Financial Statements

Years Ended June 30, 2018 and June 30, 2017
With Report of Independent Auditors

Sonoma Clean Power

Innovation. Grown locally.

SONOMA CLEAN POWER AUTHORITY
YEARS ENDED JUNE 30, 2018 AND 2017

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Independent Auditor's Report

To the Board of Directors
Sonoma Clean Power Authority
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sonoma Clean Power Authority (SCPA), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise SCPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCPA as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Pisenti & Brinker LLP

Santa Rosa, California
November 29, 2018

SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Sonoma Clean Power Authority's (SCPA) financial activities as of and for the years ended June 30, 2018 and 2017. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of SCPA was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

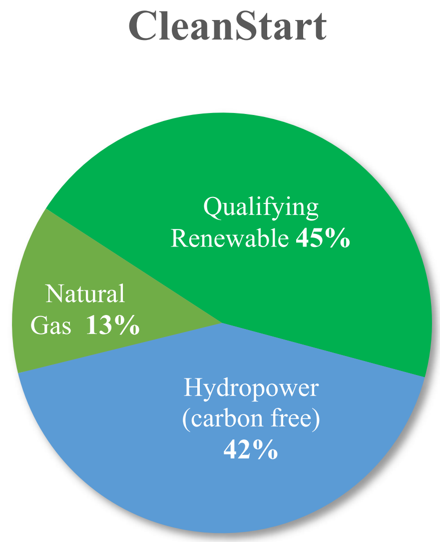
SCPA was created as a California Joint Powers Authority on December 4, 2012. SCPA was established to provide electric power and related benefits within Sonoma County, including developing a wide range of renewable energy sources and energy efficiency programs. Governed by an appointed board of directors (Board), SCPA has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. SCPA is responsible for the acquisition of electric power for its service area.

SCPA's financial activity commenced on April 23, 2013, when it succeeded the Sonoma County Water Agency (SCWA) in performing specified activities related to a community choice aggregation program. Pursuant to an agreement between SCPA and SCWA, SCPA accepted an obligation to reimburse SCWA for specified costs to initiate the entity and its programs which were incurred prior to the agreement.

In May 2014, SCPA began providing service to its first 22,000 customer accounts. Significant growth has occurred since that time, and as of June 30, 2018, SCPA serviced approximately 228,000 customer accounts. In June 2017, SCPA expanded outside of Sonoma County for the first time to serve the unincorporated areas of Mendocino County and the cities of Fort Bragg, Willits and Point Arena. Within Sonoma County, service areas include the cities and towns of Cloverdale, Cotati, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Windsor, and all of Sonoma County's unincorporated areas.

Providing its customers with affordable electricity with very low greenhouse gas emissions is a main focus of SCPA's operations. SCPA has entered into agreements with electricity suppliers to ensure that a portion of the electricity provided to customers is from renewable sources and from hydropower, which has no emissions but is not classified as renewable in California. In an effort to increase demand for renewable electricity, SCPA offers its customers two electricity services to choose from: CleanStart and Evergreen. Evergreen customers have chosen to purchase electricity from 100% local renewable sources. Customers who do not choose to participate in Evergreen fall into the CleanStart service and receive electricity with 42% carbon free hydropower, 45% renewable energy (sources such as geothermal, wind, and solar), and 13% general power which is primarily natural gas. SCPA intends to raise awareness and participation of its Evergreen service to provide a greater demand for renewable electricity.

The following chart illustrates the energy mix of SCPA's CleanStart and Evergreen services:



Financial Reporting

SCPA presents its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this report

This report is divided into the following sections:

- Management's discussion and analysis, which provides an overview of operations.
- The Basic financial statements, which offer information on SCPA's financial status:
    - The *Statements of Net Position* includes all of SCPA's assets, liabilities, and net position using the accrual basis of accounting. The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.
    - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of SCPA's revenue and expenses for the years shown.
    - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital asset acquisitions.
    - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

FINANCIAL HIGHLIGHTS

The following table is a summary of SCPA's assets, liabilities, and net position as of June 30:

	2018	2017	2016
Current assets	$ 85,142,630	$ 71,857,772	$ 61,053,208
Noncurrent assets			
Capital assets and land, net	3,332,156	182,197	201,155
Other noncurrent assets	4,114,666	3,737,559	354,666
Total noncurrent assets	7,446,822	3,919,756	555,821
Total assets	92,589,452	75,777,528	61,609,029
Current liabilities	15,828,325	13,397,884	21,130,289
Noncurrent liabilities	-	2,475,000	-
Total liabilities	15,828,325	15,872,884	21,130,289
Net position			
Investment in capital assets	3,332,156	182,197	201,155
Unrestricted	73,428,971	59,722,447	40,277,585
Total net position	$ 76,761,127	$ 59,904,644	$ 40,478,740

Current Assets

2018 compared to 2017 Current assets reached $85,142,000 by the end of 2018, an 18% increase from the prior year. Current assets are mostly comprised of the following: $41,334,000 in cash, $17,864,000 in accounts receivable, $9,573,000 in accrued revenue, and $15,114,000 in investments, each of which mark an increase from 2017. Accounts receivable and accrued revenue experienced moderate increases mostly attributable to territory expansions within Mendocino County. Fiscal year 2018 was the first full year with Mendocino County included in its customer base. Accrued revenue differs from accounts receivable in that it is the result of electricity use by SCPA customers before invoicing to those customers has occurred.

Capital Assets

2018 compared to 2017 Capital assets increased significantly in fiscal year 2018 as SCPA purchased a building that will be used as its future headquarters. From 2017 to 2018 total capital assets increased from $182,000 in 2017 to $3,332,000 in 2018, mostly attributable to the building and land purchase. Other assets held by SCPA are furniture, equipment, and tenant improvements. Capital assets are reported net of depreciation. SCPA does not own assets used for electric generation or distribution.

Other Noncurrent Assets

2018 compared to 2017 Other noncurrent assets increased from $3,738,000 in 2017 to $4,115,000 in 2018. This increase reflects additions to cash deposits made with energy providers held as collateral for energy purchases. These deposits will be returned to SCPA at the completion of the related contract or as other milestones are met. The remaining balance is comprised of various deposits for regulatory and other operating purposes.

Current Liabilities

2018 compared to 2017 Current liabilities consist mostly of the cost of electricity delivered to customers that is not yet due to be paid by SCPA. Current liabilities increased from $13,398,000 in 2017 to $15,828,000 in 2018. The increase is mostly due to the increased energy purchased to service the customer base from the Mendocino expansion. Other components include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities.

Noncurrent Liabilities

2018 compared to 2017 At the end of fiscal year 2018 SCPA had no noncurrent liabilities. At June 30, 2017, SCPA held $2,475,000 in security deposits from energy suppliers. Similar to collateral, this was be held by SCPA in the event the energy supplier's generation facility is not operational within a contractually defined timeframe. If the facility is in operation in time, then SCPA will return the collateral. During fiscal year 2018 the bulk of these deposits were returned to the supplier and replaced with a letter of credit with SCPA as the beneficiary. $150,000 of deposits were recognized as income by SCPA in fiscal year 2018 as a remedy for nonperformance. SCPA has no bank debt.

The following table is a summary of SCPA's results of operations:

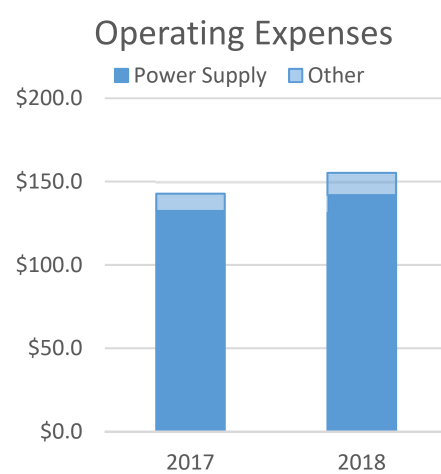
	2018	2017	2016
Operating revenues	$ 172,548,747	$ 161,966,580	$ 163,680,820
Interest income	562,637	225,765	52,479
Total income	173,111,384	162,192,345	163,733,299
Operating expenses	155,257,701	142,766,441	136,875,570
Charitable contributions	997,200	-	-
Interest expense	-	-	36,004
Total expenses	156,254,901	142,766,441	136,911,574
Increase in net position	$ 16,856,483	$ 19,425,904	$ 26,821,725

Operating Revenues

2018 compared to 2017 SCPA's customer base held fairly steady through fiscal year 2018, as the expansion into parts of Mendocino County occurred during the final month of the previous year. With this expansion in effect for a full year in 2018, overall operating revenues increased 7% in 2018 compared to 2017. Operating revenues from electricity sales increased 12% compared to 2017. Electricity sales for resale decreased from $8,418,000 in 2017 to $591,000 in 2018. The decrease is the result of unusually large sales of energy to other resellers in 2017 caused by an unexpectedly early operational commencement by a supplier's facility, so SCPA sold electricity that was not needed for retail customer use.

Operating Expenses

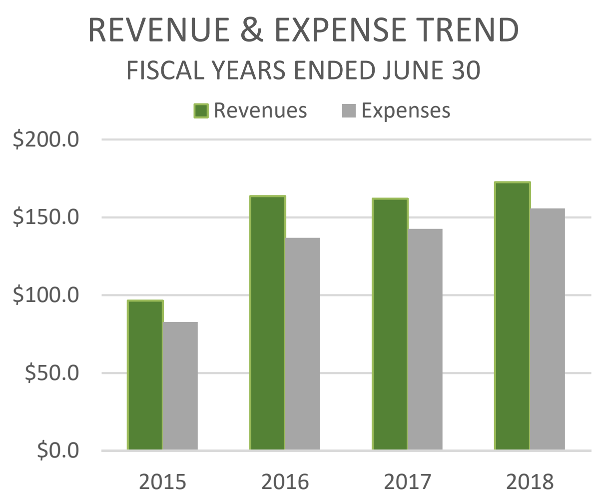
2018 compared to 2017 Expenses increased from fiscal year 2017 to 2018, largely as a result of energy purchases to provide for additional retail customer load for the Mendocino County expansion. For both years, the largest expense was the cost of electricity. Expenses for staff compensation, consulting, and other general and administrative expenses also increased in 2018, but at a lower dollar level than the cost of energy. Included in 2017 and 2018 were rebate incentives related to various programs managed by SCPA. See Note 1 to the financial statements for more details regarding these programs. As shown in the table to the right, operations are heavily weighted with the cost of power supply, as SCPA strives to provide affordable electricity while maintaining an efficient organizational scale.

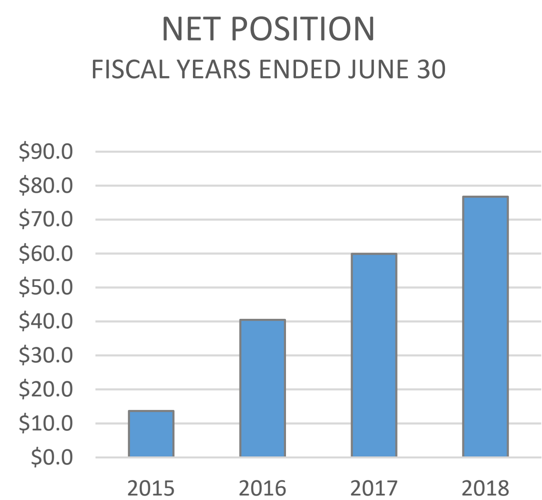


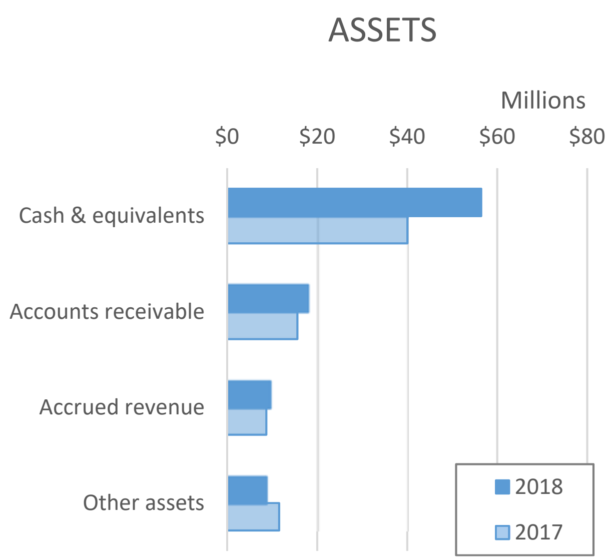
Charitable Contributions

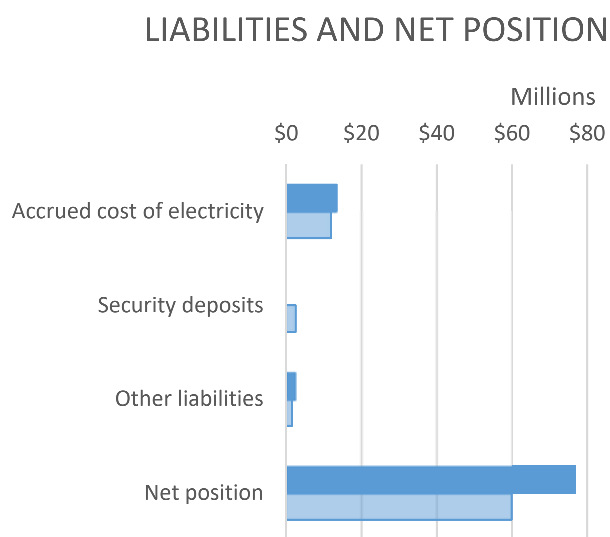
SCPA contributed $997,000 toward relief efforts of the 2017 wildfires affecting Sonoma and Mendocino Counties.

FINANCIAL SUMMARY (in millions)









Assets	2018	2017
Cash & equivalents	$56.4	$40.0
Accounts receivable	17.9	15.6
Accrued revenue	9.6	8.7
Other assets	8.7	11.5
Total Assets	$92.6	$75.8

Liabilites & net position	2018	2017
Accrued cost of electricity	$13.4	$11.8
Security deposits	0.0	2.5
Other liabilities	2.4	1.6
Net position	76.8	59.9
Total liabilities & net position	$92.6	$75.8

ECONOMIC OUTLOOK

Sonoma Clean Power Authority serves 87% of all eligible customers in Sonoma and Mendocino Counties, and this is expected to remain relatively stable. Energy prices have allowed a general reduction in SCPA's customer rates over time, but these have been more than offset by increases in PG&E's exit fees.

SCPA has made some progress on creating more certainty over the exit fees, but also expect those fees to remain at high levels for several years. The CPUC has assigned higher exit fees beginning in 2019 but has not yet required PG&E to take any actions to minimize the costs that make up the exit fees. As a result, SCPA is working closely with CalCCA on regulatory solutions. SCPA is focused on building credit capacity through increasing cash reserves and entering into favorable energy purchase commitments. The next three to four years could see much lower contributions to reserves compared with previous years, as SCPA seeks to protect customers from increases in PG&E exit fees.

SCPA is also focused on promoting a rapid transition to electric vehicles that would have the effect of both reducing greenhouse gas emissions and increasing SCPA revenues as vehicle charging requires purchasing electricity.

REQUEST FOR INFORMATION

This financial report is designed to provide SCPA's customers and creditors with a general overview of the Organization's finances and to demonstrate SCPA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 50 Santa Rosa Avenue, 5th Floor, Santa Rosa, CA 95404.

Respectfully submitted,

Geof Syphers, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 41,333,780	$ 40,035,454
Investment in Sonoma County Investment Pool	15,114,038	-
Accounts receivable, net of allowance	17,864,147	15,615,980
Other receivables	182,746	184,177
Accrued revenue	9,573,023	8,693,481
Prepaid expenses	530,531	46,791
Deposits with energy suppliers	544,365	253,461
Investments	-	7,028,428
Total current assets	85,142,630	71,857,772
Noncurrent assets		
Nondepreciable capital assets	860,520	-
Capital assets, net of depreciation	2,471,636	182,197
Deposits with energy suppliers	4,114,666	3,737,559
Total noncurrent assets	7,446,822	3,919,756
Total assets	92,589,452	75,777,528
LIABILITIES		
Current liabilities		
Accounts payable	1,072,947	735,242
Accrued cost of electricity	13,364,094	11,827,067
Advance from grantor	500,000	-
Other accrued liabilities	414,792	362,581
User taxes and energy surcharges due to other governments	476,492	472,994
Total current liabilities	15,828,325	13,397,884
Noncurrent liabilities		
Supplier security deposits	-	2,475,000
Total noncurrent liabilities	-	2,475,000
Total liabilities	15,828,325	15,872,884
NET POSITION		
Investment in capital assets	3,332,156	182,197
Unrestricted	73,428,971	59,722,447
Total net position	$ 76,761,127	$ 59,904,644

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

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Electricity sales, net	$ 171,105,819	$ 152,962,450
Evergreen electricity premium	429,525	250,165
Electricity sales for resale	590,963	8,417,669
Liquidated damages	422,440	336,296
Total operating revenues	172,548,747	161,966,580
OPERATING EXPENSES		
Cost of electricity	141,874,571	132,419,973
Staff compensation	3,034,920	2,624,111
Data manager	3,138,228	2,858,418
Service fees - PG&E	1,113,099	1,048,046
Consultants and other professional fees	1,848,708	1,195,081
Legal	298,244	299,252
Customer communications	1,361,757	870,061
General and administration	779,155	395,113
Program rebates and incentives	1,748,903	1,008,596
Depreciation	60,116	47,790
Total operating expenses	155,257,701	142,766,441
Operating income	17,291,046	19,200,139
NONOPERATING REVENUES (EXPENSES)		
Interest income	562,637	225,765
Charitable contributions	(997,200)	-
Total nonoperating revenues (expenses)	(434,563)	225,765
CHANGE IN NET POSITION	16,856,483	19,425,904
Net position at beginning of period	59,904,644	40,478,740
Net position at end of period	$ 76,761,127	$ 59,904,644

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

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF CASH FLOWS

FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 168,417,320	$ 153,855,888
Receipts from electricity sales for resale	653,627	9,275,053
Receipts from liquidated damages	250,000	368,441
Receipts from grantors	500,000	-
Receipts from supplier for security deposits	2,325,000	2,475,000
Tax and surcharge receipts from customers	2,286,495	2,328,361
Payments to purchase electricity	(140,595,493)	(140,429,487)
Payments for staff compensation	(2,993,518)	(2,439,940)
Payments for contract services	(6,325,611)	(5,425,130)
Payments for customer communications	(1,325,860)	(869,998)
Payments for general and administration	(828,202)	(365,031)
Payments for program rebates and incentives	(2,018,403)	(1,103,596)
Return of security deposits to suppliers	(4,650,000)	-
Tax and surcharge payments to other governments	(2,292,682)	(2,318,419)
Deposits and collateral paid	(620,867)	-
Payments for charitable contributions	(689,200)	-
Net cash provided (used) by operating activities	12,092,606	15,351,142
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Deposits and collateral paid	-	(3,512,500)
Deposits and collateral returned	-	395,000
Net cash provided (used) by non-capital financing activities	-	(3,117,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,349,554)	(34,418)
Acquisition of nondepreciable capital assets	(860,520)	-
Net cash provided (used) by capital and related financing activities	(3,210,074)	(34,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificate of deposit	7,028,428	-
Interest income received	501,404	205,063
Net cash provided (used) by investing activities	7,529,832	205,063
Net change in cash and cash equivalents	16,412,364	12,404,287
Cash and cash equivalents at beginning of year	40,035,454	27,631,167
Cash and cash equivalents at end of year	$ 56,447,818	$ 40,035,454
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$ 41,333,780	$ 40,035,454
Investment in Sonoma County Pooled Investment Pool	15,114,038	-
Cash and cash equivalents	$ 56,447,818	$ 40,035,454

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

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2018	2017
Operating income	$ 17,291,046	$ 19,200,139
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	60,115	47,790
Revenue reduced for uncollectible accounts	861,807	1,258,826
Charitable contributions considered an operating activity for cash flow purposes only	(689,200)	-
(Increase) decrease in net accounts receivable	(3,109,973)	(1,246,980)
(Increase) decrease in other receivables	62,664	857,257
(Increase) decrease in accrued revenue	(879,543)	631,426
(Increase) decrease in prepaid expenses	(483,740)	(26,643)
(Increase) decrease in current deposits	(668,011)	(118,854)
Increase (decrease) in accounts payable	29,705	83,489
Increase (decrease) in accrued cost of electricity	1,186,149	(8,150,207)
Increase (decrease) in advance from grantors	500,000	-
Increase (decrease) in accrued liabilities	403,089	329,957
Increase (decrease) in user taxes and energy surcharges due to other governments	3,498	9,942
Increase (decrease) in supplier security deposits	(2,475,000)	2,475,000
Net cash provided (used) by operating activities	$ 12,092,606	$ 15,351,142

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Sonoma Clean Power Authority (SCPA) is a joint powers authority created on December 4, 2012. As of June 30, 2018, partner communities consist of the following local governments:

Cloverdale	Sebastopol
Cotati	Sonoma
Fort Bragg	Unincorporated Mendocino County
Petaluma	Unincorporated Sonoma County
Point Arena	Willits
Rohnert Park	Windsor
Santa Rosa	

SCPA is separate from and derives no financial support from its members. SCPA is governed by a Board of Directors whose membership is composed of elected officials representing one or more of the partner communities.

SCPA was formed to study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives. A core function of SCPA is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

SCPA began its energy delivery operations in May 2014. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

BASIS OF ACCOUNTING

SCPA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

SCPA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into two categories – investment in capital assets and unrestricted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, SCPA defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less, including investments held in the Sonoma County Investment Pool which are available on demand and are considered highly liquid.

DEPOSITS WITH ENERGY SUPPLIERS

Various energy contracts entered into by SCPA require SCPA to provide the supplier with a security deposit. The deposits are generally held for the term of the contract. Deposits with energy suppliers are classified as current or noncurrent assets depending on the length of the time the deposits will be held. While these energy contract related deposits make up the majority of this item, other components of deposits include those for regulatory and other operating purposes.

INVESTMENTS

As of June 30, 2017, SCPA owned an investment in a certificate of deposit with a six-month term that was not considered a cash equivalent. In accordance with GASB 31, the certificate was reported using a cost-based measure and was accounted for on the Statement of Net Position at cost. During 2017-18, the certificate of deposit matured and was transferred to the Sonoma County Investment Pool.

CAPITAL ASSETS AND DEPRECIATION

SCPA's policy is to capitalize furniture and equipment valued over $1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture and leasehold improvements. Real estate, excluding land, is depreciated over 30 years.

SUPPLIER SECURITY DEPOSITS

Certain energy contracts entered into by SCPA require the supplier to provide SCPA with security deposits. Similar to collateral, this will be held by SCPA in the event the energy supplier's generation facility is not operational within a contractually defined timeframe. If the facility is operational in time, then SCPA will return the deposit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NON-OPERATING REVENUE

Revenue from the sale of electricity to customers is considered operating revenue. The vast majority of operating revenue is derived from these sales. Also included as operating revenue are sales of electricity to other retailers for resale. SCPA engages in this activity in order to sell off excess energy that was procured, but not necessary to cover its retail customer's demands. Interest income is considered non-operating revenue.

REVENUE RECOGNITION

SCPA recognizes revenue on the accrual basis. This includes invoices issued to customers during the period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

ELECTRICAL POWER PURCHASED

Electrical power sold to customers was purchased through several energy suppliers. The cost of power and related delivery costs have been recognized as "cost of electricity" in the Statement of Revenues, Expenses and Changes in Net Position.

SCPA purchases Renewable Energy Certificates (REC) to comply with external mandates and self-imposed benchmarks. The RECs purchased by SCPA are commonly called "bundled", as they are purchased together with the associated renewable energy actually generated. SCPA procures RECs with the intent to retire them, and does not engage in the activity of building a surplus of RECs. An expense is recognized at the point that the cost of the REC is due and payable to the supplier.

STAFFING COSTS

SCPA pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. SCPA is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. SCPA provides compensated time off, and the related liability is recorded in these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADVANCE FROM GRANTOR

SCPA received grant funding during the year that will assist SCPA's homeowner rebuild program. The amount in this category represents funds received by SCPA, but not yet expended to carry out the specific goals.

PROGRAM REBATES AND INCENTIVES

During 2017-2018 and 2016-17, SCPA provided incentive rebates for customers who purchased or leased electric vehicles through the *Drive EverGreen* program. This program was provided in partnership with several local auto dealerships to encourage the use of electric vehicles. In addition, SCPA provided incentive rebates for customers to purchases charging equipment for their electric vehicles. During 2017-18 and 2016-17 SCPA paid out approximately $1.7 million and $1 million in rebates for vehicles and charging equipment, respectively.

INCOME TAXES

SCPA is a joint powers authority under the provision of the California Government Code, and is not subject to federal or state income or franchise taxes.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

2. CASH AND CASH EQUIVALENTS

SCPA maintains its cash in interest and non-interest-bearing accounts in several banks and in the Sonoma County Investment Pool (the County Pool). California Government Code Section 16521 requires that these banks collateralize amounts of public funds in excess of the FDIC limit of $250,000 by 110%. SCPA has no deposit or investment policy that addressed a specific type of risk that would impose additional restrictions beyond this code. Accordingly, the amount of risk is not disclosed. Risk is monitored on an ongoing basis.

2. CASH AND CASH EQUIVALENTS (continued)

The County Pool includes both voluntary and involuntary participation from external entities. SCPA is a voluntary participant. SCPA has approved by resolution, the investment policy of the County of Sonoma which complies with the California Government Code.

The County Pool is not registered with the Securities and Exchange Commission as an investment company. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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. As of June 30, 2018, SCPA held no individual investments. All investments are in the Sonoma County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SCPA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of $1 which is substantially equal to fair value. SCPA's proportionate share of investments in the County Pool at June 30, 2018 and 2017 of $15,114,000 and $0, respectively, are not required to be categorized under the fair value hierarchy.

2. CASH AND CASH EQUIVALENTS (continued)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. SCPA has not adopted a policy to manage interest rate risk.

The County Pool manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2018, approximately 50% of the securities in the County Pool had maturities of one year or less. Of the remainder, only 1 percent had a maturity of more than five years.

CREDIT RISK

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2017-18 Sonoma County Comprehensive Annual Financial Report.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

	2018	2017
Accounts receivable from customers	$ 21,314,870	$ 18,204,897
Allowance for uncollectible accounts	(3,450,723)	(2,588,917)
Net accounts receivable	$ 17,864,147	$ 15,615,980

The majority of account collections occur within the first few months following customer invoicing. SCPA continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, SCPA continues to have some success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. SCPA records reserves for its estimated uncollectible accounts as a reduction to the related operating revenue in the Statements of Revenues, Expenses and Changes in Net Position. Charges to reserve for uncollectible accounts for 2017-18 and 2016-17 were $862,000 and $1,259,000, respectively.

4. CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance June 30, 2017	Additions	Balance June 30, 2018
Nondepreciable capital assets:			
Land	$ -	$ 860,520	$ 860,520

	Balance June 30, 2016	Additions	Balance June 30, 2017
Depreciable capital assets:			
Furniture and equipment	$ 196,911	$ 23,025	$ 219,936
Leasehold improvements	68,833	5,807	74,640
Accumulated depreciation	(64,589)	(47,790)	(112,379)
Totals at historical cost	$ 201,155	$ (18,958)	$ 182,197

	Balance June 30, 2017	Additions	Balance June 30, 2018
Depreciable capital assets:			
Building	$ -	$ 2,264,086	$ 2,264,086
Furniture and equipment	219,936	85,469	305,405
Leasehold improvements	74,640	-	74,640
Accumulated depreciation	(112,379)	(60,116)	(172,495)
Totals at historical cost	$ 182,197	$ 2,289,439	$ 2,471,636

In June 2018, SCPA purchased office property for approximately $3,125,000, including closing and other costs. A portion of property has been attributed to the value of the land, which is included on the Statement of Net Position in the nondepreciable capital assets category. The office property was not in use as of June 30, 2018 and depreciation expense has not been recognized during 2017-18.

5. DEFINED CONTRIBUTION RETIREMENT PLAN

The Sonoma Clean Power Authority Retirement Plan (Plan) is a defined contribution (IRC 457(b)) retirement plan established to provide benefits at retirement to its employees. The Plan is administered by Principal Financial Group. At June 30, 2018, there were 19 plan participants. SCPA is required to contribute up to 8% of covered payroll as a match to employee contributions. SCPA contributed $174,000 and $207,000 during 2017-18 and 2016-17, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

6. RISK MANAGEMENT

SCPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. SCPA purchases liability and property insurance from a commercial carrier. Coverage for property, general liability, errors and omissions and non-owned automobile was $2,000,000 with a $1,000 deductible.

7. COMMITMENTS AND CONTINGENCIES

SCPA had outstanding power purchase commitments of approximately $295 million, contingent upon construction of solar photovoltaic generation facilities, that continue for twenty to twenty-five years from the commencement of commercial operations of each project. SCPA will not own the operating system upon construction or have an option to buy the system after the contract period. Certain power purchase agreements required the posting of security deposits by the supplier to be held by SCPA as collateral in the event the facility is not operational within stipulated timeframes. These postings can be in the form of cash or letter of credit.

SCPA had additional outstanding non-cancelable power purchase-related commitments of approximately $920 million for energy that have not yet been provided under power purchase agreements that continue to June 30, 2043.

SCPA monitors and manages procurement cost risk consistent with industry practice, for the purpose of balancing the dual objectives of minimizing cost and protecting against low-probability adverse cost movements.

The following table is the approximated obligations on existing energy and renewable contracts.

Year ended June 30,	
2019	$ 132,000,000
2020	133,000,000
2021	101,000,000
2022	71,000,000
2023	70,000,000
2024-2043	708,000,000
	$ 1,215,000,000

As of June 30, 2018, SCPA had outstanding non-cancelable commitments to professional service providers for services yet to be performed of $12 million through April 30, 2022.

8. OPERATING LEASE

During 2014-15, SCPA moved its office and entered into an 84 month non-cancelable lease for its office premises until June 30, 2022. The rental agreement includes an option to renew the lease for five additional years. Rental expense under this lease was $171,000 and $121,000 for 2017-18 and 2016-17, respectively.

Future minimum lease payments under the lease are as follows:

Year ended June 30,		
2019	$	161,058
2020		165,890
2021		170,867
2022		175,993
Total	$	673,808

9. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statement are effective for future fiscal years ending after June 30, 2018:

GASB Statement No. 87, *Leases*, is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. When the Statement becomes effective, restatement of these financial statements may be required.

10. SUBSEQUENT EVENTS

In September 2018, new legislation was passed in the California legislature that expands direct access for commercial customers throughout the State. It is unknown what the impact of this will be on SCPA or how much commercial load might be eligible under this direct access expansion.

On October 11, 2018, the California Public Utilities Commission (CPUC) passed an Alternative Proposed Decision (APD) regarding the calculation of the Power Charge Indifference Adjustment (PCIA). The decision will increase the PCIA for all of SCPA's customers. SCPA is evaluating the specific changes that will be required to SCPA's rates as a result of this decision.