

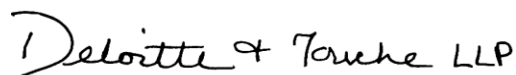
## INDEPENDENT AUDITORS' REPORT

Dear Members of the Joint Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America, the combined financial statements of the New York City Municipal Water Finance System and the New York City Water Board, which collectively comprise the New York City Water and Sewer System (the "System"), a component of The City of New York, New York as of and for the year ended June 30, 2014 and expect to issue our report thereon dated October 21, 2014, which contains an explanatory paragraph regarding the adoption of Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. As a result of adopting this standard, the System has elected to restate its June 30, 2013 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

In connection with our audit, nothing came to our attention that caused us to believe that the System failed to comply with the terms, covenants, provision of the System's Resolutions and Investment Guidelines, which is the responsibility of the System's Management, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the System's Joint Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties.



October 21, 2014