SITES PROJECT AUTHORITY

Audited Financial Statements
and Compliance Reports

December 31, 2025

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SITES PROJECT AUTHORITY

Audited Financial Statements and Compliance Reports

For the Year Ended December 31, 2025

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sites Project Authority
Maxwell, California

Report on 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, 2025, 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 respective financial position of the governmental activities and each major fund of the Authority as of December 31, 2025 and the respective changes in financial position for the year then ended 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.

Correction of Error

As discussed in Note H to the financial statements, the Agency corrected an error in deposits in the December 31, 2024 financial statements. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit 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 State Controller's Minimum Audit Requirements for California Special Districts. 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 judgement 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 judgement, 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 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 or provide any assurance.

Supplementary 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 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 procedures in accordance with auditing standards generally accepted in the Unites States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2026 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 and contracts and 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.

Richardson & Company, LLP

June 12, 2026

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, 2025. We encourage readers to consider the information presented here in conjunction 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 Powers Agreement. The primary purpose of the Authority 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 fifteen years working towards this goal by engaging the public, various stakeholders, state and federal agencies, and landowners, initiating the required environmental planning process, conducting feasibility studies, advancing permitting efforts, and pursuing financing activities, among other efforts.

Financial Highlights

• The Authority's assets exceed liabilities by $19,450,318 as of December 31, 2025.

• The Authority's expenses exceeded revenues by $357,565 for the year ending December 31, 2025. The Authority's largest expense was for professional services of $18,130,283, accounting for 98% of total expenses for the year ending December 31, 2025.

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 Authority's operations over the past year and can be used to determine if the Authority has recovered all of its costs through its revenues. This statement can also be used to help evaluate the Authority's 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 type showing money left at year-end available for spending. The Statement of Revenues, Expenditures, and Changes in Fund Balances for 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's financial position better or worse 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.

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

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

	2025	2024 (Restated)	Change
Assets			
Cash and Investments	$ 16,849,258	$ 31,679,560	$ (14,830,302)
Accounts Receivable	6,209,539	374,326	5,835,213
Prepaid Expenses	31,161	27,150	4,011
Deposits	1,806,177	824,000	982,177
Capital Assets	5,053,996	1,623,127	3,430,869
Total Assets	29,950,131	34,528,163	(4,578,032)
Liabilities			
Current liabilities	10,499,813	14,720,280	(4,220,467)
Total Liabilities	10,499,813	14,720,280	(4,220,467)
Net Position			
Investment in capital assets	5,053,996	1,623,127	3,430,869
Unrestricted	14,396,322	18,184,756	(3,788,434)
Total Net Position	$ 19,450,318	$ 19,807,883	$ (357,565)

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 $19,450,318 and $19,807,883, restated, as of December 31, 2025 and 2024, respectively.

The largest portion, 56% of the Authority's assets of $29,950,131, was cash and investments as of December 31, 2025, which totaled $16,849,258. Cash and investments decreased from $31,679,560 as of December 31, 2024, to $16,849,258 as of December 31, 2025, due primarily to planned use of cash reserves for ongoing project development and construction readiness activities.

Accounts receivable was $6,209,539 as of December 31, 2025, due primarily to federal reimbursement activity under the Federal Financial Assistance Agreement.

Capital assets increased from $1,623,127 as of December 31, 2024, to $5,053,996 as of December 31, 2025, due primarily to land purchases in 2025.

At the end of fiscal year 2025, the Authority showed a positive balance in its unrestricted net position of $14,396,322.

Statement of Activities

	2025	2024	Change
General Revenues			
Membership Admin/Authority	$ 415,000	$ 413,333	$ 1,667
Membership - Water	6,660,120	25,640,480	(18,980,360)
Grant Revenue	9,832,163	1,895,361	7,936,802
Interest Revenue	1,141,307	1,701,350	(560,043)
Total Revenues	18,048,590	29,650,524	(11,601,934)
Expenses			
Authority/Admin	418,767	330,183	88,584
Reservoir	17,987,388	29,110,690	(11,123,302)
Total Expenses	18,406,155	29,440,873	(11,034,718)
Change in Net Position	$ (357,565)	$ 209,651	$ (567,216)

The Statement of Activities shows how the Authority's net position changed during the period. In the case of the Authority, net position decreased by $357,565 for the year ending December 31, 2025.

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

Total revenue decreased by $11,601,934 from the year ending December 31, 2024 to the year ending December 31, 2025, due primarily to a reduction in member funding contributions associated with the transition in project activities and funding phases.

Federal operating grants and contributions increased during 2025 due to reimbursement activity under the Federal Financial Assistance Agreement.

Total expenses decreased by $11,034,718 from the year ending December 31, 2024, to the year ending December 31, 2025, due to the Authority's scope of work and timing of project development activities during 2025. Authority/Admin expenses comprised 2.28% and 1.12% of total expenses for the years ending

December 31, 2025 and 2024, respectively. Reservoir expenses comprised 97.72% and 98.88% of total expenses for the years ending December 31, 2025 and 2024, respectively.

General Fund Budgetary Highlights

	Actual	Budget	Variance
Revenues	$ 457,520	$ 415,000	$ 42,520
Operating Expenses	418,767	459,830	(41,063)
Net Increase (Decrease)	$ 38,753	$ (44,830)	$ 83,583

The Authority's final budget for the General Fund for the year ended December 31, 2025, showed total expenditures exceeding revenues by $44,830, while 2025 actuals show excess revenues over expenditures of $38,753.

Conditions Affecting Current Financial Position

The Authority continues to plan and expand project activities to build a major water infrastructure project. Annual budgets are expected to increase as activity increases and preparation for construction continues and construction is initiated.

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 $40.8 million 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 increased to $43.8 million. 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 EFA. In February 2026, the CWC increased the Authority's Maximum Conditional Eligibility Determination (MCED) due to an inflationary adjustment, which resulted in additional Early Funding Agreement amounts not to exceed $10,948,857.

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. During 2025, the Authority continued to receive federal reimbursement funding under the current FAA and recorded approximately $6.2 million in federal receivables at year-end associated with eligible project expenditures.

Future Plans for the Sites Reservoir Project

The Authority has developed detailed work plans and financing plans to continue the advancement of Phase 2 activities and transition into future construction phases. Current activities continue to focus on permitting, engineering, procurement, land acquisition, financing activities, and project readiness efforts.

The Authority continues to advance the Project water right process with the California State Water Resources Control Board. In March 2026, the Administrative Hearings Office issued a draft decision and draft permit for the Sites Reservoir Project water right application. Following the public comment process, a revised draft decision is anticipated in July 2026, with final consideration and issuance of the water right permit by the California State Water Resources Control Board anticipated in September 2026.

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.

The Authority continues coordination with the U.S. Environmental Protection Agency (US EPA) related to the Water Infrastructure Finance and Innovation Act (WIFIA) loan program to finalize a Master Loan Agreement. The Authority continues to evaluate financing alternatives and advance activities necessary to support future project construction and long-term financing.

The remainder of current project activities will include key efforts such as obtaining environmental permits, advancing engineering and procurement activities, acquiring land and right of way, securing financing agreements, updating project cost estimates, executing participant agreements, and continuing coordination with State and Federal agencies.

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 Finance Manager 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, 2025

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	$ 16,849,258
Accounts receivable	22,376
Intergovernmental receivable	6,187,163
Prepaid expenses	31,161
Deposits	1,806,177
Total current assets	24,896,135
Noncurrent Assets:	
Capital assets:	
Not being depreciated	4,694,634
Depreciable, net	359,362
Total capital assets, net	5,053,996
Total noncurrent assets	5,053,996
TOTAL ASSETS	29,950,131
LIABILITIES	
Current Liabilities:	
Accounts payable	1,451,677
Unearned revenue	8,577
Participant reimbursement policy liability	9,039,559
TOTAL LIABILITIES	10,499,813
NET POSITION	
Investment in capital assets	5,053,996
Unrestricted	14,396,322
TOTAL NET POSITION	$ 19,450,318

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

SITES PROJECT AUTHORITY
Statement of Activities
For the Year Ended December 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Authority administration	$ 418,767		$ (418,767)
Reservoir	17,987,388	$ 9,832,163	(8,155,225)
Total governmental activities	$ 18,406,155	$ 9,832,163	(8,573,992)
General Revenues:			
Membership revenue - Authority administration			415,000
Membership revenue - reservoir			6,660,120
Investment earnings			1,141,307
Total general revenues			8,216,427
Change in net position			(357,565)
Net position, beginning of year - as previously reported			19,157,883
Restatement - correction of error			650,000
Net position, beginning of year - as restated			19,807,883
NET POSITION, END OF YEAR			$ 19,450,318

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

SITES PROJECT AUTHORITY
Balance Sheets
Governmental Funds
December 31, 2025

	Authority General Fund	Reservoir Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 815,737	$ 16,033,521	$ 16,849,258
Accounts receivable		22,376	22,376
Grants receivable		6,187,163	6,187,163
Deposits		1,632,177	1,632,177
Prepaids	30,168	993	31,161
TOTAL ASSETS	$ 845,905	$ 23,876,230	$ 24,722,135
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	$ 43,824	$ 1,407,853	$ 1,451,677
Unearned revenue		8,577	8,577
Participant reimbursement policy liability		9,039,559	9,039,559
TOTAL LIABILITIES	43,824	10,455,989	10,499,813
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues		6,187,163	6,187,163
FUND BALANCES			
Nonspendable - prepaids	30,168		30,168
Assigned to development of the reservoir		7,233,078	7,233,078
Unassigned	771,913		771,913
TOTAL FUND BALANCES	802,081	7,233,078	8,035,159
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 845,905	$ 23,876,230	$ 24,722,135

Reconciliation of the Governmental Funds Balance Sheets to the Government-wide Statement of Net Position

Fund balances - total governmental funds	$ 8,035,159
Amounts reported for governmental activities in the statement of net position are different because:	
The electrical connection deposit is an asset in the statement of net position.	174,000
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Capital assets, net	5,053,996
Certain intergovernmental receivables are not available to pay current expenditures and, therefore, are reflected as deferred inflows of resources in the governmental funds.	6,187,163
Net position of governmental activities	$ 19,450,318

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

SITES PROJECT AUTHORITY
Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	Authority General Fund	Reservoir Special Revenue Fund	Total Governmental Funds
REVENUES			
Membership revenue - Authority administration	$ 415,000		$ 415,000
Membership revenue - reservoir		$ 6,660,120	6,660,120
Intergovernmental:			
Federal		3,645,000	3,645,000
Investment earnings	42,520	1,065,031	1,107,551
Land rental revenue		33,756	33,756
TOTAL REVENUES	457,520	11,403,907	11,861,427
EXPENDITURES			
Current:			
Accounting services	81,372		81,372
Audit fees	40,374		40,374
Insurance	1,443		1,443
Office expenses	26,525	2,287	28,812
Rent expense	54,000		54,000
Dues and subscriptions	27,150	10,603	37,753
Professional fees	179,656	17,950,627	18,130,283
Website and computer support	8,247	8,247	16,494
Capital outlay		3,446,493	3,446,493
TOTAL EXPENDITURES	418,767	21,418,257	21,837,024
NET CHANGE IN FUND BALANCES	38,753	(10,014,350)	(9,975,597)
Fund balances, beginning of year - as previously reported	763,328	16,597,428	17,360,756
Restatement - correction of error		650,000	650,000
Fund balances, beginning of year, as restated	763,328	17,247,428	18,010,756
FUND BALANCES, END OF YEAR	$ 802,081	$ 7,233,078	$ 8,035,159

Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Charges in Fund Balances to the Government-wide Statement of Activities:

Net change in fund balances - total governmental funds	$(9,975,597)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.	
Depreciation	(15,624)
Capital outlay	3,446,493
Certain intergovernmental receivables are not available to pay current expenditures and, therefore, are reflected as deferred inflows of resources in the governmental funds. Amount represents the change in deferred inflows of resources.	6,187,163
Change in net position of governmental activities	$ (357,565)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The 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 et seq.

As of December 31, 2025, 11 public entities filling 9 Board seats with two government agencies serving ex-officio positions and two Associate Members, were approved members of the Authority as follows:

Reclamation District 108
Placer County Water Agency/City of Roseville
County of Colusa
County of Glenn
Glenn-Colusa Irrigation District
Tehama-Colusa Canal Authority
Westside Water District
Colusa County Water District
Sacramento County Water Agency/
  City of Sacramento
Non-Voting:
  California Department of Water Resources
  U.S. Bureau of Reclamation
Associate Members:
  Zone 3 of the Colusa County Flood Control
    and Water Conservation District
  Western Canal Water District

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, such as recreation and power generation. The purpose of pursuing and developing the Sites Reservoir are to: (a) increase surface water storage and enhance water management flexibility and reliability in the Sacramento River watershed, (b) provide flood control benefits, (c) improve conditions for fish and wildlife in the Sacramento River watershed, including anadromous fish in the Sacramento River, and (d) improve the operation of the state's water system to provide improvements in ecosystem and water quality conditions in the Bay-Delta while providing a more reliable water supply for the State of California.

The Authority continues to advance the Sites Reservoir Project (Project) water right process with the California State Water Resources Control Board. In March 2026, the Administrative Hearings Office issued a draft decision and draft permit for the Project water right application. Following the public comment process, a revised draft decision is anticipated in July 2026, with final consideration and issuance of the water right permit by the California State Water Resources Control Board anticipated in September 2026.

Basis of Presentation—Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the Authority as a whole. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the Authority. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The Authority only reports governmental activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the program expenses of a given function or program are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

Basis of Presentation—Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

The Authority reports the following major governmental funds:

- Authority General Fund: Authority members pay an annual membership fee for the administration of the Authority, which is established by the Authority Board of Directors and is accounted for in the Authority General Fund. The membership fee for 2025 was $50,000 per member.

- Reservoir Special Revenue Fund: Membership revenue for reservoir activities is recognized according to the Project's board-approved operating budget for each phase of the Project, which is accounted for in the Reservoir Special Revenue Fund. 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 the Project Agreement, a Project Agreement Member must give the Authority and other Project Agreement Members written notice of withdrawal not less than thirty days prior to the withdrawal date. As of the withdrawal date, all rights of participation in the Project Agreement cease for the withdrawing Project Agreement Member. The financial obligation as prescribed in Section 5.10 of the Bylaws in effect on the withdrawal date, will 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.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available ("susceptible to accrual"). The Authority considers all revenues reported in the governmental funds to be measurable and available if the revenues are collected within sixty days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recognized when the related exchange takes place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, are recognized when all eligibility requirements are met, including government-mandated and voluntary non-exchange transactions. Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered voluntarily by the parties thereto, including federal assistance under the WIIN Act.

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

Prepaids: Prepaids represent payments for services that will benefit periods beyond the current year-end. The Authority uses the consumption method of accounting for prepaids. Under the consumption method, governments may initially report prepaid items they purchased as an asset and defer the recognition of the expenditure until the period the prepaid items are consumed or used.

Deposits: The Authority made $1,608,600 deposits to Pacific Gas and Electric Company (PG&E) and the California Independent System Operators Corporation (CAISO) for an electrical connection for the dam that will be applied to future charges or will be refunded and has a $197,577 escrow deposit for a land purchase that closed after year-end.

Capital Assets: Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The Authority defines capital assets as assets with an initial, individual cost of more than $5,000 and a useful life of one year or more, including federally funded assets.

Capital assets acquired by the governmental funds are accounted for as capital outlay expenditures of those funds and capitalized and recorded as assets in the government-wide financial statements. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The Authority is in the feasibility stage of the project where Benefits and Obligation agreements are in progress that will provide permanent funding the for Project. Consequently, the Authority only capitalizes land purchases and fencing on the land.

Subscription assets are recognized at the subscription commencement date and represent the right to use the underlying subscription asset for the subscription term. Right to use subscription assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

necessary to place the subscription asset into service. Subscription assets are amortized over the shorter of the subscription term or useful lives of the underlying asset using the straight-line method or the same method amortizing the debt.

Lease assets are recognized at the lease commencement date and represent the right to use an underlying asset for the lease term. Lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Lease assets are amortized over the shorter of the lease term or useful lives of the underlying asset using the straight-line method. The Authority does not recognize short-term leases or subscriptions with a maximum possible term of 12 months or less.

The Authority does not currently have any material leases or subscriptions.

Unearned Revenue and Deferred Inflows of Resources: Unearned revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the Authority has a legal claim to the resources, the unearned revenue is removed from the balance sheet/statement of net position and revenue is recognized. Unearned revenue represents

The Authority also, from time to time, reports deferred inflows of resources for unavailable revenues on its governmental fund financial statements, which arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenue is recognized when both revenue recognition criteria are met.

Lease and Subscription Liabilities: Lease liabilities represent the obligation to make lease payments arising from leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The lease payments are discounted at the rate inherent in the lease agreement or, if not determinable, at an estimated incremental borrowing rate.

Subscription liabilities represent the obligation to make subscription-based information technology arrangement payments arising from subscription contracts. Subscription liabilities are recognized at the subscription commencement date based on the present value of the future subscription payments expected to be made during the subscription term. The subscription payments are discounted at the rate inherent in the subscription agreement or, if not determinable, at an estimated incremental borrowing rate.

The Authority does not currently have any material leases or subscriptions.

Net Position/Fund Balances: The governmental activities and proprietary fund financial statements report net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted. These categories are described as follows:

- *Net Investment in Capital Assets* — This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and other payables that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted Net Position* — This category represents net position that is subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. The Authority's restrictions are listed on the face of the statements of net position.

- *Unrestricted Net Position* — This category represents net position of the Authority, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

In the Governmental Fund Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance — amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact, including prepaids and long-term assets.

- Restricted fund balance — amounts with constraints placed on their use by those external to the Authority, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance — amounts that can only be used for specific purposes determined by a resolution of the Authority's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed with another resolution. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

- Assigned fund balance — amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose. Under the Authority's adopted policy, only the Board of Directors is allowed to assign or unassign amounts for specific purposes.

- Unassigned fund balance — the residual classification that includes amounts not contained in the other classifications. The General Fund is the only fund that reports positive unassigned fund balance while negative fund balance may be reported as unassigned fund balance if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes.

The Authority's Board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted fund balance is available for use, it is the Authority's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed. The Authority's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a primary government, or reporting unit that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. If the criteria in the Statement have been met for a concentration or constraint, the government should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The provisions of this Statement were implemented during the year ended December 31, 2025 and did not have a material impact on the financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, including 1) certain topics and disclosures in Management's Discussion and Analysis; 2) requiring the display of inflows and outflows of unusual and infrequent items to be reported separately as the last presented flow(s) of resources prior to the net change in resources flows in the government-wide, governmental fund, and proprietary fund statement of resources flows; 3) changing the definition of proprietary fund nonoperating revenues and expenses to include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory and investment income and expenses and defines operating revenues and expenses as revenue and expenses other than nonoperating revenue and expenses; 4) requires major component units to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and 5) requires budgetary comparison schedules to be reported as Required Supplementary Information (RSI), requires the presentation of variances between original and final budget amounts and final budget and actual amounts in the RSI and requires the explanation of significant variances to be reported in notes to the RSI. The provisions of this Statement are effective for years beginning after June 15, 2025.

In April 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires lease assets recognized in accordance with GASB Statement No. 87, *Leases*, right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in accordance with GASB Statement. No 96, *Subscription-Based Information Technology Arrangements*, and other intangible assets to be disclosed separately in capital assets footnote disclosures. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should disclose the ending historical cost and accumulated depreciation by major class of assets and the carrying amount of debt for which the assets are pledged as collateral by major class of asset held for sale under this Statement. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

The Authority is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

The Authority maintains four bank deposits at a financial institution. One of the deposits invests the Authority's funds in other banks to ensure the entire deposit is insured by the Federal Deposit Insurance Corporation.

Investment policy: Investments are reported at fair value. California statutes authorize governments to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized by the California Government Code (or the Authority's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The Authority's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	100%	None
U.S. Agency obligations	5 years	30%	20%
California State Obligations	5 years	80%	None
Certificates of deposit	5 years	30%	None
California Local Agency Investment Fund (LAIF)	N/A	75%	N/A
California Asset Management Program (CAMP)	N/A	75%	N/A
Mutual funds	N/A	20%	20%

Custodial Credit Risk of Cash Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the Authority's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities in the collateral pool must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits.

On December 31, 2025, the carrying amount and the bank balance of the Authority's deposits were \$16,849,258 and \$16,859,740, respectively. The deposits were collateralized by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2025, the Authority had \$8,185,208 in deposits with a bank that exceeds the federally insured limit, which is collateralized by assets pledged by the financial institution, but not in the name of the Authority.

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2025:

	December 31 2024	Increases	Decreases	December 31 2025
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 1,623,127	$ 3,071,507		$ 4,694,634
Total capital assets not being depreciated	1,623,127	3,071,507		4,694,634
Capital assets being depreciated:				
Structures and improvements		374,986		374,986
Total capital assets being depreciated		374,986		374,986
Less accumulated depreciation:				
Structures and improvements		(15,624)		(15,624)
Total accumulated depreciation		(15,624)		(15,624)
Total capital assets being depreciated, net		359,362		359,362
Capital assets, net	$ 1,623,127	$ 3,430,869		$ 5,053,996

Depreciation expense was $15,624 for the year ended December 31, 2025.

The Authority purchased property as part of an early acquisition program totaling $3,000,000. 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.

NOTE D – PROFESSIONAL FEES

Professional fees for the year ended December 31, 2025, consisted of the following:

	Authority General Fund	Reservoir Special Revenue Fund	Total
Board Clerk Services	$ 2,372	$ 22,847	$ 25,219
Bond Counsel		84,160	84,160
Construction Manager at Risk Procurement Support		65,440	65,440
Communication		442,583	442,583
Construction Office Lead		238,027	238,027
Contract Representation Support		7,613	7,613
Cooperative Agreement Tasks		2,153	2,153
Cost Development Model		9,167	9,167
County Agreements Advisor		1,040	1,040
Engineering and Construction Manager		444,077	444,077
Engineering and Technical Services		1,393,862	1,393,862
Environmental Planning and Permitting Manager		444,267	444,267
Executive Director	50,317	453,435	503,752
External Affairs Manager		338,423	338,423
Federal Government Affairs Support		264,000	264,000
Finance Manager		369,112	369,112
Funding/Credit Reimbursement Policy		3,201	3,201
General Legal Counsel	60,803	60,803	121,606
Geotechnical Engineering		136,817	136,817
Inter-Agency Agreements		361,767	361,767
Interconnection Study		102,400	102,400
Legal Services		513,547	513,547
Legislative/Regulatory/Strategic		114,000	114,000
Modeling/Research Services		43,443	43,443
Monitoring Services		1,465	1,465
Municipal Advisor		200,000	200,000
Operations/Simulation Modeling		1,058,538	1,058,538
Owner's Financial Advisor		120,000	120,000
Permitting and Agreements		2,443,826	2,443,826
Program Operations Manager		66,162	66,162
Project Controls	51,600	2,253,705	2,305,305
Project Integration		3,998,177	3,998,177
Purchasing Lead		120,372	120,372
Real Estate Appraisal Services		18,450	18,450
Real Estate Legal Services		86,773	86,773
Reservoir Operations Modeling		269,213	269,213
Special Legal		345,920	345,920
Staffing Assistance		71,192	71,192
Strategic Planning	14,564	29,483	44,047
Water Rights Legal Counsel		753,335	753,335
Water Rights Modeling		197,832	197,832
	$ 179,656	$ 17,950,627	$ 18,130,283

NOTE E – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA). The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions (E&O) and public officials personal liability insurance coverage. Through its membership in the ACWA-JPIA, the Authority is provided with excess coverage for these items through commercial insurance. Loss contingency reserves established by the ACWA-JPIA are funded by contributions from member agencies. The Authority pays an annual premium to the ACWA-JPIA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate ACWA-JPIA. Financial statements for the ACWA-JPIA may be obtained at 2100 Professional Drive, Roseville, California 95661-3700 or www.acwajpia.com.

There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in the past three years.

The Authority's coverage limits were as follows as of December 31, 2025:

	Pool Coverage	Commercial Insurance	Deductible
General liability, auto liability and public officials errors and omissions (includes terrorism, communicable disease, subsidence, lead and mold)	$ 5,000,000	$ 5,000,000 to 55,000,000	None
Cyber liability		3,000,000	$ 50,000 to 100,000
Property program, including boiler and machinery, mechanical electrical and pressure equipment, earthquake and flood	10,000,000	2,500,000 to 150,000,000	1,000 to 100,000
Crime program	100,000	None	1,000

NOTE F – PARTICIPANTS REIMBURSEMENT POLICY

According to the Authority's participants reimbursement policy, the participants that withdrew or decreased its participation in the project are entitled to a credit equal to the contribution 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, 2025, was $9,039,559.

NOTE G – COMMITMENTS AND CONTINGENCIES

Grant Contingency: Amounts received or receivable under grant agreements are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, could possibly need to be returned to the granting agency. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

NOTE G – COMMITMENTS AND CONTINGENCIES (Continued)

Legal Contingencies: Various claims and suits are filed against the Authority in the normal course of business. Although the outcome of these claims is not presently determinable, in the opinion of the Authority's management, after consultation with legal counsel, the resolution of any claims outstanding will not have a material adverse effect on the financial condition of the Authority.

NOTE H – CORRECTION OF ERROR

A California Independent System Operator Corporation (CAISO) deposit made through Pacific Gas and Electric Company (PG&E) was recorded as an expenditure in calendar year 2023. The Authority corrected this error in 2025, which resulted in refundable deposits increasing by $650,000 as of December 31, 2024. The effect on fund balance and net position as of December 31, 2024 were as follows:

	December 31, 2024 Net Position/Fund Balance As previously Reported	Correction of Error	December 31, 2024 Net Position/Fund Balance As Restated
Government Wide	$ 19,157,883	$ 650,000	$ 19,807,883
Special Revenue Fund	$ 16,597,428	$ 650,000	$ 17,247,428

NOTE I – CHANGE IN ESTIMATE

During the year ended December 31, 2024, the Authority received notice from the Bureau of Reclamation (USBR) that it should reduce the amount drawn down under federal awards by the amount of in-kind services performed by the USBR. This resulted in the Authority reducing the amount drawn down and reporting unearned revenue of $3,645,000 at December 31, 2024. In June 2026, the USBR informed the Authority that it will not require in-kind services to be considered when drawing down amounts available under federal awards until the Authority begins construction. Due to this change, the Authority recognized all of the previous unearned revenue during the year ended December 31, 2025 and the intergovernmental receivable under federal awards increased to $6,187,163 at December 31, 2025. The receivable is expected to be collected during the year ended December 31, 2026.

NOTE J - SUBSEQUENT EVENT

In February 2026, the Authority entered into an agreement with the California Water Commission to provide funding from the Water Quality, Supply and Infrastructure Improvement Act of 2014 to finance planning related activities for the Sites Reservoir Project. The maximum amount payable by the State under this Agreement will not exceed $10,948,857.

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REQUIRED SUPPLEMENTARY INFORMATION

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SITES PROJECT AUTHORITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Authority General Fund
For the Year Ended December 31, 2025

	Budget Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Membership revenue - Authority administration	$ 415,000	$ 415,000	$ 415,000	
Investment earnings			42,520	$ 42,520
TOTAL REVENUES	415,000	415,000	457,520	42,520
EXPENDITURES				
Current:				
Accounting services	68,462	88,215	81,372	6,843
Audit fees	82,437	56,000	40,374	15,626
Insurance	2,100	3,000	1,443	1,557
Office expenses	11,750	26,525	26,525	
Rent expense	60,000	54,000	54,000	
Dues and subscriptions	27,150	27,150	27,150	
Professional fees	279,708	196,690	179,656	17,034
Website and computer support	8,000	8,250	8,247	3
TOTAL EXPENDITURES	539,607	459,830	418,767	41,063
NET CHANGE IN FUND BALANCE	(124,607)	(44,830)	38,753	83,583
Fund balance, beginning of year	763,328	763,328	763,328	
FUND BALANCE, END OF YEAR	$ 638,721	$ 718,498	$ 802,081	$ 83,583

SITES PROJECT AUTHORITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Reservoir Special Revenue Fund
For the Year Ended December 31, 2025

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Membership revenue - reservoir	$ 6,660,120	$ 6,660,120	$ 6,660,120	
Intergovernmental:				
Federal	8,511,274	2,105,000	3,645,000	$ 1,540,000
Investment earnings	750,000	923,667	1,065,031	141,364
Land rental revenue			33,756	33,756
TOTAL REVENUES	15,921,394	9,688,787	11,403,907	1,715,120
EXPENDITURES				
Current:				
Office expenses		3,948	2,287	1,661
Dues and subscriptions		10,603	10,603	
Professional fees	38,992,487	29,449,436	17,950,627	11,498,809
Website and computer support	8,000	8,250	8,247	3
Capital outlay			3,446,493	(3,446,493)
TOTAL EXPENDITURES	39,000,487	29,472,237	21,418,257	8,053,980
NET CHANGE IN FUND BALANCE	(23,079,093)	(19,783,450)	(10,014,350)	9,769,100
Fund balance, beginning of year - as previously reported	16,597,428	16,597,428	16,597,428	
Restatement - correction of error	650,000	650,000	650,000	
Fund balances, beginning of year, as restated	17,247,428	17,247,428	17,247,428	
FUND BALANCE, END OF YEAR	$(5,831,665)	$(2,536,022)	$ 7,233,078	$ 9,769,100

BUDGETARY COMPARISON SCHEDULE

Budgets are prepared on the cash and expenditures or encumbrances basis. Revenues are budgeted in the year receipt is expected, and 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 a public hearing, a final budget is approved by the board of directors, with a resolution adopting the budget. Copies of the approved budget are sent to all required agencies.

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COMPLIANCE REPORTS

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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, each major fund and the aggregate remaining fund information of the Sites Project Authority (the Authority) as of and for the year ended December 31, 2025, 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 12, 2026.

Report on 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) 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 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 Authority'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 and 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 financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

June 12, 2026

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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

To the Board of Directors
Sites Project Authority
Maxwell, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Sites Project Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2025. The 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, the 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, 2025.

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 the 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 the 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 the 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 the 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 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 the 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 the 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 the 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 the 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 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.

Richardson & Company, LLP

June 12, 2026

SITES PROJECT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2025

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal Assistance Listing (AL) Number	Pass-through Entity Identifying Number/Grant Number	Expenditures
U.S. Department of the Interior, Bureau of Reclamation			
Water Storage Enhancement - CMLNI - 6236(19)	15.574	Not Applicable	$ 4,469,989
Total U.S. Department of the Interior, Bureau of Reclamation			4,469,989
TOTAL FEDERAL AWARDS EXPENDED			$ 4,469,989

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Sites Project Authority (Authority) under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Authority's federal program provides that the Authority shall receive direct administrative costs in accordance with 2 CFR 200.413 instead of indirect costs under 200.414. Since only direct administrative costs are allowable under this grant, the Authority is not eligible for the 15-percent de minimis indirect cost rate under 2 CFR 200.414(f).

NOTE D – SUBRECIPIENTS

The Authority had no subrecipients of its federal program during the year ended December 31, 2025.

SITES PROJECT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2025

Section I - A. Summary of Auditor's Results

Financial Statements	
1. Type of auditor's report issued:	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified	No
b. Significant deficiencies identified not considered to be material weaknesses?	None Reported
3. Noncompliance material to financial statements under *Government Auditing Standards* noted?	No
Federal Awards	
1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)?	No
4. Identification of major programs:	

AL Number	Name of Federal Program
15.574	Water Storage Enhancement

5. Dollar Threshold used to distinguish between Type A and Type B programs?	$ 750,000
6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)?	Yes

Section II – FINANCIAL STATEMENT FINDINGS

Current Year Findings

None

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current year Findings

None

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

None

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