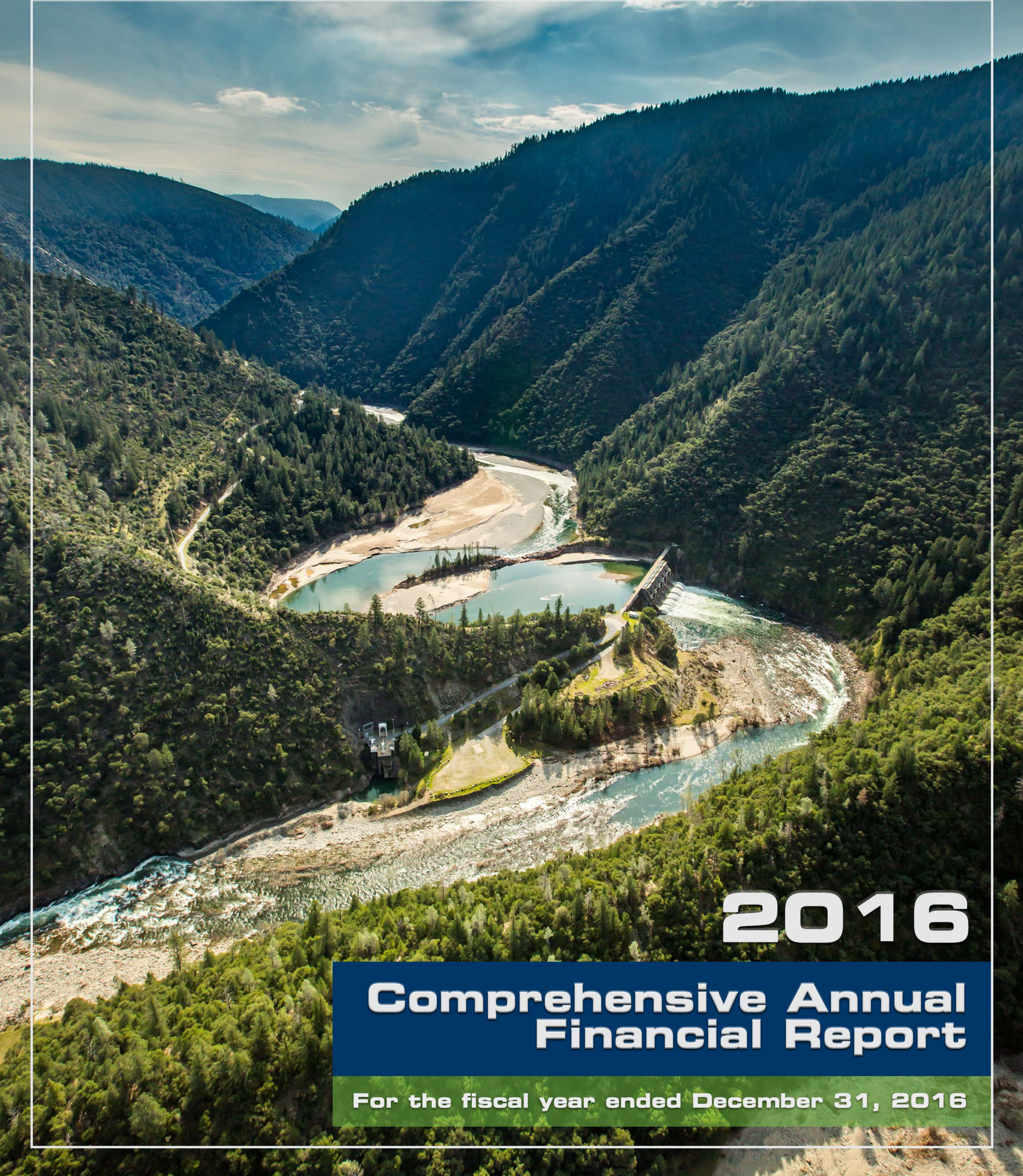
PCWA
water • energy • stewardship

Placer County Water Agency
Auburn, CA



2016
Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2016

Comprehensive Annual Financial Report

For the Year Ended December 31, 2016

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

Prepared by the Department of Financial Services

On the cover Ralston Afterbay. Photo by Brie Anne Coleman.

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PLACER COUNTY WATER AGENCY
SINCE 1957
BOARD OF DIRECTORS
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Primo Santini, District 2
Mike Lee, District 3
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April 28, 2017

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, 2016. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it.

The California Government Code requires an annual independent audit of PCWA's financial statements by a Certified Public Accountant (CPA). Davis Farr LLP (Auditor) has issued an unmodified "clean" opinion on the Placer County Water Agency's financial statements for the year ended December 31, 2016. The Auditor's opinion is included in the financial section of this CAFR.

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

OVERVIEW OF THE PLACER COUNTY WATER AGENCY

PCWA was created in 1957 under its own state legislative act entitled the "Placer County Water Agency Act." The Agency is a special district and its boundaries are coterminous with the boundaries of Placer County, California. Placer County (County) is bordered by the State of Nevada on the east, Nevada County on the north, Yuba and Sutter Counties on the west and Sacramento and El Dorado Counties on the south. Placer County occupies an area of approximately 1,500 square miles, which includes relatively level valley lands in its western portion and extends easterly into the Sierra-Nevada Mountains to Lake Tahoe and the Nevada state line. The County is located immediately northeast of Sacramento County, approximately 100 miles northeast of the San Francisco Bay metropolitan area. Interstate 80 transects Placer County from west to east. The Agency has a five-member board of directors elected by district voters for four-year terms. The Agency carries out a broad range of responsibilities including resources planning and management, retail and wholesale supply of water, and production of hydroelectric energy and has staff of 222 regular employees providing services to its three operating budget units: Agency Wide, Power Division and Water Division.

Agency Wide

Agency Wide provides the water and energy advocacy and stewardship functions within the boundaries of the County. Agency officials understand the complexities, interrelationships and importance of sustaining reliable and affordable water and energy for Placer County's present and future needs. PCWA serves as a local water resources management and stewardship entity striving to protect the watershed, water ways and water quality important to the people, lands and ecosystems of the County. PCWA holds extensive surface water entitlements and rights on the Middle Fork American River. Water is sold wholesale to various water purveyors who retail it to their customers. Agency Wide wholesales water to the City of Roseville, San Juan Water District, Sacramento Suburban Water District, and to PCWA's Water Division. Agency Wide activities are varied and far ranging. These include involvement in water issues affecting the Lake Tahoe and Truckee River system, the American River system, the Yuba/Bear Rivers system, the Central Valley Project and the Bay/Delta system. PCWA is actively involved in numerous collaborative partnerships, including watershed planning, groundwater management, and regional infrastructure and conjunctive use projects. Advocacy for PCWA water entitlements and energy resources for Placer County are at the forefront of Agency Wide interests and activities. The Middle Fork Project (MFP), an Agency Wide asset, consists of 3 storage reservoirs and 5 diversion dams, 5 power plants, diversion and water transmittal facilities, 5 tunnels and related facilities. The 1963 revenue bonds, which originally funded the construction of the MFP, were approved by a vote of the people of Placer County in 1961 and repaid on January 1, 2013. No single community or water system has a superior entitlement to receive the benefits of the MFP. The financial activities that flow from the sale of water from the MFP are kept in the Agency Wide division. The financial activities that flow from the operation and maintenance of the MFP and the sale of power are kept under the Power Division.

Power Division

PCWA's Power Division was established with the construction of the MFP that began in 1963 and was completed in 1967. PCWA owns and operates 5 hydroelectric power plants, 3 primary storage reservoirs (French Meadows, Hell Hole and Ralston) and 24 miles of tunnels. The MFP can generate, at peak power, 224 megawatts that averages 1 million megawatt hours annually of hydroelectric power. Currently, the energy and ancillary services are sold to Pacific Gas and Electric Company (PG&E) through the California Independent System Operator (CAISO) under a Power Purchase Agreement (PPA) that commenced May 1, 2013 and ends on December 31, 2017. The electricity generated is metered by the CAISO and shadow settled by the Agency. Under this agreement, PG&E buys all power generated and ancillary services provided by the MFP through December 31, 2017.

Water Division

PCWA acquired its first and primary water system in 1968. With subsequent acquisitions and growth, the Agency has become the largest water purveyor in the County, serving more than 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 8 water treatment plants, 26 water tanks and over 590 miles of treated water pipelines. Treated surface water is sold directly to PCWA customers residing in Auburn, Colfax, Loomis, Rocklin, portions of Roseville and throughout various unincorporated areas of the County. Treated water is also sold wholesale to the City of Lincoln and others who retail it directly to their customers. The Agency also uses groundwater to occasionally supplement surface water supplies when needed in Western Placer County.

Sources of Water Supply

The Agency obtains water from three primary sources: 1) Nearly all of the water PCWA delivers to its treated and untreated water customers in Western Placer County comes from water pursuant to a 1968 agreement with PG&E and allowed the Agency to take delivery of up to a maximum of 100,400 AF per year from the Yuba and Bear Rivers through PG&E's Drum-Spaulding Project; 2) In 1982 the Agency acquired treated and 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 Investment Program (CIP). Both budgets serve as the foundation for the Agency's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. Department directors have the discretion to transfer budgeted funds between accounts/activities within their departments. Two consenting departments can transfer budgeted funds between their departments. Changes to the Capital Investment Program budget and increases to the operating budget require Board approval.

Significant Events and Accomplishments
<u>2016 Water Year</u>
After four years of drought for California, 2016 was an average water year. In Northern California above-average precipitation was received and reservoir storage was recovered. Drought restrictions were eased by the State allowing PCWA to return to normal operations while still encouraging efficient water use.

<u>Middle Fork Project (MFP)</u>
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 late 2018. Implementation of certain beneficial infrastructure projects included in the new license has already begun, with planning and engineering of several MFP enhancements well under way. In addition, during this interim period, the

Agency must maintain its commitments to providing a quality recreational experience for citizens at all MFP related facilities.

MFP Water Rights Extension of Time

Staff continued progress on the development of an Environmental Impact Report that will be used by the State Water Board to support its decision regarding PCWA's petitions to extend the Agency's water rights on the American River until build-out of the service area is completed. 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 worked very closely with the Sacramento Water Forum to finalize the new Flow Management Standard, which, if implemented, would improve water supply reliability and improve lower American River fisheries.

Delta Issues

Staff continued to track legislative and regulatory issues related to the Bay-Delta that may affect Placer County's development of water supplies. The Agency will continue to participate in the California WaterFix Project (formerly Bay-Delta Conservation Plan Project) presenting testimony with respect to the potential harm to the environment of the lower American River resulting from WaterFix. There is significant uncertainty associated with the management, restoration, and enhancement of the Delta ecosystem and how these factors will impact water agencies such as PCWA. Water diversions from the Delta supply a portion of the drinking water to over two thirds of Californians and for millions of acres of farmland.

Planning and Land Development

The Agency experienced a steady level of development activity, committing more than 600 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. 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, 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 its largest wholesale treated water customers to offer them an investment in the first and subsequent phases, in which they could carry their own financing costs. Infrastructure from this phasing plan, along with other appurtenant infrastructure, has been incorporated into a long-term capital financing plan.

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 by prioritizing water and power resource needs across Placer County. During 2016 the County-Wide Master Plan Implementation Plan, a process for project scoring and prioritization guideline, and database portal for uploading projects were completed.

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 experienced an increase in development over the past four 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 $11.8 million in 2016. The decrease in EDU commitment for 2016 was expected as the Whitney Ranch project in Rocklin builds out. Overall much land development activity is planned including Bickford Ranch, Placer Ranch, Regional University and Placer Vineyards.

In the last decade the County has experienced an overall population growth of approximately 17%, however, with Placer County population increasing by 1.22% from 2015 to 2016.

The long-term forecast for the County's growth is steady. The population is expected to reach approximately 409,000 by 2026. The 2026 figure represents an 8.7% increase over the current population of 376,092.

The County's unemployment is 4.0% at December 2016, which is lower than the State's total of 5.0%.

The County's per capita personal income also exceeded the State's per capita personal income by 7% in 2015 (Data is not currently available for 2016). Please see the Statistical Section for additional information.

Long–term Financial Planning
Annually, during the Budget process, the Agency reviews its water rates, fees and charges and makes adjustments, as needed, to provide the revenues 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 Investment Program is reported for the next 5 years, yet is projected up to 30 years out for the Water Division to ensure sufficient planning for necessary infrastructure. 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. In 2016 the Agency commenced a Cost of Service Analysis and Rate Design study in conjunction with developing a 10-year renewal and replacement study of the Agency's aging infrastructure.

FINANCIAL POLICIES AND GUIDELINES

The financial integrity of PCWA is of utmost importance. Maintaining fiscal stability is a critical component of the overall financial plan. PCWA is accountable to its ratepayers and the public for the use of public funds. Resources should be used wisely to ensure adequate funding for services, public facilities and infrastructure necessary to meet present and future needs. PCWA's financial policies and guidelines provide the backbone for making financial decisions and a benchmark for monitoring financial activities.

General Financial Policy Guidelines
The General Financial Policy Guidelines, adopted in March 2005, provide a framework to guide the Agency's decision-making with respect to operations, budgeting, debt issuance, and financial planning. These guidelines provide overview policy guidelines in the areas of general, revenue, budgeting and expenses, reserves, investments, debt management, capital improvements, purchasing and fixed assets.

These guidelines state:
- The Agency will manage its financial assets in a sound and prudent manner.

- The Agency will maintain sound financial practices in accordance with generally accepted accounting principles, the Agency Act, Local, State and Federal laws and regulations.
- The Agency will maintain and further develop programs to assure its long-term ability to pay all the costs necessary to provide the level and quality of service required by its customers.

These guidelines are to promote sound financial management and to ensure that its finances are managed in a manner, which will:

- Support the continued delivery of quality services,
- Ensure the Agency's stability, efficiency and effectiveness in accomplishing the Board of Director's goals and objectives,
- Maintain a balanced budget annually to ensure that the Agency is operating within its revenue constraints, even when faced with growth demands, and
- Maintain adequate reserves necessary to meet known and unknown future obligations.

More detailed and specific financial policies have been developed and are addressed in specific policies discussed below.

Investment Policy

The Agency's *Investment Policy* follows California Government Code objectives of safety, liquidity and yield (in that priority order). During 2013, the Agency updated and revised the Investment Policy to meet changing market conditions. 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. In 2017, the Agency will continue the process of soliciting energy partners for the next MFP contract, which will begin January 1, 2018.

The Technical Services department will manage several new projects in 2017, which will include the Whitney Boulevard Pipeline project to replace approximately 4,200 LF of water main, and phase 1 of the multi-phased plan of the Ophir Water Treatment Plant along with the Foothill Plant expansion projects to address growing demands in the region. Finally, water quality and plant maintenance operations will continue to perform in accordance with the Agency's responsibility to maintain and preserve water facilities and infrastructure, while delivering high quality potable water to its customers.

FINANCIAL INFORMATION

Internal Controls

Elected officials and those employed by the Agency are entrusted as stewards of public resources. Whether cash, equipment or water rights, these resources are entrusted to their care and need to be properly safeguarded, managed and accounted for. As with any good business operation, good decisions are based upon complete, accurate, reliable, relevant and timely information. A strong system of effective internal controls will provide a backbone for good stewardship and sound decision-making.

Internal controls are the system of checks and balances an organization employs to prevent and detect errors in the processing of data (accurate and reliable), to promote smooth operation, to monitor and maintain compliance and to safeguard and manage the entity's assets.

Integrated into the Agency's daily activities, internal controls are incorporated within the overall control environment. The Agency's control environment includes its organizational structure, culture, philosophies, policies and procedures as established by the Board and management. The control environment sets the "tone from the top" and promotes the organizational integrity of information for stewardship and decision-making.

PCWA is responsible for designating and maintaining an internal control structure to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate financial data are accounted for and compiled into financial information including the annual financial statements. The internal control structure is designed to provide reasonable assurance the financial and other management information is authorized, accurate, and reliable. This concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Placer County Water Agency for its comprehensive annual financial report for the fiscal year ended December 31, 2015. 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, 2015

Executive Director/CEO

Placer County Water Agency

December 31, 2016

Board of Directors

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

Agency Officials

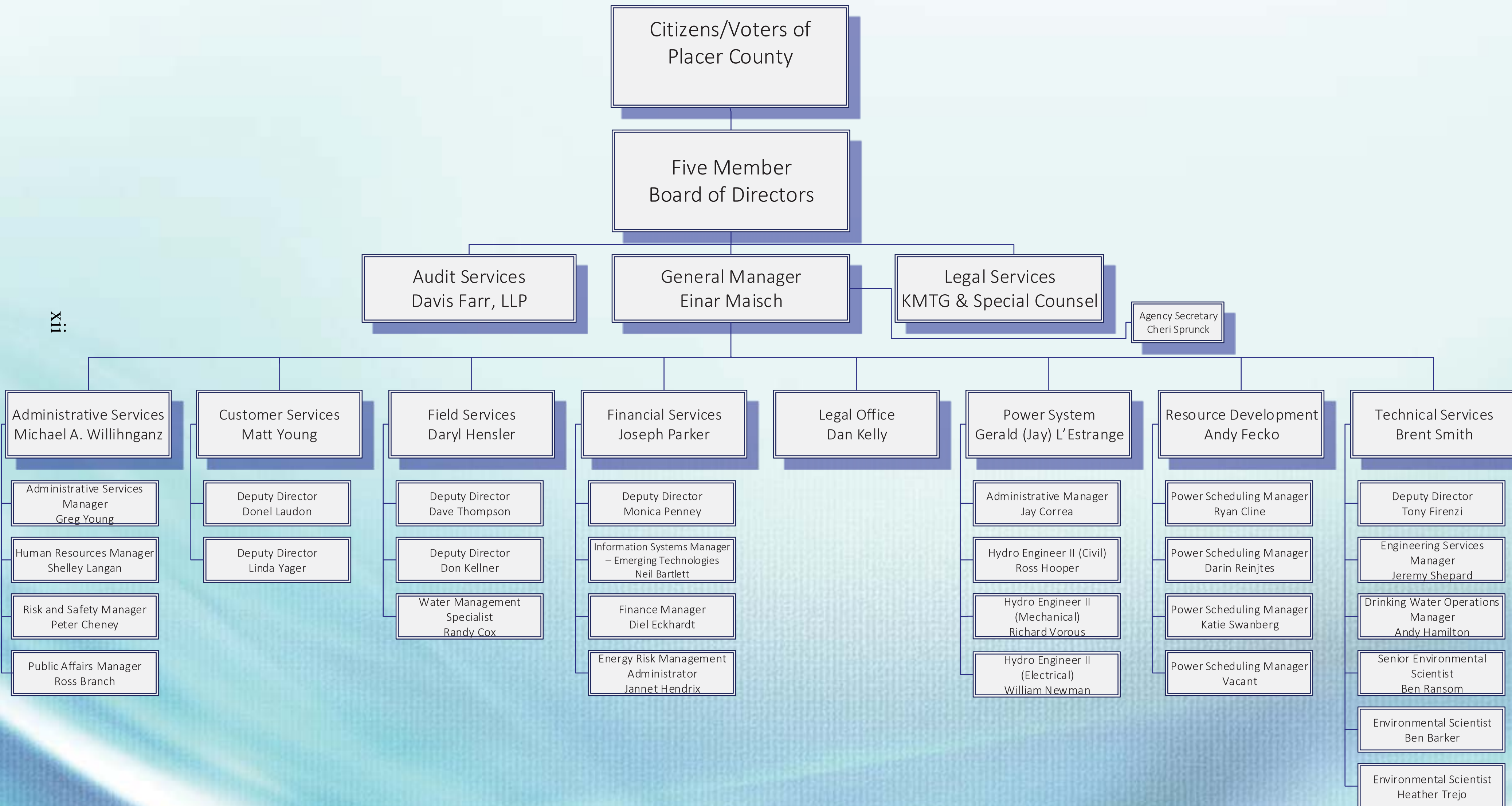
General Manager	Einar Maisch
Agency Counsel	Scott Morris
Staff Counsel	Dan Kelly
Director of Administrative Services	Michael Willihnganz
Director of Financial Services	Joseph Parker
Director of Power Systems	Jay L'Estrange
Director of Customer Services	Matt Young
Director of Field Services	Daryl Hensler
Director of Resource Development	Andy Fecko
Director of Technical Services	R. Brent Smith

Acknowledgements

Prepared by the Placer County Water Agency
Department of Financial Services

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

Placer County Water Agency Organizational Structure



Financial Section

Pump Station

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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, 2016, 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, 2016, 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 *supplementary statements, supplemental schedules*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *supplementary statements and supplemental schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary statements and supplemental schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017 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
April 27, 2017

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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, 2016. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Agency's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The Agency, as the primary governmental entity, includes, within the financial statements, the financial position and activities of the Placer County Water Agency Public Facilities Corporation (Corporation) as a component unit. The Corporation is a blended component unit and does not issue separate financial statements.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets and Capital Investment Program
- Long-term Debt
- Requests for Information

ORGANIZATION AND BUSINESS

The Agency was created in 1957 under its own legislative act and since inception has been actively involved in Placer County's 1,500 square mile area on a variety of water and energy issues. The Agency provides treated and 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 1.1 million megawatt hours annually. Since 2015, 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 buys all power generated & ancillary services provided by the MFP through December 31, 2017.

The Agency's Water Division was established in 1968 with the acquisition of our first water system. The Agency operates an integrated treated and untreated (raw) water system that directly and indirectly serves over 300,000 people. Through 165 miles of canals, ditches, and flumes, as well as several small reservoirs, most of which was built in the gold rush era, the Agency serves raw water customers and transmits water for treatment. The Agency owns and operates 8 water treatment plants, 26 water tanks and 598 miles of treated water pipelines. Treated water is supplied to residential, commercial, industrial, and other governmental users in the cities and surrounding areas of Auburn, Colfax, Loomis, Rocklin, portions of Roseville and various unincorporated areas of Placer County. Agency treated water is also sold wholesale to the City of Lincoln and others who retail it directly to their customers. The Agency also utilizes groundwater for customers in a few areas of Placer County.

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 59 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 60 of this report. Other supplementary information can be found on pages 62 through 67 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 2016, the Agency remained in a strong financial position. The significant financial events are illustrated in the financial analysis below.

FINANCIAL HIGHLIGHTS FOR 2016

- Net position increased by $10.3 million or 2% during the fiscal year.
- At year-end the Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $693.8 million.
- Non-operating revenues (expenses) increased $9.4 million or 203% to $14.0 million.
- In May 2016, the Agency issued $24.8 million in Certificates of Participation to advance refund a portion of the 2007 Certificates, reducing debt service payments over the next 20 years by $6.2 million and to obtain an economic gain of $4.4 million.
- The Agency received an upgrade by Standard & Poor's to an 'AAA' rating and maintained an Aa2 rating from Moody's Investors Service.

Financial Position

The Agency's net position increased by $10.3 million to $693.8 million *(see Table 1)*, which is a result of assets and deferred outflow of resources increasing by $9.1 million and liabilities and deferred inflow of resources decreasing by $1.2 million.

The highlights of the $10.3 million increase in net position are as follows:

- Non-current assets increased $2.8 million, which is the increase in investment activity.
- Capital assets increased $3.2 million from the construction capitalized and capital contributions.
- Deferred outflow of resources increased $4.6 million, reflecting pension contributions made subsequent to the measurement date as well as net differences between projected and actual earnings on pension plan investments.
- Non-current liabilities increased $4.6 million primarily due to a $6.3 million increase in the net pension liability.
- Deferred inflow of resources decreased $4.2 million, reflecting changes of assumptions and differences between expected and actual experience related to pensions.

Table 1
Net Position
(In thousands)

	2016	2015	Variance	%
Current Assets	$ 84,705	86,192	(1,487)	-2%
Non-Current Assets	100,834	98,071	2,763	3%
Capital Assets	641,378	638,176	3,202	1%
Deferred Outflow of Resources	10,955	6,322	4,633	73%
Total Assets and Deferred Outflow	837,872	828,761	9,111	1%
Current Liabilities	16,416	18,032	(1,616)	-9%
Non-Current Liabilities	126,599	121,985	4,614	4%
Deferred Inflow of Resources	1,073	5,266	(4,193)	-80%
Total Liabilities and Deferred Inflow	144,088	145,283	(1,195)	-1%
NET POSITION:				
Net Investment in Capital Assets	555,449	547,553	7,896	1%
Restricted	61,078	61,812	(734)	-1%
Unrestricted	77,257	74,113	3,144	4%
Total Net Position	$ 693,784	683,478	10,306	2%

Results of Operations

The Agency's 2016 total operating revenue of $70.8 million increased $0.7 million when compared to the 2015 amount *(see Table 2 on the following page)*. The total operating expense increased $2.9 million resulting in a net decrease to operating income of $2.2 million. Overall, the Agency's change in net position for the year, including capital contributions, increased by $10.3 million compared to the 2015 change in net position. The major components of this increase are as follows:

- Operating revenue increased by $0.7 million or 1% to $70.8 million. 2016 operating revenue at the fund level changed as follows: Agency Wide increased $0.2 million, Power Division decreased $2.9 million and Water Division increased $3.4 million. Power Division revenues reflect reimbursements of Agency's expenses related to the Middle Fork Project. The decrease in power sales revenues reflects lower reimbursements related to capital expenses from the Middle Fork Project Finance Authority. The increase in Water Division revenues is primarily due to an increase in water sales revenue because conservation restrictions were relaxed. Operating expense increased by $2.9 million or 4% to $81.5 million. Operating expense at the fund level changed from prior year as follows: Agency Wide increased $0.8 million, Power Division increased $0.1 million and Water Division increased $2.0 million. The increase in Water Division expense is primarily due to increased purchased water expense resulting from conservation restrictions being relaxed, and, correspondingly, decreased pumping (electricity) expenses because less Middle Fork Project water needed to be pumped from the American River, and increased expenses for infrastructure repair and maintenance projects.
- Non-operating revenues (expenses) increased by $9.4 million or 203% to $14.0 million; this is a net change. Key components of this net increase are: a $13.2 million decrease in Water Connection Charge revenue which reflects the fluctuation in the local housing industry; a $6.0 million decrease in out of county water sales because a water sale was not contracted in 2016. In 2015, the Agency transacted out of county water sales totaling $6 million pursuant to the Water Forum Agreement; and an increase in the other category due to the $23.7 million loss on the transfer on capital assets to Zone 4 in 2015.
- Contributed capital, consisting of water system infrastructure contributed to the Agency upon project completion, totaled $7.0 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)

	2016	2015	Variance	%
OPERATING REVENUES:				
Agency Wide	$ 1,374	1,204	170	14%
Power Division	22,710	25,585	(2,875)	-11%
Water Division	46,692	43,291	3,401	8%
Total Operating Revenues	70,776	70,080	696	1%
OPERATING EXPENSES:				
Purchased Water	3,963	3,054	909	30%
Pumping Plant and Wells	586	2,567	(1,981)	-77%
Water Treatment	7,578	7,347	231	3%
Electrical Operations	2,323	2,256	67	3%
Transmission and Distribution of Treated Water	2,725	2,840	(115)	-4%
Transmission and Distribution of Raw Water	4,363	3,874	489	13%
Customer Service and Collections	3,986	4,456	(470)	-11%
Repairs and Maintenance	3,221	2,361	860	36%
Engineering	6,848	5,513	1,335	24%
General and Administrative	16,362	14,870	1,492	10%
Resource Development	1,682	1,793	(111)	-6%
Depreciation	23,664	23,337	327	1%
Other	4,220	4,351	(131)	-3%
Total Operating Expenses	81,521	78,619	2,902	4%
Net Operating Income (Loss)	(10,745)	(8,539)	(2,206)	26%
NON-OPERATING REVENUES (EXPENSES):				
Water Connection Charges	11,824	24,997	(13,173)	-53%
Water Sale	-	6,000	(6,000)	-100%
Costs Recovered from Other Agencies	355	253	102	40%
Interest Earnings	1,380	1,067	313	29%
Interest Expense	(3,043)	(2,219)	(824)	37%
Other	3,517	(25,474)	28,991	-114%
Total Non-Operating Revenues (Expenses)	14,033	4,624	9,409	203%
Income Before Capital Contributions	3,288	(3,915)	7,203	-184%
Capital Contributions	7,018	7,221	(203)	-3%
Change in Net Position	10,306	3,306	7,000	212%
Net Position, Beginning of Year	683,478	680,172	3,306	0%
Net Position, End of Year	$ 693,784	683,478	10,306	2%

Amended Budget versus Actual

Although not specifically prescribed by Statement of Governmental Accounting Standards 34, management has opted to present budgetary information. Annually, the Agency's Board of Directors adopts Operating and Capital Investment Program budgets. As stated in the Agency's Budget Policy, the budgets are considered "flexible budgets" which may be changed as activity levels change.

Table 3 presents the 2016 Budget versus Actual. The fund level variances are discussed as follows:

- *Agency Wide*: Revenue was up with water sales higher than expected as outside Agency demands increased. Operating expense was over budget due to increased expenses for infrastructure repair and maintenance projects.

- *Power Division*: Operating expense was under budget because several vacant positions remained unfilled, as well as savings being realized in consulting and various cost share agreements. Correspondingly, the Power Division operating revenue, which reflects reimbursements of the Agency's expenses related to the Middle Fork Project is also under budget in 2016, reflecting the above operating expense savings and lower than budgeted capital expenses.

- *Water Division*: Operating expense was over budget due to increased expenses for infrastructure repair and maintenance projects.

The change in net position variance is primarily a result of depreciation and capital contributions not being budgeted. The non-operating revenues (expenses) variance is a net amount with the change primarily due to additional grant revenue and insurance proceeds.

Table 3
2016 Amended Budget and Actual
(In thousands)

	2016 Amended Budget	2016 Actual	Variance
REVENUES:			
Operating:			
Agency Wide	$ 900	1,374	474
Power Division	35,200	22,710	(12,490)
Water Division	46,515	46,692	177
Total Operating Revenues	82,615	70,776	(11,839)
EXPENSES:			
Operating:			
Agency Wide	1,893	2,510	(617)
Power Division	21,892	17,912	3,980
Water Division	35,279	37,435	(2,156)
Depreciation	-	23,664	(23,664)
Total Operating Expenses	59,064	81,521	(22,457)
Net Operating Income (Loss)	23,551	(10,745)	(34,296)
Non-Operating Revenues (Expenses)	11,851	14,033	2,182
Income Before Capital Contributions	35,402	3,288	(32,114)
Capital Contributions (Not Budgeted)	-	7,018	7,018
Change in Net Position	$ 35,402	10,306	(25,096)

CAPITAL ASSETS AND CAPITAL INVESTMENT PROGRAM

At the end of 2016, the Agency had invested $641 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 2016 was $3.2 million, or 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 2016 and 2015 as follows:

Table 4
Capital Assets
(In thousands)

	2016	2015	Increase/ (Decrease)	%
Land	$ 17,060	$ 13,924	3,136	23%
Utility Plant - Preliminary Survey	778	778	-	0%
Utility Plant	760,565	728,523	32,042	4%
Other Property and Equipment	111,402	105,200	6,202	6%
Construction in Progress	69,096	85,068	(15,972)	-19%
Subtotal	958,901	933,493	25,408	3%
Less Accumulated Depreciation	317,523	295,317	22,206	8%
Total Capital Assets	$ 641,378	638,176	3,202	1%

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

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

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

Capital Investment Program Budget (In thousands)

Agency Wide	$ 1,295
Power Division	12,618
Water Division	18,193
Total	$ 32,106

LONG-TERM DEBT

At December 31, 2016, the Agency had total long-term debt outstanding of $85.5 million excluding the $5.6 million in compensated absences payable. The outstanding amount decreased $6.5 million during the year primarily because of the following:

- The net retirement of $4.8 million of Certificates of Participation. In May 2016, the Agency issued $24.8 million in Certificates of Participation to advance refund a portion of the 2007 Certificates, reducing debt service payments over the next 20 years by $4.4 million.
- The retirement of $1.7 million in loans payable.

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

The debt coverage ratio demonstrates the Agency's Western Water System financial strength and future borrowing capability which is calculated at 3.02 times annual debt service for the Western Water System at December 31, 2016. Table 5 presents the Western Water System's debt coverage ratio and exhibits both 2016 and 2015 ratios being greater than the 1.20 times debt indenture covenant requirement.

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

	2016	2015
Net Water Revenue, Excluding Depreciation	$ 24,579	$ 21,644
Debt Service on Certificates and Other Parity Debt	8,145	7,789
Debt Coverage Ratio	3.02	2.78
Debt Coverage Ratio Requirement Based on Debenture	1.20	1.20

At December 31, 2016 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 3.7% in outstanding debt as shown in the following table:

Table 6
Cost of Capital
(In thousands)

	Debt Balance			Average
	Expansion	Replacement	Total	Coupon Rate
Certificates of Participation	$ 46,349	18,301	64,650	4.2%
Loans Payable	-	20,876	20,876	2.3%
Total	$ 46,349	39,177	85,526	3.7%

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Directors, ratepayers and creditors with a general overview of the Agency's finances and demonstrate the Agency's accountability for the monies it receives. If you have questions about this report or need additional financial information, please contact: the Director of the Department of Financial Services, 144 Ferguson Road, Auburn, California, 95604. The report can also be found on the Agency's website at www.pcwa.net.

PLACER COUNTY WATER AGENCY

Statement of Net Position

December 31, 2016

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$ 43,820,822
Restricted cash and cash equivalents (note 2)	21,751,645
Restricted cash and cash equivalents with fiscal agents (note 2)	6,399,101
Water service receivable, net	6,397,538
Accounts receivable	2,284,137
Interest receivable	365,826
Taxes receivable	828,033
Materials and supplies	926,424
Prepaid expenses	1,719,108
OPEB assets (note 11)	212,338
Total current assets	84,704,972
Non-current assets:	
Investments (note 2)	67,346,872
Restricted investments (note 2)	33,429,430
Notes receivable	57,556
Capital assets, non depreciable (note 3)	86,933,826
Capital assets, net of depreciation (note 3)	554,444,569
Total non-current assets	742,212,253
Total assets	826,917,225
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension contributions (note 7)	3,821,533
Deferred outflow - pension actuarial (note 7)	4,156,457
Deferred charges on refunding	2,976,530
Total deferred outflows	10,954,520

(Continued)

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY

Statement of Net Position

December 31, 2016

LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	4,434,753
Accrued salaries and benefits	1,191,881
Interest payable	1,476,860
Deposits	1,406,806
Other current liabilities	15,450
Current portion of long-term liabilities (note 4)	4,319,151
Compensated absences payable, current portion (note 4)	3,570,700
Total current liabilities	16,415,601
Non-current liabilities:	
Certificates of participation, net of premiums/discounts (note 4)	64,979,208
Loans payable (note 4)	19,607,238
Improvement district debt (note 4)	2,329
Compensated absences payable (note 4)	2,043,515
Net pension liability (note 7)	39,966,514
Total non-current liabilities	126,598,804
Total liabilities	143,014,405
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension actuarial (note 7)	1,072,793
Total deferred inflows	1,072,793
NET POSITION	
Net investment in capital assets	555,449,325
Restricted (note 5):	
Water system expansion	60,631,234
Other	447,129
Total restricted net position	61,078,363
Unrestricted	77,256,859
Total net position	$ 693,784,547

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, 2016

OPERATING REVENUES	
Water sales	$ 34,217,098
Power sales	22,821,858
Renewal and replacement charges	11,604,564
Raw water surcharges	343,377
Engineer charges	864,592
Customer service charges	800,798
Other revenue	123,355
Total operating revenues	70,775,642
OPERATING EXPENSES	
Purchased water	3,962,985
Field administration	1,298,698
Pumping plants and wells	586,127
Water treatment	7,578,315
Electrical operations	2,322,854
Transmission and distribution of treated water	2,724,957
Transmission and distribution of untreated water	4,362,632
Customer service and collections	3,986,300
Repairs and maintenance	3,221,411
Recreation	2,008,730
Automotive and equipment	912,549
Engineering	6,847,636
General and administrative	16,361,930
Resource development	1,682,037
Depreciation (note 3)	23,664,292
Total operating expenses	81,521,453
Operating income (loss)	(10,745,811)

(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, 2016

NON-OPERATING REVENUES (EXPENSES)	
Water connection charges	11,824,165
Costs recovered from other agencies	355,314
Interest earnings	1,379,608
Property taxes and assessments	904,057
Gain (loss) on disposal of assets	36,054
Program grant revenue	958,438
Interest expense	(3,042,891)
Rental income	702,660
Other income (expense)	915,998
Total non-operating revenues (expenses)	14,033,403
Net income before capital contributions	3,287,592
Contributions and transfers	
Capital contributions	7,018,306
Increase in net position	10,305,898
Net position, beginning of year	683,478,649
Net position, end of year	$ 693,784,547

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY

Statement of Cash Flows

For the year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 70,201,600
Cash paid to suppliers for goods and services	(26,669,590)
Cash paid to employees for services	(30,883,889)
Cash received (paid) for service level support	-
Net cash provided by (used for) operating activities	12,648,121
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property taxes and assessments	904,057
Costs recovered from other agencies	355,314
Program grant revenue	958,438
Net cash provided by (used for) non-capital financing activities	2,217,809
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(18,212,056)
Payment to bond refunding escrow	(28,345,759)
Principal payment on debt	(2,952,817)
Interest payment on debt	(4,864,156)
Proceeds from certificates of participation	27,842,617
Water connection charges	11,855,516
Net cash provided by (used for) capital and related financing activities	(14,676,655)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(50,156,786)
Proceeds from maturity of investments	47,360,000
Investment income	1,276,002
Net cash flows from investing activities	(1,520,784)
Net increase (decrease) in cash and cash equivalents	(1,331,509)
Cash and cash equivalents, beginning of year	73,303,077
Cash and cash equivalents, end of year	$ 71,971,568

(Continued)

See accompanying notes to financial statements.

PLACER COUNTY WATER AGENCY

Statement of Cash Flows

For the year ended December 31, 2016

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(10,745,811)
Adjustments to reconcile operating income (loss) to cash flows provided by (used for) operating activities		
Depreciation and amortization		23,664,292
Other non-operating income		1,724,422
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(104,113)
(Increase) decrease in materials and supplies		132,343
(Increase) decrease in prepaid expense		231,146
(Increase) decrease in deferred outflows		(2,956,771)
(Increase) decrease in notes receivable and assessment receivable		2,140
Increase (decrease) in accounts payable and other liablities		(1,968,112)
Increase (decrease) in unearned revenue		(745)
Increase (decrease) in salaries and benefits payable		1,057,750
Increase (decrease) in deposits		(471,324)
Increase (decrease) in other current liabilities		449
Increase (decrease) in net pension liability		6,275,938
Increase (decrease) in deferred inflows		(4,193,483)
Net cash provided by (used for) operating activities	$	12,648,121
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	$	43,820,822
Restricted cash and cash equivalents		21,751,645
Restricted cash and cash equivalents with fiscal agent		6,399,101
Total cash and cash equivalents reported on Statement of Net Position	$	71,971,568
Non-cash investing, capital and financing activities:		
Non-cash capital contributions	$	7,018,306
Change in fair value of investments		(54,288)

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 is coterminous with the County, and until January 16, 1975, the Board of Supervisors of Placer County constituted the Board of Directors of the Agency. On July 1, 1975, the Placer County Water Agency was designated as successor to Placer County Water Works No. 1 and assumed all of its assets and obligations. The Agency is legally separate and fiscally independent of the County; hence, is not a component unit of the County. The Agency owns water rights on the Middle Fork of the American River, which are used for the generation of electricity through its hydroelectric facilities, and to supply water to Placer County. The Agency provides water treatment and the distribution of both untreated and treated water to customers in Placer County. The Agency's generated power and ancillary services are presently sold to the Pacific Gas & Electric Company under a contractual agreement.

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

B. Description of the Component Unit

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

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

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

C. Basis of Presentation

The accounts of the Agency are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

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.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality and type as obtained from market makers.

G. Water Service Receivable

Water service receivables are presented net of $16,359 in allowance for doubtful accounts as of December 31, 2016. 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 2016, the Agency capitalized interest costs totaled $694,872.

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, 2016 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, 2016, the Agency's property tax revenue totaled $891,465 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. In Zone 1 the Agency serves treated and untreated water to approximately 39,000 and 3,500 customers, respectively. Zone 2 was established in 1979 and is a small area, about 100 acres, south of Roseville with less than 50 customers which are served only treated water. Zone 3 was established in 1982 and includes the area from Alta to Bowman (just north of Auburn). In Zone 3 the Agency serves treated and untreated water to approximately 1,500 and 500 customers, respectively. Zone 4 was established in the Martis Valley in 1996 as a treated water system 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 and serves untreated water to large agricultural farmers.

N. Power Sales

During 2016, the Agency sold power to Pacific Gas & Electric (PG&E) through the California Independent System Operator (CAISO) under a 2013 Power Purchase Agreement (PPA) that expires December 31, 2017. Under this agreement, PG&E buys all power generated & ancillary services provided by the Middle Fork Hydroelectric Project (See Footnote 9 – Joint Powers Middle Fork Project Finance Authority). The electricity generated is metered by the CAISO and shadow settled by the Agency.

O. Bond Discounts and Premiums

Original issue discounts and premiums related to the 2007, 2008, 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 (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Pension

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

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

Valuation Date (VD)	6/30/2015
Measurement Date (MD)	6/30/2016
Measurement Period (MP)	6/30/2015 to 6/30/2016

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 and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Agency's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Agency's own data.

2. Cash and Investments

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	$ 43,820,822
Restricted Cash and Cash Equivalents	21,751,645
Restricted Cash and Cash Equivalents with Fiscal Agents	6,399,101
Investments	67,346,872
Restricted Investments	33,429,430
Total	$ 172,747,870

Cash and investments as of December 31, 2016 consist of the following:

Cash on Hand	$ 3,300
Deposits with Financial Institutions	7,099,491
Investments	165,645,079
Total	$ 172,747,870

Cash and Investments Restricted for Debt Service

Cash and investments restricted for debt service and cash held at third party fiscal agent as of December 31, 2016 are as follows:

Water Division:	
Held with Fiscal Agent	
2007 COP Debt Reserve - Restricted for 2007 COP debt service	$ 505,223
2008/2013 COP Debt Reserve - Restricted for 2008/2013 debt service	4,394,401
Auburn Water Treatment Plant Debt Reserve - Restricted for Auburn Water Treatment Plant debt service	1,252,347
Electric Street Tank Debt Reserve - Restricted for Electric Street Tank debt service	247,130
Total Held with Fiscal Agent	6,399,101
Held at the Agency	
Electric Street (SRF) Loan – Restricted for future Fiscal Agent debt service reserve payments	241,802
County Service Area 29 – Restricted for Zone 5 improvements	81,573
City of Lincoln Pipeline – Restricted for City of Lincoln pipeline	174,730
Sunset Ranchos – Restricted for Regional Water Use Efficiency	3,707
Total Held at the Agency	501,812
Total Water Division	$ 6,900,913

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

		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	$ 5,978,460	2,992,980	2,985,480		
U.S. Government Agencies:					
FFCB	32,680,638	5,807,478	20,934,510	5,938,650	
FHLB	29,935,440	15,033,810	8,978,370	5,923,260	
FMAC	14,913,600		8,954,220	5,959,380	
PEFCO	2,234,474				2,234,474
TVA	6,051,480		6,051,480		
Corporate Notes	8,982,210		6,022,560	2,959,650	
PCTPI	16,419,053	16,419,053			
LAIF	42,050,623	42,050,623			
Subtotal	159,245,978	82,303,944	53,926,620	20,780,940	2,234,474
Fiscal Agent Accounts:					
Money Market	6,399,101	6,399,101			
Total Investments	$ 165,645,079	88,703,045	53,926,620	20,780,940	2,234,474
	100.0% *	53.6%	32.6%	12.5%	1.3%

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

* Percentage of portfolio.

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, 2016, actual credit quality ratings for each investment type as provided by Moody's Investor Services, Inc.

		Minimum	Rating as of Year-End		
Investment Type	Fair Value	Authorized Rating	Aaa**	Aa2, Aa3	Not Rated
U.S. Treasury Securities	$ 5,978,460		5,978,460		
U.S. Government Agencies:					
FFCB	32,680,638	N/A	32,680,638		
FHLB	29,935,440	N/A	29,935,440		
FMAC	14,913,600	N/A			14,913,600
PEFCO	2,234,474	N/A	2,234,474		
TVA	6,051,480	N/A	6,051,480		
Corporate Notes	8,982,210	Aa	5,976,150	3,006,060	
PCTPI	16,419,053	N/A			16,419,053
LAIF	42,050,623	N/A			42,050,623
Held by bond trustee:					
Money Market	6,399,101	*	6,399,101		
Total	$ 165,645,079		89,255,743	3,006,060	73,383,276

* 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	19.73%	$ 32,680,638
Federal Home Loan Bank	Federal agency securities	18.07%	29,935,440
Farmer Mortgage Corporation	Federal agency securities	9.00%	14,913,600

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 $42,050,623 at December 31, 2016.

Included in the LAIF's investment portfolio at December 31, 2016, 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, 2016, the amount invested by all public agencies in the LAIF totaled $73,736,240,023, which includes asset-backed securities totaling $1.614 billion (2.19%). At December 31, 2016, the LAIF investments mature in an average of 171 days.

Investment in Placer County Treasurer's Pooled Investments

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

PCWA reports its investment in the PCTPI at the value provided by the Placer County Treasurer-Tax Collector, which is valued at amortized cost. The balance available for withdrawal is the Agency's proportionate share of its investment in the Placer County Treasury Pool, which amounted to $16,419,053 at December 31, 2016.

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, 2016, 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, 2016, the amount invested by all public agencies in the PCTPI totaled $1,422,834,386 which includes Federal Agency Coupons totaling $670 million (47.11%) and corporate medium term notes totaling $251 million (17.65%). At December 31, 2016, the average days to maturity was 1,481 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, 2016:

	Fair Value Hierarchy			Not Categorized at Fair Value	Total
	Level 1	Level 2	Level 3		
U.S. Treasury Securities	$5,978,460				5,978,460
U.S. Government Agencies:					
FFCB		32,680,638			32,680,638
FHLB		29,935,440			29,935,440
FMAC		14,913,600			14,913,600
PEFCO		2,234,474			2,234,474
TVA		6,051,480			6,051,480
PCTPI				16,419,053	16,419,053
LAIF				42,050,623	42,050,623
Corporate Notes		8,982,210			8,982,210
Held by bond trustee:					
Money Market				6,399,101	6,399,101
Total Investments	$5,978,460	94,797,842	-	64,868,777	165,645,079

3. Summary of Capital Assets

The following is a summary of capital assets as of December 31, 2016:

	Balance 12/31/15	Additions	Retirements	Transfers	Balance 12/31/16
Agency Wide:					
Capital Assets, Not Being Depreciated:					
Land	$ 4,054,187				4,054,187
Construction in Progress	9,238,380		(69,712)	(776,427)	8,392,241
Total Capital Assets, Not Being Depreciated	13,292,567	-	(69,712)	(776,427)	12,446,428
Capital Assets, Being Depreciated:					
Utility Plant	3,403,198				3,403,198
Other Property and Equipment	9,241,253	313,696	(461,545)	776,427	9,869,831
Total Capital Assets, Being Depreciated:	12,644,451	313,696	(461,545)	776,427	13,273,029
Less Accumulated Depreciation for:					
Utility Plant	(1,571,335)	(61,346)			(1,632,681)
Other Property and Equipment	(3,142,937)	(629,983)	461,545		(3,311,375)
Total Accumulated Depreciation	(4,714,272)	(691,329)	461,545	-	(4,944,056)
Total Capital Assets, Being Depreciated, Net	7,930,179	(377,633)	-	776,427	8,328,973
Total Capital Assets - Agency Wide, Net	21,222,746	(377,633)	(69,712)	-	20,775,401
Power Division:					
Capital Assets, Not Being Depreciated:					
Preliminary Survey	12,500				12,500
Construction in Progress	50,504,649	4,239,936		(6,754,147)	47,990,438
Total Capital Assets, Not Being Depreciated	50,517,149	4,239,936	-	(6,754,147)	48,002,938
Capital Assets, Being Depreciated:					
Utility Plant	209,687,810	52,375	(196,836)	4,703,686	214,247,035
Other Property and Equipment	8,517,733	464,356	(117,375)	2,119,276	10,983,990
Total Capital Assets, Being Depreciated:	218,205,543	516,731	(314,211)	6,822,962	225,231,025
Less Accumulated Depreciation for:					
Utility Plant	(86,037,699)	(4,469,578)	196,836		(90,310,441)
Other Property and Equipment	(5,165,089)	(780,044)	117,375		(5,827,758)
Total Accumulated Depreciation	(91,202,788)	(5,249,622)	314,211	-	(96,138,199)
Total Capital Assets, Being Depreciated, Net	127,002,755	(4,732,891)	-	6,822,962	129,092,826
Total Capital Assets - Power Division, Net	177,519,904	(492,955)	-	68,815	177,095,764

	Balance 12/31/15	Additions	Retirements	Transfers	Balance 12/31/16
Water Division:					
Capital Assets, Not Being Depreciated:					
Land	9,870,150			3,135,426	13,005,576
Preliminary Survey	765,114				765,114
Construction in Progress	25,325,570	14,455,199		(27,066,999)	12,713,770
Total Capital Assets, Not Being Depreciated	35,960,834	14,455,199	-	(23,931,573)	26,484,460
Capital Assets, Being Depreciated:					
Utility Plant	515,431,884	7,018,306	(33,880)	20,499,019	542,915,329
Other Property and Equipment	87,441,185	392,090	(648,556)	3,363,739	90,548,458
Total Capital Assets, Being Depreciated:	602,873,069	7,410,396	(682,436)	23,862,758	633,463,787
Less Accumulated Depreciation for:					
Utility Plant	(157,757,565)	(13,344,778)	33,880		(171,068,463)
Other Property and Equipment	(41,642,547)	(4,378,563)	648,556		(45,372,554)
Total Accumulated Depreciation	(199,400,112)	(17,723,341)	682,436	-	(216,441,017)
Total Capital Assets, Being Depreciated, Net	403,472,957	(10,312,945)	-	23,862,758	417,022,770
Total Capital Assets - Water Division, Net	439,433,791	4,142,254	-	(68,815)	443,507,230
Total Capital Assets, Net	$ 638,176,441	3,271,666	(69,712)	-	641,378,395

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, 2016 including interest rates and maturities are as follows:

Description	Fiscal year issued	Interest rates	Year of final maturity	Balance at December 31, 2016	
Certificates of Participation:					
2007 Certificates	2007	4.0%	2017	$ 830,000	
2008 Certificates	2008	3.0% - 4.75%	2029	32,940,000	
2013 Certificates	2013	4.0% - 5.0%	2023	6,040,000	
2016 Certificates	2016	2.375% - 5.0%	2037	24,840,000	
Certificates outstanding				64,650,000	
Loans Payable:					
State Water Resources Control Board					
Auburn Water Treatment Plant	2008	2.29%	2029	13,543,916	
Electric Street Tank	2012	2.30%	2035	7,332,473	
Loans outstanding				20,876,389	
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				85,528,718	
Compensated Absences				5,614,215	
Total				91,142,933	
Plus: Unamortized bond discounts and premiums				3,379,208	
Total long-term debt				$ 94,522,141	

* 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, 2016:

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016	Amounts Due Within One Year
Certificates of Participation	$ 69,465,000	24,840,000	29,655,000	64,650,000	3,050,000
Loans Payable	22,516,572	-	1,640,183	20,876,389	1,269,151
Improvement District Debt	12,370	-	10,041	2,329	-
Subtotal	91,993,942	24,840,000	31,305,224	85,528,718	4,319,151
Compensated Absences	5,248,714	2,524,405	2,158,904	5,614,215	3,570,700
Totals	$ 97,242,656	27,364,405	33,464,128	91,142,933	7,889,851

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.

2007 Certificates

On October 2, 2007, Certificates of Participation (2007 Certificates) with interest rates ranging from 4.00% to 4.75% were issued by the Agency in the amount of $33,580,000. The 2007 Certificates were issued to finance: 1) the construction of the Auburn Ravine Tunnel Pump Station, an addition to the water system in the amount of approximately $20 million, and 2) the rehabilitation of existing water system infrastructure including portions of the Boardman canal, Bowman canal siphon and other projects in the amount of approximately $13 million. The 2016 Certificates advance refunded a portion of the 2007 Certificates totaling $26,725,000 resulting in only the maturities to 2017 remaining outstanding. The principal outstanding at December 31, 2016 is $830,000.

2008 Certificates

On April 24, 2008, Certificates of Participation (2008 Certificates) were issued by the Agency in the amount of $40,385,000. The 2008 Certificates were issued to refinance the outstanding 2005 Certificates. The 2008 Certificate proceeds were used entirely to refinance the 2005 Certificates (originally issued in 1998 to fund the Cross Basin Pipeline II), fund the $3.4 million debt service reserve, pay the termination cost of the interest rate swap and pay the associated issuance costs. The 2008 Certificates have an average coupon rate of 4.55% and a fixed rate coupon range from 3.0% to 4.75%. The principal outstanding at December 31, 2016 is $32,940,000.

2013 Certificates

On June 19, 2013, Certificates of Participation (2013 Certificates) were issued by the Agency in the amount of $8,100,000 with a reoffering premium of $1,304,896 to refund the outstanding $9,170,000 2003 Certificates (originally issued in 1993 to fund the Foothill Water Treatment Plant upgrade to 27 million gallons per day (MGD), a 10 MGD clearwell and refinance the Series B). The 2013 Certificates were issued with an average coupon of 4.65% and a fixed coupon range from 4.0% to 5.0%. The 2013 Certificate proceeds were entirely to refund the 2003 Certificates and pay the associated issuance costs. The principal outstanding at December 31, 2016 is $6,040,000.

2016 Certificates

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 Agency advance refunded a portion of the 2007 Certificates to reduce its total debt service payments over twenty years by $6,213,786 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,422,089. The principal outstanding at December 31, 2016 is $24,840,000.

Certificates of Participation Debt Covenants

The Certificates of Participation purchase contracts require the Agency to ensure that:

(1) the net water revenues shall be at least 120% of debt service on all outstanding contracts and bonds,
(2) the net water revenues shall be at least 100% of debt service on all outstanding contracts and bonds plus the obligation service for all outstanding obligations, and
(3) the certificates reserve requirements shall be met.

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

The following calculation indicates the Agency's compliance with these criteria for the year ended December 31, 2016.

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

1.	Annual Debt Service Coverage		2016
	Net Water Revenues excluding Depreciation	$	24,579,374
	Debt Service on Certificates and Other Parity Debt	$	8,145,242
	Debt Service Coverage		3.02
2.	Obligation Service Coverage		
	Net Water Revenues excluding Depreciation as Adjusted by Water Purchases	$	28,542,358
	Obligation Service	$	12,796,273
	Obligation Service Coverage		2.23
3.	Certificate Reserve Requirement		
	Minimum Reserve Requirement	$	4,786,614
	Reserves Held at Agency		241,802
	Actual Trustee Reserve Balance		5,000,756
	Total Reserve Balance	$	5,242,558
	Reserve Requirement Coverage		1.10

Loans Payable

California Department of Water Resources Loan – Alta/Monte Vista

In 1995, the Agency entered into an agreement with the Department of Water Resources for a grant totaling $400,000 and a loan not to exceed $539,000 (plus a 5 percent administration fee). The purpose of the loan was to finance water system improvements to meet the safe drinking water standards in Zone 3 service area. Principal and interest are payable from Water System revenue. During 2016, the loan was paid in full.

California Department of Water Resources Loan – King/Delmar

In 1996, the Agency entered into an agreement with the Department of Water Resources for a grant totaling $125,000 and a Safe Drinking Water Bond Law of 1986 loan amount not to exceed $325,000 (plus a 5 percent administration fee). The purpose of the loan was to finance the construction of water system improvements to meet the safe drinking water standards for the domestic water supply. The principal and interest are payable from Water System revenue. During 2016, the loan was paid in full.

California Department of Water Resources Loan – Applegate

In 1997, the Agency entered into an agreement with the Department of Water Resources for a grant totaling $400,000 and a loan not to exceed $605,000 (plus a 5 percent administration fee). The purpose of the loan was to finance water system improvements to meet the safe drinking water standards in Zone 3 service area. The principal and interest are payable from Water System revenue. During 2016, the loan was paid in full.

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, 2016 is $13,543,916.

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, 2016 is $7,332,473.

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, 2016:

Improvement District No. 10 (Aquilar Road)

In 1977, warrants totaling $77,400 were issued for the purpose of financing the installation of pipeline, fire hydrants and other facilities on Aquilar Road. Final maturity of the warrants was July 1998. However, not all warrants have been presented for payment, and therefore, these unpresented amounts are carried as a liability in the financial statements. The unpresented and outstanding warrants principal balance at December 31, 2016 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, 2016 is $1,195.

Improvement District No. 36 (Highway 174)

In 1996, Improvement District No. 36 was formed and funded through a California Safe Drinking Water Bond Law of 1986 grant totaling $306,000 and a loan totaling $100,000, (plus a 5 percent administration fee), for the purpose of financing the Highway 174 water system improvements. During 2016, the improvement district debt was paid in full.

Debt Service Requirements

As of December 31, 2016, 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
2017	$ 3,050,000	2,796,675	1,269,151	472,130
2018	3,070,000	2,674,675	1,298,447	442,834
2019	3,230,000	2,536,275	1,328,419	412,862
2020	3,350,000	2,390,625	1,359,083	382,198
2021	3,510,000	2,239,425	1,390,455	350,826
2022-2026	20,695,000	8,563,469	7,448,793	1,257,613
2027-2031	18,175,000	3,222,394	5,145,758	429,884
2032-2036	7,865,000	929,075	1,636,283	76,286
2037	1,705,000	51,150	-	-
	$ 64,650,000	25,403,763	20,876,389	3,824,633

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, 2016, totaling $114.8 million as follows:

- Senior debt was paid in full during 2016.
- Second Senior obligations with remaining debt service totaling $90.1 million for the 2007, 2008, 2013 and 2016 Certifications of Participation, which is scheduled to be repaid in 2037.
- Parity debt obligations with remaining debt service totaling $24.7 million for the California Department of Health Services Auburn Water Treatment Plant and Electric Street Tank loans, which is scheduled to be repaid in 2035.

As disclosed in the 2016 certificates offering statement, projected net revenues are expected to provide coverage over debt service of 2.73 over the life of the bonds. For fiscal year 2016, Water Fund Revenues including operating and non-operating revenues amounted to $62.0 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to $37.4 million represented coverage of 3.02 over the $8.1 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, 2016, are as follows:

Year Ending December 31,	Lease Payments
2017	$ 49,302
2018	23,385
2019	3,784
Total	$ 76,471

Total costs of such leases were $61,807 for the year ended December 31, 2016.

5. Restricted Net Position

As of December 31, 2016 the Agency, including improvement districts, had the following restrictions to net position:

Agency Wide Division:	
IRS Section 125 – Reserve for employees Section 125 account	$ 17,468
Water Resource Development – Restricted for Water Resource Development Fund Activities	429,661
Total Agency Wide	447,129
Water Division:	
Cash and Investments with Fiscal Agent – Restricted for Debt Service	6,399,101
Water Connection Charges – Restricted for Water System Expansion	54,136,753
Improvement Districts – Restricted for Debt Service	95,380
Total Water	60,631,234
Total All Fund – Restricted Net Position	$ 61,078,363

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.

After several years of drought, 2016 was an average water year.

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

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

The Western Water Supply contract was originally executed on June 18, 1968 with PG&E and allowed the Agency to take delivery of up to a maximum of 100,400 AF per year from specified diversion points along the canal system at prices ranging from $1.45 to $3.93 per AF. The Agency and PG&E approved an agreement that extended the term of the 1968 agreement at a new price of $30 per AF effective January 1, 2014 and $40 per AF effective January 1, 2015. The agreement contains an annual price escalator based on the Consumer Price Index. In 2016, the price for this water was $40.45 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 separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans 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 Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

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

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

Funding Policy

The Agency makes a portion of the contributions required of Agency employees on their behalf and for their account. The rates are set by statute and therefore, generally remain unchanged from year to year. The present actuarially determined rates of annual covered payroll are as follows:

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, 2016, 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	22.50%	22.50%

Employees Covered

As of June 30, 2015, the following employees were covered by the benefit terms for each Plan:

Active employees	199
Inactive employees or beneficiaries currently receiving benefits	167
Inactive employees entitled to but not yet receiving benefits	56
Totals	422

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, 2015 valuation was rolled forward to determine the June 30, 2016 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
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, 2015 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 can be obtained at the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Changes of Assumptions

There were no changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 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 7.65 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 the 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%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	-0.55	-1.05

[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: 6/30/2015 (VD)	$ 108,672,717	$ 74,982,141	$ 33,690,576
Changes Recognized for the Measurement Period:			
Service Cost	2,753,244	-	2,753,244
Interest on the Total Pension Liability	8,234,673	-	8,234,673
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	63,758	-	63,758
Plan to Plan Resource Movement	-	153	(153)
Contributions - Employer	-	3,176,715	(3,176,715)
Contributions - Employees	-	1,254,392	(1,254,392)
Net Investment Income	-	390,175	(390,175)
Benefit Payment, including Refunds of Employee Contributions	(4,940,624)	(4,940,624)	-
Administrative Expense	-	(45,698)	45,698
Net Changes during 2015-16	6,111,051	(164,887)	6,275,938
Balance at: 6/30/2016 (MD)	$ 114,783,768	$ 74,817,254	$ 39,966,514

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

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

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	$54,801,563	$39,966,514	$27,625,708

Subsequent Events

On December 21, 2016 the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years and lowering the discount rate for the calculation of net pension liability from 7.65% to 7.15% on June 30, 2017. This lowering of the discount rate, effective July 1, 2018, will cause employers, including PCWA to see increases to their normal costs and unfunded liabilities. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans as well as a 30 to 40 percent increase to their current unfunded accrued liability payments.

Recognition of Gains and Losses

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

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

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

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

The expected average remaining service lifetime (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 was 4.3 years, which was obtained by dividing the total service years of 1,818 (the sum of remaining service lifetimes of the active employees) by 422 (the total number of participants). Note that inactive employees entitled to but not receiving benefits and inactive employees receiving benefits have remaining service lifetimes equal to 0.

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

As of the start of the measurement period (June 30, 2015), the NPL is $33,690,576.

For the measurement period ending June 30, 2016 (measurement date), the Agency recognized a pension expense of $4,248,322 for the Plan.

As of December 31, 2016, 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	$ 3,821,533	
Differences between Expected and Actual Experience	48,931	(61,184)
Changes of Assumption		(1,011,609)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,107,526	
Total	$ 7,977,990	$ (1,072,793)

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
2017	$ 3,988,431
2018	166,897
2019	1,683,925
2020	1,065,944
2021	-
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	$10,000
Power CGL/Auto	$10,000
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 Agency has no additional liability accrued at December 31, 2016 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 2016, the Agency's dues for 2015 – 2016 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). The purpose of this agreement is to establish an Authority to serve the mutual interests of the Agency and the County, exclusively, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and other costs that may be required to obtain a new Federal Energy Regulatory Commission (FERC) license or which may be completed under the current or subsequent FERC license of the Middle Fork Hydroelectric Project by the Agency, to approve Future Electrical Energy Sales, and to distribute revenues from Future Electrical Energy Sales. In March 2006, the Middle Fork Project Finance Authority issued the Middle Fork Project Finance Authority Revenue Bond, Series 2006 (Bond) in the amount of $100 million to provide funds for relicensing costs and related expenses. Payment of principal and interest on the Bond commenced on October 1, 2015 from Middle Fork Project (Project) hydroelectric revenue received by the Authority. The Bond is secured by a pledge of Middle Fork Project hydroelectric revenue received and matures on April 1, 2036.

On May 1, 2013, under a new Power Purchase Agreement (PPA) the Authority began receiving electrical energy revenues and reimbursed the Agency's expenses related to the Project pursuant to the JPA. Reimbursements for 2016 Agency expenses totaled $22,707,961 which the Agency recorded as Power Sales Revenue as this is payment for energy the Agency sold under the terms of the new PPA.

Complete audited financial statements are available at the Agency's finance office.

10. Construction Commitments

At December 31, 2016 the Agency had ongoing construction commitments that totaled approximately $8.3 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, 2016 was $24,290. The Agency also provides health care benefits to its retirees through CalPERS. The cost to the Agency in the year ended December 31, 2016 was $811,139.

In 2016, 102 retirees received post-retirement benefits ranging from $298.15 to $1,167.70 (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, 2016, there were 21-years remaining in the initial 30-year amortization period.

Actuarial Methods and Assumptions. The annual required contribution (ARC) was determined as part of a June 30, 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 2016 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, 2016, the Agency contributed the ARC to the Plan as presented below:

Annual required contribution (ARC)	$	2,214,000
Contribution made:		
Agency portion of current year premiums paid		811,139
Implied Subsidy		251,000
Prefunding Contributions to CERBT		1,151,861
Total contributions		2,214,000
Contributions in excess of the ARC		-
Net OPEB Asset at December 31, 2015		212,338
Net OPEB Asset at December 31, 2016	$	212,338

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)
12/31/2014	$ 1,897,000	$ 1,998,502	105.4%	$ 212,338
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

Funded Status.
The Post-Employment Health Benefits Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the June 30, 2015 actuarial study is presented below:

(In thousands)

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]
6/30/2011	$ 20,099	$ 5,268	$ 14,831	26.2%	$ 12,011	123.5%
6/30/2013	22,503	9,402	13,101	41.8%	12,655	103.5%
6/30/2015	27,031	14,077	12,954	52.1%	15,709	82.5%

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

Measurement Period	2015-16*	2014-15*
TOTAL PENSION LIABILITY:		
Service Cost	$ 2,753,244	2,727,255
Interest on Total Pension Liability	8,234,673	7,786,985
Changes of Benefit Terms	-	-
Changes of Assumptions	-	(1,854,615)
Difference between Expected and Actual Experience	63,758	(112,172)
Benefit Payments, Including Refunds of Employee Contributions	(4,940,624)	(4,537,117)
Net Change in Total Pension Liability	6,111,051	4,010,336
Total Pension Liability - Beginning	108,672,717	104,662,381
Total Pension Liability - Ending (a)	$ 114,783,768	108,672,717
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	$ 3,176,715	3,189,090
Contributions - Employee	1,254,392	1,248,234
Net Investment Income	390,175	1,664,520
Other Miscellaneous Income	-	-
Benefit Payments, Including Refunds of Employee Contributions	(4,940,624)	(4,537,117)
Plan to Plan Resource Movement	153	-
Administrative Expense	(45,698)	(84,405)
Other Changes in Net Fiduciary Position	-	-
Net Change in Fiduciary Net Position	(164,887)	1,480,322
Plan Fiduciary Net Position - Beginning	74,982,141	73,501,819
Plan Fiduciary Net Postion - Ending (b)	74,817,254	74,982,141
Plan Net Pension Liability / (Asset) - (a)-(b)	$ 39,966,514	33,690,576
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.18%	69.00%
Covered-Employee Payroll	$ 15,869,756	15,428,271
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	251.84%	218.37%

*Information is not available for 10 years

Notes to Schedule:

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

Changes of Assumptions: There were no changes in assumptions.

Schedule of Plan Contributions

	Fiscal Year 2016*	Fiscal Year 2015*
Actuarially Determined Contribution	$ 3,259,379	3,305,299
Contributions in Relation to the Actuarially Determined Contribution	(3,528,582)	(3,305,299)
Contribution Deficiency (Excess)	$ (269,203)	$ -
Covered Payroll	$ 17,643,037	$ 16,329,258
Contributions as a Percentage of Covered Payroll	20.00%	20.24%

*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, 2016 were from the June 30, 2013 and June 30, 2014 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 and June 30, 2014 Funding Valuation Reports
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 and June 30, 2014 Funding Valuation Reports
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

PLACER COUNTY WATER AGENCY

Combining Schedule of Net Position

December 31, 2016

ASSETS	Agency Wide	Power Division	Water Division	Adjustments	Total
Current assets:					
Cash and cash equivalents	$ 9,703,207	56,277	34,061,338	-	43,820,822
Restricted cash and cash equivalents	176,253	-	21,575,392	-	21,751,645
Restricted cash and cash equivalents with fiscal agents	-	-	6,399,101	-	6,399,101
Water service receivable, net	-	-	6,397,538	-	6,397,538
Accounts receivable	965,005	423,108	896,024	-	2,284,137
Interest receivable	133,083	-	232,743	-	365,826
Taxes receivable	828,033	-	-	-	828,033
Materials and supplies	24,723	-	901,701	-	926,424
Due from other funds	500,000	-	-	(500,000)	-
Prepaid expenses	338,568	569,683	810,857	-	1,719,108
OPEB assets	125,738	17,344	69,256	-	212,338
Total current assets	12,794,610	1,066,412	71,343,950	(500,000)	84,704,972
Non-current assets:					
Investments	14,912,559	-	52,434,313	-	67,346,872
Restricted investments	270,876	-	33,158,554	-	33,429,430
Notes receivable	-	-	57,556	-	57,556
Capital assets, not depreciable	12,446,428	48,002,938	26,484,460	-	86,933,826
Capital assets, net of depreciation	8,328,973	129,092,826	417,022,770	-	554,444,569
Total non-current assets	35,958,836	177,095,764	529,157,653	-	742,212,253
Total assets	48,753,446	178,162,176	600,501,603	(500,000)	826,917,225
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow - pension contributions	687,875	878,953	2,254,705	-	3,821,533
Deferred outflow - pension actuarial	748,163	876,205	2,532,089	-	4,156,457
Deferred charges on refunding	-	-	2,976,530	-	2,976,530
Total deferred outflows	1,436,038	1,755,158	7,763,324	-	10,954,520

(Continued)

PLACER COUNTY WATER AGENCY

Combining Schedule of Net Position

December 31, 2016

LIABILITIES AND NET POSITION	Agency Wide	Power Division	Water Division	Adjustments	Total
Current liabilities:					
Accounts payable	552,671	1,083,495	2,798,587	-	4,434,753
Accrued salaries and benefits	240,939	232,147	718,795	-	1,191,881
Interest payable	-	-	1,476,860	-	1,476,860
Deposits	-	-	1,406,806	-	1,406,806
Other current liabilities	15,001	449	-	-	15,450
Current portion of long-term liabilities	-	-	4,319,151	-	4,319,151
Compensated absences payable, current portion	748,543	658,891	2,163,266	-	3,570,700
Due to other funds	-	500,000	-	(500,000)	-
Total current liabilities	1,557,154	2,474,982	12,883,465	(500,000)	16,415,601
Non-current liabilities:					
Certificates of participation, net of premiums/discounts	-	-	64,979,208	-	64,979,208
Loans payable	-	-	19,607,238	-	19,607,238
Improvement district debt	-	-	2,329	-	2,329
Compensated absences payable	444,265	356,264	1,242,986	-	2,043,515
Net pension liability	7,193,973	8,792,633	23,979,908	-	39,966,514
Total non-current liabilities	7,638,238	9,148,897	109,811,669	-	126,598,804
Total liabilities	9,195,392	11,623,879	122,695,134	(500,000)	143,014,405
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension actuarial	193,103	236,014	643,676	-	1,072,793
Total deferred inflows	193,103	236,014	643,676	-	1,072,793
NET POSITION					
Net investment in capital assets	20,775,401	177,095,762	357,578,162	-	555,449,325
Restricted:					
Water system expansion	-	-	60,631,234	-	60,631,234
Other	447,129	-	-	-	447,129
Total restricted net position	447,129	-	60,631,234	-	61,078,363
Unrestricted	19,578,459	(9,038,321)	66,716,721	-	77,256,859
Total net position	$ 40,800,989	168,057,441	484,926,117	-	693,784,547

PLACER COUNTY WATER AGENCY

Combining Schedule of Revenues, Expenses and Changes in Net Postion

For the year ended December 31, 2016

	Agency Wide	Power Division	Water Division	Total
OPERATING REVENUES				
Water sales	$ 1,250,787	-	32,966,311	34,217,098
Power sales	-	22,707,961	113,897	22,821,858
Renewal and replacement charges	-	-	11,604,564	11,604,564
Raw water surcharges	-	-	343,377	343,377
Engineer charges	7,705	1,260	855,627	864,592
Customer service charges	-	-	800,798	800,798
Other revenue	115,112	1,196	7,047	123,355
Total operating revenues	1,373,604	22,710,417	46,691,621	70,775,642
OPERATING EXPENSES				
Purchased water	-	-	3,962,985	3,962,985
Field administration	-	-	1,298,698	1,298,698
Pumping plants and wells	-	-	586,127	586,127
Water treatment	-	12,302	7,566,013	7,578,315
Electrical operations	-	2,322,854	-	2,322,854
Transmission and distribution of treated water	-	-	2,724,957	2,724,957
Transmission and distribution of raw water	-	-	4,362,632	4,362,632
Customer service and collections	-	-	3,986,300	3,986,300
Repairs and maintenance	-	3,221,411	-	3,221,411
Recreation	-	2,008,730	-	2,008,730
Automotive and equipment	-	-	912,549	912,549
Engineering	-	809,379	6,038,257	6,847,636
General and administrative	2,510,524	7,859,234	5,992,172	16,361,930
Resource development	-	1,678,070	3,967	1,682,037
Depreciation (note 3)	691,330	5,249,623	17,723,339	23,664,292
Total operating expenses	3,201,854	23,161,603	55,157,996	81,521,453
Operating income (loss)	(1,828,250)	(451,186)	(8,466,375)	(10,745,811)

(Continued)

PLACER COUNTY WATER AGENCY

Combining Schedule of Revenues, Expenses and Changes in Net Postion

For the year ended December 31, 2016

	Agency Wide	Power Division	Water Division	Total
NON-OPERATING REVENUES (EXPENSES)				
Water connection charges	-	-	11,824,165	11,824,165
Costs recovered from other agencies	66,294	-	289,020	355,314
Interest earnings	269,526	-	1,110,082	1,379,608
Property taxes and assessments	891,465	-	12,592	904,057
Gain (loss) on disposal of assets	34,436	-	1,618	36,054
Program grant revenue	-	-	958,438	958,438
Interest expense	-	-	(3,042,891)	(3,042,891)
Rental income	556,000	1,920	144,740	702,660
Other income (expense)	(71,819)	6,067	981,750	915,998
Total non-operating revenues (expenses)	1,745,902	7,987	12,279,514	14,033,403
Net income before capital contributions	(82,348)	(443,199)	3,813,139	3,287,592
Contributions and transfers				
Capital contributions	-	-	7,018,306	7,018,306
Transfers in	241,665	68,815	40,982	351,462
Transfers out	(4,288)	(36,694)	(310,480)	(351,462)
Increase in net position	155,029	(411,078)	10,561,947	10,305,898
Net position, beginning of year	40,645,960	168,468,519	474,364,170	683,478,649
Net position, end of year	$ 40,800,989	168,057,441	484,926,117	693,784,547

PLACER COUNTY WATER AGENCY

Combining Schedule of Cash Flows

For the year ended December 31, 2016

	Agency Wide	Power Division	Water Division	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 472,619	23,524,257	46,204,724	70,201,600
Cash paid to suppliers for goods and services	(3,746,967)	(5,747,370)	(17,175,253)	(26,669,590)
Cash paid to employees for services	(5,587,874)	(6,523,912)	(18,772,103)	(30,883,889)
Cash received (paid) for service level support	7,904,640	(5,782,564)	(2,122,076)	-
Net cash provided by (used for) operating activities	(957,582)	5,470,411	8,135,292	12,648,121
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Property taxes and assessments	891,465	-	12,592	904,057
Costs recovered from other agencies	66,294	-	289,020	355,314
Program grant revenue	-	-	958,438	958,438
Transfers in	241,665	-	40,982	282,647
Transfers out	(4,288)	(36,694)	(241,665)	(282,647)
Due to/from funds	750,000	(750,000)	-	-
Net cash provided by (used for) non-capital financing activities	1,945,136	(786,694)	1,059,367	2,217,809
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(313,696)	(4,756,665)	(13,141,695)	(18,212,056)
Payment to refunding bond escrow	-	-	(28,345,759)	(28,345,759)
Principal payment on debt	-	-	(2,952,817)	(2,952,817)
Interest payment on debt	-	-	(4,864,156)	(4,864,156)
Proceeds from loan	-	-	27,842,617	27,842,617
Water connection charges	-	-	11,855,516	11,855,516
Net cash provided by (used for) capital and related financing activities	(313,696)	(4,756,665)	(9,606,294)	(14,676,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(7,740,066)	-	(42,416,720)	(50,156,786)
Proceeds from maturity of investments	6,961,920	-	40,398,080	47,360,000
Investment income	216,656	-	1,059,346	1,276,002
Net cash flows from investing activities	(561,490)	-	(959,294)	(1,520,784)
Net increase (decrease) in cash and cash equivalents	112,368	(72,948)	(1,370,929)	(1,331,509)
Cash and cash equivalents, beginning of year	9,767,092	129,225	63,406,760	73,303,077
Cash and cash equivalents, end of year	$ 9,879,460	56,277	62,035,831	71,971,568

(Continued)

PLACER COUNTY WATER AGENCY

Combining Schedule of Cash Flows

For the year ended December 31, 2016

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	Agency Wide	Power Division	Water Division	Total
Operating income (loss)	$ (1,828,250)	(451,186)	(8,466,375)	(10,745,811)
Adjustments to reconcile operating income (loss) to cash flows provided by (used for) operating activities				
Depreciation and amortization	691,330	5,249,623	17,723,339	23,664,292
Other non-operating income	588,328	7,984	1,128,110	1,724,422
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(900,985)	818,840	(21,968)	(104,113)
(Increase) decrease in materials and supplies	(7,905)	-	140,248	132,343
(Increase) decrease in prepaid expense	161,861	68,665	620	231,146
(Increase) decrease in deferred outflows	(298,040)	(364,271)	(2,294,460)	(2,956,771)
(Increase) decrease in notes receivable and assessment receivable	-	-	2,140	2,140
Increase (decrease) in accounts payable and other liablities	(33,604)	(519,377)	(1,415,131)	(1,968,112)
Increase (decrease) in unearned revenue	-	-	(745)	(745)
Increase (decrease) in salaries and benefits payable	294,841	206,545	556,364	1,057,750
Increase (decrease) in deposits	-	(5,000)	(466,324)	(471,324)
Increase (decrease) in other current liabilities	-	449	-	449
Increase (decrease) in net pension liability	1,129,669	1,380,706	3,765,563	6,275,938
Increase (decrease) in deferred inflows	(754,827)	(922,567)	(2,516,089)	(4,193,483)
Net cash provided by (used for) operating activities	$ (957,582)	5,470,411	8,135,292	12,648,121
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	$ 9,703,207	56,277	34,061,338	43,820,822
Restricted cash and cash equivalents	176,253	-	21,575,392	21,751,645
Restricted cash and cash equivalents with fiscal agent	-	-	6,399,101	6,399,101
Total cash and cash equivalents reported on Balance Sheet	$ 9,879,460	56,277	62,035,831	71,971,568
Non-cash investing, capital and financing activities:				
Non-cash capital contributions	$ -	-	7,018,306	7,018,306
Change in fair value of investments	(34,354)	-	(19,934)	(54,288)
Transfers in/(out)	-	68,815	(68,815)	-

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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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Change in Net Position:										
Operating Revenues	$ 61,183,246	49,973,848	47,593,508	46,308,484	43,467,416	47,587,988	49,455,803	61,253,094	70,079,702	70,775,642
Operating Expenses	(42,192,659)	(50,209,165)	(52,515,741)	(52,127,835)	(54,617,252)	(59,850,342)	(64,690,945)	(71,664,167)	(78,618,612)	(81,521,453)
Operating Income (Loss) (1)	18,990,587	(235,317)	(4,922,233)	(5,819,351)	(11,149,836)	(12,262,354)	(15,235,142)	(10,411,073)	(8,538,910)	(10,745,811)
Non-Operating Revenues/(Expenses) *(2)*	26,455,809	24,049,456	28,495,780	18,497,345	26,180,907	13,356,401	16,611,819	31,844,824	4,623,612	14,033,403
Net Income Before Capital Contributions	45,446,396	23,814,139	23,573,547	12,677,994	15,031,071	1,094,047	1,376,677	21,433,751	(3,915,298)	3,287,592
Capital Contributions	5,134,544	60,085,414	3,649,500	330,288	5,712,459	3,240,922	3,156,000	14,265,424	7,221,675	7,018,306
Change in Net Position	50,580,940	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
Net Position, Beginning of Year *(3)*	472,532,420	523,113,360	607,012,913	634,235,960	647,244,242	667,987,772	669,644,964	674,177,641	709,876,816	683,478,649
Prior Period Adjustment *(3)*	-	-	-	-	-	(2,677,777)	-	-	(29,704,544)	-
Net Position, End of Year	$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
Net Position by Component ***(3)*** **:**										
Net Investment in Capital Assets	$414,954,672	455,983,194	476,266,686	490,317,700	517,953,059	532,923,095	540,136,120	556,981,900	547,553,264	555,449,325
Restricted	39,024,815	64,882,646	61,095,189	50,117,908	44,317,810	44,633,854	39,332,535	42,678,014	61,811,951	61,078,363
Unrestricted	69,133,873	86,147,073	96,874,085	106,808,634	105,716,903	92,088,015	94,708,986	110,216,902	74,113,434	77,256,859
Total Net Position	$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

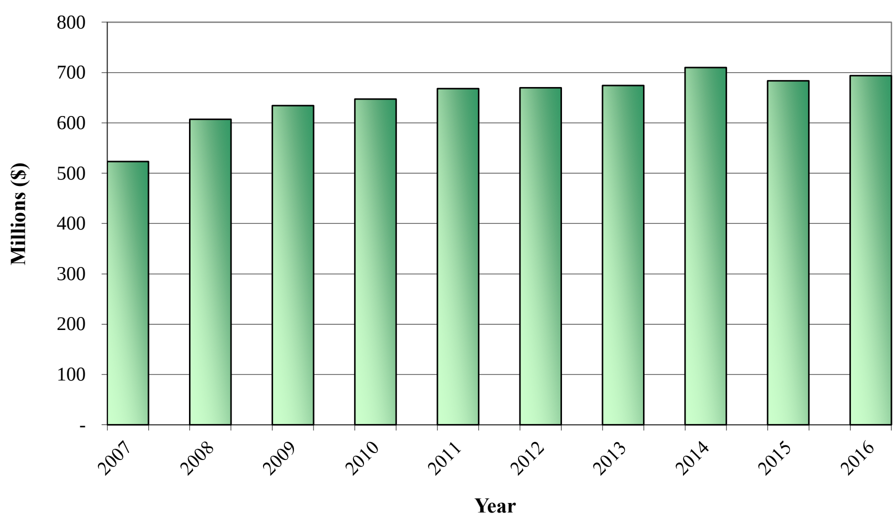
(1) The increase in 2016 operating loss is attributable to an increase in operating revenue of $0.7 million and a increase in operating expense of $2.9 million. The increase in operating revenue is primarily due to an increase in water sales revenue of $3.3 million because conservation restrictions were relaxed netted with a decrease in power sales revenue of $2.8 million which reflects lower reimbursements related to capital expenses from the Middle Fork Project Finance Authority. The increase in operating expenses is primarily due to increased purchased water expense resulting from conservation restrictions being relaxed, decreased pumping (electricity) expenses because less Middle Fork Project water needed to be pumped from the American River, and increased expenses for infrastructure repair and maintenance projects.

(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



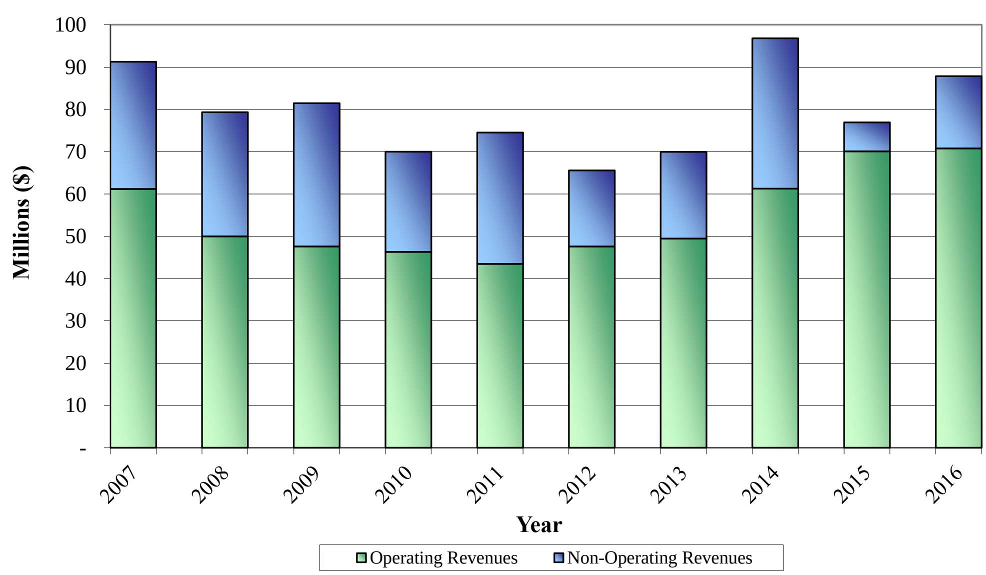
PLACER COUNTY WATER AGENCY
TABLE # 2
Revenues by Source
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues										
Water Sales	$ 28,017,466	30,623,251	33,324,492	31,754,113	30,500,851	32,709,967	34,491,580	34,187,459	30,961,345	34,217,098
Power Sales *(1)*	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765	13,686,081	13,514,781	25,505,528	25,589,249	22,821,858
Renewal & Replacement Charge *(2)*	-	-	-	-	-	-	-	-	11,413,820	11,604,564
Raw Water Surcharge *(2)*	-	-	-	-	-	-	-	-	329,848	343,377
Reimbursements	55,385	57,877	60,192	62,600	65,104	73,108	-	-	-	-
Engineering Charges	1,341,132	1,022,958	427,685	332,079	329,803	395,443	733,383	716,213	816,141	864,592
Customer Service Charges	559,654	694,941	720,659	729,211	693,154	686,420	709,568	770,250	774,312	800,798
Other	25,547	14,559	38,902	12,221	40,739	36,969	6,491	73,644	194,987	123,355
Total Operating Revenues	61,183,246	49,973,848	47,593,508	46,308,484	43,467,416	47,587,988	49,455,803	61,253,094	70,079,702	70,775,642
Non-Operating Revenues										
Water Connection Charge	4,426,211	3,503,063	6,439,564	426,965	399,568	1,647,974	5,002,272	9,385,614	24,996,971	11,824,165
Renewal & Replacement Charge *(2)*	8,051,114	8,696,868	9,062,968	9,184,101	9,082,944	9,217,860	9,207,590	10,809,457	-	-
Mandated Costs Charge *(2)*	3,476,813	3,866,668	267,334	3,101	2,826	2,967	2,926	2,902	-	-
Raw Water Surcharge *(2)*	249,357	265,697	272,440	275,570	271,126	281,205	281,769	310,152	-	-
Water Sales *(3)*	43,617	2,500,000	5,500,000	-	-	200,000	3,350,000	11,750,000	6,000,000	-
Costs Recovered from Other Agencies *(4)*	6,966,088	6,629,020	7,491,378	12,981,345	17,902,116	4,427,360	1,625,139	630,355	253,377	355,314
Interest Earnings	4,776,180	4,435,530	3,389,310	2,140,973	1,642,919	1,132,295	969,930	1,015,465	1,066,989	1,379,608
Property Taxes, Debt Service	11,047	-	-	-	-	-	-	-	-	-
Property Taxes and Assessments	713,715	759,079	620,330	648,150	641,080	661,155	764,877	762,750	850,127	904,057
Amort. of (Discount)/Premium on Debt	(296,684)	-	-	-	-	-	(90,973)	(207,086)	138,765	369,364
Other *(5)*	1,657,391	(1,298,703)	822,189	(1,976,169)	1,110,336	408,691	(615,397)	1,096,869	(26,464,025)	2,243,786
Total Non-Operating Revenues	30,074,849	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
Total Revenues *(6)*	$ 91,258,095	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

(1) From 1963 to April 2013, the Agency had a 50 year contract with Pacific Gas & Electric Company (PG&E) for the sale of all power generated at the Agency's Middle Fork power plants. Schedules related to Power Sales as an own source revenue were not included in the Statistical Section as PG&E was the only power customer and power sale amount was a reimbursement of costs per the 1963 contract through April 30, 2013. On May 1, 2013, the Agency transitioned to a new power purchase agreement by which the Agency took over responsibility for various Power functions previously performed by PG&E.
(2) In 2015, Renewal & Replacement Charge and Raw Water Surcharge Revenues have been reclassified from non-operating to operating revenue, as they are considered customer charges (water rates) for use in providing cost of services.
(3) Non-operating Water Sales are one-time water sales to agencies outside Placer County.
(4) Significant amounts from 2007 - 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

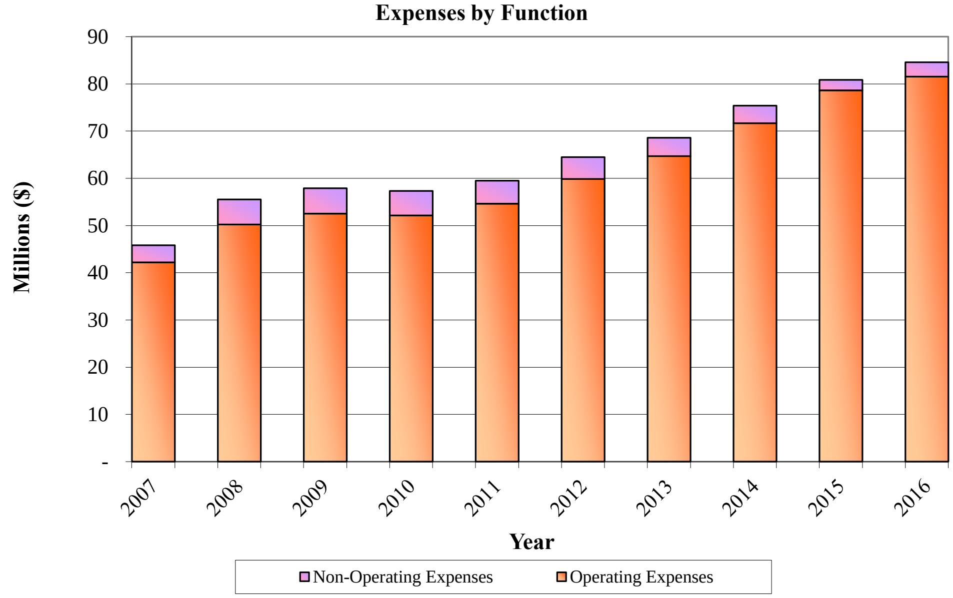
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Expenses										
Purchased Water	$ 548,603	506,356	556,381	526,000	683,441	622,157	833,700	2,583,562	3,054,297	3,962,985
Field Administration	827,780	926,740	845,047	989,590	880,837	955,572	969,509	1,043,568	1,120,004	1,298,698
Pumping Plants & Wells	813,773	343,307	924,010	1,145,969	1,078,772	1,532,769	1,262,704	2,070,275	2,567,327	586,127
Water Treatment	5,069,522	4,907,964	5,045,678	4,778,433	4,778,758	5,460,773	5,239,839	6,632,499	7,346,965	7,578,315
Electrical Operations	1,475,462	1,597,988	1,652,677	1,474,824	1,648,972	1,751,049	1,832,649	2,343,539	2,255,878	2,322,854
Transmission & Distribution-Treated	2,598,647	1,962,865	2,485,308	1,885,157	2,562,810	3,249,731	2,520,821	2,366,201	2,840,337	2,724,957
Transmission & Distribution-Untreated	6,379,545	4,585,251	4,893,950	4,275,715	3,611,480	4,718,531	4,216,665	3,693,672	3,874,436	4,362,632
Customer Service & Collections	3,057,287	3,668,885	3,662,276	3,677,977	3,404,118	3,485,741	3,521,925	3,720,337	4,455,896	3,986,300
Power Division Repairs & Maintenance	1,461,988	5,764,758	1,731,400	1,669,025	1,848,032	1,639,482	2,108,862	2,556,136	2,361,196	3,221,411
Engineering	2,937,450	5,015,721	1,999,696	2,394,859	2,172,488	2,763,911	3,051,155	3,068,670	5,512,612	6,847,636
General & Administrative	6,533,889	8,136,282	9,158,631	8,207,064	8,920,594	9,690,579	11,955,565	13,176,428	14,870,321	16,361,930
Resource Development	-	-	-	-	-	-	2,355,448	2,886,610	1,792,614	1,682,037
Other *(1)*	953,269	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
Subtotal, Operating Expenses before Depreciation *(2)*	32,657,215	38,376,504	33,873,260	32,192,201	32,844,870	37,186,860	42,519,328	49,063,039	55,281,471	57,857,161
Depreciation	9,535,444	11,832,661	18,642,481	19,935,634	21,772,382	22,663,482	22,171,617	22,601,128	23,337,141	23,664,292
Total Operating Expenses	42,192,659	50,209,165	52,515,741	52,127,835	54,617,252	59,850,342	64,690,945	71,664,167	78,618,612	81,521,453
Non-Operating Expenses										
Interest Expense	3,544,800	4,801,404	4,871,615	4,698,616	4,405,532	4,137,102	3,886,314	3,711,654	2,218,592	3,042,891
Amortization of Bond Issue Costs	74,240	506,362	498,118	488,075	466,476	486,004	-	-	-	-
Total Non-Operating Expenses	3,619,040	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
Total Expenses	$45,811,699	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

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

(2) The 2016 increase in operating expenses is primarily due to increased purchased water expense resulting from conservation restrictions being relaxed, decreased pumping (electricity) expenses because less Middle Fork Project water needed to be pumped from the American River, and increased expenses for infrastructure repair and maintenance projects.

Source: Placer County Water Agency, Audited Financial Statements

CHART #3
Expenses by Function



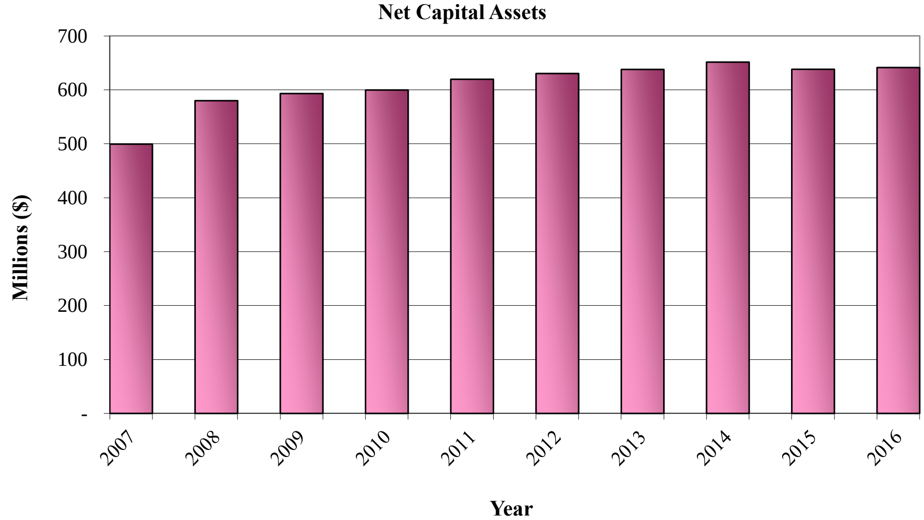
PLACER COUNTY WATER AGENCY
TABLE # 4
Capital Assets
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Assets										
Land	$ 8,900,372	11,657,424	15,540,275	15,557,653	13,417,644	13,693,194	13,954,066	13,969,223	13,924,337	17,059,763
Utility Plant-Preliminary Survey	2,028,329	399,718	399,718	399,718	399,718	412,218	412,218	777,614	777,614	777,614
Utility Plant	394,522,731	577,192,520	592,987,330	612,486,282	627,077,708	645,008,180	656,729,086	715,551,064	728,522,892	760,565,562
Other Property & Equipment	31,239,082	71,365,225	75,874,016	79,986,278	86,253,274	93,452,690	96,954,713	102,533,599	105,200,171	111,402,279
Construction in Progress	203,885,480	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
Total Capital Assets	640,575,994	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
Accumulated Depreciation	(141,209,927)	(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)
Net Capital Assets *(1)*	$ 499,366,067	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

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TREATED WATER										
Consumption (Acre-Feet)										
Residential (Single-Unit)	17,131	17,766	16,011	14,789	14,116	16,189	16,872	14,127	11,623	12,886
Residential (Multi-Unit)	2,087	2,207	2,029	1,969	1,927	1,996	2,087	1,853	1,615	1,724
Commercial	3,534	3,540	3,183	2,985	2,887	3,043	3,146	2,833	2,494	2,625
Construction	262	91	62	37	38	69	223	241	174	125
Fire Protection	7	5	7	5	3	4	3	4	6	5
Municipal	1,286	1,389	1,209	1,076	957	1,213	1,250	978	842	912
Landscape *(1)*	1,947	2,194	1,927	1,843	1,803	2,107	2,244	1,924	1,619	1,940
Industrial	614	379	415	383	397	407	416	426	441	409
Agriculture *(2)*	349	398	356	236	280	282	297	242	277	259
Resale	10,733	10,893	10,575	9,501	7,763	8,866	10,937	9,575	7,873	8,839
No Demand *(3)*	4	1	-	-	-	-	1	1	1	-
Total Treated Water Consumption (Acre-Feet)	37,953	38,863	35,774	32,824	30,171	34,176	37,476	32,204	26,965	29,724
Total Consumption (Units) *(4)*	$ 16,532,414	16,928,723	15,583,154	14,298,134	13,142,488	14,887,066	16,324,546	14,028,062	11,745,954	12,947,774
Total Treated Water Sales	**$ 23,770,302**	**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**
Effective Rate per unit (incl. monthly service charge) *(5)*	**1.44**	**1.54**	**1.84**	**1.92**	**1.99**	**1.91**	**1.85**	**2.12**	**2.26**	**2.24**
UNTREATED (RAW) WATER										
Consumption (Acre-Feet)										
Metered	355	328	355	297	268	299	309	288	210	221
Commercial Agriculture	19,499	22,405	24,514	23,949	14,470	24,002	25,024	13,277	16,852	23,978
Irrigation Customers	55,383	55,800	55,302	54,566	54,440	55,020	55,251	53,821	52,574	54,813
Landscape *(1)*	12,609	11,777	11,967	11,678	11,676	11,693	11,866	11,895	11,230	11,249
Resale	2,556	2,592	2,398	2,247	2,074	2,527	2,635	2,311	2,034	1,733
Total Untreated (Raw) Water Consumption (Acre-Feet)	90,402	92,902	94,536	92,737	82,928	93,541	95,085	81,592	82,900	91,994
Total Consumption (Miner's Inch) *(4)*	4,995	5,133	5,223	5,124	4,582	5,168	5,253	4,508	4,580	5,083
Total Untreated (Raw) Water Sales	**$ 3,331,523**	**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**
Effective Annual Rate per miner's inch *(6)*	**$ 667.03**	**671.51**	**668.68**	**670.37**	**673.62**	**683.07**	**677.06**	**716.58**	**742.77**	**768.16**

(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) 2016

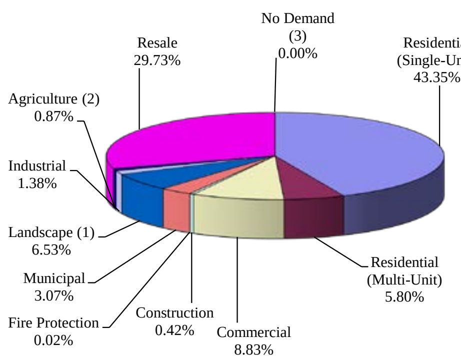
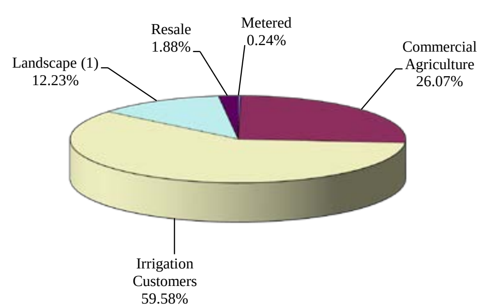


CHART # 6
Water Consumption (Untreated) 2016



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TREATED WATER										
Water Customer Accounts										
Residential (Single-Unit)	28,805	29,024	29,625	29,477	29,561	29,704	30,151	30,629	29,992	30,928
Residential (Multi-Unit)	742	746	742	745	758	759	757	758	761	770
Commercial	1,780	1,815	1,838	1,874	1,888	1,882	1,889	1,913	1,908	1,923
Construction	48	24	16	18	16	17	41	31	39	32
Fire Protection	864	887	885	899	911	921	928	958	962	993
Municipal	153	169	169	172	172	174	175	176	174	174
Landscape*(1)*	467	486	485	486	486	491	501	507	528	551
Industrial	2	1	1	1	1	1	1	1	1	1
Agriculture	79	81	78	72	70	64	65	62	61	59
Resale	9	9	9	9	9	9	9	11	11	11
No Demand *(2)*	1,313	1,124	752	1,031	849	715	740	791	957	969
Total Treated Water Accounts *(3)*	34,262	34,366	34,600	34,784	34,721	34,737	35,257	35,837	35,394	36,411
UNTREATED (RAW) WATER										
Water Customer Accounts										
Metered	302	291	290	282	273	267	261	260	259	261
Commercial Agriculture	347	350	330	304	311	311	325	351	351	349
Irrigation Customers	3,299	3,408	3,070	3,354	3,381	3,413	3,461	3,443	3,452	3,521
Landscape*(1)*	31	30	28	28	28	27	28	27	27	26
Resale	4	6	6	6	6	6	6	6	6	6
Total Untreated (Raw) Water Accounts	3,983	4,085	3,724	3,974	3,999	4,024	4,081	4,087	4,095	4,163
TOTAL WATER ACCOUNTS	38,245	38,451	38,324	38,758	38,720	38,761	39,338	39,924	39,489	40,574
New Connections (EDU's) *(4)*	**331**	**277**	**465**	**46**	**87**	**75**	**508**	**747**	**1168**	**662**

(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, certain years New Connections (EDU's) were revised to correctly include EDU's from the WCC payment program.

Source: Placer County Water Agency, Customer Service Department

CHART # 7
Water Accounts (Treated) 2016

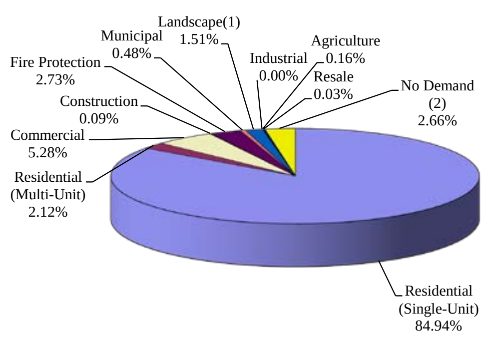
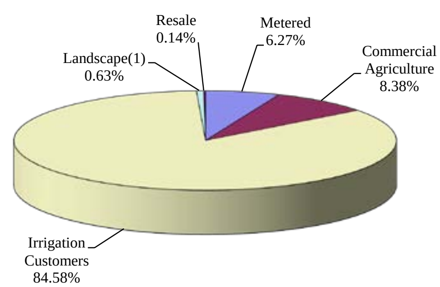


CHART # 8
Water Accounts (Untreated) 2016



PLACER COUNTY WATER AGENCY
TABLE # 7
Principal Water Users
Years Ended December 31, 2007 and 2016

2007					2016				
Customer	**Amount Billed *(1)***	**Percent of Water Billed**	**Usage in Acre Feet**	**Percent of Water Sold**	**Customer**	**Amount Billed *(1)***	**Percent of Water Billed**	**Usage in Acre Feet**	**Percent of Water Sold**
City of Lincoln	$ 5,617,118	14.21%	9,344	7.42%	City of Lincoln	$ 6,727,124	15.75%	7,760	7.06%
Cal American Water	1,173,497	2.97%	1,059	0.84%	Cal American Water	759,197	1.78%	859	0.78%
Formica Corporation	167,218	0.42%	270	0.21%	City of Rocklin	767,025	1.80%	817	0.74%
Placer County Facility Service	158,052	0.40%	228	0.18%	Rio Bravo Rocklin	242,846	0.57%	409	0.37%
Rio Bravo Rocklin	156,675	0.40%	344	0.27%	Rocklin Unified School Dist	371,398	0.87%	348	0.32%
Thunder Valley Casino	107,593	0.27%	225	0.18%	Lakeview Hills Community Association	49,759	0.12%	336	0.31%
Sierra Lakes Mobile Home Park	105,122	0.27%	65	0.05%	United Auburn Indian Community	192,958	0.45%	297	0.27%
Emerson Investments	81,248	0.21%	168	0.13%	Loomis Union School District	70,279	0.16%	296	0.27%
Folsom Lake Mutual Water Co.	78,174	0.20%	154	0.12%	Sierra College	51,768	0.12%	287	0.26%
Rocklin Unified School District	75,957	0.19%	105	0.08%	Placer Union High School Dist	100,423	0.24%	271	0.25%
Total Principal Water Users	$ 7,720,654	19.53%	11,962	9.50%	Total Principal Water Users	$ 9,332,778	21.86%	11,680	10.63%
Total all Users	$ 39,529,683	100.00%	125,917	100.00%	Total all Users	$ 42,698,494	100.00%	109,865	100.00%

(1) Amount billed includes commodity water sales, monthly service charge, customer service charges, renewal & replacement charge, state and federal mandated charge (2007 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Metered Service - Treated Water										
Monthly Service Charge (meter size)										
5/8-inch	$ 13.75	13.75	14.20	14.20	14.20	14.20	14.20	15.80	16.88	17.08
3/4-inch	19.46	19.46	20.09	20.09	20.09	20.29	20.29	22.36	23.88	24.17
1-inch	26.62	26.62	27.49	27.49	27.49	27.49	27.49	30.60	32.67	33.06
1-1/2-inch	42.89	42.89	44.28	44.28	44.28	44.28	44.28	49.28	52.63	53.26
2-inch	74.85	74.85	77.28	77.28	77.28	77.28	77.28	86.01	91.87	92.97
3-inch	138.96	138.96	143.48	143.48	143.48	143.48	143.48	159.69	170.55	172.60
4-inch	193.76	193.76	200.06	200.06	200.06	200.06	200.06	222.67	237.81	240.66
6-inch	388.98	388.98	401.62	401.62	401.62	401.62	401.62	447.00	477.40	483.13
8-inch	666.98	666.98	688.66	688.66	688.66	688.66	688.66	766.48	818.60	828.42
12-inch	1,042.16	1,042.16	1,076.03	1,076.03	1,076.03	1,076.03	1,076.03	1,197.62	1,279.08	1,294.43
16-inch	*(2)*	*(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
18-inch	1,728.12	1,728.12	1,784.28	1,784.28	1,784.28	1,784.28	1,784.28	1,985.90	2,120.97	2,146.42
State & Federal Mandate										
5/8-inch	4.72	5.27	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
3/4-inch	7.08	7.91	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
1-inch	11.80	13.19	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
1-1/2-inch	23.60	26.37	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
2-inch	37.76	42.20	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
3-inch	75.52	84.39	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
4-inch	118.00	131.87	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
6-inch	236.00	263.73	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
8-inch	1,132.80	1,265.90	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
12-inch	*(3)*	*(3)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
18-inch	*(3)*	*(3)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Renewal & Replacement										
5/8-inch	12.00	12.50	13.00	13.00	13.00	13.00	13.00	14.75	15.86	16.05
3/4-inch	18.00	18.75	19.50	19.50	19.50	19.50	19.50	22.13	23.79	24.08
1-inch	30.00	31.25	32.50	32.50	32.50	32.50	32.50	36.89	39.66	40.14
1-1/2-inch	60.00	62.50	65.00	65.00	65.00	65.00	65.00	73.78	79.32	80.27
2-inch	96.00	100.00	104.00	104.00	104.00	104.00	104.00	118.04	126.91	128.43
3-inch	192.00	200.00	208.00	208.00	208.00	208.00	208.00	236.08	253.83	256.88
4-inch	300.00	312.50	325.00	325.00	325.00	325.00	325.00	368.88	396.61	401.37
6-inch	600.00	625.00	650.00	650.00	650.00	650.00	650.00	737.75	793.21	802.73
8-inch	2,880.00	3,000.00	3,120.00	3,120.00	3,120.00	3,120.00	3,120.00	3,541.20	3,807.40	3,853.09
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	7.68	8.62	8.90	8.90	8.90	8.90	8.90	9.67	10.25	10.37
3/4-inch	9.53	9.93	10.25	10.25	10.25	10.25	10.25	11.14	11.81	11.95
1-inch	12.12	12.37	12.77	12.77	12.77	12.77	12.77	13.88	14.71	14.89
1-1/2-inch	17.29	17.29	17.85	17.85	17.85	17.85	17.85	19.40	20.56	20.81
2-inch	26.40	26.40	27.26	27.26	27.26	27.26	27.26	29.63	31.41	31.79
3-inch	46.44	46.44	47.95	47.95	47.95	47.95	47.95	52.12	55.24	55.90
4-inch	67.45	67.45	69.64	69.64	69.64	69.64	69.64	75.70	80.22	81.18
6-inch	113.11	113.11	116.79	116.79	116.79	116.79	116.79	126.95	134.54	136.15
8-inch	180.99	180.99	186.87	186.87	186.87	186.87	186.87	203.13	215.28	217.86
Capital Facilities Surcharge	6.20	6.65	6.87	6.87	6.87	6.87	6.87	7.78	8.38	8.48
Resale Service - Untreated Water										
Monthly Service Charge	56.49	56.49	58.33	58.33	58.33	58.33	58.33	63.40	67.20	68.01
Private Fire Protection Service										
Monthly Service Charge										
2-inch	16.85	17.96	18.54	18.54	18.54	18.54	18.54	18.82	18.82	18.82
3-inch	18.12	20.76	21.43	21.43	21.43	21.43	21.43	21.75	21.75	21.75
4-inch	20.13	23.05	23.80	23.80	23.80	23.80	23.80	24.16	24.16	24.16
6-inch	25.89	28.73	29.66	29.66	29.66	29.66	29.66	30.10	30.10	30.10
8-inch	54.57	54.57	56.34	56.34	56.34	56.34	56.34	57.19	57.19	57.19
10-inch	91.97	96.13	99.25	99.25	99.25	99.25	99.25	100.74	100.74	100.74
12-inch	147.27	153.92	158.92	158.92	158.92	158.92	158.92	161.30	161.30	161.30
16-inch	327.66	342.47	353.60	353.60	353.60	353.60	353.60	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, 2)*
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Metered Services										
Residential *(3)*										
First 400 CF	$ 0.85	0.94	1.25	1.25	1.25	1.25	1.25	1.33	1.40	1.42
Next 600 CF	0.98	1.07	1.35	1.35	1.35	1.35	1.35	1.44	1.51	1.53
Next 1,000 CF	0.98	1.14	1.44	1.44	1.44	1.44	1.44	1.53	1.61	1.63
Next 2,000 CF	1.07	1.18	1.55	1.55	1.55	1.55	1.55	1.65	1.73	1.75
Next 1,800 CF	1.25	1.35	1.65	1.65	1.65	1.65	1.65	1.75	1.84	1.86
Next 1,900 CF	1.53	1.65	1.92	1.92	1.92	1.92	1.92	2.04	2.15	2.18
Over 7,700 CF	1.74	1.88	2.16	2.16	2.16	2.16	2.16	2.30	2.41	2.44
Commercial & Municipal *(4)*										
First 50,000 CF	1.00	1.07	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Next 950,000 CF	1.03	1.10	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Over 1,000,000 CF	1.05	1.13	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Non-Residential *(4)*										
First 50,000 CF	*(4)*	*(4)*	1.28	1.28	1.28	1.28	1.28	1.36	1.43	1.45
Next 450,000 CF	*(4)*	*(4)*	1.31	1.31	1.31	1.31	1.31	1.39	1.46	1.48
Over 500,000 CF	*(4)*	*(4)*	1.35	1.35	1.35	1.35	1.35	1.44	1.51	1.53
Industrial & Resale										
First 50,000 CF	0.93	1.00	1.10	1.10	1.10	1.10	1.10	1.17	1.23	1.24
Next 950,000 CF	0.95	1.02	1.11	1.11	1.11	1.11	1.11	1.18	1.24	1.25
Over 1,000,000 CF	0.97	1.04	1.12	1.12	1.12	1.12	1.12	1.19	1.25	1.27
Over 1,000,000 CF *(5)*	0.78	0.84	*(5)*	*(5)*	*(5)*	*(5)*	*(5)*	*(5)*	*(5)*	*(5)*
Industrial & Resale-Public Agencies & Public Utilities *(5)*										
First 42,500,000 CF	*(5)*	*(5)*	1.11	1.11	1.11	1.11	1.11	1.18	*(6)*	*(6)*
Over 42,500,000 CF	*(5)*	*(5)*	1.34	1.34	1.34	1.34	1.34	1.42	*(6)*	*(6)*
Golf Course, Park & Greenbelt										
First 50,000 CF	1.03	1.10	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Next 950,000 CF	1.11	1.19	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Over 1,000,000 CF	1.13	1.21	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Special Rates *(7)*										
First 400 CF	0.85	0.94	1.25	1.25	1.25	1.25	1.25	1.33	1.40	1.42
Next 600 CF	0.98	1.07	1.35	1.35	1.35	1.35	1.35	1.44	1.51	1.53
Next 1,000 CF	0.98	1.14	1.44	1.44	1.44	1.44	1.44	1.53	1.61	1.63
Next 2,000 CF	1.07	1.18	1.55	1.55	1.55	1.55	1.55	1.65	1.73	1.75
Next 61,000 CF	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.13	0.13	0.13
Next 65,000 CF	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.11	0.11	0.11
Over 130,000 CF	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.11	*(7)*	*(7)*
Temporary Construction										
First 50,000 CF	2.00	2.14	2.56	2.56	2.56	2.56	2.56	2.72	2.86	2.90
Next 450,000 CF	2.06	2.20	2.62	2.62	2.62	2.62	2.62	2.78	2.92	2.96
Next 500,000 CF	2.06	2.20	2.70	2.70	2.70	2.70	2.70	2.88	3.02	3.06
Over 1,000,000 CF	2.10	2.26	2.70	2.70	2.70	2.70	2.70	2.88	3.02	3.06

(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.

* Tier structures have gone through certain revisions over the past 10 years. In 2007 there were 6 tiers for metered residential service. A 7th tier was established in 2008. Water use per tier (cubic-feet) varies on an annual basis. Rates shown above for years 2007-2016 are displayed with the 2016 tier structure. Actual ranges of cubic-feet differed slightly.

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

PLACER COUNTY WATER AGENCY
TABLE # 10
Commodity Rates for Untreated Water *(1)*
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Metered Services *(2)*										
First 3,000 CF	$ 0.37	0.37	0.38	0.38	0.38	0.38	0.38	0.41	0.44	0.45
Next 7,000 CF	0.35	0.43	0.36	0.36	0.36	0.36	0.36	0.39	0.42	0.43
Over 10,000 CF	0.20	0.28	0.29	0.29	0.29	0.29	0.29	0.32	0.34	0.34
Non-Metered Services (Miner's Inches) (MI) *(3)*										
General Irrigation Service (Winter) *(4)*										
First 1/2 MI	30.55	30.55	31.09	31.09	31.09	31.09	31.09	33.79	35.82	36.25
First MI	58.33	60.23	62.18	62.18	62.18	62.18	62.18	67.59	71.63	72.49
2-9 MI	59.73	61.67	63.67	63.67	63.67	63.67	63.67	69.21	73.35	74.23
Over 9 MI	60.01	61.96	63.97	63.97	63.97	63.97	63.97	69.54	73.70	74.58
General Irrigation Service (Summer) *(4)*										
First 1/2 MI	28.11	28.11	28.11	28.11	28.11	28.11	28.11	30.56	32.39	32.78
First MI	48.25	49.82	51.44	51.44	51.44	51.44	51.44	55.92	59.26	59.97
2-9 MI	50.38	52.02	53.71	53.71	53.71	53.71	53.71	58.38	61.87	62.61
Over 9 MI	51.32	52.99	54.71	54.71	54.71	54.71	54.71	59.47	63.03	63.79
Commercial Agriculture (Winter)										
First MI	47.12	48.65	50.23	50.23	50.23	50.23	50.23	54.60	57.87	58.56
Over 1 MI	48.04	49.60	51.21	51.21	51.21	51.21	51.21	55.67	59.00	59.71
Commercial Agriculture (Summer)										
First MI	46.92	48.44	50.01	50.01	50.01	50.01	50.01	54.36	57.62	58.31
2nd MI	45.94	47.43	48.97	48.97	48.97	48.97	48.97	53.23	56.42	57.10
3rd MI	41.48	42.83	44.22	44.22	44.22	44.22	44.22	48.07	50.95	51.56
4th MI	37.04	38.24	39.48	39.48	39.48	39.48	39.48	42.91	45.48	46.03
5-9 MI	34.07	35.18	36.32	36.32	36.32	36.32	36.32	39.48	41.84	42.34
10-60 MI	31.11	32.12	33.16	33.16	33.16	33.16	33.16	36.04	38.20	38.66
Over 60 MI	25.68	26.51	27.37	27.37	27.37	27.37	27.37	29.75	31.53	31.91
Golf Course, Park & Greenbelt (Winter) *(4)*										
First MI	58.71	60.62	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
2-9 MI	60.35	62.31	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Over 9 MI	61.36	63.55	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Golf Course, Park & Greenbelt (Summer) *(4)*										
First MI	50.15	51.78	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
2-9 MI	52.82	54.54	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Over 9 MI	53.08	54.81	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*	*(4)*
Resale Service (Miner's Inch Days) *(5)*										
First 1,000	5.68	5.68	5.24	5.24	5.24	5.24	5.24	5.70	6.04	6.11
Over 1,000	6.47	6.47	5.41	5.41	5.41	5.41	5.41	5.88	6.23	6.30

(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 rate tier structures have been revised over the past 10 years. Water use per tier varies on an annual basis. Rates shown above for years 2007-2016 are displayed with the 2016 7 tier structure. Actual ranges of cubic-feet/miner's inches differ slightly.

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

PLACER COUNTY WATER AGENCY
TABLE # 11
Schedule of Other Water System Fees Charges *(1)*
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Connection Charge (WCC)										
Bowman and Auburn WTP service area	$ 13,408.00	14,414.00	15,440.00	15,440.00	16,073.00	16,206.00	16,444.00	17,307.00	17,307.00	17,712.00
All other Zone 1 service areas	13,408.00	14,414.00	15,440.00	15,440.00	16,073.00	16,206.00	16,444.00	17,307.00	17,307.00	17,712.00
Meters and Service Connections *(2)*										
Installation of Meter to Existing Svc										
5/8" x 3/4"	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	135.00	135.00
3/4"	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	135.00	135.00
1"	125.00	125.00	130.00	130.00	130.00	130.00	130.00	135.00	135.00	135.00
1 1/2"	125.00	125.00	130.00	130.00	130.00	130.00	130.00	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	70.00	105.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00
Canal Flow Rate Change										
No Field Trip Required	35.00	15.00	16.00	16.00	16.00	16.00	16.00	20.00	20.00	20.00
Field Trip Required	35.00	65.00	67.00	67.00	67.00	67.00	67.00	85.00	85.00	85.00
After Hours Charge	90.00	115.00	119.00	119.00	119.00	119.00	119.00	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	25.00	26.00	26.00	26.00	26.00	26.00	30.00	30.00	30.00
Field Collection Charge	25.00	25.00	-	-	-	-	-	-		
Fire Flow Information Charge	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Facility Tampering Charge										
First Occurrence	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Second Occurrence	500.00	500.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Third Occurrence	1,000.00	1,000.00	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
Meter Test and Repair Deposit/Charge	40.00	60.00	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	15.00	16.00	16.00	16.00	16.00	16.00	20.00	20.00	20.00
Field Trip Required	35.00	35.00	36.00	36.00	36.00	36.00	36.00	40.00	40.00	40.00
After Hours Charge	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00	140.00	140.00
Project Application Charge	105.00	105.00	109.00	109.00	109.00	109.00	109.00	140.00	140.00	140.00
Pressure Test Charge	40.00	85.00	88.00	88.00	88.00	88.00	88.00	95.00	95.00	95.00
Reconnection Charge *(4)*										
Treated Services	45.00	45.00	47.00	47.00	47.00	47.00	47.00	55.00	55.00	55.00
Untreated Services	45.00	65.00	67.00	67.00	67.00	67.00	67.00	75.00	75.00	75.00
After Hours Charge	90.00	115.00	119.00	119.00	119.00	119.00	119.00	140.00	140.00	140.00
Returned Check Charge	25.00	25.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
Temporary Construction Water Svc										
Permit Fee	35.00	40.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00
Connection Charge	100.00	100.00	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	80.00	180.00	187.00	187.00	187.00	187.00	187.00	225.00	225.00	225.00
Water Service Written Estimate	55.00	105.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00
WCC - Installment Payment										
Processing Fee	175.00	175.00	182.00	182.00	182.00	182.00	182.00	184.00	184.00	184.00
Certification of Cross Connection Control										
(Backflow) Charge *(5)*	1.20	1.64	1.70	1.70	1.70	1.70	1.70	1.75	1.75	1.75
Certification of Domestic Water Source										
(Constructed Conveyance)										
Charge *(6)*	2.75	3.96	4.11	4.11	4.11	4.11	4.11	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

(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

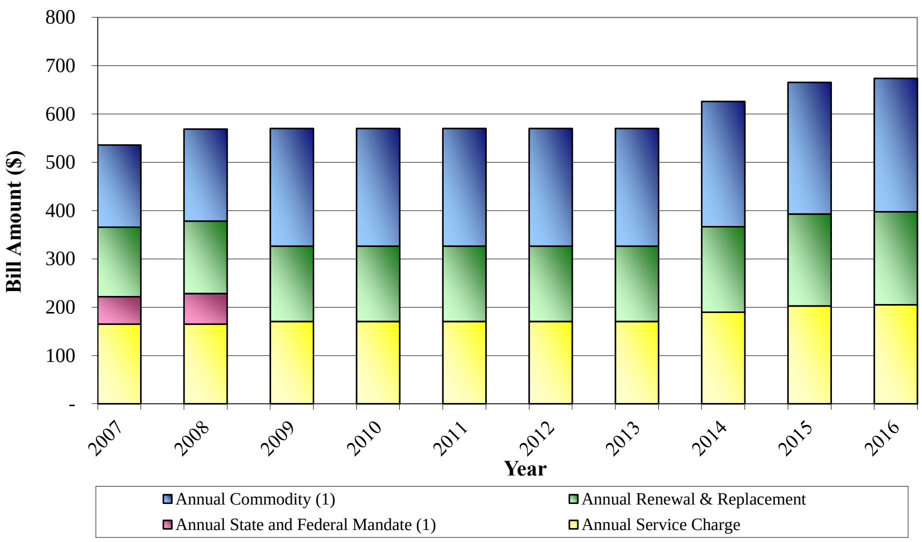
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Annual Service Charge	$ 165	165.00	170.40	170.40	170.40	170.40	170.40	189.60	202.56	204.96
Annual State and Federal Mandate *(1)*	56.64	63.24	-	-	-	-	-	-	-	-
Annual Renewal & Replacement	144.00	150.00	156.00	156.00	156.00	156.00	156.00	177.00	190.32	192.60
Annual Commodity *(1)*	170.16	190.56	243.60	243.60	243.60	243.60	243.60	259.32	272.52	276.12
Annual Water Billed Amount	$ 535.80	568.80	570.00	570.00	570.00	570.00	570.00	625.92	665.40	673.68
Effective Rate Increase	14.92%	6.16%	0.21%	0.00%	0.00%	0.00%	0.00%	9.81%	6.31%	1.24%

* 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Division										
Certificates of Participation										
1999 Certificates	$ 2,990,000	2,450,000	1,880,000	1,285,000	655,000	-	-	-	-	-
2003 Certificates	13,095,000	12,490,000	11,870,000	11,230,000	10,570,000	9,885,000	-	-	-	-
2005 Certificates	34,950,000	-	-	-	-	-	-	-	-	-
2007 Certificates	33,580,000	33,140,000	32,535,000	31,905,000	31,250,000	30,570,000	29,860,000	29,120,000	28,355,000	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
2013 Certificates	-	-	-	-	-	-	8,100,000	7,445,000	6,755,000	6,040,000
2016 Certificates	-	-	-	-	-	-	-	-	-	24,840,000
Certificates Outstanding	84,615,000	88,465,000	86,145,000	83,760,000	81,290,000	78,720,000	74,965,000	72,270,000	69,465,000	64,650,000
Loans Payable										
EDA Community Emergency Drought Loans	149,497	137,304	124,501	111,057	80,168	67,817	-	-	-	-
State Department of Water Resources Loans:										
Dutch Flat Terrace	13,784	12,257	10,677	9,044	7,355	5,608	3,803	1,936	-	-
Bowman	291,771	-	-	-	-	-	-	-	-	-
Alta/Monte Vista (SWTR)	297,044	267,784	237,640	206,604	174,645	141,738	107,845	72,945	37,007	-
King/Delmar	234,172	221,637	208,709	195,390	181,665	167,525	152,945	137,923	122,443	-
Applegate	447,864	424,850	401,115	376,663	351,465	325,505	298,737	271,158	242,737	-
State Water Resources Control Board:										
Auburn Water Treatment Plant	-	20,000,000	19,603,076	18,795,531	17,969,367	17,124,158	16,259,462	15,374,832	14,469,806	13,543,916
Electric Street Tank	-	-	-	-	-	1,259,537	7,395,132	7,766,550	7,644,579	7,332,473
Ferguson Road Land Loan	34,407	20,720	6,262	-	-	-	-	-	-	-
Ziegleman - Soracco Land Loans	303,111	224,502	-	-	-	-	-	-	-	-
Mello-Roos Obligation	14,380	18,515	14,789	8,821	-	-	-	-	-	-
Loans Outstanding	1,786,030	21,327,569	20,606,769	19,703,110	18,764,665	19,091,888	24,217,924	23,625,344	22,516,572	20,876,389
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	57,097	51,769	46,289	40,657	34,867	28,916	22,797	16,507	10,041	-
Improvement District Debt Outstanding	59,426	54,098	48,618	42,986	37,196	31,245	25,126	18,836	12,370	2,329
Subtotal Water Division Debt Outstanding	86,460,456	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
Power Division										
Revenue Bonds										
Middle Fork Project Revenue Bonds, Series A *(3)*	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000	2,425,000	-	-	-	-
Subtotal Power Division Debt Outstanding	22,710,000	18,530,000	14,230,000	9,775,000	5,155,000	2,425,000	-	-	-	-
Subtotal Agency Debt Outstanding	109,170,456	128,376,667	121,030,387	113,281,096	105,246,861	100,268,133	99,208,050	95,914,180	91,993,942	85,528,718
Less: Unamortized bond discounts & premiums	(956,230)	(696,668)	(661,117)	(624,935)	(588,103)	(550,598)	(1,457,906)	(1,415,350)	(1,365,042)	3,379,208
Deferred Amount of Refunding	(3,969,062)	(3,707,572)	(3,448,849)	(3,192,976)	(2,940,053)	(2,690,180)	-	-	-	-
Total PCWA Long-Term Debt	$ 104,245,164	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
Per Customer	2,726	3,224	3,051	2,824	2,627	2,503	2,485	2,367	2,295	2,191
Number of Customer Accounts	38,245	38,451	38,324	38,758	38,720	38,761	39,338	39,924	39,489	40,574

(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

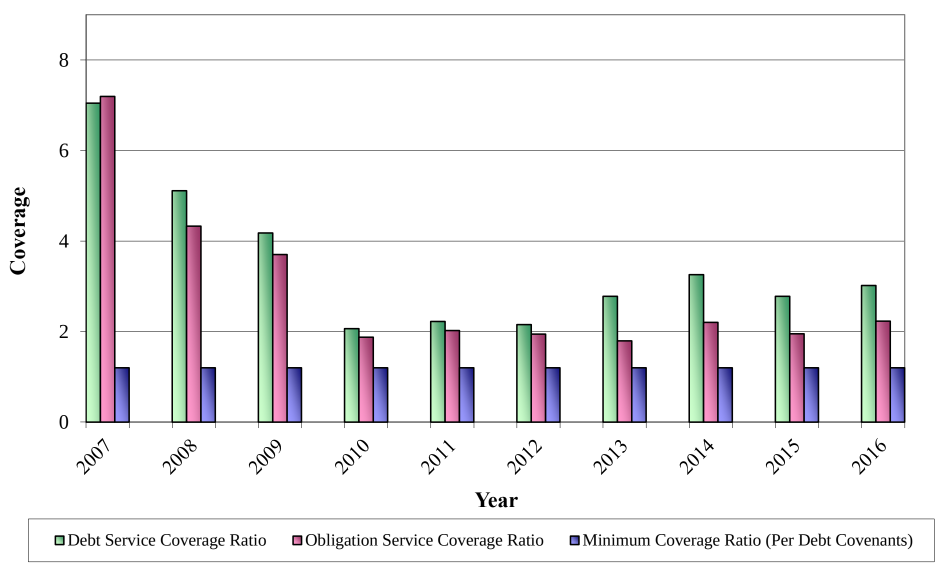
PLACER COUNTY WATER AGENCY
TABLE # 14
Debt Service Coverage
Western Water System
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Service Coverage										
Net Water Revenues,										
Excluding Depreciation	$ 26,049,902	24,837,976	29,380,115	15,896,962	17,103,644	16,556,036	21,373,589	24,528,189	21,643,996	24,579,374
Debt Service on Certificates										
and Other Parity Debt	3,697,342	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
Debt Service Coverage Ratio	7.05	5.11	4.18	2.06	2.22	2.15	2.78	3.26	2.78	3.02
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	21,623,691	21,334,913	22,940,551	15,469,997	16,704,076	14,908,062	16,371,317	15,142,575	11,647,026	12,755,209
Debt Service on Certificates										
and Other Parity Debt	3,697,342	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
Debt Service Coverage Ratio	5.85	4.39	3.26	2.01	2.17	1.94	2.13	2.01	1.50	1.57
Obligation Service Coverage										
Net Water Revenues, Excl. Depreciation										
as Adjusted by Water Purchases	26,598,504	25,344,332	29,936,496	16,422,962	17,787,085	17,178,193	22,207,287	27,111,750	24,698,293	28,542,358
Obligation Service	3,697,342	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
Obligation Service Coverage Ratio	7.19	4.33	3.70	1.88	2.02	1.94	1.79	2.20	1.95	2.23
Certificate Reserve Requirement										
Minimum Reserve Required	1,876,718	5,092,234	5,046,998	4,686,467	4,936,131	4,573,607	4,866,040	5,361,182	5,269,764	4,786,614
Actual Reserve Balance	1,916,394	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
Reserve Requirement Coverage	1.02	1.01	1.02	1.10	1.04	1.13	1.15	1.09	1.09	1.10

(1) For presentation purposes, the debt service coverage is presented without including Water Connection Charge Revenue. Water Connection Charge Revenue is the primary reason for the annual variance in these ratios. The Agency has experienced substantial variances from year-to-year due to varying levels of development. In 2015, $15 million of WCC Revenue was transferred into the Rate Stabilization and Capital Improvement Fund for future capacity infrastructure projects.

Source: Placer County Water Agency, Audited Financial Statements

CHART #10
Debt Coverage



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Placer County										
Population	329,719	337,914	344,088	350,609	355,687	360,680	365,107	369,726	371,558	376,092
Annual % Change in Population	2.31%	2.49%	1.83%	1.90%	1.45%	1.40%	1.23%	1.27%	0.50%	1.22%
Total Personal Income (Millions)	$ 15,102	16,095	15,899	16,326	17,312	19,004	20,174	20,229	21,659	*
Per Capita Personal Income	$ 45,471	47,195	45,614	46,617	48,476	52,544	54,924	54,423	57,696	*
Unemployment Rate	4.8%	6.4%	10.6%	11.5%	10.8%	8.6%	6.5%	5.2%	4.6%	4.0%
State of California										
Population (Thousands)	36,552	36,856	37,077	37,318	37,578	37,826	38,204	38,499	39,071	39,354
Annual % Change in Population	0.84%	0.83%	0.60%	0.65%	0.70%	0.66%	1.00%	0.77%	1.49%	0.72%
Total Personal Income (Millions)	$1,520,755	1,604,113	1,566,999	1,564,209	1,645,138	1,768,039	1,856,614	1,939,528	2,103,669	*
Per Capita Personal Income	$ 41,805	43,852	42,395	41,893	43,647	46,477	48,434	49,985	53,741	*
Unemployment Rate	5.4%	7.2%	11.4%	12.4%	11.7%	9.7%	8.3%	6.7%	5.7%	5.0%

Source:

Population Data Source: California Department of Finance. Table E-2. Preliminary population as of July 1st of each year.
Unemployment Data Source: State of California, Employment Development Department. December 2015 Monthly Labor Force Data
Personal Income Data Source: U.S. Department of Commerce: Bureau of Economic Analysis, Tables SA1-3 and CA1-3

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

CHART #11
Annual Percentage Change in Population
2007-2016

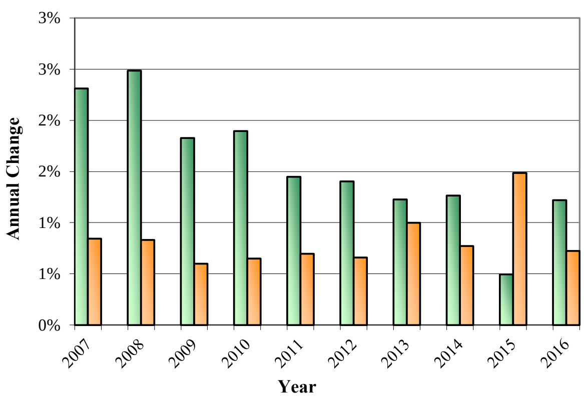


CHART #12
Unemployment Rate
2007-2016

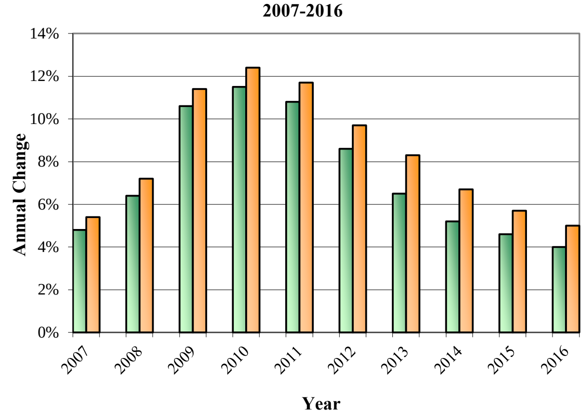
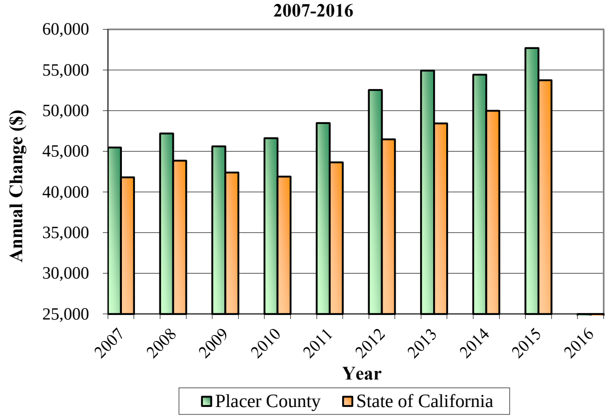


CHART #13
Per Capita Personal Income
2007-2016



PLACER COUNTY WATER AGENCY
TABLE # 16
Principal Employers of Placer County
Years Ended December 31, 2007 and 2016

2007			2016		
Company or Organization	Number of Employees	Percent of Total Employment	Company or Organization	Number of Employees	Percent of Total Employment
Hewlett-Packard Co.	3,800	2.40%	Sutter Health	5,435	3.15%
Placer County	3,092	1.95%	Kaiser Permanente	5,361	3.11%
Sutter Health	2,605	1.65%	Placer County	2,700	1.57%
Kaiser Permanente	2,418	1.53%	Squaw Valley Alpine Meadows	2,500	1.45%
PRIDE Industries, Inc.	1,429	0.90%	HP Inc. and Hewlett Packard Enterprises	2,100	1.22%
Union Pacific Railroad Co. Inc.	1,324	0.84%	Sierra Joint Community College District	1,940	1.13%
City of Roseville	1,243	0.79%	Thunder Valley Casino Resort	1,915	1.11%
Raley's Inc.	1,195	0.76%	Safeway Inc.	1,254	0.73%
Roseville Joint Unified School District	1,018	0.64%	Pride Industries	1,155	0.67%
Dry Creek Joint Elementary School Dist.	992	0.63%	SolarCity Corp.	1,120	0.65%
Total Largest Employers	19,116	12.08%	Total Largest Employers	25,480	14.78%
Total All Employers	158,250	100.00%	Total All Employers	172,400	100.00%

Source: Sacramento Business Journal - May 13, 2016
Sacramento Business Journal - March 9, 2007
State of California, Employment Development Department

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agency Wide										
General Manager's Office	2	2	2	2	2	2	2	2	2	2
Administrative Services	14	15	16	17	10	17	17	15	18	19
Financial Services *(1)*	7	7	7	7	14	11	11	12	12	13
Legal Services	0	0	0	0	0	0	0	0	0	1
Resource Development *(2)*	5	4	0	0	0	0	6	8	6	6
Strategic Affairs *(2)*	1	1	4	4	4	6	1	1	0	0
Total Agency Wide	29	29	29	30	30	36	37	38	38	41
Water Division										
Customer Services	29	29	29	29	29	30	30	30	30	30
Field Services	52	52	52	52	52	52	53	54	54	54
Technical Services	51	51	51	51	51	53	53	57	59	60
Total Water Division	132	132	132	132	132	135	136	141	143	144
Power Division	18	18	18	18	18	27	27	31	34	37
Total Power Division	18	18	18	18	18	27	27	31	34	37
Total Employees	179	179	179	180	180	198	200	210	215	222

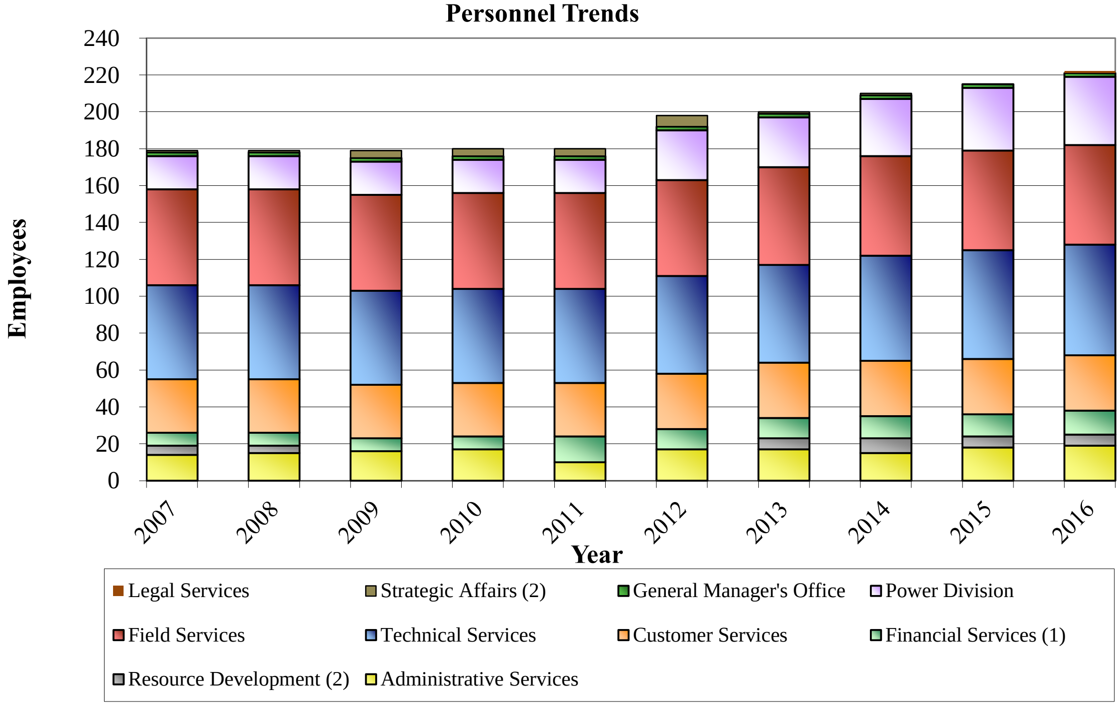
(1) In March 2010, the Information Systems Services (ISS) Division was moved from the Administration Services Department to the Financial Services Department. The ISS Division was moved back to the Administrative Services Department in October 2012.

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

Authorized positions are reported by department.

Source: Placer County Water Agency, Administrative Services Department

CHART #14
Personnel Trends



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

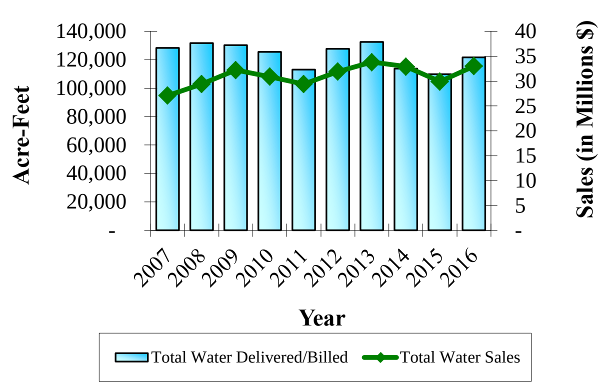
WATER	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Facilities										
Miles of Main Line - Treated *(6)*	526	543	547	549	599	602	609	620	587	598
Miles of Canals - Untreated (Raw)	165	165	165	165	165	165	165	165	165	165
Number of Treatment Plants	8	8	8	8	8	8	8	8	8	8
Total Plant Capacity (MGD) *(1)*	78	80	80	80	81	83	80	84	84	84
Number of Pumping Stations *(6)*	12	15	17	18	16	16	18	18	15	15
Number of Storage Tanks *(6)*	32	34	37	33	35	32	32	32	27	26
Water Received (in Acre-Feet):										
Lake Spaulding via Drum Canal	95,399	103,200	95,594	88,061	65,455	85,974	99,406	57,916	57,049	86,073
American River (Middle Fork Project)	7,892	9,469	10,841	9,033	15,888	14,495	10,874	16,039	24,028	4,394
Canyon Creek	3,992	2,912	2,790	4,624	5,421	3,903	2,914	2,643	1,665	3,148
Zone 1 Groundwater	-	-	-	-	-	-	-	55	-	-
Nevada Irrigation District (Foothill)	1,660	1,664	1,602	1,481	1,123	1,298	1,920	1,641	1,497	571
Nevada Irrigation District (Rock Creek)	134	221	122	-	746	183	317	24	-	-
South Sutter Water District	-	-	-	-	-	-	-	-	-	580
PG&E Zone 3 Supply	9,228	10,101	9,709	7,951	9,781	9,182	10,007	8,713	8,647	7,712
Lahontan Domestic Well	79	106	141	90	80	103	95	130	91	-
Lahontan Irrigation Well	187	-	3	-	-	-	-	-	-	-
Total Supply	118,571	127,673	120,802	111,240	98,494	115,138	125,533	87,161	92,977	102,478
Water Delivered/Billed (Acre-Feet):										
Treated Water Delivered	37,953	38,863	35,774	32,824	30,171	34,176	37,476	32,205	26,965	29,724
Treated Water % of Total	29.6%	29.5%	27.5%	26.1%	26.7%	26.8%	28.3%	28.3%	24.5%	24.4%
Untreated (Raw) Water Billed *(2)*	90,402	92,902	94,536	92,737	82,928	93,541	95,085	81,592	82,900	91,994
Untreated (Raw) Water % of Total	70.4%	70.5%	72.5%	73.9%	73.3%	73.2%	71.7%	71.7%	75.5%	75.6%
Total Water Delivered/Billed	128,355	131,765	130,310	125,561	113,099	127,717	132,561	113,797	109,865	121,718
Average Per Day (acre-feet)	352	361	357	344	310	350	363	312	301	333
Sales (Millions):										
Treated Water Sales	$ 24	26.0	28.7	27.5	26.2	28.4	30.2	29.7	26.54	29.06
Treated Water % of Total	87.8%	88.4%	89.1%	89.0%	89.1%	89.0%	89.3%	90.3%	88.6%	88.2%
Untreated (Raw) Water Sales	$ 3	3.4	3.5	3.4	3.2	3.5	3.6	3.2	3.40	3.90
Untreated (Raw) Water % of Total	12.2%	11.6%	10.9%	11.0%	10.9%	11.0%	10.7%	9.7%	11.4%	11.8%
Total Water Sales	27.1	29.4	32.2	30.9	29.4	31.9	33.8	32.9	29.9	33.0
Billings, Collections & Delinquencies:										
Water Billings *(3)*	$39,529,683	43,057,084	43,160,740	41,053,948	38,997,459	41,717,567	44,313,297	43,972,868	42,698,494	44,994,995
Collections	39,472,331	42,966,092	43,027,166	40,912,728	38,883,883	41,640,423	44,246,844	43,916,962	42,648,284	44,944,519
Uncollectible	57,352	90,992	133,574	141,220	113,576	77,144	66,453	55,906	50,210	50,476
Collection Percentage	99.85%	99.79%	99.69%	99.66%	99.71%	99.82%	99.85%	99.87%	99.88%	99.89%

POWER	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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)*	0.5	0.6	0.9	0.9	1.3	0.9	0.6	0.5	0.3	1.0

(1) MGD = Million Gallons per Day. In 2013, the figure was adjusted to 80 to take into account restrictions in the delivery of raw water at one plant that reduces the total capacity by 3 MGDs.
(2) Untreated (Raw) Water is amount billed, not necessary delivered or consumed. Includes those customers purchasing in excess of current use to ensure availability for the future.
(3) Water Billings includes the amount actually billed in the fiscal year, not the cash received. Includes water sales, monthly service charges, surcharges, renewal and replacement charges, certain other mandated costs, penalties and other similar charges.
(4) Gross Storage Capacity (in Acre-Feet): French Meadows - 134,993; Hell Hole - 207,590; and Ralston Afterbay - 2,782.
(5) Actual Power Production varies by year depending on outages for significant repairs or capital projects and hydrologic conditions.
(6) In 2011, a new methodology utilizing a Geographic Information System (GIS) was used to determine the Total Miles of Main Line - Treated. In 2015, the facilities statistics reflect the transfer of Eastern Water System (Zone 4) assets to Northstar Community Services District.

Source: Placer County Water Agency

CHART #15
Water Sales and Acre-Feet Ordered



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Compliance Report

Ralston Powerhouse

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, 2016, and the related notes to the financial statements, which collectively comprise Placer County Water Agency's (Agency) basic financial statements, and have issued our report thereon dated April 27, 2017.

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
April 27, 2017

Supplemental Schedules

Shirland Canal

PLACER COUNTY WATER AGENCY
Unrestricted Net Position - Board Designated Reserves
For the Fiscal Year Ended December 31, 2016

Agency Wide

Operational:		
Contingencies	$	1,022,881
Operational		918,576
Capital:		
Routine Capital Replacement		366,286
Administration Building Maintenance and Improvements		2,125,982
Liabilities:		
Compensated Absences		619,162
Specific Activities & Projects:		
Water Entitlements/Water Rights Permit Extension		2,558,511
Catastrophic Event		940,754
Regional Reliability Program		3,391,832
County Wide Master Plan		538,219
Next Generation ERP System		3,126,511
Regulatory/Legal		968,437
Security Upgrades		250,385
Stewardship Matters		544,038
Financial Assistance Program		165,940
Total Agency Wide - Board Designated Reserves	$	17,537,514

Water Division

Operational:		
Contingencies	$	1,999,580
Operational		2,840,806
Revenue Volatility		4,414,453
Energy Volatility		2,430,391
Capital:		
Building and Facilities Maintenance and Improvements		743,688
System Replacement and Improvements		9,629,962
Vehicles, Equipment and Other Routine Capital Replacement		2,455,269
Specified Revenue:		
Renewal & Replacement Charges		21,706,455
State and Federal Mandated Charges		38,980
Raw Water Surcharge		370,999
Liabilities:		
Compensated Absences		1,997,975
Revolving Grant Matching Funds		416,752
Risk Management		323,571
Specific Activities & Projects:		
Water and Energy Efficiency Strategies		81,693
Service Center - Corporation Yard		3,674,170
Catastrophic Event		5,324,133
Total Water Division - Board Designated Reserves	$	58,448,877

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, 2016

	2016 Adopted Budget	2016 Adjusted Budget *(1)*	2016 Actual	Variance from Adjusted Budget ($)	Variance from Adjusted Budget (%)
Operating Revenues					
Water Sales	$ 34,620,000	34,620,000	34,217,098	(402,902)	-1%
Power Sales *(1)*	35,200,426	35,200,426	22,821,858	(12,378,568)	-35%
Renewal and Replacement Charges	11,000,000	11,000,000	11,604,564	604,564	5%
Raw Water Surcharges	320,000	320,000	343,377	23,377	7%
Engineering Charges	750,000	750,000	864,592	114,592	15%
Customer Service Charges	725,000	725,000	800,798	75,798	10%
Other Revenue	-	-	123,355	123,355	-
Total Operating Revenues	82,615,426	82,615,426	70,775,642	(11,839,784)	-14%
Non-Operating Revenues					
Water Connection Charges	12,500,000	12,500,000	11,824,165	(675,835)	-5%
Costs Recovered from Other Agencies	-	-	355,314	355,314	-
Contributions In Aid of Construction	400,000	400,000	340,679	(59,321)	-15%
Interest Earnings	900,000	900,000	1,379,608	479,608	53%
Property Taxes and Assessments	775,000	775,000	904,057	129,057	17%
Gain (Loss) on Disposal of Assets	-	-	36,054	36,054	-
Program Grant Revenue	325,000	325,000	958,438	633,438	195%
Rental Income	766,000	766,000	702,660	(63,340)	-8%
Other Income	16,000	16,000	575,319	559,319	3496%
Total Non-Operating Revenues	15,682,000	15,682,000	17,076,294	1,394,294	9%
Total Revenues	98,297,426	98,297,426	87,851,936	(10,445,490)	-11%
Operating Expenses					
Purchased Water	4,318,000	4,318,000	3,962,985	355,015	8%
Field Administration	1,065,237	1,060,737	1,298,698	(237,961)	-22%
Pumping Plant and Wells	1,041,504	1,043,591	586,127	457,464	44%
Water Treatment	6,004,552	7,838,719	7,578,315	260,404	3%
Electrical Operations	3,250,197	3,250,197	2,322,854	927,343	29%
Transmission and Distribution:					
Treated Water	2,642,902	2,642,902	2,724,957	(82,055)	-3%
Raw Water	3,849,175	3,649,175	4,362,632	(713,457)	-20%
Customer Service and Collections	4,823,078	4,818,678	3,986,300	832,378	17%
Repairs and Maintenance	2,767,815	2,767,815	3,221,411	(453,596)	-16%
Recreation	2,844,000	2,844,000	2,008,730	835,270	29%
Automotive & Equipment	1,014,772	1,014,772	912,549	102,223	10%
Engineering	4,240,141	4,174,941	6,847,636	(2,672,695)	-64%
General and Administrative	17,289,166	17,285,283	16,361,930	923,353	5%
Resource Development	2,275,281	2,355,281	1,682,037	673,244	29%
Depreciation	-	-	23,664,292	(23,664,292)	-
Total Operating Expenses *(2)*	57,425,820	59,064,091	81,521,453	(22,457,362)	-38%
Non-Operating Expenses					
Interest Expense	3,831,000	3,831,000	3,042,891	788,109	21%
Total Non-Operating Expenses	3,831,000	3,831,000	3,042,891	788,109	21%
Total Expenses	61,256,820	62,895,091	84,564,344	(21,669,253)	-34%
Capital Contributions	-	-	7,018,306	7,018,306	-
CHANGE IN NET POSITION	**$ 37,040,606**	**35,402,335**	**10,305,898**	**(25,096,437)**	**-71%**

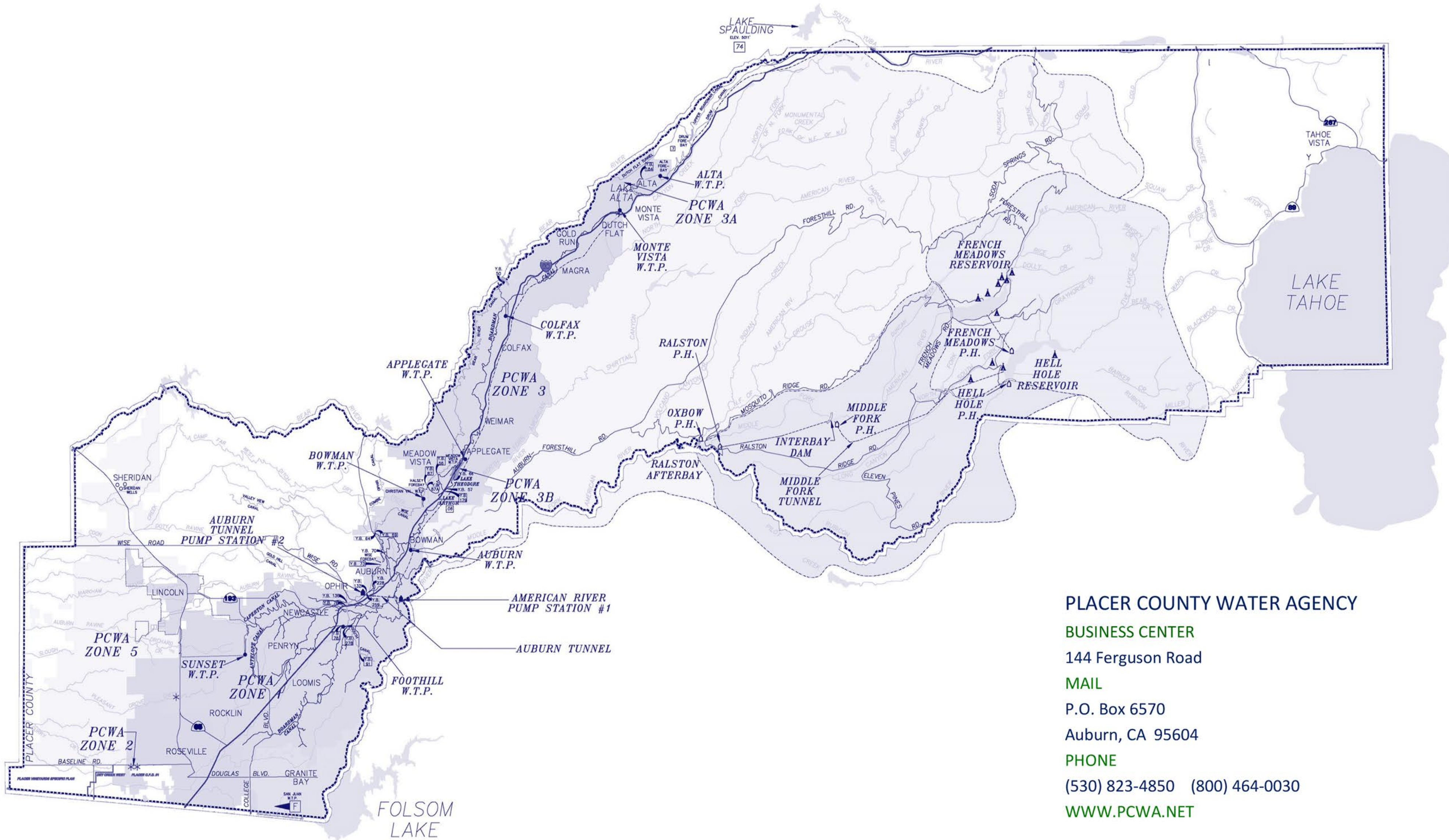
(1) Power sales revenue, which reflects reimbursements of the Agency's expenses related to the Middle Fork Project, realized budget savings primarily due to lower than anticipated capital project expenses.

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues										
Water Sales	$ 27,738,991	30,668,200	34,799,800	35,121,350	33,544,200	35,094,200	33,378,200	34,370,200	36,281,000	34,620,000
Power Sales	31,184,062	17,560,262	13,021,578	13,418,260	11,837,765	13,686,081	13,514,781	33,306,898	37,558,000	35,200,426
Renewal and Replacement Charges	-	-	-	-	-	-	-	10,330,000	10,970,000	11,000,000
Raw Water Surcharges	-	-	-	-	-	-	-	300,000	320,000	320,000
Reimbursements	68,000	57,877	60,192	62,600	65,104	67,708	23,472	-	-	-
Engineering Charges	1,140,000	800,000	980,000	565,000	415,000	355,000	630,000	630,000	680,000	750,000
Customer Service Charges	400,100	502,400	502,500	730,000	731,000	731,000	731,000	731,000	740,000	725,000
Other Revenue	10,000	5,000	5,000	5,000	5,000	5,000	5,000	48,980	-	-
Total Operating Revenues	60,541,153	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
Non-Operating Revenues										
Water Connection Charges	4,500,000	2,200,000	2,100,000	250,000	100,000	-	-	1,500,000	14,400,000	12,500,000
Water Sale	-	-	-	-	-	-	-	-	6,000,000	-
Renewal & Replacement Charges	6,816,000	8,090,000	8,435,000	8,638,000	8,800,000	9,060,000	9,160,000	-	-	-
Mandated Costs Charges	3,568,000	4,035,000	-	-	-	-	-	-	-	-
Raw Water Surcharges	401,708	219,123	250,000	250,000	250,000	250,000	250,000	-	-	-
Costs Recovered from Other Agencies	-	20,000	-	-	-	-	-	-	-	-
Contributions in Aid of Construction	400,000	415,000	220,000	55,000	55,000	55,000	152,000	70,000	70,000	400,000
Interest Earnings	3,405,100	3,458,636	3,400,000	2,100,000	1,500,000	1,024,300	1,105,000	965,000	940,000	900,000
Property Taxes and Assessments	710,000	820,000	800,000	646,200	646,200	680,000	680,000	680,000	740,000	775,000
Gain on Disposal of Assets	-	-	4,000	-	(111,442)	-	-	-	(23,707,338)	-
Program Grant Revenue	15,000	324,657	150,000	90,000	50,000	10,000	75,000	90,000	50,000	325,000
Rental Income	50,000	-	-	-	240,000	240,000	240,000	538,000	700,000	766,000
Other Income	20,050	7,047	(40,581)	32,984	202,251	41,273	500	(715,826)	(6,261,950)	16,000
Total Non-Operating Revenues	19,885,858	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
Total Revenues	80,427,011	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
Operating Expenses										
Purchased Water	759,400	716,400	755,736	779,420	674,020	724,000	725,000	2,527,764	4,087,625	4,318,000
Field Administration	805,746	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
Pumping Plant and Wells	945,500	1,299,251	1,135,089	1,458,055	1,525,050	1,437,257	1,333,787	2,197,301	1,906,847	1,043,591
Water Treatment	4,892,242	5,161,004	6,073,764	5,926,022	6,037,991	5,784,104	6,162,517	7,055,543	7,472,576	7,838,719
Electrical Operations	1,475,462	1,597,990	1,652,677	1,474,836	1,648,972	1,751,049	1,578,416	2,485,569	3,095,000	3,250,197
Transmission and Distribution										
Treated Water	3,052,034	2,556,169	3,151,279	3,185,861	3,453,697	2,856,862	3,155,053	2,779,814	2,796,243	2,642,902
Raw Water	4,912,303	4,743,270	5,385,657	5,155,241	4,987,417	5,141,191	4,840,789	5,184,949	5,340,272	3,649,175
Customer Service and Collections	3,246,272	3,587,304	3,949,522	4,186,362	3,986,845	3,808,680	4,013,406	4,102,728	4,384,080	4,818,678
Repairs and Maintenance	1,461,988	5,764,760	1,731,400	1,669,017	1,848,030	1,639,482	2,199,063	2,326,605	3,148,000	2,767,815
Recreation	229,359	189,849	187,501	424,186	344,558	450,799	2,459,516	2,318,500	2,626,000	2,844,000
Automotive and Equipment	729,512	808,487	824,000	898,973	857,976	920,427	898,584	1,019,857	1,057,460	1,014,772
Engineering	2,586,574	2,585,903	2,582,338	2,113,416	1,955,922	2,078,765	1,849,905	2,510,603	4,711,050	4,174,941
General and Administrative	5,293,659	9,157,199	9,652,711	8,882,245	9,274,369	9,237,941	13,819,816	14,542,656	15,576,367	17,285,283
Resource Development	-	-	-	-	-	-	3,612,111	6,155,972	2,710,279	2,355,281
Depreciation	6,110,000	6,635,466	7,421,649	7,654,200	7,319,559	8,641,604	4,467,050	1,749,100	1,616,000	-
Total Operating Expenses	36,500,051	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
Non-Operating Expenses										
Interest Expense	3,420,435	3,000,305	4,529,486	5,161,375	4,991,850	4,158,625	4,061,031	3,923,490	3,831,000	3,831,000
Amortization of Bond Issue Cost	77,135	-	-	25,615	576,455	455,864	457,110	-	-	-
Amortization of Bond Premium/Discount	-	16,819	9,221	-	-	-	-	-	-	-
Total Non-Operating Expenses	3,497,570	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
Total Expenses	39,997,621	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
CHANGE IN NET POSITION	**$ 40,429,390**	**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**

Service Area Map



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