

Sonoma County Water Agency

A Component Unit of the County of Sonoma, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



**Sonoma
Water**

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)

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Introductory Section





**Sonoma
Water**

December 9, 2020

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, 2020. 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, 2020.

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 providing clean naturally filtered drinking water to residents in Sonoma and Marin counties, reliable water supply planning, flood protection, wastewater treatment, recycled water distribution, preservation of the 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. As 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 241 full-time equivalent employees, 71 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

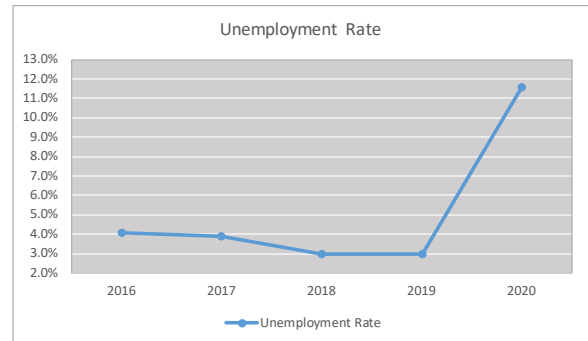
Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

Factors Affecting Financial Condition

Financial Indicators

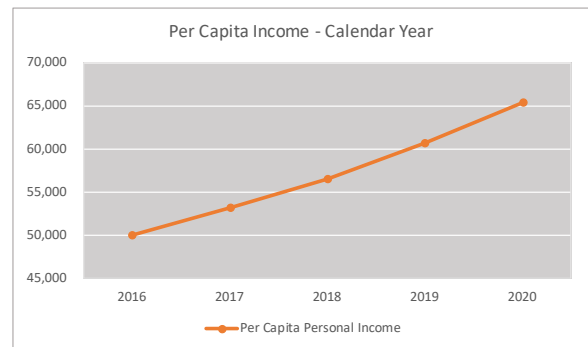
Employment

- The unemployment rate in Sonoma County increased from 3.0% in June 2019 to 11.6% in June 2020 due to economic effects of the COVID-19 pandemic. This compares with an unadjusted unemployment rate of 14.9% for California and 11.2% for the nation during the same period.



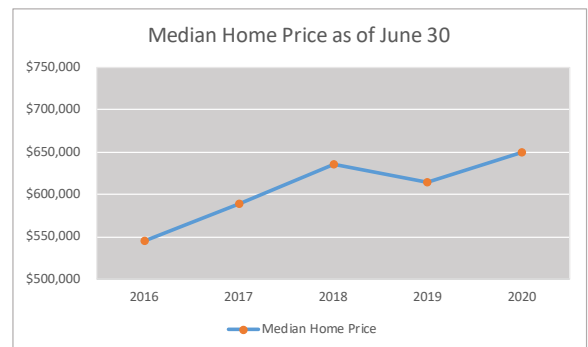
Income

- Personal income increased from \$60,713 in calendar year 2019 to \$65,412 in 2020. Per capita income is based on the most recently available data.



Real Estate

- The County-wide median home price increased from \$615,000 in June 2019 to \$650,000 in June 2020. The housing market remains tight because of the increase in remote workers seeking to relocate because they are no longer constrained by commute distances.



Retail Sales

- Retail sales county-wide increased 2.3% to \$10.4 billion for the 2019 calendar year, from \$10.2 billion for the 2018 calendar year. Retail sales are expected to decrease in calendar year 2020 due to the COVID-19 pandemic.

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 2020, the water supply capacity in Lake Mendocino and Lake Sonoma respectively averaged 77 and 85 percent, and Sonoma Water delivered 45,649 acre feet of water compared to 43,971 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 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 80 capital projects with an estimated cost of over \$387 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. Consistent with best practice recommendations from the GFOA, Sonoma Water will strive to maintain a total unassigned General Fund Reserve balance equal to 3 months of budgeted net operational expenditures plus 3 months of budgeted operating transfers.

Budgetary Control

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

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

Investment Policy

Sonoma Water complies with the Sonoma County Investment Policy. The County Treasury oversees banking operations and public financing for Sonoma Water, and is the paying agent for debt and special assessments. Cash is held by the County Treasurer and deposited in the Sonoma County pool, which is invested in accordance with the Sonoma County Investment Policy and California Government Code. The objectives of the policy are, in order of priority, safety of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The Treasury Oversight Committee requires an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and California Government Code Section 53601.

Audit and Financial Reporting

State law and bond covenants require Sonoma Water to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of 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 maintain flood protection facilities. 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, 2020 are summarized below.

Fiscal year 2020 will be remembered in part for multiple Pacific Gas and Electric Public Safety Power Shutdown (PSPS) events due to extreme fire danger, a natural disaster, and a pandemic that affected Sonoma Water's operations but did not impede our ability to provide uninterrupted essential water and sanitation services. The October 2019 Kincade Fire was preceded by and coincided with multiple PSPS events. The events led to Sonoma Water's evacuation of its main administrative offices, the set-up of a temporary emergency operations center at the City of Rohnert Park, and provisionally relocating and remotely operating the Supervisory Control and Data Acquisition or SCADA system that is vital to monitoring and controlling our water and sanitation systems. Sonoma Water's emergency response activities supplanted and caused delays to its normal operations, maintenance, and construction activities. The events also spawned new projects to assess fire-related watershed and water quality impacts, and the need for fire and flood early warning systems. It was no small feat to move and operate essential functions away from the disaster and then return them once it was safe to do so.

In mid-March 2020, the unprecedented coronavirus pandemic resulted in the shutdown of our offices forcing office staff to telework while field crews, working under modified conditions, continued to operate and maintain our water, flood protection, and wastewater systems.

These events accentuated the critical importance of our emergency response team and staff who skillfully implemented emergency response, continuity of operations, and pandemic-related contingency plans. There were no impacts to the water supply or water quality, and Sonoma Water successfully kept our staff and facilities safe and fully functioning.

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

- **Infrastructure/Hazard Mitigation:** Sonoma Water and its water contractors have invested substantially in efforts to protect Sonoma Water's water supply infrastructure against natural disaster events, including floods, wildfires, and a severe earthquake. Implementation of risk reduction projects is being actively pursued, including, the completion of some of our highest priority seismic mitigation projects and continuing progress on several additional high priority projects. A locally funded, Regional Water Supply Resiliency Study is also underway that will assist Sonoma Water and its water contractors to identify potential opportunities to mitigate system vulnerabilities, including associated seismic risks, through the shared resources of regional water supply partners across Sonoma Water's service area. Sonoma Water is committed to making its water supply infrastructure increasingly resilient in the face of multiple natural hazard threats.

In Fiscal Year 2020, Sonoma Water issued \$11 million in bonds for projects to further protect Sonoma Water's water transmission system against earthquakes, and other disasters. Sonoma Water's bond credit rating was raised to AAA. This fiscal standing allows Sonoma Water to receive lower interest rates when it issues water revenue bonds. In approving the higher rating, S&P cited the importance of Sonoma Water's water supply to its wholesale customers; the use of timely rate increases to partly offset the effects of declining water sales during droughts; and comprehensive operational management practices and policies. In Fiscal Year 2020, Sonoma Water has substantially completed designs and environmental compliance work for three seismic hazard mitigation projects for aqueduct creek crossings to reduce the risk of liquefaction induced damage. Bond proceeds will fund all three of these high priority seismic mitigation projects which are scheduled to complete construction in 2021 and 2022.

- **Water, Stormwater, and Energy Education Program:** Sonoma Water developed a Water, Stormwater, and Energy Education Program in partnership with the Sonoma-Marin Saving Water Partnership, Sonoma Clean Power, and Sonoma/Marin 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. In response to the coronavirus pandemic, Sonoma Water has shifted to engaging lessons where staff live Zoom into virtual classrooms and lead students on virtual tours of Sonoma Water's water system and the Russian River ecosystem.
- **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. The GSAs applied for and received technical support services from the Department of Water Resources for drilling 21 monitoring wells in the three basins to assess the connection between groundwater and local streams.
- **Russian River Biological Opinion:** The Dry Creek Habitat Enhancement Project is part of the Russian River Biological Opinion issued by the National Marine Fisheries Service in 2008. It provides a unique opportunity for Sonoma Water and landowners to enhance habitat for endangered fish species in the Russian River watershed while continuing to deliver water to approximately

600,000 customers. The National Marine Fisheries Service and California Department of Fish & Wildlife biologists have determined that excessive water velocities and lack of suitable rearing habitat in Dry Creek threaten the recovery of endangered Coho and Steelhead.

The Habitat Restoration Project is creating habitat features that provide low-velocity areas for juvenile Coho and Steelhead along six miles of the 14-mile length of Dry Creek, while still allowing Sonoma Water to use Dry Creek as a means of moving water downstream for water supply purposes. Sonoma Water, its water contractors, and the U.S. Army Corps have completed three miles of restoration to date. The continued cooperation of property owners and the support of the community are key to the success of this program.

The U.S. Army Corps of Engineers (Corps) awarded \$28 million in federal funds representing its 65 percent cost share to complete fishery habitat restoration work in Dry Creek as a part of its fiscal year 2020 work plan. The funding along with Sonoma Water's 35 percent cost share will allow the Corps to construct the last three miles of a six mile habitat enhancement plan to improve fishery habitat in Dry Creek for endangered Coho salmon and threatened Chinook salmon and steelhead.

- **Water Quality:** Sonoma Water, the U.S. Army Corps of Engineers, the California Department of Fish and Wildlife, and the California Department of Boating and Waterways with a stake in the health of Lake Sonoma and Lake Mendocino are collaborating on a boat inspection strategy to prevent infestation by invasive mussels. Quagga and zebra mussels are an invasive mussel that, if introduced into a waterway, can devastate the natural environment, clog water and flood protection infrastructure, and cost millions of dollars in maintenance. Sonoma Water has contracted with Mussel Dogs to conduct the inspections, and prevented a mussel infected boat from entering Lake Sonoma. Mussel Dogs performs inspections daily from 7:00am-3:00pm and will continue to do so into 2021, thanks to a grant from the Department of Boating and Waterways.
- **Water Supply:** Forecast Informed Reservoir Operations (FIRO) is a collaborative program with Sonoma Water, 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 use atmospheric river research and science to re-operate reservoirs while improving water supply reliability and flood management. The FIRO Program is a prime example of how incremental annual adjustments will be made to store more winter water in the Lake for use during dry months.

Sonoma Water provided engineering support services to expand FIRO in the Western U.S. and elsewhere. FIRO implementation at multiple sites allows improvement to Sonoma Water's model, with those benefits resulting in improved results for FIRO implementation at Lake Mendocino. Successful implementation of FIRO at additional sites will provide support for funding of other reservoirs including Lake Sonoma.

Sonoma Water successfully sought and the U.S. Army Corps of Engineers granted a rule curve deviation to allow for extra storage in the Lake Mendocino Flood Pool. Sonoma Water is seeking U.S. Army Corps of Engineers authorization for a 5-year rule curve deviation while a permanent water control manual change is pursued.

- **Water Supply:** 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.

California Trout, the Round Valley Indian Tribes, the County of Humboldt, Mendocino County Inland Water and Power Commission and Sonoma Water formed the Two-Basin Partnership in the fall of 2019. The Partnership collaborated on an ambitious plan to advance restoration of Eel River fisheries while maintaining water security for Russian River basin water users. The Feasibility Study Report Project Plan was filed with the FERC as the next step in the effort toward securing a new license for the Potter Valley Project. The group is also exploring options for developing a governance structure for future ownership and operations of the facilities.

- Flood Protection: The San Francisco Bay Advanced Quantitative Precipitation Information (AQPI) System was funded in 2016 by a \$20 million grant from the California Department of Water Resources (DWR) and awarded to Sonoma Water and partners from Santa Clara to Sonoma and 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. As of January 2020, two X-Band radars are operational, including one in Sonoma County and one in Santa Clara County. Two more X-Band radars are slated for installation during 2020/2021. 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, provide flood control managers more precise information on the location, timing, and intensity of expected rainfall for the improved management of water supply reservoirs, improved operations of wastewater systems and flood protection facilities, and prepare utility managers and emergency personnel for extreme weather events.
- Flood Protection: In response to the 2017 firestorm, Sonoma Water engaged OneRain Incorporated (Consultant) to install a flood warning monitoring network consisting of rain and stream gauges throughout the Tubbs and Nuns fire burn areas to provide early detection of post-fire flood conditions in burn scars and areas downstream that could be impacted by flash floods and debris flows. This monitoring network provides the National Weather Service with the intelligence it needs in real time to issue flash flood warnings to be relayed via the Emergency Alert System and Wireless Emergency Alert. The monitoring network is also used by Sonoma Water field crews during and after storm events to respond to hazard conditions identified by the monitoring network. This system is widely used by the National Weather Service, Sonoma County Department of Emergency Services, Sonoma Water, and the public to inform rapid response during atmospheric river events and had over 2.5 million visits in its first two years of operation. Sonoma Water further expanded this network with five new locations, and continues to monitor conditions in Sonoma Water flood control reservoirs and within the Russian River to inform water supply and transmission operations.
- Flood Protection: Sonoma Water entered an agreement with the City of Santa Rosa in which Sonoma Water sells, and City of Santa Rosa purchases, up to 20,000 pounds of nutrient offset credits for Phosphorous at a cost of \$50 per pound, for a total amount to the City of Santa Rosa of \$1 million under the Santa Rosa Nutrient Offset Program administered by the North Coast Regional Water Quality Control Board. The City applies the credits as offsets toward compliance with regulatory requirements on annual discharges from its Subregional Water Reclamation Facility to the Laguna de Santa Rosa. The credits will be generated by excavation of legacy sediment and organic matter from the mainstem Laguna de Santa Rosa. Removed sediment from the Laguna

Flood Control Channel reduces the *Ludwigia* infestation and mosquito production, and removes phosphorous to generate marketable credits.

- Flood Protection: Sonoma Water received a \$1.2 million funding award from USDA Natural Resources Conservation Service (NRCS) to develop a watershed plan and assessment to rehabilitate the Central Sonoma Watershed Project. The Central Sonoma Watershed project includes facilities on Santa Rosa Creek and its tributaries, which serve as critical flood protection infrastructure serving Santa Rosa and downstream communities. This federally sponsored project, operated by Sonoma Water, is one of 33 in the state that were developed over 50 years ago. The project is in need of rehabilitation and modernization to continue to serve a growing population, as well as adapting to changing climate conditions which include increased flooding and more frequent periods of drought. This planning effort will address the system's vulnerabilities and plan for upgrades in a comprehensive way to meet the community's current and future needs.
- Flood Protection: Sonoma Water collaborated with Occidental Arts and Ecology Center (OAEC) and Swift Water Design to assist in maintaining a family of beavers along the East Fork Fryer Creek. Swift Water Designs and OAEC staff are local experts on beaver ecology and conservation. A pond leveler was successfully installed in the beaver dam to assist with managing water levels in the pond and maintain habitat for the beavers. Sonoma Water was pleased to support this win-win project striving to balance supporting the beavers while reducing flooding on the trail and maintaining critical access to key floodway and emergency management infrastructure. East Fork Fryer Creek is an engineered flood control channel owned by Sonoma Water. Sonoma Water has been monitoring the beaver dam on this creek since the spring of 2019 and consulting with California Department of Fish and Wildlife on options to manage beaver dam structure while reducing the risk of flooding. Sonoma Water has taken extensive effort to restore the riparian trees along many of its urban channels. The use of Fryer Creek by beavers, who eat willow and cottonwood trees, is an indication of the improved habitat conditions along the creek.
- Flood Protection: Sonoma Water continued the design of the Penngrove Sanitation Zone Lift Station Flood Resiliency Hazard Mitigation Project with \$656,000 in offsetting FEMA grant funding to raise electrical equipment above the floodplain, decrease the risk of sanitary sewer overflows related to power failure at the lift station, and increase staff health, safety, and accessibility.
- Wastewater Project: Larkfield Estates 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 were rebuilding following the fires, to substantially complete construction of 10,700 feet of the Larkfield Estates Sewer Collection System in Fiscal Year 2020. Sonoma Water rolled-out a low-interest financing program for customers in the Larkfield fire-impacted area to ease the financial burden to fire-impacted property owners and facilitate the rebuilding process. Construction will be fully completed in Fiscal Year 2021. Prior to the fires, most of the neighborhood was on individual septic systems. More than 70 of the 144 customers have connected to the sewer under this voluntary program.

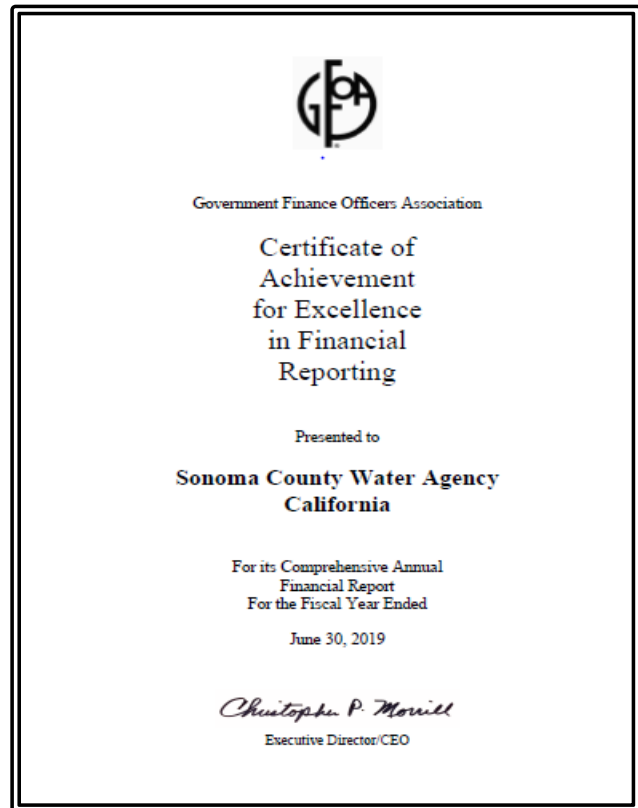
Awards and Acknowledgements

This is the third 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, 2019. This was the second 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 its 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 Piseni & 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



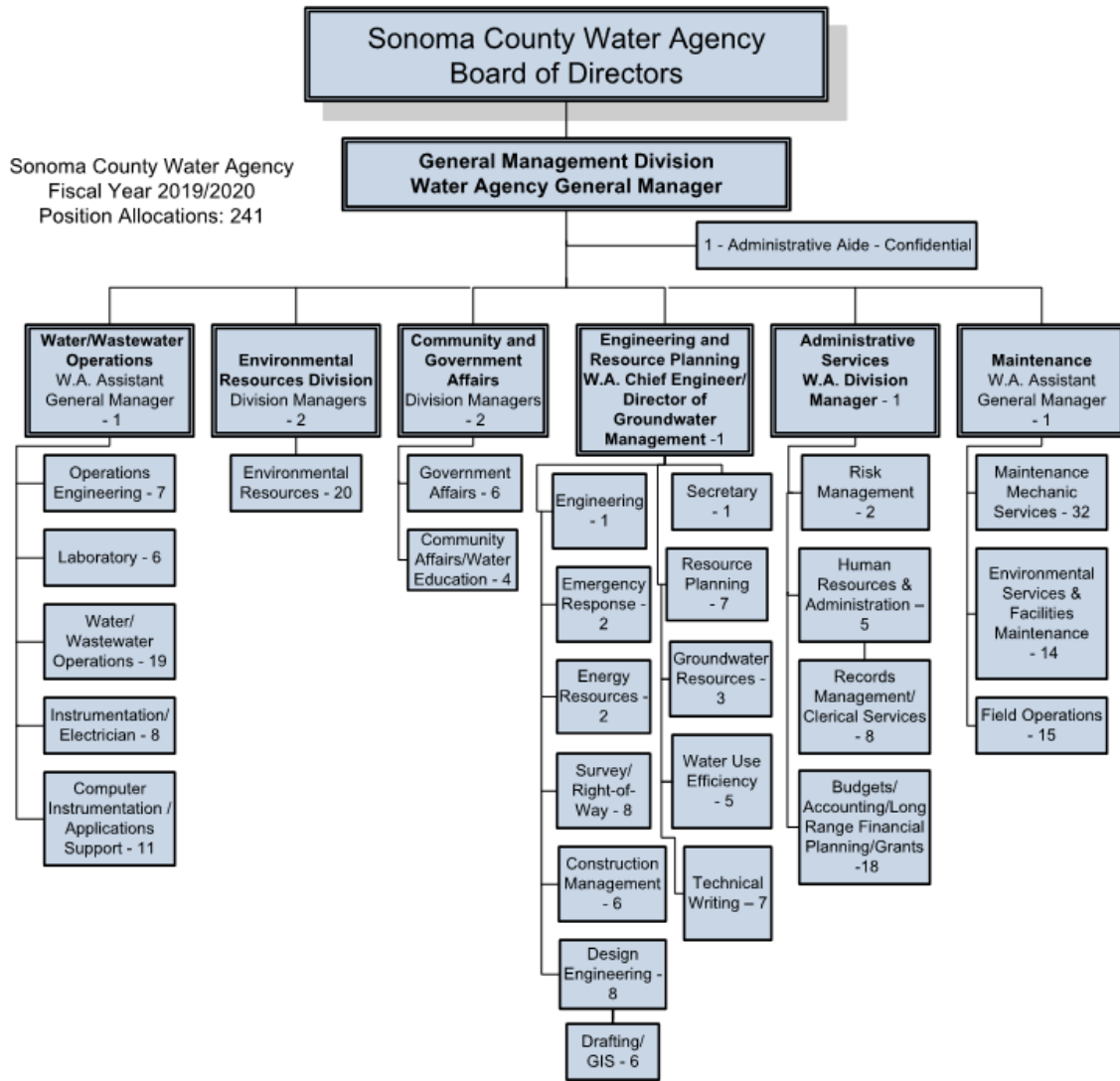
Lynne Rosselli

Water Agency Division Manager - Finance and
Administration

Sonoma Water
Directory of Appointed and Elected Officials
June 30, 2020

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, 2020**



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, 2020, 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, 2020, 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 December 9, 2020, 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
December 9, 2020

Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(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, 2020. 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 \$366,082,430 (net position). Of this amount \$57,151,859 (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 \$14,382,278 during the current fiscal year. This increase in net position includes an increase in business-type activities of \$7,867,195 and an increase in governmental activities of \$6,515,083.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$95,927,155, an increase of \$898,476 from the preceding year. Approximately 9.9% of this total amount, \$9,503,527, 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 \$9,503,527 or approximately 38.3% of total General Fund expenditures, which amounted to \$24,828,622 for the fiscal year ended June 30, 2020.
- Sonoma Water's long-term liabilities decreased by \$11,916,271 during the fiscal year, primarily due to a decrease of \$16,512,651 in net pension liability and principal payments of \$3,782,565 on the Federal contract payable offset by an increase of \$9,402,196 in 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, 2020
(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, 2020
(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.

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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(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 \$366,082,430 as of June 30, 2020.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020
Current and other assets	\$ 101,283,974	\$ 102,951,126	\$ 92,600,772	\$ 112,576,972	\$ 193,884,746	\$ 215,528,098
Capital assets	138,739,623	137,401,789	202,247,368	198,020,406	340,986,991	335,422,195
Total assets	240,023,597	240,352,915	294,848,140	310,597,378	534,871,737	550,950,293
Total deferred outflows	15,530,803	7,010,501	550,281	500,685	16,081,084	7,511,186
Current liabilities	13,757,154	13,726,584	10,762,815	9,944,723	24,519,969	23,671,307
Noncurrent liabilities	122,249,765	102,854,151	47,341,354	55,991,893	169,591,119	158,846,044
Total liabilities	136,006,919	116,580,735	58,104,169	65,936,616	194,111,088	182,517,351
Total deferred inflows	5,141,581	9,861,698	-	-	5,141,581	9,861,698
Net Position:						
Net investment in capital assets	61,127,048	63,571,779	159,091,392	146,213,153	220,218,440	209,784,932
Restricted	75,228,888	75,310,302	21,762,899	23,835,337	96,991,787	99,145,639
Unrestricted (deficit)	(21,950,036)	(17,961,098)	56,439,961	75,112,957	34,489,925	57,151,859
Total Net Position	\$ 114,405,900	\$ 120,920,983	\$ 237,294,252	\$ 245,161,447	\$ 351,700,152	\$ 366,082,430

The largest portion of Sonoma Water's net position, \$209,784,932 (57.3%), 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, \$99,145,639 (27.1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$57,151,859, 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, 2020
(Unaudited)

Government-wide Financial Analysis (continued)

As of June 30, 2020, 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 \$17,961,098. This deficit is due to the net pension liability and the other postemployment benefits liability. See Notes K and L for additional information.

Sonoma Water's net position increased by \$14,382,278 as of June 30, 2020. This increase included an increase of \$6,515,083 in net position for governmental activities and an increase of \$7,867,195 in net position for business-type activities. The reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

Condensed Statements of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	Fiscal Year Ended June 30, 2019	2020	Fiscal Year Ended June 30, 2019	2020	Fiscal Year Ended June 30, 2019	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 14,189,629	\$ 15,181,833	\$ 48,299,307	\$ 53,791,482	\$ 62,488,936	\$ 68,973,315
Operating grants and contributions	5,485,759	5,016,803	423,288	1,537,635	5,909,047	6,554,438
Capital grants and contributions	7,893	-	1,301,189	4,279,162	1,309,082	4,279,162
General Revenues:						
Property taxes	28,851,629	30,729,248	24,262	510	28,875,891	30,729,758
Investment earnings	3,595,033	2,172,405	2,755,788	1,746,998	6,350,821	3,919,403
Total revenues	52,129,943	53,100,289	52,803,834	61,355,787	104,933,777	114,456,076
Expenses:						
General government	13,210,201	9,703,136	-	-	13,210,201	9,703,136
Intergovernmental	13,025,872	12,587,202	-	-	13,025,872	12,587,202
Flood control	12,483,365	14,288,805	-	-	12,483,365	14,288,805
Warm Springs Dam	9,559,980	5,591,383	-	-	9,559,980	5,591,383
Interest on long-term debt	2,542,398	2,421,680	-	-	2,542,398	2,421,680
Water transmission	-	-	39,733,160	41,900,238	39,733,160	41,900,238
Water supply	-	-	5,036,761	6,394,595	5,036,761	6,394,595
Sanitation	-	-	6,844,365	7,186,759	6,844,365	7,186,759
Total expenses	50,821,816	44,592,206	51,614,286	55,481,592	102,436,102	100,073,798
Change in net position before transfers	1,308,127	8,508,083	1,189,548	5,874,195	2,497,675	14,382,278
Transfers	(2,290,000)	(1,993,000)	2,290,000	1,993,000	-	-
Change in net position	(981,873)	6,515,083	3,479,548	7,867,195	2,497,675	14,382,278
Net position - beginning of year	115,387,773	114,405,900	233,814,704	237,294,252	349,202,477	351,700,152
Net position - end of year	\$ 114,405,900	\$ 120,920,983	\$ 237,294,252	\$ 245,161,447	\$ 351,700,152	\$ 366,082,430

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

Government-wide Financial Analysis (continued)

Governmental Activities

Governmental activities increased Sonoma Water's net position by \$6,515,083 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

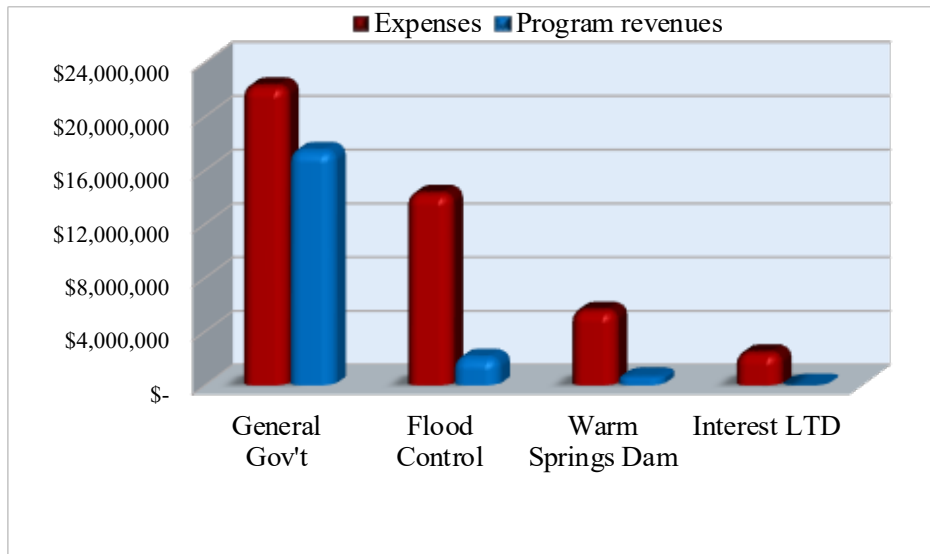
- Program revenues for the fiscal year ended June 30, 2020 increased by \$515,355 from the prior fiscal year. This increase consisted of an increase of \$992,204 in charges for services, a decrease of \$468,956 in operating grants and contributions, and a decrease of \$7,893 in capital grants and contributions.
- Charges for services for the fiscal year totaled \$15,181,833, representing an increase of \$992,204 from the prior year. This increase is primarily due to an increase in revenue related to the Nutrient Offset Program.
- Operating grants and contributions totaled \$5,016,803 for the fiscal year, a \$468,956 decrease from the prior fiscal year. This decrease is primarily due to decreased revenue related to back fill property tax losses that were a result of the 2017 wildfires.
- Property tax revenue totaled \$30,729,249, including \$9,136,310 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$1,877,620 from the prior fiscal year due to an increase in the assessed value of taxable property.
- Investment earnings of \$2,172,404 included \$1,242,808 in interest earnings on cash in the County Treasury Pool. Investment earnings decreased by \$1,422,629 from the prior fiscal year, primarily as a result of a decrease in the fair value of investments.
- Expenses for the General Government decreased by \$3,945,735 primarily due to a \$3,781,321 decrease in pension expense as well as a decrease in pass-through grant funding and a decrease in funding related to the operation and maintenance of outside sanitation districts.
- Expenses for Flood Control increased by \$1,805,440 primarily due to an increase in project costs including an increase in the Laguna de Santa Rosa project costs of \$592,239 and the Santa Rosa Creek Vortex Tube Structural Assessment project costs of \$356,189. In addition, channel and stream maintenance projects were more labor-intensive and equipment intensive due to heavy sediment loads.
- Warm Springs Dam expenses decreased by \$3,968,597 from the prior year, primarily due to a decrease of \$3,316,012 in project costs for habitat restoration projects in Dry Creek.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

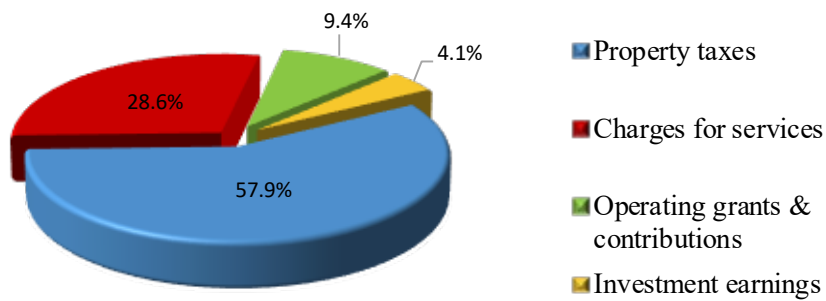
Government-wide Financial Analysis (continued)

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, 2020
(Unaudited)**

Government-wide Financial Analysis (continued)

Business-type Activities

Business-type activities increased Sonoma Water's net position by \$7,867,195. Key elements of Sonoma Water's business-type activities are identified below.

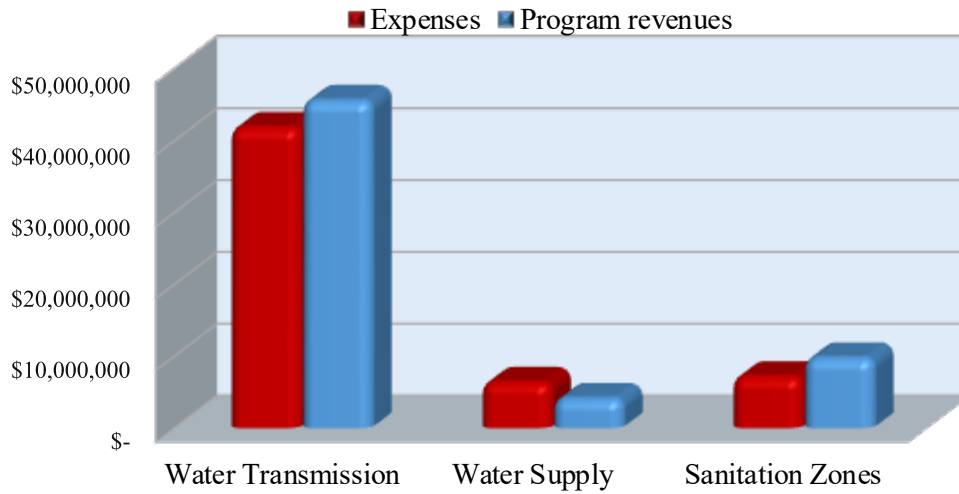
- Water sales revenue increased \$3,526,539 from the prior fiscal year. This increase was due to a 3.8% increase in total acre-feet sold and an average increase of 4.7% in water rates.
- Miscellaneous revenue increased \$1,837,898 due to an insurance reimbursement related to the 2019 floods.
- Operating grants and contributions for the fiscal year totaled \$1,537,635, representing an increase of \$1,114,347 from the prior year. This increase was primarily due to an increase in expenses and related funding for the Title XVI Water Smart grant which provides funding for North Bay Water Reuse projects as well as Federal disaster funding related to the 2019 floods.
- Capital grants and contributions totaled \$4,279,162 for the fiscal year, an increase of \$2,977,973 from the prior fiscal year. This increase was primarily due to securing contributions totaling \$2,790,550 from property owners participating in the Larkfield Estates sewer system construction loan program.
- Investment earnings for the fiscal year ended June 30, 2020 totaled \$1,746,998, representing a decrease of \$1,008,790 from the prior year. This decrease was primarily due to a \$1,226,935 decrease in the fair value of investments, offset by an increase of \$174,187 in interest earned on cash in the Treasury Pool due to higher cash balances.
- Expenses for Water Transmission totaled \$41,900,238, an increase of \$2,167,078 from the prior year. The increase was primarily due to a partial impairment of the Kawana-Ralphine Pipeline project totaling \$2,784,343 as well as an increase in electric utility costs. These increased costs were offset by reduced maintenance costs on the pumping caissons compared to the prior year.
- Water Supply expenses increased by \$1,357,834, primarily due to an increase of \$522,976 in pass-through grant funding for the Title XVI Water Smart grant as well as an increase of \$399,943 in PVP Relicensing Proceedings Feasibility Study project costs and an increase of \$378,245 in Lake Mendocino FIRO project costs.
- Sanitation expenses increased by \$342,394. The majority of the increase was related to increased treatment plant operating costs in the Airport-Larkfield-Wikiup (ALW) sanitation fund due to the implementation of process improvements.
- Transfers from Sonoma Water's General Fund totaling \$1,993,000 were received during the fiscal year ended June 30, 2020. More information on these transfers can be found in Note G to the financial statements.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

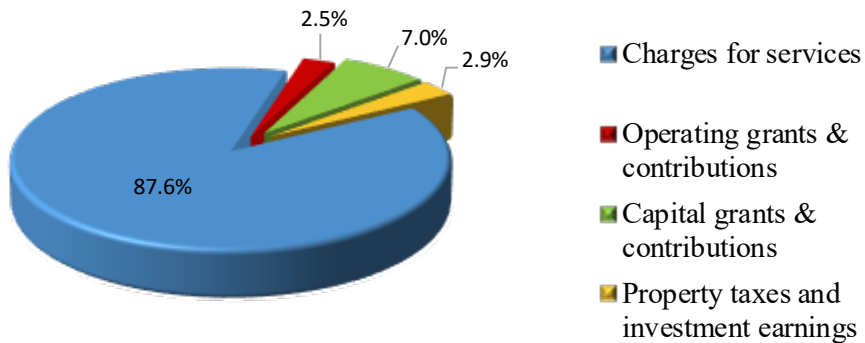
Government-wide Financial Analysis (continued)

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, 2020
(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, 2020, Sonoma Water's governmental funds reported combined ending fund balances of \$95,927,155, an increase of \$898,476 in comparison with the prior year. Approximately 9.9% of this total amount, \$9,503,527, 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 \$9,503,527. Assigned fund balance totaled \$9,321,534 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 \$229,509 due to prepaid items. Total fund balance for the General Fund as of June 30, 2020 was \$19,304,570.

The General Fund's fund balance increased by \$999,032 which represents a 5.5% increase in fund balance compared to the prior fiscal year. Some of the significant changes include a decrease in transfers to proprietary funds as well as a decrease in pass-through grant funding.

The special revenue funds, consisting of Flood Control and Warm Springs Dam, reported fiscal year end fund balances of \$26,791,320 and \$12,911,244, respectively, all of which is restricted fund balance. Warm Springs Dam had a significant increase in fund balance of \$3,226,521 which represents a 33.3% increase compared to the prior fiscal year, mainly due to a \$3,316,012 decrease in project costs for habitat restoration projects in Dry Creek compared to the prior year.

The Debt Service Fund had a total fund balance of \$36,920,021, all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance decreased by \$4,365,967 which represents a 10.6% decrease compared to the prior fiscal year, primarily due to principal and interest payments on long-term debt.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(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 \$5,328,045 to \$165,347,526, primarily due to lower than anticipated operating expenses including contract services and transfers out.

Water Supply net position decreased by \$600,857 to \$1,078,401, primarily due to a decrease in transfers in from the General Fund and an increase in operating expenses.

Sanitation net position increased by \$3,145,574 to \$26,537,921, primarily as a result of higher connection fees as well as an increase in contributions. The increase in connection fees was related to revenue recognized for connection fee loans for the new sewer system in the ALW sanitation zone. The increase in contributions was related to revenue recognized for construction loans for the new sewer system in the ALW sanitation zone.

Internal Service Fund net position decreased by \$5,567 to \$52,197,599 primarily as a result of reduced investment earnings.

Unrestricted net position of the Water Transmission Fund as of the fiscal year ended June 30, 2020 was \$58,387,782. The Water Supply Fund reported a deficit balance in unrestricted net position of \$905,473 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 \$5,497,077 and \$12,133,571, respectively.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget for Sonoma Water's General Fund reflected a \$6,196,292 increase in budgeted appropriations including an increase in contract services of \$3,582,462 and an increase in computer equipment and software of \$677,684. Budgeted revenues also increased by \$106,417 during the fiscal year ended June 30, 2020 which included an increase in charges for services.

General Fund property taxes exceeded budget by \$633,058 which is a result of a conservative approach towards property tax revenue. Investment earnings, intergovernmental revenue and miscellaneous revenue came in under budget, resulting in total revenues being under budget by \$6,149,056.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

General Fund Budgetary Highlights (continued)

General Fund total expenditures were below budget by \$17,477,896. The largest component was related to unspent appropriations in contract services which included \$2,309,854 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 transfers out, 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, 2020, was \$335,422,195 (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, 2020 included the completion of the following projects. (The amounts shown represent the total life-to-date construction costs of each project).

Business-type activities:

- Capital expansion within the Water Transmission Fund included:
Sonoma Booster Station Storage Building - \$964,874

Capital Assets
(net of accumulated depreciation and amortization)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020
Land	\$ 1,597,189	\$ 1,597,189	\$ 11,023,905	\$ 11,023,905	\$ 12,621,094	\$ 12,621,094
Land improvements	139,631	127,400	1,817,461	1,630,999	1,957,092	1,758,399
Construction in progress	1,357,010	1,798,156	15,311,675	18,148,541	16,668,685	19,946,697
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	2,453,283	2,289,682	481,414	481,414	2,934,697	2,771,096
Intangible asset - software	-	-	243,501	251,968	243,501	251,968
Infrastructure	28,714,883	27,266,600	124,595,725	119,330,837	153,310,608	146,597,437
Buildings and improvements	1,425,163	1,340,617	37,861,287	36,304,339	39,286,450	37,644,956
Machinery and equipment	681,464	611,145	5,916,005	5,852,008	6,597,469	6,463,153
Total capital assets	\$ 138,739,623	\$ 137,401,789	\$ 202,247,368	\$ 198,020,406	\$ 340,986,991	\$ 335,422,195

Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(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, 2020, Sonoma Water had a total of \$161,312,303 in outstanding long-term obligations.

Outstanding Current and Long-Term Obligations

	June 30,	June 30,	Change	
	2019	2020	\$	%
General obligation bonds	\$ 27,000	\$ -	\$ (27,000)	-100.0%
Capital lease obligations	2,514,660	1,833,511	(681,149)	-27.1%
Revenue bonds	34,148,329	43,550,525	9,402,196	27.5%
Advances from other governments	8,227,749	7,411,692	(816,057)	-9.9%
Federal contract payable	77,612,575	73,830,010	(3,782,565)	-4.9%
Compensated absences	2,434,372	2,882,363	447,991	18.4%
Net pension liability	30,624,597	14,111,946	(16,512,651)	-53.9%
Other postemployment benefits	17,639,292	17,692,256	52,964	0.3%
Total	\$ 173,228,574	\$ 161,312,303	\$(11,916,271)	-6.9%

Sonoma Water's total long-term obligations decreased by \$11,916,271 (6.9%) during the fiscal year ended June 30, 2020.

The outstanding total of general obligation bonds, capital lease obligations, advances from other governments, and federal contract payable decreased during the fiscal year ended June 30, 2020 due to regularly scheduled principal payments.

Revenue bonds payable increased by \$9,402,196 (27.5%) due to the issuance of the 2019 revenue bonds. The 2019 revenue bonds financed the acquisition and construction of improvements to the water transmission system, provided a reserve account for the 2019 bonds, and paid the costs of issuing the 2019 bonds.

Compensated absences liability increased by \$447,991 due to employees using less vacation leave than they earned and accrued.

Net pension liability decreased by \$16,512,651, primarily as a result of the favorable return on investments held in the trust to provide for the pension obligation.

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, 2020
(Unaudited)**

Economic Factors and Next Year's Budgets and Rates

As of June 30, 2020, unassigned fund balance in the General Fund was \$9,503,527. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$7,375,393 in the fiscal year ending June 30, 2021 reduces unassigned fund balance.

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

The coronavirus pandemic will affect Sonoma Water's revenues and expenditures during the fiscal year ending June 30, 2021. However, it is difficult to project the impact it will have during the year.

Intergovernmental revenue is expected to decrease for the year ending June 30, 2021 as a result of reduced contract service expenses and related State grant program funding 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 decrease as phases of the Russian River Biological Opinion projects near completion. Expenditures on capital projects are also expected to decrease as well due to decreased costs related to the Aqueduct Creek Crossing Hazard Mitigation projects.

Water sales and sanitation service revenues are expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2021 budget. Water rates increased by an average of 5.4% while sewer rates 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	\$ 818.51	\$ 818.51	\$ 818.51
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	135.26
Storage facility revenue bonds charge	24.28	24.28	24.28
Common facilities revenue bonds charge	97.16	97.16	97.16
Aqueduct capital charge	27.00	27.00	32.00
Total	\$ 966.95	\$ 966.95	\$ 1,107.21

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

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

Sewer Service Rate per Equivalent Single-Family Dwelling

Sanitation Zone	19/20	20/21	Change
Sea Ranch	\$ 1,200	\$ 1,242	3.5%
Penngrove	1,543	1,628	5.5%
Geyserville	1,099	1,158	5.4%
Airport-Larkfield-Wikiup	979	1,018	4.0%

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

Sanitation Zone	19/20	20/21	Change
Sea Ranch	605	607	0.3%
Penngrove	547	549	0.4%
Geyserville	357	359	0.6%
Airport-Larkfield-Wikiup	3,640	3,818	4.9%

Basic Financial Statements

Sonoma Water
Statement of Net Position
June 30, 2020

	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 76,126,929	\$ 85,336,462	\$ 161,463,391
Restricted cash and investments	-	2,755,844	2,755,844
Deposits with others	-	753,746	753,746
Accounts receivable	8,245,203	11,605,413	19,850,616
Prepaid items	229,512	180,687	410,199
Total current assets	<u>84,601,644</u>	<u>100,632,152</u>	<u>185,233,796</u>
Noncurrent assets:			
Restricted cash and investments	17,650,000	6,565,503	24,215,503
Accounts receivable	699,482	4,456,732	5,156,214
Reserves on deposit	-	922,585	922,585
Capital assets, net			
Land	1,597,189	11,023,905	12,621,094
Land improvements	127,400	1,630,999	1,758,399
Construction in progress	1,798,156	18,148,541	19,946,697
Intangible assets	104,660,682	5,729,777	110,390,459
Infrastructure	27,266,600	119,330,837	146,597,437
Buildings and improvements	1,340,617	36,304,339	37,644,956
Equipment	611,145	5,852,008	6,463,153
Total capital assets	<u>137,401,789</u>	<u>198,020,406</u>	<u>335,422,195</u>
Total noncurrent assets	<u>155,751,271</u>	<u>209,965,226</u>	<u>365,716,497</u>
Total assets	<u>240,352,915</u>	<u>310,597,378</u>	<u>550,950,293</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	4,104,981	-	4,104,981
Deferred amounts related to OPEB	2,905,520	-	2,905,520
Deferred amounts related to charge on refunding	-	500,685	500,685
Total deferred outflows of resources	<u>7,010,501</u>	<u>500,685</u>	<u>7,511,186</u>

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

Sonoma Water
Statement of Net Position (continued)
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	6,238,540	4,685,918	10,924,458
Due to other governments	-	460,097	460,097
Interest payable	1,587,345	21,205	1,608,550
Unearned revenue	85,949	528,664	614,613
Advances from other governments	-	416,597	416,597
Deposits from others	-	326,651	326,651
Capital lease obligations	-	585,469	585,469
Compensated absences	1,910,196	-	1,910,196
Long-term contracts payable	3,904,554	-	3,904,554
Total current liabilities payable from unrestricted assets	13,726,584	7,024,601	20,751,185
Current liabilities payable from restricted assets:			
Interest payable	-	761,236	761,236
Revenue bonds payable	-	2,158,886	2,158,886
Total current liabilities payable from restricted assets	-	2,920,122	2,920,122
Total current liabilities	13,726,584	9,944,723	23,671,307
Noncurrent liabilities:			
Unearned revenue	-	3,728,618	3,728,618
Advances from other governments	-	6,995,095	6,995,095
Capital lease obligations	-	1,248,042	1,248,042
Compensated absences	972,167	-	972,167
Revenue bonds payable	-	44,020,138	44,020,138
Long-term contracts payable	69,925,456	-	69,925,456
Net pension liability	14,111,946	-	14,111,946
Other postemployment benefits liability	17,692,256	-	17,692,256
Pollution remediation obligation	152,326	-	152,326
Total noncurrent liabilities	102,854,151	55,991,893	158,846,044
Total liabilities	116,580,735	65,936,616	182,517,351
Deferred Inflows of Resources			
Deferred amounts related to pensions	7,789,268	-	7,789,268
Deferred amounts related to OPEB	2,072,430	-	2,072,430
Total deferred inflows of resources	9,861,698	-	9,861,698
Net Position			
Net investment in capital assets	63,571,779	146,213,153	209,784,932
Restricted for:			
Flood control	26,816,382	-	26,816,382
Warm Springs Dam	48,243,920	-	48,243,920
Water management planning	-	762,717	762,717
Watershed planning and restoration	-	13,904,790	13,904,790
Recycled water and local supply	-	704,816	704,816
Water conservation	-	2,582,795	2,582,795
Debt service	-	4,167,540	4,167,540
Capital projects	-	790,094	790,094
Other purposes	250,000	922,585	1,172,585
Unrestricted (deficit)	(17,961,098)	75,112,957	57,151,859
Total net position	\$ 120,920,983	\$ 245,161,447	\$ 366,082,430

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

Sonoma Water
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and	Grants and			
		Contributions	Contributions	Activities	Activities		
Governmental activities:							
General government	\$ 9,703,136	\$ 2,657,350	\$ 3,073,885	\$ -	\$ (3,971,901)	\$ -	\$ (3,971,901)
Intergovernmental	12,587,202	11,744,802	-	-	(842,400)	-	(842,400)
Flood control	14,288,805	779,600	1,300,819	-	(12,208,386)	-	(12,208,386)
Warm Springs Dam	5,591,383	81	642,099	-	(4,949,203)	-	(4,949,203)
Interest on long-term debt	2,421,680	-	-	-	(2,421,680)	-	(2,421,680)
Total governmental activities	<u>44,592,206</u>	<u>15,181,833</u>	<u>5,016,803</u>	<u>-</u>	<u>(24,393,570)</u>	<u>-</u>	<u>(24,393,570)</u>
Business-type activities:							
Water transmission	41,900,238	44,692,393	586,415	388,101	-	3,766,671	3,766,671
Water supply	6,394,595	3,212,893	942,389	-	-	(2,239,313)	(2,239,313)
Sanitation	7,186,759	5,886,196	8,831	3,891,061	-	2,599,329	2,599,329
Total business-type activities	<u>55,481,592</u>	<u>53,791,482</u>	<u>1,537,635</u>	<u>4,279,162</u>	<u>-</u>	<u>4,126,687</u>	<u>4,126,687</u>
Total primary government	<u>\$ 100,073,798</u>	<u>\$ 68,973,315</u>	<u>\$ 6,554,438</u>	<u>\$ 4,279,162</u>	<u>(24,393,570)</u>	<u>4,126,687</u>	<u>(20,266,883)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					21,592,938	-	21,592,938
Property taxes, levied for debt service and assurances					9,136,310	510	9,136,820
Unrestricted investment earnings					2,172,405	1,746,998	3,919,403
Transfers					(1,993,000)	1,993,000	-
Total general revenues and transfers					<u>30,908,653</u>	<u>3,740,508</u>	<u>34,649,161</u>
Change in net position					6,515,083	7,867,195	14,382,278
Net position - beginning of year					114,405,900	237,294,252	351,700,152
Net position - end of year					<u>\$ 120,920,983</u>	<u>\$ 245,161,447</u>	<u>\$ 366,082,430</u>

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

**Sonoma Water
Balance Sheet
Governmental Funds
June 30, 2020**

	Special Revenue Funds				Total Governmental Funds
	General	Flood Control	Warm Springs		
			Dam	Debt Service	
Assets					
Cash and investments	\$ 16,810,063	\$ 26,626,727	\$ 13,168,112	\$ 19,522,027	\$ 76,126,929
Restricted cash and investments	250,000	-	-	17,400,000	17,650,000
Accounts receivable	6,435,213	1,764,891	744,581	-	8,944,685
Prepaid items	229,512	-	-	-	229,512
Total assets	\$ 23,724,788	\$ 28,391,618	\$ 13,912,693	\$ 36,922,027	\$ 102,951,126
Liabilities					
Accounts payable	\$ 3,813,093	\$ 1,421,992	\$ 1,001,449	\$ 2,006	\$ 6,238,540
Unearned revenue	85,032	917	-	-	85,949
Total liabilities	3,898,125	1,422,909	1,001,449	2,006	6,324,489
Deferred inflows of resources					
Unavailable revenue - intergovernmental	522,093	177,389	-	-	699,482
Total deferred inflows of resources	522,093	177,389	-	-	699,482
Fund balances					
Nonspendable	229,509	-	-	-	229,509
Restricted	250,000	26,791,320	12,911,244	36,920,021	76,872,585
Assigned	9,321,534	-	-	-	9,321,534
Unassigned	9,503,527	-	-	-	9,503,527
Total fund balances	19,304,570	26,791,320	12,911,244	36,920,021	95,927,155
Total liabilities, deferred inflows of resources and fund balances	\$ 23,724,788	\$ 28,391,618	\$ 13,912,693	\$ 36,922,027	\$ 102,951,126

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

Fund balances - total governmental funds	\$ 95,927,155
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	137,401,789
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds	699,482
Deferred outflows of resources are reported in the statement of net position but not reported in the funds	7,010,501
Some liabilities are not due and payable in the current period and therefore are not recorded in the funds:	
Interest payable	(1,587,345)
Compensated absences	(2,882,363)
Net pension liability	(14,111,946)
Other postemployment benefits liability	(17,692,256)
Pollution remediation obligation	(152,326)
Long-term contracts payable	(73,830,010)
Deferred inflows of resources are reported in the statement of net position but not reported in the funds	(9,861,698)
Net position of governmental activities	\$ 120,920,983

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, 2020

	Special Revenue Funds				Total Governmental Funds
	General	Flood Control	Warm Springs		
			Dam	Debt Service	
Revenues					
Property taxes	\$ 10,152,316	\$ 11,440,622	\$ 9,136,310	\$ -	\$ 30,729,248
Investment earnings	350,929	443,766	208,105	1,169,605	2,172,405
Intergovernmental	2,855,258	1,203,714	642,099	-	4,701,071
Charges for services	14,394,547	779,600	-	-	15,174,147
Miscellaneous	7,604	-	81	-	7,685
Total revenues	27,760,654	13,867,702	9,986,595	1,169,605	52,784,556
Expenditures					
Current:					
General government	12,238,391	-	-	-	12,238,391
Intergovernmental	12,587,202	-	-	-	12,587,202
Flood control	-	12,734,685	-	-	12,734,685
Warm Springs Dam	-	-	5,524,000	-	5,524,000
Capital outlay	3,029	94,127	426,074	-	523,230
Debt service:					
Principal	-	-	-	3,782,566	3,782,566
Interest and fiscal charges	-	-	-	2,503,006	2,503,006
Total expenditures	24,828,622	12,828,812	5,950,074	6,285,572	49,893,080
Excess (deficiency) of revenues over (under) expenditures	2,932,032	1,038,890	4,036,521	(5,115,967)	2,891,476
Other financing uses					
Transfers in	-	-	-	750,000	750,000
Transfers out	(1,933,000)	-	(810,000)	-	(2,743,000)
Total other financing uses	(1,933,000)	-	(810,000)	750,000	(1,993,000)
Net change in fund balances	999,032	1,038,890	3,226,521	(4,365,967)	898,476
Fund balances - beginning of year	18,305,538	25,752,430	9,684,723	41,285,988	95,028,679
Fund balances - end of year	\$ 19,304,570	\$ 26,791,320	\$ 12,911,244	\$ 36,920,021	\$ 95,927,155

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, 2020

Net change in fund balances - total governmental funds \$ 898,476

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	523,230
Depreciation expense	(1,861,062)

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. 3,782,566

Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the governmental funds. 315,730

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	81,325
Change in compensated absences	(447,991)
Change in accrued net pension liability	(17,777)
Change in other postemployment benefits liability	3,237,045
Change in pollution remediation obligation	3,541
	3,541

Change in net position of governmental activities	\$ 6,515,083
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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, 2020

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Assets					
Current assets:					
Cash and investments	\$ 68,215,857	\$ 2,470,815	\$ 9,013,405	\$ 79,700,077	\$ 5,636,385
Restricted cash and investments	2,380,520	-	375,324	2,755,844	-
Deposits with others	-	-	-	-	753,746
Accounts receivable	9,985,676	1,341,285	278,452	11,605,413	-
Prepaid items	4,716	4,648	1,403	10,767	169,920
Total current assets	80,586,769	3,816,748	9,668,584	94,072,101	6,560,051
Noncurrent assets:					
Restricted cash and investments	6,358,300	-	207,203	6,565,503	-
Accounts receivable	68,259	9,085	4,379,388	4,456,732	-
Advances to other funds	-	-	-	-	6,067,000
Reserves on deposit	-	-	-	-	922,585
Capital assets, net					
Land	7,066,430	-	1,621,444	8,687,874	2,336,031
Land improvements	-	1,127,511	-	1,127,511	503,488
Construction in progress	13,068,199	-	4,907,034	17,975,233	173,308
Intangible assets	5,501,074	113,841	68,551	5,683,466	46,311
Infrastructure	102,749,236	682,246	15,899,355	119,330,837	-
Buildings and improvements	3,399,215	-	-	3,399,215	32,905,124
Equipment	466,805	60,276	314,235	841,316	5,010,692
Total capital assets	132,250,959	1,983,874	22,810,619	157,045,452	40,974,954
Total noncurrent assets	138,677,518	1,992,959	27,397,210	168,067,687	47,964,539
Total assets	219,264,287	5,809,707	37,065,794	262,139,788	54,524,590
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	367,930	-	132,755	500,685	-

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

Sonoma Water
Statement of Net Position (continued)
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	2,149,464	792,345	1,604,255	4,546,064	139,854
Due to other governments	460,097	-	-	460,097	-
Interest payable	-	-	-	-	21,205
Unearned revenue	-	196,243	-	196,243	332,421
Advances from other governments	416,597	-	-	416,597	-
Deposits from others	4,230	14,100	308,321	326,651	-
Capital lease obligations	-	-	-	-	585,469
Total current liabilities payable from unrestricted assets	<u>3,030,388</u>	<u>1,002,688</u>	<u>1,912,576</u>	<u>5,945,652</u>	<u>1,078,949</u>
Current liabilities payable from restricted assets:					
Interest payable	745,709	-	15,527	761,236	-
Revenue bonds payable	<u>1,799,090</u>	-	<u>359,796</u>	<u>2,158,886</u>	-
Total current liabilities payable from restricted assets	<u>2,544,799</u>	-	<u>375,323</u>	<u>2,920,122</u>	-
Total current liabilities	<u>5,575,187</u>	<u>1,002,688</u>	<u>2,287,899</u>	<u>8,865,774</u>	<u>1,078,949</u>
Noncurrent liabilities:					
Unearned revenue	-	3,728,618	-	3,728,618	-
Advances from other governments	6,995,095	-	-	6,995,095	-
Capital lease obligations	-	-	-	-	1,248,042
Revenue bonds payable	41,714,409	-	2,305,729	44,020,138	-
Advances from other funds	-	-	6,067,000	6,067,000	-
Total noncurrent liabilities	<u>48,709,504</u>	<u>3,728,618</u>	<u>8,372,729</u>	<u>60,810,851</u>	<u>1,248,042</u>
Total liabilities	<u>54,284,691</u>	<u>4,731,306</u>	<u>10,660,628</u>	<u>69,676,625</u>	<u>2,326,991</u>
Net Position					
Net investment in capital assets	84,809,987	1,983,874	20,277,849	107,071,710	39,141,443
Restricted for:					
Water management planning	762,717	-	-	762,717	-
Watershed planning and restoration	13,904,790	-	-	13,904,790	-
Recycled water and local supply	704,816	-	-	704,816	-
Water conservation	2,386,800	-	195,995	2,582,795	-
Reserves on deposit	-	-	-	-	922,585
Debt service	3,600,540	-	567,000	4,167,540	-
Capital projects	790,094	-	-	790,094	-
Unrestricted (deficit)	<u>58,387,782</u>	<u>(905,473)</u>	<u>5,497,077</u>	<u>62,979,386</u>	<u>12,133,571</u>
Total net position	<u>\$ 165,347,526</u>	<u>\$ 1,078,401</u>	<u>\$ 26,537,921</u>	<u>192,963,848</u>	<u>\$ 52,197,599</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				<u>52,197,599</u>	
Net position of business-type activities				<u>\$ 245,161,447</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, 2020

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Operating Revenue					
Water sales	\$ 42,931,384	\$ 2,647,600	\$ -	\$ 45,578,984	\$ -
Water services	23,820	-	-	23,820	-
Power sales	26,385	-	-	26,385	4,481,826
Flat charges	-	-	5,229,015	5,229,015	-
Sanitation services	-	-	489,579	489,579	-
Equipment rental	-	-	-	-	2,439,072
Real estate rental	-	-	-	-	3,243,741
Miscellaneous	1,710,804	565,293	2,747	2,278,844	559
Total operating revenue	44,692,393	3,212,893	5,721,341	53,626,627	10,165,198
Operating Expenses					
Services and supplies	30,627,664	5,402,758	5,926,708	41,957,130	7,977,733
Depreciation and amortization	6,477,543	232,145	1,119,353	7,829,041	2,327,582
Total operating expenses	37,105,207	5,634,903	7,046,061	49,786,171	10,305,315
Operating Income (Loss)	7,587,186	(2,422,010)	(1,324,720)	3,840,456	(140,117)
Nonoperating Revenues (Expenses)					
Taxes and assessments	-	-	510	510	-
Investment earnings	1,435,059	36,314	94,364	1,565,737	181,261
Interest expense and debt issuance cost	(1,823,116)	-	(109,830)	(1,932,946)	(92,626)
Gain (loss) on disposal of capital assets	(2,785,600)	-	-	(2,785,600)	45,915
Real estate rental	-	-	164,855	164,855	-
Conservation program	-	-	(29,497)	(29,497)	-
Intergovernmental revenue	586,415	942,389	8,831	1,537,635	-
Grant pass-through	-	(760,550)	-	(760,550)	-
Total nonoperating revenue (expenses), net	(2,587,242)	218,153	129,233	(2,239,856)	134,550
Income (loss) before capital contributions and transfers	4,999,944	(2,203,857)	(1,195,487)	1,600,600	(5,567)
Capital contributions - connection fees	-	-	915,903	915,903	-
Capital contributions	388,101	-	2,975,158	3,363,259	-
Transfers in	-	1,603,000	450,000	2,053,000	-
Transfers out	(60,000)	-	-	(60,000)	-
Change in net position	5,328,045	(600,857)	3,145,574	7,872,762	(5,567)
Net position - beginning of year	160,019,481	1,679,258	23,392,347		52,203,166
Net position - end of year	\$ 165,347,526	\$ 1,078,401	\$ 26,537,921		\$ 52,197,599
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				(5,567)	
Change in net position of business-type activities				\$ 7,867,195	

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, 2020

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Water				
	Transmission	Water Supply	Sanitation	Total	
Cash flows from operating activities:					
Cash receipts from customers	\$ 40,974,793	\$ 3,057,148	\$ 5,714,034	\$ 49,745,975	\$ -
Cash receipts from interfund services provided	-	-	-	-	10,165,198
Cash payments for interfund services used	(19,267,090)	(2,284,343)	(3,494,185)	(25,045,618)	(2,224,858)
Cash payments to suppliers	(12,204,020)	(2,902,827)	(2,415,089)	(17,521,936)	(6,981,937)
Net cash provided by (used for) operating activities	<u>9,503,683</u>	<u>(2,130,022)</u>	<u>(195,240)</u>	<u>7,178,421</u>	<u>958,403</u>
Cash flows from noncapital financing activities:					
Taxes and assessments	-	-	510	510	-
Transfers in	-	1,603,000	300,000	1,903,000	-
Transfers out	(60,000)	-	-	(60,000)	-
Outflow for grant pass through	-	(805,547)	-	(805,547)	-
Intergovernmental receipts (payments)	(40,930)	904,895	13,648	877,613	-
Real estate rental	-	-	164,855	164,855	-
Conservation program	-	-	(29,497)	(29,497)	-
Net cash provided by (used for) noncapital financing activities	<u>(100,930)</u>	<u>1,702,348</u>	<u>449,516</u>	<u>2,050,934</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(4,085,974)	-	(3,599,689)	(7,685,663)	(1,211,683)
Proceeds from revenue bond issuance	11,010,000	-	-	11,010,000	-
Principal paid on general obligation and revenue bonds	(1,260,000)	-	(374,803)	(1,634,803)	-
Principal paid on capital leases	-	-	-	-	(681,148)
Principal paid on advances from other governments	(831,216)	-	-	(831,216)	-
Interest paid on long-term debt	(260,192)	-	(89,730)	(349,922)	(100,224)
Principal received on interfund borrowing	-	-	4,852,000	4,852,000	-
Proceeds from sale of capital assets	-	-	-	-	69,300
Connection fees	-	-	90,603	90,603	-
Capital contributions	82,061	-	196,930	278,991	-
Transfers in	-	-	150,000	150,000	-
Net cash provided by (used for) capital and related financing activities	<u>4,654,679</u>	<u>-</u>	<u>1,225,311</u>	<u>5,879,990</u>	<u>(1,923,755)</u>
Cash flows from investing activities:					
Interest received	1,435,059	36,314	94,365	1,565,738	181,260
Intrafund loans	-	-	-	-	(4,852,000)
Net cash provided by (used for) investing activities	<u>1,435,059</u>	<u>36,314</u>	<u>94,365</u>	<u>1,565,738</u>	<u>(4,670,740)</u>
Net increase (decrease) in cash and cash equivalents	15,492,491	(391,360)	1,573,952	16,675,083	(5,636,092)
Cash and cash equivalents - beginning of year	61,462,186	2,862,175	8,021,980	72,346,341	11,272,477
Cash and cash equivalents - end of year	<u>\$ 76,954,677</u>	<u>\$ 2,470,815</u>	<u>\$ 9,595,932</u>	<u>\$ 89,021,424</u>	<u>\$ 5,636,385</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 68,215,857	\$ 2,470,815	\$ 9,013,405	\$ 79,700,077	\$ 5,636,385
Restricted cash and investments	8,738,820	-	582,527	9,321,347	-
Cash and cash equivalents	<u>\$ 76,954,677</u>	<u>\$ 2,470,815</u>	<u>\$ 9,595,932</u>	<u>\$ 89,021,424</u>	<u>\$ 5,636,385</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 7,587,186	\$ (2,422,010)	\$ (1,324,720)	\$ 3,840,456	\$ (140,117)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	6,477,543	232,145	1,119,353	7,829,041	2,327,582
Change in assets and liabilities:					
Accounts receivable	(3,717,602)	40,501	(7,303)	(3,684,404)	-
Deposits from others	(250,000)	14,100	(119,489)	(355,389)	-
Other long-term assets	-	-	-	-	(98,623)
Prepaid items	26,114	988	3,968	31,070	(161,706)
Unearned revenue	-	(196,243)	-	(196,243)	-
Accounts payable and accrued expenses	(619,558)	200,497	132,951	(286,110)	(968,733)
Net cash provided by (used for) operating activities	<u>\$ 9,503,683</u>	<u>\$ (2,130,022)</u>	<u>\$ (195,240)</u>	<u>\$ 7,178,421</u>	<u>\$ 958,403</u>
Noncash investing, capital, or financing activities:					
Acquisition of capital assets through current liabilities	\$ 508,427	\$ -	\$ 56,266	\$ 564,693	\$ 8,958
Loss on disposal of capital assets	2,785,600	-	-	2,785,600	-
Capital contributions receivable	442,869	-	36,972	479,841	-
Grants receivable	1,274,175	103,036	4,370	1,381,581	-

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

Notes to the Basic Financial Statements

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020

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. 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, 2020

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 two categories: governmental funds and proprietary funds.

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

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, 2020

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note A. Summary of Significant Accounting Policies (continued)

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.

Prepaid Items

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

	Special Revenue				Total
	General Fund	Flood Control	Warm Springs Dam	Debt Service	
Nonspendable					
Prepaid items	\$ 229,509	\$ -	\$ -	\$ -	\$ 229,509
Restricted					
General government	250,000	-	-	-	250,000
Flood control	-	26,791,320	-	-	26,791,320
Warm Springs Dam	-	-	12,911,244	36,920,021	49,831,265
Assigned					
General government	4,077,516	-	-	-	4,077,516
Spring Lake Park	3,486,824	-	-	-	3,486,824
Water/wastewater loan	639,220	-	-	-	639,220
Energy & sustainability	1,117,974	-	-	-	1,117,974
Unassigned	9,503,527	-	-	-	9,503,527
Total	\$ 19,304,570	\$ 26,791,320	\$ 12,911,244	\$ 36,920,021	\$ 95,927,155

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, 2020

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, 2020 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) statement has been implemented for the fiscal year ending June 30, 2020:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides. The effective dates of future accounting standards described below have been modified based on GASB Statement No. 95.

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, 2021.

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, 2022.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note A. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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, 2021.

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, 2023.

GASB Statement No. 92, *Omnibus 2020*. Enhances comparability in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB statements. Effective for Sonoma Water's fiscal year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) with other reference rates. Effective for Sonoma Water's fiscal year ending June 30, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Improves financial reporting by (1) addressing issues related to public-private partnership arrangements and (2) providing guidance for accounting and financial reporting for availability payment arrangements. Effective for the fiscal year ending June 30, 2023.

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, 2020

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, 2020

Note C. Cash and Investments (continued)

Financial Statement Presentation

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 161,463,391
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	9,321,347
<u>Total cash and investments</u>	<u>\$ 188,434,738</u>

Cash and investments as of June 30, 2020 consist of the following:

County treasury pooled cash and investments:

Unrestricted	\$ 148,696,303
Cash and investments - guarantees	250,000
Cash and investments - restricted for debt service and capital projects	3,786,048

Nonpooled cash and investments:

Cash on hand	750
Unrestricted	5,908
Investments - US Treasury STRIPS	1,454,136
Investments - US Treasury STRIPS - restricted for collateral	17,400,000
Investments - SCEIP Bonds	10,794,995
Money market mutual funds	511,299
Money market mutual funds restricted for revenue bonds	5,535,299
<u>Total cash and investments</u>	<u>\$ 188,434,738</u>

As of June 30, 2020, Sonoma Water reported \$152,732,351 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2020 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 \$18,854,136 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 \$10,794,995 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, 2020

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, 2020, approximately 36.0 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 787 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)	\$ 152,732,351	\$ -	\$ -	\$ 152,732,351	\$ -
U.S. Treasury STRIPS	18,854,136	-	6,296,661	12,557,475	-
SCEIP Bonds	10,794,995	383,607	427,245	1,473,143	8,511,000
Money market mutual fund	6,046,598	6,046,598	-	-	-
Total	\$ 188,428,080	\$ 6,430,205	\$ 6,723,906	\$ 166,762,969	\$ 8,511,000

(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 (\$10,794,995) and U.S. Treasury STRIPS (\$18,854,136) 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, 2020

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	\$ 10,794,995	5.7%

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	\$ 152,732,351	\$ -	\$ -	\$ 152,732,351
U.S. Treasury STRIPS	N/A	18,854,136	18,854,136	-	-
SCEIP Bonds	N/A	10,794,995	-	-	10,794,995
Money market mutual fund	AAAm	6,046,598	-	6,046,598	-
Total		\$ 188,428,080	\$ 18,854,136	\$ 6,046,598	\$ 163,527,346

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, 2020

Note C. Cash and Investments (continued)

Fair Value Measurements (continued)

Sonoma Water has the following recurring fair value measurements as of June 30, 2020:

- 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	\$ 18,854,136	\$ 18,854,136	\$ -	\$ -
SCEIP Bonds	10,794,995	-	-	10,794,995
Total	\$ 29,649,131	\$ 18,854,136	\$ -	\$ 10,794,995

Note D. Accounts Receivable

Accounts receivable as of June 30, 2020 consists of the following:

	Current			Total Long-term
	Accounts Receivable	Inter-governmental	Total Current	
Governmental Activities:				
General Fund	\$ 1,031,263	\$ 4,881,856	\$ 5,913,119	\$ 522,093
Flood Control special revenue fund	779,600	807,903	1,587,503	177,389
Warm Springs Dam special revenue fund	-	744,581	744,581	-
Total Governmental Activities	\$ 1,810,863	\$ 6,434,340	\$ 8,245,203	\$ 699,482
Business-type Activities:				
Water Transmission enterprise fund	\$ 8,336,892	\$ 1,648,784	\$ 9,985,676	\$ 68,259
Water Supply enterprise fund	1,247,334	93,951	1,341,285	9,085
Sanitation enterprise fund	240,318	38,134	278,452	4,379,388
Total Business-Type Activities	\$ 9,824,544	\$ 1,780,869	\$ 11,605,413	\$ 4,456,732

Included in the accounts receivable amounts above are allowances for doubtful accounts of \$630,246 in business-type activities.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	July 1, 2019	Increases	Decreases	Transfers & Reclassification	June 30, 2020
<i>Governmental activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 1,597,189	\$ -	\$ -	\$ -	\$ 1,597,189
Construction in progress	15,367	3,029	-	-	18,396
Intangible assets:					
Intangible work in progress	1,341,643	438,117	-	-	1,779,760
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	46,441	-	-	919,960	966,401
Total capital assets, non-depreciable/amortizable	105,371,640	441,146	-	919,960	106,732,746
Capital assets, depreciable/amortizable:					
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	2,735,434	-	-	(919,960)	1,815,474
Equipment	1,584,446	82,082	-	-	1,666,528
Total capital assets, depreciable/amortizable	73,075,298	82,082	-	(919,960)	72,237,420
Less: accumulated depreciation/amortization for:					
Infrastructure	(36,119,214)	(1,448,283)	-	-	(37,567,497)
Buildings and improvements	(2,312,701)	(84,546)	-	-	(2,397,247)
Land improvements	(43,826)	(12,231)	-	-	(56,057)
Intangible assets	(328,592)	(163,601)	-	-	(492,193)
Equipment	(902,982)	(152,401)	-	-	(1,055,383)
Total accumulated depreciation/amortization	(39,707,315)	(1,861,062)	-	-	(41,568,377)
Total capital assets, depreciable/amortizable, net	33,367,983	(1,778,980)	-	(919,960)	30,669,043
Total capital assets, net	\$ 138,739,623	\$ (1,337,834)	\$ -	\$ -	\$ 137,401,789

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note E. Capital Assets (continued)

	July 1, 2019	Increases	Decreases	Transfers & Reclassification	June 30, 2020
<i>Business-type activities</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 11,023,905	\$ -	\$ -	\$ -	\$ 11,023,905
Construction in progress	14,659,748	7,359,904	(2,785,599)	(1,917,733)	17,316,320
Intangible assets:					
Intangible work in progress	651,927	306,976	-	(126,682)	832,221
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	481,414	-	-	-	481,414
Total capital assets, non-depreciable/amortizable	31,813,389	7,666,880	(2,785,599)	(2,044,415)	34,650,255
Capital assets, depreciable/amortizable:					
Infrastructure	258,561,756	150,845	(119,017)	1,950,335	260,543,919
Buildings and improvements	52,683,956	-	-	-	52,683,956
Land improvements	4,179,078	-	-	-	4,179,078
Intangible assets - software	1,795,826	-	-	47,499	1,843,325
Equipment	13,858,312	920,900	(428,533)	46,581	14,397,260
Total capital assets, depreciable/amortizable	331,078,928	1,071,745	(547,550)	2,044,415	333,647,538
Less: accumulated depreciation/amortization for:					
Infrastructure	(133,966,031)	(7,366,066)	119,015	-	(141,213,082)
Buildings and improvements	(14,822,669)	(1,556,948)	-	-	(16,379,617)
Land improvements	(2,361,617)	(186,462)	-	-	(2,548,079)
Intangible assets - software	(1,552,325)	(39,032)	-	-	(1,591,357)
Equipment	(7,942,307)	(1,008,115)	405,170	-	(8,545,252)
Total accumulated depreciation/amortization	(160,644,949)	(10,156,623)	524,185	-	(170,277,387)
Total capital assets, depreciable/amortizable, net	170,433,979	(9,084,878)	(23,365)	2,044,415	163,370,151
Total capital assets, net	\$ 202,247,368	\$ (1,417,998)	\$ (2,808,964)	\$ -	\$ 198,020,406

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note E. Capital Assets (continued)

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

Governmental activities:

General government	\$ 236,020
Flood control	1,557,660
Warm Springs dam	67,382
Total depreciation expense - governmental activities	\$ 1,861,062

Business-type activities:

Water Transmission	\$ 6,477,543
Water Supply	232,145
Sanitation	1,119,353
Internal Service Funds	2,327,582
Total depreciation expense - business type activities	\$ 10,156,623

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, 2020

Note F. Unearned Revenue (continued)

As of June 30, 2020, Sonoma Water reports the following unearned revenue balances:

<u>Governmental Activities:</u>	
Camping reservation fees for Spring Lake Park	\$ 80,403
Development and plan review fees	4,629
Cooperative agreement for lease of property for livestock grazing	917
<u>Total Governmental Activities</u>	<u>\$ 85,949</u>
<u>Business-Type Activities</u>	
Lump-sum payment under the MMWD supplemental water supply agreement	\$ 3,924,862
Funding for conforming Public Purpose Program energy projects	332,420
<u>Total Business-Type Activities</u>	<u>\$ 4,257,282</u>

Note G. Inter-fund Transactions

A summary of inter-fund activity as of and for the fiscal year ended June 30, 2020 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water Supply Fund	\$ 1,483,000	Funding for water supply projects
General Fund	Sanitation Fund	150,000	Funding for debt covenant requirements
General Fund	Sanitation Fund	300,000	Funding for treatment plan operations in the Penngrove Sanitation Zone
Warm Springs Dam	Debt Service	750,000	Funding for debt service payments
Warm Springs Dam	Water Supply Fund	60,000	Funding for water supply projects
Water Transmission Fund	Water Supply Fund	60,000	Funding for water supply projects
<u>Total inter-fund transfers</u>		<u>\$ 2,803,000</u>	

Advances from Other Funds

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.

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. 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 30 years. Repayment will be based on availability of funds at the end of each fiscal year.

On June 30, 2020, Sonoma Water entered into a MOA between the Equipment Facilities Fund and Airport-Larkfield-Wikiup Sanitation Fund to fund the construction phase of the Larkfield Estates sewer system. The Equipment Facilities Fund loaned the Airport-Larkfield-Wikiup Sanitation Fund \$4,852,000 for construction costs of the new sewer system. The loan term is 30 years. Repayment will be determined annually up to \$200,000 for up to 30 years.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note H. Long-Term Obligations

Governmental Activities

Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2020
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 73,830,010

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, 2020, vested vacation leave for Sonoma Water employees was \$2,882,363. The current portion of vested vacation leave was \$1,910,196 as of June 30, 2020. Compensated absences are generally liquidated by the General Fund.

Net Pension Liability:

As of June 30, 2020, Sonoma Water reported \$14,111,946 in net pension liability. Additional information about net pension liability can be found in Note K. Net pension liability is generally liquidated by the General Fund.

Other Postemployment Benefits Liability:

As of June 30, 2020, Sonoma Water reported \$17,692,256 in other postemployment benefits liability. Additional information about other postemployment benefits can be found in Note L. Other postemployment benefits liability is generally liquidated by the General Fund.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note H. Long-Term Obligations (continued)

Business-type Activities

Capital Lease Obligations:	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2020
Capital lease - SunTrust	2020	4.08%	\$ 2,750,000	\$ 122,255
Capital lease - City National Bank	2023	4.30%	\$ 5,835,000	1,711,256
Total capital lease obligations				\$ 1,833,511

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, 2020:

Buildings and improvements	\$ 16,894,345
Less: accumulated depreciation	(4,352,115)
Total	\$ 12,542,230

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note H. Long-Term Obligations (continued)

Business-type Activities (continued)

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2020
Water revenue bonds, 2019, series A	2039	3.00-5.00%	\$ 11,010,000	\$ 11,010,000
Add: deferred amount for unamortized premium				1,408,594
Water revenue bonds, 2015, series A and AT	2040	2.30 - 5.20%	\$ 23,865,000	21,050,000
Add: deferred amount for unamortized premium				821,322
Water revenue bonds, 2012, series A	2032	0.30-5.00%	\$ 12,265,000	8,825,000
Add: deferred amount for unamortized premium				398,583
Total water revenue bonds payable, net				\$ 43,513,499

In July 2019 Sonoma Water issued the Water Revenue Bonds 2019 Series A to finance facilities and improvements to increase the reliability and capacity of the 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.

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 \$40,885,000 and total scheduled interest payments of \$14,077,915. Principal and interest paid for the fiscal year ended June 30, 2020 totaled \$2,542,095.

The 2012, 2015 and the 2019 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, 2020

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, 2020
Sonoma County Water & Wastewater Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 2,665,525
Total water and wastewater revenue bonds payable				\$ 2,665,525

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, 2020, principal and interest paid on the Water and Wastewater Revenue Bonds totaled \$417,936.

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, 2020
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 7,411,692
Total advances from other governments				\$ 7,411,692

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 \$7,411,692 and total scheduled interest payments of \$1,019,683. During the year ended June 30, 2020, 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, 2020

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, 2020 is as follows:

	July 1, 2019	Additions/ Adjustments	Retirements	June 30, 2020	Amounts Due Within One Year
<u>Governmental activities:</u>					
Long-term contracts payable	\$ 77,612,575	\$ -	\$ (3,782,565)	\$ 73,830,010	\$ 3,904,554
Net pension liability	30,624,597	(12,653,250)	(3,859,401)	14,111,946	-
Other postemployment benefits	17,639,292	2,001,026	(1,948,062)	17,692,256	-
Compensated absences	2,434,372	2,530,988	(2,082,997)	2,882,363	1,910,196
Total governmental activities	128,310,836	(8,121,236)	(11,673,025)	108,516,575	5,814,750
<u>Business-type activities:</u>					
General obligation bonds - direct placement	27,000	-	(27,000)	-	-
Capital lease obligations:					
SunTrust	359,480	-	(237,225)	122,255	122,255
Municipal Finance	2,155,180	-	(443,924)	1,711,256	463,214
Water revenue bonds:					
Series 2012A	9,350,000	-	(525,000)	8,825,000	545,000
Deferred amount for unamortized premium	431,798	-	(33,215)	398,583	-
Series 2015A and AT	21,785,000	-	(735,000)	21,050,000	760,000
Deferred amount for unamortized premium	868,060	-	(46,738)	821,322	-
Series 2019A	-	11,010,000	-	11,010,000	340,000
Deferred amount for unamortized premium	-	1,482,731	(74,137)	1,408,594	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	3,013,329	-	(347,804)	2,665,525	359,796
Advances from other governments - direct borrowings:					
State Revolving Fund	8,227,749	-	(816,057)	7,411,692	416,597
Total business-type activities	46,217,596	12,492,731	(3,286,100)	55,424,227	3,006,862
Total	\$ 174,528,432	\$ 4,371,495	\$ (14,959,125)	\$ 163,940,802	\$ 8,821,612

Total additions and adjustments include 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 employer contributions to pension and OPEB funding, 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, 2020

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, 2020 (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
2021	\$ 3,904,554	\$ 2,381,018	\$ 6,285,572
2022	4,030,476	2,255,096	6,285,572
2023	4,160,459	2,125,113	6,285,572
2024	4,294,633	1,990,939	6,285,572
2025	4,433,135	1,852,438	6,285,573
2026-2030	24,404,678	7,023,179	31,427,857
2031-2035	28,602,075	2,825,782	31,427,857
Total long-term contracts payable	\$ 73,830,010	\$ 20,453,565	\$ 94,283,575

Business-type Activities

Capital lease obligations

Fiscal year ending June 30,	Principal	Interest	Total
2021	\$ 585,469	\$ 71,151	\$ 656,620
2022	483,348	48,525	531,873
2023	504,355	27,518	531,873
2024	260,339	5,597	265,936
Total capital leases	\$ 1,833,511	\$ 152,791	\$ 1,986,302

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note H. Long-Term Obligations (continued)

Business-type Activities (continued)

Water revenue bonds

Fiscal year ending June 30,	Principal	Interest	Total
2021	\$ 1,645,000	\$ 1,456,675	\$ 3,101,675
2022	1,725,000	1,381,656	3,106,656
2023	1,795,000	1,299,456	3,094,456
2024	1,885,000	1,216,506	3,101,506
2025	1,965,000	1,129,506	3,094,506
2026-2030	11,050,000	4,388,506	15,438,506
2031-2035	11,365,000	2,395,584	13,760,584
2036-2040	8,620,000	795,413	9,415,413
2041	835,000	14,613	849,613
Total water revenue bonds	\$ 40,885,000	\$ 14,077,915	\$ 54,962,915

Water and wastewater revenue bonds

Fiscal year ending June 30,	Principal	Interest	Total
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	391,417	23,294	414,711
2026-2027	804,040	18,899	822,939
Total water and wastewater revenue bonds	\$ 2,665,525	\$ 222,845	\$ 2,888,370

Advances from other governments

Fiscal year ending June 30,	Principal	Interest	Total
2021	\$ 416,596	\$ 103,519	\$ 520,115
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	924,560	115,672	1,040,232
2026-2029	3,445,881	195,195	3,641,076
Total advances from other governments	\$ 7,411,692	\$ 910,425	\$ 8,322,117

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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
2021	\$ 3,006,861	\$ 1,689,260	\$ 4,696,121
2022	3,420,274	1,669,198	5,089,472
2023	3,546,003	1,533,519	5,079,522
2024	3,421,692	1,395,317	4,817,009
2025	3,280,977	1,268,472	4,549,449
2026-2030	15,299,921	4,602,600	19,902,521
2031-2035	11,365,000	2,395,584	13,760,584
2036-2040	8,620,000	795,413	9,415,413
2041	835,000	14,613	849,613
Total business-type activities	\$ 52,795,728	\$ 15,363,976	\$ 68,159,704

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 is in contract to sell 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 there will need to be annual monitoring and soil removal on the back half of the property, as well as a deed restriction and long-term easement. However, the NC Regional Board and the City of Santa Rosa have not yet approved the work plan. Accordingly, costs are unknown at this time.

In accordance with GASB Statement No. 49, Sonoma Water has estimated its potential pollution remediation liability as of June 30, 2020 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, 2020 is \$152,326. 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, 2020

Note J. Net Position

Net position reported on the government-wide statement of net position as of June 30, 2020 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Land	\$ 1,597,189	\$ 11,023,905
Construction in progress	1,798,156	18,148,541
Intangible assets not being depreciated/amortized	103,337,401	5,477,809
Other capital assets, net of accumulated depreciation	30,669,043	163,370,151
Less: long-term debt outstanding	(73,830,010)	(55,424,227)
Plus: noncapital debt outstanding	-	3,116,289
Plus: deferred amount on refunding	-	500,685
	\$ 63,571,779	\$ 146,213,153

Note K. Employees' Retirement Plan

Plan Description

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

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

At December 31, 2019, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,250
Current active members	4,040
Inactive vested members	1,395
	10,685

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note K. Employees' Retirement Plan (continued)

Plan Description (continued)

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.

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

Funding Policy

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2020 were based on the Plan's valuation dated December 31, 2019. 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, 2020, Sonoma Water contributed \$3,930,580 or approximately 15.9% of covered payroll.

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

At June 30, 2020, Sonoma Water reported a liability of \$14,111,946 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 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, 2019, Sonoma Water's proportion was 6.23%, which was an increase of 0.03% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, Sonoma Water recognized a pension expense of \$3,948,357 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, 2020, 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, 2020

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	\$ 440,727	\$ 1,799,174
Changes in assumptions	993,215	-
Net difference between projected and actual earnings on retirement plan investments	-	5,360,920
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	692,229	629,174
Sonoma Water contributions subsequent to the measurement date	1,978,810	-
	\$ 4,104,981	\$ 7,789,268

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 \$1,978,810 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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
2021	\$ (1,832,577)
2022	(1,370,434)
2023	217,104
2024	(2,677,190)
	\$ (5,663,097)

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note K. Employees' Retirement Plan (continued)

Actuarial Assumptions

The total pension liability was determined based on the December 31, 2019 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2019
Measurement date:	December 31, 2019
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, 2019. 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 (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate.

	1% Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Sonoma Water's proportionate share of the net pension plan liability (asset)	\$ 36,683,135	\$ 14,111,946	\$ (4,640,273)

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note L. Other Postemployment Benefits (OPEB)

Plan Description

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

The County established an OPEB trust with the Public Agency Retirement Services (PARS) in 2008 to accumulate resources to fund future benefit payments of the Plan. The OPEB trust is reported in the County of Sonoma's Comprehensive Annual Financial Report (CAFR) and can be found 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. 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 \$2,050,877 for the year ended June 30, 2020. 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, 2020

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, 2020
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019

At June 30, 2020, Sonoma Water reported a liability of \$17,692,256 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, 2019, Sonoma Water's proportion was 7.05%. At June 30, 2020, Sonoma Water's proportion was 7.44%, an increase of 0.39%.

Actuarial Methods and Assumptions

The Net OPEB Liability (NOL) was measured as of June 30, 2019 and 2018 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2019 and 2018, respectively.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Entry Age Normal Cost Method
Inflation	2.75%
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.25%
Other assumptions	Analysis of actuarial experience per the January 1, 2015 through December 31, 2017 Actuarial Experience Study dated September 25, 2018 for the Sonoma County Employees' Retirement Association (SCERA)

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

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)

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Actuarial Methods and Assumptions (continued)

The County Health Plan medical trends for ages under 65 grade from 7.00% in 2019/2020 down to 4.50% over 5 years. The County Health Plan medical trends for ages over 65 grade from 5.75% in 2019/2020 down to 4.50% over 5 years. County Health Plan drug trends grade from 6.00% in 2019/2020 down to 4.50% over 3 years. HMO Medical/Drug trends grade from 6.25% in 2019/2020 down to 4.50% over 7 years. ASO fees assumed trend was 4.50% in 2019/2020 and 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
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, 2020

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% as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate as of June 30, 2019 assumed employer contributions of 8.8% of future open group payroll. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. As a result, the discount rate is equal to the assumed investment return of 6.50%.

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, 2019:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 19,633,641	\$ 17,692,256	\$ 16,009,873

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, 2019:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 17,235,996	\$ 17,692,256	\$ 18,187,985

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2019, 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, 2019, the average is 2.67 years.

For the year ended June 30, 2020 Sonoma Water recognized an OPEB expense of (\$1,186,168). At June 30, 2020, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,901	\$ 24,172
Changes in assumptions	-	1,842,550
Net difference between projected and actual earnings on OPEB plan investments	-	94,253
Changes in proportion and differences between contributions and proportionate share of contributions	709,953	111,455
Contributions subsequent to the measurement date	<u>2,135,666</u>	-
Total	<u>\$ 2,905,520</u>	<u>\$ 2,072,430</u>

The \$2,135,666 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

<u>Year Ended June 30</u>	<u>OPEB Expense</u>
2021	\$ (1,362,002)
2022	79,422
2023	(12,391)
2024	<u>(7,605)</u>
	<u>\$ (1,302,576)</u>

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 Sonoma Water's contribution was \$282,217.

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 \$19,500 per calendar year.

Note N. Related Party Transactions

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 is as follows:

Occidental County Sanitation District	\$ 925,526
Russian River County Sanitation District	3,347,998
Sonoma Valley County Sanitation District	8,249,469
South Park County Sanitation District	82,470
	\$ 12,605,463

In addition, Occidental County Sanitation District paid Sonoma Water \$135,337 under an agreement for sewer treatment services during the fiscal year ended June 30, 2020. During the fiscal year ended June 30, 2020, Sonoma Water provided the Occidental County Sanitation District and the Russian River County Sanitation District \$492,400 and \$350,000, respectively, in intergovernmental funding to assist the Districts in meeting operating and construction expenses.

Sonoma Water is one of fifteen water districts and irrigation districts which participate in the Power and Water Resources Pooling Authority (PWRPA). PWRPA was established in 2004 to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. Because the PWRPA Board of Directors is made up of representatives from the participating districts, PWRPA is a jointly governed organization. During the fiscal year ending June 30, 2020, Sonoma Water recognized a \$98,623 increase in reserves on deposit with PWRPA. The reserves on deposit balance, which is adjusted annually based on Sonoma Water’s proportionate share of energy use averaged over five years, represents a long-term restricted asset.

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, 2020

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 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, 2020. The projects include expansion and/or improvements of several water transmission, water storage and wastewater treatment facilities. As of June 30, 2020, Sonoma Water's commitments to construction projects are as follows:

	Spent-to-Date	Remaining Commitment
Water transmission facilities	\$ 13,068,199	\$ 5,219,316
Sanitation facilities	4,907,034	1,563,173
Internal service facilities	173,308	1,061,977
Total	<u>\$ 18,148,541</u>	<u>\$ 7,844,466</u>

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020:

	Remaining Commitment
General fund	\$ 4,153,816
Flood control	2,319,597
Warm Springs Dam	2,103,219
Water transmission	5,144,189
Water supply	2,059,055
Sanitation	317,042
Internal service funds	312,590
	\$ 16,409,508

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, 2020

Note P. Commitments and Contingencies (continued)

Other Regulatory Matters

In September 2008, the National Marine Fisheries Service issued a “Biological Opinion” analyzing the impact of Sonoma Water’s existing water supply activities 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.

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.

Other Contingencies

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Sonoma Water operates. While it is unknown how long these conditions will last and what the complete financial effect will be to Sonoma Water, the outbreak has not had a material adverse impact to Sonoma Water's operations to date. However, the future impact of the outbreak is highly uncertain and cannot be predicted. Accordingly, there is no assurance that the outbreak will not have a material adverse impact on in the future.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note Q. Economic Dependence

Four major customers purchased water from Sonoma Water during the fiscal year ended June 30, 2020. Water sales revenue for the fiscal year ended June 30, 2020 and accounts receivable as of June 30, 2020 associated with those customers are as follows:

	Water Sales	% of Total Water Sales
City of Santa Rosa	\$ 16,513,341	36.2%
City of Petaluma	7,072,168	15.5%
Marin Municipal Water District	7,208,447	15.8%
North Marin Water District	5,496,318	12.1%
	<u>\$ 36,290,274</u>	<u>79.6%</u>

	Accounts Receivable	% of Total Accounts Receivable
City of Santa Rosa	\$ 4,951,322	44.0%
Marin Municipal Water District	2,273,916	20.2%
North Marin Water District	1,589,470	14.1%
City of Petaluma	1,079,218	9.6%
	<u>\$ 9,893,926</u>	<u>87.9%</u>

Required Supplementary Information

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

Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Sonoma Water's proportionate share of net pension liability							
Sonoma Water's proportion of the net pension liability	6.2%	6.2%	5.7%	6.0%	5.9%	5.8%	5.6%
Sonoma Water's proportionate share of the net pension liability	\$ 14,111,946	\$ 30,624,597	\$ 9,689,254	\$ 23,601,397	\$ 24,444,642	\$ 12,464,325	\$ 13,632,777
Sonoma Water's covered payroll	\$ 24,038,946	\$ 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	58.7%	127.7%	41.4%	106.3%	119.1%	66.7%	75.6%
Plan fiduciary net position as a percentage of the total pension liability	92.3%	83.5%	94.0%	85.9%	84.6%	90.9%	89.8%
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	
Sonoma Water's pension contributions							
Actuarially determined contribution	\$ 3,930,580	\$ 4,002,478	\$ 3,946,189	\$ 3,581,629	\$ 4,481,365	\$ 3,713,006	
Contributions in relation to the actuarially determined contribution	<u>3,930,580</u>	<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>	<u>\$ -</u>	
Sonoma Water's covered payroll	\$ 24,760,206	\$ 24,860,064	\$ 23,254,523	\$ 23,047,478	\$ 21,683,256	\$ 18,431,295	
Contributions as a percentage of covered payroll	15.9%	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*

	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Sonoma Water's proportionate share of the net OPEB liability				
Sonoma Water's proportion of the net OPEB liability	7.4%	7.0%	7.2%	7.1%
Sonoma Water's proportionate share of the net OPEB liability	\$ 17,692,256	\$ 17,639,292	\$ 24,082,900	\$ 26,233,147
Sonoma Water's covered payroll	\$ 24,381,023	\$ 23,254,523	\$ 23,047,478	\$ 21,680,235
Sonoma Water's proportionate share of the OPEB liability as a percentage of its covered payroll	72.6%	75.9%	104.5%	121.0%
Plan fiduciary net position as a percentage of the total OPEB liability	21.7%	18.8%	12.9%	10.3%

The amounts presented for each fiscal year were determined as of June 30, one year prior to the end of 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, 2020**

	<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>
Revenues				
Property taxes	\$ 9,519,258	\$ 9,519,258	\$ 10,152,316	\$ 633,058
Investment earnings	411,200	411,200	350,929	(60,271)
Intergovernmental	9,367,650	9,367,650	2,855,258	(6,512,392)
Charges for services	14,023,185	14,129,602	14,394,547	264,945
Miscellaneous	482,000	482,000	7,604	(474,396)
Total revenues	<u>33,803,293</u>	<u>33,909,710</u>	<u>27,760,654</u>	<u>(6,149,056)</u>
Expenditures				
Current:				
General government	22,138,798	27,332,701	11,096,963	16,235,738
Intergovernmental	12,550,000	12,642,400	12,587,202	55,198
Capital outlay	300,000	886,989	29	886,960
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>35,288,798</u>	<u>41,162,090</u>	<u>23,684,194</u>	<u>17,477,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,485,505)</u>	<u>(7,252,380)</u>	<u>4,076,460</u>	<u>11,328,840</u>
Other Financing Uses				
Transfers out	<u>(2,010,000)</u>	<u>(2,333,000)</u>	<u>(1,933,000)</u>	<u>400,000</u>
Net changes in fund balance	<u>\$ (3,495,505)</u>	<u>\$ (9,585,380)</u>	2,143,460	<u>\$ 11,728,840</u>
GAAP basis difference - encumbrances			(1,144,428)	
Fund balance - beginning of year			<u>18,305,538</u>	
Fund balance - end of year			<u>\$ 19,304,570</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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 10,299,286	\$ 10,299,286	\$ 11,440,622	\$ 1,141,336
Investment earnings	308,845	308,845	443,766	134,921
Intergovernmental	69,120	234,120	1,203,714	969,594
Charges for services	-	-	779,600	779,600
Total revenues	10,677,251	10,842,251	13,867,702	3,025,451
Expenditures				
Current:				
Flood control	8,800,400	15,807,532	11,213,667	4,593,865
Capital outlay	170,000	370,000	94,127	275,873
Total expenditures	8,970,400	16,177,532	11,307,794	4,869,738
Excess (deficiency) of revenues over (under) expenditures	1,706,851	(5,335,281)	2,559,908	7,895,189
Net changes in fund balance	\$ 1,706,851	\$ (5,335,281)	2,559,908	\$ 7,895,189
GAAP basis difference - encumbrances			(1,521,018)	
Fund balance - beginning of year			25,752,430	
Fund balance - end of year			\$ 26,791,320	

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, 2020

	<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>
Revenues				
Property taxes	\$ 7,455,913	\$ 7,455,913	\$ 9,136,310	\$ 1,680,397
Investment earnings	95,000	95,000	208,105	113,105
Intergovernmental	695,402	695,402	642,099	(53,303)
Miscellaneous	-	-	81	81
Total revenues	<u>8,246,315</u>	<u>8,246,315</u>	<u>9,986,595</u>	<u>1,740,280</u>
Expenditures				
Current:				
Warm Springs Dam	5,954,755	14,400,843	4,746,246	9,654,597
Capital outlay	<u>305,330</u>	<u>764,067</u>	<u>418,406</u>	<u>345,661</u>
Total expenditures	<u>6,260,085</u>	<u>15,164,910</u>	<u>5,164,652</u>	<u>10,000,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,986,230</u>	<u>(6,918,595)</u>	<u>4,821,943</u>	<u>11,740,538</u>
Other Financing Sources				
Transfers out	-	(810,000)	(810,000)	-
Net changes in fund balance	<u>\$ 1,986,230</u>	<u>\$ (7,728,595)</u>	4,011,943	<u>\$ 11,740,538</u>
GAAP basis difference - encumbrances			(785,422)	
Fund balance - beginning of year			<u>9,684,723</u>	
Fund balance - end of year			<u>\$ 12,911,244</u>	

Sonoma Water
Note to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

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, 2020

	<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>
Revenues				
Investment earnings	\$ 701,317	\$ 701,317	\$ 1,169,605	\$ 468,288
Total revenues	<u>701,317</u>	<u>701,317</u>	<u>1,169,605</u>	<u>468,288</u>
Expenditures				
Current:				
Debt service	<u>6,403,749</u>	<u>6,403,749</u>	<u>6,285,572</u>	<u>118,177</u>
Total expenditures	<u>6,403,749</u>	<u>6,403,749</u>	<u>6,285,572</u>	<u>118,177</u>
Deficiency of revenues under expenditures	<u>(5,702,432)</u>	<u>(5,702,432)</u>	<u>(5,115,967)</u>	<u>586,465</u>
Other Financing Sources Uses				
Transfers in	<u>-</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ (5,702,432)</u>	<u>\$ (4,952,432)</u>	<u>(4,365,967)</u>	<u>\$ 586,465</u>
GAAP basis difference - encumbrances			-	
Fund balance - beginning of year			<u>41,285,988</u>	
Fund balance - end of year			<u>\$ 36,920,021</u>	

* See Note to Required Supplementary Information on page 98.

Sonoma Water
Combining Balance Sheet
Flood Control Special Revenue Funds
June 30, 2020

	Flood Control Funds			
	Zone 1A	Zone 2A	Zone 3A	
	Laguna Mark	Petaluma	Valley of the	Zone 5A
	West	Basin	Moon	Lower Russian
Assets				
Cash and investments	\$ 8,141,016	\$ 8,473,427	\$ 5,479,231	\$ 1,605,107
Accounts receivable	<u>977,673</u>	<u>764,875</u>	<u>18,969</u>	<u>3,374</u>
Total assets	<u>\$ 9,118,689</u>	<u>\$ 9,238,302</u>	<u>\$ 5,498,200</u>	<u>\$ 1,608,481</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 542,086	\$ 803,400	\$ 71,878	\$ 4,628
Unearned revenue	<u>-</u>	<u>917</u>	<u>-</u>	<u>-</u>
Total liabilities	542,086	804,317	71,878	4,628
Deferred inflows of resources:				
Unavailable revenue - intergovernmental	<u>84</u>	<u>175,432</u>	<u>1,873</u>	<u>-</u>
Total deferred inflows of resources	84	175,432	1,873	-
Fund balances:				
Restricted	<u>8,576,519</u>	<u>8,258,553</u>	<u>5,424,449</u>	<u>1,603,853</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,118,689</u>	<u>\$ 9,238,302</u>	<u>\$ 5,498,200</u>	<u>\$ 1,608,481</u>

**Sonoma Water
Combining Balance Sheet
Flood Control Special Revenue Funds
June 30, 2020**

Flood Control Funds		
Zone 7A		
North Coast	Zone 8A South Coast	Total Flood Control Funds
\$ 79,955	\$ 2,847,991	\$ 26,626,727
-	-	1,764,891
\$ 79,955	\$ 2,847,991	\$ 28,391,618
\$ -	\$ -	\$ 1,421,992
-	-	917
-	-	1,422,909
-	-	177,389
-	-	177,389
79,955	2,847,991	26,791,320
\$ 79,955	\$ 2,847,991	\$ 28,391,618

Assets

Cash and investments
Accounts receivable
Total assets

Liabilities, deferred inflows of resources and fund balances

Liabilities:

Accounts payable
Unearned revenue
Total liabilities

Deferred inflows of resources:

Unavailable revenue
Total deferred inflows of resources

Fund balances:

Restricted

Total liabilities, deferred inflows of resources and fund balances

Sonoma Water
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Flood Control Special Revenue Funds
For the Fiscal Year Ended June 30, 2020

	Flood Control Funds			
	Zone 1A	Zone 2A	Zone 3A	
	Laguna Mark	Petaluma	Valley of the	Zone 5A
	West	Basin	Moon	Lower Russian
Revenues				
Property taxes	\$ 7,517,464	\$ 2,118,074	\$ 1,340,072	\$ 266,170
Investment earnings	131,167	143,910	92,167	27,131
Intergovernmental	300,117	884,392	12,930	5,033
Charges for services	<u>779,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>8,728,348</u>	<u>3,146,376</u>	<u>1,445,169</u>	<u>298,334</u>
Expenditures				
Services and supplies	8,360,360	3,049,953	775,365	394,770
Capital outlay	<u>85,757</u>	<u>-</u>	<u>8,370</u>	<u>-</u>
Total expenditures	<u>8,446,117</u>	<u>3,049,953</u>	<u>783,735</u>	<u>394,770</u>
Net change in fund balances	282,231	96,423	661,434	(96,436)
Fund balances - beginning of year	<u>8,294,288</u>	<u>8,162,130</u>	<u>4,763,015</u>	<u>1,700,289</u>
Fund balances - end of year	<u>\$ 8,576,519</u>	<u>\$ 8,258,553</u>	<u>\$ 5,424,449</u>	<u>\$ 1,603,853</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, 2020

<u>Flood Control Funds</u>			
Zone 7A			
<u>North</u>	<u>Zone 8A South</u>	<u>Total Flood</u>	
<u>Coast</u>	<u>Coast</u>	<u>Control Funds</u>	
\$ -	\$ 198,842	\$ 11,440,622	Revenues
1,380	48,011	443,766	Property taxes
-	1,242	1,203,714	Investment earnings
-	-	779,600	Intergovernmental
<u>1,380</u>	<u>248,095</u>	<u>13,867,702</u>	Charges for services
			Total revenues
			Expenditures
162	154,075	12,734,685	Services and supplies
-	-	94,127	Capital outlay
<u>162</u>	<u>154,075</u>	<u>12,828,812</u>	Total expenditures
			Net change in fund balances
1,218	94,020	1,038,890	
<u>78,737</u>	<u>2,753,971</u>	<u>25,752,430</u>	Fund balances - beginning of year
			Fund balances - end of year
<u>\$ 79,955</u>	<u>\$ 2,847,991</u>	<u>\$ 26,791,320</u>	

Sonoma Water
Combining Statement of Net Position
Sanitation Enterprise Funds
June 30, 2020

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Assets					
Current assets:					
Cash and investments	\$ 1,140,866	\$ 1,242,848	\$ 204,458	\$ 6,425,233	\$ 9,013,405
Restricted cash and investments	-	-	-	375,324	375,324
Accounts receivable	10,125	40,010	18,615	209,702	278,452
Prepaid items	-	141	-	1,262	1,403
Total current assets	<u>1,150,991</u>	<u>1,282,999</u>	<u>223,073</u>	<u>7,011,521</u>	<u>9,668,584</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	207,203	207,203
Accounts receivable	16,257	12,904	27,737	4,322,490	4,379,388
Capital assets, net					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	-	510,700	-	4,396,334	4,907,034
Intangible assets	2,472	2,639	2,541	60,899	68,551
Infrastructure	173,921	706,222	821,458	14,197,754	15,899,355
Equipment	85,756	3,553	856	224,070	314,235
Total capital assets	<u>262,149</u>	<u>1,223,114</u>	<u>931,068</u>	<u>20,394,288</u>	<u>22,810,619</u>
Total noncurrent assets	<u>278,406</u>	<u>1,236,018</u>	<u>958,805</u>	<u>24,923,981</u>	<u>27,397,210</u>
Total assets	<u>1,429,397</u>	<u>2,519,017</u>	<u>1,181,878</u>	<u>31,935,502</u>	<u>37,065,794</u>
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	-	-	-	132,755	132,755
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	56,801	575,533	5,918	966,003	1,604,255
Deposits from others	-	-	-	308,321	308,321
Total current liabilities payable from unrestricted assets	<u>56,801</u>	<u>575,533</u>	<u>5,918</u>	<u>1,274,324</u>	<u>1,912,576</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	15,527	15,527
Revenue bonds payable	-	-	-	359,796	359,796
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,323</u>	<u>375,323</u>
Total current liabilities	<u>56,801</u>	<u>575,533</u>	<u>5,918</u>	<u>1,649,647</u>	<u>2,287,899</u>
Noncurrent liabilities:					
Advances from Other Funds	-	-	-	6,067,000	6,067,000
Revenue bonds payable	-	-	-	2,305,729	2,305,729
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,372,729</u>	<u>8,372,729</u>
Total liabilities	<u>56,801</u>	<u>575,533</u>	<u>5,918</u>	<u>10,022,376</u>	<u>10,660,628</u>
Net Position					
Net invested in capital assets	262,149	1,223,114	931,068	17,861,518	20,277,849
Restricted for debt service	-	-	-	567,000	567,000
Restricted for water conservation	-	-	-	195,995	195,995
Unrestricted	1,110,447	720,370	244,892	3,421,368	5,497,077
Total net position	<u>\$ 1,372,596</u>	<u>\$ 1,943,484</u>	<u>\$ 1,175,960</u>	<u>\$ 22,045,881</u>	<u>\$ 26,537,921</u>

Sonoma Water
Combining Statement of Revenues, Expenses, and Changes in Net Position
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	<u>Sanitation Funds</u>				Total Sanitation Funds
	<u>Sea Ranch</u>	<u>Penngrove</u>	<u>Geyserville</u>	<u>Airport Larkfield Wikiup</u>	
Operating Revenue					
Flat charges	\$ 726,888	\$ 830,103	\$ 384,881	\$ 3,287,143	\$ 5,229,015
Sanitation services	300	15,209	8,229	465,841	489,579
Miscellaneous	-	-	-	2,747	2,747
Total operating revenue	<u>727,188</u>	<u>845,312</u>	<u>393,110</u>	<u>3,755,731</u>	<u>5,721,341</u>
Operating Expenses					
Services and supplies	655,519	844,341	421,960	4,004,888	5,926,708
Depreciation and amortization	31,509	49,532	43,521	994,791	1,119,353
Total operating expenses	<u>687,028</u>	<u>893,873</u>	<u>465,481</u>	<u>4,999,679</u>	<u>7,046,061</u>
Operating income (loss)	<u>40,160</u>	<u>(48,561)</u>	<u>(72,371)</u>	<u>(1,243,948)</u>	<u>(1,324,720)</u>
Nonoperating Revenues (Expenses)					
Taxes and assessments	-	5	505	-	510
Investment earnings	18,224	11,592	3,313	61,235	94,364
Interest expense and debt issuance cost	-	-	(675)	(109,155)	(109,830)
Real estate rental	-	-	-	164,855	164,855
Conservation program	(79)	(156)	(78)	(29,184)	(29,497)
Intergovernmental revenue	4,194	-	774	3,863	8,831
Total nonoperating revenue (expenses), net	<u>22,339</u>	<u>11,441</u>	<u>3,839</u>	<u>91,614</u>	<u>129,233</u>
Income (loss) before capital contributions and transfers	62,499	(37,120)	(68,532)	(1,152,334)	(1,195,487)
Capital contributions - connection fees	-	3,236	3,923	908,744	915,903
Capital contributions	-	33,763	150,845	2,790,550	2,975,158
Transfers in	-	300,000	-	150,000	450,000
Change in net position	62,499	299,879	86,236	2,696,960	3,145,574
Net position - beginning of year	<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>
Net position - end of year	<u>\$ 1,372,596</u>	<u>\$ 1,943,484</u>	<u>\$ 1,175,960</u>	<u>\$ 22,045,881</u>	<u>\$ 26,537,921</u>

Sonoma Water
Combining Statement of Cash Flows
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport	
				Larkfield Wikiup	
Cash flows from operating activities:					
Cash receipts from customers	\$ 719,965	\$ 858,947	\$ 380,455	\$ 3,754,667	\$ 5,714,034
Cash payments for interfund services used	(106,070)	(249,963)	(294,932)	(2,843,220)	(3,494,185)
Cash payments to suppliers	(629,790)	(415,567)	(128,901)	(1,240,831)	(2,415,089)
Net cash provided by (used for) operating activities	<u>(15,895)</u>	<u>193,417</u>	<u>(43,378)</u>	<u>(329,384)</u>	<u>(195,240)</u>
Cash flows from noncapital financing activities:					
Taxes and assessments	-	5	505	-	510
Transfers in	-	150,000	-	150,000	300,000
Intergovernmental receipts	3,775	66	697	9,110	13,648
Real estate rental	-	-	-	164,855	164,855
Conservation program	(79)	(156)	(78)	(29,184)	(29,497)
Net cash provided by noncapital financing activities	<u>3,696</u>	<u>149,915</u>	<u>1,124</u>	<u>294,781</u>	<u>449,516</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(149,231)	(272,875)	(3,177,583)	(3,599,689)
Principal paid on general obligation and revenue bonds	-	-	(27,000)	(347,803)	(374,803)
Interest paid on long-term debt	-	-	(675)	(89,055)	(89,730)
Intrafund loans	-	-	-	4,852,000	4,852,000
Capital contributions	-	4,435	150,845	41,650	196,930
Connection fees	-	3,236	3,923	83,444	90,603
Transfers in	-	150,000	-	-	150,000
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>8,440</u>	<u>(145,782)</u>	<u>1,362,653</u>	<u>1,225,311</u>
Cash flows from investing activities:					
Interest received	18,225	11,592	3,313	61,235	94,365
Net cash provided by investing activities	<u>18,225</u>	<u>11,592</u>	<u>3,313</u>	<u>61,235</u>	<u>94,365</u>
Net increase (decrease) in cash and cash equivalents	6,026	363,364	(184,723)	1,389,285	1,573,952
Cash and cash equivalents - beginning of year	1,134,840	879,484	389,181	5,618,475	8,021,980
Cash and cash equivalents - end of year	<u>\$ 1,140,866</u>	<u>\$ 1,242,848</u>	<u>\$ 204,458</u>	<u>\$ 7,007,760</u>	<u>\$ 9,595,932</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 1,140,866	\$ 1,242,848	\$ 204,458	\$ 6,425,233	\$ 9,013,405
Restricted cash and investments	-	-	-	582,527	582,527
Cash and cash equivalents	<u>\$ 1,140,866</u>	<u>\$ 1,242,848</u>	<u>\$ 204,458</u>	<u>\$ 7,007,760</u>	<u>\$ 9,595,932</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 40,160	\$ (48,561)	\$ (72,371)	\$ (1,243,948)	\$ (1,324,720)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	31,509	49,532	43,521	994,791	1,119,353
Change in assets and liabilities:					
Accounts receivable	(7,221)	13,636	(12,655)	(1,063)	(7,303)
Deposits from others	-	-	-	(119,489)	(119,489)
Prepaid items	-	5,120	-	(1,152)	3,968
Accounts payable and accrued expenses	(80,343)	173,690	(1,873)	41,477	132,951
Net cash provided by (used for) operating activities	<u>\$ (15,895)</u>	<u>\$ 193,417</u>	<u>\$ (43,378)</u>	<u>\$ (329,384)</u>	<u>\$ (195,240)</u>
Noncash investing, capital, or financing activities:					
Acquisition of capital assets through current liabilities	\$ -	\$ 13,966	\$ -	\$ 42,300	\$ 56,266
Capital contributions receivable	-	36,972	-	-	36,972
Grants receivable	419	-	77	3,874	4,370

Sonoma Water
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	
Assets			
Current assets:			
Cash and investments	\$ 5,263,305	\$ 373,080	\$ 5,636,385
Deposits with others	-	753,746	753,746
Prepaid items	1,372	168,548	169,920
Total current assets	<u>5,264,677</u>	<u>1,295,374</u>	<u>6,560,051</u>
Noncurrent assets:			
Advances to other funds	6,067,000	-	6,067,000
Reserves on deposit	-	922,585	922,585
Capital assets, net			
Land	2,336,031	-	2,336,031
Land improvements	503,488	-	503,488
Construction in progress	173,308	-	173,308
Intangible assets	46,311	-	46,311
Buildings and improvements	21,317,446	11,587,678	32,905,124
Equipment	5,010,692	-	5,010,692
Total capital assets	<u>29,387,276</u>	<u>11,587,678</u>	<u>40,974,954</u>
Total noncurrent assets	<u>35,454,276</u>	<u>12,510,263</u>	<u>47,964,539</u>
Total assets	<u>40,718,953</u>	<u>13,805,637</u>	<u>54,524,590</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	96,771	43,083	139,854
Interest payable	19,958	1,247	21,205
Unearned revenue	-	332,421	332,421
Capital lease obligations	463,215	122,254	585,469
Total current liabilities	<u>579,944</u>	<u>499,005</u>	<u>1,078,949</u>
Noncurrent liabilities:			
Capital lease obligations	1,248,042	-	1,248,042
Total noncurrent liabilities	<u>1,248,042</u>	<u>-</u>	<u>1,248,042</u>
Total liabilities	<u>1,827,986</u>	<u>499,005</u>	<u>2,326,991</u>
Net Position			
Net investment in capital assets	27,676,019	11,465,424	39,141,443
Restricted for reserves on deposit	-	922,585	922,585
Unrestricted	11,214,948	918,623	12,133,571
Total net position	<u>\$ 38,890,967</u>	<u>\$ 13,306,632</u>	<u>\$ 52,197,599</u>

Sonoma Water
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2020

	<u>Internal Service Funds</u>		<u>Total Internal Service Funds</u>
	<u>Equipment Facilities</u>	<u>Power Resources</u>	
Operating Revenue			
Power sales	\$ -	\$ 4,481,826	\$ 4,481,826
Equipment rental	2,439,072	-	2,439,072
Real estate rental	3,243,741	-	3,243,741
Miscellaneous	559	-	559
Total operating revenue	<u>5,683,372</u>	<u>4,481,826</u>	<u>10,165,198</u>
Operating Expenses			
Services and supplies	3,643,415	4,334,318	7,977,733
Depreciation and amortization	1,892,660	434,922	2,327,582
Total operating expenses	<u>5,536,075</u>	<u>4,769,240</u>	<u>10,305,315</u>
Operating income (loss)	<u>147,297</u>	<u>(287,414)</u>	<u>(140,117)</u>
Nonoperating Revenues (Expenses)			
Investment earnings	179,672	1,589	181,261
Interest expense and debt issuance cost	(82,774)	(9,852)	(92,626)
Gain on disposal of capital assets	45,915	-	45,915
Total nonoperating expenses, net	<u>142,813</u>	<u>(8,263)</u>	<u>134,550</u>
Change in net position	290,110	(295,677)	(5,567)
Net position - beginning of year	<u>38,600,857</u>	<u>13,602,309</u>	<u>52,203,166</u>
Net position - end of year	<u>\$ 38,890,967</u>	<u>\$ 13,306,632</u>	<u>\$ 52,197,599</u>

Sonoma Water
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2020

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Cash receipts from interfund services provided	\$ 5,683,372	\$ 4,481,826	\$ 10,165,198
Cash payments for interfund services used	(2,105,809)	(119,049)	(2,224,858)
Cash payments to suppliers	(1,640,830)	(5,341,107)	(6,981,937)
Net cash provided by (used for) operating activities	<u>1,936,733</u>	<u>(978,330)</u>	<u>958,403</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,073,097)	(138,586)	(1,211,683)
Principal paid on capital leases	(443,922)	(237,226)	(681,148)
Interest paid on long-term debt	(87,952)	(12,272)	(100,224)
Proceeds from sale of capital assets	69,300	-	69,300
Net cash used for capital and related financing activities	<u>(1,535,671)</u>	<u>(388,084)</u>	<u>(1,923,755)</u>
Cash flows from investing activities:			
Interest received	179,672	1,588	181,260
Intrafund loans	(4,852,000)	-	(4,852,000)
Net cash provided by (used for) investing activities	<u>(4,672,328)</u>	<u>1,588</u>	<u>(4,670,740)</u>
Net decrease in cash and cash equivalents	(4,271,266)	(1,364,826)	(5,636,092)
Cash and cash equivalents - beginning of year	<u>9,534,571</u>	<u>1,737,906</u>	<u>11,272,477</u>
Cash and cash equivalents - end of year	<u>\$ 5,263,305</u>	<u>\$ 373,080</u>	<u>\$ 5,636,385</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 147,297	\$ (287,414)	\$ (140,117)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation and amortization	1,892,660	434,922	2,327,582
Change in assets and liabilities:			
Prepaid items	1,368	(163,074)	(161,706)
Other long-term assets	-	(98,623)	(98,623)
Accounts payable and accrued expenses	(104,592)	(864,141)	(968,733)
Net cash provided by (used for) operating activities	<u>\$ 1,936,733</u>	<u>\$ (978,330)</u>	<u>\$ 958,403</u>
Noncash investing, capital, or financing activities:			
Acquisition of capital assets through current liabilities	\$ 8,958	\$ -	\$ 8,958

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

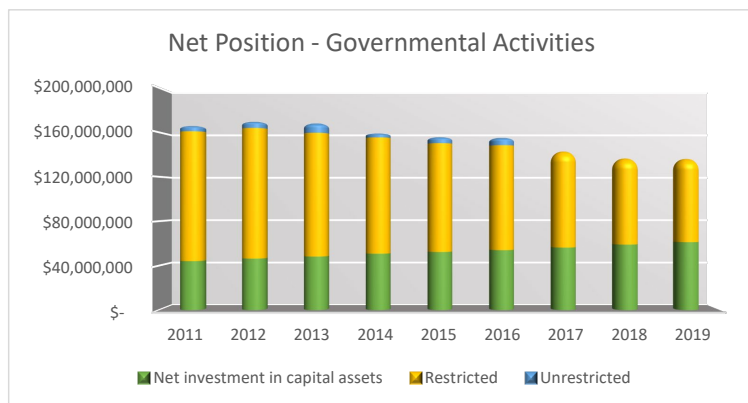
Financial Trends	113
These schedules contain trend information to help the reader understand how Sonoma Water's financial performance and well-being have changed over time.	
Revenue Capacity	123
These schedules contain information to help the reader assess Sonoma Water's most significant local revenue 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,				
	2011	2012	2013 as restated (1)	2014 as restated (2)	2015
Governmental activities					
Net investment in capital assets	\$ 44,097,288	\$ 46,328,783	\$ 48,170,895	\$ 50,729,786	\$ 52,314,923
Restricted	116,791,458	117,533,507	111,320,194	104,627,246	97,856,531
Unrestricted	<u>5,336,348</u>	<u>6,238,764</u>	<u>9,195,268</u>	<u>4,030,884</u>	<u>5,903,840</u>
Total governmental activities net position	<u>\$ 166,225,094</u>	<u>\$ 170,101,054</u>	<u>\$ 168,686,357</u>	<u>\$ 159,387,916</u>	<u>\$ 156,075,294</u>
Business-type activities					
Net investment in capital assets	\$ 148,479,032	\$ 151,501,197	\$ 155,634,490	\$ 155,916,745	\$ 156,110,501
Restricted	7,671,398	8,620,858	8,483,536	7,429,384	10,941,231
Unrestricted	<u>34,544,343</u>	<u>36,694,841</u>	<u>42,334,597</u>	<u>52,195,409</u>	<u>45,892,005</u>
Total business-type activities net position	<u>\$ 190,694,773</u>	<u>\$ 196,816,896</u>	<u>\$ 206,452,623</u>	<u>\$ 215,541,538</u>	<u>\$ 212,943,737</u>
Primary Government					
Net investment in capital assets	\$ 192,576,320	\$ 197,829,980	\$ 203,805,385	\$ 206,646,531	\$ 208,425,424
Restricted	124,462,856	126,154,365	119,803,730	112,056,630	108,797,762
Unrestricted	<u>39,880,691</u>	<u>42,933,605</u>	<u>51,529,865</u>	<u>56,226,293</u>	<u>51,795,845</u>
Total primary government net position	<u>\$ 356,919,867</u>	<u>\$ 366,917,950</u>	<u>\$ 375,138,980</u>	<u>\$ 374,929,454</u>	<u>\$ 369,019,031</u>

Notes:

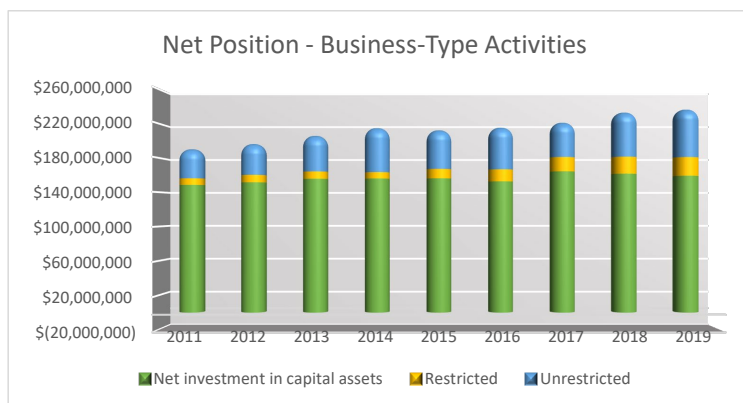
- (1) FY 2012 - 13 net position was restated from \$375,816,617 to \$375,138,980 for the implementation of GASB 65.
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) FY 2016-17 net position was restated from \$371,386,840 to \$346,186,514 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,					
2016	2017	2018	2019	2020			
as restated (3)							
							Governmental activities
\$ 53,939,461	\$ 56,281,939	\$ 58,951,592	\$ 61,127,048	\$ 63,571,779	Net investment in capital assets		
94,399,627	86,833,589	77,808,351	75,228,888	75,310,302	Restricted		
<u>7,173,755</u>	<u>(18,805,360)</u>	<u>(21,372,170)</u>	<u>(21,950,036)</u>	<u>(17,961,098)</u>	Unrestricted		
<u>\$ 155,512,843</u>	<u>\$ 124,310,168</u>	<u>\$ 115,387,773</u>	<u>\$ 114,405,900</u>	<u>\$ 120,920,983</u>	Total governmental activities net position		
							Business-type activities
\$ 152,563,649	\$ 164,264,829	\$ 161,478,637	\$ 159,091,392	\$ 146,213,153	Net investment in capital assets		
14,048,490	16,664,705	19,800,228	21,762,899	23,835,337	Restricted		
<u>49,409,182</u>	<u>40,946,812</u>	<u>52,535,839</u>	<u>56,439,961</u>	<u>75,112,957</u>	Unrestricted		
<u>\$ 216,021,321</u>	<u>\$ 221,876,346</u>	<u>\$ 233,814,704</u>	<u>\$ 237,294,252</u>	<u>\$ 245,161,447</u>	Total business-type activities net position		
							Primary Government
\$ 206,503,110	\$ 220,546,768	\$ 220,430,229	\$ 220,218,440	\$ 209,784,932	Net investment in capital assets		
108,448,117	103,498,294	97,608,579	\$ 96,991,787	\$ 99,145,639	Restricted		
<u>56,582,937</u>	<u>22,141,452</u>	<u>31,163,669</u>	<u>34,489,925</u>	<u>57,151,859</u>	Unrestricted		
<u>\$ 371,534,164</u>	<u>\$ 346,186,514</u>	<u>\$ 349,202,477</u>	<u>\$ 351,700,152</u>	<u>\$ 366,082,430</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,				
	2011	2012	2013 (1)	2014 (2)	2015
Expenses					
Governmental activities:					
General government	\$ 5,866,906	\$ 4,763,130	\$ 3,649,012	\$ 3,209,352	\$ 6,285,821
Intergovernmental	-	-	-	-	-
Flood control	8,276,305	10,300,602	11,299,610	11,447,839	10,022,083
Warm Springs dam	3,226,944	2,864,948	4,025,973	6,123,874	8,617,924
Interest on long-term debt	3,381,811	3,288,164	3,191,498	3,091,715	2,988,713
Total governmental activities	<u>20,751,966</u>	<u>21,216,844</u>	<u>22,166,093</u>	<u>23,872,780</u>	<u>27,914,541</u>
Business-type activities:					
Water transmission	27,961,893	26,946,964	30,341,617	34,006,982	40,319,069
Water supply	4,612,143	8,510,170	5,827,236	6,308,724	6,741,377
Sanitation	4,791,721	5,510,887	5,451,593	4,743,336	5,166,464
Total business-type activities	<u>37,365,757</u>	<u>40,968,021</u>	<u>41,620,446</u>	<u>45,059,042</u>	<u>52,226,910</u>
Total expenses	<u>\$ 58,117,723</u>	<u>\$ 62,184,865</u>	<u>\$ 63,786,539</u>	<u>\$ 68,931,822</u>	<u>\$ 80,141,451</u>
Program revenues					
Governmental activities:					
Charges for services					
General government	\$ 638,454	\$ 613,505	\$ 961,169	\$ 2,645,169	\$ 946,849
Intergovernmental	-	-	-	-	-
Flood control	55,077	73,812	131,106	84,741	39,417
Warm Springs dam	-	96,281	96,126	19	106
Operating grants and contributions	572,847	562,399	785,690	1,622,316	1,723,931
Capital grants and contributions	21,831	35,401	3,168	-	-
Total governmental activities	<u>1,288,209</u>	<u>1,381,398</u>	<u>1,977,259</u>	<u>4,352,245</u>	<u>2,710,303</u>
Business-type activities:					
Charges for services					
Water transmission	30,299,370	32,581,560	38,209,541	40,184,486	35,493,217
Water supply	2,027,827	2,124,639	2,090,991	2,225,130	1,643,330
Sanitation	3,669,392	3,849,275	4,121,684	4,402,261	4,693,270
Operating grants and contributions	1,866,359	6,363,090	3,663,120	3,733,673	4,248,380
Capital grants and contributions	433,781	1,315,844	2,159,888	1,646,033	1,694,864
Total business-type activities	<u>38,296,729</u>	<u>46,234,408</u>	<u>50,245,224</u>	<u>52,191,583</u>	<u>47,773,061</u>
Total program revenues	<u>\$ 39,584,938</u>	<u>\$ 47,615,806</u>	<u>\$ 52,222,483</u>	<u>\$ 56,543,828</u>	<u>\$ 50,483,364</u>
Net (expense)/revenue					
Governmental activities	\$ (19,463,757)	\$ (19,835,446)	\$ (20,188,834)	\$ (19,520,535)	\$ (25,204,238)
Business-type activities	930,972	5,266,387	8,624,778	7,132,541	(4,453,849)
Total primary government net expense	<u>\$ (18,532,785)</u>	<u>\$ (14,569,059)</u>	<u>\$ (11,564,056)</u>	<u>\$ (12,387,994)</u>	<u>\$ (29,658,087)</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) 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,					
		2016	2017	2018	2019	2020	
		(3)	(4), (5)				
							Expenses
							Governmental activities:
\$	19,245,528	\$ 8,991,653	\$ 7,766,110	\$ 13,210,201	\$ 9,703,136		General government
	-	13,794,014	14,336,168	13,025,872	12,587,202		Intergovernmental
	10,737,135	10,468,135	14,170,068	12,483,365	14,288,805		Flood control
	6,720,953	9,861,623	10,822,995	9,559,980	5,591,383		Warm Springs dam
	2,882,388	2,772,636	2,659,344	2,542,398	2,421,680		Interest on long-term debt
	<u>39,586,004</u>	<u>45,888,061</u>	<u>49,754,685</u>	<u>50,821,816</u>	<u>44,592,206</u>		Total governmental activities
							Business-type activities:
	31,458,257	32,689,918	32,952,295	39,733,160	41,900,238		Water transmission
	5,803,845	7,183,788	4,699,307	5,036,761	6,394,595		Water supply
	<u>5,165,501</u>	<u>5,818,886</u>	<u>7,593,186</u>	<u>6,844,365</u>	<u>7,186,759</u>		Sanitation
	<u>42,427,603</u>	<u>45,692,592</u>	<u>45,244,788</u>	<u>51,614,286</u>	<u>55,481,592</u>		Total business-type activities
\$	<u>82,013,607</u>	<u>91,580,653</u>	<u>94,999,473</u>	<u>102,436,102</u>	<u>100,073,798</u>		Total expenses
							Program revenues
							Governmental activities:
							Charges for services
\$	10,957,871	\$ 1,484,451	\$ 1,754,440	\$ 2,302,159	\$ 2,657,350		General government
	-	11,984,014	11,237,954	11,775,872	11,744,802		Intergovernmental
	36,193	74,488	113,649	111,550	779,600		Flood control
	46,612	715	61	48	81		Warm Springs dam
	3,033,039	1,253,477	2,560,079	5,485,759	5,016,803		Operating grants and contributions
	<u>100,477</u>	<u>16,207</u>	<u>296,313</u>	<u>7,893</u>	<u>-</u>		Capital grants and contributions
	<u>14,174,192</u>	<u>14,813,352</u>	<u>15,962,496</u>	<u>19,683,281</u>	<u>20,198,636</u>		Total governmental activities
							Business-type activities:
							Charges for services
	32,236,696	33,936,713	40,246,329	39,464,502	44,692,393		Water transmission
	1,983,368	2,289,197	3,136,365	3,069,451	3,212,893		Water supply
	5,063,439	5,651,512	5,249,866	5,765,353	5,886,196		Sanitation
	3,160,775	4,699,981	1,588,746	423,291	1,537,635		Operating grants and contributions
	<u>1,567,521</u>	<u>3,987,850</u>	<u>1,974,789</u>	<u>1,301,187</u>	<u>4,279,162</u>		Capital grants and contributions
	<u>44,011,799</u>	<u>50,565,253</u>	<u>52,196,095</u>	<u>50,023,784</u>	<u>59,608,279</u>		Total business-type activities
\$	<u>58,185,991</u>	<u>65,378,605</u>	<u>68,158,591</u>	<u>69,707,065</u>	<u>79,806,915</u>		Total program revenues
							Net (expense)/revenue
\$	(25,411,812)	\$ (31,074,709)	\$ (33,792,189)	\$ (31,138,535)	\$ (24,393,570)		Governmental activities
	1,584,196	4,872,661	6,951,307	(1,590,502)	4,126,687		Business-type activities
\$	<u>(23,827,616)</u>	<u>(26,202,048)</u>	<u>(26,840,882)</u>	<u>(32,729,037)</u>	<u>(20,266,883)</u>		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,				
	2011	2012	2013 (1)	2014 (2)	2015
General revenues					
Governmental activities:					
Property taxes	\$ 18,325,641	\$ 18,853,029	\$ 20,075,888	\$ 20,350,239	\$ 21,953,371
Unrestricted investment earnings	2,510,438	5,908,377	284,722	1,920,952	1,448,245
Miscellaneous	-	(720,000)	(352,044)	(749,000)	-
Transfers	<u>(3,462,705)</u>	<u>(330,000)</u>	<u>(1,234,429)</u>	<u>(1,100,000)</u>	<u>(1,510,000)</u>
Total governmental activities	<u>17,373,374</u>	<u>23,711,406</u>	<u>18,774,137</u>	<u>20,422,191</u>	<u>21,891,616</u>
Business-type activities:					
Property taxes	38,944	38,007	38,981	39,282	40,664
Unrestricted investment earnings	283,744	478,282	415,176	812,853	305,384
Miscellaneous	-	9,447	-	4,239	-
Transfers	<u>3,462,705</u>	<u>330,000</u>	<u>1,234,429</u>	<u>1,100,000</u>	<u>1,510,000</u>
Total business-type activities	<u>3,785,393</u>	<u>855,736</u>	<u>1,688,586</u>	<u>1,956,374</u>	<u>1,856,048</u>
Total primary government	<u>\$ 21,158,767</u>	<u>\$ 24,567,142</u>	<u>\$ 20,462,723</u>	<u>\$ 22,378,565</u>	<u>\$ 23,747,664</u>
Change in net position					
Governmental activities	\$ (2,090,383)	\$ 3,875,960	\$ (1,414,697)	\$ 901,656	\$ (3,312,622)
Business-type activities	<u>4,716,365</u>	<u>6,122,123</u>	<u>10,313,364</u>	<u>9,088,915</u>	<u>(2,597,801)</u>
Total primary government	<u>\$ 2,625,982</u>	<u>\$ 9,998,083</u>	<u>\$ 8,898,667</u>	<u>\$ 9,990,571</u>	<u>\$ (5,910,423)</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 reclassified 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.

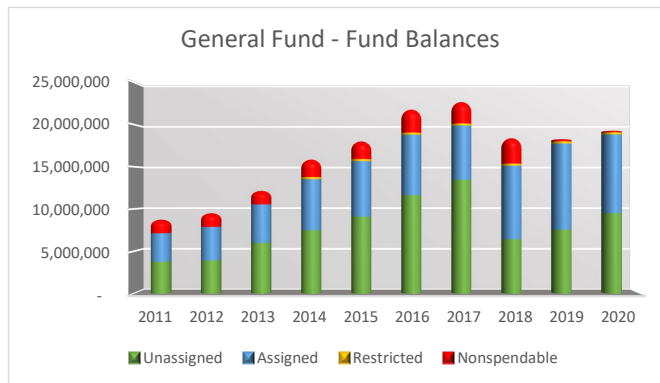
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

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

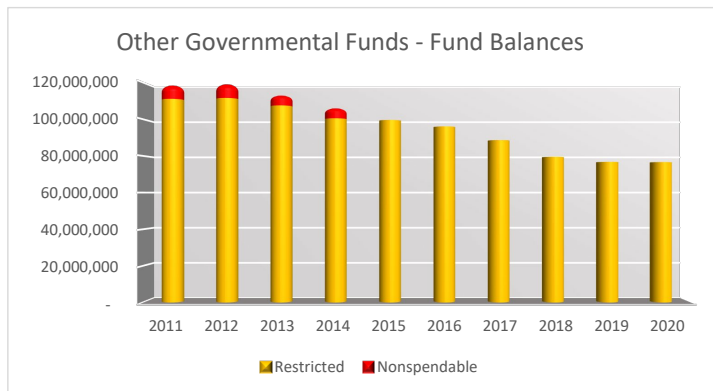
Sonoma Water
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30,				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	\$ 1,578,367	\$ 1,592,999	\$ 1,605,010	\$ 2,100,665	\$ 2,141,132
Restricted	-	-	-	250,000	250,000
Assigned	3,355,545	3,953,877	4,558,922	6,045,621	6,557,623
Unassigned	<u>3,774,342</u>	<u>3,928,987</u>	<u>5,986,297</u>	<u>7,487,201</u>	<u>9,104,242</u>
Total General Fund	<u>\$ 8,708,254</u>	<u>\$ 9,475,863</u>	<u>\$ 12,150,229</u>	<u>\$ 15,883,487</u>	<u>\$ 18,052,997</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>	<u>99,575,876</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>	<u>\$ 99,575,876</u>



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

		June 30,								
		2016	2017	2018	2019	2020				
\$	2,807,196	\$	2,627,502	\$	3,060,176	\$	299,415	\$	229,509	General Fund
	250,000		250,000		250,000		250,000		250,000	Nonspendable
	7,158,891		6,429,828		8,708,445		10,201,064		9,321,534	Restricted
	11,635,437		13,446,060		6,416,548		7,555,059		9,503,527	Assigned
	<u>21,851,524</u>		<u>22,753,390</u>		<u>18,435,169</u>		<u>18,305,538</u>		<u>19,304,570</u>	Unassigned
										Total General Fund
\$	364	\$	18,967	\$	1,122	\$	824	\$	-	All other governmental funds
	96,046,979		88,586,028		79,489,571		76,722,317		76,622,585	Nonspendable
	<u>96,047,343</u>		<u>88,604,995</u>		<u>79,490,693</u>		<u>76,723,141</u>		<u>76,622,585</u>	Restricted
										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,				
	2011	2012	2013	2014	2015
Revenues					
Property taxes	\$ 18,325,641	\$ 18,853,029	\$ 20,075,888	\$ 20,350,239	\$ 21,953,368
Investment earnings	2,510,438	5,908,377	284,722	1,920,952	1,448,245
Intergovernmental	673,076	601,153	788,858	1,622,316	1,723,931
Charges for services	467,917	498,619	918,787	1,115,125	1,098,927
Miscellaneous	147,216	281,626	269,614	46,992	68,852
Total Revenues	<u>22,124,288</u>	<u>26,142,804</u>	<u>22,337,869</u>	<u>25,055,624</u>	<u>26,293,323</u>
Expenditures					
Current:					
General government	5,331,399	4,745,682	3,378,536	2,927,603	5,351,148
Intergovernmental	-	-	-	-	-
Flood control	6,652,635	8,742,207	9,739,923	9,888,655	8,161,854
Warm Springs dam	3,226,944	2,864,948	4,024,221	6,118,708	8,609,601
Capital outlay	845,066	1,007,826	927,214	1,262,999	1,045,743
Debt Service:					
Principal	2,842,644	2,934,319	3,028,951	3,126,635	3,227,469
Interest and fiscal charges	3,442,928	3,351,252	3,256,620	3,158,937	3,058,103
Total expenditures	<u>22,341,616</u>	<u>23,646,234</u>	<u>24,355,465</u>	<u>26,483,537</u>	<u>29,453,918</u>
Excess (deficiency) of revenues over expenditures	<u>(217,328)</u>	<u>2,496,570</u>	<u>(2,017,596)</u>	<u>(1,427,913)</u>	<u>(3,160,595)</u>
Other financing sources (Uses)					
Transfers in	105,000	-	-	-	-
Transfers out	(3,567,705)	(1,050,000)	(1,784,429)	(1,850,000)	(1,510,000)
Proceeds from sale of capital assets	-	-	197,956	1,000	-
Total other financing uses	<u>(3,462,705)</u>	<u>(1,050,000)</u>	<u>(1,586,473)</u>	<u>(1,849,000)</u>	<u>(1,510,000)</u>
Net change in fund balances	<u>\$ (3,680,033)</u>	<u>\$ 1,446,570</u>	<u>\$ (3,604,069)</u>	<u>\$ (3,276,913)</u>	<u>\$ (4,670,595)</u>
Debt service as a percentage of noncapital expenditures	29.2%	27.8%	26.8%	24.9%	22.1%

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 reclassified 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)

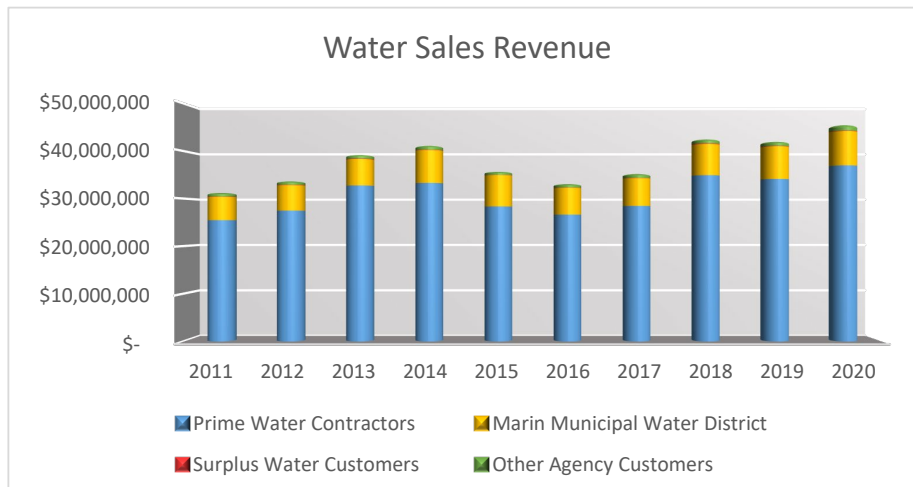
		Fiscal Year Ended June 30,					
		2016	2017	2018	2019	2020	
		(1)	(2)				
							Revenues
\$	23,629,448	\$ 25,228,577	\$ 26,877,486	\$ 28,851,629	\$ 30,729,248		Property taxes
	2,138,047	447,480	1,135,042	3,595,032	2,172,405		Investment earnings
	3,133,516	1,273,673	2,856,392	5,109,904	4,701,071		Intergovernmental
	12,337,610	13,506,968	13,103,270	14,087,983	15,174,147		Charges for services
	89,471	32,711	2,834	101,646	7,685		Miscellaneous
	<u>41,328,092</u>	<u>40,489,409</u>	<u>43,975,024</u>	<u>51,746,194</u>	<u>52,784,556</u>		Total Revenues
							Expenditures
							Current:
	17,502,809	5,954,665	9,321,669	12,225,790	12,238,391		General government
	-	13,794,014	14,336,168	13,025,872	12,587,202		Intergovernmental
	8,560,561	8,903,573	11,851,261	10,843,800	12,734,685		Flood control
	6,675,502	9,824,653	10,774,266	9,462,826	5,524,000		Warm Springs dam
	1,115,520	682,415	1,694,878	509,518	523,230		Capital outlay
							Debt Service:
	3,331,555	3,438,997	3,549,905	3,664,389	3,782,566		Principal
	2,954,017	2,846,574	2,735,667	2,621,182	2,503,006		Interest and fiscal charges
	<u>40,139,964</u>	<u>45,444,891</u>	<u>54,263,814</u>	<u>52,353,377</u>	<u>49,893,080</u>		Total expenditures
	<u>1,188,128</u>	<u>(4,955,482)</u>	<u>(10,288,790)</u>	<u>(607,183)</u>	<u>2,891,476</u>		Excess (deficiency) of revenues over expenditures
							Other financing sources (Uses)
	-	200,000	-	-	750,000		Transfers in
	(918,134)	(1,785,000)	(3,143,733)	(2,290,000)	(2,743,000)		Transfers out
	-	-	-	-	-		Proceeds from sale of capital assets
	<u>(918,134)</u>	<u>(1,585,000)</u>	<u>(3,143,733)</u>	<u>(2,290,000)</u>	<u>(1,993,000)</u>		Total other financing uses
\$	<u>269,994</u>	<u>(6,540,482)</u>	<u>(13,432,523)</u>	<u>(2,897,183)</u>	<u>898,476</u>		Net change in fund balances
	16.1%	14.0%	12.0%	12.1%	12.7%		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
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	6,868,818	999,385	91,370	(23,820)	42,052,445
2020	36,968,499	7,208,447	1,321,614	104,245	(23,820)	45,578,984

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.



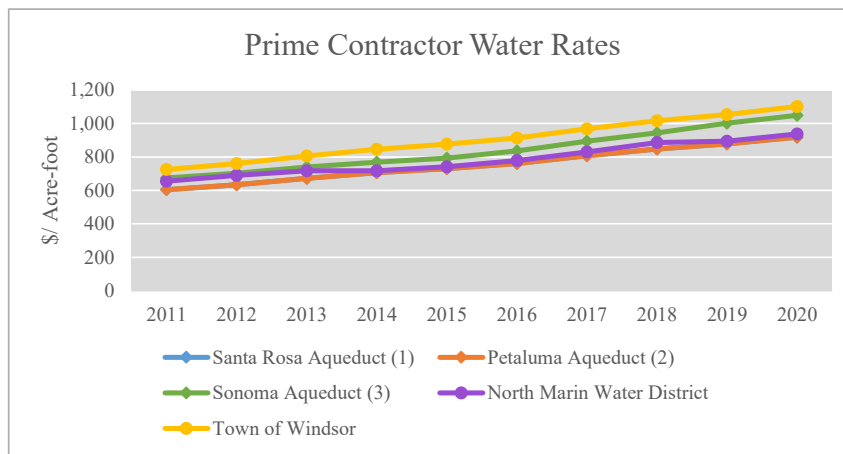
**Sonoma Water
Water Rates by Category (Unaudited)
Last Ten Fiscal Years**

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
2011	603.92	603.92	674.47	654.90	724.70
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
2020	918.30	918.30	1,048.80	937.34	1,101.96

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

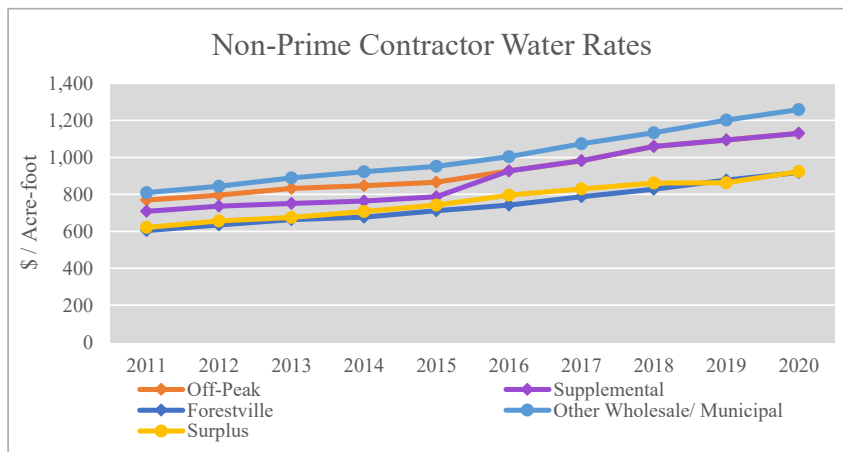


Source: Sonoma Water Finance and Accounting Division

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 Other		
	Off-Peak	Supplemental	Forestville	Wholesale/ Municipal	
				Surplus	
2011	769.09	707.91	603.92	809.36	620.75
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
2020	1,129.74	1,129.74	918.30	1,258.55	923.04



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

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2020			Fiscal Year Ended June 30, 2011		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$ 16,513,341	1	36.2%	\$ 11,190,815	1	35.9%
Marin Municipal Water District	7,208,447	2	15.8%	4,907,207	2	15.7%
City of Petaluma	7,072,168	3	15.5%	4,356,023	3	14.0%
North Marin Water District	5,496,318	4	12.1%	4,015,679	4	12.9%
Valley of the Moon Water District	2,277,003	5	5.0%	1,472,125	6	4.7%
City of Sonoma	2,053,391	6	4.5%	1,250,722	7	4.0%
City of Rohnert Park	2,031,314	7	4.5%	2,122,741	5	6.8%
Town of Windsor	1,049,771	8	2.3%	374,293	8	1.2%
City of Cotati	475,192	9	1.0%	360,779	9	1.2%
Cal American Water	372,192	10	0.8%	326,580	10	1.0%
Total Water Sales Top 10 Water Customers	44,549,137		97.7%	30,376,964		97.4%
Total Water Sales All Other Customers	1,029,847		2.3%	824,911		2.6%
Total Water Sales	<u>\$ 45,578,984</u>		<u>100.0%</u>	<u>\$ 31,201,875</u>		<u>100.0%</u>

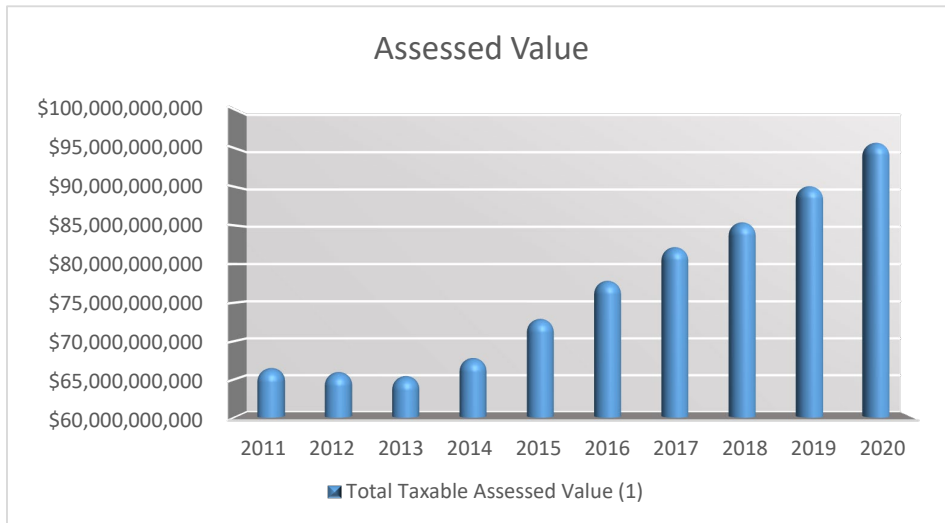
Source: Sonoma Water Finance and Accounting Division

**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)
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%
2020	96,098,191,321	3,241,273,422	(3,502,461,668)	95,837,003,075	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	
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%
2020	0.0233%	0.2146%	0.7621%	1.0000%	0.0070%	0.1070%	0.0296%	1.1436%

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, 2020			Fiscal Year Ended June 30, 2011		
	Total Taxes (2)	Rank	Percentage of Total County Taxes	Total Taxes (2)	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 16,246,002	1	1.41%	\$ 7,904,177	2	1.00%
Geysers Power Co LLC	16,061,288	2	1.39%	13,948,983	1	1.77%
Keysight Technologies (1)	3,086,219	3	0.27%			
Lytton Rancheria of California	1,786,167	4	0.15%			
Enclave Apartments Property Owner LLC	1,684,941	5	0.15%			
Pacific Bell Telephone Co.	1,607,471	6	0.14%	1,638,770	3	0.21%
Ferrari-Carano Vineyards & Winery LLC	1,470,892	7	0.13%			
Jackson Family Investments III LLC	1,360,354	8	0.12%			
Gallo Vineyards Inc.	1,226,072	9	0.11%			
Foley Family Wines Inc.	1,177,377	10	0.10%			
Agilent Technologies (1)				1,392,073	4	0.18%
SMI Real Estate LLC				952,701	5	0.12%
SC Sonoma Development LLC				875,167	6	0.11%
EMI Santa Rosa LTD PTP				866,632	7	0.11%
Varenna at Fountaingrove LLC				852,620	8	0.11%
Silverado Sonoma Vineyards LLC				841,732	9	0.11%
Constellation Wines US Inc.				820,791	10	0.10%
Total Taxes Top 10 Taxpayers	45,706,783		3.96%	30,093,646		3.82%
Taxes Paid by all Other Taxpayers	1,107,323,355		96.04%	758,391,997		96.18%
Total Taxes	<u>\$ 1,153,030,138</u>		<u>100.00%</u>	<u>\$ 788,485,643</u>		<u>100.00%</u>

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	
2011	\$ 663,600,800	\$ 645,683,701	97.3%	\$ 17,320,000	\$ 663,003,701	99.9%	
2012	658,287,157	642,641,057	97.6%	15,042,000	657,683,057	99.9%	
2013	653,049,756	641,750,036	98.3%	10,760,000	652,510,036	99.9%	
2014	676,857,581	667,922,384	98.7%	8,357,000	676,279,384	99.9%	
2015	728,496,859	721,075,408	99.0%	6,670,000	727,745,408	99.9%	
2016	778,237,090	770,591,620	99.0%	6,567,000	777,158,620	99.9%	
2017	822,152,967	815,344,431	99.2%	5,419,000	820,763,431	99.8%	
2018	854,549,002	844,871,868	98.9%	7,772,000	852,643,868	99.8%	
2019	901,683,268	893,578,037	99.1%	4,929,000	898,507,037	99.6%	
2020	958,370,031	946,294,568	98.7%	-	946,294,568	98.7%	

Notes:

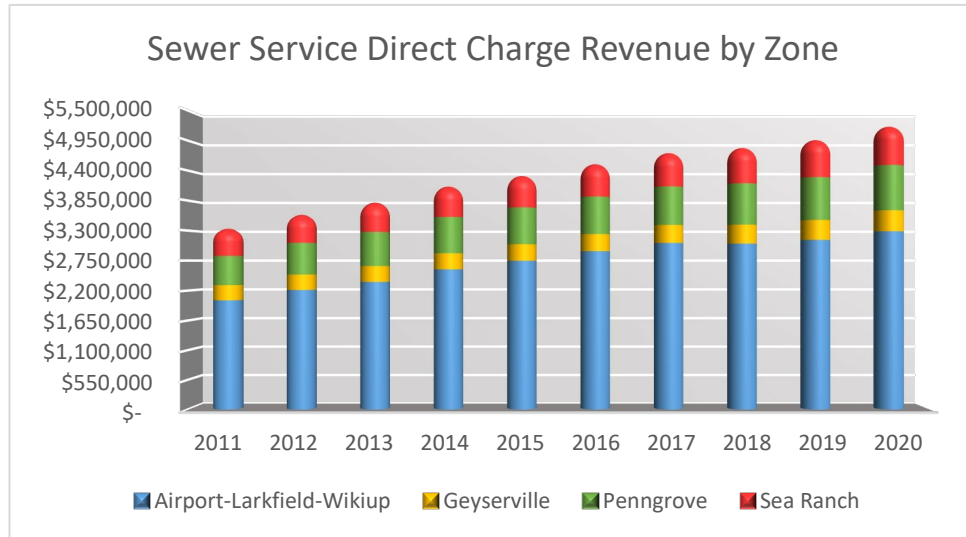
(1) Represents the County of Sonoma General Levy.

(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**

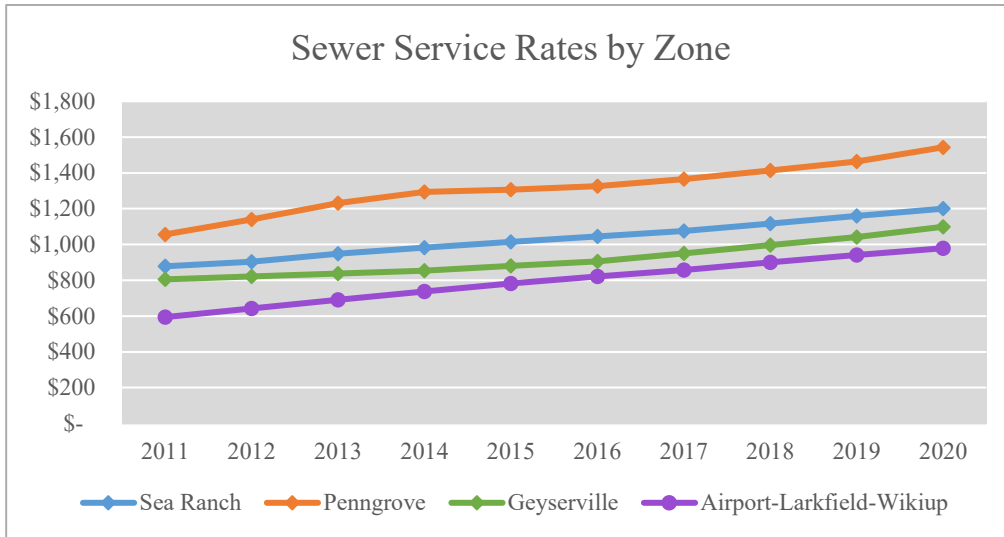
Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
2011	\$ 505,377	\$ 536,247	\$ 277,194	\$ 2,022,192	\$ 3,341,010
2012	522,150	581,480	282,703	2,211,600	3,597,933
2013	548,143	627,896	289,050	2,359,595	3,824,684
2014	571,132	665,538	295,057	2,589,444	4,121,171
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
2020	726,888	830,103	384,881	3,287,143	5,229,015



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
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
2020	1,200	1,543	1,099	979



Source: Sonoma Water, Finance and Accounting Division

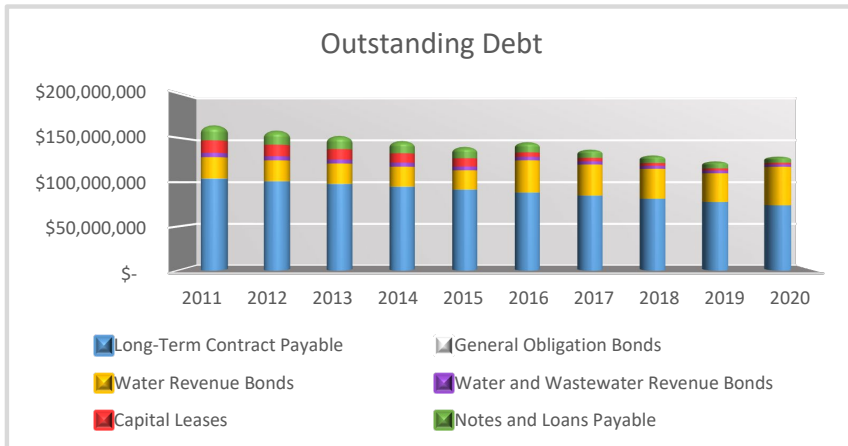
Sonoma Water
Principal Sanitation Customers (Unaudited)
Current Year and Nine Years Ago

Customer	Fiscal Year Ended June 30, 2020			Fiscal Year Ended June 30, 2011		
	Direct Charges	Rank	Percentage of Total Direct Charges	Direct Charges	Rank	Percentage of Total Direct Charges
Vineyard Creek LP	\$ 181,702	1	3.47%	\$ 110,246	1	3.30%
5209 Old Redwood Highway LLC	67,355	2	1.29%	40,867	2	1.22%
Lilli Ann Properties, Inc	63,116	3	1.21%	38,295	3	1.15%
Westle Joel TR & Julie TR	54,314	4	1.04%	37,171		
Sutter Bay Hospitals	46,875	5	0.90%			
Ring Lorraine E ET AL	46,199	6	0.88%	27,247	6	0.82%
Redwood Village Mobile Home Park	44,956	7	0.86%	27,276	5	0.82%
Larkfield Oaks LP	43,859	8	0.84%	26,611	7	0.80%
Lavell Village Assoc.	38,377	9	0.73%	23,285	8	0.70%
Peleg Yoram TR & Peleg Barbara	34,637	10	0.66%	21,016	9	0.63%
417 Aviation Blvd LLC				19,780	10	0.59%
Total Direct Charges Top 10 Sanitation Customers	<u>621,390</u>		<u>11.88%</u>	<u>371,794</u>		<u>11.13%</u>
Total Direct Charges All Other Customers	<u>4,607,625</u>		<u>88.12%</u>	<u>2,969,216</u>		<u>88.87%</u>
	<u>\$ 5,229,015</u>		<u>100.00%</u>	<u>\$ 3,341,010</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	
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
2020	73,830,010	-	43,513,499	2,665,525	1,833,511	7,411,692	129,254,237



Fiscal Year Ended June 30,	Ratios of Sonoma Water Debt			
	Population	Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
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
2020	492,980	0.13%	0.40%	262

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

**Sonoma Water
Direct and Overlapping Debt (Unaudited)
June 30, 2020**

2019-20 Assessed Valuation	<u>\$ 95,837,003,075</u>	
<u>Direct Debt</u>		
Sonoma Water	<u>\$ 73,830,010</u>	
<u>Overlapping Debt</u>	<u>Total Debt</u>	<u>Percent Applicable</u>
County of Sonoma	\$ 439,176,791	100%
High School Districts	251,317,465	100%
Unified School Districts	580,759,094	100%
Elementary Districts	326,145,922	100%
Santa Rosa Junior College	388,355,000	100%
<u>Total Overlapping Debt</u>	<u>\$ 1,985,754,272</u>	
<u>Total Direct and Overlapping Debt</u>	<u>\$ 2,059,584,282</u>	
<u>Ratio of 2019-20 Assessed Valuation</u>		
Total Direct Debt	0.08%	
Total Overlapping and Direct Debt	2.15%	

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,				
	2011	2012	2013	2014	2015
Operating revenues:					
Water sales (1)	\$ 29,270,301	\$ 31,658,359	\$ 37,236,068	\$ 39,312,638	\$ 34,207,795
(Subcharges) (2)	(4,370,745)	(6,181,857)	(8,523,628)	(8,776,855)	(8,162,101)
Installation charges (3)	30,037	30,047	28,421	26,184	48,434
Miscellaneous revenue (4)	224,401	280,337	109,293	130,635	618,570
Power sales (5)	774,631	612,817	835,759	715,029	618,418
Total operating revenues	25,928,625	26,399,703	29,685,913	31,407,631	27,331,116
Other revenues/(expenses) (6)	354,055	982,306	664,726	(1,209,299)	366,439
Total gross revenues	26,282,680	27,382,009	30,350,639	30,198,332	27,697,555
(O&M expenses) (7)	(24,564,175)	(22,572,421)	(24,552,075)	(27,450,432)	(24,534,397)
O&M subfund expense Adjustment (8)	7,146,572	5,164,335	5,293,091	6,254,739	5,830,697
Net revenues	<u>\$ 8,865,077</u>	<u>\$ 9,973,923</u>	<u>\$ 11,091,655</u>	<u>\$ 9,002,639</u>	<u>\$ 8,993,855</u>
Principal and Interest Payments	2,739,267	2,741,654	2,739,267	2,606,495	2,604,651
Coverage ratio	324%	364%	405%	345%	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,					
2016	2017	2018	2019	2020	
					Operating revenues:
\$ 31,147,906	\$ 33,208,443	\$ 39,778,515	\$ 39,288,806	\$ 42,931,384	Water sales (1)
(7,574,647)	(6,891,146)	(7,871,056)	(7,497,005)	(8,307,298)	(Subcharges) (2)
24,664	23,820	23,820	23,820	23,820	Installation charges (3)
474,482	494,169	299,470	115,719	1,710,804	Miscellaneous revenue (4)
589,644	210,280	144,524	36,156	26,385	Power sales (5)
<u>24,662,049</u>	<u>27,045,566</u>	<u>32,375,273</u>	<u>31,967,496</u>	<u>36,385,095</u>	Total operating revenues
817,601	865,572	891,745	1,754,958	1,587,689	Other revenues/(expenses) (6)
25,479,650	27,911,138	33,267,018	33,722,454	37,972,784	Total gross revenues
(28,718,318)	(28,384,243)	(28,676,002)	(29,377,249)	(30,253,879)	(O&M expenses) (7)
8,134,667	5,708,105	5,227,863	4,707,644	6,044,660	O&M subfund expense Adjustment (8)
<u>\$ 4,895,999</u>	<u>\$ 5,235,000</u>	<u>\$ 9,818,879</u>	<u>\$ 9,052,849</u>	<u>\$ 13,763,565</u>	Net revenues
2,518,562	3,363,145	3,379,027	3,361,096	3,582,328	Principal and Interest Payments
194%	156%	291%	269%	384%	Coverage ratio

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

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
Revenues:					
User fees (1),(2)	\$ 2,222,284	\$ 2,392,762	\$ 2,586,937	\$ 2,836,599	\$ 2,998,036
Change in accounting estimate - user fees (3)	-	-	-	-	-
Connection fees	269,201	42,150	503,824	381,275	233,246
Offset to connection fees (4)	-	-	-	-	-
Change in accounting estimate - connection fees (3)	-	-	-	-	-
Interest earnings	11,262	14,251	11,348	32,112	4,202
Other operating revenues (5)	604,544	565,345	833,403	285,351	104,999
Transfer from Rate Stabilization Fund (6)	-	-	-	-	-
Total revenues	<u>3,107,291</u>	<u>3,014,508</u>	<u>3,935,512</u>	<u>3,535,337</u>	<u>3,340,483</u>
Operating expenses (7)	<u>2,543,266</u>	<u>3,053,147</u>	<u>2,815,310</u>	<u>2,209,981</u>	<u>2,703,581</u>
System net revenues	<u>\$ 564,025</u>	<u>\$ (38,639)</u>	<u>\$ 1,120,202</u>	<u>\$ 1,325,356</u>	<u>\$ 636,902</u>
Debt service					
2005/2017 Bonds	<u>\$ 458,661</u>	<u>\$ 456,005</u>	<u>\$ 457,819</u>	<u>\$ 459,043</u>	<u>\$ 454,694</u>
Coverage ratio	123%	-8%	245%	289%	140%

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

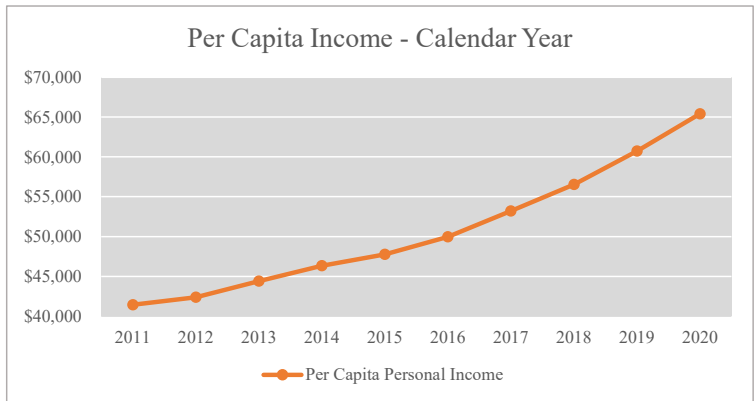
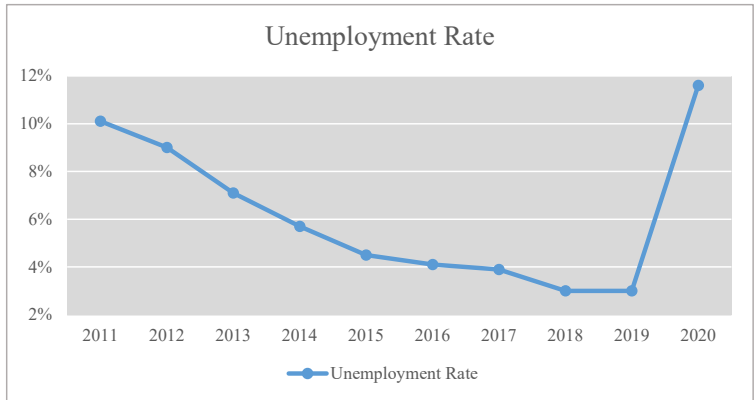
Fiscal Year Ending June 30,					
2016	2017	2018	2019	2020	
\$ 3,180,932	\$ 3,791,646	\$ 3,288,929	\$ 3,729,734	\$ 3,752,984	Revenues:
-	(67,371)	67,371	-	-	User fees (1),(2)
651,300	1,735,015	27,293	1,112,905	908,744	Change in accounting estimate - user fees (3)
-	-	(913,932)	-	-	Connection fees
-	(913,932)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

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

Year (1)	Population (2)	Personal Income (3)	Per Capita Personal Income	School Enrollment (4)	Unemployment Rate (5)
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%
2020	492,980	32,246,609	65,412	68,194	11.6%

Notes:

- (1) Calendar year
- (2) The population estimate for 2020 is as of January 1, 2020, the most recent available data
- (3) Personal income is estimated in thousands. The 2020 estimate is as of 2018, 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 Data of GDP and Personal Income.
- (4) State of California Department of Education.
- (5) State of California Employment Development Department: Labor Force Statistics as of June 2020

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

Principal Employers								
Employer	Fiscal Year Ended June 30, 2020				Fiscal Year Ended June 30, 2011			
	Source	Number of Employees	Rank	% of Total	Number of Employees (8)	Rank	% of Total	
				County Employment			County Employment	
County of Sonoma	(1)	4,061	1	1.8%	3,805	1	1.7%	
Kaiser Permanente	(2)	3,088	2	1.4%	2,686	2	1.2%	
Santa Rosa Junior College	(2)	2,776	3	1.2%				
St. Joseph Health System	(2)	1,640	4	0.7%	2,310	3	1.0%	
Santa Rosa City Schools	(4)	1,621	5	0.7%				
Keysight Technologies	(2)	1,500	6	0.7%				
Sonoma State University	(5)	1,391	7	0.6%				
City of Santa Rosa	(6)	1,307	8	0.6%				
State of California	(3)	1,243	9	0.5%				
Jackson Family Wines	(2)	1,098	10	0.5%				
Safeway					1,200	4	0.5%	
Sutter Medical Center					1,197	5	0.5%	
Agilent Technologies					1,100	6	0.5%	
Amy's Kitchen					900	7	0.4%	
Medtronic					800	8	0.4%	
River Rock Casino					660	9	0.3%	
Wal-Mart Stores, Inc.					650	10	0.3%	
Ten largest employers		19,725		8.6%	15,308		6.7%	
All other employers		208,575		91.4%	211,692		93.3%	
Total County Employment	(7)	<u>228,300</u>		<u>100.0%</u>	<u>227,000</u>		<u>100.0%</u>	

Notes:

- (8) The 2010-2011 County CAFR did not report governmental entities in the major employers table.

Sources:

- (1) County of Sonoma Adopted Budget Schedules 2019-2020, 2010-2011
- (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 2010-2011, County of Sonoma CAFR, 2010-2011

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Flood Control										
Channel vegetation removed (cubic feet)	1,775	6,333	4,642	5,622	3,129	3,879	5,983	2,191	2,934	4,606
Sediment removed (cubic feet)	19,794	19,363	41,491	38,861	20,460	17,792	17,552	26,806	26,230	38,943
Water Transmission										
Total water delivered (acre-feet)	47,045	48,527	54,244	54,963	45,868	39,905	40,356	46,134	43,970	45,648
Hydroelectric power production (MWh)	14,231	10,725	13,261	10,926	9,777	8,820	8,951	3,356	3,162	02
Water Supply/Warm Springs Dam										
Total diversion (acre-feet)	48,084	50,989	55,428	55,538	46,176	40,028	41,873	45,745	45,640	48,123
Lake Sonoma water storage at Sept. 30 (acre-feet)	218,599	217,525	215,874	190,471	147,391	178,398	212,620	219,186	195,821	219,455
Sanitation										
Amount of wastewater treated (mg)	389	290	274	265	265	273	353	274	343	257
Number of ESD's (1)	5,107	5,143	5,172	5,185	5,235	5,252	5,325	5,314	5,149	5,379
Number of Employees (Full Time Equivalent)	197.00	195.50	194.50	207.50	209.50	221.75	226.75	229.75	231.75	241.00

Notes:

- (1) From the 2020-21 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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Flood Control										
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
Water Transmission										
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
Water Supply/ Warm Springs Dam										
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
Sanitation										
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, 2020, and have issued our report thereon dated December 9, 2020.

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)

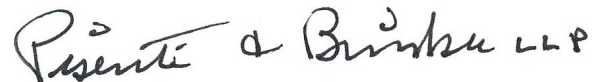
Independent Auditor's Report (continued)

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 black ink that reads "Presenti & Brinku LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
December 9, 2020