



Financial Statements

Years Ended June 30, 2022 and 2021
With Report of Independent Auditors



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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sonoma Clean Power Authority (SCP), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise SCP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCP as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of SCP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCP's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 SCP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Independent Auditor's Report (continued)

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCP's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related notes to the schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of SCP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCP's internal control over financial reporting and compliance.



Santa Rosa, California
December 22, 2022

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

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, 2022 and 2021. 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, SCP has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations.

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 revenues 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.
 - *The Notes to the Basic Financial Statements* provide additional details and information related to the basic financial statements.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

FINANCIAL HIGHLIGHTS

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

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

	2022	2021	2020
Current assets	\$ 128,709,149	\$ 93,296,314	\$ 99,885,320
Noncurrent assets			
Capital assets and land, net	19,603,127	19,896,829	8,209,209
Other noncurrent assets	846,256	32,160,922	27,459,242
Total noncurrent assets	<u>20,449,383</u>	<u>52,057,751</u>	<u>35,668,451</u>
Total assets	<u>149,158,532</u>	<u>145,354,065</u>	<u>135,553,771</u>
Current liabilities	<u>18,031,973</u>	<u>19,665,852</u>	<u>18,569,377</u>
Deferred inflows of resources	<u>-</u>	<u>26,000,000</u>	<u>22,000,000</u>
Net position			
Investment in capital assets	19,603,127	19,896,829	8,209,209
Unrestricted	<u>111,523,432</u>	<u>79,791,384</u>	<u>86,775,185</u>
Total net position	<u>\$ 131,126,559</u>	<u>\$ 99,688,213</u>	<u>\$ 94,984,394</u>

Current Assets

SCP's current assets were approximately \$128,709,000 at the end of 2022 and are mostly comprised of cash and cash equivalents, accounts receivable, accrued revenue, and investments. Accrued revenue differs from accounts receivable in that it represents electricity provided to SCP customers that has not yet been invoiced. Current assets increased during 2022 as a result of SCP's operating surplus and the release of the Rate Stabilization Fund for use in operations. Current assets decreased during 2021 as a result of funds used for improvements to SCP's new headquarters facility and transfers to the Rate Stabilization Fund.

Capital Assets

The increase in 2021 was primarily due to improvements made to SCP's headquarters facility acquired during 2017-18. Capital improvements were also made at SCP's Advanced Energy Center, a facility that is 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, 2022 AND 2021**

Other Noncurrent Assets

Other noncurrent assets increased in 2021 primarily due to a transfer of \$4,000,000 to the Rate Stabilization Fund for later use to allow SCP to avoid or reduce the impact of sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances. In 2022, the entire \$26,000,000 balance in the Rate Stabilization Fund was recognized as revenue, which is the primary reason for the decrease of other noncurrent assets. The balance of the Rate Stabilization Fund was 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 paid by SCP. Current liabilities changed modestly each year 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 is a summary of SCP's results of operations and a discussion of significant changes for the years ended June 30:

	2022	2021	2020
Operating revenues	\$ 218,197,280	\$ 187,399,632	\$ 170,812,025
Nonoperating revenues	2,573,463	434,526	1,719,517
Total income	220,770,743	187,834,158	172,531,542
Operating expenses	189,332,397	183,130,339	169,465,705
Change in net position	<u>\$ 31,438,346</u>	<u>\$ 4,703,819</u>	<u>\$ 3,065,837</u>

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Total Income

SCP's customer base held steady through fiscal years 2020 to 2022. Fluctuations in revenue year-to-year are mostly the result of increases in customer rates, as well as revenue directed to and from the 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 for that year.

In 2022, nonoperating revenue increased as the result of grant income from the California Arrearage Payment Program (CAPP) that was received in 2022. The CAPP increase was offset by investment earnings losses caused by a decline in the fair value of the investment in the Sonoma County Investment Pool (Pool). The reported value of the Pool's investment in fixed income securities were affected by the sudden increase in interest rates late in fiscal year 2022.

Operating Expenses

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

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

ECONOMIC OUTLOOK

SCP serves 87% of all eligible customers in Sonoma and Mendocino Counties, and this is expected to remain relatively stable. Commodity energy prices are expected to continue to have episodic spikes due to extreme summer heat or extended winter cold periods into the future, making financial forecasts difficult for individual months, but still stable over annual periods. SCP is generally well hedged through 2024 but retains some market price exposure when contracted supply does not match the hourly customer demand.

The fee SCP customers pay to PG&E to compensate for the utility's legacy above-market contract costs remains volatile. However, overall high commodity energy prices have caused the fee to approach zero in 2023 and likely to remain low in 2024. Management expects to build cash reserves and reach SCP's long-term target balance of 280 days of liquidity in 2023. SCP is focused on building credit capacity through sustaining significant cash reserves and entering favorable energy purchase commitments.

SCP is actively working with private partners to develop new local geothermal power resources because this type of resource supplies good capacity and financial protections from both winter and summer market prices. Construction of new resources will likely be under private ownership with SCP serving as the contract buyer for the energy and capacity.

SCP remains focused on promoting a rapid transition to electric vehicles and electrification of homes and businesses. These activities help reduce greenhouse gas emissions while increasing the sales and revenues from selling electricity.

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 43,103,542	\$ 22,852,809
Accounts receivable, net of allowance	26,903,911	18,775,129
Other receivables	1,669,138	1,542,960
Accrued revenue	13,431,809	8,978,604
Prepaid expenses	2,961,243	1,110,341
Deposits	5,462,981	3,792,916
Investments	35,176,525	36,243,555
Total current assets	<u>128,709,149</u>	<u>93,296,314</u>
Noncurrent assets		
Unrestricted cash in Rate Stabilization Fund	-	26,000,000
Land and construction-in-progress	860,520	15,005,714
Capital assets, net of depreciation	18,742,607	4,891,115
Deposits	846,256	6,160,922
Total noncurrent assets	<u>20,449,383</u>	<u>52,057,751</u>
Total assets	<u>149,158,532</u>	<u>145,354,065</u>
LIABILITIES		
Current liabilities		
Accrued cost of electricity	14,643,563	14,262,184
Accounts payable	1,412,186	4,018,244
Other accrued liabilities	1,300,809	865,297
User taxes and energy surcharges due to other governments	675,415	520,127
Total current liabilities	<u>18,031,973</u>	<u>19,665,852</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	<u>-</u>	<u>26,000,000</u>
NET POSITION		
Investment in capital assets	19,603,127	19,896,829
Unrestricted	111,523,432	79,791,384
Total net position	<u>\$ 131,126,559</u>	<u>\$ 99,688,213</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Electricity sales, net	\$ 188,443,380	\$ 187,268,689
Revenue directed from (to) Rate Stabilization Fund	26,000,000	(4,000,000)
Evergreen electricity premium	2,327,587	1,573,133
Grant revenue	1,426,313	2,557,810
Total operating revenues	<u>218,197,280</u>	<u>187,399,632</u>
OPERATING EXPENSES		
Cost of electricity	169,128,210	165,480,491
Contract services	9,858,749	9,653,977
Staff compensation	5,710,894	4,921,785
General and administration	1,902,215	1,486,091
Program rebates and incentives	1,359,158	1,318,170
Depreciation	1,373,171	269,825
Total operating expenses	<u>189,332,397</u>	<u>183,130,339</u>
Operating income	<u>28,864,883</u>	<u>4,269,293</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	3,490,527	-
Investment earnings (loss)	(891,329)	427,517
Other nonoperating revenue (expenses)	(25,735)	7,009
Nonoperating revenues (expenses), net	<u>2,573,463</u>	<u>434,526</u>
CHANGE IN NET POSITION	31,438,346	4,703,819
Net position at beginning of year	<u>99,688,213</u>	<u>94,984,394</u>
Net position at end of year	<u><u>\$ 131,126,559</u></u>	<u><u>\$ 99,688,213</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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 180,670,172	\$ 195,477,626
Receipts from grantors	1,379,951	4,080,368
Other operating receipts	9,261,949	1,418,114
Payments to electricity suppliers	(175,226,864)	(170,914,574)
Payments for other goods and services	(11,720,294)	(10,624,487)
Payments for staff compensation	(5,696,651)	(4,823,216)
Tax and surcharge payments to other governments	(2,325,905)	(2,589,138)
Payments for program rebates and incentives	(2,145,880)	(2,596,526)
Net cash provided (used) by operating activities	<u>(5,803,522)</u>	<u>9,428,167</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	<u>3,490,527</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	<u>(3,590,197)</u>	<u>(10,329,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	153,923	615,251
Proceeds from certificates of deposit matured	<u>-</u>	<u>20,291,718</u>
Net cash provided by investing activities	<u>153,923</u>	<u>20,906,969</u>
Net change in cash and cash equivalents	(5,749,269)	20,005,923
Cash and cash equivalents at beginning of year	48,852,811	28,846,886
Cash and cash equivalents at end of year	<u><u>\$ 43,103,542</u></u>	<u><u>\$ 48,852,809</u></u>
Reconciliation to the Statement of Net Position		
Unrestricted cash and cash equivalents (current)	\$ 43,103,542	\$ 22,852,809
Unrestricted cash and cash equivalents (noncurrent)	<u>-</u>	<u>26,000,000</u>
Cash and cash equivalents	<u><u>\$ 43,103,542</u></u>	<u><u>\$ 48,852,809</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Payments to acquire capital assets included in accounts payable	\$ 110,457	\$ 2,600,181

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

SONOMA CLEAN POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>2022</u>	<u>2021</u>
Operating income	\$ 28,864,883	\$ 4,269,293
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,373,171	269,825
Revenue adjusted for provision for uncollectible accounts	(482,437)	2,931,789
(Increase) decrease in:		
Accounts receivable	(7,646,346)	(52,964)
Other receivables	(104,403)	1,087,730
Accrued revenue	(4,453,205)	1,216,855
Prepaid expenses	(1,850,901)	(32,094)
Deposits	3,644,601	(3,737,517)
Increase (decrease) in:		
Accrued cost of electricity	1,502,115	(2,926,555)
Accounts payable	(116,334)	601,263
Advance from grantors	-	(188,875)
Accrued liabilities	(856,753)	2,038,431
User taxes due to other governments	155,287	(49,014)
Supplier security deposits	166,800	-
Rate Stabilization Fund	(26,000,000)	4,000,000
Net cash provided (used) by operating activities	<u>\$ (5,803,522)</u>	<u>\$ 9,428,167</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, 2022 AND 2021

1. REPORTING ENTITY

Sonoma Clean Power Authority (SCP) is a Joint Powers Authority created on December 4, 2012. As of June 30, 2022, 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, 2022 AND 2021

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, and 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.

DEPOSITS

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. 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, seven years for furniture, and leasehold improvements over the remaining life of the lease. Buildings and improvements are depreciated over 30 years.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 GASB Statements No. 62 and 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 to the Rate Stabilization Fund for the year ended June 30, 2021, which increased the balance to \$26,000,000. During the year ended June 30, 2022, the entire Rate Stabilization Fund was transferred to operating revenues.

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, 2022 or 2021.

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.

Investment earnings and grants that are not earned from the delivery of program activities are considered “non-operating revenues.”

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 electricity 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, 2022 AND 2021

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 \$1,409,000 and \$1,318,000 for 2022 and 2021, 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 GAAP 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. These reclassifications did not result in any change in previously reported net position or change in net position.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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. 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.

INVESTMENTS

SCP maintains an account with the Sonoma County Treasurer in the County Pool (the Pool), which is classified as investments on the Statements of Net Position. The 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 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 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, 2022 AND 2021

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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; and Level 3 inputs are significant unobservable inputs. As of June 30, 2022 and 2021, SCP held no individual investments, except for funds in the 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. 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 Pool are made on the basis of \$1 which is substantially equal to fair value. SCP's proportionate share of investments in the Pool at June 30, 2022 and 2021 of \$35,177,000 and \$36,244,000, 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 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, 2022, approximately 33% of the securities in the Pool had maturities of one year or less. Of the remainder, less than 0.5% percent had a maturity of more than five years.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

CREDIT RISK

The investment policy of the 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 2020-21 Sonoma County Comprehensive Annual Financial Report.

4. ACCOUNTS RECEIVABLE

Accounts receivable was as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable from customers	\$ 32,147,890	\$ 24,501,544
Allowance for uncollectible accounts	<u>(5,243,979)</u>	<u>(5,726,415)</u>
Net accounts receivable	<u><u>\$ 26,903,911</u></u>	<u><u>\$ 18,775,129</u></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, 2022 and 2021, 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. During the year ended June 30, 2022, SCP received California Arrearage Payment Program (CAPP) funds of \$3,491,000 that were applied to reduce past-due accounts receivable.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2022 and 2021 was as follows:

Land and construction-in-progress	Land	Construction-in-progress	Total
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	860,520	14,145,194	15,005,714
Transfers	-	(14,145,194)	(14,145,194)
Balances at June 30, 2022	<u>\$ 860,520</u>	<u>\$ -</u>	<u>\$ 860,520</u>

Depreciable capital assets	Furniture & Equipment	Building and Leasehold Improvements	Accumulated Depreciation	Total
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	906,194	4,537,736	(552,815)	4,891,115
Additions	67,506	1,037,698	(1,373,171)	(267,967)
Dispositions	(284,178)	(83,058)	341,501	(25,735)
Transfers	-	14,145,194	-	14,145,194
Balances at June 30, 2022	<u>\$ 689,522</u>	<u>\$ 19,637,570</u>	<u>\$ (1,584,485)</u>	<u>\$18,742,607</u>

In June 2018, SCP purchased office property to be used as its headquarters for approximately \$3,125,000. SCP completed its renovation in July 2021. The cost of the property was included in land and construction-in-progress. Construction costs incurred for the improvement of the headquarters facility were approximately \$1,033,000 and \$9,574,000 in 2022 and 2021, respectively. Starting in 2019, construction-in-progress also included improvements made to a leased property that was placed in service in June 2021 as a demonstration showroom and classroom aimed at showcasing a variety of zero-carbon technologies. Construction costs on the leased property for the years ended June 30, 2022 and 2021 were approximately \$5,000 and \$1,810,000, respectively.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

6. GRANTS

SCP administers a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. This program is funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds.

SCP also administered a grant from the CEC. The purpose of the grant was to help bring energy efficiency and emerging technologies directly to SCP's 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 starting in January 2018.

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.

The following is a summary of grant revenue for the years ended June 30:

	2022	2021
CAPP	\$ 3,490,527	\$ -
CEC and other	1,426,313	2,557,810
Total grant revenue	<u>\$ 4,916,840</u>	<u>\$ 2,557,810</u>

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022, there were 35 active plan participants. SCP is required to contribute up to 10% of covered payroll as a match to employee contributions. SCP contributed \$382,000 and \$299,000 during 2022 and 2021, respectively. Plan provisions and contribution requirements are established and may be amended by SCP's Personnel Director, as designated by the Board of Directors.

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, 2022 AND 2021

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, 2022:

Years ending June 30,	
2023	\$ 141,800,000
2024	134,500,000
2025	114,800,000
2026	88,900,000
2027	67,500,000
2028-2047	645,500,000
	<u>\$ 1,193,000,000</u>

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

10. OPERATING LEASE

Rental expense for SCP's office and separate Advanced Energy Center was \$278,000 and \$345,000 for the years ended June 30, 2022 and 2021, respectively. The decrease in cost from 2021 to 2022 is due to SCP moving its headquarters to the building it owns during 2022 and terminating its rented office space. SCP continues to rent space for its Advanced Energy Center.

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2022:

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. Management is evaluating the effect of implementation of these statements.

SUPPLEMENTARY INFORMATION

SONOMA CLEAN POWER AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of the Treasury			
California Department of Community			
Services and Development (CSD)			
COVID-19 American Rescue Plan Act (ARPA)			
Coronavirus State and Local Fiscal Recovery Funds			
California Arrearage Payment Program (CAPP)	21.027	68-0283471	\$ 3,490,527
Total U.S. Department of the Treasury			<u>3,490,527</u>
Total expenditures of federal awards			<u><u>\$ 3,490,527</u></u>

SONOMA CLEAN POWER AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Sonoma Clean Power (SCP) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, SCP's financial statements. Because the Schedule presents only a selected portion of the operations of SCP, it is not intended to and does not present the financial position, changes in the net position or cash flows of SCP.

All federal awards received directly from federal agencies, as well as federal awards passed through nonfederal agencies and organizations, are included in the Schedule. Pass-through entity identifying numbers are presented when available.

The reporting entity is based upon criteria established by the Governmental Accounting Standards Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARDS

Expenditures on the accompanying Schedule are reported on the accrual basis of accounting. Expenditures are recognized when incurred. Expenditures are paid prior to including on the Schedule. Expenditures for federal awards are recognized following the cost principles contained in the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. SUB-RECIPIENTS

SCP did not provide federal awards to sub-recipients for the year ended June 30, 2022.

4. INDIRECT COSTS

SCP did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

COMPLIANCE



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Sonoma Clean Power Authority
Santa Rosa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sonoma Clean Power Authority ("SCP"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SCP's basic financial statements, and have issued our report thereon dated December 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCP's internal control. Accordingly, we do not express an opinion on the effectiveness of SCP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SCP's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards (continued)**

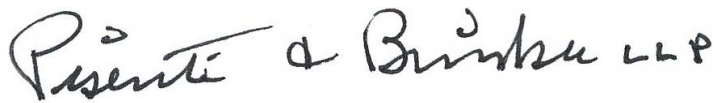
Independent Auditor's Report (continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Presente & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
December 22, 2022



**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Sonoma Clean Power Authority
Santa Rosa, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sonoma Clean Power Authority's (SCP) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of SCP's major federal programs for the year ended June 30, 2022. SCP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SCP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SCP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SCP's compliance with the compliance requirements referred to above.

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance (continued)**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to SCP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SCP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SCP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SCP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of SCP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SCP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance (continued)**

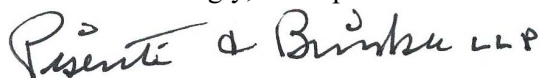
Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness over internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Santa Rosa, California
December 22, 2022

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

I. Summary of Auditor's Results***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
---------------------------	------------------------------------

21.027	Coronavirus State and Local Fiscal Recovery Funds
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Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee? No

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2022

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

No Uniform Guidance audit performed in prior year.