

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

Sonoma Valley County Sanitation District

California Statewide Communities
Development Authority
Water and Wastewater Revenue Bonds
(Pooled Financing Program)
Series 2005C
Dated: September 7, 2005

January 2006

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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 Continuing Disclosure Certificate (the “Disclosure Certificate”) in connection with the issuance of the 2005C Bonds in complying with S.E.C. Rule 15-c2-12(b)(5).

Annual Sewer Service Charges

Rates charged to residential and commercial users are calculated by multiplying the Equivalent Single-Family Dwelling Unit (“ESD”) of each user by the Annual Sewer Service Charge. Ordinance No. 51 defines “Annual Sewer Service Charge” as a charge for use of the sewer system for a period of one year to each user and based on the estimated or actual usage of the Sewer System. The Annual Sewer Service Charge is established by the estimated annual cost of operating, maintaining, and replacing the sewer system, as submitted by the Board of the District each year. For fiscal year 2005/06, an Annual Sewer Service Charge of \$518 per ESD, and the average flow of 200 gallons per day, was set by Ordinance 72. The table below illustrates the change in Annual Sewer Service Charges.

Sonoma Valley County Sanitation District Annual Sewer Service Charges Fiscal Years 2001/02 through 2005/06

Fiscal Year	Charge Per ESD	Percent Increase
2001/02	\$400	6.1%
2002/03	427	6.8%
2003/04	455	6.6%
2004/05	486	6.8%
2005/06	518	6.6%

Ordinance No. 63 establishes various use categories and the corresponding ESD. Single-family and condominiums have an ESD of 1.00; multi-family, mobile homes and other residential uses have an ESD of 0.80. Commercial uses have ESDs ranging from 0.01 (for churches, halls and lodges) to 2.59 (for restaurants, take-out). Schools have ESDs of 0.05 per student day (elementary) and 0.07 per student day (high school).

When requested by a user with five or more ESDs of capacity for any one parcel, the District's General Manager/Chief Engineer may allow the Annual Service Charges to be based on actual measured usage of the sewer system. The methodology used to calculate service charge for this option is as follows:

Wastewater Flow	0.0048 per gallon/day x 365 days
Biochemical Oxygen Demand	0.2828 per pound/day x 365 days
Total Suspended Solids	0.0503 per pound/day x 365 days

The General Manager/Chief Engineer may bill the sewer service charge for industrial or unusual commercial users on a more frequent basis than annually.

Connection Charge

Sewage system connection fees must be paid by all users, prior to the issuance of a permit to connect. Connection fees are calculated by multiplying the ESD of each user by a connection fee of \$9,057.91. Pursuant to the District's Water Conservation Program, a credit of \$1,500 per ESD is granted for offsetting an equal quantity of flow by retrofitting existing facilities with water-saving devices as stipulated by the Water Conservation Program. The connection fee may be adjusted each July 1st in proportion to the change in the *Engineering News Record Construction Cost Index* for San Francisco. The table below shows the change in connection fees.

**Sonoma Valley County Sanitation District
Annual Connection Fees
Fiscal Years 2001/02 through 2005/06**

Fiscal Year	Charge Per ESD	Percent Increase
2001/02	\$8,109.30	4.00%
2002/03	8,360.60	3.10%
2003/04	8,561.35	2.40%
2004/05	9,057.91	5.80%
2005/06	9,492.69	4.80%

Customers by Category

The table below shows, in Equivalent Single-Family Dwelling Units, the categories of residential, commercial, industrial and other categories of customers in the District.

Sonoma Valley County Sanitation District Number of Wastewater System Customers by Category In Equivalent Single-Family Dwelling Units (ESD)

Use Category	ESDs 2003/04	% of Total	ESDs 2004/05	% of Total	ESDs 2005/06	% of Total
Residential	12,404	74.4%	12,488	74.0%	12,679	74.3%
Commercial	1,917	11.5%	1,951	11.6%	1,962	11.5%
Industrial	850	5.1%	863	5.1%	863	5.1%
Irrigated Farm	7	0.0%	7	0.0%	7	0.0%
Dry Farm	5	0.0%	5	0.0%	5	0.0%
Recreational	85	0.5%	85	0.5%	85	1.0%
Institutional	293	1.8%	361	2.1%	361	2.0%
Miscellaneous	11	0.1%	11	0.1%	11	0.1%
Government	1,099	6.6%	1,099	6.5%	1,099	6.0%
Totals	16,671	100.0%	16,870	100.0%	17,072	100.0%

Ten Largest Users

The ten largest users of the District's Wastewater System and the total amount billed to each for twelve months are summarized in the following table.

**Sonoma Valley County Sanitation District
Largest Annual Billings to Wastewater Customers
Fiscal Year 2004/05**

Customer	Billings	Percent of Total Wastewater Service Charges
Sonoma Development Center	\$482,258.00	5.453%
Sebastiani Vineyards, Inc.	\$284,081.56	3.212%
De Anza Moon Valley, LLC	\$102,356.80	1.157%
Cathedral Canyon Mobile Estate	\$96,834.92	1.095%
Viviani Lawrence P & Jacquelyn	\$86,257.36	0.975%
SMI Real Estate, LLC	\$84,159.46	0.952%
Sonoma Rancho Vista LP ET AL	\$69,412.00	0.785%
Sonoma Valley Union High School	\$61,590.20	0.696%
Diamondrock Sonoma Owner, LLC	\$59,254.02	0.670%
Pueblo Serena	\$52,628.80	0.595%
Totals	\$1,378,833.12	15.592%

Additional Indebtedness

There has been no additional indebtedness incurred during the prior fiscal year which is payable from revenues of the Wastewater System on a parity with the Bonds.

Net Revenues

The following table represents Net Wastewater Revenues for the prior fiscal year, projected amounts for the current fiscal year, and the amount of debt service coverage provided thereby.

Sonoma Valley County Sanitation District Net Wastewater Revenues and Debit Service Coverage Fiscal Years 2002/2003 through 2005/2006

	Actual 2002/2003	Actual 2003/2004	Actual 2004/2005	Adopted Budget 2005/2006
Operating Revenues				
Flat Charges	\$6,075,113	\$6,573,512	\$7,098,611	\$7,372,337
Charges for Services	\$687,894	\$829,648	\$967,559	\$910,000
Interest Revenue	\$554,683	\$215,841	\$401,520	\$75,000
All Others	\$4,495	\$15,452	\$200	\$0
TOTAL OPERATING REVENUES	\$7,322,185	\$7,634,453	\$8,467,890	\$8,357,337
Operating Expenses				
Services and Supplies (1)	\$4,740,633	\$4,429,801	\$5,026,718	\$5,428,550
All Others	\$18,691	\$11,766	\$6,211	\$149,000
TOTAL OPERATING EXPENSES	\$4,759,324	\$4,441,567	\$5,032,929	\$5,577,550
Net Wastewater Revenues:	\$2,562,861	\$3,192,886	\$3,434,961	\$2,779,787
Debt Service Requirements				
98 Rev Bonds	\$1,460,609	\$1,467,709	\$1,468,793	\$1,453,867
State Loan	\$49,894	\$49,710	\$49,710	\$49,710
TOTAL DEBT SERVICE	\$1,510,503	\$1,517,419	\$1,518,503	\$1,503,577
COVERAGE	169.7%	210.4%	226.2%	184.9%
Excess Coverage (Amount available for additional debt at 110%)	\$901,308	\$1,523,725	\$1,764,608	\$1,125,853
Annual Rate Increase	7.50%	7.50%	7.50%	6.50%

(1) Services and supplies included annual operating costs, but exclude depreciation, loss on fixed assets, and other non-cash transactions. It also excludes operating transfers between District funds (financing capital projects, debt service, etc.).

Reporting of Significant Events

Section 5 of Disclosure Certificate

Pursuant to the provisions of Section 5(a), the Participant shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Installment Purchase Agreement or its obligations in relation to the Bonds, if material:

- principal and interest payment delinquencies;
- non-payment related defaults; and
- adverse tax opinions or events affecting the tax-exempt status of the Bonds.

Pursuant to the provisions of Section 5(b), whenever the Participant obtains knowledge of the occurrence of a Listed Event, the Participant shall as soon as possible determine if such event would be material under applicable Federal securities laws.

Pursuant to the provisions of Section 5(c), if the Participant determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the Participant shall promptly file a notice of such occurrence with the Repositories.

Significant Events

No significant events have occurred as of the writing of this report.

Appendix A

NRMSIRs

The Continuing Disclosure Annual Report will be disseminated by Digital Assurance Certification (“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