

Requested Action:

Reservoir Committee and Authority Board consider approval of the 2024 Financial Auditor's Report which includes a Federal Single Audit.

Detailed Description/Background:

The Authority is required under the Joint Powers Agreement to have an annual audit performed. Fechter and Company, CPA (Fechter) continues to be the Authority's auditor and has concluded an examination of the Authority's 2024 financial information and Authority information required for a federal Single Audit.

The 2024 Financial Audit of the Authority's financial statement found that all information was presented in a manner that fairly, in all material respects, represents the Authority's financial position as of December 31, 2024. A supplementary analysis is required due to the receipt of federal funding, typically referred to as a single audit. This is the fifth year that includes a federal Single Audit. No significant deficiencies were identified and not adjusting entries were recommended

The Budget & Finance Committee reviewed and accepted the audit results at their July 11, 2025, meeting. The auditor will present at the Board meeting and be prepared to respond to any questions.

Prior Action: September 2024:

Approved the 2023 annual financial audit that included a federal Single Audit.

Fiscal Impact/Funding Source:

The 2024 financial audit budget was included in the Amendment 3 Work Plan.

Staff Contact: Shayleen O'Connell**Attachments:**

Attachment A – Sites Project Authority Annual Financial Statements and Supplementary Information with Independent Auditor's Report 2024

Attachment B - Sites Project Authority Management Representation Letter 2024

**SITES PROJECT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
With
Independent Auditor's Report Thereon
DECEMBER 31, 2024**

SITES PROJECT AUTHORITY

Annual Financial Report
December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sites Project Authority
Maxwell, California

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 21-23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June __, 2025, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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

Sacramento, California
June __, 2025

SITES PROJECT AUTHORITY

Management's Discussion and Analysis December 31, 2024

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, 2024, and a comparison to the prior audited financial statements for the year ended December 31, 2023. 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.

Organization of the Authority and Listing of the Board of Directors

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 fourteen 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

<u>Name</u>	<u>Office</u>	<u>Member Represented</u>
Fritz Durst	Chair	Reclamation District 108
Jeff Sutton	Vice Chair	Glenn-Colusa Irrigation District
Logan Dennis	Secretary	Glenn-Colusa Irrigation District
Gray Allen	Member	Placer County Water Agency/City of Roseville
Gary Evans	Member	County of Colusa
Bill Vanderwaal	Member	Tehama-Colusa Canal Authority
Lisa Kaplan	Member	Sacramento County Water Agency
Joe Marsh	Member	Colusa County Water District
Tony Adrent	Member	County of Glenn
Doug Parker	Member	Westside Water District
Greg Johnson	Associate Member - Non-Voting	Western Canal Water District
Mike Ukrov	Associate Member - Non-Voting	Colusa County Flood Control Water Conservation District
Adam Nickels	Cost-Share Partner - Non-Voting	U.S. Bureau of Reclamation
Rob Cooke	Ex-Officio - Non-Voting	CA Department of Water Resources

SITES PROJECT AUTHORITY

Management's Discussion and Analysis December 31, 2024

Financial Highlights

- The Authority's assets exceed liabilities by \$19,157,885 as of December 31, 2024.
- The Authority's revenues exceeded expenditures by \$209,651 for the year ending December 31, 2024. The Authority's largest expense was for professional services of \$28,787,397, accounting for 97% of total expenses for the year ending December 31, 2024.

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 revenue 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, 2024

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 \$19,157,885 and \$18,948,234 as of December 31, 2024 and 2023, respectively.

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets			
Cash and investments	\$ 31,679,560	\$ 26,432,571	\$ 5,246,989
Other current assets	401,476	4,692,415	(4,290,939)
Deposits	174,000	-	174,000
Capital assets	1,623,127	-	1,623,127
Total Assets	<u>33,878,163</u>	<u>31,124,986</u>	<u>2,753,177</u>
Liabilities			
Current liabilities	<u>14,720,278</u>	<u>12,176,752</u>	<u>2,543,526</u>
Total Liabilities	<u>14,720,278</u>	<u>12,176,752</u>	<u>2,543,526</u>
Net Position			
Investment in capital assets	1,623,127	-	1,623,127
Unrestricted	<u>17,534,758</u>	<u>18,948,234</u>	<u>(1,413,476)</u>
Total Net Position	<u>\$ 19,157,885</u>	<u>\$ 18,948,234</u>	<u>\$ 209,651</u>

The largest portion, 94% of the Authority's assets, was cash and investments as of December 31, 2024.

Current assets increased from \$31,124,986 as of December 31, 2023, to \$32,081,036 as of December 31, 2024, due primarily to the increase in cash and investments.

At the end of fiscal years 2024 and 2023, the Authority showed a positive balance in its unrestricted net position of \$17,534,758 and \$18,948,234, respectively.

SITES PROJECT AUTHORITY

Management's Discussion and Analysis December 31, 2024

Statement of Activities

	<u>2024</u>	<u>2023</u>	<u>Change</u>
General Revenues			
Membership Admin/Authority	\$ 413,333	\$ 455,000	\$ (41,667)
Membership - Water	25,640,480	16,450,300	9,190,180
Grant revenue	1,895,361	22,692,297	(20,796,936)
Interest revenue	1,701,350	660,342	1,041,008
Total Revenues	<u>29,650,524</u>	<u>40,257,939</u>	<u>(10,607,415)</u>
Expenses			
Authority/Admin	330,183	327,128	3,055
Reservoir	29,110,690	42,221,382	(13,110,692)
Total Expenses	<u>29,440,873</u>	<u>42,548,510</u>	<u>(13,107,637)</u>
Change in Net Position	<u>\$ 209,651</u>	<u>\$ (2,290,571)</u>	<u>\$ 2,500,222</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 \$209,651 for the year ending December 31, 2024, and decreased by \$2,290,571 for the year ending December 31, 2023, respectively.

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

Total revenue decreased by \$10,607,415 from the year ending December 31, 2023 to the year ending December 31, 2024, due primarily to the end of the Prop 1 State grant funding, and a decrease in funding from the Water Infrastructure Improvement for the Nation Act.

Total expenses decreased by \$13,107,637 from the year ending December 31, 2023, to the year ending December 31, 2024, to match the Authority's scope of work in 2024. Authority/Admin expenses comprised 1.12% and 0.77% of total expenses for the years ending December 31, 2024 and 2023, respectively. Reservoir expenses comprised 98.88% and 99.23% of total expenses for the years ending December 31, 2024 and 2023, respectively.

General Fund Budgetary Highlights

The Authority's total budget for the General Fund for the year ended December 31, 2023, showed excess revenues over expenditures of \$67,160 compared to the actual amount of \$120,675.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues	\$ 450,858	\$ 455,000	\$ (4,142)
Operating Expenses	330,183	387,840	(57,657)
Net Increase	<u>\$ 120,675</u>	<u>\$ 67,160</u>	<u>\$ 53,515</u>

SITES PROJECT AUTHORITY

Management's Discussion and Analysis December 31, 2024

Conditions Affecting Current Financial Position

The Authority continues to plan and expand project activities to build a large water infrastructure project. Annual financial budgets are expected to increase as activity increases.

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 not to exceed \$40.8M for activities reasonably related to the completion of environmental documentation and permitting. Through multiple amendments to the EFA, the maximum funding amount available under the EFA has increased to \$43.8M. As of 2024, the Authority has processed and received State payments totaling \$43.8M, reaching the current not to exceed limit for eligible activities authorized under the current EFA. In May 2024, the CWC released their final EFA retention balance to the Authority and closed out the EFA.

A Federal Financial Assistance Agreement (FAA) with the Authority pursuant to the Water Infrastructure Improvements for the Nation (WIIN) Act was initially approved in August 2020 by the Federal Government 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. As of the end of 2024, the Authority has received a total of \$31.9M of the \$43.5M in federal funding under contract to date. The Authority will continue to invoice against the \$11.6M remaining in the current FAA. This remaining amount is anticipated to provide project revenue through the end of the current phase 2.

Future Plans for the Sites Reservoir Project

The Authority has developed a detailed work plan and financing plan through the end of Phase 2 which is anticipated to extend through June 30, 2026. The remainder of Phase 2 is anticipated to be primarily funded through cash reserves and federal reimbursement funding from the current active FAA.

As an ongoing effort related to the FAA funding process, the Authority will continue to prepare and submit Federal Financial Reports for Federal payments on a semiannual basis. It is anticipated that the current FAA award will continue to fund the project through Phase 2. Upon execution of a partnership agreement with the Bureau of Reclamation covering the future phases of the Project, a new funding agreement will be needed making federal construction related dollars available to pay a share of project expenditures in exchange for receiving a share of capacity interest.

Further, the Sites Project Authority applied for an US Environmental Protection Agency (US EPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan for a Sites Project loan up to 49% of eligible planning and construction cost. The application was accepted and a Master Loan Agreement is under negotiation.

The remainder of Phase 2 will include key activities such as obtaining key environmental permits and initiating secondary permits for construction and operations, securing a water right Order and Permit from the State Water Resources Control Board, procuring a Construction Manager at Risk, updating the project cost and benefit estimates, completing processes to finalize the WIFIA Master Loan Agreement, finalizing the initial Project Operations Plan, executing the Benefits and Obligations Contracts with Sites Project Participants, and executing funding agreements with the State and Federal agencies.

SITES PROJECT AUTHORITY

Management's Discussion and Analysis
December 31, 2024

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.sitesproject.org.

**SITES PROJECT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

Assets

Cash and investments	\$ 31,679,560
Accounts receivable	374,326
Prepaid expenses	<u>27,150</u>
Total current assets	32,081,036

Deposits	174,000
Capital assets	1,623,127

Total Assets 33,878,163

Liabilities

Accounts payable	2,035,719
Deferred revenues	3,645,000
Participant reimbursement policy	<u>9,039,559</u>

Total Liabilities 14,720,278

Net Position

Net investment in capital assets	1,623,127
Unrestricted	<u>17,534,758</u>

Total Net Position \$ 19,157,885

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

**SITES PROJECT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2024**

Governmental Activities

Expenses:

Authority/Admin	\$ 330,183
Reservoir	<u>29,110,690</u>
Total expenses	<u>29,440,873</u>

General Revenues:

Membership Admin/Authority	413,333
Membership Water	25,640,480
Grant revenue	1,895,361
Interest revenue	<u>1,701,350</u>
Total general revenues	<u>29,650,524</u>
Change in net position	209,651
Net position, beginning of fiscal year	<u>18,948,234</u>
Net position, end of fiscal year	<u><u>\$ 19,157,885</u></u>

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

**SITES PROJECT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
DECEMBER 31, 2024**

	General Fund - Authority	Special Revenue - Reservoir	Total
Assets			
Cash and investments	\$ 753,944	\$ 30,925,616	\$ 31,679,560
Grants receivable	-	374,326	374,326
Prepaid expenses	27,150	-	27,150
Total Assets	<u>\$ 781,094</u>	<u>\$ 31,299,942</u>	<u>\$ 32,081,036</u>
Liabilities			
Accounts payable	\$ 17,766	\$ 2,017,951	\$ 2,035,717
Deferred revenue	-	3,645,000	\$ 3,645,000
Participant reimbursement policy	-	9,039,559	9,039,559
Total liabilities	<u>17,766</u>	<u>14,702,510</u>	<u>14,720,276</u>
Fund balances			
Fund balance:			
Assigned to development of the reservoir	-	16,597,428	16,597,428
Unassigned	763,328	-	763,328
Total fund balances	<u>763,328</u>	<u>16,597,428</u>	<u>17,360,756</u>
Total Liabilities and Fund Balances	<u>\$ 781,094</u>	<u>\$ 31,299,938</u>	<u>\$ 32,081,032</u>

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

**SITES PROJECT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED
DECEMBER 31, 2024**

Total fund balances - governmental funds	\$ 17,360,756
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In governmental funds, only current assets are reported.
In the statement of net position, all assets are reported,
including capital assets and long-term deposits.

1,797,125

Net position of governmental activities

<u>\$ 19,157,881</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, 2024

	General Fund	Special Revenue - Reservoir Fund	Total
Revenues			
Membership Admin/Authority	\$ 413,333	\$ -	\$ 413,333
Membership Water	-	25,640,480	25,640,480
Grant revenue	-	1,895,361	1,895,361
Interest revenue	37,525	1,663,825	1,701,350
	<hr/>	<hr/>	<hr/>
Total revenues	450,858	29,199,666	29,650,524
Expenditures			
Accounting services	39,911	-	39,911
Audit fees	32,380	-	32,380
Administrative support	-	332,287	332,287
Insurance	4,513	-	4,513
Office expenses	12,400	1,660	14,060
Rent expense	54,000	33,000	87,000
Dues and subscriptions	26,568	416	26,984
Professional fees	155,367	28,642,030	28,797,397
Trial court costs	-	270,253	270,253
Website, computer support	5,044	5,046	10,090
Capital outlay	-	1,623,127	1,623,127
	<hr/>	<hr/>	<hr/>
Total expenditures	330,183	30,907,819	31,238,002
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	120,675	(1,708,153)	(1,587,478)
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	642,653	18,305,581	18,948,234
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 763,328</u>	<u>\$ 16,597,428</u>	<u>\$ 17,360,756</u>

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

**SITES PROJECT AUTHORITY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net changes in fund balance	\$ (1,587,478)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Payments for long-term deposits	174,000
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay is capitalized in the Statement of Net Position	<u>1,623,127</u>
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Change in net position - governmental funds	<u><u>\$ 209,649</u></u>
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The accompanying notes are an integral part of these financial statements.

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

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, 2024, 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, (d) improve the operation of the State's water system, and (e) increase opportunities for recreational activities.

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, 2024.

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, 2024

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 and grants.

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, 2024.

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, 2024, the Authority only owned non-depreciable property.

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

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 2024 was \$50,000 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 thirty 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, 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 "net investment in capital assets", as defined above.

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Recent Accounting Pronouncements: In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. The guidance in this statement identifies concentrations and constraints as items require disclosure in the financial statements. A concentration is defined as a lack of diversity while a constraint is defined as a limitation imposed on the government by an external party or by formal action from those charged with governance. The new standard is effective for fiscal years beginning after June 15, 2024. The Authority is currently evaluating the extent of the anticipated impact of this standard.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. The guidance in this statement updates the presentation requirements for several financial statement items including (but not limited to) management's discussion and analysis, unusual or infrequent items, and budgetary comparisons. The new standard is effective for fiscal years beginning after June 15, 2025. The Authority is currently evaluating the extent of the anticipated impact of this standard.

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

NOTE 2: CASH AND INVESTMENTS

Demand Deposits: The carrying amount and the bank balance of the Authority's cash as of December 31, 2024, were \$31,679,560. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000. As of December 31, 2024, \$16,128,695 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.

Every account that the Authority has with its bank is either insured through FDIC (through the Demand Deposit Marketplace program) or through the bank's collateralized pool. Every dollar in the Authority's funds is insured by one of the programs or pools.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance December 31, 2023	Additions	Disposals	Balance December 31, 2024
Capital assets, not depreciated				
Land	\$ -	\$ 1,623,127	\$ -	\$ 1,623,127
Total capital assets, not depreciated	\$ -	\$ 1,623,127	\$ -	\$ 1,623,127

No depreciation expense was charged for the year ended December 31, 2024.

The Authority purchased property during the year ended December 31, 2024 as part of an early acquisition program totaling \$1.6M. Should the project not continue into Phase 3 and beyond, the land will be sold and 100% of the proceeds will be returned to the Project Agreement Members active at the time of the purchase.

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

NOTE 4: PROFESSIONAL FEES

Professional fees for the year ended December 31, 2024, consisted of the following:

	General Fund Authority	Special Revenue Reservoir	Total
Board Clerk Services	\$ -	\$ 18,757	\$ 18,757
Bond Counsel	-	197,264	197,264
Communication	-	446,529	446,529
Cooperative Agreement Tasks	-	31,460	31,460
County Agreements Advisor	-	8,513	8,513
E & C Manager	-	424,214	424,214
Engineering and Technical Service	-	6,039,843	6,039,843
Environmental Mitigation Planning	-	57,939	57,939
EPP Manager	-	424,537	424,537
Executive Director	48,000	443,440	491,440
Federal Government Affairs Supp	-	252,000	252,000
Owner's Financial Consultant	-	120,000	120,000
General Legal Counsel	44,848	88,414	133,262
Geotechnical Engineering	-	1,228,955	1,228,955
Inter-Agency Agreements	-	275,444	275,444
Interconnection Study	-	179,000	179,000
Land Use Planning	-	125,000	125,000
Legal services	-	246,797	246,797
Legislative/Reg/Strategic	-	108,000	108,000
Litigation	-	98,637	98,637
Modeling/Research Services	-	74,349	74,349
Monitoring services	-	6,472	6,472
Municipal Advisor	-	175,251	175,251
Operations/Simulation Modeling	-	1,167,665	1,167,665
Permitting and Agreements	-	2,608,243	2,608,243
Program Ops Manager	-	410,079	410,079
Project Controls	46,800	2,955,621	3,002,421
Project Integration	-	3,806,127	3,806,127
Project Reservoir Operations Modeling	-	248,700	248,700
Real Estate	-	20,875	20,875
Real Estate Appraisal Services	-	17,000	17,000
Real Estate Legal Services	-	92,559	92,559
Special Legal	-	1,617,287	1,617,287
Strategic Planning	15,719	8,000	23,719
Tax Analysis	-	2,100	2,100
Water Rights Legal Counsel	-	4,092,763	4,092,763
Water Rights Modeling	-	474,196	474,196
Wheeling Rate Services	-	50,000	50,000
	<u>\$ 155,367</u>	<u>\$ 28,642,030</u>	<u>\$ 28,797,397</u>

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

NOTE 5: 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 the 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 6: 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, 2024, was \$9,039,559.

NOTE 7: 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, 2024, were minimal as the contracts can be canceled with a sixty-day notice.

NOTE 8: CHANGE IN ESTIMATE

During the year ended December 31, 2024, the Authority received notice from the Bureau of the Interior for in-kind services performed in relation to servicing the Authority's federal grants. This billing resulting in a change in the input of the Authority's earned grant revenue calculation. This resulted in the Authority under-earning federal grant contracts by \$3,645,000. The Authority established a deferred revenue liability for this amount for the year-ended December 31, 2024. The Authority expects to fully earn this revenue in 2025.

SITES PROJECT AUTHORITY

Notes to the Financial Statements
December 31, 2024

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through June __, 2025, the date which the financial statements were available to be issued.

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, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Membership Admin/Authority	\$ 455,000	\$ 455,000	\$ 413,333	\$ (41,667)
Interest revenue	-	-	37,525	37,525
Total revenues	455,000	455,000	450,858	(4,142)
Expenditures				
Current:				
Accounting services	28,462	48,462	39,911	8,551
Audit fees	28,462	28,462	32,380	(3,918)
Administrative support	-	-	-	-
Rent expense	54,000	54,000	54,000	-
Insurance	4,500	4,500	4,513	(13)
Office expenses	2,922	2,922	12,400	(9,478)
Dues and subscriptions	27,150	27,150	26,568	582
Professional fees	217,300	217,300	155,367	61,933
Website, computer support	5,044	5,044	5,044	-
Total expenditures	367,840	387,840	330,183	57,657
Excess of revenues over expenditures	\$ 87,160	\$ 67,160	\$ 120,675	\$ 53,515

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, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Membership Water	\$ 25,640,480	\$ 25,640,480	\$ 25,640,480	\$ -
Grant revenue	13,000,000	13,000,000	1,895,361	(11,104,639)
Interest revenue	-	-	1,663,825	1,663,825
Total revenues	38,640,480	38,640,480	29,199,666	(9,440,814)
Expenditures				
Current:				
Administrative support	327,000	327,000	332,287	(5,287)
Office expenses	-	-	1,660	(1,660)
Rent expense	-	33,000	33,000	-
Dues and subscriptions	-	416	416	-
Professional fees	47,743,104	47,474,688	28,642,030	18,832,658
Trial court costs	-	215,000	270,253	(55,253)
Website, computer support	5,044	5,044	5,046	(2)
Capital outlay	-	-	1,623,127	(1,623,127)
Total expenditures	48,075,148	48,055,148	30,907,819	17,147,329
Excess of revenues under expenditures	\$ (9,434,668)	\$ (9,414,668)	\$ (1,708,153)	\$ 7,706,515

See notes to required supplementary information.

SITES PROJECT AUTHORITY

Notes to the Required Supplementary Information
December 31, 2024

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.

SUPPLEMENTARY AND OTHER INFORMATION

**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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June __, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sites Project Authority's internal control over financial reporting (internal control) as a basis for designing 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 Sites Project Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Sites Project 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 or significant deficiencies may exist that were not identified.

Report on 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

Sacramento, California
June __, 2025

**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

Opinion on Each Major Federal Program

We have audited Sites Project Authority's compliance with the types of compliance requirements identified as subject to audit in the *United States Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Sites Project Authority's major federal programs for the year ended December 31, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sites Project Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sites Project Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sites Project Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sites Project Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sites Project Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sites Project Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sites Project Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Sites Project Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Sacramento, California
June __, 2025

**SITES PROJECT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
DECEMBER 31, 2024**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Agreement Number</u>	<u>AL Number</u>	<u>Expenditures</u>
<u>The U.S. Department of the Interior</u>			
Bureau of Reclamation:			
Sites Joint Powers Authority	R23AC00468	15.574	<u>\$ 7,267,696</u>
Total U.S. Department of the Interior			<u>7,267,696</u>
Total Expenditures			<u><u>\$ 7,267,696</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, 2024

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the 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: 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 ten-percent de minimus indirect cost rate under the *Uniform Guidance*.

SITES PROJECT AUTHORITY

Schedule of Findings and Questioned Costs
December 31, 2024

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>AL Number</u>	<u>Name of Federal Program or Cluster</u>
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15.574	Sites Reservoir Project Planning
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Dollar threshold used to distinguish Between Type A and Type B programs	\$750,000
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Auditee qualifies as low-risk auditee under the Uniform Guidance	No
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SECTION 2 - FINANCIAL STATEMENT FINDINGS

No findings reported

SITES PROJECT AUTHORITY

Schedule of Findings and Questioned Costs
December 31, 2024

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported

SECTION 4 – SUMMARY OF PRIOR YEAR FINDINGS

Finding 2023-001 Significant Deficiency in Internal Controls

Description: Preparation of the schedule of expenditures of Federal awards

Condition: During the course of the audit, management presented the auditor with three drafts of the schedule of expenditures of Federal awards which were all materially misstated. Management corrected all such misstatements during the course of the single audit.

Status of corrective action: Corrective action implemented.

June __, 2025
Board of Directors of the
Sites Project Authority
Maxwell, California

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sites Project Authority for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 6, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Sites Project Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2024. We noted no transactions entered into by the Sites Project Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimate) affecting the Authority's financial statements was:

Management's estimate of the completion of project objectives is based on milestones completed by individual contractors. We evaluated the methods, assumptions, and data used to develop the completion of project objectives in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of cash and investments in Note 2 to the financial statements due to the significance of the disclosure of insured cash balances.

The financial statement disclosures are neutral, consistent, and clear.

Board of Directors of the
Sites Project Authority
Maxwell, California

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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 June __, 2025

Management Consultations with Other Independent Accountants

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 Sites Project Authority'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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Sites Project 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

Other Matters

We applied certain limited procedures to management discussion and analysis, and the budget to actual comparison, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Board of Directors of the
Sites Project Authority
Maxwell, California

Restriction on Use

This information is intended solely for the information and 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.

Very truly yours,

Fechter and Company,
Certified Public Accountants

Sacramento, California
June __, 2025