

**RE: Municipal Sewage Works – Municipal Advisory Services  
Debt Issuance, Arbitrage, Continuing Disclosure and Multi-Year Capital Asset Financial Planning**

**DATE: January 12, 2023**

This Scope Appendix is attached by reference to the above-named engagement letter (the "Engagement Letter") between the Town of Roanoke, Indiana (the "Client") and Baker Tilly US, LLP and relates to services to be provided by Baker Tilly Municipal Advisors, LLC.

**SCOPE OF WORK**

Baker Tilly Municipal Advisors, LLC ("BTMA") will perform the following services:

**A. General Municipal Advisory Services**

Unless otherwise agreed to by the parties, in connection with any request for services relative to any financial topic, new project concept planning or other financially related topic or project (each referred to herein as a "Project"), BTMA shall perform the following services, as applicable:

1. Provide general financial advice relative to a Project.
2. Survey the resources available to determine the financial feasibility of a Project.
3. Assist in the development of a plan including alternative approaches for a particular Project that may be available and appropriate for such Project.
4. Assist the Client in selecting an approach for a Project.
5. Advise the Client generally on current market conditions, financial impacts of federal, state or other laws, and other general information and economic data that might be relevant to a Project.
6. Assist Client, as requested, in identifying other professional services that may be necessary to a Project.
7. Assist Client in coordinating the activities of the working group for a Project as needed.
8. Assist with the review of documents provided that are relevant to the development of a plan and alternative approaches for a Project.
9. Assist the Client with other components of a Project as requested and agreed upon.

**B. Analysis of Costs and Revenues (Rate Analysis) (Consulting Services)**

1. Analyze historical recorded financial information for a period of three (3) calendar years and the most recent twelve (12) month period available (the "test year").
2. Detail from available records a schedule of flow of funds for the past three (3) calendar years and the test year for the purpose of determining trends, amounts of revenue, cash operation and maintenance expenses, debt service requirements and expenditures for improvements to the Utility property and plant.
3. Analyze expenses of the test year in order to locate and adjust items which should be properly capitalized, expensed or reclassified.
4. Analyze accounts, invoices and pertinent documents and interview Client personnel and/or consulting engineers made available by the Client to determine possible changes in expenses and the possible effects of those changes.

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5. Obtain information from Client officials, engineers and/or other available sources to suggest to the Client adjustments to test year cash operating expenses such as additional labor, power costs, chemical costs, additional taxes and other fixed, known and measurable expense changes.
6. Schedule monthly revenues of the test year in order to locate and adjust unusual and significant fluctuations in such revenue.
7. Prepare amortization schedules of presently outstanding funded debt of the Utility extending over the life of the remaining years of payment and obtain information from bond ordinances or other documents relating to such funded debt.
8. Obtain information from the rate ordinance, tariffs and bond ordinances now in effect.
9. Suggest across-the-board increases for the Utility as may be considered necessary to meet the estimated future annual revenue requirements.
10. Assist in the development of a capital improvements program and determine alternative financial programs leading to the obtaining of funds necessary to meet the capital improvement requirements through funds now available and/or future revenues of the system and/or the use of debt financing.
11. Provide alternative estimates of future annual revenue requirements for consideration by the Client.
12. Prepare comparative information concerning the present and possible future rate structure of the Client in comparison with other utilities in Indiana.

**C. Meetings and Reports (Consulting Services)**

1. Attend a meeting with officials of the Client to discuss findings and recommendations.
2. Furnish a financial report summarizing the results of BTMA's studies for submission to the Client.
3. Provide financial information including a new schedule of rates and charges, if required, to the Client's attorneys for the preparation of resolutions and ordinances as may be required.
4. Attend a public hearing to be conducted by the Client in order to present accounting information relating to the proposed rates and charges, if a rate change is necessary.

**D. Securities Issuance**

Unless otherwise agreed to by the parties, in connection with any request for services relative to any debt issuance including modifying or refunding of a prior issuance or other financings (each referred to herein as a "Transaction"), BTMA shall perform the following services, as applicable:

1. Develop a preliminary estimate of project costs and provide a financial feasibility to assist the Client in its determination of what type of financing is most suitable to meet the needs of the Client for the particular issuance ("Debt Obligation").
2. Assist the Client in determination of an appropriate method of sale for the Debt Obligation (e.g. competitive, negotiated, private placement.)

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3. Provide for the Client's consideration an amount, the security, maturity structure, call provisions, estimated pricing, and other terms and conditions of the Debt Obligation.
4. Advise the Client on current market conditions, financial impacts of federal, state or other laws, and other general information and economic data that might normally be expected to influence the ability to borrow or interest rates of the Debt Obligation.
5. Assist the Client in the analysis of advisability of securing a credit rating, and the selection of a credit rating firm or firms for the Debt Obligation and further assist in the development and presentation of information to obtain a credit rating or credit ratings for the Debt Obligation.
6. Assist the Client in the analysis of utilizing credit enhancement and provide assistance in seeking such credit enhancement if such credit enhancements would be advantageous to the Client.
7. Assist Client in coordinating the financing activities between various parties to any Transaction as needed.
8. Assist Client in identifying other professional services that may be necessary for the issuance or post-issuance requirements of the Debt Obligation.
9. Assist the Client in connection with the preparation, composition, review and distribution of an offering document (e.g. Preliminary and Final Official Statement, Offering Circular, Term Sheet, or Private Placement Memorandum, as applicable) of the type and nature generally prepared in connection with the sale of municipal securities, which will disclose technical data, information and schedules relating to the Client, the project and the Debt Obligation.
10. Provide relevant information for and assist with the review of other primary financing documents, including but not limited to the relevant governing body issuance resolutions/ordinances, bond purchase agreement, and official notice of sale.
11. Communicate with potential underwriters or investors, as appropriate to any Transaction, to ensure that each is furnished with information the Client has deemed to be material in order to render an independent, informed purchase or investment decision concerning the Client's proposed financing.
12. Facilitate the sale of Debt Obligations through receipt and analysis of bids in a competitive sale or analysis of pricing and terms offered by an underwriter or purchaser in a negotiated or private placement sale.
13. Coordinate with the proper parties to ensure the efficient delivery of the Debt Obligations to the applicable purchaser and receipt of proceeds.

**E. State Revolving Fund (SRF) Application (Municipal Advisory Services and Compilation Accounting Services)**

1. Assist with the preparation of the financial portions of the application to the SRF disclosing technical data, information and schedules concerning the Bonds and the Client needed by the SRF.
2. Issue a compilation accounting report in connection with the issuance of the Bonds compiling a projection of debt service coverage resulting from the first full year of operation of the newly constructed improvements. The report will be prepared in accordance with standards established by the American Institute of Certified Public Accountants for inclusion in the SRF Financial Due Diligence if the SRF is the funding source of the improvements.
3. Provide additional information to the SRF or others as may be needed throughout the period between filing the application and closing the Bonds.

4. Analyze the terms proposed by the SRF and, when appropriate, suggest modifications of such terms for the Bonds.
5. Make recommendations to the Client for options to finance non-eligible project costs.
6. Prepare and submit at pre-closing, on behalf of the Client, the initial disbursement request form and supporting documentation.

**F. Multi-Year Capital Asset Financial Planning (Municipal Advisory and Compilation Accounting Services)**

1. Using historical and projected financial information developed as part of services provided under D, compile a projection of the future multi-year financial model (the "Projection") covering a period established by the Client (the "Projected Period").
2. Assist the Client with the establishment of policies regarding maintaining minimum cash and investment balances over the Projected Period (the "Minimum Balance Requirements") that are consistent with legal requirements as well as good business practices.
3. Assist the Client with the development of assumptions regarding changes to revenue during the Projected Period derived from changes to the customer base, taking into account:
  - a. Prediction of customer growth.
  - b. Trending in system utilization, particularly for customers in the Industrial user class.
4. Assist the Client with the development of estimates of operating expenses for the Projected Period using:
  - a. Data generated as part of the services provided under D.
  - b. Changes due to inflation that may have an impact during the Projected Period.
  - c. Other increases or decreases in costs due to factors that may materialize during the Projected Period.
5. Analyze the impact of debt service payments on the financial results of the Utility taking into account:
  - a. Existing annual debt service payments by debt issue.
  - b. The potential impact of refinancing and/or restructuring existing debt.
  - c. The potential impact of issuance of new debt.
6. Based on information from the Client and/or the consulting engineer, identify the estimated capital asset investment cost by year for the Projected Period, and develop potential funding plans for capital taking into consideration:
  - a. Scenarios developed for cash funding and debt financing.
  - b. Scenarios developed that assume various sources for borrowed funds including Federal and State loan programs and the use of open market financing.
7. Using the data generated from services defined in D, 3, 4, 5 and 6 above, create inputs for the Projection to produce estimated cash and investment fund balances. Analyze the resulting cash and investment balances occurring during the Projected Period to the Minimum Balance Requirements; and,
  - a. Identify periods when the Client may not be in compliance with their Minimum Balance Requirements.

- b. Identify actions the Client may need to implement to keep in compliance with their Minimum Balance Requirements including, but not limited to, implementing adjustments to rates and charges.
- 8. Verify billing follows adopted rate ordinance by pulling sample bills for each user class, as well as the Utility's ten largest users.
- 9. Meet with officials of the Client to discuss findings and recommendations.
- 10. Furnish a financial report summarizing the results of the Asset Management study.

**G. Arbitrage Monitoring Services**

Upon receipt of written authorization by the Client to proceed, BTMA shall, based on information supplied by Client, make arbitrage calculations (to include for purposes of this document, rebate and yield reduction calculations) required by Section 148 of the Internal Revenue Service ("IRS") Code and related U.S. Treasury regulations with respect to specified Debt Obligations for the period of time designated for any such Debt Obligation.

In carrying out its duties, BTMA shall periodically, for each specified Debt Obligation:

- 1. Determine the yield on the applicable Debt Obligation;
- 2. Determine if spending exceptions have been met;
- 3. Determine the amount of any arbitrage payment due the IRS;
- 4. Notify Client and/or its designee of any liability amount;
- 5. Prepare for submission by Client the form(s) with which to submit any payment amount due to the IRS at the appropriate intervals throughout the term of the engagement relative to each specified Debt Obligation.

Client agrees to timely provide BTMA with accurate information concerning cash and investment activity within all funds relative to the subject Debt Obligations. The information to be provided shall include:

- 1. Deposits and withdrawals of proceeds or money from other sources within any funds subject to the IRS arbitrage rules;
- 2. Payments of principal and interest on the Debt Obligations; and
- 3. All investment activity including:
  - a. Date of purchase or acquisition;
  - b. Purchase price of investments including any accrued interest;
  - c. Face amount and maturity date;
  - d. Stated rate of interest;
  - e. Interest payment dates;
  - f. Date of sale, transfer, or other disposition;
  - g. Sale or disposition price; and
  - h. Accrued interest due on the date of sale or disposition.
- 4. The Client will provide copies of Debt Obligation offering or legal documents, including, but not limited to, the official statement, the information return filed upon issuance (Form 8038 or 8038-G), the arbitrage certificate, verification report and the bond ordinance/trust indenture.
- 5. Any other information necessary for BTMA to make the calculations required for the specified Debt Obligation.

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The Client is responsible for notifying BTMA of any additional or subsequent Debt Obligations that would require arbitrage compliance services.

Our engagement will not include verifying that: proceeds were used for purpose expenditures; investments were purchased at market price; no amounts were paid to any party in order to reduce the yield on any investment; the Debt Obligation was appropriately structured or qualified as a tax-exempt offering; or information provided to us is complete and accurate.

During the performance of these procedures, it may become necessary for us to consult with your bond counsel and/or obtain information from them concerning interpretations of the above information as affected by applicable sections of the Internal Revenue Code. We will consult with you before any such action is initiated.

Subsequent changes in official interpretations of the tax law may require or permit revision of calculations by requiring or permitting a different methodology for the calculation of arbitrage rebate and yield reduction. We will be under no obligation to update our report for any events occurring, or data or information coming to our attention, subsequent to the issuance of our report.

Calculation and payment of any arbitrage rebate liability and yield reduction payment due is the responsibility of the Client. As such, management has the primary responsibility for the arbitrage rebate and/or yield reduction payment return which the Client may be required to file. You should review the report and calculations carefully upon receipt.

**H. Bond Anticipation Notes (“BANs”) and Bonds (Municipal Advisory Services)**

1. Provide financial information and suggest terms and conditions of borrowing to the Client’s attorneys for their use in preparing the resolutions, ordinances and other legal documents required for the BANs and Bonds.
2. Assist the Client with the preparation and composition of a Request for Proposal (“RFP”) of the type and nature generally prepared in connection with the sale of securities such as the BANs, which will disclose technical data, demographic information and financial schedules relating to the Client, the Project and the BANs.
3. Advise the Client on methods and procedures relative to the offering of the BANs by the Client.
4. In the name and on behalf of the Client, prepare and distribute to underwriters, brokers, institutional investors and other prospective purchasers copies of the RFP for the BANs in connection with the offering of the BANs by the Client.
5. Monitor the sale and compute the net interest costs of the proposals received to determine the best proposal received.
6. Provide the Client with an amortization schedule incorporating the actual interest rates of the low bidder.
7. Upon project completion (or prior to spending grant funds) prepare such financial information as is customarily required.
8. Prepare comparative information concerning the present and possible future rate structure of the Utility. Discuss an interim rate increase or phasing-in of the rates.

I.

**I. Sale of BANs (Municipal Advisory Services)**

The offer and sale of the BANs shall be made by the Client, at the sole direction of the Client, and under its control and supervision. The Client agrees that BTMA does not undertake to sell or attempt to sell the BANs, and will take no part in the sale thereof. The Client agrees that BTMA's compensation hereunder shall be due and payable upon delivery of the RFP for the BANs by BTMA to the Client or the distribution thereof on its behalf regardless of whether the BANs are sold by the Client.

**COMPENSATION AND INVOICING**

BTMA's fees for services set forth in the Scope Appendix will be:

	<u>Service</u>	<u>Fees</u>
A. – E.	General Municipal Advisory Services, Securities Issuance and State Revolving Fund (SRF) Application, Analysis of Costs and Revenues (Rate Analysis)	\$60,000
F.	Multi-Year Capital Asset Financial Planning	\$20,000
G.	Arbitrage Monitoring Services	Time & Expense*
H. – I.	Bond Anticipation Notes (BANs) Sale of BANs	Time & Expense*

\*BTMA's fees will be billed at BTMA's standard billing rates based on the actual time and expenses incurred.

Standard Hourly Rates by Job Classification  
1/1/2023

Partners / Principals / Directors	\$295.00	to	\$525.00
Managers	\$235.00	to	\$340.00
Consultants / Analysts	\$160.00	to	\$235.00
Support / Paraprofessional	\$115.00	to	\$175.00
Interns	\$110.00	to	\$145.00

- *Billing rates are subject to change periodically due to changing requirements and economic conditions. Actual fees will be based upon experience of the staff assigned and the complexity of the engagement.*

The above fees shall include all expenses incurred by BTMA with the exception of expenses incurred for mileage which will be billed on a separate line item. No such expenses will be incurred without the prior authorization of the Client. The fees do not include the charges of other entities such as rating agencies, bond and official statement printers, couriers, newspapers, bond insurance companies, bond counsel and local counsel, and electronic bidding services, including Parity<sup>®</sup>. Coordination of the printing and distribution of Official Statements or any other Offering Document are to be reimbursed by the Client based upon the time and expense for such services.

## **BILLING PROCEDURES**

**Normally, you will receive a monthly statement showing fees and costs incurred in the prior month.** Occasionally, we may bill on a less frequent basis if the time involved in the prior month was minimal or if arrangements are made for the payment of fees from bond proceeds. The account balance is due and payable on receipt of the statement.

### Nonattest Services

As part of this engagement, we will perform certain nonattest services. For purposes of the Engagement Letter and this Scope Appendix, nonattest services include services that the *Government Auditing Standards* refers to as nonaudit services.

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

In connection with our performance of any nonattest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- > Evaluate the adequacy and results of the nonattest services we perform.
- > Accept responsibility for the results of our nonattest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

### Conflicts of Interest

Attachment A to the Engagement Letter contains important disclosure information that is applicable to this Scope Appendix.

We are unaware of any additional conflicts of interest related to this Scope Appendix that exist at this time.

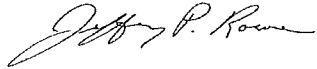
### Termination

Notwithstanding termination provisions contained in the Engagement Letter, this Scope Appendix is intended to be ongoing and applicable individually to specific services including financings, arbitrage computations, and/or continuing disclosure engagement, ("Sub-engagements") as if they are the sole subject of the Scope Appendix. As such, termination may occur for a specific Sub-engagement without terminating the Scope Appendix itself. On termination of a Sub-engagement or the Scope Appendix, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Client and Baker Tilly, the scope of services provided in a Sub-engagement performed under this Scope Appendix will terminate 60 days after completion of the services for such Sub-engagement.

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If this Scope Appendix is acceptable, please sign below and return one copy to us for our files. We look forward to working with you on this important project.

Sincerely,



Jeffrey P. Rowe, Partner

**Signature Section:**

The services and terms as set forth in this Scope Appendix are agreed to on behalf of the Client by:

Name: Sarah J Milton

Title: Clerk-Treasurer

Date: 1/19/2023

**RE:    Compilation and Projection Accounting Services**

**Compilation of Historical Financial Statements**

Our Responsibilities:

The objective of our engagement is to apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America or the cash basis of accounting based on information provided by you.

We will conduct our compilation engagement in accordance with the Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's *Code of Professional Conduct*, including the ethical principles of integrity, objectivity, professional competence, and due care when performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We in our sole professional judgement, reserve the right to refuse any procedure or take any action that could be construed as assuming management responsibilities.

Your Responsibilities:

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America or with the cash basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

- a.    The selection of the cash basis of accounting or accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
- b.    The preparation and fair presentation of financial statements in accordance with the cash basis of accounting or accounting principles generally accepted in the United States of America.
- c.    The election to omit substantially all disclosures normally included in the financial statements in accordance with the cash basis of accounting or accounting principles generally accepted in the United States of America.
- d.    The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.
- e.    The prevention and detection of fraud.

- f. To ensure that the Client complies with the laws and regulations applicable to its activities.
- g. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- h. To provide us with –
  - access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - additional information that we may request from you for the purpose of the compilation engagement.
  - unrestricted access to persons within the Client of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our compilation of your financial statements. You are also responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report:

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to the inclusion of the report, to ask our permission to do so.

**Compilation of a Projection Accounting Services**

We will compile, in accordance with attestation standards established by the American Institute of Certified Public Accountants, from information management provides, the projected operating revenues, cash operation and maintenance expenses, non-operating revenues, and debt service coverage or projected operating receipts, operation and maintenance disbursements, non-operating receipts and debt service coverage, and summaries of significant assumptions and accounting policies of the Client. A compilation is limited to presenting, in the form of projected financial statements, information that is the representation of management. We will not examine the projected financial statements and therefore, will not express any form of assurance on the achievability of the projection or reasonableness of the underlying assumptions.

A compilation of a financial projection involves assembling the projection based on management's assumptions and performing certain other procedures with respect to the projection without evaluating the support for, or expressing an opinion or any form of assurance on, the assumptions underlying it.

If for any reason we are unable to complete our compilation of your financial projection, we will not issue a report on it as a result of this engagement.

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A financial projection presents, to the best of management's knowledge and belief, the Client's expected operating revenues, cash operating expenses, non-operating revenues and debt service coverage or operation receipts, operating disbursements, non-operating revenues and debt service coverage for the projection period assuming the construction and financing of the proposed improvement projects. It is based on management's assumptions, reflecting conditions it expects would exist and courses of action it expects would be taken during the projection period assuming management's assumptions concerning future events and circumstances.

Management is responsible for representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the projected results.

Even if the Client construction and financing of the proposed improvement projects were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Our report will contain a statement to that effect.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

In order for us to complete this engagement, management must provide assumptions that are appropriate for the projection. If the assumptions provided are inappropriate and have not been revised to our satisfaction, we will be unable to complete the engagement and, accordingly, we will not issue a report on the projection.

We understand that the projection and our report thereon will be used only for presentation to the Indiana State Revolving Program or other designated entities. If management intends to reproduce the projection and our report thereon, they must be reproduced in their entirety, and both the first and subsequent corrected drafts of the document containing the projection and any accompanying material must be submitted to us for approval.

We will assist in preparing the above-described projection of debt service coverage and summaries of significant assumptions and accounting policies of the Client based on information provided by you. The preparation of a financial projection involves the computer processing of, and the mathematical and other clerical functions related to, the presentation of the projection, which is based on management's assumptions. The other services are limited to the preparation 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.

You agree to assume all management responsibilities for the projection preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience evaluate the adequacy and results of the services; and accept responsibility for them.