



Office of Financial Services

August 29, 2019

4050 Sunrise Highway, P.O. Box 38, Oakdale, New York 11769
631-589-5200
Fax: 631-218-1156

KPMG LLP
1305 Walt Whitman Road
Melville, NY 11747
Att: Edward N. Lee

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements and the related notes to the financial statements of the Suffolk County Water Authority (the Authority) as of and for the years ended May 31, 2019 and 2018, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles.

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 the 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.

We confirm, to the best of our knowledge and belief, as of August 29, 2019:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 15, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.
2. We have made available to you:
 - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. All minutes of the meetings of Board Members, Audit Committee, and Finance Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning noncompliance with laws and regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. There are no side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. There are no material uncorrected financial statement misstatements.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. 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.
14. We have no knowledge of any fraud or suspected fraud affecting the Authority 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.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators, or others.
16. We have no knowledge of any officer or member of the Authority, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
17. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
18. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.
19. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions of which we are aware, in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
20. The Authority 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, except as disclosed in the notes to the financial statements.
21. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. The Authority's reporting entity includes all entities that are component units of the Authority, if any.
23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Authority's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore,

we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

24. We acknowledge our responsibility for the presentation of the required supplementary information which includes, Management's Discussion and Analysis, the Schedule of Employer Contributions, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios, in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board and:
 - a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period, except for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting for Postemployment Benefits Other Than Pensions* (GASB 75).
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
25. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.
26. Deposits and investment securities are properly classified and reported.
27. The Authority is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, as amended. The amounts reported represent the Authority's best estimate of fair value of investments required to be reported under the Statement. The Authority also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.
28. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
 - a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

- b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
 - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
- 29. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
- 30. The Authority has complied with all tax and debt limits and with all debt related covenants.
- 31. The Authority has identified and properly accounted for all non-exchange transactions.
- 32. Components of net position (net investment in capital assets; restricted, and unrestricted) are properly classified and, if applicable, approved.
- 33. The Authority has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows.
- 34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities and allocation has been made on a reasonable basis.
- 35. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which future contributions to the pension plan are expected to be made.
- 36. For the defined benefit pension plan in which the Authority is a participating employer:
 - a. The net pension liability, related deferred outflows or resources, deferred inflows of resources and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
 - b. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.

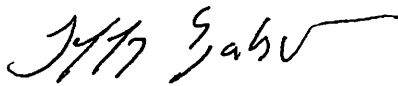
- c. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
 - d. The participants' data provided to the actuary for purpose of determined the net pension liability and pension expense is accurate and complete.
 - e. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.
37. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the Authority's funding progress related to such benefits for financial reporting purposes are appropriate in the Authority's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
38. The Authority has complied with all applicable laws and regulations in adopting, approving, and amending budgets.
39. In accordance with Government Auditing Standards, we have identified to you all previous audits, attestation engagement, and other studies that relate to the objective s of this audit, including whether related recommendations have been implemented.
40. KPMG LLP assisted management in drafting the financial statements and notes. In accordance with Government Auditing Standards, we confirm that we have reviewed, approved and accept responsibility for the financial statements.

41. The Authority has complied with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York, and with the investment policy adopted by the Members of the Authority.

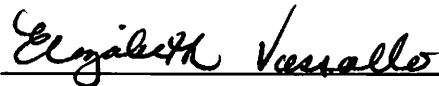
Further, we confirm that we are responsible for the fair presentation in the final statements of the Authority and the related notes to the financial statements, in accordance with U.S. generally accepted accounting principles.

Very truly yours,

Suffolk County Water Authority



Jeffrey Szabo
Chief Executive Officer



Elizabeth K. Vassallo
Chief Financial Officer