



September 28, 2010

Board of Trustees
Mr. David Paterniani, CFO
Green Island Power Authority
69 Hudson Avenue
Green Island, New York 12183

Dear Board Members and David:

In connection with our audit of the financial statements of the Green Island Power Authority (Authority) as of and for the year ended May 31, 2010, we identified certain deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency 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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented, or detected.

Following is a description of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Materials and Supplies Inventory - Unit Cost

Observation: To have proper internal controls over financial reporting, certain procedures should be in place to accurately report the value of materials and supplies inventory held by the Authority.

During our audit, we noted several instances in which the unit cost of certain inventory stock items was not accurate or reasonable, when compared to recent inventory purchases. In a few cases, there was no unit cost for a particular stock item, even though the inventory system reported quantities held at May 31, 2010. As a result, the value of inventory, as reported at May 31, 2010, may not be accurate. Based on our test work, however, we were able to satisfy ourselves that any potential over (under) valuation of inventory at May 31, 2010, was not significant to the financial statements, as a whole.

Recommendation: Unit cost values reported in the Authority's inventory system should be reviewed for accuracy and/or reasonableness as compared to recent inventory purchases. Once an accurate (or reasonable estimate) of unit cost is determined, the inventory system should be updated with the new unit cost and related extended value of the inventory held. The value of the inventory per the inventory system should then be reconciled with the general ledger. Any related adjustment to the inventory account maintained in the general ledger should be made timely. Inventory values per the inventory system should be reconciled to the general ledger on a frequent basis, preferably monthly.

Retirement of Operating Property

Observation: To have proper internal controls over financial reporting, certain procedures should be in place to accurately report the value of operating property owned by the Authority.

During our audit, and specifically in our review of the Authority's work orders, we noted several instances in which the work order discussed the removal and retirement of operating property. However, when the work orders were summarized for inclusion in the Authority's accounting records, the cost to remove and the related retirement and/or salvage value was not recorded in the Authority's general ledger. Instead, the cost to remove the former operating property was included in the new operating property. Retirement value and salvage value was not recorded.

Accounting practices prescribed by the New York State Department of Public Service (PSC) requires that when operating property is removed and/or retired, the book cost, together with the cost of removal and any salvage value, be charged to accumulated depreciation.

Based on our test work, and our related experience with similar matters at other municipally owned electric utilities, we were able to satisfy ourselves that any potential over (under) valuation of operating property at May 31, 2010, was not significant to the total value of the Authority's operating property, of the financial statements, as a whole.

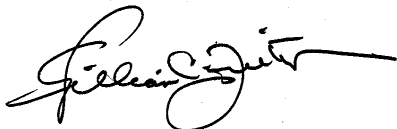
Recommendation: The Authority currently has the appropriate system in place to properly account for the cost of removal and salvage value of removed and/or retired operating property. However, at the present time, the Authority does not have the capability to identify the original book cost of the retired operating property.

As required by PSC regulation, the Authority should begin to record the cost of removal and salvage value to the specific accumulated depreciation accounts in the general ledger. In addition, the Authority should consider implementing a process to determine the original book cost of any future retired operating property. Once original book costs can be determined, the Authority should record the original book cost to the specific accumulated depreciation accounts in the general ledger, as prescribed by the PSC.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



William C. Freitag, Partner

WCF/dmc

