

February 7, 2025

Ms. Teresa Retherford, Clerk-Treasurer
Town of Lapel
825 North Main Street
Lapel, IN 46051

Re: Proposed Accounting and Financial Consulting Services (Rate Study)

Thank you for requesting that O.W. Krohn & Associates LLP (the “Municipal Advisor”) provide an engagement letter to the Town of Lapel (the “Town”) relative to accounting and municipal advisory services more fully described below and as set forth in Exhibit A (the “Services”).

Our initial scope of services relates to the preparation of a rate study for the Wastewater Utility (the “Utility”) following an assessment of the current rate structures and anticipated financial needs of the Utility. However, we will also provide additional services upon request. Such additional services include, but are not limited to, analysis of the feasibility of proposed capital projects, analysis of available debt programs to achieve goals identified by the Town; assistance with long-range planning and budgeting, and assessment of the Utility abilities to satisfactorily meet its statutory revenue requirements.

Fees and Invoicing

Fees charged for work performed are generally based on hourly rates, as set forth in Exhibit B, for the time expended unless other arrangements are mutually agreed upon. Hourly rates for work performed by our professionals vary by individual and reflect the complexity of the engagement. Invoices are generally submitted monthly describing the services provided, time logs and the current billing amount. As always, should any questions arise regarding invoice amounts and service descriptions, please do not hesitate to call.

Termination

Both the Town and the Municipal Advisor have the right to terminate the engagement at any time after reasonable written notice is provided. On termination, the Municipal Advisor shall be compensated for fees and charges incurred prior to termination.

Accountant’s Opinion

The responsibility for auditing the records of the Town rests with the Indiana State Board of Accounts and the work performed by the Municipal Advisor shall not include an audit or review of the records or the expression of an opinion on financial data.

Additional Services

Exhibit A sets forth the scope of the Services to be provided by the Municipal Advisor. From time to time, additional services may be requested by the Town beyond the scope of Exhibit A. The Municipal Advisor may provide these additional services upon request, subject to the Municipal Advisor's customary fees and costs for such services. In the alternative, the Municipal Advisor and the Town may complete a revised agreement or addendum to Exhibit A to set forth the additional services (including revised fees and costs, as needed) to be provided. In either event, the terms and conditions of this letter shall remain in effect.

E -Verify Program

The Municipal Advisor participates in the E-Verify program. For the purpose of this paragraph, the E-Verify program means the electronic verification of the work authorization program of the Illegal Immigration Reform and Immigration Responsibility Act of 1996 (P.L. 104-208), Division C, Title IV, s.401(a), as amended, operated by the United States Department of Homeland Security or a successor work authorization program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work authorization status of newly hired employees under the Immigration Reform and Control Act of 1986 (P.L. 99-603). The Municipal Advisor does not employ any "unauthorized aliens" as that term is defined in 8 U.S.C. 1324a(h)(3).

Municipal Advisor Registration

The Municipal Advisor is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor understands that providing a false certification could result in the fines, penalties, and civil action listed in I.C. 5-22-16.5-14.

The offer and sale of any Bonds shall be made by the Town, in the sole discretion of the Town, and under its control and supervision. The Town agrees that the Municipal Advisor does not undertake to sell or attempt to sell the Bonds and will take no part in the sale thereof.

If the foregoing accurately represents the basis upon which we may provide Services to the Town, we ask that you execute this letter, in the space provided below setting forth your agreement. Execution of this letter can be performed in counterparts each of which will be deemed an original and all of which together will constitute the same document.

If you have any questions, please let us know. We appreciate this opportunity to be of service to you and the Town of Lapel.

Very truly yours,

O. W. Krohn & Associates LLP



Jarrod Hall, Partner

The undersigned hereby acknowledges and agrees to the foregoing letter of engagement on this 20th day of February, 2025.

Town of Lapel, Indiana

By: _____



Authorized Representative

EXHIBIT A

Wastewater Rate Study

Baseline Scope of Services

The Municipal Advisor agrees to furnish and perform the following services with respect to the accounting and consulting services to be provided to the Town:

- Compile comparative financial statements of the Utility for the calendar years ended December 31, 2023, and December 31, 2024 and the most recent twelve months ended (the “test year”).
- Analyze actual revenues and expenditures in comparison with budgeted amounts and identify material variations. Recommend appropriate adjustments/reclassifications if needed.
- Analyze Utility fund balances for compliance with minimum reserve requirements, if any (i.e. bond ordinances or other reserve requirements). Make appropriate transfer recommendations and identify unrestricted funds available for capital projects.
- Analyze customer usage characteristics and monthly billing data by user class for the test year (2024);
- Identify the Utility’s anticipated capital expenditure needs, pro forma annual operation and maintenance costs, potential debt service requirements and compute annual payment in lieu of taxes (PILOT).
- Analyze financial results and propose potential rate adjustment scenarios for consideration by the Town. Identify the “across-the-board” impact on monthly user rates based upon various project costs and funding resources.
- Communicate potential rate structural matters to management and the Town Council.
- Comparison of present and proposed monthly user fees.
- Present the findings and recommendations to management and the Town Council.
- If the Town decides to adjust the user rates, a public hearing will be held. Our scope includes attendance at required public hearing.

EXHIBIT B

Fees – Billing Rates

The Municipal Advisor's fees for the services described above shall be based upon actual time charges and out of pocket expenses. Our 2025 professional staff billing rates are noted below:

Standard Hourly Rates / Staff Classifications
1/1/2025

Partners	\$ 290.00
Senior Project Managers	\$ 260.00
Project Managers	\$ 240.00
Senior Consultants	\$ 210.00
Consultants	\$ 195.00
Support Personnel	\$ 100.00

- *Billing rates are subject to change periodically due to changing requirements and economic conditions. However, the rates above will not be changed prior to December 31st, 2025. Actual fees will be based upon the actual time expended, required experience of the staff assigned and complexity of the engagement. Estimated fees for routine services are noted below.*

The cost of preparing the Baseline Financial Analysis & Rate Study is anticipated to be in the range of \$5,000 - \$7,000. We anticipate a 45 to 60-day completion timeline, assuming that there are no unforeseen issues.

Other services will be provided upon request, including additional in-person meetings and other services beyond the scope of the baseline / virtual rate study procedures noted in Exhibit A. Said additional services will be provided at the above-noted hourly billing rates.

EXHIBIT C

Accounting & Financial Reporting Services

Our Responsibilities:

The objective of our engagement is to prepare financial statements 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 preparation 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 bookkeeping services or preparing financial statements.

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 management acknowledges and understands that our role is the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America or in accordance with the cash basis of accounting. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARS:

1. 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.
2. 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.
3. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements.
4. The prevention and detection of fraud.
5. To ensure that the Town complies with the laws and regulations applicable to its activities.

Accounting & Financial Reporting Services

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 preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Provide additional information that we may request from you for the purpose of the preparation engagement. And unrestricted access to persons within the Town of whom we determine it necessary to make inquiries.
8. You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our bookkeeping services and the preparation of your financial statements. You are also responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.
9. The financial statements are not intended to be distributed to third parties unless accompanied by a report. If the statements are distributed or used for public purposes, you agree that the financial statements will clearly indicate that they are unaudited and no assurance is provided on them.

Our Report

As part of our engagement, we will issue a report that will state that we did not audit, review or compile 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 preparation of your financial statements, we will not issue a report on such statements as a result of this engagement.