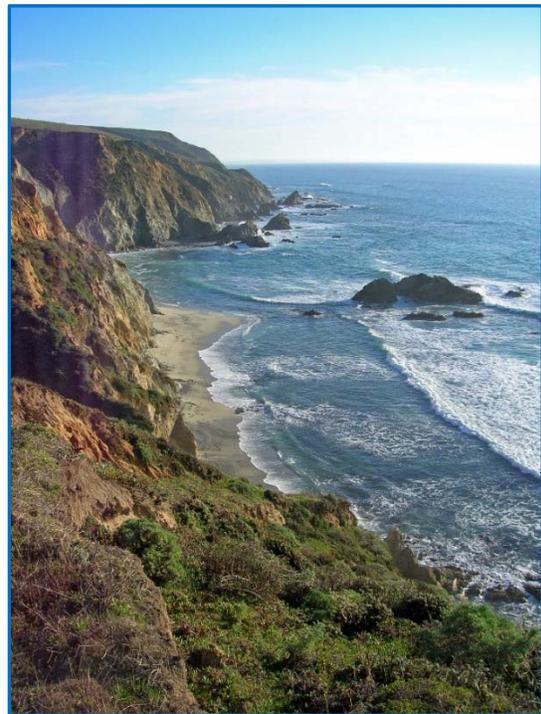




Financial Statements

Periods Ended June 30, 2014 and June 30, 2013

With Report of Independent Auditors



**SONOMA CLEAN POWER AUTHORITY
PERIODS ENDED JUNE 30, 2014 AND 2013**

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Fund Net Position	10
Statements of Cash Flows	11
Notes to the Financial Statements	13

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Sonoma Clean Power Authority (SCPA), as of and for the year ended June 30, 2014 and as of June 30, 2013 and for the period beginning December 4, 2012 (inception) through June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of SCPA as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Local partnership. Global solutions.

Independent Auditor's Report (continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Petaluma, California
October 30, 2014

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
PERIODS ENDED JUNE 30, 2014 AND 2013**

The Management's Discussion and Analysis provides an overview of Sonoma Clean Power Authority's (SCPA) financial activities as of and for the periods ended June 30, 2014 and 2013 (from inception). The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

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

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

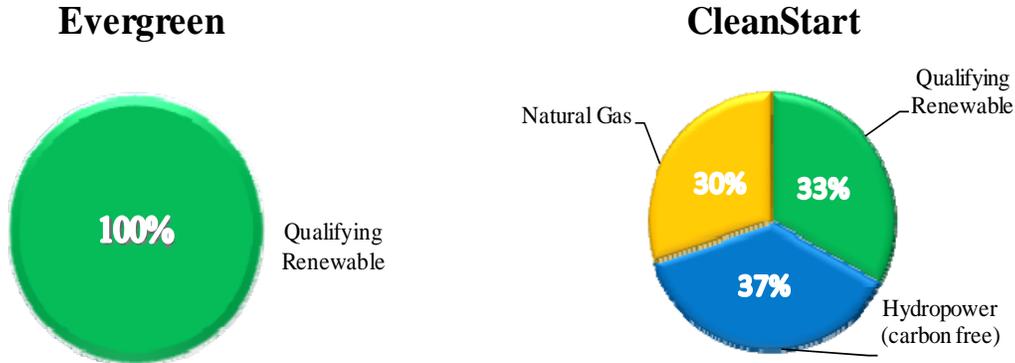
SCPA's financial activity commenced as of April 23, 2013, when it succeeded the Sonoma County Water Agency (SCWA) in performing specified activities related to a community choice aggregation program. Pursuant to an agreement between SCPA and SCWA, SCPA accepted an obligation to reimburse SCWA for specified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

In May 2014, SCPA began to provide service to its first 22,000 customers. The cities and towns of Windsor, Sonoma, Cotati, Sebastopol, Santa Rosa, and all of Sonoma County's unincorporated areas have decided to participate as of June 30, 2014.

Providing its customers with affordable electricity with significant renewable attributes is a main focus of SCPA's operations. SCPA has entered into agreements with electricity suppliers to ensure that a portion of the electricity provided to customers is from renewable sources. In an effort to increase demand for renewable electricity, SCPA offers its customers two electricity services to choose from, CleanStart and Evergreen. Evergreen customers have chosen to purchase electricity from 100% local renewable sources. Customers who do not choose to participate in Evergreen fall into the CleanStart service and receive electricity with 33% renewable energy, 37% hydropower, and 30% general power which is primarily natural gas. SCPA intends to raise awareness and participation of its Evergreen service to provide a greater demand for renewable electricity.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
PERIODS ENDED JUNE 30, 2014 AND 2013**

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



Financial Reporting

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

Contents of this report

This report reflects SCPA activities that are funded through the sale of energy to its customers and is divided into the following sections:

- Management discussion and analysis, which provides an overview of operations.
- The financial statements, which offer both short term and long-term information on SCPA's financial status.
 - The *Statements of Net Position* are prepared in accordance with GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and where applicable includes all of SCPA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual method of accounting. The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.
 - The *Statements of Revenues, Expenses, and Changes in Fund Net Position* report all of SCPA's revenue and expenses for the periods shown.
 - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and payments, such as debt financing.
- Notes to the financial statements, which provide supplemental details and information to the main reporting documents.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
PERIODS ENDED JUNE 30, 2014 AND 2013**

FINANCIAL HIGHLIGHTS

The following table is a summary of SCPA's assets, liabilities, and net position.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 11,975,089	-
Noncurrent assets		
Capital assets	63,415	-
Other noncurrent assets	805,000	-
Total noncurrent assets	<u>868,415</u>	<u>-</u>
Total assets	<u>12,843,504</u>	<u>-</u>
Current liabilities	7,024,637	-
Noncurrent liabilities	5,920,157	\$ 1,216,665
Total liabilities	<u>12,944,794</u>	<u>1,216,665</u>
Net position		
Net investment in capital assets	63,415	-
Unrestricted (deficit)	(164,705)	(1,216,665)
Total net position	<u>\$ (101,290)</u>	<u>\$ (1,216,665)</u>

Prior to fiscal year 2013-14, SCPA's operations were funded according to an agreement with the SCWA. Expenses were incurred during this preliminary period by SCWA, with the understanding that they be reimbursed by SCPA. An arrangement for repayment to SCWA was formalized on April 23, 2013.

Current Assets

2014 results Current assets reached \$11,975,000 in 2014 and are mostly comprised of the following: \$2,730,000 in unrestricted cash, \$5,391,000 in accounts receivable, and \$3,845,000 in accrued revenue. The increase in cash is largely the result of bank borrowings. Accrued revenue differs from accounts receivable in that it is the result of electricity use by SCPA customers before invoicing for those customers has occurred. Once invoices to customers have been prepared, the asset is classified as accounts receivable.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
PERIODS ENDED JUNE 30, 2014 AND 2013**

Capital Assets

2014 results Capital assets grew to \$63,000 in 2014 as a result of purchases of furniture and equipment. This amount is net of depreciation. SCPA does not own assets used for electric generation or distribution.

Other Noncurrent Assets

2014 results Other noncurrent assets grew to \$805,000 in 2014 and consist entirely of cash deposits to provide collateral for energy purchases, regulatory, and other operating purposes.

Current Liabilities

2014 results Current liabilities reached \$7,025,000 in 2014 mostly due to the accrued cost of electricity. Accrued cost of electricity is the result of the timing difference between the provisions of electricity to SCPA customers and the payment for the electricity by SCPA, as provided with agreements with suppliers. Other minor components are \$375,000 of term debt due within one year, \$229,000 in other accrued liabilities, and \$193,000 in trade accounts payable.

Noncurrent Liabilities

2014 compared to 2013 Noncurrent liabilities increased by \$4,703,000 in 2014 due to increased borrowing needs. SCPA continued borrowing on a loan with the SCWA during the year, with the long term portion increasing by \$424,000. In addition, SCPA borrowed resources from a local bank to provide funding for operations, most notably for the need to procure electricity before it received cash from customers. The long term balance of this debt increased by \$4,280,000.

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

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 9,792,608	-
Operating expenses	8,565,792	\$ 1,216,665
Interest expense	111,441	-
Total expenses	<u>8,677,233</u>	<u>1,216,665</u>
Increase (decrease) in net position	<u>\$ 1,115,375</u>	<u>\$ (1,216,665)</u>

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
PERIODS ENDED JUNE 30, 2014 AND 2013**

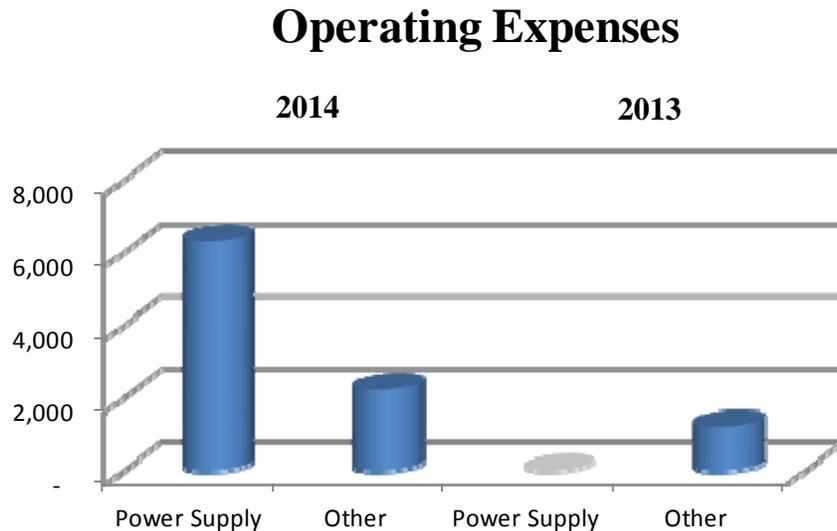
Operating Revenues

2014 results SCPA began providing electricity to its customers in May, 2014 and finished the year with approximately 22,000 residential and business customers and recognized revenues of \$9,793,000.

Operating Expenses

2014 compared to 2013 During fiscal year 2013, SCPA’s main expense was for contract services, which were funded by SCWA. Since SCPA began full time operations in 2014, the following expenses were not present in 2013: cost of electricity, staff compensation, and general and administrative. After operations began in 2014, expenses increased by \$7,349,000. The bulk of the expense increase is related to the procurement of electricity for resale to customers. The operating model is heavily weighted with these cost of goods sold, as SCPA strives to provide affordable electricity to its customers while maintaining an efficient organizational scale.

The following chart illustrates the cost of electricity procurement compared to other operating costs:



Interest Charges

2014 results Interest charges began in 2014 and total \$111,000 at the end of the fiscal year. The sources of interest charges are the Sonoma County Water Agency Loan and operating loans with a local bank. There was no interest expense in 2013.

**SONOMA CLEAN POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
PERIODS ENDED JUNE 30, 2014 AND 2013**

ECONOMIC OUTLOOK

SCPA is increasing its efforts to provide electricity to other cities in the County. Shortly after the end of the fiscal year the City of Cloverdale joined SCPA, allowing its residents and businesses the opportunity to choose their electricity provider. As of June 30, 2014, the cities of Petaluma and Rohnert Park had not yet voted to join, so those residents and businesses are not yet eligible to participate. These cities have the option to join in the future.

In 2015, SCPA will begin the second phase of providing electricity to the areas that have elected to participate. SCPA anticipates approximately 145,000 residential and 18,000 agricultural, street lighting and other non-residential customers will be added to the customer base. This dramatic increase in customers will result in a rise of revenues as well as the additional need for SCPA to procure electricity. It is important to note that the current customer base of 22,000 is heavily weighted with commercial customers who average greater energy usage than residential customers. These commercial customers are also subject to seasonal rates, with lower rates in the winter and higher rates in the summer. Accordingly, the margins experienced during the two months of sales in the period ended June 30, 2014 are not indicative of future results that will include an entire year of sales. Future influxes of residential customers will have a much smaller per customer financial impact than SCPA experienced in its initial phase.

In order to provide electricity to its phase two customers, SCPA has entered into additional procurement contracts with energy suppliers. It is anticipated that SCPA will need to borrow funds to cover the cost of the additional collateral requirements and procurement in advance of cash collections from customers. SCPA aims to minimize this need through the use of current cash reserves.

REQUEST FOR INFORMATION

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

Please address any questions about this report or requests for additional financial information to 50 Old Courthouse Square Suite 605, Santa Rosa, CA 95404.

Respectfully submitted,

Geof Syphers, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash	\$ 2,729,685	-
Accounts receivable, net of allowance	5,391,213	-
Accrued revenue	3,845,237	-
Prepaid expenses	8,954	-
Total current assets	<u>11,975,089</u>	<u>-</u>
Noncurrent assets		
Capital assets, net of depreciation	63,415	-
Deposits	805,000	-
Total noncurrent assets	<u>868,415</u>	<u>-</u>
Total assets	<u>12,843,504</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable	193,275	-
Accrued cost of electricity	6,059,357	-
Other accrued liabilities	229,464	-
Due to related party	58,670	-
User taxes and energy surcharges due to other governments	108,967	-
Notes payable to bank	297,629	-
Loan payable to Sonoma County Water Agency	77,275	-
Total current liabilities	<u>7,024,637</u>	<u>-</u>
Noncurrent liabilities		
Notes payable to bank	4,279,620	-
Loan payable to Sonoma County Water Agency	1,640,537	\$ 1,216,665
Total noncurrent liabilities	<u>5,920,157</u>	<u>1,216,665</u>
Total liabilities	<u>12,944,794</u>	<u>1,216,665</u>
NET POSITION		
Net investment in capital assets	63,415	-
Unrestricted (deficit)	(164,705)	(1,216,665)
Total net position	<u>\$ (101,290)</u>	<u>\$ (1,216,665)</u>

SONOMA CLEAN POWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PERIODS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30, 2014	Inception through June 30, 2013
OPERATING REVENUES		
Electricity sales	\$ 9,785,872	-
Evergreen electricity premium	6,736	-
Total operating revenues	<u>9,792,608</u>	<u>-</u>
OPERATING EXPENSES		
Cost of electricity	6,326,607	-
Contract services	1,637,804	\$ 1,202,636
Staff compensation	444,197	-
General and administration	157,184	14,029
Total operating expenses	<u>8,565,792</u>	<u>1,216,665</u>
Operating income (loss)	<u>1,226,816</u>	<u>(1,216,665)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>(111,441)</u>	<u>-</u>
CHANGES IN NET POSITION		
	1,115,375	(1,216,665)
Net position at beginning of period	<u>(1,216,665)</u>	<u>-</u>
Net position at end of period	<u>\$ (101,290)</u>	<u>\$ (1,216,665)</u>

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

SONOMA CLEAN POWER AUTHORITY

STATEMENTS OF CASH FLOWS

PERIODS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30, 2014	Inception through June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 788,798	-
Cash payments for staff compensation	(212,184)	-
Cash payments for contract services	(1,064,881)	-
Cash payments for general and administration	(147,460)	-
Net cash provided (used) by operating activities	<u>(635,727)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds from bank lines of credit	4,309,999	-
Security and other deposits	(805,000)	-
Interest expense payments	(68,819)	-
Net cash provided (used) by non-capital financing activities	<u>3,436,180</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(70,768)</u>	<u>-</u>
Net change in cash and cash equivalents	2,729,685	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	<u>\$ 2,729,685</u>	<u>-</u>

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

SONOMA CLEAN POWER AUTHORITY

**STATEMENTS OF CASH FLOWS
(CONTINUED)**

PERIODS ENDED JUNE 30, 2014 AND 2013

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

	<u>Year Ended June 30, 2014</u>	<u>Inception through June 30, 2013</u>
Operating income (loss)	\$ 1,226,816	\$ (1,216,665)
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities		
Operating expenses financed by		
Sonoma County Water Agency loan	501,147	1,216,665
Depreciation expense	7,353	
Electricity procurement payments made directly from bank line of credit	267,250	
(Increase) decrease in net accounts receivable	(5,391,213)	
(Increase) decrease in accrued revenue	(3,845,237)	
(Increase) decrease in prepaid expenses	(8,954)	
Increase (decrease) in accounts payable	193,275	
Increase (decrease) in accrued cost of electricity	6,059,357	
Increase (decrease) in accrued liabilities	186,842	
Increase (decrease) in due to related party	58,670	
Increase (decrease) in user taxes and energy surcharges due to other governments	108,967	
Net cash provided by (used in) operating activities	<u>\$ (635,727)</u>	<u>\$ -</u>

NONCASH FINANCING ACTIVITIES

During the year ended 2014, electricity procurement payments of \$267,250 were made directly from a bank line of credit.

During the years ended 2014 and 2013, operating expenses of \$501,147 and \$1,216,665, respectively, were made directly from the SCWA loan. See note 5.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Sonoma Clean Power Authority (SCPA) is a joint powers authority created on December 4, 2012 (inception) and its Members consist of the County of Sonoma and the Sonoma County Water Agency, with the cities and towns of Windsor, Sonoma, Cotati, Sebastopol, and Santa Rosa as full participants, with full voting rights and powers. At June 30, 2014, SCPA is governed by an eight member Board of Directors appointed by each of the parties, with two representatives from the City of Santa Rosa and the County of Sonoma.

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

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

ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The Organization'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.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH

For purpose of the statement of cash flows, SCPA has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. SCP had no short-term investments as of June 30, 2014 and 2013.

CAPITAL ASSETS AND DEPRECIATION

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

OPERATING REVENUE

Revenue from the sale of electricity to customers is considered "operating" revenue.

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

Electrical power sold to customers was purchased primarily through one energy supplier, Constellation, an Exelon Company. SCPA also purchases renewable energy from other sources. The cost of power and related delivery costs have been recognized as "cost of electricity" in the statement of revenues, expenses and changes in net position. As part of the agreement with Constellation, SCPA is required to maintain a cash balance of \$1,600,000 to ensure funds are available to purchase electrical power. This cash balance is included in cash and cash equivalents as presented in the statement of net position.

STAFFING COSTS

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

INCOME TAXES

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

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. CASH

SCPA maintains its cash in non-interest-bearing accounts at First Community Bank (FCB). California Government Code Section 16521 requires that First Community Bank collateralize amounts of public funds in excess of the FDIC limit of \$250,000 by 110%. SCPA has no deposit or investment policy that addressed a specific type of risk that would impose additional restrictions beyond this code. Accordingly, the amount of risk is not disclosed. Risk will need to be monitored on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Changes in accounts receivable were as follows:

	2014	2013
Accounts receivable from customers	\$ 5,420,679	
Allowance for uncollectible accounts	(29,466)	
Net accounts receivable	\$ 5,391,213	-

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

4. CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>Furniture & Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Balances at June 30, 2013	-	-	-
Additions	\$ 70,768	\$ (7,353)	\$ 63,415
Balances at June 30, 2014	<u>\$ 70,768</u>	<u>\$ (7,353)</u>	<u>\$ 63,415</u>

5. DEBT

NOTES PAYABLE TO FIRST COMMUNITY BANK

In July 2013, SCPA entered into an agreement for a promissory note with First Community Bank. The note can be drawn upon as needed by SCPA, limited to \$2,500,000 and a maturity of July 10, 2018. The amount of the indebtedness is secured by SCPA's a) deposit accounts and b) rights, title and interest in all current and future agreements and contracts with energy providers. The County of Sonoma is the Guarantor of this loan. The guaranty by the County of Sonoma will be a) 50% released upon a debt service coverage ratio of 2.00:1.00, excluding debt, upon lender's review of 2014 financial statements and b) fully released once twelve months of P&I payments of at least \$73,880.43 (based on fully drawn line) have been made and year end audited financial statements exhibit a program debt service coverage ratio of 2.00:1.00, excluding debt. Loan proceeds were used primarily to provide for general operations before cash flows were available from electricity sales. The note is subject to a fixed interest rate of 4.00% per annum, payable monthly.

In October 2013, SCPA entered into an additional agreement for a promissory note with First Community Bank. The note can be drawn upon as needed by SCPA, limited to \$7,500,000 and a maturity of April 10, 2019. The amount of the indebtedness is secured by SCPA's a) deposit accounts and b) rights, title and interest in all current and future agreements and contracts with energy providers. The primary need for this note was to provide funds for the procurement of electricity to be sold to customers in advance of collecting revenues from customers. The note is subject to a fixed interest rate of 5.10% per annum.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

5. DEBT (continued)

Changes in notes payable were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>
Year ended June 30, 2014				
First Community Bank	-	\$1,970,000	-	\$1,970,000
First Community Bank	-	2,607,249	-	2,607,249
Totals	<u>-</u>	<u>\$4,577,249</u>	<u>-</u>	<u>4,577,249</u>
Amounts due within one year				<u>(297,629)</u>
Non-current portion				<u>\$4,279,620</u>

LOAN WITH SONOMA COUNTY WATER AGENCY

In April 2013, SCPA entered into an agreement with the Sonoma County Water Agency (SCWA) to reimburse the SCWA for services, costs, and expenses incurred by the SCWA to investigate the feasibility of implementing a community choice aggregation program in Sonoma County during all periods through December 31, 2013. Beginning January 1, 2014, interest on the balance began to accrue at the rate of 3% per year, calculated on a simple interest basis. Beginning January 1, 2015, SCPA shall make monthly payments of \$25,000 to the SCWA. Payments are first applied to outstanding interest.

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>
Year ended June 30, 2013				
Sonoma County Water Agency	<u>-</u>	<u>\$1,216,665</u>	<u>-</u>	<u>\$1,216,665</u>
Amounts due within one year				<u>-</u>
Non-current portion				<u>\$1,216,665</u>
Year ended June 30, 2014				
Sonoma County Water Agency	<u>\$1,216,665</u>	<u>\$ 501,147</u>	<u>-</u>	<u>\$1,717,812</u>
Amounts due within one year				<u>(77,275)</u>
Non-current portion				<u>\$1,640,537</u>

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

5. DEBT (continued)

FUTURE DEBT SERVICE REQUIREMENTS

Future debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the years ending June 30:			
2015	\$ 370,995	\$ 285,258	\$ 656,253
2016	1,450,313	217,974	1,668,287
2017	1,567,504	152,379	1,719,882
2018	1,636,117	83,766	1,719,882
2019	692,260	26,676	718,937
2020-2021	577,873	16,695	594,568
Total	<u>\$6,295,061</u>	<u>\$ 782,748</u>	<u>\$7,077,809</u>

6. DEFINED CONTRIBUTION RETIREMENT PLAN

The Sonoma Clean Power Authority Retirement Plan (Plan) is a defined contribution retirement plan established to provide benefits at retirement to its employees. The Plan is administered by Principal Financial Group. At June 30, 2014, there were 7 plan participants. SCPA is required to contribute up to a 4% match of covered payroll based on employee contributions. SCPA contributed \$8,723 during the year ended June 30, 2014. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

7. RISK MANAGEMENT

SCPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year ended June 30, 2014, SCPA purchased liability and property insurance from a commercial carrier. Coverage for property, general liability, errors and omissions and non-owned automobile was \$2,000,000 with a \$1,000 deductible.

SONOMA CLEAN POWER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2014 AND 2013

8. COMMITMENTS AND CONTINGENCIES

SCPA had outstanding power purchase commitments of \$100 million contingent upon construction of solar photovoltaic generation facilities that continue for twenty years from the commercial operation date of each project. SCPA will not own the operating system upon construction or have an option to buy the system after the contract period.

SCPA had outstanding non-cancelable power purchase commitments of \$177 million for energy and related services that have not yet been provided under power purchase agreements that continue to December 31, 2023.

9. OPERATING LEASE

SCPA is obligated under a 40 month non-cancelable lease for its office premises until December 31, 2016. Rental expense was \$29,777 for the year ended June 30, 2014. The rental agreement includes an option to renew the lease for two additional years.

Future minimum lease payments under the lease are as follows:

Year ended June 30,	
2015	\$ 54,747
2016	56,826
2017	29,106
Total	<u>\$ 140,679</u>

10. RELATED PARTY TRANSACTIONS

SCPA engaged with SCWA in 2013 and 2014 to provide funding for operations during SCPA's start-up period. Prior to SCPA's official formation on December 4, 2012, SCWA controlled the operations in anticipation that SCWA would be reimbursed for costs spent on the program. Upon formation of SCPA, SCWA continued to provide services to SCPA, and all costs through December 31, 2013 were aggregated into a loan. See Note 5 for loan details. After January 1, 2014, SCWA provided services that will not apply to the loan agreement. The cost of these expenses in 2014 was \$58,670, and are shown in the Statements of Net Position as due to related party.