



McCloud Community Services District

220 West Minnesota Avenue P.O. Box 640

McCloud, California 96057

Phone (530) 964-2017 Fax (530) 964-3175 e-mail mcsd@ci.mccloudcsd.ca.us

REGULAR MEETING OF THE BOARD OF DIRECTORS

SCOUT HALL - 405 E. COLOMBERO DRIVE

October 25, 2021, at 6:00 PM

AGENDA

The McCloud Community Services District welcomes you to this meeting. This agenda contains brief general descriptions of each item to be considered at this meeting by the Board of Directors. If you wish to speak on an item on the agenda, you will be provided the opportunity to do so prior to consideration of the item by the Board. If you wish to speak on an item that is not on the agenda, you are welcome to do so during the Public Comment portion of the meeting. Persons addressing the Board will be asked to step up to the podium and will be limited to three minutes or depending on the number of persons wishing to speak, it may be reduced to allow all members of the public the opportunity to address the Board. When addressing the Board, please state your name for the record prior to providing your comments. Please address the board as a whole through the President. Comments to individual Board members or staff are not permitted.

All documentation supporting the items on this agenda are available for public review in the District office, 220 W. Minnesota Avenue, McCloud CA 96057, during normal business hours of 9:00 a.m. to 12noon and 1:00 pm to 4:00 p.m. Monday through Friday.

In compliance with the Americans with Disabilities Act, those requiring accommodations for this meeting should notify the District office 48 hours prior to the meeting at (530) 964-2017.

1. Call to Order

2. Pledge of Allegiance

3. Approval of Minutes: Discussion/action regarding approval of the minutes of the Regular Meeting of October 11, 2021

4. Announcement of Events:

5. Communications:

A. Correspondence from Siskiyou County

6. Reports:

A. General Manager- verbal update on Lower Elk spring house project

7. Consent Agenda:

A. Approval of Expenses in the amount of \$19,107.05

8. Old Business:

A. Discussion/possible action regarding speakers for the Scout Hall

B. Discussion/possible action regarding 5 Star Bank Contracts

C. Discussion/possible action regarding Resolution No. 8, 2021 of the McCloud Community Services District authorizing the execution and delivery by the district of an installment purchase contract and authorizing the execution of other necessary documents and related actions. (Refuse)

- 1. Certificate for Refuse Contract
 - D. Discussion/possible action** regarding Resolution No. 9, 2021 of the McCloud Community Services District authorizing the execution and delivery by the district of an installment purchase contract and authorizing the execution of other necessary documents and related actions.(Water)
 - 1. Certificate for Water Contract
 - 2. Installment Purchase Contract for Water
 - E. Discussion/possible action** regarding Resolution No. 10, 2021 of the McCloud Community Services District authorizing the execution and delivery by the district of an installment purchase contract and authorizing the execution of other necessary documents and related actions.(Sewer)
 - 1. Certificate for Sewer Contract
- 9. New Business:**
- A. Discussion/possible action** regarding the approval of Resolution No. 11, 2021 Read Across Siskiyou
 - B. Discussion/possible action** regarding the first reading of MCSD Policy 7030-Fire Vehicle Operations
 - C. Discussion/possible action** regarding the first reading of MCSD Policy 7060-Fire Department Leave of Absence
 - D. Discussion/possible action** regarding the first reading of MCSD Policy 7080-Responding to Calls
 - E. Discussion/possible action** regarding General/Director's fund expense allocation of percentages
 - F. Discussion/possible action** regarding hiring an auditor
 - 1. Smith & Newell
 - 2. RT Dennis
 - 3. Brown Armstrong
 - G. Discussion/possible action** regarding the first reading of MCSD Policy 2238-Fire Department Recruitment & Retention Coordinator- Job Description
- 10. Public Comment:** This time is provided to receive information from the public regarding issues that **do not** appear on the agenda (persons addressing the Board will be asked to step up to the podium and will be limited to three minutes or depending on the number of persons wishing to speak, it may be reduced to allow all members of the public the opportunity to address the Board).

11 Adjourn

MCSD Mission Statement

McCloud Community Services District will strive to provide the full range of municipal services, at a reasonable cost applied consistently to all customers, while maintaining a healthy infrastructure and environmental integrity.

**MINUTES OF A
REGULAR MEETING OF THE BOARD OF DIRECTORS
Scout Hall-405 E. Colombero, McCloud California
October 11, 2021**

A Regular meeting of the Board of Directors of the McCloud Community Services District was called to order at 6:00 p.m. at the Scout Hall. Five Directors (Richey, Hanson, Young, Zanni, Rorke) were present. Also, present were General Manager, Amos McAbier, Fire Chief Charlie Miller, Finance Officer Mike Quinn, Public Works Superintendent Richie Fesler and District Secretary Andrea Mills.

1. Call to Order at 6:00 PM

2. Pledge of Allegiance

3. Approval of Minutes: Discussion/action regarding approval of the minutes of the Regular Meeting of October 11, 2021

C. Richey made a motion to approve the minutes of the Regular Meeting of October 11, 2021, with two corrections; seconded by C. Young. Motion passed with 5 ayes (Young, Richey, Zanni, Hanson, Rorke)

4. Announcement of Events:

The McCloud Fire Department will be doing training at the firehouse on October 30-31st. They will be burning at about 4 pm. The public is invited to come watch.

5. Communications: *None*

6. Reports:

A. General Manager- no report

B. Finance Officer-verbal update on bank loans and line of credit

M. Quinn reported that he hasn't heard back from the attorney regarding reviewing the loan documents. They may need a special meeting for approval.

C. Fire Chief- See written report

D. Public Works Superintendent- no report

E. Directors- No reports

F. Committees

The Fire Department met and discussed the FEMA grant and general fund.

The Old McCloud Courthouse committee got together with help from the MCSD staff and community to remove the cottonwood trees from the property. The sewer line will go in on October 22nd.

7. Consent Agenda:

A. Approval of Expenses in the amount of \$12,443.09

C. Young made a motion to approve the Expenses in the amount of \$12,443.09; seconded by M. Rorke. Motion passed with 5 ayes (Young, Richey, Zanni, Hanson, Rorke)

8. New Business:

A. Discussion/possible action regarding the revenue generated by the Fire Department and it's allocations.

After discussion, this topic was tabled for future discussion and documentation.

9. Public Comment: This time is provided to receive information from the public regarding issues that **do not** appear on the agenda (persons addressing the Board will be asked to step up to the podium and will be limited to three minutes or depending on the number of persons wishing to speak, it may be reduced to allow all members of the public the opportunity to address the Board).

None

10. Adjourn open session *at 7:16*

11. Public Comment: This time is provided to receive information from the public regarding issues that **do** appear on the agenda.

None

12. Convene a Closed Session: Pursuant to California Government Code §54957.6 - Public Employee Performance Evaluation: General Manager

13. Reconvene open session and announce any action taken.

At 7.27 PM, No action taken

Catherine Young/President of the Board

Andrea Mills/Secretary of the Board



COUNTY OF SISKIYOU

Laura Bynum, County Clerk - Registrar of Voters
510 N Main Street
Yreka, CA 96097-2525

RECEIVED
SEP 22 2021

McCloud Community
Services District

TO: McCloud CSD

FROM: Laura Bynum, County Clerk
By: Debbie W. Daw, Deputy Clerk

DATE: September 15th, 2021

Please let me take this opportunity to say "Thank You" for making your facility available for use on Tuesday, September 14th, 2021 California Gubernatorial Recall Election.

We are grateful for the use of your facility as a polling place. You have helped the voters of Siskiyou County fulfill their civic duty.

If you have feedback regarding our time at your facility or if you have questions regarding our use please call our office at 842-8084 or toll free at 888-854-2000, extension 8084.

* ... Over spent expenditure

Claim/	Check	Invoice #/Inv Date/Description	Vendor #/Name/	Document \$/ Line \$	Disc \$	PO #	Fund	Org	Acct	Object	Proj	Cash
10354		1174 BARTKIEWICZ, KRONICK & SHANAHAN		3,398.75								
	Legal	Services for September 2021										
		8922.0001 10/21/21 Professional Services		1,287.50*			3000	402000		390		101000
		8922.0001 10/21/21 Professional Services		1,748.75*			1010	402000		390		101000
		8922.0001 10/21/21 Professional Services		362.50*			1040	402000		390		101000
		Total for Vendor:		3,398.75								
10383		15 BROOKS COMPLETE AUTO REPAIR INC.		115.29								
	Tube replacement for Backhoe											
		95536 10/15/21 Tube replacement for Backhoe		115.29*		725130	1010	403000		520		101000
		Total for Vendor:		115.29								
10372		215 CALIFORNIA SPECIAL DISTRICTS		4,913.00								
	2022 CSDA MEMBERSHIP RENEWAL											
		10/01/21 2022 MEMBERSHIP RENEWAL,id516		4,913.00*			1010	402000		370		101000
		Total for Vendor:		4,913.00								
		*** Claim from another period (8/21) ****		750.00								
10358		1192 CROWLEY EMERGENCY SERVICES		750.00								
	FEMA SAFER GRANT WRITING											
		21-1 08/05/21 FEMA SAFER GRANT WRITE&AWARD		750.00*			1040	402000		392		101000
		Total for Vendor:		750.00								
		*** Claim from another period (9/21) ****		687.27								
10356		70 FIRST BANKCARD - DISTRICT CARD		687.27								
	September Credit Card Activity											
		09/07/21 Emplan (IT Service)		29.00*			1010	402000		396		101000
		09/21/21 Microsoft (IT Service)		200.00*			1010	402000		396		101000
		09/20/21 Reginatos-DEF FOR RL Refuse Tr		10.27*			1090	403000		420		101000
		09/20/21 Reginatos-DEF to 55 gal drums-		100.00*			1090	403000		420		101000
		09/28/21 USPO-Stamps for office		348.00*			1010	403000		411		101000
		Total for Vendor:		687.27								
		*** Claim from another period (9/21) ****		1,925.55								
10357		69 FIRST BANKCARD - FIRE DEPT		1,925.55								
	September Credit Card Activity											
		Amazon 09/09/21 Cannon Printer		375.36*		725025	1040	402000		396		101000
		Reginato's 09/09/21 Fuel for Gas Can		16.73*		725151	1040	403000		430		101000
		Reginato's 09/09/21 Lunches for E-1712-Antelop		34.50*		725023	1041	402000		340		101000

* ... Over spent expenditure

Claim/	Check	Invoice #/Inv Date/Description	Vendor #/Name/	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
		Amazon 09/14/21 Vehicle Electrical Project		72.89*		725169	1040 403000	530	101000
		ValIndComm 09/16/21 White Tahoe Radio Program		230.00*		725048	1040 403000	530	101000
		AceHdwre 09/21/21 Chain Saw Accessories		481.27*		725178	1040 403000	400	101000
		MSRadioShk 09/21/21 Station Phone & Equip		34.25*		725046	1040 403000	510	101000
		Solano's 09/21/21 Hand Washing Sink		157.63*		725188	1040 403000	510	101000
		O'ReillyAi 09/25/21 Vehicle Wash Supplies		25.77*		725175	1040 403000	530	101000
		RdGroccOut 09/29/21 Iphone Project items		19.26*		725166	1040 403000	400	101000
		Costco 09/29/21 Vehicle Cleaning Supplies		25.64*		725189	1040 403000	530	101000
		HarborFrt 09/29/21 Station & Vehicle Tools		114.16*		725187	1040 403000	400	101000
		HarborFrt 09/29/21 Emergency Vehicle Supplies		54.66*		725181	1040 403000	520	101000
		Goodwill 09/29/21 Water Rescue Helmets		15.50*		725200	1040 403000	400	101000
		GovDeals 10/04/21 Thermal Imaging Camera		195.46*		725168	1040 403000	400	101000
		HarborFrt 10/04/21 Squad 1740 Tools		72.47*		725190	1040 403000	520	101000
		Total for Vendor:		1,925.55					
10374		396 JW WOOD		191.33					
		Parts for Water Tank Drain Project							
		287196120 10/06/21 Parts for Water Tank Drain		191.33*		725129	3000 403000	520	101000
10382		396 JW WOOD		764.13					
		Extended range Romax Couplings							
		287213722 10/19/21 Extended range romax coupli		764.13*		725131	3000 403000	520	101000
		Total for Vendor:		955.46					
10368		416 MT SHASTA IT SERVICES		800.00					
		Oct IT Services							
		Inv-0165 10/01/21 Oct IT Services		800.00*			1010 402000	396	101000
		Total for Vendor:		800.00					
		*** Claim from another period (9/21) ****							
10365		126 PACIFIC POWER - 007 4 STREET		1,395.06					
		Sep Street Light Power							
		1851-0074 10/01/21 Sep Street Light Power		1,395.06*			1060 403000	450	101000
		Total for Vendor:		1,395.06					

* ... Over spent expenditure

Claim/	Check	Invoice #/Inv Date/Description	Vendor #/Name/	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
10355	2021-2022	150 SISKIYOU COUNTY TAX COLLECTOR		78.88					
		Property Tax Assessment							
		028210170 10/18/21 Water Prop Tax		43.00*			3000 405000	740	101000
		028210190 10/18/21 Wtr Lower Elk		17.94*			3000 405000	740	101000
		028240250 10/18/21 Old Water Tank		17.94*			3000 405000	740	101000
10375		150 SISKIYOU COUNTY TAX COLLECTOR		71.18					
		Hoo Hoo Park							
		028530080 10/18/21 Hoo Hoo Park		71.18*			1070 405000	740	101000
10376		150 SISKIYOU COUNTY TAX COLLECTOR		46.34					
		Old Dump Site Property Taxes							
		049062380 10/18/21 Old Dump Site		46.34*			1090 405000	740	101000
10377		150 SISKIYOU COUNTY TAX COLLECTOR		63.00					
		Scout Hall Property Tax							
		049161010 10/18/21 Scout Hall		63.00*			1070 405000	740	101000
10378		150 SISKIYOU COUNTY TAX COLLECTOR		63.00					
		Fire Hall Property Tax							
		049112010 10/18/21 Fire Hall		63.00*			1040 405000	740	101000
10379		150 SISKIYOU COUNTY TAX COLLECTOR		63.00					
		MCSO Office Property Tax							
		049244030 10/18/21 MCSO Office		63.00*			1010 405000	740	101000
10380		150 SISKIYOU COUNTY TAX COLLECTOR		63.00					
		MCSO Shop Property Tax							
		049244040 10/18/21 MCSO Shop		63.00*			1010 405000	740	101000
10381		150 SISKIYOU COUNTY TAX COLLECTOR		19.56					
		New Water Tank Parcel Property Tax							
		028240350 10/18/21 New Water Tank		19.56*			3000 405000	740	101000
		Total for Vendor:		467.96					

* ... Over spent expenditure

Claim/	Check	Invoice #/	Vendor #/Name/	Document \$/	Disc \$	PO #	Fund Org Acct	Object Proj	Cash
		Date/	Description	Line \$					Account
10360		318	SKINNER ROADSIDE TRUCK REPAIR	370.26					
	Repair-Fire Truck-Air Leak in Brake System								
	57867	09/24/21	Mac Fire Trk Repair-Brake Sys-	370.26*		725165	1040 403000	520	101000
			Total for Vendor:	370.26					
10367		1014	STATE WATER RESOURCES CONTROL	150.00					
	Wastewater Operator Certification Renewal for Nate Woods								
	Rnw1App	10/15/21	WW Oprtr Cert Renewal-N Woods	150.00*		725127	2000 402000	370	101000
			Total for Vendor:	150.00					
10361		345	US BANK EQUIPMENT FINANCE	427.41					
(new)	Monthly Office Copier Lease								
	454260548	09/28/21	Office Copier Lease Payment	427.41*			1010 403000	410	101000
			Total for Vendor:	427.41					
10359		255	VERIZON WIRELESS - MCSD	319.18					
	September Cell Phone Activity								
	9889641951	10/01/21	September Cell Phone Svc	120.03*			1010 402000	320	101000
	9889641951	10/01/21	Pws, On Call, Gm Phone	99.31*			1010 402000	320	101000
	9889641951	10/01/21	Fire Chief, Ambulance Phon	99.84*			1040 402000	320	101000
			Total for Vendor:	319.18					
10362		1143	VYVE - BD@SCOUT HALL	140.30					
	Oct Phone & Internet Service								
	Oct2021	10/04/21	Oct Phone & Internet Service	140.30*			1010 402000	320	101000
			Total for Vendor:	140.30					
10364		116	VYVE - FIRE	95.45					
	Oct Phone & Internet Service								
	Oct2021	10/04/21	Oct Phone & Internet Service	95.45*			1040 402000	320	101000
			Total for Vendor:	95.45					

* ... Over spent expenditure

Claim/	Check	Invoice #/Inv Date/Description	Vendor #/Name/	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
10363		117 VYVE - MCSD		312.24					
		Oct Phone & Internet Service		312.24*			1010 402000	320	101000
		Oct2021 10/04/21 Oct Phone & Internet Service		312.24					
		Total for Vendor:		1,078.79					
		*** Claim from another period (8/21) ****							
10370		170 WITTMAN ENTERPRISES, LLC		1,078.79*			1040 402000	394	101000
		Aug Ambulance Billing Services		805.08					
		2109028 10/11/21 Aug Ambulance Billing Service		1,078.79*					
		*** Claim from another period (9/21) ****							
10371		170 WITTMAN ENTERPRISES, LLC		805.08			1040 402000	394	101000
		Sep Ambulance Billing Services		805.08*					
		2109028 10/11/21 Sep Ambulance Billing Service		1,883.87					
		Total for Vendor:		19,107.05					
		# of Claims	27						


Fund/Account	Amount
1010 GENERAL	
101000 Operating Cash	\$9,379.33
1040 FIRE	
101000 Operating Cash	\$5,515.97
1041 FIRE - FSLA	
101000 Operating Cash	\$34.50
1060 LIGHTS	
101000 Operating Cash	\$1,395.06
1070 PARKS	
101000 Operating Cash	\$134.18
1090 REFUSE	
101000 Operating Cash	\$156.61
2000 SEWER	
101000 Operating Cash	\$150.00
3000 WATER	
101000 Operating Cash	\$2,341.40
Total:	\$19,107.05

10/21/21
14:50:18

MCCLOUD COMMUNITY SERVICES DISTRICT
Claim Approval Signature Page
For the Accounting Period: 10 / 21

Page: 7 of 7
Report ID: AP100A

The foregoing claims are approved for payment in the manner provided by Resolution #3, dated November 8, 1965."

Prepared by: Keith Anderson _____
Reviewed by:  _____

Claims Total: \$19,107.05
Signature #1

Signature #2

Signature #4

Signature #3

Signature #5

From: Andrew Ramos
Sent: Tuesday, October 12, 2021 5:23 PM
To: Mike Quinn <cfo@ci.mccloudcsd.ca.us>
Subject: RE: Loan Documents

Mike:

I made some time to review the documents. I had minor comments on the water contract. I did a high-level review of these documents by reviewing the water contract and then reviewing the differences between it and the sewer and fire agreements. My overall comment is that these appear to be commercially reasonable and in-line with financing agreements approved by public agencies. Based on my high-level review, nothing struck me as a legal issue. I understand you've already reviewed these in depth and made comments on them.

I had a couple minor comments to add:

1. Does the Board understand why these are framed as installment purchase agreements? I find that directors often do not understand why agencies have to do that for the debt limit, so the additional terms are confusing.
2. There were many blanks to fill in, but I assume you're on that and they'll be completed before signing.

I'll follow up with Amos on Ordinance 27 to see what additional work is needed. Thanks for flagging that.

Andrew

Andrew J. Ramos

INSTALLMENT PURCHASE CONTRACT (WATER)

This **INSTALLMENT PURCHASE CONTRACT (WATER)**, dated as of September 1, 2021 (this "Installment Purchase Contract"), is entered into by and between the **MC CLOUD COMMUNITY SERVICES DISTRICT** (the "District"), a community services district duly organized and validly existing under the laws of the State of California (the "State"), and **FIVE STAR BANK** (the "Lender"), a banking corporation duly organized and validly existing under the laws of the State.

W I T N E S S E T H:

WHEREAS, the District is authorized by the laws of the State of California, including, but not limited to Section 43500-61060, subdivision (d) of the California Water-Government Code, to purchase, or lease, or otherwise acquire, hold and enjoy, and lease or dispose of, real and personal property of every kind within or without the District through the execution of installment purchase contracts;

Commented [AR1]: MCCSD is organized under the Community Services District Law. This is the correct authorizing statute.

WHEREAS, the District proposes to finance certain improvements to the District's water system, as more particular described in Exhibit A hereto (the "Project");

WHEREAS, the District has requested and the Lender has agreed to assist the District in the financing of the Project;

WHEREAS, in order to finance the Project, the District is entering into this Installment Purchase Contract, pursuant to which the District will sell the Project to the Lender, but only to the extent the components of the Project can be legally transferred by the District;

WHEREAS, in order to provide moneys to pay the costs of acquiring, constructing and improving the Project, the District proposes to purchase the Project pursuant to this Installment Purchase Contract;

WHEREAS, the District has determined it is in the best interests of the District, and it is necessary and proper for the District's purposes, that the District acquire the Project from the Lender in the manner described herein for the purposes of financing the Project as described herein, and that the District pay the Lender for the costs of acquiring the Project in the manner described herein;

WHEREAS, the District and the Lender have duly authorized the execution of this Installment Purchase Contract; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Installment Purchase Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Contract.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER

{00256121.1} 1

McCloud Closing Summary					
	Sewer A	Sewer B	Refuse	Water	Totals:
Payoff USDA	\$ 612,942.78				\$ 612,942.78
Payoff SWRCB		\$ 101,184.88			\$ 101,184.88
BMO Harris - Truck 1			\$ 125,430.54		\$ 125,430.54
BMO Harris - Truck 2			\$ 103,500.18		\$ 103,500.18
Total Payoff Required:	\$ 612,942.78	\$ 101,184.88	\$ 228,930.72	\$ -	\$ 943,058.38
Plus: Loan Fee	\$ 3,000.00	\$ 500.00	\$ 1,150.00	Note	\$ 4,650.00
Total Funds for Closing:	\$ 615,942.78	\$ 101,684.88	\$ 230,080.72	\$ -	\$ 947,708.38
Less: Approved Loan:	\$ (600,000.00)	\$ (100,000.00)	\$ (230,000.00)	See Note	\$ (930,000.00)
MCSD Funds Required:	\$ 15,942.78	\$ 1,684.88	\$ 80.72	\$ -	\$ 17,708.38



October 20, 2021

Mc Cloud Community
PO Box 640
Mc Cloud, CA 96057

RE: Mc Cloud Community
Case #04-047-0941614312
Loan 92-05

The requested information below is provided solely for your use and not to be shared without Agency approval.

In connection with the subject account, the following information is provided:

As of October 28, 2021, the payoff of the above loan is \$ 612,942.78 plus interest at a daily rate of \$ 73.8493 until received by this office. This amount must be forward immediately by Fedwire, which will be provided to you to be completed. The Bond and other appropriate documents will be released when the above request has been complied with and the account has cleared.

This authorization terminates on November 4, 2021. If it is determined that the transaction will not be completed by that date, please contact our office for updated figures to be assured the correct payoff amount.

NOTE: If the payoff will be made through a title/escrow transaction, the title/escrow company MUST request the payoff demand and payoff funds MUST be transmitted via WIRE only from the title/escrow company. Arrangements for any other form of payment must be approved by the Agency.

Please feel free to contact me at (559) 754-3147, if you have any questions regarding this matter.

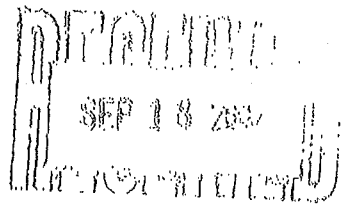
Sincerely,

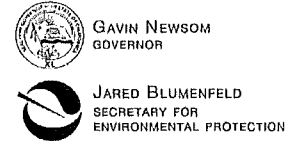
Jennifer Torres
Community Programs Technician

cc: Kevin Demers, Community Programs Specialist, USDA Rural Development
Luis Andrade, WEP Program Director, USDA Rural Development

Amortization Schedule
 Principal payments rounded to even thousands
 Interest Rate: 4.50%

Year	Principal Payment	Interest Payments		Total Annual Payment	Principal Balance
	October 1	April 1	October 1		
					\$800,000.00
2003	\$7,000.00	\$ 0.00	\$36,000.00	\$43,000.00	793,000.00
2004	8,000.00	17,842.50	17,842.50	43,685.00	785,000.00
2005	8,000.00	17,662.50	17,662.50	43,325.00	777,000.00
2006	9,000.00	17,482.50	17,482.50	43,965.00	768,000.00
2007	9,000.00	17,280.00	17,280.00	43,560.00	759,000.00
2008	9,000.00	17,077.50	17,077.50	43,155.00	750,000.00
2009	10,000.00	16,875.00	16,875.00	43,750.00	740,000.00
2010	10,000.00	16,650.00	16,650.00	43,300.00	730,000.00
2011	11,000.00	16,425.00	16,425.00	43,850.00	719,000.00
2012	11,000.00	16,177.50	16,177.50	43,355.00	708,000.00
2013	12,000.00	15,930.00	15,930.00	43,860.00	696,000.00
2014	12,000.00	15,660.00	15,660.00	43,320.00	684,000.00
2015	13,000.00	15,390.00	15,390.00	43,780.00	671,000.00
2016	13,000.00	15,097.50	15,097.50	43,195.00	658,000.00
2017	14,000.00	14,805.00	14,805.00	43,610.00	644,000.00
2018	14,000.00	14,490.00	14,490.00	42,980.00	630,000.00
2019	15,000.00	14,175.00	14,175.00	43,350.00	615,000.00
2020	16,000.00	13,837.50	13,837.50	43,675.00	599,000.00
2021	17,000.00	13,477.50	<u>13,477.50</u>	43,955.00	582,000.00
2022	17,000.00	13,095.00	13,095.00	43,190.00	565,000.00
2023	18,000.00	12,712.50	12,712.50	43,425.00	547,000.00
2024	19,000.00	12,307.50	12,307.50	43,615.00	528,000.00
2025	20,000.00	11,880.00	11,880.00	43,760.00	508,000.00
2026	21,000.00	11,430.00	11,430.00	43,860.00	487,000.00
2027	21,000.00	10,957.50	10,957.50	42,915.00	466,000.00
2028	22,000.00	10,485.00	10,485.00	42,970.00	444,000.00
2029	23,000.00	9,990.00	9,990.00	42,980.00	421,000.00
2030	25,000.00	9,472.50	9,472.50	43,945.00	396,000.00
2031	26,000.00	8,910.00	8,910.00	43,820.00	370,000.00
2032	27,000.00	8,325.00	8,325.00	43,650.00	343,000.00
2033	28,000.00	7,717.50	7,717.50	43,435.00	315,000.00
2034	29,000.00	7,087.50	7,087.50	43,175.00	286,000.00
2035	31,000.00	6,435.00	6,435.00	43,870.00	255,000.00
2036	32,000.00	5,737.50	5,737.50	43,475.00	223,000.00
2037	33,000.00	5,017.50	5,017.50	43,035.00	190,000.00
2038	35,000.00	4,275.00	4,275.00	43,550.00	155,000.00
2039	36,000.00	3,487.50	3,487.50	42,975.00	119,000.00
2040	38,000.00	2,677.50	2,677.50	43,355.00	81,000.00
2041	40,000.00	1,822.50	1,822.50	43,645.00	41,000.00
2042	41,000.00	922.50	922.50	42,845.00	0.00
Total	\$800,000.00	\$451,080.00	\$487,080.00	\$1,738,160.00	
		Average Annual Payment:		\$43,454.50	





State Water Resources Control Board

October 21, 2021

Amos McAbier
General Manager
McCloud Community Services District
220 W. Minnesota Ave
McCloud, CA 96057

PAYOFF REQUEST, CLEAN WATER STATE REVOLVING FUND (CWSRF)
FINANCING AGREEMENT, MCCLOUD COMMUNITY SERVICES DISTRICT,
PROJECT NUMBER 4053-110, CONTRACT NUMBER 01-803

Dear Mr. McAbier:

We received your request on October 20, 2021 for a payoff amount valid through October 28, 2021 for the above referenced financing agreement.

The payoff amount of **\$ 101,184.88** is valid through **October 28, 2021**. Additional interest may be due if the payoff proceeds are received after the date indicated. Attached is a copy of the payoff calculation and amortization schedule.

Please make your check in the amount of **\$ 101,184.88**, payable to the **State Water Resources Control Board**. When making the final payment, please reference **contract number 01-803** to ensure proper credit to your account. Failure to include the contract number may cause delays in posting.

This statement reflects the status of the account as of the date it was prepared. Payoff amounts may change, subject to subsequent activity including payment transactions. If this obligation is not paid in full by the date stated on the payoff statement or subsequent payment transactions have occurred as of the date the payoff statement was prepared, an updated payoff amount should be requested.

To submit your payment online, please see the following link for instructions:

http://www.waterboards.ca.gov/make_a_payment/

E. JOAQUIN ESQUIVEL, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

1001 I Street, Sacramento, CA 95814 | Mailing Address: P.O. Box 100, Sacramento, CA 95812-0100 | www.waterboards.ca.gov

BMO HARRIS BANK NA

For Questions: Payoff Group
 Phone: (877) 304-9236

Payoff Processing Center
 Global Asset Management
 Mccloud Community Services Dis
 Po Box 640
 Mccloud, CA - 96057

Invoice Date:	10/21/2021
Due Date:	11/01/2021
Total Amount Due:	\$125,430.54

ATTN:Mccloud Community Services Dis
 (000) - 000 - 0000

PAYOFF INVOICE

Account Schedule Number	Description	Amount
9940376 - 002	Total Buyout Amount:	\$125,430.54
THIS QUOTE IS VALID THRU 11/01/2021		

Make Checks Payable to: BMO HARRIS BANK NA

Wire Instructions (Pay without Delay):	Overnight Mailing Instructions:	Standard Mailing Instructions:
BMO Harris Bank N.A. 111 W. Monroe St Chicago, IL 60603 Account # 1824093 ABA # 071000288	BMO HARRIS BANK NA 141 W Jackson Blvd Ste 1000 Lockbox # 74704 Chicago, IL 60604	BMO HARRIS BANK NA PO Box 74704 Chicago, IL 60694-4704

IMPORTANT: For timely and accurate application of the buyout, please provide the following (this information is for buyout process only) reference # 9940376 - 002 and on wire or check

- If applicable, title(s) or bill(s) of sale are typically generated 5-7 days after application for wire payments and 10-15 days after application when paying via check.
- If title(s) or bill(s) of sale documents need to be sent to an address other than the billing address on the account, please provide the information below and include this page with the payment, if paying via check. If paying via wire, send your address information (if applicable) to wire.information@bmo.com.

Recipient: _____
 Address: _____
 City, State, Zip: _____

Title(s), bill(s) of sale and/or release(s) will be delivered by standard USPS mail. If you wish expedited delivery by overnight courier, please add \$30 to the Total Buyout Amount listed above when you send your payment. By including the additional \$30, you are consenting to pay the fee for expedited delivery.

The Total Buyout Amount includes, (a) for a loan transaction, any applicable prepayment fees (as specified in, and calculated under, the terms of your loan agreement), (b) for a lease transaction, any applicable early termination fees billed under the Account Schedule Number identified above, and (c) any late fees and other charges and amounts payable under your loan or lease agreement. Please contact us if you would like a breakdown of specific charges.

BMO HARRIS BANK NA

For Questions: Payoff Group
 Phone: (877) 304-9236

Payoff Processing Center
 Global Asset Management

Mccloud Community Services Dis
 Po Box 640

Mccloud, CA - 96057

Invoice Date:	10/21/2021
Due Date:	11/01/2021
Total Amount Due:	\$103,500.18

ATTN:Mccloud Community Services Dis
 (000) - 000 - 0000

PAYOFF INVOICE

Account Schedule Number	Description	Amount
9940376 - 001	Total Buyout Amount:	\$103,500.18
THIS QUOTE IS VALID THRU 11/01/2021		

Make Checks Payable to: BMO HARRIS BANK NA

Wire Instructions (Pay without Delay):	Overnight Mailing Instructions:	Standard Mailing Instructions:
BMO Harris Bank N.A. 111 W. Monroe St Chicago, IL 60603 Account # 1824093 ABA # 071000288	BMO HARRIS BANK NA 141 W Jackson Blvd Ste 1000 Lockbox # 74704 Chicago, IL 60604	BMO HARRIS BANK NA PO Box 74704 Chicago, IL 60694-4704

IMPORTANT: For timely and accurate application of the buyout, please provide the following (this information is for buyout process only) reference # 9940376 - 001 and on wire or check

- If applicable, title(s) or bill(s) of sale are typically generated 5-7 days after application for wire payments and 10-15 days after application when paying via check.
- If title(s) or bill(s) of sale documents need to be sent to an address other than the billing address on the account, please provide the information below and include this page with the payment, if paying via check. If paying via wire, send your address information (if applicable) to wire.information@bmo.com.

Recipient: _____
 Address: _____
 City, State, Zip: _____

Title(s), bill(s) of sale and/or release(s) will be delivered by standard USPS mail. If you wish expedited delivery by overnight courier, please add \$30 to the Total Buyout Amount listed above when you send your payment. By including the additional \$30, you are consenting to pay the fee for expedited delivery.

The Total Buyout Amount includes, (a) for a loan transaction, any applicable prepayment fees (as specified in, and calculated under, the terms of your loan agreement), (b) for a lease transaction, any applicable early termination fees billed under the Account Schedule Number identified above, and (c) any late fees and other charges and amounts payable under your loan or lease agreement. Please contact us if you would like a breakdown of specific charges.

RESOLUTION NO. 8, 2021

**A RESOLUTION OF THE MCCLLOUD COMMUNITY SERVICES DISTRICT
AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT
OF AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING
THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND
RELATED ACTIONS**

WHEREAS, McCloud Community Services District (the “District”) is a community services district duly organized and validly existing under the laws of the State of California;

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its refuse system and to finance and refinance the acquisition of such property through the execution of installment purchase contracts;

WHEREAS, the District has previously entered into certain financing agreements (the “Prior Agreements”), to finance the acquisition of two refuse trucks identified as the 2019 International Workstar Series, VIN #3HAWCTAR3KL564629 and the 2019 International Durastar Series, VIN #1HTMKTAN2KH564652, for use in the District’s refuse system (the “Project”);

WHEREAS, in order to refinance the District’s obligations under the Prior Agreements, the District desires to enter into an Installment Purchase Contract (Refuse) (the “Installment Purchase Contract”) with Five Star Bank (the “Bank”) in the form presented to this meeting, with such changes, insertions and omissions as are made in accordance with the terms of Resolution; and, pursuant to which the District will sell the Project to the Bank in return for certain funds, which the District will use to refinance the District’s obligations under the Prior Agreements;

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under certain circumstances, certain obligations the interest on which is excluded from federal income tax under Section 103 of the Code may be designated by the issuer thereof as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax exempt obligations to deduct for federal income tax purposes a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code;

WHEREAS, the Board of Directors of the District (the “Board”) wishes to designate the Installment Purchase Contract as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code;

WHEREAS, California Government Code Section 5852.1 (“Section 5852.1”) requires that the Board obtain from an underwriter, municipal advisor or private lender, and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Installment Purchase Contract, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the Installment Purchase Contract, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract, (c) the amount of proceeds of the Installment Purchase Contract expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, and (d) the sum total of all debt service payments on the

Installment Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract (the “Good Faith Estimates”);

WHEREAS, in compliance with Section 5852.1, the Board obtained the required Good Faith Estimates and such Good Faith Estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, the Board of Directors of the District **DOES HEREBY RESOLVE, DETERMINE AND ORDER:**

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other members of the Board as the President may designate, the General Manager of the District, and such other officers of the District as the President of the Board may designate (each an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of the District’s General Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Purchase Contract by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Purchase Contract so long as the maturity of the Installment Payments (as defined in the Installment Purchase Contract) does not extend beyond November 1, 2025, the interest rate with respect to the Installment Payments does not exceed 3.00%, and the aggregate principal component of the Installment Payments does not exceed \$230,000.

Section 3. The Installment Payments due under the Installment Purchase Contract are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The Board hereby finds and determines that the aggregate face amount of all tax- exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2021 is not expected to exceed \$10,000,000.

Section 4. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, agreements and certificates including but not limited to a tax certificate, fee agreement, costs of issuance agreement, custodian agreement or other agreement, which in consultation with District’s General Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting held on October 25, 2021.

President- Catherine Young

ATTEST

District Secretary- Andrea Mills

I, hereby certify that the foregoing Resolution No. 8, 2021 was passed and adopted at a regular meeting of said Board on the 25th day of October, 2021, by the following vote, to wit:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of October, 2021.

District Secretary

Exhibit A

GOOD FAITH ESTIMATES

The following information is provided in compliance with California Government Code Section 5852.1 with respect to the Installment Purchase Contract:

1. *True Interest Cost of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Installment Purchase Contract, is 3.25526%.

2. *Finance Charge of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Installment Purchase Contract, is \$1,150.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the District for sale of the Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, is \$228,850.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Installment Purchase Contract plus the finance charge of the Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Installment Purchase Contract, calculated to the final maturity of the Installment Purchase Contract, is \$244,137.87.

TAX COMPLIANCE CERTIFICATE

\$230,000

**Installment Purchase Contract (Refuse)
dated as of October 1, 2021, between
the McCloud Community Services District and
Five Star Bank**

1. In General.

1.1. The undersigned is the General Manager of the McCloud Community Services District (the “District”) and hereby certifies to the statements contained in this Tax Compliance Certificate (this “Tax Compliance Certificate”). This Tax Compliance Certificate is executed and delivered by the undersigned this October __, 2021.

1.2. This Tax Compliance Certificate is executed for the purpose of setting forth the facts, estimates and expectations of the District relating to the financing represented by the Installment Purchase Contract (Refuse), dated as of October 1, 2021 (the “Installment Purchase Contract”), between the District and Five Star Bank (the “Lender”). The District’s reasonable expectation that the Installment Purchase Contract is not an “arbitrage bond” is based on Section 148 of the Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations (the “Regulations”).

1.3. The factual representations contained in this Tax Compliance Certificate are true and correct and, to the best of the knowledge, information and belief of the undersigned, the expectations contained in this Tax Compliance Certificate are reasonable.

1.4. The undersigned represents that the Board of Directors of the District (the “Board”) delegated the undersigned the responsibility of executing and delivering the Installment Purchase Contract or executing and delivering this Tax Compliance Certificate. The Installment Purchase Contract has been validly executed and delivered by the District pursuant to the terms of the Resolution of the District adopted by the Board on ~~September 27, 2021~~ (the “Resolution”). The terms used but not defined herein have the same meanings as defined in the Installment Purchase Contract.

1.5. Certifications with respect to, among other things, the price and yield calculations and average maturity of the Installment Purchase Contract and the average maturity of the Prior Obligations are based on (a) calculations attached hereto as Exhibit A reviewed and approved by the District prepared using transaction numbers included with the Installment Purchase Contract and based on assumptions set forth in such calculations and (b) representations made by the Lender in the Lender’s Letter included in the transcript for the Installment Purchase Contract. The undersigned is not aware of any facts or circumstances that would cause the undersigned to question the accuracy of the calculations referred to in this paragraph or the representations made by the Lender.

1.6. Kutak Rock LLP, as bond counsel (“Bond Counsel”), is permitted to rely on the contents of any certification, document or instructions provided pursuant to this Tax Compliance

Certificate and will not be responsible or liable in any way for the accuracy of their contents or the failure of the District to deliver any required information.

2. Purpose of the Installment Purchase Contract.

2.1. The District is executing and delivering the Installment Purchase Contract to provide funds to (a) accomplish the “Refunding Project,” consisting of refunding, paying and discharging on the date hereof all of the Prior Obligations defined in the Installment Purchase Contract and (b) paying costs of execution and delivery of the Installment Purchase Contract. The Sale Proceeds (defined below) of the Installment Purchase Contract to be used to finance the purposes described in this paragraph, together with any investment proceeds thereof, do not exceed the amount necessary, based on all the facts and circumstances known to the District on this date, to provide financing for such purposes.

2.2. The District does not expect that the plan of financing relating to the Installment Purchase Contract will result in the creation of any replacement proceeds within the meaning of Section 1.148-1(c) of the Regulations other than amounts, if any, to be deposited in a bona fide debt service fund or reasonably required reserve or replacement fund. The weighted average maturity of the Installment Purchase Contract (___ years) does not exceed 120 percent of the combined average economic life of the Financed Property (*i.e.*, greater than ___ years), as calculated by the District and shown on Exhibit A hereto.

2.3. All of the proceeds of the Installment Purchase Contract will be applied to accomplish the Refunding Project and pay of costs of execution and delivery of the Installment Purchase Contract on the date hereof. None of the proceeds will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

2.4. The District issued the Prior Obligations in the amounts and on the dates set forth in the Installment Purchase Contract. The Prior Obligations were issued as taxable obligations and not tax-exempt obligations. The District used all of the proceeds of the Prior Obligations exclusively to acquire two refuse trucks (the “Financed Property”) which continue to be used solely in the District’s or the City of McCloud’s trash collection services. The Installment Purchase Contract is the first obligation issued to refinance the Prior Obligations. No portion of the Prior Obligations has been heretofore refinanced. The District covenants to retain all the transcripts and other records (to the extent that such other records are currently within the possession of the District) relating to the Prior Obligations for a period of not less than four years following the later of the repayment of the Installment Purchase Contract or any obligations issued to refinance the Installment Purchase Contract. There are no unexpended proceeds of the Prior Obligations on the date hereof. The District has verified the accuracy of the remaining average maturity of the Prior Obligations calculated as shown on Exhibit A hereto.

3. Source and Disbursement of Funds.

3.1. The proceeds from the execution and delivery by the District of the Installment Purchase Contract (referred to herein as the “Sale Proceeds” of the Installment Purchase Contract) equal \$235,000 (consisting of the par amount of the Installment Purchase Contract of \$230,000 plus additional costs of execution and delivery to be paid by the Lender). The District

reasonably expects to need and fully expend (or cause to be spent) the Sale Proceeds as set forth below, notwithstanding any direct tracing or wire transactions:

(a) \$228,850 will be used to refund, pay and discharge the Prior Obligations on the date hereof; and

(b) \$6,150 will be used to pay costs of execution and delivery of the Installment Purchase Contract.

3.2. The District will not use any of the proceeds of the Installment Purchase Contract to reimburse the District for payments made by the District prior to the date hereof.

4. **Funds and Accounts and Limitations on Investment.**

4.1. **General.** The District covenants that amounts constituting gross proceeds (within the meaning of Section 1.148-1(b) of the Regulations) of the Installment Purchase Contract will not be invested at a yield in excess of the yield on the Installment Purchase Contract and will be subject to the rebate requirement described in Section 6 hereof (the "Rebate Requirement"), except as specifically provided in the following subsections or elsewhere in this Tax Compliance Certificate.

4.2. **Minor Portion.** The District acknowledges that a minor portion of the gross proceeds of the Installment Purchase Contract may be invested without yield restriction in an amount not exceeding the lesser of (a) \$100,000 or (b) five percent of the Sale Proceeds.

4.3. **Debt Service Account.** The Debt Service Account is established to achieve a proper matching of revenues with debt service payments to be made under the Installment Purchase Contract within each hereinafter defined Bond Year. Accordingly, the District will treat the amounts deposited in the Debt Service Account that are to be expended to make installment payments under the Installment Purchase Contract as the same become due and which will be depleted at least once each Bond Year (except for a reasonable carryover amount not to exceed the greater of (a) the earnings on the Debt Service Account for the immediately preceding Bond Year, or (b) one-twelfth of the installment payments under the Installment Purchase Contract for the immediately preceding Bond Year) as a bona fide debt service fund. It is reasonably expected that all amounts, if any, received by the District as income from the investment of the Debt Service Account will be expended to make installment payments under the Installment Purchase Contract within one year of receipt thereof. Such moneys may be invested without regard to investment yield limitation for a period of 13 months from the date of receipt, and thereafter, or at any time to the extent such amounts exceed the amounts described in this subsection, may not be invested in obligations bearing a yield in excess of the yield on the Installment Purchase Contract. To the extent required by the Code, such amounts are subject to the Rebate Requirement.

4.4. ***Opinion of Bond Counsel.*** Notwithstanding the investment limitations described in the foregoing subsections, gross proceeds of the Installment Purchase Contract may be invested at a yield in excess of the yield on the Installment Purchase Contract to the extent the District receives an opinion of Bond Counsel to the effect that such investment at a greater yield will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

4.5. ***No Other Replacement Proceeds.*** Except to the extent set forth above in this Section, neither the District nor a related party to the District, nor any other substantial beneficiary of the Installment Purchase Contract has created or established and none of the foregoing persons are expected to create or establish any fund or account to make payments under the Installment Purchase Contract, or a debt service reserve fund or any other similar fund with respect to the Installment Purchase Contract, or a negative pledge or right of set-off in any funds, accounts or assets of the District. Further, there are no other funds that are reasonably expected to be used to make payments under the Installment Purchase Contract and for which there is a reasonable assurance that amounts on deposit therein or the investment income earned thereon will be available to make payments under the Installment Purchase Contract if the District encounters financial difficulties. The District will not create or establish, and will not allow to be created or established, any such fund, account, negative pledge or right of set-off unless the District obtains an opinion of Bond Counsel to the effect that the creation or establishment of such fund, account, negative pledge or right of set-off will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

5. **Price and Yield of the Installment Purchase Contract.**

5.1. The Lender paid \$235,000 as consideration for the Installment Purchase Contract, consisting of the par amount of the Installment Purchase Contract of \$230,000 plus \$5,000 in additional costs of execution and delivery paid directly by the Lender. In the Lender's Letter included in the transcript for the Installment Purchase Contract, the Lender represented that it entered into the Installment Purchase Contract for its own account and not with a view to, or for resale in connection with, any distribution thereof or any part thereof, that it has not offered to sell, solicited offers to buy, or agreed to sell its rights, title and interests under the Installment Purchase Contract or any part thereof, and that it has no current intention of reselling or otherwise disposing the rights, title and interest under the Installment Purchase Contract. Based on such representations, the District acknowledges that the "issue price" of the Installment Purchase Contract, within the meaning of Section 1.148-1(f) of the Regulations, is equal to \$235,000.

5.2. As used in this Tax Compliance Certificate, the term "yield" refers to the discount rate which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the issue price of the obligation. The calculations of yield are to be made on the basis of semiannual compounding using a 360-day year and upon the assumption that payments are made on the last day of each semiannual interest payment period (unless a different reasonable standard financial convention is explicitly adopted in accordance with Section 1.148-4(a) of the Regulations). For the purpose of computing yield, the purchase price of any obligation is equal to the fair market value as of the date of a binding

contract to acquire such obligation. The yield of the Installment Purchase Contract is not less than __. __ percent.

6. **Rebate Requirement.**

6.1. The District represents that it will annually determine the amount, if any, required to be rebated to the United States of America under Section 148(f) of the Code. The District further represents that it will, not later than 60 days after the final payment under the Installment Purchase Contract, pay to the United States of America 100 percent of the amount required to be rebated under Section 148(f) of the Code. Each payment required to be paid to the United States of America is required to be filed with the Internal Revenue Service at such address and in such manner as the Internal Revenue Service may determine from time to time.

6.2. The District hereby selects each period from July 1 through June 30 of the following calendar year as a bond year (a "Bond Year") for the Installment Purchase Contract, except that the first Bond Year will commence on the date hereof and the last Bond Year will end on the date the final payment under the Installment Purchase Contract is made.

6.3. The District reasonably expects that no unspent gross proceeds of the Installment Purchase Contract will be invested at a yield in excess of the yield of the Installment Purchase Contract. As a result of such expectation, the District reasonably expects to comply with the Rebate Requirement without any action following the date hereof. However, if for any reason such expectation is not met or if the District establishes any sinking fund or defeasance escrow for the Installment Purchase Contract, the District will comply with the Rebate Requirement after consulting with Bond Counsel.

7. **Miscellaneous.**

7.1. ***Political Subdivision.*** The District exists under and by virtue of the Community Services District Law (codified as Division 3 of the Government Code, commencing with Section 61000), for the purposes of, among other things, supplying water, collecting, treating or disposing of sewage and collecting, transferring and disposing of solid waste. The District is a political subdivision of the State of California in that it possesses substantial eminent domain powers within and outside of the District.

7.2. ***No Other Issues.*** The District represents that it has not sold and covenants that it will not sell any other obligations of the District, the interest on which is intended to be excludable from gross income for federal income tax purposes (including, without limitation, any notes, bonds, lease obligations, loans or installment purchase obligations) during the 31-day period beginning 15 days prior to the first date on which the Lender agreed in writing to execute and delivery the Installment Purchase Contract (which was the date hereof), which are being sold pursuant to the same plan of financing as the Installment Purchase Contract and which are payable from the same source of funds from which the payments under the Installment Purchase Contract are payable. On the date hereof, the District is executing two other installment purchase contracts with the Lender, each of which is payable from and secured by collateral and sources of repayment that materially differ from the repayment sources and collateral securing the Installment Purchase Contract.

7.3. **No Change in Ownership of the Financed Property.** The District intends and expects that it will own and use the Financed Property at all times during the term of the Installment Purchase Contract. The District does not know of any reason why the Financed Property will not be so owned and used in the absence of (a) supervening circumstances not now anticipated by it, (b) adverse circumstance beyond its control or (c) obsolescence of such insubstantial parts or portions thereof as may occur as a result of normal use thereof. The District will not change the use, ownership or nature of any portion of the proceeds of the Installment Purchase Contract or the Financed Property so long as the Installment Purchase Contract remains outstanding unless, in the written opinion of Bond Counsel, such change will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes, except that the District may without an opinion (but subject to any applicable provisions of the Installment Purchase Contract) sell or otherwise dispose of minor parts or portions of the Financed Property as may be necessary due to normal wear, tear or obsolescence. As of the date hereof, there is no more than a remote possibility, if any, that the Financed Property will be transferred to a non-Exempt Person during the period beginning on the date hereof and ending on the date the Installment Purchase Contract terminates. “Exempt Person” means any state or a local governmental unit of any state established pursuant to state law.

7.4. **Representations as to Limits on the Use of Proceeds.** To ensure that interest on the Installment Purchase Contract is excludable from gross income for federal income tax purposes, the District covenants, represents and acknowledges, as applicable, as follows:

(a) The District will not take or permit to be taken any action which would cause the Installment Purchase Contract to be deemed a private activity bond under the Code. The Installment Purchase Contract will be considered a “private activity bond” in the following circumstances:

(i) if the private business use test defined in (b) below is met and the private security or payment test defined in (c) below is met); or

(ii) if more than the lesser of \$5,000,000 or five percent of the proceeds of the Installment Purchase Contract is loaned to non-Exempt Persons (referred to as the “private loan financing test”).

(b) The “private business use test” is met if more than ten percent of the proceeds of the Installment Purchase Contract or the Financed Property is used directly or indirectly in the business of a nongovernmental person (*i.e.*, in a “private business use”). No more than five percent of any such private business use may be disproportionate or unrelated to the Financed Property. Except as otherwise described in this clause (b), the District will not allow the Financed Property to be used hereafter in the trade or business of any person that is a non-Exempt Person unless it obtains an opinion of Bond Counsel that such use would not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

The District acknowledges that in determining whether all or any portion or function of the Financed Property is used, directly or indirectly, in the trade or business of a non-Exempt Person, use of any portion or function of the Financed Property by a

non-Exempt Person pursuant to a lease, sublease, management contract, research contract, service contract or other arrangement must be examined. A lease, sublease, management contract, research contract, service contract or other arrangement between the District and a non-Exempt Person with respect to the Financed Property or any portion or function thereof will not result in private trade or business use of a non-Exempt Person if the guidelines set forth in the Regulations, Rev. Proc. 2017-13 (or subsequent or supplemental guidance, including I.R.S. Notice 2014-67) or Rev. Procs. 97-14 or 2007-47 (or subsequent guidance) are met or an approving opinion of Bond Counsel is delivered to the District.

(c) The “private security or payment test” is met if more than ten percent of the debt service on the Installment Purchase Contract is directly or indirectly (i) secured by any interest in property used in a private business use or (ii) derived from payments made with respect to property used in a private business use. In the event that proceeds of the Installment Purchase Contract or the Financed Property are to be used for any private business use that is not related (or is disproportionate) to any governmental use of such proceeds or Financed Property (and to payments, property and borrowed money with respect to any such private business use), the covenant in (a) above concerning the private security or payment test will apply but not more than the lesser of five percent (rather than ten percent) of the Installment Purchase Contract may be so secured.

In determining whether the private security or payment test is met, the District will compare the present value of the payments taken into account to the present value of the debt service to be paid over the term of the Installment Purchase Contract. Debt service will include reasonable credit enhancement fees but will not include any amount to be paid from proceeds of the Installment Purchase Contract. For example, debt service will not include accrued or funded interest or other amounts to be paid with proceeds of the Installment Purchase Contract. For purposes of the discount rate to be applied in such present value calculations, the yield of the Installment Purchase Contract will be used.

Payments taken into account in determining whether the private security or payment test is met will include payments made for any private business use and payments in respect of the Financed Property. However, any payment that is properly allocable to the payment of ordinary or necessary expenses directly attributable to the operation and maintenance of the Financed Property (other than general overhead or administrative expenses) will not be included as a payment taken into account. Similarly, payments by a person for use of proceeds of the Installment Purchase Contract or the Financed Property will only be included to the extent that the present value of such payments does not exceed the present value of the debt service allocable to that person’s use of proceeds of the Installment Purchase Contract or the Financed Property. For example, if ten percent of the proceeds of the Installment Purchase Contract were used by a person, payments by such person would not be taken into account to the extent that the present value of such payments exceeded the present value of ten percent of the debt service on the Installment Purchase Contract.

7.5. Representations Concerning Federal Guarantees. The District represents and covenants that the Installment Purchase Contract is not and will not become directly or indirectly federally guaranteed. Unless otherwise excepted under Section 149(b) of the Code, the

Installment Purchase Contract will be considered to be “federally guaranteed” if (i) any payment obligation of the District under the Installment Purchase Contract is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof), (ii) five percent or more of the proceeds of the Installment Purchase Contract is (A) used in making loans the payment of principal or interest with respect to which is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof) or (B) invested (directly or indirectly) in federally insured deposits or accounts, or (iii) any payment obligation of the District under the Installment Purchase Contract is otherwise indirectly guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof).

7.6. **Representations for Purposes of IRS Form 8038-G.** The District represents, for the benefit of Bond Counsel and the Lender, that it has reviewed the Internal Revenue Form 8038-G prepared by Bond Counsel and that the information contained therein is true, complete and correct to the best knowledge of the District as of the date hereof. The District’s federal employer identification number for purposes of the filing of such Internal Revenue Form 8038-G is 94-1614312. The District hereby directs Bond Counsel to file the Internal Revenue Form 8038-G with the Internal Revenue Service once the Installment Purchase Contract has been executed and delivered and once such form has been signed by a representative of the District.

7.7. **Additional Tax Covenants.** To ensure that interest on the Installment Purchase Contract is and remains excludable from gross income for federal income tax purposes, the District represents and covenants to comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or the Internal Revenue Service with respect to obligations described in Section 103 of the Code, such as the Installment Purchase Contract.

7.8. **Post-Issuance Compliance Policy.** The District has attached as Exhibit A to the Installment Purchase Contract (Water), dated as of October 1, 2021, between the District and the Lender, its post-issuance compliance policy. The District agrees to comply with such policy in connection with the Installment Purchase Contract and any other tax-advantaged bonds, notes, leases, loans or similar types of obligations heretofore or hereafter issued, reissued or executed and delivered by it.

8. **Qualified Tax-Exempt Obligation.** In Section 3 of the Resolution, the District heretofore designated the installment payments (and therefore the Installment Purchase Contract) as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. The District confirms such designation of the Installment Purchase Contract as a “qualified tax-exempt obligation” and covenants that the aggregate face amount of all tax-exempt obligations issued or executed and delivered by the District, together with governmental entities which derive their issuing authority from District or are subject to substantial control by the District, will not be more than \$10,000,000 during calendar year 2021. The District recognizes that such tax-exempt obligations include notes, leases, loans and warrants, as well as bonds.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has set the undersigned's hand to this Tax Compliance Certificate as of the date first written above.

MCCLLOUD COMMUNITY
SERVICES DISTRICT

By _____
Amos McAbier, General Manager

[Signature Page to Tax Compliance Certificate]

RESOLUTION NO. 9, 2021

**A RESOLUTION OF THE MCCLLOUD COMMUNITY SERVICES DISTRICT
AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF
AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE
EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED
ACTIONS**

WHEREAS, McCloud Community Services District (the “District”) is a community services district duly organized and validly existing under the laws of the State of California;

WHEREAS, the District is authorized by the laws of the State of California, including, but not limited to Section 43500 of the California Water Code, to purchase, or lease, or otherwise acquire, hold and enjoy, real and personal property of every kind within or without the District through the execution of installment purchase contracts;

WHEREAS, the District desires to finance the acquisition, installation, improvement, and equipping of certain infrastructure, including concrete bunkers for use with the District's water wells to enhance protection, and other improvements in connection with the District's water system (the “Project”);

WHEREAS, in order to finance the Project, the District desires to enter into an Installment Purchase Contract (Water) (the “Installment Purchase Contract”) with Five Star Bank (the “Bank”) in the form presented to this meeting, with such changes, insertions and omissions as are made in accordance with the terms of Resolution; and, pursuant to which the District will sell the Project to the Bank in return for certain funds, which the District will use to finance the Project;

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under certain circumstances, certain obligations the interest on which is excluded from federal income tax under Section 103 of the Code may be designated by the issuer thereof as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax exempt obligations to deduct for federal income tax purposes a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code;

WHEREAS, the Board of Directors of the District (the “Board”) wishes to designate the Installment Purchase Contract as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code;

WHEREAS, California Government Code Section 5852.1 (“Section 5852.1”) requires that the Board obtain from an underwriter, municipal advisor or private lender, and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Installment Purchase Contract, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the Installment Purchase Contract, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract, (c) the amount of proceeds of the Installment Purchase Contract expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, and (d) the sum total of all debt service payments on the Installment

Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract (the “Good Faith Estimates”);

WHEREAS, in compliance with Section 5852.1, the Board obtained the required Good Faith Estimates and such Good Faith Estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, the Board of Directors of the District **DOES HEREBY RESOLVE, DETERMINE AND ORDER:**

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other members of the Board as the President may designate, the General Manager of the District, and such other officers of the District as the President of the Board may designate (each an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of the District’s General Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Purchase Contract by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Purchase Contract so long as the maturity of the Installment Payments (as defined in the Installment Purchase Contract) does not extend beyond November 1, 2024, the interest rate with respect to the Installment Payments does not exceed 2.98%, and the principal component of the Installment Payments does not exceed \$250,000.

Section 3. The Installment Payments due under the Installment Purchase Contract are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The Board hereby finds and determines that the aggregate face amount of all tax- exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2021 is not expected to exceed \$10,000,000.

Section 4. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, agreements and certificates including but not limited to a tax certificate, fee agreement, costs of issuance agreement, custodian agreement or other agreement, which in consultation with District’s General Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting held on October 25, 2021.

President- Catherine Young

ATTEST:

District Secretary- Andrea Mills

I, hereby certify that the foregoing Resolution No. 9, 2021 was passed and adopted at a regular meeting of said Board on the 25th day of October, 2021, by the following vote, to wit:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of October, 2021.

District Secretary

Exhibit A

GOOD FAITH ESTIMATES

The following information is provided in compliance with California Government Code Section 5852.1 with respect to the Installment Purchase Contract:

1. *True Interest Cost of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Installment Purchase Contract, is 3.28555%.

2. *Finance Charge of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Installment Purchase Contract, is \$1,125.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the District for sale of the Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, is \$248,875.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Installment Purchase Contract plus the finance charge of the Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Installment Purchase Contract, calculated to the final maturity of the Installment Purchase Contract, is \$261,355.92.

TAX COMPLIANCE CERTIFICATE

\$250,000
Installment Purchase Contract (Water)
dated as of October 1, 2021, between
the McCloud Community Services District and
Five Star Bank

1. In General.

1.1. The undersigned is the General Manager of the McCloud Community Services District (the “District”) and hereby certifies to the statements contained in this Tax Compliance Certificate (this “Tax Compliance Certificate”). This Tax Compliance Certificate is executed and delivered by the undersigned this October __, 2021.

1.2. This Tax Compliance Certificate is executed for the purpose of setting forth the facts, estimates and expectations of the District relating to the financing represented by the Installment Purchase Contract (Water), dated as of October 1, 2021 (the “Installment Purchase Contract”), between the District and Five Star Bank (the “Lender”). The District’s reasonable expectation that the Installment Purchase Contract is not an “arbitrage bond” is based on Section 148 of the Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations (the “Regulations”).

1.3. The factual representations contained in this Tax Compliance Certificate are true and correct and, to the best of the knowledge, information and belief of the undersigned, the expectations contained in this Tax Compliance Certificate are reasonable.

1.4. The undersigned represents that the Board of Directors of the District (the “Board”) delegated the undersigned the responsibility of executing and delivering the Installment Purchase Contract or executing and delivering this Tax Compliance Certificate. The Installment Purchase Contract has been validly executed and delivered by the District pursuant to the terms of the Resolution of the District adopted by the Board on ~~September 27, 2021~~ (the “Resolution”). The terms used but not defined herein have the same meanings as defined in the Installment Purchase Contract.

1.5. Certifications with respect to, among other things, the price and yield calculations and average maturity of the Installment Purchase Contract are based on (a) calculations attached hereto as Exhibit B reviewed and approved by the District prepared using transaction numbers included with the Installment Purchase Contract and based on assumptions set forth in such calculations and (b) representations made by the Lender in the Lender’s Letter included in the transcript for the Installment Purchase Contract. The undersigned is not aware of any facts or circumstances that would cause the undersigned to question the accuracy of the calculations referred to in this paragraph or the representations made by the Lender.

1.6. Kutak Rock LLP, as bond counsel (“Bond Counsel”), is permitted to rely on the contents of any certification, document or instructions provided pursuant to this Tax Compliance Certificate and will not be responsible or liable in any way for the accuracy of their contents or the failure of the District to deliver any required information.

2. Purpose of the Installment Purchase Contract.

2.1. The District is executing and delivering the Installment Purchase Contract to provide funds to (a) accomplish the “Project,” consisting of acquiring and constructing certain improvements to the District’s water system, primarily consisting of a concrete enclosure for an existing District well (the “Financed Property”) and (b) paying costs of execution and delivery of the Installment Purchase Contract. The Sale Proceeds (defined below) of the Installment Purchase Contract to be used to finance the purposes described in this paragraph, together with any investment proceeds thereof, do not exceed the amount necessary, based on all the facts and circumstances known to the District on this date, to provide financing for such purposes.

2.2. The District does not expect that the plan of financing relating to the Installment Purchase Contract will result in the creation of any replacement proceeds within the meaning of Section 1.148-1(c) of the Regulations other than amounts, if any, to be deposited in a bona fide debt service fund or reasonably required reserve or replacement fund. The weighted average maturity of the Installment Purchase Contract (not greater than ___ years) does not exceed 120 percent of the combined average economic life of the Financed Property (*i.e.*, greater than ___ years), as calculated by the District and shown on Exhibit B hereto.

2.3. The District reasonably expects that at least 85 percent of the Sale Proceeds will be allocated to expenditures for capital projects for the Financed Property within three years of the date hereof. In addition, the District covenants that not more than 50 percent of the proceeds (within the meaning of Section 1.148-1(b) of the Regulations) of the Installment Purchase Contract will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

2.4. The financing represented by the Installment Purchase Contract is structured as a draw-down loan issue, as further described in the Installment Purchase Contract. Interest on the Installment Purchase Contract accrues to the extent the Lender transfers proceeds of the Installment Purchase Contract to the Project Fund or otherwise disburses proceeds. On the date hereof, the Lender will pay costs of execution and delivery of the Installment Purchase Contract in the amount of \$6,250 and will transfer \$49,750 to the Project Fund to fund a portion of the costs of the Project. The District reasonably expects that all the remaining proceeds of the Installment Purchase Contract will be disbursed by the Lender for the purposes described in Section 2.1 above within three years of the date hereof.

3. Source and Disbursement of Funds.

3.1. The proceeds from the execution and delivery by the District of the Installment Purchase Contract (referred to herein as the “Sale Proceeds” of the Installment Purchase Contract) equal \$255,000 (consisting of the par amount of the Installment Purchase Contract of \$250,000 plus additional costs of execution and delivery to be paid by the Lender). The District reasonably expects to need and fully expend (or cause to be spent) the Sale Proceeds as set forth below, notwithstanding any direct tracing or wire transactions:

- (a) \$248,750 will be deposited to the Project Fund pursuant to advances under the Installment Purchase Contract and used exclusively to pay the costs of acquiring and constructing the Financed Property; and

(b) \$6,250 will be used to pay costs of execution and delivery of the Installment Purchase Contract.

3.2. The District will not use any of the proceeds of the Installment Purchase Contract to reimburse the District for payments made by the District prior to the date hereof.

3.3. *The District covenants that it will not apply any portion of the proceeds of the Installment Purchase Contract to expenditures that are not capital expenditures. For example, the District will not use proceeds of the Installment Purchase Contract to make payroll payments or pay other operating expenses of the District.*

4. **Funds and Accounts and Limitations on Investment.**

4.1. **General.** The District covenants that amounts constituting gross proceeds (within the meaning of Section 1.148-1(b) of the Regulations) of the Installment Purchase Contract will not be invested at a yield in excess of the yield on the Installment Purchase Contract and will be subject to the rebate requirement described in Section 6 hereof (the "Rebate Requirement"), except as specifically provided in the following subsections or elsewhere in this Tax Compliance Certificate.

4.2. **Minor Portion.** The District acknowledges that a minor portion of the gross proceeds of the Installment Purchase Contract may be invested without yield restriction in an amount not exceeding the lesser of (a) \$100,000 or (b) five percent of the Sale Proceeds.

4.3. **Debt Service Account.** The Debt Service Account is established to achieve a proper matching of revenues with debt service payments to be made under the Installment Purchase Contract within each hereinafter defined Bond Year. Accordingly, the District will treat the amounts deposited in the Debt Service Account that are to be expended to make installment payments under the Installment Purchase Contract as the same become due and which will be depleted at least once each Bond Year (except for a reasonable carryover amount not to exceed the greater of (a) the earnings on the Debt Service Account for the immediately preceding Bond Year, or (b) one-twelfth of the installment payments under the Installment Purchase Contract for the immediately preceding Bond Year) as a bona fide debt service fund. It is reasonably expected that all amounts, if any, received by the District as income from the investment of the Debt Service Account will be expended to make installment payments under the Installment Purchase Contract within one year of receipt thereof. Such moneys may be invested without regard to investment yield limitation for a period of 13 months from the date of receipt, and thereafter, or at any time to the extent such amounts exceed the amounts described in this subsection, may not be invested in obligations bearing a yield in excess of the yield on the Installment Purchase Contract. To the extent required by the Code, such amounts are subject to the Rebate Requirement.

4.4. **Project Fund.** The Installment Purchase Contract establishes the Project Fund to account for the payment of the costs of acquiring and constructing the Financed Property. Amounts on deposit in the Project Fund are not expected to be used to make payments under the Installment Purchase Contract and there is no assurance that such amounts will be available to make payments under the Installment Purchase Contract in the event the District has insufficient revenues for such purpose. The District reasonably expects and represents as set forth below:

(a) All proceeds of the Installment Purchase Contract on deposit in the Project Fund will be allocated to expenditures for capital projects.

(b) At least 85 percent of the Sale Proceeds will be allocated to expenditures on capital projects within three years of the date hereof.

(c) The District will incur within six months of the date hereof a substantial binding obligation to a third party to expend at least five percent of the Sale Proceeds on capital projects. In making such representation, the District acknowledges that an obligation is not binding if it is subject to contingencies within the control of the District or a related party to the District.

(d) Completion of the capital projects referred to herein and the allocation of the Sale Proceeds to expenditures will proceed with due diligence.

Based on the expectations and representations of the District in this subsection, the District acknowledges and covenants as follows:

(a) The Sale Proceeds on deposit in the Project Fund may be invested without yield restriction until the date that is three years from the date hereof. The District will not thereafter invest any such Sale Proceeds in obligations that bear a yield in excess of one-eighth of one percent (0.125 percent) greater than the yield on the Installment Purchase Contract.

(b) Any investment proceeds from Sale Proceeds on deposit in the Project Fund may be reinvested without yield restriction pending disbursement. Such period of unrestricted investment may not exceed the longer of (i) a one-year period beginning on the date of receipt of such investment proceeds or (ii) the period ending on the date which is three years from the date hereof. After the period of unrestricted reinvestment of such investment proceeds, such investment proceeds may not be invested in obligations that bear a yield in excess of one-eighth of one percent (0.125 percent) greater than the yield on the Installment Purchase Contract.

4.5. ***Opinion of Bond Counsel.*** Notwithstanding the investment limitations described in the foregoing subsections, gross proceeds of the Installment Purchase Contract may be invested at a yield in excess of the yield on the Installment Purchase Contract to the extent the District receives an opinion of Bond Counsel to the effect that such investment at a greater yield will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

4.6. ***No Other Replacement Proceeds.*** Except to the extent set forth above in this Section, neither the District nor a related party to the District, nor any other substantial beneficiary of the Installment Purchase Contract has created or established and none of the foregoing persons are expected to create or establish any fund or account to make payments under the Installment Purchase Contract, or a debt service reserve fund or any other similar fund with respect to the Installment Purchase Contract, or a negative pledge or right of set-off in any funds, accounts or assets of the District. Further, there are no other funds that are reasonably expected to be used to make payments under the Installment Purchase Contract and for which there is a reasonable assurance that amounts on deposit therein or the investment income earned

thereon will be available to make payments under the Installment Purchase Contract if the District encounters financial difficulties. The District will not create or establish, and will not allow to be created or established, any such fund, account, negative pledge or right of set-off unless the District obtains an opinion of Bond Counsel to the effect that the creation or establishment of such fund, account, negative pledge or right of set-off will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

5. Price and Yield of the Installment Purchase Contract.

5.1. The Lender paid \$255,000 as consideration for the Installment Purchase Contract, consisting of the par amount of the Installment Purchase Contract of \$250,000 plus \$5,000 in additional costs of execution and delivery paid directly by the Lender. In the Lender's Letter included in the transcript for the Installment Purchase Contract, the Lender represented that it entered into the Installment Purchase Contract for its own account and not with a view to, or for resale in connection with, any distribution thereof or any part thereof, that it has not offered to sell, solicited offers to buy, or agreed to sell its rights, title and interests under the Installment Purchase Contract or any part thereof, and that it has no current intention of reselling or otherwise disposing the rights, title and interest under the Installment Purchase Contract. Based on such representations, the District acknowledges that the "issue price" of the Installment Purchase Contract, within the meaning of Section 1.148-1(f) of the Regulations, is equal to \$255,000.

5.2. As used in this Tax Compliance Certificate, the term "yield" refers to the discount rate which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the issue price of the obligation. The calculations of yield are to be made on the basis of semiannual compounding using a 360-day year and upon the assumption that payments are made on the last day of each semiannual interest payment period (unless a different reasonable standard financial convention is explicitly adopted in accordance with Section 1.148-4(a) of the Regulations). For the purpose of computing yield, the purchase price of any obligation is equal to the fair market value as of the date of a binding contract to acquire such obligation. The yield of the Installment Purchase Contract is not less than ___ percent.

6. Rebate Requirement.

6.1. The District represents that it will annually determine the amount, if any, required to be rebated to the United States of America under Section 148(f) of the Code. The District further represents that it will, not later than 60 days after the final payment under the Installment Purchase Contract, pay to the United States of America 100 percent of the amount required to be rebated under Section 148(f) of the Code. Each payment required to be paid to the United States of America is required to be filed with the Internal Revenue Service at such address and in such manner as the Internal Revenue Service may determine from time to time.

6.2. The District hereby selects each period from July 1 through June 30 of the following calendar year as a bond year (a “Bond Year”) for the Installment Purchase Contract, except that the first Bond Year will commence on the date hereof and the last Bond Year will end on the date the final payment under the Installment Purchase Contract is made.

6.3. The District reasonably expects that no unspent gross proceeds of the Installment Purchase Contract will be invested at a yield in excess of the yield of the Installment Purchase Contract. As a result of such expectation, the District reasonably expects to comply with the Rebate Requirement without any action following the date hereof. However, if for any reason such expectation is not met or if the District establishes any sinking fund or defeasance escrow for the Installment Purchase Contract, the District will comply with the Rebate Requirement after consulting with Bond Counsel.

7. **Miscellaneous.**

7.1. ***Political Subdivision.*** The District exists under and by virtue of the Community Services District Law (codified as Division 3 of the Government Code, commencing with Section 61000), for the purposes of, among other things, supplying water, collecting, treating or disposing of sewage and collecting, transferring and disposing of solid waste. The District is a political subdivision of the State of California in that it possesses substantial eminent domain powers within and outside of the District.

7.2. ***No Other Issues.*** The District represents that it has not sold and covenants that it will not sell any other obligations of the District, the interest on which is intended to be excludable from gross income for federal income tax purposes (including, without limitation, any notes, bonds, lease obligations, loans or installment purchase obligations) during the 31-day period beginning 15 days prior to the first date on which the Lender agreed in writing to execute and delivery the Installment Purchase Contract (which was the date hereof), which are being sold pursuant to the same plan of financing as the Installment Purchase Contract and which are payable from the same source of funds from which the payments under the Installment Purchase Contract are payable. On the date hereof, the District is executing two other installment purchase contracts with the Lender, each of which is payable from and secured by collateral and sources of repayment that materially differ from the repayment sources and collateral securing the Installment Purchase Contract.

7.3. ***Fair Market Value of Expenditures; Bona Fide Transactions.*** The District will not allocate proceeds of the Installment Purchase Contract to expenditures for capital projects in amounts that are in excess of the fair market value of services or improvements for which costs of such capital projects are incurred. The District will not enter into any agreements or conduct any transactions relating to the Installment Purchase Contract unless such agreements or transactions result from bona fide, arm’s-length negotiations.

7.4. ***No Change in Ownership of the Financed Property.*** The District intends and expects that it will own and use the Financed Property at all times during the term of the Installment Purchase Contract. The District does not know of any reason why the Financed Property will not be so owned and used in the absence of (a) supervening circumstances not now anticipated by it, (b) adverse circumstance beyond its control or (c) obsolescence of such insubstantial parts or portions thereof as may occur as a result of normal use thereof. The

District will not change the use, ownership or nature of any portion of the proceeds of the Installment Purchase Contract or the Financed Property so long as the Installment Purchase Contract remains outstanding unless, in the written opinion of Bond Counsel, such change will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes, except that the District may without an opinion (but subject to any applicable provisions of the Installment Purchase Contract) sell or otherwise dispose of minor parts or portions of the Financed Property as may be necessary due to normal wear, tear or obsolescence. As of the date hereof, there is no more than a remote possibility, if any, that the Financed Property will be transferred to a non-Exempt Person during the period beginning on the date hereof and ending on the date the Installment Purchase Contract terminates. "Exempt Person" means any state or a local governmental unit of any state established pursuant to state law.

7.5. Representations as to Limits on the Use of Proceeds. To ensure that interest on the Installment Purchase Contract is excludable from gross income for federal income tax purposes, the District covenants, represents and acknowledges, as applicable, as follows:

(a) The District will not take or permit to be taken any action which would cause the Installment Purchase Contract to be deemed a private activity bond under the Code. The Installment Purchase Contract will be considered a "private activity bond" in the following circumstances:

(i) if the private business use test defined in (b) below is met and the private security or payment test defined in (c) below is met); or

(ii) if more than the lesser of \$5,000,000 or five percent of the proceeds of the Installment Purchase Contract is loaned to non-Exempt Persons (referred to as the "private loan financing test").

(b) The "private business use test" is met if more than ten percent of the proceeds of the Installment Purchase Contract or the Financed Property is used directly or indirectly in the business of a nongovernmental person (*i.e.*, in a "private business use"). No more than five percent of any such private business use may be disproportionate or unrelated to the Financed Property. Except as otherwise described in this clause (b), the District will not allow the Financed Property to be used hereafter in the trade or business of any person that is a non-Exempt Person unless it obtains an opinion of Bond Counsel that such use would not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

The District acknowledges that in determining whether all or any portion or function of the Financed Property is used, directly or indirectly, in the trade or business of a non-Exempt Person, use of any portion or function of the Financed Property by a non-Exempt Person pursuant to a lease, sublease, management contract, research contract, service contract or other arrangement must be examined. A lease, sublease, management contract, research contract, service contract or other arrangement between the District and a non-Exempt Person with respect to the Financed Property or any portion or function thereof will not result in private trade or business use of a non-Exempt Person if the guidelines set forth in the Regulations, Rev. Proc. 2017-13 (or

subsequent or supplemental guidance, including I.R.S. Notice 2014-67) or Rev. Procs. 97-14 or 2007-47 (or subsequent guidance) are met or an approving opinion of Bond Counsel is delivered to the District.

For purposes of the private business use test, certain incidental uses of a facility may be disregarded to the extent that the proceeds of the Installment Purchase Contract which result in the incidental use do not exceed 2-1/2 percent of the total proceeds of the Installment Purchase Contract. The use of the Financed Property by a person will be treated as an incidental use if such use does not involve the transfer to such person of possession and control of space that is separated physically from other areas of the facility and is not related to any other use of the facility by the same person.

The District acknowledges that arrangements with third parties including, but not limited to, arrangements involving solar panel, cell tower or wind turbine installations upon the Financed Property, or similar direct or indirect uses by third parties of the Financed Property may cause the Installment Purchase Contract to meet the private business use test or the private security or payment test. The District should contact Bond Counsel to discuss the impact of any such proposed arrangements upon the tax status of the Installment Purchase Contract and other obligations issued or executed and delivered by or on behalf of the District from time to time.

(c) The “private security or payment test” is met if more than ten percent of the debt service on the Installment Purchase Contract is directly or indirectly (i) secured by any interest in property used in a private business use or (ii) derived from payments made with respect to property used in a private business use. In the event that proceeds of the Installment Purchase Contract or the Financed Property are to be used for any private business use that is not related (or is disproportionate) to any governmental use of such proceeds or Financed Property (and to payments, property and borrowed money with respect to any such private business use), the covenant in (a) above concerning the private security or payment test will apply but not more than the lesser of five percent (rather than ten percent) of the Installment Purchase Contract may be so secured.

In determining whether the private security or payment test is met, the District will compare the present value of the payments taken into account to the present value of the debt service to be paid over the term of the Installment Purchase Contract. Debt service will include reasonable credit enhancement fees but will not include any amount to be paid from proceeds of the Installment Purchase Contract. For example, debt service will not include accrued or funded interest or other amounts to be paid with proceeds of the Installment Purchase Contract. For purposes of the discount rate to be applied in such present value calculations, the yield of the Installment Purchase Contract will be used.

Payments taken into account in determining whether the private security or payment test is met will include payments made for any private business use and payments in respect of the Financed Property. However, any payment that is properly allocable to the payment of ordinary or necessary expenses directly attributable to the operation and maintenance of the Financed Property (other than general overhead or administrative expenses) will not be included as a payment taken into account. Similarly, payments by a person for use of proceeds of the Installment Purchase Contract or the

Financed Property will only be included to the extent that the present value of such payments does not exceed the present value of the debt service allocable to that person's use of proceeds of the Installment Purchase Contract or the Financed Property. For example, if ten percent of the proceeds of the Installment Purchase Contract were used by a person, payments by such person would not be taken into account to the extent that the present value of such payments exceeded the present value of ten percent of the debt service on the Installment Purchase Contract.

7.6. **Representations Concerning Federal Guarantees.** The District represents and covenants that the Installment Purchase Contract is not and will not become directly or indirectly federally guaranteed. Unless otherwise excepted under Section 149(b) of the Code, the Installment Purchase Contract will be considered to be "federally guaranteed" if (i) any payment obligation of the District under the Installment Purchase Contract is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof), (ii) five percent or more of the proceeds of the Installment Purchase Contract is (A) used in making loans the payment of principal or interest with respect to which is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof) or (B) invested (directly or indirectly) in federally insured deposits or accounts, or (iii) any payment obligation of the District under the Installment Purchase Contract is otherwise indirectly guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof).

7.7. **Output Facilities.** The District covenants that, to the extent the Financed Property will consist of water transmission lines, water storage facilities or similar water-related improvements, such improvements will be owned entirely by the District and all output of such improvements will be used in the District's water system. The District acknowledges that arrangements for the purchase of output by a non-Exempt Person from an output facility (such as the water transmission lines and storage facilities described in this section) may cause obligations such as the Installment Purchase Contract to meet the private business tests described above unless (among other exceptions) (a) the annual payments under such arrangement do not exceed one percent of the average annual debt service on all outstanding tax-exempt obligations issued or executed and delivered to finance or refinance the facility or (b) the term of the arrangement, including all renewal options, is not longer than three years, the arrangement is either a negotiated, arm's-length arrangement that provides for compensation at fair market value, or is based on generally applicable and uniformly applied rates, and the facility is not financed for a principal purpose of providing that facility for use by that nongovernmental person. The District represents that it does not currently have any such arrangements. The District agrees to consult with Bond Counsel in the event the District intends to enter into any such arrangements with respect to the Financed Property.

7.8. **Representations for Purposes of IRS Form 8038-G.** The District represents, for the benefit of Bond Counsel and the Lender, that it has reviewed the Internal Revenue Form 8038-G prepared by Bond Counsel and that the information contained therein is true, complete and correct to the best knowledge of the District as of the date hereof. The District's federal employer identification number for purposes of the filing of such Internal Revenue Form 8038-G is 94-1614312. The District hereby directs Bond Counsel to file the Internal Revenue Form 8038-G with the Internal Revenue Service once the Installment Purchase Contract has been executed and delivered and once such form has been signed by a representative of the District.

7.9. **Additional Tax Covenants.** To ensure that interest on the Installment Purchase Contract is and remains excludable from gross income for federal income tax purposes, the District represents and covenants to comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or the Internal Revenue Service with respect to obligations described in Section 103 of the Code, such as the Installment Purchase Contract.

7.10. **Post-Issuance Compliance Policy.** The District has attached as Exhibit A hereto its post-issuance compliance policy. The District agrees to comply with such policy in connection with the Installment Purchase Contract and any other tax-advantaged bonds, notes, leases, loans or similar types of obligations heretofore or hereafter issued, reissued or executed and delivered by it.

8. **Qualified Tax-Exempt Obligation.** In Section 3 of the Resolution, the District heretofore designated the installment payments (and therefore the Installment Purchase Contract) as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. The District confirms such designation of the Installment Purchase Contract as a “qualified tax-exempt obligation” and covenants that the aggregate face amount of all tax-exempt obligations issued or executed and delivered by the District, together with governmental entities which derive their issuing authority from District or are subject to substantial control by the District, will not be more than \$10,000,000 during calendar year 2021. The District recognizes that such tax-exempt obligations include notes, leases, loans and warrants, as well as bonds.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has set the undersigned's hand to this Tax Compliance Certificate as of the date first written above.

MCCLLOUD COMMUNITY
SERVICES DISTRICT

By _____
Amos McAbier, General Manager

[Signature Page to Tax Compliance Certificate]

EXHIBIT A
TO TAX COMPLIANCE CERTIFICATE
POST-ISSUANCE TAX COMPLIANCE
AND REMEDIAL ACTION PROCEDURES

Adopted October __, 2021

The McCloud Community Services District (the “District”) hereby adopts the procedures described herein (the “Procedures”) as its written procedures for post-issuance tax compliance and remedial action applicable to tax-advantaged loans, bonds, notes, leases, certificates of participation or similar obligations (collectively, “Obligations”) heretofore and hereafter issued or executed and delivered by it or on its behalf. These Procedures are intended to supplement any previous post-issuance tax compliance and remedial action procedures that may have been adopted by the District and any procedures evidenced in writing by any tax document for any Obligations heretofore or hereafter issued, entered into or executed and delivered by it or on its behalf, the related information returns filed in connection with any Obligations and the instructions to such information returns.

1. **Responsible Person.** The District has assigned to the General Manager of the District (the “Responsible Person”), currently Amos McAbier, the responsibility for ensuring post-issuance tax and remedial action compliance with the requirements of any tax and financing documents for Obligations. This responsibility is included in the job description for the Responsible Person, and such person has or will review any prior post-issuance tax compliance and remedial action procedures, these Procedures, any tax documents for any Obligations heretofore or hereafter issued, entered into or executed and delivered by it or on its behalf, the related information returns, if any, filed in connection with any Obligations (such as Internal Revenue Service Forms 8038-G) and the instructions to such information returns, and consult with bond or tax counsel and other professionals as needed.

2. **Succession Planning.** The District will ensure that, when the current Responsible Person leaves such person’s current position at the District, the responsibility for financing and tax covenant compliance will be explained in detail to his or her successor, such successor will be provided compliance training (as further described in the following section).

3. **Training.** Compliance training for the Responsible Person should include, among other things, annual meetings with bond counsel to discuss monitoring compliance with applicable tax laws and attendance at post-issuance tax compliance trainings organized by applicable industry organizations.

4. **Procedures for Timely Expenditure of Proceeds.** The District understands that at least 85 percent of the net sale proceeds of new money Obligations must be spent to carry out the projects financed with the proceeds of the Obligations within three years of the date such Obligations are originally issued, entered into or executed and delivered. The District will treat as “sale proceeds” any amounts actually or constructively received by the District from issuance or execution and delivery of the Obligations, including amounts used to pay accrued interest other than pre-issuance accrued interest. “Net sale proceeds” means the sale proceeds less any

amounts deposited into reasonably required reserve or replacement or rental payment reserve funds. The District has established or will establish reasonable accounting procedures for tracking and reporting to the Responsible Person the expenditure of net sale proceeds.

5. **Compliance with Arbitrage Yield Restriction and Rebate Requirements.** The Responsible Person will create a system to ensure that for all applicable Obligations, not less than six months prior to each five-year anniversary of the closing date for Obligations, the District will retain an arbitrage rebate consultant to prepare a report determining the yield of the Obligations under the Internal Revenue Code of 1986, as amended (the “Code”), and whether there is any amount owed to the Internal Revenue Service under Section 148 of the Code.

6. **Ongoing Procedures.** The Responsible Person will review any prior procedures, these Procedures, tax and financing documents relating to Obligations, information returns for obligations and related instructions to such information returns, and the status and use of the obligation-financed or refinanced property *on at least an annual basis and at the following intervals*: (a) six months prior to each five-year anniversary of the issue or execution and delivery date of the Obligations; (b) within 30 days of the date the Obligations are finally retired, defeased, refunded or terminated; (c) when any rebate payment is made; (d) when property financed or refinanced with proceeds of Obligations is Placed in Service; (e) if the District determines that property planned to be financed or refinanced with proceeds of Obligations will not be completed; and (f) if any of the representations, statements, circumstances or expectations of the District that are set forth in the tax or financing documents for Obligations are no longer true, have changed or have not come to pass as described in such documents. This review will be made for the purposes of identifying any possible violation of federal tax requirements related to Obligations and to ensure the timely correction of those violations pursuant to the remedial action provisions outlined below or through the Voluntary Closing Agreement Program. If any possible violation is identified, the Responsible Person will notify the District and the District’s counsel or the District’s bond counsel so that any existing or expected violation can be corrected.

7. **Additional Policies and Procedures.** The District acknowledges that certain types of Obligations, such as tax credit obligations, may have special rules regarding the timely expenditure of proceeds, arbitrage yield restriction and rebate requirements and remediation requirements, all of which will be described in the tax certificates for the Obligations. Such rules are incorporated herein (except to the extent that these Procedures have been revised to incorporate any of such rules), and the District agrees to follow such rules with respect to Obligations, if applicable.

8. **Recordkeeping.** The Responsible Person will develop and implement a system for maintaining records relating to these Procedures. Such records must be kept and maintained for the life of the related Obligations, and any Obligations that refund or refinance such obligations, plus at least four years (or such longer period as may be required in related tax documents for such obligations). These records may be maintained on paper, by electronic media or by any combination thereof.

9. **Procedures to Comply with Remediation Requirements.** The Responsible Person will establish and maintain a system for tracking and monitoring the use of the property financed or refinanced with the proceeds of Obligations to ensure that the use of all of such

property will not violate the private business tests or the private loan financing test under Section 141 of the Code. If, after the issuance or execution and delivery of Obligations, the use of the property financed or refinanced with the proceeds of Obligations changes so that the private business tests or the private loan financing test would be met, or if another violation of these procedures occurs which requires correction, the District will, in connection with consulting bond counsel, undertake a closing agreement through the Voluntary Closing Agreement Program of the Internal Revenue Service or take one of the remedial actions described in the next section, if available.

10. **Remedial Action Procedures.** If a deliberate action is taken with respect to the Obligations and the property financed or refinanced by the Obligations (the “Financed Property”) subsequent to the issuance or execution and delivery of the Obligations which action is not in compliance with the tax requirements of the Code or Regulations (a “Deliberate Action”), then the Responsible Person should consult with bond counsel regarding permissible remedial actions that may be taken to remediate the effect of any such Deliberate Action upon the federal tax status of the Obligations. Possible remedial actions, and the conditions to taking any such remedial actions, include (but are not necessarily limited to) the actions described below.

(a) Conditions to Remedial Actions. None of the remedial actions described in (b) below are available to remediate the effect of any Deliberate Action with respect to the Obligations and the Financed Property unless the following conditions have been satisfied and unless bond counsel advises otherwise:

(i) the District reasonably expected on the date the Obligations were originally issued or executed and delivered that the Obligations would meet neither the private business tests nor the private loan financing test of Section 141 of the Code and the Regulations thereunder for the entire term of the Obligations (such expectations may be based on the representations and expectations of the applicable conduit borrower, if there is one);

(ii) the average weighted maturity of the Obligations did not, as of such date, exceed 120 percent of the average economic life of the Financed Property;

(iii) unless otherwise excepted under the Regulations, the District delivers a certificate, instrument or other written records satisfactory to bond counsel demonstrating that the terms of the arrangement pursuant to which the Deliberate Action is taken is bona fide and arm’s-length, and that the non-exempt person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

(iv) any disposition must be made at fair market value and any Disposition Proceeds (defined below) actually or constructively received by the District as a result of the Deliberate Action must be treated as gross proceeds of the Obligations and may not be invested in obligations bearing a yield in excess of the yield of the Obligations subsequent to the date of the Deliberate Action; and

(v) Proceeds of the Obligations affected by the remedial action must have been allocated to expenditures for the Financed Property or other allowable governmental purposes before the date on which the Deliberate Action occurs (except to the extent that redemption or defeasance, if permitted, is undertaken, as further described in (b)(i) below).

“Disposition Proceeds,” as such term is used in this section 10, means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange or other disposition of property (other than investments) financed with the proceeds of the Obligations.

(b) Types of Remedial Action. Subject to the conditions described in (a) above, and only if the District obtains an opinion of bond counsel prior to taking any of the actions below to the effect that such actions will not adversely affect the excludability of interest on the Obligations from gross income for federal income tax purposes, remedial actions including but not limited to those listed below may be available to remediate a Deliberate Action subsequent to the issuance of the Obligations:

(i) *Redemption or Defeasance of Obligations.*

(A) If the Deliberate Action causing either the private business use test or the private loan financing test of Section 141 of the Code and the Regulations thereunder to be satisfied consists of a fair market value disposition of any portion of the Financed Property exclusively for cash, then the District may allocate the Disposition Proceeds to the redemption of Nonqualified Obligations (defined below) *pro rata* across all of the then-outstanding maturities of the Obligations at the earliest call date of such maturities of the Obligations after the taking of the Deliberate Action. If any of the maturities of the Obligations outstanding at the time of the taking of the Deliberate Action are not callable within 90 days of the date of the Deliberate Action, the District may (subject generally to the limitations described in (C) below) allocate the Disposition Proceeds to the establishment of a Defeasance Escrow (defined below) for any such maturities of the Obligations within 90 days of the taking of such Deliberate Action.

(B) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the District may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from gross income for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance Escrow within 90 days of the date of the Deliberate Action for all of the maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

(C) If a Defeasance Escrow is established for any maturities of Nonqualified Obligations that are not callable within 90 days of the date of the Deliberate Action, written notice must be provided to the Commissioner of Internal Revenue Service at the times and places as may be specified by applicable regulations, rulings or other guidance issued by the Department of the Treasury or the Internal Revenue Service. Note that the ability to create a Defeasance Escrow applies only if the Obligations to be defeased and redeemed all mature or are callable within ten and one-half (10.5) years of the date the Obligations are originally issued or executed and delivered. If the Obligations are not callable within ten and one-half years, and none of the other remedial actions described below are applicable, the remainder of this section 10 is for general information only, and bond counsel must be contacted to discuss other available options.

“Nonqualified Obligations,” as such term is used in this section 10, means that portion of the Obligations outstanding at the time of a Deliberate Action in an amount that, if the outstanding Obligations were issued or executed and delivered on the date on which the Deliberate Action occurs, the outstanding Obligations would not satisfy the private business use test or the private loan financing test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the Deliberate Action.

“Defeasance Escrow,” as such term is used in this section 10, means an irrevocable escrow established to redeem Obligations on their earliest call date in an amount that, together with investment earnings thereon, is sufficient to pay all the principal of, and interest and call premium on, obligations from the date the escrow is established to the earliest call date. A Defeasance Escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the obligations.

(ii) *Alternative Use of Disposition Proceeds.* Use of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to the Obligations:

(A) the Deliberate Action consists of a disposition of all or any portion of the Financed Property for not less than the fair market value thereof for cash;

(B) the District reasonably expects to expend the Disposition Proceeds resulting from the Deliberate Action within two years of the date of the Deliberate Action;

(C) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the private activity bond tests;

(D) no action is taken after the date of the Deliberate Action to cause the private activity bond tests to be satisfied with respect to the Obligations, the Financed Property or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Regulations); and

(E) Disposition Proceeds used in a manner that satisfies the private activity bond tests or which are not expended within two years of the date of the Deliberate Action must be used to redeem or defease Nonqualified Obligations in accordance with the requirements set forth in (i) above.

(iii) *Alternative Use of Facilities.* The District may be considered to have taken sufficient remedial actions to cause the Obligations to continue their applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

(A) the portion of the Financed Property subject to the Deliberate Action is used for a purpose that would be permitted for qualified tax-exempt obligations;

(B) the disposition of the portion of the Financed Property subject to the Deliberate Action is not financed by a person acquiring the Financed Property with proceeds of any obligation the interest on which is exempt from gross income under Section 103 of the Code for purposes of federal income taxation; and

(C) any Disposition Proceeds other than those arising from an agreement to provide services (including Disposition Proceeds arising from an installment sale) resulting from the Deliberate Action are used to pay the debt service on the Obligations on the next available payment date or, within 90 days of receipt thereof, are deposited into an escrow that is restricted as to the investment thereof to the yield of the Obligations to pay debt service on the Obligations on the next available payment date.

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the private security or payment test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

* * *

**INSTALLMENT PURCHASE CONTRACT
(WATER)**

between the

MCCLLOUD COMMUNITY SERVICES DISTRICT

and

FIVE STAR BANK

Dated as of September 1, 2021

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INSTALLMENT PURCHASE CONTRACT (WATER)

This **INSTALLMENT PURCHASE CONTRACT (WATER)**, dated as of ~~September 1, 2021~~ (this “Installment Purchase Contract”), is entered into by and between the **MC CLOUD COMMUNITY SERVICES DISTRICT** (the “District”), a community services district duly organized and validly existing under the laws of the State of California (the “State”), and **FIVE STAR BANK** (the “Lender”), a banking corporation duly organized and validly existing under the laws of the State.

W I T N E S S E T H:

WHEREAS, the District is authorized by the laws of the State of California, including, but not limited to Section 61060, subdivision (d) of the California Government Code, to purchase, or lease, or otherwise acquire, hold and enjoy, and lease or dispose of, real and personal property of every kind within or without the District through the execution of installment purchase contracts;

WHEREAS, the District proposes to finance certain improvements to the District’s water system, as more particular described in Exhibit A hereto (the “Project”);

WHEREAS, the District has requested and the Lender has agreed to assist the District in the financing of the Project;

WHEREAS, in order to finance the Project, the District is entering into this Installment Purchase Contract, pursuant to which the District will sell the Project to the Lender, but only to the extent the components of the Project can be legally transferred by the District;

WHEREAS, in order to provide moneys to pay the costs of acquiring, constructing and improving the Project, the District proposes to purchase the Project pursuant to this Installment Purchase Contract;

WHEREAS, the District has determined it is in the best interests of the District, and it is necessary and proper for the District’s purposes, that the District acquire the Project from the Lender in the manner described herein for the purposes of financing the Project as described herein, and that the District pay the Lender for the costs of acquiring the Project in the manner described herein;

WHEREAS, the District and the Lender have duly authorized the execution of this Installment Purchase Contract; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Installment Purchase Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Contract.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER

GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE I.
DEFINITIONS

Section 1.01. Definitions.

Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Acquisition,” “Acquire,” or “Acquired” means, with respect to the Project or the Enterprise, the acquisition or perfection of an ownership or capacity interest in the Project or the Enterprise, or the construction, financing, refinancing or ownership of the Project or the Enterprise.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid for the Acquisition of the Project.

“Advance” means each advance made by the Lender, pursuant to this Installment Purchase Contract, to the District, in accordance with the procedures set forth herein, on the Draw Down Date set forth on Exhibit B attached hereto in the amount set forth opposite such Draw Down Date, subject to the terms and conditions of this Installment Purchase Contract.

“Available Commitment” means, on the Closing Date, an initial amount equal to \$250,000.00 less the initial Advance of \$51,000.00 on the Closing Date, and thereafter as adjusted from time to time as follows: (a) downward in an amount equal to any Advance (other than the initial Advance) made hereunder; and (b) downward to zero upon termination of the Commitment in accordance with the terms hereof.

“Authorized Officer” means the President of the Board of Directors of the District or the General Manager of the District.

“Bond Counsel” means Kutak Rock LLP or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California.

“Closing Date” means ~~September []~~, 2021.

“Commitment” means the obligation of the Lender, pursuant to this Installment Purchase Contract, to make future Advances of the unfunded portion of the Available Commitment and/or to make Disbursements of amounts on deposit in the Project Fund subject to the terms and conditions of this Installment Purchase Contract.

“Commitment Termination Date” means the earliest to occur of (a) August 31, 2024, and (b) the date that Commitment terminates or the date the Available Commitment is reduced to zero in accordance with the terms hereof.

“Debt Service Account” means the account established in Section 3.04 hereof.

“Default Rate” means the then applicable interest rate on the principal amount of the Installment Payments plus 5.00% per annum.

“Determination of Taxability” means (a) the occurrence of any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, will adversely affect the tax-exempt status of the interest component of the Installment Payments, (b) the failure to take any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, is necessary to preserve the exemption from income taxation of the interest component of the Installment Payments, (c) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest component of the Installment Payments is includable for federal income tax purposes in the gross incomes of the recipients thereof, or (d) the enactment of federal legislation that would cause the interest component of the Installment Payments to be includable for federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed (and is pending) and the time for filing such right of appeal or action has expired.

“District” means McCloud Community Services District, a community services district duly organized and existing under the constitution and laws of the State, and its successors and assigns.

“Draw Down Date” means each date for funding an Advance set forth on the draw down schedule attached as Exhibit B hereto, as such Exhibit B may be modified by the Lender.

“Due Date” means the date three (3) Business Days prior to an Installment Payment Date.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, e-mail or other similar electronic means of communication confirmed by writing or written transmission.

“Enterprise” means the District’s water system, including all facilities, works, properties and structures of the District for the collection, treatment, transmission, storage, and distribution of water and/or production of hydroelectric power, including all contractual rights to water supplies, transmission capacity supply, easements, rights-of-way and other works, property or structures necessary or convenient for such facilities, together with all additions, betterments, extension and improvements to such facilities or any part thereof hereafter acquired or constructed.

“Event of Default” means an event of default described in Section 7.01.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive

Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar Laws and Regulations and any so-called local, state or federal “superfund” or “superlien” law and any other applicable state, local or federal environmental laws or regulations.

“Federal Securities” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of public projects; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District other than as purchaser of any Parity Debt; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Fiscal Year” means the twelve-calendar month period ending on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for community service districts in the State of California, or failing the prescription of such procedures means Generally Accepted Accounting Principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“Gross Revenues” means for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges) received by the District for Water Service and the other

services of the Enterprise and all other income and revenue howsoever derived by the District from the ownership and operation of the Enterprise or arising from the Enterprise, and also including all income from the deposit or investment of any money in the Revenue Fund but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such appointed and paid by the District, and each of whom--

1. is in fact independent and not under the domination of the District;
2. does not have a substantial financial interest, direct or indirect, in the operations of the District; and
3. is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to the Enterprise, appointed and paid by the District, and who or each of whom (1) is in fact independent and not under the domination of the District, (2) does not have a substantial financial interest, direct or indirect, in the operations of the District, and (3) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to make reports to the District.

“Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to this Installment Purchase Contract for the purposes and as described in Section 3.01 hereof in the amounts on the dates designated in Exhibit B to this Installment Purchase Contract.

“Installment Payment Date” means the first Business Day of each month.

“Insurance Consultant” means (a) the Risk Manager for the District or (b) any insurance consultant or firm of insurance consultants generally recognized to be well qualified in insurance consulting matters relating to the Enterprise and other municipal systems, appointed and paid by the District, and who or each of whom (1) is in fact independent and not under the control of the District, (2) does not have a substantial financial interest, direct or indirect, in the operations of the District, and (3) is not connected with the District as a Board member, officer, or employee of the District, but may regularly be retained to make reports to the District.

“Lender” means Five Star Bank, a banking corporation organized and existing under the laws of the State, and its successors and assigns.

“Maintenance and Operation Costs” of the Enterprise means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of

management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums, and all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof, such as fees and expenses of Independent Certified Public Accountants, Independent Engineers, Fiscal Consultants and Insurance Consultants, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the District which are not reimbursements or payments for overhead or other administrative expenses incurred by the District.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Installment Purchase Contract or to meet or perform its obligations under this Installment Purchase Contract on a timely basis, (c) the validity or enforceability of this Installment Purchase Contract , or (d) the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (a) if determined adversely to the District, may have a Material Adverse Effect; (b) seek to restrain or enjoin any of the transactions contemplated hereby or by this Installment Purchase Contract; or (c) may adversely affect (i) the exclusion of interest with respect to the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes; or (ii) the ability of the District to perform its obligations under this Installment Purchase Contract.

“Maturity Date” means September 1, 2024.

“Net Proceeds” means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all reasonable expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any period, all Gross Revenues during such period less all Maintenance and Operation Costs during such period.

“Outstanding” means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI.

“Parity Debt” means any bonds, notes or other obligations of the District payable from and secured by a pledge of and lien on a parity with the Installment Payments, which are hereafter issued or incurred by the District in accordance with Section 5.09.

“Parity Debt Documents” means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt.

“Permitted Investments” means any certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by Federal Deposit Insurance Corporation, and any other investment approved by the Lender that is a legal investment under the laws of the State for the moneys proposed to be invested therein.

“Project” means the additions, betterments, extensions and improvements to the District’s Enterprise as described in Exhibit A hereto.

“Revenue Fund” means the fund maintained by the District into which it deposits Gross Revenues.

“State” means the State of California.

“State Grant” means the grant from the State of \$500,000.00 to reimburse the District for the Acquisition of the Project.

“Taxable Rate” means a per annum interest rate equal to 4.25%.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

“Water Service” means the services furnished, made available, or provided by the Enterprise for the collection, treatment, transmission, storage, and distribution of water and production of hydroelectric power.

ARTICLE II. ACQUISITION OF THE PROJECT

Section 2.01. Acquisition of the Project.

The parties hereby confirm that the District currently has the rights to acquire title to the Project. The Lender agrees to use or permit the use of the proceeds received by the District pursuant to the terms of this Installment Purchase Contract for the payment, as herein provided, of the costs and expenses of the Acquisition of the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by it for the account of the Lender, including costs and expenses paid by the District prior to the date hereof).

The Lender, on the Closing Date, agrees to act as follows:

(i) The amount of \$49,750.00, representing the initial Advance by the Lender of \$51,000.00, less the Lender’s origination fee with respect to the Installment Payments of \$1,250.00, shall be deposited by the Lender into the Project Fund.

Pursuant to the terms of this Installment Purchase Contract, the District agrees to sell to the Lender all of its right, title and interest in and to the Project, but only to the extent the components of the Project may be legally transferred by the District, and the Lender agrees to purchase, from

the District, from time to time components of the Project on the Draw Down Dates set forth on the draw down schedule attached as Exhibit B hereto, in the manner and in accordance with the provisions of this Installment Purchase Contract. In consideration for the Installment Payments as set forth in Article III, the Lender agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Lender, from time to time components of the Project on the Draw Down Dates set forth on the draw down schedule attached as Exhibit B hereto, at the purchase prices set forth opposite such Draw Down Date on the draw down schedule attached as Exhibit B hereto and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract.

Subject to the terms and conditions of this Installment Purchase Contract and in reliance upon the representations, warranties and agreements set forth herein, including without limitation satisfaction of the conditions set forth below, the Lender agrees to make Advances to the District, on each Draw Down Date set forth on Exhibit B attached hereto occurring after the Closing Date and prior to the Commitment Termination Date, in the amount set forth opposite such Draw Down Date set forth on Exhibit B attached hereto (which shall be the purchase price of such component of the Project) but in any event not to exceed at any time outstanding the then-outstanding Available Commitment, in accordance with the procedures set forth below. The obligation of the Lender to make an Advance on any date is subject to the following conditions precedent: (a) all representations and warranties of the District set forth in this Installment Purchase Contract are true and correct as though made on the corresponding Draw Down Date, no Default or Event of Default shall have occurred and be continuing, and no event or change shall be in effect or shall have occurred that could reasonably be expected to have a Material Adverse Effect; (b) the Commitment and the obligation of the Lender to make Advances hereunder shall not have terminated pursuant to the terms of this Installment Purchase Contract; and (c) the aggregate amount of the Advance does not exceed the Available Commitment. Unless the District shall have otherwise previously advised the Lender in writing, the District shall be deemed to represent and warrant on each Draw Down Date that each such condition is satisfied on such Draw Down Date.

Subject to satisfaction of the conditions precedent set forth above, the Lender shall fund each Advance upon receipt from the District of a written request to make an Advance indicating the amount of such Advance and the date the Advance is to be made, which shall, unless waived by the Lender, be a date that is at least three (3) Business Days after the receipt by the Lender of the District's written request. The Lender, on each Draw Down Date, agrees to deposit in the Project Fund the proceeds of the Advance made by the Lender pursuant to this Installment Purchase Contract. Upon funding of each Advance, the District agrees to sell to the Lender, and the Lender agrees to purchase from the District, the component of the Project with respect to the related Draw Down Date.

The District hereby covenants to use the proceeds received from the Lender pursuant to the Advances for the costs and expenses of the Project. The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project.

All right, title and interest in each component of the Project purchased and sold in connection with an Advance shall vest in the Lender immediately upon funding of such Advance. Such vesting shall occur without further action by the Lender or District, and the Lender shall, if

requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

In the event the Lender fails to observe or perform any agreement, condition, covenant or term contained herein required to be observed or performed by it, the District may institute such action or proceeding against the Lender as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District may, at its own cost and expense and in its own name or in the name of the Lender, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to protect or secure its rights hereunder, and in such event the Lender agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Lender in any action or proceeding if the District shall so request.

Section 2.02. Indemnification and Expenses of the Lender.

The District shall, to the extent permitted by law, indemnify and save the Lender, and its respective officers, agents, directors and employees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (a) the acceptance and performance of its duties hereunder, (b) the purchase or Acquisition of the Project or the District's use, maintenance, condition, management or operation of, or from any work or thing done on, the Project or the Enterprise by the District, including injury or damages to any persons or property arising therefrom, (c) any breach or default on the part of the District in the performance of any of its obligations under this Installment Purchase Contract, (d) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Enterprise, or (e) any environmental claims or issues. No indemnification is made under this Section for willful misconduct or negligence by the Lender or its officers, agents, directors or employees. The provisions of this Section shall continue in full force and effect, notwithstanding the termination of the term of this Installment Purchase Contract for any reason.

Section 2.03. District to Acquire Project; Lender not Liable.

The District shall cause the Acquisition of the Project to be completed as soon as is reasonably practicable and in accordance with this Installment Purchase Contract and any applicable requirements of governmental authorities and law. The Lender and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Lender be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

Section 2.04. Disclaimer of the Lender.

The District acknowledges and agrees that the Lender makes no representation or warranty, express or implied, as to the Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise,

the Project or the transactions contemplated hereby, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Lender are hereby waived by the District.

Section 2.05. Project Fund.

The District hereby agrees to establish and maintain the Project Fund until the completion of the Acquisition of the Project. On the Closing Date, \$49,750.00 shall be deposited into the Project Fund. The District covenants that the Project Fund shall be maintained for the duration of this Installment Purchase Contract. The District hereby grants to the Lender a first priority security interest in the Project Fund.

ARTICLE III.
INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS

Section 3.01. Payment of the Installment Payments.

(a) Installment Payments. The District shall make monthly interest payments on each Installment Payment Date based the outstanding amount of total Advances as set forth in Exhibit B hereto. Interest shall be begin to accrue on each Draw Down Date at the rate of 2.98% per annum on the basis of a year of 360 days and the actual days elapsed. On the Maturity Date, the District shall repay the total principal amount of the Advances, as set forth on Exhibit B hereto, together with interest thereon. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in their entirety on the Maturity Date.

(b) Obligations Absolute. Each Installment Payment shall be payable to the Lender in accordance with the terms hereof and at the times required by this Section 3.01 in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the rate set forth in the preceding paragraph. Subject to Section 8.01 hereof, the obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI hereof), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made by it under this Section 3.01 when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or whether or not the Enterprise is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained herein for any cause whatsoever.

Section 3.02. Interest Component of the Installment Payments.

The Installment Payments shall bear interest from the Closing Date until the payment of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article VI hereof, whether at maturity, upon

prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Installment Payment Date to, but not including, the next succeeding Installment Payment Date shall be paid on each such succeeding Installment Payment Date and shall be computed on the basis of a year of 360 days and the actual days elapsed. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payments shall be calculated based on the Default Rate. In the event of a Determination of Taxability, the rate of interest on the Installment Payments shall be calculated at the Taxable Rate from the date of the Determination of Taxability.

Section 3.03. Establishment of Accounts.

The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract.

Section 3.04. Pledges of Net Revenues and Other Funds; Debt Service Account.

The District hereby irrevocably pledges all the Net Revenues to the punctual payment of the Installment Payments and all payments with respect to Parity Debt, on a parity basis, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purpose while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and payments with respect to Parity Debt shall constitute a first lien on the Net Revenues, for the payment of such Installment Payments and payments with respect to Parity Debt in accordance with the terms hereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the District, the Lender, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

There is hereby established with the Lender an account known as the “Debt Service Account,” which the District shall maintain and hold in trust separate and apart from other funds held by it. Installment Payments made by the District shall be deposited in the Debt Service Account. Such payments shall be net of amounts already on deposit therein in excess of the amount required to accumulate therein pursuant to Section 3.01 above. The District shall transfer the money contained in the Debt Service Account at the following respective times in the following respective amounts in the following order of priority, each of which accounts the District hereby agrees to establish and maintain as follows, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(a) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the District solely for the purpose of paying Installment Payments to the Lender on each Installment Payment Date. The District hereby authorizes the Lender to make automatic deductions from the District’s operating account established with the bank to transfer

amounts to the Debt Service Account each month and to apply an amount equal to the amount of the Installment Payments prior to the Due Date for such Installment Payments.

Section 3.05. Receipt and Deposit of Gross Revenues; Establishment and Maintenance of Accounts for Gross Revenues; Use and Withdrawal of Gross Revenues.

The District covenants and agrees that all Gross Revenues, when and as received, will be received and held by the District in trust hereunder for the benefit of the Lender and for the benefit of the holders of Parity Debt. All Gross Revenues will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain with the Lender so long as any Installment Payments are due hereunder) and will be accounted for and held in trust in the Revenue Fund; provided, the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which service was not thereafter made available or provided. All Gross Revenues held by the District shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Article III, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

All Gross Revenues in the Revenue Fund shall be set aside or deposited by the District as follows in the following order of priority:

(a) Maintenance and Operation Costs of the Enterprise. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the moneys in the Revenue Fund as they become due and payable.

(b) Debt Service. Installment Payments payable pursuant to Section 3.01 above and payments with respect to Parity Debt shall be paid in accordance with the terms hereof and the terms of the Parity Debt Documents, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) General Expenditures. All Gross Revenues not required to be withdrawn pursuant to the provisions of (a) and (b) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or any obligation subordinate to the payment of all amounts due hereunder.

Section 3.06. Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract may be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. Interest or profit received on such investments shall be deposited to the Debt Service Account in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

If at any time after investment therein, a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds five percent (5%) of invested funds, such Permitted Investment shall be sold or liquidated.

**ARTICLE IV.
RESERVED**

**ARTICLE V.
REPRESENTATIONS, COVENANTS AND WARRANTIES**

Section 5.01. Compliance with Installment Purchase Contract.

The District will not suffer or permit any material default by it to occur under this Installment Purchase Contract, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02. Observance of Laws and Regulations.

The District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Prosecution and Defense of Suits.

The District will promptly, upon request of the Lender, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Project or any part thereof, whether now existing or hereafter developing; prosecute all actions, suits or other proceedings as may be appropriate for such purpose; and indemnify and save the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which the Lender may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04. Accounting Records and Statements.

The District will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Gross Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours.

Section 5.05. Further Assurances.

Whenever and so often as requested to do so by the Lender, the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06. Against Encumbrances.

The District hereby represents that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District will not make any pledge of or place any lien on the Net Revenues.

Section 5.07. Against Sale or Other Disposition of Property.

The District will not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless an Authorized Officer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds (if any) of such sale or exchange shall be deposited in the Revenue Fund.

The District will not enter into any agreement or lease which would impair the ability of the District to meet the covenant set forth in Section 5.16 hereof or which would otherwise impair the rights of the Lender or the operation of the Enterprise.

Section 5.08. Against Competitive Facilities.

To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers and excluding any water system existing on the date of execution of this Installment Purchase Contract, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water or utility system competitive with the Enterprise.

Section 5.09. Issuance of Parity Debt.

Only with the prior written consent of the Lender, the District may issue or incur any Parity Debt at any time and from time to time during the term of this Installment Purchase Contract; provided that, in addition to the written consent of the Lender, all of the following conditions precedent shall be satisfied prior to the issuance of such Parity Debt:

- (a) no Event of Default has occurred and is continuing; and

(b) the Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Certified Public Accountant or a Fiscal Consultant or shown in the audited financial statements of the District, at least equal 125% of the maximum amount of Installment Payments and maximum payments on outstanding Parity Debt (including the Parity Debt then proposed to be issued) coming due and payable in the current or any future Fiscal Year. For purposes of determining the amount of Net Revenues under this subsection (b), such amount may be increased by any or all of the following amounts as determined by the District:

(i) an allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such Parity Debt and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Fiscal Consultant retained by the District; and

(ii) an allowance for Net Revenues arising from any increase in the fees or charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Debt but which, during all or any part of the latest Fiscal Year, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in fees or charges had been in effect during the whole of such Fiscal Year, all as shown by the certificate or opinion of a Fiscal Consultant retained by the District.

(c) All conditions to the issuance of such Parity Debt as set forth in the Parity Debt Documents must be met, and the District shall file with the Lender a written certificate to such effect, signed on behalf of the District by an Authorized Officer.

Section 5.10. Maintenance and Operation of the Enterprise; Budgets.

The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11. Payment of Claims.

The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Gross Revenues or any part thereof, or on any funds in the control of the District prior or superior to the lien of the Installment Payments or which might impair the security of this Installment Purchase Contract ; provided the District shall not be obligated to make such payment so long as the District contests such claim in good faith.

Section 5.12. Compliance with Contracts.

The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

Section 5.13. Insurance.

(a) The District will procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises, but not exceeding \$25,000 per policy, and in a coverage amount which is not less than the unpaid principal balance of the Installment Payments and the principal component of any Parity Debt.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims, unless the District determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Enterprise and therefore determines not to reconstruct, repair, or replace such damaged or destroyed portion of the Enterprise. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the District as is permitted by law.

The District will procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise.

The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.14. Books and Accounts; Financial Statements; Reporting Requirements.

(a) The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Account all separate from all other records and accounts, in which

complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than three (3) Business Days' prior notice to the District.

(b) The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an Independent Certified Public Accountant, not more than 180 days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2021.

(c) The District shall send a copy of its audited financial statements to the Lender not more than 180 days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2021. Simultaneously with the delivery of such financial statements, the District shall deliver to the Lender a certificate signed by an Authorized Officer (i) stating that the District is in compliance with the covenants set forth in Section 5.16 relating to the rates and charges for the Enterprise for such Fiscal Year, and (ii) attesting that, subject to the provisions hereof, to the best of his/her knowledge, the District has kept, observed, performed and fulfilled every covenant, provision and condition applicable to the District contained in this Installment Purchase Contract, and no Event of Default has occurred, or if an Event of Default has occurred such certificate shall specify such event or condition, the nature and status thereof and any remedial steps taken or proposed to correct such event or condition.

(d) No later than thirty (30) days after its adoption, the District shall send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto.

(e) The District shall immediately notify the Lender by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Installment Purchase Contract, together with a detailed statement by an Authorized Officer of the steps being taken by the District to cure the effect of such Event of Default.

(f) The District shall promptly notify the Lender in writing (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the District or any of the Enterprise, the Gross Revenues or the Net Revenues which involve claims equal to or in excess of \$100,000 or that seeks injunctive relief; or (ii) of any loss or destruction of or damage to any portion of the Enterprise in excess of \$100,000.

(g) The District shall promptly notify the Lender in writing of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any of the Gross Revenues or Net Revenues.

(h) The District shall promptly notify the Lender in writing in the event of any termination or cancellation of any insurance policy which the District is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the District property in excess of an aggregate of \$100,000.

(i) The District shall file with the Lender such additional information as the Lender may reasonably request in writing, within a reasonable period of time after the receipt of such written request by the District.

Section 5.15. Payment of Taxes and Compliance with Governmental Regulations.

The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Gross Revenues when the same shall become due and the District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16. Amounts of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the beginning of each Fiscal Year, rates and charges (including land based charges) for the Water Service provided by the Enterprise which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty five percent (125%) of Installment Payments and any payments with respect to Parity Debt payable during such Fiscal Year.

(b) The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section 5.16.

Section 5.17. Collection of Rates and Charges.

The District will have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18. Eminent Domain Proceeds.

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations

hereunder and under any Parity Debt Documents will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in such funds and accounts of the District as is permitted by law.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments and the payments with respect to Parity Debt in the manner provided herein.

Section 5.19. Notification of Material Adverse Effect.

The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20. Tax Covenants.

The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Installment Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of this Installment Purchase Contract that may cause this Installment Purchase Contract to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of this Installment Purchase Contract will not be used as to cause the proceeds of this Installment Purchase Contract to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(c) The District hereby designates this Installment Purchase Contract as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Tax Code.

(d) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause this Installment Purchase Contract to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

In furtherance of the covenants stated in this Section, the District shall comply with the requirements of the Tax Certificate executed in connection with this Installment Purchase Contract.

Section 5.21. No Priority for Additional Obligations; Compliance with Parity Debt Documents.

The District may not issue or incur any bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments. The District shall observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the Parity Debt Documents. The District shall not take or omit to take any action within its control which would, or which if not corrected with the passage of time would, constitute an event of default under any Parity Debt Documents.

Section 5.22. Against Encumbrances.

The District will not mortgage or otherwise encumber, pledge or place any charge or lien upon any of the Net Revenues except as provided in this Installment Purchase Contract and (except for the Parity Debt) will not issue any obligations secured by Net Revenues on a parity with, or senior to, the Installment Payments and Parity Debt; provided, that the District may issue subordinate obligations.

Section 5.23. Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

(a) The District is a duly organized and validly existing community services district of the State of California.

(b) The Constitution and the laws of the State authorize the District to enter into this Installment Purchase Contract and to enter into the transactions contemplated hereby and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements in accordance with the laws of the State.

(c) The District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(d) This Installment Purchase Contract and the pledge of Net Revenues is a first lien and pledge on Net Revenues.

(e) Neither the execution and delivery of this Installment Purchase Contract or any documents contemplated hereby nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(f) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Installment Payments or the

consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(g) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Installment Purchase Contract or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Installment Purchase Contract or otherwise with respect to the Installment Payments.

(h) The District is in full compliance with all laws and regulations, including Environmental Regulations, and the District shall remain in compliance with such laws and regulations, including Environmental Regulations.

(i) The District shall not pledge or encumber its interest in the State Grant and shall apply the State Grant when received toward repayment in full of all outstanding Advances.

Section 5.24. Representations, Covenants and Warranties of the Lender.

The Lender represents, covenants and warrants to the District as follows:

(a) The Lender is duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Contract and to carry out and consummate all transactions contemplated by hereby and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Contract.

(b) The execution and delivery of this Installment Purchase Contract and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Lender is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Lender.

(c) The Lender will not assign this Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under this Installment Purchase Contract to any other person, firm or corporation, except to affiliates of the Lender or to banks, insurance companies or other financial institutions or their affiliates, including participation arrangements with such entities; provided, (i) no such assignment shall be made that would cause there to be more than 15 such assignees or any interest in the Installment Payments of less than \$100,000 and (ii) such assignee shall deliver a letter of representations to the District acceptable to the District and in substantially the same form delivered by the Lender in connection with the execution of this Installment Purchase Contract.

Section 5.25. Representations, Covenants and Warranties of the District and the Lender.

The District and the Lender represent, warrant and covenant that: (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), an agent or a fiduciary of the District, (iii) the Lender and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the District, and (vi) each of the District and the Lender has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

ARTICLE VI.
PREPAYMENT OF INSTALLMENT PAYMENTS

Section 6.01. Prepayment.

(a) The District may prepay the unpaid principal balance of the Installment Payments in whole or in part, on any Installment Payment Date on or after October 1, 2021, without incurring any prepayment penalty.

(b) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, of the principal amount of the unpaid Installment Payments, pro-rata among the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

In the event that a portion of the Installment Payments shall have been prepaid by the District pursuant to this section, the total amount of all future payments set forth in the schedule attached hereto as Exhibit B shall be reduced by the aggregate amount of Installment Payments so prepaid, as the case may be, as agreed to in writing by the Lender. The Lender shall provide the District a revised schedule of Installment Payments.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article III hereof, until the entire principal amount of the unpaid Installment Payments together with the interest accrued thereon, if any, and together with the ordinary and extraordinary fees, costs and expenses of the Lender, shall have been fully paid and the Installment Payments are no longer due hereunder (or provision for payment thereof shall have been made pursuant to Section 6.03 hereof).

Section 6.02. Method of Prepayment.

Before making any prepayment pursuant to Section 6.01, the District shall give written notice to the Lender specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03. Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of all or a portion of the Installment Payments by a deposit with the Lender or, at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AA" and "Aa" by S&P and Moody's, respectively, together with cash if required, in such amount as will, without reinvestment, in the opinion of an Independent Certified Public Accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided, that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance will not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or Federal Securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

In the event of deposits pursuant to this Section 6.03 sufficient to fully defease all of the Installment Payments, and provided that all other amounts payable by the District hereunder have been paid in full, all obligations of the District under this Installment Purchase Contract shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the deposits made by District pursuant to this Section 6.03 and the obligation to pay amounts due to the Lender. Said deposits shall be deemed to be and each of the deposits shall constitute a separate special fund that may be used solely for the payment of the Installment Payments in accordance with the provisions of this Installment Purchase Contract, and pending such application shall be held in trust and pledged to and for the sole benefit of the Lender and any assignee or transferee of the Lender. The District hereby grants to the Lender a first priority security interest in any amounts so deposited.

ARTICLE VII.
EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.

If one or more of the following events shall happen (an “Event of Default”):

(a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;

(b) default shall be made by the District in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender;

(c) any financial statement or certificate furnished to the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;

(d) the District shall file a petition seeking arrangement or reorganization under federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

(e) the occurrence of any event of default under and as defined in any Parity Debt Documents;

(f) this Installment Purchase Contract or any material provision of this Installment Purchase Contract shall at any time for any reason cease to be the legal, valid and binding obligation of the District or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the District, or the District shall renounce the same or deny that it has any further liability hereunder;

(g) the dissolution, termination of existence, insolvency or business failure of the District; or

(h) the occurrence of any event that has a Material Adverse Effect on the District or this Installment Purchase Contract;

then and in each and every such case during the continuance of such Event of Default the Lender may, by notice in writing to the District declare all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and

upon any such declaration the same shall become immediately due and payable, anything herein to the contrary notwithstanding.

This provision, however, is subject to the condition that, except with respect to an Event of Default under subsection (d) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared immediately due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered:

(1) the District shall deposit with the Lender a sum sufficient to pay (x) all delinquent Installment Payments then-due and owing and causing an Event of Default under subsection (a) above and the accrued interest thereon, with any interest due on such overdue installments, and (y) the reasonable expenses of the Lender incurred as the result of such Event of Default, and

(2) any and all other defaults known to the Lender (other than in the payment of such overdue principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Lender or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case the Lender, by written notice to the District, may rescind and annul such declaration of immediate payment of all of the principal amount of the unpaid Installment Payments and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 7.02. Application of Funds Upon Default.

All moneys and investments in the funds and accounts held hereunder upon the date of the declaration of an Event of Default as provided in Section 7.01, and all Gross Revenues thereafter received shall be applied as follows:

(a) Unless the principal of all Installment Payments shall have become or shall have been declared due and payable:

First: To the payment to the persons entitled thereto of the interest portion of all Installments Payments, with interest on overdue installments, if lawful, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Installment Payments which shall have become due, with interest at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Installment Payments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If all of the Installment Payments shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Installment Payments, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Section 7.03. Other Remedies of the Lender.

The Lender may:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, or any board member, officer or employee thereof, and compel the District or any such board member, officer or employee to perform and carry out its or his duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Lender;

(c) by suit in equity upon the happening of an Event of Default require the District and its board members, officers and employees to account as the trustee of an express trust; or

(d) by suit in equity, to seek the appointment of a receiver or other third party to operate the Enterprise and collect the Gross Revenues.

Section 7.04. Non-Waiver.

Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Lender at the respective due dates or upon prepayment from the Gross Revenues, or, except as expressly provided herein, shall affect or impair the right of the Lender which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Lender by applicable law or by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely, the parties shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.05. Remedies Not Exclusive.

No remedy herein conferred upon or reserved is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

ARTICLE VIII.
MISCELLANEOUS

Section 8.01. Liability of District Limited.

Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Installment Payments and the other amounts due hereunder is a special obligation of the District payable solely from the Net Revenues and does not constitute a debt or pledge of the faith and credit of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 8.02. Benefits of Installment Purchase Contract Limited to Parties.

Except as provided in Section 8.03, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 8.03. Successor Deemed Included in All References to Predecessor.

Whenever the District or the Lender is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Lender shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 8.04. Waiver of Personal Liability.

No board member, officer or employee of the District or the Lender shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the District or the Lender from the performance of any official duty provided by any applicable provisions of law or hereby.

The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the parties, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record.

Section 8.10. Effective Date.

This Installment Purchase Contract shall become effective upon its execution and delivery and shall terminate when all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof).

Section 8.11. Execution in Counterparts.

This Installment Purchase Contract may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 8.12. Amendments.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender in a signed writing. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.13. Expenses.

The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor to the District, the cost of preparing the documents, fees of the counsel to the Lender and other miscellaneous expenses of the District incurred in connection with the execution and delivery of this Installment Purchase Contract , including CDIAC fees, shall all be the obligation of the District. The Lender shall have no responsibility for any expenses associated with the issuance of this Installment Purchase Contract, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.14. Restrictions on Agreement.

The District and the Lender understand that this Installment Purchase Contract shall not be, and the District and the Lender shall not cause this Installment Purchase Contract to be, (a) assigned a rating by any credit rating agency, (b) registered with The Depository Trust Company or any other securities depository, (c) offered pursuant to any type of offering document or official statement, (d) assigned a DTC-registered CUSIP number by Standard & Poor's CUSIP Service or (e) listed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

Section 8.15. Website Disclosure.

If the District elects or is required to post this Installment Purchase Contract and related documentation on a national public market repository, the District may do so with certain information redacted pursuant to this Section. With respect to any such posting, the District shall

provide such documentation to the Lender for review with reasonable advance notice prior to any posting deadline imposed by applicable law and shall consider in good faith reasonable redaction requests of the Lender Sensitive Data (defined below) that are provided within a reasonable period prior to such posting deadline. The District shall redact such “Bank Sensitive Data” as directed by the Lender. For the purpose of this Section, “Bank Sensitive Data” means signatures/names, account numbers, wire transfer and payment instructions and any other data that could be reasonably construed as sensitive information.

Section 8.16. Judicial Reference.

TO THE EXTENT PERMITTED BY LAW, THE LENDER AND THE DISTRICT HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE CONTRACT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, THE LENDER AND THE DISTRICT HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. THE LENDER AND THE DISTRICT REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OF ITS CHOICE ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS INSTALLMENT PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

MCCOUD COMMUNITY
SERVICES DISTRICT

By _____
Amos McAbier, General Manager

FIVE STAR BANK

By _____
Erik Kapeller, Senior Vice President

[Signature Page to Installment Purchase Contract (Water)]

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project consists of the financing of improvements to the District's Enterprise, including [the installation of a concrete bunker to protect the District's water wells against contamination].

RESOLUTION NO. 10, 2021

A RESOLUTION OF THE MCCLLOUD COMMUNITY SERVICES DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, McCloud Community Services District (the “District”) is a community services district duly organized and validly existing under the laws of the State of California;

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its wastewater system and to finance and refinance the acquisition and construction of such facilities through the execution of installment purchase contracts;

WHEREAS, the District has previously entered into certain financing agreements with the United States Department of Agriculture and State Water Resources Control Board of the State of California (the “Prior Agreements”) to finance the acquisition and construction of certain additions, betterments, extensions and improvements to its wastewater system (the “Project”);

WHEREAS, in order to refinance the District’s obligations under the Prior Agreements, the District desires to enter into an Installment Purchase Contract (Sewer) (the “Installment Purchase Contract”) with Five Star Bank (the “Bank”) in the form presented to this meeting, with such changes, insertions and omissions as are made in accordance with the terms of Resolution; and, pursuant to which the District will sell the Project to the Bank in return for certain funds, which the District will use to refinance the District’s obligations under the Prior Agreements;

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under certain circumstances, certain obligations the interest on which is excluded from federal income tax under Section 103 of the Code may be designated by the issuer thereof as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax exempt obligations to deduct for federal income tax purposes a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code;

WHEREAS, the Board of Directors of the District (the “Board”) wishes to designate the Installment Purchase Contract as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code;

WHEREAS, California Government Code Section 5852.1 (“Section 5852.1”) requires that the Board obtain from an underwriter, municipal advisor or private lender, and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Installment Purchase Contract, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the Installment Purchase Contract, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract, (c) the amount of proceeds of the Installment Purchase Contract expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, and (d) the sum total of all debt service payments on the

Installment Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract (the “Good Faith Estimates”);

WHEREAS, in compliance with Section 5852.1, the Board obtained the required Good Faith Estimates and such Good Faith Estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, the Board of Directors of the District **DOES HEREBY RESOLVE, DETERMINE AND ORDER:**

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other members of the Board as the President may designate, the General Manager of the District, and such other officers of the District as the President of the Board may designate (each an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of the District’s General Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Purchase Contract by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Purchase Contract so long as the maturity of the Installment Payments (as defined in the Installment Purchase Contract) does not extend beyond November 1, 2036, the interest rate with respect to the Installment Payments does not exceed 3.25%, and the principal component of the Installment Payments does not exceed \$700,000.

Section 3. The Installment Payments due under the Installment Purchase Contract are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The Board hereby finds and determines that the aggregate face amount of all tax- exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2021 is not expected to exceed \$10,000,000.

Section 4. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, agreements and certificates including but not limited to a tax certificate, fee agreement, costs of issuance agreement, custodian agreement or other agreement, which in consultation with District’s General Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting held on October 25, 2021.

President-Catherine Young

ATTEST:

District Secretary-Andrea Mills

I, hereby certify that the foregoing Resolution No. 10, 2021 was passed and adopted at a regular meeting of said Board on the 25th day of October, 2021, by the following vote, to wit:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of October, 2021.

District Secretary

Exhibit A

GOOD FAITH ESTIMATES

The following information is provided in compliance with California Government Code Section 5852.1 with respect to the Installment Purchase Contract:

1. *True Interest Cost of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Installment Purchase Contract, is 3.29379%.

2. *Finance Charge of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Installment Purchase Contract, is \$3,500.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the District for sale of the Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, is \$696,500.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Installment Purchase Contract plus the finance charge of the Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Installment Purchase Contract, calculated to the final maturity of the Installment Purchase Contract, is \$861,474.27.

TAX COMPLIANCE CERTIFICATE

\$700,000

**Installment Purchase Contract (Sewer)
dated as of October 1, 2021, between
the McCloud Community Services District and
Five Star Bank**

1. In General.

1.1. The undersigned is the General Manager of the McCloud Community Services District (the “District”) and hereby certifies to the statements contained in this Tax Compliance Certificate (this “Tax Compliance Certificate”). This Tax Compliance Certificate is executed and delivered by the undersigned this October __, 2021.

1.2. This Tax Compliance Certificate is executed for the purpose of setting forth the facts, estimates and expectations of the District relating to the financing represented by the Installment Purchase Contract (Sewer), dated as of October 1, 2021 (the “Installment Purchase Contract”), between the District and Five Star Bank (the “Lender”). The District’s reasonable expectation that the Installment Purchase Contract is not an “arbitrage bond” is based on Section 148 of the Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations (the “Regulations”).

1.3. The factual representations contained in this Tax Compliance Certificate are true and correct and, to the best of the knowledge, information and belief of the undersigned, the expectations contained in this Tax Compliance Certificate are reasonable.

1.4. The undersigned represents that the Board of Directors of the District (the “Board”) delegated the undersigned the responsibility of executing and delivering the Installment Purchase Contract or executing and delivering this Tax Compliance Certificate. The Installment Purchase Contract has been validly executed and delivered by the District pursuant to the terms of the Resolution of the District adopted by the Board on ~~September 27, 2021~~ (the “Resolution”). The terms used but not defined herein have the same meanings as defined in the Installment Purchase Contract.

1.5. Certifications with respect to, among other things, the price and yield calculations and average maturity of the Installment Purchase Contract and the average maturities of the Prior Obligations are based on (a) calculations attached hereto as Exhibit A reviewed and approved by the District prepared using transaction numbers included with the Installment Purchase Contract and based on assumptions set forth in such calculations and (b) representations made by the Lender in the Lender’s Letter included in the transcript for the Installment Purchase Contract. The undersigned is not aware of any facts or circumstances that would cause the undersigned to question the accuracy of the calculations referred to in this paragraph or the representations made by the Lender.

1.6. Kutak Rock LLP, as bond counsel (“Bond Counsel”), is permitted to rely on the contents of any certification, document or instructions provided pursuant to this Tax Compliance

Certificate and will not be responsible or liable in any way for the accuracy of their contents or the failure of the District to deliver any required information.

2. Purpose of the Installment Purchase Contract.

2.1. The District is executing and delivering the Installment Purchase Contract to provide funds to (a) accomplish the “Refunding Project,” consisting of refunding, paying and discharging on the date hereof all of the Prior Obligations defined in the Installment Purchase Contract and (b) paying costs of execution and delivery of the Installment Purchase Contract. The Sale Proceeds (defined below) of the Installment Purchase Contract to be used to finance the purposes described in this paragraph, together with any investment proceeds thereof, do not exceed the amount necessary, based on all the facts and circumstances known to the District on this date, to provide financing for such purposes.

2.2. The District does not expect that the plan of financing relating to the Installment Purchase Contract will result in the creation of any replacement proceeds within the meaning of Section 1.148-1(c) of the Regulations other than amounts, if any, to be deposited in a bona fide debt service fund or reasonably required reserve or replacement fund. The weighted average maturity of the Installment Purchase Contract (___ years) does not exceed 120 percent of the combined average economic life of the Financed Property (*i.e.*, greater than ___ years), as calculated by the District and shown on Exhibit A hereto.

2.3. All of the proceeds of the Installment Purchase Contract will be applied to accomplish the Refunding Project and pay of costs of execution and delivery of the Installment Purchase Contract on the date hereof. None of the proceeds will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

2.4. The District issued the Prior Obligations in the amounts and on the dates set forth in the Installment Purchase Contract. The Prior Obligation issued to the United States Department of Agriculture on October 17, 2002 was issued as a tax-exempt obligation (the “USDA Obligation”). The Prior Obligation issued to the State Water Resources Control Board pursuant to a loan contract made July 17, 2001, was issued as a taxable obligation (the “SWRCB Obligation”). The District used all of the proceeds of the Prior Obligations exclusively to acquire and construct improvements to the District’s sewer system (the “Financed Property”) which continues to be used solely in the District’s sewer enterprise. ***The District covenants that it has accounting records on file identifying the specific expenditures paid from all of the proceeds of the Prior Obligations.*** The Installment Purchase Contract is the first obligation issued to refinance the Prior Obligations. No portion of the Prior Obligations has been heretofore refinanced. The District covenants to retain all the transcripts and other records (to the extent that such other records are currently within the possession of the District) relating to the Prior Obligations for a period of not less than four years following the later of the repayment of the Installment Purchase Contract or any obligations issued to refinance the Installment Purchase Contract. There are no unexpended proceeds of the Prior Obligations on the date hereof. The District has verified the accuracy of the remaining average maturity of the Prior Obligations calculated as shown on Exhibit A hereto.

2.5. The District represents that the proceeds of the Installment Purchase Contract will not be used by the United States Department of Agriculture or the State Water Resources Control

Board to advance refund original tax-exempt obligations that were used to acquire the Prior Obligations.

3. **Source and Disbursement of Funds.**

3.1. The proceeds from the execution and delivery by the District of the Installment Purchase Contract (referred to herein as the “Sale Proceeds” of the Installment Purchase Contract) equal \$705,000 (consisting of the par amount of the Installment Purchase Contract of \$700,000 plus additional costs of execution and delivery to be paid by the Lender). The District reasonably expects to need and fully expend (or cause to be spent) the Sale Proceeds as set forth below, notwithstanding any direct tracing or wire transactions:

(a) \$597,000 will be used to refund, pay and discharge the USDA Obligation that is part of the Prior Obligations on the date hereof;

(b) \$99,500 will be used to refund, pay and discharge the SWRCB Obligation that is part of the Prior Obligations on the date hereof; and

(c) \$8,500 will be used to pay costs of execution and delivery of the Installment Purchase Contract.

3.2. The District will not use any of the proceeds of the Installment Purchase Contract to reimburse the District for payments made by the District prior to the date hereof.

4. **Funds and Accounts and Limitations on Investment.**

4.1. **General.** The District covenants that amounts constituting gross proceeds (within the meaning of Section 1.148-1(b) of the Regulations) of the Installment Purchase Contract will not be invested at a yield in excess of the yield on the Installment Purchase Contract and will be subject to the rebate requirement described in Section 6 hereof (the “Rebate Requirement”), except as specifically provided in the following subsections or elsewhere in this Tax Compliance Certificate.

4.2. **Minor Portion.** The District acknowledges that a minor portion of the gross proceeds of the Installment Purchase Contract may be invested without yield restriction in an amount not exceeding the lesser of (a) \$100,000 or (b) five percent of the Sale Proceeds.

4.3. **Debt Service Account.** The Debt Service Account is established to achieve a proper matching of revenues with debt service payments to be made under the Installment Purchase Contract within each hereinafter defined Bond Year. Accordingly, the District will treat the amounts deposited in the Debt Service Account that are to be expended to make installment payments under the Installment Purchase Contract as the same become due and which will be depleted at least once each Bond Year (except for a reasonable carryover amount not to exceed the greater of (a) the earnings on the Debt Service Account for the immediately preceding Bond Year, or (b) one-twelfth of the installment payments under the Installment Purchase Contract for the immediately preceding Bond Year) as a bona fide debt service fund. It is reasonably expected that all amounts, if any, received by the District as income from the investment of the Debt Service Account will be expended to make installment payments under the Installment Purchase Contract within one year of receipt thereof. Such moneys may be

invested without regard to investment yield limitation for a period of 13 months from the date of receipt, and thereafter, or at any time to the extent such amounts exceed the amounts described in this subsection, may not be invested in obligations bearing a yield in excess of the yield on the Installment Purchase Contract. To the extent required by the Code, such amounts are subject to the Rebate Requirement.

4.4. **Reserve Account.** The Installment Purchase Contract creates the Reserve Account to secure the payment of Installment Payments. The District covenants and represents as set forth below with respect to the Reserve Account.

(a) The Installment Purchase Contract requires the Reserve Account to be funded in an amount equal to the Reserve Requirement. The Reserve Requirement will be funded from other available moneys of the District and not from proceeds of the Installment Purchase Contract. The Reserve Account is created for the payment of Installment Payments in the event that other moneys are not sufficient to make such payments. The District reasonably expects that amounts on deposit in the Reserve Account will not be needed to make Installment Payments.

(b) In the judgment of the District, based on representations of the Lender in the Lender's Letter included in the transcript for the Installment Purchase Contract, the establishment of the Reserve Account in the amount of the Reserve Requirement is reasonably required. The total of the amount deposited in the Reserve Account may be invested without yield restriction to the extent such amount does not exceed the least of (i) ten percent of the stated principal amount of the Installment Purchase Contract, (ii) the maximum annual Installment Payments and (iii) 125 percent of average annual Installment Payments. The District covenants that amounts in excess of such investment limits will not be invested at a yield in excess of the yield on the Installment Purchase Contract. In measuring whether such unrestricted investment limits have been reached, any discount on the purchase of investments bearing a yield in excess of the yield on the Installment Purchase Contract must be accounted for ratably each Bond Year as additional amounts invested at the yield of such investment. The District will not use amounts from the Reserve Account for any purpose other than making Installment Payments, except to the extent the District receives an opinion of Bond Counsel to the effect that such use will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

4.5. **Opinion of Bond Counsel.** Notwithstanding the investment limitations described in the foregoing subsections, gross proceeds of the Installment Purchase Contract may be invested at a yield in excess of the yield on the Installment Purchase Contract to the extent the District receives an opinion of Bond Counsel to the effect that such investment at a greater yield will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

4.6. **No Other Replacement Proceeds.** Except to the extent set forth above in this Section, neither the District nor a related party to the District, nor any other substantial beneficiary of the Installment Purchase Contract has created or established and none of the foregoing persons are expected to create or establish any fund or account to make payments under the Installment Purchase Contract, or a debt service reserve fund or any other similar fund

with respect to the Installment Purchase Contract, or a negative pledge or right of set-off in any funds, accounts or assets of the District. Further, there are no other funds that are reasonably expected to be used to make payments under the Installment Purchase Contract and for which there is a reasonable assurance that amounts on deposit therein or the investment income earned thereon will be available to make payments under the Installment Purchase Contract if the District encounters financial difficulties. The District will not create or establish, and will not allow to be created or established, any such fund, account, negative pledge or right of set-off unless the District obtains an opinion of Bond Counsel to the effect that the creation or establishment of such fund, account, negative pledge or right of set-off will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

5. Price and Yield of the Installment Purchase Contract.

5.1. The Lender paid \$705,000 as consideration for the Installment Purchase Contract, consisting of the par amount of the Installment Purchase Contract of \$700,000 plus \$5,000 in additional costs of execution and delivery paid directly by the Lender. In the Lender's Letter included in the transcript for the Installment Purchase Contract, the Lender represented that it entered into the Installment Purchase Contract for its own account and not with a view to, or for resale in connection with, any distribution thereof or any part thereof, that it has not offered to sell, solicited offers to buy, or agreed to sell its rights, title and interests under the Installment Purchase Contract or any part thereof, and that it has no current intention of reselling or otherwise disposing the rights, title and interest under the Installment Purchase Contract. Based on such representations, the District acknowledges that the "issue price" of the Installment Purchase Contract, within the meaning of Section 1.148-1(f) of the Regulations, is equal to \$705,000.

5.2. As used in this Tax Compliance Certificate, the term "yield" refers to the discount rate which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the issue price of the obligation. The calculations of yield are to be made on the basis of semiannual compounding using a 360-day year and upon the assumption that payments are made on the last day of each semiannual interest payment period (unless a different reasonable standard financial convention is explicitly adopted in accordance with Section 1.148-4(a) of the Regulations). For the purpose of computing yield, the purchase price of any obligation is equal to the fair market value as of the date of a binding contract to acquire such obligation. The yield of the Installment Purchase Contract is not less than __. __ percent.

6. Rebate Requirement.

6.1. The District represents that it will annually determine the amount, if any, required to be rebated to the United States of America under Section 148(f) of the Code. The District further represents that it will, not later than 60 days after the final payment under the Installment Purchase Contract, pay to the United States of America 100 percent of the amount required to be rebated under Section 148(f) of the Code. Each payment required to be paid to the United States of America is required to be filed with the Internal Revenue Service at such address and in such manner as the Internal Revenue Service may determine from time to time.

6.2. The District hereby selects each period from July 1 through June 30 of the following calendar year as a bond year (a “Bond Year”) for the Installment Purchase Contract, except that the first Bond Year will commence on the date hereof and the last Bond Year will end on the date the final payment under the Installment Purchase Contract is made.

6.3. The District reasonably expects that no unspent gross proceeds of the Installment Purchase Contract will be invested at a yield in excess of the yield of the Installment Purchase Contract. As a result of such expectation, the District reasonably expects to comply with the Rebate Requirement without any action following the date hereof. However, if for any reason such expectation is not met or if the District establishes any sinking fund or defeasance escrow for the Installment Purchase Contract, the District will comply with the Rebate Requirement after consulting with Bond Counsel.

7. **Miscellaneous.**

7.1. ***Political Subdivision.*** The District exists under and by virtue of the Community Services District Law (codified as Division 3 of the Government Code, commencing with Section 61000), for the purposes of, among other things, supplying water, collecting, treating or disposing of sewage and collecting, transferring and disposing of solid waste. The District is a political subdivision of the State of California in that it possesses substantial eminent domain powers within and outside of the District.

7.2. ***No Other Issues.*** The District represents that it has not sold and covenants that it will not sell any other obligations of the District, the interest on which is intended to be excludable from gross income for federal income tax purposes (including, without limitation, any notes, bonds, lease obligations, loans or installment purchase obligations) during the 31-day period beginning 15 days prior to the first date on which the Lender agreed in writing to execute and delivery the Installment Purchase Contract (which was the date hereof), which are being sold pursuant to the same plan of financing as the Installment Purchase Contract and which are payable from the same source of funds from which the payments under the Installment Purchase Contract are payable. On the date hereof, the District is executing two other installment purchase contracts with the Lender, each of which is payable from and secured by collateral and sources of repayment that materially differ from the repayment sources and collateral securing the Installment Purchase Contract.

7.3. ***No Change in Ownership of the Financed Property.*** The District intends and expects that it will own and use the Financed Property at all times during the term of the Installment Purchase Contract. The District does not know of any reason why the Financed Property will not be so owned and used in the absence of (a) supervening circumstances not now anticipated by it, (b) adverse circumstance beyond its control or (c) obsolescence of such insubstantial parts or portions thereof as may occur as a result of normal use thereof. The District will not change the use, ownership or nature of any portion of the proceeds of the Installment Purchase Contract or the Financed Property so long as the Installment Purchase Contract remains outstanding unless, in the written opinion of Bond Counsel, such change will not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes, except that the District may without an opinion (but subject to any applicable provisions of the Installment Purchase Contract) sell or otherwise dispose of minor parts or portions of the Financed Property as may be necessary due to normal

wear, tear or obsolescence. As of the date hereof, there is no more than a remote possibility, if any, that the Financed Property will be transferred to a non-Exempt Person during the period beginning on the date hereof and ending on the date the Installment Purchase Contract terminates. "Exempt Person" means any state or a local governmental unit of any state established pursuant to state law.

7.4. ***Representations as to Limits on the Use of Proceeds.*** To ensure that interest on the Installment Purchase Contract is excludable from gross income for federal income tax purposes, the District covenants, represents and acknowledges, as applicable, as follows:

(a) The District will not take or permit to be taken any action which would cause the Installment Purchase Contract to be deemed a private activity bond under the Code. The Installment Purchase Contract will be considered a "private activity bond" in the following circumstances:

(i) if the private business use test defined in (b) below is met and the private security or payment test defined in (c) below is met); or

(ii) if more than the lesser of \$5,000,000 or five percent of the proceeds of the Installment Purchase Contract is loaned to non-Exempt Persons (referred to as the "private loan financing test").

(b) The "private business use test" is met if more than ten percent of the proceeds of the Installment Purchase Contract or the Financed Property is used directly or indirectly in the business of a nongovernmental person (*i.e.*, in a "private business use"). No more than five percent of any such private business use may be disproportionate or unrelated to the Financed Property. Except as otherwise described in this clause (b), the District will not allow the Financed Property to be used hereafter in the trade or business of any person that is a non-Exempt Person unless it obtains an opinion of Bond Counsel that such use would not adversely affect the excludability of interest on the Installment Purchase Contract from gross income for federal income tax purposes.

The District acknowledges that in determining whether all or any portion or function of the Financed Property is used, directly or indirectly, in the trade or business of a non-Exempt Person, use of any portion or function of the Financed Property by a non-Exempt Person pursuant to a lease, sublease, management contract, research contract, service contract or other arrangement must be examined. A lease, sublease, management contract, research contract, service contract or other arrangement between the District and a non-Exempt Person with respect to the Financed Property or any portion or function thereof will not result in private trade or business use of a non-Exempt Person if the guidelines set forth in the Regulations, Rev. Proc. 2017-13 (or subsequent or supplemental guidance, including I.R.S. Notice 2014-67) or Rev. Procs. 97-14 or 2007-47 (or subsequent guidance) are met or an approving opinion of Bond Counsel is delivered to the District.

For purposes of the private business use test, certain incidental uses of a facility may be disregarded to the extent that the proceeds of the Installment Purchase Contract which result in the incidental use do not exceed 2-1/2 percent of the total proceeds of the

Installment Purchase Contract. The use of the Financed Property by a person will be treated as an incidental use if such use does not involve the transfer to such person of possession and control of space that is separated physically from other areas of the facility and is not related to any other use of the facility by the same person.

The District acknowledges that arrangements with third parties including, but not limited to, arrangements involving solar panel, cell tower or wind turbine installations upon the Financed Property, or similar direct or indirect uses by third parties of the Financed Property may cause the Installment Purchase Contract to meet the private business use test or the private security or payment test. The District should contact Bond Counsel to discuss the impact of any such proposed arrangements upon the tax status of the Installment Purchase Contract and other obligations issued or executed and delivered by or on behalf of the District from time to time.

(c) The “private security or payment test” is met if more than ten percent of the debt service on the Installment Purchase Contract is directly or indirectly (i) secured by any interest in property used in a private business use or (ii) derived from payments made with respect to property used in a private business use. In the event that proceeds of the Installment Purchase Contract or the Financed Property are to be used for any private business use that is not related (or is disproportionate) to any governmental use of such proceeds or Financed Property (and to payments, property and borrowed money with respect to any such private business use), the covenant in (a) above concerning the private security or payment test will apply but not more than the lesser of five percent (rather than ten percent) of the Installment Purchase Contract may be so secured.

In determining whether the private security or payment test is met, the District will compare the present value of the payments taken into account to the present value of the debt service to be paid over the term of the Installment Purchase Contract. Debt service will include reasonable credit enhancement fees but will not include any amount to be paid from proceeds of the Installment Purchase Contract. For example, debt service will not include accrued or funded interest or other amounts to be paid with proceeds of the Installment Purchase Contract. For purposes of the discount rate to be applied in such present value calculations, the yield of the Installment Purchase Contract will be used.

Payments taken into account in determining whether the private security or payment test is met will include payments made for any private business use and payments in respect of the Financed Property. However, any payment that is properly allocable to the payment of ordinary or necessary expenses directly attributable to the operation and maintenance of the Financed Property (other than general overhead or administrative expenses) will not be included as a payment taken into account. Similarly, payments by a person for use of proceeds of the Installment Purchase Contract or the Financed Property will only be included to the extent that the present value of such payments does not exceed the present value of the debt service allocable to that person’s use of proceeds of the Installment Purchase Contract or the Financed Property. For example, if ten percent of the proceeds of the Installment Purchase Contract were used by a person, payments by such person would not be taken into account to the extent that the present value of such payments exceeded the present value of ten percent of the debt service on the Installment Purchase Contract.

7.5. **Representations Concerning Federal Guarantees.** The District represents and covenants that the Installment Purchase Contract is not and will not become directly or indirectly federally guaranteed. Unless otherwise excepted under Section 149(b) of the Code, the Installment Purchase Contract will be considered to be “federally guaranteed” if (i) any payment obligation of the District under the Installment Purchase Contract is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof), (ii) five percent or more of the proceeds of the Installment Purchase Contract is (A) used in making loans the payment of principal or interest with respect to which is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof) or (B) invested (directly or indirectly) in federally insured deposits or accounts, or (iii) any payment obligation of the District under the Installment Purchase Contract is otherwise indirectly guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof).

7.6. **Representations for Purposes of IRS Form 8038-G.** The District represents, for the benefit of Bond Counsel and the Lender, that it has reviewed the Internal Revenue Form 8038-G prepared by Bond Counsel and that the information contained therein is true, complete and correct to the best knowledge of the District as of the date hereof. The District’s federal employer identification number for purposes of the filing of such Internal Revenue Form 8038-G is 94-1614312. The District hereby directs Bond Counsel to file the Internal Revenue Form 8038-G with the Internal Revenue Service once the Installment Purchase Contract has been executed and delivered and once such form has been signed by a representative of the District.

7.7. **Additional Tax Covenants.** To ensure that interest on the Installment Purchase Contract is and remains excludable from gross income for federal income tax purposes, the District represents and covenants to comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or the Internal Revenue Service with respect to obligations described in Section 103 of the Code, such as the Installment Purchase Contract.

7.8. **Post-Issuance Compliance Policy.** The District has attached as Exhibit A to the Installment Purchase Contract (Water), dated as of October 1, 2021, between the District and the Lender, its post-issuance compliance policy. The District agrees to comply with such policy in connection with the Installment Purchase Contract and any other tax-advantaged bonds, notes, leases, loans or similar types of obligations heretofore or hereafter issued, reissued or executed and delivered by it.

8. **Qualified Tax-Exempt Obligation.** In Section 3 of the Resolution, the District heretofore designated the installment payments (and therefore the Installment Purchase Contract) as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. The District confirms such designation of the Installment Purchase Contract as a “qualified tax-exempt obligation” and covenants that the aggregate face amount of all tax-exempt obligations issued or executed and delivered by the District, together with governmental entities which derive their issuing authority from District or are subject to substantial control by the District, will not be more than \$10,000,000 during calendar year 2021. The District recognizes that such tax-exempt obligations include notes, leases, loans and warrants, as well as bonds.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has set the undersigned's hand to this Tax Compliance Certificate as of the date first written above.

MCCLLOUD COMMUNITY
SERVICES DISTRICT

By _____
Amos McAbier, General Manager

[Signature Page to Tax Compliance Certificate]

McCloud Community Services District

Resolution No. 11, 2021

Approval of the 14th ANNUAL “READ ACROSS SISKIYOU” event

Sponsored By First 5 Siskiyou Children and Families Commission

WHEREAS, the ultimate goal of the First 5 Siskiyou Children and Families Commission is that all of Siskiyou’s children from prenatal through 5 years of age will be healthy, ready to learn, and supported in safe, nurturing families and communities; and

WHEREAS, children in Siskiyou County from prenatal through 5 years of age have a successful start in life through daily reading with supportive and nurturing families, caregivers, educators and community leaders; and

WHEREAS, early literacy is the foundation for academic, social emotional, and economic success.; and

WHEREAS, First 5 Siskiyou, in partnership with Siskiyou County Library and the Family/Community Resource Centers, dedicates one day each year to promote early literacy by providing the same titled book to be read by guest readers to children in various preschools, kindergartens, child care settings, libraries and online events throughout Siskiyou County on the same day and provide each child with a copy of that book to take home.

THEREFORE, the McCloud Services District hereby proclaims November 17, 2021 as the 14th anniversary of “Read Across Siskiyou” and be it that this body enthusiastically endorses daily reading, singing and playing with children as a critical foundation for healthy development and life long success.

_____ Date: _____

Catherine Young, Board President

Attest, Andrea Mills- Board Secretary

McCLOUD COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Fire Vehicle Operations
POLICY NUMBER: 7030
ADOPTED:
REVIEWED: 09/20/11; 09/09/13; 11/14/13; 03/14/17; 03/14/17; 09/12/19, 10/07/21
REVISED: 12/09/13; 04/10/17; 10/14/19

7030.10 Authorization to operate vehicles is obtained from the appropriate Captain for each vehicle/class of vehicle. In the event that the Captain is unable to grant authorization, the Fire Chief or Assistant Fire Chief may grant authorization to members.

7030.20 Responding to Calls

7030.201 No member shall, when responding in a personal vehicle, at any time exceed the posted speed limit nor disregard any traffic law while responding to an emergency call in their personal vehicle. This includes responding to the fire hall as well as addresses within the McCloud Community Services District (MCSD) boundaries.

7030.202 No member shall, at any time, respond to a call outside the boundaries of the MCSD in their personal vehicle (i.e. traffic collisions on Highway 89) unless they are first at scene initially reporting the incident or specifically requested to do so by the Incident Commander or a law enforcement officer.

~~**7030.203** No member shall, at any time, exceed the posted speed limit nor disregard any stop sign within the boundaries of the MCSD or any local residential area while operating a department vehicle "Code 3" (emergency lights and sirens).~~

~~**NOTE:** The maximum speed limit for department ambulance operating "Code 3" outside the MCSD boundaries on state or federal highways is 15 (fifteen) miles per hour over the posted speed limit.~~

~~**NOTE:** The maximum speed limit for all other department vehicles operating "Code 3" outside the MCSD boundaries on state or federal highways is 10 (ten) miles per hour over the posted speed limit.~~

7030.30 “Code 3” operations

7030.301 Code “3” operation of a vehicle is subject to the California Vehicle Code, and nothing contained herein shall supersede it.

7030.302 All traffic laws and regulations shall apply in instances where “Code 3” operation is not required or applicable to the situation.

7030.303 The use of “Code 3” operation shall be limited to bona fide emergency call response and transport of critical patients (life threatening injuries/illness) in the ambulance to the hospital.

7030.40 Fire Department Officers have the authority to automatically reprimand as set forth in Policy 7090, Department Disciplinary Procedures for a first offense. Documentation shall be provided to the Fire Chief. For a second offense, the Fire Chief must be notified prior to the officer taking action. Only the Fire Chief may handle the third offense.

7030.50 Personnel must be appropriately licensed and authorized to operate vehicles. The requirements are as follows:

7030.501 Squad 1740: Class C driver’s license, driver training, documented instruction and testing on use of equipment in vehicle (powered hydraulic tools, air bags, medical equipment, etc.)

7030.502 Medic 17: Ambulance Driver’s Certificate, driver training, must either be an EMT-B, or obtain a waiver within the first year.

7030.503 Engines 1711, 1712 and 1715: Either a Commercial Class B or **Firefighter** Class **B-C with Firefighter endorsement** license ~~with tank and air brake endorsement~~, driver training, documented instruction and testing on pump operation and equipment use.

7030.504 Engines may be driven for training purposes with a qualified engine driving instructor.

McCLOUD COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Fire Department Leave of Absence (LOA)

POLICY NUMBER: 7060

ADOPTED: December 13, 2010

REVIEWED: 11/5/2010; 12/09/2010; 09/12/2019, *10/07/2021*

REVISED: April 28, 2014

- 7060.10** Introduction – Members of the Fire Department from time to time and for various reasons will be required to document and obtain an approved LOA for periods in excess of 30 days, at the discretion of the Fire Chief. The purpose of this policy is to insure the integrity of the Fire Department membership.
- 7060.20** Duration – A leave of absence can be approved for a maximum of 6 months. Additional ~~six-month~~ *six-month* extensions must be documented and approved.
- 7060.30** Participation – While on LOA, members are not permitted to respond to calls or actively participate in training- *without the approval of the Fire Chief in emergency situations.* They may however, attend drills/training only as an observer.
- 7060.40** Application for LOA –Members of the Department may apply for an LOA using a Fire Department Approved Form. ~~Additionally~~ *Additionally*, members of the Fire Department absent for more than a month may be placed on LOA at the discretion of the Chief. Members placed on LOA by the chief shall be notified by letter.
- 7060.50** Medical Leave of Absence – Applications for a medical LOA require the signature of a physician. A return to service from a medical LOA requires the written approval of a physician.

McCLOUD COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Responding to Calls
POLICY NUMBER: 7080
ADOPTED: December 13, 2010
REVIEWED: 12/09/10, 07/22/13, 03/14/17, 09/12/19, 09/03/20, 10/07/21
REVISED: 08/12/13; 04/10/17; 09/28/20

7080.10 This policy defines the requirements for responding to emergencies.

7080.20 Medicals.

7080.21 Response by vehicle other than the ambulance (i.e., Squad) requires a minimum of one qualified staff.

NOTE: The rescue role is to provide support to the ambulance (McCloud or MSAS) in a first responder's role (provide manpower to move patient, retrieve supplies/equipment, etc.)

7080.22 Response by ambulance requires as a minimum, one EMT and a driver. One driver may respond if so directed by a department officer.

NOTE: Trainees are allowed to respond with the ambulance once they have passed EMT class midterms and have secured a Healthcare Provider CPR certification through the remainder of EMT class up to 4 months after class has ended. This should provide sufficient time to acquire certification as an EMT through the local EMS authority. Trainees must be supervised by a certified EMT, AEMT or EMT-P while providing patient care.

7080.23 Responders shall provide care only up to the level of training.

7080.30 Traffic Collision (TC)

7080.31 Minimum of 2 personnel (three preferred)

7080.32 Must be able to identify, locate and operate all tools and equipment associated with auto extrication.

7080.40 Structure Fire

7080.41 Must have appropriate Personal Protective Equipment (PPE) upon arrival to fire hall and be fully turned out before responding on engine.

NOTE: In some cases, it may not be possible to put on PPE prior to arriving at scene. However, in all cases, it is mandatory that all personnel have on their PPE on at scene.

7080.42 Must pass Pulmonary Function Test to be eligible to wear SCBAs and make interior attack.

7080.43 Must have had training in suppression of structure fires in a live burn to be eligible for interior attack.

7080.44 Must have sufficient personnel at scene to ensure the OSHA “Two in, Two out” rule is followed.

7080.45 Engine shall respond for automatic aid/mutual aid calls with no less than three personnel on board.

7080.46 First out apparatus shall respond with a minimum of two personnel for local, in town fires.

7080.47 Second out apparatus may respond with one person.

7080.50 Vegetation Fire

7080.51 Personnel shall have wildland fire suppression training to be eligible to respond.

7080.52 Apparatus shall respond with a minimum of two personnel to all vegetation fires.

7080.53 Second out apparatus may respond with one person.

7080.60 Vehicle Fires

7080.61 Personnel shall be SCBA qualified.

7080.62 Minimum of two personnel will respond on engine.

7080.70 Hazardous Materials (HazMat)

7080.71 Personnel shall have Haz-Mat First Responder training before responding to calls.

7080.72 It is the duty of the senior responding officer to determine the type of equipment necessary for the incident and ensure it responds.

7080.80 General Motorized Equipment Requirements – Response Patterns – Responses to calls from dispatch will generally fall within the categories listed below. When other/unusual circumstances occur, the determination of which equipment to use will generally fall to the Chief or his designee.

7080.81 Structure fire

(Legend: E = Engine; S = Squad; M = Medic)

E1711, E1712

E1715,S1740,M17

7080.82 Vegetation fires

E1711, E1712, *E1715*

7080.83 Vehicle fires

E1711, E1712

E1715, M17

S1740

7080.84 Medicals

E1711, M17

S1740, *E1712*

7080.85 TC

M17, S1740

E1711

E1712 (~~only between W. Colombero and east side Haul Rd on Hwy 89~~).

7080.86 Haz-Mat - Dependent upon nature of call, minimum response should be:

M17, E1712

S1740, *E1711*

7080.90 Calls with violence involved with staging required

7080.91 Units dispatched to any call-in which staging is required shall acknowledge as such with dispatch when responding.

7080.92 Upon arrival to either a pre-designated staging area or a safe area near the incident, units shall report to dispatch as “Unit 17xx staging.”

7080.93 Units shall not leave staging until released by dispatch or DIRECT (face to face) contact with a law enforcement officer at scene. If released by direct contact from a law enforcement officer, unit shall inform dispatch BEFORE proceeding to scene.

From: Andrew Ramos
Sent: Wednesday, October 20, 2021 2:46 PM
To: Amos McAbier <amos@ci.mccloudcsd.ca.us>
Subject: RE: Ord 27 water bottling. beer manufacturing.

Richie:

Thanks for your email. I'll have the Ord. 27 revisions over shortly.

On the tax issue, I do not see a legal problem with the arrangement you described. It is common in fund-based accounting for agencies to “charge” each fund its fair share of common operating expenses such as shared facilities, utilities, etc. That sounds like what the District is doing here. This practice has been upheld by the California Supreme Court in the context of enterprise funds. See the attached *City of Redding* case at page *4:

The City of Redding operates an electric utility as a department of its city government. Each year, the city's budget includes a transfer from the utility's enterprise fund to the city's general fund. The transfer is designed to compensate the general fund for the costs of services that other city departments provide to the utility.

The Court goes on to uphold the practice. Although the challenge in that case was different than here, the result is the same – it is permissible for the District to charge the fire fund for its fair share of common operating expenses.

Nothing in the text of Measure T changes this result. Normal and reasonable expenses of running the fire department are necessary to maintain fire suppression, emergency response, and ambulance services. Nothing in the measure states that the special tax funds cannot be used for these operating expenses.

I'm happy to discuss further if needed.

Andrew

Andrew J. Ramos

**Citizens for Fair REU Rates v. City of Redding, 6 Cal. 5th 1*

MCSD General/Director Percent Allocation

2018/19 Budget Admin/Directors Split										
		Fire	Alleys	Lights	Parks	Library	Refuse	Sewer	Water	
		7%	3%	0%	4%	1%	14%	28%	42%	100%

Revenue																		
Budget 2019/20	\$	180,522	\$	41,000	\$	21,000	\$	51,000	\$	9,400	\$	265,000	\$	411,000	\$	448,000	\$	1,426,922
%		13%		3%		1%		4%		1%		19%		29%		31%		100%

Expense																		
Budget 2019/20	\$	97,982	\$	19,581	\$	20,689	\$	37,631	\$	9,161	\$	196,686	\$	327,443	\$	324,537	\$	1,033,710
%		9%		2%		2%		4%		1%		19%		32%		31%		100%

Payroll																		
% Hours w/o FLSA		19%		6%		2%		14%		2%		22%		15%		22%		100%
% \$ w/o FLSA		20.0%		6.0%		0.0%		9.0%		1.0%		19.0%		21.0%		24.0%		100%

Adjusted 2019/20 Budget Admin/Directors Split										
		Fire	Alleys	Lights	Parks	Library	Refuse	Sewer	Water	
		13%	3%	0%	4%	1%	18%	29%	32%	100%

Current Financial Status										

Revenue																		
Actual 2020/21	\$	223,153	\$	37,654	\$	21,051	\$	43,243	\$	8,328	\$	357,914	\$	460,234	\$	543,722	\$	1,695,299
%		13%		2%		1%		3%		0%		21%		27%		32%		100%
Budget 2021/22	\$	252,678	\$	40,848	\$	19,536	\$	46,586	\$	10,124	\$	396,633	\$	521,414	\$	600,710	\$	1,888,529
%		13%		2%		1%		2%		1%		21%		28%		32%		100%

Expense																		
Actual 2020/21	\$	189,724	\$	34,081	\$	17,158	\$	46,206	\$	11,158	\$	309,083	\$	377,959	\$	331,044	\$	1,316,413
%		14%		3%		1%		4%		1%		23%		29%		25%		100%
Budget 2021/22	\$	127,271	\$	35,600	\$	19,332	\$	58,141	\$	7,371	\$	170,152	\$	222,641	\$	201,144	\$	841,652
%		15%		4%		2%		7%		1%		20%		26%		24%		100%

Assets												
Gross Value	\$	1,072,209	\$	100,422	\$	851,364	\$	13,641,165	\$	7,026,024	\$	23,196,064
%		5%		0%		4%		2%		30%		100%
Current Value	\$	161,140	\$	33,094	\$	432,585	\$	9,443,852	\$	4,305,352	\$	14,813,017
%		1%		0%		3%		3%		29%		100%

Operating and Reserve Cash														
June 30, 2021 Balance	\$	366,656	\$	178,355	\$	1,847	\$	104,202	\$	1,109,189	\$	662,945	\$	3,217,825
%		11%		6%		0%		3%		34%		21%		100%

September 29, 2021

McCloud Community Services District
Attn: Amos McAbier
220 W. Minnesota Ave
McCloud, CA 96057

Dear Amos:

Smith & Newell CPAs is pleased to submit our proposal to provide McCloud Community Services District professional audit services for the fiscal years ending June 30, 2020, 2021, and 2022. We have carefully researched your requirements and believe that our technical approach and staffing plan described herein respond fully to the District's needs.

Understanding the Work

Our understanding of the scope of work is as follows:

- We will issue a report on the financial statements in conformity with generally accepted accounting principles, the minimum audit requirements and reporting guidelines for California Special Districts, issued by the Office of the State Controller, and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States for McCloud Community Services District.
- We will issue a report on the internal controls and compliance in accordance with Government Auditing Standards.
- We will prepare a Management report and Auditor's Communication Letters.
- We will prepare and transmit the Annual Report of Financial Transactions to the State Controller's Office.
- We will be responsible for report preparation and printing of the District's Annual Financial Report and Management Comment Letter. We will provide copies in PDF format, in addition to five (5) printed copies.
- We will prepare any other report for the governing body as may be required by generally accepting auditing standards.
- We will provide general consultation during the year, as required, on financial accounting and reporting matters.
- We are committed to performing the work within the time periods established and meeting the required delivery date of all required reports.

- We will present the completed annual financial statements to the Board of Directors at a regularly scheduled Board meeting if requested.

Smith & Newell Qualifications

We believe our audit approach involving experienced staff, extensive partner participation and our proposed work plan uniquely qualify Smith & Newell to be the best choice for McCloud Community Services District.

Smith & Newell CPAs is a general partnership located in Yuba City, California. Partner involvement is key to the audit's success. Norman Newell actively participates in all phases of the audit and will be at the District during fieldwork. In addition, Carrie Schroeder will complete the independent review of the audit engagement. They will be responsive to the District's needs and are available to assist the District at any time during the year. Their extensive experience with government auditing provides the benefit of recommendations based on valuable insights to better improve the District's operations and procedures.

Our staff, who will be assigned to the District's audit, are also experienced professionals that have extensive experience with government audits. Each of our staff bring experience to the audit that allows for a new outlook with innovative suggestions to improve quality and efficiency. We feel the choice of an audit firm should be primarily based on the auditors involved. We have an extremely low percentage of key employee turnover, and we are confident that we will provide the District with consistent staff over the contract period.

Our proposed work plan is based on years of experience with government auditing. We understand the demands placed on governments today and the challenges they face. In developing our work plan, we use the latest audit technology and methodologies to accomplish the goals of the engagement in the most efficient manner which minimizes disruption to normal District operations.

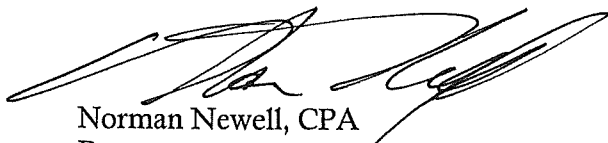
The following individuals are authorized to make representations for Smith & Newell CPAs:

Norman Newell, CPA, Partner
950 Tharp Rd, Ste 502
Yuba City, CA 95993
Ph: (530) 673-9790
Fax: (530) 673-1305
accounting@smithandnewell.com

Carrie Schroeder, CPA, Partner
950 Tharp Rd, Ste 502
Yuba City, CA 95993
Ph: (530) 673-9790
Fax: (530) 673-1305
accounting@smithandnewell.com

We hope that as you read through this proposal, you recognize the philosophy of our firm which is to provide each of our clients with exceptional service, experienced staff, and an audit approach that will fit their needs. Our dedication to quality, professional standards and service has been the guiding force in our firm since its inception in 1988. Thank you for providing us the opportunity to present our proposal. This is a firm and irrevocable offer valid for 60 days. As partners in the firm of Smith & Newell CPAs, Norman Newell and Carrie Schroeder are authorized to make representations for the firm. If you have any questions concerning this proposal, please contact Norman Newell or Carrie Schroeder.

Sincerely,
Smith & Newell CPAs



Norman Newell, CPA
Partner



Section II – Cost Proposal

1. FEE PHILOSOPHY

Our fee philosophy is to foster long-term client relationships by offering fair pricing commensurate with our expertise. We strive to maintain efficiency in our audit approach so we can achieve maximum results in the budgeted time. We also strive to maintain billing rates that are reasonable in relation to the expertise of our staff.

As partners in the firm of Smith & Newell CPAs, Norman Newell and Carrie Schroeder are authorized to represent the firm, empowered to submit the bid, and authorized to sign a contract with McCloud Community Services District:

2. TOTAL ALL-INCLUSIVE MAXIMUM PRICE

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Annual Financial Report	\$ 12,500	\$ 12,500	\$ 12,500
Annual Report of Financial Transactions	-	-	550
Total	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 13,050</u>

If it should become necessary for McCloud Community Services District to request the auditor to render any additional services to either supplement the services requested in the RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the McCloud Community Services District and Smith and Newell CPAs. Any such additional work agreed to between the McCloud Community Services District and Smith and Newell CPAs shall be performed at a negotiated (agreed-upon) rates relative to the contracted service fee.

3. RATES BY STAFF LEVEL

<u>Staff</u>	<u>Rate</u>
Partners	\$ 175
Manager	120
Supervisor	100
Staff Accountant	80
Administrative Assistants	60

5. PROFESSIONAL LIABILITY INSURANCE

Smith & Newell CPAs maintains professional liability insurance through Camico in the amount of \$2,000,000. A copy of our current proof of professional liability insurance is available upon request.

AGREEMENT FOR SERVICES

THIS AGREEMENT made and entered into this ____ day of _____, 2021, by and between McCloud Community Services District, herein referred to as “DISTRICT” and Smith & Newell Certified Public Accountants, hereinafter referred to as “AUDITOR”.

WITNESSETH:

WHEREAS, DISTRICT wishes to secure the services of a professional auditing firm; and

WHEREAS, DISTRICT desires to conduct an audit of the financial transactions of the DISTRICT for the fiscal years ended June 30, 2020, 2021, and 2022, and preparation of the annual report of financial transactions for the State Controller’s Office for the fiscal year ending June 30, 2022.

NOW, THEREFORE, in consideration of these premises, and the following mutual promises, covenants and conditions, the parties hereto agree as follows:

1. It is understood by the parties hereto that AUDITOR, while engaged in complying with and in performance of the terms of this Agreement, is an independent contractor and is not an officer, agent or employee of the DISTRICT.
2. AUDITOR, for and in consideration of the compensation hereinafter agreed to be paid by the DISTRICT hereby agrees to perform those accounting services and work as described in our detailed proposal, dated September 29, 2021, which includes conducting the fieldwork portion of the audit at the District office at no additional cost.
3. This Agreement contains the sole and entire agreement between the parties. The parties acknowledge and agree that neither of them has made representation with respect to the subject matter of this Agreement or any representation including the execution and delivery thereof except representations as are specifically set forth herein.
4. No waiver or modification of this Agreement or of any covenant, condition or limitation herein contained shall be valid unless in writing and duly executed by the parties to be charged therewith. This Agreement, however, may be extended by mutual written consent of the parties.
5. This Agreement and performance hereunder and all suits and special proceedings hereunder shall be constructed in accordance with the laws of the State of California in any action, special proceeding, or other proceeding that may be brought arising out of, in connection with, or by reason of this Agreement, the laws of the State of California shall be applicable and so govern to the exclusion of the laws of any other forum without regard to the jurisdiction in which the action or special proceeding may be instituted.
6. This Agreement shall be binding on and inure to the benefit of the respective parties.
7. It is understood by the parties and agreed that the DISTRICT, its officers, agents and employees, shall not be liable or responsible for any injury or damage to person or property resulting from the operations or activities of AUDITOR while engaged in complying with any of the terms of this agreement. AUDITOR agrees to indemnify and hold harmless the DISTRICT and its officers, agents and employees, from and against all claims and liability for damage or injury to persons or property resulting from the activities of AUDITOR.

8. The AUDITOR shall at its own cost and expense carry public liability and property damage insurance in the amount of One Million Dollars (\$1,000,000.00) combined single limit and Workers' Compensation Insurance as required by law protecting both the AUDITOR and the DISTRICT.
9. DISTRICT agrees to pay the sum of Twelve Thousand Five Hundred Dollars (\$12,500) for the year ended June 30, 2020, Twelve Thousand Five Hundred Dollars (\$12,500) for the year ended June 30, 2021, and Twelve Thousand Five Hundred Dollars (\$12,500) for the annual financial statements for the year ended June 30, 2022, and Five Hundred Dollars (\$500) for the Annual Report of Financial Transactions for the year ended June 30, 2022.

IN WITNESS WHEREOF, the parties hereby have caused this Agreement to be executed on the day and year first above written.

McCLOUD COMMUNITY SERVICES DISTRICT

SMITH & NEWELL CPAs

By: _____

By:  _____

INTRODUCTION

The beginnings of RT Dennis Accountancy started in December of 2008 when Rob Dennis formed the partnership Dennis & Hart Accountancy. The emergence of RT Dennis Accountancy was solidified subsequent to a merger and spinoff as a firm licensed by the California Board of Accountancy as FNP 2508.

Rob Dennis was introduced to the governmental audit industry at the largest school district audit firm in California in April 2000. Mr. Dennis has remained committed to the governmental industry with over thirteen years of experience in the governmental/nonprofit arena. This includes working in the business office of a large school district (about 30,000 ADA) in San Bernardino County and a waste water agency in Chino.

As far as audits are concerned, the firm's background experience includes audits of school districts, Proposition 39 bonds, Uniform Guidance (formerly OMB A-133) Single Audits, water districts, and a variety of special districts. The diversity of clients has been from 50,000 ADA school districts down to single school districts; and the location of these districts has been all points within the state of California. Although school districts were the starting point, Mr. Dennis has gone on to audit other governmental entities such water districts and various other special districts. The size of all the entities audited range in size from \$300,000 to \$450 million in general fund revenue.

Currently we audit governmental and not-for-profit entities, which allow us to focus on governmental accounting and auditing standards. Since we specialize in governmental entities all of our practice aids, audit manuals, accounting manuals, and research materials are the most up-to-date to current standards.

Through varied experience the firm has developed a profound understanding of the interworking of governmental entities. With that said, our goal is to work with clients through scheduling and timely communications to provide the audit objectives for the client by the mandated deadlines.

Our mission is to provide high quality audits at a reasonable fee. Please refer to "Specific Experience" for a partial list of the entities audited.

The following is an hourly breakdown of the previously described audit phases and components:

	<u>Hours</u>
I. Planning/Pre-audit preparation	
A. Coordination	2
B. Review and Documentation	2
C. Interviews and inquiries	2
II. Field work	
A. General procedures	6
B. Internal control testing	
1. Revenue/investment cycle (receipting procedures)	6
2. Disbursement cycle	5
3. Payroll cycle	6
C. Fraud analysis	2
D. Trial balance	4
E. Account balance testing	15
F. Conversion entry testing (GASB 34 prep) and testing of related balances	10
G. Final account analysis	2
H. RSI procedures	3
I. Exit conference and review	2
IV. Post field work procedures	
A. Financial statement prep.	5
B. Review	2
C. Issuance of reports	1
Total hours, estimated	75

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Financial audit	\$ 15,500	\$ 15,900	\$ 16,300

	<u>Est. Hours</u>	<u>Billing Rates</u>	<u>2019/20 Fees</u>
Staff level			
Proprietor	70	\$ 200.00	\$ 14,000
Clerical	5	55.00	275
Total hours	75	Out-of-pocket expenses	1,225
		Total (not to exceed)	\$ 15,500

McCLOUD COMMUNITY SERVICES DISTRICT AUDIT CONTRACT

This agreement, made and entered into this 22nd day of October 2021 between the Governing Board of the McCloud Community Services District, hereafter referred to as "District" and RT Dennis Accountancy, hereafter referred to as "Auditor."

AUDIT SERVICES

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the year(s) ended June 30, 2020 through 2022.

Accounting principles generally accepted in the United States of America ("U.S. GAAP") call for certain required supplementary information ("RSI") to accompany the basic financial statements. The Governmental Accounting Standards Board also considers this information a necessary part of financial reporting, as it provides perspective to the basic financial statements. Therefore, as part of this engagement, we will apply limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). These limited procedures will primarily consist of inquiries of management regarding their methods of measurement and presentation. However, we will not express an opinion or provide any assurance on this RSI, as our limited procedures do not provide us with sufficient evidence to do so. Consequently, the financial statements we present to you will include the following required RSI that will not be audited and, as such, our report will disclaim an opinion on this RSI:

- ❖ Management's Discussion and Analysis
- ❖ Schedule of the District's Proportionate Share of the Net Pension Liability, if applicable.
- ❖ Schedule of the District Contributions, if applicable.
- ❖ Schedule of Other Postemployment Benefit ("OPEB") Funding Progress and Employer Contributions, if applicable

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. GAAP and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- ❖ Internal control over financial reporting and compliance with laws, regulations, and the provisions of awards, contracts or grants agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The reports on internal control and compliance are solely for information and use of management, governance, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and will each include a paragraph that the purpose of the report is solely to describe the following: (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance; (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance; and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The Uniform Guidance report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the Uniform Guidance requirements.

Our audit will be conducted in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and in accordance with *the Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* ("State Audit Guide"), as issued by the Education Audit Appeals Panel ("EAAP").

McCLOUD COMMUNITY SERVICES DISTRICT AUDIT CONTRACT

Our professional standards as defined by GAAS require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and are fairly presented, in all material respects, in conformity with U.S. GAAP. As such, our audit will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of the District, a determination of major programs in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express an opinion whether the financial statements prepared as part of this engagement are fairly presented, in all material respects, in conformity with U.S. GAAP. The procedures we determine necessary will depend on our professional judgment as auditors and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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. If we deem it appropriate, our procedures will also include tests of documentary evidence supporting the transactions recorded in the accounts, may include tests of the physical existence of inventories, and will include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters. These representations will include acknowledging our assistance with the preparation of your financial statements, the schedule of expenditures of federal awards, and notes accompanying these documents, and that you have reviewed and approved these documents, approved their release, and that you have accepted responsibility for them.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected by our firm, even though our audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Since we plan and perform our audit in accordance with GAAS to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriations of assets, or 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; and because the determination of abuse is so subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance regarding the detection of abuse. Our procedures will be less in scope than what would be required to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Accounting Standards. However, we will inform you of any material errors that come to our attention, and we will inform you or the appropriate level of management of any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will also include such matters in the reports required for a Single Audit.

In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of the District's financial statements in order to design audit procedures that are appropriate in the circumstances. However, our audit procedures are not designed for the purpose of expressing an opinion on the effectiveness of your internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit as required by the American Institute of Certified Public Accountants, the *Government Auditing Standards*

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of those procedures will not be to express an opinion in our report on compliance with these provisions pursuant to *Government Auditing Standards*.

McCLOUD COMMUNITY SERVICES DISTRICT AUDIT CONTRACT

As this engagement is not designed to be a fraud audit, management understands and accepts the inherent limitations of the audit services described in this agreement.

Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

RESPONSIBILITIES OF MANAGEMENT AND, WHEN APPROPRIATE, THOSE CHARGED WITH GOVERNANCE

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, the management of the District acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America remains with you. This responsibility includes the financial statements, all accompanying information, and the representations that accompany them. Management's responsibilities also include identifying government award programs, understanding and complying with program requirements, and the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) as required by the Uniform Guidance. As such, the management of the District is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

Management is also responsible for the preparation and fair presentation of the supplementary information in conformity with U.S. GAAP. You agree that you will confirm your understanding of your responsibilities with respect to the supplementary information in your representation letter. You further agree to include our report on the supplementary information in any document that contains and indicates that we have reported on such supplementary information. In addition, you also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

By your signature below, you also acknowledge and understand that the management of the District is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization that involves management, employees who have significant roles in internal control, regulators, grantors and others where fraud could have a material impact on the financial statements. The management of the District is also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws and regulations and for taking timely and appropriate actions to remedy any fraud, noncompliance with laws and regulations, or violations of contracts and agreements. You agree that you will confirm your understanding of your responsibilities as defined in this letter to us in your representation letter.

In fulfilling management's responsibility for establishing and maintaining internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with U.S. GAAP.

McCLOUD COMMUNITY SERVICES DISTRICT AUDIT CONTRACT

Management's responsibilities also include designating qualified individuals with suitable skill, knowledge, and/or experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we perform as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for them.

WRITTEN REPORT

We expect to issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the governing body of the District. We cannot provide assurance that an unmodified opinion will be expressed on the financial statements. Circumstances may arise in which it is necessary for us to modify our opinion, add emphasis-of-matter or other-matter paragraphs, decline to express an opinion, or withdraw from the engagement.

The inclusion, publication, or reproduction by the District of any of our reports in bond offerings, regulatory filings, or Data Collection Forms containing information in addition to financial statements may require us to perform additional procedures to satisfy our professional responsibilities. Accordingly, our reports should not be used for such purposes without our prior written permission. Also, to avoid delay or misunderstanding, it is important that we be given timely notice of the District's intention to include, publish or reproduce our report in any report, document, or written communication containing financial information on which we have not reported. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate engagement.

OTHER MATTERS

We expect to begin our audit on approximately fall/winter time and to issue our report in the winter.

In accordance with the terms and conditions of this agreement, the District shall be responsible for the accuracy and completeness of all data, information and representations provided to us for purposes of this engagement. Because of the importance of oral and written management representations to the effective performance of our services, the District releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.

By your signature below, you acknowledge that the audit documentation in connection with this engagement is the property of the Auditors and constitutes confidential information. However, in accordance with applicable laws and regulations, we may be asked to make certain audit documents available to and/or provide copies of selected audit documentation to regulators, governmental agencies, or their representatives ("Regulators") for purposes of quality review of the audit, to resolve audit findings, in accordance with funding requirements, or to carry out oversight responsibilities. Regulators may intend, or decide, to distribute the copies of information obtained therein to others, including other governmental agencies. By your signature below, you further acknowledge and agree that we are authorized to allow the Regulators access to, and copies of, such audit documents. We will notify you of any such request.

With respect to any nonattest services we perform (e.g., drafting financial statements based on the District's trial balances), District's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

McCLOUD COMMUNITY SERVICES DISTRICT AUDIT CONTRACT

It is our policy to keep records related to this engagement for seven years. However, the Auditor does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the seven-year period the Auditor shall be free to destroy our records related to this engagement.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, copies, and telephone calls) except that we agree that our gross fee, excluding expenses, will not exceed \$15,500 for the June 30, 2020, \$15,9800 for June 30, 2021, and \$16,300 for June 2022. However, if the travel is not necessary (such as a remote audit), audit fees will be discounted by the travel costs. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes ninety days or more overdue and may not be resumed until your account is paid in full. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before incurring additional costs.

Should any litigation or adverse action (such as audits by outside organizations and/or threatened litigation, etc.), by third parties arise against the District or its officers subsequent to this engagement, which results in the subpoena of documents from the Auditor and/or requires additional assistance from us to provide information, depositions or testimony, the District hereby agrees to compensate the Auditor (at our standard hourly rates then in effect) for additional time charges and other costs (copies, travel, etc.), and to indemnify us for any attorney's fees to represent the Auditor.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the Southern California Mediation Association ("SCMA") under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

the District and the Auditor both agree that any dispute over fees charged by the firm to the District will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the SCMA, except that under all circumstances the arbitrator must follow the laws of California. Such arbitration shall be binding and final. **IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.** The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We are currently a member of the AICPA's peer review program (Firm #900006140576), as administered by the CalCPA, and as such we are required to undergo a peer review every three years.

Our most recent peer review was performed in July 2019. Firms can receive a rating of pass, pass with deficiencies, or fail. We received a rating of Pass. The report is available at the following web address: https://peerreview.aicpa.org/public_file_search.html, enter the firm number (mentioned above), and the peer review report as well as acceptance letter are available for viewing and/or download.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

McCLOUD COMMUNITY SERVICES DISTRICT AUDIT CONTRACT

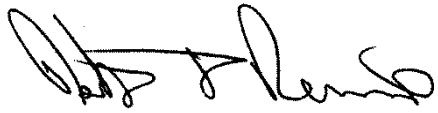
WORKERS COMPENSATION

RT Dennis Accountancy is aware of the provisions of Section 3700 of the Labor Code that requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code. RT Dennis Accountancy is in compliance with such provisions.

GOVERNING BOARD OF
McCLOUD COMMUNITY SERVICES
DISTRICT

RT Dennis Accountancy

By _____

By  _____

1. Cover Letter/ Letter of Interest
October 13, 2021

Amos McAbier
General Manager
McCloud Community Services District
220 W. Minnesota Avenue
McCloud, CA 96057

Dear Mr. McAbier:

Brown Armstrong Accountancy Corporation (Brown Armstrong) is pleased to submit this proposal to perform financial statement audits to McCloud Community Services District (the District) for the fiscal years ending June 30, 2020, 2021, and 2022. We believe our proposal exceeds the requirements outlined in your request for proposal.

We have thoroughly read your request for proposal (RFP) and understand its requests. We feel that we are the best candidate to meet your needs as listed in the Scope of Work to be Performed section on the RFP. We are committed to performance and the efficient completion of this audit on or before the dates you desire. At Brown Armstrong, we understand that your timeframes must be met. As one of our key strengths, we develop an approach by which specific deliverables are achieved within set timeframes. We will work with you to develop a timeline that meets your specific requirements, meeting dates, field work dates, status reporting dates, and final report dates.


Known as one of the largest regional accounting firms in Central California, Brown Armstrong's mission is "to exceed expectations and provide opportunities." Our fifty-four (54) employees lead us in achieving this mission by working with our clients individually to overcome any challenges with a special combination of knowledge and experience in governmental audits. We have audited numerous agencies similar to yours for four decades. We are experts in governmental accounting and auditing and have assisted numerous clients in receiving the Certificate of Achievement for Excellence in Financial Reporting.

I will be the engagement partner and primary liaison responsible for all services provided to the District, and I am entitled to represent the firm, empowered to submit this bid, and authorized to negotiate and sign a contract with the District. I can be contacted at 4200 Truxtun Ave, Suite 300, Bakersfield, CA 93309, Tel (661) 324-4971, Fax (661) 324-4997, or by email at exin@bacpas.com.

I, the undersigned, certify that I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify that I am authorized to contract with the District on behalf of the above named firm. Please contact me if I can clarify or expand on any item contained in this proposal. We are available for an oral presentation, if requested. This proposal is a firm and irrevocable offer for ninety (90) days.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION


By: Eric H. Xin, CPA, MBA
Partner

1

2. Organization/Credentials/Professional Experience

Established in 1974, Brown Armstrong is one of the largest regional accounting firms serving California. We have built a full service accounting and consulting firm serving clients from San Diego to Humboldt County. The dimension that Brown Armstrong is able to offer the District is dedicated years in public accounting, which has enabled us to become a true advisor to your organization and an assistant to your financial success. Now, with fifty-four (54) highly skilled employees, Brown Armstrong continues its growth as a regional firm by offering auditing, tax, accounting, consulting, and assurance services to governmental entities, nonprofits, corporations, partnerships and individuals in California.

The firm now employs 54 people as follows:

Our Staff		Audit Staff	
Partners	9	Partners	8
Shareholders in Training	2	Shareholders in Training	1
Managers	6	Managers	5
Seniors	6	Seniors	6
Supervisors	2	Supervisors	1
Staff Accountants	14	Staff Accountants	13
Support Staff	15	Support Staff	2
Total	54	Total	36

Brown Armstrong is a full-service accounting firm. Our accountants have the expertise to provide audit, accounting, tax, and bookkeeping services. In addition to these services, the Firm's accountants and consultants practice in the areas of risk assessment and Sarbanes-Oxley solutions, state and local tax, estate planning/wealth transfer, and information technology. We also perform peer reviews for other accounting firms. Our main Bakersfield office performs all listed services whereas our Stockton and Fresno offices perform mainly audit engagements.

Our governmental audit staff is made up of thirty-six (36) professionals who are experts in their field. We have crafted expertise in auditing the public sector since the birth of the company. Through tireless planning, relationship building, and knowledge of the realm, we are dedicated to serving our clients and exceeding their needs and expectations.

All staff assigned to your engagement will be employed on a full-time basis from the Bakersfield and Fresno offices.

Peer Review Report

As part of our commitment to quality control, our firm is a member of the Center for Audit Quality (CAQ) of the American Institute of Certified Public Accountants (AICPA). We have completed several External Quality Control reviews under the AICPA's guidance, all of which included one or more governmental audits. Appendix II of this proposal contains a copy of our most recent report. As indicated in that report, our firm received a peer review rating of a "pass," which is the highest rating available.

Desk or Field Reviews and Disciplinary Actions

In the normal course of business, our firm has been subjected to several field reviews during the past three years. Additionally, all of our reports are subjected to annual desk reviews by federal and state cognizant agencies. All of our reports for the past three years were accepted by these agencies. We have no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations.

Engagement Letter

Please refer to Appendix IV for a sample engagement letter.

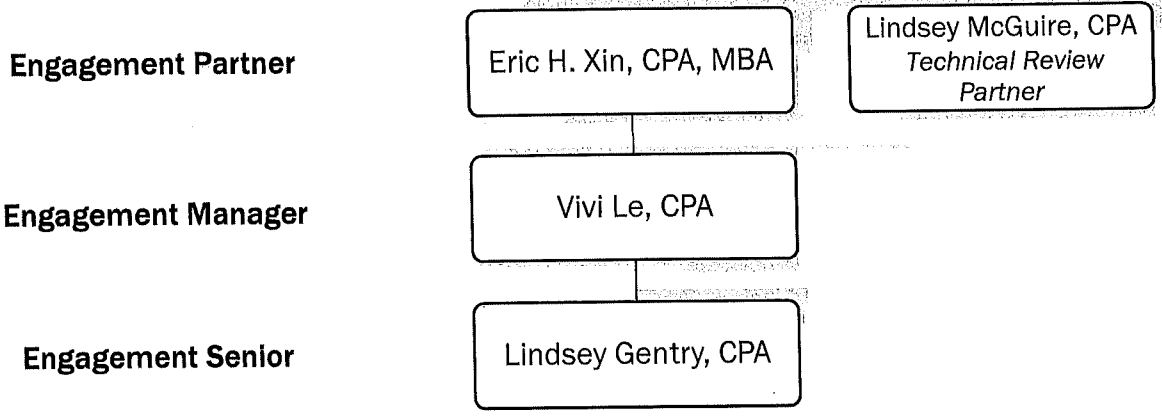
Annual Financial Report

Please see the annual financial report for California Valley Community Services District on the flash drive included in the proposal envelope. The electronic copy is included solely for the District's viewing and not for public distribution or use.

3. Audit Team

Eric Xin will be the Engagement Partner and primary liaison responsible for all services to the District and he is authorized to contractually bind the firm.

The members of the audit team assigned to your engagement are:



The District require auditors who can quickly identify and understand the pertinent issues and promptly provide assistance whenever and wherever needed. This cannot be accomplished without a comprehensive knowledge of operations. Brown Armstrong has assembled a key group of professionals that possess a firm grasp of the subject matter, as well as the experience, confidence, and friendliness you deserve. Our staff will be there when you need them, and they will be continually involved in the audit procedures. This will allow you to have access to decision makers and the resources you need at all times.

Resumes and continuing professional education of the proposed engagement team can be found at Appendix I.

Our firm, its shareholders and employees are independent of the District, as defined by auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have had no professional relationships involving the District for the past five (5) years.

4. Audit Approach

The audit shall be performed in accordance with Generally Accepted Auditing Principles (GAAP) as set forth by the American Institute of Certified Public Accountants, and in accordance with the "Minimum Audit Requirements and Reporting Guidelines for California Special Districts" as required by the State Controller's Office

If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly notify the District's Finance Committee.

Transmission of Workpapers

Confidentiality and security of all our clients' data is extremely important to us and is aided by our paperless auditing process. Our firm policy is that only the active client files should be synched to an employee's laptop when out in the field and client data is regularly cleared off the local drives after jobs are finished. In addition, our laptops have both hard drive encryption technology and tracking software to help us locate them in the case they are lost or stolen and to prevent easy access to the saved files.

Throughout the audit process we utilize Sharefile to safely transmit all working papers between Brown Armstrong and our clients. Sharefile ensures secure content collaboration, file sharing and synchronization.

Method of Providing the District with Important Accounting Changes

As the selected firm, we will keep the District informed of new state and national developments affecting Government finance and reporting, standards and trends including changes in federal/state grant program accounting, new GASBs and reporting requirements.

Each year Brown Armstrong organizes four days of CPE seminars in Bakersfield (two, two-day sessions covering 32 hours of CPE) for its professional staff and clients' personnel. One of the two-day CPE seminars is in the middle of January. It covers accounting and auditing updates relating to for-profit businesses (FASB, PCAOB, and SAS). Another two-day CPE seminar covering primarily governmental accounting and auditing updates (GASB, Yellowbook, Single Audit) is typically in May. The course material covers emerging issues, current pronouncements, auditing standards, risk alerts, information systems, reporting issues, and other topics of interest which concern auditing and accounting with an emphasis on governmental issues. Course materials are prepared by professional lecturers, our partners, managers, and seniors based on their own experience, research, and learning. Last year's attendance included Brown Armstrong professionals and nearly 60 clients and their accounting staff. All staff assigned to governmental entities meets the CPE requirements in accordance with *Government Auditing Standards*.

Statistical Sampling

Based on our preliminary assessment of the internal control structure and risk factors, we anticipate performing internal control testing in the following areas:

Review Area	Sample Size
Receipts and revenues	40-60
Disbursements and accounts payable	40-60
Payroll and related liabilities	40-60
Controls over requirements of federal and state grants, if required	40-60 (per major program)

Staff will perform internal control testing in February/March, with direct supervision by Ms. Le. Sample sizes will depend on the extent of reliance placed on the given sample and the volume of transactions involved. Statistical and random sampling will be used to ensure that all samples truly represent the population being tested. Findings will be discussed with management for accuracy and the process of recommendations immediately started.

Extent of Electronic Data Processing (EDP) Software in the Engagement

Each staff person has access to a personal computer, and has knowledge of CCH Pfx Engagement software we have purchased for auditing municipalities and report writing. We use this software in the beginning, inputting all prior year actual numbers, and the client current year budget, including amendments. We then input year-to-date numbers and run analytical work at the end of the audit comparing appropriation-expenditure numbers to prior year and budget amounts. All significant differences are investigated. Our software is capable of complete report writing, including combining statements and footnotes.

Type and Extent of Analytical Procedures

We will perform analytical procedures during all phases of our audit (audit planning, field work, and audit completion). We will build our expectations based on historical experience and known current year factors and will investigate significant departures at the financial statement level to decide if we can reach our comfort level for certain audit areas. We will also perform substantive analytical procedures, where we use analytical procedures as the principal substantive test of a significant financial statement assertion, based on the auditor's judgment and on the expected effectiveness and efficiency of available procedures.

Approach to be Taken to Understand Internal Control Structure

This is the cornerstone of the engagement. Internal accounting control generally comprises the plan of organization and procedures and records that are concerned with the safeguarding of assets and reliability of financial records. We use inquiry, both written and oral, to document our understanding of the District's internal control structure. We then test our understanding with compliance auditing, sometimes called tests of transactions. Based on our experience with special districts, we will focus our evaluation of the internal control system in the following areas:

TECHNICAL PROPOSAL

McCloud Community Services District

- Controls over disbursements and purchasing,
- Controls over receipts and revenues,
- Controls over payroll, and
- Controls related to the administration of federal grant programs.

We will begin by preparing memoranda to fully describe all financial systems. The memoranda are prepared based on information obtained through our inquiry and observation of the District personnel, and from our review of the District's organizational charts, procedural manuals and programs, and documented financial and management information systems. We will then review the documents to isolate the significant strengths and weaknesses that would affect the extent of substantive audit procedures to be employed. Each strength is then tested and the results subjected to evaluation. These evaluations assist us in determining the amount of reliance we can place on those significant strengths we have identified.

Understanding Laws and Regulations of Audit Work

Our experience with various municipal audit clients, most with federal or state monies, has created a reservoir of knowledge of many laws and regulations. However, by inquiry and observation, we will determine all major programs participated in by the District. We then consult the actual law, the Federal Register, Catalogue of Federal programs, or the California State Controllers guide to State and Federal Compliance to obtain understanding of the requirements of the law. For major programs, we specifically test those requirements by inspection of documents.

Approach for Drawing Audit Samples for Compliance Tests

Compliance test samples will be drawn usually by statistical sampling techniques. The universe from which the sample is drawn begins at the beginning of the year under audit and ends with the end of that year. If a null is picked, it is replaced in draw sequence until sufficient live items comprise the planned sample size. We will request the District to provide us with all disbursements and payroll data files for the year in spreadsheet format from which to draw our samples.

5. Cost Proposal

The total not-to-exceed maximum price for the June 30, 2020 engagement and two subsequent years are as follows:

	Hours	Rates	All-Inclusive Fee For Fiscal Year Ended June 30		
			2020	2021	2022
Financial Statement Audit					
Partners	8	\$200	\$ 1,600	\$ 1,600	\$ 1,600
Manager	12	\$160	1,920	1,920	1,920
Senior	24	\$120	2,880	2,880	2,880
Staff	80	\$80	6,400	6,400	6,400
Clerical	6	\$60	360	360	360
Financial Statement Audit Total	130		\$ 13,160	\$ 13,160	\$ 13,160
SCO Report			\$ 550	\$ 550	\$ 550
Out-of-Pocket Expenses			\$ 640	\$ 640	\$ 640
Total All-Inclusive Maximum Price			\$ 14,350	\$ 14,350	\$ 14,350

Brown Armstrong maintains \$1,000,000/claim and \$2,000,000 aggregate in professional liability insurance.

TECHNICAL PROPOSAL

McCloud Community Services District

6. Proposed Audit Schedule

The following is a detailed audit schedule which includes a breakdown of each phase of the audit, staff levels, and hours projected for each phase. Our plan would be to perform most of the audit work remotely and come onsite if necessary.

Timing	Phase	Staff	Hours
December/January	Planning and Scope of Work <ul style="list-style-type: none"> Perform prior year audit workpaper review. Review and evaluate District's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. Entrance Conference with Management to discuss audit approach, timing, assistance and issues. Prepare overall memo confirming audit procedures, timing and assistance. Prepare detailed work plan and audit programs, audit budget and staffing schedule. Provide schedules to District Management. Coordinate and assist District staff in the preparation of all appropriate confirmation requests including: <ul style="list-style-type: none"> Bank Accounts Revenue from governmental agencies Attorney Letters Investment Accounts Bond and other debts Others, as required Obtain a trial balance for interim analytical procedures. 	Partner Manager Senior Staff Clerical	1 2 3 8 2
	Internal Control Evaluation and Audit Risk Assessment, Establishment of Audit Plan, and Final Field Work <ul style="list-style-type: none"> Obtain and document our understanding of the following key internal control systems through walkthroughs, interviews of staff, and reviews of supporting documentation: <ul style="list-style-type: none"> Budgeting Revenue, billing, accounts receivable and cash collections Purchasing, expenditures, accounts payable and cash disbursements capital assets and journal entry procedures Debt issuance Payroll Other significant internal control systems as necessary. Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. (Sample size designed to meet assessed / required level of risk, but generally higher than in previous years.) Review supporting documentation of selected transactions, evaluate transactions, evaluate adequacy of support and approvals and conclude on degree of adherence to accuracy and compliance with the District's policies. Follow-up on all outstanding confirmations. Prepare to the District's Management a memo concerning management letter points and identify issues, if any. Review minutes of District Board meetings. Verify and validate account balances by including invoices, vouchers, resolutions, minutes, and other documentation, as required. Perform analytical review of revenues and expenditures. Determine reasons for material differences between budget and actual. Perform payroll testing from journals to W-2 amounts (cross fiscal year). Tie W-2's to other available information. 	Partner Manager Senior Staff Clerical	4 6 12 60 0
February/March			

TECHNICAL PROPOSAL

McCloud Community Services District

Timing	Phase	Staff	Hours
April/May	Internal Control Evaluation and Audit Risk Assessment, Establishment of Audit Plan, and Final Field Work Continued <ul style="list-style-type: none"> Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing staff. Perform review of subsequent events by discussions with Management and review of all minutes of the District's Board and key committees. Validate all analytical procedures, assumptions and perform additional testing as necessary. Discuss any proposed adjustments. Hold exit conference with management. 	Partner Manager Senior Staff Clerical	
	Completion of the Audit and Financial Reporting <ul style="list-style-type: none"> Review draft financial statement disclosures and supporting documentation Provide draft financial statements to the District for review and approval Complete review of financial reporting package Detailed Quality Control review by technical partner Issuance of required audit reports by May 31, 2022 Exit Conference With Board of Directors <ul style="list-style-type: none"> Explain overall audit approach Discuss findings and recommendations Report opinions on financial statements and single audit, if required Address required communication topics 	Partner Manager Senior Staff Clerical	3 4 9 12 4
		Total Hours	130

7. Client References

The following are engagements performed in the last five (5) years similar to that of the engagement described in the RFP and can be contacted as references.

Client	Scope of Services	Years
South San Joaquin Irrigation District Robin Giuntoli (209) 249-4610 rgiuntoli@ssjid.com	Financial Statement Audit Compliance Audit	2012 - Present
Buena Vista Water Storage District Marybeth Brooks (661) 324-1101 mbrooks@bvhd20.com	Financial Statement Audit Compliance Audit	2007 - Present
Olcese Water District Blaine Hanson (661) 872-5050 bhanson@nflc.net	Financial Statement Audit	2011 - Present
California Valley Community Services District Karina Sanchez (805) 475-2211 Cvcsd3094@gmail.com	Financial Statement Audit	2019 - Present

October 22, 2021

Mr. Amos McAbier, General Manager,
and the Board of Directors
McCloud Community Services District
220 W. Minnesota Avenue
McCloud, California 96057

Dear Mr. McAbier and the Board of Directors:

We are pleased to confirm our understanding of the services we are to provide McCloud Community Services District (the District) for the years ended June 30, 2020, 2021, and 2022. We will audit the statements of net position of the District as of June 30, 2020, 2021, and 2022 and the related statements of revenues, expenses, and changes in net position and the statement of cash flows, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the years ended June 30, 2020, 2021, and 2022. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budget Comparison Schedules for the General Fund and Major Special Revenue Fund, if any

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Mr. Amos McAbier, General Manager,
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States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions.

We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste and abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial

Mr. Amos McAbier, General Manager,
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misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by auditing standards generally accepted in the United States of America.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the District 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. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of the District in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

Mr. Amos McAbier, General Manager,
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We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you

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are responsible for presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other non-audit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-audit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to State Controller's Office or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

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The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the State Controller. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

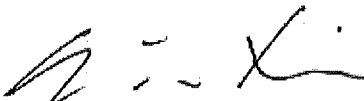
We expect to begin our audits in December 2021, and to issue our reports over the District's financial statements for the fiscal years ended June 30, 2020 and 2021 by May 31, 2022. Eric Xin is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, will be \$14,350 per year plus \$5,000 for travel expenses if the District would like us onsite. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to McCloud Community Services District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Eric H. Xin

EHX:mmj

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Mr. Amos McAbier, General Manager,
and the Board of Directors
McCloud Community Services District
October 22, 2021
Page Seven

RESPONSE:

This letter correctly sets forth the understanding of McCloud Community Services District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

McCLOUD COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Fire Department Recruitment & Retention Coordinator –
Job Description

POLICY NUMBER: 2238

ADOPTED: To Be Determined (TBD)

REVIEWED:

REVISED:

2238.10 The position of Recruitment & Retention Coordinator is an overtime exempt position under the Fair Labor Standards Act. The Recruitment & Retention Coordinator is hired by the General Manager and Fire Chief for a period not to exceed four (4) years. This position is funded by a Federal Emergency Management Agency (FEMA) Staffing for Adequate Fire and Emergency Response (SAFER) Grant. Under the general direction of the District's Fire Chief, the Recruitment & Retention Coordinator is responsible for recruiting new volunteer firefighters and retaining current volunteers through various outlets including but not limited to incentive programs, training programs, career fairs, school presentations, and advertisements. The recruitment and retention coordinator will also respond to fire, hazmat, rescue, medical emergencies and provide care and transport to ambulance patients.

2238.20 Recruitment & Retention Coordinator must have knowledge of:

2238.21 Public safety administration, fire administration, emergency and disaster preparedness, fire investigation, hazardous materials management, and municipal water systems.

2238.22 The operation and maintenance of modern fire and EMS apparatus and firefighting equipment.

2238.23 Structural and wildland fireground tactics and strategies.

2238.24 The incident command system.

2238.25 Local water systems, roads, and geography.

2238.26 Modern emergency medical services (EMS) operations and procedures.

2238.27 Modern communications, business and computer systems and related software.

2238.30 Ability to:

2238.31 Provide the necessary fire and rescue operations during adverse conditions.

2238.32 Operate computers, software and modern communications equipment related to fire service and business applications.

2238.33 Compile and prepare written reports and oral programs.

2238.34 Communicate effectively orally and in writing.

2238.35 Must have the ability to interact with members of the public and co-workers tactfully and professionally.

2238.40 Education/Experience Required

Education equivalent to graduation from high school. Graduation from an accredited CA Fire Academy is preferred. Must possess a current California Emergency Medical Technician (EMT) certification or obtain within 60 days. Current enrollment or graduation from an accredited Paramedic Academy/Class.

All state and federal required standards for a Recruitment & Retention Coordinator to be met within one (1) year of employment as Recruitment & Retention Coordinator, Policy 2238 Appendix A, Minimum Standards for a Recruitment & Retention Coordinator.

2238.50 License/Certificates

Must possess a driving record acceptable to the District's insurance carrier. Must, within eight (8) months of employment, possess a current Emergency Medical Technician Paramedic License and CPR Certification, a valid California Class B or C driver's license with Firefighter Endorsement. A Hazardous Materials Operational Certification. All required certificates and licenses must be maintained throughout employment.

2238.60 Residency Requirement

Employees in this position must establish and maintain residency in a location which allows response to emergency calls for service.

2238.70 Basic Work Hours

This is a 40 hour per week position with work hours coordinated with the Fire Chief. The Recruitment and Retention Coordinator is also subject to respond to calls after regular hours as available and with close coordination with the Fire Chief. The Recruitment & Retention Coordinator is exempt from overtime pay or compensatory time off in accordance with Policy 2010.

2238.80 Essential Job Duties (Continued)

The Recruitment & Retention Coordinator is required to work the hours necessary or required to complete necessary projects or job functions. The Recruitment and Retention Coordinator's primary duties include:

2238.81 Responding to emergency calls for service at any hour of the day or night.

2238.82 Treat and transport patients in an ambulance.

2238.83 Perform administrative and technical work recruiting and retaining candidates for volunteer positions with the McCloud Community Services District Fire Department.

2238.84 Provide informational programs at community job fairs, media outlets, web-based sources, and high school work programs.

2238.85 Develop and implement plans, projects, and programs designed to solicit new volunteer firefighters, retain current volunteer firefighters, and to ensure the sustainability and growth of the McCloud Fire Department.

2238.86 Create and monitor MCSD Fire Department website and social media platforms in hopes to recruit new volunteers

2238.87 Pursue opportunities for external support of recruitment and retention programs, including grants and partnerships, and ensure compliance with requirements of grant awards and other support.

2238.88 Maintaining cordial relations with all persons entitled to the services of McCloud Fire Department and attempting to resolve all public and firefighter complaints.

2238.89 Represents the department at local, county, state and federal agencies and organizations.

2238.90 Does other related work as required.

2238.91-99 Left blank intentionally

2238.100 Physical Requirements

The physical demands described herein are representative of those that must be met by an employee to successfully perform the essential functions of this job.

2238.111 Task: Operate, repair, and maintain firefighting, ambulance and rescue equipment.

Physical Demand: Standing, walking, lifting, pushing, pulling, and carrying (regularly up to 25 lbs., frequently up to 50 lbs., and infrequently up to 70 lbs.), kneeling, stooping, bending, squatting, close vision, distance vision, use of hands to finger, handle, or feel objects, tools or controls, driving vehicle and heavy equipment.

2238.112 Task: Fire suppression and emergency response.

Physical Demand: Wearing self-contained breathing apparatus for extended periods, sitting, standing, climbing ladders while carrying 25 lbs., walking, lifting, pushing, pulling and carrying (regularly up to 25 lbs., frequently up to 50 lbs, and infrequently up to 70 lbs.), kneeling, stooping, bending, squatting, close vision, distance vision, use of hands to finger, handle or feel objects, tools or controls, driving vehicle and heavy equipment, working for extended periods in extremely hot or cold weather, working in low visibility areas containing smoke, ash, etc., working in confined spaces.

2238.113 Task: Prepares handwritten and type written reports, forms, questionnaires, etc. as required to document work performed and maintain compliance with the various laws and standards and district policies and procedures.

Physical Demand: Sitting, close vision, reading, handwriting, speaking, hearing, use of hands to finger, handle, or feel objects, tools or controls, operating a computer and typewriter.

2238.114 Task: Perform traffic control operations during emergency situations.

Physical Demand: Standing continuously in one location wearing turnouts and in temperatures below freezing and above 100 degrees, walking over uneven ground, distance vision, speaking, hearing, use of hands to hold and manipulate signs and to give direction to vehicle operators.

2238.100 Physical Requirements (Continued)

2238.115 Task: Plan, direct and control the recruitment of volunteer firefighters.

Physical Demand: Close and distance vision, color perception, hearing, clear speech, use of hands to finger, handle or feel objects, tools or controls, sitting in office environment for extended periods, driving vehicle, travel to out-of-town meetings with overnight stays.

2238.116 Task: Conducts meetings of personnel, attends meetings of other governmental agencies and organizations, attends, and conducts training.

Physical Demand: Sitting, standing, speaking, hearing, driving vehicle, out-of-town travel, and overnight stays.

2238.120 Environmental Demands

2238.121 Outside: Travels to do out-of-office business in a variety of weather conditions including, rain, snow, cold below freezing and heat to +100 degrees Fahrenheit.

2238.122 Usually works outdoors wearing heavy personal protective equipment.

2238.123 Exposure to various colognes/perfumes, frequent exposure to fumes/dust from equipment.

2238.124 Noise/Vibration: Business/office machines, office located near and sometimes in highway traffic.

2238.125 Exposure to smoke, flames, intense heat and low visibility in firefighting conditions.

2238.130 Mental Requirements

2238.131 Reads and comprehends complex manuals and instructions for computer software and hardware, letters, reports, memos, messages, etc.

2238.132 Writes reports, presentations, memos, messages, and fills out information forms. Needs ability to use or quickly learn the latest version of the district's word processing software.

2238.133 Math: Ability to perform mathematical functions and work with mathematical concepts such as algebra. Ability to apply concepts such as fractions, percentages, ratios and proportions to practical situations. Ability to use or quickly learn the district's current spreadsheet software.

2238.134 Attention to Detail: High level concentration and attention to detail for extended periods of time required to perform management functions, produce reports and spreadsheets.

2238.135 Repetition: Repetitive data entry to spreadsheets and computer system for accounting purposes, typing reports and presentations.

2238.136 Judgment: Ability to work independently, prioritize work and make complex management decisions and implementation of same. Ability to define problems, collect data, establish facts, and draw valid conclusions. Ability to interpret an extensive variety of data in written or verbal form, and deal with numerous abstract and concrete variables. Ability to work with others and formulate appropriate instructions to achieve desired goals

2238.137 Social Skills: Ability to relate cooperatively with the fire Chief, volunteers, members of the public, public officials, governmental agencies, Directors, and District personnel on a constant and face-to-face basis.

2238.138 Communication Skills: Ability to quickly organize and communicate thoughts orally, written or graphically. Ability to understand communications from others.

2238.140 This job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the needs of the employer and requirements of the job change.



McCloud Fire Department

Policy 2238

Recruitment & Retention Coordinator Job Description Appendix A Minimum Standards for Recruitment & Retention Coordinator

CA State Requirements:

1. ICS 200, 300 (CICCS)
2. ICS 700, and 800 (SEMS)
3. Fire Control 1 and Fire Control 2 (California SB 1207)
4. Minimum First Aid/CPR (22 CCR, §100015, H&S Code §1797.182)
5. Haz-Mat FRO (8 CCR §5192, 19 CCR §2520)
6. Haz-Mat Decontamination (8 CCR §5192, 19 CCR §2520)
7. Haz-Mat Incident Commander (8 CCR §5192)
8. Sexual Harassment training (CCR Government code §12950.1)
9. Supervisory training (Government Code §19995.4)

Federal Requirements:

1. IS 100, 200, 700, 800

ISO Requirements:

1. State required training

MCSD Requirements

1. Current EMT Paramedic License or the ability to be licensed within 8 months.
2. CPR certificates.
3. Class A, B, Commercial or Class C Drivers license with Firefighter Endorsement.
4. Ambulance Drivers License.
5. Requirements as set forth in MCSD Policy 2238, Recruitment & Retention Coordinator Job Description (computer knowledge, basic education requirements, etc.).