

2025 CHESTER PUBLIC UTILITY DISTRICT AUDIT CONTRACT

This agreement, made and entered into this 26th day of August 2025 between the Governing Board of the Chester Public Utility District, of Plumas County, State of California, hereafter referred to as "District" and RT Dennis Accountancy, hereafter referred to as "Auditor."

AUDIT SERVICES

We will audit the financial statements of the business-type activities 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, 2025, and optionally through 2027.

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:

- ❖ 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

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 and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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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.

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.

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*.

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.

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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.

Management is also responsible for the preparation and fair presentation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. 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.

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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.

You further acknowledge and understand that management is responsible for making us aware of any contractor relationship in which the contractor has the responsibility for program compliance; providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as personnel, records, documentation and other matters; for the accuracy and completeness of the information that is provided to us; and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the organization from whom we may determine it necessary to obtain audit evidence, including access to your designated employees who will type all confirmations we request.

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 spring time and to issue our report by December 31th (as is possible).

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.

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With respect to any nonattest services we perform (drafting financial statements based on the District's trial balances and OPEB alternative calculation), 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.

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 \$18,500 for the June 30, 2025, \$19,000 for June 30, 2026, \$19,500 for June 30, 2027. 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.

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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.

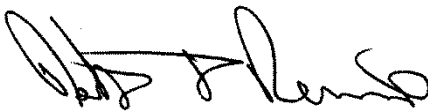
WORKERS COMPENSATION

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
CHESTER PUBLIC UTILITY DISTRICT

RT Dennis Accountancy

By _____

By  _____