



March 3, 2026

Catskill Watershed Corporation  
669 County Highway 38  
Arkville, New York 12406

Dear Board of Directors,

We are writing this letter in connection with our audit of the financial statements of Catskill Watershed Corporation (Organization) as of and for the years ended December 31, 2025 as communicated to you in our engagement letter dated December 11, 2025.

We are required by our professional standards to have certain communications with you to promote effective two-way communication between us, in our role as independent auditor, and yourselves, in your role as those charged with governance of Catskill Watershed Corporation. In this letter, we will provide you with timely observations arising from our audit of the financial statements of Catskill Watershed Corporation, that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Responsibilities**

The respective responsibilities of ourselves and of management in relation to the audit of the financial statements are set out in our engagement letter dated December 11, 2025.

Our responsibilities, as described by professional standards, are:

- to form and express an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States.

- to form and express an opinion about the Organization's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statements amounts in accordance with *Government Auditing Standards*.

We are responsible for performing the audit in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards*. The matters that GAAS and *Government Auditing Standards* require to be communicated, therefore, include significant matters arising during the audit of the consolidated financial statements that are relevant to you in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

There were no changes in our previously communicated planned scope and timing.

### **Independence**

We are not aware of any circumstances or relationships that would impair our independence and have complied with all relevant ethical requirements.

### **Audit Findings or Issues**

#### ***Significant Accounting Policies***

The significant accounting policies used by the Organization are outlined in Note 1 to the financial statements. There were no significant changes in accounting policies.

We did not identify any significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.

We did not identify any significant accounting policies in controversial or emerging areas.

### ***Significant Accounting Estimates***

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We identified the following significant estimates in the financial statements:

Allowance for Doubtful Accounts Receivable is estimated based on Management review of Accounts Receivable. Management's estimate is based on evaluations of bad debt expenses, and payments received after year end. A general allowance has been recorded as of December 31, 2025, and 2024 for \$1,580,289 and \$1,601,528, respectively. Based on RBT's review of management's estimates and testing performed, the estimate appears reasonable.

### ***Significant Financial Statement Disclosures***

We did not identify any particularly significant or sensitive financial statement disclosures in the financial statements.

### ***Significant Unusual Transactions***

There were no significant unusual transactions encountered during our audit.

### ***Significant Difficulties Encountered***

There were no significant difficulties encountered during our audit.

### ***Disagreements with Management***

There were no disagreements with management.

### ***Passed Adjustments***

We noted an adjusting journal entry in the amount of \$100,715, proposed during the audit and passed by management. Management has evaluated the adjustments and determined it to be immaterial to the financial statements, both individually and in the aggregate. The net effect of the proposed entry on the change net position was zero.

### ***Written Representations***

We have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with U.S. GAAP. A copy of those representations is attached to this letter.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing appropriate audit procedures in order to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

No material weaknesses were identified in planning and performing our audit. However, material weaknesses may exist that have not been identified.

### **We consider the following to be a management suggestion:**

#### Investment Policy

During the audit, RBT noted that the Organization's investment policy is slightly outdated, as the responsibilities outlined in the policy do not align with the individuals currently performing these tasks. RBT recommends that the Organization update their investment policy so that the individual carrying out the task aligns with the policy.

#### **Restriction of Use**

This letter is intended solely for the information and use of those charged with governance of Catskill Watershed Corporation and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*RBT CPAs, LLP*

Newburgh, New York  
March 3, 2026



March 3, 2026

RBT CPAs, LLP  
4071 Route 9, STOP 1  
Hudson, NY 12534  
(518) 828-4616

This representation letter is provided in connection with your audits of the financial statements of Catskill Watershed Corporation ("the Organization") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, 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 of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 3, 2026:

*Financial Statements*

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 11, 2025, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP.
- Significant judgments made in the making of accounting estimates have taken into account all relevant information of which we are aware.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



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- The assumptions appropriately reflect our intent and ability to carry out a specific course of action on behalf of the entity when relevant to the accounting estimates and disclosures.
  - Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and reasonable in the context of the applicable financial reporting framework.
  - Appropriate specialized skills or expertise have been applied in making the accounting estimates.
  - No subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.
  - Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
  - The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
  - In accordance with your engagement letter, you provided nonaudit services including:
    - Drafting the Organization's annual financial statements for management's review and approval;
    - Preparing the tax returns 990 and CHAR 500
  - With respect to those nonaudit services, we acknowledge our responsibility as it relates to those nonattest/nonaudit services, including:
    - Assuming all management responsibilities;
    - Maintaining oversight of the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed;
    - Accepting responsibility for the results of the services.
  - We have made all management decisions and performed all management functions in relation to drafting the Organization's annual financial statements and preparing the tax returns 990 and CHAR 500. We have designated competent individuals with suitable skills, knowledge, and experience to oversee the services rendered. We have also established and maintained internal controls, including monitoring activities, related to the nonattest services provided. We have evaluated and accepted responsibility for the adequacy and results of the nonattest services provided.
  - We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and supplementary information. These statements are fairly presented in accordance with U.S. GAAP.
  - We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.



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- We have disclosed all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements whose effects should be considered by management when preparing the financial statements (for example, tax or debt limits and debt covenants).
  - We have a process to track the status of audit findings and recommendations.
  - We have followed applicable laws and regulations in adopting, approving, and amending budgets.
  - the organization has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
  - Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
  - Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
  - Risk disclosures associated with deposit and investment securities and derivative instrument transactions are presented in accordance with GASB requirements.
  - We are responsible for the estimation methods and assumptions used in measurement assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirement of GASB Statement No. 72, *Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
  - Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.
  - Provisions for uncollectible receivables have been properly identified and recorded.
  - Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
  - Our 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 ad appropriately disclosed and that net position is properly recognized under the policy.



- The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- We have evaluated the organization's ability to continue as a going concern and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.

#### *Information Provided*

- We have provided you with:
  - Financial records and related data;
  - 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;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 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.
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the organization's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The methods and significant assumptions used to determine fair values of financial instruments are as follows: quoted crisis (unadjusted) in active markets for identical assets or liabilities. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
- There are no loss contingencies that are required to be accrued or disclosed by U.S. GAAP.
- We are not aware of any gain contingencies that are required to be accrued or disclosed by U.S. GAAP.



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- With respect to the required supplementary information accompanying the financial statements:
    - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
    - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
    - The methods of measurement or presentation have not changed from those used in the prior period.
    - We believe the following significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate.
  - Adequate provisions and allowances have been accrued to appropriately reduce receivables to their estimated net realizable value.
  - The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
  - An outside party has provided us with fair value information used in the financial statements. We have reviewed this information and believe it is reliable and appropriately stated in accordance with GASB Codification Section 3100, *Fair Value Measurement*.
  - All significant deficiencies and material weaknesses identified in the prior period audit and communicated by you have been remediated during the current period or otherwise eliminated prior to December 31, 2025.
  - We are not aware of any bond claims or notice of other matters from our surety provider that require additional accrual or disclosure in the financial statements.
  - We have properly recorded and disclosed all written and oral guarantees for which the organization is contingently liable.
  - As of the years ended December 31, 2025, and through the date of the issued financial statements, we are in compliance with all debt covenants. We are not aware of any misrepresentations or manipulation of the borrowing-based calculation and represent that the calculation is prepared as agreed to with the lenders. All amounts borrowed are in accordance with the most recent amended debt agreements and we will meet all debt obligations as they come due.
  - We have made available to you all minutes of the meetings of the board of directors or agendas and summaries of actions of recent meetings for which minutes have not yet been prepared through the date of this letter.
  - The dates of the meetings of directors for which we have provided you minutes of the meetings or agendas.



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- We have properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
  - We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with financing-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
  - Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.
  - Interest cost incurred before the end of a construction period has been properly identified, recorded, and disclosed in accordance with implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.
  - There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
  - We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations, if any.
  - 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.

  
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Jason Merwin, Executive Director

  
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James Martin, Business Manager and Finance Director