



# **Sonoma County Water Agency**

**A Component Unit of the County of Sonoma, California**

## **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2019**

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

# Sonoma County Water Agency

(A Component Unit of the County of Sonoma, California)

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

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

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# Introductory Section





November 13, 2019

To the Board of Directors and Citizens of Sonoma County:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Sonoma County Water Agency (Sonoma Water) for the fiscal year ended June 30, 2019. The Comprehensive Annual Financial 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. Pisenti & Brinker LLP, 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, 2019.

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 effectively manage the water resources in our care for the benefit of people and the environment through resource and environmental stewardship, technical innovation, and responsible fiscal management.

### *Vision*

Sonoma Water is a regional leader in water resources management. Sonoma Water strives to look forward, beyond today's issues, to anticipate ways to advance its mission. Additionally, Sonoma Water continues to adapt its mission in response to changing opportunities, keeping Sonoma Water at the forefront of developments in the water industry.

## *Guiding Values*

### **Solutions and Innovation**

We will focus on finding solutions to the water management challenges we face, whether it is in the day-to-day operation of our systems or the development of long-term programs to meet future needs. We will encourage innovation, creativity, and ingenuity, recognizing that the best solutions often have not been tried before.

### **People and Teamwork**

We believe that Sonoma Water's most valuable asset is its people. We respect the diversity of our staff and promote teamwork and mutual respect among all sections of Sonoma Water. We also believe that a creative and empowered workplace can inspire staff to use their talents and commitment to fulfill Sonoma Water's mission.

### **Community Service**

Sonoma Water strives to provide high-quality service to those who rely on our water supply, flood protection, and sanitation services. We also recognize that we are part of a larger community and believe that we should support the ideas of environmental stewardship and sustainability to improve the quality of life for both present and future generations.

### **Integrity**

Drawing upon the experience of our staff and the needs of our employees, our customers and our community, we will strive to make decisions in a sound and reasonable manner. We believe that our communication with others should be honest and sincere.

## *Services Provided*

Sonoma Water is proud to provide an array of services including, but not limited to, providing clean naturally filtered drinking water to 600,000 residents in Sonoma and Marin counties, reliable water supply planning, flood protection, wastewater treatment, recycled water distribution, protecting essential natural resources of the Russian River and partnering in our community's sustainable education efforts.

Sonoma Water is a Special District of the State of California established by the State Legislature in 1949. Sonoma Water is a wholesale water provider, delivering potable water in Sonoma and Marin Counties via a network of aqueducts that stretch from the Russian River to the Sonoma/Marin County line; Sonoma Water ultimately provides water to 600,000 people in the North Bay. Sonoma Water also provides flood protection in the County by maintaining 75 miles of streams and creeks, and operates eight wastewater treatment and reuse systems; four of these systems are independent special districts with their own Boards of Directors.

Sonoma Water is governed by a five-member 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.

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 232 (231.75 full-time equivalent) employees, 75 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.

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.



## Requests for Information

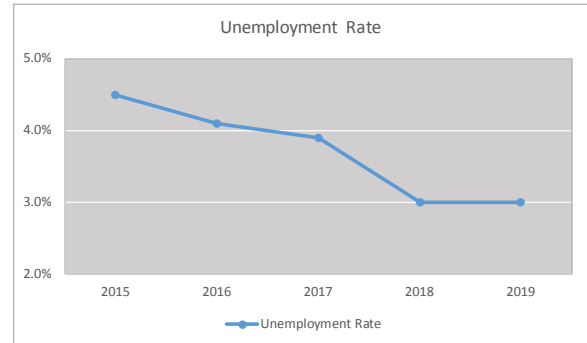
Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

## Factors Affecting Financial Condition

### *Financial Indicators*

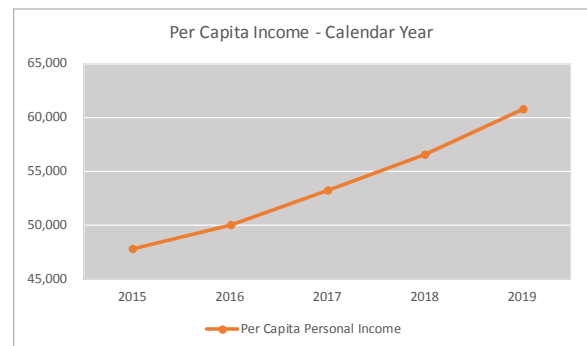
#### Employment

- The unemployment rate in Sonoma County remains low. The rate was 3.0% in June 2018 and remained at that level in June 2019. This compares with an unadjusted unemployment rate of 4.2% for California and 3.7% for the nation during the same period.



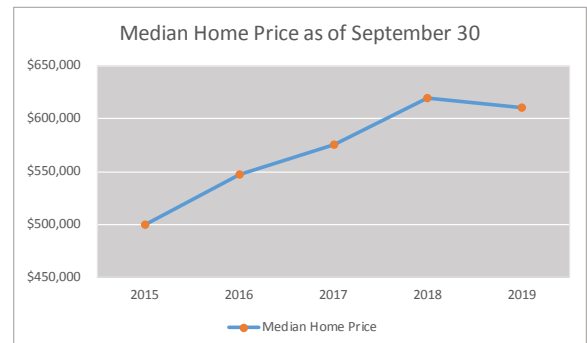
#### Income

- Personal income increased from \$56,538 in calendar year 2018 to \$60,713 in 2019. Per capita income is based on the most recently available data.



#### Real Estate

- The County-wide median home price decreased slightly from \$620,000 in September 2018 to \$610,000 in September 2019. The supply of housing in Sonoma County remains tight as the area recovers from the Tubbs fires.



#### Retail Sales

- Retail sales county-wide increased 7.4% to \$10.2 billion for the 2018 calendar year, from \$9.5 billion for the 2017 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/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/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 129 million gallons.

During fiscal year 2019, the water supply capacity in Lake Mendocino and Lake Sonoma respectively averaged 85 and 91 percent, and Sonoma Water delivered 43,971 acre feet of water compared to 46,134 acre feet the prior fiscal year.

### *Biological Opinion*

On September 24, 2008, the National Marine Fisheries Service issued its Russian River Biological Opinion under the federal Endangered Species Act. The Biological Opinion is a federally mandated 15-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 to 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. 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 70 capital projects with an estimated cost of over \$287 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 for Sonoma Water. 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 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 Pisenti & Brinker LLP has conducted the audit of Sonoma Water's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

### **Major Initiatives**

Sonoma Water continues to provide clean reliable water, protect water quality and the environment, treat and reuse wastewater, and improve infrastructure. Sonoma Water remains dedicated to serving our community and securing our future through responsible resource and environmental stewardship, continued technical innovation, investment in critical infrastructure, and effective fiscal management. Highlights of Sonoma Water's activities and accomplishments for the fiscal year ended June 30, 2019 include the following:

#### *Water Supply and Transmission, Flood Protection, and Wastewater Treatment and Reuse*

- **Aqueduct Seismic Hazard Mitigation:** Designed several aqueduct creek crossing seismic hazard mitigation projects supported by FEMA funding with construction scheduled for Fiscal Year 2020 and 2021.
- **Local Hazard Mitigation Plan:** The 2018 Sonoma Water Local Hazard Mitigation Plan was approved by FEMA on October 16, 2018. The approval of this plan ensures Sonoma Water's continued eligibility for project grants under FEMA's Hazard Mitigation Assistance programs, including the Hazard Mitigation Grant Program, Pre-Disaster Mitigation Program, and Flood Mitigation Assistance Program.
- **Warm Springs Dam Hydropower Facility:** A condition assessment was performed on the Warm Springs Dam hydropower facility to gauge efficiency after 25 years in operation. The condition assessment found that the hydropower system is generally in good shape mechanically, but the turbine vibrated at low flow rates, was slightly out of alignment, and had power production that was 6% less than what it could be. In addition to these mechanical deficiencies in the powerhouse, it was found that the electrical instrumentation and control systems are outdated. Upon reassembly, the alignment was corrected, the vibration decreased, and power production improved. A replacement of the electrical instrumentation and control systems is currently being designed.

- Groundwater Sustainability: Under contract with the Santa Rosa Plain, Petaluma Valley, and Sonoma Valley Groundwater Sustainability Agencies (GSA's), Sonoma Water is providing technical expertise, public outreach, grant-writing, and administrative support including development of three 20-year groundwater sustainability plans leveraging \$3 million in state grants. Sonoma Water as a GSA member agency is participating in rate and fee studies and public workshops to develop sustainable financing strategies for the GSA's.
- Groundwater Recharge: Conducted an Aquifer Storage and Recovery groundwater recharge pilot study in Sonoma Valley to inject excess wintertime water from the Russian River into a Sonoma Valley aquifer. The study explores groundwater banking as a method for improving local water supply resiliency.
- Russian River Biological Opinion: The Dry Creek Habitat Enhancement Project achieved a key milestone: as of November, 2018 a total of 3.14 miles of habitat enhancement were completed. Resource agencies continue to work with Sonoma Water and the U.S. Army Corps of Engineers to evaluate the success of the project and work toward the eventual enhancement of an additional three miles of habitat in Dry Creek.
- Russian River Biological Opinion: This was the ninth year of implementing the Russian River Estuary Management Program. Biological and water quality monitoring was conducted from May 15 to October 15.
- Forecast Informed Reservoir Operations: Worked collaboratively with the U.S. Army Corps of Engineers and a multi-agency Steering Committee, consisting of the University of California San Diego, Scripps Institute, California Department of Water Resources, National Oceanic and Atmospheric Administration, Bureau of Reclamation, and United States Geological Service to store up to 11,650 acre-feet of water in Lake Mendocino rather than releasing it to the Russian River. The Lake Mendocino Forecast Informed Reservoir Operations program is a prime example of how atmospheric river research and science help re-operate reservoir management while improving water supply reliability and flood management. Incremental annual adjustments will be made to store more winter water in the Lake for use during dry months.
- Pacific Gas and Electric's (PG&E) Potter Valley Project: Sonoma Water is participating in an ad hoc committee convened by Congressman Huffman, and working with regional stakeholders, including PG&E, to plan for the future of the Potter Valley Project, a hydroelectric facility that diverts Eel River water through a tunnel to a powerhouse in the Russian River watershed. After producing power, water is discharged from the powerhouse to the East Fork of the Russian River and then flows into Lake Mendocino. The current license for the Project issued by the Federal Energy Regulatory Commission (FERC) will expire in April 2022 and PG&E does not intend to seek a new license for the Project. The ad hoc committee supports a future for the Potter Valley Project that protects fisheries and water supplies in both the Eel and Russian River watersheds a Two-Basin Solution. A feasibility study to determine the viability of a regional entity owning and operating the project in the future is being developed by a consortium five parties interested in advancing the Two-Basin Solution concept.



- **Advanced Quantitative Precipitation Information Systems:** Partnering with several Bay Area agencies, the National Oceanic and Atmospheric Administration, Colorado State University's Cooperative Institute for Research in the Atmosphere, the United States Geological Survey, and the Center for Western Weather and Water Extremes at Scripps Institute of Oceanography, Sonoma Water placed an atmospheric river X Band radar unit near the Sonoma County airport to provide better precipitation forecasts. The radar is one of several to be placed throughout the San Francisco Bay area as part of a \$20 million grant by the California Department of Water Resources. The radar's precipitation data will be used by the National Weather Service to produce hazard weather forecasts, such as mudslides and debris stream flow warnings, and provide flood control managers more precise information on the location, timing, and intensity of expected rainfall for the improved management of water supply reservoirs, the improved operations of combined sewer and wastewater systems, the improved operations of flood protection facilities, and a myriad of other benefits to transportation and emergency response agencies.
- **Flood Protection:** Installed Early Flood Warning Forecast and Response System to provide real-time stream flows and precipitation data to the National Weather Service for advisories to areas with increased fire-related risk of flash flooding, debris flows, and landslides. The network communicates with a temporary leased X-band radar system that provides early notification of rainfall location, intensity, and amounts for improved reservoir, wastewater system, and flood protection management, and will inform a four year Advanced Forecasting Project with the National Oceanic and Atmospheric Administration to further protect the Russian River watershed.
- **Flood Protection:** Removed over 5,000 cubic yards of sediment from Green Valley Creek to reduce the frequency of flooding of Green Valley Road.
- **Flood Protection:** Received FEMA grant funding for the Penngrove Sanitation Zone Lift Station Flood Resiliency Hazard Mitigation Project to raise electrical equipment above floodplain, decrease the risk of sanitary sewer overflows related to power failure at the lift station and increase staff health, safety, and accessibility.
- **Water, Stormwater, and Energy Education Program:** Developed Water, Stormwater, and Energy Education Program in partnership with the Sonoma-Marín Saving Water Partnership, Sonoma Clean Power, and Sonoma/Marín water retailers to broaden the Water Education Program, increase the number of student participants, and incorporate energy efficiency and climate change into existing programs. The program is free and utilizes a multifaceted approach aligned with the Next Generation Science Standards to help students learn the value of water through classroom visits, field trips, and curriculum materials for teachers and their students. Our goal is for students to become environmental stewards and informed citizens who can examine the world through an inquisitive, scientific lens.
- **Post October 2017 Fire - Fire Cameras:** Funded and installed fire cameras at high-elevation locations throughout Sonoma County to provide comprehensive coverage and early detection to protect the water supply and mitigate loss of life and property damage.
- **Post October 2017 Fire – Soil Analysis and Watershed Protection:** Partnering with Sonoma County, the Open Space District, Pepperwood Foundation, and United States Geological Survey, Sonoma Water conducted soil hazard analysis and mapping, and measured watershed response to fire-damaged landscapes to help public agencies plan ongoing recovery efforts and assist Sonoma Water in protecting the community's water supply.

- **Post October 2017 Fire – Sewer Collection System:** In the wake of the October 2017 Sonoma County Complex Fires, Sonoma Water worked collaboratively with the Larkfield Community at the request of residents who are rebuilding following the fires, to complete the design of the Larkfield Estates Sewer Collection System, and roll-out a low-interest financing program for customers in the Larkfield fire-impacted area. Construction will be completed in Fiscal Year 2021. Prior to the fires, most of the neighborhood was on individual septic systems and was not served by the Airport/Larkfield/Wikiup Sanitation Zone (ALWSZ), though the areas are within the zone's boundaries.

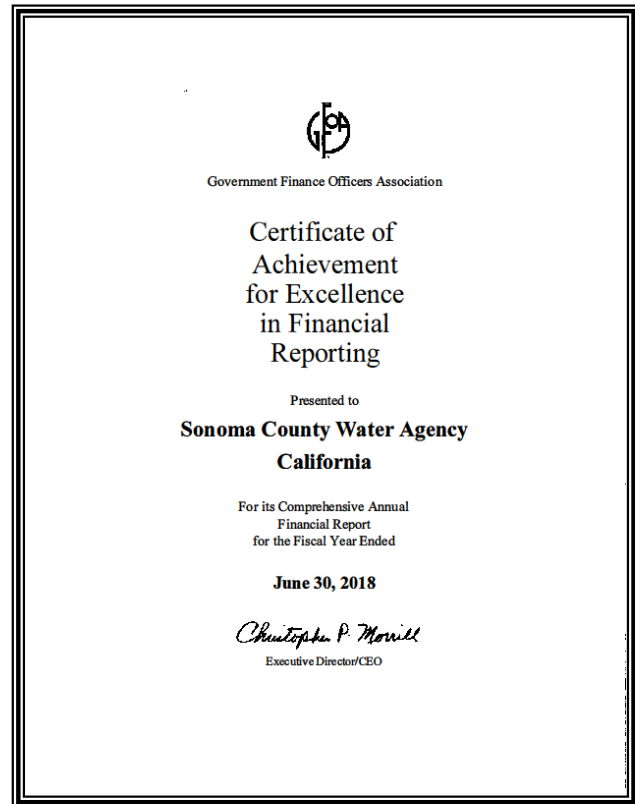
## Awards and Acknowledgements

This is the second year Sonoma Water has prepared a comprehensive annual financial report.

**Financial Reporting Certificate of Achievement:** The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sonoma County Water Agency's CAFR for the fiscal year ended June 30, 2018. This was the first 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 CAFR 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 CAFR is expected to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine eligibility for another Certificate of Achievement.

The preparation of this CAFR represents the culmination of months of concerted team effort by Sonoma Water Management and staff, and team members from the county auditor controller treasurer and 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 Pimenti & Brinker LLP 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

General Manager



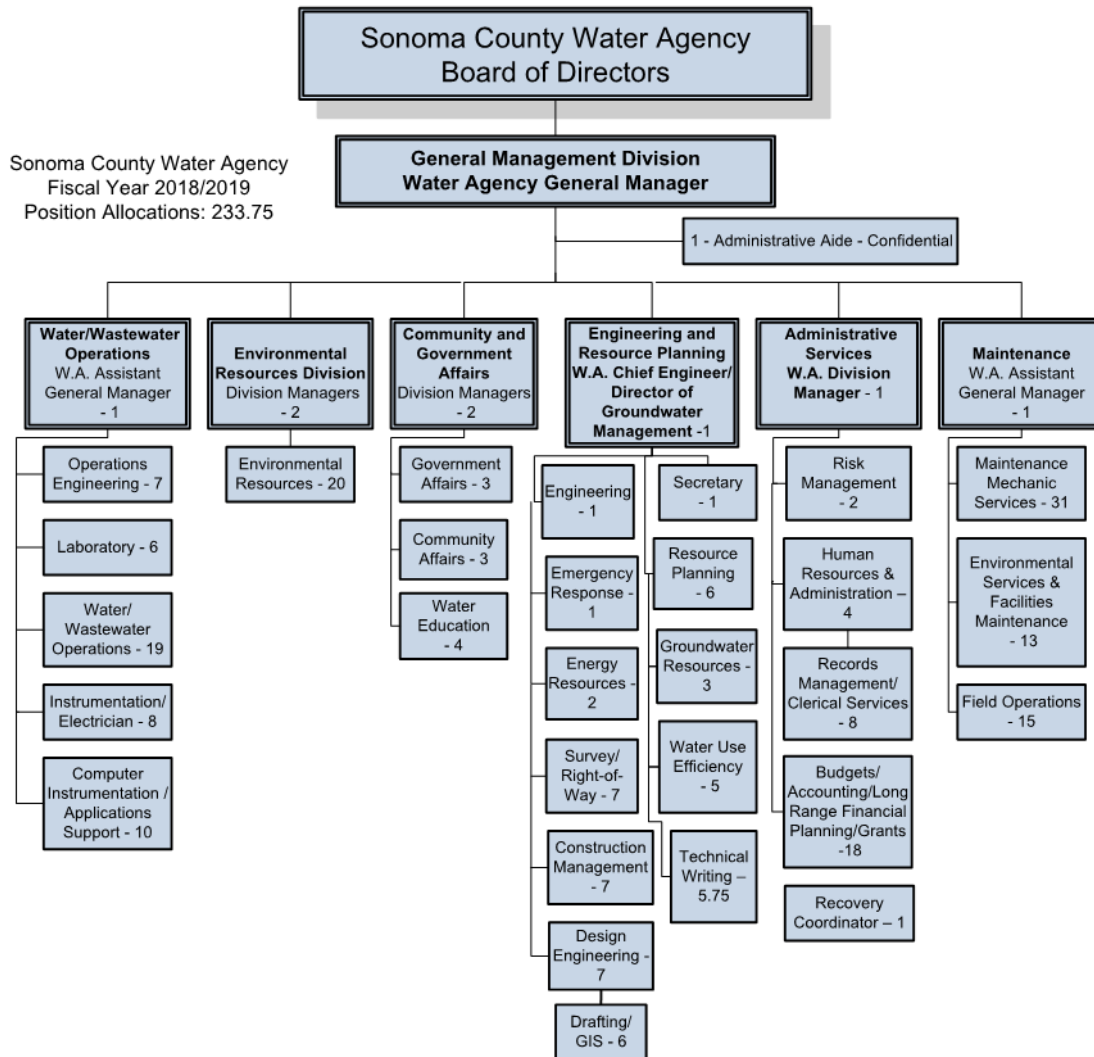
Michael Thompson

Assistant General Manager

**Sonoma Water**  
**Directory of Appointed and Elected Officials**  
**June 30, 2019**

General Manager.....Grant Davis  
Board of Directors:  
    District One.....Susan Gorin  
    District Two.....David Rabbitt  
    District Three.....Shirlee Zane  
    District Four.....James Gore  
    District Five.....Lynda Hopkins

**Sonoma Water  
Organizational Chart  
June 30, 2019**



# Financial Section







## **Independent Auditor's Report**

Board of Directors  
Sonoma County Water Agency  
Santa Rosa, California

### **Report on the Financial Statements**

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, 2019, and the related notes to the financial statements, which collectively comprise Sonoma Water's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sonoma Water as of June 30, 2019, 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.

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

### ***Other Matters***

#### ***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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

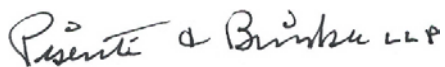
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sonoma Water's basic financial statements. The introductory section, the combining fund information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund 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 combining fund information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019, 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.



Santa Rosa, California  
November 13, 2019

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(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, 2019. 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 \$351,700,152 (net position). Of this amount \$34,489,926 (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 \$2,497,675 during the current fiscal year. This increase in net position includes an increase in business-type activities of \$3,479,548 and a decrease in governmental activities of \$981,873.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$95,028,679, a decrease of \$2,897,183 from the preceding year. Approximately 8.0% of this total amount, \$7,555,059, 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 \$7,555,059 or approximately 29.8% of total General Fund expenditures, which amounted to \$25,338,018 for the fiscal year ended June 30, 2019.
- Sonoma Water's long-term liabilities increased by \$7,930,802 during the fiscal year, primarily due to an increase of \$20,935,343 in net pension liability offset by a decrease of \$6,443,608 in other postemployment benefits liability, principal payments of \$3,664,389 on the Federal contract payable and \$1,568,722 on revenue bonds.

**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.

**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

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

***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.

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 three categories: governmental funds, proprietary funds and fiduciary 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**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

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

***Fund financial statements (continued)***

Sonoma Water maintains four individual governmental funds. 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 (Flood Control and Warm Springs Dam), and the debt service fund, all of which are considered to be major funds.

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, 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.

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 the water transmission, water supply, and sanitation services, all of which are considered to be major funds. Information for the internal service funds is also provided in the proprietary fund financial statements.

***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Sonoma Water's own programs.

***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 budgetary comparison information for Sonoma Water's General Fund and special revenue funds are supplementary information required by generally accepted accounting principles and immediately follow the notes to the basic financial statements.

**Sonoma Water**  
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**(Unaudited)**

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

***Other supplementary information***

Combining statements in connection with governmental funds and proprietary funds are presented immediately following the required supplementary information.

**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 \$351,700,152 as of June 30, 2019.

**Condensed Statements of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019
Current and other assets	\$ 100,814,164	\$ 101,283,974	\$ 84,532,364	\$ 92,600,772	\$ 185,346,528	\$ 193,884,746
Capital assets	140,228,556	138,739,623	206,619,778	202,247,368	346,848,334	340,986,991
Total assets	241,042,720	240,023,597	291,152,142	294,848,140	532,194,862	534,871,737
Total deferred outflows	5,619,331	15,530,803	599,877	550,281	6,219,208	16,081,084
Current liabilities	10,589,346	13,757,154	7,199,000	10,762,815	17,788,346	24,519,969
Noncurrent liabilities	111,569,615	122,249,765	50,738,315	47,341,354	162,307,930	169,591,119
Total liabilities	122,158,961	136,006,919	57,937,315	58,104,169	180,096,276	194,111,088
Total deferred inflows	9,115,317	5,141,581	-	-	9,115,317	5,141,581
Net Position:						
Net investment in capital assets	58,951,592	61,127,048	161,478,637	159,091,392	220,430,229	220,218,440
Restricted	77,808,351	75,228,888	19,800,228	21,762,899	97,608,579	96,991,787
Unrestricted (deficit)	(21,372,170)	(21,950,036)	52,535,839	56,439,961	31,163,669	34,489,925
Total Net Position	\$ 115,387,773	\$ 114,405,900	\$ 233,814,704	\$ 237,294,252	\$ 349,202,477	\$ 351,700,152

The largest portion of Sonoma Water's net position, \$220,218,440 (62.6%), reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, and machinery and equipment), 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, \$96,991,787 (27.6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$34,489,926, may be used to meet Sonoma Water's ongoing obligations to citizens and creditors.



**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

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

As of June 30, 2019, Sonoma Water reports positive balances in all categories of net position for its separate governmental and business-type activities except for the unrestricted net position in governmental activities which amounted to a negative \$21,950,035. This deficit is due to the implementation of GASB No. 75 during fiscal year ended June 30, 2018. More information on GASB No. 75 can be found in Note L to the financial statements.

Sonoma Water's net position increased by \$2,497,675 as of June 30, 2019. In addition, governmental activities reduced net position by \$981,873 and business-type activities increased net position by \$3,479,548. The reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

**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,	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 13,106,104	\$ 14,189,629	\$ 48,632,560	\$ 48,299,307	\$ 61,738,664	\$ 62,488,936
Operating grants and contributions	2,560,079	5,485,759	1,588,746	423,288	4,148,825	5,909,047
Capital grants and contributions	296,313	7,893	1,974,789	1,301,189	2,271,102	1,309,082
General Revenues:						
Property taxes	26,877,485	28,851,629	46,928	24,262	26,924,413	28,875,891
Investment earnings	1,136,042	3,595,033	815,087	2,755,788	1,951,129	6,350,821
Total revenues	43,976,023	52,129,943	53,058,110	52,803,834	97,034,133	104,933,777
Expenses:						
General government	7,766,110	13,210,201	-	-	7,766,110	13,210,201
Intergovernmental	14,336,168	13,025,872	-	-	14,336,168	13,025,872
Flood control	14,170,068	12,483,365	-	-	14,170,068	12,483,365
Warm Springs Dam	10,822,995	9,559,980	-	-	10,822,995	9,559,980
Interest on long-term debt	2,659,344	2,542,398	-	-	2,659,344	2,542,398
Water transmission	-	-	32,952,295	39,733,160	32,952,295	39,733,160
Water supply	-	-	4,699,307	5,036,761	4,699,307	5,036,761
Sanitation	-	-	7,593,186	6,844,365	7,593,186	6,844,365
Total expenses	49,754,685	50,821,816	45,244,788	51,614,286	94,999,473	102,436,102
Change in net position before transfers	(5,778,662)	1,308,127	7,813,322	1,189,548	2,034,660	2,497,675
Transfers	(3,143,733)	(2,290,000)	3,143,733	2,290,000	-	-
Change in net position	(8,922,395)	(981,873)	10,957,055	3,479,548	2,034,660	2,497,675
Net position - beginning of year	148,529,191	115,387,773	222,857,649	233,814,704	371,386,840	349,202,477
Restatement of net position	(24,219,023)	-	-	-	(24,219,023)	-
Net position - beginning of year, as restated	124,310,168	115,387,773	222,857,649	233,814,704	347,167,817	349,202,477
Net position - end of year	\$ 115,387,773	\$ 114,405,900	\$ 233,814,704	\$ 237,294,252	\$ 349,202,477	\$ 351,700,152

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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

***Governmental Activities***

Governmental activities decreased Sonoma Water's net position by \$981,873 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

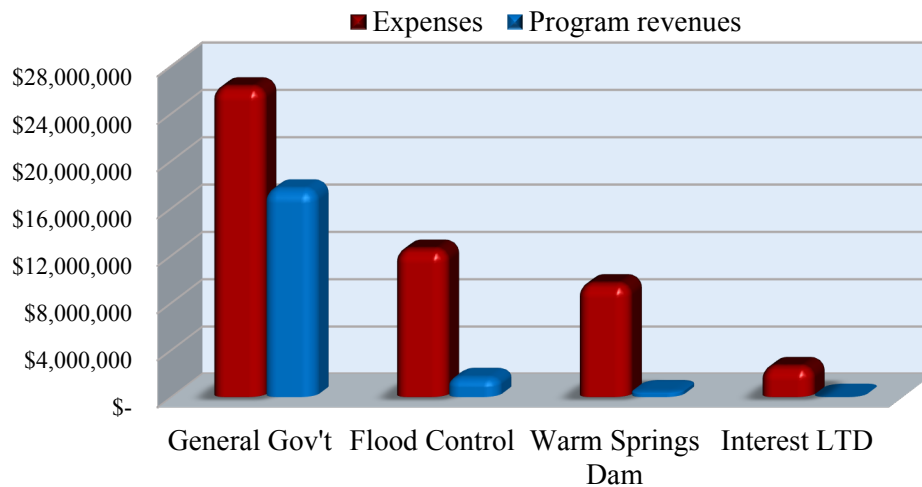
- Program revenues for the fiscal year ended June 30, 2019 increased by \$3,720,785 from the prior fiscal year. This increase consisted of an increase of \$1,083,525 in charges for services, an increase of \$2,925,680 in operating grants and contributions, and a decrease of \$288,420 in capital grants and contributions.
- Charges for services for the fiscal year totaled \$14,187,629, representing an increase of \$1,083,525 from the prior year. This increase is primarily due to an increase in revenue related to the operation and maintenance of outside sanitation districts.
- Operating grants and contributions totaled \$5,485,759 for the fiscal year, a \$2,925,680 increase from the prior fiscal year. This increase is primarily due to increased revenue related to the Proposition 84 Integrated Regional Water Management Implementation grant.
- Capital grants and contributions totaled \$7,893 for the fiscal year, a \$288,420 decrease from the prior fiscal year. This decrease is related to a decrease in funding needs for a Proposition 1 sustainable groundwater grant.
- Property tax revenue totaled \$28,851,629, including \$8,561,537 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$1,974,144 from the prior fiscal year due to an increase in the assessed value of taxable property.
- Investment earnings of \$3,595,033 included \$1,287,058 in interest earnings on cash in the County Treasury Pool. Investment earnings increased by \$2,458,991 from the prior fiscal year, primarily as a result of an increase in the fair value of investments.
- Expenses for the General Government increased by \$5,444,091 primarily due to a \$4,534,194 increase in pension expense as well as a \$1,592,463 increase in project costs for the Bay Area Advanced Quantitative Precipitation Information System.
- Expenses for Flood Control decreased by \$1,686,703 primarily due to a decrease in project costs including a decrease in the Santa Rosa Creek Channel Resurface project costs of \$1,133,713.
- Warm Springs Dam expenses decreased by \$1,263,015 from the prior year, primarily due to a decrease of \$1,785,000 in project costs for habitat restoration projects in Dry Creek.

**Sonoma Water  
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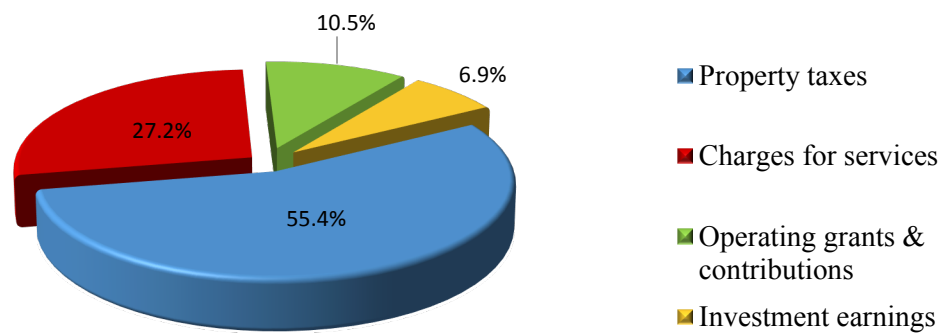
**Government-wide Financial Analysis (continued)**

***Governmental Activities (continued)***

*Expenses and Program Revenues – Governmental Activities*



*Revenues by Source – Governmental Activities*



**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

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

***Business-type Activities***

Business-type activities increased Sonoma Water's net position by \$3,479,548. Key elements of Sonoma Water's business-type activities are identified below.

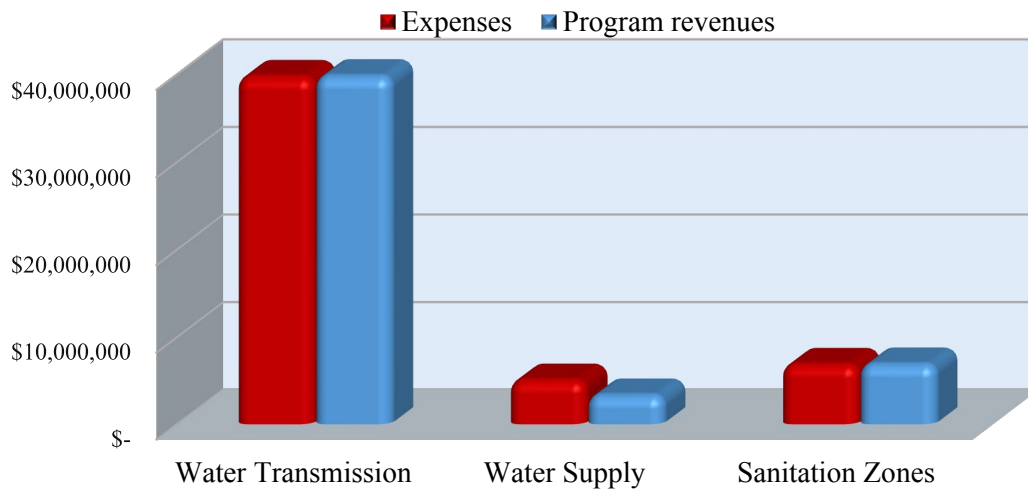
- Water sales revenue decreased \$498,660 from the prior fiscal year. This decrease was due to a 4.7% decrease in total acre-feet sold and an average increase of 4.5% in water rates.
- Sanitation revenue increased \$375,047 due to increases in the annual rates combined with increases in the total Equivalent Single Family Dwellings (ESDs) serviced by Sonoma Water's four sanitation zones.
- Operating grants and contributions for the fiscal year totaled \$423,291, representing a decrease of \$1,165,455 from the prior year. This decrease was primarily due to a decrease in expenses and related funding for the Title XVI Water Smart grant which provides funding for North Bay Water Reuse projects.
- Capital grants and contributions totaled \$1,301,187 for the fiscal year, a decrease of \$673,602 from the prior fiscal year. This decrease included a decrease of \$2,750,000 in donations of capital assets by other governments, offset by an increase of \$1,062,804 in sewer connection fees and a \$100,390 increase in capital grants.
- Investment earnings for the fiscal year ended June 30, 2019 totaled \$2,755,788, representing an increase of \$1,940,701 from the prior year. This increase was primarily due to an increase in the fair value of investments and an increase in interest earned on cash in the Treasury Pool due to higher cash balances and interest rates.
- Expenses for Water Transmission increased by \$6,780,865 from the prior year. A portion of the increase was related to the allocation of Internal Service Fund activity. During the year ended June 30, 2018, Internal Service Fund net revenues were higher than usual due to a gain on the sale of a building. The allocation of these net revenues resulted in a reduction of Water Transmission expenses during the year ended June 30, 2018. Other increases were a result of increased costs of various projects related to repairs from the 2019 floods and maintenance costs on the pumping caissons.
- Water Supply expenses increased by \$337,454, primarily due to an increase of \$315,917 in project costs for the Russian River Watershed groundwater model.
- Sanitation expenses decreased by \$748,821. The majority of the decrease was related to reduced equipment maintenance costs for the treatment plant maintenance projects in the Airport-Larkfield-Wikiup (ALW) sanitation fund as well as reduced service costs for sludge removal and disposal.
- Transfers from Sonoma Water's General Fund totaling \$2,290,000 were received during the fiscal year ended June 30, 2019. More information on these transfers can be found in Note G to the financial statements.

**Sonoma Water  
Management's Discussion and Analysis  
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(Unaudited)**

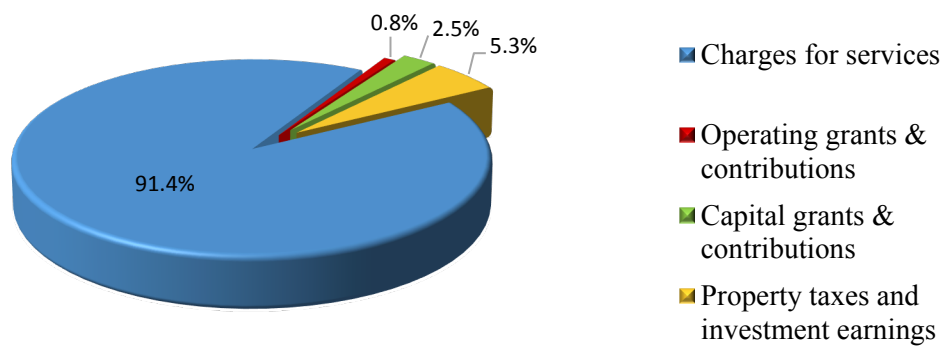
**Government-wide Financial Analysis (continued)**

***Business-type Activities (continued)***

*Expenses and Program Revenues – Business-type Activities*



*Revenues by Source – Business-type activities*



**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

**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, 2019, Sonoma Water's governmental funds reported combined ending fund balances of \$95,028,679, a decrease of \$2,897,183 in comparison with the prior year. Approximately 8.0% of this total amount, \$7,555,059, 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 \$7,555,059. Assigned fund balance totaled \$10,201,064 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. Restricted fund balance totaled \$250,000, related to a legally enforceable agreement with the Town of Windsor. The General Fund also reported a non-spendable fund balance of \$299,415 due to inventories and prepaid items. Total fund balance for the General Fund as of June 30, 2019 was \$18,305,538.

The General Fund's fund balance decreased by \$129,631 which represents a 0.7% decrease in fund balance compared to the prior fiscal year. Some of the significant changes include an increase in salary and benefits costs and an increase in contract services for various projects.

The special revenue funds, consisting of Flood Control and Warm Springs Dam, reported fiscal year end fund balances of \$25,752,430 and \$9,684,723, respectively, all of which is restricted fund balance except for \$824 in non-spendable fund balance related to prepaid items. Flood Control had a significant increase in fund balance of \$2,246,443 which represents a 9.6% increase compared to the prior fiscal year, mainly due to increased property tax revenue including financial aid from the State of California for property tax revenue losses as a result of the 2017 wildfires.

The Debt Service Fund had a total fund balance of \$41,285,988, all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance decreased by \$4,603,851 which represents a 10.0% decrease compared to the prior fiscal year, primarily due to principal and interest payments on long-term debt.



**Sonoma Water  
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(Unaudited)**

**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 \$3,563,653 to \$160,019,481, primarily due to an increase in investment earnings and lower than anticipated operating expenses.

Water Supply net position increased by \$428,322 to \$1,679,258, primarily due to an increase in transfers in from the General Fund.

Sanitation net position increased by \$664,212 to \$23,392,347, primarily as a result of higher connection fees and sanitation services as well as a decrease in operating expenses. The increase in connection fees was related to revenue recognized for connection fee loans for the new sewer system in the ALW sanitation zone as well as supplemental billing for a commercial property for additional flows.

Internal Service Fund net position decreased by \$1,176,639 to \$52,203,166 primarily as a result of reduced power sales.

Unrestricted net position of the Water Transmission Fund as of the fiscal year ended June 30, 2019 was \$39,994,350. The Water Supply Fund reported a deficit balance in unrestricted net position of \$536,761 as the result of the required amortization of unearned revenue related to Marin Municipal Water District's water rights payment received in June 2005. The Sanitation Funds and the Internal Service Funds reported unrestricted net position of \$5,587,223 and \$11,395,149, respectively.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget for Sonoma Water's General Fund reflected an increase in budgeted appropriations including an increase in contract services of \$6,835,614 as well as an increase in salaries and wages of \$2,077,039 while budgeted revenues also increased by \$3,289,509 during the fiscal year ended June 30, 2019. Of the increase in budgeted revenue, \$2,067,052 was related to the budgeted income for grant revenues related to the NOAA Advanced Quantitative Precipitation Information System (AQPI) grant. An offset to this increase in grant revenues was a \$2,138,000 increase in appropriations for the related project, the Bay Area Advanced Quantitative Precipitation Information System, which includes installing up to five new radar units in the Bay Area to provide more precise rainfall forecasting for atmospheric rivers. In addition, appropriations for computer equipment and software increased by \$454,808 and intergovernmental funding to assist the Districts in meeting operating and construction expenses increased by \$1,110,000.

General Fund property taxes exceeded budget by \$870,322 which is a result of a conservative approach towards property tax revenue. Investment earnings, intergovernmental revenue and charges for services also exceeded budget, resulting in total revenues being over budget by \$1,730,968.

**Sonoma Water**  
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**(Unaudited)**

**General Fund Budgetary Highlights (continued)**

General Fund total expenditures were below budget by \$9,533,113. The largest component was related to unspent appropriations in contract services which included \$2,873,312 of unspent appropriations due to a program schedule delays in contracting and equipment procurement for the Bay Area Advanced Quantitative Precipitation Information System project. Other major components of the unspent appropriations included lower than anticipated costs for legal services, rent and lease expenditures, computer equipment and software costs, and capital asset expenditures.

**Capital Asset and Debt Administration**

***Capital Assets***

Sonoma Water's investment in capital assets for its governmental and business-type activities as of June 30, 2019, was \$340,986,991 (net of accumulated depreciation and amortization). 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, 2019 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 Fund included:  
Easement acquisitions for Dry Creek mile 2 - \$908,203

Business-type activities:

- Capital expansion within the Water Transmission Fund included:  
Meter replacement - \$2,354,492

**Capital Assets**  
(net of accumulated depreciation and amortization)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019
Land	\$ 1,582,223	\$ 1,597,189	\$ 11,023,905	\$ 11,023,905	\$ 12,606,128	\$ 12,621,094
Land improvements	151,861	139,631	2,003,922	1,817,461	2,155,783	1,957,092
Construction in progress	3,036,882	1,357,010	13,404,664	15,311,675	16,441,546	16,668,685
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	603,608	2,453,283	300,352	481,414	903,960	2,934,697
Intangible asset - software	-	-	281,345	243,501	281,345	243,501
Infrastructure	30,196,364	28,714,883	129,717,763	124,595,725	159,914,127	153,310,608
Buildings and improvements	1,509,710	1,425,163	39,418,233	37,861,287	40,927,943	39,286,450
Machinery and equipment	776,908	681,464	5,473,199	5,916,005	6,250,107	6,597,469
<b>Total capital assets</b>	<b>\$ 140,228,556</b>	<b>\$ 138,739,623</b>	<b>\$ 206,619,778</b>	<b>\$ 202,247,368</b>	<b>\$ 346,848,334</b>	<b>\$ 340,986,991</b>

**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

**Capital Asset and Debt Administration (continued)**

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

***Long-Term Obligations***

As of June 30, 2019, Sonoma Water had a total of \$173,228,574 in outstanding long-term obligations.

**Outstanding Current and Long-Term Obligations**

	June 30, 2018	June 30, 2019	Change	
			\$	%
General obligation bonds	\$ 53,000	\$ 27,000	\$ (26,000)	-49.1%
Capital lease obligations	3,167,925	2,514,660	(653,265)	-20.6%
Revenue bonds	35,717,050	34,148,329	(1,568,721)	-4.4%
Advances from other governments	9,021,479	8,227,749	(793,730)	-8.8%
Federal contract payable	81,276,964	77,612,575	(3,664,389)	-4.5%
Compensated absences	2,289,200	2,434,372	145,172	6.3%
Net pension liability	9,689,254	30,624,597	20,935,343	216.1%
Other postemployment benefits	24,082,900	17,639,292	(6,443,608)	-26.8%
<b>Total</b>	<b>\$ 165,297,772</b>	<b>\$ 173,228,574</b>	<b>\$ 7,930,802</b>	<b>4.8%</b>

Sonoma Water's total long-term obligations increased by \$7,930,802 (4.8%) during the fiscal year ended June 30, 2019.

The outstanding total of general obligation bonds, capital lease obligations, revenue bonds, advances from other governments, and federal contract payable decreased during the fiscal year ended June 30, 2019 due to regularly scheduled principal payments.

Compensated absences liability increased by \$145,172 due to employees using less vacation leave than they earned and accrued.

Net pension liability increased by \$20,935,343, primarily as a result of changes in assumption and the unfavorable return on investments held in the trust to provide for the pension obligation.

Other postemployment benefits liability decreased by \$6,443,608 which is due to a change in actuarial assumptions regarding the contribution rate for future year employer contributions.

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

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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

As of June 30, 2019, unassigned fund balance in the General Fund was \$7,555,059. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$3,495,505 in the fiscal year ending June 30, 2020 reduces unassigned fund balance.

Property tax revenues are expected to increase due to the upward trend in assessed value of taxable property.

Intergovernmental revenue is expected to increase for the year ending June 30, 2019 as a result of State grant programs including the National Oceanic and Atmospheric Administration (NOAA) and the Colorado State University (CSU) Advanced Quantitative Precipitation Information System (AQPI) grants.

Expenditures on operating projects are expected to increase as the Bay Area Advanced Quantitative Precipitation Information System project gets underway. Expenditures on capital projects are also expected to increase due to various projects progressing including the Larkfield Estates sewer main extension project and the Sonoma Booster Station electrical upgrade and pumping reliability.

Water sales and sanitation service revenues are expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2020 budget. Water rates increased by an average of 4.7%, while sewer rates also increased an average of 4.7%.

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.

**Charges per Acre-Foot for Water Used for Municipal Purposes by Water Contractors**

	Santa Rosa Aqueduct	Petaluma Aqueduct	Sonoma Aqueduct
Operations and maintenance	\$ 769.20	\$ 769.20	\$ 769.20
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	130.50
Storage facility revenue bonds charge	31.22	31.22	31.22
Common facilities revenue bonds charge	90.88	90.88	90.88
Aqueduct capital charge	27.00	27.00	27.00
<b>Total</b>	<b>\$ 918.30</b>	<b>\$ 918.30</b>	<b>\$ 1,048.80</b>

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

**Economic Factors and Next Year's Budgets and Rates (continued)**

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

Sanitation Zone	18/19	19/20	Change
Sea Ranch	\$ 1,159	\$ 1,200	3.5%
Penngrove	1,463	1,543	5.5%
Geyserville	1,042	1,099	5.5%
Airport-Larkfield-Wikiup	941	979	4.0%

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

Sanitation Zone	18/19	19/20	Change
Sea Ranch	605	605	0.0%
Penngrove	547	547	0.0%
Geyserville	357	357	0.0%
Airport-Larkfield-Wikiup	3,619	3,640	0.6%

## Basic Financial Statements

**Sonoma Water**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 79,196,054	\$ 74,802,411	\$ 153,998,465
Restricted cash and investments	-	1,825,199	1,825,199
Deposits with others	-	753,746	753,746
Accounts receivable	3,667,766	7,086,974	10,754,740
Inventories	4,642	-	4,642
Prepaid items	295,597	50,050	345,647
Total current assets	<u>83,164,059</u>	<u>84,518,380</u>	<u>167,682,439</u>
Noncurrent assets:			
Restricted cash and investments	17,650,000	6,991,208	24,641,208
Accounts receivable	469,915	267,223	737,138
Reserves on deposit	-	823,961	823,961
Capital assets, net			
Land	1,597,189	11,023,905	12,621,094
Land improvements	139,631	1,817,461	1,957,092
Construction in progress	1,357,010	15,311,675	16,668,685
Intangible assets	104,824,283	5,721,310	110,545,593
Infrastructure	28,714,883	124,595,725	153,310,608
Buildings and improvements	1,425,163	37,861,287	39,286,450
Equipment	681,464	5,916,005	6,597,469
Total capital assets	<u>138,739,623</u>	<u>202,247,368</u>	<u>340,986,991</u>
Total noncurrent assets	<u>156,859,538</u>	<u>210,329,760</u>	<u>367,189,298</u>
Total assets	<u>240,023,597</u>	<u>294,848,140</u>	<u>534,871,737</u>
<b>Deferred Outflows of Resources</b>			
Deferred pensions	13,299,290	-	13,299,290
Deferred other postemployment benefits	2,231,513	-	2,231,513
Deferred charge on refunding	-	550,281	550,281
Total deferred outflows of resources	<u>15,530,803</u>	<u>550,281</u>	<u>16,081,084</u>

The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**Statement of Net Position (continued)**  
**June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	5,769,714	6,099,454	11,869,168
Due to other governments	-	66,301	66,301
Interest payable	1,668,670	28,803	1,697,473
Unearned revenue	101,832	528,664	630,496
Advances from other governments	-	405,199	405,199
Deposits from others	-	682,040	682,040
Capital lease obligations	-	681,148	681,148
Compensated absences	2,434,372	-	2,434,372
Long-term contracts payable	3,782,566	-	3,782,566
Total current liabilities payable from unrestricted assets	<u>13,757,154</u>	<u>8,491,609</u>	<u>22,248,763</u>
Current liabilities payable from restricted assets:			
Interest payable	-	556,450	556,450
General obligation bonds payable	-	27,000	27,000
Revenue bonds payable	-	1,687,756	1,687,756
Total current liabilities payable from restricted assets	<u>-</u>	<u>2,271,206</u>	<u>2,271,206</u>
Total current liabilities	<u>13,757,154</u>	<u>10,762,815</u>	<u>24,519,969</u>
Noncurrent liabilities:			
Unearned revenue	-	3,924,861	3,924,861
Advances from other governments	-	7,822,550	7,822,550
Capital lease obligations	-	1,833,512	1,833,512
Revenue bonds payable	-	33,760,431	33,760,431
Long-term contracts payable	73,830,009	-	73,830,009
Net pension liability	30,624,597	-	30,624,597
Other postemployment benefits obligation	17,639,292	-	17,639,292
Pollution remediation obligation	155,867	-	155,867
Total noncurrent liabilities	<u>122,249,765</u>	<u>47,341,354</u>	<u>169,591,119</u>
Total liabilities	<u>136,006,919</u>	<u>58,104,169</u>	<u>194,111,088</u>
<b>Deferred Inflows of Resources</b>			
Deferred pensions	453,149	-	453,149
Deferred other postemployment benefits	4,688,432	-	4,688,432
Total deferred inflows of resources	<u>5,141,581</u>	<u>-</u>	<u>5,141,581</u>
<b>Net Position</b>			
Net investment in capital assets	61,127,048	159,091,392	220,218,440
Restricted for:			
Flood control	25,676,846	-	25,676,846
Warm Springs Dam	49,302,042	-	49,302,042
Water management planning	-	721,997	721,997
Watershed planning and restoration	-	12,312,460	12,312,460
Recycled water and local supply	-	925,650	925,650
Water conservation	-	2,321,351	2,321,351
Debt service	-	3,151,411	3,151,411
Capital projects	-	1,506,069	1,506,069
Other purposes	250,000	823,961	1,073,961
Unrestricted (deficit)	<u>(21,950,036)</u>	<u>56,439,961</u>	<u>34,489,925</u>
Total net position	<u>\$ 114,405,900</u>	<u>\$ 237,294,252</u>	<u>\$ 351,700,152</u>

The accompanying notes are an integral part of these financial statements.



**Sonoma Water**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 13,210,201	\$ 2,302,159	\$ 3,523,433	\$ 7,893	\$ (7,376,716)	\$ -	\$ (7,376,716)
Intergovernmental	13,025,872	11,775,872	-	-	(1,250,000)	-	(1,250,000)
Flood control	12,483,365	111,550	1,488,463	-	(10,883,352)	-	(10,883,352)
Warm Springs Dam	9,559,980	48	473,863	-	(9,086,069)	-	(9,086,069)
Interest on long-term debt	2,542,398	-	-	-	(2,542,398)	-	(2,542,398)
Total governmental activities	<u>50,821,816</u>	<u>14,189,629</u>	<u>5,485,759</u>	<u>7,893</u>	<u>(31,138,535)</u>	<u>-</u>	<u>(31,138,535)</u>
Business-type activities:							
Water transmission	39,733,160	39,464,502	169,506	186,828	-	87,676	87,676
Water supply	5,036,761	3,069,451	247,447	-	-	(1,719,863)	(1,719,863)
Sanitation	6,844,365	5,765,354	6,335	1,114,361	-	41,685	41,685
Total business-type activities	<u>51,614,286</u>	<u>48,299,307</u>	<u>423,288</u>	<u>1,301,189</u>	<u>-</u>	<u>(1,590,502)</u>	<u>(1,590,502)</u>
Total primary government	<u>\$ 102,436,102</u>	<u>\$ 62,488,936</u>	<u>\$ 5,909,047</u>	<u>\$ 1,309,082</u>	<u>(31,138,535)</u>	<u>(1,590,502)</u>	<u>(32,729,037)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					20,290,092	-	20,290,092
Property taxes, levied for debt service and assurances					8,561,537	24,262	8,585,799
Unrestricted investment earnings					3,595,033	2,755,788	6,350,821
Transfers					(2,290,000)	2,290,000	-
Total general revenues and transfers					<u>30,156,662</u>	<u>5,070,050</u>	<u>35,226,712</u>
Change in net position					(981,873)	3,479,548	2,497,675
Net position - beginning of year					115,387,773	233,814,704	349,202,477
Net position - end of year					<u>\$ 114,405,900</u>	<u>\$ 237,294,252</u>	<u>\$ 351,700,152</u>

The accompanying notes are an integral part of these financial statements.

**Sonoma Water  
Balance Sheet  
For the Fiscal Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<b>General</b>	<b>Flood Control</b>	<b>Warm Springs Dam</b>	<b>Debt Service</b>	
<b>Assets</b>					
Cash and investments	\$ 17,258,114	\$ 26,376,080	\$ 11,675,872	\$ 23,885,988	\$ 79,196,054
Restricted cash and investments	250,000	-	-	17,400,000	17,650,000
Accounts receivable	3,606,414	366,480	164,787	-	4,137,681
Prepaid items	294,773	-	824	-	295,597
Inventories	4,642	-	-	-	4,642
Total assets	<u>\$ 21,413,943</u>	<u>\$ 26,742,560</u>	<u>\$ 11,841,483</u>	<u>\$ 41,285,988</u>	<u>\$ 101,283,974</u>
<b>Liabilities</b>					
Accounts payable	\$ 2,704,025	\$ 908,929	\$ 2,156,760	\$ -	\$ 5,769,714
Unearned revenue	100,915	917	-	-	101,832
Total liabilities	<u>2,804,940</u>	<u>909,846</u>	<u>2,156,760</u>	<u>-</u>	<u>5,871,546</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - intergovernmental	<u>303,465</u>	<u>80,284</u>	<u>-</u>	<u>-</u>	<u>383,749</u>
Total deferred inflows of resources	<u>303,465</u>	<u>80,284</u>	<u>-</u>	<u>-</u>	<u>383,749</u>
<b>Fund balances</b>					
Nonspendable	299,415	-	824	-	300,239
Restricted	250,000	25,752,430	9,683,899	41,285,988	76,972,317
Assigned	10,201,064	-	-	-	10,201,064
Unassigned	<u>7,555,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,555,059</u>
Total fund balances	<u>18,305,538</u>	<u>25,752,430</u>	<u>9,684,723</u>	<u>41,285,988</u>	<u>95,028,679</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,413,943</u>	<u>\$ 26,742,560</u>	<u>\$ 11,841,483</u>	<u>\$ 41,285,988</u>	<u>\$ 101,283,974</u>

**Reconciliation of the balance sheet for government funds to the statement of net position:**

Fund balances - total governmental funds	\$ 95,028,679
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 funds	138,739,623
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds	383,749
Deferred outflows of resources are reported in the statement of net position but not reported in the funds	15,530,803
Some liabilities are not due and payable in the current period and therefore are not recorded in the funds:	
Interest payable	(1,668,670)
Compensated absences	(2,434,372)
Net pension liability	(30,624,597)
Other postemployment benefits obligation	(17,639,292)
Pollution remediation obligation	(155,867)
Long-term contracts payable	(77,612,575)
Deferred inflows of resources are reported in the statement of net position but not reported in the funds	<u>(5,141,581)</u>
Net position of governmental activities	<u>\$ 114,405,900</u>

The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<b>General</b>	<b>Flood Control</b>	<b>Warm Springs Dam</b>	<b>Debt Service</b>	
<b>Revenues</b>					
Property taxes	\$ 9,524,471	\$ 10,765,621	\$ 8,561,537	\$ -	\$ 28,851,629
Investment earnings	704,081	861,119	348,112	1,681,720	3,595,032
Intergovernmental	3,227,861	1,408,180	473,863	-	5,109,904
Charges for services	14,035,333	52,650	-	-	14,087,983
Miscellaneous	42,698	58,900	48	-	101,646
Total revenues	<u>27,534,444</u>	<u>13,146,470</u>	<u>9,383,560</u>	<u>1,681,720</u>	<u>51,746,194</u>
<b>Expenditures</b>					
Current:					
General government	12,225,790	-	-	-	12,225,790
Intergovernmental	13,025,872	-	-	-	13,025,872
Flood control	-	10,843,800	-	-	10,843,800
Warm Springs Dam	-	-	9,462,826	-	9,462,826
Capital outlay	122,413	56,227	330,878	-	509,518
Debt service:					
Principal	-	-	-	3,664,389	3,664,389
Interest and fiscal charges	-	-	-	2,621,182	2,621,182
Total expenditures	<u>25,374,075</u>	<u>10,900,027</u>	<u>9,793,704</u>	<u>6,285,571</u>	<u>52,353,377</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	2,160,369	2,246,443	(410,144)	(4,603,851)	(607,183)
<b>Other financing uses</b>					
Transfers out	<u>(2,290,000)</u>	-	-	-	<u>(2,290,000)</u>
Total other financing uses	<u>(2,290,000)</u>	-	-	-	<u>(2,290,000)</u>
<b>Net change in fund balances</b>	(129,631)	2,246,443	(410,144)	(4,603,851)	(2,897,183)
Fund balances - beginning of year	<u>18,435,169</u>	<u>23,505,987</u>	<u>10,094,867</u>	<u>45,889,839</u>	<u>97,925,862</u>
Fund balances - end of year	<u>\$ 18,305,538</u>	<u>\$ 25,752,430</u>	<u>\$ 9,684,723</u>	<u>\$ 41,285,988</u>	<u>\$ 95,028,679</u>

The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**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, 2019**

Net change in fund balances - total governmental funds	\$ (2,897,183)
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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 expense.

Capital outlay	509,518
Depreciation expense	(1,969,136)

The statement of activities reports gains or losses arising from the sale of capital assets as the difference between the proceeds from sale of capital assets and the book value of the sold capital assets, while the governmental funds report the proceeds from sale of capital assets. The difference is the book value of the sold capital assets.	(29,315)
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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.	3,664,389
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Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the governmental funds	383,749
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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	78,785
Change in compensated absences	(145,172)
Change in accrued net pension liability	(3,799,098)
Change in other postemployment benefits obligation	3,192,571
Change in pollution remediation obligation	29,019

Change in net position of governmental activities	\$ (981,873)
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The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Internal Service</b>
	<b>Water Transmission</b>	<b>Water Supply</b>	<b>Sanitation</b>	<b>Total</b>	<b>Funds</b>
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 53,235,424	\$ 2,862,175	\$ 7,432,335	\$ 63,529,934	\$ 11,272,477
Restricted cash and investments	1,432,843	-	392,356	1,825,199	-
Deposits with others	-	-	-	-	753,746
Accounts receivable	4,931,176	1,353,377	802,421	7,086,974	-
Prepaid items	30,830	5,636	5,371	41,837	8,213
Total current assets	<u>59,630,273</u>	<u>4,221,188</u>	<u>8,632,483</u>	<u>72,483,944</u>	<u>12,034,436</u>
Noncurrent assets:					
Restricted cash and investments	6,793,919	-	197,289	6,991,208	-
Accounts receivable	17,817	-	249,406	267,223	-
Advances to other funds	-	-	-	-	1,215,000
Reserves on deposit	-	-	-	-	823,961
Capital assets, net					
Land	7,066,430	-	1,621,444	8,687,874	2,336,031
Land improvements	-	1,266,794	-	1,266,794	550,667
Construction in progress	12,976,299	-	2,211,339	15,187,638	124,037
Intangible assets	5,504,506	142,301	74,503	5,721,310	-
Infrastructure	108,033,867	726,588	15,835,270	124,595,725	-
Buildings and improvements	3,472,845	-	-	3,472,845	34,388,442
Equipment	581,523	80,336	154,607	816,466	5,099,539
Total capital assets	<u>137,635,470</u>	<u>2,216,019</u>	<u>19,897,163</u>	<u>159,748,652</u>	<u>42,498,716</u>
Total noncurrent assets	<u>144,447,206</u>	<u>2,216,019</u>	<u>20,343,858</u>	<u>167,007,083</u>	<u>44,537,677</u>
Total assets	<u>204,077,479</u>	<u>6,437,207</u>	<u>28,976,341</u>	<u>239,491,027</u>	<u>56,572,113</u>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	<u>395,400</u>	<u>-</u>	<u>154,881</u>	<u>550,281</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**Statement of Net Position (continued)**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Internal Service</b>
	<b>Water Transmission</b>	<b>Water Supply</b>	<b>Sanitation</b>	<b>Total</b>	<b>Funds</b>
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	2,976,363	591,845	1,038,183	4,606,391	1,493,063
Due to other governments	21,301	45,000	-	66,301	-
Interest payable	-	-	-	-	28,803
Unearned revenue	-	196,243	-	196,243	332,421
Advances from other governments	405,199	-	-	405,199	-
Deposits from others	254,230	-	427,810	682,040	-
Capital lease obligations	-	-	-	-	681,148
Total current liabilities payable from unrestricted assets	<u>3,657,093</u>	<u>833,088</u>	<u>1,465,993</u>	<u>5,956,174</u>	<u>2,535,435</u>
Current liabilities payable from restricted assets:					
Interest payable	538,897	-	17,553	556,450	-
General obligation bonds payable	-	-	27,000	27,000	-
Revenue bonds payable	<u>1,339,953</u>	<u>-</u>	<u>347,803</u>	<u>1,687,756</u>	<u>-</u>
Total current liabilities payable from restricted assets	<u>1,878,850</u>	<u>-</u>	<u>392,356</u>	<u>2,271,206</u>	<u>-</u>
Total current liabilities	<u>5,535,943</u>	<u>833,088</u>	<u>1,858,349</u>	<u>8,227,380</u>	<u>2,535,435</u>
Noncurrent liabilities:					
Unearned revenue	-	3,924,861	-	3,924,861	-
Advances from other governments	7,822,550	-	-	7,822,550	-
Capital lease obligations	-	-	-	-	1,833,512
Revenue bonds payable	31,094,905	-	2,665,526	33,760,431	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>1,215,000</u>	<u>1,215,000</u>	<u>-</u>
Total noncurrent liabilities	<u>38,917,455</u>	<u>3,924,861</u>	<u>3,880,526</u>	<u>46,722,842</u>	<u>1,833,512</u>
Total liabilities	<u>44,453,398</u>	<u>4,757,949</u>	<u>5,738,875</u>	<u>54,950,222</u>	<u>4,368,947</u>
<b>Net Position</b>					
Net investment in capital assets	99,879,602	2,216,019	17,011,715	119,107,336	39,984,056
Restricted for:					
Water management planning	721,997	-	-	721,997	-
Watershed planning and restoration	12,312,460	-	-	12,312,460	-
Recycled water and local supply	925,650	-	-	925,650	-
Water conservation	2,100,034	-	221,317	2,321,351	-
Reserves on deposit	-	-	-	-	823,961
Debt service	2,579,319	-	572,092	3,151,411	-
Capital projects	1,506,069	-	-	1,506,069	-
Unrestricted (deficit)	<u>39,994,350</u>	<u>(536,761)</u>	<u>5,587,223</u>	<u>45,044,812</u>	<u>11,395,149</u>
Total net position	<u>\$ 160,019,481</u>	<u>\$ 1,679,258</u>	<u>\$ 23,392,347</u>	<u>185,091,086</u>	<u>\$ 52,203,166</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				<u>52,203,166</u>	
Net position of business-type activities				<u>\$ 237,294,252</u>	

The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Water Transmission</b>	<b>Water Supply</b>	<b>Sanitation</b>	<b>Total</b>	
<b>Operating Revenue</b>					
Water sales	\$ 39,288,806	\$ 2,763,639	\$ -	\$ 42,052,445	\$ -
Water services	23,820	-	-	23,820	-
Power sales	36,156	-	-	36,156	3,296,035
Flat charges	-	-	4,980,904	4,980,904	-
Sanitation services	-	-	624,484	624,484	-
Equipment rental	-	-	-	-	2,656,268
Real estate rental	-	-	-	-	2,990,396
Miscellaneous	115,719	305,812	56	421,587	19,918
Total operating revenue	39,464,501	3,069,451	5,605,444	48,139,396	8,962,617
<b>Operating Expenses</b>					
Services and supplies	29,377,249	4,597,763	5,424,708	39,399,720	8,242,407
Depreciation and amortization	6,534,856	232,145	1,168,882	7,935,883	2,284,198
Total operating expenses	35,912,105	4,829,908	6,593,590	47,335,603	10,526,605
<b>Operating Income (Loss)</b>	3,552,396	(1,760,457)	(988,146)	803,793	(1,563,988)
<b>Nonoperating Revenues (Expenses)</b>					
Taxes and assessments	-	-	24,262	24,262	-
Investment earnings	1,951,653	68,478	259,052	2,279,183	476,605
Interest expense and debt issuance cost	(1,271,812)	-	(107,996)	(1,379,808)	(162,256)
Gain (loss) on disposal of capital assets	(658,717)	-	-	(658,717)	73,000
Real estate rental	-	-	159,910	159,910	-
Conservation program	-	-	(13,566)	(13,566)	-
Intergovernmental revenue	169,506	247,447	6,335	423,288	-
Grant pass-through	(366,201)	(207,146)	-	(573,347)	-
Total nonoperating revenue (expenses), net	(175,571)	108,779	327,997	261,205	387,349
<b>Income (loss) before capital contributions and transfers</b>	3,376,825	(1,651,678)	(660,149)	1,064,998	(1,176,639)
Capital contributions - connection fees	-	-	1,112,905	1,112,905	-
Capital contributions	186,828	-	1,456	188,284	-
Transfers in	-	2,080,000	210,000	2,290,000	-
<b>Change in net position</b>	3,563,653	428,322	664,212	4,656,187	(1,176,639)
Net position - beginning of year	156,455,828	1,250,936	22,728,135		53,379,805
<b>Net position - end of year</b>	\$ 160,019,481	\$ 1,679,258	\$ 23,392,347		\$ 52,203,166
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				(1,176,639)	
Change in net position of business-type activities				\$ 3,479,548	

The accompanying notes are an integral part of these financial statements.

**Sonoma Water**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	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	\$ 41,027,455	\$ 3,708,329	\$ 5,520,490	\$ 50,256,274	\$ -
Cash receipts from interfund services provided	-	-	-	-	9,011,072
Cash payments for interfund services used	(18,781,968)	(1,973,851)	(3,104,715)	(23,860,534)	(2,234,347)
Cash payments to suppliers	(9,301,100)	(2,184,309)	(2,123,307)	(13,608,716)	(5,499,499)
Net cash provided by (used for) operating activities	12,944,387	(449,831)	292,468	12,787,024	1,277,226
<b>Cash flows from noncapital financing activities:</b>					
Taxes and assessments	-	-	24,262	24,262	-
Transfers in	-	2,080,000	110,000	2,190,000	-
Other expenses - grant pass through	(366,201)	(207,146)	-	(573,347)	-
Intergovernmental receipts	123,445	488,243	145	611,833	-
Real estate rental	-	-	159,910	159,910	-
Conservation program	-	-	(13,566)	(13,566)	-
Net cash provided by (used for) noncapital financing activities	(242,756)	2,361,097	280,751	2,399,092	-
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(2,609,954)	-	(1,657,417)	(4,267,371)	(1,181,734)
Principal paid on general obligation and revenue bonds	(1,225,000)	-	(369,722)	(1,594,722)	-
Principal paid on capital leases	-	-	-	-	(653,266)
Principal paid on interfund borrowing	-	-	-	-	(2,387,276)
Principal paid on advances from other governments	(853,779)	(250,487)	-	(1,104,266)	-
Interest paid on long-term debt	(1,342,364)	-	(87,873)	(1,430,237)	(169,543)
Principal received on interfund borrowing	-	-	615,000	615,000	-
Proceeds from sale of capital assets	-	-	-	-	73,000
Proceeds from revenue bond deposit	250,000	-	-	250,000	-
Connection fees	-	-	275,572	275,572	-
Capital contributions - intergovernmental	243,019	57,263	13,635	313,917	26,005
Transfers in	-	-	100,000	100,000	-
Net cash used for capital and related financing activities	(5,538,078)	(193,224)	(1,110,805)	(6,842,107)	(4,292,814)
<b>Cash flows from investing activities:</b>					
Interest received	1,951,653	68,478	259,053	2,279,184	476,602
Intrafund loans	-	-	-	-	(1,215,000)
Net cash provided by (used for) investing activities	1,951,653	68,478	259,053	2,279,184	(738,398)
Net increase (decrease) in cash and cash equivalents	9,115,206	1,786,520	(278,533)	10,623,193	(3,753,986)
Cash and cash equivalents - beginning of year	52,346,980	1,075,655	8,300,513	61,723,148	15,026,463
Cash and cash equivalents - end of year	\$ 61,462,186	\$ 2,862,175	\$ 8,021,980	\$ 72,346,341	\$ 11,272,477
<b>Reconciliation to the statement of net position:</b>					
Cash and investments	\$ 53,235,424	\$ 2,862,175	\$ 7,432,335	\$ 63,529,934	\$ 11,272,477
Restricted cash and investments	8,226,762	-	589,645	8,816,407	-
Cash and cash equivalents	\$ 61,462,186	\$ 2,862,175	\$ 8,021,980	\$ 72,346,341	\$ 11,272,477
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 3,552,396	\$ (1,760,457)	\$ (988,146)	\$ 803,793	\$ (1,563,988)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	6,534,856	232,145	1,168,882	7,935,883	2,284,198
Change in assets and liabilities:					
Accounts receivable	1,562,954	235,596	(84,952)	1,713,598	-
Deposits from others	-	-	238,978	238,978	-
Due from other funds	-	599,524	-	599,524	48,454
Other long-term assets	-	-	-	-	(57,450)
Prepaid items	(13,813)	(433)	2,641	(11,605)	(7,293)
Unearned revenue	-	(196,243)	-	(196,243)	-
Accounts payable and accrued expenses	1,307,994	440,037	(44,935)	1,703,096	573,305
Net cash provided by (used for) operating activities	\$ 12,944,387	\$ (449,831)	\$ 292,468	\$ 12,787,024	\$ 1,277,226
<b>Noncash investing, capital, or financing activities:</b>					
Acquisition of capital assets through current liabilities	\$ 721,292	\$ -	\$ 365,087	\$ 1,086,379	\$ 261,778
Loss on disposal of capital assets	658,717	-	-	658,717	-
Capital contributions receivable	136,828	-	7,644	144,472	-
Grants receivable	192,874	65,542	9,188	267,604	-

The accompanying notes are an integral part of these financial statements.



**Sonoma Water**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2019**

**Assets**

Cash and investments	\$ <u>14,100</u>
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**Liabilities**

Deposits from others	\$ <u>14,100</u>
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The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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. Inter-fund 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 Plans
- Note N. Related Party Transactions
- Note O. Risk Management
- Note P. Commitments and Contingencies
- Note Q. Economic Dependence
- Note R. Subsequent Events

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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 Comprehensive Annual 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) display information on Sonoma Water as a whole. These financial statements include the financial activities of Sonoma Water's non-fiduciary activities. The effect of inter-fund 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**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Government-wide and Fund Financial Statements (continued)*

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. Sonoma Water's funds are categorized in three types: governmental funds, proprietary funds, and fiduciary funds.

*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. The agency (fiduciary) fund financial statement applies the accrual basis of accounting, but does not have a measurement focus. 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 measurable and available. 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 60 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

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 three categories: governmental funds, proprietary funds, and fiduciary 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.

*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 funds in this category are Flood Control and 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.

*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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

*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, Water Supply, and Sanitation.

*Water Transmission:* This fund accounts for the transportation of water and generation of electrical power for services to eight prime contractors (the cities of Santa Rosa, Petaluma, Sonoma, Rohnert Park and Cotati, Valley of the Moon Water District, North Marin Water District, and the Town of Windsor).

*Water Supply:* This fund accounts for the water supply and erosion control activities along the Russian River to secure and defend Sonoma Water's appropriative 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.

*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 services 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: Equipment Facilities and Power Resources.

*Fiduciary Funds:* These funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support Sonoma Water's own programs. Sonoma Water maintains one fund in this category, the Agency Fund.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

*Agency Fund:* This fund is custodial in nature and does not involve the measurement of the results from operations. Funds held are surety deposits pertaining to river access for gravel mining.

*Cash and Investments*

In accordance with 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. Sonoma Water has not recorded an allowance for uncollectible receivables as it deems all receivables as fully collectible.

*Inventories and Prepaid Items*

Inventories for governmental funds, consisting of supplies held specifically for a water efficiency program, are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Governmental funds inventory costs are recorded as expenditures when consumed, rather than when purchased. 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.



**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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.

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

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ -	N/A
Land improvements	25,000	15 to 50 years
Buildings and improvements:		
Buildings	25,000	50 years
Building improvements	25,000	15 to 20 years
Machinery and equipment	5,000	5 to 20 years
Infrastructure	100,000	25 to 75 years
Intangible Assets:		
Computer software	25,000	3 to 10 years
Temporary easements	-	Life of easement
Permanent easements	-	N/A
Water storage rights	-	N/A
Construction in progress	Projects expected to exceed the capitalization threshold for the applicable asset class	N/A

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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 position that applies to future periods.

In addition to liabilities, the statement of net position reports deferred inflows of resources. Deferred inflows of resource represent an acquisition of net position 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 (collectible within the current period or soon enough after to pay liabilities of the current period) 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 employees are entitled to certain compensated absences based on their length of employment. Vacation pay, which may be generally accumulated up to between seven and twelve weeks depending on employee's bargaining unit, is payable upon termination.

Since vacation leave balances do not require the use of current financial resources, no liability is recorded within the governmental funds. However, vacation leave balances are reflected in the government-wide statement of net position and are recorded in the period earned. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability amount for compensated absences includes the estimated employer liability for taxes and workers' compensation premiums.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the County's Pension Plan (CPP) and additions to/deductions from CPP's fiduciary net position have been determined on the same basis as they are reported by CPP. 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 net other postemployment benefit (OPEB) liability, deferred outflows of resources, 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 January 1 for the ensuing fiscal year. Property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. 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 Comprehensive Annual Financial Report.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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.

*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 and 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 the entity's "highest level of decision-making authority," the Board of Directors. These purposes can only be changed or cancelled by a similar Board action. Sonoma Water does not report any fund balances in this classification as of June 30, 2019.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Net Position and Fund Balance (continued)*

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.

	General Fund	Special Revenue			Total
		Flood Control	Warm Springs Dam	Debt Service	
Nonspendable					
Prepaid items	\$ 294,773	\$ -	\$ 824	\$ -	\$ 295,597
Inventories	4,642	-	-	-	4,642
Restricted					
General government	250,000	-	-	-	250,000
Flood control	-	25,752,430	-	-	25,752,430
Warm Springs Dam	-	-	9,683,899	41,285,988	50,969,887
Assigned					
General government	5,100,780	-	-	-	5,100,780
Spring Lake Park	3,124,240	-	-	-	3,124,240
Water/wastewater loan	628,206	-	-	-	628,206
Energy & sustainability	1,347,838	-	-	-	1,347,838
Unassigned	7,555,059	-	-	-	7,555,059
Total	\$ 18,305,538	\$ 25,752,430	\$ 9,684,723	\$ 41,285,988	\$ 95,028,679

*Inter-fund Transactions*

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

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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 Non-exchange 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, 2019 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.

*New Accounting Pronouncements*

The following Governmental Accounting Standards Board (GASB) statements have been implemented for the fiscal year ending June 30, 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Increases requirements on information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. Requires additional information related to debt be disclosed in notes to financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Sonoma Water early adopted this Statement as of July 1, 2018. The net effect of the early adoption was a \$333,207 increase in interest expense for fiscal year ending June 30, 2019.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Future Accounting Pronouncements*

GASB Statement No. 84, *Fiduciary Activities*. Enhances consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report fiduciary activities. Effective for Sonoma Water's fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*. Requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective for Sonoma Water's fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests*. Objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Effective for Sonoma Water's fiscal year ending June 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*. Objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective for Sonoma Water's fiscal year ending June 30, 2022.

**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 GAAP expenditures are adjusted to include current year encumbrances and inter-fund 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note C.      Cash and Investments**

*Authorized Investments*

Sonoma Water follows the practice of pooling cash and investments of all funds with the Treasurer except for funds required to be held with third party fiscal agents or trustees under the provisions of bond indentures and lease agreements. The Investment Oversight Committee has regulatory oversight for all funds deposited in 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 County Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403.



**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Financial Statement Presentation*

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 153,998,465
Cash and investments - guarantees	250,000
Cash and investments - collateral for standby letter of credit	17,400,000
Cash and investments - restricted for debt service and capital projects	8,816,407

Fiduciary funds:

Cash and investments	14,100
<b>Total cash and investments</b>	<b>\$ 180,478,972</b>

Cash and investments as of June 30, 2019 consist of the following:

County treasury pooled cash and investments:

Unrestricted	\$ 141,489,162
Cash and investments - guarantees	250,000
Cash and investments - restricted for debt service and capital projects	4,512,538

Nonpooled cash and investments:

Cash on hand	750
Unrestricted	4,562
Restricted cash with trustee	2,780,753
Investments - US Treasury STRIPS	718,233
Investments - US Treasury STRIPS - restricted for collateral	17,400,000
Investments - SCEIP Bonds	11,295,752
Money Market mutual funds	504,106
Money market mutual funds restricted for revenue bonds	1,523,116
<b>Total cash and investments</b>	<b>\$ 180,478,972</b>

As of June 30, 2019, Sonoma Water reported \$146,251,700 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2019 Comprehensive Annual Financial Report (the last 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 reported \$18,118,233 of nonpooled cash and investments in U.S. Treasury STRIPS. Of this amount, \$17,400,000 is collateral for a standby letter of credit. The remainder represent funds that are to be used for the operation, maintenance, and debt service for Warm Springs Dam.

Sonoma Water has invested \$11,295,752 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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 County 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.

As of June 30, 2019, approximately 48.3 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 552 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 (1)	\$ 146,251,700	\$ -	\$ 146,251,700	\$ -	\$ -
U.S. Treasury STRIPS	18,118,233	-	6,142,500	11,975,733	-
SCEIP Bonds	11,295,752	374,508	421,720	1,454,091	9,045,433
Money market mutual fund	2,027,222	2,027,222	-	-	-
<b>Total</b>	<b>\$ 177,692,907</b>	<b>\$ 2,401,730</b>	<b>\$ 152,815,920</b>	<b>\$ 13,429,824</b>	<b>\$ 9,045,433</b>

(1) 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 though its investments in SCEIP bonds (\$11,295,752) and U.S. Treasury STRIPS (\$18,118,233) held by the County of Sonoma Treasurer on behalf of Sonoma Water. SCEIP bonds are contractual assessment revenue bonds registered in the name of the Sonoma County Public Financing Authority. U.S. Treasury Strips are zero-coupon bonds backed by the U.S. government.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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% or more of total Sonoma Water investments are as follows:

Investment Type	Amount	Percentage Holdings
SCEIP Bonds	\$ 11,295,752	6.4%

*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. This 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	\$ 146,251,700	\$ -	\$ -	\$ 146,251,700
U.S. Treasury STRIPS	N/A	18,118,233	18,118,233	-	-
SCEIP Bonds	N/A	11,295,752	-	-	11,295,752
Money market mutual fund	AAAm	2,027,222	-	2,027,222	-
Total		\$ 177,692,907	\$ 18,118,233	\$ 2,027,222	\$ 157,547,452

*Fair Value Measurements*

Sonoma Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Fair Value Measurements (continued)*

Sonoma Water has the following recurring fair value measurements as of June 30, 2019:

- U.S. Treasury Strips are valued using quoted prices in active markets for identical assets (Level 1).
- SCEIP bonds are valued using the discounted cash flow approach (Level 3).

Investment Type	Amount	Fair Value Measuring Using		
		Level 1	Level 2	Level 3
U.S. Treasury STRIPS	\$ 18,118,233	\$ 18,118,233	\$ -	\$ -
SCEIP Bonds	11,295,752	-	-	11,295,752
<b>Total</b>	<b>\$ 29,413,985</b>	<b>\$ 18,118,233</b>	<b>\$ -</b>	<b>\$ 11,295,752</b>

**Note D. Accounts Receivable**

Accounts receivable as of June 30, 2019 consists of the following:

	Current				
	Accounts Receivable	Inter- governmental	Total Current	Total Long-term	
Governmental Activities:					
General Fund	\$ 355,033	\$ 2,881,985	\$ 3,237,018	\$ 369,396	
Flood Control special revenue fund	58,900	207,061	265,961	100,519	
Warm Springs Dam special revenue	-	164,787	164,787	-	
Total Governmental Activities	\$ 413,933	\$ 3,253,833	\$ 3,667,766	\$ 469,915	
Business-type Activities:					
Water Transmission enterprise fund	\$ 4,619,290	\$ 311,886	\$ 4,931,176	\$ 17,817	
Water Supply enterprise fund	1,287,835	65,542	1,353,377	-	
Sanitation enterprise fund	792,285	10,136	802,421	249,406	
Total Business-Type Activities	\$ 6,699,410	\$ 387,564	\$ 7,086,974	\$ 267,223	

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note E. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	July 1, 2018	Increases	Decreases	Transfers & Reclassification	June 30, 2019
<i>Governmental activities:</i>					
Capital assets, not being depreciated/amortized:					
Land	\$ 1,582,223	\$ -	\$ -	\$ 14,966	\$ 1,597,189
Construction in progress	20,102	10,231	-	(14,966)	15,367
Intangible assets:					
Intangible work in progress	3,016,780	438,434	(25,011)	(2,088,560)	1,341,643
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	46,441	-	-	-	46,441
Total capital assets not being depreciated/amortized	107,036,546	448,665	(25,011)	(2,088,560)	105,371,640
Capital assets, being depreciated:					
Infrastructure	64,834,097	-	-	-	64,834,097
Buildings and improvements	3,737,864	-	-	-	3,737,864
Land improvements	183,457	-	-	-	183,457
Intangible assets - easements	646,874	-	-	2,088,560	2,735,434
Equipment	1,746,166	60,853	(222,573)	-	1,584,446
Total capital assets being depreciated	71,148,458	60,853	(222,573)	2,088,560	73,075,298
Less: accumulated depreciation for:					
Infrastructure	(34,637,733)	(1,481,481)	-	-	(36,119,214)
Buildings and improvements	(2,228,154)	(84,547)	-	-	(2,312,701)
Land improvements	(31,596)	(12,230)	-	-	(43,826)
Intangible assets	(89,707)	(238,885)	-	-	(328,592)
Equipment	(969,258)	(151,993)	218,269	-	(902,982)
Total accumulated depreciation	(37,956,448)	(1,969,136)	218,269	-	(39,707,315)
Total capital assets, being depreciated, net	33,192,010	(1,908,283)	(4,304)	2,088,560	33,367,983
Total capital assets, net	\$ 140,228,556	\$ (1,459,618)	\$ (29,315)	\$ -	\$ 138,739,623

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

	July 1, 2018	Increases	Decreases	Transfers & Reclassification	June 30, 2019
<i>Business-type activities</i>					
Capital assets, not being depreciated/amortized:					
Land	\$ 11,023,905	\$ -	\$ -	\$ -	\$ 11,023,905
Construction in progress	12,863,472	4,785,166	(634,399)	(2,354,491)	14,659,748
Intangible assets:					
Intangible work in progress	541,192	316,115	(24,318)	(181,062)	651,927
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	300,352	-	-	181,062	481,414
Total capital assets not being depreciated/amortized	29,725,316	5,101,281	(658,717)	(2,354,491)	31,813,389
Capital assets, being depreciated:					
Infrastructure	256,207,265	-	-	2,354,491	258,561,756
Buildings and improvements	52,683,956	-	-	-	52,683,956
Land improvements	4,179,078	-	-	-	4,179,078
Intangible assets - software	1,795,826	-	-	-	1,795,826
Equipment	12,884,242	1,405,107	(431,037)	-	13,858,312
Total capital assets being depreciated	327,750,367	1,405,107	(431,037)	2,354,491	331,078,928
Less: accumulated depreciation for:					
Infrastructure	(126,489,502)	(7,476,529)	-	-	(133,966,031)
Buildings and improvements	(13,265,723)	(1,556,946)	-	-	(14,822,669)
Land improvements	(2,175,156)	(186,461)	-	-	(2,361,617)
Intangible assets - software	(1,514,481)	(37,844)	-	-	(1,552,325)
Equipment	(7,411,043)	(962,301)	431,037	-	(7,942,307)
Total accumulated depreciation	(150,855,905)	(10,220,081)	431,037	-	(160,644,949)
Total capital assets, being depreciated, net	176,894,462	(8,814,974)	-	2,354,491	170,433,979
Total capital assets, net	\$ 206,619,778	\$ (3,713,693)	\$ (658,717)	\$ -	\$ 202,247,368

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

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

*Governmental activities:*

General government	\$ 228,409
Flood control	1,668,584
Warm Springs dam	72,143
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,969,136</b>

*Business-type activities:*

Water Transmission	\$ 6,534,856
Water Supply	232,145
Sanitation	1,168,882
Internal Service Funds	2,284,198
<b>Total depreciation expense - business type activities</b>	<b>\$ 10,220,081</b>

*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% 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 addition, Sonoma Water has received advance funding related to various agreements for services.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note F. Unearned Revenue (continued)**

As of June 30, 2019, Sonoma Water reports the following unearned revenue balances:

Governmental Activities:

Camping reservation fees for Spring Lake Park	\$ 80,402
Development and plan review fees	20,513
Cooperative agreement for lease of property for livestock grazing	917
<b>Total Governmental Activities</b>	<b>\$ 101,832</b>

Business-Type Activities

Lump-sum payment under the MMWD supplemental water supply agreement	\$ 4,121,104
Funding for conforming Public Purpose Program energy projects	332,421
<b>Total Business-Type Activities</b>	<b>\$ 4,453,525</b>

**Note G. Inter-fund Transactions**

A summary of inter-fund activity as of and for the fiscal year ended June 30, 2019 is as follows:

<b>Transfer from</b>	<b>Transfer to</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Water Supply Fund	\$ 2,080,000	Funding for water supply projects
General Fund	Sanitation Fund	110,000	Funding for debt covenant requirements
General Fund	Sanitation Fund	100,000	Funding for Sanitation System Reinvestment Projects in the Geyserville Sanitation Zone
<b>Total inter-fund transfers</b>		<b>\$ 2,290,000</b>	

*Advances from Other Funds*

On June 30, 2019, Sonoma Water entered into a MOA between the Equipment Facilities Fund and Airport-Larkfield-Wikiup Sanitation Fund to fund the design phase of the Larkfield Estates sewer system. Many homes in the Airport-Larkfield-Wikiup sanitation zone that had been connected to septic systems were destroyed as a result of the northern California wildfires in October 2017. Sonoma Water has proposed to construct a sewer system expansion for property owners in the fire-impacted areas.

The Equipment Facilities Fund loaned the Airport-Larkfield-Wikiup Sanitation Fund \$1,215,000 for design costs of the new sewer system. The loan term is 10 years. Repayment will be based on availability of funds at the end of each fiscal year.



**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note H. Long-Term Obligations**

*Governmental Activities*

Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2019
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 77,612,575

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%. 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, 2019, vested vacation leave for Sonoma Water employees was \$2,434,372. There were no compensated absences that were considered due or matured. Compensated absences are generally liquidated by the General Fund.

**Net Pension Liability:**

As of June 30, 2019, Sonoma Water reported \$30,624,597 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 Obligation:**

As of June 30, 2019, Sonoma Water reported \$17,639,292 in other postemployment benefits obligation. Additional information about other postemployment benefits can be found in Note L.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Business-type Activities*

General Obligation Bonds Payable:	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2019
<u>Sanitation Zones</u>				
1980 Geyserville	2020	5.00%	\$ 500,000	\$ 27,000
Total general obligation bonds payable				\$ 27,000

Capital Lease Obligations:	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2019
Capital lease - SunTrust	2020	4.08%	\$ 2,750,000	\$ 359,480
Capital lease - City National Bank	2023	4.30%	5,835,000	2,155,180
Total capital lease obligations				\$ 2,514,660

Sonoma Water has entered into various lease agreements, as the lessee, for financing the acquisition of facilities and equipment. The lease agreements qualify as capital leases for accounting purposes and were initially recorded at the present value of the future minimum lease payments at the inception of the lease.

In 2006 Sonoma Water signed a lease with Capital LLC for the acquisition of solar paneling. This lease was assigned to SunTrust and matures in 2020. In 2008 Sonoma Water financed the purchase and improvements of an office/warehouse facility on Airport Boulevard with a capital lease from Municipal Finance Corporation. This lease has been assigned to City National Bank and matures in 2023.

The SunTrust lease for solar paneling has a provision that in the event of default, the lessor may take possession of the equipment while the lessee remains liable for the rental payments to the end of the lease term plus the lessor's expenses less any amounts recovered by selling or releasing the equipment.

The City National Bank building lease has the provision that in the event of default, the lessor has the option to terminate the lease with 12% interest due on past due amounts in addition to all expenses incurred as a result of reletting the site.

The assets acquired under current capital lease obligations consist of the following as of June 30, 2019:

Buildings and improvements	\$ 16,894,345
Less: accumulated depreciation	(3,876,471)
Total	\$ 13,017,874

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Business-type Activities (continued)*

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2019
Water revenue bonds, 2015, series A and AT	2040	2.3 - 5.2%	\$ 23,865,000	\$ 21,785,000
Add: deferred amount for unamortized premium				868,060
Water revenue bonds, 2012, series A	2032	0.30-5.00%	\$ 12,265,000	9,350,000
Add: deferred amount for unamortized premium				431,798
Total water revenue bonds payable, net				\$ 32,434,858

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 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 2015 Bonds.

In July 2012 Sonoma Water issued the Water Revenue Refunding Bonds 2012 Series A (2012A) to refund and defease the outstanding principal (\$12,475,000) of the 2003 Series A Bonds. The 2012A 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 2012A Bonds.

The remaining income pledged by Sonoma Water through the fiscal year ending June 30, 2041 consists of the outstanding principal of \$31,135,000 and total scheduled interest payments of \$10,481,472. Principal and interest paid for the fiscal year ended June 30, 2019 totaled \$2,320,863.

Both the 2012 and the 2015 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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, 2019
Sonoma County Water & Wastewater Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 3,013,329
Total water and wastewater revenue bonds payable				\$ 3,013,329

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 conduit debt on behalf of Sonoma Water. The bond proceeds were used to refund and defease the remaining balance (\$3,605,000) of the 2005C 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%.

During the year ended June 30, 2019, principal and interest paid on the Water and Wastewater Revenue Bonds totaled \$417,937.

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, 2019
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 8,227,749
Total advances from other governments				\$ 8,227,749

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 \$8,227,749 and total scheduled interest payments of \$1,134,600. During the year ended June 30, 2019, principal and interest paid on the advance totaled \$1,040,232.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Business-type Activities (continued)*

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.

*Changes in Long-Term Obligations*

A summary of changes in long-term obligations for the fiscal year ended June 30, 2019 is as follows:

	July 1, 2018	Additions/ Adjustments	Retirements	June 30, 2019	Amounts Due Within One Year
<b><u>Governmental activities:</u></b>					
Long-term contracts payable	\$ 81,276,964	\$ -	\$ (3,664,389)	\$ 77,612,575	\$ 3,782,566
Net pension liability	9,689,254	24,962,995	(4,027,652)	30,624,597	-
Other postemployment benefits	24,082,900	(4,557,549)	(1,886,059)	17,639,292	-
Compensated absences	2,289,200	2,168,967	(2,023,795)	2,434,372	2,434,372
Total governmental activities	117,338,318	22,574,413	(11,601,895)	128,310,836	6,216,938
<b><u>Business-type activities:</u></b>					
General obligation bonds - direct placement	53,000	-	(26,000)	27,000	27,000
Capital lease obligations:					
SunTrust	587,315	-	(227,835)	359,480	237,226
Municipal Finance	2,580,610	-	(425,430)	2,155,180	443,922
Water revenue bonds:					
Series 2012A	9,865,000	-	(515,000)	9,350,000	525,000
Deferred amount for unamortized premium	465,013	-	(33,215)	431,798	-
Series 2015A and AT	22,495,000	-	(710,000)	21,785,000	735,000
Deferred amount for unamortized premium	914,798	-	(46,738)	868,060	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	3,357,050	-	(343,721)	3,013,329	347,803
Advances from other governments - direct borrowings:					
State Revolving Fund	9,021,479	-	(793,730)	8,227,749	405,199
Total business-type activities	49,339,265	-	(3,121,669)	46,217,596	2,721,150
Total	\$ 166,677,583	\$ 22,574,413	\$ (14,723,564)	\$ 174,528,432	\$ 8,938,088

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

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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, 2019 (excluding compensated absences, net pension liability and OPEB liability), are as follows:

*Governmental Activities*

*Long-term contracts payable - 1986 Federal contract*

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 3,782,566	\$ 2,503,006	\$ 6,285,572
2021	3,904,554	2,381,018	6,285,572
2022	4,030,476	2,255,096	6,285,572
2023	4,160,457	2,125,113	6,285,570
2024	4,294,633	1,990,938	6,285,571
2025-2029	23,642,217	7,785,640	31,427,857
2030-2034	27,708,477	3,719,380	31,427,857
2035	6,089,195	196,377	6,285,572
Total long-term contracts payable	\$ 77,612,575	\$ 22,956,568	\$ 100,569,143

*Business-type Activities*

*General obligation bonds*

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 27,000	\$ 1,350	\$ 28,350
Total general obligation bonds	\$ 27,000	\$ 1,350	\$ 28,350

*Capital lease obligations*

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 681,148	\$ 105,882	\$ 787,030
2021	585,470	71,151	656,621
2022	483,348	48,525	531,873
2023	504,355	27,518	531,873
2024	260,339	5,597	265,936
Total capital leases	\$ 2,514,660	\$ 258,673	\$ 2,773,333

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Business-type Activities (continued)*

*Water revenue bonds*

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 1,260,000	\$ 1,058,631	\$ 2,318,631
2021	1,305,000	1,013,225	2,318,225
2022	1,365,000	955,706	2,320,706
2023	1,420,000	891,881	2,311,881
2024	1,490,000	828,181	2,318,181
2025-2029	8,350,000	3,177,106	11,527,106
2030-2034	8,870,000	1,810,994	10,680,994
2035-2039	5,430,000	687,734	6,117,734
2040-2041	1,645,000	58,013	1,703,013
Total water revenue bonds	\$ 31,135,000	\$ 10,481,471	\$ 41,616,471

*Water and wastewater revenue bonds*

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 347,804	\$ 66,159	\$ 413,963
2021	359,796	57,915	417,711
2022	361,196	49,516	410,712
2023	371,987	40,974	412,961
2024	377,089	32,247	409,336
2025-2027	1,195,457	42,193	1,237,650
Total water and wastewater revenue bonds	\$ 3,013,329	\$ 289,004	\$ 3,302,333

*Advances from other governments*

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 405,199	\$ 235,415	\$ 640,614
2021	827,455	212,777	1,040,232
2022	850,730	189,501	1,040,231
2023	874,661	165,571	1,040,232
2024	899,264	140,967	1,040,231
2025-2029	4,370,440	310,867	4,681,307
Total advances from other governments	\$ 8,227,749	\$ 1,255,098	\$ 9,482,847

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Business-type Activities (continued)*

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

Fiscal year ending June 30,	Principal	Interest	Total
2020	\$ 2,721,151	\$ 1,467,437	\$ 4,188,588
2021	3,077,721	1,355,068	4,432,789
2022	3,060,274	1,243,248	4,303,522
2023	3,171,003	1,125,944	4,296,947
2024	3,026,692	1,006,992	4,033,684
2025-2029	13,915,897	3,530,166	17,446,063
2030-2034	8,870,000	1,810,994	10,680,994
2035-2039	5,430,000	687,734	6,117,734
2040-2041	1,645,000	58,013	1,703,013
Total business-type activities	\$ 44,917,738	\$ 12,285,596	\$ 57,203,334

**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 front portion of the property, where there are no human health issues based on the risk assessment. Sonoma Water has notified the requisite agencies of their right to acquire the front portion of the property for the appraised amount of \$880,000. For the back half of the property, the work plan proposes to incorporate the affected site into the City of Santa Rosa’s bike path project, changing the risk of human exposure so that no significant cleanup will be required. It is anticipated that annual monitoring, a deed restriction, and long-term easement will be required. However, the NC Regional Board and the City of Santa Rosa have not yet approved the work plan.

In accordance with GASB Statement No. 49, Sonoma Water has estimated its potential pollution remediation liability as of June 30, 2019 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, 2019 is \$155,867. 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.



**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note J. Net Position**

Net position reported on the government-wide statement of net position as of June 30, 2019 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Land	\$ 1,597,189	\$ 11,023,905
Construction in progress	1,357,010	15,311,675
Intangible assets not being depreciated/amortized	102,417,441	5,477,809
Other capital assets, net of accumulated depreciation	33,367,983	170,433,979
Less: long-term debt outstanding	(77,612,575)	(46,217,596)
Plus: noncapital debt proceeds	-	2,511,339
Plus: deferred amount on refunding	-	550,281
	<u>\$ 61,127,048</u>	<u>\$ 159,091,392</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.

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 Sonoma County Employees' Retirement Association, 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note K. Employees' Retirement Plan**

*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, 2019 were based on the Plan's valuation dated December 31, 2018. 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 9.5%-14.9% 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 10.5% 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, 2019, Sonoma Water contributed \$4,002,478 or approximately 16.1% of covered payroll.

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

At June 30, 2019, Sonoma Water reported a liability of \$30,624,597 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 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, 2018, Sonoma Water's proportion was 6.2%, which was an increase of 0.5% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, Sonoma Water recognized a pension expense of \$7,801,576 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, 2019, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 714,521	\$ 45,077
Changes in assumptions	1,551,484	-
Net difference between projected and actual earnings on retirement plan investments	8,009,505	-
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	1,116,149	408,072
Sonoma Water contributions subsequent to the measurement date	1,907,631	-
	<u>\$ 13,299,290</u>	<u>\$ 453,149</u>

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

Deferred outflows of resources related to pensions resulting from Sonoma Water contributions subsequent to the measurement date totaling \$1,907,631 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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
2020	\$ 3,432,942
2021	1,670,800
2022	2,143,027
2023	3,691,741
	<u>\$ 10,938,510</u>

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Actuarial Assumptions*

The total pension liability was determined based on the December 31, 2018 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2018
Measurement date:	December 31, 2018
Actuarial cost method:	Entry Age Actuarial Cost Method
Actuarial assumptions -	
Inflation:	2.75%
Projected salary increase:	3.75% - 8.75%
Investment rate of return:	7.00%

*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 7.00 percent as of the measurement date of December 31, 2018. 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 7.00 percent, as well as what Sonoma Water's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Sonoma Water's proportionate share of the net pension plan liability (asset)	\$ 52,699,891	\$ 30,624,597	\$ 12,283,021

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Plan Description*

The County maintains an Other Postemployment Healthcare Plan (OPEB or Plan). The Plan is a single employer defined benefit plan which is administered by the County. The authority to establish and amend benefit provisions of the Plan resides with the County Board of Supervisors. Sonoma Water participates in the OPEB Plan.

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 of Sonoma's Comprehensive Annual Financial Report (CAFR) and can be found [www.sonoma-county.org](http://www.sonoma-county.org).

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, an amount which is equal to the County's current contribution toward the cost of active, unrepresented Administrative Management employees' medical plans. 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%, 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 \$1,836,224 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB Plan.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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, 2019
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018

At June 30, 2019, Sonoma Water reported a liability of \$17,639,292 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, 2018, Sonoma Water's proportion was 7.17%. At June 30, 2019, Sonoma Water's proportion was 7.05%, a decrease of 0.12%.

*Actuarial Methods and Assumptions*

The Net OPEB Liability (NOL) was measured as of June 30, 2018 and 2017 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2018 and 2017, respectively.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 and June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, except the Excise Tax imposed by the Affordable Care Act and related statutes was reflected in the actuarial valuation as of June 30, 2017 and the investment rate of return varied between the years as noted:

Actuarial cost method	Entry Age Normal Cost Method
Inflation	3.00%
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50%
Other assumptions	Analysis of actuarial experience per the January 1, 2012 through December 31, 2014 Actuarial Experience Study dated October 2, 2015 and the Economic Actuarial Assumption Study for December 31, 2015 Actuarial Valuation dated September 30, 2015 for the Sonoma County Employees' Retirement Association (SCERA). Mortality rates were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Actuarial Methods and Assumptions (continued)*

The County Health Plan medical trends for ages under 65 grade from 7.50% in 2018/2019 down to 4.50% over 6 years. The County Health Plan medical trends for ages over 65 grade from 6.00% in 2018/2019 down to 4.50% over 6 years. County Health Plan drug trends grade from 6.50% in 2018/2019 down to 4.50% over 4 years. HMO Medical/Drug trends grade from 6.50% in 2018/2019 down to 4.50% over 8 years. ASO fees assumed trend was 5.00% in 2018/2019, then 4.50% thereafter.

*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.

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 2017". The following is the Board's adopted asset allocation policy for OPEB as of June 2017:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Large Cap U.S. Equity	30%	6.7%
Mid Cap U.S. Equity	4%	6.7%
Small Cap U.S. Equity	8%	6.7%
International Equity	8%	7.7%
Global Equity	6%	7.7%
U.S. Core Fixed Income	31%	2.1%
Alternatives	8%	3.9%
Cash	1%	1.1%
Real Estate	4%	5.2%
Total	100%	

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*Investments (continued)*

Discount Rate

The discount rates used to measure the Total OPEB Liability (TOL) were 6.50% and 3.78% as of June 30, 2018 and June 30, 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuarially determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. 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 through the fiscal year ending June 30, 2023. Subsequent to this date, the municipal bond rate of 3.58%, as of June 30, 2017 from the Bond Buyer index, was used as the investment return assumption for employer assets.

*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%, 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%) or 1-percentage-point higher (7.50%) than the current rate, for measurement period ended June 30, 2018:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 19,498,687	\$ 17,639,292	\$ 16,022,768

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%, higher as well as using trend rate 1% lower than the current trend rates, for measurement period ended June 30, 2018:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 17,470,797	\$ 17,639,292	\$ 18,177,753



**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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, 2018, 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, 2018, the average is 2.67 years.

For the year ended June 30, 2019 Sonoma Water recognized an OPEB expense of (\$1,356,347). At June 30, 2019, 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	\$ 141,447	\$ 35,091
Changes in assumptions	-	4,287,090
Net difference between projected and actual earnings on OPEB plan investments	-	88,444
Changes in proportion and differences between contributions and proportionate share of contributions	57,215	277,807
Contributions subsequent to the measurement date	2,032,851	-
Total	<u>\$ 2,231,513</u>	<u>\$ 4,688,432</u>

The \$2,032,851 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ended June 30	OPEB Expense
2020	\$ (2,892,241)
2021	(1,565,025)
2022	(27,970)
2023	(4,534)
	<u>\$ (4,489,770)</u>

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

*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 Plans**

The Deferred Compensation Benefit Plans are 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, 2019 Sonoma Water's contribution was \$266,277.

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 \$19,000 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**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

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, 2019 is as follows:

Occidental County Sanitation District	\$ 1,037,849
Russian River County Sanitation District	2,878,766
Sonoma Valley County Sanitation District	8,117,187
South Park County Sanitation District	551,762
	<u>\$ 12,585,564</u>

In addition, Occidental County Sanitation District paid Sonoma Water \$210,116 under an agreement for sewer treatment services during the fiscal year ended June 30, 2019. During the fiscal year ended June 30, 2019, Sonoma Water provided the Occidental County Sanitation District \$1,250,000 in intergovernmental funding to assist the District 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 ending June 30, 2019, PWRPA recognized a \$57,450 increase in the reserve account. This reserve account, which is adjusted annually based on Sonoma Water's proportionate share of energy use averaged over five years, represents a long-term restricted asset.

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, the Petaluma Valley Groundwater Sustainability Agency and the Sonoma Valley Groundwater Sustainability Agency. 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**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' performance/dishonesty 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 California State Association of Counties, Excess Insurance Authority (CSAC-EIA). Limits of this coverage are \$25,000,000.

The County maintains "All Risk" property insurance including flood and earthquake through participation in the CSAC-EIA Property Insurance Program. Limits of coverage are \$800,000,000 per occurrence for All Risk, \$600,000,000 for flood (limits vary in FEMA flood zones) and earthquake coverage with shared limits of \$740,000,000. Deductibles for these perils are \$50,000-\$100,000 per occurrence.

The County of Sonoma is permissibly self-insured for workers' compensation for its employees and volunteers. Excess workers' compensation coverage is obtained through participation in the CSAC-EIA.

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, 2019. The projects include expansion and/or improvements of several water transmission, water storage and wastewater treatment facilities. As of June 30, 2019, Sonoma Water's commitments to construction projects are as follows:

	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Water transmission facilities	\$ 12,976,301	\$ 1,446,213
Sanitation facilities	2,211,338	122,708
Internal service facilities	124,036	720,667
Total	<u>\$ 15,311,675</u>	<u>\$ 2,289,588</u>

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note P. Commitments and Contingencies (continued)**

*Construction (continued)*

The balances spent-to-date include both internal expenses and expenses 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 and a construction loan provided by the State of California Department of Water Resources secured by water and wastewater revenues. 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, 2019:

	<b>Remaining Commitment</b>
General fund	\$ 5,298,241
Flood control	3,840,617
Warm Springs Dam	2,888,644
Water transmission	5,404,028
Water supply	1,195,714
Sanitation	96,106
Internal service funds	347,248
	<u><u>\$ 19,070,598</u></u>

*Non-exchange Financial Guarantees*

In June 2012, Sonoma Water entered into an agreement with Town of Windsor to guarantee the debt of utility customers participating in the Windsor Efficiency PAYS Program. The program allows Town of Windsor utility customers to purchase and finance an array of resource efficiency measures through their utility bills. The program and collection mechanisms are structured such that it is unlikely that the Town of Windsor would need to exercise the guarantee. The maximum cumulative guarantee under the agreement is \$250,000.

*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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note P.      Commitments and Contingencies (continued)**

*Pending Litigation, Claims and Assessments (continued)*

Sonoma Water is one of three public agencies named as defendants in an action filed in December 2017. The lawsuit concerns groundwater contamination caused by dry cleaning chemicals that were dumped on a site within the Sonoma Valley County Sanitation District (SVCSD). The County of Sonoma, Sonoma Water, and SVCSD all have older insurance policies that were in effect during the time the dry cleaners were improperly dumping chemicals into the sewer. The complaint alleges damages of \$483,000, but the plaintiff has made a settlement demand of \$1,500,000. Discovery is ongoing and a mediation is scheduled for October 2019. It is too early to determine the amount of potential liability or potential outcome. There are four insurers providing a defense on behalf of the Sonoma entities. It is expected that the insurers will pay a settlement on behalf of the public entities if a settlement is reached. If the case goes to trial, it is unclear if the insurers will provide indemnity for a prospective judgment taken against Sonoma Water, as the insurers have exclusions in their policies which they may argue obviate an obligation to pay. No liability has been recognized because at this time no reasonable estimate of a possible loss can be made.

Tied to this lawsuit is a Petition the same Plaintiff has pending in Sonoma County Superior Court. This Petition seeks an Order from the Court overturning a decision made by the Regional Water Quality Control Board (RWQCB) to not name the public entities as responsible parties with respect to delineating and remediating the plume. This Petition is not covered by insurance as it cannot seek damages. However, should the Petition (which is currently stayed pending resolution of the lawsuit) be successful, then Sonoma Water could be deemed to be a responsible party on orders issued by the RWQCB as to cleanup of the plume. Typically, requirements under such Orders are joint and several.

*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 on three fish species listed under the federal Endangered Species Act (ESA), and containing a “Reasonable and Prudent Alternative” describing measures that Sonoma Water must take over a 15-year period in order to obtain an incidental take statement under the federal ESA. Sonoma Water intends to fund such obligations from several sources, including revenues from Sonoma Water’s water transmission system and balances in Sonoma Water’s Warm Springs Dam fund.

The Endangered Species Act 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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note P. Commitments and Contingencies (continued)**

*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 \$17,400,000 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, 2019. Water sales revenue for the fiscal year ended June 30, 2019 and accounts receivable as of June 30, 2019 associated with those customers are as follows:

	<b>Water Sales</b>	<b>% of Total Water Sales</b>
City of Santa Rosa	\$ 14,756,131	35.1%
City of Petaluma	6,895,201	16.4%
Marin Municipal Water District	6,868,819	16.3%
North Marin Water District	5,111,041	12.2%
	<u>\$ 33,631,192</u>	<u>80.0%</u>

	<b>Accounts Receivable</b>	<b>% of Total Accounts Receivable</b>
City of Santa Rosa	\$ 2,261,099	38.4%
Marin Municipal Water District	1,864,043	31.6%
City of Petaluma	586,957	10.0%
North Marin Water District	381,219	6.5%
	<u>\$ 5,093,317</u>	<u>86.5%</u>

**Note R. Subsequent Events**

*2019 Water Revenue Bonds*

In July 2019 Sonoma Water issued \$11,010,000 in Water Revenue Bonds (2019 Bonds). The proceeds of the 2019 Bonds will be used to finance the facilities and improvements to increase the reliability and capacity of Sonoma Water's water transmission system. The 2019 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 2019 Bonds.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**Note R.      Subsequent Events (continued)**

*2019 Kincade Fire in Sonoma County*

The October 2019 Kincade Fire in Sonoma County burned more than 75,000 acres and destroyed more than 370 buildings, and caused approximately 180,000 residents to evacuate the impacted areas.

The overall financial impact to Sonoma Water is not known. The resulting loss of homes and businesses may have a negative impact on property tax revenues. Expenses related to emergency protective measures and business interruption were incurred. These additional expenses, to an extent, may be mitigated by recoveries through insurance.



## Required Supplementary Information

**Sonoma Water**  
**Schedule of Net Pension Liability and Contributions to**  
**Sonoma County Employee Retirement Association -**  
**Last 10 Fiscal Years**<sup>\*</sup>

<b>Measurement Date</b>	<b>12/31/2018</b>	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
<b>Sonoma Water's proportionate share of net pension liability</b>						
Sonoma Water's proportion of the net pension liability	6.2%	5.7%	6.0%	5.9%	5.8%	5.6%
Sonoma Water's proportionate share of the net pension liability	\$ 30,624,597	\$ 9,689,254	\$ 23,601,397	\$ 24,444,642	\$ 12,464,325	\$ 13,632,777
Sonoma Water's covered payroll	\$ 23,976,313	\$ 23,385,939	\$ 22,207,867	\$ 20,532,602	\$ 18,691,146	\$ 18,033,509
Sonoma Water's proportionate share of the net pension liability as a percentage of its covered payroll	127.7%	41.4%	106.3%	119.1%	66.7%	75.6%
Plan fiduciary net position as a percentage of the total pension liability	83.5%	94.0%	85.9%	84.6%	90.9%	89.8%

	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
<b>Sonoma Water's pension contributions</b>					
Actuarially determined contribution	\$ 4,002,478	\$ 3,946,189	\$ 3,581,629	\$ 4,481,365	\$ 3,713,006
Contributions in relation to the actuarially determined contribution	<u>4,002,478</u>	<u>3,946,189</u>	<u>3,581,629</u>	<u>4,481,365</u>	<u>3,713,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Sonoma Water's covered payroll	 \$ 24,860,064	 \$ 23,254,523	 \$ 23,047,478	 \$ 21,683,256	 \$ 18,431,295
Contributions as a percentage of covered payroll	16.1%	17.0%	15.5%	20.7%	20.1%

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

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

	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
<b>Sonoma Water's proportionate share of the net OPEB liability</b>			
Sonoma Water's proportion of the net OPEB liability	7.0%	7.2%	7.1%
Sonoma Water's proportionate share of the net OPEB liability	\$ 17,639,292	\$ 24,082,900	\$ 26,233,147
Sonoma Water's covered payroll	\$ 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	75.9%	104.5%	121.0%
Plan fiduciary net position as a percentage of the total OPEB liability	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 each 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.

**Sonoma Water  
General Fund  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budgetary Basis  
For the Fiscal Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 8,654,149	\$ 8,654,149	\$ 9,524,471	\$ 870,322
Investment earnings	312,177	312,177	704,081	391,904
Intergovernmental	362,599	3,065,069	3,227,861	162,792
Charges for services	13,140,542	13,727,581	14,035,333	307,752
Miscellaneous	<u>44,500</u>	<u>44,500</u>	<u>42,698</u>	<u>(1,802)</u>
Total revenues	<u>22,513,967</u>	<u>25,803,476</u>	<u>27,534,444</u>	<u>1,730,968</u>
<b>Expenditures</b>				
Current:				
General government	10,222,894	19,863,226	13,066,778	6,796,448
Intergovernmental	14,265,000	14,265,000	13,025,872	1,239,128
Capital outlay	1,200,000	1,261,374	63,837	1,197,537
Contingencies	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total expenditures	<u>25,987,894</u>	<u>35,689,600</u>	<u>26,156,487</u>	<u>9,533,113</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,473,927)</u>	<u>(9,886,124)</u>	<u>1,377,957</u>	<u>11,264,081</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(1,180,000)</u>	<u>(2,990,000)</u>	<u>(2,290,000)</u>	<u>700,000</u>
Net changes in fund balance	<u>\$ (4,653,927)</u>	<u>\$ (12,876,124)</u>	<u>(912,043)</u>	<u>\$ 11,964,081</u>
GAAP basis difference - encumbrances			782,412	
Fund balance - beginning of year			<u>18,435,169</u>	
Fund balance - end of year			<u>\$ 18,305,538</u>	

**Sonoma Water**  
**Flood Control Special Revenue Funds**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis*)</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 8,979,027	\$ 8,979,027	\$ 10,765,621	\$ 1,786,594
Investment earnings	277,908	277,908	861,119	583,211
Intergovernmental	65,730	65,730	1,408,180	1,342,450
Charges for services	-	-	52,650	52,650
Miscellaneous	-	-	58,900	58,900
Total revenues	<u>9,322,665</u>	<u>9,322,665</u>	<u>13,146,470</u>	<u>3,823,805</u>
<b>Expenditures</b>				
Current:				
Flood control	10,469,140	18,460,642	9,204,230	9,256,412
Capital outlay	-	64,700	56,227	8,473
Total expenditures	<u>10,469,140</u>	<u>18,525,342</u>	<u>9,260,457</u>	<u>9,264,885</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,146,475)</u>	<u>(9,202,677)</u>	<u>3,886,013</u>	<u>13,088,690</u>
Net changes in fund balance	<u>\$ (1,146,475)</u>	<u>\$ (9,202,677)</u>	<u>3,886,013</u>	<u>\$ 13,088,690</u>
GAAP basis difference - encumbrances			(1,639,570)	
Fund balance - beginning of year			<u>23,505,987</u>	
Fund balance - end of year			<u>\$ 25,752,430</u>	

**Sonoma Water**  
**Warm Springs Dam Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis*)</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 6,662,688	\$ 6,662,688	\$ 8,561,537	\$ 1,898,849
Investment earnings	89,000	89,000	348,112	259,112
Intergovernmental	225,004	225,004	473,863	248,859
Miscellaneous	-	-	48	48
Total revenues	<u>6,976,692</u>	<u>6,976,692</u>	<u>9,383,560</u>	<u>2,406,868</u>
<b>Expenditures</b>				
Current:				
Warm Springs Dam	9,865,115	17,845,188	10,915,452	6,929,736
Capital outlay	<u>497,550</u>	<u>795,834</u>	<u>330,212</u>	<u>465,622</u>
Total expenditures	<u>10,362,665</u>	<u>18,641,022</u>	<u>11,245,664</u>	<u>7,395,358</u>
<b>Deficiency of revenues under expenditures</b>	<u>(3,385,973)</u>	<u>(11,664,330)</u>	<u>(1,862,104)</u>	<u>9,802,226</u>
<b>Other Financing Sources</b>				
Transfers in	<u>375,000</u>	<u>6,145,000</u>	-	<u>6,145,000</u>
Net changes in fund balance	<u>\$ (3,010,973)</u>	<u>\$ (5,519,330)</u>	(1,862,104)	<u>\$ 3,657,226</u>
GAAP basis difference - encumbrances			1,451,960	
Fund balance - beginning of year			<u>10,094,867</u>	
Fund balance - end of year			<u>\$ 9,684,723</u>	

**Sonoma Water**  
**Note to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2019**

**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 off-setting expenditures related to capital 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.

## Other Supplementary Information



**Sonoma Water**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis*)</b>	<b>Final Budget</b>
<b>Revenues</b>				
Investment earnings	\$ 1,220,580	\$ 1,220,580	\$ 1,681,720	\$ 461,140
Total revenues	<u>1,220,580</u>	<u>1,220,580</u>	<u>1,681,720</u>	<u>461,140</u>
<b>Expenditures</b>				
Current:				
Debt service	<u>6,285,571</u>	<u>6,285,571</u>	<u>6,285,571</u>	<u>-</u>
Total expenditures	<u>6,285,571</u>	<u>6,285,571</u>	<u>6,285,571</u>	<u>-</u>
<b>Deficiency of revenues</b>				
<b>under expenditures</b>	<u>(5,064,991)</u>	<u>(5,064,991)</u>	<u>(4,603,851)</u>	<u>461,140</u>
<b>Other Financing Sources Uses</b>				
Transfers out	<u>(375,000)</u>	<u>(6,145,000)</u>	<u>-</u>	<u>6,145,000</u>
Net changes in fund balance	<u>\$ (5,439,991)</u>	<u>\$ (11,209,991)</u>	<u>(4,603,851)</u>	<u>\$ 6,606,140</u>
GAAP basis difference - encumbrances			-	
Fund balance - beginning of year			<u>45,889,839</u>	
Fund balance - end of year			<u>\$ 41,285,988</u>	

\* See Note to Required Supplementary Information on page 98.

**Sonoma Water**  
**Combining Balance Sheet**  
**Flood Control Special Revenue Funds**  
**June 30, 2019**

	<b>Flood Control Funds</b>			
	<b>Zone 1A</b>	<b>Zone 2A</b>	<b>Zone 3A</b>	
	<b>Laguna Mark</b>	<b>Petaluma</b>	<b>Valley of the</b>	<b>Zone 5A</b>
	<b>West</b>	<b>Basin</b>	<b>Moon</b>	<b>Lower Russian</b>
<b>Assets</b>				
Cash and investments	\$ 8,536,086	\$ 8,460,880	\$ 4,806,349	\$ 1,740,057
Accounts receivable	<u>232,565</u>	<u>102,777</u>	<u>31,138</u>	<u>-</u>
Total assets	<u>\$ 8,768,651</u>	<u>\$ 8,563,657</u>	<u>\$ 4,837,487</u>	<u>\$ 1,740,057</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ 474,363	\$ 321,898	\$ 72,900	\$ 39,768
Unearned revenue	<u>-</u>	<u>917</u>	<u>-</u>	<u>-</u>
Total liabilities	474,363	322,815	72,900	39,768
Deferred inflows of resources:				
Unavailable revenue - intergovernmental	<u>-</u>	<u>78,712</u>	<u>1,572</u>	<u>-</u>
Total deferred inflows of resources	-	78,712	1,572	-
Fund balances:				
Restricted	<u>8,294,288</u>	<u>8,162,130</u>	<u>4,763,015</u>	<u>1,700,289</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 8,768,651</u>	<u>\$ 8,563,657</u>	<u>\$ 4,837,487</u>	<u>\$ 1,740,057</u>

**Sonoma Water  
Combining Balance Sheet  
Flood Control Special Revenue Funds  
June 30, 2019**

<b>Flood Control Funds</b>			
<b>Zone 7A</b>			
<b>North</b>	<b>Zone 8A South</b>	<b>Total Flood</b>	
<b>Coast</b>	<b>Coast</b>	<b>Control Funds</b>	
<hr/>			
\$ 78,737	\$ 2,753,971	\$ 26,376,080	<b>Assets</b>
-	-	366,480	Cash and investments
			Accounts receivable
<u>\$ 78,737</u>	<u>\$ 2,753,971</u>	<u>\$ 26,742,560</u>	Total assets
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities:			
\$ -	\$ -	\$ 908,929	Accounts payable
-	-	917	Unearned revenue
<u>-</u>	<u>-</u>	<u>909,846</u>	Total liabilities
Deferred inflows of resources:			
-	-	80,284	Unavailable revenue
<u>-</u>	<u>-</u>	<u>80,284</u>	Total deferred inflows of resources
Fund balances:			
<u>78,737</u>	<u>2,753,971</u>	<u>25,752,430</u>	Restricted
<u>\$ 78,737</u>	<u>\$ 2,753,971</u>	<u>\$ 26,742,560</u>	<b>Total liabilities, deferred inflows of resources and fund balances</b>

**Sonoma Water**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Flood Control Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Flood Control Funds</b>			
	<b>Zone 1A</b>	<b>Zone 2A</b>	<b>Zone 3A</b>	
	<b>Laguna Mark</b>	<b>Petaluma</b>	<b>Valley of the</b>	<b>Zone 5A</b>
	<b>West</b>	<b>Basin</b>	<b>Moon</b>	<b>Lower Russian</b>
<b>Revenues</b>				
Property taxes	\$ 7,045,119	\$ 2,011,247	\$ 1,267,667	\$ 253,181
Investment earnings	261,914	289,500	152,148	63,512
Intergovernmental	536,518	777,093	83,637	6,271
Charges for services	45,000	7,650	-	-
Miscellaneous	58,900	-	-	-
Total revenues	<u>7,947,451</u>	<u>3,085,490</u>	<u>1,503,452</u>	<u>322,964</u>
<b>Expenditures</b>				
Services and supplies	6,390,671	2,930,314	840,989	565,333
Capital outlay	18,542	-	-	37,685
Total expenditures	<u>6,409,213</u>	<u>2,930,314</u>	<u>840,989</u>	<u>603,018</u>
<b>Net change in fund balances</b>	1,538,238	155,176	662,463	(280,054)
Fund balances - beginning of year	<u>6,756,050</u>	<u>8,006,954</u>	<u>4,100,552</u>	<u>1,980,343</u>
<b>Fund balances - end of year</b>	<u>\$ 8,294,288</u>	<u>\$ 8,162,130</u>	<u>\$ 4,763,015</u>	<u>\$ 1,700,289</u>

**Sonoma Water**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Flood Control Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2019**

<b><u>Flood Control Funds</u></b>			
<b>Zone 7A</b>			
<b><u>North Coast</u></b>	<b><u>Zone 8A South Coast</u></b>	<b><u>Total Flood Control Funds</u></b>	
\$ -	\$ 188,407	\$ 10,765,621	<b>Revenues</b>
2,665	91,380	861,119	Property taxes
-	4,661	1,408,180	Investment earnings
-	-	52,650	Intergovernmental
-	-	58,900	Charges for services
2,665	284,448	13,146,470	Miscellaneous
			Total revenues
-	116,493	10,843,800	<b>Expenditures</b>
-	-	56,227	Services and supplies
-	116,493	10,900,027	Capital outlay
			Total expenditures
2,665	167,955	2,246,443	<b>Net change in fund balances</b>
76,072	2,586,016	23,505,987	Fund balances - beginning of year
<u>\$ 78,737</u>	<u>\$ 2,753,971</u>	<u>\$ 25,752,430</u>	<b>Fund balances - end of year</b>

**Sonoma Water**  
**Combining Statement of Net Position**  
**Sanitation Enterprise Funds**  
**June 30, 2019**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 1,134,840	\$ 879,484	\$ 351,246	\$ 5,066,765	\$ 7,432,335
Restricted cash and investments	-	-	27,000	365,356	392,356
Accounts receivable	18,742	34,080	33,619	715,980	802,421
Prepaid items	-	5,261	-	110	5,371
Total current assets	<u>1,153,582</u>	<u>918,825</u>	<u>411,865</u>	<u>6,148,211</u>	<u>8,632,483</u>
Noncurrent assets:					
Restricted cash and investments	-	-	10,935	186,354	197,289
Accounts receivable	-	3,209	-	246,197	249,406
Capital assets, net					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	46,581	373,836	244,791	1,546,131	2,211,339
Intangible assets	2,472	2,639	2,541	66,851	74,503
Infrastructure	197,170	752,201	352,493	14,533,406	15,835,270
Equipment	47,436	7,106	1,712	98,353	154,607
Total capital assets	<u>293,659</u>	<u>1,135,782</u>	<u>707,750</u>	<u>17,759,972</u>	<u>19,897,163</u>
Total noncurrent assets	<u>293,659</u>	<u>1,138,991</u>	<u>718,685</u>	<u>18,192,523</u>	<u>20,343,858</u>
Total assets	<u>1,447,241</u>	<u>2,057,816</u>	<u>1,130,550</u>	<u>24,340,734</u>	<u>28,976,341</u>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	-	-	-	154,881	154,881
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	137,144	414,211	13,826	473,002	1,038,183
Deposits from others	-	-	-	427,810	427,810
Total current liabilities payable from unrestricted assets	<u>137,144</u>	<u>414,211</u>	<u>13,826</u>	<u>900,812</u>	<u>1,465,993</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	17,553	17,553
General obligation bonds payable	-	-	27,000	-	27,000
Revenue bonds payable	-	-	-	347,803	347,803
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>27,000</u>	<u>365,356</u>	<u>392,356</u>
Total current liabilities	<u>137,144</u>	<u>414,211</u>	<u>40,826</u>	<u>1,266,168</u>	<u>1,858,349</u>
Noncurrent liabilities:					
Advances from Other Funds	-	-	-	1,215,000	1,215,000
Revenue bonds payable	-	-	-	2,665,526	2,665,526
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,880,526</u>	<u>3,880,526</u>
Total liabilities	<u>137,144</u>	<u>414,211</u>	<u>40,826</u>	<u>5,146,694</u>	<u>5,738,875</u>
<b>Net Position</b>					
Net invested in capital assets	293,659	1,135,782	680,750	14,901,524	17,011,715
Restricted for debt service	-	-	37,935	534,157	572,092
Restricted for water conservation	-	-	-	221,317	221,317
Unrestricted	<u>1,016,438</u>	<u>507,823</u>	<u>371,039</u>	<u>3,691,923</u>	<u>5,587,223</u>
Total net position	<u>\$ 1,310,097</u>	<u>\$ 1,643,605</u>	<u>\$ 1,089,724</u>	<u>\$ 19,348,921</u>	<u>\$ 23,392,347</u>

**Sonoma Water**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Sanitation Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2019**

	Sanitation Funds				
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	Total Sanitation Funds
<b>Operating Revenue</b>					
Flat charges	\$ 700,894	\$ 785,602	\$ 364,294	\$ 3,130,114	\$ 4,980,904
Sanitation services	386	16,413	8,065	599,620	624,484
Miscellaneous	56	-	-	-	56
Total operating revenue	<u>701,336</u>	<u>802,015</u>	<u>372,359</u>	<u>3,729,734</u>	<u>5,605,444</u>
<b>Operating Expenses</b>					
Services and supplies	580,585	894,910	454,103	3,495,110	5,424,708
Depreciation and amortization	29,853	50,718	36,521	1,051,790	1,168,882
Total operating expenses	<u>610,438</u>	<u>945,628</u>	<u>490,624</u>	<u>4,546,900</u>	<u>6,593,590</u>
<b>Operating income (loss)</b>	<u>90,898</u>	<u>(143,613)</u>	<u>(118,265)</u>	<u>(817,166)</u>	<u>(988,146)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Taxes and assessments	-	264	23,998	-	24,262
Investment earnings	36,240	36,810	16,326	169,676	259,052
Interest expense and debt issuance cost	-	-	(2,000)	(105,996)	(107,996)
Real estate rental	-	-	-	159,910	159,910
Conservation program	(77)	(155)	(77)	(13,257)	(13,566)
Intergovernmental revenue	-	-	75	6,260	6,335
Total nonoperating revenue (expenses), net	<u>36,163</u>	<u>36,919</u>	<u>38,322</u>	<u>216,593</u>	<u>327,997</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>127,061</u>	<u>(106,694)</u>	<u>(79,943)</u>	<u>(600,573)</u>	<u>(660,149)</u>
Capital contributions - connection fees	-	-	-	1,112,905	1,112,905
Capital contributions	-	1,456	-	-	1,456
Transfers in	-	-	100,000	110,000	210,000
<b>Change in net position</b>	<u>127,061</u>	<u>(105,238)</u>	<u>20,057</u>	<u>622,332</u>	<u>664,212</u>
Net position - beginning of year	<u>1,183,036</u>	<u>1,748,843</u>	<u>1,069,667</u>	<u>18,726,589</u>	<u>22,728,135</u>
<b>Net position - end of year</b>	<u>\$ 1,310,097</u>	<u>\$ 1,643,605</u>	<u>\$ 1,089,724</u>	<u>\$ 19,348,921</u>	<u>\$ 23,392,347</u>

**Sonoma Water**  
**Combining Statement of Cash Flows**  
**Sanitation Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2019**

	Sanitation Funds				
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	Total Sanitation Funds
<b>Cash flows from operating activities:</b>					
Cash receipts from customers	\$ 696,076	\$ 786,606	\$ 368,641	\$ 3,669,167	\$ 5,520,490
Cash payments for interfund services used	(91,882)	(150,041)	(295,597)	(2,567,195)	(3,104,715)
Cash payments to suppliers	(414,613)	(624,836)	(156,792)	(927,066)	(2,123,307)
Net cash provided by (used for) operating activities	189,581	11,729	(83,748)	174,906	292,468
<b>Cash flows from noncapital financing activities:</b>					
Taxes and assessments	-	264	23,998	-	24,262
Transfers in	-	-	-	110,000	110,000
Intergovernmental receipts	-	70	75	-	145
Real estate rental	-	-	-	159,910	159,910
Conservation program	(77)	(155)	(77)	(13,257)	(13,566)
Net cash provided by (used for) by noncapital financing activities	(77)	179	23,996	256,653	280,751
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(100,621)	(128,580)	(241,297)	(1,186,919)	(1,657,417)
Principal paid on general obligation and revenue bonds	-	-	(26,000)	(343,722)	(369,722)
Interest paid on long-term debt	-	-	(2,000)	(85,873)	(87,873)
Intrafund loans	-	-	-	615,000	615,000
Capital contributions - intergovernmental	-	13,635	-	-	13,635
Connection fees	-	-	-	275,572	275,572
Transfers in	-	-	100,000	-	100,000
Net cash used for capital and related financing activities	(100,621)	(114,945)	(169,297)	(725,942)	(1,110,805)
<b>Cash flows from investing activities:</b>					
Interest received	36,240	36,811	16,326	169,676	259,053
Net cash provided by investing activities	36,240	36,811	16,326	169,676	259,053
Net increase (decrease) in cash and cash equivalents	125,123	(66,226)	(212,723)	(124,707)	(278,533)
Cash and cash equivalents - beginning of year	1,009,717	945,710	601,904	5,743,182	8,300,513
Cash and cash equivalents - end of year	\$ 1,134,840	\$ 879,484	\$ 389,181	\$ 5,618,475	\$ 8,021,980
<b>Reconciliation to the statement of net position:</b>					
Cash and investments	\$ 1,134,840	\$ 879,484	\$ 351,246	\$ 5,066,765	\$ 7,432,335
Restricted cash and investments	-	-	37,935	551,710	589,645
Cash and cash equivalents	\$ 1,134,840	\$ 879,484	\$ 389,181	\$ 5,618,475	\$ 8,021,980
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 90,898	\$ (143,613)	\$ (118,265)	\$ (817,166)	\$ (988,146)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	29,853	50,718	36,521	1,051,790	1,168,882
Change in assets and liabilities:					
Accounts receivable	(5,258)	(15,409)	(3,717)	(60,568)	(84,952)
Deposits from others	-	-	-	238,978	238,978
Prepaid items	-	2,669	-	(28)	2,641
Accounts payable and accrued expenses	74,088	117,364	1,713	(238,100)	(44,935)
Net cash provided by (used for) operating activities	\$ 189,581	\$ 11,729	\$ (83,748)	\$ 174,906	\$ 292,468
<b>Noncash investing, capital, or financing activities:</b>					
Acquisition of capital assets through current liabilities	\$ -	\$ 26,335	\$ 6,035	\$ 332,717	\$ 365,087
Capital contributions receivable	-	7,644	-	-	7,644
Grants receivable	-	66	-	9,122	9,188



**Sonoma Water**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2019**

	<b>Internal Service Funds</b>		
	<b>Equipment Facilities</b>	<b>Power Resources</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 9,534,571	\$ 1,737,906	\$ 11,272,477
Deposits with others	-	753,746	753,746
Prepaid items	2,739	5,474	8,213
Total current assets	<u>9,537,310</u>	<u>2,497,126</u>	<u>12,034,436</u>
Noncurrent assets:			
Advances to other funds	1,215,000	-	1,215,000
Reserves on deposit	-	823,961	823,961
Capital assets, net			
Land	2,336,031	-	2,336,031
Land improvements	550,667	-	550,667
Construction in progress	124,037	-	124,037
Buildings and improvements	22,365,842	12,022,600	34,388,442
Equipment	5,099,539	-	5,099,539
Total capital assets	<u>30,476,116</u>	<u>12,022,600</u>	<u>42,498,716</u>
Total noncurrent assets	<u>31,691,116</u>	<u>12,846,561</u>	<u>44,537,677</u>
Total assets	<u>41,228,426</u>	<u>15,343,687</u>	<u>56,572,113</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	447,253	1,045,810	1,493,063
Interest payable	25,136	3,667	28,803
Unearned revenue	-	332,421	332,421
Capital lease obligations	443,922	237,226	681,148
Total current liabilities	<u>916,311</u>	<u>1,619,124</u>	<u>2,535,435</u>
Noncurrent liabilities:			
Capital lease obligations	1,711,258	122,254	1,833,512
Total noncurrent liabilities	<u>1,711,258</u>	<u>122,254</u>	<u>1,833,512</u>
Total liabilities	<u>2,627,569</u>	<u>1,741,378</u>	<u>4,368,947</u>
<b>Net Position</b>			
Net investment in capital assets	28,320,936	11,663,120	39,984,056
Restricted for reserves on deposit	-	823,961	823,961
Unrestricted	10,279,921	1,115,228	11,395,149
Total net position	<u>\$ 38,600,857</u>	<u>\$ 13,602,309</u>	<u>\$ 52,203,166</u>

**Sonoma Water**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Internal Service Funds</b>		
	<b>Equipment</b>		<b>Total Internal</b>
	<b>Facilities</b>	<b>Power Resources</b>	<b>Service Funds</b>
<b>Operating Revenue</b>			
Power sales	\$ -	\$ 3,296,035	\$ 3,296,035
Equipment rental	2,656,268	-	2,656,268
Real estate rental	2,990,396	-	2,990,396
Miscellaneous	19,918	-	19,918
Total operating revenue	<u>5,666,582</u>	<u>3,296,035</u>	<u>8,962,617</u>
<b>Operating Expenses</b>			
Services and supplies	3,747,009	4,495,398	8,242,407
Depreciation and amortization	<u>1,849,276</u>	<u>434,922</u>	<u>2,284,198</u>
Total operating expenses	<u>5,596,285</u>	<u>4,930,320</u>	<u>10,526,605</u>
<b>Operating income (loss)</b>	<u>70,297</u>	<u>(1,634,285)</u>	<u>(1,563,988)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	362,375	114,230	476,605
Interest expense and debt issuance cost	(101,480)	(60,776)	(162,256)
Gain on disposal of capital assets	<u>73,000</u>	<u>-</u>	<u>73,000</u>
Total nonoperating expenses, net	<u>333,895</u>	<u>53,454</u>	<u>387,349</u>
<b>Change in net position</b>	404,192	(1,580,831)	(1,176,639)
Net position - beginning of year	<u>38,196,665</u>	<u>15,183,140</u>	<u>53,379,805</u>
<b>Net position - end of year</b>	<u>\$ 38,600,857</u>	<u>\$ 13,602,309</u>	<u>\$ 52,203,166</u>

**Sonoma Water**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Internal Service Funds</b>		
	<b>Equipment Facilities</b>	<b>Power Resources</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities:</b>			
Cash receipts from interfund services provided	\$ 5,715,036	\$ 3,296,036	\$ 9,011,072
Cash payments for interfund services used	(2,054,258)	(180,089)	(2,234,347)
Cash payments to suppliers	(1,610,515)	(3,888,984)	(5,499,499)
Net cash provided by (used for) operating activities	<u>2,050,263</u>	<u>(773,037)</u>	<u>1,277,226</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(1,181,734)	-	(1,181,734)
Principal paid on capital leases	(425,431)	(227,835)	(653,266)
Principal paid on interfund borrowing	-	(2,387,276)	(2,387,276)
Interest paid on long-term debt	(106,443)	(63,100)	(169,543)
Capital contributions - intergovernmental	26,005	-	26,005
Proceeds from sale of capital assets	73,000	-	73,000
Net cash used for capital and related financing activities	<u>(1,614,603)</u>	<u>(2,678,211)</u>	<u>(4,292,814)</u>
<b>Cash flows from investing activities:</b>			
Interest received	362,375	114,227	476,602
Intrafund loans	(1,215,000)	-	(1,215,000)
Net cash provided by (used for) investing activities	<u>(852,625)</u>	<u>114,227</u>	<u>(738,398)</u>
Net decrease in cash and cash equivalents	(416,965)	(3,337,021)	(3,753,986)
Cash and cash equivalents - beginning of year	<u>9,951,536</u>	<u>5,074,927</u>	<u>15,026,463</u>
Cash and cash equivalents - end of year	<u>\$ 9,534,571</u>	<u>\$ 1,737,906</u>	<u>\$ 11,272,477</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 70,297	\$ (1,634,285)	\$ (1,563,988)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation and amortization	1,849,276	434,922	2,284,198
Change in assets and liabilities:			
Due from other funds	48,454	-	48,454
Prepaid items	(1,820)	(5,473)	(7,293)
Other long-term assets	-	(57,450)	(57,450)
Accounts payable and accrued expenses	<u>84,056</u>	<u>489,249</u>	<u>573,305</u>
Net cash provided by (used for) operating activities	<u>\$ 2,050,263</u>	<u>\$ (773,037)</u>	<u>\$ 1,277,226</u>
<b>Noncash investing, capital, or financing activities:</b>			
Acquisition of capital assets through current liabilities	\$ 254,849	\$ 6,929	\$ 261,778

# Statistical Section



# Sonoma Water

## Statistical Section

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

### Contents

#### **Financial Trends 113**

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

#### **Revenue Capacity 123**

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

#### **Debt Capacity 134**

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.

#### **Demographic and Operating Indicators 140**

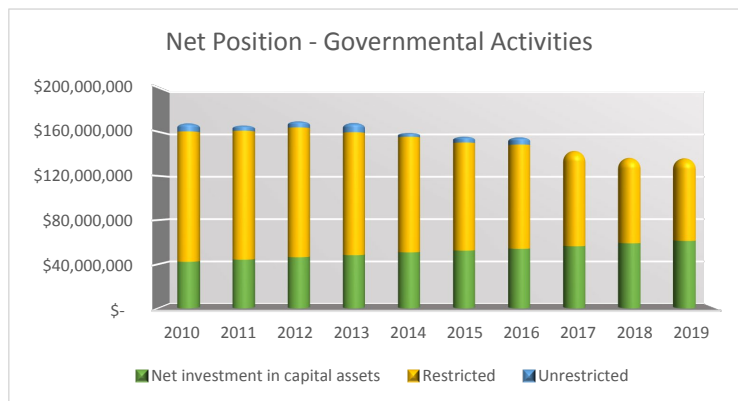
These schedules offer demographic and economic indicators to help the reader understand the environment within which Sonoma Water's financial activities take place.

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

	June 30,				
	2010	2011	2012	2013 as restated (1)	2014 as restated (2)
<b>Governmental activities</b>					
Net investment in capital assets	\$ 42,182,070	\$ 44,097,288	\$ 46,328,783	\$ 48,170,895	\$ 50,729,786
Restricted	118,070,202	116,791,458	117,533,507	111,320,194	104,627,246
Unrestricted	<u>8,063,205</u>	<u>5,336,348</u>	<u>6,238,764</u>	<u>9,195,268</u>	<u>4,030,884</u>
Total governmental activities net position	<u>\$ 168,315,477</u>	<u>\$ 166,225,094</u>	<u>\$ 170,101,054</u>	<u>\$ 168,686,357</u>	<u>\$ 159,387,916</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 146,238,805	\$ 148,479,032	\$ 151,501,197	\$ 155,634,490	\$ 155,916,745
Restricted	9,182,687	7,671,398	8,620,858	8,483,536	7,429,384
Unrestricted	<u>30,556,916</u>	<u>34,544,343</u>	<u>36,694,841</u>	<u>42,334,597</u>	<u>52,195,409</u>
Total business-type activities net position	<u>\$ 185,978,408</u>	<u>\$ 190,694,773</u>	<u>\$ 196,816,896</u>	<u>\$ 206,452,623</u>	<u>\$ 215,541,538</u>
<b>Primary Government</b>					
Net investment in capital assets	\$ 188,420,875	\$ 192,576,320	\$ 197,829,980	\$ 203,805,385	\$ 206,646,531
Restricted	127,252,889	124,462,856	126,154,365	119,803,730	112,056,630
Unrestricted	<u>38,620,121</u>	<u>39,880,691</u>	<u>42,933,605</u>	<u>51,529,865</u>	<u>56,226,293</u>
Total primary government net position	<u>\$ 354,293,885</u>	<u>\$ 356,919,867</u>	<u>\$ 366,917,950</u>	<u>\$ 375,138,980</u>	<u>\$ 374,929,454</u>

**Notes:**

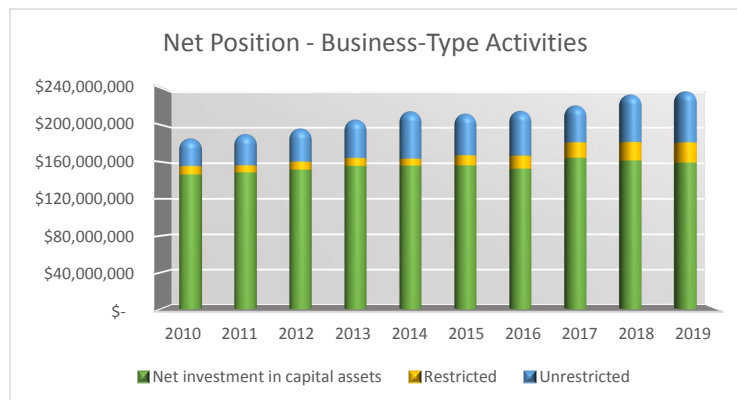
- (1) FY 2012 - 13 net position was restated from \$375,816,617 to \$375,138,980 for the implementation of GASB 65.
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) FY 2016-17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.



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

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

June 30,					
2015	2016	2017 as restated (3)	2018	2019	
					Governmental activities
\$ 52,314,923	\$ 53,939,461	\$ 56,281,939	\$ 58,951,592	\$ 61,127,048	Net investment in capital assets
97,856,531	94,399,627	86,833,589	77,808,351	75,228,888	Restricted
<u>5,903,840</u>	<u>7,173,755</u>	<u>(18,805,360)</u>	<u>(21,372,170)</u>	<u>(21,950,036)</u>	Unrestricted
<u>\$ 156,075,294</u>	<u>\$ 155,512,843</u>	<u>\$ 124,310,168</u>	<u>\$ 115,387,773</u>	<u>\$ 114,405,900</u>	Total governmental activities net position
					Business-type activities
\$ 156,110,501	\$ 152,563,649	\$ 164,264,829	\$ 161,478,637	\$ 159,091,392	Net investment in capital assets
10,941,231	14,048,490	16,664,705	19,800,228	21,762,899	Restricted
<u>45,892,005</u>	<u>49,409,182</u>	<u>40,946,812</u>	<u>52,535,839</u>	<u>56,439,961</u>	Unrestricted
<u>\$ 212,943,737</u>	<u>\$ 216,021,321</u>	<u>\$ 221,876,346</u>	<u>\$ 233,814,704</u>	<u>\$ 237,294,252</u>	Total business-type activities net position
					Primary Government
\$ 208,425,424	\$ 206,503,110	\$ 220,546,768	\$ 220,430,229	\$ 220,218,440	Net investment in capital assets
108,797,762	108,448,117	103,498,294	97,608,579	\$ 96,991,787	Restricted
<u>51,795,845</u>	<u>56,582,937</u>	<u>22,141,452</u>	<u>31,163,669</u>	<u>34,489,925</u>	Unrestricted
<u>\$ 369,019,031</u>	<u>\$ 371,534,164</u>	<u>\$ 346,186,514</u>	<u>\$ 349,202,477</u>	<u>\$ 351,700,152</u>	Total primary government net position



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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013 (1)	2014 (2)
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,435,380	\$ 5,866,906	\$ 4,763,130	\$ 3,649,012	\$ 3,209,352
Intergovernmental	-	-	-	-	-
Flood control	8,741,194	8,276,305	10,300,602	11,299,610	11,447,839
Warm Springs dam	3,309,084	3,226,944	2,864,948	4,025,973	6,123,874
Interest on long-term debt	3,472,533	3,381,811	3,288,164	3,191,498	3,091,715
Total governmental activities	<u>17,958,191</u>	<u>20,751,966</u>	<u>21,216,844</u>	<u>22,166,093</u>	<u>23,872,780</u>
Business-type activities:					
Water transmission	28,563,239	27,961,893	26,946,964	30,341,617	34,006,982
Water supply	9,342,303	4,612,143	8,510,170	5,827,236	6,308,724
Sanitation	5,273,189	4,791,721	5,510,887	5,451,593	4,743,336
Total business-type activities	<u>43,178,731</u>	<u>37,365,757</u>	<u>40,968,021</u>	<u>41,620,446</u>	<u>45,059,042</u>
Total expenses	<u>\$ 61,136,922</u>	<u>\$ 58,117,723</u>	<u>\$ 62,184,865</u>	<u>\$ 63,786,539</u>	<u>\$ 68,931,822</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services					
General government	\$ 600,971	\$ 638,454	\$ 613,505	\$ 961,169	\$ 2,645,169
Intergovernmental	-	-	-	-	-
Flood control	63,494	55,077	73,812	131,106	84,741
Warm Springs dam	304	-	96,281	96,126	19
Operating grants and contributions	359,382	572,847	562,399	785,690	1,622,316
Capital grants and contributions	-	21,831	35,401	3,168	-
Total governmental activities	<u>1,024,151</u>	<u>1,288,209</u>	<u>1,381,398</u>	<u>1,977,259</u>	<u>4,352,245</u>
Business-type activities:					
Charges for services					
Water transmission	27,197,878	30,299,370	32,581,560	38,209,541	40,184,486
Water supply	1,660,960	2,027,827	2,124,639	2,090,991	2,225,130
Sanitation	3,333,306	3,669,392	3,849,275	4,121,684	4,402,261
Operating grants and contributions	3,070,266	1,866,359	6,363,090	3,663,120	3,733,673
Capital grants and contributions	140,444	433,781	1,315,844	2,159,888	1,646,033
Total business-type activities	<u>35,402,854</u>	<u>38,296,729</u>	<u>46,234,408</u>	<u>50,245,224</u>	<u>52,191,583</u>
Total program revenues	<u>\$ 36,427,005</u>	<u>\$ 39,584,938</u>	<u>\$ 47,615,806</u>	<u>\$ 52,222,483</u>	<u>\$ 56,543,828</u>
Net (expense)/revenue					
Governmental activities	\$ (16,934,040)	\$ (19,463,757)	\$ (19,835,446)	\$ (20,188,834)	\$ (19,520,535)
Business-type activities	<u>(7,775,877)</u>	<u>930,972</u>	<u>5,266,387</u>	<u>8,624,778</u>	<u>7,132,541</u>
Total primary government net expense	<u>\$ (24,709,917)</u>	<u>\$ (18,532,785)</u>	<u>\$ (14,569,059)</u>	<u>\$ (11,564,056)</u>	<u>\$ (12,387,994)</u>

**Notes:**

- (1) FY 2012 - 13 net position was restated from \$375,816,617 to \$375,138,980 for the implementation of GASB 65.
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) 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.
- (4) FY 2016 - 2017 expenses incurred from providing services to outside governments were classified from general government expenses to intergovernmental expenses.
- (5) 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



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

Fiscal Year Ending June 30,					
2015	2016	2017	2018	2019	
	(3)	(4), (5)			
					<b>Expenses</b>
					Governmental activities:
\$ 6,285,821	\$ 19,245,528	\$ 8,991,653	\$ 7,766,110	\$ 13,210,201	General government
-	-	13,794,014	14,336,168	13,025,872	Intergovernmental
10,022,083	10,737,135	10,468,135	14,170,068	12,483,365	Flood control
8,617,924	6,720,953	9,861,623	10,822,995	9,559,980	Warm Springs dam
2,988,713	2,882,388	2,772,636	2,659,344	2,542,398	Interest on long-term debt
<u>27,914,541</u>	<u>39,586,004</u>	<u>45,888,061</u>	<u>49,754,685</u>	<u>50,821,816</u>	Total governmental activities
					Business-type activities:
40,319,069	31,458,257	32,689,918	32,952,295	39,733,160	Water transmission
6,741,377	5,803,845	7,183,788	4,699,307	5,036,761	Water supply
5,166,464	5,165,501	5,818,886	7,593,186	6,844,365	Sanitation
<u>52,226,910</u>	<u>42,427,603</u>	<u>45,692,592</u>	<u>45,244,788</u>	<u>51,614,286</u>	Total business-type activities
<u>\$ 80,141,451</u>	<u>\$ 82,013,607</u>	<u>\$ 91,580,653</u>	<u>\$ 94,999,473</u>	<u>\$ 102,436,102</u>	Total expenses
					<b>Program revenues</b>
					Governmental activities:
					Charges for services
\$ 946,849	\$ 10,957,871	\$ 1,484,451	\$ 1,754,440	\$ 2,302,159	General government
-	-	11,984,014	11,237,954	11,775,872	Intergovernmental
39,417	36,193	74,488	113,649	111,550	Flood control
106	46,612	715	61	48	Warm Springs dam
1,723,931	3,033,039	1,253,477	2,560,079	5,485,759	Operating grants and contributions
-	100,477	16,207	296,313	7,893	Capital grants and contributions
<u>2,710,303</u>	<u>14,174,192</u>	<u>14,813,352</u>	<u>15,962,496</u>	<u>19,683,281</u>	Total governmental activities
					Business-type activities:
					Charges for services
35,493,217	32,236,696	33,936,713	40,246,329	39,464,502	Water transmission
1,643,330	1,983,368	2,289,197	3,136,365	3,069,451	Water supply
4,693,270	5,063,439	5,651,512	5,249,866	5,765,353	Sanitation
4,248,380	3,160,775	4,699,981	1,588,746	423,291	Operating grants and contributions
1,694,864	1,567,521	3,987,850	1,974,789	1,301,187	Capital grants and contributions
<u>47,773,061</u>	<u>44,011,799</u>	<u>50,565,253</u>	<u>52,196,095</u>	<u>50,023,784</u>	Total business-type activities
<u>\$ 50,483,364</u>	<u>\$ 58,185,991</u>	<u>\$ 65,378,605</u>	<u>\$ 68,158,591</u>	<u>\$ 69,707,065</u>	Total program revenues
					Net (expense)/revenue
\$ (25,204,238)	\$ (25,411,812)	\$ (31,074,709)	\$ (33,792,189)	\$ (31,138,535)	Governmental activities
(4,453,849)	1,584,196	4,872,661	6,951,307	(1,590,502)	Business-type activities
<u>\$ (29,658,087)</u>	<u>\$ (23,827,616)</u>	<u>\$ (26,202,048)</u>	<u>\$ (26,840,882)</u>	<u>\$ (32,729,037)</u>	Total primary government net expense

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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013 (1)	2014 (2)
<b>General revenues</b>					
Governmental activities:					
Property taxes	\$ 18,911,088	\$ 18,325,641	\$ 18,853,029	\$ 20,075,888	\$ 20,350,239
Unrestricted investment earnings	6,074,946	2,510,438	5,908,377	284,722	1,920,952
Miscellaneous	-	-	(720,000)	(352,044)	(749,000)
Transfers	(3,618,022)	(3,462,705)	(330,000)	(1,234,429)	(1,100,000)
Total governmental activities	<u>21,368,012</u>	<u>17,373,374</u>	<u>23,711,406</u>	<u>18,774,137</u>	<u>20,422,191</u>
Business-type activities:					
Property taxes	41,216	38,944	38,007	38,981	39,282
Unrestricted investment earnings	408,379	283,744	478,282	415,176	812,853
Miscellaneous	80,934	-	9,447	-	4,239
Transfers	<u>3,618,022</u>	<u>3,462,705</u>	<u>330,000</u>	<u>1,234,429</u>	<u>1,100,000</u>
Total business-type activities	<u>4,148,551</u>	<u>3,785,393</u>	<u>855,736</u>	<u>1,688,586</u>	<u>1,956,374</u>
Total primary government	<u>\$ 25,516,563</u>	<u>\$ 21,158,767</u>	<u>\$ 24,567,142</u>	<u>\$ 20,462,723</u>	<u>\$ 22,378,565</u>
<b>Change in net position</b>					
Governmental activities	\$ 4,433,972	\$ (2,090,383)	\$ 3,875,960	\$ (1,414,697)	\$ 901,656
Business-type activities	(3,627,326)	4,716,365	6,122,123	10,313,364	9,088,915
Total primary government	<u>\$ 806,646</u>	<u>\$ 2,625,982</u>	<u>\$ 9,998,083</u>	<u>\$ 8,898,667</u>	<u>\$ 9,990,571</u>

**Notes:**

- (1) FY 2012 - 13 net position was restated from \$375,816,617 to \$375,138,980 for the implementation of GASB 65.
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) 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.
- (4) FY 2016 2017 general government expenses related to services and contributions provided to outside governments were re-classified as intergovernmental expenses.
- (5) FY 2016-17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.

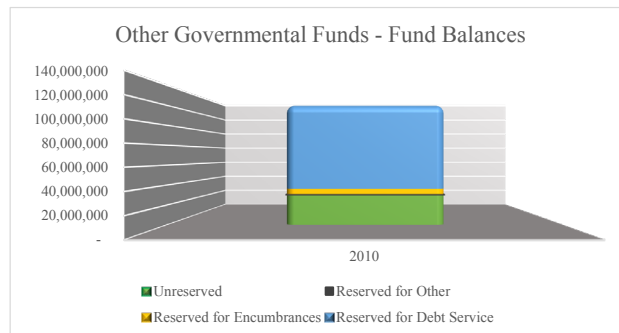
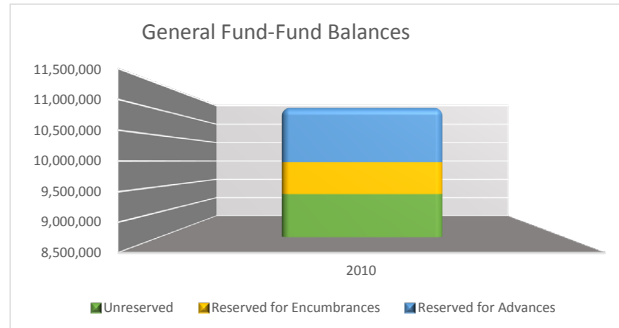
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

Fiscal Year Ending June 30,					
2015	2016	2017	2018	2019	
	(3)	(4), (5)			
<b>General revenues</b>					
Governmental activities:					
\$ 21,953,371	\$ 23,629,448	\$ 25,228,577	\$ 26,877,485	\$ 28,851,629	Property taxes
1,448,245	2,138,047	447,480	1,136,042	3,595,033	Unrestricted investment earnings
-	-	-	-	-	Miscellaneous
(1,510,000)	(918,134)	(1,585,000)	(3,143,733)	(2,290,000)	Transfers
<u>21,891,616</u>	<u>24,849,361</u>	<u>24,091,057</u>	<u>24,869,794</u>	<u>30,156,662</u>	Total governmental activities
Business-type activities:					
40,664	46,892	49,437	46,928	24,262	Property taxes
305,384	528,362	329,230	815,087	2,755,788	Unrestricted investment earnings
-	-	-	-	-	Miscellaneous
<u>1,510,000</u>	<u>918,134</u>	<u>1,585,000</u>	<u>3,143,733</u>	<u>2,290,000</u>	Transfers
<u>1,856,048</u>	<u>1,493,388</u>	<u>1,963,667</u>	<u>4,005,748</u>	<u>5,070,050</u>	Total business-type activities
<u>\$ 23,747,664</u>	<u>\$ 26,342,749</u>	<u>\$ 26,054,724</u>	<u>\$ 28,875,542</u>	<u>\$ 35,226,712</u>	Total primary government
<b>Change in net position</b>					
\$ (3,312,622)	\$ (562,451)	\$ (6,983,652)	\$ (8,922,395)	\$ (981,873)	Governmental activities
<u>(2,597,801)</u>	<u>3,077,584</u>	<u>6,836,328</u>	<u>10,957,055</u>	<u>3,479,548</u>	Business-type activities
<u>\$ (5,910,423)</u>	<u>\$ 2,515,133</u>	<u>\$ (147,324)</u>	<u>\$ 2,034,660</u>	<u>\$ 2,497,675</u>	Total primary government

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

	June 30, 2010
General Fund	
Reserved for:	
Encumbrances	\$ 625,049
Advances	1,071,840
Unreserved	<u>9,351,537</u>
Total General Fund	<u>\$ 11,048,426</u>
All other governmental funds	
Reserved for:	
Encumbrances	\$ 5,884,513
Debt service	84,247,669
Other	110,000
Unreserved	<u>30,123,305</u>
Total all other governmental funds	<u>\$ 120,365,487</u>



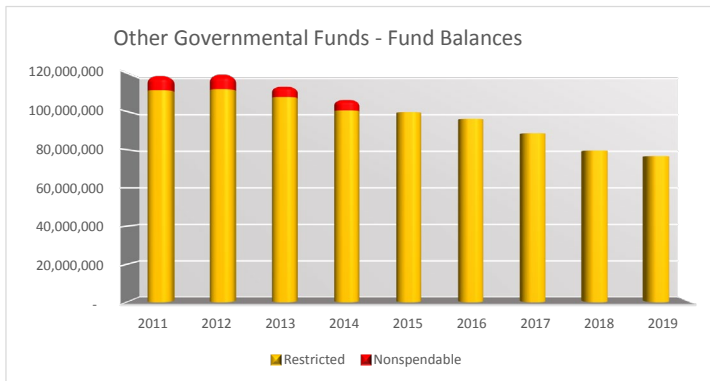
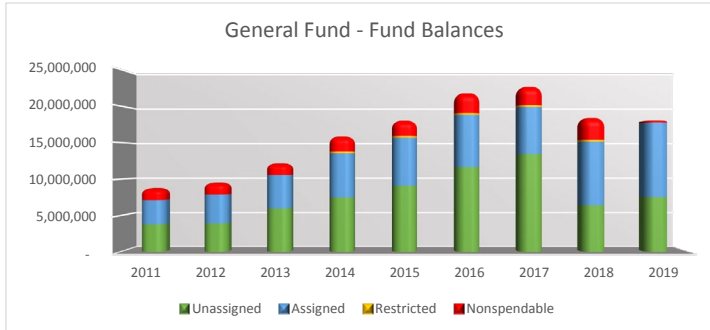
	June 30,			
	2011 (1)	2012	2013	2014
General Fund				
Nonspendable	\$ 1,578,367	\$ 1,592,999	\$ 1,605,010	\$ 2,100,665
Restricted	-	-	-	250,000
Assigned	3,355,545	3,953,877	4,558,922	6,045,621
Unassigned	<u>3,774,342</u>	<u>3,928,987</u>	<u>5,986,297</u>	<u>7,487,201</u>
Total General Fund	<u>\$ 8,708,254</u>	<u>\$ 9,475,863</u>	<u>\$ 12,150,229</u>	<u>\$ 15,883,487</u>
All other governmental funds				
Nonspendable	\$ 7,971,008	\$ 8,161,081	\$ 5,950,798	\$ 5,950,798
Restricted	<u>111,054,618</u>	<u>111,543,506</u>	<u>107,475,354</u>	<u>100,465,183</u>
Total all other governmental funds	<u>\$ 119,025,626</u>	<u>\$ 119,704,587</u>	<u>\$ 113,426,152</u>	<u>\$ 106,415,981</u>

**Notes:**

- (1) During the fiscal year ended June 30, 2011 Sonoma Water implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned.

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

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



June 30,					
2015	2016	2017	2018	2019	
\$ 2,141,132	\$ 2,807,196	\$ 2,627,502	\$ 3,060,176	\$ 299,415	General Fund
250,000	250,000	250,000	250,000	250,000	Nonspendable
6,557,623	7,158,891	6,429,828	8,708,445	10,201,064	Restricted
9,104,242	11,635,437	13,446,060	6,416,548	7,555,059	Assigned
					Unassigned
<u>\$ 18,052,997</u>	<u>\$ 21,851,524</u>	<u>\$ 22,753,390</u>	<u>\$ 18,435,169</u>	<u>\$ 18,305,538</u>	Total General Fund
\$ -	\$ 364	\$ 18,967	\$ 1,122	\$ 824	All other governmental funds
99,575,876	96,046,979	88,586,028	79,489,571	76,722,317	Nonspendable
					Restricted
<u>\$ 99,575,876</u>	<u>\$ 96,047,343</u>	<u>\$ 88,604,995</u>	<u>\$ 79,490,693</u>	<u>\$ 76,723,141</u>	Total all other governmental funds

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

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
<b>Revenues</b>					
Property taxes	\$ 18,911,088	\$ 18,325,641	\$ 18,853,029	\$ 20,075,888	\$ 20,350,239
Investment earnings	6,074,946	2,510,438	5,908,377	284,722	1,920,952
Intergovernmental	459,134	673,076	601,153	788,858	1,622,316
Charges for services	407,982	467,917	498,619	918,787	1,115,125
Miscellaneous	157,035	147,216	281,626	269,614	46,992
Total Revenues	<u>26,010,185</u>	<u>22,124,288</u>	<u>26,142,804</u>	<u>22,337,869</u>	<u>25,055,624</u>
<b>Expenditures</b>					
Current:					
General government	2,043,912	5,331,399	4,745,682	3,378,536	2,927,603
Intergovernmental	-	-	-	-	-
Flood control	7,179,108	6,652,635	8,742,207	9,739,923	9,888,655
Warm Springs dam	3,309,084	3,226,944	2,864,948	4,024,221	6,118,708
Capital outlay	125,210	845,066	1,007,826	927,214	1,262,999
Debt Service:					
Principal	2,753,832	2,842,644	2,934,319	3,028,951	3,126,635
Interest and fiscal charges	3,531,740	3,442,928	3,351,252	3,256,620	3,158,937
Total expenditures	<u>18,942,886</u>	<u>22,341,616</u>	<u>23,646,234</u>	<u>24,355,465</u>	<u>26,483,537</u>
Excess (deficiency) of revenues over expenditures	<u>7,067,299</u>	<u>(217,328)</u>	<u>2,496,570</u>	<u>(2,017,596)</u>	<u>(1,427,913)</u>
<b>Other financing sources (Uses)</b>					
Transfers in	1,875,344	105,000	-	-	-
Transfers out	(5,493,366)	(3,567,705)	(1,050,000)	(1,784,429)	(1,850,000)
Proceeds from sale of capital assets	-	-	-	197,956	1,000
Total other financing uses	<u>(3,618,022)</u>	<u>(3,462,705)</u>	<u>(1,050,000)</u>	<u>(1,586,473)</u>	<u>(1,849,000)</u>
Net change in fund balances	<u>\$ 3,449,277</u>	<u>\$ (3,680,033)</u>	<u>\$ 1,446,570</u>	<u>\$ (3,604,069)</u>	<u>\$ (3,276,913)</u>
Debt service as a percentage of noncapital expenditures	33.4%	29.2%	27.8%	26.8%	24.9%

**Notes:**

- (1) Beginning in FY 2015 - 16, reimbursements from outside governments for services were reclassified from a reduction in expenditures to charges for services.
- (2) Beginning in FY 2016 - 17, general government expenditures related to services and contributions provided to outside governments were re-classified as intergovernmental expenses

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

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

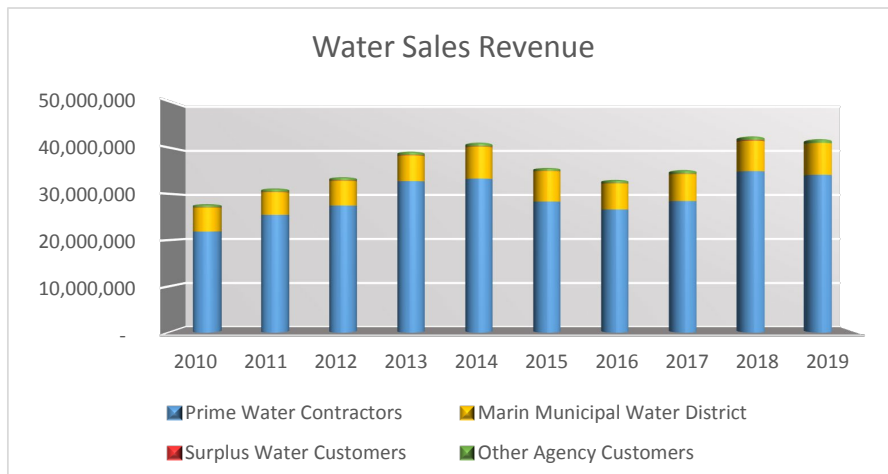
Fiscal Year Ended June 30,					
2015	2016	2017	2018	2019	
	(1)	(2)			
<b>Revenues</b>					
\$ 21,953,368	\$ 23,629,448	\$ 25,228,577	\$ 26,877,486	\$ 28,851,629	Property taxes
1,448,245	2,138,047	447,480	1,135,042	3,595,032	Investment earnings
1,723,931	3,133,516	1,273,673	2,856,392	5,109,904	Intergovernmental
1,098,927	12,337,610	13,506,968	13,103,270	14,087,983	Charges for services
68,852	89,471	32,711	2,834	101,646	Miscellaneous
<u>26,293,323</u>	<u>41,328,092</u>	<u>40,489,409</u>	<u>43,975,024</u>	<u>51,746,194</u>	Total Revenues
<b>Expenditures</b>					
Current:					
5,351,148	17,502,809	5,954,665	9,321,669	12,225,790	General government
-	-	13,794,014	14,336,168	13,025,872	Intergovernmental
8,161,854	8,560,561	8,903,573	11,851,261	10,843,800	Flood control
8,609,601	6,675,502	9,824,653	10,774,266	9,462,826	Warm Springs dam
1,045,743	1,115,520	682,415	1,694,878	509,518	Capital outlay
Debt Service:					
3,227,469	3,331,555	3,438,997	3,549,905	3,664,389	Principal
3,058,103	2,954,017	2,846,574	2,735,667	2,621,182	Interest and fiscal charges
<u>29,453,918</u>	<u>40,139,964</u>	<u>45,444,891</u>	<u>54,263,814</u>	<u>52,353,377</u>	Total expenditures
<u>(3,160,595)</u>	<u>1,188,128</u>	<u>(4,955,482)</u>	<u>(10,288,790)</u>	<u>(607,183)</u>	Excess (deficiency) of revenues over expenditures
<b>Other financing sources (Uses)</b>					
-	-	200,000	-	-	Transfers in
(1,510,000)	(918,134)	(1,785,000)	(3,143,733)	(2,290,000)	Transfers out
-	-	-	-	-	Proceeds from sale of capital assets
<u>(1,510,000)</u>	<u>(918,134)</u>	<u>(1,585,000)</u>	<u>(3,143,733)</u>	<u>(2,290,000)</u>	Total other financing uses
<u>\$ (4,670,595)</u>	<u>\$ 269,994</u>	<u>\$ (6,540,482)</u>	<u>\$ (13,432,523)</u>	<u>\$ (2,897,183)</u>	Net change in fund balances
22.1%	16.1%	14.0%	12.0%	12.1%	Debt service as a percentage of noncapital expenditures

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

Fiscal Year Ended June 30,	Prime Water Contractors (1)	Marin Municipal Water District	Other Agency Customers (2)	Surplus Water Customers (3)	Less Meter Fees	Total Water Sales Revenue
2010	21,847,462	5,189,705	701,661	58,905	(30,232)	27,767,501
2011	25,454,882	4,907,207	796,155	73,668	(30,037)	31,201,875
2012	27,462,327	5,360,431	768,716	89,911	(30,047)	33,651,338
2013	32,751,708	5,547,274	864,850	101,831	(28,421)	39,237,242
2014	33,290,607	6,904,919	935,050	86,226	(26,184)	41,190,618
2015	28,338,254	6,600,960	731,064	41,064	(24,517)	35,686,825
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	6,868,819	999,385	91,370	(23,820)	42,052,446

**Notes:**

- (1) Prime Water Contractors include all parties to the Restructured Agreement for Water Supply except Sonoma Water and Forestville Water District.
- (2) 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.
- (3) 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.





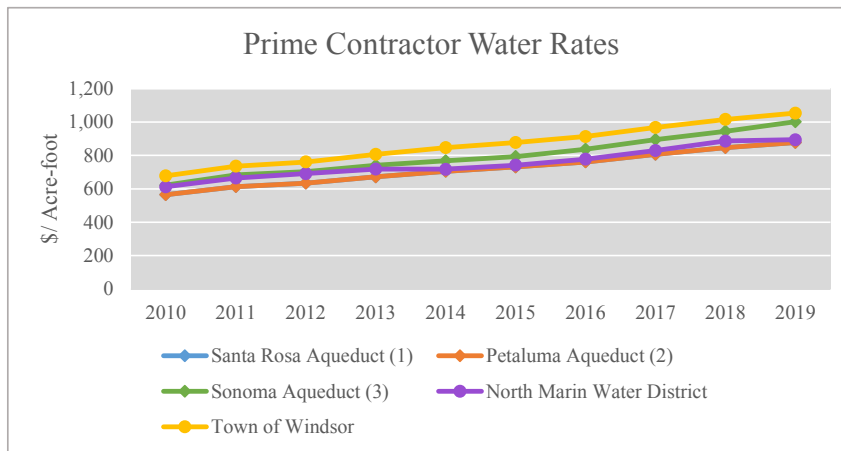
**Sonoma Water**  
**Water Rates by Category (Unaudited)**  
**Last Ten Fiscal Years**

Water Rates (in dollars per acre-foot)

Fiscal Year Ended June 30,	Prime Water Contractor Rates				
	Santa Rosa Aqueduct (1)	Petaluma Aqueduct (2)	Sonoma Aqueduct (3)	North Marin Water District	Town of Windsor
2010	564.78	564.78	622.11	611.90	677.74
2011	613.58	613.58	684.14	664.56	736.30
2012	634.11	634.11	703.33	690.43	760.93
2013	672.03	672.03	740.34	717.97	806.44
2014	705.30	705.30	768.75	717.27	846.35
2015	730.68	730.68	793.24	741.78	876.81
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

**Notes:**

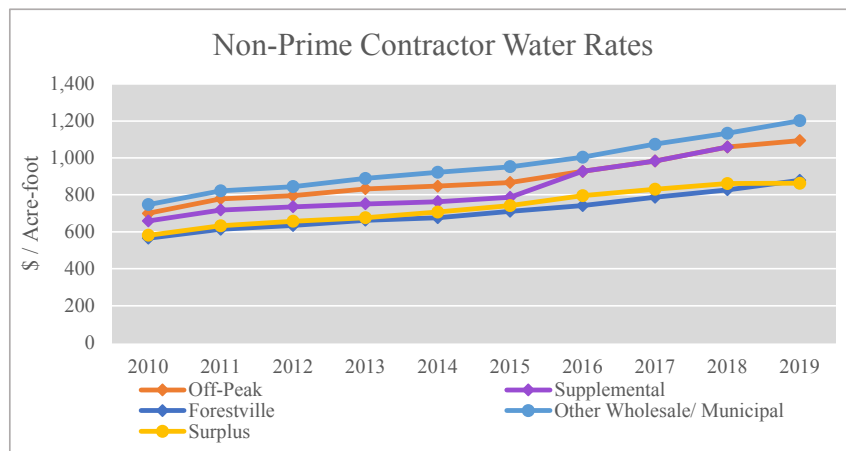
- (1) Rate charged to the City of Santa Rosa
- (2) Rate charged to the City of Rohnert Park, City of Petaluma and City of Cotati
- (3) Rate charged to the City of Sonoma and the Valley of the Moon Water District



Source: Sonoma Water Finance and Accounting Division

**Sonoma Water**  
**Water Rates by Category (Unaudited)**  
**Last Ten Fiscal Years**

Water Rates (in dollars per acre-foot)					
Fiscal Year Ended June 30,	Marin Municipal Water District		Municipal / Wholesale		
	Off-Peak	Supplemental	Forestville	Other	
				Wholesale/ Municipal	Surplus
2010	699.81	658.14	564.78	746.54	581.33
2011	778.76	717.58	613.58	820.96	632.35
2012	795.60	735.64	634.11	843.99	656.34
2013	832.42	750.88	662.78	888.40	675.36
2014	846.77	762.97	676.30	922.50	706.73
2015	865.86	786.91	711.18	951.88	741.95
2016	926.54	926.54	741.53	1,003.83	795.50
2017	982.54	982.54	787.09	1,073.54	829.76
2018	1,058.79	1,058.79	827.28	1,133.47	860.83
2019	1,093.33	1,093.33	877.88	1,201.27	862.80



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

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2019			Fiscal Year Ended June 30, 2010		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$ 14,756,131	1	35.1%	\$ 9,903,759	1	35.7%
City of Petaluma	6,895,201	2	16.4%	3,792,107	3	13.7%
Marin Municipal Water District	6,868,819	3	16.3%	5,189,705	2	18.7%
North Marin Water District	5,111,041	4	12.2%	3,630,416	4	13.1%
City of Rohnert Park	2,303,617	5	5.5%	1,560,023	5	5.6%
Valley of the Moon Water District	1,920,652	6	4.6%	1,301,401	6	4.7%
City of Sonoma	1,771,727	7	4.2%	1,124,478	7	4.0%
Town of Windsor	930,549	8	2.2%	617,388	9	2.2%
City of Cotati	454,827	9	1.1%	373,595	8	1.3%
Forestville Water District	342,654	10	0.8%			
Cal American Water				263,962	10	1.0%
Total Water Sales Top 10 Water Customers	41,355,218		98.3%	27,756,833		100.0%
Total Water Sales All Other Customers	697,228		1.7%	595,592		2.1%
Adjustment to prior year revenue (1)	-		0.0%	(584,924)		-2.1%
Total Water Sales	<u>\$ 42,052,446</u>		<u>100.0%</u>	<u>\$ 27,767,501</u>		<u>100.0%</u>

Source: Sonoma Water Finance and Accounting Division

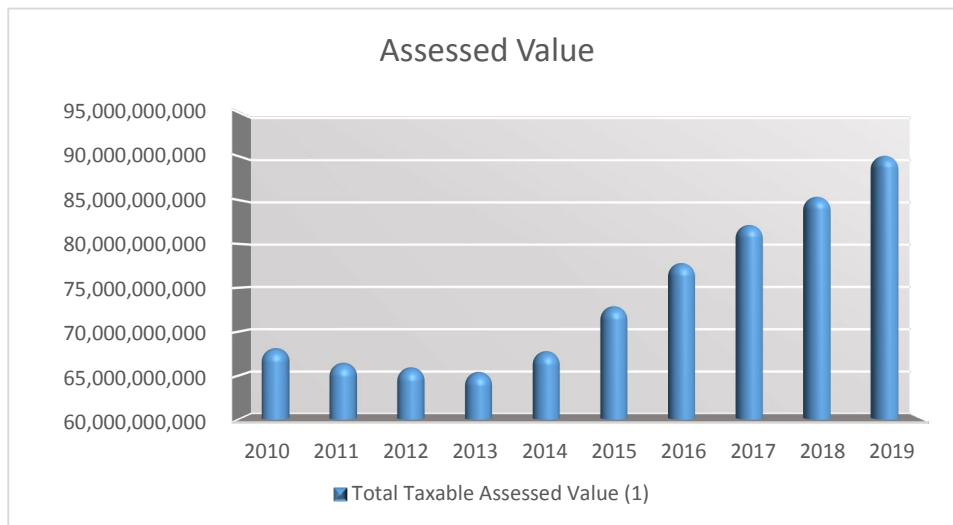
(1) Represents the voiding of a prior year supplemental water billing.

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

Fiscal Year Ended June 30,	Secured	Unsecured	Exempt	Total Taxable Assessed Value (1)	County of Sonoma General Levy (2)
2010	67,795,680,668	2,554,701,383	(2,313,445,928)	68,036,936,123	1.0000%
2011	66,227,139,764	2,515,625,810	(2,382,685,545)	66,360,080,029	1.0000%
2012	65,715,028,613	2,550,892,232	(2,437,205,096)	65,828,715,749	1.0000%
2013	65,424,658,533	2,394,377,795	(2,514,060,747)	65,304,975,581	1.0000%
2014	68,023,889,617	2,402,413,179	(2,740,544,667)	67,685,758,129	1.0000%
2015	73,289,558,548	2,476,588,015	(2,916,460,625)	72,849,685,938	1.0000%
2016	78,257,731,081	2,681,991,907	(3,116,013,957)	77,823,709,031	1.0000%
2017	82,727,351,207	2,659,027,299	(3,171,081,846)	82,215,296,660	1.0000%
2018	85,835,554,404	2,758,805,707	(3,139,459,862)	85,454,900,249	1.0000%
2019	90,472,427,042	2,908,430,499	(3,212,530,735)	90,168,326,806	1.0000%

**Notes:**

- (1) Assessed value is subject to the limitations of Proposition 13.
- (2) County-wide Prop 13 rate. See the schedule *Direct and Overlapping Tax Rates* on the following page for tax rates applicable to Sonoma Water.



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

**Sonoma Water**  
**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 (1)	County	Other	Sonoma County General Levy (2)	Sonoma Water (3)	Cities	Schools and other Districts	
2010	0.0235%	0.2127%	0.7638%	1.0000%	0.0070%	0.0625%	0.0303%	1.0998%
2011	0.0233%	0.2135%	0.7632%	1.0000%	0.0070%	0.0675%	0.0322%	1.1067%
2012	0.0233%	0.2131%	0.7636%	1.0000%	0.0070%	0.0750%	0.0331%	1.1151%
2013	0.0233%	0.2133%	0.7634%	1.0000%	0.0070%	0.0750%	0.0317%	1.1137%
2014	0.0233%	0.2133%	0.7634%	1.0000%	0.0070%	0.0650%	0.0307%	1.1027%
2015	0.0233%	0.2128%	0.7639%	1.0000%	0.0070%	0.0520%	0.0316%	1.0906%
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%

**Notes:**

- (1) County General Levy apportioned to the Sonoma Water.
- (2) 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.
- (3) 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

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

Taxpayer	Fiscal Year Ended June 30, 2019			Fiscal Year Ended June 30, 2010		
	Total Taxes (2)	Rank	Percentage of Total County Taxes	Total Taxes (2)	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 16,447,170	1	1.50%	\$ 7,364,352	2	0.94%
Geysers Power Co LLC	12,411,816	2	1.14%	7,957,629	1	1.01%
Keysight Technologies (1)	2,842,433	3	0.26%			
St Joseph Health Northern California LLC	1,792,174	4	0.16%			
Pacific Bell Telephone Co.	1,785,495	5	0.16%	1,943,334	3	0.25%
Lytton Rancheria of California	1,739,715	6	0.16%			
Enclave Apartments Property Owner LLC	1,678,591	7	0.15%			
Ferrari-Carano Vineyards & Winery LLC	1,406,776	8	0.13%			
Jackson Family Investments III LLC	1,336,727	9	0.12%			
Foley Family Wines Inc.	1,228,506	10	0.11%			
Agilent Technologies (1)				1,674,530	4	0.21%
SC Sonoma Development LLC				953,263	5	0.12%
SMI Real Estate LLC				937,707	6	0.12%
Quarry Heights LLC				864,729	7	0.11%
EMI Santa Rosa LTD PTP				807,500	8	0.10%
Constellation Wines US Inc.				800,954	9	0.10%
Gallo Vineyards Inc.				761,330	10	0.10%
Total Taxes Top 10 Taxpayers	42,669,403		3.90%	24,065,328		3.07%
Taxes Paid by all Other Taxpayers	1,050,363,053		96.10%	761,078,526		96.93%
Total Taxes	\$ 1,093,032,456		100.00%	\$ 785,143,854		100.00%

**Notes**

- (1) Keysight Technologies is a 2014 spinoff of Agilent Technologies.
- (2) Secured property taxes.

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

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

Fiscal Year Ended June 30,	Taxes Levied (1)	Collections within the fiscal year of the levy			Total Collections to Date	
		Amount	% of Levy	Collections in Subsequent Years (2)	Amount	% of Levy
2010	680,369,361	656,556,434	96.5%	23,273,000	679,829,434	99.9%
2011	663,600,800	645,683,701	97.3%	17,274,000	662,957,701	99.9%
2012	658,287,157	642,641,057	97.6%	14,989,000	657,630,057	99.9%
2013	653,049,756	641,750,036	98.3%	10,688,000	652,438,036	99.9%
2014	676,857,581	667,922,384	98.7%	8,221,000	676,143,384	99.9%
2015	728,496,859	721,075,408	99.0%	6,478,000	727,553,408	99.9%
2016	778,237,090	770,591,620	99.0%	6,282,000	776,873,620	99.8%
2017	822,152,967	815,344,431	99.2%	4,999,000	820,343,431	99.8%
2018	854,549,002	844,871,868	98.9%	5,322,000	850,193,868	99.5%
2019	901,683,268	893,578,037	99.1%	-	893,578,037	99.1%

**Notes:**

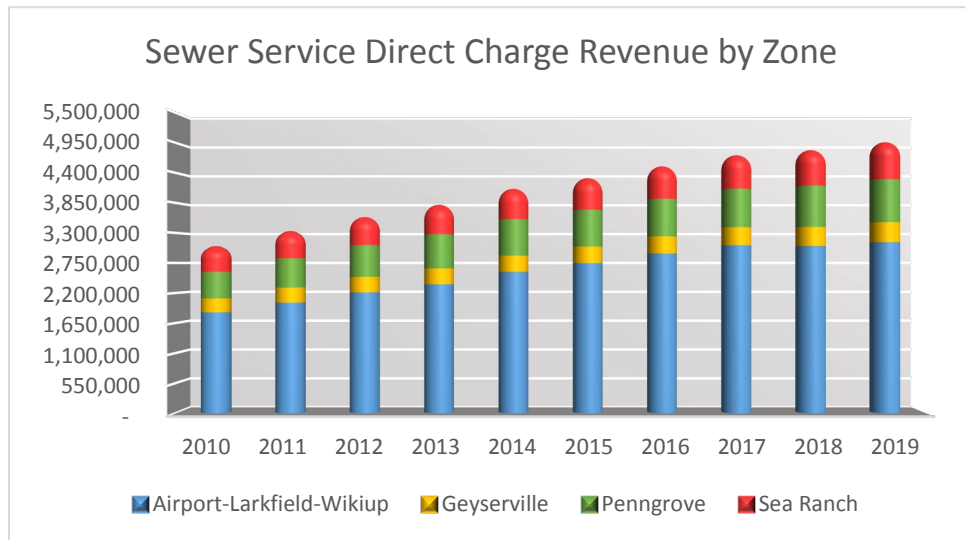
(1) Represents the County of Sonoma General Levy.

(2) Rounded to the nearest \$1,000.

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

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

Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
2010	472,646	488,192	253,529	1,846,735	3,061,102
2011	505,377	536,247	277,194	2,022,192	3,341,010
2012	522,150	581,480	282,703	2,211,600	3,597,933
2013	548,143	627,896	289,050	2,359,595	3,824,684
2014	571,132	665,538	295,057	2,589,444	4,121,171
2015	591,973	675,293	303,899	2,745,446	4,316,611
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

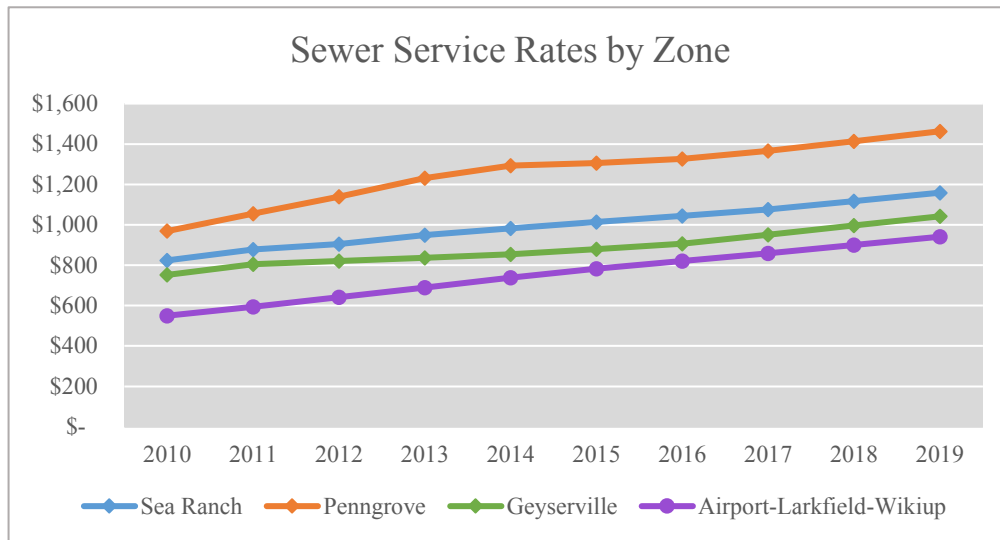


Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector



**Sonoma Water**  
**Sewer 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
2010	824	969	752	550
2011	878	1,056	805	594
2012	904	1,140	821	642
2013	949	1,231	837	690
2014	982	1,293	854	738
2015	1,014	1,306	880	782
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



Source: Sonoma Water, Finance and Accounting Division

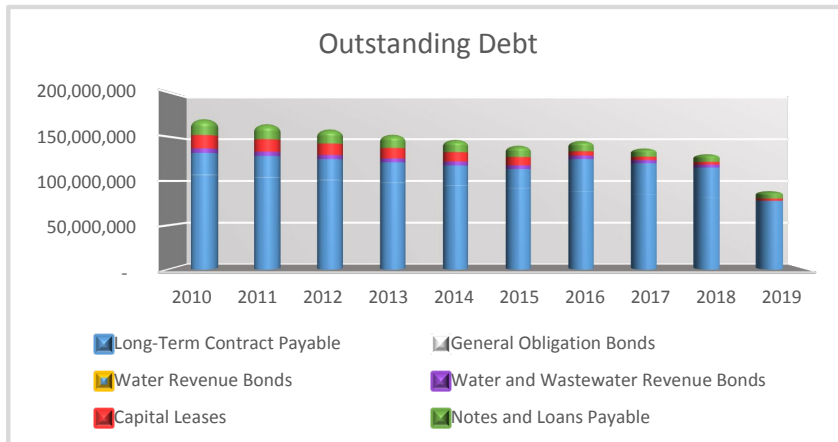
**Sonoma Water**  
**Principal Sanitation Customers (Unaudited)**  
**Current Year and Nine Years Ago**

Customer	Fiscal Year Ended June 30, 2019			Fiscal Year Ended June 30, 2010		
	Direct Charges	Rank	Percentage of Total Direct Charges	Direct Charges	Rank	Percentage of Total Direct Charges
Vineyard Creek LP	\$ 174,650	1	3.51%	\$ 102,080	1	3.33%
5209 Old Redwood Highway LLC	64,741	2	1.30%	37,840	2	1.24%
Lilli Ann Properties, Inc	60,666	3	1.22%	35,459	3	1.16%
Penngrove Village LLC	51,498	4	1.03%			
Sutter Bay Hospitals	45,055	5	0.90%			
Slayton Jayne R TR ET AL	44,406	6	0.89%			
Redwood Village Mobile Home Park	43,211	7	0.87%	25,256	5	0.83%
Larkfield Oaks LP	42,157	8	0.85%	24,640	7	0.80%
Burbank Housing Communities Corp.	36,887	9	0.74%			
Peleg Yoram TR & Peleg Barbara	33,293	10	0.67%	19,459	9	0.64%
Westle Joel TR & Julie TR				34,109	4	1.11%
Ring Lorraine E ET AL				25,229	6	0.82%
Lavell Village Assoc.				21,560	8	0.70%
417 Aviation Blvd LLC				18,315	10	0.60%
Total Direct Charges Top 10 Sanitation Customers	596,564		11.98%	343,947		11.24%
Total Direct Charges All Other Customers	4,384,340		88.02%	2,717,156		88.76%
	<u>\$ 4,980,904</u>		<u>100.00%</u>	<u>\$ 3,061,102</u>		<u>100.00%</u>

Source: Sonoma Water, Finance and Accounting Division

**Sonoma Water**  
**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	Capital Leases	Notes and Loans Payable	
2010	106,758,440	334,000	24,557,310	5,055,551	15,097,740	18,960,232	170,763,273
2011	103,915,796	304,000	23,979,130	4,844,930	14,048,238	17,919,301	165,011,395
2012	100,981,477	273,000	23,375,949	4,629,310	12,951,535	16,843,478	159,054,749
2013	97,952,525	241,000	22,847,802	4,403,690	11,805,506	15,731,546	152,982,069
2014	94,825,890	207,000	22,430,426	4,501,346	10,606,351	14,582,242	147,153,255
2015	91,598,421	172,000	21,663,003	4,235,088	9,354,745	13,394,267	140,417,524
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



Fiscal Year Ended June 30,	Population	Ratios of Sonoma Water Debt		
		Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
2010	493,285	0.25%	0.82%	346
2011	487,125	0.25%	0.82%	339
2012	487,011	0.24%	0.77%	327
2013	490,423	0.23%	0.70%	312
2014	490,486	0.22%	0.65%	300
2015	496,253	0.19%	0.59%	283
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

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

**Sonoma Water**  
**Direct and Overlapping Debt (Unaudited)**  
**June 30, 2019**

**2018-19 Assessed Valuation** **\$ 87,259,896,307**

**Direct Debt**  
Sonoma Water **\$ 77,612,574**

<b><u>Overlapping Debt</u></b>	<b><u>Total Debt</u></b>	<b><u>Percent Applicable</u></b>
County of Sonoma	\$ 483,849,369	100%
High School Districts	254,294,166	100%
Unified School Districts	483,240,213	100%
Elementary Districts	306,963,622	100%
Santa Rosa Junior College	225,355,000	100%

**Total Overlapping Debt** **\$ 1,753,702,370**

**Total Direct and Overlapping Debt** **\$ 1,831,314,944**

**Ratio of 2018-19 Assessed Valuation**

Total Direct Debt	<b>0.09%</b>
Total Overlapping and Direct Debt	<b>2.10%</b>

**Notes:**

- (1) 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

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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Operating revenues:					
Water sales (1)	\$ 26,192,490	\$ 29,270,301	\$ 31,658,359	\$ 37,236,068	\$ 39,312,638
(Subcharges) (2)	(4,853,047)	(4,370,745)	(6,181,857)	(8,523,628)	(8,776,855)
Installation charges (3)	30,232	30,037	30,047	28,421	26,184
Miscellaneous revenue (4)	213,668	224,401	280,337	109,293	130,635
Power sales (5)	761,488	774,631	612,817	835,759	715,029
Total operating revenues	22,344,831	25,928,625	26,399,703	29,685,913	31,407,631
Other revenues/(expenses) (6)	1,515,339	354,055	982,306	664,726	(1,209,299)
Total gross revenues	23,860,170	26,282,680	27,382,009	30,350,639	30,198,332
(O&M expenses) (7)	(22,527,848)	(24,564,175)	(22,572,421)	(24,552,075)	(27,450,432)
O&M subfund expense Adjustment (8)	5,274,769	7,146,572	5,164,335	5,293,091	6,254,739
Net revenues	<u>\$ 6,607,091</u>	<u>\$ 8,865,077</u>	<u>\$ 9,973,923</u>	<u>\$ 11,091,655</u>	<u>\$ 9,002,639</u>
Principal and Interest Payments	2,744,527	2,739,267	2,741,654	2,739,267	2,606,495
Coverage ratio	241%	324%	364%	405%	345%

**Notes:**

- (1) Total Water Transmission fund water sales revenue.
- (2) 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.
- (3) Connection fees and meter fees.
- (4) Represents charges for services, donations and reimbursements, and other miscellaneous adjustments.
- (5) Power sales from the Warm Springs Dam hydroelectric plant.
- (6) Includes non-operating revenues such as intergovernmental revenue and investment earnings.
- (7) Excludes the non-cash expense of depreciation.
- (8) 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

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

Fiscal Year Ending June 30,					
2015	2016	2017	2018	2019	
\$ 34,207,795	\$ 31,147,906	\$ 33,208,443	\$ 39,778,515	\$ 39,288,806	Operating revenues:
(8,162,101)	(7,574,647)	(6,891,146)	(7,871,056)	(7,497,005)	Water sales (1)
48,434	24,664	23,820	23,820	23,820	(Subcharges) (2)
618,570	474,482	494,169	299,470	115,719	Installation charges (3)
618,418	589,644	210,280	144,524	36,156	Miscellaneous revenue (4)
					Power sales (5)
27,331,116	24,662,049	27,045,566	32,375,273	31,967,496	Total operating revenues
366,439	817,601	865,572	891,745	1,754,958	Other revenues/(expenses) (6)
27,697,555	25,479,650	27,911,138	33,267,018	33,722,454	Total gross revenues
(24,534,397)	(28,718,318)	(28,384,243)	(28,676,002)	(29,377,249)	(O&M expenses) (7)
5,830,697	8,134,667	5,708,105	5,227,863	(4,707,644)	O&M subfund expense Adjustment (8)
<u>\$ 8,993,855</u>	<u>\$ 4,895,999</u>	<u>\$ 5,235,000</u>	<u>\$ 9,818,879</u>	<u>\$ 9,052,849</u>	Net revenues
2,604,651	2,518,562	3,363,145	3,379,027	3,361,096	Principal and Interest Payments
345%	194%	156%	291%	269%	Coverage ratio

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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Revenues:					
User fees (1),(2)	\$ 2,000,216	\$ 2,222,284	\$ 2,392,762	\$ 2,586,937	\$ 2,836,599
Change in accounting estimate - user fees (3)	-	-	-	-	-
Connection fees	113,970	269,201	42,150	503,824	381,275
Offset to connection fees (4)	-	-	-	-	-
Change in accounting estimate - connection fees (3)	-	-	-	-	-
Interest earnings	20,168	11,262	14,251	11,348	32,112
Other operating revenues (5)	471,534	604,544	565,345	833,403	285,351
Transfer from Rate Stabilization Fund (6)	-	-	-	-	-
Total revenues	2,605,888	3,107,291	3,014,508	3,935,512	3,535,337
Operating expenses (7)	2,033,593	2,543,266	3,053,147	2,815,310	2,209,981
System net revenues	<u>\$ 572,295</u>	<u>\$ 564,025</u>	<u>\$ (38,639)</u>	<u>\$ 1,120,202</u>	<u>\$ 1,325,356</u>
Debt service					
2005/2017 Bonds	<u>\$ 455,831</u>	<u>\$ 458,661</u>	<u>\$ 456,005</u>	<u>\$ 457,819</u>	<u>\$ 459,043</u>
Coverage ratio	126%	123%	-8%	245%	289%

**Notes:**

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

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

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

Fiscal Year Ending June 30,						
2015	2016	2017	2018	2019		
\$ 2,998,036	\$ 3,180,932	\$ 3,791,646	\$ 3,288,929	\$ 3,729,734	Revenues:	
-	-	(67,371)	67,371	-	User fees (1),(2)	
233,246	651,300	1,735,015	27,293	1,112,905	Change in accounting estimate - user fees (3)	
-	-	-	(913,932)	-	Connection fees	
-	-	(913,932)	913,932	-	Offset to connection fees (4)	
4,202	20,377	17,857	44,227	169,676	Change in accounting estimate - connection fees (3)	
104,999	250,308	187,635	1,197,506	166,170	Interest earnings	
-	-	-	211,500	-	Other operating revenues (5)	
3,340,483	4,102,917	4,750,850	4,836,826	5,178,485	Transfer from Rate Stabilization Fund (6)	
2,703,581	2,333,550	2,952,236	4,338,604	3,495,110	Total revenues	
\$ 636,902	\$ 1,769,367	\$ 1,798,614	\$ 498,222	\$ 1,683,375	Operating expenses (7)	
					System net revenues	
\$ 454,694	\$ 459,587	\$ 456,619	\$ 414,691	\$ 417,936	Debt service	
140%	385%	394%	120%	403%	2005/2017 Bonds	
					Coverage ratio	

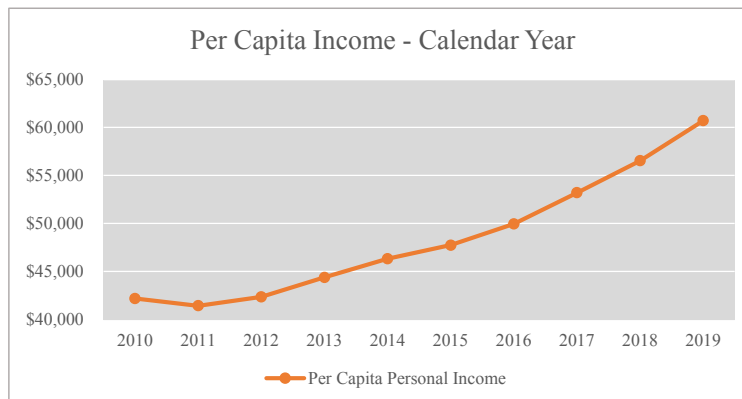
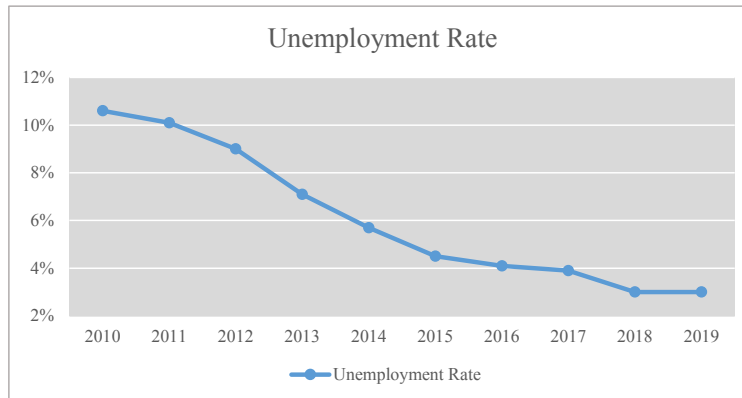


**Sonoma Water**  
**Demographics and Economic Statistics (Unaudited)**  
**Last 10 Fiscal Years**

Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
(1)	(2)	(3)		(4)	(5)
2010	493,285	20,805,742	42,178	71,010	10.6%
2011	487,125	20,180,966	41,429	70,666	10.1%
2012	487,011	20,626,926	42,354	70,688	9.0%
2013	490,423	21,766,881	44,384	70,637	7.1%
2014	490,486	22,727,461	46,337	70,932	5.7%
2015	496,253	23,692,352	47,742	71,096	4.5%
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%

**Notes:**

- (1) Calendar year
- (2) The population estimate for 2019 is as of January 1, 2019, the most recent available data
- (3) Personal income is estimated in thousands. The 2019 estimate is as of 2017, the most recent available data



**Sources:**

- (2) State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State
- (3) US Department of Commerce, Bureau of Economic Analysis - Regional Date of GDP and Personal Income.
- (4) State of California Department of Education.
- (5) State of California Employment Development Department: Labor Force Statistics

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

Principal Employers							
Employer	Fiscal Year Ended June 30, 2019				Fiscal Year Ended June 30, 2010		
	Source	Number of Employees	Rank	% of Total County Employment	Number of Employees (8)	Rank	% of Total County Employment
County of Sonoma	(1)	4,060	1	1.6%	4,042	1	1.6%
Kaiser Permanente	(2)	3,671	2	1.4%	2,400	2	0.9%
Santa Rosa Junior College	(2)	3,149	3	1.2%			
Santa Rosa City Schools	(4)	1,658	4	0.7%			
St. Joseph Health System	(2)	1,640	5	0.6%	1,781	3	0.7%
Keysight Technologies	(2)	1,500	6	0.6%			
Sonoma State University	(5)	1,374	7	0.5%			
State of California	(3)	1,307	8	0.5%			
City of Santa Rosa	(6)	1,307	9	0.5%			
Jackson Family Wines	(2)	1,071	10	0.4%			
Agilent Technologies					1,350	4	0.5%
Medtronic					1,200	5	0.5%
Sutter Medical Center					1,097	6	0.4%
Safeway					1,082	7	0.4%
Amy's Kitchen					900	8	0.3%
River Rock Casino					660	9	0.3%
Wal-Mart Stores, Inc.					650	10	0.3%
Ten largest employers		20,737		8.2%	15,162		5.9%
All other employers		233,463		91.8%	242,938		94.1%
Total County Employment	(7)	254,200		100.0%	258,100		100.0%

**Notes:**

- (8) The 2009-2010 County CAFR did not report governmental entities in the major employers table.

**Sources:**

- (1) County of Sonoma Adopted Budget Schedules 2018-2019, 2009-2010
- (2) North Bay Business Journal Book of Lists
- (3) State of California, State Employee Demographics
- (4) Santa Rosa City Schools Website
- (5) Sonoma State University Fact Book
- (6) City of Santa Rosa, Santa Rosa Operations & Maintenance Budget
- (7) State of California Employment Development Department: Labor Force Statistics
- (8) County of Sonoma Adopted Budget Schedules 2009-2010, County of Sonoma CAFR, 2009-2010

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Flood Control</b>										
Channel vegetation removed (cubic feet)	N/A	1,775	6,333	4,642	5,622	3,129	3,879	5,983	2,191	2,934
Sediment removed (cubic feet)	4,334	19,794	19,363	41,491	38,861	20,460	17,792	17,552	26,806	26,230
<b>Water Transmission</b>										
Total water delivered (acre-feet)	45,873	47,045	48,527	54,244	54,963	45,868	39,905	40,356	46,134	43,970
Hydroelectric power production (MWh)	13,679	14,231	10,725	13,261	10,926	9,777	8,820	8,951	3,356	3,162
<b>Water Supply/Warm Springs Dam</b>										
Total diversion (acre-feet)	45,439	48,084	50,989	55,428	55,538	46,176	40,028	41,873	45,745	45,640
Lake Sonoma water storage at Sept. 30 (acre-feet)	195,912	218,599	217,525	215,874	190,471	147,391	178,398	212,620	219,186	195,821
<b>Sanitation</b>										
Amount of wastewater treated (mg)	404	389	290	274	265	265	273	353	274	343
Number of ESD's (1)	5,058	5,107	5,143	5,172	5,185	5,235	5,252	5,325	5,314	5,149
<b>Number of Employees (Full Time Equivalent)</b>	211.00	197.00	195.50	194.50	207.50	209.50	221.75	226.75	229.75	231.75

**Notes:**

(1) From the 2019-20 budget.

N/A Information not available for the historical year referenced.

Source: Sonoma Water, Finance and Accounting Division

**Sonoma Water**  
**Capital Asset Statistics by Function/Program (Unaudited)**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Flood Control</b>										
Miles of engineered channels	150	150	150	150	150	150	150	150	150	150
Number of reservoirs	8	8	8	8	8	8	8	8	8	8
Reservoir capacity (acre-feet)	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827
<b>Water Transmission</b>										
Water mains (miles)	85	85	85	85	85	85	85	85	85	85
Number of chlorination facilities	3	3	3	3	3	3	3	3	3	3
Number of pumping plants and booster stations	21	21	21	21	21	21	21	21	21	21
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	9	9	9	9	9	9	9	9	9	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	38	38	38	38	38	38	38	38	38	38
Number of treatment plants	4	4	4	4	4	4	4	4	4	4
Treatment capacity (Average Daily Dry Weather Flow in MGD)	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Number of lift stations	7	7	7	7	7	7	7	7	7	7

Source: Sonoma Water, Finance and Accounting 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  
Santa Rosa, California

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, 2019, and have issued our report thereon dated November 13, 2019.

**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 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 may exist that have not been 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)

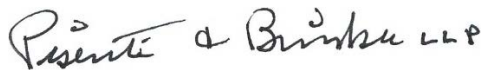
**Independent Auditor's Report** (continued)

**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.

A handwritten signature in dark ink, reading "Piseri & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California  
November 13, 2019