

# Sonoma County Water Agency

A COMPONENT UNIT OF THE COUNTY OF SONOMA, CALIFORNIA

## Annual Comprehensive Financial Report

For the Fiscal Year Ended, June 30, 2025



Clean. Reliable. Essential. Every Day



**Sonoma  
Water**

(A component unit of the County of Sonoma, California)

# Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Prepared by County of Sonoma  
Auditor-Controller-Treasurer-Tax Collector,  
Client Accounting Division

**INTRODUCTORY SECTION**

Letter of Transmittal . . . . . 2  
 Directory of Appointed and Elected Officials . . . . . 16  
 Organizational Chart . . . . . 17

**FINANCIAL SECTION**

Independent Auditor’s Report . . . . . 19  
 Management’s Discussion and Analysis . . . . . 22  
 Basic Financial Statements:  
     Government-wide Financial Statements:  
         Statement of Net Position . . . . . 38  
         Statement of Activities . . . . . 41  
     Fund Financial Statements:  
         Governmental Funds:  
             Balance Sheet . . . . . 42  
             Reconciliation of the Balance Sheet of Governmental Funds to  
                 the Statement of Net Position . . . . . 43  
             Statement of Revenue, Expenditures, and Changes in Fund Balances . 44  
             Reconciliation of the Statement of Revenues, Expenditures,  
                 and Changes in Fund Balances of Governmental Funds to  
                 the Statement of Activities . . . . . 45  
         Proprietary Funds:  
             Statement of Net Position . . . . . 46  
             Statement of Revenues, Expenses, and Changes in Net Position . . . 48  
             Statement of Cash Flows . . . . . 49  
         Notes to the Basic Financial Statements . . . . . 51  
     Required Supplementary Information:  
         Schedule of Net Pension Liability (Asset) and Contributions to  
             Sonoma County Employee Retirement Association . . . . . 96  
         Schedule of Proportionate Share of the Net OPEB Liability . . . . . 97  
         Schedule of Revenues, Expenditures, and Changes in Fund Balance  
             - Budgetary Basis - General Fund . . . . . 98  
         Schedule of Revenues, Expenditures, and Changes in Fund Balance  
             - Budgetary Basis - Flood Control Special Revenue Funds . . . . . 99  
         Schedule of Revenues, Expenditures, and Changes in Fund Balance  
             - Budgetary Basis - Warm Springs Dam Special Revenue Fund . . . . . 100  
         Notes to Required Supplementary Information . . . . . 101  
     Other Supplementary Information:  
         Schedule of Revenues, Expenditures, and Changes in Fund Balance  
             - Budgetary Basis - Debt Service Fund. . . . . 103  
     Nonmajor Governmental Funds:  
         Combining Balance Sheet – Flood Control Special Revenue Funds . . . 104  
         Combining Statement of Revenues, Expenditures, and Changes in  
             Fund Balances – Flood Control Special Revenue Funds . . . . . 105



Nonmajor Enterprise Funds:	
Combining Statement of Net Position – Sanitation Enterprise Funds . . .	106
Combining Statement of Revenues, Expenses, and Changes in Net Position – Sanitation Enterprise Funds . . . . .	108
Combining Statement of Cash Flows – Sanitation Enterprise Funds . . .	109
Internal Service Funds:	
Combining Statement of Net Position – Internal Service Funds . . . . .	111
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds . . . . .	112
Combining Statement of Cash Flows – Internal Service Funds. . . . .	113
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Water Transmission . . . . .	114
Note to the Combining Schedule of Revenues, Expenses, and Changes in Net Position - Water Transmission. . . . .	115

## STATISTICAL SECTION

Narrative Summary . . . . .	117
Financial Trends:	
Net Position by Component. . . . .	118
Changes in Net Position. . . . .	120
Fund Balances of Governmental Funds . . . . .	124
Changes in Fund Balances of Governmental Funds . . . . .	126
Revenue Capacity:	
Water Sales Revenue by Customer Type. . . . .	128
Water Rates by Category . . . . .	129
Principal Water Customers . . . . .	131
Assessed Value of Taxable Property . . . . .	132
Property Tax Rates – Direct and Overlapping Governments . . . . .	133
Principal Revenue Taxpayers . . . . .	134
Property Tax Levies and Collections . . . . .	135
Sanitation Direct Charges by Zone . . . . .	136
Sewer Service Rates by Zone . . . . .	137
Principal Sanitation Customers. . . . .	138
Debt Capacity:	
Ratios of Outstanding Debt . . . . .	139
Direct and Overlapping Debt . . . . .	140
Revenue Bond Debt Coverage – Water Transmission Fund . . . . .	141
Revenue Bond Debt Coverage – Airport-Larkfield-Wikiup Sanitation Zone Fund . . . . .	143
Economic and Demographic Information:	
Demographic and Economic Statistics . . . . .	145
Principal Employers . . . . .	146
Operating Information:	
Operating Indicators by Function/Program and Full-Time Equivalent Employees . . . . .	147
Capital Asset Statistics by Function/Program . . . . .	148



**COMPLIANCE**

Report on Internal Control Over Financial Reporting and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with *Governmental Accounting Standards* . . . . . 150





# INTRODUCTORY SECTION



December 17, 2025

To the Board of Directors and Citizens of Sonoma County:

We are pleased to submit the Annual Comprehensive Financial Report (Report) of the Sonoma County Water Agency (Sonoma Water) for the fiscal year ended June 30, 2025. The Report has been prepared in accordance with the principles and standards of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework established for this purpose. The internal control system provides reasonable assurance as to the integrity and reliability of the financial statements, the safeguarding of assets from unauthorized use or disposition, and that business transactions are conducted in compliance with State laws and regulations. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The independent auditor's report is located at the front of the financial section of this report. Sorren CPAs P.C., a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on Sonoma Water's financial statements for the fiscal year ended June 30, 2025.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## Sonoma Water Profile

### *Mission*

The mission of Sonoma Water is to provide reliable water supply, wastewater management, and flood protection - essential services for a thriving community and a healthy environment.

### *Vision*

Ensuring resilient water resources now and for future generations.

### *Values*

#### **Environmental Stewardship**

Protecting and enhancing the natural resources in our care.

#### **Integrity**

Ensuring accountability through sound and clear business practices.

## **Our Team**

Cultivating a strong, collaborative workforce driven by clear goals, transparent communication, and job satisfaction.

## **Resilience**

Developing innovative, sustainable solutions for reliable operations through infrastructure investment, maintenance, and preparation for climate change and disasters.

## ***More than 75 Years of Service***

Sonoma Water was created as a special district in 1949 by the California Legislature to provide flood protection and water supply services. Legislation enacted in 1995 added the treatment and disposal of wastewater to Sonoma Water's responsibilities.

It has been the mission of Sonoma Water since 1949 to effectively manage the resources in our care for the benefit of people and the environment. With more than two hundred and sixty two dedicated professionals who work for Sonoma Water in a variety of fields ranging from engineering to biology, we strive to look forward, beyond today's issues, to anticipate ways to advance our mission.

The Sonoma County Board of Supervisors acts as Sonoma Water's Board of Directors. Each member of the Sonoma County Board of Supervisors fills one seat on Sonoma Water's Board of Directors. The Supervisors are elected to four-year staggered terms, and are elected in district elections. Sonoma Water's Board of Directors meets on Tuesdays of each month in concurrent session with the Sonoma County Board of Supervisors. Meetings are publicly noticed and citizens are encouraged to attend.

Sonoma Water is a separate legal entity created by State law, having specific limited purposes and powers, and separate sources of funding. Sonoma Water is thus different from County departments, which are created by the Board of Supervisors for administrative purposes, but are not separate legal entities.

The General Manager administers the day-to-day operations of Sonoma Water in accordance with policies and procedures established by the Board of Directors. Sonoma Water employs 262 full-time equivalent employees, 70 part-time employees, plus a small cadre of temporary and seasonal employees as the workload dictates. Employees are represented by Service Employees' International Union - Local 1021, Western Council of Engineers, and International Union of Operating Engineers – Local 39.

## ***Services Provided***

Sonoma Water is proud to provide an array of services including, but not limited to, naturally filtered drinking water, flood protection services, distribution of recycled water, recreational opportunities and wastewater treatment.

## **Water Supply**

Sonoma Water manages and maintains a water transmission system that provides naturally filtered Russian River water to nine cities and special districts that in turn delivers drinking water to more than 600,000 residents in portions of Sonoma and Marin counties. As a wholesale water provider, Sonoma Water provides drinking water to the following cities and special districts: City of Cotati, Marin Municipal Water District, North Marin Water District, City of Petaluma, City of Rohnert Park, City of Santa Rosa, City of Sonoma, Valley of the Moon Water District and Town of Windsor.



**Wastewater**

In 1995 Sonoma Water assumed responsibility from the County of Sonoma (the County) for managing eight county sanitation zones and districts, which provide wastewater collection/treatment, and recycled water distribution/ disposal services for approximately 22,000 residences and businesses. The four zones include Airport/Larkfield/Wikiup, Geyserville, Penngrove and Sea Ranch. The four sanitation districts are independent special districts with their own Boards of Directors. The sanitation districts include the Occidental, Russian River, Sonoma Valley, and South Park County Sanitation Districts.

**Flood Protection Services**

Providing flood protection for our community is important. Over the years we have partnered with federal agencies to help build and manage a variety of flood protection projects, including Warm Springs Dam, Spring Lake, Coyote Valley Dam, Matanzas Creek Reservoir, Piner Creek Reservoir, Brush Creek Middle Fork Reservoir and Spring Creek Reservoir. We also manage a proactive stream maintenance program that maintains more than 80 miles of creeks throughout our service area.

**Water Use Efficiency**

We partner with local water suppliers to provide Water Use Efficiency programs that help save water by using it more efficiently and effectively.

**Environmental Resources**

Since 1974 we have provided environmental services related to our compliance with environmental laws and regulations. Our environmental staff works to improve the native fish resources of the Russian River and its tributaries by conducting and coordinating fishery enhancement projects.

**Community Outreach**

Ensuring transparency and communications with our community is a priority for Sonoma Water. The Community and Governmental Affairs Department manages the public outreach and information, governmental affairs, water education and water conservation functions for Sonoma Water. Staff are available to meet with our community to discuss Sonoma Water projects and initiatives.

**Requests for Information**

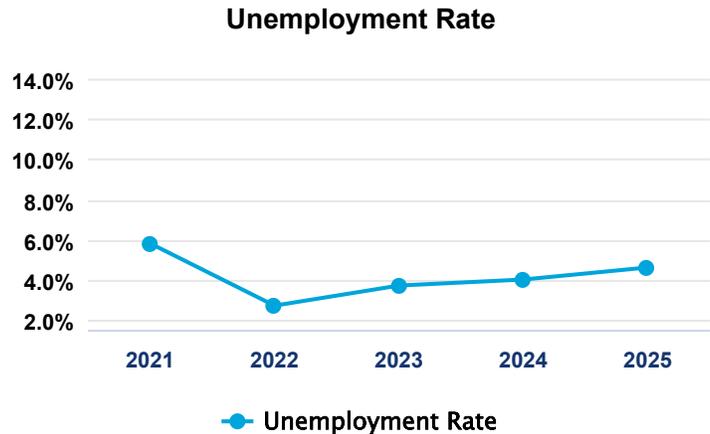
Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

## Factors Affecting Financial Condition

### Financial Indicators

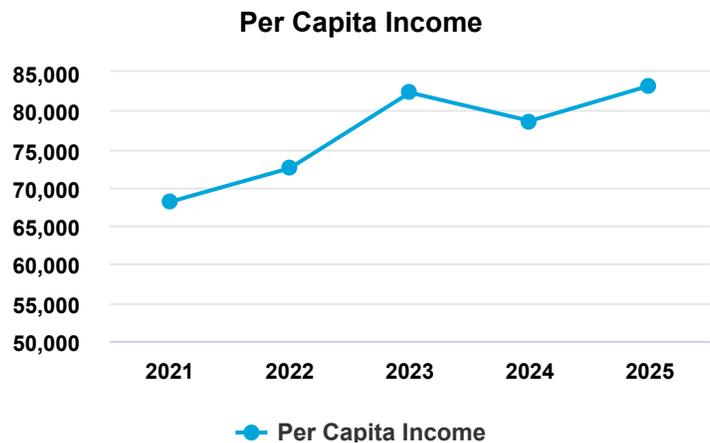
#### Employment

- The unemployment rate in Sonoma County increased from 4.0% in June 2024 to 4.6% in June 2025. This compares with an unemployment rate of 5.7% for California and 4.4% for the nation during the same period. Causes for a rise in unemployment rate could be attributed to a combination of factors including the high cost of living making it difficult for local companies to attract and retain in-state workers, layoffs due to the rapid adoption of AI systems which are replacing positions in the technology sector as well as strict regulations and a high minimum wage causing companies to reduce staff and opt for automation.



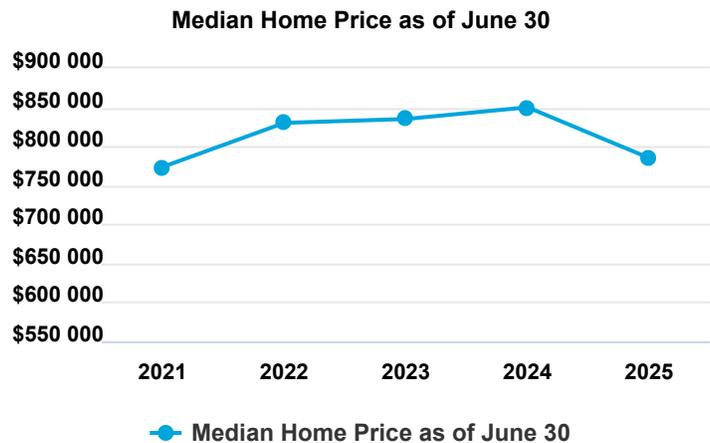
#### Income

- Personal income increased from \$78,633 in the calendar year 2024 to \$83,229 in 2025. Per capita income is based on the most recently available data.



#### Real Estate

- The County-wide median home price decreased from \$850,000 in June 2024 to \$785,000 in June 2025.



#### Retail Sales

- Retail sales county-wide decreased 2.0% to \$11.7 billion for the 2024 calendar year, from \$11.9 billion for the 2023 calendar year.



### ***Sonoma Water's Water Supply***

Sonoma Water is a wholesale water supplier to nine cities and water districts that serve more than 600,000 residents in portions of Sonoma and Marin counties. The Russian River provides most of Sonoma Water's water supply with groundwater supply from the Santa Rosa Plain as a secondary source. Almost all of Sonoma Water's Customers have other water supplies in addition to those provided by Sonoma Water, which include local surface water, local groundwater, and recycled water.

The Russian River watershed drains an area of 1,485 square miles that includes much of Sonoma and Mendocino counties. The headwaters of the Russian River are located in central Mendocino County, approximately 15 miles north of Ukiah. The Russian River is approximately 110 miles in length and flows generally southward to Mirabel Park in Forestville, where it changes course and flows westward to the discharge point at the Pacific Ocean near Jenner, approximately 20 miles west of Santa Rosa.

Two major reservoir projects provide water supply storage in the Russian River watershed: 1) Coyote Valley Dam/Lake Mendocino, located on the East Fork of the Russian River three miles east of Ukiah, and 2) Warm Springs Dam/Lake Sonoma, located on Dry Creek 14 miles northwest of Healdsburg. Sonoma Water is the local sponsor for these two federal water supply and flood control projects, collectively referred to as the Russian River Project. Both reservoirs rely largely on atmospheric river-driven storms carrying warm, moisture-laden clouds with huge amounts of water vapor. Sonoma Water is spearheading a program to provide more precise atmospheric river rainfall forecasting to enable prudent planning and adaptable reservoir operations to maximize water supply, maintain public safety, and better prepare for drought.

Under agreements with the U.S. Army Corps of Engineers, Sonoma Water manages the water supply storage space in these reservoirs to provide a reliable water supply and maintain minimum instream flow requirements for fish and wildlife protection and recreation in the Russian River and Dry Creek. Sonoma Water holds water-right permits issued by the State Water Resources Control Board that authorize Sonoma Water to store up to 122,500 acre-feet per year of water in Lake Mendocino and up to 245,000 acre-feet/year of water in Lake Sonoma, and to divert or re-divert up to 180 cubic feet per second of water from the Russian River with a limit of 75,000 acre-feet per year.

The primary points of diversion are at Sonoma Water's Wohler and Mirabel Park facilities near Forestville. The diversion facilities include six radial collector wells that extract Russian River underflow that has been filtered through approximately 100 feet of natural sand and gravel. This highly efficient, natural filtration process, with chlorination treatment, produces high-quality, potable water. This water is then fed directly into Sonoma Water's aqueduct system.

The Water Transmission System extends from Sonoma Water's Russian River diversion facilities located near Forestville to the Santa Rosa, Petaluma, and Sonoma valleys. The Water Transmission System consists of over 85 miles of pipelines that range in diameter from 16 to 54 inches, seven booster-pump stations, and 18 storage tanks with a combined storage capacity of 128.8 million gallons. The major pipelines that comprise the system are: the Santa Rosa Aqueduct (built in 1959), the Sonoma Aqueduct (built in 1963), the Petaluma Aqueduct (built in 1962), and the Cotati Intertie (built in 1977).

In the fall of 2024 (end of water year, September 30), Lake Sonoma had 231,096 acre-feet of storage compared to 231,477 acre-feet in the fall of 2023, while storage in Lake Mendocino storage decreased to 53,342 acre-feet from 77,064 acre-feet.

## Biological Opinion

On April 29, 2025, the National Marine Fisheries Service issued its Russian River Biological Opinion under the federal Endangered Species Act. The Biological Opinion is a federally mandated 10-year blueprint to help save endangered fish and ensure water supply. Sonoma Water's water supply and flood control operation and maintenance activities in the Russian River Watershed were considered to likely affect three species of fish listed under the Endangered Species Act: Central California Coast steelhead, Central California Coast coho salmon, and California Coastal Chinook salmon.

The Biological Opinion requires Sonoma Water and the U.S. Army Corps of Engineers implement a series of actions to modify existing water supply and flood control activities that, in concert with habitat enhancement, will preserve, protect, and restore fisheries and maintain existing Russian River water supplies.

The Biological Opinion will guide Sonoma Water and U.S. Army Corps of Engineers compliance with the Federal Endangered Species Act. Sonoma Water is committed to preserving the Russian River water supply and protecting Russian River fisheries.

## Long Term Financial Planning

Sonoma Water engages in activities that are expressly identified within its act or are necessarily and fairly implied from its statutory purposes. Activities are also defined by Sonoma Water's agreement with its prime water contractors and other agreements which govern the types of activities that can be funded from revenues collected.

Sonoma Water's most significant revenue sources include water sales, property taxes, and sanitation charges. Flood control activities, operation, maintenance, and debt service for Warm Springs Dam, and other general administrative functions are funded by property taxes. Revenue from water and sewer rates generated from Sonoma Water customers supports operations, maintenance, and capital projects. Accordingly, wholesale water and retail sewer rates are reviewed annually. Water and sewer rates are charges imposed on customers for services and are the primary component of Sonoma Water's revenue. Water rates are comprised of a uniform volumetric water use charge; whereas, sewer rates are based principally on fixed charges.

A Five-Year Capital Improvement Plan (CIP) is prepared for each of Sonoma Water's areas of responsibility based on the need to upgrade or replace infrastructure. Sonoma Water's CIP identifies projects to be constructed over the next five years and designed to meet Sonoma Water's mission, strategic objectives, and Water Supply Strategies Action Plan.

The CIP includes more than 62 capital projects with an estimated cost of over \$363 million and includes seismic and flood hazard mitigation projects, and wastewater, flood, renewable energy and water infrastructure improvements. Whenever possible, alternative sources of revenue such as federal and state grants, existing fund balance, and revenue bond funds are used to finance capital projects. Sonoma Water has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies.

Sonoma Water's financial position continues to be strong as demonstrated by a stable revenue base, effective cost containment, increase in net position, and adequate fund reserves.



## Relevant Financial Policies

### Internal Control Structure

Sonoma Water management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of Sonoma Water are protected from loss, theft or misuse.

The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Sonoma Water's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Sonoma Water reviews cash flow, fund balance, and revenue and expenditure reports on a monthly basis. Maintenance and construction projects and priorities are regularly reviewed and revised by project managers and senior management. These reviews inform regular updates to long-range financial plans for each of Sonoma Water's areas of responsibility. Long-range plans are integrated into annual updates to operating and capital budgets.

Funds available for capital improvements and replacement are planned in such a way as to level expenditures from year to year and thus to reduce the impact that sharp rate increases would have on rate payers. Sonoma Water recognizes the value of stable rates for its services and, when possible, attempts to stabilize rates through its long-term financial planning efforts. Rates are established to recover operating and capital costs, and to maintain a prudent reserve. Sonoma Water creates and maintains a prudent level of financial resources within each of its funds to protect against temporary revenue shortfalls or unpredicted one-time expenditures in accordance with minimum fund balance reserve guidelines.

### Budgetary Control

Sonoma Water's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for Sonoma Water's enterprise operations and capital projects. The budget and reporting applied to Sonoma Water is consistent with the accrual basis of accounting and the financial statement basis.

Sonoma Water also maintains an encumbrance accounting system to accomplish budgetary control. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is controlled at the fund level. Appropriations at this level require a Board majority approval. Management may make adjustments below this level. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. Per county fiscal policy, Sonoma Water's remaining appropriation balances at the end of the fiscal year are annually re-appropriated for continued use in those same projects in the following fiscal year. Budgets take into account current maintenance and operations costs, long term debt repayments, and a prudent level of financial reserves.

### Investment Policy

Sonoma Water complies with the Sonoma County Investment Policy. The County Treasury oversees banking operations and public financing for Sonoma Water and is the paying agent for debt and special assessments. Cash is held by the County Treasurer and deposited in the Sonoma County pool, which is invested in accordance with the Sonoma County Investment Policy and California Government Code. The

objectives of the policy are, in order of priority, safety of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The Treasury Oversight Committee requires an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and California Government Code Section 53601.

#### Audit and Financial Reporting

State law and bond covenants require Sonoma Water to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Sorren CPAs P.C. has conducted the audit of Sonoma Water's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

### **Major Initiatives**

In fiscal year 2024–25, Sonoma Water continued to deliver on its core mission by advancing high-priority projects that improved infrastructure reliability, enhanced climate resilience, strengthened water supply planning and maintained environmental compliance. Supported by strong interagency partnerships and new funding, the agency focused on long-term investments in water, wastewater, sanitation and flood protection systems across its service area.

#### Infrastructure Projects

Sonoma Water continued its multi-year effort to modernize core water transmission infrastructure, with substantial progress across storage, pipeline and facility systems. Many of the agency's capital investments during fiscal year 2024–25 focused on maintaining structural integrity, extending asset lifespan and ensuring system resilience during seismic events or supply interruptions.

A key milestone this year was the return to service of the 12-million-gallon Kastania Tank, located in South Petaluma. Following structural upgrades and comprehensive recoating, the tank was brought back online in September 2024. This marked the removal of the final coal-tar-lined tank in Sonoma Water's system, a long-planned transition away from legacy coatings that pose environmental and maintenance challenges. The work was part of Sonoma Water's 10-year Tank Rehabilitation Program, a capital initiative budgeted at \$80 million to address all 18 above-grade welded steel tanks in the transmission system. Together, these tanks store 128 million gallons of potable water and serve as critical operational buffers during daily peak demand and emergency events.

Work also advanced on two additional tanks. The Cotati 1 Tank, which provides 6 million gallons of storage, returned to service at the end of the 2024 calendar year after rehabilitation work. In May 2025, Sonoma Water began construction on Cotati 3 Tank, an 18-million-gallon facility. In addition to recoating, Cotati 3 is undergoing retrofitting to address known seismic vulnerabilities.

Sonoma Water also completed rehabilitation work at the Petaluma Aqueduct crossing beneath the SMART train corridor, reinforcing pipeline integrity where the alignment intersects with regional rail infrastructure. This work helped ensure continued reliability of the water transmission system serving the southern portion of the county.

Pipeline system upgrades also moved forward. Sonoma Water's Cathodic Protection Program, designed to prevent corrosion in steel aqueducts, reached a new phase with the award of a \$3.8 million contract



for impressed-current systems along the Santa Rosa Aqueduct and the Russian River–Cotati Intertie. Although the contract was awarded just after the close of the fiscal year, the project was developed, scoped and prepared for bid during FY 2024–25.

On the flood infrastructure side, Sonoma Water advanced planning for a \$342,000 engineering contract to initiate repairs along the Todd Road channel bank, scheduled for Board consideration in early fiscal year 2025–26. The project will address slope erosion and potential risks to adjacent water transmission infrastructure in southwest Santa Rosa. Work will advance in phases, beginning with design and permitting, and will tie into broader watershed maintenance and resilience goals for the area.

Additional planning progressed on the Water Transmission System Disinfection Upgrades Project, which will replace gas chlorination with hypochlorite and improve corrosion control at several sites, including Wohler, Mirabel and River Road. Sonoma Water finalized a basis-of-design report in fall 2024 with more work to come in the future.

Sonoma Water maintains focus on system upkeep and continued investment in the infrastructure needed to deliver reliable service across its network. All infrastructure investments are aligned with strategic plan objectives to strengthen system resilience and ensure continuity of service during emergencies, climate extremes and high-demand periods.

#### Forecast-Informed Reservoir Operations (FIRO)

Sonoma Water's leadership in Forecast-Informed Reservoir Operations, or FIRO, continued to yield benefits for water supply and flood protection. Now in its 10<sup>th</sup> year, the FIRO program uses weather and streamflow forecasts to guide real-time reservoir operations at Lake Mendocino and Lake Sonoma. In 2024, the U.S. Army Corps of Engineers used FIRO tools to retain an additional 9,000 acre-feet of water in Lake Mendocino and 19,000 acre-feet in Lake Sonoma during winter flood operations.

FIRO implementation is supported by a network of advanced sensors, gauges and modeling tools. Sonoma Water played a key role in expanding the Lake Sonoma watershed observation network in 2024–25, installing new stream gauges, soil moisture probes and meteorological instruments. These assets provide critical data for the Ensemble Forecast Operations model, which drives forecast-based release decisions.

Sonoma Water also contributed engineering support for FIRO assessments at other California reservoirs, including Lake Oroville and New Bullards Bar. This work helped complete viability studies showing that FIRO could be applied to additional systems across the state. Sonoma Water's FIRO tools and experience continue to serve as a model for other water agencies managing flood and drought risk under variable climate conditions.

The U.S. Army Corps of Engineers is expected to finalize an updated Water Control Manual for Lake Mendocino in late 2025, incorporating FIRO as a permanent part of reservoir operations.

#### Advanced Quantitative Precipitation Information (AQPI)

Sonoma Water made continued progress during fiscal year 2024–25 on implementing the Bay Area's Advanced Quantitative Precipitation Information (AQPI) system, a multi-agency collaboration to improve rainfall and streamflow forecasting throughout the region. The system, supported by a \$19.8 million grant from the California Department of Water Resources, includes the installation and operation of five high-resolution radar stations positioned around the Bay Area to improve detection of incoming atmospheric rivers.

By the end of the fiscal year, four AQPI radar installations were operational, covering the North Bay, South Bay, East Bay and Santa Cruz regions. Sonoma Water continued preparations for a fifth radar station to be installed on the Marin coast, which will provide additional west-facing coverage to detect and track storm systems approaching from the Pacific Ocean. The station, located on Mount Barnabe, began installation during the second half of fiscal year 2024–25 and is expected to become operational by the end of January 2026.

Sonoma Water also played a lead role in maintaining radar network functionality and supporting regional coordination with the National Oceanic and Atmospheric Administration, San Francisco Public Utilities Commission and several academic partners. Data collected from the AQPI system supports real-time decision making for flood control, reservoir operations and emergency response across the region.

AQPI implementation aligns with Sonoma Water’s climate adaptation and flood risk strategies by improving early warning capabilities and enhancing the accuracy of short-term and seasonal forecasts, including improved forecasting of atmospheric rivers that drive many of the region’s most severe flood events.

#### Climate Resilience and Adaptation

In fiscal year 2024–25, Sonoma Water drove forward several initiatives aimed at addressing the long-term risks of climate change on its water, wastewater and flood protection systems. These efforts were guided by the agency’s Energy and Climate Resiliency Policy and the implementation of its Climate Adaptation Plan, adopted in 2021.

During the fiscal year, Sonoma Water finalized its Climate Adaptation Plan Phasing Plan, which distilled 77 concepts from the original plan into 39 focused projects. The phasing plan prioritized these projects based on risk, readiness, and resource needs, laying out a path for implementation through 2040. The document is intended to support internal budgeting, grant applications and interdepartmental coordination, while establishing a clearer accountability framework for climate adaptation efforts.

Sonoma Water also completed a full-scale earthquake response exercise in May 2025. The drill, named Operation Critical Lift, involved 81 staff and tested field-based damage assessment and emergency coordination procedures outlined in the agency’s new Emergency Concept of Operations. Supporting materials, including field guides and quick reference sheets, were distributed to participating staff to reinforce training and improve readiness.

To enhance emergency communications, Sonoma Water installed eight Starlink internet antennas at critical water and wastewater facilities, providing redundant connectivity in the event of terrestrial service disruption. The agency also expanded its emergency drone program, training 11 licensed operators and acquiring four drones, including a thermal imaging drone for inspecting hard-to-detect pipeline leaks.

#### Water Security and Drought Resilience

Sonoma Water took important steps in this fiscal year to strengthen regional drought resilience through groundwater management, system interconnection planning and coordination with its water contractors. These efforts were supported by funding from the county’s Water Security Fund, established to reduce vulnerability across rural and underserved areas of Sonoma County.

A major milestone was the launch of the Regional Water Bank Implementation Strategy. In April 2025, the Board approved a \$474,700 contract with Jacobs Engineering to develop a roadmap for long-term storage, exchange and recovery of water using existing surface water and groundwater infrastructure. The strategy will guide how Sonoma Water and its contractors coordinate use of groundwater during drought years

and increase overall supply reliability without building new reservoirs. The project includes outreach to the Santa Rosa Plain, Sonoma Valley and Petaluma Valley Groundwater Sustainability Agencies, as well as modeling of aquifer behavior under various recharge scenarios.

Sonoma Water also continued to provide technical support to local Groundwater Sustainability Agencies, including efforts to expand monitoring networks, advance groundwater recharge planning and evaluate recycled water applications. These efforts were aligned with California's Sustainable Groundwater Management Act and tied closely to the agency's climate adaptation goals.

In 2024, the County's Department of Emergency Management and Sonoma Water concluded a multi-agency vulnerability and risk assessment of small water systems and domestic wells. This work, funded through the state's Senate Bill 552 planning requirements, will inform emergency response protocols and community-specific drought response plans in future years.

Together, these projects reflect Sonoma Water's emphasis on building a flexible, interconnected water supply system that can adapt to future uncertainty and extend supplies during prolonged dry periods.

#### Sanitation Zones

During fiscal year 2024–25, Sonoma Water made progress across several sanitation zones by investing in planning, permitting and operational improvements. These efforts support the agency's long-term objectives to reduce environmental impacts, improve service reliability and extend the useful life of aging wastewater infrastructure.

In the Airport-Larkfield-Wikiup Sanitation Zone, Sonoma Water finalized a new agreement with the Town of Windsor to provide pretreatment, industrial waste and stormwater compliance services. The contract, valued at \$130,000 annually, took effect in July 2025 and replaced Sonoma Water's in-house administration of these compliance functions. The agreement is expected to improve program delivery, enhance regulatory coordination and ensure continued protection of local creeks and waterways.

Sonoma Water also advanced emergency planning and response capacity within the sanitation zones. In early 2025, the Board approved a \$440,000 contract for sewer system auditing and an update to the Sanitary Sewer Overflow Emergency Response Plan. These tools will help identify system vulnerabilities and improve Sonoma Water's ability to prevent and respond to potential wastewater releases.

Across its sanitation operations, Sonoma Water continued implementation of the Sanitation Rate Relief Program for income-qualified residential customers. In FY 2024–25, more than 200 customers received direct financial assistance to help manage the cost of basic sewer services.

#### Water Use Efficiency

Sonoma Water and its partners in the Sonoma-Marin Saving Water Partnership continued to promote water conservation and climate-ready landscaping throughout FY 2024–25. Programs included rebates for turf replacement, smart irrigation controllers, and high-efficiency appliances. The Partnership's outreach efforts featured a climate-ready garden display at the Sonoma County Fair and ongoing promotion of its Water Smart Plant resources. In recognition of these efforts, the Partnership received two U.S. EPA WaterSense Sustained Excellence Awards and an Outstanding Industry Partnership Award from the Irrigation Association.

### Water and Energy Education

Sonoma Water also maintained its commitment to water and energy education, reaching tens of thousands of students and educators through its Water and Energy Education Program. In the 2024-25 school year, more than 16,000 students received direct instruction, and nearly 40,000 students received classroom supplies supporting environmental learning. The agency collaborated with other regional environmental education providers through the Pathways Project to expand access to outdoor education, especially for Title 1 schools.

### Environmental Compliance

Sonoma Water continued its work in environmental compliance throughout FY 2024–25, with a focus on habitat restoration, water quality protection and regulatory coordination. In Dry Creek, staff and contractors maintained and monitored more than five miles of enhanced stream habitat constructed under the 2008 Russian River Biological Opinion. A new contract was awarded in mid-2025 to support vegetation maintenance and bank stabilization at multiple sites where previous restoration work had improved rearing conditions for juvenile coho salmon and steelhead.

Sonoma Water biologists completed the fourth year of a multi-year acoustic tagging study that tracks juvenile coho salmon through Dry Creek and the Russian River system. This research is designed to evaluate the success of habitat enhancements and to support decision-making around future restoration priorities.

The agency also advanced nutrient reduction efforts in Colgan Creek, where stream maintenance activities removed more than 30,000 pounds of phosphorus-rich sediment. These actions contributed to the generation of pollution reduction credits certified by the North Coast Regional Water Quality Control Board, helping offset compliance costs for regional wastewater providers.

In April, 2025, the National Marine Fisheries Service issued a new Biological Opinion for the Russian River watershed under the Endangered Species Act and the Magnuson–Stevens Fishery Conservation and Management Act. The opinion, which has a 10-year term, covers Sonoma Water’s water supply, flood control, channel maintenance and habitat restoration activities. It concludes that these operations are not likely to jeopardize the continued existence of listed species, including coho and Chinook salmon, steelhead and Southern Resident Killer Whales. The 2025 opinion includes Reasonable and Prudent Measures that require Sonoma Water and its federal partners to minimize and monitor impacts. Sonoma Water staff continue to review the associated terms and conditions and will coordinate with stakeholders as implementation begins.

### Quagga, Zebra and Golden Mussel Detection Program

At Lake Mendocino, Sonoma Water continued to operate its boat inspection program to prevent the spread of quagga and zebra mussels, supported by a \$400,000 state grant. No infestations were detected during the fiscal year, and public outreach continued through signage and screener engagement with recreational boaters. The growing risk of golden mussels, first detected in California’s San Luis Reservoir and the Sacramento–San Joaquin Delta in mid-2024, and confirmed mussel activity in Lake Tahoe in early 2025, has heightened regional concern. These developments have reinforced the importance of early detection, coordinated inspections and public education across Northern California.



### Potter Valley Project and Eel-Russian Project Authority

During fiscal year 2024–25, Sonoma Water continued to participate in regional coordination on the future of inter-basin water transfers between the Eel and Russian rivers through its role in the Eel-Russian Project Authority (ERPA). Formed in 2023 through a joint powers agreement with Mendocino County Inland Water and Power Commission and the County of Sonoma, ERPA was created in response to PG&E's proposed decommissioning of the Potter Valley Project, a hydroelectric facility that enabled water diversions from the Eel River into the Russian River watershed for more than a century.

In March 2024, prior to the start of the fiscal year, the ERPA board selected the mechanical pump station as the preferred alternative for the proposed New Eel-Russian Facility. The facility is planned for the site of the former Cape Horn Dam, which is targeted for removal as part of PG&E's license surrender process. Design for the pump station, which will be called the New Eel-Russian Facility, advanced from 30% to nearly 60% design during the 24-25 fiscal year.

To formalize cooperation with the federal government, ERPA and its member agencies—including Sonoma Water—executed a Memorandum of Understanding (MOU) with the California Natural Resources Agency in early 2025. The MOU provides a framework for interagency coordination and federal technical assistance as project planning advances.

Also during the fiscal year, Sonoma Water began work on a Water Diversion Agreement, which defines terms for the use, governance and funding of the New Eel-Russian Facility among downstream beneficiaries. The Water Diversion Agreement was developed in collaboration with Russian River water users and Eel River interests and was completed and signed in July 2025. The agreement will be essential to ensuring equitable access to transferred water once PG&E's infrastructure is removed.

PG&E submitted its final surrender application to the Federal Energy Regulatory Commission in mid-July 2025, which included an application for the non-project use of project lands, which accounts for construction of the New Eel-Russian Facility. As a member of the Eel-Russian Project Authority, Sonoma Water will continue to play a leading role in planning for post-decommissioning water management.

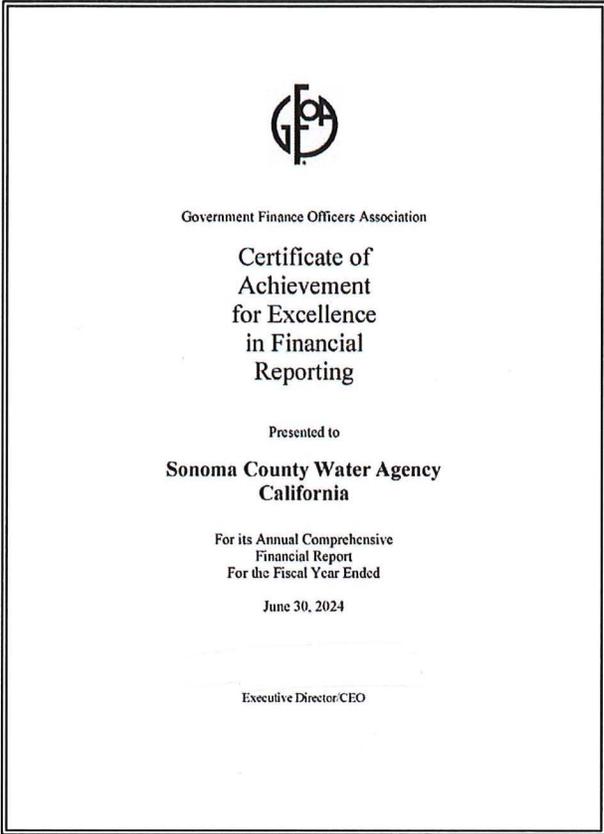
### Awards and Acknowledgements

Financial Reporting Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sonoma County Water Agency’s Report for the fiscal year ended June 30, 2024. This was the seventh year Sonoma Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Report that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current Report is expected to meet the Certificate of Achievement Program’s requirements and will be submitted to the GFOA to determine its eligibility for another Certificate of Achievement.

The preparation of this Report represents the culmination of months of concerted team effort by Sonoma Water Management and staff, and team members from the County Auditor-Controller Treasurer-Tax Collector, County Administrator’s Office, and the Office of County Counsel. Special thanks to Sonoma Water staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Sorren CPAs P.C. is also acknowledged for the significant technical contribution and assistance.

Finally, we wish to express our sincere appreciation to Sonoma Water’s Board of Directors for their continued support in the planning and implementation of Sonoma Water’s fiscal policies.



Grant Davis

Lynne Rosselli

General Manager

Water Agency Division Manager Finance and Administration



## Directory of Appointed and Elected Officials

June 30, 2025

<b>General Manager</b>	Grant Davis
------------------------	-------------

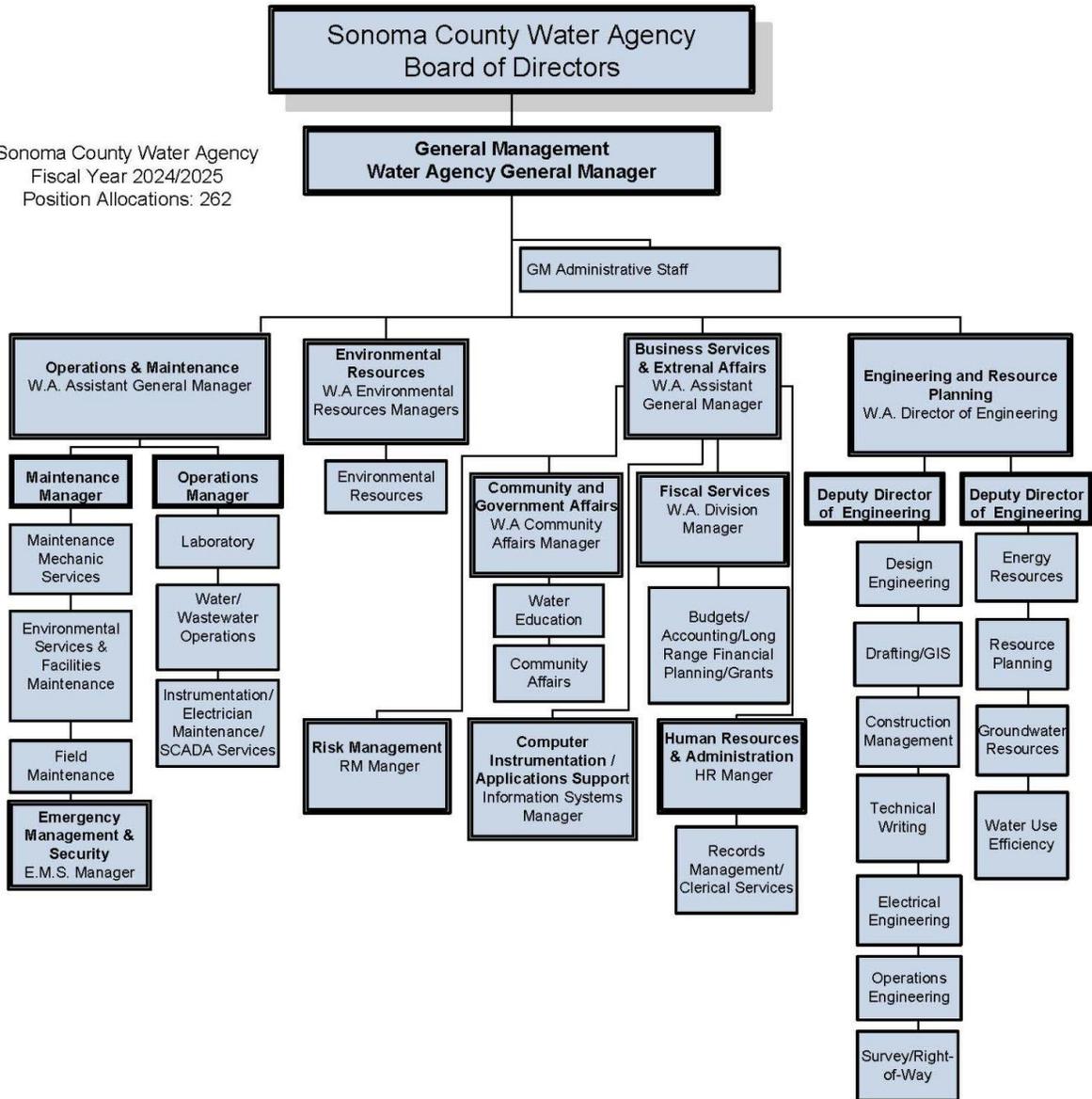
---

**Board of Directors:**

District One	Rebecca Hermosillo
District Two	David Rabbitt
District Three	Chris Coursey
District Four	James Gore
District Five	Lynda Hopkins



Sonoma County Water Agency  
 Fiscal Year 2024/2025  
 Position Allocations: 262



# FINANCIAL SECTION





## Independent Auditor's Report

Board of Directors  
Sonoma County Water Agency

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Sonoma County Water Agency ("Sonoma Water"), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Sonoma Water's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sonoma Water as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sonoma Water and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note R to the financial statements, Sonoma Water adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, effective for the fiscal year ended June 30, 2025. The implementation of this standard required retrospective application, resulting in a restatement of beginning net position as of July 1, 2024. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma Water's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Independent Auditor's Report** (continued)***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sonoma Water's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sonoma Water's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, management's discussion and analysis, supplemental schedules of pension information, and other postemployment benefit information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Independent Auditor's Report** (continued)**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sonoma Water's basic financial statements. The budgetary comparison information of the debt service fund and combining fund information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 budgetary comparison information of the debt service fund and the combining fund information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of Sonoma Water'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 solely 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 the effectiveness of Sonoma Water's 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 Sonoma Water's internal control over financial reporting and compliance.

Sorren CPAs P.C.

Santa Rosa, California  
December 17, 2025

## Management's Discussion and Analysis (Unaudited)

As management of the Sonoma County Water Agency ("Sonoma Water"), we offer readers of Sonoma Water's financial statements this narrative overview and analysis of the financial activities of Sonoma Water for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the additional information in our letter of transmittal, which precedes this section.

### Financial Highlights

- The assets and deferred outflows of resources of Sonoma Water exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$461,033,735 (net position). Of this amount \$106,362,031 (unrestricted net position) may be used to meet Sonoma Water's ongoing obligations to citizens and creditors.
- Sonoma Water's total net position increased by \$36,205,551 during the current fiscal year. This increase in net position includes an increase in business-type activities of \$19,109,592 and an increase in governmental activities of \$17,095,959.
- Sonoma Water's long-term obligations decreased by \$10,977,478, primarily due to a decrease of \$4,433,135 in long-term contracts payable, a decrease of \$3,074,686 in other postemployment benefits, and a decrease of \$2,581,417 in revenue bonds payable.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$116,070,202, an increase of \$10,551,513 from the preceding year. Approximately 11.1% of this total amount, \$12,883,887, was available for spending at Sonoma Water's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,883,887 or approximately 41.6% of total General Fund expenditures, which amounted to \$30,966,804 for the fiscal year ended June 30, 2025.
- Sonoma Water implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This implementation resulted in a \$(4,613,244) adjustment in beginning net position for the fiscal year ended June 30, 2025. Prior year information presented in the Management's Discussion and Analysis has not been restated. Refer to Note R for additional information.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Sonoma Water's basic financial statements. Sonoma Water's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of Sonoma Water's finances, in a manner similar to a private-sector business.

## **Overview of the Financial Statements (continued)**

### ***Government-wide financial statements (continued)***

The *statement of net position* presents Sonoma Water's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Sonoma Water is improving or deteriorating.

The *statement of activities* presents information showing how Sonoma Water's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Sonoma Water that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Sonoma Water include general government, flood control, Warm Springs Dam, and debt service related to these activities. The business-type activities of Sonoma Water include water transmission, water supply and sanitation services.

### ***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. Sonoma Water, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sonoma Water can be divided into two categories: governmental funds and proprietary funds.

#### ***Governmental funds***

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Sonoma Water maintains nine individual governmental funds (General Fund, Warm Springs Dam, Debt Service Fund) and Flood Control which is made up of six funds (Zone 1A, 2A, 3A, 5A, 7A and 8A). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, special revenue funds (Warm Springs Dam), and the debt service fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation (Flood Control).

## Overview of the Financial Statements (continued)

### *Fund financial statements (continued)*

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section of this report.

Sonoma Water adopts an annual appropriated budget for its General Fund, special revenue funds, and debt service fund. Budgetary comparison statements have been provided for the General Fund and special revenue funds, as required by generally accepted accounting principles (GAAP), to demonstrate compliance with this budget.

### *Proprietary funds*

Sonoma Water maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Sonoma Water uses enterprise funds to account for its water and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among Sonoma Water's various functions. Sonoma Water uses an internal service fund (ISF) to account for equipment, facilities rental, and power activities. Because these services predominantly benefit business-type rather than governmental functions, they have been included within business-type activities in the government-wide financial statements. While the equipment and the facilities funds are separate internal service funds, they have been presented as consolidated for reporting purposes.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water transmission and water supply, all of which are considered to be major funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Data from the other four proprietary funds are combined into a single aggregated presentation (Sanitation). Individual fund data for each of these nonmajor proprietary funds and the internal service funds is provided in the form of combining statements in the other supplementary information section of this report.

### *Notes to the basic financial statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### *Required supplementary information*

Schedules presenting Sonoma Water's progress in funding its obligation to provide pension and other postemployment benefits to its employees and budgetary comparison information for the General Fund and special revenue funds are supplementary information required by GAAP and immediately follow the notes to the basic financial statements.

### *Other supplementary information*

Combining statements referred to earlier in connection with governmental funds and proprietary funds and a Water Transmission fund combining schedule of revenues, expenses, and changes in net position are presented immediately following the required supplementary information. The Water Transmission combining schedule presents the breakdown between activities pledged for debt service and unpledged activities.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sonoma Water, assets and deferred outflows exceeded liabilities and deferred inflows by \$461,033,735 as of June 30, 2025.

### Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025
Current and other assets	\$ 112,125,065	\$ 123,003,522	\$ 129,892,471	\$ 139,266,094	\$ 242,017,536	\$ 262,269,616
Capital assets	137,416,560	135,447,761	204,584,327	209,062,915	342,000,887	344,510,676
Total assets	<u>249,541,625</u>	<u>258,451,283</u>	<u>334,476,798</u>	<u>348,329,009</u>	<u>584,018,423</u>	<u>606,780,292</u>
Total deferred outflows of resources	13,487,736	12,801,039	159,125	127,426	13,646,861	12,928,465
Current liabilities	13,377,101	14,366,868	15,550,633	14,420,180	28,927,734	28,787,048
Noncurrent liabilities	80,473,920	72,111,768	55,458,636	51,315,841	135,932,556	123,427,609
Total liabilities	<u>93,851,021</u>	<u>86,478,636</u>	<u>71,009,269</u>	<u>65,736,021</u>	<u>164,860,290</u>	<u>152,214,657</u>
Total deferred inflows of resources	3,252,742	6,365,373	110,824	94,992	3,363,566	6,460,365
Net position:						
Net investment in capital assets	79,853,540	82,263,945	155,753,983	160,727,166	235,607,523	242,991,111
Restricted	84,620,791	92,233,654	20,578,717	19,446,939	105,199,508	111,680,593
Unrestricted	1,451,267	3,910,714	87,183,130	102,451,317	88,634,397	106,362,031
Total net position	<u>\$ 165,925,598</u>	<u>\$ 178,408,313</u>	<u>\$ 263,515,830</u>	<u>\$ 282,625,422</u>	<u>\$ 429,441,428</u>	<u>\$ 461,033,735</u>

The largest portion of Sonoma Water's net position, \$242,991,111 (52.7%), reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, and machinery and equipment), net of accumulated depreciation and amortization and less any related outstanding debt used to acquire those assets. Sonoma Water uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although Sonoma Water's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of Sonoma Water's net position, \$111,680,593 (24.2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$106,362,031 may be used to meet Sonoma Water's ongoing obligations to citizens and creditors.

As of June 30, 2025, Sonoma Water reports positive balances in all categories of net position for its separate governmental and business-type activities.

Sonoma Water's net position increased by \$36,205,551 as of June 30, 2025. This increase included an increase in governmental activities of \$17,095,959 and an increase of \$19,109,592 in net position for business-type activities. The reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

## Government-wide Financial Analysis (continued)

## Condensed Statements of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	Fiscal Year Ended June 30,		Fiscal Year Ended June 30,		Fiscal Year Ended June 30,	
	2024	2025	2024	2025	2024	2025
Revenues						
Program Revenues:						
Charges for services	\$ 21,031,645	\$ 20,919,526	\$ 60,563,885	\$ 72,867,964	\$ 81,595,530	\$ 93,787,490
Operating grants and contributions	3,769,543	4,293,565	5,651,075	2,789,011	9,420,618	7,082,576
Capital grants and contributions	-	-	2,679,349	3,770,491	2,679,349	3,770,491
General Revenues:						
Property taxes	38,196,257	41,090,656	-	5	38,196,257	41,090,661
Investment earnings	4,889,792	5,575,885	6,079,302	6,296,407	10,969,094	11,872,292
Total revenues	<u>67,887,237</u>	<u>71,879,632</u>	<u>74,973,611</u>	<u>85,723,878</u>	<u>142,860,848</u>	<u>157,603,510</u>
Expenses						
General government	5,892,237	7,265,897	-	-	5,892,237	7,265,897
Intergovernmental	18,300,371	18,938,364	-	-	18,300,371	18,938,364
Flood control	13,103,749	12,872,134	-	-	13,103,749	12,872,134
Warm Springs Dam	6,177,473	6,988,502	-	-	6,177,473	6,988,502
Interest on long-term debt	1,898,604	1,757,124	-	-	1,898,604	1,757,124
Water transmission	-	-	54,515,752	55,490,434	54,515,752	55,490,434
Water supply	-	-	11,384,255	8,063,535	11,384,255	8,063,535
Sanitation	-	-	9,877,788	10,021,969	9,877,788	10,021,969
Total expenses	<u>45,372,434</u>	<u>47,822,021</u>	<u>75,777,795</u>	<u>73,575,938</u>	<u>121,150,229</u>	<u>121,397,959</u>
Change in net position before transfers	22,514,803	24,057,611	(804,184)	12,147,940	21,710,619	36,205,551
Transfers	(1,769,331)	(6,961,652)	1,769,331	6,961,652	-	-
Change in net position	20,745,472	17,095,959	965,147	19,109,592	21,710,619	36,205,551
Net position - beginning of year, as previously reported	145,180,126	165,925,598	262,550,683	263,515,830	407,730,809	429,441,428
Adjustment - change in accounting principle (Note R)	-	(4,613,244)	-	-	-	(4,613,244)
Net position, beginning of year, as restated	<u>145,180,126</u>	<u>161,312,354</u>	<u>262,550,683</u>	<u>263,515,830</u>	<u>407,730,809</u>	<u>424,828,184</u>
Net position - end of year	<u>\$ 165,925,598</u>	<u>\$ 178,408,313</u>	<u>\$ 263,515,830</u>	<u>\$ 282,625,422</u>	<u>\$ 429,441,428</u>	<u>\$ 461,033,735</u>

## **Government-wide Financial Analysis (continued)**

### ***Governmental activities***

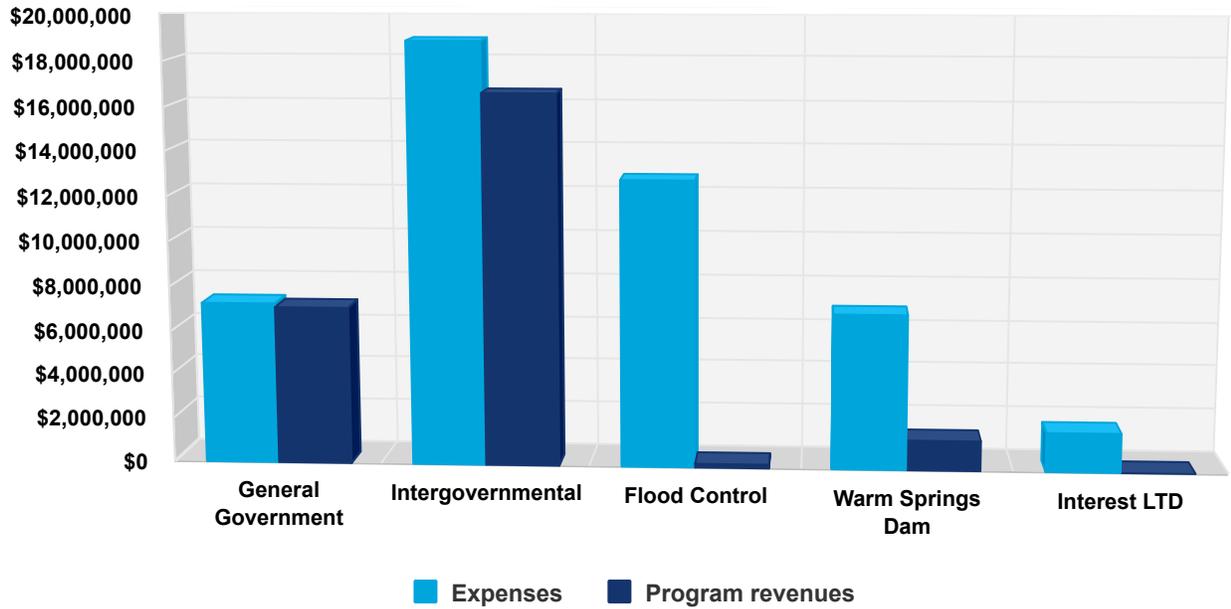
Governmental activities increased Sonoma Water's net position by \$17,095,959 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

- Program revenues for the fiscal year ended June 30, 2025 increased by \$411,903 from the prior fiscal year. This increase consisted of an increase of \$524,022 in operating grants and contributions offset by a decrease of \$112,119 in charges for services.
- Charges for services for the fiscal year totaled \$20,919,526, representing a decrease of \$112,119 from the prior year. The decrease was primarily due to a one-time sale of phosphorus credits during the prior fiscal year.
- Operating grants and contributions totaled \$4,293,565 for the fiscal year, a \$524,022 increase from the prior fiscal year. This increase is primarily due to increased grant funding related to the California Coastal Salmonid Population Monitoring Project and the Bay Area Advanced Quantitative Precipitation Information System project.
- Property tax revenue totaled \$41,090,656, including \$12,421,801 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$2,894,399 from the prior fiscal year due to an increase in the assessed value of taxable property.
- The investment earnings of \$5,575,885 included \$3,030,331 in interest earnings on cash in the County of Sonoma (the County) Treasury Pool. Investment earnings increased by \$686,093 from the prior fiscal year due to higher interest rates.
- Expenses for the General Government increased by \$1,373,660. This increase is primarily due to increased contract costs funded by agreements with local Groundwater Sustainability Agencies and increased operations and maintenance costs at Spring Lake Park.
- Intergovernmental expenses for the fiscal year totaled \$18,938,364, an increase of \$637,993 from the prior fiscal year. The increase is primarily due to an increase in labor costs billed to other governments.
- Expenses for Flood Control decreased by \$231,615, due to decreased costs related to sediment removal projects and reduced heavy equipment rental rates.
- Warm Springs Dam expenses increased by \$811,029 from the prior year, primarily due to increased expenses related to the Russian River Watershed Monitoring project and Russian River Habitat Projects.
- Transfers to business-type activities of \$6,961,652 included work-in-progress intangible assets totaling \$2,521,139 related to the Supervisory Control and Data Acquisition project.

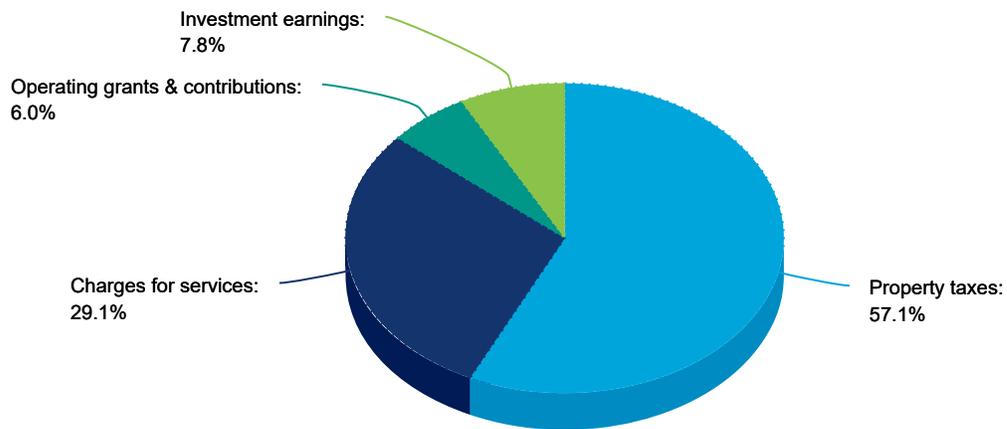


**Government-wide Financial Analysis (continued)**  
**Governmental activities (continued)**

*Expenses and Program Revenues – Governmental Activities*



*Revenues by Source – Governmental Activities*



## Government-wide Financial Analysis (continued)

### *Business-type activities*

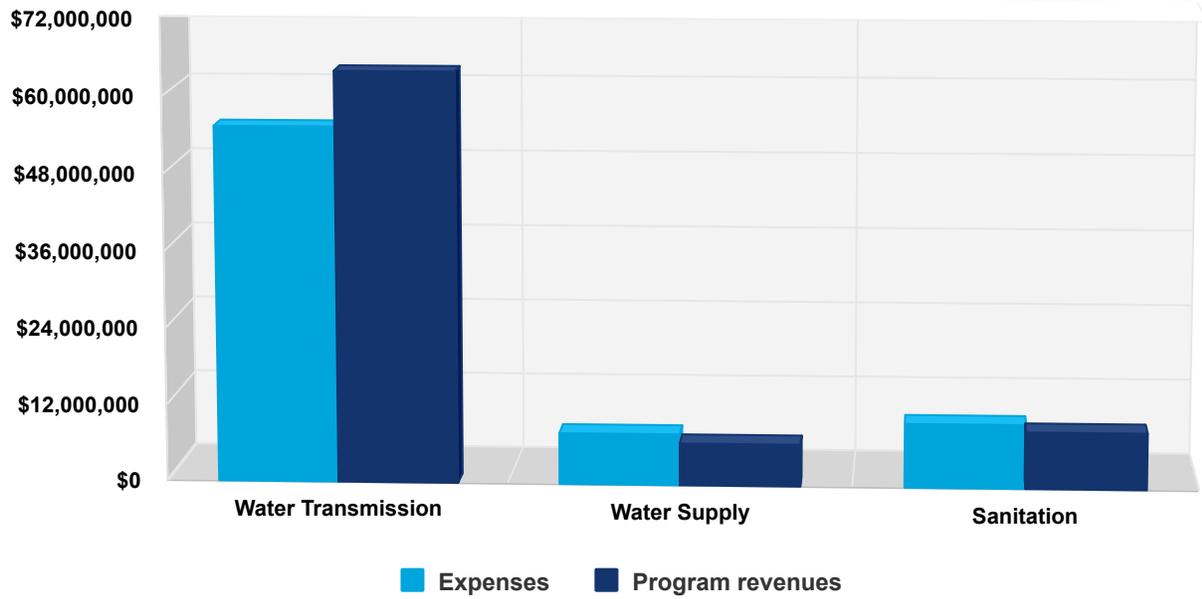
Business-type activities increased Sonoma Water's net position by \$19,109,592. Key elements of Sonoma Water's business-type activities are identified below.

- Charges for services totaled \$72,867,964, representing an increase of \$12,304,079 from the prior fiscal year. The increase was primarily due to an increase of \$11,063,400 in water sales revenue.
- Water sales revenue increased \$11,063,400 from the prior fiscal year. This increase was due to a 9.4% increase in total acre-feet sold and an average increase of 9.3% in water rates charged to prime contractors on the Santa Rosa, Petaluma, and Sonoma Aqueducts.
- Operating grants and contributions for the fiscal year totaled \$2,789,011, representing a decrease of \$2,862,064 from the prior year. This decrease was primarily due to a decrease of \$3,872,757 in funding from the Department of Water Resources Proposition 1 Integrated Regional Water Management Implementation grant offset by increases in the Sonoma Marin Drought Resiliency Project and the Russian River Watershed Resiliency project.
- Capital grants and contributions totaled \$3,770,491 for the fiscal year, an increase of \$1,091,142 from the prior fiscal year. This increase included an increase of \$1,948,391 in state funding for the Sebastopol Road Well Capital Improvement project, offset by a decrease of \$1,101,561 in state funding for the Occidental Road Well Capital project, and an increase of \$267,299 in federal funding for the Hazard Mitigation Grant Program Ely Booster Station project.
- The investment earnings for the fiscal year ended June 30, 2025 totaled \$6,296,407, representing an increase of \$217,105 from investment earnings the prior fiscal year. The increase in investment earnings was primarily due to higher interest rates.
- Expenses for Water Transmission totaled \$55,490,434 an increase of \$974,682 from the prior fiscal year. This increase included an increase of \$405,092 related to the grant-funded Sonoma-Marine Drought Resiliency Project, an increase of \$341,841 related to the Santa Rosa Aqueduct Cathodic Protection Project, and an increase of \$341,428 related to the grant-funded Bay Area Regional Water Conservation Project.
- Water Supply expenses decreased by \$3,320,720 from the prior fiscal year. This decrease was primarily due to a decrease of \$3,878,938 related to the North Bay Water Reuse Authority Phase II Integrated Regional Water Management Plan project offset by increases in the Eel River at Cape Horn project and the Russian River Watershed Resiliency Plan project.
- Sanitation expenses increased by \$144,181 over the prior fiscal year. The increase was related to increased costs for maintenance of lift stations in the Penngrove Sanitation Zone.
- Transfers from Sonoma Water's General Fund totaling \$6,961,652 were received during the fiscal year ended June 30, 2025. More information on these transfers can be found in Note G to the financial statements.

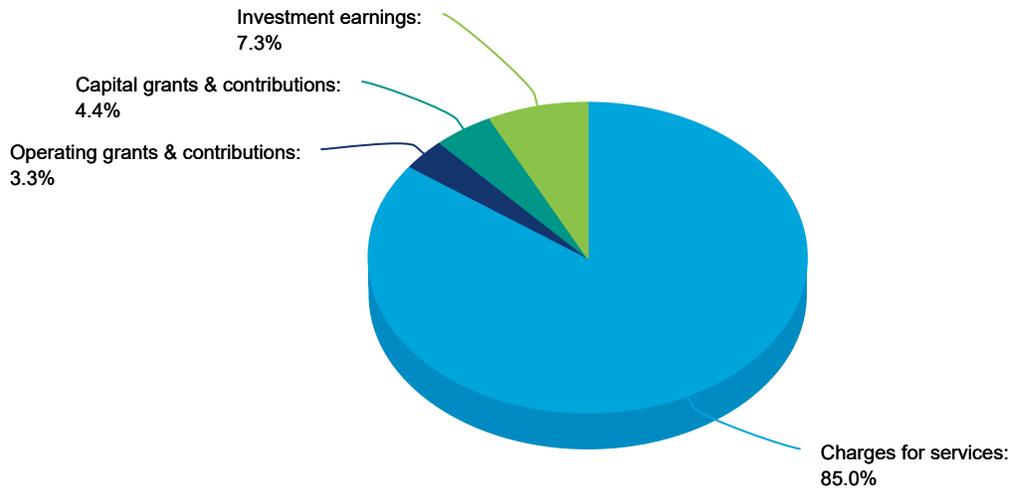


**Government-wide Financial Analysis (continued)**  
**Business-type activities (continued)**

*Expenses and Program Revenues – Business-Type Activities*



*Revenues by Source – Business-Type Activities*



## Financial Analysis of the Government's Funds

As noted earlier, Sonoma Water uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

### **Governmental funds**

The focus of Sonoma Water's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Sonoma Water's financing requirements.

As of June 30, 2025, Sonoma Water's governmental funds reported combined ending fund balances of \$116,070,202, an increase of \$10,551,513 in comparison with the prior year. Approximately 11.1% of this total amount, \$12,883,887, is unassigned fund balance, which is available for spending at Sonoma Water's discretion. The remaining fund balance is categorized based on the relative level of restriction for its use in accordance with GASB Statement No. 54, which is further discussed in Note A to the financial statements.

The General Fund is the chief operating fund of Sonoma Water. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,883,887. Assigned fund balance totaled \$9,174,140 and consisted of encumbered contracts and activities related to the operation of Spring Lake Park, the Waste/Recycled Water Loan Fund and the Sustainability Fund. The General Fund also reported a nonspendable fund balance of \$506,014 due to prepaid items. Total fund balance for the General Fund as of June 30, 2025 was \$22,564,041.

The General Fund's fund balance increased by \$2,992,780, which represents a 15.3% increase in fund balance compared to the prior fiscal year. The increase is primarily due to increased property tax revenue of \$1,018,567, a 5.22% increase to the assessment roll due to a strong residential market combined with a 2% increase to the Consumer Price Index, as well as an increase in charges for services.

The special revenue funds consist of Flood Control and Warm Springs Dam. Flood Control reported restricted fund balance of \$42,191,762 and nonspendable fund balance of \$57,115 due to prepaid items. Total fund balance for Flood Control as of June 30, 2025 was \$42,248,877, a 13.4% increase compared to the prior fiscal year. The increase is mainly due to an increase of \$1,207,488 in property taxes. Warm Springs Dam reported a restricted fund balance of \$10,918,797, a \$1,520,076 or a 16.2% increase compared to the prior fiscal year. The increase is primarily due to increased property tax revenue of \$668,344, a 5.22% increase to the assessment roll due to a strong residential market combined with a 2% increase to the Consumer Price Index. Intergovernmental revenues increased by \$431,450 for the Russian River Watershed Monitoring Project and the Coho Broodstock Monitoring Project. Transfers to the Debt Service Fund decreased by \$1,300,000 from the prior year. These transfers are required to maintain the minimum fund balance in the Debt Service Fund.

The Debt Service Fund had a total fund balance of \$40,338,487 all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance increased by \$1,053,884 which represents a 2.7% increase compared to the prior fiscal year. This increase was due to transfers from the Warm Springs Dam Fund and investment earnings in excess of the amount required for debt service.



## Financial Analysis of the Government's Funds (continued)

### *Proprietary funds*

Sonoma Water's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Water Transmission net position increased by \$12,040,149 to \$189,154,686 from the prior fiscal year, mainly due to an increase of \$10,238,149 in water sales, an increase of \$1,095,091 in capital contributions, and an increase of \$823,638 in intergovernmental revenue.

Water Supply net position increased by \$1,595,865 to \$4,094,181, primarily due to an increase of \$1,665,423 in transfers for Russian River Projects and Recycled Water.

Sanitation net position increased by \$661,650 to \$28,684,840, primarily due to an increase in operating revenues and, a decrease in operating expenses, and an increase of \$880,513 in transfers in. As of July 1, 2024, the Town of Windsor is responsible for collecting and treating the wastewater collected from the Airport, Larkfield, Wikiup Sanitation Zone.

Internal Service Funds net position increased by \$4,811,928 to \$60,691,715 primarily due to a transfer of intangible work in progress of \$2,521,139 from governmental-type activities and an increase of \$788,934 in equipment rental charges. During the year ended June 30, 2025, Water Transmission, Warm Springs Dam, and Sanitation began making annual contributions to the Internal Service Funds for the Supervisory Control and Data Acquisition System upgrade project. These contributions resulted in an increase in equipment rental revenue of \$2,162,194. This increase was partially offset by a decrease of \$1,373,260 in vehicle and heavy equipment rental charges due to a refund of prior-year overpayments.

Unrestricted net position of Water Transmission as of the fiscal year ended June 30, 2025 was \$72,887,819. Water Supply, Sanitation and Internal Service Funds reported unrestricted net positions of \$3,188,315, \$6,031,073, and \$20,344,110, respectively.

## General Fund Budgetary Highlights

Sonoma Water's final budget appropriations for expenditures of the General Fund increased by \$7,931,211 over the original budget, or 22.3%. The largest increase in the final budget appropriations was related to other contract services which increased by \$5,325,615 compared to the original budget. The majority of this increase represents contract services rebudgeted from the prior year due to delays in executing contracts. Final budgeted revenues also increased by \$4,659,349 over the original budget, or 13.4%, all of which related to the State grant funding budget.

### **Revenues**

The General Fund's actual revenues were \$1,058,366 less than the final budgeted revenue estimates. Key variances are as follows:

- Property tax revenues were over budget by \$857,633 primarily due to growth in real property assessed values.
- Charges for services were over budget by \$768,923 due to increased reimbursements from the four sanitation districts for direct labor and overhead charges.
- Investment earnings were over budget by \$1,102,567 due to higher than expected interest rates.

Intergovernmental revenue was under budget by \$3,495,481 primarily due to lower than estimated state grant funding due to delays in grant related projects.

### **Expenditures**

The General Fund's actual expenditures were under budget compared to the final budgeted estimates, resulting in \$11,146,106 of unspent appropriations. Key variances are as follows:

- Unspent appropriations for capital outlay were \$1,708,515 due to project delays.
- Unspent appropriations for general government expenditures were \$9,109,113. This included \$4,065,776 in underestimated reimbursements from other funds for district services. The remaining \$5,043,337 in unspent appropriations was primarily due to project delays.



## Capital Asset and Debt Administration

### Capital assets

Sonoma Water's investment in capital assets, net of accumulated depreciation and amortization, for its governmental and business-type activities as of June 30, 2025, was \$344,510,676. This investment in capital assets includes land, land improvements, intangible assets such as water storage rights and permanent easements, buildings and improvements, infrastructure, and machinery and equipment.

Major capital asset events during the fiscal year ended June 30, 2025 included the completion of the following projects (the amounts shown represent the total life-to-date construction costs of each project).

#### Governmental activities:

Capital expansion within the Flood Control Funds included the Washington Creek Retaining Wall project with a cost basis of \$871,876.

#### Business-type activities:

Capital acquisition within the Internal Service Funds included equipment purchases totaling \$1,154,199.

### Capital Assets

(net of accumulated depreciation and amortization)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025
Land	\$ 1,597,189	\$ 1,597,189	\$ 11,802,030	\$ 11,802,030	\$ 13,399,219	\$ 13,399,219
Land improvements	78,479	66,248	885,154	698,692	963,633	764,940
Construction in progress	5,151,173	3,939,308	17,154,546	31,728,170	22,305,719	35,667,478
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	3,196,077	3,144,612	2,902,610	2,904,705	6,098,687	6,049,317
Intangible asset - software	-	-	91,088	79,333	91,088	79,333
Intangible assets - right to use SBITA assets	-	-	5,208	-	5,208	-
Infrastructure	23,442,872	22,920,202	128,276,103	119,936,500	151,718,975	142,856,702
Buildings and improvements	1,008,897	932,748	32,936,403	31,232,424	33,945,300	32,165,172
Machinery and equipment	570,873	476,454	5,534,790	5,684,666	6,105,663	6,161,120
Total capital assets	<u>\$ 137,416,560</u>	<u>\$ 135,447,761</u>	<u>\$ 204,584,327</u>	<u>\$ 209,062,915</u>	<u>\$ 342,000,887</u>	<u>\$ 344,510,676</u>

Additional information on Sonoma Water's capital assets can be found in Note E to the basic financial statements.

## Capital Asset and Debt Administration (continued)

### Long-Term Obligations

As of June 30, 2025, Sonoma Water had a total of \$127,827,256 in outstanding long-term obligations.

#### Outstanding Current and Long-Term Obligations

	Governmental Activities		Business -Type Activities		Change	
	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	\$	%
Revenue bonds	\$ -	\$ -	\$ 47,390,457	\$ 44,809,040	\$ (2,581,417)	(5.4%)
Advances from other governments	-	-	3,911,366	2,973,893	(937,473)	(24.0%)
Long-term contract payable	57,439,889	53,006,754	-	-	(4,433,135)	(7.7%)
Compensated absences	4,025,592	8,938,951	-	-	4,913,359	122.1%
Pollution remediation	119,077	132,858	-	-	13,781	11.6%
Net pension liability	15,132,891	10,254,984	-	-	(4,877,907)	(32.2%)
Other postemployment benefits	10,785,462	7,710,776	-	-	(3,074,686)	(28.5%)
<b>Total</b>	<b>\$ 87,502,911</b>	<b>\$ 80,044,323</b>	<b>\$ 51,301,823</b>	<b>\$ 47,782,933</b>	<b>\$ (10,977,478)</b>	<b>(7.9%)</b>

Sonoma Water's total long-term obligations decreased by \$10,977,478 (7.9%) during the fiscal year ended June 30, 2025.

The outstanding principal balance of revenue bonds payable, advances from other governments, and long-term contract payable decreased during the fiscal year ended June 30, 2025 due to regularly scheduled principal payments.

Compensated absences liability increased by \$4,913,359, primarily due to the implementation of GASB Statement No. 101, "Compensated Absences".

Net pension liability decreased by \$4,877,907, primarily because of the favorable return on investments held in the trust to provide for the pension obligation.

Other postemployment benefits decreased by \$3,074,686, due to a combination of (1) investment income exceeding the expected return and (2) a liability gain due to differences between expected and actual plan experience.

Additional information on Sonoma Water's current and long-term debt can be found in Note H to the financial statements.



## Economic Factors and Next Year's Budgets and Rates

As of June 30, 2025, unassigned fund balance in the General Fund was \$12,883,887. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$9,134,998 in the fiscal year ending June 30, 2026 reduces unassigned fund balance.

Water sales revenue is expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2026 budget. Water rates increased by an average of 9.6% while sewer rates increased an average of 8.4%.

The following are tables showing the rates charged per acre-foot of water used for municipal purposes by the water contractors, along with sanitation services rates and equivalent single family dwellings by sanitation zone.

### FY 25/26 Charges per Acre-Foot for Water Used for Municipal Purposes by Water Contractors

	Santa Rosa Aqueduct	Petaluma Aqueduct	Sonoma Aqueduct
Operations and maintenance	\$ 1,143	\$ 1,143	\$ 1,143
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	145
Storage facility revenue bonds charge	50	50	50
Common facilities revenue bonds charge	196	196	196
Aqueduct capital charge	11	26	35
Total	<u>\$ 1,400</u>	<u>\$ 1,415</u>	<u>\$ 1,569</u>

### Sewer Service Rate per Equivalent Single-Family Dwelling

Sanitation Zone	24/25	25/26	Change
Sea Ranch	\$ 1,658	\$ 1,806	8.9%
Penngrove	2,132	2,298	7.8%
Geyserville	1,548	1,680	8.5%
Airport-Larkfield-Wikiup	1,332	1,444	8.4%

### Number of Equivalent Single-Family Dwellings by Sanitation Zone

Sanitation Zone	24/25	25/26	Change
Sea Ranch	624	626	0.3%
Penngrove	554	556	0.4%
Geyserville	371	370	-0.3%
Airport-Larkfield-Wikiup	4,129	4,137	0.2%

**BASIC FINANCIAL  
STATEMENTS**



**Statement of Net Position**  
**June 30, 2025**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 102,847,541	\$ 107,702,034	\$ 210,549,575
Restricted cash and investments	-	3,551,203	3,551,203
Deposits with others	-	704,570	704,570
Accounts receivable	4,498,819	17,100,248	21,599,067
Prepaid items	563,129	486,873	1,050,002
Inventories	-	418,051	418,051
Internal balances	15,248	(15,248)	-
Total current assets	<u>107,924,737</u>	<u>129,947,731</u>	<u>237,872,468</u>
Noncurrent assets:			
Restricted cash and investments	13,440,132	4,726,623	18,166,755
Accounts receivable	1,638,653	3,679,300	5,317,953
Reserves on deposit	-	912,440	912,440
Capital assets, net:			
Land	1,597,189	11,802,030	13,399,219
Land improvements	66,248	698,692	764,940
Construction in progress	3,939,308	31,728,170	35,667,478
Intangible assets	105,515,612	7,980,433	113,496,045
Infrastructure	22,920,202	119,936,500	142,856,702
Buildings and improvements	932,748	31,232,424	32,165,172
Equipment	476,454	5,684,666	6,161,120
Total capital assets, net	<u>135,447,761</u>	<u>209,062,915</u>	<u>344,510,676</u>
Total noncurrent assets	<u>150,526,546</u>	<u>218,381,278</u>	<u>368,907,824</u>
Total assets	<u>258,451,283</u>	<u>348,329,009</u>	<u>606,780,292</u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	7,894,969	-	7,894,969
Deferred amounts related to OPEB	4,906,070	-	4,906,070
Deferred amounts related to charge on refunding	-	127,426	127,426
Total deferred outflows of resources	<u>12,801,039</u>	<u>127,426</u>	<u>12,928,465</u>

The accompanying notes are an integral part of these financial statements

**Statement of Net Position (continued)**  
**June 30, 2025**

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	4,576,694	7,373,074	11,949,768
Due to other governments	-	986,429	986,429
Interest payable	1,139,646	1,121	1,140,767
Unearned revenue	717,973	2,011,243	2,729,216
Advances from other governments	-	478,579	478,579
Deposits from others	-	18,530	18,530
Compensated absences	3,356,451	-	3,356,451
Long-term contracts payable	4,576,104	-	4,576,104
Total current liabilities payable from unrestricted assets	<u>14,366,868</u>	<u>10,868,976</u>	<u>25,235,844</u>
Current liabilities payable from restricted assets:			
Interest payable	-	856,250	856,250
Revenue bonds payable	-	2,694,954	2,694,954
Total current liabilities payable from restricted assets	<u>-</u>	<u>3,551,204</u>	<u>3,551,204</u>
Total current liabilities	<u>14,366,868</u>	<u>14,420,180</u>	<u>28,787,048</u>
Noncurrent liabilities:			
Unearned revenue	-	3,535,582	3,535,582
Advances from other governments	-	2,495,314	2,495,314
Compensated absences	5,582,500	-	5,582,500
Revenue bonds payable	-	45,284,945	45,284,945
Long-term contracts payable	48,430,650	-	48,430,650
Net pension liability	10,254,984	-	10,254,984
Other postemployment benefits liability	7,710,776	-	7,710,776
Pollution remediation obligation	132,858	-	132,858
Total noncurrent liabilities	<u>72,111,768</u>	<u>51,315,841</u>	<u>123,427,609</u>
Total liabilities	<u>86,478,636</u>	<u>65,736,021</u>	<u>152,214,657</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	5,183,859	-	5,183,859
Deferred amounts related to OPEB	1,181,514	-	1,181,514
Deferred amounts related to charge on refunding	-	94,992	94,992
Total deferred inflows of resources	<u>6,365,373</u>	<u>94,992</u>	<u>6,460,365</u>

The accompanying notes are an integral part of these financial statements

**Statement of Net Position (continued)**  
**June 30, 2025**

	Governmental Activities	Business-Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	82,263,945	160,727,166	242,991,111
Restricted for:			
Flood control	42,116,014	-	42,116,014
Warm Springs Dam	50,117,640	-	50,117,640
Water management planning	-	364,191	364,191
Watershed planning and restoration	-	12,219,747	12,219,747
Recycled water and local supply	-	415,681	415,681
Water conservation	-	841,496	841,496
Debt service	-	4,693,384	4,693,384
Other purposes	-	912,440	912,440
Unrestricted	3,910,714	102,451,317	106,362,031
Total net position	\$ 178,408,313	\$ 282,625,422	\$ 461,033,735

The accompanying notes are an integral part of these financial statements

**Statement of Activities  
For the Fiscal Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 7,265,897	\$ 4,211,766	\$ 2,886,027	\$ -	\$ (168,104)	\$ -	\$ (168,104)
Intergovernmental	18,938,364	16,660,760	-	-	(2,277,604)	-	(2,277,604)
Flood control	12,872,134	47,000	105,008	-	(12,720,126)	-	(12,720,126)
Warm Springs Dam	6,988,502	-	1,302,530	-	(5,685,972)	-	(5,685,972)
Interest on long-term debt	1,757,124	-	-	-	(1,757,124)	-	(1,757,124)
Total governmental activities	47,822,021	20,919,526	4,293,565	-	(22,608,930)	-	(22,608,930)
<b>Business-type activities:</b>							
Water transmission	55,490,434	59,453,872	968,398	3,684,339	-	8,616,175	8,616,175
Water supply	8,063,535	4,752,202	1,820,613	-	-	(1,490,720)	(1,490,720)
Sanitation	10,021,969	8,661,890	-	86,152	-	(1,273,927)	(1,273,927)
Total business-type activities	73,575,938	72,867,964	2,789,011	3,770,491	-	5,851,528	5,851,528
Total primary government	\$ 121,397,959	\$ 93,787,490	\$ 7,082,576	\$ 3,770,491	(22,608,930)	5,851,528	(16,757,402)
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					28,668,855	-	28,668,855
Property taxes, levied for debt service and assurances					12,421,801	5	12,421,806
Investment earnings					5,575,885	6,296,407	11,872,292
Transfers					(6,961,652)	6,961,652	-
Total general revenues and transfers					39,704,889	13,258,064	52,962,953
Change in net position					17,095,959	19,109,592	36,205,551
Net position - beginning of year, as previously reported					165,925,598	263,515,830	429,441,428
Adjustment - change in accounting principle (Note R)					(4,613,244)	-	(4,613,244)
Net position - beginning of the year, as restated					161,312,354	263,515,830	424,828,184
Net position - end of year					\$ 178,408,313	\$ 282,625,422	\$ 461,033,735

The accompanying notes are an integral part of these financial statements



**Balance Sheet  
Governmental Funds  
June 30, 2025**

	General	Special Revenue Funds			Total Governmental Funds
		Flood Control	Warm Springs Dam	Debt Service	
<b>Assets</b>					
Cash and investments	\$ 21,407,437	\$ 42,961,708	\$ 11,580,041	\$ 26,898,355	\$ 102,847,541
Restricted cash and investments	-	-	-	13,440,132	13,440,132
Accounts receivable	5,598,416	3,186	535,870	-	6,137,472
Prepaid items	506,014	57,115	-	-	563,129
Due from other funds	15,248	-	-	-	15,248
<b>Total assets</b>	<b>\$ 27,527,115</b>	<b>\$ 43,022,009</b>	<b>\$ 12,115,911</b>	<b>\$ 40,338,487</b>	<b>\$ 123,003,522</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,955,021	\$ 424,559	\$ 1,197,114	\$ -	\$ 4,576,694
Unearned income	369,400	348,573	-	-	717,973
<b>Total liabilities</b>	<b>3,324,421</b>	<b>773,132</b>	<b>1,197,114</b>	<b>-</b>	<b>5,294,667</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - intergovernmental	1,638,653	-	-	-	1,638,653
<b>Fund balances</b>					
Nonspendable	506,014	57,115	-	-	563,129
Restricted	-	42,191,762	10,918,797	40,338,487	93,449,046
Assigned	9,174,140	-	-	-	9,174,140
Unassigned	12,883,887	-	-	-	12,883,887
<b>Total fund balances</b>	<b>22,564,041</b>	<b>42,248,877</b>	<b>10,918,797</b>	<b>40,338,487</b>	<b>116,070,202</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 27,527,115</b>	<b>\$ 43,022,009</b>	<b>\$ 12,115,911</b>	<b>\$ 40,338,487</b>	<b>\$ 123,003,522</b>

The accompanying notes are an integral part of these financial statements

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2025**

Fund balances - total governmental funds	\$ 116,070,202
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds	135,447,761
Certain amounts are not available to pay current period expenditures and therefore are reported as deferred inflows of resources in the governmental funds	1,638,653
Deferred outflows of resources are reported in the statement of net position but not reported in the governmental funds	12,801,039
Deferred inflows of resources are reported in the statement of net position but not reported in the governmental funds	(6,365,373)
Some liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds:	
Interest payable	(1,139,646)
Compensated absences	(8,938,951)
Long-term contracts payable	(53,006,754)
Net pension liability	(10,254,984)
Other postemployment benefits liability	(7,710,776)
Pollution remediation obligation	(132,858)
Net position of governmental activities	<u>\$ 178,408,313</u>

The accompanying notes are an integral part of these financial statements



**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2025**

	Special Revenue Funds				Total Governmental Funds
	General	Flood Control	Warm Springs Dam	Debt Service	
<b>Revenues</b>					
Property taxes	\$ 13,434,106	\$ 15,234,749	\$ 12,421,801	\$ -	\$ 41,090,656
Investment earnings	1,380,267	2,125,726	730,437	1,339,455	5,575,885
Intergovernmental	2,713,197	132,408	1,302,530	-	4,148,135
Charges for services	20,838,735	47,000	-	-	20,885,735
Miscellaneous	33,792	-	-	-	33,792
Total revenues	38,400,097	17,539,883	14,454,768	1,339,455	71,734,203
<b>Expenditures</b>					
Current:					
General government	10,941,175	-	-	-	10,941,175
Intergovernmental	18,938,364	-	1,133,944	-	20,072,308
Flood control	-	11,437,803	-	-	11,437,803
Warm Springs Dam	-	-	5,801,563	-	5,801,563
Capital outlay	1,087,265	1,116,492	-	-	2,203,757
Debt service:					
Principal	-	-	-	4,433,135	4,433,135
Interest and fiscal charges	-	-	-	1,852,436	1,852,436
Total expenditures	30,966,804	12,554,295	6,935,507	6,285,571	56,742,177
<b>Excess (deficiency) of revenues over (under) expenditures</b>	7,433,293	4,985,588	7,519,261	(4,946,116)	14,992,026
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	6,000,000	6,000,000
Transfers out	(4,440,513)	-	(6,000,000)	-	(10,440,513)
Total other financing uses	(4,440,513)	-	(6,000,000)	6,000,000	(4,440,513)
<b>Net change in fund balances</b>	2,992,780	4,985,588	1,519,261	1,053,884	10,551,513
Fund balances - beginning of year	19,571,261	37,263,289	9,399,536	39,284,603	105,518,689
Fund balances - end of year	\$ 22,564,041	\$ 42,248,877	\$ 10,918,797	\$ 40,338,487	\$ 116,070,202

The accompanying notes are an integral part of these financial statements

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2025**

Net change in fund balances - total governmental funds	\$ 10,551,513
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Capital outlay	2,203,757
Transfer of assets to business-type activities	(2,521,139)
Depreciation and amortization expense	(1,651,415)
Payment of a long-term payable is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	4,433,135
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	145,429
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	
Change in interest payable	95,312
Change in compensated absences	(300,115)
Change in net pension liability	1,068,846
Change in other postemployment benefits liability	3,084,417
Change in pollution remediation obligation	(13,781)
Change in net position of governmental activities	<u>\$ 17,095,959</u>

The accompanying notes are an integral part of these financial statements



**Statement of Net Position  
Proprietary Funds  
June 30, 2025**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
<b>Assets</b>					
Current Assets:					
Cash and investments	\$ 79,777,693	\$ 3,583,483	\$ 10,074,235	\$ 93,435,411	\$ 14,266,623
Restricted cash and investments	3,151,566	-	399,637	3,551,203	-
Deposits with others	-	-	-	-	704,570
Accounts receivable, net	12,539,006	4,244,879	282,667	17,066,552	33,696
Prepaid items	19,973	51,500	31,285	102,758	384,115
Inventories	418,051	-	-	418,051	-
Total current assets	<u>95,906,289</u>	<u>7,879,862</u>	<u>10,787,824</u>	<u>114,573,975</u>	<u>15,389,004</u>
Noncurrent assets:					
Restricted cash and investments	4,392,236	-	334,387	4,726,623	-
Accounts receivable	800,870	2,648	2,875,782	3,679,300	-
Advances to other funds	-	-	-	-	5,579,327
Reserves on deposit	-	-	-	-	912,440
Capital assets, net:					
Land	7,839,400	-	1,621,444	9,460,844	2,341,186
Land improvements	-	431,099	-	431,099	267,593
Construction in progress	25,526,349	-	2,626,454	28,152,803	3,575,367
Intangible assets	7,875,429	-	70,567	7,945,996	34,437
Infrastructure	101,673,011	466,039	17,797,450	119,936,500	-
Buildings and improvements	3,031,070	-	-	3,031,070	28,201,354
Equipment	203,133	8,728	405,073	616,934	5,067,732
Total capital assets, net	<u>146,148,392</u>	<u>905,866</u>	<u>22,520,988</u>	<u>169,575,246</u>	<u>39,487,669</u>
Total noncurrent assets	<u>151,341,498</u>	<u>908,514</u>	<u>25,731,157</u>	<u>177,981,169</u>	<u>45,979,436</u>
Total assets	<u>247,247,787</u>	<u>8,788,376</u>	<u>36,518,981</u>	<u>292,555,144</u>	<u>61,368,440</u>
<b>Deferred Outflows of Resources</b>					
Deferred amounts related to charge on refunding	105,300	-	22,126	127,426	-

The accompanying notes are an integral part of these financial statements

**Statement of Net Position (continued)**  
**Proprietary Funds**  
**June 30, 2025**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	4,863,917	376,176	1,456,368	6,696,461	676,613
Due to other governments	580,302	406,127	-	986,429	-
Interest payable	1,009	-	-	1,009	112
Unearned revenue	860,854	1,150,389	-	2,011,243	-
Advances from other governments	478,579	-	-	478,579	-
Deposits from others	4,230	14,100	200	18,530	-
Due to other funds	3,600	-	11,648	15,248	-
Total current liabilities payable from unrestricted assets	<u>6,792,491</u>	<u>1,946,792</u>	<u>1,468,216</u>	<u>10,207,499</u>	<u>676,725</u>
Current liabilities payable from restricted assets:					
Interest payable	851,566	-	4,684	856,250	-
Revenue bonds payable	2,300,000	-	394,954	2,694,954	-
Total current liabilities payable from restricted assets	<u>3,151,566</u>	<u>-</u>	<u>399,638</u>	<u>3,551,204</u>	<u>-</u>
Total current liabilities	<u>9,944,057</u>	<u>1,946,792</u>	<u>1,867,854</u>	<u>13,758,703</u>	<u>676,725</u>
Noncurrent liabilities:					
Unearned revenue	788,179	2,747,403	-	3,535,582	-
Advances from other governments	2,495,314	-	-	2,495,314	-
Revenue bonds payable	44,875,859	-	409,086	45,284,945	-
Advances from other funds	-	-	5,579,327	5,579,327	-
Total noncurrent liabilities	<u>48,159,352</u>	<u>2,747,403</u>	<u>5,988,413</u>	<u>56,895,168</u>	<u>-</u>
Total liabilities	<u>58,103,409</u>	<u>4,694,195</u>	<u>7,856,267</u>	<u>70,653,871</u>	<u>676,725</u>
<b>Deferred Inflows of Resources</b>					
Deferred amounts related to charge on refunding	94,992	-	-	94,992	-
<b>Net position</b>					
Net investment in capital assets	98,647,061	905,866	21,739,074	121,292,001	39,435,165
Restricted for:					
Water management planning	364,191	-	-	364,191	-
Watershed planning and restoration	12,219,747	-	-	12,219,747	-
Recycled water and local supply	415,681	-	-	415,681	-
Water conservation	656,143	-	185,353	841,496	-
Reserves on deposit	-	-	-	-	912,440
Debt service	3,964,044	-	729,340	4,693,384	-
Unrestricted	<u>72,887,819</u>	<u>3,188,315</u>	<u>6,031,073</u>	<u>82,107,207</u>	<u>20,344,110</u>
Total net position	<u>\$ 189,154,686</u>	<u>\$ 4,094,181</u>	<u>\$ 28,684,840</u>	<u>221,933,707</u>	<u>\$ 60,691,715</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				60,691,715	
Net position of business-type activities				<u>\$ 282,625,422</u>	

The accompanying notes are an integral part of these financial statements

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2025**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
<b>Operating revenues</b>					
Water sales	\$ 58,904,195	\$ 4,313,991	\$ -	\$ 63,218,186	\$ -
Water services	50,976	-	-	50,976	-
Power sales	-	-	-	-	6,572,140
Flat charges	-	-	7,969,813	7,969,813	-
Sanitation services	-	-	340,979	340,979	-
Equipment rental	-	-	-	-	5,387,086
Real estate rental	-	-	-	-	4,391,661
Miscellaneous	498,701	438,211	158,364	1,095,276	213,114
Total operating revenue	<u>59,453,872</u>	<u>4,752,202</u>	<u>8,469,156</u>	<u>72,675,230</u>	<u>16,564,001</u>
<b>Operating expenses</b>					
Services and supplies	47,236,138	7,791,502	7,869,553	62,897,193	12,427,273
Depreciation and amortization	7,203,008	179,366	1,282,090	8,664,464	2,654,832
Total operating expenses	<u>54,439,146</u>	<u>7,970,868</u>	<u>9,151,643</u>	<u>71,561,657</u>	<u>15,082,105</u>
<b>Operating income (loss)</b>	<u>5,014,726</u>	<u>(3,218,666)</u>	<u>(682,487)</u>	<u>1,113,573</u>	<u>1,481,896</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	4,747,340	178,174	562,000	5,487,514	808,893
Taxes and assessments	-	-	5	5	-
Interest expense	(1,551,143)	-	(263,978)	(1,815,121)	-
Loss on disposal of capital assets, net of gain	-	-	(763,289)	(763,289)	-
Real estate rental	-	-	192,734	192,734	-
Intergovernmental revenue	968,398	1,820,613	-	2,789,011	-
Grant pass-through	(823,511)	(94,256)	-	(917,767)	-
Total nonoperating revenues, net	<u>3,341,084</u>	<u>1,904,531</u>	<u>(272,528)</u>	<u>4,973,087</u>	<u>808,893</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>8,355,810</u>	<u>(1,314,135)</u>	<u>(955,015)</u>	<u>6,086,660</u>	<u>2,290,789</u>
Capital contributions - connection fees	-	-	86,152	86,152	-
Capital contributions	3,684,339	-	-	3,684,339	2,521,139
Transfers in	-	2,910,000	1,530,513	4,440,513	-
<b>Change in net position</b>	<u>12,040,149</u>	<u>1,595,865</u>	<u>661,650</u>	<u>14,297,664</u>	<u>4,811,928</u>
Net position - beginning of year	<u>177,114,537</u>	<u>2,498,316</u>	<u>28,023,190</u>		<u>55,879,787</u>
<b>Net position - end of year</b>	<u>\$ 189,154,686</u>	<u>\$ 4,094,181</u>	<u>\$ 28,684,840</u>		<u>\$ 60,691,715</u>
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				<u>4,811,928</u>	
Change in net position of business-type activities				<u>\$ 19,109,592</u>	

The accompanying notes are an integral part of these financial statements

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2025**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
<b>Cash flows from operating activities:</b>					
Cash receipts from customers	\$ 56,848,817	\$ 3,362,761	\$ 7,491,068	\$ 67,702,646	\$ -
Cash receipts from interfund services provided	-	-	-	-	16,530,305
Cash payments for interfund services used	(30,115,035)	(3,834,102)	(2,305,454)	(36,254,591)	(4,612,337)
Cash payments to suppliers	(17,743,633)	(4,065,847)	(5,145,284)	(26,954,764)	(7,770,197)
Net cash provided by (used for) operating activities	<u>8,990,149</u>	<u>(4,537,188)</u>	<u>40,330</u>	<u>4,493,291</u>	<u>4,147,771</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	-	2,910,000	1,354,513	4,264,513	-
Taxes and assessments	-	-	5	5	-
Intergovernmental receipts	434,015	5,029,955	-	5,463,970	-
Refunds of prior year intergovernmental receipts	(453,137)	-	-	(453,137)	-
Real estate rental	-	-	192,734	192,734	-
Grant pass-through	(334,438)	(3,655,143)	-	(3,989,581)	-
Net cash provided by (used for) noncapital financing activities	<u>(353,560)</u>	<u>4,284,812</u>	<u>1,547,252</u>	<u>5,478,504</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(7,573,994)	-	(2,412,494)	(9,986,488)	(1,974,784)
Principal paid on revenue bonds	(2,190,000)	-	(391,417)	(2,581,417)	-
Principal paid on advances from other governments	(937,472)	-	-	(937,472)	-
Interest paid on long-term debt	(1,860,640)	-	(244,132)	(2,104,772)	-
Connection fees	-	-	733,279	733,279	-
Capital contributions	1,865,342	-	-	1,865,342	-
Transfers in	-	-	176,000	176,000	-
Principal paid on interfund borrowing	-	-	(154,000)	(154,000)	-
Net cash used for capital and related financing activities	<u>(10,696,764)</u>	<u>-</u>	<u>(2,292,764)</u>	<u>(12,989,528)</u>	<u>(1,974,784)</u>
<b>Cash flows from investing activities:</b>					
Investment earnings	4,747,340	178,174	562,000	5,487,514	808,893
Principal received on interfund loans	-	-	-	-	154,000
Net cash provided by investing activities	<u>4,747,340</u>	<u>178,174</u>	<u>562,000</u>	<u>5,487,514</u>	<u>962,893</u>
Net increase (decrease) in cash and cash equivalents	2,687,165	(74,202)	(143,182)	2,469,781	3,135,880
Cash and cash equivalents - beginning of year	84,634,330	3,657,685	10,951,441	99,243,456	11,130,743
Cash and cash equivalents - end of year	<u>\$ 87,321,495</u>	<u>\$ 3,583,483</u>	<u>\$ 10,808,259</u>	<u>\$ 101,713,237</u>	<u>\$ 14,266,623</u>
<b>Reconciliation to the statement of net position:</b>					
Cash and investments	\$ 79,777,693	\$ 3,583,483	\$ 10,074,235	\$ 93,435,411	\$ 14,266,623
Restricted cash and investments	7,543,802	-	734,024	8,277,826	-
Cash and cash equivalents	<u>\$ 87,321,495</u>	<u>\$ 3,583,483</u>	<u>\$ 10,808,259</u>	<u>\$ 101,713,237</u>	<u>\$ 14,266,623</u>

The accompanying notes are an integral part of these financial statements

**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2025**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 5,014,726	\$ (3,218,666)	\$ (682,487)	\$ 1,113,573	\$ 1,481,896
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	7,203,008	179,366	1,282,090	8,664,464	2,654,832
Change in assets and liabilities:					
Accounts receivable	(3,341,557)	(1,083,946)	(464,506)	(4,890,009)	(33,696)
Deposits from others	-	-	(100)	(100)	-
Other long-term assets	-	-	-	-	(640)
Prepaid items	(13,843)	(50,272)	912	(63,203)	119,302
Unearned revenue	736,501	(310,141)	(513,579)	(87,219)	-
Due to other governments	13,923	-	(706,633)	(692,710)	-
Due to other funds	3,600	-	11,648	15,248	-
Accounts payable and accrued expenses	(208,158)	(53,529)	1,112,985	851,298	(73,923)
Inventories	(418,051)	-	-	(418,051)	-
Net cash provided by (used for) operating activities	<u>\$ 8,990,149</u>	<u>\$ (4,537,188)</u>	<u>\$ 40,330</u>	<u>\$ 4,493,291</u>	<u>\$ 4,147,771</u>
<b>Noncash investing, capital, or financing activities:</b>					
Loss on disposal of capital assets	\$ -	\$ -	\$ 763,290	\$ 763,290	\$ -
Grants receivable	355,643	-	-	355,643	-
Acquisition of capital assets through current liabilities	90,079	-	-	90,079	52,504
Transfer of capital project from governmental activities	-	-	-	-	2,521,139

The accompanying notes are an integral part of these financial statements

---

# NOTES TO THE BASIC FINANCIAL STATEMENTS

---



The notes to the basic financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of Sonoma Water as follows:

- Note A. Summary of Significant Accounting Policies
- Note B. Budgetary and Legal Compliance
- Note C. Cash and Investments
- Note D. Accounts Receivable
- Note E. Capital Assets
- Note F. Unearned Revenue
- Note G. Interfund Transactions
- Note H. Long-Term Obligations
- Note I. Pollution Remediation Obligation
- Note J. Net Position
- Note K. Employees' Retirement Plan
- Note L. Other Postemployment Benefits (OPEB)
- Note M. Deferred Compensation Plan
- Note N. Related Party Transactions
- Note O. Risk Management
- Note P. Commitments and Contingencies
- Note Q. Economic Dependence
- Note R. Restatement of Net Position

**Note A. Summary of Significant Accounting Policies***Defining the Financial Reporting Entity*

The Sonoma County Water Agency (Sonoma Water) was created in 1949 by an act of the California Legislature. Sonoma Water is a countywide special district responsible for domestic water supply delivery to eight prime contractors (the cities of Santa Rosa, Petaluma, Sonoma, Rohnert Park, and Cotati, the Town of Windsor, as well as Valley of the Moon Water District and the North Marin Water District). Sonoma Water designs, constructs and maintains flood control facilities. Sonoma Water began generating electrical energy in 1988. Sonoma Water owns Spring Lake and Riverfront Parks which are operated and maintained by Sonoma County Regional Parks Department via contract.

On January 1, 1995, as part of the countywide reorganization, seven county service areas were transferred from the County of Sonoma (the County) to Sonoma Water. Since then, three sanitation zones have been reorganized and transferred to their own districts. The four remaining sanitation zones provide wastewater treatment, reclamation, and disposal services.

Sonoma Water is governed by the Board of Supervisors of the County, who act ex-officio as the Board of Directors (Board) of Sonoma Water. Since the exercise of this oversight responsibility causes Sonoma Water to be an integral part of the County's reporting entity, Sonoma Water is a component unit of the County. Sonoma Water's basic financial statements are included in the County's Annual Comprehensive Financial Report.

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of Sonoma Water as a whole. The effect of interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees charged to external parties and charges for services provided.

The statement of net position presents the financial condition of the governmental and business type activities of Sonoma Water at fiscal year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Sonoma Water uses funds to maintain control over resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.



**Note A. Summary of Significant Accounting Policies (continued)***Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operations of Sonoma Water are included in the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized in the year in which all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify when the resources are required to be used or when use is first permitted; matching requirements, in which Sonoma Water must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Sonoma Water on a reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when earned, measurable, and available (collectible within the current period or soon enough after to pay liabilities of the current period). Interest income, certain state and federal grants, and charges for services are considered available if received within three hundred sixty five days of the end of the current fiscal year. Property taxes are considered available if collected within sixty days of the end of the fiscal year. Permits and fines are recorded as revenue when received because they are generally not measurable until received. Amounts owed to Sonoma Water which are not available are recorded as unavailable revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pollution remediation obligations and claims and judgments, are recorded only when payment is due (matured). This approach differs from the manner in which the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from exchange transactions associated with the principal ongoing activity of the fund. All revenues and expenses not meeting this definition, such as operating grants, investment earnings, and interest expense, are reported as non-operating items. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as operating grants, subsidies, and investment earnings, result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available, unrestricted resources are used only after the restricted resources are depleted.

Sonoma Water's funds are divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds account for the functions reported as governmental activities in the government-wide statements. Sonoma Water reports three types of governmental funds: the General Fund, Special Revenue Funds, and the Debt Service Fund.

**Note A. Summary of Significant Accounting Policies (continued)***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

*General Fund:* This fund is established to account for resources devoted to financing the general services performed by Sonoma Water. General tax revenues and other sources of revenue used to finance the fundamental operations of Sonoma Water are included in this fund. The fund is charged with all costs of operating Sonoma Water for which a separate fund has not been established.

*Special Revenue Funds:* These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The major fund in this category is Warm Springs Dam.

*Flood Control:* This fund is established to account for the resources that are legally restricted to expenditures related to flood control. Revenues are primarily derived from property taxes and grants. Six flood control zones account for the maintenance of existing flood control structures and the construction of new projects in the following areas: Zone 1A - Laguna Mark West, Zone 2A - Petaluma Basin, Zone 3A - Valley of the Moon, Zone 5A - Lower Russian River, Zone 7A - North Coast, Zone 8A - South Coast. Sonoma Water maintains a separate fund for each of the six flood control zones. The six nonmajor funds are aggregated and reported as Flood Control.

*Warm Springs Dam:* This fund is established to account for revenues, primarily property taxes and grants, restricted for the operation and maintenance of the Warm Springs Dam.

*Debt Service Fund:* This fund is established for the purpose of accumulating resources for the payment of principal and interest related to Sonoma Water's contract with the U.S. Army Corps of Engineers for water supply storage space at Warm Springs Dam.

*Proprietary funds:* These funds account for operations that are organized to be self-supporting through user charges. Sonoma Water reports two categories of proprietary funds, enterprise funds and internal service funds.

*Enterprise Funds:* These funds are used to account and report for activities for which a fee is charged to external users for a good or service. The major funds in this category are Water Transmission and Water Supply.

*Water Transmission:* This fund accounts for the transportation of water and generation of electrical power for services to eight prime contractors.

*Water Supply:* This fund accounts for the water supply and erosion control activities along the Russian River to secure and defend Sonoma Water's appropriate water rights. This fund also includes program costs to convert recycled water to beneficial use.

*Sanitation:* This fund accounts for the sanitation services and for the engineering, administration, and operational services of four zones: Sea Ranch, Penngrove, Geyserville and Airport-Larkfield-Wikiup. Sonoma Water maintains a separate fund for each of the four zones. The four nonmajor funds are aggregated and reported as Sanitation.



**Note A. Summary of Significant Accounting Policies (continued)***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

*Internal Service Funds:* These funds are established to account for the financing of goods or services provided by one department or agency to other departments of Sonoma Water or other governmental units on a cost reimbursement basis. These activities are recorded as operating revenue in the internal service funds, while expenses to provide the services are recorded as operating expenses. Nonoperating revenue and expenses include investment earnings, interest expense, and gain or loss on disposal of capital assets. Sonoma Water maintains the following internal service funds which are aggregated and reported as Internal Service Funds: Equipment Facilities and Power Resources.

*Cash and Investments*

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application", investments are stated at fair value in the statement of net position and balance sheet and the corresponding changes in the fair value of investments are recognized in the year in which the change occurred. Sonoma Water follows the practice of pooling cash and investments of all funds with the County Treasurer except for certain restricted funds held by outside custodians, funds held by a trustee or funds in dedicated investments for the benefit of an individual pool participant.

The fair value of investments is determined annually. Interest earned on pooled investments is allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter.

For purposes of the statement of cash flows for proprietary funds, Sonoma Water considers all pooled cash and investments as cash and cash equivalents because the County Treasurer's investment pool is used as a demand deposit account. Cash with trustee and restricted cash and investments with a maturity of three months or less are also treated as cash and cash equivalents.

*Accounts Receivable*

Sonoma Water's accounts receivable are reported at their estimated net realizable value and result primarily from water sales to local water districts and cities. Noncurrent accounts receivable consists of grant receivables and sanitation services charges that are not expected to be collected within a year. Management has not recorded an allowance for uncollectible receivables as it deems all receivables as fully collectible.

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded when consumed rather than when purchased. In the governmental fund financial statements, inventories and prepaid items are offset by corresponding nonspendable fund balance to indicate that they are not expendable available financial resources.

**Note A. Summary of Significant Accounting Policies (continued)***Inventories*

Inventories for proprietary funds, consisting of materials and supplies held for emergency repairs, are valued at the lower of cost or market value using the first in, first out (FIFO) method. Inventory costs are recorded as expenses when consumed rather than purchased.

*Restricted Assets and Reserves on Deposit*

Restricted assets in the enterprise funds include cash and investments in the Water Transmission and Sanitation funds that are restricted for debt service and capital projects pursuant to various bond covenants. In addition, the Power Resources internal service fund records a restricted asset related to reserves on deposit held by a power pooling authority according to the terms of a Power Aggregation Services Agreement.

*Capital Assets*

Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure, and intangible assets. Assets that are purchased or constructed are reported at historical cost or at estimated historical cost if actual historical cost is not available. Capital projects spanning multiple years are recorded as construction in progress. Donated capital assets are reported at their acquisition value on the date of donation.

Maintenance and repair costs are charged to operations when incurred. Improvements to existing assets that significantly increase performance, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Intangible assets are stated at cost or estimated historical cost. Intangible assets for Sonoma Water consist of permanent easements, temporary easements, and water storage rights. Permanent easements are stated at cost, estimated historical cost, or fair value and are not amortized.

Depreciation and amortization are recognized using the straight-line method over the estimated useful life of the asset.



**Note A. Summary of Significant Accounting Policies (continued)***Capital Assets (Continued)*

The capitalization thresholds and estimated useful lives for capital assets are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	-	N/A
Land improvements	100,000	15 to 50 years
Buildings and improvements:		
Buildings	100,000	50 years
Building improvements	100,000	15 to 20 years
Machinery and equipment	5,000	5 to 20 years
Infrastructure	100,000	25 to 75 years
Intangible assets:		
Computer software	100,000	3 to 10 years
Temporary easements	-	Life of easement
Permanent easements	-	N/A
Right-to-Use lease asset	100,000	Shorter of lease term or useful life of underlying asset
Right-to-Use software asset (SBITAs)	100,000	Shorter of subscription term or useful life of underlying IT assets
Construction in progress	Projects expected to exceed the capitalization threshold for the applicable asset class	N/A

**Note A. Summary of Significant Accounting Policies (continued)***Bond Discounts and Premiums*

Bond discounts and premiums are reported in the applicable business-type activity columns in the government-wide financial statements and proprietary fund financial statements and are deferred and amortized using the straight-line method over the term of the outstanding bonds, approximating the effective interest method. Unamortized bond discounts reduce the carrying amount of the related debt and unamortized bond premiums increase the carrying amount of the related debt.

*Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of net position reports deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods.

In addition to liabilities, the statement of net position reports deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

*Unearned Revenue*

In the government-wide financial statements and fund financial statements, unearned revenue represents amounts for which asset recognition criteria have been met, but revenue recognition criteria have not been satisfied. For governmental fund financial statements, amounts must be earned, measurable, and available to meet the revenue recognition criteria. For proprietary fund statements and government-wide statements, amounts must be earned in order to meet revenue recognition criteria, regardless of when the amounts are collected.

*Compensated Absences*

Sonoma Water's policy for compensated absences involves recording a liability for unused leave time that is earned, accumulates, and is considered *more likely than not* to be used or settled. More likely than not means a likelihood of over 50%, and this assessment is based on employment policies, agreements, and historical usage data. Compensated absences liability include salary-related payments, which are obligations directly and incrementally associated with leave; examples of salary-related payments are payroll taxes and deferred compensation.

Sonoma Water recognizes a liability for accumulated vacation and compensated absences because historical data suggests it is more likely than not to be used or paid out. For sick leave, a liability is recognized only for the portion more likely than not to be used for time off, based on usage and forfeiture rates, as it is not payable upon termination. Liability for floating holidays is recognized if the more likely than not criteria are met, while fixed holidays are not recognized until used. Leave taken as needed or triggered by sporadic events is not recognized as a liability until it is actually taken or commences.

Compensated absences more likely than not to be settled by conversion to service credits are excluded and reported as part of net pension liability.



**Note A. Summary of Significant Accounting Policies (continued)***Pensions*

For purposes of measuring the deferred outflows of resources, net pension liability, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the County's Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

*Other Postemployment Benefits*

For purposes of measuring the deferred outflows of resources, net other postemployment benefit (OPEB) liability, deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the County's OPEB Plan and additions to/deductions from the County's OPEB Plan fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Property Tax Revenue*

Property taxes, including tax rates, are regulated by the State of California (the State) and are administered locally by the County. The County is responsible for assessing, collecting, and distributing property taxes in accordance with state law. The County is responsible for the allocation of property taxes to Sonoma Water. The County has adopted the Alternative Method of Property Tax Allocation known as the Teeter Plan. State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to Sonoma Water each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to the County.

Sonoma Water recognizes property tax revenue in the period for which the taxes are levied. Liens on real property are established on January 1 for the ensuing fiscal year. Property tax is levied as of July 1 on all taxable property located in the County. Additionally, supplemental property taxes are levied on a pro rata basis when changes in the assessed valuations occur due to sales transactions or the completion of construction. Property tax collection and valuation information is disclosed in the County's Annual Comprehensive Financial Report.

*Net Position and Fund Balance*Government-wide Financial Statements and Proprietary Fund Financial Statements

Net position consists of the following three components:

*Net investment in capital assets* – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

**Note A. Summary of Significant Accounting Policies (continued)***Net Position and Fund Balance (continued)*

*Restricted net position* – These amounts represent external restrictions imposed by creditors, contributors, grantors, laws or regulations of other governments, constitutional provisions, and enabling legislation.

*Unrestricted net position* – This amount consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

Governmental Fund Financial Statements

Governmental funds report fund balances in specifically defined classifications in accordance with the criteria established by GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Sonoma Water classifies fund balances into the following five categories:

*Nonspendable Fund Balance* – Amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. This balance includes inventories and prepaid items.

*Restricted Fund Balance* – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. These amounts include collateral for a standby letter of credit, resources to be used for flood control activities funded by property tax allocations, and resources resulting from voter approved special assessments to be used for the operation, maintenance and debt service for Warm Springs Dam.

*Committed Fund Balance* – Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance or resolution by Sonoma Water’s “highest level of decision-making authority,” the Board. These purposes can only be changed or canceled by a similar Board action. Sonoma Water does not report any fund balances in this classification as of June 30, 2025.

*Assigned Fund Balance* – Amounts intended for specific purposes by Sonoma Water. Intent is expressed by the Board and delegated to the General Manager for assignment.

*Unassigned Fund Balance* – Amounts that constitute the residual balances of the General Fund, or fund balance deficits in other funds, that have no restrictions placed upon them. Unassigned fund balance is available for any purpose.

When an expenditure is made for a purpose for which amounts are available in multiple classifications, the fund balance will be depleted in the following order: restricted, committed, assigned and unassigned.



**Note A. Summary of Significant Accounting Policies (continued)***Net Position and Fund Balance (continued)*

	General Fund	Special Revenue			Total
		Flood Control	Warm Springs Dam	Debt Service	
Nonspendable:					
Prepaid items	\$ 506,014	\$ 57,115	\$ -	\$ -	563,129
Restricted:					
Flood control	-	42,191,762	-	-	42,191,762
Warm Springs Dam	-	-	10,918,797	40,338,487	51,257,284
Assigned:					
General government	4,014,344	-	-	-	4,014,344
Spring Lake Park	3,484,591	-	-	-	3,484,591
Water/wastewater loan	702,949	-	-	-	702,949
Energy & sustainability	972,256	-	-	-	972,256
Unassigned	12,883,887	-	-	-	12,883,887
Total	<u>\$ 22,564,041</u>	<u>\$ 42,248,877</u>	<u>\$ 10,918,797</u>	<u>\$ 40,338,487</u>	<u>\$ 116,070,202</u>

*Interfund Transactions*

Interfund services provided and used are governmental transactions that would be treated as revenues and expenditures/expenses if they involved organizations outside the government unit. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are reported as transfers. For additional information about interfund transactions, refer to Note G.

*Connection Fees*

Sewer connection fees represent fees received from developers and residents to connect to, or extend, existing trunk sewer systems. These fees are required to be used for capital purposes. Sewer and water connection fees are recorded as capital contributions in the enterprise funds, in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Certain Nonexchange Transactions".

*Prudent Reserve*

In March 2008, the Water Advisory Committee (WAC) adopted a resolution setting out guidelines for the collection, maintenance, and use of prudent reserves in the Water Transmission enterprise fund. Amounts collected via the water rates for reserve are recommended to be set aside to be used in the event of catastrophic losses. The amount collected as of the fiscal year ended June 30, 2025 is \$4,125,504. This amount is included in unrestricted net position.

*Estimates*

The preparation of the basic financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note A. Summary of Significant Accounting Policies (continued)***New Accounting Pronouncements*

The following GASB statements have been implemented for the fiscal year ended June 30, 2025:

GASB Statement No. 101, *"Compensated Absences"*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effect of the implementation of this standard on beginning net position is disclosed in Note R.

GASB Statement No. 102, *"Certain Risk Disclosures"*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

*Future Accounting Pronouncements*

GASB Statement No. 103, *"Financial Reporting Model Improvements"*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountabilities. This Statement also addresses certain application issues. The requirements of this Statement are effective for the fiscal year ending June 30, 2026.

GASB Statement No. 104, *"Disclosure of Certain Capital Assets"*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for the fiscal year ending June 30, 2026.

**Note B. Budgetary and Legal Compliance**

The County prepares and legally adopts a budget for each fiscal year on or before October 2. Budgets are adopted for all governmental and proprietary funds. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is controlled at the fund level for Sonoma Water. Appropriations at this level require a Board majority approval. Management may make adjustments below this level.

For purposes of budgetary presentation, actual generally accepted accounting principles (GAAP) expenditures are adjusted to include current year encumbrances and interfund transfers. Encumbered appropriations are carried forward in the ensuing year's budget. Annual appropriations that have not been encumbered lapse at year-end. Reimbursements, which are included in actual GAAP expenditures, are separately stated for budgetary presentation.



**Note C. Cash and Investments***Authorized Investments*

Sonoma Water follows the practice of pooling cash and investments of all funds with the County Treasurer (the Treasurer) except for funds required to be held with third party fiscal agents or trustees under the provisions of bond indentures. The Investment Oversight Committee has regulatory oversight for all funds deposited in the County Treasury Pool (the Treasury Pool).

Sonoma Water's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the County Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, the types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer maturity terms. The list below does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the provisions of the County's investment policy. Permitted investments include the following:

- U.S. Treasury and Federal Agency securities
- Bonds and notes issued by local agencies
- Registered state warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) deposits
- Repurchase agreements
- Reverse repurchase agreements
- Securities lending agreements
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateralized time deposits
- Joint powers authority pools
- Investment Trust of California (CalTrust)
- Obligations issued or unconditionally guaranteed by the international bank for reconstruction and development, international finance corporation, or inter-American development bank.

A copy of the County's Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

**Note C. Cash and Investments (continued)***Financial Statement Presentation*

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

## Statement of net position:

Cash and investments	\$ 210,549,575
Cash and investments - collateral for standby letter of credit	13,440,132
Cash and investments - restricted for debt service and capital projects	<u>8,277,826</u>
Total cash and investments	<u>\$ 232,267,533</u>

Cash and investments as of June 30, 2025 consisted of the following:

## County treasury pooled cash and investments:

Unrestricted	\$ 189,942,554
Cash and investments - restricted for debt service and capital projects	3,623,020

## Nonpooled cash and investments:

Cash on hand	750
Unrestricted	9,093
Investments - SCEIP bonds	14,729,970
Money market mutual funds	5,867,208
Money market mutual funds restricted for collateral	13,440,132
Money market mutual funds restricted for revenue bonds	<u>4,654,806</u>
Total cash and investments	<u>\$ 232,267,533</u>

As of June 30, 2025, Sonoma Water reported \$193,565,574 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2025 Annual Comprehensive Financial Report (the most currently available) for interest rate risk, credit rating, custodial credit risk, concentration of credit risk, credit risk, and fair value measurement disclosures regarding specific investments in the Treasury Pool.

Sonoma Water has invested \$14,729,970 in the Sonoma County Energy Independence Program (SCEIP) by purchasing 20-year bonds. SCEIP advances funds to eligible property owners in Sonoma County towards energy improvement projects. SCEIP bonds are valued at par value.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The Treasurer manages exposure to interest rate risk by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Note C. Cash and Investments (continued)***Interest Rate Risk (continued)*

As of June 30, 2025, approximately 40 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, less than 1 percent had a maturity of more than five years. The weighted average days to maturity was 732 days.

The information about the sensitivity of the fair value of Sonoma Water's investments to market interest rate fluctuations is provided by the following table:

Investment Type	Amount	Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
County Treasury Pool <sup>(1)</sup>	\$ 193,565,574	\$ -	\$ 193,565,574	\$ -	\$ -
SCEIP bonds	14,729,970	634,330	695,651	2,387,579	11,012,410
Money market mutual funds	23,962,146	23,962,146	-	-	-
<b>Total</b>	<b>\$ 232,257,690</b>	<b>\$ 24,596,476</b>	<b>\$ 194,261,225</b>	<b>\$ 2,387,579</b>	<b>\$ 11,012,410</b>

<sup>(1)</sup>The table presents Sonoma Water's portion of pooled cash based on the weighted average months to maturity of all pooled investments.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that is in the possession of another party. Indirect investment such as the Treasury Pool and money market mutual funds are not subject to custodial credit risk. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit Sonoma Water's exposure to custodial credit risk.

Sonoma Water is subject to custodial credit risk through its investments in SCEIP bonds (\$14,729,970) held by the Treasurer on behalf of Sonoma Water. SCEIP bonds are contractual assessment revenue bonds registered in the name of the Sonoma County Public Financing Authority.

*Concentration of Credit Risk*

A Board Resolution authorized Sonoma Water to invest up to \$15,000,000 in SCEIP bonds. The investment policy of Sonoma Water contains no other limitations on the amount that can be invested in any one issuer beyond that stipulated by California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5 percent or more of total Sonoma Water investments are as follows:

Investment Type	Amount	Percentage Holdings
SCEIP bonds	\$ 14,729,970	6.3%

**Note C. Cash and Investments (continued)***Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Sonoma Water follows the County's policy of purchasing investments meeting ratings requirements established by the California Government Code. Presented below is the minimum rating required by (where applicable) the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Minimum Legal Rating	Total	Exempt From Disclosure	Rating at Year-End	
				AAAm	Not Rated
County Treasury Pool	N/A	\$ 193,565,574	\$ -	\$ -	\$ 193,565,574
SCEIP bonds	N/A	14,729,970	-	-	14,729,970
Money market mutual funds	AAAm	23,962,146	-	23,962,146	-
Total		\$ 232,257,690	\$ -	\$ 23,962,146	\$ 208,295,544

**Note D. Accounts Receivable**

Accounts receivable as of June 30, 2025 consists of the following:

	Current			Total Long-Term
	Accounts Receivable	Inter-governmental	Total Current	
Governmental Activities:				
General government	\$ 2,401,639	\$ 1,558,124	\$ 3,959,763	\$ 1,638,653
Flood control	-	3,186	3,186	-
Warm Springs Dam	-	535,870	535,870	-
Total Governmental Activities	<u>\$ 2,401,639</u>	<u>\$ 2,097,180</u>	<u>\$ 4,498,819</u>	<u>\$ 1,638,653</u>
Business-Type Activities:				
Water transmission	\$ 8,681,818	\$ 3,857,188	\$ 12,539,006	\$ 800,870
Water supply	2,751,941	1,492,938	4,244,879	2,648
Sanitation, net	282,667	-	282,667	2,875,782
Internal service funds	33,696	-	33,696	-
Total Business-Type Activities	<u>\$ 11,750,122</u>	<u>\$ 5,350,126</u>	<u>\$ 17,100,248</u>	<u>\$ 3,679,300</u>

**Note E. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	June 30, 2024	Additions	Retirements	Transfers & Reclassification	June 30, 2025
<b>Governmental activities:</b>					
Capital assets, non-depreciable/ amortizable:					
Land	\$ 1,597,189	\$ -	\$ -	\$ -	\$ 1,597,189
Construction in progress	56,280	1,241,239	-	(871,876)	425,643
Intangible assets:					
Intangible work in progress	5,094,893	962,516	-	(2,543,744)	3,513,665
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	2,301,256	-	-	22,605	2,323,861
Total capital assets, non-depreciable/ amortizable	<u>111,420,618</u>	<u>2,203,755</u>	<u>-</u>	<u>(3,393,015)</u>	<u>110,231,358</u>
Capital assets, depreciable/ amortizable:					
Infrastructure	66,620,965	-	-	871,876	67,492,841
Buildings and improvements	3,737,864	-	-	-	3,737,864
Land improvements	183,457	-	-	-	183,457
Intangible assets - easements	1,859,363	-	-	-	1,859,363
Equipment	1,958,380	-	(134,775)	-	1,823,605
Total capital assets, depreciable/ amortizable	<u>74,360,029</u>	<u>-</u>	<u>(134,775)</u>	<u>871,876</u>	<u>75,097,130</u>
Less accumulated depreciation/ amortization for:					
Infrastructure	(43,178,093)	(1,394,546)	-	-	(44,572,639)
Buildings and improvements	(2,728,967)	(76,149)	-	-	(2,805,116)
Land improvements	(104,978)	(12,231)	-	-	(117,209)
Intangible assets	(964,542)	(74,070)	-	-	(1,038,612)
Equipment	(1,387,507)	(94,419)	134,775	-	(1,347,151)
Total accumulated depreciation/ amortization	<u>(48,364,087)</u>	<u>(1,651,415)</u>	<u>134,775</u>	<u>-</u>	<u>(49,880,727)</u>
Total capital assets, depreciable/amortizable, net	<u>25,995,942</u>	<u>(1,651,415)</u>	<u>-</u>	<u>871,876</u>	<u>25,216,403</u>
Total capital assets, net	<u>\$137,416,560</u>	<u>\$ 552,340</u>	<u>\$ -</u>	<u>\$ (2,521,139)</u>	<u>\$ 135,447,761</u>

**Note E. Capital Assets (continued)**

	June 30, 2024	Additions	Retirements	Transfers & Reclassification	June 30, 2025
<b>Business-type activities:</b>					
Capital assets, non-depreciable/ amortizable:					
Land	\$ 11,802,030	\$ -	\$ -	\$ -	\$ 11,802,030
Construction in progress	16,399,531	12,704,083	(763,290)	(1,222,165)	27,118,159
Intangible assets:					
Intangible work in progress	755,015	1,346,029	(10,077)	2,519,044	4,610,011
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	2,902,610	-	-	2,095	2,904,705
Total capital assets, non- depreciable/amortizable	<u>36,855,581</u>	<u>14,050,112</u>	<u>(773,367)</u>	<u>1,298,974</u>	<u>51,431,300</u>
Capital assets, depreciable/ amortizable:					
Infrastructure	301,074,885	-	-	-	301,074,885
Buildings and improvements	55,507,756	-	-	-	55,507,756
Land improvements	4,179,078	-	-	-	4,179,078
Intangible assets - software	1,843,325	-	-	-	1,843,325
Intangible assets - right-to-use SBITA assets	130,174	-	(130,174)	-	-
Equipment	16,793,313	-	(49,570)	1,222,165	17,965,908
Total capital assets, depreciable/ amortizable	<u>379,528,531</u>	<u>-</u>	<u>(179,744)</u>	<u>1,222,165</u>	<u>380,570,952</u>
Less accumulated depreciation/ amortization for:					
Infrastructure	(172,798,782)	(8,339,603)	-	-	(181,138,385)
Buildings and improvements	(22,571,353)	(1,703,979)	-	-	(24,275,332)
Land improvements	(3,293,924)	(186,462)	-	-	(3,480,386)
Intangible assets - software	(1,752,237)	(11,755)	-	-	(1,763,992)
Intangible assets - right-to-use SBITA assets	(124,966)	(5,208)	130,174	-	-
Equipment	(11,258,523)	(1,072,289)	49,570	-	(12,281,242)
Total accumulated depreciation/ amortization	<u>(211,799,785)</u>	<u>(11,319,296)</u>	<u>179,744</u>	<u>-</u>	<u>(222,939,337)</u>
Total capital assets, depreciable/amortizable, net	<u>167,728,746</u>	<u>(11,319,296)</u>	<u>-</u>	<u>1,222,165</u>	<u>157,631,615</u>
Total capital assets, net	<u>\$204,584,327</u>	<u>\$ 2,730,816</u>	<u>\$ (773,367)</u>	<u>\$ 2,521,139</u>	<u>\$ 209,062,915</u>

Decreases in construction in progress include projects that have been impaired for various reasons or projects that do not meet the capitalization thresholds listed in Note A.

**Note E. Capital Assets (continued)**

Depreciation and amortization expense was charged to functions within governmental and business-type activities as follows:

Governmental activities:	
General government	\$ 177,871
Flood control	1,420,549
Warm Springs Dam	<u>52,995</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 1,651,415</u>
Business-type activities:	
Water transmission	\$ 7,203,008
Water supply	179,366
Sanitation	1,282,090
Internal service funds	<u>2,654,832</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 11,319,296</u>

*Intangible Asset – Warm Springs Dam Project*

The Warm Springs Dam project was authorized by the Flood Control Act of 1962. The Warm Springs Dam has a total gross storage capacity of 381,000 acre-feet and total water supply storage of 355,000 acre-feet. Sonoma Water has contracted for the right to the storage space for 212,000 acre-feet of water. Sonoma Water uses the storage space to control and dispose of flood, storm, and other waters. Since such flood control activities are a governmental function, the cost of the project has been capitalized as an inexhaustible intangible asset.

In March 1992, the cost of the project to Sonoma Water was established at \$102,371,000. The estimated cost of Sonoma Water's portion of the project is approximately 30 percent of the total project joint use construction costs and accrued interest. The liability for the contract is shown as a long term contracts payable within governmental activities (refer to Note H).

The project became operational for water supply on November 1, 1994. Sonoma Water does not own any part of the tangible dam facilities. The payments under the contract only entitles Sonoma Water to permanent water storage rights.



**Note F. Unearned Revenue**

On June 30, 2005, Sonoma Water received a lump sum payment of \$6,326,257 under a supplemental water supply agreement with the Marin Municipal Water District (MMWD), dated January 25, 1996. This amount was deferred and is being recognized on a straight-line basis. In August 2021, Sonoma Water received a lump sum payment of \$1,106,216 under the restructured agreement for water supply with the North Marin Water District (NMWD), dated in 2006. This amount was deferred and is being recognized on a straight-line basis. In addition, Sonoma Water has received advance funding related to various agreements for services and capital projects.

As of June 30, 2025, Sonoma Water reports the following unearned revenue balances:

Governmental Activities:

Advance funding for water security projects	\$ 478,859
Camping reservation fees for Spring Lake Park	148,106
Advance funding for climate resiliency projects	71,085
Advance funding for PWRPA Public Purpose Projects (P3)	17,197
Drainage review	1,809
Cooperative agreement for livestock grazing	917
Total Governmental Activities	<u>\$ 717,973</u>

Business-Type Activities:

Lump-sum payment under the MMWD supplemental water supply agreement	\$ 2,943,646
Advance funding for water security projects	954,146
Advance funding for PWRPA cap and trade projects	860,854
Lump-sum payment for NMWD capital charges	788,179
Total Business-Type Activities	<u>\$ 5,546,825</u>

**Note G. Interfund Transactions***Interfund Transfers*

A summary of interfund activity as of and for the fiscal year ended June 30, 2025 is as follows:

Transfer from	Transfer to	Amount	Purpose
Warm Springs Dam	Debt service	\$ 6,000,000	Funding for debt service payments
General government	Water supply	2,450,000	Funding for Russian River Projects
General government	Sanitation	553,751	Funding for treatment plant operations in the Penngrove Sanitation Zone
General government	Sanitation	400,000	Funding for treatment plant operations in the Geyserville Sanitation Zone
General government	Water supply	460,000	Funding for Recycled Water
General government	Sanitation	300,762	Funding for treatment plant operations in the Sea Ranch Sanitation Zone
General government	Sanitation	276,000	Funding for treatment plant operations in the ALW Sanitation Zone
General government	Internal service fund	2,521,139	Transfer of capital project
Total interfund transfers		<u>\$ 12,961,652</u>	



**Note G. Interfund Transactions (continued)***Advances from Other Funds*

On June 30, 2019, Sonoma Water entered into a Memorandum of Agreement (MOA) between the Equipment-Facilities Fund and Airport-Larkfield-Wikiup Sanitation Fund to fund the design phase of the Larkfield Estates sewer system. The Equipment-Facilities Fund loaned the Airport-Larkfield-Wikiup Sanitation Fund \$1,215,000 for design costs of the Larkfield Estates sewer system. The loan matures in 2049 and interest accrues at the County's pooled investment rate of return. Repayment will be based on availability of funds at the end of each fiscal year.

On June 30, 2020, Sonoma Water entered into a MOA between the Equipment-Facilities Fund and Airport-Larkfield-Wikiup Sanitation Fund to fund the construction phase of the Larkfield Estates sewer system. The Equipment-Facilities Fund loaned the Airport-Larkfield-Wikiup Sanitation Fund \$4,852,000 for construction costs of the new sewer system. The loan matures in 2050 and interest accrues at the County's pooled investment rate of return. Repayment will be determined annually up to \$300,000. The outstanding principal balance includes \$153,957 in accrued interest.

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2025
Equipment-Facilities	2049	Variable	\$ 1,215,000	\$ 573,370
Equipment-Facilities	2050	Variable	4,852,000	5,005,957
Total advances from other funds			<u>\$ 6,067,000</u>	<u>\$ 5,579,327</u>

**Note H. Long-Term Obligations***Governmental Activities*

## Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2025
1986 Federal contract payable	<u>2034</u>	<u>3.225%</u>	<u>\$ 102,371,000</u>	<u>\$ 53,006,754</u>

Annual payments on Sonoma Water's water supply contract with the US Army Corps of Engineers for the Warm Springs Dam project commenced on November 1, 1993 and will continue until 2034. The annual payments include principal and interest at a rate of 3.225 percent. The repayment of this obligation comes from earnings on investments in the debt service fund and the proceeds of a voter approved countywide levied property tax. The debt service payments are \$6,285,572 annually until 2034.

The water supply contract has a provision that in the event of default, all amounts under the contract shall become immediately due and payable, and if such amounts are not immediately paid, all portions of water supply storage rights for which the principal has not been paid revert to the federal government.

*Compensated Absences:*

As of June 30, 2025, vested vacation leave for Sonoma Water employees was \$8,938,951. The current portion of vested vacation leave was \$3,356,451 as of June 30, 2025. Compensated absences are generally liquidated by the General Fund.

## Net Pension Liability:

As of June 30, 2025, Sonoma Water reported \$10,254,984 in net pension liability. Additional information about net pension liability can be found in Note K. Net pension liability is generally liquidated by the General Fund.

## Other Postemployment Benefits Liability:

As of June 30, 2025, Sonoma Water reported \$7,710,776 in other postemployment benefits liability. Additional information about other postemployment benefits can be found in Note L. Other postemployment benefits liability is generally liquidated by the General Fund.

**Note H. Long-Term Obligations (continued)***Business-type Activities*

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2025
Water revenue bonds, 2022, series A	2048	4.00 - 5.00%	\$ 19,680,000	\$ 18,015,000
Add: deferred amount for unamortized premium				1,545,315
Water revenue bonds, 2019, series A	2039	3.00 - 5.00%	11,010,000	9,125,000
Add: deferred amount for unamortized premium				1,037,911
Water revenue bonds, 2015, series A and AT	2040	2.30 - 5.20%	23,865,000	16,865,000
Add: deferred amount for unamortized premium				587,633
Total water revenue bonds payable, net				<u>\$ 47,175,859</u>

In June 2022, Sonoma Water issued the Water Revenue Bonds, Series A (2022 Bonds) to refund and defease the remaining principal (\$7,710,000) of the 2012 Series A Bonds and to finance the acquisition and construction of certain improvements to the water transmission system.

In July 2019, Sonoma Water issued the Water Revenue Bonds 2019 Series A (2019 Bonds) to finance facilities and improvements to increase the reliability and capacity of the water transmission system.

In October 2015, Sonoma Water issued the Water Revenue Bonds 2015 Series A and AT (2015 Bonds) to refund and defease the outstanding principal (\$9,415,000) of the 2006 Series A Bonds and to finance facilities and improvements to increase the reliability and capacity of the water transmission system.

The 2015, 2019, and 2022 Bonds are payable solely from the net revenues of Sonoma Water's transmission system and amounts on deposit in the related funds and accounts. Neither the full faith and credit nor the taxing power of Sonoma Water is pledged to the payment of the principal or interest of the Water Revenue Bonds.

The remaining income pledged by Sonoma Water for the Water revenue bonds through the fiscal year ending June 30, 2048 consists of the outstanding principal of \$44,005,000 and total scheduled interest payments of \$15,104,315. Principal and interest paid for the fiscal year ended June 30, 2025 totaled \$3,947,881. For the fiscal year ended June 30, 2025, Water Transmission net revenues pledged for debt payment totaled \$15,963,746.

The 2015, 2019, and 2022 bonds have the provision that in the event of default, the Trustee may declare all principal and accrued interest of the bonds to be immediately due and payable.

**Note H. Long-Term Obligations (continued)***Business-type Activities (continued)*

Water and Wastewater Revenue Bonds Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2025
Sonoma County Water & Wastewater Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 804,040
Total water and wastewater revenue bonds payable				<u>\$ 804,040</u>

On April 4, 2017, Sonoma Water and Wastewater Financing Authority issued \$3,690,356 in Water and Wastewater Revenue Bonds (2017 Bonds) as direct placement debt on behalf of Sonoma Water. The bond proceeds were used to refund and defease the remaining balance (\$3,605,000) of the 2005C (2005 California Statewide Communities Development Authority Bonds) revenue bonds and pay the costs of issuance of the 2017 bonds.

The 2017 Bonds are payable solely from the net revenues of the Airport-Larkfield-Wikiup sanitation zone and amounts on deposit in the related funds and accounts. Neither the full faith and credit nor the taxing power of Sonoma Water is pledged to the payment of the principal or interest of the 2017 Bonds.

The 2017 Bonds mature on October 1, 2026. Principal payments are due on October 1 of each year. Interest payments are due on October 1 and April 1 of each year. The interest rate is 2.33 percent. During the year ended June 30, 2025, principal and interest paid on the Water and Wastewater Revenue Bonds and net revenues pledged for the debt totaled \$414,711 and \$1,677,819, respectively.

The 2017 bonds have the provision that in the event of default, the Sonoma County Water and Wastewater Financing Authority may declare all principal and accrued interest of the bonds to be immediately due and payable.

Advances from Other Governments:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2025
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 2,973,893
Total advances from other governments				<u>\$ 2,973,893</u>

The State of California Department of Water Resources advanced Sonoma Water \$15,857,295 to finance a collector well. The remaining income pledged by Sonoma Water through the fiscal year ending June 30, 2028 related to this advance consists of the outstanding principal of \$2,973,893 and total scheduled interest payments of \$147,066. During the year ended June 30, 2025, principal and interest paid on the advance totaled \$1,040,232.

The State Revolving Fund loan has the provision that in the event of default, the State may declare all principal and accrued interest of the bonds to be immediately due and payable.

**Note H. Long-Term Obligations (continued)***Changes in Long-Term Obligations*

A summary of changes in long-term obligations for the fiscal year ended June 30, 2025 is as follows:

	June 30, 2024	Additions/ Adjustments	Retirements/ Adjustments	June 30, 2025	Amounts Due Within One Year
<b>Governmental activities:</b>					
Long-term contracts payable	\$ 57,439,889	\$ -	\$ (4,433,135)	\$ 53,006,754	\$ 4,576,104
Net pension liability	15,132,891	1,081,518	(5,959,425)	10,254,984	-
Other postemployment benefits	10,785,462	(113,461)	(2,961,225)	7,710,776	-
Pollution remediation obligation	119,077	68,994	(55,213)	132,858	-
Compensated absences, as restated	8,638,836	3,402,300	(3,102,185)	8,938,951	3,356,451
Total governmental activities	<u>92,116,155</u>	<u>4,439,351</u>	<u>(16,511,183)</u>	<u>80,044,323</u>	<u>7,932,555</u>
<b>Business-type activities:</b>					
Water revenue bonds:					
Series 2015A and AT	17,785,000	-	(920,000)	16,865,000	965,000
Deferred amount for unamortized premium	634,371	-	(46,738)	587,633	-
Series 2019A	9,540,000	-	(415,000)	9,125,000	435,000
Deferred amount for unamortized premium	1,112,048	-	(74,137)	1,037,911	-
Series 2022A	18,870,000	-	(855,000)	18,015,000	900,000
Deferred amount for unamortized premium	1,672,927	-	(127,612)	1,545,315	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	1,195,457	-	(391,417)	804,040	394,954
Advances from other governments - direct borrowings:					
State Revolving Fund	3,911,366	-	(937,473)	2,973,893	478,579
Total business-type activities	<u>54,721,169</u>	<u>-</u>	<u>(3,767,377)</u>	<u>50,953,792</u>	<u>3,173,533</u>
Total	<u>\$ 146,837,324</u>	<u>\$ 4,439,351</u>	<u>\$(20,278,560)</u>	<u>\$ 130,998,115</u>	<u>\$ 11,106,088</u>

Total additions and adjustments include pension expense, OPEB expense, changes in deferred inflows and outflows for net pension liability and OPEB liability, compensated absences accrued during the fiscal year. Total retirements and adjustments include employer contributions to pension and OPEB funding, changes in pollution remediation obligation, payment to employees for compensated absences, long-term debt principal payments, amortization of bond premiums.

**Note H. Long-Term Obligations (continued)***Debt Service Requirements*

The annual principal and interest requirements on the outstanding long-term obligations as of June 30, 2025 (excluding net pension liability, OPEB liability, pollution remediation obligation and compensated absences), are as follows:

*Governmental Activities**Long-term contracts payable - 1986 Federal contract*

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 4,576,104	\$ 1,709,468	\$ 6,285,572
2027	4,723,683	1,561,888	6,285,571
2028	4,876,022	1,409,550	6,285,572
2029	5,033,273	1,252,298	6,285,571
2030	5,195,597	1,089,975	6,285,572
2031-2035	28,602,075	2,825,782	31,427,857
Total long-term contracts payable	<u>\$ 53,006,754</u>	<u>\$ 9,848,961</u>	<u>\$ 62,855,715</u>

*Business-type Activities**Water revenue bonds*

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 2,300,000	\$ 1,645,631	\$ 3,945,631
2027	2,410,000	1,541,631	3,951,631
2028	2,500,000	1,445,381	3,945,381
2029	2,600,000	1,341,131	3,941,131
2030	2,720,000	1,229,481	3,949,481
2031-2035	12,855,000	4,504,934	17,359,934
2036-2040	11,600,000	2,340,013	13,940,013
2041-2045	4,465,000	900,213	5,365,213
2046-2048	2,555,000	155,900	2,710,900
Total water revenue bonds	<u>\$ 44,005,000</u>	<u>\$ 15,104,315</u>	<u>\$ 59,109,315</u>

*Water and wastewater revenue bonds*

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 394,954	\$ 14,133	\$ 409,087
2027	409,086	4,766	413,852
Total water and wastewater revenue bonds	<u>\$ 804,040</u>	<u>\$ 18,899</u>	<u>\$ 822,939</u>

**Note H. Long-Term Obligations (continued)***Business-type Activities (continued)**Advances from other governments*

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 478,579	\$ 41,536	\$ 520,115
2027	977,305	62,926	1,040,231
2028	1,004,797	35,436	1,040,233
2029	513,212	7,168	520,380
Total advances from other governments	<u>\$ 2,973,893</u>	<u>\$ 147,066</u>	<u>\$ 3,120,959</u>

*Aggregate maturities of long-term debt of business-type activities*

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 3,173,533	\$ 1,701,300	\$ 4,874,833
2027	3,796,391	1,609,323	5,405,714
2028	3,504,797	1,480,817	4,985,614
2029	3,113,212	1,348,299	4,461,511
2030	2,720,000	1,229,481	3,949,481
2031-2035	12,855,000	4,504,934	17,359,934
2036-2040	11,600,000	2,340,013	13,940,013
2041-2045	4,465,000	900,213	5,365,213
2046-2048	2,555,000	155,900	2,710,900
	<u>\$ 47,782,933</u>	<u>\$ 15,270,280</u>	<u>\$ 63,053,213</u>

**Note I. Pollution Remediation Obligation**

Sonoma Water purchased a parcel as part of a litigation settlement in 2000 to resolve claims related to possible lead-contaminated fill used in connection with a Sonoma Water flood control project. As owner of the parcel, Sonoma Water is responsible for clean-up costs related to the fill. Sonoma Water has investigated the extent of lead contamination on the property and the adjacent area. The North Coast Regional Water Quality Control Board ("NC Regional Board") required Sonoma Water to perform an updated Human Health Risk Assessment and an Ecological Risk Assessment as a condition of obtaining site closure for the parcel. Sonoma Water submitted these assessments and a Closure Work Plan to the NC Regional Board in July 2008 and is awaiting a response from the NC Regional Board and the City of Santa Rosa. Since that time, a number of required closure activities have been completed.

The Closure Work Plan proposes to perform a lot line adjustment, which has been completed, separating the residential (northern property), where there are no human health issues based on the risk assessment. The North Coast Regional Water Quality Control Board (Regional Board) has expressed concerns regarding two sample locations on the residential property where lead was detected above the onsite cleanup goal. Sonoma Water has proposed to modify the lot line adjustment to incorporate the sample locations into the back property (adjacent to Santa Rosa Creek, which will be retained by Sonoma Water. Following site closure by the Regional Board, Sonoma Water is planning to sell the residential property. It is anticipated that there will need

**Note I. Pollution Remediation Obligation (continued)**

to be annual monitoring and Land Use Covenant restricting certain uses of property retained by Sonoma Water. Accordingly, costs are unknown at this time.

In accordance with GASB Statement No. 49, Sonoma Water has estimated its potential pollution remediation liability as of June 30, 2025 by utilizing the expected cash flow technique. This methodology examined estimated costs for pre-cleanup activities, remediation/clean-up activities, regulatory agency costs, and post remediation-monitoring costs. The estimated liability for Sonoma Water as of June 30, 2025 is \$132,858. Discussions with the NC Regional Board and the City of Santa Rosa Fire Department continue and since no agreement has been reached, the estimated obligation continues to be considered long term.

**Note J. Net Position**

Net position reported on the government-wide statement of net position as of June 30, 2025 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Land	\$ 1,597,189	\$ 11,802,030
Construction in progress	3,939,308	31,728,170
Intangible assets not being depreciated/amortized	104,694,861	7,901,100
Other capital assets, net of accumulated depreciation/ amortization	25,216,403	157,631,615
Less: long-term debt outstanding	(53,006,754)	(50,953,792)
Less: capital accounts payable, outstanding	(177,062)	(142,583)
Plus: deferred amount on refunding (net)	-	32,434
Plus: noncapital debt outstanding	-	2,728,192
	<u>\$ 82,263,945</u>	<u>\$ 160,727,166</u>

**Note K. Employees' Retirement Plan***Plan Description*

Sonoma Water contributes to the County's cost sharing multiple-employer defined benefit pension plan (the Plan) administered by the Sonoma County Employees' Retirement Association (SCERA), a public employee retirement system. Sonoma Water joined SCERA as of October 1, 1963. The Plan provides retirement, disability, death and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. All permanent employees working at least half time for the County are eligible. The Plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the County Board of Supervisors and then shall be implemented by the Board of Retirement.

All County employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B. Employees hired before January 1, 2013 are part of the original Plan called Plan A.

At December 31, 2024, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,911
Current active members	4,482
Inactive vested members	1,790
	<u>12,183</u>

SCERA issues an annual financial report that includes financial statements and required supplementary information for the Plan which can be obtained by writing to the SCERA, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403, or can be found online at [www.SCETIRE.com](http://www.SCETIRE.com).

The financial statements for the County (the primary government) contain additional financial information for the defined pension benefits, which is not presented here.

*Funding Policy*

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2025 were based on the Plan's valuations dated December 31, 2021 and December 31, 2022. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan A members are required to contribute between approximately 9.8 percent and 12.8 percent of their annual covered salary based upon the member's age at the date of entry into the system and General Plan B members are required to contribute 7.7 percent of their annual covered salary. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Employer and member contributions are funded and recognized through the County payroll systems via employer benefit payments and employee deductions.

For the fiscal year ended June 30, 2025, Sonoma Water contributed \$5,959,425 or approximately 17.9 percent of covered payroll.

**Note K. Employees' Retirement Plan (continued)***Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension*

At June 30, 2025, Sonoma Water reported a liability of \$10,254,984 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Sonoma Water's proportion of the net pension liability was based on a projection of Sonoma Water's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At December 31, 2024, Sonoma Water's proportion was 6.1 percent, which remained the same as the proportion of the net pension liability measured as of December 31, 2023.

For the year ended June 30, 2025, Sonoma Water recognized a pension expense of \$4,890,579 in the governmental activities column of the government-wide statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2025, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,772,052	\$ -
Changes in assumptions	1,222,788	-
Net difference between projected and actual earnings on retirement plan investments	-	4,043,822
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	-	1,140,037
Sonoma Water contributions subsequent to the measurement date	2,900,129	-
	<u>\$ 7,894,969</u>	<u>\$ 5,183,859</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner.

**Note K. Employees' Retirement Plan (continued)**

*Pension Liability, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pension (continued)*

Deferred outflows of resources related to pensions resulting from Sonoma Water contributions subsequent to the measurement date totaling \$2,900,129 will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	\$ (177,707)
2027	3,932,365
2028	(2,499,347)
2029	(1,444,330)
	<u>\$ (189,019)</u>

*Actuarial Assumptions*

The total pension liability was determined based on the December 31, 2024 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2024
Measurement date:	December 31, 2024
Actuarial cost method:	Entry Age Actuarial Cost Method
Actuarial assumptions -	
Inflation:	2.50%
Projected salary increase:	3.75% - 8.00%
Investment rate of return:	6.75%, net of pension plan investment expense, including inflation
Other assumptions:	Analysis of actuarial experience per the January 1, 2021 through December 31, 2023 Actuarial Experience Study dated December 31, 2024 for the SCERA.

*Sensitivity of Sonoma Water's Proportionate Share of the Net Pension Liability to Change in the Discount Rate*

The discount rate used to measure the total pension liability was 6.75 percent as of the measurement date of December 31, 2024. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The following table presents Sonoma Water's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what Sonoma Water's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate.

**Note K. Employees' Retirement Plan (continued)**

*Sensitivity of Sonoma Water's Proportionate Share of the Net Pension Liability to Change in the Discount Rate (continued)*

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Sonoma Water's proportionate share of the net pension plan liability (asset)	\$ 39,360,332	\$ 10,254,984	\$(13,835,726)

**Note L. Other Postemployment Benefits (OPEB)**

The County administers an Other Postemployment Healthcare Plan (OPEB or Plan) which is a single employer defined benefit plan. Sonoma Water participates in the OPEB Plan. The County and Sonoma Water are a single employer. As a component unit of the County, Sonoma Water presents its participation in the County's single-employer OPEB Plan from the perspective of a cost-sharing employer. The authority to establish and amend benefit provisions of the Plan resides with the County Board of Supervisors.

The County established an OPEB trust with the Public Agency Retirement Services (PARS) in 2008 to accumulate resources to fund future benefit payments of the Plan. The OPEB trust is reported in the County's Annual Comprehensive Financial Report and can be found online at [www.sonomacounty.gov](http://www.sonomacounty.gov).

In accordance with a County Board of Supervisors approved salary resolution and applicable memorandum of understanding, the Plan includes unrepresented and represented employees hired prior to January 1, 2009, with at least 10 consecutive years of regular full-time paid employment. The Plan was closed to new participants on December 31, 2008.

*Benefits Provided*

Retirees and the County share in the cost of monthly premiums for medical coverage. The County contribution toward plan member premiums is a \$500 per month maximum contribution. Retirees may enroll eligible dependents in the County medical plan elected by the retiree, but the retiree is responsible for all premium costs in excess of the County's contribution. In the case of a Safety employee's line-of-duty death pursuant to the California labor code, dependents of the deceased employee are eligible to receive County-subsidized medical coverage. In addition to the monthly contribution, the County reimburses retirees hired prior to January 1, 2009, a fixed amount of \$96.40 per month for Medicare Part B premiums.

*Contributions*

The OPEB Plan funding policy provides for periodic contributions by the County. The contribution rate as a percentage of covered payroll is 8.8 percent and is authorized annually by the County Board of Supervisors to finance the costs of benefits for plan members, with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB Plan from Sonoma Water were \$2,961,225 for the year ended June 30, 2025. Employees are not required to contribute to the OPEB plan.

**Note L. Other Postemployment Benefits (OPEB) (continued)**

*Proportionate Share*

The net OPEB liability and asset information is reported within certain defined timeframes as listed below:

Reporting Date	June 30, 2025
Valuation Date	June 30, 2024
Measurement Date	June 30, 2024

At June 30, 2025, Sonoma Water reported a liability of \$7,710,776 for its proportionate share of the net OPEB liability. Sonoma Water’s covered payroll is used as the basis for determining its proportion of the OPEB amounts. At June 30, 2023, Sonoma Water’s proportion was 7.71 percent. At June 30, 2024, Sonoma Water’s proportion was 7.61 percent, a decrease of 0.10 percent.

*Actuarial Methods and Assumptions*

The Net OPEB Liability (NOL) was measured as of June 30, 2024 and 2023 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2024 and 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Entry Age Normal Cost Method
Inflation	2.50%
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00%
Other assumptions	Analysis of actuarial experience per the January 1, 2018 through December 31, 2020 Actuarial Experience Study dated October 15, 2021 for the SCERA

The County Health Plan medical trends for ages under 65 grade from 7.25 percent in 2024/2025 graded down to 4.50 percent over 11 years. The County Health Plan medical trends for ages 65 and over grade from 16.09 percent in 2024/2025, then 6.50 percent in 2025/2026 graded down to 4.50 percent over 8 years.

*Investments*

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which the expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the table below.

**Note L. Other Postemployment Benefits (OPEB) (continued)***Investments (continued)*

The County's Investment Guidelines for OPEB are detailed in the "Investment Guidelines Document – County of Sonoma Post-Employment Health Care Plan Investment Policy Document – June 2020". The following is the Board's adopted asset allocation policy for OPEB as of June 2020:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Large Cap U.S. Equity	30.00%	6.49%
Mid Cap U.S. Equity	4.00%	6.49%
Small Cap U.S. Equity	8.00%	6.49%
International Equity	8.00%	7.33%
Global Equity	6.00%	7.33%
U.S. Core Fixed Income	31.00%	1.69%
Alternatives	8.00%	3.35%
Cash	1.00%	0.89%
Real Estate	4.00%	3.29%
Total	100.00%	

*Discount Rate*

The discount rate used to measure the Total OPEB Liability was 6.50 percent as of June 30, 2024 and June 30, 2023. The projection of cash flows used to determine the discount rate as of June 30, 2023 assumed employer contributions of 8.8 percent of future open group payroll. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. As a result, the discount rate is equal to the assumed investment return of 6.50 percent.

*Sensitivity of Sonoma Water's Proportionate Share of the Net OPEB Liability*Sensitivity of Sonoma Water's Proportionate Share of the Net OPEB Liability to Changes in Discount Rate

The following presents Sonoma Water's proportionate share of the Net OPEB liability if it were calculated using the discount rate of 6.50% percent, as well as what Sonoma Water's proportionate share of the Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50% percent) or 1-percentage-point higher (7.50% percent) than the current rate, for measurement period ended June 30, 2024:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 9,380,449	\$ 7,710,776	\$ 6,259,282



**Note L. Other Postemployment Benefits (OPEB) (continued)***Sensitivity of Sonoma Water's Proportionate Share of the Net OPEB Liability (continued)*Sensitivity of Sonoma Water's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following present Sonoma Water's proportionate share of the Net OPEB liability if it were calculated using the trend rate that is 1 percent, higher as well as using trend rate 1 percent lower than the current trend rates, for measurement period ended June 30, 2024:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 7,258,018	\$ 7,710,776	\$ 8,201,519

*Amortization of Deferred Outflows and Deferred Inflows of Resources*

The net difference between projected and actual earnings on OPEB Plan investments is amortized over a 5-year period on a straight-line basis. One-fifth was recognized in OPEB expense during the measurement period, and the remaining net difference between projected and actual investment earnings on OPEB Plan investments at June 30, 2024, is to be amortized over the remaining 4-year period.

The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided OPEB through the Plan (active and inactive) determined as of the beginning of the measurement period. For the measurement date ending June 30, 2024, the average is 5.63 years.

For the year ended June 30, 2025, Sonoma Water recognized OPEB expense of \$366,766. At June 30, 2025, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,691	\$ 688,314
Changes in assumptions	1,306,178	190,702
Net difference between projected and actual earnings on OPEB plan investments	-	146,507
Changes in proportion and differences between contributions and proportionate share of contributions	431,922	155,991
Contributions subsequent to the measurement date	3,143,279	-
Total	<u>\$ 4,906,070</u>	<u>\$ 1,181,514</u>

**Note L. Other Postemployment Benefits (OPEB) (continued)***Amortization of Deferred Outflows and Deferred Inflows of Resources (continued)*

The \$3,143,279 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ending June 30	OPEB Expense
2026	\$ (12,310)
2027	448,517
2028	134,204
2029	7,416
2030	3,450
	\$ 581,277

*Defined Contribution Plan Description*

For employees hired on or after January 1, 2009, Sonoma Water provides a defined contribution into a Retiree Health Reimbursement Arrangement (HRA) account. Eligibility for this benefit is based upon completion of two full years of consecutive County regular service as a contributing member of the Sonoma County Employees Retirement Association. Upon completion of the initial eligibility requirements, the County provides (a) an initial contribution of \$2,400 to an HRA account established in the employee's name; this initial contribution of \$2,400 is based on full-time status and is prorated based on the employee's allocated position, and (b) thereafter contributes \$.58 per pay status hour, not including overtime, into the HRA account for each eligible employee. Once an employee has worked the two full years of service and the initial contribution into their HRA account is made, there are no further service requirements. All contributions into the Retiree HRA are made only while an employee is in active pay status, and upon separation of employment, there are no further post-employment contributions. Participants may access their HRA account at age 50 or upon retirement from the County, whichever is earlier, and may defer this date. There is no requirement to be enrolled in a County offered medical plan to receive this benefit. Retirees and dependents that elect coverage under a County-sponsored plan are responsible for all costs.

**Note M. Deferred Compensation Plan**

The Deferred Compensation Benefit Plan is administered through a third-party administrator. The Plan is excluded from Sonoma Water's financial statements.

The Deferred Compensation Benefit Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Sections 401(a) and 457(b). The plan is available to employee groups based on bargaining unit and job class.

Employer-only annual contributions are calculated based upon a percentage of employee compensation. For the fiscal year ended June 30, 2025, Sonoma Water's contribution was \$436,075.

**Note M. Deferred Compensation Plan (continued)**

Sonoma Water offers employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$23,500 per calendar year.

**Note N. Related Party Transactions**

As a special district under the Board of Supervisors, Sonoma Water has the same board members as the County. Sonoma Water manages and provides administration, engineering, operational, and maintenance services for the Occidental County Sanitation District, Russian River County Sanitation District, Sonoma Valley County Sanitation District and the South Park County Sanitation District, which are all component units of the County. Since both Sonoma Water and the four sanitation districts are component units of the County, the sanitation districts and Sonoma Water are considered related parties.

Sonoma Water allocates overhead costs to the sanitation districts via the use of an overhead rate charged on labor applicable to the districts. The overhead rate is reviewed periodically by management to determine its effectiveness. In addition, Sonoma Water allocates other services to the districts based on project coding. Direct labor and overhead charged to the sanitation districts is recognized as revenue in Sonoma Water's General Fund. A summary of the total cash payments from the sanitation districts to Sonoma Water for labor and overhead for the fiscal year ended June 30, 2025 is as follows:

Occidental County Sanitation District	\$ 1,063,100
Russian River County Sanitation District	5,826,501
Sonoma Valley County Sanitation District	10,765,367
South Park County Sanitation District	<u>383,927</u>
	<u>\$ 18,038,895</u>

In addition, Occidental County Sanitation District paid Sonoma Water \$154,259 under an agreement for sewer treatment services during the fiscal year ended June 30, 2025. During the fiscal year ended June 30, 2025, Sonoma Water provided the Occidental County Sanitation District and the Russian River County Sanitation District \$970,000 and \$1,100,000 respectively, in intergovernmental funding to assist the Districts in meeting operating and construction expenses.

Sonoma Water is one of fifteen water districts and irrigation districts which participate in the Power and Water Resources Pooling Authority (PWRPA). PWRPA was established in 2004 to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. Because the PWRPA Board of Directors is made up of representatives from the participating districts, PWRPA is a jointly governed organization. During the fiscal year ended June 30, 2025, Sonoma Water recognized a \$640 increase in reserves on deposit with PWRPA. The reserves on deposit balance, which is adjusted annually based on Sonoma Water's proportionate share of energy use averaged over five years, represents a long-term restricted asset.

**Note N. Related Party Transactions (continued)**

Sonoma Water, in combination with other local agencies, is also a participant in three Groundwater Sustainability Agencies (GSA's): the Santa Rosa Plain Groundwater Sustainability Agency (SRPGSA), the Petaluma Valley Groundwater Sustainability Agency (PVGSA) and the Sonoma Valley Groundwater Sustainability Agency (SVGSA). The GSA's were established in 2017 to provide sustainable management of groundwater basins at a local level by providing local groundwater agencies with the authority and technical and financial assistance necessary to sustainably manage groundwater. As jointly governed organizations, participants of the GSA's do not retain an ongoing financial interest or responsibility in the organization. Upon dissolution of the GSA's, each participant shall receive its proportionate share of the net assets. During the fiscal year ended June 30, 2025, the PVGSA, SVGSA and SRPGSA paid Sonoma Water \$293,425, \$428,124, and \$329,921, respectively, for grant application, outreach and technical services provided by Sonoma Water.

**Note O. Risk Management**

Sonoma Water is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Sonoma Water is covered by the County's self-insurance program, which is accounted for in the County's Risk Management Internal Service Fund. Sonoma Water is covered under this program for general liability, auto liability, public employees' errors and omissions and property insurance.

The County maintains a self-insured retention of \$1,000,000 per occurrence for general and automobile liability. Excess liability coverage is maintained through participation in the Public Risk Innovation, Solutions, and Management (PRISM) risk sharing pool. Limits of this coverage are \$35,000,000 per occurrence.

The County maintains property coverages ranging from "All Risk" of physical loss or damage including flood through participation in the PRISM Property Insurance Program with the following limits and deductibles: \$600,000,000 limit (shared) per occurrence and \$50,000 deductible for "All Risk", and \$225,000,000 limit (shared) per occurrence and \$100,000 deductible for flood (limits vary depending on flood zones). Boiler and machinery coverage is included in the "All Risk" coverage.

The County of Sonoma is permissibly self-insured for workers' compensation for its employees and volunteers in the amount of \$300,000 per occurrence. Excess workers' compensation coverage in excess of \$300,000 with statutory limits is obtained through participation in the PRISM Excess Workers' Compensation Program.

Sonoma Water pays an annual premium to the County for this insurance coverage. Settled claims have not exceeded this coverage for any of the past three fiscal years.



**Note P. Commitments and Contingencies***Construction*

Sonoma Water has active construction projects as of June 30, 2025. The projects include expansion and/or improvements of several flood control, water transmission, water storage and wastewater treatment facilities. As of June 30, 2025, Sonoma Water's commitments to construction projects are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water transmission	\$ 25,526,349	\$ 12,477,612
Internal service funds	3,575,367	1,097,317
General government	2,694,865	131,116
Sanitation	2,626,454	631,143
Flood control	1,244,444	135,202
Total	<u>\$ 35,667,479</u>	<u>\$ 14,472,390</u>

The balances spent-to-date include both internal expenditures and amounts paid to outside contractors. The remaining commitment balances relate to commitments with outside contractors only.

The commitments for water storage and related facilities are being financed by revenue bonds. These projects are also being funded by existing resources from the business-type activities.

*Operating Encumbrances*

Sonoma Water had the following open encumbrances for operations as of June 30, 2025:

	<u>Remaining Commitment</u>
General government	\$ 4,067,423
Flood control	2,141,461
Warm Springs Dam	843,537
Water transmission	9,745,894
Water supply	2,551,713
Sanitation	1,121,286
Internal service funds	125,528
	<u>\$ 20,596,842</u>

*Pending Litigation, Claims and Assessments*

Sonoma Water is directly and indirectly involved in various claims, legal actions and complaints relating principally to violations of the Clean Water Act, environmental protection laws, property damage and disputes over water rights. The ultimate amount of liability is contingent upon the final settlement of these claims.

**Note P. Commitments and Contingencies (continued)***Other Regulatory Matters*

In September 2008, the National Marine Fisheries Service issued a “Biological Opinion” analyzing the impact of Sonoma Water’s existing water supply activities over a 15 year period. Three fish species were listed under the federal Endangered Species Act (ESA) and it contained a “Reasonable and Prudent Alternative” describing measures that Sonoma Water must take in order to obtain an incidental take statement under the ESA.

The U.S Army Corps of Engineers and Sonoma Water submitted a final Biological Assessment under the ESA to the National Marine Fisheries Service in 2023. The 2023 Biological assessment was used to produce a new Biological Opinion on April 29, 2025.

The 2025 Biological Opinion is a 10-year federally mandated blueprint to help save endangered fish and ensure water supply. Sonoma Water’s water supply and flood control operation and maintenance activities in the Russian River Watershed were considered to likely affect three species of fish listed under the Endangered Species Act: Central California Coast steelhead, Central California Coast coho salmon, and California Coastal Chinook salmon.

The Biological Opinion requires Sonoma Water and the U.S. Army Corps of Engineers implement a series of actions to modify existing water supply and flood control activities that, in concert with habitat enhancement, will preserve, protect, and restore fisheries and maintain existing Russian River water supplies. It will also help guide Sonoma Water and U.S. Army Corps of Engineers in complying with the Federal Endangered Species Act.

The ESA also affects the manner and the extent to which Sonoma Water can maintain flood control channels. Sonoma Water staff and its contractors cannot disrupt environmentally sensitive areas to perform flood control work to the levels that were appropriate in previous years. This development potentially increases Sonoma Water’s degree of exposure to individual property owners and possible litigation in the event of wet weather and any resulting flooding.

*Standby Letter of Credit*

Under the Biological Opinion, Sonoma Water is required to provide assurance that it has adequate funding to complete required projects in the Russian River and its tributaries. As proof of available funding, Sonoma Water has procured a standby letter of credit from US Bank in the amount of \$12,765,840. Investments totaling \$13,440,132 are pledged as collateral for the letter of credit.



**Note Q. Economic Dependence**

Four major customers purchased water from Sonoma Water during the fiscal year ended June 30, 2025. Water sales revenue for the fiscal year ended June 30, 2025 and accounts receivable as of June 30, 2025 associated with those customers are as follows:

	Water Sales	% of Total Water Sales
City of Santa Rosa	\$21,339,935	33.8%
Marin Municipal Water District	10,862,673	17.2%
City of Petaluma	9,766,424	15.4%
North Marin Water District	8,607,003	13.6%
	<u>\$50,576,035</u>	<u>80.0%</u>

	Accounts Receivable	% of Total Accounts Receivable
Marin Municipal Water District	\$3,792,315	14.1%
Petaluma, City of	2,728,875	10.1%
Santa Rosa, City of	2,264,070	8.4%
North Marin Co Water Dist	721,824	2.7%
	<u>\$9,507,084</u>	<u>35.3%</u>

**Note R. Restatement of Beginning Net Position**

During the year ended June 30, 2025, Sonoma Water adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the current and noncurrent portion of compensated absences increased by \$593,279 and by \$4,019,965 respectively, as of July 1, 2024. The effect of this change in accounting principle on beginning net position is described in the table below.

	July 1, 2024 As Previously Reported	Change in Accounting Principle	July 1, 2024 As Restated
Net position - government-wide			
Governmental activities	<u>\$ 165,925,598</u>	<u>\$ (4,613,244)</u>	<u>\$ 161,312,354</u>

---

# REQUIRED SUPPLEMENTARY INFORMATION

---



**Schedule of Net Pension Liability (Asset) and Contributions to  
Sonoma County Employee Retirement Association -  
Last 10 Fiscal Years**

<u>Measurement Date</u>	<u>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
<b>Sonoma Water's proportionate share of net pension liability (asset)</b>					
Sonoma Water's proportion of the net pension liability (asset)	6.1%	6.1%	6.3%	8.5%	6.4%
Sonoma Water's proportionate share of the net pension liability (asset)	\$ 10,254,984	\$ 15,132,891	\$ 26,195,319	\$ (5,210,905)	\$ 12,140,139
Sonoma Water's covered payroll	\$ 33,896,804	\$ 30,747,809	\$ 28,512,136	\$ 26,903,398	\$ 25,634,166
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	30.3%	49.2%	91.9%	(19.4%)	47.4%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	93.8%	88.9%	102.7%	93.6%
<u>Measurement Date</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<b>Sonoma Water's proportionate share of net pension liability (asset)</b>					
Sonoma Water's proportion of the net pension liability (asset)	6.2%	6.2%	5.7%	6.0%	5.9%
Sonoma Water's proportionate share of the net pension liability (asset)	\$ 14,111,946	\$ 30,624,597	\$ 9,689,254	\$ 23,601,397	\$ 24,444,642
Sonoma Water's covered payroll	\$ 24,038,946	\$ 23,976,313	\$ 23,385,939	\$ 22,207,867	\$ 20,532,602
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	58.7%	127.7%	41.4%	106.3%	119.1%
Plan fiduciary net position as a percentage of the total pension liability	92.3%	83.5%	94.0%	85.9%	84.6%
<u>Sonoma Water's pension contributions</u>	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Actuarially determined contribution	\$ 5,959,425	\$ 5,180,988	\$ 4,853,783	\$ 4,576,409	\$ 4,985,417
Contributions in relation to the actuarially determined contribution	5,959,425	5,180,988	4,853,783	4,576,409	4,985,417
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Sonoma Water's covered payroll	\$ 33,288,244	\$ 32,201,462	\$ 29,054,660	\$ 27,890,777	\$ 27,679,616
Contributions as a percentage of covered payroll	17.9%	16.1%	16.7%	16.4%	18.0%
<u>Sonoma Water's pension contributions</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Actuarially determined contribution	\$ 3,930,580	\$ 4,002,478	\$ 3,946,189	\$ 3,581,629	\$ 4,481,365
Contributions in relation to the actuarially determined contribution	3,930,580	4,002,478	3,646,189	3,581,629	4,481,365
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Sonoma Water's covered payroll	\$ 24,760,206	\$ 24,860,064	\$ 23,254,523	\$ 23,047,478	\$ 21,683,256
Contributions as a percentage of covered payroll	15.9%	16.1%	17.0%	15.5%	20.7%

**Schedule of Proportionate Share of the Net OPEB Liability  
Last 10 Fiscal Years\***

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
<b>Sonoma Water's proportionate share of the net OPEB liability</b>					
Sonoma Water's proportion of the net OPEB liability	7.6%	7.7%	7.6%	7.4%	7.2%
Sonoma Water's proportionate share of the net OPEB liability	\$ 7,710,776	\$ 10,785,462	\$ 12,283,402	\$ 12,175,133	\$ 14,762,790
Sonoma Water's covered payroll	\$ 32,538,483	\$ 29,436,518	\$ 28,080,044	\$ 26,980,075	\$ 24,818,701
Sonoma Water's proportionate share of the OPEB liability as a percentage of its covered payroll	23.7%	36.6%	43.7%	45.1%	59.5%
Plan fiduciary net position as a percentage of the total OPEB liability	61.0%	47.0%	38.0%	38.2%	26.5%
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	
<b>Sonoma Water's proportionate share of the net OPEB liability</b>					
Sonoma Water's proportion of the net OPEB liability	7.4%	7.0%	7.2%	7.1%	
Sonoma Water's proportionate share of the net OPEB liability	\$ 17,692,256	\$ 17,639,292	\$ 24,082,900	\$ 26,233,147	
Sonoma Water's covered payroll	\$ 24,381,023	\$ 23,254,523	\$ 23,047,478	\$ 21,680,235	
Sonoma Water's proportionate share of the OPEB liability as a percentage of its covered payroll	72.6%	75.9%	104.5%	121.0%	
Plan fiduciary net position as a percentage of the total OPEB liability	21.7%	18.8%	12.9%	10.3%	

The amounts presented for each fiscal year were determined as of June 30, one year prior to the end of the fiscal year in which amounts are reported.

\* The required supplementary information is intended to show information for ten years. Additional years' information will be displayed as this information becomes available.



**General Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 12,576,473	\$ 12,576,473	\$ 13,434,106	\$ 857,633
Investment earnings	277,700	277,700	1,380,267	1,102,567
Intergovernmental	1,549,329	6,208,678	2,713,197	(3,495,481)
Charges for services	20,069,812	20,069,812	20,838,735	768,923
Miscellaneous	325,800	325,800	33,792	(292,008)
Total revenues	34,799,114	39,458,463	38,400,097	(1,058,366)
<b>Expenditures</b>				
Current:				
General government	15,810,736	21,365,051	12,255,938	9,109,113
Intergovernmental	19,266,842	19,266,842	18,938,364	328,478
Capital outlay	550,000	2,926,896	1,218,381	1,708,515
Total expenditures	35,627,578	43,558,789	32,412,683	11,146,106
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(828,464)	(4,100,326)	5,987,414	10,087,740
<b>Other financing sources (uses)</b>				
Transfers out	(4,860,000)	(4,864,513)	(4,440,513)	424,000
Total other financing uses	(4,860,000)	(4,864,513)	(4,440,513)	424,000
Net change in fund balances	\$ (5,688,464)	\$ (8,964,839)	1,546,901	\$ 10,511,740
GAAP basis difference - encumbrances			1,445,879	
Fund balances - beginning of year			19,571,261	
Fund balances - end of year			\$ 22,564,041	

**Flood Control Special Revenue Funds  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budgetary Basis  
For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 13,593,511	\$ 13,593,511	\$ 15,234,749	\$ 1,641,238
Investment earnings	673,063	673,063	2,125,726	1,452,663
Intergovernmental	1,080,821	1,576,629	132,408	(1,444,221)
Charges for services	47,000	47,000	47,000	-
Miscellaneous	16,500	16,500	-	(16,500)
Total revenues	15,410,895	15,906,703	17,539,883	1,633,180
<b>Expenditures</b>				
Current:				
Flood control	15,407,965	18,041,098	11,696,898	6,344,200
Capital outlay	1,918,200	3,026,756	945,158	2,081,598
Total expenditures	17,326,165	21,067,854	12,642,056	8,425,798
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,915,270)	(5,161,151)	4,897,827	10,058,978
Net change in fund balances	\$ (1,915,270)	\$ (5,161,151)	4,897,827	\$ 10,058,978
GAAP basis difference - encumbrances			87,761	
Fund balances - beginning of year			37,263,289	
Fund balances - end of year			\$ 42,248,877	



**Warm Springs Dam Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budgetary Basis  
For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 11,531,304	\$ 11,531,304	\$ 12,421,801	\$ 890,497
Investment earnings	146,250	146,250	730,437	584,187
Intergovernmental	1,310,888	1,310,888	1,302,530	(8,358)
Total revenues	<u>12,988,442</u>	<u>12,988,442</u>	<u>14,454,768</u>	<u>1,466,326</u>
<b>Expenditures</b>				
Current:				
Intergovernmental	1,199,739	1,199,739	1,133,944	65,795
Warm Springs Dam	6,370,310	8,329,964	5,491,838	2,838,126
Total expenditures	<u>7,570,049</u>	<u>9,529,703</u>	<u>6,625,782</u>	<u>2,903,921</u>
<b>Excess of revenues over expenditures</b>	<u>5,418,393</u>	<u>3,458,739</u>	<u>7,828,986</u>	<u>4,370,247</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(6,000,000)</u>	<u>(6,000,000)</u>	<u>(6,000,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (581,607)</u>	<u>\$ (2,541,261)</u>	1,828,986	<u>\$ 4,370,247</u>
GAAP basis difference - encumbrances			(309,725)	
Fund balances - beginning of year			<u>9,399,536</u>	
Fund balances - end of year			<u>\$ 10,918,797</u>	

## Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2025

### Note A. Budgetary Presentation

Budgetary data, as revised, is presented as required supplementary information for the General and Special Revenue Funds, since the operations of these funds are budgeted annually. Budgetary data, as revised, for the Debt Service is presented as other supplementary information. Budgets are adopted on a non-GAAP basis. For purposes of budgetary presentation, actual GAAP expenditures have been adjusted to include current year encumbrances, to exclude expenditures against prior year encumbrances and to exclude other financing sources and offsetting expenditures related to lease additions. In addition, the budgetary presentation reflects the effect of reimbursements which are negative expenditures used to transfer costs between departments within the governmental funds. For GAAP purposes, reimbursements are recorded as expenditures/expenses in the reimbursing fund and as reductions to expenditures/expenses in the fund that is reimbursed. Reimbursements primarily consist of charges initially incurred by departments responsible for communications, vehicles and data processing and eventually applied to other funds.

### Note B. OPEB Plan Changes in Assumptions

Effective June 1, 2024, the County's self-funded County Health Plan EPO and PPO were replaced by the Anthem Medicare Advantage plan for Medicare retirees.

The future trend rates on per capita health costs were updated.

Per capita health costs and medical carrier election assumptions were updated based on more recent data.

Of the 25% of active employees who waive medical coverage at retirement, and current eligible retired members under age 65 who have waived, the participation assumption for those that enroll in medical coverage upon reaching Medicare eligibility was increased from 15% to 20%.



---

# OTHER SUPPLEMENTARY INFORMATION

---



**Debt Service Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ 568,750	\$ 568,750	\$ 1,339,455	\$ 770,705
<b>Expenditures</b>				
Debt service	6,285,573	6,285,573	6,285,571	2
<b>Deficiency of revenues under expenditures</b>	<u>(5,716,823)</u>	<u>(5,716,823)</u>	<u>(4,946,116)</u>	<u>770,703</u>
<b>Other Financing Sources</b>				
Transfers in	6,000,000	6,000,000	6,000,000	-
<b>Net change in fund balances</b>	<u>\$ 283,177</u>	<u>\$ 283,177</u>	1,053,884	<u>\$ 770,703</u>
GAAP basis difference - encumbrances			-	
Fund balances - beginning of year			<u>39,284,603</u>	
Fund balances - end of year			<u>\$ 40,338,487</u>	

\* See Notes to Required Supplementary Information on page 101.



**Combining Balance Sheet  
Flood Control Special Revenue Funds  
June 30, 2025**

	Flood Control Funds						Total Flood Control Funds
	Zone 1A Laguna Mark West	Zone 2A Petaluma Basin	Zone 3A Valley of the Moon	Zone 5A Lower Russian River	Zone 7A North Coast	Zone 8A South Coast	
<b>Assets</b>							
Cash and investments	\$15,362,702	\$11,491,776	\$ 9,985,383	\$ 1,766,918	\$ 87,714	\$ 4,267,215	\$42,961,708
Accounts receivable	-	1,593	1,593	-	-	-	3,186
Prepaid items	57,115	-	-	-	-	-	57,115
<b>Total assets</b>	<u>\$15,419,817</u>	<u>\$11,493,369</u>	<u>\$ 9,986,976</u>	<u>\$ 1,766,918</u>	<u>\$ 87,714</u>	<u>\$ 4,267,215</u>	<u>\$43,022,009</u>
<b>Liabilities</b>							
Accounts payable	\$ 192,150	\$ 106,142	\$ 88,063	\$ 35,890	\$ -	\$ 2,314	\$ 424,559
Unearned income	44,930	34,840	268,803	-	-	-	348,573
<b>Total liabilities</b>	<u>237,080</u>	<u>140,982</u>	<u>356,866</u>	<u>35,890</u>	<u>-</u>	<u>2,314</u>	<u>773,132</u>
<b>Fund balances</b>							
Nonspendable	57,115	-	-	-	-	-	57,115
Restricted	15,125,622	11,352,387	9,630,110	1,731,028	87,714	4,264,901	42,191,762
<b>Total fund balances</b>	<u>15,182,737</u>	<u>11,352,387</u>	<u>9,630,110</u>	<u>1,731,028</u>	<u>87,714</u>	<u>4,264,901</u>	<u>42,248,877</u>
<b>Total liabilities and fund balances</b>	<u>\$15,419,817</u>	<u>\$11,493,369</u>	<u>\$ 9,986,976</u>	<u>\$ 1,766,918</u>	<u>\$ 87,714</u>	<u>\$ 4,267,215</u>	<u>\$43,022,009</u>

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Flood Control Special Revenue Funds  
For the Fiscal Year Ended June 30, 2025**

	Flood Control Funds						
	Zone 1A Laguna Mark West	Zone 2A Petaluma Basin	Zone 3A Valley of the Moon	Zone 5A Lower Russian River	Zone 7A North Coast	Zone 8A South Coast	Total Flood Control Funds
<b>Revenues</b>							
Property taxes	\$ 10,023,039	\$ 2,794,377	\$ 1,793,411	\$ 354,987	\$ -	\$ 268,935	\$ 15,234,749
Investment earnings	737,912	585,864	494,308	89,043	4,579	214,020	2,125,726
Intergovernmental	106,339	22,997	22,512	(21,587)	-	2,147	132,408
Charges for services	47,000	-	-	-	-	-	47,000
Total revenues	<u>10,914,290</u>	<u>3,403,238</u>	<u>2,310,231</u>	<u>422,443</u>	<u>4,579</u>	<u>485,102</u>	<u>17,539,883</u>
<b>Expenditures</b>							
Current:							
Flood control	8,246,069	2,015,623	883,155	272,924	-	20,032	11,437,803
Capital outlay	94,838	850,000	171,654	-	-	-	1,116,492
Total expenditures	<u>8,340,907</u>	<u>2,865,623</u>	<u>1,054,809</u>	<u>272,924</u>	<u>-</u>	<u>20,032</u>	<u>12,554,295</u>
<b>Net change in fund balances</b>	2,573,383	537,615	1,255,422	149,519	4,579	465,070	4,985,588
Fund balances - beginning of year	12,609,354	10,814,772	8,374,688	1,581,509	83,135	3,799,831	37,263,289
Fund balances - end of year	<u>\$ 15,182,737</u>	<u>\$ 11,352,387</u>	<u>\$ 9,630,110</u>	<u>\$ 1,731,028</u>	<u>\$ 87,714</u>	<u>\$ 4,264,901</u>	<u>\$ 42,248,877</u>

**Combining Statement of Net Position  
Sanitation Enterprise Funds  
June 30, 2025**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 1,316,797	\$ 2,262,053	\$ 821,352	\$ 5,674,033	\$ 10,074,235
Restricted cash and investments	-	-	-	399,637	399,637
Accounts receivable, net	9,831	18,916	30,990	222,930	282,667
Prepaid items	-	5,300	-	25,985	31,285
Total current assets	<u>1,326,628</u>	<u>2,286,269</u>	<u>852,342</u>	<u>6,322,585</u>	<u>10,787,824</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	334,387	334,387
Accounts receivable	6,685	3,916	35,892	2,829,289	2,875,782
Capital assets, net:					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	273,101	-	-	2,353,353	2,626,454
Intangible assets	2,472	6,360	2,541	59,194	70,567
Infrastructure	167,751	2,164,671	585,534	14,879,494	17,797,450
Equipment	117,942	-	46,708	240,423	405,073
Total capital assets, net	<u>561,266</u>	<u>2,171,031</u>	<u>740,996</u>	<u>19,047,695</u>	<u>22,520,988</u>
Total noncurrent assets	<u>567,951</u>	<u>2,174,947</u>	<u>776,888</u>	<u>22,211,371</u>	<u>25,731,157</u>
Total assets	<u>1,894,579</u>	<u>4,461,216</u>	<u>1,629,230</u>	<u>28,533,956</u>	<u>36,518,981</u>
<b>Deferred Outflows of Resources</b>					
Deferred amounts related to charge on refunding	-	-	-	22,126	22,126

**Combining Statement of Net Position (continued)**  
**Sanitation Enterprise Funds**  
**June 30, 2025**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	60,054	768,815	40,235	587,264	1,456,368
Deposits from others	-	-	-	200	200
Due to other funds	1,285	1,145	755	8,463	11,648
Total current liabilities payable from unrestricted assets	<u>61,339</u>	<u>769,960</u>	<u>40,990</u>	<u>595,927</u>	<u>1,468,216</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	4,684	4,684
Revenue bonds payable	-	-	-	394,954	394,954
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>399,638</u>	<u>399,638</u>
Total current liabilities	<u>61,339</u>	<u>769,960</u>	<u>40,990</u>	<u>995,565</u>	<u>1,867,854</u>
Noncurrent liabilities:					
Revenue bonds payable	-	-	-	409,086	409,086
Advances from other funds	-	-	-	5,579,327	5,579,327
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,988,413</u>	<u>5,988,413</u>
Total liabilities	<u>61,339</u>	<u>769,960</u>	<u>40,990</u>	<u>6,983,978</u>	<u>7,856,267</u>
<b>Net Position</b>					
Net investment in capital assets	561,266	2,171,031	740,996	18,265,781	21,739,074
Restricted for:					
Water conservation	-	-	-	185,353	185,353
Debt service	-	-	-	729,340	729,340
Unrestricted	1,271,974	1,520,225	847,244	2,391,630	6,031,073
Total net position	<u>\$ 1,833,240</u>	<u>\$ 3,691,256</u>	<u>\$ 1,588,240</u>	<u>\$ 21,572,104</u>	<u>\$ 28,684,840</u>

**Combining Statement of Revenues, Expenses, and Changes in Net Position  
Sanitation Enterprise Funds  
For the Fiscal Year Ended June 30, 2025**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Operating revenue</b>					
Flat charges	\$ 1,035,819	\$ 1,162,729	\$ 560,624	\$ 5,210,641	\$ 7,969,813
Sanitation services	5,083	22,365	5,676	307,855	340,979
Miscellaneous	-	-	-	158,364	158,364
Total operating revenue	<u>1,040,902</u>	<u>1,185,094</u>	<u>566,300</u>	<u>5,676,860</u>	<u>8,469,156</u>
<b>Operating expenses</b>					
Services and supplies	917,596	1,545,159	877,376	4,529,422	7,869,553
Depreciation and amortization	34,233	123,013	47,666	1,077,178	1,282,090
Total operating expenses	<u>951,829</u>	<u>1,668,172</u>	<u>925,042</u>	<u>5,606,600</u>	<u>9,151,643</u>
<b>Operating income (loss)</b>	<u>89,073</u>	<u>(483,078)</u>	<u>(358,742)</u>	<u>70,260</u>	<u>(682,487)</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	53,086	88,616	28,486	391,812	562,000
Taxes and assessments	-	-	5	-	5
Interest expense	-	-	-	(263,978)	(263,978)
Loss on disposal of capital assets, net of gain	-	-	-	(763,289)	(763,289)
Real estate rental	-	-	-	192,734	192,734
Total nonoperating revenues (expenses), net	<u>53,086</u>	<u>88,616</u>	<u>28,491</u>	<u>(442,721)</u>	<u>(272,528)</u>
<b>Income (loss) before capital contributions and transfers</b>	142,159	(394,462)	(330,251)	(372,461)	(955,015)
Capital contributions - connection fees	-	23,921	-	62,231	86,152
Transfers in	300,762	553,751	400,000	276,000	1,530,513
<b>Change in net position</b>	442,921	183,210	69,749	(34,230)	661,650
Net position - beginning of year	<u>1,390,319</u>	<u>3,508,046</u>	<u>1,518,491</u>	<u>21,606,334</u>	<u>28,023,190</u>
<b>Net position - end of year</b>	<u>\$ 1,833,240</u>	<u>\$ 3,691,256</u>	<u>\$ 1,588,240</u>	<u>\$ 21,572,104</u>	<u>\$ 28,684,840</u>

**Combining Statement of Cash Flows  
Sanitation Enterprise Funds  
For the Fiscal Year Ended June 30, 2025**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Cash flows from operating activities:</b>					
Cash receipts from customers	\$ 1,036,910	\$ 1,173,762	\$ 540,617	\$ 4,739,779	\$ 7,491,068
Cash payments for interfund services used	(195,185)	(473,585)	(520,244)	(1,116,440)	(2,305,454)
Cash payments to suppliers	(881,285)	(1,040,591)	(347,054)	(2,876,354)	(5,145,284)
Net cash provided by (used for) operating activities	(39,560)	(340,414)	(326,681)	746,985	40,330
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	300,762	553,751	400,000	100,000	1,354,513
Taxes and assessments	-	-	5	-	5
Real estate rental	-	-	-	192,734	192,734
Net cash provided by noncapital financing activities	300,762	553,751	400,005	292,734	1,547,252
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(59,664)	-	-	(2,352,830)	(2,412,494)
Principal paid on revenue bonds	-	-	-	(391,417)	(391,417)
Interest paid on long-term debt	-	-	-	(244,132)	(244,132)
Connection fees	-	23,921	-	709,358	733,279
Transfers in	-	-	-	176,000	176,000
Principal paid on interfund borrowing	-	-	-	(154,000)	(154,000)
Net cash provided by (used for) capital and related financing activities	(59,664)	23,921	-	(2,257,021)	(2,292,764)
<b>Cash flows from investing activities:</b>					
Investment earnings	53,086	88,616	28,486	391,812	562,000
Net increase (decrease) in cash and cash equivalents	254,624	325,874	101,810	(825,490)	(143,182)
Cash and cash equivalents - beginning of year	1,062,173	1,936,179	719,542	7,233,547	10,951,441
Cash and cash equivalents - end of year	<u>\$ 1,316,797</u>	<u>\$ 2,262,053</u>	<u>\$ 821,352</u>	<u>\$ 6,408,057</u>	<u>\$ 10,808,259</u>
<b>Reconciliation to the statement of net position:</b>					
Cash and investments	\$ 1,316,797	\$ 2,262,053	\$ 821,352	\$ 5,674,033	\$ 10,074,235
Restricted cash and investments	-	-	-	734,024	734,024
Cash and cash equivalents	<u>\$ 1,316,797</u>	<u>\$ 2,262,053</u>	<u>\$ 821,352</u>	<u>\$ 6,408,057</u>	<u>\$ 10,808,259</u>

**Combining Statement of Cash Flows (continued)**  
**Sanitation Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2025**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 89,073	\$ (483,078)	\$ (358,742)	\$ 70,260	\$ (682,487)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	34,233	123,013	47,666	1,077,178	1,282,090
Change in assets and liabilities:					
Accounts receivable	(3,991)	(11,331)	(25,682)	(423,502)	(464,506)
Deposits from others	-	-	-	(100)	(100)
Prepaid items	686	(1,146)	686	686	912
Unearned revenue	-	-	-	(513,579)	(513,579)
Due to other governments	-	(706,633)	-	-	(706,633)
Due to other funds	1,285	1,145	755	8,463	11,648
Accounts payable and accrued expenses	(160,846)	737,616	8,636	527,579	1,112,985
Net cash provided by (used for) operating activities	<u>\$ (39,560)</u>	<u>\$ (340,414)</u>	<u>\$ (326,681)</u>	<u>\$ 746,985</u>	<u>\$ 40,330</u>
<b>Noncash investing, capital, or financing activities:</b>					
Loss on disposal of capital assets	\$ -	\$ -	\$ -	\$ 763,290	\$ 763,290

**Combining Statement of Net Position  
Internal Service Funds  
June 30, 2025**

	Internal Service Funds		Total Internal Service Funds
	Equipment- Facilities	Power Resources	
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 8,994,984	\$ 5,271,639	\$ 14,266,623
Deposits with others	-	704,570	704,570
Accounts receivable, net	-	33,696	33,696
Prepaid items	175,316	208,799	384,115
Total current assets	<u>9,170,300</u>	<u>6,218,704</u>	<u>15,389,004</u>
Noncurrent assets:			
Advances to other funds	5,579,327	-	5,579,327
Reserves on deposit	-	912,440	912,440
Capital assets, net:			
Land	2,341,186	-	2,341,186
Land improvements	267,593	-	267,593
Construction in progress	3,575,367	-	3,575,367
Intangible assets	34,437	-	34,437
Buildings and improvements	18,788,286	9,413,068	28,201,354
Equipment	5,067,732	-	5,067,732
Total capital assets, net	<u>30,074,601</u>	<u>9,413,068</u>	<u>39,487,669</u>
Total noncurrent assets	<u>35,653,928</u>	<u>10,325,508</u>	<u>45,979,436</u>
Total assets	<u>44,824,228</u>	<u>16,544,212</u>	<u>61,368,440</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	189,324	487,289	676,613
Interest payable	112	-	112
Total liabilities	<u>189,436</u>	<u>487,289</u>	<u>676,725</u>
<b>Net Position</b>			
Net investment in capital assets	30,022,097	9,413,068	39,435,165
Restricted for:			
Reserves on deposit	-	912,440	912,440
Unrestricted	14,612,695	5,731,415	20,344,110
Total net position	<u>\$ 44,634,792</u>	<u>\$ 16,056,923</u>	<u>\$ 60,691,715</u>

**Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2025**

	Internal Service Funds		Total Internal Service Funds
	Equipment- Facilities	Power Resources	
<b>Operating revenue</b>			
Power sales	\$ -	\$ 6,572,140	\$ 6,572,140
Equipment rental	5,387,086	-	5,387,086
Real estate rental	4,391,661	-	4,391,661
Miscellaneous	179,418	33,696	213,114
Total operating revenue	<u>9,958,165</u>	<u>6,605,836</u>	<u>16,564,001</u>
<b>Operating expenses</b>			
Services and supplies	7,463,058	4,964,215	12,427,273
Depreciation and amortization	2,219,910	434,922	2,654,832
Total operating expenses	<u>9,682,968</u>	<u>5,399,137</u>	<u>15,082,105</u>
<b>Operating income</b>	<u>275,197</u>	<u>1,206,699</u>	<u>1,481,896</u>
<b>Nonoperating revenue</b>			
Investment earnings	630,616	178,277	808,893
<b>Income before capital contributions and transfers</b>	905,813	1,384,976	2,290,789
Capital contributions	2,521,139	-	2,521,139
<b>Change in net position</b>	3,426,952	1,384,976	4,811,928
Net position - beginning of year	41,207,840	14,671,947	55,879,787
<b>Net position - end of year</b>	<u>\$ 44,634,792</u>	<u>\$ 16,056,923</u>	<u>\$ 60,691,715</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2025**

	Internal Service Funds		Total Internal Service Funds
	Equipment- Facilities	Power Resources	
<b>Cash flows from operating activities:</b>			
Cash receipts from interfund services provided	\$ 9,958,165	\$ 6,572,140	\$ 16,530,305
Cash payments for interfund services used	(4,479,247)	(133,090)	(4,612,337)
Cash payments to suppliers	(3,179,028)	(4,591,169)	(7,770,197)
Net cash provided by operating activities	<u>2,299,890</u>	<u>1,847,881</u>	<u>4,147,771</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(1,974,784)	-	(1,974,784)
<b>Cash flows from investing activities:</b>			
Investment earnings	630,616	178,277	808,893
Principal received on interfund loans	154,000	-	154,000
Net cash provided by investing activities	<u>784,616</u>	<u>178,277</u>	<u>962,893</u>
Net increase in cash and cash equivalents	1,109,722	2,026,158	3,135,880
Cash and cash equivalents - beginning of year	<u>7,885,262</u>	<u>3,245,481</u>	<u>11,130,743</u>
Cash and cash equivalents - end of year	<u>\$ 8,994,984</u>	<u>\$ 5,271,639</u>	<u>\$ 14,266,623</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 275,197	\$ 1,206,699	\$ 1,481,896
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,219,910	434,922	2,654,832
Change in assets and liabilities:			
Accounts receivable	-	(33,696)	(33,696)
Other long-term assets	-	(640)	(640)
Prepaid items	(168,674)	287,976	119,302
Accounts payable and accrued expenses	(26,543)	(47,380)	(73,923)
Net cash provided by operating activities	<u>\$ 2,299,890</u>	<u>\$ 1,847,881</u>	<u>\$ 4,147,771</u>
<b>Noncash investing, capital, or financing activities:</b>			
Acquisition of capital assets through current liabilities	\$ 52,504	\$ -	\$ 52,504
Transfer of capital project from governmental activities	2,521,139	-	2,521,139

**Combining Schedule of Revenues, Expenses, and Changes in Net Position  
Water Transmission  
For the Fiscal Year Ended June 30, 2025**

	Water Transmission Funds		
	Water Transmission Activities Pledged for Debt Service	Unpledged Water Transmission Activities	Total Water Transmission
<b>Operating revenues</b>			
Water sales	\$ 53,997,987	\$ 4,906,208	\$ 58,904,195
Water services	50,976	-	50,976
Miscellaneous	348,765	149,936	498,701
Total operating revenue	<u>54,397,728</u>	<u>5,056,144</u>	<u>59,453,872</u>
<b>Operating expenses</b>			
Services and supplies	41,421,339	5,814,799	47,236,138
Depreciation and amortization	7,187,692	15,316	7,203,008
Total operating expenses	<u>48,609,031</u>	<u>5,830,115</u>	<u>54,439,146</u>
<b>Operating income (loss)</b>	5,788,697	(773,971)	5,014,726
<b>Nonoperating revenues (expenses)</b>			
Investment earnings:			
Interest	2,987,357	488,844	3,476,201
Net increase in the fair value of investments	1,069,799	201,340	1,271,139
Interest expense	(1,551,143)	-	(1,551,143)
Intergovernmental revenue	-	968,398	968,398
Grant pass-through	-	(823,511)	(823,511)
Total nonoperating revenues, net	<u>2,506,013</u>	<u>835,071</u>	<u>3,341,084</u>
<b>Income before capital contributions and transfers</b>	8,294,710	61,100	8,355,810
Capital contributions	3,684,339	-	3,684,339
<b>Change in net position</b>	11,979,049	61,100	12,040,149
Net position - beginning of year	162,689,422	14,425,115	177,114,537
<b>Net position - end of year</b>	<u>\$ 174,668,471</u>	<u>\$ 14,486,215</u>	<u>\$ 189,154,686</u>

## **Note to the Combining Schedule of Revenues, Expenses, and Changes in Net Position - Water Transmission For the Fiscal Year Ended June 30, 2025**

### **Note A. Water Transmission Net Revenues Pledged for Debt Service**

As defined in the water transmission debt covenants, net revenues pledged for debt service excludes activities recorded in four water transmission subfunds: water management planning, watershed management and restoration, recycled water and local supply, and water conservation. To demonstrate compliance with debt covenants, pledged and unpledged activities are presented separately in the Combining Schedule of Revenues, Expenses, and Changes in Net Position-Water Transmission (Schedule). In addition, the net increase in the fair value of investments, which is excluded from net revenues, is presented on a separate line of the Schedule. For additional information about the calculation of water transmission net revenues, refer to the ten-year schedule of water transmission revenue bond debt coverage on page 141.



# STATISTICAL SECTION



This part of Sonoma Water’s annual comprehensive 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 the government’s overall financial health.

**Financial Trends**

These schedules contain trend information to help the reader understand how Sonoma Water’s financial performance and well-being have changed over time. . . . . 118

**Revenue Capacity**

These schedules contain information to help the reader assess Sonoma Water’s most significant local revenue sources, Water Sales, property taxes, and Sanitation Charges.. . . . 128

**Debt Capacity**

These schedules present information to help the reader assess the affordability of Sonoma Water’s current level of outstanding debt and Sonoma Water’s ability to issue additional debt in the future.. . . . 139

**Economic and Demographic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which Sonoma Water’s financial activities take place. . . . . 145



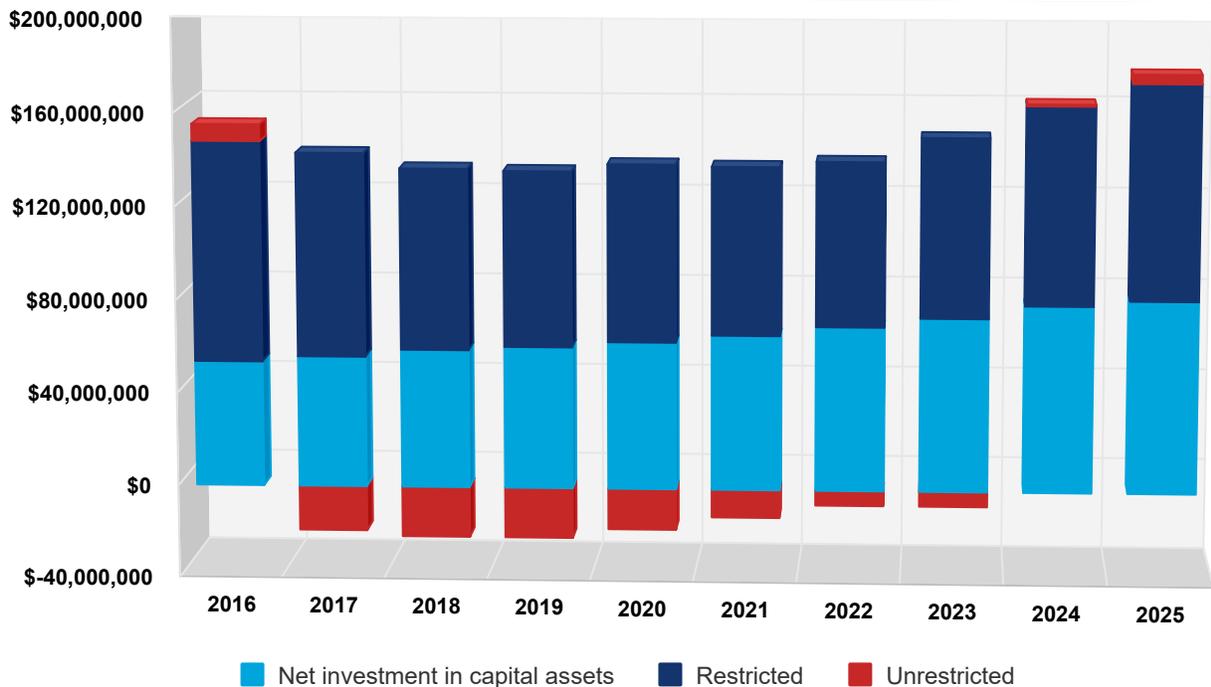
**Net Position by Component (Unaudited)  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	June 30,				
	2016	2017 as restated <sup>(1)</sup>	2018	2019	2020
<b>Governmental activities</b>					
Net investment in capital assets	\$ 53,939,461	\$ 56,281,939	\$ 58,951,592	\$ 61,127,048	\$ 63,571,779
Restricted	94,399,627	86,833,589	77,808,351	75,228,888	75,310,302
Unrestricted	7,173,755	(18,805,360)	(21,372,170)	(21,950,036)	(17,961,098)
<b>Total governmental activities net position</b>	<b>\$ 155,512,843</b>	<b>\$ 124,310,168</b>	<b>\$ 115,387,773</b>	<b>\$ 114,405,900</b>	<b>\$ 120,920,983</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 152,563,649	\$ 164,264,829	\$ 161,478,637	\$ 159,091,392	\$ 146,213,153
Restricted	14,048,490	16,664,705	19,800,228	21,762,899	23,835,337
Unrestricted	49,409,182	40,946,812	52,535,839	56,439,961	75,112,957
<b>Total business-type activities net position</b>	<b>\$ 216,021,321</b>	<b>\$ 221,876,346</b>	<b>\$ 233,814,704</b>	<b>\$ 237,294,252</b>	<b>\$ 245,161,447</b>
<b>Primary Government</b>					
Net investment in capital assets	\$ 206,503,110	\$ 220,546,768	\$ 220,430,229	\$ 220,218,440	\$ 209,784,932
Restricted	108,448,117	103,498,294	97,608,579	96,991,787	99,145,639
Unrestricted	56,582,937	22,141,452	31,163,669	34,489,925	57,151,859
<b>Total primary government net position</b>	<b>\$ 371,534,164</b>	<b>\$ 346,186,514</b>	<b>\$ 349,202,477</b>	<b>\$ 351,700,152</b>	<b>\$ 366,082,430</b>

**Notes:**

<sup>(1)</sup> FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.

*Net Position - Governmental Activities*



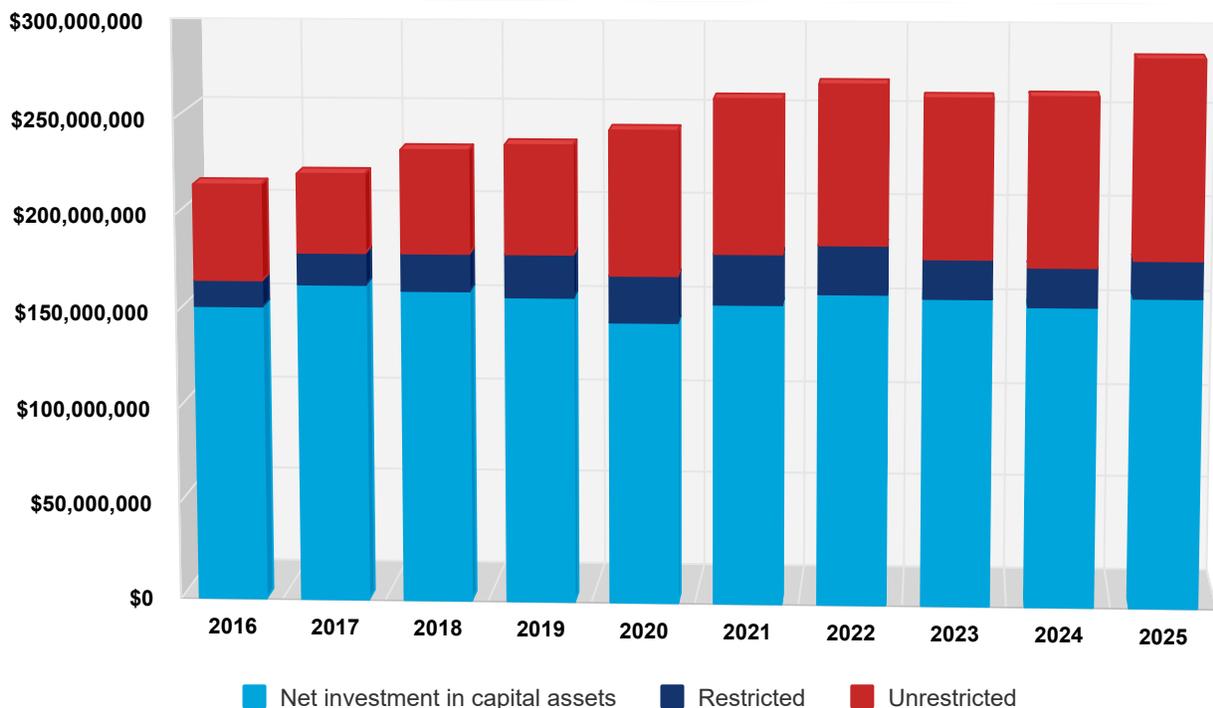
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

**Net Position by Component (Unaudited)  
Last Ten Fiscal Years  
(accrual basis of accounting)**

June 30,

2021	2022	2023	2024	2025	
					Governmental activities
\$ 66,353,912	\$ 70,343,695	\$ 74,311,165	\$ 79,853,540	\$ 82,263,945	Net investment in capital assets
71,676,521	70,151,886	76,915,423	84,620,791	92,233,654	Restricted
(12,323,055)	(6,690,457)	(6,046,462)	1,451,267	3,910,714	Unrestricted
<u>\$ 125,707,378</u>	<u>\$ 133,805,124</u>	<u>\$ 145,180,126</u>	<u>\$ 165,925,598</u>	<u>\$ 178,408,313</u>	Total governmental activities net position
					Business-type activities
\$ 155,329,092	\$ 161,716,986	\$ 159,550,732	\$ 155,753,983	\$ 160,727,163	Net investment in capital assets
26,888,288	24,577,054	20,870,168	20,578,717	19,446,939	Restricted
79,077,706	82,461,405	82,129,782	87,183,130	102,451,320	Unrestricted
<u>\$ 261,295,086</u>	<u>\$ 268,755,445</u>	<u>\$ 262,550,682</u>	<u>\$ 263,515,830</u>	<u>\$ 282,625,422</u>	Total business-type activities net position
					Primary Government
\$ 221,683,004	\$ 232,060,681	\$ 233,861,897	\$ 235,607,523	\$ 242,991,108	Net investment in capital assets
98,564,809	94,728,940	97,785,591	105,199,508	111,680,593	Restricted
66,754,651	75,770,948	76,083,320	88,634,397	106,362,034	Unrestricted
<u>\$ 387,002,464</u>	<u>\$ 402,560,569</u>	<u>\$ 407,730,808</u>	<u>\$ 429,441,428</u>	<u>\$ 461,033,735</u>	Total primary government net position

*Net Position - Business-Type Activities*



**Changes in Net Position (Unaudited)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year Ended June 30,				
	2016 <sup>(1)</sup>	2017 <sup>(2)(3)</sup>	2018	2019	2020
<b>Expenses</b>					
Governmental activities:					
General government	\$ 19,245,528	\$ 8,991,653	\$ 7,766,110	\$ 13,210,201	\$ 9,703,136
Intergovernmental	-	13,794,014	14,336,168	13,025,872	12,587,202
Flood control	10,737,135	10,468,135	14,170,068	12,483,365	14,288,805
Warm Springs Dam	6,720,953	9,861,623	10,822,995	9,559,980	5,591,383
Interest on long-term debt	2,882,388	2,772,636	2,659,344	2,542,398	2,421,680
Total governmental activities	<u>39,586,004</u>	<u>45,888,061</u>	<u>49,754,685</u>	<u>50,821,816</u>	<u>44,592,206</u>
Business-type activities:					
Water transmission	31,458,257	32,689,918	32,952,295	39,733,160	41,900,238
Water supply	5,803,845	7,183,788	4,699,307	5,036,761	6,394,595
Sanitation	5,165,501	5,818,886	7,593,186	6,844,365	7,186,759
Total business-type activities	<u>42,427,603</u>	<u>45,692,592</u>	<u>45,244,788</u>	<u>51,614,286</u>	<u>55,481,592</u>
Total expenses	<u>\$ 82,013,607</u>	<u>\$ 91,580,653</u>	<u>\$ 94,999,473</u>	<u>\$ 102,436,102</u>	<u>\$ 100,073,798</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services					
General government	\$ 10,957,871	\$ 1,484,451	\$ 1,754,440	\$ 2,302,159	\$ 2,657,350
Intergovernmental	-	11,984,014	11,237,954	11,775,872	11,744,802
Flood control	36,193	74,488	113,649	111,550	779,600
Warm Springs Dam	46,612	715	61	48	81
Operating grants and contributions	3,033,039	1,253,477	2,560,079	5,485,759	5,016,803
Capital grants and contributions	100,477	16,207	296,313	7,893	-
Total governmental activities	<u>14,174,192</u>	<u>14,813,352</u>	<u>15,962,496</u>	<u>19,683,281</u>	<u>20,198,636</u>
Business-type activities:					
Charges for services					
Water transmission	32,236,696	33,936,713	40,246,329	39,464,502	44,692,393
Water supply	1,983,368	2,289,197	3,136,365	3,069,451	3,212,893
Sanitation	5,063,439	5,651,512	5,249,866	5,765,353	5,886,196
Operating grants and contributions	3,160,775	4,699,981	1,588,746	423,291	1,537,635
Capital grants and contributions	1,567,521	3,987,850	1,974,789	1,301,187	4,279,162
Total business-type activities	<u>44,011,799</u>	<u>50,565,253</u>	<u>52,196,095</u>	<u>50,023,784</u>	<u>59,608,279</u>
Total program revenues	<u>\$ 58,185,991</u>	<u>\$ 65,378,605</u>	<u>\$ 68,158,591</u>	<u>\$ 69,707,065</u>	<u>\$ 79,806,915</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (25,411,812)	\$ (31,074,709)	\$ (33,792,189)	\$ (31,138,535)	\$ (24,393,570)
Business-type activities	1,584,196	4,872,661	6,951,307	(1,590,502)	4,126,687
Total primary government net expense	<u>\$ (23,827,616)</u>	<u>\$ (26,202,048)</u>	<u>\$ (26,840,882)</u>	<u>\$ (32,729,037)</u>	<u>\$ (20,266,883)</u>

**Notes:**

<sup>(1)</sup> FY 2015 - 16 reimbursements from outside governments for services were reclassified from a reduction in expense for governmental activities to charges for services. This resulted in an increase in both general government expense and charges for services of \$11,671,473.

<sup>(2)</sup> FY 2016 - 17 expenses incurred from providing services to outside governments were classified from general government expenses to intergovernmental expenses

<sup>(3)</sup> FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

**Changes in Net Position (Unaudited)  
Last Ten Fiscal Years  
(accrual basis of accounting)**

Fiscal Year Ended June 30,					
2021	2022	2023	2024	2025	
					<b>Expenses</b>
\$ 6,406,282	\$ 5,315,823	\$ 13,323,965	\$ 5,892,237	\$ 7,265,897	Governmental activities:
15,347,561	16,472,460	21,747,490	18,300,371	18,938,364	General government
12,101,628	12,625,704	11,479,671	13,103,749	12,872,134	Intergovernmental
9,440,547	6,502,819	5,083,503	6,177,473	6,988,502	Flood control
2,297,070	2,168,441	2,035,660	1,898,604	1,757,124	Warm Springs Dam
45,593,088	43,085,247	53,670,289	45,372,434	47,822,021	Interest on long-term debt
					Total governmental activities
39,746,635	42,501,275	49,598,108	54,515,753	55,490,434	Business-type activities:
5,213,705	5,380,873	5,615,439	11,384,255	8,063,535	Water transmission
7,926,806	7,221,720	9,048,666	9,877,788	10,021,969	Water supply
52,887,146	55,103,868	64,262,213	75,777,796	73,575,938	Sanitation
\$ 98,480,234	\$ 98,189,115	\$ 117,932,502	\$ 121,150,230	\$ 121,397,959	Total business-type activities
					Total expenses
					<b>Program revenues</b>
					Governmental activities:
\$ 3,445,339	\$ 3,602,765	\$ 5,717,101	\$ 3,789,991	\$ 4,211,766	Charges for services
14,255,561	14,195,485	15,033,510	16,100,371	16,660,760	General government
66,875	81,500	70,041	1,141,283	47,000	Intergovernmental
-	-	2,340	-	-	Flood control
5,933,734	3,229,077	4,738,773	3,769,543	4,293,565	Warm Springs Dam
-	-	-	-	-	Operating grants and contributions
23,701,509	21,108,827	25,561,765	24,801,188	25,213,091	Capital grants and contributions
					Total governmental activities
51,339,633	47,353,833	39,761,241	48,680,321	59,453,872	Business-type activities:
3,750,171	3,528,819	3,085,061	3,764,017	4,752,202	Charges for services
6,445,163	6,732,456	7,462,275	8,119,548	8,661,890	Water transmission
572,263	1,079,927	1,539,810	5,651,075	2,789,011	Water supply
1,049,722	4,128,599	4,516,451	2,679,349	3,770,491	Sanitation
63,156,952	62,823,634	56,364,838	68,894,310	79,427,466	Operating grants and contributions
\$ 86,858,461	\$ 83,932,461	\$ 81,926,603	\$ 93,695,498	\$ 104,640,557	Capital grants and contributions
					Total business-type activities
					Total program revenues
\$ (21,891,579)	\$ (21,976,420)	\$ (28,108,524)	\$ (20,571,246)	\$ (22,608,930)	Net (expense)/revenue
10,269,806	7,719,766	(7,897,375)	(6,883,486)	5,851,528	Governmental activities
\$ (11,621,773)	\$ (14,256,654)	\$ (36,005,899)	\$ (27,454,732)	\$ (16,757,402)	Business-type activities
					Total primary government net expense



**Changes in Net Position (Unaudited)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year Ended June 30,				
	2016 <sup>(1)</sup>	2017 <sup>(2) (3)</sup>	2018	2019	2020
<b>General revenues</b>					
Governmental activities:					
Property taxes	\$ 23,629,448	\$ 25,228,577	\$ 26,877,485	\$ 28,851,629	\$ 30,729,248
Unrestricted investment earnings (loss)	2,138,047	447,480	1,136,042	3,595,033	2,172,405
Transfers	(918,134)	(1,585,000)	(3,143,733)	(2,290,000)	(1,993,000)
Total governmental activities	<u>24,849,361</u>	<u>24,091,057</u>	<u>24,869,794</u>	<u>30,156,662</u>	<u>30,908,653</u>
Business-type activities:					
Property taxes	46,892	49,437	46,928	24,262	510
Unrestricted investment earnings (loss)	528,362	329,230	815,087	2,755,788	1,746,998
Transfers	918,134	1,585,000	3,143,733	2,290,000	1,993,000
Total business-type activities	<u>1,493,388</u>	<u>1,963,667</u>	<u>4,005,748</u>	<u>5,070,050</u>	<u>3,740,508</u>
Total primary government	<u>\$ 26,342,749</u>	<u>\$ 26,054,724</u>	<u>\$ 28,875,542</u>	<u>\$ 35,226,712</u>	<u>\$ 34,649,161</u>
<b>Change in net position</b>					
Governmental activities	\$ (562,451)	\$ (6,983,652)	\$ (8,922,395)	\$ (981,873)	\$ 6,515,083
Business-type activities	<u>3,077,584</u>	<u>6,836,328</u>	<u>10,957,055</u>	<u>3,479,548</u>	<u>7,867,195</u>
Total primary government	<u>\$ 2,515,133</u>	<u>\$ (147,324)</u>	<u>\$ 2,034,660</u>	<u>\$ 2,497,675</u>	<u>\$ 14,382,278</u>

**Notes:**

- <sup>(1)</sup> FY 2015 - 16 reimbursements from outside governments for services were reclassified from a reduction in expense for governmental activities to charges for services. This resulted in an increase in both general government expense and charges for services of \$11,671,473.
- <sup>(2)</sup> FY 2016 - 17 general government expenses related to services and contributions provided to outside governments were re-classified as intergovernmental expenses.
- <sup>(3)</sup> FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

**Changes in Net Position (Unaudited)  
Last Ten Fiscal Years  
(accrual basis of accounting)**

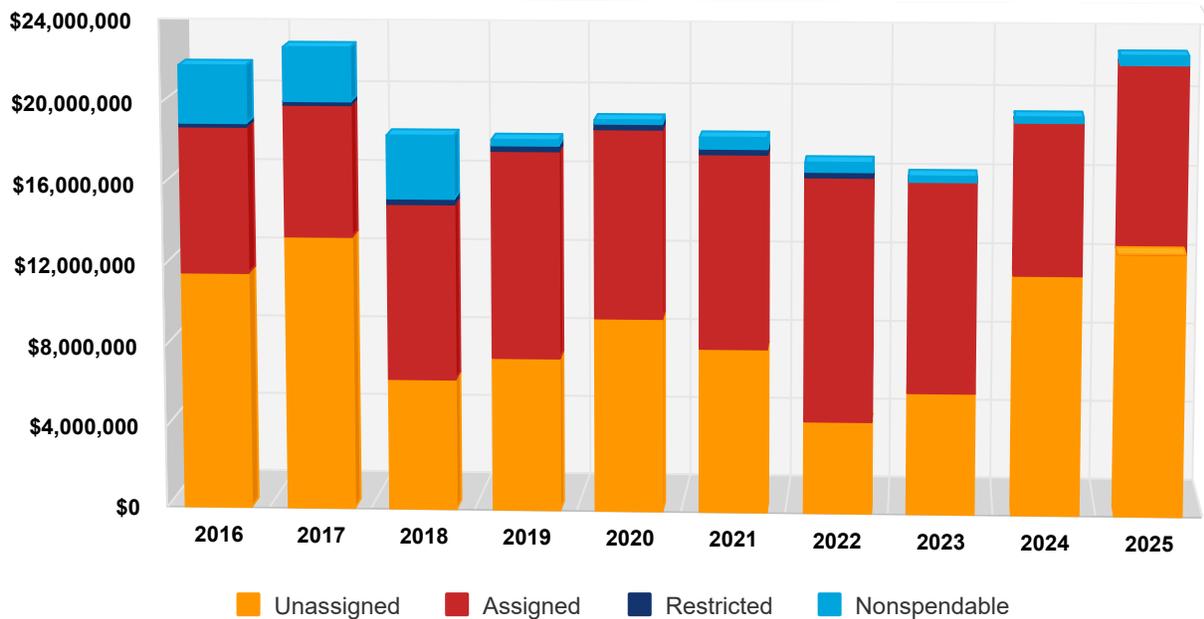
Fiscal Year Ended June 30,					
2021	2022	2023	2024	2025	
					<b>General revenues</b>
					Governmental activities:
					Property taxes
					Unrestricted investment earnings (loss)
					Transfers
					Total governmental activities
					Business-type activities:
					Property taxes
					Unrestricted investment earnings (loss)
					Transfers
					Total business-type activities
					Total primary government
					<b>Change in net position</b>
					Governmental activities
					Business-type activities
					Total primary government



**Fund Balances of Governmental Funds (Unaudited)  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	June 30,				
	2016	2017	2018	2019	2020
<b>General Fund</b>					
Nonspendable	\$ 2,807,196	\$ 2,627,502	\$ 3,060,176	\$ 299,415	\$ 229,509
Restricted	250,000	250,000	250,000	250,000	250,000
Assigned	7,158,891	6,429,828	8,708,445	10,201,064	9,321,534
Unassigned	11,635,437	13,446,060	6,416,548	7,555,059	9,503,527
<b>Total General Fund</b>	<u>\$ 21,851,524</u>	<u>\$ 22,753,390</u>	<u>\$ 18,435,169</u>	<u>\$ 18,305,538</u>	<u>\$ 19,304,570</u>
<b>All other governmental funds</b>					
Nonspendable	\$ 364	\$ 18,967	\$ 1,122	\$ 824	\$ -
Restricted	96,046,979	88,586,028	79,489,571	76,722,317	76,622,585
<b>Total all other governmental funds</b>	<u>\$ 96,047,343</u>	<u>\$ 88,604,995</u>	<u>\$ 79,490,693</u>	<u>\$ 76,723,141</u>	<u>\$ 76,622,585</u>

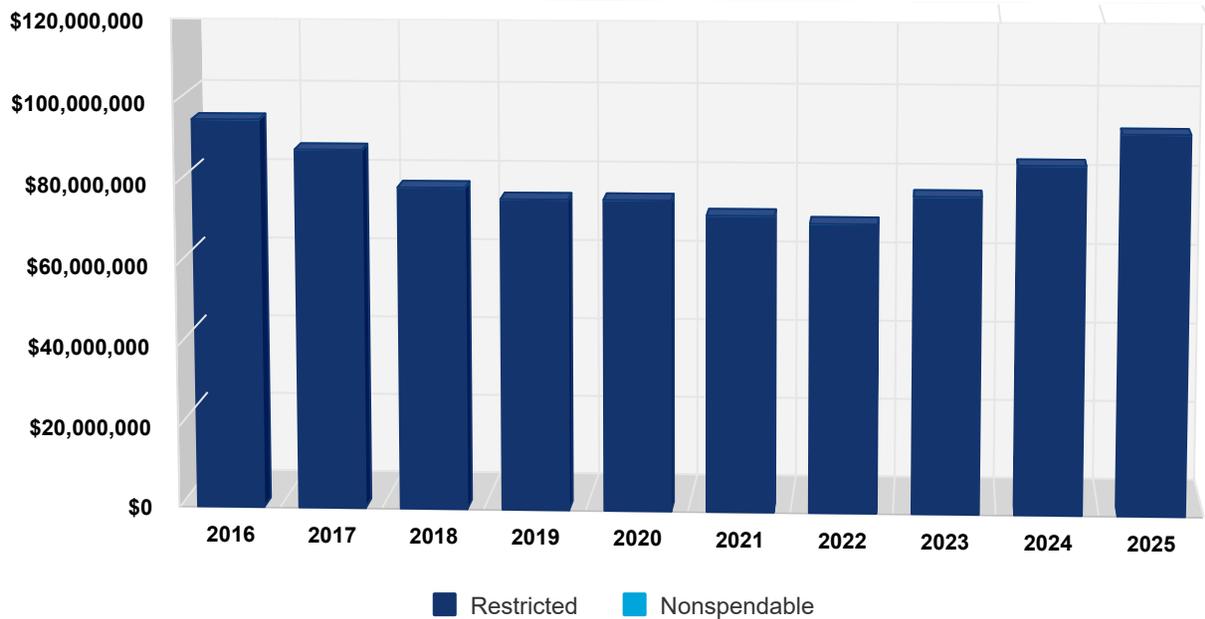
*General Fund - Fund Balances*



**Fund Balances of Governmental Funds (Unaudited)  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

June 30,					
2021	2022	2023	2024	2025	
\$ 509,405	\$ 485,542	\$ 315,493	\$ 323,612	\$ 506,014	General Fund
250,000	250,000	-	-	-	Nonspendable
9,575,786	11,977,908	10,386,676	7,466,301	9,174,140	Restricted
8,097,858	4,555,917	5,964,998	11,781,348	12,883,887	Assigned
<u>\$ 18,433,049</u>	<u>\$ 17,269,367</u>	<u>\$ 16,667,167</u>	<u>\$ 19,571,261</u>	<u>\$ 22,564,041</u>	Unassigned
					Total General Fund
\$ 11,333	\$ 11,333	\$ 54,752	\$ 57,930	\$ 57,115	All other governmental funds
73,065,663	71,440,732	78,313,736	85,889,499	93,449,046	Nonspendable
<u>\$ 73,076,996</u>	<u>\$ 71,452,065</u>	<u>\$ 78,368,488</u>	<u>\$ 85,947,429</u>	<u>\$ 93,506,161</u>	Restricted
					Total all other governmental funds

*Other Governmental Funds - Fund Balances*



**Changes in Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year Ended June 30,				
	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018	2019	2020
<b>Revenues</b>					
Property taxes	\$ 23,629,448	\$ 25,228,577	\$ 26,877,486	\$ 28,851,629	\$ 30,729,248
Investment earnings (loss)	2,138,047	447,480	1,135,042	3,595,032	2,172,405
Intergovernmental	3,133,516	1,273,673	2,856,392	5,109,904	4,701,071
Charges for services	12,337,610	13,506,968	13,103,270	14,087,983	15,174,147
Miscellaneous	89,471	32,711	2,834	101,646	7,685
<b>Total Revenues</b>	<b>41,328,092</b>	<b>40,489,409</b>	<b>43,975,024</b>	<b>51,746,194</b>	<b>52,784,556</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	17,502,809	5,954,665	9,321,669	12,225,790	12,238,391
Intergovernmental	-	13,794,014	14,336,168	13,025,872	12,587,202
Flood control	8,560,561	8,903,573	11,851,261	10,843,800	12,734,685
Warm Springs Dam	6,675,502	9,824,653	10,774,266	9,462,826	5,524,000
Capital outlay	1,115,520	682,415	1,694,878	509,518	523,230
<b>Debt Service:</b>					
Principal	3,331,555	3,438,997	3,549,905	3,664,389	3,782,566
Interest and fiscal charges	2,954,017	2,846,574	2,735,667	2,621,182	2,503,006
<b>Total expenditures</b>	<b>40,139,964</b>	<b>45,444,891</b>	<b>54,263,814</b>	<b>52,353,377</b>	<b>49,893,080</b>
Excess (deficiency) of revenues over expenditures	1,188,128	(4,955,482)	(10,288,790)	(607,183)	2,891,476
<b>Other financing sources (Uses)</b>					
Transfers in	-	200,000	-	-	750,000
Transfers out	(918,134)	(1,785,000)	(3,143,733)	(2,290,000)	(2,743,000)
<b>Total other financing uses</b>	<b>(918,134)</b>	<b>(1,585,000)</b>	<b>(3,143,733)</b>	<b>(2,290,000)</b>	<b>(1,993,000)</b>
<b>Net change in fund balances</b>	<b>\$ 269,994</b>	<b>\$ (6,540,482)</b>	<b>\$(13,432,523)</b>	<b>\$ (2,897,183)</b>	<b>\$ 898,476</b>
Debt service as a percentage of noncapital expenditures	16.1%	14.0%	12.0%	12.1%	12.7%

**Notes:**

<sup>(1)</sup> Beginning in FY 2015 - 16, reimbursements from outside governments for services were reclassified from a reduction in expenditures to charges for services.

<sup>(2)</sup> Beginning in FY 2016 - 17, general government expenditures related to services and contributions provided to outside governments were reclassified as intergovernmental expenses

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

**Changes in Fund Balances of Governmental Funds (Unaudited)  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

Fiscal Year Ended June 30,					
2021	2022	2023	2024	2025	
\$ 31,832,141	\$ 34,983,468	\$ 37,230,184	\$ 38,196,257	\$ 41,090,656	<b>Revenues</b>
413,033	(1,904,302)	1,653,342	4,889,792	5,575,885	Property taxes
5,573,440	3,125,576	4,591,565	3,574,006	4,148,135	Investment earnings (loss)
17,690,777	17,580,933	20,795,753	20,972,487	20,885,735	Intergovernmental
76,998	298,817	27,239	59,157	33,792	Charges for services
55,586,389	54,084,492	64,298,083	67,691,699	71,734,203	Miscellaneous
					<b>Total Revenues</b>
					<b>Expenditures</b>
					Current:
12,171,141	11,818,585	13,756,541	10,211,424	10,941,175	General government
15,347,561	16,472,460	22,662,213	19,470,848	20,072,308	Intergovernmental
10,566,945	11,131,089	9,722,382	11,712,941	11,437,803	Flood control
8,966,812	6,433,230	4,089,881	4,953,245	5,801,563	Warm Springs Dam
1,098,268	1,727,169	2,067,272	2,824,636	2,203,757	Capital outlay
					Debt Service:
3,904,554	4,030,476	4,160,458	4,294,633	4,433,135	Principal
2,381,018	2,255,096	2,125,113	1,990,938	1,852,436	Interest and fiscal charges
54,436,299	53,868,105	58,583,860	55,458,665	56,742,177	<b>Total expenditures</b>
1,150,090	216,387	5,714,223	12,233,034	14,992,026	Excess (deficiency) of revenues over expenditures
					<b>Other financing sources (Uses)</b>
4,100,000	7,225,000	7,400,000	7,300,000	6,000,000	Transfers in
(9,667,200)	(10,230,000)	(6,800,000)	(9,050,000)	(10,440,513)	Transfers out
(5,567,200)	(3,005,000)	600,000	(1,750,000)	(4,440,513)	<b>Total other financing uses</b>
\$ (4,417,110)	\$ (2,788,613)	\$ 6,314,223	\$ 10,483,034	\$ 10,551,513	<b>Net change in fund balances</b>
11.8%	12.1%	11.1%	11.9%	11.5%	Debt service as a percentage of noncapital expenditures



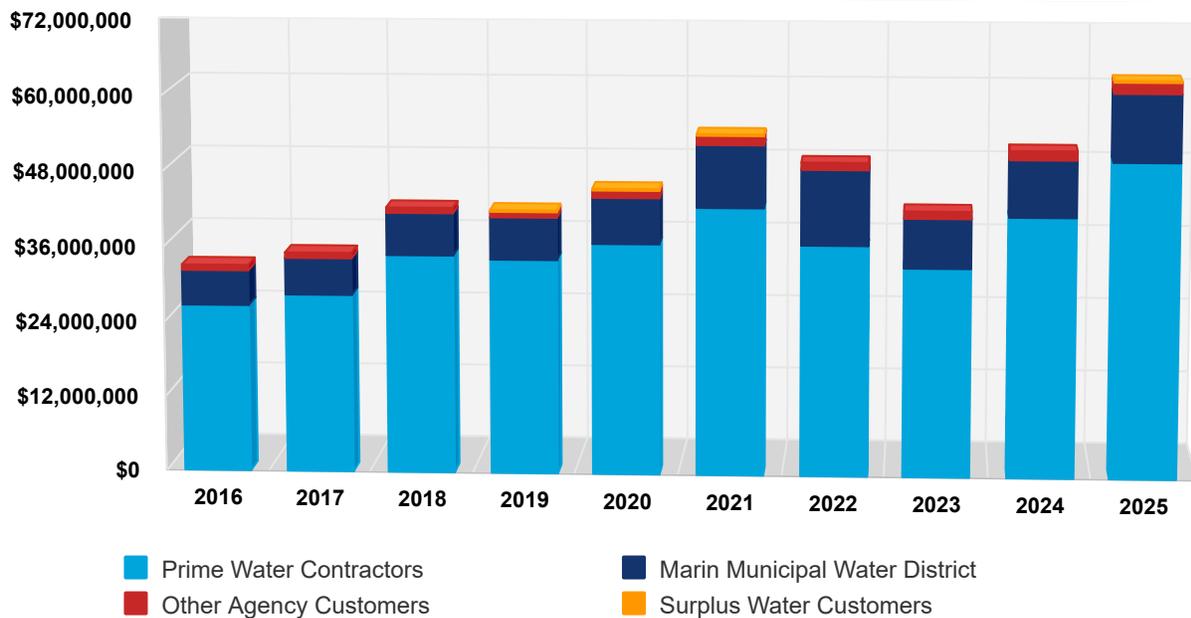
### Water Sales Revenue by Customer Type (Unaudited) Last Ten Fiscal Years

Fiscal Year Ended June 30,	Prime Water Contractors <sup>(1)</sup>	Marin Municipal Water District	Other Agency Customers <sup>(2)</sup>	Surplus Water Customers <sup>(3)</sup>	Less Meter Fees	Total Water Sales Revenue
2016	\$ 26,620,930	\$ 5,641,893	\$ 797,695	\$ 47,252	\$ (24,664)	\$ 33,083,106
2017	28,450,986	5,836,453	905,679	54,399	(23,820)	35,223,697
2018	34,908,724	6,554,780	979,715	131,706	(23,820)	42,551,105
2019	34,116,692	6,868,818	999,385	91,370	(23,820)	42,052,445
2020	36,968,499	7,208,447	1,321,613	104,245	(23,820)	45,578,984
2021	42,650,684	10,093,034	1,525,641	89,728	(23,378)	54,335,709
2022	36,958,601	11,846,931	1,250,688	53,345	(22,896)	50,086,669
2023	33,231,859	8,096,662	1,146,082	57,309	(22,896)	42,509,016
2024	41,520,028	9,091,604	1,480,108	113,050	(50,004)	52,154,786
2025	50,453,874	10,862,673	1,701,792	250,823	(50,976)	63,218,186

**Notes:**

- <sup>(1)</sup> Prime Water Contractors include all parties to the Restructured Agreement for Water Supply except Sonoma Water and Forestville Water District.
- <sup>(2)</sup> Other Agency Customers means Sonoma Water, the County of Sonoma, California-American Water Company, Forestville Water District, Lawndale Mutual Water Company, Kenwood Village Water Company, Penngrove Water Company, the State of California, Santa Rosa Junior College, the City of Healdsburg, and Camp Meeker Recreation and Park District. Includes meter fees.
- <sup>(3)</sup> Surplus Water is water that from time to time may be available for delivery from the Transmission System in excess of the amounts required to meet Sonoma Water's contractual obligations and the requirements of all Sonoma Water's Regular Customers. Includes meter fees.

Water Sales Revenue



Source: Sonoma Water Finance and Accounting Division

### Water Rates by Category (Unaudited) Last Ten Fiscal Years

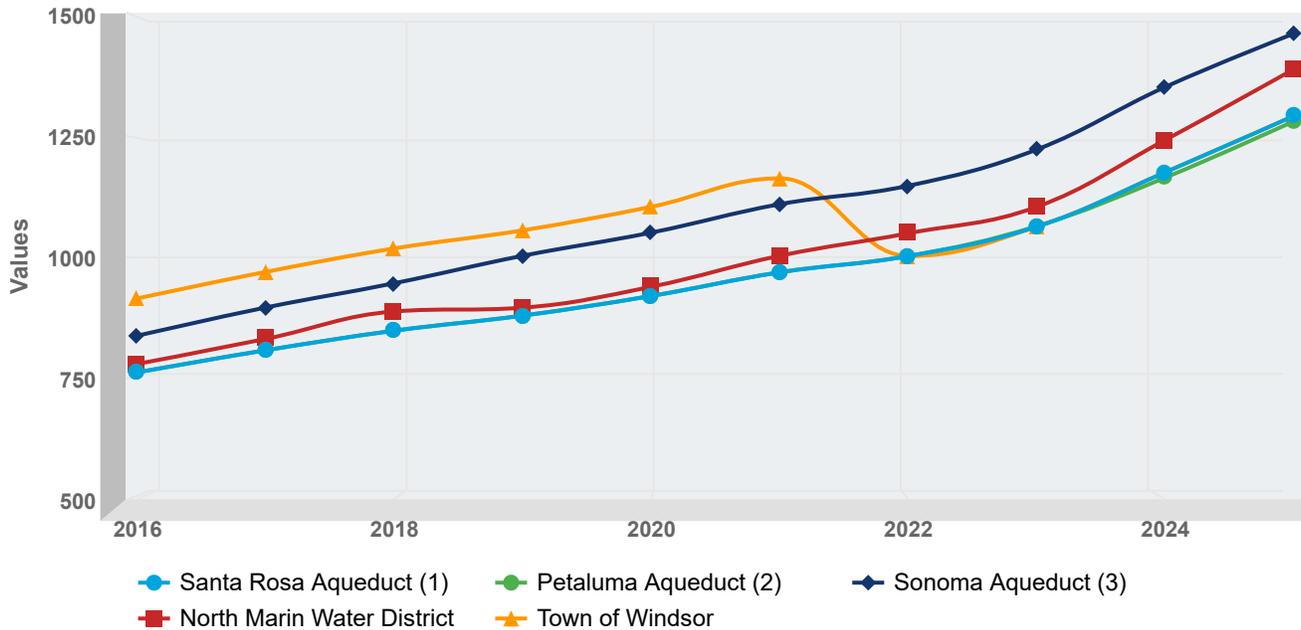
Water Rates (in dollars per acre-foot)

Fiscal Year Ended June 30,	Prime Water Contractor Rates				
	Santa Rosa Aqueduct <sup>(1)</sup>	Petaluma Aqueduct <sup>(2)</sup>	Sonoma Aqueduct <sup>(3)</sup>	North Marin Water District	Town of Windsor
2016	\$ 761.05	\$ 761.05	\$ 836.55	\$ 778.46	\$ 913.26
2017	806.59	806.59	894.62	829.97	967.91
2018	846.78	846.78	944.56	886.28	1,016.14
2019	877.88	877.88	1,001.06	894.17	1,053.46
2020	918.30	918.30	1,048.80	937.34	1,101.96
2021	966.95	966.95	1,107.21	1,001.00	1,160.34
2022	1,000.46	1,000.46	1,145.18	1,047.34	1,000.46
2023	1,061.04	1,062.04	1,219.90	1,101.82	1,061.04
2024	1,173.09	1,162.09	1,348.67	1,239.62	1,173.09
2025	1,289.02	1,278.02	1,458.41	1,385.15	1,289.02

**Notes:**

- <sup>(1)</sup> Rate charged to the City of Santa Rosa
- <sup>(2)</sup> Rate charged to the City of Rohnert Park, City of Petaluma and City of Cotati
- <sup>(3)</sup> Rate charged to the City of Sonoma and the Valley of the Moon Water District

*Prime Contractor Water Rates*



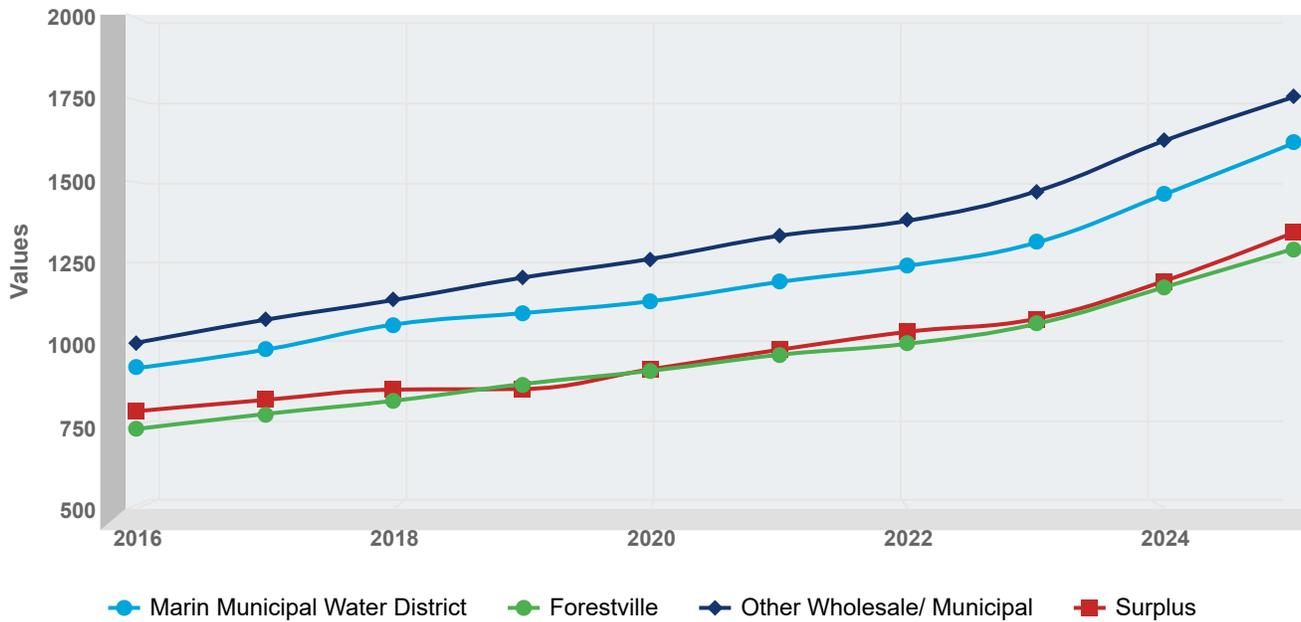
Source: Sonoma Water Finance and Accounting Division



### Water Rates by Category (Unaudited) Last Ten Fiscal Years

Fiscal Year Ended June 30,	Water Rates (in dollars per acre-foot)			
	Marin Municipal Water District	Forestville	Other Wholesale/ Municipal	Surplus
2016	\$ 926.54	\$ 741.53	\$ 1,003.83	\$ 795.50
2017	982.54	787.09	1,073.54	829.76
2018	1,058.79	827.28	1,133.47	860.83
2019	1,093.33	877.88	1,201.27	862.80
2020	1,129.74	918.30	1,258.55	923.04
2021	1,188.11	966.95	1,328.64	982.21
2022	1,237.08	1,000.46	1,374.21	1,036.74
2023	1,308.14	1,061.04	1,463.87	1,076.32
2024	1,455.25	1,173.09	1,618.39	1,192.01
2025	1,610.09	1,289.02	1,750.08	1,338.40

Non-Prime Contractor Water Rates



**Principal Water Customers (Unaudited)  
Current Year and Nine Years Ago**

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2025			Fiscal Year Ended June 30, 2016		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$21,339,935	1	33.8%	\$11,442,998	1	34.6%
Marin Municipal Water District	10,862,673	2	17.2%	4,836,514	3	14.6%
City of Petaluma	9,766,424	3	15.4%	5,287,745	2	16.0%
North Marin Water District	8,607,003	4	13.6%	4,505,839	4	13.6%
City of Rohnert Park	3,747,403	5	5.9%	1,644,316	5	5.0%
City of Sonoma	2,730,327	6	4.3%	1,272,588	7	3.8%
Valley of the Moon Water District	2,495,836	7	3.9%	1,510,897	6	4.6%
Town of Windsor	945,474	8	1.5%	457,596	8	1.4%
City of Cotati	768,927	9	1.2%	378,820	9	1.1%
Cal American Water	576,891	10	0.9%			-%
Forestville			-%	277,094	10	0.8%
Total Water Sales Top 10 Water Customers	61,840,893		97.8%	31,614,407		95.6%
Total Water Sales All Other Customers	1,377,293		2.2%	1,468,699		4.4%
Total Water Sales	<u>\$63,218,186</u>		<u>100.0%</u>	<u>\$33,083,106</u>		<u>100.0%</u>

Source: Sonoma Water Finance and Accounting Division



**Assessed Value of Taxable Property (Unaudited)  
Last Ten Fiscal Years**

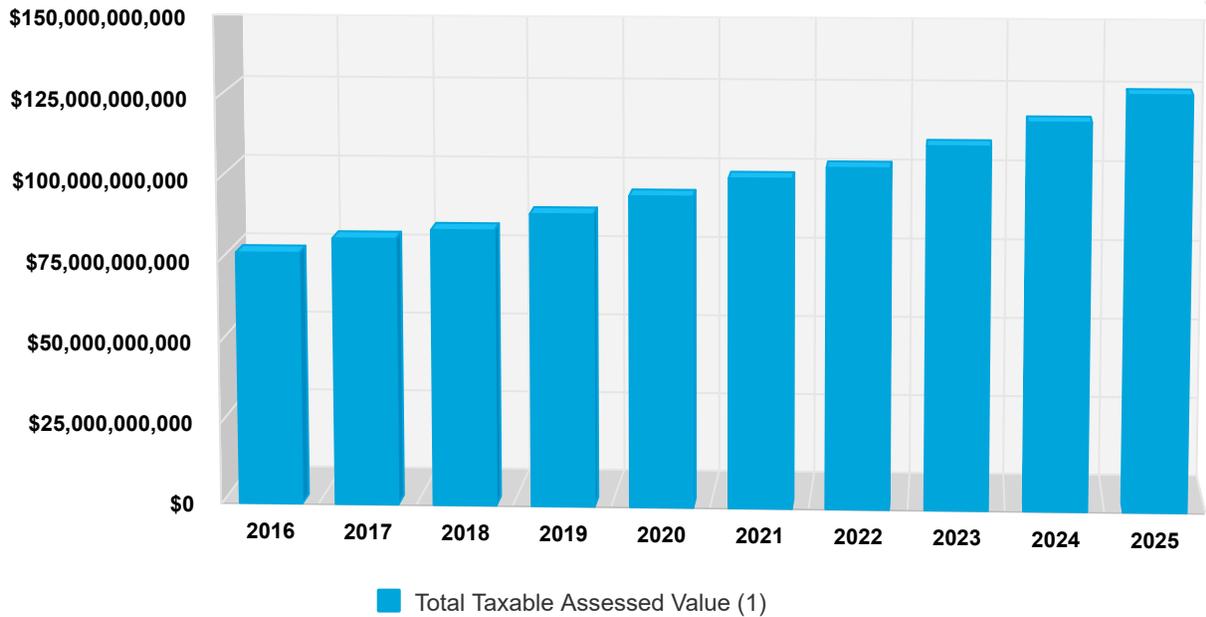
Fiscal Year Ended June 30,	Secured	Unsecured	Exempt	Total Taxable Assessed Value <sup>(1)</sup>	County of Sonoma General Levy <sup>(2)</sup>
2016	\$ 78,257,731,081	\$ 2,681,991,907	\$ (3,116,013,957)	\$ 77,823,709,031	1.00%
2017	82,727,351,207	2,659,027,299	(3,171,081,846)	82,215,296,660	1.00%
2018	85,835,554,404	2,758,805,707	(3,139,459,862)	85,454,900,249	1.00%
2019	90,472,427,042	2,908,430,499	(3,212,530,735)	90,168,326,806	1.00%
2020	96,098,191,321	3,241,273,422	(3,502,461,668)	95,837,003,075	1.00%
2021	101,928,048,072	3,538,887,425	(3,786,024,350)	101,680,911,147	1.00%
2022	105,018,298,991	3,700,904,432	(3,724,094,412)	104,995,109,011	1.00%
2023	112,010,885,380	3,934,834,156	(3,929,108,819)	112,016,610,717	1.00%
2024	119,026,149,837	4,338,865,272	(4,218,879,663)	119,146,135,446	1.00%
2025	127,768,854,661	4,508,220,715	(4,555,830,980)	127,721,244,396	1.00%

**Notes:**

<sup>(1)</sup> Assessed value is subject to the limitations of Proposition 13.

<sup>(2)</sup> County-wide Prop 13 rate. See the schedule Direct and Overlapping Tax Rates on the following page for tax rates applicable to Sonoma Water.

*Assessed Value*



Source: County of Sonoma Auditor-Controller-Treasurer-Tax Collector, Property Tax Division

**Property Tax Rates - Direct and Overlapping Governments (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	County Direct Rates				Overlapping Rates			Total Direct and Overlapping Tax Rate
	Sonoma Water <sup>(1)</sup>	County	Other	Sonoma County General Levy <sup>(2)</sup>	Sonoma Water <sup>(3)</sup>	Cities	Schools and Other Districts	
2016	0.0233%	0.2130%	0.7637%	1.0000%	0.0070%	0.0570%	0.0309%	1.0949%
2017	0.0233%	0.2133%	0.7634%	1.0000%	0.0070%	0.1070%	0.0300%	1.1440%
2018	0.0233%	0.2135%	0.7632%	1.0000%	0.0070%	0.1070%	0.0289%	1.1429%
2019	0.0233%	0.2142%	0.7625%	1.0000%	0.0070%	0.1070%	0.0299%	1.1439%
2020	0.0233%	0.2146%	0.7621%	1.0000%	0.0070%	0.1070%	0.0296%	1.1436%
2021	0.0233%	0.2146%	0.7621%	1.0000%	0.0070%	0.1070%	0.0297%	1.1437%
2022	0.0233%	0.2138%	0.7629%	1.0000%	0.0070%	0.0980%	0.0253%	1.1303%
2023	0.0233%	0.2139%	0.7628%	1.0000%	0.0070%	0.0980%	0.0252%	1.1302%
2024	0.0232%	0.2140%	0.7628%	1.0000%	0.0070%	0.0980%	0.0248%	1.1298%
2025	0.0233%	0.2141%	0.7626%	1.0000%	0.0070%	0.0800%	0.0302%	1.1172%

**Notes:**

- <sup>(1)</sup> County General Levy apportioned to Sonoma Water.
- <sup>(2)</sup> The County General Levy represents ad valorem taxes levied by the County and authorized by Article 13A of the Constitution of the State of California. Overlapping rates are taxes levied to service voter-approved debt of overlapping jurisdictions such as a school district or local city.
- <sup>(3)</sup> Weighted average of ad valorem taxes levied to service voter-approved debt for Sonoma Water.

Source: County of Sonoma Auditor-Controller-Treasurer-Tax Collector, Property Tax Division



**Principal Revenue Taxpayers (Unaudited)  
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year Ended June 30, 2025			Fiscal Year Ended June 30, 2016		
	Total Taxes <sup>(1)</sup>	Rank	Percentage of Total County Taxes	Total Taxes <sup>(1)</sup>	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 28,225,109	1	1.90%	\$ 10,961,201	2	1.19%
Geysers Power Co LLC	15,994,671	2	1.08%	11,847,348	1	1.29%
Keysight Technologies	4,188,925	3	0.28%	2,247,320	3	0.24%
Oaks & Olives LLC	2,624,599	4	0.18%			-%
Foley Family Farms LP	2,147,649	5	0.14%			-%
Jackson Family Investments III LLC	1,907,456	6	0.13%			-%
Enclave Apartments Property Owner LLC	1,810,458	7	0.12%			-%
CWI-Fairmont Sonoma Hotel LLC	1,504,476	8	0.10%	1,042,478	7	0.11%
Pacific Bell Telephone Co.	1,412,202	9	0.10%	1,793,936	4	0.19%
Foley Family Wines Inc.	1,267,588	10	0.09%	1,036,305	8	0.11%
Ferrari-Carano Vineyards & Winery LLC			-%	1,153,169	5	0.13%
EMI Santa Rosa LTD PTP			-%	1,086,676	6	0.12%
Klein Foods Inc.			-%	916,610	9	0.10%
Varenna LLC			-%	903,137	10	0.10%
Total Taxes Top 10 Taxpayers	61,083,133		4.11%	32,988,180		3.58%
Taxes Paid by all Other Taxpayers	1,424,851,674		95.89%	887,311,239		96.42%
Total Taxes	\$1,485,934,807		100.00%	\$920,299,419		100.00%

**Notes:**

<sup>(1)</sup> Secured property taxes.

Source: County of Sonoma Auditor-Controller-Treasurer-Tax Collector, Property Tax Division

**Property Tax Levies and Collections (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied <sup>(1)</sup>	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years <sup>(2)</sup>	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2016	\$ 778,237,090	\$ 770,591,620	99.00%	\$ 7,164,000	\$ 777,755,620	99.94%
2017	822,152,967	815,344,431	99.20%	6,377,000	821,721,431	99.95%
2018	854,549,002	844,871,868	98.90%	9,208,000	854,079,868	99.95%
2019	901,683,268	893,578,037	99.10%	7,380,000	900,958,037	99.92%
2020	958,370,031	946,294,568	98.70%	10,889,000	957,183,568	99.88%
2021	1,016,809,112	1,003,959,146	98.70%	11,418,000	1,015,377,146	99.86%
2022	1,049,951,090	1,036,500,992	98.70%	12,964,000	1,049,464,992	99.95%
2023	1,120,166,107	1,104,447,856	98.60%	12,464,000	1,116,911,856	99.71%
2024	1,191,461,355	1,166,062,974	97.87%	19,436,000	1,185,498,974	99.50%
2025	1,277,212,444	1,245,056,174	97.48%	-	1,245,056,174	97.48%

**Notes:**

<sup>(1)</sup> Represents the County of Sonoma General Levy.

<sup>(2)</sup> Rounded to the nearest \$1,000

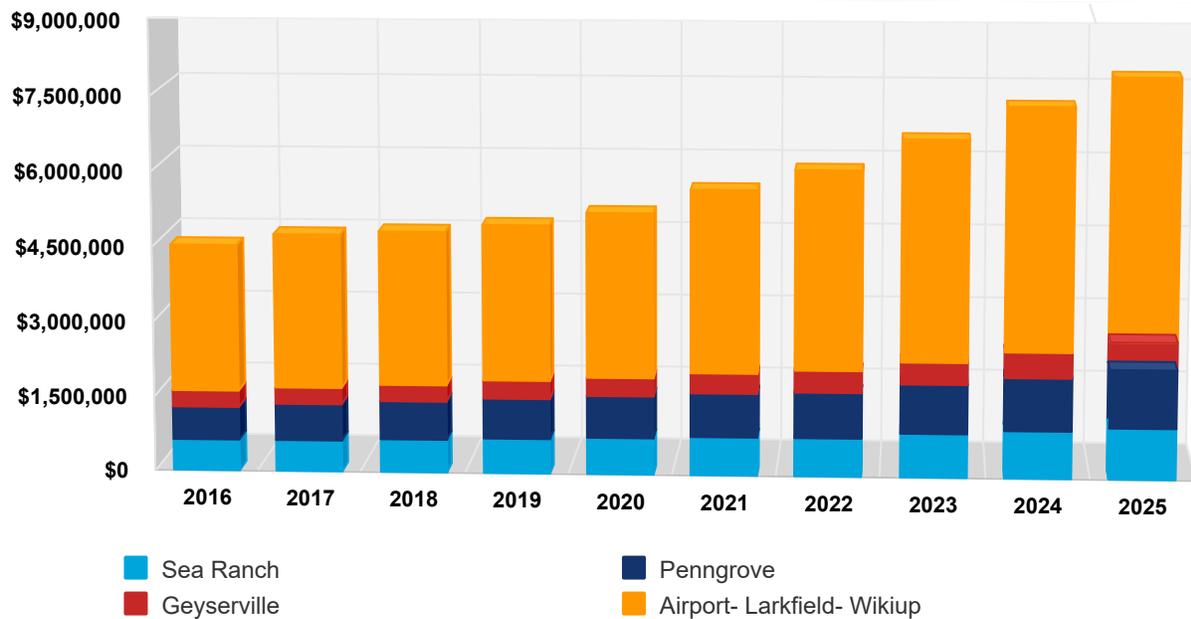
Source: County of Sonoma Auditor-Controller-Treasurer-Tax Collector, Property Tax Division



**Sanitation Direct Charges by Zone (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
2016	\$ 611,116	\$ 687,226	\$ 313,222	\$ 2,923,213	\$ 4,534,777
2017	631,397	705,194	328,941	3,074,625	4,740,157
2018	668,860	756,462	347,563	3,061,737	4,834,622
2019	700,894	785,602	364,294	3,130,114	4,980,904
2020	726,888	830,103	384,881	3,287,143	5,229,015
2021	752,950	877,134	407,130	3,654,866	5,692,080
2022	785,412	915,000	428,239	3,991,501	6,120,152
2023	863,078	991,592	461,877	4,405,066	6,721,613
2024	948,294	1,065,822	516,157	4,843,239	7,373,512
2025	1,035,819	1,162,729	560,624	5,210,641	7,969,813

*Sewer Service Direct Charge Revenue by Zone*

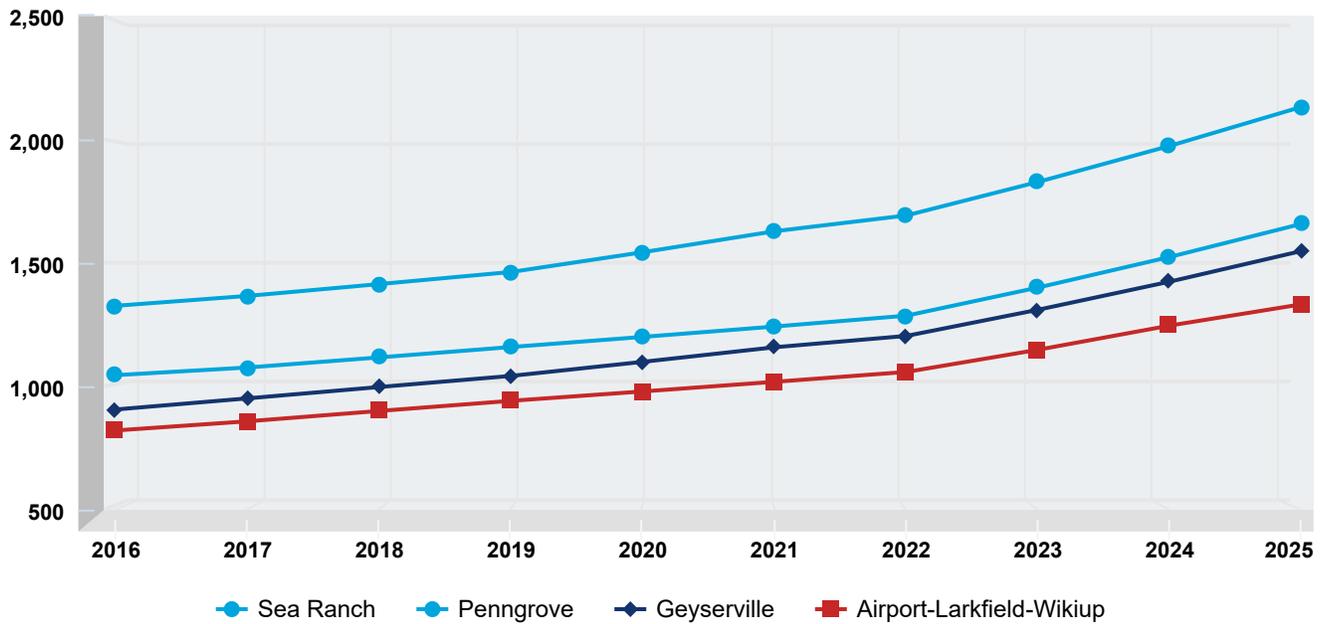


Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

**Sewer Service Rates by Zone (Unaudited)**  
**Last Ten Fiscal Years**  
 (in dollars per Equivalent Single-Family Dwelling per year)

Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport-Larkfield-Wikiup
2016	\$ 1,045	\$ 1,326	\$ 906	\$ 821
2017	1,076	1,366	951	858
2018	1,117	1,414	997	900
2019	1,159	1,463	1,042	941
2020	1,200	1,543	1,099	979
2021	1,242	1,628	1,158	1,018
2022	1,286	1,692	1,204	1,058
2023	1,400	1,828	1,310	1,148
2024	1,524	1,974	1,424	1,246
2025	1,658	2,132	1,548	1,332

Sewer Service Rates by Zone



Source: Sonoma Water Finance and Accounting Division



**Principal Sanitation Customers (Unaudited)**  
**Current Year and Nine Years Ago**

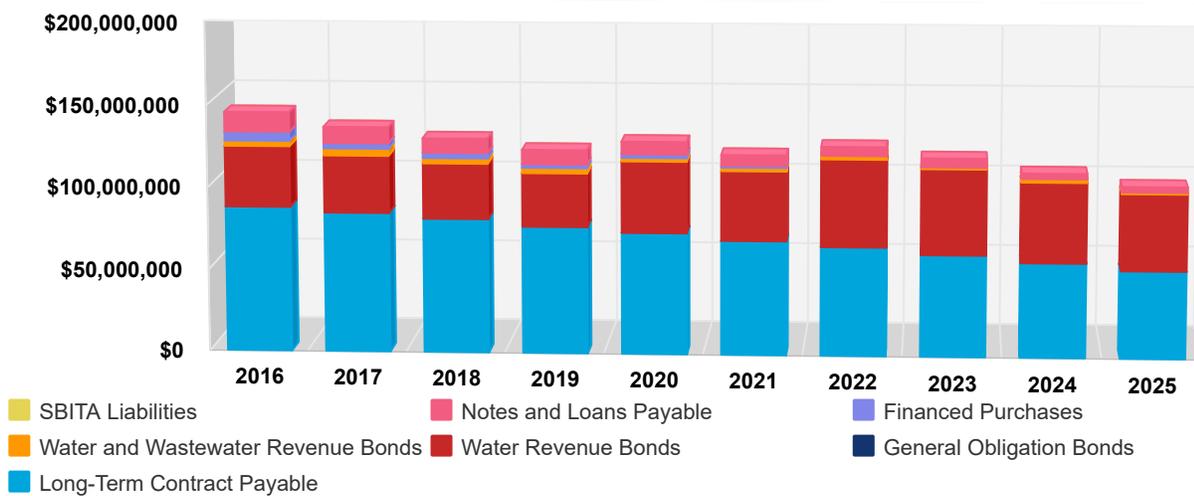
Customer	Fiscal Year Ended June 30, 2025			Fiscal Year Ended June 30, 2016		
	Direct Charges	Rank	Percentage of Total Direct Charges	Direct Charges	Rank	Percentage of Total Direct Charges
Vineyard Creek LP	\$ 247,219	1	3.10%	\$ 152,378	1	3.36%
Lilli Ann Properties Inc.	151,315	2	1.90%	70,573	3	1.56%
North County Detention Facility	125,501	3	1.57%	124,833	2	2.75%
RMB Real Estate Investments	102,830	4	1.29%			-%
Sutter Bay Hospitals	94,146	5	1.18%	39,309	7	0.87%
5209 Old Redwood Highway LLC	91,642	6	1.15%	56,485	4	1.25%
Penngrove Village LLC	75,046	7	0.94%			-%
Ring Properties LLC	62,857	8	0.79%	38,743	8	0.85%
301 Airport CA Owner LLC	61,165	9	0.77%			-%
Larkfield Oaks LP	59,674	10	0.75%	36,781	10	0.81%
Mark West Union School District			-%	50,048	5	1.10%
Westle Joel TR & Julie TR			-%	46,675	6	1.03%
Redwood Village Mobile Home PA			-%	37,700	9	0.83%
Total Direct Charges Top 10 Sanitation Customers	1,071,395		13.44%	653,525		14.41%
Total Direct Charges All Other Customers	6,898,418		86.56%	3,881,252		85.59%
	<u>\$ 7,969,813</u>		<u>100.00%</u>	<u>\$ 4,534,777</u>		<u>100.00%</u>

Source: Sonoma Water, Finance and Accounting Division

**Ratios of Outstanding Debt (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities					Total Outstanding Debt
	Long-Term Contract Payable	General Obligation Bonds	Water Revenue Bonds	Water and Wastewater Revenue Bonds	Financed Purchases	Notes and Loans Payable	SBITA Liabilities	
2016	\$ 88,266,867	\$ 134,000	\$36,254,717	\$ 3,953,831	\$ 5,014,426	\$12,166,260	\$ -	\$145,790,101
2017	84,827,870	94,000	35,014,764	3,690,356	3,794,453	9,793,493	-	137,214,936
2018	81,276,964	53,000	33,739,811	3,357,050	3,167,925	9,021,479	-	130,616,229
2019	77,612,575	27,000	32,434,858	3,013,329	2,514,660	8,227,749	-	123,830,171
2020	73,830,010	-	43,513,499	2,665,525	1,833,511	7,411,692	-	129,254,237
2021	69,925,456	-	41,714,410	2,305,730	1,248,042	6,572,680	-	121,766,318
2022	65,894,980	-	53,401,320	1,944,534	764,694	5,710,067	-	127,715,595
2023	61,734,522	-	51,947,832	1,572,547	260,339	4,823,190	64,578	120,403,008
2024	57,439,889	-	49,614,346	1,195,457	-	3,911,366	-	112,161,058
2025	53,006,754	-	47,175,859	804,040	-	2,973,893	-	103,960,546

*Outstanding Debt*



**Ratios of Sonoma Water Debt**

Fiscal Year Ended June 30,	Population	Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
2016	501,959	0.19%	0.58%	290
2017	505,120	0.17%	0.51%	272
2018	503,332	0.15%	0.46%	260
2019	500,675	0.14%	0.41%	247
2020	492,980	0.13%	0.40%	262
2021	484,207	0.12%	0.37%	251
2022	482,404	0.12%	0.37%	265
2023	478,174	0.11%	0.31%	252
2024	478,152	0.09%	0.30%	235
2025	482,848	0.08%	0.26%	215

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector, Client Accounting Division



**Direct and Overlapping Debt (Unaudited)  
June 30, 2025**

<b>2024-2025 Assessed Valuation</b>	<b><u>\$127,721,244,396</u></b>	
<b>Direct Debt</b>		
Sonoma Water	<b><u>\$ 53,006,754</u></b>	
<b>Overlapping Debt</b>	<b>Total Debt</b>	<b>Percent Applicable</b>
County of Sonoma	\$ 365,369,051	100%
High School Districts	541,032,824	100%
Unified School Districts	594,898,579	100%
Elementary Districts	535,483,301	100%
Santa Rosa Junior College	336,025,000	100%
<b>Total Overlapping Debt</b>	<b><u>\$ 2,372,808,755</u></b>	
<b>Total Direct and Overlapping Debt</b>	<b><u>\$ 2,425,815,509</u></b>	
<b>Ratio of 2024-2025 Assessed Valuation</b>		
Total Direct Debt	<b>0.04%</b>	
Total Overlapping and Direct Debt	<b>1.90%</b>	

**Notes:**

<sup>(1)</sup> Direct debt is an obligation of Sonoma Water whereas overlapping debt is an obligation of other governments within the geographic boundary of Sonoma Water's authority to levy taxes. Excludes tax and revenue anticipation notes.

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector, Property Tax Division

**Revenue Bond Debt Coverage - Water Transmission (Unaudited)  
Last Ten Fiscal Years**

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Operating revenues:					
Water sales <sup>(1)</sup>	\$ 31,147,906	\$ 33,208,443	\$ 39,778,515	\$ 39,288,806	\$ 42,931,384
(Subcharges) <sup>(2)</sup>	(7,574,647)	(6,891,146)	(7,871,056)	(7,497,005)	(8,307,298)
Installation charges <sup>(3)</sup>	24,664	23,820	23,820	23,820	23,820
Miscellaneous revenue <sup>(4)</sup>	474,482	494,169	299,470	115,719	1,710,804
Power sales <sup>(5)</sup>	589,644	210,280	144,524	36,156	26,385
Total operating revenues	24,662,049	27,045,566	32,375,273	31,967,496	36,385,095
Other revenues/(expenses) <sup>(6)</sup>	817,601	865,572	891,745	1,754,958	1,587,689
Total gross revenues	25,479,650	27,911,138	33,267,018	33,722,454	37,972,784
(O&M expenses) <sup>(7)</sup>	(28,718,318)	(28,384,243)	(28,676,002)	(29,377,249)	(30,253,879)
O&M subfund expense adjustment <sup>(8)</sup>	8,134,667	5,708,105	5,227,863	4,707,644	6,044,660
Net revenues	\$ 4,895,999	\$ 5,235,000	\$ 9,818,879	\$ 9,052,849	\$ 13,763,565
Principal and interest payments	\$ 2,518,562	\$ 3,363,145	\$ 3,379,027	\$ 3,361,096	\$ 3,582,328
Coverage ratio	194%	156%	291%	269%	384%

**Notes:**

- <sup>(1)</sup> Total Water Transmission fund water sales revenue.
- <sup>(2)</sup> Water sales subcharges restricted for water conservation, watershed planning, watershed management and restoration, and recycled water are excluded from pledged revenue in the debt covenants.
- <sup>(3)</sup> Connection fees and meter fees.
- <sup>(4)</sup> Represents charges for services, donations and reimbursements, and other miscellaneous adjustments.
- <sup>(5)</sup> Power sales from the Warm Springs Dam hydroelectric
- <sup>(6)</sup> Includes non-operating revenues such as intergovernmental revenue and investment earnings. Beginning in 2022, non-cash unrealized gains and losses on investments are excluded.
- <sup>(7)</sup> Excludes the non-cash expense of depreciation.
- <sup>(8)</sup> Expenses for water conservation, watershed planning, watershed management and restoration, and recycled water projects funded by the subcharges in Note (2) are excluded from the debt coverage calculation.

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector



**Revenue Bond Debt Coverage - Water Transmission (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ending June 30,					
2021	2022	2023	2024	2025	
\$51,227,762	\$46,803,250	\$39,674,604	\$48,666,046	\$58,904,195	Operating revenues:
(9,442,463)	(9,240,090)	(3,995,923)	(4,025,431)	(4,906,208)	Water sales <sup>(1)</sup>
23,378	22,896	22,896	50,004	50,976	(Subcharges) <sup>(2)</sup>
88,493	527,687	63,742	(58,438)	348,765	Installation charges <sup>(3)</sup>
-	-	-	-	-	Miscellaneous revenue <sup>(4)</sup>
41,897,170	38,113,743	35,765,319	44,632,181	54,397,728	Power sales <sup>(5)</sup>
269,244	171,483	1,830,740	2,360,599	2,987,357	Total operating revenues
42,166,414	38,285,226	37,596,059	46,992,780	57,385,085	Other revenues/(expenses) <sup>(6)</sup>
(32,661,373)	(33,625,979)	(40,451,563)	(47,126,415)	(47,236,138)	Total gross revenues
7,030,278	6,841,756	7,614,583	7,120,861	5,814,799	(O&M expenses) <sup>(7)</sup>
\$16,535,319	\$11,501,003	\$ 4,759,079	\$ 6,987,226	\$15,963,746	O&M subfund expense adjustment <sup>(8)</sup>
\$ 4,141,906	\$ 4,146,888	\$ 3,783,244	\$ 4,989,988	\$ 4,988,113	Net revenues
399%	277%	126%	140%	320%	Principal and interest payments
					Coverage ratio

**Revenue Bond Debt Coverage - Airport-Larkfield-Wikiup Sanitation Zone (Unaudited)  
Last Ten Fiscal Years**

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Revenues:					
User fees <sup>(1),(2)</sup>	\$3,180,932	\$3,791,646	\$3,288,929	\$3,729,734	\$3,752,984
Change in accounting estimate - user fees <sup>(3)</sup>	-	(67,371)	67,371	-	-
Connection fees	651,300	1,735,015	27,293	1,112,905	908,744
Offset to connection fees <sup>(4)</sup>	-	-	(913,932)	-	-
Change in accounting estimate - connection fees <sup>(3)</sup>	-	(913,932)	913,932	-	-
Interest earnings	20,377	17,857	44,227	169,676	61,235
Other operating revenues <sup>(5)</sup>	250,308	187,635	1,197,506	166,170	321,465
Transfer from Rate Stabilization Fund <sup>(6)</sup>	-	-	211,500	-	-
Total revenues	4,102,917	4,750,850	4,836,826	5,178,485	5,044,428
Operating expenses <sup>(7)</sup>	2,333,550	2,952,236	4,338,604	3,495,110	4,004,888
System net revenues	<u>\$1,769,367</u>	<u>\$1,798,614</u>	<u>\$ 498,222</u>	<u>\$1,683,375</u>	<u>\$1,039,540</u>
Debt service					
2005/2017 Bonds	<u>\$ 459,587</u>	<u>\$ 456,619</u>	<u>\$ 414,691</u>	<u>\$ 417,936</u>	<u>\$ 413,961</u>
Coverage ratio	385%	394%	120%	403%	251%

**Notes:**

- <sup>(1)</sup> Includes direct charges and other sanitation services revenue.
- <sup>(2)</sup> FY 2017-2018 includes a \$67,371 adjustment for a FY 2016-2017 revenue correction recorded in FY 2017-2018.
- <sup>(3)</sup> Adjustments for a FY 2016-2017 revenue correction recorded in FY 2017-2018.
- <sup>(4)</sup> FY 2017-2018 includes a \$913,932 adjustment for a FY 2016-2017 revenue correction recorded in FY 2017-2018.
- <sup>(5)</sup> Includes intergovernmental and miscellaneous revenue.
- <sup>(6)</sup> Transfer from Rate Stabilization Fund made within 120 days after fiscal year end.
- <sup>(7)</sup> Excludes non-cash expense of depreciation and amortization.

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector



**Revenue Bond Debt Coverage - Airport-Larkfield-Wikiup Sanitation Zone (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ending June 30,					
2021	2022	2023	2024	2025	
\$4,210,488	\$4,395,755	\$4,928,862	\$5,305,535	\$5,518,496	Revenues:
-	-	-	-	-	User fees <sup>(1),(2)</sup>
330,280	533,732	208,761	104,997	62,231	Change in accounting estimate - user fees <sup>(3)</sup>
-	-	-	-	-	Connection fees
-	-	-	-	-	Offset to connection fees <sup>(4)</sup>
65,670	(106,613)	126,713	233,793	275,416	Change in accounting estimate - connection fees <sup>(3)</sup>
971,310	173,223	183,396	202,551	351,098	Interest earnings
-	-	-	-	-	Other operating revenues <sup>(5)</sup>
5,577,748	4,996,097	5,447,732	5,846,876	6,207,241	Transfer from Rate Stabilization Fund <sup>(6)</sup>
4,771,573	3,675,071	4,827,492	5,123,002	4,529,422	Total revenues
<u>\$ 806,175</u>	<u>\$1,321,026</u>	<u>\$ 620,240</u>	<u>\$ 723,874</u>	<u>\$1,677,819</u>	Operating expenses <sup>(7)</sup>
					System net revenues
					Debt service
<u>\$ 417,711</u>	<u>\$ 410,711</u>	<u>\$ 412,961</u>	<u>\$ 409,336</u>	<u>\$ 414,711</u>	2005/2017 Bonds
193%	322%	150%	177%	405%	Coverage ratio

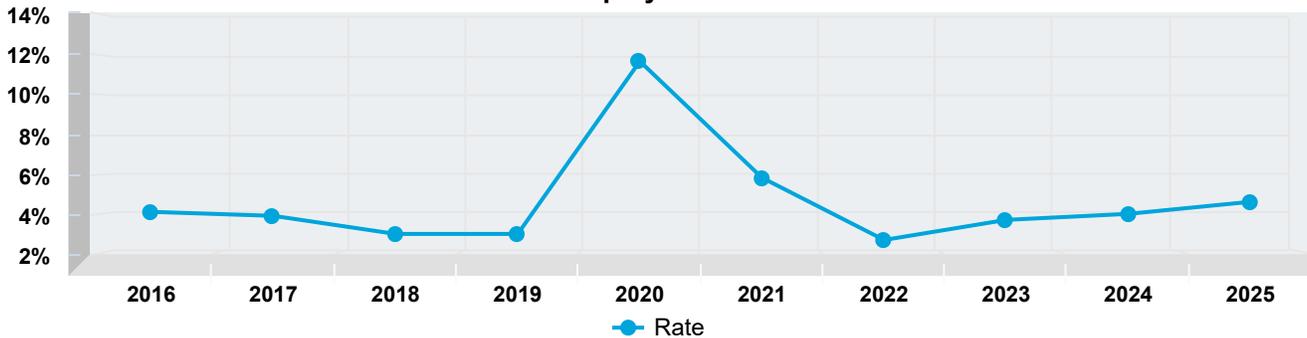
### Demographics and Economic Statistics (Unaudited) Last 10 Fiscal Years

Year <sup>(1)</sup>	Population <sup>(2)</sup>	Personal Income <sup>(3)</sup>	Per Capita Personal Income	School Enrollment <sup>(4)</sup>	Unemployment Rate <sup>(5)</sup>
2016	501,959	\$ 25,073,916	\$ 49,952	71,131	4.1%
2017	505,120	26,874,652	53,204	70,940	3.9%
2018	503,332	28,457,348	56,538	70,449	3.0%
2019	500,675	30,397,470	60,713	69,734	3.0%
2020	492,980	32,246,609	65,412	68,194	11.6%
2021	484,207	32,972,432	68,096	66,450	5.8%
2022	482,404	34,966,152	72,483	64,802	2.7%
2023	478,174	39,359,689	82,312	64,375	3.7%
2024	478,152	37,598,558	78,633	64,447	4.0%
2025	482,848	40,187,189	83,229	64,798	4.6%

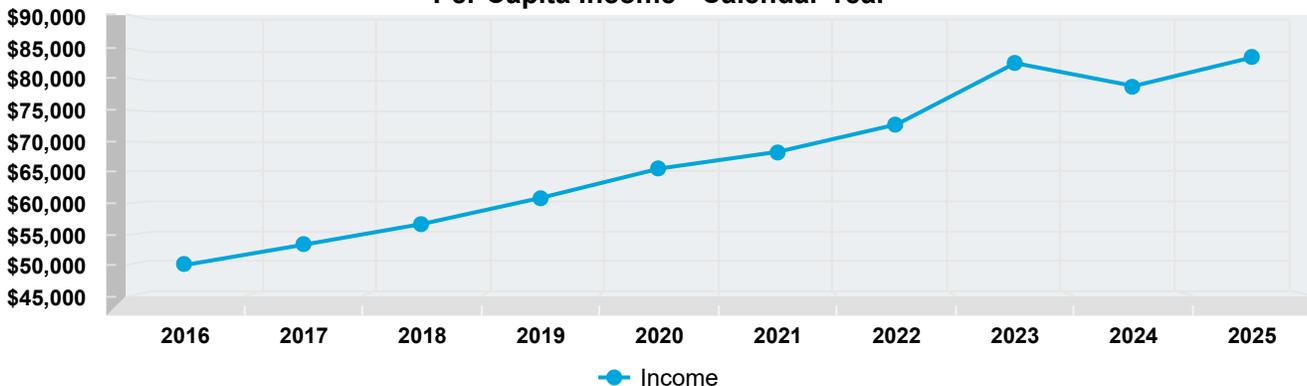
**Notes:**

- <sup>(1)</sup> Calendar year
- <sup>(2)</sup> Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State. The population estimate for 2025 is as of January 1, 2025, the most recent available data.
- <sup>(3)</sup> Source: US Department of Commerce, Bureau of Economic Analysis - Regional Date of GDP and Personal Income. Personal income is estimated in thousands. The 2025 estimate is as of 2023, the most recent available data.
- <sup>(4)</sup> Source: State of California Department of Education.
- <sup>(5)</sup> Source: State of California Employment Development Department: Labor Force Statistics as of June 2025.

**Unemployment Rate**



**Per Capita Income - Calendar Year**



### Principal Employers (Unaudited) Current Year and Nine Years Ago

Employer	Principal Employers Fiscal Year Ended June 30, 2025				Fiscal Year Ended June 30, 2016		
	Source	Number of Employees	Rank	% of Total County Employment	Number of Employees <sup>(7)</sup>	Rank	% of Total County Employment
County of Sonoma	(1)	4,243	1	1.8%	3,855	1	1.4%
Kaiser Permanente	(2)	3,773	2	1.6%	2,640	3	1.0%
Providence-Sonoma County	(2)	1,879	3	0.8%	1,578	5	0.6%
Redwood Credit Union	(2)	908	4	0.4%			-%
Amy's Kitchen	(2)	858	5	0.4%	870	10	0.3%
Oliver's Market	(2)	800	6	0.3%			-%
Hansel Auto Group	(2)	501	7	0.2%			-%
Ghilotti Construction Co. Inc	(2)	473	8	0.2%			-%
Jackson Family Wines	(2)	415	9	0.2%			-%
Exchange Bank	(2)	328	10	0.1%			-%
Santa Rosa Junior College	(3)			-%	3,733	2	1.4%
Keysight Technologies	(3)			-%	1,300	7	0.5%
City of Santa Rosa	(3)			-%	1,254	8	0.5%
Sonoma State University	(3)			-%	1,505	6	0.6%
Graton Resort and Casino	(2)			-%	2,000	4	0.7%
Sutter Santa Rosa Regional Hospital	(2)			-%	936	9	0.3%
Ten largest employers		14,178		5.9%	19,671		7.3%
All other employers		224,422		94.1%	249,788		92.7%
Total County Employment	(4)	238,600		100.0%	269,459		100.0%

#### Sources:

- <sup>(1)</sup> County of Sonoma Adopted Budget Schedules 2023-2024, 2014-2015
- <sup>(2)</sup> County of Sonoma Annual Comprehensive Financial Report 2024-2025, North Bay Business Journal Book of Lists
- <sup>(3)</sup> County of Sonoma Adopted Budget Schedules 2014-2015, County of Sonoma Annual Comprehensive Financial Report 2014-2015
- <sup>(4)</sup> State of California Employment Development Department: Labor Force Statistics

**Operating Indicators by Function/Program and Full-Time Equivalent Employees (Unaudited)  
Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Flood Control</b>										
Channel vegetation removed (cubic feet)	3,879	5,983	2,191	4,255	4,606	6,169	3,536	2,920	3,216	4,071
Sediment removed (cubic feet) <sup>(1)</sup>	17,792	17,552	26,806	26,230	38,943	20,211	22	6,340	34,678	14,260
<b>Water Transmission</b>										
Total water delivered (acre-feet)	39,905	40,356	46,134	44,058	46,254	52,671	44,237	36,032	41,317	45,184
Hydroelectric power production (MWh) <sup>(2)</sup>	8,820	8,951	3,356	3,162	-	-	-	-	-	-
<b>Water Supply/Warm Springs Dam</b>										
Total diversion (acre-feet)	40,028	41,873	45,745	45,640	48,123	53,599	45,846	37,229	43,238	46,290
Lake Sonoma water storage at Sept. 30 (acre-feet) <sup>(3)</sup>	178,398	212,620	219,186	195,821	219,455	180,646	109,356	110,525	231,477	231,096
<b>Sanitation</b>										
Amount of wastewater treated (mg) <sup>(4)</sup>	273	353	274	343	257	232	250	304	310	20
Number of ESD's <sup>(5)</sup>	5,252	5,325	5,314	5,149	5,379	5,380	5,388	5,601	5,629	5,670
<b>Number of Employees (Full Time Equivalent)</b>	221.75	226.75	229.75	233.75	241.00	243.00	251.00	260.00	263.00	262.00

**Notes:**

- <sup>(1)</sup> The decrease in cubic yards of sediment removed in the 2022 and 2023 field season is due to ongoing permitting discussions with regulators. Sediment removal projects rebounded following the issuance of permits in FY 23/24.
- <sup>(2)</sup> The hydropower unit was offline for all of Fiscal Years 19/20 through 24/25 because the U.S. Army Corps of Engineers' low flow gate actuator controller was broken preventing the low flow gate from operating properly. In addition, the electrical equipment associated with the hydropower system is at the end of its useful life. Sonoma Water will replace the faulty actuator/controller and the hydropower electrical equipment, including switchgear as part of a capital replacement project. The new electrical switchgear is in fabrication. Installation of the electrical equipment and actuator controller is expected to be complete in fall 2026.
- <sup>(3)</sup> Three consecutive below normal precipitation water years dropped the reservoir to historic lows in 21/22. 22/23 shows a small uptick but doesn't reflect significant gains from winter storms after September 30, 2022 that rose the levels above the water supply pool behind the dam. Water storage in Lake Sonoma rebounded following the end of the drought due to the series of large atmospheric rivers that made landfall in the region in December 2022 and through winter and spring months of 2023. Additionally, U.S. Army Corps of Engineers (the Corps) was managing flood control operations under a minor deviation to Lake Sonoma's Flood Control manual that was requested by Sonoma Water. The deviation authorized the Corps at their discretion to store an additional 20,000 acre-feet in the spring compared to traditional operations. Due to this, the highest storage ever recorded was during the September 30, 2024 season.
- <sup>(4)</sup> The Sea Ranch Sanitation Zone North Treatment Plant stopped operating and the area served by the North Treatment Plant converted to a collection only system in May 2022. All flows are transferred to the Gualala Community Services District for treatment and are accordingly no longer reported here. The Sea Ranch Sanitation Zone Central Plant remains operational. The Airport-Larkfield-Wikiup Sanitation Zone treatment plant stopped operating and the entire zone converted to a collection only system in July 2024. All flows are transferred to the Windsor Water District for treatment and are accordingly no longer reported here.
- <sup>(5)</sup> ESDs are based on Fiscal Year Budget. The decrease of ESD's in FY18/19 is associated with the 2017 Sonoma Complex Fires.

Source: Sonoma Water, Administrative Services Division



### Capital Asset Statistics by Function/Program (Unaudited) Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Flood Control</b>										
Miles of engineered channels <sup>(1)</sup>	76	76	76	76	76	76	76	76	76	76
Number of reservoirs <sup>(2)</sup>	6	6	6	6	6	6	6	6	6	6
Reservoir capacity (acre-feet) <sup>(3)</sup>	5,360	5,360	5,360	5,360	5,360	5,360	5,360	5,360	5,360	5,360
<b>Water Transmission</b>										
Water mains (miles)	89	89	89	89	89	89	89	89	89	89
Number of chlorination facilities	3	3	3	3	3	3	3	3	3	3
Number of booster stations	8	8	8	8	8	8	7	7	7	7
Tank storage capacity (thousands of gallons)	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000
Number of production wells <sup>(4)</sup>	16	16	16	16	16	16	16	16	16	9
<b>Water Supply/ Warm Springs Dam</b>										
Water rights (acre-feet)	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000
Water Supply Storage (acre-feet)	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000
<b>Sanitation</b>										
Collection system mileage <sup>(5)</sup>	38	38	38	38	38	40	72	72	72	72
Number of treatment plants	4	4	4	4	4	4	4	4	4	4
Treatment capacity (Average Daily Dry Weather Flow in MGD)	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18
Number of lift stations	7	7	7	7	7	7	7	7	7	7

#### Notes:

- <sup>(1)</sup> For fiscal years ended June 30, 2016 through June 30, 2024, miles of engineered channels have been revised from 150 to 76 to reflect figures in the Sonoma Water Facility Guide and Stream Maintenance Program Manual. The 76 miles is comprised of approximately 61 miles of owned in fee-engineered channels and approximately 15 miles of easement engineered channels. Previous figures included some modified and/or natural channels.
- <sup>(2)</sup> For fiscal years ended June 30, 2016 through June 30, 2024, number of reservoirs have been revised from 8 to 6 to reflect figures in the Sonoma Water Facility Guide. Former figures included the Spring Creek Structure that was designed but not constructed and the Laguna de Santa Rosa due to its natural flood control capabilities.
- <sup>(3)</sup> For fiscal years ended June 30, 2016 through June 30, 2024, reservoir capacity has been revised from 85,827 to 5,360 to remove capacity related to the Spring Creek Structure that was not constructed and to remove the 80,000 acre-feet of natural flood control capacity of the Laguna De Santa Rosa. New figures only include capacity for which Sonoma Water has direct control and therefore exclude the flood control capacity at Lake Sonoma and Lake Mendocino as flood releases are under the control of the U.S. Army Corps of Engineers. For fiscal years ended June 30, 2016 through June 30, 2024, reservoir capacity has been revised from 85,827 to 5,360 to remove capacity related to the Spring Creek Structure that was not constructed and to remove the 80,000 acre-feet of natural flood control capacity of the Laguna De Santa Rosa. New figures only include capacity for which Sonoma Water has direct control and therefore exclude the flood control capacity at Lake Sonoma and Lake Mendocino as flood releases are under the control of the U.S. Army Corps of Engineers.
- <sup>(4)</sup> On December 23, 2024 the wells in the Russian River Wellfield were placed in an inactive status and removed from our current Division of Drinking Water permit.
- <sup>(5)</sup> Collection system mileage has been updated to match figures in the respective 2021 Sewer System Management Plans for each Sanitation Zone. Previous figures based on the facility guide had not been regularly updated and excluded Sea Ranch Sanitation Zone North and some portions of the Airport-Larkfield-Wikiup Sanitation Zone.

Source: Sonoma Water, Administrative Services Division

# COMPLIANCE





**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**

Board of Directors  
Sonoma County Water Agency

We have audited, 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, the financial statements as listed in the table of contents of the Sonoma County Water Agency ("Sonoma Water"), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2025, and have issued our report thereon dated December 17, 2025.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Sonoma Water'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 or significant deficiencies may exist that were not identified.

**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* (continued)**

**Independent Auditor's Report** (continued)

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sonoma Water's financial statements are free of 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 Sonoma Water's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sonoma Water's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sorren CPAs P.C.

Santa Rosa, California  
December 17, 2025



404 Aviation Boulevard  
Santa Rosa, CA 95403  
Administration Office: 707-547-1900  
Operations Desk (24 Hours): 707-523-1070

