

August 9, 2021

To the Board Members of
Niagara Falls Water Board:

We have audited the financial statements of the Niagara Falls Water Board (the Board) for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in the notes to the financial statements.

During 2020, the Board adopted GASB Statement No. 84, Fiduciary Activities. Statement No. 84 addresses the identification of the criteria for identifying fiduciary activities for accounting and financial reporting purposes. Additionally, the Board adopted GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This Statement improves information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- ***Total Other Postemployment Benefit Obligation and related deferred inflows/outflows of resources, which are based on an actuarial valuation and are significant in the Board's financial statements.***

- *Net pension asset (liability) and related deferred inflows/outflows of resources, which are based on actuarial assumptions utilized by an actuary applied to the pension plan's census information.*
- *Management's estimate of the allowance for uncollectible accounts is based on an assessment of historical collections of the Board's accounts receivable.*

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The disclosure of the Board's Total Other Postemployment Benefit Obligation along with the deferred inflows/outflows of resources describes the net obligation to the Board at year end.

The disclosure of the Board's pension plan in the footnotes describes the plan and the related pension asset or liability along with the deferred inflows/outflows of resources that are recognized.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The audit process was delayed significantly from the start due to a former member of management's failure to communicate timely prior to, and during, the audit. At times information took longer than anticipated to obtain, which further delayed the audit process. Ultimately, we were able to obtain the necessary information to allow us to render an opinion.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The misstatements identified as a result of our audit procedures and corrected by management are displayed on Exhibit A.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the Independent Auditor's Report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Board’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board’s auditors.

Our retention as auditors for this initial audit was based on a competitive bid process.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, the Schedule of Changes in Total Other Postemployment Benefit Liability and Related Ratios, the Schedule of Proportionate Share of Net Pension Liability (Asset), and the Schedule of Contributions - Pension Plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Niagara Falls Water Authority (a Blended Component Unit of the Niagara Falls Water Board) – Statement of Net Position and Statement of Revenue, Expenses and Changes in Net Position, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Audit Committee, Board of Directors and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

NIAGARA FALLS WATER BOARD

Exhibit A

For the Year Ended December 31, 2020**Summary of Audit Adjustments**

| | |
|--|---------------------|
| Change in net position - unadjusted | \$ 8,210,352 |
| Client adjustments: | |
| To record current year capital asset activity. | (6,451,753) |
| To record the current year change in Total OPEB and the related deferred outflows/inflows of resources. | (1,326,413) |
| Audit adjustments: | |
| To record a sludge disposal expense payable as of year-end. | (77,960) |
| To adjust the current year balance of compensated absences. | 3,139 |
| To record the current year change in net pension liability and the related deferred outflows/inflows of resources. | <u>(1,038,101)</u> |
| Change in net position - adjusted | <u>\$ (680,736)</u> |