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

August 16, 2012

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, 2012. 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, 2012

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

Auditor's Responsibility Under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated June 6, 2012.

Accounting Practices

Adoption of, or Change in, Accounting Policies

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

Significant or Unusual Transactions

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

Alternative Treatments Discussed with Management

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

Management's Judgments and Accounting Estimates

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

Financial Statement Disclosures

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

- Note 1 to the Authority's May 31, 2012, financial statements discusses the significant accounting policies used by the Authority.

- Summary of accounting policies, including the accounting standards issued but not yet effective.

- Project Development Costs - These costs include legal, technical, and other expenses incurred investigating acquisition and licensing of an additional hydroelectric project (Cohoes Falls Project) and the relicensing and expansion of the existing hydroelectric facility (Hydro Expansion Project). Should licensure not be obtained, or management determines the projects to no longer be feasible, these costs will be expensed in that period. At this time, management anticipates licensure will be granted in each case.

- Management's plans to remedy financial and operational issues.

Audit Adjustments

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

Unposted Adjustments

There were no unposted adjustments for the fiscal year ended May 31, 2012.

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

During the audit, we discussed with management its plan to help strengthen the Authority's financial position and improve its results from operations. This plan, as further described in Note 10 to the Authority's May 31, 2012, financial statements, outlines specific events, activities, and transactions that management believes will give the Authority a reasonable and timely remedy to its recent financial and operational issues.

Difficulties Encountered in Performing the Audit

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

Certain Written Communications Between Management and Our Firm

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

Significant Deficiencies and Material Weaknesses

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

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

GREEN ISLAND POWER AUTHORITY

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended May 31, 2012

This letter 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.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

GREEN ISLAND POWER AUTHORITY

SUMMARY OF ACCOUNTING ESTIMATES
Year Ended May 31, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's May 31, 2012, financial statements:

Area	Accounting Policy	Estimation Process
Allowance for Uncollectible Revenues	Allowance, if determined necessary, is based on a review of outstanding amounts on a monthly basis.	Management determines the necessity for an allowance for uncollectible revenues by identifying troubled accounts and by using historical experience applied to an aging of accounts.
Depreciation	Depreciation is computed based on asset groups, using the straight-line method.	The estimated lives used in determining depreciation are based on recommendations of the Federal Energy Regulatory Commission and the historical experience of the Authority.
Postemployment Benefits	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 2011, management elected to prepare its own actuarial computations using similar assumptions and methods as Armory. In accordance with GASB No. 45, as a small governmental entity, management can elect to have this liability determined by an actuary on a tri-annual basis.

GREEN ISLAND POWER AUTHORITY

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended May 31, 2012

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expense
• To record OPEB liability per actuary report	$ -	$ 50,037	$ -	$ -	$ 50,037
Statement of Revenues and Expenses and Changes in Net Assets Impact	-	-	(50,037)	$ -	$ 50,037
Balance Sheet Impact	$ -	$ 50,037	$ (50,037)		

GREEN ISLAND POWER AUTHORITY

CERTAIN WRITTEN COMMUNICATIONS BETWEEN MANAGEMENT AND OUR FIRM
Year Ended May 31, 2011

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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ELECTRICAL FACILITIES CENTER
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(518) 274-5125 (Office)
(518) 274-9040 (Fax)

August 16, 2012

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

In connection with your audits of the financial statements of the Green Island Power Authority (Authority) as of and for the years ended May 31, 2012 and 2011, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

1. The financial statements referred to above are fairly presented in conformity GAAP. The Authority's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the years ended May 31, 2012 and 2011, in the Authority's accounting principles and practices.

2. We have made available to you:

   a. All financial records and related data.

   b. All minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

4. We have no knowledge of fraud or suspected fraud affecting the Authority involving management, employees who have significant roles in internal control, or others where fraud could have a material effect on the financial statements. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, short sellers, or others.

5. 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.

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

7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. 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.

8. The following have been properly reflected and/or disclosed in the financial statements:

   a. Related party transactions, including those defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and/or interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees.

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

   c. Deposits category of custodial credit risk.

   d. 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 of governmental accounting and financial reporting standards. Significant estimates are estimates at the balance sheet 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.

   e. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the GASB Accounting Standards Codification of governmental accounting and financial reporting standards.

   f. Reclassifications between net asset classes.

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

9. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

   a. To reduce receivables to their estimated net collectible amounts.

   b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.

c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through May 31, 2012 and 2011, and/or for expected retroactive insurance premium adjustments applicable to periods through May 31, 2012 and 2011.

d. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through May 31, 2012 and 2011. During 2012, the postretirement obligation was actuarially determined by Armory Associates, LLC, the Authority's independent actuary. For 2011, management elected to prepare its own actuarial computations for this obligation, using similar assumptions and methods used by Armory Associates, LLC during 2010. In accordance with GASB No. 45, as a small governmental entity, management can elect to have this liability determined by an actuary on a tri-annual basis. Management believes that the actuarial methods and assumptions used in the calculation of the 2011 postretirement obligation are reasonable, and the related calculations are accurate, in accordance with GASB No. 45.

10. There are no:

a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.

c. 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.

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

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

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

g. Lines-of-credit or similar arrangements.

h. Agreements to repurchase assets previously sold.

i. Liens or encumbrances on assets and all other pledges of assets.

j. Contractual obligations for plant construction or purchase of real property, equipment, other assets, or intangibles.

k. Investments in debt or equity securities.

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

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

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

o. Derivative financial instruments.

p. Product warranty obligations expected to be incurred with respect to product sales recognized through December 31, 2012 and 2011.

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

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

s. Environmental clean-up obligations.

11. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the GASB Accounting Standards Codification.

12. 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.

13. We have satisfactory title to all owned assets.

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

15. Net asset components, invested in capital assets, net of related debt; unrestricted and fund balance reserves and designations are properly classified and, if applicable, approved.

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

17. We are responsible for and agree to the proposed adjustments to the trial balances identified during the audits and will post all adjustments accordingly.

18. 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 2012 and 2011, the Authority used significant estimates in determining accrued sick leave, accrued postretirement health benefits, and the assessment of the collectability of accounts receivable.

19. 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.

20. 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.

21. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or significant deficiencies that should be reported.

22. We have responded fully to all inquiries made to us by you during your audits.

23. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through August 16, 2012, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet date and through August 16, 2012, that would require recognition or disclosure in the financial statements. We further represent that as of August 16, 2012, the financial statements were complete in a form and format that complied with GAAP, and all approvals necessary for issuance of the financial statements had been obtained.

24. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:

    - The credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in the financial markets and the banking system. These and other economic events could have a negative financial impact on the Authority's customer base, which in turn, could have an impact on the Authority's future operations and financial performance.

    - In addition, the Authority is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale markets for short-term power transactions; water conditions; weather, and natural disaster disruptions; collective bargaining labor disputes, and government regulation.

25. Total project development costs incurred as of May 31, 2012, by the Authority pursuing the Cohoes Falls Project and the Hydro Expansion Project were $3,711,993 and $2,737,527 respectively. The costs of the projects will be recovered by operating revenues once all licenses and permits are granted and construction is completed. As of the date of this letter, we are actively and vigorously pursing the necessary licenses and permits for the construction and operation of these facilities. Further discussion concerning these two projects, including information obtained from counsel, are described in Notes 8.e. and 8.f., to our May 31, 2012, financial statements.

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

26. The Authority has experienced net losses in each of its last three fiscal years. These losses can be primarily attributable to the significant amount of interest expense incurred on the Authority's outstanding bond issuances. In addition to these losses, the Authority's unrestricted operating cash balances have decreased $700,000 over the past two years. At May 31, 2012, the Authority's current liabilities exceed current assets by approximately $500,000.

To help strengthen the Authority's financial position and improve its results from operations, management has developed a specific plan that they believe will give the Authority a reasonable and timely remedy to its recent financial and operational issues. This plan is as follows:

Distribution Revenue

The Authority approved its first increase in retail rates on December 31, 2011. Base retail rates were increased 18%, which will result in an approximate 9% to 10% increase in distribution revenues. Annual base revenues are expected to increase approximately $300,000 over recent years' experience. This increase comes with no additional expense to the Authority.

Hydroelectric Generation Revenue

Wholesale electric rates continue to be at low levels, and the futures market is predicting slow growth over the next 24 months. The Authority has budgeted accordingly for this grim outlook, and this fact is well documented in its fiscal year 2013 annual budget. Although the contract with National Grid will expire June 30, 2013, the Authority's management believes that this contract will be renewed under similar terms.

Operations

After the retirement of our salaried chairman in December 2011, all Authority Board members, including the new chairperson, decided to serve without compensation. This decision represents a savings of approximately $117,000 annually. In addition, the Authority has been operating effectively without a Director of Operations for the past eight months. There is no intention to fill this vacated position at this time, and therefore, a savings of approximately $75,000 will be recognized annually. Employee raises have also been suspended for the past two years.

Consultant fees have also been reduced considerably from past years, as more work has been done internally by Authority management and staff.

Contributions to Other Governments

During January 2012, the Authority informed the Village of Green Island and the Green Island Union Free School District that they would be suspending its contributions for the fiscal year 2013. This decision was made after all avenues for improving the Authority's liquidity were exhausted. In total, this will save the Authority approximately $676,000 annually. Once liquidity and financial position is restored to a reasonable level, the Authority will review its ability to continue these contributions.

Conclusion

Given the $300,000 increase in base revenues, as well as the approximate $955,000 decrease in fixed costs, management believes that these changes will provide significant improvement in the Authority's financial position and results of operations, as well as create sustainability well into the future.

27. During the course of your audits, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

28. David Paterniani, CFO, has overseen the services provided by BST Advisors, LLC and has established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services of drafting the financial statements and footnotes.

Very truly yours,

GREEN ISLAND POWER AUTHORITY

Ellen M. McNulty-Ryan

Ellen M. McNulty-Ryan, Chairperson

David A. Paterniani, Chief Fiscal Officer