



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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May 29, 2020

Jeffrey Stonehill
Intergovernmental Cooperation Authority of Harrisburg

Dear Mr. Stonehill:

The following represents our understanding of the services we will provide Intergovernmental Cooperation Authority of Harrisburg (“Authority”).

You have requested that we audit the cash basis financial statements of the governmental activities as of June 30, 2020, and for the year then ended, which collectively comprise the Authority’s basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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 basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with 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 basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

In making our risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

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We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will assist in preparing the cash basis financial statements in conformity with U.S. generally accepted accounting principles based on information provided by you. We will not assume management responsibilities on behalf of the Authority. However, we will provide advice and recommendations to assist management of the Authority in performing its responsibilities. We will perform these services in accordance with applicable professional standards.

With respect to any nonattest services we perform, the Authority'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.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the cash basis financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
- c. To provide us with:
 1. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 2. Additional information that we may request from management for the purpose of the audit; and
 3. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing the basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole.
- g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.



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You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and any other nonaudit services that you have reviewed and approved those services prior to the financial statement issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of the Authority's basic financial statements. Our report will be addressed to the governing body of the Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Engagement Administration, Fees, and Other

We expect to begin the audit on approximately August 3, 2020 and to issue our reports no later than October 15, 2020. Kimberly Stank is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

We will provide you a list of required schedules and analyses to be prepared by your personnel before the audit begins. Timely completion of our audit is dependent on cooperation in preparing schedules and analyses timely and accurately. If there are delays in preparing the material or if schedules must be continually revised, costs will increase. We will advise you of difficulties or delays in completing the engagement.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

The audit documentation for this engagement is the property of Zelenkofske Axlerod LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be



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made available upon request and in a timely manner to a Cognizant or Oversight Agency for Audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Zelenkofske Axlerod LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Cognizant Agency, Oversight Agency for Audit, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. We have obtained confidentiality agreements with all of our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

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.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

It is management's responsibility to submit, in the required time period, the information for all outstanding municipal securities in accordance with each of the respective securities requirements, Securities and Exchange Commission and Municipal Securities Rulemaking Board requirements, and any other applicable requirements. You agree that the expected report issuance date above will be sufficient to fulfill management's responsibility related to the above requirements. The expected report issuance date is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.



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Our fees for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$1,500 for the annual audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. 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 such as implementing new auditing pronouncement or auditing additional federal or state programs, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We normally bill at least monthly while work progresses. All invoices are due and payable upon presentation. For invoices due over 30 days, a finance charge is assessed on unpaid balances at the rate of one and one-half percent (1.5%) per month (eighteen percent (18%) per annum). We reserve the right to halt work if balances remain unpaid after ninety (90) or more days, and not to resume work until all overdue amounts are paid in full. Any balances remaining unpaid after ninety (90) or more days may, at our option, be formalized by the execution of a promissory note. You agree that you shall be liable for all reasonable costs we incur in collection including, but not limited to, reasonable attorney fees.

In the event any dispute arises relating in any way to this engagement, the parties agree to first attempt to resolve such dispute through the non-binding mediation process in the manner set forth herein, with costs to be divided equally between the parties. The mediation shall take place in Philadelphia County or in Dauphin County, Pennsylvania. To effect mediation, the party desiring mediation shall give the other party 10 days' advance written notice of its desire to mediate. The other party shall respond within said 10-day period that it accepts or rejects the mediation process. If (a) the other party rejects the mediation process, (b) does not respond to the mediation notice or (c) the mediation is not successful, then, in any legal proceeding relating in any way to this agreement, all parties hereto hereby irrevocably consent to the jurisdiction and venue of either the United States District Court for the Middle District of Pennsylvania (if there is federal jurisdiction) or the Court of Common Pleas of Dauphin County, Pennsylvania (if there is no federal jurisdiction) and each party hereto further agrees not to raise any objection to such jurisdiction or to the laying of venue of any such proceeding in such county. Each party agrees that service of process in any such proceeding may be duly effected upon it by mailing a copy thereof, to the address given above.

Our Firm's policy requires that payment arrangements must be made for all outstanding invoices prior to release of our work product.

You agree that our liability hereunder for damages will be limited to gross negligence, fraud, or willful misconduct and shall not exceed the total amount paid for these services described herein. These shall be your exclusive remedies.

You further agree that we will not be liable for any lost profits, or for any claim or demand against you by any other party. In no event will we be liable for incidental or consequential damages even if we have been advised of the possibility of such damages. Because of the importance of management's representations to the effective performance of our services, you will release Zelenkofske Axlerod LLC and its personnel from any claims, liabilities, costs, and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than three years after the date of the last services provided under this agreement.

It is understood that Zelenkofske Axlerod LLC has spent many years developing its people and intellectual assets, including but not limited to computer software programs and business practices and procedures. Accordingly, you agree that any means of presentation of financial data which represent our internal or external work product or any other of our intellectual assets shall, at all times, remain the property of Zelenkofske Axlerod LLC and shall not be disseminated or shared with any entity not a party thereto without our prior written consent. Additionally, you and your affiliates or related entities agree not to employ any current or former employees of Zelenkofske Axlerod LLC, during the term of this engagement or for a period of three years thereafter without our prior written consent.

