



Topic:      **Reservoir Committee Agenda Item 2.1**

**August 20, 2021**

Subject:    **2020 Financial Audit Report**

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**Requested Action:**

Accept the Financial Auditor's Report.

**Detailed Description/Background:**

Fechter and Company, CPA, was awarded a contract to conduct audits of the Authority's financial information that included fiscal year 2020. During the 2020 Audit, it was determined the Authority required to have a federal "Single Audit" conducted. This was amended to their contract.

The 2020 Audit Report, which included the Single Audit, found no significant or reportable findings. The audit results were reviewed and concurred with by the B&F Committee and the auditor will be present at the meeting to respond to any questions.

The audit identified two improvements for strengthening internal controls and operating efficiency. Both improvements will be implemented as part of the Authority's routine procedures and will be reported to the B&F Committee when complete.

1. Recording Expense Accruals: A recommendation was made that the Authority perform a more thorough review of transactions subsequent to year-end to accurately reflect revenues and expenditures in the correct period.
2. Written Financial Policies and Procedures: A recommendation was made that the Authority "prepare written financial policies and procedures and make these available to all parties that initiate, authorize, and record transactions for the Authority."

The credit reimbursement liability changed from 6,064,653 in 2019 to \$8,984,715 in 2020.

**Prior Action:**

June 2021: Approved Fechter and Company, CPA, contract amendment to include conducting a required Single Audit.

**Fiscal Impact/Funding Source:**

None.

**Staff Contact:** Joe Trapasso

**Attachments:**

Attachment A – 2020 Financial Audit Report

Attachment B – 2020 Management Report

**SITES PROJECT AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
**With**  
**Independent Auditor's Report Thereon**  
**DECEMBER 31, 2020**

# SITES PROJECT AUTHORITY

Annual Financial Report  
December 31, 2020

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## **SITES PROJECT AUTHORITY**

### **Organization of Authority and List of Board of Directors December 31, 2020**

Sites Project Authority (the Authority) was established on August 26, 2010, when seven regional entities, including several local water agencies and Counties, executed the Joint Exercise of Power Agreement. The primary purpose of the Authority, as stated in the agreement, is to pursue the development and construction of the Sites Reservoir Project, which has long been viewed as an ideal location for additional off stream storage to provide direct and real benefits to instream flows, the Delta ecosystem, and water supply. In keeping their commitment to move the project forward on behalf of the region, the Authority has spent the last nine years working towards this goal by engaging the public, various stakeholders, state and federal agencies and landowners, initiating the required environmental planning process, and conducting feasibility studies, among other efforts.

### **GOVERNING BOARD**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Member Represented</u></b>
Fritz Durst	Chair	Reclamation District 108
Jeff Sutton	Vice Chair	Tehama-Colusa Canal Authority
Gary Evans	Member	County of Colusa
Leigh McDaniel	Member	County of Glenn
Logan Dennis	Member	Glenn-Colusa Irrigation District
Bruce Houdesheldt	Member	Placer County Water Agency
Doug Parker	Member	Westside Water District
Joe Marsh	Member	Colusa County Water District
Jeff Harris	Member	City of Sacramento
Jamie Traynham	Associate Member - Non-Voting	TC 4 Districts
Greg Johnson	Associate Member - Non-Voting	Western Canal Water District
Don Bader	Cost-Share Partner - Non-Voting	U.S. Bureau of Reclamation
Rob Cooke	Ex-Officio - Non-Voting	CA Department of Water Resources

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sites Project Authority  
Maxwell, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sites Project Authority (the Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Board of Directors  
Sites Project Authority  
Maxwell, California

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2020, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, and the budgetary comparison schedules, 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.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sites Project Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors  
Sites Project Authority  
Maxwell, California

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Fechter & Company  
Certified Public Accountants, LLP

A handwritten signature in black ink that reads "Fechter & Company, CPAs, LLP". The script is cursive and fluid, with the letters "F", "C", and "L" being particularly large and stylized.

Sacramento, California  
July 28, 2021



## SITES PROJECT AUTHORITY

### Management's Discussion and Analysis December 31, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Sites Project Authority (the Authority) provides an introduction to the financial statements of the Authority for the year ended December 31, 2020, and a comparison to the prior audited financial statements for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

#### ***Financial Highlights***

- The Authority's assets exceed liabilities by \$10,059,311 as of December 31, 2020.
- The Authority's revenues exceeded expenditures by \$4,160,721 for the year ending December 31, 2020. The Authority's largest expense was for professional services. Professional services were 98% of total expenses for the year ending December 31, 2020.

#### ***Required Financial Statements***

This annual report consists of a series of financial statements. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

The *Statement of Net Position* includes all of the Authority's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current period's revenue and expenses are accounted for in the *Statement of Activities*. This statement measures the success of the Authority's operations over the past year and can be used to determine if the Authority has successfully recovered all of its costs through its revenues. This statement can also be used to evaluate profitability and credit worthiness.

More detailed information about the Authority's most significant funds – not the Authority as a whole, is provided in the fund financial statements. Funds are accounting devices the Authority uses to keep track of specific sources of funding and spending on particular programs. The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending. The *Statement of Revenues, Expenditures, and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

#### ***Financial Analysis of the Authority***

One of the most important questions asked about the Authority finances is, "Is the Authority better off or worse off as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the Authority in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

## SITES PROJECT AUTHORITY

### Management's Discussion and Analysis December 31, 2020

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State regulations.

#### *Notes to the Basic Financial Statements*

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

#### *Statement of Net Position*

As discussed earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$10,059,311 and \$5,898,590 as of December 31, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets			
Cash and investments	\$ 16,454,541	\$ 7,342,108	\$ 9,112,433
Other current assets	5,176,224	5,349,593	(173,369)
Total Assets	<u>21,630,765</u>	<u>12,691,701</u>	<u>8,939,064</u>
Liabilities			
Current liabilities	<u>11,571,454</u>	<u>6,793,111</u>	<u>4,778,343</u>
Total Liabilities	<u>11,571,454</u>	<u>6,793,111</u>	<u>4,778,343</u>
Net Position			
Unrestricted	<u>10,059,311</u>	<u>5,898,590</u>	<u>4,160,721</u>
Total Net Position	<u>\$ 10,059,311</u>	<u>\$ 5,898,590</u>	<u>\$ 4,160,721</u>

The largest portion, 76%, of the Authority's assets was cash in bank as of December 31, 2020.

Current liabilities increased from \$6,793,111 as of December 31, 2019, to \$11,571,454 as of December 31, 2020, due primarily to an increase in the Authority's Participant Reimbursement Policy liability.

At the end of fiscal years 2020 and 2019, the Authority showed a positive balance in its unrestricted net position of \$10,059,311 and \$5,898,590, respectively.

## SITES PROJECT AUTHORITY

### Management's Discussion and Analysis December 31, 2020

#### *Statement of Activities*

	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>General Revenues</b>			
Membership Admin/Authority	\$ 492,000	\$ 506,294	\$ (14,294)
Membership - Water	7,470,183	11,456,740	(3,986,557)
Grant revenue	9,993,210	8,080,794	1,912,416
Interest revenue	43,154	121,535	(78,381)
Other revenue	1,800	-	1,800
Total Revenues	<u>18,000,347</u>	<u>20,165,363</u>	<u>(2,165,016)</u>
<b>Expenses</b>			
Authority/Admin	499,240	494,930	4,310
Reservoir	<u>13,340,386</u>	<u>15,234,207</u>	<u>(1,893,821)</u>
Total Expenses	<u>13,839,626</u>	<u>15,729,137</u>	<u>(1,889,511)</u>
<b>Change in Net Position</b>	<u>\$ 4,160,721</u>	<u>\$ 4,436,226</u>	<u>\$ (275,505)</u>

The *Statement of Activities* shows how the Authority's net position changed during the periods. In the case of the Authority, net position increased by \$4,160,721 for the year ending December 31, 2020, and increased by \$4,436,226 for the year ending December 31, 2019, respectively.

A closer examination of the sources of changes in net position reveals that:

Total revenue decreased by \$2,165,016 from the year ending December 31, 2019 to the year ending December 31, 2020, due primarily to the timing of Participants' cash call submittals and receipt of state and federal funding of the first cash call for the new Amendment 2 Work Plan that were due November 1, 2020.

Total expenses decreased by \$1,889,511 from the year ending December 31, 2019, to the year ending December 31, 2020, to match the Authority's scope of work in 2020. Authority/Admin expenses comprised 3.61% and 3.15% of total expenses for the years ending December 31, 2020 and 2019, respectively. Reservoir expenses comprised 96.39% and 93.85% of total expenses for the years ending December 31, 2020 and 2019, respectively.

#### *General Fund Budgetary Highlights*

The Authority's total budget for the General Fund for the year ended December 31, 2020, showed excess revenues over expenditures of \$400 compared to the actual amount of -\$1,359.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues	\$ 497,881	\$ 505,000	\$ (7,119)
Operating Expenses	499,240	504,600	(5,360)
Net Increase	<u>\$ (1,359)</u>	<u>\$ 400</u>	<u>\$ (1,759)</u>

## **SITES PROJECT AUTHORITY**

### **Management's Discussion and Analysis December 31, 2020**

#### ***Conditions Affecting Current Financial Position***

The Authority continues to plan and expand project activities to build the large water infrastructure project. Expanding activities results in a continuation of increases to the annual financial budgets.

The California Water Commission's (CWC) Early Funding Agreement (EFA) with the Authority was approved mid-2019 for the maximum amount payable by the State to not exceed \$40,818,884 for activities reasonably related to the completion of environmental documentation and permitting. In 2020, the Authority processed and received State payments of \$9,688,035 towards the not to exceed amount for eligible activities.

A Federal Financial Assistance Agreement (FAA) with the Authority Pursuant to the Water Infrastructure Improvements for the Nation (WIIN) Act was approved in August 2020 for a maximum amount payable by the Federal Government to not exceed \$3,340,382 for activities to advance work on the Environmental Impact Statement (EIS) and Environmental Impact Report (EIR) for the Project and obtain various permits and regulatory authorizations before beginning project construction for the Sites Reservoir Project. In 2020, the Authority processed and received Federal payment of \$658,092 towards the not to exceed amount for eligible activities.

The current phase of the project is anticipated to be completed by December 31, 2021 and is fully funded. The Authority is planning to finalize the next phase of the project during the 3rd Quarter of 2021 to initiate work on January 1, 2022 through June 30, 2023. The current plan is to fund the next phase of the project through a Participants' cash call and additional received EFA and FAA dollars.

#### ***Future Plans for the Sites Reservoir Project***

As an ongoing part of the EFA and FAA funding process, the Authority will continue to prepare and submit invoices for payment on a quarterly basis. In addition, the Authority is currently preparing an amendment to the existing FAA and a new FAA for additional WIIN funding.

The Authority will continue to expand its governance and member participation.

The Authority will be developing a detailed work plan and financing plan for the remainder of Phase 2 through June 30, 2023.

The remainder of work in Phase 2 will include key activities such as completing the Final EIR/EIS, complete and obtain key environmental permits and initiate secondary permits for construction and operations, secure water right Order and Permit from the State Water Resources Control Board, and complete engineering design to 30% level and, as needed, further facility designs to receive permits and approvals required for the CWC Water Storage Investment Program.

#### ***Requests for Information***

This financial report is designed to provide the Authority's funding sources, customers, stakeholders, and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Authority's Treasurer at P.O. Box 517, Maxwell, California 95955 or view the website of the Authority at [www.sitesjpa.org](http://www.sitesjpa.org).

**SITES PROJECT AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

**ASSETS**

Cash and investments	\$ 16,454,541
Due from other governments	195,500
Grants receivable	4,958,857
Prepaid expenses	<u>21,867</u>

<b>TOTAL ASSETS</b>	<u>21,630,765</u>
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**LIABILITIES**

Accounts payable	2,531,739
Deferred revenue	55,000
Participant reimbursement policy	<u>8,984,715</u>

<b>TOTAL LIABILITIES</b>	<u>11,571,454</u>
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**NET POSITION**

Unrestricted	<u>10,059,311</u>
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<b>NET POSITION</b>	<u><u>\$ 10,059,311</u></u>
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The accompanying notes are an integral part of these financial statements.

**SITES PROJECT AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**GOVERNMENTAL ACTIVITIES:**

**EXPENSES:**

Authority/Admin	\$ 499,240
Reservoir	<u>13,340,386</u>
Total expenses	<u>\$ 13,839,626</u>

**GENERAL REVENUES:**

Membership Admin/Authority	\$ 492,000
Membership Water	7,470,183
Grant revenue	9,993,210
Interest revenue	43,154
Other revenue	<u>1,800</u>
Total general revenues	<u>18,000,347</u>
Change in net position	4,160,721
Net position, beginning of fiscal year	<u>5,898,590</u>
Net position at end of fiscal year	<u><u>\$ 10,059,311</u></u>

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

**SITES PROJECT AUTHORITY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	General Fund - Authority	Special Revenue - Reservoir	Total
<b>ASSETS</b>			
Cash and investments	\$ 549,979	\$ 15,904,562	\$ 16,454,541
Due from other governments	-	195,500	195,500
Grants receivable	-	4,958,857	4,958,857
Prepaid expenses	17,900	3,967	21,867
	<u>17,900</u>	<u>3,967</u>	<u>21,867</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 567,879</u></u>	<u><u>\$ 21,062,886</u></u>	<u><u>\$ 21,630,765</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 47,610	\$ 2,484,129	\$ 2,531,739
Deferred revenue	55,000	-	55,000
Participant reimbursement policy	-	8,984,715	8,984,715
	<u>-</u>	<u>8,984,715</u>	<u>8,984,715</u>
Total liabilities	<u>102,610</u>	<u>11,468,844</u>	<u>11,571,454</u>
<b>FUND BALANCES</b>			
Fund balance:			
Assigned to development of the reservoir	-	9,594,042	9,594,042
Unassigned	465,269	-	465,269
	<u>465,269</u>	<u>-</u>	<u>465,269</u>
Total fund balance	<u>465,269</u>	<u>9,594,042</u>	<u>10,059,311</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 567,879</u></u>	<u><u>\$ 21,062,886</u></u>	<u><u>\$ 21,630,765</u></u>

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

**SITES PROJECT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund - Authority	Special Revenue - Reservoir	Total
<b>REVENUES</b>			
Membership Admin/Authority	\$ 492,000	\$ -	\$ 492,000
Membership Water	-	7,470,183	7,470,183
Grant revenue	-	9,993,210	9,993,210
Interest revenue	5,881	37,273	43,154
Other revenue	-	1,800	1,800
Total revenues	497,881	17,502,466	18,000,347
<b>EXPENDITURES</b>			
Current:			
Accounting services	7,071	28,285	35,356
Audit fees	-	12,036	12,036
Administrative support	12,445	49,780	62,225
General manager	26,752	159,763	186,515
Insurance	807	1,654	2,461
Office expenses	7,984	1,361	9,345
Rent expense	4,000	-	4,000
Professional fees	437,340	13,074,553	13,511,893
Website, computer support	2,841	11,362	14,203
Miscellaneous	-	1,592	1,592
Total expenditures	499,240	13,340,386	13,839,626
Net changes in fund balances	(1,359)	4,162,080	4,160,721
Fund balances, beginning of year	466,628	5,431,962	5,898,590
Fund balances, end of year	\$ 465,269	\$ 9,594,042	\$ 10,059,311

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



## SITES PROJECT AUTHORITY

Notes to the Financial Statements  
December 31, 2020

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Sites Project Authority (the Authority) was established as an independent special agency in August of 2010 under the Joint Exercise of Powers Act, California Government Code, Section 6500.

As of December 31, 2020, 11 public entities, filling 9 Board seats with 2 government agencies serving ex-officio positions and 2 Associate Members, were approved members of the Authority as follows:

Reclamation District 108	Westside Water District
Placer County Water Agency/ City of Roseville	Colusa County Water District
County of Colusa	Sacramento County Water Agency/ City of Sacramento
County of Glenn	California Department of Water Resources
Glenn-Colusa Irrigation District	TC 4 Districts (Associate Member)
Tehama-Colusa Canal Authority	Western Canal Water District (Associate Member)
U. S. Bureau of Reclamation	

The Authority is a public entity special district and therefore, falls under the reporting guidelines of a special district governmental entity as outlined by the California State Controller's Office. The Authority is governed by a board of directors that consists of one representative of each member.

The Authority was developed with the purpose to effectively study, promote, develop, design, finance, acquire, construct, manage, and operate Sites Reservoir and the related facilities. The purpose of pursuing and developing the Sites Reservoir are to: (a) increase surface water storage and enhance water management flexibility in the Sacramento Valley, (b) provide flood control benefits, (c) improve conditions for fish and wildlife in the Sacramento Valley and (d) improve the operation of the State's water system.

Financial Statement Presentation: The *Statement of Net Position* and *Statement of Activities* display information about the primary government (the Authority). These statements include the financial activities of the overall government. These statements report the governmental activities of the Authority, which are normally supported by inter-governmental revenues. The Authority had no business-type activities as of and for the year ended December 31, 2020.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include operating grants. Revenues that are not classified as program revenues are presented instead as general revenues.

## SITES PROJECT AUTHORITY

Notes to the Financial Statements  
December 31, 2020

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund financial statements of the Authority are organized into one fund which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The Authority reports two funds, the General Fund, which accounts for all revenues and expenditures necessary to carry out the administrative activities of the Authority, and the Reservoir Fund, a special revenue fund used to account for specific work activities for the development of the Sites Reservoir Project and is funded by contributions from the Project Agreement Members.

Basis of Accounting and Measurement Focus: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations.

Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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. Charges for services, operating grants, and use of money and property are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Cash: The Authority's cash includes demand deposits. The Authority had no investments during the year ending December 31, 2020.

The governing board has not formally adopted any deposit and investment policies that limits the Authority's allowable deposits or investments and addresses the specific type of risk to which the Authority is exposed.

Due from Other Governments: Amounts due from other governments represent amounts due from member agencies that has been earned but not received by the end of the period.

As of December 31, 2020, the Authority has determined that all amounts are collectable and therefore, no doubtful account allowance was deemed necessary as of December 31, 2020.

## SITES PROJECT AUTHORITY

Notes to the Financial Statements  
December 31, 2020

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets: The Authority defines capital assets as property, plant, equipment, and infrastructure assets with an initial individual cost of \$5,000 and a useful life of three years or more. As of December 31, 2020, the Authority had no capital assets.

Unearned Revenue: This represents amounts received from members that will be applied to future billings.

Revenue: The Authority's revenue is comprised of the following:

#### *General Fund – Authority Revenue*

Authority members pay an annual membership fee which is established by the Authority. The membership fee for 2020 was \$55,000 per member.

#### *Special Revenue – Reservoir Fund*

Revenue is recognized according to the Project's board-approved operating budget for each phase of the Project. The Project Agreement Members are billed in accordance with their pro-rata share of the budgeted costs for activities undertaken pursuant to the Project Agreement.

To withdraw from this Project Agreement, a Project Agreement Member shall give the Authority and other Project Agreement Members written notice of such withdrawal not less than 30 days prior to the withdrawal date. As of the withdrawal date, all rights of participation in this Project Agreement shall cease for the withdrawing Project Agreement Member. The financial obligation as prescribed in the Bylaws' Section 5.10 in effect on the withdrawal date, shall consist of the withdrawing Member's share of the following costs: (a) payment of its share of all non-contract costs incurred prior to the date of the written notice of withdrawal, and (b) those contract costs associated with funds approved.

#### Government-Wide Net Position:

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Government-wide net position is reported in three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

## SITES PROJECT AUTHORITY

Notes to the Financial Statements  
December 31, 2020

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Unrestricted – This component consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”, as defined above.

Governmental Fund Balance: In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed* – Amounts that can be used only for specific purposes determined by formal action of the Authority.

*Assigned* – Amounts that are designated by the Authority to be used for specific purposes, but are neither restricted nor committed. The board of directors has the authority to assign amounts to be used for specific purposes.

*Unassigned* – All amounts not included in other spendable classifications.

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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### NOTE 2: CASH AND INVESTMENTS

Demand Deposits: The carrying amount and the bank balance of the Authority’s cash as of December 31, 2020, were \$16,454,541 and \$16,472,986, respectively. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000. As of December 31, 2020, \$16,222,986 was in excess of the insurance coverage.

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements limiting exposure to custodial risk for deposits or investments. The California Government Code requires that a bank secures deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure the Authority’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

## SITES PROJECT AUTHORITY

Notes to the Financial Statements  
December 31, 2020

### NOTE 3: PROFESSIONAL FEES

Professional fees for the year ended December 31, 2020, consisted of the following:

	General Fund - Authority	Special Revenue - Reservoir	Total
Env/Biological Services	\$ -	\$ 1,077,506	\$ 1,077,506
Bond Counsel	-	7,875	7,875
Bus/Comm Manager	-	259,387	259,387
EPP Manager	-	364,298	364,298
Federal Government Affairs Supp	90,000	90,000	180,000
General Legal Counsel	41,066	45,921	86,987
Geotechnical Engineering	-	311,831	311,831
Legislative/Reg/Strategic	48,000	48,000	96,000
Program Ops Manager	-	344,002	344,002
Project Controls	-	1,560,912	1,560,912
Project Integration	-	2,249,613	2,249,613
Communication	165,605	126,620	292,225
Cost Development Model	-	25,109	25,109
Cultural Study	-	5,930	5,930
Engineering & Technical Service	-	3,284,759	3,284,759
Engineering Consultation Application	-	55,000	55,000
Executive Director	-	309,000	309,000
Real Estate	-	762	762
Reservoir Operations	-	68,721	68,721
Special Legal	-	96,643	96,643
Municipal Advisor	-	41,175	41,175
Operations/Simulation Modeling	-	1,628,002	1,628,002
Organizational Assessment	41,978	-	41,978
Personnel Recruiter	24,895	-	24,895
Strategic Planning	25,796	24,877	50,673
Permitting & Agreements	-	1,010,280	1,010,280
Project Operations	-	38,330	38,330
	<u>\$ 437,340</u>	<u>\$ 13,074,553</u>	<u>\$ 13,511,893</u>

## **SITES PROJECT AUTHORITY**

Notes to the Financial Statements  
December 31, 2020

### **NOTE 4: RISK MANAGEMENT**

The Authority is exposed to various risks and general liabilities. The Authority participates in a public entity risk pool as a member of Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA). Each ACWA-JPIA member agency shares surpluses and deficits proportional to their participation. The Authority pays retrospectively rated annual premiums to ACWA-JPIA for its insurance coverage and has met all obligations since participation began.

### **NOTE 5: PARTICIPANTS REIMBURSEMENT POLICY**

According to the Authority's participants reimbursement policy, the participants who withdrew or decreased their participation in the project are entitled to a credit equal to the contribution they made up to the date of withdrawal or reduction. That credit was applied toward future contribution requirements or booked as a liability on the Authority's books to be paid when it is determined that such reimbursements will not have an adverse impact on the financial viability or overall implementation of the Project. The amount due to participants under the reimbursement policy as of December 31, 2020, was \$8,984,715.

### **NOTE 6: COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount of expenditures, if any, which may be disallowed by the grantor, cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority has outstanding contracts related to EIR/EIS and feasibility study. The remaining commitments on these contracts as of December 31, 2020, were minimal as the contracts can be canceled with a thirty-day notice.

### **NOTE 7: COVID 19**

In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent with transmission rates as yet unknown. Although the financial impact on the Authority thus far has been minimal, the long-term economic impact in the State of California as yet has not been determined and therefore any potential impact on the Authority is not yet known.

### **NOTE 8: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 28, 2021, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SITES PROJECT AUTHORITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Membership Admin/Authority	\$ 505,000	\$ 505,000	\$ 492,000	\$ (13,000)
Interest revenue	-	-	5,881	5,881
Total revenues	505,000	505,000	497,881	(7,119)
<b>EXPENDITURES</b>				
Current:				
Accounting services	9,300	9,300	7,071	2,229
Audit fees	12,400	12,400	-	12,400
Administrative support	13,600	13,600	12,445	1,155
General manager	73,800	73,800	26,752	47,048
Insurance	1,700	1,700	807	893
Office expenses	6,000	6,000	7,984	(1,984)
Rent expense	24,000	24,000	4,000	20,000
Dues and Subscriptions	12,300	12,300	-	12,300
Professional fees	180,500	180,500	437,340	(256,840)
Website, computer support	3,000	3,000	2,841	159
Miscellaneous	168,000	168,000	-	168,000
Total expenditures	504,600	504,600	499,240	5,360
Excess of revenues over expenditures	\$ 400	\$ 400	\$ (1,359)	\$ (1,759)

See notes to required supplementary information.



**SITES PROJECT AUTHORITY  
RESERVOIR FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Membership Water	\$ 11,474,000	\$ 11,474,000	\$ 7,470,183	\$ (4,003,817)
Grant revenue	7,273,000	7,273,000	9,993,210	2,720,210
Interest revenue	-	-	37,273	37,273
Other revenue	-	-	1,800	1,800
Total revenues	18,747,000	18,747,000	17,502,466	(1,244,534)
<b>EXPENDITURES</b>				
Current:				
Accounting services	15,906	15,906	28,285	(12,379)
Audit fees	-	-	12,036	(12,036)
Administrative support	58,087	58,087	49,780	8,307
General manager	3,479	3,479	159,763	(156,284)
Insurance	444,217	444,217	1,654	442,563
Office expenses	55,917	55,917	1,361	54,556
Rent expense	15,906	15,906	-	15,906
Professional fees	18,612,846	18,612,846	13,074,553	5,538,293
Website, computer support	-	-	11,362	(11,362)
Miscellaneous	-	-	1,592	(1,592)
Total expenditures	19,206,358	19,206,358	13,340,386	5,865,972
Excess of revenues under expenditures	\$ (459,358)	\$ (459,358)	\$ 4,162,080	\$ 4,621,438

See notes to required supplementary information.

## **SITES PROJECT AUTHORITY**

Notes to the Required Supplementary Information  
December 31, 2020

### **NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared on the cash and expenditures or encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the Authority's staff to the board of directors for preliminary review and approval. After public hearing, a final budget is approved by the board of directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

## **OTHER REPORTS**



**INDEPENDENT AUDITOR'S 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***

To the Board of Directors  
Sites Project Authority  
Maxwell, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Sites Project Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 28, 2021.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Directors  
Sites Project Authority  
Maxwell, California

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Fechter & Company  
Certified Public Accountants, LLP

A handwritten signature in black ink that reads "Fechter & Company, CPAs, LLP". The script is cursive and fluid, with the letters "F", "C", and "L" being particularly large and stylized.

Sacramento, California  
July 28, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Sites Project Authority  
Maxwell, California

**Report on Compliance for Each Major Federal Program**

We have audited Sites Project Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sites Project Authority's major federal programs for the year ended December 31, 2020. The Sites Project Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Sites Project Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the *Uniform Guidance* 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 the Sites Project Authority'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Sites Project Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Sites Project Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

To the Board of Directors  
Sites Project Authority  
Maxwell, California

## **Report on Internal Control over Compliance**

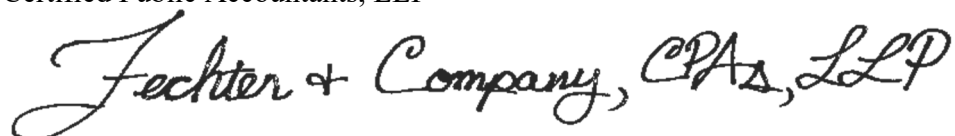
The Sites Project Authority's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sites Project Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sites Project Authority'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified no material weaknesses.

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

Fechter & Company,  
Certified Public Accountants, LLP

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

Sacramento, California  
July 28, 2021

## SITE PROJECT AUTHORITY

### Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b><u>The U.S. Department of the Interior</u></b>			
Bureau of Reclamation:			
Sites Reservoir Project Planning	R20AC000105	15.574	<u>\$ 1,250,763</u>
Total U.S. Department of the Interior			<u>1,250,763</u>
<b>Total Expenditures</b>			<u><u>\$ 1,250,763</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards



## **SITES PROJECT AUTHORITY**

### **Notes to the Schedule of Expenditures of Federal Awards December 31, 2020**

#### **NOTE 1: REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Authority. The Authority's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

#### **NOTE 2: BASIS OF ACCOUNTING**

For purposes of this report, certain accounting procedures were followed which help illustrate the authorizations and expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All authorizations represent the total allotments or grant awards received. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Any Federal funds expended in excess of Federal funds received are recorded as a receivable from the grantor agency and any Federal funds received in excess of Federal funds expended are recorded as a payable to the grantor agency.

#### **NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the Authority's financial statements. Federal award revenues and expenditures are reported principally in the Authority's financial statements as Reservoir Fund.

#### **NOTE 4: LOANS OUTSTANDING WITH CONTINUING COMPLIANCE REQUIREMENT**

No program had federally-funded loans with a continuing compliance requirement outstanding at December 31, 2020.

#### **NOTE 5: SUBRECIPIENTS**

The federal programs shown in the accompanying Schedule of Expenditures of Federal Awards had no subrecipients during the year ended December 31, 2020.

#### **NOTE 6: INDIRECT COST RATE**

This program provides that the Authority shall receive direct administrative costs in accordance with 2 CFR 200.413 instead of indirect costs under 200.414(f). Since only direct administrative costs are allowable under this grant, the Authority is not eligible for the 10-percent de minimus indirect cost rate under the *Uniform Guidance*.

## SITES PROJECT AUTHORITY

Schedule of Findings and Questioned Costs  
December 31, 2020

### **SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

#### Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Non-compliance material to financial statements noted	No

#### Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported under the Uniform Guidance	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.574	Sites Reservoir Project Planning

Dollar threshold used to distinguish Between Type A and Type B programs	\$750,000
Auditee qualifies as low-risk auditee under the Uniform Guidance	Yes

### **SECTION 2 - FINANCIAL STATEMENT FINDINGS**

No findings reported

## **SITES PROJECT AUTHORITY**

Schedule of Findings and Questioned Costs  
December 31, 2020

### **SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings reported

### **SECTION 4 – SUMMARY OF PRIOR YEAR FINDINGS**

No findings reported

**SITES PROJECT AUTHORITY  
MANAGEMENT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2020**

# SITES PROJECT AUTHORITY

Management Report  
For the Year Ended December 31, 2020

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Board of Directors of the  
Sites Project Authority  
Maxwell, California

In planning and performing our audit of the financial statements of the Sites Project Authority for the year ended December 31, 2020, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We thank the Authority's staff for its cooperation on this audit.

Fechter & Company,  
Certified Public Accountants



July 28, 2021  
Sacramento, California

**SITES PROJECT AUTHORITY**  
**Required Communications**  
**For the Year Ended December 31, 2020**

**The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated December 21, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our audit did not disclose any sensitive estimates affecting the financial statements.

**SITES PROJECT AUTHORITY**  
**Required Communications**  
**For the Year Ended December 31, 2020**

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Authority's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the Authority's financial reporting process:

Audit adjustments for the year ended December 31, 2020:

- To record additional payables of \$706,366 relating to invoices that pertained to the year ended December 31, 2020.
- To record a grant receivable of \$4,361,935 for CWC funding that pertained to the year ended December 31, 2020.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 28, 2021.

**Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



**SITES PROJECT AUTHORITY**  
**Required Communications**  
**For the Year Ended December 31, 2020**

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

**Other Matters**

During our audit, we became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

1. Recording Expense Accruals: In order to present a more accurate picture of the Authority's operations, it is important to record revenues and expenditures in the period in which they were incurred, not necessarily when they were paid. During our audit of the Authority, we found 5 instances in which an expenditure had not been recorded in the proper period. We recommend that the Authority perform a more thorough review of transactions subsequent to year-end to accurately reflect revenues and expenditures in the correct period.
2. Written Financial Policies and Procedures: Financial policies can provide a solid foundation for sound fiscal practices by a local agency. They should be in writing and adopted by the governing body. As such, they provide:
  - a. A means through which the governing body can communicate its policies and goals to staff, the public, and others;
  - b. Direction to staff and standards against which current practices can be measured and changes in practices can be evaluated; and
  - c. A way to optimize credit for borrowing. Ratings agencies who assess local agencies' credit for borrowing review their written financial policies. Well-documented policies can mean higher rating grades and lower borrowing costs.

Board members and staff need to understand why they are doing the things they are doing and be committed to doing them correctly and completely. Written policies and procedures enhance this understanding. Specific policies will vary depending upon the nature and scope of a district's operations. Nevertheless, having a range of policies (from big picture to practical and operational) helps an agency chart a wise course financially and avoid operational missteps.

During the audit, we became aware that the Authority does not have written policies and procedures. We recommend that the Authority prepare written financial policies and procedures and make these available to all parties that initiate, authorize, and record transactions for the Authority.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the Sites Project Authority and is not intended to be, and should not be, used by anyone other than these specified parties.