



Financial Statements

Years Ended June 30, 2021 and June 30, 2020
With Report of Independent Auditors

**SONOMA CLEAN POWER AUTHORITY
YEARS ENDED JUNE 30, 2021 AND 2020**

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to the Basic Financial Statements	12



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, 2021 and 2020, 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

Independent Auditor's Report (continued)

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, 2021 and 2020, 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.

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.

A handwritten signature in black ink, reading "P. & B. Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
December 27, 2021

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

The Management's Discussion and Analysis provides an overview of Sonoma Clean Power Authority's (SCP) financial activities as of and for the years ended June 30, 2021 and 2020. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of SCP 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.

SCP was created as a California Joint Powers Authority on December 4, 2012. SCP was established to provide electric power and related activities within Sonoma County, including developing a wide range of renewable energy sources and energy efficiency programs. SCP added Mendocino County in 2017. Governed by an appointed board of directors (Board), SCP has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. SCP is responsible for the acquisition of electric power for its service area.

Financial Reporting

SCP presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, 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 is an overview of the financial operations.
- The Basic Financial Statements:
 - The *Statements of Net Position* include all of SCP's assets, liabilities, deferred inflows of resources and net position and 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 SCP'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 and investing activities.
 - *Notes to the Basic Financial Statements*, which provide additional details and information related to the basic financial statements.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

FINANCIAL HIGHLIGHTS

Summary of Assets, Liabilities, Deferred Inflows of Resources, and Net Position

The following table is a summary of SCP's assets, liabilities, deferred inflows of resources and net position and, a discussion of significant changes for the years ended June 30:

	2021	2020	2019
Current assets	\$ 93,296,314	\$ 99,885,320	\$ 98,541,897
Noncurrent assets			
Capital assets and land, net	19,896,829	8,209,209	4,978,658
Other noncurrent assets	32,160,922	27,459,242	5,459,242
Total noncurrent assets	52,057,751	35,668,451	10,437,900
Total assets	145,354,065	135,553,771	108,979,797
Current liabilities	19,665,852	18,569,377	17,061,240
Deferred inflows of resources	26,000,000	22,000,000	-
Net position			
Investment in capital assets	19,896,829	8,209,209	4,978,658
Unrestricted	79,791,384	86,775,185	86,939,899
Total net position	\$ 99,688,213	\$ 94,984,394	\$ 91,918,557

Current Assets

SCP's current assets were approximately \$93,296,000 at the end of 2021 and are mostly comprised of cash and cash equivalents, accounts receivable, accrued revenue, and investments. Accrued revenue differs from accounts receivable in that it is the result of electricity use by SCP customers before invoicing to those customers has occurred. Current assets decreased during 2021 as a result of funding for new headquarters and an increase in the Rate Stabilization Fund.

Capital Assets

The increase each year was primarily due to improvements made to SCP's future headquarters acquired during 2017-18. Capital improvements have also been made at SCP's Advanced Energy Center, a facility that will be used to showcase energy-efficient technology to the public. Capital assets held by SCP are comprised of a building and related land, leasehold improvements, furniture and equipment and are reported net of depreciation. SCP does not own assets used for electric generation or distribution.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Other Noncurrent Assets

Other noncurrent assets increased in 2021 primarily due to a transfer of \$4,000,000 to the Rate Stabilization Fund to be used for later years when financial results may not be as strong or are stressed. Deferring revenue to be recognized in future years will allow SCP to avoid or reduce the impact of sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances. This amount is also reported as a deferred inflow of resources on the Statements of Net Position.

Current Liabilities

This category consists mostly of the cost of electricity delivered to customers that is not yet due to be paid by SCP. Current liabilities increased from approximately \$18,569,000 in 2020 to \$19,666,000 in 2021 generally due to the timing of payment arrangements with suppliers. Other components include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities.

Summary of Revenues, Expenses, and Changes in Net Position

The following table is a summary of SCP's results of operations and a discussion of significant changes for the years ended June 30:

	2021	2020	2019
Operating revenues	\$ 187,399,632	\$ 170,812,025	\$ 174,330,237
Nonoperating revenues	434,526	1,719,517	1,104,358
Total income	187,834,158	172,531,542	175,434,595
Operating expenses	183,130,339	169,465,705	160,277,165
Change in net position	<u>\$ 4,703,819</u>	<u>\$ 3,065,837</u>	<u>\$ 15,157,430</u>

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Total Income

SCP's customer base held fairly steady through fiscal years 2019 to 2021. Fluctuations in revenue year-to-year are mostly the result of increases in customer rates. SCP's revenue increased year over year due to increases in customer rates. Due to this increase, SCP deferred operating revenues of \$4,000,000 to its Rate Stabilization Fund. Other components of operating revenues include grant income received from state and local agencies.

Prior to 2021, nonoperating revenues increased each year as a result of rising cash balances that generated additional interest income. Interest rates declined during 2021, which resulted in less interest income and therefore less nonoperating revenues.

Operating Expenses

For both years, the largest expense was the cost of electricity. Operating expenses increased each year, primarily due to increased pricing for certain products in the energy markets. Non-energy related expenses also increased from 2020 to 2021 due to expanded program and grant activities.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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 SCP's customer rates over time, but these savings have been more than offset for customers by increases in PG&E's exit fees and delivery rates.

The exit fees paid by SCP customers remains volatile and high but is expected to decline significantly in 2022 and then raise significantly in 2023 or 2024. Management expects to build cash reserves in 2022 to combat against the risk of higher exit fees in 2023 or 2024. The CPUC has clarified several rules relating the exit fees but has not yet recognized that SCP and other public power providers should have access to all the resources those fees are paying for. As a result, SCP is working closely with CalCCA on regulatory and legislative solutions. SCP is focused on building credit capacity through sustaining significant cash reserves and entering favorable energy purchase commitments.

SCP remains focused on promoting a rapid transition to electric vehicles and electrification of homes and businesses. These activities both help reduce greenhouse gas emissions while increasing the sales and revenues from selling electricity. Vehicle charging and building electrification both require customers to purchase additional electricity to replace the gasoline or natural gas energy it replaces.

REQUEST FOR INFORMATION

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

Please address any questions about this report or requests for additional financial information to 431 E. Street, Santa Rosa, CA 95404.

Respectfully submitted,



Geof Syphers, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 59,096,364	\$ 43,090,441
Accounts receivable, net of allowance	18,775,129	21,653,953
Other receivables	1,542,960	2,871,965
Accrued revenue	8,978,604	10,195,459
Prepaid expenses	1,110,341	1,078,247
Deposits	3,792,916	757,079
Investments	-	20,238,176
Total current assets	<u>93,296,314</u>	<u>99,885,320</u>
Noncurrent assets		
Unrestricted cash in Rate Stabilization Fund	26,000,000	22,000,000
Land and construction-in-progress	15,005,714	8,062,515
Capital assets, net of depreciation	4,891,115	146,694
Deposits	6,160,922	5,459,242
Total noncurrent assets	<u>52,057,751</u>	<u>35,668,451</u>
Total assets	<u>145,354,065</u>	<u>135,553,771</u>
LIABILITIES		
Current liabilities		
Accrued cost of electricity	14,262,184	15,138,782
Accounts payable	4,018,244	1,689,931
Advanced from grantors	-	188,875
Other accrued liabilities	865,297	982,648
User taxes and energy surcharges due to other governments	520,127	569,141
Total current liabilities	<u>19,665,852</u>	<u>18,569,377</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	<u>26,000,000</u>	<u>22,000,000</u>
NET POSITION		
Investment in capital assets	19,896,829	8,209,209
Unrestricted	79,791,384	86,775,185
Total net position	<u>\$ 99,688,213</u>	<u>\$ 94,984,394</u>

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

SONOMA CLEAN POWER AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Electricity sales, net	\$ 187,268,689	\$ 189,350,328
Revenue directed to Rate Stabilization Fund	(4,000,000)	(22,000,000)
Evergreen electricity premium	1,573,133	612,300
Grant revenue	2,557,810	2,849,397
Total operating revenues	<u>187,399,632</u>	<u>170,812,025</u>
OPERATING EXPENSES		
Cost of electricity	165,480,491	152,745,011
Contract services	9,653,977	10,218,163
Staff compensation	4,921,785	4,359,100
General and administration	1,486,091	1,092,239
Program rebates and incentives	1,318,170	985,971
Depreciation	269,825	65,221
Total operating expenses	<u>183,130,339</u>	<u>169,465,705</u>
Operating income	<u>4,269,293</u>	<u>1,346,320</u>
NONOPERATING REVENUES		
Interest income	427,517	1,673,914
Other nonoperating revenue	7,009	45,603
Nonoperating revenues	<u>434,526</u>	<u>1,719,517</u>
CHANGE IN NET POSITION	4,703,819	3,065,837
Net position at beginning of period	<u>94,984,394</u>	<u>91,918,557</u>
Net position at end of period	<u><u>\$ 99,688,213</u></u>	<u><u>\$ 94,984,394</u></u>

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

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 195,477,626	\$ 188,320,212
Receipts from grantors	4,080,368	1,020,921
Other operating receipts	1,418,114	65,603
Payments to electricity suppliers	(170,914,574)	(150,812,416)
Payments for other goods and services	(10,624,487)	(11,746,985)
Payments for staff compensation	(4,823,216)	(4,246,350)
Tax and surcharge payments to other governments	(2,589,138)	(2,478,131)
Payments for program rebates and incentives	(2,596,526)	(1,309,422)
Net cash provided by operating activities	<u>9,428,167</u>	<u>18,813,432</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	<u>(10,329,213)</u>	<u>(2,755,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	615,251	1,167,403
Proceeds from certificates of deposit matured	20,291,718	10,274,237
Purchase of certificates of deposit	-	(20,000,000)
Net cash provided (used) by investing activities	<u>20,906,969</u>	<u>(8,558,360)</u>
Net change in cash and cash equivalents	20,005,923	7,500,002
Cash and cash equivalents at beginning of year	65,090,441	57,590,439
Cash and cash equivalents at end of period	<u>\$ 85,096,364</u>	<u>\$ 65,090,441</u>
Reconciliation to the Statement of Net Position		
Unrestricted cash and cash equivalents (current)	\$ 59,096,364	\$ 43,090,441
Unrestricted cash and cash equivalents (noncurrent)	26,000,000	22,000,000
Cash and cash equivalents	<u>\$ 85,096,364</u>	<u>\$ 65,090,441</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Payments to acquire capital assets included in accounts payable	\$ 2,600,181	\$ 873,131

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

SONOMA CLEAN POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2021</u>	<u>2020</u>
Operating income	\$ 4,269,293	\$ 1,346,320
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	269,825	65,221
Revenue adjusted for allowance for uncollectible accounts	2,931,789	440,412
Other nonoperating revenue	-	45,603
(Increase) decrease in:		
Accounts receivable	(52,964)	(4,845,460)
Other receivables	1,087,730	(1,533,684)
Accrued revenue	1,216,855	213,692
Prepaid expenses	(32,094)	538,889
Deposits	(3,737,517)	(425,000)
Increase (decrease) in:		
Accrued cost of electricity	(2,926,555)	937,546
Accounts payable	601,263	(544,729)
Advance from grantors	(188,875)	(255,750)
Accrued liabilities	2,038,431	759,563
User taxes due to other governments	(49,014)	70,809
Rate Stabilization Fund	4,000,000	22,000,000
Net cash provided by operating activities	<u>\$ 9,428,167</u>	<u>\$ 18,813,432</u>

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

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. REPORTING ENTITY

Sonoma Clean Power Authority (SCP) is a Joint Powers Authority created on December 4, 2012. As of June 30, 2021, 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	

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

SCP 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 SCP 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.

Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company. SCP administers energy efficiency programs which support the development, coordination, and implementation of energy efficiency programs in and around SCP's service area. The energy efficiency programs are supported by rate-payer funds regulated by the California Public Utilities Commission.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

SCP'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.

SCP'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.

When both restricted and unrestricted resources are available for use, it is SCP's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, SCP 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 cash held in the Sonoma County Investment Pool (The County Pool) which are available on demand and are considered highly liquid.

Various energy contracts entered into by SCP require SCP to provide a supplier with a security deposit. The deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent assets depending on the length of the time 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.

CAPITAL ASSETS AND DEPRECIATION

SCP'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. Buildings and improvements are depreciated over 30 years.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RATE STABILIZATION FUND

In April 2020, SCP established a Rate Stabilization Fund to allow SCP to defer revenue in years when financial results are strong to be used in future years when financial results are not as strong or stressed. In accordance with Statement No. GASB 62 and GASB Statement No. 65, the amount recognized as an addition to the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

SCP transferred \$4,000,000 and \$22,000,000 to the Rate Stabilization Fund for the years ended June 30, 2021 and 2020, respectively. The total balance at June 30, 2021 is \$26,000,000.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. SCP did not have any outstanding borrowings as of June 30, 2021 or 2020.

Unrestricted: This component of net position consists of net position that does not meet the definition of “investment in capital assets.”

OPERATING AND NON-OPERATING REVENUES

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers, grant revenue earned from the delivery of program activities, and penalties from suppliers that fail to meet delivery commitments.

Interest income is considered “non-operating revenue.”

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

SCP recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting 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.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of electricity purchased and related services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business, SCP purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from SCP's participation in the California Independent System Operator's centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS), SCP acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). SCP obtains bundled Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized when the cost of the Certificate is due and payable to the supplier. SCP purchases capacity commitments from qualifying generators to comply with the California Energy Commission's (CEC) Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFFING COSTS

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

PROGRAM REBATES AND INCENTIVES

SCP provides incentives and zero percent financing for customers who purchase energy saving measures for their homes and for equipment and appliances that switch from natural gas or propane fuel to electrically powered equipment. Rebates and incentives provided under these and other programs were approximately \$1,318,000 and \$986,000 for 2021 and 2020, respectively.

INCOME TAXES

SCP 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.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

CASH AND CASH EQUIVALENTS

SCP maintains its cash in interest and non-interest-bearing accounts in two commercial banks and in the County Pool. California Government Code Section 16521 requires that banks collateralize amounts of public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by 110%. SCP 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.

The County Pool includes both voluntary and involuntary participation from external entities. SCP is a voluntary participant. SCP has approved by board 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.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS

During the year ended June 30, 2020, SCP purchased Certificates of Deposits (CDs) utilizing a Certificate of Deposit Account Registry Service (CDARS) and SCP also uses Insured Cash Sweeps (ICS) account. The purpose of CDARS is for institutions, such as SCP, to invest in CDs in order to stay below the FDIC insurance limits at any given bank.

SCP does not have an investment policy that addresses specific types of risk. Risk is monitored on an ongoing basis.

SCP did not hold any CDs as of June 30, 2021.

Below is a summary of CDs held by SCP's custodian, measured at fair value, as of June 30, 2020:

Purchase date	Maturity date	Interest rate	Amount
9/26/2019	9/24/2020	2.47%	\$ 12,738,176
10/3/2019	10/1/2020	2.47%	7,500,000
			<u>\$ 20,238,176</u>

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. SCP's investments, measured at fair value, are classified as Level 2.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

FAIR VALUE MEASUREMENT (CONTINUED)

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. SCP'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. SCP's proportionate share of investments in the County Pool for the years ended June 30, 2021 and 2020 of \$36,244,000 and \$36,074,000, respectively, are not required to be categorized under the fair value hierarchy.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SCP would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in SCP's name, and held by the counterparty. SCP's investment securities are not exposed to custodial credit risk because all securities are held by SCP's custodial bank in SCP's name.

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. SCP 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, 2021, approximately 31% of the securities in the County Pool had maturities of one year or less. Of the remainder, less than 1/2 percent had a maturity of more than five years.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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, money market accounts, or external investment pools) that represent 5% or more of total County investments, refer to the 2019-20 Sonoma County Comprehensive Annual Financial Report.

4. ACCOUNTS RECEIVABLE

Accounts receivable was as follows as of June 30:

	2021	2020
Accounts receivable from customers	\$ 24,501,544	\$ 24,448,579
Allowance for uncollectible accounts	(5,726,415)	(2,794,626)
Net accounts receivable	<u>\$ 18,775,129</u>	<u>\$ 21,653,953</u>

The majority of account collections occur within the first few months following customer invoicing. SCP estimates that a portion of the billed accounts will not be collected. SCP 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, SCP continues to be successful in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

During the years ended June 30, 2021 and 2020, certain receivables were written-off, resulting in a decrease in accounts receivable and an offsetting decrease in the allowance for doubtful accounts. Accordingly, those write-offs have no direct impact on current year revenue or expenses.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 and 2020 was as follows:

Land and construction-in-progress	Land	Construction-in-progress	Total
Balances at June 30, 2019	\$ 860,520	\$ 3,942,583	\$ 4,803,103
Additions	-	3,259,412	3,259,412
Balances at June 30, 2020	860,520	7,201,995	8,062,515
Additions	-	11,384,038	11,384,038
Transfers	-	(4,440,839)	(4,440,839)
Balances at June 30, 2021	<u>\$ 860,520</u>	<u>\$ 14,145,194</u>	<u>\$15,005,714</u>

Depreciable capital assets	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2019	\$ 313,230	\$ 83,058	\$ (220,733)	\$ 175,555
Additions	36,360	-	(65,221)	(28,861)
Dispositions	(2,964)	-	2,964	-
Balances at June 30, 2020	346,626	83,058	(282,990)	146,694
Additions	559,568	13,839	(269,825)	303,582
Transfers	-	4,440,839	-	4,440,839
Balances at June 30, 2021	<u>\$ 906,194</u>	<u>\$ 4,537,736</u>	<u>\$ (552,815)</u>	<u>\$ 4,891,115</u>

In June 2018, SCP purchased office property to be used as its future headquarters for approximately \$3,125,000, including closing and other costs. SCP is renovating the property and the cost of the property is included in construction-in-progress. Starting in 2019, construction-in-progress also includes improvements made to a leased property that will be used as a demonstration showroom and classroom aimed at showcasing a variety of zero-carbon technologies. Construction costs on the leased property totaling \$4,440,839 was completed and placed in service in April 2021. Renovation on the headquarters property was completed in July 2021.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

6. GRANTS

SCP administered a grant from the CEC. The purpose of the grant was to help bring energy efficiency and emerging technologies directly to SCP customers. Programs included incentivizing the installation of energy-saving equipment in customers' homes, as well as building a storefront in downtown Santa Rosa where the public could learn about and test energy-saving technologies. The multi-year grant agreement was for approximately \$9,800,000 and was effective January 2018 through April 2021.

Grant revenue is recognized when corresponding eligible expenses are incurred. Grant funds received before eligible expenses are incurred are reported as "advances from grantors" in the Statements of Net Position.

7. DEFINED CONTRIBUTION RETIREMENT PLAN

The Sonoma Clean Power Authority Retirement Plan (Plan) is a defined contribution (IRC 457(b)) retirement plan established to provide retirement benefits to its employees. The Plan is administered by Principal Financial Group. As of June 30, 2021, there were 30 active plan participants. SCP is required to contribute up to 8% of covered payroll as a match to employee contributions. SCP contributed \$299,000 and \$256,000 during 2021 and 2020, respectively. Plan provisions and contribution requirements are established and may be amended by SCP's Personnel Director, as designated by the Board of Directors. Currently, the CEO is SCP's Personnel Director.

8. RISK MANAGEMENT

SCP is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, SCP purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. SCP has general liability coverage of \$2,000,000 with a deductible of \$1,000.

SCP maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, SCP enters into netting arrangements whenever possible, and where appropriate obtains collateral and other performance assurances from counterparties.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

9. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, SCP enters into various power purchase agreements to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind and hydro-electric facilities.

SCP enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customers.

The following table represents the expected, undiscounted, contractual obligations outstanding as of June 30, 2021:

Years ending June 30,	
2022	\$ 158,900,000
2023	142,100,000
2024	127,600,000
2025	100,800,000
2026	73,600,000
2027-2043	464,200,000
	<u>\$ 1,067,200,000</u>

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

10. OPERATING LEASE

Rental expense for SCP's office space was \$345,000 and \$300,000 for the years ended June 30, 2021 and 2020, respectively. During 2014-15, SCP entered into an 84-month non-cancelable lease for its office premises until June 30, 2022. A lease at an additional office location that was set to expire on October 31, 2021 was extended by SCP in July 2021. The new lease provides for a 36-month noncancelable lease with two options to extend for additional 36-month periods.

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2021:

GASB has approved GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, application of these standards may restate portions of these financial statements.