

December 11, 2020

Mr. Stephen Repasch
The Bethlehem Authority
10 East Church Street
Bethlehem, PA 18018-6025

Dear Mr. Repasch:

We are pleased to confirm our understanding of the services we are to provide The Bethlehem Authority (Authority) for the year ended December 31, 2020. We will audit the financial statements, including the related notes to the financial statements, of the Authority, which will be presented as a blended component unit of the City of Bethlehem, as of and for the year ended December 31, 2020.

Audit Objective

The objective of our audit is the expression of opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of The Bethlehem Authority's financial statements. Our report will be addressed to the Honorable Robert J. Donchez, Mayor and Honorable Members of City Council of the City of Bethlehem. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is 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 an opinion, we may decline to express an opinion or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 financial statements. We will plan and perform the audit to obtain reasonable assurance about whether

the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys and confirmations from financial institutions as part of the engagement, and they may bill you directly or indirectly through us for responding to these inquiries. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the 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 prepare the financial statements of the Authority as a blended component unit of the City of Bethlehem in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement 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.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

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, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You agree to assume all management responsibilities for financial statement 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.

Engagement Administration, Fees, and Other

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Maher Duessel and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to any regulator or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Maher Duessel personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the regulator or its designee. The regulator or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement.

In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

The Authority and Maher Duessel agree that any claim arising from this agreement shall be commenced within one year of the date of the audit report or the date of the engagement letter if no report has been issued. Maher Duessel's responsibility for claims, damages, or cost shall be limited to the amount of fees paid for the services rendered under this engagement letter.

Jennifer L. CruverKibi, CPA is the engagement principal and is responsible for supervising the engagement and signing the report of authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates, except that we agree that our gross fee, including expenses, will not exceed \$3,760. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. 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, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In the event that representation by legal counsel, during the term of this agreement or subsequently, is deemed necessary by Maher Duessel in connection with any aspect of this engagement, fees and expenses for counsel will be reimbursed to the auditor as out-of-pocket expenses.

Professional standards require Maher Duessel to establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations. It is Maher Duessel's policy that any complaints or allegations should be reported to the managing partner (Elizabeth E. Krisher) or engagement partner identified within this letter.

Audit Meetings

Management will arrange for Maher Duessel to meet with the Authority's Board or an appropriate committee thereof, in connection with the audit. Generally, the meeting can occur

in advance of and following the completion of year-end fieldwork for the audit of the Authority's financial statements.

Use and Distribution of Reports

Maher Duessel will provide draft reports to management for review and approval before issuance. Final reports for internal use and external distribution will be delivered to the Authority. The Authority's use and distribution of reports is expected to be limited to (1) filings routinely required by non-profit or governmental agencies, (2) existing and potential donors, and (3) internal use. If the Authority intends to publish or otherwise reproduce the financial statements and make reference to our firm name, the Authority agrees to provide Maher Duessel with printer's proofs or masters for our review and approval prior to printing. The Authority also agrees to provide Maher Duessel with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information, and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic sites with the original document.

Confidentiality

The Authority understands that the AICPA Rule of Professional Conduct ordinarily precludes an auditor from disclosing confidential information obtained in the course of an audit engagement unless the client specifically consents. Professional standards also require that auditors prepare working papers to document the performance of the audit. While such working papers will remain the property of Maher Duessel, the Authority will have a right to a copy of any working papers that contain data that constitutes part of a client's records. The AICPA requires members who practice public accounting to participate in either a Quality Review or Peer Review practice-monitoring program. Maher Duessel is enrolled in such a program. The Authority grants permission for Maher Duessel to respond fully to inquiries and allow review of working papers in connection with practice monitoring program activities.

We may also be requested to make certain workpapers available to grantor agencies pursuant to authority given to them by law or regulation. If requested, access to such workpapers will be provided under the supervision of Maher Duessel personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to the grantor agencies. The grantor agencies may intend, or decide, to distribute the photocopies of information contained therein to others, including other governmental agencies.

Additional Services

Maher Duessel may provide additional services which can be either non-recurring matters or changes to the scope of recurring services, including matters such as: (1) changes to the body of compliance and other requirements applicable to the Authority; (2) changes in the nature or scope of programs that comprise the reporting entity; (3) changes in the application of accounting principles or the application of new principles; (4) changes to auditing standards of a nature that results in an increase in the audit effort required; (5) management requests for procedures of a nature and extent beyond those necessitated for an audit; (6) consent letters; (7) costs related to required surcharges; and (8) matters of management responsibility (e.g. the condition of records) or other matters beyond Maher Duessel's reasonable control that impair the efficient conduct or expand the scope of effort beyond the audit procedures necessary for the scope of recurring services.

In the event that the Authority requires additional services, the Authority may request that Maher Duessel provide such additional services and pay fees based upon professional hours.

We appreciate the opportunity to be of service to The Bethlehem Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Maher Duessel

BY: 
Jennifer L. CruverKibi, CPA - Principal

RESPONSE:

This letter correctly sets forth the understanding of The Bethlehem Authority.

BY: _____
Signature

Title

Name of authorized signer

Date