HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

Consolidated Financial Statements
With Independent Auditor's Report

June 30, 2020 and 2019

GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS LLP

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

June 30, 2020 and 2019

TABLE OF CONTENTS **Page**

GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Independent Auditor's Report

To the Board of Directors of
Hudson River-Black River Regulating District

We have audited the accompanying consolidated financial statements of the business-type activities of the Hudson River-Black River Regulating District (the "Regulating District"), a New York Public Benefit Corporation, which is a discretely presented component unit of the State of New York, which comprise the consolidated statements of net position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net position and consolidated statement of cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position, the business-type activities, of the Hudson River-Black River Regulating District as of June 30, 2020 and 2019, and the respective changes in financial position and, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Required Supplemental Information

The supplemental schedules required in accordance with the implementation of GASB 68, *Accounting and Financial Reporting for Pensions* on pages 38 and 39, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* on page 40 are the responsibility of management. The schedules were derived from underlying accounting information from the New York State Employee Retirement System, along with information maintained by the Regulating District. These schedules have not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of the Hudson River-Black River Regulating District'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 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 Hudson River-Black River Regulating District's internal control over financial reporting and compliance.

Galleros Robinson CPAs, LLP

New York, New York
September 30, 2020

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)

1. Introduction

This Management's Discussion and Analysis (MD&A) of Hudson River-Black River Regulating District (the Regulating District) provides an introduction to the major activities and operations of the Regulating District and an introduction and overview to the Regulating District's financial performance and statements for the years ended June 30, 2020 and 2019. Following this MD&A are the basic financial statements of the Regulating District together with the Notes thereto, which are essential to a full understanding of the data contained in the financial statements. The Statements of Net Position and the Statements of Activities and Changes in Net Position (on pages 10 and 11, respectively) provide both long-term and short-term information about the Regulating District's overall financial status. The Statements of Cash Flows (on page 12) provides information on the sources and uses of the Regulating District's cash through operating, capital and related financing and investing activities. The information contained in the MD&A should be considered in conjunction with the information contained in the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements.

2. Regulating District Activities

The Regulating District was created in 1959 when the New York State Legislature passed legislation (Article 15 Title 21 of the Environmental Conservation Law) combining the Hudson River Regulating District, founded in 1922, and the Black River Regulating District, founded in 1919. Both were created to regulate the flow of the waters of New York State's two great neighboring watersheds.

The legislation charged the Regulating District with regulating the flow of the two rivers, including health and safety, as required by the public welfare. Specifically, the Regulating District's responsibilities include reducing floods caused by excess run-off, and augmenting river flow at times of drought or other periods when normal river flows are low. Organized as a public benefit corporation, the Regulating District was given a broad spectrum of legal powers to accomplish this mission, including the authority to build and operate reservoirs, issue bonds, and apportion costs on its beneficiaries to finance construction, maintenance, and operation of its reservoirs.

The Regulating District's operations are conducted under two regional operating units - one for the Black River area and another for the Hudson River area - each with segregated budgets. The management of both regions is vested in a seven-member Board appointed by the Governor of New York State. The mission of the Regulating District is to regulate the flows of the Hudson River and Black River for the purposes of flood protection and flow augmentation. The Regulating District Board formulates policies to accomplish its mission at Great Sacandaga Lake, providing flood protection and low flow augmentation through reservoir releases in accordance with the Upper Hudson/Sacandaga Offer of Settlement; at

2. Regulating District Activities - Continued

Indian Lake, Stillwater Reservoir, Old Forge and Sixth Lake, providing storage during periods of high flow and augmenting flows during periods of low flow; operating a data-gathering system for precipitation, stream flow, snow depth and flood conditions; providing the public with information pertinent to its mission; operating and maintaining facilities; maintaining a sound financial status for the Regulating District operations; managing the lands of the State of New York under the Regulating District's jurisdiction; and promulgating rules and regulations necessary to fulfilling its mission.

The Regulating District currently receives its primary funding from statutorily defined beneficiaries. In the Hudson River Area, that beneficiary group is comprised of Albany, Rensselaer, Saratoga, Warren, and Washington Counties (the "five (5) counties") and the State of New York, that directly benefit from flood protection. In the Black River Area, statutory beneficiaries include the counties of Jefferson, Lewis, Herkimer, Oneida, and Hamilton that directly benefit from flood protection and flow augmentation, hydroelectric power generators and the State of New York that benefit from augmented river flow. These beneficiaries are annually assessed their proportional share of Regulating District operating expenses. A secondary revenue source comes from hydropower agreements that provide annual revenue in exchange for the ability to utilize headwater on Regulating District-administered state land for hydroelectric generating purposes. A third source of revenue, in the Hudson River area only, is the Sacandaga Lake Access Permit System, which generates revenue from the issuance of annual revocable permits for the purpose of providing public access to the Great Sacandaga Lake across state land. A fourth source of revenue, also in the Hudson River area only, is the Federal Headwater Benefit fees levied on certain hydroelectric firms pursuant to Section 10f of the Federal Power Act.

The financing of the two areas is accomplished independently because operating costs of each are recovered from two different sets of statutory beneficiaries. Statutory beneficiaries in both watersheds are assessed proportional shares of all other budgeted operating and overhead costs, after deducting the estimated revenue from the hydropower agreements, permit system, Federal Headwater Benefit fees, NYS Share and estimated interest income. Revenue from statutory beneficiaries, hydropower agreements, Federal Headwater Benefit fees, NYS Share and permit holders, if collected, is sufficient to balance the Regulating District's annual budget, not including non-operating expenses and/or annual adjustments included in the Regulating District's Consolidated Statements of Activities and Changes in Net Position.

3. Facilities

Hudson River Area Facilities: The Regulating District administers the lands of the State of New York that constitute the Great Sacandaga Lake (Sacandaga Reservoir) as well as its shoreline, and issues annual revocable permits to eligible property owners for access to the lake across State land. The lake, impounded behind the Conklingville Dam, is the heart of Regulating District operations in the 8,300 square mile Hudson-Sacandaga area. The Regulating District also owns and operates Indian Lake Reservoir and Dam.

Black River Area Facilities: In the Black River drainage area of 1,916 square miles, the Regulating District operates reservoirs and dams at Stillwater, Old Forge, and Sixth Lake.

Administrative Offices: The Regulating District's General and Administrative Office occupy leased space in Albany. A Regulating District-owned building in Mayfield houses the Hudson River Area's Sacandaga Field Office. The Regulating District's Black River Area Office occupies rented space in Watertown. A Regulating District-owned building at the Stillwater Reservoir houses the Black River Field Office.

4. Operations Summary

The Regulating District's scope of operations (in 000s) is as follows:

	Hudson River Area	
	2020	2019
Operating revenues	$ 6,043	$ 6,183
Operating expenses	(3,791)	(7,504)
Operating loss	2,252	(1,321)
Net nonoperating revenue (expense)	(29)	21
Changes in net position	$ 2,223	$ (1,300)

	Black River Area	
	2020	2019
Operating revenues	$ 1,255	$ 1,223
Operating expenses	(605)	(1,468)
Operating income (loss)	650	(245)
Net nonoperating revenue (expense)	64	82
Changes in net position	$ 714	$ (163)

4. Operations Summary - Continued

From fiscal year June 30, 2019 to June 30, 2020, operating revenues remained stable. Federal Headwater Benefit fees, pursuant to Section 10f of the Federal Power Act, are forecast at $477,571 per annum pending the satisfaction of prior year refunds due certain hydroelectric firms.

For fiscal year 2020, consolidated Regulating District expenses, except for other post-employment benefits (OPEB) were marginally higher compared to fiscal year 2019. OPEB expense in fiscal year 2020 reduced the overall expense by a net amount of $3,149,244. This negative expense amount was primarily brought about by a favorable difference between expected and actual experience in OPEB due to the full repeal in December 2019 of the 40% excise tax on high-cost employer-sponsored health plans.

Operating expenses remained relatively consistent for the fiscal year ended June 30, 2020. Historically, the Regulating District’s Board restricted reserve funds have served to minimize the effect that budget fluctuations would have on the statutory beneficiaries that provide its primary funding. When available, these reserve funds retain operating surpluses in lower expense years, and provide a means of funding operating deficits in high expense years – an effective means of assessment stabilization. At the end of fiscal year ended 2012, all reserves of the Regulating District were liquidated. Currently these funds have yet to be replenished. There were no restrictions on the Regulating District's net position fund balances as of June 30, 2020 and 2019, respectively.

The Regulating District's enabling statute prescribes three-year budgets to minimize annual imbalances between revenues and expenses. While multi-year budgets, with revenues assessed equally for three years, serve to stabilize assessments during the budget cycle, they also tend to present a surplus early in the multi-year cycle and a deficit in the final year. Fiscal year 2020 is the second year of the current three-year budgeting cycle adopted by the Board.

5. Statements of Net Position Summary

The Statements of Net Position Summary (in 000s) is as follows:

	2020	2019
Dam structures	$ 14,105	$ 14,105
Building and improvements	3,038	2,968
Office and other equipment	435	411
Vehicles	702	695
Cost of depreciable capital assets	18,280	18,179
Less: accumulated depreciation	(15,485)	(15,252)
Add: Land	7	7
Net book value of capital assets	2,802	2,934
Current assets	6,755	6,848
Total assets	**9,557**	**9,782**
Deferred outflows of resources	**775**	**290**
Current liabilities	537	457
Long-term liabilities	17,346	12,524
Total liabilities	**17,883**	**12,981**
Deferred inflows of resources	**58**	**111**
Net position		
Net investment in capital assets	2,802	2,934
Unrestricted	(10,411)	(5,954)
Total net position	**$ (7,609)**	**$ (3,020)**

This analysis reflects the Regulating District's financial position. Asset growth generally occurs in governmental units when 1) cash assets are accumulated, and/or 2) debt is used to finance acquisition or construction of capital (durable) assets such as equipment, furniture, land, buildings, major improvements that extend the life of a capital asset, or leasehold improvements.

5. Statements of Net Position Summary - Continued

Asset shrinkage occurs when 1) accumulated cash assets are used for expenses that exceed revenues, and/or 2) assets acquired during the year cost less than depreciation. Also, the Regulating District implemented Government Accounting Standards Board Statement 68 in 2015. With the new reporting change, the Regulating District allocated its proportionate share of the New York State Employers' Retirement System's net pension liability, deferred outflows of resources, and pension expense. Decisions regarding the allocations to employers are made by the administrators of the pension plan, not by the Regulating District's management.

6. Capital Assets

During 2020, the Regulating District decreased their capital assets by approximately $131,842 due to the net effect of depreciation expense of $233,286 and purchases amounting to $101,444.

Depreciation expense decreases the book value of capital assets each year. Growth of capital assets in a governmental unit is not necessarily an indicator of positive financial conditions, nor is negative capital growth necessarily an indicator of financial deterioration.

7. Debt

On November 2, 2017, the Regulating District executed the Bond Anticipation Note with NYS Environmental Facilities Corporation (EFC) in the amount of $3,064,067. The note funded a significant portion of the spillway reconstruction project at the Conklingville Dam in Hadley, NY. As of June 30, 2020, the District has drawn down $789,343 of its available financing from EFC.

8. Financial Condition

The Hudson River Area’s revenue streams have been relatively stable for many years. Its agreement with Brookfield Renewable Power is set to expire on June 30, 2021. The District has begun negotiations with Brookfield and anticipates a mutually beneficial outcome.

The Black River Area’s revenue streams have been relatively stable for many years. Its agreement with Stillwater Associates is set to expire on December 31, 2021. The District has begun negotiations with Stillwater and anticipates a mutually beneficial outcome.

8. Financial Condition - Continued

Expenses for both the Hudson River Area and Black River Area increase as compensation costs and real property taxes increase. They also vary depending on the timing of necessary investments in District infrastructure.

9. Potential Future Economic Event

The Regulating District received a positive decision regarding the last appeal made by Erie Boulevard Hydropower L.P. in U.S. District. There are no additional negative economic events anticipated through the next budget cycle.

Revenue from the Regulating District's new apportionment in the Black River Area, which effectively ended years of litigation with National Grid (DBA Niagara Mohawk) by shifting a small percentage of the costs to operate to the local five (5) counties with properties along the Black and Moose Rivers, continues to proceed smoothly.

10. Request for Information

The accompanying consolidated financial statements are designed to provide detailed information on the Regulating District's operations to all those with an interest in the Regulating District's financial affairs. Questions concerning any of the information provided in this report, or any request for additional information, should be addressed to the Chief Fiscal Officer, Hudson River-Black River Regulating District, 350 Northern Boulevard, Albany, New York 12204.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	RESTATED 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,833,701	$ 5,745,981
Accounts receivable, net	303,997	527,204
Prepaid expenses	617,454	574,393
Total current assets	6,755,152	6,847,578
Capital assets, net	2,802,477	2,934,320
Total assets	9,557,629	9,781,898
DEFERRED OUTFLOWS OF RESOURCES	775,013	290,226
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	129,401	74,162
Compensated absences	407,482	382,969
Total current liabilities	536,883	457,131
Noncurrent liabilities		
Notes payable	789,343	734,003
Proportionate share of NYS retirement net pension liability	1,057,972	320,467
Other postemployment benefits liability	15,498,316	18,993,954
Total noncurrent liabilities	17,345,631	20,048,424
Total liabilities	17,882,514	20,505,555
DEFERRED INFLOWS OF RESOURCES	58,379	111,267
NET POSITION		
Net investment in capital assets	2,802,477	2,934,320
Unrestricted	(10,410,728)	(13,479,018)
Total net position	$ (7,608,251)	$ (10,544,698)

See notes to the consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	RESTATED 2019
OPERATING REVENUES		
Assessments	$ 4,397,700	$ 4,368,279
New York State assessments	1,026,530	1,205,963
Water power service	1,445,823	1,403,710
Permit fees	424,423	424,859
Other	3,028	3,197
Total operating revenues	7,297,504	7,406,008
OPERATING EXPENSES		
Personnel service and employee benefits	2,888,802	2,611,899
Other postemployment benefits	(3,149,244)	1,463,073
Real estate taxes	3,042,473	2,975,767
Contractual services	1,317,507	1,581,635
Depreciation and amortization	233,287	245,044
Materials and supplies	62,933	93,666
Total operating expenses	4,395,758	8,971,084
TOTAL OPERATING INCOME (LOSS)	2,901,746	(1,565,076)
NONOPERATING REVENUE		
Net interest income	34,701	103,818
CHANGES IN NET POSITION	2,936,447	(1,461,258)
NET ASSETS AT BEGINNING OF YEAR, AS REPORTED	(3,020,470)	(1,559,212)
PRIOR PERIOD ADJUSTMENT	(7,524,228)	(7,524,228)
NET ASSETS BEGINNING, AS RESTATED	(10,544,698)	(9,083,440)
NET ASSETS, END OF YEAR	$ (7,608,251)	$ (10,544,698)

See notes to the consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from assessment beneficiaries	$ 5,647,437	$ 5,635,123
Cash received from water power service	1,445,823	1,403,710
Cash received from permit fees	424,423	424,859
Other cash receipts	3,028	3,197
Payments to vendors and suppliers for goods and services	(4,410,735)	(4,638,037)
Payments to employees	(3,010,853)	(2,806,980)
Net cash from operating activities	99,123	21,872
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(101,444)	(220,747)
Investment income received	34,701	103,818
Net cash from investing activities	(66,743)	(116,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of New York State Bonds	55,340	247,003
Net cash from financing activities	55,340	247,003
Net change in cash and cash equivalents	87,720	151,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,745,981	5,594,035
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,833,701	$ 5,745,981

RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net position	$ 2,936,447	$ (1,461,258)
Adjustments to reconcile changes in net position to net cash flow from operating activities:		
Investment income	(34,701)	(103,819)
Depreciation and amortization	233,287	245,044
Decrease (increase) in assets:		
Accounts receivable	223,207	60,881
Prepaid expenses	(43,061)	(933)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses payable	55,239	13,965
Compensated absences	24,513	44,819
Proportionate share of net pension liability	199,830	8,899
Other post employment benefits liability	(3,495,638)	1,214,274
Net cash from operating activities	$ 99,123	$ 21,872

See notes to the consolidated financial statements.

1. Organization and Reporting Entity

Hudson River-Black River Regulating District (the "Regulating District") was created in 1959 under Article 15, Title 21 of the Environmental Conservation Law, which combined two organizations, the Black River Regulating District (Black River), formed in 1919, and the Hudson River Regulating District (Hudson River), formed in 1922. The Regulating District is a New York State public benefit corporation that is mandated to regulate stream flows, including health and safety, as required by public welfare. The regulation of stream flows into the two [Hudson River and Black River] watershed areas is the mission of the consolidated organization. The day-to-day operation and financing of the two areas is conducted independently, because they are not physically related or connected in any way. Accordingly, the operating costs of each are recovered from two different sets of statutory beneficiaries, hydropower (or waterpower) agreements and, in the Hudson River area only, the Great Sacandaga Lake Permit System. Each watershed area has its own operating personnel; however, a common professional staff serves both. Overall direction is supplied by a board appointed by the Governor of New York State.

The Regulating District is a component unit of the State of New York and, as such, is included in the State's general purpose financial statements. The Regulating District's consolidated financial statements include all operations for which the Regulating District has financial accountability.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Regulating District's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hudson River and Black River Regulating Districts. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with GASB, which require the Regulating District to report information regarding its financial position and activities according to the following net asset classifications.

2. Summary of Significant Accounting Policies - Continued

Basis of Presentation - continued

Net investment in capital assets. Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position. Consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position. All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Amounts from prior year may have been reclassified to conform to current year presentation.

Cash and Cash Equivalents

The Regulating District considers all short-term investments with original maturities of three months or less to be cash equivalents.

The Regulating District's monies must be deposited in Federal Depository Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. During the years ended June 30, 2020 and 2019, the Regulating District also had funds held by New York State in Short Term Investment Pools (STIP). The Regulating District does not control and is not responsible for collateralizing the STIP funds, as they are collateralized at the State level. The Regulating District's cash in FDIC insured commercial banks, at times, may exceed federally insured limits. The Regulating District has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

2. Summary of Significant Accounting Policies - Continued

Accounts Receivables

Accounts receivable consists of assessments due from beneficiaries. Accounts receivable are carried on the statements of net position at net realizable value. The Regulating District has elected to record bad debts using the allowance method. Accounts receivable of $303,997 and $527,204 at June 30, 2020 and 2019, respectively, are recorded net of the allowance for doubtful accounts of $1,198,887 and $1,198,887 at June 30, 2020 and 2019, respectively.

The Regulating District continuously monitors outstanding accounts receivable for collectability. During the years ended June 30, 2020 and 2019, the Regulating District recognized nil and $1,129 bad debt expense, respectively, based on the status of its doubtful accounts.

Capital Assets

Capital assets are recorded at cost. Capital assets are defined as assets with initial, individual costs exceeding a capitalization threshold of $5,000 and useful life of two years or more. Depreciation is provided using the straight-line method over the following estimated useful lives:

Dam structures	100 years
Building and improvements	15 - 40 years
Equipment	5 - 7 years
Vehicles	5 years

Accrued Compensated Absences

It is the Regulating District's policy to record compensated absences, including accumulated vacation and sick leave, as a liability. Upon retirement from the Regulating District, employees are paid all accumulated sick days, up to 100 days of unused sick leave in accordance with the terms of the collective bargaining agreement.

Deferred Outflows/Inflows of Resources

In addition to assets, the consolidated statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

2. Summary of Significant Accounting Policies - Continued

Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the consolidated statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

The net pension liability (asset) represents the Regulating District's proportionate share of the net pension liability (asset) of the New York State and Local Retirement System ("NYSLRS"). The financial reporting of these amounts is presented in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Other Postemployment Benefits (OPEB)

The Regulating District provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts. In general, the Regulating District provides health care benefits for those retired personnel who are eligible for a pension through the New York State and Local Retirement System.

The OPEB benefits were calculated using Alternate Measurement Method for employers with fewer than one hundred employees (active and inactive), as specified in paragraphs 224 through 226 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Budgets

As required by legislation, the Regulating District operates on a three-year budgeting cycle. Separate budgets are developed for the Hudson River area and Black River area since the cost of their respective operations is borne by a group of designated beneficiaries in each watershed. General administration costs, including Board expenses, are allocated on a proportionate basis to the two areas. The cost of operating the Permit System at the Great Sacandaga Lake is estimated for a three-year period. This involves allocating personnel salaries and benefits, as well as a portion of facility and equipment costs to permit system operations.

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition

Assessments

Resolutions are passed by the Regulating District's Board for both the Hudson River area and Black River area annual assessments at the June Board meeting. On July 1st of each year, assessments are billed, and on November 1st, a transmittal letter is sent to each town, city or village informing it of each statutory beneficiary in their respective community who did not pay their assessment. Also, on November 1st, a letter is sent to each County where a statutory beneficiary is located requesting it to charge unpaid assessments on the County's property tax levy for the subsequent year.

New York State Assessment

The March 12, 2013 Hudson River Area Apportionment established an "amount chargeable to the State" to be 22.18% of the total Hudson River Area estimated operation and maintenance cost. On July 1 of each year, the amount chargeable to the State is submitted to the New York State Division of Budget for inclusion in the State's annual appropriation bill.

Operating and Non-Operating Revenues (Expenses)

Operating revenue consists of assessments, waterpower service, federal headwater benefit fees, and permit fees. The Regulating District defines non-operating revenue as interest earnings on cash or investment assets and realized/unrealized gains or losses on sales of investments. Non-operating expense primarily reflects interest expense on financing arrangements and pension related payments. At June 30, 2020 and 2019, the Regulating District did not own any investment assets.

Income Tax Status

As a public benefit corporation, the Regulating District is exempt from federal and state income taxes.

Fair Value of Financial Instruments

The fair value of financial instruments classified as current assets or liabilities approximate their carrying value due to the short-term maturity of the instruments.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

2. Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments - continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II inputs are inputs (other than quoted prices included within Level I) that are observable for the asset or liability, either directly or indirectly.
- Level III inputs are unobservable inputs, for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of the Regulating District's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and all other liabilities approximates carrying values because of the short-term nature of these items.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 30, 2020.

In March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, is and will continue to be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements because of this uncertainty.

3. Restatement and Prior Period Adjustment

The 2019 financial statements have been restated to correct the previously reported amounts of unrestricted net position and other post-employment benefits (OPEB) obligation. The restatement had no effect on changes in net assets and total net assets at end of year.

The net position at July 1, 2019 decreased by $7,524,228 due to a prior period adjustment as a result of an increase in OPEB Obligation based on the requirements of GASB 75 and updated plan information.

4. Accounting Pronouncement Adopted During the Year

During the fiscal year ended June 30, 2020, the Regulating District adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASBS 95), which addresses the impact of the COVID-19 pandemic and provides relief to governments by postponing implementation and application of certain GASB Statements by a year, and by up to 18 months for other statements.

In accordance with this Standard, the Regulating District postponed the implementation of any previously applicable standards until their new required implementation dates as follow:

a. Pronouncements postponed by one year and new effective dates:

   Statement No. 84, *Fiduciary Activities and Implementation Guide No. 2019-2*, periods beginning after December 15, 2019

   Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, reporting periods beginning after December 15, 2020

   Statement No. 90, *Majority Equity Interests*, reporting periods beginning after December 15, 2019

   Statement No. 91, *Conduit Debt Obligations*, reporting periods beginning after December 15, 2021

   Statement No. 92, *Omnibus 2020*, paragraphs 6 and 7, fiscal years beginning after June 15, 2021

   Statement No. 92, *Omnibus 2020*, paragraphs 8, 9, and 12, fiscal years beginning after June 15, 2021

   Statement No. 93, *Replacement of Interbank Offered Rates*, fiscal years beginning after June 15, 2021

   Implementation Guide No. 2017-3, *Accounting and Financial Reporting for OPEB (and Certain Issues Related to OPEB Plan Reporting)*, the first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2019

   Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*, reporting periods beginning after June 15, 2019

   Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*, Fiduciary Activities, reporting periods beginning after June 15, 2020

b. Effective dates of pronouncements postponed 18 months:

   Statement No. 87 and Implementation Guide No. 2019-3, *Leases*, reporting periods beginning after June 15, 2021, and all reporting periods thereafter

4. Cash and Cash Equivalents

Cash held by the Regulating District in deposit accounts consisted of the following at June 30:

	2020	2019
Carrying value	$ 234,908	$ 419,669
Bank balance	528,837	680,092

Deposits held in Short Term Investment Pools (STIP), held by the NYS Comptroller's Office, totaled $5,598,793 and $5,326,312 at June 30, 2020 and 2019, respectively.

A summary of the carrying value of cash and deposits as of June 30 are as follows:

	2020	2019
Cash	$ 234,658	$ 419,419
STIP funds	5,598,793	5,326,312
Petty cash	250	250
	$ 5,833,701	$ 5,745,981

5. Concentration of Credit Risk

Cash Balances

The Regulating District maintains its cash balances at several financial institutions. Cash balances held by the Regulating District in noninterest-bearing accounts at commercial banks are insured up to $250,000 at June 30, 2020 by the Federal Deposit Insurance Corporation (FDIC).

Funding Source

The Regulating District receives a significant amount of its funding from the assessment revenues. During the fiscal year ended June 30, 2020 and 2019, the Regulating District received approximately 60% and 59%, respectively of funding that were provided by the statutory beneficiaries. Loss of funding from these statutory beneficiaries could have a material effect on the Regulating District, however, Management of the Regulating District does not anticipate a significant loss of such funding.

6. Capital Assets

Capital assets at June 30, 2020 and 2019 are as follows:

HUDSON RIVER AREA

Cost	As of June 30, 2019	Additions	Retirements and Disposals	As of June 30, 2020
Dam Structures	$ 12,104,830	$ -	$ -	$ 12,104,830
Building and improvements	2,561,249	69,836	-	2,631,085
Office and other equipment	250,691	31,609	-	282,300
Vehicles	541,750	-	-	541,750
Land	-	-	-	-
Total	15,458,520	101,444	-	15,559,964
Accumulated Depreciation				
Dam Structures	11,136,444	121,048	-	11,257,492
Building and improvements	957,678	66,626	-	1,024,304
Office and other equipment	195,055	18,630	-	213,685
Vehicles	511,172	5,179	-	516,351
Land	-	-	-	-
Total	12,800,349	211,483	-	13,011,832
Capital assets, net	$ 2,658,171	$ (110,039)	$ -	$ 2,548,132

BLACK RIVER AREA

Cost	As of June 30, 2019	Additions	Retirements and Disposals	As of June 30, 2020
Dam Structures	$ 2,000,000	$ -	$ -	$ 2,000,000
Building and improvements	406,442	-	-	406,442
Office and other equipment	153,121	-	-	153,121
Vehicles	160,585	-	-	160,585
Land	7,800	-	-	7,800
Total	2,727,948	-	-	2,727,948
Accumulated Depreciation				
Dam Structures	2,000,000	-	-	2,000,000
Building and improvements	197,459	9,810	-	207,269
Office and other equipment	153,121	-	-	153,121
Vehicles	101,220	11,993	-	113,213
Land	-	-	-	-
Total	2,451,800	21,803	-	2,473,603
Capital assets, net	$ 276,148	$ (21,803)	$ -	$ 254,345

6. Capital Assets – Continued

Consolidated

Cost	As of June 30, 2019	Additions	Retirements and Disposals	As of June 30, 2020
Dam Structures	$ 14,104,830	$ -	$ -	$ 14,104,830
Building and improvements	2,967,691	69,836	-	3,037,527
Office and other equipment	403,812	31,609	-	435,421
Vehicles	702,335	-	-	702,335
Land	7,800	-	-	7,800
Total	18,186,468	101,444	-	18,287,912
Accumulated Depreciation				
Dam Structures	13,136,444	121,048	-	13,257,492
Building and improvements	1,155,137	76,436	-	1,231,573
Office and other equipment	348,176	18,630	-	366,806
Vehicles	612,392	17,172	-	629,564
Land	-	-	-	-
Total	15,252,149	233,286	-	15,485,435
Capital assets, net	$ 2,934,319	$ (131,842)	$ -	$ 2,802,477

Depreciation expense charged to operations for the fiscal years ended June 30 are as follows:

	2020	2019
Hudson River Area	$ 211,483	$ 207,468
Black River Area	21,803	37,567
Total depreciation expense	$ 233,286	$ 245,035

7. Pensions

Plan Description

The Regulating District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer retirement plan. The 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 NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the

7. Pensions - Continued

Plan Description - continued

administration and transaction of the business of the ERS and for the custody and control of their 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 Employees' Retirement Systems, 110 State Street, Albany, New York 12244 or online at www.osc.state.ny.us/retire/publications/index.php

Eligibility and Funding Policy

Membership, benefits, and employer and employee obligations to contribute are described in the NYSRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement System. They are as follows:

- Tier 1 - Those persons who last became members of the ERS before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally those persons who are State correction officers who last became members on or after July 27, 1976, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983.
- Tier 5 - Those persons who last became members of the ERS on or after January 1, 2010.
- Tier 6 - Those persons who last became members of the ERS on or after April 1, 2012.

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

7. Pensions - Continued

Employer Contributions

Participating employers are required under the NYSRSSL to contribute to the ERS at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2020 was approximately 14.6% of covered employee payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2020, the applicable interest rate was 7.0%.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2020	$ 201,502
2019	236,542
2018	220,451

Benefits (only for those in which the Regulating District has employees in)

Tiers 1 and 2

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Tiers 3, 4 and 5

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

7. Pensions - Continued

Benefits (only for those in which the Regulating District has employees in) - continued

Tier 6
Benefit Calculation: Generally, the benefit is 1.67% of the final average salary for each year of service if the employee retires with less than 20 years. If the employee retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If the employee retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 employees with ten or more years of service can retire as early as age 55 with reduced benefits.

Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

For purposes of determining the net pension liability and other pension-related amounts, information about the fiduciary net position of ERS have been determined on the same basis reported by the Regulating District.

At June 30, 2020, the Regulating District’s proportionate share of the collective net pension liability was $1,057,972, which is an increase from $320,467 at June 30, 2019. The Regulating District's proportionate share of the collective net pension liability was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to rollforward the total pension liability to March 31, 2020. The Regulating District's share of collective net pension liability was actuarially determined based on a projection of the Regulating District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members.

At March 31, 2020 the Regulating District's proportionate share was 0.0039953%, which was lower than its proportionate share measured at March 31, 2019 of 0.0045230%. For the fiscal years ended June 30, 2020 and 2019, the Regulating District recognized pension expense of $401,332 and $241,233, respectively, under GASB 68. At June 30, 2020 and 2019, the Regulating District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

7. Pensions - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension - continued

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,266	$ -
Change of assumptions	21,303	18,394
Net difference between projected and actual earnings on pension plan investments	542,368	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	90,152	31,436
Contributions subsequent to the measurement date	50,376	-
Changes in net position	$ 766,465	$ 49,830

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 63,107	$ 21,512
Change of assumptions	80,552	-
Net difference between projected and actual earnings on pension plan investments	-	82,250
Changes in proportion and differences between employer contributions and proportionate share of contributions	88,484	7,505
Contributions subsequent to the measurement date	58,083	-
Changes in net position	$ 290,226	$ 111,267

7. Pensions - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension - continued

The deferred outflow of resources resulting from contributions made subsequent to the measurement date of $50,376 will be recognized as reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 111,718
2022	166,995
2023	214,576
2024	172,970
	$ 666,259

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019 with update procedures used to roll forward the total pension liability to March 31, 2020.

Significant actuarial assumptions for the ERS used in the April 1, 2019 valuation were as follows:

Inflation	2.25%
Salary increases	4.20%
Investment rate of return (net of investment expense including inflation)	6.80%
Cost-of-living adjustments	1.30%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

7. Pensions - Continued

Actuarial Assumptions - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic equity	36.00 %	4.05 %
International equity	14.00	6.15
Private equity	10.00	6.75
Real estate	10.00	4.95
Absolute return strategies (1)	2.00	3.25
Opportunistic portfolio	3.00	4.65
Real assets	3.00	5.95
Bonds and mortgages	17.00	0.75
Cash	1.00	0.00
Inflation-indexed bonds	4.00	0.50
	100.00 %	

The real rate of return is net the long-term inflation assumption of 2.5%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pensions – Continued

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

The following presents the Regulating District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Regulating District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8%) or 1 percentage point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current assumption (6.8%)	1% Increase (7.8%)
The Regulating District's proportionate share of the collective net pension liability	$ 1,941,677	$ 1,057,972	$ 244,076

Pension Plan Fiduciary Net Position

Although GASB No. 68 requires that information is presented from the NYS ERS through the plan's fiscal year end (March 31), the Regulating District has accounted for activity where applicable, from April 1st through its fiscal year end of June 30th.

8. Other Postemployment Benefits

Plan Description

The Regulating District provides certain health care benefits for retired employees in accordance with the provisions of the collective bargaining agreement and the Management/Exempt Employees Guidelines, as applicable. The Regulating District OPEB is a single-employer, contributory plan with fewer than one hundred employees (active and inactive). With this, the Regulating District's OPEB Obligation was calculated using the Alternate Measurement Method for employers with fewer than one hundred employees (active and inactive), as specified in paragraphs 224 through 226 of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Regulating District's OPEB does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

8. Other Postemployment Benefits - Continued

Eligibility

Employees are eligible to retire with medical benefits at the age of 55 and with 10 years of service.

Medical benefits are offered to current and future retirees through the NYSHIP Empire Plan and the CDPHP HMO Plan for pre-65 and post-65coverage.

The Dental/Vision Plan is a community rated dental/vision plan that is open to active employees, pre-65 Non-Union retirees and post-65 Non-Union retirees.

Plan Membership

At June 30, 2020, the OPEB membership (excluding beneficiaries and retirees who waived coverage) consisted of the following:

Active Plan Members	21
Retirees currently receiving benefits	25
Total	46

Contribution and Funding Policy

The obligations of the Retirement Plan are established by action of the Regulating District pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0%-25%, depending on when the employee was hired and if the employee is governed by a CSEA or a management exempt plan. The Regulating District will pay 100% of the premiums for the retiree and spouse for a management exempt employee, 100% of the premium for a Union employee, and 75% of the premium for a Union employee's spouse. The Regulating District pays the costs of administering the Retirement Plan. The Regulating District currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The Regulating District has not funded a qualified trust or its equivalent as defined in GASB 75 and is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees.

Actuarial Methods and Assumptions

The Regulating District recognized total OPEB liability of $15,498,316 and $18,993,954 as of June 30, 2020 and 2019, respectively. The total OPEB liability as of June 30, 2020 was measured as of June 30, 2020 and was determined using an actuarial valuation as of July 1, 2019. The total OPEB liability was calculated using the Entry Age Normal Cost method. The actuarial valuations included the following actuarial assumptions:

8. Other Postemployment Benefits - Continued

Actuarial Methods and Assumptions - continued

Inflation	2.25%
Discount Rate	2.45%

Discount Rate

The discount rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index June 30, 2020.

Salary Increases

Salaries are assumed to increase at 2.00% per year. The salary scale was based on Regulating District's review of historical experience as well as future expectations.

Healthcare Trends

Healthcare trend rates were split to separate trends for pre-65 and post-65 claims as follows:

Year	Pre-65 Medical	Post-65 Medical	Prescription Drug
2020	6.750%	4.500%	7.000%
2021	6.500%	4.400%	6.750%
2022	6.250%	4.300%	6.500%
2023	6.000%	4.200%	6.250%
2024	5.804%	4.200%	6.012%
2025	5.607%	4.200%	5.774%
2035	4.822%	4.200%	4.822%
2045	4.720%	4.200%	4.720%
2055	4.507%	4.200%	4.507%
2065	4.400%	4.200%	4.400%
2075+	3.784%	3.784%	3.784%

Mortality

The sex-distinct and job category-specific headcount weighted RP-2014 Mortality Tables for employees and healthy retirees, adjusted for mortality improvements with scale MP-2018 mortality improvement scale on a generational basis.

8. Other Postemployment Benefits - Continued

Turnover

Rates of turnover were assumed to follow experience under the ERS. The ERS rates are based on the April 1, 2010 to March 31, 2015 experience study released by the Retirement System Actuary and published in their August 2015 report. The Yonkers Parking Authority's experience is not expected to deviate significantly from the experience of the Retirement System as a whole.

Retirement Incidence

Employees were assumed to retire at the later of attaining the age of 62 or reaching the required years of service for medical coverage.

Annual OPEB Cost and Net OPEB Obligation

In accordance with the provisions of GASB 75, the Regulating District is required to quantify and disclose its obligations to pay OPEB to retired plan members. This standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Regulating District's Net OPEB Obligation as of June 30, 2020 and 2019 respectively were calculated using the Alternate Measurement Method for employers with fewer than one hundred employees (active and inactive), as specified in paragraphs 224 through 226 of GASB 75.

The Regulating District's changes in total OPEB liability as of June 30, 2020 and 2019, are as follows:

	2020	2019
Total OPEB liability at July 1, as restated	$ 18,993,954	$ 17,779,680
Service cost	372,987	1,978,280
Interest cost	599,102	326,967
Change of benefit terms	-	-
Differences between expected and actual experience and change of assumptions	(4,015,089)	(556,054)
Benefit payments	(452,638)	(534,919)
Total OPEB liability at June 30	$ 15,498,316	$ 18,993,954

Changes in assumptions and inputs include a change in discount rate from 3.13% at July 1, 2019 to 2.45% at June 30, 2020. Differences between expected and actual experience affecting total OPEB liability as of June 30, 2020 included removal of the excise tax on high cost employer-sponsored health plans, and updates to the mortality and trend rate assumptions between July 1, 2019 and June 30, 2020.

9. Contingencies

On July 31, 2012, the Regulating District received the final Federal Energy Regulatory Commission (FERC) Headwater Benefits Study report defining the equitable portion of the Regulating District's Federal Power Act section 10(f) costs to be paid by the federally licensed merchant for profit hydropower generators benefitted by the Regulating District's operation. The FERC order shifted the Regulating District's primary funding source from federally licensed for profit hydropower generators to the five (5) counties (Albany, Rensselaer, Saratoga, Warren, and Washington).

Also, as noted in the final FERC Study, the Regulating District had been charging downstream projects for headwater benefits under New York law for many years before the Great Sacandaga Lake Project was licensed and for several years thereafter. The court of appeals made it clear that, once the Great Sacandaga Lake Project was licensed, New York law was completely preempted by section 10(f) and the collection of payments for headwater benefits pursuant to that law was unauthorized. In its order on remand, the Commission stated that, while it could not order the Regulating District to refund payments made by the downstream licensees under the New York law, it might be possible to offset headwater benefits payments by these amounts. FERC staff requested additional information from the licensees regarding the amounts that the Regulating District has collected for each downstream project since the Great Sacandaga Project was licensed and any funds that may have since been returned to the downstream licensees. Based on the receipt of that information along with the consideration of other related licensee claims and settlements, FERC orders in August and November 2015 established the dates upon which certain licensees to start paying past due headwater assessments as previously settled, while other licensees would participate in a crediting system whereas the aggregate refund amounts that licensees are entitled to will be amortized and netted against their annual headwater benefit fee assessments. One licensee, Erie Boulevard Hydropower LP (Erie), appealed the FERC orders and the United States Court of Appeals District of Columbia Circuit heard oral arguments on September 25, 2017.

On December 22, 2017, in a 3-0 decision, the court dismissed Erie’s petition to vacate those orders. The court’s opinion mirrored the arguments advanced in the Regulating District’s intervening brief, finding that FERC correctly calculated the head water benefits and then exercised equitable discretion to find that the 2006 settlement precluded offsetting Erie’s prior state law based assessment payments as credits against those head water benefits.

10. Hydropower (Water Usage) Agreements

In the Hudson River area, the Regulating District has a Hydropower Agreement with a hydroelectric company effective July 1, 2003 and expiring June 30, 2021, which required an initial annual payment of $850,000 that increases by 3.0% each year.

10. Hydropower (Water Usage) Agreements - Continued

In the Black River area, the Regulating District had a Hydropower Agreement with a hydroelectric company effective January 1, 1986 and expiring in December 31, 2015, which required an initial annual payment of $30,000 that increases by 3.0% each year. The agreement was renewed for 5 years with an expiration date of December 31, 2021.

Estimated annual required payments to the Regulating District under the terms of these agreements are as follows for the years ending June 30:

	Hudson River	Black River	Total
2021	$ 1,404,920	$ 80,763	$ 1,485,683
2022	1,447,068	83,187	1,530,255
	$ 2,851,988	$ 163,950	$ 3,015,938

For the years ended June 30, 2020 and 2019, the Hudson River area recognized waterpower income of $1,367,410 and $1,327,583, respectively, and the Black River area recognized waterpower income of $78,413 and $76,127, respectively, under these hydropower agreements.

11. Notes Payable

In November 2017, the Regulating District entered into an agreement with New York State Environmental Facilities Corporation for a financing of up to $3,064,067. The proceeds are to be used to finance costs associated with the reconstruction of the Conklingville Dam spillway ice sluice and repairs to the main spillway. As of June 30, 2020, the Regulating District has received $789,343 in advances for the notes payable. The note payable accrue interest at .99% per annum and has a maturity date of November 2020. Interest expense incurred for the year ended June 30, 2020 and 2019, amounted to $7,271 and $5,039, respectively. As of June 30, 2020, the note has been reclassified to current liabilities.

As of audit report date, the Regulating District is still in the process of negotiating for a two-year extension on the notes payable.

12. Long-Term Obligations

Long-term obligation activity for the fiscal years ended June 30, 2020 and 2019 is summarized below:

Additions and reductions to compensated absences are shown net since it is impracticable to determine these amounts separately.

					Classified as	
	June 30, 2019	Additions	Reductions	.June 30, 2020	Current	Noncurrent
Other postemployment benefits	$ 18,993,954	$ -	$ (3,495,638)	$ 15,498,316	$ -	$ 7,974,088
Note payable	734,003	55,340	-	789,343	789,343	-
Net pension liability	320,467	737,505	-	1,057,972	-	1,057,972
	$ 20,048,424	$ 792,845	$ (3,495,638)	$ 17,345,631	$ 789,343	$ 9,032,060

13. Commitments

The Regulating District entered into two operating lease agreements in July 2019 for office space. The lease agreement requires monthly lease payments through June 30, 2021 and September 30, 2021.

The future minimum lease payments for fiscal years ending June 30 under the terms of these lease agreements is as follows:

2021	$47,617
2022	$11,038

Total rent expense recognized by the Regulating District under the terms of all its office lease agreements was $48,876 and $36,014 for the fiscal years ended June 30, 2020 and 2019, respectively.

14. Employee Salary Changes

Union Employees

A significant portion of the Regulating District's employees are covered under a collective bargaining agreement with the Civil Service Employees Administration (CSEA) covering the period from July 1, 2016 to June 30, 2020. As of the report date, a new collective bargaining agreement is still under negotiation between the Regulating District and the CSEA.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT
OF THE STATE OF NEW YORK)

SUPPLEMENTAL SCHEDULES
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2020

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2020

SCHEDULE I

	Hudson River	Black River	Total Regulating District
ASSETS			
Current assets			
Cash and cash equivalents	$ 3,388,549	$ 2,445,152	$ 5,833,701
Accounts receivable, net	291,865	12,132	303,997
Intercompany receivable (payable)	(1,770,109)	1,770,109	-
Prepaid expenses	608,442	9,012	617,454
Total current assets	2,518,747	4,236,405	6,755,152
Capital assets, net	2,548,131	254,346	2,802,477
Total assets	5,066,878	4,490,751	9,557,629
DEFERRED OUTFLOWS OF RESOURCES	579,082	195,931	775,013
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses payable	$ 26,044	$ 103,357	$ 129,401
Compensated absences	278,273	129,209	407,482
Total current liabilities	304,317	232,566	536,883
Noncurrent liabilities			
Note payable	789,343	-	789,343
Proportionate share of NYS retirement net pension liability	781,692	276,280	1,057,972
Other post employment benefits liability	11,739,249	3,759,067	15,498,316
Total noncurrent liabilities	13,310,284	4,035,347	17,345,631
Total liabilities	13,614,601	4,267,913	17,882,514
DEFERRED INFLOWS OF RESOURCES	54,027	4,352	58,379
NET POSITION			
Net investment in capital assets	2,548,131	254,346	2,802,477
Unrestricted	(10,570,799)	160,071	(10,410,728)
Total net position	$ (8,022,668)	$ 414,417	$ (7,608,251)

See notes to the consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

SCHEDULE II

	Hudson River	Black River	Total Regulating District
OPERATING REVENUE			
Assessments	$ 3,471,296	$ 926,404	$ 4,397,700
New York State assessments	776,530	250,000	1,026,530
Water power service	1,367,410	78,413	1,445,823
Permit fees	424,423	-	424,423
Other	2,909	119	3,028
Total operating revenue	6,042,568	1,254,936	7,297,504
OPERATING EXPENSES			
Personnel service and employee benefits	1,675,404	1,213,398	2,888,802
Other post-employment benefits	(2,231,052)	(918,192)	(3,149,244)
Real estate taxes	3,005,804	36,669	3,042,473
Contractual services	1,081,846	235,661	1,317,507
Depreciation and amortization	211,484	21,803	233,287
Materials and supplies	47,525	15,408	62,933
Total operating expenses	3,791,011	604,747	4,395,758
TOTAL OPERATING INCOME	2,251,557	650,189	2,901,746
NONOPERATING REVENUE (EXPENSE)			
Net interest income	(29,106)	63,807	34,701
CHANGES IN NET POSITION	2,222,451	713,996	2,936,447
NET ASSETS, BEGINNING OF YEAR, AS REPORTED	(4,951,073)	1,930,602	(3,020,471)
PRIOR PERIOD ADJUSTMENT	(5,294,047)	(2,230,181)	(7,524,228)
NET ASSETS BEGINNING, AS RESTATED	(10,245,120)	(299,579)	(10,544,699)
NET ASSETS, END OF YEAR	$ (8,022,669)	$ 414,417	$ (7,608,252)

See notes to the consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

SCHEDULE OF THE REGULATING DISTRICT'S PROPORTIONATE SHARE OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEM'S NET PENSION LIABILITY

LAST FIVE FISCAL YEARS (1)

SCHEDULE III

(Dollar amounts in thousands)

	2020	2019	2018	2017	2016
The Regulating District's proportion of the net pension liability	0.00400%	0.00452%	0.00456%	0.00472%	0.00473%
The Regulating District's proportionate share of the net pension liability	$ 1,058	$ 320	$ 179	$ 444	$ 759
The Regulating District's covered-employee payroll	$ 1,842	$ 1,548	$ 1,882	$ 1,444	$ 1,371
The Regulating District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.45%	20.68%	9.51%	30.75%	55.36%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%

(1) GASB requires presentation of data for the last 10 years; the Regulating District implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2016. No data is available prior to fiscal year 2016.

(2) Covered-employee payroll represents payroll submitted to the New York State Employee Retirement System during the measurement periods of April 1 to March 31. Covered-employee payroll is the payroll of employees that are provided with pensions through the plan (also known as "pensionable payroll"). Covered-employee payroll may differ from pensionable payroll. Covered-employee payroll includes the total payroll of covered employees on the accrual basis of accounting; this may include overtime and other compensation which have been excluded from the amount on which contributions to the pension plan are based.

Note -The amounts presented for the fiscal year was determined as of March 31 measurement date of the current fiscal year.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

SCHEDULE OF THE REGULATING DISTRICT'S CONTRIBUTIONS

LAST FIVE FISCAL YEARS (1)

SCHEDULE IV

(Dollar amounts in thousands)

	2020	2019	2018	2017	2016
Contractually required contribution	$ 202	$ 232	$ 222	$ 282	$ 284
Contributions in relation to the contractually required contribution	202	232	222	282	284
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
The Regulating District's covered-employee payroll (2)	$ 1,842	$ 1,548	$ 1,882	$ 1,444	$ 1,423
Contributions as a percentage of covered-employee payroll	10.97%	14.99%	11.80%	19.53%	19.96%

(1) GASB requires presentation of data for the last 10 years, the Regulating District implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2016. No data is available prior to fiscal year 2016.

(2) Covered-employee payroll represents payroll for the fiscal year ended June 30. Covered-employee payroll is the payroll of employees that are provided with pensions through the plan (also known as "pensionable payroll"). Covered-employee payroll may differ from pensionable payroll. Covered employee payroll includes the total payroll of covered employees on the accrual basis of accounting; this may include overtime and other compensation which have been excluded from the amount on which contributions to the pension plan are based.

Note -The amounts presented for the fiscal year was determined as of March 31 measurement date of the current fiscal year.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE REGULATING DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED JUNE 30, 2020

SCHEDULE V

	2020
State's Proportionate Share of the Total OPEB liability Attributable to the Regulating District's retirees	
Service cost	$ 372,987
Interest	599,102
Difference between expected and actual experience	(4,015,089)
Benefit payments	(452,638)
Net Change	(3,495,638)
State's Proportionate Share of the Total OPEB liability Attributable to the Regulating District's retirees	
At beginning of year	$ 18,993,954
At end of year	$ 15,498,316
Regulating District's proportionate share of the Total OPEB Liability	0%
Regulating District Covered-employee payroll [(2)]	$ 1,841,677
Total State OPEB liability as a percentage of Regulating District covered-employee payroll	841.53%

Notes:

(1) The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(2) GASB requires a ten-year presentation of data. The Regulating District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2020. No data is available prior to fiscal year 2020.

(3) Covered payroll was based on the Regulating District's payroll for the years ended June 30.

See notes to the consolidated financial statements.

GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Hudson River-Black River Regulating District

We have audited, in accordance with the 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 financial statements of the Hudson River-Black River Regulating District, (the "Regulating District"), which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Regulating District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regulating District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Regulating District'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regulating District'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

Regulating District's Response to Finding

The Regulating District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Regulating District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Galleros Robinson CPAs, LLP

New York, New York
September 30, 2020

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

Finding 2020-001

Criteria:

In accordance with the Regulating District's Management/Exempt Employee Manual, employees hired before July 1, 2005 shall be entitled to thirteen (13) sick days (97.5 hours of sick leave) per year. Like vacation days, sick days will be prorated in the first and last years of the employee's service with the Regulating District. Unused sick leave may be accumulated to a maximum of 265 days. An employee who retires directly from the Regulating District service may receive a cash payment of up to 100 days of unused sick leave. For employees hired on or after July 1, 2005, employees shall earn and accumulate 3.75 hours of sick leave per bi-weekly pay period. Unused sick leave may be accumulated to a maximum of 265 days. An employee who retires directly from the Regulating District service may use up to one hundred sixty-five (165) days of unused sick leave for retirement service credit on a day-to-day basis. District employees may not exceed the maximum of two hundred sixty-five days of accumulated sick leave as of the last pay period of any calendar year.

Condition:

In our review of payroll costs, we noted pay-outs for unused vacation and sick days to three retirees during the fiscal year. One pay-out included a payment for 100 unused sick days for an employee who was hired after July 1, 2005, which did not conform with the sick leave provision of the Regulating District's Management/Exempt Employee Manual.

Cause:

The service date of the employee in the payroll system included a period before July 1, 2005 while working as a contractor.

Effect:

There was error in the calculation of the pay-out.

Recommendation:

We recommend that the Regulating District verifies service and employment dates on Board resolutions and personnel file information with the New York State and Local Retirement System to ensure that pay-outs are properly calculated in all cases.

View of Responsible Official:

The Regulating District accepts and has already implemented the recommendation.