Sonoma County Regional Climate Protection Authority

Basic Financial Statements,
Required Supplementary Information
and Other Supplementary Information

For the Fiscal Year Ended June 30, 2012
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Certified Public Accountants and Advisors

Independent Auditors' Report

Board of Directors
Sonoma County Regional
Climate Protection Authority
Santa Rosa, California

We have audited the accompanying basic financial statements of the Sonoma County Regional Climate Protection Authority ("RCPA"), as of June 30, 2012 and for the year then ended, as listed in the foregoing table of contents. These basic financial statements are the responsibility of RCPA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RCPA's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of RCPA as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2012, on our consideration of the RCPA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RCPA's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information is subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RCPA's basic financial statements. The Roster of Board Members is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The Roster of Board Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


Santa Rosa, California
December 14, 2012
Management's Discussion and Analysis
The management of the RCPA offers the readers of RCPA's basic financial statements this narrative overview and analysis of the financial activities of RCPA for the fiscal year ended June 30, 2012.

Financial highlights

- The assets of RCPA exceeded its liabilities at June 30, 2012 by approximately $120,000.
- RCPA's restricted net asset balance at June 30, 2012 is approximately $120,000.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to RCPA's basic financial statements. RCPA's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements, as listed in the table of contents, provide a broad overview of the RCPA's activities as a whole, and are comprised of the statement of net assets and the statement of activities.

The statement of net assets provides information about the financial position of RCPA as a whole on the full accrual basis, similar to that used in the private sector.

The statement of activities provides information about RCPA's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of RCPA's programs. The statement explains the change in net assets for the year.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. RCPA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. RCPA's only fund is a governmental fund.

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.
Fund financial statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. RCPA's ending net asset balance is equal to its ending fund balance because it has no non-current assets or liabilities at year end.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide financial analysis

As noted above, net assets may serve over time as a useful indicator of a government's financial position. In the case of RCPA, assets exceeded liabilities by approximately $120,000 at June 30, 2012.

Condensed Statements of Net Assets

<table>
<thead>
<tr>
<th>June 30,</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$ 308,707</td>
<td>$ 379,588</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>264,069</td>
<td>259,950</td>
</tr>
<tr>
<td><strong>Net assets - restricted</strong></td>
<td>$ 44,638</td>
<td>$ 119,638</td>
</tr>
</tbody>
</table>
Governmental activities

Governmental activities for RCPA resulted in a net asset balance of approximately $120,000 at June 30, 2012. Key elements of these activities during the fiscal year ended June 30, 2012 are identified below.

Governmental funds

The focus of RCPA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RCPA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of RCPA's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, RCPA's governmental fund reported an ending fund balance of approximately $120,000.

General fund budgetary highlights

There were no changes made during the year to the adopted 2011-12 budget.

### Condensed Statements of Activities

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program revenues - Climate protection program</td>
<td>$1,171,762</td>
<td>$1,574,569</td>
</tr>
<tr>
<td>General revenues</td>
<td>373</td>
<td>988</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>1,172,135</td>
<td>1,575,557</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate protection program</td>
<td>1,127,627</td>
<td>1,500,557</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,127,627</td>
<td>1,500,557</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>44,508</td>
<td>75,000</td>
</tr>
<tr>
<td>Net assets, June 30, 2011</td>
<td>130</td>
<td>44,638</td>
</tr>
<tr>
<td>Net assets, June 30, 2012</td>
<td>$44,638</td>
<td>$119,638</td>
</tr>
</tbody>
</table>

Several of RCPA's funding sources are paid on a reimbursable basis. This has contributed to fluctuations in revenue and expense between the fiscal years ended June 30, 2011 and June 30, 2012.
Economic Factors and Next Year's Budget

RCPA's activities are primarily funded from federal and state programs, which could be significantly impacted by changes to state and federal budgets. The State Energy Program funds were exhausted in March 2012 and the Department of Energy funding will be exhausted in March 2013. RCPA is exploring additional grant opportunities for future years’ budgets.

Request for Information

This financial report is designed to provide a general overview of RCPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Sonoma County Regional Climate Protection Authority, 490 Mendocino Avenue, Suite 206, Santa Rosa, CA 95401.
Financial Statements
Sonoma County Regional Climate Protection Authority

Governmental Fund Balance Sheet / Statement of Net Assets

June 30, 2012

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Governmental</th>
<th>Adjustments</th>
<th>Governmental</th>
<th>Adjustments</th>
<th>Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund Balance</td>
<td></td>
<td>Statement of</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sheet</td>
<td></td>
<td>Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 77,549</td>
<td>$ -</td>
<td>$ 77,549</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,756</td>
<td>-</td>
<td>1,756</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from other governments</td>
<td>300,283</td>
<td>-</td>
<td>300,283</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 379,588</td>
<td>-</td>
<td>379,588</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 248,972</td>
<td>-</td>
<td>248,972</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>10,978</td>
<td>-</td>
<td>10,978</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>259,950</td>
<td>-</td>
<td>259,950</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund balance/net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>119,638</td>
<td>(119,638)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total fund balance</strong></td>
<td>119,638</td>
<td>(119,638)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td>$ 379,588</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td>119,638</td>
<td>119,638</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$ 119,638</td>
<td>$ 119,638</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying Notes to the Basic Financial Statements
### Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities

For the Fiscal Year Ended June 30, 2012

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Governmental Fund Adjustments</th>
<th>Governmental Activities Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures/expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>$1,500,557</td>
<td>$ -</td>
</tr>
<tr>
<td>Total expenditures/expenses</td>
<td>1,500,557</td>
<td>0</td>
</tr>
<tr>
<td><strong>Program revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td>1,574,569</td>
<td>0</td>
</tr>
<tr>
<td>Total program revenues</td>
<td>1,574,569</td>
<td>0</td>
</tr>
<tr>
<td>Excess of program revenues over expenditures/expenses</td>
<td>74,012</td>
<td>0</td>
</tr>
<tr>
<td><strong>General revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>988</td>
<td>0</td>
</tr>
<tr>
<td>Total general revenues</td>
<td>988</td>
<td>0</td>
</tr>
<tr>
<td>Net change in fund balance/net assets</td>
<td>75,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Fund balance/net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of the year</td>
<td>44,638</td>
<td>0</td>
</tr>
<tr>
<td>End of the year</td>
<td>$119,638</td>
<td>$0</td>
</tr>
</tbody>
</table>

See accompanying Notes to the Basic Financial Statements
Note A. Reporting Entity

The Sonoma County Regional Climate Protection Authority (RCPA) was created by the passage of Assembly Bill 881 on October 11, 2009. Pursuant to AB 881, until December 1, 2015 RCPA is governed by the same Board of Directors that governs the Sonoma County Transportation Authority (SCTA). RCPA is a separate legal entity from SCTA. RCPA, in cooperation with local agencies, performs coordination and implementation activities, within the boundaries of Sonoma County, to assist those agencies in meeting their greenhouse gas emission reduction goals. RCPA assists local agencies develop, coordinate, and implement programs and policies to comply with the California Global Warming Solutions Act and other federal or state mandates and programs designed to respond to greenhouse gas emissions and climate change.

The RCPA Board of Directors is governed by a twelve member board. Nine of these members are chosen from the councils of the nine incorporated cities or towns of Sonoma County and three are chosen from the Sonoma County Board of Supervisors.

Note B. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of RCPA.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program, as well as restricted investment income. Other revenues not properly included among program revenues are reported instead as general revenues.

RCPA is engaged in a single program and has chosen to present combined government-wide and fund financial statements with a reconciliation of the individual line items in a separate column on each statement.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
Note B. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when they are collectible within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, RCPA considers revenues available if they are collected within 365 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

RCPA has no non-current assets or liabilities. Accordingly, net assets and fund balance are equal at year end. Additionally, the change in net assets on the statement of activities is equal to the change in fund balance.

Intergovernmental Revenue and Due From Other Governments

Intergovernmental revenue represents grant funds from the Federal Department of Energy (DOE) and California State Energy Program (SEP) funds passed through the Association of Bay Area Governments (ABAG), Renewable Energy Secure Sonoma County Project (RESCO) funds passed through the Sonoma County Water Agency, and contributions from RCPA member governments.

Due from other governments represents amounts earned but not yet received from these funding sources.

Net Assets

Net assets are classified into three components: 1) invested in capital assets, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets – This component of net assets consists of capital assets, net of accumulated depreciation. RCPA has no capital assets and therefore this amount was zero at year end.

- Restricted – This component of net assets consists of net assets with limits on their use that are imposed by outside parties or enabling legislation.

- Unrestricted – This component of net assets consists of net assets that do not meet the definitions of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available, unrestricted resources are used only after restricted resources are depleted.
Note B. Summary of Significant Accounting Policies (continued)

Fund Balance

Governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which RCPA is bound to honor constraints on how specific amounts can be spent. The fund balance classifications are defined below.

- Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted – Amounts that can be spent only for the specific purpose stipulated by external resource providers or through enabling legislation.
- Committed – Amounts that can be used only for the specific purpose determined by a formal action of the entity's highest level of decision making authority.
- Assigned – Amounts intended to be used by the government for specific purpose determined either by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications. This amount is technically available for any purpose.

In general, when both restricted and unrestricted resources are available, restricted resources are used first. When expenditures are made of unrestricted resources, RCPA first applies committed, then assigned, and then unassigned resources.

Estimates

The preparation of basic 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.

Note C. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

Cash and investments are generally comprised of cash pooled with the Sonoma County Treasury Pool (the Treasury Pool), an external investment pool. The Sonoma County Treasurer's office also acts as a disbursing agent for RCPA. The fair value of RCPA's investment in this pool is based upon RCPA's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasury Pool is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter.
Note C. Cash and Investments (continued)

The Treasury Oversight Committee of the Treasury Pool has oversight for all monies deposited into the Treasury Pool.

Treasury Pool Investment Guidelines

RCPA's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Sonoma County investment policy is available upon request from the Sonoma County Auditor-Controller Treasurer-Tax Collector at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Due to the highly liquid nature of RCPA's investment with the Treasury Pool, RCPA's exposure to interest rate risk is deemed by management to be insignificant.

The weighted average maturity of Treasury Pool investments at June 30, 2012 was 1,176 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of RCPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no non-pooled investments held by RCPA at June 30, 2012.
Note D. Risk Management

RCPA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. RCPA is covered for general, automobile, crime and errors and omissions liability through Alliant Insurance Services. Limits of this coverage are $1,000,000 per occurrence.

Note E. New Accounting Pronouncements

In November 2010 the Government Accounting Standards Board (GASB) issued Statement No. 61 - The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In June 2011 GASB issued Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012 GASB issued Statement No. 65 - Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
Note E. New Accounting Pronouncements (continued)

*Concepts Statement No. 4, Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

The effect of these issued but not yet adopted statements on RCPA’s financial statements is not known at this time.
Required Supplementary Information
Sonoma County Regional Climate Protection Authority

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2012

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td>$1,914,166</td>
<td>$1,914,166</td>
</tr>
<tr>
<td>Investment income</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>1,914,666</strong></td>
<td><strong>1,914,666</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>1,862,656</td>
<td>1,862,656</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>1,862,656</strong></td>
<td><strong>1,862,656</strong></td>
</tr>
</tbody>
</table>

| Other financing sources (uses) | | |
| Treasury note proceeds | 114,000 | 114,000 | - | (114,000) |
| Treasury note payments | (114,900) | (114,900) | - | 114,900 |
| **Total other financing sources (uses)** | **(900)** | **(900)** | - | **900** |

Excess of revenues over expenditures | 51,110 | 51,110 | 75,000 | 23,890 |

Fund balance at June 30, 2011 | 44,638 | 44,638 | 44,638 | - |

**Fund balance at June 30, 2012** | $95,748 | $95,748 | $119,638 | $23,890 |

See accompanying Note to Budget and Actual Schedule
Note A. Stewardship, Compliance and Accountability

Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles. RCPA’s budgetary information was not amended during the fiscal year.
Supplementary Information
### Schedule of Expenditures of Federal Awards

**For the Fiscal Year Ended June 30, 2012**

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Entity Identifying Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Energy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-through Programs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Energy Commission and Association of Bay Area Governments</td>
<td>81.041</td>
<td>400-09-021</td>
<td>$ 778,873</td>
</tr>
<tr>
<td>ARRA - State Energy Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Association of Bay Area Governments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA - Energy Efficiency and Conservation Block Grant Program (&quot;EECBG&quot;)</td>
<td>81.128</td>
<td>DE-EE00003562</td>
<td>598,208</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Energy</strong></td>
<td></td>
<td></td>
<td>1,377,081</td>
</tr>
<tr>
<td><strong>Total expenditures of federal awards</strong></td>
<td></td>
<td></td>
<td>$ 1,377,081</td>
</tr>
</tbody>
</table>
Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sonoma County Regional Climate Protection Authority (RCPA) under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of RCPA, it is not intended to and does not present the financial position, changes in net assets or cash flows of RCPA.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when incurred, regardless of the timing of the related cash flow. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
The following is a roster of the Sonoma County Regional Climate Protection Authority Board of Directors and the Executive Director at June 30, 2012.

**Board of Directors**

Valerie Brown, Chair
Sarah Gurney, Vice-Chair
Carol Russell
Patricia Gilardi
Tom Chambers
Jake Mackenzie
Tiffany Renée
Gary Wysocky
Laurie Gallian
Mike McGuire
Shirlee Zane
Sam Salmon
Alternate Joe Palla
Alternate Mark Landman
Alternate Susan Jones
Alternate Mike Harris
Alternate Amy Ahanotu
Alternate John Sawyer
Alternate Michael Kyes
 Alternate Steve Barbose
Alternate Steve Allen

**Representing**

County of Sonoma
City of Sebastopol
City of Cloverdale
City of Cotati
City of Healdsburg
City of Rohnert Park
City of Petaluma
City of Santa Rosa
City of Sonoma
County of Sonoma
Town of Windsor
City of Cloverdale
City of Cotati
City of Healdsburg
City of Petaluma
City of Rohnert Park
City of Santa Rosa
City of Sebastopol
City of Sonoma
Town of Windsor

**Executive Director**

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

Board of Directors
Sonoma County Regional
Climate Protection Authority
Santa Rosa, California

We have audited the basic financial statements of the Sonoma County Regional Climate Protection
Authority ("RCPA") as of and for the year ended June 30, 2012, and have issued our report thereon dated
December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the
United States of America and the standards applicable to financial audits contained in Government Auditing
Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of RCPA is responsible for establishing and maintaining effective internal control over
financial reporting of RCPA's activities. In planning and performing our audit, we considered RCPA's
internal control over financial reporting as a basis for designing our auditing procedures for the purpose of
expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion
on the effectiveness of RCPA's internal control over financial reporting. Accordingly, we do not express an
opinion on the effectiveness of RCPA's internal control over financial reporting

A deficiency in internal control exists when the design or operation of a control does not allow management
or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct
misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in
internal control, such that there is a reasonable possibility that a material misstatement of the entity's
financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the
first paragraph of this section and was not designed to identify all deficiencies in internal control over
financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not
identify any deficiencies in internal control over financial reporting that we consider to be material
weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RCPA's basic financial statements are free of
material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,
contracts and grant agreements, noncompliance with which could have a direct and material effect on the
determination of basic financial statement amounts. However, providing an opinion on compliance with
those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The
results of our tests disclosed no instances of noncompliance or other matters that are required to be reported
under Government Auditing Standards.
We noted certain matters that we reported to the management of RCPA in a separate letter dated December 14, 2012.

This report is intended solely for the information and use of the board of directors, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Petaluma, California
December 14, 2012
Independent Auditors' Report

Board of Directors
Sonoma County Regional Climate Protection Authority
Santa Rosa, California

Compliance
We have audited the compliance of the Sonoma County Regional Climate Protection Authority ("RCPA") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. RCPA’s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RCPA's management. Our responsibility is to express an opinion on RCPA’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RCPA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on RCPA's compliance with those requirements.

In our opinion, RCPA, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance
The management of RCPA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RCPA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RCPA’s internal control over compliance.
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, and federal awarding agencies of RCPA and is not intended to be and should not be used by anyone other than those specified parties.

Petaluma, California
December 14, 2012
I. Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No
Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No
Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs

Federal CFDA Number Federal Program Name

81.041 ARRA - State Energy Program
81.128 ARRA - Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between type A and type B program: $300,000

Auditee qualified as low-risk auditee? No

II. Financial Statement Findings

No matters were reported.

III. Federal Award Findings and Questioned Costs

No matters were reported.
No matters were reported in the prior year.