

SITES PROJECT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

Year Ended December 31, 2015

SITES PROJECT AUTHORITY
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**SITES PROJECT AUTHORITY
ORGANIZATION OF AUTHORITY AND
LIST OF BOARD OF DIRECTORS**

Year Ended December 31, 2015

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 six 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.

As of December 31, 2015, 11 public entities were approved as members of the Authority: Glenn-Colusa Irrigation District, Reclamation District 108, Tehama-Colusa Canal Authority, Maxwell Irrigation District, County of Glenn, County of Colusa, Yolo County Flood Control and Water Conservation District, Colusa County Water District, Orland Artois Water District, Westside Water District and Proberta Water District. The Authority is governed by a board of directors that works in close coordination with other groups in the region interested in eventual construction of the Sites Reservoir Project.

GOVERNING BOARD

Name	Office	Member Represented
Kim Dolbow Vann	Chair	County of Colusa
Fritz Durst	Vice Chair	Reclamation District 108
Jamie Traynham	Secretary/Treasurer	Westside Water District
Leigh McDaniel	Member	County of Glenn
Don Bransford	Member	Glenn-Colusa Irrigation District
Jeffery Sutton	Member	Tehama-Colusa Canal Authority
Mary Wells	Member	Maxwell Irrigation District
Joe Marsh	Member	Colusa County Water District
Jim Jones	Member	Orland Artois Water District
Dan Jones	Member	TC 5 Districts

FINANCIAL SECTION



TIMOTHY A. TITTLE, CPA * HEIDI M. COPPIN, CPA * CHANDESE D. MEGHDADI, CPA

INDEPENDENT AUDITORS' 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 the General Fund of Sites Project Authority (the Authority), as of and for the year ended December 31, 2015, 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 as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts; 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.

Auditors' Responsibility

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, and the *Minimum Audit Requirements for California Special Districts*, issued by the Controller of the State of California. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT

Continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Sites Project Authority, as of December 31, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and budgetary comparison for the year ended December 31, 2015, on page 15, 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 to 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of Sites Project 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 Sites Project Authority's internal control over financial reporting and compliance.

Tittle & Company, LLP

Chico, California
March 2, 2017

SITES PROJECT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2015

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, 2015 and a comparison to the prior audit period's financial statements for the 24 months ended December 31, 2014. 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 \$805,300 as of December 31, 2015.
- The Authority's revenues exceeded expenditures by \$779,836 for the year ending December 31, 2015.

The Authority's largest expense was for the General Manager. The expense was 41% of total expenses for the year ending December 31, 2015.

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 twenty four months 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.

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.

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.

SITES PROJECT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2015

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

December 31	2015		2014	
ASSETS				
Cash in bank	\$	881,048	95.73%	\$ 46,973 36.73%
Prepaid expenses		1,637	0.18%	1,637 1.28%
Due from other governments		37,707	4.10%	79,278 61.99%
Total Assets	\$	920,392	100.00%	\$ 127,888 100.00%
LIABILITIES				
Accounts payable	\$	115,092	12.50%	\$ 102,424 80.09%
NET POSITION				
Unrestricted		805,300	87.50%	25,464 19.91%
Total Liabilities and Net Position	\$	920,392	100.00%	\$ 127,888 100.00%

As noted 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 \$805,300 and \$25,464 as of December 31, 2015 and 2014, respectively.

The largest portion of the Authority's net position was cash in bank (96%) as of December 31, 2015.

Accounts payable are 13% and 80% as of December 31, 2015 and 2014, respectively, of the total liabilities and net position.

At the end of fiscal years 2015 and 2014, the Authority showed a positive balance in its unrestricted net position of \$805,300 and \$25,464, respectively.

SITES PROJECT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2015

Statement of Activities

Period Ending December 31	2015		2014	
EXPENSES				
Contracted services	\$ 126,206	34.70%	\$ 804,144	94.44%
General manager	147,650	40.60%	-	0.00%
Legal services	59,052	16.24%	18,384	2.16%
Accounting services	27,337	0.65%	22,524	2.64%
Insurance	2,183	0.60%	4,482	0.53%
Administration expenses	1,235	0.34%	1,978	0.23%
Total Expenses	363,663	100.00%	851,512	100.00%
PROGRAM REVENUES				
Department of Water Resources Grant	-	0.00%	788,578	100.00%
Net Program Expense	363,663		62,934	
GENERAL REVENUES				
Annual assessment - members	55,000	4.81%	-	0.00%
Administrative assessment	130,699	11.43%	-	0.00%
Project development assessment	957,800	83.76%	70,000	100.00%
Total General Revenues	1,143,499	100.00%	70,000	100.00%
CHANGE IN NET POSITION	\$ 779,836		\$ 7,066	

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 \$779,836 and \$7,066 for the year ending December 31, 2015 and the 24 month period ending December 31, 2014, respectively.

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

Total revenue for the year ending December 31, 2015 was \$1,143,499 and consisted of member dues and assessments. Total revenue for the 24 months ending December 31, 2014 was \$858,578 and the total amount of the Department of Water Resources Grant equals 99% of the contracted services.

Expenditures other than contracted services equal 65.30% and 5.56% of total expenditures for the year ending December 31, 2015 and the 24 months ending December 31, 2014, respectively. Those expenditures were paid from the assessments paid by the members.

Annual Budget

Each year the Board of Directors passes a budget for the Authority. For the year ending December 31, 2015, the budget reflected total revenues of \$750,288 and total expenditures of \$750,288. Actual results were an increase in net position of \$779,836. The difference between the budget and actual results is attributable to the hiring of a General Manager and receipt of revenue associated with the Authority's approval of a work plan through 2017.

**SITES PROJECT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2015**

In comparison, for the 24 months ending December 31, 2014, the budget reflected a decrease in net position of \$52,046. Actual results were an increase in net position of \$7,066 – this was \$59,112 favorable for actual results compared to the budget. The two main reasons for the difference between the budget and actual results was a part-time General Manager position in the budget that was not filled and the Authority budgeted for contingency expenses that did not occur.

Conditions Affecting Current Financial Position

The Authority plans to submit an application to the California Water Commission (CWC), which requires the preparation of technical and environmental studies. The 2015-approved work plan includes increases in revenues needed to offset the study costs. The current members have agreed to a not-to-exceed amount that supports this increased level of planned spending.

Future Plans for the Sites Reservoir project

The Authority is working to complete the necessary documentation for its application to the CWC, expand its governance structure to include other Sacramento Valley interests, and develop plans to construct the Sites Reservoir Project.

Since the last audit summary, the CWC has been preparing regulations that define the application requirements and selection process. The Office of Administrative Law's review is required before the CWC can accept applications. Applications are expected to be due by early 2017 with approximately six to nine months before the CWC will make a decision.

In August 2015, the Authority added four new agencies to its governance structure and has been advancing its governance structure to allow additional participation from interested agencies located outside of the Sacramento Valley. Expanded participation will enable the Authority to decide if additional studies should be performed or to reduce the participation cost to each member.

The plan to advance the Sites Reservoir Project consists of organizing the activities into discrete phases and to revisit the Authority's governance and member's participation prior to the start of each subsequent phase. The current efforts to submit an application to the CWC is phase 1. Completion of construction, which coincides with the end of phase 4 is targeted to occur in year 2029. Phases 2 and 3 consist of completing the final environmental documentation and final engineering activities, respectively.

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.

SITES PROJECT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash in bank	\$ 881,048	\$ -	\$ 881,048
Prepaid expenses	1,637	-	1,637
Due from other governments	37,707	-	37,707
Total Assets	<u>\$ 920,392</u>	<u>\$ -</u>	<u>\$ 920,392</u>
LIABILITIES			
Accounts payable	\$ 115,092	\$ -	\$ 115,092
FUND BALANCE/NET POSITION			
Fund Balance			
Unassigned	805,300	(805,300)	-
Total Liabilities and Fund Balance	<u>\$ 920,392</u>	<u>(805,300)</u>	<u>115,092</u>
NET POSITION			
Unrestricted		805,300	805,300
Total Net Position		<u>\$ 805,300</u>	<u>\$ 805,300</u>

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

**SITES PROJECT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**
Year Ended December 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Contracted services	\$ 126,206	\$ -	\$ 126,206
General manager	147,650	-	147,650
Legal services	59,052	-	59,052
Accounting services	27,337	-	27,337
Insurance	2,183	-	2,183
Administration expenses	1,235	-	1,235
Total Expenditures/Expenses	<u>363,663</u>	<u>-</u>	<u>363,663</u>
GENERAL REVENUES			
Annual assessment - members	55,000	-	55,000
Administrative assessment	130,699	-	130,699
Project development assessment	957,800	-	957,800
Total General Revenues	<u>1,143,499</u>	<u>-</u>	<u>1,143,499</u>
Excess of revenues over expenses	779,836	(779,836)	-
CHANGE IN NET POSITION	-	779,836	779,836
FUND BALANCE/NET POSITION - JANUARY 1, 2015	<u>25,464</u>	<u>-</u>	<u>25,464</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2015	<u>\$ 805,300</u>	<u>\$ -</u>	<u>\$ 805,300</u>

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

SITES PROJECT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

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, 2015, 11 public entities were approved members of the Authority as follows:

Glenn-Colusa Irrigation District
Reclamation District 108
Tehama-Colusa Canal Authority
Maxwell Irrigation District
County of Glenn
County of Colusa
Yolo County Flood Control and Water Conservation District
Colusa County Water District
Orland Artois Water District
Westside Water District
Proberta Water District

The Authority is a public entity district and therefore, falls under the guidelines of a special district governmental entity. 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, 2015.

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

SITES PROJECT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

identifiable to a particular function. Program revenues include operating grants. Revenues that are not classified as program revenues are presented instead as general revenues.

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 only reports one fund, the General Fund, which is used to account for all revenues and expenditures necessary to carry out the basic activities of the Authority.

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, 2015.

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.

SITES PROJECT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

As of December 31, 2015, the Authority has determined that all amounts are collectable and therefore, no doubtful account allowance was deemed necessary as of December 31, 2015.

Prepaid Expenses

Payments for insurance that were made during the year ending December 31, 2015, and the expenditure relates to future accounting periods are recorded as prepaid items in the Authority's financial statements.

Capital Assets

The Authority defines capital assets as property, plant, equipment, and infrastructure assets with an initial individual cost of \$1,000 and a useful life of three years or more. As of December 31, 2015, the Authority had no capital assets.

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 are reported in three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Investment in capital assets, net of related debt – 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.

Unrestricted – This component consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt", 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.

SITES PROJECT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

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 IN BANK

Demand Deposits

The carrying amount and the bank balance of the Authority's cash in bank was \$881,048 as of December 31, 2015. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000.

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 secure 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.

NOTE 3. ACCOUNTS PAYABLE

Accounts payable at December 31, 2015, are aggregated as follows:

Vendors payable	\$	82,798
General manager payable		32,294
Total Accounts Payable	\$	115,092

SITES PROJECT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

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. 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 commitment on these contracts as of December 31, 2015, is \$424,297.

REQUIRED SUPPLEMENTARY INFORMATION

SITES PROJECT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP) - GENERAL FUND
Year Ending December 31, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
Contracted services	\$ 406,889	\$ 406,889	\$ 126,206	\$ 280,683
General manager	210,073	210,073	147,650	62,423
Governmental affairs	15,000	15,000	-	15,000
Public information	10,000	10,000	-	10,000
Legal services	73,901	73,901	59,052	14,849
Accounting services	23,370	23,370	27,337	(3,967)
Insurance	5,570	5,570	2,183	3,387
Administration expenses	5,485	5,485	1,235	4,250
Total Expenditures	750,288	750,288	363,663	386,625
GENERAL REVENUES				
Annual assessment - members	55,000	55,000	55,000	-
Administrative assessment	136,455	136,455	130,699	5,756
Project development assessment	558,833	558,833	957,800	(398,967)
Total General Revenues	750,288	750,288	1,143,499	(393,211)
Excess of revenues over expenditures	-	-	779,836	779,836
FUND BALANCE - JANUARY 1, 2015	25,464	25,464	25,464	-
FUND BALANCE - DECEMBER 31, 2015	\$ 25,464	\$ 25,464	\$ 805,300	\$ 779,836

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

OTHER INDEPENDENT AUDITORS' REPORT



TIMOTHY A. TITTLE, CPA • HEIDI M. COPPIN, CPA • CHANDESE D. MEGHDADI, CPA

**INDEPENDENT AUDITORS' 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

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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2017.

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.

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*.

**INDEPENDENT AUDITORS' 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**

Continued

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.

Tittle & Company, LLP

Chico, California

March 2, 2017