NIAGARA FALLS WATER BOARD

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

December 31, 2019 and 2018

NIAGARA FALLS WATER BOARD

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara Falls Water Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Niagara Falls Water Board (the Board) as of and for the years ended December 31, 2019 and 2018, and the related notes to financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Niagara Falls Water Board, as of December 31, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 1(d) to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, and additional information as listed in the table of contents on pages 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Niagara Falls Water Board's basic financial statements. The accompanying other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2020, on our consideration of the Niagara Falls Water Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
May 13, 2020

As management of the Niagara Falls Water Board (the Board), we offer readers of the Board's financial statements this narrative and analysis of the financial activities of the Board for the years ended December 31, 2019 and 2018.

Following this Management's Discussion and Analysis (MD&A) are the financial statements of the Board together with the notes thereto. Please read the MD&A in conjunction with the Board's financial statements and the accompanying notes in order to obtain a full understanding of the Board's financial position and results of operations.

The Board was created by an Act of the State of New York, as more fully described in note 1 to the financial statements, and commenced operations on September 25, 2003. In accordance with an agreement with the City of Niagara Falls, New York (the City) the Board received all assets, liabilities and operating activities (including all personnel) of the City's former Water and Sewer Funds. In return, the Board issued debt, which was used to defease outstanding City bonded debt relating to its Water and Sewer Funds.

Financial Highlights

- The liabilities and deferred inflows of resources of the Board exceeded its assets and deferred outflows of resources by $(4,328,324) and $(4,121,136) (net position) at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, $(59,541,445) and $(62,040,700) (unrestricted net position), respectively, may be used to meet the Board's ongoing obligations.
- The Board's operating income for the years ended December 31, 2019 and 2018 was $1,230,642 and $1,858,534, respectively.
- The Board's total bond indebtedness decreased by $2,209,368 during the current fiscal year as a result of principal payments made of $4,269,607 and premium amortization of $129,754, offset by issuance of debt of $2,189,993.
- The Board reflected a liability for postemployment benefits of $88,864,058 and $87,609,060 at December 31, 2019 and 2018, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements which include the financial activities of the Board, the Niagara Falls Public Water Authority (the Authority) (a blended component unit), and the notes to financial statements. The reasons for blending the financial activities are explained in note 1 to the financial statements. An overview of the responsibilities of the Board and the Authority is presented as follows.

Board	Authority
* Owns the System	* Issues debt
* Operates and maintains the System	* Provides proceeds of debt for construction and improvements
* Responsible for System improvements	* Provides oversight regarding adequacy of revenues and System conditions
* Sets rates and collects revenues	
* Pays debt service on bonds	

The financial statements are designed to provide readers with a broad overview of the Board's finances in a manner similar to a private-sector business, and are organized as follows:

- The statements of net position presents information on all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.
- The statements of revenue, expenses and changes in net position presents information on how the Board's net position changed during each reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in these statements for some items that will result in cash flows for future fiscal periods (e.g., uncollected water and sewer rents, earned but unused vacation and postemployment benefits).
- The statements of cash flows presents information depicting the Board's cash flow activities for each reporting period and the effect that these activities had on the Board's cash and equivalent balances.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 40 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Board's financial position. Liabilities and deferred inflows exceeded assets and deferred outflows by $(4,328,324) at December 31, 2019, as compared to $(4,121,136) at December 31, 2018, as presented as follows:

Niagara Falls Water Board's Net Position

	December 31, 2019	December 31, 2018	Increase/(Decrease) Dollars	Increase/(Decrease) Percent
Current assets	$ 35,227,654	31,479,515	3,748,139	11.9%
Noncurrent assets	147,358,855	152,335,662	(4,976,807)	(3.3%)
Total assets	182,586,509	183,815,177	(1,228,668)	(0.7%)
Deferred outflows	1,135,983	1,821,720	(685,737)	(37.6%)
Current liabilities	11,861,344	11,710,927	150,417	1.3%
Noncurrent liabilities	174,851,266	175,566,392	(715,126)	(0.4%)
Total liabilities	186,712,610	187,277,319	(564,709)	(0.3%)
Deferred inflows	1,338,206	2,480,714	(1,142,508)	(46.1%)
Net investment in capital assets	29,053,483	26,040,626	3,012,857	11.6%
Restricted	26,159,638	31,878,938	(5,719,300)	(17.9%)
Unrestricted	(59,541,445)	(62,040,700)	2,499,255	4.0%
Total net position	$ (4,328,324)	(4,121,136)	(207,188)	5.0%

The Board's net investment in capital assets, is a surplus net position of $29,053,483 and $26,040,626 at December 31, 2019 and 2018, respectively. This results from the timing of the amortization of the Board's capital debt, as outstanding principal for most of the Board's serial bonds is not paid until late into the life of the debt, while depreciation occurs annually.

The Board's unrestricted net position (deficit) was $(59,541,445) and $(62,040,700) at December 31, 2019 and 2018, respectively. The restricted debt service portion of the Board's net position, $5,754,527 and $4,795,231 at December 31, 2019 and 2018, respectively, represents funds that are set aside to be used towards debt service. The restricted capital projects portion of the Board's net position, $6,786,581 and $12,672,427 at December 31, 2019 and 2018, respectively, represents funds that are set aside primarily for the reconstruction of the Falls Street Tunnel. The restricted debt reserve fund portion of the Board's net position, $8,389,738 and $9,182,488 at December 31, 2019 and 2018, respectively, represents funds for future debt service payments. The restricted operating and maintenance reserve fund portion of the Board's net position, $5,228,792 at December 31, 2019 and 2018, represents funds to pay the cost of extraordinary repairs to and maintenance of the system.

The Board's unrestricted net position is the remainder of total net position after taking net investment in capital assets, restricted for capital projects, restricted for operations and maintenance and restricted for debt related reserves into account. Unrestricted net position (deficit) decreased in 2019 by $2,499,255 because of an increase in net investment in capital assets of $3,012,857, a decrease of $5,719,300 in restricted net position and a loss of $207,188.

A comparison of current assets to current liabilities of the Board at December 31, 2019 and 2018 follows:

	2019	2018
Current assets	$ 35,227,654	31,479,515
Current liabilities	11,861,344	11,710,927
Ratio of current assets to current liabilities	2.97	2.69

The Board's total net position (deficit) decreased by $207,188 during the year ended December 31, 2019, as compared to a decrease of $680,955 for the year ended December 31, 2018. Key elements of the current year's decrease in net position (deficit) are as follows:

Niagara Falls Water Board's Changes in Net Position

	2019	2018	Increase/ (decrease)
Total operating revenue	$ 31,188,271	31,069,163	119,108
Total operating expenses	(29,957,629)	(29,210,629)	(747,000)
Operating income	1,230,642	1,858,534	(627,892)
Total non-operating revenue (expenses)	(1,437,830)	(2,539,489)	1,101,659
Change in net position, before restatement	$ (207,188)	(680,955)	473,767

The Board's major sources of operating revenue are charges for water and sewer services which comprise approximately 95% of total operating revenue. These revenues combined decreased $1,280,341 million from 2018. These revenues are dependent upon rates charged for these services, with such rates being determined by the Board. Please see the section entitled "Economic Factors and Next Year's Rates" within this MD&A for a listing of the rates charged during 2019 and approved rates for 2020.

The Board's largest operating expense area relates to its employees. Together, personnel costs (salaries) and employee benefits approximate 44% of total operating expenses. In 2019, these costs totaled approximately $13.1 million as compared to $12.9 million in 2018, representing an approximate $0.2 million increase in this area. This increase is due to cost of living adjustments.

Within the non-operating revenue (expenses) category, interest expense is by far the largest expense item and represents the cost of carrying serial bonds, which totaled $89,300,386 and $91,380,000, at December 31, 2019 and 2018, respectively.

The following is a summary of the Board's cash flow activities for the years ended December 31, 2019 and 2018:

	2019	2018
Cash flows provided by (used in):		
Operating activities	$ 8,719,345	10,078,817
Capital and related financing activities	(12,803,078)	(13,841,292)
Investing activities	6,882,645	1,731,313
Change in cash and equivalents	2,798,912	(2,031,162)
Cash and equivalents at beginning of year	21,391,578	23,422,740
Cash and equivalents at end of year	$ 24,190,490	21,391,578

The Board's available cash and equivalents increased by $2,798,912 during the year ended December 31, 2019, as compared to a decrease of $2,031,162 during the year ended December 31, 2018. Cash provided by operating activities reflected a positive balance was $8,719,345 and $10,078,817, respectively, for the years ended December 31, 2019 and 2018.

Capital Assets and Debt Administration

Capital Assets - The Board's investment in capital assets (net of accumulated depreciation) as of December 31, 2019, amounted to $121,199,217, as compared to $120,456,724 at December 31, 2018. This includes land, plant and transmission (infrastructure type assets), machinery and equipment, and construction in progress. The Board's greatest investment in capital assets comes in the form of infrastructure. Significant factors affecting capital assets during the reporting period include:

- The Board recorded total additions to capital assets of $7,634,465.
- Additions to construction in progress totaled $5,444,472. Completed capital projects transferred to depreciable asset categories totaled $4,633,505.
- The Board recorded total depreciation of $6,891,972 and $6,452,502 for the years ended December 31, 2019 and 2018, respectively.

A summary of capital assets, net of depreciation where applicable, is as follows:

		2019	2018
Nondepreciable assets:			
Land	$	463,713	463,713
Construction in progress		3,995,120	3,184,153
Depreciable assets:			
Plant and transmission assets (water system)		44,863,935	46,875,435
Plant and transmission assets (wastewater system)		65,906,055	64,822,543
Machinery and equipment		5,970,394	5,110,880
Total	$	121,199,127	120,456,724

Construction in progress represents ongoing capital construction which will be transferred to the appropriate asset category (and begin to be depreciated) upon completion.

More detailed information about the Board's capital assets is presented in the notes to financial statements.

Serial Bonds - At December 31, 2019, the Board had outstanding serial bonds totaling $89,300,386 as compared to $91,380,000 at December 31, 2018. During the year ended December 31, 2019, the Board made principal payments of $4,269,607 on these bonds and issued a new bond in the amount of $2,189,993.

The Board used bond debt to finance the original purchase of the assets (net of liabilities and including the water, sewer and storm water systems) from the City. In the future, the Board may utilize bond debt issuances as a primary source of funds for construction, renovations and system improvements.

Postemployment Benefits - Upon retirement, the Board's employees are entitled to continuous health insurance coverage. At December 31, 2019 and 2018, the liability recorded for these benefits amounted to $88,864,058 and $87,609,060, respectively.

Compensated Absences - Upon separation, Board employees are entitled to payment of unused sick and vacation time. The total liability relating to these payments at December 31, 2019 is $736,197, compared to December 31, 2018 is $709,411. The timing of the payments relating to compensated absences is dependent upon many factors, including the retirement or separation from service, and is therefore difficult to predict; however, the Board estimates that $36,810 of such liability is current at December 31, 2019.

Economic Factors and Next Year's Rates

As noted earlier, the Board's largest sources of operating revenues are water and sewer rents from customers. These revenues result from rates charged based on water usage by the individual customer. Rates can be adjusted accordingly in order to help meet the expenses of the Board. When considering rate changes, the Board utilizes the services of a rate consultant to help forecast the magnitude and effects of potential changes. As required by law, the general public's opinions are also taken into consideration, through public hearings, when contemplating a change in rates charged for services. Water rates charged for 2019 and approved rates to be charged for 2020 are as follows:

	2019		2020	
	Amount to be charged (per 100 cubic feet)		Amount to be charged (per 100 cubic feet)	
Amount Consumed	Inside city	Outside city	Inside city	Outside city
First 20,000 cubic feet per quarter	3.42	9.13	3.42	9.13
Next 60,000 cubic feet per quarter	2.96	7.97	2.96	7.97
Next 120,000 cubic feet per quarter	2.51	6.64	2.51	6.64
Over 200,000 cubic feet per quarter	2.08	5.59	2.08	5.59
Minimum charge for water consumption per quarter	44.40	118.68	44.40	118.68

In addition to the above schedule of rates for water consumed, a demand charge is assessed for each user's meter, as set forth below:

Size and Type	2019 Rate (per quarter)	2020 Rate (per quarter)
Under 1" Disc	$ 3.70	3.70
1" Disc	25.00	25.00
2" Disc	40.00	40.00
2" Compound	40.00	40.00
3" Compound	50.00	50.00
4" Compound	100.00	100.00
6" Compound	220.00	220.00
8" Compound	250.00	250.00
10" Compound	275.00	275.00
12" Compound	400.00	400.00

In addition to charging for water consumption and services, the Board also charges users with respect to sewer and wastewater services provided. All users have been divided into two "user classes" - Commercial/Small Industrial/Residential Users (CSIRU) and Significant Industrial Users (SIU).

Sewer rates for the CSIRU class are determined by the total metered water consumption in each quarter. Rates charged for 2019 and rates to be charged during 2020 are as follows:

Amount Consumed	2019	2020
Minimum charge per quarter (up to 1,300 cubic feet)	$ 58.79	58.79
Additional usage in excess of 1,300 cubic feet ($/cubic feet)	4.52	4.52

Sewer rates for the SIU class are determined each quarter based on the actual measured quantities and composition of wastewater flow. Such rates are determined by the Board and are based upon five representative 24-hour composite samples taken quarterly. Rates for the SIU class for the year ended December 31, 2019 and approved for 2020 were $3,176 per million gallons for wastewater flow; $1.02 per pound for all suspended solids discharged; and $1.76 per pound for all soluble organic carbon compounds discharged. In addition, SIU's are charged fees, as needed, for certain other "substances of concern" which are discharged in their wastewater.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Board and its future results and financial position is not presently determinable.

Contacting the Board's Financial Management

This financial report is designed to provide taxpayers, customers, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kendra Walker, Michael O'Laughlin Municipal Water Plan, 5815 Buffalo Avenue, Niagara Falls, New York 14304.

NIAGARA FALLS WATER BOARD
Statements of Net Position
December 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and equivalents	$ 24,190,490	21,391,578
Accounts receivable, net of allowance for uncollectible accounts	8,800,667	8,740,792
Due from other governments, net of allowance for uncollectible accounts	1,184,940	1,250,223
Grants receivable	766,937	-
Prepaid expenses	284,620	96,922
Total current assets	35,227,654	31,479,515
Noncurrent assets:		
Restricted cash and investments - capital projects	6,786,581	12,672,427
Restricted cash and investments - debt service fund	5,754,527	4,795,231
Restricted cash and investments - debt service reserve fund	8,389,738	9,182,488
Restricted cash and investments - operating and maintenance reserve	5,228,792	5,228,792
Capital assets:		
Land	463,713	463,713
Construction in progress	3,995,120	3,184,153
Waste and waste water system	184,759,145	179,692,253
Machinery and equipment	11,708,394	10,079,046
Less accumulated depreciation	(79,727,155)	(72,962,441)
Total capital assets, net of accumulated depreciation	121,199,217	120,456,724
Total noncurrent assets	147,358,855	152,335,662
Total assets	182,586,509	183,815,177
Deferred Outflows of Resources		
Pension	1,135,983	1,821,720

(Continued)

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
Statements of Net Position, Continued

Liabilities	2019	2018
Current liabilities:		
Accounts payable	$ 2,582,753	2,855,551
Accrued liabilities	2,147,891	2,178,090
Overpayments	5,900	4,850
Current portion of noncurrent liabilities:		
Compensated absences	36,810	35,471
Total OPEB liability	2,771,796	2,581,965
Bonds payable	4,316,194	4,055,000
Total current liabilities	11,861,344	11,710,927
Noncurrent liabilities:		
Compensated absences	699,387	673,940
Total OPEB liability	86,092,262	85,027,095
Bonds payable	86,919,687	89,390,249
Net pension liability - proportionate share - ERS System	1,139,930	475,108
Total noncurrent liabilities	174,851,266	175,566,392
Risk management and contingent liabilities (note 11)		
Total liabilities	186,712,610	187,277,319
Deferred Inflows of Resources		
Pension	428,353	1,509,865
Gain on refunding	909,853	970,849
Total deferred inflows of resources	1,338,206	2,480,714
Net Position		
Net investment in capital assets	29,053,483	26,040,626
Restricted for capital projects	6,786,581	12,672,427
Restricted for debt service fund	5,754,527	4,795,231
Restricted for debt service reserve fund	8,389,738	9,182,488
Restricted for operating and maintenance	5,228,792	5,228,792
Unrestricted (deficit)	(59,541,445)	(62,040,700)
Total net position (deficit)	$ (4,328,324)	(4,121,136)

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2019 and 2018

	2019	2018
Operating revenue:		
Water rents and charges	$ 10,106,620	10,772,298
Sewer rents and charges	19,404,849	20,019,512
Licenses and permits	243,507	222,950
Grants	1,261,101	-
Other services	172,194	54,403
Total operating revenue	31,188,271	31,069,163
Operating expenses:		
Personnel costs	6,140,679	6,065,718
Contractual expenses	9,990,533	9,902,911
Employee benefits	6,934,445	6,789,498
Depreciation expense	6,891,972	6,452,502
Total operating expenses	29,957,629	29,210,629
Operating income	1,230,642	1,858,534
Non-operating revenue (expenses):		
Use of money and property	1,163,345	647,827
Gain on sale of property	290,485	8,783
Interest expense	(2,891,660)	(3,196,099)
Total non-operating revenue (expenses)	(1,437,830)	(2,539,489)
Change in net position	(207,188)	(680,955)
Net position (deficit) at beginning of year, before restatement	(4,121,136)	55,546,505
Cumulative effect of change in accounting principle (note 14)	-	(58,986,686)
Net position (deficit) at beginning of year, as restated	(4,121,136)	(3,440,181)
Net position (deficit) at end of year	$ (4,328,324)	(4,121,136)

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
Statements of Cash Flows
Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	$ 30,427,792	31,090,117
Payments to suppliers	(10,191,194)	(9,418,908)
Payments to employees	(11,517,253)	(11,592,392)
Net cash provided by operating activities	8,719,345	10,078,817
Cash flows from capital and related financing activities:		
Gain on sale of property	290,485	8,783
Acquisition of capital assets	(7,894,300)	(6,515,845)
Principal paid on capital debt	(4,269,607)	(3,915,000)
Issuance of capital debt	2,189,993	-
Interest paid on capital debt	(3,119,649)	(3,419,230)
Net cash used in capital and related financing activities	(12,803,078)	(13,841,292)
Cash flows from investing activities:		
Interest earned	1,163,345	647,827
Change in restricted cash and investments - capital projects	5,885,846	945,017
Change in restricted cash and investments - debt service fund	(959,296)	(995,577)
Change in restricted cash and investments - debt service reserve fund	792,750	(360,094)
Change in restricted cash and investments - operating and maintenance	-	1,494,140
Net cash provided by investing activities	6,882,645	1,731,313
Change in cash and equivalents	2,798,912	(2,031,162)
Cash and equivalents at beginning of year	21,391,578	23,422,740
Cash and equivalents at end of year	$ 24,190,490	21,391,578

(Continued)

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD

Statements of Cash Flows, Continued

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,230,642	1,858,534
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	6,891,972	6,452,502
Changes in:		
Accounts receivable	(59,875)	(70,857)
Due from other governments	65,283	89,961
Grants receivable	(766,937)	-
Prepaid expenses	(187,698)	275,729
Accounts payable	(12,963)	208,274
Accrued liabilities	7,040	(52,145)
Overpayments	1,050	1,850
Compensated absences	26,786	7,731
Total OPEB liability	1,254,998	1,228,380
Net pension liability - proportionate share - ERS System	664,822	(816,643)
Deferred outflows of resources - pension	685,737	(406,610)
Deferred inflows of resources - pension	(1,081,512)	1,302,111
Total adjustments	7,488,703	8,220,283
Net cash provided by operating activities	$ 8,719,345	10,078,817
Supplemental schedule of cash flow information:		
Adjustment for capital assets financed by accounts payable	$ 1,580,759	1,840,594
Disposal of fully depreciated capital assets	$ 127,258	-

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The financial statements of the Niagara Falls Water Board (the Board) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Included in the Board's reporting entity is a blended component unit, the Niagara Falls Public Water Authority (the Authority).

(a) Reporting Entity

The Board was created by Chapter 325 of the Laws of 2002 of the State of New York (the State), codified as Sections 1231-a of Title 10-C of Article 5 of the Public Authorities Law of the State, as amended (the Board Act). The Authority was created by Chapter 275 of the Laws of 2002 of the State, constituting the Niagara Falls Public Water Authority Act, codified as Sections 1230-a through 1230-aa of Title 10-B of Article 5 of the Public Authorities Law of the State, as amended (the Authority Act).

The Board is a corporate municipal instrument of the State consisting of five members primarily responsible for the jurisdiction, control, possession, supervision and use of water, wastewater and storm water systems within the City of Niagara Falls, New York (the City).

The Authority is a public benefit corporation consisting of three members and is primarily responsible for obtaining financing for water, wastewater and storm water systems within the City.

Board members for both the Board and Authority are appointed pursuant to the enabling legislation.

Pursuant to the Board Act and the Authority Act, the Board, the Authority and the City executed an acquisition agreement effective September 25, 2003 whereby the Authority issued bonds enabling the Board to purchase all of the assets, net of liabilities, of the City's public water, wastewater and storm water systems. The Board began operations of these systems on that date.

Currently there are approximately 19,536 residential, 329 commercial and 24 large industrial type customers. Total population served by the water system is estimated at 51,000. The average daily demand is 23.1 million gallons per day. The Board's wastewater system generally covers the same service area and customer base as the water system. The wastewater treatment plant processes approximately 29.3 million gallons of wastewater per day.

Blended Presentation of Component Unit - Although they are legally separate entities, blended component units are, in substance, part of the government's operations. The following is a brief description of the blended component unit included in the primary government.

(1) Summary of Significant Accounting Policies, Continued

(a) Reporting Entity, Continued

Niagara Falls Public Water Authority - Among the powers given to the Authority is the ability to borrow money and issue negotiable or non-negotiable notes, bonds or other obligations for the acquisition, renovation and improvement to the regional water system.

The Authority may also apply for licenses, permits and approval of plans associated with the acquisition, renovation and improvement of the regional water system. In the process of borrowing funds to improve facilities, professional consultants may be retained to offer technical services and advice for the purpose and benefit of acquiring or improving the systems.

The Authority has entered into an agreement with the Board to make payments for the debt service required by these bonds. The Board is also required to make payments for Authority expenses. The obligation to make debt service is a general obligation to which its full faith and credit are pledged.

The Authority is considered a component unit since the Board is obligated to pay debt service and fund other accounts of the Authority. Thus, the Authority is "fiscally dependent" upon the Board to establish rates and collect fees necessary to pay these debts. Further, the Authority is "blended" with the Board in the financial statements because the Authority exists solely to provide services that predominantly benefit the Board.

(b) Measurement Focus and Basis of Accounting

The financial statements of the Board have been prepared in accordance with GAAP as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles.

The activities of the Board are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from providing water and sanitary sewer services are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating systems are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

(c) Budgets

The annual budget is the financial plan for the effective operation of the Board and the Authority. The Board uses the budget as a management tool for internal control purposes and to assist in setting of appropriate user charges.

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

- Cash and Equivalents - The Board's cash and equivalents represent cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

- Restricted Cash and Investments - Capital Projects - In 2007, the Board received $19,000,000 from the New York State Power Authority (the Power Authority) which is restricted for capital improvement projects including, but not limited to, the Falls Street Tunnel. At December 31, 2019 and 2018, the total amount restricted for capital projects amounted to $6,786,581 and $12,672,427, respectively.

- Restricted Cash and Investments - Debt Service Fund - As a result of the purchase of the water and sewer systems from the City, certain bond covenants, as disclosed in note 5, were established requiring resources (consisting of cash and investments) to be maintained for specific purposes necessary to operate the water and sewer systems. At December 31, 2019 and 2018, the total amount restricted for debt service fund amounted to $5,754,527 and $4,795,231, respectively.

  Cash has been deposited into various trust funds with a fiscal agent to satisfy certain covenants. Further, the amounts have been invested into various short-term investments in compliance with the Board's investment policy. Certain funds were used for their intended purposes and are no longer available for investment.

- Restricted Cash and Investments - Debt Service Reserve Fund - This fund was established to fulfill the debt service reserve requirements on the outstanding bonds as and when they become due. At December 31, 2019 and 2018, the total amount restricted for debt service reserve fund amounted to $8,389,738 and $9,182,488, respectively.

- Restricted Cash and Investments - Operating and Maintenance - This fund is restricted to pay the cost of extraordinary repairs to and maintenance of the system. At December 31, 2019 and 2018, the total amount restricted for operating and maintenance amounted to $5,228,792.

- Fair Value Measurements and Disclosures
  A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

  - Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Board has the ability to access.

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position, Continued

- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the assets or liabilities; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2019.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and equities - Valued at the closing price reported on the active market in which the individual securities are traded.

Corporate and government bonds - Valued at the closing price reported on the active markets in which the individual securities are traded.

The Board assess the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

- Accounts Receivable - All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Board has adopted a policy of recognizing water and sewer revenues in the period in which the services are provided. Billings to customers generally consist of revenues earned from the prior three months for quarterly billed customers, and revenues earned from the prior month for monthly billed customers.

  The collection of current water and sewer charges is performed by the Board. The City, acting as collecting agent for the Board, collects delinquent water and sewer charges.

- Prepaid Expenses - Prepaid expenses reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position, Continued

- Capital Assets - Capital assets acquired by the Board as part of the September 25, 2003 acquisition agreement with the City were reported at fair value on the acquisition date. Capital assets acquired by the Board subsequent to the initial acquisition are stated at cost including interest capitalized during construction, where applicable. Costs include material, direct labor and other items such as supervision, payroll taxes, employee benefits, transportation, and certain preliminary legal, engineering and survey costs. The costs of repairs and maintenance are expensed as incurred. Contributed fixed assets are recorded at fair market value at the date received.

  Construction projects are conducted on a continuing basis in order to maintain or enhance the systems. Preliminary legal, engineering and survey costs include studies conducted prior to the actual construction period that directly result in specific construction projects. While capital projects are in process, all associated costs are recorded as construction in progress. Once completed, all costs, including legal, engineering, survey and construction costs, are reclassified to their respective asset categories and depreciated according to their useful lives.

  Depreciation has been recorded using the straight-line method of depreciation. The estimated useful lives of the Board's major classes of depreciable assets are based on the utility of the respective assets. The estimated useful lives of depreciable fixed assets are as follows:

Assets	Years
Land	N/A
Plant and transmission assets	25 - 50
Machinery and equipment	5 - 20

- Compensated Absences - Board employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, all union employees are entitled to payment for accumulated vacation and compensatory time limited to amounts defined under their respective collectively bargained agreements. All non-union employees are entitled to similar benefits as defined by their respective contracts with the Board.

  Payments of vacation and sick leave and compensatory time are dependent upon many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be available for the payments of vacation leave and compensatory time when such payments become due.

- During the year ended December 31, 2018, the Board adopted provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See note 7 and note 14 of the financial statements for the impact of the implementation on the financial statements.

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position, Continued

In addition to providing pension benefits, the Board provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the Board's employees may become eligible for these benefits if they reach normal retirement age while working for the Board. Health care benefits are provided through the Board's self-insurance plan. The Board pays 100% of the cost for retiree's health care insurance, excluding co-pays which are the sole responsibility of the retirees. Survivor beneficiaries reimburse the Board monthly for 100% of the calculated premiums. The Board recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

- Bond and Note Discounts/Premiums - Discounts and premiums are presented as components of bonds or notes payable. The discounts/premiums are amortized over the life of the bonds and notes on a straight-line interest method.
- Long-term Obligations - Long-term debt obligations are reported as liabilities in the accompanying statements of net position.
- Pension Plan - The Board provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State Employees' and Local Employees' Retirement System (ERS). The ERS provides various plans and options, some of which require employee contributions, as described in note 8.
- Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the Board's proportion of the collective net pension liability and difference during the measurement period between the Board's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The second item is the Board contributions to the pension systems subsequent to the measurement date.

  Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The first is related to pensions and represents the effect of the net change in the Board's proportion of the collective net pension liability and difference during the measurement periods between the Board's contributions and its proportion share of total contributions to the pension systems not included in the pension expense. The second item is the deferred gain the Board incurred on its debt refunding transaction.

(1) Summary of Significant Accounting Policies, Continued

(e) Use of Estimates

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

(f) Income Taxes

The Board is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from State and Federal income taxes.

(g) Subsequent Events

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

The Board of Directors has authorized the Authority to issue bonds in the amounts of $3,500,000 and $2,495,000 at its January 27, 2020 meeting. As of the day of this report these bonds were not issued.

GASB issued Statement No. 95 - “Postponement of the Effective Dates of Certain Authoritative Guidance”. This Statement, issued in May 2020, has the primary objective of providing temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Disclosures in note 13 have been updated accordingly.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Board and its future results and financial position is not presently determinable.

(h) Reclassifications

Reclassifications have been made to certain 2018 balances in order to conform them to the 2019 presentation.

(2) Cash and Equivalents and Investments

The Board’s investment policies are governed by State statute. Board monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Board is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of the State or its localities.

(2) Cash and Equivalents and Investments, Continued

Collateral is required for demand deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by FDIC insurance coverage. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State.

The Board's cash and equivalents at December 31, 2019 and 2018 include the following captions on the statements of net position:

	2019	2018
Cash and equivalents	$ 24,190,490	21,391,578
Restricted cash and investments:		
Capital projects	6,786,581	12,672,427
Debt service fund	5,754,527	4,795,231
Debt service reserve fund	8,389,738	9,182,488
Operating and maintenance	5,228,792	5,228,792
Total	$ 50,350,128	53,270,516

Cash and equivalents are comprised of the following:

	2019	2018
Petty cash (uncollateralized)	$ 100	100
Deposits	22,357,347	25,248,079
Investments	27,992,681	28,022,337
Total	$ 50,350,128	53,270,516

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. As noted above, by State statute, all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2019 and 2018, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Custodial Credit Risk - Investments - For investments, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments that are in the possession of an outside party. At December 31, 2019 and 2018, all of the Board's restricted cash in the form of investments was registered in the Board's name and was invested in U.S. Government backed securities.

The Board's investments at December 31, 2019, consist of the following:

Investments	Maturity	Fair Value
U.S. Treasuries	1/31/20 - 11/01/41	$ 11,682,968
Federal Home Mortgage Corp.	1/14/20 - 11/17/20	12,297,445
Certificates of deposit	1/24/20 - 12/02/20	4,012,268
Total investments		$ 27,992,681

These investments are classified as Level 1.

(2) Cash and Equivalents and Investments, Continued

Maturity Schedule

Less than one year	$ 27,090,301
More than one year	902,380
	$ 27,992,681

The Board's investments at December 31, 2018, consist of the following:

Investments	Maturity	Fair Value
U.S. Treasuries Notes	1/31/19 - 11/1/41	$ 11,603,121
Federal Home Mortgage Corp.	1/14/19 - 5/28/20	12,931,227
Certificates of Deposit	4/30/18 - 12/2/20	3,487,989
Total investments		$ 28,022,337

These investments are classified as Level 1.

Maturity Schedule

Less than one year	$ 18,908,759
More than one year	9,113,578
	$ 28,022,337

Concentration Credit Risk - For investments, this is the risk of loss attributable to the quantity of the government's investment in a single issuer. Investments in single issuers that equal or exceed 5% of total investments have a reportable concentration of credit risk. At December 31, 2019, the Board held 44%, 42% and 14% of its investment balance in Federal Home Mortgage Corp., U.S. Treasury Notes, and Certificates of Deposit, respectively.

(3) Receivables

Major revenues accrued by the Board at December 31, 2019 and 2018 include the following:

(a) Accounts Receivable

Accounts receivable primarily represents amounts due from customers for current and delinquent water and wastewater services provided, including penalties, unpaid bill charges, collection fees and shut-off charges.

Customers are billed either on a monthly or quarterly basis depending on the type of user (industrial or residential), and the level of water and sewer usage. Customers may make payments without penalty on current charges up until 20 days after receiving their bill. Any unpaid balances remaining after these 20 days are subject to a penalty of 6%, and those customers receive an unpaid bill notice. If balances still remain unpaid after 30 additional days, final unpaid notices are mailed. The customers are then given 10 days to remit payment, after which the property is tagged, and shut-off procedures begin.

(3) Receivables, Continued

(a) Accounts Receivable, Continued

During the first week of December of every year, unpaid balances are transferred to the City tax roll for collections through the subsequent year's tax levy or in-rem property sales. Any amounts relating to unpaid water and wastewater balances collected by the City through these means are delivered to the Board.

As of December 31, 2019, $1,265,283 was included in allowance for uncollectible accounts to account for receivable balances that may not be collected. As of December 31, 2018, $1,307,973 was included in allowance for uncollectible accounts to account for receivable balances that may not be collected.

(b) Due from Other Governments

Due from other governments represents amounts due from the City for the tax transfer. Amounts accrued at December 31, 2019 and 2018 consist of $1,184,940 and $1,250,223, respectively.

The tax transfer represents uncollected water and sewer charges that have been turned over to the City for collection in conjunction with the City's property tax levy. The City remits these charges to the Board each January and July for collections it receives for the previous six-month period. This amount includes collected but not yet remitted charges at year-end. Charges from all previous years' water and sewer operations transferred to the City that are not collected totaled $5,985,527 and $6,286,360 at December 31, 2019 and 2018, respectively. Management has recorded an allowance for uncollectible accounts with respect to these balances of $4,800,587 and $5,036,137 at December 31, 2019 and 2018, respectively.

(4) Capital Assets

The Board's capital asset activity for the years ended December 31, 2019 and 2018 is summarized as follows:

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	$ 463,713	-	-	463,713
Construction in progress	3,184,153	5,444,472	(4,633,505)	3,995,120
Total capital assets not being depreciated	3,647,866	5,444,472	(4,633,505)	4,458,833
Capital assets, being depreciated:				
Plant and transmission costs:				
Water system	89,712,842	979,489	-	90,692,331
Wastewater system	89,979,411	4,087,403	-	94,066,814
Machinery and equipment	10,079,046	1,756,606	(127,258)	11,708,394
Total capital assets being depreciated	189,771,299	6,823,498	(127,258)	196,467,539

(4) Capital Assets, Continued

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Less accumulated depreciation:				
Plant and transmission costs:				
Water system	$ (42,837,407)	(2,990,989)	-	(45,828,396)
Wastewater system	(25,156,868)	(3,003,891)	-	(28,160,759)
Machinery and equipment	(4,968,166)	(897,092)	127,258	(5,738,000)
Total accumulated depreciation	(72,962,441)	(6,891,972)	127,258	(79,727,155)
Total being depreciated, net	116,808,858	(68,474)	-	116,740,384
Capital assets, net	$ 120,456,724	5,375,998	(4,633,505)	121,199,217

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Capital assets, not being depreciated:				
Land	$ 463,713	-	-	463,713
Construction in progress	6,991,440	7,483,243	(11,290,530)	3,184,153
Total capital assets not being depreciated	7,455,153	7,483,243	(11,290,530)	3,647,866
Capital assets, being depreciated:				
Plant and transmission costs:				
Water system	87,610,212	2,102,630	-	89,712,842
Wastewater system	82,549,377	7,430,034	-	89,979,411
Machinery and equipment	8,321,180	1,757,866	-	10,079,046
Total capital assets being depreciated	178,480,769	11,290,530	-	189,771,299
Less accumulated depreciation:				
Plant and transmission costs:				
Water system	(39,897,793)	(2,939,614)	-	(42,837,407)
Wastewater system	(22,375,407)	(2,781,461)	-	(25,156,868)
Machinery and equipment	(4,236,739)	(731,427)	-	(4,968,166)
Total accumulated depreciation	(66,509,939)	(6,452,502)	-	(72,962,441)
Total being depreciated, net	111,970,830	4,838,028	-	116,808,858
Capital assets, net	$ 119,425,983	12,321,271	(11,290,530)	120,456,724

(5) Indebtedness

The Authority issues debt to provide for the acquisition of the water and sewer systems and for the initial funding of operating and maintenance and debt reserves.

The proceeds of Series 2012B amounted to $6,607,122 - Clean Water issue were used to payoff the EFC Note used to fund North Gorge Interceptor Capacity Restoration Project.

In 2013, the Board issued $74,240,000 in general obligation bonds with an average interest rate of 4.72% and received an additional premium of $142,002. The bonds were used for an advanced refunding of $63,535,000 of 2003 Bonds with an average interest rate of 3.79%. The net proceeds of approximately $64 million were deposited in a trust with an agent to provide for future debt service payments on the bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the Board's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately $1.7 million.

During 2014 net proceeds of the Series B bonds were used to entirely refund the Series 2004 Serial Bonds of $4,095,000, specifically reducing the interest to be paid by approximately $610,000.

During 2015, net proceeds of the Series D bonds were used to entirely refund the Series 2005A&B Serial Bonds of $4,380,000 specifically reducing the interest to be paid by approximately $550,000. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the Board's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately $450,000.

During 2016, net proceeds of the Series A bonds were used to entirely refund the Series 2005 bonds of $23,115,000 specifically reducing the interest to be paid by approximately $4,100,000. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the Board financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately $4.1 million. The accounting gain on this refunding was originally $1,097,923 which will be amortized through 2034. The unamortized gain on refunding amounted to $909,853 and $970,849 at December 31, 2019 and 2018, respectively

During 2019, the Board received proceeds of $2,189,993 from the New York State Power Authority for the Energy Efficiency Program at an interest rate of 2.79%.

Indebtedness activity for the year ended December 31, 2019 is presented on the following page:

(5) Indebtedness, Continued

Indebtedness Activity:

	Year of Issue	Year of Maturity	Interest Rate %	Original Amount	Principal Outstanding 1/1/2019	Issued	Paid	Principal Outstanding 12/31/2019
Niagara Falls Public Water Authority Bonds:								
Series 2013A Bonds	2013	2034	3.0 - 5.0	$ 36,060,000	34,890,000	-	315,000	34,575,000
Series 2013B Bonds	2013	2024	4.309	8,415,000	4,635,000	-	720,000	3,915,000
Series 2016A Bonds	2016	2034	3.13 - 5.0	20,130,000	20,130,000	-	-	20,130,000
New York State Environmental Facilities Corporation Water Revolving Funds Revenue Bonds:								
Series 2012B - Clean Water	2012	2041	0.26 - 4.27	6,607,122	5,375,000	-	175,000	5,200,000
Series 2013B - Clean Water	2013	2033	3.88 - 5.05	14,030,000	11,290,000	-	595,000	10,695,000
Series 2013B - Drinking Water	2013	2023	4.75 - 4.91	5,580,000	5,580,000	-	-	5,580,000
Series 2013B - Drinking Water	2013	2019	5.14 - 5.59	6,770,000	1,000,000	-	1,000,000	-
Series 2013B - Drinking Water	2013	2019	5.14 - 5.59	3,385,000	500,000	-	500,000	-
Series 2014B - Drinking Water	2014	2021	5.40	4,095,000	3,885,000	-	175,000	3,710,000
Series 2015D - Drinking Water	2015	2034	3.81 - 4.57	4,380,000	4,095,000	-	575,000	3,520,000
New York State Power Authority:								
Series 2019 Mortgage Loan	2019	2028	2.79	2,189,993	-	2,189,993	214,607	1,975,386
Totals				$ 111,642,115	91,380,000	2,189,993	4,269,607	89,300,386
Reconciliation to statements of net position:								
Principal outstanding					$ 91,380,000			89,300,386
Unamortized premium on bonds					2,065,249			1,935,495
					$ 93,445,249			91,235,881
Current portion of bonds payable					4,055,000			4,316,194
Noncurrent portion of bonds payable					89,390,249			86,919,687
					$ 93,445,249			91,235,881

(5) Indebtedness, Continued

The annual maturities of long-term debt as of December 31, 2019 are as follows:

Year	Premium on bonds	Principal	Total
2020	$ 129,754	4,316,194	4,445,948
2021	129,754	4,483,018	4,612,772
2022	129,754	4,638,755	4,768,509
2023	129,754	4,789,654	4,919,408
2024	129,754	5,200,720	5,330,474
2025-2029	648,770	29,302,045	29,950,815
2030-2034	637,955	34,355,000	34,992,955
2035-2039	-	1,225,000	1,225,000
2040-2041	-	990,000	990,000
	$ 1,935,495	89,300,386	91,235,881

Annual interest payments due on long-term debt as of December 31, 2019 are as follows:

2020	$ 3,277,140
2021	2,789,012
2022	2,981,376
2023	2,563,826
2024	2,765,462
2025-2029	10,293,933
2030-2034	4,184,452
2035-2039	256,118
2040-2041	60,862
Total	$ 29,172,181

Financing Agreement Covenants

The financing agreement between the Authority and the Board relating to all current and future bonding contain various covenants pertaining to the use and maintenance of the trust funds established from the proceeds of each bonding. At December 31, 2019, management believes the Board was in compliance with the following loan covenants:

The Board is required to establish and collect rates, fees and charges sufficient in each fiscal year at least equal to the sum of:

(1) 115% of the estimated aggregate debt service and projected debt service payable in such fiscal year;

(2) 100% of Board operating expenses and Authority expenses payable in such fiscal year; and

(3) 100% of the amount necessary to pay the required deposits for such fiscal year.

(5) Indebtedness, Continued

The Board shall review the adequacy of fees, rates and charges at least semi-annually.

The Board shall enforce the payment of any and all amounts owed for the use of the systems.

The Board shall (unless required by law) not furnish or supply, or cause to be furnished or supplied, any product, use or service of the systems, free of charge.

The debt service fund balance, beginning with the first day of each calendar month, shall receive all revenues until the balance in the debt service fund equals the minimum monthly balance. The minimum monthly balance is defined as an amount equal to the sum of the aggregate amounts of debt service that have accrued with respect to all series of bonds, calculating the debt service that has accrued as an amount equal to the sum of:

(1) The interest on the bonds that has accrued and is unpaid and that will have accrued by the end of the then calendar month; and

(2) The portion of the next due principal installment for the bonds that would have accrued (as deemed to accrue in the manner interest accrues) by the end of the then calendar month.

Remedies for Default

In the event that the Board shall default in the payment of principal of or interest on any issue of bonds after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or in the event that the Board shall fail or refuse to comply with the provisions of this title or shall default in any agreement made with the holders of any issue of bonds, the holders of twenty-five percent in aggregate principal amount of the bonds of such issue then outstanding, by instrument or instruments filed in the offices of the clerk of the City, secretary of the Board and the Authority and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purpose herein provided.

(6) Compensated Absences

As explained in note 1, the Board reports the value of compensated absences as a liability. The annual budgets of the operating funds provide funding for these benefits as they become payable. The payment of compensated absences is dependent on many factors; therefore, the timing of future payments is not readily determinable. The current portion payable is estimated at 5% of the total compensated absences liability. The current portion of the liability amounted to $36,810 and $35,471 at December 31, 2019 and 2018, respectively. The long-term portion of the liability amounted to $699,387 and $673,940 at December 31, 2019 and 2018, respectively.

(7) Other Postemployment Benefits (OPEB)

(a) Plan Description and Benefits

Plan Description - The Board provides continuation of medical, prescription drug, dental, vision and chiropractic coverage for employees who retire and are at least age 50 and have an age, plus years of service, of at least 70. All retirees and future retirees hired prior to June 1, 2006 have no contribution requirements for both individual and family coverage. All future retires hired after June 1, 2006 are required to pay 20% of the individual and family premiums. The Board currently pays for postemployment health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

The Board provides certain health care benefits for retired employees. Substantially all of the employees may become eligible for these benefits if they reach the normal retirement age and have the required minimum age plus years of service working for the Board. At December 31, 2019 and 2018, the current portion of the postemployment benefits liability was $2,771,796 and $2,581,965, respectively. The noncurrent portion of the postemployment benefits liability amounted to $86,092,262 and $85,027,095 at December 31, 2019 and 2018, respectively.

(b) Employees covered by benefit terms

At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

Current retirees	97
Active employees	88
	185

(c) Total OPEB Liability

The Board's total OPEB liability of $88,864,058 and $87,609,060 was measured as of December 31, 2019 and 2018, respectively, and was determined by an actuarial valuation as of January 1, 2018.

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0%
Discount rate	3.8%
Inflation	2.6%
Healthcare cost trend rates	7.0% for 2018, decreasing to an ultimate rate of 5.0% for 2024

Mortality rates were based on the Society of Actuaries Mortality Improvement Scale MP-2018.

(7) Postemployment Benefits, Continued

(e) Changes in the Total OPEB Liability

		2019	2018
Original OPEB liability as of beginning of year	$	87,609,060	27,393,994
Cumulative effect of change in accounting principle (required by GASB 75)		-	58,986,686
Total OPEB liability as of beginning of year		87,609,060	86,380,680
Changes for the year:			
Service cost		556,876	540,656
Interest		3,280,087	3,234,085
Benefit payments		(2,581,965)	(2,546,361)
Total changes		1,254,998	1,228,380
Total OPEB liability as of end of year	$	88,864,058	87,609,060

(f) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.8%) or 1-percentage-point higher (4.8%) than the current discount rate:

		1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
Total OPEB liability - 2018	$	105,269,459	87,609,060	74,388,584

The valuation for December 31, 2019 was performed through update procedures and therefore sensitivity disclosures were not made available.

(g) Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

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

		1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability - 2018	$	72,723,841	87,609,060	107,037,190

The valuation for December 31, 2019 was performed through update procedures and therefore sensitivity disclosures were not made available.

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019 and 2018, the Board recognized OPEB expense of $3,836,963 and $3,774,741, respectively. At December 31, 2019 and 2018, the Board reported no deferred outflows of resources and no deferred inflows of resources related to OPEB.

(8) Pension Plans

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Board participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Authority (the Authority), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Board and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Board also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

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

At December 31, 2019 and 2018, the Board reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2019 and 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Board's proportionate share of the net pension liability was based on a projection of the Board's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Board. At December 31, 2019, the Board's proportion was 0.0160886%, which was an increase of 0.0013677 from its proportion measured as of March 31, 2018. At December 31, 2018, the Board's proportion was 0.0147209%, which was an increase of 0.0009733 from its proportion measured as of March 31, 2017.

Measurement date	3/31/2019	3/31/2018
Board's proportionate share of the net pension liability	$1,139,930	475,108
Board's proportion of the Plan's net pension liability	0.0160886%	0.0147209%

(8) Pension Plans, Continued

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

For the year ended December 31, 2019 and 2018, the Board recognized pension expense of $556,630 and $662,236 for ERS, respectively. At December 31, 2019 and 2018 the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 224,476	76,521	169,456	140,032
Changes of assumptions	286,532	-	315,036	-
Net difference between projected and actual earnings on pension plan investments	-	292,569	690,057	1,362,104
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	197,658	59,263	229,698	7,729
Board's contributions subsequent to the measurement date	427,317	-	417,473	-
Total	$ 1,135,983	428,353	1,821,720	1,509,865

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

Year ending	
2020	$ 293,675
2021	(173,475)
2022	6,267
2023	153,846

(c) Actuarial Assumptions

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

(8) Pension Plans, Continued

(c) Actuarial Assumptions, Continued

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Investment rate of return (net of investment expense, including inflation)	7.0%
Salary increases	4.2%
Inflation rate	2.5%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Asset class:		
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies (1)	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Inflation - indexed bonds	4.00%	1.25%
	100.00%	

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

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

(8) Pension Plans, Continued

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

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Board's proportionate share of the net pension asset (liability)	$ (4,983,954)	(1,139,930)	2,089,324

(f) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Measurement date	3/31/2019	3/31/2018
Employers' total pension liability	$(189,803)	(183,400)
Plan fiduciary net position	182,718	180,173
Employers' net pension liability	$ (7,085)	(3,227)
Ratio of plan fiduciary net position to the employers' total pension liability	96.27%	98.24%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2019 and 2018 represent the projected employer contribution for the period of April 1, 2019 through March 31, 2020 and April 1, 2018 through March 31, 2019, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(9) Net Position

The Board's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted for debt service, restricted for capital projects, restricted for operations and maintenance and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

(9) Net Position, Continued

The Board's investment in capital assets, net of related debt is in a surplus position of $29,053,483 and $26,040,626 at December 31, 2019 and 2018, respectively. The surplus results from the amortization of the Board's capital debt, as outstanding principal for the majority of Board's serial bonds is not paid until late into the life of the debt while depreciation occurs ratably over the life of the assets.

Restricted Net Position - This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Restricted for Capital Projects:

Amounts restricted for capital projects is $6,786,581 and $12,672,427 at December 31, 2019 and 2018, respectively. In 2007, the Board received $19,000,000 from the Power Authority under a "Relicensing Settlement Agreement." The Agreement provided for the creation of a "Niagara Falls Water Board Capital Improvement Fund." These funds are restricted for future use related to capital improvements of the Board including but not limited to any specific project including the Falls Street Tunnel project.

Restricted for Debt Service Fund:

Board restrictions at December 31, 2019 and 2018 of $5,754,527 and $4,795,231, respectively, are for debt service.

Restricted for Debt Service Reserve Fund:

Amounts restricted for the debt service reserve fund were $8,389,738 and $9,182,488 at December 31, 2019 and 2018, respectively. These funds are controlled by bond trustee. The required minimum balance is the lessor of the maximum future annual debt service requirement or 125% of the average future annual debt service requirements for all outstanding bonds. The required minimum balance was $6,829,344 and $6,707,955 at December 31, 2019 and 2018, respectively. This resulted in excess reserves of $1,560,394 and $2,474,533 at December 31, 2019 and 2018, respectively.

Restricted for Operations and Maintenance:

Amounts restricted for operations and maintenance were $5,228,792 at December 2019 and 2018. These reserves may be used to pay the cost of extraordinary repairs to and replacements of the system. Surplus amounts on deposit at the end of the fiscal year may be used for any purpose determined by the Board to be beneficial for the system unless the Authority notifies the Board that it does not concur with such application of surplus and expenditures. The required minimum balance is 1/6th of prior year operating expenses which equates to $4,868,438 and $4,869,231 at December 2019 and 2018, respectively. At December 31, 2019 and 2018, there was excess reserves of $360,354 and $359,561, respectively.

(9) Net Position, Continued

Unrestricted Net Position - This category represents net position of the Board not restricted for any project or other purpose. Additions of $3,012,857 to net investment in capital assets and decreases of $5,719,300 to restricted net position combined with the total loss for the year of $207,188 decreased the unrestricted net position deficit by $2,499,255.

(10) Labor Relations

The majority of the Board's employees are represented by various unions under four collective bargaining units agreements, with the balance governed by Board policies. Contracts for all of the bargaining units covered a six year term which expired on December 31, 2010. The Board has started negotiated new contracts with the bargaining units as of June 2017.

(11) Risk Management and Contingent Liabilities

Risk management and contingent liabilities at December 31, 2019 and 2018 are detailed as follows:

(a) Insurance

The Board is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters, for which the Board carries commercial insurance. There were no settlements that significantly exceeded insurance coverage for the years ended December 31, 2019 and 2018.

(b) Litigation

The Board is involved in litigation arising in the ordinary course of its operations. The Board believes that its ultimate liability, if any, in connection with these matters will not have a material effect on its financial condition or results of operations.

(12) Significant Events

As a result of alleged discharges from the waste water treatment plant during the Summer of 2017, the New York State Department of Environmental Conservation (NYSDEC) and the Board entered into a Consent Order on December 19, 2017 (R9-20170906-129). This Consent Order required the Board to pay a civil penalty in the amount of $50,000 and to implement a schedule of enumerated actions over the following fifteen (15) months. The Board is now in the process of implementing these actions under the supervision of the NYSDEC.

(13) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the Board. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Board.

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the Board. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Board.

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, which is the fiscal year beginning January 1, 2022 for the Board. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Board.

GASB Statement No. 92 - "Omnibus 2020." This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2021, which is the fiscal year beginning January 1, 2022 of the Board. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Board.

GASB Statement No. 93 - "Replacement of Interbank Offered Rates." This Statement, issued in March 2020, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. The requirements of this Statement are effective for reporting periods after December 31, 2022, which is the fiscal year beginning January 1, 2023 of the Board. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Board.

(13) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 94 - "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." This Statement, issued in March 2020, addresses issues related to public-private and public-public partnerships (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is the fiscal year beginning January 1, 2023 for the Board. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Board.

(14) Cumulative Effect of Change in Accounting Principle

For the year ended December 31, 2018, the Board implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other postemployment benefits. The Board's net position at December 31, 2017 has been restated as follows:

Net position at beginning of year (2018), as previously stated	$	55,546,505
GASB Statement No. 75 implementation:		
Beginning total OPEB liability		(86,380,680)
Less: Net other postemployment benefits obligations under GASB Statement No. 45		27,393,994
Net position (deficit) at beginning of year (2018), as restated	$	(3,440,181)

NIAGARA FALLS WATER BOARD
Required Supplementary Information
Schedule of Changes in the Board's
Total OPEB Liability and Related Ratios
December 31, 2019 and 2018

Total OPEB liability	2019	2018
Service cost	$ 556,876	540,656
Interest	3,280,087	3,234,085
Benefit payments	(2,581,965)	(2,546,361)
Net change in total OPEB liability	1,254,998	1,228,380
Total OPEB liability - beginning	87,609,060	86,380,680
Total OPEB liability- ending	$ 88,864,058	87,609,060
Covered payroll	$ 3,900,691	3,900,691
Total OPEB liability as a percentage of covered payroll	2,278.16%	2,245.99%

Notes to schedule:

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

2019	2018
3.80%	3.80%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

NIAGARA FALLS WATER BOARD
Required Supplementary Information
Schedule of Board's Proportionate Share of the Net Pension Liability
December 31, 2019 and 2018

NYSERS Pension Plan

	2019	2018	2017	2016	2015
Board's proportion of the net pension liability	0.0160886%	0.0147209%	0.0137476%	0.0134405%	0.0141606%
Board's proportionate share of the net pension liability	$1,139,930	475,108	1,291,751	2,157,242	478,381
Board's covered payroll	$4,917,159	4,374,241	4,719,361	4,397,005	4,082,614
Board's proportionate share of the net pension liability as a percentage of its covered payroll	23.18%	10.86%	27.37%	49.06%	11.72%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.29%	94.70%	90.70%	97.95%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

NIAGARA FALLS WATER BOARD
Required Supplementary Information
Schedule of Employer Pension Contributions
December 31, 2019 and 2018

NYSERS Pension Plan

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 566,475	583,405	659,383	646,238	725,071	864,054	900,289
Contributions in relation to the contractually required contribution	566,475	583,405	659,383	646,238	725,071	864,054	900,289
Contribution deficiency (excess)	$ -	-	-	-	-	-	-
Board's covered payroll	$ 4,917,159	4,374,241	4,719,361	4,397,005	4,082,614	4,483,962	4,442,277
Contributions as a percentage of covered payroll	11.52%	13.34%	13.97%	14.70%	17.76%	19.27%	20.27%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

Schedule 1

NIAGARA FALLS WATER BOARD
Other Supplementary Information
Niagara Falls Water Authority (a Blended Component Unit)
Statements of Net Position
December 31, 2019 and 2018

Assets	2019	2018
Current assets - cash and equivalents	$ 133,829	133,829
Noncurrent assets - due from Water Board	92,406,568	94,676,932
Total assets	92,540,397	94,810,761
Liabilities		
Current liabilities - bonds payable	4,316,194	4,055,000
Noncurrent liabilities - bonds payable	86,919,687	89,390,249
Risk management and contingent liabilities (note 11)		
Total liabilities	91,235,881	93,445,249
Deferred Inflows of Resources		
Gain on refunding	909,853	970,849
Net Position		
Unrestricted	$ 394,663	394,663

Schedule 2

NIAGARA FALLS WATER BOARD
Other Supplementary Information
Niagara Falls Water Authority (a Blended Component Unit)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2019 and 2018

	2019	2018
Operating transfers in	$ 2,891,660	3,246,099
Interest expense	(2,891,660)	(3,196,099)
Change in net position	-	50,000
Net position at beginning of year	394,663	344,663
Net position at end of year	$ 394,663	394,663

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Niagara Falls Water Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Niagara Falls Water Board (the Board), as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 13, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
May 13, 2020

NIAGARA FALLS WATER BOARD
Status of Prior Year Audit Findings
Year ended December 31, 2019

(2018-001) PARIS Filing

Condition - The Board did not file the independent audit report within 90 days after the end of the fiscal year ended December 31, 2018 via the Public Authorities information System (PARIS).

Cause - The auditors could not complete their work within the required timeframe because the Board was unable to obtain all information necessary for capital assets and other postemployment benefit liability timely enough to allow filing by the statutory filing deadline.

Status - The PARIS filing deadline was not met for the year ended December 31, 2018 due to the timeliness of capital assets accounting and other postemployment benefit liability were not completed to allow the independent auditors to complete their work. The PARIS filing deadline was extended for the year ended December 31, 2019 by Executive Order No. 202.11 by New York State Governor Andrew Cuomo due to circumstances related to COVID-19. This finding is considered resolved.