

# Hudson River-Black River Regulating District

## RESULTS OF JUNE 30, 2023 AUDIT

# Hudson River-Black River Regulating District

I. Required Communications

II. Financial Statement Highlights

III. Exhibits

Exhibit A – Financial Statements with Independent Auditor’s Report

Exhibit B – Management Representation Letter

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT  
JUNE 30, 2023 AUDIT RESULTS**

**REPORT TO THOSE CHARGED WITH GOVERNANCE  
NOVEMBER 7, 2023**

**GALLEROS ROBINSON  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**



November 7, 2023

To the Audit Committee Members  
and Board of Directors of  
Hudson River-Black River Regulating District

We are pleased to present this report related to our audit of the financial statements of Hudson River-Black River Regulating District (the Regulating District) as of and for the fiscal year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Hudson River-Black River Regulating District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Regulating District.

*Galleros Robinson CPAs, LLP*

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT  
REQUIRED COMMUNICATIONS  
JUNE 30, 2023**

U.S. Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

**Our Responsibilities with Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, in our engagement letter dated August 3, 2023. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

**Overview of the Planned Scope and Timing of the Financial Statements Audit**

In the same engagement letter dated August 3, 2023, we have communicated with management regarding the planned scope and timing of our audit and discussed our identification of, and planned audit response to, significant risks of material misstatement.

**Accounting Policies and Practices**

**Preferability of Accounting Policies and Practices**

Financial statements are in accordance with U.S. generally accepted accounting principles as set forth by Governmental Accounting Standards Board (GASB) for proprietary funds – Accrual Basis.

Summary of significant accounting policies are described in Note 2 to the Consolidated Financial Statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT**  
**REQUIRED COMMUNICATIONS – CONTINUED**

**Accounting Policies and Practices –  
Continued**

**Adoption of, or Change in, Accounting  
Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Regulating District. For the year ended June 30, 2023, the Regulating District adopted GASB 94, *Public-Private And Public-Public Partnerships And Availability Payment Arrangements* but did not have an effect on the Regulating District's financial statements. Details are described in Note 3 to the Consolidated Financial Statements.

There are accounting pronouncements that were issued but soon to be adopted. Details are described in Note 4 to the Consolidated Financial Statements (among others, GASB 101, *Compensated Absences*).

**Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Management's Judgments and  
Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Hudson River-Black River's management to make estimates and assumptions that affect certain reported amounts and disclosures in the Regulating District's financial statements. The Summary of Significant Accounting Policies, including use of estimates is described as Note 2 to the financial statements.

**Audit Adjustments**

There were 41 combined audit adjustments made to the original schedule presented to us to begin our audit (Refer to Attachment 1 to this report)

**Uncorrected Misstatements**

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT  
REQUIRED COMMUNICATIONS – CONTINUED**

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

**Consultations with Other  
Accountants**

We are not aware of any consultation's management had with other accountants about accounting or auditing matters.

**Communication That No Material  
Weaknesses in Internal Control  
Over Financial Reporting**

We did not identify a deficiency in internal control over financial reporting that we consider to be a material weakness.

**Significant Difficulties Encountered  
in Performing the Audit**

We did not encounter any difficulties in dealing with management during the audit.

**Significant Written Communications  
Between Management and Our  
Firm**

A copy of the representation letter to be provided to us by Management is attached as Exhibit B.

Client: **3002 - Hudson River-Black River Regulating Board**  
 Engagement: **3002 - Hudson River-Black River Regulating District**  
 Period Ending: **6/30/2023**  
 Trial Balance: **3601 - Hudson River Trial Balance**  
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
		<b>6002</b>		
To correct beginning fund baalnce				
HR3000-0000	Fund Balance		2,381.00	
HR1700-0962	Def. Outflow:GABS 96 Amoritization Expense			2,379.00
HR4010-0000	Miscellaneous			2.00
<b>Total</b>			<b>2,381.00</b>	<b>2,381.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
		<b>5202</b>		
To correct the ending balance of compensated absences as of 6.30.23				
HR6010-0100	Salaries - Vacation/Sick		15,540.00	
HR2005-0009	Compensated Absences			15,540.00
<b>Total</b>			<b>15,540.00</b>	<b>15,540.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
		<b>5411</b>		
To recognize the reduction to OPEB liability due to differences between expected & actual experience & change of assumptions of 6/30/2023				
HR2031-0000	OPEB Liability Payable		207,731.00	
HR5070-0500	Pension & Retirement			207,731.00
<b>Total</b>			<b>207,731.00</b>	<b>207,731.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
		<b>5411</b>		
To recognize OPEB expense for the year				
HR5070-0500	Pension & Retirement		163,027.00	
HR2031-0000	OPEB Liability Payable			163,027.00
<b>Total</b>			<b>163,027.00</b>	<b>163,027.00</b>

<b>Adjusting Journal Entries JE # 5</b>		<b>4503</b>		
To record depreciation expenses in FY2023				
HR6000-0200	Depreciation Expense		121,048.00	
HR6000-0300	Depreciation Expense		67,014.00	
HR6000-0400	Depreciation Expense		12,123.00	
HR6000-0500	Depreciation Expense		9,661.00	
HR1600-0201	Accum. Depr.:SFO sub account			9,661.00
HR1610-0201	Accum. Depr.:SFO sub account			67,014.00
HR1620-0101	Accum. Depr.:New sub account			12,123.00
HR1650-0301	Accum Depr Dams:Conklingville sub account			121,048.00
<b>Total</b>			<b><u>209,846.00</u></b>	<b><u>209,846.00</u></b>
<b>Adjusting Journal Entries JE # 6</b>		<b>4302</b>		
To zero out the balance of Prepaid Taxes as of June 30, 2023				
HR5900-0200	Taxes		604,612.00	
HR1340-0000	Prepaid Taxes			604,612.00
<b>Total</b>			<b><u>604,612.00</u></b>	<b><u>604,612.00</u></b>
<b>Adjusting Journal Entries JE # 7</b>		<b>5102</b>		
To correct FY2023 audit fee accrual				
HR5691-0500	Accounting Audit & Consulting		250.00	
HR2095-0000	Accrued A/P			250.00
<b>Total</b>			<b><u>250.00</u></b>	<b><u>250.00</u></b>
<b>Adjusting Journal Entries JE # 8</b>		<b>5102</b>		
To reverse the Walden invoices already recognize in FY 2022				
HR2095-0000	Accrued A/P		38,158.00	
HR5695-0300	Engineering Consultant			38,158.00
<b>Total</b>			<b><u>38,158.00</u></b>	<b><u>38,158.00</u></b>
<b>Adjusting Journal Entries JE # 9</b>		<b>5102</b>		
To reverse the Walden invoices (part of \$7,840) already recognize in FY 2022				
HR2095-0000	Accrued A/P		2,170.00	
HR5695-0300	Engineering Consultant			2,170.00
<b>Total</b>			<b><u>2,170.00</u></b>	<b><u>2,170.00</u></b>

**Adjusting Journal Entries JE # 10**

5402

To adjust current DI and DO and pension liability

HR1700-0000	Def. Outflow	57,127.00	
HR1700-0006	Def. Outflow:GASB 68	14,196.00	
HR1700-0007	Def. Outflow:GASB 68	1,021,229.00	
HR5071-0000	GASB Pension	191,209.00	
HR1700-0001	Def. Outflow		31,690.00
HR1700-0002	Def. Outflow		18,475.00
HR1700-0003	Def. Outflow		7,201.00
HR1700-0005	Def. Outflow:GASB 68		154,081.00
HR2400-0000	Prop Share NPL		1,072,314.00
<b>Total</b>		<b><u>1,283,761.00</u></b>	<b><u>1,283,761.00</u></b>

**Adjusting Journal Entries JE # 11**

5402

To correct the balance of deferred inflow and outflow at yearend

HR1210-0000	A/R - Black River Allocation	107,520.00	
HR1700-0000	Def. Outflow	686,160.00	
HR1700-0007	Def. Outflow:GASB 68		793,680.00
<b>Total</b>		<b><u>793,680.00</u></b>	<b><u>793,680.00</u></b>

**Adjusting Journal Entries JE # 12**

5302

To account for bond issuance cost and correct Bond Payable balance as of June 30, 2023

HR5750-0400	Bond Issuance Cost	5,240.00	
HR2100-0000	Bond Payable (Conklingville)		5,240.00
<b>Total</b>		<b><u>5,240.00</u></b>	<b><u>5,240.00</u></b>

**Adjusting Journal Entries JE # 13**

5402

BR Allocation of pension contribution

HR1210-0000	A/R - Black River Allocation	24,317.00	
HR5070-0500	Pension & Retirement	9,296.00	
HR7010-0500	BR - Monthly Allocation	60,324.00	
HR5070-0500	Pension & Retirement		59,127.00
HR5070-0600	Pension & Retirement		15,087.00
HR5070-0700	Pension & Retirement		19,723.00
<b>Total</b>		<b><u>93,937.00</u></b>	<b><u>93,937.00</u></b>

<b>Adjusting Journal Entries JE # 14</b>	<b>5402</b>		
To correct the allocation of net pension liability related to GASB68 at yearend			
HR1210-0000	A/R - Black River Allocation	26,343.00	
HR2400-0000	Prop Share NPL		26,343.00
<b>Total</b>		<b><u>26,343.00</u></b>	<b><u>26,343.00</u></b>
<b>Adjusting Journal Entries JE # 15</b>	<b>4602</b>		
To record subscription payment (Sage) and recognize amortization expense for FY2023			
HR1700-0962	Def. Outflow:GABS 96 Amoritization Expense	2,595.00	
HR2600-0960	Subscription Liability:GASB 96	2,622.00	
HR1600-0961	Accum. Depr.:GABS 96 Accumulated Depreciation		2,595.00
HR5315-0500	Computer Software		2,622.00
<b>Total</b>		<b><u>5,217.00</u></b>	<b><u>5,217.00</u></b>
<b>Adjusting Journal Entries JE # 16</b>	<b>4602</b>		
To record subscription asset and liability			
HR1600-0960	Accum. Depr.:GASB 96 Right if Use Asset	53,518.00	
HR2600-0960	Subscription Liability:GASB 96		53,518.00
<b>Total</b>		<b><u>53,518.00</u></b>	<b><u>53,518.00</u></b>
<b>Adjusting Journal Entries JE # 17</b>	<b>4602</b>		
To record subscription payment and recognize amortization expense for FY2023			
HR1700-0962	Def. Outflow:GABS 96 Amoritization Expense	4,460.00	
HR2600-0960	Subscription Liability:GASB 96	4,386.00	
HR1600-0961	Accum. Depr.:GABS 96 Accumulated Depreciation		4,460.00
HR5690-0500	Computer Consultant		4,386.00
<b>Total</b>		<b><u>8,846.00</u></b>	<b><u>8,846.00</u></b>
<b>Adjusting Journal Entries JE # 18</b>	<b>5503</b>		
To recognize right of use asset and lease liability at lease inception for office space - Albany			
HR1700-0872	Def. Outflow:GASB 87 Right of Use Asset	235,876.00	
HR2500-0870	Lease Liability-GASB 87:GASB 87		235,876.00
<b>Total</b>		<b><u>235,876.00</u></b>	<b><u>235,876.00</u></b>

**Adjusting Journal Entries JE # 19**

5503

To record lease payment and amortization of right of use asset for FY2023

HR2500-0870	Lease Liability-GASB 87:GASB 87	22,391.00	
HR5715-0870	Int. Exp- GASB 87:GASB 87	1,450.00	
HR5830-0870	Equipment Rental:GASB 87 Amoritization Exp. ROU	23,508.00	
HR1700-0871	Def. Outflow:GASB 87 Accumulated Amoritization ROU		23,508.00
HR5660-0500	Rent		22,929.00
HR5830-0200	Equipment Rental		912.00
<b>Total</b>		<b>47,349.00</b>	<b>47,349.00</b>

**Adjusting Journal Entries JE # 20**

5503

To correct prior year accumulated amortization for parking spaces

HR5830-0870	Equipment Rental:GASB 87 Amoritization Exp. ROU	7,348.00	
HR1700-0871	Def. Outflow:GASB 87 Accumulated Amoritization ROU		7,348.00
<b>Total</b>		<b>7,348.00</b>	<b>7,348.00</b>

**Adjusting Journal Entries JE # 21**

5504

To record payment received and recignize lease revenue for FY2023

HR1700-0870	Def. Inflow of Resources:GASB 87	704,996.00	
HR4000-0000	Water Power Service	745,240.00	
HR1210-0870	A/R:GASB 87		735,471.00
HR4000-0870	Water Power Service:GASB 87 Lease Liability		704,996.00
HR4050-0870	Interest Revenue :GASB 87		9,769.00
<b>Total</b>		<b>1,450,236.00</b>	<b>1,450,236.00</b>

**Adjusting Journal Entries JE # 22**

3800.02a

To adjust interest earned on debt service reserve as of June 30, 2023

HR1052-0000	Debt Service Reserve at M&T	350.00	
HR4082-0000	Interest Earned on Debt Service Reserve		350.00
<b>Total</b>		<b>350.00</b>	<b>350.00</b>

**Adjusting Journal Entries JE # 23**

5310

To record interest and bond subsidy revenue on equity funded

HR5730-0500	Interest Expense	9,513.00	
HR4099-0099	Bond Subsidy Revenue		9,513.00
<b>Total</b>		<b>9,513.00</b>	<b>9,513.00</b>

**Adjusting Journal Entries JE # 24**

5310

o accrue interest on bond funded as of June 30, 2023

HR5730-0500	Interest Expense	6,213.00	6,213.00
HR2099-0099	Accrued Interest Payable		
<b>Total</b>		<u><b>6,213.00</b></u>	<u><b>6,213.00</b></u>
<b>Total Adjusting Journal Entries</b>		<u><b>5,271,142.00</b></u>	<u><b>5,271,142.00</b></u>
<b>Total All Journal Entries</b>		<u><b>5,271,142.00</b></u>	<u><b>5,271,142.00</b></u>

Client: **3002 - Hudson River-Black River Regulating Board**  
 Engagement: **3002 - Hudson River-Black River Regulating District**  
 Period Ending: **6/30/2023**  
 Trial Balance: **3602 - Black River Regulating District**  
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
		<b>6002</b>		
To correct beginning fund balance				
BR1000-0004	Black River Area Office (Watertown): Petty Cash		50.00	
BR3000-0000	Fund Balance			49.00
BR4010-0000	Miscellaneous Income			1.00
<b>Total</b>			<b>50.00</b>	<b>50.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
		<b>6002</b>		
To reverse adjustment made to petty cash				
BR4010-0000	Miscellaneous Income		50.00	
BR1000-0004	Black River Area Office (Watertown): Petty Cash			50.00
<b>Total</b>			<b>50.00</b>	<b>50.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
		<b>5202</b>		
To correct the ending balance of BR compensated absences as of 6.30.23				
BR6050-0000	Compensated Absences		9,920.00	
BR2005-0009	Compensated Absences			9,920.00
<b>Total</b>			<b>9,920.00</b>	<b>9,920.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
		<b>5411</b>		
To recognize the reduction to OPEB liability due to differences between expected & actual experience & change of assumptions of 6/30/2023				
BR2030-0000	OPEB-BR		79,151.00	
BR5070-0600	PS & B:Pension/Retirement			79,151.00
<b>Total</b>			<b>79,151.00</b>	<b>79,151.00</b>

<b>Adjusting Journal Entries JE # 5</b>	<b>5411</b>		
To recognize OPEB expense for the year			
BR5070-0600    PS & B:Pension/Retirement		62,117.00	
BR2030-0000    OPEB-BR			62,117.00
<b>Total</b>		<b>62,117.00</b>	<b>62,117.00</b>
<b>Adjusting Journal Entries JE # 6</b>	<b>2542</b>		
To record entry in the GL not reflected in the Trial Balance			
BR5695-0000    Engr.Consultant:Hawk		38,212.00	
BR2090-0000    Accounts Payable			38,212.00
<b>Total</b>		<b>38,212.00</b>	<b>38,212.00</b>
<b>Adjusting Journal Entries JE # 7</b>	<b>4504</b>		
To record the depreciation expense for FYE2023			
BR6000-0000    Depreciation Exp.		18,210.00	
BR1600-0611    Accumulated Deprecia:Bras Sub			8,400.00
BR1600-0711    Accumulated Deprecia:Stillwater Sub			9,810.00
<b>Total</b>		<b>18,210.00</b>	<b>18,210.00</b>
<b>Adjusting Journal Entries JE # 8</b>	<b>4302</b>		
To zero out the balance of Prepaid Taxes as of June 30, 2023			
BR5900-0000    Taxes - Hawkinsville		4,884.00	
BR5900-0700    Taxes:Stillwater/Hawkinsville		11,100.00	
BR1340-0000    Prepaid Taxes			15,984.00
<b>Total</b>		<b>15,984.00</b>	<b>15,984.00</b>
<b>Adjusting Journal Entries JE # 9</b>	<b>5402</b>		
To adjust current DI and DO and pension liability			
BR1700-0000    Def Outflow		21,767.00	
BR1700-0006    Def Outflow:GASB 68 Outflow		5,409.00	
BR1700-0007    Def Outflow:GASB 68 Outflow		389,114.00	
BR5071-0000    GASB Pension Exp		72,854.00	
BR1700-0001    Def Outflow:Def Out			12,075.00
BR1700-0002    Def Outflow:Def Out			7,039.00
BR1700-0003    Def Outflow:Def Out			2,744.00
BR1700-0005    Def Outflow:GASB 68 Outflow			58,708.00
BR2400-0000    GASB:68			408,578.00
<b>Total</b>		<b>489,144.00</b>	<b>489,144.00</b>

<b>Adjusting Journal Entries JE # 10</b>	<b>5402</b>		
To correct the balance of deferred inflow and outflow at yearend			
BR1700-0006    Def Outflow:GASB 68 Outflow		793,681.00	
BR1210-0000    Notes Receivable - HR			107,520.00
BR1700-0000    Def Outflow			686,161.00
<b>Total</b>		<b><u>793,681.00</u></b>	<b><u>686,161.00</u></b>
<b>Adjusting Journal Entries JE # 11</b>	<b>5402</b>		
BR Allocation of pension contribution from HR			
BR5070-0600    PS & B:Pension/Retirement		24,317.00	
BR2095-0000    Accounts Payable-HR			24,317.00
BR5070-0700    PS & B:Pension/Retirement			
<b>Total</b>		<b><u>24,317.00</u></b>	<b><u>24,317.00</u></b>
<b>Adjusting Journal Entries JE # 12</b>	<b>5402</b>		
To correct the allocation of net pension liability related to GASB68 at yearend			
BR2400-0000    GASB:68		26,343.00	
BR1210-0000    Notes Receivable - HR			26,343.00
<b>Total</b>		<b><u>26,343.00</u></b>	<b><u>26,343.00</u></b>
<b>Adjusting Journal Entries JE # 13</b>	<b>4504</b>		
To capitalize expenses and engineering fees incurred in rehabilitation of the Hawkinsville dam			
BR1480-0000    Construction in Progress		1,413,191.00	
BR5650-0000    Repairs to Structures:Hawk			1,226,711.00
BR5695-0000    Engr.Consultant:Hawk			186,480.00
<b>Total</b>		<b><u>1,413,191.00</u></b>	<b><u>1,413,191.00</u></b>
<b>Adjusting Journal Entries JE # 14</b>	<b>4504</b>		
To recognize CIP for the unpaid invoices in rehabilitation of Hawkinsvill dam as of June 30, 2023			
BR1480-0000    Construction in Progress		743,920.00	
BR2090-0000    Accounts Payable			743,920.00
<b>Total</b>		<b><u>743,920.00</u></b>	<b><u>743,920.00</u></b>

**Adjusting Journal Entries JE # 15**

5503

To record lease payment and amortization of right od use asset for FY2023

BR2500-0999	Lease Liability - GASB 87	9,637.00	
BR5715-0999	C Svcs:Interest :Right of Use-GASB 87	203.00	
BR5830-0999	C Svcs:Amortization Exp ROU:Right of Use-GASB 87	9,709.00	
BR1700-0998	Def Outflow:Accumulated Depreciation ROU		9,709.00
BR5660-0600	C Svcs:Rent:General		9,840.00
<b>Total</b>		<b>19,549.00</b>	<b>19,549.00</b>

**Adjusting Journal Entries JE # 16**

5504

To record payment received and recognize lease revenue for FY2023

BR1700-0870	GASB 87 Deferred Inflow of Resources	39,249.00	
BR4000-0000	Water Power Income	42,208.00	
BR1210-0870	Lease Receivable - GASB 87		41,237.00
BR4040-0870	Lease Revenue - GASB 87		39,249.00
BR4050-0870	Interest Revenue - GASB 87		971.00
<b>Total</b>		<b>81,457.00</b>	<b>81,457.00</b>

**Adjusting Journal Entries JE # 17**

4303

To close out negative balance in prepaid interest

BR1343-0000	Prepd Int	3,167.00	
BR4090-9999	Other Income:Other		3,167.00
<b>Total</b>		<b>3,167.00</b>	<b>3,167.00</b>

**Total Adjusting Journal Entries**

**3,818,463.00**      **3,818,463.00**

**Total All Journal Entries**

**3,818,463.00**      **3,818,463.00**

# FINANCIAL STATEMENT HIGHLIGHTS

## JUNE 30, 2023

# Hudson River-Black River Regulating District Consolidated Statements of Financial Position

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 8,737,935	\$ 6,323,528	\$ 2,414,407
Accounts receivable, net	518,786	518,786	-
Lease receivable	-	776,708	(776,708)
Prepaid expenses	<u>35,778</u>	<u>653,207</u>	<u>(617,429)</u>
Total current assets	9,292,499	8,272,229	1,020,270
Right-to-use subscription assets	49,275	2,812	46,463
Capital assets, net	4,293,235	2,364,180	1,929,055
Right-of-use assets, net	<u>259,942</u>	<u>64,631</u>	<u>195,311</u>
Total assets	<u>13,894,951</u>	<u>10,703,852</u>	<u>3,191,099</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>848,464</u>	<u>1,051,639</u>	<u>(203,175)</u>

# Hudson River-Black River Regulating District

## Consolidated Statements of Financial Position - continued

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	809,419	62,260	747,159
Compensated absences	497,701	472,241	25,460
Bonds payable	25,000	-	25,000
Subscription liabilities	17,274	2,620	14,654
Lease liabilities	<u>65,627</u>	<u>-</u>	<u>65,627</u>
Total current liabilities	<u>1,415,021</u>	<u>537,121</u>	<u>877,900</u>
Noncurrent liabilities			
Bonds payable, net of current portion	795,689	-	795,689
Subscription liabilities, net of current portion	31,856	-	31,856
Notes payable	-	749,343	(749,343)
Lease liabilities, net of current portion	195,949	57,728	138,221
Proportionate share of NYS retirement net pension liability (asset)	1,048,317	(432,575)	1,480,892
Other post employment benefits	<u>13,377,875</u>	<u>13,439,613</u>	<u>(61,738)</u>
Total noncurrent liabilities	<u>15,449,686</u>	<u>13,814,109</u>	<u>1,635,577</u>
Total liabilities	<u>16,864,707</u>	<u>14,351,230</u>	<u>2,513,477</u>

# Hudson River-Black River Regulating District

## Consolidated Statements of Financial Position - continued

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>65,075</u>	<u>2,229,324</u>	<u>(2,164,249)</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,293,235	2,364,180	1,929,055
Net investment in right-of-use assets	259,942	64,631	195,311
Unrestricted	<u>(6,739,544)</u>	<u>(7,253,874)</u>	<u>514,330</u>
Total net position	<u>\$ (2,186,367)</u>	<u>\$ (4,825,063)</u>	<u>\$ 2,638,696</u>

# Hudson River-Black River Regulating District

## Statements of Activities and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>OPERATING REVENUES</b>			
Assessments	\$ 4,722,206	\$ 4,726,516	\$ (4,310)
New York State assessments	1,250,000	1,250,000	-
Water power service	788,716	-	788,716
Lease revenue	744,245	1,488,491	(744,246)
Permit fees	561,343	563,198	(1,855)
Other	9,138	131,290	(122,152)
Total operating revenues	<u>8,075,648</u>	<u>8,159,495</u>	<u>(83,847)</u>

## Hudson River-Black River Regulating District Statement of Activities and Changes in Net Position - continued

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>OPERATING EXPENSES</b>			
Personnel service and employee benefits	2,886,609	2,662,428	224,181
Other post-employment benefits	409,137	(3,297,080)	3,706,217
Real estate taxes	620,596	3,147,931	(2,527,335)
Contractual services	1,438,051	1,807,484	(369,433)
Depreciation	228,056	228,056	-
Amortization	47,620	9,954	37,666
Materials and supplies	60,485	66,528	(6,043)
Total operating expenses	<u>5,690,554</u>	<u>4,625,301</u>	<u>1,065,253</u>
<b>TOTAL OPERATING INCOME</b>	<u>2,385,094</u>	<u>3,534,194</u>	<u>(1,149,100)</u>

## Hudson River-Black River Regulating District Statement of Activities and Changes in Net Position - continued

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest expense	(39,678)	(17,265)	(22,413)
Interest income	285,788	46,921	238,867
Other income and expense, net	<u>7,492</u>	<u>(5,406)</u>	<u>12,898</u>
Total nonoperating revenue	<u>253,602</u>	<u>24,250</u>	<u>229,352</u>
<b>CHANGES IN NET POSITION</b>	2,638,696	3,558,444	(919,748)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(4,825,063)</u>	<u>(8,383,507)</u>	<u>3,558,444</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$(2,186,367)</u>	<u>\$(4,825,063)</u>	<u>\$2,638,696</u>

# Hudson River-Black River Regulating District Consolidated Statements of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from assessment beneficiaries	\$ 5,972,206	\$ 5,985,486	\$ (13,280)
Cash received from water power services	788,716	-	788,716
Cash received from leases	744,245	1,488,491	(744,246)
Cash received from permit fees	561,343	563,198	(1,855)
Other cash receipts	9,138	131,290	(122,152)
Payments to vendors and suppliers for goods and servic	(220,720)	(3,633,392)	3,412,672
Payments to employees	<u>(3,608,358)</u>	<u>(4,394,511)</u>	<u>786,153</u>
Net cash from operating activities	<u>4,246,570</u>	<u>140,562</u>	<u>4,106,008</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of capital assets	(2,157,111)	-	(2,157,111)
Investment income received	<u>253,602</u>	<u>24,250</u>	<u>229,352</u>
Net cash from investing activities	<u>(1,903,509)</u>	<u>24,250</u>	<u>(1,927,759)</u>

# Hudson River-Black River Regulating District Consolidated Statements of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bonds payable	820,689	-	820,689
Payment of notes payable	<u>(749,343)</u>	<u>(15,500)</u>	<u>(733,843)</u>
Net cash used for financing activities	<u>71,346</u>	<u>(15,500)</u>	<u>86,846</u>
Net change in cash and cash equivalents	2,414,407	149,312	2,265,095
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>6,323,528</u>	<u>6,174,216</u>	<u>149,312</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 8,737,935</u>	<u>\$ 6,323,528</u>	<u>\$ 2,414,407</u>

# EXHIBIT A

## Consolidated Financial Statements

**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, 2023 and 2022

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

JUNE 30, 2023 AND 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2023 and 2022 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 of the business-type activities of the Regulating District as of June 30, 2023 and 2022, 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.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11 and information related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 44-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regulating District's financial statements. The accompanying combining schedule of net position and combining schedule of activities and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of net position and combining schedule of activities and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regulating District's 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 27, 2023

**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, 2023 and 2022

## **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, 2023 and 2022. 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 12 and 13, respectively) provide both long-term and short-term information about the Regulating District's overall financial status. The Statements of Cash Flows (on page 14) provide 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, safeguarding of funds and financial recordkeeping in accordance with New York State statute. The management of both regions is vested in a seven-member Board appointed by the Governor of New York State. The Regulating District Board formulates policies and promulgates rules and regulations necessary to fulfill its mission in the Hudson River Area at Great Sacandaga Lake (also in accordance with the Upper Hudson/Sacandaga Offer of Settlement) and Indian Lake, and in the Black River Area at Stillwater, Old Forge, Sixth Lake and Hawkinsville.

## **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, 2023 and 2022

### **2. Regulating District Activities - Continued**

The Regulating District currently receives its primary funding from statutorily defined beneficiaries. In the Hudson River Area, that beneficiary group includes the counties of Albany, Rensselaer, Saratoga, Warren, and Washington, (the "five counties") and the State of New York, that directly benefit from flood protection. In the Black River Area, that beneficiary group includes the counties of Jefferson, Lewis, Herkimer, Oneida, and Hamilton that directly benefit from flood protection and flow augmentation, hydroelectric power generators and the State of New York that benefit from augmented river flow. These beneficiaries are annually assessed their proportional share of Regulating District operating expenses. A secondary revenue source comes from agreements that provide annual revenue in exchange for use of property interests 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 River Area. The Regulating District also operates Indian Lake Reservoir and Dam.

**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, 2023 and 2022

**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 and a dam at Hawkinsville.

**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 Area Field Office.

**4. Operations Summary**

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

	Hudson River Area	
	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 6,286	\$ 6,698
Operating expenses	<u>(4,107)</u>	<u>(3,780)</u>
Operating revenue	2,179	2,918
Net nonoperating revenue (expense)	<u>155</u>	<u>(13)</u>
Changes in net position	<u>\$ 2,334</u>	<u>\$ 2,905</u>
	Black River Area	
	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 1,790	\$ 1,461
Operating expenses	<u>(1,584)</u>	<u>(845)</u>
Operating revenue	206	616
Net nonoperating revenue	<u>98</u>	<u>37</u>
Changes in net position	<u>\$ 304</u>	<u>\$ 653</u>

From fiscal year June 30, 2022 to June 30, 2023, recurring operating revenues remained relatively 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.

**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, 2023 and 2022

**4. Operations Summary - Continued**

Operating expenses for the fiscal year ended June 30, 2023 rose because of changes in other post-employment benefits and real estate taxes expenses. 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, 2023 and 2022, respectively.

The Regulating District is required by its enabling statute to adopt annual budgets every three fiscal years. Fiscal Year 2022-23 is the second 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 each of its Fiscal Year 2021-22 and 2022-23 budgets, the State of New York appropriated \$20 million to finance additional engineering and construction work on the Conklingville Dam. In its Fiscal Year 2023-24 budget, the State of New York appropriated \$20 million to finance additional engineering and construction work on the Conklingville, Old Forge and Sixth Lake dams. 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 began making these municipal and school Real Property Tax payments. This change will yield fiscal relief to the Regulating District of approximately \$3.1 million.

**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, 2023 and 2022

**5. Statements of Net Position Summary**

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

	<u>2023</u>	<u>2022</u>
Depreciable assets:		
Dam structures	\$ 14,105	\$ 14,105
Building and improvements	3,037	3,037
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	<u>(16,137)</u>	<u>(15,909)</u>
Net book value of depreciable assets	2,128	2,356
Nondepreciable assets:		
Land	8	8
Construction in-progress	<u>2,157</u>	<u>-</u>
Total nondepreciable assets	<u>2,165</u>	<u>8</u>
Net book value of capital asses	4,293	2,364
Net book value of right-of-use assets	260	65
Right-to-use subscription assets	49	3
Current assets	<u>9,293</u>	<u>8,272</u>
Total assets	<u>13,895</u>	<u>10,704</u>
Deferred outflows of resources	<u>848</u>	<u>1,052</u>
Current liabilities	1,414	538
Long-term liabilities	<u>15,450</u>	<u>13,814</u>
Total liabilities	<u>16,864</u>	<u>14,352</u>
Deferred inflows of resources	<u>65</u>	<u>2,229</u>
Net position		
Net investment in capital assets	4,293	2,364
Net investment in right-of-use assets	260	65
Unrestricted	<u>(6,739)</u>	<u>(7,254)</u>
Total net position	<u>\$ (2,186)</u>	<u>\$ (4,825)</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.

**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, 2023 and 2022

**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**

The Regulating District undertook a significant rehabilitation of its Hawkinsville Dam, located near Boonville, NY. The \$2.8 million project is expected to be substantially completed in September 2023. Work completed during the 2022-23 fiscal year represents the vast majority of the increase in capital assets in comparison to the prior fiscal year.

Final Design was completed for the rehabilitation of the Indian Lake Dam, located in Indian Lake, NY. Construction is expected to commence in October 2023 with financing finalized shortly thereafter.

Collaboration with the New York State Office of General Services to identify recommendations for the rehabilitation of the Conklingville Dam, located in Hadley, NY is ongoing.

During 2023, the Regulating District increased their capital assets by \$1,929,055 due to the net effect of depreciation expense and capitalization of construction in-progress.

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, New York.

On November 2, 2020, the Regulating District amended and restated its note with EFC, effectively extending the maturity until November 2, 2022. On November 22, 2022, this short-term financing was converted to a long-term financing. When combined with the mandated debt service reserve fund and associated costs of issuance, the Regulating District now owes \$820,689 with a final payment scheduled for September 1, 2052.

## **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, 2023 and 2022

### **8. Financial Condition**

The Regulating District's financial condition is strong, with structural balance achieved in previous years thanks in large part to New York State's support for infrastructure investment and assumption of responsibility for school and municipal real property tax payments on state-owned lands for which the Regulating District has responsibility. The Regulating District's Total Net Position, while still negative as of June 30, 2023, has improved by more than \$8 million since June 30, 2019.

The Hudson River Area's revenue streams have been relatively stable for many years. Its reservoir operating agreement with Erie Boulevard Hydropower expired on June 30, 2023 after many attempts over multiple years to negotiate a new agreement failed. See Section 9 for additional information on this event.

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 eight times and is now set to expire on September 30, 2023. 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 Regulating District infrastructure.

### **9. Potential Future Economic Event**

The Regulating District filed with the Federal Energy Regulatory Commission (FERC) a Report of Dispute on November 30, 2022 and a Petition for Declaratory Order on January 25, 2023 seeking an order from FERC that would favorably resolve its dispute with Erie Boulevard Hydropower L.P. in the Regulating District's Hudson River Area. FERC issued an order on June 15, 2023 that granted a part of the Regulating District's request but also granted a part of Erie's counter-request. The result is the reservoir operating agreement that the Regulating District had with Erie (and its predecessors) going back to 1927 is no longer in effect. In the Fiscal Year 2023-24 budget for the Hudson River Area, this outcome will result in a loss of revenue of \$1,535,168 absent resumption and a positive outcome of negotiations with Erie or other actions the Regulating District may take to restore this source of funds. All documents pertaining to this situation can be found on the Regulating District's web site at <https://hrbrdd.ny.gov/brookfield-dispute/>.

### **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, 54 State Street, Suite 501, Albany, New York 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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 8,737,935	\$ 6,323,528
Accounts receivable, net	518,786	518,786
Lease receivable	-	776,708
Prepaid expenses	35,778	653,207
Total current assets	9,292,499	8,272,229
Right-to-use subscription assets	49,275	2,812
Capital assets, net	4,293,235	2,364,180
Right-of-use assets, net	259,942	64,631
Total assets	13,894,951	10,703,852
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>848,464</u>	<u>1,051,639</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	809,419	62,260
Compensated absences	497,701	472,241
Bonds payable	25,000	-
Subscription liabilities	17,274	2,620
Lease liabilities	65,627	-
Total current liabilities	1,415,021	537,121
Noncurrent liabilities		
Bonds payable, net of current portion	795,689	-
Subscription liabilities, net of current portion	31,856	-
Notes payable	-	749,343
Lease liabilities, net of current portion	195,949	57,728
Proportionate share of NYS retirement net pension liability (asset)	1,048,317	(432,575)
Other post employment benefits	13,377,875	13,439,613
Total noncurrent liabilities	15,449,686	13,814,109
Total liabilities	16,864,707	14,351,230
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>65,075</u>	<u>2,229,324</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,293,235	2,364,180
Net investment in right-of-use assets	259,942	64,631
Unrestricted	(6,739,544)	(7,253,874)
Total net position	\$ (2,186,367)	\$ (4,825,063)

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES</b>		
Assessments	\$ 4,722,206	\$ 4,726,516
New York State assessments	1,250,000	1,250,000
Water power service	788,716	-
Lease revenue	744,245	1,488,491
Permit fees	561,343	563,198
Other	9,138	131,290
Total operating revenues	<u>8,075,648</u>	<u>8,159,495</u>
<b>OPERATING EXPENSES</b>		
Personnel service and employee benefits	2,886,609	2,662,428
Other post-employment benefits	409,137	(3,297,080)
Real estate taxes	620,596	3,147,931
Contractual services	1,438,051	1,807,484
Depreciation	228,056	228,056
Amortization	47,620	9,954
Materials and supplies	60,485	66,528
Total operating expenses	<u>5,690,554</u>	<u>4,625,301</u>
<b>TOTAL OPERATING INCOME</b>	<u>2,385,094</u>	<u>3,534,194</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest expense	(39,678)	(17,265)
Interest income	285,788	46,921
Other income and expense, net	7,492	(5,406)
Total nonoperating revenue	<u>253,602</u>	<u>24,250</u>
<b>CHANGES IN NET POSITION</b>	2,638,696	3,558,444
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(4,825,063)</u>	<u>(8,383,507)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (2,186,367)</u>	<u>\$ (4,825,063)</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from assessment beneficiaries	\$ 5,972,206	\$ 5,985,486
Cash received from water power services	788,716	-
Cash received from leases	744,245	1,488,491
Cash received from permit fees	561,343	563,198
Other cash receipts	9,138	131,290
Payments to vendors and suppliers for goods and services	(220,720)	(3,633,392)
Payments to employees	<u>(3,608,358)</u>	<u>(4,394,511)</u>
Net cash from operating activities	<u>4,246,570</u>	<u>140,562</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,157,111)	-
Investment income received	<u>253,602</u>	<u>24,250</u>
Net cash from investing activities	<u>(1,903,509)</u>	<u>24,250</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bonds payable	820,689	-
Payment of notes payable	<u>(749,343)</u>	<u>(15,500)</u>
Net cash used for financing activities	<u>71,346</u>	<u>(15,500)</u>
Net change in cash and cash equivalents	2,414,407	149,312
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>6,323,528</u>	<u>6,174,216</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 8,737,935</u>	<u>\$ 6,323,528</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net position	\$ 2,638,696	\$ 3,558,444
Adjustments to reconcile changes in net position to net cash flow from operating activities:		
Investment income	(253,602)	(24,250)
Depreciation	228,056	228,056
Amortization	47,620	9,954
Decrease (increase) in assets:		
Accounts receivable	-	8,970
Lease receivables	776,708	1,456,028
Right-to-use subscription assets	(60,867)	(5,191)
Prepaid expenses	617,429	4,799
Right-of-use assets	(228,527)	(65,868)
Deferred outflow	203,175	82,385
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses payable	747,159	(3,837)
Subscription liability	46,510	2,620
Compensated absences	25,460	20,043
Lease liabilities	203,848	51,390
Proportionate share of net pension liability	1,480,892	(437,131)
Deferred inflow	(2,164,249)	(1,350,513)
Other post employment benefits obligation	<u>(61,738)</u>	<u>(3,395,337)</u>
Net cash from operating activities	<u>\$ 4,246,570</u>	<u>\$ 140,562</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

**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 - CONTINUED**

**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, 2023 and 2022, the Regulating District also had funds held by New York State in Short Term Investment Pool (“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 - CONTINUED**

**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 \$518,786 at June 30, 2023 and 2022, respectively, are recorded net of the allowance for doubtful accounts of \$914,580 and \$914,580 at June 30, 2023 and 2022, respectively.

The Regulating District continuously monitors outstanding accounts receivable for collectability. During the years ended June 30, 2023 and 2022, 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.

***Right-to-use Subscription Assets***

Right-to-use subscription assets are measured as the sum of (1) present value of subscription payments expected to be made during the subscription term plus (2) payments made before commencement of the subscription term, and (3) any capitalizable implementation costs, less any incentives received at or before the commencement of the subscription term. It is amortized on a straight-line basis over the subscription term.

***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
Office and other equipment	5 - 7 years
Vehicles	5 years

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Right-of-Use Assets***

The right-of-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-of-use assets are amortized on a straight-line basis using the lesser of the life of the related lease or the life of the identifiable asset.

***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.

The components of deferred outflows and inflows of resources as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<i>Deferred Outflows</i>		
Pensions	\$ 848,464	\$ 1,051,639
<i>Deferred Inflows</i>		
Pensions	\$ 65,075	\$ 1,485,079
Leases	-	744,245
	<u>\$ 65,075</u>	<u>\$ 2,229,324</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Pensions***

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

***Other Postemployment Benefits ("OPEB")***

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

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

***Budgets***

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

***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 - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Revenue Recognition - 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, realized/unrealized gains or losses on sales of investments, and bond subsidy revenue. Non-operating expense primarily reflects interest expense on financing arrangements. At June 30, 2023 and 2022, the Regulating District did not own any investment assets other than the funds held in STIP. At June 30, 2023, the funds held by the Trustee in the Debt Service Reserve Fund established in connection with the bond payable to the New York State Environmental Facilities Corporation were added to the Regulating District's investment portfolio.

***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  
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**3. ACCOUNTING PRONOUNCEMENTS ADOPTED DURING THE YEAR**

*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”). This Statement does not have any effect on the Regulating District’s financial statements.

**4. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED**

*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>2023</u>	<u>2022</u>
Carrying value	\$ 388,029	\$ 864,122
Bank balance	571,377	1,098,425

Deposits held in STIP, held by the NYS Comptroller’s Office, totaled \$8,272,739 and \$5,459,406 at June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 464,946	\$ 863,762
STIP funds	8,272,739	5,459,406
Petty cash	<u>250</u>	<u>360</u>
	<u>\$ 8,737,935</u>	<u>\$ 6,323,528</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**6. CONCENTRATIONS 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, 2023 by the FDIC.

***Funding Source***

The Regulating District receives a significant amount of its funding from the assessment revenues. During the fiscal year ended June 30, 2023 and 2022, 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. LEASES**

As a lessor, the Regulating District has two lease contracts as follows:

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 lease expired on December 2023. The agreement was renegotiated for a 6-month period using the same terms until June 30, 2023. 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.

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 September 2023. 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.

The Regulating District's lease receivables related to these contracts amounted to of \$0 and \$776,708 as of June 30, 2023 and 2022, respectively. Lease revenue of \$744,245 and \$1,488,491 and interest income of \$10,740 and \$74,229 was recognized related to these leases for the years ended June 30, 2023 and 2022, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**7. LEASES - CONTINUED**

As a lessee, the Regulating District leases nonfinancial assets such as copier, parking spaces and office space. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, lease liabilities and the associated lease assets are recognized on the Statements of Net Position.

The Regulating District does not have variable payment clauses, within its lease arrangements. The Regulating District did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions. Furthermore, the Regulating District has no commitment for leases that have not commenced as of June 30, 2023.

The Regulating District's lease liabilities related to these lease contracts amounted to \$261,576 and \$57,728 as of June 30, 2023 and 2022, respectively, of which current portion for the year ended June 30, 2023 and 2022, amounted to \$65,627 and \$0, respectively.

As a lessee, the associated right-of-use assets as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 6,338	\$ 6,338
Parking Spaces	36,742	36,742
Office Spaces	<u>265,003</u>	<u>29,126</u>
Total	308,083	72,206
Less accumulated amortization	<u>(48,141)</u>	<u>(7,575)</u>
	<u>\$ 259,942</u>	<u>\$ 64,631</u>

As of June 30, 2023, the Regulating District's minimum principal and interest payment requirements for its leasing activities, with a remaining term in excess of one year, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 65,627	\$ 7,106	\$ 72,733
2025	56,760	5,473	62,233
2026	47,536	3,897	51,433
2027	49,138	2,295	51,433
2028	42,364	649	43,013
Thereafter	151	-	151
	<u>\$ 261,576</u>	<u>\$ 19,420</u>	<u>\$ 280,996</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**8. CAPITAL ASSETS**

Capital assets at June 30, 2023 and 2022 are as follows:

**HUDSON RIVER AREA**

<b>Cost</b>	<b>At July 1, 2022</b>	<b>Additions</b>	<b>Retirements and Disposals</b>	<b>At June 30, 2023</b>
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
<b>Total</b>	<b>\$ 15,575,305</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,575,305</b>
<b>Accumulated Depreciation</b>				
Dam structures	\$ 11,499,588	\$ 121,048	\$ -	\$ 11,620,636
Building and improvements	1,158,333	67,014	-	1,225,347
Office and other equipment	234,921	12,123	-	247,044
Vehicles	533,378	9,661	-	543,039
<b>Total</b>	<b>\$ 13,426,220</b>	<b>\$ 209,846</b>	<b>\$ -</b>	<b>\$ 13,636,066</b>
Capital assets, net	<u>\$ 2,149,085</u>	<u>\$ (209,846)</u>	<u>\$ -</u>	<u>\$ 1,939,239</u>

**BLACK RIVER AREA**

<b>Cost</b>	<b>At July 1, 2022</b>	<b>Additions</b>	<b>Retirements and Disposals</b>	<b>At June 30, 2023</b>
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
Construction in-progress	-	2,157,111	-	2,157,111
<b>Total</b>	<b>\$ 2,697,463</b>	<b>\$ 2,157,111</b>	<b>\$ -</b>	<b>\$ 4,854,574</b>
<b>Accumulated Depreciation</b>				
Dam structures	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Building and improvements	226,889	9,810	-	236,699
Office and other equipment	132,844	8,400	-	141,244
Vehicles	122,635	-	-	122,635
<b>Total</b>	<b>\$ 2,482,368</b>	<b>\$ 18,210</b>	<b>\$ -</b>	<b>\$ 2,500,578</b>
Capital assets, net	<u>\$ 215,095</u>	<u>\$ 2,138,901</u>	<u>\$ -</u>	<u>\$ 2,353,996</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**8. CAPITAL ASSETS - CONTINUED**

**CONSOLIDATED**

<b>Cost</b>	<b>At July 1, 2022</b>	<b>Additions</b>	<b>Retirements and Disposals</b>	<b>At June 30, 2023</b>
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
Construction in-progress	-	2,157,111	-	2,157,111
<b>Total</b>	<b>\$ 18,272,768</b>	<b>\$ 2,157,111</b>	<b>\$ -</b>	<b>\$ 20,429,879</b>

**Accumulated Depreciation**

Dam structures	\$ 13,499,588	\$ 121,048	\$ -	\$ 13,620,636
Building and improvements	1,385,222	76,824	-	1,462,046
Office and other equipment	367,765	20,523	-	388,288
Vehicles	656,013	9,661	-	665,674
<b>Total</b>	<b>\$ 15,908,588</b>	<b>\$ 228,056</b>	<b>\$ -</b>	<b>\$ 16,136,644</b>

Capital assets, net	<u>\$ 2,364,180</u>	<u>\$ 1,929,055</u>	<u>\$ -</u>	<u>\$ 4,293,235</u>
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**HUDSON RIVER AREA**

<b>Cost</b>	<b>At July 1, 2021</b>	<b>Additions</b>	<b>Retirements and Disposals</b>	<b>At June 30, 2022</b>
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
<b>Total</b>	<b>\$ 15,575,305</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,575,305</b>

**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
<b>Total</b>	<b>\$ 13,216,374</b>	<b>\$ 209,846</b>	<b>\$ -</b>	<b>\$ 13,426,220</b>

Capital assets, net	<u>\$ 2,358,931</u>	<u>\$ (209,846)</u>	<u>\$ -</u>	<u>\$ 2,149,085</u>
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**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT  
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**8. CAPITAL ASSETS - CONTINUED**

**BLACK RIVER AREA**

<b>Cost</b>	<b>At July 1, 2021</b>	<b>Additions</b>	<b>Retirements and Disposals</b>	<b>At June 30, 2022</b>
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
<b>Total</b>	<b>\$ 2,697,463</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,697,463</b>
<b>Accumulated Depreciation</b>				
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
<b>Total</b>	<b>\$ 2,464,158</b>	<b>\$ 18,210</b>	<b>\$ -</b>	<b>\$ 2,482,368</b>
Capital assets, net	<u>\$ 233,305</u>	<u>\$ (18,210)</u>	<u>\$ -</u>	<u>\$ 215,095</u>

**CONSOLIDATED**

<b>Cost</b>	<b>At July 1, 2021</b>	<b>Additions</b>	<b>Retirements and Disposals</b>	<b>At June 30, 2022</b>
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
<b>Total</b>	<b>\$ 18,272,768</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,272,768</b>
<b>Accumulated Depreciation</b>				
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
<b>Total</b>	<b>\$ 15,680,532</b>	<b>\$ 228,056</b>	<b>\$ -</b>	<b>\$ 15,908,588</b>
Capital assets, net	<u>\$ 2,592,236</u>	<u>\$ (228,056)</u>	<u>\$ -</u>	<u>\$ 2,364,180</u>

The Regulating District is currently rehabilitating its Dam located in Hawkinsville, New York, and as of June 30, 2023, the Regulating District capitalized \$2,157,111 for the rehabilitation.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**8. CAPITAL ASSETS - CONTINUED**

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

	2023	2022
Hudson River Area	\$ 209,846	\$ 209,846
Black River Area	18,210	18,210
Total depreciation expense	\$ 228,056	\$ 228,056

**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](http://www.osc.state.ny.us/retire/publications/index.php)

***Eligibility and Funding Policy***

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**9. PENSIONS - CONTINUED**

***Employer Contributions***

Participating employers are required under the NYSRSSL to contribute to the ERS at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2023 was approximately 11.6% of covered employee payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2023, 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:

2023	\$ 199,825
2022	301,883
2021	266,876

***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 NYSRSSL, 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.

***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 NYSRSSL, 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**9. PENSIONS - CONTINUED**

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

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.

***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, 2023, the Regulating District's proportionate share of the collective net pension liability was \$1,048,317, which is an increase from net pension liability (asset) of \$(432,575) at June 30, 2022. The Regulating District's proportionate share of the collective net pension asset was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to rollforward the total pension liability to March 31, 2023. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**9. PENSIONS - CONTINUED**

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

At March 31, 2023, the Regulating District's proportionate share was 0.0048886%, which was lower than its proportionate share measured at March 31, 2022 of 0.0052917%. For the fiscal years ended June 30, 2023 and 2022, the Regulating District recognized pension expense of \$199,825 and \$301,883, respectively, under GASB 68. At June 30, 2023 and 2022, the Regulating District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 111,654	\$ -
Changes of assumptions	509,130	5,627
Net difference between projected and actual earnings	-	6,159
on pension plan investments	-	29,441
Changes in proportion and differences between employer	-	-
contributions and proportionate share of contributions	177,724	23,849
Contributions subsequent to the measurement date	<u>49,956</u>	<u>-</u>
Total deferred outflows and inflows	<u>\$ 848,464</u>	<u>\$ 65,076</u>
	<u>June 30, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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>75,471</u>	<u>-</u>
Total deferred outflows and inflows	<u>\$ 1,051,639</u>	<u>\$ 1,485,079</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**9. PENSIONS - CONTINUED**

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

The deferred outflow of resources resulting from contributions made subsequent to the measurement date of \$49,956 will be recognized as reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense are as follows for the year ending June 30:

2024	\$ 173,256
2025	(70,978)
2026	270,535
2027	360,619
	<u>\$ 733,432</u>

***Actuarial Assumptions***

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022 with update procedures used to roll forward the total pension liability to March 31, 2023.

Significant actuarial assumptions for the ERS used in the April 1, 2022 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 – April 1, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. 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, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – April 1, 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**9. PENSIONS - CONTINUED**

***Actuarial Assumptions - Continued***

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

The 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 %	4.30 %
International equity	15.00	6.85
Private equity	10.00	7.50
Real estate	9.00	4.60
Opportunistic/Absolute Return Strategy	3.00	5.38
Credit	4.00	5.43
Real assets	3.00	5.84
Fixed Income	23.00	1.50
Cash	1.00	0.00
	100.00 %	

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**9. PENSIONS - CONTINUED**

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

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)	\$2,533,332	\$1,048,317	\$ (193,586)

***Pension plan fiduciary net position***

Although GASB No. 68 requires that information is presented from the 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*.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

***Eligibility - Continued***

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, 2023, the OPEB membership (excluding beneficiaries and retirees who waived coverage) consisted of the following:

Active Plan Members	19
Retirees currently receiving benefits	32
Total	51

***Contribution and Funding Policy***

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

***Actuarial Methods and Assumptions***

The Regulating District recognized total OPEB liability of \$13,377,875 and \$13,439,613 as of June 30, 2023 and 2022, respectively. The total OPEB liability as of June 30, 2023 was measured as of June 30, 2022 using 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	2.50%
Discount Rate	3.86%

***Discount Rate***

The discount rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index June 30, 2023.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

***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:

<b>Year</b>	<b>Pre-65 Medical</b>	<b>Post-65 Medical</b>	<b>Prescription Drug</b>
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.

***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 a decrease 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**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, 2023 and 2022 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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Total OPEB liability at July 1	\$ 13,439,613	\$ 16,834,950
Service cost	294,234	464,617
Interest cost	496,347	333,229
Differences between expected and actual experience and change of assumptions	(286,882)	(3,641,428)
Benefit payments	<u>(565,437)</u>	<u>(551,755)</u>
Total OPEB liability at June 30	<u>\$ 13,377,875</u>	<u>\$ 13,439,613</u>

**Sensitivity to Discount Rate and Healthcare Trend Rate**

The following presents the Regulating District's net OPEB liability calculated using the discount rate at measurement date of 3.86%, as well as what the Regulating District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.86%) or 1 percentage point higher (4.86%) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Current assumption (3.86%)</u>	<u>1% Increase (4.86%)</u>
The Regulating District's net OPEB liability Discount Rate	\$15,139,956	\$13,777,875	\$11,535,831
The Regulating District's net OPEB liability Healthcare Trend Rates	\$11,392,028	\$13,777,875	\$15,327,950

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**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 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**11. CONTINGENCIES - CONTINUED**

The Regulating District filed with the Federal Energy Regulatory Commission (FERC) a Report of Dispute on November 30, 2022 and a Petition for Declaratory Order on January 25, 2023 seeking an order from FERC that would favorably resolve its dispute with Erie Boulevard Hydropower L.P. in the Regulating District's Hudson River Area. FERC issued an order on June 15, 2023 that granted a part of the Regulating District's request but also granted a part of Erie's counter-request. The result is the reservoir operating agreement that the Regulating District had with Erie (and its predecessors) going back to 1927 is no longer in effect. In the Fiscal Year 2023-24 budget for the Hudson River Area, this outcome will result in a loss of revenue of \$1,535,168 absent resumption and a positive outcome of negotiations with Erie or other actions the Regulating District may take to restore this source of funds. All documents pertaining to this situation can be found on the Regulating District's web site at <https://hrbrdd.ny.gov/brookfield-dispute/>.

**12. HYDROPOWER (WATER USAGE) AGREEMENTS**

In the Hudson River area, the Regulating District had a reservoir operating agreement, classified as a lease, with Erie Boulevard Hydropower effective July 1, 2003, with original expiration date of June 30, 2021. The required initial annual payment was \$850,000, with an annual increase of 3.0%. Subsequent to June 30, 2021, renewal of the reservoir operating agreement was made with the same terms until December 31, 2022. The contract was renegotiated for a 6-month period until June 30, 2023, not classified as a lease, after many attempts over multiple years to negotiate a new agreement failed.

In the Black River area, the Regulating District has a Hydropower Agreement with Stillwater Associates effective October 21, 1985 and expiring in December 31, 2016, classified as lease. The required initial annual payment was \$30,000 with an annual increase of 3%. The agreement was renewed for another five years until December 31, 2021 and subsequently extended until December 31, 2022. The contract was further renegotiated for multiple short-term periods until September 30, 2023, which is not classified as a lease. The Regulating District is currently renegotiating the contract and anticipates mutually beneficial outcome.

Revenue for the year ended June 30, 2023 and 2022 for these agreements are as follow:

	<u>2023</u>	<u>2022</u>
Lease revenue	\$ 744,245	\$ 1,488,491
Waterpower service revenue	788,716	-
	<u>\$ 1,532,961</u>	<u>\$ 1,488,491</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**13. NOTES PAYABLE**

On 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. 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 and on November 22, 2022, outstanding notes payable of \$734,343, was fully paid through bond refinancing.

Interest expense incurred for the year ended June 30, 2023 and 2022, amounted to \$4,944 and \$2,427, respectively. As of June 30, 2023, outstanding notes payable of \$734,343, was fully paid through bond refinancing. Notes payable for the year ended June 30, 2022 amounted to \$749,343.

**14. BONDS PAYABLE**

On November 12, 2022, the Regulating District entered into bonds payable agreement with New York State Environmental Facilities Corporation (the "Corporation"). The bonds were issued at its par value. The proceeds of the bonds were used to refinance its note payable of \$734,343, fund its local debt service reserve fund of \$81,106 and pay bond issuance costs of \$5,240.

The following are the terms of the bonds payable:

	Face value of bond	Interest	Principal due annually starting	Until
Bond-funded	\$ 451,372	3.117% - 4.886%	September 1, 2023	September 1, 2052
Equity-funded	369,317	3.117% - 4.886%	September 1, 2023	September 1, 2052
	<u>\$ 820,689</u>			

In addition, the Corporation, provides "Subsidy Credit" on the equity-funded bonds for 100% of the interest due. During the year ended June 30, 2023, the Regulating District recognized bond subsidy income on the equity-funded bonds amounting to \$9,513 as nonoperating revenue in the statement of activities.

Interest on the bonds is payable semi-annually on March 1st and September 1st. Bond interest expense for the year ended June 30, 2023 amounted to \$20,851, offset by the bond subsidy revenue of \$9,513 recognized as nonoperating revenue (expense) in the statement of activities. Accrued interest expense on the bonds payable amounted to \$6,213 at June 30, 2023.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**14. BONDS PAYABLE - CONTINUED**

As of June 30, 2023, bonds payable are as follow:

Bond-funded	\$ 451,372
Equity-funded	<u>369,317</u>
	820,689
Less: current portion	<u>25,000</u>
Bonds payable, net of current portion	<u><u>\$ 795,689</u></u>

Principal amounts due in the next five fiscal years and thereafter for the notes payable are as follows:

Year ending June 30	Amount
2024	\$ 25,000
2025	15,689
2026	25,000
2027	25,000
2028	25,000
Thereafter	<u>705,000</u>
Total	<u><u>\$ 820,689</u></u>

**15. NONCURRENT LIABILITIES**

Long-term obligation activity for the fiscal years ended June 30, 2023 and 2022 is summarized below:

	At June 30, 2022	Additions	Reductions	At June 30, 2023	Classified as	
					Current	Noncurrent
Other postemployment benefits	\$ 13,439,613	\$ -	\$ 61,738	\$ 13,377,875	\$ -	\$13,377,875
Compensated absences	472,241	25,460	-	497,701	497,701	-
Bonds payable	-	820,689	-	820,689	25,000	795,689
Note payable	749,343	-	749,343	-	-	-
Lease liabilities	57,728	203,848	-	261,576	65,627	195,949
Subscription liabilities	2,620	53,518	7,008	49,130	17,274	31,856
Net pension (asset) liability	<u>(432,575)</u>	<u>1,480,892</u>	<u>-</u>	<u>1,048,317</u>	<u>-</u>	<u>1,048,317</u>
	<u>\$ 14,288,970</u>	<u>\$ 2,584,407</u>	<u>\$ 818,089</u>	<u>\$ 16,055,288</u>	<u>\$ 605,602</u>	<u>\$15,449,686</u>

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**15. NONCURRENT LIABILITIES - CONTINUED**

***Lease Liabilities***

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 \$259,942 and \$64,631 on June 30, 2023 and 2022, respectively.

**16. 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.

**17. RISKS AND UNCERTAINTIES**

Like many state and local government entities, the COVID-19 pandemic posed many challenges for the Regulating District. With a relatively large number of field staff, it was never in a position to have a large portion of its employees work remotely. As such, all Regulating District staff report to a Regulating District facility each workday.

The challenges posed to entities responsible for infrastructure arising from extreme weather continue to grow in magnitude and frequency. The Regulating District has taken numerous steps to invest in its infrastructure to better mitigate the risk arising from this aspect of its operating environment. No entity of its kind can fully mitigate such risks, however.

**18. SUBSEQUENT EVENTS**

Management has evaluated all events or transactions that occurred September 27, 2023, 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, 2023**

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

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2023

SCHEDULE I

	Hudson River	Black River	Total Regulating District
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 6,297,120	\$ 2,440,815	\$ 8,737,935
Accounts receivable, net	518,786	-	518,786
Intercompany receivable (payable)	348,313	(348,313)	-
Prepaid expenses	35,778	-	35,778
Total current assets	7,199,997	2,092,502	9,292,499
Right-to-use subscription assets	49,275	-	49,275
Capital assets, net	1,939,239	2,353,996	4,293,235
Right-of-use assets, net	245,379	14,563	259,942
Total assets	9,433,890	4,461,061	13,894,951
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	614,373	234,091	848,464
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 26,991	\$ 782,428	\$ 809,419
Compensated absences	364,628	133,073	497,701
Bonds payable	25,000	-	25,000
Subscription liabilities	17,274	-	17,274
Lease liabilities	55,895	9,732	65,627
Total current liabilities	489,788	925,233	1,415,021
Noncurrent liabilities			
Bonds payable, net of current portion	795,689	-	795,689
Subscription liabilities, net of current portion	31,856	-	31,856
Lease liabilities, net of current portion	191,047	4,902	195,949
Proportionate share of NYS retirement net pension liability	748,603	299,714	1,048,317
Other post employment benefits	9,587,675	3,790,200	13,377,875
Total noncurrent liabilities	11,354,870	4,094,816	15,449,686
Total liabilities	11,844,658	5,020,049	16,864,707
<b>DEFERRED INFLOWS OF RESOURCES</b>	47,122	17,953	65,075
<b>NET POSITION</b>			
Net investment in capital assets	1,939,239	2,353,996	4,293,235
Net investment in right of use assets	245,379	14,563	259,942
Unrestricted	(4,028,135)	(2,711,409)	(6,739,544)
Total net position	\$ (1,843,517)	\$ (342,850)	\$ (2,186,367)

**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, 2023**

**SCHEDULE II**

	<b>Hudson River</b>	<b>Black River</b>	<b>Total Regulating District</b>
<b>OPERATING REVENUE</b>			
Assessments	\$ 3,591,420	\$ 1,130,786	\$ 4,722,206
New York State assessments	674,533	575,467	1,250,000
Water power service	745,240	43,476	788,716
Lease revenue	704,996	39,249	744,245
Permit fees	561,343	-	561,343
Other	8,353	785	9,138
Total operating revenue	<u>6,285,885</u>	<u>1,789,763</u>	<u>8,075,648</u>
<b>OPERATING EXPENSES</b>			
Personnel service and employee benefits	1,838,437	1,048,172	2,886,609
Other post-employment benefits	294,190	114,947	409,137
Real estate taxes	604,612	15,984	620,596
Contractual services	1,070,439	367,612	1,438,051
Depreciation	209,846	18,210	228,056
Amortization	37,911	9,709	47,620
Materials and supplies	51,129	9,356	60,485
Total operating expenses	<u>4,106,564</u>	<u>1,583,990</u>	<u>5,690,554</u>
<b>TOTAL OPERATING INCOME</b>	<u>2,179,321</u>	<u>205,773</u>	<u>2,385,094</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest expense	(39,678)	-	(39,678)
Interest income	190,342	95,446	285,788
Other income and expense, net	4,486	3,006	7,492
Total nonoperating revenue	<u>155,150</u>	<u>98,452</u>	<u>253,602</u>
<b>CHANGES IN NET POSITION</b>	2,334,471	304,225	2,638,696
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(4,177,988)</u>	<u>(647,075)</u>	<u>(4,825,063)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (1,843,517)</u>	<u>\$ (342,850)</u>	<u>\$ (2,186,367)</u>

**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)*

	2023	2022	2021	2020	2019	2018	2017	2016
The Regulating District's proportion of the net pension liability	0.0048886%	0.0052917%	0.0045752%	0.0039953%	0.0045230%	0.0045600%	0.0047200%	0.0047300%
The Regulating District's proportionate share of the net pension liability (asset) \$	1,048	(433)	5	1,058	320	179	444	759
The Regulating District's covered-employee payroll \$	1,810	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	57.91%	-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	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%

Change in benefit terms. There was no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total net pension liability was 5.9% on March 31, 2023 and 2022. There was no change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

- (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)*

	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 200	\$ 302	\$ 267	\$ 202	\$ 232	\$ 222	\$ 282
Contributions in relation to the contractually required contribution	<u>200</u>	<u>302</u>	<u>267</u>	<u>202</u>	<u>232</u>	<u>222</u>	<u>282</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Regulating District's covered-employee payroll (2)	\$ 1,810	\$ 1,574	\$ 1,687	\$ 1,842	\$ 1,548	\$ 1,882	\$ 1,444
Contributions as a percentage of covered-employee payroll	11.04%	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)**

**SCHEDULE OF CHANGES IN THE REGULATING DISTRICT'S TOTAL  
OPEB LIABILITY AND RELATED RATIOS**

**LAST TEN FISCAL YEARS (1)**

**SCHEDULE V**

	<u>2023</u>	<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	\$ 294,234	\$ 464,617	\$ 351,672	\$ 372,987
Interest	496,347	333,229	382,008	599,102
Difference between expected and actual experience	(286,882)	(3,641,428)	1,118,605	(4,015,089)
Changes in assumptions and other inputs	-	-	-	-
Benefit payments	<u>(565,437)</u>	<u>(551,755)</u>	<u>(515,651)</u>	<u>(452,638)</u>
Net Change	(61,738)	(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>\$ 13,439,613</u>	<u>\$ 16,834,950</u>	<u>\$ 15,498,316</u>	<u>\$ 18,993,954</u>
At end of year	<u>\$ 13,377,875</u>	<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%	0%
Regulating District Covered-employee payroll <sup>(2)</sup>	\$ 1,809,576	\$ 1,573,884	\$ 1,686,615	\$ 1,841,677
Total State OPEB liability as a percentage of Regulating District covered-employee payroll	739.28%	853.91%	998.15%	841.53%

Change in benefit terms. There was no change in benefit terms.

Changes in assumptions and inputs include a change in discount rate from 3.69% at July 1, 2022 to 3.86% at June 30, 2023. 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, 2023. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75.

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 of  
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 statements of net position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 27, 2023.

**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.

**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 - CONTINUED**

**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance or other matters. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Galleros Robinson CPAs, LLP**

New York, New York  
September 27, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2023**

**CURRENT YEAR**

None noted.

**PRIOR YEAR**

None noted.

# EXHIBIT B

## Management Representation Letter



## Hudson River - Black River Regulating District

**KATHY HOCHUL**  
Governor

**MARK M. FINKLE**  
Chairman

**JOHN C. CALLAGHAN**  
Executive Director

September 27, 2023

Galleros Robinson CPAs, LLP  
115 Davis Station Rd  
Cream Ridge, NJ 08514

This representation letter is provided in connection with your audit of the consolidated financial statements of 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 respective the consolidated statement of net position as of June 30, 2023 and the related consolidated statement of activities and changes in net position and consolidated statement of cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) There are no related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties that needs to be accounted for and disclosed in accordance with U.S. GAAP.
- 7) Except as disclosed in the financial statements, there are no adjustments or disclosures that needs to be made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) There are no guarantees, whether written or oral, under which the Regulating District is contingently liable, if any, that needs to be recorded or disclosed.

**Information Provided**

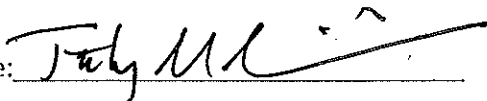
- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Regulating District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Regulating District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) Except as made known to you, we have no knowledge of any fraud or suspected fraud that affects the Regulating District and involves
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 14) Except as made known to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the Regulating District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the names of the Regulating District's related parties and all the related party relationships and transactions, including any side agreements.

**Government-specific**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have taken timely and appropriate steps to remedy fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 22) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) The Regulating District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 29) The Regulating District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The Regulating District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all fiduciary activities required by GASBS No. 84 .
- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.

- 35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 36) We have appropriately disclosed the Regulating District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 37) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 39) With respect to the Combining Schedule of Net Position, Combining Schedule of Activities and Changes in Net Position, Schedule of the Regulating District's Proportionate Share of the New York State and Local Retirement System's Net Pension Liability, Schedule of the Regulating District's Contributions, Schedule of Changes in the Regulating District's Total OPEB Liability and Related Ratios.
- a) We acknowledge our responsibility for presenting the Combining Schedule of Net Position, Combining Schedule of Activities and Changes in Net Position, Schedule of the Regulating District's Proportionate Share of the New York State and Local Retirement System's Net Pension Liability, Schedule of the Regulating District's Contributions, Schedule of Changes in the Regulating District's Total OPEB Liability and Related Ratios. in accordance with accounting principles generally accepted in the United States of America, and we believe the Combining Schedule of Net Position, Combining Schedule of Activities and Changes in Net Position, Schedule of the Regulating District's Proportionate Share of the New York State and Local Retirement System's Net Pension Liability, Schedule of the Regulating District's Contributions, Schedule of Changes in the Regulating District's Total OPEB Liability and Related Ratios., including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Combining Schedule of Net Position, Combining Schedule of Activities and Changes in Net Position, Schedule of the Regulating District's Proportionate Share of the New York State and Local Retirement System's Net Pension Liability, Schedule of the Regulating District's Contributions, Schedule of Changes in the Regulating District's Total OPEB Liability and Related Ratios. have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the Combining Schedule of Net Position, Combining Schedule of Activities and Changes in Net Position, Schedule of the Regulating District's Proportionate Share of the New York State and Local Retirement System's Net Pension Liability, Schedule of the Regulating District's Contributions, Schedule of Changes in the Regulating District's Total OPEB Liability and Related Ratios. is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: \_\_\_\_\_



Title: Chief Fiscal Officer