

Management Representation Letter

October 30, 2015

KBL, LLP
535 Fifth Avenue
New York, NY 10017

This representation letter is provided in connection with your audit(s) of the financial statements of Hudson River-Black River Regulating District (the "Regulating District"), which comprise the respective financial position of the business-type activities as of June 30, 2015 and 2014 (as restated), and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to 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. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 30, 2015, the following representations made to you during your audit.

Financial Statements (all references therein refer to our "consolidated financial statements")

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 10, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) There were no related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties outside of inter-company activities eliminated upon consolidation.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) There are no guarantees, whether written or oral, in which the Regulating District is contingently liable for.

Information Provided

- 10) 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 Regulating District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Regulating District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) 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.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Regulating District and involves—
- o Management,
 - o Employees who have significant roles in internal control, or
 - o Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Regulating District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We acknowledge our responsibility for presenting the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Change in Net Position (the "Supplemental Information"), and we believe the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Change in Net Position, including its form and content, is fairly presented. The methods of measurement and presentation of the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Change in Net Position have not changed from those used or presented in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the Supplemental Information is not presented with the audited consolidated financial statements, we will make the audited financial statements readily available to the intended users of the Supplemental Information no later than the date we issue the Supplemental Information and the auditor's report thereon.

Government—specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) 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.
- 20) We have or will provide our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 21) The Regulating District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- 22) 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 legal and contractual provisions for reporting specific activities in separate funds.
- 23) There are no known instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe 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.
- 24) There are no known instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) There are no known 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.
- 26) There are no 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.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes [and supplemental schedules]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee 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; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes [and supplemental schedules].
- 28) 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.
- 29) 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.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, where applicable.
- 32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users where applicable.
- 33) 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.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) 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.
- 36) Revenues are appropriately classified in the statement of activities.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and funds held in the NYS Short Term Investment Pool (STIP) accounts are properly classified and reported. All related risks have been properly disclosed.

(Continued)

- 39) We acknowledge that any information disclosed in the financial statements in regards to the New York State Employees' Retirement System as of March 31, 2015, its fiscal year end, as required through implementation of GASB No. 68 and GASB 71 is reliable information, and we are not responsible for the accuracy of that information. We understand that the implementation of these pronouncements embodies an assumption that proper controls are in place of the New York State Employees' Retirement System, and the State has represented that employers' auditors can rely on the opinion of the Employees' Retirement Systems' auditors for calculations and information provided.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) 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 position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) 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.

We intend to distribute the auditor's report only to the New York State Office of the Comptroller and the Board of Directors of the Hudson River-Black River Regulating District.

Signature:

Michael Clark

Title: Chief Executive Officer

Signature:

Richard Ferrara

Title: Chief Financial Officer