



## Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2015



• water •



• energy •



• stewardship •

Placer County Water Agency  
Auburn, California



# Comprehensive Annual Financial Report

For the Year Ended December 31, 2015



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

Prepared by the Department of Financial Services

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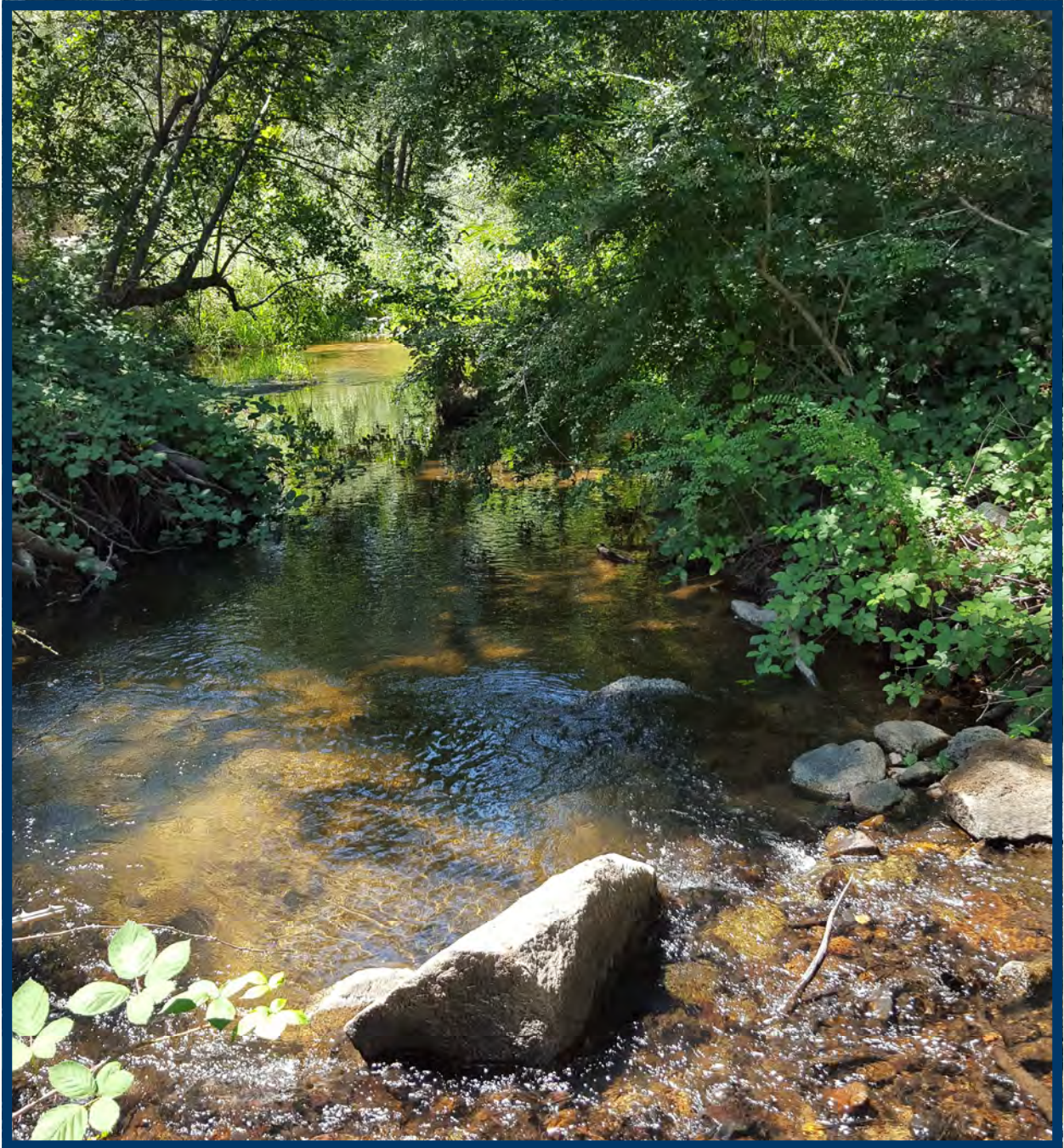
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# Introductory Section

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Secret Ravine



PLACER COUNTY WATER AGENCY  
SINCE 1957  
BOARD OF DIRECTORS      BUSINESS CENTER  
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Primo Santini, District 2      MAIL  
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May 24, 2016

The Honorable Board of Directors and General Manager  
Placer County Water Agency

The Department of Financial Services is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Placer County Water Agency (PCWA or Agency) for the year ended December 31, 2015. This letter of transmittal is designed to complement the Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it.

The California Government Code requires an annual independent audit of PCWA’s financial statements by a Certified Public Accountant (CPA). Davis Farr LLP (Auditor) has issued an unqualified “clean” opinion on the Placer County Water Agency’s financial statements for the year ended December 31, 2015. The Auditor’s opinion is included in the financial section of this CAFR.

The CAFR presents the Introductory section, the Financial section, which includes the basic financial statements, and the Statistical section. Agency’s management is responsible for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. All required disclosures necessary to enable the reader to gain the thorough understanding of PCWA’s financial activity have been included. The independent auditors have expressed an opinion that PCWA’s financial statements are presented in conformity with generally accepted accounting principles (GAAP). Readers should refer to the Management’s Discussion and Analysis in the audited financial statements included in the Financial section for a detailed discussion regarding the Agency’s financial condition and results of operations.

## OVERVIEW OF THE PLACER COUNTY WATER AGENCY

PCWA was created in 1957 under its own state legislative act entitled the “Placer County Water Agency Act.” The Agency is a special district and its boundaries are coterminous with the boundaries of Placer County, California. Placer County (County) is bordered by the State of Nevada on the east, Nevada County on the north, Yuba and Sutter Counties on the west and Sacramento and El Dorado Counties on the south. Placer County occupies an area of approximately 1,500 square miles, which includes relatively level valley lands in its western portion and extends easterly into the Sierra-Nevada Mountains to Lake Tahoe and the Nevada state line. The County is located immediately northeast of Sacramento County, approximately 100 miles northeast of the San Francisco Bay metropolitan area. Interstate 80 transects Placer County from west to east. The Agency has a five-member board of directors elected by district voters for four-year terms. The Agency carries out a broad range of responsibilities including resources planning and management, retail and wholesale supply of water, and production of hydroelectric energy and has staff of 215 regular employees providing services to its three operating budget units: Agency Wide, Power Division and Water Division.

### ***Agency Wide***

Agency Wide provides the water and energy advocacy and stewardship functions within the boundaries of the County. Agency officials understand the complexities, interrelationships and importance of sustaining reliable and affordable water and energy for Placer County's present and future needs. PCWA serves as a local water resources management and stewardship entity striving to protect the watershed, water ways and water quality important to the people, lands and ecosystems of the County. PCWA holds extensive surface water entitlements and rights on the Middle Fork American River. Water is sold wholesale to various water purveyors who retail it to their customers. Agency Wide wholesales water to the City of Roseville, San Juan Water District, Sacramento Suburban Water District, and to PCWA's Water Division. 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 more than 39,000 water accounts. 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, 27 water tanks and over 580 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 to occasionally supplement surface water supplies when needed in Western Placer County.

### ***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 PG&E and allowed the Agency to take delivery of up to a maximum of 100,400 AF per year 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 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. The Agency also has two wells that reliably provide up to 2,000 AF of water per year within the Sunset Industrial area located in unincorporated Western Placer County. These wells provide back-up supply to the Agency's water system and are not routinely operated to meet normal system demands.

### ***Governance***

PCWA is a public agency (special district) governed by a five member independently elected Board of Directors (Board) serving staggered four-year terms with one Director from each of the five Placer County supervisorial districts. The Directors reside within their geographical district areas and are elected by the constituents of that district only. Annually, a Chairman and Vice Chair are chosen among the Board members. PCWA operates under a Board-Manager form of government. The General Manager is appointed by the Board to administer the daily affairs of the Agency and carry out the policies of the Board of Directors.

The Board meets in regular session on the first and third Thursdays of each month. Regular meetings are held at 2:00 p.m. at the Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California. Board meetings are open to the public.

### ***Budget Process***

Annually, the Agency prepares and adopts an operating budget and updates its five-year Capital Investment Program (CIP). Both budgets serve as the foundation for the Agency's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. Department directors have the discretion to transfer budgeted funds between accounts/activities within their departments. Two consenting departments can transfer budgeted funds between their departments. Changes to the Capital Investment Program budget and increases to the operating budget require Board approval.

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

#### **Drought**

2015 was the fourth dry year in a row in the State; as a result, the California State Water Resources Control Board set water reduction levels across the State. At PCWA, the available water from PG&E's contract supply was only 68% of normal year deliveries. This supply is the most used source of water because it can be delivered to the entirety of the water system and

requires no pumping. The Agency was able to mitigate the impacts of this reduced allocation by utilizing the American River supply, which requires significant pumping. Through a combination of efforts and circumstances, the Agency was able to meet its water demands without significant impact to its customers. 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 2015. With water use efficiency, education and increased public outreach, the Agency achieved as much as 38% conservation in the summer months and approximately 30% for the State's compliance period. This level of conservation was among the highest statewide, and resulted in healthy carryover storage for 2016.

#### Eastern Water System (Zone 4) Transfer

In 2015, the Agency transferred its Eastern Water System (Zone 4) to Northstar Community Services District (NCSD). Pursuant to a Memorandum of Understanding between the Agency and NCSD dated November 7, 2013, both agencies agreed it is in the public's best interest to seek to transfer the Agency's Eastern Water System (Zone 4) to NCSD to be the owner and service provider of potable water. Zone 4 was established in 1996 to enable the Agency to provide water service within the Martis Valley, near Truckee, CA and represented less than 2% of the Agency's entire water system revenue. Since 2009, the Agency had contracted Zone 4's day-to-day operations to NCSD. Through a joint application to the Placer Local Agency Formation Commission (LAFCO) both Agency and NCSD desired that NCSD annex the Agency's Eastern Water System. Thus, after several LAFCO public hearings, the annexation process was complete and the transfer became effective on October 1, 2015.

#### GASB 68 & GASB 71 Implementation

In June 2012, the Government Accounting Standards Board (GASB) approved a new reporting statement, GASB Statement No. 68 (GASB 68). GASB Statement No. 71, an amendment to GASB 68, is required to be implemented simultaneously with the provisions of GASB 68. These new standards were designed to improve and provide transparency to the accounting and financial reporting for state and local government defined benefit pension plans. GASB 68 must be implemented by June 30, 2015 and PCWA has complied with this requirement with the 2015 Comprehensive Annual Financial Report (CAFR).

In prior years, information on the pension liabilities was disclosed in the note disclosure and required supplementary information sections of the CAFR. With the implementation of GASB 68, the net pension liability was reported on the face of the Statement of Net Position, effectively reducing the overall net position. Thus, GASB 68 changed the accounting and financial reporting requirements of pension obligations by reporting pension obligations not only on the note disclosure and required supplementary information sections but also on the face of the basic financial statements. GASB 68 affects the reporting and accounting presentation of the Agency's pension liability; it is not a new liability and the Agency has been disclosing and is profoundly aware of this liability.

#### 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 Agency continues to await the Clean Water Act Section 401 Certification from the State Water Resources Control Board (SWRCB), so that FERC can issue a new long-term operating license. A recent timeline from the SWRCB suggests that the final

license will be issued in early 2018. 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 progress on the development of an Environmental Impact Report that will be used by the State Water Board to support its decision regarding PCWA's petitions to extend the Agency's water rights on the American River until build-out of the service area is completed. In 2015, the Agency conducted an environmental analysis of the proposed American River water right extension and held a public meeting to solicit comments on the proposed scope and content of the Environmental Impact Report. 2015 saw significant progress on developing baseline, proposed project and project alternative modeling runs, and drafting chapters of the environmental document.

In addition, staff continues 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. Staff and consultants also worked very closely with the Sacramento Water Forum in developing a Modified Flow Management Standard, which, if implemented, would improve water supply reliability and improve lower American River fisheries.

#### Delta Issues

Staff continued to track legislative and regulatory issues related to the Bay-Delta that may affect Placer County's development of water supplies. The Agency filed a protest to Reclamation's and California Department of Water Resource's Change Petition associated with the California WaterFix Project (formerly Bay-Delta Conservation Plan Project) and is in the process of developing testimony and exhibits for the associated State Water Board Hearing. There is significant uncertainty associated with the management, restoration, and enhancement of the Delta ecosystem and how these factors will impact water agencies such as PCWA. Water diversions from the Delta supply a portion of the drinking water to over two thirds of Californians and for millions of acres of farmland.

#### Planning and Land Development

The Agency experienced a steady and high level of development activity, facilitating large residential and commercial projects, and committing more than 1,000 new equivalent dwelling units (EDUs). Significant progress was made in refining a phasing plan for Ophir Water Treatment Plant to result in a feasible project that matches expected development growth. The phasing plan is now three equal phases of 10 million gallons per day capacity each, and where the first phase does not require major offsite pipelines, minimizing upfront cost. The Agency is also working with its largest wholesale treated water customers to offer them an investment in the first and subsequent phases, in which they could carry their own financing costs. 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 \$1.6 million in 2012 to \$25.0 million in 2015.

In the last decade the County has experienced an overall population growth of approximately 19%, 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 .5% from 2014 to 2015.

The long-term forecast for the County's growth is steady. The population is expected to reach approximately 421,000 by 2025. The 2025 figure represents a 13% increase over the current population of 371,558.

The County's unemployment is 4.6% at December 2015, which is lower than the State's total of 5.7%.

The County's per capita personal income also exceeded the State's per capita personal income by 9% in 2014 (Data is not currently available for 2015). 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 Division 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 \$30.00 per acre foot. In 2015, the price further increased to \$40.00 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.

## 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, reserves, 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 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.

### **Reserve Policy**

The Agency's *Net Asset Reserve and Designation Policy* initially adopted in 2005 (revised in 2007) was renamed and revised as the *Reserve Policy* in July 2015 for the purpose of a simpler more streamlined policy. This policy is designed to distinguish between Legally Restricted Reserves and Board Designated Reserves, establish distinct purposes for each reserve category, set funding targets and accumulation levels for reserves, and identify events or conditions prompting use.

The Reserve Policy provides guidance for establishing, funding and using reserves to meet known future obligations and unforeseen needs as deemed prudent and/or required by agreement. As available and deemed appropriate, Board Designated Reserves are funded to reserves in the following broad categories; Operational, Capital, Liabilities, Specific Activities, Programs and Special Projects. Each category is further defined by distinct reserve accounts, for example, reserve for contingencies under the operational category. Each reserve category has a description for purpose, funding amount, funding source and use.

### **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 continue to 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 2016, the Agency will continue 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 2016, which will include the design of a 10 million gallon storage tank to provide water storage capacity in Placer County, the Sunset Industrial area, and the Whitney Ranch/Sunset Ranchos Community Plan Area. Projects also include beginning the second phase of the Alta Water Treatment Plant project to provide extra raw water pumping capacity to coincide with the new filters installed under phase one and continuing the design of the multi-phased plan 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 to perform in accordance with the Agency's responsibility to maintain and preserve water facilities and infrastructure, while delivering high quality potable water to its customers.

## **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, 2014. 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,



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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, 2014**



Executive Director/CEO

# Placer County Water Agency

December 31, 2015

## **Board of Directors**

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

## **Agency Officials**

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General Manager	Einar Maisch
Agency Counsel	Scott Morris
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 Resource Development	Andy Fecko
Director of Technical Services	R. Brent Smith

## **Acknowledgements**

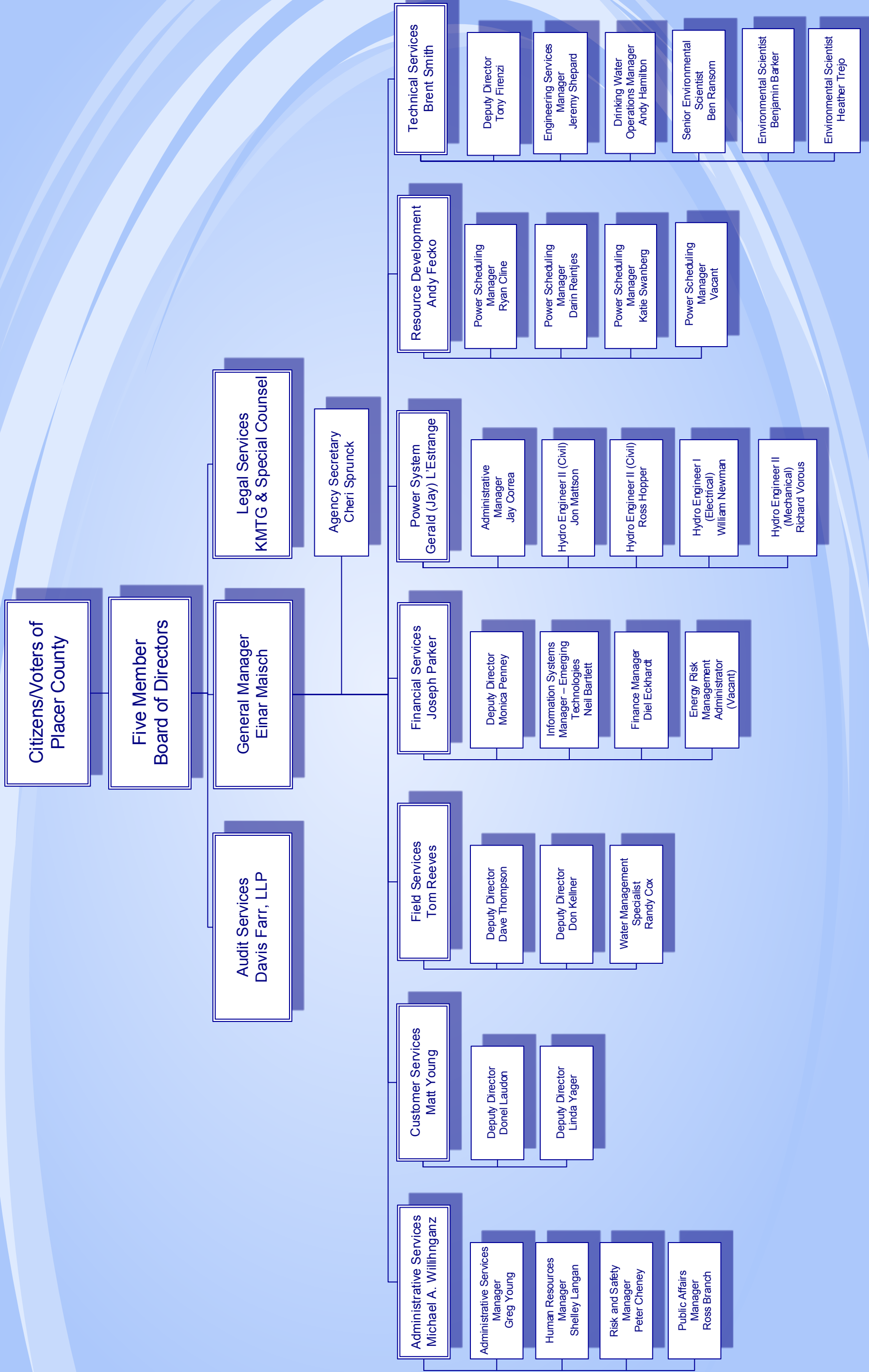
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Prepared by the Placer County Water Agency  
Department of Financial Services

Director of Financial Services	Joseph Parker, CPA
Deputy Director of Financial Services	Monica Penney
Finance Manager	Diel Eckhardt
Financial Analyst	Jannet Hendrix
Financial Analyst	Carrie Parks



# Placer County Water Agency Organizational Structure



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# Financial Section

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Installation of Hell Hole Dam Spillway Rockfall Barriers

Board of Directors  
Placer County Water Agency  
Auburn, California

## **Independent Auditor's Report**

### **Report on the 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, 2015, 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity'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 entity'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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Placer County Water Agency, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described further in Note 1 to the financial statements, during the year ended December 31, 2015, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 68. Beginning net position has been restated as a result of the implementation. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

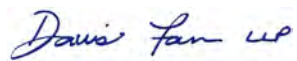
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, the *schedule of changes in net pension liability*, and the *schedule of plan contributions* be presented to supplement the basic financial statements. Such information, although 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. The *supplementary statements*, *supplemental schedules*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *supplementary statements and supplemental schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 *supplementary statements and supplemental schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016 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 Agency's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
May 24, 2016

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# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2015

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, 2015. 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 2015, 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, 27 water tanks

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2015

and 580 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, 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. On October 1, 2015, the Agency divested the Eastern Water System (Zone 4) to Northstar Community Services District, which is presented in note 12 to the basic financial statements.

### 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

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2015

change in cash balance during the reporting period.

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

The Notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The Notes to Basic Financial Statements can be found on pages 23 through 60 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 supplementary information. Such required supplementary information regarding the Agency's funding of its obligation to provide pension benefits to its employees can be found on page 61 of this report. Other supplementary information can be found on pages 64 through 69 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.

During 2015, the Agency remained in a strong financial position. The significant financial events are illustrated in the financial analysis below.

### ***FINANCIAL HIGHLIGHTS FOR 2015***

- On October 1, 2015, the Agency transferred its Eastern Water System (Zone 4) to Northstar Community Services District, resulting in reduction of Net Capital Assets of \$23.7 million.
- The Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of Statement No. 27", and Statement No. 71, "Pensions Transition for Contributions Made Subsequent to the Measurement Date, an Implementation of GASB Statement No. 68". This adoption of these standards required a restatement of beginning net position totaling \$29.7 million.
- Total liabilities increased \$32.0 million primarily due to the implementation of GASB 68 recording a Net Pension Liability of \$33.7 million.
- Operating revenue decreased \$2.3 million or 3% reflecting the continuing California drought conditions and statewide mandatory water use restrictions.
- Operating expense increased \$7.0 million or 10% to \$78.6 million, primarily due to GASB 68 implementation.
- Non-operating revenues (expenses) decreased \$16.1 million or 78% to \$4.6 million.

**PLACER COUNTY WATER AGENCY**

Management’s Discussion and Analysis

December 31, 2015

- Capital contributions decreased \$7.0 million or 49% to \$7.2 million.

***Financial Position***

The Agency’s net position decreased by \$26.4 million to \$683 million (*see Table 1*), which is a result of the transfer of Zone 4 and the implementation of GASB 68.

The highlights of the \$26.4 million decrease in net position are as follows:

- Non-current assets increased \$19.4 million, which is the increase in investment activity.
- Capital assets decreased \$13.3 million from the net of construction in progress capitalized, capital contributions and Zone 4 transfer.
- Liabilities increased \$32.0 million primarily from recording the Net Pension Liability (GASB 68).

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

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>%</u>
<b>ASSETS:</b>				
Current Assets	\$ 86,192	87,779	(1,587)	-2%
Non-Current Assets	98,071	78,612	19,459	25%
Capital Assets	<u>638,176</u>	<u>651,468</u>	<u>(13,292)</u>	<u>-2%</u>
Total Assets	822,439	817,859	4,580	1%
Deferred Outflow of Resources	6,322	-	6,322	
<b>LIABILITIES:</b>				
Current Liabilities	18,032	15,637	2,395	15%
Non-Current Liabilities	<u>121,985</u>	<u>92,345</u>	<u>29,640</u>	<u>32%</u>
Total Liabilities	140,017	107,982	32,035	30%
Deferred Inflow of Resources	5,266	-	5,266	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	547,553	556,982	(9,429)	-2%
Restricted	61,812	42,678	19,134	45%
Unrestricted	<u>74,113</u>	<u>110,217</u>	<u>(36,104)</u>	<u>-33%</u>
Total Net Position	<u>\$ 683,478</u>	<u>709,877</u>	<u>(26,399)</u>	<u>-4%</u>

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2015

### *Results of Operations*

The Agency's 2015 total operating revenue of \$70.1 million decreased \$2.3 million when compared to the 2014 amount (*see Table 2 on the following page*). The total operating expense increased \$7.0 million resulting in a net decrease to operating income of \$9.3 million. Overall, the Agency's change in net position for the year, including capital contributions, increased by \$3.3 million compared to the 2014 change in net position. The major components of this increase are as follows:

- Operating revenue decreased by \$2.3 million or 3% to \$70.1 million. 2015 operating revenue at the fund level changed as follows: Agency Wide increased \$0.3 million, Power Division increased \$0.1 million and Water Division decreased \$2.7 million. Power Division revenues reflect reimbursements of Agency's expenses related to the Middle Fork Project. In addition, there was enhanced water resource management as the Agency's hydrology was affected by the ongoing drought. 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 10% to \$78.6 million primarily due to GASB 68 implementation in 2015. Operating expense at the fund level changed from prior year as follows: Agency Wide increased \$0.9 million, Power Division increased \$1.7 million and Water Division increased \$4.4 million.
- Non-operating revenues (expenses) decreased by \$16.1 million or 78% to \$4.6 million; this is a net change. Key components of this increase are a \$15.6 million increase in Water Connection Charge revenue which reflects the improvement in the local housing industry, a \$5.8 million decrease in out of county water sales and a \$23.7 million loss on the transfer on capital assets to Zone 4. In 2015, the Agency transacted out of county water sales totaling \$6 million pursuant to the Water Forum Agreement.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled \$7.2 million, which was comprised of various developer's agreement contributions.

**PLACER COUNTY WATER AGENCY**

Management's Discussion and Analysis

December 31, 2015

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

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

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>%</u>
<b>OPERATING REVENUES:</b>				
Agency Wide	\$ 1,204	932	272	29%
Power Division	25,585	25,506	79	0%
Water Division	43,291	45,937	(2,646)	-6%
Total Operating Revenues	<u>70,080</u>	<u>72,375</u>	<u>(2,295)</u>	<u>-3%</u>
<b>OPERATING EXPENSES:</b>				
Purchased Water	3,054	2,584	470	18%
Pumping Plant and Wells	2,567	2,070	497	24%
Water Treatment	7,347	6,632	715	11%
Electrical Operations	2,256	2,344	(88)	-4%
Transmission and Distribution of Treated Water	2,840	2,366	474	20%
Transmission and Distribution of Raw Water	3,874	3,694	180	5%
Customer Service and Collections	4,456	3,720	736	20%
Repairs and Maintenance	2,361	2,556	(195)	-8%
Engineering	5,513	3,069	2,444	80%
General and Administrative	14,870	13,176	1,694	13%
Resource Development	1,793	2,887	(1,094)	-38%
Depreciation	23,337	22,601	736	3%
Other	4,351	3,965	386	10%
Total Operating Expenses	<u>78,619</u>	<u>71,664</u>	<u>6,955</u>	<u>10%</u>
Net Operating Income (Loss)	<u>(8,539)</u>	<u>711</u>	<u>(9,250)</u>	<u>-1301%</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Water Connection Charges	24,997	9,386	15,611	166%
Water Sale	6,000	11,750	(5,750)	-49%
Costs Recovered from Other Agencies	253	630	(377)	-60%
Interest Earnings	1,067	1,015	52	5%
Interest Expense	(2,219)	(3,712)	1,493	-40%
Other	(25,474)	1,654	(27,128)	-1640%
Total Non-Operating Revenues (Expenses)	<u>4,624</u>	<u>20,723</u>	<u>(16,099)</u>	<u>-78%</u>
Income Before Capital Contributions	<u>(3,915)</u>	<u>21,434</u>	<u>(25,349)</u>	<u>-118%</u>
Capital Contributions	<u>7,221</u>	<u>14,265</u>	<u>(7,044)</u>	<u>-49%</u>
Change in Net Position	<u>3,306</u>	<u>35,699</u>	<u>(32,393)</u>	<u>-91%</u>
Net Position, Beginning of Year	<u>680,172</u>	<u>644,473</u>	<u>35,699</u>	<u>6%</u>
Net Position, End of Year	<u>\$ 683,478</u>	<u>680,172</u>	<u>3,306</u>	<u>0%</u>

**PLACER COUNTY WATER AGENCY**

Management’s Discussion and Analysis

December 31, 2015

***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 2015 Budget versus Actual. The fund level variances are discussed as follows:

- *Agency Wide:* Revenue was up with water sales higher than expected as outside Agency demands increased during the drought.
- *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 implementation costs in 2015. Correspondingly, the Power Division operating revenue, which reflects reimbursements of the Agency’s expenses related to the Middle Fork Project is also under budget in 2015.
- *Water Division:* Operating expense was under budget 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 that only a small portion of depreciation is budgeted. The non-operating revenues (expenses) variance is a net amount with the change 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**  
**2015 Amended Budget and Actual**  
**(In thousands)**

	<u>2015 Amended Budget</u>	<u>2015 Actual</u>	<u>Variance</u>
REVENUES:			
Operating:			
Agency Wide	\$ 800	1,204	404
Power Division	37,558	25,585	(11,973)
Water Division	48,191	43,291	(4,900)
Total Operating Revenues	<u>86,549</u>	<u>70,080</u>	<u>(16,469)</u>
EXPENSES:			
Operating:			
Agency Wide	1,555	1,781	(226)
Power Division	22,590	18,273	4,317
Water Division	35,800	35,228	572
Depreciation	1,616	23,337	(21,721)
Total Operating Expenses	<u>61,561</u>	<u>78,619</u>	<u>(17,058)</u>
Net Operating Income (Loss)	24,988	(8,539)	(33,527)
Non-Operating Revenues (Expenses)	<u>(10,900)</u>	4,624	15,524
Income Before Capital Contributions	14,088	(3,915)	(18,003)
Capital Contributions (Not Budgeted)	-	7,221	7,221
Change in Net Position	<u>\$ 14,088</u>	<u>3,306</u>	<u>(10,782)</u>

**PLACER COUNTY WATER AGENCY**

Management's Discussion and Analysis

December 31, 2015

**CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM**

At the end of 2015, the Agency had invested \$638 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 decrease in the Agency's investment in capital assets for 2015 was \$13.3 million, or 2%. This decrease is the net of the transfer of Zone 4 and capital additions. 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 2015 and 2014 as follows:

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

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Land	\$ 13,924	13,969	(45)	0%
Utility Plant - Preliminary Survey	778	778	-	0%
Utility Plant	728,523	715,551	12,972	2%
Other Property and Equipment	105,200	102,533	2,667	3%
Construction in Progress	<u>85,068</u>	<u>95,838</u>	<u>(10,770)</u>	<u>-11%</u>
Subtotal	933,493	928,669	4,824	1%
Less Accumulated Depreciation	<u>295,317</u>	<u>277,201</u>	<u>18,116</u>	<u>7%</u>
Total Capital Assets	<u>\$ 638,176</u>	<u>651,468</u>	<u>(13,292)</u>	<u>-2%</u>

**PLACER COUNTY WATER AGENCY**

Management’s Discussion and Analysis

December 31, 2015

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

<b>Agency Wide</b>	
American River Water Rights Extension	\$ 1,022
<b>Power</b>	
MFPH Generator Excit Upgrade	1,446
Communications Upgrade	924
LL Anderson Gate	918
<b>Water</b>	
American River Supply System Improvements	2,941
Service Center Corp Yard	1,385
Whitney Ranch Intertie	1,135
Lincoln Station Hydropower	1,272
Rocklin Front Yard Pipeline Replacement	2,925
<b>Total</b>	<u><u>\$ 13,968</u></u>

The Agency’s 2016 Budget includes a 2016 Capital Investment Program (CIP) budget totaling \$32 million, which is presented below by fund.

Capital Investment Program Budget (In thousands)

Agency Wide	\$ 1,295
Power Division	12,618
Water Division	18,193
<b>Total</b>	<u><u>\$ 32,106</u></u>

**LONG-TERM DEBT**

At December 31, 2015, the Agency had total long-term debt outstanding of \$92 million excluding the \$5.2 million in compensated absences payable. The outstanding amount decreased \$3.9 million during the year primarily because of the following:

- The retirement of \$2.8 million of Certificates of Participation.
- The net retirement of \$1.1 million in loans payable.

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

# PLACER COUNTY WATER AGENCY

## Management's Discussion and Analysis

December 31, 2015

The debt coverage ratio demonstrates the Agency's Western Water System financial strength and future borrowing capability which is calculated at 2.78 times annual debt service for the Western Water System at December 31, 2015. Table 5 presents the Western Water System's debt coverage ratio and exhibits both 2015 and 2014 ratios being greater than the 1.20 times debt indenture covenant requirement.

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

	<u>2015</u>	<u>2014</u>
Net Water Revenue, Excluding Depreciation	\$ 21,644	\$ 24,528
Debt Service on Certificates and Other Parity Debt	7,789	7,531
Debt Coverage Ratio	2.78	3.26
Debt Coverage Ratio Requirement Based on Debenture	1.20	1.20

At December 31, 2015 the Agency had outstanding certificates of participation stemming 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)

	<u>Debt Balance</u>			<u>Average Coupon Rate</u>
	<u>Expansion</u>	<u>Replacement</u>	<u>Total</u>	
Certificates of Participation	\$ 49,328	20,137	69,465	4.4%
Loans Payable	243	22,275	22,518	2.3%
Total	<u>\$ 49,571</u>	<u>42,412</u>	<u>91,983</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](http://www.pcwa.net).

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PLACER COUNTY WATER AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$ 43,728,512
Restricted cash and cash equivalents (note 2)	22,703,996
Restricted cash and cash equivalents with fiscal agents (note 2)	6,870,569
Water service receivable, net	5,659,586
Accounts receivable	2,958,265
Interest receivable	262,220
Taxes receivable	787,744
Materials and supplies	1,058,767
Prepaid expenses	1,950,254
OPEB assets (note 11)	<u>212,338</u>
Total current assets	<u>86,192,251</u>

Noncurrent assets:

Investments (note 2)	64,493,847
Restricted investments (note 2)	33,485,669
Notes receivable	88,907
Assessments receivable	2,140
Capital assets, non depreciable (note 3)	99,770,549
Capital assets, net of depreciation (note 3)	<u>538,405,892</u>
Total noncurrent assets	<u>736,247,004</u>
Total assets	<u>822,439,255</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow - pension contributions	3,176,605
Deferred outflow - pension actuarial	<u>3,145,608</u>
Total deferred outflows	<u>6,322,213</u>

(Continued)

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	6,402,831
Accrued salaries and benefits	499,632
Interest payable	1,651,980
Deposits	1,878,130
Other current liabilities	15,035
Current portion of long-term liabilities (note 4)	4,263,045
Compensated absences payable, current portion (note 4)	<u>3,320,874</u>
Total current liabilities	<u>18,031,527</u>

Non-current liabilities:

Certificates of participation, net of premiums/discounts (note 4)	65,169,959
Loans payable (note 4)	21,190,174
Improvement district debt (note 4)	5,722
Unearned revenue	745
Compensated absences payable (note 4)	1,927,840
Net pension liability (note 7)	<u>33,690,576</u>
Total non-current liabilities	<u>121,985,016</u>
Total liabilities	<u>140,016,543</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension actuarial	<u>5,266,276</u>
Total deferred inflows	<u>5,266,276</u>

NET POSITION

Net investment in capital assets	547,553,264
Restricted (note 5):	
Water system expansion	61,596,818
Other	<u>215,133</u>
Total restricted net position	61,811,951
Unrestricted	<u>74,113,434</u>
Total net position	<u>\$ 683,478,649</u>

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES	
Water sales	\$ 30,961,345
Power sales	25,589,249
Renewal and replacement charges	11,413,820
Raw water surcharges	329,848
Engineer charges	816,141
Customer service charges	774,312
Other revenue	<u>194,987</u>
 Total operating revenues	 <u>70,079,702</u>
OPERATING EXPENSES	
Purchased water	3,054,297
Field administration	1,120,004
Pumping plants and wells	2,567,327
Water treatment	7,346,965
Electrical operations	2,255,878
Transmission and distribution of treated water	2,840,337
Transmission and distribution of raw water	3,874,436
Customer service and collections	4,455,896
Repairs and maintenance	2,361,196
Recreation	2,260,185
Automotive and equipment	969,403
Engineering	5,512,612
General and administrative	14,870,321
Resource development	1,792,614
Depreciation (note 3)	<u>23,337,141</u>
 Total operating expenses	 <u>78,618,612</u>
 Operating income (loss)	 <u>(8,538,910)</u>

(Continued)

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015

NONOPERATING REVENUES (EXPENSES)	
Water connection charges	24,996,971
Water sales	6,000,000
Costs recovered from other agencies	253,377
Interest earnings	1,066,989
Property taxes and assessments	850,127
Gain (loss) on disposal of assets	(23,685,354)
Program grant revenue	2,608,023
Interest expense	(2,218,592)
Rental income	704,556
Transfer to other agencies (note 12)	(6,244,728)
Other income (expense)	<u>292,243</u>
Total nonoperating revenues (expenses)	<u>4,623,612</u>
Net income before capital contributions	<u>(3,915,298)</u>
Contributions and transfers	
Capital contributions	<u>7,221,675</u>
Increase in net position	3,306,377
Net position, beginning of year (as restated, see note 1)	<u>680,172,272</u>
Net position, end of year	<u><u>\$ 683,478,649</u></u>

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 69,355,414
Cash paid to suppliers for goods and services	(36,363,713)
Cash paid to employees for services	(24,409,528)
Cash received (paid) for service level support	<u>4,720,634</u>
Net cash provided by (used for) operating activities	<u>13,302,807</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property taxes and assessments	850,127
Costs recovered from other agencies	253,377
Water sale - non operating	6,000,000
Program grant revenue	<u>1,754,273</u>
Net cash provided by (used for) noncapital financing activities	<u>8,857,777</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(24,942,618)
Principal payment on debt	(3,954,870)
Interest payment on debt	(3,846,935)
Proceeds from loan	84,939
Water connection charges	<u>24,955,278</u>
Net cash provided by (used for) capital and related financing activities	<u>(7,704,206)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(61,250,000)
Proceeds from maturity of investments	41,827,001
Investment income	<u>1,001,355</u>
Net cash flows from investing activities	<u>(18,421,644)</u>

Net increase (decrease) in cash and cash equivalents (3,965,266)

Cash and cash equivalents, beginning of year 77,268,343

Cash and cash equivalents, end of year \$ 73,303,077

(Continued)

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Reconciliation of operating income (loss) to net cash provided by  
(used for) operating activities:

Operating income (loss)	\$ (8,538,910)
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Adjustments to reconcile operating income (loss) to cash flows  
provided by (used for) operating activities

Depreciation and amortization	23,337,141
Other nonoperating income	(5,247,929)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,234,470)
(Increase) decrease in materials and supplies	(224,214)
(Increase) decrease in prepaid expense	(916)
(Increase) decrease in deferred outflows	(4,866,195)
(Increase) decrease in notes receivable and assessment receivable	6,092
Increase (decrease) in accounts payable and other liabilities	1,309,978
Increase (decrease) in unearned revenue	(906)
Increase (decrease) in salaries and benefits payable	461,849
Increase (decrease) in deposits	504,996
Increase (decrease) in net pension liability	2,530,015
Increase (decrease) in deferred inflows	5,266,276

Net cash provided by (used for) operating activities	\$ 13,302,807
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Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 43,728,512
Restricted cash and cash equivalents	22,703,996
Restricted cash and cash equivalents with fiscal agent	6,870,569

Total cash and cash equivalents reported on Balance Sheet	\$ 73,303,077
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Noncash investing, capital and financing activities:

Noncash capital contributions	\$ 7,221,675
Loss on disposal of capital assets	23,707,338
Change in fair value of investments	(190,484)

See accompanying notes to financial statements.

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# PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the year ended December 31, 2015

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## 1. Summary of Significant Accounting Policies

### A. *Description of the Primary Government and Reporting Entity*

The Placer County Water Agency (the Agency) was formed by a special act of the California State Legislature in 1957 for the purpose of developing adequate water supplies for the County of Placer (the County). The Agency is coterminous with the County, and until January 16, 1975, the Board of Supervisors of Placer County constituted the Board of Directors of the Agency. On July 1, 1975, the Placer County Water Agency was designated as successor to Placer County Water Works No. 1 and assumed all of its assets and obligations. The Agency is legally separate and fiscally independent of the County; hence, is not a component unit of the County. The Agency owns water rights on the Middle Fork of the American River, which are used for the generation of electricity, through its hydroelectric facilities 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, 2015

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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 non-operating 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.

***Statement of Net Position*** – The statement of net position is designed to display the financial position of the Agency. The Agency's net position 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, 2015

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- **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 non-operating revenues (expenses).

### **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 \$106,181 in allowance for doubtful accounts as of December 31, 2015. 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, 2015

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The Agency capitalizes interest costs, net of investment income earned from tax-exempt borrowings, on constructed assets that are specific to the borrowings incurred to construct those assets. During 2015, the Agency capitalized interest costs totaled \$1,566,284.

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, 2015 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, 2015

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For the year ending December 31, 2015, the Agency's property tax revenue totaled \$840,877 which is included in the Agency Wide fund.

### ***L. Water Connection Charge***

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 and Water Zones***

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

The Agency's Water Division was established with zones or service areas as the Agency acquired the territory. Zone 1 was established in 1968 and includes the area from just north of Auburn to Roseville. In Zone 1 the Agency serves treated and untreated water to approximately 39,000 and 3,500 customers, respectively. Zone 2 was established in 1979 and is a small area, about 100 acres, south of Roseville with less than 50 customers which are served only treated water. Zone 3 was established in 1982 and includes the area from Alta to Bowman (just north of Auburn). In Zone 3 the Agency serves treated and untreated water to approximately 1,500 and 500 customers, respectively. Zone 4 established in 1996 was transferred to Northstar Community Services District on October 1, 2015. In Zone 4 the Agency served treated water to approximately 1,500 customers in the Martis Valley and was known as the Agency's "Eastern Water System". Zone 5 established in 1998 includes the agricultural area in western Placer County and is served untreated water to large agricultural farmers.

### ***N. Power Sales***

During 2015, 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. Under this agreement, PG&E buys all power generated & ancillary services provided by the Middle Fork Hydroelectric Project (See Footnote 9 – Joint Powers Middle Fork Project Finance Authority). The electricity generated is metered by the CAISO and shadow settled by the Agency.

### ***O. Bond Discounts and Premiums***

Original issue discounts and premiums related to the 2007, 2008 and 2013 certificates of participation are amortized using the bonds outstanding method over the life of the debt.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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**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.

**Q. Pension**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Agency. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68) requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	6/30/2014
Measurement Date (MD)	6/30/2015
Measurement Period (MP)	6/30/2014 to 6/30/2015

**R. Prior Period Adjustment**

With the implementation of GASB 68, the unfunded pension liability resulted in a prior period adjustment to net positions for \$29,704,544.

Net Position at December 31, 2014	\$ 709,876,816
Adjustments (GASB 68)	<u>(29,704,544)</u>
Net Position at December 31, 2014, as restated	<u>\$ 680,172,272</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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**2. Cash and Investments**

Cash and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Cash Equivalents	\$ 43,728,512
Restricted Cash and Cash Equivalents	22,703,996
Restricted Cash and Cash Equivalents with Fiscal Agents	6,870,569
Investments	64,493,847
Restricted Investments	<u>33,485,669</u>
Total	<u>\$ 171,282,593</u>

Cash and investments as of December 31, 2015 consist of the following:

Cash on Hand	\$ 3,300
Deposits with Financial Institutions	6,019,414
Investments	<u>165,259,879</u>
Total	<u>\$ 171,282,593</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service and cash held at third party fiscal agent as of December 31, 2015 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	629,194
2008/2013 COP Debt Reserve - Restricted for 2008/2013 debt service	4,849,555
Auburn Water Treatment Plant Debt Reserve - Restricted for Auburn Water Treatment Plant debt service	1,362,371
Electric Street Tank Debt Reserve - Restricted for Electric Street Tank debt service	<u>24,449</u>
Total Water Division	<u>6,865,569</u>
Total Held with Fiscal Agent	6,870,569

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
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	354,457
County Service Area 29 – Restricted for Zone 5 improvements	112,880
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>6,880</u>
Total Held at the Agency	<u>746,456</u>
Total	<u>\$ 7,617,025</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

**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.

Authorized Investment Type	Maximum Maturity	Maximum in Portfolio*	Maximum Investment in One Issuer
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
Banker's 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 Investments Fund (LAIF)	N/A	\$50 million	No limit
Local Municipal Bonds	5 years	30%	No limit
Placer County Treasurer's Pooled Investments (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, 2015

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**Investments held by Debt Trustees Are Authorized by Debt Agreements**

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

<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	None	100%	No limit
U.S. Government Agencies and Instrumentalities	None	100%	No limit
Banker's 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 Investments 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, 2015

**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
U.S. Treasury Securities	\$ 5,942,100		2,975,160	2,966,940
U.S. Government Agencies:				
FFCB	41,667,566	2,992,080	20,769,596	17,905,890
FHLB	32,337,973	8,987,880	17,361,763	5,988,330
FMAC	2,967,870			2,967,870
PEFCO	1,669,827	1,669,827		
TVA	3,030,300			3,030,300
Corporate Notes	9,013,110	6,008,220		3,004,890
PCTPI	16,199,163	16,199,163		
CA State Municipalities	1,350,769	1,350,769		
LAIF	44,210,632	44,210,632		
Subtotal	158,389,310	81,418,571	41,106,519	35,864,220
Fiscal Agent Accounts:				
Money Market	6,870,569	6,870,569		
Total Investments	\$ 165,259,879	88,289,140	41,106,519	35,864,220
	100.0% *	53.4%	24.9%	21.7%

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
- PCTPI- 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, 2015

### 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, 2015, 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**	Aa2, Aa3	Not Rated
U.S. Treasury Securities	\$ 5,942,100		5,942,100		
U.S. Government Agencies:					
FFCB	41,667,566	N/A	41,667,566		
FHLB	32,337,973	N/A	32,337,973		
FMAC	2,967,870	N/A			2,967,870
PEFCO	1,669,827	N/A	1,669,827		
TVA	3,030,300	N/A	3,030,300		
Corporate Notes	9,013,110	Aa		9,013,110	
PCTPI	16,199,163	N/A			16,199,163
CA State Municipalities	1,350,769	N/A		1,350,769	
LAIF	44,210,632	N/A			44,210,632
Held by bond trustee:					
Money Market	<u>6,870,569</u>	*	<u>6,870,569</u>		
Total	<u>\$ 165,259,879</u>		<u>91,518,335</u>	<u>10,363,879</u>	<u>63,377,665</u>

\* Collateralized

\*\* Includes Standard & Poor's AAA rating of Money Market Funds (AAAm)

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

- Limiting investments to only the most creditworthy types of securities;
- Pre-qualifying the financial institutions with which the Agency will do business; and
- 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

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

than U.S. Treasury securities, LAIF, County Treasurer and mutual funds that represent 5% or more of total Agency investments are as follows:

<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	25.21%	\$ 41,667,566
Federal Home Loan Bank	Federal agency securities	19.57%	32,337,973

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 \$14,868,538 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

## PLACER COUNTY WATER AGENCY

### Notes to Basic Financial Statements

For the year ended December 31, 2015

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the Local Investment Advisory Board (Advisory Board). The Advisory Board consists of five members as designated by State Statute.

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 \$44,210,632 at December 31, 2015.

Included in the LAIF's investment portfolio at December 31, 2015, 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, U.S. Treasury Notes and Bills and corporations. At December 31, 2015, the amount invested by all public agencies in the LAIF totaled \$65,567,969,782, which includes asset-backed securities totaling \$0.955 billion (1.4%). At December 31, 2015, the LAIF investments mature in an average of 179 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 value provided by the Placer County Treasurer-Tax Collector, which is valued at amortized cost. The balance available for withdrawal is the Agency's proportionate share of its investment in the Placer County Treasury Pool, which amounted to \$16,199,163 at December 31, 2015.

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, 2015, are securities issued by federal agencies, structured notes, and floating rate securities issued by federal agencies, government-sponsored enterprises, U.S. Treasury Notes and Bills and corporations. At December 31, 2015, the amount invested by all public agencies in the PCTPI totaled \$1,319,547,053 which includes Federal Agency Coupons totaling \$540 million (40.95%) and corporate medium term notes totaling \$280 million (21.22%). At December 31, 2015, the average days to maturity was 1,448 days.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

**3. Summary of Capital Assets**

The following is a summary of capital assets as of December 31, 2015:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/15</u>
<b>Agency Wide:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,054,187				4,054,187
Construction in Progress	7,403,594	2,135,818		(301,032)	9,238,380
Total Capital Assets, Not Being Depreciated	<u>11,457,781</u>	<u>2,135,818</u>	<u>-</u>	<u>(301,032)</u>	<u>13,292,567</u>
Capital Assets, Being Depreciated:					
Utility Plant	3,403,198				3,403,198
Other Property and Equipment	8,530,394	130,795	(6,404)	586,468	9,241,253
Total Capital Assets, Being Depreciated:	<u>11,933,592</u>	<u>130,795</u>	<u>(6,404)</u>	<u>586,468</u>	<u>12,644,451</u>
Less Accumulated Depreciation for:					
Utility Plant	(1,509,988)	(61,347)			(1,571,335)
Other Property and Equipment	(2,625,108)	(524,233)	6,404		(3,142,937)
Total Accumulated Depreciation	<u>(4,135,096)</u>	<u>(585,580)</u>	<u>6,404</u>	<u>-</u>	<u>(4,714,272)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,798,496</u>	<u>(454,785)</u>	<u>-</u>	<u>586,468</u>	<u>7,930,179</u>
Total Capital Assets - Agency Wide	<u>19,256,277</u>	<u>1,681,033</u>	<u>-</u>	<u>285,436</u>	<u>21,222,746</u>
<b>Power Division:</b>					
Capital Assets, Not Being Depreciated:					
Preliminary Survey	12,500				12,500
Construction in Progress	46,815,393	7,327,243		(3,637,987)	50,504,649
Total Capital Assets, Not Being Depreciated	<u>46,827,893</u>	<u>7,327,243</u>	<u>-</u>	<u>(3,637,987)</u>	<u>50,517,149</u>
Capital Assets, Being Depreciated:					
Utility Plant	206,107,459	62,186		3,518,165	209,687,810
Other Property and Equipment	7,600,602	719,667	(82,665)	280,129	8,517,733
Total Capital Assets, Being Depreciated:	<u>213,708,061</u>	<u>781,853</u>	<u>(82,665)</u>	<u>3,798,294</u>	<u>218,205,543</u>
Less Accumulated Depreciation for:					
Utility Plant	(82,046,836)	(3,990,863)			(86,037,699)
Other Property and Equipment	(4,434,482)	(813,272)	82,665		(5,165,089)
Total Accumulated Depreciation	<u>(86,481,318)</u>	<u>(4,804,135)</u>	<u>82,665</u>	<u>-</u>	<u>(91,202,788)</u>
Total Capital Assets, Being Depreciated, Net	<u>127,226,743</u>	<u>(4,022,282)</u>	<u>-</u>	<u>3,798,294</u>	<u>127,002,755</u>
Total Capital Assets - Power Division, Net	<u>174,054,636</u>	<u>3,304,961</u>	<u>-</u>	<u>160,307</u>	<u>177,519,904</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 12/31/15</u>
<b>Water Division:</b>					
Capital Assets, Not Being Depreciated:					
Land	9,915,036		(73,712)	28,826	9,870,150
Preliminary Survey	765,114				765,114
Construction in Progress	41,619,048	16,526,975		(32,820,453)	25,325,570
Total Capital Assets, Not Being Depreciated	<u>52,299,198</u>	<u>16,526,975</u>	<u>(73,712)</u>	<u>(32,791,627)</u>	<u>35,960,834</u>
Capital Assets, Being Depreciated:					
Utility Plant	506,040,407	6,229,870	(28,368,460)	31,530,067	515,431,884
Other Property and Equipment	86,402,603	673,591	(450,826)	815,817	87,441,185
Total Capital Assets, Being Depreciated:	<u>592,443,010</u>	<u>6,903,461</u>	<u>(28,819,286)</u>	<u>32,345,884</u>	<u>602,873,069</u>
Less Accumulated Depreciation for:					
Utility Plant	(148,937,971)	(13,514,865)	4,695,271		(157,757,565)
Other Property and Equipment	(37,646,789)	(4,432,561)	436,803		(41,642,547)
Total Accumulated Depreciation	<u>(186,584,760)</u>	<u>(17,947,426)</u>	<u>5,132,074</u>	-	<u>(199,400,112)</u>
Total Capital Assets, Being Depreciated, Net	<u>405,858,250</u>	<u>(11,043,965)</u>	<u>(23,687,212)</u>	<u>32,345,884</u>	<u>403,472,957</u>
Total Capital Assets - Water Division, Net	<u>458,157,448</u>	<u>5,483,010</u>	<u>(23,760,924)</u>	<u>(445,743)</u>	<u>439,433,791</u>
Total Capital Assets, Net	<u>\$ 651,468,361</u>	<u>10,469,004</u>	<u>(23,760,924)</u>	-	<u>638,176,441</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

**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, 2015 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, 2015</u>
Certificates of Participation:				
2007 Certificates	2007	4.0% - 4.75%	2037	\$ 28,355,000
2008 Certificates	2008	3.0% - 4.75%	2029	34,355,000
2013 Certificates	2013	4.0% - 5.00%	2023	<u>6,755,000</u>
Certificates outstanding				<u>69,465,000</u>
Loans Payable:				
California Department of Water Resources Loans:				
Alta/Monte Vista (SWTR)	1995	2.95%	2016	37,007
King/Delmar	1996	3.03%	2022	122,443
Applegate	1997	3.03%	2023	242,737
State Water Resources Control Board				
Auburn Water Treatment Plant	2008	2.29%	2029	14,469,806
Electric Street Tank	2012	2.30%	2035	<u>7,644,579</u>
Loans outstanding				<u>22,516,572</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>10,041</u>
Improvement District debt outstanding				<u>12,370</u>
Subtotal debt outstanding				91,993,942
Compensated Absences				<u>5,248,714</u>
Total				97,242,656
Less: Unamortized bond discounts and premiums				<u>(1,365,042)</u>
Total long-term debt				<u>\$ 95,877,614</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, 2015

The following is a summary of changes in long-term obligations for the year ended December 31, 2015:

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015	Amounts Due Within One Year
Certificates of Participation	\$ 72,270,000		2,805,000	69,465,000	2,930,000
Loans Payable	23,625,344	34,450	1,143,222	22,516,572	1,326,398
Improvement District Debt	18,836		6,466	12,370	6,647
Subtotal	95,914,180	34,450	3,954,688	91,993,942	4,263,045
Compensated Absences	4,888,499	2,273,835	1,913,620	5,248,714	3,320,874
Totals	<u>\$100,802,679</u>	<u>2,308,285</u>	<u>5,868,308</u>	<u>97,242,656</u>	<u>7,583,919</u>

**Certificates of Participation**

All outstanding Certificates issuances represent undivided fractional interests in installment payments made, between the Agency and the Placer County Water Agency Public Facilities Corporation (Corporation) as the purchase price for certain additions and improvements as specified below in the individual Certificate issues.

Pursuant to the terms of each Certificate purchase contract, the Agency has pledged, on a parity basis, the water revenues of the Agency's Western Water System to the payment of the 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. The principal outstanding at December 31, 2015 is \$28,355,000.

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 (originally issued in 1998 to fund the Cross Basin Pipeline II), 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%. The principal outstanding at December 31, 2015 is \$34,355,000.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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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 (originally issued in 1993 to fund the Foothill Water Treatment Plant upgrade to 27 million gallons per day (MGD), a 10 MGD clearwell and refinance the Series B). 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. The principal outstanding at December 31, 2015 is \$6,755,000.

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, 2015.

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

1. <u>Annual Debt Service Coverage</u>	<u>2015</u>
Net Water Revenues excluding Depreciation	\$ 21,643,996
Debt Service on Certificates and Other Parity Debt	\$ 7,789,271
Debt Service Coverage	2.78
2. <u>Obligation Service Coverage</u>	
Net Water Revenues excluding Depreciation	
as Adjusted by Water Purchases	\$ 24,698,293
Obligation Service	\$ 12,660,216
Obligation Service Coverage	1.95
3. <u>Certificate Reserve Requirement</u>	
Minimum Reserve Requirement	<u>\$ 5,269,764</u>
Reserves Held at Agency	448,259
Actual Trustee Reserve Balance	<u>5,300,656</u>
Total Reserve Balance	<u>\$ 5,748,915</u>
Reserve Requirement Coverage	1.09

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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**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 3 service area. Principal and interest are payable from Water System revenue. During 2015, the loan was paid in full.

*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 3 service area. Principal and interest are payable from Water System revenue. The principal outstanding at December 31, 2015 is \$37,007.

*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. The principal outstanding at December 31, 2015 is \$122,443.

*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 3 service area. The principal and interest are payable from Water System revenue. The principal outstanding at December 31, 2015 is \$242,737.

*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. The principal outstanding at December 31, 2015 is \$14,469,806.

*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

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the year ended December 31, 2015

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Street Water Tank. The principal and interest are payable from Water System revenue. The principal outstanding at December 31, 2015 is \$7,644,579.

### **Improvement District Debt**

From time to time, in order 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, 2015:

#### *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, 2015 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, 2015 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. The principal outstanding at December 31, 2015 is \$10,041.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

**Debt Service Requirements**

As of December 31, 2015, 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
2016	\$ 2,930,000	3,129,813	1,326,398	508,685	6,647	234
2017	3,050,000	3,012,613	1,319,508	477,745	5,723	47
2018	3,150,000	2,890,613	1,350,307	446,945		
2019	3,305,000	2,756,862	1,381,836	415,417		
2020	3,425,000	2,616,462	1,414,097	383,155		
2021-2025	19,850,000	10,676,506	7,426,838	1,409,725		
2026-2030	21,640,000	5,477,975	6,284,646	543,301		
2031-2035	8,265,000	2,014,650	2,012,942	99,381		
2036-2037	3,850,000	261,675				
	<u>\$ 69,465,000</u>	<u>32,837,169</u>	<u>22,516,572</u>	<u>4,284,354</u>	<u>12,370</u>	<u>281</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 of December 31, 2015, totaling \$129.1 million as follows:

- Senior obligations with remaining debt service totaling \$0.4 million for the State Department of Water Resources Loans for Alta/Monte Vista, Applegate and King/Delmar, which is scheduled to be repaid in 2023
- Second Senior obligations with remaining debt service totaling \$102.3 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 \$26.4 million for the California Department of Health Services Auburn Water Treatment Plant and Electric Street Tank loans, which is scheduled to be repaid in 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 2015, Water Fund Revenues including operating and non-operating revenues amounted to \$56.4 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$34.8 million represented coverage of 2.78 over the \$7.8 million in debt service.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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**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, 2015, are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2016	\$ 55,041
2017	33,953
2018	8,036
Total	<u>\$ 97,030</u>

Total costs of such leases were \$72,174 for the year ended December 31, 2015.

**5. Restricted Net Position**

As of December 31, 2015 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	\$ 12,714
<u>Water Resource Development</u> – Restricted for Water Resource Development Fund Activities	<u>197,419</u>
Total Agency Wide	<u>210,133</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	6,865,569
<u>Water Connection Charges</u> – Restricted for water system expansion	54,633,118
<u>Improvement Districts</u> – Restricted for Debt Service	<u>98,131</u>
Total Water	<u>61,596,818</u>
Total All Fund – Restricted Net Position	<u>\$ 61,811,951</u>

# PLACER COUNTY WATER AGENCY

Notes to Basic Financial Statements

For the year ended December 31, 2015

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## 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 Western 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.

The 2014 drought continued into 2015. In 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.

2015 was the fourth consecutive dry year in California; as a result, the California State Water Resources Control Board mandated water reduction levels across the State. The Agency's mandated target for 2015 was 32% water savings over 2013 baseline. With water use efficiency, education and increased public outreach, the Agency achieved as much as 38% conservation in the summer months and approximately 30% for the State's compliance period.

### *Western PG&E Water Supply Contract (Formerly Zone 1)*

The Western 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 Western 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. The Agency and PG&E approved an 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 agreement contains an annual price escalator based on the Consumer Price Index.

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the year ended December 31, 2015

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To cover the additional 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.

### *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 Western PG&E 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. For water deliveries of 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. In addition to serving the western water system, this source can be sold to out of county water purveyors pursuant to a 2000 Water Forum Agreement.

## **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.

All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirements and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

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.

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>Classic Member Rates as a Percentage of Wages</u>	<u>PEPRA Member Rates as a Percentage of Wages</u>
Local miscellaneous members	8.00%	6.25%

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.

The table below reflects the Plans’ provision and benefits in accordance with PEPRA at June 30, 2015, are summarized as follows:

Hire Date	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 year service	5 year service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	21.28%	12.50%

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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Employees Covered

As of June 30, 2014, the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	157
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>196</u>
Totals	<u><u>407</u></u>

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2015, the average active employee contribution rate is 8.1 percent of annual pay, and the average employer's contribution rate is 20.67 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2015, the total pension liability was determined using the following actuarial method and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68 Market Value of Assets
Asset Valuation Method	
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase,

# PLACER COUNTY WATER AGENCY

## Notes to Basic Financial Statements

For the year ended December 31, 2015

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mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

### Discount Rate

The discount rate used to measure the total pension liability was 7.65 %. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 % discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 % will be applied to all plans in the PERF. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1-10[1]</b>	<b>Real Return Years 11+[2]</b>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05

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[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in the Agency’s GASB report may differ from the plan assets reported in the actuarial valuation report due to several reasons, First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate setting purposes in the actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) =(a) - (b)</b>
<b>Balance at: 6/30/2014 (VD)</b>	<b>\$ 104,662,381</b>	<b>\$ 73,501,819</b>	<b>\$ 31,160,562</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	2,727,255	-	2,727,255
Interest on the Total Pension Liability	7,786,985	-	7,786,985
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(1,854,615)	-	(1,854,615)
Differences between Expected and Actual Experience	(112,172)	-	(112,172)
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	3,189,090	(3,189,090)
Contributions - Employees	-	1,248,234	(1,248,234)
Net Investment Income	-	1,664,520	(1,664,520)
Benefit Payment, including Refunds of Employee Contributions	(4,537,117)	(4,537,117)	-
Administrative Expense	-	(84,405)	84,405
<b>Net Changes during 2014-15</b>	<b>4,010,336</b>	<b>1,480,322</b>	<b>2,530,014</b>
<b>Balance at: 6/30/2015 (MD)</b>	<b>\$ 108,672,717</b>	<b>\$ 74,982,141</b>	<b>\$ 33,690,576</b>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<b>Discount Rate – 1% (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>Discount Rate + 1% (8.65%)</b>
Plan's Net Pension Liability/ (Asset)	\$47,878,629	\$33,690,576	\$21,888,826

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 years straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARS�) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARS� for the Plan was 4.4 years, which was obtained by dividing the total service years of 1,782 (the sum of remaining service lifetimes of the active employees) by 407 (the total number of participants). Note that inactive employees entitled to but not receiving benefits and inactive employees receiving benefits have remaining service lifetimes equal to 0.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (June 30, 2014), the NPL is \$31,160,562.

For the measurement period ending June 30, 2015 (measurement date), the Agency recognized a pension expense of \$2,530,014 for the Plan.

As of December 31, 2015, the Agency reports other amounts for the Plan as deferred outflow and deferred in flow of resources related to pensions as follows:

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,176,605	
Differences between Expected and Actual Experience		(86,678)
Changes of Assumption		(1,433,112)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>3,145,608</u>	<u>(3,746,486)</u>
Total	<u>\$ 6,322,213</u>	<u>\$ (5,266,276)</u>

\$3,176,604 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2016	\$ (909,423)
2017	(909,423)
2018	(909,423)
2019	607,604
2020	0
Thereafter	0

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

**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

The Power Division 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, 2015, 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 2015, the Agency's dues for 2014 – 2015 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, 2015

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### **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 commenced on October 1, 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 2015 Agency expenses totaled \$25,581,655 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.

### **10. Construction Commitments**

At December 31, 2015 the Agency had ongoing construction commitments that totaled approximately \$12.5 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

## PLACER COUNTY WATER AGENCY

### Notes to Basic Financial Statements

For the year ended December 31, 2015

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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

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, 2015 was \$21,651. The Agency also provides health care benefits to its retirees through PERS. The cost to the Agency in the year ended December 31, 2015 was \$731,647.

In 2015, 98 retirees received post-retirement benefits ranging from \$295.51 to \$1,067.70 (PEMHCA cap) per month.

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

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

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

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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liabilities (or funding excess) over a period not to exceed 30 years. As of December 31, 2015, there were 22-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, 2015 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 7.0% for Non-Medicare retirees and 7.2% for Medicare retirees in 2015 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.

**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, 2015, the Agency contributed the ARC to the Plan as presented below:

Annual required contribution (ARC) and	
Annual OPEB cost	\$ 1,977,000
Contribution made:	
Agency portion of current year premiums paid	731,646
Prefunding Contributions to CERBT	<u>1,245,354</u>
Total contributions	<u>1,977,000</u>
Contributions in excess of the ARC	-
Net OPEB Asset at December 31, 2014	<u>212,338</u>
Net OPEB Asset at December 31, 2015	<u>\$ 212,338</u>

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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>Annual Contribution</u>	<u>Percentage of OPEB Cost</u>	<u>Net OPEB Asset (Obligation)</u>
12/31/2013	\$ 1,963,000	\$ 2,105,990	107.3%	\$ 110,836
12/31/2014	1,897,000	1,998,502	105.4%	212,338
12/31/2015	1,977,000	1,977,000	100.0%	212,338

***Funded Status.***

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, 2015 actuarial study is presented below:

(In thousands)

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrual Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded/ (Overfunded) Liability (a-b)</u>	<u>Funded Ratio (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll [(a-b)/c]</u>
6/30/2011	\$ 20,099	\$ 5,268	\$ 14,831	26.2%	\$ 12,011	123.5%
6/30/2013	22,503	9,402	13,101	41.8%	12,655	103.5%
6/30/2015	27,031	14,077	12,954	52.1%	15,709	82.5%

**12. Eastern Water System (Zone 4) Transfer**

Pursuant to a Memorandum of Understanding between the Agency and Northstar Community Services District (NCSD) dated November 7, 2013, both agencies agreed it is in the public’s best interest to seek to transfer the Agency’s Eastern Water System (Zone 4) to NCSD to be the owner and service provider of potable water. Zone 4 was established in 1996 to enable the Agency to provide water service within the Martis Valley, near Truckee, CA. Zone 4 was distant from the Agency’s much larger Western Water System and its Administrative offices located in Auburn, CA. Zone 4 represented less than 2% of the Agency’s entire water system revenue. Since 2009, the Agency had contracted Zone 4’s day-to-day operations to NCSD. Through a joint application to the Placer Local Agency Formation Commission (LAFCO) both Agency and NCSD desired that NCSD annex the Agency’s Eastern Water System. Thus, after several LAFCO public hearings, the annexation process was complete and the transfer became effective on October 1, 2015. Pursuant to a transfer agreement, within 60 days of the effective date the Agency was to transfer assets and funds, which resulted in a transfer (reduction) of capital assets, cash and net water sales receivables totaling \$23.7 million, \$6

**PLACER COUNTY WATER AGENCY**

Notes to Basic Financial Statements

For the year ended December 31, 2015

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million and \$0.3 million, respectively resulting in a reduction to the Agency's Net Position totaling \$30 million.

**13. Subsequent Events**

On February 18, 2016, the Agency rescinded its water shortage emergency condition and restrictions on delivery and consumption of water ("Drought Emergency") originally adopted on April 10, 2014 and amended through June 4, 2015.

On May 19, 2016, the Agency issued \$24,840,000 of Certificates of Participation (2016 Certificates) to advance refund a portion of the 2007 Certificates. The sale of the 2016 Certificates will be used to pay and prepay a portion of the 2007 Certificates resulting in the defeasance of those Certificates maturing on and after July 1, 2018. The outstanding 2007 Certificates maturing on July 1, 2016 and July 1, 2017, will remain on a parity basis with the 2016 Certificates.

**PLACER COUNTY WATER AGENCY**

Required Supplementary Information

For the year ended December 31, 2015

**CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING THE MEASUREMENT PERIOD**

<b>Measurement Period</b>	<b>2014-15*</b>
<b>TOTAL PENSION LIABILITY:</b>	
Service Cost	\$ 2,727,255
Interest on Total Pension Liability	7,786,985
Changes of Benefit Terms	-
Changes of Assumptions	(1,854,615)
Difference between Expected and Actual Experience	(112,172)
Benefit Payments, Including Refunds of Employee Contributions	(4,537,117)
<b>Net Change in Total Pension Liability</b>	<b>4,010,336</b>
<b>Total Pension Liability - Beginning</b>	<b>104,662,381</b>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$ 108,672,717</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - Employer	\$ 3,189,090
Contributions - Employee	1,248,234
Net Investment Income	1,664,520
Other Miscellaneous Income	-
Benefit Payments, Including Refunds of Employee Contributions	(4,537,117)
Plan to Plan Resource Movement	-
Administrative Expense	(84,405)
Other Changes in Net Fiduciary Position	-
<b>Net Change in Fiduciary Net Position</b>	<b>1,480,322</b>
Plan Fiduciary Net Position - Beginning	73,501,819
Plan Fiduciary Net Position - Ending (b)	74,982,141
<b>Plan Net Pension Liability / (Asset) - (a)-(b)</b>	<b><u>\$ 33,690,576</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>69.00%</b>
Covered-Employee Payroll	\$ 15,428,271
<b>Plan Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	<b>218.37%</b>

\*Information is not available for 10 years

**Notes to Schedule:**

Benefit Changes: There were no changes to benefit terms specific to the plan.

Changes of Assumptions: There were no changes in assumptions.

**PLACER COUNTY WATER AGENCY**

Required Supplementary Information

For the year ended December 31, 2015

**Schedule of Plan Contributions**

	<b>Fiscal Year 2015*</b>
Actuarially Determined Contribution	\$ 3,305,299
Contributions in Relation to the Actuarially Determined Contribution	<u>(3,305,299)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Payroll	\$ 15,494,093
 Contributions as a Percentage of Covered Payroll	 21.33%

\*Information is not available for 10 years

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2015 were from the June 30, 2012 and June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 and June 30, 2013 Funding Valuation Reports
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 and June 30, 2013 Funding Valuation Reports
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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PLACER COUNTY WATER AGENCY  
 COMBINING STATEMENT OF NET POSITION  
 DECEMBER 31, 2015

ASSETS	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 9,682,186	124,225	33,922,101	43,728,512
Restricted cash and cash equivalents	84,906	-	22,619,090	22,703,996
Restricted cash and cash equivalents with fiscal agents	-	5,000	6,865,569	6,870,569
Water service receivable, net	-	-	5,659,586	5,659,586
Accounts receivable	104,309	1,241,948	1,612,008	2,958,265
Interest receivable	80,213	-	182,007	262,220
Taxes receivable	787,744	-	-	787,744
Materials and supplies	16,818	-	1,041,949	1,058,767
Due from other funds	1,250,000	-	-	1,250,000
Prepaid expenses	500,429	638,348	811,477	1,950,254
OPEB assets	125,738	17,344	69,256	212,338
	<u>12,632,343</u>	<u>2,026,865</u>	<u>72,783,043</u>	<u>87,442,251</u>
Total current assets				
Noncurrent assets:				
Investments	14,280,063	-	50,213,784	64,493,847
Restricted investments	125,226	-	33,360,443	33,485,669
Notes receivable	-	-	88,907	88,907
Assessments receivable	-	-	2,140	2,140
Capital assets, not depreciable	13,292,566	50,517,149	35,960,834	99,770,549
Capital assets, net of depreciation	7,930,180	127,002,755	403,472,957	538,405,892
	<u>35,628,035</u>	<u>177,519,904</u>	<u>523,099,065</u>	<u>736,247,004</u>
Total noncurrent assets				
	<u>48,260,378</u>	<u>179,546,769</u>	<u>595,882,108</u>	<u>823,689,255</u>
Total assets				
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - pension contributions	571,789	698,853	1,905,963	3,176,605
Deferred outflow - pension actuarial	566,209	692,034	1,887,365	3,145,608
	<u>1,137,998</u>	<u>1,390,887</u>	<u>3,793,328</u>	<u>6,322,213</u>
Total deferred outflows				

(Continued)

PLACER COUNTY WATER AGENCY  
 COMBINING STATEMENT OF NET POSITION  
 DECEMBER 31, 2015

LIABILITIES AND NET POSITION	Agency Wide	Power Division	Water Division	Total
Current liabilities:				
Accounts payable	586,241	1,602,872	4,213,718	6,402,831
Accrued salaries and benefits	100,427	119,174	280,031	499,632
Interest payable	-	-	1,651,980	1,651,980
Deposits	-	5,000	1,873,130	1,878,130
Other current liabilities	15,035	-	-	15,035
Current portion of long-term liabilities	-	-	4,263,045	4,263,045
Compensated absences payable, current portion	651,615	609,635	2,059,624	3,320,874
Due to other funds	-	1,250,000	-	1,250,000
<b>Total current liabilities</b>	<b>1,353,318</b>	<b>3,586,681</b>	<b>14,341,528</b>	<b>19,281,527</b>
Non-current liabilities:				
Certificates of participation, net of premiums/discounts (note 4)	-	-	65,169,959	65,169,959
Loans payable	-	-	21,190,174	21,190,174
Improvement district debt	-	-	5,722	5,722
Unearned revenue	-	-	745	745
Compensated absences payable	386,864	311,948	1,229,028	1,927,840
Net pension liability	6,064,304	7,411,927	20,214,345	33,690,576
<b>Total non-current liabilities</b>	<b>6,451,168</b>	<b>7,723,875</b>	<b>107,809,973</b>	<b>121,985,016</b>
<b>Total liabilities</b>	<b>7,804,486</b>	<b>11,310,556</b>	<b>122,151,501</b>	<b>141,266,543</b>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension actuarial	947,930	1,158,581	3,159,765	5,266,276
<b>Total deferred inflows</b>	<b>947,930</b>	<b>1,158,581</b>	<b>3,159,765</b>	<b>5,266,276</b>
NET POSITION				
Net investment in capital assets	21,222,746	177,519,904	348,810,614	547,553,264
Restricted:				
Water system expansion	-	-	61,596,818	61,596,818
Other	210,133	5,000	-	215,133
<b>Total restricted net position</b>	<b>210,133</b>	<b>5,000</b>	<b>61,596,818</b>	<b>61,811,951</b>
Unrestricted	19,213,081	(9,056,385)	63,956,738	74,113,434
<b>Total net position</b>	<b>\$ 40,645,960</b>	<b>168,468,519</b>	<b>474,364,170</b>	<b>683,478,649</b>

PLACER COUNTY WATER AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Water sales	\$ 1,017,430	-	29,943,915	30,961,345
Power sales	-	25,581,655	7,594	25,589,249
Renewal and replacement charges	-	-	11,413,820	11,413,820
Raw water surcharges	-	-	329,848	329,848
Engineer charges	13	1,890	814,238	816,141
Customer service charges	-	-	774,312	774,312
Other revenue	186,228	1,453	7,306	194,987
	<u>1,203,671</u>	<u>25,584,998</u>	<u>43,291,033</u>	<u>70,079,702</u>
<b>OPERATING EXPENSES</b>				
Purchased water	-	-	3,054,297	3,054,297
Field administration	-	-	1,120,004	1,120,004
Pumping plants and wells	-	-	2,567,327	2,567,327
Water treatment	-	6,428	7,340,537	7,346,965
Electrical operations	-	2,255,878	-	2,255,878
Transmission and distribution of treated water	-	-	2,840,337	2,840,337
Transmission and distribution of raw water	-	-	3,874,436	3,874,436
Customer service and collections	-	-	4,455,896	4,455,896
Repairs and maintenance	-	2,361,196	-	2,361,196
Recreation	-	2,260,185	-	2,260,185
Automotive and equipment	-	-	969,403	969,403
Engineering	-	1,661,074	3,851,538	5,512,612
General and administrative	1,780,862	7,935,619	5,153,840	14,870,321
Resource development	-	1,792,614	-	1,792,614
Depreciation (note 3)	585,580	4,804,135	17,947,426	23,337,141
	<u>2,366,442</u>	<u>23,077,129</u>	<u>53,175,041</u>	<u>78,618,612</u>
Total operating expenses	<u>2,366,442</u>	<u>23,077,129</u>	<u>53,175,041</u>	<u>78,618,612</u>
Operating income (loss)	<u>(1,162,771)</u>	<u>2,507,869</u>	<u>(9,884,008)</u>	<u>(8,538,910)</u>

(Continued)

PLACER COUNTY WATER AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
NONOPERATING REVENUES (EXPENSES)				
Water connection charges	-	-	24,996,971	24,996,971
Water sales	6,000,000	-	-	6,000,000
Costs recovered from other agencies	103,350	-	150,027	253,377
Interest earnings	178,093	-	888,896	1,066,989
Property taxes and assessments	840,877	-	9,250	850,127
Gain (loss) on disposal of assets	-	21,984	(23,707,338)	(23,685,354)
Program grant revenue	-	-	2,608,023	2,608,023
Interest expense	-	-	(2,218,592)	(2,218,592)
Rental income	550,280	1,920	152,356	704,556
Transfer to other agencies (note 12)	-	-	(6,244,728)	(6,244,728)
Other income (expense)	<u>(79,023)</u>	<u>360</u>	<u>370,906</u>	<u>292,243</u>
Total nonoperating revenues (expenses)	<u>7,593,577</u>	<u>24,264</u>	<u>(2,994,229)</u>	<u>4,623,612</u>
Net income before capital contributions	<u>6,430,806</u>	<u>2,532,133</u>	<u>(12,878,237)</u>	<u>(3,915,298)</u>
Contributions and transfers				
Capital contributions	-	-	7,221,675	7,221,675
Transfers in	445,744	5,934,077	4,922,980	11,302,801
Transfers out	<u>(10,857,057)</u>	<u>-</u>	<u>(445,744)</u>	<u>(11,302,801)</u>
Increase in net position	(3,980,507)	8,466,210	(1,179,326)	3,306,377
Net position, beginning of year (as restated, see note 1)	<u>44,626,467</u>	<u>160,002,309</u>	<u>475,543,496</u>	<u>680,172,272</u>
Net position, end of year	<u>\$ 40,645,960</u>	<u>168,468,519</u>	<u>474,364,170</u>	<u>683,478,649</u>

**PLACER COUNTY WATER AGENCY  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,094,086	24,343,050	43,918,278	69,355,414
Cash paid to suppliers for goods and services	(816,045)	(12,377,850)	(23,169,818)	(36,363,713)
Cash paid to employees for services	(4,726,024)	(5,213,076)	(14,470,428)	(24,409,528)
Cash received (paid) for service level support	4,842,934	(103,891)	(18,409)	4,720,634
	<u>394,951</u>	<u>6,648,233</u>	<u>6,259,623</u>	<u>13,302,807</u>
Net cash provided by (used for) operating activities				
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Property taxes and assessments	840,877	-	9,250	850,127
Costs recovered from other agencies	103,350	-	150,027	253,377
Water sale - non operating	6,000,000	-	-	6,000,000
Program grant revenue	-	-	1,754,273	1,754,273
Transfers in	445,744	5,934,077	4,922,980	11,302,801
Transfers out	(5,083,287)	(5,773,770)	(445,744)	(11,302,801)
Due to/from funds	(1,250,000)	1,250,000	-	-
	<u>1,056,684</u>	<u>1,410,307</u>	<u>6,390,786</u>	<u>8,857,777</u>
Net cash provided by (used for) noncapital financing activities				
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(2,552,049)	(8,269,404)	(14,196,734)	(25,018,187)
Proceeds from disposal of capital assets	-	21,984	53,585	75,569
Principal payment on debt	-	-	(3,954,870)	(3,954,870)
Interest payment on debt	-	-	(3,846,935)	(3,846,935)
Proceeds from loan	-	-	84,939	84,939
Water connection charges	-	-	24,955,278	24,955,278
	<u>(2,552,049)</u>	<u>(8,247,420)</u>	<u>3,095,263</u>	<u>(7,704,206)</u>
Net cash provided by (used for) capital and related financing activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	(7,320,167)	-	(53,929,833)	(61,250,000)
Proceeds from maturity of investments	6,148,568	-	35,678,433	41,827,001
Investment income	161,427	-	839,928	1,001,355
	<u>(1,010,172)</u>	<u>-</u>	<u>(17,411,472)</u>	<u>(18,421,644)</u>
Net cash flows from investing activities				
Net increase (decrease) in cash and cash equivalents	(2,110,586)	(188,880)	(1,665,800)	(3,965,266)
Cash and cash equivalents, beginning of year	11,877,678	318,105	65,072,560	77,268,343
Cash and cash equivalents, end of year	<u>\$ 9,767,092</u>	<u>129,225</u>	<u>63,406,760</u>	<u>73,303,077</u>

(Continued)

**PLACER COUNTY WATER AGENCY  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Agency Wide</u>	<u>Power Division</u>	<u>Water Division</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,162,771)	2,507,869	(9,884,008)	(8,538,910)
Adjustments to reconcile operating income (loss) to cash flows provided by (used for) operating activities				
Depreciation and amortization	585,580	4,804,135	17,947,426	23,337,141
Other nonoperating income	471,257	2,280	(5,721,466)	(5,247,929)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(107,245)	(1,241,948)	114,723	(1,234,470)
(Increase) decrease in materials and supplies	(12,020)	-	(212,194)	(224,214)
(Increase) decrease in prepaid expense	121,384	(103,891)	(18,409)	(916)
(Increase) decrease in deferred outflows	(875,915)	(1,070,563)	(2,919,717)	(4,866,195)
(Increase) decrease in notes receivable and assessment receivable	-	-	6,092	6,092
Increase (decrease) in accounts payable and other liabilities	71,890	(304,663)	1,542,751	1,309,978
Increase (decrease) in unearned revenue	-	-	(906)	(906)
Increase (decrease) in salaries and benefits payable	(98,202)	339,829	220,222	461,849
Increase (decrease) in deposits	(2,340)	-	507,336	504,996
Increase (decrease) in net pension liability	455,403	556,604	1,518,008	2,530,015
Increase (decrease) in deferred inflows	947,930	1,158,581	3,159,765	5,266,276
Net cash provided by (used for) operating activities	<u>\$ 394,951</u>	<u>6,648,233</u>	<u>6,259,623</u>	<u>13,302,807</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 9,682,186	124,225	33,922,101	43,728,512
Restricted cash and cash equivalents	84,906	-	22,619,090	22,703,996
Restricted cash and cash equivalents with fiscal agent	-	5,000	6,865,569	6,870,569
Total cash and cash equivalents reported on Balance Sheet	<u>\$ 9,767,092</u>	<u>129,225</u>	<u>63,406,760</u>	<u>73,303,077</u>
Noncash investing, capital and financing activities:				
Noncash capital contributions	\$ -	-	7,221,675	7,221,675
Loss on disposal of capital assets	-	-	23,707,338	23,707,338
Change in fair value of investments	(28,001)	-	(162,483)	(190,484)

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# Statistical Section

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## 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.

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# Statistical Section Table of Contents

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain financial trend information for assessing PCWA’s financial performance and well-being over time .....	72-75
<b>Revenue Capacity</b> These schedules present revenue capacity information to assess PCWA’s ability to generate revenues. Water and Power sales are PCWA’s most significant revenue sources .....	76-83
<b>Debt Capacity</b> These schedules present information to assess the affordability of PCWA’s current levels of outstanding debt and ability to issue additional debt .....	84-85
<b>Demographic and Economic Information</b> These schedules provide information on the demographic and economic environment in which PCWA conducts business.....	86-87
<b>Operating Information</b> These schedules provide information on PCWA’s service infrastructure to assist the reader in understanding how the information in PCWA’s financial report relates to the services PCWA provides and the activities it performs.....	88-89

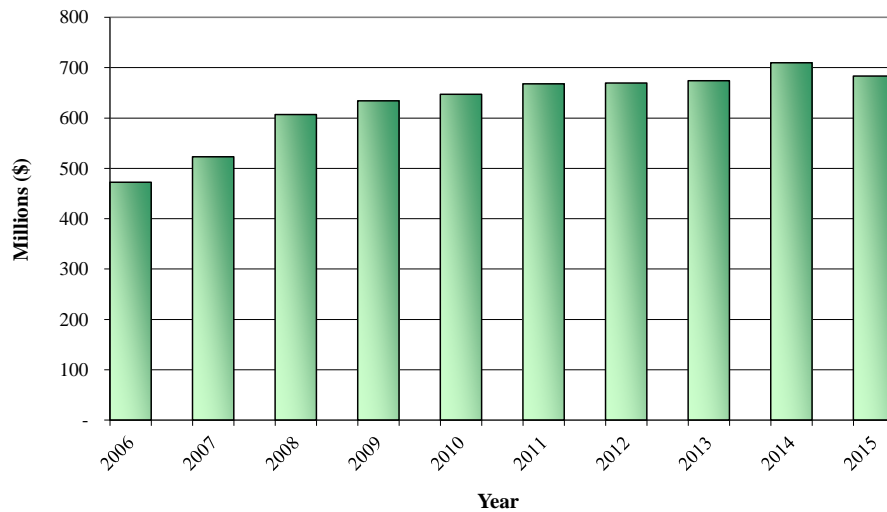
**PLACER COUNTY WATER AGENCY**  
**TABLE # 1**  
**Change in Net Position and Net Position by Component**  
**Last Ten Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Change in Net Position:</b>										
Operating Revenues	\$ 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	70,079,702
Operating Expenses	(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)	(78,618,612)
Operating Income (Loss) (1)	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)	(8,538,910)
Non-Operating Revenues/(Expenses) (2)	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	4,623,612
Net Income Before Capital Contributions	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	(3,915,298)
Capital Contributions	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	7,221,675
<b>Change in Net Position</b>	<b>59,397,828</b>	<b>50,580,940</b>	<b>83,899,553</b>	<b>27,223,047</b>	<b>13,008,282</b>	<b>20,743,530</b>	<b>4,334,969</b>	<b>4,532,677</b>	<b>35,699,175</b>	<b>3,306,377</b>
<b>Net Position, Beginning of Year (3)</b>	<b>413,134,592</b>	<b>472,532,420</b>	<b>523,113,360</b>	<b>607,012,913</b>	<b>634,235,960</b>	<b>647,244,242</b>	<b>667,987,772</b>	<b>669,644,964</b>	<b>674,177,641</b>	<b>709,876,816</b>
Prior Period Adjustment (3)	-	-	-	-	-	-	(2,677,777)	-	-	(29,704,544)
<b>Net Position, End of Year</b>	<b>\$472,532,420</b>	<b>523,113,360</b>	<b>607,012,913</b>	<b>634,235,960</b>	<b>647,244,242</b>	<b>667,987,772</b>	<b>669,644,964</b>	<b>674,177,641</b>	<b>709,876,816</b>	<b>683,478,649</b>
<b>Net Position by Component (3) :</b>										
Net Investment in Capital Assets	\$364,863,054	414,954,672	455,983,194	476,266,686	490,317,700	517,953,059	532,923,095	540,136,120	556,981,900	547,553,264
Restricted	55,533,180	39,024,815	64,882,646	61,095,189	50,117,908	44,317,810	44,633,854	39,332,535	42,678,014	61,811,951
Unrestricted	52,136,186	69,133,873	86,147,073	96,874,085	106,808,634	105,716,903	92,088,015	94,708,986	110,216,902	74,113,434
<b>Total Net Position</b>	<b>\$472,532,420</b>	<b>523,113,360</b>	<b>607,012,913</b>	<b>634,235,960</b>	<b>647,244,242</b>	<b>667,987,772</b>	<b>669,644,964</b>	<b>674,177,641</b>	<b>709,876,816</b>	<b>683,478,649</b>

- (1) The decrease in 2015 operating loss is attributable to an increase in operating revenue of \$8.8 million and a increase in operating expense of \$7.0 million. The increase in operating revenue is primarily due to a reclassification of \$11.7 million Renewal & Replacement Charge and Raw Water Surcharge Revenues from Non-Operating to Operating Revenue, as they are considered customer charges (water rates) for use in providing cost of services, netted with a decrease in water sales revenue of \$3.2 million due to water conservation under drought conditions. The increase in operating expense is due primarily to GASB 68 implementation.
- (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. In 2015, Non-Operating Revenues/(Expenses) also includes the Agency's Eastern Water System - Zone 4 transfer to Northstar Community Services District, specifically assets and cash totaling \$23.7 million and \$6 million, respectively.
- (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. In 2015, with the implementation of GASB 68, the unfunded pension liability resulted in a prior period adjustment to net positions for \$29.7 million.

Source: Placer County Water Agency, Audited Financial Statements

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



**PLACER COUNTY WATER AGENCY**

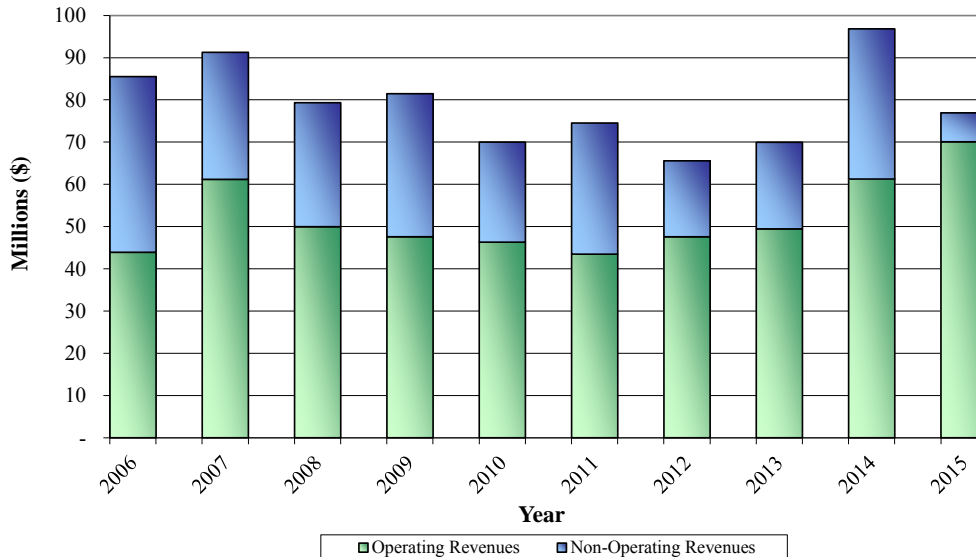
**TABLE # 2  
Revenues by Source  
Last Ten Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating Revenues</b>										
Water Sales	\$ 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	30,961,345
Power Sales (1)	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	25,589,249
Renewal & Replacement Charge (2)	-	-	-	-	-	-	-	-	-	11,413,820
Raw Water Surcharge (2)	-	-	-	-	-	-	-	-	-	329,848
Reimbursements	53,000	55,385	57,877	60,192	62,600	65,104	73,108	-	-	-
Engineering Charges	1,217,052	1,341,132	1,022,958	427,685	332,079	329,803	395,443	733,383	716,213	816,141
Customer Service Charges	408,207	559,654	694,941	720,659	729,211	693,154	686,420	709,568	770,250	774,312
Other	12,548	25,547	14,559	38,902	12,221	40,739	36,969	6,491	73,644	194,987
<b>Total Operating Revenues</b>	<b>43,916,496</b>	<b>61,183,246</b>	<b>49,973,848</b>	<b>47,593,508</b>	<b>46,308,484</b>	<b>43,467,416</b>	<b>47,587,988</b>	<b>49,455,803</b>	<b>61,253,094</b>	<b>70,079,702</b>
<b>Non-Operating Revenues</b>										
Water Connection Charge	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	24,996,971
Renewal & Replacement Charge (2)	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)	3,067,699	3,476,813	3,866,668	267,334	3,101	2,826	2,967	2,926	2,902	-
Raw Water Surcharge (2)	367,564	249,357	265,697	272,440	275,570	271,126	281,205	281,769	310,152	-
Water Sales (3)	-	43,617	2,500,000	5,500,000	-	-	200,000	3,350,000	11,750,000	6,000,000
Costs Recovered from Other Agencies (4)	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	253,377
Interest Earnings	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	1,066,989
Property Taxes, Debt Service	90,554	11,047	-	-	-	-	-	-	-	-
Property Taxes and Assessments	728,971	713,715	759,079	620,330	648,150	641,080	661,155	764,877	762,750	850,127
Amort. of (Discount)/Premium on Debt	-	(296,684)	-	-	-	-	-	(90,973)	(207,086)	138,765
Other (5)	1,441,761	1,657,391	(1,298,703)	822,189	(1,976,169)	1,110,336	408,691	(615,397)	1,096,869	(26,464,025)
<b>Total Non-Operating Revenues</b>	<b>41,591,876</b>	<b>30,074,849</b>	<b>29,357,222</b>	<b>33,865,513</b>	<b>23,684,036</b>	<b>31,052,915</b>	<b>17,979,507</b>	<b>20,498,133</b>	<b>35,556,478</b>	<b>6,842,204</b>
<b>Total Revenues (6)</b>	<b>\$ 85,508,372</b>	<b>91,258,095</b>	<b>79,331,070</b>	<b>81,459,021</b>	<b>69,992,520</b>	<b>74,520,331</b>	<b>65,567,495</b>	<b>69,953,936</b>	<b>96,809,572</b>	<b>76,921,906</b>

- (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) In 2015, Renewal & Replacement Charge and Raw Water Surcharge Revenues have been reclassified from Non-Operating to Operating Revenue, as they are considered customer charges (water rates) for use in providing cost of services.
- (3) Non-Operating Water Sales are one-time water sales to agencies outside Placer County.
- (4) Significant amounts from 2006 - 2013 are because of the expense recovered from the Middle Fork Project Finance Authority.
- (5) Includes program grant revenues, mark to market adjustment on investments and other net income/expense. In 2015, other income/expense includes the Agency's Eastern Water System - Zone 4 transfer to Northstar Community Services District, specifically assets and cash totalling \$23.7 million and \$6 million, respectively.
- (6) 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**

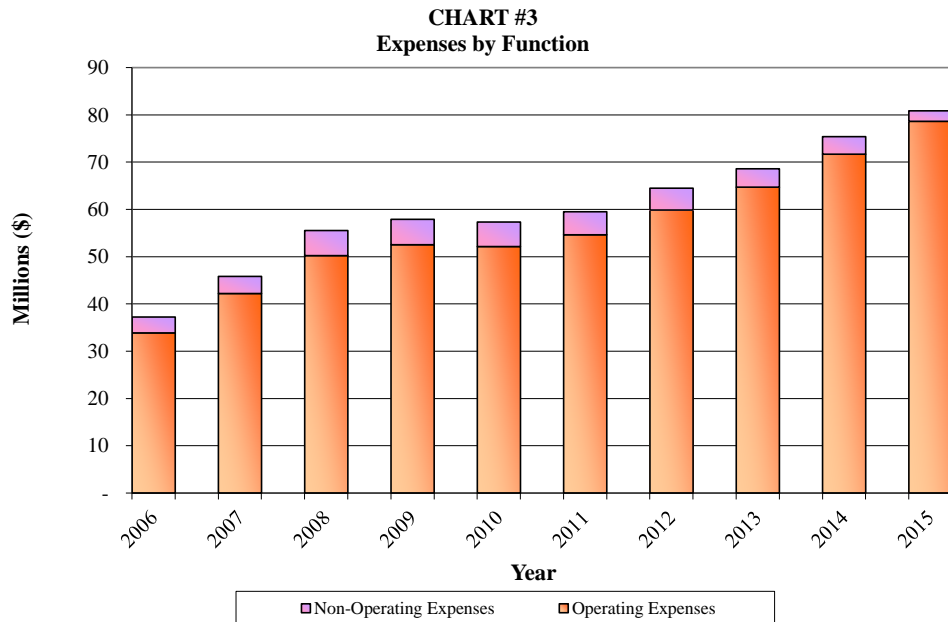
**TABLE # 3  
Expenses by Function  
Last Ten Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating Expenses</b>										
Purchased Water	\$ 692,772	548,603	506,356	556,381	526,000	683,441	622,157	833,700	2,583,562	3,054,297
Field Administration	825,782	827,780	926,740	845,047	989,590	880,837	955,572	969,509	1,043,568	1,120,004
Pumping Plants & Wells	490,489	813,773	343,307	924,010	1,145,969	1,078,772	1,532,769	1,262,704	2,070,275	2,567,327
Water Treatment	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	7,346,965
Electrical Operations	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	2,255,878
Transmission & Distribution-Treated	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	2,840,337
Transmission & Distribution-Untreated	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	3,874,436
Customer Service & Collections	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	4,455,896
Power Division Repairs & Maintenance	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	2,361,196
Engineering	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	5,512,612
General & Administrative	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	14,870,321
Resource Development	-	-	-	-	-	-	-	2,355,448	2,886,610	1,792,614
Other (1)	1,914,907	953,269	960,387	918,206	1,167,588	1,254,568	1,316,565	2,650,486	2,921,542	3,229,588
Subtotal, Operating Expenses before Depreciation (2)	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	55,281,471
Depreciation	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	23,337,141
<b>Total Operating Expenses</b>	<b>33,865,026</b>	<b>42,192,659</b>	<b>50,209,165</b>	<b>52,515,741</b>	<b>52,127,835</b>	<b>54,617,252</b>	<b>59,850,342</b>	<b>64,690,945</b>	<b>71,664,167</b>	<b>78,618,612</b>
<b>Non-Operating Expenses</b>										
Interest Expense	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	2,218,592
Amortization of Bond Issue Costs	59,940	74,240	506,362	498,118	488,075	466,476	486,004	-	-	-
<b>Total Non-Operating Expenses</b>	<b>3,356,046</b>	<b>3,619,040</b>	<b>5,307,766</b>	<b>5,369,733</b>	<b>5,186,691</b>	<b>4,872,008</b>	<b>4,623,106</b>	<b>3,886,314</b>	<b>3,711,654</b>	<b>2,218,592</b>
<b>Total Expenses</b>	<b>\$ 37,221,072</b>	<b>45,811,699</b>	<b>55,516,931</b>	<b>57,885,474</b>	<b>57,314,526</b>	<b>59,489,260</b>	<b>64,473,448</b>	<b>68,577,259</b>	<b>75,375,821</b>	<b>80,837,204</b>

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

(2) The 2015 increase in Operating Expenses is primarily due to GASB 68 implementation.

Source: Placer County Water Agency, Audited Financial Statements



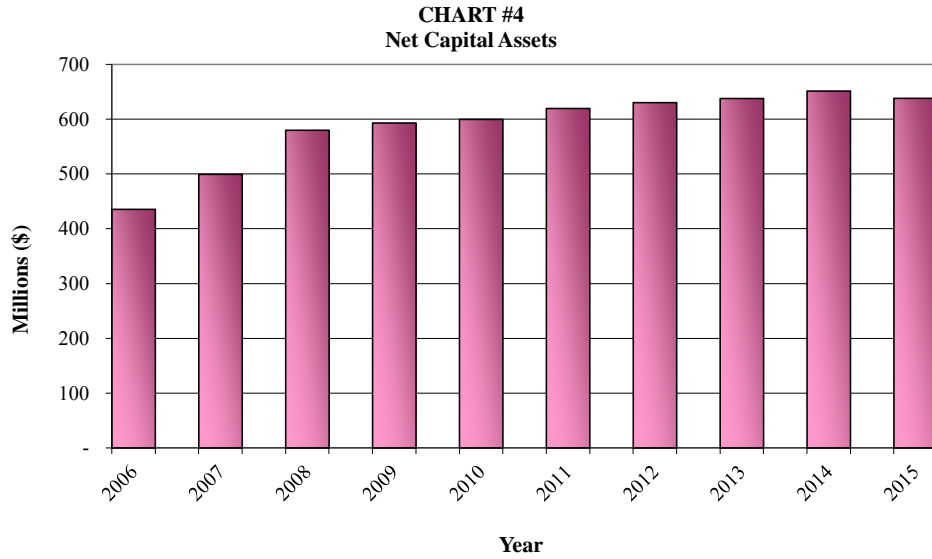
**PLACER COUNTY WATER AGENCY**

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

	<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>	<u>2015</u>
<b>Capital Assets</b>										
Land	\$ 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	13,924,337
Utility Plant-Preliminary Survey	2,028,329	2,028,329	399,718	399,718	399,718	399,718	412,218	412,218	777,614	777,614
Utility Plant	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	728,522,892
Other Property & Equipment	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	105,200,171
Construction in Progress	<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>	<u>85,068,599</u>
Total Capital Assets	<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>	<u>933,493,613</u>
<b>Accumulated Depreciation</b>	<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>	<u>(295,317,172)</u>
Net Capital Assets (1)	<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>	<u>638,176,441</u>

(1) On October 1, 2015, the Agency's Eastern Water System - Zone 4 was transferred to Northstar Community Services District, resulting in a reduction of \$23.7 million in net assets.

Source: Placer County Water Agency, Audited Financial Statements

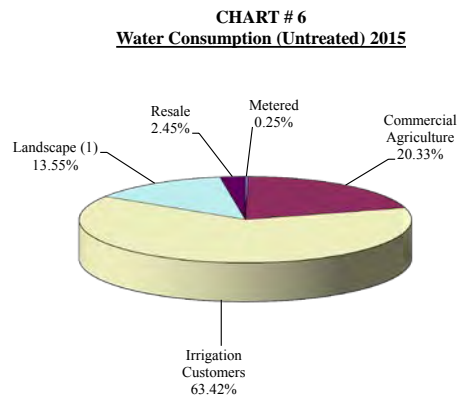
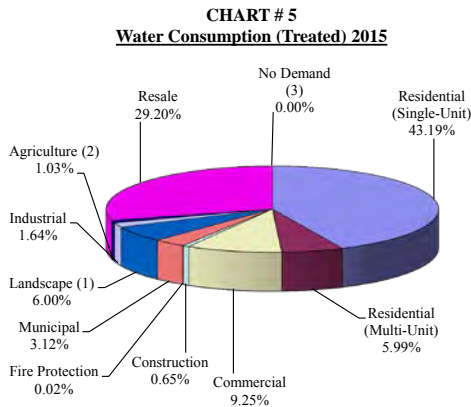


**PLACER COUNTY WATER AGENCY**  
**TABLE # 5**  
**Water Consumption and Water Sales by Type of Customer**  
**Last Ten Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>TREATED WATER</b>										
<b>Consumption (Acre-Feet)</b>										
Residential (Single-Unit)	16,543	17,131	17,766	16,011	14,789	14,116	16,189	16,872	14,127	11,623
Residential (Multi-Unit)	2,010	2,087	2,207	2,029	1,969	1,927	1,996	2,087	1,853	1,615
Commercial	3,345	3,534	3,540	3,183	2,985	2,887	3,043	3,146	2,833	2,494
Construction	240	262	91	62	37	38	69	223	241	174
Fire Protection	4	7	5	7	5	3	4	3	4	6
Municipal	1,232	1,286	1,389	1,209	1,076	957	1,213	1,250	978	842
Landscape (1)	1,668	1,947	2,194	1,927	1,843	1,803	2,107	2,244	1,924	1,619
Industrial	757	614	379	415	383	397	407	416	426	441
Agriculture (2)	282	349	398	356	236	280	282	297	242	277
Resale	10,009	10,733	10,893	10,575	9,501	7,763	8,866	10,937	9,575	7,873
No Demand (3)	2	4	1	-	-	-	-	1	1	1
Total Treated Water Consumption (Acre-Feet)	36,092	37,953	38,863	35,774	32,824	30,171	34,176	37,476	32,204	26,965
Total Consumption (Units) (4)	\$ 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	\$ 11,745,954
<b>Total Treated Water Sales</b>	<b>\$ 21,702,804</b>	<b>23,770,302</b>	<b>26,016,803</b>	<b>28,723,742</b>	<b>27,436,655</b>	<b>26,190,648</b>	<b>28,391,744</b>	<b>30,167,534</b>	<b>29,720,125</b>	<b>26,541,946</b>
<b>Effective Rate per unit (incl. monthly service charge) (5)</b>	<b>1.38</b>	<b>1.44</b>	<b>1.54</b>	<b>1.84</b>	<b>1.92</b>	<b>1.99</b>	<b>1.91</b>	<b>1.85</b>	<b>2.12</b>	<b>2.26</b>
<b>UNTREATED (RAW) WATER</b>										
<b>Consumption (Acre-Feet)</b>										
Metered	369	355	328	355	297	268	299	309	288	210
Commercial Agriculture	20,920	19,499	22,405	24,514	23,949	14,470	24,002	25,024	13,277	16,852
Irrigation Customers	55,922	55,383	55,800	55,302	54,566	54,440	55,020	55,251	53,821	52,574
Landscape (1)	12,225	12,609	11,777	11,967	11,678	11,676	11,693	11,866	11,895	11,230
Resale	3,219	2,556	2,592	2,398	2,247	2,074	2,527	2,635	2,311	2,034
Total Untreated (Raw) Water Consumption (Acre-Feet)	92,655	90,402	92,902	94,536	92,737	82,928	93,541	95,085	81,592	82,900
Total Consumption (Miner's Inch) (4)	5,119	4,995	5,133	5,223	5,124	4,582	5,168	5,253	4,508	4,580
<b>Total Untreated (Raw) Water Sales</b>	<b>\$ 3,174,515</b>	<b>3,331,523</b>	<b>3,446,696</b>	<b>3,492,472</b>	<b>3,434,674</b>	<b>3,236,269</b>	<b>3,530,125</b>	<b>3,556,835</b>	<b>3,230,268</b>	<b>3,401,970</b>
<b>Effective Annual Rate per miner's inch (6)</b>	<b>\$ 620.14</b>	<b>667.03</b>	<b>671.51</b>	<b>668.68</b>	<b>670.37</b>	<b>673.62</b>	<b>683.07</b>	<b>677.06</b>	<b>716.58</b>	<b>742.77</b>

- (1) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.
- (2) The treated water agriculture classification is for customers involuntarily deprived of untreated water service.
- (3) Accounts that pay only monthly service and renewal and replacement charges but are not consuming water. When these accounts begin consuming water, they are changed to the appropriate category. If PCWA is not notified before water consumption, some consumption will be billed and recorded in the "No Demand" category.
- (4) One Acre-Foot is equal to 435.6 Units which is equal to 325,851 gallons. One Miner's Inch 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>TREATED WATER</b>										
<b>Water Customer Accounts</b>										
Residential (Single-Unit)	28,486	28,805	29,024	29,625	29,477	29,561	29,704	30,151	30,629	29,992
Residential (Multi-Unit)	734	742	746	742	745	758	759	757	758	761
Commercial	1,692	1,780	1,815	1,838	1,874	1,888	1,882	1,889	1,913	1,908
Construction	57	48	24	16	18	16	17	41	31	39
Fire Protection	788	864	887	885	899	911	921	928	958	962
Municipal	153	153	169	169	172	172	174	175	176	174
Landscape(1)	438	467	486	485	486	486	491	501	507	528
Industrial	2	2	1	1	1	1	1	1	1	1
Agriculture	79	79	81	78	72	70	64	65	62	61
Resale	8	9	9	9	9	9	9	9	11	11
No Demand (2)	1,421	1,313	1,124	752	1,031	849	715	740	791	957
<b>Total Treated Water Accounts (3)</b>	<b>33,858</b>	<b>34,262</b>	<b>34,366</b>	<b>34,600</b>	<b>34,784</b>	<b>34,721</b>	<b>34,737</b>	<b>35,257</b>	<b>35,837</b>	<b>35,394</b>
<b>UNTREATED (RAW) WATER</b>										
<b>Water Customer Accounts</b>										
Metered	302	302	291	290	282	273	267	261	260	259
Commercial Agriculture	345	347	350	330	304	311	311	325	351	351
Irrigation Customers	3,293	3,299	3,408	3,070	3,354	3,381	3,413	3,461	3,443	3,452
Landscape(1)	31	31	30	28	28	28	27	28	27	27
Resale	3	4	6	6	6	6	6	6	6	6
<b>Total Untreated (Raw) Water Accounts</b>	<b>3,974</b>	<b>3,983</b>	<b>4,085</b>	<b>3,724</b>	<b>3,974</b>	<b>3,999</b>	<b>4,024</b>	<b>4,081</b>	<b>4,087</b>	<b>4,095</b>
<b>TOTAL WATER ACCOUNTS</b>	<b>37,832</b>	<b>38,245</b>	<b>38,451</b>	<b>38,324</b>	<b>38,758</b>	<b>38,720</b>	<b>38,761</b>	<b>39,338</b>	<b>39,924</b>	<b>39,489</b>
<b>New Connections (EDU's)</b>	<b>1,620</b>	<b>331</b>	<b>277</b>	<b>465</b>	<b>46</b>	<b>87</b>	<b>71</b>	<b>483</b>	<b>723</b>	<b>569</b>

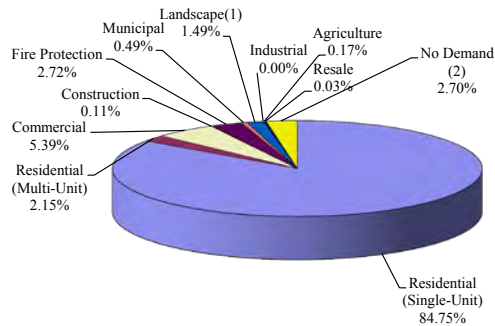
(1) Includes golf courses, parks, and landscape greenbelt areas that are metered separately.

(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.

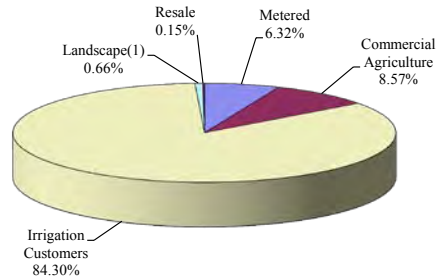
(3) On October 1, 2015, the Agency's Eastern Water System - Zone 4 was transferred to Northstar Community Services District, resulting in a reduction of 1,455 treated water customer accounts.

Source: Placer County Water Agency, Customer Service Department

**CHART # 7  
Water Accounts (Treated) 2015**



**CHART # 8  
Water Accounts (Untreated) 2015**



**PLACER COUNTY WATER AGENCY**  
**TABLE # 7**  
**Principal Water Users**  
**Years Ended December 31, 2006 and 2015**

Customer	2006				2015			
	Amount Billed (I)	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold	Amount Billed (I)	Percent of Water Billed	Usage in Acre Feet	Percent of Water Sold
City of Lincoln	\$ 4,482,723	13.12%	8,770	6.98%	\$ 6,114,527	14.32%	6,865	6.25%
Cal American Water	1,641,291	4.80%	891	0.71%	703,691	1.65%	784	0.71%
Fornica Corporation	254,024	0.74%	547	0.44%	664,385	1.56%	680	0.62%
Placer County Facility Service	136,368	0.40%	223	0.18%	364,705	0.85%	344	0.31%
Thunder Valley Casino	90,709	0.27%	201	0.16%	255,070	0.60%	441	0.40%
Rio Bravo Rocklin	87,131	0.26%	210	0.17%	184,950	0.43%	294	0.27%
Emerson Investments Inc	79,815	0.23%	181	0.14%	71,783	0.17%	719	0.65%
Folsom Lake Mutual Water Co	70,648	0.21%	153	0.12%	64,174	0.15%	289	0.26%
Rocklin Unified School District	70,311	0.21%	113	0.09%	52,249	0.12%	291	0.26%
Sierra Lakes Mobile Home Park	69,693	0.20%	54	0.04%	45,957	0.11%	317	0.29%
Total Principal Water Users	<u>\$ 6,982,713</u>	<u>20.44%</u>	<u>11,343</u>	<u>9.03%</u>	<u>\$ 8,521,492</u>	<u>19.96%</u>	<u>11,023</u>	<u>10.03%</u>
Total all Users	<u>\$ 34,159,636</u>	<u>100.00%</u>	<u>125,677</u>	<u>100.00%</u>	<u>\$ 42,698,494</u>	<u>100.00%</u>	<u>109,865</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 (2006 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><u>Metered Service - Treated Water</u></b>										
Monthly Service Charge (meter size)										
5/8-inch	\$ 12.67	13.75	13.75	14.20	14.20	14.20	14.20	14.20	15.80	16.88
3/4-inch	17.94	19.46	19.46	20.09	20.09	20.09	20.29	20.29	22.36	23.88
1-inch	24.53	26.62	26.62	27.49	27.49	27.49	27.49	27.49	30.60	32.67
1-1/2-inch	39.53	42.89	42.89	44.28	44.28	44.28	44.28	44.28	49.28	52.63
2-inch	68.99	74.85	74.85	77.28	77.28	77.28	77.28	77.28	86.01	91.87
3-inch	128.07	138.96	138.96	143.48	143.48	143.48	143.48	143.48	159.69	170.55
4-inch	178.58	193.76	193.76	200.06	200.06	200.06	200.06	200.06	222.67	237.81
6-inch	358.51	388.98	388.98	401.62	401.62	401.62	401.62	401.62	447.00	477.40
8-inch	614.73	666.98	666.98	688.66	688.66	688.66	688.66	688.66	766.48	818.60
12-inch	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	1,279.08
16-inch	(2)	(2)	(2)	1,548.20	1,548.20	1,548.20	1,548.20	1,548.20	1,723.15	1,840.35
18-inch	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	2,120.97
State & Federal Mandate										
5/8-inch	4.31	4.72	5.27	(4)	(4)	(4)	(4)	(4)	(4)	(4)
3/4-inch	6.47	7.08	7.91	(4)	(4)	(4)	(4)	(4)	(4)	(4)
1-inch	10.78	11.80	13.19	(4)	(4)	(4)	(4)	(4)	(4)	(4)
1-1/2-inch	21.55	23.60	26.37	(4)	(4)	(4)	(4)	(4)	(4)	(4)
2-inch	34.48	37.76	42.20	(4)	(4)	(4)	(4)	(4)	(4)	(4)
3-inch	68.96	75.52	84.39	(4)	(4)	(4)	(4)	(4)	(4)	(4)
4-inch	107.75	118.00	131.87	(4)	(4)	(4)	(4)	(4)	(4)	(4)
6-inch	215.50	236.00	263.73	(4)	(4)	(4)	(4)	(4)	(4)	(4)
8-inch	1,034.40	1,132.80	1,265.90	(4)	(4)	(4)	(4)	(4)	(4)	(4)
12-inch	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
18-inch	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Renewal & Replacement										
5/8-inch	8.50	12.00	12.50	13.00	13.00	13.00	13.00	13.00	14.75	15.86
3/4-inch	12.75	18.00	18.75	19.50	19.50	19.50	19.50	19.50	22.13	23.79
1-inch	21.25	30.00	31.25	32.50	32.50	32.50	32.50	32.50	36.89	39.66
1-1/2-inch	42.50	60.00	62.50	65.00	65.00	65.00	65.00	65.00	73.78	79.32
2-inch	68.00	96.00	100.00	104.00	104.00	104.00	104.00	104.00	118.04	126.91
3-inch	136.00	192.00	200.00	208.00	208.00	208.00	208.00	208.00	236.08	253.83
4-inch	212.50	300.00	312.50	325.00	325.00	325.00	325.00	325.00	368.88	396.61
6-inch	425.00	600.00	625.00	650.00	650.00	650.00	650.00	650.00	737.75	793.21
8-inch	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	3,807.40
12-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
18-inch	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
<b><u>Metered Service - Untreated Water</u></b>										
Monthly Service Charge										
5/8-inch	6.73	7.68	8.62	8.90	8.90	8.90	8.90	8.90	9.67	10.25
3/4-inch	8.78	9.53	9.93	10.25	10.25	10.25	10.25	10.25	11.14	11.81
1-inch	11.17	12.12	12.37	12.77	12.77	12.77	12.77	12.77	13.88	14.71
1-1/2-inch	16.09	17.29	17.29	17.85	17.85	17.85	17.85	17.85	19.40	20.56
2-inch	26.40	26.40	26.40	27.26	27.26	27.26	27.26	27.26	29.63	31.41
3-inch	43.37	46.44	46.44	47.95	47.95	47.95	47.95	47.95	52.12	55.24
4-inch	62.17	67.45	67.45	69.64	69.64	69.64	69.64	69.64	75.70	80.22
6-inch	113.11	113.11	113.11	116.79	116.79	116.79	116.79	116.79	126.95	134.54
8-inch	180.99	180.99	180.99	186.87	186.87	186.87	186.87	186.87	203.13	215.28
Capital Facilities Surcharge	5.71	6.20	6.65	6.87	6.87	6.87	6.87	6.87	7.78	8.38
<b><u>Resale Service - Untreated Water</u></b>										
Monthly Service Charge	52.06	56.49	56.49	58.33	58.33	58.33	58.33	58.33	63.40	67.20
<b><u>Private Fire Protection Service</u></b>										
Monthly Service Charge										
2-inch	15.49	16.85	17.96	18.54	18.54	18.54	18.54	18.54	18.82	18.82
3-inch	16.66	18.12	20.76	21.43	21.43	21.43	21.43	21.43	21.75	21.75
4-inch	18.51	20.13	23.05	23.80	23.80	23.80	23.80	23.80	24.16	24.16
6-inch	23.81	25.89	28.73	29.66	29.66	29.66	29.66	29.66	30.10	30.10
8-inch	50.18	54.57	54.57	56.34	56.34	56.34	56.34	56.34	57.19	57.19
10-inch	84.57	91.97	96.13	99.25	99.25	99.25	99.25	99.25	100.74	100.74
12-inch	135.42	147.27	153.92	158.92	158.92	158.92	158.92	158.92	161.30	161.30
16-inch	301.30	327.66	342.47	353.60	353.60	353.60	353.60	353.60	358.90	358.90

- (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) Rate not established since there were no meters of this size in these years.
- (3) Charges for meters larger than 8 inches shall be determined based on the applicant's estimated maximum day demand set forth in the applicant's application for treated water service then recalculated based on use.
- (4) 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Metered Services</b>										
Residential (3)										
First 400 CF	\$ 0.78	0.85	0.94	1.25	1.25	1.25	1.25	1.25	1.33	1.40
Next 600 CF	0.90	0.98	1.07	1.35	1.35	1.35	1.35	1.35	1.44	1.51
Next 1,000 CF	0.90	0.98	1.14	1.44	1.44	1.44	1.44	1.44	1.53	1.61
Next 2,000 CF	0.99	1.07	1.18	1.55	1.55	1.55	1.55	1.55	1.65	1.73
Next 1,800 CF	1.14	1.25	1.35	1.65	1.65	1.65	1.65	1.65	1.75	1.84
Next 1,900 CF	1.40	1.53	1.65	1.92	1.92	1.92	1.92	1.92	2.04	2.15
Over 7,700 CF	1.59	1.74	1.88	2.16	2.16	2.16	2.16	2.16	2.30	2.41
Commercial & Municipal (4)										
First 50,000 CF	0.92	1.00	1.07	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 950,000 CF	0.95	1.03	1.10	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Over 1,000,000 CF	0.96	1.05	1.13	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Non-Residential (4)										
First 50,000 CF	(4)	(4)	(4)	1.28	1.28	1.28	1.28	1.28	1.36	1.43
Next 450,000 CF	(4)	(4)	(4)	1.31	1.31	1.31	1.31	1.31	1.39	1.46
Over 500,000 CF	(4)	(4)	(4)	1.35	1.35	1.35	1.35	1.35	1.44	1.51
Industrial & Resale										
First 50,000 CF	0.86	0.93	1.00	1.10	1.10	1.10	1.10	1.10	1.17	1.23
Next 950,000 CF	0.88	0.95	1.02	1.11	1.11	1.11	1.11	1.11	1.18	1.24
Over 1,000,000 CF	0.89	0.97	1.04	1.12	1.12	1.12	1.12	1.12	1.19	1.25
Over 1,000,000 CF (5)	0.71	0.78	0.84	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Industrial & Resale-Public Agencies & Public Utilities (5)										
First 42,500,000 CF	(5)	(5)	(5)	1.11	1.11	1.11	1.11	1.11	1.18	(6)
Over 42,500,000 CF	(5)	(5)	(5)	1.34	1.34	1.34	1.34	1.34	1.42	(6)
Golf Course, Park & Greenbelt										
First 50,000 CF	0.95	1.03	1.10	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Next 950,000 CF	1.02	1.11	1.19	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Over 1,000,000 CF	1.03	1.13	1.21	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Special Rates (7)										
First 400 CF	0.78	0.85	0.94	1.25	1.25	1.25	1.25	1.25	1.33	1.40
Next 600 CF	0.90	0.98	1.07	1.35	1.35	1.35	1.35	1.35	1.44	1.51
Next 1,000 CF	0.90	0.98	1.14	1.44	1.44	1.44	1.44	1.44	1.53	1.61
Next 2,000 CF	0.99	1.07	1.18	1.55	1.55	1.55	1.55	1.55	1.65	1.73
Next 61,000 CF	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.13	0.13
Next 65,000 CF	0.09	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.11	0.11
Over 130,000 CF	0.09	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.11	(7)
Temporary Construction										
First 50,000 CF	1.84	2.00	2.14	2.56	2.56	2.56	2.56	2.56	2.72	2.86
Next 450,000 CF	1.90	2.06	2.20	2.62	2.62	2.62	2.62	2.62	2.78	2.92
Next 500,000 CF	1.90	2.06	2.20	2.70	2.70	2.70	2.70	2.70	2.88	3.02
Over 1,000,000 CF	1.92	2.10	2.26	2.70	2.70	2.70	2.70	2.70	2.88	3.02

- (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) 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.
- (5) 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.
- (6) Beginning in 2015, the treated water customer class of Industrial & Resale-Public Agencies & Public Utilities was consolidated into the Industrial & Resale rate schedule.
- (7) Special rates are for customers involuntarily deprived of untreated water service. In 2015, the rate structure changed.

\* Tier structures have gone through certain revisions over the past 10 years. In 2006 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 2006-2015 are displayed with the 2015 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Metered Services (2)</b>										
First 3,000 CF	\$ 0.37	0.37	0.37	0.38	0.38	0.38	0.38	0.38	0.41	0.44
Next 7,000 CF	0.29	0.35	0.43	0.36	0.36	0.36	0.36	0.36	0.39	0.42
Over 10,000 CF	0.12	0.20	0.28	0.29	0.29	0.29	0.29	0.29	0.32	0.34
<b>Non-Metered Services (Miner's Inches) (MI) (3)</b>										
General Irrigation Service (Winter) (4)										
First 1/2 MI	30.55	30.55	30.55	31.09	31.09	31.09	31.09	31.09	33.79	35.82
First MI	53.76	58.33	60.23	62.18	62.18	62.18	62.18	62.18	67.59	71.63
2-9 MI	55.05	59.73	61.67	63.67	63.67	63.67	63.67	63.67	69.21	73.35
Over 9 MI	55.31	60.01	61.96	63.97	63.97	63.97	63.97	63.97	69.54	73.70
General Irrigation Service (Summer) (4)										
First 1/2 MI	28.11	28.11	28.11	28.11	28.11	28.11	28.11	28.11	30.56	32.39
First MI	44.47	48.25	49.82	51.44	51.44	51.44	51.44	51.44	55.92	59.26
2-9 MI	46.43	50.38	52.02	53.71	53.71	53.71	53.71	53.71	58.38	61.87
Over 9 MI	46.87	51.32	52.99	54.71	54.71	54.71	54.71	54.71	59.47	63.03
Commercial Agriculture (Winter)										
First MI	43.43	47.12	48.65	50.23	50.23	50.23	50.23	50.23	54.60	57.87
Over 1 MI	44.28	48.04	49.60	51.21	51.21	51.21	51.21	51.21	55.67	59.00
Commercial Agriculture (Summer)										
First MI	46.92	46.92	48.44	50.01	50.01	50.01	50.01	50.01	54.36	57.62
2nd MI	42.34	45.94	47.43	48.97	48.97	48.97	48.97	48.97	53.23	56.42
3rd MI	38.23	41.48	42.83	44.22	44.22	44.22	44.22	44.22	48.07	50.95
4th MI	34.14	37.04	38.24	39.48	39.48	39.48	39.48	39.48	42.91	45.48
5-9 MI	31.40	34.07	35.18	36.32	36.32	36.32	36.32	36.32	39.48	41.84
10-60 MI	28.67	31.11	32.12	33.16	33.16	33.16	33.16	33.16	36.04	38.20
Over 60 MI	23.67	25.68	26.51	27.37	27.37	27.37	27.37	27.37	29.75	31.53
Golf Course, Park & Greenbelt (Winter) (4)										
First MI	54.11	58.71	60.62	(4)	(4)	(4)	(4)	(4)	(4)	(4)
2-9 MI	55.62	60.35	62.31	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Over 9 MI	56.55	61.36	63.55	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Golf Course, Park & Greenbelt (Summer) (4)										
First MI	46.22	50.15	51.78	(4)	(4)	(4)	(4)	(4)	(4)	(4)
2-9 MI	48.68	52.82	54.54	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Over 9 MI	48.92	53.08	54.81	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Resale Service (Miner's Inch Days) (5)										
First 1,000	5.68	5.68	5.68	5.24	5.24	5.24	5.24	5.24	5.70	6.04
Over 1,000	6.47	6.47	6.47	5.41	5.41	5.41	5.41	5.41	5.88	6.23

(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 2006-2015 are displayed with the 2015 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Water Connection Charge (WCC)</b>										
Bowman and Auburn WTP service area	\$ 9,286.00	13,408.00	14,414.00	15,440.00	15,440.00	16,073.00	16,206.00	16,444.00	17,307.00	17,307.00
All other Zone 1 service areas	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	17,307.00
<b>Meters and Service Connections (2)</b>										
Installation of Meter to Existing Svc										
5/8" x 3/4"	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	135.00
3/4"	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	135.00
1"	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	135.00
1 1/2"	125.00	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	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
<b>Other Miscellaneous Fees and Charges</b>										
Backflow Prevention Device Test Charge	70.00	70.00	105.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00
Canal Flow Rate Change										
No Field Trip Required	35.00	35.00	15.00	16.00	16.00	16.00	16.00	16.00	20.00	20.00
Field Trip Required	35.00	35.00	65.00	67.00	67.00	67.00	67.00	67.00	85.00	85.00
After Hours Charge	90.00	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00	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	25.00	25.00	25.00	26.00	26.00	26.00	26.00	26.00	30.00	30.00
Field Collection Charge	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	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Second Occurrence	500.00	500.00	500.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Third Occurrence	1,000.00	1,000.00	1,000.00	250.00	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	20.00
Meter Test and Repair Deposit/Charge	40.00	40.00	60.00	62.00	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	16.00	16.00	16.00	16.00	16.00	20.00	20.00
Field Trip Required	35.00	35.00	35.00	36.00	36.00	36.00	36.00	36.00	40.00	40.00
After Hours Charge	90.00	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00	140.00
Project Application Charge	105.00	105.00	105.00	109.00	109.00	109.00	109.00	109.00	140.00	140.00
Pressure Test Charge	40.00	40.00	85.00	88.00	88.00	88.00	88.00	88.00	95.00	95.00
Reconnection Charge (4)										
Treated Services	45.00	45.00	45.00	47.00	47.00	47.00	47.00	47.00	55.00	55.00
Untreated Services	45.00	45.00	65.00	67.00	67.00	67.00	67.00	67.00	75.00	75.00
After Hours Charge	90.00	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00	140.00
Returned Check Charge	25.00	25.00	25.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
Temporary Construction Water Svc										
Permit Fee	35.00	35.00	40.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00
Connection Charge	100.00	100.00	100.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00
Variances and Waivers of Rules and Regulations or Rates										
Water Service Written Estimate	55.00	55.00	105.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00
WCC - Installment Payment										
Processing Fee	175.00	175.00	175.00	182.00	182.00	182.00	182.00	182.00	184.00	184.00
Certification of Cross Connection Control (Backflow) Charge (5)										
	1.16	1.20	1.64	1.70	1.70	1.70	1.70	1.70	1.75	1.75
Certification of Domestic Water Source (Constructed Conveyance) Charge (6)										
	2.69	2.75	3.96	4.11	4.11	4.11	4.11	4.11	5.00	5.00
Water Waste Charge (3rd & 4th occurrence)	-	-	75.00	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**

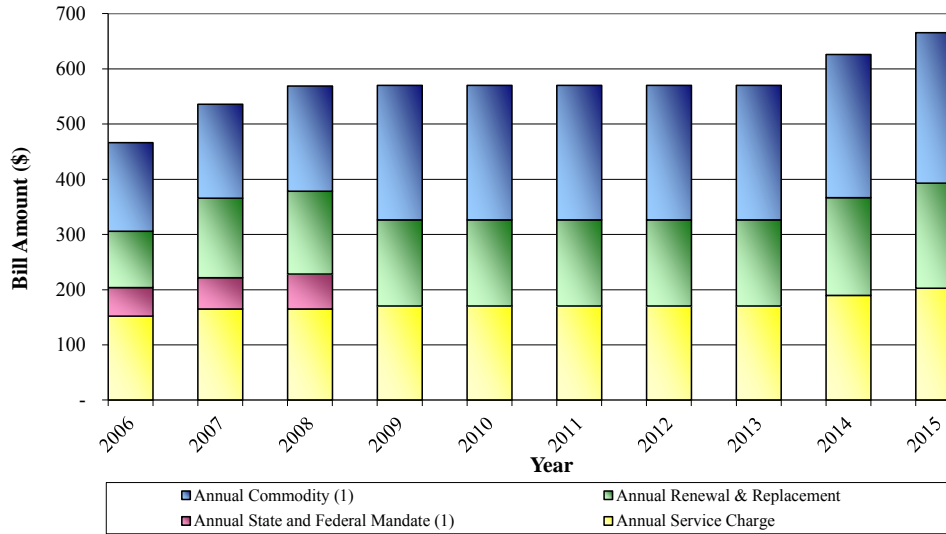
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Service Charge	\$ 152.04	165.00	165.00	170.40	170.40	170.40	170.40	170.40	189.60	202.56
Annual State and Federal Mandate (1)	51.72	56.64	63.24	-	-	-	-	-	-	-
Annual Renewal & Replacement	102.00	144.00	150.00	156.00	156.00	156.00	156.00	156.00	177.00	190.32
Annual Commodity (1)	160.49	170.16	190.56	243.60	243.60	243.60	243.60	243.60	259.32	272.52
Annual Water Billed Amount	<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>	<u>665.40</u>
Effective Rate Increase	<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>	<u>6.31%</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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Water Division</b>										
<b>Certificates of Participation</b>										
1995 Certificates	\$ 170,000.00	-	-	-	-	-	-	-	-	-
1999 Certificates	2,990,000	2,990,000	2,450,000	1,880,000	1,285,000	655,000	-	-	-	-
2003 Certificates	13,690,000	13,095,000	12,490,000	11,870,000	11,230,000	10,570,000	9,885,000	-	-	-
2005 Certificates	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	28,355,000
2008 Certificates	-	-	40,385,000	39,860,000	39,340,000	38,815,000	38,265,000	37,005,000	35,705,000	34,355,000
2013 Certificates	-	-	-	-	-	-	-	8,100,000	7,445,000	6,755,000
Certificates Outstanding	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	69,465,000
<b>Loans Payable</b>										
Davis-Grunsky Act Construction Loan	139,004	-	-	-	-	-	-	-	-	-
EDA Community Emergency Drought Loans	161,109	149,497	137,304	124,501	111,057	80,168	67,817	-	-	-
State Department of Water Resources Loans:										
Dutch Flat Terrace	15,262	13,784	12,257	10,677	9,044	7,355	5,608	3,803	1,936	-
Bowman	858,250	291,771	-	-	-	-	-	-	-	-
Alta/Monte Vista (SWTR)	325,476	297,044	267,784	237,640	206,604	174,645	141,738	107,845	72,945	37,007
King/Delmar	246,347	234,172	221,637	208,709	195,390	181,665	167,525	152,945	137,923	122,443
Applegate	470,218	447,864	424,850	401,115	376,663	351,465	325,505	298,737	271,158	242,737
State Water Resources Control Board:										
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	14,469,806
Electric Street Tank	-	-	-	-	-	-	1,259,537	7,395,132	7,766,550	7,644,579
Ferguson Road Land Loan	47,362	34,407	20,720	6,262	-	-	-	-	-	-
Ziegleman - Soracco Land Loans	365,175	303,111	224,502	-	-	-	-	-	-	-
Mello-Roos Obligation	26,042	14,380	18,515	14,789	8,821	-	-	-	-	-
Loans Outstanding	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	22,516,572
<b>Improvement District (ID) Debt (1)</b>										
ID No. 10 - Aguilar Road (2)	1,134	1,134	1,134	1,134	1,134	1,134	1,134	1,134	1,134	1,134
ID No. 11 - Lakeshore (2)	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195
ID No. 36 - Highway 174	62,281	57,097	51,769	46,289	40,657	34,867	28,916	22,797	16,507	10,041
Improvement District Debt Outstanding	64,610	59,426	54,098	48,618	42,986	37,196	31,245	25,126	18,836	12,370
<b>Subtotal Water Division Debt Outstanding</b>	<b>54,643,855</b>	<b>86,460,456</b>	<b>109,846,667</b>	<b>106,800,387</b>	<b>103,506,096</b>	<b>100,091,861</b>	<b>97,843,133</b>	<b>99,208,050</b>	<b>95,914,180</b>	<b>91,993,942</b>
<b>Power Division</b>										
<b>Revenue Bonds</b>										
Middle Fork Project Revenue Bonds, Series A (3)	26,710,000	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000	2,425,000	-	-	-
<b>Subtotal Power Division Debt Outstanding</b>	<b>26,710,000</b>	<b>22,710,000</b>	<b>18,530,000</b>	<b>14,230,000</b>	<b>9,775,000</b>	<b>5,155,000</b>	<b>2,425,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Subtotal Agency Debt Outstanding	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	91,993,942
Less: Unamortized bond discounts & premiums	(226,000)	(956,230)	(696,668)	(661,117)	(624,935)	(588,103)	(550,598)	(1,457,906)	(1,415,350)	(1,365,042)
Deferred Amount of Refunding	(4,232,860)	(3,969,062)	(3,707,572)	(3,448,849)	(3,192,976)	(2,940,053)	(2,690,180)	-	-	-
<b>Total PCWA Long-Term Debt</b>	<b>\$ 76,894,995</b>	<b>104,245,164</b>	<b>123,972,427</b>	<b>116,920,421</b>	<b>109,463,185</b>	<b>101,718,705</b>	<b>97,027,355</b>	<b>97,750,144</b>	<b>94,498,830</b>	<b>90,628,900</b>
<b>Per Customer</b>	<b>\$ 2,033</b>	<b>2,726</b>	<b>3,224</b>	<b>3,051</b>	<b>2,824</b>	<b>2,627</b>	<b>2,503</b>	<b>2,485</b>	<b>2,367</b>	<b>2,295</b>
Number of Customer Accounts	37,832	38,245	38,451	38,324	38,758	38,720	38,761	39,338	39,924	39,489

(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**

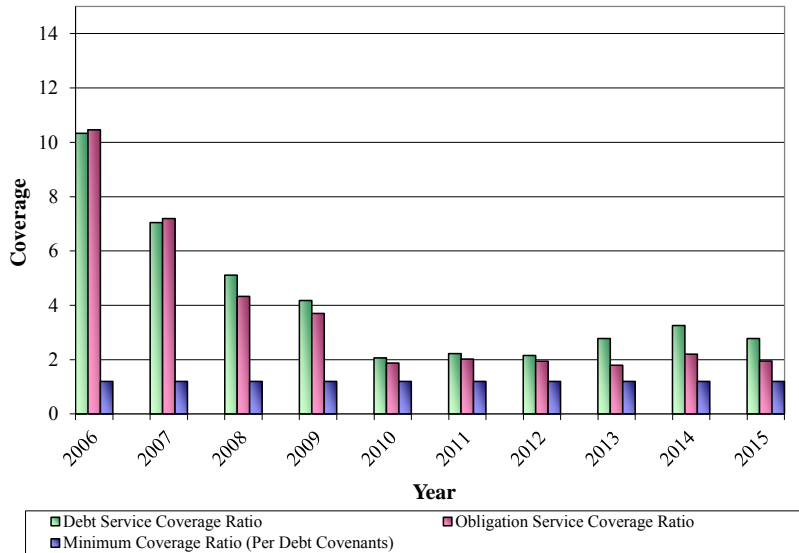
**TABLE # 14  
Debt Service Coverage  
Western Water System  
Last Ten Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Debt Service Coverage</b>										
Net Water Revenues, Excluding Depreciation	\$ 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	21,643,996
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,789,271</u>
<b>Debt Service Coverage Ratio</b>	<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>	<u>2.78</u>
<b>Minimum Coverage Ratio (Per Debt Covenants)</b>	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Debt Service Coverage without Water Connection Charge Revenue (WCC) (1)</b>										
Net Water Revenues, Excluding Depreciation and WCC	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	11,647,026
Debt Service on Certificates and Other Parity Debt	<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>	<u>7,789,271</u>
<b>Debt Service Coverage Ratio</b>	<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>	<u>1.50</u>
<b>Obligation Service Coverage</b>										
Net Water Revenues, Excl. Depreciation as Adjusted by Water Purchases	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	24,698,293
Obligation Service	<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>	<u>12,660,216</u>
<b>Obligation Service Coverage Ratio</b>	<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>	<u>1.95</u>
<b>Certificate Reserve Requirement</b>										
Minimum Reserve Required	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	5,269,764
Actual Reserve Balance	<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>	<u>5,748,915</u>
<b>Reserve Requirement Coverage</b>	<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>	<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. In 2015, \$15 million of WCC Revenue was transferred into the Rate Stabilization and Capital Improvement Fund for future capacity infrastructure projects.

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Placer County</b>										
Population	322,270	329,719	337,914	344,088	350,609	355,687	360,680	365,107	369,726	371,558
Annual % Change in Population	3.08%	2.31%	2.49%	1.83%	1.90%	1.45%	1.40%	1.23%	1.27%	0.50%
Total Personal Income (Millions)	\$ 14,248	15,102	16,095	15,899	16,326	17,312	19,004	20,174	20,229	*
Per Capita Personal Income	\$ 43,937	45,471	47,195	45,614	46,617	48,476	52,544	54,924	54,423	*
Unemployment Rate	4.2%	4.8%	6.4%	10.6%	11.5%	10.8%	8.6%	6.5%	5.2%	4.6%
<b>State of California</b>										
Population (Thousands)	36,246	36,552	36,856	37,077	37,318	37,578	37,826	38,204	38,499	39,071
Annual % Change in Population	0.73%	0.84%	0.83%	0.60%	0.65%	0.70%	0.66%	1.00%	0.77%	1.49%
Total Personal Income (Millions)	\$1,436,446	1,520,755	1,604,113	1,566,999	1,564,209	1,645,138	1,768,039	1,856,614	1,939,528	*
Per Capita Personal Income	\$ 39,626	41,805	43,852	42,395	41,893	43,647	46,477	48,434	49,985	*
Unemployment Rate	4.9%	5.4%	7.2%	11.4%	12.4%	11.7%	9.7%	8.3%	6.7%	5.7%

Source:

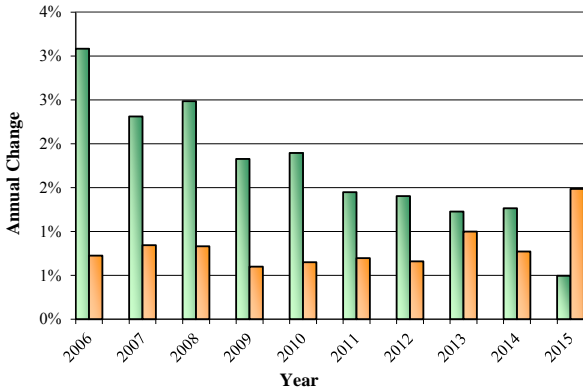
Population Data Source: California Department of Finance. Table E-2. Preliminary population as of July 1st of each year.

Unemployment Data Source: State of California, Employment Development Department. December 2015 Monthly Labor Force Data

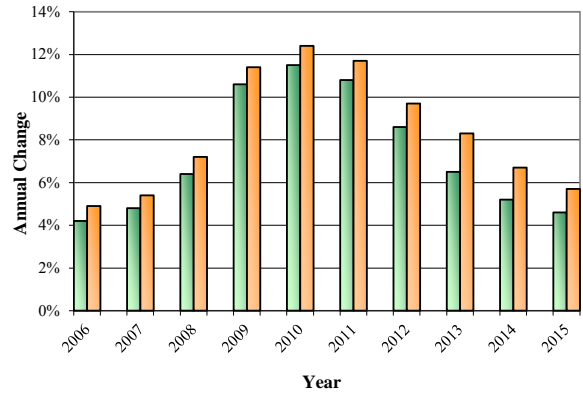
Personal Income Data Source: U.S. Department of Commerce: Bureau of Economic Analysis, Tables SA1-3 and CA1-3

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

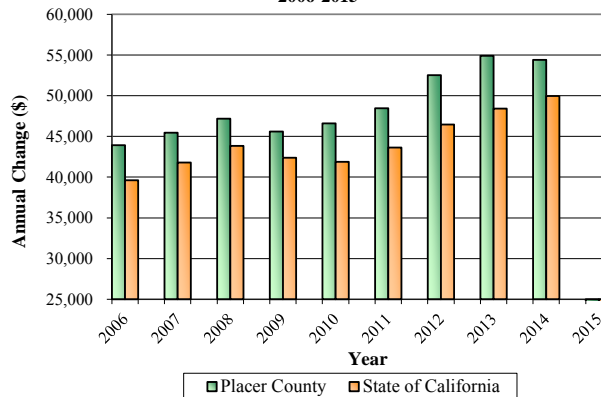
**CHART #11**  
**Annual Percentage Change in Population**  
**2006-2015**



**CHART #12**  
**Unemployment Rate**  
**2006-2015**



**CHART #13**  
**Per Capita Personal Income**  
**2006-2015**



**PLACER COUNTY WATER AGENCY**  
**TABLE # 16**  
**Principal Employers of Placer County**  
**Years Ended December 31, 2006 and 2015**

2006			2015		
<b>Company or Organization</b>	<b>Number of Employees</b>	<b>Percent of Total Employment</b>	<b>Company or Organization</b>	<b>Number of Employees</b>	<b>Percent of Total Employment</b>
Hewlett-Packard Co.	4,000	2.53%	Kaiser Permanente	3,839	2.26%
Placer County	2,527	1.60%	Sutter Health	3,693	2.18%
Kaiser Permanente	1,980	1.25%	Squaw Valley Alpine Meadows	2,500	1.47%
City of Roseville	1,288	0.81%	Placer County	2,378	1.40%
Raley's Inc.	1,251	0.79%	Hewlett-Packard Co.	2,000	1.18%
Squaw Valley Ski Corp.	1,200	0.76%	Thunder Valley Casino Resort	1,875	1.10%
Union Pacific Railroad Co. Inc.	1,100	0.70%	Pride Industries	1,221	0.72%
Wal-Mart Stores, Inc.	1,053	0.67%	Safeway Inc.	1,218	0.72%
PRIDE Industries, Inc.	1,050	0.66%	City of Roseville	1,047	0.62%
Sutter Health	985	0.62%	Roseville City School District	1,015	0.60%
<b>Total Largest Employers</b>	<b>16,434</b>	<b>10.38%</b>	<b>Total Largest Employers</b>	<b>20,786</b>	<b>12.25%</b>
<b>Total All Employers</b>	<b>158,250</b>	<b>100.00%</b>	<b>Total All Employers</b>	<b>169,700</b>	<b>100.00%</b>

Source: Sacramento Business Journal - May 29, 2015  
Sacramento Business Journal - March 2006  
State of California, Employment Development Department

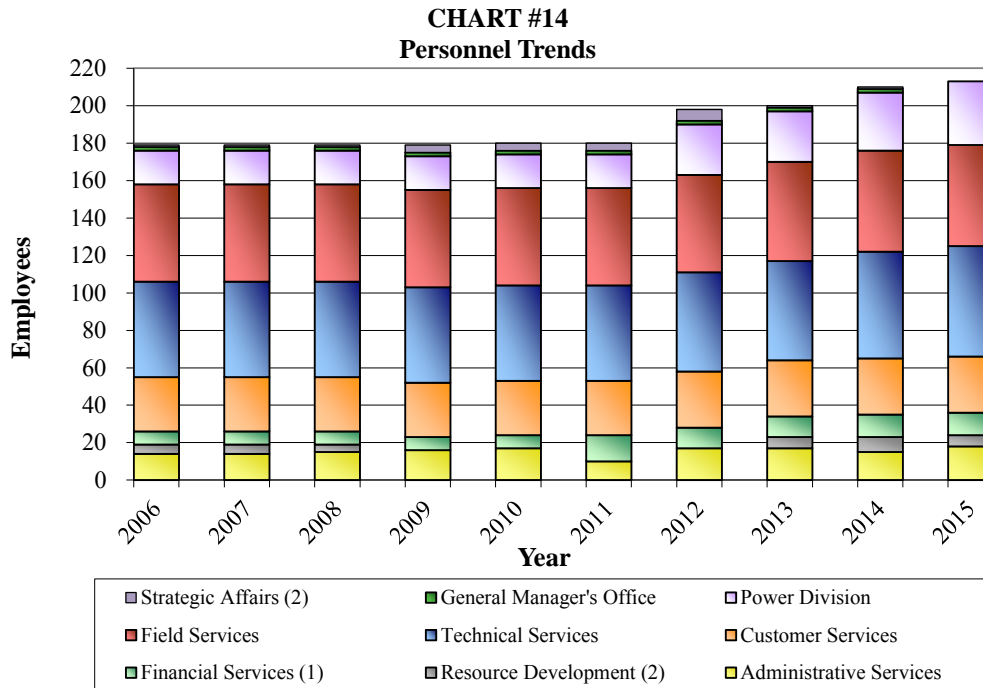
**PLACER COUNTY WATER AGENCY**  
**TABLE # 17**  
**Personnel Trends by Agency Department**  
**Last Ten Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Agency Wide</b>										
General Manager's Office	2	2	2	2	2	2	2	2	2	2
Administrative Services	14	14	15	16	17	10	17	17	15	18
Financial Services (1)	7	7	7	7	7	14	11	11	12	12
Resource Development (2)	5	5	4	0	0	0	0	6	8	6
Strategic Affairs (2)	1	1	1	4	4	4	6	1	1	0
Total Agency Wide	29	29	29	29	30	30	36	37	38	38
<b>Water Division</b>										
Customer Services	29	29	29	29	29	29	30	30	30	30
Field Services	52	52	52	52	52	52	52	53	54	54
Technical Services	51	51	51	51	51	51	53	53	57	59
Total Water Division	132	132	132	132	132	132	135	136	141	143
<b>Power Division</b>										
	18	18	18	18	18	18	27	27	31	34
Total Power Division	18	18	18	18	18	18	27	27	31	34
Total Employees	179	179	179	179	180	180	198	200	210	215

- (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) The Resource Development Department was merged with Strategic Affairs for the period 2009-2012. Resource Development became its own department again in 2013. In 2015, the Strategic Affairs Department was eliminated and its functions incorporated into Resource Development.

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**

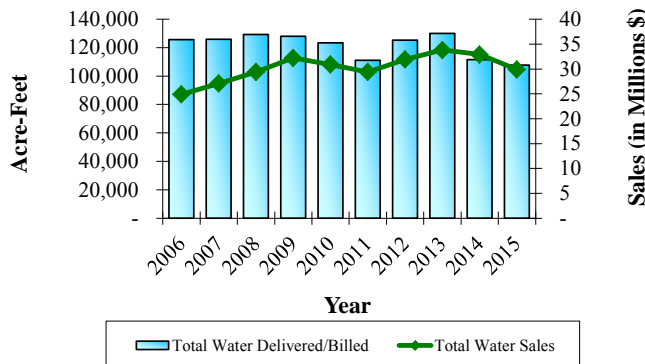
<b>WATER</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Facilities</b>										
Miles of Main Line - Treated (6)	519	526	543	547	549	599	602	609	620	587
Miles of Canals - Untreated (Raw)	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) (1)	78	78	80	80	80	81	83	80	84	84
Number of Pumping Stations (6)	12	12	15	17	18	16	16	18	18	15
Number of Storage Tanks (6)	32	32	34	37	33	35	32	32	32	27
<b>Water Received (in Acre-Feet):</b>										
Lake Spaulding via Drum Canal	93,242	95,399	103,200	95,594	88,061	65,455	85,974	99,406	57,916	57,049
American River (Middle Fork Project)	3,591	7,892	9,469	10,841	9,033	15,888	14,495	10,874	16,039	24,028
Canyon Creek	3,031	3,992	2,912	2,790	4,624	5,421	3,903	2,914	2,643	1,665
Zone 1 Groundwater	-	-	-	-	-	-	-	-	55	-
Nevada Irrigation District (Foothill)	1,806	1,660	1,664	1,602	1,481	1,123	1,298	1,920	1,641	1,497
Nevada Irrigation District (Rock Creek)	-	134	221	122	-	746	183	317	24	-
South Sutter Water District	5,000	-	-	-	-	-	-	-	-	-
PG&E Zone 3 Supply	9,086	9,228	10,101	9,709	7,951	9,781	9,182	10,007	8,713	8,647
Lahontan Domestic Well	73	79	106	141	90	80	103	95	130	91
Lahontan Irrigation Well	542	187	-	3	-	-	-	-	-	-
Total Supply	<u>116,371</u>	<u>118,571</u>	<u>127,673</u>	<u>120,802</u>	<u>111,240</u>	<u>98,494</u>	<u>115,138</u>	<u>125,533</u>	<u>87,161</u>	<u>92,977</u>
<b>Water Delivered/Billed (Acre-Feet):</b>										
Treated Water Delivered	36,092	37,953	38,863	35,774	32,824	30,171	34,176	37,476	32,205	26,965
Treated Water % of Total	28.0%	29.6%	29.5%	27.5%	26.1%	26.7%	26.8%	28.3%	28.3%	24.5%
Untreated (Raw) Water Billed (2)	92,655	90,402	92,902	94,536	92,737	82,928	93,541	95,085	81,592	82,900
Untreated (Raw) Water % of Total	72.0%	70.4%	70.5%	72.5%	73.9%	73.3%	73.2%	71.7%	71.7%	75.5%
Total Water Delivered/Billed	<u>128,747</u>	<u>128,355</u>	<u>131,765</u>	<u>130,310</u>	<u>125,561</u>	<u>113,099</u>	<u>127,717</u>	<u>132,561</u>	<u>113,797</u>	<u>109,865</u>
Average Per Day (acre-feet)	<u>353</u>	<u>352</u>	<u>361</u>	<u>357</u>	<u>344</u>	<u>310</u>	<u>350</u>	<u>363</u>	<u>312</u>	<u>301</u>
<b>Sales (Millions):</b>										
Treated Water Sales	21.7	23.8	26.0	28.7	27.5	26.2	28.4	30.2	29.7	26.54
Treated Water % of Total	87.1%	87.8%	88.4%	89.1%	89.0%	89.1%	89.0%	89.3%	90.3%	88.6%
Untreated (Raw) Water Sales	3.2	3.3	3.4	3.5	3.4	3.2	3.5	3.6	3.2	3.40
Untreated (Raw) Water % of Total	12.9%	12.2%	11.6%	10.9%	11.0%	10.9%	11.0%	10.7%	9.7%	11.4%
Total Water Sales	<u>24.9</u>	<u>27.1</u>	<u>29.4</u>	<u>32.2</u>	<u>30.9</u>	<u>29.4</u>	<u>31.9</u>	<u>33.8</u>	<u>32.9</u>	<u>29.9</u>
<b>Billings, Collections &amp; Delinquencies:</b>										
Water Billings (3)	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	42,698,494
Collections	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	42,648,284
Uncollectible	31,893	57,352	90,992	133,574	141,220	113,576	77,144	66,453	55,906	50,210
Collection Percentage	99.91%	99.85%	99.79%	99.69%	99.66%	99.71%	99.82%	99.85%	99.87%	99.88%

<b>POWER</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Facilities:</b>										
Power Plants	5	5	5	5	5	5	5	5	5	5
Miles of Tunnels & Penstocks	24	24	24	24	24	24	24	24	24	24
Storage Reservoirs (4)	3	3	3	3	3	3	3	3	3	3
Annual Megawatt Hours (Millions) (5)	1.5	0.5	0.6	0.9	0.9	1.3	0.9	0.6	0.5	0.3

- (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) Untreated (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 varies by year depending on outages for significant repairs or capital projects and hydrologic conditions.
- (6) In 2011, a new methodology utilizing a Geographic Information System (GIS) was used to determine the Total Miles of Main Line - Treated. In 2015, the facilities statistics reflect the transfer of Eastern Water System (Zone 4) assets to Northstar Community Services District.

Source: Placer County Water Agency

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

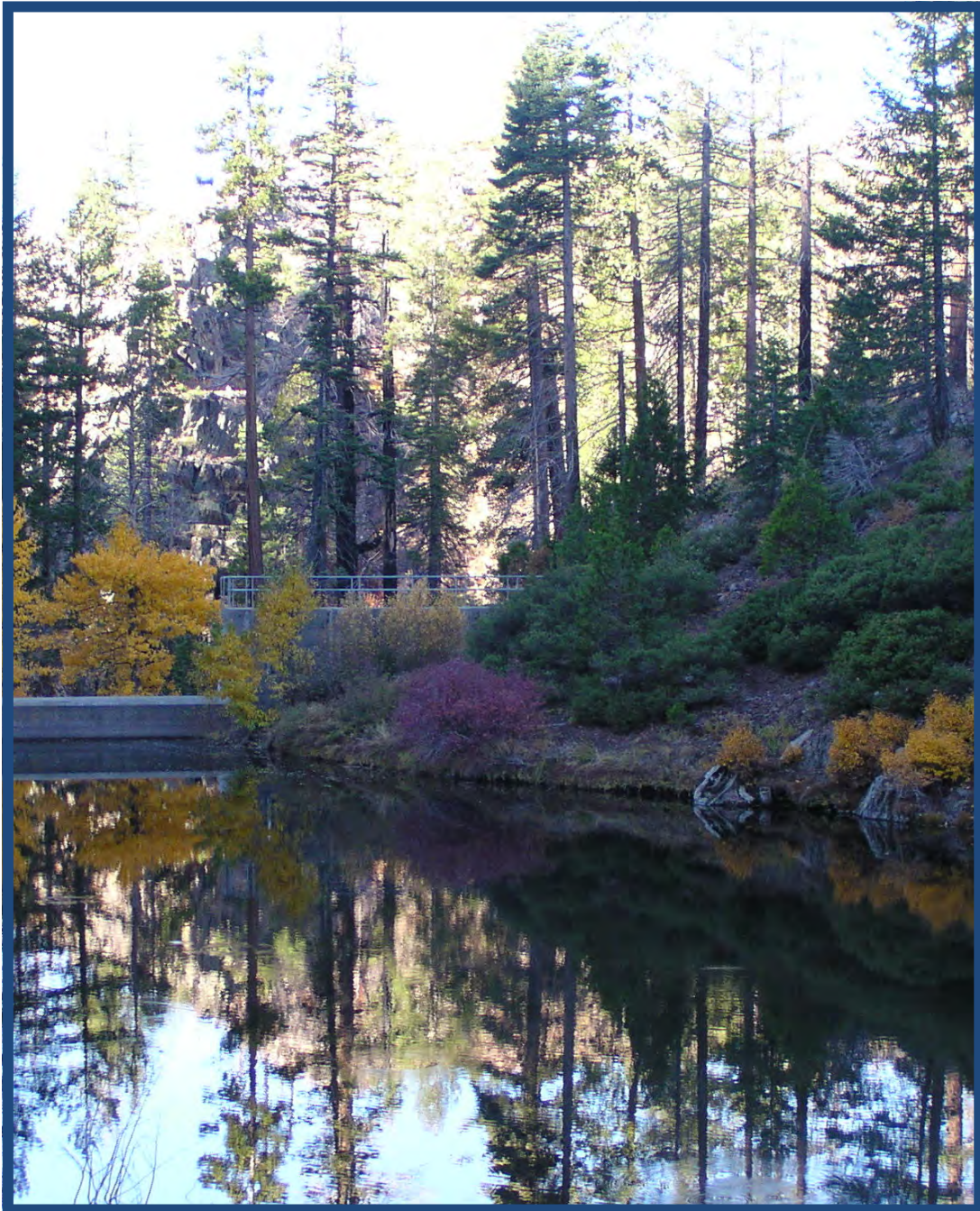


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# Compliance Report

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Duncan Diversion Dam

Board of Directors  
Placer County Water Agency  
Auburn, California

**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***

**Independent Auditor's Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Placer County Water Agency's (Agency) basic financial statements, and have issued our report thereon dated April 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 entity'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.

As a service to you, we identified during our audit the following matters that provide an opportunity for the Agency's to enhance its existing internal controls. These matters are as follows:

**(1) Enhancing Controls over Construction in Progress**

During our review of capital assets, we selected a sample of projects in Construction in Progress for evaluation. As part of our evaluation, we interviewed engineering staff and inquired as to the status of the projects. As a result of our review, we noted two projects which were placed in service during the fiscal year however remained in Construction in Progress in the accounting records. The Finance Department currently has a *Request for Change in Project Status* form that the engineering department must fill out, which includes the option of labeling a project as completed or in use. However, the form was not completed accurately. An audit adjustment was recorded to move the two projects out of Construction in Progress so depreciation on the projects could begin.

(1) Enhancing Controls over Construction in Progress

Recommendation

The Finance Department staff currently meet with Engineering Department staff on a regular basis as part of their evaluation of capital assets. We recommend as part of their regular meeting, the Finance staff provide additional guidance on how to complete the *Request for Change in Project Status* form accurately to allow the Finance Department to properly account for the project.

Management's Response Regarding Corrective Action Taken or Planned

Management concurs with the recommendation

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

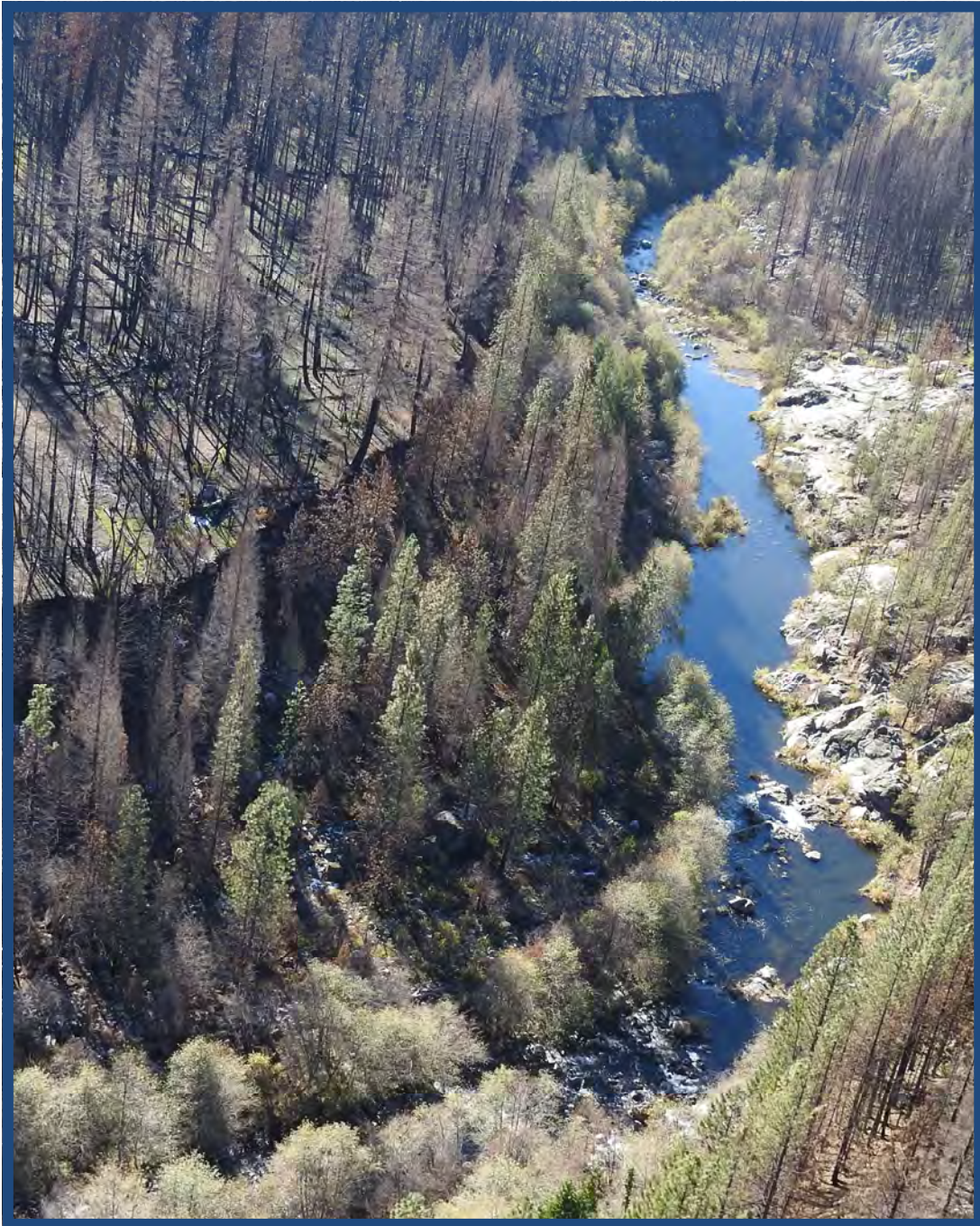


Irvine, California  
April 21, 2016

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# Supplemental Schedules

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Rubicon River—Aftermath of the King Fire, 1 year later

**PLACER COUNTY WATER AGENCY**  
**Unrestricted Net Position - Board Designated Reserves**  
**For the Fiscal Year Ended December 31, 2015**

**Agency Wide**

<b>Operational:</b>	
Contingencies	\$ 1,013,101
Operational	909,794
<b>Capital:</b>	
Routine Capital Replacement	164,696
Administration Building Maintenance and Improvements	1,712,037
<b>Liabilities:</b>	
Compensated Absences	613,309
<b>Specific Activities &amp; Projects:</b>	
Water Entitlements/Water Rights Permit Extension	2,132,971
Catastrophic Event	3,160,245
Regional Reliability Program	2,500,000
County Wide Master Plan	533,073
MFP Control Center	328,902
Next Generation ERP System	1,496
Regulatory/Legal	959,177
Security Upgrades	1,124,053
Stewardship Matters	538,836
Financial Assistance Program	259,958
<b>Total Agency Wide - Board Designated Reserves</b>	<b>\$ 15,951,648</b>

**Water Division**

<b>Operational:</b>	
Contingencies	\$ 2,018,362
Operational	2,777,308
Revenue Volatility	3,380,003
Energy Volatility	2,407,152
<b>Capital:</b>	
Building and Facilities Maintenance and Improvements	736,577
System Replacement and Improvements	9,839,559
Vehicles, Equipment and Other Routine Capital Replacement	946,136
<b>Specified Revenue:</b>	
Renewal & Replacement Charges	20,864,129
State and Federal Mandated Charges	35,655
Raw Water Surcharge	2,937,983
<b>Liabilities:</b>	
Compensated Absences	1,978,871
Revolving Grant Matching Funds	557,709
Risk Management	122,390
<b>Specific Activities &amp; Projects:</b>	
Water and Energy Efficiency Strategies	80,912
Service Center - Corporation Yard	3,639,039
Catastrophic Event	5,273,227
<b>Total Water Division - Board Designated Reserves</b>	<b>\$ 57,595,012</b>

**Note:** Board designated reserves for the Middle Fork Project are held by the Middle Fork Project Finance Authority not the Agency, therefore, currently no reserves are held by the Agency for the Power Division.

**PLACER COUNTY WATER AGENCY**  
**Combined Schedule of Revenues, Expenses and Change in Net Position**  
**Budget and Actual**  
**For the Year Ended December 31, 2015**

	2015 Adopted Budget	2015 Adjusted Budget (1)	2015 Actual	Variance from Adjusted Budget (\$)	Variance from Adjusted Budget (%)
<b>Operating Revenues</b>					
Water Sales (1)	\$ 36,281,000	36,281,000	30,961,345	(5,319,655)	-15%
Power Sales (1)	37,558,000	37,558,000	25,589,249	(11,968,751)	-32%
Renewal and Replacement Charges	10,970,000	10,970,000	11,413,820	443,820	4%
Raw Water Surcharges	320,000	320,000	329,848	9,848	3%
Engineering Charges	680,000	680,000	816,141	136,141	20%
Customer Service Charges	740,000	740,000	774,312	34,312	5%
Other Revenue	-	-	194,987	194,987	-
Total Operating Revenues	<u>86,549,000</u>	<u>86,549,000</u>	<u>70,079,702</u>	<u>(16,469,298)</u>	<u>-19%</u>
<b>Non-Operating Revenues</b>					
Water Connection Charges	5,000,000	14,400,000	24,996,971	10,596,971	74%
Water Sale	-	6,000,000	6,000,000	-	0%
Costs Recovered from Other Agencies	-	-	253,377	253,377	-
Contributions In Aid of Construction	70,000	70,000	573,791	503,791	720%
Interest Earnings	940,000	940,000	1,066,989	126,989	14%
Property Taxes and Assessments	740,000	740,000	850,127	110,127	15%
Gain (Loss) on Disposal of Assets	-	(23,707,338)	(23,685,354)	21,984	0%
Program Grant Revenue	50,000	50,000	2,608,023	2,558,023	5116%
Rental Income	700,000	700,000	704,556	4,556	1%
Other Income	46,000	(6,261,950)	(6,526,276)	(264,326)	4%
Total Non-Operating Revenues (2)	<u>7,546,000</u>	<u>(7,069,288)</u>	<u>6,842,204</u>	<u>13,911,492</u>	<u>-197%</u>
<b>Total Revenues</b>	<u>94,095,000</u>	<u>79,479,712</u>	<u>76,921,906</u>	<u>(2,557,806)</u>	<u>-3%</u>
<b>Operating Expenses</b>					
Purchased Water	4,616,000	4,087,625	3,054,297	1,033,328	25%
Field Administration	1,039,000	1,033,142	1,120,004	(86,862)	-8%
Pumping Plant and Wells	1,460,000	1,906,847	2,567,327	(660,480)	-35%
Water Treatment	7,607,000	7,472,576	7,346,965	125,611	2%
Electrical Operations	3,095,000	3,095,000	2,255,878	839,122	27%
Transmission and Distribution:					
Treated Water	2,863,000	2,796,243	2,840,337	(44,094)	-2%
Raw Water	5,507,000	5,340,272	3,874,436	1,465,836	27%
Customer Service and Collections	4,365,322	4,384,080	4,455,896	(71,816)	-2%
Repairs and Maintenance	3,148,000	3,148,000	2,361,196	786,804	25%
Recreation	2,626,000	2,626,000	2,260,185	365,815	14%
Automotive & Equipment	1,074,000	1,057,460	969,403	88,057	8%
Engineering	2,669,000	4,711,050	5,512,612	(801,562)	-17%
General and Administrative	14,970,678	15,576,367	14,870,321	706,046	5%
Resource Development	4,875,000	2,710,279	1,792,614	917,665	34%
Depreciation	1,616,000	1,616,000	23,337,141	(21,721,141)	-1344%
Total Operating Expenses (3)	<u>61,531,000</u>	<u>61,560,941</u>	<u>78,618,612</u>	<u>(17,057,671)</u>	<u>-28%</u>
<b>Non-Operating Expenses</b>					
Interest Expense	3,831,000	3,831,000	2,218,592	1,612,408	42%
Total Non-Operating Expenses	<u>3,831,000</u>	<u>3,831,000</u>	<u>2,218,592</u>	<u>1,612,408</u>	<u>42%</u>
<b>Total Expenses</b>	<u>65,362,000</u>	<u>65,391,941</u>	<u>80,837,204</u>	<u>(15,445,263)</u>	<u>-24%</u>
Capital Contributions	-	-	7,221,675	7,221,675	-
<b>CHANGE IN NET POSITION</b>	<u>\$ 28,733,000</u>	<u>14,087,771</u>	<u>3,306,377</u>	<u>(10,781,394)</u>	<u>-77%</u>

(1) 2015 was the fourth dry year in a row, resulting in lower water sales because of conservation and lower power sales due to poor hydrology.

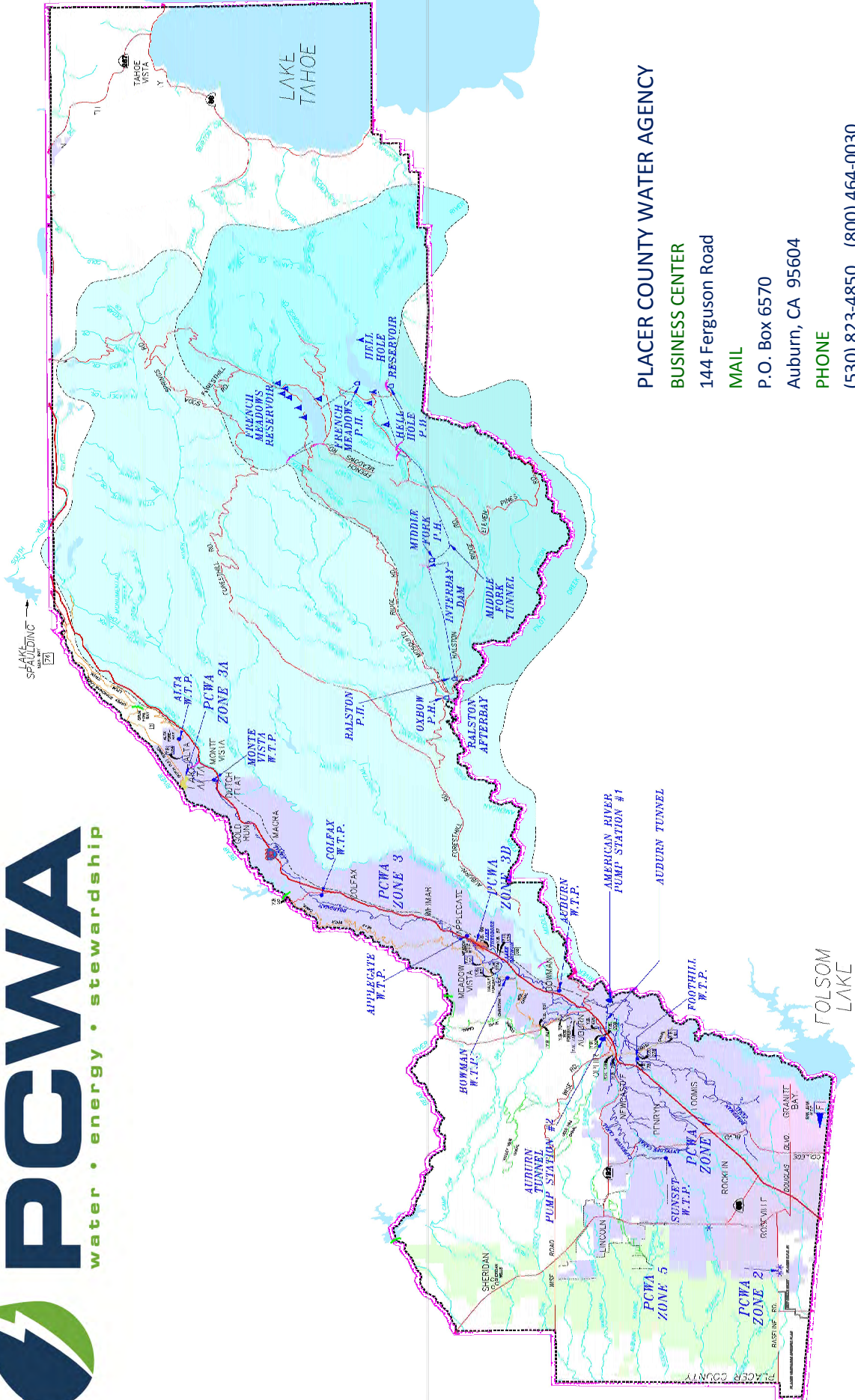
(2) Non-Operating Revenues is over budget primarily due to increased water connection charge revenue which reflects the improvement in the local housing industry.

(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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating Revenues</b>										
Water Sales	\$ 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	36,281,000
Power Sales	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	37,558,000
Renewal and Replacement Charges	-	-	-	-	-	-	-	-	10,330,000	10,970,000
Raw Water Surcharges	-	-	-	-	-	-	-	-	300,000	320,000
Reimbursements	63,000	68,000	57,877	60,192	62,600	65,104	67,708	23,472	-	-
Engineering Charges	900,000	1,140,000	800,000	980,000	565,000	415,000	355,000	630,000	630,000	680,000
Customer Service Charges	400,000	400,100	502,400	502,500	730,000	731,000	731,000	731,000	731,000	740,000
Other Revenue	10,050	10,000	5,000	5,000	5,000	5,000	5,000	5,000	48,980	-
<b>Total Operating Revenues</b>	<b>55,317,746</b>	<b>60,541,153</b>	<b>49,593,739</b>	<b>49,369,070</b>	<b>49,902,210</b>	<b>46,598,069</b>	<b>49,938,989</b>	<b>48,282,453</b>	<b>79,717,078</b>	<b>86,549,000</b>
<b>Non-Operating Revenues</b>										
Water Connection Charges	12,000,000	4,500,000	2,200,000	2,100,000	250,000	100,000	-	-	1,500,000	14,400,000
Water Sale	-	-	-	-	-	-	-	-	-	6,000,000
Renewal & Replacement Charges	4,300,000	6,816,000	8,090,000	8,435,000	8,638,000	8,800,000	9,060,000	9,160,000	-	-
Mandated Costs Charges	3,400,000	3,568,000	4,035,000	-	-	-	-	-	-	-
Raw Water Surcharges	330,000	401,708	219,123	250,000	250,000	250,000	250,000	250,000	-	-
Costs Recovered from Other Agencies	-	-	20,000	-	-	-	-	-	-	-
Contributions in Aid of Construction	400,000	400,000	415,000	220,000	55,000	55,000	55,000	152,000	70,000	70,000
Interest Earnings	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	940,000
Property Taxes and Assessments	770,023	710,000	820,000	800,000	646,200	646,200	680,000	680,000	680,000	740,000
Gain on Disposal of Assets	5,000	-	-	4,000	-	(111,442)	-	-	-	(23,707,338)
Program Grant Revenue	-	15,000	324,657	150,000	90,000	50,000	10,000	75,000	90,000	50,000
Rental Income	-	50,000	-	-	-	240,000	240,000	240,000	538,000	700,000
Other Income	10,050	20,050	7,047	(40,581)	32,984	202,251	41,273	500	(715,826)	(6,261,950)
<b>Total Non-Operating Revenues</b>	<b>24,585,073</b>	<b>19,885,858</b>	<b>19,589,463</b>	<b>15,318,419</b>	<b>12,062,184</b>	<b>11,732,009</b>	<b>11,360,573</b>	<b>11,662,500</b>	<b>3,127,174</b>	<b>(7,069,288)</b>
<b>Total Revenues</b>	<b>79,902,819</b>	<b>80,427,011</b>	<b>69,183,202</b>	<b>64,687,489</b>	<b>61,964,394</b>	<b>58,330,078</b>	<b>61,299,562</b>	<b>59,944,953</b>	<b>82,844,252</b>	<b>79,479,712</b>
<b>Operating Expenses</b>										
Purchased Water	676,000	759,400	716,400	755,736	779,420	674,020	724,000	725,000	2,527,764	4,087,625
Field Administration	807,418	805,746	1,351,731	927,861	1,066,761	1,020,479	937,854	1,005,891	1,017,197	1,033,142
Pumping Plant and Wells	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	1,906,847
Water Treatment	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	7,472,576
Electrical Operations	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	3,095,000
Transmission and Distribution										
Treated Water	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	2,796,243
Raw Water	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	5,340,272
Customer Service and Collections	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	4,384,080
Repairs and Maintenance	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	3,148,000
Safety	694,539	-	-	-	-	-	-	-	-	-
Recreation	-	229,359	189,849	187,501	424,186	344,558	450,799	2,459,516	2,318,500	2,626,000
Automotive and Equipment	662,707	729,512	808,487	824,000	898,973	857,976	920,427	898,584	1,019,857	1,057,460
Engineering	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	4,711,050
General and Administrative	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	15,576,367
Resource Development	-	-	-	-	-	-	-	3,612,111	6,155,972	2,710,279
Depreciation	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	1,616,000
<b>Total Operating Expenses</b>	<b>29,379,531</b>	<b>36,500,051</b>	<b>46,154,783</b>	<b>45,431,184</b>	<b>44,874,595</b>	<b>44,934,885</b>	<b>45,410,015</b>	<b>52,120,904</b>	<b>57,974,158</b>	<b>61,560,941</b>
<b>Non-Operating Expenses</b>										
Interest Expense	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	3,831,000
Amortization of Bond Issue Cost	70,000	77,135	-	-	25,615	576,455	455,864	457,110	-	-
Amortization of Bond Premium/Discount	275,500	-	16,819	9,221	-	-	-	-	-	-
Other	100,000	-	-	-	-	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>4,444,206</b>	<b>3,497,570</b>	<b>3,017,124</b>	<b>4,538,707</b>	<b>5,186,990</b>	<b>5,568,305</b>	<b>4,614,489</b>	<b>4,518,141</b>	<b>3,923,490</b>	<b>3,831,000</b>
<b>Total Expenses</b>	<b>33,823,737</b>	<b>39,997,621</b>	<b>49,171,907</b>	<b>49,969,891</b>	<b>50,061,585</b>	<b>50,503,190</b>	<b>50,024,504</b>	<b>56,639,045</b>	<b>61,897,648</b>	<b>65,391,941</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 46,079,082</b>	<b>40,429,390</b>	<b>20,011,295</b>	<b>14,717,598</b>	<b>11,902,809</b>	<b>7,826,888</b>	<b>11,275,058</b>	<b>3,305,908</b>	<b>20,946,604</b>	<b>14,087,771</b>





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