



# FINANCIAL STATEMENTS

Years Ended June 30, 2025 and June 30, 2024  
With Report of Independent Auditors

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## **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, 2025 and 2024, 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, 2025 and 2024, 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 Audit 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 audit.
- 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 audit 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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.

*Sorren CPAs P.C.*

Santa Rosa, California  
November 20, 2025

**SONOMA CLEAN POWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

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.

If you have any questions about this report or require further information, please contact SCP at [info@sonomacleanpower.org](mailto:info@sonomacleanpower.org).

**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 provide information about the nature and amounts 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, 2025 AND 2024**

**Financial Summary**

***SCP's Net Position***

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Current assets	\$289,484,002	\$288,596,208	\$202,870,155
Noncurrent assets:			
Capital assets, net	17,530,123	18,600,975	18,396,670
Other noncurrent assets	89,901,875	1,921,691	846,256
Total noncurrent assets	107,431,998	20,522,666	19,242,926
Total assets	<b>396,916,000</b>	<b>309,118,874</b>	<b>222,113,081</b>
Current liabilities	28,236,674	22,220,136	21,253,236
Noncurrent liabilities	1,332,121	1,380,121	-
Total liabilities	<b>29,568,795</b>	<b>23,600,257</b>	<b>21,253,236</b>
Deferred inflows of resources	<b>137,500,000</b>	<b>56,000,000</b>	-
Net position			
Investment in capital assets	17,530,123	18,600,975	18,396,670
Unrestricted	212,317,082	210,917,642	182,463,175
Total net position	<b>\$229,847,205</b>	<b>\$229,518,617</b>	<b>\$200,859,845</b>

As of June 30, 2025, SCP's total net position was approximately \$230,000,000, virtually no change compared to June 30, 2024.

***SCP's Changes in Net Position***

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Operating revenues	\$ 185,221,531	\$ 220,990,011	\$ 275,239,887
Nonoperating revenues	15,314,580	9,264,856	4,651,587
<b>Total revenues</b>	<b>200,536,111</b>	<b>230,254,867</b>	<b>279,891,474</b>
Operating expenses	200,207,523	201,596,095	210,158,188
<b>Change in net position</b>	<b>\$ 328,588</b>	<b>\$ 28,658,772</b>	<b>\$ 69,733,286</b>

Operating revenues were reduced by \$81,500,000 and \$56,000,000 in voluntary deferrals into the Rate Stabilization Fund for the years ended June 30, 2025 and 2024, respectively.

**SONOMA CLEAN POWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Detailed Analysis**

Current assets at the end of fiscal year June 30, 2025 had little change from 2024 with both having balances of approximately \$289,000,000. While total current assets were flat, there were significant changes in its components. Cash and cash equivalents grew from \$70,000,000 at the end of 2024 to \$177,000,000 at the end of 2025. Conversely, the current portion of investments decreased from \$175,000,000 to \$71,000,000 as SCP shifted its investment strategy to hold a larger portion in investments that mature after one year. Accounts receivable and accrued revenue, which represents money owed from retail customers, decreased from 2024 to 2025 by a combined amount of approximately \$10,000,000. This decrease was anticipated after SCP reduced its retail rates in the second half of fiscal year 2025.

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 included 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 2025 include investments of \$89,000,000 and other noncurrent receivables and deposits. There were no noncurrent investments as of the end of the prior year.

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 as well as the timing of payments for those products. The accrued liability for the cost of electricity was approximately \$19,000,000 and \$17,000,000 at the end of fiscal years 2025 and 2024, respectively.

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

Reported revenues include reductions for deferrals to the Rate Stabilization Fund of \$81,500,000 in 2025 and \$56,000,000 million in 2024. Excluding the effect of these deferrals, operating revenues were stable from 2023 to 2024. SCP did experience a decrease in revenue from 2024 to 2025 of approximately \$16 million that was primarily related to a reduction in retail rates charged to customers beginning in February 2025. SCP also receives operating revenues from sources other than energy sales, including liquidated damages from suppliers for nonperformance and grant income used to assist with various customer programs.

Investment income increased each year due to changes in market interest rates as well as increases in invested assets.



**SONOMA CLEAN POWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Detailed Analysis (continued)**

Operating expenses declined modestly from 2024 to 2025, driven primarily by changes in electricity costs – SCP's largest expense. Energy costs represent approximately 86% to 88% of total operating costs. 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 2024 to fiscal year 2025, particularly in the resource adequacy market and renewable energy credit market, SCP's total cost of energy in fiscal year 2025 decreased from the previous fiscal year due to reduced demand as a result of cooler weather and lower wholesale market energy prices.

**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 continues to invest in improvements to the new building.

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 remain relatively low as extremely mild weather and surplus supplies of natural gas have resulted in very low wholesale market energy costs – a condition that is expected to continue into 2026. However, episodic spikes due to extreme summer heat or extended winter cold periods into the future can have significant impacts on SCP's finances making financial forecasts difficult for individual months. Recent energy market trends have indicated lower prices generally and SCP is taking advantage of these lower prices whenever possible. SCP has been proactively managing its exposure to movements in market prices through a combination of long-term contracts, intermediate contracts and spot market purchases.

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. Low overall commodity energy prices in 2025 will result in this fee going up in 2026 for SCP's customers. We expect SCP will respond by adjusting its rates to remain price competitive in 2026. SCP reached its long-term target reserve balance of 365 days of liquidity in 2025. Management is projecting maintaining the long-term target reserve balance in fiscal 2026. SCP was able to defer \$56 million of fiscal 2024 revenue and \$81.5 million in fiscal 2025 for use in future years to stabilize rates and remain competitive with PG&E. SCP has been focused on building credit capacity through sustaining significant cash reserves, deferring revenue to future years to address energy price volatility and negotiating favorable energy contracts to serve its load.

**SONOMA CLEAN POWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Currently Known Facts, Decisions, or Conditions**

SCP secured a \$100 million revolving credit facility from Royal Bank of Canada in July, 2025 which provides flexible borrowing terms allowing SCP access to additional liquidity if needed for short-term cash-flow needs.

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

SCP is actively working with private partners to develop new local geothermal power resources over the long-term 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.

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.

## **BASIC FINANCIAL STATEMENTS**

**SONOMA CLEAN POWER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 176,915,966	\$ 69,683,125
Accounts receivable, net of allowance	14,712,068	22,170,547
Accrued revenue	12,629,965	14,974,619
Other receivables	6,339,283	4,077,142
Prepaid expenses	1,525,005	892,006
Deposits	6,245,890	1,825,358
Investments	71,115,825	174,973,411
Total current assets	<u>289,484,002</u>	<u>288,596,208</u>
Noncurrent assets		
Investments	88,988,303	-
Other receivables	897,572	1,075,435
Deposits	16,000	846,256
Capital assets, net of depreciation	17,530,123	18,600,975
Total noncurrent assets	<u>107,431,998</u>	<u>20,522,666</u>
Total assets	<u>396,916,000</u>	<u>309,118,874</u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued cost of electricity	19,409,244	16,512,867
Accounts payable	1,645,094	1,072,084
Advances from grantors	-	2,382,376
Other accrued liabilities	2,091,804	1,349,458
User taxes and energy surcharges due to other governments	644,179	699,351
Supplier security deposits	4,446,353	204,000
Total current liabilities	<u>28,236,674</u>	<u>22,220,136</u>
Noncurrent liabilities		
Supplier security deposits	1,332,121	1,380,121
Total liabilities	<u>29,568,795</u>	<u>23,600,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate stabilization fund	<u>137,500,000</u>	<u>56,000,000</u>
<b>NET POSITION</b>		
Investment in capital assets	17,530,123	18,600,975
Unrestricted	212,317,082	210,917,642
Total net position	<u>\$ 229,847,205</u>	<u>\$ 229,518,617</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
Electricity sales, net	\$ 256,682,974	\$ 272,840,103
Revenue directed to Rate Stabilization Fund	(81,500,000)	(56,000,000)
Evergreen electricity premium	3,120,445	2,649,939
Liquidated damages and other operating revenue	6,538,000	120,039
Grant revenue	380,112	1,379,930
Total operating revenues	<u>185,221,531</u>	<u>220,990,011</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	173,063,153	176,799,211
Contract services	9,771,712	8,944,622
Staff compensation	11,060,408	8,405,944
Program rebates and incentives	2,389,667	3,819,749
Other operating expenses	2,489,640	2,225,837
Depreciation	1,432,943	1,400,732
Total operating expenses	<u>200,207,523</u>	<u>201,596,095</u>
Operating (loss) income	<u>(14,985,992)</u>	<u>19,393,916</u>
<b>NONOPERATING REVENUES</b>		
Investment income	<u>15,314,580</u>	<u>9,264,856</u>
<b>CHANGE IN NET POSITION</b>	328,588	28,658,772
Net position at beginning of year	<u>229,518,617</u>	<u>200,859,845</u>
Net position at end of year	<u>\$ 229,847,205</u>	<u>\$ 229,518,617</u>

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

**SONOMA CLEAN POWER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 272,975,842	\$ 279,641,246
Receipts from grantors	-	1,120,130
Receipts of security deposits	10,010,445	9,254,032
Receipts of liquidated damages	4,175,618	1,604,597
Receipts from wholesale sales and other operating activities	11,033,868	5,068,987
Payments to electricity suppliers	(184,987,490)	(178,323,686)
Payments for other goods and services	(12,228,897)	(10,786,375)
Payments for staff compensation	(10,840,825)	(8,278,194)
Payments for program rebates and incentives	(2,354,384)	(4,936,783)
Payments of taxes and surcharges to other governments	(3,424,461)	(3,488,746)
Deposits and collateral paid	(8,002,264)	(3,150,000)
Net cash provided by operating activities	<u>76,357,452</u>	<u>87,725,208</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	<u>(380,007)</u>	<u>(1,586,968)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	12,158,738	5,094,099
Proceeds from sales and maturities of investments	149,880,276	65,000,000
Purchase of investments	(130,783,618)	(152,000,000)
Net cash provided (used) by investing activities	<u>31,255,396</u>	<u>(81,905,901)</u>
 Net change in cash and cash equivalents	107,232,841	4,232,339
Cash and cash equivalents at beginning of year	69,683,125	65,450,786
Cash and cash equivalents at end of period	<u>\$ 176,915,966</u>	<u>\$ 69,683,125</u>
 <b>NONCASH INVESTING ACTIVITIES</b>		
Change in fair value of investments	\$ 4,228,807	\$ 1,720,334
Change in interest receivable	\$ (1,072,965)	\$ 2,450,423

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

**SONOMA CLEAN POWER AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (14,985,992)	\$ 19,393,916
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,432,943	1,400,732
(Increase) decrease in:		
Accounts receivable, net	7,458,479	2,997,963
Other receivables	(3,157,240)	422,930
Accrued revenue	2,344,654	(2,364,784)
Prepaid expenses	(632,999)	581,801
Deposits	(3,588,843)	6,963,699
Increase (decrease) in:		
Accrued cost of electricity	4,132,426	2,749,136
Accounts payable	590,921	44,062
Advances from grantors	(2,382,376)	(692,306)
Other accrued liabilities	(493,702)	1,207,287
User taxes due to other governments	(55,172)	(20,428)
Supplier security deposits	4,194,353	(958,800)
Rate Stabilization Fund	81,500,000	56,000,000
Net cash provided by operating activities	<u>\$ 76,357,452</u>	<u>\$ 87,725,208</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, 2025 AND 2024**

**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, 2025, partner communities consist of the following local governments:

<u>Counties</u>	<u>Cities and Towns</u>	
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 services and climate protection 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, 2025 AND 2024**

**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.

**PREPAID EXPENSES**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

**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.

**ACCRUED REVENUE**

Accrued revenue reflects the estimated value of electricity delivered to customers during the reporting period for which invoices had not been issued by the end of the fiscal year.

**SONOMA CLEAN POWER AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**INVESTMENTS**

Investments are stated at fair value based on prices listed on a national exchange for debt securities and by the Local Agency Investment Fund (LAIF) for an investment pool. 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 Statements of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statements of Net Position.

SCP's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, SCP's Investment Policy further restricts eligible investments. Authorized investment types include:

Municipal securities	Certificate of Deposit Account Registry Service (CDARS)
U.S. Treasuries	Repurchase agreements
Federal agencies	Local Agency Investment Fund (LAIF)
Banker's acceptances	Corporate medium term notes
Commercial paper	Mutual funds
Certificates of deposit	Money market mutual funds
Federally insured time deposits	Supranational

**CAPITAL ASSETS AND DEPRECIATION**

SCP's policy is to capitalize furniture and equipment valued over \$5,000 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 \$81,500,000 and \$56,000,000 in fiscal years 2025 and 2024, respectively.

**SONOMA CLEAN POWER AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2025 or 2024.

*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 energy sales to retail and wholesale customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments.

SCP's retail revenue sales include charges for its standard electricity product, as well as premiums charged for its 100% renewable evergreen electricity product.

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

**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 recorded.

**OPERATING AND NONOPERATING EXPENSES**

Operating expenses include the cost of electricity, services, administrative expenses, and depreciation of capital assets. There were no nonoperating expenses during the years ended June 30, 2025 and 2024.

**SONOMA CLEAN POWER AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**COST OF ELECTRICITY**

During the normal course of business, SCP purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers, as well as generation credits, and load and other charges arising from SCP's participation in the California Independent System Operator's (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) and self-imposed benchmarks, 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 (RA) Program. The goals of the RA Program are to provide sufficient resources to CAISO 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.

**STAFF COMPENSATION**

SCP pays employees semi-monthly and fully satisfies its obligation for health benefits and contributions to its defined contribution retirement plan. SCP does not provide post-employment healthcare or other fringe benefits and accordingly, no related liability is recorded in these financial statements. SCP provides compensated absences, including paid time off, which are accrued when earned and recorded as part of accrued liabilities. The liability includes leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The liability is measured using the employee's pay rate as of the financial statement date.

**SONOMA CLEAN POWER AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROGRAM REBATES AND INCENTIVES**

SCP provides incentives and, from time to time, low-cost 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.

**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's financial statements have been reclassified for comparative purposes to conform to the presentation of the current year's financial statements. These reclassifications did not result in any change in previously reported net position or change in net position.

**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, which requires banks to provide collateral of balances in excess of \$250,000 insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Accordingly, the amount of risk is not disclosed for bank deposits. The risk disclosures in Note 4 address the risks related to certain short-term investments with original maturities of less than three months that are classified as cash and cash equivalents in the Statements of Net Position and Statements of Cash Flows. SCP monitors its risk on an ongoing basis.

**SONOMA CLEAN POWER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**3. ACCOUNTS RECEIVABLE**

Accounts receivable was as follows as of June 30:

	<b>2025</b>	<b>2024</b>
Accounts receivable from customers	\$ 23,412,068	\$ 30,260,905
Allowance for uncollectible accounts	(8,700,000)	(8,090,358)
Net accounts receivable	<u>\$ 14,712,068</u>	<u>\$ 22,170,547</u>

Most account collections are received within the first few months after the issuance of customer invoices. SCP estimates that a portion of the billed accounts will not be collected. SCP persists with collection efforts on accounts above minimum thresholds, regardless of age. While collection success typically declines as receivables age, SCP often successfully collects on older accounts.

**4. INVESTMENTS**

During the years ended June 30, 2025 and 2024, SCP held investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

<b>Current investments:</b>	<b>2025</b>	<b>2024</b>	<b>Level</b>
Sonoma County Pooled Investment Fund	\$ -	\$ 37,431,099	NA
U.S. Treasury securities	3,149,223	-	1
Certificates of Deposit	39,000,000	110,000,000	NA
Local Agency Investment Fund	28,966,602	27,542,312	NA
	<u>\$ 71,115,825</u>	<u>\$ 174,973,411</u>	
<b>Noncurrent investments:</b>	<b>2025</b>	<b>2024</b>	<b>Level</b>
U.S. Treasury securities	\$ 29,034,920	\$ -	1
U.S. agency obligations	6,585,901	-	2
Corporate bonds - U.S.	19,543,734	-	2
Corporate bonds - foreign	2,512,244	-	2
Municipal bonds	407,098	-	2
Certificates of Deposit	30,904,406	-	NA
	<u>\$ 88,988,303</u>	<u>\$ -</u>	

**SONOMA CLEAN POWER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**4. INVESTMENTS (continued)**

SCP maintains an account with the LAIF and, until October 2024, the Sonoma County Treasurer in the County Pool (the Pool). Both are classified as investments in the Statements of Net Position. LAIF and the Pool 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. SCP removed all of its investments in the Pool in October 2024.

**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 LAIF and the Pool are made on the basis of \$1, which is substantially equal to fair value. SCP's proportionate share of investments in LAIF as of June 30, 2025 and 2024 were approximately \$28,967,000 and \$27,542,000, respectively. SCP's proportionate share of investments in the Pool as of June 30, 2025 and 2024 were approximately \$0 and \$37,431,000, respectively. Investments in LAIF and the Pool are not required to be categorized under the fair value hierarchy.

**SONOMA CLEAN POWER AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**4. INVESTMENTS (continued)**

**CREDIT RISK**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are considered to have no credit risk. As of June 30, 2025 and 2024, SCP's non-pool and non-LAIF investments were rated between BBB+ and AAA by Moody's.

SCP's investment policy addresses this risk by limiting investments to those allowed by Section 53601 of the California Government Code.

**CUSTODIAL CREDIT RISK**

**Cash and cash equivalents**

Custodial credit risk is the risk that in the event of a financial institution failure, SCP's deposits may not be returned to SCP. SCP's deposits are fully insured or collateralized.

As of June 30, 2025 and 2024, none of SCP's bank balances are known to be threatened by credit risk.

**Investments**

Custodial credit risk for investments is the risk that, in the event of the failure of the custodian that is holding SCP's investments, SCP would not be able to recover those investments. None of SCP's investments are exposed to custodial credit risk.

SCP's investment policy addresses custodial credit risk. All individual investments owned by SCP are held in SCP's name in safekeeping by a third-party custodian, acting as an agent for SCP under the terms of a custody agreement.



**SONOMA CLEAN POWER AUTHORITY**  
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**4. INVESTMENTS (continued)**

**INTEREST RATE RISK**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. SCP manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of non-LAIF investment maturities as of June 30, 2025:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities</b>	
		<b>Less Than 1 Year</b>	<b>1-5 Years</b>
U.S. Treasury securities	\$ 32,184,143	\$ 3,149,223	\$ 29,034,920
U.S. agency obligations	6,585,901	-	6,585,901
Certificates of Deposit	69,904,406	39,000,000	30,904,406
Corporate bonds - U.S.	19,543,734	-	19,543,734
Corporate bonds - foreign	2,512,244	-	2,512,244
Municipal bonds	407,098	-	407,098
	<u>\$ 131,137,526</u>	<u>\$ 42,149,223</u>	<u>\$ 88,988,303</u>

LAIF and the Pool 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, 2025 and 2024, approximately 80% and 82% respectively, 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. 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.

**SONOMA CLEAN POWER AUTHORITY**  
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**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Building - construction in progress	\$ 110,176	\$ 212,078	\$ (110,175)	\$ 212,079
Land	1,195,405	-	-	1,195,405
Total capital assets not being depreciated	1,305,581	212,078	(110,175)	1,407,484
Capital assets being depreciated				
Furniture and equipment	831,840	85,338	-	917,178
Leasehold improvements	4,472,490	-	-	4,472,490
Building	16,323,208	174,850	-	16,498,058
Total capital assets being depreciated	21,627,538	260,188	-	21,887,726
Less: Accumulated depreciation	(4,332,144)	(1,432,943)	-	(5,765,087)
Total capital assets, net of depreciation	<u>\$18,600,975</u>	<u>\$ (960,677)</u>	<u>\$ (110,175)</u>	<u>\$17,530,123</u>

Capital asset activity for the year 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>

**SONOMA CLEAN POWER AUTHORITY  
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**6. GRANTS**

SCP participates in various grants from the California Public Utilities Commission (CPUC) and other sources.

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 businesses.

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><b>2025</b></u>	<u><b>2024</b></u>
FlexMarket	\$ 380,112	\$ 692,306
CEC	-	687,624
Total grant revenue	<u>\$ 380,112</u>	<u>\$ 1,379,930</u>

**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, 2025, there were 52 active plan participants. SCP is required to contribute a percentage of covered payroll. SCP contributed \$825,000 and \$629,000 during 2025 and 2024, respectively. Plan provisions and contribution requirements are established and may be amended by SCP's Personnel Director, as designated by the Board.

**SONOMA CLEAN POWER AUTHORITY  
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**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 highly rated commercial carriers to mitigate risks that include those associated with 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 highly rated 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.

**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, 2025:

Year ending June 30,	
2026	\$ 134,600,000
2027	156,800,000
2028	148,700,000
2029	163,900,000
2030	165,100,000
2031-2049	1,219,400,000
	<u>\$ 1,988,500,000</u>

**SONOMA CLEAN POWER AUTHORITY**  
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**10. JOINT VENTURE**

SCP participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments through 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. No debt or liability incurred by CCCFA that is related to a prepay for renewable energy for the benefit of a member agency is 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 do not constitute an asset or reserve of that member.

CCCFA issued bonds which are to be used to finance energy purchases that will be delivered to SCP. SCP will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. SCP purchased approximately \$8,404,000 and \$0 from CCCFA during fiscal years 2025 and 2024, respectively. The outstanding purchase commitments related to these financing facilities are included in Note 9.

The financial statements of CCCFA are available online at <http://www.cccfa.org/key-documents.html>.

**11. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS**

SCP implemented GASB Statement No. 102, *Certain Risk Disclosures*, which requires additional disclosures regarding concentrations and constraints that could impact SCP's financial position or results of operations. Implementation of this statement did not have a material effect on the financial statements.

SCP also implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, which establishes revised guidance for the presentation of financial statements by state and local governments. The adoption of this statement did not have a material effect on SCP's financial statements.

In addition, SCP adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Implementation of this statement did not have a material effect on the financial statements.