BST
BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants

August 28, 2013

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, 2013. 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 management 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

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GREEN ISLAND POWER AUTHORITY

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended May 31, 2013

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities and the Planned Scope and Timing of the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated May 22, 2013.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. Following is a description of accounting standards the Authority adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Effective June 1, 2012, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Effective June 1, 2012, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Adoption of these accounting standards did not significantly impact the Authority's financial statements.

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.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended May 31, 2013

Financial Statement Disclosures

In our meetings with management, we discussed 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, 2013, 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 the relicensing and expansion of the existing hydroelectric facility (Hydro Expansion Project). Should licensure not be obtained, or management determines the project to no longer be feasible, these costs will be expensed in that period. At this time, management anticipates licensure will be granted.
- Due to various impasses in the licensing process, the Authority ceased all development of the Cohoes Falls Hydroelectric Project during fiscal year 2013. As such, all costs associated with the project have been expensed in fiscal year 2013, in accordance with U.S. GAAP.

Audit Adjustments

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

Uncorrected Misstatements

There were no uncorrected misstatements for the fiscal year ended May 31, 2013.

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 with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

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

Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

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 to be material weaknesses or significant deficiencies.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit C.

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

This letter is intended solely for the information and use of the Authority Governing Board and management 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

GREEN ISLAND POWER AUTHORITY

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended May 31, 2013

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, 2013, financial statements:

Estimate	Accounting Policy	Estimation Process
Allowance for Uncollectible Accounts	Allowance is based on a review of outstanding amounts on a monthly basis.	Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.
Depreciation	Depreciation is provided for in amounts to relate the cost of depreciable assets to operations.	Depreciation is computed based on asset groups, using the straight-line method. The estimated lives used in determining depreciation are based on the historical experience of the Authority and range from 3 to 31½ years.
Postemployment Benefits	The Authority provides health care insurance benefit programs for most retired employees. 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, 2012, were provided by Armory Associates, LLC (Armory), 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 2013, 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.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

GREEN ISLAND POWER AUTHORITY

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended May 31, 2013

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expense
• To properly record write off of Cohoes Falls hydro project	$ -	$ -	$ 3,711,993	$ -	$ 3,711,993
• To correct compensated absences posting	-	(7,998)	-	-	(7,998)
Statement of Revenues and Expenses and Changes in Net Position Effect	-	-	(3,703,995)	$ -	$ 3,703,995
Statement of Net Position Effect	$ -	$ (7,998)	$ 7,998		

Exhibit C

GREEN ISLAND POWER AUTHORITY

SIGNIFICANT WRITTEN COMMUNICATIONS BETWEEN MANAGEMENT AND OUR FIRM
Year Ended May 31, 2013

Representation Letter

GREEN ISLAND POWER AUTHORITY

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Green Island, New York 12183
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EXECUTIVE OFFICES
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Green Island, New York 12183
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ELECTRICAL FACILITIES CENTER
50 Cohoes Avenue
Green Island, New York 12183
(518) 274-5125 (Office)
(518) 274-9040 (Fax)

August 28, 2013

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

This representation letter is provided in connection with your audits of the financial statements of the Green Island Power Authority (Authority) which comprise the statements of net position as of May 31, 2013 and 2012, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements. We confirm that we are responsible for the fair presentation in the financial statements of net position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. 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:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 22, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. 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, 2013 and 2012, in the Authority's accounting principles and practices, except as noted herein.

   On June 1, 2012, we adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

   On June 1, 2012, we adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position on a statement of net position and related disclosures.

2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Related-party transactions, including those defined in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sales, purchases, loans, transfers, leasing arrangements, and/or guarantees, all of which have been recorded in accordance with the economic substance of the transactions.

6. The following have been properly recorded and/or disclosed in the financial statements:

   a. Security agreements in effect under the Uniform Commercial Code.

   b. All significant estimates and/or material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the GASB Accounting Standards Codification. Significant estimates are estimates at the statement of net position dates that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.

   c. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the GASB Accounting Standards Codification.

   d. Reclassifications between net asset classes.

   e. The effect on the financial statements of authoritative accounting pronouncements, which have been issued, but which we have not yet adopted.

Information Provided

7. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

   b. Additional information that you have requested from us for the purpose of the audits.

   c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

   d. Minutes of the meetings of the Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

8. All transactions have been recorded in the accounting records and are reflected in the financial statements.

9. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

10. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:

    a. Management.

    b. Employees who have significant roles in the internal control.

    c. Others where the fraud could have a material effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

12. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

13. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

14. 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.

15. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

16. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:

    a. The Authority has no significant amounts of idle property and equipment or permanent excess plant capacity.

    b. The Authority has no plans or intentions to discontinue the operations of any part of its business or to discontinue any significant services or activities.

17. 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.

18. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through May 31, 2013 and 2012. During 2012, the postretirement obligation was actuarially determined by Armory Associates, LLC, the Authority's independent actuary. For 2013, 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 2013 postretirement obligation are reasonable, and the related calculations are accurate, in accordance with GASB No. 45.

19. 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 Environmental Protection Agency in connection with any environmental contamination.

    b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the GASB Accounting Standards Codification.

    c. Transfers or designations of net assets or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.

    d. Guarantees, whether written or oral, under which the Authority is contingently liable.

    e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

    f. Lines-of-credit or similar arrangements.

    g. Agreements to repurchase assets previously sold.

    h. Liens or encumbrances on assets or other pledges of assets.

    i. Investments in debt or equity securities.

    j. Liabilities that are subordinated to any other actual or possible liabilities of the Authority.

    k. Leases or material amounts of rental obligations under long-term leases.

    l. Financial instruments with off-balance-sheet market or credit risk.

    m. Derivative financial instruments.

    n. Long-lived assets, including intangibles, which are impaired or to be disposed of.

    o. Product warranty obligations expected to be incurred with respect to product sales recognized through May 31, 2013 and 2012.

    p. Material losses to be sustained in the fulfillment of or from the inability to fulfill any sales commitments.

    q. Material losses to be sustained as a result of purchase commitments.

    r. Environmental clean-up obligations.

    s. Concentrations of credit risk.

20. The Authority has satisfactory title to all owned assets.

21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. Net asset components, invested in capital assets, net of related debt; and unrestricted are properly classified and, if applicable, approved.

23. Capital assets are properly capitalized, reported, and depreciated.

24. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates. During 2013 and 2012, the Authority used significant estimates in determining accrued sick leave, accrued postretirement health benefits, and the assessment of the collectability of accounts receivable.

25. There are no such estimates that may be subject to material change in the near-term that have not been properly disclosed in the financial statements. We understand that near-term means the period within one year of the date of the financial statements.

26. We have no knowledge of concentrations existing at the dates of the financial statements that make the Authority vulnerable to the risk of a near term severe impact, that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of contributors, grantors, funding sources, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that severe impact means a significantly disruptive effect on the normal functioning of an organization.

27. 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.

28. Total project development costs incurred as of May 31, 2013, by the Authority pursuing the Hydro Expansion Project were $3,556,639. The costs of the project 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 this facility. Further discussion concerning this project is described in Note 8.e. to our May 31, 2013, financial statements.

    Should licensure not be obtained, or management determines the project 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.

29. Over the past several years, 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.

    Total costs incurred pursuing the project included legal, technical, and other expenses. These costs had been capitalized in prior periods in accordance with U.S. GAAP.

Due to various impasses in the licensing process, the Authority ceased development of the hydroelectric project during fiscal year 2013.

As the Authority was unable to obtain required licenses and permits to construct the facility, all costs have been expensed in fiscal year 2013, in accordance with U.S. GAAP. These costs totaled $3,711,993.

As the Authority is not in the business of identifying and constructing new sources of hydroelectric power, the abandonment of such project constitutes an extraordinary transaction, and has been presented as such in the Authority's 2013 financial statements.

30. We are responsible for determining that significant events or transactions that have occurred since the statement of net position date and through August 28, 2013, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net position date and through August 28, 2013, that would require recognition or disclosure in the financial statements. We further represent that as of August 28, 2013, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.

31. During the course of your audits, you may have accumulated records containing data that 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 of financial statements and related notes to the financial statements.

Very truly yours,

GREEN ISLAND POWER AUTHORITY

Ellen M. McNulty-Ryan

Ellen M. McNulty-Ryan, Member, Chairperson

David A. Paterniani, Chief Fiscal Officer