



Hudson River - Black River Regulating District



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MESSAGE FROM THE BOARD

On behalf of the Board of the Hudson River – Black River Regulating District, thank you for your interest in our 2011 Annual Report. As you will note, 2011 was a busy yet productive year for the Regulating District.

In 1959, the New York State Legislature combined the Hudson River Regulating District (established in 1922) with the Black River Regulating District (established in 1919) forming the Hudson River – Black River Regulating District. In 2009 we celebrated fifty years of effective river regulation. The mission of the Hudson River-Black River Regulating District is to regulate the flows of the Hudson River and Black River for the purposes of flood protection and flow augmentation and the Board takes this mission very seriously. Our success is due to the excellent working relationship the Regulating District maintains with Federal, State and local legislators, agencies, organizations and leaders. In addition, we commend our diligent staff.

The Regulating District is a New York State public benefit corporation that is operated with predictability, transparency and accountability in mind. For more information about the operation and governance of the Hudson River – Black River Regulating District please view our website at HRBRRD.com or contact one of our offices.

Sincerely,
David W. Berkstresser
Chairman

TABLE OF CONTENTS

1	Message from the Board	43	Indian Lake Reservoir
2	Notice to the NYS DEC	54	Stillwater Reservoir
4	Board & Personnel	58	Sixth Lake Reservoir
7	Financial Statements	59	Old Forge Reservoir
36	Petitions	60	Hawkinsville Dam
38	Great Sacandaga Lake	61	Black River Area Office
42	GSL Access Permit System	72	Resolutions



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GENERAL REPORT OF THE BOARD OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT PERIOD OF JANUARY 1, 2011 TO DECEMBER 31, 2011

TO THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

In compliance with provisions of Section 15-2131 of the Environmental Conservation Law this report is submitted to cover functions of the Board of Hudson River-Black River Regulating District for the period January 1, 2011 to December 31, 2011.

PURSUANT TO SECTION 15-2131 ENVIRONMENTAL CONSERVATION LAW

15-2131—Reports.

1. The board of any river regulating district created hereunder shall annually, as of such date as the department may provide, submit to it a written report, which shall contain:

- a. An exhibit of the personnel of the board, and all of the employees and persons connected with the board;
- b. A financial statement, showing fully and clearly the finances of the district, the amounts and dates of maturity of all bonds, notes and certificates of indebtedness, the amounts of money received, and from what sources, and amounts of money paid and purposes for which same were paid;
- c. A statement of any petitions received by the board and the action taken thereon;
- d. A descriptive statement of the work done during the previous year; and
- e. A statement of the condition of reservoirs and the results secured by the operation thereof in each case.

2. In addition to the matters outlined above the board shall report to the department such other matters as it shall deem proper or the department shall require.

CONCLUSION

A detailed report of each area as required by Section 15-2131 is included in this report.

The Board desires to express its appreciation for the cooperation by your Department in respect to the function of the Regulating District.

DATED: March 13, 2012

**BY ORDER OF THE
BOARD OF THE HUDSON RIVER-BLACK RIVER
REGULATING DISTRICT**

By: _____
David W. Berkstresser
Chairman

BOARD MEMBERS:**PHILIP W. KLEIN, SARATOGA SPRINGS, N.Y.**

Appointed to the Board by Governor Pataki on August 7, 2006 to September 1, 2011.

DAVID W. BERKSTRESSER, OLD FORGE, N.Y.

Appointed to the Board by Governor Paterson on March 31, 2009 to September 1, 2013.

PAUL CORNELL, GLOVERSVILLE, NY.

Appointed to the Board by Governor Paterson on June 8, 2009 to December 20, 2013.
(Deceased 2/4/2011)

MICHAEL ASTAFAN, CARTHAGE, N.Y.

Appointed to the Board by Governor Paterson on April 15, 2010 to December 7, 2013.

THOMAS STOVER, CHAUMONT, N.Y.

Appointed to the Board by Governor Paterson on June 28, 2010 to September 1, 2014.

ALBERT J. HAYES, JOHNSTOWN, N.Y.

Appointed by Governor Paterson on September 13, 2010 to September 1, 2015.

MARK M. FINKLE, GLOVERSVILLE, N.Y.

Appointed by Governor Paterson on November 24, 2010 to September 1, 2012.

NAME**TITLE****OFFICE****EXECUTIVE AND ADMINISTRATIVE PERSONNEL**

Michael A. Clark	Executive Director	Albany/Sacandaga (Appointed 7/12/11)
Robert P. Leslie	General Counsel	Albany
Ann E. Fisher	Legal Assistant	Albany (Resigned 5/4/11)
Richard J. Ferrara	Chief Fiscal Officer	Albany
Mary K. Buff	Sr. Administrative Assistant	Albany
John M. Hodgson, Jr.	Hudson River Area Administrator	Sacandaga (Appointed 7/12/11)
Susan A. Visco	Sr. Administrative Assistant	Sacandaga
Carol L. Wright	Black River Area Administrator	Black River
Lori S. McAvoy	Sr. Administrative Assistant	Black River
Kimberly D. Scott	Sr. Administrative Assistant	Black River

ENGINEERING DEPARTMENT

Robert S. Foltan, PE	Chief Engineer	Albany
Michael A. Mosher, PE	Operations Engineer	Albany

FIELD PERSONNEL

Daniel A. Holtje	Licensed Land Surveyor	Sacandaga
Daniel J. Kiskis	Field Assistant	Sacandaga
Randy T. Palmateer	Maintenance Specialist	Sacandaga
Eric S. Johnson	Sr. Plant Operator	Conklingville
Douglas H. Criss	Black River Area Field Superintendent	Stillwater
Michael A. Dicob	Sr. Plant Operator	Stillwater
Timothy R. Harwood	Plant Operator	Stillwater

PERMANENT PART-TIME

Darrin W. Harr	Resident Gate Keeper	Indian Lake
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CONTRACTUAL SERVICES

<u>NAME</u>	<u>SERVICE</u>	<u>LOCATION</u>
Peter Meneilly	Weather Observer	Big Moose
Kevin Muncy	Weather Observer	Copenhagen
Gerald Morczek	Weather Observer	Highmarket
William Hanchek	Weather Observer	Hooker
Dr. Harry P. O'Connor	Weather Observer	Lowville
Elect. Dept. Foreman	Weather Observer	Beaver Falls*
Brookfield Power	Weather Observer	Black River*
		Taylorville*
John A. Farney	Streamflow Gage Observer	Croghan

*Volunteer cooperators

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

**Financial Statements
June 30, 2011 and 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 7
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010:	
Statements of Net Assets	8
Statements of Revenue, Expenses and Change in Net Assets	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11 - 23
SUPPLEMENTAL SCHEDULES:	
Schedule I - Combining Statement of Net Assets	24
Schedule II - Combining Statement of Revenue, Expenses and Change in Net Assets	25
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26 - 27

INDEPENDENT AUDITORS' REPORT

September 21, 2011

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

We have audited the accompanying financial statements of the business-type activities 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, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Regulating District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regulating District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Regulating District as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Regulating District will continue as a going concern. As discussed in Note 8 to the financial statements, the Regulating District assessed various beneficiaries for a significant portion of its revenue. This assessment is currently under litigation and is cause for cash flow concern within the next fiscal year if the Regulating District is unsuccessful in its efforts to collect this revenue. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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(Continued)

INDEPENDENT AUDITORS' REPORT

(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2011 AND 2010

This Management's Discussion and Analysis (MD&A) of Hudson River-Black River Regulating District (the Regulating District) provides an introduction to the major activities and operations of the Regulating District and an introduction and overview to the Regulating District's financial performance and statements for the fiscal years ended June 30, 2011 and 2010.

Following this MD&A are the basic financial statements of the Regulating District together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. The Statements of Net Assets and the Statements of Revenue, Expenses and Change in Net Assets (on pages 8 and 9, respectively) provide both long-term and short-term information about the Regulating District's overall financial status. The Statements of Cash Flows (on page 10) provides information on the sources and uses of the Regulating District's cash through operating, capital and related financing and investing activities. The information contained in the MD&A should be considered in conjunction with the information contained in the Financial Statements and the Notes to 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. The management of both regions is vested in a seven-member Board appointed by the Governor of New York State. The mission of the Regulating District is to regulate the flows of the Hudson River and Black River for the purposes of flood protection and flow augmentation. The Regulating District Board formulates policies to accomplish its mission at Great Sacandaga Lake, providing flood protection and low flow augmentation through reservoir releases in accordance with the Upper Hudson/Sacandaga Offer of Settlement; at Indian Lake, Stillwater Reservoir, Old Forge and Sixth Lake, providing storage during periods of high flow and augmenting flows during periods of low flow; operating a data-gathering system for precipitation, stream flow, snow depth and flood conditions; providing the public with information pertinent to its mission; operating and maintaining facilities; maintaining a sound financial status for Regulating District operations; managing the lands of the State of New York under the Regulating District's jurisdiction; and promulgating rules and regulations necessary to fulfilling its mission.

REGULATING DISTRICT ACTIVITIES (Continued)

The Regulating District currently receives its primary funding from statutory beneficiaries, comprised of hydroelectric power generators, industrial operations and municipalities that directly benefit from augmented river flow and flood protection. These beneficiaries are annually assessed their proportional share of Regulating District operating expenses. A secondary revenue source comes from hydropower agreements that provide annual revenue in exchange for the ability to utilize headwater on Regulating District-administered state land for hydroelectric generating purposes. A third source of revenue, in the Hudson River area only, is the Sacandaga Lake Access Permit System, which generates revenue equal to the cost of its operations.

FACILITIES

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

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

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

OPERATIONS SUMMARY

The Regulating District's scope of operations and concomitant costs (in 000s) tend to be relatively stable from year to year:

	Black River Area			Hudson River Area		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 918	\$ 916	\$ 967	\$ 5,731	\$ 6,837	\$ 5,718
Operating expenses	<u>(1,421)</u>	<u>(1,684)</u>	<u>(1,264)</u>	<u>(6,400)</u>	<u>(6,424)</u>	<u>(7,119)</u>
Operating income (loss)	(503)	(768)	(297)	(669)	413	(1,401)
Net non-operating revenue (expense)	<u>44</u>	<u>123</u>	<u>149</u>	<u>-</u>	<u>28</u>	<u>87</u>
Change in net assets	<u>\$ (459)</u>	<u>\$ (645)</u>	<u>\$ (148)</u>	<u>\$ (669)</u>	<u>\$ 441</u>	<u>\$ (1,314)</u>

OPERATIONS SUMMARY (Continued)

The consolidated Regulating District revenues are derived from three primary sources. The financing of the two areas is accomplished independently because operating costs of each are recovered from two different sets of statutory beneficiaries, hydropower (or water usage) agreements and, in the Hudson River area only, the Great Sacandaga Lake Permit System. Statutory beneficiaries in both watersheds are assessed proportional shares of all other budgeted operating and overhead costs, after deducting the estimated revenue from the hydropower agreements, permit system, and estimated interest income. In 2009, the Regulating District determined the cost of the Permit System using a costing methodology recommended to the Board by an outside consultant. Revenue from statutory beneficiaries, hydropower agreements, and permit holders, if collected, is sufficient to balance the Regulating District's annual budget.

Operating expenses fall into four major categories: property taxes, personnel expenses, engineering and maintenance, and administrative overhead. While other expenses remain fairly stable, engineering and maintenance costs vary from year to year depending on a number of factors that affect our reservoirs, dams, and shoreline. These factors include, but are not necessarily limited to, weather, environmental protection and remediation, regulatory requirements, and recreational use of facilities. Since it is the dams that make possible the Regulating District's regulating of reservoir levels and river flows, and which restrain water to prevent flooding, maintenance of these dams is the Regulating District's primary activity.

For fiscal year 2011 versus 2010, permit system direct labor decreased approximately \$134K due in large part to a significant reduction in staff resulting from a funding shortfall. Erosion control decreased by \$220K due to a decision to discontinue that activity pending the replacement of lost funding.

For fiscal year 2011 versus 2010 engineering consultant costs decreased approximately \$145k, again due in large part to the delay in the scheduling of Federal Energy Regulatory Commission (FERC) required inspections resulting from a funding shortfall. Additionally, contractual services increased approximately \$526K, due in large part to a 22% Civil Recoveries Fee associated with the collection of the Hudson River Area past due assessments.

For fiscal year 2010 versus 2009, permit system direct labor increased approximately \$92K due in large part to an increase in permit system related activities around the Great Sacandaga Lake buffer zone. Erosion control decreased by \$30K due to a decision to discontinue that activity pending the replacement of lost funding.

The Regulating District maintains board restricted reserve funds to minimize the effect that budget fluctuations would have on the statutory beneficiaries that provide its primary funding. 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. For fiscal year 2011, the Hudson River Area did not set aside any funds for reserves. For fiscal year 2010, all reserves of the Hudson River Area were liquidated to absorb funding shortfalls following a federal preemption of its authority to assess Federal Energy Regulatory Commission licensed hydro companies in the Hudson River Area.

Contributing somewhat to annual imbalances between revenues and expenses has been the Regulating District's legislative mandate to adopt three-year budgets. While multi-year budgets, with revenues assessed equally for three years, serve to stabilize assessments during the budget cycle, they also tend toward surplus early in the multi-year cycle and deficit in the final year. Fiscal year 2011 was the second year of the three year budgeting cycle.

STATEMENT OF NET ASSETS SUMMARY (000s)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Buildings	\$ 937	\$ 937	\$ 937
Building improvements, furniture and equipment	1,694	1,694	1,694
Vehicles	740	842	842
Dam structures	<u>14,118</u>	<u>14,118</u>	<u>14,118</u>
Cost of capital assets	17,489	17,591	17,591
Less: Accumulated depreciation	<u>(13,655)</u>	<u>(13,489)</u>	<u>(13,229)</u>
Net book value of capital assets	3,834	4,102	4,362
Current assets	<u>12,870</u>	<u>10,383</u>	<u>6,503</u>
Total assets	16,704	14,485	10,865
Less: Liabilities	<u>(10,584)</u>	<u>(7,237)</u>	<u>(3,413)</u>
Net assets	<u>\$ 6,120</u>	<u>\$ 7,248</u>	<u>\$ 7,452</u>

This analysis reflects the Regulating District's stable 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."

The Regulating District reserves funds for repairs and assessment stabilization. The Regulating District is managing its financial position by currently appropriating accumulated surpluses to minimize assessment increases to statutory beneficiaries. The effect on the balance sheet is to reduce cash assets. As mentioned below, there was a significant increase in liabilities, which is due to the increase in other postemployment health benefits liability.

In fiscal year 2011, accounts receivable and accounts payable increased significantly. The past due assessment receivables are directly related to an ongoing appeal filed by the five (5) counties (Albany, Rensselaer, Saratoga, Washington, and Warren) arguing against Saratoga County Supreme Court Judge, the Honorable Stephen T. Ferradino's dismissal of their Article 78 proceeding in all respects. As a result of the U.S. District Court's ruling which pre-empted the Board's state authority to assess licensed hydro companies and the subsequent refusal by the counties to pay the new apportionment levied upon them, the Board made the decision to hold all school and property tax payments pending a solution to the past due assessment receivable.

In fiscal year 2010, accounts receivable and accounts payable increased significantly from fiscal year 2009. The past due assessment receivables were directly related to an Article 78 legal challenge filed by the five (5) counties arguing against the Board's authority to assess maintenance and operations cost upon them. As a result of the U.S. District Court's ruling which preempted the Board's state authority to assess licensed hydro companies and the subsequent refusal by the counties to pay the new apportionment levied upon them, the Board made the decision to hold all school and property tax payments pending a solution to the past due assessment receivable.

STATEMENT OF NET ASSETS SUMMARY (Continued)

During the past year, depreciation expense was more than the cost of acquired assets, which decreased the book value of assets. 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.

For the Regulating District, the stability in its balance sheet reflects management's ability to monitor and maintain the capital assets, and the conservative management of its cash assets to minimize increases in assessments and fees.

DEBT

The Hudson River Area plans to borrow approximately \$3.045 million from the Black River Area to satisfy an order of mandamus issued by Fulton County Supreme Court in connection with past due property and school taxes for fiscal years 2009-10 and 2010-11.

FINANCIAL CONDITION

The 2008 U.S. District Court decision which pre-empted the Hudson River Area's authority to assess its costs upon FERC licensed hydroelectric power companies continues to hamstring the Hudson River Area's ability to fund its operations. Subsequent to the U.S. Court decision, the Regulating District apportioned upon the five (5) counties (Albany, Rensselaer, Saratoga, Washington, and Warren) that receive flood protection benefits, its assessments for fiscal year 2009-10, 2010-11, and 2011-12. As indicated above, those assessments are currently the subject of an appeal by the counties. The Regulating District expects a decision by the Appellate Court during the 1st quarter of calendar year 2012. Consequently, the Hudson River Area will continue to operate at a structural deficit pending the receipt of subsequent assessments issued against five local counties and reimbursement of qualified Section 10(f) costs prescribed for by the Federal Power Act scheduled for completion sometime in 2012.

Additionally, the Regulating District's senior management team is developing a new business model in the Hudson River Area in an effort to streamline operations around its mission. This new model will be incorporated into the next three year budget cycle beginning in July 1, 2012.

In the Black River Area, operating results remain predictable and within an acceptable range of budget variance.

FUTURE ECONOMIC EVENTS

During the Regulating District's 2011-12 fiscal year, the Board expects FERC to issue a 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 resulting FERC order will complete the shift of the Regulating District's primary funding source from federally licensed for profit hydropower generators to five counties identified in the state statutorily authorized March 30, 2010 Apportionment. These two beneficiary groups, one under federal authority and the other pursuant to state authority, will be assessed annually their proportional share of Regulating District operating expenses.

REQUESTS FOR INFORMATION

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

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

STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,100,070	\$ 1,966,506
Investments	2,763,762	2,721,468
Accounts receivable	8,470,487	5,193,757
Prepaid expenses	<u>535,658</u>	<u>501,193</u>
Total current assets	12,869,977	10,382,924
CAPITAL ASSETS, net	<u>3,833,826</u>	<u>4,101,622</u>
Total assets	<u>16,703,803</u>	<u>14,484,546</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	5,122,155	2,626,929
Current portion of compensated absences	66,721	83,567
Current portion of retirement incentive	58,679	-
Current portion of due to New York State Retirement System	<u>40,004</u>	<u>40,004</u>
Total current liabilities	5,287,559	2,750,500
COMPENSATED ABSENCES, net of current portion	200,163	250,699
OTHER POSTEMPLOYMENT BENEFITS	4,826,688	4,201,919
RETIREMENT INCENTIVE, net of current portion	234,716	-
DUE TO NEW YORK STATE RETIREMENT SYSTEM, net of current portion	<u>35,298</u>	<u>33,751</u>
Total liabilities	<u>10,584,424</u>	<u>7,236,869</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	3,833,826	4,101,622
UNRESTRICTED NET ASSETS	<u>2,285,553</u>	<u>3,146,055</u>
Total net assets	<u>\$ 6,119,379</u>	<u>\$ 7,247,677</u>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE:		
Assessments	\$ 5,072,482	\$ 6,261,242
Water power service	1,105,489	1,073,290
Permit fees	408,060	412,861
Other	<u>62,714</u>	<u>5,435</u>
Total operating revenue	<u>6,648,745</u>	<u>7,752,828</u>
OPERATING EXPENSES:		
Personnel services and employee benefits	3,279,367	4,110,571
Real estate taxes	2,535,056	2,507,002
Contractual services	646,918	1,005,419
Depreciation	248,942	260,213
Material and supplies	1,111,262	189,469
Repairs and maintenance	<u>402</u>	<u>34,968</u>
Total operating expenses	<u>7,821,947</u>	<u>8,107,642</u>
Total operating loss	<u>(1,173,202)</u>	<u>(354,814)</u>
NON-OPERATING REVENUE:		
Investment income, net	<u>44,904</u>	<u>150,588</u>
Total non-operating revenue	<u>44,904</u>	<u>150,588</u>
CHANGE IN NET ASSETS	(1,128,298)	(204,226)
NET ASSETS - beginning of year	<u>7,247,677</u>	<u>7,451,903</u>
NET ASSETS - end of year	<u>\$ 6,119,379</u>	<u>\$ 7,247,677</u>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenues -		
Cash received from assessments	\$ 1,795,752	\$ 1,072,610
Cash received from water power service	1,105,489	1,073,290
Cash received from permit fees	408,060	412,861
Other cash receipts	5,170	5,435
Expenses -		
Payments to vendors and suppliers for goods and services	(2,427,038)	(1,246,642)
Payments to employees	<u>(1,814,023)</u>	<u>(2,766,209)</u>
Net cash flow from operating activities	<u>(926,590)</u>	<u>(1,448,655)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sales of capital assets	<u>57,544</u>	<u>-</u>
Net cash flow from capital and related financing activities	<u>57,544</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	1,112,576
Purchases of investments	(42,294)	-
Investment income	<u>44,904</u>	<u>150,588</u>
Net cash flow from investing activities	<u>2,610</u>	<u>1,263,164</u>
CHANGE IN CASH	(866,436)	(185,491)
CASH - beginning of year	<u>1,966,506</u>	<u>2,151,997</u>
CASH - end of year	<u>\$ 1,100,070</u>	<u>\$ 1,966,506</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating loss	\$ (1,173,202)	\$ (354,814)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation	248,942	260,213
Bad debt expense	979,705	-
Gain on sale of capital assets	(38,690)	-
Changes in:		
Accounts receivable	(4,256,435)	(5,188,632)
Prepaid expenses	(34,465)	10,647
Accounts payable	2,495,226	2,479,569
Compensated absences	(67,382)	(73,230)
Other postemployment benefits obligation	624,769	1,419,146
Retirement incentive	293,395	-
Due to New York State Retirement System	<u>1,547</u>	<u>(1,554)</u>
Net cash flow from operating activities	<u>\$ (926,590)</u>	<u>\$ (1,448,655)</u>

The accompanying notes are an integral part of these statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

1. ORGANIZATION AND REPORTING ENTITY

Hudson River-Black River Regulating District (the Regulating District) was created in 1959 under Article 15, Title 21 of the Environmental Conservation Law, which combined two organizations, the Black River Regulating District (Black River), formed in 1919, and the Hudson River Regulating District (Hudson River), formed in 1922. The Regulating District is a New York State public benefit corporation that is mandated to regulate stream flows including health and safety as required by public welfare. The regulation of stream flows into the two watershed areas is the mission of the consolidated organization. The day-to-day operation of the two areas is conducted independently, because they are not physically related or connected in any way. Accordingly, the financing of the two areas is accomplished independently, because operating costs of each are recovered from two different sets of statutory beneficiaries, hydropower (or water power) 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 financial statements include all operations for which the Regulating District has financial accountability.

A significant portion of the Regulating District's employees are covered under a collective bargaining agreement with the Civil Service Employees Administration (CSEA) which expires June 30, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Regulating District's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds. The Regulating District has elected not to follow subsequent private sector guidance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

GASB requires the classification of net assets into three components, as defined below:

- **Invested in capital assets, net of related debt** - 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. As of June 30, 2011 and 2010, the Regulating District did not have any debt.
- **Restricted net assets** - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. As of June 30, 2011 and 2010, the Regulating District did not have any restricted net assets.
- **Unrestricted net assets** - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Cash

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, 2011 and 2010, the Regulating District also had funds held by New York State in Short Term Investment Pools (STIP). The Regulating District 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.

Investments

The Regulating District's investment policies comply with the New York State Comptroller's guidelines for such policies. In addition, the Regulating District has its own written investment policy. Those policies permit investments in, among other things, obligations of the U.S. Treasury and its agencies and instrumentalities, certificates of deposit and obligations of the State of New York. Investments are recorded at amortized cost, which approximates market value and investment income is recorded in the statement of revenues, expenses and changes in net assets. Investments are in mutual funds with short term maturities of three years or less and are reported as current assets in the statement of net assets.

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
Buildings and improvements	15 - 40 years
Equipment	5 - 7 years
Vehicles	5 years

Accrued Employee Benefits

It is the Regulating District's policy to record employee benefits, including accumulated vacation and sick leave, as a liability. Regulating District employees are granted vacation in varying amounts. Upon retirement from the Regulating District, union employees are reimbursed for fifty percent of all accumulated sick days, up to a stated maximum depending on position held, as specified in the collective bargaining agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits

The Regulating District provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts. In general, the Regulating District provides health care benefits for those retired personnel who are eligible for a pension through the New York State and Local Employees' Retirement System. There were 37 and 32 retired employees currently receiving benefits at June 30, 2011 and 2010, respectively.

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 portion of facility and equipment costs to permit system operations.

Assessments

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CASH

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

	Carrying Value	Bank Balance
June 30, 2011	\$ <u>261,177</u>	\$ <u>354,313</u>
June 30, 2010	\$ <u>121,266</u>	\$ <u>164,949</u>

3. CASH (Continued)

The Regulating District's cash deposits at June 30, 2011 and 2010 were secured by the FDIC as follows:

	<u>2011</u>	<u>2010</u>
FDIC	\$ <u>354,563</u>	\$ <u>164,949</u>

Deposits held in Short Term Investment Pools (STIP), held by the NYS Comptroller's Office, funds were \$838,643 and \$1,844,990 at June 30, 2011 and 2010, respectively.

A summary of the carrying value of cash is as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Cash	\$ 261,177	\$ 121,266
STIP funds	838,643	1,844,990
Petty cash	<u>250</u>	<u>250</u>
	<u>\$ 1,100,070</u>	<u>\$ 1,966,506</u>

4. INVESTMENTS

New York State statutes and guidelines, and the Regulating District's own investment policies, limit the investment of funds to obligations of the U.S. Government and its agencies, certificates of deposit and obligations of the State of New York. At June 30, 2011, investments include \$2,763,762 of government mutual funds with short-term maturities, under a managed investments arrangement with Sentinel Funds. The Regulating District's investments are carried at amortized cost, which approximates market value. At June 30, 2010, investments included \$2,721,468 under a similar investment management arrangement.

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	<u>2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>2011</u>
Hudson River Area:				
Dam structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building and improvements	1,920,454	-	-	1,920,454
Office and other equipment	224,260	-	-	224,260
Vehicles	<u>691,667</u>	<u>-</u>	<u>(102,111)</u>	<u>589,556</u>
Total at cost	<u>14,941,211</u>	<u>-</u>	<u>(102,111)</u>	<u>14,839,100</u>
Less: Accumulated depreciation				
Dam structures	(10,045,443)	(121,048)	-	(10,166,491)
Building and improvements	(511,266)	(25,471)	-	(536,737)
Office and other equipment	(146,120)	(8,460)	-	(154,580)
Vehicles	<u>(677,006)</u>	<u>(47,573)</u>	<u>83,257</u>	<u>(641,322)</u>
Less: Accumulated depreciation	<u>(11,379,835)</u>	<u>(202,552)</u>	<u>83,257</u>	<u>(11,499,130)</u>
Total Hudson River Area depreciable assets, net	<u>3,561,376</u>	<u>(202,552)</u>	<u>(18,854)</u>	<u>3,339,970</u>
Black River Area:				
Dam structures	2,013,195	-	-	2,013,195
Building improvements	406,442	-	-	406,442
Equipment	72,140	-	-	72,140
Vehicles	150,801	-	-	150,801
Office equipment	<u>6,736</u>	<u>-</u>	<u>-</u>	<u>6,736</u>
Total at cost	<u>2,649,314</u>	<u>-</u>	<u>-</u>	<u>2,649,314</u>
Less: Accumulated depreciation:				
Dam structures	(1,820,202)	(20,000)	-	(1,840,202)
Building improvements	(107,852)	(10,746)	-	(118,598)
Equipment	(60,741)	(2,214)	-	(62,955)
Vehicles	<u>(120,273)</u>	<u>(13,430)</u>	<u>-</u>	<u>(133,703)</u>
Less: Accumulated depreciation	<u>(2,109,068)</u>	<u>(46,390)</u>	<u>-</u>	<u>(2,155,458)</u>
Total Black River Area depreciable assets, net	<u>540,246</u>	<u>(46,390)</u>	<u>-</u>	<u>493,856</u>
Total capital assets, net	<u>\$ 4,101,622</u>	<u>\$ (248,942)</u>	<u>\$ (18,854)</u>	<u>\$ 3,833,826</u>

5. CAPITAL ASSETS (Continued)

	<u>2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>2010</u>
Hudson River Area:				
Dam structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building and improvements	1,920,454	-	-	1,920,454
Office and other equipment	224,260	-	-	224,260
Vehicles	<u>691,667</u>	<u>-</u>	<u>-</u>	<u>691,667</u>
Total at cost	<u>14,941,211</u>	<u>-</u>	<u>-</u>	<u>14,941,211</u>
Less: Accumulated depreciation				
Dam structures	(9,925,295)	(120,148)	-	(10,045,443)
Building and improvements	(485,593)	(25,673)	-	(511,266)
Office and other equipment	(136,965)	(9,155)	-	(146,120)
Vehicles	<u>(621,363)</u>	<u>(55,643)</u>	<u>-</u>	<u>(677,006)</u>
Less: Accumulated depreciation	<u>(11,169,216)</u>	<u>(210,619)</u>	<u>-</u>	<u>(11,379,835)</u>
Total Hudson River Area depreciable assets, net	<u>3,771,995</u>	<u>(210,619)</u>	<u>-</u>	<u>3,561,376</u>
Black River Area:				
Dam structures	2,013,195	-	-	2,013,195
Building improvements	406,442	-	-	406,442
Equipment	72,140	-	-	72,140
Vehicles	150,801	-	-	150,801
Office equipment	<u>6,736</u>	<u>-</u>	<u>-</u>	<u>6,736</u>
Total at cost	<u>2,649,314</u>	<u>-</u>	<u>-</u>	<u>2,649,314</u>
Less: Accumulated depreciation:				
Dam structures	(1,800,202)	(20,000)	-	(1,820,202)
Building improvements	(97,106)	(10,746)	-	(107,852)
Equipment	(58,527)	(2,214)	-	(60,741)
Vehicles	<u>(103,639)</u>	<u>(16,634)</u>	<u>-</u>	<u>(120,273)</u>
Less: Accumulated depreciation	<u>(2,059,474)</u>	<u>(49,594)</u>	<u>-</u>	<u>(2,109,068)</u>
Total Black River Area depreciable assets, net	<u>589,840</u>	<u>(49,594)</u>	<u>-</u>	<u>540,246</u>
Total capital assets, net	<u>\$ 4,361,835</u>	<u>\$ (260,213)</u>	<u>\$ -</u>	<u>\$ 4,101,622</u>

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

	<u>2011</u>	<u>2010</u>
Hudson River Area	\$ 202,552	\$ 210,619
Black River Area	<u>46,390</u>	<u>49,594</u>
Total depreciation expense	<u>\$ 248,942</u>	<u>\$ 260,213</u>

6. RETIREMENT SYSTEM

Plan Description

The Regulating District participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing, multiple-employer retirement plan. The System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security law (NYSRSSL). As set forth in NYSSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy

The System is non-contributory except for employees who joined the System after July 27, 1976, who contribute 3% of their salary for the first ten years of employment and nothing thereafter. Under the authority of NYSSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the Pension Accumulation Fund.

The Regulating District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2011	\$	188,503
2010	\$	142,961
2009	\$	139,639

The Regulating District's contributions made to the System were equal to 100% of the contributions required for 2011 and 2010.

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes in the System:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund prior to April 1st.

On July 30, 2004, Chapter 260 of the Laws of 2004 of the state of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amounts in excess of seven percent of employees' covered salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered salaries.
- For SFY 2006-07, the amount in excess of 10.5% of employees' covered salaries.

6. RETIREMENT SYSTEM (Continued)

Funding Policy (Continued)

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the System. The December 15 payment due date changed to February 1; however, employers were allowed to prepay their payment by December 15. The covered salary period (April 15 - March 31) does not change for the calculation.

7. NET ASSETS

The following is a description of unrestricted net assets designated by the Board:

- **Assessment Stabilization**
\$676,667 at June 30, 2011 and 2010 has been designated for the purpose of stabilizing future assessments.
- **Capital Projects**
\$1,170,000 at June 30, 2011 and 2010 has been designated for future capital projects.
- **Other**
\$413,282 at June 30, 2011 and 2010 has been designated for legal, engineering and tax purposes.

8. CONTINGENCIES

As of June 30, 2011, the Regulating District continues to be in litigation with one major statutory beneficiary for assessment abatement that could materially affect the financial position of the Regulating District. The case has been in litigation since 2001, and the litigant has filed challenges to its assessment for each of the last eight fiscal years. The litigation remains in the discovery phase and; therefore, the outcome is uncertain. No amounts have been accrued related to this contingency.

The Regulating District has been named as defendant in a number of litigation actions relating to challenges to its assessments, both present and prior, to various beneficiaries. Due to the nature of these actions, no estimate of ultimate liability, if any, to the Regulating District can be made. Consequently, no reserves have been recorded in the accompanying financial statements for the settlement of these matters.

During fiscal 2009, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) returned a judgment in favor of the remaining statutory beneficiaries which completely pre-empts any assessment of costs against hydropower operators under the Regulating District's New York Environmental Conservation Law (ECL). As a result of the D.C. Circuit's decision, the Regulating District is no longer able to assess downstream hydroelectric projects under New York State law for a significant portion of the Regulating District's annual operations and maintenance expenses. Moreover, the plaintiff retains the right to seek refunds of previous assessments if it chooses to pursue this course of action; however, it is not possible to determine the scope of this possible action. Accordingly, no amounts have been accrued as a liability relating to this litigation. Although this case remains in the discovery phase, the potential liability to the Regulating District could be \$10,000,000, plus interest if an unfavorable decision is made.

8. CONTINGENCIES (Continued)

In fiscal year 2010, FERC ordered a headwater benefits study following a decision of the U.S. Court of Appeals which eliminated the Regulating District's ability to assess downstream operators of hydroelectric facilities for benefits received from operation of the Great Sacandaga Lake under New York ECL. The Regulating District will be liable for one-half of the costs incurred by FERC in conducting its headwater benefits investigation. The Regulating District's share of these costs is expected to range between \$150,000 - \$250,000. The Regulating District will not be assessed for those costs until the headwater benefits proceeding is completed, thus no amounts were accrued in the financial statements.

Until FERC completes its headwater benefits investigation, the Regulating District will not receive any further funding from downstream hydropower operators. To the extent that FERC makes its headwater benefits determination retroactive, the downstream projects may be given credits against their headwater benefits invoices for the difference between the FERC charge and the amount the project owner paid to the Regulating District during the relevant period. Since the headwater benefits charges are likely to be only a fraction of each entity's prior annual assessments, it could take many years before each hydro project operator uses up its credits from past over-collections.

Going Concern and Management's Plans

As a result of litigation described above, the Regulating District assessed the five surrounding counties the revenue it was previously able to obtain from hydropower beneficiaries. Since the five counties are contesting this action, the Regulating District has not received the revenue it has assessed them for the previous two fiscal years, which approximates \$9.8 million.

Those assessments are currently the subject of an appeal by the counties. The Regulating District expects a decision by the Appellate Court during the first quarter of 2012. The ability of the Regulating District to continue as a going concern depends upon it receiving the revenue in fiscal 2012. The financial statements do not include any adjustments that might be necessary if the Regulating District is unable to continue as a going concern.

Consequently, the Regulating District's management is developing a new business model in the Hudson River Area in an effort to streamline operations around its mission. This new model will be incorporated into the next three year budget cycle beginning in July 1, 2012.

9. HYDROPOWER (WATER USAGE) AGREEMENTS

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

In the Black River area, the Regulating District has a Hydropower Agreement with a hydro electric company effective January 1, 1986 and expiring in December 31, 2016, which required an initial annual payment of \$30,000 that increases by 3.0% each year.

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

2012	\$ 1,138,653
2013	1,172,813
2014	1,207,997
2015	1,244,237
2016	1,281,564
Thereafter	<u>6,627,148</u>
	<u>\$ 12,672,412</u>

10. CONCENTRATIONS

Approximately 96% and 68% of assessment revenues and 74% and 55% of total operating revenues were provided by five and two statutory beneficiaries for the years ended June 30, 2011 and 2010, respectively.

11. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The Regulating District provides certain health care benefits for retired employees. The Regulating District administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB).

In general, the Regulating District provides health care benefits for those retired personnel who are eligible for a pension through the System. The Retirement Plan can be amended by action of the District subject to applicable collective bargaining and employment agreements. There were 37 and 32 retired employees currently receiving benefits at June 30, 2011 and 2010, respectively. The Retirement Plan 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.

Funding Policy

The obligations of the Retirement Plan are established by action of the Regulating District pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0%-25%, depending on when the employee was hired and if the employee is governed by a CSEA or a management exempt plan. The Regulating District will pay 100% of the premiums for the retiree and spouse for a management exempt employee, 100% of the premium for a Union employee, and 75% of the premium for a Union employees' spouse. The Regulating District pays the costs of administering the Retirement Plan. The Regulating District currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amounts paid during 2011 and 2010 were approximately \$328,000 and \$318,000, respectively, and were recorded as operating expenses.

11. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Regulating District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the Regulating Districts' annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the Regulating Districts' net OPEB obligation:

	<u>2011</u>	<u>2010</u>
ARC	\$ 1,011,953	\$ 1,771,926
Interest on net OPEB obligation	83,938	28,221
Adjustment to ARC	<u>(142,749)</u>	<u>(63,002)</u>
Annual OPEB cost	953,142	1,737,145
Contributions made	<u>(328,373)</u>	<u>(317,999)</u>
Increase in net OPEB obligation	624,769	1,419,146
Net OPEB obligation - beginning of year	<u>4,201,919</u>	<u>2,782,773</u>
Net OPEB obligation - end of year	<u>\$ 4,826,688</u>	<u>\$ 4,201,919</u>

Percentage of Annual OPEB Cost

Contributed	34.45%	18.31%
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Trend Information

The following table provides trend information for the Retirement Plan:

<u>Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 953,142	\$ 328,373	34.5%	\$ 4,826,688
2010	\$ 1,737,145	\$ 317,999	18.3%	\$ 4,201,919
2009	\$ 1,709,274	\$ 298,249	17.4%	\$ 2,782,773

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

Schedule of Funding Progress for the Regulating District's Plan

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

11. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Schedule of Funding Progress for the Regulating District's Plan (Continued)

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a% of Covered Payroll (b-a)/(c)
7/1/2010	2011	\$ -	\$ 11,418,496	\$ 11,418,496	0.0%	\$ 1,502,610	760%
7/1/2010	2010	\$ -	\$ 11,036,544	\$ 11,036,544	0.0%	\$ 1,677,981	658%
7/1/2007	2009	\$ -	\$ 17,665,905	\$ 17,665,905	0.0%	\$ 1,786,883	989%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The Regulating District has elected to use the alternate valuation method, as there are fewer than 100 plan members.

In the July 1, 2010 valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	3.0%
Medical care cost trend rate	8.25% or 10.0% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% after seven years.
Prescription drug trend rate	9.0% initially. The rate is reduced by decrements to an ultimate rate of 5.0% after seven years.
Dental trend rate	5.0%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level Dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the Regulating District's investment assets are low risk in nature, such as money market or Sentinel fund.

12. LONG-TERM OBLIGATIONS

Long-term activity for the year ended June 30, 2011 is summarized below.

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Classified as	
					Current	Non-Current
Other postemployment benefits	\$ 4,201,919	\$ 953,142	\$ (328,373)	\$ 4,826,688	\$ -	\$ 4,826,688
Due to NYS retirement system	73,755	1,547	-	75,302	40,004	35,298
Retirement incentive	-	293,395	-	293,395	58,679	234,716
Compensated absences	<u>334,266</u>	<u>-</u>	<u>(67,382)</u>	<u>266,884</u>	<u>66,721</u>	<u>200,163</u>
	<u>\$ 4,609,940</u>	<u>\$ 1,248,084</u>	<u>\$ (395,755)</u>	<u>\$ 5,462,269</u>	<u>\$ 165,404</u>	<u>\$ 5,296,865</u>

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

12. LONG-TERM OBLIGATIONS (Continued)

Long-term activity for the year ended June 30, 2010 is summarized below.

<u>Business-type activities</u>	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/10</u>	<u>Classified as</u>	
					<u>Current</u>	<u>Non-Current</u>
Other postemployment benefits	\$ 2,782,773	\$ 1,737,145	\$ (317,999)	\$ 4,201,919	\$ -	\$ 4,201,919
Due to NYS retirement system	75,309		(1,554)	73,755	40,004	33,751
Compensated absences	<u>407,496</u>	<u>-</u>	<u>(73,230)</u>	<u>334,266</u>	<u>83,567</u>	<u>250,699</u>
	<u>\$ 3,265,578</u>	<u>\$ 1,737,145</u>	<u>\$ (392,783)</u>	<u>\$ 4,609,940</u>	<u>\$ 123,571</u>	<u>\$ 4,486,369</u>

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

13. COMMITMENTS

The Regulating District has two operating lease agreements for office space that require monthly payments of \$1,190 through November 2012, and monthly payments of \$3,500 through March 2013, respectively.

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

2012	\$ 49,188
2013	<u>39,990</u>
	<u>\$ 89,178</u>

Total rent expense recognized by the Regulating District under the terms of all of its office lease agreements was approximately \$57,000 and \$57,300 during the years ended June 30, 2011 and 2010, respectively.

14. TERMINATION BENEFITS

During the 2010 fiscal year, the Regulating District approved a one-time early retirement incentive plan, known as the 2010-2011 Retirement Incentive Program (the Program), for all employees. This Program was initiated by the New York State Division of the Budget. To be eligible, employees were required to have 10 years of service with the Regulating District and be at least 50 years of age. An employee also must have been in active service from February 1, 2010 until the commencement of the open period on July 14, 2010. Eligible employees had to retire by September 11, 2010.

Employees who took advantage of this incentive will receive approximately one month of additional service credit for each year of service, up to a maximum of three additional years of service credit. At June 30, 2011, the Regulating District recorded a liability and expense of approximately \$293,000 on behalf of five employees who participated in the Program. The Regulating District will repay this liability in equal installments over the next five years.

15. SUBSEQUENT EVENT

On August 9, 2011, the Board of Directors approved a resolution to liquidate approximately \$3 million in reserve funds for use in payment of the judgment imposed by a Fulton County Court decision to force the Regulating District to pay past-due real estate taxes. This action will deplete the Black River Area's net assets.

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

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 430,475	\$ 669,595	\$ 1,100,070
Investments	-	2,763,762	2,763,762
Accounts receivable	8,386,649	83,838	8,470,487
Due from (to) District	74,061	(74,061)	-
Prepaid expenses	<u>523,764</u>	<u>11,894</u>	<u>535,658</u>
Total current assets	9,414,949	3,455,028	12,869,977
CAPITAL ASSETS, net	<u>3,339,970</u>	<u>493,856</u>	<u>3,833,826</u>
Total assets	<u>12,754,919</u>	<u>3,948,884</u>	<u>16,703,803</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	5,119,858	2,297	5,122,155
Current portion of compensated absences	38,513	28,208	66,721
Current portion of retirement incentive	53,655	5,024	58,679
Current portion due to New York State Retirement System	<u>40,004</u>	<u>-</u>	<u>40,004</u>
Total current liabilities	5,252,030	35,529	5,287,559
COMPENSATED ABSENCES, net of current portion	115,538	84,625	200,163
OTHER POSTEMPLOYMENT BENEFITS, net of current portion	3,673,462	1,153,226	4,826,688
RETIREMENT INCENTIVE, net of current portion	214,620	20,096	234,716
DUE TO NEW YORK STATE RETIREMENT SYSTEM, net of current portion	<u>35,298</u>	<u>-</u>	<u>35,298</u>
Total liabilities	<u>9,290,948</u>	<u>1,293,476</u>	<u>10,584,424</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS	3,339,970	493,856	3,833,826
UNRESTRICTED NET ASSETS	<u>124,001</u>	<u>2,161,552</u>	<u>2,285,553</u>
Total net assets	<u>\$ 3,463,971</u>	<u>\$ 2,655,408</u>	<u>\$ 6,119,379</u>

The accompanying notes are an integral part of these schedules.

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

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
OPERATING REVENUE:			
Assessments	\$ 4,214,697	\$ 857,785	\$ 5,072,482
Water power service	1,045,393	60,096	1,105,489
Permit fees	408,060	-	408,060
Other	62,714	-	62,714
Total operating revenue	<u>5,730,864</u>	<u>917,881</u>	<u>6,648,745</u>
OPERATING EXPENSES:			
Personnel services and employee benefits	2,507,645	771,722	3,279,367
Real estate taxes	2,498,511	36,545	2,535,056
Contractual services	513,249	133,669	646,918
Depreciation	202,552	46,390	248,942
Material and supplies	1,067,118	44,144	1,111,262
Repairs and maintenance	402	-	402
Allocated general board expenses	(389,222)	389,222	-
Total operating expenses	<u>6,400,255</u>	<u>1,421,692</u>	<u>7,821,947</u>
Total operating loss	<u>(669,391)</u>	<u>(503,811)</u>	<u>(1,173,202)</u>
NON-OPERATING REVENUE:			
Investment income, net	<u>718</u>	<u>44,186</u>	<u>44,904</u>
Total non-operating revenue	<u>718</u>	<u>44,186</u>	<u>44,904</u>
CHANGE IN NET ASSETS	(668,673)	(459,625)	(1,128,298)
NET ASSETS - beginning of year	<u>4,132,644</u>	<u>3,115,033</u>	<u>7,247,677</u>
NET ASSETS - end of year	<u>\$ 3,463,971</u>	<u>\$ 2,655,408</u>	<u>\$ 6,119,379</u>

The accompanying notes are an integral part of these schedules.

**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**

September 21, 2011

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

We have audited the financial statements of the business-type activities of the Hudson River-Black River Regulating District (the Regulating District) a New York State Public Benefit Corporation, which is a discretely presented component unit of the State of New York, as of and for the year ended June 30, 2011, which collectively comprise the Regulating District's basic financial statements and have issued our report thereon dated September 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regulating District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regulating District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***
(Continued)

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

This report is intended solely for the information and use of management, the audit committee, Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

STATEMENT OF PETITIONS RECEIVED BY THE BOARD AND THE ACTION TAKEN THEREON

In the Matter of the Application of County of Fulton, New York, Broadalbin-Perth Central School District, Mayfield Central School District, and Northville Central School District, Petitioners -against- The State of New York and Hudson River-Black River Regulating District

Supreme Court Fulton County – Index No. 2011-00209

On March 11, 2011, Fulton County and three school districts within that county filed an Article 78 challenge seeking to compel the Regulating District and/or the State of New York to pay delinquent real property and school taxes due for 2009 and 2010. The Office of the Attorney General presented the Regulating District's defense. On June 23, 2011, Hon. Richard T. Aulisi, Supreme Court Fulton County issued a Decision and Judgment: dismissing the School Districts' Petition (*Schools could have enforced entitlement to payment by County pursuant to RPTL §1334 and simple collection action is inappropriate for an Article 78 proceeding*); denying the County's request for penalties, interest and costs (*RPTL §544(2) allows for no penalties, interest or fees by the State*); granting the County's request for Order of Mandamus requiring Regulating District to pay \$3,045,337.65 within 30 days (*ECL §15-2115 requires it*); and dismissing the County Petition as against the State of New York (*Special law ECL §15-2121 controls the general statute RPTL §544(1)*). Pursuant to an agreement, the Regulating District Board adopted Resolution 11-24-08 authorizing the liquidation of BRA Reserve funds in order to satisfy the Aulisi judgment. Judge Aulisi executed the Consent Decree on August 17, 2011 and the Regulating District satisfied the judgment shortly thereafter.

Niagara Mohawk Power Corporation, d/b/a National Grid v. State of New York, Office of the State Comptroller, Department of Environmental Conservation, and Board of Hudson River-Black River Regulating District

Supreme Court, County of Herkimer Index no.: 95032
NYS Court of Claims

On July 26, 2011 Petitioner filed an Article 78 challenging the Regulating District's apportionment and/or assessments on petitioner's property for fiscal year 2010-11 resulting from what petitioner characterizes as the Regulating District's improper decision to treat petitioner's real property as real estate benefited by the reservoirs operated by the Regulating District. Petitioner further asserts that the petitioner's property has been unequally assessed; unlawfully and unconstitutionally apportioned and assessed; and misclassified for said apportionment and assessment purposes. The petition further alleges that the Regulating District's 2000-02, 2003-05, 2006-08 and 2009-11 assessments against petitioner's real property were arbitrary and capricious and should therefore be declared null and void. The petitioner seeks that the apportionments and assessments be rescinded or reduced to \$0 and judgment exceeding \$6,000,000. Regulating District's Answer was filed on October 18.

On the same date, Niagara Mohawk filed a Notice of Intention to File a Claim in the New York State Court of Claims. The Court of Claims Notice asserts that: the Regulating District has not assessed all benefited parcels; the petitioner's parcels are not benefited parcels and therefore should not be assessed; the assessments require assesses to subsidize an illegal permit system; the assessments constitute an improper confiscation of petitioner's property; the Regulating District's apportionment, assessment and settlement with Erie Boulevard Hydropower, L.P. violates the commerce clause; the assessments and apportionments and disparate treatment of petitioner violates equal protection; and that the Regulating District continues to breach the Offer of Settlement.

Albany Engineering Corporation vs. Hudson River-Black River Regulating District
 Supreme Court, Albany County – Index No. 5289-11

By Service of a Summons and Complaint on August 4, 2011, Albany Engineering Corporation commenced action against the Regulating District alleging that Assessments levied pursuant to ECL Article 15, Title 21 against Albany Engineering Corporation (AEC) between 2003 and 2007 lacked statutory authority. AEC maintains that HRBRRD has improperly collected over \$516,655.62 and seeks that amount, interest, attorney's fees, costs and disbursements. The Office of the Attorney general interposed an Answer on November 11, 2011. The parties have both moved for Summary Judgment.

OTHER MATTERS OF INTEREST (ECL§1-2131(2))

1. Freedom of Information Law (FOIL) Requests

- a. The Regulating District received 25 FOIL requests during the reporting period.
- b. The Regulating District processed each request in accordance with the Public Officers Law and the information sought, if available, was provided to the requesting party in a manner consistent with the Regulating District's statutory obligations.
- c. The Regulating District granted 23 requests. 1 request(s) was denied because the records requested do not exist within HRBRRD files. 1 request(s) was granted but only to the extent that the requester certified that the address list requested would not be used for fundraising or commercial purposes. This requester declined to further pursue the request. There was one appeal. After a second review of Regulating District records, the single appeal was denied as the records requested do not exist within the Regulating District's files.

HUDSON RIVER AREA - GREAT SACANDAGA LAKE

MAINTENANCE AND OPERATION

Facility Maintenance and Operation

Regulating District personnel maintained facilities at the Conklingville, Indian Lake and Sacandaga field offices. Activities included building maintenance and grounds maintenance.

The field staff maintained, repaired and operated the Regulating District marine equipment, motor vehicles, construction equipment, and small machinery.

Reservoir Maintenance and Operation

Regulating District personnel performed the following operation activities and routine maintenance:

- Dam and outlet structure facility maintenance,
- Installation of shoreline stabilization and erosion control measures,
- Grounds maintenance at embankment dams,
- Administration of Access Permit System,
- Process permit renewals,
- Process new permit applications,
- Process State Environmental Quality Review (SEQR) work permits,
- Survey maintenance of 125 miles of State property line,
- Survey and delineation of permit areas,
- Preparation of permit stakes and signs,
- Posting of notice and trespassing signs,
- Clearing of property line (taking line),
- Replacement / relocation of survey monuments,
- Removal and disposal of litter and debris found on reservoir lands,
- Operation and maintenance of precipitation gauges,
- Maintenance and operation of stream gauges,
- Identifying and field investigating property encroachments,
- Clearing reservoir shoreline of stumps, driftwood and debris,
- Cutting and removal of downed tree.

Regulating District field staff placed 8 tons, and repositioned 200 tons, of shoreline erosion protection stone (riprap), covering 1,411 feet of shoreline to prevent shoreline erosion.

Sacandaga field office personnel identified and investigated State of New York property encroachments and violations of the Regulating District's rules and regulations by reservoir access permit holders. Field office staff continually inspected the State property line (taking line) to locate, control, and eliminate property line encroachment problems.

Conklingville Dam staff performed routine maintenance work, including the reading and inspection of elevation gages at Conklingville Dam, Stewarts Bridge and Hadley.

The Regulating District collected meteorological and hydrological information at various locations within the Hudson River watershed. Data collection and precipitation station maintenance was performed in cooperation with the United States Geological Survey (USGS) and the National Weather Service (NWS). Meteorological and hydrological information collected by the Regulating District are published in National Weather Service and the United States Geological Survey documents and used by the NWS in the forecasting of flood conditions.

Collection of hydraulic data, and maintenance and operation of stream gauging stations on the Sacandaga and Hudson River watersheds, was performed in cooperation with the United States Geological Survey.

The Regulating District continued its cooperation with the United States Army Corps of Engineers (ACE), New York State Department of Environmental Conservation (DEC), and the Adirondack Park Agency (APA) in control of various construction projects, proposed by reservoir access permit holders, which occur on reservoir land within the Regulating District's jurisdiction. Under an agreement with the Board, the Department of Environmental Conservation issues a "blanket permit" to the District for certain projects requiring Article 15 approval at the Great Sacandaga Lake. This permit can then be reissued to access permit holders for reservoir-related projects involving activities that do not exceed certain environmental threshold limits. This permitting process eliminates duplication of effort by both agencies. The Board refers projects, which may require approval by the Adirondack Park Agency or the Army Corp of Engineers, to the APA or ACE for jurisdictional determination and review, prior to Regulating District approval.

An automated telephone answering system containing a recorded message detailing stream flow and reservoir elevation is maintained by the Regulating District and made available to the public through a dedicated phone line. Recorded messages are updated daily throughout the summer and fall, and weekly during the winter.

The Regulating District maintained an internet web page to provide additional public access to information about the Regulating District, and its operations, and links to river flow and reservoir elevation related web sites.

The Regulating District continued the issuance of permits for access to the Great Sacandaga Lake reservoir in accordance with the Rules and Regulations governing the use, operation and maintenance of the Great Sacandaga Lake and buffer land. A total of 120 new permits were issued during the period January 1 through December 31, 2011. Revenue derived from the access permit system totaled \$487,625 (including \$79,565 collected in advance of the 2012 Permit Season).

STATEMENT OF CONDITION AND OPERATION OF GREAT SACANDAGA LAKE

Reservoir Elevation

The daily average elevation of the Great Sacandaga Lake (Sacandaga Reservoir) on January 1, 2011 was 758.93 feet above mean sea level. During the period ending December 31, 2011, the reservoir elevation varied from a minimum of 749.08 feet on March 6, 2011, to a maximum of 774.42 feet on May 1, 2011. The reservoir elevation averaged approximately 5.2 feet above the long-term average on January 1, 3.1 feet above the long-term average on July 1, 2011 and averaged approximately 4.3 feet above the long-term average on December 31, 2011. The daily average elevation of the Great Sacandaga Lake on December 31, 2011 was 758.16 feet.

Figure 1 shows the elevation of the Great Sacandaga Lake during 2011, the historic and target elevation, and the mandated minimum operating elevation.

Precipitation and Inflow

Precipitation was approximately 126% of historic average during the first half of the year, and approximately 33% higher than historic average during the second half of 2011.

Snow surveys were conducted during the period January through April 2011. Snow-pack water content measured 51% of historic average in January and 106% of historic average in March.

Inflow during the period January through June 2011 was approximately 123% of historic average. Monthly average inflow for the months of July through December 2011 varied from approximately 74% to 470% of historic average.

Total inflow to the reservoir was 96.01 billion cubic feet for the year ending December 31, 2011, and was 139% of the average annual inflow of 69.07 billion cubic feet.

Table 1 - 3 detail the regulation of the Hudson River by the Great Sacandaga Lake and presents a summary of precipitation and snowfall, inflow, and regulation, respectively.

Figure 2 indicates the precipitation measured at Northville during the period January 1 to December 31, 2011. Figure 3 reflects the inflow to the reservoir during the period January 1 to December 31, 2011.

Reservoir Release and Storage

A total of 96.96 billion cubic feet of water was released from the reservoir during 2011. Daily water releases occurred during approximately 93% of the year. The release of water from the reservoir was suspended on approximately 5 occasions, for a total of approximately 25 days. The reservoir stored approximately 26.65 billion cubic feet of water during the spring refilling. In general, reservoir operation supplemented the flow in the Hudson River and provided base flow conditions consistent with the requirements of the Upper Hudson / Sacandaga River Offer of Settlement.

Figure 4 indicates the regulated flow of the Hudson River, below the confluence with the Sacandaga River, at Spier Falls.

Federal Energy Regulatory Commission

The Regulating District operates the Great Sacandaga Lake under the terms of the Upper Hudson / Sacandaga River Offer of Settlement and a license (P-12252-NY) from the Federal Energy Regulatory Commission. The Offer of Settlement establishes long-term environmental protection measures that will meet, and balance, the diverse power and non-power objectives of the parties involved. The Great Sacandaga Lake will remain a federally licensed project through 2042.

An annual safety inspection of the Conklingville Dam was conducted by Regulating District's Chief Engineer and Mr. Richard Deubert, P.E. of the Federal Energy Regulatory Commission on September 19, 2011.

HUDSON RIVER AREA – GREAT SACANDAGA LAKE

ACCESS PERMIT SYSTEM

Great Sacandaga Lake Access Permit System 2011

The Hudson River-Black River Regulating District Board adopted the current rules for the Access Permit System, entitled “RULES AND REGULATIONS GOVERNING THE USE, OPERATION, AND MAINTENANCE OF GREAT SACANDAGA LAKE, FORMERLY THE SACANDAGA RESERVOIR”, by resolution dated October 19, 1992. As required by the Regulating District’s enabling legislation, the Department of Environmental Conservation (“DEC”) approved the current rules on July 13, 1992. The rules became effective on January 27, 1993.

Regulating District personnel performed the following activities:

- Administration of Access Permit System,
- Process permit renewals,
- Process new permit applications,
- Process work permits,
- Survey and delineation of permit areas,
- Preparation of permit stakes and signs,
- Investigate violations of rules

During calendar year 2011, the Regulating District issued 120 new access permits, 4668 access permit renewals and 316 work permits. Revenue derived from the Access Permit System totaled \$487,625 (including \$79,565 collected in advance of the 2012 Permit Season).

STATEMENT OF CONDITION AND OPERATION OF INDIAN LAKE RESERVOIR

Reservoir Elevation

The daily average elevation of Indian Lake Reservoir on January 1, 2011 was 1640.99 feet above mean sea level. During the period ending December 31, 2011, the reservoir elevation varied from a minimum of 1638.44 feet on March 5, 2011, to a maximum of 1654.77 feet on April 29, 2011. The reservoir elevation averaged approximately 2.60 feet below the long-term average on January 1, 0.50 feet above the long-term average on July 1, and averaged approximately 1.37 feet below the long-term average on December 31. The daily average elevation of the Indian Lake Reservoir on December 31, 2011 was 1642.11 feet.

Figure 5 shows the historic average reservoir elevation and the elevation of the reservoir during 2011.

Precipitation and Inflow

Precipitation was approximately 79% above historic average during the first half of the year, and approximately 14% higher than historic average during the second half of 2011.

Snow surveys were conducted during the period January through April 2011. Snow-pack water content measured 56% above historic average at the end of January and 143% above historic average at the end of March.

Inflow during the period January through June 2011 was approximately 148% of historic average. Monthly average inflow for the months of July through December 2011 varied from approximately 63% to 267% of historic average.

Total inflow to the reservoir was 14.03 billion cubic feet for the year ending December 31, 2011, and was 137% of the average annual inflow of 10.21 billion cubic feet.

Figure 6 indicates the precipitation measured at Indian Lake Dam during the period January 1 to December 31, 2011. Figure 7 reflects the inflow to the reservoir during the period January 1 to December 31, 2011.

Reservoir Release and Storage

A total of 13.85 billion cubic feet of water was released from the reservoir during 2011. Daily water releases occurred during 100% of the year.

A minimum release of 117 cubic feet per second occurred during the on October 7, 2011. A maximum release of 4,250 cubic feet per second occurred on April 29, 2011.

An annual safety inspection of the Indian Lake Dam was conducted by Regulating District's Chief Engineer on October 13, 2011.

TABLE 1
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT

PRECIPITATION ON SACANDAGA WATERSHED

MONTH	CONKLINGVILLE		NORTHVILLE	
	MONTHLY TOTAL	HISTORIC AVERAGE	MONTHLY TOTAL	HISTORIC AVERAGE
(INCHES)				
<u>2011</u>				
JANUARY	2.75	3.36	2.82	3.58
FEBRUARY	3.26	2.84	2.31	2.94
MARCH	6.33	3.68	5.05	3.79
APRIL	5.25	3.58	5.47	3.81
MAY	4.62	3.44	5.32	3.85
JUNE	3.89	3.63	6.34	3.78
JULY	1.85	3.60	1.98	3.77
AUGUST	9.80	3.69	9.22	3.85
SEPTEMBER	6.75	3.52	9.69	4.05
OCTOBER	4.55	3.36	3.79	3.74
NOVEMBER	3.07	3.78	2.48	3.90
DECEMBER	2.88	3.61	3.55	3.85
TOTAL (Year: Jan - Dec)	55.00	42.09	58.02	44.91

SACANDAGA WATERSHED SNOW SURVEY

DATE	AVGERAGE DEPTH OF SNOW	WATER CONTENT OF SNOW	
	(INCHES)	(INCHES)	(B.C.F.)
<u>2011</u>			
January 3 - 5	0.0	0.00	0.00
January 17 - 19	13.5	2.34	5.75
Jan 31 - Feb 2	14.8	2.95	7.27
February 14 - 16	19.7	5.12	12.72
Feb 28 - Mar 2	21.6	5.45	15.19
March 14 - 16	19.8	5.62	19.28
March 28 - 30	19.6	6.69	16.63
April 11 - 13	10.0	4.07	10.29
April 25 - 27	0.5	0.24	0.79

TABLE 2
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT

INFLOW TO GREAT SACANDAGA LAKE
(FORMERLY SACANDAGA RESERVOIR)

MONTH	INFLOW (B.C.F.)	HISTORIC AVERAGE INFLOW (B.C.F.)	PERCENT OF AVERAGE (%)
<u>2011</u>			
JANUARY	2.23	4.83	46
FEBRUARY	2.04	3.66	56
MARCH	10.60	9.53	111
APRIL	24.96	17.49	143
MAY	12.92	8.23	157
JUNE	5.75	3.78	152
JULY	1.67	2.17	77
AUGUST	5.58	1.53	364
SEPTEMBER	9.97	2.12	470
OCTOBER	7.68	4.02	191
NOVEMBER	5.34	5.91	90
DECEMBER	7.36	5.79	127
TOTAL	96.09	69.07	139

TABLE 3
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT
REGULATION OF THE HUDSON RIVER - GREAT SACANDAGA LAKE
(FORMERLY SACANDAGA RESERVOIR)

MONTH	ELEVATION OF RESERVOIR WATER SURFACE (DAILY AVERAGE) (Feet M.S.L.) (4)	DAILY RELEASE (AVERAGE) (C.F.S.) (1)	SPIER FALLS COMPUTED NATURAL FLOW (AVERAGE) (C.F.S.) (2)	SPIER FALLS REGULATED FLOW (AVERAGE) (C.F.S.) (3)
<u>2011</u>				
JANUARY	750.75	3791	2334	5293
FEBRUARY	749.46	1325	2104	2585
MARCH	756.14	1646	8838	6528
APRIL	774.37	1852	23132	15356
MAY	771.28	6229	14955	16361
JUNE	768.96	3221	6983	7987
JULY	764.78	2410	2278	4065
AUGUST	765.92	1525	4937	4380
SEPTEMBER	767.16	3306	9078	8537
OCTOBER	765.86	3502	7128	7762
NOVEMBER	760.89	4082	4627	6650
DECEMBER	758.16	3842	6571	7663

(1) This is the flow of the Sacandaga River at Stewart's Bridge near Hadley, N.Y.

(2) Includes Indian Lake Regulation; sum of GSL net inflow and Hudson River at Hadley.

(3) Sum of GSL release and Hudson River at Hadley.

(4) Daily average on last day of the month

Hudson River - Black River Regulating District

GREAT SACANDAGA LAKE

RESERVOIR ELEVATION JANUARY 2011 - DECEMBER 2011

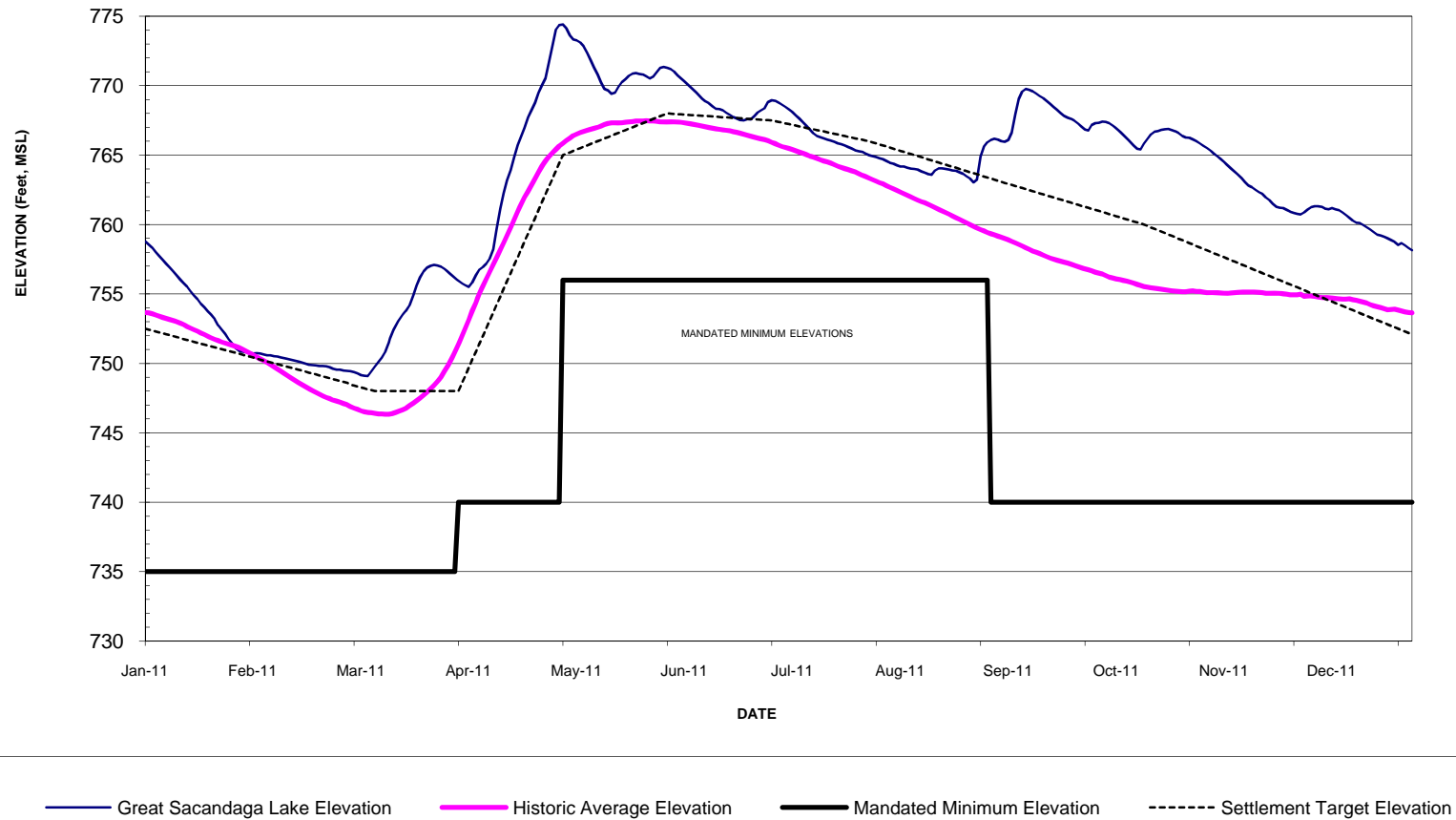


Figure 1

Hudson River - Black River Regulating District

GREAT SACANDAGA LAKE

PRECIPITATION JANUARY 2011 - DECEMBER 2011

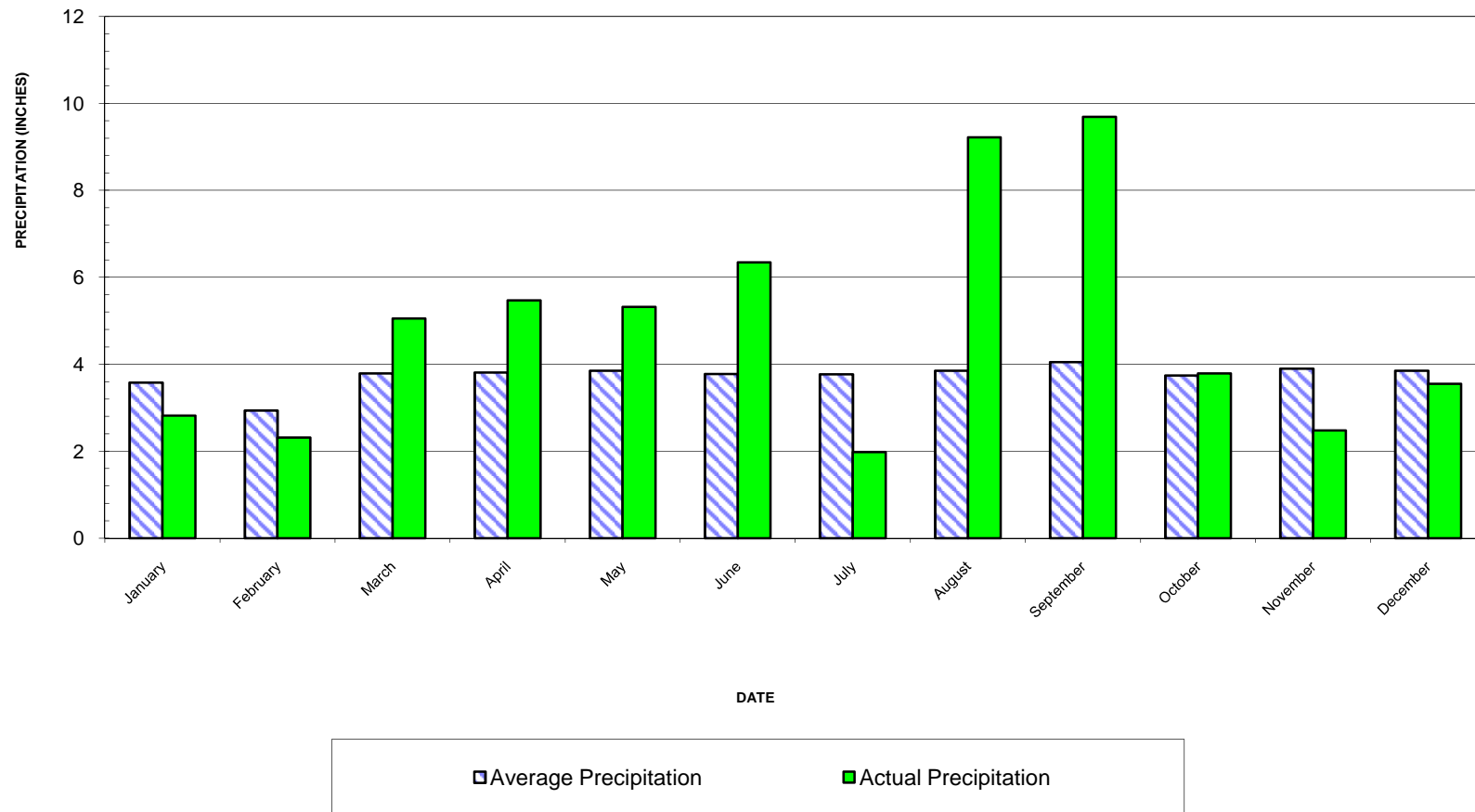


Figure 2

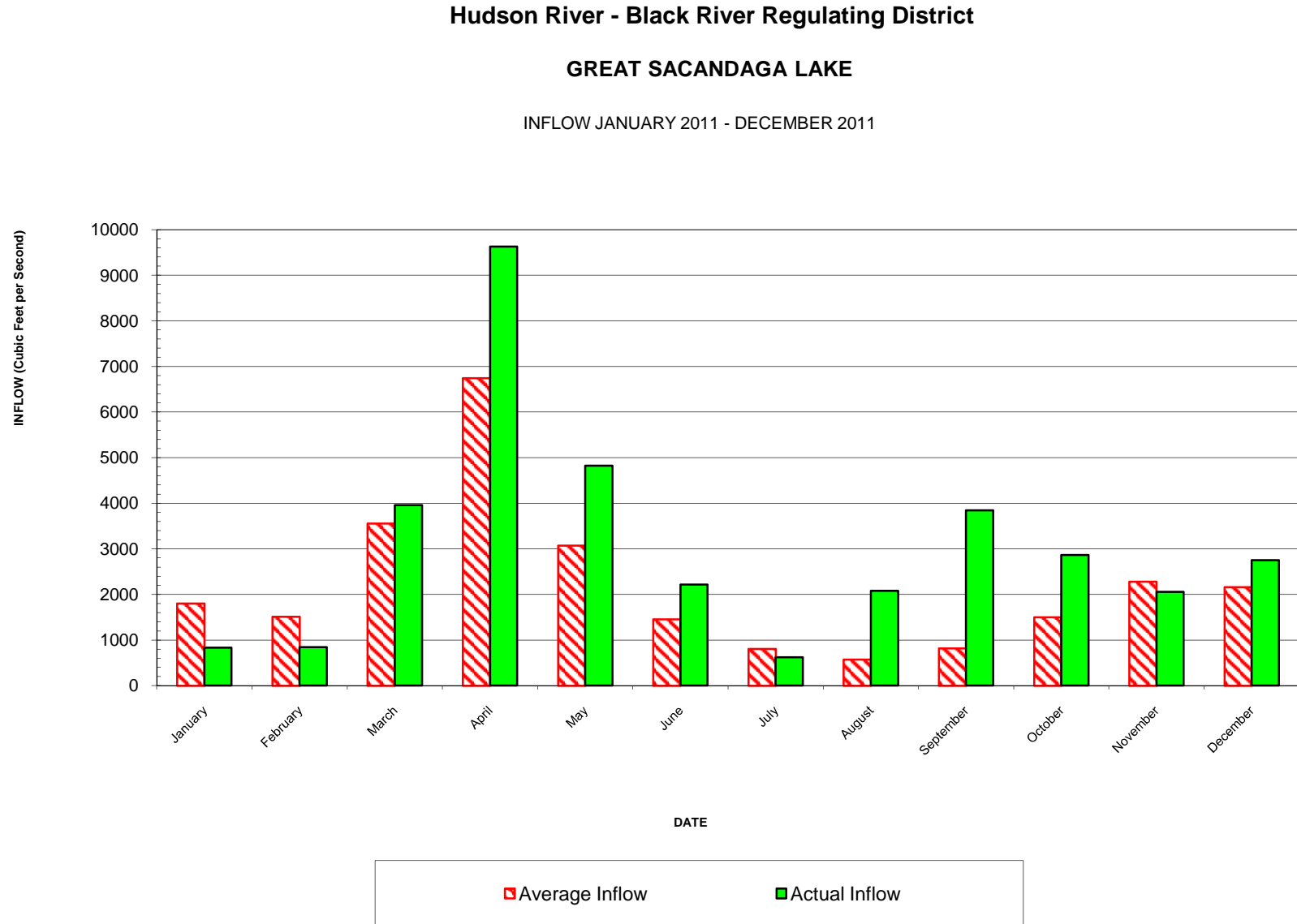


Figure 3

Hudson River - Black River Regulating District

GREAT SACANDAGA LAKE

HUDSON RIVER FLOW AT SPIER FALLS JANUARY 2011 - DECEMBER 2011

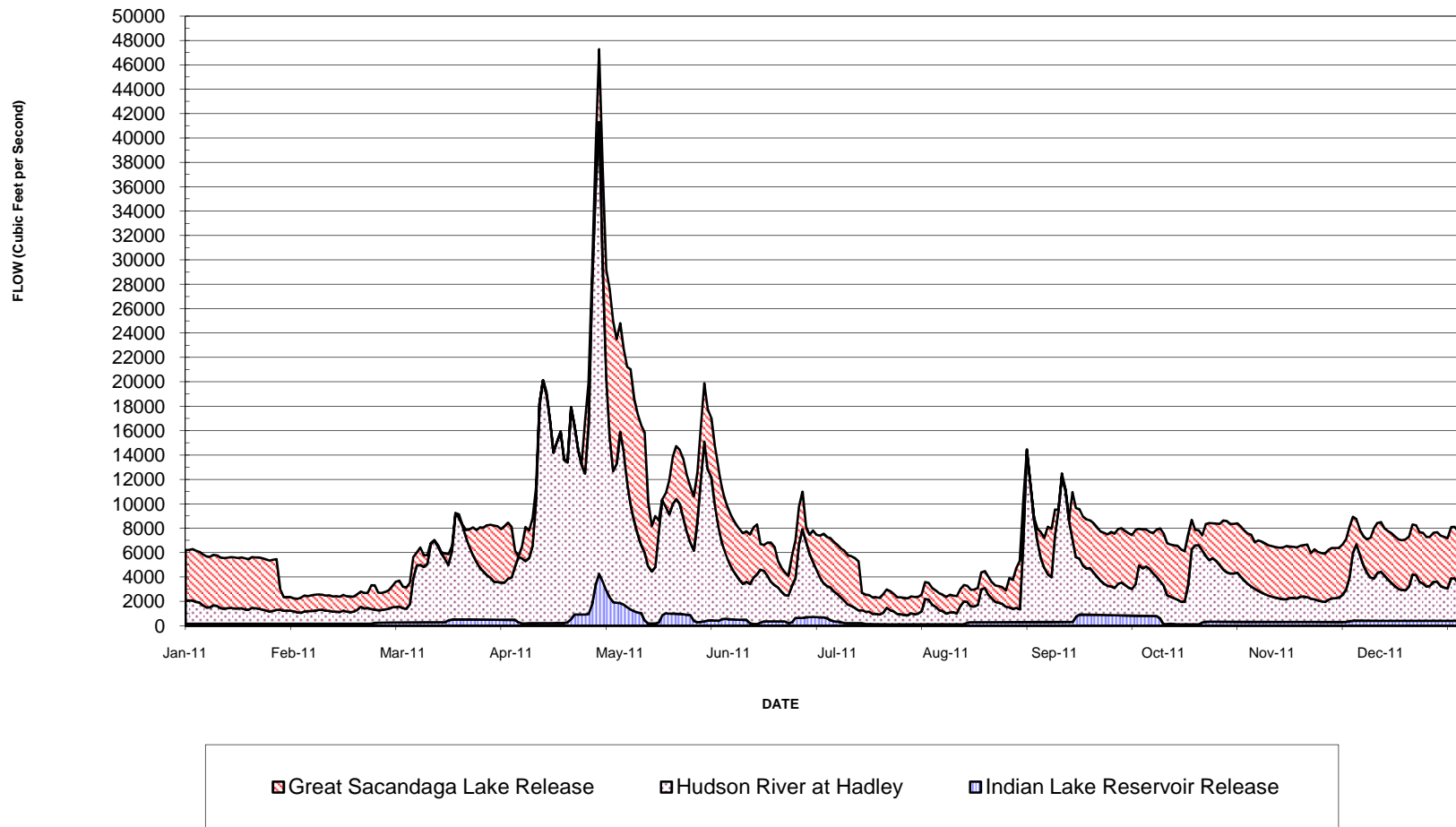


Figure 4

Hudson River - Black River Regulating District

INDIAN LAKE RESERVOIR

RESERVOIR ELEVATION JANUARY 2011 - DECEMBER 2011

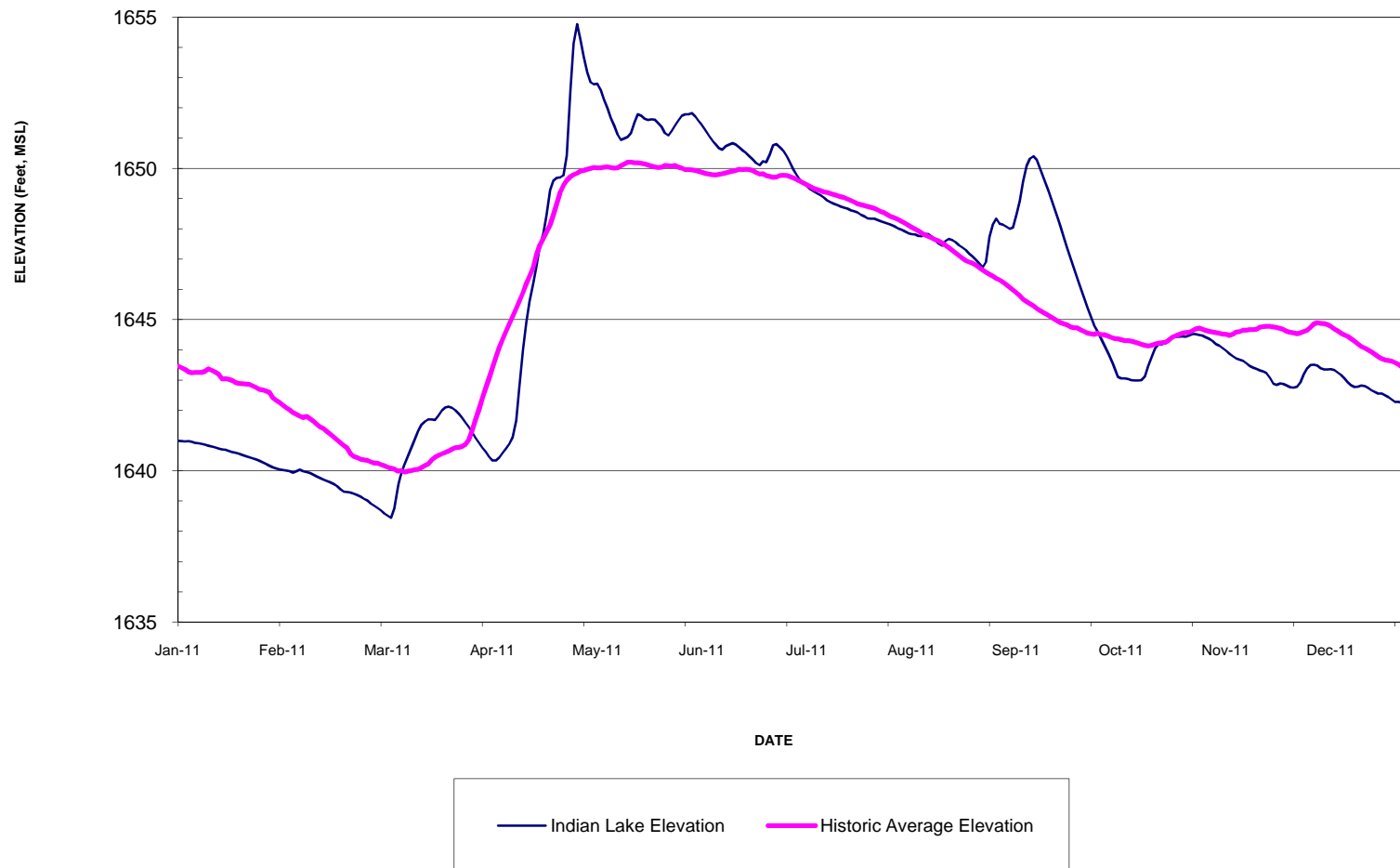


Figure 5

Hudson River - Black River Regulating District

INDIAN LAKE RESERVOIR

PRECIPITATION JANUARY 2011 - DECEMBER 2011

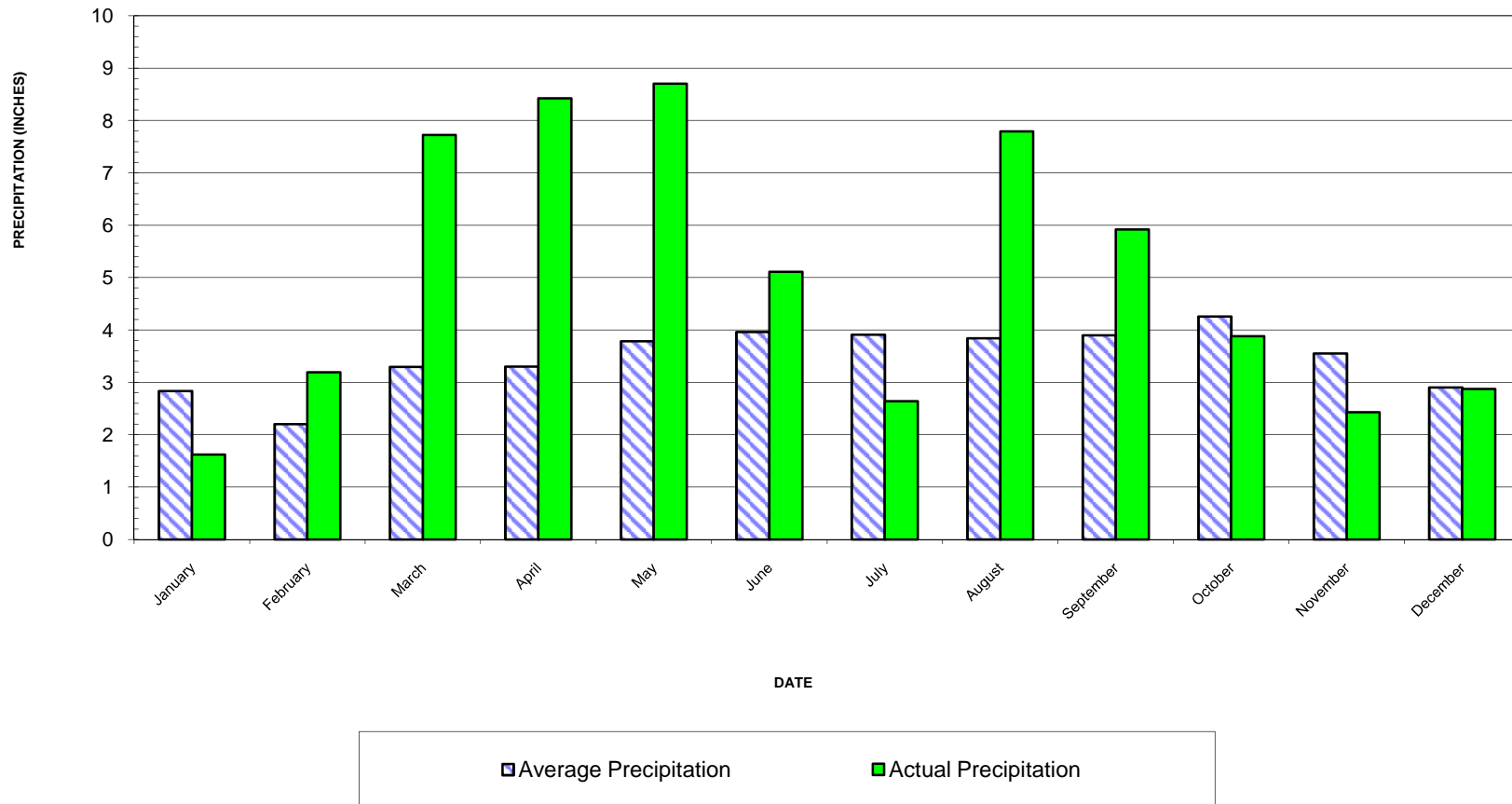
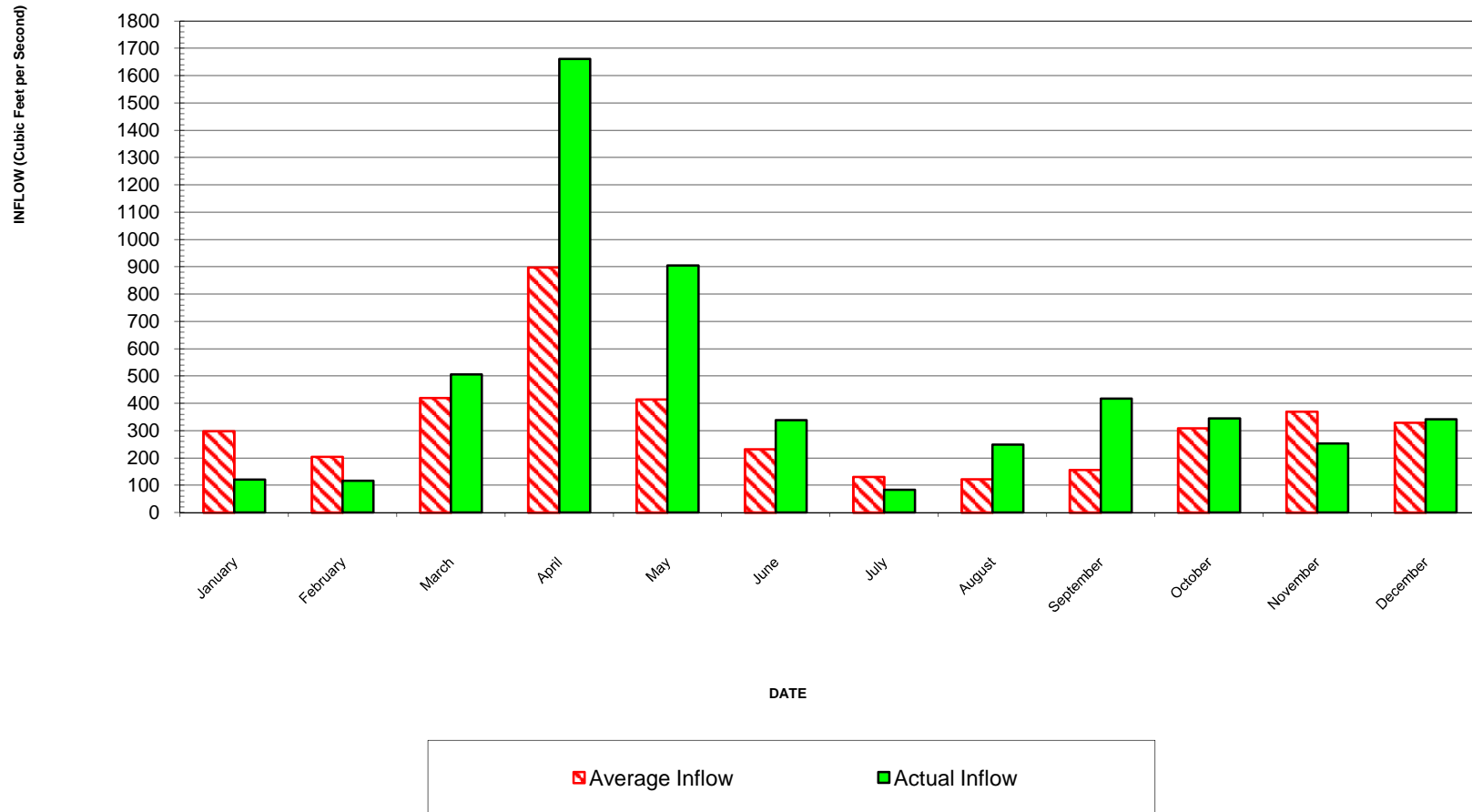


Figure 6

Hudson River - Black River Regulating District

INDIAN LAKE RESERVOIR

INFLOW JANUARY 2011 - DECEMBER 2011



Net inflow including evaporation and transpiration

Figure 7

BLACK RIVER AREA – STILLWATER RESERVOIR

MAINTENANCE AND OPERATION

Facility Maintenance and Operation

Regulating District personnel maintained facilities at the Stillwater Dam, Sixth Lake, Old Forge, Hawkinsville, Black River Field Office and Black River Area Office. Activities included building maintenance and grounds maintenance.

The field staff maintained, repaired and operated the Regulating District marine equipment, motor vehicles, construction equipment, small machinery and hand tools.

Black River Field Office staff performed routine maintenance work including the reading and inspection of elevation gauges at Stillwater Dam, Sixth Lake, Old Forge, McKeever, Hawkinsville, Boonville and Donnattsburg. Collection of hydrologic data, and maintenance and operation of stream gauging stations in the Black River Watershed on the Black, Beaver and Moose Rivers, as well as the Fulton Chain of Lakes, was performed in cooperation with the United States Geological Survey (USGS). Meteorological, precipitation, and hydrological information collected by the Regulating District is published in National Weather Service and USGS documents and is used by the NWS in the forecasting of flood conditions.

Reservoir Maintenance and Operation

Regulating District personnel performed the following operation activities and routine maintenance:

- Grounds maintenance at embankment dams
- Daily observations and data collection, dam safety inspections
- Posting of notice, safety warning, and no trespassing signs
- Brushing and painting lines
- Removal and disposal of litter and debris found on reservoir lands
- Clearing of stumps, driftwood and debris from reservoir shoreline
- Cutting and removal of downed trees
- Vegetation maintenance, control and removal at dams and spillways
- Maintenance and repair of safety equipment and structures
- Maintenance of danger buoys and log booms
- Maintenance and improvements at ten Regulating District buildings
- Access road repairs
- Removal and replacement of Gate 3 and Gate 5 stem at Stillwater Dam
- Construction and installation of weir box at Sixth Lake Dam
- Concrete surface repair at Stillwater Dam

Field staff placed crushed gravel on the mile long right-of-way the District maintains on the Necessary Dam Road. Regulating District filled potholes, built up low areas, and shaped and crowned the roadbed. Additionally, the Regulating District maintained the 1/8th mile road from

the Evergreen Bridge to the North Dike area adjacent to the Stillwater Dam, including the placement of gravel, shaping and forming the road surface. Culverts on both roads were kept clear and maintained. Calcium chloride was spread on the right-of-way to limit dust and minimize erosion.

Regulating District personnel also responded to power outages and unscheduled shutdowns of the Mercer Company hydroelectric plant adjacent to the Regulating District's dam, opening gates in the dam to provide water to down-river beneficiaries until the hydroelectric facility was available to discharge water.

Daily maintenance was performed including daily dam safety observations, reservoir elevation readings and gate changes as directed by the Chief Engineer. Piezometer and weir measurements were taken at a frequency which is dependent upon the reservoir elevation.

Regulating District staff participated in workplace, and health and safety training.

Daily elevation records were maintained to provide weekly and monthly tables and graphs that compare the daily elevations to the target elevations and the long-term average elevations.

STATEMENT OF CONDITION AND OPERATION OF STILLWATER RESERVOIR

Reservoir Elevation

The daily average elevation of the Stillwater Reservoir on January 1, 2011 was at 1671.36 feet. During the year ending December 2011, the reservoir elevation varied from a minimum of 1665.52 feet on March 5, 2011, to a maximum of 1680.12 feet on April 29, 2011. The reservoir elevation averaged approximately 0.69 feet above the long-term average on January 1, 0.47 feet above the long-term average on July 1, and averaged approximately 1.80 feet below the long-term average on December 31, 2011. The daily average elevation of the Stillwater Reservoir on December 31, 2011 was 1668.74 feet.

Figure 1 shows the elevation of Stillwater Reservoir during 2011, the historic average and operation elevation.

Precipitation and Inflow

Precipitation was approximately 45% above historic average during the first half of the year, and approximately 3% below the historic average during the second half of 2011.

Snow surveys were conducted during the period January through April 2011. Snow-pack water content measured 72% of historic average at the end of January and 118% of historic average at the end of March.

Inflow during the period January through June 2011 was approximately 135% of historic average. Daily average inflow for the months of July through December 2011 varied from approximately 66% to 135% of historic average.

Total inflow to the reservoir was 15.98 billion cubic feet for the year ending December 2011, which was 115% of the average annual inflow of 13.92 billion cubic feet.

Table 1 - 3 detail the regulation of the Black River by the Stillwater Reservoir and presents a summary of precipitation and snowfall, inflow, and regulation, respectively.

Figure 2 indicates the precipitation measured at Stillwater during the period January 1, to December 31, 2011. Figure 3 reflects the inflow to the reservoir during the period January to December 31, 2011.

Reservoir Release and Storage

A total of 16.47 billion cubic feet of water was released from the reservoir during 2011. Daily water releases occurred during approximately 95% of the year. The release of water from the reservoir was suspended on five occasions, for a total of approximately 20 days. The reservoir stored approximately 3.44 billion cubic feet of water during the spring refilling.

Figure 4 indicates the regulated flow of the Black River at Watertown.

Federal Energy Regulatory Commission

An annual safety inspection of the Stillwater Dam was conducted the Regulating District's Chief Engineer and by Ms. Dolores Reyes of the Federal Energy Regulatory Commission on June 21, 2011.

STATEMENT OF CONDITION AND OPERATION OF SIXTH LAKE RESERVOIR

Reservoir Operation

The elevation of Sixth Lake Reservoir on January 1, 2011 was 1781.35 feet. During the year ending December 2011, the reservoir elevation varied from a minimum of 1779.78 feet on March 30, 2011, to a maximum of 1786.80 feet on April 29, 2011. On December 31, 2011 the reservoir elevation was 1781.78 feet.

Figure 5 represents the reservoir elevation during the reporting year.

Precipitation and Inflow

Precipitation was approximately 61% above historic average during the first half of the year, and approximately 100% of historic average during the second half of 2011.

Total inflow to the reservoir was 1.78 billion cubic feet for the year ending December 2011.

Figure 7 indicates the precipitation that occurred at Sixth Lake Reservoir during the period January 1, 2011 to December 31, 2011.

Reservoir Release and Storage

A total of 1.77 billion cubic feet of water was released from the reservoir during 2011. Daily water releases occurred during approximately 96% of the year. The release of water from the reservoir was suspended from March 31 to April 14, for a total of approximately 15 days. The reservoir stored approximately 0.22 billion cubic feet of water during the spring refilling.

Maintenance

During the year staff completed several maintenance and repair projects at the gate house.

Daily maintenance was performed including cleaning of debris and wildlife from trash racks, ice removal from gate intake area, daily reservoir elevation readings, and gate changes as directed by the Chief Engineer.

The Chief Engineer performed an annual dam safety inspection.

STATEMENT OF CONDITION AND OPERATION OF OLD FORGE RESERVOIR

Reservoir Operation

The elevation of Old Forge Reservoir on January 1, 2011 was 1704.37 feet. During the year the reservoir elevation varied from a minimum of 1703.04 feet on February 24, 2011, to a maximum of 1707.58 feet on May 5, 2011. On December 31, 2011 the reservoir elevation was 1705.15 feet.

Figure 5 represents the reservoir elevation during the reporting year.

Precipitation and Inflow

Precipitation was approximately 54% above historic average during the first half of the year, and approximately 100% of historic average during the second half of 2011.

Total inflow to the reservoir was 4.20 billion cubic feet for the year ending December 2011.

Figure 7 indicates the precipitation that occurred at Old Forge Reservoir during the period January 1, 2011 to December 31, 2011.

Reservoir Release and Storage

A total of 4.08 billion cubic feet of water was released from the reservoir during 2011. Daily water releases occurred during approximately 96% of the year. The release of water from the reservoir was suspended from March 31 to April 15, for a total of approximately 15 days. The reservoir stored approximately 0.60 billion cubic feet of water during the spring refilling.

Maintenance

During the year staff completed several maintenance and repair projects at the gate house.

Daily maintenance was performed including cleaning of debris and wildlife from trash racks, ice removal from gate intake area, daily reservoir elevation readings and gate changes as directed by the Chief Engineer. Inspection, maintenance and reporting of the downstream river gauge were also performed.

The Chief Engineer performed an annual dam safety inspection.

STATEMENT OF CONDITION AND OPERATION OF HAWKINSVILLE DAM

Reservoir Operation

The Hawkinsville Dam is operated as run-of-river facility. No management of the water impounded by the dam is required. The elevation of the Black River upstream of the dam is controlled by the discharge characteristics of a 300 foot long spillway. Impoundment elevation varies with the flow of the Black River. No storage capacity for flood protection or augmentation is available at the dam.

Maintenance

Routine maintenance and inspection activities occurred throughout the reporting year by the Area Administrator and maintenance staff. No major repairs or maintenance were necessary during the year.

STATEMENT OF OPERATION OF BLACK RIVER AREA OFFICE

District personnel at the Black River Area Office in Watertown performed the following administrative duties in support of the Black River Administrator and field personnel at the Black River Field Office:

- On a daily basis, receive data pertaining to reservoir elevations, water releases and weather observations; then record and transmit information to the Chief Engineer
- On a weekly basis, collect precipitation data from observers at Beaver Falls, Big Moose, Black River, Brown's Falls, Copenhagen, Eagle Bay, Hooker, Highmarket, Lowville, Old Forge, Stillwater and Taylorville; then compile and transmit the information to the National Weather Service. Coordinate any equipment repairs and supply needs of the weather observers with NWS.
- Monitor equipment function and notify USGS of any problems.
- Keep spreadsheets for historical records of: reservoir elevations, stream flow, piezometer readings, precipitation, pH data and snow depth data
- Review piezometer data received from the Black River Field Office and transmit to the Operations Engineer.
- Communicate with Mercer Management personnel regarding release changes at their hydroelectric plant at the Stillwater Reservoir as directed by the Chief Engineer. Coordinate changes with the Black River Field Office personnel. Notified Brookfield Renewable Power of reservoir release changes.
- Communicate with the gatekeepers at Old Forge and Sixth Lake regarding gate changes requested by the Chief Engineer.
- Procure tools, equipment and supplies for the Black River Area.
- Review bills and process checks. Keep track of expenditures and budget items for the Black River Field Office.

TABLE 1
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT

PRECIPITATION ON BLACK RIVER WATERSHED

MONTH	STILLWATER RES.		SIXTH LAKE		OLD FORGE	
	MONTHLY TOTAL	HISTORIC AVERAGE	MONTHLY TOTAL	HISTORIC AVERAGE	MONTHLY TOTAL	HISTORIC AVERAGE
(INCHES)						
<u>2011</u>						
JANUARY	2.50	3.63	2.18	3.58	3.12	4.30
FEBRUARY	3.91	2.84	3.54	2.57	4.37	3.02
MARCH	4.48	3.29	5.36	3.49	5.53	3.68
APRIL	8.31	3.48	7.92	3.44	8.71	3.78
MAY	8.46	4.44	9.72	3.89	8.93	4.54
JUNE	4.58	4.54	4.84	3.92	6.06	4.50
JULY	3.76	4.85	2.61	4.52	2.33	4.32
AUGUST	5.31	4.66	6.27	3.98	5.60	4.35
SEPTEMBER	5.14	5.07	5.60	4.23	5.29	4.81
OCTOBER	5.91	5.08	4.70	4.49	6.64	5.01
NOVEMBER	2.89	4.24	2.96	4.11	3.15	4.60
DECEMBER	4.12	3.93	2.71	3.61	4.21	4.24
TOTAL	59.37	50.05	58.41	45.83	63.94	51.15
(Year: Jan. - Dec.)						

BLACK RIVER WATERSHED SNOW SURVEY

DATE	SURVEY DATA		HISTORIC AVERAGE	
	SNOW DEPTH (INCHES)	WATER CONTENT (INCHES)	SNOW DEPTH (INCHES)	WATER CONTENT (INCHES)
<u>2011</u>				
January 3 - 5	4.2	0.8	12.1	2.4
January 17 - 19	13.0	2.0	16.3	3.3
Jan 31 - Feb 2	16.9	3.0	19.1	4.2
February 14 - 16	25.5	5.7	22.2	5.5
Feb 28 - Mar 2	23.5	6.1	22.4	6.2
March 14 - 16	21.4	6.7	20.5	6.4
March 28 - 30	15.0	5.1	12.3	4.3
April 11 - 13	1.7	0.6	5.9	2.2
April 25 - 27	0.0	0.0	0.0	0.0

TABLE 2
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT
INFLOW TO STILLWATER RESERVOIR

MONTH	INFLOW (B.C.F.)	HISTORIC AVERAGE INFLOW (B.C.F.) (1)	PERCENT OF AVERAGE (%)
<u>2011</u>			
JANUARY	0.68	1.25	55
FEBRUARY	0.58	0.81	71
MARCH	1.72	1.48	116
APRIL	4.22	2.52	168
MAY	3.06	1.44	213
JUNE	1.00	0.86	116
JULY	0.44	0.67	66
AUGUST	0.52	0.67	78
SEPTEMBER	0.67	0.64	105
OCTOBER	1.05	1.03	101
NOVEMBER	0.77	1.32	59
DECEMBER	1.28	1.25	103
TOTAL	15.98	13.92	115

(1) Period of Record 1986 - 2011

TABLE 3
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT
REGULATION OF THE BLACK RIVER - STILLWATER RESERVOIR

MONTH	ELEVATION OF RESERVOIR WATER SURFACE (DAILY AVERAGE) (Feet M.S.L.) (3)	MONTHLY RELEASE (AVERAGE) (C.F.S.)	WATERTOWN COMPUTED NATURAL FLOW (AVERAGE) (C.F.S.) (1)	WATERTOWN REGULATED FLOW (AVERAGE) (C.F.S.) (2)
<u>2011</u>				
JANUARY	1668.80	439	2555	2740
FEBRUARY	1666.36	400	2401	2570
MARCH	1671.73	284	9788	9430
APRIL	1680.01	838	14290	13500
MAY	1678.61	1283	11099	11240
JUNE	1677.65	483	3872	3970
JULY	1675.54	366	1568	1770
AUGUST	1672.65	447	1809	2060
SEPTEMBER	1669.31	517	3150	3410
OCTOBER	1669.48	381	4469	4460
NOVEMBER	1667.55	412	3236	3350
DECEMBER	1668.74	411	5407	5340

(1) Watertown flow minus net reservoir augmentation (release minus inflow).

(2) Black River flow at Watertown (VanDuzee Street gauge).

(3) Daily average on last day of the month

Hudson River - Black River Regulating District

STILLWATER RESERVOIR

RESERVOIR ELEVATION JANUARY 2011 - DECEMBER 2011

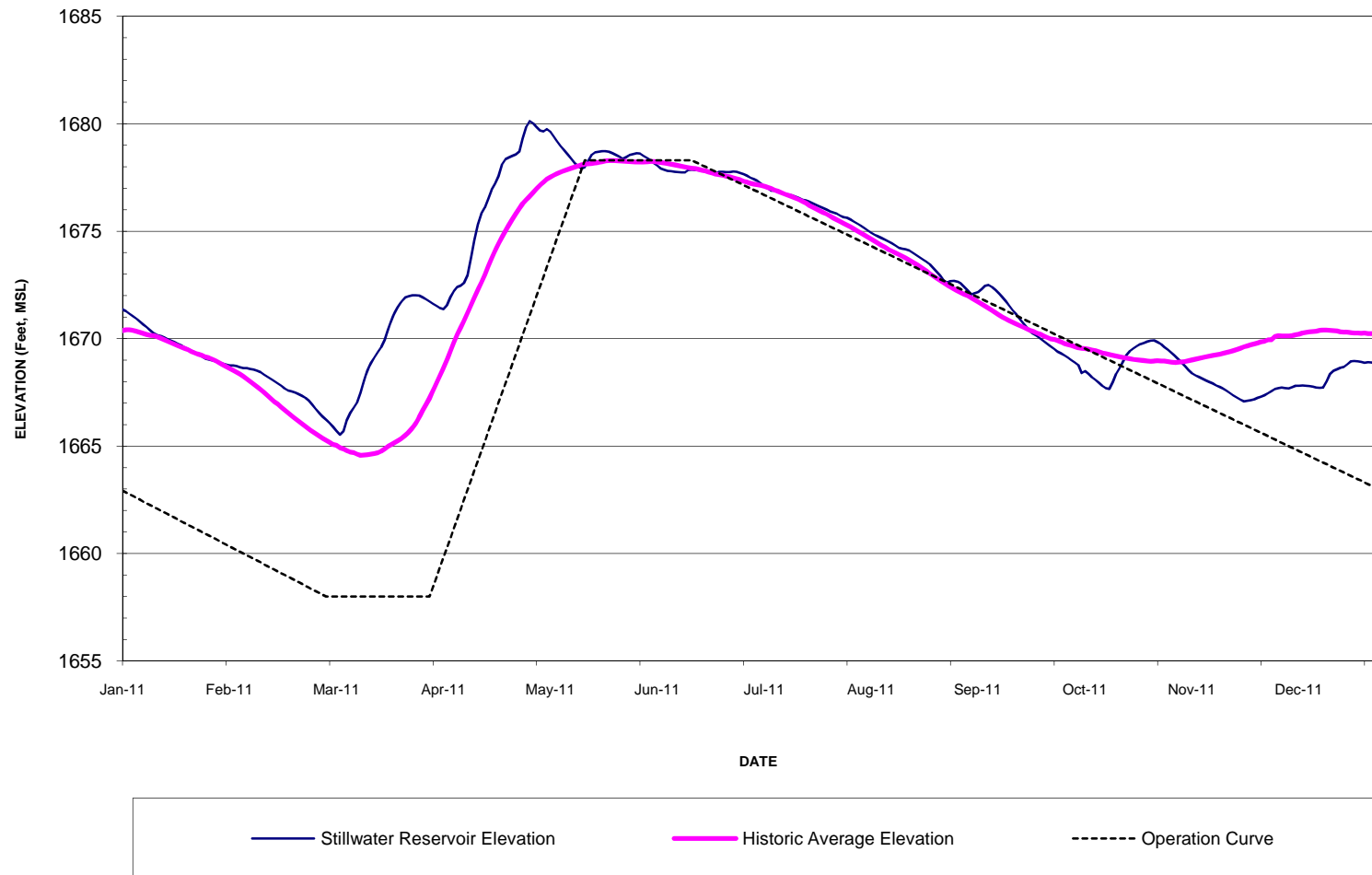


Figure 1

Hudson River - Black River Regulating District

STILLWATER RESERVOIR

PRECIPITATION JANUARY 2011- DECEMBER 2011

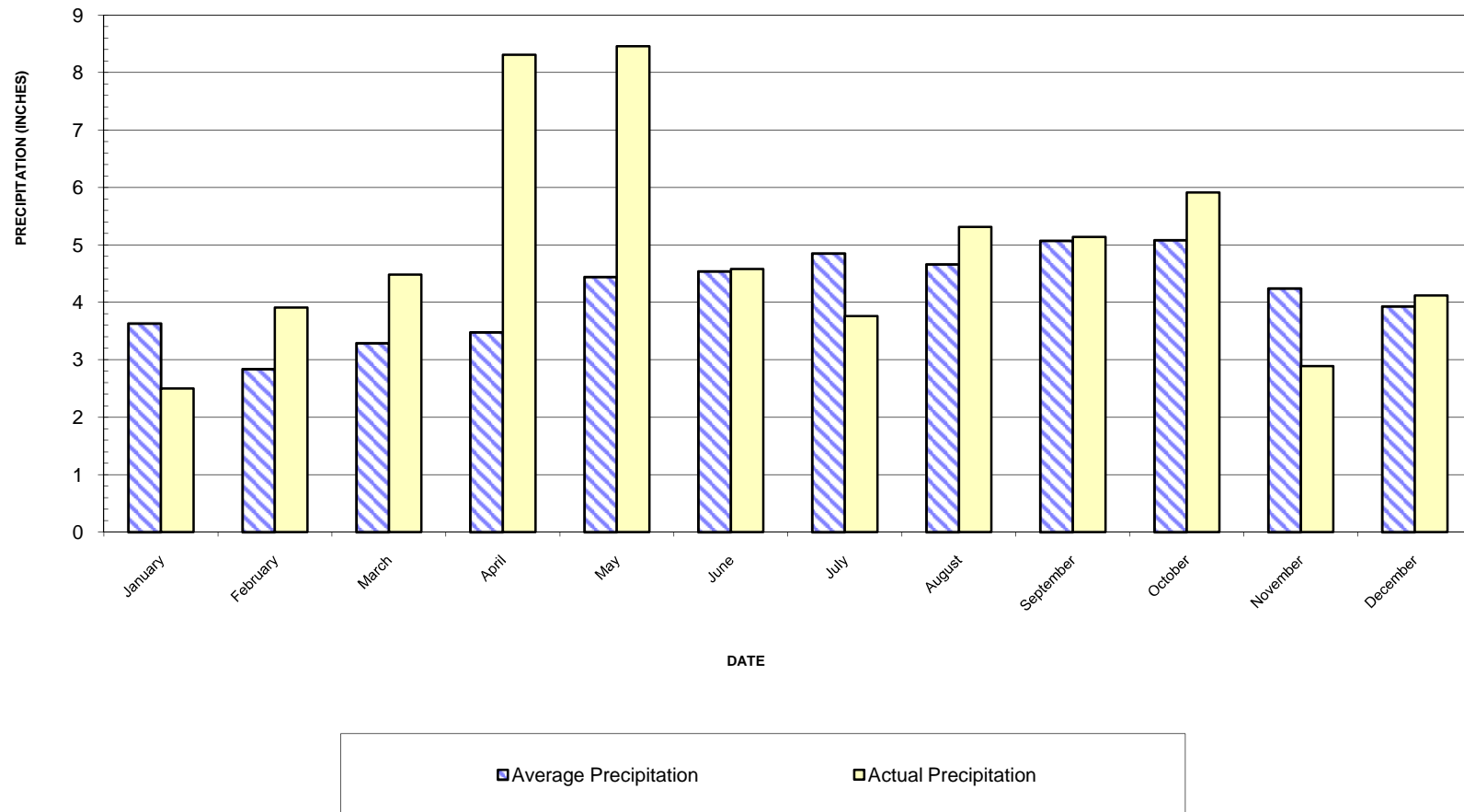


Figure 2

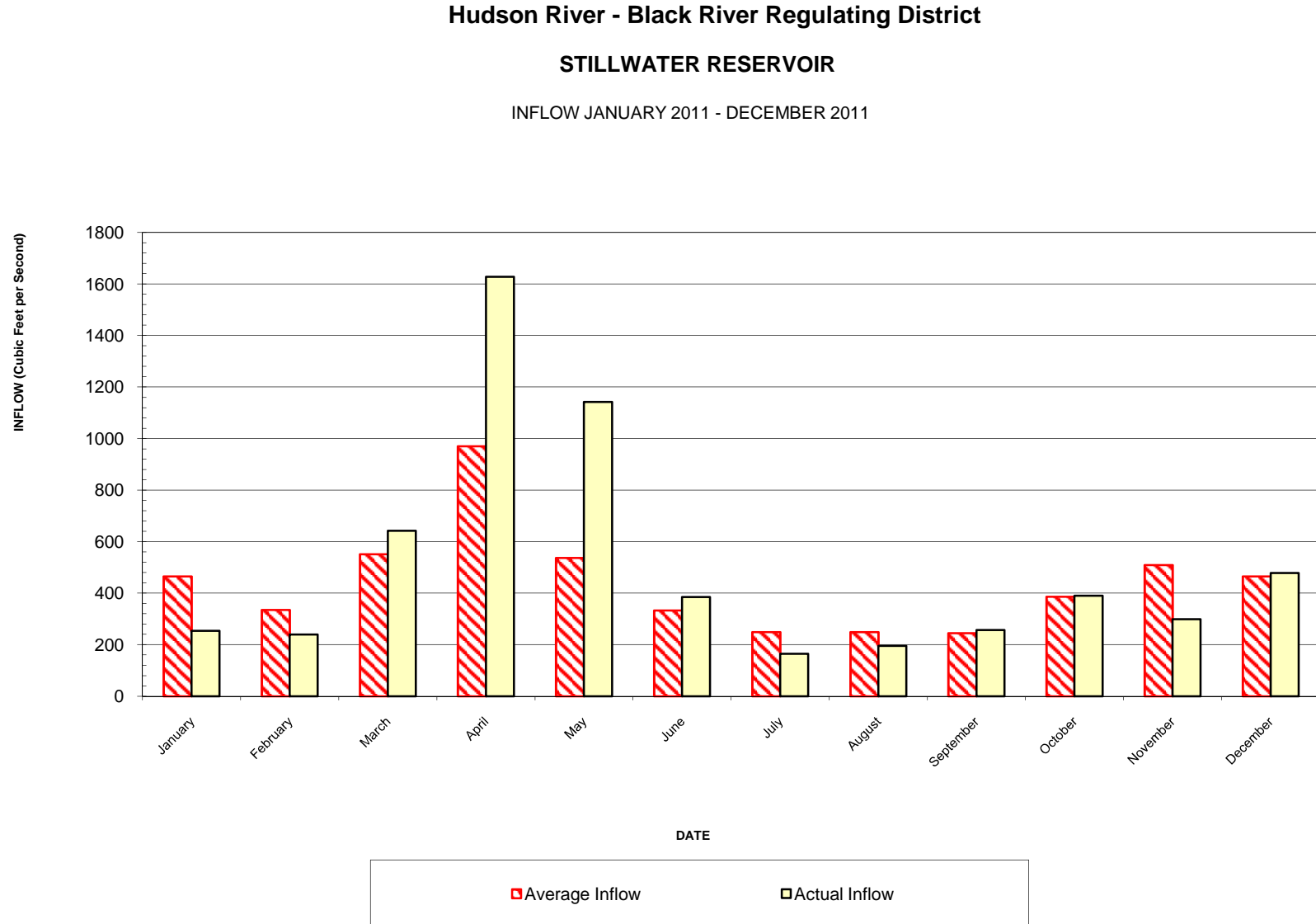


Figure 3

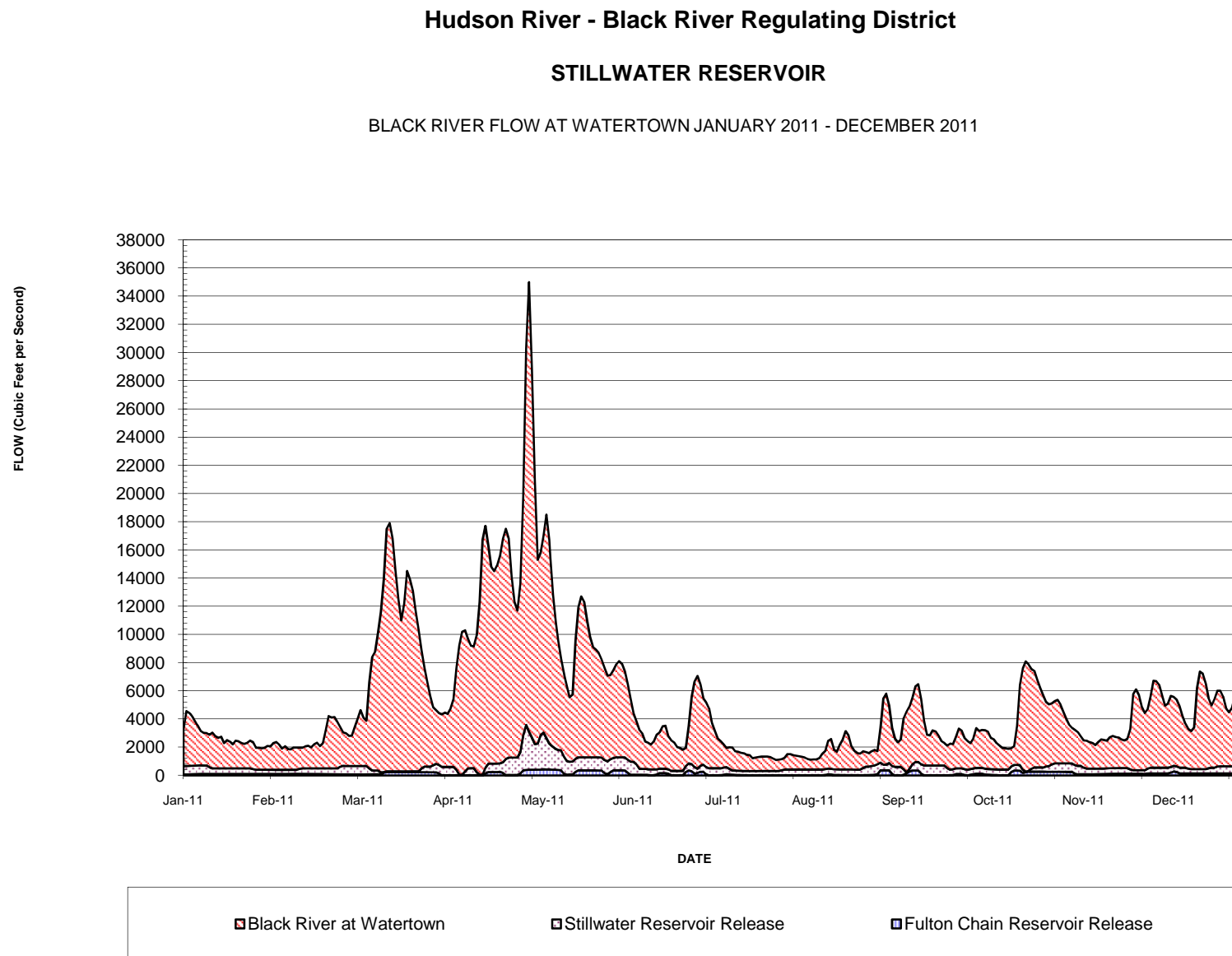


Figure 4

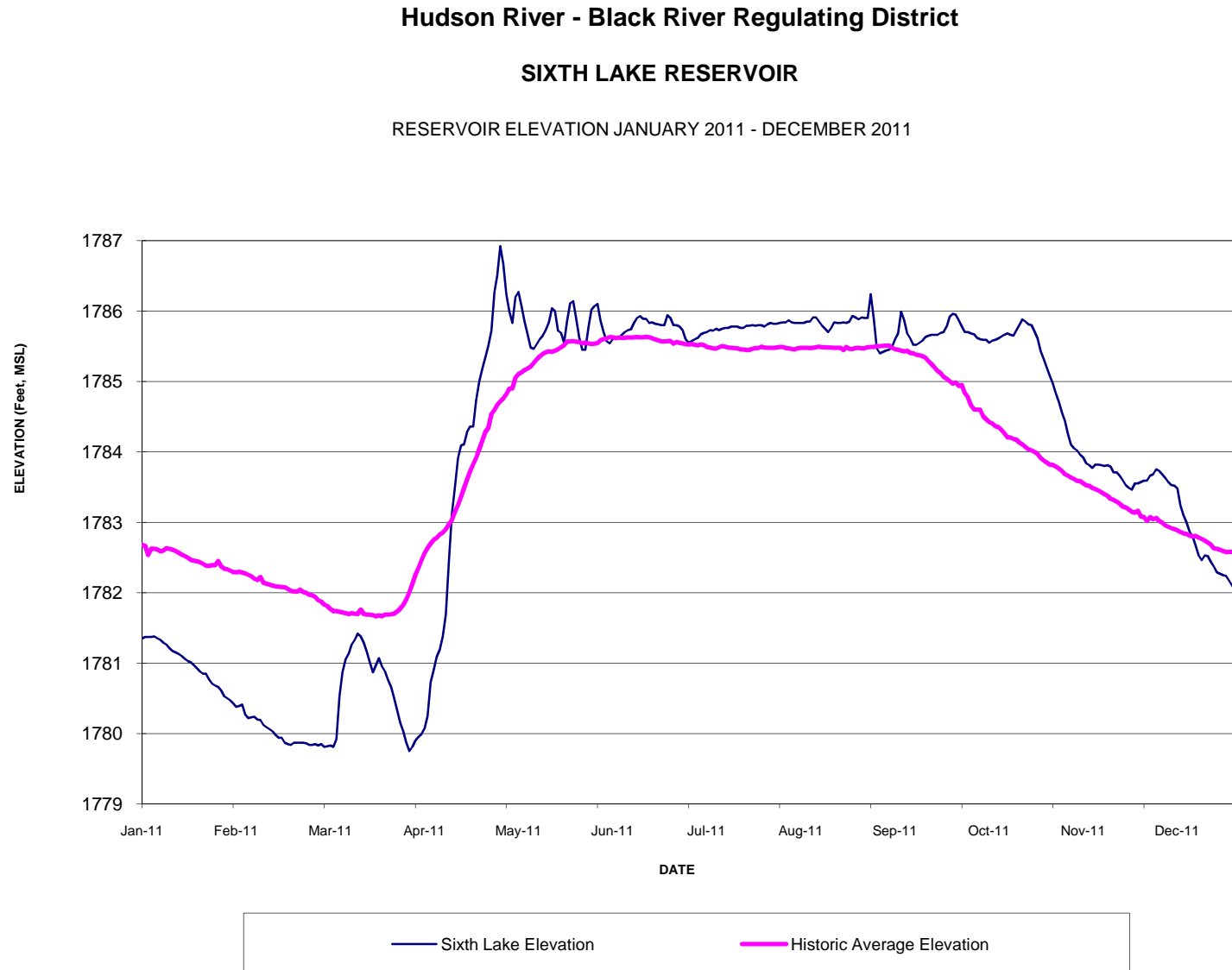


Figure 5

Hudson River - Black River Regulating District**OLD FORGE RESERVOIR**

RESERVOIR ELEVATION JANUARY 2011 - DECEMBER 2011

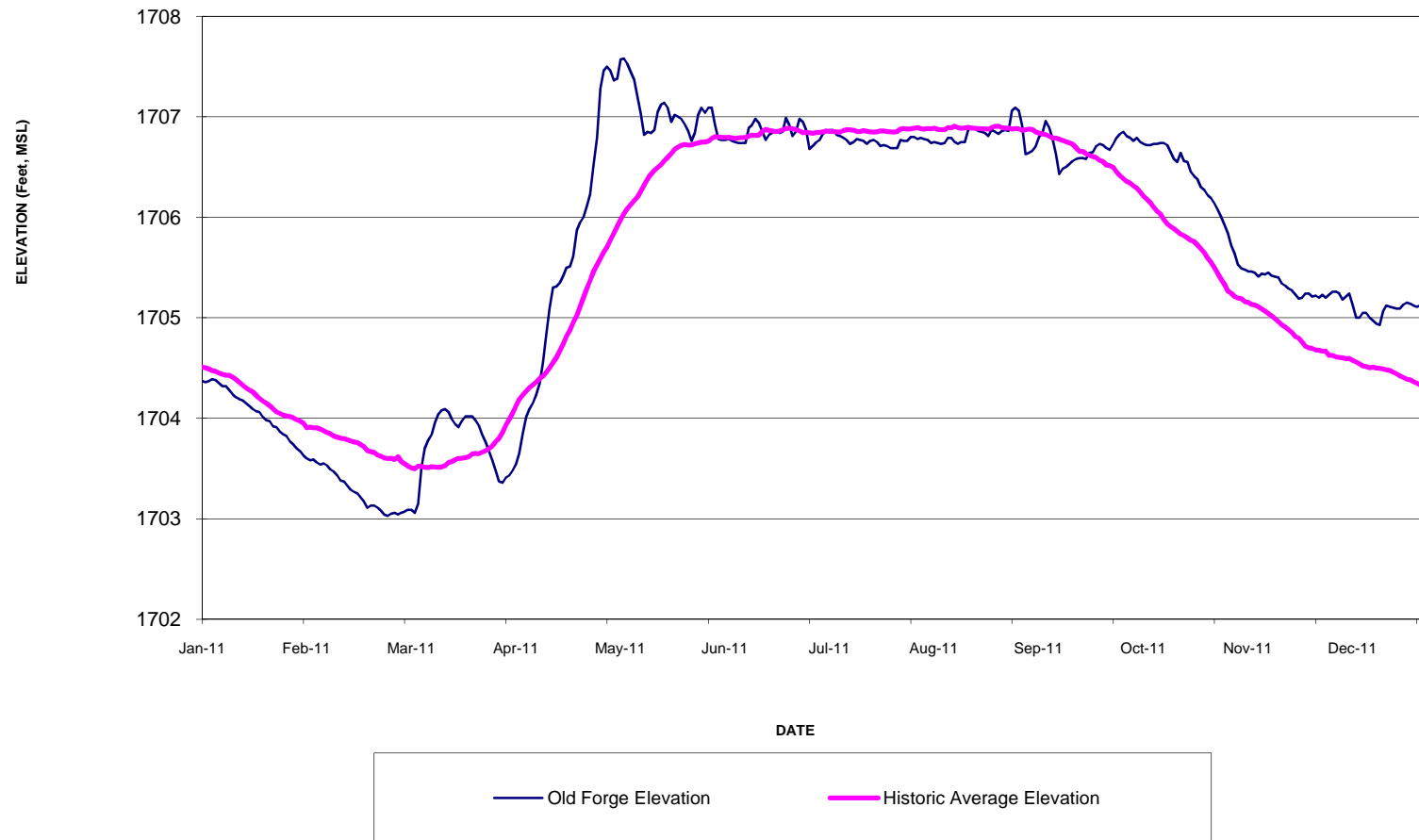


Figure 6

Hudson River - Black River Regulating District

FULTON CHAIN RESERVOIRS

PRECIPITATION JANUARY 2011 - DECEMBER 2011

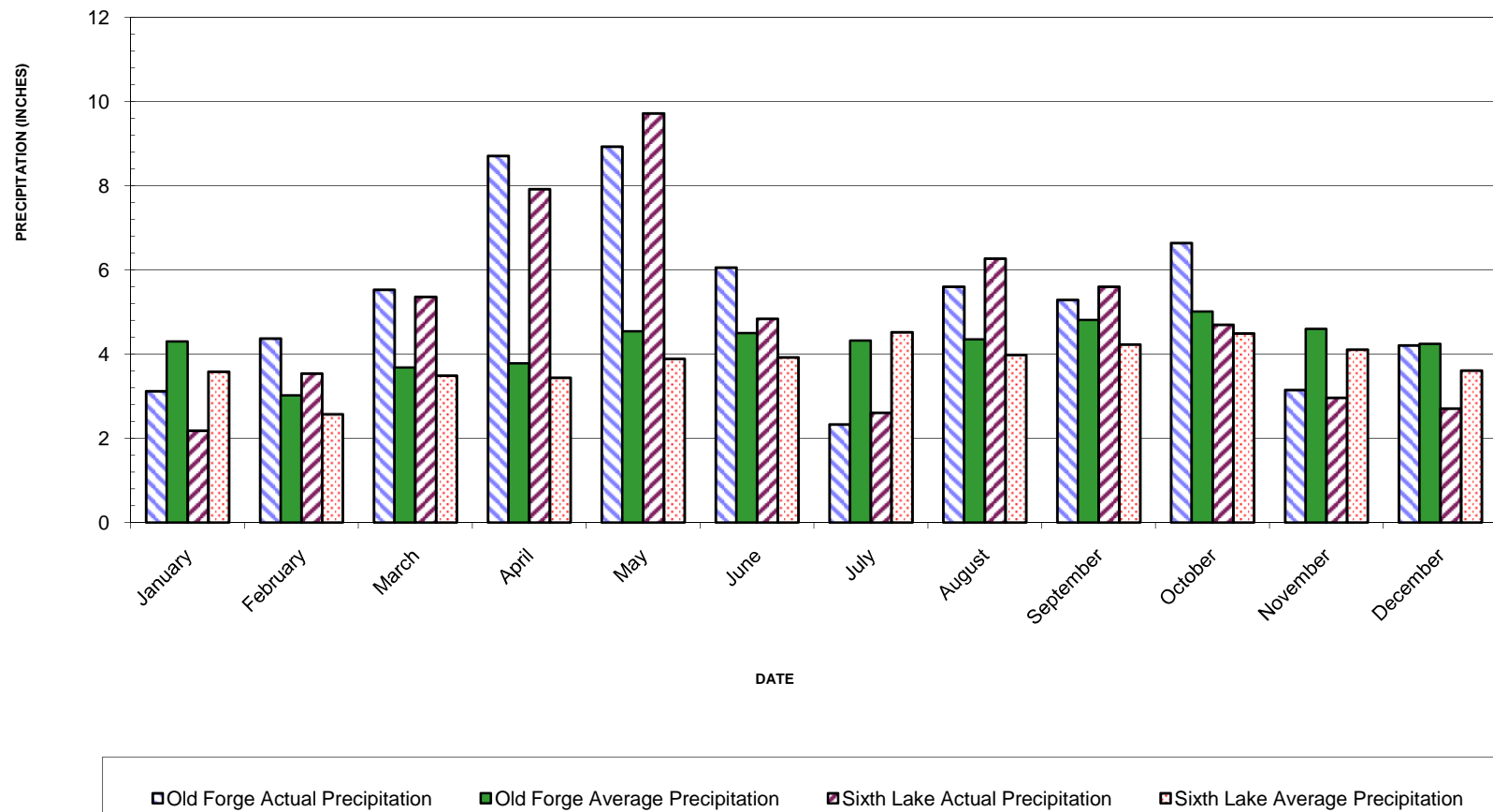


Figure 7

RESOLUTIONS JANUARY 1, 2011 – DECEMBER 31, 2011**2011 ORGANIZATIONAL MEETING**

- 11-01-01 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE MARCH 8, 2011 BOARD MEETING
- 11-02-03 RESOLUTION TO EXTEND LEGAL SERVICES AGREEMENT C092009 IN CONNECTION TO PETITION FILED BY JOHN & KANDY MCDONALD
- 11-03-03 RESOLUTION TO CONDITIONALLY AWARD WORK FOR ICE SLUICE REMEDIATION WORK AT CONKLINGVILLE DAM
- 11-04-03 RESOLUTION AUTHORIZING THE SALE OF USED VEHICLES THROUGH SEALED BIDS
- 11-05-03 RESOLUTION FOR REGULAR BOARD MEETING FOR APRIL 12, 2011
- 11-06-04 RESOLUTION TO SATISFY ANNUAL REVIEW AND APPROVAL OF THE REGULATING DISTRICT'S INVESTMENT POLICY
- 11-07-04 RESOLUTION TO SATISFY ANNUAL REVIEW AND APPROVAL OF THE REGULATING DISTRICT'S PROCUREMENT POLICY
- 11-08-04 RESOLUTION TO ANNUALLY REVIEW AND APPROVE THE REGULATING DISTRICT'S DISPOSITION OF PROPERTY GUIDELINES – PURSUANT TO SECTION 2896(1) OF THE PUBLIC AUTHORITIES LAW
- 11-09-04 RESOLUTION TO AMEND CONTRACT C052009 WITH GEI CONSULTANTS, INC. IN CONNECTION TO CONKLINGVILLE DAM PART 12 INDEPENDENT CONSULTANT SAFETY INSPECTION
- 11-10-04 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE MAY 10, 2011 BOARD MEETING
- 11-11-04 PAUL J. CORNELL RESOLUTION IN MEMORIAM
- 11-12-05 RESOLUTION TO ACCEPT GOMEZ AND SULLIVAN ENGINEERS, P.C. PROPOSAL TO PROVIDE SUPPLEMENTAL ENGINEERING SERVICES & TO AMEND CONTRACT NO. C092007
- 11-13-05 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE JUNE 14, 2011 BOARD MEETING

RESOLUTIONS ----- 2011

- 11-14-06 RESOLUTION TO APPROVE THE ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF STORAGE RESERVOIRS IN THE BLACK RIVER AREA FOR THE THIRD YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2009 THROUGH JUNE 30, 2012
- 11-15-06 RESOLUTION TO APPROVE THE ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF THE GREAT SACANDAGA LAKE FOR THE THIRD YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2009 THROUGH JUNE 30, 2012
- 11-16-06 RESOLUTION TO APPROVE COOL INSURING AGENCY, INC. INSURANCE PROPOSAL FOR POLICY YEAR JULY 1, 2011 THROUGH JUNE 30, 2012
- 11-17-06 RESOLUTION TO AWARD WEBCASTING SERVICES TO GRANICUS
- 11-18-06 RESOLUTION TO AMEND AUDIT SERVICES AGREEMENT WITH THE BONADIO GROUP & TO EXERCISE OPTION TO PERFORM AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2011
- 11-19-06 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE JULY 12, 2011 BOARD MEETING
- 11-20-07 RESOLUTION TO CONDITIONALLY AWARD THE WORK ASSOCIATED WITH OLD FORGE/SIXTH LAKE ENGINEERING ASSESSMENT
- 11-21-07 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE SEPTEMBER 13, 2011 BOARD MEETING
- 11-22-07 RESOLUTION AUTHORIZING THE EMPLOYMENT OF AN EXECUTIVE DIRECTOR FOR THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 11-23-07 RESOLUTION AUTHORIZING THE EMPLOYMENT OF AN ACTING HUDSON RIVER AREA ADMINISTRATOR FOR THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 11-24-08 RESOLUTION AUTHORIZING THE LIQUIDATION OF \$3.045 MILLION IN REGULATING DISTRICT SENTINEL/RESERVE FUNDS FOR USE IN PAYMENT OF THE JUDGEMENT IMPOSED BY A JUNE 23, 2011 FULTON COUNTY COURT DECISION IN ORDER TO FORESTAL CONTEMPT PROCEEDINGS FOR NON-COMPLIANCE WITH SUCH JUDGMENT

RESOLUTIONS ----- 2011

- 11-25-08 RESOLUTION TO AUTHORIZE THE SOLICITATION OF LEGAL SERVICES TO REPRESENT THE DISTRICT IN A LAWSUITE FILED AGAINST THE REGULATING DISTRICT BY ALBANY ENGINEERING CORPORATION (AEC)

- 11-26-08 RESOLUTION TO APPROVE A TENTH AMENDMENT TO THE RETAINER AGREEMENT FOR LEGAL SERVICES IN CONNCECTION TO ONGOING LITIGATION WITH ERIE BOULEVARD HYDROPOWER, L.P. AND NIAGARA MOHAWK POWER CORPORATION

- 11-27-09 RESOLUTION TO ADOPT THE STATE OF NEW YORK OFFICE OF THE STATE COMPTROLLER TRAVEL MANUAL AS THE DISTRICT'S OPERATIVE TRAVEL AND MEETING REIMBURSEMENT POLICY RESCINDING AND REPLACING RESOLUTIONS 88-58-10, 05-54-12, 06-26-06 AND 07-30-05

- 11-28-09 RESOLUTION TO ACCEPT CDM PROPOSAL FOR THE FIRST ENGINEERING ASSESSMENT FOR SIXTH LAKE AND OLD FORGE

- 11-29-09 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE OCTOBER 12, 2011 BOARD MEETING

- 11-30-10 RESOLUTION TO ADOPT LOBBYING CONTACTS POLICY

- 11-31-10 RESOLUTION TO ACCEPT KLEINSCHMIDT ASSOCIATES PROPSAL FOR THE REVIEW OF SEISMIC DEFORMATION REPORT FOR STILLWATER DAM

- 11-32-10 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE NOVEMBER 2, 2011 BOARD MEETING

- 11-33-11 RESOLUTION TO APPROVE AMENDMENT #5 TO LEGAL SERVICES AGREEMENT C152006 IN CONNECTION TO LITIGATION COMMENCED BY HELENE AND DANTE CENCI

- 11-34-11 RESOLUTION REVISING THE EMPLOYEE RULES AND BENEFIT GUIDELINES FOR MANAGEMENT/EXEMPT EMPLOYEES

- 11-35-11 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE DECEMBER 13, 2011 BOARD MEETING

- 11-36-12 RESOLUTION TO ADOPT WHISTLEBLOWER POLICY AND PROCEDURES

RESOLUTIONS ----- 2011

- 11-37-12 RESOLUTION TO ADOPT CODE OF ETHICS
- 11-38-12 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE
ANNUAL ORGANIZATIONAL MEETING AND REGULAR MEETING FOR
JANUARY 10, 2012 BOARD MEETING