

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

Financial Report

May 31, 2016 and 2015

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C O N T E N T S

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Net Position	3
Statements of Revenues and Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-23
<b>Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	24-25



## **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 financial statements of the Green Island Power Authority (Authority) (a New York public benefit corporation), which comprise the statements of net position as of May 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 financial position of the Green Island Power Authority as of May 31, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Prior Period Restatement*

As discussed in Note 1, the Authority has restated its financial statements as of May 31, 2015, to retroactively implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Prior Year Financial Statements*

The financial statements of the Green Island Power Authority, as of and for the year ended May 31, 2015, were audited by other auditors whose report dated November 30, 2015, expressed an unmodified opinion on those financial statements.

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis, the schedule of local government's proportionate share of the net pension liability, the schedule of local government contributions, and the schedule of funding progress - other postemployment benefits 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 August 29, 2016, 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* in considering the Authority's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York  
August 29, 2016



# Green Island Power Authority

## Statements of Net Position

	May 31,	
	<u>2016</u>	<u>2015</u>
		(Restated)
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>UTILITY PLANT, net</b>		
Distribution facilities	\$ 8,551,335	\$ 8,503,306
Hydroelectric generating facility	11,987,799	7,257,486
	<u>20,539,134</u>	<u>15,760,792</u>
Less accumulated depreciation	6,752,368	6,433,602
Total utility plant, net	<u>13,786,766</u>	<u>9,327,190</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents, restricted	<u>2,223,774</u>	<u>2,712,871</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, unrestricted	583,735	869,396
Accounts receivable, net	222,017	292,828
Inventory	65,440	68,874
Prepaid expenses	76,038	66,175
Due from other governments	52,907	55,216
Total current assets	<u>1,000,137</u>	<u>1,352,489</u>
<b>OTHER ASSETS</b>		
Project development costs	<u>-</u>	<u>5,037,013</u>
Total assets	17,010,677	18,429,563
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to net pension liability	<u>264,698</u>	<u>16,039</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 17,275,375</u></b>	<b><u>\$ 18,445,602</u></b>

See accompanying Notes to Financial Statements.

	<b>May 31,</b>	
	<u>2016</u>	<u>2015</u>
		<b>(Restated)</b>
<b>NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,270,540	\$ 1,502,074
Unrestricted deficit	<u>(154,571)</u>	<u>(92,970)</u>
Total net position	<u>1,115,969</u>	<u>1,409,104</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>LONG-TERM DEBT, less current installments</b>		
Accrued postretirement benefits	383,336	331,649
Net pension liability	306,017	77,975
Bonds payable	<u>13,860,000</u>	<u>14,740,000</u>
Total long-term debt, less current installments	<u>14,549,353</u>	<u>15,149,624</u>
<b>CURRENT LIABILITIES</b>		
Current installments of bonds payable	880,000	835,000
Accounts payable	135,128	487,108
Due to other governments	198,813	222,707
Interest payable	229,151	243,478
Other liabilities	<u>72,197</u>	<u>52,881</u>
Total current liabilities	<u>1,515,289</u>	<u>1,841,174</u>
Total liabilities	<u>16,064,642</u>	<u>16,990,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension resources	<u>94,764</u>	<u>45,700</u>
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ 17,275,375</u></b>	<b><u>\$ 18,445,602</u></b>

# Green Island Power Authority

## Statements of Revenues and Expenses and Changes in Net Position

	Years Ended May 31,	
	2016	2015
<b>OPERATING REVENUES</b>		
Distribution	\$ 3,185,495	\$ 3,296,242
Hydroelectric generation and related revenues	676,277	1,408,334
Total operating revenues	3,861,772	4,704,576
<b>OPERATING EXPENSES</b>		
Purchased power	1,585,741	1,567,646
Transmission expenses	14,615	14,409
Distribution expenses	309,882	298,414
Street lighting	21,641	23,037
Consumer accounting	101,048	106,072
Hydroelectric generation	539,955	907,429
Administrative and general	753,165	831,173
Loss on abandoned projects	-	1,990,930
Total operating expenses	3,326,047	5,739,110
<b>Net operating income (loss)</b>	<b>535,725</b>	<b>(1,034,534)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	1,631	1,029
Sale of surplus property	5,389	-
Interest expense	(835,880)	(877,133)
	(828,860)	(876,104)
<b>Change in net position</b>	<b>(293,135)</b>	<b>(1,910,638)</b>
<b>NET POSITION, <i>beginning of year</i></b>	1,409,104	3,427,378
<b>NET POSITION, <i>end of year prior to restatement</i></b>	1,115,969	1,516,740
Effect of adoption of GASB No. 68 and No. 71	-	(107,636)
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 1,115,969</b>	<b>\$ 1,409,104</b>

See accompanying Notes to Financial Statements.

# Green Island Power Authority

## Statements of Cash Flows

	Years Ended May 31,	
	2016	2015
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,856,736	\$ 4,800,088
Cash paid to suppliers and other vendors	(2,646,155)	(2,446,814)
Cash paid for salaries and employee benefits	(407,143)	(443,543)
	<b>803,438</b>	<b>1,909,731</b>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>		
Use of cash and cash equivalents, restricted	489,097	161,876
Interest income	1,631	1,029
	<b>490,728</b>	<b>162,905</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND FINANCING ACTIVITIES</b>		
Principal payments of bonds payable	(835,000)	(790,000)
Proceeds from sale of surplus property	325,339	-
Acquisition of distribution facilities	(12,469)	(47,908)
Acquisition of hydroelectric generating facilities	(207,490)	(71,585)
Acquisition of non-operating property	-	(53,678)
Costs of project development	-	(556,400)
Interest paid	(850,207)	(890,488)
	<b>(1,579,827)</b>	<b>(2,410,059)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(285,661)</b>	<b>(337,423)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	869,396	1,206,819
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 583,735</b>	<b>\$ 869,396</b>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net operating income (loss)	\$ 535,725	\$ (1,034,534)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Loss on abandoned projects	-	1,990,930
Depreciation expense and other charges	477,446	660,187
Uncollectible revenue	75,847	86,746
Decrease (increase) in		
Accounts receivable, net	(5,036)	95,512
Inventory	3,434	2,212
Deferred outflows of resources	(248,659)	-
Prepaid expenses	(9,863)	16,923
Due from other governments	2,309	(12,381)
Increase (decrease) in		
Accounts payable	(351,980)	34,223
Net pension liability	228,042	-
Deferred inflows of resources	49,064	-
Accrued postretirement health benefits	51,687	64,794
Due to other governments	(23,894)	(6,536)
Interest payable	19,316	11,655
	<b>\$ 803,438</b>	<b>\$ 1,909,731</b>

See accompanying Notes to Financial Statements.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### **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, as further describe in Note 1e. 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the statements of net position.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### 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, deferred inflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted net position" 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, deferred inflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets, deferred inflows of resources, liabilities, and deferred inflows of resources 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. 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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

The Authority adopted these accounting standards effective June 1, 2015. As a result, the Authority now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense, as determined by the State and Local Employees' Retirement System. The adoption of GASB No. 68 and No. 71 was applied retroactively. Accordingly, the Authority restated its net position as of May 31, 2015, by recording its net pension liability of \$104,303 and restating net position by \$104,303.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

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

#### *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. Prior to December 31, 2015, the Authority acquired its incremental power needs from the New York Municipal Power Agency (NYMPA). Effective January 1, 2016, the Authority terminated its membership in NYMPA and currently purchases its incremental power supply on the open market, at day ahead rates, through the New York Independent Systems Operators (NYISO).

The Authority owns 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).

Prior to October 1, 2015, the Authority operated and maintained the hydroelectric generating facility using its own workforce and the general assets of the Authority. Effective October 1, 2015, the Authority entered into a service agreement with Albany Engineering Corporation (AEC), under which AEC will manage, maintain, operate, and retain revenues associated with the sale of hydroelectric power. In consideration, the Authority is entitled to receive certain payments from AEC related to the use of the hydroelectric generating facility, management fees, and generation of hydroelectric power, as set forth in the agreement.

The service agreement expires December 31, 2050, unless terminated earlier or extended by mutual consent of the Authority and AEC.

Income related to the service agreement totaled \$464,245 for the year ended May 31, 2016, and is included in hydroelectric generation and related revenues in these financial statements.

#### *f. Utility Plant*

Utility plant, including distribution facilities, a hydroelectric generating facility, project development costs, 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 \$1,413,268 as of May 31, 2016 and 2015. 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.

Over the past several years, the Authority had accumulated costs related to a Distribution Upgrade Project and a Transmission Voltage Support Project. In periods prior to fiscal year 2015, these costs had been included in project development costs in accordance with U.S. GAAP.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

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

#### *f. Utility Plant - Continued*

During fiscal year 2015, management of the Authority had determined that certain of these project costs, totaling \$2,990,566, had been placed into service, while certain other costs totaling \$1,990,930 associated with both projects would not be placed into service. These costs were fully expensed in fiscal year 2015.

In addition, under the guidance of NYPA and the PSC, certain costs had been capitalized as regulatory assets. These costs included legal, technical, and other expenses incurred for the relicensing and expansion of the existing hydroelectric facility. Capitalized costs related to this project, totaling \$5,037,013, were reported as project development costs as of May 31, 2015. On January 1, 2016, these improvements and related costs were placed into service, and are included in net utility plant as of May 31, 2016. Depreciation of these assets commenced on January 1, 2016.

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. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Excluding the write-off of certain project costs, no impairment was identified in 2016 and 2015.

#### *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.

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 insured or collateralized at May 31, 2016 and 2015.

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

Changes in restricted cash and cash equivalents are considered investing activities in the statements of cash flows.

#### *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 \$60,000 and \$50,000 at May 31, 2016 and 2015, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Uncollectible revenues totaled \$75,846 and \$86,745 for the years ended May 31, 2016 and 2015, respectively, and are included in administrative and general expenses in these financial statements.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

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

#### *h. Accounts Receivable, Net - Continued*

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 the lower of cost or market, with 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. Deferred Outflows and Deferred Inflows of Resources*

The Authority reports pension related deferred outflows of resources and deferred inflows of resources on its balance sheet. Pension related deferred outflows of resources and deferred inflows of resources may occur due to differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and difference between employer contributions, and proportionate share of contributions and employer contributions made subsequent to the measurement date. Deferred outflows of resources resulting from differences between expected and actual experience and projected and actual investment earnings are \$16,039 at May 31, 2016. Deferred inflows of resources resulting from changes in the Authority's proportion and differences between employer contributions and proportionate share of contributions are \$45,700 at May 31, 2016.

#### *k. Pensions*

The Authority is a participating employer in the New York State and Local Retirement System (System). Employees in permanent positions are required to enroll in the System, and employees in part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Authority's financial position and results of operations due to its participation in the System is more fully disclosed in Note 5.

#### *l. Revenue Recognition*

Distribution income is recorded on the accrual basis when services are provided to customers. 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.

Prior to October 1, 2015, hydroelectric generating income was recorded on the accrual basis based on kilowatt generation reports, when provided to NIMO. Subsequent to October 1, 2015, revenues related to the Authority's hydroelectric generating facility, under the agreement with AEC, are recorded on the accrual basis of accounting, as the services are rendered under the terms of the agreement.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

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

#### *l. Revenue Recognition - Continued*

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a principal ongoing operation. The principal operating revenues are distribution and hydroelectric generating income. Operating expenses include the cost of services, administrative expenses, depreciation costs, and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

#### *m. 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, 2016 and 2015.

#### *n. 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 \$39,291 and \$46,608 as of May 31, 2016 and 2015, respectively, and are included in other liabilities in these financial statements.

#### *o. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through August 29, 2016, the date the financial statements were available to be issued.

### Note 2 - Utility Plant

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

	May 31, 2016			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
<b>DISTRIBUTION FACILITIES</b>				
Land	\$ 88,520	\$ -	\$ -	\$ 88,520
Buildings	693,490	-	-	693,490
Transmission and distribution equipment	6,834,826	76,114	(28,085)	6,882,855
Furniture, fixtures, transportation, and miscellaneous equipment	886,470	-	-	886,470
Total distribution facilities	<u>8,503,306</u>	<u>76,114</u>	<u>(28,085)</u>	<u>8,551,335</u>

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 2 - Utility Plant - Continued

	May 31, 2016			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
<b>HYDROELECTRIC GENERATING FACILITY</b>				
Land	521,207	-	-	521,207
Structures	1,243,881	5,037,013	-	6,280,894
Reservoirs, dams, and waterways	1,054,439	-	-	1,054,439
Roads, trails, and bridges	10,063	-	-	10,063
Water wheels, turbines, and generators	2,463,988	207,490	(514,190)	2,157,288
Accessory electric equipment	1,629,919	-	-	1,629,919
Furniture, fixtures, transportation, and miscellaneous equipment	333,989	-	-	333,989
Total hydroelectric generating facility	<u>7,257,486</u>	<u>5,244,503</u>	<u>(514,190)</u>	<u>11,987,799</u>
	15,760,792	5,320,617	(542,275)	20,539,134
<b>ACCUMULATED DEPRECIATION</b>	<u>(6,433,602)</u>	<u>(864,807)</u>	<u>546,041</u>	<u>(6,752,368)</u>
	<u>\$ 9,327,190</u>	<u>\$ 4,455,810</u>	<u>\$ 3,766</u>	<u>\$ 13,786,766</u>
	May 31, 2015			
	Balance at Beginning of Year	Additions	Disposals/ Transfers	Balance at End of Year
<b>DISTRIBUTION FACILITIES</b>				
Land	\$ 88,520	\$ -	\$ -	\$ 88,520
Buildings	693,490	-	-	693,490
Transmission and distribution equipment	3,606,007	3,248,320	(19,501)	6,834,826
Furniture, fixtures, transportation, and miscellaneous equipment	886,470	-	-	886,470
Total distribution facilities	<u>5,274,487</u>	<u>3,248,320</u>	<u>(19,501)</u>	<u>8,503,306</u>
<b>HYDROELECTRIC GENERATING FACILITY</b>				
Land	521,207	-	-	521,207
Structures	1,243,881	-	-	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	2,029,851	434,137	-	2,463,988
Accessory electric equipment	1,629,919	-	-	1,629,919
Furniture, fixtures, transportation, and miscellaneous equipment	333,989	-	-	333,989
Total hydroelectric generating facility	<u>6,823,349</u>	<u>434,137</u>	<u>-</u>	<u>7,257,486</u>
	12,097,836	3,682,457	(19,501)	15,760,792
<b>ACCUMULATED DEPRECIATION</b>	<u>(5,792,916)</u>	<u>(660,187)</u>	<u>19,501</u>	<u>(6,433,602)</u>
	<u>\$ 6,304,920</u>	<u>\$ 3,022,270</u>	<u>\$ -</u>	<u>\$ 9,327,190</u>
<b>NON-OPERATING PROPERTY</b>	<u>\$ 283,720</u>	<u>\$ -</u>	<u>\$ (283,720)</u>	<u>\$ -</u>
<b>PROJECT DEVELOPMENT COSTS</b>				
Distribution Upgrade Project	\$ 3,682,004	\$ -	\$ (3,682,004)	-
Transmission Voltage Support Project	1,299,492	-	(1,299,492)	-
	<u>\$ 4,981,496</u>	<u>\$ -</u>	<u>\$ (4,981,496)</u>	<u>\$ -</u>

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 2 - Utility Plant - Continued

Depreciation expense for operating property was \$477,446 and \$335,065 for 2016 and 2015, 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, 2016 and 2015. In accordance with the *Uniform System of Accounts for Municipal Utilities*, net costs (salvage) associated with retirement, removal, salvage, and proceeds upon disposition of fixed assets have been charged against accumulated depreciation. These costs (salvage) totaled \$226,088 and \$(142,211) for 2016 and 2015, respectively.

### 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,	
	2016	2015
Debt Service Reserve Funds, 2000, 2004, and 2008 Serial Bonds equal to the largest annual debt service requirement	\$ 2,051,229	\$ 2,540,440
Renewal and Replacement Fund, in anticipation of unforeseen repairs and replacements (a)	118,329	118,251
Proceeds restricted by 2004 and 2008 Bonds payable	54,216	54,180
Cash and cash equivalents, restricted	\$ 2,223,774	\$ 2,712,871

(a) There were no funds expended for repairs or replacements during the years ended May 31, 2016 and 2015. 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 changes in bonds payable of the Authority is as follows:

	May 31,	
	2016	2015
Bonds payable, <i>beginning of year</i>	\$ 15,575,000	\$ 16,365,000
Principal payments	(835,000)	(790,000)
Bonds payable, <i>end of year</i>	\$ 14,740,000	\$ 15,575,000

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 4 - Bonds Payable - Continued

A summary of the Authority's bond issues at May 31, 2016, is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
Series 2000 Subordinate Power System Revenue Bonds	12/2000	12/2025	5.000% to 6.000%	\$ 2,960,000
Series 2004 Power System Revenue Bonds	12/2004	12/2024	2.500% to 5.125%	3,165,000
Series 2008 Power System Revenue Bonds	7/2008	3/2033	3.000% to 7.250%	8,575,000
2011 Power System Revenue Bond	6/2011	6/2017	4.750% to 5.000%	40,000
Total bonds payable				<u>\$ 14,740,000</u>

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

	Principal	Interest
For the year ending May 31,		
2017	\$ 880,000	\$ 806,969
2018	885,000	763,762
2019	920,000	718,525
2020	965,000	669,725
2021	1,025,000	618,150
2022 through 2026	5,555,000	2,202,451
2027 through 2031	3,040,000	964,233
2032 through 2033	1,470,000	128,057
	<u>\$ 14,740,000</u>	<u>\$ 6,871,872</u>

Interest expense on the bonds payable was \$835,880 and \$877,133 for the years ended May 31, 2016 and 2015, respectively. Interest paid was \$850,207 and \$890,488 during the years ended May 31, 2016 and 2015, respectively.

### Note 5 - New York State Retirement Systems

#### a. Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct state-wide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 5 - New York State Retirement Systems - Continued

#### a. *Plan Description* - Continued

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

#### b. *Funding Policy*

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (New York State and Local Employees' Retirement System) or January 9, 2010 (New York State Police and Fire Retirement System) who generally contribute 3% of their salary for their entire length of service. The average contribution rate for the New York State and Local Employees' Retirement System for the fiscal years ended March 31, 2016 and 2015, was approximately 18.2% and 20.1% of payroll, respectively. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Authority contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

For the year ended May 31,

2015	\$	76,701
2014		68,992
2013		105,673

#### c. *Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At May 31, 2016 and 2015, the Authority reported a liability of \$306,017 and \$77,975, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2016 and 2015, the Authority's proportion was 0.0019066% and 0.0023082%, respectively.

For the years ended May 31, 2016 and 2015, the Authority recognized an increase in pension expense of \$28,448 and \$3,333, respectively.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 5 - New York State Retirement Systems - Continued

*c. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - Continued*

The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	May 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,546	\$ 36,273
Changes of assumptions	81,606	
Net differences between projected and actual investment earnings on pension plan investments	181,546	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	58,491
Total	\$ 264,698	\$ 94,764
	May 31, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,496	\$ -
Net differences between projected and actual investment earnings on pension plan investments	13,543	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	45,700
Total	\$ 16,039	\$ 45,700

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

For the year ending May 31,	
2017	\$ 40,455
2018	40,455
2019	40,455
2020	48,569
	\$ 169,934

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 5 - New York State Retirement Systems - Continued

#### d. Actuarial Assumptions

The total pension liability at March 31, 2016 is the most current information available and was determined by using an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	4.9 percent, indexed by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses
Decrement	Developed from the plan's 2010 experience study for the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on the System's pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation.

#### e. Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the applicable valuation dates are summarized as follows:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 5 - New York State Retirement Systems - Continued

*f. Discount Rate*

The discount rate projection of cash flows assumed that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption*

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability or asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 690,047	\$ 306,017	\$ (18,471)

*h. Pension Plan Fiduciary Net Position*

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2016 are as follows (amounts in thousands):

Employers' total pension liability	\$ 172,303,544
Plan net position	(156,253,265)
Employers' net pension liability	\$ 16,050,279
Ratio of plan net position to the employers' total pension liability	90.7%

### 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 \$48,824 and \$49,310 for the years ended May 31, 2016 and 2015, 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, 2016 and 2015.

Amounts due from the Village as a result of these transactions were \$52,907 and \$55,216 as of May 31, 2016 and 2015, respectively.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 6 - Due From/To Other Governments - Continued

Also, the Authority may make discretionary contributions to the Village and school district. The Authority is also indebted to the Village for declared contributions in prior years. Contributions paid to the Village and school district for prior year declared contributions totaled \$25,000 and \$-0- during the years ended May 31, 2016 and 2015, respectively. Contributions due to the Village totaled \$193,804 and \$218,804 at May 31, 2016 and 2015, respectively, and are included in due to other governments in these financial statements.

### Note 7 - Power Supply Contracts, Commitments, Contingencies, Concentrations, Risks, and Uncertainties

#### 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 \$264,418 and \$236,360 for the years ended May 31, 2016 and 2015, respectively. The Village guarantees contractual electric payments to NYPA.

In addition, the Authority received 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 was a member. Electric purchases and related charges from NYMPA totaled \$615,646 and \$1,055,275 for the years ended May 31, 2016 and 2015, respectively. The Authority's management elected to terminate its membership in NYMPA on December 31, 2015.

Effective January 1, 2016, the Authority purchases incremental power on the open market, at day ahead rates. The scheduling of these power purchases are performed by Lynx Technologies, and purchased on the open market through NYISO. Electric purchases and related charges from NYISO totaled \$314,909 for the year ended May 31, 2016.

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 \$245,951 and \$143,743 for the years ended May 31, 2016 and 2015, respectively.

##### ii. 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 \$97,776 and \$143,266 for the years ended May 31, 2016 and 2015, respectively. These costs are included in purchased power in these financial statements.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### **Note 7 - Power Supply Contracts, Commitments, Contingencies, Concentrations, Risks, and Uncertainties - Continued**

#### *a. Power Supply Contracts*

##### *iii. Hydroelectric*

As described in Note 1e, the Authority has a contract with National Grid to sell all energy produced from the hydroelectric generating facility at day ahead pricing which expires June 30, 2018.

#### *b. Significant Concentration*

Approximately 18% and 30% of the Authority's operating revenues were derived from sales of hydroelectricity to AEC and NIMO for the years ended May 31, 2016 and 2015, respectively. No other customers accounted for more than 10% of the Authority's operating revenues during the years ended May 31, 2016 and 2015. Amounts due from AEC NIMO as of May 31, 2016 and 2015, totaled \$92,849 and \$68,274, respectively.

#### *c. 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 Authority. 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 2016 and 2015, premiums paid by the Authority on behalf of current retirees and their dependents totaled \$12,607 and \$18,124, respectively.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 8 - Postemployment Benefits Other Than Pensions - Continued

*c. Funding Policy - Continued*

*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:

	May 31,	
	2016	2015
Annual required contribution	\$ 86,631	\$ 98,385
Interest on net OPEB obligation	13,266	10,674
Adjustment of annual required contribution	(21,464)	(16,425)
Annual OPEB cost	78,433	92,634
Expected contributions	(26,746)	(27,840)
Net OPEB obligation, <i>beginning of year</i>	331,649	266,855
 Net OPEB obligation, <i>end of year</i>	 \$ 383,336	 \$ 331,649

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
5/31/2016	\$ 78,433	34.1%	\$ 383,336
5/31/2015	92,634	30.1%	331,649
5/31/2014	88,386	31.5%	266,855

*Funded Status and Funding Progress.* As of May 31, 2016 and 2015, the actuarial accrued liability for benefits was \$760,019 and \$847,954, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$492,449 and \$393,232 for the years ended May 31, 2016 and 2015, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 154% and 216% at May 31, 2016 and 2015, respectively.

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.

# Green Island Power Authority

## Notes to Financial Statements May 31, 2016 and 2015

### Note 8 - Postemployment Benefits Other Than Pensions - Continued

#### *c. Funding Policy - Continued*

*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.

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-2014 Mortality Table.

*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* - The Society of Actuaries Long-Run Medical Cost Trend Model and its baseline projection were used as a basis for healthcare cost trend.

#### *Other Related Information*

The remaining actuarial assumptions and methods used for the valuation of the Authority's postemployment benefits program as of May 31, 2016 and 2015, were as follows:

Interest Rate:	4.00%
Valuation Method:	Projected Unit Credit
Amortization Method:	Level dollar closed
Amortization Period:	23 years

### Note 9 - Accounting Pronouncement Issued but Not Yet Implemented

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements. The provisions of GASB 72 are effective for fiscal years beginning after June 15, 2015.

# Green Island Power Authority

Notes to Financial Statements  
May 31, 2016 and 2015

## **Note 9 - Accounting Pronouncement Issued but Not Yet Implemented - Continued**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (“OPEB”) plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

Management has not yet estimated the potential impact, if any, of the statements on the Authority’s financial statements.



**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, 2016, 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 August 29, 2016.

**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.

BST & CO. CPAs, LLP

Albany, New York  
August 29, 2016

