



Hell Hole Reservoir (top) and French Meadows Reservoir (bottom)

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2014

Comprehensive Annual Financial Report

For the Year Ended December 31, 2014



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

Prepared by the Department of Financial Services

Photos on the cover represent reservoir levels under current drought conditions

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Introductory Section



Hell Hole Reservoir with King Fire Damage (foreground and background)

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 originally 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. Currently, the energy and ancillary services are sold to Pacific Gas and Electric Company (PG&E) through the California Independent System Operator (CAISO) under a Power Purchase Agreement (PPA) that commenced May 1, 2013 and ends on December 31, 2017. The electricity generated is metered by the CAISO and shadow settled by the Agency. Under this new agreement, PG&E buys all power generated and ancillary services provided by the MFP through December 31, 2017.

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 almost 40,000 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 620 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

The Agency obtains water from three primary sources: 1) Nearly all of the water PCWA delivers to its treated and untreated water customers in Western Placer County comes from water pursuant to a 1968 agreement with Pacific Gas and Electric Co. (PG&E) from the Yuba and Bear Rivers through PG&E's Drum-Spaulding Project; 2) In 1982 the Agency acquired treated and raw water systems serving the portion of upper Western Placer County that is adjacent to Interstate 80 from Alta, down through Colfax, to the Eastern boundary, just above Auburn. With this acquisition, the Agency acquired the right to purchase up to 25,000 acre feet annually from PG&E for use in this area with water from PG&E's Drum-Spaulding Project; 3) The Agency has up to 120,000 acre feet of water available annually from appropriated water rights developed through the construction of the 1963 Middle Fork Project on the American River. Water can be diverted into the western water system through the American River Pump Station to Auburn tunnel and from Folsom Reservoir.

In addition to the three 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.

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. In March 2015 the General Manager of 23 years retired, and the Board of Directors chose a long-term Agency employee as the successor.

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

Drought

The drought has been persisting since 2012; however, its effects on water supply were realized statewide and locally in 2014 when water supply allocations were being cut for many. At PCWA, our allocation from our PG&E contract supply was cut to 71% of normal year deliveries. This supply is our most used source of water because it can be delivered to the entirety of our water

system and requires no pumping. We were able to mitigate the impacts of this reduced allocation by utilizing our American River supply, which requires significant pumping. Even with this augmentation, conservation on the part of our operations and our customers was necessary to close the gap and to meet conservation requirements of the State Water Resources Control Board.

Our operators and our customers did an excellent job in 2014. The combined water system achieved 28 percent conservation. The treated water system alone achieved 18 percent and the canal system 35 percent. This level of conservation was among the highest statewide, more than requested of our customers, and resulted in healthy carryover storage for 2015.

Middle Fork Project (MFP)

The Agency reached a mutually acceptable agreement with all participating stakeholders in the MFP process on new license conditions. In 2013, the Federal Energy Regulatory Commission (FERC) issued a final Environmental Impact Statement, and the Agency certified a final Environmental Impact Report. The only remaining document needed before FERC can issue a new long-term operating license is a Clean Water Act Section 401 Certification from the State Water Resources Control Board, which staff anticipates will be issued in early 2017. Implementation of certain beneficial infrastructure projects included in the new license has already begun, with planning and engineering of several MFP enhancements well under way. In addition, during this interim period, the Agency must maintain its commitments to providing a quality recreational experience for citizens at all MFP related facilities.

MFP Water Rights Extension of Time

Staff continued development of an Environmental Impact Report to extend the Agency's water rights on the American River until build-out of the service area is completed. 2014 saw significant progress on hydrology and temperature modeling technical efforts, as well as meetings with key stakeholders to build support for the long-term extension of Agency rights.

In addition, staff has been tracking several key State and Federal regulatory and operational processes, particularly in the lower American River, to ensure that MFP operations are accurately represented. Staff and consultants will continue to monitor these processes closely and make recommendations that ensure the Agency's positions and rights are asserted.

Delta Issues

Staff continued to track legislative and regulatory issues related to the Bay-Delta plan that may affect Placer County's development of water supplies. The Agency filed extensive comments on the Bay-Delta Conservation, particularly in relation to the effects of a warming global climate and associated sea level rise. 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.

Planning and Land Development

The Agency experienced continued growth in development activity, facilitating large residential and commercial projects for a total of 1,527 equivalent dwelling units (EDUs). Significant progress was made in completing a phasing plan for Ophir Water Treatment Plant to match expected development growth. The plan begins with a package plant that does not require offsite pipelines, minimizing upfront cost, and ends with a plant of conventional construction and significant offsite pipelines to meet major increases in water demand from new development. Infrastructure from this phasing plan, along with other appurtenant infrastructure, has been incorporated into a long-term capital financing plan.

ECONOMIC CONDITIONS OF PCWA

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

Placer County Economy

Placer County continues to recover from the recent recession as evident by the increase in development over the past three years. For example, the Agency's Water Connection Charge revenues, which are charges to connect to new water service, increased from \$0.4 million in 2011 to \$9.4 million in 2014.

In the last decade the County has experienced an overall population growth of approximately 22%, making Placer the fastest-growing county in the Sacramento region. However, growth has slowed in recent years as the Placer County population increased by only 1.27% from 2013 to 2014.

The long-term forecast for the County's growth is steady. The population is expected to reach approximately 420,000 by 2023. The 2023 figure represents a 14% increase over the current population of 369,726.

The County's unemployment is 5.2% at December 2014, which is lower than the State's total of 6.7%.

The County's per capita personal income also exceeded the State's per capita personal income by 13% in 2014. Please see the Statistical Section for additional information.

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.

In May 2013, the Agency initiated a Proposition 218 process for a proposed water rate adjustment in the Zone 1 region. This action was taken to cover increases in wholesale water costs and to cover higher general operating costs. Beginning January 1, 2014, the wholesale price of water delivered by PG&E to Zone 1 increased from \$1.45 to \$3.93 per acre foot to \$30 per acre foot. In 2015, the price will increase to \$40 per acre foot. In subsequent years, the cost will increase annually according to a suitable index to the increased cost of construction. On August 8, 2013, the PCWA board adopted a new 5 year water rate and fee structure to pay for these increased costs and ensure the continuing reliability of PCWA's primary water source.

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. In August, 2013, the PCWA Board approved a phased-in increase to this charge to take effect on January 1, 2014. This modest increase was necessary due to increasing costs of replacing the Agency's critical water infrastructure.

PCWA continually updates its comprehensive financial plan, most recently by extending 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 2013, the Agency updated and revised the Investment Policy to meet changing market conditions. Reviewed and re-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 State’s plan to modify the water delivery infrastructure of the Bay/Delta 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.

As California’s historic drought continues, Agency staff will be working closely with PG&E to ensure PCWA customer’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 these facilities and in the future there will likely be a minor reduction in the amount of water available to PCWA, which the Agency plans to backfill with MFP supplies. With the signing of a new, long-term water supply contract with PG&E, significant cost and reliability issues have been settled. PCWA will also work with other water supply interests in the Yuba River watershed to protect water supplies from diversions for endangered species.

The Agency’s Power System department will be implementing a number of new procedures in accordance with North American Electric Reliability Corporation (NERC) rules. Compliance activities will include a procedure based maintenance management system to manage workflow, maintenance history documentation, new department record keeping processes and revised standard operating procedures. All of these compliance measures will allow the Agency to retain its good standing with NERC and participate in California’s wholesale energy market through the CAISO. In 2015, the Agency will also begin the process of soliciting energy partners for the next MFP contract, which will begin January 1, 2018.

The Technical Services department will manage several new projects in 2015. These projects include the replacement of aging pipelines and relocation of services under the Rocklin front Yard Main Replacement Project and Kenna/Bell Pipeline Project, extending the Ophir Pipeline to serve the Ophir Gardens community, expanding well capacity under the Zone 1 Well Expansion Project, replacing the roof at the Business Center, and initiating the design of the first phase of the Ophir Water Treatment Plant along with the Foothill Plant expansion projects to address growing demands in the region. 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.

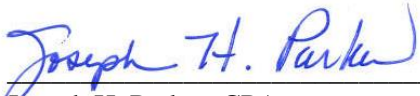
Awards and Acknowledgements

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, 2013. 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. I would also like to express appreciation to staff members of other departments who contributed to the preparation of this report.

Respectfully Submitted,



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



Government Finance Officers Association

**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, 2013

Executive Director/CEO

Placer County Water Agency

December 31, 2014

Board of Directors

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

Agency Officials

General Manager	David Breninger
Agency Counsel	Janet Goldsmith
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	Tom Reeves
Director of Strategic Affairs	Einar Maisch
Director of Resource Development	Andy Fecko
Director of Technical Services	R. Brent Smith

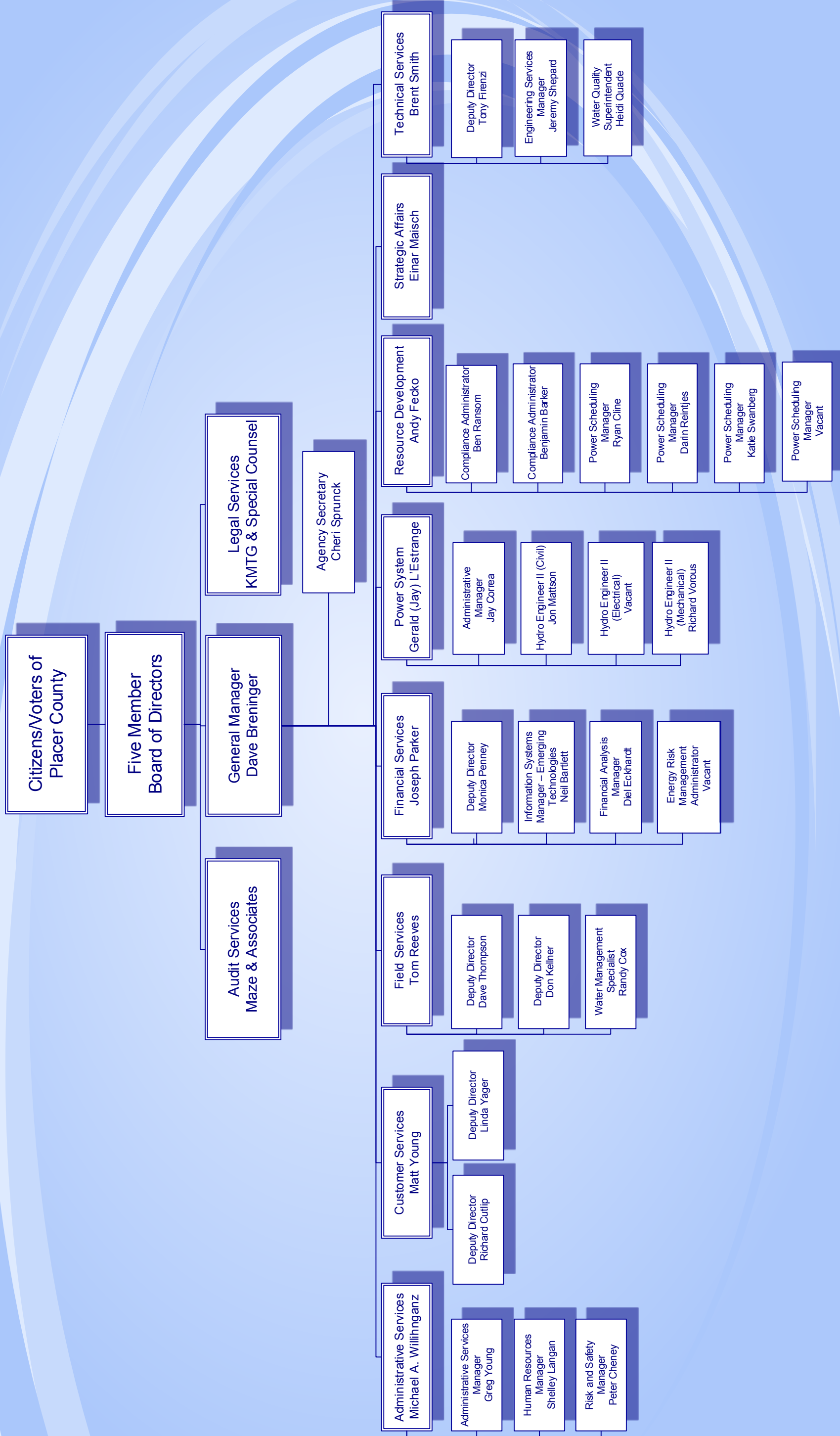
Acknowledgements

Prepared by the Placer County Water Agency
Department of Financial Services

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



Placer County Water Agency Organizational Structure



Financial Section



Ophir Road Pipeline Project

INDEPENDENT AUDITOR'S REPORT

To the 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, 2014, 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, 2014, 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.

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 opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The Introductory Section, Combining Financial Statements, Supplemental Information, and Statistical Section 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 and Supplemental Schedules 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 and Supplemental Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Section 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 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 Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Information and Supplemental Schedules are the responsibility of management and was derived from and relates 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 Supplemental Information and Supplemental Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, 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 31, 2015

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

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, 2014. 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 entitlements 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. During 2014, the Agency sold power to Pacific Gas & Electric (PG&E) through the California Independent System Operator (CAISO) under a Power Purchase Agreement (PPA). The electricity generated is metered by the CAISO and shadow settled, or validated, by the Agency. Under this agreement, PG&E buys all power generated & ancillary services provided by the MFP through December 31, 2017.

The Agency's Water Division was established in 1968 with the acquisition of our first water system. The Agency operates an integrated treated and untreated (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 620 miles of treated water pipelines. Treated water is supplied to residential, commercial, industrial, and other governmental users in the cities and surrounding areas of Auburn, Colfax, Loomis, Rocklin,

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

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 groundwater for customers in a few 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 (enterprise) fund consists of 3 divisions, Agency Wide, the Water Division and the Power Division. Proprietary 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.

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

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

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 55 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 56 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.

The Agency remained in a strong financial position during 2014, as illustrated in the financial analysis below.

FINANCIAL HIGHLIGHTS FOR 2014

- At December 31, 2014, the Agency's total assets exceeded total liabilities by \$710 million (net position), which is an increase of \$35.7 million or 5% over the 2013 year-end balance.
- Net capital assets increased \$13.6 million or 2% to \$651 million.
- Operating revenue increased \$11.8 million or 24% to \$61.3 million.
- Operating expense increased \$7.0 million or 11% to \$71.7 million.
- Non-operating revenues (expenses) increased \$15.2 million or 92% to \$31.8 million.
- Capital contributions increased \$11.1 million or 352% to \$14.2 million.

Financial Position

The Agency's net position increased by \$35.7 million to \$710 million (*see Table 1*), which is a result of assets increasing by \$33.6 million and liabilities decreasing by \$2.1 million.

The highlights of the \$35.7 million increase in net position are as follows:

- Current assets increased \$29.8 million and non-current assets decreased \$9.8 million, which is the

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

- Capital assets increased \$13.6 million from construction capitalized and capital contributions.
- Liabilities decreased \$2.1 million primarily from debt service payments.

Table 1
Net Position
(In thousands)

	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>%</u>
ASSETS:				
Current Assets	\$ 87,779	58,004	29,775	51%
Non-Current Assets	78,612	88,394	(9,782)	-11%
Capital Assets	<u>651,468</u>	<u>637,867</u>	<u>13,601</u>	<u>2%</u>
Total Assets	<u><u>817,859</u></u>	<u><u>784,265</u></u>	<u><u>33,594</u></u>	<u><u>4%</u></u>
LIABILITIES:				
Current Liabilities	15,637	14,336	1,301	9%
Non-Current Liabilities	<u>92,345</u>	<u>95,751</u>	<u>(3,406)</u>	<u>-4%</u>
Total Liabilities	<u><u>107,982</u></u>	<u><u>110,087</u></u>	<u><u>(2,105)</u></u>	<u><u>-2%</u></u>
NET POSITION:				
Net Investment in Capital Assets	556,982	540,136	16,846	3%
Restricted	42,678	39,333	3,345	9%
Unrestricted	<u>110,217</u>	<u>94,709</u>	<u>15,508</u>	<u>16%</u>
Total Net Position	<u><u>\$ 709,877</u></u>	<u><u>674,178</u></u>	<u><u>35,699</u></u>	<u><u>5%</u></u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

Results of Operations

The Agency's 2014 total operating revenue of \$61.3 million was an increase of \$11.8 million compared to the 2013 amount (*see Table 2 on the following page*). The total operating expense increased \$7.0 million resulting in a net increase to operating income of \$4.8 million. Overall, the Agency's change in net position for the year, including capital contributions, increased by \$31.2 million compared to the 2013 change in net position. The major components of this increase are as follows:

- Operating revenue increased by \$11.8 million or 24% to \$61.3 million. 2014 operating revenue at the fund level changed as follows: Agency Wide increased \$0.2 million, Power Division increased \$12.0 million and Water Division decreased \$0.3 million. Power Division revenues, which reflect reimbursements of Agency's expenses related to the Middle Fork Project, increased because 2014 was an entire year (12 months) compared to only 8 months in 2013 as the prior power purchase agreement ended April 30, 2013. In addition, there was enhanced water resource management and energy market pricing that also increased revenues. Power sales revenue is subject to significant volatility due to variations in hydrology, energy market prices and other factors, thus the drought year continues to have a significant impact on power sales revenues. The decrease in Water Division revenues reflects conservation efforts during a drought year.
- Operating expense increased by \$7.0 million or 11% to \$71.7 million. 2014 operating expense at the fund level changed from prior year as follows: Agency Wide increased \$0.5 million, Power Division increased \$3.8 million and Water Division increased \$2.7 million. The increase in Agency Wide Division expense is primarily driven by costs associated with the protection of the Agency's water supply. Power Division expense increased due to increased resources needed for the first full year under the new power purchase agreement with PG&E compared to two-thirds of the year in 2013 to provide for a variety of functions pursuant to the new power purchase agreement, new FERC license and various compliance programs. The increase in Water Division expense is primarily driven by the increased price of wholesale water purchased from PG&E.
- Non-operating revenues (expenses) increased by \$15.2 million or 92% to \$31.8 million. Key components of this increase are a \$4.4 million increase in Water Connection Charge revenue which reflects the improvement in the local housing industry and an \$8.4 million increase in out of county water sales. In 2014, the Agency transacted out of county water sales totaling \$11.8 million to two local governmental entities, as both water and opportunities were available.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled \$14.3 million, which was comprised of various developer's agreement contributions.

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

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

Table 2
Changes in Net Position
(In thousands)

	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:				
Agency Wide	\$ 932	777	155	20%
Power Division	25,506	13,516	11,990	89%
Water Division	34,815	35,163	(348)	-1%
Total Operating Revenues	<u>61,253</u>	<u>49,456</u>	<u>11,797</u>	<u>24%</u>
OPERATING EXPENSES:				
Purchased Water	2,584	834	1,750	210%
Pumping Plant and Wells	2,070	1,263	807	64%
Water Treatment	6,632	5,240	1,392	27%
Electrical Operations	2,344	1,833	511	28%
Transmission and Distribution of Treated Water	2,366	2,521	(155)	-6%
Transmission and Distribution of Raw Water	3,694	4,217	(523)	-12%
Customer Service and Collections	3,720	3,522	198	6%
Repairs and Maintenance	2,556	2,109	447	21%
Engineering	3,069	3,051	18	1%
General and Administrative	13,176	11,956	1,220	10%
Resource Development	2,887	2,355	532	23%
Depreciation	22,601	22,172	429	2%
Other	3,965	3,618	347	10%
Total Operating Expenses	<u>71,664</u>	<u>64,691</u>	<u>6,973</u>	<u>11%</u>
Net Operating Income (Loss)	<u>(10,411)</u>	<u>(15,235)</u>	<u>4,824</u>	<u>-32%</u>
NON-OPERATING REVENUES (EXPENSES):				
Water Connection Charges	9,386	5,002	4,384	88%
Renewal and Replacement Charges	10,809	9,208	1,601	17%
Water Sale	11,750	3,350	8,400	251%
Costs Recovered from Other Agencies	630	1,625	(995)	-61%
Interest Earnings	1,015	970	45	5%
Interest Expense	(3,712)	(3,886)	174	-4%
Other	1,967	343	1,624	473%
Total Non-Operating Revenues (Expenses)	<u>31,845</u>	<u>16,612</u>	<u>15,233</u>	<u>92%</u>
Income Before Capital Contributions	21,434	1,377	20,057	1457%
Capital Contributions	14,265	3,156	11,109	352%
Change in Net Position	35,699	4,533	31,166	688%
Net Position, Beginning of Year	674,178	669,645	4,533	1%
Net Position, End of Year	<u>\$ 709,877</u>	<u>674,178</u>	<u>35,699</u>	<u>5%</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

Amended Budget versus Actual

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.

Table 3 presents the 2014 Budget versus Actual. The segment variances are discussed as follows: The Power Division operating expense was under budget because the new Federal Energy Regulatory Commission (FERC) license has not been issued, yet significant expenses were budgeted in anticipation of this implementation. Correspondingly, the Power Division operating revenue, which reflects reimbursements of the Agency's expenses related to the Middle Fork Project is also under budget. The Water Division operating expense variance is due to reduced water availability because of the drought, hence reduced water purchase costs, as well as other drought related impacts such as deferral of certain projects and staff vacancies. 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 2014 budget included only an 8% depreciation funding level. The non-operating revenues (expenses) variance is primarily due to additional water connection charge revenue received, reflecting the improvement in the local housing industry, and out of county water sales.

Table 3
2014 Amended Budget and Actual
(In thousands)

	2014 Amended Budget	2014 Actual	Variance
REVENUES:			
Operating:			
Agency Wide	\$ 780	932	152
Power Division	33,307	25,506	(7,801)
Water Division	35,000	34,815	(185)
Total Operating Revenues	<u>69,087</u>	<u>61,253</u>	<u>(7,834)</u>
EXPENSES:			
Operating:			
Agency Wide	1,591	992	599
Power Division	21,598	16,920	4,678
Water Division	33,036	31,151	1,885
Depreciation	1,749	22,601	(20,852)
Total Operating Expenses	<u>57,974</u>	<u>71,664</u>	<u>(13,690)</u>
Net Operating Income (Loss)	11,113	(10,411)	(21,524)
Non-Operating Revenues (Expenses)	9,834	31,845	22,011
Income Before Capital Contributions	20,947	21,434	487
Capital Contributions (Not Budgeted)	-	14,265	14,265
Change in Net Position	<u>\$ 20,947</u>	<u>35,699</u>	<u>14,752</u>

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

At the end of 2014, the Agency had invested \$651 million (net of accumulated depreciation) in a broad range of infrastructure including; power facilities; water storage, transmission and distribution facilities; maintenance and administration facilities; vehicles; and equipment. The total increase in the Agency's investment in capital assets for 2014 was \$13.6 million, or 2%. 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 2014 and 2013 as follows:

Table 4
Capital Assets
(In thousands)

	2014	2013	Increase/ (Decrease)	%
Land	\$ 13,969	13,954	15	0%
Utility Plant - Preliminary Survey	778	413	365	88%
Utility Plant	715,551	656,729	58,822	9%
Other Property and Equipment	102,533	96,955	5,578	6%
Construction in Progress	95,838	124,526	(28,688)	-23%
Subtotal	928,669	892,577	36,092	4%
Less Accumulated Depreciation	277,201	254,710	22,491	9%
Total Capital Assets	\$ 651,468	637,867	13,601	2%

This year's major capital expenditures included (in thousands):

Agency Wide

American River Water Rights Extension \$ 4,392

Power

Rockfall Netting 958

Communications Upgrade 865

Middle Fork Project Hillside Stability 760

Middle Fork Powerhouse Generator Excitation Upgrade 650

Hell Hole Seasonal Storage 627

Water

Ophir Pipelines Project 18,573

Electric Street Tank 7,871

Cherry Tree Flume Replacement 5,184

Yuba Bear Water Supply 2,369

Total

\$ 42,249

PLACER COUNTY WATER AGENCY

Management's Discussion and Analysis

December 31, 2014

The Agency's 2015 Budget includes a 2015 Capital Investment Program (CIP) budget totaling \$37 million, which is presented below by fund.

Capital Investment Program Budget (In thousands)

Agency Wide	\$	3,762
Power Division		14,081
Water Division		19,340
Total	\$	<u>37,183</u>

LONG-TERM DEBT

At December 31, 2014, the Agency had total long-term debt outstanding of \$95.9 million excluding the \$4.9 million in compensated absences payable. The outstanding amount decreased \$3.3 million during the year primarily because of the following:

- The retirement of \$2.7 million of Certificates of Participation
- The net retirement of \$0.6 million in loans payable.

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

The debt coverage ratio demonstrates the Agency's Western Water System financial strength and future borrowing capability which is calculated at 3.26 times annual debt service for the Western Water System at December 31, 2014. Table 5 presents the Western Water System's debt coverage ratio and exhibits both 2014 and 2013 ratios being greater than the 1.20 times debt indenture covenant requirement.

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

	<u>2014</u>	<u>2013</u>
Net Water Revenue, Excluding Depreciation	\$ 24,528	\$ 21,374
Debt Service on Certificates and Other Parity Debt	7,531	7,691
Debt Coverage Ratio	3.26	2.78
Debt Coverage Ratio Based on Debenture	1.20	1.20

PLACER COUNTY WATER AGENCY

Management’s Discussion and Analysis

December 31, 2014

At December 31, 2014 the Agency had outstanding certificates of participation stemming primarily from water system expansion projects (water connection charge projects) and replacement program projects, with varying maturities through 2037. The Agency’s current weighted average cost of capital is 3.9% in outstanding debt as shown in the following table:

Table 6
Cost of Capital
(In thousands)

	Debt Balance			Average Coupon Rate
	Expansion	Replacement	Total	
Certificates of Participation	\$ 51,049	21,221	72,270	4.4%
Loans Payable	271	23,354	23,625	2.3%
Total	<u>\$ 51,320</u>	<u>44,575</u>	<u>95,895</u>	3.9%

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.

PLACER COUNTY WATER AGENCY
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)	\$	52,197,011
Restricted Cash and Cash Equivalents (Note 2)		18,294,854
Restricted Cash and Cash Equivalents with Fiscal Agents (Note 2)		6,776,478
Water Service Receivable, Net		6,070,368
Accounts Receivable		536,127
Interest Receivable		196,586
Taxes Receivable		710,880
Materials and Supplies		834,553
Prepaid Expenses		1,949,338
OPEB Asset (Note 11)		212,338

Total Current Assets		87,778,533
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Non-Current Assets:

Investments (Note 2)		58,173,033
Restricted Investments (Note 2)		20,383,484
Notes Receivable		47,214
Assessments Receivable		8,232
Capital Assets, Net (Note 3)		651,468,361

Total Non-Current Assets		730,080,324
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Total Assets		817,858,857
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(Continued)

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

LIABILITIES

Current Liabilities:

Accounts Payable	\$	5,095,676
Accrued Salaries and Benefits		397,998
Interest Payable		1,714,040
Current Portion of Long-Term Liabilities (Note 4)		3,952,907
Deposits		1,373,134
Compensated Absences Payable, Current Portion (Note 4)		3,091,360
Other Current Liabilities		<u>12,212</u>
Total Current Liabilities		<u>15,637,327</u>

Non-Current Liabilities:

Certificates of Participation, Net of Premiums/Discounts (Note 4)		68,049,651
Loans Payable (Note 4)		22,483,903
Improvement District Debt (Note 4)		12,370
Unearned Revenue		1,651
Compensated Absences Payable (Note 4)		<u>1,797,139</u>
Total Non-Current Liabilities		<u>92,344,714</u>

		<u>107,982,041</u>
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NET POSITION

Net Investment in Capital Assets		556,981,900
Restricted (Note 5):		
Water System Expansion		40,725,410
Other		<u>1,952,604</u>
Total Restricted Net Position		42,678,014
Unrestricted		<u>110,216,902</u>
Total Net Position	\$	<u><u>709,876,816</u></u>

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, 2014

OPERATING REVENUES	
Water Sales	\$ 34,187,459
Power Sales	25,505,528
Engineering Charges	716,213
Customer Service Charges	770,250
Other Revenue	<u>73,644</u>
Total Operating Revenues	<u>61,253,094</u>
OPERATING EXPENSES	
Purchased Water	2,583,562
Field Administration	1,043,568
Pumping Plants and Wells	2,070,275
Water Treatment	6,632,499
Electrical Operations	2,343,539
Transmission and Distribution of Treated Water	2,366,201
Transmission and Distribution of Raw Water	3,693,672
Customer Service and Collections	3,720,337
Repairs and Maintenance	2,556,136
Recreation	2,046,968
Automotive and Equipment	874,574
Engineering	3,068,670
General and Administrative	13,176,428
Resource Development	2,886,610
Depreciation (Note 3)	<u>22,601,128</u>
Total Operating Expenses	<u>71,664,167</u>
Operating Loss	<u>(10,411,073)</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, 2014

NON-OPERATING REVENUES (EXPENSES)	
Water Connection Charges	\$ 9,385,614
Renewal and Replacement Charges	10,809,457
Mandated Costs Charges	2,902
Raw Water Surcharges	310,152
Water Sale	11,750,000
Costs Recovered From Other Agencies	630,355
Interest Earnings	1,015,465
Property Taxes	762,750
Assessments	10,834
Gain (Loss) on Disposal of Assets	16,317
Program Grant Revenue	214,619
Interest Expense	(3,711,654)
Amortization of (Discounts)/Premiums on Debt	(207,086)
Other Income	855,099
Total Non-Operating Revenues	31,844,824
Net Income Before Capital Contributions	21,433,751
Capital Contributions	14,265,424
Increase in Net Position	35,699,175
Net Position, Beginning of Year	674,177,641
Net Position, End of Year	\$ 709,876,816

See accompanying notes to financial statements

PLACER COUNTY WATER AGENCY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 62,060,608
Cash Received from Other	855,099
Cash Paid to Suppliers for Goods and Services	(11,354,788)
Cash Paid to Employees for Services	(37,203,953)
	<u>14,356,966</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Taxes, Assessments and Other Income	712,068
Costs Recovered from Other Agencies	630,355
Water Sale - Non Operating	11,750,000
Program Grant Revenue	214,619
	<u>13,307,042</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(21,936,637)
Proceeds from Debt Issuance	371,418
Principal Payment on Debt	(3,665,288)
Interest Payment on Debt	(3,948,485)
Mandated Costs Charges	2,902
Water Connection Charges	9,385,614
Raw Water Surcharges	310,152
Renewal and Replacement Charges	10,809,457
	<u>(8,670,867)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(29,877,783)
Proceeds from Maturity of Investments	39,652,891
Investment Income	1,082,772
	<u>10,857,880</u>
Net Cash Flows from Investing Activities	<u>10,857,880</u>
Net Cash Flows	29,851,021
Cash and Cash Equivalents at Beginning of Year	<u>47,417,322</u>
Cash and Cash Equivalents at End of Year	<u>\$ 77,268,343</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, 2014

Reconciliation of Operating Loss	
To Cash Flows from Operating Activities	
Operating Loss	<u>\$ (10,411,073)</u>
Adjustments to Reconcile Operating Loss to Cash	
Flows from Operating Activities	
Depreciation	22,601,128
Gain from Disposal of Capital Assets	16,317
Other Non-Operating Income	855,099
Changed in:	
Accounts and Water Service Receivable	919,921
Materials and Supplies	61,663
Prepaid Expenses	(809,448)
OPEB Asset	(101,502)
Notes Receivable & Assessments Receivable	6,686
Accounts Payable and Other Liabilities	1,784,679
Unearned Revenues	(1,069)
Salaries and Benefits Payable	(447,411)
Deposits	<u>(118,024)</u>
Total Adjustments	<u>24,768,039</u>
Net Cash Flows from Operating Activities	<u>\$ 14,356,966</u>
Reconciliation to Statement of Net Position:	
Cash and Cash Equivalents	\$ 52,197,011
Restricted Cash and Cash Equivalents	18,294,854
Restricted Cash and Cash Equivalents with Fiscal Agent	<u>6,776,478</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u>\$ 77,268,343</u>
Supplemental Schedule of Noncash	
Capital and Financing Activities:	
Noncash Capital Contributions	\$ 14,265,424
Change in Fair Value of Investments	(130,915)

See accompanying notes to the financial statements

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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 and to supply water to Placer County. The Agency provides water treatment and the distribution of both raw and treated water to customers in Placer County. The Agency's generated power and ancillary services are presently sold to the Pacific Gas & Electric Company under a contractual agreement.

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

B. Description of the Component Unit

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

Reporting for a component unit on the Agency's financial statements can be blended or discretely presented. A blended component unit, although a legally separate entity, is in substance, part of the Agency's obligations. A blended component unit is an extension of the Agency and so data from this unit is combined with data of the Agency. A discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the Agency.

The Agency's Board of Directors serves as the Corporation's Board of Directors. The purpose of the Corporation is to provide financial assistance to the Agency by financing the acquisition, construction, improvement, and remodeling of capital projects and facilities. Debt financed by the Corporation is reflected as debt of the Agency. The Corporation does not issue separate financial statements.

C. Basis of Presentation

The accounts of the Agency are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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, 2014

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

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 or energy sales, result from exchange transactions associated with the principal activities 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 and deferred inflows of resources that are attributable to the acquisition, construction or improvement of these assets. This investment in capital assets is 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, 2014

- **Unrestricted Net Position** – This component of net position consists of net position that do not meet the definition of “restricted” or “net 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 \$191,273 in allowance for doubtful accounts as of December 31, 2014. Customer water meters are read on a cyclical basis throughout a monthly or bimonthly period. Revenue is recognized in the period that the water is used.

H. Materials and Supplies

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

I. Capital Assets

The Agency’s capital assets purchased or constructed are capitalized at historical cost, while contributed assets are recorded at estimated fair market value at the time received for assets with an individual cost of more than \$5,000 and a useful life of one year or greater.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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 2014, 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. *Compensated Absences*

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable as of December 31, 2014 are included on the statement of net position.

K. *Property Tax Revenue*

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

The property tax calendar is as follows:

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

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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

For the year ending December 31, 2014, the Agency's property tax revenue totaled \$762,750 which is included in the Agency Wide fund.

L. Water Connection Charges

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

M. Water Sales

The Agency has two types of water sales: 1. On-going retailed or wholesaled water sales of both treated and raw water 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.

N. Power Sales

During 2014, the Agency sold power to Pacific Gas & Electric (PG&E) through the California Independent System Operator (CAISO) under a 2013 Power Purchase Agreement (PPA) that expires December 31, 2017. The electricity generated is metered by the CAISO and shadow settled by the Agency. Under this agreement, PG&E buys all power generated & ancillary services provided by the MFP through December 31, 2017. (See Footnote 9 – Joint Powers Middle Fork Project Finance Authority.)

O. Bond Issuance Costs

With the implementation of GASB 65, bond issuance costs are now considered an expense. Original issue discounts and premiums related to the 2007, 2008 and 2013 certificates of participation, will continue to be amortized 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, 2014

2. Cash and Investments

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Cash Equivalents	\$ 52,197,011
Restricted Cash and Cash Equivalents	18,294,854
Restricted Cash and Cash Equivalents with Fiscal Agents	6,776,478
Investments	58,173,033
Restricted Investments	20,383,484
Total	<u>\$ 155,824,860</u>

Cash and investments as of December 31, 2014 consist of the following:

Cash on Hand	\$ 2,500
Deposits with Financial Institutions	9,365,327
Investments	146,457,033
Total	<u>\$ 155,824,860</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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, 2014 are as follows:

Power Division:

Held with Fiscal Agent

Middle Fork Project Revenue Bonds, Series A Debt Reserve – Restricted for Series A debt service	\$ 5,000
Total Power Division	<u>5,000</u>

Water Division:

Held with Fiscal Agent

2007 COP Debt Reserve – Restricted for 2007 COP debt service	644,491
2008/2013 COP Debt Reserve – Restricted for 2008/2013 debt service	4,889,962
Auburn Water Treatment Plant Debt Reserve – Restricted for Auburn Water Treatment Plant debt service	<u>1,237,025</u>
Total Water Division	<u>6,771,478</u>
Total Held with Fiscal Agent	6,776,478

Held at the Agency

King/Delmar Debt Reserve – Restricted for King/Delmar debt service	19,545
Applegate Debt – Restricted for Applegate debt service	36,427
Dutch Flat Terrace Debt – Restricted for Dutch Flat Terrace debt service	1,980
Alta/Monte Vista (SWTR) Debt – Restricted for Alta/Monte Vista debt service	37,830
Auburn Water Treatment/Electric Street (SRF) Loans – Restricted future Fiscal Agent debt service reserve payments	612,344
County Service Area 29 – Restricted for Zone 5 improvements	138,737
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline	174,730
Sunset Ranchos – Restricted for Regional Water Use Efficiency	3,707
ID No. 36 – Restricted for Hwy 174 debt service	<u>6,859</u>
Total Held at the Agency	<u>1,032,159</u>

Total	<u>\$ 7,808,637</u>
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PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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	100%	No limit
U.S. Government Agencies and Instrumentalities	5 years	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/Public deposits	N/A	100%	No limit
Local Agency Investment Fund (LAIF)	N/A	\$50 million	No limit
Local Municipal Bonds	5 years	30%	No limit
Placer County Treasurer's Investment Pool (PCTPI)	N/A	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, 2014

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

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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 and incurring a possible loss prior to their maturity to meet those requirements; and
- (b) Managing the overall average maturity of the portfolio on a shorter term to maturity basis, not to exceed 2 ½ years.

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

Investment Type	Fair Value	Remaining Maturity				
		12 Months Or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	
U.S. Government Agencies:						
FFCB	\$ 26,735,316	3,018,780	2,994,330	20,722,206		
FHLB	32,973,360		8,973,000	21,008,760	2,991,600	
FMAC	2,991,750		2,991,750			
PEFCO	1,693,549		1,693,549			
TVA	3,766,304	3,766,304				
Corporate Notes	9,039,300		6,040,770		2,998,530	
PCTPI	16,029,366	16,029,366				
CA State Municipalities	1,356,939		1,356,939			
LAIF	45,094,671	45,094,671				
Subtotal	139,680,555	67,909,121	24,050,338	41,730,966	5,990,130	
Fiscal Agent Accounts:						
Money Market	6,776,478	6,776,478				
Total Investments	\$ 146,457,033	74,685,599	24,050,338	41,730,966	5,990,130	
		100.0% *	51.0%	16.4%	28.5%	4.1%

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
- PCTIP- Placer County Treasurer's Pooled Investments
- LAIF - Local Agency Investment Fund

* Percentage of portfolio.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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, 2014 actual credit quality ratings for each investment type as provided by Moody’s Investor Services, Inc.

Investment Type	Fair Value	Minimum Authorized Rating	Rating as of Year-End		
			Aaa/AAAm	Aa2, Aa3	Not Rated
U.S. Government Agencies:					
FFCB	\$ 26,735,316	N/A	26,735,316		
FHLB	32,973,360	N/A	32,973,360		
FMAC	2,991,750	N/A			2,991,750
PEFCO	1,693,549	N/A	1,693,549		
TVA	3,766,304	N/A	3,766,304		
Corporate Notes	9,039,300	Aa		9,039,300	
PCTPI	16,029,366	N/A			16,029,366
CA State Municipalities	1,356,939	N/A		1,356,939	
LAIF	45,094,671	N/A			45,094,671
Held by bond trustee:					
Money Market	<u>6,776,478</u>	*	<u>6,776,478</u>		
Total	<u>\$ 146,457,033</u>		<u>\$ 71,945,007</u>	<u>10,396,239</u>	<u>64,115,787</u>

* Collateralized

AAAm - Standard & Poor's AAA rating of Money Market Funds

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.

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, 2014

<u>Issuer</u>	<u>Investment Type</u>	<u>Percent of Portfolio</u>	<u>Reported Amount</u>
U.S. Government Agencies:			
Federal Farm Credit Bank	Federal agency securities	18.25%	\$ 26,735,316
Federal Home Loan Bank	Federal agency securities	22.51%	32,973,360

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 PCTPI). 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 \$15,913,732 which is collateralized at a rate of 110% with securities held by the pledging financial institution's Trust Department but not in the Agency's name.

Investment in State Investment Pool – Local Agency Investment Fund

The California State Treasurer maintains an investment pool in a special fund through which local governments may pool investments. The investment pool is named the Local Agency Investment Fund (LAIF). The Agency is a voluntary participant in the LAIF that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Local Investment Advisory Board (Advisory Board). The Advisory Board consists of five members as designated by State Statute.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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 \$45,094,671 at December 31, 2014.

Included in the LAIF's investment portfolio at December 31, 2014, 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, 2014, the amount invested by all public agencies in the LAIF totaled \$60,268,887,722, which includes asset-backed securities totaling \$0.797 billion (1.3%). At December 31, 2014, the LAIF investments mature in an average of 200 days.

Investment in Placer County Treasurer's Pooled Investments

The Placer County Treasurer-Tax Collector maintains an investment pool in a special fund through which local agencies may pool investments. The investment pool is named the Placer County Treasurer's Pooled Investments (PCTPI). The Agency is a voluntary participant in the PCTPI 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.

PCWA reports its investment in the PCTPI 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 Treasury Pool, which amounted to \$16,029,366 at December 31, 2014.

The investment of money on deposit in the PCTPI is limited to those investments specified by California Government Code Section 53601 and 53635. Included in the PCTPI at December 31, 2014, 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, 2014, the amount invested by all public agencies in the PCTPI totaled \$1,192,804,912 which includes Federal Agency Coupons totaling \$500 million (41.92%) and corporate medium term notes totaling \$208 million (17.44%). At December 31, 2014, the average days to maturity was 1,369 days.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

3. Summary of Capital Assets

The following is a summary of capital assets as of December 31, 2014:

	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 12/31/14</u>
Agency Wide:					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,054,187				4,054,187
Construction in Progress ^(A)	24,863,096	1,707,028		(19,166,530)	7,403,594
Total Capital Assets, Not Being Depreciated	<u>28,917,283</u>	<u>1,707,028</u>		<u>(19,166,530)</u>	<u>11,457,781</u>
Capital Assets, Being Depreciated:					
Utility Plant	2,683,872			719,326	3,403,198
Other property and equipment	8,145,054	96,678	(8,998)	297,660	8,530,394
Total Capital Assets, Being Depreciated:	<u>10,828,926</u>	<u>96,678</u>	<u>(8,998)</u>	<u>1,016,986</u>	<u>11,933,592</u>
Less accumulated depreciation for:					
Utility Plant	(1,448,442)	(61,546)			(1,509,988)
Other property and equipment	(2,176,125)	(471,306)	8,998	13,325	(2,625,108)
Total accumulated depreciation	<u>(3,624,567)</u>	<u>(532,852)</u>	<u>8,998</u>	<u>13,325</u>	<u>(4,135,096)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,204,359</u>	<u>(436,174)</u>		<u>1,030,311</u>	<u>7,798,496</u>
Total Capital Assets - Agency Wide	<u>36,121,642</u>	<u>1,270,854</u>		<u>(18,136,219)</u>	<u>19,256,277</u>
Power Division:					
Capital Assets, Not Being Depreciated:					
Preliminary Survey	12,500				12,500
Construction in Progress ^(A)	42,371,472	7,786,680		(3,342,759)	46,815,393
Total Capital Assets, Not Being Depreciated	<u>42,383,972</u>	<u>7,786,680</u>		<u>(3,342,759)</u>	<u>46,827,893</u>
Capital Assets, Being Depreciated:					
Utility Plant	184,787,772	333,344		20,986,343	206,107,459
Other property and equipment	6,673,283	379,564	(38,205)	505,960	7,600,602
Total Capital Assets, Being Depreciated:	<u>191,461,055</u>	<u>712,908</u>	<u>(38,205)</u>	<u>21,492,303</u>	<u>213,708,061</u>
Less accumulated depreciation for:					
Utility Plant	(78,339,405)	(3,707,431)			(82,046,836)
Other property and equipment	(3,722,504)	(736,858)	38,205	(13,325)	(4,434,482)
Total accumulated depreciation	<u>(82,061,909)</u>	<u>(4,444,289)</u>	<u>38,205</u>	<u>(13,325)</u>	<u>(86,481,318)</u>
Total Capital Assets, Being Depreciated, Net	<u>109,409,146</u>	<u>(3,731,381)</u>		<u>21,478,978</u>	<u>127,226,743</u>
Total Capital Assets - Power Division, Net	<u>151,863,118</u>	<u>4,055,299</u>		<u>18,136,219</u>	<u>174,054,636</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 12/31/14</u>
Water Division:					
Capital Assets, Not Being Depreciated:					
Land	\$ 9,899,879	15,157			9,915,036
Preliminary Survey	399,718			365,396	765,114
Construction in Progress	57,292,479	10,596,712		(26,270,143)	41,619,048
Total Capital Assets, Not Being Depreciated	<u>67,592,076</u>	<u>10,611,869</u>		<u>(25,904,747)</u>	<u>52,299,198</u>
Capital Assets, Being Depreciated:					
Utility Plant	469,257,442	14,658,320	(19,623)	22,144,268	506,040,407
Other property and equipment	82,056,376	638,317	(52,569)	3,760,479	86,402,603
Total Capital Assets, Being Depreciated:	<u>551,313,818</u>	<u>15,296,637</u>	<u>(72,192)</u>	<u>25,904,747</u>	<u>592,443,010</u>
Less accumulated depreciation for:					
Utility Plant	(135,670,421)	(13,278,468)	10,918		(148,937,971)
Other property and equipment	(33,352,805)	(4,345,519)	51,535		(37,646,789)
Total accumulated depreciation	<u>(169,023,226)</u>	<u>(17,623,987)</u>	<u>62,453</u>		<u>(186,584,760)</u>
Total Capital Assets, Being Depreciated, Net	<u>382,290,592</u>	<u>(2,327,350)</u>	<u>(9,739)</u>	<u>25,904,747</u>	<u>405,858,250</u>
Total Capital Assets - Water Division, Net	<u>449,882,668</u>	<u>8,284,519</u>	<u>(9,739)</u>		<u>458,157,448</u>
Total Capital Assets, Net	<u>\$637,867,428</u>	<u>13,610,672</u>	<u>(9,739)</u>		<u>651,468,361</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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, 2014 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, 2014</u>
Certificates of Participation:				
2007 Certificates	2007	4.0% - 4.25%	2037	\$ 29,120,000
2008 Certificates	2008	3.0% - 4.75%	2029	35,705,000
2013 Certificates	2013	4.0% - 5.00%	2023	<u>7,445,000</u>
Certificates outstanding				<u>72,270,000</u>
Loans Payable:				
California Department of Water Resources Loans:				
Dutch Flat Terrace	1990	3.37%	2015	1,936
Alta/Monte Vista (SWTR)	1995	2.95%	2016	72,945
King/Delmar	1996	3.03%	2022	137,923
Applegate	1997	3.03%	2023	271,158
California Department of Health Services Loans:				
Auburn Water Treatment Plant	2008	2.29%	2029	15,374,832
Electric Street Tank	2012	2.30%	2035	<u>7,766,550</u>
Loans outstanding				<u>23,625,344</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>16,507</u>
Improvement District debt outstanding				<u>18,836</u>
Subtotal debt outstanding				95,914,180
Compensated Absences				<u>4,888,499</u>
Total				100,802,679
Less: Unamortized bond discounts and premiums				(1,415,350)
Total long-term debt				<u>\$ 99,387,329</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, 2014

The following is a summary of changes in long-term obligations for the year ended December 31, 2014:

	Balance			Balance at	Amounts
	01/01/14	Additions	Retirements	12/31/14	Due Within
					One Year
Certificates of Participation	\$ 74,965,000	-	2,695,000	72,270,000	2,805,000
Loans Payable	24,217,924	371,418	963,998	23,625,344	1,141,441
Improvement District Debt	25,126	-	6,290	18,836	6,466
Subtotal	99,208,050	371,418	3,665,288	95,914,180	3,952,907
Compensated Absences	4,552,787	1,915,480	1,579,768	4,888,499	3,091,360
 Totals	 \$ 103,760,837	 2,286,898	 5,245,056	 100,802,679	 7,044,267

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 2007, 2008 and 2013 Certificates and other parity debt.

2007 Certificates

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

2008 Certificates

On April 24, 2008, Certificates of Participation (2008 Certificates) were issued by the Agency in the amount of \$40,385,000. The 2008 Certificates were issued to refinance the outstanding 2005 Certificates. The 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%.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

2013 Certificates

On June 19, 2013, Certificates of Participation (2013 Certificates) were issued by the Agency in the amount of \$8,100,000 with a reoffering premium of \$1,304,896 to refund the outstanding \$9,170,000 2003 Certificates. The 2013 Certificates were issued with an average coupon of 4.65% and a fixed coupon range from 4.0% to 5.0%. The 2013 Certificate proceeds were entirely to refund the 2003 Certificates and pay the associated issuance costs.

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.

Pursuant to the Agency's rate covenant within the debt documents, in calculating net water revenue, no deduction for depreciation or amortization is to be made.

The following calculation indicates the Agency's compliance with these criteria for the year ended December 31, 2014.

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

	<u>2014</u>
1. <u>Annual Debt Service Coverage</u>	
Net Water Revenues excluding Depreciation	\$ 24,528,189
Debt Service on Certificates and Other Parity Debt	\$ 7,530,692
Debt Service Coverage	3.26
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation as Adjusted by Water Purchases	\$ 27,111,750
Obligation Service	\$ 12,306,128
Obligation Service Coverage	2.20
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Required	\$ 5,361,182
Reserves Held at Agency	\$ 708,125
Actual Trustee Reserve Balance	\$ 5,150,471
Total Reserve Balance	\$ 5,858,596
Reserve Requirement Coverage	1.09

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

Loans Payable

California Department of Water Resources Loan – Dutch Flat Terrace

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

California Department of Water Resources Loan – Alta/Monte Vista

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

California Department of Water Resources Loan – King/Delmar

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

California Department of Water Resources Loan – Applegate

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

California Department of Health Services Loan – Auburn Water Treatment Plant

In 2007, the Agency entered into a loan agreement with the Department of Health Services in an amount not to exceed \$20,000,000. The purpose of the loan was to finance the upgrades to the Auburn Water Treatment Plant. The principal and interest are payable from Water System revenue.

California Department of Health Services Loan – Electric Street

In 2012, the Agency entered into a loan agreement with the 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. The loan is reimbursement based, as of December 31, 2014, \$7,766,550 of the maximum total \$7,801,000 has been submitted for reimbursement to the State. 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, 2014

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, 2014:

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, 2014 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, 2014 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, 2014

Debt Service Requirements

As of December 31, 2014, annual debt service requirements (excluding matured debt and compensated absences) to maturity are as follows:

Year Ending December 31:	Certificates of Participation		Loans Payable		Improvement District Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,805,000	3,242,013	1,141,441	451,139	6,466	414
2016	2,930,000	3,129,813	1,322,774	512,309	6,647	234
2017	3,050,000	3,012,613	1,315,800	481,453	5,723	47
2018	3,150,000	2,890,613	1,346,514	450,739		
2019	3,305,000	2,756,863	1,377,954	419,299		
2020-2024	18,850,000	11,520,094	7,292,308	1,600,226		
2025-2029	24,620,000	6,640,650	7,350,573	729,680		
2030-2034	7,910,000	2,370,600	2,270,726	174,151		
2035-2037	5,650,000	515,925	207,254	2,387		
	<u>\$ 72,270,000</u>	<u>36,079,184</u>	<u>23,625,344</u>	<u>4,821,383</u>	<u>18,836</u>	<u>695</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, 2014, totaling \$136.7 million as follows:

- Senior obligations with remaining debt service totaling \$0.5 million for the State Department of Water Resources Loans for Alta/Monte Vista, Applegate, Dutch Flat Terrace and King/Delmar, which is scheduled to be repaid in 2023.
- Second Senior obligations with remaining debt service totaling \$108.3 million for the 2007, 2008 and 2013 Certifications of Participation, which is scheduled to be repaid in 2037.
- Parity debt obligations with remaining debt service totaling \$27.9 million for the California Department of Health Services Auburn Water Treatment Plant and Electric Street Tank loans, which is scheduled to be repaid in 2029 & 2035.

As disclosed in the 2013 certificates offering statement, projected net revenues are expected to provide coverage over debt service of 2.07 over the life of the bonds. For fiscal year 2014, Water Fund Revenues including operating and non-operating revenues amounted to \$55.2 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$30.7 million represented coverage of 3.26 over the \$7.5 million in debt service.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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, 2014, are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2015	\$ 57,847
2016	38,269
2017	16,832
2018	<u>2,953</u>
Total	<u>\$ 115,901</u>

Total costs of such leases were \$61,627 for the year ended December 31, 2014.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

5. Restricted Net Position

As of December 31, 2014, 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	\$ 16,413
<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	<u>1,931,191</u>
Total Agency Wide	<u>1,947,604</u>

Power Division:

<u>Cash and Investments with Fiscal Agent</u> -Outstanding Bearer Bonds	<u>5,000</u>
Total Power	<u>5,000</u>

Water Division:

<u>Cash and Investments with Fiscal Agent</u> – Restricted for Debt Service	6,771,478
<u>Water Connection Charges</u> – Restricted for water system expansion	33,861,285
<u>Improvement Districts</u> – Restricted for Debt Service	<u>92,647</u>
Total Water	<u>40,725,410</u>
Total All Fund – Restricted Net Position	<u>\$ 42,678,014</u>

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

6. Water Supply Contracts

The Agency obtains its water supply from several sources:

- Up to 100,400 acre-feet (AF) of water per year from its Zone 1 Water Supply contract with PG&E, which is almost exclusively gravity fed;
- Up to 25,000 AF of water per year from its Zone 3 Water Supply contract with PG&E, which is gravity fed;
- Up to 120,000 AF of water per year from appropriated water rights developed through construction of the Agency's 1963 Middle Fork Project, which is gravity fed and pumped;
- Up to 35,000 AF of water per year from the U.S. Bureau of Reclamation's Central Valley Project pursuant to a 1970 contract, amended in 2011. The Agency has never drawn on this source.
- Up to 2,000 AF of water per year from wells in Western Placer County.

In January 2014, based on the lack of precipitation, primarily snowpack, Pacific Gas & Electric (PG&E) notified the Agency that water supplies were limited and expect less than half of the contracted water supply. On February 6, 2014, the Placer County Water Agency Board of Directors heard a staff report on the impacts of the dry conditions on local water supply, held a public hearing to receive input, and then adopted a resolution declaring a water shortage emergency condition. After the early April snow survey, PG&E reported the forecast for water deliveries to the Agency would be 67% of normal deliveries. At an adjourned meeting on April 10, 2014, the Agency's Board of Directors adopted prescriptive measures for water restrictions by directing both treated and untreated water customers to reduce their water use by a minimum of 10% and all customers are further requested to strive for a 20% overall conservation. Through a combination of efforts and circumstances, the Agency was able to meet its water demands without significant impact to its customers. Those efforts and circumstances included customer water conservation efforts, Zone 1 Water Supply contract water supply increasing, the ability to divert the Middle Fork Project water at the American River Pump Station into the Auburn Tunnel, and the use of groundwater.

Zone 1 PG&E Water Supply Contract

The Zone 1 water supply is from PG&E pursuant to the 1968 Zone 1 Water Supply contract under which water is provided to the Agency from the Yuba and Bear Rivers through PG&E's Drum-Spaulding Project. The Drum-Spaulding Project consists of several reservoirs and a series of canals, tunnels and hydroelectric generation facilities. Nearly all of the water PCWA delivers to its treated and untreated water customers in Zone 1 comes from PG&E.

The Zone 1 Water Supply contract was originally executed on June 18, 1968 with PG&E and allowed the Agency to take delivery of up to a maximum of 100,400 AF per year from specified diversion points along the canal system at prices ranging from \$1.45 to \$3.93 per AF. On April 29, 2013, the Agency and PG&E approved a bridging agreement that extended the term of the 1968 agreement at a new price of \$30 per AF effective January 1, 2014 and \$40 per AF effective January 1, 2015. The bridging agreement is for pricing only, other terms of the water supply contract are still in negotiations.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

To cover the addition cost for purchased water, in the Spring of 2013 the Agency initiated the California Proposition 218 process for a proposed rate adjustment. On August 8, 2013, the Placer County Water Agency Board held a public hearing to consider new water rates and charges for water delivery and service in Zone 1, which would help offset the estimated \$3.8 million rise in wholesale water purchases from PG&E and cover increasing general operating costs. At the same meeting, after the public hearing, the Agency Board adopted a new 5 year water rate and fee structure that included an inflationary index.

Beginning January 1, 2014 the wholesale cost of water delivered by PG&E to Zone 1 increased from about \$200,000 per year to up to approximately \$3 million per year, depending on the water requested. In 2015, purchased water will increase approximately \$1 million annually to up to approximately \$4 million and will increase annually thereafter based on an inflationary index.

Zone 3 PG&E Water Supply Contract

In 1982, the Agency entered into its Zone 3 Water Supply contract with PG&E to acquire treated and raw water systems serving the portion of upper Placer County that is adjacent to Interstate 80 from Alta, down through Colfax, to the Eastern boundary of Zone 1, just above Auburn. Along with the acquired treated and raw water systems, the Agency acquired the right to purchase up to 25,000 AF annually from PG&E for use within Zone 3. This water, like the Zone 1 Water Supply contract, is sourced from PG&E's Drum-Spaulding Project.

Deliveries to the Agency under the Zone 3 Water Supply contract are made at Alta Tailrace and Alta Forebay. The Agency incurs no charge for deliveries made available by PG&E of 13,000 AF or less in any water year. Water deliveries for more than 13,000 AF, the water price is set by the California Public Utilities Commission.

Middle Fork Project Water Rights

In addition to the two PG&E water supply contracts, the Agency has up to 120,000 AF of water available annually from appropriated water rights developed through the construction of the 1963 Middle Fork Project on the American River. The Middle Fork Project consist of two storage reservoirs and five diversion dams, five power plants, diversion and water transmission facilities, five tunnels and related facilities. Middle Fork Project water can be diverted into the western water system through the American River Pump Station to Auburn tunnel and from Folsom Reservoir.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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>2014 Contributions</u>
January 1, 2014 – June 30, 2014	20.011%	\$ 1,924,582
July 1, 2014 – December 31, 2014	20.588%	2,359,278
		<u>\$ 4,283,860</u>

The required contributions for 2014 were determined as part of the June 30, 2012 and June 30, 2013 actuarial valuation of the plans.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

A summary of principal assumptions and methods used to determine the Annual Required Contribution for the periods ending December 31, 2014 is shown below:

Valuation Dates	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value

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 period with Direct Rate Smoothing with a 5-year ramp up/ramp down. 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>
12/31/2012	\$ 3,640,775	100%	-
12/31/2013	3,972,936	100%	-
12/31/2014	4,283,860	100%	-

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

Funded Status

The funded status of the plan as of June 30, 2013, was as follows (in thousands):

Actuarial Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded/ (Overfunded) Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
6/30/2013	\$ 92,978	\$ 62,338	\$ 30,640	67.0%	\$ 14,165	216.3%

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

The Public Employees’ Pension Reform Act (PEPRA) of 2013 was created with the passing of Assembly Bill 340 (AB 340) signed by the Governor on September 2012. PEPRA implemented new benefit formulas, final compensation period and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of “new member” under this bill.

The table below reflects the Plans’ provision and benefits in accordance with PEPRA at June 30, 2013, are summarized as follows:

	Hire Date <u>Prior to 12/31/12</u>	Hire Date On or after 1/1/13 <u>(New member)</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly benefits, as a % of annual salary	2.7%	2.0%
Required employee contribution rates	8.0%	6.25%
Required employer contribution rates	19.420%	19.420%

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

8 . Risk Management

The Agency has various operating exposures not limited to legal liability, tortious acts, injury to employees, and loss to physical property. In response to these exposures the Agency purchases insurance through a broker. The Agency is a member of the Association of California Water Agencies-Joint Powers Insurance Authority (ACWA-JPIA), and participates in the property program for the water systems.

Coverage includes but is not limited to:

<u>Coverage</u>	<u>Deductible</u>	<u>Limits</u>
Workers' Compensation	"first-dollar"	Statutory
Water CGL/Auto	\$10,000	\$3,000,000
Power CGL/Auto	\$5,000	\$2,000,000
Umbrella	Underlying policies	X \$10M & X \$15M
Water Property	\$10,000	\$100,000,000
Power Property	\$100,000	\$184,923,021

Power carries Commercial Property, Boiler & Machinery and Business Interruption Coverage with scheduled and varying limits and deductibles. There are various other policies covering Public Officials, and Crime and other exposures.

Because the Agency's policies have relatively small deductibles rather than self-insured retentions no actuarial studies are required and the Agency has no additional liability accrued at December 31, 2014 based upon 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 that the loss can be reasonably estimated.

9. Joint Powers

American River Authority

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

In 2014, the Agency's dues for 2013 – 2014 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 at the Agency's finance office.

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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 and participates in the property program only. 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 (JPA) 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 (Project) hydroelectric revenue received by the Authority. The Bond is secured by a pledge of Middle Fork Project hydroelectric revenue received and matures on April 1, 2036.

On May 1, 2013, under a new Power Purchase Agreement (PPA) the Authority began receiving electrical energy revenues and reimbursed the Agency’s expenses related to the Project pursuant to the JPA. Reimbursements for 2014 Agency expenses totaled \$25,505,528, which the Agency recorded as Power Sales Revenue as this is payment for energy the Agency sold under the terms of the new PPA.

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, 2014

10. Construction Commitments

At December 31, 2014 the Agency had ongoing construction commitments that totaled approximately \$8.8 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” \geq 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 – 2014	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, 2014 was \$17,001. The Agency also provides health care benefits to its retirees through PERS. The cost to the Agency in the year ended December 31, 2014 was \$625,560.

In 2014, 92 retirees received post-retirement benefits ranging from \$296.51 to \$1,074.40 (PEMHCA cap) per month.

During fiscal year 2008, the Agency implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). As part of the implementation, the Agency elected to participate in an irrevocable trust to provide a funding mechanism for the OPEB and to apply the provisions of the statement on a prospective basis. The Trust, California Employers’ Retiree Benefit Trust (CERBT), is administrated by CalPERS and

PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the Year Ended December 31, 2014

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.

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. As of December 31, 2014, there were 21-years remaining in the initial 30-year amortization period.

Actuarial Methods and Assumptions. The annual required contribution (ARC) was determined as part of a June 30, 2013 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 and (d) 3.0% general inflation rate assumption. 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, 2014

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, 2014, the Agency contributed the ARC to the Plan as presented below:

	<u>Total</u>
Annual required contribution (ARC) and	
Annual OPEB cost	\$ 1,897,000
Contributions made:	
Agency portion of current year premiums paid	625,560
Prefunding Contributions to CERBT	<u>1,372,942</u>
Total contributions	<u>1,998,502</u>
Contributions in excess of the ARC	101,502
Net OPEB Asset at December 31, 2013	<u>110,836</u>
Net OPEB Asset at December 31, 2014	<u>\$ 212,338</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 Asset (Obligation)</u>
12/31/2012	\$ 1,899,000	\$ 1,866,846	98%	\$ (32,154)
12/31/2013	1,963,000	2,105,990	100%	110,836
12/31/2014	1,897,000	1,998,502	100%	212,338

Funded Status. The funded status of the plan as of June 30, 2013, 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>
6/30/2013	\$ 22,503	\$ 9,402	\$ 13,101	41.8%	\$ 12,655	103.5%

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

PLACER COUNTY WATER AGENCY

Required Supplemental Information

For the Year Ended December 31, 2014

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]
6/30/2011	\$ 81,664	\$ 60,491	\$ 21,173	74.1%	\$ 12,413	170.6%
6/30/2012	86,443	64,880	21,562	75.1%	12,941	166.6%
6/30/2013	92,978	62,338	30,640	67.0%	14,165	216.3%

The Post-Employment Health Benefits Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the June 30, 2013 actuarial study is presented below:

(in thousands)

Actuarial Valuation Date	Entry Age Actuarial Accrual Liability (a)	Actuarial Value of Assets (b)	Underfunded/ (Overfunded) Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
1/1/2009	\$ 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%
6/30/2013	22,503	9,402	13,101	41.8%	12,655	103.5%

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF NET POSITION
 DECEMBER 31, 2014

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 11,777,087	313,105	40,106,819	52,197,011
Restricted Cash and Cash Equivalents	100,591		18,194,263	18,294,854
Restricted Cash and Cash Equivalents with Fiscal Agents		5,000	6,771,478	6,776,478
Water Service Receivable, Net			6,070,368	6,070,368
Accounts Receivable	73,928		462,199	536,127
Interest Receivable	63,547		133,039	196,586
Taxes Receivable	710,880			710,880
Materials and Supplies	4,798		829,755	834,553
Prepaid Expense	621,813	534,457	793,068	1,949,338
OPEB Asset	125,738	17,344	69,256	212,338
	<u>13,478,382</u>	<u>869,906</u>	<u>73,430,245</u>	<u>87,778,533</u>
Total Current Assets				
Non-Current Assets:				
Investments	13,121,615		45,051,418	58,173,033
Restricted Investments	112,075		20,271,409	20,383,484
Advanced to Other Funds	5,773,770			5,773,770
Notes Receivable			47,214	47,214
Assessments Receivable			8,232	8,232
Capital Assets, Net	19,256,277	174,054,636	458,157,448	651,468,361
	<u>38,263,737</u>	<u>174,054,636</u>	<u>523,535,721</u>	<u>735,854,094</u>
Total Non-Current Assets				
	<u>51,742,119</u>	<u>174,924,542</u>	<u>596,965,966</u>	<u>823,632,627</u>
Total Assets				

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF NET POSITION
 DECEMBER 31, 2014

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	517,174	1,907,535	2,670,967	5,095,676
Accrued Salaries and Benefits	32,053	44,432	321,513	397,998
Interest Payable			1,714,040	1,714,040
Current Portion of Long-Term Liabilities			3,952,907	3,952,907
Deposits	2,340	5,000	1,365,794	1,373,134
Other Current Liabilities	12,212			12,212
Compensated Absences Payable, Current Portion	744,050	447,389	1,899,921	3,091,360
Total Current Liabilities	<u>1,307,829</u>	<u>2,404,356</u>	<u>11,925,142</u>	<u>15,637,327</u>
Non-Current Liabilities:				
Certificates of Participation, Net			68,049,651	68,049,651
Loans Payable			22,483,903	22,483,903
Improvement District Debt			12,370	12,370
Advance From Other Funds		5,773,770		5,773,770
Unearned Revenue			1,651	1,651
Compensated Absences Payable	461,005	209,107	1,127,027	1,797,139
Total Non-Current Liabilities	<u>461,005</u>	<u>5,982,877</u>	<u>91,674,602</u>	<u>98,118,484</u>
Total Liabilities	<u>1,768,834</u>	<u>8,387,233</u>	<u>103,599,744</u>	<u>113,755,811</u>
NET POSITION				
Net Investment in Capital Assets	19,256,277	174,054,636	363,670,987	556,981,900
Restricted				
Water System Expansion			40,725,410	40,725,410
Other	1,947,604	5,000		1,952,604
Unrestricted	28,769,404	(7,522,327)	88,969,825	110,216,902
Total Net Position	<u>\$ 49,973,285</u>	<u>166,537,309</u>	<u>493,366,222</u>	<u>709,876,816</u>

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
OPERATING REVENUES				
Water Sales	\$ 864,094		33,323,365	34,187,459
Power Sales		25,505,528		25,505,528
Engineering Charges	1,468	825	713,920	716,213
Customer Service Charges			770,250	770,250
Other Revenue	66,271		7,373	73,644
	<u>931,833</u>	<u>25,506,353</u>	<u>34,814,908</u>	<u>61,253,094</u>
OPERATING EXPENSES				
Purchased Water			2,583,562	2,583,562
Field Administration			1,043,568	1,043,568
Pumping Plants and Wells			2,070,275	2,070,275
Water Treatment			6,632,499	6,632,499
Electrical Operations		2,343,539		2,343,539
Transmission and Distribution of Treated Water			2,366,201	2,366,201
Transmission and Distribution of Raw Water			3,693,672	3,693,672
Customer Service and Collections			3,720,337	3,720,337
Repairs and Maintenance		2,556,136		2,556,136
Recreation		2,046,968		2,046,968
Automotive and Equipment Expenses			874,574	874,574
Engineering		21,474	3,047,196	3,068,670
General and Administrative	992,384	7,065,400	5,118,644	13,176,428
Resource Development		2,886,610		2,886,610
Depreciation	532,852	4,444,289	17,623,987	22,601,128
	<u>1,525,236</u>	<u>21,364,416</u>	<u>48,774,515</u>	<u>71,664,167</u>
Operating Income (Loss)	<u>(593,403)</u>	<u>4,141,937</u>	<u>(13,959,607)</u>	<u>(10,411,073)</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
NON-OPERATING REVENUES (EXPENSES)				
Water Connection Charges			9,385,614	9,385,614
Renewal and Replacement Charges			10,809,457	10,809,457
Mandated Costs Charges			2,902	2,902
Raw Water Surcharges			310,152	310,152
Water Sale	11,750,000			11,750,000
Costs Recovered From Other Agencies	630,355			630,355
Interest Earnings	179,993		835,472	1,015,465
Property Taxes	762,750			762,750
Assessments			10,834	10,834
Gain (Loss) on Disposal of Assets	21,417		(5,100)	16,317
Program Grant Revenue			214,619	214,619
Interest Expense			(3,711,654)	(3,711,654)
Amortization of (Discounts)/Premiums on Debt			(207,086)	(207,086)
Other	438,879	21,729	394,491	855,099
	<u>13,783,394</u>	<u>21,729</u>	<u>18,039,701</u>	<u>31,844,824</u>
Total Non-Operating Revenues (Expenses)				
Net Income Before Capital Contributions	13,189,991	4,163,666	4,080,094	21,433,751
Contributions and Transfers				
Capital Contributions			14,265,424	14,265,424
Transfers in	481,340	18,583,299	1,829,937	20,894,576
Transfers out	(20,093,610)	(535,735)	(265,231)	(20,894,576)
	<u>(6,422,279)</u>	<u>22,211,230</u>	<u>19,910,224</u>	<u>35,699,175</u>
Increase in Net Position				
Net Position, Beginning of Year	56,395,564	144,326,079	473,455,998	674,177,641
Net Position, End of Year	<u>\$ 49,973,285</u>	<u>166,537,309</u>	<u>493,366,222</u>	<u>709,876,816</u>

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 860,453	25,464,572	35,735,583	62,060,608
Cash Received from Other	438,879	21,729	394,491	855,099
Cash Paid to Suppliers for Goods and Services	(2,933,666)	(8,242,704)	(178,418)	(11,354,788)
Cash Paid to Employees for Services	(4,630,753)	(5,598,041)	(26,975,159)	(37,203,953)
Cash Received (Paid) for Service Level Support	<u>6,562,367</u>	<u>(2,419,777)</u>	<u>(4,142,590)</u>	
Net Cash Provided by Operating Activities	<u>297,280</u>	<u>9,225,779</u>	<u>4,833,907</u>	<u>14,356,966</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Taxes, Assessments and Other Income	701,234		10,834	712,068
Costs Recovered from Other Agencies	630,355			630,355
Water Sale - Non Operating	11,750,000			11,750,000
Program Grant Revenue			214,619	214,619
Transfers In	481,340	18,583,299	1,829,937	20,894,576
Transfers Out	(20,093,610)	(535,735)	(265,231)	(20,894,576)
Due to/from Funds	481,962	(481,962)		
Net Cash Flows from Non-Capital Financing Activities	<u>(6,048,719)</u>	<u>17,565,602</u>	<u>1,790,159</u>	<u>13,307,042</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	16,332,513	(26,635,807)	(11,633,343)	(21,936,637)
Proceeds from Debt Issuance			371,418	371,418
Principal Payment on Debt			(3,665,288)	(3,665,288)
Interest Payment on Debt			(3,948,485)	(3,948,485)
Mandated Costs Charges			2,902	2,902
Water Connection Charges			9,385,614	9,385,614
Raw Water Surcharges			310,152	310,152
Renewal and Replacement Charges			<u>10,809,457</u>	<u>10,809,457</u>
Net Cash Flows from Capital and Related Financing Activities	<u>16,332,513</u>	<u>(26,635,807)</u>	<u>1,632,427</u>	<u>(8,670,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	(5,040,000)		(24,837,783)	(29,877,783)
Proceeds from Maturity of Investments	1,657,921		37,994,970	39,652,891
Investment Income	<u>146,907</u>		<u>935,865</u>	<u>1,082,772</u>
Net Cash Flows from Investing Activities	<u>(3,235,172)</u>		<u>14,093,052</u>	<u>10,857,880</u>
Net Cash Flows	7,345,902	155,574	22,349,545	29,851,021
Cash and Cash Equivalents at Beginning of Year	<u>4,531,776</u>	<u>162,531</u>	<u>42,723,015</u>	<u>47,417,322</u>
Cash and Cash Equivalents at End of Year	<u>\$11,877,678</u>	<u>318,105</u>	<u>65,072,560</u>	<u>77,268,343</u>

(Continued)

PLACER COUNTY WATER AGENCY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) To Cash Flows From Operating Activities				
Operating Income (Loss)	\$ (593,403)	4,141,937	(13,959,607)	(10,411,073)
Adjustments to Reconcile Operating Income (Loss) to Cash Flows from Operating Activities				
Depreciation	532,852	4,444,289	17,623,987	22,601,128
Gain (Loss) of Disposal of Capital Assets	21,417		(5,100)	16,317
Other Non-Operating Income	438,879	21,729	394,491	855,099
Changed in:				
Accounts and Water Service Receivable	(73,720)		993,641	919,921
Material and Supplies	(4,771)		66,434	61,663
Prepaid Expenses	68,986	(118,021)	(760,413)	(809,448)
OPEB Asset	(14,902)	(17,344)	(69,256)	(101,502)
Notes Receivable & Assessments Receivable			6,686	6,686
Accounts Payable and Other Liabilities	14,409	788,245	982,025	1,784,679
Deferred Revenues			(1,069)	(1,069)
Salaries and Benefits Payable	(94,807)	6,725	(359,329)	(447,411)
Deposits	2,340	(41,781)	(78,583)	(118,024)
Total Adjustments	<u>890,683</u>	<u>5,083,842</u>	<u>18,793,514</u>	<u>24,768,039</u>
Net Cash Flows From Operating Activities	<u>\$ 297,280</u>	<u>9,225,779</u>	<u>4,833,907</u>	<u>14,356,966</u>
Reconciliation to Statement of Net Position				
Cash and Cash Equivalents	\$11,777,087	313,105	40,106,819	52,197,011
Restricted Cash and Cash Equivalents	100,591		18,194,263	18,294,854
Restricted Cash and Cash Equivalents with Fiscal Agent		<u>5,000</u>	<u>6,771,478</u>	<u>6,776,478</u>
Total Cash and Cash Equivalents Reported on Balance Sheet	<u>\$11,877,678</u>	<u>\$ 318,105</u>	<u>65,072,560</u>	<u>77,268,343</u>
Supplemental Schedule of Noncash Capital and Financing Activities				
Noncash Capital Contributions	\$		14,265,424	14,265,424
Change in Fair Value of Investments	(21,994)		(108,921)	(130,915)

Statistical Section



WATER FACTS

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

ABBREVIATIONS

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

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

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

Statistical Section Table of Contents

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain financial trend information for assessing PCWA’s financial performance and well-being over time	66-69
Revenue Capacity These schedules present revenue capacity information to assess PCWA’s ability to generate revenues. Water and Power sales are PCWA’s most significant revenue sources	70-77
Debt Capacity These schedules present information to assess the affordability of PCWA’s current levels of outstanding debt and ability to issue additional debt	78-79
Demographic and Economic Information These schedules provide information on the demographic and economic environment in which PCWA conducts business.....	80-81
Operating Information These schedules provide information on PCWA’s service infrastructure to assist the reader in understanding how the information in PCWA’s financial report relates to the services PCWA provides and the activities it performs.....	82-83

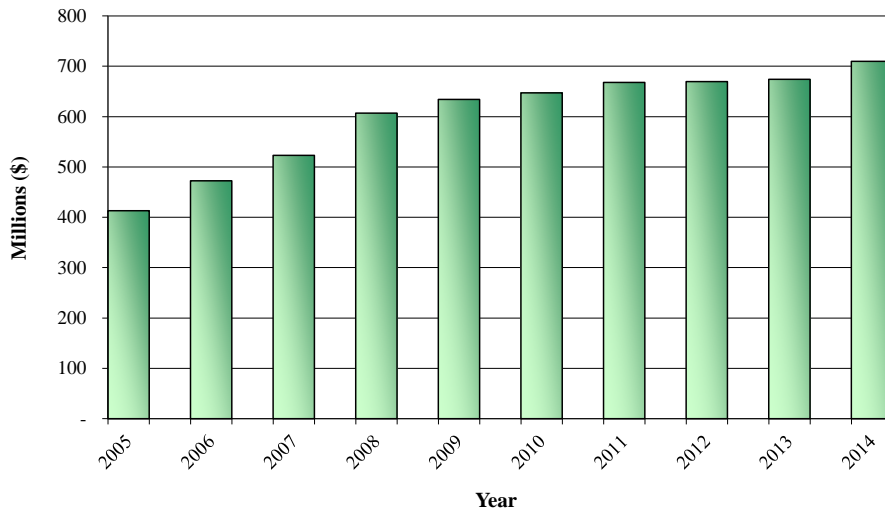
PLACER COUNTY WATER AGENCY
TABLE # 1
Change in Net Position and Net Position by Component
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Change in Net Position:										
Operating Revenues	\$ 37,280,185	43,916,496	61,183,246	49,973,848	47,593,508	46,308,484	43,467,416	47,587,988	49,455,803	61,253,094
Operating Expenses	(30,756,200)	(33,865,026)	(42,192,659)	(50,209,165)	(52,515,741)	(52,127,835)	(54,617,252)	(59,850,342)	(64,690,945)	(71,664,167)
Operating Income (Loss) (1)	6,523,985	10,051,470	18,990,587	(235,317)	(4,922,233)	(5,819,351)	(11,149,836)	(12,262,354)	(15,235,142)	(10,411,073)
Non-Operating Revenues/(Expenses) (2)	49,449,430	38,235,830	26,455,809	24,049,456	28,495,780	18,497,345	26,180,907	13,356,401	16,611,819	31,844,824
Net Income Before Capital Contributions	55,973,415	48,287,300	45,446,396	23,814,139	23,573,547	12,677,994	15,031,071	1,094,047	1,376,677	21,433,751
Capital Contributions	8,083,344	11,110,528	5,134,544	60,085,414	3,649,500	330,288	5,712,459	3,240,922	3,156,000	14,265,424
Change in Net Position	64,056,759	59,397,828	50,580,940	83,899,553	27,223,047	13,008,282	20,743,530	4,334,969	4,532,677	35,699,175
Net Position Beginning of Year (3)	349,077,833	413,134,592	472,532,420	523,113,360	607,012,913	634,235,960	647,244,242	667,987,772	669,644,964	674,177,641
Prior Period Adjustment GASB 65 Implementation	-	-	-	-	-	-	-	(2,677,777)	-	-
Net Position End of Year	\$413,134,592	472,532,420	523,113,360	607,012,913	634,235,960	647,244,242	667,987,772	669,644,964	674,177,641	709,876,816
Net Position by Component (3) (4):										
Invested in Capital Assets, net										
of Related Debt	\$266,721,048	364,863,054	414,952,882	455,983,194	476,266,686	490,317,700	517,953,059	532,923,095	540,136,120	556,981,900
Restricted	104,079,031	55,533,180	42,422,175	64,882,646	61,095,189	50,117,908	44,317,810	44,633,854	39,332,535	42,678,014
Unrestricted	42,334,513	52,136,186	65,738,303	86,147,073	96,874,085	106,808,634	105,716,903	92,088,015	94,708,986	110,216,902
Total Net Position	\$413,134,592	472,532,420	523,113,360	607,012,913	634,235,960	647,244,242	667,987,772	669,644,964	674,177,641	709,876,816

- (1) The decrease in 2014 operating loss is attributable to an increase in operating revenue of \$11.8 million and a decrease in operating expense of \$7.0 million. The increase in operating revenue is primarily due to an increase of \$12 million in power sales revenue as a result of PCWA's first full year under the new power purchase agreement with PG&E compared to two-thirds of the year in 2013. The increase in operating expense is due primarily to increased expenses for general and administrative, water purchased and water treatment and pumping expenses.
- (2) Significant fluctuation in non-operating revenues (expenses) stems from the variance in Water Connection Charge payments for new connections which is tied to actual development and one-time water sales to agencies outside Placer County.
- (3) In 2013, the Agency restated the 2012 net position at the beginning of the year. The implementation of GASB 65 and the classification of bond issuance costs as expenses caused the 2012 beginning net position to be adjusted by \$2,677,777.
- (4) In 2006, PCWA reclassified net assets for year 2004 and 2005 to reflect restricted cash and cash equivalents with fiscal agents used to pay debt service.

Source: Placer County Water Agency, Audited Financial Statements

CHART #1
Total Net Position



PLACER COUNTY WATER AGENCY

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Water Sales	\$ 23,465,365	25,992,948	28,017,466	30,623,251	33,324,492	31,754,113	30,500,851	32,709,967	34,491,580	34,187,459
Power Sales (1)	12,308,274	16,232,741	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765	13,686,081	13,514,781	25,505,528
Reimbursements	69,850	53,000	55,385	57,877	60,192	62,600	65,104	73,108	-	-
Engineering Charges	987,022	1,217,052	1,341,132	1,022,958	427,685	332,079	329,803	395,443	733,383	716,213
Customer Service Charges	426,171	408,207	559,654	694,941	720,659	729,211	693,154	686,420	709,568	770,250
Other	23,503	12,548	25,547	14,559	38,902	12,221	40,739	36,969	6,491	73,644
Total Operating Revenues	37,280,185	43,916,496	61,183,246	49,973,848	47,593,508	46,308,484	43,467,416	47,587,988	49,455,803	61,253,094
Non-Operating Revenues										
Water Connection Charge	41,853,957	16,717,799	4,426,211	3,503,063	6,439,564	426,965	399,568	1,647,974	5,002,272	9,385,614
Renewal & Replacement Charge	3,072,661	5,555,772	8,051,114	8,696,868	9,062,968	9,184,101	9,082,944	9,217,860	9,207,590	10,809,457
Mandated Costs Charge	2,675,635	3,067,699	3,476,813	3,866,668	267,334	3,101	2,826	2,967	2,926	2,902
Raw Water Surcharge	355,998	367,564	249,357	265,697	272,440	275,570	271,126	281,205	281,769	310,152
Water Sales (2)	-	-	43,617	2,500,000	5,500,000	-	-	200,000	3,350,000	11,750,000
Costs Recovered from Other Agencies (3)	560,283	8,485,738	6,966,088	6,629,020	7,491,378	12,981,345	17,902,116	4,427,360	1,625,139	630,355
Interest Revenues	4,173,588	5,136,018	4,776,180	4,435,530	3,389,310	2,140,973	1,642,919	1,132,295	969,930	1,015,465
Property Taxes, Debt Service	314,073	90,554	11,047	-	-	-	-	-	-	-
Property Taxes	407,742	728,971	713,715	759,079	620,330	648,150	641,080	661,155	764,877	762,750
Amort. of (Discount)/Premium on Debt	-	-	(296,684)	-	-	-	-	-	(90,973)	(207,086)
Other (4)	(747,246)	1,441,761	1,657,391	(1,298,703)	822,189	(1,976,169)	1,110,336	408,691	(615,397)	1,096,869
Total Non-Operating Revenues	52,666,691	41,591,876	30,074,849	29,357,222	33,865,513	23,684,036	31,052,915	17,979,507	20,498,133	35,556,478
Total Revenues (5)	\$ 89,946,876	85,508,372	91,258,095	79,331,070	81,459,021	69,992,520	74,520,331	65,567,495	69,953,936	96,809,572

(1) From 1963 to April 2013, the Agency 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 were not included in the Statistical Section as PG&E was the only power customer and power sale amount was a reimbursement of costs per the 1963 contract through April 30, 2013. On May 1, 2013, the Agency transitioned to a new power purchase agreement by which the Agency took over responsibility for various Power functions previously performed by PG&E.

(2) Non-Operating Water Sales are one-time water sales to agencies outside Placer County.

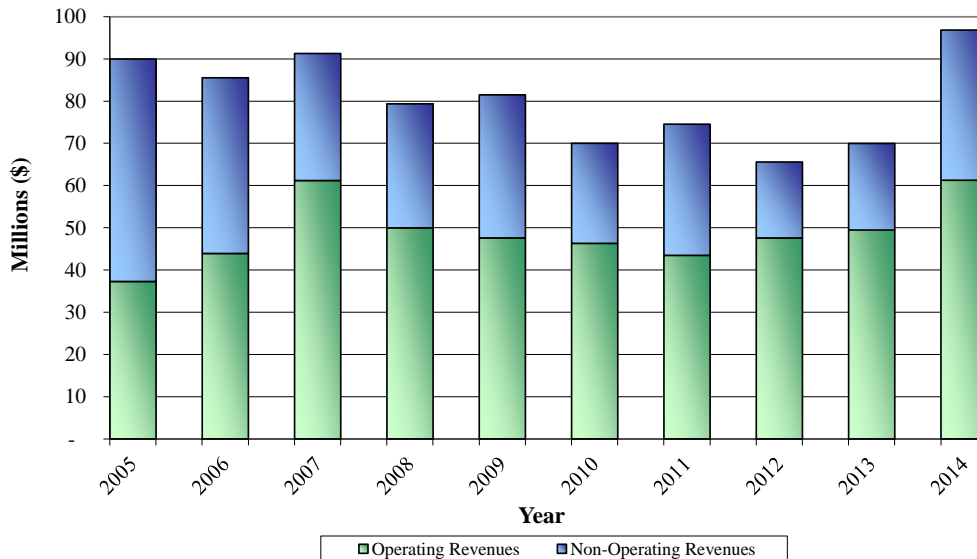
(3) Significant amounts beginning in 2006 are because of the expense recovered from the Middle Fork Project Finance Authority.

(4) Includes program grant revenues, mark to market adjustment on investments and other net income/expense.

(5) Significant fluctuations in total revenues stems primarily from the variance in Water Connection Charge revenues (See Note on Table 1).

Source: Placer County Water Agency, Audited Financial Statements

**CHART #2
Total Revenues**



PLACER COUNTY WATER AGENCY

TABLE # 3

Expenses by Function

Last Ten Years

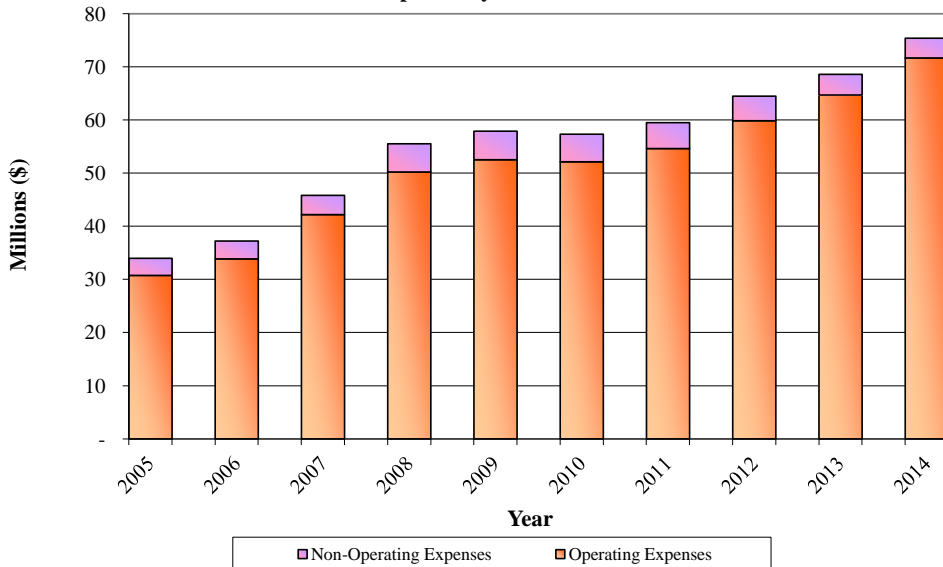
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Expenses										
Purchased Water	\$ 472,768	692,772	548,603	506,356	556,381	526,000	683,441	622,157	833,700	2,583,562
Field Administration	791,660	825,782	827,780	926,740	845,047	989,590	880,837	955,572	969,509	1,043,568
Pumping Plants & Wells	1,166,408	490,489	813,773	343,307	924,010	1,145,969	1,078,772	1,532,769	1,262,704	2,070,275
Water Treatment	3,933,578	3,865,521	5,069,522	4,907,964	5,045,678	4,778,433	4,778,758	5,460,773	5,239,839	6,632,499
Electrical Operations	1,167,079	1,259,622	1,475,462	1,597,988	1,652,677	1,474,824	1,648,972	1,751,049	1,832,649	2,343,539
Transmission & Distribution-Treated	1,658,876	1,975,944	2,598,647	1,962,865	2,485,308	1,885,157	2,562,810	3,249,731	2,520,821	2,366,201
Transmission & Distribution-Untreated	2,369,072	3,950,875	6,379,545	4,585,251	4,893,950	4,275,715	3,611,480	4,718,531	4,216,665	3,693,672
Customer Service & Collections	838,177	2,921,951	3,057,287	3,668,885	3,662,276	3,677,977	3,404,118	3,485,741	3,521,925	3,720,337
Power Division Repairs & Maintenance	1,246,426	1,431,905	1,461,988	5,764,758	1,731,400	1,669,025	1,848,032	1,639,482	2,108,862	2,556,136
Engineering	2,413,505	2,691,527	2,937,450	5,015,721	1,999,696	2,394,859	2,172,488	2,763,911	3,051,155	3,068,670
General & Administrative	5,696,635	4,505,627	6,533,889	8,136,282	9,158,631	8,207,064	8,920,594	9,690,579	11,955,565	13,176,428
Resource Development (1)	-	-	-	-	-	-	-	-	2,355,448	2,886,610
Other (2)	1,959,082	1,914,907	953,269	960,387	918,206	1,167,588	1,254,568	1,316,565	2,650,486	2,921,542
Subtotal, Operating Expenses before Depreciation	23,713,266	26,526,922	32,657,215	38,376,504	33,873,260	32,192,201	32,844,870	37,186,860	42,519,328	49,063,039
Depreciation	7,042,934	7,338,104	9,535,444	11,832,661	18,642,481	19,935,634	21,772,382	22,663,482	22,171,617	22,601,128
Total Operating Expenses	30,756,200	33,865,026	42,192,659	50,209,165	52,515,741	52,127,835	54,617,252	59,850,342	64,690,945	71,664,167
Non-Operating Expenses										
Interest Expense	3,125,369	3,296,106	3,544,800	4,801,404	4,871,615	4,698,616	4,405,532	4,137,102	3,886,314	3,711,654
Amortization of Bond Issue Costs	91,892	59,940	74,240	506,362	498,118	488,075	466,476	486,004	-	-
Total Non-Operating Expenses	3,217,261	3,356,046	3,619,040	5,307,766	5,369,733	5,186,691	4,872,008	4,623,106	3,886,314	3,711,654
Total Expenses	\$ 33,973,461	37,221,072	45,811,699	55,516,931	57,885,474	57,314,526	59,489,260	64,473,448	68,577,259	75,375,821

(1) Beginning in 2013, Resource Development expenses increased to establish a new department for a variety of functions pursuant to the new power purchase agreement, new FERC license and various compliance programs.

(2) Includes Recreation, and Automotive & Equipment Expenses.

Source: Placer County Water Agency, Audited Financial Statements

CHART #3
Expenses by Function

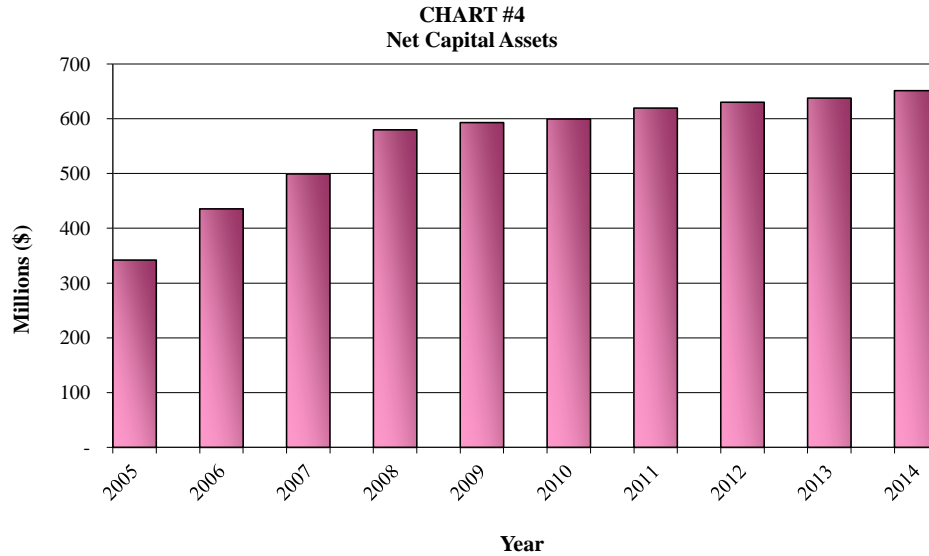


PLACER COUNTY WATER AGENCY

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital Assets										
Land	\$ 2,382,096	4,779,990	8,900,372	11,657,424	15,540,275	15,557,653	13,417,644	13,693,194	13,954,066	13,969,223
Utility Plant	321,804,451	346,696,905	394,522,731	577,192,520	592,987,330	612,486,282	627,077,708	645,008,180	656,729,086	715,551,064
Other Property & Equipment	10,444,756	11,125,256	31,239,082	71,365,225	75,874,016	79,986,278	86,253,274	93,452,690	96,954,713	102,533,599
Utility Plant-Preliminary Survey	2,028,329	2,028,329	2,028,329	399,718	399,718	399,718	399,718	412,218	412,218	777,614
Construction in Progress	<u>130,836,566</u>	<u>202,643,575</u>	<u>203,885,480</u>	<u>72,017,721</u>	<u>79,272,155</u>	<u>80,689,643</u>	<u>103,142,548</u>	<u>110,703,430</u>	<u>124,527,047</u>	<u>95,838,035</u>
Total Capital Assets	<u>467,496,198</u>	<u>567,274,055</u>	<u>640,575,994</u>	<u>732,632,608</u>	<u>764,073,494</u>	<u>789,119,574</u>	<u>830,290,892</u>	<u>863,269,712</u>	<u>892,577,130</u>	<u>928,669,535</u>
Accumulated Depreciation	<u>(125,385,630)</u>	<u>(131,737,970)</u>	<u>(141,209,927)</u>	<u>(152,725,605)</u>	<u>(170,929,373)</u>	<u>(189,375,885)</u>	<u>(210,650,373)</u>	<u>(232,958,541)</u>	<u>(254,709,702)</u>	<u>(277,201,174)</u>
Net Capital Assets	<u>\$342,110,568</u>	<u>435,536,085</u>	<u>499,366,067</u>	<u>579,907,003</u>	<u>593,144,121</u>	<u>599,743,689</u>	<u>619,640,519</u>	<u>630,311,171</u>	<u>637,867,428</u>	<u>651,468,361</u>

Source: Placer County Water Agency, Audited Financial Statements

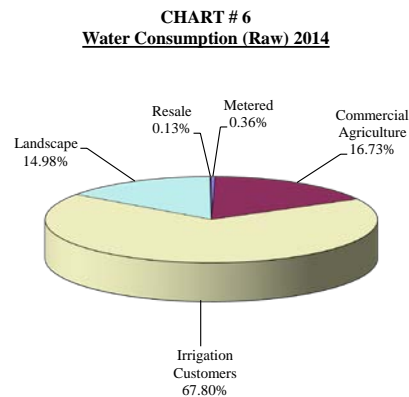
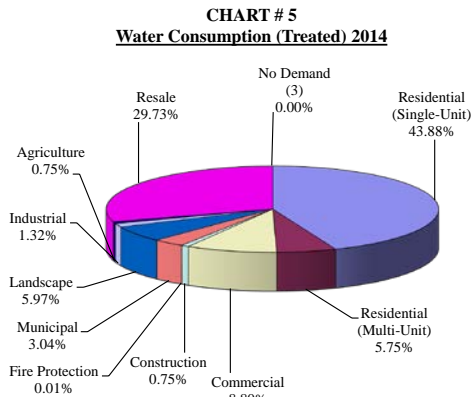


PLACER COUNTY WATER AGENCY
TABLE # 5
Water Consumption and Water Sales by Type of Customer
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
TREATED WATER										
Consumption (Acre-Feet)										
Residential (Single-Unit)	15,640	16,543	17,131	17,766	16,011	14,789	14,116	16,189	16,872	14,127
Residential (Multi-Unit)	1,929	2,010	2,087	2,207	2,029	1,969	1,927	1,996	2,087	1,853
Commercial	3,240	3,345	3,534	3,540	3,183	2,985	2,887	3,043	3,146	2,833
Construction	365	240	262	91	62	37	38	69	223	241
Fire Protection	6	4	7	5	7	5	3	4	3	4
Municipal	1,080	1,232	1,286	1,389	1,209	1,076	957	1,213	1,250	978
Landscape (1)	1,350	1,668	1,947	2,194	1,927	1,843	1,803	2,107	2,244	1,924
Industrial	1,015	757	614	379	415	383	397	407	416	426
Agriculture (2)	330	282	349	398	356	236	280	282	297	242
Resale	9,005	10,009	10,733	10,893	10,575	9,501	7,763	8,866	10,937	9,575
No Demand (3)	3	2	4	1	-	-	-	-	1	1
Total Treated Water Consumption (Acre-Feet)	33,963	36,092	37,953	38,863	35,774	32,824	30,171	34,176	37,476	32,204
Total Consumption (Units) (4)	14,794,283	15,721,675	16,532,414	16,928,723	15,583,154	14,298,134	13,142,488	14,887,066	16,324,546	14,028,062
Total Treated Water Sales	\$ 19,021,419	21,702,804	23,770,302	26,016,803	28,723,742	27,436,655	26,190,648	28,391,744	30,167,534	29,720,125
Effective Rate per unit (incl. monthly service charge) (5)	\$ 1.29	1.38	1.44	1.54	1.84	1.92	1.99	1.91	1.85	2.12
UNTREATED (RAW) WATER										
Consumption (Acre-Feet)										
Metered	234	369	355	328	355	297	268	299	309	288
Commercial Agriculture	24,609	20,920	19,499	22,405	24,514	23,949	14,470	24,002	25,024	13,277
Irrigation Customers	54,991	55,922	55,383	55,800	55,302	54,566	54,440	55,020	55,251	53,821
Landscape (1)	12,312	12,225	12,609	11,777	11,967	11,678	11,676	11,693	11,866	11,895
Resale	112	149	118	120	111	104	96	117	122	107
Total Untreated (Raw) Water Consumption (Acre-Feet)	92,258	89,585	87,964	90,430	92,249	90,594	80,950	91,131	92,572	79,388
Total Consumption (Miner's Inch) (4)	5,097	4,949	4,860	4,996	5,097	5,005	4,472	5,035	5,114	4,386
Total Untreated (Raw) Water Sales	\$ 3,099,534	3,174,515	3,331,523	3,446,696	3,492,472	3,434,674	3,236,269	3,530,125	3,556,835	3,230,268
Effective Annual Rate per miner's inch (6)	\$ 608.09	641.39	685.51	689.87	685.25	686.22	690.07	701.14	695.44	736.48

- (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 for a year is equal to 18.10 Acre-feet for that year.
- (5) Effective Rate is reported in units (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



PLACER COUNTY WATER AGENCY

TABLE # 6

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

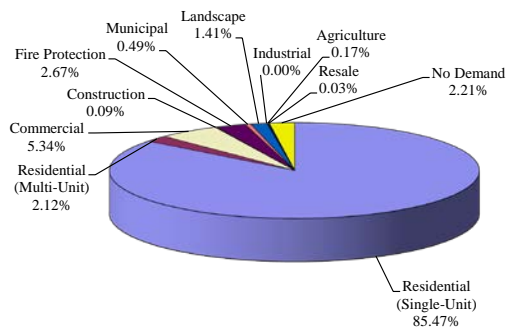
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
TREATED WATER										
Water Customer Accounts										
Residential (Single-Unit)	27,761	28,486	28,805	29,024	29,625	29,477	29,561	29,704	30,151	30,629
Residential (Multi-Unit)	728	734	742	746	742	745	758	759	757	758
Commercial	1,601	1,692	1,780	1,815	1,838	1,874	1,888	1,882	1,889	1,913
Construction	64	57	48	24	16	18	16	17	41	31
Fire Protection	689	788	864	887	885	899	911	921	928	958
Municipal	167	153	153	169	169	172	172	174	175	176
Landscape(1)	399	438	467	486	485	486	486	491	501	507
Industrial	2	2	2	1	1	1	1	1	1	1
Agriculture	80	79	79	81	78	72	70	64	65	62
Resale	8	8	9	9	9	9	9	9	9	11
No Demand (2)	815	1,421	1,313	1,124	752	1,031	849	715	740	791
Total Treated Water Accounts	32,314	33,858	34,262	34,366	34,600	34,784	34,721	34,737	35,257	35,837
UNTREATED (RAW) WATER										
Water Customer Accounts										
Metered	307	302	302	291	290	282	273	267	261	260
Commercial Agriculture	346	345	347	350	330	304	311	311	325	351
Irrigation Customers	3,278	3,293	3,299	3,408	3,070	3,354	3,381	3,413	3,461	3,443
Landscape(1)	30	31	31	30	28	28	28	27	28	27
Resale	3	3	4	6	6	6	6	6	6	6
Total Untreated (Raw) Water Accounts	3,964	3,974	3,983	4,085	3,724	3,974	3,999	4,024	4,081	4,087
TOTAL WATER ACCOUNTS	36,278	37,832	38,245	38,451	38,324	38,758	38,720	38,761	39,338	39,924
New Connections (EDU's)	4,613	1,620	331	277	465	46	87	71	483	723

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

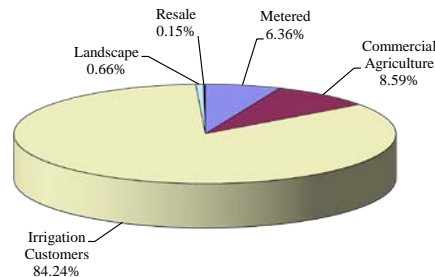
(2) Accounts that have paid the water connection charge, if applicable, and are paying monthly service and renewal and replacement charges but are not consuming water.

Source: Placer County Water Agency, Customer Service Department

**CHART # 7
Water Accounts (Treated) 2014**



**CHART # 8
Water Accounts (Raw) 2014**



PLACER COUNTY WATER AGENCY
TABLE # 7
Principal Water Users
Years Ended December 31, 2005 and 2014

Customer	2005				2014			
	Amount Billed (1)	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold	Amount Billed (1)	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold
City of Lincoln	\$ 3,529,926	12.67%	8,132	6.44%	\$ 6,532,524	14.86%	8,359	7.49%
Cal American Water	319,206	1.15%	608	0.48%	1,100,011	2.50%	950	0.85%
City of Rocklin	302,885	1.09%	495	0.39%	686,535	1.56%	779	0.70%
Formica Corporation	257,717	0.92%	619	0.49%	362,836	0.83%	373	0.33%
Rocklin Unified School District	204,756	0.73%	333	0.26%	236,416	0.54%	427	0.38%
Rio Bravo Rocklin	154,806	0.56%	396	0.31%	207,024	0.47%	289	0.26%
Placer County Facility Service	136,673	0.49%	301	0.24%	186,738	0.42%	286	0.26%
Hidden Valley Community Association	60,599	0.22%	1,012	0.80%	73,876	0.17%	878	0.79%
Sierra College	48,516	0.17%	329	0.26%	49,924	0.11%	291	0.26%
Lakeview Hills Community Association	36,438	0.13%	345	0.27%	46,346	0.11%	337	0.30%
Total Principal Water Users	<u>\$ 5,051,522</u>	<u>18.13%</u>	<u>12,569</u>	<u>9.96%</u>	<u>\$ 9,482,230</u>	<u>21.56%</u>	<u>12,969</u>	<u>11.62%</u>
Total all Users	<u>\$ 27,861,596</u>	<u>100.00%</u>	<u>126,256</u>	<u>100.00%</u>	<u>\$ 43,972,868</u>	<u>100.00%</u>	<u>111,593</u>	<u>100.00%</u>

(1) Amount billed includes commodity water sales, monthly service charge, customer service charges, renewal & replacement charge, state and federal mandated charge (2005 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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Metered Service - Treated Water</u>										
Monthly Service Charge (meter size)										
5/8-inch	\$ 11.65	12.67	13.75	13.75	14.20	14.20	14.20	14.20	14.20	15.80
3/4-inch	16.50	17.94	19.46	19.46	20.09	20.09	20.09	20.29	20.29	22.36
1-inch	22.56	24.53	26.62	26.62	27.49	27.49	27.49	27.49	27.49	30.60
1-1/2-inch	36.35	39.53	42.89	42.89	44.28	44.28	44.28	44.28	44.28	49.28
2-inch	63.44	68.99	74.85	74.85	77.28	77.28	77.28	77.28	77.28	86.01
3-inch	117.77	128.07	138.96	138.96	143.48	143.48	143.48	143.48	143.48	159.69
4-inch	164.21	178.58	193.76	193.76	200.06	200.06	200.06	200.06	200.06	222.67
6-inch	329.66	358.51	388.98	388.98	401.62	401.62	401.62	401.62	401.62	447.00
8-inch	565.27	614.73	666.98	666.98	688.66	688.66	688.66	688.66	688.66	766.48
12-inch	883.24	960.52	1,042.16	1,042.16	1,076.03	1,076.03	1,076.03	1,076.03	1,076.03	1,197.62
16-inch	(2)	(2)	(2)	(2)	1,548.20	1,548.20	1,548.20	1,548.20	1,548.20	1,723.15
18-inch	1,464.59	1,592.74	1,728.12	1,728.12	1,784.28	1,784.28	1,784.28	1,784.28	1,784.28	1,985.90
State & Federal Mandate										
5/8-inch	3.99	4.31	4.72	5.27	(4)	(4)	(4)	(4)	(4)	(4)
3/4-inch	5.97	6.47	7.08	7.91	(4)	(4)	(4)	(4)	(4)	(4)
1-inch	9.96	10.78	11.80	13.19	(4)	(4)	(4)	(4)	(4)	(4)
1-1/2-inch	19.94	21.55	23.60	26.37	(4)	(4)	(4)	(4)	(4)	(4)
2-inch	31.90	34.48	37.76	42.20	(4)	(4)	(4)	(4)	(4)	(4)
3-inch	63.80	68.96	75.52	84.39	(4)	(4)	(4)	(4)	(4)	(4)
4-inch	99.68	107.75	118.00	131.87	(4)	(4)	(4)	(4)	(4)	(4)
6-inch	199.37	215.50	236.00	263.73	(4)	(4)	(4)	(4)	(4)	(4)
8-inch	956.97	1,034.40	1,132.80	1,265.90	(4)	(4)	(4)	(4)	(4)	(4)
12-inch	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)
18-inch	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)
Renewal & Replacement										
5/8-inch	4.90	8.50	12.00	12.50	13.00	13.00	13.00	13.00	13.00	14.75
3/4-inch	7.35	12.75	18.00	18.75	19.50	19.50	19.50	19.50	19.50	22.13
1-inch	12.21	21.25	30.00	31.25	32.50	32.50	32.50	32.50	32.50	36.89
1-1/2-inch	24.46	42.50	60.00	62.50	65.00	65.00	65.00	65.00	65.00	73.78
2-inch	39.11	68.00	96.00	100.00	104.00	104.00	104.00	104.00	104.00	118.04
3-inch	78.22	136.00	192.00	200.00	208.00	208.00	208.00	208.00	208.00	236.08
4-inch	122.24	212.50	300.00	312.50	325.00	325.00	325.00	325.00	325.00	368.88
6-inch	244.46	425.00	600.00	625.00	650.00	650.00	650.00	650.00	650.00	737.75
8-inch	1,173.39	2,040.00	2,880.00	3,000.00	3,120.00	3,120.00	3,120.00	3,120.00	3,120.00	3,541.20
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
<u>Metered Service - Untreated Water</u>										
Monthly Service Charge										
5/8-inch	6.19	6.73	7.68	8.62	8.90	8.90	8.90	8.90	8.90	9.67
3/4-inch	8.07	8.78	9.53	9.93	10.25	10.25	10.25	10.25	10.25	11.14
1-inch	10.27	11.17	12.12	12.37	12.77	12.77	12.77	12.77	12.77	13.88
1-1/2-inch	16.09	16.09	17.29	17.29	17.85	17.85	17.85	17.85	17.85	19.40
2-inch	26.40	26.40	26.40	26.40	27.26	27.26	27.26	27.26	27.26	29.63
3-inch	43.37	43.37	46.44	46.44	47.95	47.95	47.95	47.95	47.95	52.12
4-inch	60.35	62.17	67.45	67.45	69.64	69.64	69.64	69.64	69.64	75.70
6-inch	113.11	113.11	113.11	113.11	116.79	116.79	116.79	116.79	116.79	126.95
8-inch	180.99	180.99	180.99	180.99	186.87	186.87	186.87	186.87	186.87	203.13
Capital Facilities Surcharge	5.49	5.71	6.20	6.65	6.87	6.87	6.87	6.87	6.87	7.78
<u>Resale Service - Untreated Water</u>										
Monthly Service Charge	34.07	52.06	56.49	56.49	58.33	58.33	58.33	58.33	58.33	63.40
<u>Private Fire Protection Service</u>										
Monthly Service Charge										
2-inch	14.24	15.49	16.85	17.96	18.54	18.54	18.54	18.54	18.54	18.82
3-inch	15.32	16.66	18.12	20.76	21.43	21.43	21.43	21.43	21.43	21.75
4-inch	17.02	18.51	20.13	23.05	23.80	23.80	23.80	23.80	23.80	24.16
6-inch	21.89	23.81	25.89	28.73	29.66	29.66	29.66	29.66	29.66	30.10
8-inch	46.14	50.18	54.57	54.57	56.34	56.34	56.34	56.34	56.34	57.19
10-inch	77.77	84.57	91.97	96.13	99.25	99.25	99.25	99.25	99.25	100.74
12-inch	124.52	135.42	147.27	153.92	158.92	158.92	158.92	158.92	158.92	161.30
16-inch	277.06	301.30	327.66	342.47	353.60	353.60	353.60	353.60	353.60	358.90

- Rates are for the Zone 1 Western Water System service area. The Agency's Western Water System comprises 97% of total water customers, water flow and total water sales revenue, and therefore has the most significant impact on determining fees & charges.
- Rate not established since there were no meters of this size in these years.
- 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.
- Beginning in 2009, the State and Federal Mandate Charge revenue was incorporated into the commodity tiers for a more volumetric water rate structure.

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Metered Services										
Residential (3)										
First 400 CF	\$ 0.76	0.78	0.85	0.94	1.25	1.25	1.25	1.25	1.25	1.33
Next 600 CF	0.86	0.90	0.98	1.07	1.35	1.35	1.35	1.35	1.35	1.44
Next 1,000 CF	0.86	0.90	0.98	1.14	1.44	1.44	1.44	1.44	1.44	1.53
Next 2,000 CF	0.93	0.99	1.07	1.18	1.55	1.55	1.55	1.55	1.55	1.65
Next 1,800 CF	1.08	1.14	1.25	1.35	1.65	1.65	1.65	1.65	1.65	1.75
Next 1,900 CF	1.30	1.40	1.53	1.65	1.92	1.92	1.92	1.92	1.92	2.04
Over 7,700 CF	1.47	1.59	1.74	1.88	2.16	2.16	2.16	2.16	2.16	2.30
Pumped Service (4)										
First 400 CF	0.87	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,600 CF	0.99	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 2,000 CF	1.06	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,800 CF	1.20	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 1,900 CF	1.43	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Over 7,700 CF	1.60	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Municipal (5)										
First 50,000 CF	0.86	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Over 50,000 CF	0.90	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Commercial & Municipal (6)										
First 50,000 CF	0.88	0.92	1.00	1.07	(6)	(6)	(6)	(6)	(6)	(6)
Next 950,000 CF	0.91	0.95	1.03	1.10	(6)	(6)	(6)	(6)	(6)	(6)
Over 1,000,000 CF	0.91	0.96	1.05	1.13	(6)	(6)	(6)	(6)	(6)	(6)
Non-Residential (6)										
First 50,000 CF	(6)	(6)	(6)	(6)	1.28	1.28	1.28	1.28	1.28	1.36
Next 450,000 CF	(6)	(6)	(6)	(6)	1.31	1.31	1.31	1.31	1.31	1.39
Over 500,000 CF	(6)	(6)	(6)	(6)	1.35	1.35	1.35	1.35	1.35	1.44
Industrial & Resale										
First 50,000 CF	0.83	0.86	0.93	1.00	1.10	1.10	1.10	1.10	1.10	1.17
Next 950,000 CF	0.84	0.88	0.95	1.02	1.11	1.11	1.11	1.11	1.11	1.18
Over 1,000,000 CF	0.84	0.89	0.97	1.04	1.12	1.12	1.12	1.12	1.12	1.19
Over 1,000,000 CF (7)	0.67	0.71	0.78	0.84	(7)	(7)	(7)	(7)	(7)	(7)
Industrial & Resale-Public Agencies & Public Utilities (7)										
First 42,500,000 CF	(7)	(7)	(7)	(7)	1.11	1.11	1.11	1.11	1.11	1.18
Over 42,500,000 CF	(7)	(7)	(7)	(7)	1.34	1.34	1.34	1.34	1.34	1.42
Golf Course, Park & Greenbelt										
First 50,000 CF	0.91	0.95	1.03	1.10	(6)	(6)	(6)	(6)	(6)	(6)
Next 950,000 CF	0.98	1.02	1.11	1.19	(6)	(6)	(6)	(6)	(6)	(6)
Over 1,000,000 CF	0.98	1.03	1.13	1.21	(6)	(6)	(6)	(6)	(6)	(6)
Special Rates (8)										
First 400 CF	0.80	0.78	0.85	0.94	1.25	1.25	1.25	1.25	1.25	1.33
Next 600 CF	0.80	0.90	0.98	1.07	1.35	1.35	1.35	1.35	1.35	1.44
Next 1,000 CF	0.80	0.90	0.98	1.14	1.44	1.44	1.44	1.44	1.44	1.53
Next 2,000 CF	0.87	0.99	1.07	1.18	1.55	1.55	1.55	1.55	1.55	1.65
Next 61,000 CF	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.13
Next 65,000 CF	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.11
Over 130,000 CF	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.11
Temporary Construction										
First 50,000 CF	1.76	1.84	2.00	2.14	2.56	2.56	2.56	2.56	2.56	2.72
Next 450,000 CF	1.82	1.90	2.06	2.20	2.62	2.62	2.62	2.62	2.62	2.78
Next 500,000 CF	1.82	1.90	2.06	2.20	2.70	2.70	2.70	2.70	2.70	2.88
Over 1,000,000 CF	1.82	1.92	2.10	2.26	2.70	2.70	2.70	2.70	2.70	2.88

- (1) Rates are for the Zone 1 Western Water System service area. The Agency's Western Water System comprises 97% of total water customers, water flow and total water sales revenue, and therefore has the most significant impact on determining the Agency's revenue.
- (2) Commodity rates are per 100 cubic feet.
- (3) Beginning 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 2005 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 2005-2014 are displayed with the 2014 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Metered Services (2)										
First 3,000 CF	\$ 0.36	0.37	0.37	0.37	0.38	0.38	0.38	0.38	0.38	0.41
Next 7,000 CF	0.25	0.29	0.35	0.43	0.36	0.36	0.36	0.36	0.36	0.39
Over 10,000 CF	0.11	0.12	0.20	0.28	0.29	0.29	0.29	0.29	0.29	0.32
Non-Metered Services (Miner's Inches) (MI) (3)										
General Irrigation Service (Winter) (4)										
First 1/2 MI	28.55	30.55	30.55	30.55	31.09	31.09	31.09	31.09	31.09	33.79
First MI	50.24	53.76	58.33	60.23	62.18	62.18	62.18	62.18	62.18	67.59
2-9 MI	51.45	55.05	59.73	61.67	63.67	63.67	63.67	63.67	63.67	69.21
Over 9 MI	51.45	55.31	60.01	61.96	63.97	63.97	63.97	63.97	63.97	69.54
General Irrigation Service (Summer) (4)										
First 1/2 MI	27.03	28.11	28.11	28.11	28.11	28.11	28.11	28.11	28.11	30.56
First MI	42.76	44.47	48.25	49.82	51.44	51.44	51.44	51.44	51.44	55.92
2-9 MI	44.22	46.43	50.38	52.02	53.71	53.71	53.71	53.71	53.71	58.38
Over 9 MI	44.22	46.87	51.32	52.99	54.71	54.71	54.71	54.71	54.71	59.47
Commercial Agriculture (Winter)										
First MI	40.59	43.43	47.12	48.65	50.23	50.23	50.23	50.23	50.23	54.60
Over 1 MI	41.38	44.28	48.04	49.60	51.21	51.21	51.21	51.21	51.21	55.67
Commercial Agriculture (Summer)										
First MI	46.92	46.92	46.92	48.44	50.01	50.01	50.01	50.01	50.01	54.36
2nd MI	40.71	42.34	45.94	47.43	48.97	48.97	48.97	48.97	48.97	53.23
3rd MI	36.76	38.23	41.48	42.83	44.22	44.22	44.22	44.22	44.22	48.07
4th MI	32.83	34.14	37.04	38.24	39.48	39.48	39.48	39.48	39.48	42.91
5-9 MI	30.19	31.40	34.07	35.18	36.32	36.32	36.32	36.32	36.32	39.48
10-60 MI	27.57	28.67	31.11	32.12	33.16	33.16	33.16	33.16	33.16	36.04
Over 60 MI	22.76	23.67	25.68	26.51	27.37	27.37	27.37	27.37	27.37	29.75
Golf Course, Park & Greenbelt (Winter) (4)										
First MI	47.05	54.11	58.71	60.62	(4)	(4)	(4)	(4)	(4)	(4)
2-9 MI	50.04	55.62	60.35	62.31	(4)	(4)	(4)	(4)	(4)	(4)
Over 9 MI	54.41	56.55	61.36	63.55	(4)	(4)	(4)	(4)	(4)	(4)
Golf Course, Park & Greenbelt (Summer) (4)										
First MI	44.44	46.22	50.15	51.78	(4)	(4)	(4)	(4)	(4)	(4)
2-9 MI	44.44	48.68	52.82	54.54	(4)	(4)	(4)	(4)	(4)	(4)
Over 9 MI	46.81	48.92	53.08	54.81	(4)	(4)	(4)	(4)	(4)	(4)
Resale Service (Miner's Inch Days) (5)										
First 1,000	2.34	5.68	5.68	5.68	5.24	5.24	5.24	5.24	5.24	5.70
Over 1,000	2.34	6.47	6.47	6.47	5.41	5.41	5.41	5.41	5.41	5.88

- (1) Rates are for the Zone 1 Western Water System service area. The Agency's Western Water System comprises 97% 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.

* Water rate tier structures have been revised over the past 10 years. Water use per tier varies on an annual basis. Rates shown above for years 2005-2014 are displayed with the 2014 7 tier structure. Actual ranges of cubic-feet/miner's inches differ 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 (1)
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Connection Charge (WCC)										
Bowman and Auburn WTP service area	\$ 9,286.00	11,373.00	13,408.00	14,414.00	15,440.00	15,440.00	16,073.00	16,206.00	16,444.00	17,307.00
All other Zone 1 service areas	9,286.00	11,373.00	13,408.00	14,414.00	15,440.00	15,440.00	16,073.00	16,206.00	16,444.00	17,307.00
Meters and Service Connections (2)										
Installation of Meter to Existing Svc										
5/8" x 3/4"	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00
3/4"	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00
1"	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00
1 1/2"	125.00	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00
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
Other Miscellaneous Fees and Charges										
Backflow Prevention Device Test Charge	68.00	70.00	70.00	105.00	109.00	109.00	109.00	109.00	109.00	109.00
Canal Flow Rate Change										
No Field Trip Required	35.00	35.00	35.00	15.00	16.00	16.00	16.00	16.00	16.00	20.00
Field Trip Required	35.00	35.00	35.00	65.00	67.00	67.00	67.00	67.00	67.00	85.00
After Hours Charge	110.00	90.00	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00
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	24.00	25.00	25.00	25.00	26.00	26.00	26.00	26.00	26.00	30.00
Field Collection Charge	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	150.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Second Occurrence	250.00	500.00	500.00	500.00	250.00	250.00	250.00	250.00	250.00	250.00
Third Occurrence	500.00	1,000.00	1,000.00	1,000.00	250.00	250.00	250.00	250.00	250.00	250.00
Meter Reread Charge	-	-	-	-	20.00	20.00	20.00	20.00	20.00	20.00
Meter Test and Repair Deposit/Charge	40.00	40.00	40.00	60.00	62.00	62.00	62.00	62.00	62.00	62.00
Service Set-up Charge										
No Field Trip Required	15.00	15.00	15.00	15.00	16.00	16.00	16.00	16.00	16.00	20.00
Field Trip Required	35.00	35.00	35.00	35.00	36.00	36.00	36.00	36.00	36.00	40.00
After Hours Charge	110.00	90.00	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00
Project Application Charge	105.00	105.00	105.00	105.00	109.00	109.00	109.00	109.00	109.00	140.00
Pressure Test Charge	40.00	40.00	40.00	85.00	88.00	88.00	88.00	88.00	88.00	95.00
Reconnection Charge (4)										
Treated Services	45.00	45.00	45.00	45.00	47.00	47.00	47.00	47.00	47.00	55.00
Untreated Services	45.00	45.00	45.00	65.00	67.00	67.00	67.00	67.00	67.00	75.00
After Hours Charge	120.00	90.00	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00
Returned Check Charge	25.00	25.00	25.00	25.00	26.00	26.00	26.00	26.00	26.00	26.00
Temporary Construction Water Svc										
Permit Fee	35.00	35.00	35.00	40.00	42.00	42.00	42.00	42.00	42.00	42.00
Connection Charge	100.00	100.00	100.00	100.00	104.00	104.00	104.00	104.00	104.00	104.00
Variances and Waivers of Rules and Regulations or Rates	79.00	80.00	80.00	180.00	187.00	187.00	187.00	187.00	187.00	225.00
Water Service Written Estimate	53.00	55.00	55.00	105.00	109.00	109.00	109.00	109.00	109.00	109.00
WCC - Installment Payment										
Processing Fee	163.00	175.00	175.00	175.00	182.00	182.00	182.00	182.00	182.00	184.00
Certification of Cross Connection Control (Backflow) Charge (5)	1.16	1.16	1.20	1.64	1.70	1.70	1.70	1.70	1.70	1.75
Certification of Domestic Water Source (Constructed Conveyance) Charge (6)	2.69	2.69	2.75	3.96	4.11	4.11	4.11	4.11	4.11	5.00
Water Waste Charge (3rd & 4th occurrence)	-	-	-	75.00	75.00	75.00	75.00	75.00	75.00	75.00

- (1) Rates are for the Zone 1 Western Water System service area. The Agency's Western Water System comprises 97% 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) Certification of Cross Connection Control (Backflow) Charge is a monthly charge per assembly.
- (6) Certification of Domestic Water Source (Constructed Conveyance) Charge 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

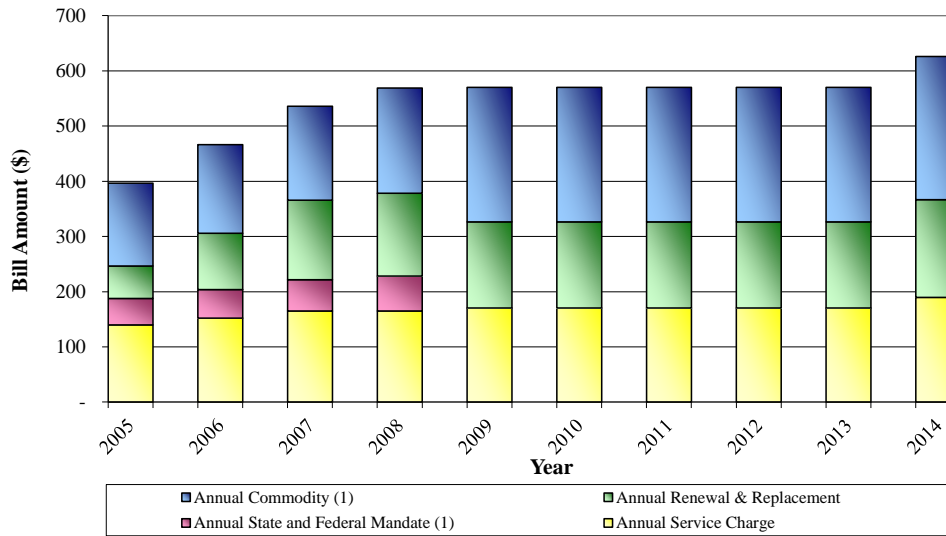
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Annual Service Charge	\$ 139.80	152.04	165.00	165.00	170.40	170.40	170.40	170.40	170.40	189.60
Annual State and Federal Mandate (1)	47.88	51.72	56.64	63.24	-	-	-	-	-	-
Annual Renewal & Replacement	58.80	102.00	144.00	150.00	156.00	156.00	156.00	156.00	156.00	177.00
Annual Commodity (1)	150.00	160.49	170.16	190.56	243.60	243.60	243.60	243.60	243.60	259.32
Annual Water Billed Amount	<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>	<u>570.00</u>	<u>625.92</u>
Effective Rate Increase	<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>	<u>0.00%</u>	<u>9.81%</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 Zone 1 Western Water System treated water rates, as the Agency's Western Water System comprises 97% of customers, water flow and water sales revenue. The Agency's practice is to bill on a bi-monthly basis.

(1) Beginning in 2009, the State and Federal Mandate Charge was blended into the commodity tiers. Therefore, there is no separate charge for State and Federal Mandate after 2009.

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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Division										
Certificates of Participation										
1995 Certificates	\$ 335,000	170,000	-	-	-	-	-	-	-	-
1999 Certificates	2,990,000	2,990,000	2,990,000	2,450,000	1,880,000	1,285,000	655,000	-	-	-
2003 Certificates	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	29,860,000	29,120,000
2008 Certificates	-	-	-	40,385,000	39,860,000	39,340,000	38,815,000	38,265,000	37,005,000	35,705,000
2013 Certificates	-	-	-	-	-	-	-	-	8,100,000	7,445,000
Certificates Outstanding	52,790,000	51,925,000	84,615,000	88,465,000	86,145,000	83,760,000	81,290,000	78,720,000	74,965,000	72,270,000
Loans Payable										
Davis-Grunsky Act Construction Loan	274,161	139,004	-	-	-	-	-	-	-	-
EDA Community Emergency Drought Loans	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	16,691	15,262	13,784	12,257	10,677	9,044	7,355	5,608	3,803	1,936
Bowman	1,407,591	858,250	291,771	-	-	-	-	-	-	-
Alta/Monte Vista (SWTR)	353,068	325,476	297,044	267,784	237,640	206,604	174,645	141,738	107,845	72,945
King/Delmar	258,154	246,347	234,172	221,637	208,709	195,390	181,665	167,525	152,945	137,923
Applegate	491,893	470,218	447,864	424,850	401,115	376,663	351,465	325,505	298,737	271,158
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	16,259,462	15,374,832
Electric Street Tank	-	-	-	-	-	-	-	1,259,537	7,395,132	7,766,550
Ferguson Road Land Loan	59,626	47,362	34,407	20,720	6,262	-	-	-	-	-
Ziegleman - Soracco Land Loans	424,128	365,175	303,111	224,502	-	-	-	-	-	-
Mello-Roos Obligation	29,102	26,042	14,380	18,515	14,789	8,821	-	-	-	-
Capital Lease Purchases	6,412	-	-	-	-	-	-	-	-	-
Loans Outstanding	3,492,995	2,654,245	1,786,030	21,327,569	20,606,769	19,703,110	18,764,665	19,091,888	24,217,924	23,625,344
Improvement District (ID) Debt (1)										
ID No. 10 - Aguilar Road (2)	1,134	1,134	1,134	1,134	1,134	1,134	1,134	1,134	1,134	1,134
ID No. 11 - Lakeshore (2)	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195
ID No. 36 - Highway 174	67,324	62,281	57,097	51,769	46,289	40,657	34,867	28,916	22,797	16,507
Improvement District Debt Outstanding	69,653	64,610	59,426	54,098	48,618	42,986	37,196	31,245	25,126	18,836
Subtotal Water Division Debt Outstanding	56,352,648	54,643,855	86,460,456	109,846,667	106,800,387	103,506,096	100,091,861	97,843,133	99,208,050	95,914,180
Power Division										
Revenue Bonds										
Middle Fork Project Revenue Bonds, Series A (3)	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000	2,425,000	-	-
Subtotal Power Division Debt Outstanding	30,590,000	26,710,000	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000	2,425,000	-	-
Subtotal Agency Debt Outstanding	86,942,648	81,353,855	109,170,456	128,376,667	121,030,387	113,281,096	105,246,861	100,268,133	99,208,050	95,914,180
Less: Unamortized bond discounts & premiums	(234,041)	(226,000)	(956,230)	(696,668)	(661,117)	(624,935)	(588,103)	(550,598)	(1,457,906)	(1,415,350)
Deferred Amount of Refunding	(4,498,892)	(4,232,860)	(3,969,062)	(3,707,572)	(3,448,849)	(3,192,976)	(2,940,053)	(2,690,180)	-	-
Total PCWA Long-Term Debt	\$82,209,715	76,894,995	104,245,164	123,972,427	116,920,421	109,463,185	101,718,705	97,027,355	97,750,144	94,498,830
Per Customer	\$ 2,266	2,033	2,726	3,224	3,051	2,824	2,627	2,503	2,485	2,367
Number of Customer Accounts	36,278	37,832	38,245	38,451	38,324	38,758	38,720	38,761	39,338	39,924

- (1) Improvement District (ID) Debt is the responsibility of the individual improvement district and the principal and interest are payable solely from the property assessments levied. In 2002, PCWA formed ID 37 - Merry Knoll. This improvement district was funded by a combination of a County of Placer grant 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 were payable, both principal and interest, from revenues of the Middle Fork Project. These bonds were secured by water revenues, however, pursuant to the 1963 power sales agreement with Pacific Gas & Electric Company, the debt service payments were made by PG&E. These bonds were paid off in 2013.

Source: Placer County Water Agency, Audited Financial Statements

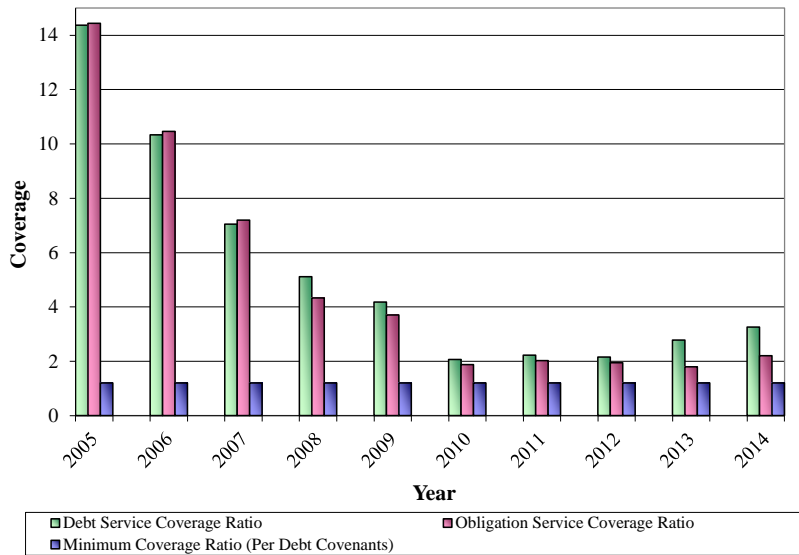
PLACER COUNTY WATER AGENCY
TABLE # 14
Debt Service Coverage
Western Water System
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service Coverage										
Net Water Revenues, Excluding Depreciation	\$ 57,564,733	36,648,317	26,049,902	24,837,976	29,380,115	15,896,962	17,103,644	16,556,036	21,373,589	24,528,189
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,691,417</u>	<u>7,530,692</u>
Debt Service Coverage Ratio	<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>	<u>2.78</u>	<u>3.26</u>
Minimum Coverage Ratio (Per Debt Covenants)										
	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Debt Service Coverage without Water Connection Charge Revenue (WCC) (1)										
Net Water Revenues, Excluding Depreciation and WCC	\$ 15,710,776	19,930,518	21,623,691	21,334,913	22,940,551	15,469,997	16,704,076	14,908,062	16,371,317	15,142,575
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,691,417</u>	<u>7,530,692</u>
Debt Service Coverage Ratio	<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>	<u>2.13</u>	<u>2.01</u>
Obligation Service Coverage										
Net Water Revenues, Excl. Depreciation as Adjusted by Water Purchases	\$ 57,842,311	37,101,063	26,598,504	25,344,332	29,936,496	16,422,962	17,787,085	17,178,193	22,207,287	27,111,750
Obligation Service	<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>	<u>12,373,218</u>	<u>12,306,128</u>
Obligation Service Coverage Ratio	<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>	<u>1.79</u>	<u>2.20</u>
Certificate Reserve Requirement										
Minimum Reserve Required	\$ 1,831,500	1,880,364	1,876,718	5,092,234	5,046,998	4,686,467	4,936,131	4,573,607	4,866,040	5,361,182
Actual Reserve Balance	<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>	<u>5,617,943</u>	<u>5,858,596</u>
Reserve Requirement Coverage	<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>	<u>1.15</u>	<u>1.09</u>

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

Source: Placer County Water Agency, Audited Financial Statements

CHART #10
Debt Coverage



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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Placer County										
Population	312,630	322,270	329,719	337,914	344,088	350,609	355,687	360,680	365,107	369,726
Annual % Change in Population	3.24%	3.08%	2.31%	2.49%	1.83%	1.90%	1.45%	1.40%	1.23%	1.27%
Total Personal Income (Thousands)	\$ 13,070	14,248	15,102	16,095	15,899	16,326	17,312	19,004	20,174	*
Per Capita Personal Income	\$ 41,248	43,937	45,471	47,195	45,614	46,617	48,476	52,544	54,924	*
Unemployment Rate	4.3%	4.2%	4.8%	6.4%	10.6%	11.5%	10.8%	8.60%	6.50%	5.20%
State of California										
Population (Thousands)	35,985	36,246	36,552	36,856	37,077	37,318	37,578	37,826	38,204	38,499
Annual % Change in Population	0.65%	0.73%	0.84%	0.83%	0.60%	0.65%	0.70%	0.66%	1.00%	0.77%
Total Personal Income (Thousands)	\$ 1,335,386	1,436,446	1,520,755	1,604,113	1,566,999	1,564,209	1,645,138	1,768,039	1,856,614	*
Per Capita Personal Income	\$ 36,109	39,626	41,805	43,852	42,395	41,893	43,647	46,477	48,434	*
Unemployment Rate	5.4%	4.9%	5.4%	7.2%	11.4%	12.4%	11.7%	9.70%	8.30%	6.70%

Source:

Population Data Source: California Department of Finance. Table E-2. Preliminary population as of July 1st of each year.
 Unemployment Data Source: State of California, Employment Development Department. December 2014 Monthly Labor Force Data
 Personal Income Data Source: U.S. Department of Commerce: Bureau of Economic Analysis, Tables SA1-3 and CA1-3

* At time of publication, data not available for time period.

CHART #11
Annual Percentage Change in Population
2005-2014

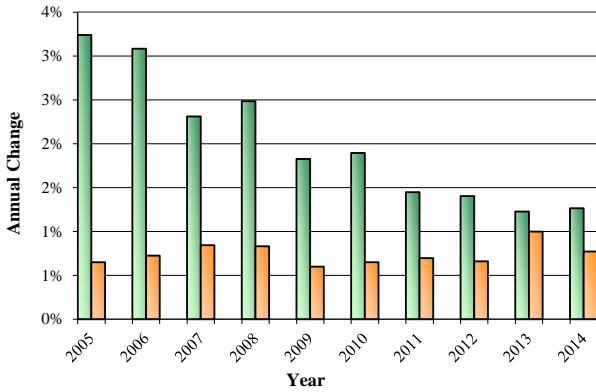


CHART #12
Unemployment Rate
2005-2014

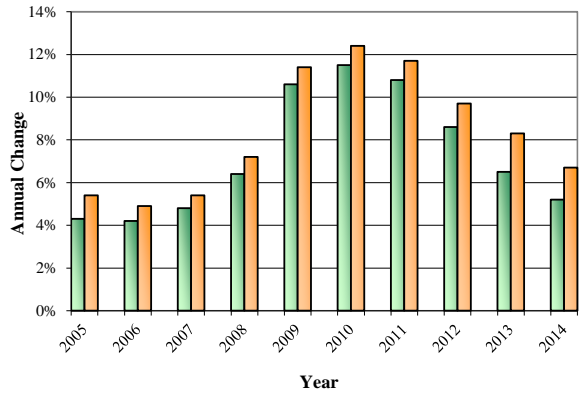
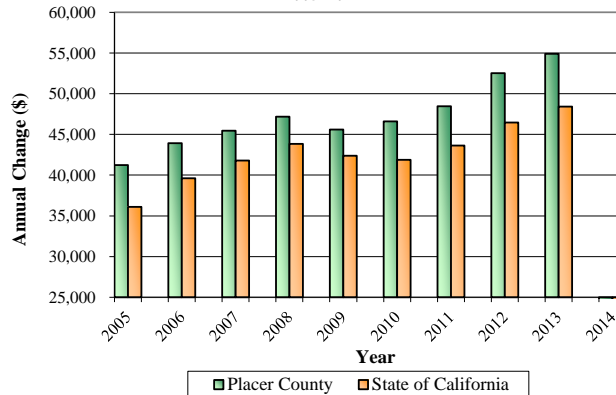


CHART #13
Per Capita Personal Income
2005-2014



PLACER COUNTY WATER AGENCY
TABLE # 16
Principal Employers of Placer County
Years Ended December 31, 2005 and 2014

2005			2014		
<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Company or Organization</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Hewlett-Packard Co.	4,000	2.54%	Sutter Health	3,890	2.30%
Placer County	3,000	1.91%	Kaiser Permanente	3,826	2.26%
Kaiser Permanente	1,847	1.17%	Squaw Valley Resort	2,500	1.48%
Sutter Health	1,319	0.84%	Thunder Valley Casino Resort	2,391	1.41%
Squaw Valley Ski Corp.	1,300	0.83%	Placer County	2,300	1.36%
Raley's Inc.	1,135	0.72%	Hewlett-Packard Co.	2,230	1.32%
City of Roseville	1,132	0.72%	City of Roseville	1,254	0.74%
Raley's Inc.	1,062	0.67%	Pride Industries	1,164	0.69%
PRIDE Industries Inc.	1,060	0.67%	Roseville City School District	1,006	0.59%
Rocklin Unified School District	848	0.54%	State of California	940	0.56%
Total Largest Employers	16,703	10.61%	Total Largest Employers	21,501	12.70%
Total All Employers	157,400	100.00%	Total All Employers	169,300	100.00%

Source: Sacramento Business Journal - June 6, 2014
Sacramento Business Journal - March 11, 2005
State of California, Employment Development Department

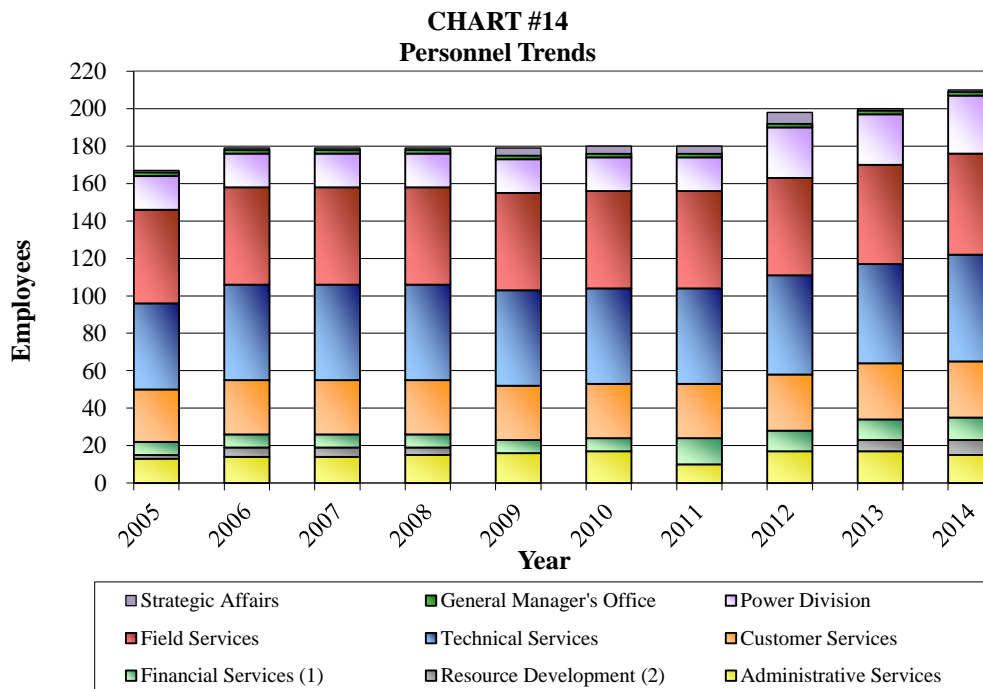
PLACER COUNTY WATER AGENCY
TABLE # 17
Personnel Trends by Agency Department
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agency Wide										
General Manager's Office	2	2	2	2	2	2	2	2	2	2
Administrative Services	13	14	14	15	16	17	10	17	17	15
Financial Services (1)	7	7	7	7	7	7	14	11	11	12
Resource Development (2)	2	5	5	4	0	0	0	0	6	8
Strategic Affairs	1	1	1	1	4	4	4	6	1	1
Total Agency Wide	25	29	29	29	29	30	30	36	37	38
Water Division										
Customer Services	28	29	29	29	29	29	29	30	30	30
Field Services	50	52	52	52	52	52	52	52	53	54
Technical Services	46	51	51	51	51	51	51	53	53	57
Total Water Division	124	132	132	132	132	132	132	135	136	141
Power Division										
	18	18	18	18	18	18	18	27	27	31
Total Power Division	18	18	18	18	18	18	18	27	27	31
Total Employees	167	179	179	179	179	180	180	198	200	210

- (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 2009-2012. Resource Development became its own department again in 2013.

Authorized positions are reported by department.

Source: Placer County Water Agency, Administrative Services Department



PLACER COUNTY WATER AGENCY
TABLE # 18
Water and Power Operational Statistics
Last Ten Years

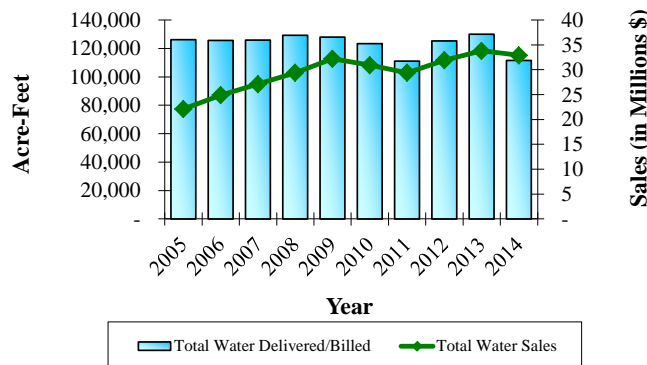
WATER	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Facilities										
Miles of Main Line - Treated (6)	508	519	526	543	547	549	599	602	609	620
Miles of Canals - Untreated (Raw)	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) (1)	78	78	78	80	80	80	81	83	80	84
Number of Pumping Stations	11	12	12	15	17	18	16	16	18	18
Number of Storage Tanks	29	32	32	34	37	33	35	32	32	32
Water Received (in Acre-Feet):										
Lake Spaulding via Drum Canal	92,301	93,242	95,399	103,200	95,594	88,061	65,455	85,974	99,406	57,916
American River (Middle Fork Project)	3,475	3,591	7,892	9,469	10,841	9,033	15,888	14,495	10,874	16,039
Canyon Creek	3,722	3,031	3,992	2,912	2,790	4,624	5,421	3,903	2,914	2,643
Zone 1 Groundwater	-	-	-	-	-	-	-	-	-	55
Nevada Irrigation District (Foothill)	731	1,806	1,660	1,664	1,602	1,481	1,123	1,298	1,920	1,641
Nevada Irrigation District (Rock Creek)	38	-	134	221	122	-	746	183	317	24
South Sutter Water District	5,647	5,000	-	-	-	-	-	-	-	-
PG&E Zone 3 Supply	8,389	9,086	9,228	10,101	9,709	7,951	9,781	9,182	10,007	8,713
Lahontan Domestic Well	51	73	79	106	141	90	80	103	95	130
Lahontan Irrigation Well	579	542	187	-	3	-	-	-	-	-
Total Supply	114,932	116,371	118,571	127,673	120,802	111,240	98,494	115,138	125,533	87,161
Water Delivered/Billed (Acre-Feet):										
Treated Water Delivered	33,963	36,092	37,953	38,863	35,774	32,824	30,171	34,176	37,476	32,205
Treated Water % of Total	26.9%	28.7%	30.1%	30.1%	27.9%	26.6%	27.2%	27.3%	28.8%	28.9%
Raw Water Billed (2)	92,258	89,585	87,964	90,430	92,249	90,594	80,950	91,131	92,572	79,388
Raw Water % of Total	73.1%	71.3%	69.9%	69.9%	72.1%	73.4%	72.8%	72.7%	71.2%	71.1%
Total Water Delivered/Billed	126,221	125,677	125,917	129,293	128,023	123,418	111,121	125,307	130,048	111,593
Average Per Day (acre-feet)	346	344	345	354	351	338	304	343	356.30	305.73
Sales (Millions):										
Treated Water Sales	\$ 19.0	21.7	23.8	26.0	28.7	27.5	26.2	28.4	30.2	29.7
Treated Water % of Total	86.0%	87.1%	87.8%	88.4%	89.1%	89.0%	89.1%	89.0%	89.3%	90.3%
Raw Water Sales	\$ 3.1	3.2	3.3	3.4	3.5	3.4	3.2	3.5	3.6	3.2
Raw Water % of Total	14.0%	12.9%	12.2%	11.6%	10.9%	11.0%	10.9%	11.0%	10.7%	9.7%
Total Water Sales	22.1	24.9	27.1	29.4	32.2	30.9	29.4	31.9	33.8	32.9
Billings, Collections & Delinquencies:										
Water Billings (3)	\$27,861,596	34,159,636	39,529,683	43,057,084	43,160,740	41,053,948	38,997,459	41,717,567	44,313,297	43,972,868
Collections	\$27,826,538	34,127,743	39,472,331	42,966,092	43,027,166	40,912,728	38,883,883	41,640,423	44,246,844	43,916,962
Uncollectible	\$ 35,058	31,893	57,352	90,992	133,574	141,220	113,576	77,144	66,453	55,906
Collection Percentage	99.87%	99.91%	99.85%	99.79%	99.69%	99.66%	99.71%	99.82%	99.85%	99.87%

POWER	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Facilities:										
Power Plants	5	5	5	5	5	5	5	5	5	5
Miles of Tunnels & Penstocks	24	24	24	24	24	24	24	24	24	24
Storage Reservoirs (4)	3	3	3	3	3	3	3	3	3	3
Annual Megawatt Hours (Millions) (5)	1.1	1.5	0.5	0.6	0.9	0.9	1.3	0.9	0.6	0.5

- (1) MGD = Million Gallons per Day. In 2013, the figure was adjusted to 80 to take into account restrictions in the delivery of raw water at one plant that reduces the total capacity by 3 MGDs.
- (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, 2013 and 2014.
- (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



**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 basic financial statements of the Placer County Water Agency (Agency), as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2015. 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*.

We have also issued a separate Memorandum on Internal Control dated March 31, 2015 which is an integral part of our audit and should be read in conjunction with this report.

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.

A handwritten signature in black ink that reads "Maze + Associates". The signature is written in a cursive, slightly slanted style.

Pleasant Hill, California
March 31, 2015

**PLACER COUNTY WATER AGENCY
Unrestricted Board Designated Net Position
For the Fiscal Year Ended December 31, 2014**

<u>Agency Wide</u>	2014
Operational:	
Contingencies	\$ 1,007,122
Operational	924,389
Capital:	
Routine Capital Replacement	163,724
Administration Building Maintenance and Improvements	1,479,017
Liabilities:	
Compensated Absences	559,985
Specific Activities & Projects:	
Water Entitlements/Water Rights Permit Extension	3,481,010
Catastrophic Event	1,201,135
County Wide Master Plan	629,089
MFP Control Center	1,726,631
Next Generation ERP System	250,236
Realign Project Funding	3,178,003
Regulatory/Legal	953,376
Security Upgrades	1,159,372
Stewardship Matters	535,506
Programs and Infrastructure	250,236
Financial Assistance Program	153,008
Total Agency Wide - Designated	\$ 17,651,839

Water Division

Operational:	
Contingencies	\$ 2,206,451
Operational	2,964,378
Revenue Volatility	3,208,374
Energy Volatility	893,028
Capital:	
Building and Facilities Maintenance and Improvements	62,423
System Replacement and Improvements	8,528,075
Vehicles, Equipment and Other Routine Capital Replacement	940,552
Specified Revenue:	
Renewal & Replacement Charges	22,011,480
State and Federal Mandated Charges	110,762
Raw Water Surcharge	2,592,978
Liabilities:	
Compensated Absences	1,967,193
Revolving Grant Matching Funds	6,774
Risk Management	121,667
Specific Activities & Projects:	
Water and Energy Efficiency Strategies	280,083
Service Center - Corporation Yard	5,116,857
Catastrophic Event	5,242,107
Total Water Division - Designated	\$ 56,253,182

PLACER COUNTY WATER AGENCY
Combined Schedule of Revenues, Expenses and Change in Net Position
Budget and Actual
For the Year Ended December 31, 2014

	<u>2014 Adopted Budget</u>	<u>2014 Adjusted Budget (1)</u>	<u>2014 Actual</u>	<u>Variance from Adjusted Budget (\$)</u>	<u>Variance from Adjusted Budget (%)</u>
Operating Revenues					
Water Sales	\$ 34,370,200	34,370,200	34,187,459	(182,741)	-0.53%
Power Sales (1)	33,306,898	33,306,898	25,505,528	(7,801,370)	-23.42%
Engineering Charges	630,000	630,000	716,213	86,213	13.68%
Customer Service Charges	731,000	731,000	770,250	39,250	5.37%
Other Revenue	48,980	48,980	73,644	24,664	50.36%
Total Operating Revenues	<u>69,087,078</u>	<u>69,087,078</u>	<u>61,253,094</u>	<u>(7,833,984)</u>	<u>-11.34%</u>
Non-Operating Revenues					
Water Connection Charges	1,500,000	1,500,000	9,385,614	7,885,614	525.71%
Renewal and Replacement Charges	10,330,000	10,330,000	10,809,457	479,457	4.64%
Mandated Costs Charges	-	-	2,902	2,902	-
Raw Water Surcharges	300,000	300,000	310,152	10,152	3.38%
Water Sale	-	-	11,750,000	11,750,000	-
Costs Recovered from Other Agencies	-	-	630,355	630,355	-
Contributions In Aid of Construction	70,000	70,000	-	(70,000)	-100.00%
Interest Earnings	965,000	965,000	1,015,465	50,465	5.23%
Property Taxes	680,000	680,000	762,750	82,750	12.17%
Assessments	-	-	10,834	10,834	-
Gain (Loss) on Disposal of Assets	-	-	16,317	16,317	-
Program Grant Revenue	90,000	90,000	214,619	124,619	138.47%
Other Income	(177,826)	(177,826)	648,013	825,839	-464.41%
Total Non-Operating Revenues (2)	<u>13,757,174</u>	<u>13,757,174</u>	<u>35,556,478</u>	<u>21,799,304</u>	<u>158.46%</u>
Total Revenues	<u>82,844,252</u>	<u>82,844,252</u>	<u>96,809,572</u>	<u>13,965,320</u>	<u>16.86%</u>
Operating Expenses					
Purchased Water	3,473,000	2,527,764	2,583,562	(55,798)	-2.21%
Field Administration	1,028,185	1,017,197	1,043,568	(26,371)	-2.59%
Pumping Plant and Wells	1,297,301	2,197,301	2,070,275	127,026	5.78%
Water Treatment	6,200,098	7,055,543	6,632,499	423,044	6.00%
Electrical Operations	2,346,810	2,485,569	2,343,539	142,030	5.71%
Transmission and Distribution:					-
Treated Water	2,830,675	2,779,814	2,366,201	413,613	14.88%
Raw Water	5,279,851	5,184,949	3,693,672	1,491,277	28.76%
Customer Service and Collections	4,148,744	4,102,728	3,720,337	382,391	9.32%
Repairs and Maintenance	2,357,605	2,326,605	2,556,136	(229,531)	-9.87%
Recreation	2,318,500	2,318,500	2,046,968	271,532	11.71%
Automotive & Equipment	1,029,640	1,019,857	874,574	145,283	14.25%
Engineering	2,460,674	2,510,603	3,068,670	(558,067)	-22.23%
General and Administrative	15,644,432	14,542,656	13,176,428	1,366,228	9.39%
Resource Development	5,490,674	6,155,972	2,886,610	3,269,362	53.11%
Depreciation	1,749,100	1,749,100	22,601,128	(20,852,028)	-1192.16%
Total Operating Expenses (3)	<u>57,655,289</u>	<u>57,974,158</u>	<u>71,664,167</u>	<u>(13,690,009)</u>	<u>-23.61%</u>
Non-Operating Expenses					
Interest Expense	3,923,490	3,923,490	3,711,654	211,836	5.40%
Total Non-Operating Expenses	<u>3,923,490</u>	<u>3,923,490</u>	<u>3,711,654</u>	<u>211,836</u>	<u>5.40%</u>
Total Expenses	<u>61,578,779</u>	<u>61,897,648</u>	<u>75,375,821</u>	<u>(13,478,173)</u>	<u>-21.77%</u>
Capital Contributions	-	-	14,265,424	14,265,424	-
CHANGE IN NET POSITION	<u>\$ 21,265,473</u>	<u>20,946,604</u>	<u>35,699,175</u>	<u>14,752,571</u>	<u>70.43%</u>

- (1) The Power Division power sales revenue, which is on an expense reimbursement basis, is under budget because the new Federal Energy Regulatory Commission (FERC) license has not been issued, yet significant expenses, and correspondingly power sales revenue, were budgeted in anticipation of this implementation.
- (2) Non-operating revenues is over budget primarily due to increased water connection charge revenue which reflects the improvement in the local housing industry and out of county water sales.
- (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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Water Sales	\$ 25,100,000	27,000,000	27,738,991	30,668,200	34,799,800	35,121,350	33,544,200	35,094,200	33,378,200	34,370,200
Power Sales	16,500,000	26,944,696	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765	13,686,081	13,514,781	33,306,898
Reimbursements	61,000	63,000	68,000	57,877	60,192	62,600	65,104	67,708	23,472	-
Engineering Charges	720,000	900,000	1,140,000	800,000	980,000	565,000	415,000	355,000	630,000	630,000
Customer Service Charges	320,000	400,000	400,100	502,400	502,500	730,000	731,000	731,000	731,000	731,000
Other Revenue	10,000	10,050	10,000	5,000	5,000	5,000	5,000	5,000	5,000	48,980
Total Operating Revenues	42,711,000	55,317,746	60,541,153	49,593,739	49,369,070	49,902,210	46,598,069	49,938,989	48,282,453	69,087,078
Non-Operating Revenues										
Water Connection Charges	10,000,000	12,000,000	4,500,000	2,200,000	2,100,000	250,000	100,000	-	-	1,500,000
Renewal & Replacement Charges	2,900,000	4,300,000	6,816,000	8,090,000	8,435,000	8,638,000	8,800,000	9,060,000	9,160,000	10,330,000
Mandated Costs Charges	2,492,000	3,400,000	3,568,000	4,035,000	-	-	-	-	-	-
Raw Water Surcharges	246,500	330,000	401,708	219,123	250,000	250,000	250,000	250,000	250,000	300,000
Contributions in Aid of Construction	250,000	400,000	400,000	415,000	220,000	55,000	55,000	-	152,000	-
Water Sales	-	-	-	-	-	-	-	55,000	-	-
Costs Recovered from Other Agencies	-	-	-	20,000	-	-	-	-	-	70,000
Interest Earnings	1,540,000	3,370,000	3,405,100	3,458,636	3,400,000	2,100,000	1,500,000	1,024,300	1,105,000	965,000
Property Taxes	685,000	770,023	705,000	820,000	800,000	646,200	680,000	680,000	680,000	680,000
Assessments	7,000	-	5,000	-	-	-	-	-	-	-
Gain on Disposal of Assets	-	5,000	-	-	4,000	-	(111,442)	-	-	-
Program Grant Revenue	400,000	-	15,000	324,657	150,000	90,000	50,000	10,000	75,000	90,000
Other Income	8,000	10,050	70,050	7,047	(40,581)	32,984	442,251	281,273	240,500	(177,826)
Total Non-Operating Revenues	18,528,500	24,585,073	19,885,858	19,589,463	15,318,419	12,062,184	11,732,009	11,360,573	11,662,500	13,757,174
Total Revenues	61,239,500	79,902,819	80,427,011	69,183,202	64,687,489	61,964,394	58,330,078	61,299,562	59,944,953	82,844,252
Operating Expenses										
Purchased Water	516,832	676,000	759,400	716,400	755,736	779,420	674,020	724,000	725,000	2,527,764
Field Administration	822,802	807,418	805,746	1,351,731	927,861	1,066,761	1,020,479	937,854	1,005,891	1,017,197
Pumping Plant and Wells	799,093	869,978	945,500	1,299,251	1,135,089	1,458,055	1,525,050	1,437,257	1,333,787	2,197,301
Water Treatment	4,002,131	4,459,958	4,892,242	5,161,004	6,073,764	5,926,022	6,037,991	5,784,104	6,162,517	7,055,543
Electrical Operations	1,008,079	1,009,587	1,475,462	1,597,990	1,652,677	1,474,836	1,648,972	1,751,049	1,578,416	2,485,569
Transmission and Distribution										
Treated Water	1,865,739	2,399,000	3,052,034	2,556,169	3,151,279	3,185,861	3,453,697	2,856,862	3,155,053	2,779,814
Raw Water	2,660,206	2,566,812	4,912,303	4,743,270	5,385,657	5,155,241	4,987,417	5,141,191	4,840,789	5,184,949
Customer Service and Collections	922,331	963,212	3,246,272	3,587,304	3,949,522	4,186,362	3,986,845	3,808,680	4,013,406	4,102,728
Repairs and Maintenance	450,872	429,734	1,461,988	5,764,760	1,731,400	1,669,017	1,848,030	1,639,482	2,199,063	2,326,605
Safety	637,849	694,539	-	-	-	-	-	-	-	-
Recreation	-	-	229,359	189,849	187,501	424,186	344,558	450,799	2,459,516	2,318,500
Automotive and Equipment	710,215	662,707	729,512	808,487	824,000	898,973	857,976	920,427	898,584	1,019,857
Engineering	2,011,148	2,085,327	2,586,574	2,585,903	2,582,338	2,113,416	1,955,922	2,078,765	1,849,905	2,510,603
General and Administrative	6,794,652	7,419,700	5,293,659	9,157,199	9,652,711	8,882,245	9,274,369	9,237,941	13,819,816	14,542,656
Resource Development	-	-	-	-	-	-	-	-	3,612,111	6,155,972
Depreciation	9,850,000	4,335,559	6,110,000	6,635,466	7,421,649	7,654,200	7,319,559	8,641,604	4,467,050	1,749,100
Total Operating Expenses	33,051,949	29,379,531	36,500,051	46,154,783	45,431,184	44,874,595	44,934,885	45,410,015	52,120,904	57,974,158
Non-Operating Expenses										
Interest Expense	4,203,601	3,998,706	3,420,435	3,000,305	4,529,486	5,161,375	4,991,850	4,158,625	4,061,031	3,923,490
Amortization of Bond Issue Cost	92,000	70,000	77,135	-	-	25,615	576,455	455,864	457,110	-
Amortization of Bond Premium/Discount	275,000	275,500	-	16,819	9,221	-	-	-	-	-
Other	65,000	100,000	-	-	-	-	-	-	-	-
Total Non-Operating Expenses	4,635,601	4,444,206	3,497,570	3,017,124	4,538,707	5,186,990	5,568,305	4,614,489	4,518,141	3,923,490
Total Expenses	37,687,550	33,823,737	39,997,621	49,171,907	49,969,891	50,061,585	50,503,190	50,024,504	56,639,045	61,897,648
CHANGE IN NET POSITION	\$ 23,551,950	46,079,082	40,429,390	20,011,295	14,717,598	11,902,809	7,826,888	11,275,058	3,305,908	20,946,604

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

