



**Sonoma
Water**

Sonoma County Water Agency

A Component Unit of the County of Sonoma, California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Sonoma County Water Agency

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2022

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

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Introductory Section





**Sonoma
Water**

December 2, 2022

To the Board of Directors and Citizens of Sonoma County:

We are pleased to submit the Annual Comprehensive Financial Report (Report) of the Sonoma County Water Agency (Sonoma Water) for the fiscal year ended June 30, 2022. The Report has been prepared in accordance with the principles and standards of the Governmental Accounting Standards Board.

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

The independent auditor's report is located at the front of the financial section of this report. 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, 2022.

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 5.8% in June 2021 to 2.7% in June 2022 as the economy continued to recover from the downturn caused by the COVID-19 pandemic. This compares with an unemployment rate of 4.2% for California and 3.6% for the nation during the same period.

Income

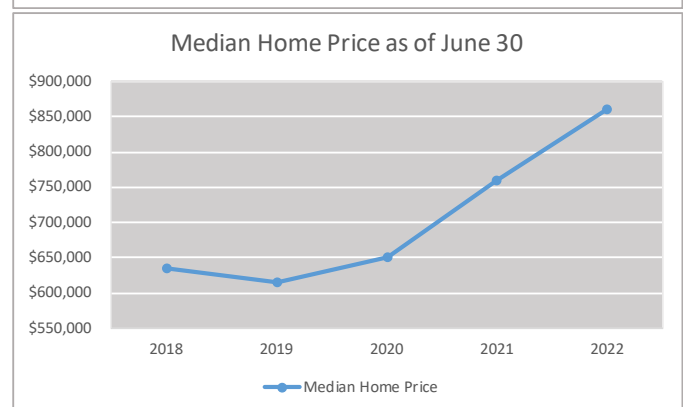
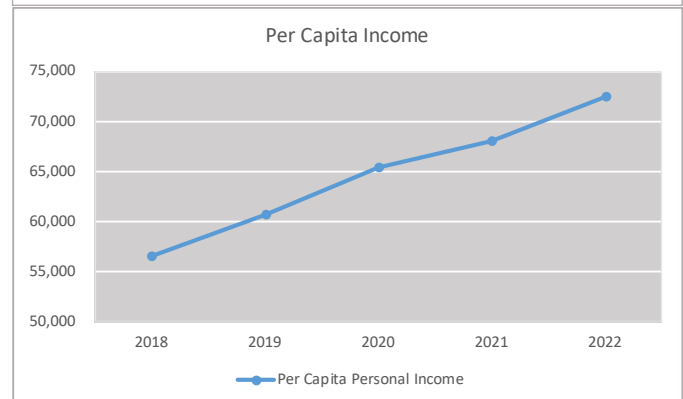
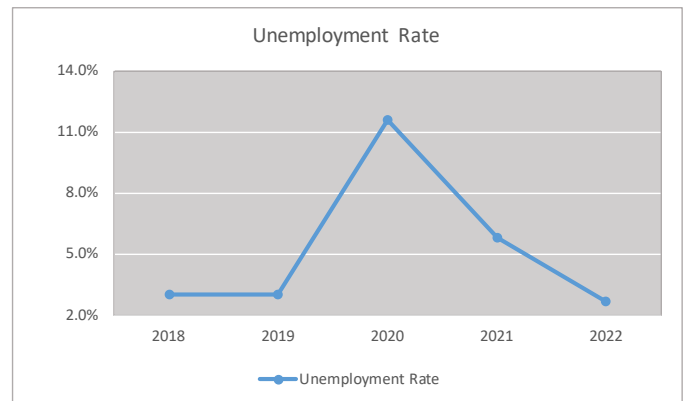
- Personal income increased from \$68,096 in 2021 to \$72,483 in 2022. Per capita income is based on the most recently available data.

Real Estate

- The County-wide median home price increased from \$760,000 in June 2021 to \$860,000 in June 2022.

Retail Sales

- Retail sales county-wide increased by 19.7% to \$11.8 billion for the 2021 calendar year, from \$9.9 billion for the 2020 calendar year.



Sonoma Water's Water Supply

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

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

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

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

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

The Water Transmission System extends from Sonoma Water's Russian River diversion facilities located near Forestville to the Santa Rosa, Petaluma, and Sonoma valleys. The Water Transmission System consists of over 85 miles of pipelines that range in diameter from 16 to 54 inches, seven booster-pump stations, and 18 storage tanks with a combined storage capacity of 130 million gallons. The major pipelines that comprise the system are: the Santa Rosa Aqueduct (built in 1959), the Sonoma Aqueduct (built in 1963), the Petaluma Aqueduct (built in 1962), and the Cotati Intertie (built in 1977).

During fiscal year 2022, Lake Sonoma had an average of 54.0% of the total water supply capacity; and Lake Mendocino had an average of 45.7% of the Target Water Storage Curve. Sonoma Water delivered 44,237 acre-feet of water compared to 52,671 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 96 capital projects with an estimated cost of over \$357 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.

Throughout fiscal year 2022, Sonoma Water faced challenges on numerous fronts: We continued the fight against the deadliest pandemic of our time; prepared for the perennial threat of wildfire; and tightened our collective belt against one of the worst droughts on record. The Sonoma Water Board was proud to adopt its first Climate Adaptation Plan this year, which gives us a road map for adapting to a changing climate and the inevitable impacts. Few things are more important than identifying the risks and vulnerabilities to our critical water and wastewater infrastructure, and adopting strategies to protect those facilities from the impacts of a changing climate. Increased temperatures and highly variable rainfall will result in extreme droughts and floods, in addition to increased wildfire intensity and sea-level rise. This kind of resiliency and planning is one of the trademarks of Sonoma Water.

Also in fiscal year 2022, our region experienced the impacts of the third driest water year on record over the last 127 years. Reservoirs are at historic lows and more storms are needed to increase storage levels to bring an end to this severe drought. Winter is a critical time for water conservation in prolonging our water supply. In response to the severe drought, Sonoma Water filed Temporary Urgency Change Petitions (TUCP's) that were approved by the State Water Resources Control Board to ensure the water supply for more than 600,000 people and the environment in Sonoma and Marin counties. The TUCP's established a critical water supply condition for both the upper and lower Russian River as the drought continues. The fiscal year 2022 petitions committed Sonoma Water and its retail customers (the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa, and Sonoma; the town of Windsor; and Valley of the Moon and North Marin water districts) to a 20% reduction in total diversions from the Russian River between July 1 and October 31 compared to the same time period in the prior year. With no significant rain for the last three years, Lake Mendocino and Lake Sonoma water supply levels are at historical low levels. Our water customers responded to calls for conservation and wise water use and we met and exceeded the state's requirement to reduce diversions from the Russian River by 20%.

After multiple years of record low rainfall, we have a long way to go before the drought is over. Sonoma Water thanks our water customers for continuing to conserve water every day and we celebrate those doing their part in this community-wide effort.

These events (the ongoing pandemic, the threat of 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, and responded skillfully to the pandemic and the drought emergencies. Highlights of initiatives and accomplishments for the fiscal year ended June 30, 2022 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-term 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 2022, Sonoma Water completed building a regional water supply resiliency model, developing model scenarios, evaluating water shortage scenarios resulting from disruptions to Sonoma Water's water supply and transmission system due to the deepening drought and natural hazards such as seismic events, wildfires and flooding, and compiling drought water management options and strategies. In fiscal year 2023, Sonoma Water will complete all modeling scenarios, the development and evaluation of projects to improve the regions water supply reliability during periods of water supply shortages, and a final report documenting the model and study results.

- **Water Supply Resiliency – Santa Rosa Plain Wells Rehabilitation:** Sonoma Water owns three production wells within the Santa Rosa Plain. The wells were originally drilled in 1977 in response to the historic 1976-77 drought and their rehabilitation is a critical component of the regional drought and seismic emergency water shortage resiliency strategy. 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 the three production wells. In fiscal year 2022, Sonoma Water activated one of the three wells and expedited design for activation of the two remaining production wells. The well activated in October 2021, has been producing up to 1.6 million gallons per day. Activation of this well makes available an additional 200,000 to 500,000 gallons a day (approximately) 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. The well also provides an additional 1 million gallons daily (approximately) for Sonoma Water's water contractors to help alleviate drought impacts to their customers. Another well is slated for construction in fiscal year 2023.

The California Budget Act of 2021 allocated \$300 million to the Department of Water Resources (DWR) for an Urban and Multi-benefit Drought Relief Grant Program to provide interim and immediate drought relief to urban communities and multi-benefit projects. On December 23, 2021, Sonoma Water was awarded \$6,900,000 for the Santa Rosa Plain Water Supply Resiliency Project for funding final design and construction of two remaining Santa Rosa Plain wells (at Sebastopol Road and Occidental Road) and the addition of Aquifer Storage and Recovery (ASR) capacity for one or more wells. Using existing wells, the ASR project would store treated, high quality surface water in aquifers, during wet periods when Russian River water is plentiful.

- **Water Supply Reliability: 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. FIRO is a flexible water management approach that uses data from watershed monitoring and improved weather forecasting to help water managers selectively retain or release water from reservoirs for increased resilience to droughts and floods. The collaboration began in 2012 after winter storms resulted in the U.S. Army Corps releasing water from the reservoir as it encroached into Lake Mendocino's flood pool. The severe 2012-2015 drought immediately followed, which resulted in serious reductions of water storage and river flows.

After more than six years of extensive technical and modeling analysis and annual testing, demonstrations of FIRO proved successful during the course of two very different water years — Water Year 2019 was relatively wet and Water Year 2020 was very dry. In both years, FIRO increased water supply benefits and managed flood risks. Sonoma Water saved 11,000 acre-feet of water in Lake Mendocino (20% of its water capacity at the time) by implementing a deviation request that allowed the U.S. Army Corps to use FIRO decision support tools.

In fiscal year 2022, the Association of California Water Agencies (ACWA) presented the first annual Excellence in Innovation Award to Sonoma Water for its FIRO pilot project. This was an enormous water supply reliability effort and the first of its kind in the nation. ACWA's Excellence in Innovation Award is a new annual award program that recognizes outstanding innovations by public water agencies. The award, sponsored by CDM Smith, was presented during ACWA's 2022 Spring Conference & Exhibition in Sacramento, where approximately 1,300 leaders from local water agencies in California gathered for programs and panel discussions on a variety of key water issues.

- **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) expired in April 2022 and PG&E does not intend to seek a new license for the Project. The Project now operates under annual licenses while FERC determines the disposition of Project facilities through a license surrender and decommissioning process. On May 11, 2022, FERC requested a plan and schedule for license surrender from PG&E.

The Two-Basin Partnership continued conducting studies in fiscal year 2022 that will be ongoing in fiscal year 2023 to evaluate the ecological impacts of various water diversion scenarios on both rivers, and develop a run-of-the-river water diversion strategy that sustains fisheries and water supply in both the Eel and Russian River Watersheds.

The California Budget Act of 2021 allocated \$300 million to the Department of Water Resources (DWR) for an Urban and Multi-benefit Drought Relief Grant Program to provide interim and immediate drought relief to urban communities and multi-benefit projects. On December 23, 2021, Sonoma Water was awarded a \$2.09 million grant to develop long-term strategies to provide water supply resiliency to the Russian River in the face of exceptional drought, continuing effects of climate change, and PG&E's abandonment of its hydroelectric power plant, the Potter Valley Project (PVP). The project includes a) establishing a Russian River Water Users Forum comprised of all water users that are dependent on Potter Valley Project water to create a source of funding for continuing water transfers in the Russian River watershed, b) investigating acquisition of key components of the Potter Valley Project from PG&E and modifying them to function as a water diversion-only facility, including estimating the cost of modifications and operations, and c) analyzing and developing concepts for the projects necessary to improve water supply reliability in the Russian River under drought and climate change conditions. The project is scheduled to be completed by the end of fiscal year 2024.

- **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, in the development of three 20-year groundwater sustainability plans (GSPs) leveraging \$3 million in state grants. In December 2021, the Boards of Directors of Sonoma County's three GSAs unanimously approved GSPs for each basin. The adoption of the GSPs for the Petaluma Valley groundwater basin, the Santa Rosa Plain subbasin, and the Sonoma Valley subbasin capped three years of intensive work. Between April 2018 and December 2021, the three GSA Boards met a total of 73 times, the three GSA Advisory Committees met 86 times and 13 community workshops were conducted. In compliance with the Sustainable Groundwater Management Act (SGMA), the GSPs define sustainability for each basin and include projects and management actions to achieve or maintain sustainability through 2042. In early 2022, the GSPs were submitted to the California Department of Water Resources, which has two years to approve the plans while implementation activities are initiated. Sonoma Water as a GSA member agency and the GSAs will be conducting fee studies and actively seeking grants to cover implementation costs.

The GSAs applied for and received technical support services from the Department of Water Resources for drilling monitoring wells in the three basins to assess the connection between groundwater and local streams. Sonoma Water prepared final design documents and oversaw construction of nine nested groundwater monitoring wells located in the cities of Petaluma, Cotati, and Santa Rosa; the Town of Windsor; and unincorporated Sonoma County.

- **Climate Adaptation:** The Sonoma Water Board of Directors approved its first-ever Climate Adaptation Plan (CAP) that provides a roadmap for addressing the impacts of climate change on infrastructure and operations. The CAP identifies threats to Sonoma Water's water supply, flood control, and sanitation infrastructure and operations and develops adaptation strategies to reduce vulnerabilities and risks that will be exacerbated by climate change. Development of the plan assumes that climate change is inevitable, it is already occurring, and the agency must adapt quickly to protect its critical infrastructure. Increased temperatures and highly variable rainfall will result in extreme droughts and floods, in addition to increased wildfire intensity and sea-level rise. This plan allows us to meet the public health and safety needs of our community as we adapt to climate change.

Largest among the impacts identified in the plan is the anticipated variability in precipitation, more severe droughts, and stronger flood events, due to the heightened role of atmospheric rivers. An increased risk of wildfires is also predicted as temperatures rise and droughts become more severe.

Contained in the CAP are strategies aimed at maximizing reservoir storage, managing floodwaters for aquifer recharge, and protecting critical infrastructure from severe flooding and sea-level rise. Sonoma Water will prioritize projects; identify and pursue funding; develop partnerships with local, state and federal entities; and establish a monitoring plan and timeline for updating the plan.

- **Climate Resiliency:** The Sonoma County Climate Action & Resiliency Division was established in May 2021. The Division is responsible for implementing the Board’s vision for climate action and building climate resiliency in the County. The Board approved a \$10 million Climate Resilience Fund from the 2017 PG&E settlement to support proposed climate projects. Sonoma Water was awarded funds for the following projects: 1) \$400,000 for FloodMAR project planning for Alexander Valley: to conduct initial studies (flood modeling and hydrogeologic assessments) to verify FloodMAR viability in the Alexander Valley; 2) \$300,000 for County of Sonoma Drought Resiliency Planning: to evaluate and synthesize the drought impacts and vulnerabilities that are occurring during this and past droughts; 3) \$275,000 to implement Sonoma Water’s Climate Adaptation Plan including strategies that require County partnerships to move forward with improved watershed protection, reduced risk from wildfires, and comprehensive flood risk management planning; and 4) \$185,548 for Rainwater Catchment: through a partnership between Sonoma Water, the Gold Ridge and Sonoma Resource Conservation Districts, Sonoma-Marin Saving Water Partnership, and the non-profit Daily Acts, this project builds upon the partners’ current success in fostering community water conservation, security, and awareness, by developing and implementing a county-wide pilot rebate and training program to promote household-level water storage through rainwater catchment.
- **Infrastructure/Water Transmission System 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 2022, Sonoma Water advanced the designs and environmental compliance work for multiple seismic hazard mitigation and drought resiliency projects. One flood hazard mitigation project and three seismic hazard mitigation projects were under construction. Sonoma Water also advanced designs for aqueduct cathodic protection projects and for storage tank recoat projects. In fiscal year 2023, Sonoma Water will execute a signature 10-year storage tank maintenance program.
- **Infrastructure/Wastewater Hazard Mitigation and Flood Protection:** Sonoma Water completed construction of an \$819,000 Penngrove Sanitation Zone Lift Station Flood Resiliency Hazard Mitigation Project with offsetting FEMA grant funding. The Project raised electrical equipment above the floodplain, which will result in decreased risk of sanitary sewer overflows related to power failure at the lift station, and increased staff health, safety, and accessibility.
- **Infrastructure:** Sonoma Water replaced the inflatable rubber dam located just downstream of the Wohler Bridge on the Russian River near Forestville. The rubber dam is a critical component of the Russian River water supply system that provides naturally filtered drinking water to more than 600,000 residents in portions of Sonoma and Marin counties. It was last replaced in 1995 and had reached the end of its structural integrity. When fully inflated, the rubber dam creates a pool of water from which Sonoma Water draws water for use in four off-stream infiltration ponds. The infiltration ponds help recharge groundwater, which is naturally filtered through sand and gravel and delivered to

Sonoma Water’s customers. When the rubber dam is raised, a permanent fish ladder provides fish passage and allows Sonoma Water to count the migration of adult salmon and steelhead with its underwater video system located in the fish ladder.

- Infrastructure – Financing: Sonoma Water issued \$15 million in 2022 water revenue bonds to finance the cost of facilities and improvements. In addition, Sonoma Water refinanced \$7.84 million in 2012 revenue bonds at a total interest cost of 3.3 percent and \$312,000 in present value savings over the life of the refinanced bonds. The revenue bonds support the water transmission system capital improvement program.
- 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 for the return to in-person learning.

In fiscal year 2022, 4,679 students in 181 classrooms participated in synchronous lessons of Education Engagement, 7,631 students participated in virtual assemblies including the ZunZun musical assembly program, 20,298 students in 759 classrooms received free schools supplies that support natural resources conservation, and 106 classes participated in the Steelhead in the Classroom program, raising and releasing steelhead fry to the Russian River.

As the education program pivoted back to in person learning following the covid pandemic, and in addition to the existing suite of established programs, Sonoma Water introduced a new small grant program titled “A Call to Action.” Classes received up to \$1,000 toward a solutions-focused project that addressed a water-related environmental challenge. School projects included composting, water catchment, aquaponics, garbage sorting, gardening, water filling stations, and plastic pollution education. Students showed their understanding of environmental problems and identified projects that they could do to “help our self and the earth.”

The education program also was expanded to include a high school lesson about climate change with a field trip to Sonoma Clean Power’s Advanced Energy Center in Santa Rosa. High school students learned how electric heat pumps work, explored induction cooking as an all-electric alternative to natural gas, and experienced what a carbon-free home could look like.

- Water Use Efficiency: 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. The Partnership represents 13 water utilities in Sonoma and Marín counties who have joined together to provide a regional approach to water use efficiency. Sonoma Water and the Sonoma Marín Saving Water Partnership continued to implement a comprehensive public outreach campaign seeking the community’s help in saving water.

Sonoma Water and its partners in the Sonoma-Marin Saving Water Partnership continued a successful outreach program that included: 1) more than 10,000 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; 2) the Saving Water Challenge was created to offer prizes to encourage simple actions to promote water use efficiency; 3) a new series of videos of local community members sharing water saving tips and best water-use efficiency practices was launched; 4) a redesigned website was created that featured up-to-date drought information, water-saving tips, and new resources like an irrigation scheduling tool and regional water-smart plant database; 5) an Eco-Friendly Garden Tour was again held, virtually attracting over 3,400 online visitors; 6) the Garden Sense program, a collaboration with the University of California Master Gardeners of Sonoma County returned to offering in-person landscape consultations to residents looking to reduce landscape water use; 7) the Qualified Water Efficient Landscaper (QWEL) program continued to offer classes online to landscapers interested in certification in efficient water management practices, earning the program its fifth consecutive Sustained Excellence Award from the US Environmental Protection Agency's WaterSense Program; 8) a Water Smart Gardens Maintenance Manual was published. It is a guide for homeowners on how to maintain a low water-use landscape.

- 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 3.5 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.

Sonoma Water entered a cost-sharing agreement with the U.S. Army Corps that has allocated \$28 million in federal funds towards the Dry Creek habitat efforts. The U.S. Army Corps agreement with Sonoma Water provides a 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.

In anticipation of the expiration of the 15-year 2008 Biological Opinion, Sonoma Water is working with the National Marine Fisheries Service, the U.S. Army Corps, and California Department of Fish and Wildlife to reinitiate consultation and develop a biological assessment for continuation of the U.S. Army Corps and Sonoma Water operations in the Russian River watershed. The completed biological assessment will be used to produce a new Biological Opinion authorizing incidental take of Chinook salmon, Coho salmon, and Steelhead related to management of water supply, flood control operations, and channel maintenance.

- **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 invasive mussels 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 fiscal year 2022 \$400,000 grant from the Department of Boating and Waterways for Lake Sonoma, and a pending \$400,000 grant agreement for Lake Mendocino that will be signed in fiscal year 2023.
- **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. In fiscal year 2022, a radar operational model was developed, radar and forecast data feeds and visualizations became operational, surface measurements of precipitation, streamflow and soil moisture were incorporated into a decision-support system, and a concept of operations workplan was developed to provide a comprehensive guide to ensure the continued operation and development of the AQPI system. 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: The Central Sonoma Watershed Project provides flood protection for the City of Santa Rosa and surrounding communities. It was designed in 1958 and includes four reservoirs, two diversion structures and approximately 21 miles of channel improvements 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 to be eligible for future federal funding.

In fiscal year 2022, Sonoma Water, in cooperation with the NRCS, updated the existing conditions hydrologic model of the Santa Rosa Creek watershed to support baseline and project alternative analyses that will be used in subsequent phases of the NRCS watershed planning process. Sonoma Water and NRCS also held a scoping meeting to describe the project to the public and solicit input to help inform the identification and evaluation of feasible alternatives in the Draft Watershed Plan.

- **Flood Protection:** The Vortex Tube is a concrete flood control facility that is part of the Santa Rosa Creek Diversion Structure constructed in 1963 as part of the Central Sonoma Watershed Project to reduce flooding in downtown Santa Rosa. The Vortex Tube deteriorated from over a half-century of scour. In fiscal year 2022, Sonoma Water completed construction of improvements to the Vortex Tube to restore its structural integrity, facilitate inspections and maintenance, and extend its useful life.

- Flood Protection: Sonoma Water initiated design of a detention basin on property situated on the watershed divide between Copeland Creek and Roberts Creek, a tributary to Lichau Creek located in the broader Petaluma River watershed in Sonoma County. The primary objective of the detention basin is to reduce flooding and capture Copeland Creek breakout flows that historically have escaped the Copeland Creek watershed and flowed into the Roberts Creek watershed.
- Wastewater Management Planning: Sonoma Water has developed a Sewer System Management Plan for the Penngrove Sanitation Zone. The Sewer System Management Plan describes how the collection system will be operated, maintained, and evaluated by Sonoma Water. One of the requirements of the Sewer System Management Plan is a system evaluation and capacity assurance plan.
- Wastewater - Recycled Water: Sonoma Water as a member of and Administrative and Fiscal Agent for the North Bay Water Reuse Authority, entered an agreement with the Association of Bay Area Governments (ABAG) as a subrecipient of a State of California, Department of Water Resources grant. Sonoma Water will receive and administer more than \$4 million in grant funds to implement the North Bay Water Reuse Program Phase 2 Projects. Phase 2 Projects will deliver increased yield through expanded treatment, new pipelines, and additional storage projects, while building resiliency into the region's long-term water supply through the use of recycled water.
- Emergency Management: The Board of Directors approved Sonoma Water's Emergency Operations Plan (EOP), an all-hazards, whole-agency response and recovery document and the base for all future planning at Sonoma Water. The EOP expands upon the findings from hazard and risk assessments, published Sonoma Water tools and references, standard operating procedures, and previous response efforts. The EOP supports the development of mutual aid agreements and training and exercise programs.
- Emergency Preparedness: Sonoma Water prepared a 2021-2024 Integrated Preparedness Plan (IPP) that documents and guides Sonoma Water's planning, training, and exercise priorities. The IPP pairs all-hazard planning with innovative and relevant training and exercise to strengthen Sonoma Water's readiness capabilities and promote collaboration amongst all divisions in response to a disaster. Emergency preparedness activities in fiscal year 2022 were: 150 staff were trained in Basic Emergency Management, multiple emergencies including the drought and pandemic were responded to, emergency management trainings, and exercises were scheduled, 9 Emergency Action Plans for local dams, reservoirs, and storage ponds were completed, and 16 emergency management plans, tools, and resources were developed.
- Emergency Preparedness: Sonoma Water's Board of Directors authorized \$1 million in 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, and \$600,000 to the U.C. Cooperative Extension (UCCE) to complete work and conduct outreach on a parcel-level decision support tool. The DSF or Wildfire Resiliency Planner tool 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. Draft versions of the tools were developed in fiscal year 2022 and will be beta tested with stakeholders in fiscal year 2023.
- Emergency Preparedness: Sonoma Water was awarded a \$277,166 State Coastal Conservancy Grant and is working in partnership with Sonoma County Regional Parks to conduct wildfire resilience activities at Spring Lake Regional Park in Santa Rosa. In fiscal year 2022, Sonoma Water began creating strategic fuel breaks, thinning woodland and forest understory, implementing prescribed

grazing activities using sheep and goats, and creating/maintaining defensible space. Work will be completed in fiscal year 2023.

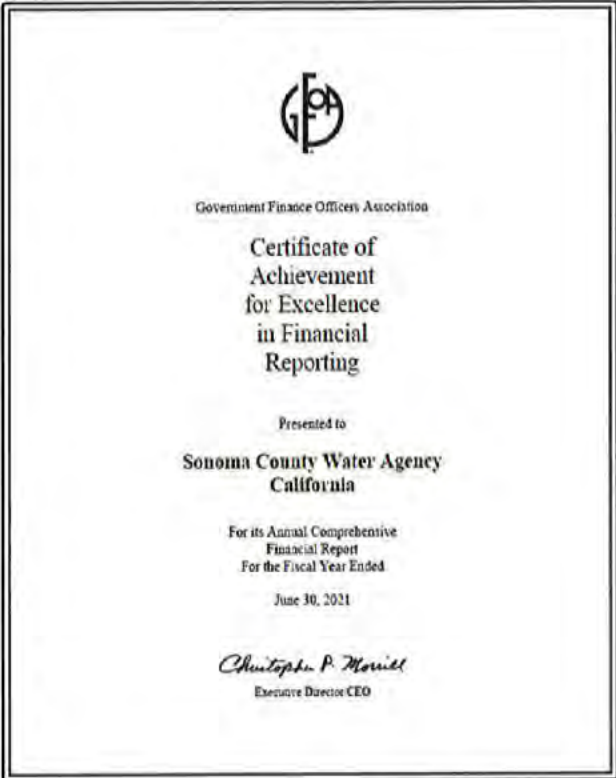
Awards and Acknowledgements

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, 2021. This was the fourth year Sonoma Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Report that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

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



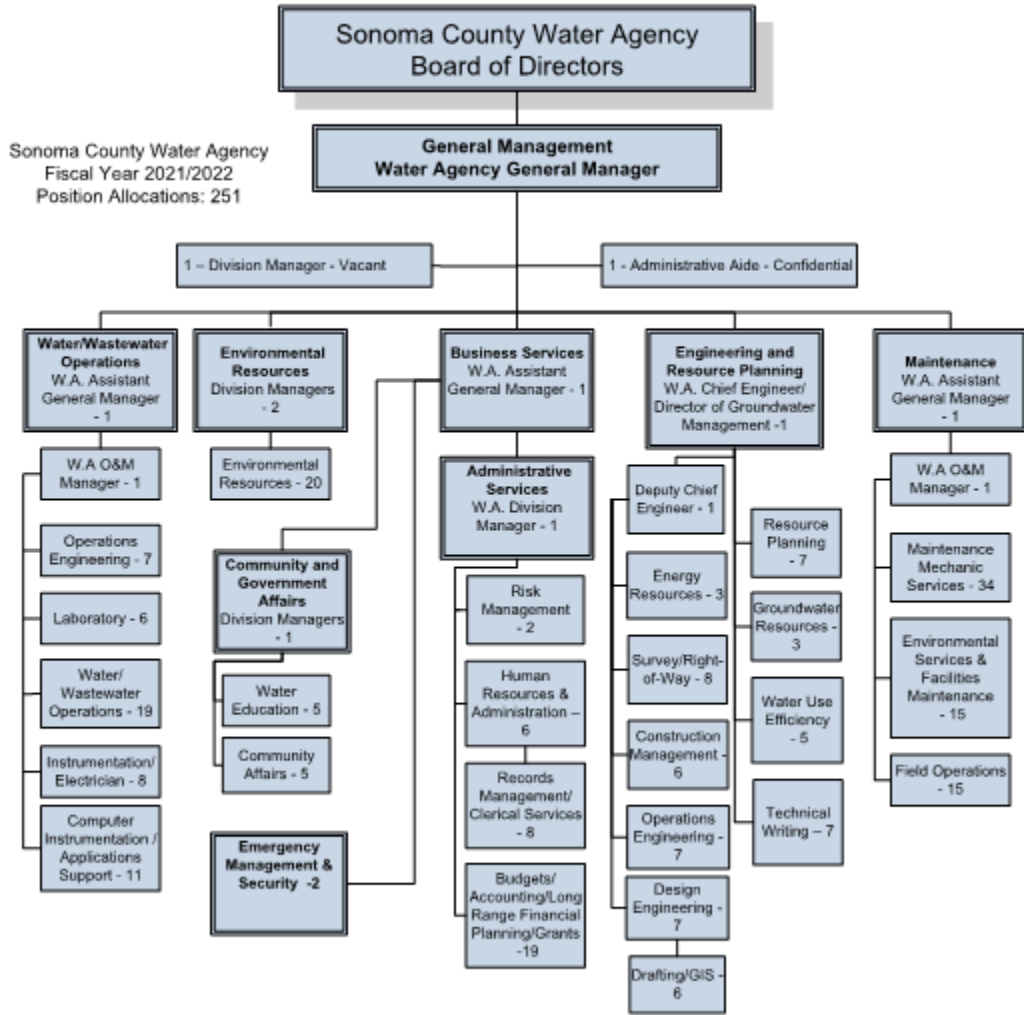
Grant Davis
General Manager

Lynne Rosselli
Water Agency Division Manager - Finance and Administration

Sonoma Water
Directory of Appointed and Elected Officials
June 30, 2022

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, 2022



Financial Section





Independent Auditor's Report

Board of Directors
Sonoma County Water Agency
Santa Rosa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Sonoma County Water Agency ("Sonoma Water"), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sonoma Water's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sonoma Water as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (continued)

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sonoma Water's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sonoma Water's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sonoma Water's basic financial statements. The 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.

Other Information

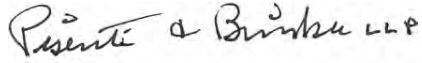
Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not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

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

Independent Auditor's Report (continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022, 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.

A handwritten signature in cursive script that reads "Parenti & Brinku LLP".

Santa Rosa, California
December 2, 2022

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(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, 2022. 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 \$402,560,569 (net position). Of this amount \$75,770,948 (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 \$15,558,105 during the current fiscal year. This increase in net position includes an increase in business-type activities of \$7,460,359 and an increase in governmental activities of \$8,097,746.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$88,721,432, a decrease of \$2,788,613 from the preceding year. Approximately 5.1% of this total amount, \$4,555,917, 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 \$4,555,917 or approximately 16.1% of total General Fund expenditures, which amounted to \$28,292,179 for the fiscal year ended June 30, 2022.
- Sonoma Water's long-term liabilities decreased by \$15,299,617 during the fiscal year, primarily due to a decrease of \$17,351,044 in net pension liability (asset).

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, 2022
(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, 2022
(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, 2022
(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 \$402,560,569 as of June 30, 2022.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Current and other assets	\$ 97,682,017	\$ 100,965,899	\$ 125,212,371	\$ 134,875,350	\$ 222,894,388	\$ 235,841,249
Capital assets	136,279,368	136,238,675	199,636,798	206,185,769	335,916,166	342,424,444
Total assets	233,961,385	237,204,574	324,849,169	341,061,119	558,810,554	578,265,693
Total deferred outflows	6,692,017	15,089,000	451,089	222,521	7,143,106	15,311,521
Current liabilities	12,498,747	13,437,618	10,631,434	8,804,849	23,130,181	22,242,467
Noncurrent liabilities	94,489,799	75,595,808	53,373,738	63,580,857	147,863,537	139,176,665
Total liabilities	106,988,546	89,033,426	64,005,172	72,385,706	170,993,718	161,419,132
Total deferred inflows	7,957,478	29,455,024	-	142,489	7,957,478	29,597,513
Net Position:						
Net investment in						
capital assets	66,353,912	70,343,695	155,329,092	161,716,986	221,683,004	232,060,681
Restricted	71,676,521	70,151,886	26,888,288	24,577,054	98,564,809	94,728,940
Unrestricted (deficit)	(12,323,055)	(6,690,457)	79,077,706	82,461,405	66,754,651	75,770,948
Total Net Position	\$ 125,707,378	\$ 133,805,124	\$ 261,295,086	\$ 268,755,445	\$ 387,002,464	\$ 402,560,569

The largest portion of Sonoma Water's net position, \$232,060,681 (57.6%), reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, and machinery and equipment), less any related outstanding debt used to acquire those assets. Sonoma Water uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although Sonoma Water's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of Sonoma Water's net position, \$94,728,940 (23.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$75,770,948, may be used to meet Sonoma Water's ongoing obligations to citizens and creditors.

Sonoma Water
Management's Discussion and Analysis
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(Unaudited)

Government-wide Financial Analysis (continued)

As of June 30, 2022, 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 \$(6,690,457). This deficit is due to the other postemployment benefits liability. See Note L for additional information.

Sonoma Water's net position increased by \$15,558,105 as of June 30, 2022. This increase included an increase of \$8,097,746 in net position for governmental activities and an increase of \$7,460,359 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, 2021	2022	Fiscal Year Ended June 30, 2021	2022	Fiscal Year Ended June 30, 2021	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 17,767,775	\$ 17,879,750	\$ 61,534,967	\$ 57,615,108	\$ 79,302,742	\$ 75,494,858
Operating grants and contributions	5,933,734	3,229,077	572,263	1,079,927	6,505,997	4,309,004
Capital grants and contributions	-	-	1,049,722	4,128,599	1,049,722	4,128,599
General Revenues:						
Property taxes	31,832,141	34,983,468	129	-	31,832,270	34,983,468
Investment earnings (loss)	413,033	(1,904,302)	296,504	(3,264,407)	709,537	(5,168,709)
Total revenues	55,946,683	54,187,993	63,453,585	59,559,227	119,400,268	113,747,220
Expenses:						
General government	6,406,282	5,315,823	-	-	6,406,282	5,315,823
Intergovernmental	15,347,561	16,472,460	-	-	15,347,561	16,472,460
Flood control	12,101,628	12,625,704	-	-	12,101,628	12,625,704
Warm Springs Dam	9,440,547	6,502,819	-	-	9,440,547	6,502,819
Interest on long-term debt	2,297,070	2,168,441	-	-	2,297,070	2,168,441
Water transmission	-	-	39,746,635	42,501,275	39,746,635	42,501,275
Water supply	-	-	5,213,705	5,380,873	5,213,705	5,380,873
Sanitation	-	-	7,926,806	7,221,720	7,926,806	7,221,720
Total expenses	45,593,088	43,085,247	52,887,146	55,103,868	98,480,234	98,189,115
Change in net position before transfers	10,353,595	11,102,746	10,566,439	4,455,359	20,920,034	15,558,105
Transfers	(5,567,200)	(3,005,000)	5,567,200	3,005,000	-	-
Change in net position	4,786,395	8,097,746	16,133,639	7,460,359	20,920,034	15,558,105
Net position - beginning of year	120,920,983	125,707,378	245,161,447	261,295,086	366,082,430	387,002,464
Net position - end of year	\$ 125,707,378	\$ 133,805,124	\$ 261,295,086	\$ 268,755,445	\$ 387,002,464	\$ 402,560,569

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

Government-wide Financial Analysis (continued)

Governmental Activities

Governmental activities increased Sonoma Water's net position by \$8,097,746 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

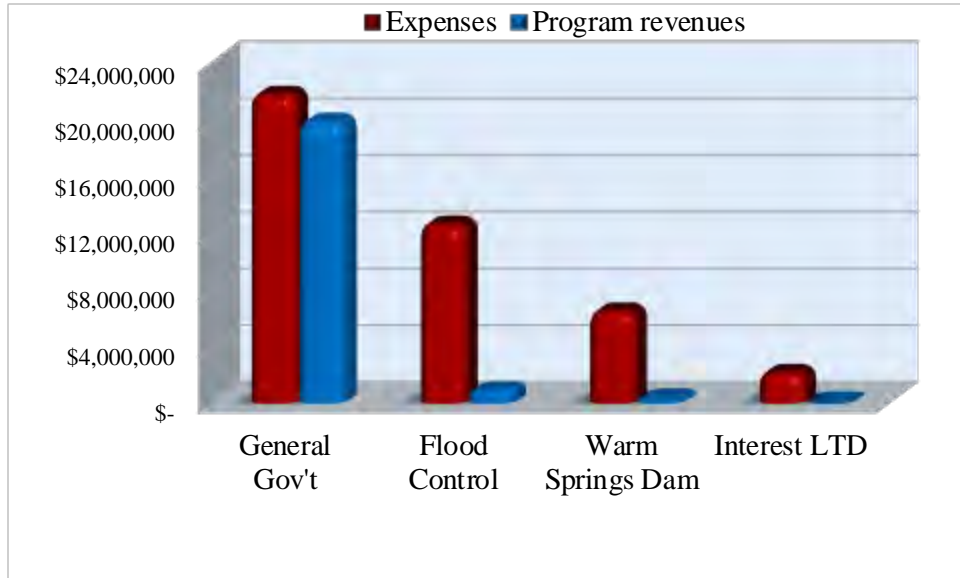
- Program revenues for the fiscal year ended June 30, 2022 decreased by \$2,592,682 from the prior fiscal year. This decrease consisted of an increase of \$111,975 in charges for services and a decrease of \$2,704,657 in operating grants and contributions.
- Charges for services for the fiscal year totaled \$17,879,750, representing an increase of \$111,975 from the prior year. The increase was primarily due to an increase in revenue for parks and recreation services at Spring Lake Park.
- Operating grants and contributions totaled \$3,229,077 for the fiscal year, a \$2,704,657 decrease from the prior fiscal year. This decrease is primarily due to decreased grant funding related to the Bay Area Advanced Quantitative Precipitation Information System project.
- Property tax revenue totaled \$34,983,468, including \$11,430,938 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$3,151,327 from the prior fiscal year due to an increase in the assessed value of taxable property.
- The investment loss of \$(1,904,302) included \$346,086 in interest earnings on cash in the County Treasury Pool. Investment earnings decreased by \$2,317,335 from the prior fiscal year due to a decrease in the fair value of investments.
- Expenses for the General Government decreased by \$1,090,459. This decrease is primarily due to a decrease of \$2,980,010 in contract costs for the Bay Area Advanced Quantitative Precipitation Information System project, partially offset by an increase of \$969,504 in operations and maintenance costs for Spring Lake Park.
- Expenses for Flood Control increased by \$524,076, primarily due to a \$609,729 increase in project costs for the Central Sonoma Watershed Planning Project.
- Warm Springs Dam expenses decreased by \$2,937,728 from the prior year, primarily due to a decrease of \$1,597,788 in project costs for habitat restoration projects in Dry Creek mile 3, a decrease of \$594,281 in costs related to California Coastal Monitoring Plan salmonid population monitoring in the Russian River, a loss on disposal of capital assets totaling \$400,987 recorded in the prior year, and a decrease of \$328,600 in upper Russian River erosion control projects.

**Sonoma Water
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(Unaudited)**

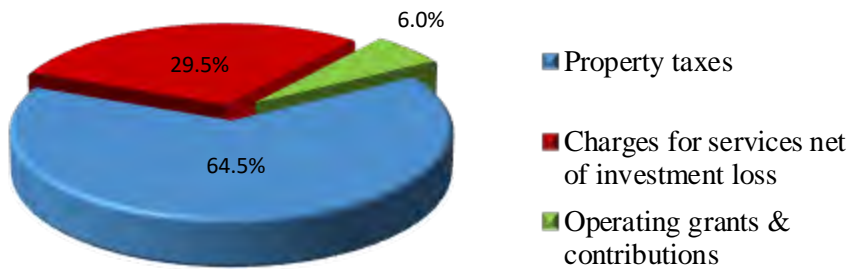
Government-wide Financial Analysis (continued)

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, 2022
(Unaudited)**

Government-wide Financial Analysis (continued)

Business-type Activities

Business-type activities increased Sonoma Water's net position by \$7,460,359. Key elements of Sonoma Water's business-type activities are identified below.

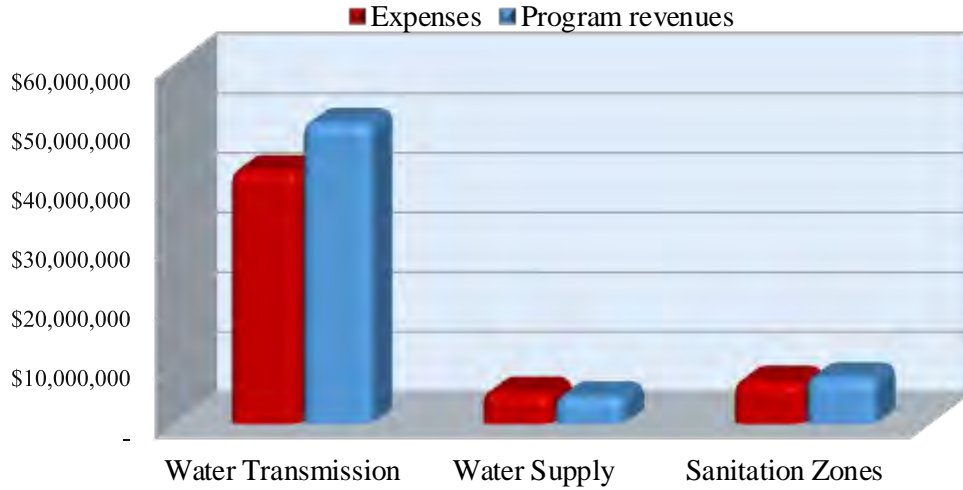
- Charges for services totaled \$57,615,108, representing a decrease of \$3,919,859. The decrease was primarily due to a decrease of \$4,249,040 in water sales revenue.
- Water sales revenue decreased \$4,249,040 from the prior fiscal year. This decrease was due to a 17.2% decrease in total acre-feet sold and an average increase of 3.5% in water rates. The decrease in acre-feet sold was due to County-wide water conservation efforts in response to the drought.
- Operating grants and contributions for the fiscal year totaled \$1,079,927, representing an increase of \$507,664 from the prior year. This increase was primarily due to an increase of \$803,203 in eligible expenses and related funding for the federal Title XVI Water Smart grant, which provides funding for North Bay Water Reuse projects.
- Capital grants and contributions totaled \$4,128,599 for the fiscal year, an increase of \$3,078,877 from the prior fiscal year. This increase included an increase of \$1,505,816 in federal funding for the Water Transmission Pipeline Seismic Hazard Mitigation at the Russian River Crossing project, an increase of \$665,067 in state funding for the Sebastopol Road Well Capital Improvements project, and an increase of \$457,006 in federal funding for the Water Transmission Pipeline at the Mark West Creek Crossing project.
- The investment loss for the fiscal year ended June 30, 2022 totaled \$3,264,407, representing a decrease of \$3,560,911 from investment earnings the prior year. The investment loss was primarily due to a \$3,964,249 unrealized loss on the fair value of investments in the County of Sonoma Treasury Pool, partially offset by interest earnings.
- Expenses for Water Transmission totaled \$42,501,275, an increase of \$2,754,640 from the prior year. This increase included \$1,059,243 for the impairment of projects that were reclassified from capital projects to maintenance projects, a \$668,688 increase in power costs, a \$740,960 increase in pumping facilities operations and maintenance costs, and a \$482,727 increase in public information costs related to water conservation.
- Water Supply expenses increased by \$167,168, primarily due to an increase of \$803,262 in pass-through grant funding for the Title XVI Water Smart grant, partially offset by a decrease of \$409,211 in costs related to the Potter Valley project relicensing feasibility project and a decrease of \$216,324 in the Lake Mendocino Forecast-Informed Reservoir Project.
- Sanitation expenses decreased by \$705,086. The majority of the decrease was related to a \$525,000 decrease 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 \$3,005,000 were received during the fiscal year ended June 30, 2022. More information on these transfers can be found in Note G to the financial statements.

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

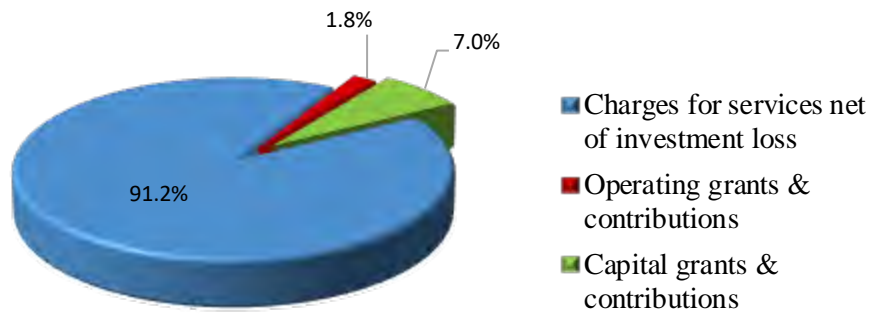
Government-wide Financial Analysis (continued)

Business-type Activities (continued)

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type activities



Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(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, 2022, Sonoma Water's governmental funds reported combined ending fund balances of \$88,721,432, a decrease of \$2,788,613 in comparison with the prior year. Approximately 5.1% of this total amount, \$4,555,917, 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 \$4,555,917. Assigned fund balance totaled \$11,977,908 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 \$485,542 due to prepaid items. Total fund balance for the General Fund as of June 30, 2022 was \$17,269,367.

The General Fund's fund balance decreased by \$1,163,682, which represents a 6.3% decrease in fund balance compared to the prior fiscal year. The primary reasons for this decrease include a \$689,118 loss on investments and a \$643,883 in costs related to the Supervisory Control and Data Acquisition (SCADA) Project.

The special revenue funds consist of Flood Control and Warm Springs Dam. Flood Control reported restricted fund balance of \$27,438,667 and non-spendable fund balance of \$11,333 due to prepaid items. Total fund balance for Flood Control as of June 30, 2022 was \$27,450,000. Warm Springs Dam reported total fund balance of \$8,021,660, all of which is restricted fund balance. Warm Springs Dam had a significant decrease in fund balance of \$2,270,510 which represents a 22.1% decrease compared to the prior fiscal year, mainly due to an increase of \$3,125,000 in transfers to the debt service fund.

The Debt Service Fund had a total fund balance of \$35,980,405, all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance increased by \$908,874 which represents a 2.6% increase compared to the prior fiscal year, primarily due to the transfer from the Warm Springs Dam special revenue fund net of principal and interest payments on long-term debt.

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

Financial Analysis of the Government's Funds (continued)

Proprietary funds

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

Water Transmission net position increased by \$4,598,066 to \$181,280,744, from the prior fiscal year. The increase was primarily due to federal and state capital grants totaling \$3,055,096.

Water Supply net position increased by \$622,850 to \$4,376,026, primarily due to a transfer from the General Fund.

Sanitation net position increased by \$1,829,937 to \$29,351,006, primarily due to capital grants and contributions and a transfer from the General Fund.

Internal Service Fund net position increased by \$409,506 to \$53,747,669 primarily due to increased power sales.

Unrestricted net position of the Water Transmission Fund as of the fiscal year ended June 30, 2022 was \$58,347,591. The Water Supply Fund, the Sanitation Funds and the Internal Service Funds reported unrestricted net position of \$2,854,585, \$6,197,243, and \$15,061,986, respectively.

General Fund Budgetary Highlights

Sonoma Water's final budget appropriations for expenditures of the General Fund increased \$3,591,277 over the original budget, or 10.1%. Final budgeted revenues also increased by \$3,143,571 over the original budget, or 9.7%.

Revenues

The General Fund's actual revenues were \$5,257,791 less than the final budgeted revenue estimates. Key variances are as follows:

- Property tax revenues were over budget \$666,081 primarily due to growth in real property assessed values.
- Charges for services were over budget \$1,862,583 due to increased reimbursements from the four sanitation districts for direct labor and overhead charges.
- Miscellaneous revenue was under budget by \$2,285,446. A portion of the revenue budgeted as miscellaneous revenue was reclassified as intergovernmental revenue.
- Intergovernmental revenue was under budget by \$4,732,751 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, 2022
(Unaudited)**

General Fund Budgetary Highlights (continued)

Expenditures

The General Fund's actual expenditures were under budget compared to the final budgeted estimates, resulting in \$8,192,335 of unspent appropriations. Key variances are as follows:

- Unspent appropriations for salaries and benefits net of reimbursements from other funds were \$4,965,314, primarily due to underestimated reimbursements.
- Unspent appropriations for contributions to other governments were \$886,787. Contributions can vary year-to-year depending on progress on grant-related projects.
- Unspent appropriations for contract services were \$758,945 due to project delays.

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, 2022, was \$342,424,444 (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, 2022 included the completion of the following projects. (The amounts shown represent the total life-to-date construction costs of each project).

Governmental activities:

- Capital expansion within the Flood Control Fund included:
Completion of the Santa Rosa Creek Vortex Tube - \$1,786,868

Business-type activities:

- Capital expansion within the Water Transmission Fund included:
Mirabel Dam Bladder Replacement - \$3,975,050
Todd Road Well Capital Improvements - \$1,789,144

Sonoma Water
Management's Discussion and Analysis
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(Unaudited)

Capital Asset and Debt Administration (continued)

Capital Assets (continued)

Capital Assets
(net of accumulated depreciation and amortization)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Land	\$ 1,597,189	\$ 1,597,189	\$ 11,023,905	\$ 11,023,905	\$ 12,621,094	\$ 12,621,094
Land improvements	115,170	102,940	1,444,538	1,258,077	1,559,708	1,361,017
Construction in progress	1,116,692	1,038,992	21,949,389	31,576,641	23,066,081	32,615,633
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	3,497,498	3,346,700	499,585	499,585	3,997,083	3,846,285
Intangible asset - software	-	-	211,748	171,529	211,748	171,529
Infrastructure	25,844,003	26,236,880	118,539,015	117,735,326	144,383,018	143,972,206
Buildings and improvements	1,256,070	1,171,824	34,750,389	33,197,200	36,006,459	34,369,024
Machinery and equipment	481,746	373,150	6,221,834	5,727,111	6,703,580	6,100,261
Total capital assets	\$ 136,279,368	\$ 136,238,675	\$ 199,636,798	\$ 206,185,769	\$ 335,916,166	\$ 342,424,444

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, 2022, Sonoma Water had a total of \$134,439,789 in outstanding long-term obligations.

Outstanding Current and Long-Term Obligations

	June 30,	June 30,	Change	
	2021	2022	\$	%
Financed purchases	\$ 1,248,042	\$ 764,694	\$ (483,348)	-38.7%
Revenue bonds	41,545,730	51,429,534	9,883,804	23.8%
Advances from other governments	6,572,680	5,710,067	(862,613)	-13.1%
Federal contract payable	69,925,456	65,894,980	(4,030,476)	-5.8%
Compensated absences	3,395,006	3,528,075	133,069	3.9%
Pollution remediation	149,563	148,211	(1,352)	-0.9%
Net pension liability (asset)	12,140,139	(5,210,905)	(17,351,044)	-142.9%
Other postemployment benefits	14,762,790	12,175,133	(2,587,657)	-17.5%
Total	\$ 149,739,406	\$ 134,439,789	\$ (15,299,617)	-10.2%

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

Capital Asset and Debt Administration (continued)

Long-Term Obligations (continued)

Sonoma Water's total long-term obligations decreased by \$15,299,617 (10.2%) during the fiscal year ended June 30, 2022.

The outstanding total of financed purchases, advances from other governments, and federal contract payable decreased during the fiscal year ended June 30, 2022 due to regularly scheduled principal payments.

Revenue bonds payable increased by \$9,883,804 or 23.8% during the fiscal year ended June 30, 2022 due to the issuance of the 2022 Series A Water Revenue Bonds. The 2022 bonds refunded and defeased the 2012 Series A revenue bonds, paid the costs of issuing the 2022 Bonds, and will finance the acquisition and construction of improvements to the water transmission system.

Compensated absences liability increased by \$133,069 due to employees using less vacation leave than they earned and accrued.

Pollution remediation decreased by \$1,352 due to pollution remediation expenses incurred during the fiscal year.

Net pension liability decreased by \$17,351,044, primarily because of the favorable return on investments held in the trust to provide for the pension obligation.

Other postemployment benefits decreased by \$2,587,657 due to fund investment performance 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, 2022, unassigned fund balance in the General Fund was \$4,555,917. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$3,899,936 in the fiscal year ending June 30, 2023 reduces unassigned fund balance.

Water sales revenue is expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2023 budget. Water rates increased by an average of 3.5% while sewer rates increased an average of 3.8%.

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

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

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	\$ 896.93	\$ 896.93	\$ 896.93
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	131.86
Storage facility revenue bonds charge	26.55	26.55	26.55
Common facilities revenue bonds charge	126.56	126.56	126.56
Aqueduct capital charge	11.00	12.00	38.00
Total	\$ 1,061.04	\$ 1,062.04	\$ 1,219.90

Sewer Service Rate per Equivalent Single-Family Dwelling

Sanitation Zone	21/22	22/23	Change
Sea Ranch	\$ 1,286	\$ 1,400	8.9%
Penngrove	1,692	1,828	8.0%
Geyserville	1,204	1,310	8.8%
Airport-Larkfield-Wikiup	1,058	1,148	8.5%

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

Sanitation Zone	21/22	22/23	Change
Sea Ranch	610	611	0.2%
Penngrove	551	551	0.0%
Geyserville	362	362	0.0%
Airport-Larkfield-Wikiup	3,865	4,046	4.7%

Basic Financial Statements

Sonoma Water
Statement of Net Position
June 30, 2022

	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 76,756,404	\$ 94,713,634	\$ 171,470,038
Restricted cash and investments	-	2,142,549	2,142,549
Deposits with others	-	753,746	753,746
Accounts receivable	3,346,518	13,259,050	16,605,568
Prepaid items	496,875	246,859	743,734
Internal balances	301,788	(301,788)	-
Total current assets	<u>80,901,585</u>	<u>110,814,050</u>	<u>191,715,635</u>
Noncurrent assets:			
Restricted cash and investments	13,690,132	18,876,502	32,566,634
Accounts receivable	1,163,277	4,184,056	5,347,333
Reserves on deposit	-	1,000,742	1,000,742
Net pension asset	5,210,905	-	5,210,905
Capital assets, net:			
Land	1,597,189	11,023,905	12,621,094
Land improvements	102,940	1,258,077	1,361,017
Construction in progress	1,038,992	31,576,641	32,615,633
Intangible assets	105,717,700	5,667,509	111,385,209
Infrastructure	26,236,880	117,735,326	143,972,206
Buildings and improvements	1,171,824	33,197,200	34,369,024
Equipment	373,150	5,727,111	6,100,261
Total capital assets, net	<u>136,238,675</u>	<u>206,185,769</u>	<u>342,424,444</u>
Total noncurrent assets	<u>156,302,989</u>	<u>230,247,069</u>	<u>386,550,058</u>
Total assets	<u>237,204,574</u>	<u>341,061,119</u>	<u>578,265,693</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	12,281,120	-	12,281,120
Deferred amounts related to OPEB	2,807,880	-	2,807,880
Deferred amounts related to charge on refunding	-	222,521	222,521
Total deferred outflows of resources	<u>15,089,000</u>	<u>222,521</u>	<u>15,311,521</u>

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

Sonoma Water
Statement of Net Position (continued)
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	3,823,426	4,447,711	8,271,137
Due to other governments	-	493,030	493,030
Interest payable	1,416,742	8,919	1,425,661
Unearned revenue	2,046,859	726,534	2,773,393
Advances from other governments	-	440,363	440,363
Deposits from others	-	18,530	18,530
Financed purchases	-	504,355	504,355
Compensated absences	1,990,133	-	1,990,133
Long-term contracts payable	4,160,458	-	4,160,458
Total current liabilities payable from unrestricted assets	<u>13,437,618</u>	<u>6,639,442</u>	<u>20,077,060</u>
Current liabilities payable from restricted assets:			
Interest payable	-	588,420	588,420
Revenue bonds payable	-	1,576,987	1,576,987
Total current liabilities payable from restricted assets	<u>-</u>	<u>2,165,407</u>	<u>2,165,407</u>
Total current liabilities	<u>13,437,618</u>	<u>8,804,849</u>	<u>22,242,467</u>
Noncurrent liabilities:			
Unearned revenue	-	4,281,947	4,281,947
Advances from other governments	-	5,269,704	5,269,704
Financed purchases	-	260,339	260,339
Compensated absences	1,537,942	-	1,537,942
Revenue bonds payable	-	53,768,867	53,768,867
Long-term contracts payable	61,734,522	-	61,734,522
Other postemployment benefits liability	12,175,133	-	12,175,133
Pollution remediation obligation	148,211	-	148,211
Total noncurrent liabilities	<u>75,595,808</u>	<u>63,580,857</u>	<u>139,176,665</u>
Total liabilities	<u>89,033,426</u>	<u>72,385,706</u>	<u>161,419,132</u>
Deferred Inflows of Resources			
Deferred amounts related to pensions	26,190,819	-	26,190,819
Deferred amounts related to OPEB	3,264,205	-	3,264,205
Deferred amounts related to charge on refunding	-	142,489	142,489
Total deferred inflows of resources	<u>29,455,024</u>	<u>142,489</u>	<u>29,597,513</u>
Net Position			
Net investment in capital assets	70,343,695	161,716,986	232,060,681
Restricted for:			
Flood control	27,316,563	-	27,316,563
Warm Springs Dam	42,585,323	-	42,585,323
Water management planning	-	404,335	404,335
Watershed planning and restoration	-	17,460,893	17,460,893
Recycled water and local supply	-	760,027	760,027
Water conservation	-	1,796,457	1,796,457
Debt service	-	3,041,440	3,041,440
Capital projects	-	113,160	113,160
Other purposes	250,000	1,000,742	1,250,742
Unrestricted (deficit)	(6,690,457)	82,461,405	75,770,948
Total net position	<u>\$ 133,805,124</u>	<u>\$ 268,755,445</u>	<u>\$ 402,560,569</u>

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

Sonoma Water
Statement of Activities
For the Fiscal Year Ended June 30, 2022

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	\$ 5,315,823	\$ 3,602,765	\$ 2,091,327	\$ -	\$ 378,269	\$ -	\$ 378,269
Intergovernmental	16,472,460	14,195,485	-	-	(2,276,975)	-	(2,276,975)
Flood control	12,625,704	81,500	819,646	-	(11,724,558)	-	(11,724,558)
Warm Springs Dam	6,502,819	-	318,104	-	(6,184,715)	-	(6,184,715)
Interest on long-term debt	2,168,441	-	-	-	(2,168,441)	-	(2,168,441)
Total governmental activities	<u>43,085,247</u>	<u>17,879,750</u>	<u>3,229,077</u>	<u>-</u>	<u>(21,976,420)</u>	<u>-</u>	<u>(21,976,420)</u>
Business-type activities:							
Water transmission	42,501,275	47,353,833	3,593	3,055,096	-	7,911,247	7,911,247
Water supply	5,380,873	3,528,819	1,076,334	-	-	(775,720)	(775,720)
Sanitation	7,221,720	6,732,456	-	1,073,503	-	584,239	584,239
Total business-type activities	<u>55,103,868</u>	<u>57,615,108</u>	<u>1,079,927</u>	<u>4,128,599</u>	<u>-</u>	<u>7,719,766</u>	<u>7,719,766</u>
Total primary government	<u>\$ 98,189,115</u>	<u>\$ 75,494,858</u>	<u>\$ 4,309,004</u>	<u>\$ 4,128,599</u>	<u>(21,976,420)</u>	<u>7,719,766</u>	<u>(14,256,654)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					23,552,530	-	23,552,530
Property taxes, levied for debt service and assurances					11,430,938	-	11,430,938
Investment loss					(1,904,302)	(3,264,407)	(5,168,709)
Transfers					(3,005,000)	3,005,000	-
Total general revenues and transfers					<u>30,074,166</u>	<u>(259,407)</u>	<u>29,814,759</u>
Change in net position					8,097,746	7,460,359	15,558,105
Net position - beginning of year					125,707,378	261,295,086	387,002,464
Net position - end of year					<u>\$ 133,805,124</u>	<u>\$ 268,755,445</u>	<u>\$ 402,560,569</u>

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

**Sonoma Water
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>Special Revenue Funds</u>				Total Governmental Funds	
	General	Flood Control	Warm Springs Dam			Debt Service
Assets						
Cash and investments	\$ 17,846,501	\$ 27,813,200	\$ 8,538,199	\$ 22,558,504	\$ 76,756,404	
Restricted cash and investments	250,000	-	-	13,440,132	13,690,132	
Due from other funds	301,788	-	-	-	301,788	
Accounts receivable	3,526,515	539,258	444,022	-	4,509,795	
Prepaid items	485,542	11,333	-	-	496,875	
Total assets	<u>\$ 22,410,346</u>	<u>\$ 28,363,791</u>	<u>\$ 8,982,221</u>	<u>\$ 35,998,636</u>	<u>\$ 95,754,994</u>	
Liabilities						
Accounts payable	\$ 2,217,679	\$ 626,955	\$ 960,561	\$ 18,231	\$ 3,823,426	
Unearned revenue	1,774,797	272,062	-	-	2,046,859	
Total liabilities	<u>3,992,476</u>	<u>899,017</u>	<u>960,561</u>	<u>18,231</u>	<u>5,870,285</u>	
Deferred inflows of resources						
Unavailable revenue - intergovernmental	1,148,503	14,774	-	-	1,163,277	
Total deferred inflows of resources	<u>1,148,503</u>	<u>14,774</u>	<u>-</u>	<u>-</u>	<u>1,163,277</u>	
Fund balances						
Nonspendable	485,542	11,333	-	-	496,875	
Restricted	250,000	27,438,667	8,021,660	35,980,405	71,690,732	
Assigned	11,977,908	-	-	-	11,977,908	
Unassigned	4,555,917	-	-	-	4,555,917	
Total fund balances	<u>17,269,367</u>	<u>27,450,000</u>	<u>8,021,660</u>	<u>35,980,405</u>	<u>88,721,432</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,410,346</u>	<u>\$ 28,363,791</u>	<u>\$ 8,982,221</u>	<u>\$ 35,998,636</u>	<u>\$ 95,754,994</u>	

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

Fund balances - total governmental funds	\$ 88,721,432
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	136,238,675
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds	1,163,277
Deferred outflows of resources are reported in the statement of net position but not reported in the funds	15,089,000
Some liabilities are not due and payable in the current period and therefore are not recorded in the funds:	
Interest payable	(1,416,742)
Compensated absences	(3,528,075)
Net pension asset	5,210,905
Other postemployment benefits liability	(12,175,133)
Pollution remediation obligation	(148,211)
Long-term contracts payable	(65,894,980)
Deferred inflows of resources are reported in the statement of net position but not reported in the funds	(29,455,024)
Net position of governmental activities	<u>\$ 133,805,124</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, 2022

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General	Flood Control	Warm Springs		
			Dam	Debt Service	
Revenues					
Property taxes	\$ 11,024,249	\$ 12,528,281	\$ 11,430,938	\$ -	\$ 34,983,468
Investment loss	(689,118)	(828,308)	(356,322)	(30,554)	(1,904,302)
Intergovernmental	2,000,116	807,356	318,104	-	3,125,576
Charges for services	17,535,833	45,100	-	-	17,580,933
Miscellaneous	262,417	36,400	-	-	298,817
Total revenues	<u>30,133,497</u>	<u>12,588,829</u>	<u>11,392,720</u>	<u>(30,554)</u>	<u>54,084,492</u>
Expenditures					
Current:					
General government	11,818,585	-	-	-	11,818,585
Intergovernmental	16,472,460	-	-	-	16,472,460
Flood control	-	11,131,089	-	-	11,131,089
Warm Springs Dam	-	-	6,433,230	-	6,433,230
Capital outlay	1,134	1,721,035	5,000	-	1,727,169
Debt service:					
Principal	-	-	-	4,030,476	4,030,476
Interest and fiscal charges	-	-	-	2,255,096	2,255,096
Total expenditures	<u>28,292,179</u>	<u>12,852,124</u>	<u>6,438,230</u>	<u>6,285,572</u>	<u>53,868,105</u>
Excess (deficiency) of revenues over (under) expenditures	1,841,318	(263,295)	4,954,490	(6,316,126)	216,387
Other financing sources (uses)					
Transfers in	-	-	-	7,225,000	7,225,000
Transfers out	(3,005,000)	-	(7,225,000)	-	(10,230,000)
Total other financing uses	<u>(3,005,000)</u>	<u>-</u>	<u>(7,225,000)</u>	<u>7,225,000</u>	<u>(3,005,000)</u>
Net change in fund balances	(1,163,682)	(263,295)	(2,270,510)	908,874	(2,788,613)
Fund balances - beginning 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>
Fund balances - end of year	<u>\$ 17,269,367</u>	<u>\$ 27,450,000</u>	<u>\$ 8,021,660</u>	<u>\$ 35,980,405</u>	<u>\$ 88,721,432</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, 2022

Net change in fund balances - total governmental funds \$ (2,788,613)

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	1,727,169
Depreciation and amortization expense	(1,749,861)
Other capital related adjustments	(18,001)

Payment of a long-term payable is an expenditure in the governmental funds, but
the repayment reduces the long-term liabilities in the statement of net position. 4,030,476

Certain amounts are not available to pay current period expenditures and therefore are
deferred inflows of resources in the governmental funds. 103,501

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	86,655
Change in compensated absences	(133,069)
Change in accrued net pension asset (liability)	5,063,842
Change in other postemployment benefits liability	1,774,295
Change in pollution remediation obligation	1,352

Change in net position of governmental activities \$ 8,097,746

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

**Sonoma Water
Statement of Net Position
Proprietary Funds
June 30, 2022**

	<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>	
Assets					
Current assets:					
Cash and investments	\$ 71,651,862	\$ 4,892,245	\$ 8,487,784	\$ 85,031,891	\$ 9,681,743
Restricted cash and investments	1,759,235	-	383,314	2,142,549	-
Deposits with others	-	-	-	-	753,746
Accounts receivable	10,972,860	1,764,647	520,942	13,258,449	601
Due from other funds	-	1,000	-	1,000	155,534
Prepaid items	2,851	708	1,688	5,247	241,612
Total current assets	<u>84,386,808</u>	<u>6,658,600</u>	<u>9,393,728</u>	<u>100,439,136</u>	<u>10,833,236</u>
Noncurrent assets:					
Restricted cash and investments	18,650,137	-	226,365	18,876,502	-
Accounts receivable	239,666	4,597	3,939,793	4,184,056	-
Advances to other funds	-	-	-	-	5,617,000
Reserves on deposit	-	-	-	-	1,000,742
Capital assets, net:					
Land	7,066,430	-	1,621,444	8,687,874	2,336,031
Land improvements	-	848,947	-	848,947	409,130
Construction in progress	28,191,346	-	2,840,365	31,031,711	544,930
Intangible assets	5,494,208	56,920	74,819	5,625,947	41,562
Infrastructure	97,723,554	593,561	19,418,211	117,735,326	-
Buildings and improvements	3,251,957	-	-	3,251,957	29,945,243
Equipment	264,183	22,013	268,176	554,372	5,172,739
Total capital assets, net	<u>141,991,678</u>	<u>1,521,441</u>	<u>24,223,015</u>	<u>167,736,134</u>	<u>38,449,635</u>
Total noncurrent assets	<u>160,881,481</u>	<u>1,526,038</u>	<u>28,389,173</u>	<u>190,796,692</u>	<u>45,067,377</u>
Total assets	<u>245,268,289</u>	<u>8,184,638</u>	<u>37,782,901</u>	<u>291,235,828</u>	<u>55,900,613</u>
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	134,018	-	88,503	222,521	-

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

Sonoma Water
Statement of Net Position (continued)
Proprietary Funds
June 30, 2022

	Business-type Activities - Enterprise Funds				Internal Service
	Water Transmission	Water Supply	Sanitation	Total	Funds
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	2,245,184	262,137	893,480	3,400,801	1,046,910
Due to other funds	458,322	-	-	458,322	-
Due to other governments	453,238	-	39,792	493,030	-
Interest payable	-	-	-	-	8,919
Unearned revenue	183,805	196,243	14,065	394,113	332,421
Advances from other governments	440,363	-	-	440,363	-
Deposits from others	4,230	14,100	200	18,530	-
Financed purchases	-	-	-	-	504,355
Total current liabilities payable from unrestricted assets	<u>3,785,142</u>	<u>472,480</u>	<u>947,537</u>	<u>5,205,159</u>	<u>1,892,605</u>
Current liabilities payable from restricted assets:					
Interest payable	577,093	-	11,327	588,420	-
Revenue bonds payable	<u>1,205,000</u>	-	<u>371,987</u>	<u>1,576,987</u>	-
Total current liabilities payable from restricted assets	<u>1,782,093</u>	-	<u>383,314</u>	<u>2,165,407</u>	-
Total current liabilities	<u>5,567,235</u>	<u>472,480</u>	<u>1,330,851</u>	<u>7,370,566</u>	<u>1,892,605</u>
Noncurrent liabilities:					
Unearned revenue	945,815	3,336,132	-	4,281,947	-
Advances from other governments	5,269,704	-	-	5,269,704	-
Financed purchases	-	-	-	-	260,339
Revenue bonds payable	52,196,320	-	1,572,547	53,768,867	-
Advances from other funds	-	-	<u>5,617,000</u>	<u>5,617,000</u>	-
Total noncurrent liabilities	<u>58,411,839</u>	<u>3,336,132</u>	<u>7,189,547</u>	<u>68,937,518</u>	<u>260,339</u>
Total liabilities	<u>63,979,074</u>	<u>3,808,612</u>	<u>8,520,398</u>	<u>76,308,084</u>	<u>2,152,944</u>
Deferred Inflows of Resources					
Deferred amounts related to charge on refunding	<u>142,489</u>	-	-	<u>142,489</u>	-
Net Position					
Net investment in capital assets	100,143,620	1,521,441	22,366,984	124,032,045	37,684,941
Restricted for:					
Water management planning	404,335	-	-	404,335	-
Watershed planning and restoration	17,460,893	-	-	17,460,893	-
Recycled water and local supply	760,027	-	-	760,027	-
Water conservation	1,608,030	-	188,427	1,796,457	-
Reserves on deposit	-	-	-	-	1,000,742
Debt service	2,443,088	-	598,352	3,041,440	-
Capital projects	113,160	-	-	113,160	-
Unrestricted	<u>58,347,591</u>	<u>2,854,585</u>	<u>6,197,243</u>	<u>67,399,419</u>	<u>15,061,986</u>
Total net position	<u>\$ 181,280,744</u>	<u>\$ 4,376,026</u>	<u>\$ 29,351,006</u>	<u>215,007,776</u>	<u>\$ 53,747,669</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				<u>53,747,669</u>	
Net position of business-type activities				<u>\$ 268,755,445</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, 2022

	<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>	
Operating Revenue					
Water sales	\$ 46,803,250	\$ 3,283,419	\$ -	\$ 50,086,669	\$ -
Water services	22,896	-	-	22,896	-
Power sales	-	-	-	-	6,361,723
Flat charges	-	-	6,120,152	6,120,152	-
Sanitation services	-	-	439,081	439,081	-
Equipment rental	-	-	-	-	2,682,778
Real estate rental	-	-	-	-	3,329,495
Miscellaneous	527,687	245,400	-	773,087	195,133
Total operating revenue	<u>47,353,833</u>	<u>3,528,819</u>	<u>6,559,233</u>	<u>57,441,885</u>	<u>12,569,129</u>
Operating Expenses					
Services and supplies	33,625,979	4,349,171	5,988,528	43,963,678	9,378,662
Depreciation and amortization	6,653,815	230,289	1,190,919	8,075,023	2,507,485
Total operating expenses	<u>40,279,794</u>	<u>4,579,460</u>	<u>7,179,447</u>	<u>52,038,701</u>	<u>11,886,147</u>
Operating Income (Loss)	<u>7,074,039</u>	<u>(1,050,641)</u>	<u>(620,214)</u>	<u>5,403,184</u>	<u>682,982</u>
Nonoperating Revenues (Expenses)					
Investment loss	(2,741,078)	(99,080)	(194,844)	(3,035,002)	(229,405)
Interest expense and debt issuance cost	(1,734,154)	-	(102,508)	(1,836,662)	(42,888)
Loss on disposal of capital assets, net of gain	(1,059,430)	-	-	(1,059,430)	(1,183)
Real estate rental	-	-	173,223	173,223	-
Conservation program	-	-	(4,223)	(4,223)	-
Intergovernmental revenue	3,593	1,076,334	-	1,079,927	-
Grant pass-through	-	(803,763)	-	(803,763)	-
Total nonoperating revenues (expenses), net	<u>(5,531,069)</u>	<u>173,491</u>	<u>(128,352)</u>	<u>(5,485,930)</u>	<u>(273,476)</u>
Income (loss) before capital contributions and transfers	1,542,970	(877,150)	(748,566)	(82,746)	409,506
Capital contributions - connection fees	-	-	553,591	553,591	-
Capital contributions	3,055,096	-	519,912	3,575,008	-
Transfers in	-	1,500,000	1,505,000	3,005,000	-
Change in net position	4,598,066	622,850	1,829,937	7,050,853	409,506
Net position - beginning of year	176,682,678	3,753,176	27,521,069		53,338,163
Net position - end of year	<u>\$ 181,280,744</u>	<u>\$ 4,376,026</u>	<u>\$ 29,351,006</u>		<u>\$ 53,747,669</u>
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				409,506	
Change in net position of business-type activities				<u>\$ 7,460,359</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, 2022

	Business-type Activities - Enterprise Funds				
	Water				Internal Service
	Transmission	Water Supply	Sanitation	Total	Funds
Cash flows from operating activities:					
Cash receipts from customers	\$ 44,141,216	\$ 3,065,648	\$ 6,416,799	\$ 53,623,663	\$ -
Cash receipts from interfund services provided	-	-	-	-	12,412,995
Cash payments for interfund services used	(21,955,177)	(2,281,728)	(3,228,165)	(27,465,070)	(2,240,324)
Cash payments to suppliers	(12,039,195)	(2,056,929)	(2,790,007)	(16,886,131)	(6,864,882)
Net cash provided by (used for) operating activities	<u>10,146,844</u>	<u>(1,273,009)</u>	<u>398,627</u>	<u>9,272,462</u>	<u>3,307,789</u>
Cash flows from noncapital financing activities:					
Transfers in	-	1,500,000	1,505,000	3,005,000	-
Outflow for grant pass-through	-	(803,762)	-	(803,762)	-
Intergovernmental receipts	134,997	1,075,612	124,757	1,335,366	-
Real estate rental	-	-	173,223	173,223	-
Conservation program	-	-	(4,223)	(4,223)	-
Net cash provided by noncapital financing activities	<u>134,997</u>	<u>1,771,850</u>	<u>1,798,757</u>	<u>3,705,604</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(16,861,688)	-	(1,593,405)	(18,455,093)	(830,645)
Proceeds from the issuance of revenue bonds	15,000,000	-	-	15,000,000	-
Principal paid on revenue bonds	(4,755,000)	-	(361,196)	(5,116,196)	-
Principal paid on financed purchases	-	-	-	-	(483,348)
Principal paid on advances from other governments	(862,613)	-	-	(862,613)	-
Principal paid on interfund loans	-	-	(150,000)	(150,000)	-
Interest paid on long-term debt	(77,185)	-	(82,487)	(159,672)	(48,525)
Proceeds from sale of capital assets	-	-	-	-	49,000
Connection fees	-	-	668,432	668,432	-
Capital contributions	2,109,110	-	716,883	2,825,993	-
Net cash used for capital and related financing activities	<u>(5,447,376)</u>	<u>-</u>	<u>(801,773)</u>	<u>(6,249,149)</u>	<u>(1,313,518)</u>
Cash flows from investing activities:					
Investment loss	(2,741,078)	(99,080)	(194,844)	(3,035,002)	(229,405)
Principal received on interfund loans	-	-	-	-	150,000
Net cash used for investing activities	<u>(2,741,078)</u>	<u>(99,080)</u>	<u>(194,844)</u>	<u>(3,035,002)</u>	<u>(79,405)</u>
Net increase in cash and cash equivalents	2,093,387	399,761	1,200,767	3,693,915	1,914,866
Cash and cash equivalents - beginning of year	89,967,847	4,492,484	7,896,696	102,357,027	7,766,877
Cash and cash equivalents - end of year	<u>\$ 92,061,234</u>	<u>\$ 4,892,245</u>	<u>\$ 9,097,463</u>	<u>\$ 106,050,942</u>	<u>\$ 9,681,743</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 71,651,862	\$ 4,892,245	\$ 8,487,784	\$ 85,031,891	\$ 9,681,743
Restricted cash and investments	20,409,372	-	609,679	21,019,051	-
Cash and cash equivalents	<u>\$ 92,061,234</u>	<u>\$ 4,892,245</u>	<u>\$ 9,097,463</u>	<u>\$ 106,050,942</u>	<u>\$ 9,681,743</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 7,074,039	\$ (1,050,641)	\$ (620,214)	\$ 5,403,184	\$ 682,982
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	6,653,815	230,289	1,190,919	8,075,023	2,507,485
Change in assets and liabilities:					
Accounts receivable	(3,491,763)	(265,928)	(85,691)	(3,843,382)	(156,134)
Due from other funds	-	(1,000)	-	(1,000)	-
Deposits from others	-	-	200	200	-
Other long-term assets	-	-	-	-	10,873
Prepaid items	5,313	1,062	3,346	9,721	(153,861)
Unearned revenue	131,259	(196,243)	(56,742)	(121,726)	-
Due to other governments	101	-	38,322	38,423	-
Due to other funds	458,321	-	-	458,321	-
Accounts payable and accrued expenses	(684,241)	9,452	(71,513)	(746,302)	416,444
Net cash provided by (used for) operating activities	<u>\$ 10,146,844</u>	<u>\$ (1,273,009)</u>	<u>\$ 398,627</u>	<u>\$ 9,272,462</u>	<u>\$ 3,307,789</u>
Noncash investing, capital, or financing activities:					
Acquisition of capital assets through current liabilities	\$ -	\$ -	\$ 8,872	\$ 8,872	\$ -
Loss on disposal of capital assets	1,059,430	-	-	1,059,430	50,183
Capital contributions receivable	945,986	-	-	945,986	-
Grants receivable	-	722	-	722	-

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, 2022

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, 2022

Note A. Summary of Significant Accounting Policies

Defining the Financial Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of Sonoma Water as a whole. The effect of 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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
Right-to-use leases	25,000	Shorter of the lease term or the useful life of the underlying asset
Construction in progress	Projects expected to exceed the capitalization threshold for the applicable asset class	N/A

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note A. Summary of Significant Accounting Policies (continued)

Bond Discounts and Premiums

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

Deferred Outflows and Inflows of Resources

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

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

Unearned Revenue

In the government-wide financial statements and fund financial statements, unearned revenue represents amounts for which asset recognition criteria have been met, but revenue recognition criteria have not been satisfied. For governmental fund financial statements, amounts must be earned, measurable, and available (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, 2022

Note A. Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension asset, 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 Annual Comprehensive Financial Report.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2022.

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note A. Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance (continued)

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

	Special Revenue				Total
	General Fund	Flood Control	Warm Springs Dam	Debt Service	
Nonspendable					
Prepaid items	\$ 485,542	\$ 11,333	\$ -	\$ -	\$ 496,875
Restricted					
General government	250,000	-	-	-	250,000
Flood control	-	27,438,667	-	-	27,438,667
Warm Springs Dam	-	-	8,021,660	35,980,405	44,002,065
Assigned					
General government	6,715,535	-	-	-	6,715,535
Spring Lake Park	3,952,333	-	-	-	3,952,333
Water/wastewater loan	621,859	-	-	-	621,859
Energy & sustainability	688,181	-	-	-	688,181
Unassigned	4,555,917	-	-	-	4,555,917
Total	\$ 17,269,367	\$ 27,450,000	\$ 8,021,660	\$ 35,980,405	\$ 88,721,432

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, 2022

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, 2022 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, 2022:

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.

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.

Implementation of these new accounting standards had no impact on Sonoma Water's net position.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note A. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements

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. 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 Sonoma water’s fiscal year ending June 30, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. Enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Effective for Sonoma Water’s fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*. Updates the recognition and measurement guidance for compensated absences. Effective for Sonoma Water’s fiscal year ending June 30, 2025.

Note B. Budgetary and Legal Compliance

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

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

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. The Investment Oversight Committee has regulatory oversight for all funds deposited in the Treasury Pool.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note C. Cash and Investments (continued)

Authorized Investments (continued)

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, 2022

Note C. Cash and Investments (continued)

Financial Statement Presentation

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 171,470,038
Cash and investments - guarantees	250,000
Cash and investments - collateral for standby letter of credit	13,440,132
Cash and investments - restricted for debt service and capital projects	21,019,051
Total cash and investments	\$ 206,179,221

Cash and investments as of June 30, 2022 consisted of the following:

County treasury pooled cash and investments:

Unrestricted	\$ 154,730,316
Cash and investments - guarantees	250,000
Cash and investments - restricted for debt service and capital projects	16,996,159

Nonpooled cash and investments:

Cash on hand	750
Unrestricted	6,134
Investments - U.S. Treasury STRIPS and Notes- restricted for collateral	12,966,009
Investments - SCEIP Bonds	13,059,316
Money market mutual funds	3,673,522
Money market mutual funds restricted for collateral	474,123
Money market mutual funds restricted for revenue bonds	4,022,892
Total cash and investments	\$ 206,179,221

As of June 30, 2022, Sonoma Water reported \$171,976,475 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2022 Annual Comprehensive Financial Report (the most currently available) for interest rate risk, credit rating, custodial credit risk, concentration of credit risk, credit risk, and fair value measurement disclosures regarding specific investments in the Treasury Pool.

Sonoma Water reported \$12,966,009 of nonpooled cash and investments in U.S. Treasury STRIPS and Notes, which represents a portion of \$13,440,132 in investments held as collateral for a letter of credit.

Sonoma Water has invested \$13,059,316 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, 2022

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, 2022, approximately 30 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 651 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	\$ 171,976,475	\$ 50,939,432	\$ 48,996,098	\$ 71,473,423	\$ 567,522
SCEIP Bonds	13,059,316	452,808	529,191	565,121	11,512,196
Money market mutual fund	8,170,537	8,170,537	-	-	-
U.S. Treasury Notes	6,710,109	-	4,529,249	2,180,860	-
U.S. Treasury STRIPS	6,255,900	6,255,900	-	-	-
Total	\$ 206,172,337	\$ 65,818,677	\$ 54,054,538	\$ 74,219,404	\$ 12,079,718

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 (\$13,059,316), U.S. Treasury Notes (\$6,710,109) and U.S. Treasury STRIPS (\$6,255,900) 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, 2022

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	\$ 13,059,316	6.3%

Credit Risk

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

Investment Type	Minimum Legal Rating	Total	Exempt From Disclosure	Rating at Year-End	
				AAAm	Not Rated
County treasury pool	N/A	\$ 171,976,475	\$ -	\$ -	\$ 171,976,475
SCEIP Bonds	N/A	13,059,316	-	-	13,059,316
Money market mutual fund	AAAm	8,170,537	-	8,170,537	-
U.S. Treasury Notes	N/A	6,710,109	6,710,109	-	-
U.S. Treasury STRIPS	N/A	6,255,900	6,255,900	-	-
Total		\$ 206,172,337	\$ 12,966,009	\$ 8,170,537	\$ 185,035,791

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, 2022

Note C. Cash and Investments (continued)

Fair Value Measurements (continued)

Sonoma Water has the following recurring fair value measurements as of June 30, 2022:

- 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
SCEIP Bonds	\$ 13,059,316	\$ -	\$ -	\$ 13,059,316
U.S. Treasury Notes	6,710,109	6,710,109	-	-
U.S. Treasury STRIPS	6,255,900	6,255,900	-	-
Total	\$ 26,025,325	\$ 12,966,009	\$ -	\$ 13,059,316

Note D. Accounts Receivable

Accounts receivable as of June 30, 2022 consists of the following:

	Current			Total Long-term
	Accounts Receivable	Inter-governmental	Total Current	
Governmental Activities:				
General Fund	\$ 1,169,126	\$ 1,208,886	\$ 2,378,012	\$ 1,148,503
Flood Control special revenue fund	4,600	519,884	524,484	14,774
Warm Springs Dam special revenue fund	-	444,022	444,022	-
Total Governmental Activities	\$ 1,173,726	\$ 2,172,792	\$ 3,346,518	\$ 1,163,277
Business-type Activities:				
Water Transmission enterprise fund	\$ 9,720,225	\$ 1,252,635	\$ 10,972,860	\$ 239,666
Water Supply enterprise fund	1,595,229	169,418	1,764,647	4,597
Sanitation enterprise fund	435,406	85,536	520,942	3,939,793
Internal service fund	601	-	601	-
Total Business-Type Activities	\$ 11,751,461	\$ 1,507,589	\$ 13,259,050	\$ 4,184,056

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, 2022

Note E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	June 30, 2021	Additions	Retirements	Transfers & Reclassification	June 30, 2022
<i>Governmental activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 1,597,189	\$ -	\$ -	\$ -	\$ 1,597,189
Construction in progress	777,275	1,474,081	(18,001)	(1,786,868)	446,487
Intangible assets:					
Intangible work in progress	339,417	253,088	-	-	592,505
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	966,401	-	-	1,334,855	2,301,256
Total capital assets, non-depreciable/amortizable	106,051,282	1,727,169	(18,001)	(452,013)	107,308,437
Capital assets, depreciable/amortizable:					
Infrastructure	64,834,097	-	-	1,786,868	66,620,965
Buildings and improvements	3,737,864	-	-	-	3,737,864
Land improvements	183,457	-	-	-	183,457
Intangible assets - easements	3,194,218	-	-	(1,334,855)	1,859,363
Equipment	1,666,528	-	(84,775)	-	1,581,753
Total capital assets, depreciable/amortizable	73,616,164	-	(84,775)	452,013	73,983,402
Less: accumulated depreciation/amortization for:					
Infrastructure	(38,990,094)	(1,393,991)	-	-	(40,384,085)
Buildings and improvements	(2,481,794)	(84,246)	-	-	(2,566,040)
Land improvements	(68,287)	(12,230)	-	-	(80,517)
Intangible assets	(663,121)	(150,798)	-	-	(813,919)
Equipment	(1,184,782)	(108,596)	84,775	-	(1,208,603)
Total accumulated depreciation/amortization	(43,388,078)	(1,749,861)	84,775	-	(45,053,164)
Total capital assets, depreciable/amortizable, net	30,228,086	(1,749,861)	-	452,013	28,930,238
Total capital assets, net	\$ 136,279,368	\$ (22,692)	\$ (18,001)	\$ -	\$ 136,238,675

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note E. Capital Assets (continued)

	July 1, 2021	Additions	Retirements	Transfers & Reclassification	June 30, 2022
<i>Business-type activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 11,023,905	\$ -	\$ -	\$ -	\$ 11,023,905
Construction in progress	20,707,560	16,306,119	(1,059,243)	(6,875,180)	29,079,256
Intangible assets:					
Intangible work in progress	1,241,829	1,255,556	-	-	2,497,385
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	499,585	-	-	-	499,585
Total capital assets, non-depreciable/amortizable	38,469,274	17,561,675	(1,059,243)	(6,875,180)	48,096,526
Capital assets, depreciable/amortizable:					
Infrastructure	267,161,460	-	-	6,875,180	274,036,640
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	14,859,083	691,417	(407,452)	-	15,143,048
Total capital assets, depreciable/amortizable	340,726,902	691,417	(407,452)	6,875,180	347,886,047
Less accumulated depreciation/amortization for:					
Infrastructure	(148,622,445)	(7,678,869)	-	-	(156,301,314)
Buildings and improvements	(17,933,567)	(1,553,189)	-	-	(19,486,756)
Land improvements	(2,734,540)	(186,461)	-	-	(2,921,001)
Intangible assets - software	(1,631,577)	(40,219)	-	-	(1,671,796)
Equipment	(8,637,249)	(1,123,770)	345,082	-	(9,415,937)
Total accumulated depreciation/amortization	(179,559,378)	(10,582,508)	345,082	-	(189,796,804)
Total capital assets, depreciable/amortizable, net	161,167,524	(9,891,091)	(62,370)	6,875,180	158,089,243
Total capital assets, net	\$ 199,636,798	\$ 7,670,584	\$ (1,121,613)	\$ -	\$ 206,185,769

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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	\$ 184,306
Flood Control	1,495,966
Warm Springs Dam	69,589
Total depreciation/amortization expense - governmental activities	\$ 1,749,861

Business-type activities:

Water Transmission	\$ 6,653,815
Water Supply	230,289
Sanitation	1,190,919
Internal Service Funds	2,507,485
Total depreciation/amortization expense - business type activities	\$ 10,582,508

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, 2022

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, 2022, Sonoma Water reports the following unearned revenue balances:

Governmental Activities:

Camping reservation fees for Spring Lake Park	\$ 142,732
Drainage review	1,809
Advance funding for fuels mapping project	939,263
Advance funding for climate resiliency projects	962,138
Cooperative agreement for livestock grazing	917
Total Governmental Activities	\$ 2,046,859

Business-Type Activities:

Lump-sum payment under the MMWD supplemental water supply agreement	\$ 3,532,375
Lump-sum payment for NMWD capital charges	945,815
State funding for wastewater arrearages program	14,065
Advance funding for climate resiliency projects	183,805
Funding for conforming Public Purpose Program energy projects	332,421
Total Business-Type Activities	\$ 5,008,481

Note G. Inter-fund Transactions

Inter-fund Transfers

A summary of inter-fund activity as of and for the fiscal year ended June 30, 2022 is as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Water Supply Fund	\$ 1,500,000	Funding for water supply projects
General Fund	Sanitation Fund	930,000	Funding for treatment plant operations in the ALW Sanitation Zone
General Fund	Sanitation Fund	575,000	Funding for treatment plant operations in the Geyserville Sanitation Zone
Warm Springs Dam	Debt Service	7,225,000	Funding for debt service payments
Total inter-fund transfers		\$ 10,230,000	

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 \$300,000.

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2022
Equipment Facilities Fund	2049	Variable	\$ 1,215,000	\$ 765,000
Equipment Facilities Fund	2050	Variable	4,852,000	4,852,000
Total advances from other funds			\$ 6,067,000	\$ 5,617,000

Note H. Long-Term Obligations

Governmental Activities

Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2022
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 65,894,980

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, 2022

Note H. Long-Term Obligations (continued)

Governmental Activities (continued)

Compensated Absences:

As of June 30, 2022, vested vacation leave for Sonoma Water employees was \$3,528,075. The current portion of vested vacation leave was \$1,990,133 as of June 30, 2022. Compensated absences are generally liquidated by the General Fund.

Other Postemployment Benefits Liability:

As of June 30, 2022, Sonoma Water reported \$12,175,133 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

Financed Purchases:	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2022
Financed purchase - City National Bank	2023	4.30%	\$ 5,835,000	\$ 764,694
Total financed purchases				\$ 764,694

In 2008 Sonoma Water entered into a finance agreement with Municipal Finance Corporation for the purchase and improvements of an office/warehouse facility on Airport Boulevard. This agreement has been assigned to City National Bank and matures during the fiscal year ending June 30, 2024.

The finance agreement has the provision that in the event of default, City National Bank has the option to terminate the agreement with 12% interest due on past due amounts in addition to all expenses incurred because of entering into a new finance agreement for the site.

The assets acquired under current finance agreement consist of the following as of June 30, 2022:

Buildings and improvements	\$ 12,518,629
Less: accumulated depreciation	(3,662,508)
Total buildings and improvements, net	\$ 8,856,121

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note H. Long-Term Obligations (continued)

Business-type Activities (continued)

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2022
Water revenue bonds, 2022, series A	2048	4.00 - 5.00%	\$ 19,680,000	\$ 19,680,000
Add: deferred amount for unamortized premium				1,928,152
Water revenue bonds, 2019, series A	2039	3.00 - 5.00%	11,010,000	10,310,000
Add: deferred amount for unamortized premium				1,260,322
Water revenue bonds, 2015, series A and AT	2040	2.30 - 5.20%	23,865,000	19,495,000
Add: deferred amount for unamortized premium				727,846
Total water revenue bonds payable, net				\$ 53,401,320

In June 2022 Sonoma Water issued the Water Revenue Bonds, Series A to refund and defease the remaining principal (\$7,710,00) of the 2012 Series A (2012A) Bonds and to finance the acquisition and construction of certain improvements to the water transmission system.

The original cash flows required to service the refunding debt and complete the refunding were as follows:

	Principal	Interest	Additional Cash to Complete the Refunding	Total
2012 bonds - defeased debt	\$ 7,710,000	\$ 1,410,650	\$ -	\$ 9,120,650
2022 bonds - refunding debt	5,670,000	1,520,563	718,300	7,908,863
Difference in cash flows	\$ 2,040,000	\$ (109,913)	\$ (718,300)	\$ 1,211,787

The refunding resulted in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$311,771. A deferred gain of \$142,489 was recognized on the refunding.

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.

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

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note H. Long-Term Obligations (continued)

Business-type Activities (continued)

The remaining income pledged by Sonoma Water for the Water revenue bonds through the fiscal year ending June 30, 2048 consists of the outstanding principal of \$49,485,000 and total scheduled interest payments of \$20,264,965. Principal and interest paid for the fiscal year ended June 30, 2022 and Water Transmission net revenues pledged for debt payment totaled \$3,106,656 and \$9,681,519, respectively.

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

Water and Wastewater Revenue Bonds Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2022
Sonoma County Water & Wastewater				
Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 1,944,534
Total water and wastewater revenue bonds payable				\$ 1,944,534

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, 2022, principal and interest paid on the Water and Wastewater Revenue Bonds and net revenues pledged for the debt totaled \$410,712 and \$1,321,026, respectively.

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note H. Long-Term Obligations (continued)

Business-type Activities (continued)

Advances from Other Governments:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2022
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 5,710,067
Total advances from other governments				\$ 5,710,067

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 \$5,710,067 and total scheduled interest payments of \$519,704. During the year ended June 30, 2022, principal and interest paid on the advance totaled \$1,040,232.

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note H. Long-Term Obligations (continued)

Changes in Long-Term Obligations

A summary of changes in long-term obligations for the fiscal year ended June 30, 2022 is as follows:

	July 1, 2021	Additions/ Adjustments	Retirements	June 30, 2022	Amounts Due Within One Year
<u>Governmental activities:</u>					
Long-term contracts payable	\$ 69,925,456	\$ -	\$ (4,030,476)	\$ 65,894,980	\$ 4,160,458
Net pension liability (asset)	12,140,139	(12,774,635)	(4,576,409)	(5,210,905)	-
Other postemployment benefits	14,762,790	(438,722)	(2,148,935)	12,175,133	-
Pollution remediation obligation	149,563	-	(1,352)	148,211	-
Compensated absences	3,395,006	2,504,648	(2,371,579)	3,528,075	1,990,133
Total governmental activities	100,372,954	(10,708,709)	(13,128,751)	76,535,494	6,150,591
<u>Business-type activities:</u>					
Financed purchases:					
Municipal Finance	1,248,042	-	(483,348)	764,694	504,355
Series 2012A	8,280,000	-	(8,280,000)	-	-
Deferred amount for unamortized premium	365,368	-	(365,368)	-	-
Series 2015A and AT	20,290,000	-	(795,000)	19,495,000	830,000
Deferred amount for unamortized premium	774,584	-	(46,738)	727,846	-
Series 2019A	10,670,000	-	(360,000)	10,310,000	375,000
Deferred amount for unamortized premium	1,334,458	-	(74,136)	1,260,322	-
Series 2022A	-	19,680,000	-	19,680,000	-
Deferred amount for unamortized premium	-	1,928,152	-	1,928,152	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	2,305,730	-	(361,196)	1,944,534	371,987
Advances from other governments - direct borrowings:					
State Revolving Fund	6,572,680	-	(862,613)	5,710,067	440,363
Total business-type activities	51,840,862	21,608,152	(11,628,399)	61,820,615	2,521,705
Total	\$ 152,213,816	\$ 10,899,443	\$ (24,757,150)	\$ 138,356,109	\$ 8,672,296

Total additions and adjustments include pension expense, OPEB expense, changes in deferred inflows and outflows for net pension liability (asset) and OPEB liability, compensated absences accrued during the fiscal year, and the issuance of the Series 2022A bonds. Total retirements include employer contributions to pension and OPEB funding, pollution remediation expenses, payment to employees for compensated absences, long-term debt principal payments, amortization of bond premiums, and the defeasance of the Series 2012A Bonds.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2022 (excluding compensated absences, pollution remediation obligation, and OPEB liability), are as follows:

Governmental Activities

Long-term contracts payable - 1986 Federal contract

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 4,160,458	\$ 2,125,113	\$ 6,285,571
2024	4,294,633	1,990,939	6,285,572
2025	4,433,135	1,852,437	6,285,572
2026	4,576,104	1,709,469	6,285,573
2027	4,723,683	1,561,888	6,285,571
2028-2032	26,004,163	5,423,695	31,427,858
2033-2035	17,702,804	1,153,910	18,856,714
Total long-term contracts payable	\$ 65,894,980	\$ 15,817,451	\$ 81,712,431

Business-type Activities

Financed purchases

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 504,355	\$ 27,518	\$ 531,873
2024	260,339	5,597	265,936
Total financed purchases	\$ 764,694	\$ 33,115	\$ 797,809

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note H. Long-Term Obligations (continued)

Business-type Activities (continued)

Water revenue bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,205,000	\$ 1,538,013	\$ 2,743,013
2024	2,085,000	1,864,756	3,949,756
2025	2,190,000	1,757,881	3,947,881
2026	2,300,000	1,645,631	3,945,631
2027	2,410,000	1,541,631	3,951,631
2028-2032	13,595,000	6,119,831	19,714,831
2033-2037	12,225,000	3,571,903	15,796,903
2038-2042	8,655,000	1,624,519	10,279,519
2043-2047	3,935,000	583,100	4,518,100
2048	885,000	17,700	902,700
Total water revenue bonds	\$ 49,485,000	\$ 20,264,965	\$ 69,749,965

Water and wastewater revenue bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 371,987	\$ 40,974	\$ 412,961
2024	377,090	32,247	409,337
2025	391,417	23,294	414,711
2026	394,954	14,133	409,087
2027	409,086	4,766	413,852
Total water and wastewater revenue bonds	\$ 1,944,534	\$ 115,414	\$ 2,059,948

Advances from other governments

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 440,363	\$ 67,870	\$ 508,233
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	977,305	62,926	1,040,231
2028-2029	1,518,008	42,604	1,560,612
Total advances from other governments	\$ 5,710,067	\$ 519,704	\$ 6,229,771

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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
2023	\$ 2,521,705	\$ 1,674,375	\$ 4,196,080
2024	3,621,693	2,043,567	5,665,260
2025	3,505,977	1,896,847	5,402,824
2026	3,645,521	1,749,429	5,394,950
2027	3,796,391	1,609,323	5,405,714
2028-2032	15,113,008	6,162,435	21,275,443
2033-2037	12,225,000	3,571,903	15,796,903
2038-2042	8,655,000	1,624,519	10,279,519
2043-2047	3,935,000	583,100	4,518,100
2048	885,000	17,700	902,700
	<u>\$ 57,904,295</u>	<u>\$ 20,933,198</u>	<u>\$ 78,837,493</u>

Note I. Pollution Remediation Obligation

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

The Closure Work Plan proposes to perform a lot line adjustment, which has been completed, separating the 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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note I. Pollution Remediation Obligation (continued)

In accordance with GASB Statement No. 49, Sonoma Water has estimated its potential pollution remediation liability as of June 30, 2022 by utilizing the expected cash flow technique. This methodology examined estimated costs for pre-cleanup activities, remediation/clean-up activities, regulatory agency costs, and post remediation-monitoring costs. The estimated liability for Sonoma Water as of June 30, 2022 is \$148,211. Discussions with the NC Regional Board and the City of Santa Rosa Fire Department continue and since no agreement has been reached, the estimated obligation continues to be considered long term.

Note J. Net Position

Net position reported on the government-wide statement of net position as of June 30, 2022 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Land	\$ 1,597,189	\$ 11,023,905
Construction in progress	1,038,992	31,576,641
Intangible assets not being depreciated/amortized	104,672,256	5,495,980
Other capital assets, net of accumulated depreciation/amortization	28,930,238	158,089,243
Less: long-term debt outstanding	(65,894,980)	(61,820,615)
Plus: noncapital debt outstanding	-	17,271,800
Plus: deferred amount on refunding (net)	-	80,032
	\$ 70,343,695	\$ 161,716,986

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note K. Employees' Retirement Plan (continued)

Plan Description (continued)

At December 31, 2021, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,478
Current active members	4,066
Inactive vested members	1,569
	11,113

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.SCRETIRE.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, 2022 were based on the Plan's valuations dated December 31, 2018 and December 31, 2019. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan A members are required to contribute between approximately 10% and 15% 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, 2022, Sonoma Water contributed \$4,576,409 or approximately 16.4% of covered payroll.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note K. Employees' Retirement Plan (continued)

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

At June 30, 2022, Sonoma Water reported an asset of \$5,210,905 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Sonoma Water's proportion of the net pension asset 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, 2021, Sonoma Water's proportion was 8.5%, which was an increase of 2.1% from its proportion of the net pension liability measured as of December 31, 2020.

For the year ended June 30, 2022, Sonoma Water recognized a pension expense (credit) of \$(487,433) in the governmental activities column of the government-wide statements. Pension expense represents the change in the net pension asset 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, 2022, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 488,263	\$ 1,904,527
Changes in assumptions	5,078,321	-
Net difference between projected and actual earnings on retirement plan investments	-	24,158,146
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	4,431,512	128,146
Sonoma Water contributions subsequent to the measurement date	2,283,024	-
	\$ 12,281,120	\$ 26,190,819

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note K. Employees' Retirement Plan (continued)

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

Deferred outflows of resources related to pensions resulting from Sonoma Water contributions subsequent to the measurement date totaling \$2,283,024 will be recognized as an increase of the net pension asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$ (1,872,807)
2024	(6,185,004)
2025	(2,976,941)
2026	(5,157,971)
	<u>\$ (16,192,723)</u>

Actuarial Assumptions

The total pension liability was determined based on the December 31, 2021 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2021
Measurement date:	December 31, 2021
Actuarial cost method:	Entry Age Actuarial Cost Method
Actuarial assumptions -	
Inflation:	2.50%
Projected salary increase:	3.55% - 8.00%
Investment rate of return:	6.75%

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

The discount rate used to measure the total pension liability was 6.75 percent as of the measurement date of December 31, 2021. 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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note K. Employees' Retirement Plan (continued)

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

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

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Sonoma Water's proportionate share of the net pension plan liability (asset)	\$ 17,403,641	\$ (5,210,905)	\$ (23,997,025)

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 Annual Comprehensive Financial Report and can be found www.sonoma-county.org.

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

Benefits Provided

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

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 \$2,148,935 for the year ended June 30, 2022. Employees are not required to contribute to the OPEB plan.

Proportionate Share

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

Reporting Date	June 30, 2022
Valuation Date	June 30, 2021
Measurement Date	June 30, 2021

At June 30, 2022, Sonoma Water reported a liability of \$12,175,133 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, 2021, Sonoma Water’s proportion was 7.19%. At June 30, 2022, Sonoma Water’s proportion was 7.40%, an increase of 0.21%.

Actuarial Methods and Assumptions

The Net OPEB Liability (NOL) was measured as of June 30, 2021 and 2020 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2021 and 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

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

The County Health Plan medical trends for ages under 65 grade from 6.50% in 2021/2022 down to 4.50% over 4 years. The County Health Plan medical trends for ages over 65 grade from 5.50% in 2021/2022 down to 4.50% over 4 years. County Health Plan drug trends grade from 5.50% in 2021/2022 down to 4.50% over 4 years. HMO Medical/Drug trends grade from 6.5% in 2021/2022 down to 4.50% over 8 years. ASO fees assumed trend was 4.50% in 2021/2022 and thereafter.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

Actuarial Methods and Assumptions (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Large Cap U.S. Equity	30.00%	6.55%
Mid Cap U.S. Equity	4.00%	6.55%
Small Cap U.S. Equity	8.00%	6.55%
International Equity	8.00%	8.25%
Global Equity	6.00%	8.25%
U.S. Core Fixed Income	31.00%	0.40%
Alternatives	8.00%	3.03%
Cash	1.00%	0.29%
Real Estate	4.00%	3.65%
Total	100.00%	

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

Investments (continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability (TOL) was 6.50% as of June 30, 2021 and June 30, 2020. 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, 2021:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 13,858,609	\$ 12,175,133	\$ 10,719,347

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, 2021:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 11,800,838	\$ 12,175,133	\$ 12,576,179

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2021, 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, 2021, the average is 5.47 years.

For the year ended June 30, 2022, Sonoma Water recognized OPEB expense of \$593,833. At June 30, 2022, 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	\$ -	\$ 1,171,192
Changes in assumptions	-	879,814
Net difference between projected and actual earnings on OPEB plan investments	-	803,637
Changes in proportion and differences between contributions and proportionate share of contributions	397,666	409,562
Contributions subsequent to the measurement date	2,410,214	-
Total	\$ 2,807,880	\$ 3,264,205

The \$2,410,214 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 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
2023	\$ (784,556)
2024	(779,791)
2025	(772,221)
2026	(489,187)
2026	(40,784)
	\$ (2,866,539)

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2022, Sonoma Water's contribution was \$335,078.

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 \$20,500 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, 2022

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, 2022 is as follows:

Occidental County Sanitation District	\$ 865,622
Russian River County Sanitation District	4,875,852
Sonoma Valley County Sanitation District	8,790,723
South Park County Sanitation District	110,187
	<u>\$ 14,642,384</u>

In addition, Occidental County Sanitation District paid Sonoma Water \$165,693 under an agreement for sewer treatment services during the fiscal year ended June 30, 2022. During the fiscal year ended June 30, 2022, Sonoma Water provided the Occidental County Sanitation District and the Russian River County Sanitation District \$925,000 and \$1,350,000 respectively, in intergovernmental funding to assist the Districts in meeting operating and construction expenses.

Sonoma Water is one of fifteen water districts and irrigation districts which participate in the Power and Water Resources Pooling Authority (PWRPA). PWRPA was established in 2004 to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. Because the PWRPA Board of Directors is made up of representatives from the participating districts, PWRPA is a jointly governed organization. During the fiscal year ended June 30, 2022, Sonoma Water recognized a \$10,872 decrease 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, 2022

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, 2022. The projects include expansion and/or improvements of several flood control, water transmission, water storage and wastewater treatment facilities. As of June 30, 2022, Sonoma Water's commitments to construction projects are as follows:

	Spent-to-Date	Remaining Commitment
Water transmission	\$ 28,191,346	\$ 8,200,975
Internal service funds	544,930	1,913,608
Sanitation	2,840,365	377,305
Flood control	698,536	276,842
Total	\$ 32,275,177	\$ 10,768,730

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2022:

	Remaining Commitment
General fund	\$ 6,906,581
Water transmission	4,678,215
Flood control	2,843,516
Water supply	1,506,836
Warm Springs Dam	396,760
Sanitation	306,774
Internal service funds	234,829
	\$ 16,873,511

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, 2022

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 \$13,440,132 are pledged as collateral for the letter of credit.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note Q. Economic Dependence

Four major customers purchased water from Sonoma Water during the fiscal year ended June 30, 2022. Water sales revenue for the fiscal year ended June 30, 2022 and accounts receivable as of June 30, 2022 associated with those customers are as follows:

	Water Sales	% of Total Water Sales
City of Santa Rosa	\$ 15,442,332	30.8%
Marin Municipal Water District	11,846,931	23.7%
North Marin Water District	7,941,507	15.9%
City of Petaluma	6,120,520	12.2%
	\$ 41,351,290	82.6%

	Accounts Receivable	% of Total Accounts Receivable
Marin Municipal Water District	\$ 3,910,881	34.5%
City of Petaluma	3,147,147	27.8%
City of Santa Rosa	1,367,971	12.1%
North Marin Water District	1,337,276	11.8%
	\$ 9,763,275	86.2%

Required Supplementary Information

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

Measurement Date	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Sonoma Water's proportionate share of net pension liability (asset)					
Sonoma Water's proportion of the net pension liability (asset)	8.5%	6.4%	6.2%	6.2%	5.7%
Sonoma Water's proportionate share of the net pension liability (asset)	\$ (5,210,905)	\$ 12,140,139	\$ 14,111,946	\$ 30,624,597	\$ 9,689,254
Sonoma Water's covered payroll	\$ 26,903,398	\$ 25,634,166	\$ 24,038,946	\$ 23,976,313	\$ 23,385,939
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-19.4%	47.4%	58.7%	127.7%	41.4%
Plan fiduciary net position as a percentage of the total pension liability	102.7%	93.6%	92.3%	83.5%	94.0%

Measurement Date	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Sonoma Water's proportionate share of net pension liability (asset)				
Sonoma Water's proportion of the net pension liability (asset)	6.0%	5.9%	5.8%	5.6%
Sonoma Water's proportionate share of the net pension liability (asset)	\$ 23,601,397	\$ 24,444,642	\$ 12,464,325	\$ 13,632,777
Sonoma Water's covered payroll	\$ 22,207,867	\$ 20,532,602	\$ 18,691,146	\$ 18,033,509
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	106.3%	119.1%	66.7%	75.6%
Plan fiduciary net position as a percentage of the total pension liability	85.9%	84.6%	90.9%	89.8%

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Sonoma Water's pension contributions					
Actuarially determined contribution	\$ 4,576,409	\$ 4,985,417	\$ 3,930,580	\$ 4,002,478	\$ 3,946,189
Contributions in relation to the actuarially determined contribution	<u>4,576,409</u>	<u>4,985,417</u>	<u>3,930,580</u>	<u>4,002,478</u>	<u>3,946,189</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sonoma Water's covered payroll	\$ 27,890,777	\$ 27,679,616	\$ 24,760,206	\$ 24,860,064	\$ 23,254,523
Contributions as a percentage of covered payroll	16.4%	18.0%	15.9%	16.1%	17.0%

	6/30/2017	6/30/2016	6/30/2015
Sonoma Water's pension contributions			
Actuarially determined contribution	\$ 3,581,629	\$ 4,481,365	\$ 3,713,006
Contributions in relation to the actuarially determined contribution	<u>3,581,629</u>	<u>4,481,365</u>	<u>3,713,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sonoma Water's covered payroll	\$ 23,047,478	\$ 21,683,256	\$ 18,431,295
Contributions as a percentage of covered payroll	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*

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Sonoma Water's proportionate share of the net OPEB liability						
Sonoma Water's proportion of the net OPEB liability	7.4%	7.2%	7.4%	7.0%	7.2%	7.1%
Sonoma Water's proportionate share of the net OPEB liability	\$ 12,175,133	\$ 14,762,790	\$ 17,692,256	\$ 17,639,292	\$ 24,082,900	\$ 26,233,147
Sonoma Water's covered payroll	\$ 26,980,075	\$ 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	45.1%	59.5%	72.6%	75.9%	104.5%	121.0%
Plan fiduciary net position as a percentage of the total OPEB liability	38.2%	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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
Revenues				
Property taxes	\$ 10,358,168	\$ 10,358,168	\$ 11,024,249	\$ 666,081
Investment earnings (loss)	79,140	79,140	(689,118)	(768,258)
Intergovernmental	5,323,559	6,732,867	2,000,116	(4,732,751)
Charges for services	15,578,250	15,673,250	17,535,833	1,862,583
Miscellaneous	908,600	2,547,863	262,417	(2,285,446)
Total revenues	<u>32,247,717</u>	<u>35,391,288</u>	<u>30,133,497</u>	<u>(5,257,791)</u>
Expenditures				
Current:				
General government	21,831,810	24,558,087	14,578,019	9,980,068
Intergovernmental	13,650,000	14,400,000	16,472,460	(2,072,460)
Capital outlay	93,678	208,678	(76,049)	284,727
Total expenditures	<u>35,575,488</u>	<u>39,166,765</u>	<u>30,974,430</u>	<u>8,192,335</u>
Deficiency of revenues under expenditures	<u>(3,327,771)</u>	<u>(3,775,477)</u>	<u>(840,933)</u>	<u>2,934,544</u>
Other Financing Uses				
Transfers out	<u>(3,980,000)</u>	<u>(4,858,382)</u>	<u>(3,005,000)</u>	<u>1,853,382</u>
Net changes in fund balance	<u>\$ (7,307,771)</u>	<u>\$ (8,633,859)</u>	<u>(3,845,933)</u>	<u>\$ 4,787,926</u>
GAAP basis difference - encumbrances			2,682,251	
Fund balance - beginning of year			<u>18,433,049</u>	
Fund balance - end of year			<u>\$ 17,269,367</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, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 11,629,302	\$ 11,629,302	\$ 12,528,281	\$ 898,979
Investment earnings (loss)	192,110	192,110	(828,308)	(1,020,418)
Intergovernmental	907,943	1,473,943	807,356	(666,587)
Charges for services	40,500	40,500	45,100	4,600
Miscellaneous	126,600	401,600	36,400	(365,200)
Total revenues	12,896,455	13,737,455	12,588,829	(1,148,626)
Expenditures				
Current:				
Flood control	14,865,150	15,441,985	11,799,771	3,642,214
Capital outlay	720,000	1,295,000	803,122	491,878
Total expenditures	15,585,150	16,736,985	12,602,893	4,134,092
Deficiency of revenues under expenditures	(2,688,695)	(2,999,530)	(14,064)	2,985,466
Net changes in fund balance	\$ (2,688,695)	\$ (2,999,530)	(14,064)	\$ 2,985,466
GAAP basis difference - encumbrances			(249,231)	
Fund balance - beginning of year			27,713,295	
Fund balance - end of year			\$ 27,450,000	

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
Revenues				
Property taxes	\$ 9,712,790	\$ 9,712,790	\$ 11,430,938	\$ 1,718,148
Investment earnings (loss)	20,000	20,000	(356,322)	(376,322)
Intergovernmental	188,835	1,344,837	318,104	(1,026,733)
Total revenues	<u>9,921,625</u>	<u>11,077,627</u>	<u>11,392,720</u>	<u>315,093</u>
Expenditures				
Current:				
Warm Springs Dam	6,354,800	7,989,122	4,199,351	3,789,771
Capital outlay	55,400	55,400	5,000	50,400
Total expenditures	<u>6,410,200</u>	<u>8,044,522</u>	<u>4,204,351</u>	<u>3,840,171</u>
Excess of revenues over expenditures	<u>3,511,425</u>	<u>3,033,105</u>	<u>7,188,369</u>	<u>4,155,264</u>
Other Financing Uses				
Transfers out	<u>(4,225,000)</u>	<u>(7,225,000)</u>	<u>(7,225,000)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (713,575)</u>	<u>\$ (4,191,895)</u>	(36,631)	<u>\$ 4,155,264</u>
GAAP basis difference - encumbrances			(2,233,879)	
Fund balance - beginning of year			<u>10,292,170</u>	
Fund balance - end of year			<u>\$ 8,021,660</u>	

Sonoma Water
Note to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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 fund.

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis*)</u>	<u>Final Budget</u>
Revenues				
Investment earnings	\$ 405,500	\$ 405,500	\$ (30,554)	\$ (436,054)
Total revenues	<u>405,500</u>	<u>405,500</u>	<u>(30,554)</u>	<u>(436,054)</u>
Expenditures				
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>
Deficiency of revenues under expenditures	<u>(5,880,072)</u>	<u>(5,880,072)</u>	<u>(6,316,126)</u>	<u>(436,054)</u>
Other Financing Sources				
Transfers in	<u>4,225,000</u>	<u>7,225,000</u>	<u>7,225,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ (1,655,072)</u>	<u>\$ 1,344,928</u>	908,874	<u>\$ (436,054)</u>
GAAP basis difference - encumbrances			-	
Fund balance - beginning of year			<u>35,071,531</u>	
Fund balance - end of year			<u>\$ 35,980,405</u>	

* See Note to Required Supplementary Information on page 103.

**Sonoma Water
Combining Balance Sheet
Flood Control Special Revenue Funds
June 30, 2022**

	Flood Control Funds			
	Zone 1A Laguna Mark West	Zone 2A Petaluma Basin	Zone 3A Valley of the Moon	Zone 5A Lower Russian River
Assets				
Cash and investments	\$ 7,570,640	\$ 9,376,368	\$ 6,338,549	\$ 1,325,823
Accounts receivable	536,072	1,593	1,593	-
Prepaid items	8,500	-	2,833	-
Total assets	\$ 8,115,212	\$ 9,377,961	\$ 6,342,975	\$ 1,325,823
 Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 439,305	\$ 114,584	\$ 62,018	\$ 4,520
Unearned revenue	-	272,062	-	-
Total liabilities	439,305	386,646	62,018	4,520
Deferred inflows of resources:				
Unavailable revenue - intergovernmental	14,774	-	-	-
Total deferred inflows of resources	14,774	-	-	-
Fund balances:				
Nonspendable	8,500	-	2,833	-
Restricted	7,652,633	8,991,315	6,278,124	1,321,303
Total fund balances	7,661,133	8,991,315	6,280,957	1,321,303
Total liabilities, deferred inflows of resources and fund balances	\$ 8,115,212	\$ 9,377,961	\$ 6,342,975	\$ 1,325,823

**Sonoma Water
Combining Balance Sheet
Flood Control Special Revenue Funds
June 30, 2022**

Flood Control Funds			
Zone 7A			
North Coast	Zone 8A South Coast	Total Flood Control Funds	
\$ 77,784	\$ 3,124,036	\$ 27,813,200	Assets
-	-	539,258	Cash and investments
-	-	11,333	Accounts receivable
<u>\$ 77,784</u>	<u>\$ 3,124,036</u>	<u>\$ 28,363,791</u>	Prepaid items
			Total assets
			 Liabilities, deferred inflows of resources and fund balances
\$ -	\$ 6,528.00	\$ 626,955	Liabilities:
-	-	272,062	Accounts payable
<u>-</u>	<u>6,528</u>	<u>899,017</u>	Unearned revenue
			Total liabilities
<u>-</u>	<u>-</u>	<u>14,774</u>	Deferred inflows of resources:
-	-	14,774	Unavailable revenue - intergovernmental
			Total deferred inflows of resources
-	-	11,333	Fund balances:
<u>77,784</u>	<u>3,117,508</u>	<u>27,438,667</u>	Nonspendable
77,784	3,117,508	27,450,000	Restricted
			Total fund balances
<u>\$ 77,784</u>	<u>\$ 3,124,036</u>	<u>\$ 28,363,791</u>	Total liabilities, deferred inflows of resources and fund balances

Sonoma Water
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Flood Control Special Revenue Funds
For the Fiscal Year Ended June 30, 2022

	Flood Control Funds			
	Zone 1A	Zone 2A	Zone 3A	Zone 5A
	Laguna Mark West	Petaluma Basin	Valley of the Moon	Lower Russian River
Revenues				
Property taxes	\$ 8,253,815	\$ 2,275,852	\$ 1,483,112	\$ 294,319
Investment loss	(233,813)	(270,284)	(189,512)	(39,414)
Intergovernmental	774,976	19,260	9,725	2,007
Charges for services	45,100	-	-	-
Miscellaneous	36,400	-	-	-
Total revenues	<u>8,876,478</u>	<u>2,024,828</u>	<u>1,303,325</u>	<u>256,912</u>
Expenditures				
Services and supplies	8,461,244	1,593,188	570,319	470,180
Capital outlay	<u>1,363,870</u>	<u>112,320</u>	<u>244,845</u>	<u>-</u>
Total expenditures	<u>9,825,114</u>	<u>1,705,508</u>	<u>815,164</u>	<u>470,180</u>
Excess (deficiency) of revenues over (under) expenditures	(948,636)	319,320	488,161	(213,268)
Other financing sources (uses)				
Transfers in	-	108,818	-	-
Transfers out	<u>(108,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(108,818)</u>	<u>108,818</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,057,454)	428,138	488,161	(213,268)
Fund balances - beginning of year	<u>8,718,587</u>	<u>8,563,177</u>	<u>5,792,796</u>	<u>1,534,571</u>
Fund balances - end of year	<u>\$ 7,661,133</u>	<u>\$ 8,991,315</u>	<u>\$ 6,280,957</u>	<u>\$ 1,321,303</u>

Sonoma Water
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Flood Control Special Revenue Funds
For the Fiscal Year Ended June 30, 2022

Flood Control Funds			
Zone 7A			
North	Zone 8A South	Total Flood	
Coast	Coast	Control Funds	
\$ -	\$ 221,183	\$ 12,528,281	Revenues
(2,305)	(92,980)	(828,308)	Property taxes
-	1,388	807,356	Investment loss
-	-	45,100	Intergovernmental
-	-	36,400	Charges for services
-	-	36,400	Miscellaneous
(2,305)	129,591	12,588,829	Total revenues
-	36,158	11,131,089	Expenditures
-	-	1,721,035	Services and supplies
-	36,158	12,852,124	Capital outlay
			Total expenditures
(2,305)	93,433	(263,295)	Excess (deficiency) of revenues
			over (under) expenditures
-	-	108,818	Other financing sources (uses)
-	-	(108,818)	Transfers in
-	-	-	Transfers out
			Total other financing sources (uses)
(2,305)	93,433	(263,295)	Net change in fund balances
80,089	3,024,075	27,713,295	Fund balances - beginning of year
\$ 77,784	\$ 3,117,508	\$ 27,450,000	Fund balances - end of year

Sonoma Water
Combining Statement of Net Position
Sanitation Enterprise Funds
June 30, 2022

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Assets					
Current assets:					
Cash and investments	\$ 1,115,238	\$ 1,668,844	\$ 567,055	\$ 5,136,647	\$ 8,487,784
Restricted cash and investments	-	-	-	383,314	383,314
Accounts receivable	3,040	230,890	15,381	271,631	520,942
Prepaid items	-	521	-	1,167	1,688
Total current assets	<u>1,118,278</u>	<u>1,900,255</u>	<u>582,436</u>	<u>5,792,759</u>	<u>9,393,728</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	226,365	226,365
Accounts receivable	10,129	16,498	30,996	3,882,170	3,939,793
Capital assets, net:					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	-	1,861,943	56,145	922,277	2,840,365
Intangible assets	2,472	2,639	2,541	67,167	74,819
Infrastructure	233,239	610,204	722,878	17,851,890	19,418,211
Equipment	69,234	-	-	198,942	268,176
Total capital assets, net	<u>304,945</u>	<u>2,474,786</u>	<u>887,777</u>	<u>20,555,507</u>	<u>24,223,015</u>
Total noncurrent assets	<u>315,074</u>	<u>2,491,284</u>	<u>918,773</u>	<u>24,664,042</u>	<u>28,389,173</u>
Total assets	<u>1,433,352</u>	<u>4,391,539</u>	<u>1,501,209</u>	<u>30,456,801</u>	<u>37,782,901</u>
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	-	-	-	88,503	88,503
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	111,827	613,786	47,241	120,626	893,480
Deposits from others	-	-	-	200	200
Due to other governments	6,154	6,870	1,566	25,202	39,792
Unearned revenue	3,158	499	7,405	3,003	14,065
Total current liabilities payable from unrestricted assets	<u>121,139</u>	<u>621,155</u>	<u>56,212</u>	<u>149,031</u>	<u>947,537</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	11,327	11,327
Revenue bonds payable	-	-	-	371,987	371,987
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,314</u>	<u>383,314</u>
Total current liabilities	<u>121,139</u>	<u>621,155</u>	<u>56,212</u>	<u>532,345</u>	<u>1,330,851</u>
Noncurrent liabilities:					
Advances from other funds	-	-	-	5,617,000	5,617,000
Revenue bonds payable	-	-	-	1,572,547	1,572,547
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,189,547</u>	<u>7,189,547</u>
Total liabilities	<u>121,139</u>	<u>621,155</u>	<u>56,212</u>	<u>7,721,892</u>	<u>8,520,398</u>
Net Position					
Net investment in capital assets	304,945	2,474,786	887,777	18,699,476	22,366,984
Restricted for debt service	-	-	-	598,352	598,352
Restricted for water conservation	-	-	-	188,427	188,427
Unrestricted	1,007,268	1,295,598	557,220	3,337,157	6,197,243
Total net position	<u>\$ 1,312,213</u>	<u>\$ 3,770,384</u>	<u>\$ 1,444,997</u>	<u>\$ 22,823,412</u>	<u>\$ 29,351,006</u>

Sonoma Water
Combining Statement of Revenues, Expenses, and Changes in Net Position
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2022

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Operating Revenue					
Flat charges	\$ 785,412	\$ 915,000	\$ 428,239	\$ 3,991,501	\$ 6,120,152
Sanitation services	<u>2,461</u>	<u>20,778</u>	<u>11,588</u>	<u>404,254</u>	<u>439,081</u>
Total operating revenue	<u>787,873</u>	<u>935,778</u>	<u>439,827</u>	<u>4,395,755</u>	<u>6,559,233</u>
Operating Expenses					
Services and supplies	726,527	861,236	725,694	3,675,071	5,988,528
Depreciation and amortization	<u>31,336</u>	<u>50,040</u>	<u>49,290</u>	<u>1,060,253</u>	<u>1,190,919</u>
Total operating expenses	<u>757,863</u>	<u>911,276</u>	<u>774,984</u>	<u>4,735,324</u>	<u>7,179,447</u>
Operating income (loss)	<u>30,010</u>	<u>24,502</u>	<u>(335,157)</u>	<u>(339,569)</u>	<u>(620,214)</u>
Nonoperating Revenues (Expenses)					
Investment loss	(31,591)	(39,656)	(16,984)	(106,613)	(194,844)
Interest expense and debt issuance cost	-	-	-	(102,508)	(102,508)
Real estate rental	-	-	-	173,223	173,223
Conservation program	<u>(125)</u>	<u>-</u>	<u>-</u>	<u>(4,098)</u>	<u>(4,223)</u>
Total nonoperating revenues, net	<u>(31,716)</u>	<u>(39,656)</u>	<u>(16,984)</u>	<u>(39,996)</u>	<u>(128,352)</u>
Loss before capital contributions and transfers	(1,706)	(15,154)	(352,141)	(379,565)	(748,566)
Capital contributions - connection fees	-	9,602	10,257	533,732	553,591
Capital contributions	-	449,104	38,204	32,604	519,912
Transfers in	<u>-</u>	<u>-</u>	<u>575,000</u>	<u>930,000</u>	<u>1,505,000</u>
Change in net position	(1,706)	443,552	271,320	1,116,771	1,829,937
Net position - beginning of year	<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>
Net position - end of year	<u>\$ 1,312,213</u>	<u>\$ 3,770,384</u>	<u>\$ 1,444,997</u>	<u>\$ 22,823,412</u>	<u>\$ 29,351,006</u>

Sonoma Water
Combining Statement of Cash Flows
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2022

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Cash flows from operating activities:					
Cash receipts from customers	\$ 793,600	\$ 820,349	\$ 408,175	\$ 4,394,675	\$ 6,416,799
Cash payments for interfund services used	(182,952)	(222,600)	(320,190)	(2,502,423)	(3,228,165)
Cash payments to suppliers	(508,643)	(540,478)	(362,893)	(1,377,993)	(2,790,007)
Net cash provided by (used for) operating activities	<u>102,005</u>	<u>57,271</u>	<u>(274,908)</u>	<u>514,259</u>	<u>398,627</u>
Cash flows from noncapital financing activities:					
Transfers in	-	-	575,000	930,000	1,505,000
Intergovernmental receipts	13	124,486	-	258	124,757
Real estate rental	-	-	-	173,223	173,223
Conservation program	(125)	-	-	(4,098)	(4,223)
Net cash provided by noncapital financing activities	<u>(112)</u>	<u>124,486</u>	<u>575,000</u>	<u>1,099,383</u>	<u>1,798,757</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(103,400)	(866,373)	(53,393)	(570,239)	(1,593,405)
Principal paid on revenue bonds	-	-	-	(361,196)	(361,196)
Principal paid on interfund loans	-	-	-	(150,000)	(150,000)
Interest paid on long-term debt	-	-	-	(82,487)	(82,487)
Capital contributions	-	646,075	38,204	32,604	716,883
Connection fees	-	9,602	10,257	648,573	668,432
Net cash used for capital and related financing activities	<u>(103,400)</u>	<u>(210,696)</u>	<u>(4,932)</u>	<u>(482,745)</u>	<u>(801,773)</u>
Cash flows from investing activities:					
Investment loss	(31,591)	(39,656)	(16,984)	(106,613)	(194,844)
Net cash used for investing activities	<u>(31,591)</u>	<u>(39,656)</u>	<u>(16,984)</u>	<u>(106,613)</u>	<u>(194,844)</u>
Net increase (decrease) in cash and cash equivalents	(33,098)	(68,595)	278,176	1,024,284	1,200,767
Cash and cash equivalents - beginning of year	1,148,336	1,737,439	288,879	4,722,042	7,896,696
Cash and cash equivalents - end of year	<u>\$ 1,115,238</u>	<u>\$ 1,668,844</u>	<u>\$ 567,055</u>	<u>\$ 5,746,326</u>	<u>\$ 9,097,463</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 1,115,238	\$ 1,668,844	\$ 567,055	\$ 5,136,647	\$ 8,487,784
Restricted cash and investments	-	-	-	609,679	609,679
Cash and cash equivalents	<u>\$ 1,115,238</u>	<u>\$ 1,668,844</u>	<u>\$ 567,055</u>	<u>\$ 5,746,326</u>	<u>\$ 9,097,463</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 30,010	\$ 24,502	\$ (335,157)	\$ (339,569)	\$ (620,214)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	31,336	50,040	49,290	1,060,253	1,190,919
Change in assets and liabilities:					
Accounts receivable	2,570	(115,928)	(853)	28,520	(85,691)
Deposits from others	-	-	-	200	200
Prepaid items	-	3,346	-	-	3,346
Unearned revenue	3,158	499	(30,799)	(29,600)	(56,742)
Due to other governments	6,154	6,870	1,566	23,732	38,322
Accounts payable and accrued expenses	28,777	87,942	41,045	(229,277)	(71,513)
Net cash provided by (used for) operating activities	<u>\$ 102,005</u>	<u>\$ 57,271</u>	<u>\$ (274,908)</u>	<u>\$ 514,259</u>	<u>\$ 398,627</u>
Noncash investing, capital, or financing activities:					
Acquisition of capital assets through current liabilities	\$ -	\$ -	\$ -	\$ 8,872	\$ 8,872

Sonoma Water
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

Assets	Internal Service Funds		
	Equipment Facilities	Power Resources	Total Internal Service Funds
Current assets:			
Cash and investments	\$ 7,468,149	\$ 2,213,594	\$ 9,681,743
Accounts receivable	601	-	601
Due from other funds	138	155,395	155,533
Deposits with others	-	753,746	753,746
Prepaid items	9,697	231,916	241,613
Total current assets	7,478,585	3,354,651	10,833,236
Noncurrent assets:			
Advances to other funds	5,617,000	-	5,617,000
Reserves on deposit	-	1,000,742	1,000,742
Capital assets, net:			
Land	2,336,031	-	2,336,031
Land improvements	409,130	-	409,130
Construction in progress	544,930	-	544,930
Intangible assets	41,562	-	41,562
Buildings and improvements	19,227,409	10,717,834	29,945,243
Equipment	5,172,739	-	5,172,739
Total capital assets, net	27,731,801	10,717,834	38,449,635
Total noncurrent assets	33,348,801	11,718,576	45,067,377
Total assets	40,827,386	15,073,227	55,900,613
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	144,976	901,934	1,046,910
Interest payable	8,919	-	8,919
Unearned revenue	-	332,421	332,421
Financed purchases	504,355	-	504,355
Total current liabilities	658,250	1,234,355	1,892,605
Noncurrent liabilities:			
Financed purchases	260,339	-	260,339
Total noncurrent liabilities	260,339	-	260,339
Total liabilities	918,589	1,234,355	2,152,944
Net Position			
Net investment in capital assets	26,967,107	10,717,834	37,684,941
Restricted for reserves on deposit	-	1,000,742	1,000,742
Unrestricted	12,941,690	2,120,296	15,061,986
Total net position	\$ 39,908,797	\$ 13,838,872	\$ 53,747,669

Sonoma Water
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2022

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	
Operating Revenue			
Power sales	\$ -	\$ 6,361,723	\$ 6,361,723
Equipment rental	2,682,778	-	2,682,778
Real estate rental	3,329,495	-	3,329,495
Miscellaneous	54,750	140,383	195,133
Total operating revenue	<u>6,067,023</u>	<u>6,502,106</u>	<u>12,569,129</u>
Operating Expenses			
Services and supplies	3,751,918	5,626,744	9,378,662
Depreciation and amortization	2,072,563	434,922	2,507,485
Total operating expenses	<u>5,824,481</u>	<u>6,061,666</u>	<u>11,886,147</u>
Operating income	<u>242,542</u>	<u>440,440</u>	<u>682,982</u>
Nonoperating Expenses			
Investment loss	(204,105)	(25,300)	(229,405)
Interest expense and debt issuance cost	(42,888)	-	(42,888)
Loss on disposal of capital assets, net of gain	(1,183)	-	(1,183)
Total nonoperating expenses	<u>(248,176)</u>	<u>(25,300)</u>	<u>(273,476)</u>
Change in net position	(5,634)	415,140	409,506
Net position - beginning of year	<u>39,914,431</u>	<u>13,423,732</u>	<u>53,338,163</u>
Net position - end of year	<u>\$ 39,908,797</u>	<u>\$ 13,838,872</u>	<u>\$ 53,747,669</u>

Sonoma Water
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2022

	<u>Internal Service Funds</u>		
	<u>Equipment Facilities</u>	<u>Power Resources</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Cash receipts from interfund services provided	\$ 6,066,284	\$ 6,346,711	\$ 12,412,995
Cash payments for interfund services used	(2,108,812)	(131,512)	(2,240,324)
Cash payments to suppliers	(1,610,356)	(5,254,526)	(6,864,882)
Net cash provided by operating activities	<u>2,347,116</u>	<u>960,673</u>	<u>3,307,789</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(830,645)	-	(830,645)
Principal paid on financed purchases	(483,348)	-	(483,348)
Interest paid on long-term debt	(48,525)	-	(48,525)
Proceeds from sale of capital assets	49,000	-	49,000
Net cash used for capital and related financing activities	<u>(1,313,518)</u>	<u>-</u>	<u>(1,313,518)</u>
Cash flows from investing activities:			
Investment loss	(204,105)	(25,300)	(229,405)
Principal received on interfund loans	150,000	-	150,000
Net cash used for investing activities	<u>(54,105)</u>	<u>(25,300)</u>	<u>(79,405)</u>
Net increase in cash and cash equivalents	979,493	935,373	1,914,866
Cash and cash equivalents - beginning of year	<u>6,488,656</u>	<u>1,278,221</u>	<u>7,766,877</u>
Cash and cash equivalents - end of year	<u>\$ 7,468,149</u>	<u>\$ 2,213,594</u>	<u>\$ 9,681,743</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 242,542	\$ 440,440	\$ 682,982
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	2,072,563	434,922	2,507,485
Change in assets and liabilities:			
Prepaid items	(7,435)	(146,426)	(153,861)
Accounts receivable	(739)	(155,395)	(156,134)
Other long-term assets	-	10,873	10,873
Accounts payable and accrued expenses	40,185	376,259	416,444
Net cash provided by operating activities	<u>\$ 2,347,116</u>	<u>\$ 960,673</u>	<u>\$ 3,307,789</u>
Noncash investing, capital, or financing activities:			
Loss on disposal of capital assets	\$ 50,183	\$ -	\$ 50,183

Statistical Section



Sonoma Water

Statistical Section

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

Contents

Financial Trends **118**

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

Revenue Capacity **128**

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

Debt Capacity **139**

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

Demographic and Operating Indicators **145**

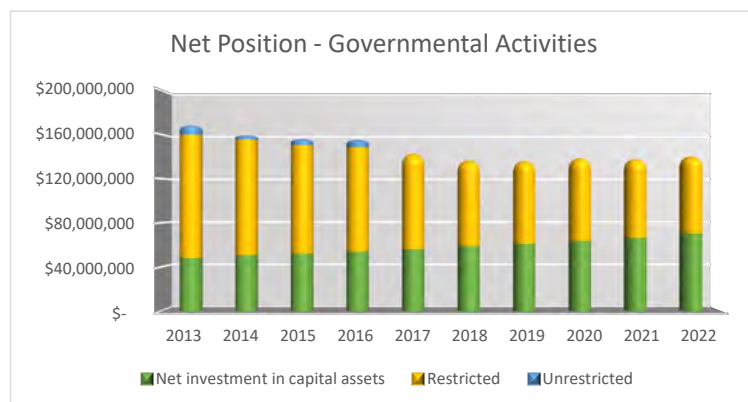
These schedules offer demographic and economic indicators to help the reader understand the environment within which Sonoma Water's financial activities take place.

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

	June 30,				
	2013 as restated (1)	2014 as restated (2)	2015	2016	2017 as restated (3)
Governmental activities					
Net investment in capital assets	\$ 48,170,895	\$ 50,729,786	\$ 52,314,923	\$ 53,939,461	\$ 56,281,939
Restricted	111,320,194	104,627,246	97,856,531	94,399,627	86,833,589
Unrestricted	<u>9,195,268</u>	<u>4,030,884</u>	<u>5,903,840</u>	<u>7,173,755</u>	<u>(18,805,360)</u>
Total governmental activities net position	<u>\$ 168,686,357</u>	<u>\$ 159,387,916</u>	<u>\$ 156,075,294</u>	<u>\$ 155,512,843</u>	<u>\$ 124,310,168</u>
Business-type activities					
Net investment in capital assets	\$ 155,634,490	\$ 155,916,745	\$ 156,110,501	\$ 152,563,649	\$ 164,264,829
Restricted	8,483,536	7,429,384	10,941,231	14,048,490	16,664,705
Unrestricted	<u>42,334,597</u>	<u>52,195,409</u>	<u>45,892,005</u>	<u>49,409,182</u>	<u>40,946,812</u>
Total business-type activities net position	<u>\$ 206,452,623</u>	<u>\$ 215,541,538</u>	<u>\$ 212,943,737</u>	<u>\$ 216,021,321</u>	<u>\$ 221,876,346</u>
Primary Government					
Net investment in capital assets	\$ 203,805,385	\$ 206,646,531	\$ 208,425,424	\$ 206,503,110	\$ 220,546,768
Restricted	119,803,730	112,056,630	108,797,762	108,448,117	103,498,294
Unrestricted	<u>51,529,865</u>	<u>56,226,293</u>	<u>51,795,845</u>	<u>56,582,937</u>	<u>22,141,452</u>
Total primary government net position	<u>\$ 375,138,980</u>	<u>\$ 374,929,454</u>	<u>\$ 369,019,031</u>	<u>\$ 371,534,164</u>	<u>\$ 346,186,514</u>

Notes:

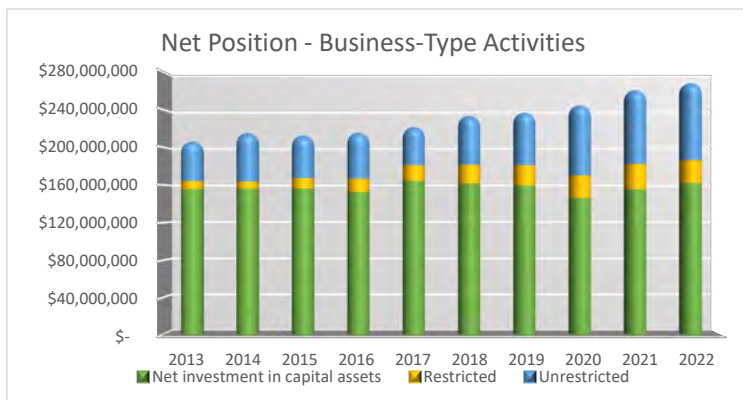
- (1) FY 2012 - 13 net position was restated from \$375,816,617 to \$375,138,980 for the implementation of GASB 65.
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 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,					
2018	2019	2020	2021	2022	
					Governmental activities
\$ 58,951,592	\$ 61,127,048	\$ 63,571,779	\$ 66,353,912	\$ 70,343,695	Net investment in capital assets
77,808,351	75,228,888	75,310,302	71,676,521	70,151,886	Restricted
<u>(21,372,170)</u>	<u>(21,950,036)</u>	<u>(17,961,098)</u>	<u>(12,323,055)</u>	<u>(6,690,457)</u>	Unrestricted
<u>\$ 115,387,773</u>	<u>\$ 114,405,900</u>	<u>\$ 120,920,983</u>	<u>\$ 125,707,378</u>	<u>\$ 133,805,124</u>	Total governmental activities net position
					Business-type activities
\$ 161,478,637	\$ 159,091,392	\$ 146,213,153	\$ 155,329,092	\$ 161,716,986	Net investment in capital assets
19,800,228	21,762,899	23,835,337	26,888,288	24,577,054	Restricted
<u>52,535,839</u>	<u>56,439,961</u>	<u>75,112,957</u>	<u>79,077,706</u>	<u>82,461,405</u>	Unrestricted
<u>\$ 233,814,704</u>	<u>\$ 237,294,252</u>	<u>\$ 245,161,447</u>	<u>\$ 261,295,086</u>	<u>\$ 268,755,445</u>	Total business-type activities net position
					Primary Government
\$ 220,430,229	\$ 220,218,440	\$ 209,784,932	\$ 221,683,004	\$ 232,060,681	Net investment in capital assets
97,608,579	96,991,787	99,145,639	98,564,809	94,728,940	Restricted
<u>31,163,669</u>	<u>34,489,925</u>	<u>57,151,859</u>	<u>66,754,651</u>	<u>75,770,948</u>	Unrestricted
<u>\$ 349,202,477</u>	<u>\$ 351,700,152</u>	<u>\$ 366,082,430</u>	<u>\$ 387,002,464</u>	<u>\$ 402,560,569</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,				
	2013 (1)	2014 (2)	2015	2016 (3)	2017 (4), (5)
Expenses					
Governmental activities:					
General government	\$ 3,649,012	\$ 3,209,352	\$ 6,285,821	\$ 19,245,528	\$ 8,991,653
Intergovernmental	-	-	-	-	13,794,014
Flood control	11,299,610	11,447,839	10,022,083	10,737,135	10,468,135
Warm Springs dam	4,025,973	6,123,874	8,617,924	6,720,953	9,861,623
Interest on long-term debt	3,191,498	3,091,715	2,988,713	2,882,388	2,772,636
Total governmental activities	<u>22,166,093</u>	<u>23,872,780</u>	<u>27,914,541</u>	<u>39,586,004</u>	<u>45,888,061</u>
Business-type activities:					
Water transmission	30,341,617	34,006,982	40,319,069	31,458,257	32,689,918
Water supply	5,827,236	6,308,724	6,741,377	5,803,845	7,183,788
Sanitation	5,451,593	4,743,336	5,166,464	5,165,501	5,818,886
Total business-type activities	<u>41,620,446</u>	<u>45,059,042</u>	<u>52,226,910</u>	<u>42,427,603</u>	<u>45,692,592</u>
Total expenses	<u>\$ 63,786,539</u>	<u>\$ 68,931,822</u>	<u>\$ 80,141,451</u>	<u>\$ 82,013,607</u>	<u>\$ 91,580,653</u>
Program revenues					
Governmental activities:					
Charges for services					
General government	\$ 961,169	\$ 2,645,169	\$ 946,849	\$ 10,957,871	\$ 1,484,451
Intergovernmental	-	-	-	-	11,984,014
Flood control	131,106	84,741	39,417	36,193	74,488
Warm Springs dam	96,126	19	106	46,612	715
Operating grants and contributions	785,690	1,622,316	1,723,931	3,033,039	1,253,477
Capital grants and contributions	3,168	-	-	100,477	16,207
Total governmental activities	<u>1,977,259</u>	<u>4,352,245</u>	<u>2,710,303</u>	<u>14,174,192</u>	<u>14,813,352</u>
Business-type activities:					
Charges for services					
Water transmission	38,209,541	40,184,486	35,493,217	32,236,696	33,936,713
Water supply	2,090,991	2,225,130	1,643,330	1,983,368	2,289,197
Sanitation	4,121,684	4,402,261	4,693,270	5,063,439	5,651,512
Operating grants and contributions	3,663,120	3,733,673	4,248,380	3,160,775	4,699,981
Capital grants and contributions	2,159,888	1,646,033	1,694,864	1,567,521	3,987,850
Total business-type activities	<u>50,245,224</u>	<u>52,191,583</u>	<u>47,773,061</u>	<u>44,011,799</u>	<u>50,565,253</u>
Total program revenues	<u>\$ 52,222,483</u>	<u>\$ 56,543,828</u>	<u>\$ 50,483,364</u>	<u>\$ 58,185,991</u>	<u>\$ 65,378,605</u>
Net (expense)/revenue					
Governmental activities	\$ (20,188,834)	\$ (19,520,535)	\$ (25,204,238)	\$ (25,411,812)	\$ (31,074,709)
Business-type activities	8,624,778	7,132,541	(4,453,849)	1,584,196	4,872,661
Total primary government net expense	<u>\$ (11,564,056)</u>	<u>\$ (12,387,994)</u>	<u>\$ (29,658,087)</u>	<u>\$ (23,827,616)</u>	<u>\$ (26,202,048)</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,					
2018	2019	2020	2021	2022	
					Expenses
					Governmental activities:
\$ 7,766,110	\$ 13,210,201	\$ 9,703,136	\$ 6,406,282	\$ 5,315,823	General government
14,336,168	13,025,872	12,587,202	15,347,561	16,472,460	Intergovernmental
14,170,068	12,483,365	14,288,805	12,101,628	12,625,704	Flood control
10,822,995	9,559,980	5,591,383	9,440,547	6,502,819	Warm Springs dam
2,659,344	2,542,398	2,421,680	2,297,070	2,168,441	Interest on long-term debt
<u>49,754,685</u>	<u>50,821,816</u>	<u>44,592,206</u>	<u>45,593,088</u>	<u>43,085,247</u>	Total governmental activities
					Business-type activities:
32,952,295	39,733,160	41,900,238	39,746,635	42,501,275	Water transmission
4,699,307	5,036,761	6,394,595	5,213,705	5,380,873	Water supply
7,593,186	6,844,365	7,186,759	7,926,806	7,221,720	Sanitation
<u>45,244,788</u>	<u>51,614,286</u>	<u>55,481,592</u>	<u>52,887,146</u>	<u>55,103,868</u>	Total business-type activities
<u>\$ 94,999,473</u>	<u>\$ 102,436,102</u>	<u>\$ 100,073,798</u>	<u>\$ 98,480,234</u>	<u>\$ 98,189,115</u>	Total expenses
					Program revenues
					Governmental activities:
					Charges for services
\$ 1,754,440	\$ 2,302,159	\$ 2,657,350	\$ 3,445,339	\$ 3,602,765	General government
11,237,954	11,775,872	11,744,802	14,255,561	14,195,485	Intergovernmental
113,649	111,550	779,600	66,875	81,500	Flood control
61	48	81	-	-	Warm Springs dam
2,560,079	5,485,759	5,016,803	5,933,734	3,229,077	Operating grants and contributions
296,313	7,893	-	-	-	Capital grants and contributions
<u>15,962,496</u>	<u>19,683,281</u>	<u>20,198,636</u>	<u>23,701,509</u>	<u>21,108,827</u>	Total governmental activities
					Business-type activities:
					Charges for services
40,246,329	39,464,502	44,692,393	51,339,633	47,353,833	Water transmission
3,136,365	3,069,451	3,212,893	3,750,171	3,528,819	Water supply
5,249,866	5,765,353	5,886,196	6,445,163	6,732,456	Sanitation
1,588,746	423,291	1,537,635	572,263	1,079,927	Operating grants and contributions
1,974,789	1,301,187	4,279,162	1,049,722	4,128,599	Capital grants and contributions
<u>52,196,095</u>	<u>50,023,784</u>	<u>59,608,279</u>	<u>63,156,952</u>	<u>62,823,634</u>	Total business-type activities
<u>\$ 68,158,591</u>	<u>\$ 69,707,065</u>	<u>\$ 79,806,915</u>	<u>\$ 86,858,461</u>	<u>\$ 83,932,461</u>	Total program revenues
					Net (expense)/revenue
\$ (33,792,189)	\$ (31,138,535)	\$ (24,393,570)	\$ (21,891,579)	\$ (21,976,420)	Governmental activities
6,951,307	(1,590,502)	4,126,687	10,269,806	7,719,766	Business-type activities
<u>\$ (26,840,882)</u>	<u>\$ (32,729,037)</u>	<u>\$ (20,266,883)</u>	<u>\$ (11,621,773)</u>	<u>\$ (14,256,654)</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,				
	2013 (1)	2014 (2)	2015	2016 (3)	2017 (4), (5)
General revenues					
Governmental activities:					
Property taxes	\$ 20,075,888	\$ 20,350,239	\$ 21,953,371	\$ 23,629,448	\$ 25,228,577
Unrestricted investment earnings (loss)	284,722	1,920,952	1,448,245	2,138,047	447,480
Miscellaneous	(352,044)	(749,000)	-	-	-
Transfers	(1,234,429)	(1,100,000)	(1,510,000)	(918,134)	(1,585,000)
Total governmental activities	<u>18,774,137</u>	<u>20,422,191</u>	<u>21,891,616</u>	<u>24,849,361</u>	<u>24,091,057</u>
Business-type activities:					
Property taxes	38,981	39,282	40,664	46,892	49,437
Unrestricted investment earnings (loss)	415,176	812,853	305,384	528,362	329,230
Miscellaneous	-	4,239	-	-	-
Transfers	1,234,429	1,100,000	1,510,000	918,134	1,585,000
Total business-type activities	<u>1,688,586</u>	<u>1,956,374</u>	<u>1,856,048</u>	<u>1,493,388</u>	<u>1,963,667</u>
Total primary government	<u>\$ 20,462,723</u>	<u>\$ 22,378,565</u>	<u>\$ 23,747,664</u>	<u>\$ 26,342,749</u>	<u>\$ 26,054,724</u>
Change in net position					
Governmental activities	\$ (1,414,697)	\$ 901,656	\$ (3,312,622)	\$ (562,451)	\$ (6,983,652)
Business-type activities	10,313,364	9,088,915	(2,597,801)	3,077,584	6,836,328
Total primary government	<u>\$ 8,898,667</u>	<u>\$ 9,990,571</u>	<u>\$ (5,910,423)</u>	<u>\$ 2,515,133</u>	<u>\$ (147,324)</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.

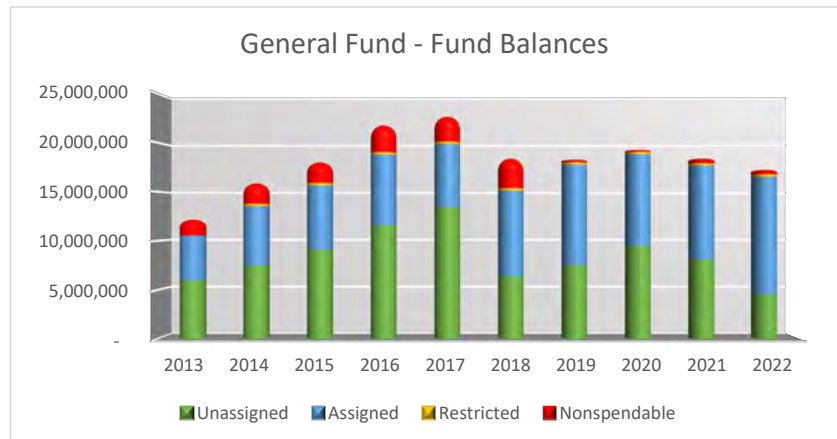
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

Fiscal Year Ending June 30,					
2018	2019	2020	2021	2022	
					General revenues
					Governmental activities:
\$ 26,877,485	\$ 28,851,629	\$ 30,729,248	\$ 31,832,141	\$ 34,983,468	Property taxes
1,136,042	3,595,033	2,172,405	413,033	(1,904,302)	Unrestricted investment earnings (loss)
-	-	-	-	-	Miscellaneous
(3,143,733)	(2,290,000)	(1,993,000)	(5,567,200)	(3,005,000)	Transfers
<u>24,869,794</u>	<u>30,156,662</u>	<u>30,908,653</u>	<u>26,677,974</u>	<u>30,074,166</u>	Total governmental activities
					Business-type activities:
46,928	24,262	510	129	-	Property taxes
815,087	2,755,788	1,746,998	296,504	(3,264,407)	Unrestricted investment earnings (loss)
-	-	-	-	-	Miscellaneous
3,143,733	2,290,000	1,993,000	5,567,200	3,005,000	Transfers
<u>4,005,748</u>	<u>5,070,050</u>	<u>3,740,508</u>	<u>5,863,833</u>	<u>(259,407)</u>	Total business-type activities
<u>\$ 28,875,542</u>	<u>\$ 35,226,712</u>	<u>\$ 34,649,161</u>	<u>\$ 32,541,807</u>	<u>\$ 29,814,759</u>	Total primary government
					Change in net position
\$ (8,922,395)	\$ (981,873)	\$ 6,515,083	\$ 4,786,395	\$ 8,097,746	Governmental activities
<u>10,957,055</u>	<u>3,479,548</u>	<u>7,867,195</u>	<u>16,133,639</u>	<u>7,460,359</u>	Business-type activities
<u>\$ 2,034,660</u>	<u>\$ 2,497,675</u>	<u>\$ 14,382,278</u>	<u>\$ 20,920,034</u>	<u>\$ 15,558,105</u>	Total primary government

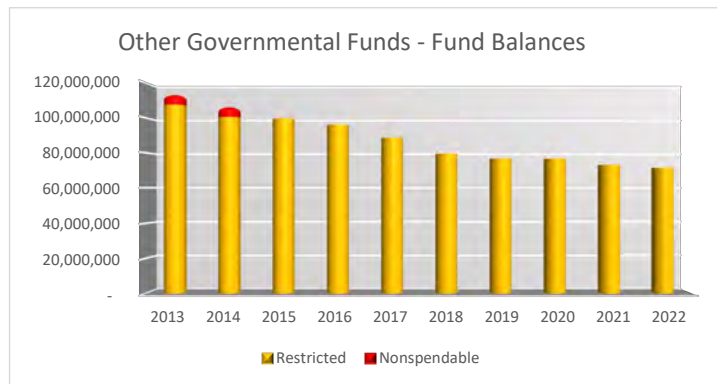
Sonoma Water
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30,				
	2013	2014	2015	2016	2017
General Fund					
Nonspendable	\$ 1,605,010	\$ 2,100,665	\$ 2,141,132	\$ 2,807,196	\$ 2,627,502
Restricted	-	250,000	250,000	250,000	250,000
Assigned	4,558,922	6,045,621	6,557,623	7,158,891	6,429,828
Unassigned	5,986,297	7,487,201	9,104,242	11,635,437	13,446,060
Total General Fund	<u>\$ 12,150,229</u>	<u>\$ 15,883,487</u>	<u>\$ 18,052,997</u>	<u>\$ 21,851,524</u>	<u>\$ 22,753,390</u>
All other governmental funds					
Nonspendable	\$ 5,950,798	\$ 5,950,798	\$ -	\$ 364	\$ 18,967
Restricted	107,475,354	100,465,183	99,575,876	96,046,979	88,586,028
Total all other governmental funds	<u>\$ 113,426,152</u>	<u>\$ 106,415,981</u>	<u>\$ 99,575,876</u>	<u>\$ 96,047,343</u>	<u>\$ 88,604,995</u>



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

		June 30,								
		2018	2019	2020	2021	2022				
\$	3,060,176	\$	299,415	\$	229,509	\$	509,405	\$	485,542	General Fund
	250,000		250,000		250,000		250,000		250,000	Nonspendable
	8,708,445		10,201,064		9,321,534		9,575,786		11,977,908	Restricted
	6,416,548		7,555,059		9,503,527		8,097,858		4,555,917	Assigned
	<u>18,435,169</u>		<u>18,305,538</u>		<u>19,304,570</u>		<u>18,433,049</u>		<u>17,269,367</u>	Total General Fund
\$	1,122	\$	824	\$	-	\$	11,333	\$	11,333	All other governmental funds
	79,489,571		76,722,317		76,622,585		73,065,663		71,440,732	Nonspendable
	<u>79,490,693</u>		<u>76,723,141</u>		<u>76,622,585</u>		<u>73,076,996</u>		<u>71,452,065</u>	Total all other governmental funds



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

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016 (1)	2017 (2)
Revenues					
Property taxes	\$ 20,075,888	\$ 20,350,239	\$ 21,953,368	\$ 23,629,448	\$ 25,228,577
Investment earnings (loss)	284,722	1,920,952	1,448,245	2,138,047	447,480
Intergovernmental	788,858	1,622,316	1,723,931	3,133,516	1,273,673
Charges for services	918,787	1,115,125	1,098,927	12,337,610	13,506,968
Miscellaneous	269,614	46,992	68,852	89,471	32,711
Total Revenues	<u>22,337,869</u>	<u>25,055,624</u>	<u>26,293,323</u>	<u>41,328,092</u>	<u>40,489,409</u>
Expenditures					
Current:					
General government	3,378,536	2,927,603	5,351,148	17,502,809	5,954,665
Intergovernmental	-	-	-	-	13,794,014
Flood control	9,739,923	9,888,655	8,161,854	8,560,561	8,903,573
Warm Springs dam	4,024,221	6,118,708	8,609,601	6,675,502	9,824,653
Capital outlay	927,214	1,262,999	1,045,743	1,115,520	682,415
Debt Service:					
Principal	3,028,951	3,126,635	3,227,469	3,331,555	3,438,997
Interest and fiscal charges	3,256,620	3,158,937	3,058,103	2,954,017	2,846,574
Total expenditures	<u>24,355,465</u>	<u>26,483,537</u>	<u>29,453,918</u>	<u>40,139,964</u>	<u>45,444,891</u>
Excess (deficiency) of revenues over expenditures	<u>(2,017,596)</u>	<u>(1,427,913)</u>	<u>(3,160,595)</u>	<u>1,188,128</u>	<u>(4,955,482)</u>
Other financing sources (Uses)					
Transfers in	-	-	-	-	200,000
Transfers out	(1,784,429)	(1,850,000)	(1,510,000)	(918,134)	(1,785,000)
Proceeds from sale of capital assets	197,956	1,000	-	-	-
Total other financing uses	<u>(1,586,473)</u>	<u>(1,849,000)</u>	<u>(1,510,000)</u>	<u>(918,134)</u>	<u>(1,585,000)</u>
Net change in fund balances	<u>\$ (3,604,069)</u>	<u>\$ (3,276,913)</u>	<u>\$ (4,670,595)</u>	<u>\$ 269,994</u>	<u>\$ (6,540,482)</u>
Debt service as a percentage of noncapital expenditures	26.8%	24.9%	22.1%	16.1%	14.0%

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)

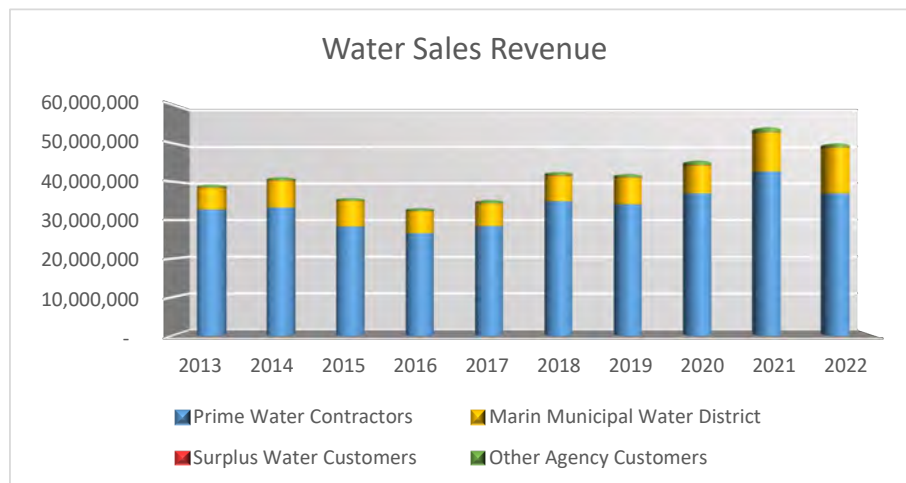
Fiscal Year Ended June 30,					
2018	2019	2020	2021	2022	
Revenues					
\$ 26,877,486	\$ 28,851,629	\$ 30,729,248	\$ 31,832,141	\$ 34,983,468	Property taxes
1,135,042	3,595,032	2,172,405	413,033	(1,904,302)	Investment earnings (loss)
2,856,392	5,109,904	4,701,071	5,573,440	3,125,576	Intergovernmental
13,103,270	14,087,983	15,174,147	17,690,777	17,580,933	Charges for services
2,834	101,646	7,685	76,998	298,817	Miscellaneous
<u>43,975,024</u>	<u>51,746,194</u>	<u>52,784,556</u>	<u>55,586,389</u>	<u>54,084,492</u>	Total Revenues
Expenditures					
Current:					
9,321,669	12,225,790	12,238,391	12,171,141	11,818,585	General government
14,336,168	13,025,872	12,587,202	15,347,561	16,472,460	Intergovernmental
11,851,261	10,843,800	12,734,685	10,566,945	11,131,089	Flood control
10,774,266	9,462,826	5,524,000	8,966,812	6,433,230	Warm Springs dam
1,694,878	509,518	523,230	1,098,268	1,727,169	Capital outlay
Debt Service:					
3,549,905	3,664,389	3,782,566	3,904,554	4,030,476	Principal
2,735,667	2,621,182	2,503,006	2,381,018	2,255,096	Interest and fiscal charges
<u>54,263,814</u>	<u>52,353,377</u>	<u>49,893,080</u>	<u>54,436,299</u>	<u>53,868,105</u>	Total expenditures
<u>(10,288,790)</u>	<u>(607,183)</u>	<u>2,891,476</u>	<u>1,150,090</u>	<u>216,387</u>	Excess (deficiency) of revenues over expenditures
Other financing sources (Uses)					
-	-	750,000	4,100,000	7,225,000	Transfers in
(3,143,733)	(2,290,000)	(2,743,000)	(9,667,200)	(10,230,000)	Transfers out
-	-	-	-	-	Proceeds from sale of capital assets
<u>(3,143,733)</u>	<u>(2,290,000)</u>	<u>(1,993,000)</u>	<u>(5,567,200)</u>	<u>(3,005,000)</u>	Total other financing uses
<u>\$ (13,432,523)</u>	<u>\$ (2,897,183)</u>	<u>\$ 898,476</u>	<u>\$ (4,417,110)</u>	<u>\$ (2,788,613)</u>	Net change in fund balances
12.0%	12.1%	12.7%	11.8%	12.1%	Debt service as a percentage of noncapital expenditures

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

Fiscal Year Ended June 30,	Marin				Less Meter Fees	Total Water Sales Revenue
	Prime Water Contractors (1)	Municipal Water District	Other Agency Customers (2)	Surplus Water Customers (3)		
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
2022	36,958,601	11,846,931	1,250,688	53,345	(22,896)	50,086,669

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

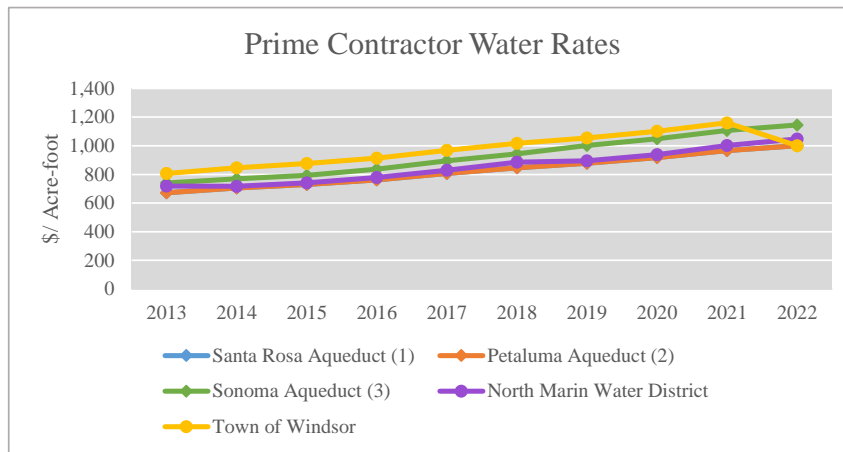
**Sonoma Water
Water Rates by Category (Unaudited)
Last Ten Fiscal Years**

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
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
2022	1,000.46	1,000.46	1,145.18	1,047.34	1,000.46

Notes:

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

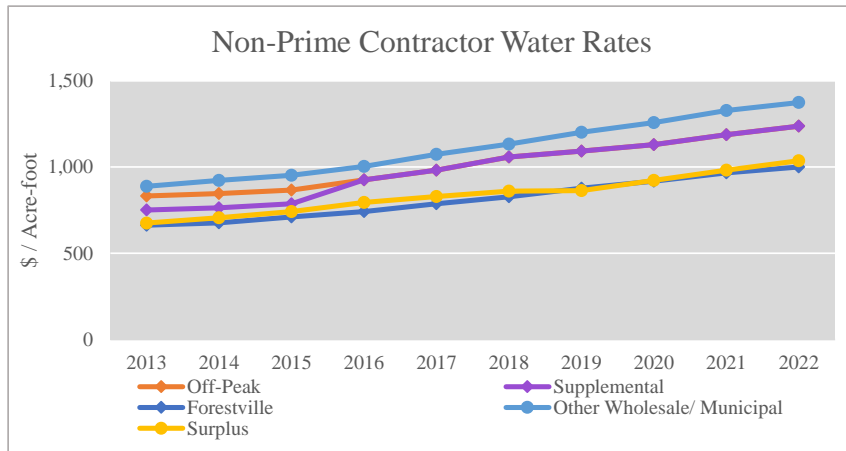


Source: Sonoma Water Finance and Accounting Division

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

Water Rates (in dollars per acre-foot)

Fiscal Year Ended June 30,	Marin Municipal Water District		Municipal / Wholesale Other		
	Off-Peak	Supplemental	Forestville	Wholesale/ Municipal	
				Surplus	
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
2022	1,237.08	1,237.08	1,000.46	1,374.21	1,036.74



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

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2022			Fiscal Year Ended June 30, 2013		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$ 15,442,332	1	30.8%	\$ 13,983,252	1	35.6%
Marin Municipal Water District	11,846,931	2	23.7%	5,547,274	3	14.1%
City of Petaluma	7,941,507	3	15.9%	6,331,083	2	16.1%
North Marin Water District	6,120,520	4	12.2%	5,336,668	4	13.6%
City of Rohnert Park	2,172,132	5	4.3%	2,580,380	5	6.6%
Valley of the Moon Water District	2,022,474	6	4.0%	1,917,064	6	4.9%
City of Sonoma	1,798,731	7	3.6%	1,562,885	7	4.0%
Town of Windsor	954,488	8	1.9%	325,756	9	0.8%
City of Cotati	453,872	9	0.9%	368,816	8	0.9%
Forestville	363,441	10	0.7%	-		
Cal American Water	-			305,442	10	<u>0.8%</u>
Total Water Sales Top 10 Water Customers	49,116,428		98.1%	38,258,620		97.5%
Total Water Sales All Other Customers	970,241		<u>1.9%</u>	978,622		<u>2.5%</u>
Total Water Sales	<u>\$ 50,086,669</u>		<u>100.0%</u>	<u>\$ 39,237,242</u>		<u>100.0%</u>

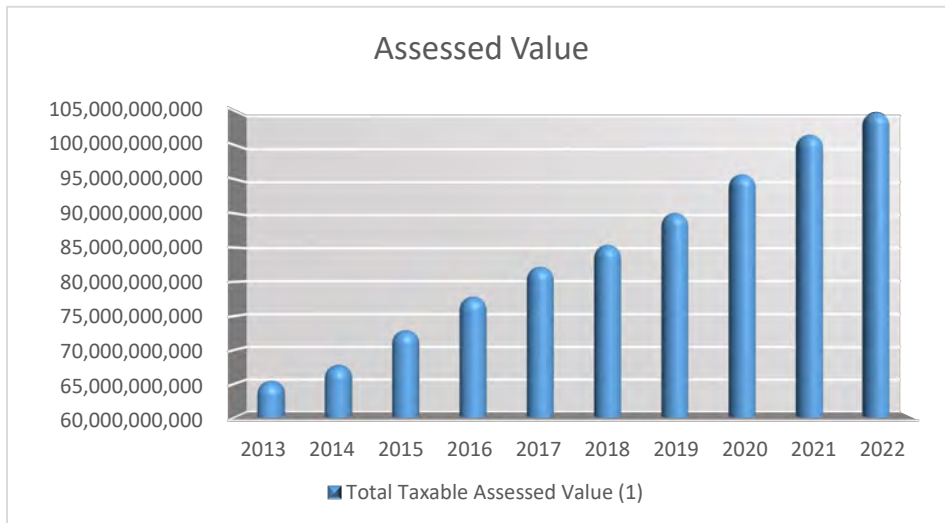
Source: Sonoma Water Finance and Accounting Division

**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)
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%
2022	105,018,298,991	3,700,904,432	(3,724,094,412)	104,995,109,011	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	
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%
2022	0.0233%	0.2138%	0.7629%	1.0000%	0.0070%	0.0980%	0.0253%	1.1303%

Notes:

- (1) County General Levy apportioned to 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, 2022			Fiscal Year Ended June 30, 2013		
	Total Taxes (2)	Rank	Percentage of Total County Taxes	Total Taxes (2)	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 21,247,162	1	1.72%	\$ 8,714,394	2	1.13%
Geysers Power Co LLC	14,183,964	2	1.15%	11,313,554	1	1.46%
Keysight Technologies (1)	3,168,678	3	0.26%	-		
Foley Family Farms LP	1,903,947	4	0.15%	-		
Enclave Apartments Property Owner LLC	1,753,151	5	0.14%	-		
Pacific Bell Telephone Co.	1,751,253	6	0.14%	1,718,198	3	0.22%
Jackson Family Investments III LLC	1,409,826	7	0.11%	-		
Foley Family Farms LLC	1,230,943	8	0.10%	-		
Gallo Vineyards Inc.	1,192,394	9	0.10%	-		
CWI-Fairmont Sonoma Hotel LLC	1,190,643	10	0.10%	-		
Agilent Technologies (1)	-			1,601,622	4	0.21%
Ferrari-Carano Vineyards & Winery LLC	-			961,035	5	0.12%
EMI Santa Rosa LTD PTP	-			926,666	6	0.12%
Constellation Wines US Inc.	-			840,664	7	0.11%
Vareena LLC	-			835,496	8	0.11%
Silverado Sonoma Vineyards LLC	-			796,786	9	0.10%
CPN Wild Horse Geothermal LLC	-			779,050	10	0.10%
Total Taxes Top 10 Taxpayers	49,031,961		3.96%	28,487,465		3.69%
Taxes Paid by all Other Taxpayers	1,188,935,826		96.04%	744,299,320		96.31%
Total Taxes	<u>\$ 1,237,967,787</u>		<u>100.00%</u>	<u>\$ 772,786,785</u>		<u>100.00%</u>

Notes

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

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

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

Fiscal Year Ended June 30,	Taxes Levied (1)	Collections within the fiscal year of the levy			Total Collections to Date	
		Amount	% of Levy	Collections in Subsequent Years (2)	Amount	% of Levy
2013	653,049,756	641,750,036	98.3%	10,839,000	652,589,036	99.9%
2014	676,857,581	667,922,384	98.7%	8,491,000	676,413,384	99.9%
2015	728,496,859	721,075,408	99.0%	6,950,000	728,025,408	99.9%
2016	778,237,090	770,591,620	99.0%	7,025,000	777,616,620	99.9%
2017	822,152,967	815,344,431	99.2%	6,088,000	821,432,431	99.9%
2018	854,549,002	844,871,868	98.9%	8,686,000	853,557,868	99.9%
2019	901,683,268	893,578,037	99.1%	6,583,000	900,161,037	99.8%
2020	958,370,031	946,294,568	98.7%	9,311,000	955,605,568	99.7%
2021	1,016,809,112	1,003,959,146	98.7%	8,636,000	1,012,595,146	99.6%
2022	1,049,951,090	1,036,500,992	98.7%	-	1,036,500,992	98.7%

Notes:

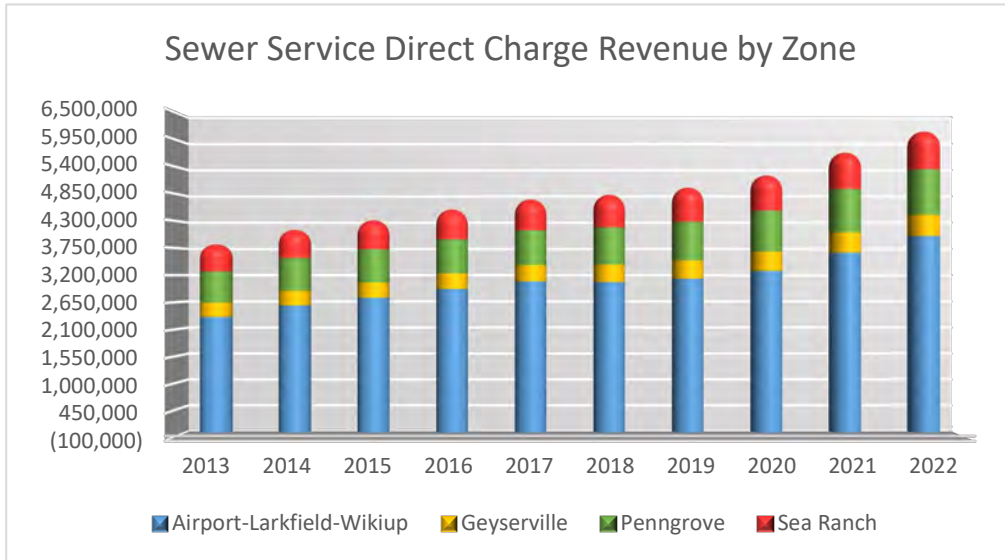
(1) Represents the County of Sonoma General Levy.

(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**

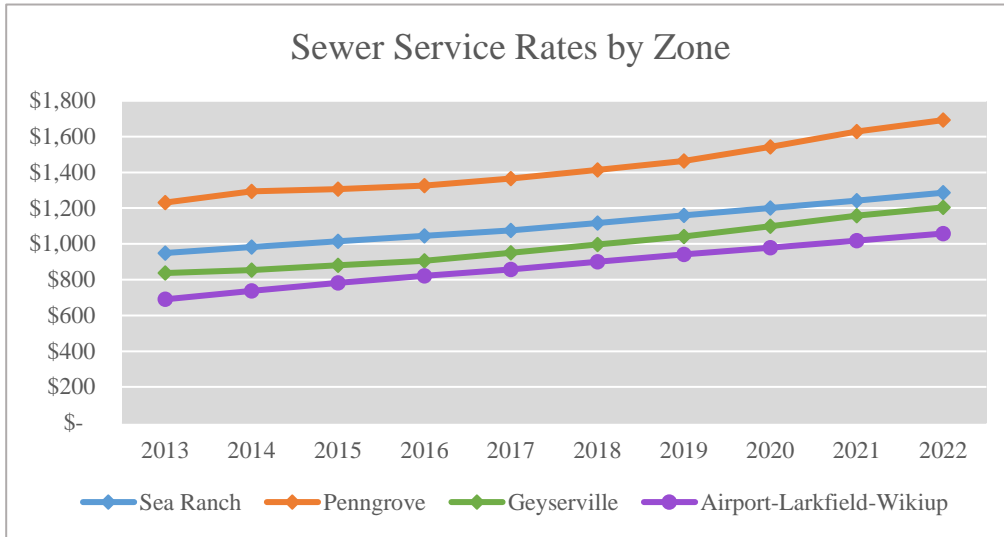
Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
2013	548,143	627,896	289,050	2,359,595	3,824,684
2014	571,132	665,538	295,057	2,589,444	4,121,171
2015	591,973	675,293	303,899	2,745,446	4,316,611
2016	611,116	687,226	313,222	2,923,213	4,534,777
2017	631,397	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
2022	785,412	915,000	428,239	3,991,501	6,120,152



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
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
2022	1,286	1,692	1,204	1,058



Source: Sonoma Water, Finance and Accounting Division

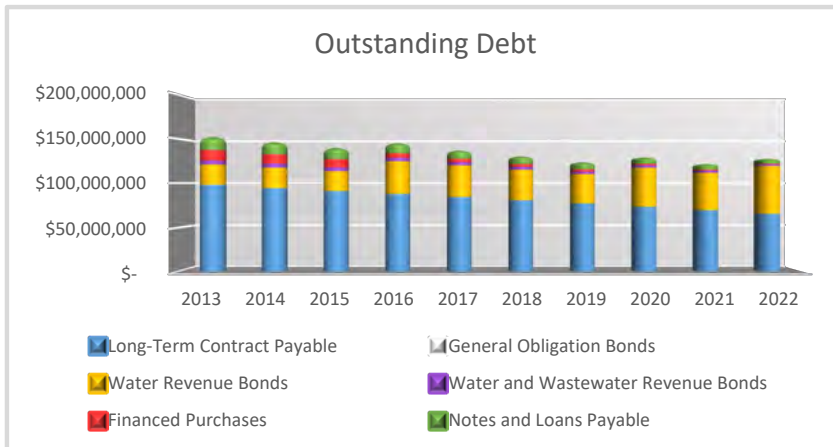
Sonoma Water
Principal Sanitation Customers (Unaudited)
Current Year and Nine Years Ago

Customer	Fiscal Year Ended June 30, 2022			Fiscal Year Ended June 30, 2013		
	Direct Charges	Rank	Percentage of Total Direct Charges	Direct Charges	Rank	Percentage of Total Direct Charges
Vineyard Creek LP	\$ 196,365	1	3.21%	\$ 128,064	1	3.35%
North Coast Detention Facility	186,430	2	3.05%	104,204	2	2.72%
Lilli Ann Properties, Inc	120,189	3	1.96%	59,312	3	1.55%
RMB Real Estate Investments 2 LLC	81,678	4	1.33%			
5209 Old Redwood Highway LLC	72,790	5	1.19%	47,472	4	1.24%
Penngrove Village LLC	59,558	6	0.97%			
Sutter Medical Center	50,657	7	0.83%			
Ring Properties LLC E ET AL	49,927	8	0.82%	32,168	7	0.84%
Kendall-Jackson Winery	49,509	9	0.81%			
Redwood Village Mobile Home Park	48,583	10	0.79%	31,685	8	0.83%
Westle Joel TR & Julie TR				43,331	5	1.13%
Larkfield Oaks LP				30,912	9	0.81%
Mark West Union School District				42,062	6	1.10%
Lavell Village Assoc.				27,048	10	0.71%
Total Direct Charges Top 10 Sanitation Customers	915,686		14.96%	546,258		14.28%
Total Direct Charges All Other Customers	5,204,466		85.04%	3,278,426		85.72%
	<u>\$ 6,120,152</u>		<u>100.00%</u>	<u>\$ 3,824,684</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	Financed Purchases	Notes and Loans Payable	
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
2022	65,894,980	-	53,401,320	1,944,534	764,694	5,710,067	127,715,595



Fiscal Year Ended June 30,	Population	Ratios of Sonoma Water Debt		
		Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
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
2022	482,404	0.12%	0.37%	265

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

**Sonoma Water
Direct and Overlapping Debt (Unaudited)
June 30, 2022**

2021-22 Assessed Valuation	<u>\$ 104,995,109,011</u>	
<u>Direct Debt</u>		
Sonoma Water	<u>\$ 65,894,980</u>	
<u>Overlapping Debt</u>	<u>Total Debt</u>	<u>Percent Applicable</u>
County of Sonoma	\$ 342,383,686	100%
High School Districts	253,946,054	100%
Unified School Districts	597,191,925	100%
Elementary Districts	347,671,508	100%
Santa Rosa Junior College	324,890,000	100%
<u>Total Overlapping Debt</u>	<u>\$ 1,866,083,173</u>	
<u>Total Direct and Overlapping Debt</u>	<u>\$ 1,931,978,153</u>	
<u>Ratio of 2021-22 Assessed Valuation</u>		
Total Direct Debt	0.06%	
Total Overlapping and Direct Debt	1.84%	

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 Fund (Unaudited)
Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Operating revenues:					
Water sales (1)	\$ 37,236,068	\$ 39,312,638	\$ 34,207,795	\$ 31,147,906	\$ 33,208,443
(Subcharges) (2)	(8,523,628)	(8,776,855)	(8,162,101)	(7,574,647)	(6,891,146)
Installation charges (3)	28,421	26,184	48,434	24,664	23,820
Miscellaneous revenue (4)	109,293	130,635	618,570	474,482	494,169
Power sales (5)	835,759	715,029	618,418	589,644	210,280
Total operating revenues	29,685,913	31,407,631	27,331,116	24,662,049	27,045,566
Other revenues/(expenses) (6)	664,726	(1,209,299)	366,439	817,601	865,572
Total gross revenues	30,350,639	30,198,332	27,697,555	25,479,650	27,911,138
(O&M expenses) (7)	(24,552,075)	(27,450,432)	(24,534,397)	(28,718,318)	(28,384,243)
O&M subfund expense Adjustment (8)	5,293,091	6,254,739	5,830,697	8,134,667	5,708,105
Net revenues	<u>\$ 11,091,655</u>	<u>\$ 9,002,639</u>	<u>\$ 8,993,855</u>	<u>\$ 4,895,999</u>	<u>\$ 5,235,000</u>
Principal and Interest Payments	\$ 2,739,267	\$ 2,606,495	\$ 2,604,651	\$ 2,518,562	\$ 3,363,145
Coverage ratio	405%	345%	345%	194%	156%

Notes:

- (1) Total Water Transmission fund water sales revenue.
- (2) Water sales subcharges restricted for water conservation, watershed planning, watershed management and restoration, and recycled water are excluded from pledged revenue in the debt covenants.
- (3) Connection fees and meter fees.
- (4) Represents charges for services, donations and reimbursements, and other miscellaneous adjustments.
- (5) Power sales from the Warm Springs Dam hydroelectric plant.
- (6) Includes non-operating revenues and expenses such as intergovernmental revenue and investment earnings net of costs of issuance. Beginning in FY 2021-22, non-cash unrealized gains and losses on investments are excluded.
- (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 Fund (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ending June 30,						
2018	2019	2020	2021	2022		
						Operating revenues:
\$ 39,778,515	\$ 39,288,806	\$ 42,931,384	\$ 51,227,762	\$ 46,803,250		Water sales (1)
(7,871,056)	(7,497,005)	(8,307,298)	(9,442,463)	(9,240,090)		(Subcharges) (2)
23,820	23,820	23,820	23,378	22,896		Installation charges (3)
299,470	115,719	1,710,804	88,493	527,687		Miscellaneous revenue (4)
144,524	36,156	26,385	-	-		Power sales (5)
<u>32,375,273</u>	<u>31,967,496</u>	<u>36,385,095</u>	<u>41,897,170</u>	<u>38,113,743</u>		Total operating revenues
<u>891,745</u>	<u>1,754,958</u>	<u>1,587,689</u>	<u>269,244</u>	<u>171,483</u>		Other revenues/(expenses) (6)
33,267,018	33,722,454	37,972,784	42,166,414	38,285,226		Total gross revenues
(28,676,002)	(29,377,249)	(30,253,879)	(32,661,373)	(33,625,979)		(O&M expenses) (7)
<u>5,227,863</u>	<u>4,707,644</u>	<u>6,044,660</u>	<u>7,030,278</u>	<u>6,841,756</u>		O&M subfund expense Adjustment (8)
<u>\$ 9,818,879</u>	<u>\$ 9,052,849</u>	<u>\$ 13,763,565</u>	<u>\$ 16,535,319</u>	<u>\$ 11,501,003</u>		Net revenues
\$ 3,379,027	\$ 3,361,096	\$ 3,582,328	\$ 4,141,906	\$ 4,146,888		Principal and Interest Payments
291%	269%	384%	399%	277%		Coverage ratio

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

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Revenues:					
User fees (1),(2)	\$ 2,586,937	\$ 2,836,599	\$ 2,998,036	\$ 3,180,932	\$ 3,791,646
Change in accounting estimate - user fees (3)	-	-	-	-	(67,371)
Connection fees	503,824	381,275	233,246	651,300	1,735,015
Offset to connection fees (4)	-	-	-	-	-
Change in accounting estimate - connection fees (3)	-	-	-	-	(913,932)
Interest earnings (5)	11,348	32,112	4,202	20,377	17,857
Other operating revenues (6)	833,403	285,351	104,999	250,308	187,635
Transfer from Rate Stabilization Fund (7)	-	-	-	-	-
Total revenues	<u>3,935,512</u>	<u>3,535,337</u>	<u>3,340,483</u>	<u>4,102,917</u>	<u>4,750,850</u>
Operating expenses (8)	<u>2,815,310</u>	<u>2,209,981</u>	<u>2,703,581</u>	<u>2,333,550</u>	<u>2,952,236</u>
System net revenues	<u>\$ 1,120,202</u>	<u>\$ 1,325,356</u>	<u>\$ 636,902</u>	<u>\$ 1,769,367</u>	<u>\$ 1,798,614</u>
Debt service					
2005/2017 Bonds	<u>\$ 457,819</u>	<u>\$ 459,043</u>	<u>\$ 454,694</u>	<u>\$ 459,587</u>	<u>\$ 456,619</u>
Coverage ratio	245%	289%	140%	385%	394%

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) Beginning in FY 2021-2022, excludes non-cash unrealized gains and losses.
- (6) Includes intergovernmental and miscellaneous revenue.
- (7) Transfer from Rate Stabilization Fund made within 120 days after fiscal year end.
- (8) 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

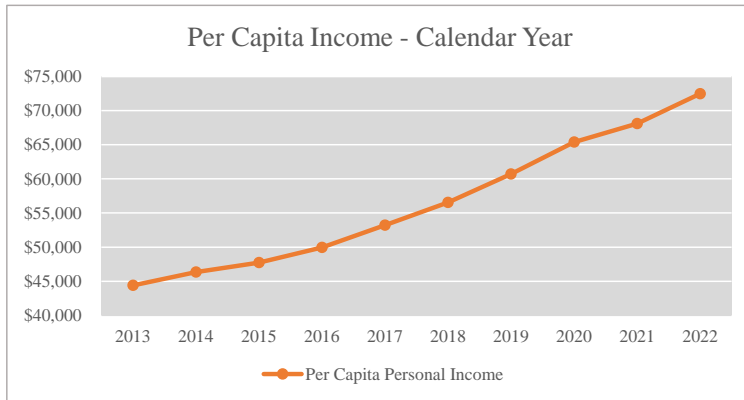
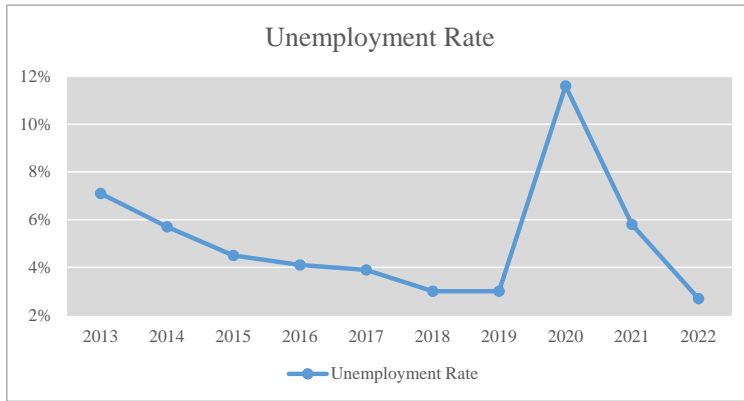
Fiscal Year Ending June 30,						
2018	2019	2020	2021	2022		
\$ 3,288,929	\$ 3,729,734	\$ 3,752,984	\$ 4,210,488	\$ 4,395,755		Revenues:
67,371	-	-	-	-		User fees (1),(2)
27,293	1,112,905	908,744	330,280	533,732		Change in accounting estimate - user fees (3)
(913,932)	-	-	-	-		Connection fees
913,932	-	-	-	-		Offset to connection fees (4)
44,227	169,676	61,235	65,670	75,462		Change in accounting estimate - connection fees (3)
1,197,506	166,170	321,465	971,310	173,223		Interest earnings (5)
211,500	-	-	-	-		Other operating revenues (6)
4,836,826	5,178,485	5,044,428	5,577,748	5,178,172		Transfer from Rate Stabilization Fund (7)
4,338,604	3,495,110	4,004,888	4,771,573	3,675,071		Total revenues
\$ 498,222	\$ 1,683,375	\$ 1,039,540	\$ 806,175	\$ 1,503,101		Operating expenses (8)
						System net revenues
\$ 414,691	\$ 417,936	\$ 413,961	\$ 417,711	\$ 410,711		Debt service
120%	403%	251%	193%	366%		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)
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%
2022	482,404	34,966,152	72,483	64,802	2.7%

Notes:

- (1) Calendar year
- (2) The population estimate for 2022 is as of May 2, 2022, the most recent available data
- (3) Personal income is estimated in thousands. The 2022 estimate is as of 2020, 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 2022.

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

Principal Employers							
Employer	Fiscal Year Ended June 30, 2022				Fiscal Year Ended June 30, 2013		
	Source	Number of Employees	Rank	% of Total County Employment	Number of Employees (8)	Rank	% of Total County Employment
County of Sonoma	(1)	4,156	1	1.7%	3,925	1	1.7%
Kaiser Permanente	(2)	3,015	2	1.2%	2,827	2	1.2%
Santa Rosa Junior College	(2)	2,473	3	1.0%	2,160	3	0.9%
Santa Rosa City Schools	(4)	1,607	4	0.7%	1,352	7	0.6%
Keysight Technologies	(2)	1,500	5	0.6%			
Providence-Sonoma County	(2)	1,476	6	0.6%			
State of California	(3)	1,263	7	0.5%			
Sonoma State University	(5)	1,210	8	0.5%	999	10	0.4%
City of Santa Rosa	(6)	1,247	9	0.5%	1,199	8	0.5%
Sutter Medical Center	(2)	1,200	10	0.5%			
Graton Resort and Casino					2,000	4	0.9%
Sutter Medical Center					1,797	5	0.8%
St. Joseph's Health System					1,467	6	0.6%
Agilent Technologies					1,175	9	0.5%
Ten largest employers		19,147		7.9%	18,901		8.0%
All other employers		223,953		92.1%	215,999		92.0%
Total County Employment	(7)	<u>243,100</u>		<u>100.0%</u>	<u>234,900</u>		<u>100.0%</u>

Sources:

- (1) County of Sonoma Adopted Budget Schedules 2021-2022, 2012-2013
- (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 2012-2013, County of Sonoma Annual Comprehensive Financial Report, 2012-2013

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

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Flood Control										
Channel vegetation removed (cubic feet)	4,642	5,622	3,129	3,879	5,983	2,191	4,255	4,606	6,169	3,536
Sediment removed (cubic feet) (1)	41,491	38,861	20,460	17,792	17,552	26,806	26,230	38,943	20,211	22
Water Transmission										
Total water delivered (acre-feet)	54,244	54,963	45,868	39,905	40,356	46,134	44,058	46,254	52,671	44,237
Hydroelectric power production (MWh) (2)	13,261	10,926	9,777	8,820	8,951	3,356	3,162	0	0	0
Water Supply/Warm Springs Dam										
Total diversion (acre-feet)	55,428	55,538	46,176	40,028	41,873	45,745	45,640	48,123	53,599	45,846
Lake Sonoma water storage at Sept. 30 (acre-feet)	215,874	190,471	147,391	178,398	212,620	219,186	195,821	219,455	180,646	109,356
Sanitation										
Amount of wastewater treated (mg)	274	265	265	273	353	274	343	257	232	250
Number of ESD's (3)	5,172	5,185	5,235	5,252	5,325	5,314	5,149	5,379	5,380	5,388
Number of Employees (Full Time Equivalent)	194.50	207.50	209.50	221.75	226.75	229.75	233.75	241.00	243.00	251.00

Notes:

- (1) The decrease in cubic yards of sediment removed in the 2022 field season is due to ongoing permitting discussions. We anticipate receiving the necessary permits to increase work before the start of the 2023 field season.
- (2) The hydropower unit was offline for all of fiscal years 19/20, 20/21, and 21/22 because the U.S. Army Corps of Engineers' low flow gate actuator controller has been broken impeding the low flow gate from opening. The U.S. Army Corps of Engineers is in the process of repairing the actuator/controller and anticipate completion in calendar year 2023.
- (3) From the 2021-22 budget.

Source: Sonoma Water, Administrative Services Division

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

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Flood Control										
Miles of engineered channels	150	150	150	150	150	150	150	150	150	150
Number of reservoirs	8	8	8	8	8	8	8	8	8	8
Reservoir capacity (acre-feet)	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827	85,827
Water Transmission										
Water mains (miles)	85	85	85	85	85	85	85	85	85	85
Number of chlorination facilities	3	3	3	3	3	3	3	3	3	3
Number of pumping plants and booster stations	21	21	21	21	21	21	21	21	21	21
Tank storage capacity (thousands of gallons)	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000
Number of production wells	9	9	9	9	9	9	9	9	9	9
Water Supply/ Warm Springs Dam										
Water rights (acre-feet)	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000
Water Supply Storage (acre-feet)	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000	381,000
Sanitation										
Collection system mileage	38	38	38	38	38	38	38	38	40	40
Number of treatment plants	4	4	4	4	4	4	4	4	4	4
Treatment capacity (Average Daily Dry Weather Flow in MGD)	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18
Number of lift stations	7	7	7	7	7	7	7	7	7	7

Source: Sonoma Water, Administrative Services Division

Compliance





**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Sonoma County Water Agency
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, 2022, and have issued our report thereon dated December 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sonoma Water's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sonoma Water's internal control. Accordingly, we do not express an opinion on the effectiveness of Sonoma Water's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Sonoma Water's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards*** (continued)

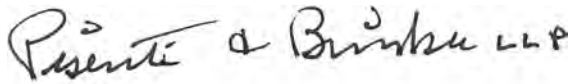
Independent Auditor's Report (continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sonoma Water's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sonoma Water's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sonoma Water's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Santa Rosa, California
December 2, 2022