

**Green Island Power Authority
(A New York Public Benefit Corporation)**

Financial Report

May 31, 2014 and 2013

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Independent Auditor's Report

Board of Trustees
Green Island Power Authority
Green Island, New York

Report on the Financial Statements

We have audited the accompanying statement of net position of the Green Island Power Authority (Authority) (a New York public benefit corporation) as of May 31, 2014, and the related statements of revenues and expenses changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of May 31, 2014, and the change in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.b. to the financial statements, on June 1, 2013, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). The provisions of GASB No. 65 are retroactive, and the Authority has restated certain prior period amounts to conform to the presentation requirements.

Other Matters

Prior Year Financial Statements

The financial statements of the Green Island Power Authority, as of and for the year ended May 31, 2013, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated August 28, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SaxBST LLP

Albany, New York
November 6, 2014



Green Island Power Authority

Statements of Net Position

	May 31,	
	2014	2013
ASSETS		
UTILITY PLANT, net		
Distribution facilities	\$ 5,274,487	\$ 5,339,906
Hydroelectric generating facility	6,823,349	6,757,129
	<u>12,097,836</u>	<u>12,097,035</u>
Less accumulated depreciation	5,792,916	5,507,576
	<u>6,304,920</u>	<u>6,589,459</u>
Construction work-in-process	4,981,496	4,982,539
Non-operating property	283,720	209,845
Total utility plant, net	<u>11,570,136</u>	<u>11,781,843</u>
RESTRICTED ASSETS		
Cash and cash equivalents, restricted	<u>2,874,747</u>	<u>3,359,825</u>
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	1,206,819	764,530
Accounts receivable, net	475,085	365,826
Inventory	71,086	82,859
Prepaid expenses	83,098	68,746
Due from other governments	42,835	45,652
Total current assets	<u>1,878,923</u>	<u>1,327,613</u>
OTHER ASSETS		
Project development costs	<u>4,480,613</u>	<u>3,556,639</u>
TOTAL ASSETS	<u>\$20,804,419</u>	<u>\$20,025,920</u>

See accompanying Notes to Financial Statements.

	May 31,	
	<u>2014</u>	<u>2013</u>
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	\$ 3,397,742	\$ 1,965,475
Restricted	1,244,298	1,729,573
Unrestricted (deficit)	<u>(1,214,662)</u>	<u>(1,761,737)</u>
Total net position	<u>3,427,378</u>	<u>1,933,311</u>
LONG-TERM DEBT, less current installments		
Accrued postretirement benefits	266,855	198,858
Bonds payable	<u>15,575,000</u>	<u>16,365,000</u>
Total long-term debt, less current installments	<u>15,841,855</u>	<u>16,563,858</u>
COMMITMENTS AND CONTINGENCIES		
CURRENT LIABILITIES		
Current installments of bonds payable	790,000	720,000
Accounts payable	217,885	249,943
Due to other governments	229,243	232,517
Interest payable	256,832	262,841
Other liabilities	<u>41,226</u>	<u>63,450</u>
Total current liabilities	<u>1,535,186</u>	<u>1,528,751</u>
TOTAL NET POSITION AND LIABILITIES	<u>\$20,804,419</u>	<u>\$20,025,920</u>

Green Island Power Authority

Statements of Revenues and Expenses and Changes in Net Position

	Years Ended May 31,	
	2014	2013
OPERATING INCOME		
Distribution	\$3,387,241	\$2,943,551
Hydroelectric generation	2,487,535	1,723,152
Total operating income	5,874,776	4,666,703
OPERATING EXPENSES		
Purchased power	1,729,626	1,414,902
Transmission expenses	14,997	15,178
Distribution expenses	250,543	153,648
Street lighting	31,397	25,601
Consumer accounting	98,315	102,531
Hydroelectric generation	559,493	522,391
Administrative and general	791,839	797,923
Total operating expenses	3,476,210	3,032,174
Net operating income	2,398,566	1,634,529
OTHER INCOME (EXPENSE)		
Interest income	795	352
Sale of surplus property	11,921	4,662
Interest expense	(917,215)	(954,607)
	(904,499)	(949,593)
Change in net position before extraordinary item	1,494,067	684,936
EXTRAORDINARY ITEM		
Loss on proposed Cohoes Falls Hydroelectric project	-	(3,711,993)
Change in net position	1,494,067	(3,027,057)
NET POSITION, <i>beginning of year</i>, as restated	1,933,311	4,960,368
NET POSITION, <i>end of year</i>	\$3,427,378	\$1,933,311

See accompanying Notes to Financial Statements.

Green Island Power Authority

Statements of Cash Flows

	Years Ended May 31,	
	2014	2013
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 5,688,782	\$ 4,581,692
Cash paid to suppliers and other vendors	(2,594,237)	(2,022,340)
Cash paid for salaries and employee benefits	(396,560)	(431,814)
	2,697,985	2,127,538
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Use of cash and cash equivalents, restricted	485,078	841,285
Interest income	795	352
	485,873	841,637
CASH FLOWS PROVIDED (USED) BY CAPITAL AND FINANCING ACTIVITIES		
Principal payments of bonds payable	(720,000)	(760,000)
Proceeds from sale of surplus property	339,622	6,204
Acquisition of distribution facilities	(90,719)	(68,371)
Acquisition of hydroelectric generating facilities	(345,649)	-
Acquisition of non-operating property	(73,876)	-
Costs of construction work-in-process	(3,749)	(15,850)
Costs of project development	(923,974)	(819,112)
Interest paid	(923,224)	(1,019,380)
	(2,741,569)	(2,676,509)
Net increase in cash and cash equivalents	442,289	292,666
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	764,530	471,864
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,206,819	\$ 764,530
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income	\$ 2,398,566	\$ 1,634,529
Adjustments to reconcile net operating income to net cash provided (used) by operating activities		
Depreciation expense and other charges	397,999	398,139
Uncollectible revenue	76,735	35,961
Decrease (increase) in		
Accounts receivable, net	(185,994)	(85,011)
Inventory	11,773	35,841
Prepaid expenses	(14,352)	(24,481)
Due from other governments	2,817	50,156
Increase (decrease) in		
Accounts payable	(32,058)	77,870
Accrued postretirement health benefits	67,997	50,037
Due to other governments	(3,274)	(95,689)
Other liabilities	(22,224)	50,186
	\$ 2,697,985	\$ 2,127,538

See accompanying Notes to Financial Statements.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Green Island Power Authority (Authority) is engaged in the distribution of retail electric power in the Village of Green Island, New York (Village) and in generating and selling electricity from its hydroelectric generating facility. The Authority is subject to regulation by the New York State Department of Public Service (PSC) with respect to wholesale power purchased, rate structure, accounting, and related matters.

The Authority is a body corporate and politic constituting a public benefit corporation, created by and existing under Title I-A of Article 5 of the New York Public Authorities Law, as enacted by Chapter 807 of Laws of 1986, as amended (Act). The Act provides that the Authority and its corporate existence shall continue for twelve years and thereafter until all its liabilities have been met and its bonds paid in full or otherwise discharged, whereupon all rights and properties of the Authority then remaining shall pass to and be vested in the Village.

Under the Act, the five members of the Authority, who must be residents of the Village, serve for overlapping terms of five years, or until their successors are appointed and qualified. The members were initially appointed for terms of varying duration, pursuant to the Act, by the Board of Trustees of the Village on designation of the Mayor. Subsequent appointments have been made in the same manner for terms of five years.

During July 1987, the Authority acquired the assets and certain liabilities of the Village Electric Department (Department).

During July 2000, the Authority acquired the assets and certain liabilities of Erie Boulevard Hydropower, LP related to a hydroelectric generating facility located on the Hudson River.

b. Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Basis of Accounting and Financial Statement Presentation - Continued

Net position is classified into three components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances related to those capital assets.
- *Restricted net position* consists of assets that have constraints placed on use, either externally or internally, less liabilities that will be extinguished from restricted assets. Constraints include those imposed by laws and regulations of other governments or various debt instruments.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of “restricted net assets” or net investment in capital assets.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. New Accounting Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements.

The Authority fully adopted GASB Statement No. 65 as of June 1, 2013. As a result of this adoption, the Authority was required to write off certain bond issue costs, which had been previously amortized over the life of the related bonds. The retroactive adoption of the standard resulted in a reduction to beginning of period bond issuance costs and unrestricted net assets as follows:

	As Previously Reported	Effect of Change	As Currently Reported
Statement of Net Position			
Bond issuance costs	\$ 496,491	\$ (496,491)	\$ -
Net position, unrestricted	\$ (1,265,246)	\$ (496,491)	\$ (1,761,737)
Statement of Changes in Net Position			
Amortization expense	\$ 58,668	\$ (58,668)	\$ -

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. New Accounting Pronouncements - Continued

GASB Statement No. 66, *Technical Corrections*, establishes clarifications on two recently issued statements, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements.

The Authority adopted GASB Statement No. 66 as of June 1, 2013. There was no significant impact to the financial statements as a result of this adoption.

e. Operations

The Authority owns, operates, and maintains the operating property used to distribute electricity within the Village. The Authority acquires its base electric load from the New York Power Authority (NYPA) under a supply contract that expires during September 2025. The Authority acquires its incremental power from the New York Municipal Power Agency (NYMPA).

The Authority owns, operates, and maintains a hydroelectric generating facility used to generate electricity which is sold to Niagara Mohawk Power Corporation, a National Grid Company (NIMO), on a day ahead pricing basis contract, which expires during June 2018. Generation of electricity is limited to run-of-the-river (natural flow of the river).

f. Utility Plant

Utility plant, including distribution facilities, a hydroelectric generating facility, construction work-in-process, and non-operating property, is stated at the original cost to the Authority and consists primarily of amounts expended for construction, acquisition, completion, and placing in operation the projects of the Authority. Such expenditures include labor, materials, services, and certain indirect costs. The costs of current repairs and maintenance are charged to operating expenses. The cost of renewals and betterments are capitalized to utility plant. Operating property constructed with capital fees received from customers or other parties is included in utility plant. Capital fees totaled \$1,413,628 as of May 31, 2014 and 2013. When a utility plant is retired, the book cost, together with the cost of removal and any salvage value, is charged to accumulated depreciation.

Depreciation is provided, based on asset groups, on a straight-line basis over the estimated useful lives of the property in accordance with the Federal Energy Regulatory Commission (FERC) guidelines, ranging from 5 to 50 years.

The Authority periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2014 and 2013.

g. Cash and Cash Equivalents

The Authority's investment policies are governed by State statutes. Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Authority is authorized to use demand accounts, time deposit accounts, and certificates of deposit.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Cash and Cash Equivalents - Continued

Collateral is required for demand deposits, time deposits, and certificates of deposit equal to or exceeding all deposits not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Cash accounts were fully collateralized at May 31, 2014 and 2013.

Cash and cash equivalents include amounts in demand deposits and time deposits, which mature no more than three months from the date purchased.

h. Accounts Receivable, Net

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts annually. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance was \$50,000 and \$30,000 at May 31, 2014 and 2013, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Uncollectible revenues totaled \$76,735 and \$35,961 for the years ended May 31, 2014 and 2013, respectively, and is included in administrative and general expenses in these financial statements.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. A late payment penalty of 1.5% per month is charged on all accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. Late payment penalties are assessed up to the time the account receivable is collected or deemed uncollectible.

i. Inventory

Inventory is valued at cost, determined on a rolling average cost basis, and is expensed or capitalized when used. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. Inventory consists of components, parts, and tools held for consumption.

j. Other Assets

In accordance with guidance from NYPA and the PSC, certain costs have been capitalized as regulatory assets. These costs are as follows:

Project Development Costs - These costs include (or included in past years) legal, technical, and other expenses incurred for investigating the acquisition and licensing of an additional hydroelectric project (Cohoes Falls Project) and the relicensing and expansion of the existing hydroelectric facility (Hydro Expansion Project).

Cohoes Falls Hydroelectric Project - The project, if completed, would have provided 100 megawatts of hydroelectric power that the Authority would have sold to local and state government agencies, local businesses as an economic development incentive, and the open market. Due to various impasses in the licensing process, the Authority ceased all development of the project during fiscal year 2013. As such, all costs associated with the project had been expensed in fiscal year 2013 (Note 9).

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

j. Other Assets - Continued

Project Development Costs - Continued

Hydro Expansion Project - This project consists of two parts: (1) the costs associated with obtaining relicensure of the Authority's existing hydroelectric plant, and (2) the physical expansion of the existing plant to fully utilize the public resource of the Hudson River at this location. Once complete, the expansion will provide an additional 42 megawatts of hydroelectric power, provide significant environmental enhancements, fully utilize the recreational resources of the Hudson River, and provide enhanced security and reliability for the Authority's power generation and distribution facilities. Relicensure of the plant was granted during fiscal year 2014. As of May 31, 2014 and 2013, the Authority had incurred \$4,480,613 and \$3,556,639, respectively, in project development costs related to this project.

k. Revenue Recognition

Distribution income is recorded on the accrual basis when consumers' meters are read and bills issued. Distribution income is determined based on customer usage and demand at base rates for each consumer class approved by the PSC. Purchase power costs incurred in excess of those costs included in the base rate calculation are passed on to the consumer at no profit or loss from the Authority by means of a "Purchased Power Adjustment" (PPA) factor.

Hydroelectric generating income is recorded on the accrual basis based on kilowatt generation reports, when billed to NIMO.

l. Contributions to Other Governments

Properties and income of the Authority are exempt from all taxes on distribution and hydroelectric generating facilities. However, the Authority is allowed to make discretionary contributions to the Village and school in lieu of taxes. No contributions were made to the Village or school during the fiscal years ended May 31, 2014 and 2013.

m. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and a liability as the benefits accrue to employees. Accrued compensated absences totaled \$33,769 and \$54,346 as of May 31, 2014 and 2013, respectively, and are included in other liabilities.

n. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through November 6, 2014, the date the financial statements were available to be issued.

o. Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 2 - Utility Plant

A summary of the Authority's utility plant is as follows:

	May 31, 2014			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
DISTRIBUTION FACILITIES				
Land	\$ 88,520	\$ -	\$ -	\$ 88,520
Buildings	693,490	-	-	693,490
Transmission and distribution equipment	3,671,426	90,718	(156,137)	3,606,007
Furniture, fixtures, transportation, and miscellaneous equipment	886,470	-	-	886,470
Total distribution facilities	5,339,906	90,718	(156,137)	5,274,487
HYDROELECTRIC GENERATING FACILITY				
Land	521,207	-	-	521,207
Structures	1,144,881	99,000	-	1,243,881
Reservoirs, dams, and waterways	1,054,439	-	-	1,054,439
Roads, trails, and bridges	10,063	-	-	10,063
Water wheels, turbines, and generators	2,062,631	246,648	(279,428)	2,029,851
Accessory electric equipment	1,629,919	-	-	1,629,919
Furniture, fixtures, transportation, and miscellaneous equipment	333,989	-	-	333,989
Total hydroelectric generating facility	6,757,129	345,648	(279,428)	6,823,349
	12,097,035	436,366	(435,565)	12,097,836
ACCUMULATED DEPRECIATION	(5,507,576)	(720,905)	435,565	(5,792,916)
	\$ 6,589,459	\$ (284,539)	\$ -	\$ 6,304,920
NON-OPERATING PROPERTY	\$ 209,845	\$ 73,875	\$ -	\$ 283,720
CONSTRUCTION IN PROCESS				
Distribution Upgrade Project	\$ 3,683,047	\$ 3,749	\$ (4,792)	3,682,004
Transmission Voltage Support Project	1,299,492	-	-	1,299,492
	\$ 4,982,539	\$ 3,749	\$ (4,792)	\$ 4,981,496

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 2 - Utility Plant - Continued

	May 31, 2013			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
DISTRIBUTION FACILITIES				
Land	\$ 88,520	\$ -	\$ -	\$ 88,520
Buildings	693,490	-	-	693,490
Transmission and distribution equipment	3,620,302	67,557	(16,433)	3,671,426
Furniture, fixtures, transportation, and miscellaneous equipment	885,656	814	-	886,470
Total distribution facilities	5,287,968	68,371	(16,433)	5,339,906
HYDROELECTRIC GENERATING FACILITY				
Land	521,207	-	-	521,207
Structures	1,144,881	-	-	1,144,881
Reservoirs, dams, and waterways	1,054,439	-	-	1,054,439
Roads, trails, and bridges	10,063	-	-	10,063
Water wheels, turbines, and generators	2,062,631	-	-	2,062,631
Accessory electric equipment	1,629,919	-	-	1,629,919
Furniture, fixtures, transportation, and and miscellaneous equipment	333,989	-	-	333,989
Total hydroelectric generating facility	6,757,129	-	-	6,757,129
	12,045,097	68,371	(16,433)	12,097,035
ACCUMULATED DEPRECIATION	(5,124,329)	(399,680)	16,433	(5,507,576)
	\$ 6,920,768	\$ (331,309)	\$ -	\$ 6,589,459
NON-OPERATING PROPERTY	\$ 209,845	\$ -	\$ -	\$ 209,845
CONSTRUCTION IN PROCESS				
Distribution Upgrade Project	\$ 3,667,197	\$ 15,850	\$ -	3,683,047
Transmission Voltage Support Project	1,299,492	-	-	1,299,492
	\$ 4,966,689	\$ 15,850	\$ -	\$ 4,982,539

Depreciation expense for operating property was \$330,588 and \$330,728 for 2014 and 2013, respectively. Depreciation charges on transportation and shop equipment have been allocated to the various expense or operating property accounts via the Department's work order system, as prescribed by the *Uniform System of Accounts for Municipal Utilities*. These depreciation charges totaled \$67,411 for both years ended May 31, 2014 and 2013, respectively. In accordance with the *Uniform System of Accounts for Municipal Utilities*, net costs associated with retirement, removal, salvage, and proceeds upon disposition of fixed assets have been charged against accumulated depreciation. These costs totaled \$112,658 and \$14,893 for 2014 and 2013, respectively.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 3 - Cash and Cash Equivalents, Restricted

Cash and cash equivalents, restricted, represents cash reserved from the issuance of the 2000, 2004, and 2008 Serial Bonds. A summary is as follows:

	May 31,	
	2014	2013
Debt Service Reserve Funds, 2000, 2004, and 2008 Serial Bonds equal to the largest annual debt service requirement	\$ 2,381,391	\$ 1,630,252
Renewal and Replacement Fund, in anticipation of unforeseen repairs and replacements (a)	118,239	118,226
Proceeds restricted by 2004 and 2008 Bonds payable	375,117	1,611,347
Cash and cash equivalents, restricted	<u>\$ 2,874,747</u>	<u>\$ 3,359,825</u>

(a) There were no funds expended for repairs or replacements during the years ended May 31, 2014 and 2013. As required by the 2000 Serial Bond issue, the Authority is required to have a \$100,000 balance in this account as of September 1 each year.

Note 4 - Bonds Payable

A summary of bond transactions of the Authority is as follows:

	May 31,	
	2014	2013
Bonds payable, <i>beginning of year</i>	\$ 17,085,000	\$ 17,845,000
Principal payments	(720,000)	(760,000)
Bonds payable, <i>end of year</i>	<u>\$ 16,365,000</u>	<u>\$ 17,085,000</u>

Series 2011 Bonds

During June 2011, the Authority obtained a \$180,000 Series 2011 Power System Revenue Bond. The proceeds were used to purchase a bucket truck. Principal payments for the 2011 Bonds are due annually June 1, with semi-annual payments of interest on June 1 and December 1. Interest rates range from 4.75% to 5.0%. The bond matures on June 1, 2016.

Series 2008 Bonds

The Authority obtained \$8,020,000 Series 2008A and \$2,840,000 Series 2008B Power System Revenue Bonds. A portion of the proceeds of each bond was used to redeem an outstanding Bond Anticipation Note, the proceeds of which were originally used to finance certain projects, including (a) licensing and relicensing costs relating to the existing transmission and distribution facility, (b) substation and transmission upgrades, and (c) development costs relating to a new electrical generating project being considered by the Authority. The balance of the proceeds will be used to provide additional funds for (a) construction of upgrades to the Authority's existing substation and transmission system, (b) certain licensing and relicensing costs, (c) construction of upgrades to an expansion of the existing hydropower generating facility, (d) to fund a debt service reserve fund, and (e) to pay certain expenses incidental to the issuance of bonds.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 4 - Bonds Payable - Continued

Series 2008 Bonds - Continued

Principal payments for the 2008 Bonds are due annually March 15, with semi-annual interest payable on March 15 and September 15. Interest rates range from 3.00% to 7.25%.

Extraordinary Optional Redemption Without Premium

The Series 2008 Bonds are subject to optional redemption prior to maturity (i) as a whole, without premium, in the event of (a) a taking in Condemnation of, or failure of title to, all or substantially all of the Power System, (b) damage to or destruction of part or all of the Power System and election by the Authority to redeem the Series 2008 Bonds, or (c) a taking in Condemnation of part of the Power System and election by the Authority to redeem the Series 2008 Bonds, or (ii) in part, without premium, in the event that (a) excess insurance or Condemnation proceeds remain following damage or Condemnation of a portion of the Power System and completion of the repair, rebuilding, or restoration of the Power System and, pursuant to the Indenture, such excess monies are not paid to the Authority, or (b) excess monies remain in the Project Fund after the completion date. Upon the occurrence of any of the foregoing events, the 2008 Bonds will be redeemed, as a whole or in part, as applicable, at such time as the Authority determines, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Optional Redemption

The Series 2008A Bonds and Series 2008B Bonds maturing on or after March 15, 2019, are subject to optional redemption prior to maturity, as a whole or in part, on any interest payment date on or after March 15, 2018, at the option of the Authority, at par, plus accrued interest to the redemption date.

Sinking Fund Redemption

The Series 2008A Bonds maturing on March 15, 2023 and March 15, 2033, respectively, will also be subject to sinking fund redemption prior to maturity in part by lot commencing March 15, 2019 and March 15, 2024, respectively, and on each March 15 thereafter, at a Redemption Price equal to the principal amount to be redeemed plus accrued interest to the redemption date, from mandatory Sinking Fund Installment which are required to be made in amounts sufficient to redeem on March 15 of each year Series 2008A Bonds in the principal amounts set forth in the tables below:

Series 2008A Term Bonds Maturing March 15, 2023

<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>
2019	\$ 265,000
2020	280,000
2021	295,000
2022	305,000
2023	320,000

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 4 - Bonds Payable - Continued

Series 2008 Bonds - Continued

Sinking Fund Redemption - Continued

Series 2008A Term Bonds Maturing March 15, 2033

<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>	<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>
2024	\$ 340,000	2029	\$ 435,000
2025	355,000	2030	455,000
2026	375,000	2031	480,000
2027	395,000	2032	505,000
2028	415,000	3033	530,000

The Series 2008B Bonds maturing on March 15, 2026 and March 15, 2033, respectively, will also be subject to sinking fund redemption prior to maturity in part by lot commencing March 15, 2019 and March 15, 2027, respectively, and on each March 15 thereafter, at a Redemption Price equal to the principal amount to be redeemed plus accrued interest to the redemption date, from mandatory Sinking Fund installment which is required to be made in amounts sufficient to redeem on March 15 of each year Series 2008B Bonds in the principal amounts set forth in the tables below:

Series 2008B Term Bonds Maturing March 15, 2026

<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>
2019	\$ 85,000
2020	90,000
2021	95,000
2022	105,000
2023	110,000
2024	120,000
2025	130,000
2026	140,000

Series 2008B Term Bonds Maturing March 15, 2033

<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>
2027	\$ 150,000
2028	160,000
2029	170,000
2030	185,000
2031	195,000
2032	210,000
2033	225,000

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 4 - Bonds Payable - Continued

Series 2008 Bonds - Continued

Sinking Fund Redemption - Continued

The amounts accumulated for each Sinking Fund Installment shall be applied by the 2008 Trustee, at the direction of the Authority, to the purchase or redemption of the Series 2008 Bonds due on such redemption date at prices not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase.

Series 2004 Bonds

The Authority obtained \$4,090,000 Series 2004A, \$1,605,000 Series 2004B Power System Revenue Bonds, and \$880,000 Series 2004C Power System Revenue Refunding Bonds. The 2004A and 2004B Bonds were used to redeem outstanding Bond Anticipation Notes, the proceeds of which were originally used to renovate the existing power house and bulkhead structure in the generating plant of the Authority and four hydroelectric generating units located therein; the renovation and improvement of the Authority's distribution system; the acquisition and installation of various machinery and equipment therein and thereof; and the funding of certain preliminary planning, study, and survey costs in connection with the consideration of the acquisition of a hydroelectric facility in the Capital District. The 2004A Bond proceeds also provided original funds for the construction of improvements to the Authority's distribution system. The 2004C Bonds provided funds to refund the outstanding principal amount of the Authority's Series 1993 Power System Revenue Refunding Bonds, which originally advance refunded the Authority's Series 1987A Power System Revenue Bonds. All of the Series 2004 Bonds funded a debt service reserve fund and paid certain expenses incidental to the issuance of the Series 2004 Bonds.

Principal payments on the 2004 Bonds are due annually on December 15, with semi-annual interest payable on June 15 and December 15. Interest rates range from 2.5% to 5.125% per annum.

Optional Redemption

The Series 2004A and Series 2004B Bonds maturing on or after December 15, 2015, are subject to redemption at the option of the Authority, in whole or in part, on any interest payment date on or after December 15, 2014, at par plus accrued interest to the date of redemption. The Series 2004C Bonds are not subject to redemption.

Mandatory Redemption

The Series 2004B Bonds maturing on December 15, 2024, are subject to mandatory redemption prior to maturity from mandatory Sinking Fund Installments on December 15, 2015, and each December 15 thereafter. In each case, a redemption price is equal to 100% of its principal amount plus accrued interest to the day of redemption.

December 15, 2024 Redemption

<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>
\$210,000	2015	\$ 250,000	2018
225,000	2016	265,000	2019
240,000	2017	285,000	2020

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 4 - Bonds Payable - Continued

Series 2004 Bonds - Continued

Mandatory Redemption - Continued

The Series 2004B Bonds are issued pursuant to and are secured under the 2000 Indenture, as supplemented by the 2004 Supplemental Indenture, and are payable from net revenues generated by the operation of the Authority's Power System and pledged under the Indenture and other amounts constituting trust revenues.

Series 2000 Bonds

The Authority obtained \$5,165,000 Series 2000 Subordinate Power System Revenue Bonds, used to a) redeem outstanding bond anticipation notes, the proceeds of which were used to purchase and construct a hydroelectric facility; b) finance certain costs of issuance of the Series 2000 Bonds; and c) fund a debt service reserve and project fund to be used for additional capital improvements.

Principal payments on the 2000 Bonds are due annually on December 15, with semi-annual interest payable on June 15 and December 15. Interest rates range from 5.00% to 6.00% per annum.

Mandatory Redemption

The Series 2000 Bonds maturing on December 15, 2020 and 2025, are subject to mandatory redemption prior to maturity from mandatory Sinking Fund Installments on December 15 in each of the years and in the respective principal amounts set forth below. In each case, a redemption price is equal to 100% of its principal amount plus accrued interest to the day of redemption.

December 15, 2020 Redemption

<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>
\$210,000	2015	\$ 250,000	2018
225,000	2016	265,000	2019
240,000	2017	285,000	2020

December 15, 2025 Redemption

<u>Amount</u>	<u>Year</u>
\$300,000	2021
320,000	2022
335,000	2023
360,000	2024
380,000	2025

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 4 - Bonds Payable - Continued

Series 2000 Bonds - Continued

Mandatory Redemption - Continued

The Series 2000 Bonds are issued pursuant to and are secured under the 2000 Indenture and are payable from net revenues generated by the operation of the Authority's Power System and pledged under the 2000 Indenture and other amounts constituting Trust Revenues. The lien on the Authority's net revenues created by the 2000 Indenture is a second lien and is subordinate to the pledge of the Authority's net revenues under the Trust Indenture of the Authority dated as of October 1, 1993 (the "1993 Indenture"), securing the Authority's Power System Revenue Refunding Bonds Series 1993 (the "Series 1993 Bonds"). The Series 2000 Bonds constitute subordinate obligations under the 1993 Indenture. The subordination to the 1993 Indenture has been extinguished by the defeasance of the Series 1993 Bonds with funds provided by the Series 2004C Bonds.

A summary of the Authority's future minimum annual maturities for bonds payable is as follows:

	<u>Principal</u>	<u>Interest</u>
For the year ending May 31,		
2015	\$ 790,000	\$ 890,488
2016	835,000	850,206
2017	880,000	806,969
2018	885,000	763,762
2019	920,000	718,525
2020 through 2024	5,385,000	2,801,075
2025 through 2029	3,885,000	1,370,114
2030 through 2033	<u>2,785,000</u>	<u>411,427</u>
	<u>\$16,365,000</u>	<u>\$ 8,612,566</u>

Mandatory Redemption

A rate covenant of the Bonds requires that the Authority adopt an operating budget of no more than 110% of the prior year's adopted budget, as amended. The adopted budget for the 2014 fiscal year end was approximately 99.3% of the prior year modified budget. For the 2015 fiscal year end, the Authority adopted an operating budget equal to approximately 99.0% of the prior year modified budget.

Interest expense on bonds payable was \$917,215 and \$954,607 for the years ended May 31, 2014 and 2013, respectively. Interest paid was \$923,224 and \$1,019,380 during the years ended May 31, 2014 and 2013, respectively.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 5 - New York State Retirement Systems

a. Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). Employees of the Authority are included in the Village's ERS account. ERS is a cost-sharing multi-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

ERS is noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of service and employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and the two preceding years were:

For the year ended May 31,	
2014	\$ 68,992
2013	105,673
2012	113,203

The Village's contributions made to the System were equal to 100% of the contributions required for each year.

Note 6 - Due From/To Other Governments

The Authority provides the Village with electric service related to public street lighting and other types of lighting. Revenue from this service totaled \$44,868 and \$46,292 for the years ended May 31, 2014 and 2013, respectively.

The Authority also rents office space on a month-to-month basis from the Village for an annual rental of \$8,400 for the years ended May 31, 2014 and 2013.

Amounts due from the Village, as a result of these transactions, were \$42,835 and \$31,496 as of May 31, 2014 and 2013, respectively.

In addition, the Authority was due reimbursement from New York State in connection with costs incurred during various storms in the summer of 2011. This reimbursement, totaling \$14,156 as of May 31, 2013, was received during fiscal year 2014.

The Authority may also make discretionary contributions to the Village and school district (Note 1.I). Although no contributions were made during the fiscal years ended 2014 and 2013, the Authority is indebted to the Village for declared contributions in prior years. Contributions due the Village at May 31, 2014 and 2013, totaled \$229,243 and \$232,517, respectively.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 7 - Commitments and Contingencies

a. *Power Supply Contracts*

i. Distribution

Electric power distributed by the Authority is obtained from NYPA under a power supply contract which expires during September 2025. The Authority is entitled to certain kilowatts of firm hydroelectric power and associated energy. Demand, energy, and transmission charges under this contract are subject to change and approval of regulatory authorities. There are no minimum capacity or other fixed charge components to this contract. Electric purchases under this contract totaled \$242,003 and \$267,139 for the years ended May 31, 2014 and 2013, respectively. The Village guarantees contractual electric payments to NYPA.

In addition, the Authority receives incremental power (power supplied in excess of its hydroelectric power allotment) from the New York Municipal Power Agency (NYMPA), a Joint Action Agency, of which the Authority is a member. Electric purchases and related charges from NYMPA totaled \$1,182,292 and \$945,751 for the years ended May 31, 2014 and 2013, respectively.

During fiscal year 2014, the Authority's management elected to terminate its membership in NYMPA, effective December 31, 2015. For periods subsequent to December 31, 2015, the Authority will purchase its incremental power supply on the open market, at day ahead rates. The scheduling of these power purchases will be performed by an independent third-party consultant.

The Authority also maintains an agreement with National Grid for the transmission of capacity on National Grid's circuits. Electric wheeling charges under this contract totaled \$202,424 and \$167,668 for 2014 and 2013, respectively.

i. New York Independent System Operators (NYISO)

NYISO is a not-for-profit corporation under aegis of the Federal Electric Regulatory Commission, with responsibility to provide free access to the electric transmission facilities within New York State. All NYISO costs are billed to users of the electric transmission grid. Pricing is market based rather than cost based. NYISO charges totaled \$143,266 and \$100,245 for the years ended May 31, 2014 and 2013, respectively. These costs are included in the amounts charged from NYMPA, above.

iii. Hydroelectric

The Authority has a contract with National Grid to sell all energy produced from the hydroelectric generating facility at a day ahead pricing which expires June 30, 2018.

b. *Significant Concentration*

Approximately 42% and 37% of the Authority's operating income was derived from sales of hydroelectricity to NIMO for the years ended May 31, 2014 and 2013, respectively. No other customer accounted for more than 10% of the Authority's operating income during the years ended May 31, 2014 and 2013. Amounts due from NIMO as of May 31, 2014 and 2013, totaled \$132,471 and \$118,405, respectively.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 7 - Commitments and Contingencies - Continued

c. Litigation

The Authority is involved in certain suits and claims arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Authority or the results of its operations.

d. Risks and Uncertainties

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.

Note 8 - Postemployment Benefits Other Than Pensions

a. Plan Description

The Authority provides medical and prescription drug insurance benefits for retired Authority employees and their dependents. All Authority employees become eligible for such benefits when they attain certain age and service requirements while employed by the Department. Retirees are required to contribute a portion of the total cost of these benefits.

b. Reporting Requirements

The Authority reports its postemployment benefits in accordance with Governmental Accounting Standards Statement No. 45 (GASB No. 45). GASB No. 45 views a postemployment benefit plan as a deferred compensation arrangement, whereby an employer promises to exchange future benefits for employees' current services. GASB No. 45 specifies that accounting for these benefits should be determined 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.

c. Funding Policy

Currently, the Authority's cost of its postemployment benefits program is determined on a pay-as-you-go basis and is; therefore, unfunded.

During 2014 and 2013, premiums paid by the Authority on behalf of current retirees and their dependents totaled \$18,704 and \$23,958, respectively.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan:

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 8 - Postemployment Benefits Other Than Pensions

c. Funding Policy - Continued

	May 31,	
	2014	2013
Annual required contribution	\$ 92,546	\$ 80,749
Interest on net OPEB obligation	8,252	5,953
Adjustment of annual required contribution	(12,412)	(8,953)
Annual OPEB cost	88,386	77,749
Expected contributions	(27,840)	(27,712)
Net OPEB obligation, <i>beginning of year</i>	206,309	148,821
Net OPEB obligation, <i>end of year</i>	\$ 266,855	\$ 198,858

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
5/31/2014	\$ 88,385	31.5%	\$ 266,855
5/31/2013	85,200	32.5%	198,858
5/31/2012	69,127	27.9%	148,821

Funded Status and Funding Progress. As of May 31, 2014 and 2013, the actuarial accrued liability for benefits was \$801,332 and \$757,950, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$393,232 and \$599,139 for the years ended May 31, 2014 and 2013, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 204% and 93% for 2014 and 2013.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of costs to the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 8 - Postemployment Benefits Other Than Pensions - Continued

c. Funding Policy - Continued

The following simplifying assumptions were made:

Retirement Age and Service Period for Active Employees - An employee must be age 55 with 10 years of service to become eligible for postretirement health benefits.

Marital Status - It is assumed that 70% of retirees will be married at the time of their retirement, with the male spouse assumed to be approximately three years older than the female.

Mortality - Life expectancies were based on the RP-2000 Mortality Table for males and females.

Termination Rates - Termination rates consistent with GASB No. 45's abbreviated methodology were selected and are based on the experience of the New York State and Local Retirement System.

Retirement Rates - Retirement rates are based on the experience of the New York State and Local Retirement System. This methodology is consistent with GASB No. 45 abbreviated methodology.

Healthcare Cost Trend Rate - National Health Expenditure Projections 2002 - 2017, were used as a basis for healthcare cost trend. This methodology is consistent with GASB No. 45 abbreviated methodology.

Other Related Information

The remaining actuarial assumptions and methods used for the valuation of the Authority's postemployment benefits program as of May 31, 2014 and 2013, were as follows:

Interest Rate:	4.00%
Valuation Method:	Projected Unit Credit
Amortization Method:	Level dollar closed
Amortization Period:	30 years

Note 9 - Extraordinary Item, Abandonment of Cohoes Fall Hydroelectric Project (Fiscal Year 2013)

In periods prior to 2013, the Authority had been involved in several proceedings with FERC, in connection with the Authority's efforts to secure a license for the proposed Cohoes Falls Hydroelectric Project, FERC Project No. 12522. The project, if completed, would have provided 100 megawatts of hydroelectric power that the Authority planned to sell to local and state government agencies, local businesses as an economic development incentive, and the open market.

Costs incurred pursuing the project included legal, technical, and other expenses and capitalized as an asset in prior periods.

Due to various impasses in the licensing process, the Authority ceased development of the hydroelectric project during fiscal year 2013. All capitalized costs incurred were expensed in fiscal year 2013. These costs totaled \$3,711,993.

Green Island Power Authority

Notes to Financial Statements - Regulatory Basis May 31, 2014 and 2013

Note 10 - Accounting Pronouncement Issued but Not Yet Implemented

During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

During January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

During April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability previously this was required not to be reported. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective for periods beginning after June 15, 2014, with early application encouraged.

Management has not estimated the extent of the potential impact of these statements on the Authority's financial statements.

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Green Island Power Authority
Green Island, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Green Island Power Authority (Authority) as of May 31, 2014, and the related statements of revenues and expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
November 6, 2014