

# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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November 10, 2021

## **Board of Directors Aerotropolis Regional Transportation Authority**

We are pleased to confirm our understanding of the services we are to provide the Aerotropolis Regional Transportation Authority (the "District") for the year ended December 31, 2021. We will audit the financial statements of the governmental activities, the individual fund statements, and the remaining fund information, which collectively comprise the entity's basic financial statements, of the District as of and for the year ended December 31, 2021.

Accounting principles generally accepted in the United States provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of the engagement, we will apply certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSI other than MD&A, such as the budgetary schedule for the general fund, and supplementary information other than RSI, such as the budgetary schedule for the enterprise fund, also accompany the District's financial statements. We will subject the following RSI and supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

- 1) Budgetary schedules for the General Fund (RSI)
- 2) Budgetary schedules for the Debt Service Fund and Capital Projects Fund (SI)

*Member: American Institute of Certified Public Accountants*

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## **Audit Objective**

The objective of our audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

## **Auditor Responsibilities**

We will conduct our audit in accordance with GAAS. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

## **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 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.

## 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:

1. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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; and
3. To provide us with:
  - a. 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;
  - b. Additional information that we may request from management for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
  - d. A written acknowledgement of all the documents that management expects to issue that will be included in an annual report, if any, and the planned timing and method of issuance of that annual report; and
  - e. A final version of the annual report, if any (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.;
4. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
5. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
6. 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; and
7. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
8. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
9. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
10. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

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.

## Nonattest Services

At the end of the year, we agree to perform the following:

- Propose adjusting or correcting journal entries to be reviewed and approved by management;
- Prepare the financial statements

We will not assume management responsibilities on behalf of the District. However, we will provide advice and recommendations to assist management in performing its responsibilities.

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.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

## Reporting

We will issue a written report upon completion of our audit of the financial statements. Our report will be addressed to the Board of Directors. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. 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.

## Audit Administration, Fees, and Other Matters

We understand that your employees will prepare all account reconciliations and work papers requested, and will locate all invoices selected by our staff for testing. Our fee for this service will be based on the actual time spent at our standard hourly rates. Our standard hourly rates vary according the degree of responsibility involved and the experience level of the personnel assigned to your audit.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Daniel R. Cudahy, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising the services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

**Audit Administration, Fees, and Other Matters (continued)**

We estimate that the fee will not exceed \$10,200 for year ending December 31, 2021. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Please note that our fee quotations represent all costs for completion of the audit of the District's financial statements; including all relevant telephone conferences or other such meetings as may be required to complete the audit and present the required reports within the agreed-upon time frame. If additional account reconciliation or other financial statement work is required beyond that anticipated in the contingency fee, we will discuss the specific circumstances with you prior to performing such additional work.

The audit documentation for this engagement is the property of McMahan and Associates, LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to a regulating entity pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of our firm's personnel. The regulating entity may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

We appreciate the opportunity to be of service to the Aerotropolis Regional Transportation Authority and believe this letter accurately summarizes the significant terms of our engagement. We are committed to assisting you and providing to the District quality audited financial statements at a reasonable fee. 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.

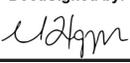
Sincerely,



**McMahan and Associates, L.L.C.**

**RESPONSE:**

This letter correctly sets forth the understanding of Aerotropolis Regional Transportation Authority.

By:	<small>DocuSigned by:</small>  <small>45E4943B33D44F2...</small>
Title:	President
Date:	4/20/2022