

# Sonoma County Water Agency

A Component Unit of the County of Sonoma, California

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2021



**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)

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2021

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

# Table of Contents

<b><u>Introductory Section</u></b> .....	1
Letter of Transmittal.....	2
Directory of Appointed and Elected Officials .....	16
Organizational Chart.....	17
<b><u>Financial Section</u></b> .....	18
Independent Auditor’s Report.....	19
Management’s Discussion and Analysis.....	21
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	37
Statement of Activities .....	39
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	40
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	42
Proprietary Funds:	
Statement of Net Position .....	43
Statement of Revenues, Expenditures, and Changes in Net Position .....	45
Statement of Cash Flows.....	46
Notes to the Basic Financial Statements .....	48
Required Supplementary Information:	
Schedule of Net Pension Liability and Contributions to Sonoma County Employee Retirement Association .....	94
Schedule of Proportionate Share of the Net OPEB Liability .....	95
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - General Fund .....	96
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - Flood Control Special Revenue Fund.....	97
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - Warm Springs Dam Special Revenue Fund.....	98
Note to Required Supplementary Information .....	99

## Table of Contents (Continued)

### Other Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - Debt Service Fund .....	101
Nonmajor Governmental Funds:	
Combining Balance Sheet – Flood Control Special Revenue Fund.....	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Flood Control Special Revenue Funds.....	104
Nonmajor Enterprise Funds:	
Combining Statement of Net Position – Sanitation Funds.....	106
Combining Statement of Revenues, Expenditures, and Changes in Net Position – Sanitation Funds .....	107
Combining Statement of Cash Flows – Sanitation Funds.....	108
Internal Service Funds:	
Combining Statement of Net Position .....	109
Combining Statement of Revenues, Expenditures, and Changes in Net Position .....	110
Combining Statement of Cash Flows .....	111

### **Statistical Section**..... 112

Narrative Summary .....	113
-------------------------	-----

### Financial Trends:

Net Position by Component.....	114
Changes in Net Position.....	116
Fund Balances, Governmental Funds.....	120
Changes in Fund Balances, Governmental Funds.....	122

### Revenue Capacity:

Water Sales Revenue by Customer Type.....	124
Water Rates.....	125
Principal Water Customers.....	127
Assessed Value of Taxable Property.....	128
Property Tax Rates – Direct and Overlapping Governments .....	129
Principal Revenue Taxpayers .....	130
Property Tax Levies and Collections .....	131
Sanitation Direct Charges by Zone.....	132
Sewer Service Rates.....	133
Principal Sanitation Customers.....	134

## Table of Contents (Continued)

Debt Capacity:	
Ratios of Outstanding Debt.....	135
Direct and Overlapping Debt.....	136
Revenue Bond Debt Coverage – Water Transmission Fund.....	137
Revenue Bond Debt Coverage – Airport-Larkfield-Wikiup Sanitation Fund.....	139
Economic and Demographic Information:	
Demographic and Economic Statistics .....	141
Principal Employers.....	142
Operating Information:	
Operating Indicators by Function/Program and Full-Time Equivalent Employees.....	143
Capital Assets by Function/Program.....	144
<b><u>Compliance</u></b> .....	145
Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental     Accounting Standards</i> .....	
	146

# Introductory Section





**Sonoma  
Water**

December 1, 2021

To the Board of Directors and Citizens of Sonoma County:

We are pleased to submit the Comprehensive Annual Financial Report (Report) of the Sonoma County Water Agency (Sonoma Water) for the fiscal year ended June 30, 2021. 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, 2021.

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 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 243 full-time equivalent employees, 70 part-time employees, plus a small cadre of temporary and seasonal employees as the workload dictates. Employees are represented by Service Employees' International Union - Local 1021, Western Council of Engineers, and International Union of Operating Engineers – Local 39.

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

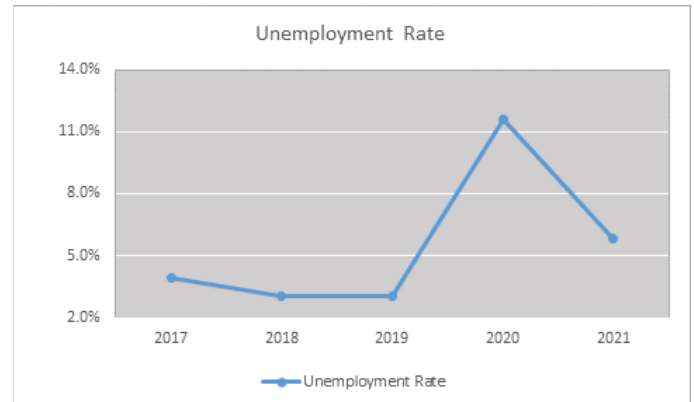
Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

## Factors Affecting Financial Condition

### Financial Indicators

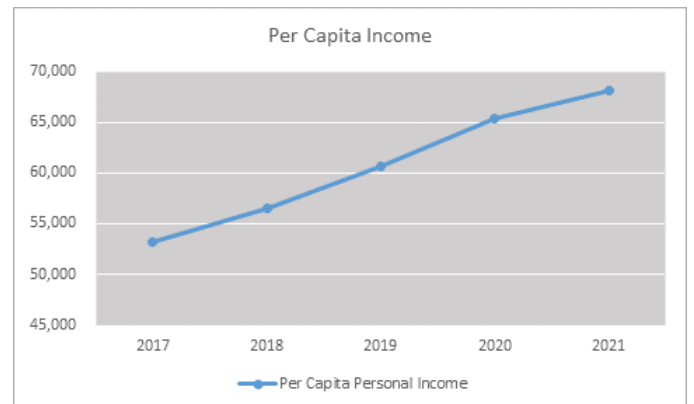
#### Employment

- The unemployment rate in Sonoma County decreased from 11.6% in June 2020 to 5.8% in June 2021 as the economy began to recover from the downturn caused by the COVID-19 pandemic. This compares with an unemployment rate of 7.7% for California and 5.9% for the nation during the same period.



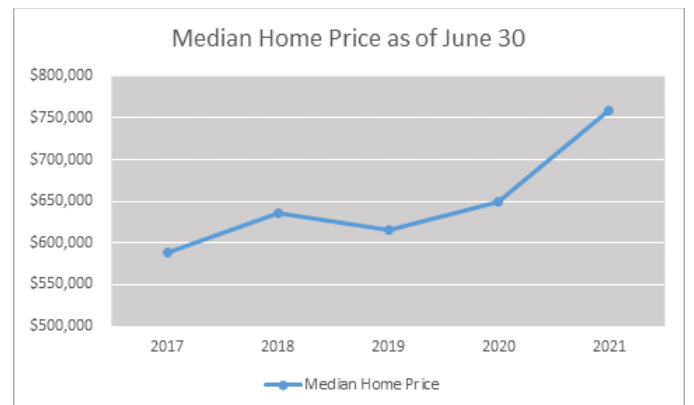
#### Income

- Personal income increased from \$65,412 in calendar year 2020 to \$68,096 in 2021. Per capita income is based on the most recently available data.



#### Real Estate

- The County-wide median home price increased from \$650,000 in June 2020 to \$760,000 in June 2021.



#### Retail Sales

- Retail sales county-wide decreased 5.2% to \$9.9 billion for the 2020 calendar year, from \$10.4 billion for the 2019 calendar year. The decrease was primarily 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 2021, the water supply capacity in Lake Mendocino and Lake Sonoma respectively averaged 77 and 85 percent, and Sonoma Water delivered 51,848 acre feet of water compared to 45,649 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 in accordance with minimum fund balance reserve guidelines.

### Budgetary Control

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

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



## Investment Policy

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

## Audit and Financial Reporting

State law and bond covenants require Sonoma Water to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of 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. We do this through responsible resource and environmental stewardship, continued technical innovation, investment in critical infrastructure, and effective fiscal management.

Fiscal year 2021 was defined in part by the continuation of the unprecedented coronavirus pandemic that resulted in limited use of our offices, and sustained teleworking by office staff while field crews endured working under modified conditions to operate and maintain our water, flood protection, and wastewater systems. Modified work conditions complied with county public health orders and Center for Disease Control guidelines and included mask wearing, social distancing, daily temperature checks and health evaluations, contact tracing, deep cleaning of facilities, and in the spring of 2021, staff vaccinations or weekly testing. Operations modifications included Information Technology purchases (laptops, software, etc.) and other improvements to support teleworking and virtual meetings. Costs were incurred to develop processes and pandemic-related contingency plans, conduct deep cleanings, make IT purchases and improvements, and provide adequate supplies. These measures were in place for the entire year to protect the health and safety of staff and their families, and ensure continued operation of critical infrastructure.

The pandemic was then overlaid with the summer of 2020 Walbridge and Glass Wildfires, a subset of the LNU Complex Fires that threatened our water treatment facilities. Sonoma Water's crews performed critical vegetation removal and management activities around the facilities to protect them from the encroaching wildfires. The continued threat of wildfires, compounded by multiple dry years, highlighted the need to invest in ongoing vegetation management and water quality initiatives to secure a safe and reliable drinking water supply for 600,000 residents and businesses.

Furthermore, in fiscal year 2021, the Russian River watershed was in the throes of a historic drought. Our region experienced the third driest water year on record over the last 127 years. In response, Sonoma Water requested several Temporary Urgency Change Petitions (TUCPs) that were approved by the State Water Board to provide flexibility in how flows were managed in the Russian River, and to help preserve water supply in Lake Sonoma and Lake Mendocino due to very low storage levels. Aggressive community water savings were also needed. Sonoma Water encouraged the community to reduce water use by 20% to maintain water flows in the Russian River and extend reservoir storage levels.

These events - the ongoing pandemic, the wildfires, and the drought - influenced Sonoma Water's goals, strategies and initiatives throughout the year. Sonoma Water successfully kept staff and facilities safe, maintained critical operations during the pandemic, minimized impacts to water supply from the drought, responded skillfully to the pandemic and wildfire emergencies, and protected water quality impacts from wildfires. Highlights of initiatives and accomplishments for the fiscal year ending June 30, 2021 include the following:

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

- **Water Supply Resiliency:** A locally funded Regional Water Supply Resiliency Study is a multi-phased project to develop an integrated water supply planning process that takes into account the water supply sources and vulnerabilities for Sonoma Water as a water wholesaler, its nine retail customers, six groundwater basins, the Russian River system and the Potter Valley Project system. Sonoma Water and its partners are collaborating to develop a regional water supply decision support tool that can be used to evaluate the impacts from short- and long-term water shortages (such as seismic and drought events) and develop operational strategies and water supply capital projects on an ongoing basis to improve the region's water supply resiliency. This is a first of a kind look at an integrated regional system.

During fiscal year 2021, Sonoma Water completed project scoping and planning, but also pivoted to launch an expedited analysis of actions to alleviate water shortage conditions in response to the deepening drought. The team worked on developing and prioritizing drought adaptation strategies and projects and simulating drought scenarios to evaluate the impact on water supply reliability. The results of the expedited analysis are expected to be made available in fiscal year 2022.

- **Water Supply Resiliency – Santa Rosa Plain Wells:** On April 21, 2021, Governor Newsom proclaimed a state of emergency in Sonoma and Mendocino counties due to drought conditions in the Russian River Watershed. On April 27, 2021, the Board of Supervisors for the County of Sonoma proclaimed a local emergency for the Sonoma County Operational Area due to drought conditions. Subsequently, Sonoma Water accelerated development of one of its Santa Rosa Plain production wells and initiated construction to activate the well. In fiscal year 2021, Sonoma Water also expedited design for activation of the two remaining production wells. The well slated for activation in late summer 2021 could result in up to an additional 200,000 to 500,000 gallons a day to be delivered to residents and ranchers who have lost domestic water supply and need water for health and safety in areas experiencing severe water shortages. Another well slated for construction in fiscal year 2022 could produce up to an additional 1 million gallons daily for Sonoma Water's water contractors to help alleviate drought impacts to their customers.

- **Water Supply Planning:** Sonoma Water submitted the five-year update of its Urban Water Management Plan (2020 UWMP). The 2020 UWMP reported that water demands have decreased since the 2015 UWMP. The 2020 UWMP projected adequate water supply to reliably meet forecasted water demands through 2045 for average and multiple dry year scenarios, and under a hypothetical five-year drought (2021-2025). Demand reduction and other conservation measures would be required for a single dry year scenario (similar to 2015 UWMP results). In these circumstances, Sonoma Water would work with its customers to encourage voluntary demand reduction measures, and encourage its customers to maximize use of local water supplies among other measures.
- **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. The Program uses atmospheric river research and science to re-operate reservoirs while improving water supply reliability and flood management.

In fiscal year 2021, Sonoma Water provided engineering support services to expand FIRO in the Western U.S. and elsewhere. Sonoma Water successfully sought and the U.S. Army Corps granted a rule curve deviation to allow for extra storage in the Lake Mendocino Flood Pool. Sonoma Water is seeking U.S. Army Corps authorization for a 5-year rule curve deviation while a permanent water control manual change is pursued. The FIRO Program is a prime example of how incremental annual adjustments will be made to store more winter water for use during dry months.

- **Water Supply: Pacific Gas and Electric’s (PG&E) Potter Valley Project:** Sonoma Water continued participation in an ad hoc committee convened by Congressman Huffman that includes California Trout, the Round Valley Indian Tribes, the County of Humboldt, and Mendocino County Inland Water and Power Commission. The regional stakeholders formed the Two-Basin Partnership that is collaborating on an ambitious plan to advance restoration of Eel River fisheries while maintaining water security for Russian River basin water users. Working with these regional stakeholders, including PG&E, the partnership planned for the future of the Potter Valley Project. The Potter Valley Project is 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.

In fiscal year 2021, the Parties entered into a Planning Agreement to continue their collaborative efforts toward obtaining a new license for the Project that advances the Two-Basin Solution. The partnership plans to seek funding in fiscal year 2022 for habitat restoration and water supply reliability studies, and will file status reports with FERC in the fall and winter of 2021.

- **Water, Stormwater, and Energy Education Program:** Sonoma Water developed a Water, Stormwater, and Energy Education Program in partnership with the Sonoma-Marín Saving Water Partnership, Sonoma Clean Power, and Sonoma/Marín water retailers to broaden the Water Education Program, increase the number of student participants, and incorporate energy efficiency and climate change into existing programs. The program is free and utilizes a multifaceted approach aligned with the Next Generation Science Standards to help students learn the value of water through classroom visits, field trips, and curriculum materials for teachers and their students. Our goal is for students to become environmental stewards and informed citizens who can examine the world through an inquisitive, scientific lens. In response to the coronavirus pandemic, Sonoma Water continued for a second year, its virtual education program with a shift 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 continued to provide 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 GSA’s 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. This work will be ongoing into 2022.
- **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. In Fiscal year 2021, Sonoma Water advanced the designs and environmental compliance work for three seismic hazard mitigation projects for aqueduct fault and creek crossings to reduce the risk of liquefaction-induced damage. Sonoma Water also substantially completed construction of seismic upgrades to its Sonoma Valley Booster Pump Station.
- **Infrastructure/Hazard Mitigation and Flood Protection:** Sonoma Water began construction of an \$819,000 Penngrove Sanitation Zone Lift Station Flood Resiliency Hazard Mitigation Project with offsetting FEMA grant funding. The Project raises electrical equipment above the floodplain, decreases the risk of sanitary sewer overflows related to power failure at the lift station, and increases staff health, safety, and accessibility.
- **Water Conservation:** The long-term management of water resources is important in Sonoma Water’s service area. The implementation of proven practices and approaches for achieving long-term reductions in per capita water demand will improve supply reliability, reduce the impact of short-term water shortage conditions, and provide a more accurate basis for future water management planning efforts. Sonoma Water is committed to assisting the region through financial support, technical support, and program management of water use efficiency for Sonoma Water’s water retailers through the Sonoma-Marín Saving Water Partnership.



In June 2021, Sonoma Water and its partners in the Sonoma-Marín Saving Water Partnership hosted a Drought Drop by Event. Further events are scheduled throughout summer and fall. Water customers throughout the North Bay were able to pick up free water saving kits to increase water conservation and raise awareness of the severity of the drought. The drop by event in lieu of other formats was conducted to keep community members safe during the ongoing pandemic. Sonoma Water and its partners in the Sonoma-Marín Saving Water Partnership encouraged all water users in the Russian River watershed to save water. Every drop saved helps maintain water flows in the Russian River and extends reservoir storage levels.

- **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.

In fiscal year 2021, the U.S. Army Corps entered a Project Partnership Agreement with Sonoma Water representing its 65 percent cost share to complete fishery habitat restoration work in Dry Creek. The funding along with Sonoma Water's 35 percent cost share will allow the U.S. Army Corps to construct the last three miles of a six-mile habitat enhancement plan over the next three years to improve fishery habitat in Dry Creek for endangered Coho salmon and threatened Chinook salmon and steelhead.

In anticipation of the expiration of the 15-year 2008 Biological Opinion (BO) in 2023, Sonoma Water also began working with the National Marine Fisheries Service, the U.S. Army Corps, and California Department of Fish and Wildlife to reinstate consultation and develop a biological assessment. The biological assessment will evaluate impacts for continued U.S. Army Corps and Sonoma Water operations in the Russian River watershed.

- **Water Quality:** Sonoma Water, the U.S. Army Corps, 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 will continue to do so into 2024, thanks to a grant from the Department of Boating and Waterways.

Flood Protection: The San Francisco Bay Advanced Quantitative Precipitation Information (AQPI) System is a multi-year project to provide improved precipitation and hydrologic information to water agencies and other stakeholders in the San Francisco Bay Area. In 2016, a California Department of Water Resources \$20 million grant was awarded to Sonoma Water and its partners. Partners include counties 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 June 2021, 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 fiscal year 2022. The radar's precipitation data will be used by the National Weather Service to produce hazard weather forecasts, such as mudslides and debris flow warnings. The data will provide flood control managers, utility managers, and emergency personnel more precise information on the location, timing, and intensity of expected rainfall and extreme weather events. This will result in improved management of water supply reservoirs, and improved operations of wastewater systems and flood protection facilities.

- Flood Protection: Sonoma Water initiated updating the 1958 Central Sonoma Watershed plan to address aging infrastructure and changed conditions in the watershed, and incorporate new data to improve flood protection in the Santa Rosa Creek watershed. In September 2020, Sonoma Water entered a \$1.2 million funding agreement with the United States Department of Agriculture's National Resources Conservation Service (NRCS) to conduct a planning level vulnerability assessment of flood control facilities and to develop an updated Central Sonoma Watershed Plan Environmental Assessment for future federal funding opportunities.
- Wastewater Project: Sonoma Water completed construction and commenced service to more than 70 customers on the 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. 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. Prior to the fires, most of the neighborhood was on individual septic systems.
- Wastewater - Recycled Water: Sonoma Water entered a transfer and use agreement with the Town of Windsor (Town) for recycled water that would allow the Town to store recycled water in Sonoma Water's Airport Treatment Plant reservoirs, and allow Sonoma Water to transfer recycled water to the Town's irrigation system for use by the Town's recycled water customers. The coordinated operations of the Town's and Sonoma Water's recycled water management systems could improve operating efficiencies and reduce costs for both systems, increase the beneficial use of recycled water, and decrease the Town's discharge of recycled water to Mark West Creek.

The transfers to the Town's irrigation system would allow Sonoma Water to significantly reduce or potentially cease costly irrigation of the Sonoma County Airport. Ceasing irrigation would be beneficial to the Airport's operations. The agreement also allows Sonoma water to provide recycled water to the City of Santa Rosa to support the City's agricultural customers.

- Emergency Preparedness: Community Power Resiliency Funds: The Governor’s Office of Emergency Services (CalOES) on October 9, 2020 released the 2020-2021 Community Power Resiliency Grant Program to support California Special Districts in preparing for and responding to power outage events. Sonoma Water was awarded \$231,000 to procure portable standby generators in the event of power loss to ensure uninterrupted service to more than 4,700 sanitation customers.
- Emergency Preparedness: On December 15, 2020, Sonoma Water’s Board authorized funding from Sonoma County’s PG&E settlement funds to develop a Decision Support Framework (DSF) and tools to guide vegetation management activities for fire risk reduction based on a science-based and transparent methodology. Specifically, the Board authorized: (1) \$1,000,000 for Sonoma Water to develop a landscape-level prioritization tool; and (2) \$600,000 to the U.C. Cooperative Extension (UCCE) to complete work and conduct outreach on a parcel-level decision support tool. The DSF is the synthesis of these decision support tools into a comprehensive framework that will identify areas where fire risk mitigation projects should be prioritized to protect high risk built and natural assets and then assist landowner and project proponents on the best mitigation measures at a parcel-level basis. In fiscal year 2021, Sonoma Water entered agreements to advance the planning and implementation of this multiple year program.

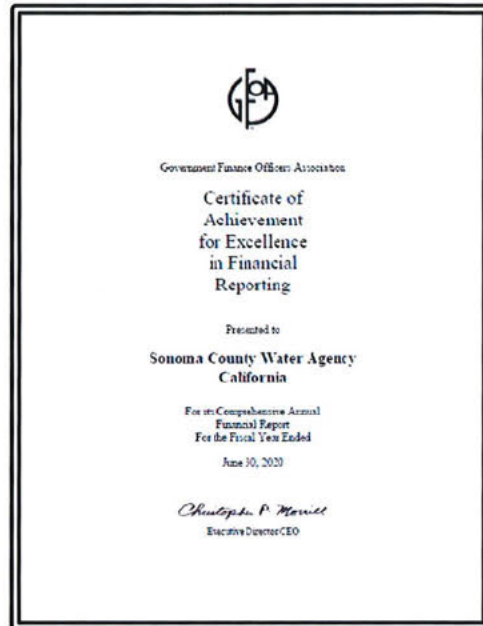
**Awards and Acknowledgements**

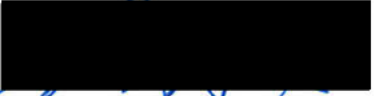
Financial Reporting Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sonoma County Water Agency's Report for the fiscal year ended June 30, 2020. This was the third year Sonoma Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Report that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

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

  
\_\_\_\_\_

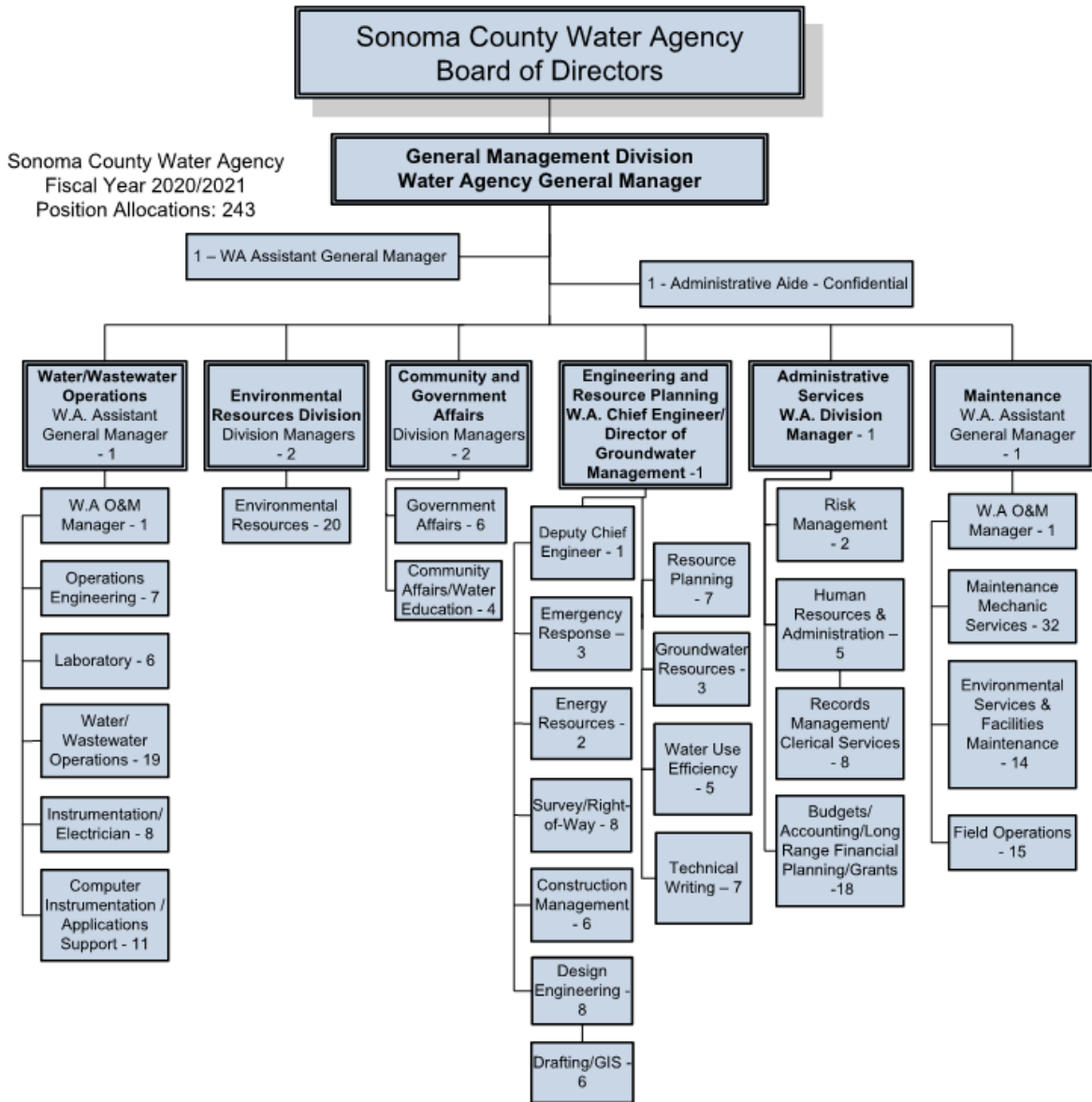
Lynne Rosselli  
Water Agency Division Manager - Finance and Administration



**Sonoma Water**  
**Directory of Appointed and Elected Officials**  
**June 30, 2021**

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

**Sonoma Water  
Organizational Chart  
June 30, 2021**



# 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, 2021, 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, 2021, 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 1, 2021, 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 1, 2021

**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(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, 2021. 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 \$387,002,464 (net position). Of this amount \$66,754,651 (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 \$20,920,034 during the current fiscal year. This increase in net position includes an increase in business-type activities of \$16,133,639 and an increase in governmental activities of \$4,786,395.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$91,510,045, a decrease of \$4,417,110 from the preceding year. Approximately 8.8% of this total amount, \$8,097,858, 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 \$8,097,858 or approximately 29.1% of total General Fund expenditures, which amounted to \$27,852,702 for the fiscal year ended June 30, 2021.
- Sonoma Water's long-term liabilities decreased by \$11,725,223 during the fiscal year, primarily due to a decrease of \$2,929,466 in other postemployment benefits and principal payments of \$3,904,554 on the Federal contract payable and \$2,004,795 on revenue bonds.

**Overview of the Financial Statements**

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



**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(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 two categories: governmental funds and proprietary funds.

***Governmental funds***

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

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

**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(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, 2021**  
**(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 \$387,002,464 as of June 30, 2021.

**Condensed Statements of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021
Current and other assets	\$ 102,951,126	\$ 97,682,017	\$ 112,576,972	\$ 125,212,371	\$ 215,528,098	\$ 222,894,388
Capital assets	137,401,789	136,279,368	198,020,406	199,636,798	335,422,195	335,916,166
<b>Total assets</b>	<b>240,352,915</b>	<b>233,961,385</b>	<b>310,597,378</b>	<b>324,849,169</b>	<b>550,950,293</b>	<b>558,810,554</b>
Total deferred outflows	7,010,501	6,692,017	500,685	451,089	7,511,186	7,143,106
Current liabilities	13,726,584	12,498,747	9,944,723	10,631,434	23,671,307	23,130,181
Noncurrent liabilities	102,854,151	94,489,799	55,991,893	53,373,738	158,846,044	147,863,537
<b>Total liabilities</b>	<b>116,580,735</b>	<b>106,988,546</b>	<b>65,936,616</b>	<b>64,005,172</b>	<b>182,517,351</b>	<b>170,993,718</b>
Total deferred inflows	9,861,698	7,957,478	-	-	9,861,698	7,957,478
<b>Net Position:</b>						
Net investment in capital assets	63,571,779	66,353,912	146,213,153	155,329,092	209,784,932	221,683,004
Restricted	75,310,302	71,676,521	23,835,337	26,888,288	99,145,639	98,564,809
Unrestricted (deficit)	(17,961,098)	(12,323,055)	75,112,957	79,077,706	57,151,859	66,754,651
<b>Total Net Position</b>	<b>\$ 120,920,983</b>	<b>\$ 125,707,378</b>	<b>\$ 245,161,447</b>	<b>\$ 261,295,086</b>	<b>\$ 366,082,430</b>	<b>\$ 387,002,464</b>

The largest portion of Sonoma Water's net position, \$221,683,004 (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, \$98,564,809 (25.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$66,754,651, 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, 2021**  
**(Unaudited)**

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

As of June 30, 2021, 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 \$12,323,055. 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 \$20,920,034 as of June 30, 2021. This increase included an increase of \$4,786,395 in net position for governmental activities and an increase of \$16,133,639 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,		Fiscal Year Ended June 30,		Fiscal Year Ended June 30,	
	2020	2021	2020	2021	2020	2021
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 15,181,833	\$ 17,767,775	\$ 53,791,482	\$ 61,534,967	\$ 68,973,315	\$ 79,302,742
Operating grants and contributions	5,016,803	5,933,734	1,537,635	572,263	6,554,438	6,505,997
Capital grants and contributions	-	-	4,279,162	1,049,722	4,279,162	1,049,722
<b>General Revenues:</b>						
Property taxes	30,729,248	31,832,141	510	129	30,729,758	31,832,270
Investment earnings	2,172,405	413,033	1,746,998	296,504	3,919,403	709,537
<b>Total revenues</b>	<b>53,100,289</b>	<b>55,946,683</b>	<b>61,355,787</b>	<b>63,453,585</b>	<b>114,456,076</b>	<b>119,400,268</b>
<b>Expenses:</b>						
General government	9,703,136	6,406,282	-	-	9,703,136	6,406,282
Intergovernmental	12,587,202	15,347,561	-	-	12,587,202	15,347,561
Flood control	14,288,805	12,101,628	-	-	14,288,805	12,101,628
Warm Springs Dam	5,591,383	9,440,547	-	-	5,591,383	9,440,547
Interest on long-term debt	2,421,680	2,297,070	-	-	2,421,680	2,297,070
Water transmission	-	-	41,900,238	39,746,635	41,900,238	39,746,635
Water supply	-	-	6,394,595	5,213,705	6,394,595	5,213,705
Sanitation	-	-	7,186,759	7,926,806	7,186,759	7,926,806
<b>Total expenses</b>	<b>44,592,206</b>	<b>45,593,088</b>	<b>55,481,592</b>	<b>52,887,146</b>	<b>100,073,798</b>	<b>98,480,234</b>
Change in net position before transfers	8,508,083	10,353,595	5,874,195	10,566,439	14,382,278	20,920,034
Transfers	(1,993,000)	(5,567,200)	1,993,000	5,567,200	-	-
Change in net position	6,515,083	4,786,395	7,867,195	16,133,639	14,382,278	20,920,034
Net position - beginning of year	114,405,900	120,920,983	237,294,252	245,161,447	351,700,152	366,082,430
<b>Net position - end of year</b>	<b>\$ 120,920,983</b>	<b>\$ 125,707,378</b>	<b>\$ 245,161,447</b>	<b>\$ 261,295,086</b>	<b>\$ 366,082,430</b>	<b>\$ 387,002,464</b>

**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(Unaudited)**

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

***Governmental Activities***

Governmental activities increased Sonoma Water's net position by \$4,786,395 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

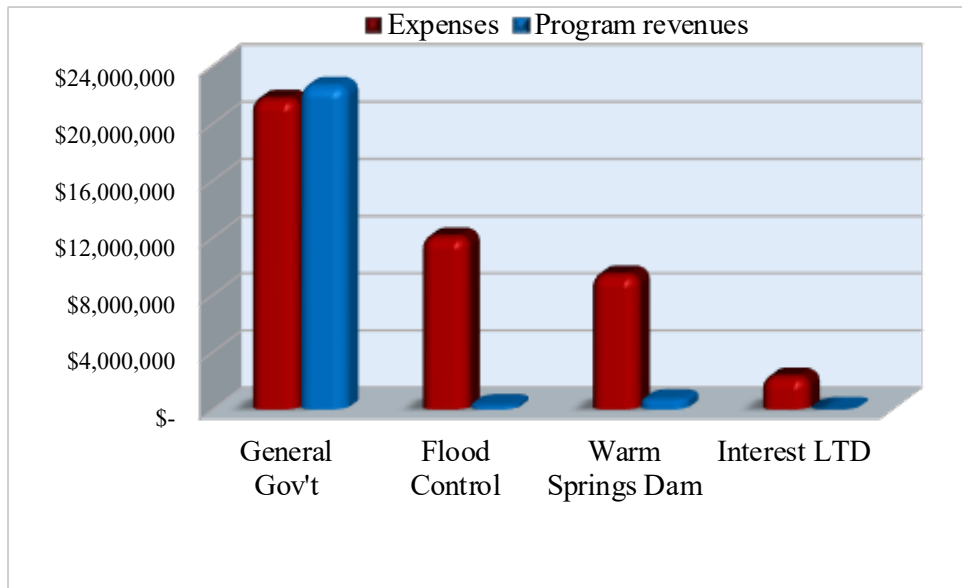
- Program revenues for the fiscal year ended June 30, 2021 increased by \$3,502,873 from the prior fiscal year. This increase consisted of an increase of \$2,585,942 in charges for services and \$916,931 in operating grants and contributions.
- Charges for services for the fiscal year totaled \$17,767,775, representing an increase of \$2,585,942 from the prior year. This increase is primarily due to increased revenue for the operation and maintenance of outside sanitation districts.
- Operating grants and contributions totaled \$5,933,734 for the fiscal year, a \$916,931 increase from the prior fiscal year. This increase is primarily due to increased grant funding related to the Bay Area Advanced Quantitative Precipitation Information System project.
- Property tax revenue totaled \$31,832,141, including \$9,723,198 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$1,102,893 from the prior fiscal year due to an increase in the assessed value of taxable property.
- Investment earnings of \$413,033 included \$465,103 in interest earnings on cash in the County Treasury Pool. Investment earnings decreased by \$1,759,372 from the prior fiscal year, primarily as a result of lower interest rates on pooled investments and a decrease in the fair value of investments.
- Expenses for the General Government decreased by \$536,495 primarily due to a decrease in salaries and benefits net of reimbursements from other funds.
- Expenses for Flood Control decreased by \$2,187,177 primarily due to a \$1,393,576 decrease in project costs for the Petaluma River Flood Management and Enhancements project compared to the prior fiscal year.
- Warm Springs Dam expenses increased by \$3,849,164 from the prior year, primarily due to an increase of \$2,072,965 in project costs for habitat restoration projects in Dry Creek.

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)**

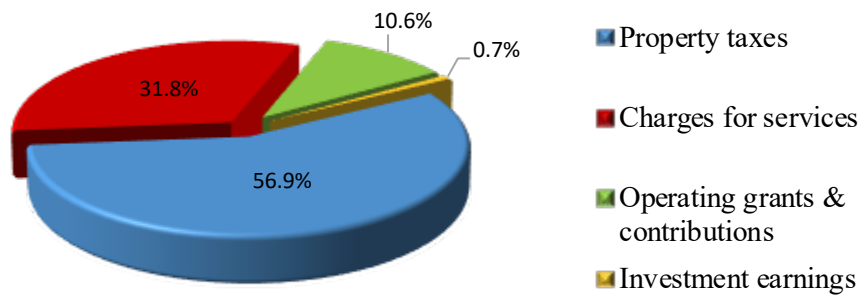
**Government-wide Financial Analysis (continued)**

***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, 2021**  
**(Unaudited)**

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

***Business-type Activities***

Business-type activities increased Sonoma Water's net position by \$16,133,639. Key elements of Sonoma Water's business-type activities are identified below.

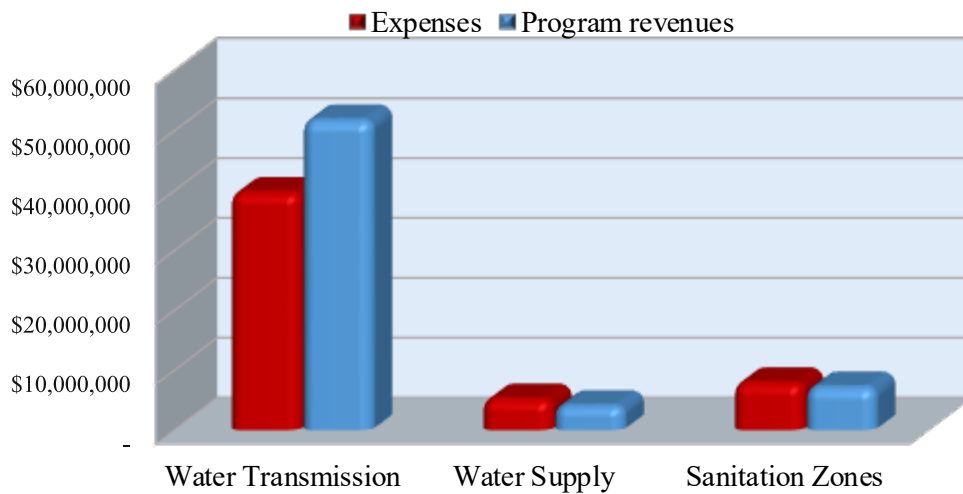
- Water sales revenue increased \$8,756,725 from the prior fiscal year. This increase was due to a 13.6% increase in total acre-feet sold and an average increase of 5.4% in water rates.
- Miscellaneous revenue decreased \$1,537,917. Miscellaneous revenue was higher than usual in the prior fiscal year due to an insurance reimbursement related to the 2019 floods.
- Operating grants and contributions for the fiscal year totaled \$572,263, representing a decrease of \$965,372 from the prior year. This decrease was primarily due to a decrease in expenses and related funding for the Title XVI Water Smart grant which provides funding for North Bay Water Reuse projects as well as a decrease in Federal disaster funding.
- Capital grants and contributions totaled \$1,049,722 for the fiscal year, a decrease of \$3,229,440 from the prior fiscal year. This decrease was primarily due to securing contributions totaling \$2,790,550 from property owners participating in the Larkfield Estates sewer system construction loan program in the prior year. The deadline to sign up for the loan program expired and therefore, there were no contributions for the fiscal year ended June 30, 2021.
- Investment earnings for the fiscal year ended June 30, 2021 totaled \$296,504, representing a decrease of \$1,450,494 from the prior year. This decrease was primarily as a result of lower interest rates on pooled investments and a decrease in the fair value of investments.
- Expenses for Water Transmission totaled \$39,746,635, a decrease of \$2,153,603 from the prior year. The decrease was primarily due to a partial impairment of the Kawana-Ralphine Pipeline project totaling \$2,784,343 during the prior fiscal year. Contract service expenses and recycled water program contributions also decreased compared to the prior year.
- Water Supply expenses decreased by \$1,180,890, primarily due to a decrease of \$893,350 in Lake Mendocino FIRO project costs, a decrease of \$768,706 in pass-through grant funding for the Title XVI Water Smart grant as well as a decrease of \$193,810 in costs for the Potter Valley project. These decreased costs were offset by an increase in the costs of securing and defending water rights of \$419,374 compared to the prior year.
- Sanitation expenses increased by \$740,046. The majority of the increase was related to a \$525,000 increase in contract service costs in the Airport-Larkfield-Wikiup (ALW) sanitation fund for the removal of biosolids.
- Transfers from Sonoma Water's General Fund totaling \$5,567,200 were received during the fiscal year ended June 30, 2021. 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, 2021  
(Unaudited)**

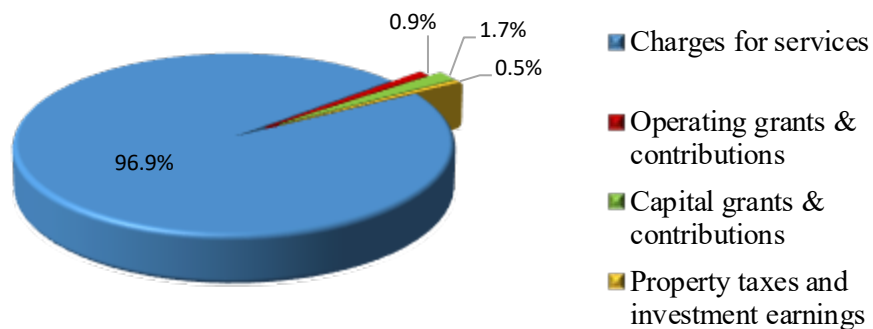
**Government-wide Financial Analysis (continued)**

*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, 2021  
(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, 2021, Sonoma Water's governmental funds reported combined ending fund balances of \$91,510,045, a decrease of \$4,417,110 in comparison with the prior year. Approximately 8.8% of this total amount, \$8,097,858, 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 \$8,097,858. Assigned fund balance totaled \$9,575,786 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 \$509,405 due to prepaid items. Total fund balance for the General Fund as of June 30, 2021 was \$18,433,049.

The General Fund's fund balance decreased by \$871,521 which represents a 4.5% decrease in fund balance compared to the prior fiscal year. Some of the significant changes include an increase in transfers to proprietary funds as well as an increase in salaries and benefits.

The special revenue funds consist of Flood Control and Warm Springs Dam. Flood Control reported restricted fund balance of \$27,701,962 and non-spendable fund balance of \$11,333 due to prepaid items. Total fund balance for Flood Control as of June 30, 2021 was \$27,713,295. Warm Springs Dam reported total fund balance of \$10,292,170, all of which is restricted fund balance. Warm Springs Dam had a significant decrease in fund balance of \$2,619,074 which represents a 20.3% decrease compared to the prior fiscal year, mainly due to a \$2,072,965 increase in project costs for habitat restoration projects in Dry Creek compared to the prior year and a transfer of \$4,100,000 to the debt service fund.

The Debt Service Fund had a total fund balance of \$35,071,531, all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance decreased by \$1,848,490 which represents a 5% 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, 2021  
(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 \$11,335,152 to \$176,682,678, primarily due to higher water sales revenue.

Water Supply net position increased by \$2,674,775 to \$3,753,176, primarily due to an increase in transfers in from the General Fund and a decrease in operating expenses including contract services and legal services.

Sanitation net position increased by \$983,148 to \$27,521,069, primarily as a result of increased transfers in from the General Fund as well as higher flat charges.

Internal Service Fund net position increased by \$1,140,564 to \$53,338,163 primarily as a result of increased power sales as well as increased real estate rental revenue.

Unrestricted net position of the Water Transmission Fund as of the fiscal year ended June 30, 2021 was \$58,704,548. The Water Supply Fund, the Sanitation Funds and the Internal Service Funds reported unrestricted net position of \$2,001,447, \$4,990,456 and \$13,381,255, respectively.

**General Fund Budgetary Highlights**

Sonoma Water's final budget appropriations for expenditures of the General Fund increased \$12,368,199 over the original budget, or 31.8%. Final budgeted revenues also increased by \$4,265,000 over the original budget, or 13.5%.

***Revenues***

The General Fund's actual revenues were \$3,238,117 less than the final budgeted revenue estimates. Key variances are as follows:

- Property tax revenues were over budget \$439,151 primarily due to growth in real property assessed values.
- Charges for services were over budget \$2,298,082 due to increased reimbursements from the four sanitation districts for direct labor and overhead charges.
- Intergovernmental revenue was under budget by \$3,909,269 primarily due to lower than estimated State grant funding due to delays in grant related projects.

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)**

**General Fund Budgetary Highlights (continued)**

***Expenditures***

The General Fund's actual expenditures were under budget compared to the final budgeted estimates, resulting in \$17,774,669 of unspent appropriations. Key variances are as follows:

- Contract services had \$8,519,473 of unspent appropriations due to project delays including delays for the Bay Area Advanced Quantitative Precipitation Information System project.
- Unspent appropriations for contributions to other governments and agencies were \$1,774,962. Contributions can vary year to year depending on progress of grant related projects.
- Capital outlay expenditures had \$845,866 of unspent appropriations due to a delay in purchasing a Supervisory Control and Data Acquisition system and other software development.

**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, 2021, was \$335,916,166 (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, 2021 included the completion of the following projects. (The amounts shown represent the total life-to-date construction costs of each project).

Governmental activities:

- Capital expansion within the Warm Springs Dam Fund included:  
Easement acquisitions for the Russian River Dry Creek Habitat Project - \$1,378,744

Business-type activities:

- Capital expansion within the Sanitation Funds included:  
Larkfield Estates Sewer System - \$5,652,380

**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(Unaudited)**

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

*Capital Assets (continued)*

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021
Land	\$ 1,597,189	\$ 1,597,189	\$ 11,023,905	\$ 11,023,905	\$ 12,621,094	\$ 12,621,094
Land improvements	127,400	115,170	1,630,999	1,444,538	1,758,399	1,559,708
Construction in progress	1,798,156	1,116,692	18,148,541	21,949,389	19,946,697	23,066,081
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	2,289,682	3,497,498	481,414	499,585	2,771,096	3,997,083
Intangible asset - software	-	-	251,968	211,748	251,968	211,748
Infrastructure	27,266,600	25,844,003	119,330,837	118,539,015	146,597,437	144,383,018
Buildings and improvements	1,340,617	1,256,070	36,304,339	34,750,389	37,644,956	36,006,459
Machinery and equipment	611,145	481,746	5,852,008	6,221,834	6,463,153	6,703,580
<b>Total capital assets</b>	<b>\$ 137,401,789</b>	<b>\$ 136,279,368</b>	<b>\$ 198,020,406</b>	<b>\$ 199,636,798</b>	<b>\$ 335,422,195</b>	<b>\$ 335,916,166</b>

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, 2021, Sonoma Water had a total of \$149,739,406 in outstanding long-term obligations.

**Outstanding Current and Long-Term Obligations**

	<b>June 30,</b>	<b>June 30,</b>	<b>Change</b>	
	<b>2020</b>	<b>2021</b>	<b>\$</b>	<b>%</b>
Capital lease obligations	\$ 1,833,511	\$ 1,248,042	\$ (585,469)	-31.9%
Revenue bonds	43,550,525	41,545,730	(2,004,795)	-4.6%
Advances from other governments	7,411,692	6,572,680	(839,012)	-11.3%
Federal contract payable	73,830,010	69,925,456	(3,904,554)	-5.3%
Compensated absences	2,882,363	3,395,006	512,643	17.8%
Pollution remediation	152,326	149,563	(2,763)	-1.8%
Net pension liability	14,111,946	12,140,139	(1,971,807)	-14.0%
Other postemployment benefits	17,692,256	14,762,790	(2,929,466)	-16.6%
<b>Total</b>	<b>\$ 161,464,629</b>	<b>\$ 149,739,406</b>	<b>\$ (11,725,223)</b>	<b>-7.3%</b>



**Sonoma Water**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(Unaudited)**

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

***Long-Term Obligations (continued)***

Sonoma Water's total long-term obligations decreased by \$11,725,223 (7.3%) during the fiscal year ended June 30, 2021.

The outstanding total of capital lease obligations, revenue bonds, advances from other governments, and federal contract payable decreased during the fiscal year ended June 30, 2021 due to regularly scheduled principal payments.

Compensated absences liability increased by \$512,643 due to employees using less vacation leave than they earned and accrued.

Pollution remediation decreased by \$2,763 due to pollution remediation expenses incurred during the fiscal year.

Net pension liability decreased by \$1,971,807, primarily as a result of the favorable return on investments held in the trust to provide for the pension obligation.

Other postemployment benefits decreased by \$2,929,466 due to actuarial experience gain and valuation assumption changes.

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

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

As of June 30, 2021, unassigned fund balance in the General Fund was \$8,097,858. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$7,307,771 in the fiscal year ending June 30, 2022 reduces unassigned fund balance.

The coronavirus pandemic will continue to affect Sonoma Water's revenues and expenditures during the fiscal year ending June 30, 2022. However, it is difficult to project the impact it will have during the year.

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

Intergovernmental revenue is expected to decrease for the year ending June 30, 2022 as a result of reduced contract service expenses and related State and Federal grant program funding including the California Department of Water Resources North Coast Resource Partnership, the Advanced Quantitative Precipitation Information System (AQPI) grants and the Monte Rio Treatment Assessment Project.

Expenditures on operating projects are expected to decrease as phases of the Dry Creek Habitat Enhancement projects near completion. Expenditures on capital projects are also expected to decrease as well due to the completion of capital projects including the Santa Rosa Creek Vortex Tube project.

**Sonoma Water  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)**

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

Water sales revenue is expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2022 budget. Water rates increased by an average of 3.5% while sewer rates increased an average of 3.8%.

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	\$ 863.95	\$ 863.95	\$ 863.95
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	126.72
Storage facility revenue bonds charge	23.12	23.12	23.12
Common facilities revenue bonds charge	93.39	93.39	93.39
Aqueduct capital charge	20.00	20.00	38.00
<b>Total</b>	<b>\$ 1,000.46</b>	<b>\$ 1,000.46</b>	<b>\$ 1,145.18</b>

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

Sanitation Zone	20/21	21/22	Change
Sea Ranch	\$ 1,242	\$ 1,286	3.5%
Penngrove	1,628	1,692	3.9%
Geyserville	1,158	1,204	4.0%
Airport-Larkfield-Wikiup	1,018	1,058	3.9%

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

Sanitation Zone	20/21	21/22	Change
Sea Ranch	607	609	0.3%
Penngrove	549	550	0.2%
Geyserville	359	361	0.6%
Airport-Larkfield-Wikiup	3,818	4,017	5.2%

# Basic Financial Statements

**Sonoma Water**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 71,444,307	\$ 97,636,435	\$ 169,080,742
Restricted cash and investments	-	2,717,213	2,717,213
Deposits with others	-	753,746	753,746
Accounts receivable	7,173,311	8,972,107	16,145,418
Prepaid items	520,738	102,720	623,458
Total current assets	<u>79,138,356</u>	<u>110,182,221</u>	<u>189,320,577</u>
Noncurrent assets:			
Restricted cash and investments	17,483,884	9,770,256	27,254,140
Accounts receivable	1,059,777	4,248,280	5,308,057
Reserves on deposit	-	1,011,614	1,011,614
Capital assets, net:			
Land	1,597,189	11,023,905	12,621,094
Land improvements	115,170	1,444,538	1,559,708
Construction in progress	1,116,692	21,949,389	23,066,081
Intangible assets	105,868,498	5,707,728	111,576,226
Infrastructure	25,844,003	118,539,015	144,383,018
Buildings and improvements	1,256,070	34,750,389	36,006,459
Equipment	481,746	6,221,834	6,703,580
Total capital assets, net	<u>136,279,368</u>	<u>199,636,798</u>	<u>335,916,166</u>
Total noncurrent assets	<u>154,823,029</u>	<u>214,666,948</u>	<u>369,489,977</u>
Total assets	<u>233,961,385</u>	<u>324,849,169</u>	<u>558,810,554</u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	4,126,841	-	4,126,841
Deferred amounts related to OPEB	2,565,176	-	2,565,176
Deferred amounts related to charge on refunding	-	451,089	451,089
Total deferred outflows of resources	<u>6,692,017</u>	<u>451,089</u>	<u>7,143,106</u>

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

**Sonoma Water**  
**Statement of Net Position (continued)**  
**June 30, 2021**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	5,030,477	5,822,213	10,852,690
Due to other governments	-	454,607	454,607
Interest payable	1,503,397	14,556	1,517,953
Unearned revenue	81,718	599,472	681,190
Advances from other governments	-	428,315	428,315
Deposits from others	-	18,330	18,330
Capital lease obligations	-	483,348	483,348
Compensated absences	1,852,679	-	1,852,679
Long-term contracts payable	4,030,476	-	4,030,476
Total current liabilities payable from unrestricted assets	<u>12,498,747</u>	<u>7,820,841</u>	<u>20,319,588</u>
Current liabilities payable from restricted assets:			
Interest payable	-	724,397	724,397
Revenue bonds payable	-	2,086,196	2,086,196
Total current liabilities payable from restricted assets	<u>-</u>	<u>2,810,593</u>	<u>2,810,593</u>
Total current liabilities	<u>12,498,747</u>	<u>10,631,434</u>	<u>23,130,181</u>
Noncurrent liabilities:			
Unearned revenue	-	4,530,735	4,530,735
Advances from other governments	-	6,144,365	6,144,365
Capital lease obligations	-	764,694	764,694
Compensated absences	1,542,327	-	1,542,327
Revenue bonds payable	-	41,933,944	41,933,944
Long-term contracts payable	65,894,980	-	65,894,980
Net pension liability	12,140,139	-	12,140,139
Other postemployment benefits liability	14,762,790	-	14,762,790
Pollution remediation obligation	149,563	-	149,563
Total noncurrent liabilities	<u>94,489,799</u>	<u>53,373,738</u>	<u>147,863,537</u>
Total liabilities	<u>106,988,546</u>	<u>64,005,172</u>	<u>170,993,718</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	5,749,338	-	5,749,338
Deferred amounts related to OPEB	2,208,140	-	2,208,140
Total deferred inflows of resources	<u>7,957,478</u>	<u>-</u>	<u>7,957,478</u>
<b>Net Position</b>			
Net investment in capital assets	66,353,912	155,329,092	221,683,004
Restricted for:			
Flood control	27,566,217	-	27,566,217
Warm Springs Dam	43,860,304	-	43,860,304
Water management planning	-	544,524	544,524
Watershed planning and restoration	-	15,927,477	15,927,477
Recycled water and local supply	-	745,926	745,926
Water conservation	-	2,705,497	2,705,497
Debt service	-	2,847,615	2,847,615
Capital projects	-	3,105,635	3,105,635
Other purposes	250,000	1,011,614	1,261,614
Unrestricted (deficit)	<u>(12,323,055)</u>	<u>79,077,706</u>	<u>66,754,651</u>
Total net position	<u>\$ 125,707,378</u>	<u>\$ 261,295,086</u>	<u>\$ 387,002,464</u>

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

**Sonoma Water**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 6,406,282	\$ 3,445,339	\$ 4,952,687	\$ -	\$ 1,991,744	\$ -	\$ 1,991,744
Intergovernmental	15,347,561	14,255,561	-	-	(1,092,000)	-	(1,092,000)
Flood control	12,101,628	66,875	258,947	-	(11,775,806)	-	(11,775,806)
Warm Springs Dam	9,440,547	-	722,100	-	(8,718,447)	-	(8,718,447)
Interest on long-term debt	2,297,070	-	-	-	(2,297,070)	-	(2,297,070)
Total governmental activities	<u>45,593,088</u>	<u>17,767,775</u>	<u>5,933,734</u>	<u>-</u>	<u>(21,891,579)</u>	<u>-</u>	<u>(21,891,579)</u>
Business-type activities:							
Water transmission	39,746,635	51,339,633	99,125	406,842	-	12,098,965	12,098,965
Water supply	5,213,705	3,750,171	345,944	-	-	(1,117,590)	(1,117,590)
Sanitation	7,926,806	6,445,163	127,194	642,880	-	(711,569)	(711,569)
Total business-type activities	<u>52,887,146</u>	<u>61,534,967</u>	<u>572,263</u>	<u>1,049,722</u>	<u>-</u>	<u>10,269,806</u>	<u>10,269,806</u>
Total primary government	<u>\$ 98,480,234</u>	<u>\$ 79,302,742</u>	<u>\$ 6,505,997</u>	<u>\$ 1,049,722</u>	<u>(21,891,579)</u>	<u>10,269,806</u>	<u>(11,621,773)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					22,108,943	-	22,108,943
Property taxes, levied for debt service and assurances					9,723,198	129	9,723,327
Unrestricted investment earnings					413,033	296,504	709,537
Transfers					(5,567,200)	5,567,200	-
Total general revenues and transfers					<u>26,677,974</u>	<u>5,863,833</u>	<u>32,541,807</u>
Change in net position					4,786,395	16,133,639	20,920,034
Net position - beginning of year					120,920,983	245,161,447	366,082,430
Net position - end of year					<u>\$ 125,707,378</u>	<u>\$ 261,295,086</u>	<u>\$ 387,002,464</u>

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



**Sonoma Water  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>	
	<b>General</b>	<b>Flood Control</b>	<b>Warm Springs Dam</b>			<b>Debt Service</b>
<b>Assets</b>						
Cash and investments	\$ 13,876,840	\$ 28,198,148	\$ 11,524,205	\$ 17,845,114	\$ 71,444,307	
Restricted cash and investments	250,000	-	-	17,233,884	17,483,884	
Accounts receivable	7,539,499	102,442	591,147	-	8,233,088	
Prepaid items	509,405	11,333	-	-	520,738	
Total assets	<u>\$ 22,175,744</u>	<u>\$ 28,311,923</u>	<u>\$ 12,115,352</u>	<u>\$ 35,078,998</u>	<u>\$ 97,682,017</u>	
<b>Liabilities</b>						
Accounts payable	\$ 2,604,601	\$ 595,227	\$ 1,823,182	\$ 7,467	\$ 5,030,477	
Unearned revenue	80,801	917	-	-	81,718	
Total liabilities	<u>2,685,402</u>	<u>596,144</u>	<u>1,823,182</u>	<u>7,467</u>	<u>5,112,195</u>	
<b>Deferred inflows of resources</b>						
Unavailable revenue - intergovernmental	1,057,293	2,484	-	-	1,059,777	
Total deferred inflows of resources	<u>1,057,293</u>	<u>2,484</u>	<u>-</u>	<u>-</u>	<u>1,059,777</u>	
<b>Fund balances</b>						
Nonspendable	509,405	11,333	-	-	520,738	
Restricted	250,000	27,701,962	10,292,170	35,071,531	73,315,663	
Assigned	9,575,786	-	-	-	9,575,786	
Unassigned	8,097,858	-	-	-	8,097,858	
Total fund balances	<u>18,433,049</u>	<u>27,713,295</u>	<u>10,292,170</u>	<u>35,071,531</u>	<u>91,510,045</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,175,744</u>	<u>\$ 28,311,923</u>	<u>\$ 12,115,352</u>	<u>\$ 35,078,998</u>	<u>\$ 97,682,017</u>	

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

Fund balances - total governmental funds	\$ 91,510,045
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	136,279,368
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds	1,059,777
Deferred outflows of resources are reported in the statement of net position but not reported in the funds	6,692,017
Some liabilities are not due and payable in the current period and therefore are not recorded in the funds:	
Interest payable	(1,503,397)
Compensated absences	(3,395,006)
Net pension liability	(12,140,139)
Other postemployment benefits liability	(14,762,790)
Pollution remediation obligation	(149,563)
Long-term contracts payable	(69,925,456)
Deferred inflows of resources are reported in the statement of net position but not reported in the funds	<u>(7,957,478)</u>
Net position of governmental activities	<u>\$ 125,707,378</u>

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

**Sonoma Water**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<b>General</b>	<b>Flood Control</b>	<b>Warm Springs Dam</b>	<b>Debt Service</b>	
<b>Revenues</b>					
Property taxes	\$ 10,408,862	\$ 11,700,081	\$ 9,723,198	\$ -	\$ 31,832,141
Investment earnings	21,131	40,438	14,382	337,082	413,033
Intergovernmental	4,417,488	433,852	722,100	-	5,573,440
Charges for services	17,623,927	66,850	-	-	17,690,777
Miscellaneous	76,973	25	-	-	76,998
Total revenues	<u>32,548,381</u>	<u>12,241,246</u>	<u>10,459,680</u>	<u>337,082</u>	<u>55,586,389</u>
<b>Expenditures</b>					
Current:					
General government	12,171,141	-	-	-	12,171,141
Intergovernmental	15,347,561	-	-	-	15,347,561
Flood control	-	10,566,945	-	-	10,566,945
Warm Springs Dam	-	-	8,966,812	-	8,966,812
Capital outlay	334,000	752,326	11,942	-	1,098,268
Debt service:					
Principal	-	-	-	3,904,554	3,904,554
Interest and fiscal charges	-	-	-	2,381,018	2,381,018
Total expenditures	<u>27,852,702</u>	<u>11,319,271</u>	<u>8,978,754</u>	<u>6,285,572</u>	<u>54,436,299</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	4,695,679	921,975	1,480,926	(5,948,490)	1,150,090
<b>Other financing uses</b>					
Transfers in	-	-	-	4,100,000	4,100,000
Transfers out	<u>(5,567,200)</u>	<u>-</u>	<u>(4,100,000)</u>	<u>-</u>	<u>(9,667,200)</u>
Total other financing uses	<u>(5,567,200)</u>	<u>-</u>	<u>(4,100,000)</u>	<u>4,100,000</u>	<u>(5,567,200)</u>
<b>Net change in fund balances</b>	(871,521)	921,975	(2,619,074)	(1,848,490)	(4,417,110)
Fund balances - beginning of year	<u>19,304,570</u>	<u>26,791,320</u>	<u>12,911,244</u>	<u>36,920,021</u>	<u>95,927,155</u>
Fund balances - end of year	<u>\$ 18,433,049</u>	<u>\$ 27,713,295</u>	<u>\$ 10,292,170</u>	<u>\$ 35,071,531</u>	<u>\$ 91,510,045</u>

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

**Sonoma Water**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**In Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

Net change in fund balances - total governmental funds \$ (4,417,110)

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	1,098,268
Depreciation and amortization expense	(1,819,701)
Other capital related adjustments	(400,988)

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. 3,904,554

Certain amounts are not available to pay current period expenditures and therefore are  
deferred inflows of resources in the governmental funds. 360,295

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	83,948
Change in compensated absences	(512,643)
Change in accrued net pension liability	4,033,597
Change in other postemployment benefits liability	2,453,412
Change in pollution remediation obligation	2,763
	2,763

Change in net position of governmental activities \$ 4,786,395

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

**Sonoma Water**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Water Transmission</u>	<u>Water Supply</u>	<u>Sanitation</u>	<u>Total</u>	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 78,087,101	\$ 4,492,484	\$ 7,289,973	\$ 89,869,558	\$ 7,766,877
Restricted cash and investments	2,345,934	-	371,279	2,717,213	-
Deposits with others	-	-	-	-	753,746
Accounts receivable	6,841,590	1,498,583	631,934	8,972,107	-
Prepaid items	8,164	1,770	5,033	14,967	87,753
Total current assets	<u>87,282,789</u>	<u>5,992,837</u>	<u>8,298,219</u>	<u>101,573,845</u>	<u>8,608,376</u>
Noncurrent assets:					
Restricted cash and investments	9,534,812	-	235,444	9,770,256	-
Accounts receivable	64,592	4,011	4,179,677	4,248,280	-
Advances to other funds	-	-	-	-	5,767,000
Reserves on deposit	-	-	-	-	1,011,614
Capital assets, net:					
Land	7,066,430	-	1,621,444	8,687,874	2,336,031
Land improvements	-	988,229	-	988,229	456,309
Construction in progress	20,100,017	-	1,511,262	21,611,279	338,110
Intangible assets	5,497,641	85,380	80,771	5,663,792	43,936
Infrastructure	97,440,034	637,903	20,461,078	118,539,015	-
Buildings and improvements	3,325,586	-	-	3,325,586	31,424,803
Equipment	322,128	40,217	265,342	627,687	5,594,147
Total capital assets, net	<u>133,751,836</u>	<u>1,751,729</u>	<u>23,939,897</u>	<u>159,443,462</u>	<u>40,193,336</u>
Total noncurrent assets	<u>143,351,240</u>	<u>1,755,740</u>	<u>28,355,018</u>	<u>173,461,998</u>	<u>46,971,950</u>
Total assets	<u>230,634,029</u>	<u>7,748,577</u>	<u>36,653,237</u>	<u>275,035,843</u>	<u>55,580,326</u>
<b>Deferred Outflows of Resources</b>					
Deferred amounts related to charge on refunding	340,460	-	110,629	451,089	-

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

**Sonoma Water**  
**Statement of Net Position (continued)**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Water Transmission</b>	<b>Water Supply</b>	<b>Sanitation</b>	<b>Total</b>	
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	3,838,028	252,683	1,084,358	5,175,069	647,144
Due to other governments	453,137	-	1,470	454,607	-
Interest payable	-	-	-	-	14,556
Unearned revenue	-	196,243	70,808	267,051	332,421
Advances from other governments	428,315	-	-	428,315	-
Deposits from others	4,230	14,100	-	18,330	-
Capital lease obligations	-	-	-	-	483,348
Total current liabilities payable from unrestricted assets	<u>4,723,710</u>	<u>463,026</u>	<u>1,156,636</u>	<u>6,343,372</u>	<u>1,477,469</u>
Current liabilities payable from restricted assets:					
Interest payable	710,966	-	13,431	724,397	-
Revenue bonds payable	<u>1,725,000</u>	-	<u>361,196</u>	<u>2,086,196</u>	-
Total current liabilities payable from restricted assets	<u>2,435,966</u>	<u>-</u>	<u>374,627</u>	<u>2,810,593</u>	<u>-</u>
Total current liabilities	<u>7,159,676</u>	<u>463,026</u>	<u>1,531,263</u>	<u>9,153,965</u>	<u>1,477,469</u>
Noncurrent liabilities:					
Unearned revenue	998,360	3,532,375	-	4,530,735	-
Advances from other governments	6,144,365	-	-	6,144,365	-
Capital lease obligations	-	-	-	-	764,694
Revenue bonds payable	39,989,410	-	1,944,534	41,933,944	-
Advances from other funds	-	-	5,767,000	5,767,000	-
Total noncurrent liabilities	<u>47,132,135</u>	<u>3,532,375</u>	<u>7,711,534</u>	<u>58,376,044</u>	<u>764,694</u>
Total liabilities	<u>54,291,811</u>	<u>3,995,401</u>	<u>9,242,797</u>	<u>67,530,009</u>	<u>2,242,163</u>
<b>Net Position</b>					
Net investment in capital assets	92,887,273	1,751,729	21,744,796	116,383,798	38,945,294
Restricted for:					
Water management planning	544,524	-	-	544,524	-
Watershed planning and restoration	15,927,477	-	-	15,927,477	-
Recycled water and local supply	745,926	-	-	745,926	-
Water conservation	2,512,972	-	192,525	2,705,497	-
Reserves on deposit	-	-	-	-	1,011,614
Debt service	2,254,323	-	593,292	2,847,615	-
Capital projects	3,105,635	-	-	3,105,635	-
Unrestricted	<u>58,704,548</u>	<u>2,001,447</u>	<u>4,990,456</u>	<u>65,696,451</u>	<u>13,381,255</u>
Total net position	<u>\$ 176,682,678</u>	<u>\$ 3,753,176</u>	<u>\$ 27,521,069</u>	<u>207,956,923</u>	<u>\$ 53,338,163</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				<u>53,338,163</u>	
Net position of business-type activities				<u>\$ 261,295,086</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, 2021**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Water Transmission</u>	<u>Water Supply</u>	<u>Sanitation</u>	<u>Total</u>	
<b>Operating Revenue</b>					
Water sales	\$ 51,227,762	\$ 3,107,947	\$ -	\$ 54,335,709	\$ -
Water services	23,378	-	-	23,378	-
Power sales	-	-	-	-	5,331,849
Flat charges	-	-	5,692,080	5,692,080	-
Sanitation services	-	-	584,356	584,356	-
Equipment rental	-	-	-	-	2,761,466
Real estate rental	-	-	-	-	3,695,820
Miscellaneous	88,493	642,224	-	730,717	10,769
Total operating revenue	<u>51,339,633</u>	<u>3,750,171</u>	<u>6,276,436</u>	<u>61,366,240</u>	<u>11,799,904</u>
<b>Operating Expenses</b>					
Services and supplies	32,661,373	4,996,557	6,804,675	44,462,605	8,335,538
Depreciation and amortization	6,489,834	232,145	1,145,503	7,867,482	2,449,851
Total operating expenses	<u>39,151,207</u>	<u>5,228,702</u>	<u>7,950,178</u>	<u>52,330,087</u>	<u>10,785,389</u>
<b>Operating Income (Loss)</b>	<u>12,188,426</u>	<u>(1,478,531)</u>	<u>(1,673,742)</u>	<u>9,036,153</u>	<u>1,014,515</u>
<b>Nonoperating Revenues (Expenses)</b>					
Taxes and assessments	-	-	129	129	-
Investment earnings	181,891	7,362	80,250	269,503	27,001
Interest expense and debt issuance cost	(1,497,075)	-	(122,805)	(1,619,880)	(64,502)
Gain (loss) on disposal of capital assets	(32,285)	-	-	(32,285)	163,550
Real estate rental	-	-	168,727	168,727	-
Conservation program	-	-	(6,685)	(6,685)	-
Intergovernmental revenue	99,125	345,944	127,194	572,263	-
Grant pass-through	(11,772)	-	-	(11,772)	-
Total nonoperating revenues (expenses), net	<u>(1,260,116)</u>	<u>353,306</u>	<u>246,810</u>	<u>(660,000)</u>	<u>126,049</u>
<b>Income (loss) before capital contributions and transfers</b>	10,928,310	(1,125,225)	(1,426,932)	8,376,153	1,140,564
Capital contributions - connection fees	-	-	359,361	359,361	-
Capital contributions	406,842	-	283,519	690,361	-
Transfers in	-	3,800,000	1,767,200	5,567,200	-
<b>Change in net position</b>	11,335,152	2,674,775	983,148	14,993,075	1,140,564
Net position - beginning of year	<u>165,347,526</u>	<u>1,078,401</u>	<u>26,537,921</u>		<u>52,197,599</u>
<b>Net position - end of year</b>	<u>\$ 176,682,678</u>	<u>\$ 3,753,176</u>	<u>\$ 27,521,069</u>		<u>\$ 53,338,163</u>
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				<u>1,140,564</u>	
Change in net position of business-type activities				<u>\$ 16,133,639</u>	

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, 2021**

	Business-type Activities - Enterprise Funds				
	Water				Internal Service
	Transmission	Water Supply	Sanitation	Total	Funds
<b>Cash flows from operating activities:</b>					
Cash receipts from customers	\$ 54,298,535	\$ 3,471,957	\$ 6,389,277	\$ 64,159,769	\$ -
Cash receipts from interfund services provided	-	-	-	-	11,799,904
Cash payments for interfund services used	(21,146,705)	(2,401,707)	(3,534,570)	(27,082,982)	(2,258,618)
Cash payments to suppliers	(11,365,136)	(3,131,632)	(3,506,096)	(18,002,864)	(5,583,328)
Net cash provided by (used for) operating activities	<u>21,786,694</u>	<u>(2,061,382)</u>	<u>(651,389)</u>	<u>19,073,923</u>	<u>3,957,958</u>
<b>Cash flows from noncapital financing activities:</b>					
Taxes and assessments	-	-	129	129	-
Transfers in	-	3,800,000	1,450,000	5,250,000	-
Outflow for grant pass through	(11,772)	(258,295)	-	(270,067)	-
Intergovernmental receipts	1,202,300	275,687	6,808	1,484,795	-
Real estate rental	-	-	168,727	168,727	-
Conservation program	-	-	(6,685)	(6,685)	-
Net cash provided by noncapital financing activities	<u>1,190,528</u>	<u>3,817,392</u>	<u>1,618,979</u>	<u>6,626,899</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(6,340,347)	-	(2,869,170)	(9,209,517)	(1,673,397)
Principal paid on general obligation and revenue bonds	(1,645,000)	-	(359,796)	(2,004,796)	-
Principal paid on capital leases	-	-	-	-	(585,469)
Principal paid on advances from other governments	(845,149)	258,297	-	(586,852)	-
Principal paid on interfund loans	-	-	(300,000)	(300,000)	-
Interest paid on long-term debt	(1,658,439)	-	(102,775)	(1,761,214)	(71,151)
Proceeds from sale of capital assets	-	-	-	-	175,550
Connection fees	-	-	461,421	461,421	-
Capital contributions	342,992	-	106,044	449,036	-
Transfers in	-	-	317,200	317,200	-
Net cash provided by (used for) capital and related financing activities	<u>(10,145,943)</u>	<u>258,297</u>	<u>(2,747,076)</u>	<u>(12,634,722)</u>	<u>(2,154,467)</u>
<b>Cash flows from investing activities:</b>					
Interest received	181,891	7,362	80,250	269,503	27,001
Principal received on interfund loans	-	-	-	-	300,000
Net cash provided by investing activities	<u>181,891</u>	<u>7,362</u>	<u>80,250</u>	<u>269,503</u>	<u>327,001</u>
Net increase (decrease) in cash and cash equivalents	13,013,170	2,021,669	(1,699,236)	13,335,603	2,130,492
Cash and cash equivalents - beginning 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>
Cash and cash equivalents - end of year	<u>\$ 89,967,847</u>	<u>\$ 4,492,484</u>	<u>\$ 7,896,696</u>	<u>\$ 102,357,027</u>	<u>\$ 7,766,877</u>
<b>Reconciliation to the statement of net position:</b>					
Cash and investments	\$ 78,087,101	\$ 4,492,484	\$ 7,289,973	\$ 89,869,558	\$ 7,766,877
Restricted cash and investments	11,880,746	-	606,723	12,487,469	-
Cash and cash equivalents	<u>\$ 89,967,847</u>	<u>\$ 4,492,484</u>	<u>\$ 7,896,696</u>	<u>\$ 102,357,027</u>	<u>\$ 7,766,877</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 12,188,426	\$ (1,478,531)	\$ (1,673,742)	\$ 9,036,153	\$ 1,014,515
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	6,489,834	232,145	1,145,503	7,867,482	2,449,851
Change in assets and liabilities:					
Accounts receivable	2,108,432	(81,968)	42,028	2,068,492	-
Deposits from others	-	-	(308,321)	(308,321)	-
Other long-term assets	-	-	-	-	(89,030)
Prepaid items	(3,448)	2,879	(3,629)	(4,198)	82,167
Unearned revenue	998,360	(196,243)	70,808	872,925	-
Due to other governments	(823)	-	1,470	647	-
Accounts payable and accrued expenses	5,913	(539,664)	74,494	(459,257)	500,455
Net cash provided by (used for) operating activities	<u>\$ 21,786,694</u>	<u>\$ (2,061,382)</u>	<u>\$ (651,389)</u>	<u>\$ 19,073,923</u>	<u>\$ 3,957,958</u>
<b>Noncash investing, capital, or financing activities:</b>					
Acquisition of capital assets through current liabilities	\$ 1,682,649	\$ -	\$ 135,357	\$ 1,818,006	\$ 6,836
Loss on disposal of capital assets	32,285	-	-	32,285	12,000
Capital contributions receivable	63,850	-	260,775	324,625	-
Grants receivable	-	70,257	124,486	194,743	-
Donated assets	-	-	203,064	203,064	-

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, 2021**

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, 2021**

**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) report information on all of the activities of Sonoma Water as a whole. 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, 2021**

**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 two types: governmental funds and proprietary 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, 2021**

**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, 2021**

**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 service funds, while expenses to provide the services are recorded as operating expenses. Nonoperating revenue and expenses include investment earnings, interest expense and gain or loss on disposal of capital assets. Sonoma Water maintains the following internal service funds: Equipment Facilities and Power Resources.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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, 2021**

**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	

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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 resources 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, 2021**

**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, 2021**

**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, 2021.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Net Position and Fund Balance (continued)*

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

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

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

	General Fund	Special Revenue			Total
		Flood Control	Warm Springs Dam	Debt Service	
Nonspendable					
Prepaid items	\$ 509,405	\$ 11,333	\$ -	\$ -	\$ 520,738
Restricted					
General government	250,000	-	-	-	250,000
Flood control	-	27,701,962	-	-	27,701,962
Warm Springs Dam	-	-	10,292,170	35,071,531	45,363,701
Assigned					
General government	4,194,801	-	-	-	4,194,801
Spring Lake Park	4,242,286	-	-	-	4,242,286
Water/wastewater loan	640,285	-	-	-	640,285
Energy & sustainability	498,414	-	-	-	498,414
Unassigned	8,097,858	-	-	-	8,097,858
<b>Total</b>	<b>\$ 18,433,049</b>	<b>\$ 27,713,295</b>	<b>\$ 10,292,170</b>	<b>\$ 35,071,531</b>	<b>\$ 91,510,045</b>

*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.

*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*.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*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, 2021 is \$4,125,504. This amount is included in unrestricted net position.

*Estimates*

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

*New Accounting Pronouncements*

The following Governmental Accounting Standards Board (GASB) statements have been implemented for the fiscal year ended June 30, 2021:

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.

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.

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.

Implementation of these new accounting standards had no impact on Sonoma Water's financial statements.

*Future Accounting Pronouncements*

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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Enhances the relevance and comparability of information about capital assets and the costs of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Effective for the fiscal year ending June 30, 2022.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Future Accounting Pronouncements (continued)*

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. 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.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Improves financial reporting by establishing a definition of subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Effective for the fiscal year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 - Deferred Compensation Plans*. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Effective for the fiscal year ending June 30, 2022.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. Effective for Sonoma Water's fiscal year ending June 30, 2022.

**Note B. Budgetary and Legal Compliance**

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

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note B. Budgetary and Legal Compliance (continued)**

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.

**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, 2021**

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

*Financial Statement Presentation*

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 169,080,742
Cash and investments - guarantees	250,000
Cash and investments - collateral for standby letter of credit	17,233,884
Cash and investments - restricted for debt service and capital projects	12,487,469
<u>Total cash and investments</u>	<u>\$ 199,052,095</u>

Cash and investments as of June 30, 2021 consist of the following:

County treasury pooled cash and investments:

Unrestricted	\$ 157,505,210
Cash and investments - guarantees	250,000
Cash and investments - restricted for debt service and capital projects	6,942,104

Nonpooled cash and investments:

Cash on hand	750
Unrestricted	13,493
Investments - U.S. Treasury STRIPS	42,659
Investments - U.S. Treasury STRIPS and Notes- restricted for collateral	17,233,884
Investments - SCEIP Bonds	11,406,447
Money market mutual funds	112,183
Money market mutual funds restricted for revenue bonds	5,545,365
<u>Total cash and investments</u>	<u>\$ 199,052,095</u>

As of June 30, 2021, Sonoma Water reported \$164,697,314 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2021 Comprehensive Annual Financial Report (the most currently available) for interest rate risk, credit rating, custodial credit risk, concentration of credit risk, credit risk, and fair value measurement disclosures regarding specific investments in the Treasury Pool.

Sonoma Water reported \$17,276,543 of nonpooled cash and investments in U.S. Treasury STRIPS and Notes. Of this amount, \$17,233,884 is collateral for a standby letter of credit. The remainder represent funds that are to be used for the operation, maintenance, and debt service for Warm Springs Dam.

Sonoma Water has invested \$11,406,447 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, 2021**

**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, 2021, approximately 31 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 749 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)	\$ 164,697,314	\$ -	\$ -	\$ 164,697,314	\$ -
U.S. Treasury STRIPS	12,584,439	6,299,181	6,285,258	-	-
U.S. Treasury Notes	4,692,104	-	-	4,692,104	-
SCEIP Bonds	11,406,447	393,338	457,995	1,574,042	8,981,072
Money market mutual fund	5,657,548	5,657,548	-	-	-
<b>Total</b>	<b>\$ 199,037,852</b>	<b>\$ 12,350,067</b>	<b>\$ 6,743,253</b>	<b>\$ 170,963,460</b>	<b>\$ 8,981,072</b>

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

*Custodial Credit Risk*

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

Sonoma Water is subject to custodial credit risk through its investments in SCEIP bonds (\$11,406,447), U.S. Treasury Notes (\$4,692,104) and U.S. Treasury STRIPS (\$12,584,439) 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 Notes are 0.25% coupon bonds backed by the U.S. government. 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, 2021**

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

*Concentration of Credit Risk*

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

Investment Type	Amount	Percentage Holdings
SCEIP Bonds	\$ 11,406,447	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	
				AAAmm	Not Rated
County treasury pool	N/A	\$ 164,697,314	\$ -	\$ -	\$ 164,697,314
U.S. Treasury STRIPS	N/A	12,584,439	12,584,439	-	-
U.S. Treasury Notes	N/A	4,692,104	4,692,104	-	-
SCEIP Bonds	N/A	11,406,447	-	-	11,406,447
Money market mutual fund	AAAmm	5,657,548	-	5,657,548	-
Total		\$ 199,037,852	\$ 17,276,543	\$ 5,657,548	\$ 176,103,761

*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, 2021**

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

*Fair Value Measurements (continued)*

Sonoma Water has the following recurring fair value measurements as of June 30, 2021:

- U.S. Treasury STRIPS and U.S. Treasury Notes 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 Measurements Using		
		Level 1	Level 2	Level 3
U.S. Treasury STRIPS	\$ 12,584,439	\$ 12,584,439	\$ -	\$ -
U.S. Treasury Notes	4,692,104	4,692,104	-	-
SCEIP Bonds	11,406,447	-	-	11,406,447
<b>Total</b>	<b>\$ 28,682,990</b>	<b>\$ 17,276,543</b>	<b>\$ -</b>	<b>\$ 11,406,447</b>

**Note D. Accounts Receivable**

Accounts receivable as of June 30, 2021 consists of the following:

	Current			Total Long-term
	Accounts Receivable	Inter-governmental	Total Current	
<b>Governmental Activities:</b>				
General Fund	\$ 1,111,996	\$ 5,370,210	\$ 6,482,206	\$ 1,057,293
Flood Control special revenue fund	4,600	95,358	99,958	2,484
Warm Springs Dam special revenue fund	-	591,147	591,147	-
<b>Total Governmental Activities</b>	<b>\$ 1,116,596</b>	<b>\$ 6,056,715</b>	<b>\$ 7,173,311</b>	<b>\$ 1,059,777</b>
<b>Business-type Activities:</b>				
Water Transmission enterprise fund	\$ 6,228,464	\$ 613,126	\$ 6,841,590	\$ 64,592
Water Supply enterprise fund	1,329,302	169,281	1,498,583	4,011
Sanitation enterprise fund	215,438	416,496	631,934	4,179,677
<b>Total Business-Type Activities</b>	<b>\$ 7,773,204</b>	<b>\$ 1,198,903</b>	<b>\$ 8,972,107</b>	<b>\$ 4,248,280</b>

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, 2021**

**Note E. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	July 1, 2020	Additions	Retirements	Transfers & Reclassification	June 30, 2021
<i>Governmental activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 1,597,189	\$ -	\$ -	\$ -	\$ 1,597,189
Construction in progress	18,396	758,953	(74)	-	777,275
Intangible assets:					
Intangible work in progress	1,779,760	339,315	(400,914)	(1,378,744)	339,417
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	966,401	-	-	-	966,401
Total capital assets, non-depreciable/amortizable	106,732,746	1,098,268	(400,988)	(1,378,744)	106,051,282
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	1,815,474	-	-	1,378,744	3,194,218
Equipment	1,666,528	-	-	-	1,666,528
Total capital assets, depreciable/amortizable	72,237,420	-	-	1,378,744	73,616,164
Less: accumulated depreciation/amortization for:					
Infrastructure	(37,567,497)	(1,422,597)	-	-	(38,990,094)
Buildings and improvements	(2,397,247)	(84,547)	-	-	(2,481,794)
Land improvements	(56,057)	(12,230)	-	-	(68,287)
Intangible assets	(492,193)	(170,928)	-	-	(663,121)
Equipment	(1,055,383)	(129,399)	-	-	(1,184,782)
Total accumulated depreciation/amortization	(41,568,377)	(1,819,701)	-	-	(43,388,078)
Total capital assets, depreciable/amortizable, net	30,669,043	(1,819,701)	-	1,378,744	30,228,086
Total capital assets, net	\$ 137,401,789	\$ (721,433)	\$ (400,988)	\$ -	\$ 136,279,368

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

	July 1, 2020	Additions	Retirements	Transfers & Reclassification	June 30, 2021
<i>Business-type activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 11,023,905	\$ -	\$ -	\$ -	\$ 11,023,905
Construction in progress	17,316,320	10,211,845	-	(6,820,605)	20,707,560
Intangible assets:					
Intangible work in progress	832,221	453,795	(26,016)	(18,171)	1,241,829
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	481,414	-	-	18,171	499,585
<b>Total capital assets, non-depreciable/amortizable</b>	<b>34,650,255</b>	<b>10,665,640</b>	<b>(26,016)</b>	<b>(6,820,605)</b>	<b>38,469,274</b>
Capital assets, depreciable/amortizable:					
Infrastructure	260,543,919	-	(203,064)	6,820,605	267,161,460
Buildings and improvements	52,683,956	-	-	-	52,683,956
Land improvements	4,179,078	-	-	-	4,179,078
Intangible assets - software	1,843,325	-	-	-	1,843,325
Equipment	14,397,260	1,516,759	(1,054,936)	-	14,859,083
<b>Total capital assets, depreciable/amortizable</b>	<b>333,647,538</b>	<b>1,516,759</b>	<b>(1,258,000)</b>	<b>6,820,605</b>	<b>340,726,902</b>
Less: accumulated depreciation/amortization for:					
Infrastructure	(141,213,082)	(7,409,363)	-	-	(148,622,445)
Buildings and improvements	(16,379,617)	(1,553,950)	-	-	(17,933,567)
Land improvements	(2,548,079)	(186,461)	-	-	(2,734,540)
Intangible assets - software	(1,591,357)	(40,220)	-	-	(1,631,577)
Equipment	(8,545,252)	(1,127,339)	1,035,342	-	(8,637,249)
<b>Total accumulated depreciation/amortization</b>	<b>(170,277,387)</b>	<b>(10,317,333)</b>	<b>1,035,342</b>	<b>-</b>	<b>(179,559,378)</b>
<b>Total capital assets, depreciable/amortizable, net</b>	<b>163,370,151</b>	<b>(8,800,574)</b>	<b>(222,658)</b>	<b>6,820,605</b>	<b>161,167,524</b>
<b>Total capital assets, net</b>	<b>\$ 198,020,406</b>	<b>\$ 1,865,066</b>	<b>\$ (248,674)</b>	<b>\$ -</b>	<b>\$ 199,636,798</b>

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

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

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

*Governmental activities:*

General Government	\$ 209,508
Flood Control	1,537,447
Warm Springs Dam	72,746
Total depreciation/amortization expense - governmental activities	\$ 1,819,701

*Business-type activities:*

Water Transmission	\$ 6,489,834
Water Supply	232,145
Sanitation	1,145,503
Internal Service Funds	2,449,851
Total depreciation/amortization expense - business type activities	\$ 10,317,333

*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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note F. Unearned Revenue**

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

As of June 30, 2021, Sonoma Water reports the following unearned revenue balances:

Governmental Activities:

Camping reservation fees for Spring Lake Park	\$ 80,801
Cooperative agreement for lease of property for livestock grazing	917
<b>Total Governmental Activities</b>	<b>\$ 81,718</b>

Business-Type Activities:

Lump-sum payment under the MMWD supplemental water supply agreement	\$ 3,728,621
Lump-sum payment for NMWD capital charges	998,359
Grant funding for generator project	70,807
Funding for conforming Public Purpose Program energy projects	332,420
<b>Total Business-Type Activities</b>	<b>\$ 5,130,207</b>

**Note G. Inter-fund Transactions**

*Inter-fund Transfers*

A summary of inter-fund activity as of and for the fiscal year ended June 30, 2021 is as follows:

<b>Transfer from</b>	<b>Transfer to</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Water Supply Fund	\$ 3,800,000	Funding for water supply projects
General Fund	Sanitation Fund	800,000	Funding for treatment plant operations in the ALW Sanitation Zone
General Fund	Sanitation Fund	817,200	Funding for treatment plant operations and capital projects in the Penngrove Sanitation Zone
General Fund	Sanitation Fund	150,000	Funding for treatment plant operations in the Geyserville Sanitation Zone
Warm Springs Dam	Debt Service	4,100,000	Funding for debt service payments
<b>Total inter-fund transfers</b>		<b>\$ 9,667,200</b>	

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note G. Inter-fund Transactions (continued)**

*Advances from Other Funds*

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

On June 30, 2020, Sonoma Water entered into a MOA between the Equipment Facilities Fund and Airport-Larkfield-Wikiup Sanitation Fund to fund the construction phase of the Larkfield Estates sewer system. The Equipment Facilities Fund loaned the Airport-Larkfield-Wikiup Sanitation Fund \$4,852,000 for construction costs of the new sewer system. The loan matures in 2050 and interest accrues at the County's pooled investment rate of return. Repayment will be determined annually up to \$200,000.

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2021
Equipment Facilities Fund	2049	Variable	\$ 1,215,000	\$ 915,000
Equipment Facilities Fund	2050	Variable	4,852,000	4,852,000
<b>Total advances from other funds</b>			<b>\$ 6,067,000</b>	<b>\$ 5,767,000</b>

**Note H. Long-Term Obligations**

*Governmental Activities*

Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2021
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 69,925,456

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.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Governmental Activities (continued)*

Compensated Absences:

As of June 30, 2021, vested vacation leave for Sonoma Water employees was \$3,395,006. The current portion of vested vacation leave was \$1,852,679 as of June 30, 2021. Compensated absences are generally liquidated by the General Fund.

Net Pension Liability:

As of June 30, 2021, Sonoma Water reported \$12,140,139 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, 2021, Sonoma Water reported \$14,762,790 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.

*Business-type Activities*

Capital Lease Obligations:	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2021
Capital lease - City National Bank	2023	4.30%	\$ 5,835,000	\$ 1,248,042
<b>Total capital lease obligations</b>				<b>\$ 1,248,042</b>

Sonoma Water has entered into a lease agreement, as the lessee, for financing the acquisition of a facility. The lease agreement qualifies as a capital lease for accounting purposes and was initially recorded at the present value of the future minimum lease payments at the inception of the lease.

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 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, 2021:

Buildings and improvements	\$ 12,518,629
Less: accumulated depreciation	(3,296,258)
<b>Total</b>	<b>\$ 9,222,371</b>



**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Business-type Activities (continued)*

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2021
Water revenue bonds, 2019, series A	2039	3.00-5.00%	\$ 11,010,000	\$ 10,670,000
Add: deferred amount for unamortized premium				1,334,458
Water revenue bonds, 2015, series A and AT	2040	2.30 - 5.20%	\$ 23,865,000	20,290,000
Add: deferred amount for unamortized premium				774,584
Water revenue bonds, 2012, series A	2032	0.30-5.00%	\$ 12,265,000	8,280,000
Add: deferred amount for unamortized premium				365,368
<b>Total water revenue bonds payable, net</b>				<b>\$ 41,714,410</b>

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 \$39,240,000 and total scheduled interest payments of \$12,621,240. Principal and interest paid for the fiscal year ended June 30, 2021 totaled \$3,101,675.

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, 2021**

**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, 2021
Sonoma County Water & Wastewater Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 2,305,730
<b>Total water and wastewater revenue bonds payable</b>				<b>\$ 2,305,730</b>

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, 2021, principal and interest paid on the Water and Wastewater Revenue Bonds totaled \$417,711.

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, 2021
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 6,572,680
<b>Total advances from other governments</b>				<b>\$ 6,572,680</b>

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 \$6,572,680 and total scheduled interest payments of \$709,205. During the year ended June 30, 2021, 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, 2021**

**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, 2021 is as follows:

	July 1, 2020	Additions/ Adjustments	Retirements	June 30, 2021	Amounts Due Within One Year
<b><u>Governmental activities:</u></b>					
Long-term contracts payable	\$ 73,830,010	\$ -	\$ (3,904,554)	\$ 69,925,456	\$ 4,030,476
Net pension liability	14,111,946	2,710,871	(4,682,678)	12,140,139	-
Other postemployment benefits	17,692,256	(944,254)	(1,985,212)	14,762,790	-
Pollution remediation	152,326	-	(2,763)	149,563	-
Compensated absences	2,882,363	2,600,042	(2,087,399)	3,395,006	1,852,679
<b>Total governmental activities</b>	<b>108,668,901</b>	<b>4,366,659</b>	<b>(12,662,606)</b>	<b>100,372,954</b>	<b>5,883,155</b>
<b><u>Business-type activities:</u></b>					
Capital lease obligations:					
SunTrust	122,255	-	(122,255)	-	-
Municipal Finance	1,711,256	-	(463,214)	1,248,042	483,348
Water revenue bonds:					
Series 2012A	8,825,000	-	(545,000)	8,280,000	570,000
Deferred amount for unamortized premium	398,583	-	(33,215)	365,368	-
Series 2015A and AT	21,050,000	-	(760,000)	20,290,000	795,000
Deferred amount for unamortized premium	821,322	-	(46,738)	774,584	-
Series 2019A	11,010,000	-	(340,000)	10,670,000	360,000
Deferred amount for unamortized premium	1,408,594	-	(74,136)	1,334,458	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	2,665,525	-	(359,795)	2,305,730	361,196
Advances from other governments - direct borrowings:					
State Revolving Fund	7,411,692	-	(839,012)	6,572,680	428,315
<b>Total business-type activities</b>	<b>55,424,227</b>	<b>-</b>	<b>(3,583,365)</b>	<b>51,840,862</b>	<b>2,997,859</b>
<b>Total</b>	<b>\$ 164,093,128</b>	<b>\$ 4,366,659</b>	<b>\$ (16,245,971)</b>	<b>\$ 152,213,816</b>	<b>\$ 8,881,014</b>

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, pollution remediation expenses, payment to employees for compensated absences, long-term debt principal payments, and amortization of bond premiums.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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, 2021 (excluding compensated absences, pollution remediation obligation, 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
2022	\$ 4,030,476	\$ 2,255,096	\$ 6,285,572
2023	4,160,458	2,125,114	6,285,572
2024	4,294,633	1,990,939	6,285,572
2025	4,433,135	1,852,437	6,285,572
2026	4,576,104	1,709,468	6,285,572
2027-2031	25,191,729	6,236,128	31,427,857
2032-2035	23,238,921	1,903,365	25,142,286
Total long-term contracts payable	\$ 69,925,456	\$ 18,072,547	\$ 87,998,003

*Business-type Activities*

*Capital lease obligations*

Fiscal year ending June 30,	Principal	Interest	Total
2022	\$ 483,348	\$ 48,525	\$ 531,873
2023	504,356	27,518	531,874
2024	260,338	5,597	265,935
Total capital leases	\$ 1,248,042	\$ 81,640	\$ 1,329,682

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Business-type Activities (continued)*

*Water revenue bonds*

Fiscal year ending June 30,	Principal	Interest	Total
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	2,055,000	1,032,156	3,087,156
2027-2031	11,440,000	3,997,906	15,437,906
2032-2036	10,905,000	2,026,866	12,931,866
2037-2041	7,470,000	537,188	8,007,188
<b>Total water revenue bonds</b>	<b>\$ 39,240,000</b>	<b>\$ 12,621,240</b>	<b>\$ 51,861,240</b>

*Water and wastewater revenue bonds*

Fiscal year ending June 30,	Principal	Interest	Total
2022	\$ 361,196	\$ 49,516	\$ 410,712
2023	371,988	40,974	412,962
2024	377,089	32,247	409,336
2025	391,417	23,294	414,711
2026	394,954	14,133	409,087
2027-2027	409,086	4,766	413,852
<b>Total water and wastewater revenue bonds</b>	<b>\$ 2,305,730</b>	<b>\$ 164,930</b>	<b>\$ 2,470,660</b>

*Advances from other governments*

Fiscal year ending June 30,	Principal	Interest	Total
2022	\$ 428,315	\$ 91,800	\$ 520,115
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	950,567	89,665	1,040,232
2027-2029	2,495,313	105,530	2,600,843
<b>Total advances from other governments</b>	<b>\$ 6,572,680</b>	<b>\$ 709,205</b>	<b>\$ 7,281,885</b>

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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
2022	\$ 2,997,859	\$ 1,669,198	\$ 4,667,057
2023	3,546,005	1,533,519	5,079,524
2024	3,421,691	1,395,317	4,817,008
2025	3,280,977	1,268,472	4,549,449
2026	3,400,521	1,135,954	4,536,475
2027-2031	14,344,399	4,108,202	18,452,601
2032-2036	10,905,000	2,026,866	12,931,866
2037-2041	7,470,000	537,188	8,007,188
<b>Total business-type activities</b>	<b>\$ 49,366,452</b>	<b>\$ 13,674,716</b>	<b>\$ 63,041,168</b>

**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 planning to sell the front portion of the property in the future. 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, 2021 by utilizing the expected cash flow technique. This methodology examined estimated costs for pre-cleanup activities, remediation/cleanup activities, regulatory agency costs, and post remediation-monitoring costs. The estimated liability for Sonoma Water as of June 30, 2021 is \$149,563. 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, 2021**

**Note J. Net Position**

Net position reported on the government-wide statement of net position as of June 30, 2021 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Land	\$ 1,597,189	\$ 11,023,905
Construction in progress	1,116,692	21,949,389
Intangible assets not being depreciated/amortized	103,337,401	5,495,980
Other capital assets, net of accumulated depreciation/amortization	30,228,086	161,167,524
Less: long-term debt outstanding	(69,925,456)	(51,840,862)
Plus: noncapital debt outstanding	-	7,082,067
Plus: deferred amount on refunding	-	451,089
	\$ 66,353,912	\$ 155,329,092

**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, 2020, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,347
Current active members	4,090
Inactive vested members	1,445
	10,882

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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](http://www.SCETIRE.com).

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

*Funding Policy*

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2021 were based on the Plan's valuation dated December 31, 2018. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan A members are required to contribute 9.5%-14.9% of their annual covered salary based upon the member's age at the date of entry into the system and General Plan B members are required to contribute 10.4% 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, 2021, Sonoma Water contributed \$4,985,417 or approximately 18% of covered payroll.

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

At June 30, 2021, Sonoma Water reported a liability of \$12,140,139 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020 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, 2020, Sonoma Water's proportion was 6.37%, which was an increase of 0.13% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, Sonoma Water recognized a pension expense of \$951,820 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, 2021, 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, 2021**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 740,649	\$ 1,160,423
Changes in assumptions	493,455	-
Net difference between projected and actual earnings on retirement plan investments	-	4,311,760
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	611,188	277,155
Sonoma Water contributions subsequent to the measurement date	2,281,549	-
	\$ 4,126,841	\$ 5,749,338

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 \$2,281,549 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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
2022	\$ (1,310,358)
2023	284,418
2024	(2,665,854)
2025	(212,252)
	\$ (3,904,046)

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Actuarial Assumptions*

The total pension liability was determined based on the December 31, 2020 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2020
Measurement date:	December 31, 2020
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, 2020. 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 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Sonoma Water's proportionate share of the net pension plan liability (asset)	\$ 36,102,631	\$ 12,140,139	\$ (7,778,936)

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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 and can be found [www.sonoma-county.org](http://www.sonoma-county.org).

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

*Benefits Provided*

Retirees and the County share in the cost of monthly premiums for medical coverage. The County contribution toward plan member premiums is a \$500 per month maximum contribution. 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 \$2,150,163 for the year ended June 30, 2021. 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, 2021**

**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, 2021
Valuation Date	June 30, 2020
Measurement Date	June 30, 2020

At June 30, 2021, Sonoma Water reported a liability of \$14,762,790 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, 2020, Sonoma Water's proportion was 7.44%. At June 30, 2021, Sonoma Water's proportion was 7.19%, a decrease of 0.25%.

*Actuarial Methods and Assumptions*

The Net OPEB Liability (NOL) was measured as of June 30, 2020 and 2019 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2020 and 2019, respectively.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 and June 30, 2019, respectively, 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)

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Actuarial Methods and Assumptions (continued)*

The County Health Plan medical trends for ages under 65 grade from 6.50% in 2020/2021 down to 4.50% over 4 years. The County Health Plan medical trends for ages over 65 grade from 5.50% in 2020/2021 down to 4.50% over 4 years. County Health Plan drug trends grade from 5.50% in 2020/2021 down to 4.50% over 4 years. HMO Medical/Drug trends grade from 6.25% in 2020/2021 down to 4.50% over 7 years (the 6.25% 2020/2021 trend for Kaiser non-Medicare, Sutter, and Western Health Plans was reduced by 0.57%, 0.79%, and 0.70%, respectively, to reflect the repeal of the Health Insurance Tax (HIT) effective in January 1, 2021). ASO fees assumed trend was 4.50% in 2020/2021 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 2020”. The following is the Board’s adopted asset allocation policy for OPEB as of June 2020:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Large Cap U.S. Equity	30.00%	6.73%
Mid Cap U.S. Equity	4.00%	6.73%
Small Cap U.S. Equity	8.00%	6.73%
International Equity	8.00%	8.36%
Global Equity	6.00%	8.36%
U.S. Core Fixed Income	31.00%	1.48%
Alternatives	8.00%	7.19%
Cash	1.00%	0.98%
Real Estate	4.00%	4.83%
Total	100.00%	

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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, 2020 and June 30, 2019. The projection of cash flows used to determine the discount rate as of June 30, 2020 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, 2020:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 16,494,610	\$ 14,762,790	\$ 13,266,700

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, 2020:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 14,400,903	\$ 14,762,790	\$ 15,150,191

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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, 2020, 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, 2020, the average is 5.37 years.

For the year ended June 30, 2021 Sonoma Water recognized a reduction of OPEB expense of \$303,249. At June 30, 2021, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,003,895
Changes in assumptions	-	673,151
Net difference between projected and actual earnings on OPEB plan investments	61,715	-
Changes in proportion and differences between contributions and proportionate share of contributions	202,844	531,094
Contributions subsequent to the measurement date	2,300,617	-
Total	\$ 2,565,176	\$ 2,208,140

The \$2,300,617 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ending June 30	OPEB Expense
2022	\$ (373,439)
2023	(468,951)
2024	(464,323)
2025	(456,972)
2026	(179,896)
	\$ (1,943,581)

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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, 2021 Sonoma Water's contribution was \$314,905.

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, 2021**

**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, 2021 is as follows:

Occidental County Sanitation District	\$ 704,948
Russian River County Sanitation District	4,032,345
Sonoma Valley County Sanitation District	10,118,551
South Park County Sanitation District	78,352
	\$ 14,934,196

In addition, Occidental County Sanitation District paid Sonoma Water \$141,807 under an agreement for sewer treatment services during the fiscal year ended June 30, 2021. During the fiscal year ended June 30, 2021, Sonoma Water provided the Occidental County Sanitation District and the Russian River County Sanitation District \$992,000 and \$100,000, respectively, in intergovernmental funding to assist the Districts in meeting operating and construction expenses.

Sonoma Water is one of fifteen water districts and irrigation districts which participate in the Power and Water Resources Pooling Authority (PWRPA). PWRPA was established in 2004 to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. Because the PWRPA Board of Directors is made up of representatives from the participating districts, PWRPA is a jointly governed organization. During the fiscal year ended June 30, 2021, Sonoma Water recognized a \$89,030 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, 2021**

**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 \$600,000,000 per occurrence for All Risk, \$225,000,000 for flood (limits vary in FEMA flood zones) and earthquake coverage with shared limits of \$665,000,000. 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, 2021. The projects include expansion and/or improvements of several water transmission, water storage and wastewater treatment facilities. As of June 30, 2021, Sonoma Water's commitments to construction projects are as follows:

	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Water transmission facilities	\$ 20,100,017	\$ 9,367,545
Sanitation facilities	1,511,262	968,228
Internal service facilities	338,110	418,648
Total	<u>\$ 21,949,389</u>	<u>\$ 10,754,421</u>

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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

*Construction (continued)*

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

The commitments for water storage and related facilities are being financed by revenue bonds 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, 2021:

	<b>Remaining Commitment</b>
General fund	\$ 4,224,335
Flood control	6,000,227
Water transmission	5,619,744
Water supply	1,551,286
Sanitation	153,443
Internal service funds	331,284
	\$ 17,880,319

*Non-exchange Financial Guarantees*

In June 2012, Sonoma Water entered into an agreement with the Town of Windsor to guarantee the debt of utility customers participating in the Windsor Efficiency PAYS Program. The program allows the 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, 2021**

**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 \$17,233,884 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 in the future.

**Sonoma Water**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note Q. Economic Dependence**

Four major customers purchased water from Sonoma Water during the fiscal year ended June 30, 2021. Water sales revenue for the fiscal year ended June 30, 2021 and accounts receivable as of June 30, 2021 associated with those customers are as follows:

	<b>Water Sales</b>	<b>% of Total Water Sales</b>
City of Santa Rosa	\$ 17,360,908	31.3%
Marin Municipal Water District	10,093,034	18.2%
North Marin Water District	8,310,662	15.0%
City of Petaluma	7,617,906	13.8%
	<b>\$ 43,382,510</b>	<b>78.3%</b>

	<b>Accounts Receivable</b>	<b>% of Total Accounts Receivable</b>
Marin Municipal Water District	\$ 2,632,785	14.5%
City of Petaluma	1,424,183	7.8%
City of Santa Rosa	1,343,102	7.4%
North Marin Water District	661,230	3.6%
	<b>\$ 6,061,300</b>	<b>33.4%</b>

## Required Supplementary Information

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

<b>Measurement Date</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2018</b>	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
<b>Sonoma Water's proportionate share of net pension liability</b>								
Sonoma Water's proportion of the net pension liability	6.4%	6.2%	6.2%	5.7%	6.0%	5.9%	5.8%	5.6%
Sonoma Water's proportionate share of the net pension liability	\$ 12,140,139	\$ 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	\$ 25,634,166	\$ 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	47.4%	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	93.6%	92.3%	83.5%	94.0%	85.9%	84.6%	90.9%	89.8%
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	
<b>Sonoma Water's pension contributions</b>								
Actuarially determined contribution	\$ 4,985,417	\$ 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>4,985,417</u>	<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>	<u>\$ -</u>	
Sonoma Water's covered payroll	\$ 27,679,616	\$ 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	18.0%	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\***

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>Sonoma Water's proportionate share of the net OPEB liability</b>					
Sonoma Water's proportion of the net OPEB liability	7.2%	7.4%	7.0%	7.2%	7.1%
Sonoma Water's proportionate share of the net OPEB liability	\$ 14,762,790	\$ 17,692,256	\$ 17,639,292	\$ 24,082,900	\$ 26,233,147
Sonoma Water's covered payroll	\$ 24,818,701	\$ 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	59.5%	72.6%	75.9%	104.5%	121.0%
Plan fiduciary net position as a percentage of the total OPEB liability	26.5%	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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 9,969,711	\$ 9,969,711	\$ 10,408,862	\$ 439,151
Investment earnings	355,585	355,585	21,131	(334,454)
Intergovernmental	5,061,757	8,326,757	4,417,488	(3,909,269)
Charges for services	15,325,845	15,325,845	17,623,927	2,298,082
Miscellaneous	808,600	1,808,600	76,973	(1,731,627)
Total revenues	<u>31,521,498</u>	<u>35,786,498</u>	<u>32,548,381</u>	<u>(3,238,117)</u>
<b>Expenditures</b>				
Current:				
General government	22,041,891	31,225,390	12,166,026	19,059,364
Intergovernmental	12,725,000	12,917,000	15,347,561	(2,430,561)
Capital outlay	430,000	1,255,500	409,634	845,866
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>35,496,891</u>	<u>45,697,890</u>	<u>27,923,221</u>	<u>17,774,669</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,975,393)</u>	<u>(9,911,392)</u>	<u>4,625,160</u>	<u>14,536,552</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(3,400,000)</u>	<u>(5,567,200)</u>	<u>(5,567,200)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (7,375,393)</u>	<u>\$ (15,478,592)</u>	(942,040)	<u>\$ 14,536,552</u>
GAAP basis difference - encumbrances			70,519	
Fund balance - beginning of year			<u>19,304,570</u>	
Fund balance - end of year			<u>\$ 18,433,049</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis*)	Final Budget
<b>Revenues</b>				
Property taxes	\$ 11,206,603	\$ 11,206,603	\$ 11,700,081	\$ 493,478
Investment earnings	326,613	326,613	40,438	(286,175)
Intergovernmental	1,061,510	1,077,510	433,852	(643,658)
Charges for services	67,900	67,900	66,850	(1,050)
Miscellaneous	-	-	25	25
Total revenues	12,662,626	12,678,626	12,241,246	(437,380)
<b>Expenditures</b>				
Current:				
Flood control	13,824,752	14,473,847	10,422,182	4,051,665
Capital outlay	79,000	2,602,219	1,947,080	655,139
Total expenditures	13,903,752	17,076,066	12,369,262	4,706,804
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,241,126)	(4,397,440)	(128,016)	4,269,424
Net changes in fund balance	\$ (1,241,126)	\$ (4,397,440)	(128,016)	\$ 4,269,424
GAAP basis difference - encumbrances			1,049,991	
Fund balance - beginning of year			26,791,320	
Fund balance - end of year			\$ 27,713,295	

**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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 7,842,146	\$ 7,842,146	\$ 9,723,198	\$ 1,881,052
Investment earnings	103,000	103,000	14,382	(88,618)
Intergovernmental	289,678	289,678	722,100	432,422
Total revenues	<u>8,234,824</u>	<u>8,234,824</u>	<u>10,459,680</u>	<u>2,224,856</u>
<b>Expenditures</b>				
Current:				
Warm Springs Dam	5,411,264	13,320,400	9,494,231	3,826,169
Capital outlay	200,000	200,000	11,942	188,058
Total expenditures	<u>5,611,264</u>	<u>13,520,400</u>	<u>9,506,173</u>	<u>4,014,227</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,623,560</u>	<u>(5,285,576)</u>	<u>953,507</u>	<u>6,239,083</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(4,100,000)</u>	<u>(4,100,000)</u>	<u>(4,100,000)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (1,476,440)</u>	<u>\$ (9,385,576)</u>	<u>(3,146,493)</u>	<u>\$ 6,239,083</u>
GAAP basis difference - encumbrances			527,419	
Fund balance - beginning of year			<u>12,911,244</u>	
Fund balance - end of year			<u>\$ 10,292,170</u>	

**Sonoma Water**  
**Note to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2021**

**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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
<b>Revenues</b>				
Investment earnings	\$ 602,515	\$ 602,515	\$ 337,082	\$ (265,433)
Total revenues	<u>602,515</u>	<u>602,515</u>	<u>337,082</u>	<u>(265,433)</u>
<b>Expenditures</b>				
Current:				
Debt service	<u>6,285,572</u>	<u>6,285,572</u>	<u>6,285,572</u>	<u>-</u>
Total expenditures	<u>6,285,572</u>	<u>6,285,572</u>	<u>6,285,572</u>	<u>-</u>
<b>Deficiency of revenues under expenditures</b>	<u>(5,683,057)</u>	<u>(5,683,057)</u>	<u>(5,948,490)</u>	<u>(265,433)</u>
<b>Other Financing Sources</b>				
Transfers in	<u>4,100,000</u>	<u>4,100,000</u>	<u>4,100,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ (1,583,057)</u>	<u>\$ (1,583,057)</u>	<u>(1,848,490)</u>	<u>\$ (265,433)</u>
GAAP basis difference - encumbrances			-	
Fund balance - beginning of year			<u>36,920,021</u>	
Fund balance - end of year			<u>\$ 35,071,531</u>	

\* See Note to Required Supplementary Information on page 99.

**Sonoma Water**  
**Combining Balance Sheet**  
**Flood Control Special Revenue Funds**  
**June 30, 2021**

	<b>Flood Control Funds</b>			
	<b>Zone 1A</b>	<b>Zone 2A</b>	<b>Zone 3A</b>	
	<b>Laguna Mark</b>	<b>Petaluma</b>	<b>Valley of the</b>	<b>Zone 5A</b>
	<b>West</b>	<b>Basin</b>	<b>Moon</b>	<b>Lower Russian</b>
<b>Assets</b>				
Cash and investments	\$ 8,971,016	\$ 8,614,033	\$ 5,963,871	\$ 1,545,064
Accounts receivable	84,543	1,593	16,306	-
Prepaid items	8,500	-	2,833	-
Total assets	<u>\$ 9,064,059</u>	<u>\$ 8,615,626</u>	<u>\$ 5,983,010</u>	<u>\$ 1,545,064</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 342,988	\$ 51,532	\$ 190,214	\$ 10,493
Unearned revenue	-	917	-	-
Total liabilities	<u>342,988</u>	<u>52,449</u>	<u>190,214</u>	<u>10,493</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - intergovernmental	<u>2,484</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	2,484	-	-	-
<b>Fund balances:</b>				
Nonspendable	8,500	-	2,833	-
Restricted	<u>8,710,087</u>	<u>8,563,177</u>	<u>5,789,963</u>	<u>1,534,571</u>
Total fund balances	8,718,587	8,563,177	5,792,796	1,534,571
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 9,064,059</u>	<u>\$ 8,615,626</u>	<u>\$ 5,983,010</u>	<u>\$ 1,545,064</u>

**Sonoma Water  
Combining Balance Sheet  
Flood Control Special Revenue Funds  
June 30, 2021**

<b>Flood Control Funds</b>			
<b>Zone 7A</b>			
<b>North Coast</b>	<b>Zone 8A South Coast</b>	<b>Total Flood Control Funds</b>	
\$ 80,089	\$ 3,024,075	\$ 28,198,148	<b>Assets</b>
-	-	102,442	Cash and investments
-	-	11,333	Accounts receivable
\$ 80,089	\$ 3,024,075	\$ 28,311,923	Prepaid items
			Total assets
			 <b>Liabilities, deferred inflows of resources and fund balances</b>
			Liabilities:
\$ -	\$ -	\$ 595,227	Accounts payable
-	-	917	Unearned revenue
-	-	596,144	Total liabilities
			Deferred inflows of resources:
-	-	2,484	Unavailable revenue - intergovernmental
-	-	2,484	Total deferred inflows of resources
			Fund balances:
-	-	11,333	Nonspendable
80,089	3,024,075	27,701,962	Restricted
80,089	3,024,075	27,713,295	Total fund balances
\$ 80,089	\$ 3,024,075	\$ 28,311,923	<b>Total liabilities, deferred inflows of resources and fund balances</b>



**Sonoma Water**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Flood Control Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Flood Control Funds</b>			
	<b>Zone 1A</b>	<b>Zone 2A</b>	<b>Zone 3A</b>	
	<b>Laguna Mark</b>	<b>Petaluma</b>	<b>Valley of the</b>	<b>Zone 5A</b>
	<b>West</b>	<b>Basin</b>	<b>Moon</b>	<b>Lower Russian</b>
<b>Revenues</b>				
Property taxes	\$ 7,719,407	\$ 2,099,809	\$ 1,396,942	\$ 277,696
Investment earnings	10,349	12,053	10,259	2,531
Intergovernmental	228,569	188,123	17,880	(1,853)
Charges for services	59,100	-	7,750	-
Miscellaneous	25	-	-	-
<b>Total revenues</b>	<u>8,017,450</u>	<u>2,299,985</u>	<u>1,432,831</u>	<u>278,374</u>
<b>Expenditures</b>				
Services and supplies	7,451,503	1,993,762	737,864	347,428
Capital outlay	423,879	1,599	326,620	228
<b>Total expenditures</b>	<u>7,875,382</u>	<u>1,995,361</u>	<u>1,064,484</u>	<u>347,656</u>
<b>Net change in fund balances</b>	142,068	304,624	368,347	(69,282)
Fund balances - beginning of year	<u>8,576,519</u>	<u>8,258,553</u>	<u>5,424,449</u>	<u>1,603,853</u>
<b>Fund balances - end of year</b>	<u>\$ 8,718,587</u>	<u>\$ 8,563,177</u>	<u>\$ 5,792,796</u>	<u>\$ 1,534,571</u>

**Sonoma Water**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Flood Control Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2021**

<u>Flood Control Funds</u>			
<b>Zone 7A</b>			
<u>North</u>	<u>Zone 8A South</u>	<u>Total Flood</u>	
<u>Coast</u>	<u>Coast</u>	<u>Control Funds</u>	
\$ -	\$ 206,227	\$ 11,700,081	<b>Revenues</b>
134	5,112	40,438	Property taxes
-	1,133	433,852	Investment earnings
-	-	66,850	Intergovernmental
-	-	25	Charges for services
<u>134</u>	<u>212,472</u>	<u>12,241,246</u>	Miscellaneous
			Total revenues
-	36,388	10,566,945	<b>Expenditures</b>
<u>-</u>	<u>-</u>	<u>752,326</u>	Services and supplies
<u>-</u>	<u>36,388</u>	<u>11,319,271</u>	Capital outlay
			Total expenditures
134	176,084	921,975	<b>Net change in fund balances</b>
<u>79,955</u>	<u>2,847,991</u>	<u>26,791,320</u>	Fund balances - beginning of year
<u>\$ 80,089</u>	<u>\$ 3,024,075</u>	<u>\$ 27,713,295</u>	<b>Fund balances - end of year</b>

**Sonoma Water**  
**Combining Schedule of Net Position**  
**Sanitation Enterprise Funds**  
**June 30, 2021**

	Sanitation Funds				
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	Total Sanitation Funds
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 1,148,336	\$ 1,737,439	\$ 288,879	\$ 4,115,319	\$ 7,289,973
Restricted cash and investments	-	-	-	371,279	371,279
Accounts receivable	4,301	436,973	18,024	172,636	631,934
Prepaid items	-	3,867	-	1,166	5,033
Total current assets	<u>1,152,637</u>	<u>2,178,279</u>	<u>306,903</u>	<u>4,660,400</u>	<u>8,298,219</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	235,444	235,444
Accounts receivable	11,450	15,944	27,499	4,124,784	4,179,677
Capital assets, net:					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	-	1,123,808	2,752	384,702	1,511,262
Intangible assets	2,472	2,639	2,541	73,119	80,771
Infrastructure	152,914	660,244	772,168	18,875,752	20,461,078
Equipment	77,496	-	-	187,846	265,342
Total capital assets, net	<u>232,882</u>	<u>1,786,691</u>	<u>883,674</u>	<u>21,036,650</u>	<u>23,939,897</u>
Total noncurrent assets	<u>244,332</u>	<u>1,802,635</u>	<u>911,173</u>	<u>25,396,878</u>	<u>28,355,018</u>
Total assets	<u>1,396,969</u>	<u>3,980,914</u>	<u>1,218,076</u>	<u>30,057,278</u>	<u>36,653,237</u>
<b>Deferred Outflows of Resources</b>					
Deferred amounts related to charge on refunding	-	-	-	110,629	110,629
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	83,050	654,082	6,195	341,031	1,084,358
Due to other governments	-	-	-	1,470	1,470
Unearned revenue	-	-	38,204	32,604	70,808
Total current liabilities payable from unrestricted assets	<u>83,050</u>	<u>654,082</u>	<u>44,399</u>	<u>375,105</u>	<u>1,156,636</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	13,431	13,431
Revenue bonds payable	-	-	-	361,196	361,196
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,627</u>	<u>374,627</u>
Total current liabilities	<u>83,050</u>	<u>654,082</u>	<u>44,399</u>	<u>749,732</u>	<u>1,531,263</u>
Noncurrent liabilities:					
Advances from Other Funds	-	-	-	5,767,000	5,767,000
Revenue bonds payable	-	-	-	1,944,534	1,944,534
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,711,534</u>	<u>7,711,534</u>
Total liabilities	<u>83,050</u>	<u>654,082</u>	<u>44,399</u>	<u>8,461,266</u>	<u>9,242,797</u>
<b>Net Position</b>					
Net investment in capital assets	232,882	1,786,691	883,674	18,841,549	21,744,796
Restricted for debt service	-	-	-	593,292	593,292
Restricted for water conservation	-	-	-	192,525	192,525
Unrestricted	1,081,037	1,540,141	290,003	2,079,275	4,990,456
Total net position	<u>\$ 1,313,919</u>	<u>\$ 3,326,832</u>	<u>\$ 1,173,677</u>	<u>\$ 21,706,641</u>	<u>\$ 27,521,069</u>

**Sonoma Water**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Sanitation Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Sanitation Funds</b>				<b>Total Sanitation Funds</b>
	<b>Sea Ranch</b>	<b>Penngrove</b>	<b>Geyserville</b>	<b>Airport Larkfield Wikiup</b>	
<b>Operating Revenue</b>					
Flat charges	\$ 752,950	\$ 877,134	\$ 407,130	\$ 3,654,866	\$ 5,692,080
Sanitation services	<u>1,967</u>	<u>15,986</u>	<u>10,781</u>	<u>555,622</u>	<u>584,356</u>
Total operating revenue	<u>754,917</u>	<u>893,120</u>	<u>417,911</u>	<u>4,210,488</u>	<u>6,276,436</u>
<b>Operating Expenses</b>					
Services and supplies	791,922	695,581	545,600	4,771,572	6,804,675
Depreciation and amortization	<u>29,268</u>	<u>49,532</u>	<u>50,146</u>	<u>1,016,557</u>	<u>1,145,503</u>
Total operating expenses	<u>821,190</u>	<u>745,113</u>	<u>595,746</u>	<u>5,788,129</u>	<u>7,950,178</u>
<b>Operating income (loss)</b>	<u>(66,273)</u>	<u>148,007</u>	<u>(177,835)</u>	<u>(1,577,641)</u>	<u>(1,673,742)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Taxes and assessments	-	57	72	-	129
Investment earnings	7,809	930	5,841	65,670	80,250
Interest expense and debt issuance cost	-	-	-	(122,805)	(122,805)
Real estate rental	-	-	-	168,727	168,727
Conservation program	(338)	(209)	(84)	(6,054)	(6,685)
Intergovernmental revenue	<u>125</u>	<u>124,486</u>	<u>-</u>	<u>2,583</u>	<u>127,194</u>
Total nonoperating revenues, net	<u>7,596</u>	<u>125,264</u>	<u>5,829</u>	<u>108,121</u>	<u>246,810</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(58,677)</u>	<u>273,271</u>	<u>(172,006)</u>	<u>(1,469,520)</u>	<u>(1,426,932)</u>
Capital contributions - connection fees	-	9,358	19,723	330,280	359,361
Capital contributions	-	283,519	-	-	283,519
Transfers in	<u>-</u>	<u>817,200</u>	<u>150,000</u>	<u>800,000</u>	<u>1,767,200</u>
<b>Change in net position</b>	<u>(58,677)</u>	<u>1,383,348</u>	<u>(2,283)</u>	<u>(339,240)</u>	<u>983,148</u>
Net position - beginning 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>
<b>Net position - end of year</b>	<u>\$ 1,313,919</u>	<u>\$ 3,326,832</u>	<u>\$ 1,173,677</u>	<u>\$ 21,706,641</u>	<u>\$ 27,521,069</u>

**Sonoma Water**  
**Combining Schedule of Cash Flows**  
**Sanitation Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2021**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
<b>Cash flows from operating activities:</b>					
Cash receipts from customers	\$ 765,144	\$ 878,380	\$ 456,864	\$ 4,288,889	\$ 6,389,277
Cash payments for interfund services used	(127,977)	(150,842)	(414,831)	(2,840,920)	(3,534,570)
Cash payments to suppliers	(637,698)	(605,274)	(130,489)	(2,132,635)	(3,506,096)
Net cash provided by (used for) operating activities	<u>(531)</u>	<u>122,264</u>	<u>(88,456)</u>	<u>(684,666)</u>	<u>(651,389)</u>
<b>Cash flows from noncapital financing activities:</b>					
Taxes and assessments	-	57	72	-	129
Transfers in	-	500,000	150,000	800,000	1,450,000
Intergovernmental receipts	532	-	77	6,199	6,808
Real estate rental	-	-	-	168,727	168,727
Conservation program	(340)	(208)	(84)	(6,053)	(6,685)
Net cash provided by noncapital financing activities	<u>192</u>	<u>499,849</u>	<u>150,065</u>	<u>968,873</u>	<u>1,618,979</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	-	(477,754)	(2,752)	(2,388,664)	(2,869,170)
Principal paid on general obligation and revenue bonds	-	-	-	(359,796)	(359,796)
Principal paid on interfund loans	-	-	-	(300,000)	(300,000)
Interest paid on long-term debt	-	-	-	(102,775)	(102,775)
Capital contributions	-	22,744	-	83,300	106,044
Connection fees	-	9,358	19,723	432,340	461,421
Transfers in	-	317,200	-	-	317,200
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(128,452)</u>	<u>16,971</u>	<u>(2,635,595)</u>	<u>(2,747,076)</u>
<b>Cash flows from investing activities:</b>					
Interest received	7,809	930	5,841	65,670	80,250
Net cash provided by investing activities	<u>7,809</u>	<u>930</u>	<u>5,841</u>	<u>65,670</u>	<u>80,250</u>
Net increase (decrease) in cash and cash equivalents	7,470	494,591	84,421	(2,285,718)	(1,699,236)
Cash and cash equivalents - beginning of year	1,140,866	1,242,848	204,458	7,007,760	9,595,932
Cash and cash equivalents - end of year	<u>\$ 1,148,336</u>	<u>\$ 1,737,439</u>	<u>\$ 288,879</u>	<u>\$ 4,722,042</u>	<u>\$ 7,896,696</u>
<b>Reconciliation to the statement of net position:</b>					
Cash and investments	\$ 1,148,336	\$ 1,737,439	\$ 288,879	\$ 4,115,319	\$ 7,289,973
Restricted cash and investments	-	-	-	606,723	606,723
Cash and cash equivalents	<u>\$ 1,148,336</u>	<u>\$ 1,737,439</u>	<u>\$ 288,879</u>	<u>\$ 4,722,042</u>	<u>\$ 7,896,696</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (66,273)	\$ 148,007	\$ (177,835)	\$ (1,577,641)	\$ (1,673,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	29,268	49,532	50,146	1,016,557	1,145,503
Change in assets and liabilities:					
Accounts receivable	10,225	(14,743)	750	45,796	42,028
Deposits from others	-	-	-	(308,321)	(308,321)
Prepaid items	-	(3,726)	-	97	(3,629)
Unearned revenue	-	-	38,204	32,604	70,808
Due to other governments	-	-	-	1,470	1,470
Accounts payable and accrued expenses	26,249	(56,806)	279	104,772	74,494
Net cash provided by (used for) operating activities	<u>\$ (531)</u>	<u>\$ 122,264</u>	<u>\$ (88,456)</u>	<u>\$ (684,666)</u>	<u>\$ (651,389)</u>
<b>Noncash investing, capital, or financing activities:</b>					
Acquisition of capital assets through current liabilities	\$ -	\$ 135,357	\$ -	\$ -	\$ 135,357
Capital contributions receivable	-	260,775	-	-	260,775
Grants receivable	-	124,486	-	-	124,486
Donated assets	-	203,064	-	-	203,064

**Sonoma Water**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2021**

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 6,488,656	\$ 1,278,221	\$ 7,766,877
Deposits with others	-	753,746	753,746
Prepaid items	<u>2,262</u>	<u>85,491</u>	<u>87,753</u>
Total current assets	<u>6,490,918</u>	<u>2,117,458</u>	<u>8,608,376</u>
Noncurrent assets:			
Advances to other funds	5,767,000	-	5,767,000
Reserves on deposit	-	1,011,614	1,011,614
Capital assets, net:			
Land	2,336,031	-	2,336,031
Land improvements	456,309	-	456,309
Construction in progress	338,110	-	338,110
Intangible assets	43,936	-	43,936
Buildings and improvements	20,272,047	11,152,756	31,424,803
Equipment	<u>5,594,147</u>	<u>-</u>	<u>5,594,147</u>
Total capital assets, net	<u>29,040,580</u>	<u>11,152,756</u>	<u>40,193,336</u>
Total noncurrent assets	<u>34,807,580</u>	<u>12,164,370</u>	<u>46,971,950</u>
Total assets	<u>41,298,498</u>	<u>14,281,828</u>	<u>55,580,326</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	121,469	525,675	647,144
Interest payable	14,556	-	14,556
Unearned revenue	-	332,421	332,421
Capital lease obligations	<u>483,348</u>	<u>-</u>	<u>483,348</u>
Total current liabilities	<u>619,373</u>	<u>858,096</u>	<u>1,477,469</u>
Noncurrent liabilities:			
Capital lease obligations	<u>764,694</u>	<u>-</u>	<u>764,694</u>
Total noncurrent liabilities	<u>764,694</u>	<u>-</u>	<u>764,694</u>
Total liabilities	<u>1,384,067</u>	<u>858,096</u>	<u>2,242,163</u>
<b>Net Position</b>			
Net investment in capital assets	27,792,538	11,152,756	38,945,294
Restricted for reserves on deposit	-	1,011,614	1,011,614
Unrestricted	<u>12,121,893</u>	<u>1,259,362</u>	<u>13,381,255</u>
Total net position	<u>\$ 39,914,431</u>	<u>\$ 13,423,732</u>	<u>\$ 53,338,163</u>

**Sonoma Water**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	
<b>Operating Revenue</b>			
Power sales	\$ -	\$ 5,331,849	\$ 5,331,849
Equipment rental	2,761,466	-	2,761,466
Real estate rental	3,695,820	-	3,695,820
Miscellaneous	10,769	-	10,769
Total operating revenue	<u>6,468,055</u>	<u>5,331,849</u>	<u>11,799,904</u>
<b>Operating Expenses</b>			
Services and supplies	3,555,827	4,779,711	8,335,538
Depreciation and amortization	<u>2,014,929</u>	<u>434,922</u>	<u>2,449,851</u>
Total operating expenses	<u>5,570,756</u>	<u>5,214,633</u>	<u>10,785,389</u>
<b>Operating income</b>	<u>897,299</u>	<u>117,216</u>	<u>1,014,515</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	25,870	1,131	27,001
Interest expense and debt issuance cost	(63,255)	(1,247)	(64,502)
Gain on disposal of capital assets	<u>163,550</u>	<u>-</u>	<u>163,550</u>
Total nonoperating revenues (expenses), net	<u>126,165</u>	<u>(116)</u>	<u>126,049</u>
<b>Change in net position</b>	1,023,464	117,100	1,140,564
Net position - beginning of year	<u>38,890,967</u>	<u>13,306,632</u>	<u>52,197,599</u>
<b>Net position - end of year</b>	<u>\$ 39,914,431</u>	<u>\$ 13,423,732</u>	<u>\$ 53,338,163</u>

**Sonoma Water**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	<u>Total Internal Service Funds</u>
<b>Cash flows from operating activities:</b>			
Cash receipts from interfund services provided	\$ 6,468,055	\$ 5,331,849	\$ 11,799,904
Cash payments for interfund services used	(2,133,252)	(125,366)	(2,258,618)
Cash payments to suppliers	(1,405,603)	(4,177,725)	(5,583,328)
Net cash provided by operating activities	<u>2,929,200</u>	<u>1,028,758</u>	<u>3,957,958</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(1,673,397)	-	(1,673,397)
Principal paid on capital leases	(463,215)	(122,254)	(585,469)
Interest paid on long-term debt	(68,657)	(2,494)	(71,151)
Proceeds from sale of capital assets	175,550	-	175,550
Net cash used for capital and related financing activities	<u>(2,029,719)</u>	<u>(124,748)</u>	<u>(2,154,467)</u>
<b>Cash flows from investing activities:</b>			
Interest received	25,870	1,131	27,001
Principal received on interfund loans	300,000	-	300,000
Net cash provided by investing activities	<u>325,870</u>	<u>1,131</u>	<u>327,001</u>
Net increase in cash and cash equivalents	1,225,351	905,141	2,130,492
Cash and cash equivalents - beginning of year	<u>5,263,305</u>	<u>373,080</u>	<u>5,636,385</u>
Cash and cash equivalents - end of year	<u>\$ 6,488,656</u>	<u>\$ 1,278,221</u>	<u>\$ 7,766,877</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 897,299	\$ 117,216	\$ 1,014,515
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	2,014,929	434,922	2,449,851
Change in assets and liabilities:			
Prepaid items	(890)	83,057	82,167
Other long-term assets	-	(89,030)	(89,030)
Accounts payable and accrued expenses	17,862	482,593	500,455
Net cash provided by operating activities	<u>\$ 2,929,200</u>	<u>\$ 1,028,758</u>	<u>\$ 3,957,958</u>
<b>Noncash investing, capital, or financing activities:</b>			
Acquisition of capital assets through current liabilities	\$ 6,836	\$ -	\$ 6,836
Loss on disposal of capital assets	12,000	-	12,000



# 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

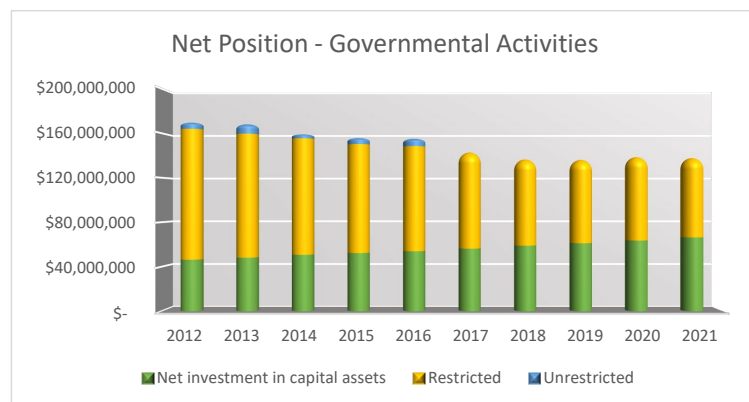
<b>Financial Trends</b>	<b>114</b>
These schedules contain trend information to help the reader understand how Sonoma Water's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>124</b>
These schedules contain information to help the reader assess Sonoma Water's most significant local revenue sources, Water Sales, property taxes, and Sanitation Charges.	
<b>Debt Capacity</b>	<b>135</b>
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.	
<b>Demographic and Operating Indicators</b>	<b>141</b>
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,				
	2012	2013 as restated (1)	2014 as restated (2)	2015	2016
<b>Governmental activities</b>					
Net investment in capital assets	\$ 46,328,783	\$ 48,170,895	\$ 50,729,786	\$ 52,314,923	\$ 53,939,461
Restricted	117,533,507	111,320,194	104,627,246	97,856,531	94,399,627
Unrestricted	<u>6,238,764</u>	<u>9,195,268</u>	<u>4,030,884</u>	<u>5,903,840</u>	<u>7,173,755</u>
Total governmental activities net position	<u>\$ 170,101,054</u>	<u>\$ 168,686,357</u>	<u>\$ 159,387,916</u>	<u>\$ 156,075,294</u>	<u>\$ 155,512,843</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 151,501,197	\$ 155,634,490	\$ 155,916,745	\$ 156,110,501	\$ 152,563,649
Restricted	8,620,858	8,483,536	7,429,384	10,941,231	14,048,490
Unrestricted	<u>36,694,841</u>	<u>42,334,597</u>	<u>52,195,409</u>	<u>45,892,005</u>	<u>49,409,182</u>
Total business-type activities net position	<u>\$ 196,816,896</u>	<u>\$ 206,452,623</u>	<u>\$ 215,541,538</u>	<u>\$ 212,943,737</u>	<u>\$ 216,021,321</u>
<b>Primary Government</b>					
Net investment in capital assets	\$ 197,829,980	\$ 203,805,385	\$ 206,646,531	\$ 208,425,424	\$ 206,503,110
Restricted	126,154,365	119,803,730	112,056,630	108,797,762	108,448,117
Unrestricted	<u>42,933,605</u>	<u>51,529,865</u>	<u>56,226,293</u>	<u>51,795,845</u>	<u>56,582,937</u>
Total primary government net position	<u>\$ 366,917,950</u>	<u>\$ 375,138,980</u>	<u>\$ 374,929,454</u>	<u>\$ 369,019,031</u>	<u>\$ 371,534,164</u>

**Notes:**

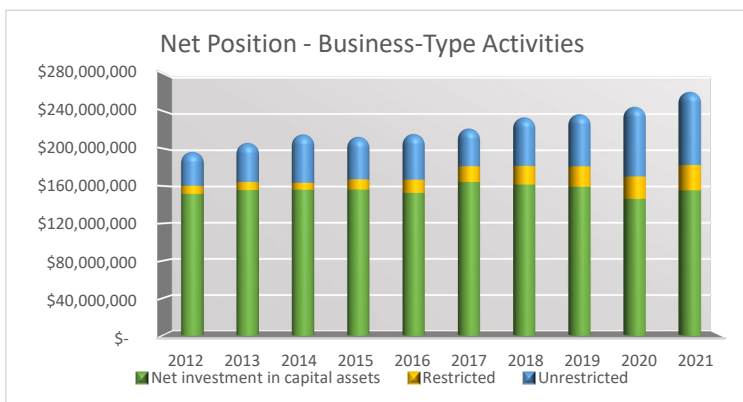
- (1) FY 2012 - 13 net position was restated from \$375,816,617 to \$375,138,980 for the implementation of GASB 65.
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 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,					
2017 as restated (3)	2018	2019	2020	2021	
					Governmental activities
\$ 56,281,939	\$ 58,951,592	\$ 61,127,048	\$ 63,571,779	\$ 66,353,912	Net investment in capital assets
86,833,589	77,808,351	75,228,888	75,310,302	71,676,521	Restricted
<u>(18,805,360)</u>	<u>(21,372,170)</u>	<u>(21,950,036)</u>	<u>(17,961,098)</u>	<u>(12,323,055)</u>	Unrestricted
<u>\$ 124,310,168</u>	<u>\$ 115,387,773</u>	<u>\$ 114,405,900</u>	<u>\$ 120,920,983</u>	<u>\$ 125,707,378</u>	Total governmental activities net position
					Business-type activities
\$ 164,264,829	\$ 161,478,637	\$ 159,091,392	\$ 146,213,153	\$ 155,329,092	Net investment in capital assets
16,664,705	19,800,228	21,762,899	23,835,337	26,888,288	Restricted
<u>40,946,812</u>	<u>52,535,839</u>	<u>56,439,961</u>	<u>75,112,957</u>	<u>79,077,706</u>	Unrestricted
<u>\$ 221,876,346</u>	<u>\$ 233,814,704</u>	<u>\$ 237,294,252</u>	<u>\$ 245,161,447</u>	<u>\$ 261,295,086</u>	Total business-type activities net position
					Primary Government
\$ 220,546,768	\$ 220,430,229	\$ 220,218,440	\$ 209,784,932	\$ 221,683,004	Net investment in capital assets
103,498,294	97,608,579	96,991,787	99,145,639	98,564,809	Restricted
<u>22,141,452</u>	<u>31,163,669</u>	<u>34,489,925</u>	<u>57,151,859</u>	<u>66,754,651</u>	Unrestricted
<u>\$ 346,186,514</u>	<u>\$ 349,202,477</u>	<u>\$ 351,700,152</u>	<u>\$ 366,082,430</u>	<u>\$ 387,002,464</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,				
	2012	2013 (1)	2014 (2)	2015	2016 (3)
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 4,763,130	\$ 3,649,012	\$ 3,209,352	\$ 6,285,821	\$ 19,245,528
Intergovernmental	-	-	-	-	-
Flood control	10,300,602	11,299,610	11,447,839	10,022,083	10,737,135
Warm Springs dam	2,864,948	4,025,973	6,123,874	8,617,924	6,720,953
Interest on long-term debt	3,288,164	3,191,498	3,091,715	2,988,713	2,882,388
<b>Total governmental activities</b>	<u>21,216,844</u>	<u>22,166,093</u>	<u>23,872,780</u>	<u>27,914,541</u>	<u>39,586,004</u>
<b>Business-type activities:</b>					
Water transmission	26,946,964	30,341,617	34,006,982	40,319,069	31,458,257
Water supply	8,510,170	5,827,236	6,308,724	6,741,377	5,803,845
Sanitation	5,510,887	5,451,593	4,743,336	5,166,464	5,165,501
<b>Total business-type activities</b>	<u>40,968,021</u>	<u>41,620,446</u>	<u>45,059,042</u>	<u>52,226,910</u>	<u>42,427,603</u>
<b>Total expenses</b>	<u>\$ 62,184,865</u>	<u>\$ 63,786,539</u>	<u>\$ 68,931,822</u>	<u>\$ 80,141,451</u>	<u>\$ 82,013,607</u>
<b>Program revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services</b>					
General government	\$ 613,505	\$ 961,169	\$ 2,645,169	\$ 946,849	\$ 10,957,871
Intergovernmental	-	-	-	-	-
Flood control	73,812	131,106	84,741	39,417	36,193
Warm Springs dam	96,281	96,126	19	106	46,612
Operating grants and contributions	562,399	785,690	1,622,316	1,723,931	3,033,039
Capital grants and contributions	35,401	3,168	-	-	100,477
<b>Total governmental activities</b>	<u>1,381,398</u>	<u>1,977,259</u>	<u>4,352,245</u>	<u>2,710,303</u>	<u>14,174,192</u>
<b>Business-type activities:</b>					
<b>Charges for services</b>					
Water transmission	32,581,560	38,209,541	40,184,486	35,493,217	32,236,696
Water supply	2,124,639	2,090,991	2,225,130	1,643,330	1,983,368
Sanitation	3,849,275	4,121,684	4,402,261	4,693,270	5,063,439
Operating grants and contributions	6,363,090	3,663,120	3,733,673	4,248,380	3,160,775
Capital grants and contributions	1,315,844	2,159,888	1,646,033	1,694,864	1,567,521
<b>Total business-type activities</b>	<u>46,234,408</u>	<u>50,245,224</u>	<u>52,191,583</u>	<u>47,773,061</u>	<u>44,011,799</u>
<b>Total program revenues</b>	<u>\$ 47,615,806</u>	<u>\$ 52,222,483</u>	<u>\$ 56,543,828</u>	<u>\$ 50,483,364</u>	<u>\$ 58,185,991</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (19,835,446)	\$ (20,188,834)	\$ (19,520,535)	\$ (25,204,238)	\$ (25,411,812)
Business-type activities	5,266,387	8,624,778	7,132,541	(4,453,849)	1,584,196
<b>Total primary government net expense</b>	<u>\$ (14,569,059)</u>	<u>\$ (11,564,056)</u>	<u>\$ (12,387,994)</u>	<u>\$ (29,658,087)</u>	<u>\$ (23,827,616)</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 - 17 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,					
2017 (4), (5)	2018	2019	2020	2021	
					<b>Expenses</b>
					Governmental activities:
\$ 8,991,653	\$ 7,766,110	\$ 13,210,201	\$ 9,703,136	\$ 6,406,282	General government
13,794,014	14,336,168	13,025,872	12,587,202	15,347,561	Intergovernmental
10,468,135	14,170,068	12,483,365	14,288,805	12,101,628	Flood control
9,861,623	10,822,995	9,559,980	5,591,383	9,440,547	Warm Springs dam
2,772,636	2,659,344	2,542,398	2,421,680	2,297,070	Interest on long-term debt
<u>45,888,061</u>	<u>49,754,685</u>	<u>50,821,816</u>	<u>44,592,206</u>	<u>45,593,088</u>	Total governmental activities
					Business-type activities:
32,689,918	32,952,295	39,733,160	41,900,238	39,746,635	Water transmission
7,183,788	4,699,307	5,036,761	6,394,595	5,213,705	Water supply
5,818,886	7,593,186	6,844,365	7,186,759	7,926,806	Sanitation
<u>45,692,592</u>	<u>45,244,788</u>	<u>51,614,286</u>	<u>55,481,592</u>	<u>52,887,146</u>	Total business-type activities
<u>\$ 91,580,653</u>	<u>\$ 94,999,473</u>	<u>\$ 102,436,102</u>	<u>\$ 100,073,798</u>	<u>\$ 98,480,234</u>	Total expenses
					<b>Program revenues</b>
					Governmental activities:
					Charges for services
\$ 1,484,451	\$ 1,754,440	\$ 2,302,159	\$ 2,657,350	\$ 3,445,339	General government
11,984,014	11,237,954	11,775,872	11,744,802	14,255,561	Intergovernmental
74,488	113,649	111,550	779,600	66,875	Flood control
715	61	48	81	-	Warm Springs dam
1,253,477	2,560,079	5,485,759	5,016,803	5,933,734	Operating grants and contributions
16,207	296,313	7,893	-	-	Capital grants and contributions
<u>14,813,352</u>	<u>15,962,496</u>	<u>19,683,281</u>	<u>20,198,636</u>	<u>23,701,509</u>	Total governmental activities
					Business-type activities:
					Charges for services
33,936,713	40,246,329	39,464,502	44,692,393	51,339,633	Water transmission
2,289,197	3,136,365	3,069,451	3,212,893	3,750,171	Water supply
5,651,512	5,249,866	5,765,353	5,886,196	6,445,163	Sanitation
4,699,981	1,588,746	423,291	1,537,635	572,263	Operating grants and contributions
3,987,850	1,974,789	1,301,187	4,279,162	1,049,722	Capital grants and contributions
<u>50,565,253</u>	<u>52,196,095</u>	<u>50,023,784</u>	<u>59,608,279</u>	<u>63,156,952</u>	Total business-type activities
<u>\$ 65,378,605</u>	<u>\$ 68,158,591</u>	<u>\$ 69,707,065</u>	<u>\$ 79,806,915</u>	<u>\$ 86,858,461</u>	Total program revenues
					Net (expense)/revenue
\$ (31,074,709)	\$ (33,792,189)	\$ (31,138,535)	\$ (24,393,570)	\$ (21,891,579)	Governmental activities
4,872,661	6,951,307	(1,590,502)	4,126,687	10,269,806	Business-type activities
<u>\$ (26,202,048)</u>	<u>\$ (26,840,882)</u>	<u>\$ (32,729,037)</u>	<u>\$ (20,266,883)</u>	<u>\$ (11,621,773)</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,				
	2012	2013 (1)	2014 (2)	2015	2016 (3)
<b>General revenues</b>					
Governmental activities:					
Property taxes	\$ 18,853,029	\$ 20,075,888	\$ 20,350,239	\$ 21,953,371	\$ 23,629,448
Unrestricted investment earnings	5,908,377	284,722	1,920,952	1,448,245	2,138,047
Miscellaneous	(720,000)	(352,044)	(749,000)	-	-
Transfers	(330,000)	(1,234,429)	(1,100,000)	(1,510,000)	(918,134)
Total governmental activities	<u>23,711,406</u>	<u>18,774,137</u>	<u>20,422,191</u>	<u>21,891,616</u>	<u>24,849,361</u>
Business-type activities:					
Property taxes	38,007	38,981	39,282	40,664	46,892
Unrestricted investment earnings	478,282	415,176	812,853	305,384	528,362
Miscellaneous	9,447	-	4,239	-	-
Transfers	330,000	1,234,429	1,100,000	1,510,000	918,134
Total business-type activities	<u>855,736</u>	<u>1,688,586</u>	<u>1,956,374</u>	<u>1,856,048</u>	<u>1,493,388</u>
Total primary government	<u>\$ 24,567,142</u>	<u>\$ 20,462,723</u>	<u>\$ 22,378,565</u>	<u>\$ 23,747,664</u>	<u>\$ 26,342,749</u>
<b>Change in net position</b>					
Governmental activities	\$ 3,875,960	\$ (1,414,697)	\$ 901,656	\$ (3,312,622)	\$ (562,451)
Business-type activities	6,122,123	10,313,364	9,088,915	(2,597,801)	3,077,584
Total primary government	<u>\$ 9,998,083</u>	<u>\$ 8,898,667</u>	<u>\$ 9,990,571</u>	<u>\$ (5,910,423)</u>	<u>\$ 2,515,133</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 - 17 general government expenses related to services and contributions provided to outside governments were re-classified as intergovernmental expenses.
- (5) FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.

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

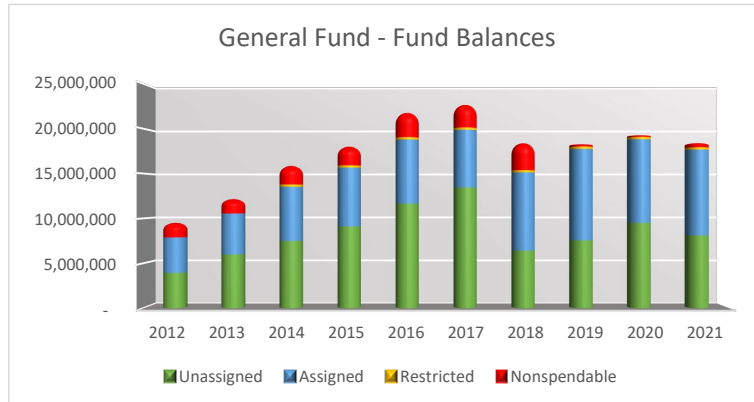
**Sonoma Water**  
**Changes in Net Position (Unaudited)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

		Fiscal Year Ending June 30,								
		2017	2018	2019	2020	2021				
		(4), (5)								
							<b>General revenues</b>			
							Governmental activities:			
\$	25,228,577	\$	26,877,485	\$	28,851,629	\$	30,729,248	\$	31,832,141	Property taxes
	447,480		1,136,042		3,595,033		2,172,405		413,033	Unrestricted investment earnings
	-		-		-		-		-	Miscellaneous
	(1,585,000)		(3,143,733)		(2,290,000)		(1,993,000)		(5,567,200)	Transfers
	<u>24,091,057</u>		<u>24,869,794</u>		<u>30,156,662</u>		<u>30,908,653</u>		<u>26,677,974</u>	Total governmental activities
										Business-type activities:
	49,437		46,928		24,262		510		129	Property taxes
	329,230		815,087		2,755,788		1,746,998		296,504	Unrestricted investment earnings
	-		-		-		-		-	Miscellaneous
	1,585,000		3,143,733		2,290,000		1,993,000		5,567,200	Transfers
	<u>1,963,667</u>		<u>4,005,748</u>		<u>5,070,050</u>		<u>3,740,508</u>		<u>5,863,833</u>	Total business-type activities
\$	<u>26,054,724</u>	\$	<u>28,875,542</u>	\$	<u>35,226,712</u>	\$	<u>34,649,161</u>	\$	<u>32,541,807</u>	Total primary government
										<b>Change in net position</b>
\$	(6,983,652)	\$	(8,922,395)	\$	(981,873)	\$	6,515,083	\$	4,786,395	Governmental activities
	6,836,328		10,957,055		3,479,548		7,867,195		16,133,639	Business-type activities
\$	<u>(147,324)</u>	\$	<u>2,034,660</u>	\$	<u>2,497,675</u>	\$	<u>14,382,278</u>	\$	<u>20,920,034</u>	Total primary government



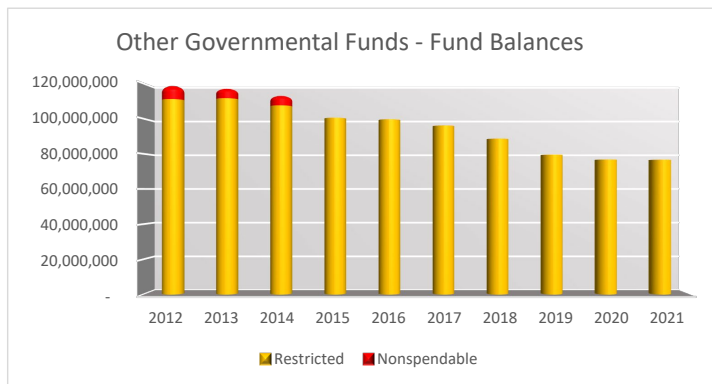
**Sonoma Water**  
**Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	June 30,				
	2012	2013	2014	2015	2016
General Fund					
Nonspendable	\$ 1,592,999	\$ 1,605,010	\$ 2,100,665	\$ 2,141,132	\$ 2,807,196
Restricted	-	-	250,000	250,000	250,000
Assigned	3,953,877	4,558,922	6,045,621	6,557,623	7,158,891
Unassigned	3,928,987	5,986,297	7,487,201	9,104,242	11,635,437
<b>Total General Fund</b>	<b>\$ 9,475,863</b>	<b>\$ 12,150,229</b>	<b>\$ 15,883,487</b>	<b>\$ 18,052,997</b>	<b>\$ 21,851,524</b>
All other governmental funds					
Nonspendable	\$ 8,161,081	\$ 5,950,798	\$ 5,950,798	\$ -	\$ 364
Restricted	111,543,506	107,475,354	100,465,183	99,575,876	96,046,979
<b>Total all other governmental funds</b>	<b>\$ 119,704,587</b>	<b>\$ 113,426,152</b>	<b>\$ 106,415,981</b>	<b>\$ 99,575,876</b>	<b>\$ 96,047,343</b>



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

		June 30,								
		2017	2018	2019	2020	2021				
\$	2,627,502	\$	3,060,176	\$	299,415	\$	229,509	\$	509,405	General Fund
	250,000		250,000		250,000		250,000		250,000	Nonspendable
	6,429,828		8,708,445		10,201,064		9,321,534		9,575,786	Restricted
	13,446,060		6,416,548		7,555,059		9,503,527		8,097,858	Assigned
	<u>22,753,390</u>		<u>18,435,169</u>		<u>18,305,538</u>		<u>19,304,570</u>		<u>18,433,049</u>	Unassigned
										Total General Fund
\$	18,967	\$	1,122	\$	824	\$	-	\$	11,333	All other governmental funds
	88,586,028		79,489,571		76,722,317		76,622,585		73,065,663	Nonspendable
	<u>88,604,995</u>		<u>79,490,693</u>		<u>76,723,141</u>		<u>76,622,585</u>		<u>73,076,996</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,				
	2012	2013	2014	2015	2016 (1)
<b>Revenues</b>					
Property taxes	\$ 18,853,029	\$ 20,075,888	\$ 20,350,239	\$ 21,953,368	\$ 23,629,448
Investment earnings	5,908,377	284,722	1,920,952	1,448,245	2,138,047
Intergovernmental	601,153	788,858	1,622,316	1,723,931	3,133,516
Charges for services	498,619	918,787	1,115,125	1,098,927	12,337,610
Miscellaneous	281,626	269,614	46,992	68,852	89,471
<b>Total Revenues</b>	<u>26,142,804</u>	<u>22,337,869</u>	<u>25,055,624</u>	<u>26,293,323</u>	<u>41,328,092</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	4,745,682	3,378,536	2,927,603	5,351,148	17,502,809
Intergovernmental	-	-	-	-	-
Flood control	8,742,207	9,739,923	9,888,655	8,161,854	8,560,561
Warm Springs dam	2,864,948	4,024,221	6,118,708	8,609,601	6,675,502
Capital outlay	1,007,826	927,214	1,262,999	1,045,743	1,115,520
<b>Debt Service:</b>					
Principal	2,934,319	3,028,951	3,126,635	3,227,469	3,331,555
Interest and fiscal charges	3,351,252	3,256,620	3,158,937	3,058,103	2,954,017
<b>Total expenditures</b>	<u>23,646,234</u>	<u>24,355,465</u>	<u>26,483,537</u>	<u>29,453,918</u>	<u>40,139,964</u>
Excess (deficiency) of revenues over expenditures	<u>2,496,570</u>	<u>(2,017,596)</u>	<u>(1,427,913)</u>	<u>(3,160,595)</u>	<u>1,188,128</u>
<b>Other financing sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(1,050,000)	(1,784,429)	(1,850,000)	(1,510,000)	(918,134)
Proceeds from sale of capital assets	-	197,956	1,000	-	-
<b>Total other financing uses</b>	<u>(1,050,000)</u>	<u>(1,586,473)</u>	<u>(1,849,000)</u>	<u>(1,510,000)</u>	<u>(918,134)</u>
Net change in fund balances	<u>\$ 1,446,570</u>	<u>\$ (3,604,069)</u>	<u>\$ (3,276,913)</u>	<u>\$ (4,670,595)</u>	<u>\$ 269,994</u>
Debt service as a percentage of noncapital expenditures	27.8%	26.8%	24.9%	22.1%	16.1%

**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 re-classified as intergovernmental expenses

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

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

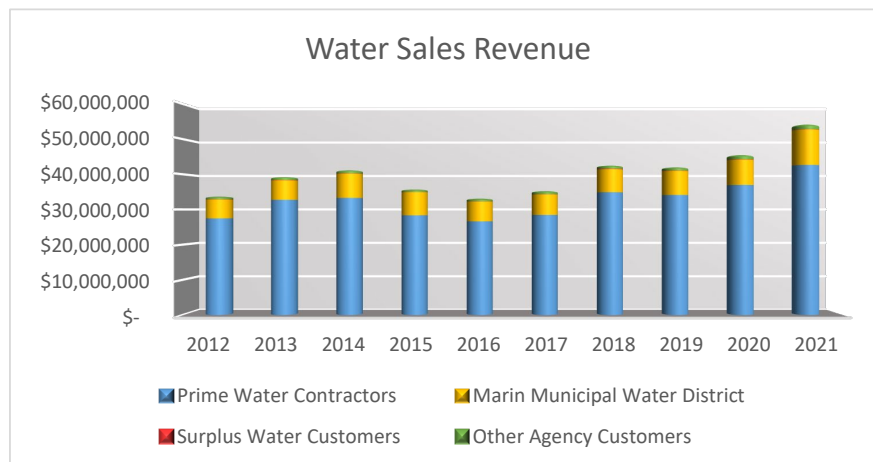
		Fiscal Year Ended June 30,					
	2017	2018	2019	2020	2021		
	(2)						
						<b>Revenues</b>	
\$	25,228,577	\$ 26,877,486	\$ 28,851,629	\$ 30,729,248	\$ 31,832,141	Property taxes	
	447,480	1,135,042	3,595,032	2,172,405	413,033	Investment earnings	
	1,273,673	2,856,392	5,109,904	4,701,071	5,573,440	Intergovernmental	
	13,506,968	13,103,270	14,087,983	15,174,147	17,690,777	Charges for services	
	32,711	2,834	101,646	7,685	76,998	Miscellaneous	
	<u>40,489,409</u>	<u>43,975,024</u>	<u>51,746,194</u>	<u>52,784,556</u>	<u>55,586,389</u>	Total Revenues	
						<b>Expenditures</b>	
						Current:	
	5,954,665	9,321,669	12,225,790	12,238,391	12,171,141	General government	
	13,794,014	14,336,168	13,025,872	12,587,202	15,347,561	Intergovernmental	
	8,903,573	11,851,261	10,843,800	12,734,685	10,566,945	Flood control	
	9,824,653	10,774,266	9,462,826	5,524,000	8,966,812	Warm Springs dam	
	682,415	1,694,878	509,518	523,230	1,098,268	Capital outlay	
						Debt Service:	
	3,438,997	3,549,905	3,664,389	3,782,566	3,904,554	Principal	
	2,846,574	2,735,667	2,621,182	2,503,006	2,381,018	Interest and fiscal charges	
	<u>45,444,891</u>	<u>54,263,814</u>	<u>52,353,377</u>	<u>49,893,080</u>	<u>54,436,299</u>	Total expenditures	
	<u>(4,955,482)</u>	<u>(10,288,790)</u>	<u>(607,183)</u>	<u>2,891,476</u>	<u>1,150,090</u>	Excess (deficiency) of revenues over expenditures	
						<b>Other financing sources (Uses)</b>	
	200,000	-	-	750,000	4,100,000	Transfers in	
	(1,785,000)	(3,143,733)	(2,290,000)	(2,743,000)	(9,667,200)	Transfers out	
	-	-	-	-	-	Proceeds from sale of capital assets	
	<u>(1,585,000)</u>	<u>(3,143,733)</u>	<u>(2,290,000)</u>	<u>(1,993,000)</u>	<u>(5,567,200)</u>	Total other financing uses	
\$	<u>(6,540,482)</u>	<u>\$ (13,432,523)</u>	<u>\$ (2,897,183)</u>	<u>\$ 898,476</u>	<u>\$ (4,417,110)</u>	Net change in fund balances	
	14.0%	12.0%	12.1%	12.7%	11.8%	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		Surplus Water Customers (3)	Less Meter Fees	Total Water Sales Revenue
		Municipal Water District	Other Agency Customers (2)			
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	1,321,613	104,245	(23,820)	45,578,984
2021	42,650,684	10,093,034	1,525,641	89,728	(23,378)	54,335,709

**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.



Source: Sonoma Water Finance and Accounting Division

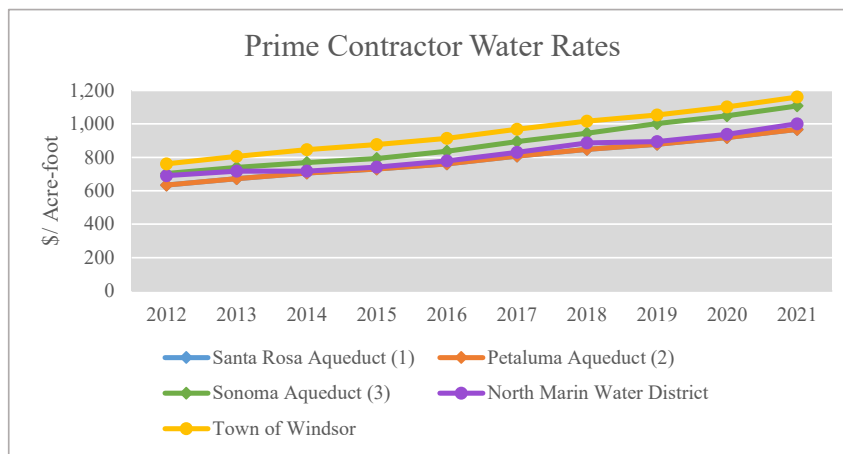
**Sonoma Water  
Water Rates by Category (Unaudited)  
Last Ten Fiscal Years**

Water Rates (in dollars per acre-foot)

Fiscal Year Ended June 30,	Prime Water Contractor Rates				
	Santa Rosa Aqueduct (1)	Petaluma Aqueduct (2)	Sonoma Aqueduct (3)	North Marin Water District	Town of Windsor
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
2021	966.95	966.95	1,107.21	1,001.00	1,160.34

**Notes:**

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

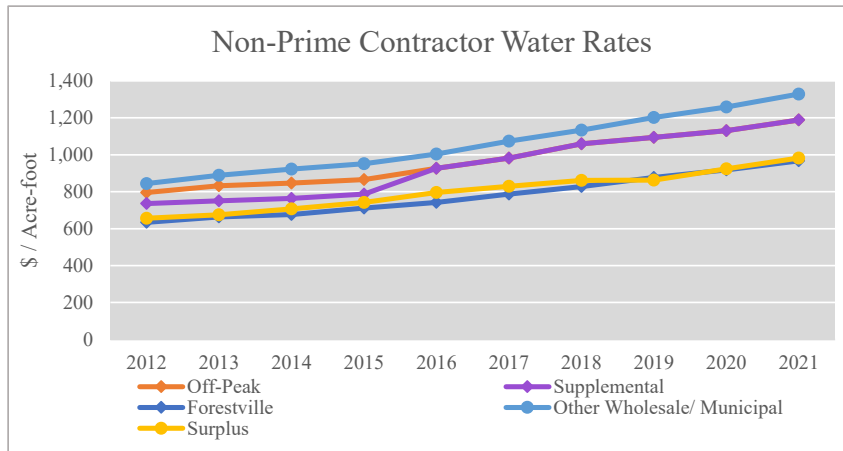


Source: Sonoma Water Finance and Accounting Division

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

Water Rates (in dollars per acre-foot)

Fiscal Year Ended June 30,	Marin Municipal Water				
	District		Municipal / Wholesale		
	Off-Peak	Supplemental	Forestville	Other	
				Wholesale/ Municipal	Surplus
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
2021	1,188.11	1,188.11	966.95	1,328.64	982.21



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

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2021			Fiscal Year Ended June 30, 2012		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$ 17,360,908	1	32.0%	\$ 10,988,208	1	32.7%
Marin Municipal Water District	10,093,034	2	18.6%	5,360,431	2	15.9%
North Marin Water District	8,310,662	3	15.3%	4,943,469	4	14.7%
City of Petaluma	7,617,906	4	14.0%	5,014,761	3	14.9%
City of Rohnert Park	2,961,483	5	5.5%	2,282,572	5	6.8%
Valley of the Moon Water District	2,458,533	6	4.5%	1,713,821	6	5.1%
City of Sonoma	2,239,535	7	4.1%	1,406,001	7	4.2%
Town of Windsor	1,099,576	8	2.0%	352,668	8	1.0%
City of Cotati	602,082	9	1.1%	321,010	9	1.0%
Forestville	430,181	10	0.8%	-		
Cal American Water	-			268,840	10	<u>0.8%</u>
Total Water Sales Top 10 Water Customers	53,173,900		97.9%	32,651,781		97.0%
Total Water Sales All Other Customers	1,161,809		<u>2.1%</u>	999,557		<u>3.0%</u>
Total Water Sales	<u>\$ 54,335,709</u>		<u>100.0%</u>	<u>\$ 33,651,338</u>		<u>100.0%</u>

Source: Sonoma Water Finance and Accounting Division

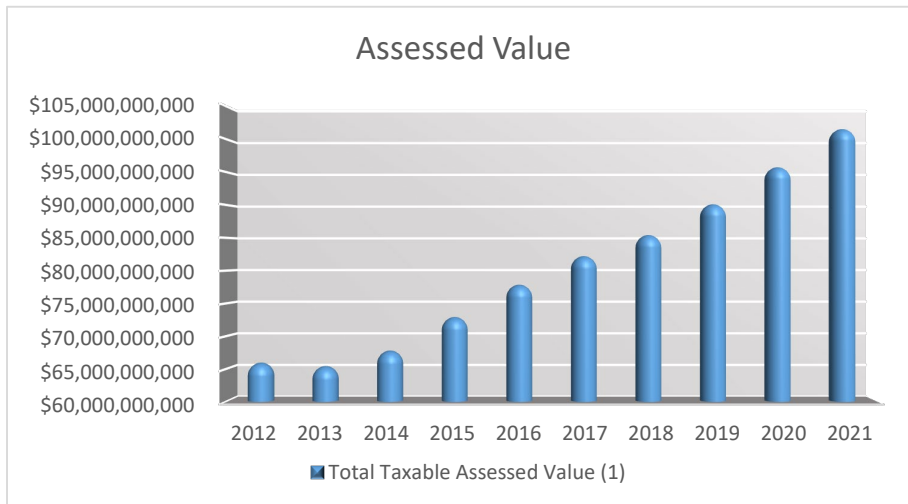


**Sonoma Water  
Assessed Value of Taxable Property (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Secured	Unsecured	Exempt	Total Taxable Assessed Value (1)	County of Sonoma General Levy (2)
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%
2021	101,928,048,072	3,538,887,425	(3,786,024,350)	101,680,911,147	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	
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%
2021	0.0233%	0.2146%	0.7621%	1.0000%	0.0070%	0.1070%	0.0297%	1.1437%

**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, 2021			Fiscal Year Ended June 30, 2012		
	Total Taxes (2)	Rank	Percentage of Total County Taxes	Total Taxes (2)	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 17,528,135	1	1.46%	\$ 8,204,936	2	1.07%
Geysers Power Co LLC	16,504,131	2	1.38%	10,111,353	1	1.32%
Keysight Technologies (1)	3,386,474	3	0.28%	-		
St Joseph Health Northern California LLC	1,920,660	4	0.16%	-		
Enclave Apartments Property Owner LLC	1,706,211	5	0.14%	-		
Pacific Bell Telephone Co.	1,485,756	6	0.12%	1,928,325	3	0.25%
Ferrari-Carano Vineyards & Winery LLC	1,481,684	7	0.12%	944,086	6	0.12%
Jackson Family Investments III LLC	1,367,139	8	0.11%	-		
Gallo Vineyards Inc.	1,223,756	9	0.10%	-		
CWI-Fairmont Sonoma Hotel LLC	1,195,725	10	0.10%	-		
Agilent Technologies (1)	-			1,530,134	4	0.20%
CPN Wild Horse Geothermal LLC	-			1,075,724	5	0.14%
SMI Real Estate LLC	-			938,918	7	0.12%
EMI Santa Rosa LTD PTP	-			911,080	8	0.12%
Varena at Fountaingrove LLC	-			857,250	9	0.11%
Constellation Wines US Inc.	-			827,061	10	0.11%
Total Taxes Top 10 Taxpayers	47,799,671		3.98%	27,328,867		3.55%
Taxes Paid by all Other Taxpayers	1,152,396,535		96.02%	741,559,354		96.45%
Total Taxes	<u>\$ 1,200,196,206</u>		<u>100.00%</u>	<u>\$ 768,888,221</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,	Collections within the fiscal year of the levy			Total Collections to Date		
	Taxes Levied (1)	Amount	% of Levy	Collections in Subsequent Years (2)	Amount	% of Levy
2012	\$ 658,287,157	\$ 642,641,057	97.6%	\$ 15,067,000	\$ 657,708,057	99.9%
2013	653,049,756	641,750,036	98.3%	10,817,000	652,567,036	99.9%
2014	676,857,581	667,922,384	98.7%	8,423,000	676,345,384	99.9%
2015	728,496,859	721,075,408	99.0%	6,780,000	727,855,408	99.9%
2016	778,237,090	770,591,620	99.0%	6,800,000	777,391,620	99.9%
2017	822,152,967	815,344,431	99.2%	5,742,000	821,086,431	99.9%
2018	854,549,002	844,871,868	98.9%	8,295,000	853,166,868	99.8%
2019	901,683,268	893,578,037	99.1%	5,859,000	899,437,037	99.8%
2020	958,370,031	946,294,568	98.7%	7,980,000	954,274,568	99.6%
2021	1,016,809,112	1,003,959,146	98.7%	-	1,003,959,146	98.7%

**Notes:**

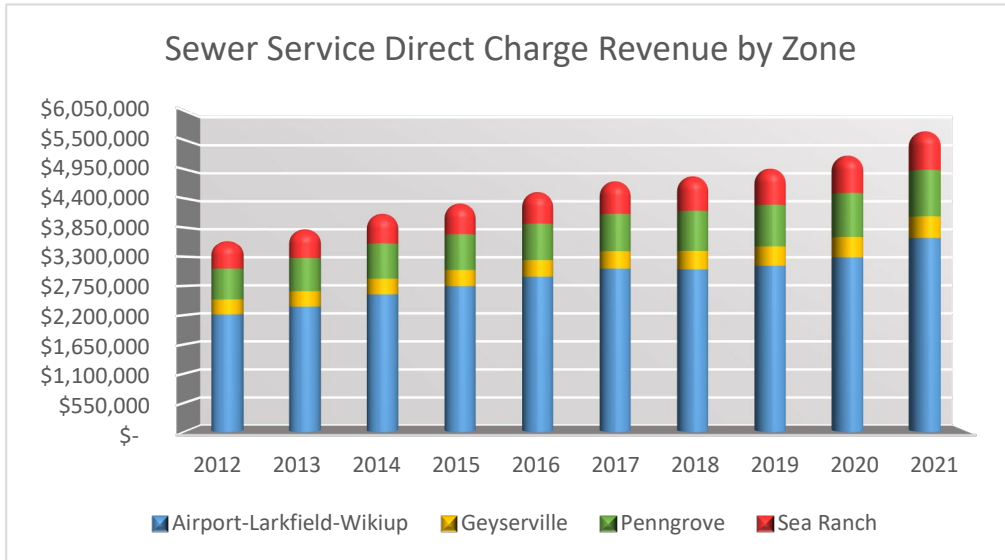
(1) Represents the County of Sonoma General Levy.

(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**

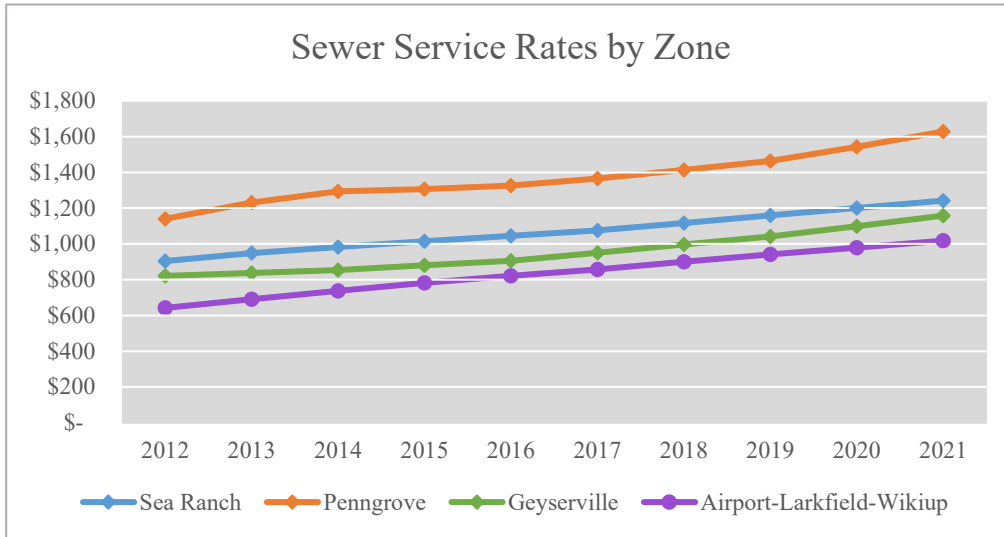
Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
2012	\$ 522,150	\$ 581,480	\$ 282,703	\$ 2,211,600	\$ 3,597,933
2013	548,143	627,896	289,050	2,359,595	3,824,684
2014	571,132	665,538	295,057	2,589,444	4,121,171
2015	591,973	675,293	303,899	2,745,446	4,316,611
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
2021	752,950	877,134	407,130	3,654,866	5,692,080



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
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
2021	1,242	1,628	1,158	1,018



Source: Sonoma Water, Finance and Accounting Division

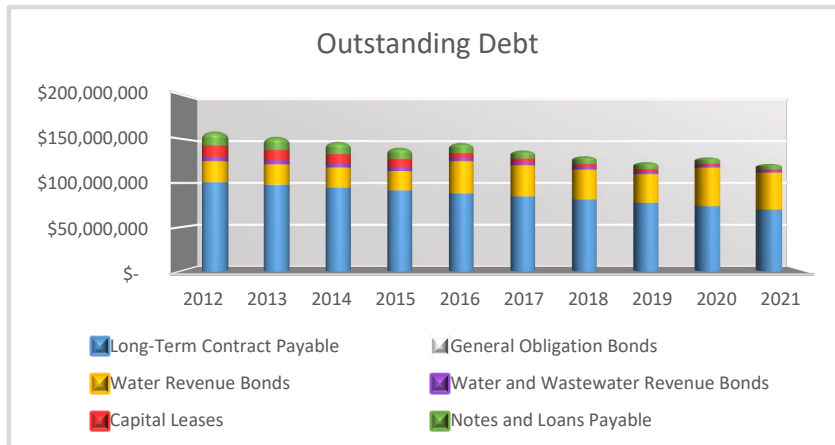
**Sonoma Water**  
**Principal Sanitation Customers (Unaudited)**  
**Current Year and Nine Years Ago**

Customer	Fiscal Year Ended June 30, 2021			Fiscal Year Ended June 30, 2012		
	Direct	Rank	Percentage of	Direct	Rank	Percentage of
	Charges		Total Direct	Charges		Total Direct
Vineyard Creek LP	\$ 188,941	1	3.32%	\$ 119,155	1	3.31%
North Coast Detention Facility	179,386	2	3.15%	96,313	2	2.68%
Lilli Ann Properties, Inc	115,645	3	2.03%	55,187	3	1.53%
5209 Old Redwood Highway LLC	70,038	4	1.23%	44,170	4	1.23%
Westle Joel TR & Julie TR	57,306	5	1.01%	40,128	5	1.12%
Sutter Medical Center	48,742	6	0.86%	-		
Ring Lorraine E ET AL	48,039	7	0.84%	29,930	7	0.83%
Redwood Village Mobile Home Park	46,747	8	0.82%	29,481	8	0.82%
Kendall-Jackson Winery	45,824	9	0.81%	-		
Larkfield Oaks LP	45,606	10	0.80%	28,762	9	0.80%
Mark West Union School District	-			39,136	6	0.70%
Lavell Village Assoc.	-			25,166	10	1.09%
Total Direct Charges Top 10 Sanitation Customers	<u>846,274</u>		<u>14.87%</u>	<u>507,428</u>		<u>14.10%</u>
Total Direct Charges All Other Customers	<u>4,845,806</u>		<u>85.13%</u>	<u>3,090,505</u>		<u>85.90%</u>
	<u>\$ 5,692,080</u>		<u>100.00%</u>	<u>\$ 3,597,933</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	
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
2021	69,925,456	-	41,714,410	2,305,730	1,248,042	6,572,680	121,766,318



Fiscal Year Ended June 30,	Ratios of Sonoma Water Debt			
	Population	Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
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
2021	484,207	0.12%	0.37%	251

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



**Sonoma Water  
Direct and Overlapping Debt (Unaudited)  
June 30, 2021**

**2020-21 Assessed Valuation** **\$ 101,680,911,147**

**Direct Debt**  
Sonoma Water

**\$ 69,925,456**

**Overlapping Debt**

County of Sonoma  
High School Districts  
Unified School Districts  
Elementary Districts  
Santa Rosa Junior College

	Total Debt	Percent Applicable
\$	395,449,189	100%
	271,032,897	100%
	599,104,107	100%
	346,482,213	100%
	356,205,000	100%

**Total Overlapping Debt**

**\$ 1,968,273,406**

**Total Direct and Overlapping Debt**

**\$ 2,038,198,862**

**Ratio of 2020-21 Assessed Valuation**

Total Direct Debt	<b>0.07%</b>
Total Overlapping and Direct Debt	<b>2.00%</b>

**Notes:**

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

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

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

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Operating revenues:					
Water sales (1)	\$ 31,658,359	\$ 37,236,068	\$ 39,312,638	\$ 34,207,795	\$ 31,147,906
(Subcharges) (2)	(6,181,857)	(8,523,628)	(8,776,855)	(8,162,101)	(7,574,647)
Installation charges (3)	30,047	28,421	26,184	48,434	24,664
Miscellaneous revenue (4)	280,337	109,293	130,635	618,570	474,482
Power sales (5)	612,817	835,759	715,029	618,418	589,644
Total operating revenues	26,399,703	29,685,913	31,407,631	27,331,116	24,662,049
Other revenues/(expenses) (6)	982,306	664,726	(1,209,299)	366,439	817,601
Total gross revenues	27,382,009	30,350,639	30,198,332	27,697,555	25,479,650
(O&M expenses) (7)	(22,572,421)	(24,552,075)	(27,450,432)	(24,534,397)	(28,718,318)
O&M subfund expense Adjustment (8)	5,164,335	5,293,091	6,254,739	5,830,697	8,134,667
Net revenues	<u>\$ 9,973,923</u>	<u>\$ 11,091,655</u>	<u>\$ 9,002,639</u>	<u>\$ 8,993,855</u>	<u>\$ 4,895,999</u>
Principal and Interest Payments	\$ 2,741,654	\$ 2,739,267	\$ 2,606,495	\$ 2,604,651	\$ 2,518,562
Coverage ratio	364%	405%	345%	345%	194%

**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
- (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,					
2017	2018	2019	2020	2021	
					Operating revenues:
\$ 33,208,443	\$ 39,778,515	\$ 39,288,806	\$ 42,931,384	\$ 51,227,762	Water sales (1)
(6,891,146)	(7,871,056)	(7,497,005)	(8,307,298)	(9,442,463)	(Subcharges) (2)
23,820	23,820	23,820	23,820	23,378	Installation charges (3)
494,169	299,470	115,719	1,710,804	88,493	Miscellaneous revenue (4)
210,280	144,524	36,156	26,385	-	Power sales (5)
<u>27,045,566</u>	<u>32,375,273</u>	<u>31,967,496</u>	<u>36,385,095</u>	<u>41,897,170</u>	Total operating revenues
865,572	891,745	1,754,958	1,587,689	269,244	Other revenues/(expenses) (6)
<u>27,911,138</u>	<u>33,267,018</u>	<u>33,722,454</u>	<u>37,972,784</u>	<u>42,166,414</u>	Total gross revenues
(28,384,243)	(28,676,002)	(29,377,249)	(30,253,879)	(32,661,373)	(O&M expenses) (7)
<u>5,708,105</u>	<u>5,227,863</u>	<u>4,707,644</u>	<u>6,044,660</u>	<u>7,030,278</u>	O&M subfund expense Adjustment (8)
<u>\$ 5,235,000</u>	<u>\$ 9,818,879</u>	<u>\$ 9,052,849</u>	<u>\$ 13,763,565</u>	<u>\$ 16,535,319</u>	Net revenues
\$ 3,363,145	\$ 3,379,027	\$ 3,361,096	\$ 3,582,328	\$ 4,141,906	Principal and Interest Payments
156%	291%	269%	384%	399%	Coverage ratio

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

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Revenues:					
User fees (1),(2)	\$ 2,392,762	\$ 2,586,937	\$ 2,836,599	\$ 2,998,036	\$ 3,180,932
Change in accounting estimate - user fees (3)	-	-	-	-	-
Connection fees	42,150	503,824	381,275	233,246	651,300
Offset to connection fees (4)	-	-	-	-	-
Change in accounting estimate - connection fees (3)	-	-	-	-	-
Interest earnings	14,251	11,348	32,112	4,202	20,377
Other operating revenues (5)	565,345	833,403	285,351	104,999	250,308
Transfer from Rate Stabilization Fund (6)	-	-	-	-	-
Total revenues	3,014,508	3,935,512	3,535,337	3,340,483	4,102,917
Operating expenses (7)	3,053,147	2,815,310	2,209,981	2,703,581	2,333,550
System net revenues	<u>\$ (38,639)</u>	<u>\$ 1,120,202</u>	<u>\$ 1,325,356</u>	<u>\$ 636,902</u>	<u>\$ 1,769,367</u>
Debt service					
2005/2017 Bonds	<u>\$ 456,005</u>	<u>\$ 457,819</u>	<u>\$ 459,043</u>	<u>\$ 454,694</u>	<u>\$ 459,587</u>
Coverage ratio	-8%	245%	289%	140%	385%

**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**

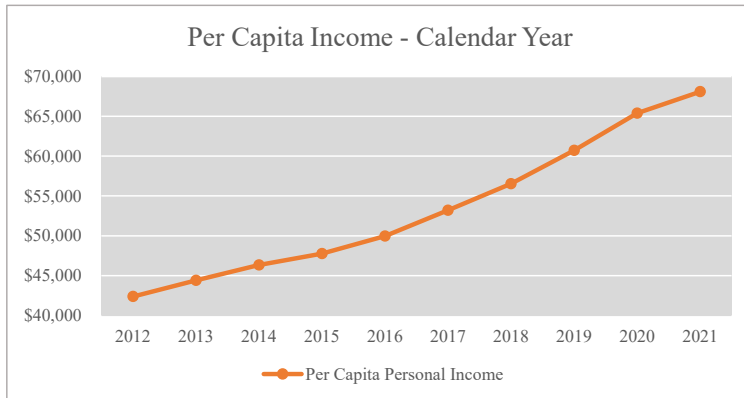
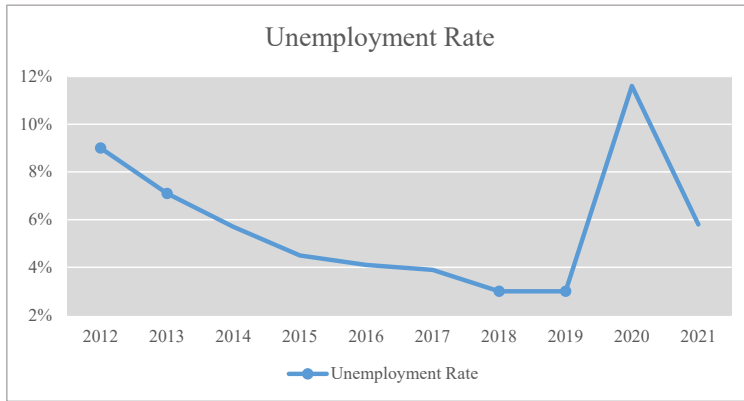
Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	
\$ 3,791,646	\$ 3,288,929	\$ 3,729,734	\$ 3,752,984	\$ 4,210,488	Revenues:
(67,371)	67,371	-	-	-	User fees (1),(2)
1,735,015	27,293	1,112,905	908,744	330,280	Change in accounting estimate - user fees (3)
-	(913,932)	-	-	-	Connection fees
(913,932)	913,932	-	-	-	Offset to connection fees (4)
17,857	44,227	169,676	61,235	65,670	Change in accounting estimate - connection fees (3)
187,635	1,197,506	166,170	321,465	971,310	Interest earnings
-	211,500	-	-	-	Other operating revenues (5)
4,750,850	4,836,826	5,178,485	5,044,428	5,577,748	Transfer from Rate Stabilization Fund (6)
2,952,236	4,338,604	3,495,110	4,004,888	4,771,573	Total revenues
\$ 1,798,614	\$ 498,222	\$ 1,683,375	\$ 1,039,540	\$ 806,175	Operating expenses (7)
					System net revenues
\$ 456,619	\$ 414,691	\$ 417,936	\$ 413,961	\$ 417,711	Debt service
394%	120%	403%	251%	193%	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)
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%
2021	484,207	32,972,432	68,096	66,450	5.8%

**Notes:**

- (1) Calendar year
- (2) The population estimate for 2021 is as of January 1, 2021, the most recent available data
- (3) Personal income is estimated in thousands. The 2021 estimate is as of 2019, the most recent available data



**Sources:**

- (2) State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State.
- (3) US Department of Commerce, Bureau of Economic Analysis - Regional Date of GDP and Personal Income.
- (4) State of California Department of Education.
- (5) State of California Employment Development Department: Labor Force Statistics as of June 2021.

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

Principal Employers							
Employer	Fiscal Year Ended June 30, 2021				Fiscal Year Ended June 30, 2012		
	Source	Number of Employees	Rank	% of Total County Employment	Number of Employees (8)	Rank	% of Total County Employment
County of Sonoma	(1)	4,108	1	1.7%	3,841	1	1.6%
Kaiser Permanente	(2)	3,015	2	1.3%	2,812	2	1.2%
Santa Rosa Junior College	(2)	2,608	3	1.1%	1,567	4	0.7%
Santa Rosa City Schools	(4)	1,585	4	0.7%	1,352	6	0.6%
Keysight Technologies	(2)	1,528	5	0.6%			
St. Joseph Health System	(2)	1,476	6	0.6%	2,489	3	1.0%
State of California	(3)	1,326	7	0.6%			
Sonoma State University	(5)	1,285	8	0.5%			
City of Santa Rosa	(6)	1,254	9	0.5%	1,200	9	0.5%
Jackson Family Wines	(2)	1,153	10	0.5%			
Sutter Medical Center					1,497	5	0.6%
Petaluma City Schools					1,300	7	0.5%
Safeway					1,200	8	0.5%
Agilent Technologies					1,150	10	<u>0.5%</u>
Ten largest employers		19,338		8.2%	18,408		7.7%
All other employers		<u>216,262</u>		<u>91.8%</u>	<u>221,892</u>		<u>92.3%</u>
Total County Employment	(7)	<u>235,600</u>		<u>100.0%</u>	<u>240,300</u>		<u>100.0%</u>

**Sources:**

- (1) County of Sonoma Adopted Budget Schedules 2020-2021, 2011-2012
- (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 2011-2012, County of Sonoma Comprehensive Annual Financial Report, 2011-2012

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Flood Control</b>										
Channel vegetation removed (cubic feet)	6,333	4,642	5,622	3,129	3,879	5,983	2,191	2,934	4,606	6,169
Sediment removed (cubic feet)	19,363	41,491	38,861	20,460	17,792	17,552	26,806	26,230	38,943	20,211
<b>Water Transmission</b>										
Total water delivered (acre-feet)	48,527	54,244	54,963	45,868	39,905	40,356	46,134	43,970	45,648	51,848
Hydroelectric power production (MWh)	10,725	13,261	10,926	9,777	8,820	8,951	3,356	3,162	0	0
<b>Water Supply/Warm Springs Dam</b>										
Total diversion (acre-feet)	50,989	55,428	55,538	46,176	40,028	41,873	45,745	45,640	48,123	54,146
Lake Sonoma water storage at Sept. 30 (acre-feet)	217,525	215,874	190,471	147,391	178,398	212,620	219,186	195,821	219,455	180,646
<b>Sanitation</b>										
Amount of wastewater treated (mg)	290	274	265	265	273	353	274	343	257	232
Number of ESD's (1)	5,143	5,172	5,185	5,235	5,252	5,325	5,314	5,149	5,379	5,571
<b>Number of Employees (Full Time Equivalent)</b>	195.50	194.50	207.50	209.50	221.75	226.75	229.75	231.75	241.00	243.00

**Notes:**

(1) From the 2021-22 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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Flood Control</b>										
Miles of engineered channels	150	150	150	150	150	150	150	150	150	150
Number of reservoirs	8	8	8	8	8	8	8	8	8	8
Reservoir capacity (acre-feet)	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827
<b>Water Transmission</b>										
Water mains (miles)	85	85	85	85	85	85	85	85	85	85
Number of chlorination facilities	3	3	3	3	3	3	3	3	3	3
Number of pumping plants and booster stations	21	21	21	21	21	21	21	21	21	21
Tank storage capacity (thousands of gallons)	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000
Number of production wells	9	9	9	9	9	9	9	9	9	9
<b>Water Supply/ Warm Springs Dam</b>										
Water rights (acre-feet)	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000
Water Supply Storage (acre-feet)	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000
<b>Sanitation</b>										
Collection system mileage	38	38	38	38	38	38	38	38	38	40
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, 2021, and have issued our report thereon dated December 1, 2021.

**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.



Santa Rosa, California  
December 1, 2021