

Continuing Disclosure
Annual Report
For
Fiscal Year Ending June 30, 2005

Sonoma County Water Agency

\$15,680,000
Sonoma County Water Agency
Water Revenue Bonds
2003 Series A
Priced: December 11, 2002
Settled: January 7, 2003

CUSIP Number 835577

March 2006

Name and CUSIP Number of Bonds

Name of Issuer:	<u>Sonoma County Water Agency</u>
Obligated Person(s):	<u>Mr. Spencer Bader</u>
Name of Bond Issue:	<u>Water Revenue Bonds, 2003 Series A</u>
Date of Issuance:	<u>January 7, 2003</u>
Date of Official Statement:	<u>December 11, 2002</u>

CUSIP Number:	<u>835577-EF0</u>	CUSIP Number:	<u>835577-ES2</u>
CUSIP Number:	<u>835577-EG8</u>	CUSIP Number:	<u>835577-ET0</u>
CUSIP Number:	<u>835577-EH6</u>	CUSIP Number:	<u>835577-EU7</u>
CUSIP Number:	<u>835577-EJ2</u>	CUSIP Number:	<u>835577-EV5</u>
CUSIP Number:	<u>835577-EK9</u>	CUSIP Number:	<u>835577-EW3</u>
CUSIP Number:	<u>835577-EL7</u>	CUSIP Number:	<u>835577-EX1</u>
CUSIP Number:	<u>835577-EM5</u>	CUSIP Number:	<u>835577-EY9</u>
CUSIP Number:	<u>835577-EN3</u>	CUSIP Number:	<u>835577-EZ6</u>
CUSIP Number:	<u>835577-EP8</u>	CUSIP Number:	<u>835577-FA0</u>
CUSIP Number:	<u>835577-EQ6</u>	CUSIP Number:	<u>835577-FB8</u>
CUSIP Number:	<u>835577-ER4</u>	CUSIP Number:	<u>835577-FF9</u>
		CUSIP Number:	<u>835577-FL6</u>

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Prepared By

**Sonoma County Water Agency
Santa Rosa, California
www.scwa.ca.gov**

Introduction

The purpose of this report is to provide information to the Nationally Recognized Municipal Securities Information Repositories (NRMSIR) in order to comply with the provisions contained in the Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”) in connection with the issuance of \$15,680,000 Sonoma County Water Agency Water Revenue Bonds 2003 Series A, between the Sonoma County Water Agency (the “Agency”) and Union Bank of California (the “Trustee”). The Disclosure Agreement was executed and delivered by the Agency and the Trustee for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15-c2-12(b)(5).

Historic Water Deliveries

The following table summarizes historic water deliveries in acre-feet:

Table 1

HISTORIC WATER DELIVERIES (ACRE-FEET)

Fiscal Year June 30	Total Water Delivered
2001	62,023
2002	61,443
2003	60,607
2004	66,556
2005	62,559
<hr/>	
5-Year Average	62,638

Source: The Agency

Largest Customers

The Agency provides metered water service to all of its Water Contractors. The Agency's ten largest customers are listed in the following table.

Table 2
TEN LARGEST CUSTOMERS (FY 2004-2005)

	<u>Customer Name</u>	<u>Annual Dollars</u>	<u>% of Total</u>
1	City of Santa Rosa	\$9,395,009	36.4%
2	City of Petaluma	\$4,560,884	15.9%
3	North Marin Water District	\$3,905,906	14.4%
4	Marin Municipal Water District	\$3,601,009	12.5%
5	City of Rohnert Park	\$1,901,930	7.9%
6	Valley of the Moon Water District	\$1,250,409	4.6%
7	City of Sonoma	\$1,034,098	3.5%
8	City of Cotati	\$432,585	1.6%
9	Town of Windsor	\$229,699	0.6%
10	Cal American Water Co - Larkfield	\$217,051	0.9%

Source: The Agency

Outstanding Indebtedness

The table below summarizes the Agency's outstanding debt for the Transmission System:

Table 3
WATER TRANSMISSION SYSTEM OUTSTANDING LONG TERM DEBT

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2005
State Revolving Fund Loan	January 1, 2023	2.79%	\$15,858,989	\$11,401,362
2003A Revenue Bonds	July 1, 2032	2.000-5.000%	\$15,680,000	\$15,225,000

Source: The Agency

State Revolving Fund Loan

In March 2001, the Agency entered into a loan contract (the "State Loan") with the State of California, Department of Water Resources for funding the construction of Collector No. 6, an element of the earlier Russian River-Cotati Intertie Project. The State Loan was amended October 2002 and is for \$15,858,989, of which \$11,401,362 has been availed of as of June 30, 2005. The balance of the loan amount is being currently drawn as construction progresses. The term of the State Loan is for 20 years and the annual interest rate is 2.7934%. Principal, interest, and reserve payments begin no later than one year from the scheduled completion of the project. It is anticipated that the principal, interest, and reserve payments would begin in Fiscal Year 2005-06. Beginning Fiscal Year 2005-06, the average annual payment would be approximately \$1,144,391, including principal, interest, and reserve fund contribution through and including 2013 and beginning 2014 and through and including 2024 approximately \$1,040,355. The State Loan is a Parity Obligation.

Historic Operating Results and Debt Service Coverage

The following table sets forth a summary of the Transmission System operating results of the Agency for the last five Fiscal Years. Governmental Funds (including General and Special Tax Revenue Funds), Fiduciary Funds, and non Transmission System Enterprise Funds (Russian River Project Fund, Recycled Water Fund, and Sanitation Zone Funds) are not pledged for payment of the principal and interest on the 2003 Series A Bonds and are excluded from the following two tables. The information set forth in the following table has been derived by the Agency from its audited financial statements for such Fiscal Years.

Table 4
**WATER TRANSMISSION SYSTEM
HISTORICAL DEBT SERVICE COVERAGE
(Fiscal Year Ending June 30)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues:					
Water Sales ⁽¹⁾	\$20,169,620	\$22,631,154	\$23,626,256	\$26,528,580	\$25,400,266
Installation Charges	88,751	52,187	1,329,522	58,810	107,246
Power Sales ⁽²⁾	763,653	1,171,459	1,638,874	1,057,070	974,953
Total Operating Revenues	21,022,024	23,854,800	26,594,652	27,644,460	26,482,465
Other Revenues / (Expenses)	2,245,459	839,453	1,099,383	435,742	835,893
Total Gross Revenues	23,267,483	24,694,253	27,694,035	28,080,202	27,318,358
Operations & Maintenance Costs ⁽³⁾	18,968,396	16,829,739	19,141,081	24,612,669	24,571,852
Net Revenues	4,299,087	7,864,514	8,552,954	3,467,533	2,746,506
Principal & Interest Payments	1,300,201	1,384,120	1,647,780	1,008,455	1,260,028
Debt Service Coverage	3.3	5.7	5.2	3.4	2.2

Source: The Agency. Audited financial statements for the years 2001 - 2005

(1) Includes Maintenance & Operations Charges and Revenue Bond Charges.

(2) The hydroelectric project was financed by the Water Transmission Enterprise fund and power sales revenues are pledged for payment of the 2003 Series A Bonds.

(3) Excludes non-cash expense of depreciation.

Projected Operating Results and Debt Service Coverage

Estimated projected operating results (on a cash basis) for the Agency for the current and next four Fiscal Years are set forth below. Certain assumptions have been made by the Agency in the development of the projections. Many of these assumptions are reflected in the footnotes accompanying the projections. While the Agency believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The Agency's projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below cannot be assured.

Table 5
WATER TRANSMISSION SYSTEM
PROJECTED DEBT SERVICE COVERAGE
(Fiscal Year Ending June 30)

	<u>2006</u> ⁽¹⁾	<u>2007</u> ⁽²⁾	<u>2008</u> ⁽³⁾	<u>2009</u> ⁽³⁾	<u>2010</u> ⁽³⁾
Operating Revenues:					
Operations & Maintenance Charges	\$23,242,752	\$23,665,656	\$24,612,282	\$25,596,774	\$26,620,644
Revenue Bond Charges ⁽⁴⁾	3,555,946	4,110,612	3,301,655	3,301,598	3,300,799
Installation Charges	50,000	50,000	52,000	54,080	56,243
Power Sales ⁽⁵⁾	1,050,000	1,050,000	1,092,000	1,135,680	1,181,107
Total Operating Revenues	27,898,698	28,876,268	29,057,938	30,088,132	31,158,794
Other Revenues / (Expenses)	344,500	397,027	412,908	429,424	446,601
Total Gross Revenues	28,243,198	29,273,295	29,470,846	30,517,556	31,605,395
Operations & Maintenance Costs⁽⁶⁾	25,209,000	24,912,500	25,909,000	26,945,360	28,023,174
Net Revenues	3,034,198	4,360,795	3,561,846	3,572,196	3,582,221
Principal & Interest Payment – Existing⁽⁷⁾	318,486	1,144,391	1,144,391	1,144,391	1,144,391
Principal & Interest Payment - Series 2003A	985,459	983,739	985,614	985,564	984,869
Principal & Interest Payment - Series 2006B		446,280	741,000	741,000	741,000
 Debt Service Coverage Ratio	 233%	 169%	 124%	 124%	 125%

Source: The Agency

(1) Estimated Fiscal Year 2005-06. Rate increase of 3.6% effective July 1, 2003.

(2) Proposed Fiscal Year 2006-07 Budget.

(3) Revenues increased by 4% annually. Expenses inflated by 4% annually.

(4) Includes estimated annual debt service payments and an additional 15% as authorized by the current water supply agreement.

(5) The hydroelectric project was financed by the Water Transmission Enterprise fund and power sales revenues are pledged for payment of the 2003 Series A Bonds.

(6) Includes water production, water operation and maintenance, general and administrative, and other expenses. Excludes "non-cash" expense of depreciation.

(7) Outstanding debt is a State Revolving Fund loan in the amount of \$15,858,989, of which \$11,401,362 has been availed as of June 30, 2005. The annual debt service of \$1,144,391 for the state loan assumes full utilization of that loan.

Reconciling Schedule

The audited financial statements of the Agency include both the Russian River Project Fund as well as the Recycled Water Fund within the "Total Water Transmission Fund" category. Since these two funds are non-Transmission System funds based on their sources of revenue (override property taxes, charges in-lieu of override property taxes, and contributions from the Agency General Fund) the funds have been excluded from Table 4. Table 6 reconciles Table 4 to the audited financial statements of the Agency.

Beginning Fiscal Year 2002/03 the Agency's audited financial statements do not include non-Transmission System funds within the "Total Water Transmission Fund" category and hence no reconciliation has been provided.

Table 6
WATER TRANSMISSION FUND
(INCLUDING RUSSIAN RIVER PROJECTS AND RECYCLED WATER FUNDS)
RECONCILING SCHEDULE
(Fiscal Year Ending June 30)

	2000	2001	2002
Operating Revenues:			
Operating Revenue - Water	\$19,499,152	\$21,022,024	\$23,854,800
Operating Revenue - RR Projects/Recycled	1,758	516,900	1,217,701
Total Operating Revenues	19,500,910	21,538,924	25,072,501
Operating Expenses:			
Operating Exp. - Water (O&M)	16,547,927	18,968,396	16,829,739
Operating Exp. - Water (Depreciation)	2,132,218	2,137,746	2,373,002
Operating Exp. - RR Projects/Rec (Depreciation)	0	0	0
Operating Expenses - RR Projects/Recycled	2,023,374	2,280,133	3,700,011
Total Operating Expenses	20,703,519	23,386,275	22,902,752
Operating Income (Loss)	(1,202,609)	(1,847,351)	2,169,749
Non-Operating Revenues:			
Non-Oper. Rev. - Water (Interest Earnings)	1,825,214	2,245,459	839,453
Non-Oper. Rev./(Exp.) - Water (Other)	(138,311)	1,148,351	0
Non-Operating Rev. - RR Projects/Recycled	1,693,834	506,034	230,837
Total Non-Operating Revenues	3,380,737	3,899,844	1,070,290
Oper. Transfers In - RR Projects/Recycled	2,000,000	2,000,000	800,000
Net Income (Loss)	4,178,128	4,052,493	4,040,039

Source: Audited financial statements 2000 - 2002

Notice Events

The following is a list of Notice Events. There are no listed Notice Events related to the Agency to report at this time.

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required.

Appendix A

NRMSIRs

The Continuing Disclosure Annual Report will be disseminated by Digital Assurance Certification LLC (“the Dissemination Agent”) to the following NRMSIRs:

Bloomberg Municipal Repositories

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com
Web Site: www.bloomberg.com/markets/muni

Interactive Data

Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6899
Fax: (212) 771-7390
E-mail: NRMSIR@FTID.com
Web Site: www.Interactivedata.com

Standard & Poor’s J.J. Kenny Repository

55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com
Web Site: www.jjkenny.com/jjkenny/pser

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com
Web Site: www.dpcdate.com

Appendix B

Audited Financial Statements