

Sonoma County Water Agency

A Component Unit of the County of Sonoma, California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



Sonoma Water

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

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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

Table of Contents

<u>Introductory Section</u>	1
Letter of Transmittal	2
Directory of Appointed and Elected Officials	19
Organizational Chart	20
<u>Financial Section</u>	21
Independent Auditor’s Report.....	22
Management’s Discussion and Analysis.....	25
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	41
Statement of Activities	43
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	44
Statement of Revenues, Expenditures, and Changes in Fund Balances	45
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	46
Proprietary Funds:	
Statement of Net Position	47
Statement of Revenues, Expenses, and Changes in Net Position	49
Statement of Cash Flows	50
Notes to the Basic Financial Statements	51
Required Supplementary Information:	
Schedule of Net Pension Liability (Asset) and Contributions to Sonoma County Employee Retirement Association	100
Schedule of Proportionate Share of the Net OPEB Liability.....	101
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - General Fund	102
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - Flood Control Special Revenue Funds	103
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis - Warm Springs Dam Special Revenue Fund	104
Note to Required Supplementary Information.....	105

Table of Contents (continued)

Other Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis -

Debt Service Fund.....	107
Nonmajor Governmental Funds:	
Combining Balance Sheet – Flood Control Special Revenue Funds	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Flood Control Special Revenue Funds.....	109
Nonmajor Enterprise Funds:	
Combining Statement of Net Position – Sanitation Funds.....	110
Combining Statement of Revenues, Expenses, and Changes in Net Position – Sanitation Enterprise Funds	111
Combining Statement of Cash Flows – Sanitation Enterprise Funds.....	112
Internal Service Funds:	
Combining Statement of Net Position – Internal Service Funds.....	113
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.....	114
Combining Statement of Cash Flows – Internal Service Funds.....	115

Statistical Section 116

Narrative Summary 117

Financial Trends:

Net Position by Component.....	118
Changes in Net Position.....	120
Fund Balances of Governmental Funds.....	124
Changes in Fund Balances of Governmental Funds	126

Revenue Capacity:

Water Sales Revenue by Customer Type.....	128
Water Rates by Category	129
Principal Water Customers	131
Assessed Value of Taxable Property	132
Property Tax Rates – Direct and Overlapping Governments.....	133
Principal Revenue Taxpayers	134
Property Tax Levies and Collections.....	135
Sanitation Direct Charges by Zone	136
Sewer Service Rates by Zone	137
Principal Sanitation Customers.....	138

Table of Contents (continued)

Statistical Section (continued)

Debt Capacity:	
Ratios of Outstanding Debt.....	139
Direct and Overlapping Debt.....	140
Revenue Bond Debt Coverage – Water Transmission Fund	141
Revenue Bond Debt Coverage – Airport-Larkfield-Wikiup Sanitation Zone Fund	143
Economic and Demographic Information:	
Demographic and Economic Statistics	145
Principal Employers.....	146
Operating Information:	
Operating Indicators by Function/Program and Full-Time Equivalent Employees.....	147
Capital Asset Statistics by Function/Program.....	148
<u>Compliance</u>	149
Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental</i> <i>Accounting Standards</i>	150

Introductory Section





**Sonoma
Water**

November 1, 2023

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, 2023. 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, 2023.

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

Sonoma Water Profile

Mission

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

Vision

Ensuring resilient water resources now and for future generations.

Values

Community

Supporting our community by providing vital, high-quality services through sound operations, open communication, inclusive engagement, and timely response.

Our Team

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

Equity

Advancing policies and practices that foster an inclusive working environment and culturally responsive services to meet the diverse needs of the community.

Resilience

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

Integrity

Ensuring accountability through sound and clear business practices.

Environmental Stewardship

Protecting and enhancing the natural resources in our care.

More than 70 Years of Service

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

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

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

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

The General Manager administers the day-to-day operations of Sonoma Water in accordance with policies and procedures established by the Board of Directors. Sonoma Water employs 260 full-time equivalent employees, 70 part-time employees, plus a small cadre of temporary and seasonal employees as the workload dictates. Employees are represented by Service Employees' International Union - Local 1021, Western Council of Engineers, and International Union of Operating Engineers – Local 39.

Services Provided

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

Water Supply

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

Wastewater

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

Flood Protection Services

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

Water Use Efficiency

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

Environmental Resources

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

Community Outreach

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

Requests for Information

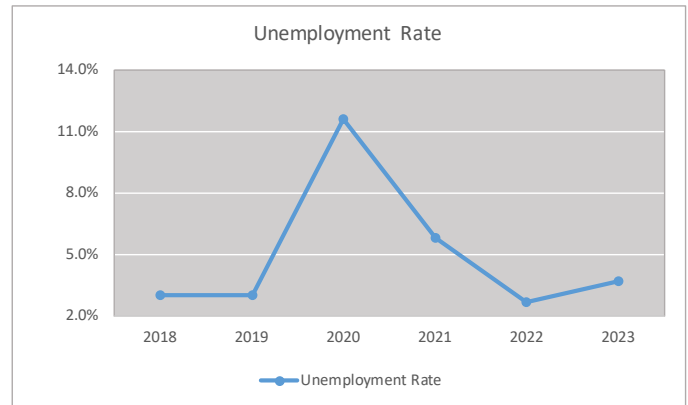
Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

Factors Affecting Financial Condition

Financial Indicators

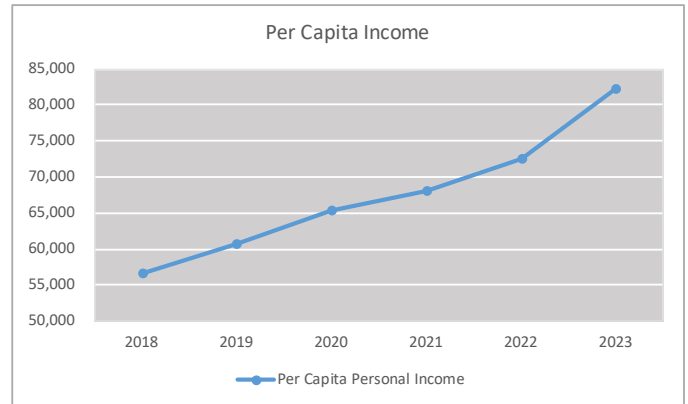
Employment

- The unemployment rate in Sonoma County increased from 2.7% in June 2022 to 3.7% in June 2023 as the economy continued to recover from the downturn caused by the COVID-19 pandemic. This compares with an unemployment rate of 4.6% for California and 3.6% for the nation during the same period.



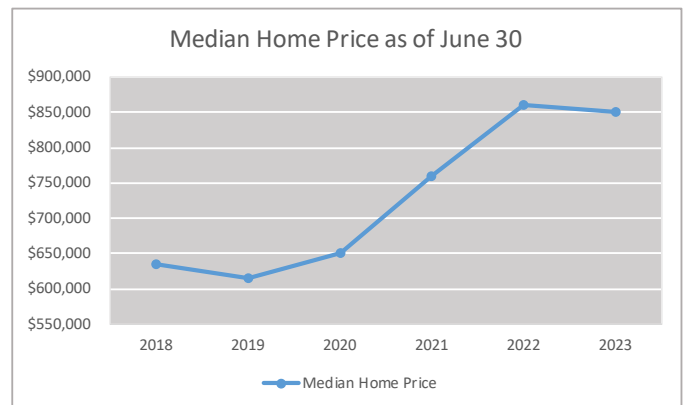
Income

- Personal income increased from \$72,483 in calendar year 2022 to \$83,312 in 2023. Per capita income is based on the most recently available data.



Real Estate

- The County-wide median home price decreased from \$860,000 in June 2022 to \$850,000 in June 2023.



Retail Sales

- Retail sales county-wide increased 4.8% to \$12.4 billion for the 2022 calendar year, from \$11.8 billion for the 2021 calendar year.

Sonoma Water's Water Supply

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

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

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

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

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

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

In the fall of 2022, storage in Lake Mendocino dropped to 36,831 acre-feet and Lake Sonoma dropped to its lowest level ever (96,310 acre-feet). Following nine atmospheric rivers in the winter of 2023, Lake Mendocino reached over 100,000 acre-feet and Lake Sonoma storage was fully restored. Sonoma Water delivered 36,032 acre-feet of water compared to 44,237 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 62 capital projects with an estimated cost of over \$331 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 communities and securing our future through responsible resource and environmental stewardship, continued technical innovation, investment in critical infrastructure and effective fiscal management.

In fiscal year 2023, Sonoma Water updated its five-year strategic plan with goals, strategies, and actions that emanated from six core themes: Organizational Excellence, Planning and Infrastructure, Environmental Stewardship, Emergency Preparedness, Climate Change, and Community Engagement. The update was followed by the development of a tactical implementation plan which in fiscal year 2024 will be translated into a web-based dashboard. The dashboard will provide real-time implementation status reflecting progress on the plan.

In addition to advancing the major initiatives described below, Sonoma Water furthered strategic plan implementation by adding resources to enhance security capabilities to support our goal of keeping our facilities safe and reliable for our community. Resources were also added to drive the development and implementation of a comprehensive project management program for Sonoma Water. The vision is focused on improvement and consistency in all aspects of project management, highlighted through effective governance, consistent information management, streamlined process mapping, and the establishment of precise project management specifications and project management tools.

The 2023 fiscal year painted a clear picture of some of the types of extreme weather associated with climate change – beginning in the midst of an historic drought with severely impacted reservoirs, only to progress into heavy winter rains and flooding, low temperatures and even some rarely sighted snow around Sonoma County. Despite heavy winter rains, Sonoma Water delivered 23 percent less water than projected due to historic drought conditions and diligent community conservation efforts prior to the winter rains.

With the immediate threat of the drought put to rest and two full reservoirs in lakes Sonoma and Mendocino, attention turns to maintaining, repairing, and improving Sonoma Water's aging infrastructure. This work includes improvements to Sonoma Water's water supply network with the recoating of some of its 18 water storage tanks that store 129 million gallons of drinking water and other critical upgrades.

After several years of droughts and wildfire, Sonoma Water put time and effort into looking into water supply resiliency, impacts of wildfires on water quality, and continuing to build out the network of improved weather forecasting capability with additional radar sites for the Advanced Quantitative Precipitation Information System.

A summer and fall without local wildfire, and some much-needed rain in the winter, ensured that Sonoma Water's goals, strategies and initiatives remained fluid throughout the year. Highlights and accomplishments for the fiscal year ended June 30, 2023, include the following:

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

- **Water Supply:** Sonoma Water uses riverbank filtration as a low cost and sustainable alternative to traditional drinking-water treatment. Riverbank filtration relies on maintaining the natural hydraulic connection between surface water and groundwater across the streambed of the Russian River. The seasonal erection of Sonoma Water’s inflatable dam near Wohler Bridge fosters accumulation of fine sediments and growth of biofilms in the streambed, which can lead to streambed clogging and an associated reduction in the water-withdrawal efficiency of the riverbank filtration system. During the recent drought, reductions in water-withdrawal efficiencies at Wohler Bridge were significantly greater than have been observed in the past. In fiscal year 2023, Sonoma Water, the United States Geological Survey, and Lawrence Berkeley National Laboratory continued collaborating on studies that provide data to better understand how recent drought conditions impact the magnitude and persistence of streambed clogging and associated reductions in water withdrawal efficiency of riverbank filtration facilities.

Sonoma Water is coordinating with USGS to identify environmental drivers (winter storms, temperature, water quality) related to variability in abundance, structure, and persistence of microbial biomass within the hyporheic zone at Sonoma Water’s riverbank filtration sites. Findings from this work will foster the development of prediction strategies to anticipate the magnitude, timing, and persistence of future clogging events.

- **Water Supply:** In partnership with Sonoma County Regional Parks, Sonoma Water contributed \$600,000 towards the \$2.21 million purchase of the 49.14-acre Demuth Property located south of Wohler Bridge on the east side of the Russian River to support recreational use and Sonoma Water infrastructure. Due to its adjacency to lands and water transmission facilities owned and managed by Sonoma Water, staff are continuing to evaluate future water supply opportunities.
- **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 percent 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.

As FIRO matures for Lake Mendocino and transfers to other reservoir systems, the need to leverage key Sonoma Water engineering expertise has become apparent for the success for the larger program. University of California, Scripps Institution of Oceanography’s Center for Western Weather and Water Extremes (CW3E) requested engineering support services to expand FIRO in the Western U.S. and elsewhere. Under an agreement made in 2023, Sonoma Water will provide \$266,100 in engineering support for FIRO Phase II to CW3E. The work would include FIRO engineering support including work for Lake Mendocino, Lake Sonoma, Prado Dam, Yuba-Feather River, Howard Hanson Dam, Seven Oaks Dam, and as-yet-to-be-determined reservoir sites, as well as water management engineering research and FIRO transferability.

The current agreement is set to last through 2023, though subsequent agreements are expected for the next two years.

- **Water Supply Resiliency:** In 2021, the California State Senate passed Senate Bill 552 (SB 552) that added requirements to address gaps in local and state water management for drought resiliency and water shortage preparedness placing planning responsibility on counties for small water systems and domestic well communities within each county's jurisdiction. Sonoma Water and its contractors have several ongoing water management programs to mitigate impacts of drought, but several areas of Sonoma County are not covered by these programs because they are not within the service areas of Sonoma Water and its contractors. In fiscal year 2023, Sonoma Water and the Sonoma County Department of Emergency Management formed a multi-agency, multi-stakeholder Drought Task Force to collaborate on the preparation of a Drought Resilience Plan that will assist Sonoma County in meeting the requirements of SB 552 and building a drought preparedness framework. The plan will improve Sonoma Water's and other local water districts' abilities to adapt to climate change impacts to water supply by identifying solutions based on vulnerability and risk assessments of their service areas due to effects of temperature changes, sea level rise, extreme variations in precipitation intensities, river flooding, drought, and wildfire. In June 2022, the Board approved a county discretionary one-time set aside Water Security Fund that provided \$1.13 million in fiscal year 2023 to advance this multi-agency multi-year initiative.
- **Water Supply Resiliency: Santa Rosa Plain Water Supply Resiliency Project -** 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, Gov. Newsom proclaimed a state of emergency in Sonoma and Mendocino counties due to drought conditions in the Russian River Watershed. In April 2021, the Sonoma County Board of Supervisors proclaimed a local emergency 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. Activation of this well provided an additional 200,000 to 500,000 gallons a day to residents and ranchers who had lost domestic water supply and needed water for health and safety in areas experiencing severe water shortages. The well also provides an additional 1 million gallons daily for Sonoma Water's water contractors to help alleviate drought impacts to their customers.

In fiscal year 2023, design on drilling a new well to replace an existing well and the rehabilitation of a second well was completed. Construction award for both wells is anticipated in fiscal year 2024. The Project has obtained \$6.9 million in funding from the Department of Water Resources' (DWR) Urban and Multibenefit Drought Relief Program.

- **Water Supply:** For over 100 years, the Potter Valley Project (PVP) has provided inter-basin water transfer from the Eel River to the East Fork of the Russian River in Potter Valley. This transfer provides a critical source of water for people and businesses in Mendocino, Sonoma, and Marin counties and for threatened and endangered fish in the Russian River. The PVP operates under a license issued by the Federal Energy Regulatory Commission (FERC). In 2019, Pacific Gas and Electric (PG&E) announced its decision not to relicense the project when it expired in April 2022, and in July 2022 submitted a plan and schedule for the license surrender to FERC.

Under this plan, PG&E is scheduled to issue an initial draft of its license surrender application and decommissioning plan in November 2023 for stakeholder review and comment. PG&E is then scheduled to submit a draft license surrender application and decommissioning plan to the FERC in May 2024, and a final application and plan to FERC in January 2025.

The Russian River Water Forum (RRWF) was established in 2022 to identify solutions that respond to PG&E's planned decommissioning of the PVP while protecting Tribal interests and supporting the stewardship of fisheries, water quality, and recreation in the Russian River and Eel River basins.

The first phase of RRWF consisted of public outreach and organizing services for the Water Users Forum and was funded in part through a grant from the California Department of Water Resources (DWR). The tasks of Phase I were completed in fiscal year 2023.

Phase II tasks commencing in fiscal year 2024 include collaboratively identifying local solutions for maintaining water flow from the PVP into the Russian River watershed while also emphasizing Russian River water supply resilience and fisheries protection/improvements in both river basins and addressing interim PVP water diversions during the decommissioning process. A proposal was submitted to PG&E in July 2023 to acquire the PVP's water diversion facilities. The RRWF will advance efforts to improve Russian River water supply resiliency.

- **Groundwater Sustainability:** On Jan. 26, 2023, the California Department of Water Resources announced approval of all three local groundwater sustainability plans: Santa Rosa Plain, Sonoma Valley and Petaluma Valley. At the time of approval, the California Department of Water Resources had approved only 12 of 54 Plans reviewed and three of them were the Sonoma County plans which is a significant accomplishment and has freed up staff time to focus on plan implementation rather than rewriting or substantially amending the plans.

The groundwater sustainability plans assess the conditions of the groundwater basins, analyze the basins' sustainability over a 50-year period, and identify projects and actions needed to ensure the basins are sustainable by 2042.

In fiscal year 2023, the three groundwater sustainability agencies utilized three \$1 million grants funded by the California Department of Water Resources to install nine new multilevel groundwater monitoring wells. The wells expand on existing monitoring networks, filling critical data gaps regarding groundwater levels, interconnected surface water and seawater intrusion. The information provided by the wells will help the groundwater sustainability agencies identify changes in local aquifers and track progress toward achieving groundwater sustainability goals.

The three groundwater sustainability agencies also submitted grant applications and were awarded more than \$15.1 million collectively to implement their groundwater sustainability plans.

- **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 \$10M Climate Resilience Fund from the 2017 PG&E settlement to support proposed climate projects. Sonoma Water was awarded funds for the following four projects, and work on these projects continued through fiscal year 2023: 1) \$400,000 for Flood-managed Aquifer Recharge (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 Supply and Transmission: Sonoma Water received a report of standing water in the vicinity of the Petaluma Aqueduct and the SMART rail crossing located in southwest Santa Rosa. Results from acoustical testing and electrical current tracing indicated that the water was potentially coming from a leak in the Petaluma Aqueduct where it crosses under the SMART tracks. At this location, the aqueduct is encased within a secondary steel pipe to protect the aqueduct and the railway from damage. However, due to both the casing and the proximity of the active railway, access to the suspected leak location is highly constrained. In fiscal year 2023, Sonoma Water installed isolation valves and replaced the affected segment of the aqueduct.
- Infrastructure/Water Supply and Transmission: A leak on the Sonoma Aqueduct was discovered in August 2022 required emergency repairs which Sonoma Water acted quickly to implement. If left unrepaired, the aqueduct could have failed, resulting in extensive release of potable water, potentially impacting residents in the immediate area and the surrounding environment, with erosion on the roadway and bridge and additionally incurring significantly higher repair costs.
- Infrastructure/Water Supply and Transmission: Sonoma Water has embarked on a signature ten-year program to maintain the water transmission system's 18 above-grade welded steel water storage tanks. The tanks collectively store 128.8 million gallons of potable water. The program will protect the tanks through proactive maintenance, structural repairs and cathodic protection systems. Welded steel water tanks require periodic recoating to maintain the original lifespan of the structure, prevent corrosion and subsequent infrastructure replacement costs, and ensure water storage and transmission reliability. In fiscal year 2023, Sonoma Water awarded a \$6.45 million construction contract to rehabilitate two of the 18 storage tanks including removing and replacing interior and exterior coatings, and installing health and safety improvements, and cathodic protection systems. This work is anticipated to last through 2024.
- 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 2023, Sonoma Water completed multiple pipeline seismic hazard mitigation and drought resiliency projects.
- Infrastructure/Water Supply and Transmission: In fiscal year 2023, Sonoma Water and Santa Rosa Water co-hosted a delegation from Denmark to share water distribution innovation strategies and best practices. Water leaders from across the region joined together to collaborate. For over 30 years, companies and authorities in Denmark have been working hard to develop sustainable utilities. Today, the Danish water sector is now among the most sustainable globally, with the expectancy to become energy neutral by 2030. The Danish Ministry of Foreign Affairs and Water Technology Alliance facilitates knowledge sharing between North American and Danish water sectors to foster cross-collaboration and influence the sustainable water markets of tomorrow. Due to aging infrastructure and water scarcity, the importance of revitalizing the North American water sector and finding early adopters willing to look into new water technology and solutions has never been greater. The Water Technology Alliance is an outreach program providing specialized know-how on innovative water technology solutions and building bridges between North American and Danish water sectors to exchange valuable knowledge and technology on both sides of the Atlantic.
- Infrastructure/Asset Management: In fiscal year 2023, Sonoma Water initiated the final phase of a three-phase Asset Management Program to support Sonoma Water's goal of applying asset management business practices enterprise-wide to integrate available information that will enhance the decision-making process for managing assets. Work included initiating configuration of a new computerized maintenance management system (CMMS), which tracks and reports on infrastructure assets managed by Sonoma

Water. This complex effort which will be completed in fiscal year 2024 requires careful and multi-phased planning to integrate with other data management systems in use within Sonoma Water, such as geographic information systems and computer-aided design.

- **Water Use Efficiency:** The Sonoma-Marín Water Saving Partnership was formed in 2010 to identify and recommend implementation of water use efficiency programs and maximize the cost effectiveness of water-use efficiency programs in our region. Its members represent 13 water utilities in Sonoma and Marin counties. The Partnership recognizes that establishing common regional water conservation programs can cost-effectively conserve more water than would otherwise be conserved by individual agencies. This regional approach is based on meeting water conservation regulatory requirements by offering financial incentives to conserve and by educating water users about where drinking water comes from and how to use it most efficiently.

In August 2022, Sonoma Water, in its role as a member of the Sonoma-Marín Saving Water Partnership, applied for a United States Bureau of Reclamation grant through the WaterSMART FY 2023 Water and Energy Efficiency grant (WEEG) program. The Sonoma-Marín Saving Water Partnership proposed a regional drought resiliency program that would offer consumer rebates for water saving measures, including turf removal, replacement of inefficient clothes washing machines, installation of home water-use monitoring devices, and smart irrigation controllers. In addition, the City of Santa Rosa planned to implement a direct install program providing indoor low water use fixtures. The grant application, prepared by Sonoma Water on behalf of the Sonoma-Marín Saving Water Partnership has been awarded \$2,000,000 in grant funds to implement the program. This initiative came in response to ongoing drought conditions in 2022.

The Project proposes to collectively remove 1,760,987 square feet of turf, replace 650 inefficient clothes washing machines with high-efficiency models, rebate the installation of 215 Flume home water monitoring devices, rebate 815 smart irrigation controllers, and replace 700 high volume toilets with high efficiency models. In addition, the City of Santa Rosa will offer a direct indoor fixture installation program that will provide 2,500 households with a high efficiency toilet, a low flow shower head, and a kitchen and bathroom faucet aerator. In total, the Program will save an estimated 342 acre-feet of water annually, and 4,944 acre-feet will remain in the Russian River system over the Program’s measured life.

- **Water, Stormwater and Energy Education Program:** In collaboration with the Sonoma-Marín Saving Water Partnership, Sonoma Clean Power, and Sonoma/Marín water retailers, Sonoma Water continued its Water, Stormwater and Energy Education Program. This free program 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 this past fiscal year, 10,884 students in 432 classrooms participated in direct instruction, 12,532 students participated in virtual assemblies including the ZunZun musical assembly program, 35,952 students in 1,337 classrooms received free schools supplies that support natural resources conservation, and 85 teachers participated in the Steelhead in the Classroom program, raising 4,251 steelhead eggs and releasing steelhead fry to the Russian River.

Through Sonoma Water’s small grant program titled “A Call to Action,” 11 classes received up to \$1,000 toward solutions-focused projects that address 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 worked closely with other Sonoma County environmental educators and the Sonoma County Community Foundation on a plan to ensure that all local students participate in environmental education. When implemented, this program will be funded through a \$1 million grant.

- **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 habitat enhancement over the next two years to improve fishery habitat in Dry Creek. Construction of an additional mile of habitat restoration began in fiscal year 2023 and will be completed in fiscal year 2024 followed by two remaining segments tentatively planned for construction in fiscal years 2024 and 2025.

In anticipation of the expiration of the 15-year 2008 Biological Opinion on September 23, 2023, Sonoma Water reinitiated consultation with the National Marine Fisheries Service, the U.S. Army Corps, and California Department of Fish and Wildlife to 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 of Engineers, the California Department of Fish and Wildlife, and the California Department of Boating and Waterways with a stake in the health of Lake Sonoma and Lake Mendocino are collaborating on a boat inspection strategy to prevent infestation by invasive mussels. Quagga and Zebra mussels are 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. In fiscal year 2023 Sonoma Water received a two-year \$400,000 grant from the Department of Boating and Waterways for Lake Sonoma and Lake Mendocino to implement a robust boat inspection and monitoring program.
- **Flood Control:** Sonoma Water renewed its joint funding agreement with the U.S. Geological Survey to collect and monitor flow data for stream gauges in the Russian River, Sonoma Creek, and Petaluma River watersheds. The data from these gauges is transmitted to USGS computers within one hour of measurement. The data is quality-assured and made available online by USGS to Sonoma Water and other local public and private entities and individuals. Sonoma Water uses the data for planning and forecasting for water supply, environmental and flood management purposes. Other users of the data include emergency responders, water managers, environmental and transportation agencies, universities, utilities, recreational enthusiasts and consulting firms.

Data from these sites, along with Sonoma Water maintained sites act as an early warning monitoring system. In addition, the data are also increasingly critical to the California Nevada River Forecast Center and to the National Oceanic and Atmospheric Administration through the Advanced Quantitative Precipitation Information system.

- Flood Control: The San Francisco Bay Advanced Quantitative Precipitation Information 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. The data will provide flood control managers, utility managers, and emergency personnel with 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.

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 August 2023, three X-Band radars are operational, including one in Sonoma County and one in Santa Clara County. In addition to the three radars, the following activities have been completed and are operational: A radar operational model, radar and forecast data feeds and visualizations, a decision-support system that incorporates surface measurements of precipitation, streamflow and soil moisture, and a concept of operations workplan to provide a comprehensive guide to ensure the continued operation and development of the Advanced Quantitative Precipitation Information system.

In future fiscal years, San Francisco Public Utilities Commission will deploy a weather radar station to track local precipitation in the west bay (in San Mateo County). Sonoma Water will deploy a weather radar station on the north coast on Mount Barnabe to track the precipitation data of atmospheric rivers approaching the Bay Area from the Pacific Ocean.

- Flood Control: In 2023, Sonoma Water continued to make progress in its goal of improving several aging reservoirs in Sonoma County. In 1958, the Sonoma County Flood Control and Water Conservation District (now Sonoma Water) and the United States Soil Conservation Service (now Natural Resources Conservation Service) developed the Central Sonoma Watershed Work Plan to combat recurring flood damage within the Santa Rosa Creek subwatershed. The 1958 plan resulted in implementation of a network of 21 miles of improved channels, four detention reservoirs, two diversion structures, and numerous bridges and culverts between 1962 and 1988, collectively known as the Central Sonoma Watershed Project (CSWP). The objective of the CSWP was to establish a 100-year level of flood protection along Santa Rosa Creek and its primary tributaries Matanzas, Paulin, Piner, Spring, and Brush Creeks. The CSWP has provided substantial flood protection to the City of Santa Rosa and surrounding communities for the past 60 years.

Despite ongoing maintenance by Sonoma Water, several CSWP facilities have exceeded their original 50-year design life, requiring flood planning and feasibility assessments to identify seismic, geotechnical, climatic, and hydraulic vulnerabilities, and to develop alternatives that would bring the system into compliance with current state and federal design and performance criteria. In 2023, Sonoma Water began two flood planning and feasibility studies to identify needed actions for the CSWP to reliably protect the community for the next 50 years.

- Wastewater Treatment & Reuse: In fiscal year 2023, Sonoma Water entered an agreement with the Town of Windsor to fund the design of a Recycled Water Design Project through 2024. The Town of Windsor completed an urban recycled water facilities planning study in 2013 to develop and evaluate priority

recycled water projects. The study recommended expanding recycled water to the southernmost part of the town's potable distribution system, also referred to as the airport service area. The addition of recycled water could aid in the development of additional parcels; offset the use of potable water and groundwater in the Airport Business Park.

This agreement allows for the coordinated operation of the two agency systems and includes provisions for Windsor to utilize excess recycled water storage at Sonoma Water's facilities, when available. The Town of Windsor's ability to store greater volumes of recycled water creates an opportunity to pursue expansion of its recycled water distribution system.

- **Wastewater Treatment & Reuse:** In fiscal year 2023, Sonoma Water kicked off a master planning effort for the Airport Treatment Plant. As part of the initial master plan alternatives analysis, Sonoma Water evaluated the costs and benefits of maintaining the current plant operations as well as consolidating with the Town of Windsor Water Department. Sonoma Water began working with Town of Windsor Water Department to develop a multi-year multi-phase plan for consolidating the two systems.
- **Wastewater Customer Financial Assistance:** The Consolidated Appropriations Act (2021) and the American Rescue Plan Act (2021) were enacted by Congress to provide fast and direct economic assistance for American workers, families, small businesses, and industries. Federal funds made available to the state of California resulted in two financial assistance programs aimed at reducing or eliminating unpaid bills for wastewater services accrued during the COVID-19 pandemic. Both programs have provided funds to wastewater service providers to cover these debts, and both programs are one-time relief efforts. These programs are the California Water and Wastewater Arrearage Payment Program (CWWAPP), administered by the State Water Resources Control Board (SWRCB), and the Low-Income Household Water Assistance Program (LIHWAP), administered by the California Department of Community Services and Development (CSD).

Additionally, Sonoma Water launched a Sanitation Rate Relief Program to eligible low-income customers. The program will be provided on an ongoing basis. In fiscal year 2023, as a result of these three rate relief programs, approximately 1% or 30 of Sonoma Water's Sanitation Zone customers received a total of \$30,000 in rate relief.

- **Emergency Operations:** Sonoma Water completed the buildout of its Emergency Operations Center (EOC) at its main administration building. The EOC now serves as a turnkey facility for emergency operations. Staff also implemented a WebEOC to support information tracking, analysis, synthezation, reporting, and information safekeeping in the EOC. The WebEOC provides Sonoma Water with virtual emergency operations interoperability with the County and our water contractors. Staff also initiated developing emergency use procedures for the voice radio system and strengthening business continuity planning.
- **Emergency Preparedness:** Sonoma Water continued developing a procurement strategy to increase the inventory of critical materials and supplies to be used in repair and restoration efforts during emergencies. This ongoing project will not only identify needed materials, but will focus on the strategic expansion, storage, and long-term maintenance of emergency inventory materials.

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, 2022. This was the fifth 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.

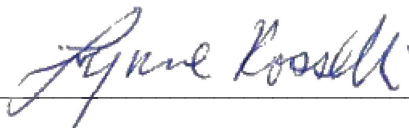
The preparation of this Report represents the culmination of months of concerted team effort by Sonoma Water Management and staff, and team members from the county auditor controller treasurer and tax collector, county administrator's office, and the office of county counsel. Special thanks to Sonoma Water staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Pisenti & Brinker LLP is also acknowledged for the significant technical contribution and assistance.

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



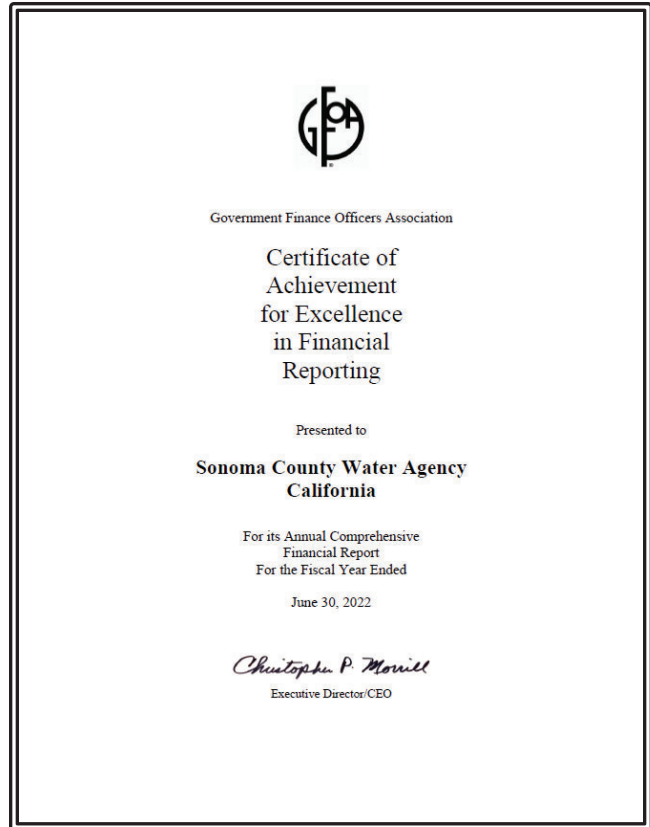
Grant Davis

General Manager



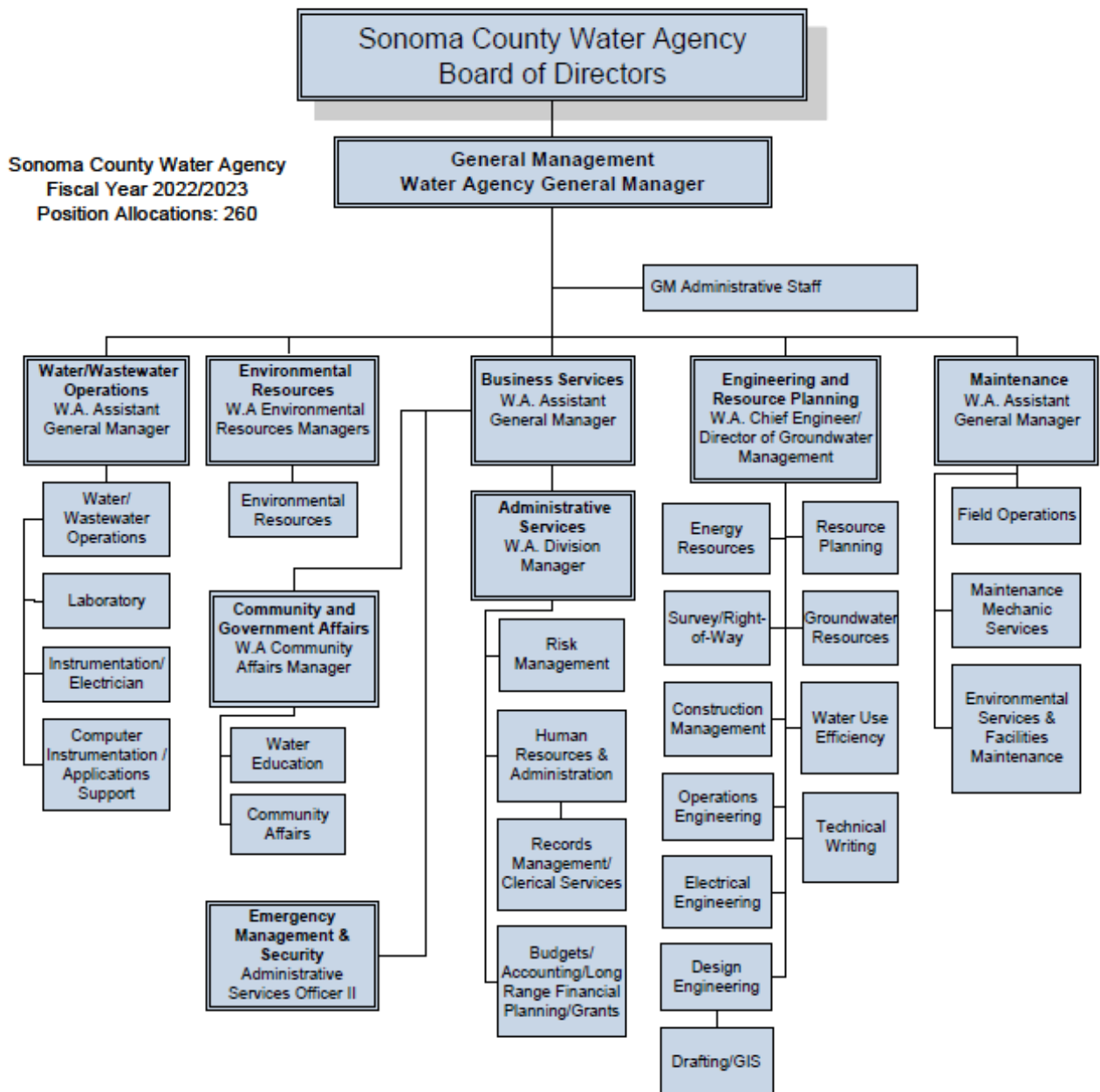
Lynne Rosselli

Water Agency Division Manager - Finance and Administration



Sonoma Water
Directory of Appointed and Elected Officials
June 30, 2023

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



Financial Section





Independent Auditor's Report

Board of Directors
 Sonoma County Water Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Sonoma County Water Agency ("Sonoma Water"), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2023, 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, 2023, 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, management's discussion and analysis, supplemental schedules of pension information, and other postemployment benefit information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report (continued)

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of Sonoma Water's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sonoma Water's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sonoma Water's internal control over financial reporting and compliance.



Santa Rosa, California
December 22, 2023

Sonoma Water
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(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, 2023. 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 \$407,730,808 (net position). Of this amount \$76,083,320 (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 \$5,170,239 during the current fiscal year. This increase in net position includes a decrease in business-type activities of \$6,204,763 and an increase in governmental activities of \$11,375,002.
- Sonoma Water’s long-term liabilities increased by \$24,488,455 during the fiscal year, primarily due to an increase of \$31,406,224 in net pension liability.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$95,035,655, an increase of \$6,314,223 from the preceding year. Approximately 6.3% of this total amount, \$5,964,998, 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 \$5,964,998 or approximately 16.0% of total General Fund expenditures, which amounted to \$37,218,318 for the fiscal year ended June 30, 2023.

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, 2023
(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, 2023
(Unaudited)**

Overview of the Financial Statements (continued)

Fund financial statements (continued)

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

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

Proprietary funds

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

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

Notes to the basic financial statements

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

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

Overview of the Financial Statements (continued)

Required supplementary information

Schedules presenting Sonoma Water's progress in funding its obligation to provide pension and other post employment benefits to its employees and budgetary comparison information for the 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.

Other supplementary information

Combining statements referred to earlier 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 \$407,730,809 as of June 30, 2023.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023
Current and other assets	\$ 100,965,899	\$ 101,681,465	\$ 134,875,350	\$ 125,354,310	\$ 235,841,249	\$ 227,035,775
Capital assets	136,238,675	136,273,254	206,185,769	207,980,957	342,424,444	344,254,211
Total assets	237,204,574	237,954,719	341,061,119	333,335,267	578,265,693	571,289,986
Total deferred outflows	15,089,000	22,974,247	222,521	190,823	15,311,521	23,165,070
Current liabilities	13,437,618	13,186,301	8,804,849	11,386,863	22,242,467	24,573,164
Noncurrent liabilities	75,595,808	97,491,282	63,580,857	59,461,888	139,176,665	156,953,170
Total liabilities	89,033,426	110,677,583	72,385,706	70,848,751	161,419,132	181,526,334
Total deferred inflows	29,455,024	5,071,257	142,489	126,656	29,597,513	5,197,913
Net position:						
Net investment in capital assets	70,343,695	74,311,165	161,716,986	159,550,732	232,060,681	233,861,897
Restricted	70,151,886	76,915,423	24,577,054	20,870,168	94,728,940	97,785,591
Unrestricted (deficit)	(6,690,457)	(6,046,462)	82,461,405	82,129,783	75,770,948	76,083,321
Total net position	\$ 133,805,124	\$ 145,180,126	\$ 268,755,445	\$ 262,550,683	\$ 402,560,569	\$ 407,730,809

The largest portion of Sonoma Water's net position, \$233,861,897 (57.4%), 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.

Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Government-wide Financial Analysis (continued)

A portion of Sonoma Water's net position, \$97,785,591 (24%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$76,083,321 may be used to meet Sonoma Water's ongoing obligations to citizens and creditors.

As of June 30, 2023, 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 \$(6,046,462). This deficit is due to the net pension liability and the other postemployment benefits liability. See Note L for additional information.

Sonoma Water's net position increased by \$5,170,240 as of June 30, 2023. This increase included an increase of \$11,375,002 in net position for governmental activities and a decrease of \$6,204,763 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, 2022	2023	Fiscal Year Ended June 30, 2022	2023	Fiscal Year Ended June 30, 2022	2023
Revenues:						
Program Revenues:						
Charges for services	\$ 17,879,750	\$ 20,822,992	\$ 57,615,108	\$ 50,308,577	\$ 75,494,858	\$ 71,131,569
Operating grants and contributions	3,229,077	4,738,773	1,079,927	1,539,810	4,309,004	6,278,583
Capital grants and contributions	-	-	4,128,599	4,516,451	4,128,599	4,516,451
General Revenues:						
Property taxes	34,983,468	37,230,184	-	14	34,983,468	37,230,198
Investment earnings (loss)	(1,904,302)	1,653,342	(3,264,407)	2,292,598	(5,168,709)	3,945,940
Total revenues	54,187,993	64,445,291	59,559,227	58,657,450	113,747,220	123,102,741
Expenses:						
General government	5,315,823	13,323,965	-	-	5,315,823	13,323,965
Intergovernmental	16,472,460	21,747,490	-	-	16,472,460	21,747,490
Flood control	12,625,704	11,479,671	-	-	12,625,704	11,479,671
Warm Springs Dam	6,502,819	5,083,503	-	-	6,502,819	5,083,503
Interest on long-term debt	2,168,441	2,035,660	-	-	2,168,441	2,035,660
Water transmission	-	-	42,501,275	49,598,108	42,501,275	49,598,108
Water supply	-	-	5,380,873	5,615,439	5,380,873	5,615,439
Sanitation	-	-	7,221,720	9,048,665	7,221,720	9,048,665
Total expenses	43,085,247	53,670,289	55,103,868	64,262,212	98,189,115	117,932,501
Change in net position before transfers	11,102,746	10,775,002	4,455,359	(5,604,762)	15,558,105	5,170,240
Transfers	(3,005,000)	600,000	3,005,000	(600,000)	-	-
Change in net position	8,097,746	11,375,002	7,460,359	(6,204,762)	15,558,105	5,170,240
Net position - beginning of year	125,707,378	133,805,124	261,295,086	268,755,445	387,002,464	402,560,569
Net position - end of year	\$ 133,805,124	\$ 145,180,126	\$ 268,755,445	\$ 262,550,683	\$ 402,560,569	\$ 407,730,809

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

Government-wide Financial Analysis (continued)

Governmental activities

Governmental activities increased Sonoma Water's net position by \$11,375,002 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

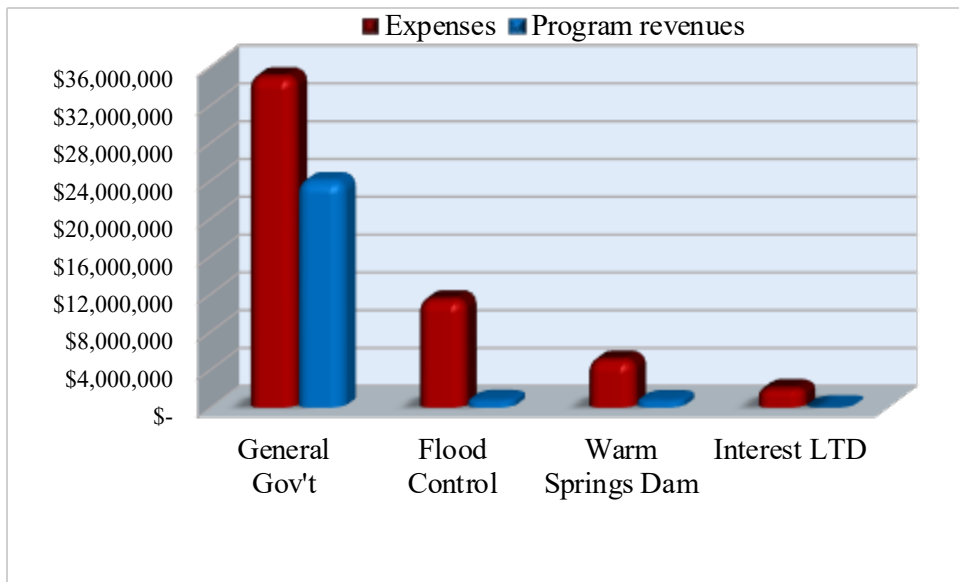
- Program revenues for the fiscal year ended June 30, 2023 increased by \$4,452,938 from the prior fiscal year. This increase consisted of an increase of \$2,943,242 in charges for services and an increase of \$1,509,696 in operating grants and contributions.
- Charges for services for the fiscal year totaled \$20,822,992, representing an increase of \$2,943,242 from the prior year. The increase was primarily due to increased contributions related to the Supervisory Control and Data Acquisition (SCADA) project.
- Operating grants and contributions totaled \$4,738,773 for the fiscal year, a \$1,509,696 increase from the prior fiscal year. This increase is primarily due to increased grant funding related to the Bay Area Advanced Quantitative Precipitation Information System project.
- Property tax revenue totaled \$37,230,184, including \$12,019,539 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$2,246,716 from the prior fiscal year due to an increase in the assessed value of taxable property.
- The investment earnings of \$1,653,342 included \$1,052,042 in interest earnings on cash in the County Treasury Pool. Investment earnings increased by \$3,557,644 from the prior fiscal year due to an increase in the fair value of investments.
- Intergovernmental expenses for the fiscal year totaled \$22,662,213, an increase of \$6,189,753 from the prior fiscal year. The increase is primarily due to contributions related to the operation of the Occidental County Sanitation District treatment plant and the Russian River County Sanitation District treatment plant.
- Expenses for the General Government increased by \$10,585,042. This increase is primarily due to an increase of \$6,778,861 in net pension expense.
- Expenses for Flood Control decreased by \$1,146,033, primarily due to a \$224,258 decrease in project costs for the Central Sonoma Watershed Planning Project and a \$246,167 decrease in project costs for the Stream Maintenance Program.
- Warm Springs Dam expenses decreased by \$1,419,316 from the prior year, primarily due to a decrease of \$1,665,046 in project costs for habitat restoration projects in Dry Creek Mile 3, and a decrease of \$621,609 in costs related to California Coastal Monitoring Plan Salmonid Population Monitoring in the Russian River partially offset by an increase of \$809,415 in project costs for the Russian River Watershed Monitoring Program.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

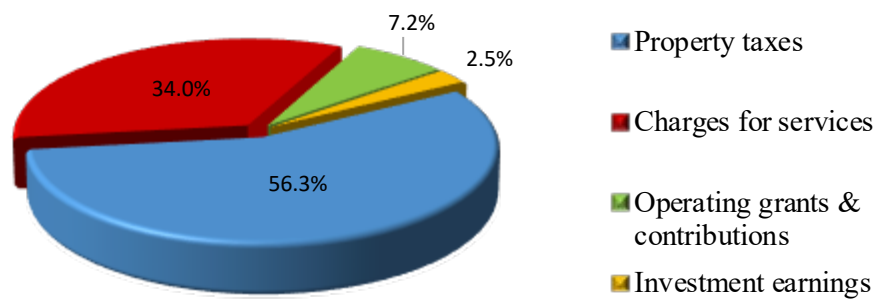
Government-wide Financial Analysis (continued)

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, 2023
(Unaudited)**

Government-wide Financial Analysis (continued)

Business-type activities

Business-type activities decreased Sonoma Water's net position by \$6,204,762. Key elements of Sonoma Water's business-type activities are identified below.

- Charges for services totaled \$50,308,577, representing a decrease of \$7,306,531. The decrease was primarily due to a decrease of \$7,640,265 in water sales revenue.
- Water sales revenue decreased \$7,640,265 from the prior fiscal year. This decrease was due to a 22.8% decrease in total acre-feet sold and an average increase of 6.3% in water rates. The decrease in acre-feet sold was due to County-wide water conservation efforts in response to the drought as well as a decrease in acre-feet delivered to Marin Municipal Water District due to a landslide that caused the North Marin aqueduct to operate under capacity.
- Operating grants and contributions for the fiscal year totaled \$1,539,810, representing an increase of \$459,883 from the prior year. This increase was primarily due to an increase of \$713,616 in eligible expenses and related funding from the Department of Water Resources Urban Multibenefit Drought Relief and Grant Program, which provides funding for Russian River projects.
- Capital grants and contributions totaled \$4,516,451 for the fiscal year, an increase of \$387,852 from the prior fiscal year. This increase included an increase of \$1,119,851 in federal funding for the Russian River-Cotati Intertie Pipeline Seismic Hazard Mitigation at the Russian River Crossing project and an increase of \$366,812 in Federal Emergency Management Agency (FEMA) funding for the Penngrove Sanitation Zone Lift Station Flood Resiliency project.
- The investment earnings for the fiscal year ended June 30, 2023 totaled \$2,292,598, representing an increase of \$5,557,005 from investment loss the prior year. The increase in investment earnings were primarily due to a \$4,158,322 unrealized gain on the fair value of investments in the County of Sonoma Treasury Pool, as well as an increase in interest earnings.
- Expenses for Water Transmission totaled \$49,598,108 an increase of \$7,096,833 from the prior year. This increase included \$1,252,423 for long term maintenance of water storage tanks, a \$962,273 increase in emergency repairs on the Petaluma Aqueduct at the SMART crossing, and a \$581,988 increase in Russian River-Dry Creek Habitat Mile 5 project.
- Water Supply expenses increased by \$234,566, primarily due to an increase of \$919,921 from the Department of Water Resources Urban and Multibenefit Drought Relief Grant for water supply resiliency to the Russian River, partially offset by a decrease of \$831,491 in costs related to the Title XVI Water Smart grant.
- Sanitation expenses increased by \$1,826,946. The majority of the increase was related to a \$576,628 increase in contract service costs in the Airport-Larkfield-Wikiup (ALW) sanitation fund for the removal of biosolids, an increase of \$267,249 in costs related to lift station maintenance in the Penngrove Sanitation Zone and an increase of \$366,812 in costs related to the Penngrove Sanitation Zone Lift Station Flood Resiliency project.

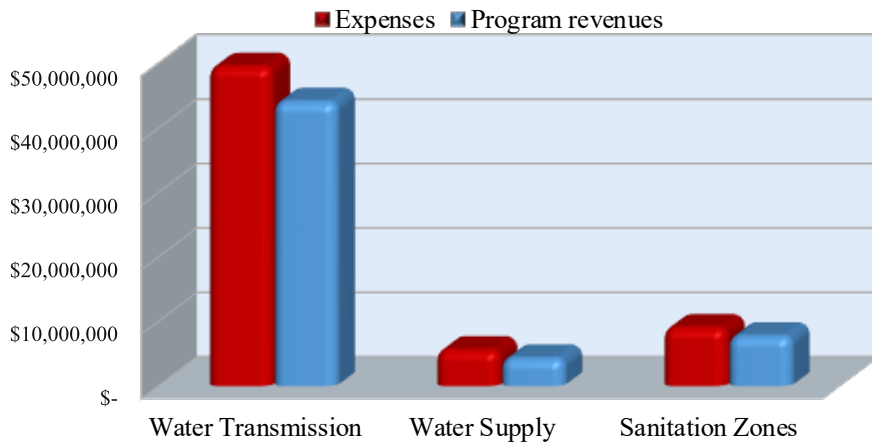
**Sonoma Water
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

Government-wide Financial Analysis (continued)

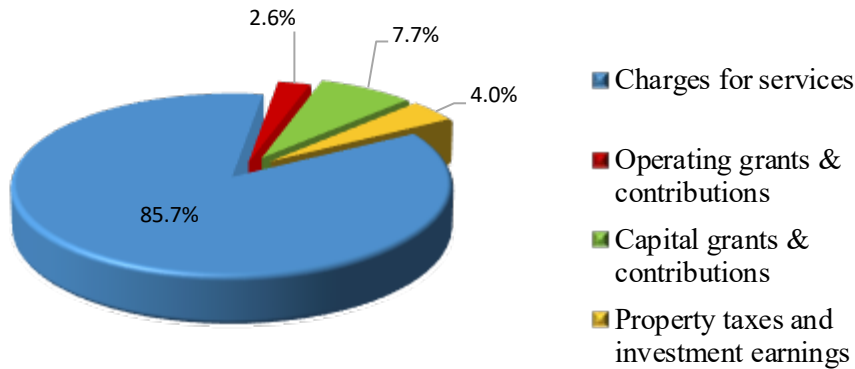
Business-type activities (continued)

- Transfers from Sonoma Water's General Fund totaling \$500,000 were received during the fiscal year ended June 30, 2023. This was offset by a \$1,100,000 transfer from the Internal Service Fund to the General Fund. More information on these transfers can be found in Note G to the financial statements.

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, 2023
(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, 2023, Sonoma Water's governmental funds reported combined ending fund balances of \$95,035,655, an increase of \$6,314,223 in comparison with the prior year. Approximately 6.3% of this total amount, \$5,964,998, 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 Governmental Accounting Standards Board (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 \$5,964,998. Assigned fund balance totaled \$10,386,676 and consisted of encumbered contracts and activities related to the operation of Spring Lake Park, the Waste/Recycled Water Loan Fund and the Sustainability Fund. The General Fund also reported a non-spendable fund balance of \$315,493 due to prepaid items. Total fund balance for the General Fund as of June 30, 2023 was \$16,667,167.

The General Fund's fund balance decreased by \$602,200 which represents a 3.5% decrease in fund balance compared to the prior fiscal year. The primary reason is due to an increase of contributions to the Russian River and Occidental County Sanitation Districts.

The special revenue funds consist of Flood Control and Warm Springs Dam. Flood Control reported restricted fund balance of \$31,877,459 and non-spendable fund balance of \$54,752 due to prepaid items. Total fund balance for Flood Control as of June 30, 2023 was \$31,932,211, a 16.3% increase compared to the prior fiscal year. The increase is mainly due to an increase of \$846,775 in property tax revenue and a decrease of \$1,408,707 in expenses. Warm Springs Dam reported total fund balance of \$9,664,443, all of which is restricted fund balance. Warm Springs Dam had a significant increase in fund balance of \$1,642,783 which represents a 20.5% increase compared to the prior fiscal year, mainly due to an increase of \$588,601 in property tax revenue and a decrease of \$1,415,951 in expenses.

The Debt Service Fund had a total fund balance of \$36,771,834 all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance increased by \$791,429 which represents a 2.2% increase compared to the prior fiscal year, primarily due to investment earnings of \$777,000.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(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 decreased by \$3,782,130 to \$177,498,614 from the prior fiscal year, primarily due to decreased water sales.

Water Supply net position decreased by \$1,190,569 to \$3,185,457, primarily due to a \$449,007 decrease in water sales for the Russian River projects and a \$1,041,152 increase in operating expenses.

Sanitation net position decreased by \$639,956 to \$28,711,050, primarily due to a decrease in capital grant contributions, connection fees and transfers from the General Fund.

Internal Service Fund net position decreased by \$592,107 to \$53,155,562 primarily due to an increase in expenses.

Unrestricted net position of the Water Transmission Fund as of the fiscal year ended June 30, 2023 was \$59,661,441. The Water Supply Fund, the Sanitation Funds and the Internal Service Funds reported unrestricted net position of \$1,886,893, \$5,866,089, and \$14,715,360, respectively.

General Fund Budgetary Highlights

Sonoma Water's final budget appropriations for expenditures of the General Fund increased \$14,432,322 over the original budget, or 37.0%. Final budgeted revenues also increased by \$564,924 over the original budget, or 1.5%.

Revenues

The General Fund's actual revenues were \$1,969,654 less than the final budgeted revenue estimates. Key variances are as follows:

- Property tax revenues were over budget \$1,239,773 primarily due to growth in real property assessed values.
- Charges for services were under budget \$1,135,960 due to decreased reimbursements from the four sanitation districts for direct labor and overhead charges.
- Miscellaneous revenue was under budget by \$1,366,142. A portion of the revenue budgeted as miscellaneous revenue was reclassified as intergovernmental revenue.
- Intergovernmental revenue was under budget by \$976,243 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, 2023
(Unaudited)**

General Fund Budgetary Highlights (continued)

Expenditures

The General Fund's actual expenditures were under budget compared to the final budgeted estimates, resulting in \$17,560,642 of unspent appropriations. Key variances are as follows:

- Unspent appropriations for salaries and benefits net of reimbursements from other funds were \$3,783,216 primarily due to underestimated reimbursements.
- Unspent appropriations for contributions to other governments were \$1,486,688. Contributions can vary year-to-year depending on progress on grant-related projects.
- Unspent appropriations for contract services were \$3,534,704 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, 2023, was \$344,254,211 (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, 2023 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 General Funds included:
 - Network Replacement - \$333,827

Business-type activities:

- Capital expansion within the Water Transmission Fund included:
 - Russian River-Cotati Pipeline Seismic Hazard Mitigation at Russian River Crossing \$11,856,915
 - Sonoma Booster Station 2 - \$7,175,769
 - Mark West Creek Crossing Mitigation - \$5,768,269

Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(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, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023
Land	\$ 1,597,189	\$ 1,597,189	\$ 11,023,905	\$ 11,023,905	\$ 12,621,094	\$ 12,621,094
Land improvements	102,940	90,709	1,258,077	1,071,615	1,361,017	1,162,324
Construction in progress	1,038,992	2,419,516	31,576,641	15,873,125	32,615,633	18,292,641
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	3,346,700	3,270,907	499,585	1,179,065	3,846,285	4,449,972
Intangible asset - software	-	-	171,529	171,529	171,529	171,529
Intangible assets -right to use SBITA assets	-	-	-	27,472	-	27,472
Infrastructure	26,236,880	24,839,088	117,735,326	136,652,961	143,972,206	161,492,049
Buildings and improvements	1,171,824	1,087,579	33,197,200	31,644,010	34,369,024	32,731,589
Machinery and equipment	373,150	597,266	5,727,111	5,340,880	6,100,261	5,938,146
Total capital assets	\$ 136,238,675	\$ 136,273,254	\$ 206,185,769	\$ 207,980,957	\$ 342,424,444	\$ 344,254,211

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

Long-Term obligations

As of June 30, 2023, Sonoma Water had a total of \$158,938,244 in outstanding long-term obligations.

Outstanding Current and Long-Term Obligations

	Governmental Activities		Business -Type Activities		Change	
	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	\$	%
Financed purchases	\$ -	\$ -	\$ 764,694	\$ 260,339	\$ (504,355)	-66.0%
Revenue bonds	-	-	51,429,534	49,852,547	(1,576,987)	-3.1%
Advances from other governments	-	-	5,710,067	4,823,190	(886,877)	-15.5%
Federal contract payable	65,894,980	61,734,522	-	-	(4,160,458)	-6.3%
Compensated absences	3,528,075	3,638,435	-	-	110,360	3.1%
Pollution remediation	148,211	150,490	-	-	2,279	1.5%
Net pension liability (asset)	(5,210,905)	26,195,319	-	-	31,406,224	-602.7%
Other postemployment benefits	12,175,133	12,283,402	-	-	108,269	0.9%
Total	\$ 76,535,494	\$ 104,002,168	\$ 57,904,295	\$ 54,936,076	\$ 24,498,455	18.2%

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

Capital Asset and Debt Administration (continued)

Long-Term obligations (continued)

Sonoma Water's total long-term obligations increased by \$24,488,455 (18.2%) during the fiscal year ended June 30, 2023.

The outstanding total of financed purchases, advances from other governments, and federal contract payable decreased during the fiscal year ended June 30, 2023 due to regularly scheduled principal payments.

Revenue bonds payable decreased by \$1,576,987 or 3.1% during the fiscal year ended June 30, 2023.

Compensated absences liability increased by \$110,360 due to employees using less vacation leave than they earned and accrued.

Pollution remediation increased by \$2,279 due to an increase in estimated obligation, offset by pollution remediation expenses incurred during the fiscal year.

Net pension liability increased by \$31,406,224, primarily because of the favorable return on investments held in the trust to provide for the pension obligation.

Other postemployment benefits increased by \$108,269 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 I to the financial statements.

Economic Factors and Next Year's Budgets and Rates

As of June 30, 2023, unassigned fund balance in the General Fund was \$5,964,998. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$572,319 in the fiscal year ending June 30, 2024 reduces unassigned fund balance.

Water sales revenue is expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2024 budget. Water rates increased by an average of 10.2% while sewer rates increased an average of 8.5%.

**Sonoma Water
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

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

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

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

	Santa Rosa Aqueduct	Petaluma Aqueduct	Sonoma Aqueduct
Operations and maintenance	\$ 993	\$ 993	\$ 993
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	152
Storage facility revenue bonds charge	29	29	29
Common facilities revenue bonds charge	140	140	140
Aqueduct capital charge	11	-	35
Total	1,173	1,162	1,349

Sewer Service Rate per Equivalent Single-Family Dwelling

Sanitation Zone	22/23	23/24	Change
Sea Ranch	\$ 1,400	\$ 1,524	8.9%
Penngrove	1,828	1,974	8.0%
Geyserville	1,310	1,424	8.7%
Airport-Larkfield-Wikiup	1,148	1,246	8.5%

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

Sanitation Zone	22/23	23/24	Change
Sea Ranch	611	622	1.8%
Penngrove	551	556	0.9%
Geyserville	362	370	2.2%
Airport-Larkfield-Wikiup	4,046	4,157	2.7%

Basic Financial Statements

Sonoma Water
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 82,376,752	\$ 94,249,660	\$ 176,626,412
Restricted cash and investments	-	3,465,738	3,465,738
Deposits with others	-	753,746	753,746
Accounts receivable	4,196,649	10,690,887	14,887,536
Prepaid items	370,245	52,716	422,961
Total current assets	<u>86,943,646</u>	<u>109,212,747</u>	<u>196,156,393</u>
Noncurrent assets:			
Restricted cash and investments	13,440,132	11,928,092	25,368,224
Accounts receivable	1,297,687	3,305,211	4,602,898
Reserves on deposit	-	908,260	908,260
Capital assets, net:			
Land	1,597,189	11,023,905	12,621,094
Land improvements	90,709	1,071,615	1,162,324
Construction in progress	2,419,516	15,873,125	18,292,641
Intangible assets	105,641,907	6,374,461	112,016,368
Infrastructure	24,839,088	136,652,961	161,492,049
Buildings and improvements	1,087,579	31,644,010	32,731,589
Equipment	597,266	5,340,880	5,938,146
Total capital assets, net	<u>136,273,254</u>	<u>207,980,957</u>	<u>344,254,211</u>
Total noncurrent assets	<u>151,011,073</u>	<u>224,122,520</u>	<u>375,133,593</u>
Total assets	<u>237,954,719</u>	<u>333,335,267</u>	<u>571,289,986</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	19,026,936	-	19,026,936
Deferred amounts related to OPEB	3,947,311	-	3,947,311
Deferred amounts related to charge on refunding	-	190,823	190,823
Total deferred outflows of resources	<u>22,974,247</u>	<u>190,823</u>	<u>23,165,070</u>

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

Sonoma Water
Statement of Net Position (continued)
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	3,825,324	4,356,477	8,181,801
Due to other governments	-	640,525	640,525
Interest payable	1,327,292	4,154	1,331,446
Unearned revenue	1,522,799	2,125,018	3,647,817
Advances from other governments	-	452,750	452,750
Deposits from others	-	18,630	18,630
Financed purchases	-	260,339	260,339
Compensated absences	2,216,253	-	2,216,253
SBITA liabilities	-	64,578	64,578
Long-term contracts payable	4,294,633	-	4,294,633
Total current liabilities payable from unrestricted assets	<u>13,186,301</u>	<u>7,922,471</u>	<u>21,108,772</u>
Current liabilities payable from restricted assets:			
Interest payable	-	1,002,303	1,002,303
Revenue bonds payable	-	2,462,089	2,462,089
Total current liabilities payable from restricted assets	<u>-</u>	<u>3,464,392</u>	<u>3,464,392</u>
Total current liabilities	<u>13,186,301</u>	<u>11,386,863</u>	<u>24,573,164</u>
Noncurrent liabilities:			
Unearned revenue	-	4,033,158	4,033,158
Advances from other governments	-	4,370,440	4,370,440
Compensated absences	1,422,182	-	1,422,182
Revenue bonds payable	-	51,058,290	51,058,290
Long-term contracts payable	57,439,889	-	57,439,889
Net pension liability	26,195,319	-	26,195,319
Other postemployment benefits liability	12,283,402	-	12,283,402
Pollution remediation obligation	150,490	-	150,490
Total noncurrent liabilities	<u>97,491,282</u>	<u>59,461,888</u>	<u>156,953,170</u>
Total liabilities	<u>110,677,583</u>	<u>70,848,751</u>	<u>181,526,334</u>
Deferred Inflows of Resources			
Deferred amounts related to pensions	3,245,430	-	3,245,430
Deferred amounts related to OPEB	1,825,827	-	1,825,827
Deferred amounts related to charge on refunding	-	126,656	126,656
Total deferred inflows of resources	<u>5,071,257</u>	<u>126,656</u>	<u>5,197,913</u>
Net Position			
Net investment in capital assets	74,311,165	159,550,732	233,861,897
Restricted for:			
Flood control	31,806,439	-	31,806,439
Warm Springs Dam	45,108,984	-	45,108,984
Water management planning	-	382,138	382,138
Watershed planning and restoration	-	14,178,608	14,178,608
Recycled water and local supply	-	764,500	764,500
Water conservation	-	929,503	929,503
Debt service	-	3,707,159	3,707,159
Other purposes	-	908,260	908,260
Unrestricted (deficit)	(6,046,462)	82,129,783	76,083,321
Total net position	<u>\$ 145,180,126</u>	<u>\$ 262,550,683</u>	<u>\$ 407,730,809</u>

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

Sonoma Water
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 13,323,965	\$ 5,717,101	\$ 3,230,525	\$ -	\$ (4,376,339)	\$ -	\$ (4,376,339)
Intergovernmental	21,747,490	15,033,510	-	-	(6,713,980)	-	(6,713,980)
Flood control	11,479,671	70,041	728,240	-	(10,681,390)	-	(10,681,390)
Warm Springs Dam	5,083,503	2,340	780,008	-	(4,301,155)	-	(4,301,155)
Interest on long-term debt	2,035,660	-	-	-	(2,035,660)	-	(2,035,660)
Total governmental activities	<u>53,670,289</u>	<u>20,822,992</u>	<u>4,738,773</u>	<u>-</u>	<u>(28,108,524)</u>	<u>-</u>	<u>(28,108,524)</u>
Business-type activities:							
Water transmission	49,598,108	39,761,241	279,142	4,214,282	-	(5,343,443)	(5,343,443)
Water supply	5,615,439	3,085,061	1,246,603	-	-	(1,283,775)	(1,283,775)
Sanitation	9,048,665	7,462,275	14,065	302,169	-	(1,270,156)	(1,270,156)
Total business-type activities	<u>64,262,212</u>	<u>50,308,577</u>	<u>1,539,810</u>	<u>4,516,451</u>	<u>-</u>	<u>(7,897,374)</u>	<u>(7,897,374)</u>
Total primary government	<u>\$ 117,932,501</u>	<u>\$ 71,131,569</u>	<u>\$ 6,278,583</u>	<u>\$ 4,516,451</u>	<u>(28,108,524)</u>	<u>(7,897,374)</u>	<u>(36,005,898)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					25,210,645	-	25,210,645
Property taxes, levied for debt service and assurances					12,019,539	14	12,019,553
Investment earnings					1,653,342	2,292,598	3,945,940
Transfers					600,000	(600,000)	-
Total general revenues and transfers					<u>39,483,526</u>	<u>1,692,612</u>	<u>41,176,138</u>
Change in net position					11,375,002	(6,204,762)	5,170,240
Net position - beginning of year					133,805,124	268,755,445	402,560,569
Net position - end of year					<u>\$ 145,180,126</u>	<u>\$ 262,550,683</u>	<u>\$ 407,730,809</u>

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

**Sonoma Water
Balance Sheet
Governmental Funds
June 30, 2023**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General	Flood Control	Warm Springs		
			Dam	Debt Service	
Assets					
Cash and investments	\$ 15,719,658	\$ 32,843,802	\$ 10,485,525	\$ 23,327,767	\$ 82,376,752
Restricted cash and investments	-	-	-	13,440,132	13,440,132
Accounts receivable	5,050,368	106,845	333,188	3,935	5,494,336
Prepaid items	315,493	54,752	-	-	370,245
Total assets	<u>\$ 21,085,519</u>	<u>\$ 33,005,399</u>	<u>\$ 10,818,713</u>	<u>\$ 36,771,834</u>	<u>\$ 101,681,465</u>
Liabilities					
Accounts payable	\$ 2,303,741	\$ 367,313	\$ 1,154,270	\$ -	\$ 3,825,324
Unearned revenue	841,642	681,157	-	-	1,522,799
Total liabilities	<u>3,145,383</u>	<u>1,048,470</u>	<u>1,154,270</u>	<u>-</u>	<u>5,348,123</u>
Deferred inflows of resources					
Unavailable revenue - intergovernmental	<u>1,272,969</u>	<u>24,718</u>	<u>-</u>	<u>-</u>	<u>1,297,687</u>
Fund balances					
Nonspendable	315,493	54,752	-	-	370,245
Restricted	-	31,877,459	9,664,443	36,771,834	78,313,736
Assigned	10,386,676	-	-	-	10,386,676
Unassigned	5,964,998	-	-	-	5,964,998
Total fund balances	<u>16,667,167</u>	<u>31,932,211</u>	<u>9,664,443</u>	<u>36,771,834</u>	<u>95,035,655</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,085,519</u>	<u>\$ 33,005,399</u>	<u>\$ 10,818,713</u>	<u>\$ 36,771,834</u>	<u>\$ 101,681,465</u>

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

Fund balances - total governmental funds	\$ 95,035,655
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	136,273,254
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds	1,297,687
Deferred outflows of resources are reported in the statement of net position but not reported in the funds	22,974,247
Some liabilities are not due and payable in the current period and therefore are not recorded in the funds:	
Interest payable	(1,327,292)
Compensated absences	(3,638,435)
Net pension liability	(26,195,319)
Other postemployment benefits liability	(12,283,402)
Pollution remediation obligation	(150,490)
Long-term contracts payable	(61,734,522)
Deferred inflows of resources are reported in the statement of net position but not reported in the funds	(5,071,257)
Net position of governmental activities	<u>\$ 145,180,126</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, 2023

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General	Flood Control	Warm Springs Dam	Debt Service	
Revenues					
Property taxes	\$ 11,835,589	\$ 13,375,056	\$ 12,019,539	\$ -	\$ 37,230,184
Investment earnings	336,658	376,509	163,175	777,000	1,653,342
Intergovernmental	3,093,260	718,297	780,008	-	4,591,565
Charges for services	20,731,653	64,100	-	-	20,795,753
Miscellaneous	18,958	5,941	2,340	-	27,239
Total revenues	<u>36,016,118</u>	<u>14,539,903</u>	<u>12,965,062</u>	<u>777,000</u>	<u>64,298,083</u>
Expenditures					
Current:					
General government	13,756,541	-	-	-	13,756,541
Intergovernmental	21,747,490	-	914,723	-	22,662,213
Flood control	-	9,722,382	-	-	9,722,382
Warm Springs Dam	-	-	4,089,881	-	4,089,881
Capital outlay	1,714,287	335,310	17,675	-	2,067,272
Debt service:					
Principal	-	-	-	4,160,458	4,160,458
Interest and fiscal charges	-	-	-	2,125,113	2,125,113
Total expenditures	<u>37,218,318</u>	<u>10,057,692</u>	<u>5,022,279</u>	<u>6,285,571</u>	<u>58,583,860</u>
Excess (deficiency) of revenues over (under) expenditures	(1,202,200)	4,482,211	7,942,783	(5,508,571)	5,714,223
Other financing sources (uses)					
Transfers in	1,100,000	-	-	6,300,000	7,400,000
Transfers out	(500,000)	-	(6,300,000)	-	(6,800,000)
Total other financing uses	<u>600,000</u>	<u>-</u>	<u>(6,300,000)</u>	<u>6,300,000</u>	<u>600,000</u>
Net change in fund balances	(602,200)	4,482,211	1,642,783	791,429	6,314,223
Fund balances - beginning 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>
Fund balances - end of year	<u>\$ 16,667,167</u>	<u>\$ 31,932,211</u>	<u>\$ 9,664,443</u>	<u>\$ 36,771,834</u>	<u>\$ 95,035,655</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, 2023

Net change in fund balances - total governmental funds \$ 6,314,223

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	2,067,271
Depreciation and amortization expense	(1,679,772)
Other capital related adjustments	(352,920)

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. 4,160,458

Certain amounts are not available to pay current period expenditures, and therefore, are deferred inflows of resources in the governmental funds. 134,410

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	89,450
Change in compensated absences	(110,360)
Change in accrued net pension asset (liability)	(1,715,019)
Change in other postemployment benefits liability	2,469,540
Change in pollution remediation obligation	(2,279)

Change in net position of governmental activities \$ 11,375,002

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

Sonoma Water
Statement of Net Position
Proprietary Funds
June 30, 2023

	<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	\$ 71,497,010	\$ 3,910,983	\$ 9,677,865	\$ 85,085,858	\$ 9,163,802
Restricted cash and investments	3,079,488	-	386,250	3,465,738	-
Deposits with others	-	-	-	-	753,746
Accounts receivable	7,443,593	3,007,992	239,302	10,690,887	-
Prepaid items	13,654	1,917	29,164	44,735	7,981
Total current assets	<u>82,033,745</u>	<u>6,920,892</u>	<u>10,332,581</u>	<u>99,287,218</u>	<u>9,925,529</u>
Noncurrent assets:					
Restricted cash and investments	11,663,465	-	264,627	11,928,092	-
Accounts receivable	203,456	76,657	3,025,098	3,305,211	-
Advances to other funds	-	-	-	-	5,557,000
Reserves on deposit	-	-	-	-	908,260
Capital assets, net:					
Land	7,066,430	-	1,621,444	8,687,874	2,336,031
Land improvements	-	709,664	-	709,664	361,951
Construction in progress	12,531,830	-	1,292,731	13,824,561	2,048,564
Intangible assets	6,231,177	28,460	68,868	6,328,505	45,956
Infrastructure	115,880,173	549,218	20,223,570	136,652,961	-
Buildings and improvements	3,178,328	-	-	3,178,328	28,465,682
Equipment	234,501	11,222	334,751	580,474	4,760,406
Total capital assets, net	<u>145,122,439</u>	<u>1,298,564</u>	<u>23,541,364</u>	<u>169,962,367</u>	<u>38,018,590</u>
Total noncurrent assets	<u>156,989,360</u>	<u>1,375,221</u>	<u>26,831,089</u>	<u>185,195,670</u>	<u>44,483,850</u>
Total assets	<u>239,023,105</u>	<u>8,296,113</u>	<u>37,163,670</u>	<u>284,482,888</u>	<u>54,409,379</u>
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	124,445	-	66,378	190,823	-

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

Sonoma Water
Statement of Net Position (continued)
Proprietary Funds
June 30, 2023

	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	2,042,931	463,261	866,413	3,372,605	983,872
Due to other governments	640,525	-	-	640,525	-
Interest payable	1,006	-	-	1,006	3,148
SBITA liabilities	58,120	-	-	58,120	6,458
Unearned revenue	118,033	1,493,406	513,579	2,125,018	-
Advances from other governments	452,750	-	-	452,750	-
Deposits from others	4,230	14,100	300	18,630	-
Financed purchases	-	-	-	-	260,339
Total current liabilities payable from unrestricted assets	<u>3,317,595</u>	<u>1,970,767</u>	<u>1,380,292</u>	<u>6,668,654</u>	<u>1,253,817</u>
Current liabilities payable from restricted assets:					
Interest payable	993,143	-	9,160	1,002,303	-
Revenue bonds payable	<u>2,085,000</u>	-	<u>377,089</u>	<u>2,462,089</u>	-
Total current liabilities payable from restricted assets	<u>3,078,143</u>	-	<u>386,249</u>	<u>3,464,392</u>	-
Total current liabilities	<u>6,395,738</u>	<u>1,970,767</u>	<u>1,766,541</u>	<u>10,133,046</u>	<u>1,253,817</u>
Noncurrent liabilities:					
Unearned revenue	893,269	3,139,889	-	4,033,158	-
Advances from other governments	4,370,440	-	-	4,370,440	-
Revenue bonds payable	49,862,833	-	1,195,457	51,058,290	-
Advances from other funds	-	-	5,557,000	5,557,000	-
Total noncurrent liabilities	<u>55,126,542</u>	<u>3,139,889</u>	<u>6,752,457</u>	<u>65,018,888</u>	-
Total liabilities	<u>61,522,280</u>	<u>5,110,656</u>	<u>8,518,998</u>	<u>75,151,934</u>	<u>1,253,817</u>
Deferred Inflows of Resources					
Deferred amounts related to charge on refunding	<u>126,656</u>	-	-	<u>126,656</u>	-
Net Position					
Net investment in capital assets	98,703,354	1,298,564	22,016,872	122,018,790	37,531,942
Restricted for:					
Water management planning	382,138	-	-	382,138	-
Watershed planning and restoration	14,178,608	-	-	14,178,608	-
Recycled water and local supply	764,500	-	-	764,500	-
Water conservation	743,131	-	186,372	929,503	-
Reserves on deposit	-	-	-	-	908,260
Debt service	3,065,442	-	641,717	3,707,159	-
Unrestricted	<u>59,661,441</u>	<u>1,886,893</u>	<u>5,866,089</u>	<u>67,414,423</u>	<u>14,715,360</u>
Total net position	<u>\$ 177,498,614</u>	<u>\$ 3,185,457</u>	<u>\$ 28,711,050</u>	<u>\$ 209,395,121</u>	<u>\$ 53,155,562</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				<u>53,155,562</u>	
Net position of business-type activities				<u>\$ 262,550,683</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, 2023

	<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 revenues					
Water sales	\$ 39,674,604	\$ 2,834,412	\$ -	\$ 42,509,016	\$ -
Water services	22,896	-	-	22,896	-
Power sales	-	-	-	-	6,044,554
Flat charges	-	-	6,721,613	6,721,613	-
Sanitation services	-	-	539,272	539,272	-
Equipment rental	-	-	-	-	3,147,045
Real estate rental	-	-	-	-	3,915,726
Miscellaneous	63,742	250,649	20,998	335,389	115,769
Total operating revenue	<u>39,761,242</u>	<u>3,085,061</u>	<u>7,281,883</u>	<u>50,128,186</u>	<u>13,223,094</u>
Operating expenses					
Services and supplies	40,451,563	5,397,736	7,630,973	53,480,272	10,823,202
Depreciation and amortization	7,012,753	222,876	1,273,984	8,509,613	2,540,936
Total operating expenses	<u>47,464,316</u>	<u>5,620,612</u>	<u>8,904,957</u>	<u>61,989,885</u>	<u>13,364,138</u>
Operating loss	<u>(7,703,074)</u>	<u>(2,535,551)</u>	<u>(1,623,074)</u>	<u>(11,861,699)</u>	<u>(141,044)</u>
Nonoperating revenues (expenses)					
Investment earnings	1,826,456	98,379	143,669	2,068,504	224,094
Taxes and assessments	-	-	14	14	-
Interest expense and debt issuance cost	(1,853,861)	-	(155,418)	(2,009,279)	(21,768)
Loss on disposal of capital assets, net of gain	(25,267)	-	(1,774)	(27,041)	-
Real estate rental	-	-	180,393	180,393	114,190
Intergovernmental revenue	279,142	1,246,603	14,065	1,539,810	-
Grant pass-through	(187,388)	-	-	(187,388)	-
Total nonoperating revenues, net	<u>39,082</u>	<u>1,344,982</u>	<u>180,949</u>	<u>1,565,013</u>	<u>316,516</u>
Income (loss) before capital contributions and transfers	<u>(7,663,992)</u>	<u>(1,190,569)</u>	<u>(1,442,125)</u>	<u>(10,296,686)</u>	<u>175,472</u>
Capital contributions - connection fees	-	-	219,817	219,817	-
Capital contributions	3,881,862	-	82,352	3,964,214	332,421
Transfers in	-	-	500,000	500,000	-
Transfers out	-	-	-	-	(1,100,000)
Change in net position	<u>(3,782,130)</u>	<u>(1,190,569)</u>	<u>(639,956)</u>	<u>(5,612,655)</u>	<u>(592,107)</u>
Net position - beginning of year	<u>181,280,744</u>	<u>4,376,026</u>	<u>29,351,006</u>		<u>53,747,669</u>
Net position - end of year	<u>\$ 177,498,614</u>	<u>\$ 3,185,457</u>	<u>\$ 28,711,050</u>		<u>\$ 53,155,562</u>
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				<u>(592,107)</u>	
Change in net position of business-type activities				<u>\$ (6,204,762)</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, 2023

	Business-Type Activities - Enterprise Funds				
	Water			Total	Internal Service Funds
	Transmission	Water Supply	Sanitation		
Cash flows from operating activities:					
Cash receipts from customers	\$ 42,485,419	\$ 3,674,042	\$ 7,951,949	\$ 54,111,410	\$ -
Cash receipts from interfund services provided	-	-	-	-	13,379,229
Cash payments for interfund services used	(23,979,744)	(2,387,922)	(3,608,440)	(29,976,106)	(2,137,645)
Cash payments to suppliers	(16,174,856)	(2,808,899)	(4,013,526)	(22,997,281)	(8,642,332)
Net cash provided by (used for) operating activities	<u>2,330,819</u>	<u>(1,522,779)</u>	<u>329,983</u>	<u>1,138,023</u>	<u>2,599,252</u>
Cash flows from noncapital financing activities:					
Transfers in	-	-	500,000	500,000	-
Transfers out	-	-	-	-	(1,100,000)
Taxes and assessments	-	-	14	14	-
Intergovernmental receipts	97,346	443,138	14,065	554,549	-
Real estate rental	-	-	180,393	180,393	-
Conservation program	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>97,346</u>	<u>443,138</u>	<u>694,472</u>	<u>1,234,956</u>	<u>(1,100,000)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(11,922,664)	-	(665,635)	(12,588,299)	(1,877,024)
Principal paid on revenue bonds	(1,205,000)	-	(371,987)	(1,576,987)	-
Principal paid on financed purchases	-	-	-	-	(504,355)
Principal paid on SBITA liabilities	(59,036)	-	-	(59,036)	(6,560)
Principal paid on advances from other governments	(886,877)	-	-	(886,877)	-
Principal paid on interfund loans	-	-	(60,000)	(60,000)	-
Interest paid on long-term debt	(1,691,552)	-	(135,459)	(1,827,011)	(27,538)
Proceeds from disposal of capital assets	902,597	-	-	902,597	114,190
Connection fees	-	-	1,113,109	1,113,109	-
Capital contributions	4,786,640	-	183,127	4,969,767	-
Net cash provided by (used for) capital and related financing activities	<u>(10,075,892)</u>	<u>-</u>	<u>63,155</u>	<u>(10,012,737)</u>	<u>(2,301,287)</u>
Cash flows from investing activities:					
Investment earnings	1,826,456	98,379	143,669	2,068,504	224,094
Principal received on interfund loans	-	-	-	-	60,000
Net cash provided by investing activities	<u>1,826,456</u>	<u>98,379</u>	<u>143,669</u>	<u>2,068,504</u>	<u>284,094</u>
Net increase (decrease) in cash and cash equivalents	(5,821,271)	(981,262)	1,231,279	(5,571,254)	(517,941)
Cash and cash equivalents - beginning of year	92,061,234	4,892,245	9,097,463	106,050,942	9,681,743
Cash and cash equivalents - end of year	<u>\$ 86,239,963</u>	<u>\$ 3,910,983</u>	<u>\$ 10,328,742</u>	<u>\$ 100,479,688</u>	<u>\$ 9,163,802</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 71,497,010	\$ 3,910,983	\$ 9,677,865	\$ 85,085,858	\$ 9,163,802
Restricted cash and investments	14,742,953	-	650,877	15,393,830	-
Cash and cash equivalents	<u>\$ 86,239,963</u>	<u>\$ 3,910,983</u>	<u>\$ 10,328,742</u>	<u>\$ 100,479,688</u>	<u>\$ 9,163,802</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:					
Operating loss	\$ (7,703,074)	\$ (2,535,551)	\$ (1,623,074)	\$ (11,861,699)	\$ (141,044)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation and amortization	7,012,753	222,876	1,273,984	8,509,613	2,540,936
Change in assets and liabilities:					
(Increase)/decrease in accounts receivable	2,842,495	(511,939)	202,263	2,532,819	156,134
Decrease in due from other funds	-	1,000	-	1,000	-
Decrease in deposits from others	-	-	100	100	-
Decrease in other long-term assets	-	-	-	-	92,482
(Increase)/decrease in prepaid items	(10,803)	(1,209)	(27,476)	(39,488)	233,632
Increase/(decrease) in unearned revenue	(118,317)	1,100,921	499,514	1,482,118	-
Decrease in due to other governments	(101)	-	(39,792)	(39,893)	-
Decrease in due to other funds	(458,321)	-	-	(458,321)	-
Increase/(decrease) in accounts payable and accrued expenses	766,187	201,123	44,464	1,011,774	(282,888)
Net cash provided by (used for) operating activities	<u>\$ 2,330,819</u>	<u>\$ (1,522,779)</u>	<u>\$ 329,983</u>	<u>\$ 1,138,023</u>	<u>\$ 2,599,252</u>
Noncash investing, capital, or financing activities:					
Acquisition of capital assets through current liabilities	\$ -	\$ -	\$ -	\$ -	\$ 232,868
Loss on disposal of capital assets	25,267	-	(1,774)	23,493	-
Grants receivable	181,796	803,465	-	985,261	-

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, 2023

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. Subscription-Based Information Technology Arrangements (SBITAs)
- Note I. Long-Term Obligations
- Note J. Pollution Remediation Obligation
- Note K. Net Position
- Note L. Employees' Retirement Plan
- Note M. Other Postemployment Benefits (OPEB)
- Note N. Deferred Compensation Plans
- Note O. Related Party Transactions
- Note P. Risk Management
- Note Q. Commitments and Contingencies
- Note R. Economic Dependence

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023

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 earned, 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, 2023

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 fund in this category is Warm Springs Dam.

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

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 and Water Supply.

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. Sonoma Water maintains a separate fund for each of the four zones. The four nonmajor funds are aggregated and reported as Sanitation.

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, 2023

Note A. Summary of Significant Accounting Policies (continued)

Cash and Investments

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

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

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

Accounts Receivable

Sonoma Water's accounts receivable are reported at their estimated net realizable value and result primarily from water sales to local water districts and cities.

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.

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note A. Summary of Significant Accounting Policies (continued)

Capital Assets

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

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

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

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

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 separation from government service.

The liability for vacation leave balances is recorded in the government funds only if the liability has matured as a result of employee resignation or retirements. However, vacation leave balances are reflected in the government-wide statement of net position and are recorded as incurred. 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, 2023

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 on 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, 2023

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 or contractually required to be maintained intact. This balance includes inventories and prepaid items.

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

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance or resolution by Sonoma Water’s “highest level of decision-making authority,” the Board. These purposes can only be changed or cancelled by a similar Board action. Sonoma Water does not report any fund balances in this classification as of June 30, 2023.

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note A. Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance (continued)

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

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

	Special Revenue				Total
	General Fund	Flood Control	Warm Springs Dam	Debt Service	
Nonspendable					
Prepaid items	\$ 315,493	\$ 54,752	\$ -	\$ -	\$ 370,245
Restricted					
Flood control	-	31,877,459	-	-	31,877,459
Warm Springs Dam	-	-	9,664,443	36,771,834	46,436,277
Assigned					
General government	5,288,226	-	-	-	5,288,226
Spring Lake Park	3,786,546	-	-	-	3,786,546
Water/wastewater loan	632,686	-	-	-	632,686
Energy & sustainability	679,218	-	-	-	679,218
Unassigned	5,964,998	-	-	-	5,964,998
Total	\$ 16,667,167	\$ 31,932,211	\$ 9,664,443	\$ 36,771,834	\$ 95,035,655

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. 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, 2023

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, 2023 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 GASB statements have been implemented for the fiscal year ended June 30, 2023:

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. Implementation of this new accounting standard had no impact on Sonoma Water's net position.

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. Implementation of this new accounting standard reduced Sonoma Water's net position by \$64,578.

Future Accounting Pronouncements

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note A. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 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, 2023

Note C. Cash and Investments (continued)

Financial Statement Presentation

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 176,626,412
Cash and investments - collateral for standby letter of credit	13,440,132
Cash and investments - restricted for debt service and capital projects	15,393,830
Total cash and investments	\$ 205,460,374

Cash and investments as of June 30, 2023 consisted of the following:

County treasury pooled cash and investments:

Unrestricted	\$ 157,947,222
Cash and investments - restricted for debt service and capital projects	10,865,977

Nonpooled cash and investments:

Cash on hand	750
Unrestricted	4,405
Investments - U.S. Treasury STRIPS and Notes - restricted for collateral	6,776,785
Investments - SCEIP Bonds	14,583,117
Money market mutual funds	4,090,918
Money market mutual funds restricted for collateral	6,663,347
Money market mutual funds restricted for revenue bonds	4,527,853
Total cash and investments	\$ 205,460,374

As of June 30, 2023, Sonoma Water reported \$168,813,199 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2023 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 \$6,776,785 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 \$14,583,117 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, 2023

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 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, 2023, approximately 44.6 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, less than 1.0 percent had a maturity of more than five years. The weighted average days to maturity was 539 days.

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

Investment Type	Amount	Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
County treasury pool (1)	\$ 168,813,199	\$ -	\$ -	\$ 168,813,199	\$ -
U.S. Treasury STRIPS	4,613,520	4,613,520	-	-	-
U.S. Treasury Notes	2,163,265	-	-	2,163,265	-
SCEIP Bonds	14,583,117	546,197	611,131	652,342	12,773,447
Money market mutual fund	15,282,118	15,282,118	-	-	-
Total	\$ 205,455,219	\$ 20,441,835	\$ 611,131	\$ 171,628,806	\$ 12,773,447

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

Custodial Credit Risk

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note C. Cash and Investments (continued)

Custodial Credit Risk (continued)

Sonoma Water is subject to custodial credit risk through its investments in SCEIP bonds (\$14,583,117), U.S. Treasury Notes (\$2,163,265) and U.S. Treasury STRIPS (\$4,613,520) held by the Treasurer on behalf of Sonoma Water. SCEIP bonds are contractual assessment revenue bonds registered in the name of the Sonoma County Public Financing Authority. 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.

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	\$ 14,583,117	7.1%

Credit Risk

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

Investment Type	Minimum Legal Rating	Total	Exempt From Disclosure	Rating at year-end	
				AAAm	Not Rated
County treasury pool	N/A	\$ 168,813,199	\$ -	\$ -	\$ 168,813,199
U.S. Treasury STRIPS	N/A	4,613,520	4,613,520	-	-
U.S. Treasury Notes	N/A	2,163,265	2,163,265	-	-
SCEIP Bonds	N/A	14,583,117	-	-	14,583,117
Money market mutual fund	AAAm	15,282,118	-	15,282,118	-
Total		\$ 205,455,219	\$ 6,776,785	\$15,282,118	\$ 183,396,316

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note C. Cash and Investments (continued)

Fair Value Measurements

Sonoma Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). 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 has the following recurring fair value measurements as of June 30, 2023:

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

Investment Type	Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. Treasury STRIPS	\$ 4,613,520	\$ 4,613,520	\$ -	\$ -
U.S. Treasury Notes	2,163,265	2,163,265	-	-
SCEIP Bonds	14,583,117	-	-	14,583,117
Total	\$ 21,359,902	\$ 6,776,785	\$ -	\$ 14,583,117

Note D. Accounts Receivable

Accounts receivable as of June 30, 2023 consists of the following:

	Current			Total Long-term
	Accounts Receivable	Inter-governmental	Total Current	
Governmental Activities:				
General Fund	\$ 2,142,668	\$ 1,634,731	\$ 3,777,399	\$ 1,272,969
Flood Control special revenue fund	4,600	77,527	82,127	24,718
Warm Springs Dam special revenue fund	-	333,188	333,188	-
Debt Service fund	-	3,935	3,935	-
Total Governmental Activities	\$ 2,147,268	\$ 2,049,381	\$ 4,196,649	\$ 1,297,687
Business-type Activities:				
Water Transmission enterprise fund	\$ 6,877,730	\$ 565,863	\$ 7,443,593	\$ 203,456
Water Supply enterprise fund	2,107,169	900,823	3,007,992	76,657
Sanitation enterprise fund	239,302	-	239,302	3,025,098
Internal service fund	-	-	-	-
Total Business-Type Activities	\$ 9,224,201	\$ 1,466,686	\$ 10,690,887	\$ 3,305,211

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, 2023

Note E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	June 30, 2022	Additions	Retirements	Transfers & Reclassification	June 30, 2023
<i>Governmental activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 1,597,189	\$ -	\$ -	\$ -	\$ 1,597,189
Construction in progress	446,487	229,965	(323,294)	(333,827)	19,331
Intangible assets:					
Intangible work in progress	592,505	1,837,306	(29,626)	-	2,400,185
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	2,301,256	-	-	-	2,301,256
Total capital assets, non-depreciable/amortizable	107,308,437	2,067,271	(352,920)	(333,827)	108,688,961
Capital assets, depreciable/amortizable:					
Infrastructure	66,620,965	-	-	-	66,620,965
Buildings and improvements	3,737,864	-	-	-	3,737,864
Land improvements	183,457	-	-	-	183,457
Intangible assets - easements	1,859,363	-	-	-	1,859,363
Equipment	1,581,753	-	(24,058)	333,827	1,891,522
Total capital assets, depreciable/amortizable	73,983,402	-	(24,058)	333,827	74,293,171
Less accumulated depreciation/amortization for:					
Infrastructure	(40,384,085)	(1,397,792)	-	-	(41,781,877)
Buildings and improvements	(2,566,040)	(84,245)	-	-	(2,650,285)
Land improvements	(80,517)	(12,231)	-	-	(92,748)
Intangible assets	(813,919)	(75,793)	-	-	(889,712)
Equipment	(1,208,603)	(109,711)	24,058	-	(1,294,256)
Total accumulated depreciation/amortization	(45,053,164)	(1,679,772)	24,058	-	(46,708,878)
Total capital assets, depreciable/amortizable, net	28,930,238	(1,679,772)	-	333,827	27,584,293
Total capital assets, net	\$ 136,238,675	\$ 387,499	\$ (352,920)	\$ -	\$ 136,273,254

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note E. Capital Assets (continued)

	July 1, 2022	Additions	Retirements	Transfers & Reclassification	June 30, 2023
<i>Business-type activities:</i>					
Capital assets, non-depreciable/amortizable:					
Land	\$ 11,023,905	\$ -	\$ -	\$ -	\$ 11,023,905
Construction in progress	29,079,256	12,496,313	(933,355)	(27,038,245)	13,603,969
Intangible assets:					
Intangible work in progress	2,497,385	452,837	(1,586)	(679,480)	2,269,156
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	499,585	-	-	679,480	1,179,065
Total capital assets, non-depreciable/amortizable	48,096,526	12,949,150	(934,941)	(27,038,245)	33,072,490
Capital assets, depreciable/amortizable:					
Infrastructure	274,036,640	-	-	27,038,245	301,074,885
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
Intangible assets - right-to-use SBITA assets	-	130,174	-	-	130,174
Equipment	15,143,048	701,543	(202,104)	-	15,642,487
Total capital assets, depreciable/amortizable	347,886,047	831,717	(202,104)	27,038,245	375,553,905
Less accumulated depreciation/amortization for:					
Infrastructure	(156,301,314)	(8,120,610)	-	-	(164,421,924)
Buildings and improvements	(19,486,756)	(1,553,190)	-	-	(21,039,946)
Land improvements	(2,921,001)	(186,462)	-	-	(3,107,463)
Intangible assets - software	(1,671,796)	-	-	-	(1,671,796)
Intangible assets - right-to-use SBITA assets	-	(102,702)	-	-	(102,702)
Equipment	(9,415,937)	(1,087,585)	201,915	-	(10,301,607)
Total accumulated depreciation/amortization	(189,796,804)	(11,050,549)	201,915	-	(200,645,438)
Total capital assets, depreciable/amortizable, net	158,089,243	(10,218,832)	(189)	27,038,245	174,908,467
Total capital assets, net	\$ 206,185,769	\$ 2,730,318	\$ (935,130)	\$ -	\$ 207,980,957

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, 2023

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	\$ 198,785
Flood Control	1,424,763
Warm Springs Dam	56,224
Total depreciation/amortization expense - governmental activities	\$ 1,679,772

Business-type activities:

Water Transmission	\$ 7,012,753
Water Supply	222,876
Sanitation	1,273,984
Internal Service Funds	2,540,936
Total depreciation/amortization expense - business type activities	\$ 11,050,549

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 I).

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, 2023

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, 2023, Sonoma Water reports the following unearned revenue balances:

Governmental Activities:

Camping reservation fees for Spring Lake Park	\$ 123,355
Drainage review	1,809
Advance funding for fuels mapping project	56,536
Advance funding for climate resiliency projects	753,745
Advance funding for water security projects	580,645
Advance funding for precipitation forecasting system	5,792
Cooperative agreement for livestock grazing	917
<u>Total Governmental Activities</u>	<u>\$ 1,522,799</u>

Business-Type Activities:

Lump-sum payment under the MMWD supplemental water supply agreement	\$ 3,336,132
Lump-sum payment for NMWD capital charges	893,269
Advance funding for high-efficiency fixture direct-installation program	513,579
Advance funding for climate resiliency projects	118,033
Advance funding for water security projects	1,297,163
<u>Total Business-Type Activities</u>	<u>\$ 6,158,176</u>

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note G. Inter-fund Transactions

Inter-fund Transfers

A summary of inter-fund activity as of and for the fiscal year ended June 30, 2023 is as follows:

Transfer from	Transfer to	Amount	Purpose
Facilities Fund	General Fund	\$ 1,100,000	Funding for General Fund operations
General Fund	Sanitation Fund	150,000	Funding for treatment plant operations in the ALW Sanitation Zone
General Fund	Sanitation Fund	200,000	Funding for treatment plant operations and capital projects in the Penngrove Sanitation Zone
General Fund	Sanitation Fund	150,000	Funding for treatment plant operations in the Geyserville Sanitation Zone
Warm Springs Dam	Debt Service	6,300,000	Funding for debt service payments
Total inter-fund transfers		\$ 7,900,000	

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, 2023
Equipment-Facilities Fund	2049	Variable	\$ 1,215,000	\$ 705,000
Equipment-Facilities Fund	2050	Variable	4,852,000	4,852,000
Total advances from other funds			\$ 6,067,000	\$ 5,557,000

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note H. Subscription-Based Information Technology Arrangements (SBITAs)

Business-type Activities

During the fiscal year ended June 30, 2023, Sonoma Water recorded a SBITA liability in the amount of \$130,174. Minimum annual principal and interest payments are \$65,801 per year.

Subscription	End Date	Initial Liability	Liability at 6/30/2023	Annual Payments
Intelligent Technology Solutions	7/31/2024	\$ 130,174	\$ 64,578	\$ 65,801

At June 30, 2023, the combined value of the right-to-use SBITA assets was \$130,173, with accumulated amortization of \$62,483.

Subscriptions Payable	Value of Subscriptions	Accumulated Amortization June 30, 2023
SBITAs:		
Intelligent Technology Solutions	\$ 130,174	\$ 62,483

The future principal and interest payments related to these SBITA's are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 64,578	\$ 1,223	65,801

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. Long-Term Obligations

Governmental Activities

Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2023
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 61,734,522

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

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

Compensated Absences:

As of June 30, 2023, vested vacation leave for Sonoma Water employees was \$3,638,435. The current portion of vested vacation leave was \$2,216,253 as of June 30, 2023. Compensated absences are generally liquidated by the General Fund.

Net Pension Liability:

As of June 30, 2023, Sonoma Water reported \$26,195,319 in net pension liability. Additional information about net pension liability can be found in Note L. Net pension liability is generally liquidated by the General Fund.

Other Postemployment Benefits Liability:

As of June 30, 2023, Sonoma Water reported \$12,283,402 in other postemployment benefits liability. Additional information about other postemployment benefits can be found in Note M. Other postemployment benefits liability is generally liquidated by the General Fund.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. Long-Term Obligations (continued)

Business-type Activities

Financed Purchases:	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2023
Financed purchase - City National Bank	2023	4.30%	\$ 5,835,000	\$ 260,339
Total financed purchases				\$ 260,339

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, 2023:

Buildings and improvements	\$ 12,518,629
Less: accumulated depreciation	(4,028,759)
Total buildings and improvements, net	\$ 8,489,870

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2023
Water revenue bonds, 2022, series A	2048	4.00 - 5.00%	\$ 19,680,000	\$ 19,680,000
Add: deferred amount for unamortized premium				1,800,539
Water revenue bonds, 2019, series A	2039	3.00 - 5.00%	11,010,000	9,935,000
Add: deferred amount for unamortized premium				1,186,186
Water revenue bonds, 2015, series A and AT	2040	2.30 - 5.20%	23,865,000	18,665,000
Add: deferred amount for unamortized premium				681,108
Total water revenue bonds payable, net				\$ 51,947,833

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

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

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. Long-Term Obligations (continued)

Business-type Activities (continued)

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

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

The remaining income pledged by Sonoma Water for the Water revenue bonds through the fiscal year ending June 30, 2048 consists of the outstanding principal of \$48,280,000 and total scheduled interest payments of \$18,726,951. Principal and interest paid for the fiscal year ended June 30, 2023 and Water Transmission net revenues pledged for debt payment totaled \$2,743,013 and \$5,355,681, 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, 2023
<hr/>				
Sonoma County Water & Wastewater				
Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 1,572,547
<hr/>				
Total water and wastewater revenue bonds payable				<hr/> \$ 1,572,547 <hr/>

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.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. Long-Term Obligations (continued)

Business-type Activities (continued)

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, 2023, principal and interest paid on the Water and Wastewater Revenue Bonds and net revenues pledged for the debt totaled \$412,961 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.

Advances from Other Governments:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2023
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 4,823,190
Total advances from other governments				\$ 4,823,190

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 \$4,823,190 and total scheduled interest payments of \$378,232. During the year ended June 30, 2023, 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, 2023

Note I. Long-Term Obligations (continued)

Changes in Long-Term Obligations

A summary of changes in long-term obligations for the fiscal year ended June 30, 2023 is as follows:

	July 1, 2022	Additions/ Adjustments	Retirements	June 30, 2023	Amounts Due Within One Year
<u>Governmental activities:</u>					
Long-term contracts payable	\$ 65,894,980	\$ -	\$ (4,160,458)	\$ 61,734,522	\$ 4,294,633
Net pension liability (asset)	(5,210,905)	26,552,441	4,853,783	26,195,319	-
Other postemployment benefits	12,175,133	2,987,774	(2,879,505)	12,283,402	-
Pollution remediation obligation	148,211	-	2,279	150,490	-
Compensated absences	3,528,075	2,657,894	(2,547,534)	3,638,435	2,216,253
Total governmental activities	76,535,494	32,198,109	(4,731,435)	104,002,168	6,510,886
<u>Business-type activities:</u>					
Financed purchases:					
Municipal Finance	764,694	-	(504,355)	260,339	260,339
Series 2015A and AT	19,495,000	-	(830,000)	18,665,000	880,000
Deferred amount for unamortized premium	727,846	-	(46,738)	681,108	-
Series 2019A	10,310,000	-	(375,000)	9,935,000	395,000
Deferred amount for unamortized premium	1,260,322	-	(74,137)	1,186,185	-
Series 2022A	19,680,000	-	-	19,680,000	810,000
Deferred amount for unamortized premium	1,928,152	-	(127,613)	1,800,539	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	1,944,534	-	(371,987)	1,572,547	377,089
Advances from other governments - direct borrowings:					
State Revolving Fund	5,710,067	-	(886,877)	4,823,190	452,750
Total business-type activities	61,820,615	-	(3,216,707)	58,603,908	3,175,178
Total	\$ 138,356,109	\$ 32,198,109	\$ (7,948,142)	\$ 162,606,076	\$ 9,686,064

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. Long-Term Obligations (continued)

Changes in Long-Term Obligations (continued)

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. 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.

Debt Service Requirements

The annual principal and interest requirements on the outstanding long-term obligations as of June 30, 2023 (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
2024	\$ 4,294,633	\$ 1,990,938	\$ 6,285,571
2025	4,433,135	1,852,437	6,285,572
2026	4,576,104	1,709,469	6,285,573
2027	4,723,683	1,561,889	6,285,572
2028	4,876,022	1,409,550	6,285,572
2029-2033	26,842,797	4,585,060	31,427,857
2034-2035	11,988,148	582,994	12,571,142
Total long-term contracts payable	\$ 61,734,522	\$ 13,692,337	\$ 75,426,859

Business-type Activities

Financed purchases

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 260,339	\$ 5,597	\$ 265,936
Total financed purchases	\$ 260,339	\$ 5,597	\$ 265,936

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. Long-Term Obligations (continued)

Business-type Activities (continued)

Water revenue bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,500,000	1,445,381	3,945,381
2029-2033	13,370,000	5,561,381	18,931,381
2034-2038	12,025,000	3,148,156	15,173,156
2039-2043	7,305,000	1,339,634	8,644,634
2044-2048	4,095,000	422,500	4,517,500
Total water revenue bonds	\$ 48,280,000	\$ 18,726,951	\$ 67,006,951

Water and wastewater revenue bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 377,089	\$ 32,247	\$ 409,336
2025	391,418	23,294	414,712
2026	394,954	14,133	409,087
2027	409,086	4,766	413,852
Total water and wastewater revenue bonds	\$ 1,572,547	\$ 74,440	\$ 1,646,987

Advances from other governments

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 452,750	\$ 67,365	\$ 520,115
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	1,004,796	35,436	1,040,232
2029	513,212	7,168	520,380
Total advances from other governments	\$ 4,823,190	\$ 378,232	\$ 5,201,422

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note I. 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
2024	3,175,178	1,969,965	5,145,143
2025	3,505,978	1,896,847	5,402,825
2026	3,645,521	1,749,429	5,394,950
2027	3,796,391	1,609,323	5,405,714
2028	3,504,796	1,480,817	4,985,613
2029-2033	13,883,212	5,568,549	19,451,761
2034-2038	12,025,000	3,148,156	15,173,156
2039-2043	7,305,000	1,339,634	8,644,634
2044-2048	4,095,000	422,500	4,517,500
	\$ 54,936,076	\$ 19,185,220	\$ 74,121,296

Note J. Pollution Remediation Obligation

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

The Closure Work Plan proposes to perform a lot line adjustment, which has been completed, separating the front portion of the property, where there are no human health issues based on the risk assessment. Sonoma Water is planning to sell the front portion of the property in the future. For the back half of the property, the work plan proposes to incorporate the affected site into the City of Santa Rosa’s bike path project, changing the risk of human exposure so that no significant cleanup will be required. It is anticipated that there will need to be annual monitoring and soil removal on the back half of the property, as well as a deed restriction and long-term easement. However, the NC Regional Board and the City of Santa Rosa have not yet approved the work plan. Accordingly, costs are unknown at this time.

In accordance with GASB Statement No. 49, Sonoma Water has estimated its potential pollution remediation liability as of June 30, 2023 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, 2023 is \$150,490. Discussions with the NC Regional Board and the City of Santa Rosa Fire Department continue and since no agreement has been reached, the estimated obligation continues to be considered long term.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note K. Net Position

Net position reported on the government-wide statement of net position as of June 30, 2023 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Land	\$ 1,597,189	\$ 11,023,905
Construction in progress	2,419,516	15,873,125
Intangible assets not being depreciated/amortized	104,672,256	6,175,460
Other capital assets, net of accumulated depreciation/amortization	27,584,290	174,908,467
Less: long-term debt outstanding	(61,734,522)	(58,668,486)
Less: capital accounts payable, outstanding	(227,564)	(510,274)
Plus: noncapital debt outstanding	-	10,684,368
Plus: deferred amount on refunding (net)	-	64,167
	\$ 74,311,165	\$ 159,550,732

Note L. Employees' Retirement Plan

Plan Description

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

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

At December 31, 2022, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,627
Current active members	4,103
Inactive vested members	1,688
	11,418

SCERA issues an annual financial report that includes financial statements and required supplementary information for the Plan which can be obtained by writing to the Sonoma County Employees' Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403, or can be found online at www.SCETIRE.com.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note L. Employees' Retirement Plan (continued)

Plan Description (continued)

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, 2023 were based on the Plan's valuations dated December 31, 2019 and December 31, 2020. 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, 2023, Sonoma Water contributed \$4,853,783 or approximately 16.7% of covered payroll.

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

At June 30, 2023, Sonoma Water reported a liability of \$26,195,319 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Sonoma Water's proportion of the net pension liability was based on a projection of Sonoma Water's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At December 31, 2022, Sonoma Water's proportion was 6.3%, which was a decrease of 2.2% from its proportion of the net pension liability measured as of December 31, 2021.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note L. Employees' Retirement Plan (continued)

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

For the year ended June 30, 2023, Sonoma Water recognized a pension expense of \$6,568,802 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, 2023, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 681,347	\$ 557,015
Changes in assumptions	2,504,506	-
Net difference between projected and actual earnings on retirement plan investments	10,717,164	-
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	2,853,494	2,688,415
Sonoma Water contributions subsequent to the measurement date	2,270,425	-
	<u>\$ 19,026,936</u>	<u>\$ 3,245,430</u>

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.

Deferred outflows of resources related to pensions resulting from Sonoma Water contributions subsequent to the measurement date totaling \$2,270,425 will be recognized as an increase of the net pension liability in the year ending June 30, 2024. 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>
2024	\$ 1,382,168
2025	3,744,181
2026	1,926,723
2027	6,458,009
	<u>\$ 13,511,081</u>

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note L. Employees' Retirement Plan (continued)

Actuarial Assumptions

The total pension liability was determined based on the December 31, 2022 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2022
Measurement date:	December 31, 2022
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 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, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

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

	1% Decrease <u>5.75%</u>	Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Sonoma Water's proportionate share of the net pension plan liability	\$ 53,706,297	\$ 26,195,319	\$ 3,346,016

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note M. 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.

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 \$2,879,505 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

Proportionate Share

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

Reporting Date	June 30, 2023
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022

At June 30, 2023, Sonoma Water reported a liability of \$12,283,402 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 7.40%. At June 30, 2022, Sonoma Water’s proportion was 7.59%, an increase of 0.19%.

Actuarial Methods and Assumptions

The Net OPEB Liability (NOL) was measured as of June 30, 2022 and 2021 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2022 and 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

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

The County Health Plan medical trends for ages under 65 grade from 6.25% in 2022/2023 down to 4.50% over 4 years. The County Health Plan medical trends for ages over 65 grade from 5.50% in 2022/2023 down to 4.50% over 4 years. County Health Plan drug trends grade from 5.50% in 2022/2023 down to 4.50% over 4 years. HMO Medical/Drug trends grade from 6.25% in 2022/2023 down to 4.50% over 7 years. ASO fees assumed trend was 3.00% in 2022/2023 and thereafter.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note M. Other Postemployment Benefits (OPEB) (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%	6.72%
Mid Cap U.S. Equity	4.00%	6.72%
Small Cap U.S. Equity	8.00%	6.72%
International Equity	8.00%	8.09%
Global Equity	6.00%	8.09%
U.S. Core Fixed Income	31.00%	0.72%
Alternatives	8.00%	3.50%
Cash	1.00%	0.22%
Real Estate	4.00%	4.22%
Total	100.00%	

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

Discount Rate

The discount rate used to measure the Total OPEB Liability (TOL) was 6.50% as of June 30, 2022 and June 30, 2021. The projection of cash flows used to determine the discount rate as of June 30, 2021 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, 2022:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 13,966,709	\$ 12,283,402	\$ 10,824,938

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, 2022:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 11,885,470	\$ 12,283,402	\$ 12,705,422

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note M. 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, 2022, 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, 2022, the average is 5.51 years.

For the year ended June 30, 2023, Sonoma Water recognized OPEB expense of \$692,165. At June 30, 2023, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,367	\$ 872,948
Changes in assumptions	164,676	664,849
Net difference between projected and actual earnings on OPEB plan investments	594,242	-
Changes in proportion and differences between contributions and proportionate share of contributions	620,712	288,030
Contributions subsequent to the measurement date	<u>2,551,314</u>	<u>-</u>
Total	<u>\$ 3,947,311</u>	<u>\$ 1,825,827</u>

The \$2,551,314 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

<u>Year Ending June 30</u>	<u>OPEB Expense</u>
2024	\$ (386,311)
2025	(378,549)
2026	(90,279)
2027	369,555
2026	<u>55,754</u>
	<u>\$ (429,830)</u>

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note M. 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 N. 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, 2023, Sonoma Water's contribution was \$351,559.

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 \$22,500 per calendar year.

Note O. 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, 2023

Note O. 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, 2023 is as follows:

Occidental County Sanitation District	\$ 831,956
Russian River County Sanitation District	3,975,878
Sonoma Valley County Sanitation District	8,080,756
South Park County Sanitation District	103,362
	\$ 12,991,952

In addition, Occidental County Sanitation District paid Sonoma Water \$176,689 under an agreement for sewer treatment services during the fiscal year ended June 30, 2023. During the fiscal year ended June 30, 2023, Sonoma Water provided the Occidental County Sanitation District and the Russian River County Sanitation District \$2,100,000 and \$4,607,000 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, 2023, Sonoma Water recognized a \$92,482 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, 2023

Note P. Risk Management

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

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

The County maintains "All Risk" property insurance including flood through participation in the PRISM Property Insurance Program. Limits of coverage are \$600,000,000 (shared) per occurrence for All Risk, and \$225,000,000 (shared) for flood (limits depending on FEMA flood zones). Deductibles for most perils are \$50,000 to \$100,000 per occurrence.

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

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

Note Q. Commitments and Contingencies

Construction

Sonoma Water has active construction projects as of June 30, 2023. The projects include expansion and/or improvements of several flood control, water transmission, water storage and wastewater treatment facilities. As of June 30, 2023, Sonoma Water's commitments to construction projects are as follows:

	Spent-to-Date	Remaining Commitment
Water transmission	\$ 12,531,830	\$ 3,595,540
Flood control	703,600	513,458
Internal service funds	2,048,564	489,350
Sanitation	1,292,731	141,678
Total	\$ 16,576,725	\$ 4,740,026

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note Q. 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, 2023:

	Remaining Commitment
General fund	\$ 5,532,728
Flood control	2,325,122
Warm Springs Dam	495,011
Water transmission	11,448,689
Water supply	1,787,614
Sanitation	724,092
Internal service funds	253,704
	\$ 22,566,960

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.

On June 15, 2021, the North Coast Regional Water Quality Control Board (Regional Board) invited the Russian River County Sanitation District (District) and Sonoma Water to participate in settlement negotiations concerning storm sewer overflows that occurred from the District sewer system during the flooding disasters on the Russian River in both 2017 and 2019. The District has reached a proposed settlement that is expected to be approved by the Executive Officer and executed on or around September 28, 2023. Under the settlement the parties stipulate fines for the 2019 floods, and the 2017 floods will not be prosecuted. The District and Sonoma Water are jointly responsible for these fines. \$886,545 of the fines will be suspended and satisfied once the District and Sonoma Water complete a West County Water Quality and Recycled Water Supply Feasibility Project (the Project). The Project is expected to be completed in 2026. \$147,001 of the fine will be payable entirely by the District to the State 30 days following the Executive Officer’s execution of the settlement.

Sonoma Water
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note Q. Commitments and Contingencies (continued)

Pending Litigation, Claims and Assessments (continued)

On January 25, 2022, a property owner filed a complaint against Sonoma Water and the County in the Sonoma County Superior Court seeking \$334,109 in allegedly overpaid sewer rates (that had been placed on the tax roll), plus interest and litigation costs. By agreement, Sonoma Water and not the County would be responsible for any liability. An outside counsel is jointly representing the County and Sonoma Water. On August 2, 2022, the Superior Court sustained Sonoma Water's demurrer without leave to amend. The property owner appealed the adverse judgment on January 31, 2023. No hearing date has been set in the Court of Appeal, and the property owner's opening brief is due on October 23, 2023.

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, 2023

Note R. Economic Dependence

Four major customers purchased water from Sonoma Water during the fiscal year ended June 30, 2023. Water sales revenue for the fiscal year ended June 30, 2023 and accounts receivable as of June 30, 2023 associated with those customers are as follows:

	Water Sales	% of Total Water Sales
City of Santa Rosa	\$ 15,259,978	36.0%
Marin Municipal Water District	8,096,662	19.1%
City of Petaluma	6,442,511	15.2%
North Marin Water District	4,596,407	10.8%
	\$ 34,395,558	81.1%

	Accounts Receivable	% of Total Accounts Receivable
Marin Municipal Water District	\$ 4,041,476	21.7%
City of Santa Rosa	1,409,675	7.6%
City of Petaluma	1,380,160	7.4%
North Marin Water District	471,050	2.5%
	\$ 7,302,361	39.2%

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	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Sonoma Water's proportionate share of net pension liability (asset)					
Sonoma Water's proportion of the net pension liability (asset)	6.3%	8.5%	6.4%	6.2%	6.2%
Sonoma Water's proportionate share of the net pension liability (asset)	\$ 26,195,319	\$ (5,210,905)	\$ 12,140,139	\$ 14,111,946	\$ 30,624,597
Sonoma Water's covered payroll	\$ 28,512,136	\$ 26,903,398	\$ 25,634,166	\$ 24,038,946	\$ 23,976,313
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	91.9%	-19.4%	47.4%	58.7%	127.7%
Plan fiduciary net position as a percentage of the total pension liability	88.9%	102.7%	93.6%	92.3%	83.5%

Measurement Date	12/31/2017	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)	5.7%	6.0%	5.9%	5.8%	5.6%
Sonoma Water's proportionate share of the net pension liability (asset)	\$ 9,689,254	\$ 23,601,397	\$ 24,444,642	\$ 12,464,325	\$ 13,632,777
Sonoma Water's covered payroll	\$ 23,385,939	\$ 22,207,867	\$ 20,532,602	\$ 18,691,146	\$ 18,033,509
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.4%	106.3%	119.1%	66.7%	75.6%
Plan fiduciary net position as a percentage of the total pension liability	94.0%	85.9%	84.6%	90.9%	89.8%

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Sonoma Water's pension contributions					
Actuarially determined contribution	\$ 4,853,783	\$ 4,576,409	\$ 4,985,417	\$ 3,930,580	\$ 4,002,478
Contributions in relation to the actuarially determined contribution	4,853,783	4,576,409	4,985,417	3,930,580	4,002,478
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Sonoma Water's covered payroll	\$ 29,054,660	\$ 27,890,777	\$ 27,679,616	\$ 24,760,206	\$ 24,860,064
Contributions as a percentage of covered payroll	16.7%	16.4%	18.0%	15.9%	16.1%

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

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

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

	6/30/2023	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	7.6%	7.4%	7.2%	7.4%	7.0%	7.2%	7.1%
Sonoma Water's proportionate share of the net OPEB liability	\$ 12,283,402	\$ 12,175,133	\$ 14,762,790	\$ 17,692,256	\$ 17,639,292	\$ 24,082,900	\$ 26,233,147
Sonoma Water's covered payroll	\$ 28,080,044	\$ 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	43.7%	45.1%	59.5%	72.6%	75.9%	104.5%	121.0%
Plan fiduciary net position as a percentage of the total OPEB liability	38.0%	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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis*)	Final Budget
Revenues				
Property taxes	\$ 10,595,816	\$ 10,595,816	\$ 11,835,589	\$ 1,239,773
Investment earnings	67,740	67,740	336,658	268,918
Intergovernmental	3,654,579	4,069,503	3,093,260	(976,243)
Charges for services	21,717,613	21,867,613	20,731,653	(1,135,960)
Miscellaneous	1,385,100	1,385,100	18,958	(1,366,142)
Total revenues	37,420,848	37,985,772	36,016,118	(1,969,654)
Expenditures				
Current:				
General government	18,173,784	29,777,854	11,769,581	18,008,273
Intergovernmental	20,777,000	20,777,000	21,747,490	(970,490)
Capital outlay	22,000	2,850,252	2,327,393	522,859
Total expenditures	38,972,784	53,405,106	35,844,464	17,560,642
Deficiency of revenues under expenditures	(1,551,936)	(15,419,334)	171,654	15,590,988
Other Financing Uses				
Transfers in	600,000	3,100,000	1,100,000	(2,000,000)
Transfers out	(2,948,000)	(3,148,000)	(500,000)	2,648,000
Total Financing Uses	(2,348,000)	(48,000)	600,000	648,000
Net changes in fund balance	\$ (3,899,936)	\$ (15,467,334)	771,654	\$ 16,238,988
GAAP basis difference - encumbrances			(1,373,854)	
Fund balance - beginning of year			17,269,367	
Fund balance - end of year			\$ 16,667,167	

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis*)	Final Budget
Revenues				
Property taxes	\$ 11,985,470	\$ 11,985,470	\$ 13,375,056	\$ 1,389,586
Investment earnings	110,136	110,136	376,509	266,373
Intergovernmental	315,810	785,810	718,297	(67,513)
Charges for services	43,000	43,000	64,100	21,100
Miscellaneous	118,000	118,000	5,941	(112,059)
Total revenues	12,572,416	13,042,416	14,539,903	1,497,487
Expenditures				
Current:				
Flood control	13,469,175	16,958,080	9,203,988	7,754,092
Capital outlay	1,159,900	1,660,860	571,926	1,088,934
Total expenditures	14,629,075	18,618,940	9,775,914	8,843,026
Excess (deficiency) of revenues over (under) expenditures	(2,056,659)	(5,576,524)	4,763,989	10,340,513
Net changes in fund balance	\$ (2,056,659)	\$ (5,576,524)	4,763,989	\$ 10,340,513
GAAP basis difference - encumbrances			(281,778)	
Fund balance - beginning of year			27,450,000	
Fund balance - end of year			\$ 31,932,211	

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, 2023

	<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	\$ 10,961,494	\$ 10,961,494	\$ 12,019,539	\$ 1,058,045
Investment earnings	28,800	28,800	163,175	134,375
Intergovernmental	36,908	1,315,949	780,008	(535,941)
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,340</u>	<u>2,340</u>
Total revenues	<u>11,027,202</u>	<u>12,306,243</u>	<u>12,965,062</u>	<u>658,819</u>
Expenditures				
Current:				
Warm Springs Dam	6,866,000	9,569,164	5,102,855	4,466,309
Capital outlay	<u>40,000</u>	<u>330,000</u>	<u>17,675</u>	<u>312,325</u>
Total expenditures	<u>6,906,000</u>	<u>9,899,164</u>	<u>5,120,530</u>	<u>4,778,634</u>
Excess of revenues over expenditures	<u>4,121,202</u>	<u>2,407,079</u>	<u>7,844,532</u>	<u>5,437,453</u>
Other Financing Uses				
Transfers out	<u>(5,900,000)</u>	<u>(6,300,000)</u>	<u>(6,300,000)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (1,778,798)</u>	<u>\$ (3,892,921)</u>	1,544,532	<u>\$ 5,437,453</u>
GAAP basis difference - encumbrances			98,251	
Fund balance - beginning of year			<u>8,021,660</u>	
Fund balance - end of year			<u>\$ 9,664,443</u>	

Sonoma Water
Note to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

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 lease additions. In addition, the budgetary presentation reflects the effect of reimbursements which are negative expenditures used to transfer costs between departments within the governmental funds. For GAAP purposes, reimbursements are recorded as expenditures/expenses in the reimbursing fund and as reductions to expenditures/expenses in the fund that is reimbursed. Reimbursements primarily consist of charges initially incurred by departments responsible for communications, vehicles and data processing and eventually applied to other funds.

Other Supplementary Information

Sonoma Water
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2023

	<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	\$ 354,240	\$ 354,240	\$ 777,000	\$ 422,760
Total revenues	<u>354,240</u>	<u>354,240</u>	<u>777,000</u>	<u>422,760</u>
Expenditures				
Current:				
Debt service	<u>6,285,573</u>	<u>6,285,573</u>	<u>6,285,571</u>	<u>2</u>
Total expenditures	<u>6,285,573</u>	<u>6,285,573</u>	<u>6,285,571</u>	<u>2</u>
Deficiency of revenues				
under expenditures	<u>(5,931,333)</u>	<u>(5,931,333)</u>	<u>(5,508,571)</u>	<u>422,762</u>
Other Financing Sources				
Transfers in	<u>5,900,000</u>	<u>6,300,000</u>	<u>6,300,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ (31,333)</u>	<u>\$ 368,667</u>	791,429	<u>\$ 422,762</u>
GAAP basis difference - encumbrances			-	
Fund balance - beginning of year			<u>35,980,405</u>	
Fund balance - end of year			<u>\$ 36,771,834</u>	

* See Note to Required Supplementary Information on page 102.

**Sonoma Water
Combining Balance Sheet
Flood Control Special Revenue Funds
June 30, 2023**

	Flood Control Funds						
	Zone 1A Laguna Mark West	Zone 2A Petaluma Basin	Zone 3A Valley of the Moon	Zone 5A Lower Russian River	Zone 7A North Coast	Zone 8A South Coast	Total Flood Control Funds
Assets							
Cash and investments	\$ 10,194,359	\$ 10,278,735	\$ 7,542,138	\$ 1,371,206	\$ 78,946	\$ 3,378,418	\$ 32,843,802
Accounts receivable	103,659	1,593	1,593	-	-	-	106,845
Prepaid items	<u>54,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,752</u>
Total assets	<u>\$ 10,352,770</u>	<u>\$ 10,280,328</u>	<u>\$ 7,543,731</u>	<u>\$ 1,371,206</u>	<u>\$ 78,946</u>	<u>\$ 3,378,418</u>	<u>\$ 33,005,399</u>
Liabilities							
Accounts payable	\$ 218,604	\$ 97,732	\$ 50,977	\$ -	\$ -	\$ -	\$ 367,313
Unearned revenue	90,000	301,157	290,000	-	-	-	681,157
Total liabilities	<u>\$ 308,604</u>	<u>\$ 398,889</u>	<u>\$ 340,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,470</u>
Deferred inflows of resources							
Unavailable revenue - intergovernmental	<u>24,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,718</u>
Fund balances							
Nonspendable	54,752	-	-	-	-	-	54,752
Restricted	<u>9,964,696</u>	<u>9,881,439</u>	<u>7,202,754</u>	<u>1,371,206</u>	<u>78,946</u>	<u>3,378,418</u>	<u>31,877,459</u>
Total fund balances	<u>\$ 10,019,448</u>	<u>\$ 9,881,439</u>	<u>\$ 7,202,754</u>	<u>\$ 1,371,206</u>	<u>\$ 78,946</u>	<u>\$ 3,378,418</u>	<u>\$ 31,932,211</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,352,770</u>	<u>\$ 10,280,328</u>	<u>\$ 7,543,731</u>	<u>\$ 1,371,206</u>	<u>\$ 78,946</u>	<u>\$ 3,378,418</u>	<u>\$ 33,005,399</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, 2023

	Flood Control Funds						
	Zone 1A	Zone 2A	Zone 3A	Zone 5A	Zone 7A		
	Laguna Mark	Petaluma	Valley of the	Lower Russian	North	Zone 8A South	Total Flood
	West	Basin	Moon	River	Coast	Coast	Control Funds
Revenues							
Property taxes	\$ 8,804,771	\$ 2,418,816	\$ 1,597,366	\$ 316,048	\$ -	\$ 238,055	\$ 13,375,056
Investment earnings	76,911	136,269	90,343	22,387	1,359	49,240	376,509
Intergovernmental	635,325	72,867	7,566	1,442	-	1,097	718,297
Charges for services	64,100	-	-	-	-	-	64,100
Miscellaneous	166	5,775	-	-	-	-	5,941
Total revenues	<u>9,581,273</u>	<u>2,633,727</u>	<u>1,695,275</u>	<u>339,877</u>	<u>1,359</u>	<u>288,392</u>	<u>14,539,903</u>
Expenditures							
Services and supplies	7,165,042	1,581,630	658,057	289,974	197	27,482	9,722,382
Capital outlay	3,790	216,099	115,421	-	-	-	335,310
Total expenditures	<u>7,168,832</u>	<u>1,797,729</u>	<u>773,478</u>	<u>289,974</u>	<u>197</u>	<u>27,482</u>	<u>10,057,692</u>
Excess of revenues over expenditures	2,412,441	835,998	921,797	49,903	1,162	260,910	4,482,211
Other financing sources (uses)							
Transfers in	-	54,126	-	-	-	-	54,126
Transfers out	(54,126)	-	-	-	-	-	(54,126)
Total other financing sources (uses)	<u>(54,126)</u>	<u>54,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,358,315	890,124	921,797	49,903	1,162	260,910	4,482,211
Fund balances - beginning of year	<u>7,661,133</u>	<u>8,991,315</u>	<u>6,280,957</u>	<u>1,321,303</u>	<u>77,784</u>	<u>3,117,508</u>	<u>27,450,000</u>
Fund balances - end of year	<u>\$ 10,019,448</u>	<u>\$ 9,881,439</u>	<u>\$ 7,202,754</u>	<u>\$ 1,371,206</u>	<u>\$ 78,946</u>	<u>\$ 3,378,418</u>	<u>\$ 31,932,211</u>

Sonoma Water
Combining Statement of Net Position
Sanitation Enterprise Funds
June 30, 2023

	Sanitation Funds				
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	Total Sanitation Funds
Assets					
Current assets:					
Cash and investments	\$ 1,058,577	\$ 1,923,219	\$ 582,101	\$ 6,113,968	\$ 9,677,865
Restricted cash and investments	-	-	-	386,250	386,250
Accounts receivable	3,475	16,917	7,191	211,719	239,302
Prepaid items	-	4,277	-	24,887	29,164
Total current assets	<u>1,062,052</u>	<u>1,944,413</u>	<u>589,292</u>	<u>6,736,824</u>	<u>10,332,581</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	264,627	264,627
Accounts receivable	6,340	5,991	14,621	2,998,146	3,025,098
Capital assets, net:					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	-	-	3,936	1,288,795	1,292,731
Intangible assets	2,472	2,639	2,541	61,216	68,868
Infrastructure	208,096	2,410,697	673,587	16,931,190	20,223,570
Equipment	92,267	-	53,988	188,496	334,751
Total capital assets, net	<u>302,835</u>	<u>2,413,336</u>	<u>840,265</u>	<u>19,984,928</u>	<u>23,541,364</u>
Total noncurrent assets	<u>309,175</u>	<u>2,419,327</u>	<u>854,886</u>	<u>23,247,701</u>	<u>26,831,089</u>
Total assets	<u>1,371,227</u>	<u>4,363,740</u>	<u>1,444,178</u>	<u>29,984,525</u>	<u>37,163,670</u>
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	-	-	-	66,378	66,378
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	49,326	692,518	33,217	91,352	866,413
Deposits from others	-	-	-	300	300
Unearned revenue	-	-	-	513,579	513,579
Total current liabilities payable from unrestricted assets	<u>49,326</u>	<u>692,518</u>	<u>33,217</u>	<u>605,231</u>	<u>1,380,292</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	9,160	9,160
Revenue bonds payable	-	-	-	377,089	377,089
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>386,249</u>	<u>386,249</u>
Total current liabilities	<u>49,326</u>	<u>692,518</u>	<u>33,217</u>	<u>991,480</u>	<u>1,766,541</u>
Noncurrent liabilities:					
Advances from other funds	-	-	-	5,557,000	5,557,000
Revenue bonds payable	-	-	-	1,195,457	1,195,457
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,752,457</u>	<u>6,752,457</u>
Total liabilities	<u>49,326</u>	<u>692,518</u>	<u>33,217</u>	<u>7,743,937</u>	<u>8,518,998</u>
Net Position					
Net investment in capital assets	302,835	2,413,336	840,265	18,460,436	22,016,872
Restricted for debt service	-	-	-	641,717	641,717
Restricted for water conservation	-	-	-	186,372	186,372
Unrestricted	1,019,066	1,257,886	570,696	3,018,441	5,866,089
Total net position	<u>\$ 1,321,901</u>	<u>\$ 3,671,222</u>	<u>\$ 1,410,961</u>	<u>\$ 22,306,966</u>	<u>\$ 28,711,050</u>

Sonoma Water
Combining Statement of Revenues, Expenses, and Changes in Net Position
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2023

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Operating revenue					
Flat charges	\$ 863,078	\$ 991,592	\$ 461,877	\$ 4,405,066	\$ 6,721,613
Sanitation services	3,733	25,300	7,441	502,798	539,272
Miscellaneous	-	-	-	20,998	20,998
Total operating revenue	<u>866,811</u>	<u>1,016,892</u>	<u>469,318</u>	<u>4,928,862</u>	<u>7,281,883</u>
Operating expenses					
Services and supplies	848,932	1,308,855	645,694	4,827,492	7,630,973
Depreciation and amortization	33,404	125,372	49,897	1,065,311	1,273,984
Total operating expenses	<u>882,336</u>	<u>1,434,227</u>	<u>695,591</u>	<u>5,892,803</u>	<u>8,904,957</u>
Operating loss	<u>(15,525)</u>	<u>(417,335)</u>	<u>(226,273)</u>	<u>(963,941)</u>	<u>(1,623,074)</u>
Nonoperating revenues (expenses)					
Taxes and assessments	-	3	11	-	14
Investment earnings	22,055	24,263	34,821	62,530	143,669
Interest expense and debt issuance cost	-	-	-	(155,418)	(155,418)
Real estate rental	-	-	-	180,393	180,393
Intergovernmental revenue	3,158	499	7,405	3,003	14,065
Loss on disposal of capital assets, net of gain	-	-	-	(1,774)	(1,774)
Total nonoperating revenues, net	<u>25,213</u>	<u>24,765</u>	<u>42,237</u>	<u>88,734</u>	<u>180,949</u>
Income (loss) before capital contributions and transfers	9,688	(392,570)	(184,036)	(875,207)	(1,442,125)
Capital contributions - connection fees	-	11,056	-	208,761	219,817
Capital contributions	-	82,352	-	-	82,352
Transfers in	-	200,000	150,000	150,000	500,000
Change in net position	9,688	(99,162)	(34,036)	(516,446)	(639,956)
Net position - beginning 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>
Net position - end of year	<u>\$ 1,321,901</u>	<u>\$ 3,671,222</u>	<u>\$ 1,410,961</u>	<u>\$ 22,306,966</u>	<u>\$ 28,711,050</u>

Sonoma Water
Combining Statement of Cash Flows
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2023

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Cash flows from operating activities:					
Cash receipts from customers	\$ 867,007	\$ 1,140,098	\$ 486,477	\$ 5,458,366	\$ 7,951,948
Cash payments for interfund services used	(165,772)	(306,368)	(428,416)	(2,707,884)	(3,608,440)
Cash payments to suppliers	(751,815)	(913,296)	(232,867)	(2,115,547)	(4,013,525)
Net cash provided by (used for) operating activities	<u>(50,580)</u>	<u>(79,566)</u>	<u>(174,806)</u>	<u>634,935</u>	<u>329,983</u>
Cash flows from noncapital financing activities:					
Transfers in	-	200,000	150,000	150,000	500,000
Taxes and assessments	-	3	11	-	14
Intergovernmental receipts	3,158	499	7,405	3,003	14,065
Real estate rental	-	-	-	180,393	180,393
Net cash provided by noncapital financing activities	<u>3,158</u>	<u>200,502</u>	<u>157,416</u>	<u>333,396</u>	<u>694,472</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(31,294)	(85,007)	(2,385)	(546,949)	(665,635)
Principal paid on revenue bonds	-	-	-	(371,987)	(371,987)
Principal paid on interfund loans	-	-	-	(60,000)	(60,000)
Interest paid on long-term debt	-	-	-	(135,459)	(135,459)
Capital contributions	-	183,127	-	-	183,127
Connection fees	-	11,056	-	1,102,053	1,113,109
Net cash provided by (used for) capital and related financing activities	<u>(31,294)</u>	<u>109,176</u>	<u>(2,385)</u>	<u>(12,342)</u>	<u>63,155</u>
Cash flows from investing activities:					
Investment earnings	22,055	24,263	34,821	62,530	143,669
Net increase (decrease) in cash and cash equivalents	(56,661)	254,375	15,046	1,018,519	1,231,279
Cash and cash equivalents - beginning of year	1,115,238	1,668,844	567,055	5,746,326	9,097,463
Cash and cash equivalents - end of year	<u>\$ 1,058,577</u>	<u>\$ 1,923,219</u>	<u>\$ 582,101</u>	<u>\$ 6,764,845</u>	<u>\$ 10,328,742</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 1,058,577	\$ 1,923,219	\$ 582,101	\$ 6,113,968	\$ 9,677,865
Restricted cash and investments	-	-	-	650,877	650,877
Cash and cash equivalents	<u>\$ 1,058,577</u>	<u>\$ 1,923,219</u>	<u>\$ 582,101</u>	<u>\$ 6,764,845</u>	<u>\$ 10,328,742</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:					
Operating loss	\$ (15,525)	\$ (417,335)	\$ (226,273)	\$ (963,941)	\$ (1,623,074)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation and amortization	33,404	125,372	49,897	1,065,311	1,273,984
Change in assets and liabilities:					
Decrease in accounts receivable	3,353	123,705	24,564	50,641	202,263
Decrease in deposits from others	-	-	-	100	100
Increase in prepaid items	-	(3,756)	-	(23,720)	(27,476)
Increase/(decrease) in unearned revenue	(3,158)	(499)	(7,405)	510,576	499,514
Decrease in due to other governments	(6,154)	(6,870)	(1,566)	(25,202)	(39,792)
Increase/(decrease) in accounts payable and accrued expenses	(62,500)	99,817	(14,023)	21,170	44,464
Net cash provided by (used for) operating activities	<u>\$ (50,580)</u>	<u>\$ (79,566)</u>	<u>\$ (174,806)</u>	<u>\$ 634,935</u>	<u>\$ 329,983</u>

Sonoma Water
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	<u>Internal Service Funds</u>		
	<u>Equipment- Facilities</u>	<u>Power Resources</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets:			
Cash and investments	\$ 7,035,009	\$ 2,128,793	\$ 9,163,802
Deposits with others	-	753,746	753,746
Prepaid items	7,981	-	7,981
Total current assets	<u>7,042,990</u>	<u>2,882,539</u>	<u>9,925,529</u>
Noncurrent assets:			
Advances to other funds	5,557,000	-	5,557,000
Reserves on deposit	-	908,260	908,260
Capital assets, net:			
Land	2,336,031	-	2,336,031
Land improvements	361,951	-	361,951
Construction in progress	2,048,564	-	2,048,564
Intangible assets	45,956	-	45,956
Buildings and improvements	18,182,770	10,282,912	28,465,682
Equipment	4,760,406	-	4,760,406
Total capital assets, net	<u>27,735,678</u>	<u>10,282,912</u>	<u>38,018,590</u>
Total noncurrent assets	<u>33,292,678</u>	<u>11,191,172</u>	<u>44,483,850</u>
Total assets	<u>40,335,668</u>	<u>14,073,711</u>	<u>54,409,379</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	370,935	612,937	983,872
Interest payable	3,148	-	3,148
SBITA liabilities	6,458	-	6,458
Financed purchases	260,339	-	260,339
Total liabilities	<u>640,880</u>	<u>612,937</u>	<u>1,253,817</u>
Net Position			
Net investment in capital assets	27,249,030	10,282,912	37,531,942
Restricted for reserves on deposit	-	908,260	908,260
Unrestricted	<u>12,445,758</u>	<u>2,269,602</u>	<u>14,715,360</u>
Total net position	<u>\$ 39,694,788</u>	<u>\$ 13,460,774</u>	<u>\$ 53,155,562</u>

Sonoma Water
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2023

	<u>Internal Service Funds</u>		
	<u>Equipment- Facilities</u>	<u>Power Resources</u>	
Operating revenue			
Power sales	\$ -	\$ 6,044,554	\$ 6,044,554
Equipment rental	3,147,045	-	3,147,045
Real estate rental	3,915,726	-	3,915,726
Miscellaneous	85,417	30,352	115,769
Total operating revenue	<u>7,148,188</u>	<u>6,074,906</u>	<u>13,223,094</u>
Operating expenses			
Services and supplies	4,471,207	6,351,995	10,823,202
Depreciation and amortization	2,106,014	434,922	2,540,936
Total operating expenses	<u>6,577,221</u>	<u>6,786,917</u>	<u>13,364,138</u>
Operating income (loss)	<u>570,967</u>	<u>(712,011)</u>	<u>(141,044)</u>
Nonoperating revenue (expenses)			
Investment earnings	222,602	1,492	224,094
Interest expense and debt issuance cost	(21,768)	-	(21,768)
Gain on sale of capital assets	114,190	-	114,190
Total nonoperating revenue, net	<u>315,024</u>	<u>1,492</u>	<u>316,516</u>
Capital contributions	-	332,421	332,421
Transfers out	(1,100,000)	-	(1,100,000)
Change in net position	(214,009)	(378,098)	(924,528)
Net position - beginning of year	<u>39,908,797</u>	<u>13,838,872</u>	<u>53,747,669</u>
Net position - end of year	<u>\$ 39,694,788</u>	<u>\$ 13,460,774</u>	<u>\$ 53,155,562</u>

Sonoma Water
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2023

	<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	\$ 7,148,927	\$ 6,230,302	\$ 13,379,229
Cash payments for interfund services used	(2,090,056)	(47,589)	(2,137,645)
Cash payments to suppliers	(2,373,326)	(6,269,006)	(8,642,332)
Net cash provided by (used for) operating activities	<u>2,685,545</u>	<u>(86,293)</u>	<u>2,599,252</u>
Cash flows from noncapital related financing activities:			
Transfers out	<u>(1,100,000)</u>	<u>-</u>	<u>(1,100,000)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,877,024)	-	(1,877,024)
Principal paid on financed purchases	(504,355)	-	(504,355)
Principal paid on SBITA liabilities	(6,560)	-	(6,560)
Interest paid on long-term debt	(27,538)	-	(27,538)
Proceeds from disposal of capital assets	114,190	-	114,190
Net cash used for capital and related financing activities	<u>(2,301,287)</u>	<u>-</u>	<u>(2,301,287)</u>
Cash flows from investing activities:			
Investment earnings	222,602	1,492	224,094
Principal received on interfund loans	60,000	-	60,000
Net cash provided by investing activities	<u>282,602</u>	<u>1,492</u>	<u>284,094</u>
Net decrease in cash and cash equivalents	(433,140)	(84,801)	(517,941)
Cash and cash equivalents - beginning of year	<u>7,468,149</u>	<u>2,213,594</u>	<u>9,681,743</u>
Cash and cash equivalents - end of year	<u>\$ 7,035,009</u>	<u>\$ 2,128,793</u>	<u>\$ 9,163,802</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 570,967	\$ (712,011)	\$ (141,044)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation and amortization	2,106,014	434,922	2,540,936
Change in assets and liabilities:			
Prepaid items	1,716	231,916	233,632
Accounts receivable	739	155,395	156,134
Other long-term assets	-	92,482	92,482
Accounts payable and accrued expenses	6,109	(288,997)	(282,888)
Net cash provided by (used for) operating activities	<u>\$ 2,685,545</u>	<u>\$ (86,293)</u>	<u>\$ 2,599,252</u>
Noncash investing, capital, or financing activities:			
Acquisition of capital assets through current liabilities	\$ 232,868	\$ -	\$ 232,868

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**

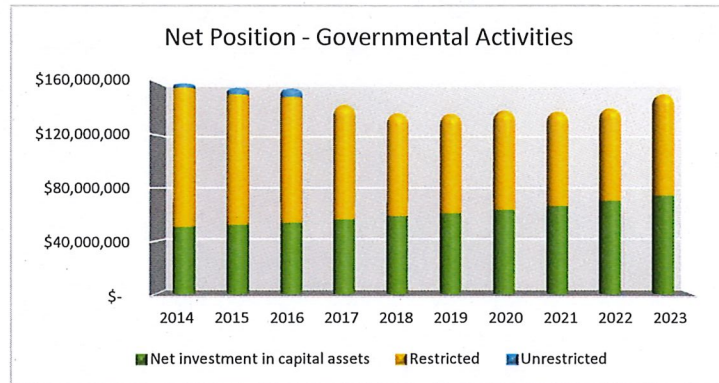
These schedules offer demographic and economic indicators to help the reader understand the environment within which Sonoma Water's financial activities take place.

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

	June 30,				
	2014 as restated (2)	2015	2016	2017 as restated (3)	2018
Governmental activities					
Net investment in capital assets	\$ 50,729,786	\$ 52,314,923	\$ 53,939,461	\$ 56,281,939	\$ 58,951,592
Restricted	104,627,246	97,856,531	94,399,627	86,833,589	77,808,351
Unrestricted	<u>4,030,884</u>	<u>5,903,840</u>	<u>7,173,755</u>	<u>(18,805,360)</u>	<u>(21,372,170)</u>
Total governmental activities net position	<u>\$ 159,387,916</u>	<u>\$ 156,075,294</u>	<u>\$ 155,512,843</u>	<u>\$ 124,310,168</u>	<u>\$ 115,387,773</u>
Business-type activities					
Net investment in capital assets	\$ 155,916,745	\$ 156,110,501	\$ 152,563,649	\$ 164,264,829	\$ 161,478,637
Restricted	7,429,384	10,941,231	14,048,490	16,664,705	19,800,228
Unrestricted	<u>52,195,409</u>	<u>45,892,005</u>	<u>49,409,182</u>	<u>40,946,812</u>	<u>52,535,839</u>
Total business-type activities net position	<u>\$ 215,541,538</u>	<u>\$ 212,943,737</u>	<u>\$ 216,021,321</u>	<u>\$ 221,876,346</u>	<u>\$ 233,814,704</u>
Primary Government					
Net investment in capital assets	\$ 206,646,531	\$ 208,425,424	\$ 206,503,110	\$ 220,546,768	\$ 220,430,229
Restricted	112,056,630	108,797,762	108,448,117	103,498,294	97,608,579
Unrestricted	<u>56,226,293</u>	<u>51,795,845</u>	<u>56,582,937</u>	<u>22,141,452</u>	<u>31,163,669</u>
Total primary government net position	<u>\$ 374,929,454</u>	<u>\$ 369,019,031</u>	<u>\$ 371,534,164</u>	<u>\$ 346,186,514</u>	<u>\$ 349,202,477</u>

Notes:

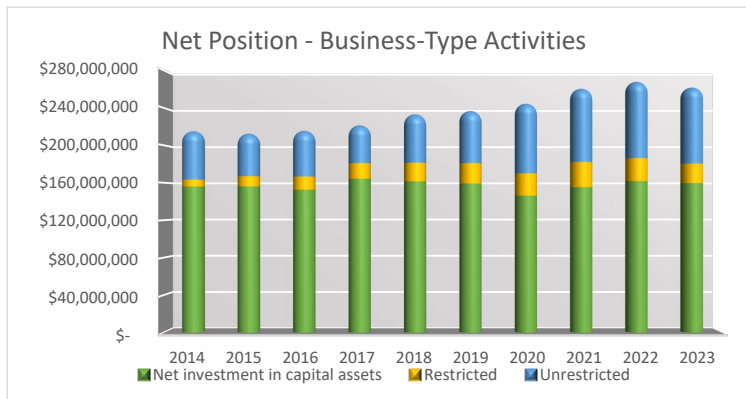
- (2) FY 2013 - 14 net position was restated from \$385,129,551 to \$374,929,454 for the implementation of GASB 68.
- (3) FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.



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,					
2019	2020	2021	2022	2023	
					Governmental activities
\$ 61,127,048	\$ 63,571,779	\$ 66,353,912	\$ 70,343,695	\$ 74,311,165	Net investment in capital assets
75,228,888	75,310,302	71,676,521	70,151,886	76,915,423	Restricted
<u>(21,950,036)</u>	<u>(17,961,098)</u>	<u>(12,323,055)</u>	<u>(6,690,457)</u>	<u>(6,046,462)</u>	Unrestricted
<u>\$ 114,405,900</u>	<u>\$ 120,920,983</u>	<u>\$ 125,707,378</u>	<u>\$ 133,805,124</u>	<u>\$ 145,180,126</u>	Total governmental activities net position
					Business-type activities
\$ 159,091,392	\$ 146,213,153	\$ 155,329,092	\$ 161,716,986	\$ 159,550,732	Net investment in capital assets
21,762,899	23,835,337	26,888,288	24,577,054	20,870,168	Restricted
<u>56,439,961</u>	<u>75,112,957</u>	<u>79,077,706</u>	<u>82,461,405</u>	<u>82,129,782</u>	Unrestricted
<u>\$ 237,294,252</u>	<u>\$ 245,161,447</u>	<u>\$ 261,295,086</u>	<u>\$ 268,755,445</u>	<u>\$ 262,550,682</u>	Total business-type activities net position
					Primary Government
\$ 220,218,440	\$ 209,784,932	\$ 221,683,004	\$ 232,060,681	\$ 233,861,897	Net investment in capital assets
96,991,787	99,145,639	98,564,809	94,728,940	97,785,591	Restricted
<u>34,489,925</u>	<u>57,151,859</u>	<u>66,754,651</u>	<u>75,770,948</u>	<u>76,083,320</u>	Unrestricted
<u>\$ 351,700,152</u>	<u>\$ 366,082,430</u>	<u>\$ 387,002,464</u>	<u>\$ 402,560,569</u>	<u>\$ 407,730,808</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,				
	2014 (2)	2015	2016 (3)	2017 (4), (5)	2018
Expenses					
Governmental activities:					
General government	\$ 3,209,352	\$ 6,285,821	\$ 19,245,528	\$ 8,991,653	\$ 7,766,110
Intergovernmental	-	-	-	13,794,014	14,336,168
Flood control	11,447,839	10,022,083	10,737,135	10,468,135	14,170,068
Warm Springs dam	6,123,874	8,617,924	6,720,953	9,861,623	10,822,995
Interest on long-term debt	3,091,715	2,988,713	2,882,388	2,772,636	2,659,344
Total governmental activities	<u>23,872,780</u>	<u>27,914,541</u>	<u>39,586,004</u>	<u>45,888,061</u>	<u>49,754,685</u>
Business-type activities:					
Water transmission	34,006,982	40,319,069	31,458,257	32,689,918	32,952,295
Water supply	6,308,724	6,741,377	5,803,845	7,183,788	4,699,307
Sanitation	4,743,336	5,166,464	5,165,501	5,818,886	7,593,186
Total business-type activities	<u>45,059,042</u>	<u>52,226,910</u>	<u>42,427,603</u>	<u>45,692,592</u>	<u>45,244,788</u>
Total expenses	<u>\$ 68,931,822</u>	<u>\$ 80,141,451</u>	<u>\$ 82,013,607</u>	<u>\$ 91,580,653</u>	<u>\$ 94,999,473</u>
Program revenues					
Governmental activities:					
Charges for services					
General government	\$ 2,645,169	\$ 946,849	\$ 10,957,871	\$ 1,484,451	\$ 1,754,440
Intergovernmental	-	-	-	11,984,014	11,237,954
Flood control	84,741	39,417	36,193	74,488	113,649
Warm Springs dam	19	106	46,612	715	61
Operating grants and contributions	1,622,316	1,723,931	3,033,039	1,253,477	2,560,079
Capital grants and contributions	-	-	100,477	16,207	296,313
Total governmental activities	<u>4,352,245</u>	<u>2,710,303</u>	<u>14,174,192</u>	<u>14,813,352</u>	<u>15,962,496</u>
Business-type activities:					
Charges for services					
Water transmission	40,184,486	35,493,217	32,236,696	33,936,713	40,246,329
Water supply	2,225,130	1,643,330	1,983,368	2,289,197	3,136,365
Sanitation	4,402,261	4,693,270	5,063,439	5,651,512	5,249,866
Operating grants and contributions	3,733,673	4,248,380	3,160,775	4,699,981	1,588,746
Capital grants and contributions	1,646,033	1,694,864	1,567,521	3,987,850	1,974,789
Total business-type activities	<u>52,191,583</u>	<u>47,773,061</u>	<u>44,011,799</u>	<u>50,565,253</u>	<u>52,196,095</u>
Total program revenues	<u>\$ 56,543,828</u>	<u>\$ 50,483,364</u>	<u>\$ 58,185,991</u>	<u>\$ 65,378,605</u>	<u>\$ 68,158,591</u>
Net (expense)/revenue					
Governmental activities	\$ (19,520,535)	\$ (25,204,238)	\$ (25,411,812)	\$ (31,074,709)	\$ (33,792,189)
Business-type activities	7,132,541	(4,453,849)	1,584,196	4,872,661	6,951,307
Total primary government net expense	<u>\$ (12,387,994)</u>	<u>\$ (29,658,087)</u>	<u>\$ (23,827,616)</u>	<u>\$ (26,202,048)</u>	<u>\$ (26,840,882)</u>

Notes:

- (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,					
2019	2020	2021	2022	2023	
					Expenses
					Governmental activities:
\$ 13,210,201	\$ 9,703,136	\$ 6,406,282	\$ 5,315,823	\$ 13,323,965	General government
13,025,872	12,587,202	15,347,561	16,472,460	21,747,490	Intergovernmental
12,483,365	14,288,805	12,101,628	12,625,704	11,479,671	Flood control
9,559,980	5,591,383	9,440,547	6,502,819	5,083,503	Warm Springs dam
2,542,398	2,421,680	2,297,070	2,168,441	2,035,660	Interest on long-term debt
<u>50,821,816</u>	<u>44,592,206</u>	<u>45,593,088</u>	<u>43,085,247</u>	<u>53,670,289</u>	Total governmental activities
					Business-type activities:
39,733,160	41,900,238	39,746,635	42,501,275	49,598,108	Water transmission
5,036,761	6,394,595	5,213,705	5,380,873	5,615,439	Water supply
6,844,365	7,186,759	7,926,806	7,221,720	9,048,666	Sanitation
<u>51,614,286</u>	<u>55,481,592</u>	<u>52,887,146</u>	<u>55,103,868</u>	<u>64,262,213</u>	Total business-type activities
<u>\$ 102,436,102</u>	<u>\$ 100,073,798</u>	<u>\$ 98,480,234</u>	<u>\$ 98,189,115</u>	<u>\$ 117,932,502</u>	Total expenses
					Program revenues
					Governmental activities:
					Charges for services
\$ 2,302,159	\$ 2,657,350	\$ 3,445,339	\$ 3,602,765	\$ 5,717,101	General government
11,775,872	11,744,802	14,255,561	14,195,485	15,033,510	Intergovernmental
111,550	779,600	66,875	81,500	70,041	Flood control
48	81	-	-	2,340	Warm Springs dam
5,485,759	5,016,803	5,933,734	3,229,077	4,738,773	Operating grants and contributions
7,893	-	-	-	-	Capital grants and contributions
<u>19,683,281</u>	<u>20,198,636</u>	<u>23,701,509</u>	<u>21,108,827</u>	<u>25,561,765</u>	Total governmental activities
					Business-type activities:
					Charges for services
39,464,502	44,692,393	51,339,633	47,353,833	39,761,241	Water transmission
3,069,451	3,212,893	3,750,171	3,528,819	3,085,061	Water supply
5,765,353	5,886,196	6,445,163	6,732,456	7,462,275	Sanitation
423,291	1,537,635	572,263	1,079,927	1,539,810	Operating grants and contributions
1,301,187	4,279,162	1,049,722	4,128,599	4,516,451	Capital grants and contributions
<u>50,023,784</u>	<u>59,608,279</u>	<u>63,156,952</u>	<u>62,823,634</u>	<u>56,364,838</u>	Total business-type activities
<u>\$ 69,707,065</u>	<u>\$ 79,806,915</u>	<u>\$ 86,858,461</u>	<u>\$ 83,932,461</u>	<u>\$ 81,926,603</u>	Total program revenues
					Net (expense)/revenue
\$ (31,138,535)	\$ (24,393,570)	\$ (21,891,579)	\$ (21,976,420)	\$ (28,108,524)	Governmental activities
(1,590,502)	4,126,687	10,269,806	7,719,766	(7,897,375)	Business-type activities
<u>\$ (32,729,037)</u>	<u>\$ (20,266,883)</u>	<u>\$ (11,621,773)</u>	<u>\$ (14,256,654)</u>	<u>\$ (36,005,899)</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,				
	2014 (2)	2015	2016 (3)	2017 (4), (5)	2018
General revenues					
Governmental activities:					
Property taxes	\$ 20,350,239	\$ 21,953,371	\$ 23,629,448	\$ 25,228,577	\$ 26,877,485
Unrestricted investment earnings (loss)	1,920,952	1,448,245	2,138,047	447,480	1,136,042
Miscellaneous	(749,000)	-	-	-	-
Transfers	(1,100,000)	(1,510,000)	(918,134)	(1,585,000)	(3,143,733)
Total governmental activities	<u>20,422,191</u>	<u>21,891,616</u>	<u>24,849,361</u>	<u>24,091,057</u>	<u>24,869,794</u>
Business-type activities:					
Property taxes	39,282	40,664	46,892	49,437	46,928
Unrestricted investment earnings (loss)	812,853	305,384	528,362	329,230	815,087
Miscellaneous	4,239	-	-	-	-
Transfers	1,100,000	1,510,000	918,134	1,585,000	3,143,733
Total business-type activities	<u>1,956,374</u>	<u>1,856,048</u>	<u>1,493,388</u>	<u>1,963,667</u>	<u>4,005,748</u>
Total primary government	<u>\$ 22,378,565</u>	<u>\$ 23,747,664</u>	<u>\$ 26,342,749</u>	<u>\$ 26,054,724</u>	<u>\$ 28,875,542</u>
Change in net position					
Governmental activities	\$ 901,656	\$ (3,312,622)	\$ (562,451)	\$ (6,983,652)	\$ (8,922,395)
Business-type activities	9,088,915	(2,597,801)	3,077,584	6,836,328	10,957,055
Total primary government	<u>\$ 9,990,571</u>	<u>\$ (5,910,423)</u>	<u>\$ 2,515,133</u>	<u>\$ (147,324)</u>	<u>\$ 2,034,660</u>

Notes:

- (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
- (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.

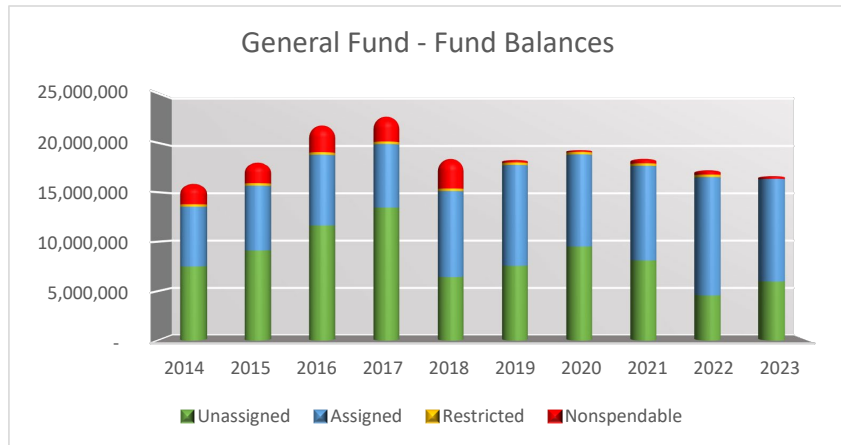
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

Fiscal Year Ending June 30,					
2019	2020	2021	2022	2023	
					General revenues
					Governmental activities:
\$ 28,851,629	\$ 30,729,248	\$ 31,832,141	\$ 34,983,468	\$ 37,230,184	Property taxes
3,595,033	2,172,405	413,033	(1,904,302)	1,653,342	Unrestricted investment earnings (loss)
-	-	-	-	-	Miscellaneous
<u>(2,290,000)</u>	<u>(1,993,000)</u>	<u>(5,567,200)</u>	<u>(3,005,000)</u>	<u>600,000</u>	Transfers
<u>30,156,662</u>	<u>30,908,653</u>	<u>26,677,974</u>	<u>30,074,166</u>	<u>39,483,526</u>	Total governmental activities
					Business-type activities:
24,262	510	129	-	14	Property taxes
2,755,788	1,746,998	296,504	(3,264,407)	2,292,598	Unrestricted investment earnings (loss)
-	-	-	-	-	Miscellaneous
<u>2,290,000</u>	<u>1,993,000</u>	<u>5,567,200</u>	<u>3,005,000</u>	<u>(600,000)</u>	Transfers
<u>5,070,050</u>	<u>3,740,508</u>	<u>5,863,833</u>	<u>(259,407)</u>	<u>1,692,612</u>	Total business-type activities
<u>\$ 35,226,712</u>	<u>\$ 34,649,161</u>	<u>\$ 32,541,807</u>	<u>\$ 29,814,759</u>	<u>\$ 41,176,138</u>	Total primary government
					Change in net position
\$ (981,873)	\$ 6,515,083	\$ 4,786,395	\$ 8,097,746	\$ 11,375,002	Governmental activities
3,479,548	7,867,195	16,133,639	7,460,359	(6,204,763)	Business-type activities
<u>\$ 2,497,675</u>	<u>\$ 14,382,278</u>	<u>\$ 20,920,034</u>	<u>\$ 15,558,105</u>	<u>\$ 5,170,239</u>	Total primary government

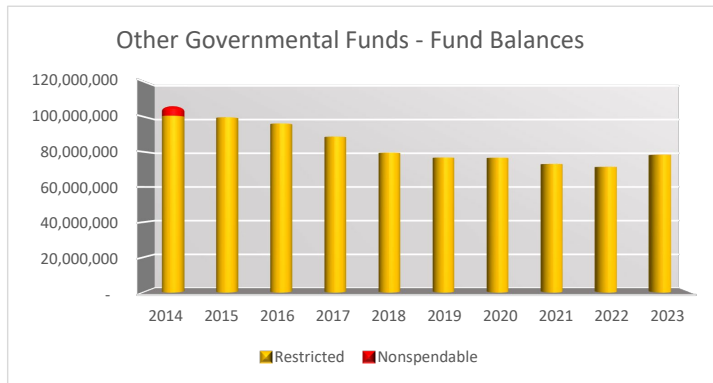
Sonoma Water
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30,			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 2,100,665	\$ 2,141,132	\$ 2,807,196	\$ 2,627,502
Restricted	250,000	250,000	250,000	250,000
Assigned	6,045,621	6,557,623	7,158,891	6,429,828
Unassigned	7,487,201	9,104,242	11,635,437	13,446,060
Total General Fund	<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	\$ -	\$ 364	\$ 18,967
Restricted	100,465,183	99,575,876	96,046,979	88,586,028
Total all other governmental funds	<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	2023	
						General Fund
\$ 3,060,176	\$ 299,415	\$ 229,509	\$ 509,405	\$ 485,542	\$ 315,493	Nonspendable
250,000	250,000	250,000	250,000	250,000	-	Restricted
8,708,445	10,201,064	9,321,534	9,575,786	11,977,908	10,386,676	Assigned
6,416,548	7,555,059	9,503,527	8,097,858	4,555,917	5,964,998	Unassigned
<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>	<u>\$ 16,667,167</u>	Total General Fund
						All other governmental funds
\$ 1,122	\$ 824	\$ -	\$ 11,333	\$ 11,333	\$ 54,752	Nonspendable
<u>79,489,571</u>	<u>76,722,317</u>	<u>76,622,585</u>	<u>73,065,663</u>	<u>71,440,732</u>	<u>78,313,736</u>	Restricted
<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>	<u>\$ 78,368,488</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,				
	2014	2015	2016 (1)	2017 (2)	2018
Revenues					
Property taxes	\$ 20,350,239	\$ 21,953,368	\$ 23,629,448	\$ 25,228,577	\$ 26,877,486
Investment earnings (loss)	1,920,952	1,448,245	2,138,047	447,480	1,135,042
Intergovernmental	1,622,316	1,723,931	3,133,516	1,273,673	2,856,392
Charges for services	1,115,125	1,098,927	12,337,610	13,506,968	13,103,270
Miscellaneous	46,992	68,852	89,471	32,711	2,834
Total Revenues	<u>25,055,624</u>	<u>26,293,323</u>	<u>41,328,092</u>	<u>40,489,409</u>	<u>43,975,024</u>
Expenditures					
Current:					
General government	2,927,603	5,351,148	17,502,809	5,954,665	9,321,669
Intergovernmental	-	-	-	13,794,014	14,336,168
Flood control	9,888,655	8,161,854	8,560,561	8,903,573	11,851,261
Warm Springs dam	6,118,708	8,609,601	6,675,502	9,824,653	10,774,266
Capital outlay	1,262,999	1,045,743	1,115,520	682,415	1,694,878
Debt Service:					
Principal	3,126,635	3,227,469	3,331,555	3,438,997	3,549,905
Interest and fiscal charges	3,158,937	3,058,103	2,954,017	2,846,574	2,735,667
Total expenditures	<u>26,483,537</u>	<u>29,453,918</u>	<u>40,139,964</u>	<u>45,444,891</u>	<u>54,263,814</u>
Excess (deficiency) of revenues over expenditures	<u>(1,427,913)</u>	<u>(3,160,595)</u>	<u>1,188,128</u>	<u>(4,955,482)</u>	<u>(10,288,790)</u>
Other financing sources (Uses)					
Transfers in	-	-	-	200,000	-
Transfers out	(1,850,000)	(1,510,000)	(918,134)	(1,785,000)	(3,143,733)
Proceeds from sale of capital assets	1,000	-	-	-	-
Total other financing uses	<u>(1,849,000)</u>	<u>(1,510,000)</u>	<u>(918,134)</u>	<u>(1,585,000)</u>	<u>(3,143,733)</u>
Net change in fund balances	<u>\$ (3,276,913)</u>	<u>\$ (4,670,595)</u>	<u>\$ 269,994</u>	<u>\$ (6,540,482)</u>	<u>\$ (13,432,523)</u>
Debt service as a percentage of noncapital expenditures	24.9%	22.1%	16.1%	14.0%	12.0%

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

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

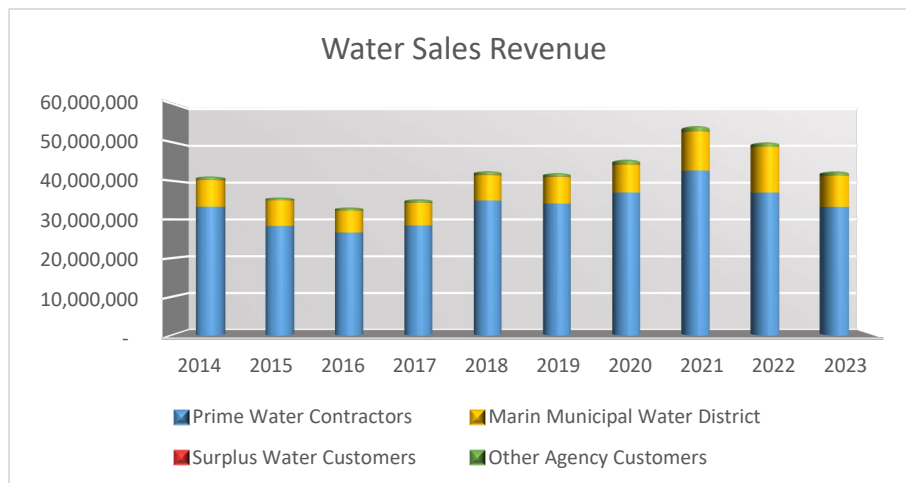
Fiscal Year Ended June 30,					
2019	2020	2021	2022	2023	
Revenues					
\$ 28,851,629	\$ 30,729,248	\$ 31,832,141	\$ 34,983,468	\$ 37,230,184	Property taxes
3,595,032	2,172,405	413,033	(1,904,302)	1,653,342	Investment earnings (loss)
5,109,904	4,701,071	5,573,440	3,125,576	4,591,565	Intergovernmental
14,087,983	15,174,147	17,690,777	17,580,933	20,795,753	Charges for services
101,646	7,685	76,998	298,817	27,239	Miscellaneous
<u>51,746,194</u>	<u>52,784,556</u>	<u>55,586,389</u>	<u>54,084,492</u>	<u>64,298,083</u>	Total Revenues
Expenditures					
Current:					
12,225,790	12,238,391	12,171,141	11,818,585	13,756,541	General government
13,025,872	12,587,202	15,347,561	16,472,460	22,662,213	Intergovernmental
10,843,800	12,734,685	10,566,945	11,131,089	9,722,382	Flood control
9,462,826	5,524,000	8,966,812	6,433,230	4,089,881	Warm Springs Dam
509,518	523,230	1,098,268	1,727,169	2,067,272	Capital outlay
Debt Service:					
3,664,389	3,782,566	3,904,554	4,030,476	4,160,458	Principal
2,621,182	2,503,006	2,381,018	2,255,096	2,125,113	Interest and fiscal charges
<u>52,353,377</u>	<u>49,893,080</u>	<u>54,436,299</u>	<u>53,868,105</u>	<u>58,583,860</u>	Total expenditures
<u>(607,183)</u>	<u>2,891,476</u>	<u>1,150,090</u>	<u>216,387</u>	<u>5,714,223</u>	Excess (deficiency) of revenues over expenditures
Other Financing Sources (Uses)					
-	750,000	4,100,000	7,225,000	7,400,000	Transfers in
(2,290,000)	(2,743,000)	(9,667,200)	(10,230,000)	(6,800,000)	Transfers out
-	-	-	-	-	Proceeds from sale of capital assets
<u>(2,290,000)</u>	<u>(1,993,000)</u>	<u>(5,567,200)</u>	<u>(3,005,000)</u>	<u>600,000</u>	Total other financing uses
<u>\$ (2,897,183)</u>	<u>\$ 898,476</u>	<u>\$ (4,417,110)</u>	<u>\$ (2,788,613)</u>	<u>\$ 6,314,223</u>	Net change in fund balances
12.1%	12.7%	11.8%	12.1%	11.1%	Debt service as a percentage of noncapital expenditures

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

Fiscal Year Ended June 30,	Prime Water Contractors (1)	Marin Municipal Water District	Other Agency Customers (2)	Surplus Water Customers (3)	Less Meter Fees	Total Water Sales Revenue
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
2023	33,231,859	8,096,662	1,146,082	57,309	(22,896)	42,509,016

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

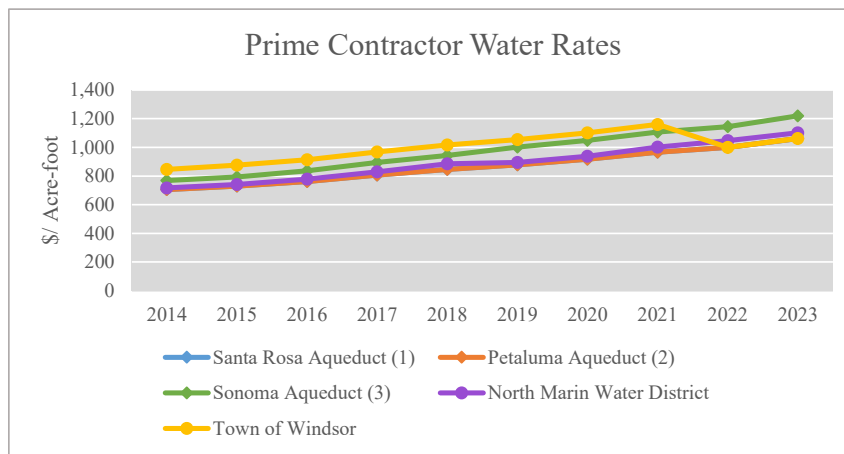
**Sonoma Water
Water Rates by Category (Unaudited)
Last Ten Fiscal Years**

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
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
2023	1,061.04	1,062.04	1,219.90	1,101.82	1,061.04

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

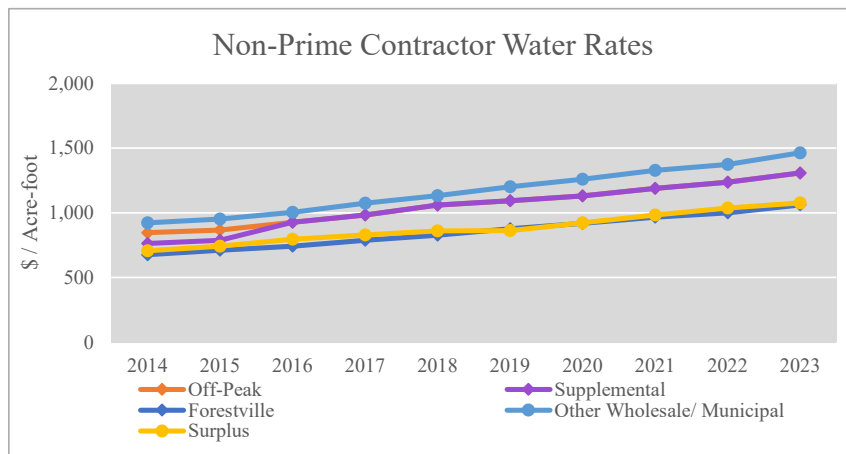


Source: Sonoma Water Finance and Accounting Division

**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	
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
2023	1,308.14	1,308.14	1,061.04	1,463.87	1,076.32



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

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2023			Fiscal Year Ended June 30, 2014		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$ 15,259,978	1	35.9%	\$ 13,434,365	1	32.6%
Marin Municipal Water District	8,096,662	2	19.0%	6,406,192	3	15.6%
City of Petaluma	6,442,511	3	15.2%	6,489,405	2	15.8%
North Marin Water District	4,443,541	4	10.5%	6,108,404	4	14.8%
City of Rohnert Park	1,997,006	5	4.7%	2,433,169	5	5.9%
Valley of the Moon Water District	1,840,009	6	4.3%	1,947,728	6	4.7%
City of Sonoma	1,803,422	7	4.2%	1,609,472	7	3.9%
Town of Windsor	728,256	8	1.7%	403,720	9	1.0%
City of Cotati	501,406	9	1.2%	487,426	8	1.2%
Forestville	355,594	10	0.8%	-		0.0%
Cal American Water	-		0.0%	372,384	10	0.9%
Total Water Sales Top 10 Water Customers	41,468,385		97.6%	39,692,265		96.4%
Total Water Sales All Other Customers	1,040,631		2.4%	1,498,353		3.6%
Total Water Sales	<u>\$ 42,509,016</u>		<u>100.0%</u>	<u>\$ 41,190,618</u>		<u>100.0%</u>

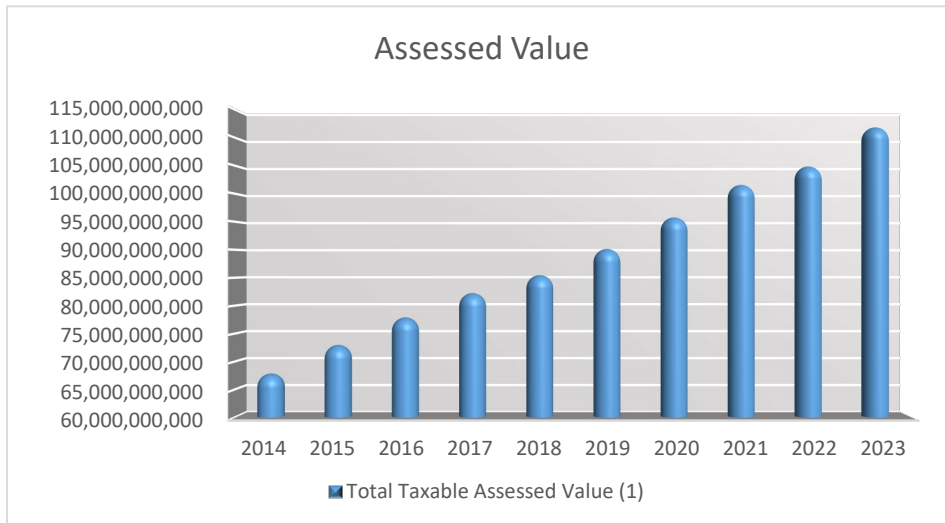
Source: Sonoma Water Finance and Accounting Division

**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)
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%
2023	112,010,885,380	3,934,834,156	(3,929,108,819)	112,016,610,717	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	
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%
2023	0.0233%	0.2139%	0.7628%	1.0000%	0.0070%	0.0980%	0.0252%	1.1302%

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, 2023			Fiscal Year Ended June 30, 2014		
	Total Taxes (2)	Rank	Percentage of Total County Taxes	Total Taxes (2)	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 22,509,314	1	1.72%	\$ 8,714,635	2	1.09%
Geysers Power Co LLC	15,338,912	2	1.17%	10,855,701	1	1.36%
Keysight Technologies (1)	3,606,324	3	0.28%	-		0.00%
Oaks & Olives LLC	2,814,405	4	0.22%	-		0.00%
Foley Family Farms LP	2,238,973	5	0.17%	-		0.00%
Pacific Bell Telephone Co.	1,780,687	6	0.14%	1,772,988	3	0.22%
Enclave Apartments Property Owner LLC	1,769,716	7	0.14%	-		0.00%
Jackson Family Investments III LLC	1,446,972	8	0.11%	-		0.00%
CWI-Fairmont Sonoma Hotel LLC	1,212,338	9	0.09%	-		0.00%
Gallo Vineyards Inc.	1,205,091	10	0.09%	-		0.00%
Agilent Technologies (1)	-		0.00%	1,686,471	4	0.21%
Sonoma Resort Holdings II LLC	-		0.00%	1,041,361	5	0.13%
Ferrari-Carano Vineyards & Winery LLC	-		0.00%	1,015,191	6	0.13%
Francis Coppola Winery LLC	-		0.00%	971,894	7	0.12%
EMI Santa Rosa LTD PTP	-		0.00%	944,391	8	0.12%
SR Office Properties LLC	-		0.00%	865,812	9	0.11%
Vareena LLC	-		0.00%	848,305	10	0.11%
Total Taxes Top 10 Taxpayers	53,922,732		4.12%	28,716,749		3.60%
Taxes Paid by all Other Taxpayers	1,253,656,134		95.88%	768,804,698		96.40%
Total Taxes	<u>\$ 1,307,578,866</u>		<u>100.00%</u>	<u>\$ 797,521,447</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		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2014	676,857,581	667,922,384	98.7%	6,982,000	674,904,384	99.7%
2015	728,496,859	721,075,408	99.0%	7,088,000	728,163,408	100.0%
2016	778,237,090	770,591,620	99.0%	6,226,000	776,817,620	99.8%
2017	822,152,967	815,344,431	99.2%	8,951,000	824,295,431	100.3%
2018	854,549,002	844,871,868	98.9%	6,919,000	851,790,868	99.7%
2019	901,683,268	893,578,037	99.1%	9,995,000	903,573,037	100.2%
2020	958,370,031	946,294,568	98.7%	9,953,000	956,247,568	99.8%
2021	1,016,809,112	1,003,959,146	98.7%	10,752,000	1,014,711,146	99.8%
2022	1,049,951,090	1,036,500,992	98.7%	15,718,000	1,052,218,992	100.2%
2023	1,120,166,107	1,104,447,856	98.6%	-	1,104,447,856	98.6%

Notes:

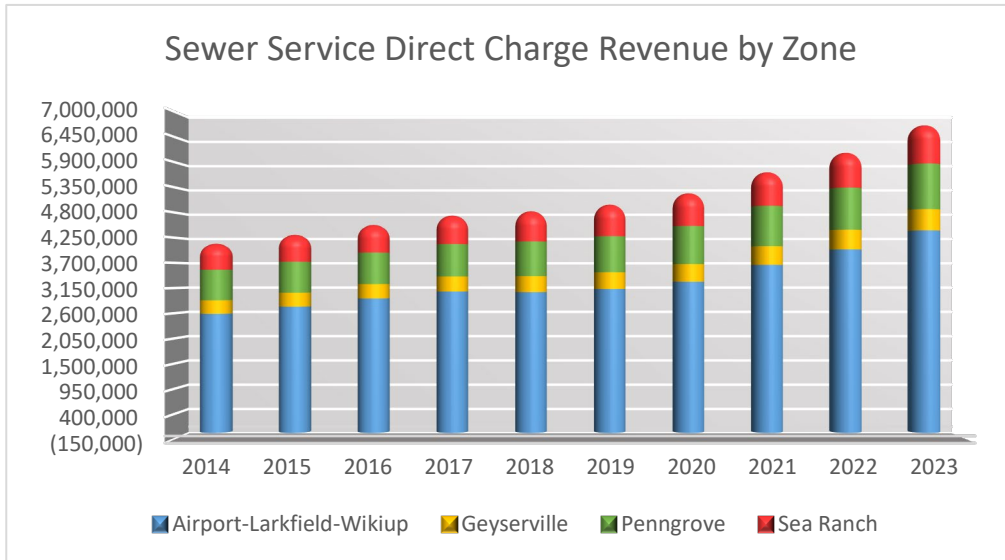
(1) Represents the County of Sonoma General Levy.

(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**

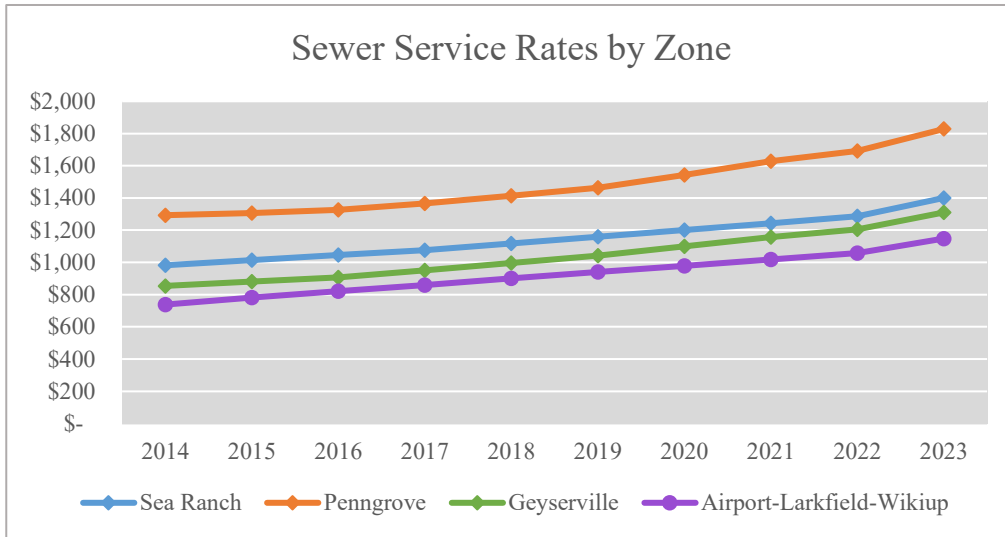
Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
2014	571,132	665,538	295,057	2,589,444	4,121,171
2015	591,973	675,293	303,899	2,745,446	4,316,611
2016	611,116	687,226	313,222	2,923,213	4,534,777
2017	631,397	705,194	328,941	3,074,625	4,740,157
2018	668,860	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
2023	863,078	991,592	461,877	4,405,066	6,721,613



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

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

Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup
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
2023	1,400	1,828	1,310	1,148



Source: Sonoma Water, Finance and Accounting Division

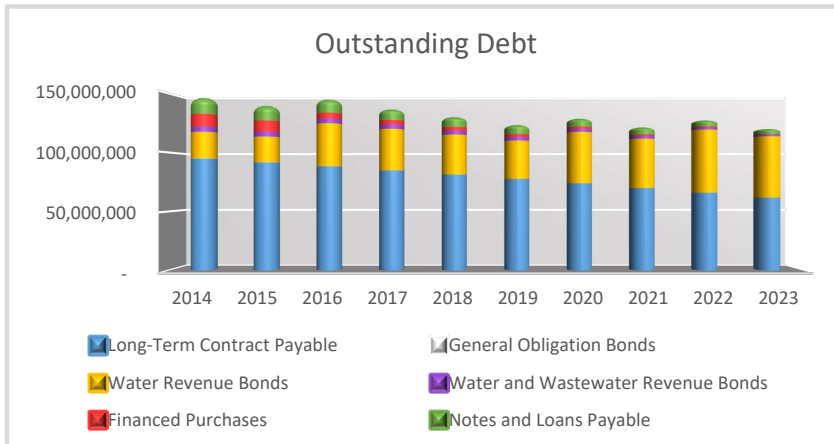
Sonoma Water
Principal Sanitation Customers (Unaudited)
Current Year and Nine Years Ago

Customer	Fiscal Year Ended June 30, 2023			Fiscal Year Ended June 30, 2014		
	Direct Charges	Rank	Percentage of Total Direct Charges	Direct Charges	Rank	Percentage of Total Direct Charges
Vineyard Creek LP	\$ 213,069	1	3.17%	\$ 136,973	1	3.32%
North Coast Detention Facility	208,970	2	3.11%	112,213	2	2.72%
Lilli Ann Properties, Inc	130,413	3	1.94%	63,438	3	1.54%
RMB Real Estate Investments 2 LLC	88,626	4	1.32%	-		0.00%
Sutter Medical Center	81,141	5	1.21%	35,335	7	0.86%
5209 Old Redwood Highway LLC	78,982	6	1.18%	50,774	4	1.23%
Penngrove Village LLC	64,346	7	0.96%	-		0.00%
Ring Properties LLC E ET AL	54,174	8	0.81%	34,406	8	0.83%
Redwood Village Mobile Home Park	52,716	9	0.78%	33,889	9	0.82%
Larkfield Oaks LP	51,430	10	0.77%	33,062	10	0.80%
Westle Joel TR & Julie TR	-		0.00%	45,514	5	1.10%
Mark West Union School District	-		0.00%	44,989	6	1.09%
Total Direct Charges Top 10 Sanitation Customers	<u>1,023,867</u>		<u>15.23%</u>	<u>590,593</u>		<u>14.33%</u>
Total Direct Charges All Other Customers	<u>5,697,746</u>		<u>84.77%</u>	<u>3,530,578</u>		<u>85.67%</u>
	<u>\$ 6,721,613</u>		<u>100.00%</u>	<u>\$ 4,121,171</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	
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
2023	61,734,522	-	51,947,833	1,572,547	260,339	4,823,190	120,338,431



Fiscal Year Ended June 30,	Ratios of Sonoma Water Debt			
	Population	Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
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
2023	478,174	0.11%	0.31%	252

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

**Sonoma Water
Direct and Overlapping Debt (Unaudited)
June 30, 2023**

2022-23 Assessed Valuation **\$ 112,016,610,717**

Direct Debt
Sonoma Water

\$ 61,734,522

Overlapping Debt

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

	Total Debt	Percent Applicable
County of Sonoma	\$ 374,336,849	100%
High School Districts	392,969,953	100%
Unified School Districts	577,220,247	100%
Elementary Districts	388,288,930	100%
Santa Rosa Junior College	397,820,000	100%

Total Overlapping Debt

\$ 2,130,635,979

Total Direct and Overlapping Debt

\$ 2,192,370,501

Ratio of 2022-23 Assessed Valuation

Total Direct Debt	0.06%
Total Overlapping and Direct Debt	1.96%

Notes:

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

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

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

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Operating revenues:					
Water sales (1)	\$ 39,312,638	\$ 34,207,795	\$ 31,147,906	\$ 33,208,443	\$ 39,778,515
(Subcharges) (2)	(8,776,855)	(8,162,101)	(7,574,647)	(6,891,146)	(7,871,056)
Installation charges (3)	26,184	48,434	24,664	23,820	23,820
Miscellaneous revenue (4)	130,635	618,570	474,482	494,169	299,470
Power sales (5)	715,029	618,418	589,644	210,280	144,524
Total operating revenues	31,407,631	27,331,116	24,662,049	27,045,566	32,375,273
Other revenues/(expenses) (6)	(1,209,299)	366,439	817,601	865,572	891,745
Total gross revenues	30,198,332	27,697,555	25,479,650	27,911,138	33,267,018
(O&M expenses) (7)	(27,450,432)	(24,534,397)	(28,718,318)	(28,384,243)	(28,676,002)
O&M subfund expense Adjustment (8)	6,254,739	5,830,697	8,134,667	5,708,105	5,227,863
Net revenues	<u>\$ 9,002,639</u>	<u>\$ 8,993,855</u>	<u>\$ 4,895,999</u>	<u>\$ 5,235,000</u>	<u>\$ 9,818,879</u>
Principal and Interest Payments	\$ 2,606,495	\$ 2,604,651	\$ 2,518,562	\$ 3,363,145	\$ 3,379,027
Coverage ratio	345%	345%	194%	156%	291%

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
- (5) Power sales from the Warm Springs Dam hydroelectric
- (6) Includes non-operating revenues such as intergovernmental revenue and investment earnings.
- (7) Excludes the non-cash expense of depreciation.
- (8) Expenses for water conservation, watershed planning, watershed management and restoration, and recycled water projects funded by the subcharges in Note (2) are excluded from the debt coverage calculation.

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

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

Fiscal Year Ending June 30,					
2019	2020	2021	2022	2023	
\$ 39,288,806	\$ 42,931,384	\$ 51,227,762	\$ 46,803,250	\$ 39,674,604	Operating revenues:
(7,497,005)	(8,307,298)	(9,442,463)	(9,240,090)	(3,995,923)	Water sales (1)
23,820	23,820	23,378	22,896	22,896	(Subcharges) (2)
115,719	1,710,804	88,493	527,687	63,742	Installation charges (3)
36,156	26,385	-	-	-	Miscellaneous revenue (4)
31,967,496	36,385,095	41,897,170	38,113,743	35,765,319	Power sales (5)
1,754,958	1,587,689	269,244	171,483	1,830,740	Total operating revenues
33,722,454	37,972,784	42,166,414	38,285,226	37,596,059	Other revenues/(expenses) (6)
(29,377,249)	(30,253,879)	(32,661,373)	(33,625,979)	(40,451,563)	Total gross revenues
4,707,644	6,044,660	7,030,278	6,841,756	7,614,583	(O&M expenses) (7)
\$ 9,052,849	\$ 13,763,565	\$ 16,535,319	\$ 11,501,003	\$ 4,759,079	O&M subfund expense Adjustment (8)
					Net revenues
\$ 3,361,096	\$ 3,582,328	\$ 4,141,906	\$ 4,146,888	\$ 3,783,244	Principal and Interest Payments
269%	384%	399%	277%	126%	Coverage ratio

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

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Revenues:				
User fees (1),(2)	\$ 2,836,599	\$ 2,998,036	\$ 3,180,932	\$ 3,791,646
Change in accounting estimate - user fees (3)	-	-	-	(67,371)
Connection fees	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	32,112	4,202	20,377	17,857
Other operating revenues (5)	285,351	104,999	250,308	187,635
Transfer from Rate Stabilization Fund (6)	-	-	-	-
Total revenues	<u>3,535,337</u>	<u>3,340,483</u>	<u>4,102,917</u>	<u>4,750,850</u>
Operating expenses (7)	<u>2,209,981</u>	<u>2,703,581</u>	<u>2,333,550</u>	<u>2,952,236</u>
System net revenues	<u>\$ 1,325,356</u>	<u>\$ 636,902</u>	<u>\$ 1,769,367</u>	<u>\$ 1,798,614</u>
Debt service				
2005/2017 Bonds	<u>\$ 459,043</u>	<u>\$ 454,694</u>	<u>\$ 459,587</u>	<u>\$ 456,619</u>
Coverage ratio	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) Includes intergovernmental and miscellaneous revenue.
- (6) Transfer from Rate Stabilization Fund made within 120 days after fiscal year end.
- (7) Excludes non-cash expense of depreciation and amortization.

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

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

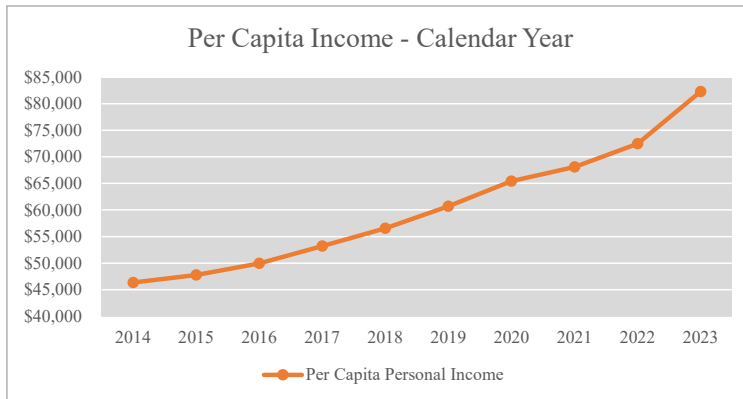
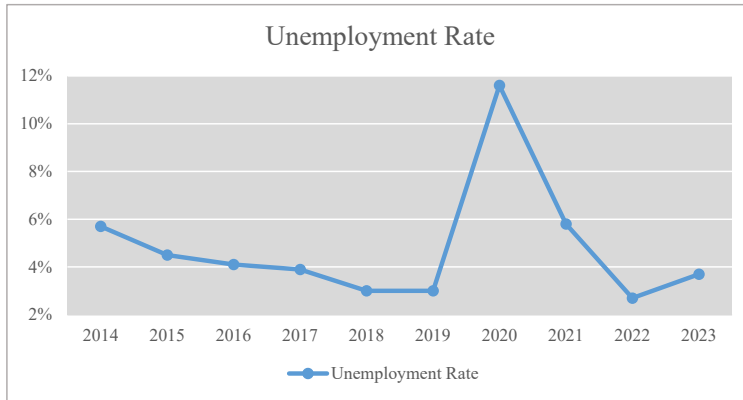
Fiscal Year Ending June 30,							
2018	2019	2020	2021	2022	2023		
\$ 3,288,929	\$ 3,729,734	\$ 3,752,984	\$ 4,210,488	\$ 4,395,755	\$ 4,928,862	Revenues:	
67,371	-	-	-	-	-	User fees (1),(2)	
27,293	1,112,905	908,744	330,280	533,732	208,761	Change in accounting estimate - user fees (3)	
(913,932)	-	-	-	-	-	Connection fees	
913,932	-	-	-	-	-	Offset to connection fees (4)	
44,227	169,676	61,235	65,670	(106,613)	126,713	Change in accounting estimate - connection fees (3)	
1,197,506	166,170	321,465	971,310	173,223	183,396	Interest earnings	
211,500	-	-	-	-	-	Other operating revenues (5)	
4,836,826	5,178,485	5,044,428	5,577,748	4,996,097	5,447,732	Transfer from Rate Stabilization Fund (6)	
4,338,604	3,495,110	4,004,888	4,771,573	3,675,071	4,827,494	Total revenues	
\$ 498,222	\$ 1,683,375	\$ 1,039,540	\$ 806,175	\$ 1,321,026	\$ 620,238	Operating expenses (7)	
						System net revenues	
\$ 414,691	\$ 417,936	\$ 413,961	\$ 417,711	\$ 410,711	\$ 412,961	Debt service	
120%	403%	251%	193%	322%	150%	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)
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%
2023	478,174	39,359,689	82,312	64,375	3.7%

Notes:

- (1) Calendar year
- (2) The population estimate for 2023 is as of January 1, 2023, the most recent available data
- (3) Personal income is estimated in thousands. The 2023 estimate is as of 2021, 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 2023.

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

Principal Employers							
Employer	Fiscal Year Ended June 30, 2023				Fiscal Year Ended June 30, 2014		
	Source	Number of Employees	Rank	% of Total County Employment	Number of Employees (8)	Rank	% of Total County Employment
County of Sonoma	(1)	4,272	1	1.8%	4,130	1	1.6%
Kaiser Permanente	(2)	3,130	2	1.3%	2,555	3	1.0%
Santa Rosa Junior College	(2)	2,874	3	1.2%	3,423	2	1.3%
Santa Rosa City Schools	(4)	1,700	4	0.7%	-	-	0.0%
Keysight Technologies	(2)	1,539	5	0.6%	1,200	8	0.5%
Providence-Sonoma County	(2)	1,476	6	0.6%	-	-	0.0%
State of California	(3)	1,265	7	0.5%	-	-	0.0%
Sonoma State University	(5)	1,210	8	0.5%	1,033	9	0.4%
City of Santa Rosa	(6)	1,264	9	0.5%	1,220	7	0.5%
Sutter Medical Center	(2)	1,200	10	0.5%	-	-	0.0%
Graton Resort and Casino		-		0.0%	2,000	4	0.8%
Sutter Medical Center		-		0.0%	1,797	5	0.7%
St. Joseph's Health System		-		0.0%	1,740	6	0.7%
Petaluma School District		-		0.0%	917	10	<u>0.3%</u>
Ten largest employers		19,930		8.3%	20,015		7.5%
All other employers		219,570		91.7%	245,885		<u>92.5%</u>
Total County Employment	(7)	<u>239,500</u>		<u>100.0%</u>	<u>265,900</u>		<u>100.0%</u>

Sources:

- (1) County of Sonoma Adopted Budget Schedules 2022-2023, 2013-2014
- (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 2013-2014, County of Sonoma Annual Comprehensive Financial Report, 2013-2014

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

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Flood Control										
Channel vegetation removed (cubic feet)	5,622	3,129	3,879	5,983	2,191	4,255	4,606	6,169	3,536	2,920
Sediment removed (cubic feet) (1)	38,861	20,460	17,792	17,552	26,806	26,230	38,943	20,211	22	6,340
Water Transmission										
Total water delivered (acre-feet)	54,963	45,868	39,905	40,356	46,134	44,058	46,254	52,671	44,237	36,032
Hydroelectric power production (MWh) (2)	10,926	9,777	8,820	8,951	3,356	3,162	0	0	0	0
Water Supply/Warm Springs Dam										
Total diversion (acre-feet)	55,538	46,176	40,028	41,873	45,745	45,640	48,123	53,599	45,846	37,229
Lake Sonoma water storage at Sept. 30 (acre-feet)	190,471	147,391	178,398	212,620	219,186	195,821	219,455	180,646	109,356	110,525
Sanitation										
Amount of wastewater treated (mg)	265	265	273	353	274	343	257	232	250	304
Number of ESD's (3)	5,185	5,235	5,252	5,325	5,314	5,149	5,379	5,380	5,388	5,601
Number of Employees (Full Time Equivalent)	207.50	209.50	221.75	226.75	229.75	233.75	241.00	243.00	251.00	260.00

Notes:

- (1) The decrease in cubic yards of sediment removed in the 2023 field season is due to ongoing permitting discussions with regulators.
- (2) The hydropower unit was offline for all of Fiscal Year 19/20, 20/21, and 22/23 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 which is necessary to bring the unit online.
- (3) From the 2022-23 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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) (1)	89	89	89	89	89	89	89	89	89	89
Number of chlorination facilities	3	3	3	3	3	3	3	3	3	3
Number of booster stations (2)	8	8	8	8	8	8	8	8	7	7
Tank storage capacity (thousands of gallons)	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000
Number of production wells (2)	16	16	16	16	16	16	16	16	16	16
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	40	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

Notes:

- (1) For fiscal years ended June 30, 2014 through June 30, 2022, water main miles have been revised from 85 to 89 to reflect figures in the Sonoma Water Facility Guide and Local Hazard Mitigation Plan. Previous figures were based on the Urban Water Management Plan which indicated "over 85 miles of water mains."
- (2) To better reflect Water Transmission assets, the "Number of Pumping Plants and Booster Stations" line item has been revised to "Number of Booster Stations." The Kastania Booster Station asset was transferred to Marin Municipal Water District during fiscal year ended June 30, 2022. Pumping plants are included under Production Wells.

Source: Sonoma Water, Administrative Services Division

Compliance





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

Independent Auditor's Report

Board of Directors
 Sonoma County Water Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements as listed in the table of contents of the Sonoma County Water Agency ("Sonoma Water"), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 22, 2023.

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)

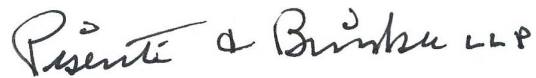
Independent Auditor's Report (continued)

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 22, 2023