

Sonoma County Water Agency

A COMPONENT UNIT OF THE COUNTY OF SONOMA, CALIFORNIA



Annual Comprehensive Financial Report

For the Fiscal Year Ended, June 30, 2024



Clean. Reliable. Essential. Every Day



**Sonoma
Water**

(A component unit of the County of Sonoma, California)

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024

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

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INTRODUCTORY SECTION



December 18, 2024

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, 2024. 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, 2024.

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

Environmental Stewardship

Protecting and enhancing the natural resources in our care.

Integrity

Ensuring accountability through sound and clear business practices.



Our Team

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

Resilience

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

75 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 263 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 and Town of Windsor.

Wastewater

In 1995 Sonoma Water assumed responsibility from the County of Sonoma (the County) 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.

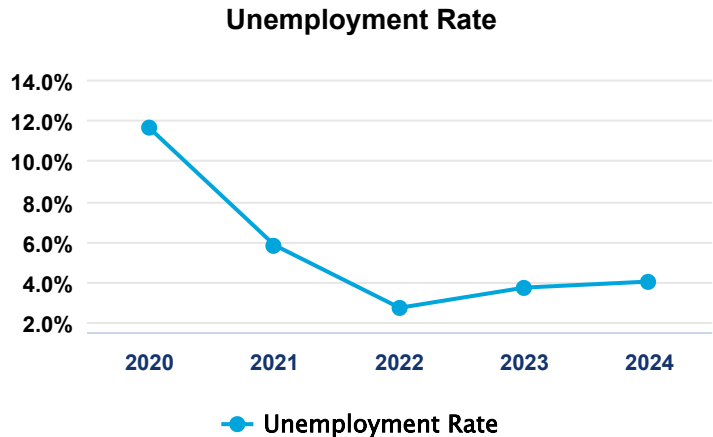


Factors Affecting Financial Condition

Financial Indicators

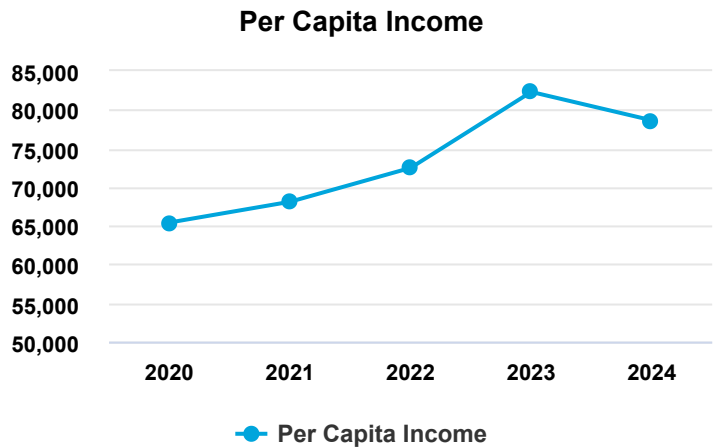
Employment

- The unemployment rate in Sonoma County increased from 3.7% in June 2023 to 4.0% in June 2024. Causes for a rise in unemployment rate could be attributed to a combination of factors including an aging workforce leading to slower job growth as people retire, shifts in the manufacturing and retail industries impacting job losses as well as the lingering impact of the pandemic on certain industries like tourism and hospitality which is prevalent in Sonoma County. This compares with an unemployment rate of 5.3% for California and 4.1% for the nation during the same period.



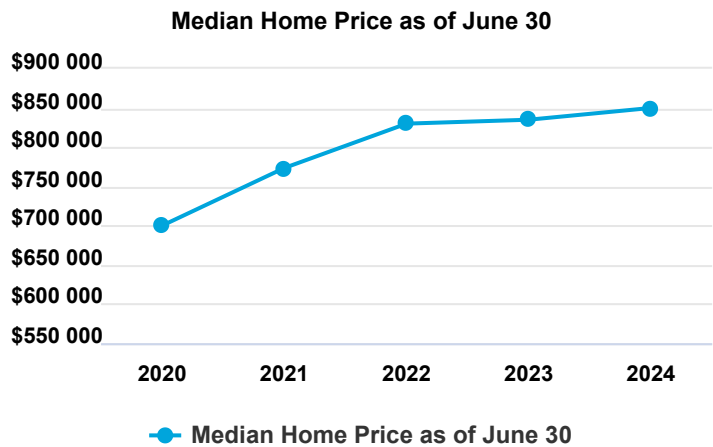
Income

- Personal income decreased from \$83,312 in the calendar year 2023 to \$78,633 in 2024. Per capita income is based on the most recently available data.



Real Estate

- The County-wide median home price in June 2023 and June 2024 was \$850,000.



Retail Sales

- Retail sales county-wide decreased 3.5% to \$11.9 billion for the 2023 calendar year, from \$12.4 billion for the 2022 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 2023 (end of water year, September 30), Lake Sonoma had 231,477 acre-feet of storage compared to 110,525 acre-feet in the fall of 2022, while storage in Lake Mendocino increased to 77,064 acre-feet from 36,831 acre-feet. In December of 2022, at the tail end of the 3 years of historic drought lasting from spring of 2020 to spring of 2023, Lake Sonoma had 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. In fiscal year 2024, Sonoma Water delivered 40,845 acre-feet of water compared to 36,032 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 required Sonoma Water and the U.S. Army Corps of Engineers to implement a series of actions to modify existing water supply and flood control activities that, in concert with habitat enhancement, will preserve, protect, and restore fisheries and maintain existing Russian River water supplies.

The 2008 Biological Opinion Incidental Take Statement expired in 2023. Sonoma Water has been working with the U.S. Army Corps of Engineers, National Marine Fisheries Service, and California Department of Fish and Wildlife to prepare a Biological Assessment for the next Biological Opinion. A final Biological Assessment was submitted to National Marine Fisheries Service, and California Department of Fish and Wildlife in September 2023. A final Biological Opinion prepared by National Marine Fisheries Service, with a new 10-year term, is anticipated in early 2025. The Biological Opinion will guide Sonoma Water and U.S. Army Corps of Engineers compliance with the Federal Endangered Species Act. Sonoma Water is committed to preserving the Russian River water supply and protecting Russian River fisheries.

Long Term Financial Planning

Sonoma Water engages in activities that are expressly identified within its act or are necessarily and fairly implied from its statutory purposes. Activities are also defined by Sonoma Water's agreement with its prime water contractors and other agreements which govern the types of activities that can be funded from revenues collected.

Sonoma Water's most significant revenue sources include water sales, property taxes, and sanitation charges. Flood control activities, operation, maintenance, and debt service for Warm Springs Dam, and other general administrative functions are funded by property taxes. Revenue from water and sewer rates generated from Sonoma Water customers supports operations, maintenance, and capital projects. Accordingly, wholesale water and retail sewer rates are reviewed annually. Water and sewer rates are charges imposed on customers for services and are the primary component of Sonoma Water's revenue. Water rates are comprised of a uniform volumetric water use charge; whereas, sewer rates are based principally on fixed charges.

A Five-Year Capital Improvement Plan (CIP) is prepared for each of Sonoma Water's areas of responsibility based on the need to upgrade or replace infrastructure. Sonoma Water's CIP identifies projects to be constructed over the next five years and designed to meet Sonoma Water's mission, strategic objectives, and Water Supply Strategies Action Plan.

The CIP includes more than 70 capital projects with an estimated cost of over \$362 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 the Sonoma County (the 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 Piseni & 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.

Starting at the beginning of the 2024 calendar year, Sonoma Water began celebrating 75 years of service, with its official anniversary on October 1, 2024. Since 1949, it has been the work of Sonoma Water to effectively manage the resources in our care for the benefit of people and the environment. With more than 200 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:

To provide reliable water supply, wastewater management, and flood protection – essential services for a thriving community and a healthy environment.

In fiscal year 2024, Sonoma Water continued to pursue its five-year strategic plan with goals, strategies, and actions that emanate from six core themes: Organizational Excellence, Planning and Infrastructure, Environmental Stewardship, Emergency Preparedness, Climate Change and Community Engagement. A new public dashboard was launched, providing the public an interactive, detailed snapshot of its progress in meeting the agency's strategic objectives through 2027.

The 2024 fiscal year reflected some of the types of extreme weather associated with climate change beginning with hotter than average temperatures in the summer and fall, only to progress into heavy winter rains and flooding, low temperatures and even some rarely sighted snow around Sonoma County.

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 drought and wildfire, Sonoma Water put time and effort into building water supply resiliency, studying the 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, 2024, 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 results in an 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 2024, 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 the United States Geological Survey 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 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. In fiscal year 2024, Sonoma Water continued to provide reimbursable engineering support for FIRO Phase II to CW3E including work for Lake Mendocino, Lake Sonoma, Prado Dam, Yuba-Feather River, Howard Hanson Dam, Seven Oaks Dam, as well as water management engineering research and FIRO transferability.

- **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 (DEM) formed a multi-agency, multi-stakeholder Drought Task Force to collaborate on the preparation of a Drought Resilience Plan (DRP) 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. In 2024, Sonoma water completed vulnerability assessments and risk assessments of state small water systems and domestic wells in the county that will inform the Drought Resiliency Plan. DEM applied for and received funding from California Department of Water Resources to complete the Drought Resiliency Plan and prepare an Operational Area Plan for drought in accordance with SB 552 requirements.
- **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 2024, final 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

2025. 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 submitted a draft license surrender application and decommissioning plan to the FERC in May 2024, and a final application and plan to FERC is due in January 2025.

- **Groundwater Sustainability:** In January 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.

In fiscal year 2024, the California Department of Water Resources awarded the three groundwater basins a total of \$15.1 million in grants to implement the plans. The funds are being used for a variety of projects and programs, including water use efficiency programs for rural well owners and farmers and filling critical data gaps. Also in fiscal year 2024, design and construction of the Santa Rosa Plain Drought Resiliency Project continued, with Sonoma Water renovating one existing groundwater supply well, replacing another and initiating a project that will allow the well to work in reverse. Instead of pumping water out of the ground, the well will receive treated, high-quality drinking water when it's plentiful. The water will be stored underground where it will recharge the aquifer and will be available for use during future droughts and emergencies.

- **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 2024: 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. We added eight groundwater monitoring wells along the periphery of the basin. We are beginning some numerical groundwater modeling to further understand what characteristics of FloodMAR projects -- such as location, distance from river, and pumping rates -- and how they affect stream discharge and surface water groundwater interactions in the Alexander valley. We continue to collect stream flow data to further our understanding of surface water groundwater interactions in the 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 as noted in the DRP update above; 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. This funded effort (co-led by Sonoma Water and County DEM) is set to produce a final Summary Report on Improved Coordination on Flood Risk Management in Sonoma County in the fall of 2024. The assessment identifies gaps and overlaps in flood risk management services across the county, encourages collaboration, and takes a first step to jointly develop recommendations for improving flood risk management services countywide. Over the last year the effort included an in-person partner workshop to vet findings and discuss opportunity areas for collaboration. The draft final report includes a summary of opportunity areas and recommendations to move this work forward. This draft report was recently reviewed by all partners and is in the process of being finalized. Recommendations will help position the county for external funding and will inform future flood risk management efforts; and 4) \$185,548 for Rainwater Catchment: through a partnership between Sonoma Water, the Gold Ridge and Sonoma Resource Conservation Districts, Sonoma-Marín 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:** In fiscal year 2023, Sonoma Water 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.

Tank Recoating Program - In fiscal year 2024, significant progress was made on the tank recoat program, with recoating of both the Kastania and Cotati #1 tanks occurring throughout the year. Kastania tank was returned to service and brought online following successful disinfection and testing in August 2024, and Cotati #1 tank recoating is anticipated to be complete in late 2024. The design and construction documents for Cotati #3 tank recoating also continued and the project will be advertised for bids in September 2024.

Cathodic Protection Program - Considerable progress was made advancing the planning and design of the next two aqueducts included in the program – the Santa Rosa Aqueduct and the Cotati Intertie Pipeline. The Phase 1 project is anticipated to advertise for bids in early 2025 with Phase 2 right of way and permitting work continuing through the end of 2025.

Water Transmission System Disinfection Upgrades Project – Conceptual planning and design made significant strides in fiscal year 2024 culminating in a basis of design report that will be finalized in September 2024. The proposed project not only entails construction of new chlorination and corrosion control facilities at Wohler, Mirabel, and River Road but also includes a wholesale change from chlorine gas to hypochlorite for disinfection. Design is expected to continue over the coming years with construction to occur in several phases.

- **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 2024, Sonoma Water continued implementation of multiple flood and seismic hazard mitigation and drought resiliency projects.

- **Infrastructure/Water Transmission System Hazard Mitigation Planning:** In fiscal year 2024, Sonoma Water's Board of Directors adopted an updated Local Hazard Mitigation Plan, reinforcing the agency's commitment to disaster preparedness and infrastructure resilience and clearing the way to obtain Federal Emergency Management Agency (FEMA) hazard mitigation funds.

The updated plan includes an assessment of seismic, flood, fire, drought and geologic threats; incorporates the impacts of climate change on wildfire and flooding probabilities; analyzes vulnerabilities of Sonoma Water's infrastructure to earthquakes, wildfires, and floods; and aligns with Sonoma Water's Climate Adaptation Plan and Strategic Plan goals.

The plan's approval maintains Sonoma Water's eligibility for FEMA hazard mitigation grant programs. Since 2008, these programs have provided more than \$16.9 million in funding for critical projects such as replacing aqueduct crossings at fault lines and installing isolation valves throughout the water transmission system.

- **Infrastructure/Asset Management:** In fiscal year 2024, Sonoma Water completed 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 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-Marin 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 fiscal year 2024, Sonoma Water, in its role as a member of the Sonoma-Marin Saving Water Partnership, is administering a \$4,000,000 regional drought resiliency program funded with a \$2,000,000 Water and Energy Efficiency grant from the United States Bureau of Reclamation. The Sonoma-Marin Saving Water Partnership drought resiliency program (Program) offers 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 is implementing a direct install program providing indoor low water use fixtures.

The Program is estimated 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 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-Marin Saving Water Partnership, and Sonoma Clean Power, 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. The program goal is for students to become environmental stewards and informed citizens who can examine the world through an inquisitive, scientific lens.

In the 2023/2024 school year, 16,457 students in 693 classrooms participated in direct instruction, 11,874 students participated in the ZunZun musical assembly program, 40,349 students in 1,463 classrooms received free schools supplies that support natural resources conservation, and 110 teachers participated in the Steelhead in the Classroom program, raising 2,750 steelhead eggs and releasing steelhead fry to the Russian River watershed.

Through Sonoma Water's small grant program titled "A Call to Action," 12 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."

In fiscal year 2023/2024, 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. This ongoing 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 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 has allowed the U.S. Army Corps to construct two miles of habitat enhancement over the past two years to improve fishery habitat in Dry Creek. Planning for construction of additional habitat restoration is ongoing.

The U.S. Army Corps of Engineers and Sonoma Water submitted the final Biological Assessment under the federal Endangered Species Act to the National Marine Fisheries Service (NMFS) in September 2023 as part of consultation that was ongoing since 2021. 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. NMFS determined the Biological Assessment complete and reinitiated formal consultation commenced in February 2024. NMFS is anticipated to issue a new Biological Opinion with a 10-year term in early 2025.

- **Water Quality:** With a stake in the health of Lake Sonoma and Lake Mendocino, Sonoma Water, the U.S. Army Corps of Engineers, the California Department of Fish and Wildlife, and the California Department of Boating and Waterways are collaborating on a boat inspection strategy to prevent infestation by invasive quagga and zebra mussels. Sonoma Water's watercraft inspection program at Lake Mendocino will continue for another two years, thanks to \$400,000 in state grant funding that went into effect in fiscal year 2024.

If introduced into a waterway, the mussels can devastate the natural environment, clog water and flood protection infrastructure, and cost millions of dollars in maintenance. Mussels are transported between waterways by watercraft, primarily recreational boats.

In 2018, a mussel-sniffing canine inspector with the program discovered a boat infested with quagga mussels before it was able to launch in Lake Mendocino. A similar situation was averted again at Lake Sonoma in 2020 by a human screener. Trained mussel-sniffing dogs can detect the mussels even in their microscopic larval stages.

- **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 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 October 2024, four X-Band radars are operational, including radars in the north bay (Sonoma County), east bay (Contra Costa County), and south bay (Santa Clara County and Santa Cruz County). In addition to these 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 2024, 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 sub-watershed. 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 fiscal year 2024, Sonoma Water continues 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 2024, Sonoma Water and Windsor Water Treatment District entered into an operational agreement for wastewater collection and treatment of Sonoma Water's Airport-Larkfield-Wikiup Sanitation Zone.

Combining the operation of the two systems, expected to take approximately one year, will result in higher efficiency and a greater volume of recycled water stored in the winter. The additional stored recycled water can then be used for irrigation by residents, commercial businesses and agriculture during the dry season.

Approval of the agreement comes after a year of negotiations between the two agencies. Under the agreement, Windsor will assume treatment of wastewater from the Airport-Larkfield-Wikiup Sanitation Zone service area which includes the Airport Business Center and the Mark West area, east of Highway 101. In exchange, Windsor will gain access to approximately 300 million gallons of Sonoma Water's recycled water storage ponds, and Sonoma Water will benefit from avoided

capital investments of the magnitude of \$50 million to rehabilitate infrastructure at its wastewater treatment plant.

- **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 2024, as a result of these three rate relief programs, Sonoma Water's Sanitation Zone customers received a total of \$40,000 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, synthetization, 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.



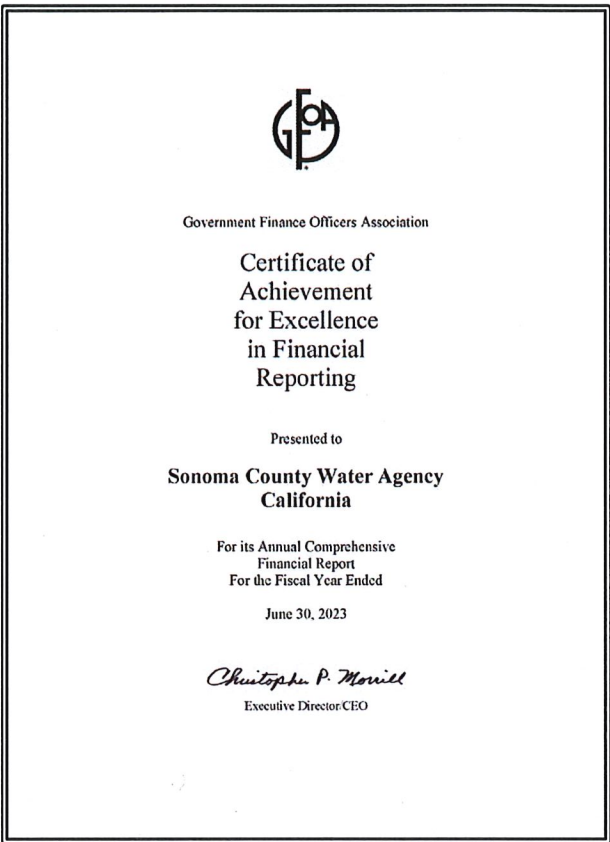
Awards and Acknowledgements

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, 2023. This was the sixth 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-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



Directory of Appointed and Elected Officials

June 30, 2024

General Manager Grant Davis

Board of Directors:

District One Susan Gorin

District Two David Rabbitt

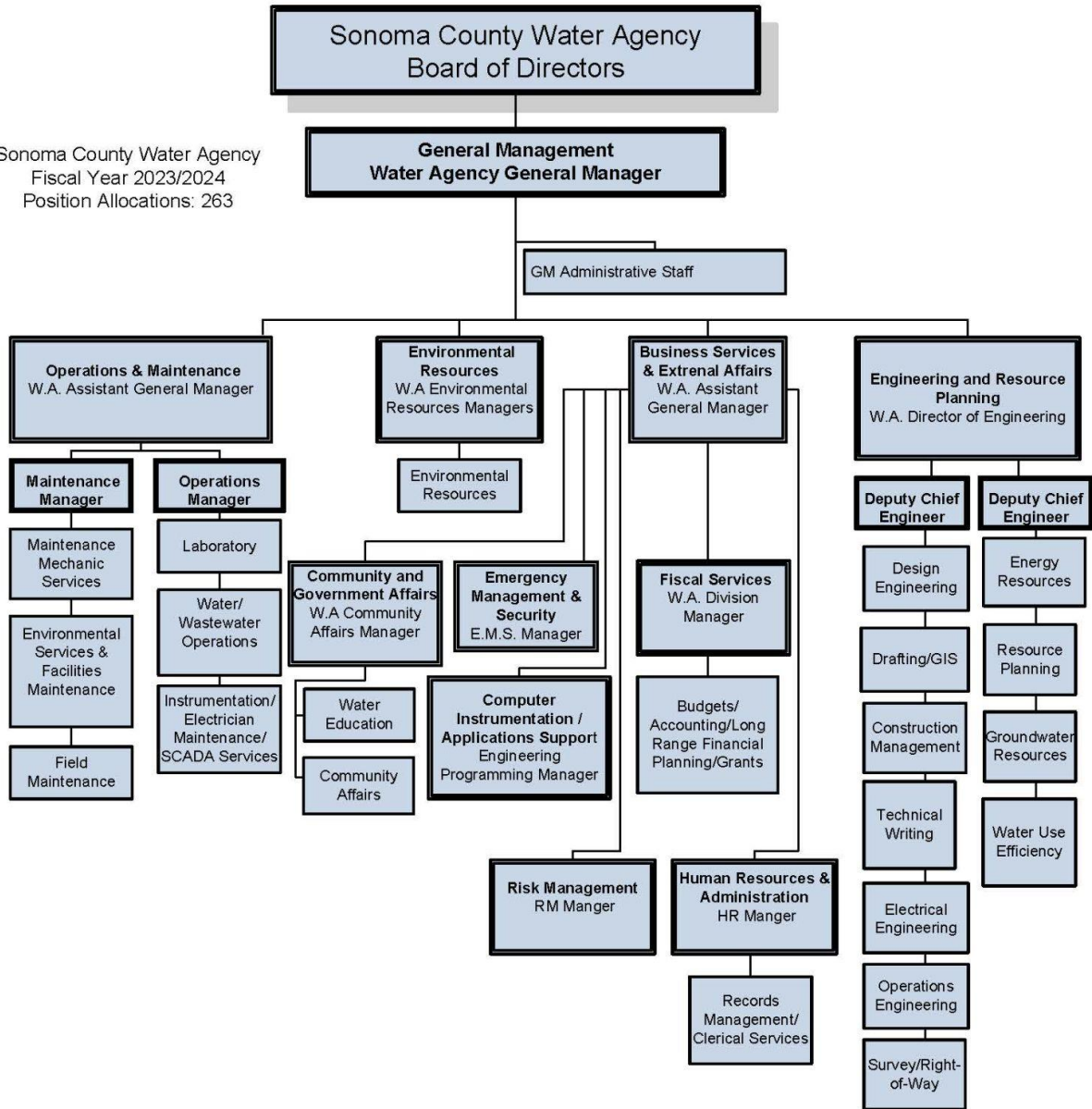
District Three Chris Coursey

District Four James Gore

District Five Lynda Hopkins



Sonoma County Water Agency
 Fiscal Year 2023/2024
 Position Allocations: 263



FINANCIAL SECTION





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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, 2024, 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, 2024, 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 18, 2024, 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 18, 2024

Management's Discussion and Analysis (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, 2024. 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 \$429,441,428 (net position). Of this amount \$88,634,397 (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 \$21,710,619 during the current fiscal year. This increase in net position includes an increase in business-type activities of \$965,147 and an increase in governmental activities of \$20,745,472.
- Sonoma Water's long-term liabilities decreased by \$21,020,614 during the fiscal year, primarily due to a decrease of \$11,062,428 in net pension liability.
- As of the close of the current fiscal year, Sonoma Water's governmental funds reported combined ending fund balances of \$105,518,689, an increase of \$10,483,034 from the preceding year. Approximately 11.2% of this total amount, \$11,781,348, 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 \$11,781,348 or approximately 38.0% of total General Fund expenditures, which amounted to \$31,017,599 for the fiscal year ended June 30, 2024.

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.

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.



Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

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 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

Overview of the Financial Statements (continued)

Fund financial statements (continued)

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.

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 and a Water Transmission fund combining schedule of revenues, expenses, and changes in net position are presented immediately following the required supplementary information. The Water Transmission combining schedule presents the breakdown between activities pledged for debt service and unpledged activities.



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 \$429,441,428 as of June 30, 2024.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024
Current and other assets	\$101,681,465	\$ 112,125,065	\$ 125,354,310	\$ 129,892,471	\$ 227,035,775	\$ 242,017,536
Capital assets	136,273,254	137,416,560	207,980,957	204,584,327	344,254,211	342,000,887
Total assets	237,954,719	249,541,625	333,335,267	334,476,798	571,289,986	584,018,423
Total deferred outflows of resources	22,974,247	13,487,736	190,823	159,125	23,165,070	13,646,861
Current liabilities	13,186,301	13,377,101	11,386,863	15,550,633	24,573,164	28,927,734
Noncurrent liabilities	97,491,282	80,473,920	59,461,888	55,458,636	156,953,170	135,932,556
Total liabilities	110,677,583	93,851,021	70,848,751	71,009,269	181,526,334	164,860,290
Total deferred inflows of resources	5,071,257	3,252,742	126,656	110,824	5,197,913	3,363,566
Net position:						
Net investment in capital assets	74,311,165	79,853,540	159,550,732	155,753,983	233,861,897	235,607,523
Restricted	76,915,423	84,620,791	20,870,168	20,578,717	97,785,591	105,199,508
Unrestricted (deficit)	(6,046,462)	1,451,267	82,129,783	87,183,130	76,083,321	88,634,397
Total net position	\$145,180,126	\$ 165,925,598	\$ 262,550,683	\$ 263,515,830	\$ 407,730,809	\$ 429,441,428

The largest portion of Sonoma Water's net position, \$235,607,523 (54.9%), reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, and machinery and equipment), less any related outstanding debt used to acquire those assets. Sonoma Water uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although Sonoma Water's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of Sonoma Water's net position, \$105,199,508 (24.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$88,634,397 may be used to meet Sonoma Water's ongoing obligations to citizens and creditors.

As of June 30, 2024, Sonoma Water reports positive balances in all categories of net position for its separate governmental and business-type activities.

Sonoma Water's net position increased by \$21,710,619 as of June 30, 2024. This increase included an increase of \$20,745,472 in net position for governmental activities and an increase of \$965,147 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.

Government-wide Financial Analysis (continued)
Condensed Statements of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	Fiscal Year Ended June 30,		Fiscal Year Ended June 30,		Fiscal Year Ended June 30,	
	2023	2024	2023	2024	2023	2024
Revenues						
Program Revenues:						
Charges for services	\$ 20,822,992	\$ 21,031,645	\$ 50,308,577	\$ 60,563,885	\$ 71,131,569	\$ 81,595,530
Operating grants and contributions	4,738,773	3,769,543	1,539,810	5,651,075	6,278,583	9,420,618
Capital grants and contributions	-	-	4,516,451	2,679,349	4,516,451	2,679,349
General Revenues:						
Property taxes	37,230,184	38,196,257	14	-	37,230,198	38,196,257
Investment earnings	1,653,342	4,889,792	2,292,598	6,079,302	3,945,940	10,969,094
Total revenues	<u>64,445,291</u>	<u>67,887,237</u>	<u>58,657,450</u>	<u>74,973,611</u>	<u>123,102,741</u>	<u>142,860,848</u>
Expenses						
General government	13,323,965	5,892,237	-	-	13,323,965	5,892,237
Intergovernmental	21,747,490	18,300,371	-	-	21,747,490	18,300,371
Flood control	11,479,671	13,103,749	-	-	11,479,671	13,103,749
Warm Springs Dam	5,083,503	6,177,473	-	-	5,083,503	6,177,473
Interest on long-term debt	2,035,660	1,898,604	-	-	2,035,660	1,898,604
Water transmission	-	-	49,598,108	54,515,752	49,598,108	54,515,752
Water supply	-	-	5,615,439	11,384,255	5,615,439	11,384,255
Sanitation	-	-	9,048,665	9,877,788	9,048,665	9,877,788
Total expenses	<u>53,670,289</u>	<u>45,372,434</u>	<u>64,262,212</u>	<u>75,777,795</u>	<u>117,932,501</u>	<u>121,150,229</u>
Change in net position before transfers	10,775,002	22,514,803	(5,604,762)	(804,184)	5,170,240	21,710,619
Transfers	600,000	(1,769,331)	(600,000)	1,769,331	-	-
Change in net position	11,375,002	20,745,472	(6,204,762)	965,147	5,170,240	21,710,619
Net position - beginning of year	133,805,124	145,180,126	268,755,445	262,550,683	402,560,569	407,730,809
Net position - end of year	<u>\$ 145,180,126</u>	<u>\$165,925,598</u>	<u>\$262,550,683</u>	<u>\$263,515,830</u>	<u>\$ 407,730,809</u>	<u>\$ 429,441,428</u>

Governmental activities

Governmental activities increased Sonoma Water's net position by \$20,745,472 during the fiscal year. Key elements of Sonoma Water's governmental activities are identified below.

- Program revenues for the fiscal year ended June 30, 2024 decreased by \$760,577 from the prior fiscal year. This decrease consisted of a decrease of \$969,230 in operating grants and contributions offset by an increase of \$208,653 in charges for services.
- Charges for services for the fiscal year totaled \$21,031,645, representing an increase of \$208,653 from the prior year. The increase was primarily due to the sale of phosphorus credits and an increase in park usage.
- Operating grants and contributions totaled \$3,769,543 for the fiscal year, a \$969,230 decrease from the prior fiscal year. This decrease is primarily due to decreased grant funding related to the Wildfire

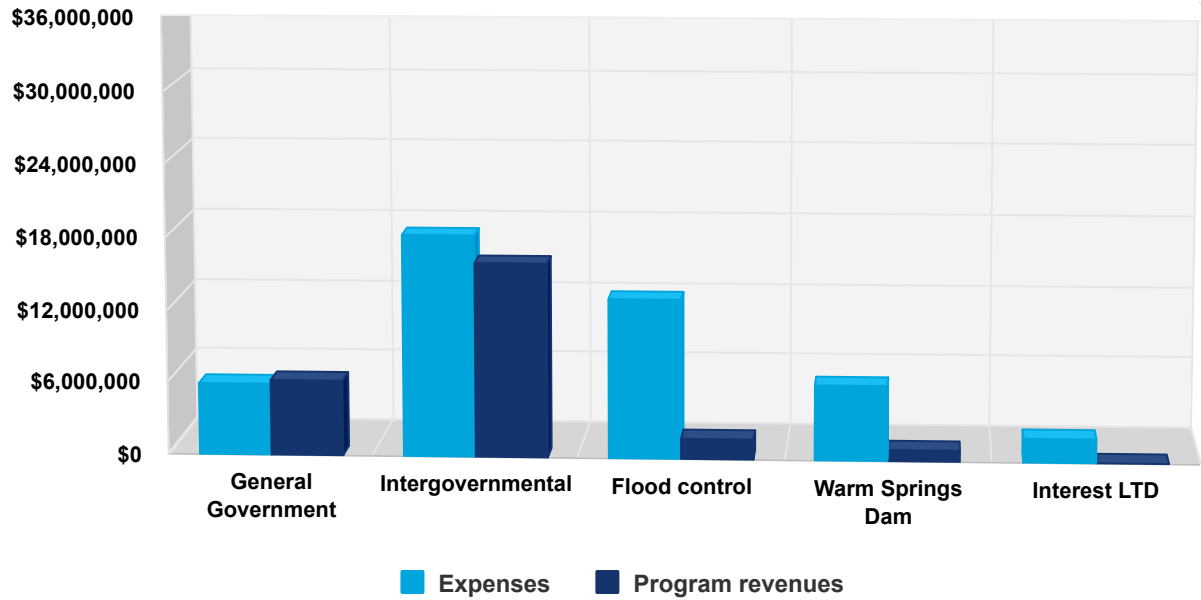
Government-wide Financial Analysis (continued)**Governmental activities (continued)**

Risk Reduction Decision Support Program and the Bay Area Advanced Quantitative Precipitation Information System project.

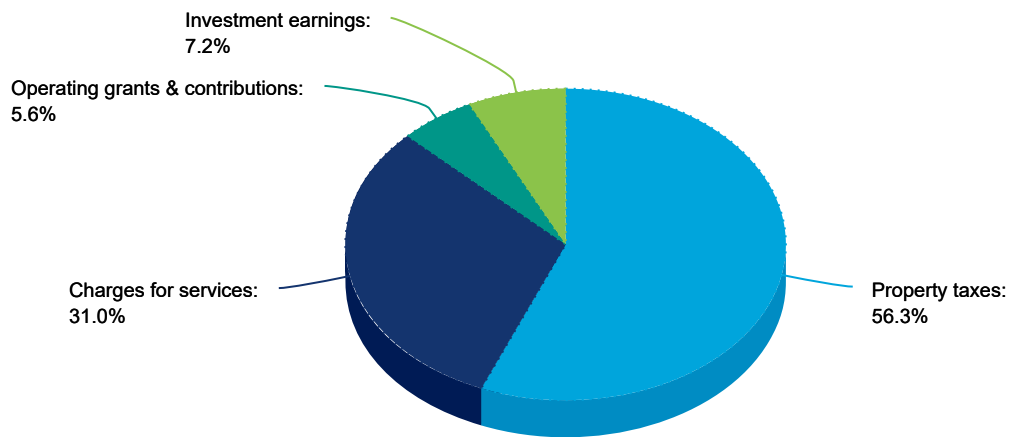
- Property tax revenue totaled \$38,196,257, including \$11,753,457 received for the purpose of operations, maintenance, and debt service for the Warm Springs Dam. Property tax revenue increased by \$966,073 from the prior fiscal year due to an increase in the assessed value of taxable property.
- The investment earnings of \$4,889,792 included \$2,147,953 in interest earnings on cash in the County of Sonoma (the County) Treasury Pool. Investment earnings increased by \$3,236,450 from the prior fiscal year due to higher interest rates.
- Intergovernmental expenses for the fiscal year totaled \$18,300,371, a decrease of \$3,447,119 from the prior fiscal year. The decrease is primarily due to a decrease in 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 decreased by \$7,431,728. This decrease is primarily due to a decrease in pension expense as well as reimbursements related to the Supervisory Control and Data Acquisition (SCADA) project.
- Expenses for Flood Control increased by \$1,624,078, due to increased costs related to sediment removal projects and higher stream maintenance activity in the Laguna Mark West Zone.
- Warm Springs Dam expenses increased by \$1,093,970 from the prior year, primarily due to increased expenses related to the Coho Broodstock Monitoring project as well as increased expenses related to the operations and maintenance of the Warm Springs Dam.

Government-wide Financial Analysis (continued)
Governmental activities (continued)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Government-wide Financial Analysis (continued)

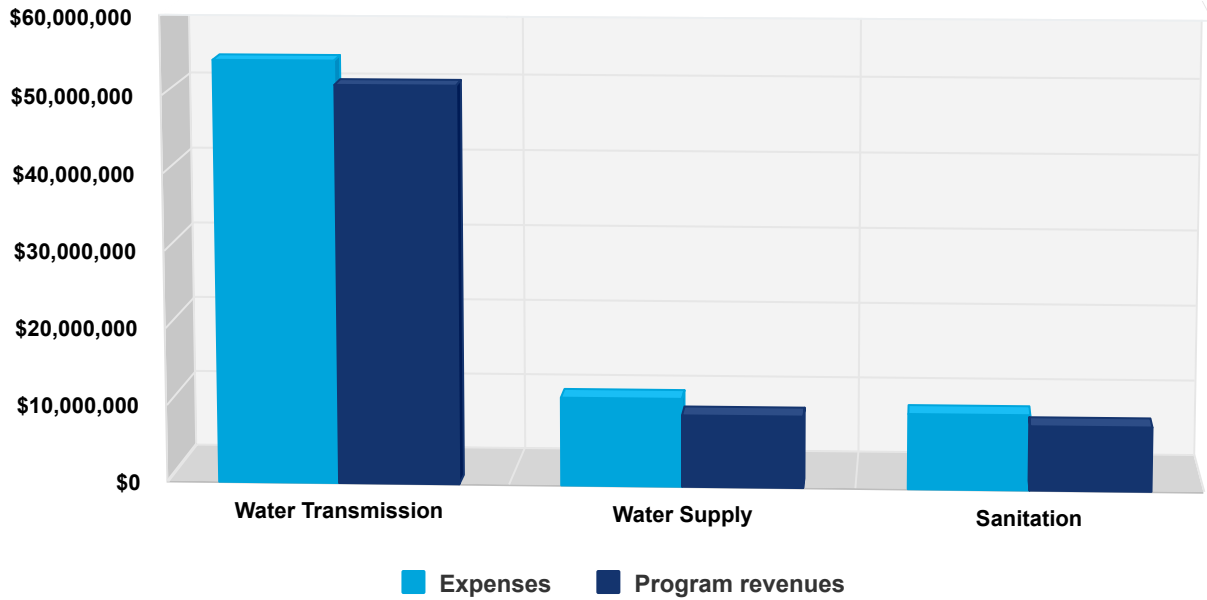
Business-type activities (continued)

Business-type activities increased Sonoma Water's net position by \$965,147. Key elements of Sonoma Water's business-type activities are identified below.

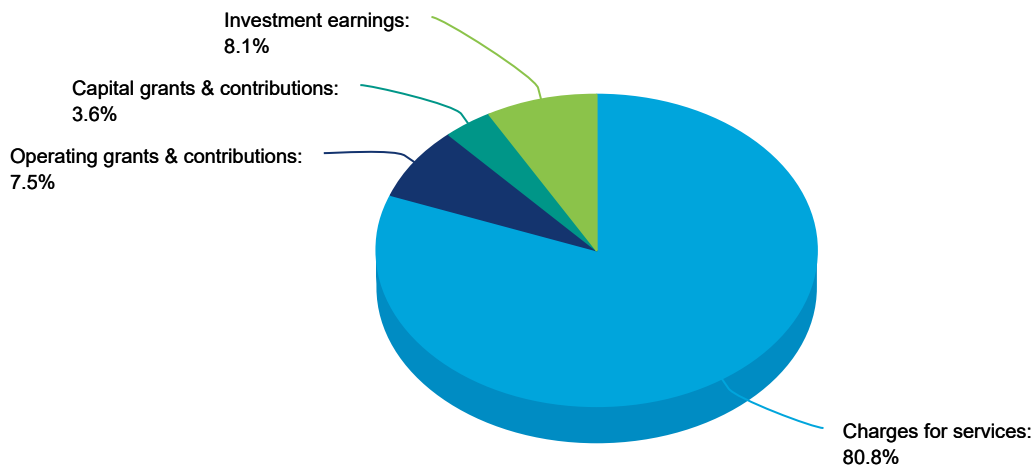
- Charges for services totaled \$60,563,885, representing an increase of \$10,255,308 from the prior fiscal year. The increase was primarily due to an increase of \$9,645,770 in water sales revenue.
- Water sales revenue increased \$9,645,770 from the prior fiscal year. This increase was due to a 14.7% increase in total acre-feet sold and an average increase of 9.3% in water rates.
- Operating grants and contributions for the fiscal year totaled \$5,651,075, representing an increase of \$4,111,265 from the prior year. This increase was primarily due to an increase of \$3,967,014 in funding from the Department of Water Resources Proposition 1 Integrated Regional Water Management Implementation grant.
- Capital grants and contributions totaled \$2,679,349 for the fiscal year, a decrease of \$1,837,102 from the prior fiscal year. This decrease included a decrease of \$704,063 in Federal funding for the Russian River-Cotati Intertie Pipeline Seismic Hazard Mitigation at the Russian River Crossing project, a decrease of \$2,400,564 in FEMA funding for the Mark West Creek Crossing Mitigation project, partially offset by an increase of \$1,730,954 in state funding for the Occidental Road Well Capital Improvements project.
- The investment earnings for the fiscal year ended June 30, 2024 totaled \$6,079,302, representing an increase of \$3,786,704 from investment earnings the prior fiscal year. The increase in investment earnings were primarily due to a \$2,275,428 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 \$54,515,752 an increase of \$4,917,644 from the prior fiscal year. This increase included an increase of \$4,026,185 in long-term maintenance and rehabilitation costs for the Kastania water storage tank.
- Water Supply expenses increased by \$5,768,816 from the prior fiscal year. This increase in expenses included an increase of \$3,974,314 related to the North Bay Water Reuse Authority Phase II Integrated Regional Water Management Plan project, \$999,862 for the Potter Valley project, and \$441,283 for the Russian River Forum Phase II project.
- Sanitation expenses increased by \$829,123 over the prior fiscal year. The majority of the increase was related to a \$367,411 increase in costs for the Main Breaker Retrofit project at the Airport Treatment Plant, an increase of \$290,625 for maintenance costs for the treatment plant within the Airport Larkfield Wikiup Sanitation Zone (ALWSZ), and an increase of \$159,738 in costs related to the ALWSZ Town of Windsor Consolidation project.
- Transfers from Sonoma Water's General Fund totaling \$1,769,331 were received during the fiscal year ended June 30, 2024. More information on these transfers can be found in Note G to the financial statements.

Government-wide Financial Analysis (continued)
Business-type activities (continued)

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



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, 2024, Sonoma Water's governmental funds reported combined ending fund balances of \$105,518,689, an increase of \$10,483,034 in comparison with the prior year. Approximately 11.2% of this total amount, \$11,781,348, 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 \$11,781,348. Assigned fund balance totaled \$7,466,301 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 nonspendable fund balance of \$323,612 due to prepaid items. Total fund balance for the General Fund as of June 30, 2024 was \$19,571,261.

The General Fund's fund balance increased by \$2,904,094 which represents a 17.4% increase in fund balance compared to the prior fiscal year. The primary reason is due to an increase in investment earnings and a decrease of contributions to the Russian River County Sanitation District.

The special revenue funds consist of Flood Control and Warm Springs Dam. Flood Control reported restricted fund balance of \$37,206,174 and non-spendable fund balance of \$57,115 due to prepaid items. Total fund balance for Flood Control as of June 30, 2024 was \$37,263,289, a 16.7% increase compared to the prior fiscal year. The increase is mainly due to an increase of \$1,342,753 in investment earnings, an increase of \$772,490 in sales of phosphorus credits as part of the Nutrient Offset Program, and an increase of \$341,825 in Water Security Funding. Warm Springs Dam reported restricted fund balance of \$9,398,721 and non-spendable fund balance of \$815 due to prepaid items. Warm Springs Dam had a decrease in fund balance of \$264,907 which represents a 2.7% decrease compared to the prior fiscal year, mainly due to an increase of \$1,000,000 in transfers out to the Debt Service Fund and an increase in district operations charges offset by decreases in other expenditures.

The Debt Service Fund had a total fund balance of \$39,284,603 all of which is restricted for debt service and other related obligations for Warm Springs Dam. The fund balance increased by \$2,512,769 which represents a 6.8% increase compared to the prior fiscal year. This increase was due to investment earnings of \$1,498,340 and transfers from the Warm Springs Dam fund of \$7,300,000, offset by debt service expenditures of \$6,285,571.

Proprietary funds

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

Financial Analysis of the Government's Funds (continued)

Proprietary funds (continued)

Water Transmission net position decreased by \$384,077 to \$177,114,537 from the prior fiscal year, mainly due to an increase in operating expenses including rehabilitation costs for the Kastania water tank.

Water Supply net position decreased by \$687,141 to \$2,498,316, primarily due to an increase of \$999,862 in expenses related to the Potter Valley project.

Sanitation net position decreased by \$687,860 to \$28,023,190, primarily due to an increase in operating expenses including the Main Breaker Retrofit project at the Airport Treatment Plant.

Internal Service Fund net position increased by \$2,724,225 to \$55,879,787 primarily due to \$1,451,107 increase in equipment rental charges as a result of improvements in cost collection as well as a decrease of \$1,419,080 in utilities costs.

Unrestricted net position of the Water Transmission Fund as of the fiscal year ended June 30, 2024 was \$62,230,589. The Water Supply Fund, the Sanitation Funds and the Internal Service Funds reported unrestricted net positions of \$1,413,083, \$6,165,544, and \$17,373,914, respectively.

General Fund Budgetary Highlights

Sonoma Water's final budget appropriations for expenditures of the General Fund increased by \$12,287,146 over the original budget, or 37.9%. The largest increase in the final budget appropriations was related to other contract services which increased by \$7,348,164 compared to the original budget. Final budgeted revenues also increased by \$3,030,706 over the original budget, or 9.0%, all of which related to the State grant funding budget.

Revenues

The General Fund's actual revenues were \$976,416 less than the final budgeted revenue estimates. Key variances are as follows:

- Property tax revenues were over budget by \$1,461,544 primarily due to growth in real property assessed values.
- Charges for services were over budget by \$2,567,094 due to increased reimbursements from the four sanitation districts for direct labor and overhead charges.
- Miscellaneous revenue was under budget by \$3,051,636 primarily due to lower than estimated state capital grant funding.
- Intergovernmental revenue was under budget by \$2,876,630 primarily due to lower than estimated state grant funding due to delays in grant related projects.

Expenditures

The General Fund's actual expenditures were under budget compared to the final budgeted estimates, resulting in \$17,863,190 of unspent appropriations. Key variances are as follows:

- Unspent appropriations for contract services were \$8,618,702 due to project delays.
- Unspent appropriations for salaries and benefits net of reimbursements from other funds were \$3,339,272 primarily due to underestimated reimbursements.
- Unspent appropriations for supplies and computer expenses were \$1,333,723.



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, 2024, was \$342,000,887 (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, 2024 included the completion of the following projects (the amounts shown represent the total life-to-date construction costs of each project).

Business-type activities:

- Capital expansion within the Water Transmission Fund included:
 - Easement acquisitions for the Mile 4 Dry Creek project - \$1,712,037
 - Demuth property acquisition - \$772,970
- Capital expansion within the Internal Service Fund included:
 - 404 Aviation Blvd HVAC Retrofit project - \$2,823,796

Capital Assets

(net of accumulated depreciation and amortization)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024
Land	\$ 1,597,189	\$ 1,597,189	\$ 11,023,905	\$ 11,802,030	\$ 12,621,094	\$ 13,399,219
Land improvements	90,709	78,479	1,071,615	885,154	1,162,324	963,633
Construction in progress	2,419,516	5,151,173	15,873,125	17,154,546	18,292,641	22,305,719
Water storage rights	102,371,000	102,371,000	4,996,395	4,996,395	107,367,395	107,367,395
Intangible asset - easements	3,270,907	3,196,077	1,179,065	2,902,610	4,449,972	6,098,687
Intangible asset - software	-	-	171,529	91,088	171,529	91,088
Intangible assets - right to use SBITA assets	-	-	27,472	5,208	27,472	5,208
Infrastructure	24,839,088	23,442,872	136,652,961	128,276,103	161,492,049	151,718,975
Buildings and improvements	1,087,579	1,008,897	31,644,010	32,936,403	32,731,589	33,945,300
Machinery and equipment	597,266	570,873	5,340,880	5,534,790	5,938,146	6,105,663
Total capital assets	\$ 136,273,254	\$ 137,416,560	\$ 207,980,957	\$ 204,584,327	\$ 344,254,211	\$ 342,000,887

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

Capital Asset and Debt Administration (continued)

Long-Term Obligations

As of June 30, 2024, Sonoma Water had a total of \$138,804,734 in outstanding long-term obligations.

Outstanding Current and Long-Term Obligations

	Governmental Activities		Business -Type Activities		Change	
	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	\$	%
Financed purchases	\$ -	\$ -	\$ 260,339	\$ -	\$ (260,339)	(100.0%)
Revenue bonds	-	-	49,852,547	47,390,457	(2,462,090)	(4.9%)
Advances from other governments	-	-	4,823,190	3,911,366	(911,824)	(18.9%)
Federal contract payable	61,734,522	57,439,889	-	-	(4,294,633)	(7.0%)
Compensated absences	3,638,435	4,025,592	-	-	387,157	10.6%
Pollution remediation	150,490	119,077	-	-	(31,413)	(20.9%)
Net pension liability	26,195,319	15,132,891	-	-	(11,062,428)	(42.2%)
Other postemployment benefits	12,283,402	10,785,462	-	-	(1,497,940)	(12.2%)
Subscription Based Information Technology Arrangement liability	-	-	64,578	-	(64,578)	(100.0%)
Total	\$ 104,002,168	\$ 87,502,911	\$ 55,000,654	\$ 51,301,823	\$ (20,198,088)	(12.7%)

Sonoma Water's total long-term obligations decreased by \$20,133,510 (12.7%) during the fiscal year ended June 30, 2024.

The outstanding total of financed purchases, advances from other governments, and federal contract payable decreased during the fiscal year ended June 30, 2024 due to regularly scheduled principal payments.

Revenue bonds payable decreased by \$2,462,090 or 4.9% during the fiscal year ended June 30, 2024.

Compensated absences liability increased by \$387,157 due to employees using less vacation leave than they earned and accrued.

Pollution remediation decreased by \$31,413 due to pollution remediation expenses incurred during the fiscal year.

Net pension liability decreased by \$11,062,428, primarily because of the favorable return on investments held in the trust to provide for the pension obligation.

Other postemployment benefits decreased by \$1,497,940, primarily due to plan contributions in excess of benefit payments.

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, 2024, unassigned fund balance in the General Fund was \$11,781,348. Sonoma Water's budgeted net reduction in fund balance in the General Fund of \$5,688,464 in the fiscal year ending June 30, 2025 reduces unassigned fund balance.

Water sales revenue is expected to increase. Both water and sewer rates increased for the fiscal year ending June 30, 2025 budget. Water rates increased by an average of 10.2% while sewer rates increased an average of 8.5%.

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.

FY 24/25 Charges per Acre-Foot for Water Used for Municipal Purposes by Water Contractors

	Santa Rosa Aqueduct	Petaluma Aqueduct	Sonoma Aqueduct
Operations and maintenance	\$ 1,115	\$ 1,115	\$ 1,115
Revenue bond charges:			
Aqueduct revenue bonds charge	-	-	145
Storage facility revenue bonds charge	32	32	32
Common facilities revenue bonds charge	131	131	131
Aqueduct capital charge	11	-	35
Total	<u>\$ 1,289</u>	<u>\$ 1,278</u>	<u>\$ 1,458</u>

Sewer Service Rate per Equivalent Single-Family Dwelling

Sanitation Zone	23/24	24/25	Change
Sea Ranch	\$ 1,524	\$ 1,658	8.8%
Penngrove	1,974	2,132	8.0%
Geyserville	1,424	1,548	8.7%
Airport-Larkfield-Wikiup	1,246	1,332	6.9%

Number of Equivalent Single-Family Dwellings by Sanitation Zone

Sanitation Zone	23/24	24/25	Change
Sea Ranch	622	624	0.3%
Penngrove	556	554	-0.4%
Geyserville	370	371	0.3%
Airport-Larkfield-Wikiup	4,157	4,129	-0.7%

**BASIC FINANCIAL
STATEMENTS**



Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 93,085,271	\$ 97,159,240	\$ 190,244,511
Restricted cash and investments	-	3,494,696	3,494,696
Deposits with others	-	704,570	704,570
Accounts receivable	3,724,896	13,475,855	17,200,751
Prepaid items	381,542	542,972	924,514
Total current assets	<u>97,191,709</u>	<u>115,377,333</u>	<u>212,569,042</u>
Noncurrent assets:			
Restricted cash and investments	13,440,132	9,720,263	23,160,395
Accounts receivable	1,493,224	3,883,075	5,376,299
Reserves on deposit	-	911,800	911,800
Capital assets, net:			
Land	1,597,189	11,802,030	13,399,219
Land improvements	78,479	885,154	963,633
Construction in progress	5,151,173	17,154,546	22,305,719
Intangible assets	105,567,077	7,995,301	113,562,378
Infrastructure	23,442,872	128,276,103	151,718,975
Buildings and improvements	1,008,897	32,936,403	33,945,300
Equipment	570,873	5,534,790	6,105,663
Total capital assets, net	<u>137,416,560</u>	<u>204,584,327</u>	<u>342,000,887</u>
Total noncurrent assets	<u>152,349,916</u>	<u>219,099,465</u>	<u>371,449,381</u>
Total assets	<u>249,541,625</u>	<u>334,476,798</u>	<u>584,018,423</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	8,618,968	-	8,618,968
Deferred amounts related to OPEB	4,868,768	-	4,868,768
Deferred amounts related to charge on refunding	-	159,125	159,125
Total deferred outflows of resources	<u>13,487,736</u>	<u>159,125</u>	<u>13,646,861</u>

The accompanying notes are an integral part of these financial statements

Statement of Net Position (continued)
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	4,110,537	4,516,936	8,627,473
Due to other governments	-	5,204,090	5,204,090
Interest payable	1,234,958	1,121	1,236,079
Unearned revenue	1,002,615	1,849,673	2,852,288
Advances from other governments	-	465,486	465,486
Deposits from others	-	18,630	18,630
Compensated absences	2,595,856	-	2,595,856
Long-term contracts payable	4,433,135	-	4,433,135
Total current liabilities payable from unrestricted assets	<u>13,377,101</u>	<u>12,055,936</u>	<u>25,433,037</u>
Current liabilities payable from restricted assets:			
Interest payable	-	913,280	913,280
Revenue bonds payable	-	2,581,417	2,581,417
Total current liabilities payable from restricted assets	<u>-</u>	<u>3,494,697</u>	<u>3,494,697</u>
Total current liabilities	<u>13,377,101</u>	<u>15,550,633</u>	<u>28,927,734</u>
Noncurrent liabilities:			
Unearned revenue	-	3,784,370	3,784,370
Advances from other governments	-	3,445,880	3,445,880
Compensated absences	1,429,736	-	1,429,736
Revenue bonds payable	-	48,228,386	48,228,386
Long-term contracts payable	53,006,754	-	53,006,754
Net pension liability	15,132,891	-	15,132,891
Other postemployment benefits liability	10,785,462	-	10,785,462
Pollution remediation obligation	119,077	-	119,077
Total noncurrent liabilities	<u>80,473,920</u>	<u>55,458,636</u>	<u>135,932,556</u>
Total liabilities	<u>93,851,021</u>	<u>71,009,269</u>	<u>164,860,290</u>
Deferred Inflows of Resources			
Deferred amounts related to pensions	2,098,797	-	2,098,797
Deferred amounts related to OPEB	1,153,945	-	1,153,945
Deferred amounts related to charge on refunding	-	110,824	110,824
Total deferred inflows of resources	<u>3,252,742</u>	<u>110,824</u>	<u>3,363,566</u>

The accompanying notes are an integral part of these financial statements

Statement of Net Position (continued)
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Net Position			
Net investment in capital assets	79,853,540	155,753,983	235,607,523
Restricted for:			
Flood control	37,171,610	-	37,171,610
Warm Springs Dam	47,449,181	-	47,449,181
Water management planning	-	373,060	373,060
Watershed planning and restoration	-	12,189,412	12,189,412
Recycled water and local supply	-	431,795	431,795
Water conservation	-	791,468	791,468
Debt service	-	5,881,182	5,881,182
Other purposes	-	911,800	911,800
Unrestricted	1,451,267	87,183,130	88,634,397
Total net position	\$ 165,925,598	\$ 263,515,830	\$ 429,441,428

The accompanying notes are an integral part of these financial statements

**Statement of Activities
For the Fiscal Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,892,237	\$ 3,789,991	\$ 2,420,735	\$ -	\$ 318,489	\$ -	\$ 318,489
Intergovernmental	18,300,371	16,100,371	-	-	(2,200,000)	-	(2,200,000)
Flood control	13,103,749	1,141,283	477,728	-	(11,484,738)	-	(11,484,738)
Warm Springs Dam	6,177,473	-	871,080	-	(5,306,393)	-	(5,306,393)
Interest on long-term debt	1,898,604	-	-	-	(1,898,604)	-	(1,898,604)
Total governmental activities	<u>45,372,434</u>	<u>21,031,645</u>	<u>3,769,543</u>	<u>-</u>	<u>(20,571,246)</u>	<u>-</u>	<u>(20,571,246)</u>
Business-type activities:							
Water transmission	54,515,753	48,680,321	144,760	2,569,917	-	(3,120,755)	(3,120,755)
Water supply	11,384,255	3,764,017	5,482,899	-	-	(2,137,339)	(2,137,339)
Sanitation	9,877,788	8,119,548	23,416	109,432	-	(1,625,392)	(1,625,392)
Total business-type activities	<u>75,777,796</u>	<u>60,563,886</u>	<u>5,651,075</u>	<u>2,679,349</u>	<u>-</u>	<u>(6,883,486)</u>	<u>(6,883,486)</u>
Total primary government	<u>\$ 121,150,230</u>	<u>\$ 81,595,531</u>	<u>\$ 9,420,618</u>	<u>\$ 2,679,349</u>	<u>(20,571,246)</u>	<u>(6,883,486)</u>	<u>(27,454,732)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					26,442,800	-	26,442,800
Property taxes, levied for debt service and assurances					11,753,457	-	11,753,457
Investment earnings					4,889,792	6,079,302	10,969,094
Transfers					(1,769,331)	1,769,331	-
Total general revenues and transfers					<u>41,316,718</u>	<u>7,848,633</u>	<u>49,165,351</u>
Change in net position					20,745,472	965,147	21,710,619
Net position - beginning of year					145,180,126	262,550,683	407,730,809
Net position - end of year					<u>\$ 165,925,598</u>	<u>\$ 263,515,830</u>	<u>\$ 429,441,428</u>

The accompanying notes are an integral part of these financial statements



**Balance Sheet
Governmental Funds
June 30, 2024**

	Special Revenue Funds				Total Governmental Funds
	General	Flood Control	Warm Springs Dam	Debt Service	
Assets					
Cash and investments	\$ 19,209,887	\$ 38,105,744	\$ 9,925,169	\$ 25,844,471	\$ 93,085,271
Restricted cash and investments	-	-	-	13,440,132	13,440,132
Accounts receivable	4,673,641	30,586	513,893	-	5,218,120
Prepaid items	323,612	57,115	815	-	381,542
Total assets	<u>24,207,140</u>	<u>38,193,445</u>	<u>10,439,877</u>	<u>39,284,603</u>	<u>112,125,065</u>
Liabilities					
Accounts payable	\$ 2,506,834	\$ 563,362	\$ 1,040,341	\$ -	\$ 4,110,537
Unearned income	663,221	339,394	-	-	1,002,615
Total liabilities	<u>3,170,055</u>	<u>902,756</u>	<u>1,040,341</u>	<u>-</u>	<u>5,113,152</u>
Deferred inflows of resources					
Unavailable revenue - intergovernmental	1,465,824	27,400	-	-	1,493,224
Fund balances					
Nonspendable	323,612	57,115	815	-	381,542
Restricted	-	37,206,174	9,398,721	39,284,603	85,889,498
Assigned	7,466,301	-	-	-	7,466,301
Unassigned	11,781,348	-	-	-	11,781,348
Total fund balances	<u>19,571,261</u>	<u>37,263,289</u>	<u>9,399,536</u>	<u>39,284,603</u>	<u>105,518,689</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,207,140</u>	<u>\$ 38,193,445</u>	<u>\$ 10,439,877</u>	<u>\$ 39,284,603</u>	<u>\$ 112,125,065</u>

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

Fund balances - total governmental funds	\$ 105,518,689
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	137,416,560
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds	1,493,224
Deferred outflows of resources are reported in the statement of net position but not reported in the funds	13,487,736
Some liabilities are not due and payable in the current period and therefore are not recorded in the funds:	
Interest payable	(1,234,958)
Compensated absences	(4,025,592)
Long-term contracts payable	(57,439,889)
Net pension liability	(15,132,891)
Other postemployment benefits liability	(10,785,462)
Pollution remediation obligation	(119,077)
Deferred inflows of resources are reported in the statement of net position but not reported in the funds	<u>(3,252,742)</u>
Net position of governmental activities	<u>\$ 165,925,598</u>

The accompanying notes are an integral part of these financial statements

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024**

	Special Revenue Funds				Total Governmental Funds
	General	Flood Control	Warm Springs Dam	Debt Service	
Revenues					
Property taxes	\$ 12,415,539	\$ 14,027,261	\$ 11,753,457	\$ -	\$ 38,196,257
Investment earnings	1,137,912	1,719,262	534,278	1,498,340	4,889,792
Intergovernmental	2,227,881	475,045	871,080	-	3,574,006
Charges for services	19,855,447	1,117,040	-	-	20,972,487
Miscellaneous	34,914	24,243	-	-	59,157
Total revenues	35,671,693	17,362,851	13,158,815	1,498,340	67,691,699
Expenditures					
Current:					
General government	10,211,424	-	-	-	10,211,424
Intergovernmental	18,300,371	-	1,170,477	-	19,470,848
Flood control	-	11,712,941	-	-	11,712,941
Warm Springs Dam	-	-	4,953,245	-	4,953,245
Capital outlay	2,505,804	318,832	-	-	2,824,636
Debt service:					
Principal	-	-	-	4,294,633	4,294,633
Interest and fiscal charges	-	-	-	1,990,938	1,990,938
Total expenditures	31,017,599	12,031,773	6,123,722	6,285,571	55,458,665
Excess (deficiency) of revenues over (under) expenditures	4,654,094	5,331,078	7,035,093	(4,787,231)	12,233,034
Other financing sources (uses)					
Transfers in	-	-	-	7,300,000	7,300,000
Transfers out	(1,750,000)	-	(7,300,000)	-	(9,050,000)
Total other financing uses	(1,750,000)	-	(7,300,000)	7,300,000	(1,750,000)
Net change in fund balances	2,904,094	5,331,078	(264,907)	2,512,769	10,483,034
Fund balances - beginning of year	16,667,167	31,932,211	9,664,443	36,771,834	95,035,655
Fund balances - end of year	\$ 19,571,261	\$ 37,263,289	\$ 9,399,536	\$ 39,284,603	\$ 105,518,689

The accompanying notes are an integral part of these financial statements

**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, 2024**

Net change in fund balances - total governmental funds	\$ 10,483,034
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 and amortization expense.	
Capital outlay	2,824,636
Transfer of assets to business type activities	(19,331)
Depreciation and amortization expense	(1,661,998)
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.	4,294,633
Certain amounts are not available to pay current period expenditures, and therefore, are deferred inflows of resources in the governmental funds.	195,535
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	92,335
Change in compensated absences	(387,157)
Change in net pension liability	1,801,093
Change in other postemployment benefits liability	3,091,279
Change in pollution remediation obligation	31,413
Change in net position of governmental activities	<u>\$ 20,745,472</u>

The accompanying notes are an integral part of these financial statements

**Statement of Net Position
Proprietary Funds
June 30, 2024**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Assets					
Current Assets:					
Cash and investments	\$ 72,102,671	\$ 3,657,685	\$ 10,268,141	\$ 86,028,497	\$ 11,130,743
Restricted cash and investments	3,096,315	-	398,381	3,494,696	-
Deposits with others	-	-	-	-	704,570
Accounts receivable, net	7,203,292	5,973,574	298,989	13,475,855	-
Prepaid items	6,130	1,227	32,197	39,554	503,418
Total current assets	82,408,408	9,632,486	10,997,708	103,038,602	12,338,731
Noncurrent assets:					
Restricted cash and investments	9,435,344	-	284,919	9,720,263	-
Accounts receivable	441,647	399,349	3,042,079	3,883,075	-
Advances to other funds	-	-	-	-	5,733,327
Reserves on deposit	-	-	-	-	911,800
Capital assets, net:					
Land	7,839,400	-	1,621,444	9,460,844	2,341,186
Land improvements	-	570,382	-	570,382	314,772
Construction in progress	15,932,918	-	1,022,960	16,955,878	198,668
Intangible assets	7,883,546	-	74,425	7,957,971	37,330
Infrastructure	108,762,970	504,876	19,008,257	128,276,103	-
Buildings and improvements	3,104,699	-	-	3,104,699	29,831,704
Equipment	222,161	9,975	432,238	664,374	4,870,416
Total capital assets, net	143,745,694	1,085,233	22,159,324	166,990,251	37,594,076
Total noncurrent assets	153,622,685	1,484,582	25,486,322	180,593,589	44,239,203
Total assets	236,031,093	11,117,068	36,484,030	283,632,191	56,577,934
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	114,873	-	44,252	159,125	-

The accompanying notes are an integral part of these financial statements



Statement of Net Position (continued)
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	3,040,364	429,705	348,832	3,818,901	698,035
Due to other governments	530,443	3,967,014	706,633	5,204,090	-
Interest payable	1,009	-	-	1,009	112
Unearned revenue	71,807	1,264,287	513,579	1,849,673	-
Advances from other governments	465,486	-	-	465,486	-
Deposits from others	4,230	14,100	300	18,630	-
Total current liabilities payable from unrestricted assets	<u>4,113,339</u>	<u>5,675,106</u>	<u>1,569,344</u>	<u>11,357,789</u>	<u>698,147</u>
Current liabilities payable from restricted assets:					
Interest payable	906,316	-	6,964	913,280	-
Revenue bonds payable	2,190,000	-	391,417	2,581,417	-
Total current liabilities payable from restricted assets	<u>3,096,316</u>	<u>-</u>	<u>398,381</u>	<u>3,494,697</u>	<u>-</u>
Total current liabilities	<u>7,209,655</u>	<u>5,675,106</u>	<u>1,967,725</u>	<u>14,852,486</u>	<u>698,147</u>
Noncurrent liabilities:					
Unearned revenue	840,724	2,943,646	-	3,784,370	-
Advances from other governments	3,445,880	-	-	3,445,880	-
Revenue bonds payable	47,424,346	-	804,040	48,228,386	-
Advances from other funds	-	-	5,733,327	5,733,327	-
Total noncurrent liabilities	<u>51,710,950</u>	<u>2,943,646</u>	<u>6,537,367</u>	<u>61,191,963</u>	<u>-</u>
Total liabilities	<u>58,920,605</u>	<u>8,618,752</u>	<u>8,505,092</u>	<u>76,044,449</u>	<u>698,147</u>
Deferred Inflows of Resources					
Deferred amounts related to charge on refunding	110,824	-	-	110,824	-
Net position					
Net investment in capital assets	96,079,305	1,085,233	20,995,372	118,159,910	37,594,073
Restricted for:					
Water management planning	373,060	-	-	373,060	-
Watershed planning and restoration	12,189,412	-	-	12,189,412	-
Recycled water and local supply	431,795	-	-	431,795	-
Water conservation	605,530	-	185,938	791,468	-
Reserves on deposit	-	-	-	-	911,800
Debt service	5,204,846	-	676,336	5,881,182	-
Unrestricted	<u>62,230,589</u>	<u>1,413,083</u>	<u>6,165,544</u>	<u>69,809,216</u>	<u>17,373,914</u>
Total net position	<u>\$ 177,114,537</u>	<u>\$ 2,498,316</u>	<u>\$ 28,023,190</u>	<u>\$ 207,636,043</u>	<u>\$ 55,879,787</u>
Adjustment to reflect the net position of the internal service funds reported as business-type activities				<u>55,879,787</u>	
Net position of business-type activities				<u>\$ 263,515,830</u>	

The accompanying notes are an integral part of these financial statements

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2024**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Operating revenues					
Water sales	\$ 48,666,046	\$ 3,488,740	\$ -	\$ 52,154,786	\$ -
Water services	50,004	-	-	50,004	-
Power sales	-	-	-	-	6,400,232
Flat charges	-	-	7,373,512	7,373,512	-
Sanitation services	-	-	556,446	556,446	-
Equipment rental	-	-	-	-	4,598,152
Real estate rental	-	-	-	-	3,893,234
Miscellaneous	(35,729)	275,277	1,630	241,178	105,264
Total operating revenue	<u>48,680,321</u>	<u>3,764,017</u>	<u>7,931,588</u>	<u>60,375,926</u>	<u>14,996,882</u>
Operating expenses					
Services and supplies	47,126,415	7,211,595	8,222,948	62,560,958	10,451,949
Depreciation and amortization	7,279,698	213,332	1,319,035	8,812,065	2,490,472
Total operating expenses	<u>54,406,113</u>	<u>7,424,927</u>	<u>9,541,983</u>	<u>71,373,023</u>	<u>12,942,421</u>
Operating income (loss)	<u>(5,725,792)</u>	<u>(3,660,910)</u>	<u>(1,610,395)</u>	<u>(10,997,097)</u>	<u>2,054,461</u>
Nonoperating revenues (expenses)					
Investment earnings	4,621,523	213,307	551,577	5,386,407	692,895
Interest expense	(1,687,393)	-	(228,504)	(1,915,897)	(2,683)
Loss on disposal of capital assets, net of gain	(95,688)	-	(371,347)	(467,035)	(20,448)
Real estate rental	-	-	187,961	187,961	-
Intergovernmental revenue	144,760	5,482,899	23,416	5,651,075	-
Grant pass-through	(86,158)	(3,967,014)	-	(4,053,172)	-
Total nonoperating revenues, net	<u>2,897,044</u>	<u>1,729,192</u>	<u>163,103</u>	<u>4,789,339</u>	<u>669,764</u>
Income (loss) before capital contributions and transfers	<u>(2,828,748)</u>	<u>(1,931,718)</u>	<u>(1,447,292)</u>	<u>(6,207,758)</u>	<u>2,724,225</u>
Capital contributions - connection fees	-	-	109,432	109,432	-
Capital contributions	2,589,248	-	-	2,589,248	-
Transfers in	-	1,244,577	650,000	1,894,577	-
Transfers out	(144,577)	-	-	(144,577)	-
Change in net position	<u>(384,077)</u>	<u>(687,141)</u>	<u>(687,860)</u>	<u>(1,759,078)</u>	<u>2,724,225</u>
Net position - beginning of year	<u>177,498,614</u>	<u>3,185,457</u>	<u>28,711,050</u>		<u>53,155,562</u>
Net position - end of year	<u>\$ 177,114,537</u>	<u>\$ 2,498,316</u>	<u>\$ 28,023,190</u>		<u>\$ 55,879,787</u>
Adjustment to reflect the change in net position of internal service funds reported as business-type activities				<u>2,724,225</u>	
Change in net position of business-type activities				<u>\$ 965,147</u>	

The accompanying notes are an integral part of these financial statements



Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Cash flows from operating activities:					
Cash receipts from customers	\$ 50,119,019	\$ 3,777,829	\$ 7,828,199	\$ 61,725,047	\$ -
Cash receipts from interfund services provided	-	-	-	-	14,996,883
Cash payments for interfund services used	(27,932,353)	(3,325,607)	(4,463,298)	(35,721,258)	(3,047,421)
Cash payments to suppliers	(18,258,525)	(3,918,855)	(3,568,054)	(25,745,434)	(8,140,168)
Net cash provided by (used for) operating activities	<u>3,928,141</u>	<u>(3,466,633)</u>	<u>(203,153)</u>	<u>258,355</u>	<u>3,809,294</u>
Cash flows from noncapital financing activities:					
Transfers in	-	1,244,577	650,000	1,894,577	-
Transfers out	(144,577)	-	-	(144,577)	-
Intergovernmental receipts	245,892	1,755,451	23,416	2,024,759	-
Real estate rental	-	-	187,961	187,961	-
Grant pass through	(196,240)	-	-	(196,240)	-
Net cash provided by (used for) noncapital financing activities	<u>(94,925)</u>	<u>3,000,028</u>	<u>861,377</u>	<u>3,766,480</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(5,929,218)	-	(313,919)	(6,243,137)	(2,108,354)
Principal paid on revenue bonds	(2,085,000)	-	(377,089)	(2,462,089)	-
Principal paid on financed purchases	-	-	-	-	(260,339)
Principal paid on SBITA liabilities	(58,120)	-	-	(58,120)	(6,458)
Principal paid on advances from other governments	(911,824)	-	-	(911,824)	-
Interest paid on long-term debt	(2,028,967)	-	(32,248)	(2,061,215)	(5,720)
Proceeds from disposal of capital assets	-	-	-	-	21,950
Connection fees	-	-	136,154	136,154	-
Capital contributions	952,757	-	-	952,757	-
Net cash used for capital and related financing activities	<u>(10,060,372)</u>	<u>-</u>	<u>(587,102)</u>	<u>(10,647,474)</u>	<u>(2,358,921)</u>
Cash flows from investing activities:					
Investment earnings	4,621,523	213,307	551,577	5,386,407	516,568
Net cash provided by investing activities	<u>4,621,523</u>	<u>213,307</u>	<u>551,577</u>	<u>5,386,407</u>	<u>516,568</u>
Net increase (decrease) in cash and cash equivalents	(1,605,633)	(253,298)	622,699	(1,236,232)	1,966,941
Cash and cash equivalents - beginning of year	86,239,963	3,910,983	10,328,742	100,479,688	9,163,802
Cash and cash equivalents - end of year	<u>\$ 84,634,330</u>	<u>\$ 3,657,685</u>	<u>\$ 10,951,441</u>	<u>\$ 99,243,456</u>	<u>\$ 11,130,743</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 72,102,671	\$ 3,657,685	\$ 10,268,141	\$ 86,028,497	\$ 11,130,743
Restricted cash and investments	12,531,659	-	683,300	13,214,959	-
Cash and cash equivalents	<u>\$ 84,634,330</u>	<u>\$ 3,657,685</u>	<u>\$ 10,951,441</u>	<u>\$ 99,243,456</u>	<u>\$ 11,130,743</u>

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows (continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Water Transmission	Water Supply	Sanitation	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (5,725,788)	\$ (3,660,909)	\$ (1,610,397)	\$ (10,997,094)	\$ 2,054,464
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation and amortization	7,279,698	213,332	1,319,035	8,812,065	2,490,472
Change in assets and liabilities:					
Accounts receivable	1,537,469	439,174	(103,387)	1,873,256	-
Deposits from others	-	-	-	-	49,175
Other long-term assets	-	-	-	-	(3,540)
Prepaid items	7,524	689	(3,033)	5,180	(495,437)
Unearned revenue	(98,771)	(425,362)	-	(524,133)	-
Due to other governments	-	-	706,633	706,633	-
Accounts payable and accrued expenses	928,009	(33,557)	(512,004)	382,448	(285,840)
Net cash provided by (used for) operating activities	<u>\$ 3,928,141</u>	<u>\$ (3,466,633)</u>	<u>\$ (203,153)</u>	<u>\$ 258,355</u>	<u>\$ 3,809,294</u>
Noncash investing, capital, or financing activities:					
Loss on disposal of capital assets	\$ 95,688	\$ -	\$ 371,347	\$ 467,035	\$ 20,448
Grants receivable	1,863,031	4,305,579	-	6,168,610	-
Acquisition of capital assets through current liabilities	565,227	-	12,747	577,974	-
Transfer of capital project - Water Transmission	19,331	-	-	19,331	-
Interest accreted to principal - advances from other funds	-	-	176,327	176,327	-
Interest accreted to principal - advances to other funds	-	-	-	-	176,327

The accompanying notes are an integral part of these financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS



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



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 interfund 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 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.

Note A. Summary of Significant Accounting Policies (continued)*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 (collectible within the current period or soon enough after to pay liabilities of the current period). 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 sixty 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.

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.



Note A. Summary of Significant Accounting Policies (continued)*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

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.

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.

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

Note A. Summary of Significant Accounting Policies (continued)*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

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 which are aggregated and reported as Internal Service Funds: Equipment Facilities and Power Resources.

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. Management has not recorded an allowance for uncollectible receivables for governmental-type activities as it deems all receivables as fully collectible.

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.



Note A. Summary of Significant Accounting Policies (continued)*Restricted Assets and Reserves on Deposit*

Restricted assets in the enterprise funds include cash and investments in the Water Transmission and Sanitation funds that are restricted for debt service and capital projects pursuant to various bond covenants. In addition, the Power Resources internal service fund records a restricted asset related to reserves on deposit held by a power pooling authority according to the terms of a Power Aggregation Services Agreement.

Capital Assets

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	-	N/A
Land improvements	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

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 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 the 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.

Pensions

For purposes of measuring the deferred outflows of resources, net pension liability, 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

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

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 deferred outflows of resources, net other postemployment benefit (OPEB) liability, 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. 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.

*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.

Note A. Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance (continued)

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 canceled by a similar Board action. Sonoma Water does not report any fund balances in this classification as of June 30, 2024.

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

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

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



Note A. Summary of Significant Accounting Policies (continued)*Net Position and Fund Balance (continued)*

	General Fund	Special Revenue			Total
		Flood Control	Warm Springs Dam	Debt Service	
Nonspendable					
Prepaid items	\$ 323,612	\$ 57,115	\$ 815	\$ -	\$ 381,542
Restricted:					
Flood control	-	37,206,174	-	-	37,206,174
Warm Springs Dam	-	-	9,398,721	39,284,603	48,683,324
Assigned:					
General government	2,575,127	-	-	-	2,575,127
Spring Lake Park	3,629,636	-	-	-	3,629,636
Water/wastewater loan	666,253	-	-	-	666,253
Energy & sustainability	595,285	-	-	-	595,285
Unassigned	11,781,348	-	-	-	11,781,348
Total	<u>\$ 19,571,261</u>	<u>\$ 37,263,289</u>	<u>\$ 9,399,536</u>	<u>\$ 39,284,603</u>	<u>\$ 105,518,689</u>

Interfund Transactions

Interfund 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 interfund transactions are reported as transfers. For additional information about interfund 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 Nonexchange Transactions".

Prudent Reserve

In March 2008, the Water Advisory Committee (WAC) adopted a resolution setting out guidelines for the collection, maintenance, and use of prudent reserves in the Water Transmission enterprise fund. Amounts collected via the water rates for reserve are recommended to be set aside to be used in the event of catastrophic losses. The amount collected as of the fiscal year ended June 30, 2024 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.

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

The following GASB statements have been implemented for the fiscal year ended June 30, 2024:

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.

Future Accounting Pronouncements

GASB Statement No. 101, *“Compensated Absences”*. Updates the recognition and measurement guidance for compensated absences. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

GASB Statement No. 102, *“Certain Risk Disclosures”*. The requirements of this Statement are effective for the fiscal year ending June 30, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2025.

GASB Statement No. 103, *“Financial Reporting Model Improvements”*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountabilities. This Statement also addresses certain application issues. The requirements of this Statement are effective for the fiscal year ending June 30, 2026.

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 generally accepted accounting principles (GAAP) expenditures are adjusted to include current year encumbrances and interfund 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 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 Treasury Pool (the Treasury Pool).

Sonoma Water's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the County Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, the types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer maturity terms. The list below does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the provisions of the County's investment policy. Permitted investments include the following:

- U.S. Treasury and Federal Agency securities
- Bonds and notes issued by local agencies
- Registered state warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) deposits
- Repurchase agreements
- Reverse repurchase agreements
- Securities lending agreements
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateralized time deposits
- Joint powers authority pools
- Investment Trust of California (CalTrust)
- Obligations issued or unconditionally guaranteed by the international bank for reconstruction and development, international finance corporation, or inter-American development bank.

A copy of the County's Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

Note C. Cash and Investments (continued)*Financial Statement Presentation*

Cash and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 190,244,511
Cash and investments - collateral for standby letter of credit	13,440,132
Cash and investments - restricted for debt service and capital projects	<u>13,214,959</u>
Total cash and investments	<u>\$ 216,899,602</u>

Cash and investments as of June 30, 2024 consisted of the following:

County treasury pooled cash and investments:

Unrestricted	\$ 170,517,093
Cash and investments - restricted for debt service and capital projects	8,597,759

Nonpooled cash and investments:

Cash on hand	750
Unrestricted	7,839
Investments - U.S. Treasury Notes - restricted for collateral	2,261,061
Investments - SCEIP Bonds	14,713,008
Money market mutual funds	5,005,821
Money market mutual funds restricted for collateral	11,179,071
Money market mutual funds restricted for revenue bonds	<u>4,617,200</u>
Total cash and investments	<u>\$ 216,899,602</u>

As of June 30, 2024, Sonoma Water reported \$179,114,852 in the Treasury Pool. The Treasury Pool is not rated by the credit rating agencies. Refer to the County's June 30, 2024 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 \$2,261,061 of nonpooled cash and investments in U.S. Treasury Notes, which represents a portion of \$13,440,132 in investments held as collateral for a letter of credit.

Sonoma Water has invested \$14,713,008 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. SCEIP bonds are valued at par value.

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,

Note C. Cash and Investments (continued)*Interest Rate Risk (continued)*

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, 2024, approximately 34 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 664 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⁾	\$ 179,114,852	\$ -	\$ 179,114,852	\$ -	\$ -
U.S. Treasury Notes	2,261,061	2,261,061	-	-	-
SCEIP Bonds	14,713,008	598,684	656,696	2,250,187	11,207,441
Money market mutual funds	20,802,092	20,802,092	-	-	-
Total	<u>\$ 216,891,013</u>	<u>\$ 23,661,837</u>	<u>\$ 179,771,548</u>	<u>\$ 2,250,187</u>	<u>\$ 11,207,441</u>

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

Custodial Credit Risk

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

Sonoma Water is subject to custodial credit risk through its investments in SCEIP bonds (\$14,713,008) and U.S. Treasury Notes (\$2,261,061) 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 percent 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 percent or more of total Sonoma Water investments are as follows:

Investment Type	Amount	Percentage Holdings
SCEIP Bonds	\$ 14,713,008	6.8%

Note C. Cash and Investments (continued)*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	\$ 179,114,852	\$ -	\$ -	\$ 179,114,852
U.S. Treasury Notes	N/A	2,261,061	2,261,061	-	-
SCEIP Bonds	N/A	14,713,008	-	-	14,713,008
Money market mutual funds	AAAm	20,802,092	-	20,802,092	-
Total		<u>\$ 216,891,013</u>	<u>\$ 2,261,061</u>	<u>\$ 20,802,092</u>	<u>\$ 193,827,860</u>

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, 2024:

- U.S. Treasury Notes are valued using quoted prices in active markets for identical assets (Level 1).

Investment Type	Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 2,261,061	\$ 2,261,061	\$ -	\$ -
Total	<u>\$ 2,261,061</u>	<u>\$ 2,261,061</u>	<u>\$ -</u>	<u>\$ -</u>

Note D. Accounts Receivable

Accounts receivable as of June 30, 2024 consists of the following:

	Current			Total Long-term
	Accounts Receivable	Inter-governmental	Total Current	
Governmental Activities:				
General Fund	\$ 1,111,023	\$ 2,096,794	\$ 3,207,817	\$ 1,465,824
Flood Control special revenue fund	-	3,186	3,186	27,400
Warm Springs Dam special revenue fund	-	513,893	513,893	-
Total Governmental Activities	<u>\$ 1,111,023</u>	<u>\$ 2,613,873</u>	<u>\$ 3,724,896</u>	<u>\$ 1,493,224</u>
Business-type Activities:				
Water Transmission enterprise fund	\$ 5,340,261	\$ 1,863,031	\$ 7,203,292	\$ 441,647
Water Supply enterprise fund	1,667,995	4,305,579	5,973,574	399,349
Sanitation enterprise fund, net	298,989	-	298,989	3,042,079
Total Business-Type Activities	<u>\$ 7,307,245</u>	<u>\$ 6,168,610</u>	<u>\$ 13,475,855</u>	<u>\$ 3,883,075</u>

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

Note E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	July 1, 2023	Additions	Retirements	Transfers & Reclassification	June 30, 2024
Governmental activities:					
Capital assets, non-depreciable/ amortizable:					
Land	\$ 1,597,189	\$ -	\$ -	\$ -	1,597,189
Construction in progress	19,331	56,280	(19,331)	-	56,280
Intangible assets:					
Intangible work in progress	2,400,185	2,694,708	-	-	5,094,893
Water storage rights	102,371,000	-	-	-	102,371,000
Permanent easements	2,301,256	-	-	-	2,301,256
Total capital assets, non-depreciable/ amortizable	<u>108,688,961</u>	<u>2,750,988</u>	<u>(19,331)</u>	<u>-</u>	<u>111,420,618</u>
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	1,891,522	73,647	(6,789)	-	1,958,380
Total capital assets, depreciable/ amortizable	<u>74,293,171</u>	<u>73,647</u>	<u>(6,789)</u>	<u>-</u>	<u>74,360,029</u>
Less accumulated depreciation/ amortization for:					
Infrastructure	(41,781,877)	(1,396,216)	-	-	(43,178,093)
Buildings and improvements	(2,650,285)	(78,682)	-	-	(2,728,967)
Land improvements	(92,748)	(12,230)	-	-	(104,978)
Intangible assets	(889,712)	(74,830)	-	-	(964,542)
Equipment	(1,294,256)	(100,040)	6,789	-	(1,387,507)
Total accumulated depreciation/ amortization	<u>(46,708,878)</u>	<u>(1,661,998)</u>	<u>6,789</u>	<u>-</u>	<u>(48,364,087)</u>
Total capital assets, depreciable/amortizable, net	<u>27,584,293</u>	<u>(1,588,351)</u>	<u>-</u>	<u>-</u>	<u>25,995,942</u>
Total capital assets, net	<u>\$ 136,273,254</u>	<u>\$ 1,162,637</u>	<u>\$ (19,331)</u>	<u>\$ -</u>	<u>\$ 137,416,560</u>

Note E. Capital Assets (continued)

	July 1, 2023	Additions	Retirements	Transfers & Reclassification	June 30, 2024
Business-type activities:					
Capital assets, non-depreciable/ amortizable:					
Land	\$ 11,023,905	\$ -	\$ -	\$ 778,125	\$ 11,802,030
Construction in progress	13,603,969	8,118,331	(410,907)	(4,911,862)	16,399,531
Intangible assets:					
Intangible work in progress	2,269,156	267,376	(57,972)	(1,723,545)	755,015
Water storage rights	4,996,395	-	-	-	4,996,395
Permanent easements	1,179,065	-	-	1,723,545	2,902,610
Total capital assets, non-depreciable/amortizable	33,072,490	8,385,707	(468,879)	(4,133,737)	36,855,581
Capital assets, depreciable/ amortizable:					
Infrastructure	301,074,885	-	-	-	301,074,885
Buildings and improvements	52,683,956	-	-	2,823,800	55,507,756
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	15,642,487	43,109	(202,220)	1,309,937	16,793,313
Total capital assets, depreciable/ amortizable	375,553,905	43,109	(202,220)	4,133,737	379,528,531
Less accumulated depreciation/ amortization for:					
Infrastructure	(164,421,924)	(8,376,858)	-	-	(172,798,782)
Buildings and improvements	(21,039,946)	(1,531,407)	-	-	(22,571,353)
Land improvements	(3,107,463)	(186,461)	-	-	(3,293,924)
Intangible assets - software	(1,671,796)	(40,223)	-	(40,218)	(1,752,237)
Intangible assets - right-to-use SBITA assets	(102,702)	(62,482)	-	40,218	(124,966)
Equipment	(10,301,607)	(1,105,106)	148,190	-	(11,258,523)
Total accumulated depreciation/ amortization	(200,645,438)	(11,302,537)	148,190	-	(211,799,785)
Total capital assets, depreciable/amortizable, net	174,908,467	(11,259,428)	(54,030)	4,133,737	167,728,746
Total capital assets, net	\$ 207,980,957	\$ (2,873,721)	\$ (522,909)	\$ -	\$ 204,584,327

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.

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	\$ 186,026
Flood Control	1,422,221
Warm Springs Dam	<u>53,751</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 1,661,998</u>
Business-type activities:	
Water Transmission	\$ 7,279,698
Water Supply	213,332
Sanitation	1,319,035
Internal Service Funds	<u>2,490,472</u>
Total depreciation/amortization expense - business type activities	<u>\$ 11,302,537</u>

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 percent of the total project joint use construction costs and accrued interest. The liability for the contract is shown as a long term contracts payable within governmental activities (refer to Note H).

The project became operational for water supply on November 1, 1994. Sonoma Water does not own any part of the tangible dam facilities. The payments under the contract only entitles Sonoma Water to permanent water storage rights.



Note F. Unearned Revenue

On June 30, 2005, Sonoma Water received a lump sum payment of \$6,326,257 under a supplemental water supply agreement with the Marin Municipal Water District (MMWD), dated January 25, 1996. This amount was deferred and is being recognized on a straight-line basis. In 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, 2024, Sonoma Water reports the following unearned revenue balances:

Governmental Activities:

Advance funding for water security projects	\$ 585,164
Advance funding for climate resiliency projects	281,811
Camping reservation fees for Spring Lake Park	132,914
Drainage review	1,809
Cooperative agreement for livestock grazing	<u>917</u>
Total Governmental Activities	<u>\$ 1,002,615</u>

Business-Type Activities:

Lump-sum payment under the MMWD supplemental water supply agreement	\$ 3,139,889
Advance funding for water security projects	1,068,044
Lump-sum payment for NMWD capital charges	840,724
Advance funding for high-efficiency fixture direct-installation program	513,579
Advance funding for climate resiliency projects	<u>71,807</u>
Total Business-Type Activities	<u>\$ 5,634,043</u>

Note G. Interfund Transactions*Interfund Transfers*

A summary of interfund activity as of and for the fiscal year ended June 30, 2024 is as follows:

Transfer from	Transfer to	Amount	Purpose
Warm Springs Dam	Debt Service	\$ 7,300,000	Funding for debt service payments
General Fund	Water Supply	700,000	Funding for Russian River Projects
General Fund	Sanitation Fund	500,000	Funding for treatment plant operations in the Geyserville Sanitation Zone
General Fund	Water Supply	400,000	Funding for Recycled Water
General Fund	Sanitation Fund	150,000	Funding for treatment plant operations in the ALW Sanitation Zone
Water Transmission	Water Supply	144,577	Funding for Public Policy Facilitation Services
General Fund	Water Transmission	19,331	Transfer of capital project
Total interfund transfers		<u>\$ 9,213,908</u>	

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. The outstanding principal balance includes \$22,370 in accrued interest.

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. The outstanding principal balance includes \$153,957 in accrued interest.

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2024
Equipment-Facilities Fund	2049	Variable	\$ 1,215,000	\$ 727,370
Equipment-Facilities Fund	2050	Variable	4,852,000	5,005,957
Total advances from other funds			<u>\$ 6,067,000</u>	<u>\$ 5,733,327</u>

Note H. Long-Term Obligations

Governmental Activities

Long-Term Contract Payable:

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2024
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 57,439,889

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 percent.. 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, 2024, vested vacation leave for Sonoma Water employees was \$4,025,592. The current portion of vested vacation leave was \$2,595,856 as of June 30, 2024. Compensated absences are generally liquidated by the General Fund.

Net Pension Liability:

As of June 30, 2024, Sonoma Water reported \$15,132,891 in net pension liability. Additional information about net pension liability can be found in Note K. Net pension liability is generally liquidated by the General Fund.

Other Postemployment Benefits Liability:

As of June 30, 2024, Sonoma Water reported \$10,785,462 in other postemployment benefits liability. Additional information about other postemployment benefits can be found in Note L. Other postemployment benefits liability is generally liquidated by the General Fund.

Note H. Long-Term Obligations (continued)*Business-type Activities*

Water Revenue Bonds Payable:

	Maturity Date	Interest Rates	Authorized & Issued	Outstanding June 30, 2024
Water revenue bonds, 2022, series A	2048	4.00 - 5.00%	\$ 19,680,000	\$ 18,870,000
Add: deferred amount for unamortized premium				1,672,927
Water revenue bonds, 2019, series A	2039	3.00 - 5.00%	11,010,000	9,540,000
Add: deferred amount for unamortized premium				1,112,048
Water revenue bonds, 2015, series A and AT	2040	2.30 - 5.20%	23,865,000	17,785,000
Add: deferred amount for unamortized premium				634,371
Total water revenue bonds payable, net				<u>\$ 49,614,346</u>

In June 2022, Sonoma Water issued the Water Revenue Bonds, Series A (2022 Bonds) to refund and defease the remaining principal (\$7,710,000) of the 2012 Series A 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 (2019 Bonds) to finance facilities and improvements to increase the reliability and capacity of the water transmission system.

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

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

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 \$46,195,000 and total scheduled interest payments of \$16,862,196. Principal and interest paid for the fiscal year ended June 30, 2024 and Water Transmission net revenues pledged for debt payment totaled \$3,949,756 and \$6,987,226 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.

Note H. Long-Term Obligations (continued)*Business-type Activities (continued)*

Water and Wastewater Revenue Bonds Payable:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized & Issued</u>	<u>Outstanding June 30, 2024</u>
Sonoma County Water & Wastewater Financing Authority 2017 Bonds	2027	2.33%	\$ 3,690,356	\$ 1,195,457
Total water and wastewater revenue bonds payable				<u>\$ 1,195,457</u>

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 debt on behalf of Sonoma Water. The bond proceeds were used to refund and defease the remaining balance (\$3,605,000) of the 2005C (2005 California Statewide Communities Development Authority Bonds) revenue bonds and pay the costs of issuance of the 2017 bonds.

The 2017 Bonds are payable solely from the net revenues of the Airport-Larkfield-Wikiup sanitation zone and amounts on deposit in the related funds and accounts. Neither the full faith and credit nor the taxing power of Sonoma Water is pledged to the payment of the principal or interest of the 2017 Bonds.

The 2017 Bonds mature on October 1, 2026. Principal payments are due on October 1 of each year. Interest payments are due on October 1 and April 1 of each year. The interest rate is 2.33 percent. During the year ended June 30, 2024, principal and interest paid on the Water and Wastewater Revenue Bonds and net revenues pledged for the debt totaled \$409,336 and \$723,874, 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:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized & Issued</u>	<u>Outstanding June 30, 2024</u>
State Revolving Fund	2028	2.79%	\$ 15,857,295	\$ 3,911,366
Total advances from other governments				<u>\$ 3,911,366</u>

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 \$3,911,366 and total scheduled interest payments of \$249,825. During the year ended June 30, 2024, 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.

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

A summary of changes in long-term obligations for the fiscal year ended June 30, 2024 is as follows:

	July 1, 2023	Additions/ Adjustments	Retirements/ Adjustments	June 30, 2024	Amounts Due Within One Year
Governmental activities:					
Long-term contracts payable	\$ 61,734,522	\$ -	\$ (4,294,633)	\$ 57,439,889	\$ 4,433,135
Net pension liability	26,195,319	(5,881,440)	(5,180,988)	15,132,891	-
Other postemployment benefits	12,283,402	1,675,098	(3,173,038)	10,785,462	-
Pollution remediation obligation	150,490	-	(31,413)	119,077	-
Compensated absences	3,638,435	3,291,497	(2,904,340)	4,025,592	2,595,856
Total governmental activities	<u>104,002,168</u>	<u>(914,845)</u>	<u>(15,584,412)</u>	<u>87,502,911</u>	<u>7,028,991</u>
Business-type activities:					
Financed purchases:					
Municipal Finance	260,339	-	(260,339)	-	-
Water revenue bonds:					
Series 2015A and AT	18,665,000	-	(880,000)	17,785,000	920,000
Deferred amount for unamortized premium	681,108	-	(46,737)	634,371	-
Series 2019A	9,935,000	-	(395,000)	9,540,000	415,000
Deferred amount for unamortized premium	1,186,185	-	(74,137)	1,112,048	-
Series 2022A	19,680,000	-	(810,000)	18,870,000	855,000
Deferred amount for unamortized premium	1,800,539	-	(127,612)	1,672,927	-
Water and wastewater revenue bonds - direct placement:					
Series 2017	1,572,547	-	(377,090)	1,195,457	391,417
Advances from other governments - direct borrowings:					
State Revolving Fund	4,823,190	-	(911,824)	3,911,366	465,486
Subscription Based Information Technology Arrangement liability	64,578	-	(64,578)	-	-
Total business-type activities	<u>58,668,486</u>	<u>-</u>	<u>(3,947,317)</u>	<u>54,721,169</u>	<u>3,046,903</u>
Total	<u>\$ 162,670,654</u>	<u>\$ (914,845)</u>	<u>\$(19,531,729)</u>	<u>\$ 142,224,080</u>	<u>\$ 10,075,894</u>

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 and adjustments include employer contributions to pension and OPEB funding, changes in pollution remediation obligation, payment to employees for compensated absences, long-term debt principal payments, amortization of bond premiums.

Note H. Long-Term Obligations (continued)*Debt Service Requirements*

The annual principal and interest requirements on the outstanding long-term obligations as of June 30, 2024 (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
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	1,409,551	6,285,573
2029	5,033,273	1,252,298	6,285,571
2030-2034	27,708,477	3,719,380	31,427,857
2035	6,089,195	196,377	6,285,572
Total long-term contracts payable	\$ 57,439,889	\$ 11,701,401	\$ 69,141,290

*Business-type Activities**Water revenue bonds*

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,600,000	1,341,131	3,941,131
2030-2034	13,130,000	5,020,869	18,150,869
2035-2039	11,820,000	2,738,309	14,558,309
2040-2044	5,905,000	1,097,563	7,002,563
2045-2048	3,340,000	273,800	3,613,800
Total water revenue bonds	\$ 46,195,000	\$ 16,862,196	\$ 63,057,196

Water and wastewater revenue bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 391,417	\$ 23,294	\$ 414,711
2026	394,954	14,133	409,087
2027	409,086	4,766	413,852
Total water and wastewater revenue bonds	\$ 1,195,457	\$ 42,193	\$ 1,237,650

Note H. Long-Term Obligations (continued)*Business-type Activities (continued)**Advances from other governments*

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 465,486	\$ 54,630	\$ 520,116
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	<u>\$ 3,911,366</u>	<u>\$ 249,825</u>	<u>\$ 4,161,191</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,046,903	\$ 1,835,805	\$ 4,882,708
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	3,113,212	1,348,299	4,461,511
2030-2034	13,130,000	5,020,869	18,150,869
2035-2039	11,820,000	2,738,309	14,558,309
2040-2044	5,905,000	1,097,563	7,002,563
2045-2048	3,340,000	273,800	3,613,800
	<u>\$ 51,301,823</u>	<u>\$ 17,154,214</u>	<u>\$ 68,456,037</u>

Note I. Pollution Remediation Obligation

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

The Closure Work Plan proposes to perform a lot line adjustment, which has been completed, separating the front portion of the property, where there are no human health issues based on the risk assessment. Sonoma Water is planning to sell the front portion of the property in the future. For the back half of the property, the work plan proposes to incorporate the affected site into the City of Santa Rosa's bike path project, changing the risk of human exposure so that no significant cleanup will be required. It is anticipated that there will need to be annual monitoring and soil removal on the back half of the property, as well as a deed restriction and long-term

Note I. Pollution Remediation Obligation (continued)

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, 2024 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, 2024 is \$119,077. Discussions with the NC Regional Board and the City of Santa Rosa Fire Department continue and since no agreement has been reached, the estimated obligation continues to be considered long term.

Note J. Net Position

Net position reported on the government-wide statement of net position as of June 30, 2024 includes the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Land	\$ 1,597,189	\$ 11,802,030
Construction in progress	5,151,173	17,154,546
Intangible assets not being depreciated/amortized	104,672,256	7,899,005
Other capital assets, net of accumulated depreciation/ amortization	25,995,942	167,728,741
Less: long-term debt outstanding	(57,439,889)	(54,721,169)
Less: capital accounts payable, outstanding	(123,131)	(577,974)
Plus: deferred amount on refunding (net)	-	48,301
Plus: noncapital debt outstanding	-	6,420,503
	<u>\$ 79,853,540</u>	<u>\$ 155,753,983</u>

Note K. Employees' Retirement Plan*Plan Description*

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

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

At December 31, 2023, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,760
Current active members	4,242
Inactive vested members	1,765
	<u>11,767</u>

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 SCERA, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403, or can be found online at www.SCETIRE.com.

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

Funding Policy

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2024 were based on the Plan's valuations dated December 31, 2020 and December 31, 2021. 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 percent and 15 percent 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 7.68 percent 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, 2024, Sonoma Water contributed \$5,180,988 or approximately 16.1 percent of covered payroll.

Note K. Employees' Retirement Plan (continued)*Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension*

At June 30, 2024, Sonoma Water reported a liability of \$15,132,891 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023 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, 2023, Sonoma Water's proportion was 6.1 percent, which was a decrease of 0.2 percent from its proportion of the net pension liability measured as of December 31, 2022.

For the year ended June 30, 2024, Sonoma Water recognized a pension expense of \$3,379,895 in the governmental activities column of the government-wide statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2024, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,856,643	\$ 252,915
Changes in assumptions	1,137,183	-
Net difference between projected and actual earnings on retirement plan investments	1,801,224	-
Changes in proportion and differences between Sonoma Water contributions and proportionate share of contributions	1,290,605	1,845,882
Sonoma Water contributions subsequent to the measurement date	2,533,313	-
	<u>\$ 8,618,968</u>	<u>\$ 2,098,797</u>

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

Note K. Employees' Retirement Plan (continued)

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

Deferred outflows of resources related to pensions resulting from Sonoma Water contributions subsequent to the measurement date totaling \$2,533,313 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2025	\$ 1,856,209
2026	55,788
2027	4,389,865
2028	<u>(2,315,004)</u>
	<u>\$ 3,986,858</u>

Actuarial Assumptions

The total pension liability was determined based on the December 31, 2023 actuarial valuation, using the following actuarial assumptions:

Valuation date:	December 31, 2023
Measurement date:	December 31, 2023
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, 2023. 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 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Sonoma Water's proportionate share of the net pension plan liability (asset)	\$ 43,683,158	\$ 15,132,891	\$ (8,563,783)

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

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

The County established an OPEB trust with the Public Agency Retirement Services (PARS) in 2008 to accumulate resources to fund future benefit payments of the Plan. The OPEB trust is reported in the County's Annual Comprehensive Financial Report and can be found online at 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 percent 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 \$3,173,038 for the year ended June 30, 2024. Employees are not required to contribute to the OPEB plan.

Proportionate Share

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

Reporting Date	June 30, 2024
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023

At June 30, 2024, Sonoma Water reported a liability of \$10,785,462 for its proportionate share of the net OPEB liability. Sonoma Water's covered payroll is used as the basis for determining

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

its proportion of the OPEB amounts. At June 30, 2022, Sonoma Water's proportion was 7.59 percent. At June 30, 2023, Sonoma Water's proportion was 7.71 percent, an increase of 0.12 percent.

Actuarial Methods and Assumptions

The Net OPEB Liability (NOL) was measured as of June 30, 2023 and 2022 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2023 and 2022, 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 15, 2021 for the Sonoma County Employees' Retirement Association (SCERA)

The County Health Plan medical trends for ages under 65 grade from 6.00 percent in 2023/2024 down to 4.50 percent over 6 years. The County Health Plan medical trends for ages 65 and over grade from 5.75 percent in 2023/2024 down to 4.50 percent over 5 years.

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.



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

The County's Investment Guidelines for OPEB are detailed in the "Investment Guidelines Document – County of Sonoma Post-Employment Health Care Plan Investment Policy Document – June 2020". The following is the Board's adopted asset allocation policy for OPEB as of June 2020:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Large Cap U.S. Equity	30.00%	6.76%
Mid Cap U.S. Equity	4.00%	6.76%
Small Cap U.S. Equity	8.00%	6.76%
International Equity	8.00%	7.92%
Global Equity	6.00%	7.92%
U.S. Core Fixed Income	31.00%	1.46%
Alternatives	8.00%	3.56%
Cash	1.00%	0.56%
Real Estate	4.00%	3.46%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total OPEB Liability was 6.50 percent as of June 30, 2023 and June 30, 2022. The projection of cash flows used to determine the discount rate as of June 30, 2023 assumed employer contributions of 8.8 percent 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 percent.

*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 percent, 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 percent) or 1-percentage-point higher (7.50 percent) than the current rate, for measurement period ended June 30, 2023:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 12,490,053	\$ 10,785,462	\$ 9,305,411

Note L. Other Postemployment Benefits (OPEB) (continued)*Sensitivity of Sonoma Water's Proportionate Share of the Net OPEB Liability (continued)*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 percent, higher as well as using trend rate 1 percent lower than the current trend rates, for measurement period ended June 30, 2023:

1% Decrease Trend	Current Trend Rates	1% Increase Trend
\$ 10,323,404	\$ 10,785,462	\$ 11,276,308

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, 2023, 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, 2023, the average is 5.54 years.

For the year ended June 30, 2024, Sonoma Water recognized OPEB expense of \$775,729. At June 30, 2024, Sonoma Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,153	\$ 553,336
Changes in assumptions	918,992	434,111
Net difference between projected and actual earnings on OPEB plan investments	392,240	-
Changes in proportion and differences between contributions and proportionate share of contributions	626,084	166,498
Contributions subsequent to the measurement date	2,898,299	-
Total	<u>\$ 4,868,768</u>	<u>\$ 1,153,945</u>

Note L. Other Postemployment Benefits (OPEB) (continued)*Amortization of Deferred Outflows and Deferred Inflows of Resources (continued)*

The \$2,898,299 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025. 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>
2025	\$ (197,511)
2026	93,998
2027	560,898
2028	243,455
2029	115,684
	<u>\$ 816,524</u>

Defined Contribution Plan Description

For employees hired on or after January 1, 2009, Sonoma Water provides a defined contribution into a Retiree Health Reimbursement Arrangement (HRA) account. Eligibility for this benefit is based upon completion of two full years of consecutive County regular service as a contributing member of the Sonoma County Employees Retirement Association. Upon completion of the initial eligibility requirements, the County provides (a) an initial contribution of \$2,400 to an HRA account established in the employee's name; this initial contribution of \$2,400 is based on full-time status and is prorated based on the employee's allocated position, and (b) thereafter contributes \$.58 per pay status hour, not including overtime, into the HRA account for each eligible employee. Once an employee has worked the two full years of service and the initial contribution into their HRA account is made, there are no further service requirements. All contributions into the Retiree HRA are made only while an employee is in active pay status, and upon separation of employment, there are no further post-employment contributions. Participants may access their HRA account at age 50 or upon retirement from the County, whichever is earlier, and may defer this date. There is no requirement to be enrolled in a County offered medical plan to receive this benefit. Retirees and dependents that elect coverage under a County-sponsored plan are responsible for all costs.

Note M. Deferred Compensation Plan

The Deferred Compensation Benefit Plan is 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, 2024, Sonoma Water's contribution was \$409,021.

Note M. Deferred Compensation Plan (continued)

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 \$23,000 per calendar year.

Note N. Related Party Transactions

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

Sonoma Water 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, 2024 is as follows:

Occidental County Sanitation District	\$ 1,124,115
Russian River County Sanitation District	5,011,547
Sonoma Valley County Sanitation District	10,634,102
South Park County Sanitation District	<u>541,227</u>
	<u>\$ 17,310,991</u>

In addition, Occidental County Sanitation District paid Sonoma Water \$92,894 under an agreement for sewer treatment services during the fiscal year ended June 30, 2024. During the fiscal year ended June 30, 2024, Sonoma Water provided the Occidental County Sanitation District and the Russian River County Sanitation District \$1,100,000 and \$1,100,000 respectively, in intergovernmental funding to assist the Districts in meeting operating and construction expenses.

Sonoma Water is one of fifteen water districts and irrigation districts which participate in the Power and Water Resources Pooling Authority (PWRPA). PWRPA was established in 2004 to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. Because the PWRPA Board of Directors is made up of representatives from the participating districts, PWRPA is a jointly governed organization. During the fiscal year ended June 30, 2024, Sonoma Water recognized a \$3,540 increase in reserves on deposit with PWRPA. The reserves on deposit balance, which is adjusted annually based on Sonoma Water's proportionate share of energy use averaged over five years, represents a long-term restricted asset.

Note N. Related Party Transactions (continued)

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 (SRPGSA), the Petaluma Valley Groundwater Sustainability Agency (PVGSA) and the Sonoma Valley Groundwater Sustainability Agency (SVGSA). 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. During the fiscal year ended June 30, 2024, the PVGSA, SVGSA and SRPGSA paid Sonoma Water \$489,064, \$934,947, and \$956,484, respectively, for grant application, outreach and technical services provided by Sonoma Water.

Note O. Risk Management

Sonoma Water is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Sonoma Water is covered by the County's self-insurance program, which is accounted for in the County's Risk Management Internal Service Fund. Sonoma Water is covered under this program for general liability, auto liability, public employees' 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) risk sharing pool. Limits of this coverage are \$35,000,000 per occurrence.

The County maintains property coverages ranging from "All Risk" of physical loss or damage including flood through participation in the PRISM Property Insurance Program with the following limits and deductibles: \$600,000,000 limit (shared) per occurrence and \$50,000 deductible for "All Risk", and \$225,000,000 limit (shared) per occurrence and \$100,000 deductible for flood (limits vary depending on flood zones). Boiler and machinery coverage is included in the "All Risk" coverage.

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 P. Commitments and Contingencies*Construction*

Sonoma Water has active construction projects as of June 30, 2024. The projects include expansion and/or improvements of several flood control, water transmission, water storage and wastewater treatment facilities. As of June 30, 2024, Sonoma Water's commitments to construction projects are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water transmission	\$ 15,932,918	\$ 8,778,732
Flood control	1,022,433	306,536
Internal service funds	198,668	260,621
Sanitation	1,022,960	65,979
Total	<u>\$ 18,176,979</u>	<u>\$ 9,411,868</u>

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. 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, 2024:

	<u>Remaining Commitment</u>
General fund	\$ 2,752,660
Flood control	1,882,366
Warm Springs Dam	1,153,263
Water transmission	8,737,907
Water supply	1,174,461
Sanitation	959,087
Internal service funds	262,522
	<u>\$ 16,922,266</u>

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

Note P. Commitments and Contingencies (continued)*Pending Litigation, Claims and Assessments (continued)*

District reached a settlement with the Regional Board in September 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. Of the fines, \$886,545 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. The remaining fines of \$147,001 that were not suspended were paid by the District during the fiscal year ended June 30, 2024.

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 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 ESA 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.

The U.S. Army Corps of Engineers and Sonoma Water submitted a final Biological Assessment under the ESA to the National Marine Fisheries Service (NMFS) in September 2023. The Biological assessment is being 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. The new Biological Opinion replaces the now expired 2008 Biological Opinion. In February 2024, NMFS reinitiated formal ESA Section 7 consultation and anticipates that a new Biological Opinion with a 10-year term will be issued in early 2025.

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.

Note Q. Economic Dependence

Four major customers purchased water from Sonoma Water during the fiscal year ended June 30, 2024. Water sales revenue for the fiscal year ended June 30, 2024 and accounts receivable as of June 30, 2024 associated with those customers are as follows:

	Water Sales	% of Total Water Sales
City of Santa Rosa	\$18,191,801	34.9%
Marin Municipal Water District	9,091,604	17.4%
City of Petaluma	8,108,905	15.5%
North Marin Water District	6,340,957	12.2%
	<u>\$41,733,267</u>	<u>80.0%</u>

	Accounts Receivable	% of Total Accounts Receivable
City of Santa Rosa	\$1,803,222	8.2%
Marin Municipal Water District	1,516,109	6.9%
North Marin Water District	865,229	3.9%
City of Petaluma	824,266	3.7%
	<u>\$5,008,826</u>	<u>22.7%</u>



REQUIRED SUPPLEMENTARY INFORMATION



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

<u>Measurement Date</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Sonoma Water's proportionate share of net pension liability (asset)					
Sonoma Water's proportion of the net pension liability (asset)	6.1%	6.3%	8.5%	6.4%	6.2%
Sonoma Water's proportionate share of the net pension liability (asset)	\$15,132,891	\$ 26,195,319	\$ (5,210,905)	\$12,140,139	\$14,111,946
Sonoma Water's covered payroll	\$30,747,809	\$ 28,512,136	\$26,903,398	\$25,634,166	\$24,038,946
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	49.2%	91.9%	(19.4%)	47.4%	58.7%
Plan fiduciary net position as a percentage of the total pension liability	93.8%	88.9%	102.7%	93.6%	92.3%
<u>Measurement Date</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Sonoma Water's proportionate share of net pension liability (asset)					
Sonoma Water's proportion of the net pension liability (asset)	6.2%	5.7%	6.0%	5.9%	5.8%
Sonoma Water's proportionate share of the net pension liability (asset)	\$30,624,597	\$ 9,689,254	\$23,601,397	\$24,444,642	\$12,464,325
Sonoma Water's covered payroll	\$23,976,313	\$ 23,385,939	\$22,207,867	\$20,532,602	\$18,691,146
Sonoma Water's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	127.7%	41.4%	106.3%	119.1%	66.7%
Plan fiduciary net position as a percentage of the total pension liability	83.5%	94.0%	85.9%	84.6%	90.9%
<u>Sonoma Water's pension contributions</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Actuarially determined contribution	\$ 5,180,988	\$ 4,853,783	\$ 4,576,409	\$ 4,985,417	\$ 3,930,580
Contributions in relation to the actuarially determined contribution	5,180,988	4,853,783	4,576,409	4,985,417	3,930,580
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Sonoma Water's covered payroll	\$32,201,462	\$ 29,054,660	\$27,890,777	\$27,679,616	\$24,760,206
Contributions as a percentage of covered payroll	16.1%	16.7%	16.4%	18.0%	15.9%
<u>Sonoma Water's pension contributions</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 4,002,478	\$ 3,946,189	\$ 3,581,629	\$ 4,481,365	\$ 3,713,006
Contributions in relation to the actuarially determined contribution	4,002,478	3,646,189	3,581,629	4,481,365	3,713,006
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Sonoma Water's covered payroll	\$24,860,064	\$ 23,254,523	\$23,047,478	\$21,683,256	\$18,431,295
Contributions as a percentage of covered payroll	16.1%	17.0%	15.5%	20.7%	20.1%



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

	6/30/2024	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	7.7%	7.6%	7.4%	7.2%	7.4%	7.0%	7.2%	7.1%
Sonoma Water's proportionate share of the net OPEB liability	\$10,785,462	\$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	\$29,436,518	\$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	36.6%	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	47.0%	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.

**General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 10,953,995	\$ 10,953,995	\$ 12,415,539	\$ 1,461,544
Investment earnings	214,700	214,700	1,137,912	923,212
Intergovernmental	2,073,805	5,104,511	2,227,881	(2,876,630)
Charges for services	17,288,353	17,288,353	19,855,447	2,567,094
Miscellaneous	3,086,550	3,086,550	34,914	(3,051,636)
Total revenues	33,617,403	36,648,109	35,671,693	(976,416)
Expenditures				
Current:				
General government	15,557,722	25,274,762	6,057,503	19,217,259
Intergovernmental	16,870,000	16,870,000	18,300,371	(1,430,371)
Capital outlay	12,000	2,582,106	2,505,804	76,302
Total expenditures	32,439,722	44,726,868	26,863,678	17,863,190
Excess (deficiency) of revenues over (under) expenditures	1,177,681	(8,078,759)	8,808,015	16,886,774
Other financing sources (uses)				
Transfers in	875,000	875,000	-	(875,000)
Transfers out	(2,625,000)	(2,675,000)	(1,750,000)	925,000
Total other financing uses	(1,750,000)	(1,800,000)	(1,750,000)	50,000
Net change in fund balances	\$ (572,319)	\$ (9,878,759)	7,058,015	\$ 16,936,774
GAAP basis difference - encumbrances			(4,153,921)	
Fund balances - beginning of year			16,667,167	
Fund balances - end of year			\$ 19,571,261	



**Flood Control Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 12,433,447	\$ 12,433,447	\$ 14,027,261	\$ 1,593,814
Investment earnings	573,625	573,625	1,719,262	1,145,637
Intergovernmental	286,525	756,525	475,045	(281,480)
Charges for services	45,000	45,000	1,117,040	1,072,040
Miscellaneous	16,600	16,600	24,243	7,643
Total revenues	13,355,197	13,825,197	17,362,851	3,537,654
Expenditures				
Current:				
Flood control	13,786,125	17,202,920	10,751,792	6,451,128
Capital outlay	1,096,000	1,735,614	348,526	1,387,088
Total expenditures	14,882,125	18,938,534	11,100,318	7,838,216
Excess (deficiency) of revenues over (under) expenditures	(1,526,928)	(5,113,337)	6,262,533	11,375,870
Net change in fund balances	\$ (1,526,928)	\$ (5,113,337)	6,262,533	\$ 11,375,870
GAAP basis difference - encumbrances			(931,455)	
Fund balances - beginning of year			31,932,211	
Fund balances - end of year			\$ 37,263,289	

**Warm Springs Dam Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 11,290,338	\$ 11,290,338	\$ 11,753,457	\$ 463,119
Investment earnings	112,500	112,500	534,278	421,778
Intergovernmental	663,015	1,558,107	871,080	(687,027)
Total revenues	<u>12,065,853</u>	<u>12,960,945</u>	<u>13,158,815</u>	<u>197,870</u>
Expenditures				
Current:				
Warm Springs Dam	7,574,478	9,906,986	6,880,225	3,026,761
Capital outlay	29,200	29,200	-	29,200
Total expenditures	<u>7,603,678</u>	<u>9,936,186</u>	<u>6,880,225</u>	<u>3,055,961</u>
Excess of revenues over expenditures	<u>4,462,175</u>	<u>3,024,759</u>	<u>6,278,590</u>	<u>3,253,831</u>
Other Financing Uses				
Transfers out	<u>(6,500,000)</u>	<u>(7,300,000)</u>	<u>(7,300,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,037,825)</u>	<u>\$ (4,275,241)</u>	<u>(1,021,410)</u>	<u>\$ 3,253,831</u>
GAAP basis difference - encumbrances			756,503	
Fund balances - beginning of year			<u>9,664,443</u>	
Fund balances - end of year			<u>\$ 9,399,536</u>	



Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2024

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 offsetting 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.

Note B. OPEB Plan Changes in Assumptions

The per capita health costs and medical carrier assumptions were updated based on more recent data. Updates to the assumed per capita health costs include methodology changes that (1) incorporate the demographics of children on fully-insured health plans and (2) use new actuarial factors to estimate individual retiree and spouse costs by age and gender. The trend rates for such costs were also updated.

The participation assumption for active employees hired before January 1, 2009 with medical coverage was lowered from 80 percent to 75 percent out of which 3 percent are assumed to opt for the flat \$500 per month post-employment HRA benefit in lieu of County-sponsored retiree medical plan coverage.

The dependent coverage assumption was lowered from 50 percent to 45 percent for males and 30 percent to 25 percent for females.

OTHER SUPPLEMENTARY INFORMATION



Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis*)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 469,500	\$ 469,500	\$ 1,498,340	\$ 1,028,840
Total revenues	<u>469,500</u>	<u>469,500</u>	<u>1,498,340</u>	<u>1,028,840</u>
Expenditures				
Current:				
Debt service	6,285,573	6,285,573	6,285,571	2
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>(5,816,073)</u>	<u>(5,816,073)</u>	<u>(4,787,231)</u>	<u>1,028,842</u>
Other Financing Sources				
Transfers in	6,500,000	7,300,000	7,300,000	-
Net change in fund balances	<u>\$ 683,927</u>	<u>\$ 1,483,927</u>	2,512,769	<u>\$ 1,028,842</u>
GAAP basis difference - encumbrances			-	
Fund balances - beginning of year			<u>36,771,834</u>	
Fund balances - end of year			<u>\$ 39,284,603</u>	

* See Notes to Required Supplementary Information on page 101.

**Combining Balance Sheet
Flood Control Special Revenue Funds
June 30, 2024**

	Flood Control Funds						Total 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	
Assets							
Cash and investments	\$13,015,960	\$10,926,165	\$ 8,697,206	\$ 1,583,447	\$ 83,135	\$ 3,799,831	\$38,105,744
Accounts receivable	27,400	1,593	1,593	-	-	-	30,586
Prepaid items	57,115	-	-	-	-	-	57,115
Total assets	<u>\$13,100,475</u>	<u>\$10,927,758</u>	<u>\$ 8,698,799</u>	<u>\$ 1,583,447</u>	<u>\$ 83,135</u>	<u>\$ 3,799,831</u>	<u>\$38,193,445</u>
Liabilities							
Accounts payable	\$ 416,351	\$ 98,528	\$ 46,545	\$ 1,938	\$ -	\$ -	\$ 563,362
Unearned income	47,370	14,458	277,566	-	-	-	339,394
Total liabilities	<u>\$ 463,721</u>	<u>\$ 112,986</u>	<u>\$ 324,111</u>	<u>\$ 1,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,756</u>
Deferred inflows of resources							
Unavailable revenue - intergovernmental	27,400	-	-	-	-	-	27,400
Fund balances							
Nonspendable	57,115	-	-	-	-	-	57,115
Restricted	12,552,239	10,814,772	8,374,688	1,581,509	83,135	3,799,831	37,206,174
Total fund balances	<u>\$12,609,354</u>	<u>\$10,814,772</u>	<u>\$ 8,374,688</u>	<u>\$ 1,581,509</u>	<u>\$ 83,135</u>	<u>\$ 3,799,831</u>	<u>\$37,263,289</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$13,100,475</u>	<u>\$10,927,758</u>	<u>\$ 8,698,799</u>	<u>\$ 1,583,447</u>	<u>\$ 83,135</u>	<u>\$ 3,799,831</u>	<u>\$38,193,445</u>

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Flood Control Special Revenue Funds
For the Fiscal Year Ended June 30, 2024**

	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
Revenues							
Property taxes	\$ 9,237,768	\$ 2,543,148	\$ 1,668,573	\$ 327,972	\$ -	\$ 249,800	\$ 14,027,261
Investment earnings	531,196	541,030	390,063	73,167	4,189	179,617	1,719,262
Intergovernmental	310,824	89,003	59,493	8,031	-	7,694	475,045
Charges for services	1,117,040	-	-	-	-	-	1,117,040
Miscellaneous	6,932	15,000	2,311	-	-	-	24,243
Total revenues	<u>11,203,760</u>	<u>3,188,181</u>	<u>2,120,440</u>	<u>409,170</u>	<u>4,189</u>	<u>437,111</u>	<u>17,362,851</u>
Expenditures							
Current:							
Flood control	8,559,364	2,227,297	711,715	198,867	-	15,698	11,712,941
Capital outlay	25,761	56,280	236,791	-	-	-	318,832
Total expenditures	<u>8,585,125</u>	<u>2,283,577</u>	<u>948,506</u>	<u>198,867</u>	<u>-</u>	<u>15,698</u>	<u>12,031,773</u>
Excess of revenues over expenditures	2,618,635	904,604	1,171,934	210,303	4,189	421,413	5,331,078
Other financing sources (uses)							
Transfers In	-	28,729	-	-	-	-	28,729
Transfers Out	(28,729)	-	-	-	-	-	(28,729)
Total other financing sources (uses)	<u>(28,729)</u>	<u>28,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,589,906	933,333	1,171,934	210,303	4,189	421,413	5,331,078
Fund balances - beginning of year	10,019,448	9,881,439	7,202,754	1,371,206	78,946	3,378,418	31,932,211
Fund balances - end of year	<u>\$12,609,354</u>	<u>\$10,814,772</u>	<u>\$8,374,688</u>	<u>\$1,581,509</u>	<u>\$ 83,135</u>	<u>\$3,799,831</u>	<u>\$37,263,289</u>

Combining Statement of Net Position Sanitation Enterprise Funds

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Assets					
Current assets:					
Cash and investments	\$ 1,062,173	\$ 1,936,179	\$ 719,542	\$ 6,550,247	\$ 10,268,141
Restricted cash and investments	-	-	-	398,381	398,381
Accounts receivable, net	6,375	9,223	15,162	268,229	298,989
Prepaid items	686	4,154	686	26,671	32,197
Total current assets	<u>1,069,234</u>	<u>1,949,556</u>	<u>735,390</u>	<u>7,243,528</u>	<u>10,997,708</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	284,919	284,919
Accounts receivable	6,150	2,277	26,039	3,007,613	3,042,079
Capital assets, net:					
Land	-	-	106,213	1,515,231	1,621,444
Construction in progress	251,605	-	-	771,355	1,022,960
Intangible assets	2,472	6,360	2,541	63,052	74,425
Infrastructure	187,923	2,287,684	629,561	15,903,089	19,008,257
Equipment	93,835	-	50,348	288,055	432,238
Total capital assets, net	<u>535,835</u>	<u>2,294,044</u>	<u>788,663</u>	<u>18,540,782</u>	<u>22,159,324</u>
Total noncurrent assets	<u>541,985</u>	<u>2,296,321</u>	<u>814,702</u>	<u>21,833,314</u>	<u>25,486,322</u>
Total assets	<u>1,611,219</u>	<u>4,245,877</u>	<u>1,550,092</u>	<u>29,076,842</u>	<u>36,484,030</u>
Deferred Outflows of Resources					
Deferred amounts related to charge on refunding	-	-	-	44,252	44,252
Liabilities					
Current liabilities payable from unrestricted assets:					
Accounts payable and accrued expenses	220,900	31,198	31,601	65,133	348,832
Due to other governments	-	706,633	-	-	706,633
Unearned revenue	-	-	-	513,579	513,579
Deposits from others	-	-	-	300	300
Total current liabilities payable from unrestricted assets	<u>220,900</u>	<u>737,831</u>	<u>31,601</u>	<u>579,012</u>	<u>1,569,344</u>
Current liabilities payable from restricted assets:					
Interest payable	-	-	-	6,964	6,964
Revenue bonds payable	-	-	-	391,417	391,417
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,381</u>	<u>398,381</u>
Total current liabilities	<u>220,900</u>	<u>737,831</u>	<u>31,601</u>	<u>977,393</u>	<u>1,967,725</u>
Noncurrent liabilities:					
Revenue bonds payable	-	-	-	804,040	804,040
Advances from other funds	-	-	-	5,733,327	5,733,327
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,537,367</u>	<u>6,537,367</u>
Total liabilities	<u>220,900</u>	<u>737,831</u>	<u>31,601</u>	<u>7,514,760</u>	<u>8,505,092</u>
Net Position					
Net investment in capital assets	535,835	2,294,044	788,663	17,376,830	20,995,372
Restricted for:					
Water conservation	-	-	-	185,938	185,938
Debt service	-	-	-	676,336	676,336
Unrestricted	854,484	1,214,002	729,828	3,367,230	6,165,544
Total net position	<u>\$ 1,390,319</u>	<u>\$ 3,508,046</u>	<u>\$ 1,518,491</u>	<u>\$ 21,606,334</u>	<u>\$ 28,023,190</u>

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2024**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Operating revenue					
Flat charges	\$ 948,294	\$ 1,065,822	\$ 516,157	\$ 4,843,239	\$ 7,373,512
Sanitation services	59,338	25,899	8,913	462,296	556,446
Miscellaneous	-	-	-	1,630	1,630
Total operating revenue	<u>1,007,632</u>	<u>1,091,721</u>	<u>525,070</u>	<u>5,307,165</u>	<u>7,931,588</u>
Operating expenses					
Services and supplies	966,920	1,221,220	911,806	5,123,002	8,222,948
Depreciation and amortization	32,583	123,013	47,666	1,115,773	1,319,035
Total operating expenses	<u>999,503</u>	<u>1,344,233</u>	<u>959,472</u>	<u>6,238,775</u>	<u>9,541,983</u>
Operating income (loss)	<u>8,129</u>	<u>(252,512)</u>	<u>(434,402)</u>	<u>(931,610)</u>	<u>(1,610,395)</u>
Nonoperating revenues (expenses)					
Investment earnings	59,583	88,415	32,604	370,975	551,577
Interest expense	-	-	-	(228,504)	(228,504)
Loss on disposal of capital assets, net of gain	-	-	(3,936)	(367,411)	(371,347)
Real estate rental	-	-	-	187,961	187,961
Intergovernmental revenue	706	921	8,829	12,960	23,416
Total nonoperating revenues, net	<u>60,289</u>	<u>89,336</u>	<u>37,497</u>	<u>(24,019)</u>	<u>163,103</u>
Income (loss) before capital contributions and transfers	68,418	(163,176)	(396,905)	(955,629)	(1,447,292)
Capital contributions - connection fees	-	-	4,435	104,997	109,432
Transfers in	-	-	500,000	150,000	650,000
Change in net position	68,418	(163,176)	107,530	(700,632)	(687,860)
Net position - beginning 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>
Net position - end of year	<u>\$ 1,390,319</u>	<u>\$ 3,508,046</u>	<u>\$ 1,518,491</u>	<u>\$ 21,606,334</u>	<u>\$ 28,023,190</u>

**Combining Statement of Cash Flows
Sanitation Enterprise Funds
For the Fiscal Year Ended June 30, 2024**

	Sanitation Funds				Total Sanitation Funds
	Sea Ranch	Penngrove	Geyserville	Airport Larkfield Wikiup	
Cash flows from operating activities:					
Cash receipts from customers	\$ 1,004,921	\$ 1,103,128	\$ 505,682	\$ 5,214,468	\$ 7,828,199
Cash payments for interfund services used	(227,135)	(340,588)	(639,637)	(3,255,938)	(4,463,298)
Cash payments to suppliers	(568,896)	(835,195)	(274,472)	(1,889,491)	(3,568,054)
Net cash provided by (used for) operating activities	<u>208,890</u>	<u>(72,655)</u>	<u>(408,427)</u>	<u>69,039</u>	<u>(203,153)</u>
Cash flows from noncapital financing activities:					
Transfers in	-	-	500,000	150,000	650,000
Intergovernmental receipts	706	921	8,829	12,960	23,416
Real estate rental	-	-	-	187,961	187,961
Net cash provided by noncapital financing activities	<u>706</u>	<u>921</u>	<u>508,829</u>	<u>350,921</u>	<u>861,377</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(265,583)	(3,721)	-	(44,615)	(313,919)
Principal paid on revenue bonds	-	-	-	(377,089)	(377,089)
Interest paid on long-term debt	-	-	-	(32,248)	(32,248)
Connection fees	-	-	4,435	131,719	136,154
Net cash provided by (used for) capital and related financing activities	<u>(265,583)</u>	<u>(3,721)</u>	<u>4,435</u>	<u>(322,233)</u>	<u>(587,102)</u>
Cash flows from investing activities:					
Investment earnings	59,583	88,415	32,604	370,975	551,577
Net increase in cash and cash equivalents	3,596	12,960	137,441	468,702	622,699
Cash and cash equivalents - beginning of year	1,058,577	1,923,219	582,101	6,764,845	10,328,742
Cash and cash equivalents - end of year	<u>\$ 1,062,173</u>	<u>\$ 1,936,179</u>	<u>\$ 719,542</u>	<u>\$ 7,233,547</u>	<u>\$ 10,951,441</u>
Reconciliation to the statement of net position:					
Cash and investments	\$ 1,062,173	\$ 1,936,179	\$ 719,542	\$ 6,550,247	\$ 10,268,141
Restricted cash and investments	-	-	-	683,300	683,300
Cash and cash equivalents	<u>\$ 1,062,173</u>	<u>\$ 1,936,179</u>	<u>\$ 719,542</u>	<u>\$ 7,233,547</u>	<u>\$ 10,951,441</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 8,129	\$ (252,512)	\$ (434,403)	\$ (931,611)	\$ (1,610,397)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation and amortization	32,583	123,013	47,666	1,115,773	1,319,035
Change in assets and liabilities:					
Accounts receivable	(2,710)	11,408	(19,388)	(92,697)	(103,387)
Prepaid items	(686)	123	(686)	(1,784)	(3,033)
Due to other governments	-	706,633	-	-	706,633
Accounts payable and accrued expenses	171,574	(661,320)	(1,616)	(20,642)	(512,004)
Net cash provided by (used for) operating activities	<u>\$ 208,890</u>	<u>\$ (72,655)</u>	<u>\$ (408,427)</u>	<u>\$ 69,039</u>	<u>\$ (203,153)</u>
Noncash investing, capital, or financing activities:					
Acquisition of capital assets through current liabilities	\$ -	\$ -	\$ -	\$ 12,747	\$ 12,747
Interest accreted to principal - advances from other funds	-	-	-	176,327	176,327
Loss on disposal of capital assets	-	-	3,936	367,411	371,347

**Combining Statement of Net Position
Internal Service Funds
June 30, 2024**

	Internal Service Funds		Total Internal Service Funds
	Equipment- Facilities	Power Resources	
Assets			
Current assets:			
Cash and investments	\$ 7,885,262	\$ 3,245,481	\$ 11,130,743
Deposits with others	-	704,570	704,570
Prepaid items	6,642	496,776	503,418
Total current assets	<u>7,891,904</u>	<u>4,446,827</u>	<u>12,338,731</u>
Noncurrent assets:			
Advances to other funds	5,733,327	-	5,733,327
Reserves on deposit	-	911,800	911,800
Capital assets, net:			
Land	2,341,186	-	2,341,186
Land improvements	314,772	-	314,772
Construction in progress	198,668	-	198,668
Intangible assets	37,330	-	37,330
Buildings and improvements	19,983,714	9,847,990	29,831,704
Equipment	4,870,416	-	4,870,416
Total capital assets, net	<u>27,746,086</u>	<u>9,847,990</u>	<u>37,594,076</u>
Total noncurrent assets	<u>33,479,413</u>	<u>10,759,790</u>	<u>44,239,203</u>
Total assets	<u>41,371,317</u>	<u>15,206,617</u>	<u>56,577,934</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	163,365	534,670	698,035
Interest payable	112	-	112
Total liabilities	<u>163,477</u>	<u>534,670</u>	<u>698,147</u>
Net Position			
Net investment in capital assets	27,746,083	9,847,990	37,594,073
Restricted for:			
Reserves on deposit	-	911,800	911,800
Unrestricted	<u>13,461,757</u>	<u>3,912,157</u>	<u>17,373,914</u>
Total net position	<u>\$ 41,207,840</u>	<u>\$ 14,671,947</u>	<u>\$ 55,879,787</u>

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2024**

	Internal Service Funds		Total Internal Service Funds
	Equipment- Facilities	Power Resources	
Operating revenue			
Power sales	\$ -	\$ 6,400,232	\$ 6,400,232
Equipment rental	4,598,152	-	4,598,152
Real estate rental	3,893,234	-	3,893,234
Miscellaneous	21,252	84,012	105,264
Total operating revenue	8,512,638	6,484,244	14,996,882
Operating expenses			
Services and supplies	5,529,416	4,922,533	10,451,949
Depreciation and amortization	2,055,550	434,922	2,490,472
Total operating expenses	7,584,966	5,357,455	12,942,421
Operating income	927,672	1,126,789	2,054,461
Nonoperating revenue (expenses)			
Investment earnings	608,511	84,384	692,895
Interest expense	(2,683)	-	(2,683)
Loss on disposal of capital assets, net of gain	(20,448)	-	(20,448)
Total nonoperating revenue, net	585,380	84,384	669,764
Income before capital contributions and transfers	1,513,052	1,211,173	2,724,225
Change in net position	1,513,052	1,211,173	2,724,225
Net position - beginning of year	39,694,788	13,460,774	53,155,562
Net position - end of year	\$ 41,207,840	\$ 14,671,947	\$ 55,879,787

**Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2024**

	Internal Service Funds		Total Internal Service Funds
	Equipment- Facilities	Power Resources	
Cash flows from operating activities:			
Cash receipts from interfund services provided	\$ 8,512,639	\$ 6,484,244	\$ 14,996,883
Cash payments for interfund services used	(2,968,375)	(79,046)	(3,047,421)
Cash payments to suppliers	(2,767,274)	(5,372,894)	(8,140,168)
Net cash provided by operating activities	<u>2,776,990</u>	<u>1,032,304</u>	<u>3,809,294</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(2,108,354)	-	(2,108,354)
Principal paid on financed purchases	(260,339)	-	(260,339)
Principal paid on SBITA liabilities	(6,458)	-	(6,458)
Interest paid on long-term debt	(5,720)	-	(5,720)
Proceeds from disposal of capital assets	21,950	-	21,950
Net cash used for capital and related financing activities	<u>(2,358,921)</u>	<u>-</u>	<u>(2,358,921)</u>
Cash flows from investing activities:			
Investment earnings	432,184	84,384	516,568
Net cash provided by investing activities	<u>432,184</u>	<u>84,384</u>	<u>516,568</u>
Net increase in cash and cash equivalents	850,253	1,116,688	1,966,941
Cash and cash equivalents - beginning of year	7,035,009	2,128,793	9,163,802
Cash and cash equivalents - end of year	<u>\$ 7,885,262</u>	<u>\$ 3,245,481</u>	<u>\$ 11,130,743</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 927,674	\$ 1,126,790	\$ 2,054,464
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	2,055,550	434,922	2,490,472
Change in assets and liabilities:			
Deposits from others	-	49,175	49,175
Other long-term assets	-	(3,540)	(3,540)
Prepaid items	1,339	(496,776)	(495,437)
Accounts payable and accrued expenses	(207,573)	(78,267)	(285,840)
Net cash provided by operating activities	<u>\$ 2,776,990</u>	<u>\$ 1,032,304</u>	<u>\$ 3,809,294</u>
Noncash investing, capital, or financing activities:			
Interest accreted to principal - advances to other funds	\$ 176,327	\$ -	\$ 176,327
Loss on disposal of capital assets	20,448	-	20,448

**Combining Schedule of Revenues, Expenses, and Changes in Net Position
Water Transmission
For the Fiscal Year Ended June 30, 2024**

	Water Transmission Funds		
	Water Transmission Activities Pledged for Debt Service	Unpledged Water Transmission Activities	Total Water Transmission
Operating revenues			
Water sales	\$ 44,640,615	\$ 4,025,431	\$ 48,666,046
Water services	50,004	-	50,004
Miscellaneous	(58,438)	22,709	(35,729)
Total operating revenue	<u>44,632,181</u>	<u>4,048,140</u>	<u>48,680,321</u>
Operating expenses			
Services and supplies	40,005,554	7,120,861	47,126,415
Depreciation and amortization	7,266,068	13,630	7,279,698
Total operating expenses	<u>47,271,622</u>	<u>7,134,491</u>	<u>54,406,113</u>
Operating Loss	(2,639,441)	(3,086,351)	(5,725,792)
Nonoperating revenues (expenses)			
Investment earnings:			
Interest	2,360,599	476,497	2,837,096
Net increase in the fair value of investments	1,409,383	375,044	1,784,427
Interest expense	(1,687,393)	-	(1,687,393)
Loss on disposal of capital assets, net of gain	(39,422)	(56,266)	(95,688)
Intergovernmental revenue	-	144,760	144,760
Grant pass-through	-	(86,158)	(86,158)
Total nonoperating revenues, net	<u>2,043,167</u>	<u>853,877</u>	<u>2,897,044</u>
Loss before capital contributions and transfers	(596,274)	(2,232,474)	(2,828,748)
Capital contributions	2,589,248	-	2,589,248
Transfers out	-	(144,577)	(144,577)
Change in net position	1,992,974	(2,377,051)	(384,077)
Net position - beginning of year	<u>160,696,448</u>	<u>16,802,166</u>	<u>177,498,614</u>
Net position - end of year	<u>\$ 162,689,422</u>	<u>\$ 14,425,115</u>	<u>\$ 177,114,537</u>

Note to the Combining Schedule of Revenues, Expenses, and Changes in Net Position - Water Transmission For the Fiscal Year Ended June 30, 2024

Note A. Water Transmission Net Revenues Pledged for Debt Service

As defined in the water transmission debt covenants, net revenues pledged for debt service excludes activities recorded in four water transmission subfunds: water management planning, watershed management and restoration, recycled water and local supply, and water conservation. To demonstrate compliance with debt covenants, pledged and unpledged activities are presented separately in the Combining Schedule of Revenues, Expenses, and Changes in Net Position-Water Transmission (Schedule). In addition, the net increase in the fair value of investments, which is excluded from net revenues, is presented on a separate line of the Schedule. For additional information about the calculation of water transmission net revenues, refer to the ten-year schedule of water transmission revenue bond debt coverage on page 139.

An aerial photograph of a river valley during sunset. The sun is low on the horizon, casting a golden glow over the landscape. The river flows through a valley, reflecting the light. The surrounding hills are covered in dense green forests. A blue rectangular box is overlaid on the image, containing the text "STATISTICAL SECTION" in white, bold, uppercase letters.

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.

Financial Trends

These schedules contain trend information to help the reader understand how Sonoma Water’s financial performance and well-being have changed over time. 116

Revenue Capacity

These schedules contain information to help the reader assess Sonoma Water’s most significant local revenue sources, Water Sales, property taxes, and Sanitation Charges.. . . . 126

Debt Capacity

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.. . . . 137

Demographic and Operating Indicators

These schedules offer demographic and economic indicators to help the reader understand the environment within which Sonoma Water’s financial activities take place. 143



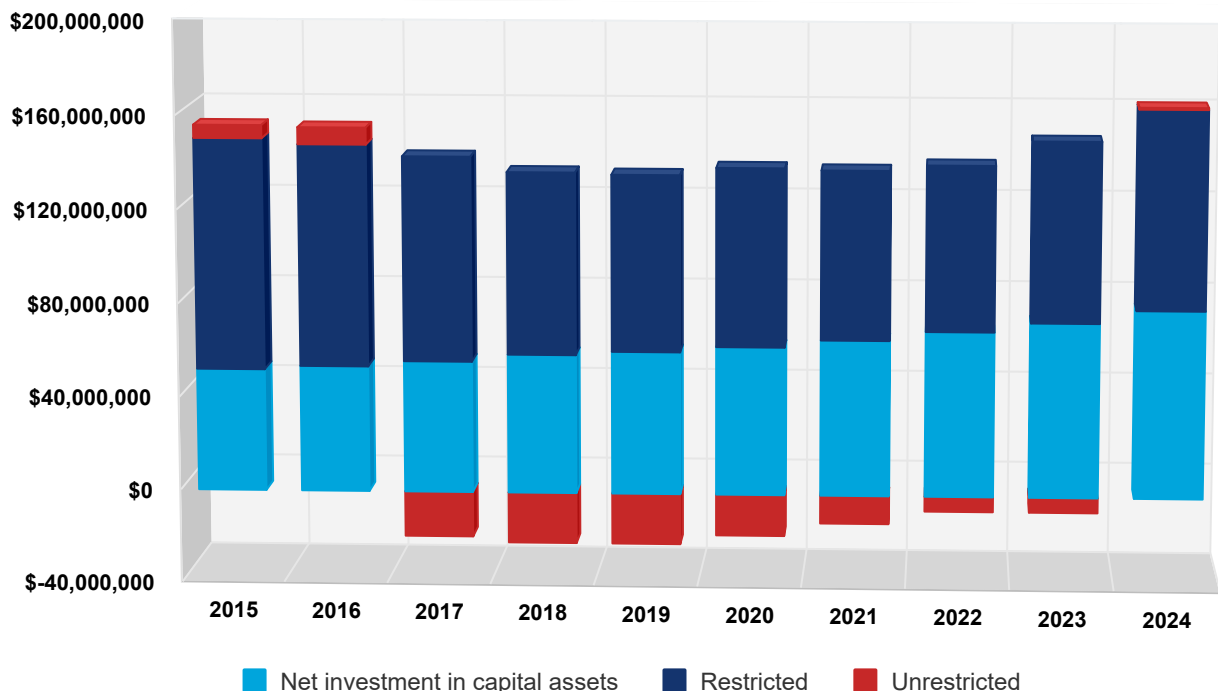
**Net Position by Component (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)**

	June 30,				
	2015	2016	2017 as restated ⁽¹⁾	2018	2019
Governmental activities					
Net investment in capital assets	\$ 52,314,923	\$ 53,939,461	\$ 56,281,939	\$ 58,951,592	\$ 61,127,048
Restricted	97,856,531	94,399,627	86,833,589	77,808,351	75,228,888
Unrestricted	5,903,840	7,173,755	(18,805,360)	(21,372,170)	(21,950,036)
Total governmental activities net position	\$ 156,075,294	\$ 155,512,843	\$ 124,310,168	\$ 115,387,773	\$ 114,405,900
Business-type activities					
Net investment in capital assets	\$ 156,110,501	\$ 152,563,649	\$ 164,264,829	\$ 161,478,637	\$ 159,091,392
Restricted	10,941,231	14,048,490	16,664,705	19,800,228	21,762,899
Unrestricted	45,892,005	49,409,182	40,946,812	52,535,839	56,439,961
Total business-type activities net position	\$ 212,943,737	\$ 216,021,321	\$ 221,876,346	\$ 233,814,704	\$ 237,294,252
Primary Government					
Net investment in capital assets	\$ 208,425,424	\$ 206,503,110	\$ 220,546,768	\$ 220,430,229	\$ 220,218,440
Restricted	108,797,762	108,448,117	103,498,294	97,608,579	96,991,787
Unrestricted	51,795,845	56,582,937	22,141,452	31,163,669	34,489,925
Total primary government net position	\$ 369,019,031	\$ 371,534,164	\$ 346,186,514	\$ 349,202,477	\$ 351,700,152

Notes:

⁽¹⁾ FY 2016 - 17 net position was restated from \$371,386,840 to \$346,186,514 for the implementation of GASB 75.

Net Position - Governmental Activities



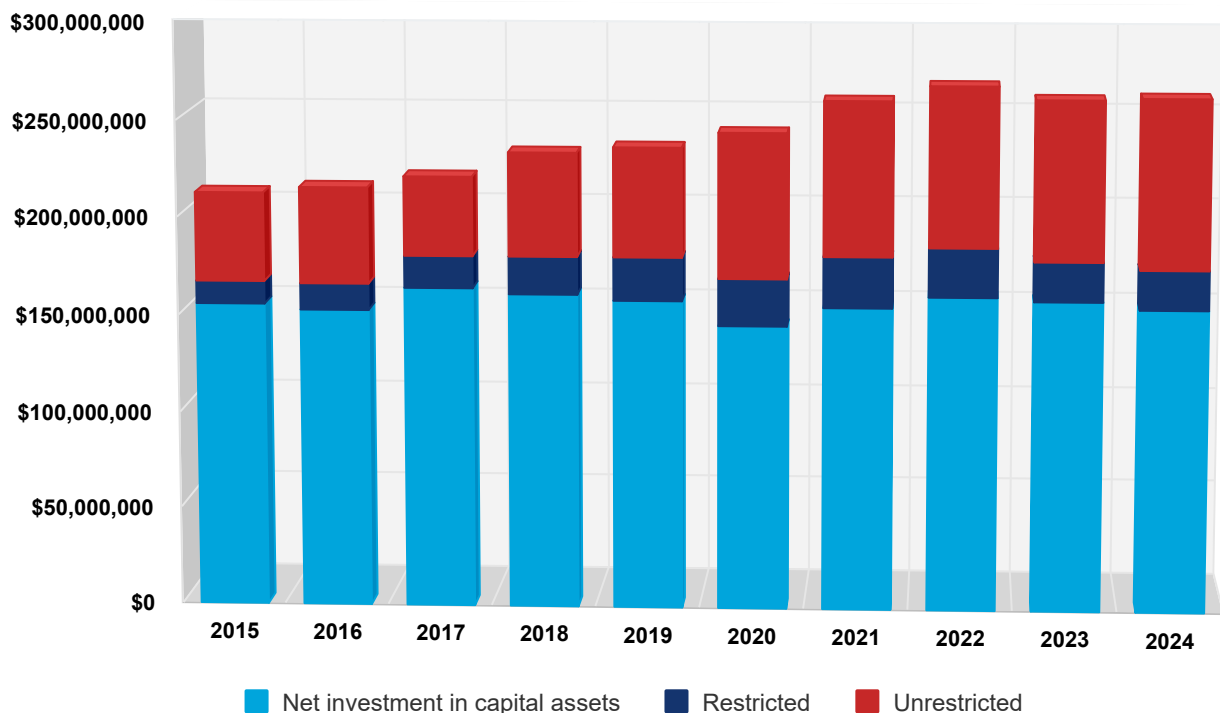
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector



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

June 30,					
2020	2021	2022	2023	2024	
					Governmental activities
\$ 63,571,779	\$ 66,353,912	\$ 70,343,695	\$ 74,311,165	\$ 79,853,540	Net investment in capital assets
75,310,302	71,676,521	70,151,886	76,915,423	84,620,791	Restricted
(17,961,098)	(12,323,055)	(6,690,457)	(6,046,462)	1,451,267	Unrestricted
<u>\$ 120,920,983</u>	<u>\$ 125,707,378</u>	<u>\$ 133,805,124</u>	<u>\$ 145,180,126</u>	<u>\$ 165,925,598</u>	Total governmental activities net position
					Business-type activities
\$ 146,213,153	\$ 155,329,092	\$ 161,716,986	\$ 159,550,732	\$ 155,753,983	Net investment in capital assets
23,835,337	26,888,288	24,577,054	20,870,168	20,578,717	Restricted
75,112,957	79,077,706	82,461,405	82,129,782	87,183,130	Unrestricted
<u>\$ 245,161,447</u>	<u>\$ 261,295,086</u>	<u>\$ 268,755,445</u>	<u>\$ 262,550,682</u>	<u>\$ 263,515,830</u>	Total business-type activities net position
					Primary Government
\$ 209,784,932	\$ 221,683,004	\$ 232,060,681	\$ 233,861,897	\$ 235,607,523	Net investment in capital assets
99,145,639	98,564,809	94,728,940	97,785,591	105,199,508	Restricted
57,151,859	66,754,651	75,770,948	76,083,320	88,634,397	Unrestricted
<u>\$ 366,082,430</u>	<u>\$ 387,002,464</u>	<u>\$ 402,560,569</u>	<u>\$ 407,730,808</u>	<u>\$ 429,441,428</u>	Total primary government net position

Net Position - Business-Type Activities



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

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

Notes:

⁽¹⁾ 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.

⁽²⁾ FY 2016 - 17 expenses incurred from providing services to outside governments were classified from general government expenses to intergovernmental expenses

⁽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

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

Fiscal Year Ending June 30,				
2020	2021	2022	2023	2024
\$ 9,703,136	\$ 6,406,282	\$ 5,315,823	\$ 13,323,965	\$ 5,892,237
12,587,202	15,347,561	16,472,460	21,747,490	18,300,371
14,288,805	12,101,628	12,625,704	11,479,671	13,103,749
5,591,383	9,440,547	6,502,819	5,083,503	6,177,473
2,421,680	2,297,070	2,168,441	2,035,660	1,898,604
<u>44,592,206</u>	<u>45,593,088</u>	<u>43,085,247</u>	<u>53,670,289</u>	<u>45,372,434</u>
41,900,238	39,746,635	42,501,275	49,598,108	54,515,753
6,394,595	5,213,705	5,380,873	5,615,439	11,384,255
7,186,759	7,926,806	7,221,720	9,048,666	9,877,788
<u>55,481,592</u>	<u>52,887,146</u>	<u>55,103,868</u>	<u>64,262,213</u>	<u>75,777,796</u>
<u>\$ 100,073,798</u>	<u>\$ 98,480,234</u>	<u>\$ 98,189,115</u>	<u>\$ 117,932,502</u>	<u>\$ 121,150,230</u>
\$ 2,657,350	\$ 3,445,339	\$ 3,602,765	\$ 5,717,101	\$ 3,789,991
11,744,802	14,255,561	14,195,485	15,033,510	16,100,371
779,600	66,875	81,500	70,041	1,141,283
81	-	-	2,340	-
5,016,803	5,933,734	3,229,077	4,738,773	3,769,543
-	-	-	-	-
<u>20,198,636</u>	<u>23,701,509</u>	<u>21,108,827</u>	<u>25,561,765</u>	<u>24,801,188</u>
44,692,393	51,339,633	47,353,833	39,761,241	48,680,321
3,212,893	3,750,171	3,528,819	3,085,061	3,764,017
5,886,196	6,445,163	6,732,456	7,462,275	8,119,548
1,537,635	572,263	1,079,927	1,539,810	5,651,075
4,279,162	1,049,722	4,128,599	4,516,451	2,679,349
<u>59,608,279</u>	<u>63,156,952</u>	<u>62,823,634</u>	<u>56,364,838</u>	<u>68,894,310</u>
<u>\$ 79,806,915</u>	<u>\$ 86,858,461</u>	<u>\$ 83,932,461</u>	<u>\$ 81,926,603</u>	<u>\$ 93,695,498</u>
\$ (24,393,570)	\$ (21,891,579)	\$ (21,976,420)	\$ (28,108,524)	\$ (20,571,246)
4,126,687	10,269,806	7,719,766	(7,897,375)	(6,883,486)
<u>\$ (20,266,883)</u>	<u>\$ (11,621,773)</u>	<u>\$ (14,256,654)</u>	<u>\$ (36,005,899)</u>	<u>\$ (27,454,732)</u>

Expenses
 Governmental activities:
 General government
 Intergovernmental
 Flood control
 Warm Springs Dam
 Interest on long-term debt
 Total governmental activities
 Business-type activities:
 Water transmission
 Water supply
 Sanitation
 Total business-type activities
 Total expenses

Program revenues
 Governmental activities:
 Charges for services
 General government
 Intergovernmental
 Flood control
 Warm Springs Dam
 Operating grants and contributions
 Capital grants and contributions
 Total governmental activities
 Business-type activities:
 Charges for services
 Water transmission
 Water supply
 Sanitation
 Operating grants and contributions
 Capital grants and contributions
 Total business-type activities
 Total program revenues

Net (expense)/revenue
 Governmental activities
 Business-type activities
 Total primary government net expense

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

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

Notes:

⁽¹⁾ 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.

⁽²⁾ FY 2016 - 17 general government expenses related to services and contributions provided to outside governments were re-classified as intergovernmental expenses.

⁽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



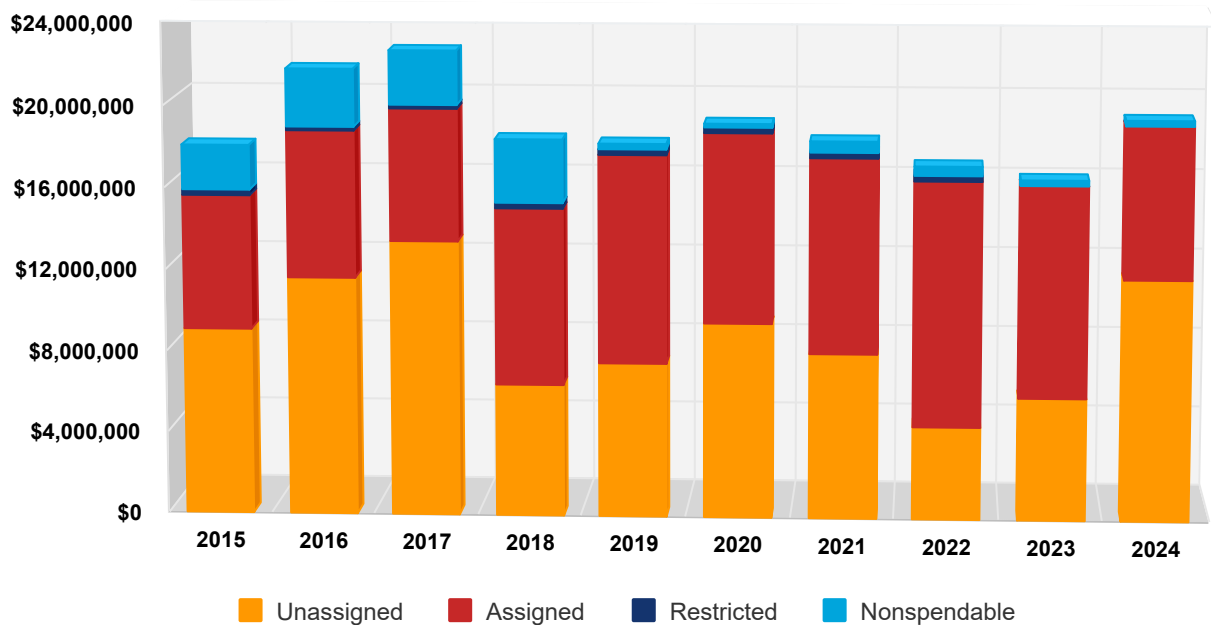
**Changes in Net Position (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)**

Fiscal Year Ending June 30,					
2020	2021	2022	2023	2024	
					General revenues
					Governmental activities:
\$ 30,729,248	\$ 31,832,141	\$ 34,983,468	\$ 37,230,184	\$ 38,196,257	Property taxes
2,172,405	413,033	(1,904,302)	1,653,342	4,889,792	Unrestricted investment earnings (loss)
(1,993,000)	(5,567,200)	(3,005,000)	600,000	(1,769,331)	Transfers
<u>30,908,653</u>	<u>26,677,974</u>	<u>30,074,166</u>	<u>39,483,526</u>	<u>41,316,718</u>	Total governmental activities
					Business-type activities:
510	129	-	14	-	Property taxes
1,746,998	296,504	(3,264,407)	2,292,598	6,079,302	Unrestricted investment earnings (loss)
1,993,000	5,567,200	3,005,000	(600,000)	1,769,331	Transfers
<u>3,740,508</u>	<u>5,863,833</u>	<u>(259,407)</u>	<u>1,692,612</u>	<u>7,848,633</u>	Total business-type activities
<u>\$ 34,649,161</u>	<u>\$ 32,541,807</u>	<u>\$ 29,814,759</u>	<u>\$ 41,176,138</u>	<u>\$ 49,165,351</u>	Total primary government
					Change in net position
\$ 6,515,083	\$ 4,786,395	\$ 8,097,746	\$ 11,375,002	\$ 20,745,472	Governmental activities
7,867,195	16,133,639	7,460,359	(6,204,763)	965,147	Business-type activities
<u>\$ 14,382,278</u>	<u>\$ 20,920,034</u>	<u>\$ 15,558,105</u>	<u>\$ 5,170,239</u>	<u>\$ 21,710,619</u>	Total primary government

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

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

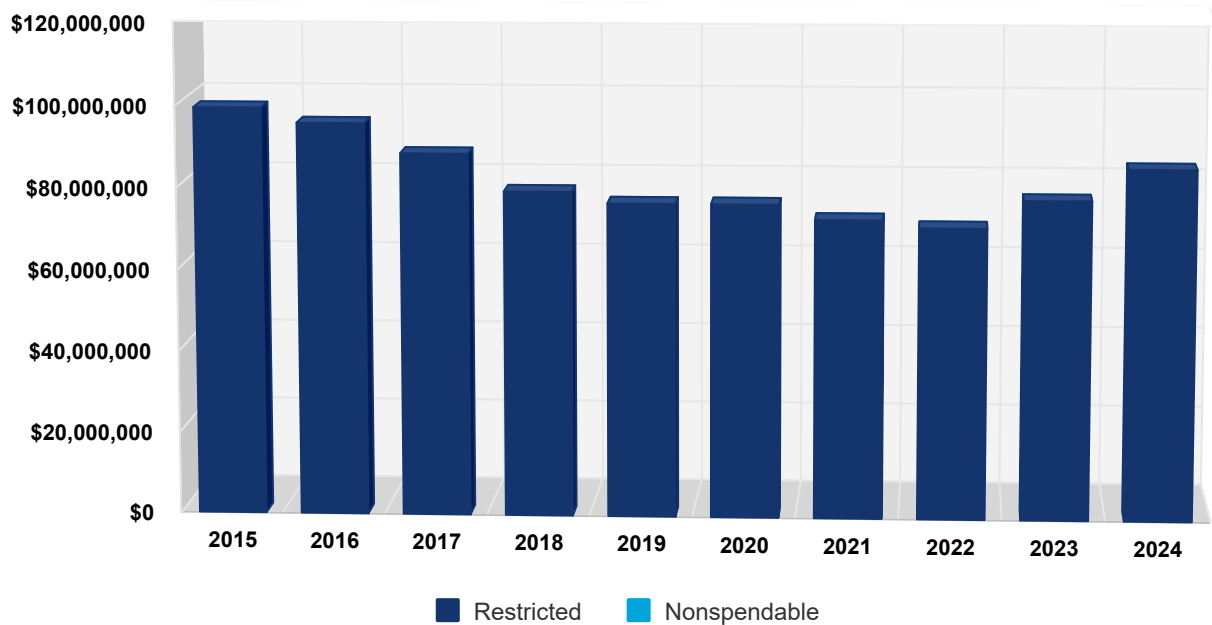
General Fund - Fund Balances



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

					June 30,			
2020	2021	2022	2023	2024				
\$ 229,509	\$ 509,405	\$ 485,542	\$ 315,493	\$ 323,612	General Fund			
250,000	250,000	250,000	-	-	Nonspendable			
9,321,534	9,575,786	11,977,908	10,386,676	7,466,301	Restricted			
9,503,527	8,097,858	4,555,917	5,964,998	11,781,348	Assigned			
<u>\$ 19,304,570</u>	<u>\$ 18,433,049</u>	<u>\$ 17,269,367</u>	<u>\$ 16,667,167</u>	<u>\$ 19,571,261</u>	Unassigned			
					Total General Fund			
\$ -	\$ 11,333	\$ 11,333	\$ 54,752	\$ 57,930	All other governmental funds			
76,622,585	73,065,663	71,440,732	78,313,736	85,889,499	Nonspendable			
<u>\$ 76,622,585</u>	<u>\$ 73,076,996</u>	<u>\$ 71,452,065</u>	<u>\$ 78,368,488</u>	<u>\$ 85,947,429</u>	Restricted			
					Total all other governmental funds			

Other Governmental Funds - Fund Balances



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

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

Notes:

⁽¹⁾ Beginning in FY 2015 - 16, reimbursements from outside governments for services were reclassified from a reduction in expenditures to charges for services.

⁽²⁾ Beginning in FY 2016 - 17, general government expenditures related to services and contributions provided to outside governments were reclassified as intergovernmental expenses

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



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

Fiscal Year Ended June 30,					
2020	2021	2022	2023	2024	
\$ 30,729,248	\$ 31,832,141	\$ 34,983,468	\$ 37,230,184	\$ 38,196,257	Revenues
2,172,405	413,033	(1,904,302)	1,653,342	4,889,792	Property taxes
4,701,071	5,573,440	3,125,576	4,591,565	3,574,006	Investment earnings (loss)
15,174,147	17,690,777	17,580,933	20,795,753	20,972,487	Intergovernmental
7,685	76,998	298,817	27,239	59,157	Charges for services
52,784,556	55,586,389	54,084,492	64,298,083	67,691,699	Miscellaneous
					Total Revenues
					Expenditures
					Current:
12,238,391	12,171,141	11,818,585	13,756,541	10,211,424	General government
12,587,202	15,347,561	16,472,460	22,662,213	19,470,848	Intergovernmental
12,734,685	10,566,945	11,131,089	9,722,382	11,712,941	Flood control
5,524,000	8,966,812	6,433,230	4,089,881	4,953,245	Warm Springs Dam
523,230	1,098,268	1,727,169	2,067,272	2,824,636	Capital outlay
					Debt Service:
3,782,566	3,904,554	4,030,476	4,160,458	4,294,633	Principal
2,503,006	2,381,018	2,255,096	2,125,113	1,990,938	Interest and fiscal charges
49,893,080	54,436,299	53,868,105	58,583,860	55,458,665	Total expenditures
					Excess (deficiency) of revenues over expenditures
2,891,476	1,150,090	216,387	5,714,223	12,233,034	
					Other financing sources (Uses)
750,000	4,100,000	7,225,000	7,400,000	7,300,000	Transfers in
(2,743,000)	(9,667,200)	(10,230,000)	(6,800,000)	(9,050,000)	Transfers out
(1,993,000)	(5,567,200)	(3,005,000)	600,000	(1,750,000)	Total other financing uses
\$ 898,476	\$ (4,417,110)	\$ (2,788,613)	\$ 6,314,223	\$ 10,483,034	Net change in fund balances
12.7%	11.8%	12.1%	11.1%	11.9%	Debt service as a percentage of noncapital expenditures

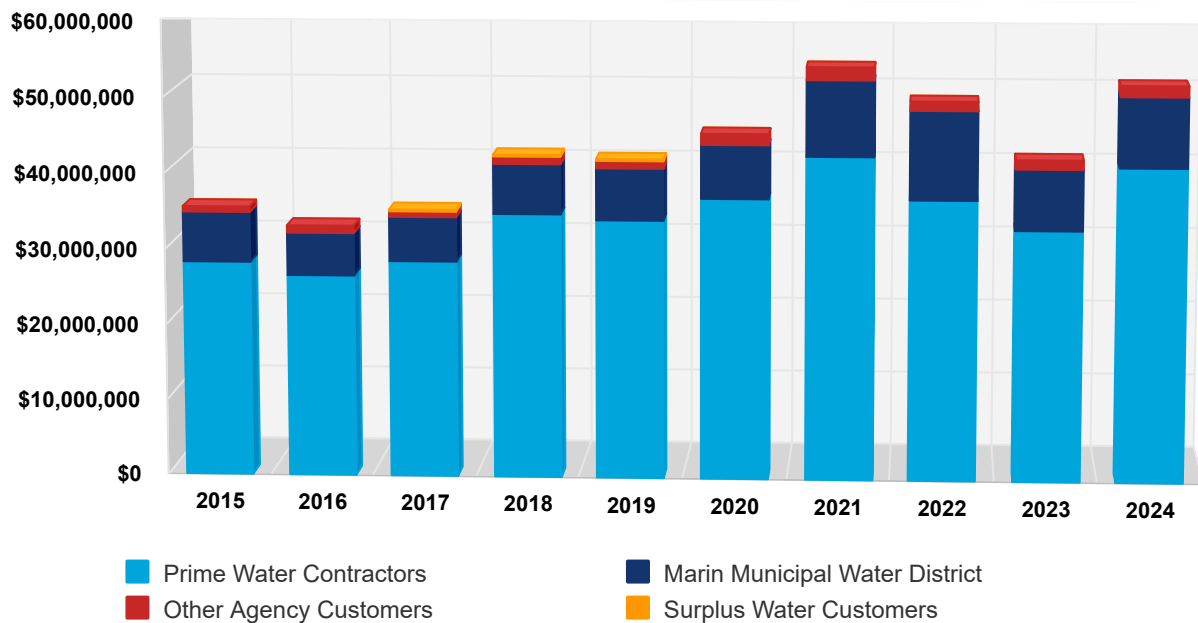
Water Sales Revenue by Customer Type (Unaudited) Last Ten Fiscal Years

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
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
2024	41,520,028	9,091,604	1,480,108	113,050	(50,004)	52,154,786

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.

Water Sales Revenue



Source: Sonoma Water Finance and Accounting Division



Water Rates by Category (Unaudited) Last Ten Fiscal Years

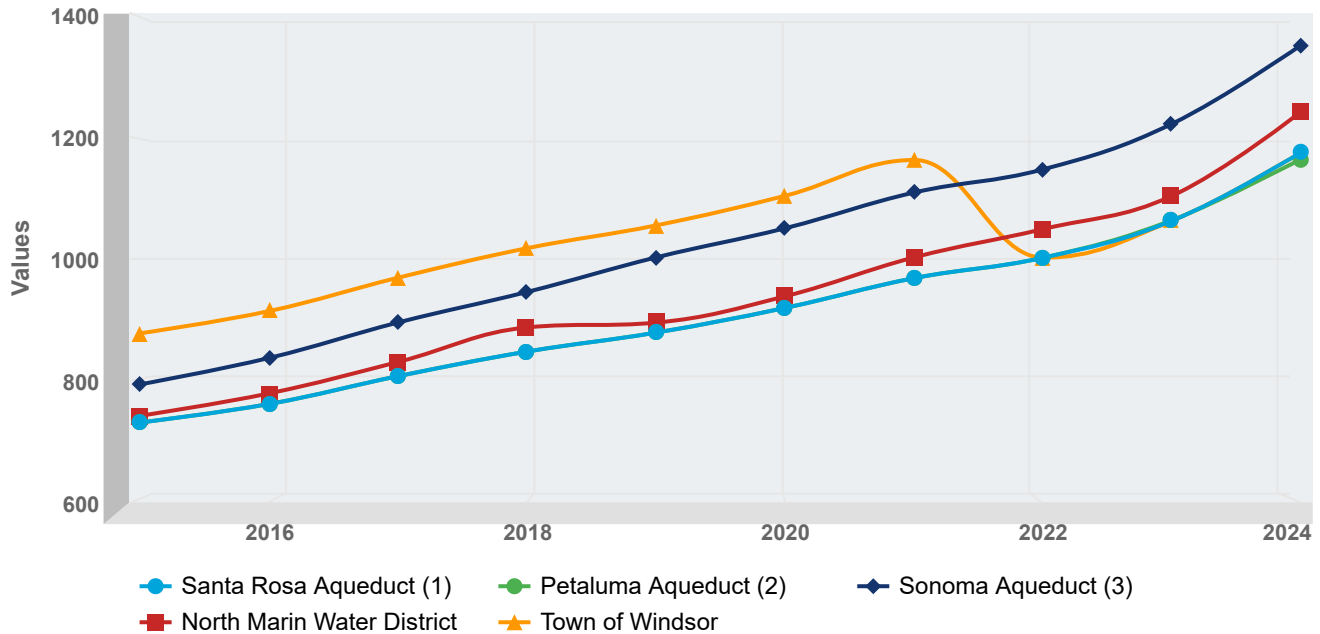
Water Rates (in dollars per acre-foot)

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
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
2024	1,173.09	1,162.09	1,348.67	1,239.62	1,173.09

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

Prime Contractor Water Rates



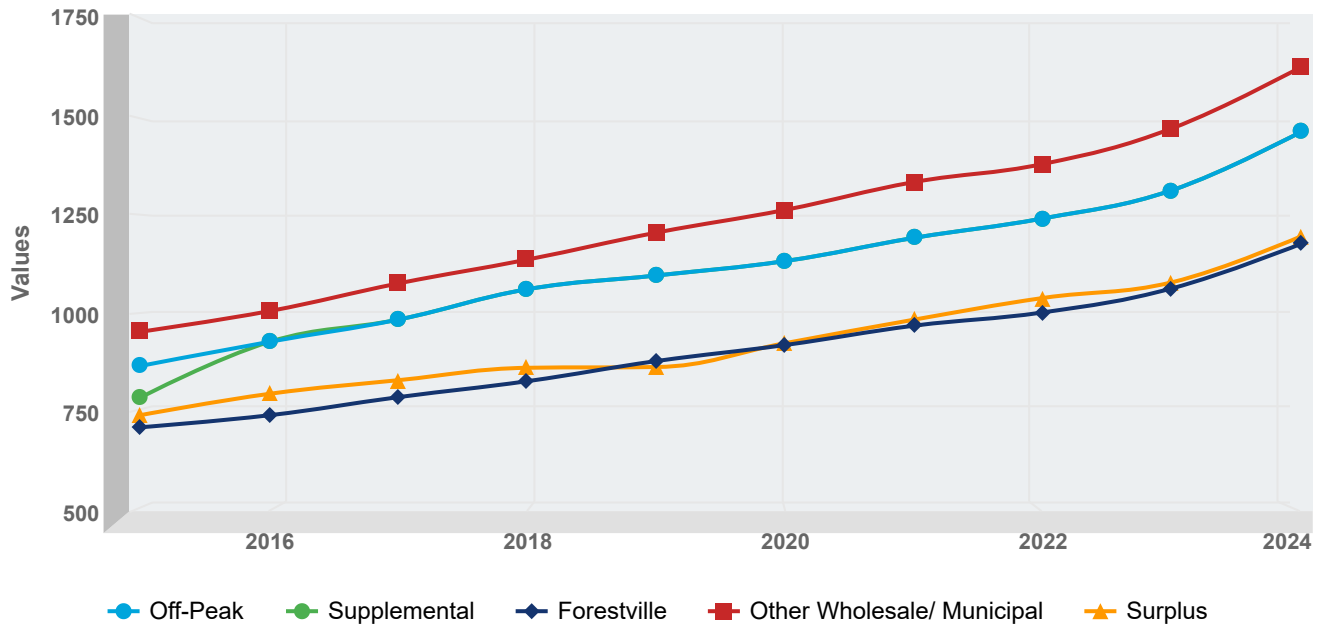
Source: Sonoma Water Finance and Accounting Division

Water Rates by Category (Unaudited) Last Ten Fiscal Years

Water Rates (in dollars per acre-foot)

Fiscal Year Ended June 30,	Marin Municipal Water District		Municipal / Wholesale		
	Off-Peak	Supplemental	Forestville	Other Wholesale/ Municipal	Surplus
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
2024	1,455.25	1,455.25	1,173.09	1,618.39	1,192.01

Non-Prime Contractor Water Rates



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

Customer	Water Sales Principal Customers					
	Fiscal Year Ended June 30, 2024			Fiscal Year Ended June 30, 2015		
	Water Sales Revenue	Rank	Percentage of Total Water Sales	Water Sales Revenue	Rank	Percentage of Total Water Sales
City of Santa Rosa	\$18,191,801	1	34.9%	\$11,924,348	1	33.4%
Marin Municipal Water District	9,091,604	2	17.4%	6,600,961	2	18.5%
City of Petaluma	8,108,905	3	15.5%	5,629,547	3	15.8%
North Marin Water District	6,340,957	4	12.2%	4,500,155	4	12.6%
City of Rohnert Park	2,915,983	5	5.6%	2,198,233	5	6.2%
City of Sonoma	2,291,746	6	4.4%	1,368,036	7	3.8%
Valley of the Moon Water District	2,187,996	7	4.2%	1,544,086	6	4.3%
Town of Windsor	828,391	8	1.6%	422,965	8	1.2%
City of Cotati	601,704	9	1.2%	415,556	9	1.2%
Cal American Water	489,996	10	0.9%	-		-%
Forestville	-		-%	265,361	10	0.7%
Total Water Sales Top 10 Water Customers	51,049,083		97.9%	34,869,248		97.7%
Total Water Sales All Other Customers	1,105,703		2.1%	817,577		2.3%
Total Water Sales	<u>\$52,154,786</u>		<u>100.0%</u>	<u>\$35,686,825</u>		<u>100.0%</u>

Source: Sonoma Water Finance and Accounting Division

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

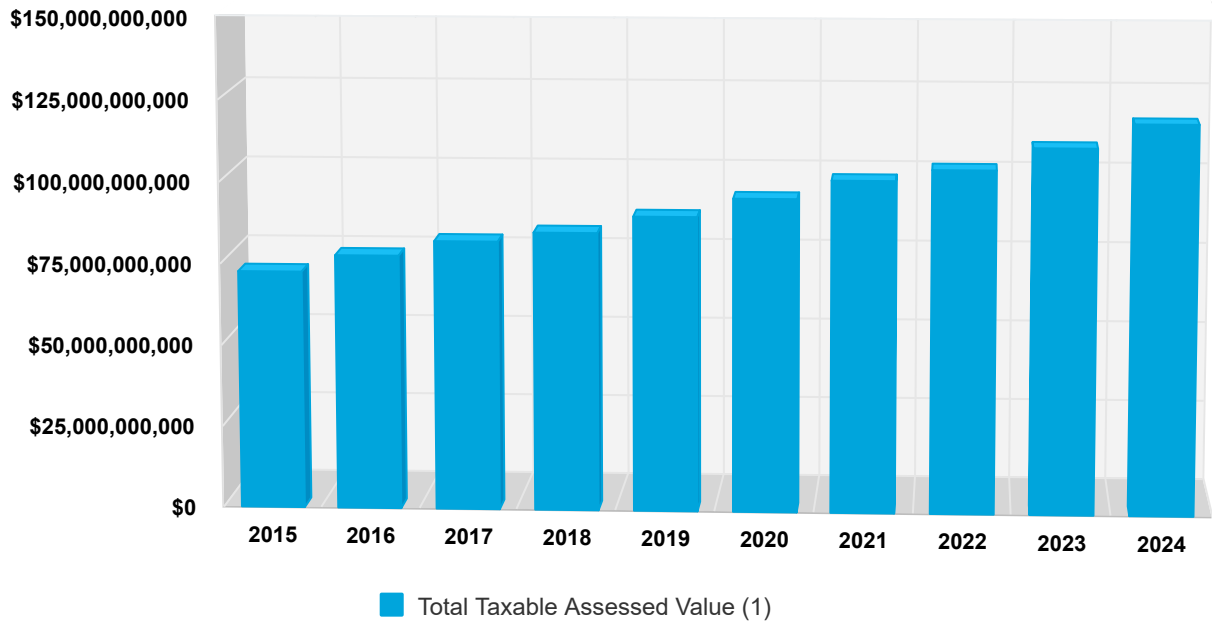
Fiscal Year Ended June 30,	Secured	Unsecured	Exempt	Total Taxable Assessed Value ⁽¹⁾	County of Sonoma General Levy ⁽²⁾
2015	\$ 73,289,558,548	\$ 2,476,588,015	\$ (2,916,460,625)	\$ 72,849,685,938	1.00%
2016	78,257,731,081	2,681,991,907	(3,116,013,957)	77,823,709,031	1.00%
2017	82,727,351,207	2,659,027,299	(3,171,081,846)	82,215,296,660	1.00%
2018	85,835,554,404	2,758,805,707	(3,139,459,862)	85,454,900,249	1.00%
2019	90,472,427,042	2,908,430,499	(3,212,530,735)	90,168,326,806	1.00%
2020	96,098,191,321	3,241,273,422	(3,502,461,668)	95,837,003,075	1.00%
2021	101,928,048,072	3,538,887,425	(3,786,024,350)	101,680,911,147	1.00%
2022	105,018,298,991	3,700,904,432	(3,724,094,412)	104,995,109,011	1.00%
2023	112,010,885,380	3,934,834,156	(3,929,108,819)	112,016,610,717	1.00%
2024	119,026,149,837	4,338,865,272	(4,218,879,663)	119,146,135,446	1.00%

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.

Assessed Value



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



**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	
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%
2024	0.0232%	0.2140%	0.7628%	1.0000%	0.0070%	0.0980%	0.0248%	1.1298%

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

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

Taxpayer	Fiscal Year Ended June 30, 2024			Fiscal Year Ended June 30, 2015		
	Total Taxes ⁽²⁾	Rank	Percentage of Total County Taxes	Total Taxes ⁽²⁾	Rank	Percentage of Total County Taxes
Pacific Gas and Electric Company	\$ 24,482,179	1	1.76%	\$ 9,295,647	2	1.08%
Geysers Power Co LLC	16,764,381	2	1.20%	10,985,476	1	1.28%
Keysight Technologies ⁽¹⁾	3,952,751	3	0.28%	-	-	0.00%
Oaks & Olives LLC	2,831,083	4	0.20%	-	-	0.00%
Foley Family Farms LP	2,356,081	5	0.17%	-	-	0.00%
Enclave Apartments Property Owner LLC	1,778,118	6	0.13%	-	-	0.00%
Jackson Family Investments III LLC	1,619,177	7	0.12%	-	-	0.00%
Foley Family Wines Inc.	1,299,616	8	0.09%	860,711	9	0.10%
Gallo Vineyards Inc.	1,245,087	9	0.09%	-	-	0.00%
CWI-Fairmont Sonoma Hotel LLC	1,229,141	10	0.09%	1,052,931	6	0.12%
Pacific Bell Telephone Co.	-	-	0.00%	1,711,644	4	0.20%
Agilent Technologies ⁽¹⁾	-	-	0.00%	2,144,276	3	0.25%
Ferrari-Carano Vineyards & Winery LLC	-	-	0.00%	1,128,825	5	0.13%
EMI Santa Rosa LTD PTP	-	-	0.00%	943,261	7	0.11%
Constellation Wines US Inc.	-	-	0.00%	865,459	8	0.10%
Silverado Sonoma Vineyards LLC	-	-	0.00%	855,405	10	0.10%
Total Taxes Top 10 Taxpayers	57,557,614		4.13%	29,843,635		3.47%
Taxes Paid by all Other Taxpayers	1,334,415,791		95.87%	829,405,952		96.53%
Total Taxes	<u>\$1,391,973,405</u>		<u>100.00%</u>	<u>\$859,249,587</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



**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
2015	\$ 728,496,859	\$ 721,075,408	99.00%	\$ 7,037,000	\$ 728,163,408	100.00%
2016	778,237,090	770,591,620	99.00%	7,132,000	776,817,620	99.80%
2017	822,152,967	815,344,431	99.20%	6,323,000	824,295,431	100.30%
2018	854,549,002	844,871,868	98.90%	9,118,000	851,790,868	99.70%
2019	901,683,268	893,578,037	99.10%	7,194,000	903,573,037	100.20%
2020	958,370,031	946,294,568	98.70%	10,533,000	956,247,568	99.80%
2021	1,016,809,112	1,003,959,146	98.70%	10,772,000	1,014,711,146	99.80%
2022	1,049,951,090	1,036,500,992	98.70%	12,352,000	1,052,218,992	100.20%
2023	1,120,166,107	1,104,447,856	98.60%	11,536,000	1,104,447,856	98.60%
2024	1,191,461,355	1,166,062,974	97.87%	-	1,166,062,974	97.87%

Notes:

⁽¹⁾ Represents the County of Sonoma General Levy.

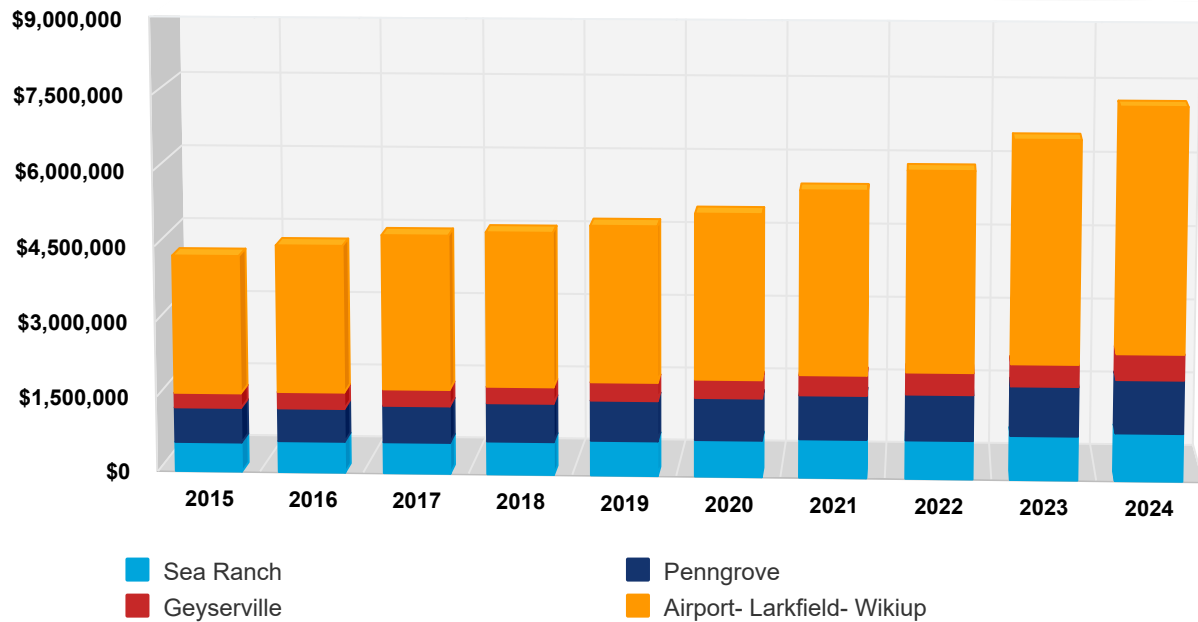
⁽²⁾ Rounded to the nearest \$1,000

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

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

Fiscal Year Ended June 30,	Sea Ranch	Penngrove	Geyserville	Airport- Larkfield- Wikiup	Total
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
2024	948,294	1,065,822	516,157	4,843,239	7,373,512

Sewer Service Direct Charge Revenue by Zone



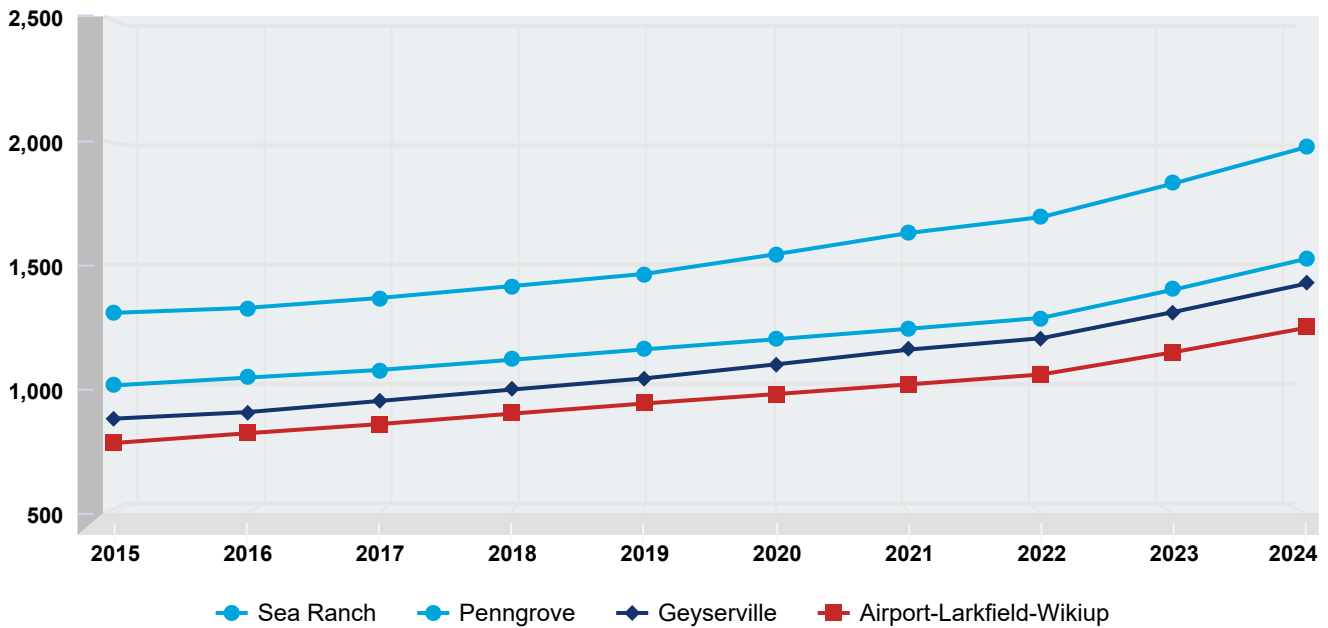
Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector



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
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
2024	1,524	1,974	1,424	1,246

Sewer Service Rates by Zone



Source: Sonoma Water Finance and Accounting Division

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

Customer	Fiscal Year Ended June 30, 2024			Fiscal Year Ended June 30, 2015		
	Direct Charges	Rank	Percentage of Total Direct Charges	Direct Charges	Rank	Percentage of Total Direct Charges
Vineyard Creek LP	\$ 231,258	1	3.14%	\$ 145,139	1	3.36%
Lilli Ann Properties Inc.	141,546	2	1.92%	67,221	3	1.56%
North Coast Detention Facility	117,403	3	1.59%	118,903	2	2.75%
RMB Real Estate Investments	96,191	4	1.30%	-		-%
Sutter Bay Hospitals	88,067	5	1.19%	37,442	7	0.87%
5209 Old Redwood Highway LLC	85,725	6	1.16%	53,802	4	1.25%
Penngrove Village LLC	69,485	7	0.94%	-		-%
Ring Properties LLC	58,799	8	0.80%	36,903	8	0.85%
301 Airport CA Owner LLC	57,216	9	0.78%	-		-%
Larkfield Oaks LP	55,821	10	0.76%	35,034	10	0.81%
Mark West Union School District	-		-%	47,671	5	1.10%
Westle Joel TR & Julie TR	-		-%	45,971	6	1.06%
Redwood Village Mobile Home PA	-		-%	35,909	9	0.83%
Total Direct Charges Top 10 Sanitation Customers	1,001,511		13.58%	623,995		14.46%
Total Direct Charges All Other Customers	6,372,001		86.42%	3,692,616		85.54%
	<u>\$ 7,373,512</u>		<u>100.00%</u>	<u>\$ 4,316,611</u>		<u>100.00%</u>

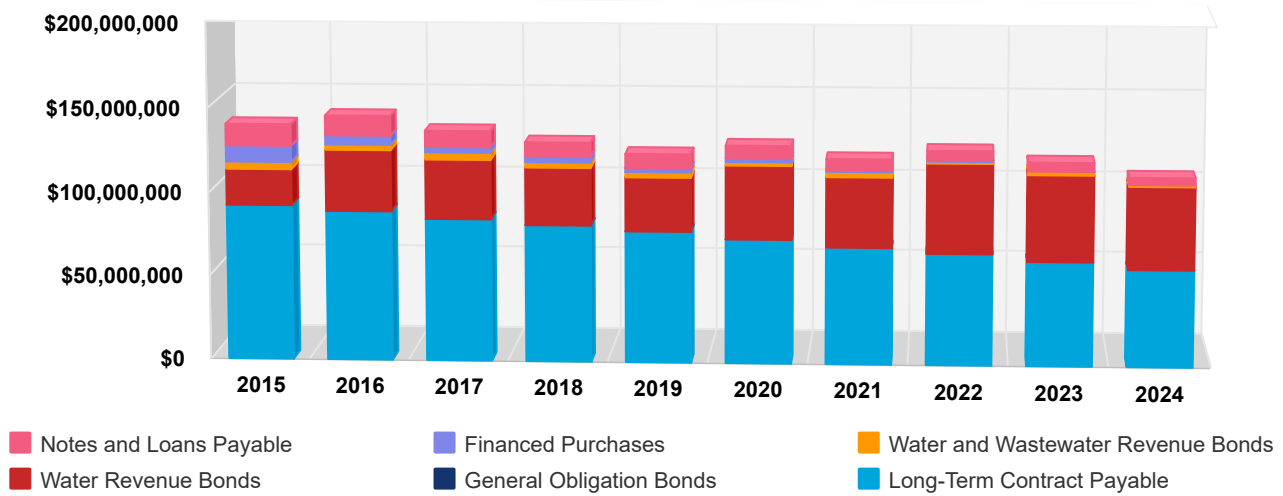
Source: Sonoma Water, Finance and Accounting Division



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	SBITA Liabilities	
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	-	51,947,832	1,572,547	260,339	4,823,190	64,578	120,403,008
2024	57,439,889	-	49,614,346	1,195,457	-	3,911,366	-	112,161,058

Outstanding Debt



Fiscal Year Ended June 30,	Population	Ratios of Sonoma Water Debt		
		Percentage of Taxable Assessed Value	Percentage of Personal Income	Per Capita
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
2024	478,152	0.09%	0.30%	235

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

**Direct and Overlapping Debt (Unaudited)
June 30, 2024**

2023-2024 Assessed Valuation	\$119,146,135,446	
<hr/>		
Direct Debt		
Sonoma Water	\$ 57,439,889	
<hr/>		
Overlapping Debt	Total Debt	Percent Applicable
County of Sonoma	\$ 359,718,987	100%
High School Districts	382,717,954	100%
Unified School Districts	567,824,915	100%
Elementary Districts	414,973,995	100%
Santa Rosa Junior College	367,115,000	100%
Total Overlapping Debt	\$ 2,092,350,851	
Total Direct and Overlapping Debt	\$ 2,149,790,740	
<hr/>		
Ratio of 2022-23 Assessed Valuation		
Total Direct Debt	0.05%	
Total Overlapping and Direct Debt	1.80%	

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



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

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

Notes:

- ⁽¹⁾ Total Water Transmission fund water sales revenue.
- ⁽²⁾ Water sales subcharges restricted for water conservation, watershed planning, watershed management and restoration, and recycled water are excluded from pledged revenue in the debt covenants.
- ⁽³⁾ Connection fees and meter fees.
- ⁽⁴⁾ Represents charges for services, donations and reimbursements, and other miscellaneous adjustments.
- ⁽⁵⁾ Power sales from the Warm Springs Dam hydroelectric
- ⁽⁶⁾ Includes non-operating revenues such as intergovernmental revenue and investment earnings. Beginning in 2022, non-cash unrealized gains and losses on investments are excluded.
- ⁽⁷⁾ Excludes the non-cash expense of depreciation.
- ⁽⁸⁾ Expenses for water conservation, watershed planning, watershed management and restoration, and recycled water projects funded by the subcharges in Note (2) are excluded from the debt coverage calculation.

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

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

Fiscal Year Ending June 30,					
2020	2021	2022	2023	2024	
\$42,931,384	\$51,227,762	\$46,803,250	\$39,674,604	\$48,666,046	Operating revenues:
(8,307,298)	(9,442,463)	(9,240,090)	(3,995,923)	(4,025,431)	Water sales ⁽¹⁾
23,820	23,378	22,896	22,896	50,004	(Subcharges) ⁽²⁾
1,710,804	88,493	527,687	63,742	(58,438)	Installation charges ⁽³⁾
26,385	-	-	-	-	Miscellaneous revenue ⁽⁴⁾
36,385,095	41,897,170	38,113,743	35,765,319	44,632,181	Power sales ⁽⁵⁾
1,587,689	269,244	171,483	1,830,740	2,360,599	Total operating revenues
37,972,784	42,166,414	38,285,226	37,596,059	46,992,780	Other revenues/(expenses) ⁽⁶⁾
(30,253,879)	(32,661,373)	(33,625,979)	(40,451,563)	(47,126,415)	Total gross revenues
6,044,660	7,030,278	6,841,756	7,614,583	7,120,861	(O&M expenses) ⁽⁷⁾
\$13,763,565	\$16,535,319	\$11,501,003	\$ 4,759,079	\$ 6,987,226	O&M subfund expense Adjustment ⁽⁸⁾
\$ 3,582,328	\$ 4,141,906	\$ 4,146,888	\$ 3,783,244	\$ 4,989,988	Net revenues
384%	399%	277%	126%	140%	Principal and Interest Payments
					Coverage ratio



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

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

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

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

Fiscal Year Ending June 30,					
2020	2021	2022	2023	2024	
\$3,752,984	\$4,210,488	\$4,395,755	\$4,928,862	\$5,305,535	Revenues:
-	-	-	-	-	User fees ^{(1),(2)}
908,744	330,280	533,732	208,761	104,997	Change in accounting estimate - user fees ⁽³⁾
-	-	-	-	-	Connection fees
-	-	-	-	-	Offset to connection fees ⁽⁴⁾
61,235	65,670	(106,613)	126,713	233,793	Change in accounting estimate - connection fees ⁽³⁾
321,465	971,310	173,223	183,396	202,551	Interest earnings
-	-	-	-	-	Other operating revenues ⁽⁵⁾
5,044,428	5,577,748	4,996,097	5,447,732	5,846,876	Transfer from Rate Stabilization Fund ⁽⁶⁾
4,004,888	4,771,573	3,675,071	4,827,492	5,123,002	Total revenues
\$1,039,540	\$ 806,175	\$1,321,026	\$ 620,240	\$ 723,874	Operating expenses ⁽⁷⁾
\$ 413,961	\$ 417,711	\$ 410,711	\$ 412,961	\$ 409,336	System net revenues
251%	193%	322%	150%	177%	Debt service
					2005/2017 Bonds
					Coverage ratio



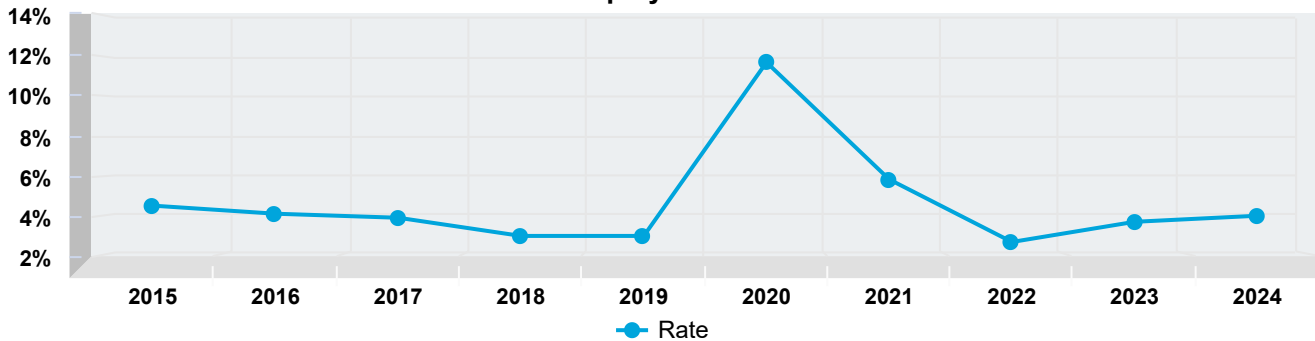
Demographics and Economic Statistics (Unaudited) Last 10 Fiscal Years

Year ⁽¹⁾	Population ⁽²⁾	Personal Income ⁽³⁾	Per Capita Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
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%
2024	478,152	37,598,558	78,633	64,447	4.0%

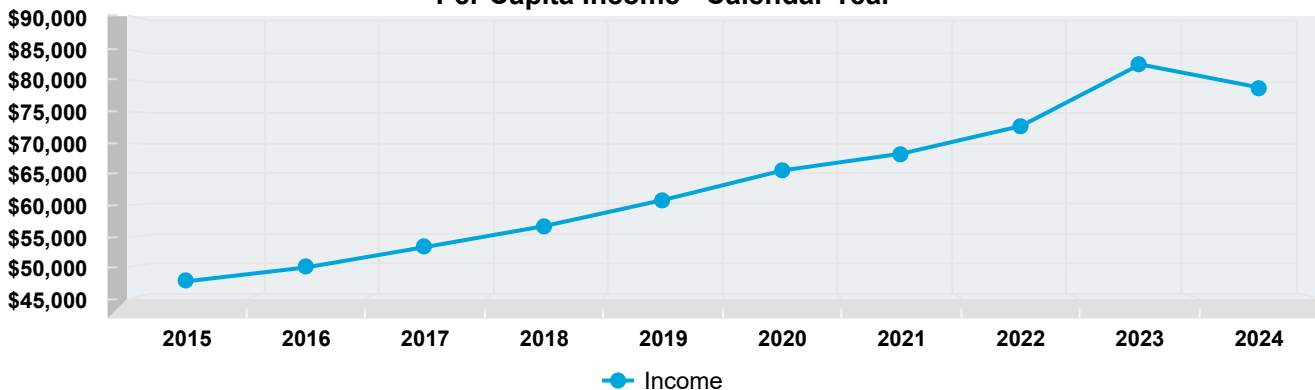
Notes:

- ⁽¹⁾ Calendar year
- ⁽²⁾ Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State. The population estimate for 2024 is as of January 1, 2024, the most recent available data.
- ⁽³⁾ Source: US Department of Commerce, Bureau of Economic Analysis - Regional Date of GDP and Personal Income. Personal income is estimated in thousands. The 2024 estimate is as of 2022, the most recent available data.
- ⁽⁴⁾ Source: State of California Department of Education.
- ⁽⁵⁾ Source: State of California Employment Development Department: Labor Force Statistics as of June 2024.

Unemployment Rate



Per Capita Income - Calendar Year



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

Employer	Principal Employers Fiscal Year Ended June 30, 2024				Fiscal Year Ended June 30, 2015		
	Source	Number of Employees	Rank	% of Total County Employment	Number of Employees ⁽⁷⁾	Rank	% of Total County Employment
County of Sonoma	(1)	4,387	1	1.8%	3,949	1	1.5%
Kaiser Permanente	(2)	3,995	2	1.7%	2,640	3	1.0%
Santa Rosa Junior College	(4)	2,975	3	1.2%	3,552	2	1.4%
Providence-Sonoma County	(2)	1,879	4	0.8%	-		-%
Keysight Technologies	(4)	1,700	5	0.7%	1,300	6	0.5%
Santa Rosa City Schools	(4)	1,691	6	0.7%	-		-%
City of Santa Rosa	(4)	1,279	7	0.5%	1,250	7	0.5%
State of California	(3)	1,224	8	0.5%	-		-%
Sonoma State University	(5)	1,200	9	0.5%	1,033	8	0.4%
Sutter Medical Center	(4)	1,196	10	0.5%	-		-%
Graton Resort and Casino		-		-%	2,000	4	0.8%
Sutter Santa Rosa Regional Hospital		-		-%	936	9	0.4%
St. Joseph's Health System		-		-%	1,578	5	0.6%
Amy's Kitchen		-		-%	870	10	0.3%
Ten largest employers		21,526		9.0%	19,108		7.4%
All other employers		217,074		91.0%	238,192		92.6%
Total County Employment	(6)	238,600		100.0%	257,300		100.0%

Sources:

- ⁽¹⁾ County of Sonoma Adopted Budget Schedules 2023-2024, 2014-2015
- ⁽²⁾ North Bay Business Journal Book of Lists
- ⁽³⁾ State of California, State Employee Demographics
- ⁽⁴⁾ City of Santa Rosa, Santa Rosa Operations & Maintenance Budget
- ⁽⁵⁾ Sonoma State University Fact Book
- ⁽⁶⁾ State of California Employment Development Department: Labor Force Statistics
- ⁽⁷⁾ County of Sonoma Adopted Budget Schedules 2014-2015, County of Sonoma Annual Comprehensive Financial Report, 2014-2015



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

	Fiscal Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Flood Control										
Channel vegetation removed (cubic feet)	3,129	3,879	5,983	2,191	4,255	4,606	6,169	3,536	2,920	3,216
Sediment removed (cubic feet) ⁽¹⁾	20,460	17,792	17,552	26,806	26,230	38,943	20,211	22	6,340	34,678
Water Transmission										
Total water delivered (acre-feet)	45,868	39,905	40,356	46,134	44,058	46,254	52,671	44,237	36,032	41,317
Hydroelectric power production (MWh) ⁽²⁾	9,777	8,820	8,951	3,356	3,162	-	-	-	-	-
Water Supply/Warm Springs Dam										
Total diversion (acre-feet)	46,176	40,028	41,873	45,745	45,640	48,123	53,599	45,846	37,229	43,238
Lake Sonoma water storage at Sept. 30 (acre-feet) ⁽³⁾	147,391	178,398	212,620	219,186	195,821	219,455	180,646	109,356	110,525	231,477
Sanitation										
Amount of wastewater treated (mg) ⁽⁴⁾	265	273	353	274	343	257	232	250	304	310
Number of ESD's ⁽⁵⁾	5,235	5,252	5,325	5,314	5,149	5,379	5,380	5,388	5,601	5,629
Number of Employees (Full Time Equivalent)	209.50	221.75	226.75	229.75	233.75	241.00	243.00	251.00	260.00	263.00

Notes:

- ⁽¹⁾ The decrease in cubic yards of sediment removed in the 2022 and 2023 field season is due to ongoing permitting discussions with regulators. Sediment removal projects rebounded following the issuance of permits in FY 23/24.
- ⁽²⁾ The hydropower unit was offline for all of Fiscal Years 19/20, 20/21, 22/23, and 23/24 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⁾ Three consecutive below normal precipitation water years dropped the reservoir to historic lows in FY 21/22. FY 22/23 shows a small uptick above but doesn't reflect significant gains from winter storms after September 30, 2022 that rose the levels above the water supply pool behind the dam. Water storage in Lake Sonoma rebounded following the end of the drought due to the series of large atmospheric rivers that made landfall in the region in December 2022 and through winter and spring months of 2023. Additionally, U.S. Army Corps of Engineers (the Corps) was managing flood control operations under a minor deviation to Lake Sonoma's Flood Control manual that was requested by Sonoma Water. The deviation authorized the Corps at their discretion to store an additional 20,000 acre-feet in the spring compared to traditional operations. Due to this, the highest storage ever recorded was during the September 30, 2024 season.
- ⁽⁴⁾ As of May 2022, the Sea Ranch Sanitation Zone North Treatment plant is no longer operating and the zone has been converted to a collection only system. All flows are transferred to the Gualala Community Services District for treatment and are accordingly no longer reported here. The Sea Ranch Central Plant remains operational. Due to significant gains from winter storms after September 30, 2022, flows increased at other sanitation zone plants compared to FY 21/22.
- ⁽⁵⁾ ESDs are based on fiscal year budget. The decrease of ESD's in FY 18/19 is associated with the 2017 Sonoma Complex Fires. Subsequent increases mostly due to fire rebuilds/reconnections and new connections in the newly serviced Larkfield Estates area.

Source: Sonoma Water, Administrative Services Division

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

	Fiscal Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	7	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	40	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



A photograph of construction workers in a trench at night. One worker in the center is welding a pipe, creating a large shower of bright orange sparks. Other workers in high-visibility clothing and hard hats are observing. A blue rectangular box with the word 'COMPLIANCE' is overlaid on the image.

COMPLIANCE



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**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, 2024, and have issued our report thereon dated December 18, 2024.

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.

Perenti & Brinku LLP

Santa Rosa, California
December 18, 2024

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