



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

A handwritten signature in black ink, appearing to read "William C. Freitag". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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.

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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.



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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.



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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>
Allowance for Uncollectible Accounts	Allowance is based on a review of outstanding amounts on a monthly basis.	Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.
Depreciation	Depreciation is provided for in amounts to relate the cost of depreciable assets to operations.	Depreciation is provided for in amounts to relate the cost of depreciable assets to operations.
Postemployment Benefits	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.
Net Pension Liability	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.



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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	-	-	339	\$ 767	\$ 428
Statement of Net Position Effect	\$ 187,378	\$ 159,982	\$ 27,396		



Green Island Power Authority

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

Representation Letter

