

**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, 2022 and 2021

**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, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hudson River-Black River Regulating District
Albany, New York

Opinion

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, 2022 and 2021 and the related consolidated statements of activities and changes in net position and consolidated statements of cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Regulating District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements - continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Regulating District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Regulating District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Regulating District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 75 "Accounting and Financial Reporting for Pensions" on pages 43 and 44 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 28, 2022 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.

Galleras Robinson CPAs, LLP

New York, New York
September 28, 2022

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

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

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

Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

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, 2022 and 2021. 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 11 and 12, respectively) provide both long-term and short-term information about the Regulating District's overall financial status. The Statements of Cash Flows (on page 13) 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 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

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Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

2. Regulating District Activities - Continued

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, (the "five (5) counties") and the State of New York, that directly benefit from flood protection. In the Black River Area, statutory beneficiaries comprise 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 assessing 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 constitutes 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 operates Indian Lake Reservoir and Dam.

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Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

3. Facilities - Continued

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	
	2022	2021
Operating revenues	\$ 6,698	\$ 6,696
Operating expenses	<u>(3,092)</u>	<u>(5,717)</u>
Operating revenue (loss)	3,606	979
Net nonoperating revenue (expense)	<u>(12)</u>	<u>(40)</u>
Changes in net position	<u>\$ 3,593</u>	<u>\$ 939</u>
	<u>Black River Area</u>	
	2022	2021
Operating revenues	\$ 1,461	\$ 1,238
Operating expenses	<u>(591)</u>	<u>(2,989)</u>
Operating revenue (loss)	870	(1,751)
Net nonoperating revenue (expense)	<u>37</u>	<u>37</u>
Changes in net position	<u>\$ 907</u>	<u>\$ (1,714)</u>

From fiscal year June 30, 2021 to June 30, 2022, recurring 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 2022, consolidated Regulating District expenses were relatively lower compared to fiscal year 2021, largely due to Other Postemployment Benefits.

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Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

4. Operations Summary - Continued

Operating expenses remained relatively consistent for the fiscal year ended June 30, 2022. 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, 2022 and 2021, respectively.

The Regulating District is required by its enabling statute to adopt annual budgets every three fiscal years. Fiscal Year 2021-22 is the first year of the current three-year budgeting cycle. The Board of the Regulating District adopted new annual budgets for this three-year cycle at its June 8, 2021 Board meeting.

In both its Fiscal Year 2021-22 and 2022-23 budgets, the State of New York appropriated \$20 million (\$40 million in total) to finance additional engineering and construction work on the Conklingville Dam. The Regulating District is working collaboratively with the New York State Office of General Services, New York State Department of Environmental Conservation, New York State Division of Budget, and the New York State Executive Chamber to effectively utilize these funds.

In its Fiscal Year 2022-23 budget, the State of New York approved a change to the Regulating District's governing statute eliminating the Regulating District's responsibility for paying Real Property Taxes on lands it oversees. Effective April 1, 2022, the State of New York will make these municipal and school Real Property Tax payments. This change will yield fiscal relief to the Regulating District of approximately \$3.1 million.

In April 2021, the New York State Inspector General released a report finding that the Regulating District erroneously paid out \$51,082.58 in unused accrued sick leave to its former Chief Fiscal Officer. The Regulating District had discovered the error and reported it to the Inspector General in May 2020. An audit finding related to this error was also in Schedule of Findings and Questioned Costs as part of its Fiscal Year 2019-2020 audit. The Regulating District has accepted and implemented the recommendation on the finding.

Since release of the Inspector General report, the Regulating District has recovered a total of \$49,283 via a claim on its Government Entities Crime Policy and via a partial reimbursement from the former Chief Fiscal Officer for the required share of health insurance premiums paid by retirees. These funds will be reported in the Fiscal Year 2021-22 audit. The Regulating District accepted and has implemented all the recommendations made by the New York State Inspector General.

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Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

5. Statements of Net Position Summary

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

	<u>2022</u>	<u>2021</u>
Dam structures	\$ 14,105	\$ 14,105
Building and improvements	3,038	3,038
Office and other equipment	443	443
Vehicles	<u>680</u>	<u>680</u>
Cost of depreciable capital assets	18,265	18,265
Less: accumulated depreciation	(15,909)	(15,681)
Add: Land	<u>8</u>	<u>8</u>
Net book value of capital assets	2,364	2,592
Net book value of right of use assets	65	-
Current assets	<u>8,275</u>	<u>9,593</u>
Total assets	<u>10,704</u>	<u>12,185</u>
Deferred outflows of resources	<u>1,485</u>	<u>1,134</u>
Current liabilities	537	518
Long-term liabilities	<u>13,815</u>	<u>17,604</u>
Total liabilities	<u>14,353</u>	<u>18,123</u>
Deferred inflows of resources	<u>1,720</u>	<u>3,580</u>
Net position		
Net investment in capital assets	2,364	2,592
Net investment in right of use assets	65	-
Unrestricted	<u>(6,312)</u>	<u>(10,976)</u>
Total net position	<u>\$ (3,883)</u>	<u>\$ (8,384)</u>

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.

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Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

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 2022, the Regulating District decreased their capital assets by \$228,056 due to the net effect of depreciation expense.

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 was issued to fund a significant portion of the spillway reconstruction project at the Conklingville Dam in Hadley, NY.

On November 2, 2020, the Regulating District amended and restated its note with EFC, effectively extending the maturity until November 2, 2022.

As of June 30, 2022, the District has drawn down a total of \$789,343 of its available financing from EFC and repaid a total of \$40,000, leaving a balance due of \$749,343.

8. Financial Condition

The Hudson River Area's revenue streams have been relatively stable for many years. Its agreement with Brookfield Renewable Power, originally set to expire on June 30, 2021, has been extended by mutual consent for an additional year and subsequently extended by mutual consent for an additional six months (now set to expire on December 31, 2022) to allow more time for a mutually beneficial agreement to be reached.

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Management Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

8. Financial Condition - Continued

The Black River Area's revenue streams have been relatively stable for many years. Its agreement with Stillwater Associates was set to expire on December 30, 2021. The agreement has been extended beyond December 30, 2021 by mutual consent four times and is now set to expire on December 31, 2022. The Regulating District anticipates a mutually beneficial outcome from this negotiation.

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 receipts 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, 575 Broadway, 3rd Floor, Albany, NY 12207.

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

CONSOLIDATED STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,323,528	\$ 6,174,216
Accounts receivable, net	518,786	527,756
Lease receivable	776,708	2,232,736
Subscription asset	2,812	-
Prepaid expenses	<u>653,207</u>	<u>658,006</u>
Total current assets	8,275,041	9,592,714
Capital assets, net	2,364,180	2,592,236
Right of use assets, net	<u>64,631</u>	<u>-</u>
Total assets	<u>10,703,852</u>	<u>12,184,950</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,485,079</u>	<u>1,134,024</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	62,260	66,097
Compensated absences	472,241	452,198
Subscription liability	<u>2,620</u>	<u>-</u>
Total current liabilities	<u>537,121</u>	<u>518,295</u>
Noncurrent liabilities		
Notes payable	749,843	764,843
Lease liability	57,728	-
Proportionate share of NYS retirement net pension liability	(432,575)	4,556
Other post employment benefits	<u>13,439,613</u>	<u>16,834,950</u>
Total noncurrent liabilities	<u>13,814,609</u>	<u>17,604,349</u>
Total liabilities	<u>14,351,730</u>	<u>18,122,644</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,720,414</u>	<u>3,579,837</u>
NET POSITION		
Net investment in capital assets	2,364,180	2,592,236
Net investment in right of use assets	64,631	-
Unrestricted	<u>(6,312,024)</u>	<u>(10,975,743)</u>
Total net position	<u>\$ (3,883,213)</u>	<u>\$ (8,383,507)</u>

See notes to consolidated financial statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Assessments	\$ 4,726,516	\$ 4,373,960
New York State assessments	1,250,000	1,077,292
Lease revenue	1,488,491	1,485,686
Permit fees	563,198	577,875
Other	131,290	419,076
Total operating revenues	<u>8,159,495</u>	<u>7,933,889</u>
OPERATING EXPENSES		
Personnel service and employee benefits	2,662,428	2,763,331
Other post-employment benefits	(4,239,430)	1,483,915
Real estate taxes	3,147,931	3,137,538
Contractual services	1,807,484	1,046,680
Depreciation	228,056	225,582
Amortization	9,954	-
Materials and supplies	66,528	48,585
Total operating expenses	<u>3,682,951</u>	<u>8,705,631</u>
TOTAL OPERATING INCOME (LOSS)	<u>4,476,544</u>	<u>(771,742)</u>
NONOPERATING REVENUE (EXPENSE)		
Interest expense	(17,765)	(40,367)
Interest income	46,921	41,025
Other income and expense	(5,406)	(4,172)
Total nonoperating revenue (expense)	<u>23,750</u>	<u>(3,514)</u>
CHANGES IN NET POSITION	4,500,294	(775,256)
NET ASSETS AT BEGINNING OF YEAR	<u>(8,383,507)</u>	<u>(7,608,251)</u>
NET ASSETS, END OF YEAR	<u>\$ (3,883,213)</u>	<u>\$ (8,383,507)</u>

See notes to consolidated financial statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from assessment beneficiaries	\$ 5,985,486	\$ 5,227,493
Cash received from lease revenue	1,488,491	1,485,686
Cash received from permit fees	563,198	577,875
Other cash receipts	131,290	419,076
Payments to vendors and suppliers for goods and services	(3,639,730)	(4,336,659)
Payments to employees	<u>(4,388,173)</u>	<u>(2,989,601)</u>
Net cash from operating activities	<u>140,562</u>	<u>383,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	-	(15,341)
Investment income (used) received	<u>23,750</u>	<u>(3,514)</u>
Net cash from investing activities	<u>23,750</u>	<u>(18,855)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of New York State Bonds	<u>(15,000)</u>	<u>(24,500)</u>
Net cash used for financing activities	<u>(15,000)</u>	<u>(24,500)</u>
Net change in cash and cash equivalents	149,312	340,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,174,216</u>	<u>5,833,701</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,323,528</u>	<u>\$ 6,174,216</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net position	\$ 4,500,294	\$ (775,256)
Adjustments to reconcile changes in net position to net cash flow from operating activities:		
Investment income (expense)	(23,750)	3,514
Depreciation	228,056	225,582
Decrease (increase) in assets:		
Accounts receivable	8,970	(223,759)
Lease receivable	1,456,028	-
Subscription asset	(2,812)	-
Prepaid expenses	4,799	(40,552)
Right of use asset	(64,631)	-
Deferred outflow	(351,055)	(367,560)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses payable	(3,837)	(63,304)
Subscription liability	2,620	-
Compensated absences	20,043	44,716
Due to New York State Retirement System	57,728	-
Proportionate share of net pension liability	(437,131)	(1,053,416)
Deferred inflow	(1,859,423)	1,297,271
Other post employment benefits obligation	<u>(3,395,337)</u>	<u>1,336,634</u>
Net cash from operating activities	<u>\$ 140,562</u>	<u>\$ 383,870</u>

See notes to the consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2022 and 2021, the Regulating District also had funds held by New York State in 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$518,786 and \$527,756 at June 30, 2022 and 2021, respectively, are recorded net of the allowance for doubtful accounts of \$914,580 and \$914,422 at June 30, 2022 and 2021, respectively.

The Regulating District continuously monitors outstanding accounts receivable for collectability. During the years ended June 30, 2022 and 2021, the Regulating District did not recognize any bad debt expense based on the status of its doubtful accounts.

Lease Receivable

The Regulating District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The monthly payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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

Right of use assets

The Regulating District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, represented employees are paid all accumulated leave, up to 40 days of unused vacation and 100 days of unused sick leave, subject to the terms of the collective bargaining agreement.

Non-represented employees may receive a cash payment of up to 100 days of sick leave upon retirement directly from the Regulating District if hired before July 1, 2005 or may apply up to 165 days of unused sick leave for retirement service credit if hired on or after July 1, 2005. Non-represented employees are also paid up to 40 days of unused vacation leave upon separation or retirement.

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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other Postemployment Benefits (OPEB) - continued

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.

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. 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 real 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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, 2022 and 2021, the Regulating District did not own any investment assets other than the funds held in Short Term Investment Pool (STIP).

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.

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.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING PRONOUNCEMENT ADOPTED DURING THE YEAR

Statement No. 87 and Implementation Guide No. 2019-3, Leases, effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities

Statement No. 91, Conduit Debt Obligations, reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Regulating District do not have conduit obligations and therefore the adoption did not have an effect on the Regulating District's financial statements.

Statement No. 92, Omnibus 2020 (Paragraph 6 and 7), reporting periods beginning after June 15, 2021. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement does not have any effect on the Regulating District's financial statements.

Statement No. 93, Replacement of Interbank Offered Rates effective for fiscal years beginning after June 15, 2021. The objective of GASB 93 is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The Regulating District do not have any contract with interbank offered rates and therefore the adoption did not have an effect on the Regulating District's financial statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING PRONOUNCEMENT ADOPTED DURING THE YEAR – CONTINUED

Statement No. 96, Subscription-Based Information Technology Arrangements, effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement does not have any effect on the Regulating District's financial statements.

Statement No. 99 (Omnibus 2022) (Paragraphs 26 through 32), reporting periods beginning after June 15, 2023. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. This Statement does not have any effect on the Regulating District's financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING PRONOUNCEMENT ADOPTED DURING THE YEAR – CONTINUED

Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, effective for fiscal years beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement does not have any effect on the Regulating District’s financial statements.

4. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment, effective for fiscal years beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Regulating District is currently evaluating the impact of this Statement.

Statement No. 101, Compensated Absences, effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Regulating District is currently evaluating the impact of this Statement.

5. CASH AND CASH EQUIVALENTS

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

	<u>2022</u>	<u>2021</u>
Carrying value	\$ 864,122	\$ 769,934
Bank balance	1,098,425	863,351

Deposits held in STIP, held by the NYS Comptroller’s Office, totaled \$5,459,406 and \$5,404,282 at June 30, 2022 and 2021, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS - CONTINUED

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 863,762	\$ 769,684
STIP funds	5,459,406	5,404,282
Petty cash	<u>360</u>	<u>250</u>
	<u>\$ 6,323,528</u>	<u>\$ 6,174,216</u>

6. 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, 2022 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, 2022 and 2021, the Regulating District received approximately 74% and 73%, 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.

7. LEASE RECEIVABLE

In July 2003, the Regulating District entered into a lease with Erie Boulevard Hydropower LP granting Erie the right to use the District's 56 feet of head and to take into, and use in, the hydropower plant the water from the District's Conklingville Dam. Under the lease, Erie Boulevard Hydropower LP pays the Regulating District (on average) \$1,133,055 per year for the nineteen and one-half years of the lease (as amended). The most recent amendment extended the lease until December 2022. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at an incremental borrowing rate of 4.54%, the risk-free rate for a 20-year treasury in July 2003.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. LEASE RECEIVABLE – CONTINUED

In October 1985, the Regulating District entered into a ground lease and water usage agreement with Stillwater Associates. Under the lease, Stillwater Associates pays the Regulating District (on average) \$47,341 per year for the thirty-seven years of the lease (as amended). The most recent amendment extended the lease until December 2022. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at an incremental borrowing rate of 8.00%, the risk-free rate for a 30-year treasury in October 1985.

For years ended June 30, 2022, and 2021, lease receivable balance is \$776,708 and \$2,232,736, respectively.

8. CAPITAL ASSETS

Capital assets at June 30, 2022 and 2021 are as follows:

HUDSON RIVER AREA

Cost	As of June 30, 2021	Additions	Retirements and Disposals	As of June 30, 2022
Dam Structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building and improvements	2,631,084	-	-	2,631,084
Office and other equipment	282,300	-	-	282,300
Vehicles	557,091	-	-	557,091
Land	-	-	-	-
Total	\$ 15,575,305	\$ -	\$ -	\$ 15,575,305
Accumulated Depreciation				
Dam Structures	\$ 11,378,540	\$ 121,048	\$ -	\$ 11,499,588
Building and improvements	1,091,319	67,014	-	1,158,333
Office and other equipment	222,798	12,123	-	234,921
Vehicles	523,717	9,661	-	533,378
Land	-	-	-	-
Total	\$ 13,216,374	\$ 209,846	\$ -	\$ 13,426,220
Capital assets, net	\$ 2,358,931	\$ (209,846)	\$ -	\$ 2,149,085

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. CAPITAL ASSETS - CONTINUED

BLACK RIVER AREA

Cost	As of June 30, 2021	Additions	Retirements and Disposals	As of June 30, 2022
Dam Structures	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Building and improvements	406,443	-	-	406,443
Office and other equipment	160,585	-	-	160,585
Vehicles	122,635	-	-	122,635
Land	7,800	-	-	7,800
Total	\$ 2,697,463	\$ -	\$ -	\$ 2,697,463
Accumulated Depreciation				
Dam Structures	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Building and improvements	217,079	9,810	-	226,889
Office and other equipment	124,444	8,400	-	132,844
Vehicles	122,635	-	-	122,635
Land	-	-	-	-
Total	\$ 2,464,158	\$ 18,210	\$ -	\$ 2,482,368
Capital assets, net	\$ 233,305	\$ (18,210)	\$ -	\$ 215,095

CONSOLIDATED

Cost	As of June 30, 2021	Additions	Retirements and Disposals	As of June 30, 2022
Dam Structures	\$ 14,104,830	\$ -	\$ -	\$ 14,104,830
Building and improvements	3,037,527	-	-	3,037,527
Office and other equipment	442,885	-	-	442,885
Vehicles	679,726	-	-	679,726
Land	7,800	-	-	7,800
Total	\$ 18,272,768	\$ -	\$ -	\$ 18,272,768
Accumulated Depreciation				
Dam Structures	\$ 13,378,540	\$ 121,048	\$ -	\$ 13,499,588
Building and improvements	1,308,398	76,824	-	1,385,222
Office and other equipment	347,242	20,523	-	367,765
Vehicles	646,352	9,661	-	656,013
Land	-	-	-	-
Total	\$ 15,680,532	\$ 228,056	\$ -	\$ 15,908,588
Capital assets, net	\$ 2,592,236	\$ (228,056)	\$ -	\$ 2,364,180

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. CAPITAL ASSETS - CONTINUED

HUDSON RIVER AREA

Cost	As of June 30, 2020	Additions	Retirements and Disposals	As of June 30, 2021
Dam Structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building and improvements	2,631,084	-	-	2,631,084
Office and other equipment	282,300	-	-	282,300
Vehicles	541,750	15,341	-	557,091
Land	-	-	-	-
Total	\$ 15,559,964	\$ 15,341	\$ -	\$ 15,575,305
Accumulated Depreciation				
Dam Structures	\$ 11,257,492	\$ 121,048	\$ -	\$ 11,378,540
Building and improvements	1,024,305	67,014	-	1,091,319
Office and other equipment	213,685	9,113	-	222,798
Vehicles	516,351	7,366	-	523,717
Land	-	-	-	-
Total	\$ 13,011,833	\$ 204,541	\$ -	\$ 13,216,374
Capital assets, net	\$ 2,548,131	\$ (189,200)	\$ -	\$ 2,358,931

BLACK RIVER AREA

Cost	As of June 30, 2020	Additions	Retirements and Disposals	As of June 30, 2021
Dam Structures	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Building and improvements	406,443	-	-	406,443
Office and other equipment	160,585	-	-	160,585
Vehicles	153,121	-	(30,486)	122,635
Land	7,800	-	-	7,800
Total	\$ 2,727,949	\$ -	\$ (30,486)	\$ 2,697,463
Accumulated Depreciation				
Dam Structures	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Building and improvements	207,269	9,810	-	217,079
Office and other equipment	113,213	11,231	-	124,444
Vehicles	153,121	-	(30,486)	122,635
Land	-	-	-	-
Total	\$ 2,473,603	\$ 21,041	\$ (30,486)	\$ 2,464,158
Capital assets, net	\$ 254,346	\$ (21,041)	\$ -	\$ 233,305

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. CAPITAL ASSETS - CONTINUED

CONSOLIDATED

Cost	As of June 30, 2020	Additions	Retirements and Disposals	As of June 30, 2021
Dam Structures	\$ 14,104,830	\$ -	\$ -	\$ 14,104,830
Building and improvements	3,037,527	-	-	3,037,527
Office and other equipment	442,885	-	-	442,885
Vehicles	694,871	15,341	(30,486)	679,726
Land	7,800	-	-	7,800
Total	\$ 18,287,913	\$ 15,341	\$ (30,486)	\$ 18,272,768
Accumulated Depreciation				
Dam Structures	\$ 13,257,492	\$ 121,048	\$ -	\$ 13,378,540
Building and improvements	1,231,574	76,824	-	1,308,398
Office and other equipment	326,898	20,344	-	347,242
Vehicles	669,472	7,366	(30,486)	646,352
Land	-	-	-	-
Total	\$ 15,485,436	\$ 225,582	\$ (30,486)	\$ 15,680,532
Capital assets, net	\$ 2,802,477	\$ (210,241)	\$ -	\$ 2,592,236

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

	2022	2021
Hudson River Area	\$ 209,846	\$ 204,541
Black River Area	18,210	21,041
Total depreciation expense	\$ 228,056	\$ 225,582

9. 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 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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PENSIONS - CONTINUED

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.

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, 2022 was approximately 16.2% 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, 2022, the applicable interest rate was 5.9%.

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:

2022	\$ 301,883
2021	266,876
2020	201,502

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PENSIONS - CONTINUED

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.

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.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PENSIONS - CONTINUED

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, 2022, the Regulating District's proportionate share of the collective net pension asset was \$432,575, which is an increase from net pension liability of \$4,556 at June 30, 2021. The Regulating District's proportionate share of the collective net pension asset was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to rollforward the total pension liability to March 31, 2022. The Regulating District's share of collective net pension asset 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, 2022 the Regulating District's proportionate share was 0.0052917%, which was higher than its proportionate share measured at March 31, 2021 of 0.0045752%. For the fiscal years ended June 30, 2022 and 2021, the Regulating District recognized pension expense of \$301,883 and \$266,876, respectively, under GASB 68. At June 30, 2022 and 2021, the Regulating District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,760	\$ -
Changes of assumptions	721,919	12,182
Net difference between projected and actual earnings	-	1,416,502
on pension plan investments	-	42,491
Changes in proportion and differences between employer	-	-
contributions and proportionate share of contributions	221,489	13,904
Contributions subsequent to the measurement date	-	-
	<u> </u>	<u> </u>
Changes in deferred outflows and inflows	<u>\$ 976,168</u>	<u>\$ 1,485,079</u>

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PENSIONS - CONTINUED

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

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,638	\$ -
Changes of assumptions	837,650	15,798
Net difference between projected and actual earnings on pension plan investments	-	1,308,672
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	174,017	22,631
	<u>66,719</u>	<u>-</u>
Changes in deferred outflows and inflows	<u>\$ 1,134,024</u>	<u>\$ 1,347,101</u>

The deferred outflow of resources resulting from contributions made subsequent to the measurement date of \$75,471 will be recognized as reduction of the net pension liability in the fiscal year ended June 30, 2022. 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:	
2023	(78,139)
2024	(113,830)
2025	(262,212)
2026	(54,729)
	<u>(508,910)</u>

Actuarial Assumptions

The total pension liability at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021 with update procedures used to roll forward the total pension liability to March 31, 2022.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PENSIONS - CONTINUED

Actuarial Assumptions - Continued

Significant actuarial assumptions for the ERS used in the April 1, 2021 valuation were as follows:

Inflation	2.70%
Salary increases	4.40%
Investment rate of return (net of investment expense) including inflation)	5.90%
Cost-of-living adjustments	1.40%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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 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	32.00 %	3.30 %
International equity	15.00	5.85
Private equity	10.00	6.50
Real estate	9.00	5.00
Opportunistic/Absolute Return Strategy	3.00	4.10
Credit	4.00	3.78
Real assets	3.00	5.80
Fixed Income	23.00	0.00
Cash	1.00	(1.00)
	100.00 %	

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PENSIONS - CONTINUED

The real rate of return is net the long-term inflation assumption of 2.50%

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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.

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 5.9%, 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 (4.9%) or 1 percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current assumption (5.9%)	1% Increase (6.9%)
The Regulating District's proportionate share of the collective net pension liability (asset)	\$1,113,443	\$ (432,575)	\$ (1,725,745)

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.

10. 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*.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Plan Description - Continued

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.

Eligibility

Represented employees are eligible for medical benefits at retirement and with 10 years of eligible service. There is no 10-year service requirement for these benefits for non-represented employees.

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

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, 2022, the OPEB membership (excluding beneficiaries and retirees who waived coverage) consisted of the following:

Active Plan Members	19
Retirees currently receiving benefits	29
Total	48

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.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions

The Regulating District recognized total OPEB liability of \$13,439,613 and \$16,834,950 as of June 30, 2022 and 2021, respectively. The total OPEB liability as of June 30, 2022 was measured as of June 30, 2021 and was determined using an actuarial valuation as of July 1, 2021. The total OPEB liability was calculated using the Entry Age Normal Cost method. The actuarial valuations included the following actuarial assumptions:

Inflation 2.25%
Discount Rate 3.69%

Discount Rate

The discount rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index June 30, 2022.

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
2022	7.000%	4.500%	7.000%
2023	6.750%	4.400%	6.750%
2024	6.500%	4.300%	6.500%
2025	6.250%	4.200%	6.250%
2035	4.822%	4.200%	4.822%
2045	4.650%	4.200%	4.650%
2055	4.482%	4.200%	4.482%
2065	4.383%	4.200%	4.383%
2075+	3.784%	3.784%	3.784%

Mortality

The sex distinct and job category-specific headcount weighted Pub-2010 Public Retirement Mortality Tables for employees and healthy retirees, and then adjusted for mortality improvements with Scale MP-2021 mortality improvements scale generation basis. The revised assumption resulted in a decrease in liabilities.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Turnover

Rates of turnover were assumed to follow experience under the ERS. The ERS rates are derived from the central rates of decrement disclosed in the April 1, 2015 to March 31, 2020 experience study released by the Retirement Systems Actuary and published in their August 2020 report Annual Report to the Comptroller on Actuarial Assumptions. The revised assumption resulted in an increase in liabilities.

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, 2022 and 2021 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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Total OPEB liability at July 1	\$ 16,834,950	\$ 15,498,316
Service cost	464,617	351,672
Interest cost	333,229	382,008
Change of benefit terms	-	-
Differences between expected and actual experience and change of assumptions	(3,641,428)	1,118,605
Benefit payments	<u>(551,755)</u>	<u>(515,651)</u>
Total OPEB liability at June 30	<u>\$ 13,439,613</u>	<u>\$ 16,834,950</u>

Changes in assumptions and inputs include a change in discount rate from 1.92% at July 1, 2021 to 3.69% at June 30, 2022. The change in discount rate resulted in decrease in liabilities. There was no other significant change in assumptions that will have an effect on the total OPEB liability as of June 30, 2022.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. 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.

12. 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. The agreement was extended for a year with an expiration date of June 30, 2022 and subsequently extended by six months with an expiration date of December 31, 2022.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. HYDROPOWER (WATER USAGE) AGREEMENTS - CONTINUED

In the Black River area, the Regulating District has a Hydropower Agreement with a hydroelectric company effective October 21, 1985 and expiring in December 31, 2016, 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 and has subsequently been extended four times with an expiration date of December 31, 2022. As of the report date, the renewal agreement negotiation is still in progress.

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

	Hudson River (Anticipated)	Black River (Anticipated)	Total
2023	\$ 745,240	\$ 42,209	\$ 787,449

13. 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, 2021, the Regulating District has received \$789,343 in advances for the notes payable. The note payable accrue interest at 0.99% per annum and has a maturity date of November 2020. In November 2020, the agreement was renewed for additional two years with an expiration date of November 2, 2022. The agreement has again been extended with an expiration date of December 31, 2022. The Regulating District is working with the New York State Environmental Facilities Corporation to convert this short-term agreement to a long-term agreement before December 31, 2022.

Interest expense incurred for the year ended June 30, 2022 and 2021, amounted to \$2,427 and \$5,750, respectively. As of June 30, 2022, and 2021, the note has an outstanding balance of \$749,343 and \$764,843, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. LONG-TERM OBLIGATIONS

Long-term obligation activity for the fiscal years ended June 30, 2022 and 2021 is summarized below:

	June 30, 2021	Additions	Reductions	June 30, 2022	Classified as	
					Current	Noncurrent
Other postemployment benefit	\$ 16,834,950	\$ -	\$ 3,395,337	\$ 13,439,613	\$ -	\$ 13,439,613
Compensated absences	452,198	20,043	-	472,241	472,241	-
Note payable	764,843	-	15,500	749,343	-	749,343
Lease liability	-	65,868	8,140	57,728	-	57,728
Net pension liability (asset)	4,556	-	437,131	(432,575)	-	-
	<u>\$ 18,056,547</u>	<u>\$ 85,911</u>	<u>\$ 3,856,108</u>	<u>\$ 14,286,350</u>	<u>\$ 472,241</u>	<u>\$ 14,246,684</u>

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

In 2021, The Regulating District has entered into agreements to lease office space, parking spaces and a copier. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The Regulating District is obligated for minimum aggregate annual rent for office space, parking spaces and a copier. These leases, other than short-term leases, which will expire from December 31, 2024 to September 9, 2028. There are no variable payment components of the lease. The lease liability is measured at government's risk-free incremental borrowing rate at lease inception. As a result of the lease, the Regulating District has recorded a right to use asset with a net book value of \$64,631 on June 30, 2022.

15. 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 Association, Inc. (CSEA) covering the period from July 1, 2020 to June 30, 2024. This collective bargaining agreement was finalized with the CSEA and ratified by the Regulating District Board via Resolution 21-34-07 at its July 13, 2021 meeting.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the District's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the District is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The District's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The District continues to monitor evolving economic and general business conditions and the actual and potential impacts on our financial position and results of operations.

17. SUBSEQUENT EVENTS

Management has evaluated all events or transactions that occurred September 28, 2022, the date that the financial statements were available to be used. During this period, there were no material subsequent events requiring disclosure.

**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, 2022**

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

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2022

SCHEDULE I

	Hudson River	Black River	Total Regulating District
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,752,846	\$ 1,570,682	\$ 6,323,528
Accounts receivable, net	518,786	-	518,786
Lease receivable	735,471	41,237	776,708
Intercompany receivable (payable)	(1,554,758)	1,554,758	-
Subscription asset	2,812	-	2,812
Prepaid expenses	640,390	12,817	653,207
Total current assets	5,095,547	3,179,494	8,275,041
Capital assets, net	2,149,085	215,095	2,364,180
Right of use assets, net	40,359	24,272	64,631
Total assets	7,284,991	3,418,861	10,703,852
DEFERRED OUTFLOWS OF RESOURCES	1,196,528	288,551	1,485,079
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses payable	\$ 61,964	\$ 296	\$ 62,260
Compensated absences	349,088	123,153	472,241
Subscription liability	2,620	-	2,620
Total current liabilities	413,672	123,449	537,121
Noncurrent liabilities			
Note payable	749,843	-	749,843
Lease liability	33,457	24,271	57,728
Proportionate share of NYS retirement net pension liability	(348,526)	(84,049)	(432,575)
Other post employment benefits	9,632,379	3,807,234	13,439,613
Total noncurrent liabilities	10,067,153	3,747,456	13,814,609
Total liabilities	10,480,825	3,870,905	14,351,730
DEFERRED INFLOWS OF RESOURCES	1,491,495	228,919	1,720,414
NET POSITION			
Net investment in capital assets	2,149,085	215,095	2,364,180
Net investment in right of use assets	40,359	24,272	64,631
Unrestricted	(5,680,245)	(631,779)	(6,312,024)
Total net position	\$ (3,490,801)	\$ (392,412)	\$ (3,883,213)

See notes to 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, 2022

SCHEDULE II

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
OPERATING REVENUE			
Assessments	\$ 3,591,420	\$ 1,135,096	\$ 4,726,516
New York State assessments	1,027,056	222,944	1,250,000
Lease revenue	1,409,993	78,498	1,488,491
Permit fees	563,198	-	563,198
Other	106,568	24,722	131,290
	<u>6,698,235</u>	<u>1,461,260</u>	<u>8,159,495</u>
Total operating revenue			
OPERATING EXPENSES			
Personnel service and employee benefits	1,906,216	756,212	2,662,428
Other post-employment benefits	(3,343,275)	(896,155)	(4,239,430)
Real estate taxes	3,111,252	36,679	3,147,931
Contractual services	1,143,238	664,246	1,807,484
Depreciation and amortization	209,846	18,210	228,056
Amortization	5,100	4,854	9,954
Materials and supplies	59,689	6,839	66,528
	<u>3,092,066</u>	<u>590,885</u>	<u>3,682,951</u>
Total operating expenses			
TOTAL OPERATING LOSS	<u>3,606,169</u>	<u>870,375</u>	<u>4,476,544</u>
NONOPERATING REVENUE (EXPENSE)			
Interest expense	(17,765)	-	(17,765)
Interest income	9,928	36,993	46,921
Other income and expense	(5,242)	(164)	(5,406)
	<u>(13,079)</u>	<u>36,829</u>	<u>23,750</u>
Total nonoperating revenue (expenses)			
CHANGES IN NET POSITION	3,593,090	907,204	4,500,294
NET ASSETS, BEGINNING OF YEAR	<u>(7,083,891)</u>	<u>(1,299,616)</u>	<u>(8,383,507)</u>
NET ASSETS, END OF YEAR	<u>\$ (3,490,801)</u>	<u>\$ (392,412)</u>	<u>\$ (3,883,213)</u>

See notes to 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 TEN FISCAL YEARS (1)

SCHEDULE III

(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016
The Regulating District's proportion of the net pension liability	0.00529%	0.00458%	0.00400%	0.00452%	0.00456%	0.00472%	0.00473%
The Regulating District's proportionate share of the net pension liability (asset)	\$ (433)	\$ 5	\$ 1,058	\$ 320	\$ 179	\$ 444	\$ 759
The Regulating District's covered-employee payroll	\$ 1,574	\$ 1,687	\$ 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	-27.51%	0.30%	57.45%	20.68%	9.51%	30.75%	55.36%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%

(1) 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 TEN FISCAL YEARS (1)

SCHEDULE IV

(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 302	\$ 267	\$ 202	\$ 232	\$ 222	\$ 282
Contributions in relation to the contractually required contribution	<u>302</u>	<u>267</u>	<u>202</u>	<u>232</u>	<u>222</u>	<u>282</u>
Contributions deficiency (excess)	<u>\$ -</u>					
The Regulating District's covered-employee payroll (2)	\$ 1,574	\$ 1,687	\$ 1,842	\$ 1,548	\$ 1,882	\$ 1,444
Contributions as a percentage of covered-employee payroll	19.18%	15.82%	10.97%	14.99%	11.80%	19.53%

(1) The Regulating District implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2017. No data is available prior to fiscal year 2017.

(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, 2022

SCHEDULE V

LAST TEN FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
State's Proportionate Share of the Total OPEB liability			
Attributable to the Regulating District's retirees			
Service cost	\$ 464,617	\$ 351,672	\$ 372,987
Interest	333,229	382,008	599,102
Difference between expected and actual experience	(3,641,428)	1,118,605	(4,015,089)
Changes in assumptions and other inputs	-	-	-
Benefit payments	<u>(551,755)</u>	<u>(515,651)</u>	<u>(452,638)</u>
Net Change	(3,395,337)	1,336,634	(3,495,638)
State's Proportionate Share of the Total OPEB liability			
Attributable to the Regulating District's retirees			
At beginning of year	<u>\$ 16,834,950</u>	<u>\$ 15,498,316</u>	<u>\$ 18,993,954</u>
At end of year	<u>\$ 13,439,613</u>	<u>\$ 16,834,950</u>	<u>\$ 15,498,316</u>
Regulating District's proportionate share of the Total OPEB Liability	0%	0%	0%
Regulating District Covered-employee payroll ⁽²⁾	\$ 1,573,884	\$ 1,686,615	\$ 1,841,677
Total State OPEB liability as a percentage of Regulating District covered-employee payroll	853.91%	998.15%	841.53%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) 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.

(2) Covered payroll was based on the Regulating District's annual payroll.



**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, 2022 and the related consolidated statements 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 28, 2022.

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regulating Districts's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Galleras Robinson CPAs, LLP

New York, New York
September 28, 2022

**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, 2022

CURRENT YEAR

None noted

PRIOR YEAR

None noted