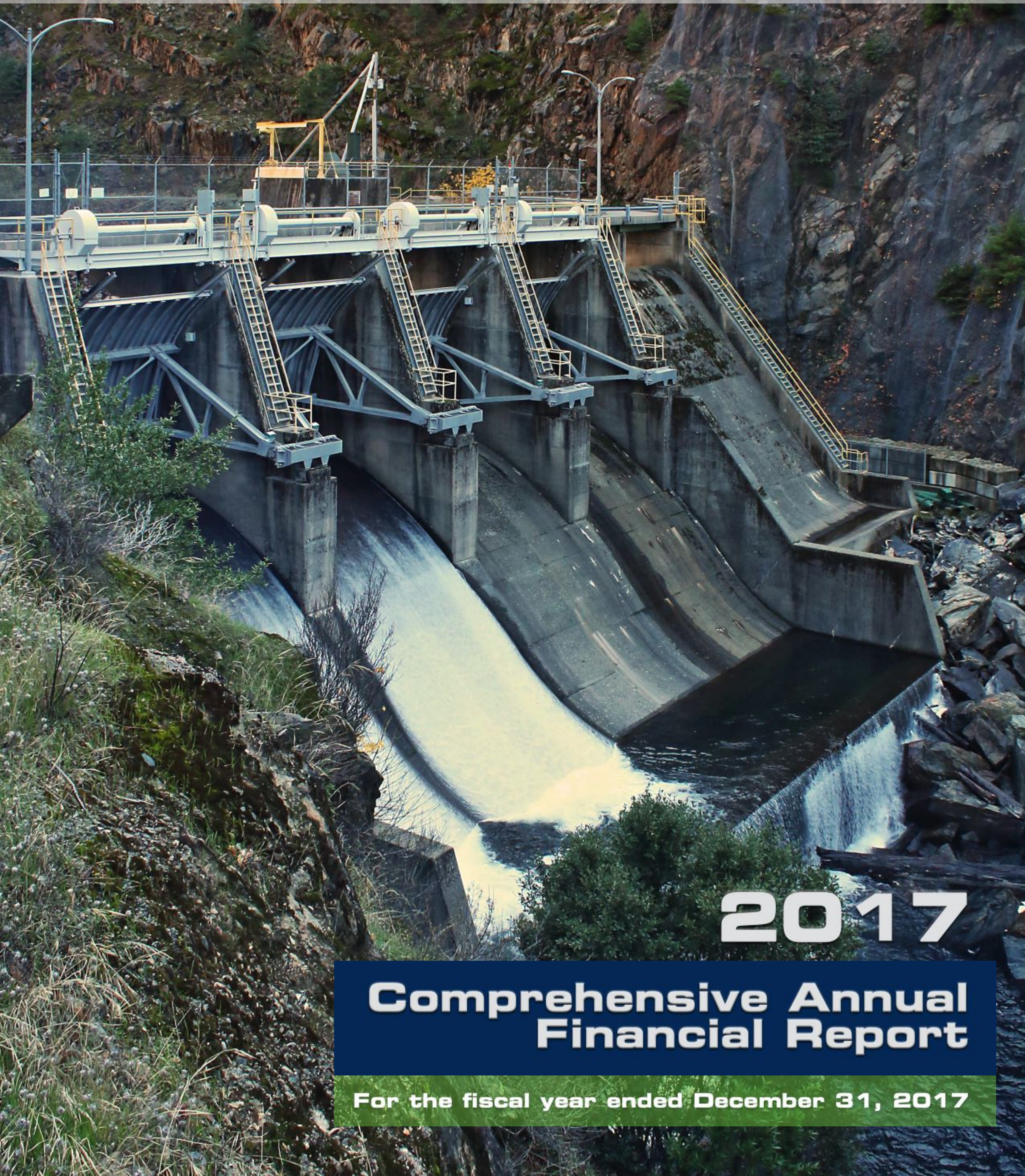
PCWA

Placer County Water Agency
Auburn, CA



# 2017

# Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2017

# Comprehensive Annual Financial Report

For the Year Ended December 31, 2017

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

Prepared by the Department of Financial Services

*On the cover Middle Fork Interbay Dam Spillway*

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# 2017 Comprehensive Annual Financial Report

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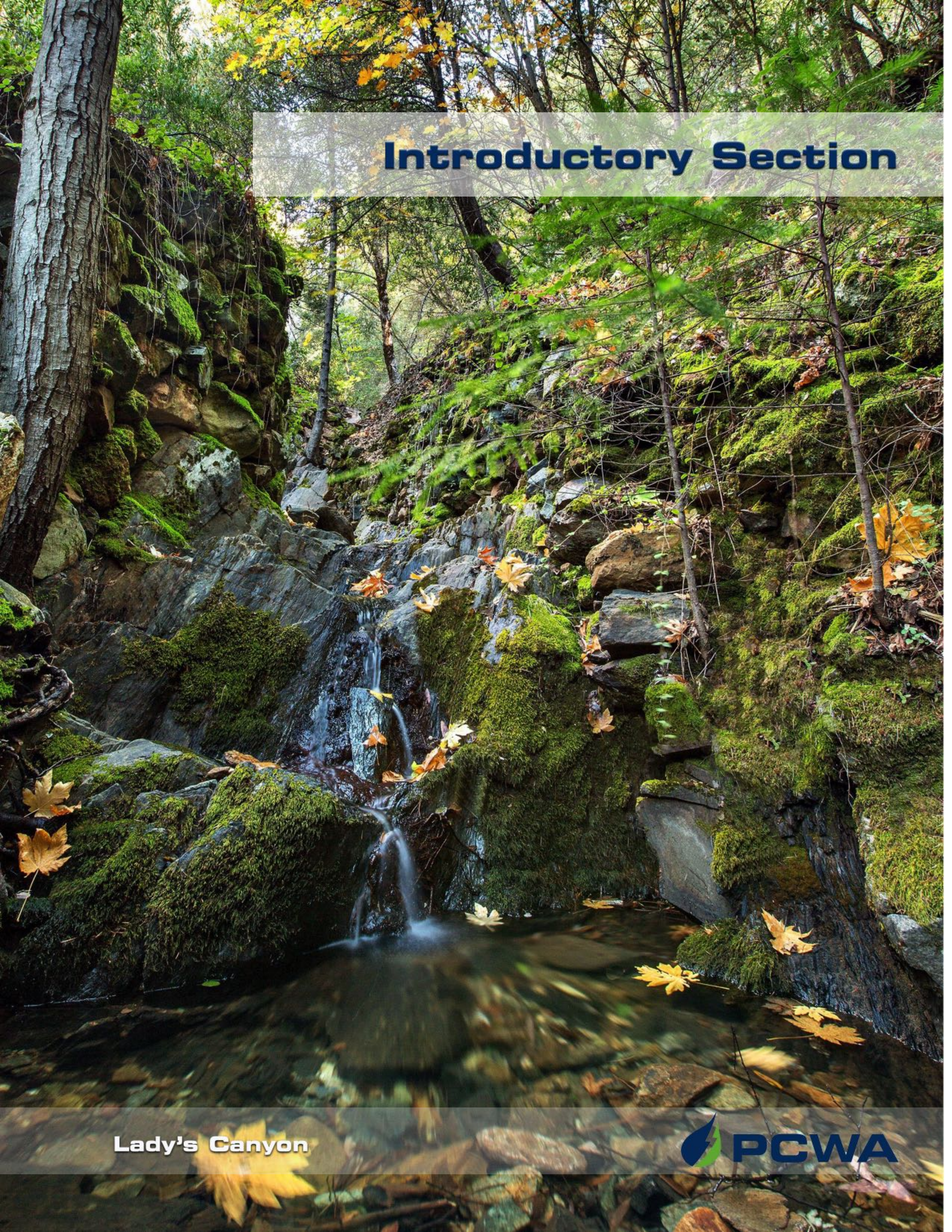
# Introductory Section



Lady's Canyon

PLACER COUNTY WATER AGENCY
SINCE 1957
BOARD OF DIRECTORS
Gray Allen, District 1
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Mike Lee, District 3
Robert Dugan, District 4
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May 21, 2018

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, 2017. This letter of transmittal is designed to complement the Management's Discussion and Analysis 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. Davis Farr LLP has issued an unmodified "clean" opinion on the Placer County Water Agency's financial statements for the year ended December 31, 2017, which 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. 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 224 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. The energy and ancillary services were 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 ended on December 31, 2017. The electricity generated is metered by the CAISO and shadow settled by the Agency. Under this agreement, PG&E buys all power generated and ancillary services provided by the MFP through December 31, 2017. Starting in January 2018, the power generation will be sold directly to the CAISO, while ancillary services will be sold through bilateral contracts.

***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 40,000 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 untreated water for irrigation of pastures, orchards, rice fields, farms, ranches, golf courses and landscaping. The Agency owns and operates eight water treatment plants, 25 water tanks and over 600 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***

PCWA's region has plentiful water resources as its service area is bordered by two rivers: the Yuba/Bear River to the north and the American River to the south. PCWA's jurisdiction extends into the watershed that provides mostly gravity fed water to the Agency's water infrastructure. The Agency obtains water from three primary sources: 1) Currently, the majority of water PCWA delivers to its treated and untreated water customers in Western Placer County comes from water pursuant its Western Water Supply Contract with PG&E and allows 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 untreated 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 Improvement 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 generally accepted accounting principles. 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 Improvement Program budget and increases to the operating budget require Board approval.

***Significant Events and Accomplishments***

Water Year – 2017 Wettest on Record

The late December 2016 and early 2017 heavy precipitation hit the Sierras resulting in 2017 being the wettest year on record in Northern California. Both French Meadows and Hell Hole reservoirs filled in December 2016 and spilled for several months into to 2017. Record precipitation met plentiful hydrology for power generation, which was 41% more than 2016 generation (an average hydrologic year) and Agency Power Sales were 20% more than 2016. For the Water Division, often more precipitation means less revenue as outdoor watering is reduced, yet for 2017 Water Sales were over 7% greater than 2016, which is attributed to higher demand as the new normal from the 2014 & 2015 drought years and a 1.5% rate increase based on cost of service increases.

Middle Fork Project (MFP)

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 2019. 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. The Agency has been preparing a draft CEQA document that will document the environmental impacts of withdrawing the additional MFP water from the American River. The CEQA document is anticipated to be ready in 2018.

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 continued to work very closely with the Sacramento Water Forum to finalize the modified Flow Management Standard, which, if implemented, would improve water supply reliability and lower American River fisheries.

Delta Issues

On August 17, 2017, the Agency filed suit in Placer County Superior Court challenging the California Department of Water Resources' (DWR) approval of the California WaterFix (WaterFix) Environmental Impact Report. The WaterFix proposes to add additional points of diversion for the State Water Project and Central Valley Project in the north Delta, on the Sacramento River, and convey water through two tunnels to destinations south of the Delta. By adding points of diversion in the north Delta, DWR and the United States Bureau of Reclamation (USBR) will have the ability to move more stored water from north-of-Delta reservoirs to central and southern California, which could adversely affect water supplies in the American River watershed, including lower water levels in Folsom Reservoir. The Agency delivers water to its wholesale partners, the City of Roseville and San Juan Water District, through diversion facilities at Folsom Dam. In addition, PCWA participates in the Sacramento Water Forum, which seeks to provide a reliable and safe water supply for the region's long-term growth and economic health and preserve the fishery, wildlife, recreational, and aesthetic values of the lower American River. Should Folsom Reservoir operations change with WaterFix, regional water supplies and the environment of the American River Watershed would be at risk. The Agency is also participating in the administrative permitting process for the WaterFix before the State Water Resources Control Board to protect the Agency's interests in the American River watershed. The State Water Resources Control Board has commenced updating the Water Quality Control Plan for the Bay-Delta, which is expected to result in additional water from the Sacramento River watershed dedicated to environmental purposes. The Agency has engaged with various stakeholders and certain State agencies as part of that process and will continue to work towards protecting Agency and regional water supplies in that process.

Planning and Land Development

The Agency experienced a steady level of development activity, committing more than 700 new equivalent dwelling units (EDUs). Efforts were made toward developing a cost share framework for investments in new water supply infrastructure, including the Ophir Water Treatment Plant, through a revised water connection charge (WCC) model and by wholesale purchase agreements. Continued progress was made during the Ophir Water Treatment Plant phasing plan to match expected development growth; the infrastructure includes the plant with planned capacity up to of 30 million gallons per day, in 10 MGD phases, necessary transmission pipelines to deliver this capacity, and buildout of the Agency's retail service areas with tanks and wells. The Agency is also working with three 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.

County-wide Master Plan

The County-wide Master Plan is intended to match eligible projects with funding opportunities through the Agency's Financial Assistance Program (FAP) by prioritizing water and power resource needs across Placer County. The Project Database was launched in early 2017 for entry of projects eligible for funding through the FAP. The Project Database was developed to become a dynamic central collection point for all proposed capital projects within the county that meet the County-Wide Master Plan project Elements. During 2017, the FAP Policy was revised to incorporate aspects of the adopted County-Wide master Plan and strategic objectives were set by the Board of Directors.

## 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 has been one of the fastest growing counties in California featuring thousands of acres available for growth, low cost housing and a skilled and educated workforce. In the last decade the County has experienced an overall population growth of approximately 15.8%, while the increase from 2016 to 2017 was only 1.5%. The long-term forecast for the County's growth is a steady of an average 2.3%. The population is expected to reach approximately 436,000 by 2027. The 2027 figure represents a 14.2% increase over the current population of 381,675.

At December 2017, Placer County's unemployment is currently lower than the State's average: Placer County at 3.1% and State at 4.5%.

The County's per capita personal income also exceeded the State's per capita personal income by 7.2% in 2016 (Data is not currently available for 2017). Please see the Statistical Section for additional information.

Placer County has experienced an increase in development over the past five years. For example, the Agency's Water Connection Charge revenues, which are charges to connect to new water service, increased from a total of $1.6 million in 2012 to $25.0 million in 2015 and $7.8 million in 2017. The decrease in EDU commitment since 2015 was expected as the Agency has changed its EDU allocation method whereas the Agency may now only allocate a fraction of an EDU for a residential service that commits to a limited water consumption agreement.

***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 and funding 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 Improvement 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. With certain Water Division infrastructure reaching the end of its maintainable life, in 2001 PCWA adopted a new component to the water rates to specifically fund the replacement of aging infrastructure. Since 2001, the renewal and replacement (R&R) charge has steadily grown to result in $11 million annual funding for R&R Capital Projects.

On August 17, 2017, the Agency overlaid Zones 1, 2, 3, and 5 with a newly established Zone 6 (also known as the Western Water System), following a comprehensive Water Cost of Service and Rate Study (Study) across all Agency water services. Initiated in 2015 and completed in September 2017, the Study sought to (1) establish fair and equitable water rates for Zone 6 that proportionately allocated the costs of providing service in accordance with California Constitution Article XIII D, Section 6 (commonly referred to as Proposition 218), (2) provide sufficient revenue based on costs, (3) ensure rates are based upon the costs to provide service to each customer class and each rate tier, and (4) produce an administrative record to support decisions made within the rate design.

The Study proposed a new rate structure and design that shifted the Water System revenue components from 45% fixed and 55% commodity based, to 60% fixed and 40% commodity based. This adjustment aligned revenue more closely to the Agency's cost structure, which is approximately 85% fixed, while still promoting conservation through a tiered commodity pricing structure. The Study also included a revenue requirement of $3.74 million (increase of 8.3%) to the annual cost of service to replenish recent annual reserve use.

Following a public hearing held on November 2, 2017, the Agency's Board of Directors adopted a resolution on November 16, 2017 approving the Study's proposed rates, fees and charges, effective January 1, 2018, in order to establish uniform rates, fees and charges throughout the Agency's service area, consolidate some customer classifications, reduce the number of commodity tiers for many rate schedules, maintain a cost of service structure consistent with state law and industry standards, and allow for an annual inflation adjustment based on the Consumer Price Index for years 2019-2022, upon annual Board consideration and approval.

## 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. Annually during the first quarter of each year, the policy is reviewed and re-adopted by the Board of Directors to ensure 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 *Reserve Policy*, initially adopted in 2005 as the *Net Asset Reserve and Designation Policy*, was renamed and revised 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.

**Procurement Policy**
The Agency’s *Procurement Policy* initially adopted years ago as the Purchasing Policy was revised, renamed, and readopted by the Agency in 2016. This policy provides the framework and guidelines for Agency purchases and contracts. This policy covers all Agency procurement activities (commodity and service purchases and public works contracts) and adheres to Government Code Section 54202 that requires local governmental agencies to adopt policies and procedures including “bidding regulations, governing purchases of supplies and equipment.”

**P-Card Policy**
In 2016, the Agency adopted a *Procurement Card (P-Card) Policy* to provide the framework and guidelines for the prudent use of Agency Procurement Cards. The objective of the policy is to provide delegation of authority and responsibility within a framework of accountability and controls for an Agency P-Card Program.

***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.

The Agency's Power System department will be implementing a number of new procedures in accordance with North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) 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. Beginning January 1, 2018, the Agency commenced working with new energy partners for the MFP power sales as well as other related energy commodities.

In October 2017, the Agency kicked-off an implementation of a new Enterprise Resource Planning (ERP) system. After a lengthy selection process, once fully implemented the mew ERP system will improve processing and workflows throughout all departments and encompass all aspects of utility billing and payment collection, as well as a work management system, and financials to support Finance, Human Resources and Payroll.

The Technical Services department will manage several new projects in 2018, which will include the South Canal Intake Phase 2 along with the Foothill Raw Water Supply Pipeline 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, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This CAFR reflects the hard work, talent and commitment of the staff members of the Financial Services Department. This document could not have been accomplished without their efforts and each contributor deserves sincere appreciation. I would also like to express appreciation to staff members of other departments who contributed to the preparation of this report.

Respectfully Submitted,

Joseph H. Parker

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, 2016**

Executive Director/CEO

# Placer County Water Agency

December 31, 2017

## Board of Directors

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

## Agency Officials

| | |
|---|---|
| General Manager | Einar Maisch |
| Agency Counsel | Scott Morris |
| Staff Counsel | Dan Kelly |
| 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 | Daryl Hensler |
| Director of Strategic Affairs | Andy Fecko |
| Director of Technical Services | R. Brent Smith |
| Director of Energy Marketing | Ryan Cline |

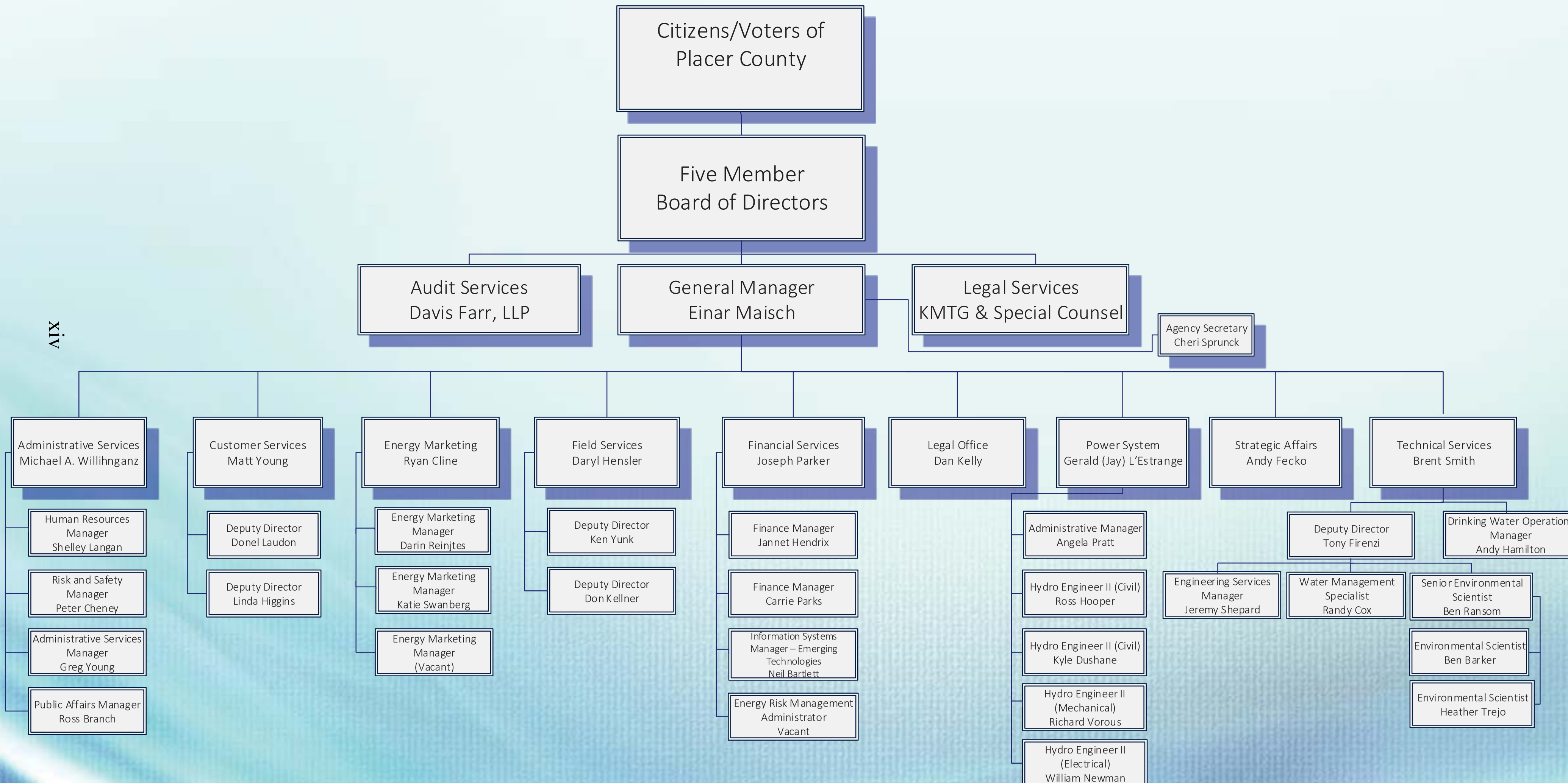
## Acknowledgements


Prepared by the Placer County Water Agency
Department of Financial Services

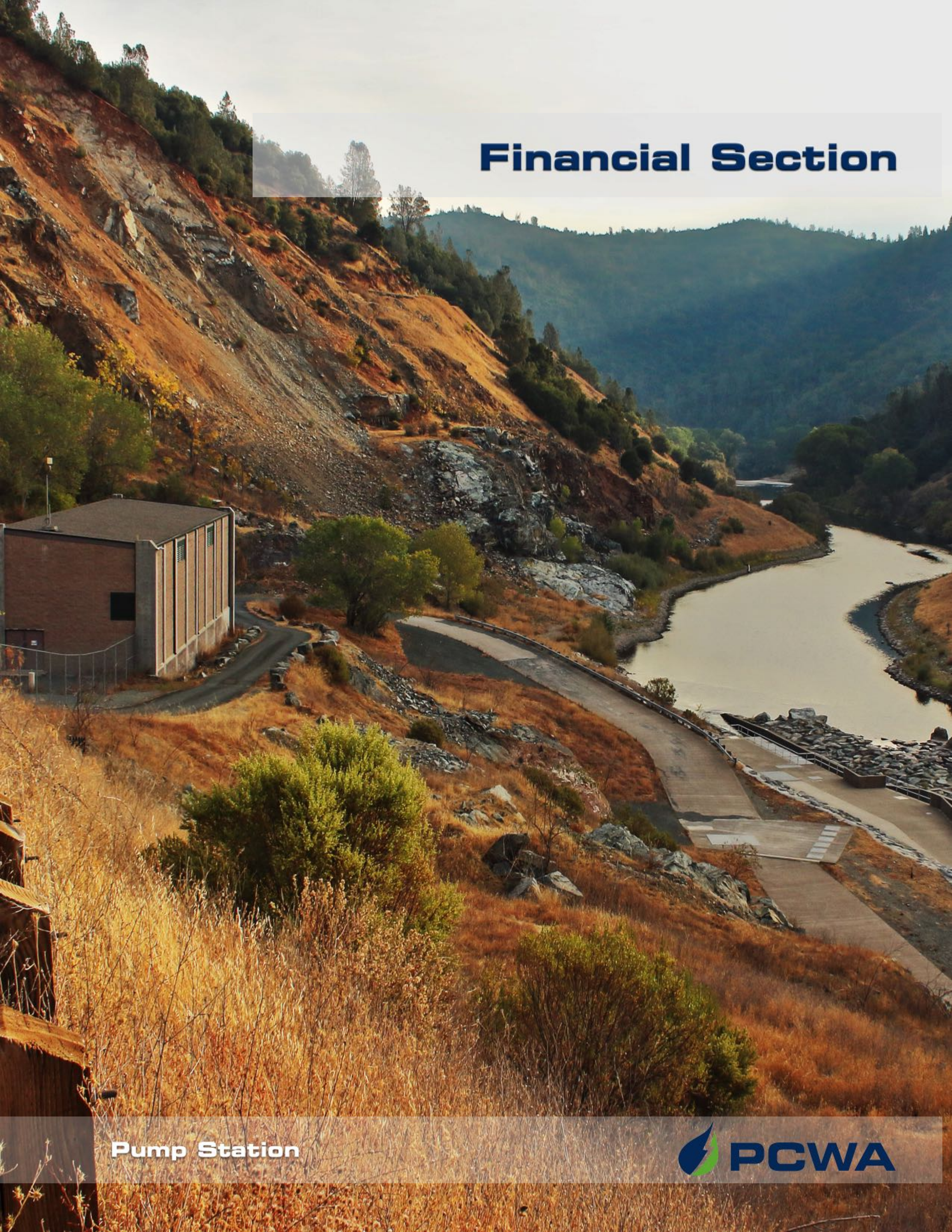
| | |
|---|---|
| Director of Financial Services | Joseph Parker, CPA |
| Finance Manager | Carrie Parks |
| Finance Manager | Jannet Hendrix, CPA |

*Special thanks and photo credits to Brie Anne Coleman*

# Placer County Water Agency
# Organizational Structure



# Financial Section



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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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 (the "Agency"), as of and for the year ended December 31, 2017, 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 opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Placer County Water Agency, as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 *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 *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 *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 May 18, 2018 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.

Davis Farr LLP

Irvine, California
May 18, 2018

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**PLACER COUNTY WATER AGENCY**

Management's Discussion and Analysis

December 31, 2017

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, 2017. Management's Discussion and Analysis (MD&A) 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 MD&A 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 untreated 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 on average 1.03 million megawatt hours annually. Since 2013, the Agency has 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 purchased all power generated & ancillary services provided by the MFP through December 31, 2017. Starting in January 2018, power generation will be sold directly to the CAISO and ancillary services will be sold through bilateral contracts.

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 untreated water customers and transmits water for treatment. The Agency owns and operates 8 water treatment plants, 26 water tanks and over 600 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 other purveyors who retail it directly to their customers. In addition the Agency utilizes groundwater to occasionally supplement surface water supplies when needed in Western Placer County.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Agency's Basic Financial Statements are designed to provide readers with a broad overview of the finances of the Placer County Water Agency. There are three components to the Basic Financial Statements: (1) Financial Statements, (2) Notes to the Basic Financial Statements, and (3) Required Supplementary Information.

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

### *Proprietary Fund*

The Agency's proprietary (enterprise) fund consists of 3 divisions, Agency Wide, the Water Division and the Power Division. Proprietary funds are used to account for operations that are financed and operated in a similar manner to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Agency's proprietary fund statements include the following:

The *Statement of Net Position (Balance Sheet)* presents information on the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the *Statement of Revenues, Expenses and Changes in Net Position* presents the results of the Agency's operations over the course of the fiscal year ending December 31st and information as to how the *net position* changed during the year. This statement can be used as an indicator to determine the Agency's credit worthiness and the extent to which the Agency has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Thus, revenue and expense are reported in this statement for some items that will result in cash flow in future fiscal periods, such as delayed collection of operating revenue and the expense of employee earned but unused vacation leave.

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

***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 2017, the Agency's financial position remained strong. The significant financial events are illustrated in the financial analysis below.

### *FINANCIAL HIGHLIGHTS FOR 2017*

- Net Position decreased $3.1 million or 0.5% during the fiscal year, however this decrease was primarily the result of a one-time write-off of $6.6 million in water treatment plant design work that was deemed impaired in 2017. (See note 12).

- At year-end the Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $690.7 million.
- Operating revenues increased $7.1 million or 10% to $77.8 million primarily the result of water and power sales increasing $2.4 million and $4.6 million, respectively.
- Non-operating revenue (expenses) decreased $10.2 million primarily from the decrease in water connection charge revenue of $4 million and the write-off of the water treatment plant design work totaling $6.6 million.

***Financial Position***

The Agency's net position decreased by $3.1 million to $690.7 million *(see Table 1)*, which is a result of assets and deferred outflow of resources decreasing by $2.4 million and liabilities and deferred inflow of resources increasing by $0.75 million.

Key components of the $3.1 million decrease in net position are as follows:

- Non-current assets decreased $3.2 million with long-term investment balances decreasing and additions to capital assets.
- Capital assets increased $1.3 million from capitalized construction and capital contributions.
- Deferred outflow of resources increased $1.5 million, reflecting pension contributions made subsequent to the measurement date, net differences between projected and actual earnings on pension plan investments, as well as deferred charges on refunding of debt.
- Non-current liabilities decreased $0.3 million, which is the net of a $4.3 million decrease in long-term debt, a $4.5 million increase in the net pension liability coupled with various small balance changes in other non-current liabilities.

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

| | 2017 | 2016 | Variance | % |
|---|---|---|---|---|
| Current Assets | $ 82,707 | 84,705 | (1,998) | -2% |
| Non-Current Assets | 97,660 | 100,834 | (3,174) | -3% |
| Capital Assets | 642,706 | 641,378 | 1,328 | 0% |
| Total Assets | 823,073 | 826,917 | (3,844) | 0% |
| Deferred Outflow of Resources | 12,446 | 10,955 | 1,491 | 14% |
| Current Liabilities | 17,229 | 16,416 | 813 | 5% |
| Non-Current Liabilities | 126,571 | 126,599 | (28) | 0% |
| Total Liabilities | 143,800 | 143,015 | 785 | 1% |
| Deferred Inflow of Resources | 1,043 | 1,073 | (30) | -3% |
| NET POSITION: | | | | |
| Net Investment in Capital Assets | 567,458 | 555,449 | 12,009 | 2% |
| Restricted | 52,726 | 61,078 | (8,352) | -14% |
| Unrestricted | 70,492 | 77,257 | (6,765) | -9% |
| Total Net Position | $ 690,676 | 693,784 | (3,108) | 0% |

### *Results of Operations*

The Agency's 2017 total operating revenue of $77.8 million increased $7.1 million when compared to the 2016 amount *(see Table 2 on the following page)*. The total operating expense increased $3.8 million resulting in an increase to net operating income of $3.3 million. Overall, the Agency's change in net position for the year, including capital contributions, decreased by $3.1 million compared to the 2016 net position. The major components of this decrease are as follows:

- Operating revenue at the fund level changed as follows: Agency Wide increased $0.5 million, Power Division increased $4.6 million and Water Division increased $2.4 million. Power Division revenues reflect reimbursements of Agency's expenses related to the Middle Fork Project. The increase in power sales revenues reflects higher reimbursements from the Middle Fork Project Finance Authority strong hydrologic year and more flow through the generators. The increase in Water Division revenue is two-fold: 1) a 2.3% CPI water rate escalation and 2) treated water consumption was approximately 8% higher in 2017.
- Operating expense increased by $3.8 million or 5% to $85.3 million. Operating expense at the

fund level changed from prior year as follows: Agency Wide decreased $0.75 million, Power Division increased $3.3 million and Water Division increased $1.2 million. The increase in Power Division is primarily due to storm damage and sediment removal expenses while the increase in the Water Division is primarily because of expenses related to the implementation of AMI and the water rate study.

- Non-operating revenues (expenses) decreased by $10.2 million or 73% to $3.8 million, which is a net change of the following: a $4.0 million decrease in Water Connection Charge revenue which fluctuates with building demand; a $6.6 million decrease in the gain (loss) on disposal of assets because of a $6.6 million asset impairment in the Water Division; a $1.2 million decrease in the other category primarily because in 2016 there was $0.8 million in revenue related to Water Division insurance proceeds; a $0.3 million decrease in the mark-to-market gain on investments; a $0.8 million increase in costs recovered from other agencies as grant revenues and cost share activity increased in 2017; a $0.5 million decrease in Water Division debt service interest and a $0.5 million increase in interest earnings.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled $0.5 million, which was comprised of various developer's agreement contributions.

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

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

| | 2017 | 2016 | Variance | % |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Agency Wide | $ 1,421 | 1,374 | 47 | 3% |
| Power Division | 27,344 | 22,710 | 4,634 | 20% |
| Water Division | 49,082 | 46,692 | 2,390 | 5% |
| Total Operating Revenues | 77,847 | 70,776 | 7,071 | 10% |
| OPERATING EXPENSES: | | | | |
| Purchased Water | 3,852 | 3,963 | (111) | -3% |
| Pumping Plant and Wells | 588 | 586 | 2 | 0% |
| Water Treatment | 7,682 | 7,578 | 104 | 1% |
| Electrical Operations | 6,384 | 2,323 | 4,061 | 175% |
| Transmission and Distribution of Treated Water | 3,020 | 2,725 | 295 | 11% |
| Transmission and Distribution of Raw Water | 4,977 | 4,363 | 614 | 14% |
| Customer Service and Collections | 4,961 | 3,986 | 975 | 24% |
| Repairs and Maintenance | 2,680 | 3,221 | (541) | -17% |
| Engineering | 5,133 | 6,848 | (1,715) | -25% |
| General and Administrative | 16,235 | 16,362 | (127) | -1% |
| Resource Development/Strategic Affairs and Energy Marketing | 1,471 | 1,682 | (211) | -13% |
| Depreciation | 24,001 | 23,664 | 337 | 1% |
| Other | 4,290 | 4,220 | 70 | 2% |
| Total Operating Expenses | 85,274 | 81,521 | 3,753 | 5% |
| Net Operating Income (Loss) | (7,427) | (10,745) | 3,318 | -31% |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Water Connection Charges | 7,796 | 11,824 | (4,028) | -34% |
| Water Sale | - | - | - | 0% |
| Costs Recovered from Other Agencies | 1,160 | 355 | 805 | 227% |
| Interest Earnings | 1,837 | 1,380 | 457 | 33% |
| Interest Expense | (2,571) | (3,043) | 472 | -16% |
| Other | (4,435) | 3,517 | (7,952) | -226% |
| Total Non-Operating Revenues (Expenses) | 3,787 | 14,033 | (10,246) | -73% |
| Income Before Capital Contributions | (3,640) | 3,288 | (6,928) | -211% |
| Capital Contributions | 532 | 7,018 | (6,486) | -92% |
| Change in Net Position | (3,108) | 10,306 | (13,414) | -130% |
| Net Position, Beginning of Year | 693,784 | 683,478 | 10,306 | 2% |
| Net Position, End of Year | $ 690,676 | 693,784 | (3,108) | 0% |

## CAPITAL ASSETS AND CAPITAL IMPROVEMENT PLAN

At the end of 2017, the Agency had invested $642.7 million (net of accumulated depreciation) in a broad range of infrastructure including; power facilities; water storage, transmission and distribution facilities; maintenance and administration facilities; vehicles; and equipment. The total increase in the Agency's investment in capital assets for 2017 was $1.3 million, or less than 1%. 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 2017 and 2016 as follows:

**Table 3**
**Capital Assets**
**(In thousands)**

| | 2017 | 2016 | Increase/ (Decrease) | % |
|---|---|---|---|---|
| Land | $ 17,168 | 17,060 | 108 | 1% |
| Utility Plant - Preliminary Survey | 412 | 778 | (366) | -47% |
| Utility Plant | 763,226 | 760,565 | 2,661 | 0% |
| Other Property and Equipment | 116,121 | 111,402 | 4,719 | 4% |
| Construction in Progress | 86,795 | 69,096 | 17,699 | 26% |
| Subtotal | 983,722 | 958,901 | 24,821 | 3% |
| Less Accumulated Depreciation | 341,017 | 317,523 | 23,494 | 7% |
| Total Capital Assets | $ 642,705 | 641,378 | 1,327 | 0% |

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

| | |
|---|---|
| **Agency Wide** | |
| American River Water Rights Extension | $ 359 |
| **Power** | |
| Communications Upgrade | 4,227 |
| Sediment Removal | 2,791 |
| Ralston Powerhouse Excitation System Replacement | 806 |
| **Water** | |
| Long Ravine Pipeline | 4,851 |
| Whitney Blvd Pipeline | 3,845 |
| Foothill #2 WTP Expansion | 2,800 |
| Ophir WTP 2014 | 2,315 |
| Hayford Flume 2 | 1,813 |
| **Total** | $ 23,807 |

The Agency's 2017 Budget includes a 2017 Capital Improvement Plan (CIP) budget totaling $40.5 million, which is presented below by fund.

| **Capital Improvement Plan Budget (In thousands)** | |
|---|---|
| Agency Wide | $ 3,135 |
| Power Division | 15,661 |
| Water Division | 21,719 |
| **Total** | $ 40,515 |

## LONG-TERM DEBT

At December 31, 2017, the Agency had total long-term debt outstanding of $81.2 million excluding the $5.7 million in compensated absences payable. The outstanding amount decreased $4.3 million during the year because of the following:

- The retirement of $3.0 million of Certificates of Participation.
- The retirement of $1.3 million in loans payable.

More detailed information about the Agency's long-term debt is presented in note 4 to the basic financial statements. In 2016, the Agency received an upgrade by Standard & Poor's to an 'AAA' rating and maintained an Aa2 rating from Moody's Investors Service. These ratings were re-affirmed by both firms in March 2018 during our 2018 debt refunding that closed in April 2018.

The debt coverage ratio demonstrates the Agency's Western Water System financial strength and future borrowing capability which is calculated at 1.99 times annual debt service for the Western Water System at December 31, 2017. Table 5 presents the Western Water System's debt coverage ratio and exhibits both 2017 and 2016 ratios being greater than the 1.20 times debt indenture covenant requirement.

**Table 4**
**Debt Coverage Ratio - Western Water System**
**(In thousands)**

| | 2017 | 2016 |
|---|---|---|
| Net Water Revenue, Excluding Depreciation | $ 15,033 | $ 24,579 |
| Debt Service on Certificates and Other Parity Debt | 7,551 | 8,145 |
| Debt Coverage Ratio | 1.99 | 3.02 |
| Debt Coverage Ratio Requirement Based on Debenture | 1.20 | 1.20 |

At December 31, 2017 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 3.2% in outstanding debt as shown in the following table:

**Table 5**
**Cost of Capital**
**(In thousands)**

| | Debt Balance | | | Average | Cost of |
|---|---|---|---|---|---|
| | Expansion | Replacement | Total | Coupon Rate | Capital |
| Certificates of Participation | $ 44,477 | 17,123 | 61,600 | 4.1% | 3.5% |
| Loans Payable | - | 19,607 | 19,607 | 2.3% | 2.3% |
| Total | $ 44,477 | 36,730 | 81,207 | 3.7% | 3.2% |

## 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.

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**PLACER COUNTY WATER AGENCY**

Statement of Net Position

December 31, 2017

| | |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents (note 2) | $ 41,675,526 |
| Restricted cash and cash equivalents (note 2) | 20,541,097 |
| Restricted cash and cash equivalents with fiscal agents (note 2) | 6,382,670 |
| Water service receivable, net | 6,793,561 |
| Accounts receivable | 3,008,473 |
| Interest receivable | 499,974 |
| Taxes receivable | 869,250 |
| Materials and supplies | 871,670 |
| Prepaid expenses | 1,855,099 |
| Net OPEB assets (note 11) | 209,913 |
| Total current assets | 82,707,233 |
| Non-current assets: | |
| Investments (note 2) | 65,387,306 |
| Restricted investments (note 2) | 32,228,194 |
| Notes receivable | 45,205 |
| Capital assets, non depreciable (note 3) | 104,374,985 |
| Capital assets, net of depreciation (note 3) | 538,330,596 |
| Total non-current assets | 740,366,286 |
| Total assets | 823,073,519 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow - pension contributions (note 7) | 3,472,451 |
| Deferred outflow - pension actuarial (note 7) | 6,288,074 |
| Deferred charges on refunding | 2,685,632 |
| Total deferred outflows | 12,446,157 |

(Continued)

See accompanying notes to financial statements.

# PLACER COUNTY WATER AGENCY

Statement of Net Position

December 31, 2017

| | |
|---|---|
| LIABILITIES AND NET POSITION | |
| Current liabilities: | |
| Accounts payable | 5,263,013 |
| Accrued salaries and benefits | 1,215,311 |
| Interest payable | 1,410,303 |
| Deposits | 1,391,968 |
| Other current liabilities | 882 |
| Current portion of long-term liabilities (note 4) | 4,368,499 |
| Compensated absences payable, current portion (note 4) | 3,579,087 |
| Total current liabilities | 17,229,063 |
| Non-current liabilities: | |
| Certificates of participation, net of premiums/discounts (note 4) | 61,638,563 |
| Loans payable (note 4) | 18,308,688 |
| Improvement district debt (note 4) | 2,329 |
| Compensated absences payable (note 4) | 2,104,865 |
| Net pension liability (note 7) | 44,516,079 |
| Total non-current liabilities | 126,570,524 |
| Total liabilities | 143,799,587 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows - pension actuarial (note 7) | 1,043,238 |
| Total deferred inflows | 1,043,238 |
| NET POSITION | |
| Net investment in capital assets | 567,458,132 |
| Restricted (note 5): | |
| Water system expansion | 52,287,044 |
| Other | 439,620 |
| Total restricted net position | 52,726,664 |
| Unrestricted | 70,492,055 |
| Total net position | $ 690,676,851 |

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, 2017

| | |
|---|---|
| OPERATING REVENUES | |
| Water sales | $ 36,686,798 |
| Power sales | 27,486,249 |
| Renewal and replacement charges | 11,747,194 |
| Raw water surcharges | 359,213 |
| Engineer charges | 674,039 |
| Customer service charges | 816,204 |
| Other revenue | 77,384 |
| Total operating revenues | 77,847,081 |
| OPERATING EXPENSES | |
| Purchased water | 3,852,247 |
| Field administration | 1,279,894 |
| Pumping plants and wells | 587,642 |
| Water treatment | 7,681,994 |
| Electrical operations | 6,383,611 |
| Transmission and distribution of treated water | 3,019,930 |
| Transmission and distribution of untreated water | 4,977,085 |
| Customer service and collections | 4,960,988 |
| Repairs and maintenance | 2,680,431 |
| Recreation | 2,038,338 |
| Automotive and equipment | 971,032 |
| Engineering | 5,133,124 |
| General and administrative | 16,235,211 |
| Resource Development/Strategic Affairs and Energy Marketing | 1,470,949 |
| Depreciation (note 3) | 24,001,216 |
| Total operating expenses | 85,273,692 |
| Operating income (loss) | (7,426,611) |

(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, 2017

| | |
|---|---|
| NON-OPERATING REVENUES (EXPENSES) | |
| Water connection charges | 7,795,975 |
| Costs recovered from other agencies | 1,159,664 |
| Interest earnings | 1,836,632 |
| Property taxes and assessments | 939,379 |
| Gain (loss) on disposal of assets | (6,616,175) |
| Program grant revenue | 824,868 |
| Interest expense | (2,571,287) |
| Rental income | 714,072 |
| Other income (expense) | (296,573) |
| Total non-operating revenues (expenses) | 3,786,555 |
| Net income before capital contributions | (3,640,056) |
| CAPITAL CONTRIBUTIONS | |
| Capital contributions | 532,360 |
| Increase in net position | (3,107,696) |
| Net position, beginning of year | 693,784,547 |
| Net position, end of year | $ 690,676,851 |

See accompanying notes to financial statements.

**PLACER COUNTY WATER AGENCY**

Statement of Cash Flows

For the year ended December 31, 2017

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | $ 76,669,230 |
| Cash paid to suppliers for goods and services | (26,383,908) |
| Cash paid to employees for services | (30,894,990) |
| Net cash provided by (used for) operating activities | 19,390,332 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Property taxes and assessments | 939,379 |
| Costs recovered from other agencies | 1,159,666 |
| Program grant revenue | 824,868 |
| Net cash provided by (used for) non-capital financing activities | 2,923,913 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (30,809,407) |
| Principal payment on debt | (4,319,202) |
| Interest payment on debt | (3,229,521) |
| Water connection charges | 7,808,326 |
| Net cash provided by (used for) capital and related financing activities | (30,549,804) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of investments | (23,400,713) |
| Proceeds from maturity of investments | 26,561,515 |
| Investment income | 1,702,482 |
| Net cash flows from investing activities | 4,863,284 |
| Net increase (decrease) in cash and cash equivalents | (3,372,275) |
| Cash and cash equivalents, beginning of year | 71,971,568 |
| Cash and cash equivalents, end of year | $ 68,599,293 |

(Continued)

See accompanying notes to financial statements.

**PLACER COUNTY WATER AGENCY**

Statement of Cash Flows

For the year ended December 31, 2017

| | | |
|---|---|---|
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | $ | (7,426,611) |
| Adjustments to reconcile operating income (loss) to cash flows provided by (used for) operating activities: | | |
| Depreciation and amortization | | 24,001,216 |
| Other non-operating income | | 426,617 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | | (1,161,573) |
| (Increase) decrease in materials and supplies | | 54,754 |
| (Increase) decrease in prepaid expense | | (135,991) |
| (Increase) decrease in deferred outflows (pension related) | | (1,782,535) |
| (Increase) decrease in net OPEB asset | | 2,425 |
| Increase (decrease) in accounts payable and other liablities | | 813,563 |
| Increase (decrease) in salaries and benefits payable | | 93,166 |
| Increase (decrease) in deposits | | (14,838) |
| Increase (decrease) in other current liabilities | | 129 |
| Increase (decrease) in net pension liability | | 4,549,565 |
| Increase (decrease) in deferred inflows | | (29,555) |
| Net cash provided by (used for) operating activities | $ | 19,390,332 |
| Reconciliation to Statement of Net Position: | | |
| Cash and cash equivalents | $ | 41,675,526 |
| Restricted cash and cash equivalents | | 20,541,097 |
| Restricted cash and cash equivalents with fiscal agent | | 6,382,670 |
| Total cash and cash equivalents reported on Statement of Net Position | $ | 68,599,293 |
| Non-cash investing, capital and financing activities: | | |
| Non-cash capital contributions | $ | 532,360 |
| Change in fair value of investments | | (675,480) |

See accompanying notes to financial statements.

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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's boundaries are coterminous with the borders of 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, 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 untreated and treated water to customers in Placer County. The Agency's generated power and ancillary services were sold to the Pacific Gas & Electric Company under contractual agreement until December 31, 2017. Starting in January 2018, the power generation will be sold directly to the California Independent System Operator (CAISO), while ancillary services will be sold through bilateral contracts.

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.

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 use 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.

- ***Unrestricted Net Position*** – This component of net position consists of net position that does 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 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.

### *G. Water Service Receivable*

Water service receivables are presented net of $143,081 in allowance for doubtful accounts as of December 31, 2017. 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, which approximates market, 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 acquisition 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.
Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During 2017, the Agency capitalized interest costs totaled $611,930.

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, 2017 are included on the statement of net position.

### *K. Property Tax Revenue*

Property tax in California is levied in accordance with Article XIIIA 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.

For the year ending December 31, 2017, the Agency's property tax revenue totaled $927,340 which is included in the Agency Wide division.

### *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 retail or wholesale 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. Zone 2 was established in 1979 and is a small area, about 100 acres, south of Roseville. Zone 3 was established in 1982 and includes the area from Alta to Bowman (just north of Auburn). Zone 4 was established in the Martis Valley in 1996 and was transferred to Northstar Community Services District on October 1, 2015. Zone 5, established in 1998, includes the agricultural area in western Placer County.

On August 17, 2017, the Agency's Board of Director's adopted by Resolution Zone 6, formally consolidating the western water system Zones 1, 2, 3, and 5. The water sources and infrastructure in each of these zones are inextricably tied to one another. The Agency's two principle water sources, its PG&E contracts and its Middle Fork Project (MFP) water rights, are fully integrated into the reliability of water delivery for all of the Agency's customers. The canal system, which stretches from Alta to Roseville, supplies water to Zones 1, 3 & 5, and is absolutely essential during periods when the PG&E system is out of service; the MFP supply flows directly to Zones 1, 2 & 5 but can also be used to back water supply into Zone 3; and the Zone 2 groundwater system was abandoned years ago and replaced with treated surface water from Zone 1.

### *N. Power Sales*

During 2017, 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 expired December 31, 2017. Under this agreement, PG&E purchased 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. Subsequently, the power generation will be sold directly to the CAISO, while ancillary services will be sold through bilateral contracts.

### *O. Bond Discounts and Premiums*

Original issue discounts and premiums related to the 2008, 2013 and 2016 certificates of participation are amortized using the bonds outstanding method over the life of the debt.

### *P. Use of Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles 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) | 6/30/2016 |
| Measurement Date (MD) | 6/30/2017 |
| Measurement Period (MP) | 6/30/2016 to 6/30/2017 |

### *R. Fair Value Measurements*

Certain assets and liabilities are required to be reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The Agency categories its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categories the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in the measuring fair value are observable in the market and are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

## 2. Cash and Investments

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Statement of Net Position: | |
| Cash and Cash Equivalents | $ 41,675,526 |
| Restricted Cash and Cash Equivalents | 20,541,097 |
| Restricted Cash and Cash Equivalents with Fiscal Agents | 6,382,670 |
| Investments | 65,387,306 |
| Restricted Investments | 32,228,194 |
| Total | $ 166,214,793 |

Cash and investments as of December 31, 2017 consist of the following:

| | |
|---|---|
| Cash on Hand | $ 3,300 |
| Deposits with Financial Institutions | 6,251,405 |
| Investments | 159,960,088 |
| Total | $ 166,214,793 |

Cash and Investments Restricted

Cash and investments restricted for debt service, cash held at third party fiscal agent, and restricted for other purposes as of December 31, 2017 are as follows:

| | |
|---|---|
| Agency Wide Division: | |
| IRS Section 125 – Reserve for employees Section 125 account | $ 5,977 |
| Water Resource Development – Restricted for Water Resource Development Fund Activities | 433,643 |
| Total Agency Wide Restricted | 439,620 |
| Water Division: | |
| Held with Fiscal Agent Restricted for Debt Service | |
| 2008/2013 COP Debt Service Reserve | 4,364,821 |
| 2016 COP Debt Service Reserve | 488,623 |
| Auburn Water Treatment Plant Debt Service Reserve | 1,257,645 |
| Electric Street Tank Debt Service Reserve | 271,581 |
| Total Held with Fiscal Agent Restricted for Debt Service | 6,382,670 |
| Held at the Agency Restricted for Debt Service | |
| Electric Street (SRF) Loan – Restricted for Debt Service | 212,050 |
| Improvement Districts – Restricted for Debt Service | 56,528 |
| Total Held at the Agency Restricted for Debt Service | 268,578 |
| Total Water Division Restricted for Debt Service | 6,651,248 |
| Held at the Agency Restricted Other | |
| Water Connection Charges – Restricted for Water System Expansion | 39,205,050 |
| Water Connection Charge Cash funded to Capital Projects | 12,186,835 |
| Cash in Escrow for Construction Contracts | 409,198 |
| City of Lincoln Pipeline – Restricted for City of Lincoln pipeline | 174,730 |
| County Service Area 29 – Restricted for Zone 5 improvements | 81,573 |
| Sunset Ranchos – Restricted for Regional Water Use Efficiency | 3,707 |
| Total Water Division Held at the Agency Restricted Other | 52,061,093 |
| Total Restricted | $ 59,151,961 |

**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 | $65 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.

**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.

| Authorized Investment Type | Maximum Maturity | Maximum in Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| 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 |

### 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 value 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:

| | | Remaining Maturity | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | 12 Months Or Less | 13 to 24 Months | 25 to 36 Months | 49 to 60 Months |
| U.S. Treasury Securities | $ 8,954,430 | 2,980,560 | 5,973,870 | | |
| U.S. Government Agencies: | | | | | |
| FFCB | 35,784,450 | 20,947,050 | 8,906,070 | 5,931,330 | |
| FHLB | 14,900,970 | | 8,974,260 | 5,926,710 | |
| FAMC | 14,903,820 | 8,959,320 | 5,944,500 | | |
| PEFCO | 2,204,400 | | | | 2,204,400 |
| TVA | 9,001,170 | 9,001,170 | | | |
| Corporate Notes | 11,866,260 | 5,991,810 | 2,959,890 | | 2,914,560 |
| PCTPI | 16,657,540 | 16,657,540 | | | |
| LAIF | 39,304,378 | 39,304,378 | | | |
| Subtotal | 153,577,418 | 103,841,828 | 32,758,590 | 11,858,040 | 5,118,960 |
| Fiscal Agent Accounts: | | | | | |
| Money Market | 6,382,670 | 6,382,670 | | | |
| Total Investments | $ 159,960,088 | 110,224,498 | 32,758,590 | 11,858,040 | 5,118,960 |
| Percentage of portfolio: | 100.0% | 68.9% | 20.5% | 7.4% | 3.2% |

Acronyms references:

FFCB - Federal Farm Credit Bank
FHLB - Federal Home Loan Bank
FAMC - Farmer Mortgage Corporation
PEFCO - Private Export Funding Corporation
TVA - Tennessee Valley Authority
PCTPI- Placer County Treasurer's Pooled Investments
LAIF - Local Agency Investment Fund

### 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, 2017, 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 | $ 8,954,430 | N/A | 8,954,430 | | |
| U.S. Government Agencies: | | | | | |
| FFCB | 35,784,450 | N/A | 35,784,450 | | |
| FHLB | 14,900,970 | N/A | 14,900,970 | | |
| FAMC | 14,903,820 | N/A | | | 14,903,820 |
| PEFCO | 2,204,400 | N/A | 2,204,400 | | |
| TVA | 9,001,170 | N/A | 9,001,170 | | |
| Corporate Notes | 11,866,260 | Aa | 8,867,790 | 2,998,470 | |
| PCTPI | 16,657,540 | N/A | | | 16,657,540 |
| LAIF | 39,304,378 | N/A | | | 39,304,378 |
| Held by bond trustee: | | | | | |
| Money Market | 6,382,670 | * | 6,382,670 | | |
| Total | $ 159,960,088 | | 86,095,880 | 2,998,470 | 70,865,738 |

* 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:

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

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency's investment policy follows California Government Code regarding limitations on the amount that can be invested in any one investment type and does not further limit investments in any one issuer. Agency investments in the securities of any individual issuer, other than U.S. Treasury securities, LAIF, County Treasurer and mutual funds that represent 5% or more of total Agency investments are as follows:

| Issuer | Investment Type | Percent of Portfolio | Reported Amount |
|---|---|---|---|
| U.S. Government Agencies: | | | |
| Federal Farm Credit Bank | Federal agency securities | 22.37% | $ 35,784,450 |
| Federal Home Loan Bank | Federal agency securities | 9.32% | 14,900,970 |
| Farmer Mortgage Corporation | Federal agency securities | 9.32% | 14,903,820 |
| Tennessee Valley Authority | Federal agency securities | 5.63% | 9,001,170 |

**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 $13,846,222 which is collateralized at a rate of 110% with securities held by the pledging financial institution's Trust Department but not in the Agency's name.

**Investment in State Investment Pool – Local Agency Investment Fund**

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

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 $39,304,378 at December 31, 2017.

Included in the LAIF's investment portfolio at December 31, 2017, 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, 2017, the amount invested by public agencies in the LAIF totaled $74,272,397,118, which includes asset-backed securities totaling $1.84 billion (2.5%). At December 31, 2017, the LAIF investments mature in an average of 186 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.

The Agency 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 $16,657,540 at December 31, 2017.

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, 2017, 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, 2017, the amount invested by all public agencies in the PCTPI totaled $1,686,512,930, which includes Federal Agency Coupons totaling $893 million (53.2%) and corporate medium term notes totaling $190 million (11.2%). At December 31, 2017, the average days to maturity was 1,336 days.

## Fair Value Measurement

The Agency categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Agency has the following recurring fair value measurements as of December 31, 2017:

| | Fair Value Hierarchy | | | Investments Not Categorized at Fair Value | Total |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | |
| U.S. Treasury Securities | $8,954,430 | | | | 8,954,430 |
| U.S. Government Agencies: | | | | | |
| FFCB | | 35,784,450 | | | 35,784,450 |
| FHLB | | 14,900,970 | | | 14,900,970 |
| FAMC | | 14,903,820 | | | 14,903,820 |
| PEFCO | | 2,204,400 | | | 2,204,400 |
| TVA | | 9,001,170 | | | 9,001,170 |
| Corporate Notes | | 11,866,260 | | | 11,866,260 |
| PCTPI | | | | 16,657,540 | 16,657,540 |
| LAIF | | | | 39,304,378 | 39,304,378 |
| Held by bond trustee: | | | | | |
| Money Market | | | | 6,382,670 | 6,382,670 |
| Total Investments | $8,954,430 | 88,661,070 | - | 62,344,588 | 159,960,088 |

## 3. Summary of Capital Assets

The following is a summary of capital assets as of December 31, 2017:

| | Balance 12/31/16 | Additions | Retirements | Transfers | Balance 12/31/17 |
|---|---|---|---|---|---|
| **Agency Wide:** | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | $ 4,054,187 | | | | 4,054,187 |
| Construction in Progress | 8,392,241 | 871,532 | | | 9,263,773 |
| Total Capital Assets, Not Being Depreciated | 12,446,428 | 871,532 | - | - | 13,317,960 |
| Capital Assets, Being Depreciated: | | | | | |
| Utility Plant | 3,403,198 | | | | 3,403,198 |
| Other Property and Equipment | 9,869,831 | 566,699 | | | 10,436,530 |
| Total Capital Assets, Being Depreciated: | 13,273,029 | 566,699 | - | - | 13,839,728 |
| Less Accumulated Depreciation for: | | | | | |
| Utility Plant | (1,632,681) | (61,347) | | | (1,694,028) |
| Other Property and Equipment | (3,311,375) | (589,495) | | | (3,900,870) |
| Total Accumulated Depreciation | (4,944,056) | (650,842) | - | - | (5,594,898) |
| Total Capital Assets, Being Depreciated, Net | 8,328,973 | (84,143) | - | - | 8,244,830 |
| Total Capital Assets - Agency Wide, Net | 20,775,401 | 787,389 | - | - | 21,562,790 |
| **Power Division:** | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Preliminary Survey | 12,500 | | | | 12,500 |
| Construction in Progress | 47,990,438 | 6,986,925 | | (1,904,082) | 53,073,281 |
| Total Capital Assets, Not Being Depreciated | 48,002,938 | 6,986,925 | - | (1,904,082) | 53,085,781 |
| Capital Assets, Being Depreciated: | | | | | |
| Utility Plant | 214,247,035 | 278,389 | | 1,904,082 | 216,429,506 |
| Other Property and Equipment | 10,983,990 | 211,369 | (287,598) | | 10,907,761 |
| Total Capital Assets, Being Depreciated: | 225,231,025 | 489,758 | (287,598) | 1,904,082 | 227,337,267 |
| Less Accumulated Depreciation for: | | | | | |
| Utility Plant | (90,310,441) | (4,575,141) | | | (94,885,582) |
| Other Property and Equipment | (5,827,758) | (708,405) | 287,598 | | (6,248,565) |
| Total Accumulated Depreciation | (96,138,199) | (5,283,546) | 287,598 | - | (101,134,147) |
| Total Capital Assets, Being Depreciated, Net | 129,092,826 | (4,793,788) | - | 1,904,082 | 126,203,120 |
| Total Capital Assets - Power Division, Net | 177,095,764 | 2,193,137 | - | - | 179,288,901 |

| | Balance 12/31/16 | Additions | Retirements | Transfers | Balance 12/31/17 |
|---|---|---|---|---|---|
| **Water Division:** | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | 13,005,576 | | | 108,000 | 13,113,576 |
| Preliminary Survey | 765,114 | | | (365,397) | 399,717 |
| Construction in Progress | 12,713,770 | 21,528,737 | | (9,784,556) | 24,457,951 |
| Total Capital Assets, Not Being Depreciated | 26,484,460 | 21,528,737 | - | (10,041,953) | 37,971,244 |
| Capital Assets, Being Depreciated: | | | | | |
| Utility Plant | 542,915,329 | 497,500 | (6,729,916) | 6,710,805 | 543,393,718 |
| Other Property and Equipment | 90,548,458 | 1,012,549 | (115,544) | 3,331,148 | 94,776,611 |
| Total Capital Assets, Being Depreciated: | 633,463,787 | 1,510,049 | (6,845,460) | 10,041,953 | 638,170,329 |
| Less Accumulated Depreciation for: | | | | | |
| Utility Plant | (171,068,463) | (13,740,543) | 104,618 | | (184,704,388) |
| Other Property and Equipment | (45,372,554) | (4,326,285) | 115,544 | | (49,583,295) |
| Total Accumulated Depreciation | (216,441,017) | (18,066,828) | 220,162 | - | (234,287,683) |
| Total Capital Assets, Being Depreciated, Net | 417,022,770 | (16,556,779) | (6,625,298) | 10,041,953 | 403,882,646 |
| Total Capital Assets - Water Division, Net | 443,507,230 | 4,971,958 | (6,625,298) | - | 441,853,890 |
| Total Capital Assets, Net | $ 641,378,395 | 7,952,484 | (6,625,298) | - | 642,705,581 |

## 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, 2017 including interest rates and maturities are as follows:

| Description | Fiscal year issued | Coupon rates | Year of final maturity | Balance at December 31, 2017 | |
|---|---|---|---|---|---|
| Certificates of Participation: | | | | | |
| 2007 Certificates | 2007 | 4.0% | 2017 | $ - | |
| 2008 Certificates | 2008 | 3.0% - 4.75% | 2029 | 31,470,000 | |
| 2013 Certificates | 2013 | 4.0% - 5.0% | 2023 | 5,290,000 | |
| 2016 Certificates | 2016 | 2.375% - 5.0% | 2037 | 24,840,000 | |
| Certificates outstanding | | | | 61,600,000 | |
| Loans Payable: | | | | | |
| State Water Resources Control Board | | | | | |
| Auburn Water Treatment Plant | 2008 | 2.29% | 2029 | 12,596,680 | |
| Electric Street Tank | 2012 | 2.30% | 2035 | 7,010,507 | |
| Loans outstanding | | | | 19,607,187 | |
| 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 | * |
| Improvement District debt outstanding | | | | 2,329 | |
| Subtotal debt outstanding | | | | 81,209,516 | |
| Compensated Absences | | | | 5,683,952 | |
| Total | | | | 86,893,468 | |
| Plus: Unamortized bond discounts and premiums | | | | 3,108,563 | |
| Total long-term debt | | | | $ 90,002,031 | |

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

The following is a summary of changes in long-term obligations for the year ended December 31, 2017:

| | Balance 1/1/2017 | Additions | Retirements | Balance 12/31/2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Certificates of Participation | $ 64,650,000 | - | 3,050,000 | 61,600,000 | 3,070,000 |
| Loans Payable | 20,876,389 | - | 1,269,202 | 19,607,187 | 1,298,499 |
| Improvement District Debt | 2,329 | - | - | 2,329 | - |
| Subtotal | 85,528,718 | - | 4,319,202 | 81,209,516 | 4,368,499 |
| Compensated Absences | 5,614,215 | 2,191,387 | 2,121,650 | 5,683,952 | 3,579,087 |
| Totals | $ 91,142,933 | 2,191,387 | 6,440,852 | 86,893,468 | 7,947,586 |

**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, 2013 and 2016 Certificates and other parity debt.

<u>2007 Certificates</u>

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 2016 Certificates advance refunded a portion of the 2007 Certificates totaling $26,725,000, the remaining 2007 Certificate debt matured in 2017.

<u>2008 Certificates</u>

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, 2017 is $31,470,000.

<u>2013 Certificates</u>

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, 2017 is $5,290,000.

<u>2016 Certificates</u>

On May 19, 2016, Certificates of Participation (2016 Certificates) were issued by the Agency in the amount of $24,840,000 with a reoffering net premium of $3,002,617 to advance refund a portion of the outstanding 2007 Certificates in the amount of $26,725,000 (originally issued to fund: 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 2016 Certificates were issued with an average coupon of 3.536% and a fixed coupon range from 2.375% to 5.0%. The principal outstanding at December 31, 2017 is $24,840,000.

<u>Certificates of Participation Debt Covenants</u>

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, 2017.

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

| | | | |
|---|---|---|---|
| 1. | Annual Debt Service Coverage | | 2017 |
| | Net Water Revenues excluding Depreciation | $ | 15,032,916 |
| | Debt Service on Certificates and Other Parity Debt | $ | 7,551,458 |
| | Debt Service Coverage | | 1.99 |
| 2. | Obligation Service Coverage | | |
| | Net Water Revenues excluding Depreciation as Adjusted by Water Purchases | $ | 18,885,163 |
| | Obligation Service | $ | 12,381,458 |
| | Obligation Service Coverage | | 1.53 |
| 3. | Certificate Reserve Requirement | | |
| | Minimum Reserve Requirement | $ | 4,651,551 |
| | Reserves Held at Agency | | 212,050 |
| | Actual Trustee Reserve Balance | | 5,030,508 |
| | Total Reserve Balance | $ | 5,242,558 |
| | Reserve Requirement Coverage | | 1.13 |

**Loans Payable**

*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, 2017 is $12,596,680.

*California Department of Health Services Loan – Electric Street*

In 2012, the Agency entered into a loan agreement with the Department of Health Services in an amount not to exceed $7,801,000. The purpose of the loan was to finance the upgrades to the Electric Street Water Tank. The principal and interest are payable from Water System revenue. The principal outstanding at December 31, 2017 is $7,010,507.

**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, 2017:

*Improvement District No. 10 (Aguilar Road)*

In 1977, warrants totaling $77,400 were issued for the purpose of financing the installation of pipeline, fire hydrants and other facilities on Aguilar Road. Final maturity of the warrants was July 1998. However, not all warrants have been presented for payment, and therefore, these unpresented amounts are carried as a liability in the financial statements. The unpresented and outstanding warrants principal balance at December 31, 2017 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 unpresented amounts are carried as a liability in the financial statements. The unpresented and outstanding warrants principal balance at December 31, 2017 is $1,195.

**Debt Service Requirements**

As of December 31, 2017, annual debt service requirements (excluding matured debt and compensated absences) to maturity are as follows:

| Year Ending | Certificates of Participation | | Loans Payable | |
|---|---|---|---|---|
| December 31: | Principal | Interest | Principal | Interest |
| 2018 | $ 3,070,000 | 2,674,675 | 1,298,499 | 442,833 |
| 2019 | 3,230,000 | 2,536,275 | 1,328,472 | 412,859 |
| 2020 | 3,350,000 | 2,390,625 | 1,359,138 | 382,194 |
| 2021 | 3,510,000 | 2,239,425 | 1,390,511 | 350,821 |
| 2022 | 3,660,000 | 2,078,888 | 1,422,608 | 318,724 |
| 2023-2027 | 21,925,000 | 7,578,313 | 7,621,039 | 1,085,619 |
| 2028-2032 | 14,780,000 | 2,394,600 | 4,005,489 | 318,098 |
| 2033-2037 | 8,075,000 | 714,287 | 1,181,431 | 41,133 |
| | $ 61,600,000 | 22,607,088 | 19,607,187 | 3,352,281 |

**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, 2017, totaling $107.4 million as follows:

- Second Senior obligations with remaining debt service totaling $84.2 million for the 2008, 2013 and 2016 Certifications of Participation, which is scheduled to be repaid in 2037.

- Parity debt obligations with remaining debt service totaling $22.9 million for the Auburn Water Treatment Plant and Electric Street Tank State Revolving Fund (SRF) loans with the State Water Resources Control Board, which is scheduled to be repaid in 2035.

For fiscal year 2017, Water Fund Revenues including operating and non-operating revenues amounted to $53.3 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to $38.2 million represented coverage of 1.99 over the $7.6 million in debt service.

**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, 2017, are as follows:

| Year Ending December 31, | Lease Payments |
|---|---|
| 2018 | $ 63,895 |
| 2019 | 28,734 |
| 2020 | 16,332 |
| | $ 108,961 |

Total costs of such leases were $61,807 for the year ended December 31, 2017.

## 5. Restricted Net Position

As of December 31, 2017 the Agency, including improvement districts, had the following restrictions to net position:

| | | |
|---|---|---|
| **Agency Wide Division:** | | |
| IRS Section 125 – Reserve for employees Section 125 account | $ | 5,977 |
| Water Resource Development – Restricted for Water Resource Development Fund Activities | | 433,643 |
| Total Agency Wide | | 439,620 |
| **Water Division:** | | |
| Water Connection Charges – Restricted for Water System Expansion | | 51,391,885 |
| Improvement Districts – Restricted for Debt Service | | 13,901 |
| Cash and Investments – Restricted for Specific Purposes | | 881,258 |
| Total Water | | 52,287,044 |
| Total All Fund – Restricted Net Position | $ | 52,726,664 |

## 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.

*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 the Agency delivers to its treated and untreated water customers in the lower Zone 6 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. In 2017, the price for this water was $41.09 per AF.

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 untreated 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 untreated 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.

Under the Zone 3 Water Supply contract, the Agency receives conservation credits for operating the Zone 3 system to conserve water and decrease delivery requirements below 11,000 AF per year. The Agency has not yet exceeded delivery of 13,000 AF in any water year and has, therefore, incurred no charge for deliveries under the contract.

*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 Miscellaneous Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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 currently makes a portion of the contributions required of Agency "Classic" employees on their behalf and for their account. The contribution rates below 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:

| Category | Classic Member Rates as a Percentage of Wages | PEPRA Member Rates as a Percentage of Wages |
|---|---|---|
| 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, 2017, are summarized as follows:

| Hire Date | Prior to January 1, 2013 | On or after January 1, 2013 |
|---|---|---|
| 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 | 23.71% | 23.71% |

Employees Covered

As of June 30, 2016, the following employees were covered by the benefit terms for each Plan:

| | |
|---|---|
| Active employees | 207 |
| Inactive employees or beneficiaries currently receiving benefits | 172 |
| Inactive employees entitled to but not yet receiving benefits | 58 |
| Totals | 437 |

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 the costs of benefits earned by employees during the year, with an additional amount 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB 68 |

| | |
|---|---|
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Payroll Growth | 3.00% |
| Mortality Rate Table[1] | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Changes of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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. The target allocation shown was adopted by the Board effective on July 1, 2015.

| Asset Class | Current Target Allocation | Real Return Years 1-10[1] | Real Return Years 11+[2] |
|---|---|---|---|
| Global Equity | 51.0% | 4.90% | 5.38% |
| Global Fixed Income | 20.0 | 0.80 | 2.27 |
| Inflation Sensitive | 6.0 | 0.60 | 1.39 |
| Private Equity | 10.0 | 6.60 | 6.63 |
| Real Estate | 10.0 | 2.80 | 5.21 |
| Infrastructure and Forestland | 2.0 | 3.90 | 5.36 |
| Liquidity | 1.0 | -0.40 | -0.9 |

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

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

Changes in Net Pension Liability

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

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) = (a) - (b) |
| Balance at: 6/30/2016 (VD) | $ 114,783,768 | $ 74,817,254 | $ 39,966,514 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 3,196,693 | - | 3,196,693 |
| Interest on the Total Pension Liability | 8,594,906 | - | 8,594,906 |
| Changes of Benefit Terms | - | - | - |
| Changes of Assumptions | 6,981,865 | - | 6,981,865 |
| Differences between Expected and Actual Experience | (540,219) | - | (540,219) |
| Plan to Plan Resource Movement | - | - | - |
| Contributions - Employer | - | 3,822,897 | (3,822,897) |
| Contributions - Employees | - | 1,331,106 | (1,331,106) |
| Net Investment Income | - | 8,640,140 | (8,640,140) |
| Benefit Payment, including Refunds of Employee Contributions | (5,230,553) | (5,230,553) | - |
| Administrative Expense | - | (110,463) | 110,463 |
| Net Changes during 2016-17 | 13,002,692 | 8,453,127 | 4,549,565 |
| Balance at: 6/30/2017 (MD) | $ 127,786,460 | $ 83,270,381 | $ 44,516,079 |

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

| | Discount Rate – 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|---|---|---|---|
| Plan's Net Pension Liability/ (Asset) | $61,487,329 | $44,516,079 | $30,439,699 |

Subsequent Events

In February 2018, the CalPERS Board approved an update to its investment gains and losses amortization policy by reducing the term from 30 years to 20 years. The policy will be implemented in 2019 valuation reports, which will tend to increase contribution rates starting in the Agency's fiscal year 2021. An estimate of the impact is not currently known.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position 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 outflows and deferred inflows of resources related to pensions and are 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 expected average remaining service lifetime (EARSL) 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 (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the measurement period ending June 30, 2017 is 4.4 years, which was obtained by dividing the total service years of 1,919 (the sum of remaining service lifetimes of the active employees) by 437 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

As of the start of the measurement period (June 30, 2016), the NPL is $39,966,514.

For the measurement period ending June 30, 2017 (measurement date), the Agency recognized a pension expense of $6,906,405 for the Plan.

As of December 31, 2017, the Agency reports other amounts for the Plan as deferred outflow and deferred in flow of resources related to pensions as follows:

| | Deferred outflows of Resources | Deferred inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 3,472,451 | |
| Differences between Expected and Actual Experience | 34,104 | (453,132) |
| Changes of Assumption | 5,395,078 | (590,106) |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 858,892 | - |
| Total | $ 9,760,525 | $ (1,043,238) |

The $3,472,451 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Measurement period Ended June 30: | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2018 | $ 968,515 |
| 2019 | 2,485,543 |
| 2020 | 1,867,563 |
| 2021 | (76,785) |
| 2022 | - |
| Thereafter | - |

## 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 carries Commercial Property, Boiler & Machinery and Business Interruption Coverage with scheduled and varying limits and deductibles. There are various other policies covering Public Officials, Crime, Cyber Liability, Pollution and other exposures. 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 Division while the Power Division purchases property coverage through a broker.

Coverage includes but is not limited to:

| Coverage | Deductible |
|---|---|
| Workers' Compensation | $100,000 (SIR) |
| Water CGL/Auto | $25,000 |
| Power CGL/Auto | $25,000 |
| Excess | Underlying policies |
| Water Property | $10,000 |
| Power Property | $100,000 |

For Worker's Compensation, on July 1, 2016 the State of California, Department of Industrial Relations, granted the Agency a Certificate of Consent to Self-Insure for the Agency's Workers' Compensation program. The Agency retains the risk for the first $100,000 of a claim. Excess insurance coverage is purchased to cover claims in excess of $100,000 up to the statutory limit set by the State of California.

The change in the Workers' Compensation claims liability, including claims incurred but not reported is based on an independent actuarial study prepared annually and was computed as follows:

| | 2017 | 2016 |
|---|---|---|
| Claims liability, beginning of the year | $ 33,935 | $ - |
| Current year claims | 306,775 | 200,040 |
| Change in prior year claims | (20,516) | - |
| Claims paid, current year claims | (116,031) | (166,105) |
| Claims paid, prior year claims | - | - |
| Claims liability, end of the year | $ 204,163 | $ 33,935 |

The Agency has no additional liability accrued at December 31, 2017 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. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

## 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 2017, the Agency's dues for 2015 – 2017 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.

**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 364 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)with the purpose to establish a joint organization 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 MFPFA issued the MFPFA 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 MFPFA. 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 Power Purchase Agreement (PPA) the MFPFA began receiving electrical energy revenues and reimbursed the Agency's expenses related to the Project pursuant to the JPA. Under this agreement, PG&E purchased all power generated & ancillary services provided by the MFPFA through December 31, 2017. Subsequently, the power generation will be sold directly to the CAISO market and ancillary services will be sold through bilateral contracts.

Reimbursements for 2017 Agency expenses totaled $27,342,238 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 MFPFA financial statements are available at the Agency's finance office.

## 10. Construction Commitments

At December 31, 2017 the Agency had ongoing construction commitments that totaled approximately $23.5 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 age 50 with at least five years of service, or retire for disability in accordance with State statutes and with various Agency Employee Associations' Memoranda of Understanding (MOU). The Agency provides retiree medical benefits through the California Public Employees' Retirement System healthcare program. 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, 2017 was $15,007. The Agency also provides health care benefits to its retirees through CalPERS. The cost to the Agency in the year ended December 31, 2017 was $875,871.

In 2017, 102 retirees received post-retirement benefits ranging from $300.48 to $1,267.70 (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.

***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 percent 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 liabilities (or funding excess) over a period not to exceed 30 years. As of December 31, 2017, there were 20-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 percent investment rate of return, (b) 3.25 percent projected annual salary increase, (c) 3.0 percent health inflation increases and healthcare costs will increase by 7.0 percent for Non-Medicare retirees and 7.2 percent for Medicare retirees in 2017 and (d) 3.0 percent 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, 2017, the Agency contributed the ARC to the Plan as presented below:

| | | |
|---|---|---|
| Annual required contribution (ARC) | $ | 2,304,000 |
| Interest on net OPEB Asset | | (15,000) |
| Adjustment to annual required contribution | | 20,000 |
| Annual OPEB Cost | | 2,309,000 |
| Contributions made: | | |
| Agency portion of current year premiums paid | | 875,871 |
| Implied Subsidy | | 279,000 |
| Prefunding Contributions to CERBT | | 1,151,704 |
| Total contributions | | 2,306,575 |
| Change in net OPEB asset | | (2,425) |
| Net OPEB Asset at December 31, 2016 | | 212,338 |
| Net OPEB Asset at December 31, 2017 | $ | 209,913 |

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

| Year End | Annual OPEB Cost | Annual Contribution | Percentage of OPEB Cost | Net OPEB Asset (Obligation) |
|---|---|---|---|---|
| 12/31/2015 | $ 2,212,000 | 2,212,000 | 100.0% | $ 212,338 |
| 12/31/2016 | 2,214,000 | 2,214,000 | 100.0% | 212,338 |
| 12/31/2017 | 2,309,000 | 2,306,575 | 99.9% | 209,913 |

***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, 2017 actuarial study is presented below:

(In thousands)

| Actuarial Valuation Date | Entry Age Actuarial Accrual Liability (a) | Actuarial Value of Assets (b) | Unfunded/ (Overfunded) Liability (a-b) | Funded Ratio (b/a) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll [(a-b)/c] |
|---|---|---|---|---|---|---|
| 6/30/2013 | $ 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% |
| 6/30/2017 | 28,301 | 18,859 | 9,442 | 66.6% | 17,054 | 55.4% |

## 12. Gain (Loss) on Disposal of Assets

During 2017, the Agency identified a capital asset in the Water Division that was determined to be impaired. The design and pre-construction of Ophir Water Treatment Plant that was performed in 2006 and 2007, prior to the 2009 recession was capitalized as Utility Plant. Subsequent to the recession and curtailed water demand from the recession, the drought in years 2014 and 2015 coupled with a reduction in new housing and commercial construction starts, the design of the Ophir Water Treatment Plant has been reconsidered and plans have changed based on changes in water demand and water treatment technology. During 2017, the asset for the design of the water treatment plant performed in 2007 and 2006 was evaluated for impairment and based on the design and plan changes, it was determined to be partially impaired. The original work totaled $7,169,457, however, based on the extent of re-design over 90% is considered impaired with no continuing value. The level of impairment of the existing asset was calculated at $6,595,457, thus this amount is recorded as a loss and included in "Gain (loss) on disposal of assets" on the Statement of Revenues, Expenses and Changes in Net Position.

## 13. Subsequent Events

On April 4, 2018, Certificates of Participation were issued by the Agency in the amount of $23,235,000 to refund the outstanding 2008 Certificates in the amount of $31,470,000. The 2018 Certificates were issued with an average coupon 4.8% and a fixed coupon range from 4% - 6% over a twelve year period maturing July 2029. The refunding was performed to save total debt service costs and saved an average of $770,000 annually or $8.9 million in gross savings over twelve years with a net economic gain of $7.8 million. The present value savings of the refunding totaled $4.3 million and the borrowing had a True Interest Cost of 2.265%. The reasons the par amount of the 2018 Certificates is $8.235 million less than the outstanding 2008 Certificates is three-fold: 1. A springing amendment included with the 2016 Certificates became effective with this financing eliminating the need to fund a debt service reserve fund for the 2018 Certificates thereby allowing for the release of the existing $3.5 million debt service reserve fund associated with the 2008 Certificates. These monies were then contributed to the refunding and used to defease the 2008 Certificates, 2. The coupon/yield structure of the 2018 Certificates generated an aggregate premium for the securities of $4,051,904, which was also applied to the defeasance of the 2008 Certificates, and 3. The lower interest rates.

As part of the refunding process, the Agency met with rating agencies and in March 2018 the Agency received re-affirmation of the existing bond ratings of AAA and Aa2 from Standard and Poors' and Moody's Investor Services, respectively, for both the refunding certificates and all other outstanding parity certificates of participation.

## Schedule of Changes in Net Pension Liability and Related Ratios during the Measurement Period

| Measurement Period | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|
| TOTAL PENSION LIABILITY: | | | | |
| Service Cost | $ 3,196,693 | 2,753,244 | 2,727,255 | 2,703,998 |
| Interest on Total Pension Liability | 8,594,906 | 8,234,673 | 7,786,985 | 7,347,629 |
| Changes of Benefit Terms | - | - | - | - |
| Changes of Assumptions | 6,981,865 | - | (1,854,615) | - |
| Difference between Expected and Actual Experience | (540,219) | 63,758 | (112,172) | - |
| Benefit Payments, Including Refunds of Employee Contributions | (5,230,553) | (4,940,624) | (4,537,117) | (4,011,255) |
| Net Change in Total Pension Liability | 13,002,692 | 6,111,051 | 4,010,336 | 6,040,372 |
| Total Pension Liability - Beginning | 114,783,768 | 108,672,717 | 104,662,381 | 98,622,009 |
| Total Pension Liability - Ending (a) | $ 127,786,460 | 114,783,768 | 108,672,717 | 104,662,381 |
| PLAN FIDUCIARY NET POSITION | | | | |
| Contributions - Employer | $ 3,822,897 | 3,176,715 | 3,189,090 | 3,000,001 |
| Contributions - Employee | 1,331,106 | 1,254,392 | 1,248,234 | 1,189,123 |
| Net Investment Income | 8,640,140 | 390,175 | 1,664,520 | 10,912,046 |
| Other Miscellaneous Income | - | - | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (5,230,553) | (4,940,624) | (4,537,117) | (4,011,255) |
| Plan to Plan Resource Movement | - | 153 | - | - |
| Administrative Expense | (110,463) | (45,698) | (84,405) | - |
| Other Changes in Net Fiduciary Position | - | - | - | - |
| Net Change in Fiduciary Net Position | 8,453,127 | (164,887) | 1,480,322 | 11,089,915 |
| Plan Fiduciary Net Position - Beginning | 74,817,254 | 74,982,141 | 73,501,819 | 62,411,904 |
| Plan Fiduciary Net Postion - Ending (b) | 83,270,381 | 74,817,254 | 74,982,141 | 73,501,819 |
| Plan Net Pension Liability / (Asset) - (a)-(b) | $ 44,516,079 | 39,966,514 | 33,690,576 | 31,160,562 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 65.16% | 65.18% | 69.00% | 70.23% |
| Covered Payroll | $ 16,837,108 | 15,869,756 | 15,428,271 | 14,590,176 |
| Plan Net Pension Liability as a Percentage of Covered Payroll | 264.39% | 251.84% | 218.37% | 213.57% |

**Notes to Schedule:**

Information is not available for 10 years

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

Changes of Assumptions: For 2016-2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2015-2016, there were no changes. In 2014-2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2013-2014, amounts reported were based on the 7.5 percent discount rate.

### Schedule of Plan Contributions

| | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
|---|---|---|---|
| Actuarially Determined Contribution | $ 3,846,247 | $ 3,259,379 | $ 3,305,299 |
| Contributions in Relation to the Actuarially Determined Contribution | (4,214,950) | (3,528,582) | (3,305,299) |
| Contribution Deficiency (Excess) | $ (368,703) | $ (269,203) | $ - |
| Covered Payroll | $ 18,929,647 | $ 17,643,037 | $ 15,494,093 |
| Contributions as a Percentage of Covered Payroll | 22.27% | 20.00% | 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, 2017 were from the June 30, 2014 and June 30, 2015 public agency valuations.

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | For details, see June 30, 2014 and June 30, 2015 Funding Valuation Reports |
| Asset Valuation Method | Actuarial Value of Assets. For details, see June 30, 2014 and June 30, 2015 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 2014 CalPERS Experience Study for the period from 1997 to 2011. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. 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 Schedule of Net Position

December 31, 2017

| ASSETS | Agency Wide | Power Division | Water Division | Adjustments | Total |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents | $ 9,834,451 | 27,873 | 31,813,202 | - | 41,675,526 |
| Restricted cash and cash equivalents | 171,128 | - | 20,369,969 | - | 20,541,097 |
| Restricted cash and cash equivalents with fiscal agents | - | - | 6,382,670 | - | 6,382,670 |
| Water service receivable, net | - | - | 6,793,561 | - | 6,793,561 |
| Accounts receivable | 55,033 | 1,391,738 | 1,561,702 | - | 3,008,473 |
| Interest receivable | 230,001 | - | 269,973 | - | 499,974 |
| Taxes receivable | 869,250 | - | - | - | 869,250 |
| Materials and supplies | 20,866 | - | 850,804 | - | 871,670 |
| Due from other funds | 1,450,000 | - | - | (1,450,000) | - |
| Prepaid expenses | 487,211 | 604,703 | 763,185 | - | 1,855,099 |
| Net OPEB assets | 125,338 | 16,889 | 67,686 | - | 209,913 |
| Total current assets | 13,243,278 | 2,041,203 | 68,872,752 | (1,450,000) | 82,707,233 |
| Non-current assets: | | | | | |
| Investments | 15,429,877 | - | 49,957,429 | - | 65,387,306 |
| Restricted investments | 268,493 | - | 31,959,701 | - | 32,228,194 |
| Notes receivable | - | - | 45,205 | - | 45,205 |
| Capital assets, not depreciable | 13,317,960 | 53,085,781 | 37,971,244 | - | 104,374,985 |
| Capital assets, net of depreciation | 8,244,830 | 126,203,120 | 403,882,646 | - | 538,330,596 |
| Total non-current assets | 37,261,160 | 179,288,901 | 523,816,225 | - | 740,366,286 |
| Total assets | 50,504,438 | 181,330,104 | 592,688,977 | (1,450,000) | 823,073,519 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflow - pension contributions | 625,041 | 2,083,471 | 763,939 | - | 3,472,451 |
| Deferred outflow - pension actuarial | 1,131,854 | 63,844 | 5,092,376 | - | 6,288,074 |
| Deferred charges on refunding | - | - | 2,685,632 | - | 2,685,632 |
| Total deferred outflows | 1,756,895 | 2,147,315 | 8,541,947 | - | 12,446,157 |

(Continued)

## PLACER COUNTY WATER AGENCY

Combining Schedule of Net Position

December 31, 2017

| LIABILITIES AND NET POSITION | Agency Wide | Power Division | Water Division | Adjustments | Total |
|---|---|---|---|---|---|
| Current liabilities: | | | | | |
| Accounts payable | 620,984 | 1,816,301 | 2,825,728 | - | 5,263,013 |
| Accrued salaries and benefits | 257,070 | 221,162 | 737,079 | - | 1,215,311 |
| Interest payable | - | - | 1,410,303 | - | 1,410,303 |
| Deposits | 27 | - | 1,391,941 | - | 1,391,968 |
| Other current liabilities | 304 | 578 | - | - | 882 |
| Current portion of long-term liabilities | - | - | 4,368,499 | - | 4,368,499 |
| Compensated absences payable, current portion | 801,921 | 670,120 | 2,107,046 | - | 3,579,087 |
| Due to other funds | - | 1,450,000 | - | (1,450,000) | - |
| Total current liabilities | 1,680,306 | 4,158,161 | 12,840,596 | (1,450,000) | 17,229,063 |
| Non-current liabilities: | | | | | |
| Certificates of participation, net of premiums/discounts | - | - | 61,638,563 | - | 61,638,563 |
| Loans payable | - | - | 18,308,688 | - | 18,308,688 |
| Improvement district debt | - | - | 2,329 | - | 2,329 |
| Compensated absences payable | 515,423 | 337,561 | 1,251,881 | - | 2,104,865 |
| Net pension liability | 8,012,895 | 9,793,537 | 26,709,647 | - | 44,516,079 |
| Total non-current liabilities | 8,528,318 | 10,131,098 | 107,911,108 | - | 126,570,524 |
| Total liabilities | 10,208,624 | 14,289,259 | 120,751,704 | (1,450,000) | 143,799,587 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows - pension actuarial | 187,783 | 229,512 | 625,943 | - | 1,043,238 |
| Total deferred inflows | 187,783 | 229,512 | 625,943 | - | 1,043,238 |
| NET POSITION | | | | | |
| Net investment in capital assets | 21,562,790 | 179,288,901 | 366,606,441 | - | 567,458,132 |
| Restricted: | | | | | |
| Water system expansion | - | - | 52,287,044 | - | 52,287,044 |
| Other | 439,620 | - | - | - | 439,620 |
| Total restricted net position | 439,620 | - | 52,287,044 | - | 52,726,664 |
| Unrestricted | 19,862,516 | (10,330,253) | 60,959,792 | - | 70,492,055 |
| Total net position | $ 41,864,926 | 168,958,648 | 479,853,277 | - | 690,676,851 |

**PLACER COUNTY WATER AGENCY**

Combining Schedule of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2017

| | Agency Wide | Power Division | Water Division | Total |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Water sales | $ 1,345,747 | - | 35,341,051 | 36,686,798 |
| Power sales | - | 27,342,238 | 144,011 | 27,486,249 |
| Renewal and replacement charges | - | - | 11,747,194 | 11,747,194 |
| Raw water surcharges | - | - | 359,213 | 359,213 |
| Engineer charges | 5,061 | - | 668,978 | 674,039 |
| Customer service charges | - | - | 816,204 | 816,204 |
| Other revenue | 70,468 | 1,440 | 5,476 | 77,384 |
| Total operating revenues | 1,421,276 | 27,343,678 | 49,082,127 | 77,847,081 |
| OPERATING EXPENSES | | | | |
| Purchased water | - | - | 3,852,247 | 3,852,247 |
| Field administration | - | - | 1,279,894 | 1,279,894 |
| Pumping plants and wells | - | - | 587,642 | 587,642 |
| Water treatment | - | 5,342 | 7,676,652 | 7,681,994 |
| Electrical operations | - | 6,383,611 | - | 6,383,611 |
| Transmission and distribution of treated water | - | 1,805 | 3,018,125 | 3,019,930 |
| Transmission and distribution of raw water | - | 390 | 4,976,695 | 4,977,085 |
| Customer service and collections | - | - | 4,960,988 | 4,960,988 |
| Repairs and maintenance | - | 2,680,431 | - | 2,680,431 |
| Recreation | - | 2,038,338 | - | 2,038,338 |
| Automotive and equipment | - | - | 971,032 | 971,032 |
| Engineering | - | 618,022 | 4,515,102 | 5,133,124 |
| General and administrative | 1,795,452 | 7,986,568 | 6,453,191 | 16,235,211 |
| Resource Development/Strategic Affairs and Energy Marketing | - | 1,454,705 | 16,244 | 1,470,949 |
| Depreciation (note 3) | 650,842 | 5,283,546 | 18,066,828 | 24,001,216 |
| Total operating expenses | 2,446,294 | 26,452,758 | 56,374,640 | 85,273,692 |
| Operating income (loss) | (1,025,018) | 890,920 | (7,292,513) | (7,426,611) |

(Continued)

**PLACER COUNTY WATER AGENCY**

Combining Schedule of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2017

| | Agency Wide | Power Division | Water Division | Total |
|---|---|---|---|---|
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Water connection charges | - | - | 7,795,975 | 7,795,975 |
| Costs recovered from other agencies | 257,673 | 8,883 | 893,108 | 1,159,664 |
| Interest earnings | 410,305 | - | 1,426,327 | 1,836,632 |
| Property taxes and assessments | 927,340 | - | 12,039 | 939,379 |
| Gain (loss) on disposal of assets | | | (6,616,175) | (6,616,175) |
| Program grant revenue | - | - | 824,868 | 824,868 |
| Interest expense | - | - | (2,571,287) | (2,571,287) |
| Rental income | 566,000 | 1,970 | 146,102 | 714,072 |
| Other income (expense) | (72,363) | (566) | (223,644) | (296,573) |
| Total non-operating revenues (expenses) | 2,088,955 | 10,287 | 1,687,313 | 3,786,555 |
| Net income before capital contributions | 1,063,937 | 901,207 | (5,605,200) | (3,640,056) |
| CAPITAL CONTRIBUTIONS | | | | |
| Capital contributions | - | - | 532,360 | 532,360 |
| Increase in net position | 1,063,937 | 901,207 | (5,072,840) | (3,107,696) |
| Net position, beginning of year | 40,800,989 | 168,057,441 | 484,926,117 | 693,784,547 |
| Net position, end of year | $ 41,864,926 | 168,958,648 | 479,853,277 | 690,676,851 |

**PLACER COUNTY WATER AGENCY**

Combining Schedule of Cash Flows

For the year ended December 31, 2017

| | Agency Wide | Power Division | Water Division | Total |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | $ 2,290,061 | 26,373,608 | 48,005,561 | 76,669,230 |
| Cash paid to suppliers for goods and services | (3,146,110) | (10,894,182) | (12,343,616) | (26,383,908) |
| Cash paid to employees for services | (6,179,695) | (6,682,809) | (18,032,486) | (30,894,990) |
| Cash received (paid) for service level support | 8,566,632 | (2,307,222) | (6,259,410) | - |
| Net cash provided by (used for) operating activities | 1,530,888 | 6,489,395 | 11,370,049 | 19,390,332 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Property taxes and assessments | 927,340 | - | 12,039 | 939,379 |
| Costs recovered from other agencies | 257,675 | 8,883 | 893,108 | 1,159,666 |
| Program grant revenue | - | - | 824,868 | 824,868 |
| Due to/from funds | (950,000) | 950,000 | - | - |
| Net cash provided by (used for) non-capital financing activities | 235,015 | 958,883 | 1,730,015 | 2,923,913 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (1,438,234) | (7,476,682) | (21,894,491) | (30,809,407) |
| Principal payment on debt | - | - | (4,319,202) | (4,319,202) |
| Interest payment on debt | - | - | (3,229,521) | (3,229,521) |
| Water connection charges | - | - | 7,808,326 | 7,808,326 |
| Net cash provided by (used for) capital and related financing activities | (1,438,234) | (7,476,682) | (21,634,888) | (30,549,804) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases of investments | (4,133,667) | - | (19,267,046) | (23,400,713) |
| Proceeds from maturity of investments | 3,618,732 | - | 22,942,783 | 26,561,515 |
| Investment income | 313,385 | - | 1,389,097 | 1,702,482 |
| Net cash flows from investing activities | (201,550) | - | 5,064,834 | 4,863,284 |
| Net increase (decrease) in cash and cash equivalents | 126,119 | (28,404) | (3,469,990) | (3,372,275) |
| Cash and cash equivalents, beginning of year | 9,879,460 | 56,277 | 62,035,831 | 71,971,568 |
| Cash and cash equivalents, end of year | $ 10,005,579 | 27,873 | 58,565,841 | 68,599,293 |

(Continued)

# PLACER COUNTY WATER AGENCY

Combining Schedule of Cash Flows

For the year ended December 31, 2017

| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | Agency Wide | Power Division | Water Division | Total |
|---|---|---|---|---|
| Operating income (loss) | $ (1,025,018) | 890,920 | (7,292,513) | (7,426,611) |
| Adjustments to reconcile operating income (loss) to cash flows provided by (used for) operating activities | | | | |
| Depreciation and amortization | 650,842 | 5,283,546 | 18,066,828 | 24,001,216 |
| Other non-operating income | 493,637 | 1,404 | (68,424) | 426,617 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 868,758 | (968,630) | (1,061,701) | (1,161,573) |
| (Increase) decrease in materials and supplies | 3,857 | - | 50,897 | 54,754 |
| (Increase) decrease in prepaid expense | (148,643) | (35,020) | 47,672 | (135,991) |
| (Increase) decrease in net pension liability | - | - | - | - |
| (Increase) decrease in deferred outflows (pension related) | (320,857) | (392,157) | (1,069,521) | (1,782,535) |
| (Increase) decrease in net OPEB asset | 400 | 455 | 1,570 | 2,425 |
| Increase (decrease) in accounts payable and other liablities | 53,616 | 732,806 | 27,141 | 813,563 |
| Increase (decrease) in unearned revenue | - | - | - | - |
| Increase (decrease) in salaries and benefits payable | 140,667 | (18,460) | (29,041) | 93,166 |
| Increase (decrease) in deposits | 27 | - | (14,865) | (14,838) |
| Increase (decrease) in other current liabilities | - | 129 | - | 129 |
| Increase (decrease) in net pension liability | 818,922 | 1,000,904 | 2,729,739 | 4,549,565 |
| Increase (decrease) in deferred inflows | (5,320) | (6,502) | (17,733) | (29,555) |
| Net cash provided by (used for) operating activities | $ 1,530,888 | 6,489,395 | 11,370,049 | 19,390,332 |
| Reconciliation to Statement of Net Position: | | | | |
| Cash and cash equivalents | $ 9,834,451 | 27,873 | 31,813,202 | 41,675,526 |
| Restricted cash and cash equivalents | 171,128 | - | 20,369,969 | 20,541,097 |
| Restricted cash and cash equivalents with fiscal agent | - | - | 6,382,670 | 6,382,670 |
| Total cash and cash equivalents reported on Balance Sheet | $ 10,005,579 | 27,873 | 58,565,841 | 68,599,293 |
| Non-cash investing, capital and financing activities: | | | | |
| Non-cash capital contributions | $ - | - | 532,360 | 532,360 |
| Change in fair value of investments | (108,077) | - | (567,403) | (675,480) |

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# Statistical Section

## Water Facts

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

## Abbreviations

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

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

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

# Statistical Section Table of Contents

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

**Contents** **Page**

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Change in Net Position:** | | | | | | | | | | |
| Operating Revenues | 49,973,848 | 47,593,508 | 46,308,484 | 43,467,416 | 47,587,988 | 49,455,803 | 61,253,094 | 70,079,702 | 70,775,642 | 77,847,081 |
| Operating Expenses | (50,209,165) | (52,515,741) | (52,127,835) | (54,617,252) | (59,850,342) | (64,690,945) | (71,664,167) | (78,618,612) | (81,521,453) | (85,273,692) |
| Operating Income (Loss) *(1)* | (235,317) | (4,922,233) | (5,819,351) | (11,149,836) | (12,262,354) | (15,235,142) | (10,411,073) | (8,538,910) | (10,745,811) | (7,426,611) |
| Non-Operating Revenues/(Expenses) *(2)* | 24,049,456 | 28,495,780 | 18,497,345 | 26,180,907 | 13,356,401 | 16,611,819 | 31,844,824 | 4,623,612 | 14,033,403 | 3,786,555 |
| Net Income Before Capital Contributions | 23,814,139 | 23,573,547 | 12,677,994 | 15,031,071 | 1,094,047 | 1,376,677 | 21,433,751 | (3,915,298) | 3,287,592 | (3,640,056) |
| Capital Contributions | 60,085,414 | 3,649,500 | 330,288 | 5,712,459 | 3,240,922 | 3,156,000 | 14,265,424 | 7,221,675 | 7,018,306 | 532,360 |
| **Change in Net Position** | 83,899,553 | 27,223,047 | 13,008,282 | 20,743,530 | 4,334,969 | 4,532,677 | 35,699,175 | 3,306,377 | 10,305,898 | (3,107,696) |
| **Net Position, Beginning of Year** *(3)* | 523,113,360 | 607,012,913 | 634,235,960 | 647,244,242 | 667,987,772 | 669,644,964 | 674,177,641 | 709,876,816 | 683,478,649 | 693,784,547 |
| Prior Period Adjustment *(3)* | - | - | - | - | (2,677,777) | - | - | (29,704,544) | - | - |
| **Net Position, End of Year** | 607,012,913 | 634,235,960 | 647,244,242 | 667,987,772 | 669,644,964 | 674,177,641 | 709,876,816 | 683,478,649 | 693,784,547 | 690,676,851 |
| **Net Position by Component *(3)* :** | | | | | | | | | | |
| Net Investment in Capital Assets | 455,983,194 | 476,266,686 | 490,317,700 | 517,953,059 | 532,923,095 | 540,136,120 | 556,981,900 | 547,553,264 | 555,449,325 | 567,458,132 |
| Restricted | 64,882,646 | 61,095,189 | 50,117,908 | 44,317,810 | 44,633,854 | 39,332,535 | 42,678,014 | 61,811,951 | 61,078,363 | 52,726,664 |
| Unrestricted | 86,147,073 | 96,874,085 | 106,808,634 | 105,716,903 | 92,088,015 | 94,708,986 | 110,216,902 | 74,113,434 | 77,256,859 | 70,492,055 |
| **Total Net Position** | 607,012,913 | 634,235,960 | 647,244,242 | 667,987,772 | 669,644,964 | 674,177,641 | 709,876,816 | 683,478,649 | 693,784,547 | 690,676,851 |

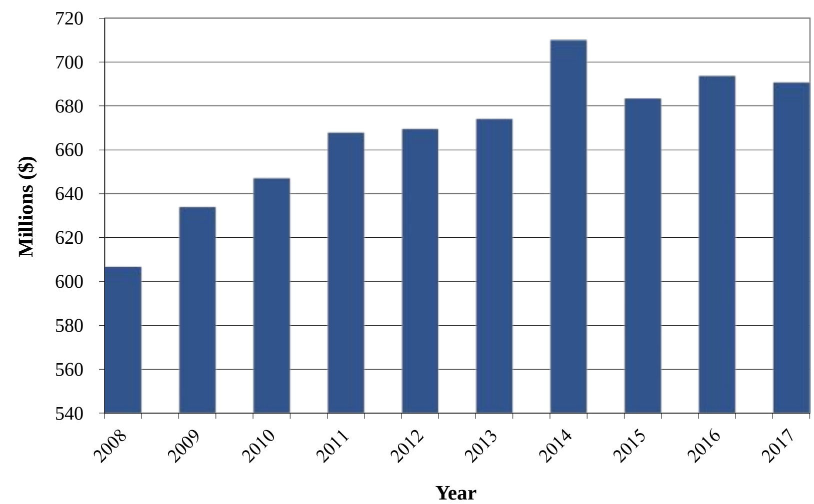
(1) The 2017 operating loss is attributable to an increase in operating revenue of $7.1 million and an increase in operating expense of $3.5 million. The increase in operating revenue is primarily due to an increase in water sales revenue of $7.1 million because conservation restrictions were relaxed coupled with an increase in power sales revenue of $4.6 million which reflects increased reimbursements related to capital expenses from the Middle Fork Project Finance Authority. The increase in operating expenses is primarily due to increased expenses related to storm damage and sedimintation removal in the Middle Fork Project, increased expenses for infrastructure repair and maintenance projects along with the implementation of the AMI meter reading program in Customer Service.

(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 included 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 position 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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | | | | | |
| Water Sales | 30,623,251 | 33,324,492 | 31,754,113 | 30,500,851 | 32,709,967 | 34,491,580 | 34,187,459 | 30,961,345 | 34,217,098 | 36,686,798 |
| Power Sales *(1)* | 17,560,262 | 13,021,578 | 13,418,260 | 11,837,765 | 13,686,081 | 13,514,781 | 25,505,528 | 25,589,249 | 22,821,858 | 27,486,249 |
| Renewal & Replacement Charge *(2)* | - | - | - | - | - | - | - | 11,413,820 | 11,604,564 | 11,747,194 |
| Raw Water Surcharge *(2)* | - | - | - | - | - | - | - | 329,848 | 343,377 | 359,213 |
| Reimbursements | 57,877 | 60,192 | 62,600 | 65,104 | 73,108 | - | - | - | - | - |
| Engineering Charges | 1,022,958 | 427,685 | 332,079 | 329,803 | 395,443 | 733,383 | 716,213 | 816,141 | 864,592 | 674,039 |
| Customer Service Charges | 694,941 | 720,659 | 729,211 | 693,154 | 686,420 | 709,568 | 770,250 | 774,312 | 800,798 | 816,204 |
| Other | 14,559 | 38,902 | 12,221 | 40,739 | 36,969 | 6,491 | 73,644 | 194,987 | 123,355 | 77,384 |
| Total Operating Revenues | 49,973,848 | 47,593,508 | 46,308,484 | 43,467,416 | 47,587,988 | 49,455,803 | 61,253,094 | 70,079,702 | 70,775,642 | 77,847,081 |
| **Non-Operating Revenues** | | | | | | | | | | |
| Water Connection Charge | 3,503,063 | 6,439,564 | 426,965 | 399,568 | 1,647,974 | 5,002,272 | 9,385,614 | 24,996,971 | 11,824,165 | 7,795,975 |
| Renewal & Replacement Charge *(2)* | 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)* | 3,866,668 | 267,334 | 3,101 | 2,826 | 2,967 | 2,926 | 2,902 | - | - | - |
| Raw Water Surcharge *(2)* | 265,697 | 272,440 | 275,570 | 271,126 | 281,205 | 281,769 | 310,152 | - | - | - |
| Water Sales *(3)* | 2,500,000 | 5,500,000 | - | - | 200,000 | 3,350,000 | 11,750,000 | 6,000,000 | - | - |
| Costs Recovered from Other Agencies *(4)* | 6,629,020 | 7,491,378 | 12,981,345 | 17,902,116 | 4,427,360 | 1,625,139 | 630,355 | 253,377 | 355,314 | 1,159,664 |
| Interest Earnings | 4,435,530 | 3,389,310 | 2,140,973 | 1,642,919 | 1,132,295 | 969,930 | 1,015,465 | 1,066,989 | 1,379,608 | 1,836,632 |
| Property Taxes and Assessments | 759,079 | 620,330 | 648,150 | 641,080 | 661,155 | 764,877 | 762,750 | 850,127 | 904,057 | 939,379 |
| Amort. of (Discount)/Premium on Debt | - | - | - | - | - | (90,973) | (207,086) | 138,765 | 369,364 | 367,825 |
| Other *(5)* | (1,298,703) | 822,189 | (1,976,169) | 1,110,336 | 408,691 | (615,397) | 1,096,869 | (26,464,025) | 2,243,786 | (5,741,633) |
| Total Non-Operating Revenues | 29,357,222 | 33,865,513 | 23,684,036 | 31,052,915 | 17,979,507 | 20,498,133 | 35,556,478 | 6,842,204 | 17,076,294 | 6,357,842 |
| **Total Revenues *(6)*** | 79,331,070 | 81,459,021 | 69,992,520 | 74,520,331 | 65,567,495 | 69,953,936 | 96,809,572 | 76,921,906 | 87,851,936 | 84,204,923 |

(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 sales 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 and power sales has since been reimbursement of operating expenses from the Middle Fork Finance Authority.

(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.

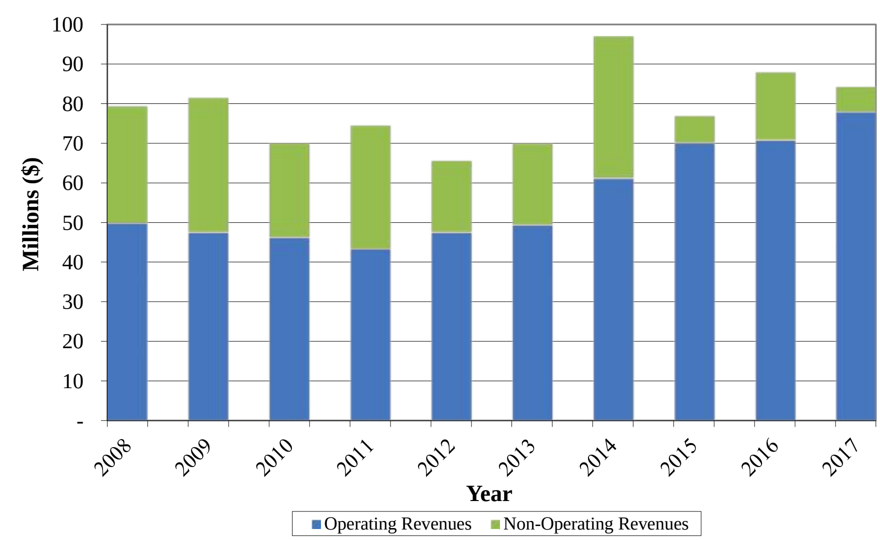
(4) Significant amounts from 2008 - 2013 are because of the expense recovered from the Middle Fork Project Finance Authority.

(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 totaling $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 2 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**

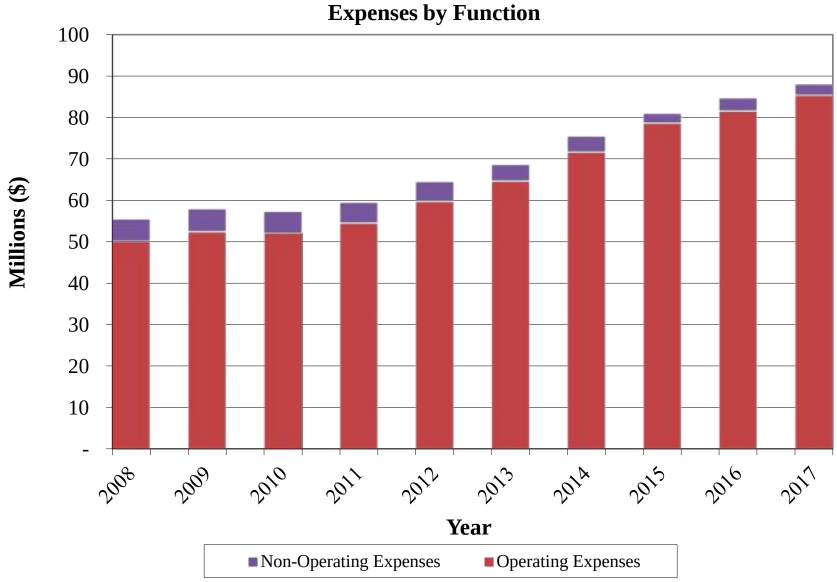
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Expenses** | | | | | | | | | | |
| Purchased Water | 506,356 | 556,381 | 526,000 | 683,441 | 622,157 | 833,700 | 2,583,562 | 3,054,297 | 3,962,985 | 3,852,247 |
| Field Administration | 926,740 | 845,047 | 989,590 | 880,837 | 955,572 | 969,509 | 1,043,568 | 1,120,004 | 1,298,698 | 1,279,894 |
| Pumping Plants & Wells | 343,307 | 924,010 | 1,145,969 | 1,078,772 | 1,532,769 | 1,262,704 | 2,070,275 | 2,567,327 | 586,127 | 587,642 |
| Water Treatment | 4,907,964 | 5,045,678 | 4,778,433 | 4,778,758 | 5,460,773 | 5,239,839 | 6,632,499 | 7,346,965 | 7,578,315 | 7,681,994 |
| Electrical Operations | 1,597,988 | 1,652,677 | 1,474,824 | 1,648,972 | 1,751,049 | 1,832,649 | 2,343,539 | 2,255,878 | 2,322,854 | 6,383,611 |
| Transmission & Distribution-Treated | 1,962,865 | 2,485,308 | 1,885,157 | 2,562,810 | 3,249,731 | 2,520,821 | 2,366,201 | 2,840,337 | 2,724,957 | 3,019,930 |
| Transmission & Distribution-Untreated | 4,585,251 | 4,893,950 | 4,275,715 | 3,611,480 | 4,718,531 | 4,216,665 | 3,693,672 | 3,874,436 | 4,362,632 | 4,977,085 |
| Customer Service & Collections | 3,668,885 | 3,662,276 | 3,677,977 | 3,404,118 | 3,485,741 | 3,521,925 | 3,720,337 | 4,455,896 | 3,986,300 | 4,960,988 |
| Power Division Repairs & Maintenance | 5,764,758 | 1,731,400 | 1,669,025 | 1,848,032 | 1,639,482 | 2,108,862 | 2,556,136 | 2,361,196 | 3,221,411 | 2,680,431 |
| Engineering | 5,015,721 | 1,999,696 | 2,394,859 | 2,172,488 | 2,763,911 | 3,051,155 | 3,068,670 | 5,512,612 | 6,847,636 | 5,133,124 |
| General & Administrative | 8,136,282 | 9,158,631 | 8,207,064 | 8,920,594 | 9,690,579 | 11,955,565 | 13,176,428 | 14,870,321 | 16,361,930 | 16,235,211 |
| Resource Development | - | - | - | - | - | 2,355,448 | 2,886,610 | 1,792,614 | 1,682,037 | 1,470,949 |
| Other *(1)* | 960,387 | 918,206 | 1,167,588 | 1,254,568 | 1,316,565 | 2,650,486 | 2,921,542 | 3,229,588 | 2,921,279 | 3,009,370 |
| Subtotal, Operating Expenses before Depreciation *(2)* | 38,376,504 | 33,873,260 | 32,192,201 | 32,844,870 | 37,186,860 | 42,519,328 | 49,063,039 | 55,281,471 | 57,857,161 | 61,272,476 |
| Depreciation | 11,832,661 | 18,642,481 | 19,935,634 | 21,772,382 | 22,663,482 | 22,171,617 | 22,601,128 | 23,337,141 | 23,664,292 | 24,001,216 |
| Total Operating Expenses | 50,209,165 | 52,515,741 | 52,127,835 | 54,617,252 | 59,850,342 | 64,690,945 | 71,664,167 | 78,618,612 | 81,521,453 | 85,273,692 |
| **Non-Operating Expenses** | | | | | | | | | | |
| Interest Expense | 4,801,404 | 4,871,615 | 4,698,616 | 4,405,532 | 4,137,102 | 3,886,314 | 3,711,654 | 2,218,592 | 3,042,891 | 2,571,287 |
| Amortization of Bond Issue Costs | 506,362 | 498,118 | 488,075 | 466,476 | 486,004 | - | - | - | - | - |
| Total Non-Operating Expenses | 5,307,766 | 5,369,733 | 5,186,691 | 4,872,008 | 4,623,106 | 3,886,314 | 3,711,654 | 2,218,592 | 3,042,891 | 2,571,287 |
| **Total Expenses** | 55,516,931 | 57,885,474 | 57,314,526 | 59,489,260 | 64,473,448 | 68,577,259 | 75,375,821 | 80,837,204 | 84,564,344 | 87,844,979 |

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

(2) The 2017 increase in operating expenses is primarily due to increased expenses related to storm damage and sedimintation removal in the Middle Fork Project, and increased expenses for infrastructure repair and maintenance projects along with the implementation of the AMI meter reading program in Customer Service.

Source: Placer County Water Agency, Audited Financial Statements

**CHART #3**
**Expenses by Function**



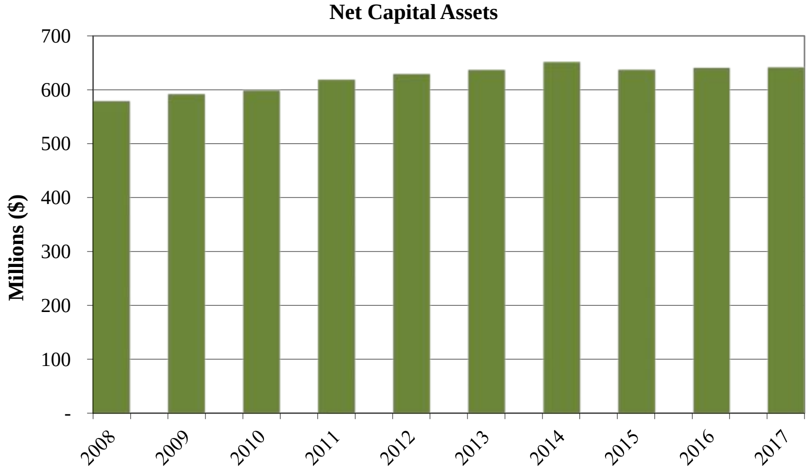
# PLACER COUNTY WATER AGENCY
## TABLE # 4
## Capital Assets
## Last Ten Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capital Assets** | | | | | | | | | | |
| Land | 11,657,424 | 15,540,275 | 15,557,653 | 13,417,644 | 13,693,194 | 13,954,066 | 13,969,223 | 13,924,337 | 17,059,763 | 17,167,763 |
| Utility Plant-Preliminary Survey | 399,718 | 399,718 | 399,718 | 399,718 | 412,218 | 412,218 | 777,614 | 777,614 | 777,614 | 412,217 |
| Utility Plant | 577,192,520 | 592,987,330 | 612,486,282 | 627,077,708 | 645,008,180 | 656,729,086 | 715,551,064 | 728,522,892 | 760,565,562 | 763,226,422 |
| Other Property & Equipment | 71,365,225 | 75,874,016 | 79,986,278 | 86,253,274 | 93,452,690 | 96,954,713 | 102,533,599 | 105,200,171 | 111,402,279 | 116,120,902 |
| Construction in Progress | 72,017,721 | 79,272,155 | 80,689,643 | 103,142,548 | 110,703,430 | 124,527,047 | 95,838,035 | 85,068,599 | 69,096,449 | 86,795,005 |
| Total Capital Assets | 732,632,608 | 764,073,494 | 789,119,574 | 830,290,892 | 863,269,712 | 892,577,130 | 928,669,535 | 933,493,613 | 958,901,667 | 983,722,309 |
| **Accumulated Depreciation** | (152,725,605) | (170,929,373) | (189,375,885) | (210,650,373) | (232,958,541) | (254,709,702) | (277,201,174) | (295,317,172) | (317,523,272) | (341,016,728) |
| Net Capital Assets *(1)* | 579,907,003 | 593,144,121 | 599,743,689 | 619,640,519 | 630,311,171 | 637,867,428 | 651,468,361 | 638,176,441 | 641,378,395 | 642,705,581 |

(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

**CHART #4**
**Net Capital Assets**



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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **TREATED WATER** | | | | | | | | | | |
| **Consumption (Acre-Feet)** | | | | | | | | | | |
| Residential (Single-Unit) | 17,766 | 16,011 | 14,789 | 14,116 | 16,189 | 16,872 | 14,127 | 11,623 | 12,886 | 14,070 |
| Residential (Multi-Unit) | 2,207 | 2,029 | 1,969 | 1,927 | 1,996 | 2,087 | 1,853 | 1,615 | 1,724 | 1,837 |
| Commercial | 3,540 | 3,183 | 2,985 | 2,887 | 3,043 | 3,146 | 2,833 | 2,494 | 2,625 | 2,796 |
| Construction | 91 | 62 | 37 | 38 | 69 | 223 | 241 | 174 | 125 | 120 |
| Fire Protection | 5 | 7 | 5 | 3 | 4 | 3 | 4 | 6 | 5 | 5 |
| Municipal | 1,389 | 1,209 | 1,076 | 957 | 1,213 | 1,250 | 978 | 842 | 912 | 962 |
| Landscape *(1)* | 2,194 | 1,927 | 1,843 | 1,803 | 2,107 | 2,244 | 1,924 | 1,619 | 1,940 | 2,260 |
| Industrial | 379 | 415 | 383 | 397 | 407 | 416 | 426 | 441 | 409 | 380 |
| Agriculture *(2)* | 398 | 356 | 236 | 280 | 282 | 297 | 242 | 277 | 259 | 217 |
| Resale | 10,893 | 10,575 | 9,501 | 7,763 | 8,866 | 10,937 | 9,575 | 7,873 | 8,839 | 9,616 |
| No Demand *(3)* | 1 | - | - | - | - | 1 | 1 | 1 | - | - |
| Total Treated Water Consumption (Acre-Feet) | 38,863 | 35,774 | 32,824 | 30,171 | 34,176 | 37,476 | 32,204 | 26,965 | 29,724 | 32,263 |
| Total Consumption (Units) *(4)* | 16,928,723 | 15,583,154 | 14,298,134 | 13,142,488 | 14,887,066 | 16,324,546 | 14,028,062 | 11,745,954 | 12,947,774 | 14,053,763 |
| **Total Treated Water Sales** | **26,016,803** | **28,723,742** | **27,436,655** | **26,190,648** | **28,391,744** | **30,167,534** | **29,720,125** | **26,541,946** | **29,062,114** | **31,567,439** |
| **Effective Rate per unit (incl. monthly service charge) *(5)*** | **1.54** | **1.84** | **1.92** | **1.99** | **1.91** | **1.85** | **2.12** | **2.26** | **2.24** | **2.25** |
| **UNTREATED (RAW) WATER** | | | | | | | | | | |
| **Consumption (Acre-Feet)** | | | | | | | | | | |
| Metered | 328 | 355 | 297 | 268 | 299 | 309 | 288 | 210 | 221 | 304 |
| Commercial Agriculture | 22,405 | 24,514 | 23,949 | 14,470 | 24,002 | 25,024 | 13,277 | 16,852 | 23,978 | 16,179 |
| Irrigation Customers | 55,800 | 55,302 | 54,566 | 54,440 | 55,020 | 55,251 | 53,821 | 52,574 | 54,813 | 56,233 |
| Landscape *(1)* | 11,777 | 11,967 | 11,678 | 11,676 | 11,693 | 11,866 | 11,895 | 11,230 | 11,249 | 11,897 |
| Resale | 2,592 | 2,398 | 2,247 | 2,074 | 2,527 | 2,635 | 2,311 | 2,034 | 1,733 | 2,259 |
| Total Untreated (Raw) Water Consumption (Acre-Feet) | 92,902 | 94,536 | 92,737 | 82,928 | 93,541 | 95,085 | 81,592 | 82,900 | 91,994 | 86,872 |
| Total Consumption (Miner's Inch) *(4)* | 5,133 | 5,223 | 5,124 | 4,582 | 5,168 | 5,253 | 4,508 | 4,580 | 5,083 | 4,800 |
| **Total Untreated (Raw) Water Sales** | **3,446,696** | **3,492,472** | **3,434,674** | **3,236,269** | **3,530,125** | **3,556,835** | **3,230,268** | **3,401,970** | **3,904,198** | **3,981,172** |
| **Effective Annual Rate per miner's inch *(6)*** | **671.51** | **668.68** | **670.37** | **673.62** | **683.07** | **677.06** | **716.58** | **742.77** | **768.16** | **829.49** |

(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

**CHART # 5**
**Water Consumption (Treated) 2017**

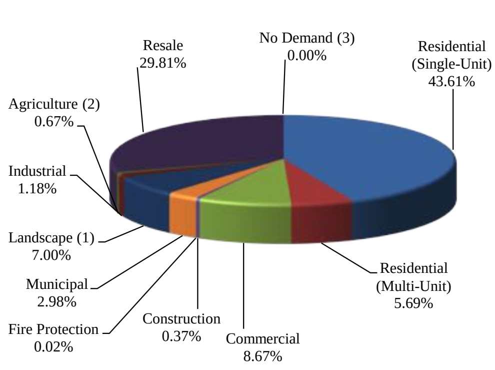
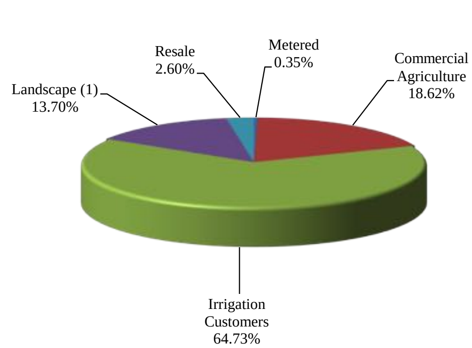



**CHART # 6**
**Water Consumption (Untreated) 2017**



## PLACER COUNTY WATER AGENCY
## TABLE # 6
## Water Accounts by Type of Customer
## Last Ten Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **TREATED WATER** | | | | | | | | | | |
| **Water Customer Accounts** | | | | | | | | | | |
| Residential (Single-Unit) | 29,024 | 29,625 | 29,477 | 29,561 | 29,704 | 30,151 | 30,629 | 29,992 | 30,928 | 31,538 |
| Residential (Multi-Unit) | 746 | 742 | 745 | 758 | 759 | 757 | 758 | 761 | 770 | 771 |
| Commercial | 1,815 | 1,838 | 1,874 | 1,888 | 1,882 | 1,889 | 1,913 | 1,908 | 1,923 | 1,933 |
| Construction | 24 | 16 | 18 | 16 | 17 | 41 | 31 | 39 | 32 | 37 |
| Fire Protection | 887 | 885 | 899 | 911 | 921 | 928 | 958 | 962 | 993 | 1,012 |
| Municipal | 169 | 169 | 172 | 172 | 174 | 175 | 176 | 174 | 174 | 173 |
| Landscape*(1)* | 486 | 485 | 486 | 486 | 491 | 501 | 507 | 528 | 551 | 558 |
| Industrial | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Agriculture | 81 | 78 | 72 | 70 | 64 | 65 | 62 | 61 | 59 | 58 |
| Resale | 9 | 9 | 9 | 9 | 9 | 9 | 11 | 11 | 11 | 11 |
| No Demand *(2)* | 1,124 | 752 | 1,031 | 849 | 715 | 740 | 791 | 957 | 969 | 719 |
| Total Treated Water Accounts *(3)* | 34,366 | 34,600 | 34,784 | 34,721 | 34,737 | 35,257 | 35,837 | 35,394 | 36,411 | 36,811 |
| **UNTREATED (RAW) WATER** | | | | | | | | | | |
| **Water Customer Accounts** | | | | | | | | | | |
| Metered | 291 | 290 | 282 | 273 | 267 | 261 | 260 | 259 | 261 | 261 |
| Commercial Agriculture | 350 | 330 | 304 | 311 | 311 | 325 | 351 | 351 | 349 | 347 |
| Irrigation Customers | 3,408 | 3,070 | 3,354 | 3,381 | 3,413 | 3,461 | 3,443 | 3,452 | 3,521 | 3,585 |
| Landscape*(1)* | 30 | 28 | 28 | 28 | 27 | 28 | 27 | 27 | 26 | 27 |
| Resale | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Total Untreated (Raw) Water Accounts | 4,085 | 3,724 | 3,974 | 3,999 | 4,024 | 4,081 | 4,087 | 4,095 | 4,163 | 4,226 |
| TOTAL WATER ACCOUNTS | 38,451 | 38,324 | 38,758 | 38,720 | 38,761 | 39,338 | 39,924 | 39,489 | 40,574 | 41,037 |
| **New Connections (EDU's)** *(4)* | **277** | **465** | **46** | **87** | **75** | **508** | **747** | **1168** | **662** | **713** |

(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.
(4) In 2016, New Connections (EDU's) for certain years were restated to include EDU's from the WCC payment program.

Source: Placer County Water Agency, Customer Service Department

**CHART # 7**
**Water Accounts (Treated) 2017**

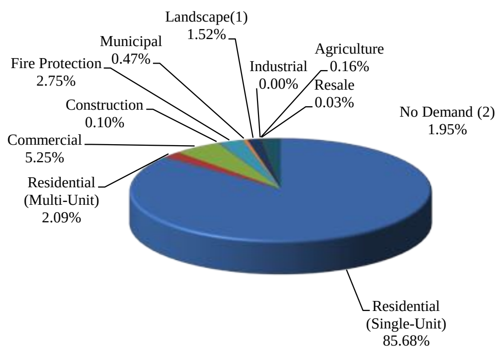
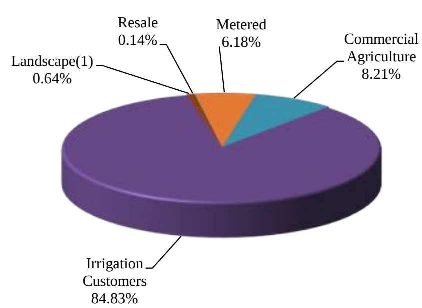



**CHART # 8**
**Water Accounts (Untreated) 2017**



# PLACER COUNTY WATER AGENCY
## TABLE # 7
## Principal Water Users
## Years Ended December 31, 2008 and 2017

| 2008 Customer | Amount Billed *(1)* | Percent of Water Billed | Usage in Acre Feet | Percent of Water Sold | 2017 Customer | Amount Billed *(1)* | Percent of Water Billed | Usage in Acre Feet | Percent of Water Sold |
|---|---|---|---|---|---|---|---|---|---|
| City of Lincoln | $ 6,279,794 | 14.58% | 9,450 | 7.17% | City of Lincoln | $ 8,112,200 | 17.01% | 9,719 | 8.16% |
| Cal American Water | 929,377 | 2.16% | 1,109 | 0.84% | City of Rocklin | 976,339 | 2.05% | 1,066 | 0.89% |
| Rio Bravo Rocklin | 184,200 | 0.43% | 379 | 0.29% | Cal American Water | 835,009 | 1.75% | 957 | 0.80% |
| Placer County Facilities Service | 172,433 | 0.40% | 236 | 0.18% | Placer County Facility Service | 229,689 | 0.48% | 496 | 0.42% |
| United Auburn Indian Community | 130,447 | 0.30% | 257 | 0.20% | Rio Bravo Rocklin | 228,473 | 0.48% | 380 | 0.32% |
| Sierra Lakes Mobile Home Park *(1)* | 110,004 | 0.26% | 62 | 0.05% | United Auburn Indian Community | 211,212 | 0.44% | 373 | 0.31% |
| Rocklin Unified School District | 88,979 | 0.21% | 122 | 0.09% | Rocklin Unified School District | 376,507 | 0.79% | 351 | 0.29% |
| Folsom Lake Mutual Water Co. | 85,771 | 0.20% | 159 | 0.12% | Lakeview Hills Community Assn | 52,876 | 0.11% | 340 | 0.29% |
| Sierra College | 73,126 | 0.17% | 124 | 0.09% | Loomis Union School District | 71,750 | 0.15% | 296 | 0.25% |
| Emerson Investments, Inc. | 70,259 | 0.16% | 134 | 0.10% | Sierra College | 48,764 | 0.10% | 282 | 0.24% |
| Total Principal Water Users | $ 8,124,390 | 18.87% | 12,032 | 9.13% | Total Principal Water Users | $ 11,142,819 | 23.36% | 14,260 | 11.97% |
| Total all Users | $ 43,057,084 | 100.00% | 131,765 | 100.00% | Total all Users | $ 47,693,727 | 100.00% | 119,135 | 100.00% |

(1) Amount billed includes commodity water sales, monthly service charge, customer service charges, renewal & replacement charge, state and federal mandated charge (2008 only) and raw water surcharge.

Source: Placer County Water Agency, Customer Service Department

# PLACER COUNTY WATER AGENCY
## TABLE # 8
## Metered Service Fixed Rates *(1)*
## Last Ten Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Metered Service - Treated Water** | | | | | | | | | | |
| Monthly Service Charge (meter size) | | | | | | | | | | |
| 5/8-inch | 13.75 | 14.20 | 14.20 | 14.20 | 14.20 | 14.20 | 15.80 | 16.88 | 17.08 | 17.34 |
| 3/4-inch | 19.46 | 20.09 | 20.09 | 20.09 | 20.29 | 20.29 | 22.36 | 23.88 | 24.17 | 24.53 |
| 1-inch | 26.62 | 27.49 | 27.49 | 27.49 | 27.49 | 27.49 | 30.60 | 32.67 | 33.06 | 33.56 |
| 1-1/2-inch | 42.89 | 44.28 | 44.28 | 44.28 | 44.28 | 44.28 | 49.28 | 52.63 | 53.26 | 54.06 |
| 2-inch | 74.85 | 77.28 | 77.28 | 77.28 | 77.28 | 77.28 | 86.01 | 91.87 | 92.97 | 94.36 |
| 3-inch | 138.96 | 143.48 | 143.48 | 143.48 | 143.48 | 143.48 | 159.69 | 170.55 | 172.60 | 175.19 |
| 4-inch | 193.76 | 200.06 | 200.06 | 200.06 | 200.06 | 200.06 | 222.67 | 237.81 | 240.66 | 244.27 |
| 6-inch | 388.98 | 401.62 | 401.62 | 401.62 | 401.62 | 401.62 | 447.00 | 477.40 | 483.13 | 490.38 |
| 8-inch | 666.98 | 688.66 | 688.66 | 688.66 | 688.66 | 688.66 | 766.48 | 818.60 | 828.42 | 840.85 |
| 12-inch | 1,042.16 | 1,076.03 | 1,076.03 | 1,076.03 | 1,076.03 | 1,076.03 | 1,197.62 | 1,279.08 | 1,294.43 | 1,313.85 |
| 16-inch | *(2)* | 1,548.20 | 1,548.20 | 1,548.20 | 1,548.20 | 1,548.20 | 1,723.15 | 1,840.35 | 1,862.43 | 1,890.37 |
| 18-inch | 1,728.12 | 1,784.28 | 1,784.28 | 1,784.28 | 1,784.28 | 1,784.28 | 1,985.90 | 2,120.97 | 2,146.42 | 2,178.62 |
| State & Federal Mandate | | | | | | | | | | |
| 5/8-inch | 5.27 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 3/4-inch | 7.91 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 1-inch | 13.19 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 1-1/2-inch | 26.37 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 2-inch | 42.20 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 3-inch | 84.39 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 4-inch | 131.87 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 6-inch | 263.73 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 8-inch | 1,265.90 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 12-inch | *(3)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 18-inch | *(3)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Renewal & Replacement | | | | | | | | | | |
| 5/8-inch | 12.50 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 14.75 | 15.86 | 16.05 | 16.29 |
| 3/4-inch | 18.75 | 19.50 | 19.50 | 19.50 | 19.50 | 19.50 | 22.13 | 23.79 | 24.08 | 24.44 |
| 1-inch | 31.25 | 32.50 | 32.50 | 32.50 | 32.50 | 32.50 | 36.89 | 39.66 | 40.14 | 40.74 |
| 1-1/2-inch | 62.50 | 65.00 | 65.00 | 65.00 | 65.00 | 65.00 | 73.78 | 79.32 | 80.27 | 81.47 |
| 2-inch | 100.00 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 | 118.04 | 126.91 | 128.43 | 130.36 |
| 3-inch | 200.00 | 208.00 | 208.00 | 208.00 | 208.00 | 208.00 | 236.08 | 253.83 | 256.88 | 260.73 |
| 4-inch | 312.50 | 325.00 | 325.00 | 325.00 | 325.00 | 325.00 | 368.88 | 396.61 | 401.37 | 407.39 |
| 6-inch | 625.00 | 650.00 | 650.00 | 650.00 | 650.00 | 650.00 | 737.75 | 793.21 | 802.73 | 814.77 |
| 8-inch | 3,000.00 | 3,120.00 | 3,120.00 | 3,120.00 | 3,120.00 | 3,120.00 | 3,541.20 | 3,807.40 | 3,853.09 | 3,910.89 |
| 12-inch | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* |
| 18-inch | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* | *(3)* |
| **Metered Service - Untreated Water** | | | | | | | | | | |
| Monthly Service Charge | | | | | | | | | | |
| 5/8-inch | 8.62 | 8.90 | 8.90 | 8.90 | 8.90 | 8.90 | 9.67 | 10.25 | 10.37 | 10.53 |
| 3/4-inch | 9.93 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 11.14 | 11.81 | 11.95 | 12.13 |
| 1-inch | 12.37 | 12.77 | 12.77 | 12.77 | 12.77 | 12.77 | 13.88 | 14.71 | 14.89 | 15.11 |
| 1-1/2-inch | 17.29 | 17.85 | 17.85 | 17.85 | 17.85 | 17.85 | 19.40 | 20.56 | 20.81 | 21.12 |
| 2-inch | 26.40 | 27.26 | 27.26 | 27.26 | 27.26 | 27.26 | 29.63 | 31.41 | 31.79 | 32.27 |
| 3-inch | 46.44 | 47.95 | 47.95 | 47.95 | 47.95 | 47.95 | 52.12 | 55.24 | 55.90 | 56.74 |
| 4-inch | 67.45 | 69.64 | 69.64 | 69.64 | 69.64 | 69.64 | 75.70 | 80.22 | 81.18 | 82.40 |
| 6-inch | 113.11 | 116.79 | 116.79 | 116.79 | 116.79 | 116.79 | 126.95 | 134.54 | 136.15 | 138.19 |
| 8-inch | 180.99 | 186.87 | 186.87 | 186.87 | 186.87 | 186.87 | 203.13 | 215.28 | 217.86 | 221.13 |
| Capital Facilities Surcharge | 6.65 | 6.87 | 6.87 | 6.87 | 6.87 | 6.87 | 7.78 | 8.38 | 8.48 | 8.61 |
| **Resale Service - Untreated Water** | | | | | | | | | | |
| Monthly Service Charge | 56.49 | 58.33 | 58.33 | 58.33 | 58.33 | 58.33 | 63.40 | 67.20 | 68.01 | 69.03 |
| **Private Fire Protection Service** | | | | | | | | | | |
| Monthly Service Charge | | | | | | | | | | |
| 2-inch | 17.96 | 18.54 | 18.54 | 18.54 | 18.54 | 18.54 | 18.82 | 18.82 | 18.82 | 18.82 |
| 3-inch | 20.76 | 21.43 | 21.43 | 21.43 | 21.43 | 21.43 | 21.75 | 21.75 | 21.75 | 21.75 |
| 4-inch | 23.05 | 23.80 | 23.80 | 23.80 | 23.80 | 23.80 | 24.16 | 24.16 | 24.16 | 24.16 |
| 6-inch | 28.73 | 29.66 | 29.66 | 29.66 | 29.66 | 29.66 | 30.10 | 30.10 | 30.10 | 30.10 |
| 8-inch | 54.57 | 56.34 | 56.34 | 56.34 | 56.34 | 56.34 | 57.19 | 57.19 | 57.19 | 57.19 |
| 10-inch | 96.13 | 99.25 | 99.25 | 99.25 | 99.25 | 99.25 | 100.74 | 100.74 | 100.74 | 100.74 |
| 12-inch | 153.92 | 158.92 | 158.92 | 158.92 | 158.92 | 158.92 | 161.30 | 161.30 | 161.30 | 161.30 |
| 16-inch | 342.47 | 353.60 | 353.60 | 353.60 | 353.60 | 353.60 | 358.90 | 358.90 | 358.90 | 358.90 |

(1) Rates are for the Zone 1 Water System service area. The Agency's Zone 1 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 *(1)***
**Last Ten Years**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Metered Services *(2)*** | | | | | | | | | | |
| Residential *(3)* | | | | | | | | | | |
| First 400 CF | 0.94 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.33 | 1.40 | 1.42 | 1.44 |
| Next 600 CF | 1.07 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 | 1.44 | 1.51 | 1.53 | 1.55 |
| Next 1,000 CF | 1.14 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.53 | 1.61 | 1.63 | 1.65 |
| Next 2,000 CF | 1.18 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.65 | 1.73 | 1.75 | 1.78 |
| Next 1,800 CF | 1.35 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.75 | 1.84 | 1.86 | 1.89 |
| Next 1,900 CF | 1.65 | 1.92 | 1.92 | 1.92 | 1.92 | 1.92 | 2.04 | 2.15 | 2.18 | 2.21 |
| Over 7,700 CF | 1.88 | 2.16 | 2.16 | 2.16 | 2.16 | 2.16 | 2.30 | 2.41 | 2.44 | 2.48 |
| Commercial & Municipal *(4)* | | | | | | | | | | |
| First 50,000 CF | 1.07 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Next 950,000 CF | 1.10 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Over 1,000,000 CF | 1.13 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Non-Residential *(4)* | | | | | | | | | | |
| First 50,000 CF | *(4)* | 1.28 | 1.28 | 1.28 | 1.28 | 1.28 | 1.36 | 1.43 | 1.45 | 1.47 |
| Next 450,000 CF | *(4)* | 1.31 | 1.31 | 1.31 | 1.31 | 1.31 | 1.39 | 1.46 | 1.48 | 1.50 |
| Over 500,000 CF | *(4)* | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 | 1.44 | 1.51 | 1.53 | 1.55 |
| Industrial & Resale | | | | | | | | | | |
| First 50,000 CF | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.17 | 1.23 | 1.24 | 1.26 |
| Next 950,000 CF | 1.02 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.18 | 1.24 | 1.25 | 1.27 |
| Over 1,000,000 CF | 1.04 | 1.12 | 1.12 | 1.12 | 1.12 | 1.12 | 1.19 | 1.25 | 1.27 | 1.29 |
| Over 1,000,000 CF *(5)* | 0.84 | *(5)* | *(5)* | *(5)* | *(5)* | *(5)* | *(5)* | *(5)* | *(5)* | *(5)* |
| Industrial & Resale-Public Agencies & Public Utilities *(5)* | | | | | | | | | | |
| First 42,500,000 CF | *(5)* | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.18 | *(6)* | *(6)* | *(6)* |
| Over 42,500,000 CF | *(5)* | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 | 1.42 | *(6)* | *(6)* | *(6)* |
| Golf Course, Park & Greenbelt | | | | | | | | | | |
| First 50,000 CF | 1.10 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Next 950,000 CF | 1.19 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Over 1,000,000 CF | 1.21 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Special Rates *(7)* | | | | | | | | | | |
| First 400 CF | 0.94 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.33 | 1.40 | 1.42 | 1.44 |
| Next 600 CF | 1.07 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 | 1.44 | 1.51 | 1.53 | 1.55 |
| Next 1,000 CF | 1.14 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.53 | 1.61 | 1.63 | 1.65 |
| Next 2,000 CF | 1.18 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.65 | 1.73 | 1.75 | 1.78 |
| Next 61,000 CF | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.13 | 0.13 | 0.13 | 0.13 |
| Next 65,000 CF | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.11 | 0.11 | 0.11 | 0.11 |
| Over 130,000 CF | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.11 | *(7)* | *(7)* | *(7)* |
| Temporary Construction | | | | | | | | | | |
| First 50,000 CF | 2.14 | 2.56 | 2.56 | 2.56 | 2.56 | 2.56 | 2.72 | 2.86 | 2.90 | 2.94 |
| Next 450,000 CF | 2.20 | 2.62 | 2.62 | 2.62 | 2.62 | 2.62 | 2.78 | 2.92 | 2.96 | 3.00 |
| Next 500,000 CF | 2.20 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.88 | 3.02 | 3.06 | 3.10 |
| Over 1,000,000 CF | 2.26 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.88 | 3.02 | 3.06 | 3.10 |

(1) Rates are for the Zone 1 Water System service area. The Agency's Zone 1 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.

* Rates shown above for years 2008-2017 are displayed with the 2017 tier structure. Water use per tier (cubic-feet) varies on an annual basis.

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 *(1)*
## Last Ten Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Metered Services** *(2)* | | | | | | | | | | |
| First 3,000 CF | 0.37 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.41 | 0.44 | 0.45 | 0.46 |
| Next 7,000 CF | 0.43 | 0.36 | 0.36 | 0.36 | 0.36 | 0.36 | 0.39 | 0.42 | 0.43 | 0.44 |
| Over 10,000 CF | 0.28 | 0.29 | 0.29 | 0.29 | 0.29 | 0.29 | 0.32 | 0.34 | 0.34 | 0.35 |
| **Non-Metered Services (Miner's Inches) (MI)** *(3)* | | | | | | | | | | |
| General Irrigation Service (Winter) *(4)* | | | | | | | | | | |
| First 1/2 MI | 30.55 | 31.09 | 31.09 | 31.09 | 31.09 | 31.09 | 33.79 | 35.82 | 36.25 | 36.79 |
| First MI | 60.23 | 62.18 | 62.18 | 62.18 | 62.18 | 62.18 | 67.59 | 71.63 | 72.49 | 73.58 |
| 2-9 MI | 61.67 | 63.67 | 63.67 | 63.67 | 63.67 | 63.67 | 69.21 | 73.35 | 74.23 | 75.34 |
| Over 9 MI | 61.96 | 63.97 | 63.97 | 63.97 | 63.97 | 63.97 | 69.54 | 73.70 | 74.58 | 75.70 |
| General Irrigation Service (Summer) *(4)* | | | | | | | | | | |
| First 1/2 MI | 28.11 | 28.11 | 28.11 | 28.11 | 28.11 | 28.11 | 30.56 | 32.39 | 32.78 | 33.27 |
| First MI | 49.82 | 51.44 | 51.44 | 51.44 | 51.44 | 51.44 | 55.92 | 59.26 | 59.97 | 60.87 |
| 2-9 MI | 52.02 | 53.71 | 53.71 | 53.71 | 53.71 | 53.71 | 58.38 | 61.87 | 62.61 | 63.55 |
| Over 9 MI | 52.99 | 54.71 | 54.71 | 54.71 | 54.71 | 54.71 | 59.47 | 63.03 | 63.79 | 64.75 |
| Commercial Agriculture (Winter) | | | | | | | | | | |
| First MI | 48.65 | 50.23 | 50.23 | 50.23 | 50.23 | 50.23 | 54.60 | 57.87 | 58.56 | 59.44 |
| Over 1 MI | 49.60 | 51.21 | 51.21 | 51.21 | 51.21 | 51.21 | 55.67 | 59.00 | 59.71 | 60.61 |
| Commercial Agriculture (Summer) | | | | | | | | | | |
| First MI | 48.44 | 50.01 | 50.01 | 50.01 | 50.01 | 50.01 | 54.36 | 57.62 | 58.31 | 59.18 |
| 2nd MI | 47.43 | 48.97 | 48.97 | 48.97 | 48.97 | 48.97 | 53.23 | 56.42 | 57.10 | 57.96 |
| 3rd MI | 42.83 | 44.22 | 44.22 | 44.22 | 44.22 | 44.22 | 48.07 | 50.95 | 51.56 | 52.33 |
| 4th MI | 38.24 | 39.48 | 39.48 | 39.48 | 39.48 | 39.48 | 42.91 | 45.48 | 46.03 | 46.72 |
| 5-9 MI | 35.18 | 36.32 | 36.32 | 36.32 | 36.32 | 36.32 | 39.48 | 41.84 | 42.34 | 42.98 |
| 10-60 MI | 32.12 | 33.16 | 33.16 | 33.16 | 33.16 | 33.16 | 36.04 | 38.20 | 38.66 | 39.24 |
| Over 60 MI | 26.51 | 27.37 | 27.37 | 27.37 | 27.37 | 27.37 | 29.75 | 31.53 | 31.91 | 32.39 |
| Golf Course, Park & Greenbelt (Winter) *(4)* | | | | | | | | | | |
| First MI | 60.62 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 2-9 MI | 62.31 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Over 9 MI | 63.55 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Golf Course, Park & Greenbelt (Summer) *(4)* | | | | | | | | | | |
| First MI | 51.78 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| 2-9 MI | 54.54 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Over 9 MI | 54.81 | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* | *(4)* |
| Resale Service (Miner's Inch Days) *(5)* | | | | | | | | | | |
| First 1,000 | 5.68 | 5.24 | 5.24 | 5.24 | 5.24 | 5.24 | 5.70 | 6.04 | 6.11 | 6.20 |
| Over 1,000 | 6.47 | 5.41 | 5.41 | 5.41 | 5.41 | 5.41 | 5.88 | 6.23 | 6.30 | 6.39 |

(1) Rates are for the Zone 1 Water System service area. The Agency's Zone 1 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 use per tier varies on an annual basis. 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**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water Connection Charge (WCC)** | | | | | | | | | | |
| Zone 1 Service Area | 14,414.00 | 15,440.00 | 15,440.00 | 16,073.00 | 16,206.00 | 16,444.00 | 17,307.00 | 17,307.00 | 17,712.00 | 18,867.00 |
| **Meters and Service Connections *(2)*** | | | | | | | | | | |
| Installation of Meter to Existing Svc | | | | | | | | | | |
| 5/8" x 3/4" | 125.00 | 130.00 | 130.00 | 130.00 | 130.00 | 130.00 | 135.00 | 135.00 | 135.00 | 135.00 |
| 3/4" | 125.00 | 130.00 | 130.00 | 130.00 | 130.00 | 130.00 | 135.00 | 135.00 | 135.00 | 135.00 |
| 1" | 125.00 | 130.00 | 130.00 | 130.00 | 130.00 | 130.00 | 135.00 | 135.00 | 135.00 | 135.00 |
| 1 1/2" | 125.00 | 130.00 | 130.00 | 130.00 | 130.00 | 130.00 | 135.00 | 135.00 | 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 |
| **Other Miscellaneous Fees and Charges** | | | | | | | | | | |
| Backflow Prevention Device Test Charge | 105.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 |
| Canal Flow Rate Change | | | | | | | | | | |
| No Field Trip Required | 15.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| Field Trip Required | 65.00 | 67.00 | 67.00 | 67.00 | 67.00 | 67.00 | 85.00 | 85.00 | 85.00 | 85.00 |
| After Hours Charge | 115.00 | 119.00 | 119.00 | 119.00 | 119.00 | 119.00 | 140.00 | 140.00 | 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 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| Field Collection Charge | 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 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 |
| Third Occurrence | 1,000.00 | 250.00 | 250.00 | 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 | 20.00 | 20.00 |
| Meter Test and Repair Deposit/Charge | 60.00 | 62.00 | 62.00 | 62.00 | 62.00 | 62.00 | 62.00 | 62.00 | 62.00 | 62.00 |
| Service Set-up Charge | | | | | | | | | | |
| No Field Trip Required | 15.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| Field Trip Required | 35.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 40.00 | 40.00 | 40.00 | 40.00 |
| After Hours Charge | 115.00 | 119.00 | 119.00 | 119.00 | 119.00 | 119.00 | 140.00 | 140.00 | 140.00 | 140.00 |
| Project Application Charge | 105.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 140.00 | 140.00 | 140.00 | 140.00 |
| Pressure Test Charge | 85.00 | 88.00 | 88.00 | 88.00 | 88.00 | 88.00 | 95.00 | 95.00 | 95.00 | 95.00 |
| Reconnection Charge *(4)* | | | | | | | | | | |
| Treated Services | 45.00 | 47.00 | 47.00 | 47.00 | 47.00 | 47.00 | 55.00 | 55.00 | 55.00 | 55.00 |
| Untreated Services | 65.00 | 67.00 | 67.00 | 67.00 | 67.00 | 67.00 | 75.00 | 75.00 | 75.00 | 75.00 |
| After Hours Charge | 115.00 | 119.00 | 119.00 | 119.00 | 119.00 | 119.00 | 140.00 | 140.00 | 140.00 | 140.00 |
| Returned Check Charge | 25.00 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 |
| Temporary Construction Water Svc | | | | | | | | | | |
| Permit Fee | 40.00 | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 |
| Connection Charge | 100.00 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 |
| Variances and Waivers of Rules | | | | | | | | | | |
| and Regulations or Rates | 180.00 | 187.00 | 187.00 | 187.00 | 187.00 | 187.00 | 225.00 | 225.00 | 225.00 | 225.00 |
| Water Service Written Estimate | 105.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 |
| WCC - Installment Payment | | | | | | | | | | |
| Processing Fee | 175.00 | 182.00 | 182.00 | 182.00 | 182.00 | 182.00 | 184.00 | 184.00 | 184.00 | 184.00 |
| Certification of Cross Connection Control | | | | | | | | | | |
| (Backflow) Charge *(5)* | 1.64 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.75 | 1.75 | 1.75 | 1.75 |
| Certification of Domestic Water Source | | | | | | | | | | |
| (Constructed Conveyance) | | | | | | | | | | |
| Charge *(6)* | 3.96 | 4.11 | 4.11 | 4.11 | 4.11 | 4.11 | 5.00 | 5.00 | 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 | 75.00 | 75.00 |

(1) Rates are for the Zone 1 Water System service area. The Agency's Zone 1 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

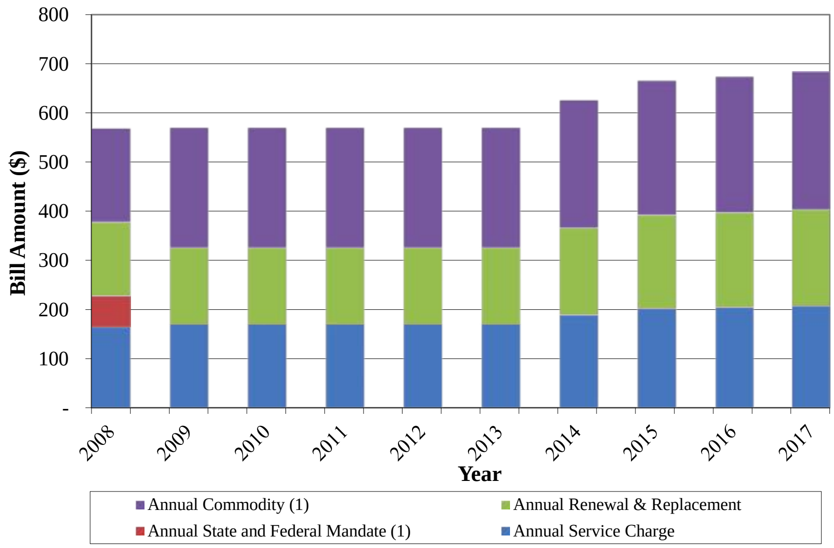
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual Service Charge | 165.00 | 170.40 | 170.40 | 170.40 | 170.40 | 170.40 | 189.60 | 202.56 | 204.96 | 208.08 |
| Annual State and Federal Mandate *(1)* | 63.24 | - | - | - | - | - | - | - | - | - |
| Annual Renewal & Replacement | 150.00 | 156.00 | 156.00 | 156.00 | 156.00 | 156.00 | 177.00 | 190.32 | 192.60 | 195.48 |
| Annual Commodity *(1)* | 190.56 | 243.60 | 243.60 | 243.60 | 243.60 | 243.60 | 259.32 | 272.52 | 276.12 | 279.72 |
| Annual Water Billed Amount | 568.80 | 570.00 | 570.00 | 570.00 | 570.00 | 570.00 | 625.92 | 665.40 | 673.68 | 683.28 |
| Effective Rate Increase | 6.16% | 0.21% | 0.00% | 0.00% | 0.00% | 0.00% | 9.81% | 6.31% | 1.24% | 1.43% |

* 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 Water System treated water rates, as the Agency's Zone 1 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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water Division** | | | | | | | | | | |
| **Certificates of Participation** | | | | | | | | | | |
| 1999 Certificates | 2,450,000 | 1,880,000 | 1,285,000 | 655,000 | - | - | - | - | - | - |
| 2003 Certificates | 12,490,000 | 11,870,000 | 11,230,000 | 10,570,000 | 9,885,000 | - | - | - | - | - |
| 2007 Certificates | 33,140,000 | 32,535,000 | 31,905,000 | 31,250,000 | 30,570,000 | 29,860,000 | 29,120,000 | 28,355,000 | 830,000 | - |
| 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 | 32,940,000 | 31,470,000 |
| 2013 Certificates | - | - | - | - | - | 8,100,000 | 7,445,000 | 6,755,000 | 6,040,000 | 5,290,000 |
| 2016 Certificates | - | - | - | - | - | - | - | - | 24,840,000 | 24,840,000 |
| Certificates Outstanding | 88,465,000 | 86,145,000 | 83,760,000 | 81,290,000 | 78,720,000 | 74,965,000 | 72,270,000 | 69,465,000 | 64,650,000 | 61,600,000 |
| **Loans Payable** | | | | | | | | | | |
| EDA Community Emergency Drought Loans | 137,304 | 124,501 | 111,057 | 80,168 | 67,817 | - | - | - | - | - |
| State Department of Water Resources Loans: | | | | | | | | | | |
| Dutch Flat Terrace | 12,257 | 10,677 | 9,044 | 7,355 | 5,608 | 3,803 | 1,936 | - | - | - |
| Alta/Monte Vista (SWTR) | 267,784 | 237,640 | 206,604 | 174,645 | 141,738 | 107,845 | 72,945 | 37,007 | - | - |
| King/Delmar | 221,637 | 208,709 | 195,390 | 181,665 | 167,525 | 152,945 | 137,923 | 122,443 | - | - |
| Applegate | 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 | 13,543,916 | 12,596,680 |
| Electric Street Tank | - | - | - | - | 1,259,537 | 7,395,132 | 7,766,550 | 7,644,579 | 7,332,473 | 7,010,507 |
| Ferguson Road Land Loan | 20,720 | 6,262 | - | - | - | - | - | - | - | - |
| Ziegleman - Soracco Land Loans | 224,502 | - | - | - | - | - | - | - | - | - |
| Mello-Roos Obligation | 18,515 | 14,789 | 8,821 | - | - | - | - | - | - | - |
| Loans Outstanding | 21,327,569 | 20,606,769 | 19,703,110 | 18,764,665 | 19,091,888 | 24,217,924 | 23,625,344 | 22,516,572 | 20,876,389 | 19,607,187 |
| **Improvement District (ID) Debt *(1)*** | | | | | | | | | | |
| ID No. 10 - Aguilar Road *(2)* | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 |
| ID No. 11 - Lakeshore *(2)* | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 |
| ID No. 36 - Highway 174 | 51,769 | 46,289 | 40,657 | 34,867 | 28,916 | 22,797 | 16,507 | 10,041 | - | - |
| Improvement District Debt Outstanding | 54,098 | 48,618 | 42,986 | 37,196 | 31,245 | 25,126 | 18,836 | 12,370 | 2,329 | 2,329 |
| **Subtotal Water Division Debt Outstanding** | 109,846,667 | 106,800,387 | 103,506,096 | 100,091,861 | 97,843,133 | 99,208,050 | 95,914,180 | 91,993,942 | 85,528,718 | 81,209,516 |
| **Power Division** | | | | | | | | | | |
| **Revenue Bonds** | | | | | | | | | | |
| Middle Fork Project Revenue Bonds, Series A *(3)* | 18,530,000 | 14,230,000 | 9,775,000 | 5,155,000 | 2,425,000 | - | - | - | - | - |
| **Subtotal Power Division Debt Outstanding** | 18,530,000 | 14,230,000 | 9,775,000 | 5,155,000 | 2,425,000 | - | - | - | - | - |
| Subtotal Agency Debt Outstanding | 128,376,667 | 121,030,387 | 113,281,096 | 105,246,861 | 100,268,133 | 99,208,050 | 95,914,180 | 91,993,942 | 85,528,718 | 81,209,516 |
| Less: Unamortized bond discounts & premiums | (696,668) | (661,117) | (624,935) | (588,103) | (550,598) | (1,457,906) | (1,415,350) | (1,365,042) | 3,379,208 | 3,108,563 |
| Deferred Amount of Refunding | (3,707,572) | (3,448,849) | (3,192,976) | (2,940,053) | (2,690,180) | - | - | - | - | - |
| **Total PCWA Long-Term Debt** | 123,972,427 | 116,920,421 | 109,463,185 | 101,718,705 | 97,027,355 | 97,750,144 | 94,498,830 | 90,628,900 | 88,907,926 | 84,318,079 |
| **Per Customer** | 3,224 | 3,051 | 2,824 | 2,627 | 2,503 | 2,485 | 2,367 | 2,295 | 2,191 | 2,055 |
| Number of Customer Accounts | 38,451 | 38,324 | 38,758 | 38,720 | 38,761 | 39,338 | 39,924 | 39,489 | 40,574 | 41,037 |

(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

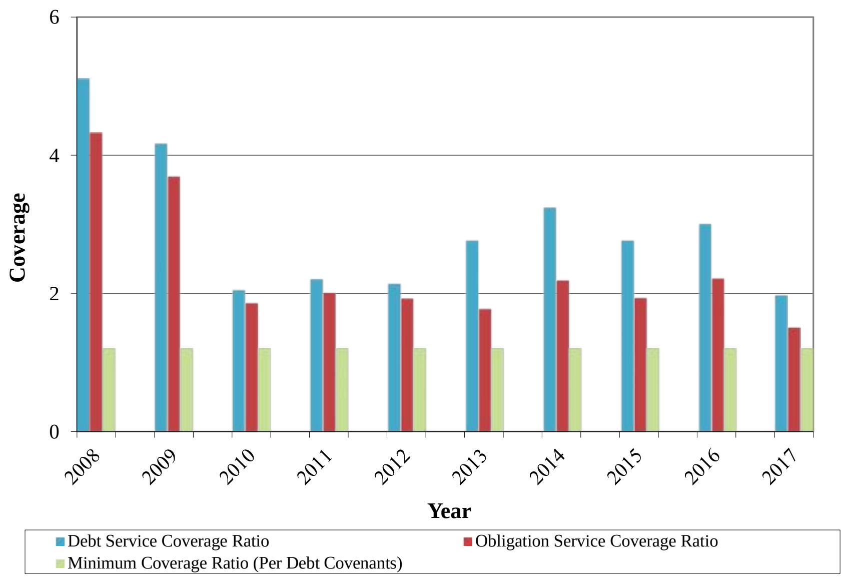
# PLACER COUNTY WATER AGENCY
## TABLE # 14
## Debt Service Coverage
## Western Water System
## Last Ten Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Debt Service Coverage** | | | | | | | | | | |
| Net Water Revenues, | | | | | | | | | | |
| Excluding Depreciation | 24,837,976 | 29,380,115 | 15,896,962 | 17,103,644 | 16,556,036 | 21,373,589 | 24,528,189 | 21,643,996 | 24,579,374 | 15,032,916 |
| Debt Service on Certificates | | | | | | | | | | |
| and Other Parity Debt | 4,859,644 | 7,032,243 | 7,700,386 | 7,693,180 | 7,686,422 | 7,691,417 | 7,530,692 | 7,789,271 | 8,145,242 | 7,551,458 |
| **Debt Service Coverage Ratio** | 5.11 | 4.18 | 2.06 | 2.22 | 2.15 | 2.78 | 3.26 | 2.78 | 3.02 | 1.99 |
| **Minimum Coverage Ratio (Per Debt Covenants)** | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| **Debt Service Coverage without Water Connection Charge Revenue (WCC) *(1)*** | | | | | | | | | | |
| Net Water Revenues, | | | | | | | | | | |
| Excluding Depreciation and WCC | 21,334,913 | 22,940,551 | 15,469,997 | 16,704,076 | 14,908,062 | 16,371,317 | 15,142,575 | 11,647,026 | 12,755,209 | 7,236,941 |
| Debt Service on Certificates | | | | | | | | | | |
| and Other Parity Debt | 4,859,644 | 7,032,243 | 7,700,386 | 7,693,180 | 7,686,422 | 7,691,417 | 7,530,692 | 7,789,271 | 8,145,242 | 7,551,458 |
| **Debt Service Coverage Ratio** | 4.39 | 3.26 | 2.01 | 2.17 | 1.94 | 2.13 | 2.01 | 1.50 | 1.57 | 0.96 |
| **Obligation Service Coverage** | | | | | | | | | | |
| Net Water Revenues, Excl. Depreciation | | | | | | | | | | |
| as Adjusted by Water Purchases | 25,344,332 | 29,936,496 | 16,422,962 | 17,787,085 | 17,178,193 | 22,207,287 | 27,111,750 | 24,698,293 | 28,542,358 | 18,885,163 |
| Obligation Service | 5,854,644 | 8,087,243 | 8,755,386 | 8,793,905 | 8,836,422 | 12,373,218 | 12,306,128 | 12,660,216 | 12,796,273 | 12,381,458 |
| **Obligation Service Coverage Ratio** | 4.33 | 3.70 | 1.88 | 2.02 | 1.94 | 1.79 | 2.20 | 1.95 | 2.23 | 1.53 |
| **Certificate Reserve Requirement** | | | | | | | | | | |
| Minimum Reserve Required | 5,092,234 | 5,046,998 | 4,686,467 | 4,936,131 | 4,573,607 | 4,866,040 | 5,361,182 | 5,269,764 | 4,786,614 | 4,651,551 |
| Actual Reserve Balance | 5,166,094 | 5,166,187 | 5,147,940 | 5,148,051 | 5,148,141 | 5,617,943 | 5,858,596 | 5,748,915 | 5,242,558 | 5,242,558 |
| **Reserve Requirement Coverage** | 1.01 | 1.02 | 1.10 | 1.04 | 1.13 | 1.15 | 1.09 | 1.09 | 1.10 | 1.13 |

(1) For presentation purposes, the debt service coverage is presented without 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**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Placer County** | | | | | | | | | | |
| Population | 337,914 | 344,088 | 350,609 | 355,687 | 360,680 | 365,107 | 369,726 | 371,558 | 376,092 | 381,675 |
| Annual % Change in Population | 2.49% | 1.83% | 1.90% | 1.45% | 1.40% | 1.23% | 1.27% | 0.50% | 1.22% | 1.48% |
| Total Personal Income (Millions) | 16,095 | 15,899 | 16,326 | 17,312 | 19,004 | 20,174 | 20,229 | 21,659 | 22,969 | * |
| Per Capita Personal Income | 47,195 | 45,614 | 46,617 | 48,476 | 52,544 | 54,924 | 54,423 | 57,696 | 60,360 | * |
| Unemployment Rate | 6.4% | 10.6% | 11.5% | 10.8% | 8.6% | 6.5% | 5.2% | 4.6% | 4.0% | 3.1% |
| **State of California** | | | | | | | | | | |
| Population (Thousands) | 36,856 | 37,077 | 37,318 | 37,578 | 37,826 | 38,204 | 38,499 | 39,071 | 39,354 | 39,613 |
| Annual % Change in Population | 0.83% | 0.60% | 0.65% | 0.70% | 0.66% | 1.00% | 0.77% | 1.49% | 0.72% | 0.66% |
| Total Personal Income (Millions) | 1,604,113 | 1,566,999 | 1,564,209 | 1,645,138 | 1,768,039 | 1,856,614 | 1,939,528 | 2,103,669 | 2,212,691 | 2,303,870 |
| Per Capita Personal Income | 43,852 | 42,395 | 41,893 | 43,647 | 46,477 | 48,434 | 49,985 | 53,741 | 56,308 | 58,272 |
| Unemployment Rate | 7.2% | 11.4% | 12.4% | 11.7% | 9.7% | 8.3% | 6.7% | 5.7% | 5.0% | 4.5% |

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 2017 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**
**2008-2017**

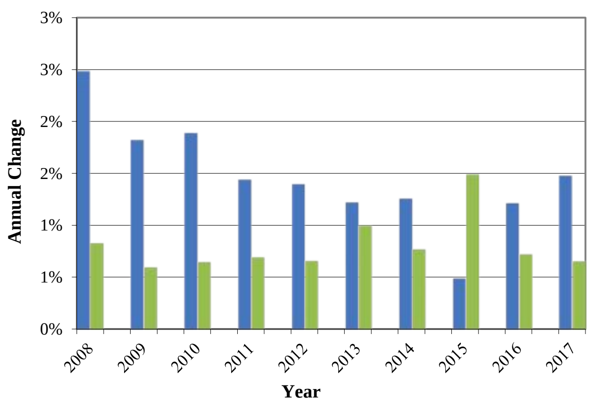



**CHART #12**
**Unemployment Rate**
**2008-2017**

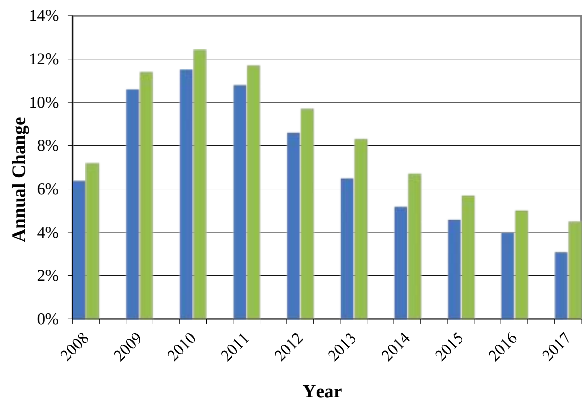
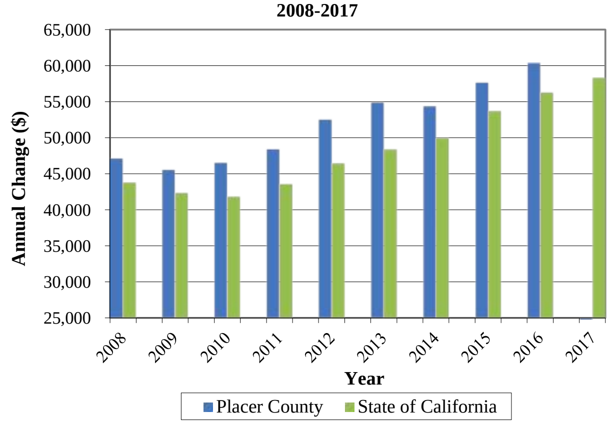



**CHART #13**
**Per Capita Personal Income**
**2008-2017**



**PLACER COUNTY WATER AGENCY**
**TABLE # 16**
**Principal Employers of Placer County**
**Years Ended December 31, 2008 and 2017**

| 2008 | | | 2017 | | |
|---|---|---|---|---|---|
| **Company or Organization** | **Number of Employees** | **Percent of Total Employment** | **Company or Organization** | **Number of Employees** | **Percent of Total Employment** |
| Hewlett-Packard Co. | 3,600 | 2.19% | Sutter Health | 5,634 | 3.22% |
| Placer County | 2,725 | 1.65% | Kaiser Permanente | 5,609 | 3.20% |
| Kaiser Permanente | 2,673 | 1.62% | Placer County | 2,898 | 1.65% |
| Thunder Valley Casino Resort | 1,700 | 1.03% | Thunder Valley Casino Resort | 2,500 | 1.43% |
| Sutter Health | 1,543 | 0.94% | Hewlett-Packard Co. | 2,000 | 1.14% |
| PRIDE Industries | 1,461 | 0.89% | PRIDE Industries | 1,446 | 0.83% |
| Union Pacific Railroad Co. Inc. | 1,400 | 0.85% | Safeway | 1,169 | 0.67% |
| Wells Fargo & Co. | 1,320 | 0.80% | Squaw Valley Alpine Meadows | 1,161 | 0.66% |
| City of Roseville | 1,319 | 0.80% | City of Roseville | 1,146 | 0.65% |
| Dry Creek Joint Elem. School Dist. | 992 | 0.60% | Union Pacific Railroad Co. Inc. | 1,091 | 0.62% |
| Total Largest Employers | 18,733 | 11.37% | Total Largest Employers | 24,654 | 14.07% |
| Total All Employers | 164,700 | 100.00% | Total All Employers | 175,200 | 100.00% |

Source: Sacramento Business Journal - May 12, 2017
Sacramento Business Journal - March 14, 2008
State of California, Employment Development Department

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Agency Wide** | | | | | | | | | | |
| General Manager's Office | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Administrative Services | 15 | 16 | 17 | 10 | 17 | 17 | 15 | 18 | 19 | 20 |
| Financial Services *(1)* | 7 | 7 | 7 | 14 | 11 | 11 | 12 | 12 | 13 | 13 |
| Legal Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Resource Development *(2)* | 4 | 0 | 0 | 0 | 0 | 6 | 8 | 6 | 6 | 0 |
| Strategic Affairs *(2)* | 1 | 4 | 4 | 4 | 6 | 1 | 1 | 0 | 0 | 2 |
| Total Agency Wide | 29 | 29 | 30 | 30 | 36 | 37 | 38 | 38 | 41 | 38 |
| **Water Division** | | | | | | | | | | |
| Customer Services | 29 | 29 | 29 | 29 | 30 | 30 | 30 | 30 | 30 | 31 |
| Field Services | 52 | 52 | 52 | 52 | 52 | 53 | 54 | 54 | 54 | 53 |
| Technical Services | 51 | 51 | 51 | 51 | 53 | 53 | 57 | 59 | 60 | 61 |
| Total Water Division | 132 | 132 | 132 | 132 | 135 | 136 | 141 | 143 | 144 | 145 |
| **Power Division** | | | | | | | | | | |
| Power Systems | 18 | 18 | 18 | 18 | 27 | 27 | 31 | 34 | 37 | 37 |
| Energy Marketing *(2)* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Total Power Division | 18 | 18 | 18 | 18 | 27 | 27 | 31 | 34 | 37 | 41 |
| Total Employees | 179 | 179 | 180 | 180 | 198 | 200 | 210 | 215 | 222 | 224 |

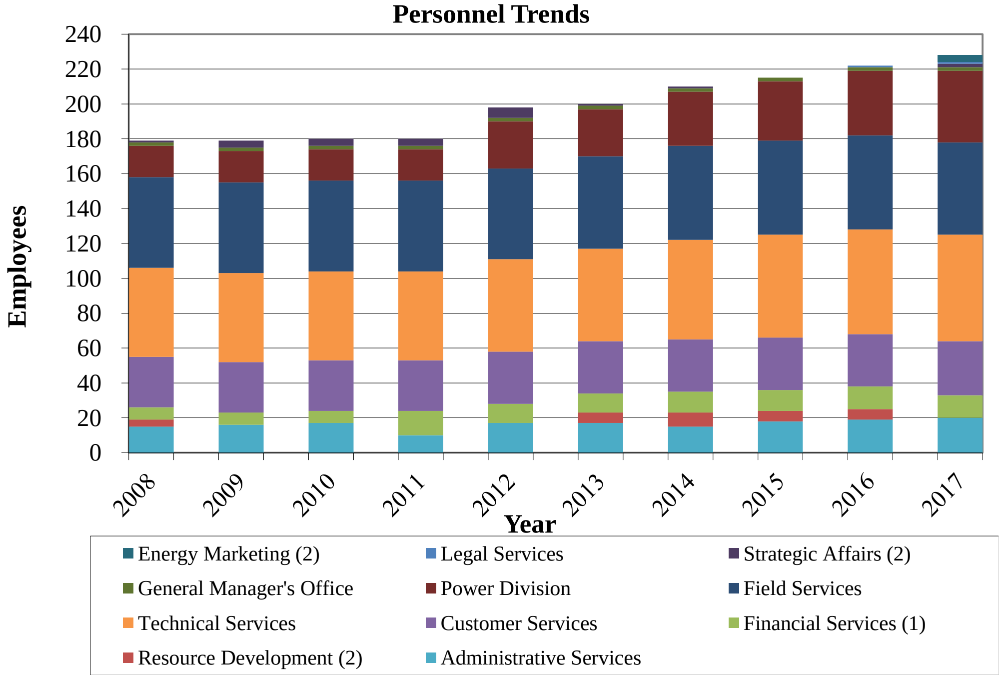
(1) In March 2010, the Information Systems Services (ISS) Division was moved from the Administration Services Department to the Financial Services Department. The ISS Division was moved back to the Administrative Services Department in October 2012.

(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. In 2017, Resource Development was bifurcated and its functions split into the new Energy Marketing department and the re-established Strategic Affairs.

Authorized positions are reported by department.

Source: Placer County Water Agency, Administrative Services Department

**CHART #14**
**Personnel Trends**



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

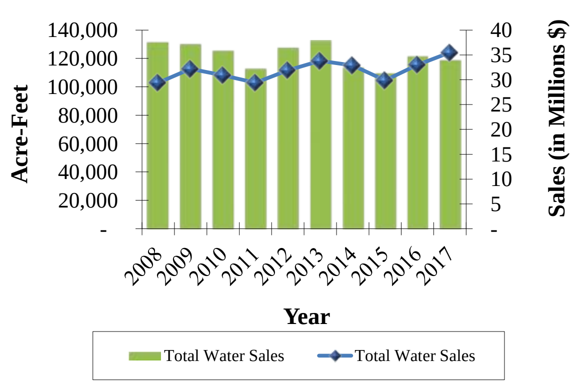
| WATER | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Facilities** | | | | | | | | | | |
| Miles of Main Line - Treated *(6)* | 543 | 547 | 549 | 599 | 602 | 609 | 620 | 587 | 598 | 601 |
| Miles of Canals - Untreated (Raw) | 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)* | 80 | 80 | 80 | 81 | 83 | 80 | 84 | 84 | 84 | 85 |
| Number of Pumping Stations *(6)* | 15 | 17 | 18 | 16 | 16 | 18 | 18 | 15 | 15 | 15 |
| Number of Storage Tanks *(6)* | 34 | 37 | 33 | 35 | 32 | 32 | 32 | 27 | 26 | 26 |
| **Water Received (in Acre-Feet):** | | | | | | | | | | |
| Lake Spaulding via Drum Canal | 103,200 | 95,594 | 88,061 | 65,455 | 85,974 | 99,406 | 57,916 | 57,049 | 86,073 | 79,119 |
| American River (Middle Fork Project) | 9,469 | 10,841 | 9,033 | 15,888 | 14,495 | 10,874 | 16,039 | 24,028 | 4,394 | 3,459 |
| Canyon Creek | 2,912 | 2,790 | 4,624 | 5,421 | 3,903 | 2,914 | 2,643 | 1,665 | 3,148 | 1,564 |
| Zone 1 Groundwater | - | - | - | - | - | - | 55 | - | - | - |
| Nevada Irrigation District (Foothill) | 1,664 | 1,602 | 1,481 | 1,123 | 1,298 | 1,920 | 1,641 | 1,497 | 571 | 1,288 |
| Nevada Irrigation District (Rock Creek) | 221 | 122 | - | 746 | 183 | 317 | 24 | - | - | - |
| South Sutter Water District | - | - | - | - | - | - | - | - | 580 | - |
| PG&E Zone 3 Supply | 10,101 | 9,709 | 7,951 | 9,781 | 9,182 | 10,007 | 8,713 | 8,647 | 7,712 | 9,421 |
| Lahontan Domestic Well | 106 | 141 | 90 | 80 | 103 | 95 | 130 | 91 | - | - |
| Lahontan Irrigation Well | - | 3 | - | - | - | - | - | - | - | - |
| Total Supply | 127,673 | 120,802 | 111,240 | 98,494 | 115,138 | 125,533 | 87,161 | 92,977 | 102,478 | 94,851 |
| **Water Delivered/Billed (Acre-Feet):** | | | | | | | | | | |
| Treated Water Delivered | 38,863 | 35,774 | 32,824 | 30,171 | 34,176 | 37,476 | 32,205 | 26,965 | 29,724 | 32,263 |
| Treated Water % of Total | 29.5% | 27.5% | 26.1% | 26.7% | 26.8% | 28.3% | 28.3% | 24.5% | 24.4% | 27.1% |
| Untreated (Raw) Water Billed *(2)* | 92,902 | 94,536 | 92,737 | 82,928 | 93,541 | 95,085 | 81,592 | 82,900 | 91,994 | 86,872 |
| Untreated (Raw) Water % of Total | 70.5% | 72.5% | 73.9% | 73.3% | 73.2% | 71.7% | 71.7% | 75.5% | 75.6% | 72.9% |
| Total Water Delivered/Billed | 131,765 | 130,310 | 125,561 | 113,099 | 127,717 | 132,561 | 113,797 | 109,865 | 121,718 | 119,135 |
| Average Per Day (acre-feet) | 361 | 357 | 344 | 310 | 350 | 363 | 312 | 301 | 333 | 326 |
| **Sales (Millions):** | | | | | | | | | | |
| Treated Water Sales | 26.0 | 28.7 | 27.5 | 26.2 | 28.4 | 30.2 | 29.7 | 26.54 | 29.06 | 31.57 |
| Treated Water % of Total | 88.4% | 89.1% | 89.0% | 89.1% | 89.0% | 89.3% | 90.3% | 88.6% | 88.2% | 88.8% |
| Untreated (Raw) Water Sales | 3.4 | 3.5 | 3.4 | 3.2 | 3.5 | 3.6 | 3.2 | 3.40 | 3.90 | 3.98 |
| Untreated (Raw) Water % of Total | 11.6% | 10.9% | 11.0% | 10.9% | 11.0% | 10.7% | 9.7% | 11.4% | 11.8% | 11.2% |
| Total Water Sales | 29.4 | 32.2 | 30.9 | 29.4 | 31.9 | 33.8 | 32.9 | 29.9 | 33.0 | 35.5 |
| **Billings, Collections & Delinquencies:** | | | | | | | | | | |
| Water Billings *(3)* | 43,057,084 | 43,160,740 | 41,053,948 | 38,997,459 | 41,717,567 | 44,313,297 | 43,972,868 | 42,698,494 | 44,994,995 | 47,693,727 |
| Collections | 42,966,092 | 43,027,166 | 40,912,728 | 38,883,883 | 41,640,423 | 44,246,844 | 43,916,962 | 42,648,284 | 44,944,519 | 47,652,087 |
| Uncollectible | 90,992 | 133,574 | 141,220 | 113,576 | 77,144 | 66,453 | 55,906 | 50,210 | 50,476 | 41,640 |
| Collection Percentage | 99.79% | 99.69% | 99.66% | 99.71% | 99.82% | 99.85% | 99.87% | 99.88% | 99.89% | 99.91% |

| POWER | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Facilities:** | | | | | | | | | | |
| Power Plants | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Miles of Tunnels & Penstocks | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Storage Reservoirs *(4)* | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Annual Megawatt Hours (Millions) *(5)* | 0.6 | 0.9 | 0.9 | 1.3 | 0.9 | 0.6 | 0.5 | 0.3 | 1.0 | 1.4 |

(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 necessarily 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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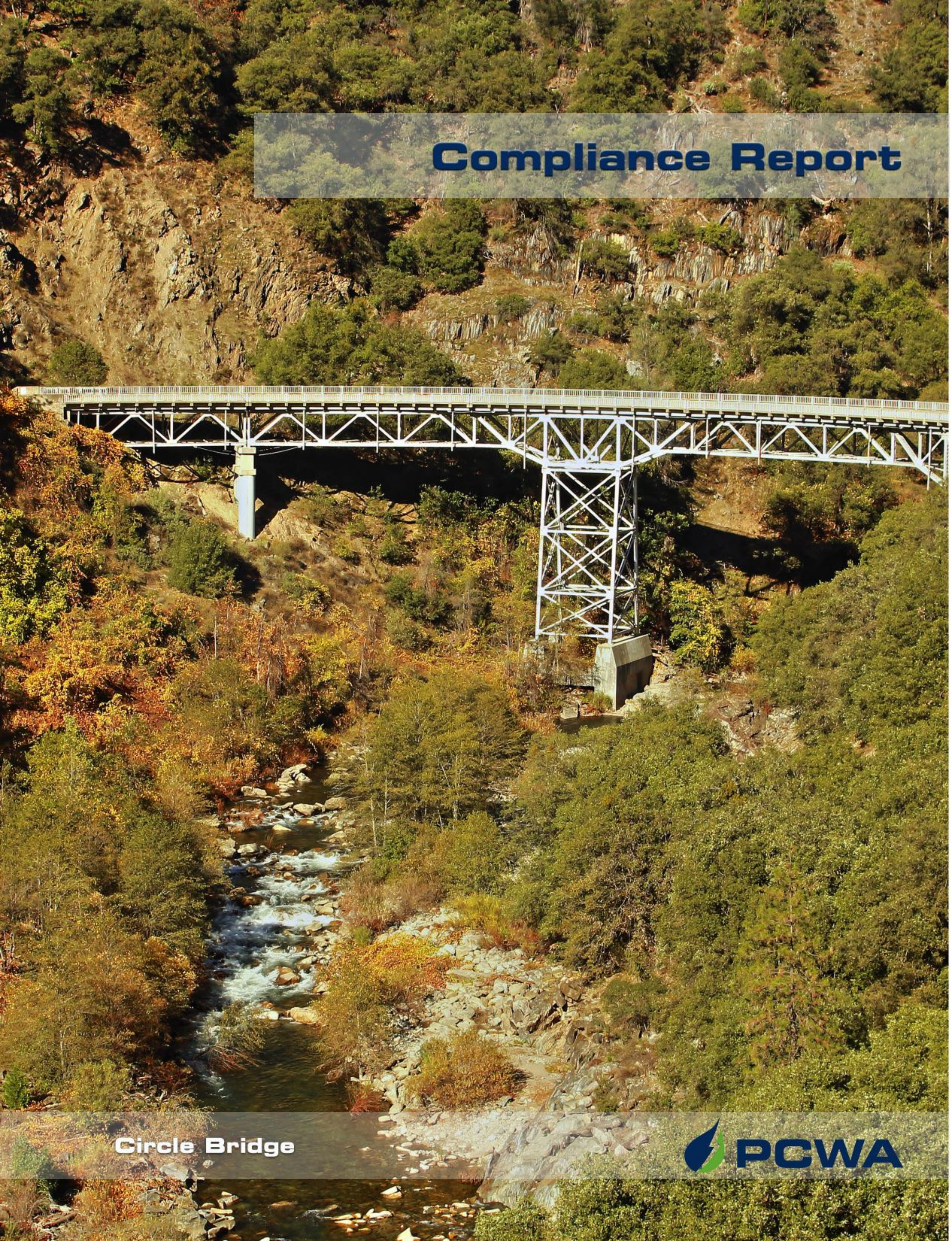
# Compliance Report



Circle Bridge

PCWA

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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, 2017, 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 May 18, 2018.

**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.

**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.

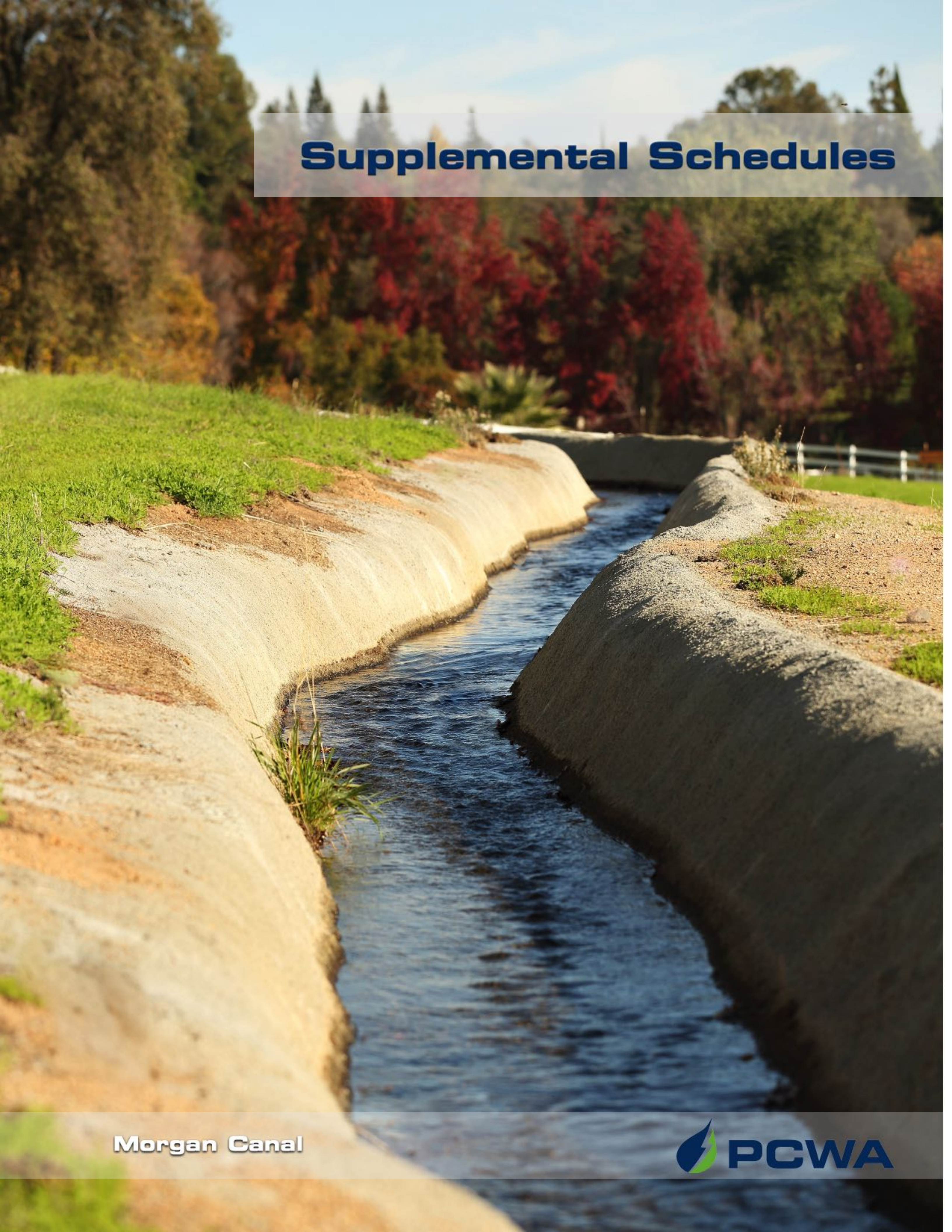
**Purpose of this Report**

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.

Davis Farr LLP

Irvine, California
May 18, 2018

# Supplemental Schedules



Morgan Canal

**PLACER COUNTY WATER AGENCY**
**Unrestricted Net Position - Board Designated Reserves**
**For the Fiscal Year Ended December 31, 2017**

## Agency Wide

| | | |
|---|---|---|
| **Operational:** | | |
| Contingencies | $ | 1,687,522 |
| Operational | | 928,128 |
| **Capital:** | | |
| Routine Capital Replacement | | 340,235 |
| Administration Building Maintenance and Improvements | | 1,242,009 |
| **Liabilities:** | | |
| Compensated Absences | | 625,126 |
| **Specific Activities & Projects:** | | |
| Water Entitlements/Water Rights Permit Extension | | 3,595,061 |
| Catastrophic Event | | 413,399 |
| Regional Reliability Program | | 2,921,565 |
| County Wide Master Plan | | 543,403 |
| Next Generation ERP System | | 215,987 |
| Regulatory/Legal | | 2,520,039 |
| Security Upgrades | | 254,457 |
| Stewardship Matters | | 549,278 |
| Financial Assistance Program | | 130,595 |
| **Total Agency Wide - Board Designated Reserves** | $ | 15,966,804 |

## Water Division

| | | |
|---|---|---|
| **Operational:** | | |
| Contingencies | $ | 2,174,725 |
| Operational | | 2,869,666 |
| Revenue Volatility | | 4,454,856 |
| Energy Volatility | | 2,453,800 |
| **Capital:** | | |
| Building and Facilities Maintenance and Improvements | | 750,851 |
| System Replacement and Improvements | | 8,887,624 |
| Vehicles, Equipment and Other Routine Capital Replacement | | 2,219,381 |
| **Specified Revenue:** | | |
| Renewal & Replacement Charges | | 21,602,689 |
| State and Federal Mandated Charges | | 47,120 |
| Raw Water Surcharge | | 832,491 |
| **Liabilities:** | | |
| Compensated Absences | | 2,017,220 |
| Revolving Grant Matching Funds | | 10,978 |
| Risk Management | | 326,264 |
| **Specific Activities & Projects:** | | |
| Water and Energy Efficiency Strategies | | 82,480 |
| Service Center - Corporation Yard | | 3,709,739 |
| Catastrophic Event | | 5,375,417 |
| **Total Water Division - Board Designated Reserves** | $ | 57,815,301 |

**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, 2017**

| | 2017 Adopted Budget | 2017 Adjusted Budget *(1)* | 2017 Actual | Variance from Adjusted Budget ($) | Variance from Adjusted Budget (%) |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Water Sales | $ 34,800,000 | $ 34,800,000 | 36,686,798 | 1,886,798 | 5% |
| Power Sales *(1)* | 36,419,512 | 36,419,512 | 27,486,249 | (8,933,263) | -25% |
| Renewal and Replacement Charges | 11,160,000 | 11,160,000 | 11,747,194 | 587,194 | 5% |
| Raw Water Surcharges | 320,000 | 320,000 | 359,213 | 39,213 | 12% |
| Engineering Charges | 750,000 | 750,000 | 674,039 | (75,961) | -10% |
| Customer Service Charges | 725,000 | 725,000 | 816,204 | 91,204 | 13% |
| Other Revenue | - | - | 77,384 | 77,384 | - |
| Total Operating Revenues | 84,174,512 | 84,174,512 | 77,847,081 | (6,327,431) | -8% |
| **Non-Operating Revenues** | | | | | |
| Water Connection Charges | 12,500,000 | 10,000,000 | 7,795,975 | (2,204,025) | -22% |
| Costs Recovered from Other Agencies | - | - | 1,159,664 | 1,159,664 | - |
| Contributions In Aid of Construction | 400,000 | 400,000 | 239,048 | (160,952) | -40% |
| Interest Earnings | 900,000 | 900,000 | 1,836,632 | 936,632 | 104% |
| Property Taxes and Assessments | 860,000 | 775,000 | 939,379 | 164,379 | 21% |
| Gain (Loss) on Disposal of Assets | - | - | (6,616,175) | (6,616,175) | - |
| Program Grant Revenue | 200,000 | 325,000 | 824,868 | 499,868 | 154% |
| Rental Income | 776,000 | 766,000 | 714,072 | (51,928) | -7% |
| Other Income | 16,000 | 16,000 | (535,621) | (551,621) | -3448% |
| Total Non-Operating Revenues | 15,652,000 | 13,182,000 | 6,357,842 | (6,824,158) | -52% |
| **Total Revenues** | 99,826,512 | 97,356,512 | 84,204,923 | (13,151,589) | -14% |
| **Operating Expenses** | | | | | |
| Purchased Water | 4,474,100 | 4,381,100 | 3,852,247 | 528,853 | 12% |
| Field Administration | 1,089,035 | 1,111,740 | 1,279,894 | (168,154) | -15% |
| Pumping Plant and Wells | 875,000 | 823,101 | 587,642 | 235,459 | 29% |
| Water Treatment | 8,676,875 | 8,785,774 | 7,681,994 | 1,103,780 | 13% |
| Electrical Operations | 4,517,840 | 4,632,840 | 6,383,611 | (1,750,771) | -38% |
| Transmission and Distribution: | | | | | |
| Treated Water | 3,174,332 | 3,341,125 | 3,019,930 | 321,195 | 10% |
| Raw Water | 3,722,101 | 3,752,489 | 4,977,085 | (1,224,596) | -33% |
| Customer Service and Collections | 5,003,768 | 5,057,525 | 4,960,988 | 96,537 | 2% |
| Repairs and Maintenance | 2,143,816 | 2,028,816 | 2,680,431 | (651,615) | -32% |
| Recreation | 2,568,000 | 2,568,000 | 2,038,338 | 529,662 | 21% |
| Automotive & Equipment | 1,036,877 | 1,036,877 | 971,032 | 65,845 | 6% |
| Engineering | 4,374,635 | 4,444,930 | 5,133,124 | (688,194) | -15% |
| General and Administrative | 17,030,160 | 17,522,442 | 16,235,211 | 1,287,231 | 7% |
| Resource Development | 2,063,347 | 1,818,654 | 1,470,949 | 347,705 | 19% |
| Depreciation | - | - | 24,001,216 | (24,001,216) | - |
| Total Operating Expenses *(2)* | 60,749,886 | 61,305,413 | 85,273,692 | (23,968,279) | -39% |
| **Non-Operating Expenses** | | | | | |
| Interest Expense | 3,269,000 | 3,269,000 | 2,571,287 | 697,713 | 21% |
| Total Non-Operating Expenses | 3,269,000 | 3,269,000 | 2,571,287 | 697,713 | 21% |
| **Total Expenses** | 64,018,886 | 64,574,413 | 87,844,979 | (23,270,566) | -36% |
| Capital Contributions | - | - | 532,360 | 532,360 | - |
| **CHANGE IN NET POSITION** | **$ 35,807,626** | **32,782,099** | **(3,107,696)** | **(35,889,795)** | **-109%** |

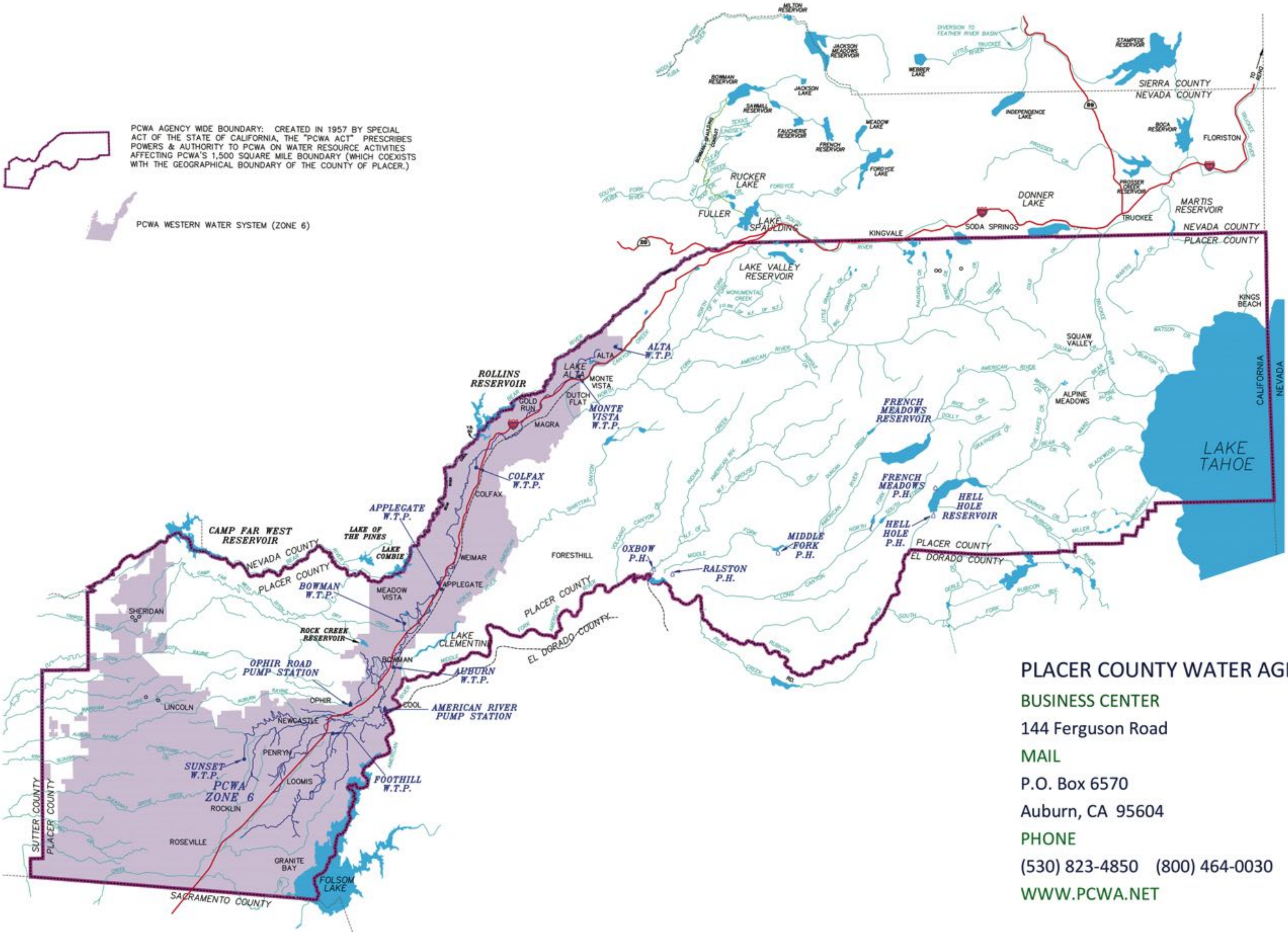
(1) Power sales revenue, which reflects reimbursements of the Agency's expenses related to the Middle Fork Project, realized budget savings primarily due to lower than anticipated capital project expenses.

(2) The operating expense variance is primarily a result from under budgeting for depreciation and expenses for infrastructure repair and maintenance projects.

# PLACER COUNTY WATER AGENCY
## Adjusted Budget
## For the Last Ten Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | | | | | |
| Water Sales | 30,668,200 | 34,799,800 | 35,121,350 | 33,544,200 | 35,094,200 | 33,378,200 | 34,370,200 | 36,281,000 | 34,620,000 | 34,800,000 |
| Power Sales | 17,560,262 | 13,021,578 | 13,418,260 | 11,837,765 | 13,686,081 | 13,514,781 | 33,306,898 | 37,558,000 | 35,200,426 | 36,419,512 |
| Renewal and Replacement Charges | - | - | - | - | - | - | 10,330,000 | 10,970,000 | 11,000,000 | 11,160,000 |
| Raw Water Surcharges | - | - | - | - | - | - | 300,000 | 320,000 | 320,000 | 320,000 |
| Reimbursements | 57,877 | 60,192 | 62,600 | 65,104 | 67,708 | 23,472 | - | - | - | - |
| Engineering Charges | 800,000 | 980,000 | 565,000 | 415,000 | 355,000 | 630,000 | 630,000 | 680,000 | 750,000 | 750,000 |
| Customer Service Charges | 502,400 | 502,500 | 730,000 | 731,000 | 731,000 | 731,000 | 731,000 | 740,000 | 725,000 | 725,000 |
| Other Revenue | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 48,980 | - | - | - |
| Total Operating Revenues | 49,593,739 | 49,369,070 | 49,902,210 | 46,598,069 | 49,938,989 | 48,282,453 | 79,717,078 | 86,549,000 | 82,615,426 | 84,174,512 |
| **Non-Operating Revenues** | | | | | | | | | | |
| Water Connection Charges | 2,200,000 | 2,100,000 | 250,000 | 100,000 | - | - | 1,500,000 | 14,400,000 | 12,500,000 | 10,000,000 |
| Water Sale | - | - | - | - | - | - | - | 6,000,000 | - | - |
| Renewal & Replacement Charges | 8,090,000 | 8,435,000 | 8,638,000 | 8,800,000 | 9,060,000 | 9,160,000 | - | - | - | - |
| Mandated Costs Charges | 4,035,000 | - | - | - | - | - | - | - | - | - |
| Raw Water Surcharges | 219,123 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | - | - | - | - |
| Costs Recovered from Other Agencies | 20,000 | - | - | - | - | - | - | - | - | - |
| Contributions in Aid of Construction | 415,000 | 220,000 | 55,000 | 55,000 | 55,000 | 152,000 | 70,000 | 70,000 | 400,000 | 400,000 |
| Interest Earnings | 3,458,636 | 3,400,000 | 2,100,000 | 1,500,000 | 1,024,300 | 1,105,000 | 965,000 | 940,000 | 900,000 | 900,000 |
| Property Taxes and Assessments | 820,000 | 800,000 | 646,200 | 646,200 | 680,000 | 680,000 | 680,000 | 740,000 | 775,000 | 775,000 |
| Gain on Disposal of Assets | - | 4,000 | - | (111,442) | - | - | - | (23,707,338) | - | - |
| Program Grant Revenue | 324,657 | 150,000 | 90,000 | 50,000 | 10,000 | 75,000 | 90,000 | 50,000 | 325,000 | 325,000 |
| Rental Income | - | - | - | 240,000 | 240,000 | 240,000 | 538,000 | 700,000 | 766,000 | 766,000 |
| Other Income | 7,047 | (40,581) | 32,984 | 202,251 | 41,273 | 500 | (715,826) | (6,261,950) | 16,000 | 16,000 |
| Total Non-Operating Revenues | 19,589,463 | 15,318,419 | 12,062,184 | 11,732,009 | 11,360,573 | 11,662,500 | 3,127,174 | (7,069,288) | 15,682,000 | 13,182,000 |
| **Total Revenues** | 69,183,202 | 64,687,489 | 61,964,394 | 58,330,078 | 61,299,562 | 59,944,953 | 82,844,252 | 79,479,712 | 98,297,426 | 97,356,512 |
| **Operating Expenses** | | | | | | | | | | |
| Purchased Water | 716,400 | 755,736 | 779,420 | 674,020 | 724,000 | 725,000 | 2,527,764 | 4,087,625 | 4,318,000 | 4,381,100 |
| Field Administration | 1,351,731 | 927,861 | 1,066,761 | 1,020,479 | 937,854 | 1,005,891 | 1,017,197 | 1,033,142 | 1,060,737 | 1,111,740 |
| Pumping Plant and Wells | 1,299,251 | 1,135,089 | 1,458,055 | 1,525,050 | 1,437,257 | 1,333,787 | 2,197,301 | 1,906,847 | 1,043,591 | 823,101 |
| Water Treatment | 5,161,004 | 6,073,764 | 5,926,022 | 6,037,991 | 5,784,104 | 6,162,517 | 7,055,543 | 7,472,576 | 7,838,719 | 8,785,774 |
| Electrical Operations | 1,597,990 | 1,652,677 | 1,474,836 | 1,648,972 | 1,751,049 | 1,578,416 | 2,485,569 | 3,095,000 | 3,250,197 | 4,632,840 |
| Transmission and Distribution | | | | | | | | | | |
| Treated Water | 2,556,169 | 3,151,279 | 3,185,861 | 3,453,697 | 2,856,862 | 3,155,053 | 2,779,814 | 2,796,243 | 2,642,902 | 3,341,125 |
| Raw Water | 4,743,270 | 5,385,657 | 5,155,241 | 4,987,417 | 5,141,191 | 4,840,789 | 5,184,949 | 5,340,272 | 3,649,175 | 3,752,489 |
| Customer Service and Collections | 3,587,304 | 3,949,522 | 4,186,362 | 3,986,845 | 3,808,680 | 4,013,406 | 4,102,728 | 4,384,080 | 4,818,678 | 5,057,525 |
| Repairs and Maintenance | 5,764,760 | 1,731,400 | 1,669,017 | 1,848,030 | 1,639,482 | 2,199,063 | 2,326,605 | 3,148,000 | 2,767,815 | 2,028,816 |
| Recreation | 189,849 | 187,501 | 424,186 | 344,558 | 450,799 | 2,459,516 | 2,318,500 | 2,626,000 | 2,844,000 | 2,568,000 |
| Automotive and Equipment | 808,487 | 824,000 | 898,973 | 857,976 | 920,427 | 898,584 | 1,019,857 | 1,057,460 | 1,014,772 | 1,036,877 |
| Engineering | 2,585,903 | 2,582,338 | 2,113,416 | 1,955,922 | 2,078,765 | 1,849,905 | 2,510,603 | 4,711,050 | 4,174,941 | 4,444,930 |
| General and Administrative | 9,157,199 | 9,652,711 | 8,882,245 | 9,274,369 | 9,237,941 | 13,819,816 | 14,542,656 | 15,576,367 | 17,285,283 | 17,522,442 |
| Resource Development | - | - | - | - | - | 3,612,111 | 6,155,972 | 2,710,279 | 2,355,281 | 1,818,654 |
| Depreciation | 6,635,466 | 7,421,649 | 7,654,200 | 7,319,559 | 8,641,604 | 4,467,050 | 1,749,100 | 1,616,000 | - | - |
| Total Operating Expenses | 46,154,783 | 45,431,184 | 44,874,595 | 44,934,885 | 45,410,015 | 52,120,904 | 57,974,158 | 61,560,941 | 59,064,091 | 61,305,413 |
| **Non-Operating Expenses** | | | | | | | | | | |
| Interest Expense | 3,000,305 | 4,529,486 | 5,161,375 | 4,991,850 | 4,158,625 | 4,061,031 | 3,923,490 | 3,831,000 | 3,831,000 | 3,269,000 |
| Amortization of Bond Issue Cost | - | - | 25,615 | 576,455 | 455,864 | 457,110 | - | - | - | - |
| Amortization of Bond Premium/Discount | 16,819 | 9,221 | - | - | - | - | - | - | - | - |
| Total Non-Operating Expenses | 3,017,124 | 4,538,707 | 5,186,990 | 5,568,305 | 4,614,489 | 4,518,141 | 3,923,490 | 3,831,000 | 3,831,000 | 3,269,000 |
| **Total Expenses** | 49,171,907 | 49,969,891 | 50,061,585 | 50,503,190 | 50,024,504 | 56,639,045 | 61,897,648 | 65,391,941 | 62,895,091 | 64,574,413 |
| **CHANGE IN NET POSITION** | **20,011,295** | **14,717,598** | **11,902,809** | **7,826,888** | **11,275,058** | **3,305,908** | **20,946,604** | **14,087,771** | **35,402,335** | **32,782,099** |

# Service Area Map




PLACER COUNTY WATER AGENCY

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