

RD2035

**RECLAMATION DISTRICT 2035
Board of Trustees Regular Meeting
March 9, 2021
9:30 AM**

Call Number - 712-432-3900 Conference ID 109391# Moderator 458276#

AGENDA

<u>Item:</u>	<u>Presented By:</u>	<u>Action Needed:</u>
1. Call to Order	President	Information
2. Roll Call	President	Information
3. Public Comment		
4. Approve Minutes	President	Action
5. 2019-2020 Audit Report	Ingrid Sheipline	Information
6. Budget vs. Actual Status through February 2021	Marti Holland	Information
7. Levee Repair Update	Mike Hall	Information
8. Flood Maintenance Assistant Program Jan-Dec 2020	Marti Holland	Information
9. WAPA Agreement	Mike Hall	Information
10. Resolution re-approval of the WAPA Contract for Electric Service Base Resource with RD 2035	Scott Morris	Action
11. Annual Consideration and Approval of Districts Investment Policy	Scott Morris	Action

Upcoming Meeting Dates -June 15, 2021 at 9:30am
November 16, 2021 at 9:30am

ADJOURN

(next available resolution number is 2021.03)

MINUTES

**RECLAMATION DISTRICT NO. 2035
BOARD OF TRUSTEES
MINUTES OF REGULAR MEETING
September 29, 2020**

1. Call to Order

Pursuant to notice of a Regular meeting, which was posted and served on the members of the Board of Trustees of Reclamation District No. 2035 more than 72 hours prior to September 29, 2020, the Board of Trustees of Reclamation District No. 2035 held a regular meeting. The meeting was held via teleconference due to the COVID-19 pandemic. The meeting was called to order at 9:31 a.m. by President Tsakopoulos.

2. Roll Call

President Tsakopoulos, Trustee Robert Baker and Trustee Angelo Christie were present via teleconference. President Tsakopoulos noted that there was a quorum was present for conducting business. Mike Hall, District General Manager, Scott Morris, General Counsel, Denise Costa, Will Vasilopoulos, and District Engineer Jay Punia were also present via teleconference at the meeting.

3. Public Comment

There was no public comment.

4. Approve Minutes

The Board consider approval of the June 30, 2020 Regular Board meeting minutes. After review, Trustee Baker moved approval of the minutes and Trustee Christie seconded the motion. The minutes were approved by a 3-0 vote.

5. Budget v. Actual Status Through September 25 2020

Marti Holland (not present) provided a handout that was presented to the Board by General Manager Mike Hall that showed the FY 2019-20 Budget v. Actual through the September 25, 2020. Increased water rates for this fiscal year helped put the District in a strong cash position. Currently there is expendable cash of \$563,000 after allowing for reserves. The District has been reimbursed for the siphon gate as well as the Flood Maintenance program which helped the M & O have a positive cash flow. President Tsakopoulos added that unfarmed lands will now help contribute to the M&O fund which will also add to the strength of that fund.

The report was received by the Board and no action was taken.

6. Levee repair Update

Mike Hall reported that the last levee repair site is far more complicated than originally anticipated. The repair will now cost more than \$4M, paid for by the U.S. Army Corps of Engineers. The repair will now require the canal to be relocated, so the work will be delayed until the summer of 2021. The work may take most of the summer to complete, and the canal relocation may result in a slight loss of property.

No action was taken on this item.

7. Intake Facility – Erosion

Mike Hall reported that bids for the erosion repairs needed at the Intake Facility came in higher than expected at about \$100,000, although there is the possibility a contractor can do the work for less. The work is being bid/supervised by the WDCWA, and likely won't be completed until next year. Under the cost share agreement with WDCWA, the District's share would be 80%.

This item was for information only, and no action was taken.

8. Sierra Railroad Parking Agreement-WDCWA/RD2035

There was no report on this item. General Manager Mike Hall will report back to the Board on any progress in resolving this issue.

9. Siphon Gate repair Reimbursement

Mr. Hall stated that the Siphon Gate repairs were completed and the entire project cost the District \$155,000 of which \$130,000 was previously reimbursed by the Federal/State governments. The District now has received additional reimbursements for a total of \$150,000.

No action was taken on this item.

10. Flood Maintenance Assistance Program

Mike Hall reported that the District had requested about \$63,000 in advanced funding from DWR for maintenance activities. He provided a handout of the application showing the categories and amounts of the funding request.

No action was taken on this item.

11. Authorize the GM to Execute the FMAP Funding Agreement with DWR for 2021

Mike Hall explained to the Board that this DWR program reimburses the District for certain O&M work. Last year the District received \$66,000 for reimbursed that covered all of the District's O&M work. District Engineer Jay Punia further explained the program

to the Board and asked that the Board authorize the GM to enter into the funding agreement with DWR.

Trustee Christie moved to authorize General Manager Hall to execute the DWR Funding agreement on behalf of the District. Trustee Baker seconded the motion. The motion was approved 3-0.

12. **Resolution Accepting Funds From DWR**

As part of the FMAP funding agreement with DWR, the District considered a Resolution required by DWR to accept the FMAP funds.

After discussion, Trustee Christie moved to approve the Resolution required by DWR to accept the FMAP funds. Trustee Baker seconded the motion. The motion was approved 3-0.

The meeting was adjourned at 10:02 am. The next meeting will be on November 20, 2020 at 9:30 am.

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ATTEST:

Secretary, Reclamation District 2035

TAB #5

RECLAMATION DISTRICT 2035
AUDIT PRESENTATION AGENDA

March 9, 2021

Presentation by Richardson & Company, LLP of the Audit, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Audited Financial Statements with auditors opinion
- Internal Control and Compliance Reports
- Governance letter
- Management letter with recommendations

Independent Auditor's Report

- Unmodified (clean) opinion

Discussion of financial statements

- Statement of Net Position (page 3)
 - Unrestricted net position of \$256,729
- Statement of Revenues and Expenses (page 4)
 - Net loss of \$127,453 — includes \$499,492 of depreciation
- Designations of net position for reserves (page 14)
- Restatements of 2019 amounts for grant funds that should have been accrued (page 16)

Reports on Internal Control and Compliance (page 17)

- One internal control weaknesses
 - Improvements needed to grant tracking to record revenue in same period as expense
- District complied with applicable laws, regulations

Governance (Required Communications) letter

- Audit adjustments
 - 4 adjustments identified and corrected (listed in letter)
- No difficulties in performing the audit and no unusual accounting practices

Management letter

- Other items noted
 - Quantity and unit price information to be included on winter water bills
 - Annual review of investment policy by Trustees

RECLAMATION DISTRICT NO. 2035

AUDITED FINANCIAL STATEMENTS

June 30, 2020 and 2019

RECLAMATION DISTRICT NO. 2035
AUDITED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reclamation District No. 2035
Woodland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Reclamation District No. 2035 (the District), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020 and 2019 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Other Matters

Required Supplementary Information

The District has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 26, 2021

RECLAMATION DISTRICT NO. 2035

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 372,371	\$ 596,387
Accounts receivable	103,404	161,975
Assessments receivable	36	
Grants receivable	224,169	650,160
Due from other governments	1,738	
Prepaid expenses	33,972	34,272
TOTAL CURRENT ASSETS	<u>735,690</u>	<u>1,442,794</u>
CAPITAL ASSETS		
Not being depreciated	90,670	90,670
Being depreciated	39,534,636	39,876,828
TOTAL CAPITAL ASSETS, NET	<u>39,625,306</u>	<u>39,967,498</u>
TOTAL ASSETS	<u>40,360,996</u>	<u>41,410,292</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and other liabilities	444,539	1,140,081
Unearned revenue	34,422	16,420
Due to other governments		240,307
Current portion of lease payable		3,996
TOTAL CURRENT LIABILITIES	<u>478,961</u>	<u>1,400,804</u>
NET POSITION		
Net investment in capital assets	39,625,306	39,963,502
Unrestricted	256,729	45,986
TOTAL NET POSITION	<u>\$ 39,882,035</u>	<u>\$ 40,009,488</u>

The notes to the financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 2035

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the years ended June 30, 2020 and 2019

	2020	Restated 2019
	<u>2020</u>	<u>Restated 2019</u>
OPERATING REVENUES		
Water delivery charges	\$ 945,237	\$ 887,067
Other charges	371,772	345,297
TOTAL OPERATING REVENUES	<u>1,317,009</u>	<u>1,232,364</u>
OPERATING EXPENSES		
Water delivery		
Personnel expenses	146,714	126,097
Professional services expense	76,019	53,502
Maintenance expense	270,106	283,679
Utilities expense	672,648	633,320
Depreciation	474,302	524,556
Other expense	105,913	128,614
Total Water Delivery Expenses	<u>1,745,702</u>	<u>1,749,768</u>
Flood protection		
Personnel expenses	146,714	126,046
Professional services expense	67,433	118,231
Maintenance expense	69,111	604,399
Utilities expense	6,089	10,595
Depreciation	25,190	22,068
Other expense	65,797	59,743
Total Flood Protection Expenses	<u>380,334</u>	<u>941,082</u>
TOTAL OPERATING EXPENSES	<u>2,126,036</u>	<u>2,690,850</u>
NET LOSS FROM OPERATIONS	(809,027)	(1,458,486)
NON-OPERATING REVENUE (EXPENSES)		
Special assessments	457,154	449,126
Federal and state grants	154,266	582,402
Investment income	12,252	7,908
Other non-operating revenue	12,000	26,486
Contributions from (to) other agencies	53,036	(15,457)
Interest expense	(3,496)	(482)
Other non-operating expense	(3,638)	(15,194)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>681,574</u>	<u>1,034,789</u>
CHANGE IN NET POSITION	(127,453)	(423,697)
Net position, beginning of year	<u>40,009,488</u>	<u>40,433,185</u>
NET POSITION AT END OF YEAR	<u>\$ 39,882,035</u>	<u>\$ 40,009,488</u>

The notes to the financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 2035

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and special assessments	\$ 1,850,700	\$ 1,744,072
Cash paid to suppliers for goods and services	(2,114,802)	(1,308,962)
Cash paid to employees for services	(206,984)	(182,004)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(471,086)</u>	<u>253,106</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal and state grant funding received	551,749	227,445
Other nonoperating revenue	8,362	11,292
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>560,111</u>	<u>238,737</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Amounts paid for capital assets	(157,300)	(195,446)
Capital grants received	26,770	19,616
Amounts paid to other agencies	(187,271)	(247,824)
Principal payments on lease	(3,996)	(27,828)
Interest payments on lease	(3,496)	(482)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(325,293)</u>	<u>(451,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	12,252	7,908
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,252</u>	<u>7,908</u>
INCREASE IN CASH	(224,016)	47,787
Cash and cash equivalents at beginning of year	<u>596,387</u>	<u>548,600</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 372,371</u></u>	<u><u>\$ 596,387</u></u>

(Continued)

RECLAMATION DISTRICT NO. 2035

STATEMENTS OF CASH FLOWS (Continued)

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Net loss from operations	\$ (809,027)	\$ (1,458,486)
Special assessments	457,154	449,126
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	499,492	546,624
Changes in operating assets and liabilities:		
Accounts receivables	58,571	46,162
Assessments receivables	(36)	
Prepaid expenses	300	(2,560)
Accounts payable and other liabilities	(695,542)	661,086
Unearned revenue	18,002	16,420
Accrued compensated absences		(5,266)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (471,086)</u>	<u>\$ 253,106</u>

The notes to the financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 2035

STATEMENTS OF NET POSITION
FIDUCIARY FUNDS

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and equivalents	<u>\$ 38,547</u>	<u>\$ 37,752</u>
TOTAL ASSETS	<u><u>\$ 38,547</u></u>	<u><u>\$ 37,752</u></u>
LIABILITIES		
Accounts payable	<u>\$ 21,355</u>	<u>\$ 21,355</u>
Agency funds held for others	<u>17,192</u>	<u>16,397</u>
TOTAL LIABILITIES	<u><u>\$ 38,547</u></u>	<u><u>\$ 37,752</u></u>

The notes to the financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Reclamation District 2035 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity: The District was created on April 18, 1919. The District is situated in Yolo County, California. The first purpose of the District is to provide flood protection and drainage, and secondly, to deliver irrigation water. The District operates under the laws of the Water Code of the State of California, Division 15, Section 50000 through 53900. The District is governed by a three-member Board of Trustees.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that period determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District uses the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants and general revenues.

The District maintains one agency fund, the *Cache Creek Settling Basin Fund*. The amounts reported for the Cache Creek Settling Basin Fund represent the balances of a four-way agreement between the District, PG&E Properties, the City of Woodland, and Yolo Shortline Railroad. The parties committed a total of up to \$15,000 each to fund a study of improvements to mitigate impacts resulting from the enlargement in 1992 of the Cache Creek Settling Basin.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fiduciary Funds account for assets held by the District as an agent on behalf of others. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments: For the purposes of the Statement of Cash Flows, the District's cash and cash equivalents include cash on hand or on deposit, and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. Business-type activities report tenant charges receivable and grant reimbursements as their major receivables. No allowance was deemed necessary at June 30, 2020 and 2019.

Special Assessments: Special assessment revenues are recognized by the District in the fiscal year they are assessed. The tax is billed in September /October and is due in 30 days. It becomes delinquent after 90 days and liens could be placed for nonpayment.

Capital Assets: Capital assets are valued at historical cost. 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. Capital assets are currently defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is provided over the useful lives of assets using the straight-line method. Estimated useful lives of depreciable assets range from 5 to 30 years.

Compensated Absences: The District policy allows employees to accumulate earned but unused annual leave, which will be paid to employees upon separation from the District's service. The cost of annual leave is recognized in the period earned.

Net Position: The net position amount is the difference between assets and liabilities. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

New Pronouncements: In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for periods beginning after December 15, 2019, which has been postponed to June 15, 2021 as a result of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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

NOTE B – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Primary Government		
Cash and investments		
Cash with County pooled treasury	\$ 372,371	\$ 596,387
Agency Fund		
Cash with County pooled treasury	<u>38,547</u>	<u>37,752</u>
Total cash and investments	<u>\$ 410,918</u>	<u>\$ 634,139</u>

Investment policy: California statutes authorize districts 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 for the District by the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	No limit	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
U.S. Agency Securities	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No limit
Repurchase Agreements	1 year	No limit	No limit
Reverse Repurchase Agreements	92 days	20% of base value	No limit
Medium-Term Notes	5 years	30%	No limit
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	No limit
County Pooled Investment Funds	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit
JPA Pools (other investment pools)	N/A	No limit	No limit

The District complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the County of Yolo Investment Pool: The District's cash is held in the County of Yolo Treasury. The County maintains an investment pool and allocates interest quarterly to the various funds based upon quarterly average daily cash balances. Investments held in the County's investment pool are available on demand and are stated at fair value. The fair value of the County's investment pool is determined by the fair value of the underlying investments, which represent level 2 inputs under the fair value hierarchy. Information regarding fair value measurements of the County pool may be found in the notes to the County of Yolo financial statements at <http://countyofyolo.org/general-government/general-government-departments/financial-services/publications>.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At June 30, 2020 and 2019, the District's investment in the County pool has an average maturity of 416 days and 449 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's external investment pool is not rated.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested by any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk: 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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investments in securities with governmental investment pools (such as the County of Yolo investment pool).

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	Balance at July 1, 2019	Additions	Write-offs/ Disposals	Transfers/ Adjustments	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 90,670				\$ 90,670
Total capital assets, not being depreciated	90,670				90,670
Capital assets, being depreciated:					
Structures and improvements	40,612,890				40,612,890
Equipment	2,313,289	\$ 157,300			2,470,589
Total capital assets being depreciated	42,926,179	157,300			43,083,479
Less: accumulated depreciation:					
Structures and improvements	(1,021,123)	(420,139)			(1,441,262)
Equipment	(2,028,228)	(79,353)			(2,107,581)
Total accumulated depreciation	(3,049,351)	(499,492)			(3,548,843)
Total capital assets being depreciated, net	39,876,828	(342,192)			39,534,636
CAPITAL ASSETS, NET	\$ 39,967,498	\$ (342,192)	\$ -	\$ -	\$ 39,625,306

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE C – CAPITAL ASSETS (Continued)

	Balance at July 1, 2018	Additions	Write-offs/ Disposals	Transfers/ Adjustments	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 90,670				\$ 90,670
Total capital assets, not being depreciated	90,670				90,670
Capital assets, being depreciated:					
Structures and improvements	40,612,890				40,612,890
Equipment	2,117,843	\$ 195,446			2,313,289
Total capital assets being depreciated	42,730,733	195,446			42,926,179
Less: accumulated depreciation:					
Structures and improvements	(600,984)	(420,139)			(1,021,123)
Equipment	(1,901,743)	(126,485)			(2,028,228)
Total accumulated depreciation	(2,502,727)	(546,624)			(3,049,351)
Total capital assets being depreciated, net	40,228,006	(351,178)			39,876,828
CAPITAL ASSETS, NET	\$ 40,318,676	\$ (351,178)	\$ -	\$ -	\$ 39,967,498

Depreciation expense of \$25,190 and \$474,302 was charged to Flood Protection and Water Delivery, respectively, for the fiscal year ended June 30, 2020. Depreciation expense of \$22,068 and \$524,556 was charged to Flood Protection and Water Delivery, respectively, for the fiscal year ended June 30, 2019.

NOTE D – CURRENT PORTION OF LEASE PAYABLE

The District paid off its lease during the year ended June 30, 2020. The following is a summary of changes in long-term liabilities, including the current portion, for the year ended June 30, 2019:

	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
Lease payable	\$ 31,824		\$ (27,828)	\$ 3,996	\$ 3,996
Compensated absences	5,266		(5,266)		
Total Long-Term Liabilities	\$ 37,090	\$ -	\$ (33,094)	\$ 3,996	\$ 3,996

The District leased equipment under a capital lease which has monthly payments of \$2,026.36 through August 30, 2019, including interest at 2.90%. Capital assets acquired under the capital lease consist of a backhoe with a cost of \$113,018 and accumulated depreciation of \$94,182 and \$78,036 at June 30, 2020 and 2019, respectively.

NOTE E – LINE OF CREDIT AND GRANT ANTICIPATION NOTE

In August 2017, the District entered into a revolving line of credit agreement with Rabobank, NA in the maximum amount of \$1,000,000. This agreement was entered into as part of a short-term financing

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE E – LINE OF CREDIT AND GRANT ANTICIPATION NOTE (Continued)

program for cash flow purposes related to the Levee Road – Repair Project. Interest to be paid on the line is at a variable rate of LIBOR plus 3%. The line is payable from the proceeds of anticipated federal and state grants. The principal and all outstanding balances are due no later than December 31, 2019. The District drew down \$571,848 of this amount in July 2019. The outstanding principal balance along with interest of \$3,031 was repaid in August 2019.

NOTE F – NET POSITION

Designations: Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. There were no designations or contingency reserve for June 30, 2019. The following are the designations and contingency reserve for June 30, 2020:

Capital expenditure sinking fund	\$ 131,400
Contingency Reserve	
Water delivery	50,000
Flood protection	50,000
	<u>200,000</u>
	<u>\$ 231,400</u>

NOTE G – PENSION PLANS

The District's employees are covered under defined contribution retirement plans that cover all eligible full-time employees of the District with at least six months of credited service. The nature of a defined contribution retirement plan is not to guarantee a specific retirement benefit, but to define an annual contribution to the plan for each employee. All contributions to the plan vest immediately. Total District contributions to the plan during the years ended June 30, 2020 and 2019 were \$13,503 and \$4,832, respectively.

The District pays into its own plan as well as the Conaway plan for employees of Conaway Preservation Group that perform services for the District. As of January 1, 2019, the District paid into the Conaway plan only. Employees under the Conaway plan are eligible after six months of service and matching contributions are made of 200% on the first 5% contributed by the employee up to a maximum of 10%. Employees under the District's plan are eligible after twelve months of service and have worked 1,000 hours and matching contributions are made of 100% of the first 10% contributed by the employee up to a maximum of 10%.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for risk of loss relating to property, automobile, commercial umbrella and public officials liability exposures. The coverage limits are \$3,000,000 aggregate and \$1,000,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE I – COMMITMENTS AND CONTINGENCIES

The District has a long-term obligation to the United States Department of Energy, Western Area Power Administration, for .11254% of the output of the Central Valley Project, California. This contract, also known as the Western Base Resource, obligates the District to make payments on a “take-or-pay” basis through December 31, 2024.

The District has participated in federal and state assisted grant and cooperative agreement programs. These programs are subject to program compliance audits by the grantors. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a party to claims and legal proceedings arising in the ordinary course of business. After taking into consideration information furnished by legal counsel to the District as to the current status of various claims and proceedings to which the District is a party, management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the financial position or results of operations of the District.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and operations is uncertain.

NOTE J – RELATED PARTY TRANSACTIONS

The District's management also works for one of the District's customers, Conaway Preservation Group (CPG). The District recognized \$494,193 and \$479,460 of revenue from CPG during the years ended June 30, 2020 and 2019, respectively, representing 25.1% and 21.1% of the District's revenue excluding capital grants. Amounts receivable at June 30, 2020 and 2019 totaled \$4,776 and \$61,865, respectively. Payments to CPG for services totaled \$345,900 and \$272,277 during the years ended June 30, 2020 and 2019, respectively. Amounts payable to CPG as of June 30, 2020 and 2019 total \$263,312 and \$78,248, respectively.

RECLAMATION DISTRICT NO. 2035

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

NOTE K - RESTATEMENT

The District discovered during the year ended June 30, 2020 that grant revenues were not properly recognized during the year ended June 30, 2019, when the qualifying expenditures were incurred. Corrections were made in the current year, which resulted in grants receivable, grant revenue and net position at June 30, 2019 increasing by \$49,270.

NOTE L – SUBSEQUENT EVENT

In November 2020 the District purchased a new backhoe under a capital lease for a total cost of \$143,604.

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 Trustees
Reclamation District No. 2035
Woodland, 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 Reclamation District No. 2035 (the District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings as Finding 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 26, 2021

RECLAMATION DISTRICT NO. 2035

SCHEDULE OF FINDINGS

June 30, 2020

CURRENT YEAR – MATERIAL WEAKNESS IN INTERNAL CONTROL

Finding 2020-001: Recording of Revenue

Condition: The District received grant revenue totaling \$49,270 during fiscal year 2020 that should have been recognized and recorded in the prior year. This situation is occurring because grant activity is being recorded when a reimbursement request is prepared rather than when a reimbursable expenditure is incurred. Because the misstatement of fiscal year 2018/19 revenues of \$49,270 is material to the financial statements, a prior period adjustment was needed to correct the 2019 amounts. This adjustment indicates that the District does not have the internal controls over grant accounting in place to prevent or detect misstatements on a timely basis.

Recommendation: We recommend that the District develop a grant tracking process and reconcile all grant activity with the State's records to ensure complete and accurate financial reporting.

District's Response: At the time the FMAP grant in question was received (May 2019), the prior responsible accountant did not record the grant as a receivable and there was no activity recorded during the 18/19 fiscal year. During the period that the error occurred, the prior accountant was performing the accounting duties for both the District and Conaway Preservation Group and did not have adequate time and resources available to detect this error. The prior accountant did not have significant governmental accounting experience which may have led to the oversight and error. The District has since re-hired, Marti Holland, who has decades of knowledge and experience working for the District and understanding governmental accounting, and specifically understanding the accounting methods and controls necessary to ensure that the accuracy of the accounting records. The accounting error was discovered during the current year's audit as there was a new grant received just prior to the end of fiscal year 19/20 prompted discussion of prior grant activity. The District's current accounting procedures include preparing a quarterly and annual reconciliation of all open and active grants. The District's current accounting system includes a grant tracking module which will be used for future tracking purposes.



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GOVERNANCE LETTER

To the Board of Trustees
Reclamation District 2035
Woodland, California

We have audited the financial statements of the Reclamation District 2035 (the District) for the year ended June 30, 2020, and have issued our report thereon dated February 26, 2021. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated June 29, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Material weaknesses in internal control are discussed in a separate report.

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated June 29, 2017.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transaction entered into by the District 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 estimates affecting the financial statements were: depreciable lives and method used to depreciate capital assets. We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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 following:

- Transactions with related parties are discussed in Note I of the financial statements, representing transactions and amounts outstanding with Conaway Preservation Group.
- Note K discusses a restatement of fiscal year 2019 financial statements due to grant revenue related to fiscal year 2019 expenditures not being accrued as of June 30, 2019. As a result of this restatement, a recommendation related to improvements in grant accounting processes was included in the Schedule of Findings.

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

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Four adjustments were made during the audit process consisting of the following:

- True-up net investment in capital assets
- True-up fund balance
- Write off potentially uncollectible receivable
- Write off grant receivable not expected to be collected

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 February 26, 2021.

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 District'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 Items

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

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

February 26, 2021



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MANAGEMENT LETTER

To the Board of Trustees
Reclamation District 2035
Woodland, California

In planning and performing our audit of the financial statements of the Reclamation District 2035 (the District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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.

We identified the following additional items during our audit that warrant consideration. These items are in addition to the one finding that is considered to be a material weakness reported in the Schedule of Findings.

The following items were noted in the current year audit.

Winter Water Bills

During our audit, we had difficulty verifying the winter water revenue because support for the billings could not be located and the invoices did not contain quantity and unit price information. We recommend that all invoices, including the winter water bills, include the unit price, acre quantity and the specific fields on the face of the invoice.

The following items noted in the prior year audit warrant further consideration.

Review of Investment Policy

To comply with the Government Code and the District's policy manual, we recommend that the Board of Trustees review and approve the District's Investment Policy annually. Due to the timing of the fiscal year 2019 audit being completed, this recommendation could not be implemented by June 30, 2020.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Trustees, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

February 26, 2021

TAB #6

To: RD2035 Board of Directors

From: Marti Holland, Accounting Manager RD2035

RD2035 – Budget vs. Actual 2/28/21 Narrative

The overall picture for the District between this time last year and this report is looking very positive mostly due to the water rate adjustments (rate increase & admin fee charges).

2/28/20 Net Income (combined WD & MO) = \$154,097.00

2/28/21 Net Income (combined WD & MO) = \$419,538.00

I have added a Projected YE column to the report showing how I believe the District will end the year at 6/30/21. I have based the projection on the YTD trend, comparing expenses from the previous year and conversations with Mike Hall regarding improvements to some of the pumps that may need to be addressed. I do believe both funds will end on a positive note barring any unforeseen expenses. At this point, I do not see the District needing to “borrow” from the Reserves or Sinking Fund this year.

The District has received all but some retention on the Flood Fight, Siphon Gate and Cross Bypass canal claims submitted to FEMA/OES. The final documents have been sent in and we should be receiving the retention soon. (Approx. \$15,000).

The DWR/FMAP reimbursement billing will be sent in this month (March 2021) and should be received prior to 6/30/21. I anticipate the reimbursement to be +/- \$45,000 based upon the allowable expenses.

**Reclamation District 2035
BUDGET vs ACTUAL 2020-2021**

ACCOUNT NAME/NUMBER	Approved 2020/21 Budget		Projected YE
	Approved Budget	Actual as of 2/28/21	6/30/2021
W/D INCOME			
Water Delivery by Tenants	\$ 1,064,000.00	\$ 499,286.23	\$ 1,025,000.00
Water Delivery-Winter Water	\$ 125,000.00	\$ 136,518.25	\$ 145,000.00
Other Income	\$ 2,500.00	\$ 2,955.05	\$ 3,000.00
RD Intake Expense Reimb.	\$ -	-	Remove
WDCWA Power Reimbursement	\$ 350,000.00	\$ 213,822.47	\$ 350,000.00
TOTAL W/D INCOME	\$ 1,541,500.00	\$ 852,582.00	\$ 1,523,000.00
M&O INCOME			
M&O /Flood Control	\$ 466,629.48	\$ 457,153.60	\$ 457,153.60
Siphon Gate Claim - FEMA/OES	\$ -	\$ -	\$ -
CPG Share of Costs			
Gravel Grant Income/LOC Rec'd	\$ -	\$ -	\$ -
DWR FMAP Agreement	\$ 60,000.00	\$ -	\$ 60,000.00
Other Income	\$ 2,500.00	\$ 2,978.06	\$ 3,000.00
TOTAL M&O INCOME	\$ 529,129.48	\$ 460,131.66	\$ 520,153.60
EXPENSE			
WD	\$ 1,442,478.00	\$ 708,266.50	\$ 1,433,096.00
M&O & Other	\$ 439,878.00	\$ 184,908.95	\$ 399,046.00
TOTAL EXPENSES	\$ 1,882,356.00	\$ 893,175.45	\$ 1,832,142.00
NET INCOME/LOSS			
WD	\$ 99,022.00	\$ 144,315.50	\$ 89,904.00
M&O	\$ 89,251.48	\$ 275,222.71	\$ 121,107.60
W/D Expenses	Water Delivery Expenses		
RD Employee Salaries, etc.	\$ 127,000.00	\$ 80,665.71	\$ 144,000.00
Staff Training/Travel/Seminars	\$ 1,500.00	\$ -	\$ -
Communications	\$ 5,000.00	\$ 1,967.61	\$ 2,600.00
Insurance -Property & Liab	\$ 24,000.00	\$ 14,713.82	\$ 22,068.00
INTAKE- Pump Expense	\$ 165,000.00	\$ 116,759.10	\$ 155,500.00
Maintenance Equipment	\$ 15,000.00	\$ 12,341.13	\$ 14,500.00
Maintenance Bldg & improvements	\$ 1,000.00	\$ 441.57	\$ 1,000.00
Maintenance Supplies	\$ 2,000.00	\$ 1,210.80	\$ 2,000.00
Pump Maintenance	\$ 60,000.00	\$ 34,361.08	\$ 140,000.00
General Maintenance	\$ 2,000.00	\$ 232.42	\$ 500.00
SCADA Maintenance	\$ 10,000.00	\$ 85.73	\$ 500.00
Memberships	\$ 30,000.00	\$ 22,234.81	\$ 28,000.00
Miscellaneous	\$ 1,000.00	\$ 1,165.84	\$ 1,800.00
Office Expense	\$ 8,000.00	\$ 3,828.76	\$ 7,000.00
Auditing & Fiscal Services	\$ 14,000.00	\$ 7,237.50	\$ 14,250.00
Information Services	\$ 1,200.00	\$ 1,347.47	\$ 1,800.00
Legal Services	\$ 20,000.00	\$ 2,607.87	\$ 18,500.00
Architecture, Engineering & Planning	\$ 15,000.00	\$ -	\$ 500.00
Road Maintenance & Construction Serv.	\$ -	\$ -	\$ -
Ditch Maintenance	\$ 40,000.00	\$ 769.82	\$ 26,000.00
Cross Canal Maintenance	\$ 70,000.00	\$ -	\$ -
Professional & Specialized	\$ 1,000.00	\$ -	\$ -
Publications & Legal Notice	\$ 250.00	\$ -	\$ -
Rents & Leases	\$ 5,000.00	\$ 2,241.80	\$ 2,500.00
Transportation & Travel	\$ 2,000.00	\$ 2,383.08	\$ 1,200.00
Pump Fuel	\$ 20,000.00	\$ 13,139.25	\$ 16,500.00
Vehicle Fuel	\$ 5,000.00	\$ 2,170.63	\$ 3,000.00
Utilities	\$ 600,000.00	\$ 381,566.51	\$ 630,000.00
Interest Expense (Backhoe)	\$ -	\$ 663.17	\$ 1,850.00
Capital Expense -new Backhoe	\$ 16,128.00	\$ 4,131.02	\$ 16,128.00
Capitalized Expense SINKING FUND	\$ 131,400.00	\$ -	\$ 131,400.00
Contingency Reserve	\$ 50,000.00	\$ -	\$ 50,000.00
Total WD Expenses	\$ 1,442,478.00	\$ 708,266.50	\$ 1,433,096.00

Reclamation District 2035
BUDGET vs ACTUAL 2020-2021

M&O Expenses	RD Employee Salaries, etc.	\$ 127,000.00	\$ 80,665.80	\$ 144,000.00
	Communications	\$ 5,000.00	\$ 1,967.63	\$ 4,000.00
	Insurance - Prop & Liab	\$ 24,000.00	\$ 15,337.81	\$ 22,068.00
	Maintenance Equipment	\$ 15,000.00	\$ 3,868.78	\$ 10,000.00
	Maintenance Bldg & improvements	\$ 2,000.00	\$ 441.58	\$ 800.00
	Maintenance Supplies	\$ 2,000.00	\$ 789.68	\$ 1,750.00
	Pump Maintenance	\$ 20,000.00	\$ 693.10	\$ 1,500.00
	General Maintenance	\$ 2,000.00	\$ 232.44	\$ 400.00
	Memberships	\$ 17,000.00	\$ 5,901.50	\$ 15,000.00
	Miscellaneous	\$ 500.00	\$ 309.83	\$ 500.00
	Office Expense	\$ 8,000.00	\$ 3,828.84	\$ 7,000.00
	Auditing & Fiscal Services	\$ 14,000.00	\$ 7,237.50	\$ 14,250.00
	Information Services	\$ 2,000.00	\$ 1,347.47	\$ 2,000.00
	Legal Services	\$ 20,000.00	\$ 3,311.36	\$ 12,000.00
	Architecture, Engineering & Planning	\$ 50,000.00	\$ 25,165.00	\$ 40,000.00
	Levee Maintenance	\$ 25,000.00	\$ 10,000.00	\$ 25,000.00
	Road Maintenance & Construction Ser	\$ -	\$ -	
	Ditch Maintenance	\$ 20,000.00	\$ 6,135.07	\$ 12,800.00
	Professional & Specialized	\$ 2,500.00	\$ -	\$ -
	Publications & Legal Notice	\$ 250.00	\$ -	\$ -
	Rents & Leases	\$ 5,000.00	\$ 2,241.81	\$ 2,500.00
	Transportation & Travel	\$ 2,000.00	\$ 2,383.09	\$ 2,500.00
	Pump Fuel	\$ -	\$ -	\$ -
	Vehicle Fuel	\$ 5,500.00	\$ 2,170.64	\$ 4,000.00
	Utilities	\$ 5,000.00	\$ 6,085.84	\$ 9,000.00
	Interest Expense (Backhoe)	\$ -	\$ 663.16	\$ 1,850.00
	Capital Expense -Siphon Gate	\$ -	\$ -	\$ -
	Capital Expense -New Backhoe	\$ 16,128.00	\$ 4,131.02	\$ 16,128.00
Contingency Reserve	\$ 50,000.00	\$ -	\$ 50,000.00	
Total M&O Expense	\$ 439,878.00	\$ 184,908.95	\$ 399,046.00	

TAB #7

Status Update of the RD 2035 PL 84-99 Repair Work By USACE (September 2020)

<u>Site No.</u>	<u>Length (ft.)</u>	<u>Latitude</u>	<u>Longitude</u>	<u>Approximate Levee Mile</u>	<u>Type of Damage</u>	<u>Original Cost Estimate</u>	<u>Status/Comments</u>
1	242	38.63912	-121.66081	2.6	Landside Slip	\$811,000	Completed
2	202	38.63645	-121.65889	2.8	Landside Slip		Completed -Sites 2, 3 & 4 were lumped together
3	205	38.63507	-121.65789	3.1	Landside Slip	\$3,159,000	
4	381	38.63365	-121.65684	3.2	Landside Slip		
5	321	38.63215	-121.65567	3.3	Landside Slip	\$1,504,000	Completed
6	90	38.63084	-121.65454	3.4	Landside Slip	\$614,000	Completed
7	121	38.63111	-121.65485	4.5	Landside Slip	\$853,000	Completed
9	6200	38.646368	-121.665621	4.5 through 6.5	Water side toe erosion	\$2,436,000	Completed in 2019
8	163	38.59291	-121.63131	6.2	Landside Slip	\$4,557,000	Design of this site is being coordinated among the USACE, State and RD 2035. The best option is to relocate the drainage ditch and add a landside berm. This site is scheduled for construction in 2021. See attached drawings.
<u>Total</u>						\$13,934,000	



US Army Corps of Engineers

MARK	DESCRIPTION	DATE

DATE	BY	DESCRIPTION

U.S. Army Corps of Engineers
SACRAMENTO DISTRICT
SACRAMENTO CA 95814
ENGINEERING
1625 J STREET
SACRAMENTO CA 95814

0412-28
SITE PLAN
SITE 0412-28 (0412-11)
RIVER LEVEE REPAIR PROJECT

SHEET ID
C-120

PRELIMINARY

0 1 2 3 4 5 6 7 8 9 10



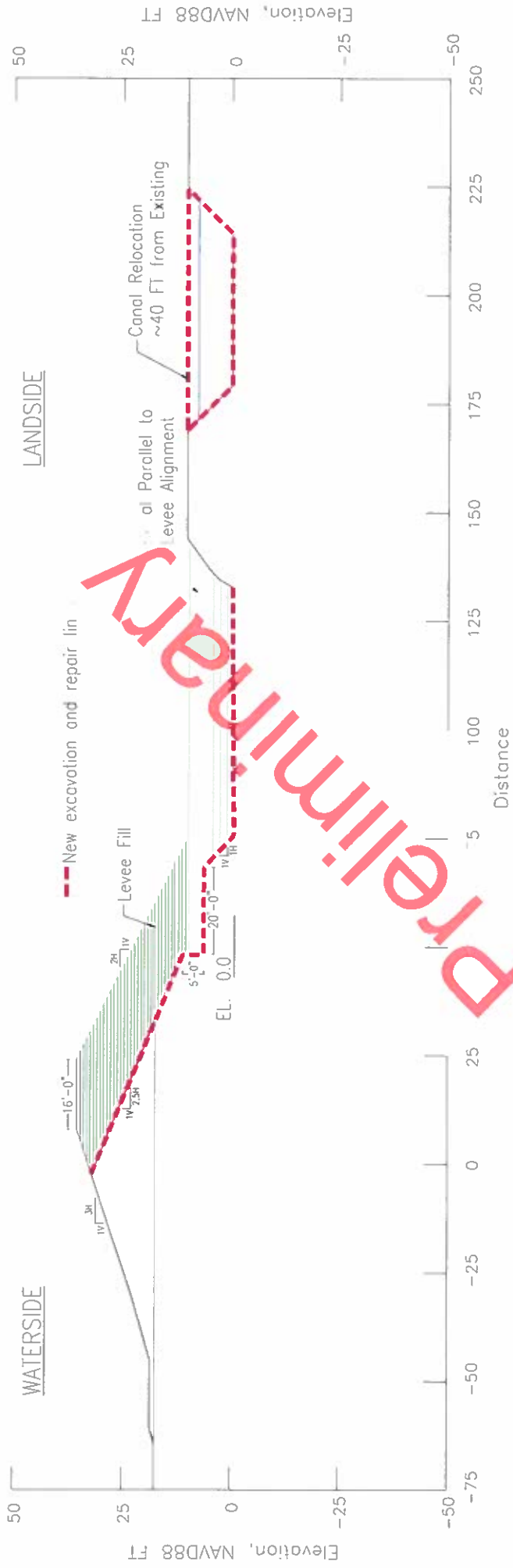
Preliminary

0412-28 SITE PLAN



0412-28 C-120.dwg

SITE ID 0412-28



PL84-99 Site 0412-28 Conway Ranch

Conaway Ranch has agreed to cease farming operations on both fields below:

Northern Field - 6.5 acres

Southern Field - 15.5 acres

Total Damage Area + 22 acres



TAB #8

NO ATTACHMENT – MARTI HOLLAND WILL PRESENT

TAB #9

Contract 20-SNR-02334

UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
SIERRA NEVADA REGION

CONTRACT FOR ELECTRIC SERVICE
BASE RESOURCE
WITH

RECLAMATION DISTRICT 2035

UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
SIERRA NEVADA REGION

CONTRACT FOR ELECTRIC SERVICE
BASE RESOURCE
WITH

RECLAMATION DISTRICT 2035

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Signature Clause
Resolution/Certificate

General Power Contract Provisions

Exhibit A – Base Resource Percentage and Point(s) of Delivery

Exhibit B – Exchange Program

Exhibit C – Regulation and Reserves

Exhibit D – Rate Schedule

UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
SIERRA NEVADA REGION

CONTRACT FOR ELECTRIC SERVICE
BASE RESOURCE
WITH

RECLAMATION DISTRICT 2035

1. **PREAMBLE:** This Contract is made this _____ day of _____, 202____, pursuant to the Acts of Congress approved June 17, 1902, (32 Stat. 388); August 26, 1937, (50 Stat. 844); August 4, 1939, (53 Stat. 1187); and August 4, 1977, (91 Stat. 565); and Acts amendatory or supplementary to the foregoing Acts; between the UNITED STATES OF AMERICA (United States), acting by and through the Administrator, Western Area Power Administration, Department of Energy, hereinafter called WAPA, represented by the officer executing this Contract, or a duly appointed successor, hereinafter called the Contracting Officer; and RECLAMATION DISTRICT 2035, a political subdivision, organized and existing under the laws of the State of California, hereinafter called the Contractor or RD 2035, its successors and assigns; each sometimes hereinafter individually called the Party, and both sometimes hereinafter collectively called the Parties.

2. **EXPLANATORY RECITALS:**

2.1 WAPA markets the surplus generation from, and operates a high-voltage transmission system as a part of, the Central Valley Project (CVP).

///

1 2.2 WAPA and the U.S. Department of the Interior, Bureau of Reclamation
2 (Reclamation), have agreed to work together to efficiently serve Project Use and
3 Preference Customer loads.
4

5 2.3 On August 15, 2017, WAPA's final 2025 Power Marketing Plan (Marketing
6 Plan) was published in the Federal Register (82 FR 38675). The Marketing Plan
7 sets forth how WAPA's Sierra Nevada Region will market the power generated
8 from the CVP and Washoe Project.
9

10 2.4 The Marketing Plan provides that starting on January 1, 2025, WAPA will
11 provide 98 percent of available CVP power to its existing Customers. Existing
12 Customers will have the right to extend 98 percent of their current Base
13 Resource percentage as provided in the Marketing Plan and under the terms and
14 conditions of this Contract.
15

16 2.5 RD 2035 desires to purchase and WAPA is willing to provide a percentage
17 of the Base Resource consistent with the Marketing Plan and the terms and
18 conditions of this Contract.
19

20 2.6 Under the Marketing Plan, WAPA requires that its Customers schedule
21 power in accordance with applicable operating requirements, including those of
22 the balancing authority area operator and WAPA's sub-balancing authority area
23 requirements.
24

25 2.7 WAPA markets power to Federal Preference Customers at the lowest
26 possible rates consistent with sound business principles pursuant to Section 1.1
27 of Delegation Order 00-037.00B.
28

///

1 3. **AGREEMENT:**

2 The Parties agree to the terms and conditions set forth herein.

4 4. **EFFECTIVE DATE AND TERM OF CONTRACT:**

5 4.1 This Contract shall become effective on the date of execution and shall
6 remain in effect until midnight of December 31, 2054, subject to prior termination
7 as otherwise provided for herein.

9 4.2 RD 2035 may reduce its Base Resource percentage or terminate this
10 Contract for any reason through June 30, 2024.

12 4.3 The date of initial service under this Contract is January 1, 2025.

14 5. **DEFINITION OF TERMS:**

15 As used herein, the following terms whether singular or plural, or used with or without
16 initial capitalization, shall have the following meanings:

17 5.1 "Ancillary Services" means those services that are necessary to support
18 the transmission of capacity and energy from resources to loads while
19 maintaining reliable operation of the transmission system in accordance with
20 Good Utility Practice.

22 5.2 "BANC" means the Balancing Authority of Northern California or its
23 successor.

25 5.3 "Base Resource" means CVP and Washoe Project power (capacity and
26 energy) output determined by WAPA to be available for Customers, including the
27 Environmental Attributes, only after meeting the requirements of Project Use and

28 ///

1 First Preference Customers, and any adjustments for maintenance, reserves,
2 system losses, and certain ancillary services.

3
4 5.4 "Base Resource Operating Capability" means that portion of the Maximum
5 Operating Capability that WAPA determines to be available to Customers in any
6 hour.

7
8 5.5 "CAISO" means the California Independent System Operator or its
9 successor.

10
11 5.6 "Capacity" means the electrical capability of a generator, transformer,
12 transmission circuit or other equipment.

13
14 5.7 "Central Valley Project (CVP)" means the multipurpose Federal water
15 development project extending from the Cascade Range in northern California to
16 the plains along the Kern River, south of the City of Bakersfield.

17
18 5.8 "Custom Product" means a combination of products and services which
19 may be made available by WAPA per Customer request.

20
21 5.9 "Customer" means an entity with a contract and receiving electric service
22 from WAPA's Sierra Nevada Region.

23
24 5.10 "Energy" means capacity measured in terms of the work it is capable of
25 doing over a period of time; electric energy is usually measured in kilowatthours
26 or megawatthours.

27 ///

28 ///

1 5.11 "Environmental Attributes" means any and all credits, benefits, emissions
2 reductions, offsets, and allowances, howsoever entitled, attributable to the Base
3 Resource, and its avoided emission of pollutants.

4
5 5.12 "FERC" means the Federal Energy Regulatory Commission or its
6 successor.

7
8 5.13 "First Preference Customer" means a Preference Customer within a
9 county of origin (Trinity, Calaveras, and Tuolumne) as specified under the Trinity
10 River Division Act (69 Stat. 719) and the New Melones Project provisions of the
11 Flood Control Act of 1962 (76 Stat. 1173, 1191-1192).

12
13 5.14 "Full Load Service Customer" means a Customer that will have its entire
14 load at its delivery point(s) met by WAPA, and its Portfolio Manager functions for
15 those delivery point(s) performed by WAPA.

16
17 5.15 "Marketing Plan" means WAPA's final 2025 Power Marketing Plan for the
18 Sierra Nevada Region.

19
20 5.16 "Maximum Operating Capability" means the maximum electrical capability
21 from CVP generation available to produce energy, capacity and/or provide
22 ancillary services in any one or more hours.

23
24 5.17 "Minimum Base Resource" means the amount of Base Resource energy
25 generated each hour as a result of CVP minimum water releases.

26
27 5.18 "NERC" means the North American Electric Reliability Corporation or its
28 successor.

1 5.19 "Operating Reserves" means the combination of spinning and non-
2 spinning reserves required to meet WECC, NERC, and operating requirements,
3 including those of the balancing authority area or WAPA's sub-balancing
4 authority area.

5
6 5.20 "Portfolio Manager" means an entity responsible for determining balanced
7 hourly load and resource schedules for a Customer.

8
9 5.21 "Power" means capacity and energy.

10
11 5.22 "Preference" means the requirements of Reclamation Law that provide for
12 preference in the sale of Federal power be given to certain entities, such as
13 governments (state, Federal and Native American), municipalities and other
14 public corporations or agencies, and cooperatives and other nonprofit
15 organizations financed in whole or in part by loans made pursuant to the Rural
16 Electrification Act of 1936 (See, e.g., Reclamation Project Act of 1939, Section
17 9(c), 43 USC 485h(c)).

18
19 5.23 "Primary Marketing Area" means the area generally encompassing
20 northern and central California, extending from the Cascade Range to the
21 Tehachapi Mountains and west-central Nevada.

22
23 5.24 "Project Use" means power as defined by Reclamation Law and/or used to
24 operate CVP and Washoe Project facilities.

25
26 5.25 "Rate" means the monetary charge or the formula for computing such a
27 charge for any electric service provided by WAPA, including but not limited to
28 charges for capacity (or demand), energy, or transmission service; however, it

1 does not include leasing fees, service facility charges, or other types of facility
2 use charges. A Rate will be set forth in a Rate Schedule or in a contract.

3
4 5.26 "Rate Adjustment" means a change in an existing Rate or Rates, or the
5 establishment of a Rate or Rates for a new service. It does not include a change
6 in Rate Schedule provisions or in contract terms, other than changes in the price
7 per unit of service, nor does it include changes in the monetary charge pursuant
8 to a formula stated in a Rate Schedule or a contract.

9
10 5.27 "Rate Adjustment Procedures" means those procedures for Rate
11 Adjustments developed by WAPA, Department of Energy (DOE) or FERC which
12 include DOE Order 00-037.00B, DOE Order RA 6120-2, 10 CFR 903, and 18
13 CFR 300, as may be amended.

14
15 5.28 "Rate Effective Date" means the first date of the billing period to which a
16 Rate Schedule or Rate Schedule extension applies. WAPA will provide notice to
17 the Customers of the Rate Effective Date.

18
19 5.29 "Rate Schedule" means a document identified such as a "Rate Schedule,"
20 "Schedule of Rates," or "Schedule Rate" which designates the Rate or Rates
21 applicable to a class of service specified therein and may contain other terms
22 and conditions relating to the service. On the effective date of this Contract, 18
23 CFR 300.1(b)(6) provides FERC may not approve a WAPA Rate Schedule for a
24 period that exceeds five (5) years. The Rate Schedule shall include the Rate
25 Effective Date and the effective period of the Rate Schedule.

26 ///

27 ///

28 ///

1 5.30 "Regional Transmission Organization (RTO)" means an organization that
2 meets the minimum characteristics and performs the minimum functions
3 specified in FERC Order 2000, as that order may be amended or superseded.
4

5 5.31 "Regulation" means the service provided by generating units equipped
6 and operating with automatic generation control which will enable such units to
7 respond to direct control signals in an upward or downward direction to match, on
8 a real time basis, demand and resources, consistent with WECC, NERC, and the
9 balancing authority area operator's criteria.
10

11 5.32 "Scheduling Coordinator" means an entity that is responsible for providing
12 hourly load and resource schedules to the balancing authority area operator or
13 WAPA's sub-balancing authority area, in accordance with a FERC-approved tariff
14 or WAPA's procedures and practices.
15

16 5.33 "Variable Resource Customer" means a Customer that is responsible for
17 managing its own energy portfolio.
18

19 5.34 "Washoe Project" means the Federal water project located in the
20 Lahontan Basin in west-central Nevada and east-central California.
21

22 5.35 "WECC" means the Western Electricity Coordinating Council or its
23 successor.
24

25 6. **BASE RESOURCE ESTIMATES AND AVAILABILITY FORECAST:**

26 6.1 At the beginning of each water year, WAPA will post to WAPA's external
27 website a five-year forecast of Base Resource Operating Capability estimated to
28

///

1 be available, based on high, average, and low hydrological conditions. The
2 forecast will contain the following information:

3 6.1.1 Maximum Operating Capability of the CVP for each month;

4 6.1.2 Energy required for estimated Project Use loads, First Preference
5 Customers' loads, and ancillary service requirements.

6
7 6.2 Each month, WAPA will post to WAPA's external website a monthly Base
8 Resource forecast of Base Resource Operating Capability and energy estimated
9 to be available for each month on a rolling twelve-month basis, based on high,
10 average, and low hydrological conditions. The monthly forecast will contain the
11 following information:

12 6.2.1 Maximum Operating Capability of the CVP for each month;

13 6.2.2 Energy required for estimated Project Use loads, First Preference
14 Customers' loads, and ancillary service requirements.

15
16 6.3 WAPA shall make reasonable efforts, within its control, to ensure the
17 forecasted Base Resource will be available.

18
19 **7. ELECTRIC SERVICE FURNISHED BY WAPA:**

20 7.1 RD 2035 will be entitled to receive a percentage of the Base Resource as
21 set forth in Exhibit A.

22
23 7.2 The estimated amount of energy available to RD 2035 shall be determined
24 by multiplying its Base Resource percentage by the total amount of Base
25 Resource energy available during that period.

26
27 7.3 The minimum amount of energy RD 2035 will be required to schedule for
28 each hour shall be determined by multiplying its Base Resource percentage by

1 the Minimum Base Resource, unless otherwise agreed to by WAPA. However, if
2 RD 2035 does not have sufficient load to take its percentage of the Minimum
3 Base Resource, any excess energy shall be made available to WAPA for the
4 Exchange Program as described later in this Contract under Section 10 and
5 Exhibit B.
6

7 7.4 The maximum amount of energy RD 2035 may schedule in any hour shall
8 be determined by multiplying its Base Resource percentage by the Base
9 Resource Operating Capability. However, RD 2035 may schedule energy in
10 excess of this maximum, if approved by WAPA, to accommodate purchases or
11 exchanges from the Exchange Program.
12

13 7.5 RD 2035 will be entitled to the benefit of available regulation and operating
14 reserves from the CVP in proportion to its Base Resource percentage. The
15 method for calculating regulation and operating reserves is set forth in Exhibit C.
16

17 7.6 WAPA's obligation to provide RD 2035's Base Resource is limited to the
18 actual CVP generation available on a real-time basis. WAPA shall have no
19 obligation to replace any Base Resource that is unavailable; for instance, Base
20 Resource that is unavailable due to scheduled maintenance, system
21 emergencies, forced outages, or other constraints. Any costs incurred by either
22 Party as a result of deviations between actual and scheduled Base Resource
23 energy shall be the responsibility of RD 2035. WAPA will notify RD 2035 as soon
24 as reasonably practicable of any situation that will impact the availability of the
25 Base Resource, and will modify schedules accordingly, on a pro-rata basis.
26

26 ///

27 ///

28 ///

1 7.7 Due to the variable nature of the Base Resource, WAPA may provide a
2 Custom Product upon a Customer's request. Any Custom Product will be the
3 subject of a separate contractual arrangement.
4

5 8. **DELIVERY ARRANGEMENTS:**

6 8.1 WAPA will make RD 2035's Base Resource available at the generator bus
7 or such other delivery point(s) on the CVP transmission system as the Parties will
8 mutually agree, as specified in Exhibit A. WAPA reserves Network Integration
9 Transmission Service for the delivery of Base Resource on the CVP transmission
10 system under its Open Access Transmission Tariff (OATT). The rates and terms
11 of this service shall be in accordance with WAPA's then-current rate schedule
12 and OATT.
13

14 8.2 If requested by WAPA, RD 2035 must provide written notification to WAPA
15 by July 1, 2024, demonstrating that it has arranged for delivery of its Base
16 Resource energy to its load. Such notification shall include both transmission
17 and distribution level arrangements, as applicable. WAPA shall have no
18 obligation to make Base Resource available to RD 2035 if delivery arrangements
19 are not in effect. However, RD 2035 shall not be relieved of its obligation to pay
20 its percentage share of the Base Resource during the time in which delivery
21 arrangements are not in effect.
22

23 9. **SCHEDULING PROCEDURES, BUSINESS PRACTICES AND PROTOCOLS:**

24 9.1 All energy furnished by WAPA to RD 2035 will be provided on a scheduled
25 basis. RD 2035 agrees to abide by the scheduling procedures, business
26 practices and protocols of the applicable balancing authority area or WAPA's
27 sub-balancing authority area, as set forth on WAPA's website. The Parties
28 recognize that the scheduling procedures, business practices and protocols may

1 require modification from time-to-time to reflect updated operating procedures
2 that may become applicable to the Parties. In such event, WAPA will make such
3 changes in accordance with Section 17 of this Contract.
4

5 9.2 Designation of Scheduling Coordinator (SC): If RD 2035 is required to
6 have a Scheduling Coordinator; RD 2035 shall notify WAPA of its designated
7 Scheduling Coordinator not less than ninety (90) days prior to the date of initial
8 service under this Contract. In the event that RD 2035's Scheduling Coordinator
9 arrangement changes, RD 2035 shall notify WAPA in writing, not less than thirty
10 (30) days prior to the change, unless a shorter notification period is agreed to by
11 WAPA.
12

13 9.3 **If WAPA is RD 2035's Portfolio Manager, as set forth in a separate**
14 **Custom Product Contract, all scheduling activities and responsibilities will**
15 **be performed by WAPA on behalf of RD 2035.** At such time as WAPA is no
16 longer RD 2035's Portfolio Manager, then RD 2035 will be responsible for
17 performance of its duties under this Section 9.
18

19 9.4 WAPA will provide Customers with the opportunity to comment on
20 WAPA's maintenance and operations plans. WAPA will facilitate Customer
21 meetings with the Bureau of Reclamation regarding cost and operation planning.
22

23 9.5 In the event that RD 2035 does not abide by the protocols, business
24 practices and procedures and WAPA incurs costs as a result, RD 2035 is
25 responsible for and shall pay such costs.
26

26 ///

27 ///

28 ///

1 **10. EXCHANGE PROGRAM:**

2 10.1 WAPA will establish and manage an Exchange Program to allow all
3 Customers to fully and efficiently use their Base Resource percentage. The
4 Exchange Program is a mechanism to:

5 10.1.1 Make available to WAPA, for provision to other Customers, any
6 Base Resource energy a Customer cannot use on a pre-scheduled basis
7 due to insufficient load; and

8 10.1.2 Help mitigate the costs incurred by a Customer for the power it is
9 obligated to pay for, but may not be able to use.

10
11 10.2 Under the Exchange Program, all Base Resource energy in excess of RD
12 2035's load will be retained by WAPA and offered by WAPA for sale to other
13 Customers. RD 2035 may purchase energy from the Exchange Program. While
14 WAPA's retention of excess Base Resource is mandatory, purchasing from the
15 Exchange Program is voluntary.

16
17 10.3 The Exchange Program procedures are set forth in Exhibit B. WAPA may
18 change the program and procedures of the Exchange Program in accordance
19 with Section 17 of this Contract.

20
21 10.4 WAPA will also offer a seasonal Exchange Program. Under the seasonal
22 Exchange Program, RD 2035 may elect to make available to WAPA that portion
23 of its Base Resource percentage that it is unable to use due to insufficient load.
24 RD 2035, through WAPA, will be able to exchange its unusable Base Resource
25 percentage with other Customers. Any Customer may submit a request to
26 WAPA to exchange or purchase energy through the seasonal Exchange
27 Program. Details of a seasonal exchange will be developed with the Customer
28 upon request by that Customer.

1 10.5 Exchanges of the Base Resource between RD 2035 and others outside of
2 the WAPA-managed Exchange Programs, or other WAPA-managed programs,
3 are prohibited.
4

5 **11. INDEPENDENT SYSTEM OPERATOR OR REGIONAL TRANSMISSION**

6 **ORGANIZATION:**

7 11.1 WAPA is a sub-balancing authority area within BANC. WAPA operates in
8 conformance with its sub-balancing authority area and BANC's balancing
9 authority area protocols, business practices and procedures. In the event of
10 changes to any protocols, business practices and procedures, WAPA may make
11 any changes necessary to this Contract to conform to the operating and
12 scheduling protocols, business practices and procedures in accordance with
13 Section 17 of this Contract.
14

15 11.2 The Parties understand that, in the future, WAPA may also change its
16 operating configuration such as by: (1) joining an independent system operator or
17 RTO or (2) participating in future markets such as energy imbalance markets; or
18 (3) making system configurations to meet future operating requirements. In such
19 an event, if WAPA is required to conform to the protocols, business practices or
20 procedures, WAPA shall make changes to this Contract to conform to the terms
21 and conditions required by such events in accordance with Section 17 of this
22 Contract.
23

24 11.3 In the event that: 1) WAPA incurs costs from the balancing authority area,
25 WAPA's sub-balancing authority area, CAISO, an RTO, or a different balancing
26 authority area for serving RD 2035's load; or 2) RD 2035 does not abide by the
27 protocols business practices, or procedures of the balancing authority area, an
28 RTO, or other balancing authority area operator that are applicable to WAPA and

1 WAPA incurs costs as a result, RD 2035 agrees to pay all such costs attributable
2 to RD 2035.

3
4 12. **WAPA RATES:**

5 12.1 The Base Resource will be provided on a take-or-pay basis. RD 2035 will
6 be obligated to pay its Base Resource percentage share in accordance with the
7 Rate Schedule attached hereto, whether or not it takes or uses its full Base
8 Resource percentage.

9
10 12.2 RD 2035 shall pay for the electric service furnished hereunder in
11 accordance with the Rates, charges, and conditions set forth in the CVP
12 Schedule of Rates applicable to the Base Resource, effective January 1, 2025,
13 or any superseding Rate Schedule.

14
15 12.3 Rates applicable under this Contract shall be subject to change by WAPA
16 in accordance with appropriate Rate Adjustment Procedures. If, at any time,
17 WAPA announces that it has received approval of a Rate Schedule, or extension
18 of an existing Rate Schedule applicable to this Contract, or if a Rate Adjustment
19 Procedure is amended, WAPA will promptly notify RD 2035 thereof.

20
21 12.4 RD 2035, by providing written notice to WAPA within ninety (90) days after
22 the Rate Effective Date of a Rate Schedule or Rate Schedule extension
23 applicable to this Contract, may elect to reduce its Base Resource percentage or
24 terminate this Contract. RD 2035 shall designate a Base Resource percentage
25 reduction or termination effective date that will be effective on the last day of the
26 billing month not later than two (2) years after the Rate Effective Date. If the
27 termination effective date is after the Rate Effective Date, the new or extended
28 Rates shall apply for service taken by RD 2035 until the termination effective

1 date. Once RD 2035 provides notice to terminate or reduce its Base Resource
2 percentage, WAPA will begin the process to reallocate the Base Resource to
3 other Preference Customers. RD 2035 may not revoke its notice to terminate or
4 reduce its Base Resource unless WAPA provides written consent.

5
6 12.5 Rates shall become effective under this Contract on the Rate Effective
7 Date stated in a Rate notice.

8
9 13. **INTEGRATED RESOURCE PLAN:**

10 13.1 In accordance with the Energy Policy Act of 1992, RD 2035 is required to
11 meet the requirements of WAPA's Energy Planning and Management Program
12 (EPAMP). To fulfill the requirements of EPAMP, RD 2035 must develop and
13 submit an integrated resource plan or alternative report, as applicable. Specific
14 EPAMP requirements are set forth in the Federal Register at (64 FR 62604) and
15 may be found on WAPA's website. Failure to comply with WAPA's EPAMP
16 requirements may result in penalties as specified therein. RD 2035 understands
17 that WAPA may re-evaluate its EPAMP requirements and change them from
18 time-to-time as appropriate. Such changes will be subject to a public process
19 and publication in the Federal Register.

20
21 13.2 Should the EPAMP requirements be eliminated, RD 2035 shall have no
22 responsibilities under Section 13.1.

23
24 14. **ADJUSTMENT OF BASE RESOURCE PERCENTAGE:**

25 14.1 Prior to the date of initial service, WAPA may adjust RD 2035's Base
26 Resource percentage, as set forth in Exhibit A herein, if WAPA determines that
27 RD 2035's Base Resource percentage is greater than its actual usage, as
28 specified in the Marketing Plan.

1 14.2 After the date of initial service, WAPA may adjust RD 2035's Base
2 Resource percentage under any of the following conditions:

3 14.2.1 RD 2035 sells energy associated with its Base Resource
4 percentage to another entity for resale by that entity;

5 14.2.2 RD 2035 uses the energy associated with its Base Resource
6 percentage to serve loads outside of the Sierra Nevada Region's Primary
7 Marketing Area;

8 14.2.3 RD 2035's annual energy associated with its Base Resource
9 percentage, is ten percent or more than its actual annual energy usage.

10
11 14.3 If WAPA determines that RD 2035 has met any of the conditions in
12 Section 14.2 above, WAPA will take the following steps:

13 14.3.1 Notify RD 2035 of the nature of the concern;

14 14.3.2 Analyze RD 2035's usage of the energy associated with its Base
15 Resource percentage and determine if an adjustment is necessary on a
16 case-by-case basis, with due consideration of any circumstance that may
17 have temporarily altered RD 2035's energy usage;

18 14.3.3 If an adjustment is determined to be necessary, provide a 90-day
19 written notice of such adjustment; and

20 14.3.4 Reduce or rescind RD 2035's Base Resource percentage
21 permanently on the effective date specified in the notice.

22
23 15. **METERING AND POWER MEASUREMENT RESPONSIBILITIES:**

24 RD 2035 shall be responsible for electric power metering equipment requirements and
25 power measurement data associated with the use of WAPA power under this Contract
26 as follows:

27 15.1 Unless previously installed and furnished by WAPA, RD 2035 shall
28 furnish, install, operate, maintain, and replace, meters and associated metering

1 equipment required for deliveries of WAPA power scheduled to each delivery
2 point on the WAPA grid, the CAISO-controlled grid, a utility distribution company
3 grid, or other electrical system, as may be applicable. Such meters shall comply
4 with the all applicable meter requirements. For instance, meters on:

5 15.1.1 WAPA's system must meet WAPA's meter requirements;

6 15.1.2 CAISO's system must meet CAISO's meter requirements; and/or

7 15.1.3 Pacific Gas and Electric Company's (PG&E) system must meet
8 PG&E's meter requirements.

9
10 15.2 RD 2035 shall measure power deliveries and provide certified settlement-
11 quality metering data to WAPA as requested. It is generally contemplated that
12 WAPA will require this data on a monthly basis.

13
14 15.3 If WAPA previously installed and furnished a meter to RD 2035, WAPA
15 shall be allowed unrestricted, unescorted access to its revenue meter equipment.
16 RD 2035 shall provide a minimum of three (3) keys or the combination to RD
17 2035's existing locks. Alternatively, WAPA may provide a WAPA-owned
18 padlock(s). Access shall include all gates and/or doors required to access the
19 metering equipment.

20
21 15.4 Upon request by RD 2035, to evidence receipt of the Environmental
22 Attributes, WAPA shall timely provide meter data or other mutually agreed upon
23 data to RD 2035 measuring the amount of CVP energy that is generated and
24 delivered to RD 2035. Upon mutual agreement of Customers, WAPA and
25 Reclamation, such meters shall be modified or replaced to meet appropriate
26 standards or requirements to convey CVP Environmental Attributes to
27 Customers.

28 ///

1 **16. CHANGES IN ORGANIZATIONAL STATUS:**

2 16.1 If RD 2035 changes its organizational status or otherwise changes its
3 obligation to supply electric power to Preference loads, WAPA reserves the right
4 to adjust WAPA's power sales obligations under this Contract or to terminate this
5 Contract, as WAPA deems appropriate. Changes in organizational status
6 include but are not limited to:

7 16.1.1 Merging with another entity;

8 16.1.2 Acquiring or being acquired by another entity;

9 16.1.3 Creating a new entity from an existing one;

10 16.1.4 Joining or withdrawing from a member-based power supply
11 organization; or

12 16.1.5 Adding or losing members from its membership organization.

13
14 16.2 For the purposes of this Section 16, a member is any Preference entity
15 that is included in a membership, which has the responsibility of supplying power
16 to the end-use consumer or Customer. Memberships include but are not limited
17 to:

18 16.2.1 Municipality;

19 16.2.2 Cooperative;

20 16.2.3 Joint powers authority; or

21 16.2.4 Governmental agency.

22
23 16.3 For purposes of this Section 16, participation in a State promulgated direct
24 access program shall not be deemed to be a change in a Customer's
25 organizational status or its obligation to supply electric power to Preference
26 loads.

27 ///

28 ///

1 16.4 Prior to making an organizational change, RD 2035 may request an
2 opinion from WAPA as to whether RD 2035's proposed organizational change
3 will result in an adjustment of RD 2035's Base Resource percentage or
4 termination under this Section 16. RD 2035 shall provide WAPA with all relevant
5 documents and information regarding the proposed organizational change.
6 Based on the documents and information furnished, WAPA will provide RD 2035
7 with an opinion.

8
9 16.5 In addition to the above, if the change in organizational status results in a
10 proposed transfer of the Contract, or any portion thereof, Section 37 of the
11 General Power Contract Provisions (GPCP), "Transfer of Interest in Contract,"
12 generally requires the Customer to obtain prior written approval from WAPA's
13 Administrator. Organizational changes that typically propose transfer of the
14 Contract, or a portion of the Contract, and require prior written approval from
15 WAPA include but are not limited to:

16 16.5.1 Merging with another entity;

17 16.5.2 Acquiring or being acquired by another entity;

18 16.5.3 Joining an entity; and

19 16.5.4 Creating a new entity.

20
21 **17. PROTOCOLS, BUSINESS PRACTICES AND PROCEDURES:**

22 WAPA reserves the right to make changes to protocols, business practices and
23 procedures, as needed. Prior to making any changes, WAPA will provide notice to
24 RD 2035 and provide RD 2035 with an opportunity to comment on such changes.
25 WAPA will consider any comments made by RD 2035 before making any changes, and
26 shall provide a written response to the comments. After a final decision is made by
27 WAPA, if RD 2035 is not satisfied with the decision, RD 2035 shall have thirty (30) days
28 from the date of WAPA's final decision to appeal the change to WAPA's Administrator.

1 WAPA will not implement a change that has been appealed until a final decision by the
2 Administrator. Notwithstanding the provisions within this Section 17, RD 2035 shall
3 retain its right to pursue other legal remedies available to it.

4
5 **18. ENFORCEABILITY:**

6 It is not the intent of the Parties that this Contract confer any rights on third parties to
7 enforce the provisions of this Contract except as required by law or express provision in
8 this Contract. Except as provided in this Section, this Contract may be enforced, or
9 caused to be enforced, only by WAPA or RD 2035, or their successors or assigns.

10
11 **19. GENERAL POWER CONTRACT PROVISIONS:**

12 The GPCP, effective September 1, 2007, attached hereto, are hereby made a part of
13 this Contract, the same as if they had been expressly set forth herein; Except
14 Section 11 shall not be applicable to this Contract. In the event of a conflict between
15 the GPCP and the provisions in the body of this Contract, the Contract shall control.
16 The usage of the term "Contractor" in the GPCP shall mean RD 2035. The usage of the
17 term "firm" in Articles 17 and 18 of the GPCP shall be deemed to be replaced with the
18 words "Base Resource."

19
20 **20. EXHIBITS MADE PART OF CONTRACT:**

21 Exhibit A (Base Resource Percentage and Point(s) of Delivery), Exhibit B (Exchange
22 Program), Exhibit C (Regulation and Reserves), and Exhibit D (Rate Schedule) existing
23 under this Contract may vary during the term hereof. Each of said exhibits shall
24 become a part of this Contract during the term fixed by its provisions. Exhibits A, B, C,
25 and D are attached hereto, and each shall be in force and effect in accordance with its
26 terms until respectively superseded by a subsequent exhibit.

27 ///

28 ///

1 **21. EXECUTION BY COUNTERPARTS:**

2 This Contract may be executed in any number of counterparts and, upon execution and
3 delivery by each Party, the executed and delivered counterparts together shall have the
4 same force and effect as an original instrument as if all Parties had signed the same
5 instrument. Any signature page of this Contract may be detached by any counterpart of
6 the Contract without impairing the legal effect of any signatures thereon, and may be
7 attached to another counterpart of this Contract identical in form hereto, by having
8 attached to it one or more signature pages.

9
10 **22. ELECTRONIC SIGNATURES:**

11 The Parties agree that this Contract may be executed by handwritten signature or
12 digitally signed using Adobe Sign or Adobe E-Signature. An electronic or digital
13 signature is the same as a handwritten signature and shall be considered valid and
14 acceptable.

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IN WITNESS WHEREOF, the Parties have caused this Contract to be executed the day and year first above written.

WESTERN AREA POWER ADMINISTRATION

By: _____
Name: Arun K. Sethi
Title: Vice President of Power Marketing
for Sierra Nevada Region
Address: 114 Parkshore Drive
Folsom, CA 95630-4710

RECLAMATION DISTRICT 2035

Attest: _____
By: _____
Name: _____
Title: _____

By: _____
Name: Kyriakos Tsakopoulos
Title: Board President
Address: 45332 County Road 25
Woodland, CA 95776

Reclamation District 2035
Resolution/Certificate

EXHIBIT A
(Base Resource Percentage and Point(s) of Delivery)

1. This Exhibit A, to be effective under and as part of Contract 20-SNR-02334 (Contract), shall become effective upon execution of the Contract; and shall remain in effect until either superseded by another Exhibit A or termination of the Contract.
2. Pursuant to the Marketing Plan, RD 2035's extended Base Resource percentage is 0.11029.
3. RD 2035's Base Resource percentage may be adjusted by WAPA as specified in the Contract.
4. RD 2035's Base Resource percentage will be adjusted effective January 1, 2040, in accordance with the Marketing Plan, to establish the 2040 Resource Pool for new power allocations.
5. The point(s) of delivery on the CVP transmission system for RD 2035's Base Resource shall be either WAPA's Tracy 230-kV or Tracy 500-kV or Cottonwood 230-kV Substations, or as requested by RD 2035 and approved by WAPA.
6. All power deliveries provided under this Contract shall be adjusted for the applicable transformation and transmission losses on the 230-kV system. Additional transformation and/or transmission losses shall be applied to deliveries at other than the 230-kV level.
7. This Exhibit A shall be replaced by WAPA as necessary under the terms and conditions set forth in the Contract, and a signature is not required by either Party.

EXHIBIT B
(Exchange Program)

1. This Exhibit B, to be effective under and as a part of Contract 20-SNR-02334, (Contract) shall become effective upon execution of the Contract; and, shall remain in effect until superseded by another Exhibit B or termination of the Contract.
2. RD 2035 is in agreement with the procedures set forth herein.
3. If necessary, WAPA retains the right to make subsequent revisions to Exhibit B after consultation with its Customers. At such time as WAPA promulgates a revision of this Exhibit B, RD 2035 shall have the option of either accepting the new revision to this Exhibit B or opting out of making purchases from the Exchange Program. If WAPA does not receive notice from RD 2035 opting out of making purchases from the Exchange Program within 30 days of RD 2035's receipt of a revised Exhibit B, RD 2035 may automatically continue to make purchases from the Exchange Program if already participating.
4. Exchange Program:
 - 4.1 WAPA has established separate Exchange Program for the Full Load Service Customer group and the Variable Resource Customer group. A Customer cannot be in both the Full Load Service Customer group and the Variable Resource Customer group at the same time.
 - 4.2 The Exchange Program will take place on a pre-scheduled basis.
 - 4.3 Base Resource power in excess of a Customer's load in any hour will be distributed by WAPA in the applicable Exchange Program group (Full Load Service or Variable Resource).
 - 4.4 A Customer may choose whether to make purchases from the Exchange Program for its group. Participation in making purchases from the Exchange Program requires a Customer to accept Exchange Program power if it has load in that hour. However, even if a Customer chooses not to participate in making purchases, if that Customer's Base Resource amount exceeds its load in any hour, the excess will go into the Exchange Program for that Customer's group for that hour, for use by participating Customers with load not met by Base Resource power in that hour. In other words, the retention of Base Resource in excess of a Customer's load is mandatory, while participation in making purchases from the Exchange Program is voluntary.

4.5 If a Customer chooses not to make purchases from the Exchange Program, a written notice to that effect must be submitted to WAPA by November 1, 2024. Thereafter, a Customer must submit a written notice to WAPA at least one (1) month prior to changing its participation status; Except if a Customer has elected to make purchases from the Exchange Program and subsequently changes its participation status, the Customer must wait a minimum of one (1) year to again participate in the Exchange Program. Participation status will change on the first day of the month following the required notice period or the minimum one (1) year waiting period.

4.6 A Customer must use its Base Resource power prior to using any other source to meet its load, unless agreed to by WAPA in writing. A Customer participating in the Exchange Program must use Exchange Program power prior to any other source to meet its load, unless agreed to by WAPA in writing.

4.7 Each participating Customer in each group will receive an equal share in megawatts of that group's Exchange Program power available for that hour, up to the Customer's unmet load in that hour.

4.8 Any Exchange Program power that is excess to a Customer's unmet load will go back to the Exchange Program for the group to which the Customer belongs, for that same hour. This power will be reallocated to participating Customers in that group on an equal basis until either that group's Exchange Program has no remaining power in that hour, or no participating Customers in that group have unmet load in that hour.

4.9 If there is power remaining in the Full Load Service Exchange Program or the Variable Resource Exchange Program in any hour, and none of the participating Customers in that group have unmet load in that hour, the remaining power will go to the other group's Exchange Program for that same hour.

4.10 If, in any hour, no participating Customers have unmet load but there is power remaining in either group's Exchange Program, that power may be offered for sale by WAPA unless the amount of power is de minimis.

4.11 Customers' power bills will be adjusted to reflect transactions into and out of the Exchange Program.

EXHIBIT C
(Regulation and Reserves)

1. This Exhibit C to be effective under and as a part of Contract 20-SNR-02334 (Contract), shall become effective upon execution of the Contract; and, shall remain in effect until superseded by another Exhibit C or termination of the Contract.
2. Definitions of Terms:
 - 2.1 Contingency Reserve: An additional amount of operating reserves sufficient to reduce Area Control Error (ACE) to zero in ten minutes following loss of generating capacity, which would result from the most severe single contingency. Contingency Reserves will consist of Spinning and Nonspinning Reserves.
 - 2.2 Frequency Response Reserves: Spinning Reserves which provide the required Frequency Response needed for the reliable operation of an interconnection. The energy is provided by the generator's governor's response to a frequency deviation from scheduled system frequency.
 - 2.3 Nonspinning Reserve: That operating reserve not connected to the system but capable of serving demand within ten minutes, or interruptible load that can be removed from the system within ten minutes.
 - 2.4 Spinning Reserve: Unloaded generation which is synchronized and ready to serve additional demand.
3. WAPA's Disposition of Contingency Reserves and Regulation:
 - 3.1 Contingency Reserves: WAPA will provide all Base Resource schedules with Contingency Reserves, including Spinning, Nonspinning, and Frequency Response Reserves. Contingency Reserves will be provided from CVP generation as available, or procured from other sources as necessary.
 - 3.2 Regulation: WAPA will not provide Regulation with Base Resource schedules. Any sales of Regulation by WAPA will be credited against the Power Revenue Requirement.

EXHIBIT D
(Rate Schedule)

1. This Exhibit D to be effective under and as a part of Contract 20-SNR-02334 (Contract), shall become effective upon execution of the Contract; and, shall remain in effect until superseded by another Exhibit D or termination of the Contract.
2. The CVP Schedule of Rates for Base Resource and First Preference Power (CV-F13) begins on page 2 of this Exhibit D.
3. This Exhibit D shall be replaced by WAPA as necessary under the terms and conditions set forth in the Rate Schedule, and a signature is not required by either Party.

TAB #10

RESOLUTION NO. 2021-001

**A RESOLUTION OF THE BOARD OF TRUSTEES OF
RECLAMATION DISTRICT NO. 2035 APPROVING CONTRACT NO. 20-SNR-02334
WITH WESTERN AREA POWER ADMINISTRATION
FOR ELECTRIC SERVICE BASE RESOURCE**

WHEREAS: Western Area Power Administration, a power marketing administrations within the U.S. Department of Energy (“WAPA”), operates the high-voltage transmission system associated with, and markets the surplus power generation from, the Federal Central Valley Project; and

WHEREAS: WAPA has offered the Reclamation District No. 2035 (“DISTRICT”), a reclamation district formed pursuant to Section 50000, *et seq.*, of the California Water Code the District a Contract for Electric Base Resource (Contract No. 20-SNR-02334) for a Base Resource percentage of 0.11029 with the applicable provisions and rates as described in Exhibits A- D, which are part of the Contract.

NOW, THEREFORE, BE IT RESOLVED that the Reclamation District No. 2035 hereby:

1. Approves the Contract for Electric Service Base Resource and Exhibits A-D, a copy of which is attached.
2. The proposed action is not a “project” subject to the California Environmental Quality Act (“CEQA”) pursuant to Section 21065 of CEQA and, as such, no environmental document pursuant to CEQA is required.
3. Authorizes the President of the Board of Trustees or the DISTRICT's General Manager to execute Contract No. 20-SNR-02334 and the included Exhibits on behalf of the DISTRICT; and
4. PASSED AND ADOPTED by the Board of Trustees of the Reclamation District No. 2035 on this 9th day of March, 2021, by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:

BY: Kyriakos Tsakopoulos
President, Board of Trustees
Reclamation District No. 2035

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Trustees of Reclamation District No. 2035 at a regular meeting hereof held on the 9th day of March, 2021.

BY: Denise Costa
Secretary, Board of Trustees

TAB #11

RECLAMATION DISTRICT NO. 2035

POLICY HANDBOOK

POLICY TITLE: Investment of District Funds
POLICY NUMBER: 3030

3030.10 The Board of Trustees of the District recognizes that the District's invested assets are essential to the District's financial strength, its ability to pay claims, and its ability to improve service or reduce costs and, therefore, wishes to adopt a fiscally responsible Statement of Investment Policy (the Policy) in order to promote the wise investment of District funds.

This Policy shall govern the investment of District funds. It takes into consideration the District's particular investment needs including preservation of capital, appropriate levels of liquidity and yield on invested assets. This Statement of Investment Policy is based upon principles of prudent money management and State law. When the Policy is more restrictive than State law, the Policy shall govern investment practices.

3030.20 Investment Objectives

The District's primary objectives, in priority order, shall be to:

- ensure the safety of principal;
- maintain a sufficiently liquid investment portfolio to ensure that the District has adequate cash to meet reasonably anticipated operating requirements; and
- earn a reasonable yield consistent with the objectives of safety and liquidity.

3030.30 Investment Philosophy

The District's investment philosophy is to invest conservatively in order to minimize risk. Investments shall be made in the context of the Prudent Investor Rule for trustees of local government money pursuant to Government Code Section 53600.3 as follows:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations established by law and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

This standard of prudence is to be used by all investment staff and will be applied in the context of managing an overall portfolio.

The fundamental principles of the District's investment philosophy are:

- diversification of the portfolio by investment type;
- quality standards for securities issuers;
- limits on the maximum maturity of investments; and
- passive investment strategy of purchasing investments with the intent to hold them until maturity.

The District's passive investment strategy does not prohibit the District from selling a security prior to its maturity and recording a gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or District needs. However, the District's philosophy prohibits speculation, i.e., the purchase of securities with the intent to profit from favorable changes in market prices or market conditions. Leveraging or borrowing money for the purpose of investing is specifically prohibited.

3030.40 Investments

One hundred (100) percent of the District's funds available for investment shall be deposited in the State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The District's LAIF funds will be managed and accounted for through Yolo County.

3030.50 Reporting

The District Treasurer shall render a monthly report to the Board of Trustees within thirty (30) days following the month covered by the report. The report shall include:

- Current market values of the District's LAIF Fund investment, segregated by each applicable account ;
- The amount of cash held by the District;
- A statement regarding compliance with this Statement of Investment Policy;
- A statement denoting the ability of the District to meet its expenditure requirement for the next six months.

3030.60 Review

The investment policy shall be reviewed and approved by the Board of Trustees on an annual basis.

RESOLUTION NO. 2021-002

**A RESOLUTION OF THE BOARD OF TRUSTEES OF
RECLAMATION DISTRICT NO. 2035 REAPPROVING INVESTMENT POLICY**

WHEREAS: Section 53646 of the California Government Code requires the chief fiscal officer of every local agency in California to annually submit to the legislative body of that Agency a statement of investment policy for that body's consideration; and

WHEREAS: Reclamation District 2035 ("District") has received such a statement of investment policy, which this Board has reviewed and considered.

NOW, THEREFORE, BE IT RESOLVED that the Reclamation District No. 2035 hereby:

1. Adopts and Re-Approves the District's Investment Policy, a copy of which is attached.
2. The proposed action is not a "project" subject to the California Environmental Quality Act ("CEQA") pursuant to Section 21065 of CEQA and, as such, no environmental document pursuant to CEQA is required.
3. PASSED AND ADOPTED by the Board of Trustees of the Reclamation District No. 2035 on this 9th day of March, 2021, by the following vote:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSENT:	DIRECTORS:

 BY: Kyriakos Tsakopoulos
 President, Board of Trustees
 Reclamation District No. 2035

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Trustees of Reclamation District No. 2035 at a regular meeting hereof held on the 9th day of March, 2021.

 BY: Denise Costa
 Secretary, Board of Trustees