

**NIAGARA FALLS WATER BOARD**

**Financial Statements as of  
December 31, 2020  
Together with Independent  
Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# NIAGARA FALLS WATER BOARD

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## **INDEPENDENT AUDITOR'S REPORT**

August 9, 2021

To the Board of Directors of  
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 year ended December 31, 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 entity'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 entity'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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of December 31, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Information**

The financial statements and other supplementary information of the Board as of December 31, 2019, were audited by other auditors whose report dated May 13, 2020, expressed an unmodified opinion on those financial statements.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in total other postemployment benefit liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions - pension plans, as listed in the table of contents, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying other information as listed in the table of contents of the Niagara Falls Water Authority (a blended component unit of the Board) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 2020 other 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 audit 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 information is fairly stated, in all material respects, in relation to the basic financial statements for the year ended December 31, 2020 as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2021, on our consideration of the 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.

## NIAGARA FALLS WATER BOARD

### Management's Discussion and Analysis (Unaudited)

December 31, 2020

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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 year ended December 31, 2020.

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 (\$5,009,060) and (\$4,328,324) (net position) at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, (\$64,043,761) and (\$59,541,445) (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, 2020 and 2019 was \$1,302,070 and \$1,230,642, respectively.
- The Board's total bond indebtedness decreased by \$4,462,651 during the current fiscal year as a result of principal payments made of \$4,332,897 and premium amortization of \$129,754.
- The Board reflected a liability for postemployment benefits of \$94,980,144 and \$88,864,058 at December 31, 2020 and 2019, 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.

<u>Board</u>	<u>Authority</u>
* 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	

## NIAGARA FALLS WATER BOARD

### Management's Discussion and Analysis (Unaudited)

December 31, 2020

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 statement 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 statement 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 this statement 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 statement 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 \$(5,009,060) at December 31, 2020, as compared to \$(4,328,324) at December 31, 2019, as presented as follows:

Niagara Falls Water Board's Net Position				
	December 31,		Increase/(Decrease)	
	<u>2020</u>	<u>2019</u>	<u>Dollars</u>	<u>Percent</u>
Current assets	\$ 32,833,618	\$ 35,227,654	\$ (2,394,036)	-6.8%
Noncurrent assets	<u>146,582,024</u>	<u>147,358,855</u>	<u>(776,831)</u>	-0.5%
Total assets	<u>179,415,642</u>	<u>182,586,509</u>	<u>(3,170,867)</u>	-1.7%
Deferred outflows	<u>8,282,199</u>	<u>1,135,983</u>	<u>7,146,216</u>	629.1%
Current liabilities	11,441,663	11,861,344	(419,681)	-3.5%
Noncurrent liabilities	<u>180,187,819</u>	<u>174,851,266</u>	<u>5,336,553</u>	3.1%
Total liabilities	<u>191,629,482</u>	<u>186,712,610</u>	<u>4,916,872</u>	2.6%
Deferred inflows	<u>1,077,419</u>	<u>1,338,206</u>	<u>(260,787)</u>	-19.5%
Net investment in capital assets	35,841,765	29,053,483	6,788,282	23.4%
Restricted	23,192,936	26,159,638	(2,966,702)	-11.3%
Unrestricted	<u>(64,043,761)</u>	<u>(59,541,445)</u>	<u>(4,502,316)</u>	7.6%
Total net position	<u>\$ (5,009,060)</u>	<u>\$ (4,328,324)</u>	<u>\$ (680,736)</u>	15.7%

## NIAGARA FALLS WATER BOARD

### Management's Discussion and Analysis (Unaudited)

December 31, 2020

The Board's net investment in capital assets, is a surplus net position of \$35,841,765 and \$29,053,483 at December 31, 2020 and 2019, 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 \$(64,043,761) and \$(59,541,445) at December 31, 2020 and 2019, respectively. The restricted debt service portion of the Board's net position, \$6,636,484 and \$5,754,527 at December 31, 2020 and 2019, respectively, represents funds that are set aside to be used towards debt service. The restricted capital projects portion of the Board's net position, \$2,786,581 and \$6,786,581 at December 31, 2020 and 2019, respectively, represents funds that are set aside for the reconstruction of the Falls Street Tunnel and capital projects. The restricted debt service reserve fund portion of the Board's net position, \$8,741,079 and \$8,389,738 at December 31, 2020 and 2019, respectively, represents funds for future debt service payments. The restricted operating and maintenance reserve fund portion of the Board's net position, \$5,028,792 and \$5,228,792 at December 31, 2020 and 2019, respectively, 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) increased in 2020 by \$4,502,316 because of an increase in net investment in capital assets of \$6,788,282, a decrease of \$2,966,702 in restricted net position and a loss of \$680,736.

A comparison of current assets to current liabilities of the Board at December 31, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Current assets	<u>\$ 32,833,618</u>	<u>\$ 35,227,654</u>
Current liabilities	<u>\$ 11,441,663</u>	<u>\$ 11,861,344</u>
Ratio of current assets to current liabilities	2.87	2.97

The Board's total net position decreased by \$680,736 during the year ended December 31, 2020, as compared to a decrease of \$207,188 for the year ended December 31, 2019. Key elements of the current year's decrease in net position (deficit) are as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Total operating revenue	\$ 32,492,767	\$ 31,188,271	\$ 1,304,496
Total operating expenses	<u>(31,190,697)</u>	<u>(29,957,629)</u>	<u>(1,233,068)</u>
Operating income	1,302,070	1,230,642	71,428
Total non-operating revenue (expenses)	<u>(1,982,806)</u>	<u>(1,437,830)</u>	<u>(544,976)</u>
Change in net position, before restatement	<u>\$ (680,736)</u>	<u>\$ (207,188)</u>	<u>\$ (473,548)</u>

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 increased \$1,478,076 from 2019. 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 2020 and approved rates for 2021.



## NIAGARA FALLS WATER BOARD

### Management's Discussion and Analysis (Unaudited)

December 31, 2020

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The Board's largest operating expense area relates to its employees. Together, personnel costs (salaries) and employee benefits approximate 45% of total operating expenses. In 2020, these costs totaled approximately \$14.2 million as compared to \$13.1 million in 2019, representing an approximate \$1.1 million increase in this area. This increase is due to cost of living adjustments and the net impact of the increases in the total otherpostemployment benefits liability and the net pension liability in the current year.

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 \$84,967,489 and \$89,300,386, at December 31, 2020 and 2019, respectively.

The following is a summary of the Board's cash flow activities for the years ended December 31, 2020 and 2019:

Cash flows provided by (used in):	<u>2020</u>	<u>2019</u>
Operating activities	\$ 7,989,258	\$ 7,138,586
Capital and related financing activities	(13,931,424)	(11,222,319)
Investing activities	<u>3,611,399</u>	<u>6,882,645</u>
Change in cash and equivalents	(2,330,767)	2,798,912
Cash and equivalents at beginning of year	<u>24,190,490</u>	<u>21,391,578</u>
Cash and equivalents at end of year	<u>\$ 21,859,723</u>	<u>\$ 24,190,490</u>

The Board's available cash and equivalents decreased by \$2,330,767 during the year ended December 31, 2020, as compared to an increase of \$2,798,912 during the year ended December 31, 2019. Cash provided by operating activities reflected a positive balance of \$7,989,258 and \$7,138,586, respectively, for the years ended December 31, 2020 and 2019.

### Capital Assets and Debt Administration

**Capital Assets** - The Board's investment in capital assets (net of accumulated depreciation) as of December 31, 2020, amounted to \$123,389,088, as compared to \$121,199,217 at December 31, 2019. 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 \$8,641,637.
- Additions to construction in progress totaled \$8,641,637. Completed capital projects transferred to depreciable asset categories totaled \$6,137,344.
- The Board recorded total depreciation of \$6,451,766 and \$6,891,972 for the years ended December 31, 2020 and 2019, respectively.

## NIAGARA FALLS WATER BOARD

### Management's Discussion and Analysis (Unaudited)

December 31, 2020

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

	<u>2020</u>	<u>2019</u>
Nondepreciable assets:		
Land	\$ 463,713	\$ 463,713
Construction in progress	6,499,413	3,995,120
Depreciable assets:		
Plant and transmission assets (water system)	42,535,883	44,863,935
Plant and transmission assets (wastewater system)	67,887,109	65,906,055
Machinery and equipment	6,002,970	5,970,394
Total	<u>\$ 123,389,088</u>	<u>\$ 121,199,217</u>

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.

**Long-Term Debt** - At December 31, 2020, the Board had outstanding bonds totaling \$84,967,489 as compared to \$89,300,386 at December 31, 2019. During the year ended December 31, 2020, the Board made principal payments of \$4,332,897 on these bonds.

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. The Board has and may do so in the future utilized 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, 2020 and 2019, the liability recorded for these benefits amounted to \$94,980,144 and \$88,864,058, 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, 2020 is \$733,059, compared to December 31, 2019 is \$736,197. 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 \$36,653 of such liability is current at December 31, 2020.

### 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.

## NIAGARA FALLS WATER BOARD

### Management's Discussion and Analysis (Unaudited)

December 31, 2020

Water rates charged for 2020 and approved rates to be charged for 2021 are as follows:

	<u>2020</u>		<u>2021</u>	
	Amount to be charged (per		Amount to be charged (per	
	100 cubic feet)		100 cubic feet)	
	Inside city	Outside city	Inside city	Outside city
<u>Amount Consumed</u>				
First 20,000 cubic feet per quarter	\$ 3.42	\$ 9.13	\$ 3.52	\$ 9.40
Next 60,000 cubic feet per quarter	\$ 2.96	\$ 7.97	\$ 3.05	\$ 8.21
Next 120,000 cubic feet per quarter	\$ 2.51	\$ 6.64	\$ 2.59	\$ 6.84
Over 200,000 cubic feet per quarter	\$ 2.08	\$ 5.59	\$ 2.14	\$ 5.76
Minimum charge for water consumption per quarter	\$ 44.40	\$ 118.68	\$ 45.73	\$ 122.23

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:

	<u>2020 Rate</u>	<u>2021 Rate</u>
	(per quarter)	(per quarter)
<u>Size and Type</u>		
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 2020 and rates to be charged during 2021 are as follows:

<u>Amount Consumed</u>	<u>2020</u>	<u>2021</u>
Minimum charge per quarter (up to 1,300 cubic feet)	\$ 58.79	\$ 60.55
Additional usage in excess of 1,300 cubic feet (\$/cubic feet)	\$ 4.52	\$ 4.66

## **NIAGARA FALLS WATER BOARD**

### **Management's Discussion and Analysis (Unaudited) December 31, 2020**

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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, 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. Rates approved for the SIU class for 2021 are \$3,274.99 per million gallons for wastewater flow; \$1.05 per pound for all suspended solids discharged; and \$1.81 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 Mr. Brian Majchrowicz, Michael O'Laughlin Municipal Water Plan, 5815 Buffalo Avenue, Niagara Falls, New York 14304.

# **NIAGARA FALLS WATER BOARD**

## **Statement of Net Position**

**December 31, 2020**

**(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 21,859,723	\$ 24,190,490
Accounts receivable, net of allowance for uncollectible accounts	8,387,002	8,800,667
Due from City of Niagara Falls, net of allowance for uncollectible accounts	1,647,914	1,184,940
Grants receivable	686,677	766,937
Prepaid expenses	252,302	284,620
Total current assets	<u>32,833,618</u>	<u>35,227,654</u>
<b>NONCURRENT ASSETS:</b>		
Restricted cash and investments -		
Capital projects	2,786,581	6,786,581
Debt service fund	6,636,484	5,754,527
Debt service reserve fund	8,741,079	8,389,738
Operating and maintenance reserve	5,028,792	5,228,792
Capital assets, net	<u>123,389,088</u>	<u>121,199,217</u>
Total noncurrent assets	<u>146,582,024</u>	<u>147,358,855</u>
Total assets	<u>179,415,642</u>	<u>182,586,509</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related	3,492,526	1,135,983
Other postemployment benefits related	4,789,673	-
Total deferred outflows of resources	<u>8,282,199</u>	<u>1,135,983</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	2,440,543	2,582,753
Accrued liabilities	1,959,941	2,147,891
Overpayments	8,200	5,900
Current portion, compensated absences	36,653	36,810
Current portion, total other postemployment benefits obligation	2,530,010	2,771,796
Current portion, bonds payable	4,466,316	4,316,194
Total current liabilities	<u>11,441,663</u>	<u>11,861,344</u>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	696,406	699,387
Total other postemployment benefit obligation	92,450,134	86,092,262
Bonds payable	82,306,914	86,919,687
Net pension liability	<u>4,734,365</u>	<u>1,139,930</u>
Total noncurrent liabilities	<u>180,187,819</u>	<u>174,851,266</u>
Total liabilities	<u>191,629,482</u>	<u>186,712,610</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related	228,562	428,353
Gain on refunding	848,857	909,853
Total deferred inflows of resources	<u>1,077,419</u>	<u>1,338,206</u>
<b>NET POSITION</b>		
Net investment in capital assets	35,841,765	29,053,483
Restricted for capital projects	2,786,581	6,786,581
Restricted for debt service	6,636,484	5,754,527
Restricted for debt service reserve fund	8,741,079	8,389,738
Restricted for operating and maintenance	5,028,792	5,228,792
Unrestricted	<u>(64,043,761)</u>	<u>(59,541,445)</u>
Total net position	<u>\$ (5,009,060)</u>	<u>\$ (4,328,324)</u>

The accompanying notes are an integral part of these statements.

**NIAGARA FALLS WATER BOARD****Statement of Revenue, Expenses, and Change in Net Position  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019 )**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Water rents and charges	\$ 9,984,043	\$ 10,106,620
Sewer rents and charges	21,005,502	19,404,849
Licenses and permits	237,179	243,507
Grants	1,242,976	1,261,101
Other services	<u>23,067</u>	<u>172,194</u>
Total operating revenues	<u>32,492,767</u>	<u>31,188,271</u>
OPERATING EXPENSES:		
Personnel costs	6,398,779	6,140,679
Contractual expenses	10,551,050	9,990,533
Employee benefits	7,789,102	6,934,445
Depreciation expense	<u>6,451,766</u>	<u>6,891,972</u>
Total operating expenses	<u>31,190,697</u>	<u>29,957,629</u>
Total operating income	<u>1,302,070</u>	<u>1,230,642</u>
NON-OPERATING REVENUES (EXPENSES):		
Use of money and property	644,697	1,163,345
Gain on sale of property	308,397	290,485
Interest expense	<u>(2,935,900)</u>	<u>(2,891,660)</u>
Total non-operating expenses, net	<u>(1,982,806)</u>	<u>(1,437,830)</u>
CHANGE IN NET POSITION	(680,736)	(207,188)
NET POSITION - beginning of year	<u>(4,328,324)</u>	<u>(4,121,136)</u>
NET POSITION - end of year	<u>\$ (5,009,060)</u>	<u>\$ (4,328,324)</u>

The accompanying notes are an integral part of these statements.

# **NIAGARA FALLS WATER BOARD**

## **Statement of Cash Flows**

**For the Year Ended December 31, 2020**

**(With Comparative Totals for 2019 )**

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 32,526,018	\$ 30,427,792
Payments to suppliers	(12,620,781)	(11,771,953)
Payments to employees	<u>(11,915,979)</u>	<u>(11,517,253)</u>
Net cash flow from operating activities	<u>7,989,258</u>	<u>7,138,586</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(6,681,798)	(6,313,541)
Proceeds from insurance recoveries	308,397	290,485
Repayments of capital debt	(4,332,897)	(4,269,607)
Issuance of capital debt	-	2,189,993
Interest paid on capital debt	<u>(3,225,126)</u>	<u>(3,119,649)</u>
Net cash flow from capital and related financing activities	<u>(13,931,424)</u>	<u>(11,222,319)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	644,697	1,163,345
Gains (losses) on restricted cash and investments -		
Capital projects	4,000,000	5,885,846
Debt service fund	(881,957)	(959,296)
Debt service reserve fund	(351,341)	792,750
Operating and maintenance reserve	<u>200,000</u>	<u>-</u>
Net cash flow from investing activities	<u>3,611,399</u>	<u>6,882,645</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,330,767)	2,798,912
CASH AND CASH EQUIVALENTS - beginning of year	<u>24,190,490</u>	<u>21,391,578</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 21,859,723</u>	<u>\$ 24,190,490</u>

The accompanying notes are an integral part of these statements.

# **NIAGARA FALLS WATER BOARD**

## **Statement of Cash Flows**

**For the Year Ended December 31, 2020**

**(With Comparative Totals for 2019 )**

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 1,302,070	\$ 1,230,642
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation	6,451,766	6,891,972
Allowance for doubtful accounts	356,034	(278,241)
Changes in:		
Accounts receivable	57,631	218,366
Due from City of Niagara Falls	(462,974)	65,283
Grants receivable	80,260	(766,937)
Prepaid expenses	32,318	(187,698)
Accounts payable	(2,102,049)	(1,593,722)
Accrued liabilities	(89,474)	7,040
Overpayments	2,300	1,050
Compensated absences	(3,138)	26,786
Total OPEB liability	6,116,086	1,254,998
Net pension liability	3,594,435	664,822
Deferred outflows of resources - pension related	(2,356,543)	685,737
Deferred outflows of resources - total other postemployment benefits related	(4,789,673)	-
Deferred inflows of resources - pension related	(199,791)	(1,081,512)
Net cash flow from operating activities	<u>\$ 7,989,258</u>	<u>\$ 7,138,586</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Adjustment for capital assets financed by accounts payable	<u>\$ 1,959,839</u>	<u>\$ 1,580,759</u>
Disposal of fully depreciated capital assets	<u>\$ -</u>	<u>\$ 127,258</u>

The accompanying notes are an integral part of these statements.



## **NIAGARA FALLS WATER BOARD**

### **Notes to Basic Financial Statements**

**December 31, 2020**

**(With Comparative Totals for 2019)**

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#### **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).

##### **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 18,282 residential, 331 commercial and 22 large industrial type customers. Total population served by the water system is 47,136. The average daily demand is 22.6 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 24.1 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:

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.

## **NIAGARA FALLS WATER BOARD**

### **Notes to Basic Financial Statements**

**December 31, 2020**

**(With Comparative Totals for 2019)**

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The Authority has entered into an agreement with the Board which requires 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 payments 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. The Authority has no employees of its own.

#### **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 and are recognized at the time of service delivery based on actual or estimated meter readings. 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.

#### **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.

#### **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, 2020 and 2019, the total amount restricted for capital projects amounted to \$2,786,581 and \$6,786,581, 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, 2020 and 2019, the total amount restricted for debt service fund amounted to \$6,636,484 and \$5,754,527, respectively.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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- 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, 2020 and 2019, the total amount restricted for debt service reserve fund amounted to \$8,741,079 and \$8,389,738, 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, 2020 and 2019, the total amount restricted for operating and maintenance amounted to \$5,028,792 and \$5,228,792, 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.

- 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.
- 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, 2020.

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.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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The Board assesses 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, including accrued unbilled revenues, 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, which become a lien upon the premises collected with City taxes.

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

	<u>Years</u>
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.

## **NIAGARA FALLS WATER BOARD**

### **Notes to Basic Financial Statements**

**December 31, 2020**

**(With Comparative Totals for 2019)**

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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.

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 current retiree's health care insurance, excluding co-pays which are the sole responsibility of the retirees. Survivors of retirees hired prior to December 31, 2007 continue to receive healthcare coverage. Future retirees hired after December 31, 2007 will pay 20% of the premiums for their insurance coverage. They will be enrolled in a "Medicare Advantage Plan" at age 65. 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 various 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. Additionally, the actuarial differences resulting from the valuation of the other postemployment benefits liability are recognized in the category.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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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 Authority incurred on its debt refunding transaction.

#### 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.

#### 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.

#### Reclassification

Certain amounts in 2019 have been reclassified to conform with the 2020 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.

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, 2020 and 2019 include the following captions on the statements of net position:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 21,859,723	\$ 24,190,490
Restricted cash and investments:		
Capital projects	2,786,581	6,786,581
Debt service fund	6,636,484	5,754,527
Debt service reserve fund	8,741,079	8,389,738
Operating and maintenance	5,028,792	5,228,792
Total	<u>\$ 45,052,659</u>	<u>\$ 50,350,128</u>

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

Cash and equivalents are comprised of the following:

	<u>2020</u>	<u>2019</u>
Petty cash (uncollateralized)	\$ 100	\$ 100
Deposits	30,243,839	22,357,347
Investments	14,808,720	27,992,681
Total	<u>\$ 45,052,659</u>	<u>\$ 50,350,128</u>

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020, consist of the following:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasuries	2/15/2021 - 11/1/2041	\$ 5,795,683
Federal Home Mortgage Corp.	1/14/2021	6,632,444
Certificates of deposit	1/14/2021 - 6/7/2021	2,380,593
Total investments		<u>\$ 14,808,720</u>

These investments are classified as Level 1.

#### Maturity Schedule

Less than one year	\$ 13,909,048
More than one year	899,672
	<u>\$ 14,808,720</u>

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 Notes	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		<u>\$ 27,992,681</u>

These investments are classified as Level 1.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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#### Maturity Schedule

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

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, 2020, the Board held 45%, 39% and 16% of its investment balance in Federal Home Mortgage Corp., U.S. Treasuries, and Certificates of Deposit, respectively.

### 3. RECEIVABLES

Major revenues accrued by the Board at December 31, 2020 and 2019 include the following:

#### **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.

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, 2020, \$1,262,456 was included in allowance for uncollectible accounts to account for receivable balances that may not be collected. 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.

#### **Due from City of Niagara Falls**

Due from City of Niagara Falls represents amounts due from the City for the tax transfer. Amounts accrued at December 31, 2020 and 2019, net of an allowance for uncollectible amounts consisted of \$1,647,914 and \$1,184,940, respectively.



## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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 amounts to the Board each January and July for collections it receives for the previous six-month period. The due from City of Niagara Falls amount includes any collected but not yet remitted collections at year-end. Charges from all previous years' water and sewer operations transferred to the City that are not collected totaled \$6,807,362 and \$5,985,527 at December 31, 2020 and 2019, respectively. Management has recorded an allowance for uncollectible accounts with respect to these balances of \$5,159,448 and \$4,800,587 at December 31, 2020 and 2019, respectively.

#### 4. CAPITAL ASSETS

The Board's capital asset activity for the years ended December 31, 2020 and 2019 is summarized as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 463,713	-	-	\$ 463,713
Construction in progress	3,995,120	8,641,637	(6,137,344)	6,499,413
Total capital assets not being depreciated	4,458,833	8,641,637	(6,137,344)	6,963,126
Capital assets, being depreciated:				
Plant and transmission costs:				
Water system	90,692,331	670,530	-	91,362,861
Wastewater system	94,066,814	4,691,065	-	98,757,879
Machinery and equipment	11,708,394	775,749	-	12,484,143
Total capital assets being depreciated	196,467,539	6,137,344	-	202,604,883
Less accumulated depreciation:				
Plant and transmission costs:				
Water system	(45,828,396)	(2,998,582)	-	(48,826,978)
Wastewater system	(28,160,759)	(2,710,011)	-	(30,870,770)
Machinery and equipment	(5,738,000)	(743,173)	-	(6,481,173)
Total accumulated depreciation	(79,727,155)	(6,451,766)	-	(86,178,921)
Total being depreciated, net	116,740,384	(314,422)	-	116,425,962
Capital assets, net	\$ 121,199,217	\$ 8,327,215	\$ (6,137,344)	\$ 123,389,088

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

	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
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

## 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 (\$6,607,122) of the Series 2012B Clean Water Bonds issuance were used to payoff the EFC Note used to fund North Gorge Interceptor Capacity Restoration Project. These bonds are due in 2041 and bear interest at rates between 0.26-4.27%.

In 2013, the Authority 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 the 2003 Bonds with an average interest rate of 3.79%. The net proceeds of approximately \$64 million were deposited in a trust 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) was approximately \$1.7 million.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

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(With Comparative Totals for 2019)

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 advance refund the Series 2005 A&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) was approximately \$450,000.

During 2016, net proceeds of the Series A bonds were used to entirely advance 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'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) was approximately \$4.1 million. The accounting gain on this refunding was originally \$1,097,923 which is being amortized through 2034. The unamortized gain on refunding amounted to \$848,857 and \$909,853 at December 31, 2020 and 2019, respectively.

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

Indebtedness activity for the year ended December 31, 2020 is as follows:

	Year of Issue	Year of Maturity	Interest Rate %	Original Amount	Principal Outstanding 1/1/2020	Issued	Paid	Principal Outstanding 12/31/2020
New York State Environmental Facilities Corporation Water Revolving Funds Revenue Bonds - Direct Borrowings:								
Series 2012B								
- Clean Water	2012	2041	0.26 - 4.27	6,607,122	5,200,000	-	(180,000)	5,020,000
Series 2013B								
- Clean Water	2013	2033	3.88 - 5.05	14,030,000	10,695,000	-	(610,000)	10,085,000
Series 2013B								
- Drinking Water	2013	2023	4.75 - 4.91	5,580,000	5,580,000	-	-	5,580,000
Series 2014B								
- Drinking Water	2014	2021	5.40	4,095,000	3,520,000	-	(2,175,000)	1,345,000
Series 2015D								
- Drinking Water	2015	2034	3.81 - 4.57	4,380,000	3,710,000	-	(175,000)	3,535,000
Total NYS EFC Water Revolving Funds Revenue Bonds - Direct Borrowings				34,692,122	28,705,000	-	(3,140,000)	25,565,000

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

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(With Comparative Totals for 2019)

	Year of Issue	Year of Maturity	Interest Rate %	Original Amount	Principal Outstanding 1/1/2020	Issued	Paid	Principal Outstanding 12/31/2020
Niagara Falls Public Water Authority Bonds:								
Series 2013A								
Bonds	2013	2034	3.0 - 5.0	\$36,060,000	\$34,575,000	\$ -	\$ (200,000)	\$34,375,000
Series 2013B								
Bonds	2013	2024	4.309	8,415,000	3,915,000	-	(795,000)	3,120,000
Series 2016A								
Bonds	2016	2034	3.13 - 5.0	20,130,000	20,130,000	-	-	20,130,000
Unamortized premium on bonds								
	2016	2034	N/A	<u>2,335,569</u>	<u>1,935,495</u>	<u>-</u>	<u>(129,754)</u>	<u>1,805,741</u>
Total Niagara Falls Public Authority Bonds				<u>66,940,569</u>	<u>60,555,495</u>	<u>-</u>	<u>(1,124,754)</u>	<u>59,430,741</u>
New York State Power Authority - Direct Borrowing:								
Series 2019								
Mortgage	2019	2028	2.79	<u>2,189,993</u>	<u>1,975,386</u>	<u>-</u>	<u>(197,897)</u>	<u>1,777,489</u>
Total NYS Power Authority - Direct Borrowing				<u>2,189,993</u>	<u>1,975,386</u>	<u>-</u>	<u>(197,897)</u>	<u>1,777,489</u>
Totals				<u>\$ 103,822,684</u>	<u>\$ 91,235,881</u>	<u>\$ -</u>	<u>\$ (4,462,651)</u>	<u>\$ 86,773,230</u>

The annual maturities of long-term debt as of December 31, 2020 are as follows:

#### Serial Bonds

Year	Premium on Bonds	Principal	Interest	Total
2021	\$ 129,754	\$ 1,025,000	\$ 2,532,403	\$ 3,687,157
2022	129,754	1,125,000	2,486,474	3,741,228
2023	129,754	1,160,000	2,441,270	3,731,024
2024	129,754	3,900,000	2,394,068	6,423,822
2025	129,754	4,090,000	2,202,869	6,422,623
2026-2030	648,769	23,450,000	7,908,850	32,007,619
2031-2035	<u>508,202</u>	<u>22,875,000</u>	<u>2,520,213</u>	<u>25,903,415</u>
	<u>\$ 1,805,741</u>	<u>\$57,625,000</u>	<u>\$22,486,147</u>	<u>\$81,916,888</u>

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

#### NYS EFC State Revolving Fund Revenue Bonds - Direct Borrowings

Year	Principal	Interest	Total
2021	\$ 3,255,000	\$ 1,186,509	\$ 4,441,509
2022	3,305,000	1,029,482	4,334,482
2023	3,415,000	874,774	4,289,774
2024	1,080,000	712,085	1,792,085
2025	1,110,000	663,618	1,773,618
2026-2030	6,095,000	2,517,637	8,612,637
2031-2035	5,325,000	1,007,319	6,332,319
2036-2040	1,250,000	317,801	1,567,801
2041	730,000	31,164	761,164
Total	<u>\$25,565,000</u>	<u>\$ 8,340,389</u>	<u>\$33,905,389</u>

The Board's direct borrowings with NYS EFC contain a provision that in the event of default, NYS EFC may take whatever action at law or in equity may appear necessary or desirable to remedy such default. These remedies include, but are not limited to, mandatory redemption, acceleration, requiring the Board to immediately redeem the bonds in whole together with all other sums due to NYS EFC. The Board may also owe to NYS EFC interest accrued on the overdue balance.

#### New York State Power Authority - Direct Borrowing

Year	Principal	Interest	Total
2021	\$ 186,316	\$ 47,475	\$ 233,791
2022	208,755	41,738	250,493
2023	214,654	35,838	250,492
2024	220,720	29,772	250,492
2025	226,958	23,535	250,493
2026-2030	720,086	31,392	751,478
Total	<u>\$ 1,777,489</u>	<u>\$ 209,750</u>	<u>\$ 1,987,239</u>

Interest on long-term debt for the year was composed of:

	<u>2020</u>	<u>2019</u>
Interest paid	\$ 3,225,126	\$ 3,119,649
Plus: Interest accrued in the current year	1,355,787	1,454,263
Less: Interest accrued in the prior year	(1,454,263)	(1,491,502)
Less: Amortization of gain on refunding	(60,996)	(60,996)
Less: Amortization of bond premium	(129,754)	(129,754)
Total interest expense	<u>\$ 2,935,900</u>	<u>\$ 2,891,660</u>

## **NIAGARA FALLS WATER BOARD**

### **Notes to Basic Financial Statements**

**December 31, 2020**

**(With Comparative Totals for 2019)**

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#### **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 bond. At December 31, 2020, 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.

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.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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#### 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

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 \$36,653 and \$36,810 at December 31, 2020 and 2019, respectively. The long-term portion of the liability amounted to \$696,406 and \$699,387 at December 31, 2020 and 2019, respectively.

	Balance			Balance		
	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>	<u>Current</u>	<u>Long-Term</u>
Compensated Absences	\$ 736,197	\$ -	\$ (3,138)	\$ 733,059	\$ 36,653	\$ 696,406

## 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### **Plan Description and Benefits**

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 December 31, 2007 have no contribution requirements for both individual and family coverage. All future retirees hired after December 31, 2007 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, 2020 and 2019, the current portion of the postemployment benefits liability was \$2,530,010 and \$2,771,796, respectively. The noncurrent portion of the postemployment benefits liability amounted to \$92,450,134 and \$86,092,262 at December 31, 2020 and 2019, respectively.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

#### Employees covered by benefit terms

At December 31, 2020, the following employees were covered by the benefit terms:

Retirees	99
Actives	<u>87</u>
Total participants	<u><u>186</u></u>

#### Total OPEB Liability

The Board's total OPEB liability of \$94,980,144 and \$88,864,058 was measured as of December 31, 2020 and 2019, respectively, and was determined by an actuarial valuation as of January 1, 2020 and 2018, respectively.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.3 percent per year
Salary increases	3.0%
Discount rate	2.0%
Healthcare cost trend rates	7.0% for 2020, decreasing to an ultimate rate of 4.5% for 2032

Mortality rates were based on the Society of Actuaries Mortality Improvement Scale MP-2019.

#### Changes in the Total OPEB Liability

	<u>2020</u>	<u>2019</u>
Total OPEB liability as of beginning of year	\$88,864,058	\$87,609,060
Changes for the year:		
Service cost	1,349,028	556,876
Interest	1,769,731	3,280,087
Changes in assumptions	5,504,550	-
Benefit payments	<u>(2,507,223)</u>	<u>(2,581,965)</u>
Total changes	<u>6,116,086</u>	<u>1,254,998</u>
Total OPEB liability as of end of year	<u><u>\$94,980,144</u></u>	<u><u>\$88,864,058</u></u>

#### 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 (1.02%) or 1-percentage point higher (3.02%) than the current discount rate:

	<u>1% Decrease (1.02%)</u>	<u>Current Discount Rate (2.02%)</u>	<u>1% Increase (3.02%)</u>
Total OPEB liability	<u>\$ 114,758,444</u>	<u>\$ 94,980,144</u>	<u>\$ 80,055,565</u>



## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

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#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost 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 (6.0%) or 1-percentage point higher (8.0%) than the current discount rate:

	Healthcare		
	1% Decrease (6.0%)	Current Trend Rate (7.0%)	1% Increase (8.0%)
Total OPEB liability	\$ 79,249,333	\$ 94,980,144	\$ 115,799,147

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020 and 2019, the Board recognized OPEB expense of \$3,833,636 and \$3,836,963, respectively. At December 31, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	4,789,673	-
Benefit payments subsequent to measurement date	-	-
Total	\$ 4,789,673	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December	Amount
2021	\$ 714,877
2022	714,877
2023	714,877
2024	714,877
2025	714,877
Thereafter	1,215,288
	\$ 4,789,673

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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#### 8. PENSION PLANS

##### **New York State and Local Employees' Retirement System Plan Description**

The Board participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an 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](http://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 for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

	<u>NYSERS</u>
2020	\$ 566,475
2019	\$ 583,405
2018	\$ 659,383

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

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(With Comparative Totals for 2019)

#### Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of

At December 31, 2020 and 2019, 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, 2020 and 2019. 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, 2020, the Board's proportion was 0.0178786%, which was an increase of 0.00179% from its proportion measured as of March 31, 2019.

	<u>2020</u>	<u>2019</u>
Measurement date	3/31/2020	3/31/2019
Board's proportionate share of the net pension liability	\$ 4,734,365	\$ 1,139,930
Board's proportion of the Plan's net pension liability	0.0178786%	0.0160886%

For the year ended December 31, 2020 and 2019, the Board recognized pension expense of \$1,660,939 and \$835,523 for ERS, respectively. At December 31, 2020 and 2019 the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2020</u>		<u>2019</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 278,636	\$ -	\$ 224,476	\$ 76,521
Changes of assumptions	95,328	82,314	286,532	-
Net difference between projected and actual earnings on pension plan investments	2,427,065	-	-	292,569
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	211,096	146,248	197,658	59,263
Contributions subsequent to the measurement date	<u>480,401</u>	<u>-</u>	<u>427,317</u>	<u>-</u>
Total	\$3,492,526	\$ 228,562	\$1,135,983	\$ 428,353

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

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(With Comparative Totals for 2019)

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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:

Plan's Year Ended March 31:

2021	\$	503,349
2022		705,675
2023		872,691
2024		701,848
	\$	<u>2,783,563</u>

#### Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The total pension liability for the March 31, 2019 measurement date was determined by using an actuarial valuation as of April 1, 2018, with update procedures to roll forward the total pension liability to March 31, 2019.

The actuarial valuation used the following actuarial assumptions for both years:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.2% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	6.8% compounded annually, net of investment

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.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic equity	36	4.05
International equity	14	6.15
Private equity	10	6.75
Real estate	10	4.95
Absolute return strategies	2	3.25
Opportunistic portfolio	3	4.65
Real assets	3	5.95
Bonds and mortgages	17	0.75
Cash	1	0.00
Inflation-indexed bonds	4	0.50
	<u>100%</u>	

#### Discount Rate

The discount rate used to calculate the total pension liability in 2020 and 2019 was 6.8% and 7.0%, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NIAGARA FALLS WATER BOARD

### Notes to Basic Financial Statements

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#### 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, 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 or 1-percentage point higher than the current rate:

	2020		
	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Proportionate Share of Net Pension liability (asset)	<u>\$ 8,688,896</u>	<u>\$ 4,734,365</u>	<u>\$ 1,092,225</u>
	2019		
	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Proportionate Share of Net Pension liability (asset)	<u>\$ 4,983,954</u>	<u>\$ 1,139,930</u>	<u>\$ (2,089,324)</u>

#### 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	3/31/2020	3/31/2019
Employers' total pension liability	\$ 194,596	\$ 189,803
Plan fiduciary net position	<u>168,115</u>	<u>182,718</u>
Employers' net pension liability	<u>\$ 26,481</u>	<u>\$ 7,085</u>
Ratio of plan fiduciary net position to the employers' total pension liability	86.39%	96.27%

## 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.

**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.

## **NIAGARA FALLS WATER BOARD**

### **Notes to Basic Financial Statements**

**December 31, 2020**

**(With Comparative Totals for 2019)**

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#### Restricted for Capital Projects:

Amounts restricted for capital projects is \$2,786,581 and \$6,786,581 at December 31, 2020 and 2019, 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, 2020 and 2019 of \$6,636,484 and \$5,754,527, respectively, are for debt service.

#### Restricted for Debt Service Reserve Fund:

Amounts restricted for the debt service reserve fund were \$8,741,079 and \$8,389,738 at December 31, 2020 and 2019, respectively. These funds are controlled by bond trustee. The required minimum balance is the lesser 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 \$6,786,698 and \$6,829,344 at December 31, 2020 and 2019, respectively. This resulted in excess reserves of \$1,954,381 and \$1,560,394 at December 31, 2020 and 2019, respectively.

#### Restricted for Operations and Maintenance:

Amounts restricted for operations and maintenance were \$5,028,792 and \$5,228,792 at December 31, 2020 and 2019, respectively. 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 \$4,992,938 and \$4,868,438 at December 2020 and 2019, respectively. At December 31, 2020 and 2019, there was excess reserves of \$35,854 and \$360,354, respectively.

**Unrestricted Net Position** - This category represents net position of the Board not restricted for any project or other purpose. Additions of \$6,788,282 to net investment in capital assets and decreases of \$2,966,702 to restricted net position combined with the total loss for the year of \$680,736 increased the unrestricted net position deficit by \$4,502,316.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, and then unrestricted resources as they are needed.

## **NIAGARA FALLS WATER BOARD**

### **Notes to Basic Financial Statements**

**December 31, 2020**

**(With Comparative Totals for 2019)**

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#### **10. LABOR RELATIONS**

The majority of the Board's employees are represented by various unions under four collective bargaining unit agreements, with the balance governed by Board policies. Contracts for all of the bargaining units are covered with a seven-year term which expires on May 31, 2024.

#### **11. RISK MANAGEMENT AND CONTINGENT LIABILITIES**

Risk management and contingent liabilities at December 31, 2020 and 2019 are detailed as follows:

##### **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, 2020 and 2019.

##### **Litigation**

The Board is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the Board, these actions when finally adjudicated will not have a material adverse effect on the financial position of the Board.

#### **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 and then construct various capital improvements in the following years. The Board is now in the process of implementing these actions under the supervision of the NYSDEC.

#### **13. COVID-19**

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it 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.



**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

# **NIAGARA FALLS WATER BOARD**

## **Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)** **For the year ended December 31, 2020**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 1,349,028	\$ 556,876	\$ 540,656							
Interest	1,769,731	3,280,087	3,234,085							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	-	-	-							
Changes in assumptions	5,504,550	-	-							
Benefit payments	(2,507,223)	(2,581,965)	(2,546,361)							
Total change in total OPEB liability	6,116,086	1,254,998	1,228,380							
Total OPEB liability - beginning	88,864,058	87,609,060	86,380,680							
Total OPEB liability - ending	<u>\$ 94,980,144</u>	<u>\$ 88,864,058</u>	<u>\$ 87,609,060</u>							
Covered-employee payroll	\$ 4,310,662	\$ 3,900,691	\$ 3,900,691							
Total OPEB liability as a percentage of covered-employee payroll	2203.4%	2278.2%	2246.0%							

### Notes to schedule:

*Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. In the current year, this liability increase was partially offset by liability reductions due to changes in plan cost (i.e., favorable premium rate increases) and trend changes since the prior valuation. The following reflects the discount rate used each period:*

Discount rate	2.02%	3.80%	3.80%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Plan Assets.** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

# **NIAGARA FALLS WATER BOARD**

## **Schedule of Proportionate Share of Net Pension Liability (Asset) - (Unaudited)** **For the Year Ended December 31, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.0178786%	0.0160886%	0.0147209%	0.0137476%	0.0134405%	0.0141606%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.			
Proportionate share of the net pension liability (asset)	\$ 4,734,365	\$ 1,139,930	\$ 475,108	\$ 1,291,751	\$ 2,157,242	\$ 478,381				
Covered-employee payroll	\$ 5,463,366	\$ 4,917,159	\$ 4,374,241	\$ 4,719,361	\$ 4,397,005	\$ 4,082,614				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	86.66%	23.18%	10.86%	27.37%	49.06%	11.72%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.29%	94.70%	90.70%	97.95%				

# **NIAGARA FALLS WATER BOARD**

## **Schedule of Contributions - Pension Plans (Unaudited)**

**For the Year Ended December 31, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 640,535	\$ 566,475	\$ 583,405	\$ 659,383	\$ 646,238	\$ 725,071	\$ 864,054	\$ 900,289		
Contributions in relation to the contractually required contribution	<u>640,535</u>	<u>566,475</u>	<u>583,405</u>	<u>659,383</u>	<u>646,238</u>	<u>725,071</u>	<u>864,054</u>	<u>900,289</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered-employee payroll	<u>\$ 5,463,366</u>	<u>\$ 4,917,159</u>	<u>\$ 4,374,241</u>	<u>\$ 4,719,361</u>	<u>\$ 4,397,005</u>	<u>\$ 4,082,614</u>	<u>\$ 4,483,962</u>	<u>\$ 4,442,277</u>		
Contributions as a percentage of covered-employee payroll	11.72%	11.52%	13.34%	13.97%	14.70%	17.76%	19.27%	20.27%		

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

## Other Supplementary Information

Niagara Falls Public Water Authority (a Blended Component Unit of the Niagara Falls Water Board)

## Statement of Net Position

December 31, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 133,829	\$ 133,829
Total current assets	<u>133,829</u>	<u>133,829</u>
NONCURRENT ASSETS:		
Due from Water Board	<u>87,882,921</u>	<u>92,406,568</u>
Total noncurrent assets	<u>87,882,921</u>	<u>92,406,568</u>
Total assets	<u>88,016,750</u>	<u>92,540,397</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Current portion, bonds payable	<u>4,466,316</u>	<u>4,316,194</u>
Total current liabilities	<u>4,466,316</u>	<u>4,316,194</u>
NONCURRENT LIABILITIES:		
Bonds payable	<u>82,306,914</u>	<u>86,919,687</u>
Total noncurrent liabilities	<u>82,306,914</u>	<u>86,919,687</u>
Total liabilities	<u>86,773,230</u>	<u>91,235,881</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Gain on refunding	<u>848,857</u>	<u>909,853</u>
Total deferred inflows of resources	<u>848,857</u>	<u>909,853</u>
<b>NET POSITION</b>		
Unrestricted	<u>394,663</u>	<u>394,663</u>
Total net position	<u>\$ 394,663</u>	<u>\$ 394,663</u>

The accompanying notes are an integral part of these statements.

## Other Supplementary Information

Niagara Falls Public Water Authority (a Blended Component Unit of the Niagara Falls Water Board)

Statement of Revenue, Expenses, and Change in Net Position

For the Year Ended December 31, 2020

(With Comparative Totals for 2019 )

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE:		
Operating transfers in	\$ <u>2,935,900</u>	\$ <u>2,891,660</u>
Total operating revenue	<u>2,935,900</u>	<u>2,891,660</u>
Total operating income	<u>2,935,900</u>	<u>2,891,660</u>
NON-OPERATING REVENUE (EXPENSES):		
Interest expense	<u>2,935,900</u>	<u>2,891,660</u>
Total non-operating expenses, net	<u>2,935,900</u>	<u>2,891,660</u>
CHANGE IN NET POSITION	-	-
NET POSITION - beginning of year	<u>394,663</u>	<u>394,663</u>
NET POSITION - end of year	<u>\$ 394,663</u>	<u>\$ 394,663</u>

The accompanying notes are an integral part of these statements.

**INDEPENDENT AUDITOR'S 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**

August 9, 2021

To the Board of Directors of  
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, 2020, and the related notes to financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 9, 2021.

**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) as a basis for designing 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs below.

### **Finding 2020-001: Compliance with the Public Authorities Reform Act of 2009**

*Condition/Criteria* : Members of the Water Authority board did not complete the necessary training and two (2) of the Authority board members did not complete the Certificate of Independence or the Signed Acknowledgement of Fiduciary Activities. Additionally, performance measures have not been established and adopted by the Niagara Falls Water Board (the Board). The Board and the Authority should ensure that all Public Authorities Reform Act requirements are being met.

*Cause* : Members of the Board and the Authority have not adhered to the minimum compliance requirements.

*Effect* : The Board and the Authority were not in compliance with the Public Authorities Reform Act of 2009.

*Recommendation* : We recommend that the Board and the Authority review the compliance requirements and ensure that all requirements are being met.

*Management Response* : Management concurs and will ensure compliance going forward.

### **Niagara Falls Water Board's Response to Findings**

The Niagara Falls Water Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs. The Niagara Falls Water Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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