



September 16, 2011

Board of Trustees  
Green Island Power Authority  
69 Hudson Avenue  
Green Island, New York 12183

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Green Island Power Authority (Authority) for the year ended May 31, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Authority.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

**GREEN ISLAND POWER AUTHORITY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended May 31, 2011**

The American Institute of Certified Public Accountants issued Statement on Auditing Standards No. 114 titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

**Auditor's Responsibility Under Professional Standards**

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated May 3, 2011.

**Accounting Practices**

**Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

**Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Alternative Treatments Discussed with Management**

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

**Management's Judgments and Accounting Estimates**

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

**Financial Statement Disclosures**

In our meeting with you, we will discuss with you the following items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Note 1 to the Authority's May 31, 2011, financial statements discusses the significant accounting policies used by the Authority.
- Summary of accounting policies, including the accounting standards issued but not yet effective.
- Project Development Costs - These costs include legal, technical, and other expenses incurred investigating acquisition and licensing of an additional hydroelectric project (Cohoes Falls Project) and the relicensing and expansion of the existing hydroelectric facility (Hydro Expansion Project). Should licensure not be obtained, or management determines the projects to no longer be feasible, these costs will be expensed in that period. At this time, management anticipates licensure will be granted in each case.

**GREEN ISLAND POWER AUTHORITY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended May 31, 2011**

**Audit Adjustments**

Audit adjustments recorded by the Authority are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

**Unposted Adjustments**

There were no unposted adjustments for the fiscal year ended May 31, 2011.

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

**Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

**Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management during the audit.

**Certain Written Communications Between Management and Our Firm**

Copies of certain written communications between our firm and the management of the Authority are attached as Exhibit C.

**Significant Deficiencies and Material Weaknesses**


Our consideration of internal control over financial reporting was for the limited purpose of expressing an opinion on the financial statements, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider material weaknesses.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to the Authority.

This letter is intended solely for the information and use of the Board of Trustees 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

**GREEN ISLAND POWER AUTHORITY**  
**SUMMARY OF ACCOUNTING ESTIMATES**  
**Year Ended May 31, 2011**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's May 31, 2011, financial statements:

<b>Area</b>	<b>Accounting Policy</b>	<b>Estimation Process</b>
Allowance for Uncollectible Revenues	Allowance is based on a review of outstanding amounts on a monthly basis.	Management determines the necessity for an allowance for uncollectible revenues by identifying troubled accounts and by using historical experience applied to an aging of accounts.
Depreciation	Depreciation is computed based on asset groups, using the straight-line method.	The estimated lives used in determining depreciation are based on recommendations of the Federal Energy Regulatory Commission and the historical experience of the Authority.
Postemployment Benefits	GASB No. 45 requires that accounting for postemployment benefits be reported under an accrual basis, where the expected value of the benefit is actuarially calculated and recognized as a cost over the working lifetime of employees.	Actuarial computations and the resulting postemployment liability, as of May 31, 2010, were provided by Armory Associates, LLC (Amory), the Authority's independent actuaries. These computations were prepared using various assumptions related to retirement age, marital status, mortality, termination rates, healthcare cost trends, and amortization methods. For 2011, management elected to prepare its own actuarial computations using similar assumptions and methods as Armory. In accordance with GASB No. 45, as a small governmental entity, management can elect to have this liability determined by an actuary on a tri-annual basis.

GREEN ISLAND POWER AUTHORITY

SUMMARY OF RECORDED AUDIT ADJUSTMENTS  
Year Ended May 31, 2011

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
• To properly allocate transportation overhead costs	\$ (20,061)	\$ -	\$ -	\$ -	\$ 20,061
Statement of Revenues and Expenses and Changes in Net Assets Impact	<u>-</u>	<u>-</u>	<u>(20,061)</u>	<u>\$ -</u>	<u>\$ 20,061</u>
Balance Sheet Impact	<u>\$ (20,061)</u>	<u>\$ -</u>	<u>\$ (20,061)</u>		

**GREEN ISLAND POWER AUTHORITY**  
**CERTAIN WRITTEN COMMUNICATIONS BETWEEN**  
**MANAGEMENT AND OUR FIRM**  
**Year Ended May 31, 2011**

Representation Letter

(518) 271-9397  
OFFICE

John J. Brown  
*Chairman*

Michael A. Cocca, Sr.  
*Vice Chairman*

Thomas Greaves  
*Trustee*

George Reinoehl  
*Trustee*

Ellen M. McNulty-Ryan  
*Trustee*

## GREEN ISLAND POWER AUTHORITY

EXECUTIVE OFFICES  
69 HUDSON AVENUE  
GREEN ISLAND, NEW YORK 12183

(518) 689-9700  
FAX

Kristin M. Swinton  
*Chief Executive Officer*

David A. Paterniani  
*Chief Fiscal Officer*

Joseph F. Legnard  
*Attorney*

Anne M. Strizzi  
*Recording Secretary*

Wyn Braun  
*Director of Operations*

September 16, 2011

Bollam, Sheedy, Torani & Co. LLP  
26 Computer Drive West  
Albany, New York 12205

In connection with your audits of the financial statements of the Green Island Power Authority (Authority) as of and for the years ended May 31, 2011 and 2010, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity GAAP. The Authority's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the years ended May 31, 2011 and 2010, in the Authority's accounting principles and practices.
2. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
3. We have identified in the Schedule of Expenditures of Federal Awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by the Village of Green Island (Village).
4. We have:
  - a. Identified to you all applicable generic compliance requirements.
  - b. Identified to you all applicable agency program requirements.
  - c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the Schedule of Expenditures of Federal Awards.
  - d. Accurately completed appropriate sections of the data collection form.
5. Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the financial statements have been prepared. The copies of such requests and claims provided to you are true copies of the reports submitted.

6. We have made available to you:
  - a. All financial records and related data.
  - b. All minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
    - (1) Statutory, regulatory, or contractual provisions or requirements.
    - (2) Financial reporting practices that could have a material effect on the financial statements.
7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, short sellers, or others.
9. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize, and report financial data.
10. There has been no:
  - a. Fraud involving management or employees who have significant roles in internal control.
  - b. Fraud involving other employees that could have a material effect on the financial statements.
  - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
11. We know of no violations of state or federal statutory or regulatory provisions, grants, or other contractual provisions, or of provisions of local ordinances.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. The following have been properly reflected and/or disclosed in the financial statements:
  - a. Related party transactions, including those defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and/or interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees.
  - b. Security agreements in effect under the Uniform Commercial Code.
  - c. Deposits category of custodial credit risk.
  - d. Fair value measurements.

14. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectible amounts.
  - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
  - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through May 31, 2011 and 2010, and/or for expected retroactive insurance premium adjustments applicable to periods through May 31, 2011 and 2010.
  - d. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through May 31, 2011 and 2010. During 2010, the postretirement obligation was actuarially determined by Armory Associates, LLC, the Authority's independent actuary. For 2011, management elected to prepare its own actuarial computations for this obligation, using similar assumptions and methods used by Armory Associates, LLC during 2010. In accordance with GASB No. 45, as a small governmental entity, management can elect to have this liability determined by an actuary on a tri-annual basis. Management believes that the actuarial methods and assumptions used in the calculation of the postretirement obligation are reasonable, and the related calculations are accurate, in accordance with GASB No. 45.
  
15. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 10.
  - c. Guarantees, whether written or oral, under which the Authority is contingently liable.
  - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - e. Agreements to repurchase assets previously sold.
  - f. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - g. Investments in debt or equity securities.
  - h. Contractual obligations for plant construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
  - i. Liabilities which are subordinated in any way to any other actual or possible liabilities.
  - j. Debt issue repurchase options or agreements.

- k. Debt issue provisions.
  - l. Leases or material amounts of rental obligations under long-term leases.
  - m. Authorized but unissued bonds or notes.
  - n. Risk financing activities.
  - o. Derivative financial instruments.
  - p. Special or extraordinary items.
  - q. Investments, intangibles, or other assets which have permanently declined in value that should be reduced to their realizable values.
  - r. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - s. Material losses to be sustained as a result of purchase commitments.
  - t. Environmental clean-up obligations.
16. There have been no complaints filed with or concerning our compliance with the provisions of the Davis-Bacon Act relative to the payment of prevailing wage rates.
17. No material civil rights suits were settled during the periods of your audits, and no civil rights suits were pending as of May 31, 2011 and 2010.
18. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10.
19. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
20. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
21. We have satisfactory title to all owned assets.
22. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. Net asset components, invested in capital assets, net of related debt; unrestricted and fund balance reserves and designations are properly classified and, if applicable, approved.
24. Capital assets are properly capitalized, reported, and depreciated.
25. We are responsible for and agree to the proposed adjustments to the trial balances identified during the audits and will post all adjustments accordingly.

26. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or significant deficiencies that should be reported.
27. We have responded fully to all inquiries made to us by you during your audits.
28. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through September 16, 2011, have been recognized or disclosed in the financial statements. No events or transactions, other than those disclosed in the financial statements, have occurred subsequent to the balance sheet date and through September 16, 2011, that would require recognition or disclosure in the financial statements.
29. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:
  - The credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in the financial markets and the banking system. These and other economic events could have a negative financial impact on the Authority's customer base, which in turn, could have an impact on the Authority's future operations and financial performance.
  - In addition, the Authority is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale markets for short-term power transactions; water conditions; weather, and natural disaster disruptions; collective bargaining labor disputes, and government regulation.
30. Total project development costs incurred as of May 31, 2011, by the Authority pursuing the Cohoes Falls Project and the Hydro Expansion Project were \$3,711,993 and \$2,450,476, respectively. The costs of the projects will be recovered by operating revenues once all licenses and permits are granted and construction is completed. As of the date of this letter, we are actively and vigorously pursuing the necessary licenses and permits for the construction and operation of these facilities.

Should licensure not be obtained, or management determines the projects to no longer be feasible, it is understood that these costs will be expensed in the period in which that determination is made. At this time, we anticipate licensure will be granted in each case.

31. During the course of your audits, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
32. David Paterniani, CFO, has overseen the services provided by BST Advisors, LLC and has established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services of drafting the financial statements and footnotes.

Very truly yours,

GREEN ISLAND POWER AUTHORITY



John J. Brown, Chairman



David Paterniani, Chief Fiscal Officer