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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

CONTRACT
BETWEEN THE UNITED STATES OF AMERICA
AND THE CENTRAL ARIZONA WATER CONSERVATION
DISTRICT FOR THE TRANSFER OF OPERATION
AND MAINTENANCE OF FACILITIES

1. Preamble

THIS CONTRACT, made this 5TH day of
August, 1987, pursuant to the Reclamation Act
of June 17, 1902 (32 Stat. 388), and acts amendatory
thereof, or supplementary thereto, particularly the
686), the Reclamation Project Act of August 4, 1939 (53
Stat. 1187), as amended, the Movable Property Transfer
Act of July 29, 1954 (68 Stat. 580), as amended, and the
Colorado River Basin Project Act of September 30, 1968
(82 Stat. 885), as amended, all collectively hereinafter
referred to as "Federal Reclamation Laws", between THE
UNITED STATES OF AMERICA, hereinafter referred to as the
"United States", acting through the Bureau of
Reclamation, Department of the Interior, hereinafter
referred to as "Reclamation", and the CENTRAL ARIZONA
WATER CONSERVATION DISTRICT, a district created,
organized, and existing under and by virtue of the laws
of the State of Arizona, hereinafter referred to as the
"District";
WITNESSETH:

2. Explanatory Recitals

WHEREAS, the District and the United States entered into Contract No. 14-06-W-245, dated December 15, 1972, hereinafter referred to as the "Repayment Contract," which provides, among other things, for the United States to construct the Project and for the District to repay to the United States the reimbursable costs of the Project allocated to the District; and

WHEREAS, part of the Water Supply System is now operational and is being utilized to deliver water to the Project Service Area; and

WHEREAS, the Project, which will be very large and highly complex with sophisticated computer control systems and other complex equipment, will require an OM&R work force comprised of numerous specialists and technicians and the creation of such a work force will require several years; and

WHEREAS, in accordance with Federal objectives of transferring OM&R of Project Works to Project beneficiaries at the earliest practicable date to minimize the size of the Federal work force involved in Project OM&R, to avoid a large reduction in the Federal work force with its accompanying adverse impact on employees if OM&R were not transferred to the District until completion of the Project, and to avoid
potential disruption of Project OM&R, the parties agree that it would be mutually beneficial to enter into a contract which (1) would provide for an early, smooth, effective, and efficient assumption by the District of Project OM&R, including OM&R of Project facilities prior to formal transfer of the Project Works to OM&R status, (2) would facilitate the development of a well trained OM&R work force as construction progresses, and (3) would protect the financial interests of the United States and the District by assuring competent, long-term management of the Project based on a working relationship of mutual trust and common interest between the parties; and

WHEREAS, the District is willing and able to accomplish the work with assistance from the United States as provided for herein;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

3. **Purpose of Contract**

The purpose of this contract is to provide for transfers to and assumption by the District of the OM&R of the Project Works. The provisions of the Repayment Contract as presently constituted, or as amended in the future, shall apply to this contract and shall be controlling in the event of conflict between the Repayment Contract and this contract unless otherwise expressly provided herein. Definitions
included in the Repayment Contract are applicable to this contract. The first letters of terms so defined are capitalized herein.

4. Miscellaneous Construction Activities and OM&R During Construction

In accordance with the provisions of Section 12 of the Reclamation Project Act of August 4, 1939 (53 Stat. 1197), the District shall perform such miscellaneous construction activities and OM&R during construction as, after consultation with the District, Reclamation determines to be necessary or advisable to facilitate a smooth, effective, and orderly assumption of Project OM&R by the District.

5. Operating Agreement

Prior to issuance of Notice(s) of Completion, the District and the United States shall enter into an operating agreement(s) to cover details of Project operations, maintenance, OM&R funding and environmental compliance and commitments applicable to the Transferred Works.

6. Operation and Maintenance of Transferred Works—Payment of Miscellaneous Costs

(a) The provisions of the Repayment Contract notwithstanding, upon consultation with the District and following written notification from Reclamation, the care, operation, and maintenance of any or all of the Project Works shall be transferred to the District.
Title to such Transferred Works will remain in the name of the United States.

(b) The District shall care for, operate, and maintain such Transferred Works in compliance with the terms of this contract, and in such manner that said Transferred Works will remain in good and efficient condition.

(c) Necessary repairs of the Transferred Works shall be made promptly by the District. In case of unusual conditions or serious deficiencies in the care, operation, and maintenance of the Transferred Works threatening or causing interruption of water service, Reclamation may issue to the District a special written notice of the necessary repairs. Within 60 days of receipt of such notice, the District shall either make the necessary repairs or submit a plan acceptable to Reclamation for accomplishing said repairs. If the District fails to do either within 60 days of receipt of said notice, Reclamation may cause the repairs to be made and the cost thereof shall be paid by the District as directed by Reclamation.

(d) No substantial change shall be made by the District in the Transferred Works without first obtaining the written consent of Reclamation. The request for said change shall be made in writing and include a detailed design of the contemplated work. If Reclamation does not reject such change within sixty (60) days, the District may proceed with the work.
Substantial change is defined herein as major relocations or changes in structures and facilities.

(e) The lands and rights-of-way acquired and needed by the United States for the purposes of care, operation, and maintenance of Transferred Works may be used by the District for such purposes. With regard to the lands for the Transferred Works, the District shall not, unless given prior written consent from Reclamation, issue or grant rights-of-way, land use rights, or leases, easements, licenses, permits, or special use agreements involving land, rights-of-way, or Transferred Works. All such land use instruments shall be issued by Reclamation only after consultation with the District and concurrence by the District if the term of the agreement is 25 years or more. The District shall ensure that no unauthorized encroachment occurs on Project lands and rights-of-way required for the operation and maintenance of the Transferred Works. In cases where unauthorized encroachment occurs, the District will expeditiously notify Reclamation and will initiate action to eliminate such encroachment unless the encroachment is legalized by Reclamation.

(f) The District agrees to indemnify the United States for, and hold the United States and all of its representatives harmless from, all damages resulting from suits, actions, or claims of any character brought on account of any injury to any person or property arising out of any act, omission, neglect, or misconduct.
of the District or its employees in the manner or method of performing any construction, care, operation, maintenance, supervision, examination, inspection, or other duties of the District required under this contract.

(g) The District shall cooperate with Reclamation in implementing Reclamation's safety of dams program. The United States agrees to provide the District and the appropriate agency of the State of Arizona in which the Project facilities are located with design data, designs, and an operating plan for the dams and related facilities consistent with the current memorandum of understanding between the United States and the State of Arizona relating to coordination of the storage dam plan-design-construct-operate-maintain process.

(h) In the event that Reclamation finds the District is operating the Transferred Works or any part thereof in violation of this contract, then, upon the election of Reclamation, the United States may take over from the District the care, operation, and maintenance of the Transferred Works by giving written notice to the District of such election and the effective date thereof. Thereafter, during the period of operation by the United States, upon notification by Reclamation, the District shall pay to the United States, annually in advance, the cost of operation and maintenance of the works as determined by Reclamation. Following written
notification from Reclamation, the care, operation, and
maintenance of the works may be retransferred to the
District.

(i) In addition to all other payments to be
made by the District under this contract, the District
shall reimburse to the United States, following the
receipt of a statement from Reclamation, all reasonable
costs incurred by the United States in the
administration and supervision of the Project pursuant
to this contract.

(j) Title to United States owned movable
plant, equipment, and supplies which are available and
useful in the operation and maintenance of the
Transferred Works may be transferred to the District
following issuance of a Transfer Notice(s) for said
works. The value of the said transferred movable plant,
equipment, and supplies as listed on the accounts of the
United States on the date of transfer shall be added to
the District's Construction Cost Repayment Obligation as
appropriate. The District shall have access to said
accounts for the purpose of verifying said values.

7. Funding

(a) During Construction. Funding for
District OM&R activities during construction or for
miscellaneous activities during construction by the
District pursuant to Article 4 shall be made available
to the District by the United States to the extent that
such activities cannot be funded with revenues made
available from Project Water sales. Funds advanced by the United States will be allocated among the Project beneficiaries as a capitalized construction cost. All District activities which are to be funded by the United States in accordance with this Subarticle 7(a) shall be scheduled by the District and funded by the United States in accordance with the provisions of "Exhibit A" which is attached hereto and by this reference made a part hereof.

(b) Prior to Notice of Completion. During the period of time following the issuance of a Transfer Notice(s) for any or all of the Project Works until issuance of a Notice of Completion therefor, the District may retain all revenues from the sales of Project Water for the purpose of funding the OM&R costs of the Transferred Works, including the purchase of power and energy. All such revenues in excess of those required to fund such OM&R costs shall be remitted to Reclamation as Reclamation may direct, after consultation with the District. In the event that revenues from the sale of Project Water are not sufficient to cover the costs of OM&R of the Transferred Works, the United States shall provide funds to the District upon its receipt of itemized cost statements and billings therefor from the District. Reasonable District overhead costs associated with Project OM&R may be included in the costs to be funded by the District or the United States; Provided, however, That the overhead
rate shall be subject to approval by the United States. The United States shall be responsible for funding activities necessary to correct what Reclamation determines to be construction deficiencies (when not funded from other sources), and the costs of construction completion activities. Such United States expenditures shall be allocated among Project purposes as capitalized Project construction costs. All District activities which are to be funded by the United States pursuant to this Subarticle 7(b) shall be scheduled by the District and funded by the United States in accordance with the provisions of "Exhibit A" until the operating agreement referred to in Article 5 has been executed. Scheduling by the District and funding by the United States subsequent to that date shall be pursuant to the provisions of the operating agreement.

(c) **After Notice of Completion.** Following issuance of a Notice(s) of Completion, the District shall be responsible for funding OM&R costs of the Project Works covered by the Notice(s) of Completion properly allocable to it or its Subcontractors. The United States shall be responsible for arranging for funding of OM&R costs of such works allocable to water users other than the Subcontractors. Delivery of water shall be contingent on advance payment of OM&R costs. Fixed OM&R costs (those not directly related to the delivery of water) shall be allocated among the
Project beneficiaries on the same basis as Project construction costs. The United States may direct those water users that are not Subcontractors to pay OM&R costs directly to the District in which event the District shall bill such beneficiaries for such costs with copies to the United States.

8. Examination and Inspection of Project Works for Determining Adequacy of Operation, Maintenance, and Safety of Dams Programs

(a) Reclamation may, from time to time, examine the District's books, records and reports, and the Project Works being operated by the District to assist the District in determining the condition of the Project Works, and the adequacy of the operation, maintenance, and safety of dams programs, and the water conservation program. Reclamation may examine any or all of the Project Works which were constructed by the United States and transferred to the District, or Project Works which were constructed by the District with funds advanced or reimbursed by the United States.

(b) Reclamation may, or the District may request Reclamation to, conduct special inspections of any Project Works being operated by the District and special audits of the District's books and records to ascertain the extent of any operation and maintenance deficiencies, to determine the remedial measures required for their correction, and to assist the
District in solving specific problems. Except in an emergency, any special inspection or audit shall be made only after written notice thereof has been delivered to the District by Reclamation.

(c) The District shall provide access to the Project Works, operate any mechanical or electrical equipment, and be reasonably available to assist in the examination, inspection or audit.

(d) Reclamation shall prepare reports based on the examinations, inspections or audits, and furnish copies of such reports and any recommendations to the District.

(e) The District shall reimburse any reasonable cost incurred by the United States in making operation and maintenance examinations, inspections (including safety of dams) and audits, and preparing associated reports and recommendations.

(f) Reclamation may provide the State of Arizona an opportunity to observe and participate, at its own expense, in the examinations and inspections of Project facilities which are covered under the Reclamation safety of dams program. The State may be provided copies of reports and any recommendations relating to such examinations and inspections.

9. **Safety Regulations**

Any work performed by the District pursuant to Article 4 of this contract shall be done in accordance with all applicable Federal and State safety
regulations, including Reclamation's Construction Safety Standards, system clearance procedures, and power system safety standards. Employees of the District required to operate Federally owned equipment shall be certified in the same manner as Federal employees.

10. Rules, Regulations, and Determinations

   (a) The parties agree that the delivery of Project Irrigation Water is subject to the acreage and ownership limitations and pricing provisions of Reclamation Law, as amended and supplemented, including but not limited to the Reclamation Reform Act of 1982 (Public Law 97-293).

   (b) Reclamation shall have the right to promulgate, after an opportunity has been offered to the District for consultation, rules and regulations consistent with the provisions of this contract, the laws of the United States and the State of Arizona so long as State law is not inconsistent with Federal law, to add to or to modify them as may be deemed proper and necessary to carry out this contract, and to supply necessary details of its administration which are not covered by express provisions of this contract. The District shall observe such rules and regulations.

   (c) Where the terms of this contract provide for action to be based upon the opinion or determination of either party to this contract, whether or not stated to be conclusive, said terms shall not be construed as permitting such action to be predicated upon arbitrary,
capricious, or unreasonable opinions or determinations. In the event that the District questions any factual determination made by the United States, the findings as to the facts shall be made by the Secretary of the Interior only after consultation with the District and shall be conclusive upon the parties.

(d) Nothing herein shall be construed (1) as depriving either party from pursuing and prosecuting any remedy in any appropriate court of the United States or the State of Arizona which would otherwise be available to such parties even though provisions herein may declare that determinations or decisions of the Secretary or other persons are conclusive or (2) as depriving either party of any defense thereto which would otherwise be available.

11. Water and Air Pollution Control

The District, in carrying out this contract, shall comply with all applicable water and air pollution and other environmental protection laws and regulations of the United States and the State of Arizona, and shall obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

12. Contingent on Appropriation or Allotment of Funds

The expenditure or advance of any money or the performance of any obligation by the United States under this contract shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the District from
any obligations under this contract unless such obligations are contingent on the appropriation or allotment of Federal funds. No liability shall accrue to the United States in case funds are not appropriated or allotted.

13. **Uncontrollable Force(s)**

    Neither party shall be considered in default in the performance of any of its duties under this contract when a failure of performance is due to an uncontrollable force. For purposes of this contract, uncontrollable force shall mean any cause beyond the control of the party affected, including, but not limited to: failure of facilities, flood, earthquake, storm, lightning, fire, war, riot, civil disturbance, sabotage, bankruptcy of a major contractor, or restraint by a court or other public authority, which by the exercise of due diligence and foresight such party could not reasonably have been expected to avoid. Any party rendered unable to fulfill any of its duties under this contract by reason of an uncontrollable force shall give written notice of such fact to the other party within a period of time that is reasonable under the circumstances and shall exercise due diligence to remove such inability with all reasonable dispatch.

14. **Third Party Beneficiaries**

    Nothing in this contract, express or implied, is intended to confer any rights or remedies under or by
reason of this contract on any persons other than the parties to it, nor is anything in this contract intended to relieve or discharge the obligation or liability of any third person to any party to this contract.

15. Officials Not to Benefit

No Member of or Delegate to Congress, Resident Commissioner or official of the District shall benefit from this contract other than as a water user or landowner in the same manner as other water users or landowners.

16. Notices

Any notice, demand, or request authorized or required by this contract shall be deemed to have been given, on behalf of the District when mailed, postage prepaid, or delivered to the Regional Director, Lower Colorado Region, Bureau of Reclamation, P.O. Box 427, Boulder City, Nevada 89005, and on behalf of the United States, when mailed, postage prepaid, or delivered to the General Manager of the Central Arizona Water Conservation District, 23636 North 7th Street, Phoenix, Arizona 85024. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this article for other notices.

17. Equal Opportunity

During the performance of this contract, the District agrees as follows:
(a) The District will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The District will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The District agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the United States setting forth the provisions of this nondiscrimination clause.

(b) The District will, in all solicitations or advertisements for employees placed by or on behalf of the District, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, or national origin.

(c) The District will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the United States, advising said labor union or workers'
representative of the District's commitments under Section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The District will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The District will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the United States and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the District's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated, or suspended, in whole or in part, and the District may be declared ineligible for further Government contracts in accordance with procedures authorized in said amended Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said amended Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
(g) The District will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. The District will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance; **Provided, however, That in the event the District becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the District may request the United States to enter into such litigation to protect the interests of the United States.**

18. **Compliance with Civil Rights Laws and Regulations**

(a) The District shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (Public Law 93-112, as amended), the Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as well as with their respective implementing regulations and guidelines imposed by the U.S. Department of the Interior and/or Bureau of Reclamation.

(b) These statutes require that no person in the United States shall, on the grounds of race, color,
national origin, handicap, or age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving financial assistance from the Bureau of Reclamation. By executing this contract, the District agrees to immediately take any measures necessary to implement this obligation, including permitting officials of the United States to inspect premises, programs, and documents.

(c) The District makes this agreement in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property discounts or other Federal financial assistance extended after the date hereof to the District by the Bureau of Reclamation, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The District recognizes and agrees that such Federal assistance will be extended in reliance on the representations and agreements made in this article, and that the United States reserves the right to seek judicial enforcement thereof.
IN WITNESS WHEREOF, the parties hereto have caused this contract No. 7-07-30-W0167 to be duly executed the date and year above written.

LEGAL REVIEW AND APPROVAL

UNITED STATES OF AMERICA

By: [Signature]
Field Solicitor
Phoenix, Arizona

By: [Signature]
Regional Director
Lower Colorado Region
Bureau of Reclamation

ATTEST:

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: [Signature]
Secretary

By: [Signature]
Title: President
EXHIBIT A

RECLAMATION'S RESPONSIBILITY

1. (a) Contingent upon appropriations from Congress, Reclamation will make funds available to the District as provided in Sections 4 and 5 of this Exhibit, to cover costs of the operation and maintenance of Project features as outlined in each master work schedule described in Section 3 of this Exhibit.

(b) Reclamation will assist in the development and review of the master and semi-annual work schedules to assure that the work to be accomplished is consistent with programmed funds and reflects coordination with construction activities being performed on the Project.

(c) Reclamation will review and assist, if needed, in the operation and maintenance being performed by the District. Such assistance will include but is not limited to, all technical resources available to Reclamation.

(d) At the District's request, Reclamation may purchase and provide equipment, supplies, and materials for the District's use in carrying out the responsibilities under this contract pursuant to Section 7 of this Exhibit.
(e) Reclamation will make construction specifications available to the District for its review prior to issuance of solicitations.

(f) Reclamation will review the proposed master and semi-annual work schedules to assure that the proposed work will be in compliance with all Federal, State, and local environmental laws and regulations.

DISTRICT'S RESPONSIBILITY

2. The District, upon request from Reclamation and with Reclamation assistance, will develop work schedules and, following Reclamation approval, will provide the following services in the operation and maintenance of features of the Project:

(a) Recruit, employ, train, and supervise the personnel required to perform the operation and maintenance functions as outlined in the master and semi-annual work schedules.

(b) Procure required supplies and equipment to perform the operation and maintenance as outlined in the master work schedule pursuant to Sections 7 and 9 of this Exhibit.
(c) Review specifications used by Reclamation for construction of various Project facilities. Such review shall be for the purpose of identifying operation and maintenance concerns.

(d) Cooperate with Reclamation and other involved entities to assure that proposed work will be in compliance with all Federal, state, and local environmental laws and regulations.

SCHEDULE OF WORK

3. The District will prepare a master work schedule and detailed semi-annual work schedules for review and approval by Reclamation. The schedules will cover the following items:

(a) Master work schedules will, on a continuing basis, cover three (3) full years and show by fiscal years (October through September) the Project facilities to be operated and maintained by the District and the total estimated costs thereof by feature. The master work schedule will be updated and submitted to Reclamation by January 1 of each year for the upcoming three (3) years for all operation, maintenance, and replacement work covered under this contract. The line items in the work schedules will conform to the financial reporting requirements of Reclamation's books of account.
(b) The detailed semi-annual work schedules will identify feature costs and major equipment purchases with a general description of work to be performed for each feature. The line items in the work schedules will conform to the financial reporting requirements of Reclamation's books of account.

(c) Notwithstanding any other provision of this section, the master work schedules and detailed semi-annual work schedules shall be submitted sufficiently in advance of the proposed operation and maintenance work to permit an adequate review and approval by Reclamation of the proposed program. The District will not be obligated to do any of the proposed work until Reclamation has approved the master work schedule and the applicable semi-annual work schedule and funds are available therefor. Neither party shall make major changes or modifications to the work schedules without the written approval of the other party.

ADVANCES AND ACCOUNTABILITY OF FUNDS

4. (a) Reclamation will make monthly advances or reimbursements to the District, for work done or to be done under approved master work schedules and the approved semi-annual work schedule, subject to the approval of the monthly financial report described in Section 6 of this Exhibit. The payment will be made
as soon as administratively possible after the monthly financial report has been received and approved by Reclamation. Reclamation, at its election, may withhold any payment of future funds for work contemplated but not yet performed if, in its opinion, the District is in default or delinquent with respect to performance of any of the terms or conditions of this contract; and in the event funds are so withheld, the District may discontinue all disputed work until the disputes are resolved and the money therefor is released.

(b) The funds paid hereunder by Reclamation as defined in the work schedule shall be used only for costs and expense incurred by the District for work that would otherwise be accomplished by Reclamation in the operation and maintenance of Project facilities. Such costs and expenses may include salaries and benefits of District employees; procurement of necessary materials, equipment, buildings, employee training, tools, supplies; administrative expenses; and all other costs which, in the opinion of the District and Reclamation, are related to this contract. All costs and expenses of this work program, shall be limited to costs reasonably incurred in the exercise of sound engineering, construction, and business practices which are chargeable or allocable to the work program.
AVAILABILITY OF FUNDS

5. (a) Contingent upon appropriations, Reclamation shall provide funds to the District for the operation and maintenance functions performed by the District. The District will be notified in writing of the funds available each year.

(b) The performance of any work by the District hereunder which requires appropriation of funds by Congress shall be contingent upon such appropriations being made. The District shall not be liable for failure to operate as specified by the schedule when its contractual obligations as contemplated by the schedule are not complete or operational due to failure of appropriation of Federal funds or to the unavailability of water. If Federal funds are not made available to the District, Reclamation may assume the responsibilities for operation and maintenance.

FINANCIAL ACCOUNTS

6. (a) The District shall establish and maintain separate accounts with records for all financial transactions related to this contract. The accounting system will accommodate the standards of internal control and accountability required by Reclamation. Representatives of the United States shall have the right to examine the District's books and records relating to matters covered by this contract.
(b) Monthly reports (including bills) pertaining to the financial transactions under this contract shall be submitted by the District to Reclamation. The monthly reports shall be due on the 10th day of each month. All reports will be in a format consistent with the format of the semi-annual work schedules and will provide the information necessary to properly maintain Reclamation's books of account pertaining to this contract.

(c) The District shall provide an audited financial statement for each fiscal year. Such audits shall be made by qualified persons who are sufficiently independent of those who authorize the expenditure of Federal funds to produce unbiased opinions, conclusions, and judgments. Audits should be made in accordance with generally accepted auditing standards and the standards published by the General Accounting Office, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

ACQUISITION OF PROPERTY, EQUIPMENT, MATERIALS, AND SUPPLIES

7. The District is authorized to acquire with funds provided by Reclamation, pursuant to the approved semi-annual work schedule, property (other than real property), equipment, materials, and supplies necessary to perform the operation and maintenance prescribed in this contract and further detailed in
the master and semi-annual work schedules. Any property, equipment, materials, and supplies purchased with Federal funds shall be used by the District only for purposes of work covered by this contract and cannot be used for personal use by the District employees.

THIRD PARTY CLAIMS

8. The District agrees that it will not seek reimbursement from nor sue the United States nor any officer, agent, or employee thereof, for expenses incurred in defending third party claims for personal injury, death, or property damage arising out of the District's own acts or omissions.

PROCUREMENT STANDARDS/CONTRACTS WITH THIRD PARTIES

9. (a) The District shall use its own procurement regulations as adopted by its Board of Directors. The District must conduct all procurement transactions in a manner that will promote free and open competition in consonance with sound business practices and in accordance with the provisions of 48 CFR 52.244-2 and 48 CFR 52.244-5. This applies to both negotiated and formally advertised contracts. The District may also utilize, at its option, all of the procurement processes and benefits available to Reclamation in obtaining services, equipment, or supplies. The provisions of this subarticle shall not apply to power purchases made by the District pursuant to contracts under Public Law 98-381 and the Navajo Power Marketing Plan.
(b) Unless the District's regulations provide otherwise, the District, if it elects not to do the work with its own employees and equipment, shall advertise each construction, equipment, or supply contract exceeding $25,000 for competitive bidding. Upon receipt of said bids, any award of contract by the District which does not conform to prevailing District regulations, other than to the lowest responsible bidder, shall be subject to approval of Reclamation prior to consummation of the transaction.

(c) Reclamation shall not be a party to or obligated in any manner by contracts entered into between the District and other parties except as provided in this contract.

(d) The District is the responsible authority, without recourse to Reclamation, regarding the settlement and satisfaction of all subcontractual and administrative issues arising out of the subcontracts the District awards in support of this contract.
RECORDS RETENTION

10. District financial records, supporting documents, and all other records pertinent to this contract shall be retained for a period of three years from the date of submission of the final financial status report, with the following exception: if any litigation claim, or audit, is started before the expiration of the three-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.