



September 6, 2017

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) as of and for the year ended May 31, 2017. 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 be of service to the Authority.

Very truly yours,

BST & Co. CPAs, LLP

William C. Freitag, Partner

WCF/dmc



## **Green Island Power Authority**

### **Communication With Those Charged With Governance Year Ended May 31, 2017**

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 With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated May 22, 2013. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

#### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.

#### **Accounting Policies and Practices**

##### **Preferability of Accounting Policies and Practices**

Under generally accepted accounting 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):

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

# Green Island Power Authority

## Communication With Those Charged With Governance Year Ended May 31, 2017

### Accounting Policies and Practices - Continued

#### Adoption of, or Change in, Accounting Policies - Continued

GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the hierarchy of U.S. GAAP in the context of governmental financial reporting. This statement reduces the hierarchy of U.S. GAAP to two categories of authoritative U.S. GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative U.S. GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments by tax abatement recipients;
- Gross dollar amount of taxes abated during the period; and
- Commitments made by the government, other than to abate taxes, as part of a tax abatement agreement.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of GASB Statement No. 68 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is:

- Not a state or local government pension plan;
- Used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governments; and
- Not used predominantly by a state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

GASB Statement No 79, *Certain External Investment Pools and Pool Participants*. This statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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.



# Green Island Power Authority

Communication With Those Charged With Governance  
Year Ended May 31, 2017

## Accounting Policies and Practices - Continued

### 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.

### 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

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### 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.

### Significant Written Communications Between Management and Our Firm

Copies of material 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.



## Green Island Power Authority

### Summary of Significant Accounting Estimates Year Ended May 31, 2017

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 determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's May 31, 2017 financial statements:

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>
<b>Allowance for Uncollectible Accounts</b>	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.
<b>Depreciation</b>	Depreciation is provided for in amounts to relate the cost of depreciable assets to operations.	Depreciation is provided for in amounts to relate the cost of depreciable assets to operations.
<b>Postemployment Benefits</b>	Postemployment benefits are reported under the 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, 2017, were provided by Armory Associates, LLC, the Authority's independent actuary. These computations were prepared using various assumptions related to retirement age, marital status, mortality, termination rates, healthcare cost trends, and amortization methods.
<b>Net Pension Liability</b>	The Authority recognizes its proportionate share of the New York State and Local Employees' Retirement System net pension liability, the related deferred inflows of resources, and the related deferred outflows of resources.	The Authority's net pension liability is estimated by the New York State Office of the State Comptroller using census data supplied by participating employers and various actuarial assumptions, including but not limited to, rate of return, mortality, and inflation. The Authority's proportionate percentage of the liability is determined on an 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, 2017

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
To post prior year unrecorded entries and reconcile net position	\$ 290,634	\$ 277,106	\$ 27,057	\$ 767	\$ 14,296
To capitalize transmission and distribution equipment	79,627	-	-	-	(79,627)
To adjust net pension liability	(165,600)	(143,283)	-	-	22,317
To adjust postretirement benefit estimate	-	52,117	-	-	52,117
To adjust compensated absences	-	(25,958)	-	-	(25,958)
To adjust the allowance for doubtful accounts	(17,283)	-	-	-	17,283
Statement of Revenues and Expenses and Changes in Net Position Effect	<u>-</u>	<u>-</u>	<u>339</u>	<u>\$ 767</u>	<u>\$ 428</u>
Statement of Net Position Effect	<u>\$ 187,378</u>	<u>\$ 159,982</u>	<u>\$ 27,396</u>		



**Green Island Power Authority**

Significant Written Communications  
Between Management and our Firm  
Year Ended May 31, 2017

Representation Letter



# GREEN ISLAND POWER AUTHORITY

## BILLING OFFICE

20 Clinton Street  
Green Island, New York 12183  
(518) 272-4790 (Office)  
(518) 271-1924 (Fax)

## EXECUTIVE OFFICES

69 Hudson Avenue  
Green Island, New York 12183  
(518) 271-9397 (Office)  
(518) 689-9700 (Fax)

## ELECTRICAL FACILITIES CENTER

50 Cohoes Avenue  
Green Island, New York 12183  
(518) 274-5125 (Office)  
(518) 274-9040 (Fax)

September 6, 2017

BST & Co. CPAs, 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, 2017 and 2016, 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, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of September 6, 2017:

### *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.
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 and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectible amounts.
  - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
  - c. For postretirement benefits other than pensions attributable to employee services rendered through May 31, 2017. As of May 31, 2017, the postretirement obligation was actuarially determined with the assistance of Armory Associates, LLC, the Authority's independent actuary.
5. Related-party transactions, including those with other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.





6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. Arrangements involving restrictions on cash balances have been properly disclosed.
9. We agree with the findings of specialists in evaluating the accrued postretirement benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instruction to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
10. The net pension liability as of May 31, 2017 and 2016, was actuarially determined by the New York State & Local Retirement System, and subject to audit by KPMG LLP for the verification of employer allocations as of and for the years ended March 31, 2016 and 2015. Management believes that the actuarial methods and assumptions used in the 2016 and 2015 calculations of net pension liability were reasonable, and the related calculations were accurate and in accordance with U.S. GAAP.
11. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public, or private, that is not disclosed in the financial statements.
12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
13. We have no knowledge of any uncorrected misstatements in the financial statements.
14. We have not completed the process of evaluating the effect that will result from adopting the guidance in GASB Statements No. 74, No. 75, and No. 80 to No. 84, as discussed in Note 9 to the financial statements. The Authority is, therefore, unable to disclose the effect that adopting the guidance of these GASB Statements will have on its net position and the changes in net position when such guidance is adopted.

*Information Provided*

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

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. 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.
18. 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 internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
19. 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.
20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
21. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
22. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions of which we are aware.
23. 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.
24. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
25. 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.

#### *Compliance Considerations*

26. In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:
  - a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
  - b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Authority.
  - c. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

- d. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- f. Is responsible 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.
- g. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.
- i. Has a process to track the status of audit findings and recommendations.
- j. Has identified for you previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- k. Has provided views on your reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
- l. Acknowledges its responsibilities as they relate to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating Madeline Paterniani, CFO, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; that it evaluates the non-attest services of drafting of financial statements and related notes to the financial statements; and that it accepts responsibility for the results of the services.

Very truly yours,

GREEN ISLAND POWER AUTHORITY

  
Ellen M. McNulty-Ryan, Member Chairperson

  
Madeline Paterniani, Chief Fiscal Officer