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

Financial Report

May 31, 2015 and 2014

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

Financial Report

May 31, 2015 and 2014

C O N T E N T S

	Page
Independent Auditor's Report	1-2
Financial Statements	
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	6-24
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	25-26

SAXBST
ACCOUNTING / TAX / ADVISORY

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, 2015 and 2014, 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 audits 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, 2015 and 2014, 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis 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 November 30, 2015, 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.

SaxBST LLP

Albany, New York
November 30, 2015

Green Island Power Authority

Statements of Net Position

	May 31, 2015	May 31, 2014
ASSETS		
UTILITY PLANT, net		
Distribution facilities	$ 8,503,306	$ 5,274,487
Hydroelectric generating facility	7,257,486	6,823,349
	15,760,792	12,097,836
Less accumulated depreciation	6,433,602	5,792,916
	9,327,190	6,304,920
Construction work-in-process	-	4,981,496
Non-operating property	-	283,720
Total utility plant, net	9,327,190	11,570,136
RESTRICTED ASSETS		
Cash and cash equivalents, restricted	2,712,871	2,874,747
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	869,396	1,206,819
Accounts receivable, net	292,828	475,085
Inventory	68,874	71,086
Prepaid expenses	66,175	83,098
Due from other governments	55,216	42,835
Total current assets	1,352,489	1,878,923
OTHER ASSETS		
Project development costs	5,037,013	4,480,613
TOTAL ASSETS	**$ 18,429,563**	**$ 20,804,419**

See accompanying Notes to Financial Statements.

	May 31, 2015	May 31, 2014
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	$ 1,502,074	$ 2,560,496
Unrestricted	14,666	866,882
Total net position	1,516,740	3,427,378
LONG-TERM DEBT, less current installments		
Accrued postretirement benefits	331,649	266,855
Bonds payable	14,740,000	15,575,000
Total long-term debt, less current installments	15,071,649	15,841,855
COMMITMENTS AND CONTINGENCIES		
CURRENT LIABILITIES		
Current installments of bonds payable	835,000	790,000
Accounts payable	487,108	217,885
Due to other governments	222,707	229,243
Interest payable	243,478	256,832
Other liabilities	52,881	41,226
Total current liabilities	1,841,174	1,535,186
TOTAL NET POSITION AND LIABILITIES	**$ 18,429,563**	**$ 20,804,419**

Green Island Power Authority

Statements of Revenues and Expenses and Changes in Net Position

	Years Ended May 31,	
	2015	**2014**
OPERATING INCOME		
Distribution	$ 3,296,242	$ 3,387,241
Hydroelectric generation	1,408,334	2,487,535
Total operating income	4,704,576	5,874,776
OPERATING EXPENSES		
Purchased power	1,567,646	1,729,626
Transmission expenses	14,409	14,997
Distribution expenses	298,414	250,543
Street lighting	23,037	31,397
Consumer accounting	106,072	98,315
Hydroelectric generation	907,429	559,493
Administrative and general	831,173	791,839
Loss on abandoned projects	1,990,930	-
Total operating expenses	5,739,110	3,476,210
Net operating income (loss)	**(1,034,534)**	**2,398,566**
OTHER INCOME (EXPENSE)		
Interest income	1,029	795
Sale of surplus property	-	11,921
Interest expense	(877,133)	(917,215)
	(876,104)	(904,499)
Change in net position	**(1,910,638)**	**1,494,067**
NET POSITION, *beginning of year*	3,427,378	1,933,311
NET POSITION, *end of year*	**$ 1,516,740**	**$ 3,427,378**

See accompanying Notes to Financial Statements.

Green Island Power Authority

Statements of Cash Flows

	Years Ended May 31,	
	2015	**2014**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	$ 4,800,088	$ 5,688,782
Cash paid to suppliers and other vendors	(2,446,814)	(2,594,237)
Cash paid for salaries and employee benefits	(443,543)	(396,560)
	1,909,731	**2,697,985**
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Change in cash and cash equivalents, restricted	161,876	485,078
Interest income	1,029	795
	162,905	**485,873**
CASH FLOWS PROVIDED (USED) BY CAPITAL AND FINANCING ACTIVITIES		
Principal payments of bonds payable	(790,000)	(720,000)
Proceeds from sale of surplus property	-	339,622
Acquisition of distribution facilities	(47,908)	(90,719)
Acquisition of hydroelectric generating facilities	(71,585)	(345,649)
Acquisition of non-operating property	(53,678)	(73,876)
Costs of construction work-in-process	-	(3,749)
Costs of project development	(556,400)	(923,974)
Interest paid	(890,488)	(923,224)
	(2,410,059)	**(2,741,569)**
Net increase (decrease) in cash and cash equivalents	**(337,423)**	**442,289**
CASH AND CASH EQUIVALENTS, *beginning of year*	1,206,819	764,530
CASH AND CASH EQUIVALENTS, *end of year*	**$ 869,396**	**$ 1,206,819**
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income (loss)	$ (1,034,534)	$ 2,398,566
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	660,187	397,999
Uncollectible revenue	86,746	76,735
Decrease (increase) in		
Accounts receivable, net	95,512	(185,994)
Inventory	2,212	11,773
Prepaid expenses	16,923	(14,352)
Due from other governments	(12,381)	2,817
Increase (decrease) in		
Accounts payable	34,223	(32,058)
Accrued postretirement health benefits	64,794	67,997
Due to other governments	(6,536)	(3,274)
Other liabilities	11,655	(22,224)
	$ 1,909,731	**$ 2,697,985**

See accompanying Notes to Financial Statements.

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. 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 and liabilities associated with the operations are included on the statements of net position.

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 and liabilities 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 and liabilities 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. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

There was no significant impact to the Authority's financial statements as a result of adopting of GASB No. 69 and No. 70 as of June 1, 2014.

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. The Authority currently acquires its incremental power from the New York Municipal Power Agency (NYMPA) (Note 7d).

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

e. Operations - Continued

The Authority owns, operates, and maintains 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).

f. Utility Plant

Utility plant, including distribution facilities, a hydroelectric generating facility, construction work-in-process, 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, 2015 and 2014. 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 has accumulated costs related to a Distribution Upgrade Project and a Transmission Voltage Support Project. These projects, had they been completed, would have provided for upgrades to the existing transmission and distribution facility, as well as increases in transmission voltage in certain areas of the Village.

As both projects had not been completed and placed into service, these costs had been included in construction in progress in prior periods in accordance with U.S. GAAP.

During the fiscal year 2015, management of the Authority has determined that certain project costs totaling $2,990,566 have been placed into service, while certain other costs totaling $1,990,930 associated with both projects will not be placed into service and have, therefore, been fully expensed.

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. Excluding the write-off of certain project costs, no impairment was identified in 2015 and 2014.

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, 2015 and 2014.

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

g. Cash and Cash Equivalents - Continued

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 statement 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 $50,000 at both May 31, 2015 and 2014. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Uncollectible revenues totaled $86,745 and $76,735 for the years ended May 31, 2015 and 2014, respectively, and are included in administrative and general expenses in these financial statements.

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 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. Other Assets

In accordance with guidance from NYPA and the PSC, certain costs have been capitalized as regulatory assets. These costs include (or included in past years) legal, technical, and other expenses incurred for the relicensing and expansion of the existing hydroelectric facility.

The hydroelectric project consists of two parts: (1) the costs associated with obtaining relicensure of the Authority's existing hydroelectric plant, and (2) the physical expansion of the existing plant to fully utilize the public resource of the Hudson River at this location.

Once complete, the expansion will provide an additional 42 megawatts of hydroelectric power, provide significant environmental enhancements, fully utilize the recreational resources of the Hudson River, and provide enhanced security and reliability for the Authority's power generation and distribution facilities. Relicensure of the plant was granted during fiscal year 2014.

As of May 31, 2015 and 2014, the Authority had incurred $5,037,013 and $4,480,613, respectively, in project development costs related to this project.

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

k. Revenue Recognition

Distribution income is recorded on the accrual basis when consumers' meters are read and bills issued. 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.

Hydroelectric generating income is recorded on the accrual basis based on kilowatt generation reports, when billed to NIMO.

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.

l. 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, 2015 and 2014.

m. 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 $48,093 and $33,769 as of May 31, 2015 and 2014, respectively, and are included in other liabilities.

n. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through November 30, 2015, the date the financial statements were available to be issued.

o. Reclassifications

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

Note 2 - Utility Plant

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

	May 31, 2015			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
DISTRIBUTION FACILITIES				
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	5,274,487	3,248,320	(19,501)	8,503,306
HYDROELECTRIC GENERATING FACILITY				
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	6,823,349	434,137	-	7,257,486
	12,097,836	3,682,457	(19,501)	15,760,792
ACCUMULATED DEPRECIATION	(5,792,916)	(660,187)	19,501	(6,433,602)
	$ 6,304,920	$ 3,022,270	$ -	$ 9,327,190
NON-OPERATING PROPERTY	$ 283,720	$ -	$ (283,720)	$ -
CONSTRUCTION IN PROCESS				
Distribution Upgrade Project	$ 3,682,004	$ -	$ (3,682,004)	-
Transmission Voltage Support Project	1,299,492	-	(1,299,492)	-
	$ 4,981,496	$ -	$ (4,981,496)	$ -

	May 31, 2014			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
DISTRIBUTION FACILITIES				
Land	$ 88,520	$ -	$ -	$ 88,520
Buildings	693,490	-	-	693,490
Transmission and distribution equipment	3,671,426	90,718	(156,137)	3,606,007
Furniture, fixtures, transportation, and miscellaneous equipment	886,470	-	-	886,470
Total distribution facilities	5,339,906	90,718	(156,137)	5,274,487

Note 2 - Utility Plant - Continued

	May 31, 2014			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
HYDROELECTRIC GENERATING FACILITY				
Land	521,207	-	-	521,207
Structures	1,144,881	99,000	-	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	2,062,631	246,648	(279,428)	2,029,851
Accessory electric equipment	1,629,919	-	-	1,629,919
Furniture, fixtures, transportation, and and miscellaneous equipment	333,989	-	-	333,989
Total hydroelectric generating facility	6,757,129	345,648	(279,428)	6,823,349
	12,097,035	436,366	(435,565)	12,097,836
ACCUMULATED DEPRECIATION	(5,507,576)	(720,905)	435,565	(5,792,916)
	$ 6,589,459	$ (284,539)	$ -	$ 6,304,920
NON-OPERATING PROPERTY	$ 209,845	$ 73,875	$ -	$ 283,720
CONSTRUCTION IN PROCESS				
Distribution Upgrade Project	$ 3,683,047	$ 3,749	$ (4,792)	3,682,004
Transmission Voltage Support Project	1,299,492	-	-	1,299,492
	$ 4,982,539	$ 3,749	$ (4,792)	$ 4,981,496

Depreciation expense for operating property was $335,065 and $330,588 for 2015 and 2014, 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, 2015 and 2014. 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 $(142,211) and $112,658 for 2015 and 2014, 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,	
	2015	2014
Debt Service Reserve Funds, 2000, 2004, and 2008 Serial Bonds equal to the largest annual debt service requirement	$ 2,540,440	$ 2,381,391
Renewal and Replacement Fund, in anticipation of unforeseen repairs and replacements (a)	118,251	118,239
Proceeds restricted by 2004 and 2008 Bonds payable	54,180	375,117
Cash and cash equivalents, restricted	$ 2,712,871	$ 2,874,747

Note 3 - Cash and Cash Equivalents, Restricted - Continued

(a) There were no funds expended for repairs or replacements during the years ended May 31, 2015 and 2014. 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 bond transactions of the Authority is as follows:

	May 31,	
	2015	2014
Bonds payable, *beginning of year*	$ 16,365,000	$ 17,085,000
Principal payments	(790,000)	(720,000)
Bonds payable, *end of year*	$ 15,575,000	$ 16,365,000

Series 2011 Bonds

During June 2011, the Authority obtained a $180,000 Series 2011 Power System Revenue Bond. The proceeds were used to purchase a bucket truck. Principal payments for the 2011 Bonds are due annually June 1, with semi-annual payments of interest on June 1 and December 1. Interest rates range from 4.75% to 5.0%. The bond matures on June 1, 2016. The balance outstanding on the bond at May 31, 2015, was $80,000.

Series 2008 Bonds

The Authority obtained $8,020,000 Series 2008A and $2,840,000 Series 2008B Power System Revenue Bonds. A portion of the proceeds of each bond was used to redeem an outstanding Bond Anticipation Note, the proceeds of which were originally used to finance certain projects, including (a) licensing and relicensing costs relating to the existing transmission and distribution facility, (b) substation and transmission upgrades, and (c) development costs relating to a new electrical generating project being considered by the Authority. The balance of the proceeds will be used to provide additional funds for (a) construction of upgrades to the Authority's existing substation and transmission system, (b) certain licensing and relicensing costs, (c) construction of upgrades to an expansion of the existing hydropower generating facility, (d) to fund a debt service reserve fund, and (e) to pay certain expenses incidental to the issuance of bonds.

Principal payments for the 2008 Bonds are due annually March 15, with semi-annual interest payable on March 15 and September 15. Interest rates range from 3.00% to 7.25%. The balance outstanding on the bonds at May 31, 2015, was $8,880,000.

Note 4 - Bonds Payable - Continued

Extraordinary Optional Redemption Without Premium - Continued

The Series 2008 Bonds are subject to optional redemption prior to maturity (i) as a whole, without premium, in the event of (a) a taking in Condemnation of, or failure of title to, all or substantially all of the Power System, (b) damage to or destruction of part or all of the Power System and election by the Authority to redeem the Series 2008 Bonds, or (c) a taking in Condemnation of part of the Power System and election by the Authority to redeem the Series 2008 Bonds, or (ii) in part, without premium, in the event that (a) excess insurance or Condemnation proceeds remain following damage or Condemnation of a portion of the Power System and completion of the repair, rebuilding, or restoration of the Power System and, pursuant to the Indenture, such excess monies are not paid to the Authority, or (b) excess monies remain in the Project Fund after the completion date. Upon the occurrence of any of the foregoing events, the 2008 Bonds will be redeemed, as a whole or in part, as applicable, at such time as the Authority determines, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Optional Redemption

The Series 2008A Bonds and Series 2008B Bonds maturing on or after March 15, 2019, are subject to optional redemption prior to maturity, as a whole or in part, on any interest payment date on or after March 15, 2018, at the option of the Authority, at par, plus accrued interest to the redemption date.

Sinking Fund Redemption

The Series 2008A Bonds maturing on March 15, 2023 and March 15, 2033, respectively, will also be subject to sinking fund redemption prior to maturity in part by lot commencing March 15, 2019 and March 15, 2024, respectively, and on each March 15 thereafter, at a Redemption Price equal to the principal amount to be redeemed plus accrued interest to the redemption date, from mandatory Sinking Fund Installment which are required to be made in amounts sufficient to redeem on March 15 of each year Series 2008A Bonds in the principal amounts set forth in the tables below:

Series 2008A Term Bonds Maturing March 15, 2023

Redemption Date (March 15)	Sinking Fund Installment
2019	$ 265,000
2020	280,000
2021	295,000
2022	305,000
2023	320,000

Note 4 - Bonds Payable - Continued

Series 2008 Bonds - Continued

Sinking Fund Redemption - Continued

Series 2008A Term Bonds Maturing March 15, 2033

Redemption Date (March 15)	Sinking Fund Installment	Redemption Date (March 15)	Sinking Fund Installment
2024	$ 340,000	2029	$ 435,000
2025	355,000	2030	455,000
2026	375,000	2031	480,000
2027	395,000	2032	505,000
2028	415,000	3033	530,000

The Series 2008B Bonds maturing on March 15, 2026 and March 15, 2033, respectively, will also be subject to sinking fund redemption prior to maturity in part by lot commencing March 15, 2019 and March 15, 2027, respectively, and on each March 15 thereafter, at a Redemption Price equal to the principal amount to be redeemed plus accrued interest to the redemption date, from mandatory Sinking Fund installment which is required to be made in amounts sufficient to redeem on March 15 of each year Series 2008B Bonds in the principal amounts set forth in the tables below:

Series 2008B Term Bonds Maturing March 15, 2026

Redemption Date (March 15)	Sinking Fund Installment
2019	$ 85,000
2020	90,000
2021	95,000
2022	105,000
2023	110,000
2024	120,000
2025	130,000
2026	140,000

Series 2008B Term Bonds Maturing March 15, 2033

Redemption Date (March 15)	Sinking Fund Installment
2027	$ 150,000
2028	160,000
2029	170,000
2030	185,000
2031	195,000
2032	210,000
2033	225,000

Note 4 - Bonds Payable - Continued

Series 2008 Bonds - Continued

Sinking Fund Redemption - Continued

The amounts accumulated for each Sinking Fund Installment shall be applied by the 2008 Trustee, at the direction of the Authority, to the purchase or redemption of the Series 2008 Bonds due on such redemption date at prices not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase.

Series 2004 Bonds

The Authority obtained $4,090,000 Series 2004A, $1,605,000 Series 2004B Power System Revenue Bonds, and $880,000 Series 2004C Power System Revenue Refunding Bonds. The 2004A and 2004B Bonds were used to redeem outstanding Bond Anticipation Notes, the proceeds of which were originally used to renovate the existing power house and bulkhead structure in the generating plant of the Authority and four hydroelectric generating units located therein; the renovation and improvement of the Authority's distribution system; the acquisition and installation of various machinery and equipment therein and thereof; and the funding of certain preliminary planning, study, and survey costs in connection with the consideration of the acquisition of a hydroelectric facility in the Capital District. The 2004A Bond proceeds also provided original funds for the construction of improvements to the Authority's distribution system. The 2004C Bonds provided funds to refund the outstanding principal amount of the Authority's Series 1993 Power System Revenue Refunding Bonds, which originally advance refunded the Authority's Series 1987A Power System Revenue Bonds. All of the Series 2004 Bonds funded a debt service reserve fund and paid certain expenses incidental to the issuance of the Series 2004 Bonds.

Principal payments on the 2004 Bonds are due annually on December 15, with semi-annual interest payable on June 15 and December 15. Interest rates range from 2.5% to 5.125% per annum. The balance outstanding on the bonds at May 31, 2015, was $3,445,000.

Optional Redemption

The Series 2004A and Series 2004B Bonds maturing on or after December 15, 2015, are subject to redemption at the option of the Authority, in whole or in part, on any interest payment date on or after December 15, 2014, at par plus accrued interest to the date of redemption. The Series 2004C Bonds are not subject to redemption.

Mandatory Redemption

The Series 2004B Bonds maturing on December 15, 2024, are subject to mandatory redemption prior to maturity from mandatory Sinking Fund Installments on December 15, 2015, and each December 15 thereafter. In each case, a redemption price is equal to 100% of its principal amount plus accrued interest to the day of redemption.

December 15, 2024 Redemption

Amount	Year
$ 225,000	2016
240,000	2017
250,000	2018
265,000	2019
285,000	2020

Note 4 - Bonds Payable - Continued

Series 2004 Bonds - Continued

Mandatory Redemption - Continued

The Series 2004B Bonds are issued pursuant to and are secured under the 2000 Indenture, as supplemented by the 2004 Supplemental Indenture, and are payable from net revenues generated by the operation of the Authority's Power System and pledged under the Indenture and other amounts constituting trust revenues.

Series 2000 Bonds

The Authority obtained $5,165,000 Series 2000 Subordinate Power System Revenue Bonds, used to a) redeem outstanding bond anticipation notes, the proceeds of which were used to purchase and construct a hydroelectric facility; b) finance certain costs of issuance of the Series 2000 Bonds; and c) fund a debt service reserve and project fund to be used for additional capital improvements.

Principal payments on the 2000 Bonds are due annually on December 15, with semi-annual interest payable on June 15 and December 15. Interest rates range from 5.00% to 6.00% per annum. The balance outstanding on the bonds at May 31, 2015, was $3,170,000.

Mandatory Redemption

The Series 2000 Bonds maturing on December 15, 2020 and 2025, are subject to mandatory redemption prior to maturity from mandatory Sinking Fund Installments on December 15 in each of the years and in the respective principal amounts set forth below. In each case, a redemption price is equal to 100% of its principal amount plus accrued interest to the day of redemption.

December 15, 2020 Redemption

Amount	Year
$ 225,000	2016
240,000	2017
250,000	2018
265,000	2019
285,000	2020

December 15, 2025 Redemption

Amount	Year
$ 300,000	2021
320,000	2022
335,000	2023
360,000	2024
380,000	2025

Note 4 - Bonds Payable - Continued

Series 2000 Bonds - Continued

Mandatory Redemption - Continued

The Series 2000 Bonds are issued pursuant to and are secured under the 2000 Indenture and are payable from net revenues generated by the operation of the Authority's Power System and pledged under the 2000 Indenture and other amounts constituting Trust Revenues. The lien on the Authority's net revenues created by the 2000 Indenture is a second lien and is subordinate to the pledge of the Authority's net revenues under the Trust Indenture of the Authority dated as of October 1, 1993 (the "1993 Indenture"), securing the Authority's Power System Revenue Refunding Bonds Series 1993 (the "Series 1993 Bonds"). The Series 2000 Bonds constitute subordinate obligations under the 1993 Indenture. The subordination to the 1993 Indenture has been extinguished by the defeasance of the Series 1993 Bonds with funds provided by the Series 2004C Bonds.

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

	Principal	Interest
For the year ending May 31,		
2016	$ 835,000	$ 850,206
2017	880,000	806,969
2018	885,000	763,762
2019	920,000	718,525
2020	965,000	669,724
2021 through 2025	6,065,000	2,515,679
2026 through 2030	2,880,000	1,022,594
2031 through 2033	2,145,000	173,732
	$ 15,575,000	$ 7,521,191

Mandatory Redemption

A rate covenant of the Bonds requires that the Authority adopt an operating budget of no more than 110% of the prior year's adopted budget, as amended. The adopted budget for the 2015 fiscal year end was approximately 99.0% of the prior year modified budget. For the 2016 fiscal year end, the Authority adopted an operating budget equal to approximately 83.0% of the prior year modified budget.

Interest expense on bonds payable was $877,133 and $917,215 for the years ended May 31, 2015 and 2014, respectively. Interest paid was $890,488 and $923,224 during the years ended May 31, 2015 and 2014, respectively.

Note 5 - New York State Retirement Systems

a. Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). Employees of the Authority are included in the Village's ERS account. ERS is a cost-sharing multi-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

ERS is noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of service and employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and the two preceding years were:

For the year ended May 31,		
2015	$	68,992
2014		105,673
2013		113,203

The Village's contributions made to the System were equal to 100% of the contributions required for each year.

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 $49,310 and $44,868 for the years ended May 31, 2015 and 2014, 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, 2015 and 2014.

Amounts due from the Village, as a result of these transactions, were $55,216 and $42,835 as of May 31, 2015 and 2014, respectively.

The Authority may also make discretionary contributions to the Village and school district (Note 1.l). Although no contributions were made during the fiscal years ended 2015 and 2014, the Authority is indebted to the Village for declared contributions in prior years. Contributions due to the Village totaled $218,804 at both May 31, 2015 and 2014, and are included in due to other governments in these financial statements.

Note 7 - Commitments and Contingencies

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 $236,360 and $242,003 for the years ended May 31, 2015 and 2014, respectively. The Village guarantees contractual electric payments to NYPA.

In addition, the Authority receives 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 is a member. Electric purchases and related charges from NYMPA totaled $1,055,275 and $1,182,292 for the years ended May 31, 2015 and 2014, respectively.

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 $143,743 and $202,424 for the years ended May 31, 2015 and 2014, respectively.

ii. New York Independent System Operators (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, 2015 and 2014, respectively. These costs are included in the amounts charged from NYMPA, above.

iii. Hydroelectric

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

b. Significant Concentration

Approximately 30% and 42% of the Authority's operating income was derived from sales of hydroelectricity to NIMO for the years ended May 31, 2015 and 2014, respectively. No other customer accounted for more than 10% of the Authority's operating income during the years ended May 31, 2015 and 2014. Amounts due from NIMO as of May 31, 2015 and 2014, totaled $68,274 and $132,471, respectively.

Note 7 - Commitments and Contingencies - Continued

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.

d. Hydroelectric Generating Facility Operation

The Authority is reviewing a proposed Operation, Maintenance, and Development Agreement (OM&DA) with Albany Engineering Corporation (AEC) which, if finalized, will effectively transfer the operations of the Authority's hydroelectric generating facility to AEC for the remaining balance of the fifty-year Federal Energy Regulatory Commission license. The initial term of the OM&DA will be thirty-five years as authorized by New York State Energy Law, Article 9. In accordance with the proposed agreement, AEC will bear all costs of the operation, development, expansion, and maintenance of the facility, including existing debt obligations of the Authority, as allocated by the Public Service Commission. The proposed agreement also provides for certain excess revenue generation sharing with the Authority over the term of the agreement. At the end of the term of the agreement, all assets associated with, and necessary to the operation of, the improved hydroelectric generating facility will revert to the Authority without payment by the Authority to AEC.

The proposed agreement is subject to the approval of the Authority's Board, AEC, and the Public Service Commission. If approved, the Authority intends to transfer the facility to AEC on January 1, 2016.

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.

Note 8 - Postemployment Benefits Other Than Pensions - Continued

c. Funding Policy - Continued

During 2015 and 2014, premiums paid by the Authority on behalf of current retirees and their dependents totaled $18,124 and $18,704, respectively.

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,	
	2015	2014
Annual required contribution	$ 98,385	$ 92,546
Interest on net OPEB obligation	10,674	8,252
Adjustment of annual required contribution	(16,425)	(12,412)
Annual OPEB cost	92,634	88,386
Expected contributions	(27,840)	(27,840)
Net OPEB obligation, *beginning of year*	266,855	206,309
Net OPEB obligation, *end of year*	$ 331,649	$ 266,855

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
5/31/2015	$ 92,634	30.1%	$ 331,649
5/31/2014	88,386	31.5%	266,855
5/31/2013	85,200	32.5%	198,858

Funded Status and Funding Progress. As of May 31, 2015 and 2014, the actuarial accrued liability for benefits was $847,954 and $801,332, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $393,232 for both of the years ended May 31, 2015 and 2014, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 216% and 204% at May 31, 2015 and 2014, 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.

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-2000 Mortality Table for males and females with generational mortality using scale AA.

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, 2015 and 2014, were as follows:

Interest Rate:	4.00%
Valuation Method:	Projected Unit Credit
Amortization Method:	Level dollar closed
Amortization Period:	25 years

Note 9 - Accounting Pronouncement Issued but Not Yet Implemented

Governmental Accounting Standards Board (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.

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

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

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

Note 10 - Subsequent Event

Purchased Power Agreement

The Authority's management elected to terminate its membership in NYMPA, effective December 31, 2015. For periods subsequent to December 31, 2015, the Authority will purchase its incremental power supply on the open market, at day ahead rates. The scheduling of these power purchases will be performed by Lynx Technologies, and purchased on the open market through the New York Independent Systems Operators (NYISO).

SAXBST
ACCOUNTING / TAX / ADVISORY

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, 2015, 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 November 30, 2015.

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.

SaxBST LLP

Albany, New York
November 30, 2015