

# **Susquehanna River Basin Commission**

## **Audit Results**

**June 30, 2014**



To the Board of Commissioners  
Susquehanna River Basin Commission  
Harrisburg, Pennsylvania

We are pleased to present this report related to our audit of the financial statements of Susquehanna River Basin Commission (the Commission) for the year ended June 30, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Susquehanna River Basin Commission's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to Susquehanna River Basin Commission.

*Reinsel Kuntz Lesher LLP*

November 13, 2014  
Lancaster, Pennsylvania

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p><b>Our Responsibilities with Regard to the Financial Statement Audit</b></p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated July 10, 2014.</p>
<p><b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b></p>	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.</p>
<p><b>Accounting Policies and Practices</b></p>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. The Commission did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current year.</p> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions, or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>

## Required Communications (continued)

Area	Comments
<b>Accounting Policies and Practices (continued)</b>	<p><b>Management’s Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached “Summary of Significant Accounting Estimates.”</p>
<b>Basis of Accounting</b>	<p>The financial statements were prepared on the assumption that the Commission will continue as a going concern.</p>
<b>Audit Adjustments</b>	<p>Audit adjustments proposed by us and recorded by the Commission are shown on the attached “Summary of Recorded Audit Adjustments.”</p>
<b>Uncorrected Misstatements</b>	<p>We identified no uncorrected misstatements.</p>
<b>Disagreements with Management</b>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
<b>Consultations with Other Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
<b>Significant Issues Discussed with Management</b>	<p>No significant issues arising from the audit were discussed with or the subject of correspondence with management.</p>
<b>Significant Difficulties Encountered in Performing the Audit</b>	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>
<b>Significant Written Communications Between Management and Our Firm</b>	<p>Copies of significant written communications between our Firm and the management of the Commission, including the representation letter provided to us by management, are attached as Appendix A.</p>

# Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Commission's June 30, 2014 financial statements:

Area	Accounting Policy	Estimation Process	Reinsel Kuntz Leshar LLP Comments
<b>Capital Assets and Water Storage Rights</b>	Estimated useful lives on assets and cost recovery method.	Management estimates useful lives of the assets at the time they are placed into service. Amortization and depreciation are calculated through the straight-line method over the assets’ estimated useful lives.	Policy is in accordance with generally accepted accounting principles.

## Summary of Recorded Audit Adjustments

See attached schedule.

# Susquehanna River Basin Commission

June 30, 2014

Number	Account No	Name	Debit	Credit
AJE 01	1733-02-00 ENT01	Accum Depr - Cowanesque		969,920.00
AJE 01	1735-02-00 ENT01	Accum Depr - Curwensville		161,515.00
AJE 01	2925-02-00 ENT01	Reserve for Water Management Fund	969,920.00	
AJE 01	2925-02-00 ENT01	Reserve for Water Management Fund	161,515.00	
To reclassify fiscal year 2014 amortization on water rights from Reserve to Accumulated Amortization.				
AJE 02	1285-02-00 ENT01	Other Receivables W/M	49,351.00	
AJE 02	3750-02-00 ENT01	Consumptive Water Use Fees		49,351.00
To reverse prior year consumptive use accounts receivable balance and accrue balance as of June 30, 2014.				
AJE 03	1210-01-00 GF01	OPEB - Prepaid Health Care		79,356.00
AJE 03	5082-01-00 GF01	Post-Employment Benefit	79,356.00	
To adjust other post-employment benefit plan asset per analysis as of June 30, 2013.				
AJE 04	1295-01-00 GF01	Due From Post Employment Health Care Fund	110,271.00	
AJE 04	3899-01-00 GF01	Misc. Income		110,271.00
AJE 04	5082-04-00 PEN01	Post-Employment Bene		110,271.00
AJE 04	5999-04-RKL PEN01	Miscellaneous	110,271.00	
To adjust reclassify reimbursement for 2011 and 2012 benefits and administrative costs paid by the general fund on behalf of the OPEB trust.				
AJE 05	1295-01-00 GF01	Due From Post Employment Health Care Fund	134,843.00	
AJE 05	2012-04-00 PEN01	Accounts Payable (Post Employment Health Care)		134,843.00
AJE 05	5081-01-05 GF01	Medical Insurance Retired -Ovd		134,843.00
AJE 05	5082-04-00 PEN01	Post-Employment Bene	134,843.00	
To reclassify retiree healthcare benefits paid by the general fund as a receivable from the fiduciary fund.				
AJE 06	1012-01-00 GF01	Metro - General Checking 0575		1,050.00
AJE 06	3770-01-08 GF01	Compliance Monitoring	1,050.00	
To reverse fiscal year 2015 deposit from cash balance as of June 30, 2014 (client provided entry).				
AJE 07	2010-01-00 GF01	Accounts Payable		44,150.00
AJE 07	3770-01-08 GF01	Compliance Monitoring	44,150.00	
To adjust revenue for overbilling of compliance ACF fees by \$44,150.				

# APPENDIX A

Certain Written Communications Between Management and Our Firm



July 10, 2014

Board of Commissioners  
Susquehanna River Basin Commission  
1721 North Front Street  
Harrisburg, PA 17102-2391

Attention: Board of Commissioners  
Brig. General Kent D. Savre, Chairman  
Mr. Andrew Dehoff, Executive Director  
Ms. Marcia E. Rynearson, Director, Administration & Finance

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit the financial statements of Susquehanna River Basin Commission (the Commission), which comprise governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2014, which collectively comprise the basic financial statements. 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 the financial statements.

We will also perform the audit of Susquehanna River Basin Commission as of June 30, 2014, so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A-133.

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the Single Audit Act, OMB Circular A-133, and OMB's *Compliance Supplement*. Those standards, circulars, supplements, or guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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.

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. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the 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 financial statements that we have identified during the audit.

We will also communicate to the Board of Commissioners (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the Commission and that are to be included as part of our audit are listed here:

- General Fund
- Water Management Fund
- Settlement Fund
- Defined Benefit Post-Employment Healthcare Plan Fund

The federal financial assistance programs and awards that you have told us that Susquehanna River Basin Commission participates in are to be included as part of the single audit.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package(s); and
- e. 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 financial statements such as records, documentation, and other matters;
  - (2) Additional information that we may request from management for the purpose of the audit;
  - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
  - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
  - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter and
- b. That it believes 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 taken as a whole.

Management is responsible for identifying and ensuring that the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Board of Commissioners is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

Susquehanna River Basin Commission agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, Susquehanna River Basin Commission agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements will be necessary. Susquehanna River Basin Commission agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Susquehanna River Basin Commission seeks such consent, we will be under no obligation to grant such consent or approval.

Because Reinsel Kuntz Leshar LLP will rely on Susquehanna River Basin Commission, and its management and Board of Commissioners, to discharge the foregoing responsibilities, Susquehanna River Basin Commission holds harmless and releases Reinsel Kuntz Leshar LLP, its partners and employees, from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Susquehanna River Basin Commission's management which has caused, in any respect, Reinsel Kuntz Leshar LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

### **Susquehanna River Basin Commission's Records and Assistance**

If circumstances arise relating to the condition of the Commission's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Commission's books and records. The Commission will determine that all such data, if necessary, will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by the Commission personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Gordon D. Lauger, Accounting Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain nonaudit services necessary for the preparation of the financial statements. The independence standards of the *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a nonaudit service to Susquehanna River Basin Commission, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other nonaudit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the nonaudit service to be performed. Susquehanna River Basin Commission has agreed that Marcia E. Rynearson, Director of Administration & Finance, possesses suitable skill, knowledge, or experience and that the individual understands the services to be performed sufficiently to oversee them. Accordingly, the management of Susquehanna River Basin Commission agrees to the following:

1. Susquehanna River Basin Commission has designated Marcia E. Rynearson, Director of Administration & Finance, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Marcia E. Rynearson, Director of Administration & Finance, will assume all management responsibilities for subject matter and scope of the non-audit services.
3. Susquehanna River Basin Commission will evaluate the adequacy and results of the services performed.
4. Susquehanna River Basin Commission accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management of Susquehanna River Basin Commission of the objectives of the nonaudit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the nonaudit service. We believe this letter documents that understanding.

### **Other Relevant Information**

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

### **Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services described above will be \$18,000. This is based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from Commission personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. A service charge of 1-1/4% per month (15% per annum) will be charged on all invoices not paid within thirty days from the date of the invoice.

In accordance with our Firm policies, we reserve the right to suspend our work if your account becomes 120 days or more overdue. Our work will commence upon payment of all outstanding invoices, including services charges. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been concluded upon our providing you written notification of termination, even if we have not completed our work. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the Firm and is subsequently employed by or associated with a client in a key position. Accordingly, Susquehanna River Basin Commission agrees it will compensate Reinsel Kuntz Lesher LLP for any additional costs incurred as a result of the employment of a partner or professional employee of Reinsel Kuntz Lesher LLP.

In the event we are requested or authorized by Susquehanna River Basin Commission or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for Susquehanna River Basin Commission, Susquehanna River Basin Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Reinsel Kuntz Lesher LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Reinsel Kuntz Lesher LLP audit personnel and at a location designated by our Firm.

### **Claim Resolution**

Susquehanna River Basin Commission and Reinsel Kuntz Lesher LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Reinsel Kuntz Lesher LLP or the date of this arrangement letter if no report has been issued. Susquehanna River Basin Commission waives any claim for punitive damages. Reinsel Kuntz Lesher LLP's liability for all claims, damages, and costs of Susquehanna River Basin Commission arising from this engagement is limited to the amount of fees paid by Susquehanna River Basin Commission to Reinsel Kuntz Lesher LLP for the services rendered under this arrangement letter.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

### **Reporting**

We will issue a written report upon completion of our audit of Susquehanna River Basin Commission's financial statements. Our report will be addressed to the Board of Commissioners of Susquehanna River Basin Commission. 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, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on Susquehanna River Basin Commission's financial statements, we will also issue the following types of reports:

- A report on the fairness of the presentation of Susquehanna River Basin Commission 's schedule of expenditures of federal awards for the year ending June 30, 2014.
- Reports on internal control related to the financial statements, and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a material effect, as defined by OMB Circular A-133, on each major program.
- A schedule of findings and questioned costs.

This letter constitutes the complete and exclusive statement of agreement between Reinsel Kuntz Leshner LLP and Susquehanna River Basin Commission, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Sincerely,

REINSEL KUNTZ LESHER LLP

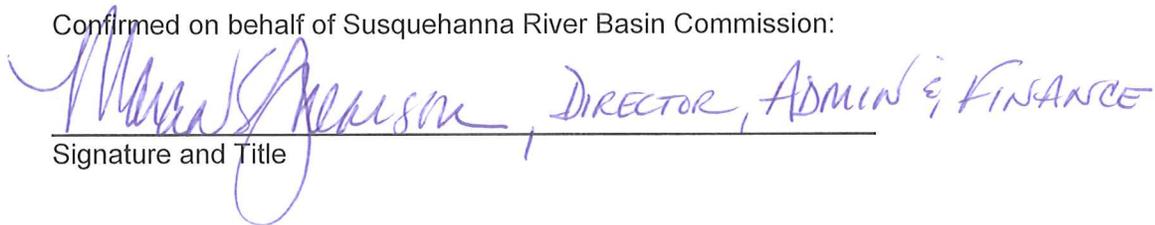


Mark S. Zettlemyer, CPA, CFE  
Partner

MSZ/jnv

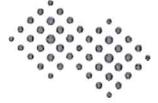
Attachment

Confirmed on behalf of Susquehanna River Basin Commission:



Signature and Title

DIRECTOR, ADMIN & FINANCE



MONTGOMERY, ALABAMA

Dothan

Prattville

Wetumpka

## SYSTEM REVIEW REPORT

To the Partners of  
Reinsel Kuntz Leshner LLP  
and the Peer Review Committee of the  
Pennsylvania Institute of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Reinsel Kuntz Leshner LLP (the firm) in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Reinsel Kuntz Leshner LLP in effect for the year ended May 31, 2013, has been suitably designed, and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Reinsel Kuntz Leshner LLP has received a peer review rating of *pass*.

JACKSON THORNTON & CO., P.C.

*Jackson Thornton & Co. PC*

Montgomery, Alabama  
October 24, 2013

# Susquehanna River Basin Commission

*a water management agency serving the Susquehanna River Watershed*



November 13, 2014

Reinsel Kuntz Lesher LLP  
1800 Fruitville Pike  
P.O. Box 8408  
Lancaster, PA 17604

This representation letter is provided in connection with your audit of the basic financial statements of Susquehanna River Basin Commission of Pennsylvania (the Commission) as of and for the year ended June 30, 2014, for the purpose of expressing an opinion on 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).

We confirm, to the best of our knowledge and belief, as of the date of this letter:

## *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter, dated July 10, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the primary government having accountability for the Commission, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Net positions and fund balance classifications.
  - b. Guarantees, whether written or oral, under which the government is contingently liable.
  - c. Security agreements in effect under the Uniform Commercial Code.
  - d. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - e. The fair value of investments.
  - f. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
  - g. Debt issue provisions.
  - h. All significant estimates and material concentrations known to management which are required to be disclosed.
  - i. Deposits and investment securities categories of risk.
9. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133 because we have not received, expended, or otherwise

been the beneficiary of the required amount of federal awards during the period of this audit.

12. We have no knowledge of any uncorrected misstatements in the financial statements.

*Information Provided*

13. 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 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 entity from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing board and committees or summaries of actions of recent meetings for which minutes have not yet been prepared.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.

15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

16. We have no knowledge of allegations of fraud or suspected fraud affecting the Commission's financial statements involving:

- a. Management.
- b. Employees who have significant roles in the internal control.
- c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

20. We have disclosed to you the identity of the Commission's related parties and all the related-party relationships and transactions of which we are aware.
21. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Commission's ability to record, process, summarize, and report financial data.
22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

*Supplementary Information*

23. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When 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 of issuance of the supplementary information and the auditor's report thereon.
24. With respect to management's discussion and analysis, the Susquehanna River Basin Commission Postemployment Benefits Plan schedule of employer contribution and budgetary comparison information presented, as required by accounting principles generally accepted in the United States of America, to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

*Compliance Considerations*

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Commission.
2. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
3. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
4. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
5. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.
6. Has a process to track the status of audit findings and recommendations.
7. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
9. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

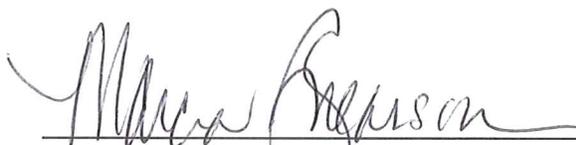
In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

1. Management is responsible for complying, and has complied, with the requirements of OMB Circular A-133.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
4. Management has prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
5. Management has identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
6. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
7. Management has identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
8. Management believes that we have complied with the direct and material compliance requirements.
9. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
10. Management has provided to you its interpretations of any compliance requirements that are subject to varying interpretations.

11. Management has disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
12. Management has disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
13. Management is responsible for taking corrective action on audit findings of the compliance audit.
14. Management has provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
15. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
16. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
17. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance have occurred subsequent to the date as of which compliance is audited.
18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
19. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal agency or pass-through entity, as applicable.
20. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
21. Management has charged costs to federal awards in accordance with applicable cost principles.

22. Management is responsible for and has accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.
23. Management has accurately completed the appropriate sections of the data collection form.
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Susquehanna River Basin Commission



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Marcia Ryneerson  
Director of Administration & Finance



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Gordon Lauger  
Accounting Manager