

**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, 2024 and 2023

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hudson River-Black River Regulating District:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying 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 consolidated statement of net position as of June 30, 2024, 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 related notes to consolidated 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 Regulating District as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Consolidated 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 opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Regulating District as of June 30, 2023, were audited by other auditor's whose report dated September 27, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 and the other required supplementary information as listed in the table of contents be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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 an opinion on the consolidated financial statements that collectively comprise the Regulating District's consolidated financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2024, 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 Regulating District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 27, 2024

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Management Discussion and Analysis

June 30, 2024 and 2023

Introduction

This Management's Discussion and Analysis (the 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, 2024 and 2023. 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 consolidated financial statements. The consolidated statements of net position and the consolidated statements of activities and changes in net position provide both long-term and short-term information about the Regulating District's overall financial status. The consolidated statements of cash flows 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 consolidated financial statements.

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's 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, 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, that 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.

Revenue from statutory beneficiaries, hydropower agreements, Federal Headwater Benefit fees, New York State Share and permit holders, when collected, is sufficient to balance the Regulating District's annual budget, not including nonoperating expenses and/or annual adjustments included in the Regulating District's consolidated statements of activities and changes in net position.

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 the Indian Lake Reservoir and Dam.

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

Administrative Offices: The Regulating District's General and Administrative Office occupy leased space in Albany, New York. 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, New York. A Regulating District-owned building at the Stillwater Reservoir houses the Black River Area Field Office.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Management Discussion and Analysis, Continued

Operations Summary

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

Hudson River Area

	<u>2024</u>	<u>2023</u>
Operating revenue	\$ 5,119	6,286
Operating expenses	(4,878)	(4,107)
Net operating revenue	241	2,179
Net nonoperating revenue	<u>50</u>	<u>155</u>
Changes in net position	\$ <u>291</u>	<u>2,334</u>

Black River Area

Operating revenue	\$ 1,513	1,790
Operating expenses	(1,608)	(1,584)
Net operating revenue (expense)	(95)	206
Net nonoperating revenue	<u>1,370</u>	<u>98</u>
Changes in net position	\$ <u>1,275</u>	<u>304</u>

From fiscal year 2022-23 to 2023-24, recurring operating revenue decreased as leases for reservoir and hydropower expired.

Operating expenses for the year ended June 30, 2024 rose because of changes in other postemployment benefits and contractual services. 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, 2024 and 2023, respectively.

The Regulating District is required by its enabling statute to adopt annual budgets every three fiscal years. Fiscal Year 2023-24 is the third 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 and for the upcoming cycle at its June 20, 2024 meeting.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Management Discussion and Analysis, Continued

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 each of its Fiscal Year 2023-24 and 2024-25 budgets, 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 the 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.

Statements of Net Position Summary

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

	<u>2024</u>	<u>2023</u>
Depreciable and amortizationable assets:		
Dam structures	\$ 16,714	14,105
Building and improvements	4,308	3,037
Office and other equipment	443	443
Vehicles	729	680
Right-to-use subscription assets, net	54	59
Right-to-use assets, net	<u>308</u>	<u>308</u>
Cost of depreciable and amortizationable capital assets	22,556	18,632
Less accumulated depreciation and amortization	<u>(16,506)</u>	<u>(16,194)</u>
Net book value of depreciable and amortizationable assets	<u>6,050</u>	<u>2,438</u>
Nondepreciable assets:		
Land	8	8
Construction in-progress	<u>2,470</u>	<u>2,157</u>
Total nondepreciable assets	<u>2,478</u>	<u>2,165</u>
Current assets	<u>7,907</u>	<u>9,293</u>
Total assets	<u>16,435</u>	<u>13,896</u>

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Management Discussion and Analysis, Continued

	<u>2024</u>	<u>2023</u>
Deferred outflows of resources	\$ 683	848
Current liabilities	1,345	1,414
Long-term liabilities	<u>16,009</u>	<u>15,450</u>
Total liabilities	<u>17,354</u>	<u>16,864</u>
Deferred inflows of resources	<u>384</u>	<u>65</u>
Net position		
Net investment in capital assets	7,733	3,782
Unrestricted	<u>(8,353)</u>	<u>(5,968)</u>
Total net position	<u>\$ (620)</u>	<u>(2,186)</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.

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 (GASB) Statement 68 in 2015. With the new reporting change, the Regulating District was allocated its proportionate share of the New York State Local and Employees’ Retirement System’s net pension liability, deferred outflows of resources, deferred inflows 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.

Capital Assets

The Regulating District undertook in July 2022 a significant rehabilitation of its Hawkinsville Dam, located near Boonville, New York. The \$2.6 million project was substantially completed in June 2024.

The rehabilitation of the Indian Lake Dam, located in Indian Lake, New York commenced in October 2023 and is expected to be completed in late 2024 or early 2025. Work completed during the 2023-24 fiscal year represents a majority of the increase in capital assets in comparison to the prior fiscal year.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Management Discussion and Analysis, Continued

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

During 2024, the Regulating District increased its capital assets by \$4,011,435 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.

Debt

On November 2, 2017, the Regulating District executed the Bond Anticipation Note with the New York State 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 \$795,689 with a final payment scheduled for September 1, 2052.

The Regulating District has sought to enter a financial arrangement with EFC to finance the Indian Lake Dam Rehabilitation project and expects to finalize that arrangement early in fiscal year 2024-25.

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, 2024, has improved by more than \$9.9 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 note 10 for additional information on this event.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Management Discussion and Analysis, Continued

The Black River Area's revenue streams have been relatively stable for many years. Its agreement with Stillwater Associates was set to expire on December 30, 2021. The agreement was extended beyond December 30, 2021 by mutual consent eight times and is expired on September 30, 2023. The Regulating District concluded this negotiation by acquiring the Stillwater hydroelectric generating plant in June 2024.

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

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 resulted in a loss of revenue of \$1,535,168. All documents pertaining to this situation can be found on the Regulating District's web site at <https://hrbrd.ny.gov/brookfield-dispute/>.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and equivalents	\$ 6,081,309	8,737,935
Accounts receivable, net	1,789,686	518,786
Prepaid expenses	<u>35,778</u>	<u>35,778</u>
Total current assets	7,906,773	9,292,499
Capital assets, net	<u>8,528,218</u>	<u>4,602,452</u>
Total assets	<u>16,434,991</u>	<u>13,894,951</u>
Deferred outflows of resources	<u>683,097</u>	<u>848,464</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	734,212	809,419
Compensated absences	521,032	497,701
Bonds payable	15,689	25,000
Subscription liabilities	17,545	17,274
Lease liabilities	<u>56,760</u>	<u>65,627</u>
Total current liabilities	<u>1,345,238</u>	<u>1,415,021</u>
Noncurrent liabilities:		
Bonds payable, net of current portion	780,000	795,689
Subscription liabilities, net of current portion	14,312	31,856
Lease liabilities, net of current portion	139,189	195,949
Net pension liability	681,331	1,048,317
Other postemployment benefits obligation	<u>14,393,929</u>	<u>13,377,875</u>
Total noncurrent liabilities	<u>16,008,761</u>	<u>15,449,686</u>
Total liabilities	<u>17,353,999</u>	<u>16,864,707</u>
Deferred inflows of resources	<u>384,424</u>	<u>65,075</u>
Net position:		
Net investment in capital assets	7,732,529	3,781,763
Unrestricted	<u>(8,352,864)</u>	<u>(5,968,130)</u>
Total net position	<u>\$ (620,335)</u>	<u>(2,186,367)</u>

See accompanying notes to consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Consolidated Statements of Activities and Changes in Net Position
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenue:		
Assessments	\$ 4,726,516	4,722,206
New York State assessments	1,250,000	1,250,000
Water power service	88,255	788,716
Lease revenue	-	744,245
Permit fees	551,382	561,343
Other	<u>15,592</u>	<u>9,138</u>
Total operating revenue	<u>6,631,745</u>	<u>8,075,648</u>
Operating expenses:		
Personnel service and employee benefits	3,872,005	2,886,609
Other postemployment benefits	347,717	409,137
Real estate taxes	-	620,596
Contractual services	1,852,977	1,438,051
Depreciation	231,035	228,056
Amortization	85,669	47,620
Materials and supplies	<u>96,405</u>	<u>60,485</u>
Total operating expenses	<u>6,485,808</u>	<u>5,690,554</u>
Operating income	<u>145,937</u>	<u>2,385,094</u>
Nonoperating revenue (expense):		
Interest expense	(40,673)	(39,678)
Interest income	426,373	285,788
New York State appropriation	1,270,900	-
Other income and expense, net	<u>(236,505)</u>	<u>7,492</u>
Total nonoperating revenue	<u>1,420,095</u>	<u>253,602</u>
Change in net position	1,566,032	2,638,696
Net position at beginning of year	<u>(2,186,367)</u>	<u>(4,825,063)</u>
Net position at end of year	<u>\$ (620,335)</u>	<u>(2,186,367)</u>

See accompanying notes to consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from:		
Assessment beneficiaries	\$ 5,976,516	5,972,206
Water power services	88,255	788,716
Leases	-	744,245
Permit fees	551,382	561,343
Other cash receipts	16,492	9,138
Payments to vendors and suppliers for goods and services	(2,108,389)	(220,720)
Payments to employees	<u>(3,062,607)</u>	<u>(3,608,358)</u>
Net cash provided by operating activities	<u>1,461,649</u>	<u>4,246,570</u>
Cash flows from investing activities:		
Purchase of capital assets	(4,242,470)	(2,157,111)
Investment income received	<u>149,195</u>	<u>253,602</u>
Net cash used in investing activities	<u>(4,093,275)</u>	<u>(1,903,509)</u>
Cash flows from financing activities:		
Proceeds from bonds payable	-	820,689
Bond principal payment	(25,000)	-
Payment of notes payable	<u>-</u>	<u>(749,343)</u>
Net cash provided by (used in) financing activities	<u>(25,000)</u>	<u>71,346</u>
Net increase in cash and equivalents	(2,656,626)	2,414,407
Cash and equivalents at beginning of year	<u>8,737,935</u>	<u>6,323,528</u>
Cash and equivalents at end of year	<u>\$ 6,081,309</u>	<u>8,737,935</u>

(Continued)

See accompanying notes to consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Consolidated Statements of Cash Flows, Continued

	<u>2024</u>	<u>2023</u>
Reconciliation of net position to net cash provided		
by operating activities:		
Change in net position	\$ 1,566,032	2,638,696
Adjustments to reconcile net position to		
net cash provided by operating activities:		
Investment income	(149,195)	(253,602)
Depreciation	231,035	228,056
Amortization	85,669	47,620
Changes in:		
Accounts receivable, net	(1,270,900)	-
Lease receivable	-	776,708
Prepaid expenses	-	617,429
Right-to-use subscription assets	-	(60,867)
Right-of-use assets	-	(228,527)
Deferred outflows of resources	165,367	203,175
Accounts payable and accrued expenses	(75,207)	747,159
Compensated absences	23,331	25,460
Subscription liabilities	(17,273)	46,510
Lease liabilities	(65,627)	203,848
Net pension liability	(366,986)	1,480,892
Other postemployment benefits obligation	1,016,054	(61,738)
Deferred inflows of resources	319,349	(2,164,249)
	<u>\$ 1,461,649</u>	<u>4,246,570</u>
Net cash provided by operating activities	<u>\$ 1,461,649</u>	<u>4,246,570</u>

See accompanying notes to consolidated financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(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 District (the Black River), formed in 1919, and the Hudson River District (the 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 (the Hudson River and the 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

(a) 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 (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

(b) Principles of Consolidation

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

(c) Basis of Presentation

The accompanying consolidated 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:

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.

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

(c) Basis of Presentation, Continued

Restricted net position - Consists of net position with constraints placed on its use either by 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.”

(d) Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) 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, 2024 and 2023, 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.

(f) 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 \$1,789,686 and \$518,786 at June 30, 2024 and 2023, respectively, are recorded net of the allowance for doubtful accounts of \$914,580 at June 30, 2024 and 2023.

The Regulating District continuously monitors outstanding accounts receivable for collectability. During the years ended June 30, 2024 and 2023, the Regulating District did not recognize any bad debt expense based on the status of its doubtful accounts.

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

(g) 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.

(h) 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

(i) 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.

(j) 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.

(k) 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.

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

(k) Deferred Outflows/Inflows of Resources, Continued

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

(l) 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 Employees' Retirement System (ERS). The financial reporting of these amounts is presented in accordance with the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions."

(m) 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 ERS.

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 No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

(n) 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.

(o) 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.

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

(o) Revenue Recognition, Continued

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 the Budget for inclusion in the State’s annual appropriation bill.

(p) 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. Nonoperating expense primarily reflects interest expense on financing arrangements. At June 30, 2024 and 2023, 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.

(q) Income Tax Status

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

(r) 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) New Accounting Standards

The GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of the pronouncements is not known at this time.

Statement No. 102 - Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

Statement No. 103 - Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.

(4) Cash and Equivalents

Cash and equivalents held by the Regulating District in deposit accounts consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Carrying value	\$ <u>545,164</u>	<u>388,029</u>
Bank balance	\$ <u>725,165</u>	<u>571,377</u>

Deposits held in STIP, held by the NYS Comptroller's Office, totaled \$5,535,895 and \$8,272,739 at June 30, 2024 and 2023, respectively.

A summary of the carrying value of cash and deposits as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 545,164	464,946
STIP funds	5,535,895	8,272,739
Petty cash	<u>250</u>	<u>250</u>
	\$ <u>6,081,309</u>	<u>8,737,935</u>

(5) Concentrations of Credit Risk

(a) 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, 2024 and 2023 by the FDIC.

(b) Funding Source

The Regulating District receives a significant amount of its funding from the assessment revenues. During the years ended June 30, 2024 and 2023, the Regulating District received approximately 90% and 74%, 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.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(6) Leases

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 consolidated 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, 2024.

The Regulating District's lease liabilities related to these lease contracts amounted to \$195,949 and \$261,576 as of June 30, 2024 and 2023, respectively, of which the current portion as of June 30, 2024 and 2023, amounted to \$56,760 and \$65,627, respectively.

As a lessee, the associated right-of-use assets as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 6,338	6,338
Parking Spaces	36,742	36,742
Office Spaces	<u>265,003</u>	<u>265,003</u>
Total	308,083	308,083
Less accumulated amortization	<u>(116,158)</u>	<u>(48,141)</u>
Total	\$ <u>191,925</u>	<u>259,942</u>

As of June 30, 2024, 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>
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
2029	<u>151</u>	<u>-</u>	<u>151</u>
	\$ <u>195,949</u>	<u>12,314</u>	<u>208,263</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(7) Capital Assets

Capital assets as of and for the years ended June 30, 2024 and 2023 are as follows:

<u>Hudson River Area</u>	<u>2024</u>			
	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Disposals</u>	<u>June 30, 2024</u>
Cost:				
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	49,700	-	606,791
Right-of-use subscription assets	58,706	-	(5,191)	53,515
Right-of-use assets	280,659	-	-	280,659
Construction in progress	-	2,470,311	-	2,470,311
Total cost	<u>15,914,670</u>	<u>2,520,011</u>	<u>(5,191)</u>	<u>18,429,490</u>
Accumulated depreciation and amortization:				
Dam structures	11,620,636	121,048	-	11,741,684
Building and improvements	1,225,347	67,013	-	1,292,360
Office and other equipment	247,044	11,575	-	258,619
Vehicles	543,039	13,389	-	556,428
Right-of-use subscription assets	9,431	17,652	(5,191)	21,892
Right-of-use assets	35,280	58,309	-	93,589
Total accumulated depreciation and amortization	<u>13,680,777</u>	<u>288,986</u>	<u>(5,191)</u>	<u>13,964,572</u>
Capital assets, net	<u>\$ 2,233,893</u>	<u>2,231,025</u>	<u>-</u>	<u>4,464,918</u>

Black River Area

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Disposals</u>	<u>June 30, 2024</u>
Cost:				
Dam structures	\$ 2,000,000	-	2,608,670	4,608,670
Building and improvements	406,443	1,270,900	-	1,677,343
Office and other equipment	160,585	-	-	160,585
Vehicles	122,635	-	-	122,635
Land	7,800	-	-	7,800
Right-of-use assets	27,424	-	-	27,424
Construction in-progress	2,157,111	451,559	(2,608,670)	-
Total cost	<u>4,881,998</u>	<u>1,722,459</u>	<u>-</u>	<u>6,604,457</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(7) Capital Assets, Continued

<u>Black River Area</u>	<u>July 1,</u> <u>2023</u>	<u>Additions</u>	<u>Retirements</u> <u>and Disposals</u>	<u>June 30,</u> <u>2024</u>
Accumulated depreciation and amortization:				
Dam structures	\$ 2,000,000	-	-	2,000,000
Building and improvements	236,699	9,811	-	246,510
Office and other equipment	141,244	8,199	-	149,443
Vehicles	122,635	-	-	122,635
Right-of-use assets	<u>12,861</u>	<u>9,708</u>	<u>-</u>	<u>22,569</u>
Total accumulated depreciation and amortization	<u>2,513,439</u>	<u>27,718</u>	<u>-</u>	<u>2,541,157</u>
Capital assets, net	<u>\$ 2,368,559</u>	<u>1,694,741</u>	<u>-</u>	<u>4,063,300</u>

Consolidated

	<u>July 1,</u> <u>2023</u>	<u>Additions</u>	<u>Retirements</u> <u>and Disposals</u>	<u>June 30,</u> <u>2024</u>
Cost:				
Dam structures	\$ 14,104,830	-	2,608,670	16,713,500
Building and improvements	3,037,527	1,270,900	-	4,308,427
Office and other equipment	442,885	-	-	442,885
Vehicles	679,726	49,700	-	729,426
Land	7,800	-	-	7,800
Right-of-use subscription assets	58,706	-	(5,191)	53,515
Right-of-use assets	308,083	-	-	308,083
Construction in-progress	<u>2,157,111</u>	<u>2,921,870</u>	<u>(2,608,670)</u>	<u>2,470,311</u>
Total cost	<u>20,796,668</u>	<u>4,242,470</u>	<u>(5,191)</u>	<u>25,033,947</u>
Accumulated depreciation and amortization:				
Dam structures	13,620,636	121,048	-	13,741,684
Building and improvements	1,462,046	76,824	-	1,538,870
Office and other equipment	388,288	19,774	-	408,062
Vehicles	665,674	13,389	-	679,063
Right-of-use subscription assets	9,431	17,652	(5,191)	21,892
Right-of-use assets	<u>48,141</u>	<u>68,017</u>	<u>-</u>	<u>116,158</u>
Total accumulated depreciation and amortization	<u>16,194,216</u>	<u>316,704</u>	<u>(5,191)</u>	<u>16,505,729</u>
Capital assets, net	<u>\$ 4,602,452</u>	<u>3,925,766</u>	<u>-</u>	<u>8,528,218</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(7) Capital Assets, Continued

<u>Hudson River Area</u>	<u>2023</u>			
	<u>July 1,</u> <u>2022</u>	<u>Additions</u>	<u>Retirements</u> <u>and Disposals</u>	<u>June 30,</u> <u>2023</u>
Cost:				
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
Right-of-use subscription assets	5,188	53,518	-	58,706
Right-of-use assets	44,784	235,875	-	280,659
Total cost	<u>15,625,277</u>	<u>289,393</u>	<u>-</u>	<u>15,914,670</u>
Accumulated depreciation and amortization:				
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
Right-of-use subscription assets	2,376	7,055	-	9,431
Right-of-use assets	4,425	30,855	-	35,280
Total accumulated depreciation and amortization	<u>13,433,021</u>	<u>247,756</u>	<u>-</u>	<u>13,680,777</u>
Capital assets, net	<u>\$ 2,192,256</u>	<u>41,637</u>	<u>-</u>	<u>2,233,893</u>

Black River Area

	<u>July 1,</u> <u>2022</u>	<u>Additions</u>	<u>Retirements</u> <u>and Disposals</u>	<u>June 30,</u> <u>2023</u>
Cost:				
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
Right-of-use assets	27,424	-	-	27,424
Construction in-progress	-	2,157,111	-	2,157,111
Total cost	<u>2,724,887</u>	<u>2,157,111</u>	<u>-</u>	<u>4,881,998</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(7) Capital Assets, Continued

Black River Area

	July 1, <u>2022</u>	<u>Additions</u>	Retirements and Disposals	June 30, <u>2023</u>
Accumulated depreciation and amortization:				
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
Right-of-use assets	<u>3,152</u>	<u>9,709</u>	-	<u>12,861</u>
Total accumulated depreciation and amortization	<u>2,485,520</u>	<u>27,919</u>	-	<u>2,513,439</u>
Capital assets, net	<u>\$ 239,367</u>	<u>2,129,192</u>	-	<u>2,368,559</u>

Consolidated

	July 1, <u>2022</u>	<u>Additions</u>	Retirements and Disposals	June 30, <u>2023</u>
Cost:				
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
Right-of-use subscription assets	5,188	53,518	-	58,706
Right-of-use assets	72,208	235,875	-	308,083
Construction in-progress	<u>-</u>	<u>2,157,111</u>	-	<u>2,157,111</u>
Total cost	<u>18,350,164</u>	<u>2,446,504</u>	-	<u>20,796,668</u>
Accumulated depreciation and amortization:				
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
Right-of-use subscription assets	2,376	7,055	-	9,431
Right-of-use assets	<u>7,577</u>	<u>40,564</u>	-	<u>48,141</u>
Total accumulated depreciation and amortization	<u>15,918,541</u>	<u>275,675</u>	-	<u>16,194,216</u>
Capital assets, net	<u>\$ 2,431,623</u>	<u>2,170,829</u>	-	<u>4,602,452</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(7) Capital Assets, Continued

The Regulating District was currently rehabilitating its Dam located in Hawkinsville, New York, and as of June 30, 2024, the Regulating District capitalized \$2,608,670 for the rehabilitation.

Depreciation expense charged to operations for the years ended June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Hudson River Area	\$ 213,025	209,846
Black River Area	<u>18,010</u>	<u>18,210</u>
Total depreciation expense	\$ <u>231,035</u>	<u>228,056</u>

(8) Pension Plan

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Regulating District participates in the New York State and Local Employees' Retirement System (ERS or the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Authority (the Authority), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Regulating District and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, 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. The Regulating District also participates in the Public Employees Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(8) Pension Plan, Continued

(a) Plan Descriptions and Benefits Provided, Continued

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in ERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

(b) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2024 and 2023, the Regulating District reported a liability of \$681,331 and \$1,048,317, respectively, for its proportionate share of the net pension liability. The total pension liability was measured as of March 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2024 and 2023. The Regulating District's proportion of the net pension liability was based on projections of the Regulating District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2024 and 2023, the Regulating District's proportionate share of the net liability was 0.0046273% and 0.0048886%. The Regulating District's proportionate share of the net liability decreased 0.0002613 and 0.0004031 from the March 31, 2023 and 2022 measurement date, respectively.

For the years ended June 30, 2024 and 2023, the Regulating District recognized pension expense of \$359,583 and \$438,373, respectively. At June 30, 2024 and 2023, the Regulating District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Notes to Consolidated Financial Statements, Continued

(8) Pension Plan, Continued

(b) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension, Continued

	<u>2024</u>		<u>2023</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflow of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 219,456	18,578	111,654	29,441
Changes of assumptions	257,596	-	509,130	5,627
Net difference between projected and actual investment earnings on pension plan investments	-	332,826	-	6,159
Changes in proportion and differences between the Regulating District's contributions and proportionate share of contributions	143,547	33,020	177,724	23,848
Regulating District's contributions subsequent to the measurement date	<u>62,498</u>	<u>-</u>	<u>49,956</u>	<u>-</u>
Total	\$ <u>683,097</u>	<u>384,424</u>	<u>848,464</u>	<u>65,075</u>

Regulating District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending

2025	\$ (62,889)
2026	163,272
2027	204,572
2028	<u>(68,780)</u>
	\$ <u>236,175</u>

(c) Actuarial Assumptions

The total pension liability as of the March 31, 2024 measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(8) Pension Plan, Continued

(c) Actuarial Assumptions, Continued

Measurement date	March 31, 2024
Actuarial valuation date	April 1, 2023
Inflation	2.9%
Salary increases	4.4%
Investment rate of return, (net of investment expense, including inflation)	5.9%
Cost-of-living adjustments	1.5%

Demographic assumptions used in the April 1, 2023 actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2025 - March 31, 2022. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries Scale MP-2021.

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 returns, net of investment expense 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 the arithmetic real rates of return for each major asset class are summarized as follows:

Measurement date	March 31, 2024	
	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected</u>
Asset type:		<u>real rate</u>
Domestic equity	32.00%	4.00%
International equity	15.00%	6.65%
Private equity	10.00%	7.25%
Real estate	9.00%	4.60%
Opportunistic/ARS portfolio	3.00%	5.25%
Credit	4.00%	5.40%
Real assets	3.00%	5.79%
Fixed income	23.00%	1.50%
Cash	<u>1.00%</u>	0.25%
	<u>100.00%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.90%.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(8) Pension Plan, Continued

(d) 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 determined. Based upon those 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.

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the Regulating District's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the Regulating District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Regulating District's proportionate share of the net pension asset (liability)	\$ <u>(2,142,173)</u>	<u>(681,331)</u>	<u>538,776</u>

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
Measurement date	3/31/2024	3/31/2023
Employers' total pension liability	\$ (240,697)	(232,627)
Plan fiduciary net position	<u>225,973</u>	<u>211,183</u>
Employers' net pension asset (liability)	\$ <u>(14,724)</u>	<u>(21,444)</u>
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	93.88%	90.78%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2024 and 2023 represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 and April 1, 2023 through June 30, 2023, respectively, based on paid ERS wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as deferred outflows of resources in the accompanying financial statements.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Notes to Consolidated Financial Statements, Continued

(9) Other Postemployment Benefits

(a) 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 Statement No. 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.

(b) Eligibility

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

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

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

(c) Plan Membership

At June 30, 2024, the OPEB membership (excluding beneficiaries and retirees who waived coverage) consisted of the following:

Active Plan Members	19
Retirees currently receiving benefits	29
Dependents	<u>21</u>
Total	<u>69</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) Other Postemployment Benefits, Continued

(d) Contribution and Funding Policy

The obligations of the 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 plan. The Regulating District currently contributes enough money to the 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 Statement No. 75 and is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees.

(e) Actuarial Methods and Assumptions

The Regulating District's total OPEB liability was \$14,393,929 and \$13,377,875 as of June 30, 2024 and 2023, respectively. The total OPEB liability as of June 30, 2024 was measured as of June 30, 2024 using actuarial valuation as of July 1, 2023. 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	3.97%

(f) Discount Rate

The discount rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index June 30, 2024.

Salary Increases

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

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Notes to Consolidated Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

(f) Discount Rate, Continued

Healthcare Trends

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

<u>Year</u>	<u>Pre-65 Medical</u>	<u>Post-65 Medical</u>	<u>Pre-65 Prescription Drug</u>	<u>Post-65 Prescription Drug</u>
2024	7.750%	4.600%	7.750%	7.000%
2025	7.750%	4.600%	7.750%	7.000%
2026	7.250%	4.500%	7.250%	6.500%
2027	6.750%	4.400%	6.750%	6.000%
2028	6.250%	4.300%	6.250%	5.500%
2035	5.078%	4.300%	5.078%	5.078%
2045	4.841%	4.300%	4.841%	4.841%
2055	4.705%	4.300%	4.705%	4.705%
2065	4.615%	4.300%	4.615%	4.615%
2075+	4.037%	4.037%	4.037%	4.037%

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.

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.

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.

In accordance with the provisions of GASB Statement No. 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, 2024 and 2023 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 Statement No. 75.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

(f) Discount Rate, Continued

Retirement Incidence, Continued

The Regulating District's changes in total OPEB liability as of June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Balance at July 1, 2023	\$ 13,377,875	13,439,613
Changes for the year:		
Service cost	337,735	294,234
Interest cost	553,903	496,347
Differences between expected and actual experience and change of assumptions	716,351	(286,882)
Benefit payments	<u>(591,935)</u>	<u>(565,437)</u>
Net changes	<u>1,016,054</u>	<u>(61,738)</u>
Balance at June 30, 2024	\$ <u>14,393,929</u>	<u>13,377,875</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Regulating District, as well as what the Regulating District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.97%) or 1-percentage point higher (4.97%) than the current discount rate:

	1% Decrease <u>(2.97%)</u>	Current Discount Rate <u>(3.97%)</u>	1% Increase <u>(4.97%)</u>
Total OPEB liability	\$ <u>16,531,530</u>	<u>14,393,929</u>	<u>12,654,032</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rate

The following presents the total OPEB liability of the Regulating District, as well as what the Regulating District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ <u>12,492,824</u>	<u>14,393,929</u>	<u>16,742,457</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(10) 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 Lake 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

(10) Contingencies, Continued

The Regulating District filed with the 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 2024-25 budget for the Hudson River Area, this outcome will result in a loss of revenue of \$2,503,000 absent resumption and a positive outcome of negotiations with Erie Boulevard Hydropower L.P. 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://hrbrd.ny.gov/brookfield-dispute/>.

(11) 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 L.P. 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%. 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. No contract is currently in effect.

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. A provision of the agreement with Stillwater Associates required the Regulating District to acquire the hydroelectric plant if it could not agree to lease terms upon expiration of the agreement. After four years of negotiations, the Regulating District agreed to acquisition terms because it could not reach agreement with Stillwater Associates on new terms for a ground lease. The Regulating District Board approved the acquisition at its March 12, 2024 meeting. As the Regulating District sought ways to come up with the \$1,270,900 needed to acquire the hydroelectric plant, it entered into productive conversations with the New York State Executive Chamber and New York State Division of the Budget that resulted in a portion of a Capital Appropriation included in the State Fiscal Year 2024-25 budget to cover the cost.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(11) Hydropower (Water Usage) Agreements, Continued

Revenue for the year ended June 30, 2024 and 2023 for these agreements are as follow:

	<u>2024</u>	<u>2023</u>
Lease revenue	\$ -	744,245
Water power service revenue	<u>88,255</u>	<u>788,716</u>
	\$ <u>88,255</u>	<u>1,532,961</u>

(12) 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:

	<u>Face value of bond</u>	<u>Interest</u>	<u>Principal due annually starting</u>	<u>Until</u>
Bond-funded	\$ 436,372	3.117% - 4.886%	September 1, 2023	September 1, 2052
Equity-funded	<u>359,317</u>	3.117% - 4.886%	September 1, 2023	September 1, 2052
	<u>\$ 795,689</u>			

In addition, the Corporation, provides “Subsidy Credit” on the equity-funded bonds for 100% of the interest due. For the years ended June 30, 2024 and 2023, the Regulating District recognized bond subsidy income on the equity-funded bonds amounting to \$15,481 and \$9,513, respectively, as nonoperating revenue in the statements of activities and changes in net position.

Interest on the bonds is payable semi-annually on March 1st and September 1st. Bond interest expense for the years ended June 30, 2024 and 2023 amounted to \$40,673 and \$39,678, respectively, offset by the bond subsidy revenue of \$15,481 and \$9,513, respectively, recognized as nonoperating revenue (expense) in the statement of activities. Accrued interest expense on the bonds payable amounted to \$11,013 and \$6,213 at June 30, 2024 and 2023, respectively.

As of June 30, 2024 and 2023, bonds payable are as follow:

	<u>2024</u>	<u>2023</u>
Bond-funded	\$ 436,372	451,372
Equity-funded	<u>359,317</u>	<u>369,317</u>
	795,689	820,689
Less current portion	<u>15,689</u>	<u>(25,000)</u>
Bonds payable, net of current portion	\$ <u>780,000</u>	<u>795,689</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
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Notes to Consolidated Financial Statements, Continued

(12) Bonds Payable, Continued

Principal amounts due in the next five fiscal years and thereafter for the bonds payable as of June 30, 2024 are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 15,689	33,245	48,934
2026	25,000	32,592	57,592
2027	25,000	31,781	56,781
2028	25,000	30,964	55,964
2029	25,000	30,140	55,140
2030-2034	125,000	137,932	262,932
2035-2039	145,000	112,504	257,504
2040-2044	130,000	81,838	211,838
2045-2049	150,000	49,679	199,679
2050-2053	<u>130,000</u>	<u>13,192</u>	<u>143,192</u>
	\$ <u>795,689</u>	<u>553,867</u>	<u>1,349,556</u>

(13) Noncurrent Liabilities

Long-term obligation activity for the years ended June 30, 2024 and 2023 is summarized below:

	At June 30,			At June 30,		<u>Classified as</u>	
	<u>2023</u>	<u>Additions</u>		<u>Reductions</u>	<u>2024</u>	<u>Current</u>	<u>Noncurrent</u>
Other postemployment benefits obligation	\$ 13,377,875	1,016,054	-	14,393,929	-	14,393,929	
Compensated absences	497,701	23,331	-	521,032	521,032	-	
Bonds payable	820,689	-	25,000	795,689	15,689	780,000	
Lease liabilities	261,576	-	65,627	195,949	56,760	139,189	
Subscription liabilities	49,130	-	17,273	31,857	17,545	14,312	
Net pension liability	<u>1,048,317</u>	<u>-</u>	<u>366,986</u>	<u>681,331</u>	<u>-</u>	<u>681,331</u>	
	<u>\$ 16,055,288</u>	<u>1,039,385</u>	<u>474,886</u>	<u>16,619,787</u>	<u>611,026</u>	<u>16,008,761</u>	

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

Lease Liabilities

In 2021, the Regulating District entered into agreements to lease office space, parking spaces and a copier. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)

Notes to Consolidated Financial Statements, Continued

(13) Noncurrent Liabilities, Continued

Lease Liabilities, Continued

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 \$191,925 and \$259,942 on June 30, 2024 and 2023, respectively.

(14) Employee Salary Changes

Union Employees

A significant portion of the Regulating District's employees are covered under a collective bargaining agreement with the Civil Service Employees Association, Inc. (CSEA) covering the period from July 1, 2024 to June 30, 2027. This collective bargaining agreement was finalized with the CSEA and ratified by the Regulating District Board via Resolution 24-23-04 at its April 19, 2024 meeting.

(15) Risks and Uncertainties

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.

(16) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Required Supplementary Information
Schedule of Regulating District's Proportionate Share of the Net Pension Asset/Liability
Year ended June 30, 2024

	Thousands								
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Regulating District's proportion of the net pension (asset) liability	0.0046273%	0.0048886%	0.0052917%	0.0045752%	0.0039953%	0.0045230%	0.0045600%	0.0472000%	0.0047230%
Regulating District's proportionate share of the net pension (asset) liability	\$ 681	1,048	(433)	5	1,058	320	179	444	759
Regulating District's covered payroll	\$ 1,651	1,810	1,574	1,687	1,842	1,548	1,882	1,444	1,371
Regulating District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	41.25%	57.90%	27.51%	0.30%	57.44%	20.67%	9.51%	30.75%	55.36%
Plan fiduciary net position as a percentage of the total pension liability	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%

* The amounts presented for each fiscal year were determined as of the System's measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Regulating District will present information for those years for which information is available.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Required Supplementary Information
Schedule of Regulating District's Pension Contributions
Year ended June 30, 2024

	Thousands							
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 230	200	302	267	202	232	222	282
Contributions in relation to the contractually required contribution	<u>230</u>	<u>200</u>	<u>302</u>	<u>267</u>	<u>202</u>	<u>232</u>	<u>222</u>	<u>282</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Regulating District's covered payroll	\$ 1,651	1,810	1,574	1,687	1,842	1,548	1,882	1,444
Contributions as a percentage of covered payroll	13.93%	11.05%	19.19%	15.83%	10.97%	14.99%	11.80%	19.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Regulating District will present information for those years for which information is available.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Required Supplementary Information
Schedule of Changes in the Regulating District's
Total OPEB Liability and Related Ratios
Year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability					
Service cost	\$ 337,735	294,234	464,617	351,672	372,987
Interest on total OPEB liability	553,903	496,347	333,229	382,008	599,102
Differences between expected and actual experience	716,351	(286,882)	(3,641,428)	1,118,605	(4,015,089)
Benefit payments	<u>(591,935)</u>	<u>(565,437)</u>	<u>(551,755)</u>	<u>(515,651)</u>	<u>(452,638)</u>
Net change in total OPEB liability	1,016,054	(61,738)	(3,395,337)	1,336,634	(3,495,638)
Total OPEB liability - beginning	<u>13,377,875</u>	<u>13,439,613</u>	<u>16,834,950</u>	<u>15,498,316</u>	<u>18,993,954</u>
Total OPEB liability - ending	<u>\$14,393,929</u>	<u>13,377,875</u>	<u>13,439,613</u>	<u>16,834,950</u>	<u>15,498,316</u>
Covered payroll	\$ 1,650,512	1,809,576	1,573,884	1,686,615	1,841,677
Total OPEB liability as a percentage of covered payroll	872.09%	739.28%	853.91%	998.15%	841.53%

Note to schedule:

Changes in assumptions - Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
3.97%	3.86%	3.69%	1.92%	2.45%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 - year trend is compiled, the Regulating District will present information for those years for which information is available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Other Supplementary Information
Combining Schedule of Net Position
June 30, 2024

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
Assets:			
Current assets:			
Cash and equivalents	\$ 5,792,595	288,714	6,081,309
Accounts receivable, net	518,786	1,270,900	1,789,686
Intercompany receivable (payable)	398,203	(398,203)	-
Prepaid expenses	<u>35,778</u>	<u>-</u>	<u>35,778</u>
Total current assets	6,745,362	1,161,411	7,906,773
Capital assets, net	<u>4,464,918</u>	<u>4,063,300</u>	<u>8,528,218</u>
Total assets	<u>11,210,280</u>	<u>5,224,711</u>	<u>16,434,991</u>
Deferred Outflows of Resources	<u>579,802</u>	<u>103,295</u>	<u>683,097</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	727,265	6,947	734,212
Compensated absences	376,577	144,455	521,032
Bonds payable	15,689	-	15,689
Subscription liabilities	17,545	-	17,545
Lease liabilities	<u>51,858</u>	<u>4,902</u>	<u>56,760</u>
Total current liabilities	<u>1,188,934</u>	<u>156,304</u>	<u>1,345,238</u>
Noncurrent liabilities:			
Bonds payable, net of current portion	780,000	-	780,000
Subscription liabilities, net of current portion	14,312	-	14,312
Lease liabilities, net of current portion	139,189	-	139,189
Net pension liability	578,302	103,029	681,331
Other postemployment benefits obligation	<u>10,315,862</u>	<u>4,078,067</u>	<u>14,393,929</u>
Total noncurrent liabilities	<u>11,827,665</u>	<u>4,181,096</u>	<u>16,008,761</u>
Total liabilities	<u>13,016,599</u>	<u>4,337,400</u>	<u>17,353,999</u>
Deferred Inflows of Resources	<u>326,293</u>	<u>58,131</u>	<u>384,424</u>
Net Position:			
Net investment in capital assets	3,669,229	4,063,300	7,732,529
Unrestricted	<u>(5,222,039)</u>	<u>(3,130,825)</u>	<u>(8,352,864)</u>
Total net position	<u>\$ (1,552,810)</u>	<u>932,475</u>	<u>(620,335)</u>

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A Discretely Presented Component Unit of the State of New York)
Other Supplementary Information
Combining Schedule of Activities and Changes in Net Position
Year ended June 30, 2024

	Hudson River	Black River	Total Regulating District
Operating revenue:			
Assessments	\$ 3,591,420	1,135,096	4,726,516
New York State assessments	960,446	289,554	1,250,000
Water power service	-	88,255	88,255
Permit fees	551,382	-	551,382
Other	<u>15,592</u>	<u>-</u>	<u>15,592</u>
Total operating revenue	<u>5,118,840</u>	<u>1,512,905</u>	<u>6,631,745</u>
Operating expenses:			
Personnel service and employee benefits	2,669,754	1,202,251	3,872,005
Other postemployment benefits	338,651	9,066	347,717
Contractual services	1,490,743	362,234	1,852,977
Depreciation	213,025	18,010	231,035
Amortization	75,961	9,708	85,669
Materials and supplies	<u>90,253</u>	<u>6,152</u>	<u>96,405</u>
Total operating expenses	<u>4,878,387</u>	<u>1,607,421</u>	<u>6,485,808</u>
Total operating income	<u>240,453</u>	<u>(94,516)</u>	<u>145,937</u>
Nonoperating revenue (expense):			
Interest expense	(40,673)	-	(40,673)
Interest income	327,229	99,144	426,373
New York State appropriation	-	1,270,900	1,270,900
Other income and expense, net	<u>(236,302)</u>	<u>(203)</u>	<u>(236,505)</u>
Total nonoperating revenue	<u>50,254</u>	<u>1,369,841</u>	<u>1,420,095</u>
Changes in net position	290,707	1,275,325	1,566,032
Net assets at beginning of year	<u>(1,843,517)</u>	<u>(342,850)</u>	<u>(2,186,367)</u>
Net assets at end of year	<u><u>\$(1,552,810)</u></u>	<u><u>932,475</u></u>	<u><u>(620,335)</u></u>

**INDEPENDENT AUDITORS' 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**

The Board of Directors
Hudson River-Black River Regulating District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Hudson River-Black River Regulating District (the Regulating District), which comprise the consolidated statement of net position as of June 30, 2024, and the related consolidated statement of activities and changes in net position, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Regulating District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regulating District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Regulating District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regulating District'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.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 27, 2024