



Board of Hudson River-Black River Regulating District  
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September 21, 2012

Bonadio & Co., LLP  
171 Sully's Trail, Suite 201  
Pittsford, New York 14534

We are providing this letter in connection with your audits of the financial statements of Hudson River-Black River Regulating District (the Regulating District) as of June 30, 2012 and 2011 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Regulating District and the respective changes in financial position and cash flows thereof in conformity with accounting principles generally accepted in the United States. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of September 21, 2012, the following representations made to you during your audits.

- 1) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
  - a) Financial records and related data.
  - b) Minutes of the meetings of the Regulating District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - 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.
- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

- 8) 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.
- 9) The Regulating District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 10) The following, if any, have been properly recorded or disclosed in the financial statements:
  - a) Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which the Regulating District is contingently liable.
  - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 11) 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 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.
- 12) There are no—
  - a) 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 financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting.
- 13) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 14) 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.
- 15) The Regulating District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 16) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 17) The financial statements include all joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 18) The financial statements properly classify all activities.
- 19) Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.

- 20) Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
- 21) Provisions for uncollectible receivables have been properly identified and recorded.
- 22) Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and change in net assets and allocations have been made on a reasonable basis.
- 23) Revenues are appropriately classified in the statement of revenues, expenses and change in net assets.
- 24) Inter-district activity and balances have been appropriately classified and reported.
- 25) Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
- 26) Capital assets are properly capitalized, reported, and, if applicable, depreciated.
- 27) 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 assets are available and have determined that net assets were properly recognized under the policy.
- 28) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 29) With respect to the supplementary information (combining statement of net assets and combining statement of revenue, expenses and change in net assets):
  - a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 30) We have evaluated the Regulating District's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.

In connection with your examination of our compliance with our own investment policies, applicable laws and regulations related to investments, and the New York State Office of the State Comptroller Investment Guidelines for Public Authorities (the Guidelines) as of and during the year ended June 30, 2012, for the purpose of expressing an opinion that the investments are presented, in all material respects, in conformity with our own investment policies, applicable laws and regulations related to investments, and the Guidelines, we confirm, to the best of our knowledge and belief, the following representations made to you during the course of your examination.

- 1) We are responsible for investments and for our assertion that they are in compliance with our own investment policies, applicable laws and regulations related to investments, and the Guidelines.
- 2) We are responsible for selecting the criteria and for determining that the criteria are appropriate for our purposes.
- 3) As of June 30, 2012, we are in compliance with our own investment policies, applicable laws and regulations related to investments, and the Guidelines.
- 4) We have disclosed to you all information of which we are aware that may contradict investment compliance, and we have disclosed to you all communications from regulatory agencies affecting investments.
- 5) We have disclosed to you all events subsequent to June 30, 2012 that would have a material effect on being in compliance with our own investment policies, applicable laws and regulations related to investments, and the Guidelines.
- 6) We have made available to you all records relevant to investments.
- 7) We intend to distribute your report only to the New York State Office of the Comptroller and Board of Directors of Hudson River-Black River Regulating District.

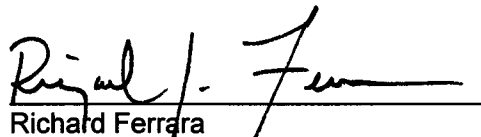
We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Very truly yours,

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT



Michael Clark  
Chief Executive Officer



Richard Ferrara  
Chief Fiscal Officer