

RE: Sewer Cost of Service Rate Study

DATE: August 12, 2025

This Scope Appendix is attached by reference to the above-named engagement letter (the Engagement Letter) between Patoka Lake Regional Water & Sewer District (the Client) and Baker Tilly Advisory Group, LP (Baker Tilly).

SCOPE OF WORK

Baker Tilly agrees to furnish and perform the following services for the Client.

A. Analysis of Costs and Revenues (Rate Analysis)

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.
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.
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. Analyze Sewage Treatment Plant Monthly Operating Reports in order to estimate the annual volume of infiltration/inflow entering the sewage treatment plant.
8. Calculate the estimated cost of treating excessive strength effluents in order to develop appropriate surcharge rates for treating stronger than normal domestic strength wastes for customers connected to the Client's wastewater treatment plant.
9. 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.
10. Obtain information from the rate ordinance, tariffs and bond ordinances now in effect.
11. 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.
12. Provide alternative estimates of future annual revenue requirements for consideration by the Client.
13. Suggest revenue increases for the Utility as may be considered necessary to meet the estimated future annual revenue requirements.
14. If appropriate, prepare comparative information concerning the present and possible future rate structure of the Client.

B. Cost of Service Study

1. Obtain information from Client officials, consulting engineers and available records, invoices, etc. to determine the classification of utility plant as necessary for Cost of Service analyses.
2. Furnish a detailed study of all customer billings for twelve (12) months' usage of the test year for each rate schedule currently in effect to determine billing demands and customer usage characteristics.
3. Confer with the Client, consulting engineers and other consultants to the Client, as necessary, to determine demand characteristics, meter equivalence ratios and other data for each customer classification in order to determine the cost responsibility for each class of service.
4. Confer with the Client, consulting engineers and other consultants to the Client, as necessary, to arrive at the allocation of the costs of utility plant operating expenses and other revenue requirements to cost functions (i.e., treatment and flow, collection system, customer, administrative and direct functions).
5. Confer with the Client, consulting engineers and other consultants to the Client, as necessary, to arrive at the allocation of each functional cost to each of the present customer classifications in relation to each customer class's responsibility for those costs.
6. Compare the test year revenues under the current schedule of rates with the projected annual costs of providing service for each of the present customer classifications.
7. Recommend the consolidation or expansion of certain present rate classifications where appropriate.
8. Recommend alternative methods of revising rates and charges which are projected to produce revenues approximately equal to the determinable costs of providing service to the customers being billed from said rates
9. Prepare schedules comparing typical monthly billings under the present and proposed rates of the Client with the rates being charged in other communities in the surrounding area.
10. Furnish an accounting report of findings and recommendations concerning the finances of the Client and a new schedule of rates and charges.

C. 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 Baker Tilly'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.

COMPENSATION AND INVOICING

Fees for services set forth in the Scope Appendix will be billed at standard billing rates based upon the actual time and expenses incurred and will not exceed Thirty Thousand Dollars (\$30,000) without further authorization from the Client.

Standard Hourly Rates by Job Classification
9/1/2024

Title	Hourly Rate
Principals / Directors	\$420 - \$660
Managers / Senior Managers	\$290 - \$440
Consultants / Analysts / Senior Consultants	\$185 - \$300
Support / Paraprofessionals / Interns	\$115 - \$195

**Billing rates are subject to change periodically due to changing requirements and economic conditions. The Client will be notified of any change to fees. If Client does not dispute such change in fees within thirty (30) days of receiving the notification, Client will be deemed to have accepted such change. The fees billed will be the fees in place at the time services are provided. 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 except for direct, project-related expenses such as travel costs.

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 other arrangements are made. 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.



**SCOPE APPENDIX to
Engagement Letter dated: August 12, 2025
Between Patoka Lake Regional Water & Sewer District, and
Baker Tilly Advisory Group, LP**

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,

BAKER TILLY ADVISORY GROUP, LP

Scott A. Miller

Scott A. Miller, Principal

Signature Section:

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

Name: *Patrick Dege*

Title: *Board President*

Date: *9-29-2025*