

NIAGARA FALLS WATER BOARD
ANNUAL INVESTMENT REPORT
December 31, 2019

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
SECTION 201.3 OF TITLE TWO OF THE OFFICIAL COMPILATION OF
CODES, RULES AND REGULATIONS OF THE STATE OF NEW YORK**

The Board of Directors
Niagara Falls Water Board

We have examined Niagara Falls Water Board's (the Board) compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York (Section 201.3) during the year ended December 31, 2019. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Board complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements referenced above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with Section 201.3.

In our opinion, the Board complied, in all material respects, with the requirements of Section 201.3 for the year ended December 31, 2019.

In accordance with Government Auditing Standards, we have issued our report dated May 13, 2020, in which we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws and regulations that have a material effect on the Board's compliance with Section 201.3 and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our

examination to express an opinion on whether the Board complied with the aforementioned requirements and not for the purpose of expressing an opinion on the effectiveness of internal control over compliance with those requirements or other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board's management, the Governing Board, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended and should not be used by anyone other than those specified parties.

EFPR Group, CPAs, PLLC

Williamsville, New York
May 13, 2020

NIAGARA FALLS WATER BOARD

Annual Investment Report

December 31, 2019

The following represents the annual investment report as required by Section 2925 of Public Authorities Law:

Permitted Investments

Pursuant to GML Section 11, the Board is authorized to invest moneys not required for immediate expenditures for terms not to exceed its projected cash flow needs in the following type of investments:

- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of deposits;
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments;
- Obligations issued pursuant to Local Finance Law Section 24.00 or 25.00 (with approval of State Comptroller) by any municipality, school district or district corporation other than City of Niagara Falls; and
- Eligible Investments, as defined in the Indenture between Board, Manufacturers and Traders Trust Company and Bank on Buffalo, as Trustees as amended from time to time.

Amendments Made to Investment Guidelines

None

Safeguards

Investments are held subject to an indenture between the Board, Manufacturers and Traders Trust Company and Bank on Buffalo, as Trustees.

Eligible securities used for collateralizing deposits shall be held by a third party bank, trust company or trust department of the bank subject to security and custodial agreements at the discretion of the Board.

The security and custodial agreements shall provide that securities held by the bank or trust company or agent of and the custodian for, the Board, will be kept separate and apart from the general assets of the custodial bank trust company.

NIAGARA FALLS WATER BOARD
Annual Investment Report, Continued

The security and custodial agreement shall provide that eligible securities are being pledged to secure the Board deposits and investments together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default.

Authorized Financial Institutions and Dealers

The Board shall maintain a list of financial institutions and dealers, approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition at the request of the Board. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with New York Federal Reserve Bank, as primary dealers. The Executive Director or Chairman is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

Provisions for Reporting on Investments

The Board retains an independent accountant to provide an examination report of all investment practices on an annual basis.

Income and Fees Related to Investment Services

The Board earned interest income and paid fees related to investment services of \$1,163,341 and \$72,890, respectively, for the year ended December 31, 2019.

Investments

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

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
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	<u>4,012,268</u>
Total investments		\$ <u>27,992,681</u>

These investments are classified as Level 1.

Maturity Schedule

Less than one year	\$ 27,090,301
More than one year	<u>902,380</u>
	\$ <u>27,992,681</u>

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN EXAMINATION OF THE ANNUAL INVESTMENT REPORT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Niagara Falls Water Board

We have examined, in accordance with the attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States, the annual investment report of the Niagara Falls Water Board (the Board), as of and for the year ended December 31, 2019, and have issued our report thereon dated May 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our examination of the annual investment report, we considered the Board's internal control over financial reporting (internal control) to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the annual investment report, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's annual investment report is 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 annual investment report amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an examination 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