



10 Electric
Years

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and June 30, 2023
With Report of Independent Auditors

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to the Basic Financial Statements	13



Independent Auditor's Report

To the Board of Directors
Sonoma Clean Power Authority

Opinion

We have audited the accompanying financial statements of Sonoma Clean Power Authority (SCP), which comprise the statements of net position as of June 30, 2024 and 2023, the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SCP as of June 30, 2024 and 2023, and the results of its operations 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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 within one year after the date that the financial statements are issued or available to be issued, 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 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, 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.

Pisenti & Brink LLP

Santa Rosa, California
November 22, 2024

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

The purpose of management’s discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Sonoma Clean Power Authority’s (SCP) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff’s knowledge of SCP’s finances.

Overview of the Financial Statements

SCP’s financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of SCP’s assets, liabilities, deferred inflows of resources and net position and provides 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 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, 2024 AND 2023**

Financial Summary

SCP's Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$232,596,208	\$202,870,155	\$128,709,149
Noncurrent assets:			
Capital assets, net	18,600,975	18,396,670	19,603,127
Other noncurrent assets	57,921,691	846,256	846,256
Total noncurrent assets	<u>76,522,666</u>	<u>19,242,926</u>	<u>20,449,383</u>
Total assets	<u>309,118,874</u>	<u>222,113,081</u>	<u>149,158,532</u>
Current liabilities	22,220,136	21,253,236	18,031,973
Noncurrent liabilities	1,380,121	-	-
Total liabilities	<u>23,600,257</u>	<u>21,253,236</u>	<u>18,031,973</u>
Deferred inflows of resources	<u>56,000,000</u>	-	-
Net position			
Investment in capital assets	18,600,975	18,396,670	19,603,127
Unrestricted	210,917,642	182,463,175	111,523,432
Total net position	<u>\$229,518,617</u>	<u>\$200,859,845</u>	<u>\$131,126,559</u>

As of June 30, 2024, SCP's total net position was approximately \$230,000,000, an increase of approximately \$29,000,000 or 14% as compared to June 30, 2023. Most of the increase in net position was in increases in cash and investments, as a result of SCP's operating surplus discussed below.

SCP's Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 220,919,679	\$ 275,239,887	\$ 218,197,280
Nonoperating revenues	9,264,856	4,651,587	2,573,463
Total revenues	<u>230,184,535</u>	<u>279,891,474</u>	<u>220,770,743</u>
Operating expenses	201,525,763	210,158,188	189,332,397
Change in net position	<u>\$ 28,658,772</u>	<u>\$ 69,733,286</u>	<u>\$ 31,438,346</u>

Operating revenues in 2024 were reduced by the \$56,000,000 voluntary deferral into the Rate Stabilization Fund. The cost of electricity, a component of operating expenses, decreased slightly from fiscal year 2023 to fiscal year 2024 as a result of lower energy market prices.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Detailed Analysis

Current assets increased from \$203,000,000 at the end of fiscal year 2023 to \$233,000,000 at the end of fiscal year 2024 due to a planned operating surplus. Current assets at the end of fiscal year 2024 were primarily comprised of cash and investments of \$189,000,000, accounts receivable of \$22,000,000, and accrued revenue of \$15,000,000.

Capital assets are acquired for use in SCP's program and administrative activities. The cost of assets is recognized as depreciation expense over the estimated useful life of the individual assets. The amounts reported in the table above represent the acquisition cost of assets owned net of accumulated depreciation. See Note 5 of the financial statements for the details of the changes.

Other noncurrent assets at the end of fiscal year 2024 include cash of \$56,000,000 segregated in a Rate Stabilization Fund used to defer revenue for later years when financial results necessitate draws on reserves. By postponing revenue recognition to future years, SCP is better positioned to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

The largest component of current liabilities is the cost of electricity delivered to customers that is not paid by SCP as of the end of the fiscal year. Current liabilities for the cost of energy increased each year due to the prices of certain energy products. The accrued liability for the cost of electricity was approximately \$17,000,000 and \$13,000,000 at the end of fiscal years 2024 and 2023, respectively.

Noncurrent liabilities consist of supplier security deposits held by SCP as collateral.

Except for the effect of the deferral to the Rate Stabilization Fund, operating revenues increased each year from fiscal years 2022 to 2024. The change from 2022 to 2023 was primarily from increases in rates charged to customers. Average customer rates were relatively stable from 2023 to 2024. SCP also receives operating revenues from sources other than energy sales, including grant income used to assist with various customer programs.

Grant income from the California Arrearage Payment Plan (CAPP) was included in nonoperating revenues for fiscal years 2022 and 2023. This grant was applicable for two years and did not recur in fiscal year 2024. Investment income increased each year due to changes in market interest rates as well as increases in invested assets.

Operating expenses fluctuated each year primarily due to market forces that affect the cost of electricity, SCP's largest expense. SCP procures energy from a variety of sources to reduce market risk and to maintain a balanced renewable power portfolio. While certain energy costs increased from fiscal year 2023 to fiscal year 2024, particularly in the resource adequacy market and renewable energy credit market, SCP's total cost of energy in fiscal year 2024 decreased from the previous fiscal year due to lower energy market prices.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Significant Capital Asset and Long-Term Financing Activity

Included in capital assets are office equipment, such as computers, furniture, leasehold improvements, buildings and land.

In January 2024, SCP purchased office property to be used as additional office space for approximately \$1,363,000. SCP is investing in improvements of the new building and expect it to be in service in fiscal year 2026.

SCP does not have any outstanding financing debt.

Currently Known Facts, Decisions, or Conditions

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 relatively stable over annual periods. SCP is generally well hedged through the end of 2024 but retains some market price exposure when contracted supply does not match the hourly customer demand.

The fee SCP customers pay to Pacific Gas and Electric (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 be low in 2024 and it is likely to remain at a similar level in 2025. SCP reached its long-term target reserve balance of 280 days of liquidity in 2023, and management expects to maintain the long-term target reserve balance. SCP was able to defer \$56 million of fiscal 2024 revenue for use in future years to stabilize rates and maintain rates competitive with PG&E. SCP is focused on building credit capacity through sustaining significant cash reserves, deferring revenue to future years to address energy price volatility and to continue entering into favorable energy purchase commitments.

SCP is under contract for additional new geothermal, solar, and storage capacity that will come online before 2030 and expects to continue procuring new renewable resources to meet its growing need from expected load growth and increasingly aggressive decarbonization targets.

SCP is actively working with private partners to develop new local geothermal power resources because this type of resource supplies 24/7 renewable energy, significant 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.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Currently Known Facts, Decisions, or Conditions (continued)

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. SCP utilizes grant funding and occasionally its own funds to augment and promote EV adoption, charging infrastructure and energy efficiency programs.

Requests for Information

This financial report is designed to provide SCP's board members, stakeholders, customers, and creditors with a general overview of 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 the finance department at P.O. Box 1030, Santa Rosa, CA 95402 or contact info@sonomacleanpower.org.

BASIC FINANCIAL STATEMENTS

SONOMA CLEAN POWER AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents, unrestricted	\$ 13,683,125	\$ 65,450,786
Accounts receivable, net of allowance	22,170,547	25,168,510
Other receivables	4,077,142	3,125,083
Accrued revenue	14,974,619	12,609,835
Prepaid expenses	892,006	1,473,807
Deposits	1,825,358	8,789,058
Investments	174,973,411	86,253,076
Total current assets	232,596,208	202,870,155
Noncurrent assets		
Cash and cash equivalents, unrestricted	56,000,000	-
Other receivables	1,075,435	-
Deposits	846,256	846,256
Capital assets, net of depreciation	18,600,975	18,396,670
Total noncurrent assets	76,522,666	19,242,926
Total assets	309,118,874	222,113,081
LIABILITIES		
Current liabilities		
Accrued cost of electricity	16,512,867	12,939,088
Accounts payable	1,072,084	1,018,452
Advances from grantors	2,382,376	3,074,682
Other accrued liabilities	1,349,458	1,034,035
User taxes and surcharges due to other governments	699,351	719,779
Supplier security deposits	204,000	2,467,200
Total current liabilities	22,220,136	21,253,236
Noncurrent liabilities		
Supplier security deposits	1,380,121	-
Total liabilities	23,600,257	21,253,236
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	56,000,000	-
NET POSITION		
Investment in capital assets	18,600,975	18,396,670
Unrestricted	210,917,642	182,463,175
Total net position	\$ 229,518,617	\$ 200,859,845

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Electricity sales, net	\$ 272,889,810	\$ 271,954,226
Revenue directed to Rate Stabilization Fund	(56,000,000)	-
Evergreen electricity premium	2,649,939	2,661,646
Grant revenue	1,379,930	624,015
Total operating revenues	<u>220,919,679</u>	<u>275,239,887</u>
OPERATING EXPENSES		
Cost of electricity	176,728,879	187,499,814
Contract services	8,944,622	9,024,836
Staff compensation	8,405,944	7,381,276
Program rebates and incentives	3,819,749	3,155,539
Other operating expenses	2,225,837	1,702,146
Depreciation	1,400,732	1,394,577
Total operating expenses	<u>201,525,763</u>	<u>210,158,188</u>
Operating income	<u>19,393,916</u>	<u>65,081,699</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	-	1,958,716
Investment income	9,264,856	2,692,871
Nonoperating revenues (expenses), net	<u>9,264,856</u>	<u>4,651,587</u>
CHANGE IN NET POSITION	28,658,772	69,733,286
Net position at beginning of year	200,859,845	131,126,559
Net position at end of year	<u>\$ 229,518,617</u>	<u>\$ 200,859,845</u>

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

SONOMA CLEAN POWER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 279,641,246	\$ 280,616,885
Receipts from grantors	1,120,130	3,955,568
Receipts of security deposits	9,254,032	6,150,000
Other operating receipts	1,604,597	3,452,362
Payments to electricity suppliers	(173,254,699)	(187,424,754)
Payments for other goods and services	(10,786,375)	(11,233,943)
Payments of staff compensation	(8,278,194)	(7,298,120)
Payments of tax and surcharges to other governments	(3,488,746)	(3,399,274)
Payments for program rebates and incentives	(4,936,783)	(5,677,569)
Deposits and collateral paid	(3,150,000)	(9,560,000)
Net cash provided by operating activities	87,725,208	69,581,155
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant revenue	-	1,958,716
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(1,586,968)	(293,374)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	5,094,099	1,100,747
Proceeds from certificates of deposit matured	65,000,000	-
Purchase of investments	(152,000,000)	(50,000,000)
Net cash used by investing activities	(81,905,901)	(48,899,253)
Net change in cash and cash equivalents	4,232,339	22,347,244
Cash and cash equivalents at beginning of year	65,450,786	43,103,542
Cash and cash equivalents at end of year	\$ 69,683,125	\$ 65,450,786
 Reconciliation to the Statement of Net Position		
Cash and cash equivalents (current)	\$ 13,683,125	\$ 65,450,786
Cash and cash equivalents (noncurrent)	56,000,000	-
Cash and cash equivalents	\$ 69,683,125	\$ 65,450,786

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

**SONOMA CLEAN POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 19,393,916	\$ 65,081,699
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,400,732	1,394,577
(Increase) decrease in:		
Accounts receivable, net	2,997,963	1,735,401
Other receivables	422,930	(940,372)
Accrued revenue	(2,364,784)	821,974
Prepaid expenses	581,801	1,487,436
Deposits	6,963,699	(3,326,077)
Increase (decrease) in:		
Accrued cost of electricity	2,749,136	(1,861,619)
Accounts payable	44,062	(293,207)
Advances from grantors	(692,306)	3,074,682
Accrued liabilities	1,207,287	61,897
User taxes due to other governments	(20,428)	44,364
Supplier security deposits	(958,800)	2,300,400
Rate Stabilization Fund	56,000,000	-
Net cash provided by operating activities	\$ 87,725,208	\$ 69,581,155
NONCASH INVESTING ACTIVITIES		
Unrealized appreciation and timing differences in investment income	\$ 4,170,757	\$ 1,592,124

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, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Sonoma Clean Power Authority (SCP) is a Joint Powers Authority created on December 4, 2012. As of June 30, 2024, partner communities consist of the following local governments:

Counties	Cities and Towns	
Mendocino	Cloverdale	Santa Rosa
Sonoma	Cotati	Sebastopol
	Fort Bragg	Sonoma
	Petaluma	Willits
	Point Arena	Windsor
	Rohnert Park	

SCP is separate from and derives no financial support from its members. SCP is governed by a Board of Directors (Board) 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. Some energy efficiency programs are supported by rate-payer funds regulated by the California Public Utilities Commission (CPUC).

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 practice 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 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 outstanding. Other components of deposits include those for regulatory and other operating purposes.

INVESTMENTS

Investments in the Sonoma County Treasury Investment Pool are stated at fair value based on prices reported by the Sonoma County Auditor-Controller. Certificates of deposit are stated at cost. SCP intends to hold its securities to maturity. Investments with a maturity of less than one year are shown as current assets in the Statement of Net Position, while investments with a maturity of one year are shown as noncurrent assets. There were no noncurrent investments at the end of each year. SCP's investment policy permits the investment of funds in depository accounts, certificates of deposit, Local Agency Investment Fund (LAIF) program, United States Treasury obligations, commercial paper, money market funds, and other investments as allowed by the California Government Code section 53600.

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS AND DEPRECIATION

SCP's policy is to capitalize furniture and equipment valued over \$1,000 that are 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.

RATE STABILIZATION FUND

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 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. Transfers to this fund were \$56,000,000 and \$0 in fiscal years 2024 and 2023, respectively.

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, 2024 or 2023.

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

OPERATING AND NONOPERATING 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 income and grants that are not earned from the delivery of program activities are considered "nonoperating revenues."

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

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

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of electricity purchased and related services, administrative expenses, and depreciation of 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 (CAISO) 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. 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 CAISO to ensure the 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, 2024 AND 2023**

1. 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 \$3,820,000 and \$3,156,000 for 2024 and 2023, 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.

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, 2024 AND 2023**

2. CASH AND CASH EQUIVALENTS

SCP maintains its cash in both interest and non-interest-bearing accounts in several commercial banks. SCP's deposits are subject to California Government Code Section 16521 that requires banks to collateralize amounts of public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by 110%. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents.

3. INVESTMENTS

During the year ended June 30, 2024, SCP purchased investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

Current investments:	<u>2024</u>	<u>2023</u>
Sonoma County Pooled Investment Fund	\$ 37,431,099	\$ 35,644,015
Certificates of Deposit	110,000,000	50,609,061
Local Agency Investment Fund	27,542,312	-
	<u>\$ 174,973,411</u>	<u>\$ 86,253,076</u>

SCP maintains an account with the Sonoma County Treasurer in the County Pool (the Pool), as well as with the California Local Agency Investment Fund (LAIF). Both are classified as investments on the Statements of Net Position. The Pool and LAIF include both voluntary and involuntary participation from external entities. SCP is a voluntary participant in both. 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, and yield.

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 quarter. 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, 2024 AND 2023**

3. 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.

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 and LAIF are made on the basis of \$1 which is substantially equal to fair value. SCP's proportionate share of investments in the Pool as of June 30, 2024 and 2023 of approximately \$37,431,000 and \$35,644,000, respectively, are not required to be categorized under the fair value hierarchy. Similarly, SCP's proportionate share of investments in LAIF as of June 30, 2024 and 2023 of \$27,542,000 and \$0, respectively, are not required to be categorized under the fair value hierarchy. As of June 30, 2024 and 2023, SCP's non-pool and non-LAIF investments are considered Level 1 inputs. Quoted prices in active markets were used for determining fair value measurement.

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.

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

3. INVESTMENTS (continued)

INTEREST RATE RISK (continued)

The Pool and LAIF manage 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, 2024, approximately 35% of the securities in the Pool had maturities of one year or less. Of the remainder, approximately 0.5% percent had a maturity of more than five years. As of June 30, 2024, approximately 82% of the securities in LAIF had maturities of one year or less. The remainder of the LAIF funds had a maturity of one to five years.

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 2023-24 Sonoma County Comprehensive Annual Financial Report.

4. ACCOUNTS RECEIVABLE

Accounts receivable was as follows as of June 30:

	2024	2023
Accounts receivable from customers	\$ 30,260,905	\$ 33,272,403
Allowance for uncollectible accounts	(8,090,358)	(8,103,893)
Net accounts receivable	\$ 22,170,547	\$ 25,168,510

The majority of account collections occur within the first few months after customer invoices are issued. Management 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. Amounts estimated to be uncollectable are reported as a reduction in electricity sales in the Statement of Revenues, Expenses and Changes in Net Position. Other changes in the allowance for uncollectible accounts from year to year are the result of account write-offs.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2024 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Building - construction in progress	\$ 37,253	\$ 72,923	\$ -	\$ 110,176
Land	860,520	334,885	-	1,195,405
Total capital assets not being depreciated	897,773	407,808	-	1,305,581
Capital assets being depreciated				
Furniture and equipment	779,915	99,575	(47,650)	831,840
Leasehold improvements	4,472,490	-	-	4,472,490
Building	15,225,554	1,097,654	-	16,323,208
Total capital assets being depreciated	20,477,959	1,197,229	(47,650)	21,627,538
Less: Accumulated depreciation	(2,979,062)	(1,400,732)	47,650	(4,332,144)
Total capital assets, net of depreciation	<u>\$18,396,670</u>	<u>\$ 204,305</u>	<u>\$ -</u>	<u>\$18,600,975</u>

Capital asset activity for the years ended June 30, 2023 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Building - construction in progress	\$ -	\$ 37,253	\$ -	\$ 37,253
Land	860,520	-	-	860,520
Total capital assets not being depreciated	860,520	37,253	-	897,773
Capital assets being depreciated				
Furniture and equipment	689,522	90,393	-	779,915
Leasehold improvements	4,459,628	12,862	-	4,472,490
Building	15,177,942	47,612	-	15,225,554
Total capital assets being depreciated	20,327,092	150,867	-	20,477,959
Less: Accumulated depreciation	(1,584,485)	(1,394,577)	-	(2,979,062)
Total capital assets, net of depreciation	<u>\$19,603,127</u>	<u>\$ (1,206,457)</u>	<u>\$ -</u>	<u>\$18,396,670</u>

In January 2024, SCP purchased office property to be used as additional office space for approximately \$1,363,000.

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

6. GRANTS

SCP administered a grant from the California Arrearage Payment Program (CAPP) that offered financial assistance for California energy utility customers to help reduce past due energy accounts receivable balances that increased during the COVID-19 pandemic. During 2022, this program was funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds. During 2023, this program was funded at the state level.

SCP administered a grant funded by the California Energy Commission (CEC). The purpose of the grant is 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 can 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.

SCP administers the FlexMarket program grant, funded by the CPUC. This grant provides incentives for customers to install various energy saving equipment in their homes or business.

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:

	<u>2024</u>	<u>2023</u>
CAPP	\$ -	\$ 1,958,716
FlexMarket	692,306	-
CEC	687,624	624,015
Total grant revenue	<u>\$ 1,379,930</u>	<u>\$ 2,582,731</u>

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

7. DEFINED CONTRIBUTION RETIREMENT PLAN

The Sonoma Clean Power Authority Retirement Plan (Plan) is a defined contribution (IRC 401(a)) retirement plan established to provide retirement benefits to its employees. The Plan is administered by American Trust Retirement. As of June 30, 2024, there were 48 active plan participants. SCP is required to contribute a percentage of covered payroll. SCP contributed \$629,000 and \$506,000 during 2024 and 2023, respectively. Plan provisions and contribution requirements are established and may be amended by SCP's Personnel Director, as designated by the Board.

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 years presented, 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, 2024 AND 2023**

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 hydroelectric 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, 2024:

Year ending June 30,	
2025	\$ 141,700,000
2026	168,800,000
2027	155,200,000
2028	148,500,000
2029	162,300,000
2030-2047	1,372,800,000
	<u>\$ 2,149,300,000</u>

10. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2024:

GASB has approved GASB No. 102, *Certain Risk Disclosures*, and GASB No. 103, *Financial Reporting Model Improvements*.

Management is evaluating the effect of implementation of these statements.

**SONOMA CLEAN POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

11. SUBSEQUENT EVENT

In October 2024, SCP became a member of a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed as an issuer to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member. CCCFA is expected to issue bonds whose proceeds are related to financing energy purchases for SCP in late November 2024. The financial statements of CCCFA are available online at <http://www.cccfa.org/key-documents.html>.