

RE: Municipal Advisory Services – Rate Study, Debt Issuance

DATE: March 12, 2024

This Scope Appendix is attached by reference to the above-named engagement letter (the Engagement Letter) between Town of Munster, 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 (BTMA) agrees to furnish and perform the following services for the Client.

A. Rate Study

1. Analyze historical recorded financial information for a period of three (3) calendar years and the most recent twelve (12) month period when applicable (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 (if applicable).
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 (if applicable).
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 (if applicable).
6. Schedule monthly revenues of the test year in order to locate and adjust unusual and significant fluctuations in such revenue (if applicable).
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. 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.
10. Provide alternative estimates of future annual revenue requirements for consideration by the Client (if applicable).
11. Suggest revenue increases for the Utility as may be considered necessary to meet the estimated future annual revenue requirements.
12. Prepare comparative information concerning the present and possible future rate structure of the Client.

B. Meetings and Reports

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 to present accounting information relating to the proposed rates and charges, if a rate change is necessary.

C. 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.

D. Securities Issuance – Bond Anticipation Notes

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 issuance (the Debt Obligation).
2. Assist the Client in determining an appropriate method of sale for the Debt Obligation (e.g., competitive, negotiated, private placement.)
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 aid 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 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. Accounting Report for Official Statement (Compilation Accounting Services) - if needed

In conjunction with the issuance of the Bonds, BTMA will compile forecasted financial statements and supplementary data for each calendar year through project completion, in accordance with standards established by the American Institute of Certified Public Accountants for inclusion in the Official Statement, taking into consideration the forecasted impact of the revision in rates and charges and a new test year, if necessary, which is anticipated to be not less than four (4) months old at the time of issuance of the Bonds.

COMPENSATION AND INVOICING

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

Without Official Statement - Forty Thousand Dollars (\$40,000) or,

With Official Statement – Sixty Thousand Dollars (\$60,000).

The above fees shall include all expenses incurred by BTMA except for direct, project-related expenses such as travel costs and 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®.

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

This Scope Appendix will terminate according to the terms of the Engagement Letter.



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

Signature Section:

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

Name: _____

Title: _____

Date: _____

COMPILATION AND PROJECTION REPORT APPENDIX

This Appendix is applicable to section E in the Scope of Work.

Services and Related Report

We will compile, from information management provides, the Town's projected schedule of cash receipts and disbursements as of December 31, 2024 and December 31, 2025, for the calendar year's then ending, including the related summaries of significant assumptions and accounting policies. Upon completion of our compilation of the projection, we will provide the Town with our accountants' compilation report. If, for any reasons caused by or relating to the affairs or management of the Town we are unable to complete our compilation of your projection, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

A projection presents, to the best of management's knowledge and belief, the Town's expected financial position, results of operations and cash flows for the projection period assuming the construction of the proposed water capital projects. It is based on management's assumptions reflecting conditions it expects to exist and the course of action it expects would be taken during the projection period assuming the construction of the proposed water capital projects. The projection is designed for the proposed project only and might not be useful for other purposes.

Our Responsibilities and Limitations

The objective of our compilation engagement is to apply accounting and financial reporting expertise to assist you in the presentation of the projection based on management's assumptions without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the projection in order for it to be in accordance with guidelines for presentation of a projection established by the AICPA.

We will conduct our compilation engagement in accordance with 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.

A compilation of a projection differs significantly from an examination of projection. A compilation does not contemplate performing analytical procedures, obtaining an understanding of the Town's internal control, assessing risks of material misstatement, tests of accounting records or other procedures ordinarily performed in an examination.

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 or provide any assurance on the projection.

In order for us to complete the 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.

Our engagement cannot be relied upon to identify or disclose any misstatements in the projection, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Town or noncompliance with laws and regulations, and, because of the limited nature of our work, detection is highly unlikely. However, we will inform the appropriate level of management of any material errors, evidence that fraud may exist, illegal acts or noncompliance with laws or regulations that come to our attention, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

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.

Our Report

As part of our engagement, we will issue a report that will state that we did not examine or review the projection and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it. It will also state that (1) even if the project does not 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; and (2) we have no responsibility to update the report for events and circumstances occurring after the date of the report.

There may be circumstances in which the report differs from the expected form and content.

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

Management's Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in developing the presentation of the projection in accordance with guidelines for presentation of a projection established by the AICPA. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

1. The selection of the accounting principles applied in the preparation of the projection.
2. The preparation and presentation of the projection in accordance with guidelines for presentation of a projection established by the AICPA, the inclusion of all informative disclosures that are appropriate for the projection under those guidelines, and the development of assumptions that reflect your plans and expectations regarding events and circumstances for the projection period assuming the proposed project.
3. The design, implementation and maintenance of internal control relevant to the preparation and presentation of the projection and that it is free from material misstatement whether due to fraud or error.
4. The prevention and detection of fraud.
5. To ensure that Town complies with the laws and regulations applicable to its activities.
6. The accuracy and completeness of the records, documents, explanations and other information, including significant judgments, you provide to us for the engagement.
7. To provide us with:

- > Access to all information of which you are aware is relevant to the presentation of the projection, 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 Town of whom we determine it necessary to make inquiries.