



September 29, 2014

KBL, LLP
114 West 47th Street
New York, NY 10036

This representation letter is provided in connection with your audit of the consolidated financial statements of Hudson River-Black River Regulating District (the "Regulating District"), which comprise the consolidated financial position of the business-type activities as of June 30, 2014, and the respective changes in consolidated financial position and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 29, 2014, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 14, 2014, including our responsibility for the preparation and fair presentation of the consolidated financial statements.
- 2) The consolidated financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) There were no events subsequent to the date of the consolidated financial statements and for which U.S. GAAP that would require adjustment or disclosure, that have not been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Regulating District is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Regulating District from whom you determined it necessary to obtain audit evidence.
- 13) All material transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Company and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Regulating District's financial statements communicated by employees, former employees, analysts, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the consolidated financial statements.
- 19) We have disclosed to you the identity of the Regulating District's related parties and all the related party relationships and transactions of which we are aware.
- 20) The Regulating District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

21) We acknowledge our responsibility for presenting the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Change in Net Position (the "Supplemental Information"), and we believe the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Change in Net Position, including its form and content, is fairly presented. The methods of measurement and presentation of the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Change in Net Position have not changed from those used or presented in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the Supplemental Information is not presented with the audited consolidated financial statements, we will make the audited financial statements readily available to the intended users of the Supplemental Information no later than the date we issue the Supplemental Information and the auditor's report thereon.

Government related

- 22) We have made available to you all financial records and related data.
- 23) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices.
- 24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 25) The Regulating District has no plans or intentions that may materially affect the carrying value or classifications of assets, liabilities or equity.
- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements, where applicable that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the consolidated financial statements and related notes.
- 28) The Regulating District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Regulating District has complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
- 30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 31) The consolidated financial statements properly classify all funds and activities.
- 32) All funds that meet the quantitative criteria in GASB's Nos. 34 and 37 for presentation as major are identified and presented as such an all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted and unrestricted) and equity amounts are properly classified and, if applicable , approved.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.

- 35) Revenues and expenses have been appropriately classified in the consolidated financial statements; and allocations have been made for expenses on a reasonable basis.
- 36) Interfund, internal, and intra-entity and activity and balances have been appropriately classified and reported.
- 37) Deposits and funds held in the NYS Short Term Investment Pool (STIP) accounts are properly classified and reported. All related risks have been properly disclosed.
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 39) We have appropriately disclosed the Regulating District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

We intend to distribute the auditor's report only to the New York State Office of the Comptroller and the Board of Directors of the Hudson River-Black River Regulating District.

Truly yours,

Signature: Michael C. Clark
Michael Clark
Title: Chief Executive Officer

Signature: Richard Ferrara
Richard Ferrara
Title: Chief Financial Officer

Client: [REDACTED]
 Description: [REDACTED]
 A/P Ref: [REDACTED]
 Debit: [REDACTED]
 Credit: [REDACTED]

Account	Description	A/P Ref	Debit	Credit	P&L Impact Inc/(exp)
Proposed P&L		5430			
5730-0500HR1	Interest Expense		2,710.00		
5670-0200HR1	Insurance			1,664.00	
5670-0250HR1	Insurance			169.00	
5670-0500HR1	Insurance			486.00	
5670-0600HR1	Insurance			391.00	
Total			<u>2,710.00</u>	<u>2,710.00</u>	\$ -

Proposed P&L		M-04			
5080-0200HR1	Health Insurance		1,294.00		
2095-0000HR1	Accrued AP			1,294.00	
Total			<u>1,294.00</u>	<u>1,294.00</u>	\$ (1,294.00)

TOTAL P&L IMPACT (1,294.00)

TOTAL ASSETS \$ 5,839,439.00 0% Δ
TOTAL NET POSITION \$ (2,596,125.00) 0% Δ
TOTAL NET CHANGE IN NET POSITION \$ (3,149,107.00) 0% Δ

KBL deems the aggregate of these passed entries do not materially impact the financials as a whole.