45,741
Unamortized Bond Issuance Costs	2,502,878
Capital Assets, Net	<u>619,640,519</u>
Total Non-Current Assets	<u>717,248,656</u>
Total Assets	<u>\$ 786,221,891</u>

(Continued)

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 6,587,371
Accrued Salaries and Benefits	1,179,831
Interest Payable	2,022,202
Current Portion of Long-Term Liabilities	6,238,265
Deposits	1,952,641
Other Current Liabilities	189,382
Compensated Absences Payable, Current Portion	<u>2,839,850</u>

Total Current Liabilities 21,009,542

Non-Current Liabilities:

Bonds and Certificates of Participation, Net	77,616,844
Loans Payable	17,832,351
Improvement District Debt	31,245
Deferred Revenue	56,899
Compensated Absences Payable	<u>1,687,238</u>

Total Non-Current Liabilities 97,224,577

Total Liabilities 118,234,119

NET ASSETS

Invested in Capital Assets, Net of Related Debt	517,953,059
Restricted:	
Water System Expansion	40,611,994
Other	3,705,816
Unrestricted	<u>105,716,903</u>

Total Net Assets 667,987,772

Total Liabilities and Net Assets \$ 786,221,891

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, 2011

OPERATING REVENUES	
Water Sales	\$ 30,500,851
Power Sales	11,837,765
Reimbursements	65,104
Engineering Charges	329,803
Customer Service Charges	693,154
Other Revenue	40,739
	43,467,416
Total Operating Revenues	43,467,416
OPERATING EXPENSES	
Purchased Water	683,441
Field Administration	880,837
Pumping Plants and Wells	1,078,772
Water Treatment	4,778,758
Electrical Operations	1,648,972
Transmission and Distribution of Treated Water	2,562,810
Transmission and Distribution of Raw Water	3,611,480
Customer Service and Collections	3,404,118
Repairs and Maintenance	1,848,032
Recreation	344,558
Automotive and Equipment Expenses	910,010
Engineering	2,172,488
General and Administrative	8,920,594
Depreciation	21,772,382
	54,617,252
Total Operating Expenses	54,617,252
Operating Income (Loss)	(11,149,836)

(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, 2011

NON-OPERATING REVENUES (EXPENSES)	
Water Connection Charges	\$ 399,568
Renewal and Replacement Charges	9,082,944
Mandated Costs Charges	2,826
Raw Water Surcharges	271,126
Costs Recovered From Other Agencies	17,902,116
Interest Earnings	1,642,919
Property Taxes	641,080
Assessments	1,557
Gain (Loss) on Disposal of Assets	(137,772)
Program Grant Revenue	39,937
Interest Expense	(4,405,532)
Amortization of Bond Issue Costs	(466,476)
Other Income	<u>1,206,614</u>
Total Non-Operating Revenues	<u>26,180,907</u>
Net Income Before Capital Contributions	15,031,071
Capital Contributions	<u>5,712,459</u>
Increase in Net Assets	20,743,530
Net Assets, Beginning of Year	<u>647,244,242</u>
Net Assets, End of Year	<u><u>\$ 667,987,772</u></u>

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 43,131,534
Cash Received (Paid) from Other	1,206,614
Cash Paid to Suppliers for Goods and Services	(10,024,032)
Cash Paid to Employees for Services	<u>(21,775,640)</u>
Net Cash Provided by Operating Activities	<u>12,538,476</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Taxes, Assessments and Other Income	673,027
Costs Recovered from Other Agencies	17,902,116
Program Grant Revenue	<u>39,937</u>
Net Cash Flows from Non-Capital Financing Activities	<u>18,615,080</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(35,956,753)
Principal Payment on Debt	(7,744,480)
Interest Payment on Debt	(4,804,184)
Mandated Costs Charges	2,826
Water Connection Charges	399,568
Raw Water Surcharges	271,126
Renewal and Replacement Charges	<u>9,082,944</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(38,748,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(101,565,285)
Proceeds from Sale/Maturity of Investments	99,751,097
Investment Income	<u>1,861,865</u>
Net Cash Flows from Investing Activities	<u>47,677</u>
Net Cash Flows	(7,547,720)
Cash and Cash Equivalents at Beginning of Year	<u>67,685,677</u>
Cash and Cash Equivalents at End of Year	<u>\$ 60,137,957</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, 2011

Reconciliation of Operating Loss	
To Cash Flows from Operating Activities	
Operating Loss	<u>\$ (11,149,836)</u>
Adjustments to Reconcile Operating Income (Loss) to Cash	
Flows from Operating Activities	
Depreciation	21,772,382
Loss on Disposal of Capital Assets	(137,772)
Other Non-Operating Income	1,206,614
Changed in:	
Accounts and Water Service Receivable	(213,394)
Material and Supplies	(131,007)
Prepaid Expenses	(19,851)
Notes Receivable & Assessments Receivable	51,890
Accounts Payable and Other Liabilities	1,247,105
Deferred Revenues	(1,557)
Salaries and Benefits Payable	86,723
Deposits	<u>(172,821)</u>
Total Adjustments	<u>23,688,312</u>
Net Cash Flows from Operating Activities	<u><u>\$ 12,538,476</u></u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 36,800,810
Restricted Cash and Cash Equivalents	12,684,897
Restricted Cash and Cash Equivalents with Fiscal Agent	<u>10,652,250</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u><u>\$ 60,137,957</u></u>
Supplemental Schedule of Noncash	
Capital and Financing Activities:	
Noncash Capital Contributions	\$ 5,712,459
Change in Fair Value of Investments	836,351

See accompanying notes to the financial statements

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PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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, 2011

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, 2011

- **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 \$225,357 in allowance for doubtful accounts as of December 31, 2011.

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 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, 2011

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 2011, there were no net interest costs to capitalize.

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, 2011, consists of the following: 1) Refinancing interest and fees on special assessments and associated assessments of the Improvement District No. 36 (Highway 174) of \$5,346; 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, 2011 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, 2011

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, 2011, the Agency's property tax revenue totaled \$641,080.

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.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

2. Cash and Investments

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and Cash Equivalents	\$ 36,800,810
Restricted Cash and Cash Equivalents	12,684,897
Restricted Cash and Cash Equivalents with Fiscal Agents	10,652,250
Investments	71,322,567
Restricted Investments	23,648,371
Total	<u>\$ 155,108,895</u>

Cash and investments as of December 31, 2011 consist of the following:

Cash on Hand	\$ 2,300
Deposits with Financial Institutions	15,046,570
Investments	140,060,025
Total	<u>\$ 155,108,895</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service as of December 31, 2011 are as follows:

Power Division:

Trust Accounts Reserve – Restricted for trust accounts	\$ 2,596,447
Middle Fork Project Revenue Bonds, Series A Debt Reserve – Restricted for Series A debt service	<u>778,781</u>
Total Power	<u>3,375,228</u>

Water Division:

1999 COP Debt Reserve – Restricted for 1999 COP debt service	1,083,457
2003 COP Debt Reserve – Restricted for 2003 COP debt service	909,527
2007 COP Debt Reserve – Restricted for 2007 COP debt service	687,092
2008 COP Debt Reserve – Restricted for 2008 COP debt service	4,281,239
Auburn Water Treatment Plant Debt Reserve – Restricted for Auburn Water Treatment Plant debt service	313,077
King/Delmar Debt Reserve – Restricted for King/Delmar debt service	10,672
Applegate Debt – Restricted for Applegate debt service	17,303
Dutch Flat Terrace Debt – Restricted for Dutchflat Terrace debt service	2,693
Alta/Monte Vista (SWTR) Debt – Restricted for Alta/Monte Vista debt service	25,605
County Service Area 29 – Restricted for Zone 5 improvements debt service	137,636
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline debt service	173,343
Sunset Ranchos – Restricted for Regional Water Use Efficiency program debt service	2,876
Trust Accounts Reserve – Restricted by agreements for trust accounts	2,630
ID No. 36 – Highway 174 – Restricted for Highway 174 debt service	<u>7,395</u>
Total Water	<u>7,654,545</u>

Total \$ 11,029,773

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

Cash and Investments Restricted for Contractor Retention

At December 31, 2011 the Agency had \$1,018,108 contractor retention in escrow 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, 2011

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, 2011

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
U.S. Treasury Securities	\$ 6,018,270	6,018,270			
U.S. Government Agencies:					
FFCB	27,043,444		15,020,700	9,014,494	3,008,250
FHLB	22,598,509		15,128,700	7,469,809	
FMAC	8,000,665			4,987,255	3,013,410
PEFCO	7,606,602	4,020,800	3,585,802		
TVA	5,283,686		1,131,065	4,152,621	
Medium Term Notes	13,365,406	7,119,600	3,058,996	3,186,810	
County Treasurer	10,523,653	10,523,653			
CA State Municipalities	5,054,358	3,023,730	2,030,628		
LAIF	23,913,182	23,913,182			
Subtotal	129,407,775	54,619,235	39,955,891	28,810,989	6,021,660
Fiscal Agent Accounts:					
Money Market	10,652,250	10,652,250			
Total Investments	\$ 140,060,025	65,271,485	39,955,891	28,810,989	6,021,660

Acronyms references:

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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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, 2011 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, Aa3	A2	MIG1			
U.S. Treasury Securities	\$ 6,018,270								6,018,270
U.S. Government Agencies:									
FFCB	27,043,444	N/A	27,043,444						
FHLB	22,598,509	N/A	22,598,509						
FMAC	8,000,665	N/A					8,000,665		
PEFCO	7,606,602		7,606,602						
TVA	5,283,686	N/A	5,283,686						
Medium Term Notes	13,367,406	A	3,188,810	7,595,146	2,583,450				
County Treasurer	10,523,653	N/A					10,523,653		
CA State Municipalities	5,054,358			2,030,628		3,023,730			
LAIF	23,913,182	N/A					23,913,182		
Held by bond trustee:									
Money Market	10,652,250	*					10,652,250		
Total	\$ 140,062,025		\$ 65,721,051	9,625,774	2,583,450	3,023,730	53,089,750		6,018,270

* Collateralized

MIG1 - Moody's Short Term Obligation Rating Municipal Investment Grade (MIG) superior credit quality (1)

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, 2011

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government Agencies:		
Federal Farm Credit Bank	Federal agency securities	\$ 27,043,444
Federal Home Loan Bank	Federal agency securities	22,598,509
Farmer Mortgage Corporation	Federal agency securities	8,000,665
Private Export Funding Corporation	Federal agency securities	7,606,602

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 \$23,365,180, 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, 2011

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 \$23,913,183 at December 31, 2011.

Included in the LAIF's investment portfolio at December 31, 2011, 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, 2011, the amount invested by all public agencies in the LAIF totaled \$67,876,317,377 which includes structured notes totaling \$.7 billion (1.0%) and asset-backed securities totaling \$1.34 billion (2.0%). At December 31, 2011, the LAIF investments mature in an average of 256 days.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

3. Summary of Capital Assets

The following is a summary of capital assets as of December 31, 2011:

	Balance 01/01/11	Additions	Retirements	Transfers & Adjustments	Balance 12/31/11
Agency Wide					
Capital Assets, Not Being Depreciated:					
Land	\$ 6,262,745			(2,208,558)	4,054,187
Construction in Progress	46,373,825	17,046,808		(3,887,411)	59,533,222
Total Capital Assets, Not Being Depreciated	52,636,570	17,046,808	-	(6,095,969)	63,587,409
Capital Assets, Being Depreciated:					
Utility Plant	2,683,872				2,683,872
Other Property and Equipment	1,596,585	33,142	(49,322)	5,801,689	7,382,094
Total Capital Assets, Being Depreciated	4,280,457	33,142	(49,322)	5,801,689	10,065,966
Less Accumulated Depreciation for:					
Utility Plant	(1,250,057)	(66,128)			(1,316,185)
Other Property and Equipment	(1,259,787)	(180,062)	49,322	4,396	(1,386,131)
Total Accumulated Depreciation	(2,509,844)	(246,190)	49,322	4,396	(2,702,316)
Total Capital Assets, Being Depreciated, Net	1,770,613	(213,048)	-	5,806,085	7,363,650
Total Capital Assets - Agency Wide, Net	54,407,183	16,833,760	-	(289,884)	70,951,059
Power Division					
Capital Assets, Not Being Depreciated:					
Construction in Progress	4,357,159	875,310		(306,964)	4,925,505
Total Capital Assets, Not Being Depreciated	4,357,159	875,310	-	(306,964)	4,925,505
Capital Assets, Being Depreciated:					
Utility Plant	176,299,963	39,887	(250,663)	517,646	176,606,833
Other Property and Equipment	4,471,672	210,628	(159,336)	34,102	4,557,066
Total Capital Assets, Being Depreciated	180,771,635	250,515	(409,999)	551,748	181,163,899
Less Accumulated Depreciation for:					
Utility Plant	(70,102,310)	(2,679,631)	185,303		(72,596,638)
Other Property and Equipment	(2,276,674)	(399,844)	100,005	2,512	(2,574,001)
Total Accumulated Depreciation	(72,378,984)	(3,079,475)	285,308	2,512	(75,170,639)
Total Capital Assets, Being Depreciated, Net	108,392,651	(2,828,960)	(124,691)	554,260	105,993,260
Total Capital Assets - Power Division, Net	112,749,810	(1,953,650)	(124,691)	247,296	110,918,765

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Balance 12/31/11</u>
Water Division					
Capital Assets, Not Being Depreciated:					
Land	\$ 9,294,908	65,549		3,000	9,363,457
Preliminary Survey	399,718				399,718
Construction in Progress	29,958,659	16,966,209		(8,241,047)	38,683,821
Total Capital Assets, Not Being Depreciated	<u>39,653,285</u>	<u>17,031,758</u>	-	<u>(8,238,047)</u>	<u>48,446,996</u>
Capital Assets, Being Depreciated:					
Utility Plant	433,502,447	6,112,552	(66,043)	8,238,047	447,787,003
Other Property and Equipment	73,918,021	505,000	(158,403)	49,496	74,314,114
Total Capital Assets, Being Depreciated	<u>507,420,468</u>	<u>6,617,552</u>	<u>(224,446)</u>	<u>8,287,543</u>	<u>522,101,117</u>
Less Accumulated Depreciation for:					
Utility Plant	(95,749,334)	(12,670,400)	33,145		(108,386,589)
Other Property and Equipment	(18,737,723)	(5,776,317)	130,119	(6,908)	(24,390,829)
Total Accumulated Depreciation	<u>(114,487,057)</u>	<u>(18,446,717)</u>	<u>163,264</u>	<u>(6,908)</u>	<u>(132,777,418)</u>
Total Capital Assets, Being Depreciated, Net	<u>392,933,411</u>	<u>(11,829,165)</u>	<u>(61,182)</u>	<u>8,280,635</u>	<u>389,323,699</u>
Total Capital Assets - Water Division, Net	<u>432,586,696</u>	<u>5,202,593</u>	<u>(61,182)</u>	<u>42,588</u>	<u>437,770,695</u>
Total Capital Assets, Net	<u><u>\$ 599,743,689</u></u>	<u><u>20,082,703</u></u>	<u><u>(185,873)</u></u>	<u><u>-</u></u>	<u><u>619,640,519</u></u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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, 2011 including interest rates and maturities are as follows:

Description	Fiscal year issued	Interest rates	Year of final maturity	Balance at December 31, 2011
Certificates of Participation:				
1999 Certificates	1999	4.7% - 5.1%	2012	\$ 655,000
2003 Certificates	2003	2.0% - 5.0%	2023	10,570,000
2007 Certificates	2007	4.0% - 4.25%	2037	31,250,000
2008 Certificates	2008	3.0% - 4.75%	2029	<u>38,815,000</u>
Certificates outstanding				<u>81,290,000</u>
Bonds Payable:				
Middle Fork Project Revenue Bonds, Series A	1963	3.5% - 3.75%	2013	<u>5,155,000</u>
Loans Payable:				
US EDA Community Emergency Drought Loans	1977	5.00%	2017	80,168
California Department of Water Resources Loans:				
Dutch Flat Terrace	1990	3.37%	2015	7,355
Alta/Monte Vista (SWTR)	1995	2.95%	2016	174,645
King/Delmar	1996	3.03%	2022	181,665
Applegate	1997	3.03%	2023	351,465
California Department of Health Services Loan:				
Auburn Water Treatment Plant	2008	2.29%	2029	<u>17,969,367</u>
Loans outstanding				<u>18,764,665</u>
Improvement District (ID) Debt:				
ID No. 10 – Aquilar Road	1977	5.5% - 6.5%	1998	1,134 *
ID No. 11 – Lakeshore	1978	6.75%	1989	1,195 *
ID No. 36 – Highway 174	1996	2.78%	2017	<u>34,867</u>
Improvement District debt outstanding				<u>37,196</u>
Subtotal debt outstanding				105,246,861
Compensated Absences				4,527,088
Total				<u>109,773,949</u>
Less: Unamortized bond discounts and premiums				(588,103)
Deferred amount on refunding				(2,940,053)
Total long-term debt				<u>\$ 106,245,793</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, 2011

The following is a summary of changes in long-term obligations for the year ended December 31, 2011:

	Balance 01/01/11	Additions	Retirements	Balance at 12/31/11	Amounts Due Within One Year
Certificates of Participation	\$ 83,760,000		2,470,000	81,290,000	2,570,000
Bonds Payable	9,775,000		4,620,000	5,155,000	2,730,000
Loans Payable	19,703,110		938,445	18,764,665	932,314
Improvement District Debt	42,986		5,790	37,196	5,951
Subtotal	<u>113,281,096</u>		<u>8,034,235</u>	<u>105,246,861</u>	<u>6,238,265</u>
Compensated Absences	4,749,830	1,267,215	1,489,957	4,527,088	2,839,850
Totals	<u>\$ 118,030,926</u>	<u>1,267,215</u>	<u>9,524,192</u>	<u>109,773,949</u>	<u>9,078,115</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, 2011

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, 2011, \$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, 2011.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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

	2011
1. <u>Annual Debt Service Coverage</u>	
Net Water Revenues excluding Depreciation	\$ 17,103,644
Debt Service on Certificates and Other Parity Debt	\$ 7,693,180
Debt Service Coverage	2.22
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation as Adjusted by Water Purchases	\$ 17,787,085
Obligation Service	\$ 8,793,905
Obligation Service Coverage	2.02
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Required	\$ 4,936,131
Actual Trustee Reserve Balance	\$ 5,148,051
Reserve Requirement Coverage	1.04

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 contract agreements loan 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. During 2011, the American River loan was paid in full.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

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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.

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. During 2011, this obligation was paid in full.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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, 2011:

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, 2011 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, 2011 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, 2011

Debt Service Requirements

As of December 31, 2011, 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
2012	\$ 2,570,000	3,626,745	2,730,000	97,594	932,314	432,132	5,951	929
2013	2,685,000	3,516,740	2,425,000		954,712	409,734	6,119	761
2014	2,785,000	3,409,340			977,615	386,831	6,290	590
2015	2,890,000	3,296,078			1,001,099	363,352	6,466	414
2016	3,020,000	3,177,571			1,023,144	339,323	6,647	234
2017-2021	17,060,000	13,880,776			5,219,380	1,334,521	3,394	47
2022-2026	21,240,000	9,788,750			5,630,471	705,242		
2027-2031	18,435,000	4,460,463			3,025,931	104,836		
2032-2036	8,640,000	1,642,725						
2037	1,965,000	88,425						
	<u>\$81,290,000</u>	<u>46,887,613</u>	<u>5,155,000</u>	<u>97,594</u>	<u>18,764,666</u>	<u>4,075,971</u>	<u>34,867</u>	<u>2,975</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, 2011, totaling \$156.3 million as follows:

- Senior obligations with remaining debt service totaling \$20.7 million for the Middle Fork Project Revenue 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 \$113.3 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 \$22.3 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 2011, Water Fund Revenues including operating revenues and non-operating interest earnings amounted to \$41.6 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$24.5 million represented coverage of 2.22 over the \$7.7 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, 2011

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, 2011, are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2012	\$ 45,424
2013	26,506
2014	6,858
2015	-
2016	-
Total	<u>\$ 78,788</u>

Total costs of such leases were \$56,284 for the year ended December 31, 2011.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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	\$ 6,593,390	54,655,513
Non-current assets	1,249,295	90,228,208
Capital assets, net	110,918,765	437,770,695
Total assets	<u>118,761,450</u>	<u>582,654,416</u>
Liabilities:		
Current liabilities	5,484,420	12,768,791
Non-current liabilities	6,874,759	94,196,393
Total liabilities	<u>12,359,179</u>	<u>106,965,184</u>
Net Assets:		
Investment in capital assets, net of related debt	105,762,519	341,239,481
Restricted	3,682,308	40,611,994
Unrestricted	(3,042,556)	93,837,757
Total net assets	<u>106,402,271</u>	<u>475,689,232</u>
Total liabilities and net assets	<u>\$ 118,761,450</u>	<u>582,654,416</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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

	Power Division	Water Division
	<u> </u>	<u> </u>
Operating Revenue:		
Water Sales	\$	29,428,531
Power Sales	11,837,765	
Customer Service Charges		693,154
Other Revenue		364,480
Total operating revenue	<u>11,837,765</u>	<u>30,486,165</u>
Operating Expense:		
Water Treatment		4,778,758
Electrical Operations	1,648,972	
Transmission & Distribution of Treated Water		2,562,810
Transmission & Distribution of Raw Water		3,611,480
Customer Service and Collections		3,404,118
Repairs and Maintenance	1,848,032	
Engineering	68,149	2,104,339
General and Administrative	3,426,949	4,856,974
Depreciation	3,079,475	18,446,717
Other	344,558	3,553,060
Total operating expense	<u>10,416,135</u>	<u>43,318,256</u>
Net operating income (loss)	1,421,630	(12,832,091)
Non-operating revenue		
Water Connection Charges		399,568
Renewal & Replacement Charges		9,082,944
Mandated Costs Charges		2,826
Interest Earnings	34,707	1,467,771
Other	90,309	1,307,963
Total non-operating revenue	<u>125,016</u>	<u>12,261,072</u>
Non-operating expense		
Interest Expense	234,125	4,171,407
Amortization Expense		466,476
Total non-operating expense	<u>234,125</u>	<u>4,637,883</u>
Income before capital contributions	1,312,521	(5,208,902)
Capital contributions		5,712,459
Transfer In/(out)	8,517	(83,980)
Change in net assets	<u>1,321,038</u>	<u>419,577</u>
Beginning Net Assets	105,081,233	475,269,655
Ending Net Assets	<u>\$ 106,402,271</u>	<u>475,689,232</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

Condensed Statement of Cash Flows

	<u>Power Division</u>	<u>Water Division</u>
Net cash provided (used) by:		
Operating activities	\$ 5,551,033	7,768,693
Noncapital financing activities	894,889	192,649
Capital and related financing activities	(6,192,055)	(15,766,832)
Investing activities	<u>(912,646)</u>	<u>(2,387,546)</u>
Net increase (decrease)	(658,779)	(10,193,036)
Beginning cash and cash equivalents	<u>6,727,922</u>	<u>57,688,942</u>
Ending cash and cash equivalents	<u>\$ 6,069,143</u>	<u>47,495,906</u>

6. Restricted Net Assets

As of December 31, 2011, the Agency, including improvement districts, had the following restrictions to net assets:

Agency Wide Division:

<u>IRS Section 125</u> – Reserve for employees Section 125 account	\$ <u>23,508</u>
Total Agency Wide	<u>23,508</u>

Power Division:

<u>Cash and Investments with Fiscal Agent</u> – Restricted for Debt Service	3,375,228
<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	<u>307,080</u>
Total Power	<u>3,682,308</u>

Water Division:

<u>Cash and Investments with Fiscal Agent</u> – Restricted for Debt Service	7,647,152
<u>Water Connection Charges</u> – Restricted for water system expansion Improvement Districts	32,957,448
	<u>7,394</u>
Total Water	<u>40,611,994</u>
Total All Fund – Restricted Net Assets	\$ <u>44,317,810</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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>2011 Contributions</u>
January 1, 2011 – June 30, 2011	15.510%	\$ 1,370,347
July 1, 2011 – December 31, 2011	19.486%	1,892,487
		<u>\$ 3,262,834</u>

The required contributions for 2011 were determined as part of the June 30, 2009 and June 30, 2010 actuarial valuation of the plans.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

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A summary of principal assumptions and methods used to determine the Annual Required Contribution for the periods ending December 31, 2011 is shown below:

Valuation Dates	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	26 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	3.55% 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 30 year 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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 2,889,014	100%	\$ -
12/31/10	2,935,096	100%	-
12/31/11	3,262,834	100%	-

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

Funded Status

The funded status of the plan as of June 30, 2010, was as follows (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]
6/30/10	\$ 75,988	\$ 56,209	\$ 19,779	74.0%	\$ 12,658	156.3%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 and the policy provides coverage up to \$1,000,000. 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, 2011, 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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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 2011, the Agency's dues for 2010 – 2011 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 2100 Professional Drive, Roseville, California 95661-3700.

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 2011, the Agency received reimbursement for relicensing and related expenses from the MFPFA totaling \$12,564,734. Cumulative reimbursements received for relicensing and related expenses from the MFPFA total \$52,808,656. Complete audited financial statements are available at the Agency's finance office.

10. Construction Commitments

At December 31, 2011 the Agency had ongoing construction commitments that totaled approximately \$6.8 million.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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 – 2010	510
2011 – 2013	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, 2011 was \$10,836. The Agency also provides health care benefits to its retirees through PERS. The cost to the Agency in the year ended December 31, 2011 was \$361,165.

In 2011, 71 retirees received post retirement benefits ranging from \$238.51 to \$513.70 (PEMHCA 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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS website at www.calpers.ca.gov.

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, 2009 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. Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. 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 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, 2011, the Agency contributed the ARC to the Plan as presented below:

	<u>Total</u>
Annual required contribution (ARC) and	
Annual OPEB cost	<u>\$ 1,583,000</u>
Contributions made:	
Agency portion of current year premiums paid	361,165
Prefunding Contributions to CERBT	<u>1,221,835</u>
Total contributions	<u>1,583,000</u>
Contributions less than the ARC	-
Net OPEB Obligation at December 31, 2010	<u>-</u>
Net OPEB Obligation at December 31, 2011	<u>\$ -</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

December 31, 2011

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>
12/31/2009	\$ 1,630,000	\$ 1,630,000	100%	\$ -
12/31/2010	1,533,000	1,533,000	100%	-
12/31/2011	1,583,000	1,583,000	100%	-

Funded Status. The funded status of the plan as of June 30, 2011, was as follows (in thousands):

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrual Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Underfunded/ (Overfunded) Liability (a-b)</u>	<u>Funded Ratio (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll [(a-b)/c]</u>
6/30/2011	\$ 20,099	\$ 5,268	\$ 14,831	26.2%	\$ 12,011	123.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

PLACER COUNTY WATER AGENCY

Required Supplementary Information

December 31, 2011

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]
6/30/08	\$ 61,947	\$ 49,135	\$ 12,812	79.3%	\$ 12,226	104.8%
6/30/09	72,114	52,547	19,567	72.9%	12,653	154.7%
6/30/10	75,988	56,209	19,779	74.0%	12,658	156.3%

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 June 30, 2011 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%
6/30/2011	20,099	5,268	14,831	26.2%	12,011	123.5%

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PLACER COUNTY WATER AGENCY
 COMBINING BALANCE SHEET
 DECEMBER 31, 2011

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,817,150	2,063,723	28,919,937	36,800,810
Restricted Cash and Cash Equivalents	755,758	630,192	11,298,947	12,684,897
Restricted Cash and Cash Equivalents with Fiscal Agents		3,375,228	7,277,022	10,652,250
Water Service Receivable, Net			5,570,962	5,570,962
Accounts Receivable		40,026	186,922	226,948
Interest Receivable	34,307	8,073	339,195	381,575
Taxes Receivable	631,670			631,670
Materials and Supplies			970,926	970,926
Prepaid Expense	485,447	476,148	91,602	1,053,197
	<u>7,724,332</u>	<u>6,593,390</u>	<u>54,655,513</u>	<u>68,973,235</u>
Non-Current Assets:				
Investments	6,130,634		65,191,933	71,322,567
Restricted Investments		1,249,295	22,399,076	23,648,371
Advanced to Other Funds	4,225,929			4,225,929
Notes Receivable			88,580	88,580
Assessments Receivable			45,741	45,741
Unamortized Bond Issuance Costs			2,502,878	2,502,878
Capital Assets, Net	70,951,059	110,918,765	437,770,695	619,640,519
	<u>81,307,622</u>	<u>112,168,060</u>	<u>527,998,903</u>	<u>721,474,585</u>
Total Non-Current Assets	<u>81,307,622</u>	<u>112,168,060</u>	<u>527,998,903</u>	<u>721,474,585</u>
Total Assets	<u>\$ 89,031,954</u>	<u>118,761,450</u>	<u>582,654,416</u>	<u>790,447,820</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING BALANCE SHEET
 DECEMBER 31, 2011

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,890,855	1,275,226	3,421,290	6,587,371
Accrued Salaries and Benefits	216,487	274,798	688,546	1,179,831
Interest Payable		96,656	1,925,546	2,022,202
Current Portion of Long-Term Liabilities		2,730,000	3,508,265	6,238,265
Deposits		728,781	1,223,860	1,952,641
Other Current Liabilities	3,650	6,421	179,311	189,382
Compensated Absences Payable, Current Portion	645,339	372,538	1,821,973	2,839,850
Total Current Liabilities	<u>2,756,331</u>	<u>5,484,420</u>	<u>12,768,791</u>	<u>21,009,542</u>
Non-Current Liabilities:				
Bonds and Certificates of Participation, Net		2,426,246	75,190,598	77,616,844
Loans Payable			17,832,351	17,832,351
Improvement District Debt			31,245	31,245
Advance From Other Funds		4,225,929		4,225,929
Deferred Revenue			56,899	56,899
Compensated Absences Payable	379,354	222,584	1,085,300	1,687,238
Total Non-Current Liabilities	<u>379,354</u>	<u>6,874,759</u>	<u>94,196,393</u>	<u>101,450,506</u>
Total Liabilities	<u>3,135,685</u>	<u>12,359,179</u>	<u>106,965,184</u>	<u>122,460,048</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt Restricted	70,951,059	105,762,519	341,239,481	517,953,059
Water System Expansion			40,611,994	40,611,994
Other	23,508	3,682,308		3,705,816
Unrestricted	14,921,702	(3,042,556)	93,837,757	105,716,903
Total Net Assets	<u>85,896,269</u>	<u>106,402,271</u>	<u>475,689,232</u>	<u>667,987,772</u>
Total Liabilities and Net Assets	<u>\$ 89,031,954</u>	<u>118,761,450</u>	<u>582,654,416</u>	<u>790,447,820</u>

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
OPERATING REVENUES				
Water Sales	\$ 1,072,320		29,428,531	30,500,851
Power Sales		11,837,765		11,837,765
Reimbursements	65,104			65,104
Engineering Charges	82		329,721	329,803
Customer Service Charges			693,154	693,154
Other Revenue	5,980		34,759	40,739
	<u>1,143,486</u>	<u>11,837,765</u>	<u>30,486,165</u>	<u>43,467,416</u>
OPERATING EXPENSES				
Purchased Water			683,441	683,441
Field Administration			880,837	880,837
Pumping Plants and Wells			1,078,772	1,078,772
Water Treatment			4,778,758	4,778,758
Electrical Operations		1,648,972		1,648,972
Transmission and Distribution of Treated Water			2,562,810	2,562,810
Transmission and Distribution of Raw Water			3,611,480	3,611,480
Customer Service and Collections			3,404,118	3,404,118
Repairs and Maintenance		1,848,032		1,848,032
Recreation		344,558		344,558
Automotive and Equipment Expenses			910,010	910,010
Engineering		68,149	2,104,339	2,172,488
General and Administrative	636,671	3,426,949	4,856,974	8,920,594
Depreciation	246,190	3,079,475	18,446,717	21,772,382
	<u>882,861</u>	<u>10,416,135</u>	<u>43,318,256</u>	<u>54,617,252</u>
Operating Income (Loss)	<u>260,625</u>	<u>1,421,630</u>	<u>(12,832,091)</u>	<u>(11,149,836)</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
NON-OPERATING REVENUES (EXPENSES)				
Water Connection Charges			399,568	399,568
Renewal and Replacement Charges			9,082,944	9,082,944
Mandated Costs Charges			2,826	2,826
Raw Water Surcharges			271,126	271,126
Costs Recovered From Other Agencies	17,666,981		235,135	17,902,116
Interest Earnings	140,441	34,707	1,467,771	1,642,919
Property Taxes	641,080			641,080
Assessments			1,557	1,557
Gain (Loss) on Disposal of Assets		(111,442)	(26,330)	(137,772)
Program Grant Revenue			39,937	39,937
Interest Expense		(234,125)	(4,171,407)	(4,405,532)
Amortization of Bond Issue Costs			(466,476)	(466,476)
Other	218,325	201,751	786,538	1,206,614
	<u>18,666,827</u>	<u>(109,109)</u>	<u>7,623,189</u>	<u>26,180,907</u>
Total Non-Operating Revenues (Expenses)				
Net Income Before Capital Contributions	18,927,452	1,312,521	(5,208,902)	15,031,071
Contributions and Transfers				
Capital Contributions			5,712,459	5,712,459
Transfers in	87,820	8,517	155,998	252,335
Transfers out	(12,357)		(239,978)	(252,335)
	<u>19,002,915</u>	<u>1,321,038</u>	<u>419,577</u>	<u>20,743,530</u>
Increase in Net Assets				
Net Assets, Beginning of Year	66,893,354	105,081,233	475,269,655	647,244,242
Net Assets, End of Year	<u>\$ 85,896,269</u>	<u>106,402,271</u>	<u>475,689,232</u>	<u>667,987,772</u>

PLACER COUNTY WATER AGENCY
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,143,486	11,696,876	30,291,172	43,131,534
Cash Received (Paid) from Other	218,325	201,751	786,538	1,206,614
Cash Paid to Suppliers for Goods and Services	(2,967,495)	(2,938,514)	(4,118,023)	(10,024,032)
Cash Paid to Employees for Services	(4,428,494)	(2,559,665)	(14,787,481)	(21,775,640)
Cash Received (Paid) for Service Level Support	<u>5,252,928</u>	<u>(849,415)</u>	<u>(4,403,513)</u>	
Net Cash Provided by Operating Activities	<u>(781,250)</u>	<u>5,551,033</u>	<u>7,768,693</u>	<u>12,538,476</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Taxes, Assessments and Other Income	671,470		1,557	673,027
Costs Recovered from Other Agencies	17,666,981		235,135	17,902,116
Program Grant Revenue			39,937	39,937
Transfers In	87,820	8,517	155,998	252,335
Transfers Out	(12,357)		(239,978)	(252,335)
Advances to/from Funds	<u>(886,372)</u>	<u>886,372</u>		
Net Cash Flows from Non-Capital Financing Activities	<u>17,527,542</u>	<u>894,889</u>	<u>192,649</u>	<u>18,615,080</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(16,790,066)	(1,248,430)	(17,918,257)	(35,956,753)
Principal Payment on Debt		(4,622,875)	(3,121,605)	(7,744,480)
Interest Payment on Debt		(320,750)	(4,483,434)	(4,804,184)
Mandated Costs Charges			2,826	2,826
Water Connection Charges			399,568	399,568
Raw Water Surcharges			271,126	271,126
Renewal and Replacement Charges			<u>9,082,944</u>	<u>9,082,944</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(16,790,066)</u>	<u>(6,192,055)</u>	<u>(15,766,832)</u>	<u>(38,748,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	(8,099,432)	(951,225)	(92,514,628)	(101,565,285)
Proceeds from Sale/Maturity of Investments	11,286,931	/	88,464,166	99,751,097
Investment Income	<u>160,370</u>	<u>38,579</u>	<u>1,662,916</u>	<u>1,861,865</u>
Net Cash Flows from Investing Activities	<u>3,347,869</u>	<u>(912,646)</u>	<u>(2,387,546)</u>	<u>47,677</u>
Net Cash Flows	3,304,095	(658,779)	(10,193,036)	(7,547,720)
Cash and Cash Equivalents at Beginning of Year	<u>3,268,813</u>	<u>6,727,922</u>	<u>57,688,942</u>	<u>67,685,677</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,572,908</u>	<u>6,069,143</u>	<u>47,495,906</u>	<u>60,137,957</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<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)	\$ 260,625	1,421,630	(12,832,091)	(11,149,836)
Adjustments to Reconcile Operating Income (Loss) to Cash Flows from Operating Activities				
Depreciation	246,190	3,079,475	18,446,717	21,772,382
Gain (Loss) of Disposal of Capital Assets		(111,442)	(26,330)	(137,772)
Other Non-Operating Income	218,325	201,751	786,538	1,206,614
Changed in:				
Accounts and Water Service Receivable		27,111	(240,505)	(213,394)
Material and Supplies			(131,007)	(131,007)
Prepaid Expenses	(15,953)	(25,904)	22,006	(19,851)
Notes Receivable & Assessments Receivable			51,890	51,890
Accounts Payable and Other Liabilities	(1,524,271)	1,070,890	1,700,486	1,247,105
Deferred Revenues			(1,557)	(1,557)
Salaries and Benefits Payable	33,834	55,522	(2,633)	86,723
Deposits		(168,000)	(4,821)	(172,821)
Total Adjustments	<u>(1,041,875)</u>	<u>4,129,403</u>	<u>20,600,784</u>	<u>23,688,312</u>
Net Cash Flows From Operating Activities	<u>\$ (781,250)</u>	<u>5,551,033</u>	<u>7,768,693</u>	<u>12,538,476</u>
Reconciliation to Statement of Net Assets				
Cash and Cash Equivalents	\$ 5,817,150	2,063,723	28,919,937	36,800,810
Restricted Cash and Cash Equivalents	755,758	630,192	11,298,947	12,684,897
Restricted Cash and Cash Equivalents with Fiscal Agent		3,375,228	7,277,022	10,652,250
Total Cash and Cash Equivalents Reported on Balance Sheet	<u>\$ 6,572,908</u>	<u>6,069,143</u>	<u>47,495,906</u>	<u>60,137,957</u>
Supplemental Schedule of Noncash Capital and Financing Activities				
Noncash Capital Contributions	\$		5,712,459	5,712,459
Change in Fair Value of Investments	54,706		781,645	836,351

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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	64-67
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.....	68-75
Debt Capacity These schedules present information to assess the affordability of PCWA’s current levels of outstanding debt and ability to issue additional debt	76-77
Demographic and Economic Information These schedules provide information on the demographic and economic environment in which PCWA conducts business.....	78-79
Operating Information These schedules provide information on PCWA’s service infrastructure to assist the reader in understanding how the information in PCWA’s financial report relates to the services PCWA provides and the activities it performs.....	80-81

* 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.

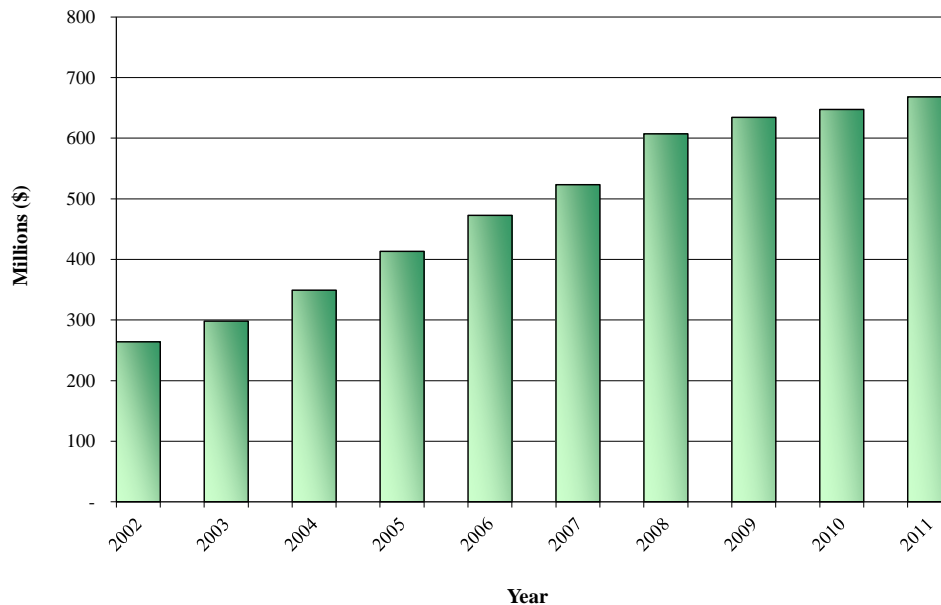
PLACER COUNTY WATER AGENCY
TABLE # 1
Changes in Net Assets and Net Assets by Component
Last Ten Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in Net Assets:										
Operating Revenues	\$ 33,454,880	37,150,954	37,221,751	37,280,185	43,916,496	61,183,246	49,973,848	47,593,508	46,308,484	43,467,416
Operating Expenses	(26,841,182)	(29,924,194)	(29,610,007)	(30,756,200)	(33,865,026)	(42,192,659)	(50,209,165)	(52,515,741)	(52,127,835)	(54,617,252)
Operating Income	6,613,698	7,226,760	7,611,744	6,523,985	10,051,470	18,990,587	(235,317)	(4,922,233)	(5,819,351)	(11,149,836) (4)
Non-Operating Revenues/(Expenses) (1)	42,781,725	14,379,319	39,609,185	49,449,430	38,235,830	26,455,809	24,049,456	28,495,780	18,497,345	26,180,907
Net Income Before Capital Contributions	49,395,423	21,606,079	47,220,929	55,973,415	48,287,300	45,446,396	23,814,139	23,573,547	12,677,994	15,031,071
Capital Contributions	1,880,146	12,534,334	3,841,213	8,083,344	11,110,528	5,134,544	60,085,414	3,649,500	330,288	5,712,459
Prior Period Adjustment(2)	141,326	-	-	-	-	-	-	-	-	-
Change in Net Assets	51,416,895	34,140,413	51,062,142	64,056,759	59,397,828	50,580,940	83,899,553	27,223,047	13,008,282	20,743,530
Net Assets Beginning of Year	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	647,244,242
Net Assets End of Year	263,875,278	298,015,691	349,077,833	413,134,592	472,532,420	523,113,360	607,012,913	634,235,960	647,244,242	667,987,772
Net Assets by Component (3):										
Invested in Capital Assets, net of Related Debt	158,842,906	196,199,751	223,576,766	266,721,048	364,863,054	414,952,882	455,983,194	476,266,686	490,317,700	517,953,059
Restricted	405,284	68,582,159	85,861,194	104,079,031	55,533,180	42,422,175	64,882,646	61,095,189	50,117,908	44,317,810
Unrestricted	104,627,088	33,233,781	39,639,873	42,334,513	52,136,186	65,738,303	86,147,073	96,874,085	106,808,634	105,716,903
Total Net Assets	\$ 263,875,278	298,015,691	349,077,833	413,134,592	472,532,420	523,113,360	607,012,913	634,235,960	647,244,242	667,987,772

- (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 2011 operating income is attributable to a decrease in operating revenue of \$2.8 million and an increase in operating expense of \$2.5 million. The decrease in operating revenue is primarily due to a decrease of \$1.2 million in water sales revenue as a result of lower plant flows (i.e. lower flow to customers) in 2011 due to higher springtime precipitation and a decrease of \$1.6 million in Power Division revenue as a result of lower reimbursement from PG&E for reduced non-routine maintenance and additions and betterments. The increase in operating expense is primarily due to an increase in depreciation of \$1.8 million and an increase in Power Division general and administrative expense of \$0.7 million.

Source: Placer County Water Agency, Audited Financial Statements

CHART #1
Total Net Assets



PLACER COUNTY WATER AGENCY

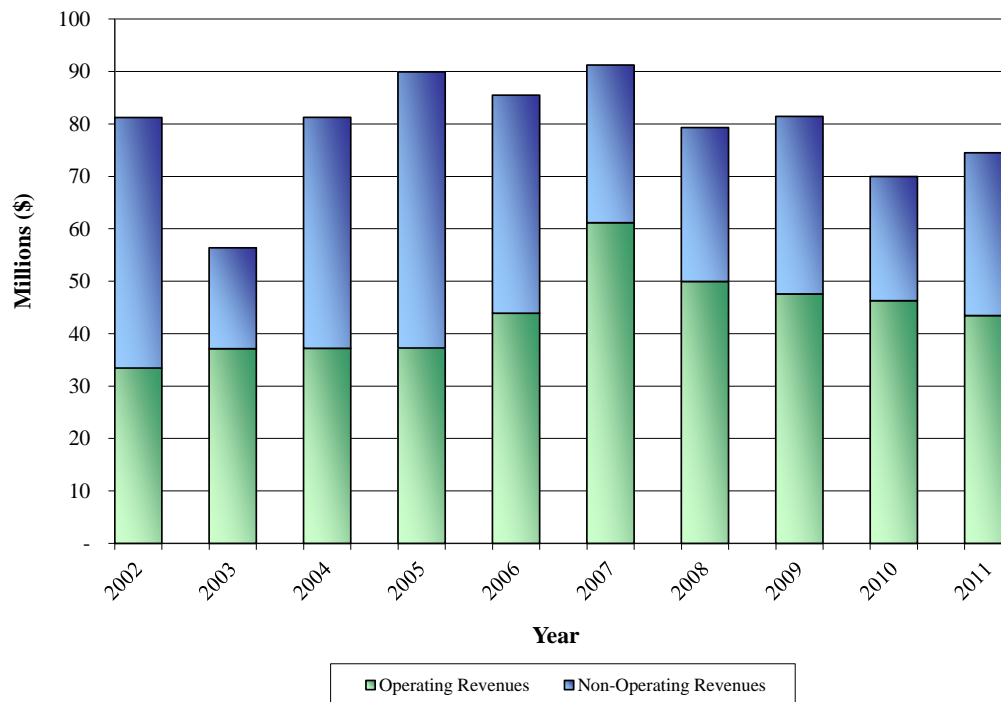
**TABLE # 2
Revenues by Source
Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues										
Water Sales	\$18,090,809	20,043,320	23,296,007	23,465,365	25,992,948	28,017,466	30,623,251	33,324,492	31,754,113	30,500,851
Power Sales (1)	14,322,541	16,032,673	12,204,808	12,308,274	16,232,741	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765
Reimbursements	46,200	48,000	210,120	69,850	53,000	55,385	57,877	60,192	62,600	65,104
Engineering Charges	745,106	713,946	1,093,080	987,022	1,217,052	1,341,132	1,022,958	427,685	332,079	329,803
Customer Service Charges	245,440	307,570	407,998	426,171	408,207	559,654	694,941	720,659	729,211	693,154
Other	4,784	5,445	9,738	23,503	12,548	25,547	14,559	38,902	12,221	40,739
Total Operating Revenues	33,454,880	37,150,954	37,221,751	37,280,185	43,916,496	61,183,246	49,973,848	47,593,508	46,308,484	43,467,416
Non-Operating Revenues										
Water Connection Charge	38,245,963	8,832,910	35,890,471	41,853,957	16,717,799	4,426,211	3,503,063	6,439,564	426,965	399,568
Renewal & Replacement Charge (2)	574,262	773,771	1,285,497	3,072,661	5,555,772	8,051,114	8,696,868	9,062,968	9,184,101	9,082,944
Mandated Costs Charge	1,614,023	2,034,980	2,204,297	2,675,635	3,067,699	3,476,813	3,866,668	267,334	3,101	2,826
Raw Water Surcharge	222,437	231,837	223,043	355,998	367,564	249,357	265,697	272,440	275,570	271,126
Water Sales	-	200,000	1,402,500	-	-	43,617	2,500,000	5,500,000	-	-
Costs Recovered from Other Agencies (3)	715,908	1,251,246	799,003	560,283	8,485,738	6,966,088	6,629,020	7,491,378	12,981,345	17,902,116
Interest Revenues	3,102,053	3,005,773	2,827,874	4,173,588	5,136,018	4,776,180	4,435,530	3,389,310	2,140,973	1,642,919
Property Taxes, Debt Service	478,730	664,888	549,773	314,073	90,554	11,047	-	-	-	-
Property Taxes	400,752	530,809	410,655	407,742	728,971	713,715	759,079	620,330	648,150	641,080
Amort of Bond Premium (Discount)	15,109	13,947	12,736	-	-	(296,684)	-	-	-	-
Other (4)	2,420,858	1,702,236	(1,549,720)	(747,246)	1,441,761	1,657,391	(1,298,703)	822,189	(1,976,169)	1,110,336
Total Non-Operating Revenues	47,790,095	19,242,397	44,056,129	52,666,691	41,591,876	30,074,849	29,357,222	33,865,513	23,684,036	31,052,915
Total Revenues (5)	\$81,244,975	56,393,351	81,277,880	89,946,876	85,508,372	91,258,095	79,331,070	81,459,021	69,992,520	74,520,331

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

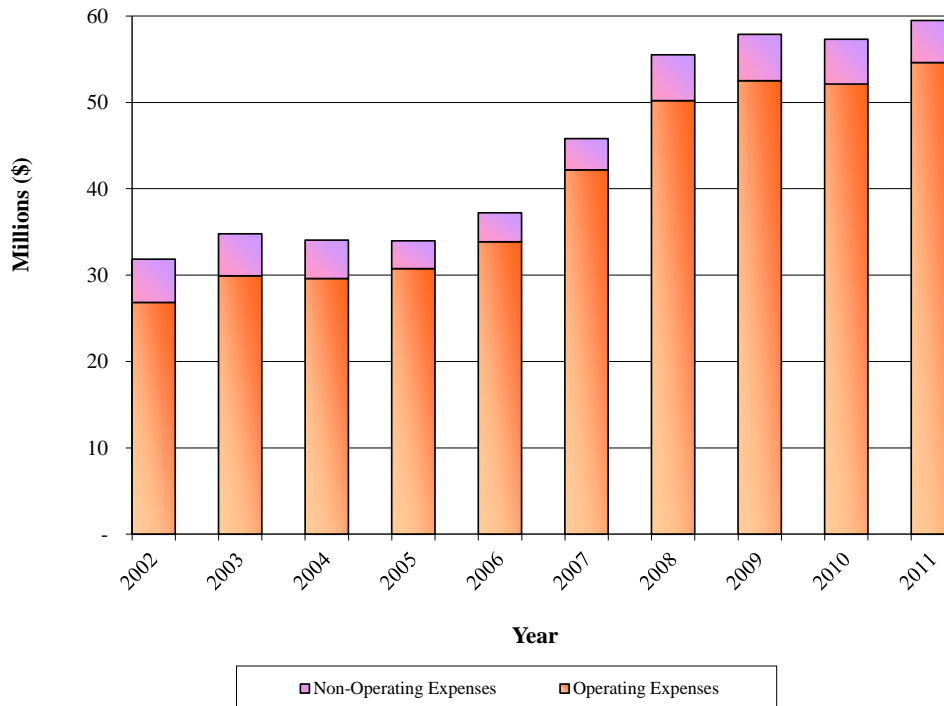
**Expenses by Function
Last Ten Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Expenses										
Purchased Water	\$ 144,809	188,182	698,356	472,768	692,772	548,603	506,356	556,381	526,000	683,441
Field Administration	533,451	619,773	764,577	791,660	825,782	827,780	926,740	845,047	989,590	880,837
Pumping Plants & Wells	945,435	436,816	739,557	1,166,408	490,489	813,773	343,307	924,010	1,145,969	1,078,772
Water Treatment	2,860,467	3,088,788	3,485,857	3,933,578	3,865,521	5,069,522	4,907,964	5,045,678	4,778,433	4,778,758
Electrical Operations	1,010,939	1,115,528	1,385,764	1,167,079	1,259,622	1,475,462	1,597,988	1,652,677	1,474,824	1,648,972
Transmission & Distribution-Treated	1,505,330	1,782,087	1,932,340	1,658,876	1,975,944	2,598,647	1,962,865	2,485,308	1,885,157	2,562,810
Transmission & Distribution-Untreated	1,619,260	2,087,496	2,091,845	2,369,072	3,950,875	6,379,545	4,585,251	4,893,950	4,275,715	3,611,480
Customer Service & Collections	1,056,950	1,015,287	881,087	838,177	2,921,951	3,057,287	3,668,885	3,662,276	3,677,977	3,404,118
Power Division Repairs & Maintenance	1,470,389	999,537	867,633	1,246,426	1,431,905	1,461,988	5,764,758	1,731,400	1,669,025	1,848,032
Engineering	2,481,328	2,115,065	2,253,397	2,413,505	2,691,527	2,937,450	5,015,721	1,999,696	2,394,859	2,172,488
General & Administrative	5,801,582	6,303,078	5,703,240	5,696,635	4,505,627	6,533,889	8,136,282	9,158,631	8,207,064	8,920,594
Other (1)	751,084	1,611,713	1,937,723	1,959,082	1,914,907	953,269	960,387	918,206	1,167,588	1,254,568
Subtotal, Operating Expenses before Depreciation	20,181,024	21,363,350	22,741,376	23,713,266	26,526,922	32,657,215	38,376,504	33,873,260	32,192,201	32,844,870
Depreciation	6,660,158	8,560,844	6,868,631	7,042,934	7,338,104	9,535,444	11,832,661	18,642,481	19,935,634	21,772,382
Total Operating Expenses	26,841,182	29,924,194	29,610,007	30,756,200	33,865,026	42,192,659	50,209,165	52,515,741	52,127,835	54,617,252
Non-Operating Expenses										
Interest Expense	4,921,289	4,767,566	4,277,056	3,125,369	3,296,106	3,544,800	4,801,404	4,871,615	4,698,616	4,405,532
Amortization of Bond Issue Costs	87,081	95,512	169,888	91,892	59,940	74,240	506,362	498,118	488,075	466,476
Total Non-Operating Expenses	5,008,370	4,863,078	4,446,944	3,217,261	3,356,046	3,619,040	5,307,766	5,369,733	5,186,691	4,872,008
Total Expenses	<u>\$31,849,552</u>	<u>34,787,272</u>	<u>34,056,951</u>	<u>33,973,461</u>	<u>37,221,072</u>	<u>45,811,699</u>	<u>55,516,931</u>	<u>57,885,474</u>	<u>57,314,526</u>	<u>59,489,260</u>

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

Source: Placer County Water Agency, Audited Financial Statements

**CHART #3
Expenses by Function**

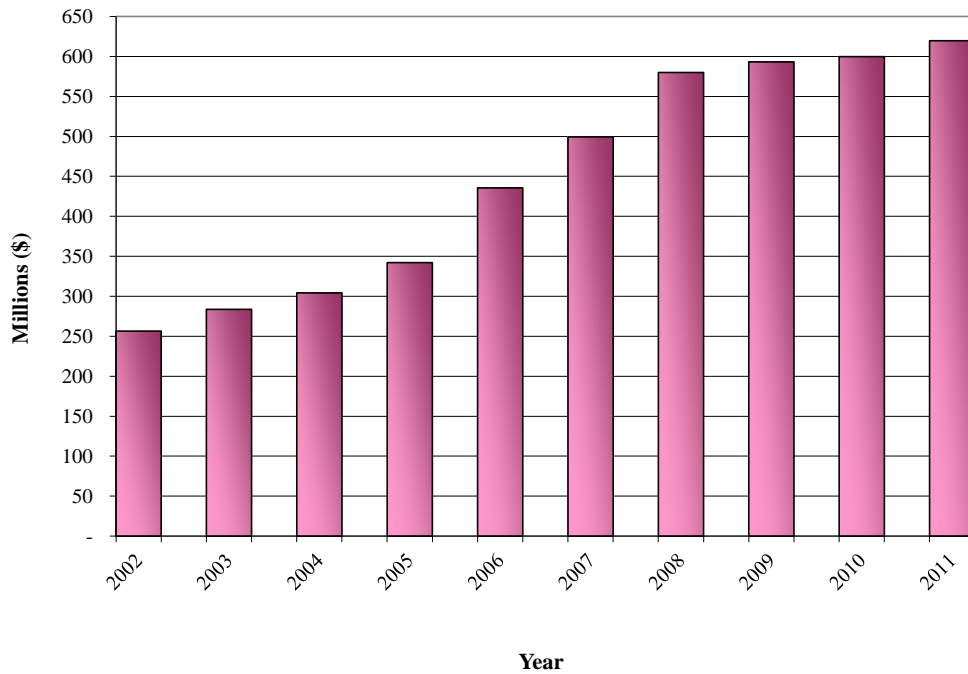


PLACER COUNTY WATER AGENCY
TABLE #4
Capital Assets
Last Ten Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Capital Assets										
Land	\$ 2,393,878	2,382,096	2,382,096	2,382,096	4,779,990	8,900,372	11,657,424	15,540,275	15,557,653	13,417,644
Utility Plant	281,338,396	308,022,589	313,192,196	321,804,451	346,696,905	394,522,731	577,192,520	592,987,330	612,486,282	627,077,708
Other Property & Equipment	6,048,460	9,252,292	9,868,023	10,444,756	11,125,256	31,239,082	71,365,225	75,874,016	79,986,278	86,253,274
Preliminary Survey	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	399,718	399,718	399,718	399,718
Construction in Progress	72,265,092	73,434,305	95,054,617	130,836,566	202,643,575	203,885,480	72,017,721	79,272,155	80,689,643	103,142,548
Total Capital Assets	364,074,155	395,119,611	422,525,261	467,496,198	567,274,055	640,575,994	732,632,608	764,073,494	789,119,574	830,290,892
Accumulated Depreciation	<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>	<u>(189,375,885)</u>	<u>(210,650,373)</u>
Net Capital Assets	<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>	<u>599,743,689</u>	<u>619,640,519</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 Nine Years (1)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
TREATED WATER									
Consumption (Acre-Feet)									
Residential (Single-Unit)	15,047	16,685	15,640	16,543	17,131	17,766	16,011	14,789	14,116
Residential (Multi-Unit)	1,798	2,076	1,929	2,010	2,087	2,207	2,029	1,969	1,927
Commercial	2,859	2,946	3,240	3,345	3,534	3,540	3,183	2,985	2,887
Construction	202	210	365	240	262	91	62	37	38
Fire Protection	6	9	6	4	7	5	7	5	3
Municipal	1,014	1,139	1,080	1,232	1,286	1,389	1,209	1,076	957
Landscape (2)	1,100	1,337	1,350	1,668	1,947	2,194	1,927	1,843	1,803
Industrial	1,092	1,078	1,015	757	614	379	415	383	397
Agriculture (8)	348	411	330	282	349	398	356	236	280
Resale	5,259	7,979	9,005	10,009	10,733	10,893	10,575	9,501	7,763
No Demand (3)	7	17	3	2	4	1	-	-	-
Total Treated Water Consumption (Acre-Feet)	28,732	33,887	33,963	36,092	37,953	38,863	35,774	32,824	30,171 (7)
Total Consumption (Units) (4)	12,515,659	14,761,177	14,794,283	15,721,675	16,532,414	16,928,723	15,583,154	14,298,134	13,142,488
Total Treated Water Sales Effective Rate per unit (incl. monthly service charge) (5)	\$ 1.25	1.20	1.29	1.38	1.44	1.54	1.84	1.92	1.99
RAW WATER									
Consumption (Acre-Feet)									
Metered	1,008	537	234	369	355	328	355	297	268
Commercial Agriculture	22,592	30,192	24,609	20,920	19,499	22,405	24,514	23,949	14,470
Irrigation Customers	55,208	55,281	54,991	55,922	55,383	55,800	55,302	54,566	54,440
Landscape (2)	10,134	10,903	12,312	12,225	12,609	11,777	11,967	11,678	11,676
Resale	534	113	112	149	118	120	111	104	96
Total Raw Water Consumption (Acre-Feet)	89,476	97,026	92,258	89,585	87,964	90,430	92,249	90,594	80,950 (7)
Total Consumption (Miner's Inch) (4)	4,943	5,361	5,097	4,949	4,860	4,996	5,097	5,005	4,472
Total Raw Water Sales Effective Rate per miner's inch (6)	\$ 2,750,769	3,084,711	3,099,534	3,174,515	3,331,523	3,446,696	3,492,472	3,434,674	3,236,269
	\$ 556.45	575.45	608.09	641.39	685.51	689.87	685.25	686.22	690.07

- (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. One Miner's Inch is equal to 18.10 Acre-feet for one year
- (5) Effective Rate is calculated per unit (100 cubic feet) because consumption rates are per unit. The effective rate per unit includes the monthly service charge as well as the commodity tier rates
- (6) Effective Rate is calculated per miner's inch per year because consumption rates are per miner's inch. In 2011, the effective rate per miner's inch has been adjusted to account for a one-time reimbursement from PG&E for lost raw water revenue due to the Bear River Canal break
- (7) The decrease in consumption in 2011 compared to 2010 is due to heavy precipitation and cooler summer temperatures, coupled with the Bear River Canal (a PG&E water supply canal) break incident
- (8) The treated water agriculture classification is for customers involuntarily deprived of untreated water service

Source: Placer County Water Agency, Customer Service Department

CHART # 5
Water Consumption (Treated) 2011

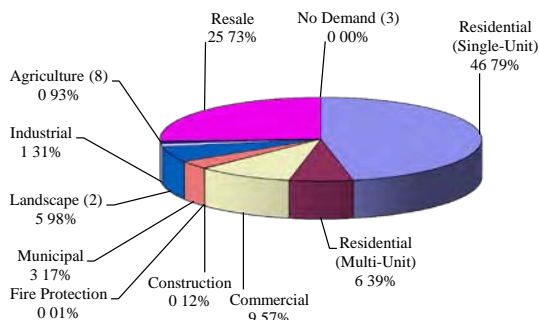
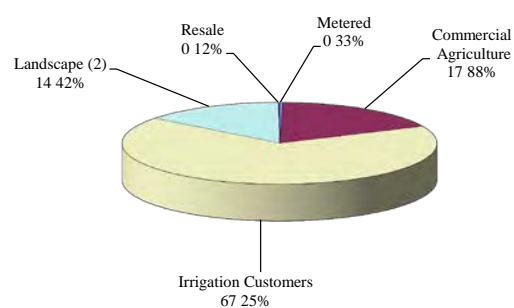


CHART # 6
Water Consumption (Raw) 2011



PLACER COUNTY WATER AGENCY

TABLE # 6

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
TREATED WATER									
Water Customer Accounts									
Residential (Single-Unit)	26,451	27,229	27,761	28,486	28,805	29,024	29,625	29,477	29,561
Residential (Multi-Unit)	726	730	728	734	742	746	742	745	758
Commercial	1,499	1,552	1,601	1,692	1,780	1,815	1,838	1,874	1,888
Construction	44	56	64	57	48	24	16	18	16
Fire Protection	582	632	689	788	864	887	885	899	911
Municipal	157	162	167	153	153	169	169	172	172
Landscape(2)	315	339	399	438	467	486	485	486	486
Industrial	2	2	2	2	2	1	1	1	1
Agriculture	83	81	80	79	79	81	78	72	70
Resale	8	8	8	8	9	9	9	9	9
No Demand (3)	1,073	880	815	1,421	1,313	1,124	752	1,031	849
Total Treated Water Accounts	30,940	31,671	32,314	33,858	34,262	34,366	34,600	34,784	34,721
RAW WATER									
Water Customer Accounts									
Metered	308	303	307	302	302	291	290	282	273
Commercial Agriculture	567	359	346	345	347	350	330	304	311
Irrigation Customers	3,870	3,212	3,278	3,293	3,299	3,408	3,070	3,354	3,381
Landscape(2)	39	25	30	31	31	30	28	28	28
Resale	3	3	3	3	4	6	6	6	6
Total Raw Water Accounts	4,787	3,902	3,964	3,974	3,983	4,085	3,724	3,974	3,999
TOTAL WATER ACCOUNTS	35,727	35,573	36,278	37,832	38,245	38,451	38,324	38,758	38,720
New Connections (EDU's)	1,248	4,982	4,613	1,620	331	277	465	46	87

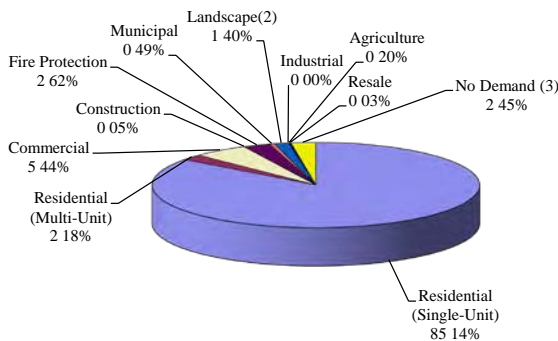
(1) Data not readily available for years prior to 2003

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

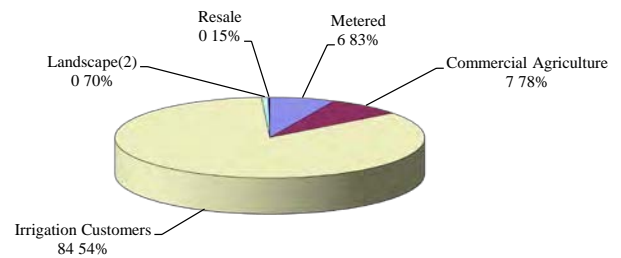
(3) Accounts that have paid the water connection charge and are paying monthly service and renewal and replacement charges but are not consuming water

Source: Placer County Water Agency, Customer Service Department

**CHART # 7
Water Accounts (Treated) 2011**



**CHART # 8
Water Accounts (Raw) 2011**



PLACER COUNTY WATER AGENCY
TABLE # 7
Principal Water Users for
Years Ended December 31, 2002 and 2011

Year Ended December 31, 2002					Year Ended December 31, 2011				
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	\$ 1,078,437	6.12%	3,843	3.67%	City of Lincoln	\$ 5,276,910	13.53%	6,815	6.13%
Formica Corporation	275,110	1.56%	794	0.76%	Cal American Water	859,349	2.20%	805	0.72%
Rio Bravo Rocklin	133,711	0.76%	395	0.38%	City of Rocklin	592,137	1.52%	707	0.64%
Placer County Facility Service	107,069	0.61%	257	0.25%	Rocklin Unified School District	375,225	0.96%	440	0.40%
Dry Creek West Placer-CFD	71,256	0.40%	100	0.10%	Rio Bravo Rocklin	211,286	0.54%	405	0.36%
Emerson Investments	66,450	0.38%	186	0.18%	United Auburn Indian Community	209,913	0.54%	323	0.29%
Folsom Lake Mutual Water Co	56,352	0.32%	155	0.15%	Placer County Facility Service	182,380	0.47%	201	0.18%
Sierra Lakes Community LLC	55,273	0.31%	63	0.06%	Randall Realty Corporation	172,160	0.44%	113	0.10%
Christian Valley Park	53,216	0.30%	23	0.02%	Stamas Corp Inc	156,903	0.40%	101	0.09%
Cal-American Water Co	<u>51,961</u>	<u>0.29%</u>	<u>132</u>	<u>0.13%</u>	Demmon Meridian Partnership LP	<u>145,037</u>	<u>0.37%</u>	<u>94</u>	<u>0.08%</u>
Total Principal Water Users	<u>1,948,835</u>	<u>11.06%</u>	<u>5,948</u>	<u>5.68%</u>	Total Principal Water Users	<u>8,181,302</u>	<u>20.98%</u>	<u>10,005</u>	<u>9.00%</u>
Total all Users	<u>\$ 17,624,581</u>	<u>100.00%</u>	<u>104,708</u>	<u>100.00%</u>	Total all Users	<u>\$ 38,997,459</u>	<u>100.00%</u>	<u>111,122</u>	<u>100.00%</u>

(1) Amount billed includes commodity water sales, customer service charges, renewal & replacement charge, mandated costs charge (2002 only) and raw water surcharge

Source: Placer County Water Agency, Customer Service Department

PLACER COUNTY WATER AGENCY

TABLE # 8

**Metered Service Fixed Rates (I)
Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Metered Service - Treated Water										
Monthly Service Charge (meter size)										
5/8-inch	\$ 9 84	10 18	10 84	11 65	12 67	13 75	13 75	14 20	14 20	14 20
3/4-inch	13 92	14 41	15 35	16 50	17 94	19 46	19 46	20 09	20 09	20 09
1-inch	19 04	19 71	20 99	22 56	24 53	26 62	26 62	27 49	27 49	27 49
1-1/2-inch	30 68	31 75	33 81	36 35	39 53	42 89	42 89	44 28	44 28	44 28
2-inch	53 54	55 41	59 01	63 44	68 99	74 85	74 85	77 28	77 28	77 28
3-inch	99 38	102 86	109 55	117 77	128 07	138 96	138 96	143 48	143 48	143 48
4-inch	138 58	143 43	152 76	164 21	178 58	193 76	193 76	200 06	200 06	200 06
6-inch	278 20	287 94	306 66	329 66	358 51	388 98	388 98	401 62	401 62	401 62
8-inch	477 04	493 74	525 83	565 27	614 73	666 98	666 98	688 66	688 66	688 66
12-inch	(2)	(2)	821 62	883 24	960 52	1,042 16	1,042 16	1,076 03	1,076 03	1,076 03
16-inch	(2)	(2)	(2)	(2)	(2)	(2)	(2)	1,548 20	1,548 20	1,548 20
18-inch	1,236 00	1,279 26	1,362 41	1,464 59	1,592 74	1,728 12	1,728 12	1,784 28	1,784 28	1,784 28
State & Federal Mandate										
5/8-inch	3 43	3 55	3 69	3 99	4 31	4 72	5 27	(4)	(4)	(4)
3/4-inch	5 14	5 32	5 53	5 97	6 47	7 08	7 91	(4)	(4)	(4)
1-inch	8 57	8 87	9 22	9 96	10 78	11 80	13 19	(4)	(4)	(4)
1-1/2-inch	17 15	17 75	18 46	19 94	21 55	23 60	26 37	(4)	(4)	(4)
2-inch	27 44	28 40	29 54	31 90	34 48	37 76	42 20	(4)	(4)	(4)
3-inch	54 88	56 80	59 07	63 80	68 96	75 52	84 39	(4)	(4)	(4)
4-inch	85 75	88 75	92 30	99 68	107 75	118 00	131 87	(4)	(4)	(4)
6-inch	171 50	177 50	184 60	199 37	215 50	236 00	263 73	(4)	(4)	(4)
8-inch	823 19	852 00	886 08	956 97	1,034 40	1,132 80	1,265 90	(4)	(4)	(4)
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)
Renewal & Replacement										
5/8-inch	1 26	1 30	2 15	4 90	8 50	12 00	12 50	13 00	13 00	13 00
3/4-inch	1 89	1 96	3 23	7 35	12 75	18 00	18 75	19 50	19 50	19 50
1-inch	3 14	3 25	5 36	12 21	21 25	30 00	31 25	32 50	32 50	32 50
1-1/2-inch	6 29	6 51	10 74	24 46	42 50	60 00	62 50	65 00	65 00	65 00
2-inch	10 06	10 41	17 17	39 11	68 00	96 00	100 00	104 00	104 00	104 00
3-inch	20 11	20 81	34 34	78 22	136 00	192 00	200 00	208 00	208 00	208 00
4-inch	31 43	32 53	53 67	122 24	212 50	300 00	312 50	325 00	325 00	325 00
6-inch	62 85	65 05	107 33	244 46	425 00	600 00	625 00	650 00	650 00	650 00
8-inch	301 68	312 24	515 17	1,173 39	2,040 00	2,880 00	3,000 00	3,120 00	3,120 00	3,120 00
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Metered Service - Untreated Water										
Monthly Service Charge										
5/8-inch	5 22	5 41	5 76	6 19	6 73	7 68	8 62	8 90	8 90	8 90
3/4-inch	6 81	7 05	7 51	8 07	8 78	9 53	9 93	10 25	10 25	10 25
1-inch	8 66	8 97	9 55	10 27	11 17	12 12	12 37	12 77	12 77	12 77
1-1/2-inch	13 58	14 06	14 97	16 09	16 09	17 29	17 29	17 85	17 85	17 85
2-inch	22 28	23 06	24 56	26 40	26 40	26 40	26 40	27 26	27 26	27 26
3-inch	36 60	37 88	40 34	43 37	43 37	46 44	46 44	47 95	47 95	47 95
4-inch	50 92	52 71	56 14	60 35	62 17	67 45	67 45	69 64	69 64	69 64
6-inch	95 46	98 80	105 22	113 11	113 11	113 11	113 11	116 79	116 79	116 79
8-inch	152 73	158 08	168 36	180 99	180 99	180 99	180 99	186 87	186 87	186 87
Capital Facilities Surcharge	4 91	5 08	5 28	5 49	5 71	6 20	6 65	6 87	6 87	6 87
Resale Service - Untreated Water										
Monthly Service Charge	28 75	29 76	31 69	34 07	52 06	56 49	56 49	58 33	58 33	58 33
Private Fire Protection Service										
Monthly Service Charge										
2-inch	12 84	13 29	13 76	14 24	15 49	16 85	17 96	18 54	18 54	18 54
3-inch	13 81	14 30	14 80	15 32	16 66	18 12	20 76	21 43	21 43	21 43
4-inch	15 34	15 88	16 44	17 02	18 51	20 13	23 05	23 80	23 80	23 80
6-inch	19 74	20 43	21 15	21 89	23 81	25 89	28 73	29 66	29 66	29 66
8-inch	41 61	43 07	44 58	46 14	50 18	54 57	54 57	56 34	56 34	56 34
10-inch	70 14	72 60	75 14	77 77	84 57	91 97	96 13	99 25	99 25	99 25
12-inch	112 30	116 24	120 31	124 52	135 42	147 27	153 92	158 92	158 92	158 92
16-inch	249 89	258 64	267 69	277 06	301 30	327 66	342 47	353 60	353 60	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) 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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Metered Services										
Residential (3)										
First 400 CF	\$ 0.70	0.72	0.74	0.76	0.78	0.85	0.94	1.25	1.25	1.25
Next 600 CF	0.77	0.80	0.82	0.86	0.90	0.98	1.07	1.35	1.35	1.35
Next 1,000 CF	0.77	0.80	0.82	0.86	0.90	0.98	1.14	1.44	1.44	1.44
Next 2,000 CF	0.82	0.85	0.88	0.93	0.99	1.07	1.18	1.55	1.55	1.55
Next 1,800 CF	0.94	0.98	1.02	1.08	1.14	1.25	1.35	1.65	1.65	1.65
Next 1,900 CF	1.09	1.14	1.20	1.30	1.40	1.53	1.65	1.92	1.92	1.92
Over 7,700 CF	1.12	1.18	1.36	1.47	1.59	1.74	1.88	2.16	2.16	2.16
Pumped Service (4)										
First 400 CF	0.80	0.82	0.84	0.87	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,600 CF	0.88	0.91	0.94	0.99	(4)	(4)	(4)	(4)	(4)	(4)
Next 2,000 CF	0.92	0.96	1.00	1.06	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,800 CF	1.04	1.09	1.13	1.20	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,900 CF	1.19	1.26	1.32	1.43	(4)	(4)	(4)	(4)	(4)	(4)
Over 7,700 CF	1.23	1.29	1.47	1.60	(4)	(4)	(4)	(4)	(4)	(4)
Municipal (5)										
First 50,000 CF	0.78	0.80	0.82	0.86	(5)	(5)	(5)	(5)	(5)	(5)
Over 50,000 CF	0.80	0.83	0.86	0.90	(5)	(5)	(5)	(5)	(5)	(5)
Commercial & Municipal (6)										
First 50,000 CF	0.78	0.81	0.84	0.88	0.92	1.00	1.07	(6)	(6)	(6)
Next 950,000 CF	0.80	0.83	0.86	0.91	0.95	1.03	1.10	(6)	(6)	(6)
Over 1,000,000 CF	0.80	0.83	0.86	0.91	0.96	1.05	1.13	(6)	(6)	(6)
Non-Residential (6)										
First 50,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	(6)	1.28	1.28	1.28
Next 450,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	(6)	1.31	1.31	1.31
Over 500,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	(6)	1.35	1.35	1.35
Industrial & Resale										
First 50,000 CF	0.76	0.78	0.80	0.83	0.86	0.93	1.00	1.10	1.10	1.10
Next 950,000 CF	0.74	0.77	0.80	0.84	0.88	0.95	1.02	1.11	1.11	1.11
Over 1,000,000 CF	0.74	0.77	0.80	0.84	0.89	0.97	1.04	1.12	1.12	1.12
Over 1,000,000 CF (7)	0.60	0.62	0.64	0.67	0.71	0.78	0.84	(7)	(7)	(7)
Industrial & Resale-Public Agencies & Public Utilities (7)										
First 42,500,000 CF	(7)	(7)	(7)	(7)	(7)	(7)	(7)	1.11	1.11	1.11
Over 42,500,000 CF	(7)	(7)	(7)	(7)	(7)	(7)	(7)	1.34	1.34	1.34
Golf Course, Park & Greenbelt										
First 50,000 CF	0.81	0.84	0.87	0.91	0.95	1.03	1.10	(6)	(6)	(6)
Next 950,000 CF	0.87	0.91	0.94	0.98	1.02	1.11	1.19	(6)	(6)	(6)
Over 1,000,000 CF	0.87	0.91	0.94	0.98	1.03	1.13	1.21	(6)	(6)	(6)
Special Rates (8)										
First 400 CF	0.73	0.74	0.76	0.80	0.78	0.85	0.94	1.25	1.25	1.25
Next 600 CF	0.73	0.74	0.76	0.80	0.90	0.98	1.07	1.35	1.35	1.35
Next 1,000 CF	0.73	0.74	0.76	0.80	0.90	0.98	1.14	1.44	1.44	1.44
Next 2,000 CF	0.78	0.81	0.83	0.87	0.99	1.07	1.18	1.55	1.55	1.55
Next 61,000 CF	0.10	0.11	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Next 65,000 CF	0.06	0.07	0.07	0.08	0.09	0.09	0.10	0.10	0.10	0.10
Over 130,000 CF	0.06	0.07	0.07	0.08	0.09	0.09	0.10	0.10	0.10	0.10
Temporary Construction										
First 50,000 CF	1.56	1.62	1.68	1.76	1.84	2.00	2.14	2.56	2.56	2.56
Next 450,000 CF	1.59	1.66	1.72	1.82	1.90	2.06	2.20	2.62	2.62	2.62
Next 500,000 CF	1.59	1.66	1.72	1.82	1.90	2.06	2.20	2.70	2.70	2.70
Over 1,000,000 CF	1.59	1.66	1.72	1.82	1.92	2.10	2.26	2.70	2.70	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 2002 there were 6 tiers for metered residential service. A 7th tier was established in 2008. Water use per tier (cubic-feet) varies on an annual basis. Rates shown above for years 2002-2010 are displayed with the 2011 tier structure. Actual ranges of cubic-feet differed slightly.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Metered Services (2)										
First 3,000 CF	\$ 0.33	0.34	0.35	0.36	0.37	0.37	0.37	0.38	0.38	0.38
Next 7,000 CF	0.22	0.23	0.24	0.25	0.29	0.35	0.43	0.36	0.36	0.36
Over 10,000 CF	0.10	0.10	0.10	0.11	0.12	0.20	0.28	0.29	0.29	0.29
Non-Metered Services (Miner's Inches) (MI) (3)										
General Irrigation Service (Winter) (4)										
First 1/2 MI	24.20	24.93	26.68	28.55	30.55	30.55	30.55	31.09	31.09	31.09
First MI	42.60	43.88	46.95	50.24	53.76	58.33	60.23	62.18	62.18	62.18
2-9 MI	43.62	44.93	48.08	51.45	55.05	59.73	61.67	63.67	63.67	63.67
Over 9 MI	43.62	44.93	48.08	51.45	55.31	60.01	61.96	63.97	63.97	63.97
General Irrigation Service (Summer) (4)										
First 1/2 MI	24.49	25.23	25.99	27.03	28.11	28.11	28.11	28.11	28.11	28.11
First MI	38.76	39.92	41.12	42.76	44.47	48.25	49.82	51.44	51.44	51.44
2-9 MI	39.31	40.49	42.11	44.22	46.43	50.38	52.02	53.71	53.71	53.71
Over 9 MI	39.31	40.49	42.11	44.22	46.87	51.32	52.99	54.71	54.71	54.71
Commercial Agriculture (Winter)										
First MI	34.41	35.45	37.93	40.59	43.43	47.12	48.65	50.23	50.23	50.23
Over 1 MI	35.08	36.14	38.67	41.38	44.28	48.04	49.60	51.21	51.21	51.21
Commercial Agriculture (Summer)										
First MI	42.53	43.81	45.12	46.92	46.92	46.92	48.44	50.01	50.01	50.01
2nd MI	36.89	38.00	39.14	40.71	42.34	45.94	47.43	48.97	48.97	48.97
3rd MI	33.32	34.32	35.35	36.76	38.23	41.48	42.83	44.22	44.22	44.22
4th MI	29.76	30.65	31.57	32.83	34.14	37.04	38.24	39.48	39.48	39.48
5-9 MI	27.36	28.18	29.03	30.19	31.40	34.07	35.18	36.32	36.32	36.32
10-60 MI	24.99	25.74	26.51	27.57	28.67	31.11	32.12	33.16	33.16	33.16
Over 60 MI	20.62	21.24	21.88	22.76	23.67	25.68	26.51	27.37	27.37	27.37
Golf Course, Park & Greenbelt (Winter) (4)										
First MI	39.89	41.09	43.97	47.05	54.11	58.71	60.62	(4)	(4)	(4)
2-9 MI	42.43	43.71	46.77	50.04	55.62	60.35	62.31	(4)	(4)	(4)
Over 9 MI	46.13	47.52	50.85	54.41	56.55	61.36	63.55	(4)	(4)	(4)
Golf Course, Park & Greenbelt (Summer) (4)										
First MI	40.28	41.49	42.73	44.44	46.22	50.15	51.78	(4)	(4)	(4)
2-9 MI	40.28	41.49	42.73	44.44	48.68	52.82	54.54	(4)	(4)	(4)
Over 9 MI	42.42	43.70	45.01	46.81	48.92	53.08	54.81	(4)	(4)	(4)
Resale Service (Miner's Inch Days) (5)										
First 1,000	2.06	2.12	2.23	2.34	5.68	5.68	5.68	5.24	5.24	5.24
Over 1,000	2.06	2.12	2.23	2.34	6.47	6.47	6.47	5.41	5.41	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 2002-2010 are displayed with the 2011 7 tier structure. Actual ranges of cubic-feet/miner'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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Water Connection Charge (WCC)										
Bowman and Auburn WTP service area	\$ 6,469 00	8,971 00	9,141 00	9,286 00	11,373 00	13,408 00	14,414 00	15,440 00	15,440 00	16,073 00
All other Zone 1 service areas	5,719 00	7,971 00	8,122 00	9,286 00	11,373 00	13,408 00	14,414 00	15,440 00	15,440 00	16,073 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	130 00	130 00	130 00
3/4"	140 00	125 00	125 00	125 00	125 00	125 00	125 00	130 00	130 00	130 00
1"	190 00	125 00	125 00	125 00	125 00	125 00	125 00	130 00	130 00	130 00
1 1/2"	300 00	125 00	125 00	125 00	125 00	125 00	125 00	130 00	130 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	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
3/4"	525 00	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
1"	575 00	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
1 1/2"	775 00	Cost	Cost	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	65 00	65 00	68 00	68 00	70 00	70 00	105 00	109 00	109 00	109 00
Canal Flow Rate Change										
No Field Trip Required	30 00	35 00	35 00	35 00	35 00	35 00	15 00	16 00	16 00	16 00
Field Trip Required	30 00	35 00	35 00	35 00	35 00	35 00	65 00	67 00	67 00	67 00
After Hours Charge	75 00	110 00	110 00	110 00	90 00	90 00	115 00	119 00	119 00	119 00
Credit Card or Electronic Payment Charge	-	-	-	-	-	-	-	2 75	2 75	-
Delinquent Payment Charge (3)	6%	6%	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	26 00	26 00
Field Collection Charge	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	150 00	250 00	250 00	250 00	250 00	250 00	250 00
Second Occurrence	150 00	150 00	150 00	250 00	500 00	500 00	500 00	250 00	250 00	250 00
Third Occurrence	500 00	500 00	500 00	500 00	1,000 00	1,000 00	1,000 00	250 00	250 00	250 00
Meter Reread Charge	-	-	-	-	-	-	-	20 00	20 00	20 00
Meter Test and Repair Deposit/Charge	35 00	35 00	40 00	40 00	40 00	40 00	60 00	62 00	62 00	62 00
Service Set-up Charge										
No Field Trip Required	15 00	15 00	15 00	15 00	15 00	15 00	15 00	16 00	16 00	16 00
Field Trip Required	35 00	35 00	35 00	35 00	35 00	35 00	35 00	36 00	36 00	36 00
After Hours Charge	95 00	110 00	110 00	110 00	90 00	90 00	115 00	119 00	119 00	119 00
Project Application Charge	100 00	100 00	105 00	105 00	105 00	105 00	105 00	109 00	109 00	109 00
Pressure Test Charge	40 00	40 00	40 00	40 00	40 00	40 00	85 00	88 00	88 00	88 00
Reconnection Charge (4)										
Treated Services	45 00	45 00	45 00	45 00	45 00	45 00	45 00	47 00	47 00	47 00
Untreated Services	45 00	45 00	45 00	45 00	45 00	45 00	65 00	67 00	67 00	67 00
After Hours Charge	105 00	120 00	120 00	120 00	90 00	90 00	115 00	119 00	119 00	119 00
Returned Check Charge	40 00	25 00	25 00	25 00	25 00	25 00	25 00	26 00	26 00	26 00
Temporary Construction Water Svc										
Permit Fee	-	35 00	35 00	35 00	35 00	35 00	40 00	42 00	42 00	42 00
Connection Charge	100 00	100 00	100 00	100 00	100 00	100 00	100 00	104 00	104 00	104 00
Variances and Waivers of Rules and Regulations or Rates	75 00	75 00	79 00	79 00	80 00	80 00	180 00	187 00	187 00	187 00
Water Service Written Estimate	50 00	50 00	53 00	53 00	55 00	55 00	105 00	109 00	109 00	109 00
WCC - Installment Payment										
Processing Fee	155 00	155 00	163 00	163 00	175 00	175 00	175 00	182 00	182 00	182 00
State and Federal Mandated Charge for Cross Connections (5)	-	-	1 16	1 16	1 16	1 20	1 64	1 70	1 70	1 70
State and Federal Mandated Charge for Certification of Domestic Water Source (6)	-	-	2 69	2 69	2 69	2 75	3 96	4 11	4 11	4 11
Water Waste Charge (3rd & 4th occurrence)	-	-	-	-	-	-	75 00	75 00	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

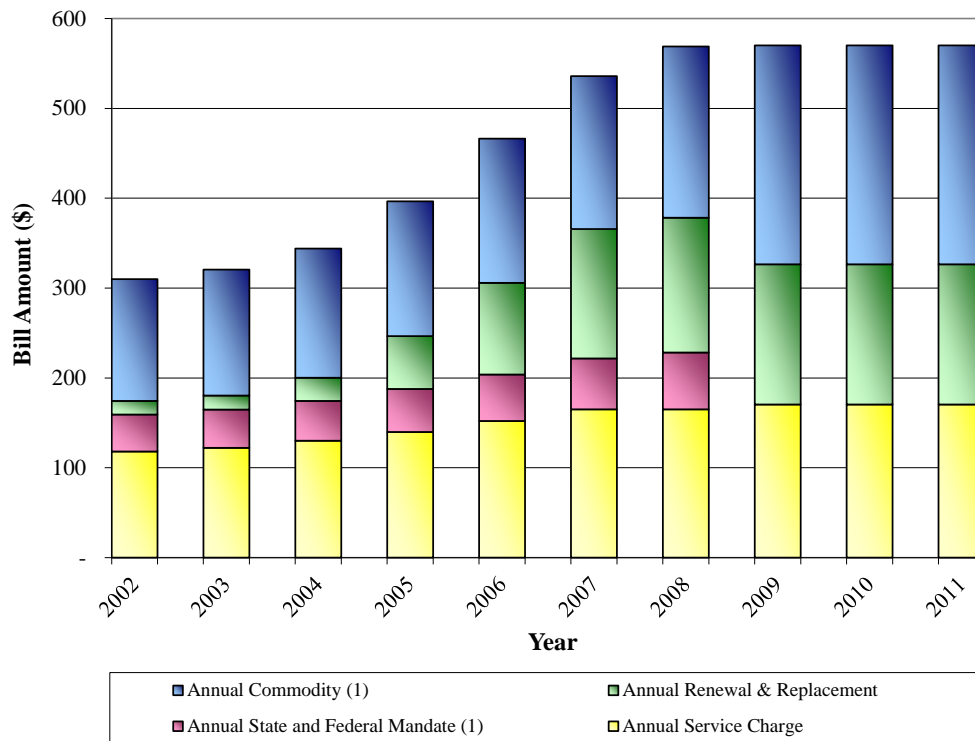
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Annual Service Charge	\$ 118 08	122 16	130 08	139 80	152 04	165 00	165 00	170 40	170 40	170 40
Annual State and Federal Mandate (1)	41 16	42 60	44 28	47 88	51 72	56 64	63 24	-	-	-
Annual Renewal & Replacement	15 12	15 60	25 80	58 80	102 00	144 00	150 00	156 00	156 00	156 00
Annual Commodity (1)	135 54	140 16	143 76	150 00	160 49	170 16	190 56	243 60	243 60	243 60
Annual Water Billed Amount	\$ 309 90	320 52	343 92	396 48	466 25	535 80	568 80	570 00	570 00	570 00
Effective Rate Increase	3 96%	3 43%	7 30%	15 28%	17 60%	14 92%	6 16%	0 21%	0 00%	0 00%

* 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 into 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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Water Division										
General Obligation Bonds										
1975 General Obligation Water Bonds	\$ 755,000	510,000	260,000	-	-	-	-	-	-	-
General Obligation Bonds Outstanding	755,000	510,000	260,000	-	-	-	-	-	-	-
Loans Payable										
Davis-Grunsky Act Construction Loan	783,789	535,346	406,467	274,161	139,004	-	-	-	-	-
EDA Community Emergency Drought Loans	202,287	192,733	182,702	172,169	161,109	149,497	137,304	124,501	111,057	80,168
State Department of Water Resources Loans:										
Dutch Flat Terrace	20,702	19,410	18,073	16,691	15,262	13,784	12,257	10,677	9,044	7,355
Bowman	2,936,400	2,445,099	1,935,721	1,407,591	858,250	291,771	-	-	-	-
Alta/Monte Vista (SWTR)	431,144	405,881	379,870	353,068	325,476	297,044	267,784	237,640	206,604	174,645
King/Delmar	291,511	280,726	269,616	258,154	246,347	234,172	221,637	208,709	195,390	181,665
Applegate	553,134	533,333	512,936	491,893	470,218	447,864	424,850	401,115	376,663	351,465
California Department of Health Services Loan:										
Auburn Water Treatment Plant	-	-	-	-	-	-	20,000,000	19,603,076	18,795,531	17,969,367
Ferguson Road Land Loan	92,625	82,223	71,235	59,626	47,362	34,407	20,720	6,262	-	-
Steffen Family Trust Loan	93,593	-	-	-	-	-	-	-	-	-
Ziegleman - Soracco Land Loans	566,861	525,090	481,545	424,128	365,175	303,111	224,502	-	-	-
Mello-Roos Obligation	36,970	31,944	30,049	29,102	26,042	14,380	18,515	14,789	8,821	-
Capital Lease Purchases	-	-	13,513	6,412	-	-	-	-	-	-
Loans Outstanding	6,009,016	5,051,785	4,301,727	3,492,995	2,654,245	1,786,030	21,327,569	20,606,769	19,703,110	18,764,665
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	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	1,195	1,195
ID No 28 - Val Verde Road	19,080	-	-	-	-	-	-	-	-	-
ID No 32 - Eagle View Lane	27,500	12,500	-	-	-	-	-	-	-	-
ID No 36 - Highway 174	81,640	77,000	72,230	67,324	62,281	57,097	51,769	46,289	40,657	34,867
Improvement District Debt Outstanding	130,549	91,829	74,559	69,653	64,610	59,426	54,098	48,618	42,986	37,196
Certificates of Participation										
1993 Certificates	15,010,000	-	-	-	-	-	-	-	-	-
1995 Certificates	6,215,000	6,075,000	5,925,000	335,000	170,000	-	-	-	-	-
1999 Certificates	31,965,000	31,965,000	31,965,000	2,990,000	2,990,000	2,990,000	2,450,000	1,880,000	1,285,000	655,000
2003 Certificates	-	15,515,000	14,835,000	14,265,000	13,690,000	13,095,000	12,490,000	11,870,000	11,230,000	10,570,000
2005 Certificates	-	-	-	35,200,000	35,075,000	34,950,000	-	-	-	-
2007 Certificates	-	-	-	-	-	33,580,000	33,140,000	32,535,000	31,905,000	31,250,000
2008 Certificates	-	-	-	-	-	-	40,385,000	39,860,000	39,340,000	38,815,000
Certificates Outstanding	53,190,000	53,555,000	52,725,000	52,790,000	51,925,000	84,615,000	88,465,000	86,145,000	83,760,000	81,290,000
Subtotal Water Division Debt Outstanding	60,084,565	59,208,614	57,361,286	56,352,648	54,643,855	86,460,456	109,846,667	106,800,387	103,506,096	100,091,861
Power Division										
Revenue Bonds										
Middle Fork Project Revenue Bonds, Series A (3)	41,550,000	39,538,009	34,370,000	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000
Subtotal Power Division Debt Outstanding	41,550,000	39,538,009	34,370,000	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000
Subtotal Agency Debt Outstanding	101,634,565	98,746,623	91,731,286	86,942,648	81,353,855	109,170,456	128,376,667	121,030,387	113,281,096	105,246,861
Less: Unamortized bond discounts & premiums	(930,425)	(795,449)	(762,409)	(234,041)	(226,000)	(956,230)	(696,668)	(661,117)	(624,935)	(588,103)
Deferred Amount of Refunding	-	(703,422)	(643,244)	(4,498,892)	(4,232,860)	(3,969,062)	(3,707,572)	(3,448,849)	(3,192,976)	(2,940,053)
Total PCWA Long-Term Debt	\$100,704,140	97,247,752	90,325,633	82,209,715	76,894,995	104,245,164	123,972,427	116,920,421	109,463,185	101,718,705
Per Customer (4)		2,722	2,539	2,266	2,033	2,726	3,224	3,051	2,824	2,627
Number of Customer Accounts (4)		35,727	35,573	36,278	37,832	38,245	38,451	38,324	38,758	38,720

- (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

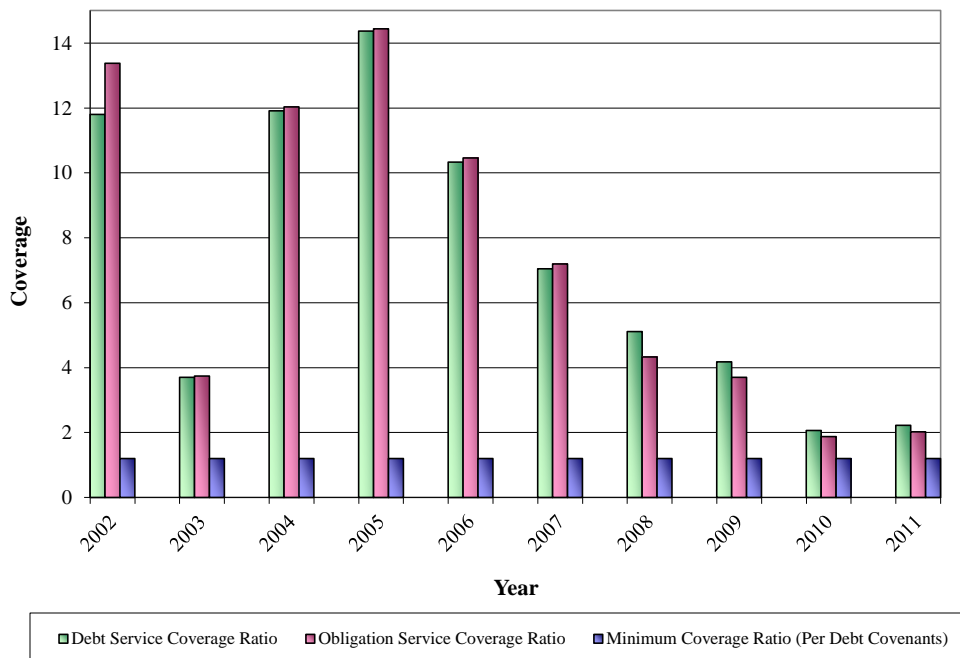
**Debt Service Coverage
Western Water System
Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Service Coverage										
Net Water Revenues, Excluding Depreciation	\$47,994,506	16,968,912	48,003,642	57,564,733	36,648,317	26,049,902	24,837,976	29,380,115	15,896,962	17,103,644
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,700,386</u>	<u>7,693,180</u>
Debt Service Coverage Ratio	<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>	<u>2.06</u>	<u>2.22</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	\$ 9,748,543	8,136,002	12,113,171	15,710,776	19,930,518	21,623,691	21,334,913	22,940,551	15,469,997	16,704,076
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,700,386</u>	<u>7,693,180</u>
Debt Service Coverage Ratio	<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>	<u>2.01</u>	<u>2.17</u>
Obligation Service Coverage										
Net Water Revenues, Excl Depreciation as Adjusted by Water Purchases	\$48,139,015	17,149,332	48,490,916	57,842,311	37,101,063	26,598,504	25,344,332	29,936,496	16,422,962	17,787,085
Obligation Service	<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>	<u>8,755,386</u>	<u>8,793,905</u>
Obligation Service Coverage Ratio	<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>	<u>1.88</u>	<u>2.02</u>
Certificate Reserve Requirement										
Minimum Reserve Required	\$ 3,994,670	3,994,670	3,994,670	1,831,500	1,880,364	1,876,718	5,092,234	5,046,998	4,686,467	4,936,131
Actual Reserve Balance with Fiscal Agent	<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>	<u>5,147,940</u>	<u>5,148,051</u>
Reserve Requirement Coverage	<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>	<u>1.10</u>	<u>1.04</u>

(1) For presentation purposes, the debt service coverage without Water Connection Charge Revenue has been added. Water Connection Charge Revenue is the primary reason for the annual variance in these ratios. The Agency has experienced substantial variances from year-to-year due to varying levels of development.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Placer County										
Population	276,817	290,655	302,815	312,630	322,270	329,719	337,914	344,088	350,609	355,687
Annual % Change in Population	4.49%	5.00%	4.18%	3.24%	3.08%	2.31%	2.49%	1.83%	1.90%	1.45%
Total Personal Income (Thousands) \$	10,209	10,947	11,933	13,070	14,248	15,102	16,095	15,899	*	*
Per Capita Personal Income \$	36,604	37,303	38,958	41,248	43,937	45,471	47,195	45,614	*	*
Unemployment Rate	4.9%	5.1%	4.8%	4.3%	4.2%	4.8%	6.4%	10.6%	11.5%	10.8%
State of California										
Population	34,938,290	35,388,928	35,752,765	35,985,582	36,246,822	36,552,529	36,856,222	37,077,204	37,318,481	37,578,616
Annual % Change in Population	1.23%	1.29%	1.03%	0.65%	0.73%	0.84%	0.83%	0.60%	0.65%	0.70%
Total Personal Income (Thousands) \$	1,147,716	1,184,265	1,262,306	1,335,386	1,436,446	1,520,755	1,604,113	1,566,999	*	*
Per Capita Personal Income \$	32,803	33,400	35,219	36,109	39,626	41,805	43,852	42,395	*	*
Unemployment Rate	6.7%	6.8%	6.2%	5.4%	4.9%	5.4%	7.2%	11.4%	12.4%	11.7%

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
2002-2011

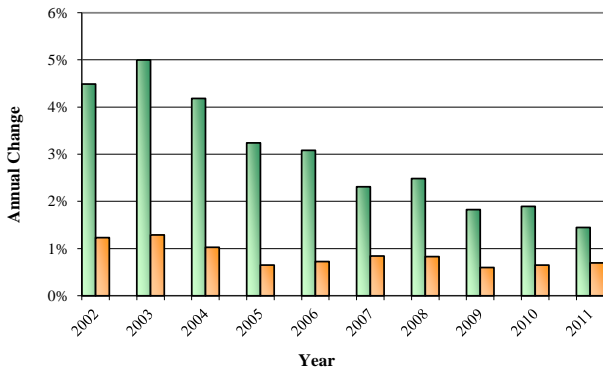


CHART #12
Unemployment Rate
2002-2011

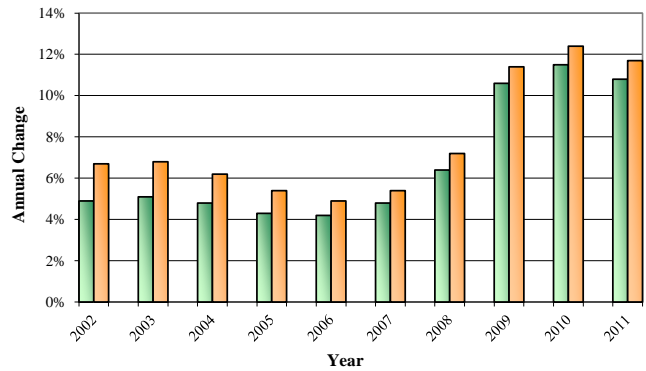
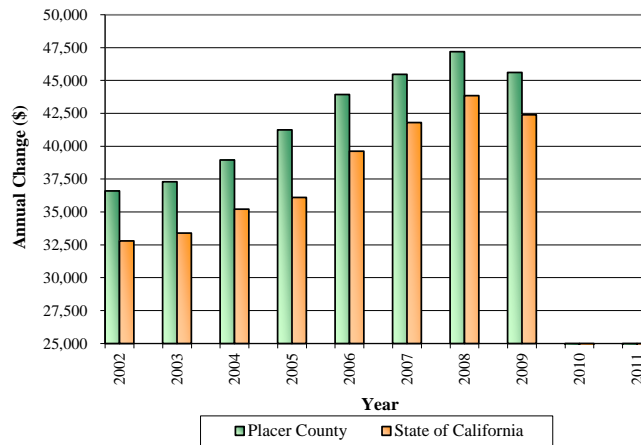


CHART #13
Per Capita Personal Income
2002-2011



PLACER COUNTY WATER AGENCY
TABLE #16
Principal Employers of Placer County
Years Ended December 31, 2002 and 2011

2002			2011		
<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Hewlett-Packard Co.	6,000	4.29%	Hewlett-Packard Co.	3,500	2.24%
Placer County	2,547	1.82%	Kaiser Permanente	3,147	2.01%
Sutter Health	1,425	1.02%	Placer County	2,400	1.54%
Kaiser Permanente	1,419	1.02%	Sutter Health	2,144	1.37%
Squaw Valley Ski Corp.	1,300	0.93%	Thunder Valley Casino Resort	2,025	1.30%
Raley's	1,204	0.86%	Union Pacific Railroad Co. Inc.	2,000	1.28%
Union Pacific Railroad	1,200	0.86%	Northstar-At-Tahoe	1,950	1.25%
City of Roseville	1,058	0.76%	City of Roseville	1,205	0.77%
PRIDE Industries	1,050	0.75%	Placer County Office of Education	1,004	0.64%
SureWest Communications	816	0.58%	Raley's	1,000	0.64%
Total Largest Employers	<u>18,019</u>	<u>12.90%</u>	Total Largest Employers	<u>20,375</u>	<u>13.04%</u>
Total All Employers	<u>139,700</u>	<u>100.00%</u>	Total All Employers	<u>156,200</u>	<u>100.00%</u>

Source: Sacramento Business Journal - March 11, 2011
State of California, Employment Development Department

PLACER COUNTY WATER AGENCY

TABLE #17

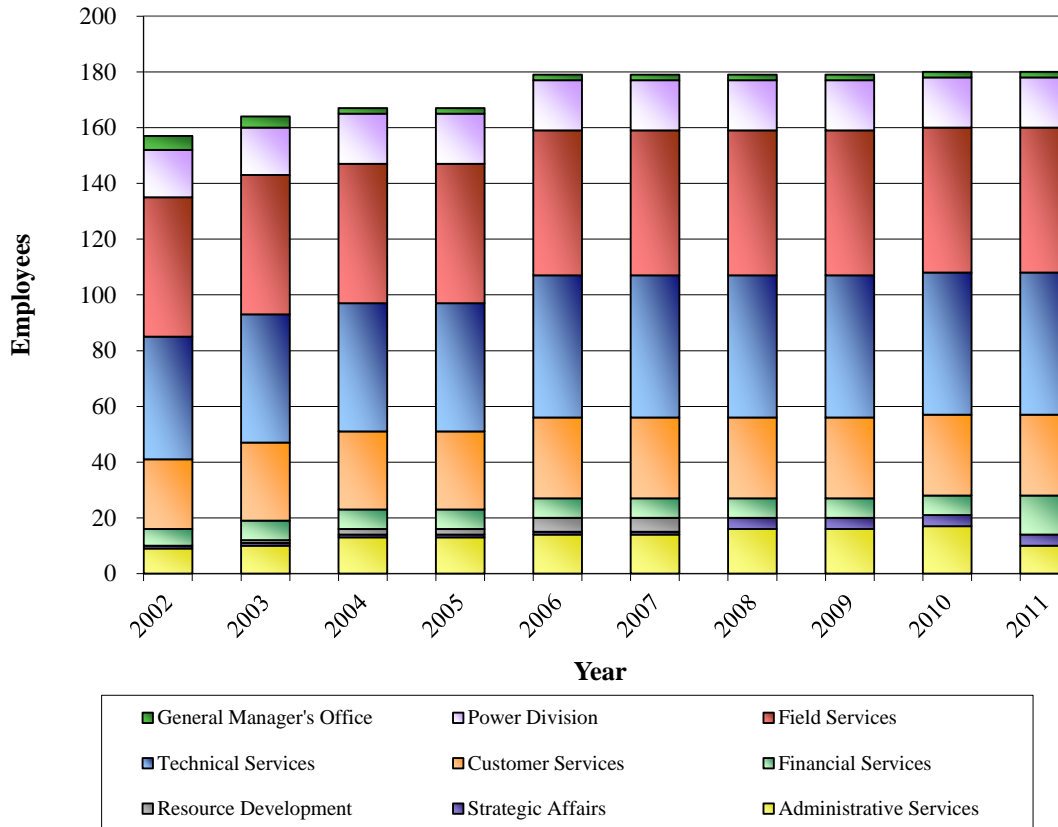
**Personnel Trends by Agency Department
Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agency Wide										
General Manager's Office	5 0	4 0	2 0	2 0	2 0	2 0	2 0	2 0	2 0	2 0
Administrative Services	9 0	10 0	13 0	13 0	14 0	14 0	16 0	16 0	17 0	10 0
Financial Services	6 0	7 0	7 0	7 0	7 0	7 0	7 0	7 0	7 0	14 0
Resource Development (1)	0 0	1 0	2 0	2 0	5 0	5 0	0 0	0 0	0 0	0 0
Strategic Affairs	1 0	1 0	1 0	1 0	1 0	1 0	4 0	4 0	4 0	4 0
Total Agency Wide	21 0	23 0	25 0	25 0	29 0	29 0	29 0	29 0	30 0	30 0
Water Division										
Customer Services	25 0	28 0	28 0	28 0	29 0	29 0	29 0	29 0	29 0	29 0
Field Services	50 0	50 0	50 0	50 0	52 0	52 0	52 0	52 0	52 0	52 0
Technical Services	44 0	46 0	46 0	46 0	51 0	51 0	51 0	51 0	51 0	51 0
Total Water Division	119 0	124 0	124 0	124 0	132 0	132 0	132 0	132 0	132 0	132 0
Power Division										
	17 0	17 0	18 0	18 0	18 0	18 0	18 0	18 0	18 0	18 0
Total Power Division	17 0	17 0	18 0	18 0	18 0	18 0	18 0	18 0	18 0	18 0
Total Employees (2)	157 0	164 0	167 0	167 0	179 0	179 0	179 0	179 0	180 0	180 0

- (1) Resource Development Department established in 2003 and renamed in 2005 Formerly Planning Services Merged with Strategic Affairs in 2008
 (2) 7 new positions added in 2003
 3 new positions added in 2004
 12 new positions added in 2006
 1 new position added in 2010

Source: Placer County Water Agency, Administrative Services Department

**CHART #14
Personnel Trends**



PLACER COUNTY WATER AGENCY

TABLE #18

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

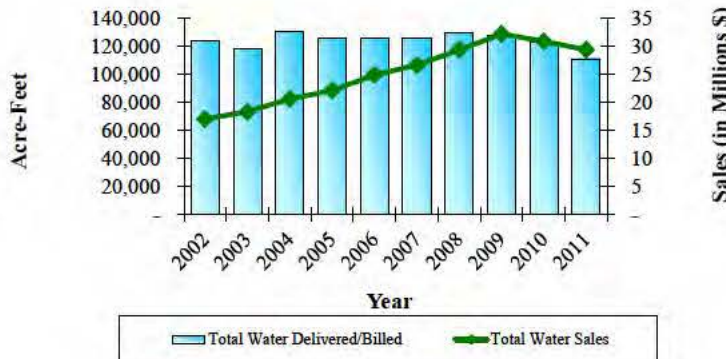
WATER	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Facilities										
Miles of Main Line - Treated	468	478	488	508	519	526	543	547	549	599 (6)
Miles of Canals - Raw	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) (1)	50	50	50	78	78	78	80	80	80	81
Number of Pumping Stations	11	11	11	11	12	12	15	17	18	16
Number of Storage Tanks	29	29	29	29	32	32	34	37	33	35
Water Received (in Acre-Feet):										
Lake Spaulding via Drum Canal	92,017	91,896	95,017	92,301	93,242	95,399	103,200	95,594	88,061	65,455
American River (Middle Fork Project)	11,017	5,520	12,546	3,475	3,591	7,892	9,469	10,841	9,033	15,888
Canyon Creek	2,617	2,844	2,426	3,722	3,031	3,992	2,912	2,790	4,624	5,421
Nevada Irrigation District	-	-	741	731	1,806	1,660	1,664	1,602	1,481	1,123
South Sutter Water District	-	-	4,326	5,647	5,000	-	-	-	-	-
PG&E Zone 3 Supply	10,087	8,605	9,965	7,858	8,799	7,417	9,758	9,060	7,839	7,898
Lahontan Domestic Well	23	30	52	51	73	79	106	141	90	80
Lahontan Irrigation Well	755	708	713	579	542	187	-	3	-	-
Total Supply	116,516	109,603	125,786	114,363	116,084	116,627	127,109	120,031	111,128	95,865
Water Delivered/Billed (Acre-Feet):										
Treated Water Delivered	27,430	28,732	33,887	33,963	36,092	37,953	38,863	35,774	32,824	30,171
Treated Water % of Total	22.0%	24.3%	25.9%	26.9%	28.7%	30.1%	30.1%	27.9%	26.6%	27.2%
Raw Water Billed (2)	96,997	89,476	97,026	92,258	89,585	87,964	90,430	92,249	90,594	80,950
Raw Water % of Total	78.0%	75.7%	74.1%	73.1%	71.3%	69.9%	69.9%	72.1%	73.4%	72.8%
Total Water Delivered/Billed	124,427	118,208	130,913	126,221	125,677	125,917	129,293	128,023	123,418	111,121
Average Per Day (acre-feet)	341	324	359	346	344	345	354	351	338	304
Sales (Millions):										
Treated Water Sales	\$ 14.3	15.6	17.6	19.0	21.7	23.8	26.0	28.7	27.5	26.2
Treated Water % of Total	84.1%	85.2%	85.4%	86.0%	87.1%	87.8%	88.4%	89.1%	89.0%	89.1%
Raw Water Sales	\$ 2.7	2.7	3.0	3.1	3.2	3.3	3.4	3.5	3.4	3.2
Raw Water % of Total	15.9%	14.8%	14.6%	14.0%	12.9%	12.2%	11.6%	10.9%	11.0%	10.9%
Total Water Sales	17.0	18.3	20.6	22.1	24.9	27.1	29.4	32.2	30.9	29.4
Billings, Collections & Delinquencies:										
Water Billings (3)	\$19,242,176	20,840,418	24,270,286	27,861,596	34,159,636	39,529,683	43,057,084	43,160,740	41,053,948	38,997,459
Collections	\$19,179,442	20,816,742	24,235,177	27,826,538	34,127,743	39,472,331	42,966,092	43,027,166	40,912,728	38,883,883
Uncollectible	\$ 62,734	23,675	35,109	35,058	31,893	57,352	90,992	133,574	141,220	113,576
Collection Percentage	99.67%	99.89%	99.86%	99.87%	99.91%	99.85%	99.79%	99.69%	99.66%	99.71%

POWER	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	0.6	1.1	1.0	1.1	1.5	0.5	0.6	0.9	0.9	1.3

- (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.
- (6) In 2011, a new methodology utilizing a Geographic Information System (GIS) was used to determine the Total Miles of Main Line - Treated.

Source: Placer County Water Agency

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



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INDEPENDENT AUDITOR'S 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, 2011, and have issued our report thereon dated March 31, 2012. We conducted our audit in accordance with auditing standards generally accepted 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

Management of the Agency is responsible for establishing and maintaining effective 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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

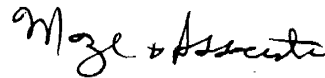
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We have also issued a separate Memorandum on Internal Control dated March 31, 2012, which is an integral part of our audits and should be read in conjunction with this report.

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

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

March 31, 2012



water • energy • stewardship

**PLACER COUNTY WATER AGENCY
Unrestricted Board Designated Fund Equity
For the Fiscal Year Ended December 31, 2011**

Agency Wide	2011
Operational:	
Contingencies	\$ 646,440
Operational	752,897
Capital:	
Routine Capital Replacement	677,224
Liabilities:	
Compensated Absences	552,221
Specific Activities & Projects:	
Water Entitlements	340,509
Yuba & Bear River Relicensings & Watershed interests	237,061
Yearly Water Transfer Costs	117,793
Middle Fork Project - Auburn Diversion Unit	274,946
Middle Fork Project - Facilities and Properties	221,519
Power System - Service Level Support	2,330,710
Financial Assistance Program	88,008
Total Agency Wide - Designated	\$ 6,239,328

Water Division

Operational:	
Contingencies	\$ 1,978,634
Operational	2,829,257
Revenue Volatility	3,567,326
Energy Volatility	838,073
Capital:	
Building and Facilities Maintenance and Improvements	1,059,822
System Replacement and Improvements	9,384,197
Vehicles, Equipment and Other Routine Capital Replacement	927,513
Specified Revenue:	
Renewal & Replacement Charges	19,656,966
State and Federal Mandated Charges	5,904,287
Raw Water Surcharge	1,545,314
Liabilities:	
Compensated Absences	1,939,921
Revolving Grant Matching Funds	1,089,845
Risk Management	119,981
Specific Activities & Projects:	
Water and Energy Efficiency Strategies	276,200
Service Center - Corporation Yard	5,602,364
Catastrophic Event	5,169,433
Total Water Division - Designated	\$ 61,889,133

PLACER COUNTY WATER AGENCY
Combined Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
For the Year Ended December 31, 2011

	2011 Adopted Budget	2011 Adjusted Budget (1)	2011 Actual	Variance from Adjusted Budget (\$)	Variance from Adjusted Budget (%)
Operating Revenues					
Water Sales	\$ 35,219,200	33,544,200	30,500,851	(3,043,349)	-9.07%
Power Sales (1)	13,830,374	11,837,765	11,837,765	-	0.00%
Reimbursements	65,104	65,104	65,104	-	0.00%
Engineering Charges	415,000	415,000	329,803	(85,197)	-20.53%
Customer Service Charges	731,000	731,000	693,154	(37,846)	-5.18%
Other Revenue	55,000	5,000	40,739	35,739	714.78%
Total Operating Revenues	<u>50,315,678</u>	<u>46,598,069</u>	<u>43,467,416</u>	<u>(3,130,653)</u>	<u>-6.72%</u>
Non-Operating Revenues					
Water Connection Charge	500,000	100,000	399,568	299,568	299.57%
Renewal & Replacement Charge	8,800,000	8,800,000	9,082,944	282,944	3.22%
Mandated Costs Charge	-	-	2,826	2,826	100.00%
Raw Water Surcharge	250,000	250,000	271,126	21,126	8.45%
Costs Recovered from Other Agencies	-	-	17,902,116	17,902,116	100.00%
Interest Earnings	745,000	1,500,000	1,642,919	142,919	9.53%
Property Taxes	646,200	646,200	641,080	(5,120)	-0.79%
Assessments	-	-	1,557	1,557	100.00%
Gain (Loss) on Disposal of Assets	-	(111,442)	(137,772)	(26,330)	23.63%
Program Grant Revenue	50,000	50,000	39,937	(10,063)	-20.13%
Other Income (2)	265,500	497,251	1,206,614	709,363	142.66%
Total Non-Operating Revenues	<u>11,256,700</u>	<u>11,732,009</u>	<u>31,052,915</u>	<u>19,320,906</u>	<u>164.69%</u>
Total Revenues	<u>61,572,378</u>	<u>58,330,078</u>	<u>74,520,331</u>	<u>16,190,253</u>	<u>27.76%</u>
Operating Expenses					
Purchased Water	674,020	674,020	683,441	(9,421)	-1.40%
Field Administration	1,020,479	1,020,479	880,837	139,642	13.68%
Pumping Plant and Wells	1,525,050	1,525,050	1,078,772	446,278	29.26%
Water Treatment	6,037,991	6,037,991	4,778,758	1,259,233	20.86%
Electrical Operations	1,342,133	1,648,972	1,648,972	-	0.00%
Transmission & Distribution:					
Treated Water	3,453,697	3,453,697	2,562,810	890,887	25.80%
Raw Water	4,987,417	4,987,417	3,611,480	1,375,937	27.59%
Customer Service & Collections	3,968,845	3,986,845	3,404,118	582,727	14.62%
Repairs & Maintenance	1,125,383	1,848,030	1,848,032	(2)	0.00%
Recreation	369,386	344,558	344,558	-	0.00%
Automotive & Equipment	857,976	857,976	910,010	(52,034)	-6.06%
Engineering	1,949,808	1,955,922	2,172,488	(216,566)	-11.07%
General & Administration	9,713,995	9,274,369	8,920,594	353,775	3.81%
Depreciation	6,819,874	7,319,559	21,772,382	(14,452,823)	-197.45%
Total Operating Expenses (3)	<u>43,846,054</u>	<u>44,934,885</u>	<u>54,617,252</u>	<u>(9,682,367)</u>	<u>-21.55%</u>
Non-Operating Expenses					
Interest Expense	4,994,725	4,991,850	4,405,532	586,318	11.75%
Amortization of Bond Issue Cost	576,455	576,455	466,476	109,979	19.08%
Total Non-Operating Expenses	<u>5,571,180</u>	<u>5,568,305</u>	<u>4,872,008</u>	<u>696,297</u>	<u>12.50%</u>
Total Expenses	<u>49,417,234</u>	<u>50,503,190</u>	<u>59,489,260</u>	<u>(8,986,070)</u>	<u>-17.79%</u>
Capital Contributions	-	-	5,712,459	5,712,459	100.00%
CHANGE IN NET ASSETS	<u>\$ 12,155,144</u>	<u>7,826,888</u>	<u>20,743,530</u>	<u>12,916,642</u>	<u>165.03%</u>

(1) In 2011, 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 adjustment on investments.

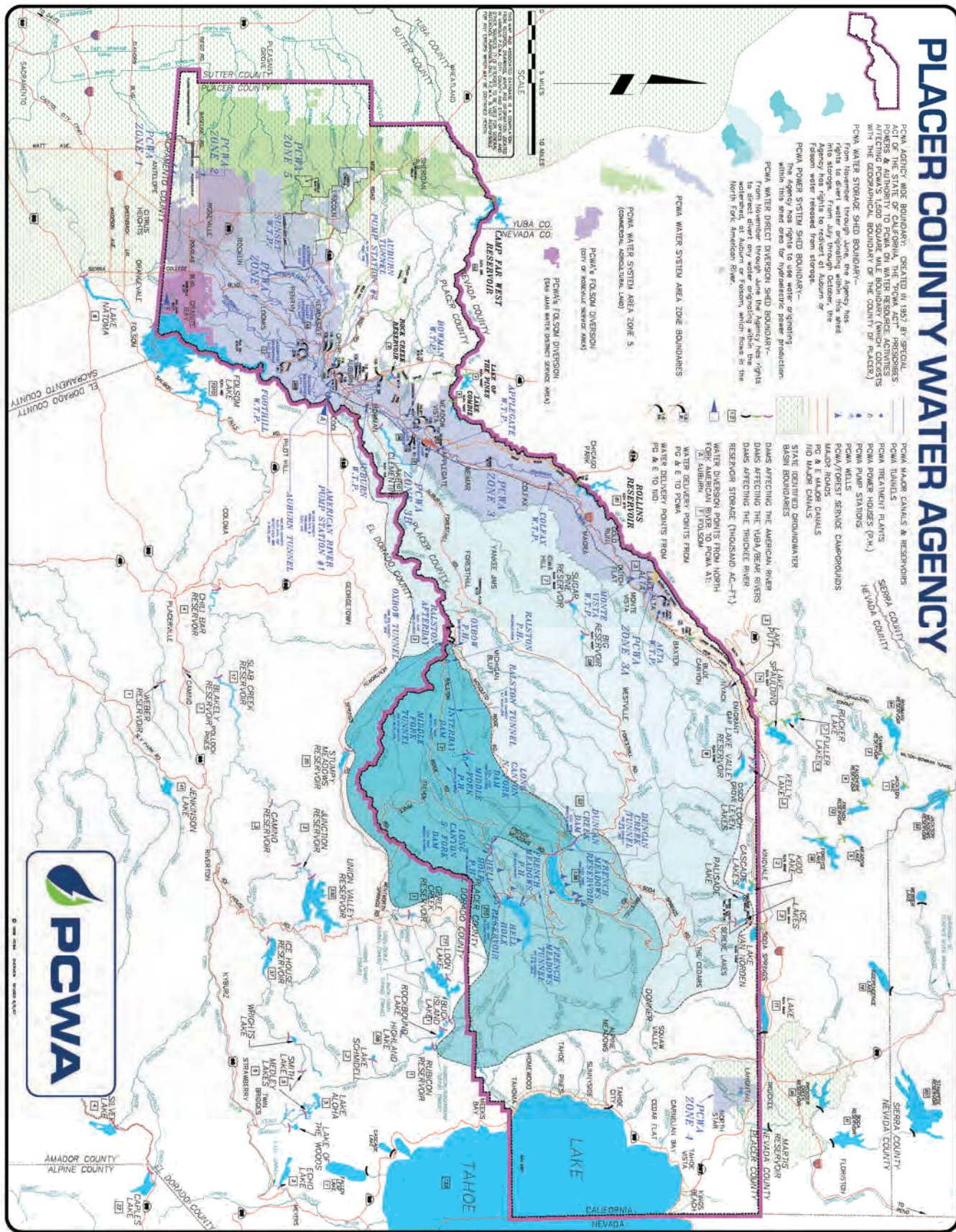
(3) The operating expense variance is primarily a result from under budgeting for depreciation.

PLACER COUNTY WATER AGENCY
Adjusted Budget
For the Last Ten Years (2002-2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues										
Water Sales	\$ 15,511,740	18,225,850	20,040,000	25,100,000	27,000,000	27,738,991	30,668,200	34,799,800	35,121,350	33,544,200
Power Sales	12,000,000	13,428,336	15,000,000	16,500,000	26,944,696	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765
Reimbursements	46,200	60,108	59,200	61,000	63,000	68,000	57,877	60,192	62,600	65,104
Engineering Charges	537,150	655,949	720,000	720,000	900,000	1,140,000	800,000	980,000	565,000	415,000
Customer Service Charges	138,560	170,409	320,000	320,000	400,000	400,100	502,400	502,500	730,000	731,000
Other Revenue	4,800	35,500	-	10,000	10,050	10,000	5,000	5,000	5,000	5,000
Total Operating Revenues	28,238,450	32,576,152	36,139,200	42,711,000	55,317,746	60,541,153	49,593,739	49,369,070	49,902,210	46,598,069
Non-Operating Revenues										
Water Connection Charge	5,500,000	5,500,000	6,500,000	10,000,000	12,000,000	4,500,000	2,200,000	2,100,000	250,000	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	8,638,000	8,800,000
Mandated Costs Charge	1,620,000	1,730,000	2,137,000	2,492,000	3,400,000	3,568,000	4,035,000	-	-	-
Raw Water Surcharge	240,000	220,000	245,000	246,500	330,000	401,708	219,123	250,000	250,000	250,000
Contributions in Aid of Construction	225,350	250,000	250,000	250,000	400,000	400,000	415,000	220,000	55,000	55,000
Water Sales	-	-	-	-	-	-	-	-	-	-
Costs Recovered from Other Agencies	-	-	-	-	-	-	20,000	-	-	-
Interest Earnings	6,000	1,418,000	1,246,000	1,540,000	3,370,000	3,405,100	3,458,636	3,400,000	2,100,000	1,500,000
Property Taxes	(8,100)	724,000	896,000	685,000	770,023	705,000	820,000	800,000	646,200	646,200
Assessments	25,000	49,000	25,000	7,000	-	5,000	-	-	-	-
Gain on Disposal of Assets	-	-	-	-	5,000	-	-	4,000	-	(111,442)
Program Grant Revenue	447,500	1,033,160	1,200,000	400,000	-	15,000	324,657	150,000	90,000	50,000
Other Income	45,000	34,000	108,300	8,000	10,050	70,050	7,047	(40,581)	32,984	442,251
Total Non-Operating Revenues	8,124,650	11,584,160	13,637,300	18,528,500	24,585,073	19,885,858	19,589,463	15,318,419	12,062,184	11,732,009
Total Revenues	36,363,100	44,160,312	49,776,500	61,239,500	79,902,819	80,427,011	69,183,202	64,687,489	61,964,394	58,330,078
Operating Expenses										
Purchased Water	483,020	425,000	299,000	516,832	676,000	759,400	716,400	755,736	779,420	674,020
Field Administration	596,683	721,488	694,050	822,802	807,418	805,746	1,351,731	927,861	1,066,761	1,020,479
Pumping Plant & Wells	167,570	985,043	210,000	799,093	869,978	945,500	1,299,251	1,135,089	1,458,055	1,525,050
Water Treatment	2,997,731	3,312,483	3,823,742	4,002,131	4,459,958	4,892,242	5,161,004	6,073,764	5,926,022	6,037,991
Electrical Operations	-	253,756	1,683,876	1,008,079	1,009,587	1,475,462	1,597,990	1,652,677	1,474,836	1,648,972
Transmission & Distribution										
Treated Water	1,264,682	1,771,876	1,975,633	1,865,739	2,399,000	3,052,034	2,556,169	3,151,279	3,185,861	3,453,697
Raw Water	1,638,555	1,795,174	2,377,895	2,660,206	2,566,812	4,912,303	4,743,270	5,385,657	5,155,241	4,987,417
Customer Service & Collections	1,160,497	1,206,878	904,171	922,331	963,212	3,246,272	3,587,304	3,949,522	4,186,362	3,986,845
Repairs & Maintenance	-	-	835,185	450,872	429,734	1,461,988	5,764,760	1,731,400	1,669,017	1,848,030
Safety	442,110	505,234	573,732	637,849	694,539	-	-	-	-	-
Recreation	-	-	336,672	-	-	229,359	189,849	187,501	424,186	344,558
Automotive & Equipment	473,576	651,178	796,156	710,215	662,707	729,512	808,487	824,000	898,973	857,976
Engineering	1,821,354	1,778,777	1,530,024	2,011,148	2,085,327	2,586,574	2,585,903	2,582,338	2,113,416	1,955,922
General & Administration	10,603,084	5,390,221	7,692,268	6,794,652	7,419,700	5,293,659	9,157,199	9,652,711	8,882,245	9,274,369
Depreciation	6,700,200	4,740,800	6,900,600	9,850,000	4,335,559	6,110,000	6,635,466	7,421,649	7,654,200	7,319,559
Total Operating Expenses	28,349,062	23,537,908	30,633,004	33,051,949	29,379,531	36,500,051	46,154,783	45,431,184	44,874,595	44,934,885
Non-Operating Expenses										
Interest Expense	4,921,500	1,749,906	1,568,000	4,203,601	3,998,706	3,420,435	3,000,305	4,529,486	5,161,375	4,991,850
Amortization of Bond Issue Cost	8,800	9,000	170,000	92,000	70,000	77,135	-	-	25,615	576,455
Amortization of Bond Premium/Discount	-	-	-	275,000	275,000	-	16,819	9,221	-	-
Other	87,000	44,000	53,000	65,000	100,000	-	-	-	-	-
Total Non-Operating Expenses	5,017,300	1,802,906	1,791,000	4,635,601	4,444,206	3,497,570	3,017,124	4,538,707	5,186,990	5,568,305
Total Expenses	33,366,362	25,340,814	32,424,004	37,687,550	33,823,737	39,997,621	49,171,907	49,969,891	50,061,585	50,503,190
NET INCOME (LOSS)	\$ 2,996,738	18,819,498	17,352,496	23,551,950	46,079,082	40,429,390	20,011,295	14,717,598	11,902,809	7,826,888

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

PLACER COUNTY WATER AGENCY



Placer County Water Agency

144 Ferguson Road
Auburn, CA 95603

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