

# Placer County Water Agency

Auburn, CA



**PCWA**

water • energy • stewardship



## Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2012

# Comprehensive Annual Financial Report

For the Year Ended December 31, 2012



Placer County Water Agency  
Auburn, California  
[www.pcwa.net](http://www.pcwa.net)

Prepared by the Department of Financial Services

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## 2012 Comprehensive Annual Financial Report

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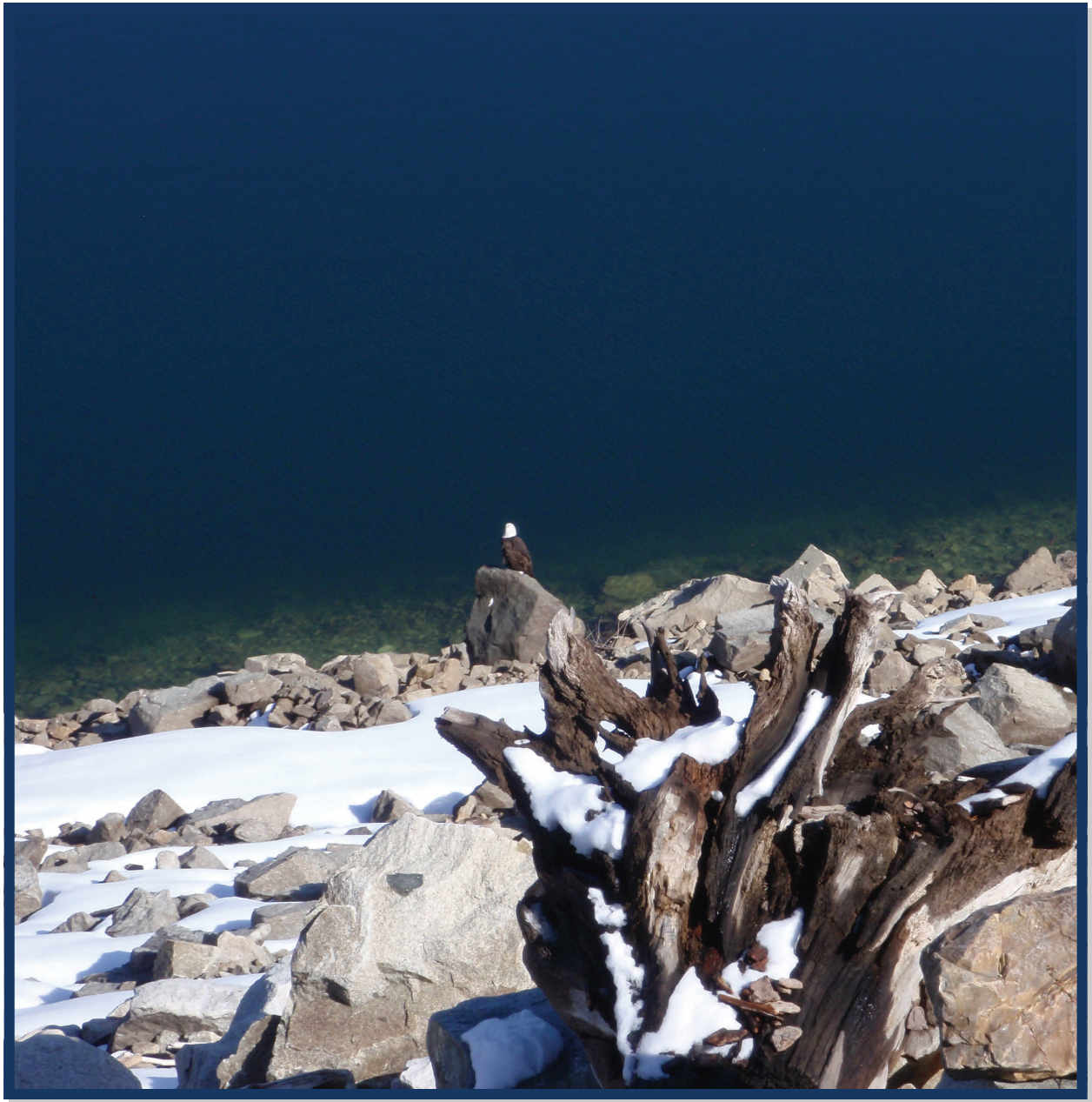
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# Introductory Section

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**French Meadows Reservoir**



PLACER COUNTY WATER AGENCY  
SINCE 1957  
BOARD OF DIRECTORS      BUSINESS CENTER  
Gray Allen, District 1      144 Ferguson Road  
Alex Ferreira, District 2      MAIL  
Mike Lee, District 3      P.O. Box 6570  
Robert Dugan, District 4      Auburn, CA 95604  
Joshua Alpine, District 5      PHONE  
530.823.4850  
David Breninger, General Manager      800.464.0030  
Ed Tiedemann, General Counsel      WWW.PCWA.NET

April 5, 2013

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, 2012. 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, 2012. 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 198 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, and to PCWA Western Water System. 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. The 1963 revenue bonds which funded the construction of the MFP were approved by a vote of the people of Placer County in 1961 and repaid on January 1, 2013. 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, 224 megawatts that averages 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. 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. The 1963 contract expires on May 1, 2013. In 2012, the Agency successfully negotiated a new power sale contract with PG&E for a 56-month term, beginning on May 1, 2013. The Agency will have various new responsibilities associated with this agreement and actively prepared for this transition through the hiring of new positions and training.

### ***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, 32 water tanks and 602 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 85% 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 to 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 in 2013. 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 contract entitlement 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 35,000 AF of water from the United States Bureau of Reclamation's Central Valley Project

PCWA has long-term surface water supply contracts to sell the City of Roseville up to 10,000 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***

The Agency reached an agreement with participating stakeholders (such as state and federal agencies) on new license conditions for the Middle Fork Project (MFP) power operations. While a new long-term license is being processed, the Federal Energy Regulatory Commission has issued the Agency annual operating licenses to continue to operate and maintain the project under existing terms and conditions.

In addition, the Agency successfully negotiated a new power sale contract with PG&E for a 56-month term, beginning on May 1, 2013. The Agency will have various new responsibilities associated with this agreement and actively prepared for this transition through the hiring of new positions and training.

Staff also developed a strategic plan to extend the time allowed to continue to increase the use of the Agency's water rights on the American River. The extension of these rights is critical as the County's water needs increase with expected future growth. This plan includes assessing alternatives such as a Sacramento River diversion facility and an expanded American River Pump Station.

Strategic Affairs staff continued to track legislative and regulatory issues related to the Bay-Delta plan that may affect Placer County's development of water supplies. There is significant uncertainty associated with the management and restoration of the Delta ecosystem and how these factors will impact water agencies such as PCWA.

The Agency's Engineering Department completed substantial work on the \$18.8 million Ophir Road Pipelines project. This project consists of three major pipelines to convey irrigation and treated water to Agency customers from the American River.

Staff continued its annual efforts to repair and replace Agency flumes and pipelines to ensure the long-term reliability of water delivery to PCWA customers.

In 2012, the Agency took action to enhance its public outreach. Agency staff produced a Water Wise House Call video for the Agency's YouTube site and conducted approximately 350 Water Wise House Calls and 60 Water Wise Business Calls.

## **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 recent recession slowed development considerably. This situation turned in 2012 when development activity began to slowly increase. For example, the Agency's Water Connection Charge revenues, charges to connect to new water service, increased from \$0.4 million in 2010 and 11 to \$1.6 million in 2012.

In the last decade the County has experienced an overall population growth of approximately 30%, making it one of the fastest growing counties in California over the past decade. However, growth has slowed in recent years as the Placer County population increased by only 1.4% from 2011 to 2012.

The long-term forecast for the County's growth is steady. The population is expected to reach 371,000 by 2015 and 391,000 by 2020. The 2020 figure represents an 8.4% increase over the current population of 360,680.

The County's unemployment is 8.6% at December 2012, which is lower than the State total of 9.7%.

### ***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 had a phased in increase each year from 2002 – 2009.

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 2012, 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.

In the coming year, Agency staff will be working closely with PG&E to ensure the County’s water needs continue to be met through the Drum-Spaulding Water Supply. PG&E is in the process of obtaining a new operating license for this facility and there will likely be a minor reduction in the amount of water available to PCWA and increased costs. The Agency will work to advocate for the water needs of Placer County and keep the budget and any potential rate impacts manageable. PCWA will also work with other water supply interests in the Yuba River watershed to protect the water resources from diversions for endangered species.

The Agency’s Power department will be implementing a number of new procedures in accordance with Federal Energy Regulatory Compliance. These procedures will include a procedure based maintenance management system to manage workflow, record maintenance history, and ultimately, comply with NERC Reliability Standards. New department record keeping processes and standard operating procedures will also be incorporated.

The Technical Service department will manage several new projects in 2013. These projects include a generator replacement and raw water screen at the Bowman Water Treatment Plant, a replacement of the Hayford Flume and new pipelines at Sunset Boulevard and Whitney Boulevard. The Martis Valley Groundwater Management Plan in the Eastern Water System will also transition into implementation in the upcoming year. Finally, water quality and plant maintenance operations will continue in accordance with the Agency’s responsibility to maintain and preserve water facilities and infrastructure.

## **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.

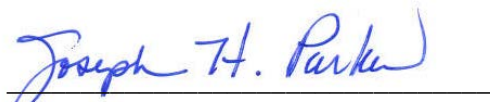
#### ***Awards and Acknowledgements***

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, 2011. 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,



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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, 2011

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.



*Christopher P. Moynell*

President

*Jeffrey R. Emer*

Executive Director

# Placer County Water Agency

December 31, 2012

## **Board of Directors**

---

District 1, Chair	Gray Allen
District 5, Vice Chair	Joshua Alpine
District 2	Alex Ferreira
District 3	Mike Lee
District 4	Robert Dugan

## **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**

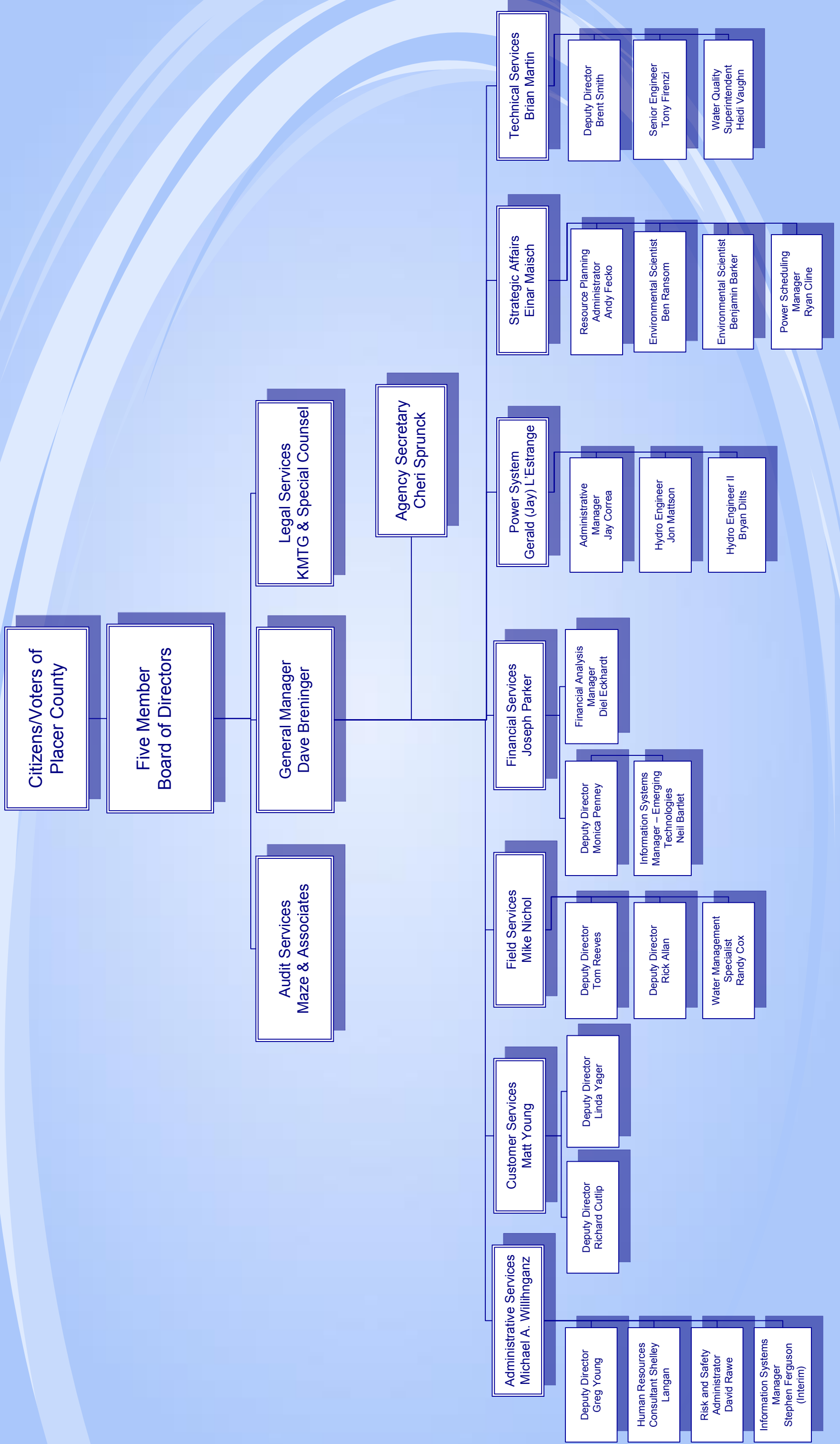
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Prepared by the Placer County Water Agency  
Department of Financial Services

Director of Financial Services	Joseph Parker, CPA
Deputy Director of Financial Services	Monica Penney
Financial Analysis Manager	Diel Eckhardt
Financial Analyst	Dane Wadlé



# Placer County Water Agency Organizational Structure



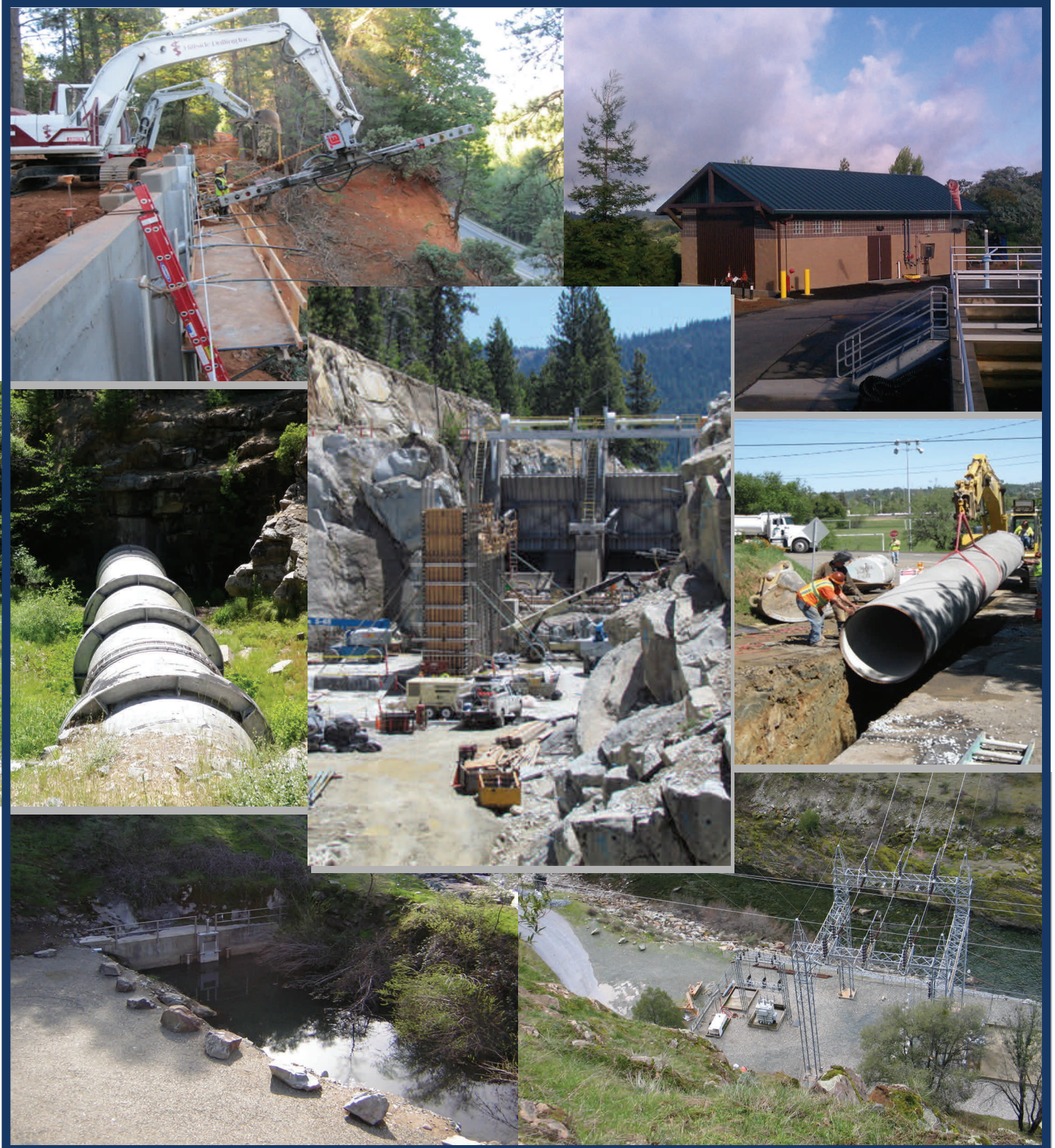
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# Financial Section

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## INDEPENDENT AUDITOR'S REPORT

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

### *Report on Financial Statements*

We have audited the accompanying financial statements of the Placer County Water Agency (Agency) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2012, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matters*

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 63-*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective during the year ended December 31, 2012 and required certain title changes to the Statement of Net Position and Statement of Changes in Net Position. See Note 1 to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinion.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements as a whole. The Introductory Section, Combining Financial Statements, Statistical Section and Supplemental Schedules as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Combining Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, Statistical Section and Supplemental Schedules 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency’s internal control over financial reporting and compliance.



Pleasant Hill, California  
March 8, 2013

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# **PLACER COUNTY WATER AGENCY**

## **Management's Discussion and Analysis**

December 31, 2012

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, 2012. 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 stewardship 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. In 2012, the Agency successfully negotiated a new power sale contract with PG&E for a 56-month term, beginning on May 1, 2013.

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

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, 32 water tanks, and 602 miles of treated water pipelines. The treated water is supplied to residential, commercial, industrial, and other governmental users in the cities and surrounding areas of Auburn, Colfax, Loomis, Rocklin, portions of Roseville and various unincorporated areas of Placer County. Agency treated water is also sold wholesale to the City of Lincoln and others who retail it directly to their customers. The Agency also utilizes ground water for customers in a few unincorporated areas of Placer County.

### 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 Position (Balance Sheet)* presents information on the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 Position* 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 position* 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 position 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.

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

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

### ***Notes to Basic Financial Statements***

The Notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The Notes to Basic Financial Statements can be found on pages 23 through 54 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 57 of this report. Other supplemental information can be found on pages 58 through 63 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 position and the statement of revenues, expenses and changes in net position present financial information regarding the Agency's activities in a manner to answer that question. These two statements report the Agency's net position and the changes resulting from the year's activity. You can think of the Agency's net position—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 position 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 2012***

- At December 31, 2012, the Agency's total assets exceeded total liabilities by \$672 million (net position), which is an increase of \$4.3 million or 0.6% over the 2011 year-end balance.
- Capital assets (net) increased \$10.7 million or 1.7% to \$630 million.
- Operating revenue increased \$4.1 million or 9.5% to \$47.6 million.
- Operating expense increased \$5.2 million or 9.6% to \$59.9 million.
- Other income (expense) decreased \$12.9 million or 49% from \$26.2 million to \$13.4 million.
- Capital contributions decreased \$2.5 million or 43%.

### ***Financial Position***

The Agency's net position increased by \$4.3 million to \$672 million (*see Table 1 on the following page*), which is a result of liabilities decreasing \$7.7 million and assets decreasing by \$3.4 million.

**PLACER COUNTY WATER AGENCY**

Management's Discussion and Analysis

December 31, 2012

The highlights of the \$4.3 million increase in net assets are as follows:

- Current assets decreased \$11.3 million and non-current assets decreased \$2.8 million, which is primarily the result of payment of debt service from restricted Water Connection Charge cash and increased use of cash to fund capital improvement projects.
- Capital assets increased \$10.7 million from current year construction and capital contributions.
- Liabilities decreased \$7.7 million from current year debt service payments.

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

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Current Assets	\$ 57,660	68,973	(11,313)	-16%
Non-Current Assets	94,858	97,608	(2,750)	-3%
Capital Assets	<u>630,311</u>	<u>619,641</u>	<u>10,670</u>	<u>2%</u>
Total Assets and Deferred Outflows	<u><u>782,829</u></u>	<u><u>786,222</u></u>	<u><u>(3,393)</u></u>	<u><u>0%</u></u>
Current Liabilities	17,971	21,009	(3,038)	-14%
Non-Current Liabilities	<u>92,535</u>	<u>97,225</u>	<u>(4,690)</u>	<u>-5%</u>
Total Liabilities and Deferred Inflows	<u><u>110,506</u></u>	<u><u>118,234</u></u>	<u><u>(7,728)</u></u>	<u><u>-7%</u></u>
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	533,307	517,953	15,354	3%
Restricted	44,634	44,318	316	1%
Unrestricted	<u>94,382</u>	<u>105,717</u>	<u>(11,335)</u>	<u>-11%</u>
Total Net Position	<u><u>672,323</u></u>	<u><u>667,988</u></u>	<u><u>4,335</u></u>	<u><u>1%</u></u>
Total Liabilities and Net Position	<u><u>\$ 782,829</u></u>	<u><u>786,222</u></u>	<u><u>(3,393)</u></u>	<u><u>0%</u></u>

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

### *Results of Operations*

The Agency's 2012 total operating revenue of \$47.6 million was an increase of \$4.1 million compared to the 2011 amount (*see Table 2 on the following page*). The total operating expense increased \$5.2 million resulting in a net decrease to operating income of \$1.1 million. Overall, the Agency's change in net position for the year, including capital contributions, decreased by \$16.4 million compared to the 2011 change in net position. The major components of this decrease are as follows:

- Operating revenue increased by \$4.1 million or 9% to \$47.6 million. 2012 operating revenue at the fund level changed as follows: Agency Wide decreased \$0.3 million, Water Division increased \$2.6 million and Power Division increased \$1.8 million. The increase in Water Division revenues reflects weather effects on water revenue, namely higher consumption due to lower precipitation and warmer summer temperatures. Power Division revenues increased by \$1.8 million or 16% as a result of higher expenses hence increased reimbursement from PG&E for increased non-routine maintenance and additions and betterments.
- Operating expense increased by \$5.2 million or 10% to \$59.9 million. 2012 operating expense at the fund level changed from prior year as follows: Agency Wide increased \$0.7 million, Water Division increased \$4.4 million and Power Division increased \$0.06 million. The increase in Water Division expense is driven by increased expenses for infrastructure repair and maintenance projects and increased costs of operations, such as electricity and chemicals. The increase in Agency Wide Division expense is primarily driven by an increase in information systems services costs.
- Non-operating revenue (net of non-operating expense) decreased by \$12.9 million or 49% to \$13.4 million. This decrease resulted from a \$13.4 million decrease in costs recovered from other agencies. In prior years, the Agency was reimbursed for significant expenditures related to the L.L. Anderson Spillway Modification project and the Middle Fork Relicensing project. These projects did not have the same level of reimbursable expenses in 2012. These factors, along with a \$0.2 million increase in out of county water sales, account for the variance.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled \$3.2 million, which was comprised of various developer's agreement contributions.

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

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

**Table 2**  
**Changes in Net Position**  
**(In thousands)**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Agency Wide	\$ 850	1,143	(293)	-26%
Power Division	13,686	11,838	1,848	16%
Water Division	33,052	30,486	2,566	8%
Total Operating Revenues	<u>47,588</u>	<u>43,467</u>	<u>4,121</u>	<u>9%</u>
Operating Expenses:				
Water Treatment	5,460	4,779	681	14%
Electrical Operations	1,751	1,649	102	6%
Transmission & Distribution of Treated Water	3,250	2,563	687	27%
Transmission & Distribution of Raw Water	4,719	3,611	1,108	31%
Customer Service and Collections	3,486	3,404	82	2%
Repairs and Maintenance	1,639	1,848	(209)	-11%
Engineering	2,764	2,172	592	27%
General and Administrative	9,691	8,921	770	9%
Depreciation	22,663	21,772	891	4%
Other	4,427	3,898	529	14%
Total Operating Expenses	<u>59,850</u>	<u>54,617</u>	<u>5,233</u>	<u>10%</u>
Net Operating Income (Loss)	<u>(12,262)</u>	<u>(11,150)</u>	<u>(1,112)</u>	<u>10%</u>
Non-Operating Revenue:				
Water Connection Charge	1,648	400	1,248	312%
Renewal and Replacement Charges	9,218	9,083	135	1%
Costs Recovered from Other Agencies	4,427	17,902	(13,475)	-75%
Interest Earnings	1,132	1,643	(511)	-31%
Other	1,554	2,026	(472)	-23%
Total Non-Operating Revenue	<u>17,979</u>	<u>31,054</u>	<u>(13,075)</u>	<u>-42%</u>
Non-Operating Expense:				
Interest Expense	4,137	4,406	(269)	-6%
Amortization Expense	486	466	20	4%
Total Non-Operating Expense	<u>4,623</u>	<u>4,872</u>	<u>(249)</u>	<u>-5%</u>
Income Before Capital Contributions	1,094	15,032	(13,938)	-93%
Capital Contributions	3,241	5,712	(2,471)	-43%
Change in Net Position	4,335	20,744	(16,409)	-79%
Beginning Net Position	667,988	647,244	20,744	3%
Ending Net Position	<u>\$ 672,323</u>	<u>667,988</u>	<u>4,335</u>	<u>1%</u>

**PLACER COUNTY WATER AGENCY**

Management’s Discussion and Analysis

December 31, 2012

***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 2012 Budget and Actual, non-operating revenue’s positive variance is primarily due to costs recovered from other agencies such as the Middle Fork Project (MFP) Finance Authority. Reimbursements from the MFP Finance Authority for relicensing project related efforts are capitalizable, not expended. The non-operating variance is also because of additional water connection charge revenue received. The operating expense variance is primarily a result of the budgeted depreciation being substantially less than the actual depreciation. The Agency’s designation policy establishes the funding of depreciation up to 100% of the year’s actual depreciation expense. However, based on budget constraints, the 2012 budget included only a 28% depreciation funding level.

**Table 3**  
**2012 Amended Budget and Actual**  
**(In thousands)**

	<b>2012 Amended Budget</b>	<b>2012 Actual</b>	<b>Variance</b>
Revenue:			
Operating:			
Agency Wide	\$ 1,068	850	(218)
Power Division	13,686	13,686	-
Water Division	35,185	33,052	(2,133)
Subtotal	49,939	47,588	(2,351)
Non-Operating	11,361	17,979	6,618
Total Revenue	61,300	65,567	4,267
Expense:			
Operating:			
Agency Wide	1,070	1,144	(74)
Power Division	7,190	7,190	-
Water Division	28,509	28,853	(344)
Depreciation	8,642	22,663	(14,021)
Subtotal	45,411	59,850	(14,439)
Non-Operating Interest and Debt Expense	4,614	4,623	(9)
Total Expense	50,025	64,473	(14,448)
Income Before Capital Contributions	11,275	1,094	(10,181)
Capital Contributions (Not Budgeted)	-	3,241	3,241
Change in Net Position	\$ 11,275	4,335	(6,940)

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

### CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

The largest portion of the Agency's net position, 79% or \$533 million represents investment in capital assets necessary to provide existing and expanding services. The year's increase of 1% in total net position is consistent with the Agency's capital investment program, as an additional \$10.7 million was capitalized to capital assets this year.

At the end of 2012, the Agency had invested \$630 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 2012 and 2011 as follows:

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

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Land	\$ 13,693	13,418	275	2%
Utility Plant	645,009	627,078	17,931	3%
Other Property and Equipment	93,452	86,253	7,199	8%
Preliminary Survey	413	400	13	3%
Construction in Progress	110,704	103,142	7,562	7%
Subtotal	863,271	830,291	32,980	4%
Less Accumulated Depreciation	232,959	210,650	22,309	11%
Total Capital Assets	<u>\$ 630,312</u>	<u>619,641</u>	<u>10,671</u>	<u>2%</u>

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

#### Agency Wide

LL Anderson Spillway Modifications	1,112
Middle Fork Project Relicensing	956
American River Water Rights Extension	721

#### Power

Big Meadows Well Rehabilitation	397
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#### Water

Ophir Pipelines Project	10,401
Auburn Tunnel Outlet Modifications	2,164
Electric Street Tank	1,780
Zone 3 Water Treatment Plan Improvements	1,569

**Total** \$ 19,100

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

The schedule below presents the Agency's 2013 Capital Investment Program (CIP) budget totaling \$22.3 million, reflecting a decrease in the Water Division capital budget from 2012 and an increase in the Power Division capital budget.

Capital Investment Program Budget (In thousands)	
Agency Wide	\$ 3,258
Water Division	12,405
Power Division	<u>6,727</u>
Total	<u>\$ 22,390</u>

### LONG-TERM DEBT

At December 31, 2012, the Agency had total long-term debt outstanding of \$100.3 million excluding the \$4.4 million in compensated absences payable. The outstanding amount decreased \$5 million during the year primarily because of the following:

- The retirement of \$2.6 million of Certificates of Participation.
- The retirement of \$2.7 million in bonds payable.
- The addition of \$0.3 million in 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, 2012. Table 5 presents the Western Water System's debt coverage ratio and exhibits both 2012 and 2011 ratios being greater than the 1.20 times debt covenant requirement.

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

	<u>2012</u>	<u>2011</u>
Net Water Revenue, Excluding Depreciation	\$ 16,556	\$ 17,104
Debt Service on Certificates and Other Parity Debt	7,686	7,693
Debt Coverage Ratio	2.15	2.22

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2012

At December 31, 2012 the Agency had outstanding certificates of participation stemming primarily from water system expansion projects (water connection charge 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)**

	<b>Debt Balance *</b>	<b>Average Coupon Rate</b>
Certificates of Participation	\$ 78,720	4.4%
Bonds Payable	2,425	3.6%
Loans Payable	19,092	2.3%
Total	<u>\$ 100,237</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. The report can also be found on the Agency's website at [www.pcwa.net](http://www.pcwa.net).

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PLACER COUNTY WATER AGENCY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2012

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	27,370,364
Restricted Cash and Cash Equivalents		9,121,826
Restricted Cash and Cash Equivalents with Fiscal Agents		12,196,690
Water Service Receivable, Net		5,694,567
Accounts Receivable		677,103
Interest Receivable		314,693
Taxes Receivable		627,903
Materials and Supplies		981,043
Prepaid Expenses		<u>675,937</u>

Total Current Assets		<u>57,660,126</u>
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Non-Current Assets:

Investments		68,588,891
Restricted Investments		23,891,925
Notes Receivable		52,478
Assessments Receivable		29,978
Unamortized Bond Issuance Costs		2,294,259
Capital Assets, Net		<u>630,311,171</u>

Total Non-Current Assets		<u>725,168,702</u>
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Total Assets and Deferred Outflows		<u>782,828,828</u>
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(Continued)

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2012

LIABILITIES

Current Liabilities:

Accounts Payable	\$	4,264,286
Accrued Salaries and Benefits		1,325,045
Interest Payable		1,910,104
Current Portion of Long-Term Liabilities		6,073,160
Deposits		1,389,312
Other Current Liabilities		212,824
Compensated Absences Payable, Current Portion		2,796,098

Total Current Liabilities		<u>17,970,829</u>
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Non-Current Liabilities:

Bonds and Certificates of Participation, Net		72,794,222
Loans Payable		18,137,176
Improvement District Debt		22,797
Unearned Revenue		3,952
Compensated Absences Payable		1,577,111

Total Non-Current Liabilities		<u>92,535,258</u>
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Total Liabilities and Deferred Inflows		<u>110,506,087</u>
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NET POSITION

Net Investment in Capital Assets		533,306,613
Restricted:		
Water System Expansion		37,686,928
Other		6,946,926
Unrestricted		94,382,274

Total Net Position	\$	<u><u>672,322,741</u></u>
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See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUES	
Water Sales	\$ 32,709,967
Power Sales	13,686,081
Reimbursements	73,108
Engineering Charges	395,443
Customer Service Charges	686,420
Other Revenue	<u>36,969</u>
 Total Operating Revenues	 <u>47,587,988</u>
OPERATING EXPENSES	
Purchased Water	622,157
Field Administration	955,572
Pumping Plants and Wells	1,532,769
Water Treatment	5,460,773
Electrical Operations	1,751,049
Transmission and Distribution of Treated Water	3,249,731
Transmission and Distribution of Raw Water	4,718,531
Customer Service and Collections	3,485,741
Repairs and Maintenance	1,639,482
Recreation	450,799
Automotive and Equipment	865,766
Engineering	2,763,911
General and Administrative	9,690,578
Depreciation	<u>22,663,483</u>
 Total Operating Expenses	 <u>59,850,342</u>
 Operating Income (Loss)	 <u>(12,262,354)</u>

(Continued)

See accompanying notes to the financial statements

PLACER COUNTY WATER AGENCY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

NON-OPERATING REVENUES (EXPENSES)	
Water Connection Charges	\$ 1,647,974
Renewal and Replacement Charges	9,217,860
Mandated Costs Charges	2,967
Raw Water Surcharges	281,205
Costs Recovered From Other Agencies	4,427,360
Interest Earnings	1,132,295
Property Taxes	661,155
Assessments	1,394
Water Sales	200,000
Gain (Loss) on Disposal of Assets	12,190
Program Grant Revenue	88,096
Interest Expense	(4,137,102)
Amortization of Bond Issue Costs	(486,004)
Other Income	307,011
	<hr/>
Total Non-Operating Revenues	13,356,401
	<hr/>
Net Income Before Capital Contributions	1,094,047
	<hr/>
Capital Contributions	3,240,922
	<hr/>
Increase in Net Position	4,334,969
	<hr/>
Net Position, Beginning of Year	667,987,772
	<hr/>
Net Position, End of Year	<u>\$ 672,322,741</u>

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 46,449,817
Cash Received (Paid) from Other	507,011
Cash Paid to Suppliers for Goods and Services	(15,839,058)
Cash Paid to Employees for Services	(23,276,776)
	<u>7,840,994</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Taxes, Assessments and Other Income	666,316
Costs Recovered from Other Agencies	4,427,360
Program Grant Revenue	88,096
	<u>5,181,772</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(30,093,213)
Proceeds from Debt Issuance	1,259,537
Principal Payment on Debt	(5,950,887)
Interest Payment on Debt	(4,526,585)
Mandated Costs Charges	2,967
Water Connection Charges	1,647,974
Raw Water Surcharges	281,205
Renewal and Replacement Charges	9,217,860
	<u>(28,161,142)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of Investments	(41,220,000)
Proceeds from Sale/Maturity of Investments	43,710,122
Investment Income	1,199,177
	<u>3,689,299</u>
Net Cash Flows from Investing Activities	<u>3,689,299</u>
Net Cash Flows	(11,449,077)
Cash and Cash Equivalents at Beginning of Year	<u>60,137,957</u>
Cash and Cash Equivalents at End of Year	<u>\$ 48,688,880</u>

(Continued)

See accompanying notes to the financial statements

PLACER COUNTY WATER AGENCY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

Reconciliation of Operating Loss	
To Cash Flows from Operating Activities	
Operating Loss	<u>\$ (12,262,354)</u>
Adjustments to Reconcile Operating Income (Loss) to Cash	
Flows from Operating Activities	
Depreciation	22,663,483
Gain from Disposal of Capital Assets	12,190
Other Non-Operating Income	507,011
Changed in:	
Accounts and Water Service Receivable	(573,760)
Materials and Supplies	(10,117)
Prepaid Expenses	377,260
Notes Receivable & Assessments Receivable	51,865
Accounts Payable and Other Liabilities	(2,299,643)
Unearned Revenues	(52,947)
Salaries and Benefits Payable	(8,665)
Deposits	<u>(563,329)</u>
Total Adjustments	<u>20,103,348</u>
Net Cash Flows from Operating Activities	<u><u>\$ 7,840,994</u></u>
Reconciliation to Statement of Net Position:	
Cash and Cash Equivalents	\$ 27,370,364
Restricted Cash and Cash Equivalents	9,121,826
Restricted Cash and Cash Equivalents with Fiscal Agent	<u>12,196,690</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u><u>\$ 48,688,880</u></u>
Supplemental Schedule of Noncash	
Capital and Financing Activities:	
Noncash Capital Contributions	\$ 3,240,922
Change in Fair Value of Investments	1,001,462

See accompanying notes to the financial statements

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# PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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## 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 in 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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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 deferred outflows of resources and liabilities and deferred inflows of resources associated with operations are included on the statement of net position, 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.

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

- ***Net Investment in Capital Assets*** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and deferred outflows of resources; 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 Position*** – This component of net position consists of constraints placed on net position 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

For the Year Ended December 31, 2012

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

**Statement of Revenues, Expenses and Changes in Net Position** – The statement of revenues, expenses and changes in net position 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 \$234,121 in allowance for doubtful accounts as of December 31, 2012.

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 water 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

For the Year Ended December 31, 2012

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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 2012, 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. Unearned Revenue***

Unearned revenue as of December 31, 2012, consists of the following: 1) Refinancing interest and fees on special assessments and associated assessments of the Improvement District No. 36 (Highway 174) of \$3,952.

***K. Compensated Absences***

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable as of December 31, 2012 are included in 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

For the Year Ended December 31, 2012

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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, 2012, the Agency's property tax revenue totaled \$661,155.

### ***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

For the Year Ended December 31, 2012

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**2. Cash and Investments**

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and Cash Equivalents	\$ 27,370,364
Restricted Cash and Cash Equivalents	9,121,826
Restricted Cash and Cash Equivalents with Fiscal Agents	12,196,690
Investments	68,588,891
Restricted Investments	23,891,925
Total	<u>\$ 141,169,696</u>

Cash and investments as of December 31, 2012 consist of the following:

Cash on Hand	\$ 2,300
Deposits with Financial Institutions	11,588,111
Investments	129,579,285
Total	<u>\$ 141,169,696</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service and cash held at third party fiscal agent as of December 31, 2012 are as follows:

Power Division:

Trust Accounts Reserve – Restricted for trust accounts	\$ 4,617,970
Middle Fork Project Revenue Bonds, Series A Debt Reserve – Restricted for Series A debt service	231,469
Total Power	<u>4,849,439</u>

Water Division:

Held with Fiscal Agent	
2003 COP Debt Reserve – Restricted for 2003 COP debt service	1,962,582
2007 COP Debt Reserve – Restricted for 2007 COP debt service	673,492
2008 COP Debt Reserve – Restricted for 2008 COP debt service	4,270,239
Auburn Water Treatment Plant Debt Reserve – Restricted for Auburn Water Treatment Plant debt service	438,308
Trust Accounts Reserve – Restricted by agreements for trust accounts	2,630
Total Held with Fiscal Agent	<u>7,347,251</u>

Held at the Agency

King/Delmar Debt Reserve – Restricted for King/Delmar debt service	10,758
Applegate Debt – Restricted for Applegate debt service	17,442
Dutch Flat Terrace Debt – Restricted for Dutchflat Terrace debt service	2,715
Alta/Monte Vista (SWTR) Debt – Restricted for Alta/Monte Vista debt service	25,809
County Service Area 29 – Restricted for Zone 5 improvements debt service	138,737
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline debt service	174,730
Sunset Ranchos – Restricted for Regional Water Use Efficiency program debt service	3,665
ID No. 36 – Highway 174 – Restricted for Highway 174 debt service	7,455
Total Held at the Agency	<u>381,311</u>
Total Water	<u>7,728,562</u>

Total	\$ <u>12,578,001</u>
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PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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Cash and Investments Restricted for Contractor Retention

At December 31, 2012 the Agency had \$903,318 of contractor retentions 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

For the Year Ended December 31, 2012

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**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 Program	None	up to 100%	No limit

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

**Interest Rate Risk**

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

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

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's year-end investments by maturity:

Investment Type	Fair Value	Remaining Maturity				
		12 Months Or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
U.S. Government Agencies:						
FFCB	\$ 23,887,152	3,013,080	3,029,160	6,051,870		11,793,042
FHLB	25,490,155	12,061,320	4,445,215		5,987,910	2,995,710
FMAC	13,967,918		4,967,318	3,003,720	2,995,140	3,001,740
PEFCO	9,177,886	3,893,067	3,532,208		1,752,611	
TVA	5,141,259	1,086,947		4,054,312		
Medium Term Notes	9,246,270	3,005,370	6,240,900			
County Treasurer	15,686,711	15,686,711				
CA State Municipalities	5,779,282	3,740,542	2,038,740			
LAIF	9,005,962	9,005,962				
Subtotal	117,382,595	51,492,999	24,253,541	13,109,902	10,735,661	17,790,492
Fiscal Agent Accounts:						
Money Market Funds	12,196,690	12,196,690				
Total Investments	\$ 129,579,285	63,689,689	24,253,541	13,109,902	10,735,661	17,790,492

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

For the Year Ended December 31, 2012

**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, 2012 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
			Aaa/AAAm	Aa2, Aa3	A1/MIG1	
U.S. Government Agencies:						
FFCB	\$ 23,887,152	N/A	23,887,152			
FHLB	25,490,155	N/A	25,490,155			
FMAC	13,967,918	N/A				13,967,918
PEFCO	9,177,886	N/A	9,177,886			
TVA	5,141,259	N/A	5,141,259			
Medium Term Notes	9,246,270	Aa	6,240,900	3,005,370		
County Treasurer	15,686,711	N/A				15,686,711
CA State Municipalities	5,779,282	N/A		1,972,412	3,806,870	
LAIF	9,005,962	N/A				9,005,962
Held by bond trustee:						
Money Market Funds	12,196,690	*	12,196,690			
<b>Total</b>	<b>\$ 129,579,285</b>		<b>\$ 82,134,042</b>	<b>4,977,782</b>	<b>3,806,870</b>	<b>38,660,591</b>

\* 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

For the Year Ended December 31, 2012

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<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government Agencies:		
Federal Home Loan Bank	Federal agency securities	\$ 25,490,155
Federal Farm Credit Bank	Federal agency securities	23,887,152
Farmer Mortgage Corporation	Federal agency securities	13,967,918
Private Export Funding Corporation	Federal agency securities	9,177,886

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 \$21,537,902 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 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

For the Year Ended December 31, 2012

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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 \$9,005,962 at December 31, 2012.

Included in the LAIF's investment portfolio at December 31, 2012, 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, 2012, the amount invested by all public agencies in the LAIF totaled \$63,196,977,710, which includes structured notes totaling \$.4 billion (.6%) and asset-backed securities totaling \$.782 billion (1.2%). At December 31, 2012, the LAIF investments mature in an average of 208 days.

### **Investment in Placer County Treasury Pool**

The Placer County Treasurer-Tax Collector maintains an investment pool in a special fund through which local agencies within the county may pool investments. The investment pool is named the (Placer County Treasurer's Investment Portfolio Fund.) The Agency is a participant in the Placer County Treasurer's Investment Portfolio Fund that is regulated by the California State and Federal Laws and Regulations and under the oversight of the Treasurer's Review Panel. The Treasurer's Review Panel consists of four members as designated by Placer County Treasurer's Statement of Investment Policy.

The Agency reports its investment in the Placer County Treasurer's Investment Portfolio Fund at the fair value provided by the Placer County Treasurer-Tax Collector, 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 Placer County Treasurer's Investment Portfolio Fund, which amounted to \$15,686,711 at December 31, 2012.

The investment of money on deposit in the Placer County Treasurer's Investment Portfolio Fund is limited to those investments specified by California Government Code Section 53601 and 53635. Included in the Placer County Treasurer's Investment Portfolio Fund at December 31, 2012, are securities issued by federal agencies, structured notes, and floating rate securities issued by federal agencies, government-sponsored enterprises, US Treasury Notes and Bills and corporations. At December 31, 2012, the amount invested by all public agencies in the Placer County Treasurer's Investment Portfolio Fund totaled \$1,069,590,236, which includes Federal Agency Coupons totaling \$320 million (29.9%) and corporate medium term notes totaling \$263 million (24.6%). At December 31, 2012, the average days to maturity was 1,297 days.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

**3. Summary of Capital Assets**

The following is a summary of capital assets as of December 31, 2012:

	<u>Balance 01/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Balance 12/31/12</u>
<b>Agency Wide</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,054,187				4,054,187
Construction Projects	59,533,222	5,225,209		(29,839)	64,728,592
Total Capital Assets, Not Being Depreciated	<u>63,587,409</u>	<u>5,225,209</u>		<u>(29,839)</u>	<u>68,782,779</u>
Capital Assets, Being Depreciated:					
Utility Plant	2,683,872				2,683,872
Other property and equipment	7,382,094	171,028	(28,484)	29,839	7,554,477
Total Capital Assets, Being Depreciated:	<u>10,065,966</u>	<u>171,028</u>	<u>(28,484)</u>	<u>29,839</u>	<u>10,238,349</u>
Less accumulated depreciation for:					
Utility Plant	(1,316,185)	(66,128)			(1,382,313)
Other property and equipment	(1,386,131)	(411,136)	26,836		(1,770,431)
Total accumulated depreciation	<u>(2,702,316)</u>	<u>(477,264)</u>	<u>26,836</u>		<u>(3,152,744)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,363,650</u>	<u>(306,237)</u>	<u>(1,648)</u>	<u>29,839</u>	<u>7,085,604</u>
Total Capital Assets - Agency Wide	<u>70,951,059</u>	<u>4,918,972</u>	<u>(1,648)</u>		<u>75,868,383</u>
<b>Power Division</b>					
Capital Assets, Not Being Depreciated:					
Preliminary Survey		12,500			12,500
Construction Projects	4,925,505	1,620,601		(1,864,340)	4,681,766
Total Capital Assets, Not Being Depreciated	<u>4,925,505</u>	<u>1,633,101</u>		<u>(1,864,340)</u>	<u>4,694,266</u>
Capital Assets, Being Depreciated:					
Utility Plant	176,606,833	416,093		1,081,723	178,104,649
Other property and equipment	4,557,066	484,455		796,880	5,838,401
Total Capital Assets, Being Depreciated	<u>181,163,899</u>	<u>900,548</u>		<u>1,878,603</u>	<u>183,943,050</u>
Less accumulated depreciation for:					
Utility Plant	(72,596,638)	(2,761,301)			(75,357,939)
Other property and equipment	(2,574,001)	(527,362)		(9,865)	(3,111,228)
Total accumulated depreciation	<u>(75,170,639)</u>	<u>(3,288,663)</u>		<u>(9,865)</u>	<u>(78,469,167)</u>
Total Capital Assets, Being Depreciated, Net	<u>105,993,260</u>	<u>(2,388,115)</u>		<u>1,868,738</u>	<u>105,473,883</u>
Total Capital Assets - Power Division, Net	<u>110,918,765</u>	<u>(755,014)</u>		<u>4,398</u>	<u>110,168,149</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

	<u>Balance 01/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Balance 12/31/12</u>
<b>Water Division</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 9,363,457	142,190		133,360	9,639,007
Preliminary Survey	399,718				399,718
Construction Projects	<u>38,683,821</u>	<u>20,909,001</u>		<u>(18,299,750)</u>	<u>41,293,072</u>
Total Capital Assets, Not Being Depreciated	<u>48,446,996</u>	<u>21,051,191</u>		<u>(18,166,390)</u>	<u>51,331,797</u>
Capital Assets, Being Depreciated:					
Utility Plant	447,787,003	3,657,279		12,775,377	464,219,659
Other property and equipment	<u>74,314,114</u>	<u>697,427</u>	<u>(328,479)</u>	5,376,750	<u>80,059,812</u>
Total Capital Assets, Being Depreciated:	<u>522,101,117</u>	<u>4,354,706</u>	<u>(328,479)</u>	<u>18,152,127</u>	<u>544,279,471</u>
Less accumulated depreciation for:					
Utility Plant	(108,386,589)	(13,635,254)			(122,021,843)
Other property and equipment	<u>(24,390,829)</u>	<u>(5,262,302)</u>	328,479	9,865	<u>(29,314,787)</u>
Total accumulated depreciation	<u>(132,777,418)</u>	<u>(18,897,556)</u>	<u>328,479</u>	<u>9,865</u>	<u>(151,336,630)</u>
Total Capital Assets, Being Depreciated, Net	<u>389,323,699</u>	<u>(14,542,850)</u>		<u>18,161,992</u>	<u>392,942,842</u>
Total Capital Assets - Water Division, Net	<u>437,770,695</u>	<u>6,508,342</u>		<u>(4,398)</u>	<u>444,274,639</u>
Total Capital Assets, Net	<u>\$619,640,519</u>	<u>10,672,300</u>	<u>(1,648)</u>		<u>630,311,171</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

**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, 2012 including interest rates and maturities are as follows:

<u>Description</u>	<u>Fiscal year issued</u>	<u>Interest rates</u>	<u>Year of final maturity</u>	<u>Balance at December 31, 2012</u>
Certificates of Participation:				
2003 Certificates	2003	2.0% - 5.0%	2023	9,885,000
2007 Certificates	2007	4.0% - 4.25%	2037	30,570,000
2008 Certificates	2008	3.0% - 4.75%	2029	<u>38,265,000</u>
Certificates outstanding				<u>78,720,000</u>
Bonds Payable:				
Middle Fork Project Revenue Bonds, Series A	1963	3.5% - 3.75%	2013	<u>2,425,000</u>
Loans Payable:				
US EDA Community Emergency Drought Loans	1977	5.00%	2017	67,817
California Department of Water Resources Loans:				
Dutch Flat Terrace	1990	3.37%	2015	5,608
Alta/Monte Vista (SWTR)	1995	2.95%	2016	141,738
King/Delmar	1996	3.03%	2022	167,525
Applegate	1997	3.03%	2023	325,505
California Department of Health Services Loan:				
Auburn Water Treatment Plant	2008	2.29%	2029	17,124,158
Electric Street Tank	2012	2.30%	2035	<u>1,259,537</u>
Loans outstanding				<u>19,091,888</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>28,916</u>
Improvement District debt outstanding				<u>31,245</u>
Subtotal debt outstanding				100,268,133
Compensated Absences				
Total				<u>4,373,209</u>
Less: Unamortized bond discounts and premiums				
Deferred amount on refunding				(550,598)
Total long-term debt				<u>(2,690,180)</u>
				<u><u>\$ 101,400,564</u></u>

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

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

The following is a summary of changes in long-term obligations for the year ended December 31, 2012:

	Balance 01/01/12	Additions	Retirements	Balance at 12/31/12	Amounts Due Within One Year
Certificates of Participation	\$ 81,290,000		2,570,000	78,720,000	2,685,000
Bonds Payable	5,155,000		2,730,000	2,425,000	2,425,000
Loans Payable	18,764,665	1,259,537	932,314	19,091,888	954,712
Improvement District Debt	37,196		5,951	31,245	8,448
Subtotal	<u>105,246,861</u>	<u>1,259,537</u>	<u>6,238,265</u>	<u>100,268,133</u>	<u>6,073,160</u>
Compensated Absences	4,527,088	1,164,014	1,317,893	4,373,209	2,796,098
 Totals	 <u>\$ 109,773,949</u>	 <u>2,423,551</u>	 <u>7,556,158</u>	 <u>104,641,342</u>	 <u>8,869,258</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 2003, 2007 and 2008 Certificates and other parity debt.

**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.

**2007 Certificates**

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

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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### 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 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%.

### 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.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

The following calculation indicates the Agency's compliance with these criteria for the year ended December 31, 2012.

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

	<u>2012</u>
1. <u>Annual Debt Service Coverage</u>	
Net Water Revenues excluding Depreciation	\$ 16,556,036
Debt Service on Certificates and Other Parity Debt	\$ 7,686,422
Debt Service Coverage	2.15
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation as Adjusted by Water Purchases	\$ 17,178,193
Obligation Service	\$ 8,836,422
Obligation Service Coverage	1.94
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Required	\$ 4,573,607
Actual Trustee Reserve Balance	\$ 5,148,141
Reserve Requirement Coverage	1.13

**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 a contract with the United States Economic Development Administration under the Community Emergency Drought Relief Act of 1977 for a loan in the amount of \$310,000 for the construction of a water transmission line and other items referred to as the "Nevada Street Project." Principal and interest are payable from Water System revenue.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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### *California Department of Water Resources Loan – Dutch Flat Terrace*

In 1990, the Agency entered into an agreement with the California 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 California 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 California 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 California 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 California 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.

### *California Department of Health Services Loan – Electric Street Tank*

In 2012, the Agency entered into a loan agreement with the California Department of Health Services in an amount not to exceed \$7,801,000. The purpose of the loan was to finance the upgrades to the Electric Street Water Tank and surrounding facilities. As of December 31, 2012 the Agency had expended and submitted \$1,259,537 as a loan draw. The principal and interest are payable from Water System revenue.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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### **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, 2012:

#### *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, 2012 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, 2012 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

For the Year Ended December 31, 2012

**Debt Service Requirements**

As of December 31, 2012, annual debt service requirements (excluding 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
2013	\$ 2,685,000	3,516,740	2,425,000		954,712	409,734	8,448	761
2014	2,785,000	3,409,340			977,615	386,831	6,290	590
2015	2,890,000	3,296,078			1,155,739	453,200	6,466	414
2016	3,020,000	3,177,571			1,335,787	513,655	6,647	234
2017	3,145,000	3,052,746			1,327,718	482,049	3,394	47
2018-2022	17,765,000	13,154,924			5,799,687	1,435,146		
2023-2027	22,335,000	8,800,581			5,704,422	575,320		
2028-2032	15,070,000	3,598,963			1,836,208	42,251		
2033-2037	9,025,000	1,253,925						
	<u>\$78,720,000</u>	<u>43,260,868</u>	<u>2,425,000</u>		<u>19,091,888</u>	<u>4,298,186</u>	<u>31,245</u>	<u>2,046</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, 2012, totaling \$145.8 million as follows:

- Senior obligations with remaining debt service totaling \$16.1 million for the Middle Fork Project Revenue Bonds, Series A, 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 \$109 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 \$20.7 million for the US EDA Community Emergency Drought loans and the California Department of Health Services loan, which is scheduled to be repaid in 2035.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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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 year 2012, Water Fund Revenues including operating and non-operating revenues amounted to \$44.2 million and operating costs including operating expenses, but not interest, depreciation or amortizations, amounted to \$27.6 million represented coverage of 2.15 over the \$7.7 million in debt service, excluding the Series 'A' as they are paid from the power sales contract.

**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, 2012, are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2013	\$ 42,483
2014	18,405
2015	10,580
2016	8,700
2017	<u>2,836</u>
Total	<u>\$ 83,004</u>

Total costs of such leases were \$57,823 for the year ended December 31, 2012.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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**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 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 which ends on April 30, 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.

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 Position

	<u>Power Division</u>	<u>Water Division</u>
Assets:		
Current assets	\$ 6,865,706	46,808,266
Non-current assets	348,748	87,096,238
Capital assets, net	110,168,149	444,274,639
Total assets	<u>117,382,603</u>	<u>578,179,143</u>
Liabilities:		
Current liabilities	3,711,341	12,275,552
Non-current liabilities	5,297,380	91,995,714
Total liabilities	<u>9,008,721</u>	<u>104,271,266</u>
Net Position:		
Net investment in capital assets	107,743,149	349,695,081
Restricted	6,902,522	37,718,713
Unrestricted	(6,271,789)	86,494,083
Total net position	<u>\$ 108,373,882</u>	<u>\$ 473,907,877</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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

	<b>Power Division</b>	<b>Water Division</b>
Operating Revenue:		
Water Sales	\$	31,930,042
Power Sales	13,686,081	
Customer Service Charges		686,420
Other Revenue		435,806
Total operating revenue	<u>13,686,081</u>	<u>33,052,268</u>
Operating Expense:		
Water Treatment		5,460,773
Electrical Operations	1,751,049	
Transmission & Distribution of Treated Water		3,249,731
Transmission & Distribution of Raw Water		4,718,531
Customer Service and Collections		3,485,741
Repairs and Maintenance	1,639,482	
Engineering	40,325	2,723,586
General and Administrative	3,307,877	5,238,352
Depreciation	3,288,663	18,897,556
Other	450,799	3,976,264
Total operating expense	<u>10,478,195</u>	<u>47,750,534</u>
Net operating income (loss)	3,207,886	(14,698,266)
Non-operating revenue		
Water Connection Charges		1,647,974
Renewal & Replacement Charges		9,217,860
Mandated Costs Charges		2,967
Interest Earnings	19,300	996,884
Other	40,773	612,062
Total non-operating revenue	<u>60,073</u>	<u>12,477,747</u>
Non-operating expense		
Interest Expense	96,348	4,040,754
Amortization Expense		486,004
Total non-operating expense	<u>96,348</u>	<u>4,526,758</u>
Income before capital contributions	3,171,611	(6,747,277)
Capital contributions		3,240,922
Transfer In/(out)	(1,200,000)	1,725,000
Change in net position	1,971,611	(1,781,355)
Beginning Net Position	<u>106,402,271</u>	<u>475,689,232</u>
Ending Net Position	<u>\$ 108,373,882</u>	<u>473,907,877</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

Condensed Statement of Cash Flows

	<u>Power Division</u>	<u>Water Division</u>
Net cash provided (used) by:		
Operating activities	\$ 5,257,429	3,256,893
Noncapital financing activities	(226,451)	1,814,490
Capital and related financing activities	(5,416,828)	(17,349,725)
Investing activities	924,295	3,923,934
Net increase (decrease)	538,445	(8,354,408)
Beginning cash and cash equivalents	6,069,143	47,495,906
Ending cash and cash equivalents	<u>\$ 6,607,588</u>	<u>39,141,498</u>

**6. Restricted Net Position**

As of December 31, 2012, the Agency, including improvement districts, had the following restrictions to net position:

**Agency Wide Division:**

<u>IRS Section 125</u> – Reserve for employees Section 125 account	\$ <u>12,619</u>
Total Agency Wide	<u>12,619</u>

**Power Division:**

<u>Cash and Investments with Fiscal Agent</u> – Restricted for Debt Service	4,849,439
<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	<u>2,053,083</u>
Total Power	<u>6,902,522</u>

**Water Division:**

<u>Cash and Investments held by Agency and with Fiscal Agent</u> – Restricted for Debt Service	7,728,562
<u>Water Connection Charges</u> – Restricted for water system expansion Improvement Districts	29,958,366
	<u>31,785</u>
Total Water	<u>37,718,713</u>
Total All Fund – Restricted Net Position	\$ <u>44,633,854</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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>2012 Contributions</u>
January 1, 2012 – June 30, 2012	19.486%	\$ 1,653,501
July 1, 2012 – December 31, 2012	19.420%	1,987,274
		<u>\$ 3,640,775</u>

The required contributions for 2012 were determined as part of the June 30, 2010 and June 30, 2011 actuarial valuations of the plans.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

A summary of principal assumptions and methods used to determine the Annual Required Contribution for the periods ending December 31, 2012 is shown below:

Valuation Dates	June 30, 2011 and 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	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.2% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% 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>
12/31/2010	\$ 2,935,096	100%	\$ -
12/31/2011	3,262,834	100%	-
12/31/2012	3,640,775	100%	-

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

Funded Status

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

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]
6/30/2011	\$ 81,664	\$ 60,491	\$ 21,173	74.1%	\$ 12,413	170.6%

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 \$5,000,000. 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, 2012, 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.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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### 9. Joint Powers

#### **American River Authority**

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

In 2012, the Agency’s dues for 2011 – 2012 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 2012, the Agency received reimbursement for relicensing and related expenses from the MFPFA totaling \$4,107,511. Cumulative reimbursements received for relicensing and related expenses from the MFPFA total \$56,916,167. Complete audited financial statements are available at the Agency’s finance office.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

**10. Construction Commitments**

At December 31, 2012 the Agency had ongoing construction commitments that totaled approximately \$14.7 million.

**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, 2012 was \$13,973. The Agency also provides health care benefits to its retirees through PERS. The cost to the Agency in the year ended December 31, 2012 was \$483,305.

In 2012, 83 retirees received post retirement benefits ranging from \$278.50 to \$771.30 (PEMHCA cap) per month.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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During fiscal year 2008, the Agency implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). As part of the implementation, the Agency elected to participate in an irrevocable trust to provide a funding mechanism for the OPEB and to apply the provisions of the statement on a prospective basis. The Trust, California Employers' Retiree Benefit Trust (CERBT), is administrated by CalPERS and managed by a separately appointed board which is not under the control of the Agency Board. CERBT is not considered a component unit by the Agency and has been excluded from these financial statements. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB 43 disclosure information in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS website at [www.calpers.ca.gov](http://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 June 30, 2011 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) 7.25% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3% health inflation increases and healthcare costs will increase by 9.0% for Non-Medicare retirees and 9.4% for Medicare retirees in 2013. 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.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

**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, 2012, the Agency contributed the ARC to the Plan as presented below:

	<u>Total</u>
Annual required contribution (ARC) and	
Annual OPEB cost	\$ 1,899,000
Contributions made:	
Agency portion of current year premiums paid	497,278
Prefunding Contributions to CERBT	<u>1,369,568</u>
Total contributions	<u>1,866,846</u>
Contributions less than the ARC	32,154
Net OPEB Obligation at December 31, 2011	-
Net OPEB Obligation at December 31, 2012	<u>\$ 32,154</u>

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

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/2010	\$ 1,533,000	\$ 1,533,000	100%	\$ -
12/31/2011	1,583,000	1,583,000	100%	-
12/31/2012	1,899,000	1,866,846	98%	32,154

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

<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

Notes to Basic Financial Statements

For the Year Ended December 31, 2012

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## 12. Subsequent Events

### Water Supply Contract

Since 1963, PG&E has supplied the Agency via the Lake Spaulding Drum Canal with over 75% of the Agency's Western Water System water based on a June 18, 1968 Water Supply Contract that allows the Agency to take delivery of up to a maximum of 100,400 acre feet per year through May 1, 2013. Currently, the Agency is engaged in negotiations with PG&E for extension of the water supply contract, yet final resolution is not expected by May 1, 2013. Because this is a 50 year price reset, it is anticipated the new water supply contract will be substantially more costly to the Agency. In the absence of a new contract, the existing water supply contract would continue to be in effect.

### Power Purchase Agreement

Since commencing operations in 1967, the Agency's hydroelectric power has been wholesaled to PG&E under a 1963 power sales agreement that ends on April 30, 2013. In April 2012, the Agency entered into a new Power Purchase Agreement (PPA) with PG&E which becomes effective May 1, 2013. The new PPA expands the Agency's hydroelectric power responsibilities, risk and revenue. Currently, the new PPA is pending approval by the California Public Utilities Commission (CPUC). Hence, the Agency and PG&E have entered into an Interim PPA under the same terms of the April 2012 PPA in the event the California PUC has not approved the April 2012 PPA by May 1, 2013.

**PLACER COUNTY WATER AGENCY**

Required Supplemental Information

**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]
6/30/2009	\$ 72,114	\$ 52,547	\$ 19,567	72.9%	\$ 12,653	154.7%
6/30/2010	75,988	56,209	19,779	74.0%	12,658	156.3%
6/30/2011	81,664	60,491	21,173	74.1%	12,413	170.6%

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.

(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%

PLACER COUNTY WATER AGENCY  
 COMBINING SCHEDULE OF NET POSITION  
 DECEMBER 31, 2012

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 2,780,725	1,640,099	22,949,540	27,370,364
Restricted Cash and Cash Equivalents	159,069	118,050	8,844,707	9,121,826
Restricted Cash and Cash Equivalents with Fiscal Agents		4,849,439	7,347,251	12,196,690
Water Service Receivable, Net			5,694,567	5,694,567
Accounts Receivable	40,204	36,546	600,353	677,103
Interest Receivable	27,437	3,625	283,631	314,693
Taxes Receivable	627,903			627,903
Materials and Supplies	12,863		968,180	981,043
Prepaid Expense	337,953	217,947	120,037	675,937
	<u>3,986,154</u>	<u>6,865,706</u>	<u>46,808,266</u>	<u>57,660,126</u>
<b>Total Current Assets</b>				
<b>Non-Current Assets:</b>				
Investments	7,412,545		61,176,346	68,588,891
Restricted Investments		348,748	23,543,177	23,891,925
Advanced to Other Funds	5,131,155			5,131,155
Notes Receivable			52,478	52,478
Assessments Receivable			29,978	29,978
Unamortized Bond Issuance Costs			2,294,259	2,294,259
Capital Assets, Net	75,868,383	110,168,149	444,274,639	630,311,171
	<u>88,412,083</u>	<u>110,516,897</u>	<u>531,370,877</u>	<u>730,299,857</u>
<b>Total Non-Current Assets</b>				
	<u>88,412,083</u>	<u>110,516,897</u>	<u>531,370,877</u>	<u>730,299,857</u>
<b>Total Assets and Deferred Outflows</b>	<u>92,398,237</u>	<u>117,382,603</u>	<u>578,179,143</u>	<u>787,959,983</u>

(Continued)

PLACER COUNTY WATER AGENCY  
 COMBINING SCHEDULE OF NET POSITION  
 DECEMBER 31, 2012

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,052,592	544,027	2,667,667	4,264,286
Accrued Salaries and Benefits	261,487	165,900	897,658	1,325,045
Interest Payable		45,469	1,864,635	1,910,104
Current Portion of Long-Term Liabilities		2,425,000	3,648,160	6,073,160
Deposits		181,469	1,207,843	1,389,312
Other Current Liabilities	9,248	3,500	200,076	212,824
Compensated Absences Payable, Current Portion	660,609	345,976	1,789,513	2,796,098
Total Current Liabilities	1,983,936	3,711,341	12,275,552	17,970,829
Non-Current Liabilities:				
Bonds and Certificates of Participation, Net			72,794,222	72,794,222
Loans Payable			18,137,176	18,137,176
Improvement District Debt			22,797	22,797
Advance From Other Funds		5,131,155		5,131,155
Deferred Revenue			3,952	3,952
Compensated Absences Payable	373,319	166,225	1,037,567	1,577,111
Total Non-Current Liabilities	373,319	5,297,380	91,995,714	97,666,413
Total Liabilities and Deferred Inflows	2,357,255	9,008,721	104,271,266	115,637,242
<b>NET POSITION</b>				
Net Investment in Capital Assets	75,868,383	107,743,149	349,695,081	533,306,613
Restricted				
Water System Expansion			37,686,928	37,686,928
Other	12,619	6,902,522	31,785	6,946,926
Unrestricted	14,159,980	(6,271,789)	86,494,083	94,382,274
Total Net Position	\$ 90,040,982	108,373,882	473,907,877	672,322,741

PLACER COUNTY WATER AGENCY  
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Water Sales	\$ 779,925		31,930,042	32,709,967
Power Sales		13,686,081		13,686,081
Reimbursements	67,708		5,400	73,108
Engineering Charges			395,443	395,443
Customer Service Charges			686,420	686,420
Other Revenue	2,006		34,963	36,969
	<u>849,639</u>	<u>13,686,081</u>	<u>33,052,268</u>	<u>47,587,988</u>
<b>OPERATING EXPENSES</b>				
Purchased Water			622,157	622,157
Field Administration			955,572	955,572
Pumping Plants and Wells			1,532,769	1,532,769
Water Treatment			5,460,773	5,460,773
Electrical Operations		1,751,049		1,751,049
Transmission and Distribution of Treated Water			3,249,731	3,249,731
Transmission and Distribution of Raw Water			4,718,531	4,718,531
Customer Service and Collections			3,485,741	3,485,741
Repairs and Maintenance		1,639,482		1,639,482
Recreation		450,799		450,799
Automotive and Equipment Expenses			865,766	865,766
Engineering		40,325	2,723,586	2,763,911
General and Administrative	1,144,349	3,307,877	5,238,352	9,690,578
Depreciation	477,264	3,288,663	18,897,556	22,663,483
	<u>1,621,613</u>	<u>10,478,195</u>	<u>47,750,534</u>	<u>59,850,342</u>
Operating Income (Loss)	<u>(771,974)</u>	<u>3,207,886</u>	<u>(14,698,266)</u>	<u>(12,262,354)</u>

(Continued)

PLACER COUNTY WATER AGENCY  
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
NON-OPERATING REVENUES (EXPENSES)				
Water Connection Charges			1,647,974	1,647,974
Renewal and Replacement Charges			9,217,860	9,217,860
Mandated Costs Charges			2,967	2,967
Raw Water Surcharges			281,205	281,205
Costs Recovered From Other Agencies	4,359,037	68,323		4,427,360
Interest Earnings	116,111	19,300	996,884	1,132,295
Property Taxes	661,155			661,155
Assessments			1,394	1,394
Water Sales	200,000			200,000
Gain (Loss) on Disposal of Assets	(1,648)		13,838	12,190
Program Grant Revenue			88,096	88,096
Interest Expense		(96,348)	(4,040,754)	(4,137,102)
Amortization of Bond Issue Costs			(486,004)	(486,004)
Other	107,032	(27,550)	227,529	307,011
	<u>5,441,687</u>	<u>(36,275)</u>	<u>7,950,989</u>	<u>13,356,401</u>
Total Non-Operating Revenues (Expenses)				
Net Income Before Capital Contributions	4,669,713	3,171,611	(6,747,277)	1,094,047
Contributions and Transfers				
Capital Contributions			3,240,922	3,240,922
Transfers in			1,725,000	1,725,000
Transfers out	(525,000)	(1,200,000)		(1,725,000)
	<u>4,144,713</u>	<u>1,971,611</u>	<u>(1,781,355)</u>	<u>4,334,969</u>
Increase in Net Position				
Net Position, Beginning of Year	<u>85,896,269</u>	<u>106,402,271</u>	<u>475,689,232</u>	<u>667,987,772</u>
Net Position, End of Year	<u>\$ 90,040,982</u>	<u>108,373,882</u>	<u>473,907,877</u>	<u>672,322,741</u>

PLACER COUNTY WATER AGENCY  
 COMBINING SCHEDULE OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 809,435	13,142,249	32,498,133	46,449,817
Cash Received (Paid) from Other	307,032	(27,550)	227,529	507,011
Cash Paid to Suppliers for Goods and Services	(2,737,427)	(3,791,698)	(9,309,933)	(15,839,058)
Cash Paid to Employees for Services	(4,550,571)	(3,133,464)	(15,592,741)	(23,276,776)
Cash Received (Paid) for Service Level Support	<u>5,498,202</u>	<u>(932,108)</u>	<u>(4,566,094)</u>	
Net Cash Provided by Operating Activities	<u>(673,329)</u>	<u>5,257,429</u>	<u>3,256,894</u>	<u>7,840,994</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Taxes, Assessments and Other Income	664,922		1,394	666,316
Costs Recovered from Other Agencies	4,359,037	68,323		4,427,360
Program Grant Revenue			88,096	88,096
Transfers In			1,725,000	1,725,000
Transfers Out	(525,000)	(1,200,000)		(1,725,000)
Advances to/from Funds	<u>(905,226)</u>	<u>905,226</u>		
Net Cash Flows from Non-Capital Financing Activities	<u>3,593,733</u>	<u>(226,451)</u>	<u>1,814,490</u>	<u>5,181,772</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(5,394,588)	(2,538,047)	(22,160,578)	(30,093,213)
Proceeds from Debt Issuance			1,259,537	1,259,537
Principal Payment on Debt		(2,731,246)	(3,219,641)	(5,950,887)
Interest Payment on Debt		(147,535)	(4,379,050)	(4,526,585)
Mandated Costs Charges			2,967	2,967
Water Connection Charges			1,647,974	1,647,974
Raw Water Surcharges			281,205	281,205
Renewal and Replacement Charges			<u>9,217,860</u>	<u>9,217,860</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(5,394,588)</u>	<u>(5,416,828)</u>	<u>(17,349,726)</u>	<u>(28,161,142)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Investments	(3,380,040)	(1,937,340)	(35,902,620)	(41,220,000)
Proceeds from Sale/Maturity of Investments	2,098,129	2,837,887	38,774,106	43,710,122
Investment Income	<u>122,981</u>	<u>23,748</u>	<u>1,052,448</u>	<u>1,199,177</u>
Net Cash Flows from Investing Activities	<u>(1,158,930)</u>	<u>924,295</u>	<u>3,923,934</u>	<u>3,689,299</u>
Net Cash Flows	(3,633,114)	538,445	(8,354,408)	(11,449,077)
Cash and Cash Equivalents at Beginning of Year	<u>6,572,908</u>	<u>6,069,143</u>	<u>47,495,906</u>	<u>60,137,957</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,939,794</u>	<u>6,607,588</u>	<u>39,141,498</u>	<u>48,688,880</u>

(Continued)

PLACER COUNTY WATER AGENCY  
 COMBINING SCHEDULE OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Agency Wide	Power Division	Water Division	Total
Reconciliation of Operating Income (Loss) To Cash Flows From Operating Activities				
Operating Income (Loss)	\$ (771,974)	3,207,886	(14,698,266)	(12,262,354)
Adjustments to Reconcile Operating Income (Loss) to Cash Flows from Operating Activities				
Depreciation	477,264	3,288,663	18,897,556	22,663,483
Gain (Loss) of Disposal of Capital Assets	(1,648)		13,838	12,190
Other Non-Operating Income	307,032	(27,550)	227,529	507,011
Changed in:				
Accounts and Water Service Receivable	(40,204)	3,480	(537,036)	(573,760)
Material and Supplies	(12,863)		2,746	(10,117)
Prepaid Expenses	147,494	258,201	(28,435)	377,260
Notes Receivable & Assessments Receivable			51,865	51,865
Accounts Payable and Other Liabilities	(832,665)	(734,120)	(732,858)	(2,299,643)
Deferred Revenues			(52,947)	(52,947)
Salaries and Benefits Payable	54,235	(191,819)	128,919	(8,665)
Deposits		(547,312)	(16,017)	(563,329)
Total Adjustments	98,645	2,049,543	17,955,160	20,103,348
Net Cash Flows From Operating Activities	\$ (673,329)	5,257,429	3,256,894	7,840,994
Reconciliation to Statement of Net Position				
Cash and Cash Equivalents	\$ 2,780,725	1,640,099	22,949,540	27,370,364
Restricted Cash and Cash Equivalents	159,069	118,050	8,844,707	9,121,826
Restricted Cash and Cash Equivalents with Fiscal Agent		4,849,439	7,347,251	12,196,690
Total Cash and Cash Equivalents Reported on Balance Sheet	\$ 2,939,794	6,607,588	39,141,498	48,688,880
Supplemental Schedule of Noncash Capital and Financing Activities				
Noncash Capital Contributions	\$		3,240,922	3,240,922
Change in Fair Value of Investments	82,120	47,069	872,273	1,001,462

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# Statistical Information

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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.

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# Statistical Section Table of Contents

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain financial trend information for assessing PCWA’s financial performance and well-being over time .....	66-69
<b>Revenue Capacity</b> 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.....	70-77
<b>Debt Capacity</b> These schedules present information to assess the affordability of PCWA’s current levels of outstanding debt and ability to issue additional debt .....	78-79
<b>Demographic and Economic Information</b> These schedules provide information on the demographic and economic environment in which PCWA conducts business.....	80-81
<b>Operating Information</b> 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.....	82-83

\* 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 sales are based on the reimbursement of costs per the 1963 contract.

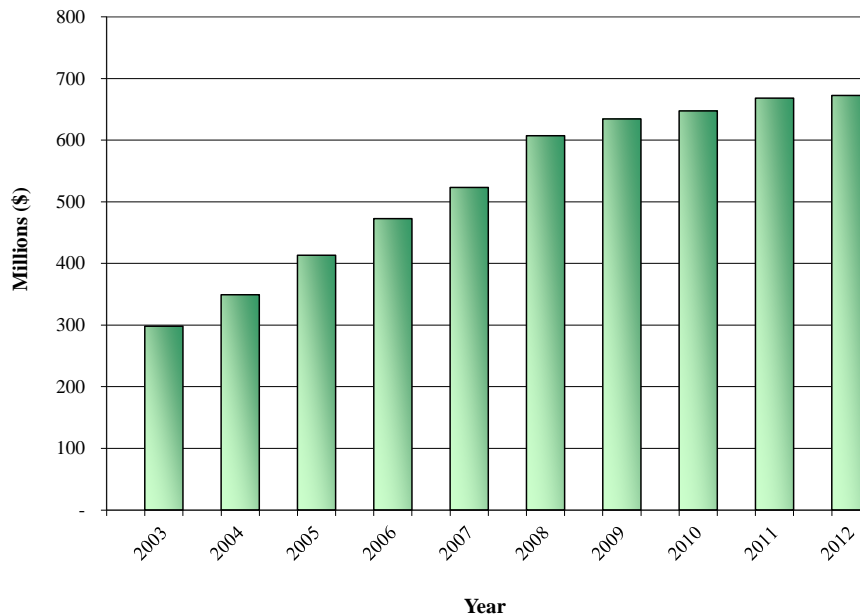
**PLACER COUNTY WATER AGENCY**  
**TABLE # 1**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Changes in Net Position:</b>										
Operating Revenues	\$ 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	47,587,988
Operating Expenses	(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)	(59,850,342)
Operating Income (Loss) (3)	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)	(12,262,354)
Non-Operating Revenues/(Expenses) (1)	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	13,356,401
Net Income Before Capital Contributions	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	1,094,047
Capital Contributions	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	3,240,922
<b>Change in Net Position</b>	<b>34,140,413</b>	<b>51,062,142</b>	<b>64,056,759</b>	<b>59,397,828</b>	<b>50,580,940</b>	<b>83,899,553</b>	<b>27,223,047</b>	<b>13,008,282</b>	<b>20,743,530</b>	<b>4,334,969</b>
<b>Net Position Beginning of Year</b>	<b>263,875,278</b>	<b>298,015,691</b>	<b>349,077,833</b>	<b>413,134,592</b>	<b>472,532,420</b>	<b>523,113,360</b>	<b>607,012,913</b>	<b>634,235,960</b>	<b>647,244,242</b>	<b>667,987,772</b>
<b>Net Position End of Year</b>	<b>298,015,691</b>	<b>349,077,833</b>	<b>413,134,592</b>	<b>472,532,420</b>	<b>523,113,360</b>	<b>607,012,913</b>	<b>634,235,960</b>	<b>647,244,242</b>	<b>667,987,772</b>	<b>672,322,741</b>
<b>Net Position by Component (2) :</b>										
Invested in Capital Assets, net of Related Debt	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	533,306,613
Restricted	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	44,633,854
Unrestricted	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	94,382,274
<b>Total Net Position</b>	<b>\$298,015,691</b>	<b>349,077,833</b>	<b>413,134,592</b>	<b>472,532,420</b>	<b>523,113,360</b>	<b>607,012,913</b>	<b>634,235,960</b>	<b>647,244,242</b>	<b>667,987,772</b>	<b>672,322,741</b>

- (1) Significant fluctuation in non-operating revenues (expenses) stems from the variance in Water Connection Charge payments for new connections to the Agency's treated water system, which is primarily based on housing demand. (See MD&A)
- (2) 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.
- (3) The decrease in 2012 operating income is attributable to an increase in operating revenue of \$4.1 million and a decrease in operating expense of \$5.2 million. The increase in operating revenue is primarily due to an increase of \$2.2 million in water sales revenue as a result of higher plant flows (i.e. higher flow to customers in 2012 due to lower precipitation and warmer summer temperatures) and an increase of \$1.8 million in Power Division revenue as a result of higher reimbursement from PG&E for additional non-routine maintenance and additions and betterments. The increase in operating expense is due to increased expenses for water treatment, pumping plants and wells, transmission and distribution of water and general and administrative expenses.

Source: Placer County Water Agency, Audited Financial Statements

**CHART #1**  
**Total Net Position**



**PLACER COUNTY WATER AGENCY**

**TABLE # 2**

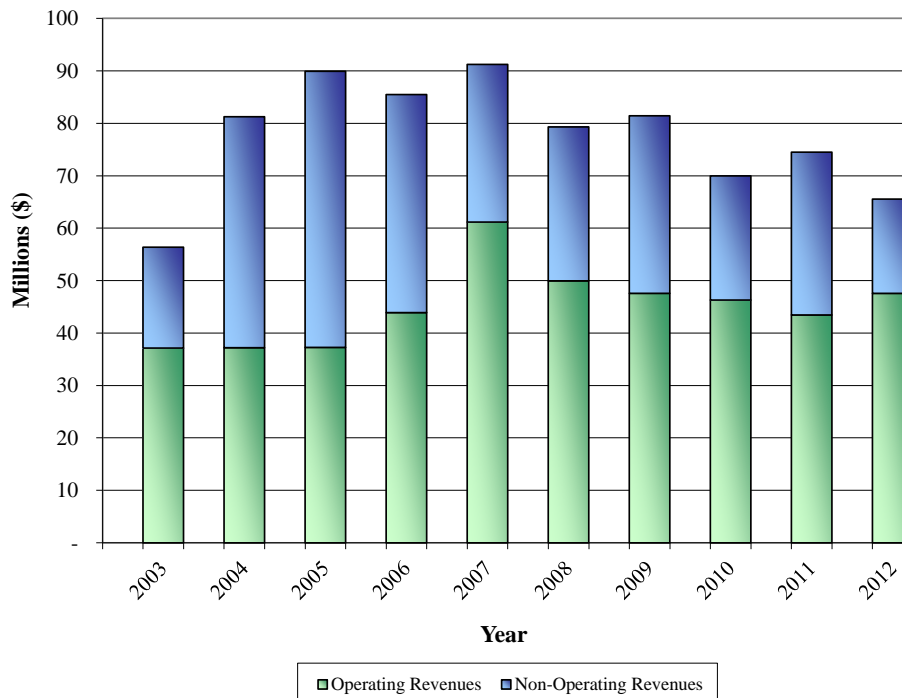
**Revenues by Source  
Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Operating Revenues</b>										
Water Sales	\$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	32,709,967
Power Sales (1)	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	13,686,081
Reimbursements	48,000	210,120	69,850	53,000	55,385	57,877	60,192	62,600	65,104	73,108
Engineering Charges	713,946	1,093,080	987,022	1,217,052	1,341,132	1,022,958	427,685	332,079	329,803	395,443
Customer Service Charges	307,570	407,998	426,171	408,207	559,654	694,941	720,659	729,211	693,154	686,420
Other	5,445	9,738	23,503	12,548	25,547	14,559	38,902	12,221	40,739	36,969
<b>Total Operating Revenues</b>	<b>37,150,954</b>	<b>37,221,751</b>	<b>37,280,185</b>	<b>43,916,496</b>	<b>61,183,246</b>	<b>49,973,848</b>	<b>47,593,508</b>	<b>46,308,484</b>	<b>43,467,416</b>	<b>47,587,988</b>
<b>Non-Operating Revenues</b>										
Water Connection Charge	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	1,647,974
Renewal & Replacement Charge	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	9,217,860
Mandated Costs Charge	2,034,980	2,204,297	2,675,635	3,067,699	3,476,813	3,866,668	267,334	3,101	2,826	2,967
Raw Water Surcharge	231,837	223,043	355,998	367,564	249,357	265,697	272,440	275,570	271,126	281,205
Water Sales	200,000	1,402,500	-	-	43,617	2,500,000	5,500,000	-	-	200,000
Costs Recovered from Other Agencies (2)	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	4,427,360
Interest Revenues	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	1,132,295
Property Taxes, Debt Service	664,888	549,773	314,073	90,554	11,047	-	-	-	-	-
Property Taxes	530,809	410,655	407,742	728,971	713,715	759,079	620,330	648,150	641,080	661,155
Amort. of Bond Premium (Discount)	13,947	12,736	-	-	(296,684)	-	-	-	-	-
Other (3)	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	408,691
<b>Total Non-Operating Revenues</b>	<b>19,242,397</b>	<b>44,056,129</b>	<b>52,666,691</b>	<b>41,591,876</b>	<b>30,074,849</b>	<b>29,357,222</b>	<b>33,865,513</b>	<b>23,684,036</b>	<b>31,052,915</b>	<b>17,979,507</b>
<b>Total Revenues (4)</b>	<b>\$56,393,351</b>	<b>81,277,880</b>	<b>89,946,876</b>	<b>85,508,372</b>	<b>91,258,095</b>	<b>79,331,070</b>	<b>81,459,021</b>	<b>69,992,520</b>	<b>74,520,331</b>	<b>65,567,495</b>

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

Source: Placer County Water Agency, Audited Financial Statements

**CHART #2  
Total Revenues**



**PLACER COUNTY WATER AGENCY**

**TABLE # 3**

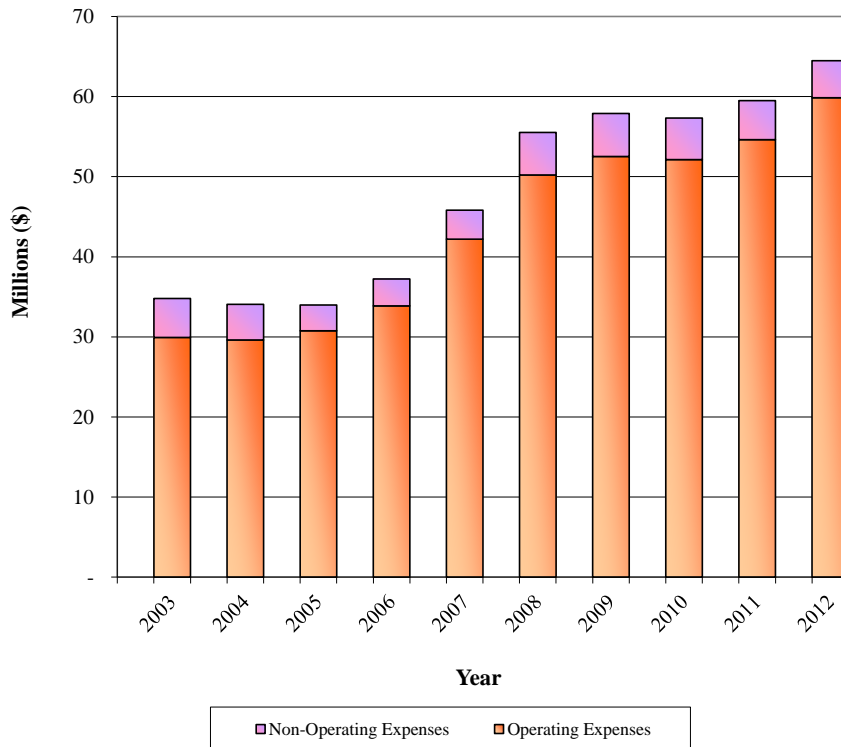
**Expenses by Function  
Last Ten Years**

	<u>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>	<u>2012</u>
<b>Operating Expenses</b>										
Purchased Water	\$ 188,182	698,356	472,768	692,772	548,603	506,356	556,381	526,000	683,441	622,157
Field Administration	619,773	764,577	791,660	825,782	827,780	926,740	845,047	989,590	880,837	955,572
Pumping Plants & Wells	436,816	739,557	1,166,408	490,489	813,773	343,307	924,010	1,145,969	1,078,772	1,532,769
Water Treatment	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	5,460,773
Electrical Operations	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	1,751,049
Transmission & Distribution-Treated	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	3,249,731
Transmission & Distribution-Untreated	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	4,718,531
Customer Service & Collections	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	3,485,741
Power Division Repairs & Maintenance	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	1,639,482
Engineering	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	2,763,911
General & Administrative	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	9,690,579
Other (1)	1,611,713	1,937,723	1,959,082	1,914,907	953,269	960,387	918,206	1,167,588	1,254,568	1,316,565
Subtotal, Operating Expenses before Depreciation	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	37,186,860
Depreciation	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	22,663,482
Total Operating Expenses	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	59,850,342
<b>Non-Operating Expenses</b>										
Interest Expense	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	4,137,102
Amortization of Bond Issue Costs	95,512	169,888	91,892	59,940	74,240	506,362	498,118	488,075	466,476	486,004
Total Non-Operating Expenses	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	4,623,106
<b>Total Expenses</b>	<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>	<u>64,473,448</u>

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

Source: Placer County Water Agency, Audited Financial Statements

**CHART #3  
Expenses by Function**

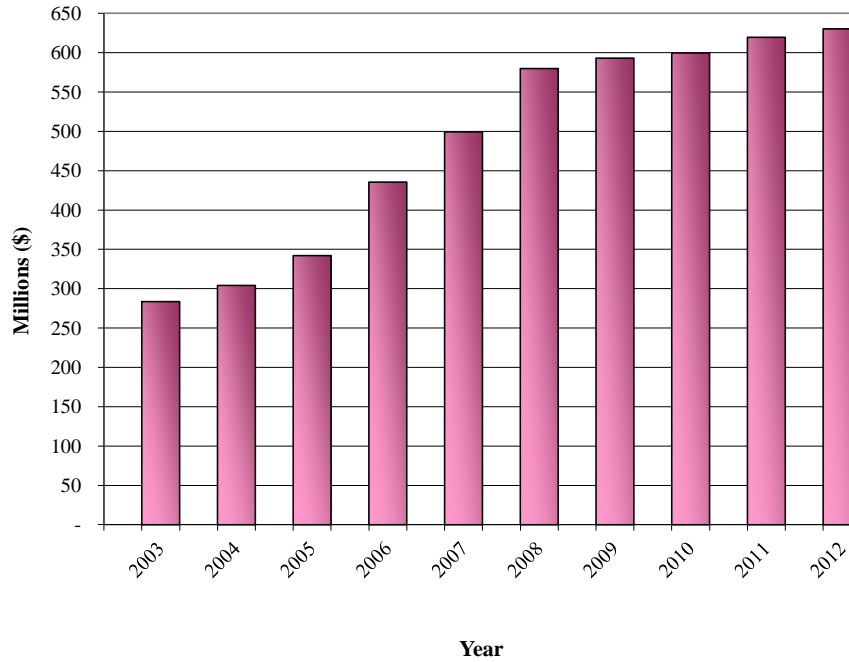


**PLACER COUNTY WATER AGENCY  
TABLE #4  
Capital Assets  
Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Capital Assets</b>										
Land	\$ 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	13,693,194
Utility Plant	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	645,008,180
Other Property & Equipment	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	93,452,690
Preliminary Survey	2,028,329	2,028,329	2,028,329	2,028,329	2,028,329	399,718	399,718	399,718	399,718	412,218
Construction in Progress	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	110,703,430
Total Capital Assets	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	863,269,712
<b>Accumulated Depreciation</b>	(111,474,068)	(118,342,699)	(125,385,630)	(131,737,970)	(141,209,927)	(152,725,605)	(170,929,373)	(189,375,885)	(210,650,373)	(232,958,541)
Net Capital Assets	\$283,645,543	304,182,562	342,110,568	435,536,085	499,366,067	579,907,003	593,144,121	599,743,689	619,640,519	630,311,171

Source: Placer County Water Agency, Audited Financial Statements

**CHART #4  
Net Capital Assets**



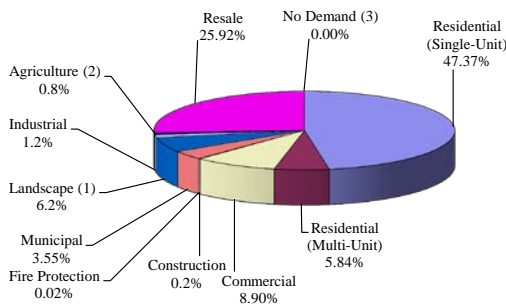
**PLACER COUNTY WATER AGENCY**  
**TABLE # 5**  
**Water Consumption and Water Sales by Type of Customer**  
**Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>TREATED WATER</b>										
<b>Consumption (Acre-Foot)</b>										
Residential (Single-Unit)	15,047	16,685	15,640	16,543	17,131	17,766	16,011	14,789	14,116	16,189
Residential (Multi-Unit)	1,798	2,076	1,929	2,010	2,087	2,207	2,029	1,969	1,927	1,996
Commercial	2,859	2,946	3,240	3,345	3,534	3,540	3,183	2,985	2,887	3,043
Construction	202	210	365	240	262	91	62	37	38	69
Fire Protection	6	9	6	4	7	5	7	5	3	4
Municipal	1,014	1,139	1,080	1,232	1,286	1,389	1,209	1,076	957	1,213
Landscape (1)	1,100	1,337	1,350	1,668	1,947	2,194	1,927	1,843	1,803	2,107
Industrial	1,092	1,078	1,015	757	614	379	415	383	397	407
Agriculture (2)	348	411	330	282	349	398	356	236	280	282
Resale	5,259	7,979	9,005	10,009	10,733	10,893	10,575	9,501	7,763	8,866
No Demand (3)	7	17	3	2	4	1	-	-	-	-
Total Treated Water Consumption (Acre-Foot)	28,732	33,887	33,963	36,092	37,953	38,863	35,774	32,824	30,171	34,176
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	14,887,035
<b>Total Treated Water Sales Effective Rate per unit (incl. monthly service charge) (5)</b>	<b>\$ 1.25</b>	<b>1.20</b>	<b>1.29</b>	<b>1.38</b>	<b>1.44</b>	<b>1.54</b>	<b>1.84</b>	<b>1.92</b>	<b>1.99</b>	<b>1.91</b>
<b>RAW WATER</b>										
<b>Consumption (Acre-Foot)</b>										
Metered	1,008	537	234	369	355	328	355	297	268	299
Commercial Agriculture	22,592	30,192	24,609	20,920	19,499	22,405	24,514	23,949	14,470	24,002
Irrigation Customers	55,208	55,281	54,991	55,922	55,383	55,800	55,302	54,566	54,440	55,020
Landscape (1)	10,134	10,903	12,312	12,225	12,609	11,777	11,967	11,678	11,676	11,693
Resale	534	113	112	149	118	120	111	104	96	117
Total Raw Water Consumption (Acre-Foot)	89,476	97,026	92,258	89,585	87,964	90,430	92,249	90,594	80,950	91,131
Total Consumption (Miner's Inch) (4)	4,943	5,361	5,097	4,949	4,860	4,996	5,097	5,005	4,472	5,035
<b>Total Raw Water Sales Effective Rate per miner's inch (6)</b>	<b>\$ 2,750,769</b>	<b>3,084,711</b>	<b>3,099,534</b>	<b>3,174,515</b>	<b>3,331,523</b>	<b>3,446,696</b>	<b>3,492,472</b>	<b>3,434,674</b>	<b>3,236,269</b>	<b>3,530,125</b>
	<b>\$ 556.45</b>	<b>575.45</b>	<b>608.09</b>	<b>641.39</b>	<b>685.51</b>	<b>689.87</b>	<b>685.25</b>	<b>686.22</b>	<b>690.07</b>	<b>701.14</b>

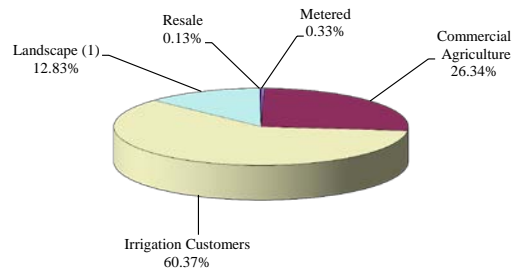
- (1) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.
- (2) The treated water agriculture classification is for customers involuntarily deprived of untreated water service.
- (3) Accounts that pay only monthly service and renewal and replacement charges but are 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.

Source: Placer County Water Agency, Customer Service Department

**CHART # 5**  
**Water Consumption (Treated) 2012**



**CHART # 6**  
**Water Consumption (Raw) 2012**



**PLACER COUNTY WATER AGENCY**

**TABLE # 6**

**Water Accounts by Type of Customer  
Last Ten Years**

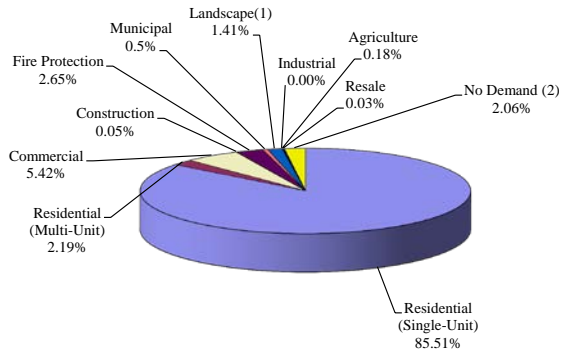
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>TREATED WATER</b>										
<b>Water Customer Accounts</b>										
Residential (Single-Unit)	26,451	27,229	27,761	28,486	28,805	29,024	29,625	29,477	29,561	29,704
Residential (Multi-Unit)	726	730	728	734	742	746	742	745	758	759
Commercial	1,499	1,552	1,601	1,692	1,780	1,815	1,838	1,874	1,888	1,882
Construction	44	56	64	57	48	24	16	18	16	17
Fire Protection	582	632	689	788	864	887	885	899	911	921
Municipal	157	162	167	153	153	169	169	172	172	174
Landscape(1)	315	339	399	438	467	486	485	486	486	491
Industrial	2	2	2	2	2	1	1	1	1	1
Agriculture	83	81	80	79	79	81	78	72	70	64
Resale	8	8	8	8	9	9	9	9	9	9
No Demand (2)	1,073	880	815	1,421	1,313	1,124	752	1,031	849	715
<b>Total Treated Water Accounts</b>	<b>30,940</b>	<b>31,671</b>	<b>32,314</b>	<b>33,858</b>	<b>34,262</b>	<b>34,366</b>	<b>34,600</b>	<b>34,784</b>	<b>34,721</b>	<b>34,737</b>
<b>RAW WATER</b>										
<b>Water Customer Accounts</b>										
Metered	308	303	307	302	302	291	290	282	273	267
Commercial Agriculture	567	359	346	345	347	350	330	304	311	311
Irrigation Customers	3,870	3,212	3,278	3,293	3,299	3,408	3,070	3,354	3,381	3,413
Landscape(1)	39	25	30	31	31	30	28	28	28	27
Resale	3	3	3	3	4	6	6	6	6	6
<b>Total Raw Water Accounts</b>	<b>4,787</b>	<b>3,902</b>	<b>3,964</b>	<b>3,974</b>	<b>3,983</b>	<b>4,085</b>	<b>3,724</b>	<b>3,974</b>	<b>3,999</b>	<b>4,024</b>
<b>TOTAL WATER ACCOUNTS</b>	<b>35,727</b>	<b>35,573</b>	<b>36,278</b>	<b>37,832</b>	<b>38,245</b>	<b>38,451</b>	<b>38,324</b>	<b>38,758</b>	<b>38,720</b>	<b>38,761</b>
<b>New Connections (EDU's)</b>	<b>1,248</b>	<b>4,982</b>	<b>4,613</b>	<b>1,620</b>	<b>331</b>	<b>277</b>	<b>465</b>	<b>46</b>	<b>87</b>	<b>71</b>

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

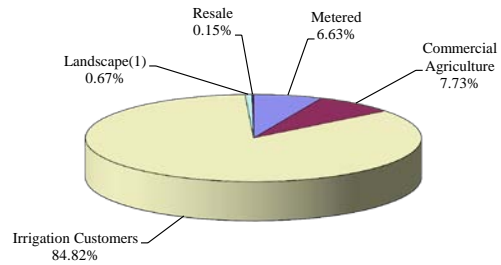
(2) Accounts that have paid the water connection charge and are paying monthly service and renewal and replacement charges but are not consuming water.

Source: Placer County Water Agency, Customer Service Department

**CHART # 7  
Water Accounts (Treated) 2012**



**CHART # 8  
Water Accounts (Raw) 2012**



**PLACER COUNTY WATER AGENCY**  
**TABLE # 7**  
**Principal Water Users for**  
**Years Ended December 31, 2003 and 2012**

Year Ended December 31, 2003					Year Ended December 31, 2012				
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	\$ 1,846,139	8.86%	5,061	4.28%	City of Lincoln	\$ 5,595,920	13.41%	7,452	5.95%
Formica Corporation	262,860	1.26%	719	0.61%	Cal American Water	983,139	2.36%	934	0.75%
Rio Bravo Rocklin	162,925	0.78%	429	0.36%	City of Rocklin	677,235	1.62%	838	0.67%
Rocklin Unified School District	145,116	0.70%	282	0.24%	Rocklin Unified School District	412,192	0.99%	501	0.40%
Placer County Facility Service	130,670	0.63%	339	0.29%	Placer County Facility Service	219,890	0.53%	335	0.27%
Cal-American Water Co.	106,349	0.51%	216	0.18%	Rio Bravo Rocklin	210,033	0.50%	403	0.32%
Emerson Investments, Inc.	60,315	0.29%	156	0.13%	United Auburn Indian Community	204,366	0.49%	335	0.27%
Hidden Valley Community Assn	47,699	0.23%	836	0.71%	Randall Realty Corporation	176,143	0.42%	119	0.09%
Sierra College	37,181	0.18%	312	0.26%	Stamas Corp Inc	158,187	0.38%	102	0.08%
Lakeview Hills Community Assn	34,296	0.16%	350	0.30%	Folsom Lake Mutual Water Co	83,610	0.20%	146	0.12%
Total Principal Water Users	<u>2,833,550</u>	<u>13.60%</u>	<u>8,700</u>	<u>7.36%</u>	Total Principal Water Users	<u>8,720,715</u>	<u>20.90%</u>	<u>11,165</u>	<u>8.91%</u>
Total all Users	<u>\$ 20,840,418</u>	<u>100.00%</u>	<u>118,136</u>	<u>100.00%</u>	Total all Users	<u>\$ 41,717,567</u>	<u>100.00%</u>	<u>125,308</u>	<u>100.00%</u>

(1) Amount billed includes commodity water sales, customer service charges, renewal & replacement charge, mandated costs charge (2003 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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Metered Service - Treated Water</b>										
Monthly Service Charge (meter size)										
5/8-inch	\$ 10.18	10.84	11.65	12.67	13.75	13.75	14.20	14.20	14.20	14.20
3/4-inch	14.41	15.35	16.50	17.94	19.46	19.46	20.09	20.09	20.09	20.29
1-inch	19.71	20.99	22.56	24.53	26.62	26.62	27.49	27.49	27.49	27.49
1-1/2-inch	31.75	33.81	36.35	39.53	42.89	42.89	44.28	44.28	44.28	44.28
2-inch	55.41	59.01	63.44	68.99	74.85	74.85	77.28	77.28	77.28	77.28
3-inch	102.86	109.55	117.77	128.07	138.96	138.96	143.48	143.48	143.48	143.48
4-inch	143.43	152.76	164.21	178.58	193.76	193.76	200.06	200.06	200.06	200.06
6-inch	287.94	306.66	329.66	358.51	388.98	388.98	401.62	401.62	401.62	401.62
8-inch	493.74	525.83	565.27	614.73	666.98	666.98	688.66	688.66	688.66	688.66
12-inch	(2)	821.62	883.24	960.52	1,042.16	1,042.16	1,076.03	1,076.03	1,076.03	1,076.03
16-inch	(2)	(2)	(2)	(2)	(2)	(2)	1,548.20	1,548.20	1,548.20	1,548.20
18-inch	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	1,784.28
<b>State &amp; Federal Mandate</b>										
5/8-inch	3.55	3.69	3.99	4.31	4.72	5.27	(4)	(4)	(4)	(4)
3/4-inch	5.32	5.53	5.97	6.47	7.08	7.91	(4)	(4)	(4)	(4)
1-inch	8.87	9.22	9.96	10.78	11.80	13.19	(4)	(4)	(4)	(4)
1-1/2-inch	17.75	18.46	19.94	21.55	23.60	26.37	(4)	(4)	(4)	(4)
2-inch	28.40	29.54	31.90	34.48	37.76	42.20	(4)	(4)	(4)	(4)
3-inch	56.80	59.07	63.80	68.96	75.52	84.39	(4)	(4)	(4)	(4)
4-inch	88.75	92.30	99.68	107.75	118.00	131.87	(4)	(4)	(4)	(4)
6-inch	177.50	184.60	199.37	215.50	236.00	263.73	(4)	(4)	(4)	(4)
8-inch	852.00	886.08	956.97	1,034.40	1,132.80	1,265.90	(4)	(4)	(4)	(4)
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)
<b>Renewal &amp; Replacement</b>										
5/8-inch	1.30	2.15	4.90	8.50	12.00	12.50	13.00	13.00	13.00	13.00
3/4-inch	1.96	3.23	7.35	12.75	18.00	18.75	19.50	19.50	19.50	19.50
1-inch	3.25	5.36	12.21	21.25	30.00	31.25	32.50	32.50	32.50	32.50
1-1/2-inch	6.51	10.74	24.46	42.50	60.00	62.50	65.00	65.00	65.00	65.00
2-inch	10.41	17.17	39.11	68.00	96.00	100.00	104.00	104.00	104.00	104.00
3-inch	20.81	34.34	78.22	136.00	192.00	200.00	208.00	208.00	208.00	208.00
4-inch	32.53	53.67	122.24	212.50	300.00	312.50	325.00	325.00	325.00	325.00
6-inch	65.05	107.33	244.46	425.00	600.00	625.00	650.00	650.00	650.00	650.00
8-inch	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	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)
<b>Metered Service - Untreated Water</b>										
Monthly Service Charge										
5/8-inch	5.41	5.76	6.19	6.73	7.68	8.62	8.90	8.90	8.90	\$ 8.90
3/4-inch	7.05	7.51	8.07	8.78	9.53	9.93	10.25	10.25	10.25	\$ 10.25
1-inch	8.97	9.55	10.27	11.17	12.12	12.37	12.77	12.77	12.77	\$ 12.77
1-1/2-inch	14.06	14.97	16.09	16.09	17.29	17.29	17.85	17.85	17.85	\$ 17.85
2-inch	23.06	24.56	26.40	26.40	26.40	26.40	27.26	27.26	27.26	\$ 27.26
3-inch	37.88	40.34	43.37	43.37	46.44	46.44	47.95	47.95	47.95	\$ 47.95
4-inch	52.71	56.14	60.35	62.17	67.45	67.45	69.64	69.64	69.64	\$ 69.64
6-inch	98.80	105.22	113.11	113.11	113.11	113.11	116.79	116.79	116.79	\$ 116.79
8-inch	158.08	168.36	180.99	180.99	180.99	180.99	186.87	186.87	186.87	\$ 186.87
Capital Facilities Surcharge	5.08	5.28	5.49	5.71	6.20	6.65	6.87	6.87	6.87	\$ 6.87
<b>Resale Service - Untreated Water</b>										
Monthly Service Charge	29.76	31.69	34.07	52.06	56.49	56.49	58.33	58.33	58.33	58.33
<b>Private Fire Protection Service</b>										
Monthly Service Charge										
2-inch	13.29	13.76	14.24	15.49	16.85	17.96	18.54	18.54	18.54	18.54
3-inch	14.30	14.80	15.32	16.66	18.12	20.76	21.43	21.43	21.43	21.43
4-inch	15.88	16.44	17.02	18.51	20.13	23.05	23.80	23.80	23.80	23.80
6-inch	20.43	21.15	21.89	23.81	25.89	28.73	29.66	29.66	29.66	29.66
8-inch	43.07	44.58	46.14	50.18	54.57	54.57	56.34	56.34	56.34	56.34
10-inch	72.60	75.14	77.77	84.57	91.97	96.13	99.25	99.25	99.25	99.25
12-inch	116.24	120.31	124.52	135.42	147.27	153.92	158.92	158.92	158.92	158.92
16-inch	258.64	267.69	277.06	301.30	327.66	342.47	353.60	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. There is no change from 2009.

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 (I, 2)**  
**Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Metered Services</b>										
Residential (3)										
First 400 CF	\$ 0.72	0.74	0.76	0.78	0.85	0.94	1.25	1.25	1.25	1.25
Next 600 CF	0.80	0.82	0.86	0.90	0.98	1.07	1.35	1.35	1.35	1.35
Next 1,000 CF	0.80	0.82	0.86	0.90	0.98	1.14	1.44	1.44	1.44	1.44
Next 2,000 CF	0.85	0.88	0.93	0.99	1.07	1.18	1.55	1.55	1.55	1.55
Next 1,800 CF	0.98	1.02	1.08	1.14	1.25	1.35	1.65	1.65	1.65	1.65
Next 1,900 CF	1.14	1.20	1.30	1.40	1.53	1.65	1.92	1.92	1.92	1.92
Over 7,700 CF	1.18	1.36	1.47	1.59	1.74	1.88	2.16	2.16	2.16	2.16
Pumped Service (4)										
First 400 CF	0.82	0.84	0.87	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,600 CF	0.91	0.94	0.99	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 2,000 CF	0.96	1.00	1.06	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,800 CF	1.09	1.13	1.20	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,900 CF	1.26	1.32	1.43	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Over 7,700 CF	1.29	1.47	1.60	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Municipal (5)										
First 50,000 CF	0.80	0.82	0.86	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Over 50,000 CF	0.83	0.86	0.90	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Commercial & Municipal (6)										
First 50,000 CF	0.81	0.84	0.88	0.92	1.00	1.07	(6)	(6)	(6)	(6)
Next 950,000 CF	0.83	0.86	0.91	0.95	1.03	1.10	(6)	(6)	(6)	(6)
Over 1,000,000 CF	0.83	0.86	0.91	0.96	1.05	1.13	(6)	(6)	(6)	(6)
Non-Residential (6)										
First 50,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	1.28	1.28	1.28	1.28
Next 450,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	1.31	1.31	1.31	1.31
Over 500,000 CF	(6)	(6)	(6)	(6)	(6)	(6)	1.35	1.35	1.35	1.35
Industrial & Resale										
First 50,000 CF	0.78	0.80	0.83	0.86	0.93	1.00	1.10	1.10	1.10	1.10
Next 950,000 CF	0.77	0.80	0.84	0.88	0.95	1.02	1.11	1.11	1.11	1.11
Over 1,000,000 CF	0.77	0.80	0.84	0.89	0.97	1.04	1.12	1.12	1.12	1.12
Over 1,000,000 CF (7)	0.62	0.64	0.67	0.71	0.78	0.84	(7)	(7)	(7)	(7)
Industrial & Resale-Public Agencies & Public Utilities (7)										
First 42,500,000 CF	(7)	(7)	(7)	(7)	(7)	(7)	1.11	1.11	1.11	1.11
Over 42,500,000 CF	(7)	(7)	(7)	(7)	(7)	(7)	1.34	1.34	1.34	1.34
Golf Course, Park & Greenbelt										
First 50,000 CF	0.84	0.87	0.91	0.95	1.03	1.10	(6)	(6)	(6)	(6)
Next 950,000 CF	0.91	0.94	0.98	1.02	1.11	1.19	(6)	(6)	(6)	(6)
Over 1,000,000 CF	0.91	0.94	0.98	1.03	1.13	1.21	(6)	(6)	(6)	(6)
Special Rates (8)										
First 400 CF	0.74	0.76	0.80	0.78	0.85	0.94	1.25	1.25	1.25	1.25
Next 600 CF	0.74	0.76	0.80	0.90	0.98	1.07	1.35	1.35	1.35	1.35
Next 1,000 CF	0.74	0.76	0.80	0.90	0.98	1.14	1.44	1.44	1.44	1.44
Next 2,000 CF	0.81	0.83	0.87	0.99	1.07	1.18	1.55	1.55	1.55	1.55
Next 61,000 CF	0.11	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Next 65,000 CF	0.07	0.07	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.10
Over 130,000 CF	0.07	0.07	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.10
Temporary Construction										
First 50,000 CF	1.62	1.68	1.76	1.84	2.00	2.14	2.56	2.56	2.56	2.56
Next 450,000 CF	1.66	1.72	1.82	1.90	2.06	2.20	2.62	2.62	2.62	2.62
Next 500,000 CF	1.66	1.72	1.82	1.90	2.06	2.20	2.70	2.70	2.70	2.70
Over 1,000,000 CF	1.66	1.72	1.82	1.92	2.10	2.26	2.70	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 2003 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 2003-2011 are displayed with the 2012 tier structure. Actual ranges of cubic-feet 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 # 10**  
**Commodity Rates for Untreated Water (I)**  
**Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Metered Services (2)</b>										
First 3,000 CF	\$ 0.34	0.35	0.36	0.37	0.37	0.37	0.38	0.38	0.38	0.38
Next 7,000 CF	0.23	0.24	0.25	0.29	0.35	0.43	0.36	0.36	0.36	0.36
Over 10,000 CF	0.10	0.10	0.11	0.12	0.20	0.28	0.29	0.29	0.29	0.29
<b>Non-Metered Services (Miner's Inches) (MI) (3)</b>										
General Irrigation Service (Winter) (4)										
First 1/2 MI	24.93	26.68	28.55	30.55	30.55	30.55	31.09	31.09	31.09	31.09
First MI	43.88	46.95	50.24	53.76	58.33	60.23	62.18	62.18	62.18	62.18
2-9 MI	44.93	48.08	51.45	55.05	59.73	61.67	63.67	63.67	63.67	63.67
Over 9 MI	44.93	48.08	51.45	55.31	60.01	61.96	63.97	63.97	63.97	63.97
General Irrigation Service (Summer) (4)										
First 1/2 MI	25.23	25.99	27.03	28.11	28.11	28.11	28.11	28.11	28.11	28.11
First MI	39.92	41.12	42.76	44.47	48.25	49.82	51.44	51.44	51.44	51.44
2-9 MI	40.49	42.11	44.22	46.43	50.38	52.02	53.71	53.71	53.71	53.71
Over 9 MI	40.49	42.11	44.22	46.87	51.32	52.99	54.71	54.71	54.71	54.71
Commercial Agriculture (Winter)										
First MI	35.45	37.93	40.59	43.43	47.12	48.65	50.23	50.23	50.23	50.23
Over 1 MI	36.14	38.67	41.38	44.28	48.04	49.60	51.21	51.21	51.21	51.21
Commercial Agriculture (Summer)										
First MI	43.81	45.12	46.92	46.92	46.92	48.44	50.01	50.01	50.01	50.01
2nd MI	38.00	39.14	40.71	42.34	45.94	47.43	48.97	48.97	48.97	48.97
3rd MI	34.32	35.35	36.76	38.23	41.48	42.83	44.22	44.22	44.22	44.22
4th MI	30.65	31.57	32.83	34.14	37.04	38.24	39.48	39.48	39.48	39.48
5-9 MI	28.18	29.03	30.19	31.40	34.07	35.18	36.32	36.32	36.32	36.32
10-60 MI	25.74	26.51	27.57	28.67	31.11	32.12	33.16	33.16	33.16	33.16
Over 60 MI	21.24	21.88	22.76	23.67	25.68	26.51	27.37	27.37	27.37	27.37
Golf Course, Park & Greenbelt (Winter) (4)										
First MI	41.09	43.97	47.05	54.11	58.71	60.62	(4)	(4)	(4)	(4)
2-9 MI	43.71	46.77	50.04	55.62	60.35	62.31	(4)	(4)	(4)	(4)
Over 9 MI	47.52	50.85	54.41	56.55	61.36	63.55	(4)	(4)	(4)	(4)
Golf Course, Park & Greenbelt (Summer) (4)										
First MI	41.49	42.73	44.44	46.22	50.15	51.78	(4)	(4)	(4)	(4)
2-9 MI	41.49	42.73	44.44	48.68	52.82	54.54	(4)	(4)	(4)	(4)
Over 9 MI	43.70	45.01	46.81	48.92	53.08	54.81	(4)	(4)	(4)	(4)
Resale Service (Miner's Inch Days) (5)										
First 1,000	2.12	2.23	2.34	5.68	5.68	5.68	5.24	5.24	5.24	5.24
Over 1,000	2.12	2.23	2.34	6.47	6.47	6.47	5.41	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 2003-2011 are displayed with the 2012 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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Water Connection Charge (WCC)</b>										
Bowman and Auburn WTP service area	\$ 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	16,206.00
All other Zone 1 service areas	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	16,206.00
<b>Meters and Service Connections (2)</b>										
Installation of Meter to Existing Svc										
5/8" x 3/4"	125.00	125.00	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00
3/4"	125.00	125.00	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00
1"	125.00	125.00	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00
1 1/2"	125.00	125.00	125.00	125.00	125.00	125.00	130.00	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"	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
3/4"	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
1"	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
1 1/2"	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
2" or larger	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
<b>Other Miscellaneous Fees and Charges</b>										
Backflow Prevention Device Test Charge	65.00	68.00	68.00	70.00	70.00	105.00	109.00	109.00	109.00	109.00
Canal Flow Rate Change										
No Field Trip Required	35.00	35.00	35.00	35.00	35.00	15.00	16.00	16.00	16.00	16.00
Field Trip Required	35.00	35.00	35.00	35.00	35.00	65.00	67.00	67.00	67.00	67.00
After Hours Charge	110.00	110.00	110.00	90.00	90.00	115.00	119.00	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	24.00	24.00	25.00	25.00	25.00	26.00	26.00	26.00	26.00
Field Collection Charge	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	150.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Second Occurrence	150.00	150.00	250.00	500.00	500.00	500.00	250.00	250.00	250.00	250.00
Third Occurrence	500.00	500.00	500.00	1,000.00	1,000.00	1,000.00	250.00	250.00	250.00	250.00
Meter Reread Charge	-	-	-	-	-	-	20.00	20.00	20.00	20.00
Meter Test and Repair Deposit/Charge	35.00	40.00	40.00	40.00	40.00	60.00	62.00	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	16.00	16.00	16.00	16.00
Field Trip Required	35.00	35.00	35.00	35.00	35.00	35.00	36.00	36.00	36.00	36.00
After Hours Charge	110.00	110.00	110.00	90.00	90.00	115.00	119.00	119.00	119.00	119.00
Project Application Charge	100.00	105.00	105.00	105.00	105.00	105.00	109.00	109.00	109.00	109.00
Pressure Test Charge	40.00	40.00	40.00	40.00	40.00	85.00	88.00	88.00	88.00	88.00
Reconnection Charge (4)										
Treated Services	45.00	45.00	45.00	45.00	45.00	45.00	47.00	47.00	47.00	47.00
Untreated Services	45.00	45.00	45.00	45.00	45.00	65.00	67.00	67.00	67.00	67.00
After Hours Charge	120.00	120.00	120.00	90.00	90.00	115.00	119.00	119.00	119.00	119.00
Returned Check Charge	25.00	25.00	25.00	25.00	25.00	25.00	26.00	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	42.00
Connection Charge	100.00	100.00	100.00	100.00	100.00	100.00	104.00	104.00	104.00	104.00
Variations and Waivers of Rules and Regulations or Rates	75.00	79.00	79.00	80.00	80.00	180.00	187.00	187.00	187.00	187.00
Water Service Written Estimate	50.00	53.00	53.00	55.00	55.00	105.00	109.00	109.00	109.00	109.00
WCC - Installment Payment										
Processing Fee	155.00	163.00	163.00	175.00	175.00	175.00	182.00	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	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	4.11
Water Waste Charge (3rd & 4th occurrence)	-	-	-	-	-	75.00	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**

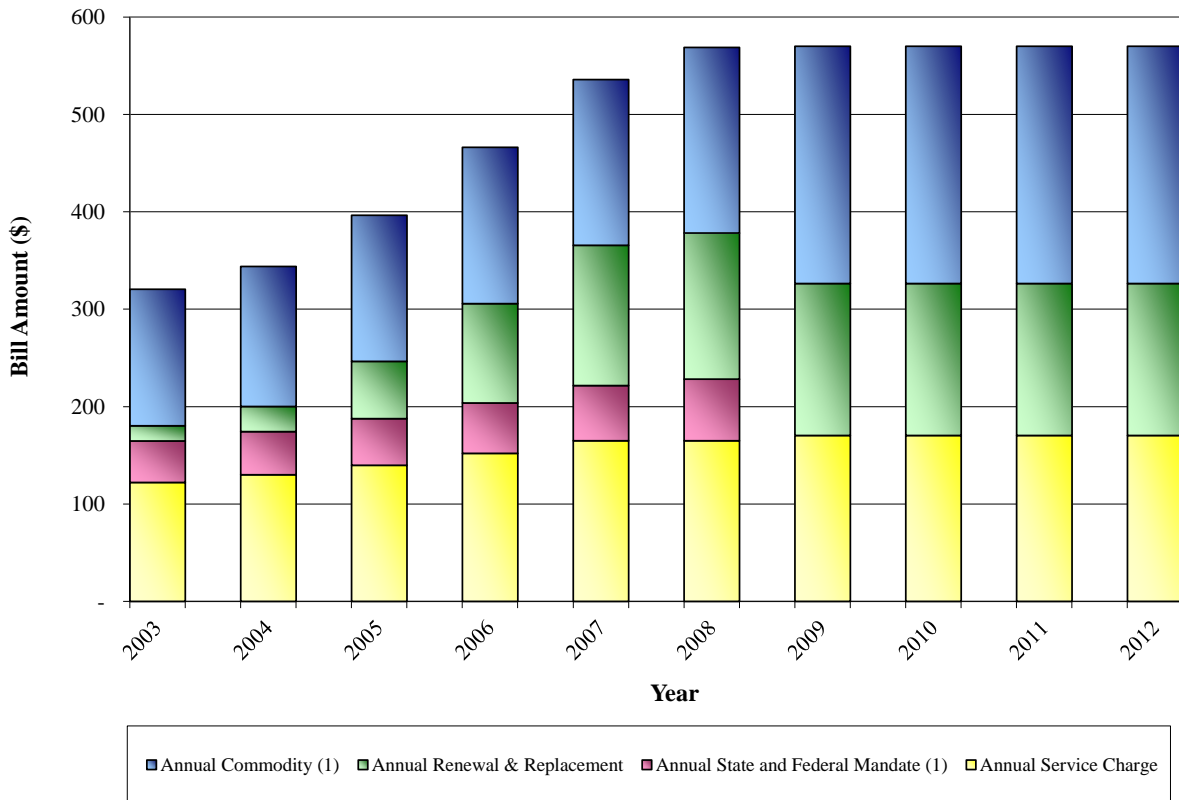
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual Service Charge	\$ 122.16	130.08	139.80	152.04	165.00	165.00	170.40	170.40	170.40	170.40
Annual State and Federal Mandate (1)	42.60	44.28	47.88	51.72	56.64	63.24	-	-	-	-
Annual Renewal & Replacement	15.60	25.80	58.80	102.00	144.00	150.00	156.00	156.00	156.00	156.00
Annual Commodity (1)	140.16	143.76	150.00	160.49	170.16	190.56	243.60	243.60	243.60	243.60
Annual Water Billed Amount	<u>\$ 320.52</u>	<u>343.92</u>	<u>396.48</u>	<u>466.25</u>	<u>535.80</u>	<u>568.80</u>	<u>570.00</u>	<u>570.00</u>	<u>570.00</u>	<u>570.00</u>
Effective Rate Increase	<u>3.43%</u>	<u>7.30%</u>	<u>15.28%</u>	<u>17.60%</u>	<u>14.92%</u>	<u>6.16%</u>	<u>0.21%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

\* Annual bill amount is based on water use of an average household using 18,000 cubic feet per year (the equivalent of 11,220 gallons per month) with a 5/8" meter. Rates are based on the Western Water System rates, as the Agency's Western Water System makes up 99% of customers, water flow and water sales revenue. The Agency's practice is to bill on a bi-monthly basis.

(1) In 2009, the State and Federal Mandate Charge was blended 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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Water Division</b>										
<b>General Obligation Bonds</b>										
1975 General Obligation Water Bonds	\$ 510,000	260,000	-	-	-	-	-	-	-	-
General Obligation Bonds Outstanding	510,000	260,000	-	-	-	-	-	-	-	-
<b>Loans Payable</b>										
Davis-Grunsky Act Construction Loan	535,346	406,467	274,161	139,004	-	-	-	-	-	-
EDA Community Emergency Drought Loans	192,733	182,702	172,169	161,109	149,497	137,304	124,501	111,057	80,168	67,817
State Department of Water Resources Loans:										
Dutch Flat Terrace	19,410	18,073	16,691	15,262	13,784	12,257	10,677	9,044	7,355	5,608
Bowman	2,445,099	1,935,721	1,407,591	858,250	291,771	-	-	-	-	-
Alta/Monte Vista (SWTR)	405,881	379,870	353,068	325,476	297,044	267,784	237,640	206,604	174,645	141,738
King/Delmar	280,726	269,616	258,154	246,347	234,172	221,637	208,709	195,390	181,665	167,525
Applegate	533,333	512,936	491,893	470,218	447,864	424,850	401,115	376,663	351,465	325,505
California Department of Health Services Loan:										
Auburn Water Treatment Plant	-	-	-	-	-	20,000,000	19,603,076	18,795,531	17,969,367	17,124,158
Electric Street Tank	-	-	-	-	-	-	-	-	-	1,259,537
Ferguson Road Land Loan	82,223	71,235	59,626	47,362	34,407	20,720	6,262	-	-	-
Steffen Family Trust Loan	-	-	-	-	-	-	-	-	-	-
Ziegelman - Soracco Land Loans	525,090	481,545	424,128	365,175	303,111	224,502	-	-	-	-
Mello-Roos Obligation	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	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	19,091,888
<b>Improvement District (ID) Debt (1)</b>										
ID No. 10 - Aguilar Road (2)	1,134	1,134	1,134	1,134	1,134	1,134	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. 32 - Eagle View Lane	12,500	-	-	-	-	-	-	-	-	-
ID No. 36 - Highway 174	77,000	72,230	67,324	62,281	57,097	51,769	46,289	40,657	34,867	28,916
Improvement District Debt Outstanding	91,829	74,559	69,653	64,610	59,426	54,098	48,618	42,986	37,196	31,245
<b>Certificates of Participation</b>										
1995 Certificates	6,075,000	5,925,000	335,000	170,000	-	-	-	-	-	-
1999 Certificates	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	9,885,000
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	30,570,000
2008 Certificates	-	-	-	-	-	40,385,000	39,860,000	39,340,000	38,815,000	38,265,000
Certificates Outstanding	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	78,720,000
<b>Subtotal Water Division Debt Outstanding</b>	<b>59,208,614</b>	<b>57,361,286</b>	<b>56,352,648</b>	<b>54,643,855</b>	<b>86,460,456</b>	<b>109,846,667</b>	<b>106,800,387</b>	<b>103,506,096</b>	<b>100,091,861</b>	<b>97,843,133</b>
<b>Power Division</b>										
<b>Revenue Bonds</b>										
Middle Fork Project Revenue Bonds, Series A (3)	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	2,425,000
<b>Subtotal Power Division Debt Outstanding</b>	<b>39,538,009</b>	<b>34,370,000</b>	<b>30,590,000</b>	<b>26,710,000</b>	<b>22,710,000</b>	<b>18,530,000</b>	<b>14,230,000</b>	<b>9,775,000</b>	<b>5,155,000</b>	<b>2,425,000</b>
Subtotal Agency Debt Outstanding	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	100,268,133
Less: Unamortized bond discounts & premiums	(795,449)	(762,409)	(234,041)	(226,000)	(956,230)	(696,668)	(661,117)	(624,935)	(588,103)	(550,598)
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)	(2,690,180)
<b>Total PCWA Long-Term Debt</b>	<b>97,247,752</b>	<b>90,325,633</b>	<b>82,209,715</b>	<b>76,894,995</b>	<b>104,245,164</b>	<b>123,972,427</b>	<b>116,920,421</b>	<b>109,463,185</b>	<b>101,718,705</b>	<b>97,027,355</b>
<b>Per Customer</b>	<b>\$ 2,722</b>	<b>2,539</b>	<b>2,266</b>	<b>2,033</b>	<b>2,726</b>	<b>3,224</b>	<b>3,051</b>	<b>2,824</b>	<b>2,627</b>	<b>2,503</b>
Number of Customer Accounts	35,727	35,573	36,278	37,832	38,245	38,451	38,324	38,758	38,720	38,761

(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.

Source: Placer County Water Agency, Audited Financial Statements

**PLACER COUNTY WATER AGENCY**

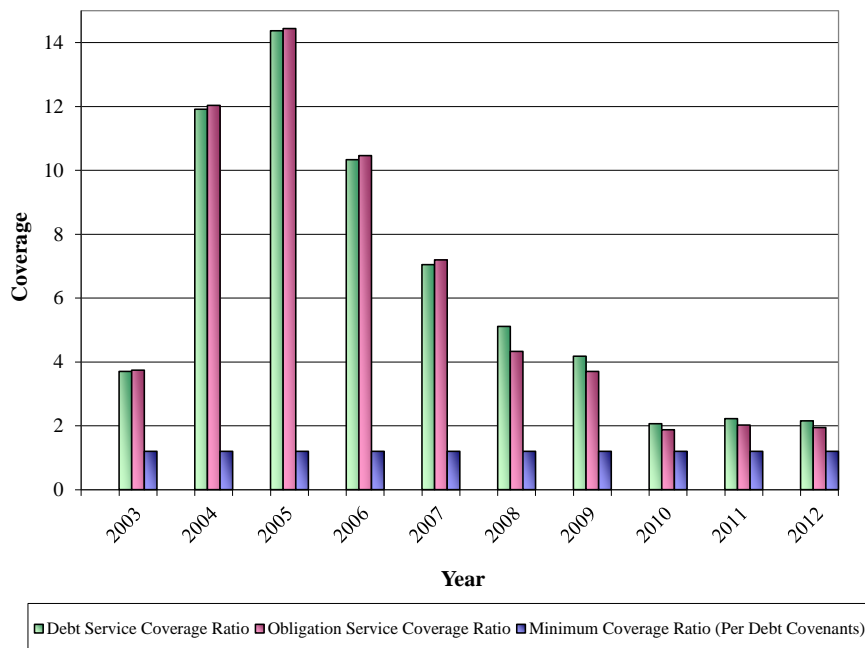
**TABLE # 14  
Debt Service Coverage  
Western Water System  
Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Debt Service Coverage</b>										
Net Water Revenues, Excluding Depreciation	\$ 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	16,556,036
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,686,422</u>
<b>Debt Service Coverage Ratio</b>	<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>	<u>2.15</u>
<b>Minimum Coverage Ratio (Per Debt Covenants)</b>	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Debt Service Coverage without Water Connection Charge Revenue (WCC) (1)</b>										
Net Water Revenues, Excluding Depreciation and WCC	\$ 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	14,908,062
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,686,422</u>
<b>Debt Service Coverage Ratio</b>	<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>	<u>1.94</u>
<b>Obligation Service Coverage</b>										
Net Water Revenues, Excl. Depreciation as Adjusted by Water Purchases	\$ 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	17,178,193
Obligation Service	<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>	<u>8,836,422</u>
<b>Obligation Service Coverage Ratio</b>	<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>	<u>1.94</u>
<b>Certificate Reserve Requirement</b>										
Minimum Reserve Required	\$ 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	4,573,607
Actual Reserve Balance with Fiscal Agent	<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>	<u>5,148,141</u>
<b>Reserve Requirement Coverage</b>	<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>	<u>1.13</u>

(1) For presentation purposes, the debt service coverage without Water Connection Charge Revenue has been added. The fluctuation in Water Connection Charge Revenue is the primary reason for the annual variance in these ratios as 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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Placer County</b>										
Population	290,655	302,815	312,630	322,270	329,719	337,914	344,088	350,609	355,687	360,680
Annual % Change in Population	5.00%	4.18%	3.24%	3.08%	2.31%	2.49%	1.83%	1.90%	1.45%	1.40%
Total Personal Income (Thousands)	\$ 10,947	11,933	13,070	14,248	15,102	16,095	15,899	16,326	17,312	*
Per Capita Personal Income	\$ 37,303	38,958	41,248	43,937	45,471	47,195	45,614	46,617	48,476	*
Unemployment Rate	5.1%	4.8%	4.3%	4.2%	4.8%	6.4%	10.6%	11.5%	10.8%	8.60%
<b>State of California</b>										
Population (Thousands)	35,388	35,752	35,985	36,246	36,552	36,856	37,077	37,318	37,578	37,826
Annual % Change in Population	1.29%	1.03%	0.65%	0.73%	0.84%	0.83%	0.60%	0.65%	0.70%	0.66%
Total Personal Income (Thousands)	\$ 1,184,265	1,262,306	1,335,386	1,436,446	1,520,755	1,604,113	1,566,999	1,564,209	1,645,138	*
Per Capita Personal Income	\$ 33,400	35,219	36,109	39,626	41,805	43,852	42,395	41,893	43,647	*
Unemployment Rate	6.8%	6.2%	5.4%	4.9%	5.4%	7.2%	11.4%	12.4%	11.7%	9.70%

Source:

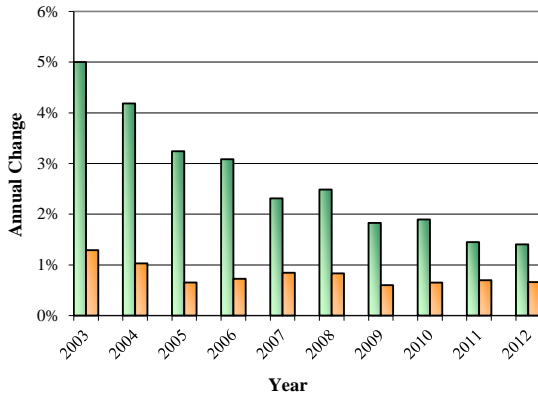
Population Data Source: California Department of Finance. Table E-6. Population as of July 1st of each year.

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

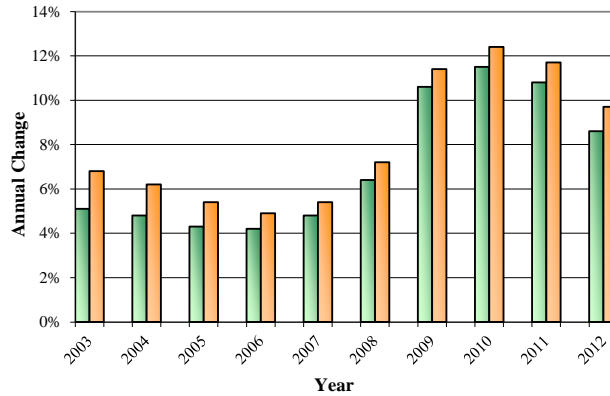
Personal Income Data Source: Bureau of Economic Development, Table CA1-3

\* Data not available for time period.

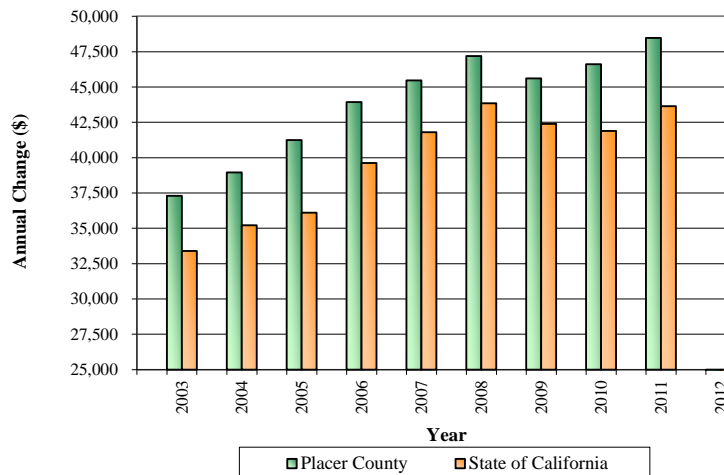
**CHART #11**  
**Annual Percentage Change in Population**  
**2003-2012**



**CHART #12**  
**Unemployment Rate**  
**2003-2012**



**CHART #13**  
**Per Capita Personal Income**  
**2003-2012**



**PLACER COUNTY WATER AGENCY**  
**TABLE #16**  
**Principal Employers of Placer County**  
**Years Ended December 31, 2003 and 2012**

2003			2012		
<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Hewlett-Packard Co.	4,500	3.04%	Kaiser Permanente	3,702	2.32%
Placer County	3,000	2.03%	Hewlett-Packard Co.	3,200	2.01%
Kaiser Permanente	1,589	1.08%	Placer County	2,240	1.40%
Sutter Health	1,426	0.96%	Sutter Health	2,205	1.38%
Squaw Valley Ski Corp.	1,300	0.88%	Thunder Valley Casino Resort	2,000	1.25%
Raley's	1,222	0.83%	Union Pacific Railroad Co. Inc.	2,000	1.25%
Union Pacific Railroad	1,062	0.72%	Northstar-At-Tahoe	1,950	1.22%
PRIDE Industries	1,060	0.72%	City of Roseville	1,690	1.06%
City of Roseville	1,003	0.68%	Pride Industries	1,021	0.64%
Roseville Joint Union H.S. Dist	808	0.55%	Raley's	967	0.61%
Total Largest Employers	<u>16,970</u>	<u>11.48%</u>	Total Largest Employers	<u>20,975</u>	<u>13.14%</u>
Total All Employers	<u>147,800</u>	<u>100.00%</u>	Total All Employers	<u>159,600</u>	<u>100.00%</u>

Source: Sacramento Business Journal - March 16, 2012  
Sacramento Business Journal - March 21, 2003  
State of California, Employment Development Department

**PLACER COUNTY WATER AGENCY**

**TABLE #17**

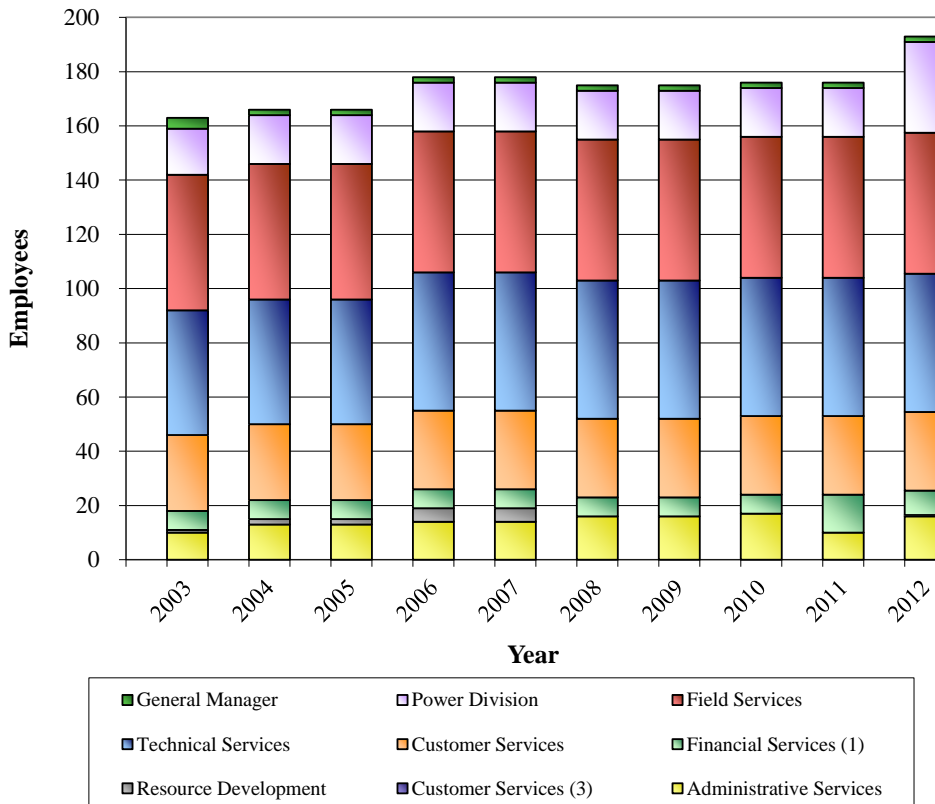
**Personnel Trends by Agency Department  
Last Ten Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Agency Wide</b>										
General Manager's Office	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Administrative Services	10.0	13.0	13.0	14.0	14.0	16.0	16.0	17.0	10.0	16.0
Financial Services (1)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	14.0	9.0
Resource Development (2)	1.0	2.0	2.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Strategic Affairs	1.0	1.0	1.0	1.0	1.0	4.0	4.0	4.0	4.0	5.0
Customer Services (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
<b>Total Agency Wide</b>	<b>23.0</b>	<b>25.0</b>	<b>25.0</b>	<b>29.0</b>	<b>29.0</b>	<b>29.0</b>	<b>29.0</b>	<b>30.0</b>	<b>30.0</b>	<b>32.5</b>
<b>Water Division</b>										
Customer Services	28.0	28.0	28.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Field Services	50.0	50.0	50.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
Technical Services	46.0	46.0	46.0	51.0	51.0	51.0	51.0	51.0	51.0	51.0
<b>Total Water Division</b>	<b>124.0</b>	<b>124.0</b>	<b>124.0</b>	<b>132.0</b>	<b>132.0</b>	<b>132.0</b>	<b>132.0</b>	<b>132.0</b>	<b>132.0</b>	<b>132.0</b>
<b>Power Division</b>										
	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	33.5
<b>Total Power Division</b>	<b>17.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>33.5</b>
<b>Total Employees (4)</b>	<b>164.0</b>	<b>167.0</b>	<b>167.0</b>	<b>179.0</b>	<b>179.0</b>	<b>179.0</b>	<b>179.0</b>	<b>180.0</b>	<b>180.0</b>	<b>198.0</b>

- (1) In March 2010, the Information Systems Services (ISS) Division was moved from the Administration Services Department to the Financial Services Department. The ISS Division was moved back to the Administrative Services Department in October 2012.
- (2) In 2003, the Planning Services Department was established. The Department was renamed as the Resource Development Department in 2005. The Department was merged with Strategic Affairs for the period of 2008-2012.
- (3) The Customer Services Department is almost exclusively funded from Water Division. In 2012, 0.5 FTE was charged to the Agency Wide Division.
- (4) 3 new positions added in 2004.  
12 new positions added in 2006.  
1 new position added in 2010.  
18 new positions added in 2012.  
Authorized position are reported by the department funding source

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**

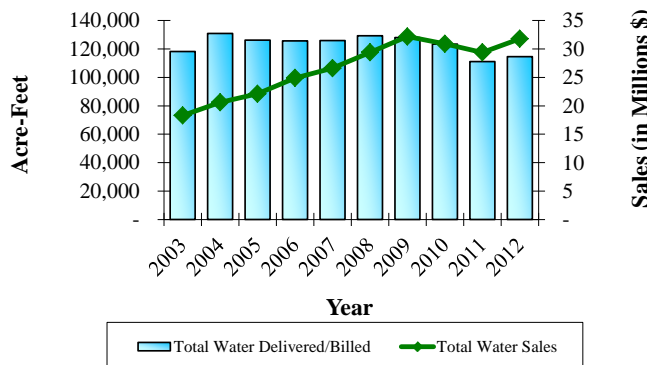
<b>WATER</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Facilities</b>										
Miles of Main Line - Treated (6)	478	488	508	519	526	543	547	549	599	602
Miles of Canals - Raw	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) (1)	50	50	78	78	78	80	80	80	81	83
Number of Pumping Stations	11	11	11	12	12	15	17	18	16	16
Number of Storage Tanks	29	29	29	32	32	34	37	33	35	32
<b>Water Received (in Acre-Feet):</b>										
Lake Spaulding via Drum Canal	91,896	95,017	92,301	93,242	95,399	103,200	95,594	88,061	65,455	85,974
American River (Middle Fork Project)	5,520	12,546	3,475	3,591	7,892	9,469	10,841	9,033	15,888	14,495
Canyon Creek	2,844	2,426	3,722	3,031	3,992	2,912	2,790	4,624	5,421	3,903
Nevada Irrigation District	-	741	731	1,806	1,660	1,664	1,602	1,481	1,123	1,298
South Sutter Water District	-	4,326	5,647	5,000	-	-	-	-	-	-
PG&E Zone 3 Supply	8,605	9,965	7,858	8,799	7,417	9,758	9,060	7,839	7,898	7,959
Lahontan Domestic Well	30	52	51	73	79	106	141	90	80	103
Lahontan Irrigation Well	708	713	579	542	187	-	3	-	-	-
<b>Total Supply</b>	<b>109,603</b>	<b>125,786</b>	<b>114,363</b>	<b>116,084</b>	<b>116,627</b>	<b>127,109</b>	<b>120,031</b>	<b>111,128</b>	<b>95,865</b>	<b>113,732</b>
<b>Water Delivered/Billed (Acre-Feet):</b>										
Treated Water Delivered	28,732	33,887	33,963	36,092	37,953	38,863	35,774	32,824	30,171	34,176
Treated Water % of Total	24.3%	25.9%	26.9%	28.7%	30.1%	30.1%	27.9%	26.6%	27.2%	29.8%
Raw Water Billed (2)	89,476	97,026	92,258	89,585	87,964	90,430	92,249	90,594	80,950	91,131
Raw Water % of Total	75.7%	74.1%	73.1%	71.3%	69.9%	69.9%	72.1%	73.4%	72.8%	79.5%
<b>Total Water Delivered/Billed</b>	<b>118,208</b>	<b>130,913</b>	<b>126,221</b>	<b>125,677</b>	<b>125,917</b>	<b>129,293</b>	<b>128,023</b>	<b>123,418</b>	<b>111,121</b>	<b>114,589</b>
Average Per Day (acre-feet)	324	359	346	344	345	354	351	338	304	314
<b>Sales (Millions):</b>										
Treated Water Sales	\$ 15.6	17.6	19.0	21.7	23.8	26.0	28.7	27.5	26.2	28.4
Treated Water % of Total	85.2%	85.4%	86.0%	87.1%	87.8%	88.4%	89.1%	89.0%	89.1%	89.0%
Raw Water Sales	\$ 2.7	3.0	3.1	3.2	3.3	3.4	3.5	3.4	3.2	3.5
Raw Water % of Total	14.8%	14.6%	14.0%	12.9%	12.2%	11.6%	10.9%	11.0%	10.9%	11.0%
<b>Total Water Sales</b>	<b>18.3</b>	<b>20.6</b>	<b>22.1</b>	<b>24.9</b>	<b>27.1</b>	<b>29.4</b>	<b>32.2</b>	<b>30.9</b>	<b>29.4</b>	<b>31.8</b>
<b>Billings, Collections &amp; Delinquencies:</b>										
Water Billings (3)	\$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	41,717,567
Collections	\$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	41,640,423
Uncollectible	\$ 23,675	35,109	35,058	31,893	57,352	90,992	133,574	141,220	113,576	77,144
Collection Percentage	99.89%	99.86%	99.87%	99.91%	99.85%	99.79%	99.69%	99.66%	99.71%	99.82%

<b>POWER</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Facilities:</b>										
Power Plants	5	5	5	5	5	5	5	5	5	5
Miles of Tunnels & Penstocks	24	24	24	24	24	24	24	24	24	24
Storage Reservoirs (4)	3	3	3	3	3	3	3	3	3	3
Annual Megawatt Hours (Millions) (5)	1.1	1.0	1.1	1.5	0.5	0.6	0.9	0.9	1.3	0.9

- (1) MGD = Million Gallons per Day
- (2) Raw Water is amount billed, not necessary delivered or consumed. Includes those customers purchasing in excess of current use to ensure availability for the future.
- (3) Water Billings includes the amount actually billed in the fiscal year, not the cash received. Includes water sales, monthly service charges, surcharges, renewal and replacement charges, certain other mandated costs, penalties and other similar charges.
- (4) Gross Storage Capacity (in Acre-Feet): French Meadows - 134,993; Hell Hole - 207,590; and Ralston Afterbay - 2,782.
- (5) Actual Power Production. 2006 Production revised from 1.1 to 1.5 million annual megawatt hours due to revised information received from Power Division. Low 2007 Production is due to extended outages for the Surge Shaft Repair and the Ralston Rewind in addition to the reduced run-off to French Meadows and Hell Hole Reservoirs. Reduced run-off to French Meadows and Hell Hole Reservoirs was also experienced in 2008.
- (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***

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

We have audited, in accordance with the 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, the financial statements of the of the Placer County Water Agency as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2013. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency's internal control.

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 a 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.

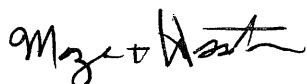
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California  
March 8, 2013



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**PLACER COUNTY WATER AGENCY  
Unrestricted Board Designated Fund Equity  
For the Fiscal Year Ended December 31, 2012**

<b><u>Agency Wide</u></b>	<b>2012</b>
<b>Operational:</b>	
Contingencies	651,610
Operational	758,819
<b>Capital:</b>	
Routine Capital Replacement	150,100
<b>Liabilities:</b>	
Compensated Absences	556,638
<b>Specific Activities &amp; Projects:</b>	
Yuba & Bear River Relicensings & Watershed interests	238,957
Yearly Water Transfer Costs	118,735
Middle Fork Project - Auburn Diversion Unit	277,146
Middle Fork Project - Facilities and Properties	121,076
Power System - Service Level Support	1,464,812
Financial Assistance Program	88,008
<b>Total Agency Wide - Designated</b>	<b>\$ 4,425,901</b>

**Water Division**

<b>Operational:</b>	
Contingencies	\$ 1,994,459
Operational	3,149,715
Revenue Volatility	3,138,624
Energy Volatility	887,691
<b>Capital:</b>	
Building and Facilities Maintenance and Improvements	1,094,799
System Replacement and Improvements	9,663,304
Vehicles, Equipment and Other Routine Capital Replacement	934,931
<b>Specified Revenue:</b>	
Renewal & Replacement Charges	18,147,062
State and Federal Mandated Charges	571,051
Raw Water Surcharge	1,929,263
<b>Liabilities:</b>	
Compensated Absences	1,955,436
Revolving Grant Matching Funds	576,682
Risk Management	120,940
<b>Specific Activities &amp; Projects:</b>	
Water and Energy Efficiency Strategies	278,409
Service Center - Corporation Yard	5,136,098
Catastrophic Event	5,210,778
<b>Total Water Division - Designated</b>	<b>\$ 54,789,242</b>

**PLACER COUNTY WATER AGENCY**  
**Combined Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	2012 Adopted Budget	2012 Adjusted Budget (1)	2012 Actual	Variance from Adjusted Budget (\$)	Variance from Adjusted Budget (%)
<b>Operating Revenues</b>					
Water Sales	\$ 35,094,200	35,094,200	32,709,967	(2,384,233)	-6.79%
Power Sales (1)	11,546,475	13,686,081	13,686,081	-	0.00%
Reimbursements	67,708	67,708	73,108	5,400	7.98%
Engineering Charges	355,000	355,000	395,443	40,443	11.39%
Customer Service Charges	731,000	731,000	686,420	(44,580)	-6.10%
Other Revenue	55,000	5,000	36,969	31,969	639.38%
Total Operating Revenues	<u>47,849,383</u>	<u>49,938,989</u>	<u>47,587,988</u>	<u>(2,351,001)</u>	<u>-4.71%</u>
<b>Non-Operating Revenues</b>					
Water Connection Charge	-	-	1,647,974	1,647,974	100%
Renewal & Replacement Charge	9,060,000	9,060,000	9,217,860	157,860	1.74%
Mandated Costs Charge	-	-	2,967	2,967	100.00%
Raw Water Surcharge	250,000	250,000	281,205	31,205	12.48%
Costs Recovered from Other Agencies	-	-	4,427,360	4,427,360	100%
Interest Earnings	1,070,000	1,024,300	1,132,295	107,995	10.54%
Property Taxes	680,000	680,000	661,155	(18,845)	-2.77%
Assessments	-	-	1,394	1,394	100.00%
Gain (Loss) on Disposal of Assets	-	-	12,190	12,190	100.00%
Program Grant Revenue	10,000	10,000	88,096	78,096	780.96%
Other Income (2)	305,500	336,273	507,011	170,738	50.77%
Total Non-Operating Revenues	<u>11,375,500</u>	<u>11,360,573</u>	<u>17,979,507</u>	<u>6,618,934</u>	<u>58.26%</u>
<b>Total Revenues</b>	<u>59,224,883</u>	<u>61,299,562</u>	<u>65,567,495</u>	<u>4,267,933</u>	<u>6.96%</u>
<b>Operating Expenses</b>					
Purchased Water	724,000	724,000	622,157	101,843	14.07%
Field Administration	937,854	937,854	955,572	(17,718)	-1.89%
Pumping Plant and Wells	1,528,257	1,437,257	1,532,769	(95,512)	-6.65%
Water Treatment	5,722,962	5,784,104	5,460,773	323,331	5.59%
Electrical Operations	1,501,412	1,751,049	1,751,049	-	0.00%
Transmission & Distribution:					
Treated Water	2,856,862	2,856,862	3,249,731	(392,869)	-13.75%
Raw Water	5,191,191	5,141,191	4,718,531	422,660	8.22%
Customer Service & Collections	3,818,680	3,808,680	3,485,741	322,939	8.48%
Repairs & Maintenance	832,396	1,639,482	1,639,482	-	0.00%
Recreation	366,124	450,799	450,799	-	0.00%
Automotive & Equipment	920,427	920,427	865,766	54,661	5.94%
Engineering	2,066,440	2,078,765	2,763,911	(685,146)	-32.96%
General & Administration	9,733,753	9,237,941	9,690,579	(452,638)	-4.90%
Depreciation	6,092,941	8,641,604	22,663,482	(14,021,878)	-162.26%
Total Operating Expenses (3)	<u>42,293,299</u>	<u>45,410,015</u>	<u>59,850,342</u>	<u>(14,440,327)</u>	<u>-31.80%</u>
<b>Non-Operating Expenses</b>					
Interest Expense	4,158,625	4,158,625	4,137,102	21,523	0.52%
Amortization of Bond Issue Cost	457,110	455,864	486,004	(30,140)	-6.61%
Total Non-Operating Expenses	<u>4,615,735</u>	<u>4,614,489</u>	<u>4,623,106</u>	<u>(8,617)</u>	<u>-0.19%</u>
<b>Total Expenses</b>	<u>46,909,034</u>	<u>50,024,504</u>	<u>64,473,448</u>	<u>(14,448,944)</u>	<u>-28.88%</u>
Capital Contributions	-	-	3,240,922	3,240,922	100%
<b>CHANGE IN NET POSITION</b>	<u>\$ 12,315,849</u>	<u>11,275,058</u>	<u>4,334,969</u>	<u>(6,940,089)</u>	<u>-61.55%</u>

(1) In 2012, 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 (2003-2012)**

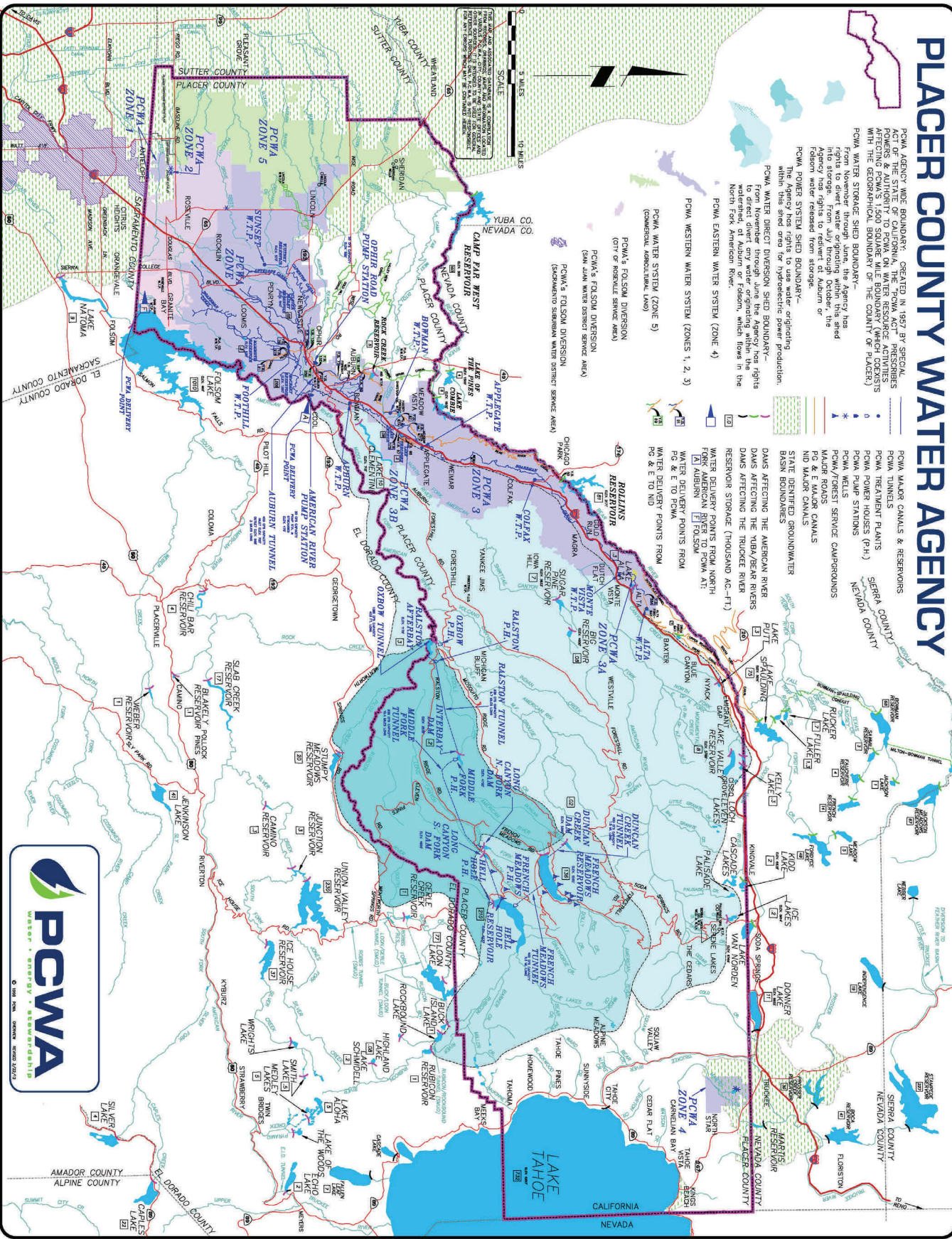
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Operating Revenues</b>										
Water Sales	\$ 18,225,850	20,040,000	25,100,000	27,000,000	27,738,991	30,668,200	34,799,800	35,121,350	33,544,200	35,094,200
Power Sales	13,428,336	15,000,000	16,500,000	26,944,696	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765	13,686,081
Reimbursements	60,108	59,200	61,000	63,000	68,000	57,877	60,192	62,600	65,104	67,708
Engineering Charges	655,949	720,000	720,000	900,000	1,140,000	800,000	980,000	565,000	415,000	355,000
Customer Service Charges	170,409	320,000	320,000	400,000	400,100	502,400	502,500	730,000	731,000	731,000
Other Revenue	35,500	-	10,000	10,050	10,000	5,000	5,000	5,000	5,000	5,000
<b>Total Operating Revenues</b>	<b>32,576,152</b>	<b>36,139,200</b>	<b>42,711,000</b>	<b>55,317,746</b>	<b>60,541,153</b>	<b>49,593,739</b>	<b>49,369,070</b>	<b>49,902,210</b>	<b>46,598,069</b>	<b>49,938,989</b>
<b>Non-Operating Revenues</b>										
Water Connection Charge	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	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	9,060,000
Mandated Costs Charge	1,730,000	2,137,000	2,492,000	3,400,000	3,568,000	4,035,000	-	-	-	-
Raw Water Surcharge	220,000	245,000	246,500	330,000	401,708	219,123	250,000	250,000	250,000	250,000
Contributions in Aid of Construction	250,000	250,000	250,000	400,000	400,000	415,000	220,000	55,000	55,000	-
Water Sales	-	-	-	-	-	-	-	-	-	55,000
Costs Recovered from Other Agencies	-	-	-	-	-	20,000	-	-	-	-
Interest Earnings	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	1,024,300
Property Taxes	724,000	896,000	685,000	770,023	705,000	820,000	800,000	646,200	646,200	680,000
Assessments	49,000	25,000	7,000	-	5,000	-	-	-	-	-
Gain on Disposal of Assets	-	-	-	5,000	-	-	4,000	-	(111,442)	-
Program Grant Revenue	1,033,160	1,200,000	400,000	-	15,000	324,657	150,000	90,000	50,000	10,000
Other Income	34,000	108,300	8,000	10,050	70,050	7,047	(40,581)	32,984	442,251	281,273
<b>Total Non-Operating Revenues</b>	<b>11,584,160</b>	<b>13,637,300</b>	<b>18,528,500</b>	<b>24,585,073</b>	<b>19,885,858</b>	<b>19,589,463</b>	<b>15,318,419</b>	<b>12,062,184</b>	<b>11,732,009</b>	<b>11,360,573</b>
<b>Total Revenues</b>	<b>44,160,312</b>	<b>49,776,500</b>	<b>61,239,500</b>	<b>79,902,819</b>	<b>80,427,011</b>	<b>69,183,202</b>	<b>64,687,489</b>	<b>61,964,394</b>	<b>58,330,078</b>	<b>61,299,562</b>
<b>Operating Expenses</b>										
Purchased Water	425,000	299,000	516,832	676,000	759,400	716,400	755,736	779,420	674,020	724,000
Field Administration	721,488	694,050	822,802	807,418	805,746	1,351,731	927,861	1,066,761	1,020,479	937,854
Pumping Plant & Wells	985,043	210,000	799,093	869,978	945,500	1,299,251	1,135,089	1,458,055	1,525,050	1,437,257
Water Treatment	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	5,784,104
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	1,751,049
Transmission & Distribution										
Treated Water	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	2,856,862
Raw Water	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	5,141,191
Customer Service & Collections	1,206,878	904,171	922,331	963,212	3,246,272	3,587,304	3,949,522	4,186,362	3,986,845	3,808,680
Repairs & Maintenance	-	835,185	450,872	429,734	1,461,988	5,764,760	1,731,400	1,669,017	1,848,030	1,639,482
Safety	505,234	573,732	637,849	694,539	-	-	-	-	-	-
Recreation	-	336,672	-	-	229,359	189,849	187,501	424,186	344,558	450,799
Automotive & Equipment	651,178	796,156	710,215	662,707	729,512	808,487	824,000	898,973	857,976	920,427
Engineering	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	2,078,765
General & Administration	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	9,237,941
Depreciation	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	8,641,604
<b>Total Operating Expenses</b>	<b>23,537,908</b>	<b>30,633,004</b>	<b>33,051,949</b>	<b>29,379,531</b>	<b>36,500,051</b>	<b>46,154,783</b>	<b>45,431,184</b>	<b>44,874,595</b>	<b>44,934,885</b>	<b>45,410,015</b>
<b>Non-Operating Expenses</b>										
Interest Expense	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	4,158,625
Amortization of Bond Issue Cost	9,000	170,000	92,000	70,000	77,135	-	-	25,615	576,455	455,864
Amortization of Bond Premium/Discount	-	-	275,000	275,500	-	16,819	9,221	-	-	-
Other	44,000	53,000	65,000	100,000	-	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>1,802,906</b>	<b>1,791,000</b>	<b>4,635,601</b>	<b>4,444,206</b>	<b>3,497,570</b>	<b>3,017,124</b>	<b>4,538,707</b>	<b>5,186,990</b>	<b>5,568,305</b>	<b>4,614,489</b>
<b>Total Expenses</b>	<b>25,340,814</b>	<b>32,424,004</b>	<b>37,687,550</b>	<b>33,823,737</b>	<b>39,997,621</b>	<b>49,171,907</b>	<b>49,969,891</b>	<b>50,061,585</b>	<b>50,503,190</b>	<b>50,024,504</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 18,819,498</b>	<b>17,352,496</b>	<b>23,551,950</b>	<b>46,079,082</b>	<b>40,429,390</b>	<b>20,011,295</b>	<b>14,717,598</b>	<b>11,902,809</b>	<b>7,826,888</b>	<b>11,275,058</b>

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

# PLACER COUNTY WATER AGENCY

PCWA AGENCY WDF BOUNDARY. CREATED IN 1987 BY SPECIAL ACT OF THE STATE OF CALIFORNIA. THE PCWA ACT REASSIGNS POWERS & AUTHORITY TO PCWA ON WATER RESOURCE ACTIVITIES WITHIN THE 1,500 SQUARE MILE BOUNDARY (WHICH COINCIDES WITH THE BERRINGTON BOUNDARY OF THE COUNTY OF PLACER).  
 PCWA WATER STORAGE SHED BOUNDARY - Agency has rights to divert water originating within this shed into storage. From July through October, the Agency has rights to divert of Auburn or Folsom water released from storage.  
 PCWA POWER SYSTEM SHED BOUNDARY - Agency has rights to divert water originating within this shed for hydroelectric power generation.  
 PCWA WATER DIRECT DIVERSION SHED BOUNDARY - From November through June the Agency has rights to divert any water originating within the watershed of Auburn or Folsom, which flows in the North Fork American River.  
 PCWA WESTERN WATER SYSTEM (ZONES 1, 2, 3)  
 PCWA EASTERN WATER SYSTEM (ZONE 4)  
 PCWA WESTERN WATER SYSTEM (ZONES 1, 2, 3)  
 PCWA WATER SYSTEM (ZONE 5)  
 PCWA's FOLSOM DIVERSION (CITY OF ROSVILLE SERVICE AREA)  
 PCWA's FOLSOM DIVERSION (SAN JUAN WATER DISTRICT SERVICE AREA)  
 PCWA's FOLSOM DIVERSION (SACRAMENTO SUBURBAN WATER DISTRICT SERVICE AREA)

PCWA MAJOR CANALS & RESERVOIRS  
 PCWA TREATMENT PLANTS  
 PCWA POWER HOUSES (PH)  
 PCWA PUMP STATIONS  
 PCWA WELLS  
 PCWA WELLS SERVICE CAMPGROUNDS  
 MAJOR FIELDS  
 PG & E MAJOR CANALS  
 PG & E MAJOR CANALS  
 STATE IDENTIFIED GROUNDWATER  
 DAMS AFFECTING THE AMERICAN RIVER  
 DAMS AFFECTING THE YUBA/BEAR RIVERS  
 DAMS AFFECTING THE TRUCKEE RIVER  
 RESERVOIR STORAGE (THOUSAND AC.-FT.)  
 WATER DELIVERY POINTS FROM NORTH FORK AMERICAN RIVER TO PCWA AT:  
 [A] AUBURN [B] FOLSOM  
 WATER DELIVERY POINTS FROM PG & E TO PCWA  
 PG & E TO MID  
 WATER DELIVERY POINTS FROM PG & E TO MID



**Placer County Water Agency**  
 144 Ferguson Road | P.O. Box 6570  
 Auburn, CA 95603 | Auburn, CA 95604

[www.pcwa.net](http://www.pcwa.net)