

**GREEN ISLAND POWER AUTHORITY
(A New York Public Benefit Corporation)**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

May 31, 2011 and 2010

**GREEN ISLAND POWER AUTHORITY
(A New York Public Benefit Corporation)**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

May 31, 2011 and 2010

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Revenues and Expenses and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-20

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Green Island Power Authority
Green Island, New York

We have audited the accompanying balance sheets of the Green Island Power Authority (a New York public benefit corporation) (Authority) as of May 31, 2011 and 2010, and the related statements of revenues and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of May 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, 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* and should be considered in assessing the results of our audit.

Although Management's Discussion and Analysis is not a required part of the financial statements, it is supplemental information required by the Governmental Accounting Standards Board. Management has elected to not prepare or include Management's Discussion and Analysis as supplemental information.

Bollam Sheedy Torani & Co LLP

Albany, New York
September 16, 2011

GREEN ISLAND POWER AUTHORITY

BALANCE SHEETS

	<u>May 31,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
UTILITY PLANT, net		
Distribution facilities	\$ 5,168,274	\$ 5,109,674
Hydroelectric generating facility	6,757,129	6,715,075
	<u>11,925,403</u>	<u>11,824,749</u>
Less accumulated depreciation	4,816,276	4,498,205
	<u>7,109,127</u>	<u>7,326,544</u>
Construction work-in-process	4,888,527	3,766,047
Non-operating property	209,845	209,845
Total utility plant, net	<u>12,207,499</u>	<u>11,302,436</u>
RESTRICTED ASSETS		
Cash and cash equivalents, restricted	<u>4,756,054</u>	<u>6,137,850</u>
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	713,065	1,171,627
Accounts receivable, net	385,829	236,984
Inventory	122,909	118,502
Prepaid expenses	55,639	53,496
Due from other governments	11,500	-
Total current assets	<u>1,288,942</u>	<u>1,580,609</u>
OTHER ASSETS		
Premium paid on asset acquisition, net	67,715	78,772
Bond issuance costs, net	538,853	589,652
Project development costs	6,162,469	5,306,684
Total other assets	<u>6,769,037</u>	<u>5,975,108</u>
	<u>\$ 25,021,532</u>	<u>\$ 24,996,003</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

	<u>May 31,</u>	
	<u>2011</u>	<u>2010</u>
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	\$ (48,816)	\$ (2,390,272)
Restricted	4,756,054	6,137,850
Unrestricted	1,260,673	1,448,196
Total net assets	<u>5,967,911</u>	<u>5,195,774</u>
LONG-TERM DEBT, less current installments		
Accrued post-retirement benefits	98,784	49,392
Bonds payable	17,665,000	18,320,000
Total other liabilities, less current installments	<u>17,763,784</u>	<u>18,369,392</u>
COMMITMENTS AND CONTINGENCIES		
CURRENT LIABILITIES		
Current installments of bonds payable	655,000	630,000
Accounts payable	276,896	436,851
Interest payable	264,009	273,432
Other liabilities	93,932	90,554
Total current liabilities	<u>1,289,837</u>	<u>1,430,837</u>
	<u><u>\$ 25,021,532</u></u>	<u><u>\$ 24,996,003</u></u>

GREEN ISLAND POWER AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

	Years Ended May 31,	
	2011	2010
OPERATING INCOME		
Distribution	\$ 2,801,202	\$ 2,579,647
Hydroelectric generation	2,197,641	1,852,450
Total operating income	4,998,843	4,432,097
OPERATING EXPENSES		
Purchased power	1,403,396	1,411,982
Transmission expenses	22,089	13,917
Distribution expenses	271,451	247,398
Street lighting	22,361	24,940
Consumer accounting	128,109	157,404
Hydroelectric generation	1,322,215	1,365,250
Administrative and general	797,384	712,144
Total operating expenses	3,967,005	3,933,035
Net operating income	1,031,838	499,062
OTHER INCOME (EXPENSE)		
Interest income	2,900	7,358
Sale of surplus property	790	21,000
Interest expense	(1,001,484)	(1,026,446)
Amortization expense	(61,857)	(61,595)
	(1,059,651)	(1,059,683)
CHANGE IN NET ASSETS	(27,813)	(560,621)
NET ASSETS, beginning of year	5,195,774	5,143,077
Contributions in aid of construction	799,950	613,318
NET ASSETS, end of year	\$ 5,967,911	\$ 5,195,774

The accompanying Notes to Financial Statements are an integral part of these statements.

GREEN ISLAND POWER AUTHORITY

STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2011	2010
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 4,805,633	\$ 4,389,410
Cash paid to suppliers and other vendors	(3,316,858)	(3,388,912)
Cash paid for salaries and employee benefits	(342,243)	(341,088)
	1,146,532	659,410
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Use of cash and cash equivalents, restricted	1,381,796	1,142,044
Interest income	2,900	7,358
	1,384,696	1,149,402
CASH FLOWS PROVIDED (USED) BY CAPITAL AND FINANCING ACTIVITIES		
Principal payments of bonds payable	(630,000)	(610,000)
Proceeds from grant	790	21,000
Acquisition of distribution facilities	(27,445)	(112,052)
Acquisition of hydroelectric generating facilities	(82,055)	(37,627)
Costs of construction work-in-process	(1,122,480)	(706,826)
Costs of project development	(855,785)	(983,074)
Interest paid	(1,010,907)	(1,036,882)
Amortization expense	(61,857)	(61,595)
Bond issuance cost	(1)	(1,664)
Contributions received in aid of construction	799,950	613,318
	(2,989,790)	(2,915,402)
Net decrease in cash and cash equivalents	(458,562)	(1,106,590)
CASH AND CASH EQUIVALENTS, beginning of year	1,171,627	2,278,217
CASH AND CASH EQUIVALENTS, end of year	\$ 713,065	\$ 1,171,627
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income	\$ 1,031,838	\$ 499,062
Adjustments to reconcile net operating income to net cash provided (used) by operating activities		
Depreciation	326,917	384,184
Amortization	61,857	61,595
Uncollectible revenue	44,365	7,312
Decrease (increase) in		
Accounts receivable, net	(193,210)	(42,687)
Inventory	(4,407)	2,797
Prepaid expenses	(2,143)	(53,496)
Due from other governments	(11,500)	8,038
Increase (decrease) in		
Accounts payable	(159,955)	(252,351)
Accrued postretirement health benefits	49,392	49,392
Other liabilities	3,378	(4,436)
	\$ 1,146,532	\$ 659,410

The accompanying Notes to Financial Statements are an integral part of these statements.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 1 - 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 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.

During July 1987, the Authority acquired the assets and certain liabilities of the Village Electric Department (Department).

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

b. Accounting Method

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (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 balance sheets.

Net assets may be classified into three components, as follows:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.
- *Restricted net assets* have constraints placed on use, either externally or internally. Constraints include those imposed by laws and regulations of other governments.
- *Unrestricted net assets* consist of assets and liabilities that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Accounting Method - Continued

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

c. 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 acquires its incremental power from the New York Municipal Power Agency (NYMPA).

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 2012. Generation of electricity is limited to run-of-the-river (natural flow of the river).

d. 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 and \$613,318 as of May 31, 2011 and 2010, respectively. 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 FERC guidelines, ranging from 5 to 50 years.

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. No impairment was identified in 2011 and 2010.

e. 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 collateralized at May 31, 2011.

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

f. 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 \$10,000 at May 31, 2011 and 2010. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

f. 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.

g. 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.

h. Other Assets

In accordance with guidance from NYPA and the PSC, certain costs have been capitalized. These costs are as follows:

- 1) Premium Paid on Asset Acquisition - The price paid by the Authority to the Village exceeded the net book value of assets acquired by \$331,695. Management believes this premium reflects the increase in value of the system's distribution operating property over its historic cost, net of accumulated depreciation. The premium is being amortized over 30 years, on a straight-line basis, which approximates the average remaining economic lives of the distribution facilities. The accumulated amortization totaled \$263,980 and \$252,923 at May 31, 2011 and 2010, respectively.
- 2) Bond Issuance Costs - Represents the costs and discounts directly associated with the issuance of the Authority's revenue bonds. These costs have been capitalized and are being amortized over the terms of the bonds (Note 5) using either the straight-line method or effective interest method. Amortization expense for the years ended May 31, 2011 and 2010, was \$50,800 and \$50,538, respectively. The carrying amount of these costs, net of accumulated amortization, is as follows:

	2011	2010
Series 2000	\$ 156,245	\$ 167,306
Series 2004A	105,622	120,313
Series 2004B	26,684	30,352
Series 2008A	145,041	156,762
Series 2008B	105,261	114,919
	\$ 538,853	\$ 589,652

A summary of the next five years' amortization expense, related to the assets described in 1 above, is as follows:

For the year ending May 31, 2012	\$ 58,733
2013	57,203
2014	55,617
2015	53,966
2016	52,220
	\$ 277,739

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Other Assets - Continued

- 3) Project Development Costs - These costs include legal, technical, and other expenses incurred for investigating the acquisition and licensing of an additional hydroelectric project (Cohoes Falls Project) and the relicensing and expansion of the existing hydroelectric facility (Hydro Expansion Project).

Cohoes Falls Hydroelectric Project - The project, when complete, will provide 100 megawatts of hydroelectric power that the Authority plans to sell to local and state government agencies, local businesses as an economic development incentive, and the open market. As of May 31, 2011 and 2010, the Authority had incurred \$3,711,993 and \$3,426,647, respectively, in project development costs related to this project.

Should the Authority be unable to obtain all required licenses and permits to construct the facility, or should project economics change in such a way that the Authority no longer wishes to construct the facility, the costs will be expensed in that period in accordance with GAAP. At this time, the Authority is actively and vigorously pursuing the necessary licenses and permits for the construction and operation of this facility (Note 8.e.).

Hydro Expansion Project - This project consists of two parts: (1) the costs associated with obtaining relicensure of the Authority's existing hydroelectric plant, which expires in 2011, and (2) the physical expansion of the existing plant to fully utilize the public resource of the Hudson River at this location. 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. As of May 31, 2011 and 2010, the Authority had incurred \$2,450,476 and \$1,880,037, respectively, in project development costs related to this project.

In the unlikely event that relicensing is not successful, or if management determines that expansion of the project is no longer economically feasible, these costs will be expensed in that period. At this time, management anticipates licensure will be granted in each case.

i. 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 to 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.

Revenue from government grants for which capital assets were not acquired, if any, is recognized as it is earned through expenditures in accordance with the grant agreements.

j. Taxes

Properties and income of the Authority are exempt from all taxes on distribution and hydroelectric generating facilities. However, the Authority is allowed to make contributions to the Village and school in lieu of taxes. Contributions to the Village and school were approximately \$676,000 for both the years ended May 31, 2011 and 2010, and are included in hydroelectric generation expenses within these financial statements.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
May 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

k. 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 \$78,620 and \$73,686 as of May 31, 2011 and 2010, respectively, and are included in other liabilities.

l. Subsequent Events

In preparing the financial statements and notes thereto, the Authority considered subsequent events through September 16, 2011, the date the financial statements were available to be issued.

NOTE 2 - PREMIUM PAID ON ASSET ACQUISITION

The Authority's initially acquired operating property (the distribution facilities) was recorded at the net historic book value to the Department. This amount differs from the acquisition cost by the premium assumed to have been paid of \$331,695. The premium was capitalized and is being amortized as described in Note 1h.

NOTE 3 - UTILITY PLANT

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

	May 31, 2011			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
DISTRIBUTION FACILITIES				
Land	\$ 88,520	\$ -	\$ -	\$ 88,520
Buildings	692,230	1,260	-	693,490
Transmission and distribution equipment	3,520,439	74,149	(24,047)	3,570,541
Furniture, fixtures, transportation, and miscellaneous equipment	808,485	7,238	-	815,723
Total distribution facilities	<u>5,109,674</u>	<u>82,647</u>	<u>(24,047)</u>	<u>5,168,274</u>
HYDROELECTRIC GENERATING FACILITY				
Land	521,207	-	-	521,207
Structures	1,127,410	57,471	(40,000)	1,144,881
Reservoirs, dams, and waterways	1,054,439	-	-	1,054,439
Roads, trails, and bridges	10,063	-	-	10,063
Water wheels, turbines, and generators	2,054,340	8,291	-	2,062,631
Accessory electric equipment	1,613,627	16,292	-	1,629,919
Furniture, fixtures, transportation, and miscellaneous equipment	333,989	-	-	333,989
Total hydroelectric generating facility	<u>6,715,075</u>	<u>82,054</u>	<u>(40,000)</u>	<u>6,757,129</u>
	11,824,749	164,701	(64,047)	11,925,403
ACCUMULATED DEPRECIATION	<u>(4,498,205)</u>	<u>(382,118)</u>	<u>64,047</u>	<u>(4,816,276)</u>
	<u>\$ 7,326,544</u>	<u>\$ (217,417)</u>	<u>\$ -</u>	<u>\$ 7,109,127</u>
NON-OPERATING PROPERTY	<u>\$ 209,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,845</u>
CONSTRUCTION IN PROCESS				
Distribution Upgrade Project	\$ 2,512,208	\$ 1,076,827	\$ -	3,589,035
Transmission Voltage Support Project	1,253,839	45,653	-	1,299,492
	<u>\$ 3,766,047</u>	<u>\$ 1,122,480</u>	<u>\$ -</u>	<u>\$ 4,888,527</u>

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
May 31, 2011 and 2010

NOTE 3 - UTILITY PLANT - Continued

	May 31, 2010			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
DISTRIBUTION FACILITIES				
Land	\$ 88,520	\$ -	\$ -	\$ 88,520
Buildings	678,704	13,526	-	692,230
Transmission and distribution equipment	3,433,847	86,590	-	3,520,437
Furniture, fixtures, transportation, and miscellaneous equipment	796,549	11,938	-	808,487
Total distribution facilities	<u>4,997,620</u>	<u>112,054</u>	<u>-</u>	<u>5,109,674</u>
HYDROELECTRIC GENERATING FACILITY				
Land	521,207	-	-	521,207
Structures	1,123,925	3,485	-	1,127,410
Reservoirs, dams, and waterways	1,043,563	10,876	-	1,054,439
Roads, trails, and bridges	10,063	-	-	10,063
Water wheels, turbines, and generators	2,032,426	21,914	-	2,054,340
Accessory electric equipment	1,613,627	-	-	1,613,627
Furniture, fixtures, transportation, and miscellaneous equipment	332,638	1,351	-	333,989
Total hydroelectric generating facility	<u>6,677,449</u>	<u>37,626</u>	<u>-</u>	<u>6,715,075</u>
	11,675,069	149,680	-	11,824,749
ACCUMULATED DEPRECIATION	<u>(4,114,022)</u>	<u>(384,183)</u>	<u>-</u>	<u>(4,498,205)</u>
	<u>\$ 7,561,047</u>	<u>\$ (234,503)</u>	<u>\$ -</u>	<u>\$ 7,326,544</u>
NON-OPERATING PROPERTY	<u>\$ 209,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,845</u>
CONSTRUCTION IN PROCESS				
Distribution Upgrade Project	\$ 2,261,761	\$ 250,447	\$ -	\$ 2,512,208
Transmission Voltage Support Project	797,462	456,377	-	1,253,839
	<u>\$ 3,059,223</u>	<u>\$ 706,824</u>	<u>\$ -</u>	<u>\$ 3,766,047</u>

Depreciation expense for operating property was \$326,917 and \$324,454 for 2011 and 2010, 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 \$55,178 and \$59,730 for the years ended May 31, 2011 and 2010, respectively. In accordance with the *Uniform System of Accounts for Municipal Utilities*, net costs associated with retirement, removal, salvage, and proceeds upon disposition of fixed assets have been charged against accumulated depreciation. These costs totaled \$64,067 and \$-0- for 2011 and 2010, respectively.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 4 - CASH AND CASH EQUIVALENTS, RESTRICTED

Cash and cash equivalents, restricted, represent cash reserved from the issuance of the 2000, 2004, and 2008 Serial Bonds. A summary is as follows:

	May 31,	
	2011	2010
Debt Service Reserve Funds, 2000, 2004, and 2008 Serial Bonds equal to the largest annual debt service requirement	\$ 1,651,629	\$ 1,937,312
Renewal and Replacement Fund, in anticipation of unforeseen repairs and replacements (a)	118,209	118,191
Proceeds restricted by 2004 and 2008 Bonds payable	2,986,216	4,082,347
Cash and cash equivalents, restricted	\$ 4,756,054	\$ 6,137,850

- (a) There were no funds expended for repairs or replacements during the years ended May 31, 2011 and 2010. 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 5 - BONDS PAYABLE

A summary of bond transactions of the Authority is as follows:

	May 31,	
	2011	2010
Bonds payable, beginning of year	\$ 18,950,000	\$ 19,560,000
Principal payments, including redemptions	(630,000)	(610,000)
Bonds payable, end of year	\$ 18,320,000	\$ 18,950,000

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 were 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%.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 5 - BONDS PAYABLE - Continued

Extraordinary Optional Redemption Without Premium

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 table below:

Series 2008A Term Bonds Maturing March 15, 2023

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

Series 2008A Term Bonds Maturing March 15, 2033

<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>	<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>
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	2033	530,000

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 5 - BONDS PAYABLE - Continued

Sinking Fund Redemption - Continued

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 table below:

Series 2008A Term Bonds Maturing March 15, 2026

<u>Redemption Date (March 15)</u>	<u>Sinking Fund Installment</u>
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 2008A Term Bonds Maturing March 15, 2033

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

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 advanced 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.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 5 - BONDS PAYABLE - Continued

Series 2004 Bonds - Continued

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.

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.

<u>December 15, 2024, Redemption</u>			
<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>
\$ 65,000	2011	\$ 105,000	2021
70,000	2012	110,000	2022
70,000	2013	115,000	2023
75,000	2014	120,000	2024
95,000	2019		
100,000	2020		

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.

Optional Redemption

The Series 2000 Bonds maturing on or after December 15, 2011, 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, 2010, at a redemption price set forth below, plus, in each case, accrued interest to the date of redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 15, 2010 to December 14, 2011	102%
December 15, 2011 to December 14, 2012	101%
December 15, 2012 and thereafter	100%

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 5 - BONDS PAYABLE - Continued

Series 2000 Bonds - Continued

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

<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>
\$ 165,000	2011	\$ 240,000	2017
180,000	2012	250,000	2018
190,000	2013	265,000	2019
225,000	2016	285,000	2020

December 15, 2025, Redemption

<u>Amount</u>	<u>Year</u>
\$ 300,000	2021
320,000	2022
335,000	2023
360,000	2024
380,000	2025

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:

	<u>Principal</u>	<u>Interest</u>
For the year ending May 31, 2012	\$ 655,000	\$ 983,119
2013	695,000	953,213
2014	720,000	920,350
2015	755,000	885,613
2016	795,000	847,206
2017 through 2021	4,635,000	3,576,131
2022 through 2026	5,555,000	2,572,451
2027 through 2031	3,040,000	964,233
2032 through 2034	1,470,000	128,057
	<u>\$ 18,320,000</u>	<u>\$ 11,830,373</u>

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 5 - BONDS PAYABLE - Continued

Series 2000 Bonds - Continued

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 2011 fiscal year end was approximately 93.9% of the prior year modified budgets. Management had informed the Bond Trustees of the violation and the causes thereof in the prior year. For the 2012 fiscal year end, the Authority adopted an operating budget equal to approximately 95.3% of the prior year modified budget.

Interest expense on bonds payable was \$1,001,483 and \$1,026,446 for the years ended May 31, 2011 and 2010, respectively. Interest paid was \$1,010,906 and \$1,036,881 during the years ended May 31, 2011 and 2010, respectively.

NOTE 6 - 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 membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current year and the two preceding years were:

For the year ended May 31, 2011	\$ 76,495
2010	57,941
2009	44,932

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

NOTE 7 - DUE FROM 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 \$53,616 and \$53,971 for the years ended May 31, 2011 and 2010, respectively.

In addition, the Authority 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, 2011 and 2010.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
May 31, 2011 and 2010

NOTE 7 - DUE FROM OTHER GOVERNMENTS - Continued

The Authority has an open-ended agreement with the Village of Green Island Industrial Development Agency (IDA), in which the IDA provides the Authority with economic development assistance. The contract calls for annual payments of \$20,000.

Amounts due from the Village were \$11,500 and \$ -0- as of May 31, 2011 and 2010, respectively.

NOTE 8 - 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 \$242,993 and \$226,168 for the years ended May 31, 2011 and 2010, respectively.

The Village guarantees contractual electric payments to NYPA.

The Authority receives incremental power from a source other than NYPA, the New York Municipal Power Agency (NYMPA), a Joint Action Agency of which the Authority is a member. Electric purchases from NYMPA totaled \$941,272 and \$982,675 for the years ended May 31, 2011 and 2010, respectively.

The Authority also maintains an agreement with NIMO for the transmission of capacity on National Grid's circuits. Electric wheeling charges under this contract totaled \$158,975 and \$159,167 for 2011 and 2010, 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 \$131,134 and \$133,593 for the years ended May 31, 2011 and 2010, respectively. These costs are included in electricity purchased.

iii. Hydroelectric

The Authority has a contract with NIMO to sell all energy produced from the hydroelectric generating facility at a day ahead pricing which expires June 30, 2012.

b. Significant Concentration

Approximately 44% and 42% of the Authority's operating income is derived from sales of hydroelectricity to NIMO for the years ended May 31, 2011 and 2010, respectively. No other customer accounted for more than 10% of the Authority's operating income during the years ended May 31, 2011 and 2010.

c. Litigation

The Authority is involved in certain suits and claims arising from variety of sources. It is the opinion of management and counsel that liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Authority or the results of its operations.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 8 - COMMITMENTS AND CONTINGENCIES - Continued

d. Economic Crisis and Other Risks and Uncertainties

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

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

e. Cohoes Falls Hydroelectric Project

The Authority has been involved in several proceedings that have arisen at FERC, in connection with the Authority's efforts to secure a license for the proposed Cohoes Falls Hydroelectric Project, FERC Project No. 12522. In connection with the same effort, the Authority sought intervention in the *School Street Project* relicensing case, FERC Project No. 2539-003. In order to develop the Cohoes Falls Hydroelectric Project, the Authority would need to utilize the same water now used by Erie Boulevard L.P.'s (an unrelated entity) existing *School Street Project*. Erie Boulevard has been engaged in renewing the license for the *School Street Project*, in a relicensing proceeding that had continued well over a decade.

FERC issued a series of orders during 2006 and 2007 in the *School Street Project* relicensing proceedings that, in management's opinion, were intended to preclude the Authority from submitting a better adapted alternative to the existing School Street facility for review and consideration. It is management's belief that the Authority's proposed Cohoes Falls Hydroelectric Project would produce significantly more renewable power and provide significant environmental improvements and recreational enhancements. However, on February 15, 2007, FERC issued a new, 40-year license to Erie Boulevard for the existing *School Street Project*.

Having been denied the right to participate in the School Street relicensing proceedings, the Authority appealed multiple FERC orders in connection with the *School Street Project* relicensing proceeding before the United States Court of Appeals for the Second Circuit. Oral argument was held in December 2008, and a decision favorable to the Authority was issued on August 10, 2009. That order vacated the FERC's order issuing a license to Erie Boulevard and directed FERC to reconsider its decision after making certain findings.

On remand, FERC issued an order on April 15, 2010, reinstating the prior invalidated license to Erie Boulevard. FERC asserted that it had made the requisite inquiries and found it had no reason why it should not simply reinstate its prior 2007 licensing order to Erie Boulevard. It also denied intervention by the Authority. The Authority filed an extensive rehearing request on May 17, 2010, raising many challenges to FERC's findings and determinations. On March 17, 2011, FERC denied the Authority's request for rehearing; and on May 13, 2011, the Authority filed a petition for appellate review of that decision with the U.S. Court of Appeals for the Second Circuit. FERC's March 17, 2011, order also denied several of the Authority's motions to take judicial notice and also introduced a new FERC performed study. Accordingly, the Authority filed a request for rehearing of those new FERC decisions on April 18, 2011, and that request for rehearing remains pending before FERC. Accordingly, the entire matter remains pending, subject to FERC's final action on the Authority's most recent rehearing request.

As of September 16, 2011, the Authority intends to continue its pursuit of the necessary licenses and permits for the construction and operation of the Cohoes Falls Hydroelectric Project.

f. Green Island Hydroelectric Project

The Authority is in the process of securing a new license for its existing Green Island Hydroelectric Project (FERC Project No. 13). On March 2, 2009, the Authority filed an application for a new license for the project. FERC has not yet acted on the Authority's application. The Authority's prior FERC license for the project expired on March 2, 2011; and on March 31, 2011, FERC issued a notice authorizing continued project operation until FERC acts on the Authority's pending license application. Management believes, with reasonable certainty, that FERC will approve its license application.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 9 - 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 Department. 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 2011 and 2010, premiums paid by the Authority on behalf of current retirees and their dependents totaled \$15,295.

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,	
	2011	2010
Annual required contribution	\$ 62,133	\$ 62,133
Interest on net OPEB obligation	-	-
Adjustment of annual required contribution	-	-
Annual OPEB cost	62,133	62,133
Expected contributions	(12,741)	(12,741)
Net OPEB obligation, beginning of year	49,392	-
Net OPEB obligation, end of year	\$ 98,784	\$ 49,392

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
5/31/2011	\$ 62,133	20.5%	\$ 98,784
5/31/2010	62,133	20.5%	49,392

Funded Status and Funding Progress. As of May 31, 2010 (the most recent actuarial calculation), the actuarial accrued liability for benefits was \$478,158, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$682,047, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 64 percent.

GREEN ISLAND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

c. Funding Policy - Continued

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.

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. Actuarial computations under GASB No. 45 were provided by Armory Associates, LLC, the Authority's independent actuaries for the year ended May 31, 2010. For 2011, management elected to prepare its own actuarial computations for this obligation, using similar assumptions and methods used by Armory Associates, LLC during 2010. In accordance with GASB No. 45, as a small governmental entity, management can elect to have this liability determined by an actuary on a tri-annual basis.

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.

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 - National Health Expenditure Projections 2002 - 2017, were used as a basis for healthcare cost trend. This methodology is consistent with GASB No. 45 abbreviated methodology.

Other Related Information

The remaining actuarial assumptions and methods used for the valuation of the Authority's postemployment benefits program as of May 31, 2010, were as follows:

Interest Rate:	4.00%
Valuation Method:	Projected Unit Credit
Amortization Method:	Level dollar closed
Amortization Period:	30 years

NOTE 10 - SUBSEQUENT EVENTS

During June 2011, the Authority purchased a new bucket truck for \$172,919. This purchase was financed by the issuance of a \$180,000 bond. Terms of the bond include principal payments due annually June 1, with semi-annual interest payable on June 1 and December 1. Interest rates range from 4.75% to 5.0%.