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AGENDA

Meeting of the Niagara Falls Public Water Authority

December 20, 2022 at 4:00 p.m.
Michael C. O’Laughlin Municipal Water Plant
5815 Buffalo Avenue, Niagara Falls, NY 14304

1. Call to Order

Roll Call: Michael Monaco _____ Jason Murgia _____ Daniel Weiss _____

2. Public Speakers (All speakers must register with Chairman prior to Roll Call and are limited to 3 minutes per person – total time for all speakers may not exceed one hour).

3. Items for Action from Secretary

A. Yearly Reorganization Meeting

a. Nomination of NFPWA Board Officers:

- i. Chair;
- ii. Vice Chair;
- iii. Treasurer (does not need to be Authority member)
- iv. Secretary (does not need to be Authority member)

b. Annual Board Evaluation Form

c. Authority Financial Disclosure Form

d. Required Training Reminder - WebEx - [NYS Authority Budget Office](#)

e. Comprehensive Ethics Training Course (“CETC”)

B. Approval of Minutes November 18, 2021

C. RESOLUTION 2022-01 – Report on Operations and Accomplishments and Performance Measurement Report

a. 2022 Continuing Disclosure Report

b. 2021 Independent Audit

- i. Financial Statements
- ii. Report on Investment Compliance
- iii. Management Letter
- iv. Required Communications

D. RESOLUTION 2022-02 – Authorizing the Issuance of the Authority’s Sewer System Revenue Bonds and the Approval and Execution of Related Documents

4. Additional Items for Action

5. Unfinished Business

6. New Business & Additional Items

- A. Update on NFWB 2023 Budget
 - a. Slides from NFWB Public Hearing
 - b. Drescher & Malecki Rate Consultant Slides

7. Adjournment of Meeting

Confidential Evaluation of Board Performance

Criteria	Agree	Somewhat Agree	Somewhat Disagree	Disagree
Board members have a shared understanding of the mission and purpose of the Water Auth.				
The policies, practices and decisions of the Board are always consistent with this mission.				
Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.				
The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of the Water Auth. and reviews these annually.				
The Board sets clear and measurable performance goals for the Water Auth. that contribute to accomplishing its mission.				
The decisions made by Board members are arrived at through independent judgment and deliberation, free of political influence, pressure or self-interest.				
Individual Board members communicate effectively with executive staff so as to be well informed on the status of all important issues.				
Board members are knowledgeable about the Water Authority programs, financial statements, reporting requirements, and other transactions.				
The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.				
The Board knows the statutory obligations of the Water Auth. and if the Water Auth. is in compliance with state law.				
Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.				
Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.				
Individual Board members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or discussion is required.				
The Board has identified the areas of most risk to the Water Auth. and works with management to implement risk mitigation strategies before problems occur.				
Board members demonstrate leadership and vision and work respectfully with each other.				

Date Completed: _____

Niagara Falls Public Water Authority - Annual Financial Disclosure Form

Adapted from:

NIAGARA COUNTY ANNUAL FINANCIAL DISCLOSURE FORM – 2017 Name and Address

First Name Niagara Falls Public Water Authority	Middle Name	Last Name Authority Board Member
Department/Agency or Committee 5815 Buffalo Avenue, Niagara Falls, NY 14304		Title 716-283-9770
Department Address		Phone
Residence Address		Phone

1. Spouse and Dependent Children

Provide the name of your spouse (if married) and names of any dependent children:

Spouse	Child/Age
Child/Age	Child/Age

2. **Financial Interest: Note:** For questions 3 to 6, do not report the exact dollar amounts. Instead, report Categories of Amounts using the following:

Category A: Under \$5,000	Category D: \$25,000-50,000
Category B: \$5,001-10,000	Category E: \$50,001-100,000
Category C: \$10,001-25,000	Category F: Over \$100,000

- a. **Business Positions.** List any office, trusteeship, directorship, partnership or other position in any business, propriety or not-for-profit organization held by you and your spouse and dependent children, if any, and indicate whether these businesses are involved with the NFPWA

Name of Family Member	Position	Organization	Nature of Involvement

b. Outside Employment. Describe any outside occupation, employment, trade, business or profession providing more than \$1,000.00 for a year for you or your spouse and dependent children, if any, and indicate whether any such activities are regulated by any state or local agency.

Name of Family Member	Position	Name, Address Description of Organization	State or Local Agency	Category of Amount

c. Future Employment. Describe any contact, promise or other agreement between you and anyone else with respect to your employment after leaving your NFPWA office or position.

d. Past Employment. Identify the source and nature of any income in excess of \$1,000 per year from any prior employer including deferred income, contributions to pension or retirement fund, profit plan, severance pay or payments under a buy-out agreement.

Name & Address of Income Source	Description of Income (i.e., pension, deferred)	Category of Amount

e. Investments. Itemize and describe all investments in excess of \$5,000 or 5% of the value in any business, corporation, partnership or other assets including stocks, bonds, loans, pledged collateral or other investments for you, your spouse and dependent children, if any.

Name of Family Member	Name & Address of Real Estate	Description of Investment	Category of Amount

- f. **Trusts.** Identify each interest in a trust or estate or similar beneficial interest in any assets in excess of \$2,000 except form IRS eligible retirement plans or interest in an estate or trust of a relative for you and your spouse and dependent children.

Name of Family Member	Trustee/Executor	Description of Trust/Estate	Category of Amount

- g. **Other Income.** Identify the source and nature of any other income in excess of \$1,000 per year from any other source not described above,, including teaching income, lecture fees, consultant for contractual income or other income of any nature for you, your spouse and dependent children.

Name of Family Member	Name/Address of Source	Nature of Income	Category of Amount

3. **Gifts and Honorariums**

List source of all gifts aggregating in excess of \$250 received during the last year by you, your spouse or dependent children, excluding gifts from relatives. The term "gifts" includes gifts of cash, property, personal items, payments to third parties on your behalf, forgiveness of debt, honorariums and any other payments that are not reportable as income.

Name of Family Member	Name/Address of Donor	Category of Amount

4. **Third Party Reimbursements.**

Identify and describe the source of any third party reimbursement for travel related expenditures in excess of \$250 for any matter that relates to your official duties. The term "reimbursement" includes any travel related expenses provided by anyone other than the County for speaking engagements, conferences or fact finding events that relate to your official duties.

Source	Description	Category of Amount

5. Debts.

Describe all debts of you, your spouse and dependent children in excess of \$5,000.

Name of Family Member	Name/Address Creditor	Category of Amount
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6. Interest in Contracts.

Describe any interest of you, your spouse or dependent children in any contract involve the NFPWA or Niagara Falls Water Board.

Name of Family Member	Contract Description
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8. Political Parties.

List any position you held within the last five (5) years as an officer of any political party, political committee or political organization. The term "political organization" includes any independent or any organization that is affiliated with, or a subsidiary of a political party.

Signed

Date

RETURN TO: NIAGARA COUNTY BOARD OF ETHICS
 c/o Human Resources Office
 111 Main Street, Suite G2
 Lockport, New York 14094



ABO Online Board Member Training

Board Member Webinar Training

The Authorities Budget Office is conducting webinar training for Authority board members. This training will be live, interactive and online. Completion of the session will satisfy the requirement that directors must participate in State approved training as required by Section 2824 of Public Authority Law regarding their legal, fiduciary, financial and ethical responsibilities as board members of an authority.

Please see ABO [Policy Guidance 17-01: Board Member Training](#) for additional information.

Participation in each training class will be limited to 20 people, provided on a first come first serve basis. Participants will be expected to ask and answer questions in the same manner as if they were in a classroom setting.

You will need the following to participate in the training:

- A telephone
- A quiet setting such as an office where you can close the door
- A computer with internet access

Due to this limited availability, submitting an email does not guarantee your registration. You will receive an email from the ABO confirming if your registration request was accepted. If you are confirmed for training, your email will include instructions on how to access the webinar training.

If your preferred session is closed, you will be directed to register for a different session.

Please be advised that technical support is limited to email (info@abo.ny.gov) for those experiencing issues accessing the WebEx session. Our office will respond as best as possible.

Answers to some common issues/questions are below:

- **I'm having trouble accessing the meeting.** Try using a different browser (Chrome or Internet Explorer)
- **Do I need a phone and computer to join the meeting?** Yes. The phone is used for audio and the computer is needed for the visual portion of the training.
- **Can I use my phone or tablet instead of a computer?** Yes, however, our office is not able to provide the same level of technical support for accessing the meeting on either of these devices.

Upcoming Online Board Member Training Sessions:

INSTRUCTIONS TO REGISTER: Please send an email to the ABO (info@abo.ny.gov) with the following information:

- Date of requested session:
 - Full Name of Participant:
 - Name of Affiliate Authority (i.e. Buffalo Urban Renewal Agency, please no acronyms):
 - Role at Authority (i.e. Board Member, Staff, etc.):
 - Email address:
 - Phone number:
- **Wednesday, January 11, 2023 - 9:30 AM - 11:00 AM**
 - **Wednesday, January 25, 2023 - 9:30 AM - 11:00 AM**
 - Additional training dates will be posted as they are scheduled. Please continue to check back for updates.

MINUTES

Meeting of the **Niagara Falls Public Water Authority**

November 18, 2021 at 4:00 p.m.

Michael C. O’Laughlin Municipal Water Plant
5815 Buffalo Avenue, Niagara Falls, NY 14304

Authority Members Present: Jason Murgia
Daniel Weiss
Michael Monaco

Authority Members Absent: None

Also Present: Sean W. Costello, Authority Secretary
Abderrahman Zehraoui, Niagara Falls Water Board Executive Director
Brian Majchrowicz, Niagara Falls Water Board Deputy Director of Financial Services
Erika Schroeder, Niagara Falls Water Board Confidential Secretary
Rick Ganci, Financial Advisor, Capital Markets Advisors, LLC

1. Call to Order

Chairman Murgia called the meeting to order at 4:23 p.m.

Roll Call: Michael Monaco: Present. Jason Murgia: Present. Daniel Weiss: Present.

2. **Public Speakers** (All speakers must register with Chairman prior to Roll Call and are limited to 3 minutes per person – total time for all speakers may not exceed one hour).

There were no public speakers.

3. Items for Action from Secretary

- A. Yearly Reorganization Meeting
 - a. Nomination of NFPWA Board Officers:
 - i. Chair;
 - ii. Vice Chair;
 - iii. Treasurer (does not need to be Authority member)
 - iv. Secretary (does not need to be Authority member)

Motion by Mr. Weiss seconded by Mr. Monaco to nominate Mr. Murgia for Chair.

Motion by Mr. Murgia seconded by Mr. Monaco to nominate Mr. Weiss for Vice Chair.

Motion by Mr. Weiss seconded by Mr. Murgia to nominate Mr. Monaco for Treasurer.

Motion by Mr. Murgia seconded by Mr. Weiss to nominate Mr. Costello for Secretary.

Whereupon the Chairman called for any further nominations, and none were had.

Motion by Mr. Murgia seconded by Mr. Weiss to approve the slate of officers as nominated.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

b. Annual Board Evaluation Form

Mr. Costello requests the Board complete and return the evaluation form to him.

c. Authority Financial Disclosure Form

Mr. Costello notes this is required by the Public Authorities Law but the County may not wish to receive the completed disclosures.

d. Required Training - WebEx - [NYS Authority Budget Office](#)

Mr. Costello requests the Authority members complete this training by the end of 2021.

B. Approval of Minutes March 11, 2020

Motion by Mr. Murgia seconded by Mr. Weiss to approve the March 11, 2020 minutes.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

C. RESOLUTION 2021-01 – Report on Operations and Accomplishments and Performance Measurement Report

a. 2021 Continuing Disclosure Report

b. 2020 Independent Audit

i. Financial Statements

ii. Report on Investment Compliance

iii. Management Letter

iv. Required Communications

Mr. Murgia asked Mr. Costello to explain the various items accomplished through this Omnibus Resolution.

Motion by Mr. Weiss seconded by Mr. Monaco to approve Resolution 2021-01.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

D. RESOLUTION 2021-02 – Authorizing Financial Advisory Services Agreement
a. Capital Markets Advisors, LLC, Agreement

Mr. Ganci was present, and answered questions about his firm and Resolution 2021-03. It was noted there last was an RFP for this work in 2016. There also was discussion regarding the RFP issued for underwriters to handle the refinancing transaction contemplated by Resolution 2021-03, and the evaluation of the proposals received. The refinancing makes sense because when the bonds were issued interest rates were at 4-5%, now they are around 2%.

Motion by Mr. Weiss seconded by Mr. Monaco to approve Resolution 2021-02.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

E. RESOLUTION 2021-03 – Authorizing the Refinance of Series 2013A Bonds
a. FHN Financial RFP Response – Proposal Dated October 20, 2021

Motion by Mr. Monaco seconded by Mr. Weiss to approve Resolution 2021-03.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

Motion by Mr. Weiss seconded by Mr. Monaco to authorize FHN Financial to serve as underwriter for the Series 2013A Bond refinancing.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

- F. RESOLUTION 2021-04 – Approving Third Amendment to Operation Agreement
 - a. NFWB Resolution 2021-09-005, Approving Third Amendment to Operation Agreement With City
 - i. Third Amendment

Motion by Mr. Weiss seconded by Mr. Monaco to approve Resolution 2021-04.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

4. Additional Items for Action

None.

5. Unfinished Business

None.

6. New Business & Additional Items

None.

7. Adjournment of Meeting

Motion by Mr. Weiss seconded by Mr. Monaco to adjourn the meeting at 4:54 p.m.

Monaco: Yes. Murgia: Yes. Daniel Weiss: Yes.

Motion carried, 3-0.

**OMNIBUS RESOLUTION
ANNUAL REVIEW OF GOVERNANCE AND OPERATIONAL
PERFORMANCE, POLICIES, AND STATEMENTS**

WHEREAS, the Niagara Falls Public Water Authority (“Authority”) finds it appropriate and convenient to memorialize by Resolution its review of certain matters relating to its 2021 performance, its compliance with statutes, including the Public Authorities Law (“PAL”), and its operations and governance;

NOW THEREFORE BE IT

1. **RESOLVED**, that the Authority designates all three sitting Authority Board members as members of the Audit, Governance, and Finance Committees until its next annual reorganization meeting.
2. **RESOLVED**, that for the purpose of filing annual reports, the Authority confirms that in 2021:
 - a. It paid no compensation to any Authority Member;
 - b. It neither had nor has paid any staff, relying on employees of the Niagara Falls Water Board for carrying out its limited day-to-day functions; and
 - c. It did not acquire or dispose of any real or personal property.
3. **RESOLVED**, that whereas the Niagara Falls Water Board ultimately pays the Authority’s expenses, the Authority recommends that the Water Board budget \$25,000 for Authority consultants, and \$25,000 for Authority attorney fees, and \$5,000 for undesignated services as may be required for debt issuances, refinancing, or preparation of required reports, these being the estimated Authority expenses associated with bond issuances or refinancing in any given fiscal year.
4. **RESOLVED**, that the Authority has adopted the following Mission Statement:

In accordance with its enabling legislation, the mission of the Niagara Falls Public Water Authority is to finance the acquisition and improvement by the Niagara Falls Water Board of the water, wastewater, and stormwater systems serving the City of Niagara Falls. In this capacity, the Authority has been able substantially to reduce the burden of debt on users of the systems, and benefits the people of the City, the service area, and the State through the improvement of their health, welfare, and prosperity.

At its meeting on December 20, 2022, the Authority reviewed its mission statement, finds the statement remains clear and complete as its mission has not changed, and that the Authority’s performance goals continue to support its mission.

5. **RESOLVED**, that upon consideration of its 2021 activities, the Authority adopts the following as its Annual Report on Operations and Accomplishments:

In 2021, the Water Authority conducted an annual business meeting. It acted favorably on a request by the Niagara Falls Water Board to authorize the issuance of bonds not exceeding \$37,000,000 to refinance its Water and Sewer System Revenue Bonds, Series 2013A, to take advantage of favorable interest rates in order to reduce the cost of debt service associated with those bonds by approximately \$1,250,000. In connection with the refinancing process, the Authority's credit rating was reviewed by S&P and its "A" rating with a stable outlook was affirmed. The Authority also reviewed its agreement with its financial advisor and approved an extension of that agreement, and gave its assent to an amendment to the Operation Agreement between the City, Water Board, and Authority.

6. **RESOLVED**, that the following constitutes the Authority's 2021 Performance Measurement Report, based on the Performance Measurements previously adopted by the Authority:

a. Meeting annually, and within one month of any request by the Niagara Falls Water Board for a meeting of the Authority.

2021 Result: Goal achieved.

b. Timely financing or refinancing of water, wastewater, and stormwater system acquisition or improvements upon the request of the Water Board.

2021 Result: The Authority acted promptly in connection with a request by the Water Board to authorize the refinancing of bonds as described in the Authority's Annual Report on Operations and Accomplishments. Goal achieved.

c. Timely payment of all debt service and related amounts on obligations of the Authority.

2021 Result: Goal achieved.

7. **RESOLVED**, pursuant to Section 2800(2)(9) of the PAL, the Authority has prepared the following assessments of the effectiveness of its internal controls:

The Authority has reviewed the 2021 independent auditors' report on internal control. It is not aware of any material weakness in the internal controls over its financial reporting. It relies upon the expertise of the Water Board's Director of Financial Services and the Trustee of its accounts, and does not have any reason to believe that there are any material misstatements in any of its financial statements.

8. **RESOLVED**, with respect to the 2021 annual Independent Audit and Audit Report:

The Authority is the subject of annual independent financial audits. It is audited at the same time as the Niagara Falls Water Board, and for audit purposes is considered a blended component unit of the Niagara Falls Water Board.

Although they are legally separate entities, blended component units are, in substance, part of the government entity's operations. The Authority is considered a component unit of the Water Board because the Water 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 received and accepted the independent auditors' reports of the audit of the year ended December 31, 2021.

9. **RESOLVED**, that all policies and procedures adopted pursuant to Authority Resolution 2019-01 or otherwise and not specifically amended or superseded remain in effect.

On December 20, 2022, the question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

	Yes	No	Abstain	Absent
Michael Monaco	[]	[]	[]	[]
Daniel Weiss	[]	[]	[]	[]
Jason Murgia	[]	[]	[]	[]

Signed By:

Vote Witnessed By:

Jason Murgia, Chairperson

Sean W. Costello, Secretary to the Board

Continuing Disclosure Report

Introduction

This 2022 Continuing Disclosure Report, prepared in September 2022 (the “2022 CDR” or the “2022 Report”), provides information to supplement and update information presented in the Feasibility Report of the Consulting Engineer and Rate Consultant, prepared in August 2005 (the “2005 Report”), included in the Official Statement for the 2005 Authority Bonds, the Feasibility Report prepared in June 2013, included in the Official Statement for the 2013 Bonds (the “2013 Report”), the Feasibility Report prepared in November 2016, included in the Official Statement for the 2016 Bonds (the “2016 Report”), the Feasibility Report prepared in March 2022, included in the Official Statement for the 2022 Bonds (the “2022 Report”), the 2007 Continuing Disclosure Report prepared in June 2007, the 2008 Continuing Disclosure Report prepared in June 2008, the 2009 Continuing Disclosure Report prepared in July 2009, the 2010 Continuing Disclosure Report prepared in July 2010, the 2011 Continuing Disclosure Report prepared in June 2011, the 2012 Continuing Disclosure Report prepared in June 2012, the 2014 Continuing Disclosure Report prepared in July 2014, the 2015 Continuing Disclosure Report prepared in July 2015, the 2016 Continuing Disclosure Report prepared in July 2016, the 2017 Continuing Disclosure Report prepared in September 2017, the 2018 Continuing Disclosure Report prepared in September 2018, the 2019 Continuing Disclosure Report prepared in September 2019, the 2020 Continuing Disclosure Report prepared in September 2020 and the 2021 Continuing Disclosure Report prepared in September 2021, collectively referred to as the “Prior Reports”. Except where noted, the table numbers and titles used in the 2022 CDR correspond to the table numbers and titles in the Prior Reports. In matters presented in the Prior Reports where we have been advised by the Board that no material change has occurred since the preparation of the Prior Reports, no additional information is presented in this 2022 CDR. Throughout the 2022 CDR, references are made to the Water, Wastewater and Stormwater System of the Board (the “System”) which serves the City of Niagara Falls, NY (the “City”) and provides water service to small portions of adjacent communities.

Board and Authority Members

Mr. Nicholas J. Forster became the Chairman of the Board in March 2021. Other members of the Board include Ms. Colleen Larkin, Ms. Gretchen Leffler, Ms. Renae Kimble and Mr. Michael Asklar.

Mr. Jason Murgia is the Chairperson of the Authority (having previously been a member of the Authority). Mr. Daniel Weiss is the Vice Chairman of the Authority, and Mr. Michael Monaco is its third member.

Organization and Staff of the Board

Dr. Abderrahman Zehraoui was appointed as Executive Director of the Niagara Falls Water Board in June 2021. Dr. Zehraoui holds a Philosophical Doctorate (Ph.D) degree in Environmental Engineering from University of Cincinnati, a Masters of Sciences degree in Management of Complex Systems from Pavia University (Pavia, Italy) as well as Bachelor of Science degree from University Mohammed V (Rabat, Morocco). Prior to his appointment as Executive Director, Dr. Zehraoui served as the Director of Utilities at the City of East Chicago, IN. He has more than 25 years of water/wastewater treatment system experience.

The table presented below illustrates the staffing levels for the System as of June 30, 2022.

Table 1 – System Staffing

	<u>Staff Positions *</u>
Water Facilities Division	35.0
Wastewater Facilities Division	<u>53.0</u>
Total System	<u><u>88.0</u></u>

* Denotes filled positions. Authority and Board members, as well as, personnel providing support services are not included in the above figures. The above totals also do not include staff members that are currently on unpaid leave.

The City provided certain support services to the System in the form of engineering, legal, billing and collection, accounting and fleet maintenance services during the initial years of the Board's operations. Under the terms of the Operations Agreement between the City and the Board, the Board notified the City that it wished to assume direct responsibility for certain support services provided by the City. For example, the Board installed a new financial management system and began billing customer accounts during 2008. The City continues to work with the Board, including in providing collection services for accounts and tax collection services. Under the terms of the agreement, the Board will pay the City approximately \$90,000 per year for the services it receives.

Water Treatment

The average daily output from the Board's water treatment plant for 2018 through 2021 is shown in the following table.

Table 2 – Average Daily Production of Treated Water

<u>Year</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Flow (MGD)	21.35	21.53	22.57	21.26

Water Distribution System

The distribution system consists of approximately 260 miles of various diameter water mains, 2,287 fire hydrants, over 5,000 valves, two elevated water storage tanks and over 19,000 metered services. The distribution system is a single pressure system. The Water System services the City and several "out-of-town" customers adjoining the City. The Water System also has two major inter-municipal interconnections with the Niagara County Water District that allow for the purchase/sale of water in either direction for emergency or shut down maintenance events.

Treated water is pumped from the water treatment plant to the Water System's 260 miles of pipe and also to the 56th Street elevated water storage tank that has a capacity of 2 million gallons ("mg"). The elevated tank provides added reliability to the Water System, as it will transparently pick up full system demand if the high-lift pump station is shutdown. A second 2 mg elevated storage tank at Beech Avenue is currently shut down and isolated from the Water System. Demolition and replacement of the Beech Avenue water tank is anticipated and the Board is seeking grant funding to offset the cost of that project. The Beech Avenue water tank is being used to generate revenues through the lease of space for cellular antennas. The water distribution system utilizes various materials of construction including lined and unlined cast or ductile iron, polyvinyl chloride (PVC), reinforced concrete pressure pipe (RCPP), and high density polyethylene (HDPE) varying in size from 6 inch to 30 inch.

The following tables provide information on the water mains and the approximate age of the pipes comprising the water distribution system:

Table 3 – Water Distribution System Piping

<u>Water Main</u>	<u>Material Type</u>	<u>Length (ft)</u>
6-inch	PVC	1,500
8-inch	PVC	2,610
10-inch	PVC	700
12-inch	Asbestos Cement	5,500
20-inch	Cast/Ductile Iron	7,800
24-inch	RCPP	5,600
30-inch	RCPP	13,370
36-inch	RCPP	16,810
42-inch	RCPP	7,850
2-inch	Cast/Ductile Iron	700
4-inch	Cast/Ductile Iron	95,030
6-inch	Cast/Ductile Iron	596,540
8-inch	Cast/Ductile Iron	239,680
10-inch	Cast/Ductile Iron	121,455
12-inch	Cast/Ductile Iron	102,045
14-inch	HDPE	6,540
16-inch	Cast/Ductile Iron	59,660
20-inch	Cast/Ductile Iron	46,730
24-inch	Cast/Ductile Iron	26,230
30-inch	Cast/Ductile Iron	<u>9,060</u>
Total		1,365,410

Table 4 – Niagara Falls Water Distribution System
Approximate Age of Pipe

Age	Feet	Percent
1890-1910	65,802	5%
1911-1930	515,179	38%
1931-1950	288,940	21%
1951-1970	251,682	18%
1971-1990	144,121	11%
1991-2021	101,772	7%
Total	1,367,496	100%

Unbilled Water

In Prior Reports, this section was described as unaccounted-for water. The term unaccounted-for water is redefined below and a definition is provided for unbilled water. The Water Facilities Division calculates the percentage of unbilled water based on the difference in quantity between the treated water pumped into the Water System and the number of billed units provided to customers, divided by the treated water pumped. Unbilled water includes both known uses that are not measured or billed (e.g., water used in firefighting and hydrant flushing) and unaccounted-for water such as losses due to leaks in the System. Unbilled water has been 68% percent or more of treated water for the last five years, a percentage that is significantly higher than typical industry averages. This percentage has been relatively the same since 2017. The table presented below shows the average percentages of unbilled water by year.

Table 5 – Unbilled Water

Year	Percent of Treated Water
2017	68%
2018	68%
2019	71%
2020	72%
2021	68%

The marginal cost to the Board of treating and pumping water that is not sold is relatively low. Notwithstanding the absence of a significant cost incentive, the CIP for the Water System is focused primarily on improvements to the distribution system that, over time, together with the increased focus on identifying lost water should result in a decline in unaccounted-for water. In 2012, and 2013 through 2015 the Board embarked on an aggressive meter replacement program. In 2012 a pilot study was performed that included replacement of 450 meters. In 2013 through 2015, 16,000 residential and commercial meters have been replaced. The new meters are auto-read (drive by),

which will reduce labor necessary to obtain meter readings and free up personnel for more important tasks. The objective of the meter replacement program is to improve the accuracy of the water meters as metered water use is the means by which revenue is generated. Based on the experiences of other water utilities in similar situations, the implementation of these programs should lead to a reduction in unaccounted-for water.

To improve the water distribution system, the NFWB has undertaken a program to map and hydraulically model the existing water distribution system. The hydraulic model is being used to identify areas where water pressure is insufficient and to plan for future upgrades to the distribution system. Additionally, an aggressive program has been undertaken by the NFWB to repair or replace all out-of-service fire hydrants. The objective is to return all fire hydrants to a fully functional status. Many of these hydrants that are being replaced were also a source of water leakage. During 2017 and 2018, 75 fire hydrants have been replaced or repaired. This number has increased to approximately 100 hydrants in 2019. In 2020, 100 hydrants were replaced and 21 repaired. As of June 30, 2022; 59 hydrants were replaced and 19 were repaired during 2022. As of the date of this report there are no known non-functional fire hydrants.

Water System Staffing

The following table illustrates the number of personnel in each of the seven (7) sections of the Water System as of June 30, 2022.

Table 6 – Water System Staffing

<u>Section</u>	<u>Staff Positions</u>
Laboratory	1.0
Information Technology	2.0
Engineering	3.0
Purification Operations	7.0
Inside Water Maintenance	8.0
Outside Water Maintenance	9.0
Meter Shop	<u>5.0</u>
Total Water System Staff	<u><u>35.0</u></u>

We believe that the Water System is adequately staffed and key management personnel have the qualifications and experience commensurate with their responsibilities.

Wastewater Treatment

The table on the following page identifies the historical flows through the wastewater treatment plant (“WWTP”).

Table 7 – Average Daily Wastewater Volume Treated

<u>Year</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Flow (MGD)	26.30	26.78	24.10	24.24

Wastewater Facilities

The facilities of the Wastewater System include a wastewater treatment plant (“WWTP”), 8 pumping stations, over 255 miles of combined and separate sanitary sewer lines and 6 combined sewer overflow points. The Wastewater System uses a collection system of lateral, collection and trunk sewers that convey wastewater to the WWTP. The majority of the service area utilizes combined sewers that carry both wastewater and storm water in one pipe. Pipe sizes range from 8 inches to 72 inches in diameter. The Wastewater System also includes approximately 15 miles of large conveyance structures ranging in size from 36 inches to 32 feet in diameter (tunnels).

The eastern portion of the City has a separated sanitary system and storm sewer system. This portion of the Wastewater System uses pumps to alleviate sanitary sewer overflows that occur during certain wet weather events. This procedure complies with the terms of the Board’s permit from the DEC. The pumping stations of the Board are listed in the table presented below.

Table 8 – Pump Station and Bypass Station Capacities

<u>Lift Station</u>	<u>Location</u>	<u>Approximate Capacity (MGD)</u>
Gorge	Gorge Pump Station Site	19.5
LS-1	Stephenson & 81st Streets	4.3
LS-2	Griffon Avenue	1.0
LS-3	Buffalo Avenue & 56th Street	1.7
LS-4	91st Street & Luick Avenue	1.7
LS-6	81st Street & Frontier Avenue	4.3
LS-7	Boiler Avenue & Military Road	0.8
LS-8	101st Street	1.0
BPS-1	Cayuga Drive & South Military Road	2.9
BPS-2	West Rivershore Drive	1.0

Like most urban systems of its age with combined storm water and sanitary sewer systems, the Wastewater System has incurred problems with infiltration whereby storm water and ground water enter the pipes devoted to wastewater. This has resulted in added treatment expense.

Like the Water System, the Wastewater System obtains low-cost hydropower from National Grid, which is made available through NYPA. In the case of the Wastewater System, this amounts to approximately 1.6 megawatts per year.

Wastewater System Staffing

The table presented below illustrates the number of personnel in each of the six (6) sections of the Wastewater System as of June 30, 2022:

Table 9 – Wastewater System Staffing

Section	Staff Positions
Monitoring and Compliance	4.0
Analytical Services	3.0
Sewer Collection System Maintenance (1)	12.0
Administrative / Technical	2.0
Plant Operations	17.0
Plant Maintenance	15.0
Total Wastewater System Staff	<u>53.0</u>

- 1) Includes sanitary sewers, combined sewers and storm sewers. Positions for stormwater maintenance were paid for through the City's General Fund, prior to acquisition of the System by the Board.

In the recent past the Wastewater System was understaffed and resulted in extensive overtime. In 2018, a concerted effort was made to increase staffing to necessary levels. At present operations and maintenance are fully staffed. Key management personnel have the qualifications and experience commensurate with their responsibilities.

Wastewater System Customer Base

The Wastewater System serves the City and, through a mutual services agreement, limited portions of the Town of Niagara. The Wastewater System serves a population of approximately 47,136 according to the 2020 U.S. Census. The table on the following page shows consumption and revenue information by category of customer.

Table 10 – Wastewater Demand, Revenue and Account Information by Customer Class

<u>Class of Customer</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential/Commercial					
Consumption (CCF)	1,272,267	1,299,934	1,252,451	1,236,314	1,240,942
Number of Accounts	17,835	17,917	17,918	17,920	17,880
Revenues	\$ 6,406,907	\$ 6,693,730	\$ 6,613,490	\$ 6,631,300	\$ 6,876,161
Industrial					
Consumption (CCF)	852,457	926,684	912,621	887,571	966,867
Number of Accounts	261	245	244	258	256
Revenues	\$ 3,487,388	\$ 4,197,516	\$ 3,879,443	\$ 3,165,994	\$ 3,752,812
Significant Industrial Users (SIU)					
Consumption (CCF)	971,721	876,822	890,139	930,712	1,115,955
Number of Accounts	23	24	23	23	23
Revenues	\$ 8,680,470	\$ 8,379,467	\$ 7,917,883	\$ 10,811,521	\$ 12,733,281
Total					
Consumption (CCF)	3,096,445	3,103,440	3,055,211	3,054,597	3,323,764
Number of Accounts	18,119	18,186	18,185	18,201	18,159
Revenues	\$ 18,574,765	\$ 19,270,713	\$ 18,410,816	\$ 20,608,815	\$ 23,364,254
Plus: Other Departmental Revenues	1,036,764	1,188,385	1,374,123	396,687	940,727
Less: Adjustments	<u>(169,020)</u>	<u>(44,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Departmental Revenue	<u>19,442,509</u>	<u>20,414,150</u>	<u>19,784,939</u>	<u>21,005,502</u>	<u>24,304,981</u>

Preliminary Capital Improvement Program (CIP)

The Board and the Authority have the responsibility to adopt and implement the CIP for the System. Table 11 presents the CIP for the System for 2022 through 2026. The CIP is updated periodically. The updated CIP as presented herein was most recently updated by the executive staff as of August 31, 2022 and is a work-in-progress from the formal CIP approved by the Board on February 28, 2022.

Table 11 – Capital Improvement Plan (“CIP”)

Description	2022	2023	2024	2025	2026	Total
COMBINED PROJECTS (WATER AND WASTEWATER)						
IT Plan Implementation	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
Meter Replacement & Upgrades	70,000	70,000	70,000	70,000	70,000	350,000
Fleet Replacement	80,000	80,000	80,000	80,000	80,000	400,000
Water/sewer GIS/GPS Mapping	5,000	5,000	5,000	5,000	5,000	25,000
Combined Projects - Miscellaneous	100,000	100,000	100,000	100,000	100,000	500,000
WASTEWATER INFRASTRUCTURE PROJECTS						
WWTP Rehab Phase 4A	2,653,949	2,653,949	2,653,949	-	-	7,961,847
WWTP Rehab Phase 4B	1,969,794	-	-	-	-	1,969,794
WWTP Rehab Phase 4C	790,274	790,274	-	-	-	1,580,549
WWTP Rehab Phase 4E	491,585	1,474,755	-	-	-	1,966,340
WWTP Rehab Phase 4G	1,007,603	-	-	-	-	1,007,603
WWTP Rehab Phase 4I	269,246	-	-	-	-	269,246
WWTP SCADA Improvements	96,930	96,930	96,930	-	-	290,790
WWTP Phase II Upgrades to the Sewer Line	173,914	-	-	-	-	173,914
WWTP Phase II Replacement of Sludge and Hypo Pipelines	173,914	-	-	-	-	173,914
WWTP Roof Repairs	-	1,000,000	1,000,000	-	-	2,000,000
WWTP Chemical Bulk Storage	-	150,000	150,000	300,000	-	600,000
WWTP Structural / Masonry Repairs	-	425,000	425,000	-	-	850,000
WWTP Building and Site Projects	-	750,000	750,000	-	-	1,500,000
WWTP Infrastructure Projects - Miscellaneous	200,000	200,000	200,000	200,000	200,000	1,000,000
WASTEWATER INFRASTRUCTURE PROJECTS						
Lasalle Area Sewer Improvements (SSO)	180,000	333,333	333,333	333,333	-	1,180,000
Sewer /GPA Infrastructure Projects - Miscellaneous	100,000	100,000	100,000	100,000	100,000	500,000
WATER TREATMENT PLANT INFRASTRUCTURE PROJECTS						
WTP Pump Replacements	30,000	30,000	30,000	30,000	30,000	150,000
WTP SCADA Control System Upgrades	-	250,000	250,000	-	-	500,000
WTP Security Upgrades	-	25,000	25,000	-	-	50,000
WTP Building Improvements and Caulking	50,000	50,000	50,000	50,000	50,000	250,000
WTP Roofing Work	50,000	50,000	50,000	50,000	50,000	250,000
WTP Chlorine System Upgrades	-	250,000	250,000	-	-	500,000
WTP Emergency Backup Generator Upgrades	-	250,000	250,000	-	-	500,000

(continued)

2022 Continuing Disclosure Report**Niagara Falls Water Board**

(concluded)

Description	2022	2023	2024	2025	2026	Total
WTP HVAC Rooftop & Make Up Air	300,000	300,000	-	-	-	600,000
WTP Fluoride System Upgrades	-	229,000	229,000	-	-	458,000
WTP Infrastructure Projects	200,000	200,000	200,000	200,000	200,000	1,000,000
WATER INFRASTRUCTURE PROJECTS						
10th Street and Michigan Avenue Mains	-	830,000	-	-	-	830,000
18th Street Main - Ontario Avenue to Whitney Avenue	550,000	550,000	-	-	-	1,100,000
77th Street Main - Stephenson Ave to Niagara Falls	-	-	550,000	550,000	-	1,100,000
80th Street - Niagara Falls Blvd. to Rick Manning Drive	-	-	-	300,000	-	300,000
Laughlin Drive Main - 82nd Street to Bollier Ave	-	928,074	-	-	-	928,074
McKoon Avenue Main - DeVeaux Ave to James Ave	-	-	-	880,000	-	880,000
Military Road Main - Jacob Place to Bollier Avenue	-	200,000	-	-	-	200,000
Ontario Avenue Main - 13th Street to Main Street	-	-	-	880,000	-	880,000
Van Rensselaer Ave - 900 Block	-	150,000	-	-	-	150,000
Whitney Avenue Main - 11th Street to Hyde Park Blvd.	-	-	925,000	925,000	-	1,850,000
Large Valve Replacement	200,000	200,000	200,000	200,000	200,000	1,000,000
Hydrant Replacement	170,000	170,000	170,000	170,000	170,000	850,000
20 inch main from Beach Ave. Storage Tank to Ontario St	-	-	1,000,000	1,000,000	-	2,000,000
Leak Detection/Distribution Modeling	-	50,000	-	-	-	50,000
Loop Niagara Ave. Main to Parkview Drive	7,000	-	-	-	-	7,000
Witkop Avenue and 85th Street Loop (all 8")	-	834,633	-	-	-	834,633
Water Infrastructure Projects - Miscellaneous	120,000	120,000	120,000	120,000	120,000	600,000
Total	\$10,069,209	\$13,925,949	\$10,293,213	\$6,573,333	\$1,405,000	\$42,266,705

On a System-wide basis, the CIP includes provisions for the implementation of new technology which is primarily focused on the monitoring and control of water and wastewater facilities. Such technology will enable Board personnel to continue to attempt to operate more efficiently and effectively. The past improvements have allowed for some significant reductions in personnel. Funds are also included each year for the replacement of Board vehicles.

The NFWB is also currently proceeding with various Capital Improvements at the 1201 Buffalo Ave. Wastewater Treatment Plan (WWTP). The improvements are in response to the Order on Consent, entered with the NYDEC in 2017. Work is funded through a combination of grants and low interest loans administered by the NYS Environmental Facilities Corporation (EFC). Capital improvements at the WWTP will continue to constitute a large share of short-term budgeted funds for 2022 through 2024. However, the aforementioned capital expenditures are reimbursed at 50% with the remaining expenses converted to long term low interest loans. On the following page is a comprehensive list of the current Capital Improvements Projects and status to date.

- **Capital Project #1 Sedimentation Basin Upgrades**
 - Design and bidding phases have concluded.
 - Demolition and improvements of the scum building and sedimentation basin #5 have been completed.
 - Currently, sedimentation basin #4 work is ongoing.
 - Construction completion is currently anticipated for November 2024.
- **Capital Project #2 Gorge Pump Station Improvements**
 - Design and bidding phases have concluded.
 - Replacement of existing pumps, channel grinders, and various ancillary components within the Gorge Pump Station have been completed.
 - The project is currently being closed out.
 - Construction completion is currently anticipated for October 2022.
- **Capital Project #3 Screenings and Grit Conveyance Improvements**
 - Design and bidding phases have concluded.
 - Currently in construction, including improvements to the existing screening, grit, and polymer systems.
 - Belt filter press improvements will further extend the project completion date.
 - Construction completion is currently anticipated for March 2023.
- **Capital Project #4 Activated Carbon Filter Media Replacement**
 - Replacement of activated carbon and gravel underdrain media within various filter beds prioritized on the basis of age and filter efficiency.
 - Design, bidding, and construction phases have concluded.
- **Capital Project #5 Electrical System Improvements.**
 - Design has been completed for the replacement and/or upgrade of various high voltage electrical components integral to the operability of the Wastewater Treatment Plant and electrical improvements through multiple phases.
 - Next phase of design and construction is currently underway.
 - Construction completion is currently anticipated for November 2023.
- **Capital Project #6 Chemical Treatment System Optimization.**
 - Project included improvements to improve operational efficiency of existing chlorination system, including pumping, distribution, and monitoring.
 - Design, bidding and construction phases have concluded.

- **Capital Project #7 Heating and Ventilation System Upgrades.**
 - Design and bidding phases have concluded.
 - Currently in construction, including improvements to the existing heating and ventilation system throughout the Wastewater Treatment Plant. Improvements replace failing equipment that has deteriorated due to the harsh operating environment.
 - Construction completion is currently anticipated for December 2022.
- **Capital Project #8 Replacement of Air Scour Blower.**
 - Project included repair and/or replacement of air scour blower equipment associated with the carbon filter bed system.
 - Design, bidding, and construction phases have concluded.
- **Capital Project #9 Plant Waterline and Process Piping Replacement.**
 - Project included replacement of sections of failing process piping and ancillary equipment throughout the Wastewater Treatment Plant.
 - Design, bidding, and construction phases have concluded.
- **Capital Project #10 SCADA Improvements**
 - Bidding phase has concluded.
 - Design and construction phase has been underway with ongoing capital projects.
 - Construction completion is currently anticipated for November 2024.
- **Capital Project #11 Exterior Piping Improvements**
 - Design and bidding phase has concluded.
 - Construction phase is currently underway with ongoing capital projects.
 - Construction completion is currently anticipated for December 2022.
- **Capital Project #12 Intermediate Pumps Assessment**
 - Study phase is ongoing.
 - Design report is anticipated by November 2022.
 - Construction is currently anticipated within the next 2 years.

In addition the NFWB has recently embarked on a number of initiatives including the following:

- The NFWB has recently leased 10 new vehicles. The vehicles are more energy efficient and include two hybrids. As a result, the age of the fleet went from an average age of 12 years old to 7 years old. Over the five-year lease the NFWB is projected to save \$300,000.
- The NFWB has established a hydrant truck which routinely tests fire flows and performs hydrant maintenance. The initiative will improve the reliability of the NFWB's hydrant system.

- The NFWB has implemented a 3-D scanning project to scan existing facilities at the wastewater treatment plants. The initiative will save money in engineering design projects, provide accurate measurements for existing facilities, will be used in employee training programs.
- The wastewater treatment plant replaced entrance gates for improved security.
- A professional development program has been financed which will include leadership training, state certified operator license training, and provide access to up-to-date training materials.

In the Water Distribution System, the CIP is focused primarily on distribution system improvements to enhance overall water quality, system reliability and reduce water loss, including a water main, hydrant and large valve replacement programs. In addition, the meter replacement program has become an important part of reducing the cost of reading meters and replacement of older faulty meters. The remainder of the 72nd Street water main was replaced in late 2015 and a portion of the Bollier Avenue water main was replaced in 2017. The City of Niagara Falls has/is providing design, contract administration and inspection services on both projects.

The CIP also includes funds for five (5) specific water distribution main replacement projects, continued replacement of large valves, continued leak detection & distribution system modeling to reduce leakage rates, and funding for unplanned system repairs. The specific areas identified for replacement have been prioritized based on factors such as the history of main breaks, known areas of leakage, the need to upgrade the size or materials of the main and other factors. The 18th Street Main (Ontario Avenue to Whitney Avenue) is a high priority project that was awarded in June of 2022 with construction to start in the spring of 2023. The Whitney Avenue and 77th Street watermain replacement projects are currently being designed with construction planned for 2023. The continued implementation of a water main replacement program should, over time, reduce the level of unaccounted-for water in the Water System.

In the opinion of management, the CIP is reasonable and will help ensure that quality water and wastewater services are provided to customers in a reliable manner. There continue to be unanswered questions regarding the potential outcome of the 2015 Turbidity Study and the related 2017 Consent Order studies pertaining to alternative wastewater treatment processes. The WWTP's SPDES permit also is in the process of being renewed, potentially with tighter limits on certain effluent parameters. The studies on new SPDES permit requirements may result in the NFWB being required to construct additional WWTP improvements, and the NFWB believes it could meet current and foreseeable future permit requirements most efficiently by converting the WWTP from the current physical-chemical treatment technology to a biological treatment process. The NFWB will seek external grants to undertake any major expenditure for plant upgrades or changing the treatment technology at the WWTP.

Sources and Uses of Funds

Table 12 shown below presents the anticipated sources and uses of funds for the CIP. The amounts shown are preliminary, pending policy decisions of the Board.

Table 12 – Sources and Use of Funds for the CIP

	2022	2023	2024	2025	2026
Opening balance, January 1:					
Remaining funds restricted for capital projects*	\$ 786,581	\$ 3,463,598	\$ 3,663,684	\$ 5,738,684	\$ 5,381,201
Sources of CIP funds:					
Prior year coverage	1,142,000	1,085,000	1,035,000	1,035,000	1,035,000
Grants	6,038,113	7,449,533	6,424,840	3,158,510	222,000
Matching funds**	5,566,113	5,591,502	4,908,373	2,022,340	148,000
Use of CIP funds:					
CIP spending (per Table 11)	<u>(10,069,209)</u>	<u>(13,925,949)</u>	<u>(10,293,213)</u>	<u>(6,573,333)</u>	<u>(1,405,000)</u>
Ending balance, December 31	<u>\$ 3,463,598</u>	<u>\$ 3,663,684</u>	<u>\$ 5,738,684</u>	<u>\$ 5,381,201</u>	<u>\$ 5,381,201</u>

* Represents debt proceeds (including NYPA) and annual contributions from operating funding coverage.

** Using available funds from operations for matching grant requirements.

It is anticipated that the cash requirements of the CIP for the 2022-2026 period will be met through
 1) remaining funds currently on hand with the Board received from the New York Power Authority;
 2) remaining funds on hand from cash surpluses from operations of the preceding years; and 3)
 interest on funds on hand whose use is restricted to capital improvements.

Outstanding Debt

The table below summarizes the outstanding bond issues and remaining principal amounts attributable to the System as of December 31, 2021.

Table 13 –Outstanding Debt

Debt Instrument	Principal Balance December 31, 2021
Niagara Falls Public Water Authority Bonds:	
Series 2013A Bonds	\$ 34,120,000
Series 2013B Bonds	2,350,000
Series 2016A Bonds	20,130,000
NYSEFC Water Revolving Funds Revenue Bonds:	
Series 2013B - Clean Water	9,455,000
Series 2013B - Drinking Water	4,660,000
Series 2014B - Drinking Water	3,355,000
Series 2012B - Clean Water	4,840,000
New York State Power Authority:	
Series 2019 Mortgage Loan	1,572,163
Total Amount	<u>\$ 80,482,163</u>

The outstanding debt decreased by \$4,485,326 from 2020 to 2021 as a result of scheduled principal payments.

Historical Cash Flows and Debt Service Coverage

The Board acquired the System from the City in September 2003. The Board has now completed eighteen full years as the owner and operator of the System. A summary of the financial performance achieved during the years ending December 31, 2019, December 31, 2020, and December 31, 2021 is provided in Table 14 on the following page.

Table 14 –Historical Financial Performance

Line	Description	2019	2020	2021
1	Receipts from customers	\$ 30,427,792	\$ 32,526,018	\$ 35,410,495
2	Interest earnings	1,163,345	644,697	445,245
3	Proceeds from sales of assets	<u>290,485</u>	<u>308,397</u>	<u>122,743</u>
4	Total cash receipts	31,881,622	33,479,112	35,978,483
5	Payments to employees	11,517,253	11,915,979	11,413,328
6	Payments to suppliers	<u>10,191,194</u>	<u>12,620,781</u>	<u>13,625,496</u>
7	Total operating expenses	21,708,447	24,536,760	25,038,824
8	Cash available for debt service (line 4 - line 7)	<u>10,173,175</u>	<u>8,942,352</u>	<u>10,939,659</u>
9	Interest payment	3,119,649	3,225,126	3,087,532
10	Principal payment	<u>4,269,607</u>	<u>4,332,897</u>	<u>4,485,326</u>
11	Total debt service	\$ 7,389,256	\$ 7,558,023	\$ 7,572,858
12	Surplus (line 8 - line 11)	\$ 2,783,919	\$ 1,384,329	\$ 3,366,801
13	Debt service coverage (line 8/line 11)	1.38	1.18	1.44

The preceding table has been prepared based on information presented in the annual financial statements of the Board. The financial statements of the Board for the years ended December 31, 2021 and 2020 were audited by the firm Bonadio & Co., LLP, while the financial statements of the Board for the year ended December 31, 2019 were audited by the firm EFPR Group, LLP.

The results for the year ending December 31, 2019 indicate that the actual debt service coverage achieved by the Board was 138%, exceeding the minimum requirement of 115% of debt service. The results for the year ending December 31, 2020 indicate that the actual debt service coverage achieved by the Board was 118%, also exceeding the minimum requirement of 115% of debt service. The results for the year ending December 31, 2021 indicate that the actual debt service coverage achieved by the Board was 144%, also exceeding the minimum requirement of 115% of debt service.

In April 2017, the Board reached a settlement with the collective bargaining agreements of all four of its labor unions. The new agreements will result in substantial savings in healthcare costs for the Board over the next 7 years while allowing employees and retirees to retain quality and affordable healthcare benefits. Employees share a modest 20% of costs and the Board contributes to employee Health Savings Plans to help offset costs associated with a high deductible health plan. Without burden to rate payers, other cost-savings measures such as comprehensive training, professional development, and greater utilization of technology in daily operations are also being implemented. The Board will spearhead an aggressive and long term public relations campaign to better educate the public on future initiatives such as its aggressive pursuit of funds through the New York State Clean Water Infrastructure Act.

Billing and Collection

All but a limited number of water and sewer customers are billed quarterly based on actual or estimated meter reads. Significant industrial users are billed monthly based on two estimated months followed by an actual meter read in the third month.

Customers of the Board can pay their water and sewer bills either to a lockbox held by Bank on Buffalo or to the City of Niagara Falls Billing and Collection Department at City Hall. All revenues, including those collected by the City, are put immediately into the Board's depository account of the Local Water Fund. The City collects on delinquent accounts and, in particular, any unpaid balances that remain as of November 21 of each year create a lien on the property and are added to the next year's City tax bill. These liens then become due and payable with the tax collection. The City collects the funds, reconciles the tax roll and water/sewer liens and disburses a check to the Board in July and the following January for the two collection periods. These amounts are reconciled to the Board's records for verification of the receipts.

Having completed a major meter replacement project covering virtually all residential and small commercial meters in 2015, the Board in 2021 and 2022 has emphasized testing, and where necessary replacement, of large industrial meters in order to capture revenue that could be lost if consumption is not accurately metered and billed.

Table 15 – Water and Sewer Billings and Cash Collections – Historical

<u>FYE 12/31</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Service Billings	\$ 29,702,412	\$ 30,512,619	\$ 29,973,753	\$ 31,874,002	\$ 34,048,559
Penalties	360,222	331,107	405,651	430,808	637,524
Invoice Adjustments	473,046	18,045	(67,164)	169,058	953,024
Total Billed	<u>\$ 30,535,680</u>	<u>\$ 30,861,771</u>	<u>\$ 30,312,240</u>	<u>\$ 32,473,868</u>	<u>\$ 35,639,107</u>
Total Cash Collections - Billings	29,208,181	29,531,100	28,481,104	31,302,901	32,896,275
Total Cash Collections - Property Tax Bill	1,118,498	1,281,664	1,530,987	1,223,117	1,370,344
Total Collections	<u>\$ 30,326,679</u>	<u>\$ 30,812,764</u>	<u>\$ 30,012,091</u>	<u>\$ 32,526,018</u>	<u>\$ 34,266,619</u>
% of Total Cash Collections to Total Billed	99.3%	99.8%	99.0%	100.2%	96.1%

Compliance with Reserve Fund Requirements

Under the terms of the Financing Agreement between the Board and the Authority, the Board is required to maintain minimum balances in reserve funds relating to its operating expenses and debt service. The amounts on deposit in the Operation and Maintenance Reserve Fund must equal or exceed two months' of the anticipated operation and maintenance expenses in the upcoming year. The amounts on deposit in the Debt Service Reserve Fund must equal or exceed the maximum annual debt service in any future year. The amounts on deposit in the Board's Operation and Maintenance Reserve Fund and Debt Service Reserve Fund as of December 31, 2021 are in compliance with the requirements of the Financing Agreement. The Board expects to continue to be in compliance with these requirements during 2022.

Projected Cash Flows and Rates

The preliminary projection of cash flows of the System is presented in Table 16. These projections are preliminary and subject to change. The future cash flows of the Board are dependent upon many factors, including economic conditions and Board policy decisions regarding the size, scope and timing of the CIP. Future increases in rates and revenues are also dependent upon actual experience and assumptions for regarding customer demand as well as other factors. The achievement of any projection of future conditions is dependent upon the occurrence of other future events and circumstances such as changes in the local and national economy, demographic changes, variations in interest rates and inflation, new regulatory agency initiatives and other factors that cannot be predicted. Therefore, the actual financial requirements and performance of the System may vary from the estimates presented herein, and such variations could be material.

The projected cash flows in 2022 through 2026 assume that the Board will enact increases in water and wastewater rates and charges of an average of 0% in 2023, 1% in 2024, 2% in 2025 and 1% in 2026. The projection indicates that under the conditions reflected herein, the System will generate operating revenues of approximately \$39.7 million in 2022, which is expected to increase to \$40.5 million through 2026, considering the 1% to 2% rate increases between 2024 and 2026, and the loss of consumption from Occidental.

Taking into consideration non-operating revenues, total revenues available for debt service and expenses are projected to be \$13.9 million in 2022, decreasing to \$10.8 million in 2026. These projections are preliminary and subject to change. The projected user payments reflect the assumption that water consumption by customers will remain stable throughout the projection period. If such projections in water sales are not achieved, then the Board will have to increase water and sewer rates at a pace that is greater than assumed and/or decrease expenses in order to achieve the debt service coverage requirement.

On a preliminary basis, operating expenses are projected to increase from approximately \$25.8 million in 2022 to \$29.7 million in 2026. Operating expenses in 2022 through 2026 are expected to increase with inflation, with the exception of employee benefits which are projected using historical increases (and which have increased at rates significantly higher than inflation).

The projected debt service includes principal and interest payments on outstanding bonds, including the most recent March 2022 refunding bonds, which provides savings in debt service in 2022. The Board does not anticipate issuing future debt throughout the projection period. These amounts and the timing of the potential issuance of debt are subject to change based on policy decisions by the Board. The proceeds of such bonds or notes will be used to pay a portion of the costs associated with the CIP.

In 2012, pursuant to its agreement with the City, the Board is obligated to make annual payments in lieu of taxes to the City. The projected amount to be paid from 2022 through 2026 is \$700,000 per year.

The debt service coverage ratios in Table 16 are based on total revenues available for expenses and debt service minus Operating Expenses divided by Total Debt Service. It is projected that debt service coverage will be equal to, or greater than, the minimum requirement of 1.15 throughout the Projection Period. All projections are presented on a preliminary basis and are subject to change. This conclusion assumes the following: the Board adopts the projected rate increases described above, expenses are maintained at or below projected levels, and the future changes in customer

usage are consistent with the assumed rate of change. As noted earlier, the actual financial requirements and performance of the System may vary from the estimates presented herein, and such variations could be material. With regard to the figures presented in Table 16, the preliminary projections show that debt service coverage is maintained at approximately the minimum levels required by the Bond Resolution. Drescher & Malecki LLP recommends that the Board consider taking the actions necessary such that the debt service coverage and surplus exceed the minimum requirement of 1.15 throughout the Projection Period so that if adverse changes occur (e.g., a greater than assumed decline in customer usage), the Board will have some flexibility to address such changes.

Table 16 – Preliminary Projections of Cash Flows and Rates

Line		Estimated				
		2022	2023	2024	2025	2026
	Revenues					
1	Operating revenues	39,695,686	38,907,967	39,289,547	40,060,338	40,453,441
2	Total	39,695,686	38,907,967	39,289,547	40,060,338	40,453,441
	Operations and Maintenance Expenses					
3	Salaries and benefits	11,766,754	12,161,660	12,572,443	12,999,819	13,444,539
4	Chemicals/sludge	7,342,064	7,728,435	7,992,314	8,264,774	8,546,095
5	Insurance/safety	592,539	623,721	645,017	667,006	689,710
6	Maintenance	1,012,757	1,066,052	1,102,451	1,140,034	1,178,839
7	Utilities	2,803,691	2,951,233	3,051,999	3,156,043	3,263,470
8	Other expenses	1,289,992	1,357,877	1,404,240	1,452,111	1,501,538
9	Equipment	296,207	311,795	322,441	333,433	344,782
10	PILOT payment to City	700,000	700,000	700,000	700,000	700,000
11	Total	25,804,004	26,900,773	27,790,905	28,713,220	29,668,975
12	Revenues available for debt service	13,891,682	12,007,194	11,498,642	11,347,118	10,784,466
	Debt Service					
13	Debt service on outstanding bonds	7,823,380	8,268,468	8,463,577	8,443,911	8,219,028
14	Debt service on future Authority bonds	-	-	-	-	-
15	Total	7,823,380	8,268,468	8,463,577	8,443,911	8,219,028
16	Surplus (line 12 - line 15)	6,068,302	3,738,726	3,035,065	2,903,207	2,565,438
17	Debt Service Coverage (minimum 1.15)	1.78	1.45	1.36	1.34	1.31
18	Actual/Proposed Rate Increase	16.90%	0.00%	1.0%	2.0%	1.0%

Notes:

- 1) Projected cash flow and rates above are subject to change.

Water Sales by Customer Class

Table 17 below illustrates the water consumption by customer class for each of the last four years.

Table 17 – Water Consumption by Customer Class
(Units in ccf (100 cubic feet))

District 1 - Residential	2018	2019	2020	2021
1st billing	102,819	100,028	96,480	95,192
2nd billing	107,658	102,006	93,876	96,296
3rd billing	107,252	100,227	95,253	97,686
4th billing	116,702	107,348	108,183	106,845
Total	434,431	409,609	393,792	396,019
District 2 - Residential				
1st billing	116,861	115,362	112,723	117,401
2nd billing	113,431	119,916	109,077	107,758
3rd billing	139,490	122,680	124,671	121,515
4th billing	122,469	128,268	137,452	126,723
Total	492,251	486,226	483,923	473,397
District 3 - Residential				
1st billing	91,913	89,117	86,070	84,767
2nd billing	91,425	84,898	84,925	94,939
3rd billing	99,438	91,686	97,608	100,138
4th billing	90,476	90,915	89,996	91,682
Total	373,252	356,616	358,599	371,526
District - Industrial				
1st billing	207,453	220,964	229,987	232,518
2nd billing	187,882	187,131	210,701	206,858
3rd billing	209,908	211,761	180,448	251,887
4th billing	321,441	292,765	266,435	275,604
Total	926,684	912,621	887,571	966,867
District - SIU				
1st billing	153,939	236,512	210,440	207,284
2nd billing	263,402	213,396	225,585	295,772
3rd billing	214,401	210,400	248,179	320,257
4th billing	245,080	229,831	246,508	292,642
Total	876,822	890,139	930,712	1,115,955
District - NR				
1st billing	569	527	339	243
2nd billing	659	391	248	625
3rd billing	637	406	1,489	393
4th billing	740	423	402	523
Total	2,605	1,747	2,478	1,784
Grand Total ccf	3,106,045	3,056,958	3,057,075	3,325,548
% Change from Prior Year	0.19%	-1.58%	0.00%	8.78%

As illustrated by Table 17, water consumption was fairly level from 2018 to 2020 following the loss of a major customer in the Significant Industrial Users (SIU) category during 2016-2017. Consumption has since trended positively in 2021 and is projecting another increase in 2022 based on year-to-date figures following the COVID-19 pandemic.

The ten largest water customers and wastewater customers are listed in Table 17A below.

Table 17A – Ten Largest Water and Wastewater Customers

	<u>Name</u>	12/31/2021	% of	6/30/2022
		<u>Revenue</u>	<u>Total</u>	<u>YTD</u>
1	Norampac Industries #50	\$ 8,803,359	57.39%	\$ 5,463,794
2	Niacet Corporation #17	1,068,625	6.97%	359,105
3	Covanta Niagara, LP #32	938,121	6.12%	526,379
4	Town of Niagara	858,220	5.60%	399,390
5	Occidental Chemical #22	808,092	5.27%	550,627
6	Olin Corp	795,695	5.19%	525,878
7	Seneca NF Gaming - Hotel	717,976	4.68%	380,613
8	Olin Corp #23	608,627	3.97%	294,414
9	Goodyear Tire & Rubber Co.	395,943	2.58%	210,893
10	Seneca NF Gaming	344,373	2.25%	218,209
		<u>\$ 15,339,031</u>	<u>100%</u>	<u>\$ 8,929,302</u>

The following table illustrates the historical trends in water consumption as well as the distribution of water sales by customer class:

Table 17B – Water Demand, Revenue and Account Information by Customer Class

Class of Customer	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential/Commercial										
Consumption (CCF)	1,344,810	1,331,527	1,346,029	1,315,516	1,338,499	1,272,267	1,299,934	1,252,451	1,236,314	1,240,942
Number of Accounts	18,509	18,470	18,249	18,379	17,954	17,835	17,917	17,944	17,920	17,880
Revenues	\$ 4,402,971	\$ 4,674,230	\$ 4,765,290	\$ 4,728,578	\$ 4,982,389	\$ 4,822,853	\$ 5,120,518	\$ 4,985,808	\$ 4,981,737	\$ 5,167,139
Industrial										
Consumption (CCF)	780,293	849,504	745,073	741,580	804,241	852,457	926,684	912,621	887,571	966,867
Number of Accounts	250	253	255	256	248	261	245	245	258	256
Revenues	\$ 1,875,335	\$ 2,033,097	\$ 1,975,744	\$ 2,399,858	\$ 2,956,785	\$ 2,327,816	\$ 2,722,250	\$ 2,597,846	\$ 2,358,805	\$ 2,797,914
Significant Industrial Users (SIU)										
Consumption (CCF)	868,945	1,123,975	1,362,443	1,209,147	1,065,322	971,721	876,822	890,139	930,712	1,115,955
Number of Accounts	23	24	24	24	23	23	24	22	23	23
Revenues	\$ 1,868,321	\$ 2,402,154	\$ 2,858,019	\$ 2,553,174	\$ 2,334,010	\$ 2,166,094	\$ 2,238,898	\$ 2,067,362	\$ 2,219,211	\$ 2,790,450
Non-Resident Users*										
Consumption (CCF)	8,499	11,452	3,467	3,862	4,876	3,586	2,605	1,747	2,478	1,784
Number of Accounts	28	27	27	27	27	27	27	26	26	26
Revenues	\$ 291,683	\$ 289,239	\$ 22,750	\$ 35,981	\$ 46,376	\$ 30,912	\$ 22,467	\$ 22,232	\$ 30,633	\$ 42,265
Total										
Consumption (CCF)	3,002,547	3,316,458	3,457,012	3,270,105	3,212,938	3,100,031	3,106,045	3,056,958	3,057,075	3,325,548
Number of Accounts	18,810	18,774	18,555	18,686	18,252	18,146	18,213	18,237	18,227	18,185
Revenues	\$ 8,438,310	\$ 7,544,897	\$ 7,641,243	\$ 8,438,310	10,319,560	9,347,675	10,104,133	9,673,248	9,590,386	10,797,768
Plus: Other Departmental Revenues	2,091,531	4,016,732	3,981,869	3,466,847	1,137,966	1,497,008	1,450,379	1,921,647	1,351,427	1,193,950
Less: Adjustments	(121,154)	(149,000)	(100,245)	(82,143)	(311,134)	(304,026)	(25,013)	(10,629)	(1,124)	-
Total Departmental Revenue	<u>\$10,408,687</u>	<u>\$11,412,629</u>	<u>\$11,522,867</u>	<u>\$11,823,014</u>	<u>\$11,146,392</u>	<u>\$10,540,657</u>	<u>\$11,529,499</u>	<u>\$11,584,266</u>	<u>\$10,940,689</u>	<u>\$11,991,718</u>

Rates for Water Service and Wastewater Service

The rates for water service and wastewater service in 2022 increased 16.9% for both customers within and outside the City. The Board provides wastewater service to Town of Niagara customers outside of the City. The Board reached an agreement with the Town of Niagara in 2015 that includes the use of wastewater flow meters for measuring actual wastewater volumes discharged to the NFWB collection system. These two changes should result in increased revenues from these Out of District users. In addition, the Board is aggressively pursuing water theft and the potential under-recording of water use to ensure that every customer pays their fair share. This includes timely investigation of low or zero meter readings and the recently completed meter replacement program. Water and wastewater rates for 2022 and 2021 are provided in the financial statements of the Board for the year ended December 31, 2021 and are not repeated here. The consumption-related water rates of the Board for 2021-22 are shown in Table 17C below. Historical rate increases for water and wastewater customers are presented in Table 18 that follows.

Table 17C – 2022 Rates for Water Customers

	Inside City (\$/ccf)	Outside City (\$/ccf)
First 20,000 CF	4.11	10.99
Next 60,000 CF	3.56	9.60
Next 120,000 CF	3.02	7.99
> 200,000 CF	2.50	6.73

Table 18 –Historical Percentage Increases in Rates for Water and Wastewater Customers

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
0.00%	4.40%	0.00%	2.40%	2.00%	0.00%	2.99%	16.90%

The rate structure for sewer service consolidates all consumers into two classes: Significant Industrial Users (SIU), and Commercial, Small Industrial, and Residential Users (CSIRU). The user charge system includes ten Substance of Concern charges that are assessed exclusively within the SIU class.

The 2022 wastewater user charges for the CSIRU class of customers are summarized in Table 19.

Table 19 – 2022 Wastewater Rates for CSIRU Customers

<u>Minimum Charge</u>	<u>Volume Charge</u>
All meter sizes and flow up to 1,300 cf \$70.78	Usage in excess of 1,300 cf per quarter (per 100 cf) \$5.44

Three of the wastewater user charges for the SIU class of customers in 2022 are summarized in Table 20.

Table 20 – 2022 Wastewater Rates & Charges for SIU Customers

<u>Flow Charge (\$/MG)</u>	<u>Solids Charge (\$/lb)</u>	<u>SOC Charge (\$/lb)</u>
3,828	1.23	2.12

Interest Earnings

The System will earn interest on the funds maintained by the Board and the Authority. Based on the anticipated balances in each fund and the current investment rates, Table 21 presents the estimated interest earnings for 2022.

Table 21 – Estimated Interest Earnings - 2022

Fund	Average End of Month Balance	Interest Earnings Rate	Estimated Annual Earnings
Debt Service restricted cash	\$ 14,090,638	Varies	\$ 422,719
Capital Project restricted cash	786,581	0.35%	2,753
Operations and maintenance restricted cash	5,198,450	0.35%	18,195
Operating cash	24,625,875	0.15%	36,939
			<u>\$ 480,606</u>

Interest earnings have increased throughout 2022, as compared to the most recent two years and may be available to provide additional revenues during the projection period.

System Operating Expenses

The System's expenses include the costs associated with the operation, maintenance and administration of the water treatment facilities and distribution system, as well as the costs associated with the operations of the wastewater collection and treatment facilities and stormwater facilities. The principal components of operating expenses other than labor as projected for 2022 are shown in Table 22

Table 22 – Major Components of Expenses Other Than Labor - 2022

Item	Amount
Chemicals	\$ 7,342,064
Utilities	2,803,691
Maintenance	1,012,757
Computer Service Contracts / Supplies / Professional Services	1,989,992
Insurance	592,539
Equipment	296,207

Chemicals are used in both the water treatment and the wastewater treatment processes although the majority of the cost of chemicals is wastewater related. The System receives low cost hydroelectric power from the New York Power Authority which significantly reduces its electrical costs relative to market rates. The Board will be proactively seeking opportunities to further reduce

such costs. Other expenses are assumed to be affected by inflation as well as the results of cost saving initiatives of the Board during the projection period.

The total operating expenses of the Board in 2019, 2020 and 2021 were approximately \$30.0 million, \$31.2 million and \$31.3 million, respectively.

ECONOMIC AND DEMOGRAPHIC DATA

The following information was provided by other sources and provides updated information regarding the Board's Service Area. Since the Service Area consists primarily of the City of Niagara Falls, the information is limited to that portion of the Service Area that is within the boundaries of the City.

Major Employers in Niagara Falls Area

City / County	Employer	Employees
County	Niagara Falls Air Reserve Station	3165
City	Seneca Niagara Casino and Hotel	2528
City	Fashion Outlets of Niagara	2027
County	Niagara County	1425
County	General Motors Components Holdings, LLC	1400
City	Niagara Falls City School District	1200
City	Niagara Falls Memorial Medical Center	1029
County	North Tonawanda City School District	704
County	Niagara County Community College	700
County	Lockport City School District	675

Source: Niagara County Center for Economic Development

Population

Changes in the City's population compared to changes in the population of the County, the State and the United States are as follows:

	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>% of Change 2000-2010</u>	<u>% of Change 2010-2020</u>
City	55,593	50,193	48,671	-9.71%	-3.03%
County	219,846	216,469	212,666	-1.54%	-1.76%
State	18,876,457	19,378,102	20,201,249	2.66%	4.25%
United States	281,421,906	308,745,338	331,449,281	9.71%	7.35%

Source: United States Bureau of the Census

Civilian Labor Force – Annual Average (thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City	21.3	21.1	20.9	20.6	21.2
County	100.3	99.3	98.9	98.2	98.1
State	9,527.0	9,549.0	9,511.2	9,507.1	9,289.2

Source: New York State Department of Economic Development: Bureau of Economic and Demographic Information (note that “City” refers to Niagara Falls city, NY Statistical Area).

Yearly Average Unemployment Rates

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2017	7.9%	6.2%	4.7%
2018	6.7%	5.2%	4.1%
2019	5.9%	5.0%	3.8%
2020	13.8%	10.4%	10.0%
2021	8.0%	7.2%	6.9%

Source: New York State Department of Labor, Bureau of Labor Statistics, Information not seasonally adjusted (note that “City” refers to Niagara Falls city, NY Statistical Area)

Monthly Unemployment Rates

<u>Month</u>	<u>City</u>	<u>County</u>	<u>State</u>
January, 2022	5.5%	4.1%	4.8%
February	6.1%	4.1%	4.8%
March	5.6%	4.1%	4.8%

Source: New York State Department of Labor, Bureau of Labor Statistics, Information not seasonally adjusted (note that “City” refers to Niagara Falls city, NY Statistical Area).

Comparative Housing, Income and Population Data (as of December 2013)

	<u>City</u>	<u>State</u>	<u>U.S.</u>
Age Distribution:			
% under 5 years	5.6	6.0	6.4
% 20 to 64	61.0	80.0	80.2
% 65 and over	15.0	13.8	13.4
Median age	39.4	38.1	37.3
Person / Household	2.28	2.61	2.63
Housing:			
% owner occupied housing units	55.8%	54.2%	64.9
Median value housing (\$)	66,600	288,200	176,700
Median gross rent (\$)	718	1,109	962
% housing built 1990 - 2000	7.0	6.0	13.9
% housing built before 1939	33.2	33.1	13.7
% with 5 or more units in structure	14.1	34.9	24.5
Income:			
Per capita income (\$)	20,549	32,382	28,155
Median family income (\$)	32,326	58,003	53,046
% below poverty level	24.9	15.3	15.4

Source: Census of Population and Housing, U.S. Department of Commerce, Bureau of Census (note that "City" refers only to Niagara Falls)

NIAGARA FALLS WATER BOARD

**Financial Statements as of
December 31, 2021
Together With Independent
Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

NIAGARA FALLS WATER BOARD

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INDEPENDENT AUDITOR'S REPORT

March 28, 2022

To the Board of Directors of
Niagara Falls Water Board

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Niagara Falls Water Board (the Board) as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board, as of December 31, 2021, and the respective change in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management For the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities For the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Summarized Comparative Totals

We have previously audited the Board's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 is the responsibility of management and, 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.

Supplementary 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. Such 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. The 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, 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, 2021

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, 2021.

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 were exceeded by its assets and deferred outflows of resources by \$111,787 (net position) at December 31, 2021; whereas the liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by (\$5,009,060) (net position) at December 31, 2020. At December 31, 2021 and 2020, (\$60,615,264) and (\$63,968,997) (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, 2021 and 2020 was \$7,104,452 and \$1,302,070, respectively.
- The Board's total bond indebtedness decreased by \$4,615,080 during the current fiscal year as a result of principal payments made of \$4,485,326 and premium amortization of \$129,754.
- The Board reflected a liability for postemployment benefits of \$95,228,340 and \$94,980,144 at December 31, 2021 and 2020, 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, 2021

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 15 through 41 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Board's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$111,787 at December 31, 2021, as compared to liabilities and deferred inflows exceeding assets and deferred outflows by \$(5,009,060) at December 31, 2020, as presented as follows:

	Niagara Falls Water Board's Net Position			
	December 31, 2021	2020	Increase/(Decrease) Dollars	Percent
Current assets	\$ 38,862,047	\$ 32,833,618	\$ 6,028,429	18.4%
Noncurrent assets	145,257,414	146,582,024	(1,324,610)	-0.9%
Total assets	184,119,461	179,415,642	4,703,819	2.6%
Deferred outflows	8,668,717	8,282,199	386,518	4.7%
Current liabilities	14,805,848	11,441,663	3,364,185	29.4%
Noncurrent liabilities	170,788,563	180,187,819	(9,399,256)	-5.2%
Total liabilities	185,594,411	191,629,482	(6,035,071)	-3.1%
Deferred inflows	7,081,980	1,077,419	6,004,561	557.3%
Net investment in capital assets	40,651,382	35,767,001	4,884,381	13.7%
Restricted	20,075,669	23,192,936	(3,117,267)	-13.4%
Unrestricted	(60,615,264)	(63,968,997)	3,353,733	-5.2%
Total net position	\$ 111,787	\$ (5,009,060)	\$ 5,120,847	-102.2%

NIAGARA FALLS WATER BOARD

Management's Discussion and Analysis (Unaudited) December 31, 2021

The Board's net investment in capital assets, is a surplus net position of \$40,651,382 and \$35,767,001 at December 31, 2021 and 2020, 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 \$(60,615,264) and \$(63,968,997) at December 31, 2021 and 2020, respectively. The restricted debt service portion of the Board's net position, \$7,257,814 and \$6,636,484 at December 31, 2021 and 2020, respectively, represents funds that are set aside to be used towards debt service. The restricted capital projects portion of the Board's net position, \$786,581 and \$2,786,581 at December 31, 2021 and 2020, 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, \$6,832,824 and \$8,741,079 at December 31, 2021 and 2020, respectively, represents funds for future debt service payments. The restricted operating and maintenance reserve fund portion of the Board's net position, \$5,198,450 and \$5,028,792 at December 31, 2021 and 2020, 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) decreased in 2021 by \$3,353,733 because of an increase in net investment in capital assets of \$4,884,381, a decrease of \$3,117,267 in restricted net position and net income of \$5,120,847.

A comparison of current assets to current liabilities of the Board at December 31, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Current assets	\$ 38,862,047	\$ 32,833,618
Current liabilities	<u>\$ 14,805,848</u>	<u>\$ 11,441,663</u>
Ratio of current assets to current liabilities	2.62	2.87

The Board's total net position increased by \$5,120,847 during the year ended December 31, 2021, as compared to a decrease of \$680,736 for the year ended December 31, 2020. Key elements of the current year's decrease in net position (deficit) are as follows:

Niagara Falls Water Board's Changes in Net Position

	<u>2021</u>	<u>2020</u>	Increase/ (Decrease)
Total operating revenue	\$ 38,433,425	\$ 32,492,767	\$ 5,940,658
Total operating expenses	<u>(31,328,973)</u>	<u>(31,190,697)</u>	<u>(138,276)</u>
Operating income	7,104,452	1,302,070	5,802,382
Total non-operating revenue (expenses)	<u>(1,983,605)</u>	<u>(1,982,806)</u>	<u>(799)</u>
Change in net position, before restatement	<u>\$ 5,120,847</u>	<u>\$ (680,736)</u>	<u>\$ 5,801,583</u>

NIAGARA FALLS WATER BOARD

Management's Discussion and Analysis (Unaudited) December 31, 2021

The Board's major sources of operating revenue are charges for water and sewer services which comprise approximately 90% of total operating revenue. These revenues combined increased \$3,632,287 from 2020. 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 2021 and approved rates for 2022.

The Board's largest operating expense area relates to its employees. Together, personnel costs (salaries) and employee benefits approximate 40% of total operating expenses. In 2021, these costs totaled approximately \$12.7 million as compared to \$14.2 million in 2020, representing an approximate \$1.5 million decrease in this area. This decrease is due to a decrease in the NYS Local Employees retirement system expense of \$1,159,958. This decrease is the result of the Board's proportionate share of the New York State Net Pension Liability decreasing (see further information in footnote #8). In addition, the OPEB expense (as shown in footnote #7) decreased mainly due to a change in actuarial assumptions.

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 \$80,482,163 and \$84,967,489, at December 31, 2021 and 2020, respectively.

The following is a summary of the Board's cash flow activities for the years ended December 31, 2021 and 2020:

Cash flows provided by (used in):	<u>2021</u>	<u>2020</u>
Operating activities	\$ 10,371,671	\$ 7,989,258
Capital and related financing activities	(11,168,031)	(13,931,424)
Investing activities	<u>3,562,512</u>	<u>3,611,399</u>
Change in cash and equivalents	2,766,152	(2,330,767)
Cash and equivalents at beginning of year	<u>21,859,723</u>	<u>24,190,490</u>
Cash and equivalents at end of year	<u>\$ 24,625,875</u>	<u>\$ 21,859,723</u>

The Board's available cash and equivalents increased by \$2,766,152 during the year ended December 31, 2021, as compared to an decrease of \$2,330,767 during the year ended December 31, 2020. Cash provided by operating activities reflected a positive balance of \$10,371,671 and \$7,989,258, respectively, for the years ended December 31, 2021 and 2020.

Capital Assets and Debt Administration

Capital Assets - The Board's investment in capital assets (net of accumulated depreciation) as of December 31, 2021, amounted to \$125,181,745, as compared to \$123,389,088 at December 31, 2020. 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 \$8,428,111.
- Additions to construction in progress totaled \$8,260,137. Completed capital projects transferred to depreciable asset categories totaled \$4,855,632.

NIAGARA FALLS WATER BOARD

Management's Discussion and Analysis (Unaudited) December 31, 2021

- The Board recorded total depreciation of \$6,635,454 and \$6,451,766 for the years ended December 31, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Nondepreciable assets:		
Land	\$ 463,713	\$ 463,713
Construction in progress	9,903,918	6,499,413
Depreciable assets:		
Plant and transmission assets (water system)	40,202,634	42,535,883
Plant and transmission assets (wastewater system)	68,869,250	67,887,109
Machinery and equipment	5,742,230	6,002,970
Total	<u>\$ 125,181,745</u>	<u>\$ 123,389,088</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, 2021, the Board had outstanding bonds totaling \$80,482,163 as compared to \$84,967,489 at December 31, 2020. During the year ended December 31, 2021, the Board made principal payments of \$4,485,326 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, 2021 and 2020, the liability recorded for these benefits amounted to \$95,228,340 and \$94,980,144, 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, 2021 is \$694,217, compared to December 31, 2020 is \$733,059. 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 \$34,711 of such liability is current at December 31, 2021.

NIAGARA FALLS WATER BOARD

Management's Discussion and Analysis (Unaudited) December 31, 2021

Economic Factors and Next Year's Rates

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

Water rates charged for 2021 and approved rates to be charged for 2022 are as follows:

	<u>2022</u>		<u>2021</u>	
	Amount to Be Charged		Amount to Be Charged	
	(Per 100 Cubic Feet)		(Per 100 Cubic Feet)	
	Inside City	Outside City	Inside City	Outside City
<u>Amount Consumed</u>				
First 20,000 cubic feet per quarter	\$ 4.11	\$ 10.99	\$ 3.52	\$ 9.40
Next 60,000 cubic feet per quarter	\$ 3.56	\$ 9.60	\$ 3.05	\$ 8.21
Next 120,000 cubic feet per quarter	\$ 3.02	\$ 7.99	\$ 2.59	\$ 6.84
Over 200,000 cubic feet per quarter	\$ 2.50	\$ 6.73	\$ 2.14	\$ 5.76
Minimum charge for water consumption per quarter	\$ 53.45	\$ 138.73	\$ 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>2022 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).

NIAGARA FALLS WATER BOARD

Management's Discussion and Analysis (Unaudited) December 31, 2021

Sewer rates for the CSIRU class are determined by the total metered water consumption in each quarter. Rates charged for 2021 and rates to be charged during 2022 are as follows:

<u>Amount Consumed</u>	<u>2022</u>	<u>2021</u>
Minimum charge per quarter (up to 1,300 cubic feet)	\$ 70.78	\$ 60.55
Additional usage in excess of 1,300 cubic feet (\$/cubic feet)	\$ 5.44	\$ 4.66

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, 2021 were \$3,274.99 per million gallons for wastewater flow; \$1.05 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 2022 are \$3,828.46 per million gallons for wastewater flow; \$1.23 per pound for all suspended solids discharged; and \$2.12 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, 2021****(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,625,875	\$ 21,859,723
Accounts receivable, net of allowance for uncollectible accounts	10,839,550	8,387,002
Due from City of Niagara Falls, net of allowance for uncollectible accounts	1,772,690	1,647,914
Grants receivable	1,132,283	686,677
Prepaid expenses	491,649	252,302
Total current assets	<u>38,862,047</u>	<u>32,833,618</u>
NONCURRENT ASSETS:		
Restricted cash and investments	20,075,669	23,192,936
Capital assets, net	125,181,745	123,389,088
Total noncurrent assets	<u>145,257,414</u>	<u>146,582,024</u>
Total assets	<u>184,119,461</u>	<u>179,415,642</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	4,593,921	3,492,526
Other postemployment benefits related	4,074,796	4,789,673
Total deferred outflows of resources	<u>8,668,717</u>	<u>8,282,199</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	4,039,158	2,440,543
Accrued liabilities and other	1,870,873	1,968,141
EFC short-term financing	1,584,352	-
Current portion, compensated absences	34,711	36,653
Current portion, total other postemployment benefits obligation	2,637,999	2,530,010
Current portion, bonds payable	4,638,755	4,466,316
Total current liabilities	<u>14,805,848</u>	<u>11,441,663</u>
NONCURRENT LIABILITIES:		
Compensated absences	659,506	696,406
Total other postemployment benefits obligation	92,590,341	92,450,134
Bonds payable	77,519,395	82,306,914
Net pension liability	19,321	4,734,365
Total noncurrent liabilities	<u>170,788,563</u>	<u>180,187,819</u>
Total liabilities	<u>185,594,411</u>	<u>191,629,482</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	5,841,605	228,562
Other postemployment benefits related	452,514	-
Gain on refunding	787,861	848,857
Total deferred inflows of resources	<u>7,081,980</u>	<u>1,077,419</u>
NET POSITION		
Net investment in capital assets	40,651,382	35,767,001
Restricted	20,075,669	23,192,936
Unrestricted	(60,615,264)	(63,968,997)
Total net position	<u>\$ 111,787</u>	<u>\$ (5,009,060)</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, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Water rents and charges	\$ 11,067,757	\$ 9,984,043
Sewer rents and charges	23,554,075	21,005,502
Licenses and permits	237,719	237,179
Grants	3,560,973	1,242,976
Other services	<u>12,901</u>	<u>23,067</u>
Total operating revenues	<u>38,433,425</u>	<u>32,492,767</u>
OPERATING EXPENSES:		
Personnel costs	6,122,608	6,398,779
Contractual expenses	12,012,172	10,551,050
Employee benefits	6,558,739	7,789,102
Depreciation expense	<u>6,635,454</u>	<u>6,451,766</u>
Total operating expenses	<u>31,328,973</u>	<u>31,190,697</u>
Total operating income	<u>7,104,452</u>	<u>1,302,070</u>
NON-OPERATING REVENUES (EXPENSES):		
Amortization of deferred gain and premium	190,750	190,750
Debt issuance costs	(37,499)	-
Use of money and property	445,245	453,947
Gain on sale of property and compensation for loss	122,743	308,397
Interest expense	<u>(2,704,844)</u>	<u>(2,935,900)</u>
Total non-operating expenses, net	<u>(1,983,605)</u>	<u>(1,982,806)</u>
CHANGE IN NET POSITION	5,120,847	(680,736)
NET POSITION - beginning of year	<u>(5,009,060)</u>	<u>(4,328,324)</u>
NET POSITION - end of year	<u>\$ 111,787</u>	<u>\$ (5,009,060)</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, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 32,295,128	\$ 31,202,782
Receipts from grants	3,115,367	1,323,236
Payments to suppliers	(13,625,496)	(12,620,781)
Payments to employees	<u>(11,413,328)</u>	<u>(11,915,979)</u>
Net cash flow from operating activities	<u>10,371,671</u>	<u>7,989,258</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(5,455,519)	(6,681,798)
Proceeds from insurance recoveries	122,743	308,397
Repayments of capital debt	(4,485,326)	(4,332,897)
Issuance of capital debt	1,737,603	-
Interest paid on capital debt	<u>(3,087,532)</u>	<u>(3,225,126)</u>
Net cash flow from capital and related financing activities	<u>(11,168,031)</u>	<u>(13,931,424)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	445,245	644,697
Gains (losses) on restricted cash and investments -		
Capital projects	2,000,000	4,000,000
Debt service fund	(621,330)	(881,957)
Debt service reserve fund	1,908,255	(351,341)
Operating and maintenance reserve	<u>(169,658)</u>	<u>200,000</u>
Net cash flow from investing activities	<u>3,562,512</u>	<u>3,611,399</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,766,152	(2,330,767)
CASH AND CASH EQUIVALENTS - beginning of year	<u>21,859,723</u>	<u>24,190,490</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 24,625,875</u>	<u>\$ 21,859,723</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, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW		
FROM OPERATING ACTIVITIES:		
Operating income	\$ 7,104,452	\$ 1,302,070
Adjustments to reconcile operating income to net cash flow		
from operating activities:		
Depreciation	6,635,454	6,451,766
Change in allowance for doubtful accounts	17,148	(2,827)
Changes in:		
Accounts receivable	(2,469,696)	57,631
Due from City of Niagara Falls	(124,776)	(104,113)
Grants receivable	(445,606)	80,260
Prepaid expenses	(239,347)	32,318
Accounts payable	(1,373,977)	(2,102,049)
Accrued liabilities	94,670	(87,174)
Compensated absences	(38,842)	(3,138)
Total other postemployment benefits liability	248,196	6,116,086
Net pension liability	(4,715,044)	3,594,435
Deferred outflows of resources - pension related	(1,101,395)	(2,356,543)
Deferred outflows of resources - total other		
postemployment benefits related	714,877	(4,789,673)
Deferred inflows of resources - total other		
postemployment benefits related	452,514	-
Deferred inflows of resources - pension related	5,613,043	(199,791)
Net cash flow from operating activities	<u>\$ 10,371,671</u>	<u>\$ 7,989,258</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Adjustment for capital assets financed by accounts payable	<u>\$ 2,972,592</u>	<u>\$ 1,959,839</u>

The accompanying notes are an integral part of these statements.

NIAGARA FALLS WATER BOARD

Notes to Basic Financial Statements

December 31, 2021

(With Comparative Totals for 2020)

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 17,880 residential, 331 commercial and 23 large industrial type customers. Total population served by the water system is 46,844. The average daily demand is 21.24 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 24.24 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.

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

The Authority has entered into an agreement with the Board 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.

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- 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, 2021 and 2020, the total amount restricted for capital projects amounted to \$786,581 and \$2,786,581, 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, 2021 and 2020, the total amount restricted for debt service fund amounted to \$7,257,814 and \$6,636,484, respectively.
- 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, 2021 and 2020, the total amount restricted for debt service reserve fund amounted to \$6,832,824 and \$8,741,079, 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, 2021 and 2020, the total amount restricted for operating and maintenance amounted to \$5,198,450 and \$5,028,792, 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.

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- 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, 2021.

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

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

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

The Board 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. 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.

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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.

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.

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- 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. 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.
- 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. Restricted Net Position totaled \$20,075,669 and \$23,192,936 as of December 31, 2021 and 2020, respectively.

Restricted for Capital Projects:

Amounts restricted for capital projects is \$786,581 and \$2,786,581 at December 31, 2021 and 2020, 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, 2021 and 2020 of \$7,257,814 and \$6,636,484, respectively, are for debt service.

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Restricted for Debt Service Reserve Fund:

Amounts restricted for the debt service reserve fund were \$6,832,824 and \$8,741,079 at December 31, 2021 and 2020, 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 \$6,626,101 and \$6,786,698 at December 31, 2021 and 2020, respectively. This resulted in excess reserves of \$206,723 and \$1,954,381 at December 31, 2021 and 2020, respectively.

Restricted for Operations and Maintenance:

Amounts restricted for operations and maintenance were \$5,198,450 and \$5,028,792 at December 31, 2021 and 2020, 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 \$5,198,450 and \$4,992,938 at December 2021 and 2020, respectively. At December 31, 2020, there was excess reserves of \$35,854. There was no excess reserve as of December 31, 2021.

Unrestricted Net Position - This category of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

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.

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 2020 have been reclassified to conform with the 2021 presentation.

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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, 2021 and 2020 include the following captions on the statements of net position:

	<u>2021</u>	<u>2020</u>
Cash and equivalents	\$ 24,625,875	\$ 21,859,723
Restricted cash and investments:		
Capital projects	786,581	2,786,581
Debt service fund	7,257,814	6,636,484
Debt service reserve fund	6,832,824	8,741,079
Operating and maintenance	<u>5,198,450</u>	<u>5,028,792</u>
Total restricted cash and investments	<u>20,075,669</u>	<u>23,192,936</u>
 Total	 <u>\$ 44,701,544</u>	 <u>\$ 45,052,659</u>

Restricted cash and investments and cash and equivalents are comprised of the following:

	<u>2021</u>	<u>2020</u>
Petty cash (uncollateralized)	\$ 100	\$ 100
Deposits	38,550,383	30,243,839
Investments	<u>6,151,061</u>	<u>14,808,720</u>
Total	<u>\$ 44,701,544</u>	<u>\$ 45,052,659</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, 2021 and 2020, 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.

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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, 2021 and 2020, 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, 2021, consist of the following:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasuries	5/15/2034 - 11/1/2041	\$ 899,672
Federal Home Mortgage Corp.	1/14/2022	5,251,389
Total investments		<u>\$ 6,151,061</u>

These investments are classified as Level 1.

Maturity Schedule

Less than one year	\$ 5,251,389
More than one year	899,672
	<u>\$ 6,151,061</u>

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 Notes	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	<u>2,380,593</u>
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>

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, 2021, the Board held 85% and 15% of its investment balance in Federal Home Mortgage Corp. and U.S. Treasuries, respectively. 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.

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3. RECEIVABLES

Major revenues accrued by the Board at December 31, 2021 and 2020 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, 2021, \$1,279,604 was included in allowance for uncollectible accounts to account for receivable balances that may not be collected. 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.

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, 2021 and 2020, net of an allowance for uncollectible amounts consisted of \$1,772,690 and \$1,647,914, respectively.

The tax transfer represents uncollected water and sewer charges that have been turned over to the City for collection in conjunction with the City's property tax levy. The City remits 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 \$7,478,143 and \$6,807,362 at December 31, 2021 and 2020, respectively. Management has recorded an allowance for uncollectible accounts with respect to these balances of \$5,705,453 and \$5,159,448 at December 31, 2021 and 2020, respectively.

NIAGARA FALLS WATER BOARD

Notes to Basic Financial Statements **December 31, 2021** **(With Comparative Totals for 2020)**

4. CAPITAL ASSETS

The Board's capital asset activity for the years ended December 31, 2021 and 2020 is summarized as follows:

	Balance 1/1/2021	Increases	Decreases	Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 463,713	\$ -	\$ -	\$ 463,713
Construction in progress	6,499,413	8,260,137	(4,855,632)	9,903,918
Total capital assets not being depreciated	6,963,126	8,260,137	(4,855,632)	10,367,631
Capital assets, being depreciated:				
Plant and transmission costs:				
Water system	91,362,861	678,327	-	92,041,188
Wastewater system	98,757,879	3,735,820	-	102,493,699
Machinery and equipment	12,484,143	609,459	(217,072)	12,876,530
Total capital assets being depreciated	202,604,883	5,023,606	(217,072)	207,411,417
Less accumulated depreciation:				
Plant and transmission costs:				
Water system	(48,826,978)	(3,011,576)	-	(51,838,554)
Wastewater system	(30,870,770)	(2,753,679)	-	(33,624,449)
Machinery and equipment	(6,481,173)	(870,199)	217,072	(7,134,300)
Total accumulated depreciation	(86,178,921)	(6,635,454)	217,072	(92,597,303)
Total being depreciated, net	116,425,962	(1,611,848)	-	114,814,114
Capital assets, net	\$123,389,088	\$ 6,648,289	\$ (4,855,632)	\$125,181,745

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	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

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.

In 2012, 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%.

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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.

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 \$787,861 and \$848,857 at December 31, 2021 and 2020, 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%.

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Indebtedness activity for the year ended December 31, 2021 is as follows:

	Principal Outstanding 1/1/2021	Issued	Paid	Principal Outstanding 12/31/2021	Due Within One Year
New York State Environmental Facilities Corporation Water Revolving Funds Revenue Bonds - Direct Borrowings:					
Series 2012B - Clean Water bond issued in 2012 for \$6,607,122 and maturing in 2041 bearing interest paid semi-annually at 0.26% to 4.27%	\$ 5,020,000	\$ -	\$ (180,000)	\$ 4,840,000	\$ 180,000
Series 2013B - Clean Water bond issued in 2013 for \$14,030,000 and maturing in 2033 bearing interest paid semi-annually at 3.88% to 5.05%	10,085,000	-	(630,000)	9,455,000	650,000
Series 2013B - Drinking Water bond issued in 2013 for \$5,580,000 and maturing in 2023 bearing interest paid semi-annually at 4.75% to 4.91%	5,580,000	-	(920,000)	4,660,000	2,290,000
Series 2014B - Drinking Water bond issued in 2014 for \$4,095,000 and maturing in 2021 bearing interest paid semi-annually at 5.40%	1,345,000	-	(1,345,000)	-	-
Series 2015D - Drinking Water bond issued in 2015 for \$4,380,000 and maturing in 2034 bearing interest paid semi-annually at 3.81% to 4.57%	3,535,000	-	(180,000)	3,355,000	185,000
Total NYS EFC Water Revolving Funds Revenue Bonds - Direct Borrowings	25,565,000	-	(3,255,000)	22,310,000	3,305,000
Serial Bonds:					
Series 2013A bonds issued in 2013 for \$36,060,000 and maturing in 2034 bearing interest paid semi-annually at 3.0% to 5.0%	34,375,000	-	(255,000)	34,120,000	250,000
Series 2013B bonds issued in 2013 for \$8,415,000 and maturing in 2024 bearing interest paid semi-annually at 4.309%	3,120,000	-	(770,000)	2,350,000	875,000
Series 2016A bonds issued in 2016 for \$20,130,000 and maturing in 2034 bearing interest paid annually at 3.13% to 5.0%	20,130,000	-	-	20,130,000	-
Unamortized premium on bonds issued in 2016 for \$2,335,569 and maturing in 2034	1,805,741	-	(129,754)	1,675,987	-
Total Serial Bonds	59,430,741	-	(1,154,754)	58,275,987	1,125,000

NIAGARA FALLS WATER BOARD

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	Principal Outstanding 1/1/2021	Issued	Paid	Principal Outstanding 12/31/2021	Due Within One Year
New York State Power Authority - Direct Borrowing:					
Series 2019 Mortgage Loan issued in 2019 for \$2,189,993 and maturing in 2028 bearing interest paid semi-annually at 2.79%	\$ 1,777,489	\$ -	\$ (205,326)	\$ 1,572,163	\$ 208,755
Total NYS Power Authority - Direct Borrowing	<u>1,777,489</u>	<u>-</u>	<u>(205,326)</u>	<u>1,572,163</u>	<u>208,755</u>
 Total	 <u>\$ 86,773,230</u>	 <u>\$ -</u>	 <u>\$ (4,615,080)</u>	 <u>\$ 82,158,150</u>	 <u>\$ 4,638,755</u>

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

	Principal Outstanding 1/1/2020	Issued	Paid	Principal Outstanding 12/31/2020	Due Within One Year
New York State Environmental Facilities Corporation Water Revolving Funds Revenue Bonds - Direct Borrowings:					
Series 2012B - Clean Water bond issued in 2012 for \$6,607,122 and maturing in 2041 bearing interest paid semi-annually at 0.26% to 4.27%	\$ 5,200,000	\$ -	\$ (180,000)	\$ 5,020,000	\$ 180,000
Series 2013B - Clean Water bond issued in 2013 for \$14,030,000 and maturing in 2033 bearing interest paid semi-annually at 3.88% to 5.05%	10,695,000	-	(610,000)	10,085,000	630,000
Series 2013B - Drinking Water bond issued in 2013 for \$5,580,000 and maturing in 2023 bearing interest paid semi-annually at 4.75% to 4.91%	5,580,000	-	-	5,580,000	920,000
Series 2014B - Drinking Water bond issued in 2014 for \$4,095,000 and maturing in 2021 bearing interest paid semi-annually at 5.40%	3,520,000	-	(2,175,000)	1,345,000	1,345,000
Series 2015D - Drinking Water bond issued in 2015 for \$4,380,000 and maturing in 2034 bearing interest paid semi-annually at 3.81% to 4.57%	<u>3,710,000</u>	<u>-</u>	<u>(175,000)</u>	<u>3,535,000</u>	<u>180,000</u>
Total NYS EFC Water Revolving Funds Revenue Bonds - Direct Borrowings	<u>28,705,000</u>	<u>-</u>	<u>(3,140,000)</u>	<u>25,565,000</u>	<u>3,255,000</u>

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	Principal Outstanding 1/1/2020	Issued	Paid	Principal Outstanding 12/31/2020	Due Within One Year
Serial Bonds:					
Series 2013A bonds issued in 2013 for \$36,060,000 and maturing in 2034 bearing interest paid semi-annually at 3.0% to 5.0%	\$ 34,575,000	\$ -	\$ (200,000)	\$ 34,375,000	\$ 255,000
Series 2013B bonds issued in 2013 for \$8,415,000 and maturing in 2024 bearing interest paid semi-annually at 4.309%	3,915,000	-	(795,000)	3,120,000	770,000
Series 2016A bonds issued in 2016 for \$20,130,000 and maturing in 2034 bearing interest paid annually at 3.13% to 5.0%	20,130,000	-	-	20,130,000	-
Unamortized premium on bonds issued in 2016 for \$2,335,569 and maturing in 2034	1,935,495	-	(129,754)	1,805,741	-
Total Serial Bonds	60,555,495	-	(1,124,754)	59,430,741	1,025,000
New York State Power Authority - Direct Borrowing:					
Series 2019 Mortgage Loan issued in 2019 for \$2,189,993 and maturing in 2028 bearing interest paid semi-annually at 2.79%	1,975,386	-	(197,897)	1,777,489	186,316
Total NYS Power Authority - Direct Borrowing	1,975,386	-	(197,897)	1,777,489	186,316
Totals	\$ 91,235,881	\$ -	\$ (4,462,651)	\$ 86,773,230	\$ 4,466,316

The annual maturities of long-term debt as of December 31, 2021 are as follows:

Serial Bonds

Year	Premium on Bonds	Principal	Interest	Total
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	129,754	4,285,000	1,998,369	6,413,123
2027-2031	648,769	24,445,000	6,873,357	31,967,126
2032-2034	378,448	17,595,000	1,557,337	19,530,785
	<u>\$ 1,675,987</u>	<u>\$56,600,000</u>	<u>\$19,953,744</u>	<u>\$78,229,731</u>

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NYS EFC State Revolving Fund Revenue Bonds - Direct Borrowings

Year	Principal	Interest	Total
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	1,145,000	613,235	1,758,235
2027-2031	6,295,000	2,233,448	8,528,448
2032-2036	4,220,000	762,559	4,982,559
2037-2041	<u>1,740,000</u>	<u>264,678</u>	<u>2,004,678</u>
Total	<u>\$22,310,000</u>	<u>\$ 7,153,879</u>	<u>\$29,463,879</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
2022	\$ 210,920	\$ 36,751	\$ 247,671
2023	216,233	31,438	247,671
2024	221,679	25,992	247,671
2025	227,262	20,409	247,671
2026	232,986	14,685	247,671
2027-2030	<u>463,083</u>	<u>11,618</u>	<u>474,701</u>
Total	<u>\$1,572,163</u>	<u>\$ 140,893</u>	<u>\$1,713,056</u>

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

	2021	2020
Interest paid	\$ 3,087,532	\$ 3,225,126
Plus: Interest accrued in the current year	1,163,849	1,355,787
Less: Interest accrued in the prior year	(1,355,787)	(1,454,263)
Less: Amortization of gain on refunding	(60,996)	(60,996)
Less: Amortization of bond premium	<u>(129,754)</u>	<u>(129,754)</u>
Total interest expense	<u>\$ 2,704,844</u>	<u>\$ 2,935,900</u>

NIAGARA FALLS WATER BOARD

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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, 2021, 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.

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.

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Short-term debt provides financing for current activities. In July 2021, the Authority entered into a direct borrowing financing agreement with NYS Environmental Facilities Corporation in the amount of \$1,584,352 for current project costs.

Short-term debt activity for the year ended December 31, 2021, was as follows:

Beginning balance	\$ -
Additions	1,584,352
Reductions	-
Ending balance	<u>\$1,584,352</u>

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 \$34,711 and \$36,653 at December 31, 2021 and 2020, respectively. The long-term portion of the liability amounted to \$659,506 and \$696,406 at December 31, 2021 and 2020, respectively.

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Current	Long-Term
Compensated Absences	<u>\$ 733,059</u>	<u>\$ -</u>	<u>\$ (38,842)</u>	<u>\$ 694,217</u>	<u>\$ 34,711</u>	<u>\$ 659,506</u>

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, 2021 and 2020, the current portion of the postemployment benefits liability was \$2,637,999 and \$2,530,010, respectively. The noncurrent portion of the postemployment benefits liability amounted to \$92,590,341 and \$92,450,134 at December 31, 2021 and 2020, respectively.

NIAGARA FALLS WATER BOARD

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(With Comparative Totals for 2020)

Employees covered by benefit terms

At December 31, 2021, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The Board's total OPEB liability of \$95,228,340 and \$94,980,144 was measured as of December 31, 2021 and 2020, respectively, and was determined by an actuarial valuation as of January 1, 2020.

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	3.00%
Discount rate	2.05%
Healthcare cost trend rates	7.0% for 2021, 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>2021</u>	<u>2020</u>
Total OPEB liability as of beginning of year	\$94,980,144	\$88,864,058
Changes for the year:		
Service cost	1,377,099	1,349,028
Interest	1,921,160	1,769,731
Changes in assumptions	(520,053)	5,504,550
Benefit payments	<u>(2,530,010)</u>	<u>(2,507,223)</u>
Total changes	<u>248,196</u>	<u>6,116,086</u>
Total OPEB liability as of end of year	<u>\$95,228,340</u>	<u>\$94,980,144</u>

NIAGARA FALLS WATER BOARD

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(With Comparative Totals for 2020)

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 (1.05%) or 1-percentage-point higher (3.05%) than the current discount rate at December 31:

	2021		
	Current Discount		
	1% Decrease (1.05%)	Rate (2.05%)	1% Increase (3.05%)
Total OPEB liability	<u>\$114,593,454</u>	<u>\$ 95,228,340</u>	<u>\$ 80,553,363</u>
	2020		
	Current Discount		
	1% Decrease (1.02%)	Rate (2.02%)	1% Increase (3.02%)
Total OPEB liability	<u>\$114,758,444</u>	<u>\$ 94,980,144</u>	<u>\$ 80,055,565</u>

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 at December 31:

	2021		
	Healthcare		
	1% Decrease (6.0%)	Current Trend Rate (7.0%)	1% Increase (8.0%)
Total OPEB liability	<u>\$ 78,917,554</u>	<u>\$ 95,228,340</u>	<u>\$116,875,031</u>
	2020		
	Healthcare		
	1% Decrease (6.0%)	Current Trend Rate (7.0%)	1% Increase (8.0%)
Total OPEB liability	<u>\$ 79,249,333</u>	<u>\$ 94,980,144</u>	<u>\$115,799,147</u>

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Notes to Basic Financial Statements

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(With Comparative Totals for 2020)

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

For the years ended December 31, 2021 and 2020, the Board recognized OPEB expense of \$3,945,597 and \$3,833,636, respectively. At December 31, 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
2021		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	<u>4,074,796</u>	<u>452,514</u>
Total	<u>\$4,074,796</u>	<u>\$ 452,514</u>
2020		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	4,789,673	-
Benefit payments subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$4,789,673</u>	<u>\$ -</u>

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

<u>Fiscal Year Ending December</u>	<u>Amount</u>
2022	\$ 647,338
2023	647,338
2024	647,338
2025	647,338
2026	647,338
Thereafter	<u>385,592</u>
	<u>\$3,622,282</u>

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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 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 NYSERS 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>
2021	\$ 640,535
2020	\$ 566,475
2019	\$ 583,405

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

At December 31, 2021 and 2020, 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, 2021 and 2020. 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, 2021, the Board's proportion was 0.0194039%, which was an increase of 0.0015253% from its proportion measured as of March 31, 2020.

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	<u>2021</u>	<u>2020</u>
Measurement date	3/31/2021	3/31/2020
Board's proportionate share of the net pension liability	\$ 19,321	\$4,734,365
Board's proportion of the Plan's net pension liability	0.0194039%	0.0178786%

For the year ended December 31, 2021 and 2020, the Board recognized pension expense of \$500,981 and \$1,660,939 for ERS, respectively. At December 31, 2021 and 2020 the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2021</u>		<u>2020</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,965	\$ -	\$ 278,636	\$ -
Changes of assumptions	3,552,552	67,002	95,328	82,314
Net difference between projected and actual earnings on pension plan investments	-	5,550,197	2,427,065	-
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	261,165	224,406	211,096	146,248
Contributions subsequent to the measurement date	<u>544,239</u>	<u>-</u>	<u>480,401</u>	<u>-</u>
Total	<u>\$4,593,921</u>	<u>\$5,841,605</u>	<u>\$3,492,526</u>	<u>\$ 228,562</u>

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:

2022	\$ (302,486)
2023	(118,907)
2024	(304,233)
2025	<u>(1,066,297)</u>
	<u>\$ (1,791,923)</u>

Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The total pension liability for the March 31, 2020 measurement date was determined by using an actuarial valuation as of April 1, 2019, with update procedures to roll forward the total pension liability to March 31, 2020.

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

Inflation	2.70%
Salary scale	4.4% indexed by service
Projected COLAs	1.4% 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-2018
Investment Rate of Return	5.9% compounded annually, net of investment expenses

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

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

Asset Type	Allocations	Long-Term Expected Real
	In %	Rate of Return in %
Domestic equity	32	4.05
International equity	15	6.30
Private equity	10	6.75
Real estate	9	4.95
Opportunistic portfolio/ARS portfolio	3	4.50
Credit	4	3.63
Real assets	3	5.95
Fixed income	23	0.00
Cash	1	0.50
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability in 2021 and 2020 was 5.9% and 6.8%, 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.

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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:

	2021		
	Current		
	1% Decrease	Assumption	1% Increase
	(4.9%)	(5.9%)	(6.9%)
Proportionate Share of Net Pension liability (asset)	<u>\$ 5,362,828</u>	<u>\$ 19,321</u>	<u>\$ (4,908,642)</u>

	2020		
	Current		
	1% Decrease	Assumption	1% Increase
	(5.8%)	(6.8%)	(7.8%)
Proportionate Share of Net Pension liability (asset)	<u>\$ 8,688,896</u>	<u>\$ 4,734,365</u>	<u>\$ 1,092,225</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	3/31/2021	3/31/2020
Employers' total pension liability	\$ 220,680	\$ 194,596
Plan fiduciary net position	<u>220,581</u>	<u>168,115</u>
Employers' net pension liability	<u>\$ 99</u>	<u>\$ 26,481</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%	86.39%

9. 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.

NIAGARA FALLS WATER BOARD

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10. RISK MANAGEMENT AND CONTINGENT LIABILITIES

Risk management and contingent liabilities at December 31, 2021 and 2020 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, 2021 and 2020.

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.

11. 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.

12. 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.

13. SUBSEQUENT EVENT

In March 2022, the Authority issued Water and Sewer System Revenue Refunding Bonds, Series 2022A totaling \$35,930,000 for the sole purpose of refunding the Authority's Series 2013A Bonds.

**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, 2021

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 1,377,099	\$ 1,349,028	\$ 556,876	\$ 540,656						
Interest	1,921,160	1,769,731	3,280,087	3,234,085						
Changes of benefit terms	-	-	-	-						
expected and actual										
experience	-	-	-	-						
Changes in assumptions	(520,053)	5,504,550	-	-						
Benefit payments	(2,530,010)	(2,507,223)	(2,581,965)	(2,546,361)						
Total change in total OPEB liability	248,196	6,116,086	1,254,998	1,228,380						
Total OPEB liability - beginning	94,980,144	88,864,058	87,609,060	86,380,680						
Total OPEB liability - ending	\$ 95,228,340	\$ 94,980,144	\$ 88,864,058	\$ 87,609,060						
Covered-employee payroll	\$ 4,310,662	\$ 4,310,662	\$ 3,900,691	\$ 3,900,691						
Total OPEB liability as a percentage of covered-employee payroll	2209.1%	2203.4%	2278.2%	2246.0%						

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.

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	2.05%	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.

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, 2021**

NEW YORK STATE EMPLOYEES' RETIREMENT	Last 10 Fiscal Years (Dollar amounts displayed in thousands)								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.0194039%	0.0178786%	0.0160886%	0.0147209%	0.0137476%	0.0134405%	0.0141606%		
Proportionate share of the net pension liability (asset)	\$ 19,321	\$ 4,734,365	\$ 1,139,930	\$ 475,108	\$ 1,291,751	\$ 2,157,242	\$ 478,381		
Covered-employee payroll	\$ 5,609,604	\$ 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	0.34%	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)	99.95%	86.39%	96.27%	98.29%	94.70%	90.70%	97.95%		

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.

NIAGARA FALLS WATER BOARD

Schedule of Contributions - Pension Plans (Unaudited) For the Year Ended December 31, 2021

NEW YORK STATE EMPLOYEES' RETIREMENT	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 725,652	\$ 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>725,652</u>	<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>	<u>\$ -</u>	
Covered-employee payroll	<u>\$ 5,609,604</u>	<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	12.94%	11.72%	11.52%	13.34%	13.97%	14.70%	17.76%	19.27%	20.27%	

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

OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information

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

Statement of Net Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 146,329	\$ 133,829
Total current assets	<u>146,329</u>	<u>133,829</u>
NONCURRENT ASSETS:		
Due from Water Board	<u>82,277,104</u>	<u>87,882,921</u>
Total noncurrent assets	<u>82,277,104</u>	<u>87,882,921</u>
Total assets	<u>82,423,433</u>	<u>88,016,750</u>
LIABILITIES		
CURRENT LIABILITIES:		
EFC Short-term financing	1,584,352	-
Current portion, bonds payable	<u>4,638,755</u>	<u>4,466,316</u>
Total current liabilities	<u>6,223,107</u>	<u>4,466,316</u>
NONCURRENT LIABILITIES:		
Bonds payable	<u>77,519,395</u>	<u>82,306,914</u>
Total noncurrent liabilities	<u>77,519,395</u>	<u>82,306,914</u>
Total liabilities	<u>83,742,502</u>	<u>86,773,230</u>
DEFERRED INFLOWS OF RESOURCES		
Gain on refunding	<u>787,861</u>	<u>848,857</u>
Total deferred inflows of resources	<u>787,861</u>	<u>848,857</u>
NET POSITION		
Unrestricted	<u>(2,106,930)</u>	<u>394,663</u>
Total net position	<u>\$ (2,106,930)</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, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE:		
Operating transfers in	\$ 50,000	\$ 2,935,900
Total operating revenue	<u>50,000</u>	<u>2,935,900</u>
Total operating income	<u>50,000</u>	<u>2,935,900</u>
NON-OPERATING REVENUE (EXPENSES):		
Amortization of deferred gain and premium	190,750	-
Debt issuance costs	(37,499)	-
Interest expense	<u>(2,704,844)</u>	<u>(2,935,900)</u>
Total non-operating expenses, net	<u>(2,551,593)</u>	<u>(2,935,900)</u>
CHANGE IN NET POSITION	(2,501,593)	-
NET POSITION - beginning of year	<u>394,663</u>	<u>394,663</u>
NET POSITION - end of year	<u>\$ (2,106,930)</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

March 28, 2022

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, 2021, and the related notes to financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 28, 2022.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

INDEPENDENT ACCOUNTANT'S REPORT

March 28, 2022

To the Board of Directors of
Niagara Falls Water Board:

We have examined the Niagara Falls Water Board's (the Board) compliance with its own investment policies and applicable laws and regulations related to investments for the year ended December 31, 2021. Management of the Board is responsible for the Board's compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Board complied, in all respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, the Board complied, in all respects, with the aforementioned requirements for the year ended December 31, 2021.

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

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NIAGARA FALLS WATER BOARD

**Communication of Matters Related to Internal Control
Over Financial Reporting and Other Matters
December 31, 2021**

Bonadio & Co., LLP
Certified Public Accountants

March 28, 2022

To the Board of Directors of
Niagara Falls Water Board:

In planning and performing our audit of the financial statements of the Niagara Falls Water Board (the Water Board) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Water 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

During our audit, we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

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

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NIAGARA FALLS WATER BOARD

Communication of Matters Related to Internal Control Over Financial Reporting and Other Matters December 31, 2021

The following matters are considered deficiencies in internal control:

1. PAYROLL

Observation

During the audit, we noted that the Water Board currently uses a timeclock system for its employees. However, this time clock system is not integrated directly with the payroll system; and therefore, is only used as a check, if necessary, to determine whether an employee was working. Instead of using the timeclock to track time, Department Supervisors provide spreadsheets to payroll noting the hours worked for each employee during that pay period. These spreadsheets are used to manually record the payroll in the general ledger. Payroll is the single largest expense for the Water Board.

Recommendation

We continue to recommend that the Water Board consider integrating the timeclock system into the payroll process to reduce not only the amount of effort needed by the payroll staff, but also the risk of inaccurate reporting of employee time. With a manual process (such as the Water Board's current process which requires payroll personnel to manually enter all information provided into the system), there is room for error. Integrating these two systems would reduce the likelihood of an error occurring and reduce the time needed by payroll staff to manually enter the data. Subsequent to year-end, we noted that the Water Board has approved the use of Paychex in the payroll process and the conversion to their system has begun.

2. APPROVAL OF BUDGET TRANSFERS

Observation

During our planning procedures, it was noted that the Board does not have a formal policy in place regarding the review and approval of budget amendments and transfers.

Recommendation

As it is the responsibility of the Board to approve the budget, it is also their responsibility to approve any modifications to the budget. Therefore, we continue to recommend that the Board implement a formal process in which any budget amendments or transfers be reviewed and approved by the Board. This policy could include various thresholds under which certain levels of management can initiate and approve transfers before Board action is required.

3. MANUAL SPREADSHEETS

Observation

We noted that several significant financial areas are tracked manually using excel spreadsheets prior to being recorded in the general ledger. For example, accounts payable for the Plant fund, capital project activity and capital assets are all currently tracked outside of the software. Such a system creates a potential for error due to the manual nature of the process.

Recommendation

We continue to recommend that the Water Board consider utilizing capital asset software to help manage and maintain the capital asset activity, including all work-in-process. Additionally, we recommend that any capital project activity be tracked and recorded in the general ledger as it occurs.

4. UNCOLLECTIBLE BILLINGS**Observation**

The Water Board currently has a significant balance of uncollectible water and sewer billings that is being carried, and this amount increases annually. Based on our audit procedures and inquiries of management, 100% of the amounts transferred to the City of Niagara Falls from one-year prior to December 31, 2021, are reserved as uncollectible. Of that, a small percentage of the amounts transferred are ultimately collected through the City of Niagara Falls tax re-levy process. In addition, 100% of the amounts more than 120 days old from the non-transferred receivables are reserved as uncollectible. The financial impact of these allowances is that over \$7.0 million has been deemed uncollectible as of December 31, 2021. The Water Board, in various bond issuances has covenanted that it will enforce the payment of any and all charges owed to the Water Board for use of the System. The Act (Public Authorities Law Section 1230-j(6)) provides that any rates, fees, and charges that remain unpaid shall constitute a lien on the premises that received the service and that such lien may be enforced in the same manner as a lien for taxes. The Board is currently not receiving any supporting documentation or verifying if amounts collected through the tax process are getting remitted to the Water Board from the City.

Recommendation

We continue to recommend that the organization review all outstanding accounts receivable and determine whether those amounts are in fact uncollectible and those amounts should be written off the books. Additionally, for those customers that are deemed uncollectible, an assessment should be made to ensure that no additional services are being provided to those customers. The organization should consider working with the City of Niagara Falls or the County of Niagara to use American Recovery Plan funds available to assist with getting customers in Qualified Census Tracts current on their utility bills. This is a specific allowable distribution of these funds. Additionally, it's critical that the Water Board develop a process to reconcile the list of transferred billings to the actual collections, and to further verify that collections from the City are being returned to Water Board.

5. INTERFUND ACTIVITY**Observation**

We noted that interfund balances between the Water Board, Plant, Water, and Sewer fund balances have been accumulating for several years. As of December 31, 2021, the accumulated amounts owed between funds was approximately \$82.7 million; however, a significant portion of that balance does not represent an amount that will be repaid between the funds.

Recommendation

We continue to recommend that management review the interfund activity and only record amounts due to or from that have an expectation of repayment. If amounts are not to be repaid, then any funds moved from one fund to another should be reflected as a transfer in or out on an annual basis.

6. SEGREGATION OF DUTIES**Observation**

During our audit, we noted instances where segregation of duties should be reviewed and the identification of key controls over activities should be documented. The Water Board has undergone a significant amount of turnover in recent years which has led to a concentration of certain duties.

Recommendation

We continue to recommend that the Water Board study the current internal control environment and develop a plan to reassign non-compatible duties, provide additional monitoring of functions and create cross-training of certain functions as appropriate. Additionally, in connection with this analysis, the Water Board should ensure that key controls are identified and documented for all accounting transaction cycles within the organization.

7. ANNUAL RATE CHANGES**Observation**

During our planning procedures, we noted that water and sewer rate changes are manually updated in the system and are not individually reviewed by anyone. Instead, they are reviewed as part of the billing process as a whole.

Recommendation

We recommend that when there are rate changes, those modifications in the system are reviewed prior to the billing process occurring to ensure the amounts entered are correct.

The following are considered other matters for the consideration of management:

8. NEW HIRES & PERSONNEL RATE CHANGES**Observation**

During our planning procedures, we noted that payroll rate changes are manually entered into New World and are not individually reviewed. However, the Water Board relies on employees to bring any corrections necessary to the Water Board's attention. Additionally, we noted that new hires are entered into New World and are not individually reviewed to ensure they are properly entered. The Deputy Director of Administrative Services reviews the payroll register and supporting documentation for the pay period as a whole.

Recommendation

We recommend that the Water Board implement a process wherein any pay rate changes, and new employees entered into New World, are reviewed on an individual basis to ensure the amounts are properly recorded.

9. SOFT CLOSE

Observation

While performing our preliminary analytical procedures in November 2021, we found that many balance sheet accounts had not been reconciled, as the Water Board typically reconciles all balance sheet accounts at year-end. Additionally while testing debt, we noted that a debt transfer had not occurred during the year as it should have because the Water Board wasn't sure if the prior Director of Finance had made it or not.

Recommendation

Had the account been reconciled prior to year-end, it would have been discovered that the transfer was not made, and the transfer could have been made prior to year-end. Therefore, we recommend that the Water Board perform "soft" closes at various times throughout the year to reconcile the balance sheet accounts. This will also reduce the amount of time it takes to close the books as of year-end.

10. INFORMATION RISK MANAGEMENT

Observation

Based on our discussions with Water Board personnel during planning, we have noted that the technology controls within the organization include some undocumented policies and practices or are based solely on external mandates and laws. Furthermore, formal IT risk assessments are not being performed and security awareness training is not documented as occurring on a regular basis. It was communicated that the Water Board does not maintain a Computer Security Incident Response Plan and therefore may not be able to sufficiently respond in the event of an incident.

Recommendation

While laws and regulations are intended to outline the minimum expectations and protocols, each organization should have specific policies that are tailored to their operations and activities. The lack of a formal documented policies and procedures exposes the Water Board to possible interruptions and potential loss or corruption of data. We continue to recommend, in light of the national cyber-attacks against critical infrastructure, that the Water Board fully assess and address the weaknesses that may exist.

11. WATER LOSS CONTROL

Observation

Based on our review of reports provided by the Board, the average annual volume of unaccounted for water has been 68% or more of the treated water for the last five years, a percentage that is significantly higher than typical industry averages. The impact of this loss is an estimated \$400,000 - \$500,000 on an annual basis. Additionally, on top of this unaccounted-for water, there are amounts billed to residents under the DRIP program, but which is ultimately credited back on their bills. There are currently over 200 residents that are included in this program. Therefore, the actual cost to the Board related to unaccounted for or unbillable water is much greater than half million dollars annually. Nationally, the average amount of water loss is 14% (according to a study by the US EPA). Based on reports provided by management, the water losses in systems in and around Niagara County range from 22-74%. Water loss can occur in many ways, either unknown resulting from leaks and theft, to those known instances like fire suppression and flushing of mains. Over the course of the past year, the Board has begun replacing water lines and meters to reduce the amount of water loss incurred.

Recommendation

We continue to recommend, in order to ensure long-term viability of the organization, that the plan to systematically locate and remediate water loss be continued. Water losses at 3 times the national average, or at the upper end of the Niagara County region, for at least the past 10 years is not sustainable. Identifying and securing funding for assistance in stemming these losses should be a priority for the Water Board going forward. Additionally, developing a specific operational or capital budget line for leak detection, prevention and correction is critical to the success of reducing these losses.

12. BANK RECONCILIATIONS

Observation

During our audit of cash and the accompanying bank reconciliations, we noted old outstanding checks that were being carried over an annual basis.

Recommendation

We continue to recommend that management review those outstanding checks and either remit the amounts to New York State under the unclaimed property laws, void and reissue the checks, or determine if the obligation was otherwise satisfied and can be returned to the Water Board's cash.

13. FUTURE GASB PRONOUNCEMENT

Observation

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement Number 87 – Leases, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement was originally effective for the Water Board during the year ended December 31, 2020; however, Statement Number 95 allowed the Water Board to postpone the implementation of Statement Number 87 for 18 months.

Recommendation

In preparation for the implementation of this Statement, we continue to recommend that the Water Board accumulate a listing of all significant contracts and/or lease agreements and review all such agreements to determine how they will need to be reported once this Statement is implemented. To best do this, we encourage management to begin a process of centralization of all key contracts, grants, documents, and agreements that have financial implications to be maintained in the Finance office. This will facilitate retrieval in the future and ensure that all accounting is proper.

March 21, 2022

To the Board Members of
Niagara Falls Water Board:

We have audited the financial statements of the Niagara Falls Water Board (the Board) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2021. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

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

No new accounting policies were adopted and the application of existing policies was not changed during 2021.

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

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

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

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

Other Audit Findings or Issues

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

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

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

Restriction on Use

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

For the Year Ended December 31, 2021

Summary of Audit Adjustments

Change in net position - unadjusted	\$ 12,692,466
Client adjustments:	
To record current year capital asset activity.	(6,635,454)
To record the purchase of a dump truck.	40,000
Audit adjustments:	
To record a sludge disposal expense payable as of year-end.	(122,508)
To record a National Grid expense payable as of year-end.	(29,244)
To record a hypochlorite solution chemicals expense payable as of year-end.	(59,688)
To adjust the current year balance of compensated absences.	38,840
To record the current year change in net pension liability and the related deferred outflows/inflows of resources.	(4,586,277)
To record the current year change in Total OPEB and the related deferred outflows/inflows of resources.	3,622,282
To record DASNY grant receivable as of year-end.	<u>160,430</u>
Change in net position - adjusted	<u>\$ 5,120,847</u>

NIAGARA FALLS PUBLIC WATER AUTHORITY RESOLUTION 2022-02

RESOLUTION AUTHORIZING THE ISSUANCE OF THE AUTHORITY'S SEWER
SYSTEM REVENUE BONDS AND THE APPROVAL AND EXECUTION OF RELATED
DOCUMENTS

WHEREAS, Title 10-B of the Public Authorities Law of the State of New York, as amended (the "Act") created the Niagara Falls Public Water Authority (the "Authority") with the authority and power to issue its revenue bonds for the purpose of among other things, planning, developing, acquiring, constructing and financing the cost of any facility (as defined in the Act), including the acquisition of facilities of the City of Niagara Falls ("the City") (the "System") by the Niagara Falls Water Board (the "Board") or for any other corporate purpose, including the establishment of reserves to secure the bonds, the payment of principal of, premium, if any, and interest on the bonds and the payment of incidental expenses in connection therewith; and

WHEREAS, the City has sold, transferred and otherwise conveyed the City's title and interest in the System to the Board; and

WHEREAS, the Board has approved capital improvements to be undertaken to the System consisting of the LaSalle sewershed rehabilitation project which includes sanitary sewer remediation and manhole rehabilitation (the "Project") and has requested that the Authority finance same; and

WHEREAS, in connection therewith, it is now desired to authorize the issuance of not exceeding \$1,300,000 of bonds to the New York State Environmental Facilities Corporation ("EFC"), including any notes issued in anticipation thereof (the "Bonds") plus any amounts necessary to fund reserves and to pay costs of issuance (with such amount to be reduced by grants), and to approve and authorize the execution of related documents; NOW, THEREFORE,

BE IT RESOLVED by the Niagara Falls Public Water Authority as follows:

Section 1.

The Authority hereby finds and determines:

- (a) By virtue of the Act, the Authority has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act.
- (b) It is desirable and in the public interest for the Authority to issue and sell the Bonds pursuant to a certain General Revenue Bond Resolution dated as of May 1, 2003 (the "General Resolution"), adopted by the Authority, and pursuant to a Supplemental Resolution(s) (the "Supplemental Resolution") by and between the Authority and Manufacturers and Traders Trust Company, as trustee (the "Trustee") (the Supplemental Resolution, collectively with the General Resolution, the "Resolution") and to use the proceeds of said Bonds to pay for the Project, any required reserves and costs of issuance.

Section 2.

In consequence of the foregoing, the Authority hereby determines to: (i) issue and sell the Bonds pursuant to the Supplemental Resolution and the General Resolution; (ii) use the proceeds of the Bonds as previously described and as provided in the Supplemental Resolution, (iii) enter into each agreement hereafter identified in this resolution; and (iv) execute such

other documents and take such other action as may be necessary to effectuate the purposes of this resolution.

Section 3.

The Authority is hereby authorized to issue, execute, sell and deliver the Bonds to EFC in the aggregate principal amount, maturing in such years at such amounts, in serial or term form, at the rate of interest and upon such terms as shall be approved by the Chairman or the vice-Chairman, provided that:

- (a) The Bonds are hereby authorized to be issued, executed and delivered and shall be issued, executed and delivered at such time as the Chairman or the Vice-Chairman of the Authority shall determine.
- (b) The Bonds shall be issued solely for the purposes previously described.
- (c) The Bonds and the interest thereon are not and shall never be a debt of the State of New York or any political subdivision thereof other than the Authority, including without limitation the City of Niagara Falls, and neither the State of New York nor any political subdivision thereof other than the Authority, including without limitation the City of Niagara Falls, shall be liable thereon.

Section 4.

The Authority is hereby authorized to enter into a Project Finance Agreement (the "Finance Agreement") with EFC and such other agreements and documents relating to the Bonds as required by EFC.

Section 5.

The Bonds shall not be issued, executed or delivered until the prior approval of the State Comptroller shall have been obtained as required by the Act.

Section 6.

- (a) The Chairman or the vice-Chairman of the Authority are hereby authorized, on behalf of the Authority, to execute and deliver the Supplemental Resolution, the Bonds, and the Finance Agreement, all as described above (collectively, the "Financing Documents"), and the Secretary of the Authority is hereby authorized to affix the seal of the Authority to the Supplemental Resolution and the Bonds and to attest the same. The execution thereof by the Chairman or the Vice-Chairman shall constitute conclusive evidence of such approval.
- (b) The Chairman or the vice-Chairman of the Authority are further hereby authorized, on behalf of the Authority, to designate any additional Authorized Representatives of the Authority (as used or defined in and pursuant to the Resolution) to execute, on behalf of the Authority, any Financing Documents.

Section 7.

The members, officers, employees and agents of the Authority are hereby authorized and directed for and in the name and on behalf of the Authority to do all acts and things required or provided for by the provisions of the Financing Documents, and to execute and deliver all such additional certificates, instruments and documents, pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the member, officer, employee or agent acting, desirable and proper to effect the purposes of this resolution and to cause

compliance by the Authority with all of the terms, covenants and provisions of the Financing Documents.

Section 8.

This resolution shall take effect immediately and the Bonds are hereby ordered to be issued in accordance with this resolution.

At a regular meeting of the Niagara Falls Public Water Authority, held at the Authority's office, 5815 Buffalo Avenue, Niagara Falls, New York 14302, at 4:00 o'clock P.M., on the 20th day of December, 2022, the following members of the Authority were:

PRESENT:

ABSENT:

ALSO PRESENT:

After the meeting had been duly called to order, the Chairman announced that among the purposes of the meeting was to consider and take action on certain matters pertaining to the issuance and sale of the Authority's proposed Sewer System Revenue Bonds.

The following resolution was duly moved, seconded, discussed and adopted with the *following members voting in open session:*

AYE

NAY

STATE OF NEW YORK)
 ss.:
COUNTY OF NIAGARA)

I, the undersigned Secretary of the Niagara Falls Public Water Authority, DO HEREBY CERTIFY:

That I have compared the annexed extract of the minutes of the meeting of the Niagara Falls Public Water Authority, including the resolution contained therein, held on December 20, 2022, with the original thereof on file in my office, and that the same is a true and correct transcript therefrom and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that all members of said Authority had due notice of said meeting.

I FURTHER CERTIFY that, pursuant to Section 103 of the Public Officers Law (Open Meetings Law), said meeting was open to the general public.

I FURTHER CERTIFY that, PRIOR to the time of said meeting, I duly caused a public notice of the time and place of said meeting to be given to the following newspapers and/or other news media as follows:

Newspaper and/or other news media

Date given

I FURTHER CERTIFY that PRIOR to the time of said meeting, I duly caused public notice of the time and place of said meeting to be conspicuously posted in the following designated public location on the following dates:

Designated Location of Posted Notice

Date of posting

None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Authority on _____, 2022.

(CORPORATE SEAL)

[____], Secretary



November 14, 2022 Public Hearing on 2023 Rate, Fees, and Other Charges



What is Driving the Rate Increase?

- The Water Board funds all its operational costs from rates and fees charged to users of its system, and covenants with its bondholders require it to raise the full amount of its operations budget in rates and fees each year.
- In 2022 and again in 2023, the competitively bid contracts for chemicals increased dramatically.
 - 2023 chemical costs are forecast to total \$10,775,000 or 26.36% of the Water Board's budget, versus \$3,294,000 and 9.63% in 2018.
 - The chemical whose cost most impacts the Water Board's budget is sodium hypochlorite, as the Water Board's outdated wastewater treatment plant uses a physical/chemical treatment technology that requires vast quantities of sodium hypochlorite to achieve treatment and disinfection.
 - Bid prices for sodium hypochlorite by calendar year:

▪ 2018: \$0.422/gal	▪ 2021: \$0.3954
▪ 2019: \$0.477/gal	▪ 2022: \$1.18/gal (a 198% increase)
▪ 2020: \$0.43/gal	▪ 2023: \$2.389/gal (a 102% increase)

What is the Water Board Doing to Control Costs?



- Keeping an eye on expenses within its control, including expanding in-house capabilities to reduce costly use of outside contractors:
 - New equipment for outside maintenance to repair more water/sewer main breaks.
 - Hiring temporary employees from trade Union Halls to perform more work in house without contractor markup.
- Relentless efforts to reduce non-revenue water, which are showing considerable results – a **7.4% decrease** in finished water produced at the WTP from Jan.-Oct. 2022 versus the same period in 2021. Determining the exact percent of non-revenue water reduction will require full-year production and billing results.
- Big picture, the long-term solution to the unsustainable increases in chemical costs seen year over year is to convert the existing physical/chemical treatment process at the wastewater treatment plant to a biological treatment process.
 - Biological plants have substantial operations and maintenance costs too, but conversion is expected to save millions of dollars in chemical costs annually.
 - Cost of conversion is in hundreds of millions of dollars, too much for our ratepayers to afford.
 - Unlike water and sewer systems operated by municipalities and counties, the NFWB received no funding under the American Rescue Plan.
 - **NFWB is aggressively seeking State and Federal funds to make this project happen!**



Personnel Costs Contained – Budget Growth Predominantly Driven by Chemical Cost Increases


2018		
<u>Expense</u>	<u>2018 Total</u>	<u>% of 2018 Budget</u>
Salaries and Benefits	\$11,524,768	33.7%
Chemicals	\$3,294,132	9.6%
Other Contractual Costs	\$7,638,182	22.4%
Debt Service	\$11,740,689	34.3%

2023			
<u>2023 Total</u>	<u>% of 2023 Budget</u>	<u>Increase since 2018</u>	<u>% Increase Divided by Six Years</u>
\$12,599,986	30.8%	9.3%	1.6%
\$10,775,000	26.4%	227.1%	37.9%
\$9,021,381	22.1%	18.1%	3%
\$8,475,711	20.7%	-27.8%	-4.6%

Water Board Debt:

Assumed from City of Niagara Falls when Water Board created: **\$134,000,000**

Current Debt: **\$82,000,000**

2023 Chemical Bids																2023 % Change	
Apparent Low Bidders :		Bid #W2022-02															
		Apparent Low															
Item	Chemical	Bidder - 2023	Bid-2023	Bid-2022	Bid-2021	Bid-2020	Bid-2019	Bid-2018	Bid-2017	Bid-2016	Bid-2015	Bid-2014	Bid - 2013	Bid - 2012			
1	Chlorine - Ton Cyls	No Bid	None	\$ 3,000.00	\$ 875.00	\$ 815.00	\$ 790.00	\$ 790.00	\$ 750.00	\$ 700.00	\$ 600.00	\$ 550.00	\$ 600.00	\$ 488.00	None		
2	Chlorine - 150 lb	No Bid	None	None	\$ 400.00	\$ 350.00	\$ 300.00	\$ 300.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 110.00	\$ 125.00	\$ 90.00	None		
3	Ferric chloride	Kemira	\$ 1,216.00	\$ 798.00	\$ 623.00	\$ 603.00	\$ 588.00	\$ 494.00	\$ 422.66	\$ 397.00	\$ 434.40	\$ 341.68	\$ 352.08	\$ 323.33	52		
4(a)	Hydrofluosilicic acid	Univar Solutions	\$ 625.00	\$ 500.00	\$ 508.50	\$ 449.00	\$ 364.00	\$ 435.00	\$ 401.00	\$ 449.00	\$ 507.00	\$ 529.00	\$ 574.00	\$ 581.00	25		
5(b)	Hydrofluosilicic acid	No Bid	None	None	\$ 508.50	\$ 520.00	\$ 364.00	\$ 435.00	\$ 471.00	\$ 483.25	\$ 576.00	\$ 605.00	\$ 622.00	\$ 627.00	None		
6	Sodium Hypochlorite	Bison Laboratories	\$ 2.389	\$ 1.180	\$ 0.395	\$ 0.453	\$ 0.477	\$ 0.423	\$ 0.473	\$ 0.519	\$ 0.499	\$ 0.532	\$ 0.487	\$ 0.517	102		
7	Hydrogen Peroxide	No Bid	None	\$ 659.34	None	\$ 538.00	\$ 425.90	\$ 426.00	\$ 432.00	\$ 424.00	\$ 404.00	\$ 394.00	\$ 416.00	\$ 359.00	None		
8	High Calcium Quicklime	Carmeuse Lime	\$ 262.31	\$ 203.01	\$ 179.79	\$ 169.00	\$ 147.83	\$ 149.00	\$ 159.50	\$ 156.41	\$ 162.71	\$ 160.78	\$ 172.80	\$ 177.80	29		
9	Polyorthophosphate	Carus	\$ 2,840.00	\$ 1,524.77	\$ 898.00	\$ 920.00	\$ 830.00	NA	\$ 716.00	\$ 738.00	\$ 740.00	\$ 780.00	\$ 820.00	\$ 1,057.57	86		
10	Polyaluminum chloride	Kemira	\$ 468.00	\$ 309.80	\$ 265.20	\$ 265.20	\$ 238.00	\$ 195.40	\$ 189.49	\$ 206.80	\$ 223.00	\$ 233.00	\$ 254.00	\$ 260.00	51		
XXX	(All WTP Chemicals)																

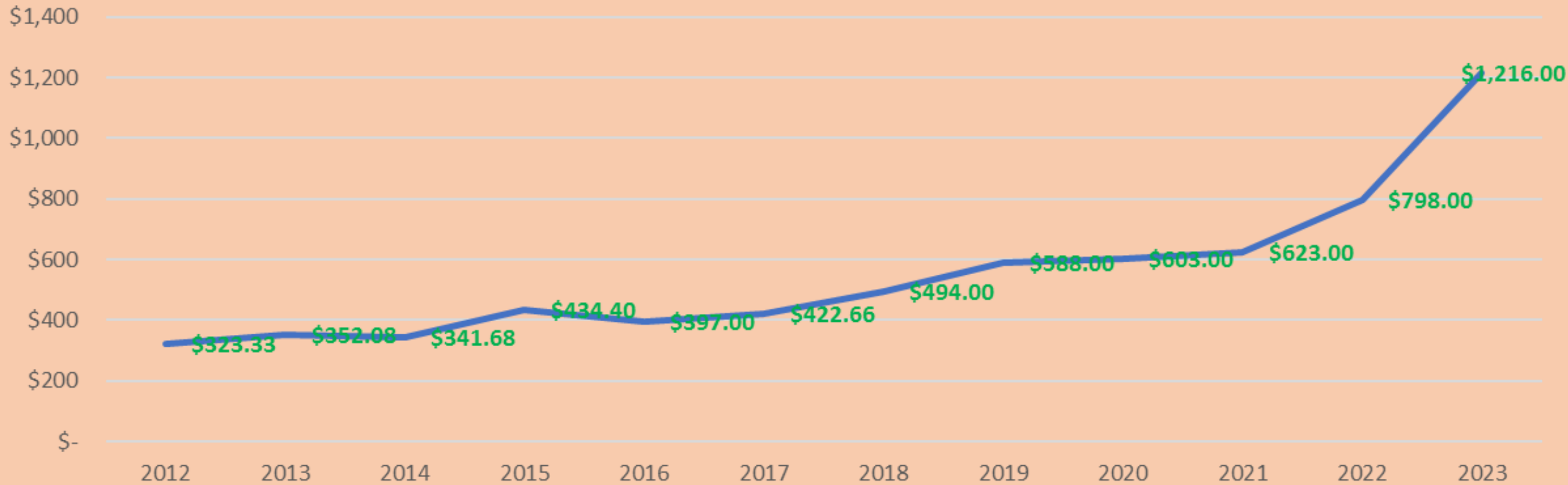


(a) 2000 gallon lots
(b) 900 gallon lots
(c) 50% solution

water
wastewater
unused

WASTEWATER TREATMENT PLANT CHEMICALS

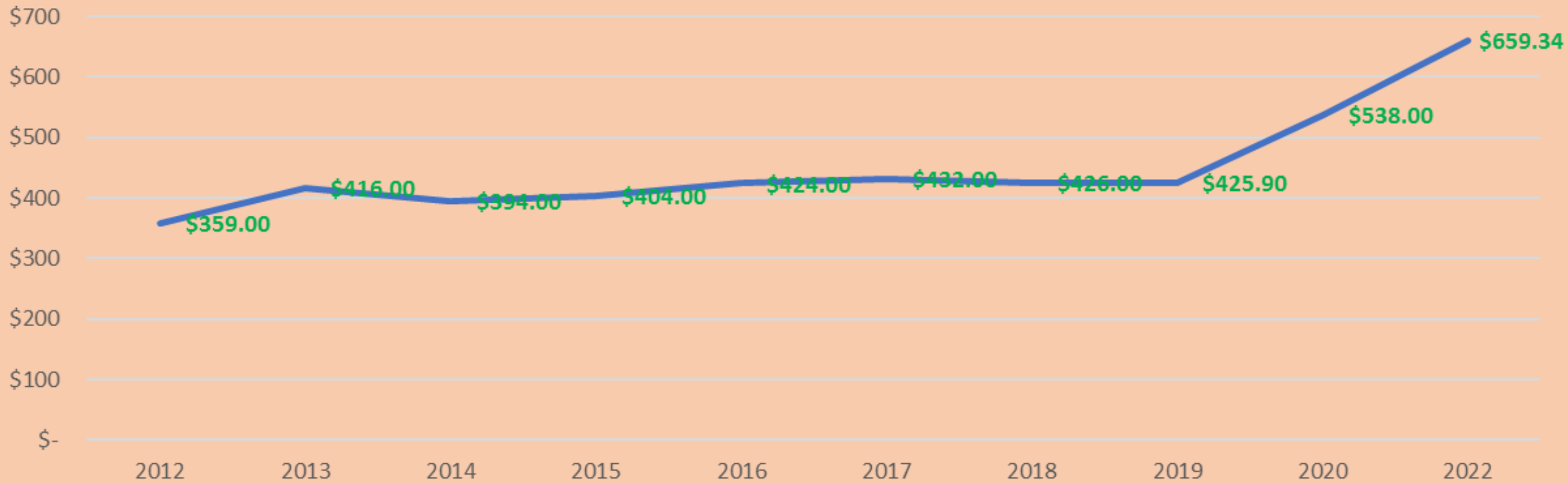
Ferric Chloride (\$/ton)



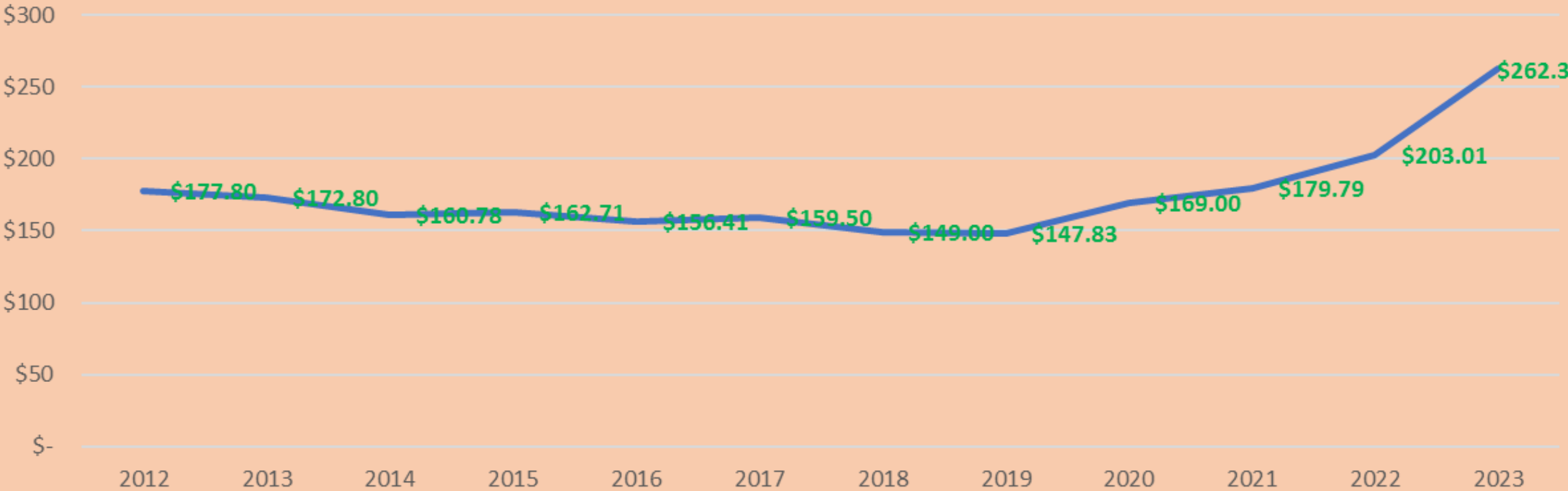
Sodium Hypochlorite Cost (\$/gallon)



Hydrogen Peroxide (\$/ton)

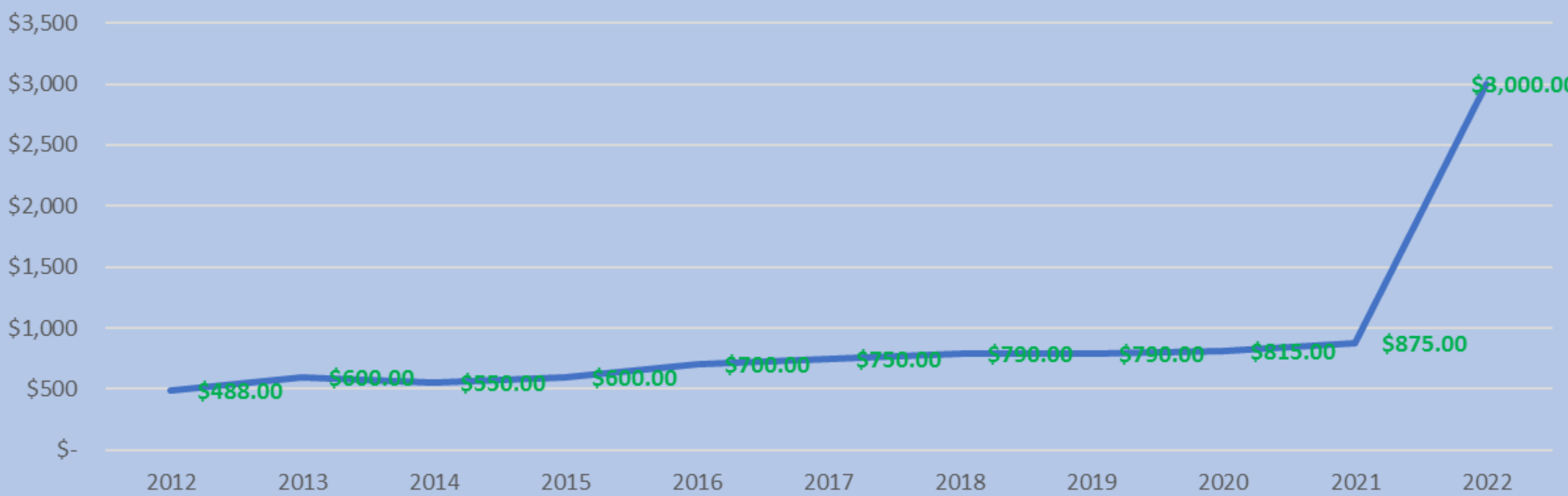


High Calcium Quicklime (\$/ton)

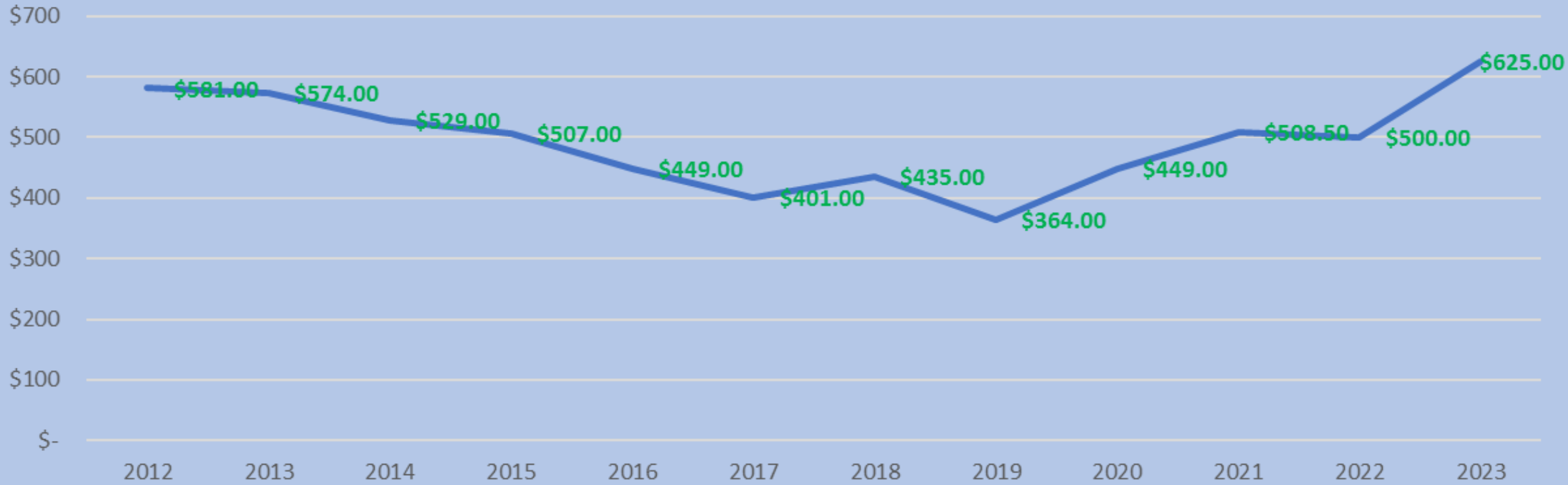


WATER TREATMENT PLANT CHEMICALS

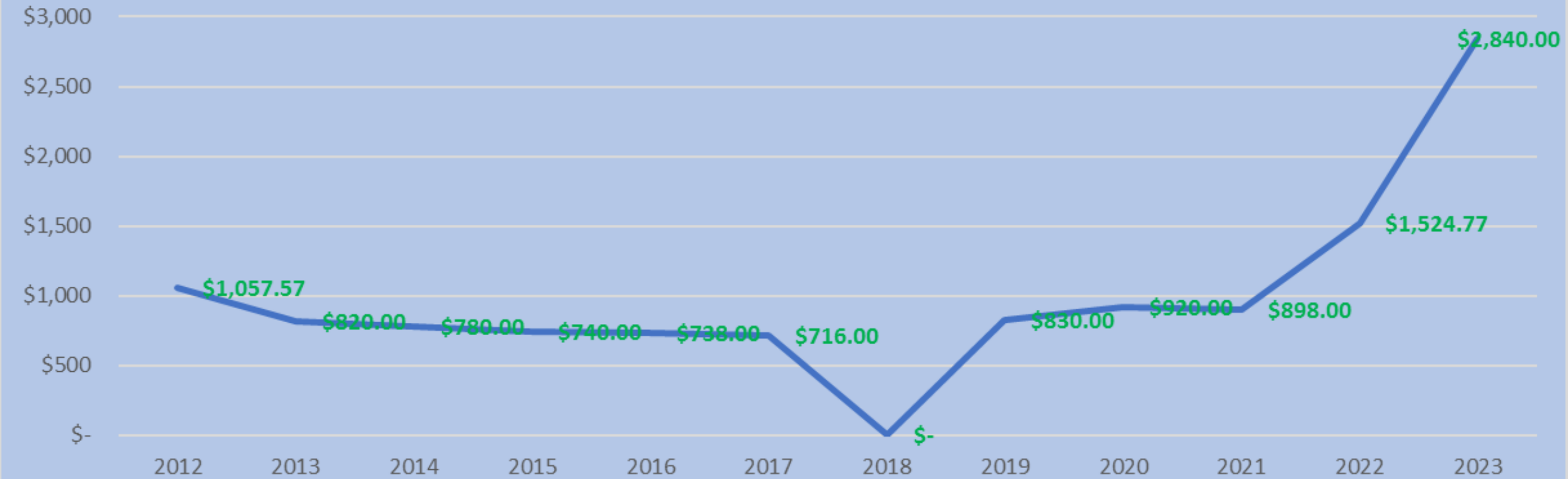
Chlorine - Ton Cylinders (\$/ton)



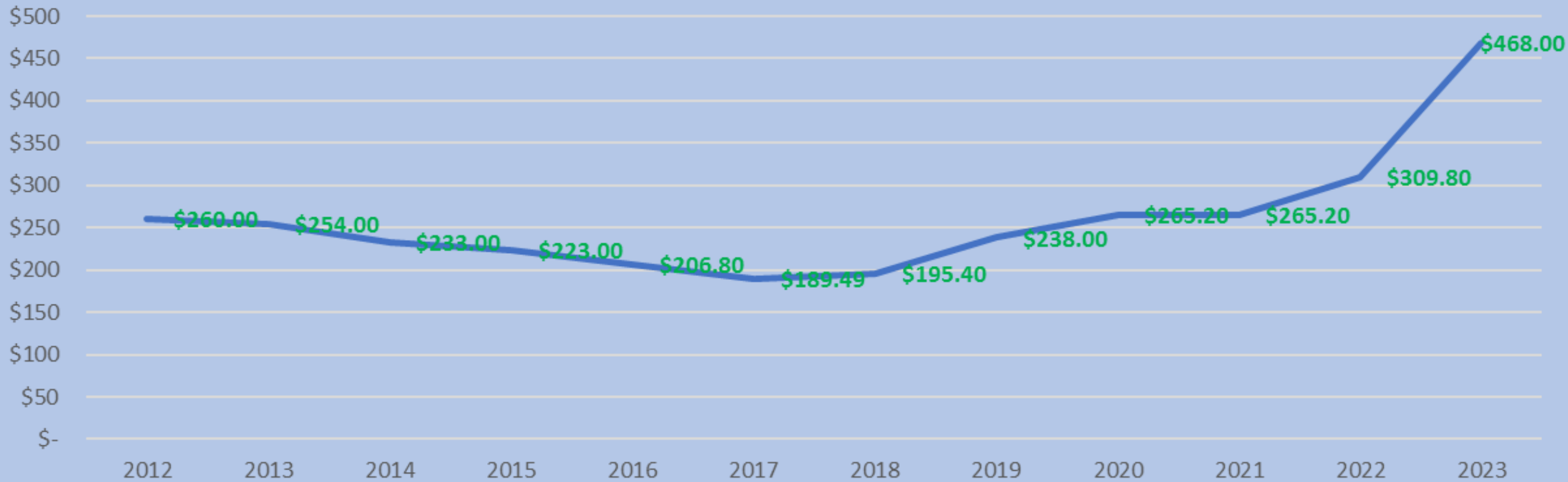
Hydrofluosilicic Acid (\$/ton)



Polyorthophosphate (\$/ton)



Polyaluminum Chloride (\$/ton)





NIAGARA FALLS WATER BOARD

Financial Projections and User Rates



NOVEMBER 14, 2022

Drescher & Malecki Projections and Analysis

- To provide independent cash flow estimates sufficient to meet the Board's Rate Covenant (Debt-service coverage ratio of 1.15).
- Assumptions based on:
 - Historical trends and audited financial data from the prior years
 - The most current available information provided by Board Management and year-to-date actual reports per the financial software
 - Other (NYS retirement system, health insurance publications, etc.)



Coverage Ratio Components

- Cash Flows from Operating Revenues (A)
 - Water and Sewer rents
 - Interest earnings
 - Licenses and permits (cell towers and rental)
 - City payments
- Cash Flows from Operating Expenses (B)
 - Employee salaries and benefits
 - Contractual and other
- Debt Service (C)
 - Principal and interest payable in the Fiscal Year
- The ratio is calculated as follows:

$$\frac{(A-B)}{C}$$



Projection of cash flows and rates

Line	Estimated				
	2022	2023	2024	2025	2026
Revenues					
1 Operating revenues	\$ 39,889,584	\$ 41,272,005	\$ 42,888,885	\$ 44,150,052	\$ 45,449,053
2 Total	<u>39,889,584</u>	<u>41,272,005</u>	<u>42,888,885</u>	<u>44,150,052</u>	<u>45,449,053</u>
Operations and Maintenance Expenses					
3 Salaries and benefits	11,822,551	13,268,802	13,534,178	13,804,862	14,080,959
4 Contractual	<u>14,490,036</u>	<u>19,490,036</u>	<u>20,123,896</u>	<u>20,778,370</u>	<u>21,454,129</u>
5 Total	<u>26,312,587</u>	<u>32,758,838</u>	<u>33,658,074</u>	<u>34,583,232</u>	<u>35,535,088</u>
6 Revenues available for debt service	13,576,997	8,513,167	9,230,811	9,566,820	9,913,965
Debt Service					
7 Debt service on outstanding bonds	7,747,065	7,066,776	7,570,484	7,963,261	7,963,938
8 Debt service on future Authority bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9 Total	<u>\$ 7,747,065</u>	<u>\$ 7,066,776</u>	<u>\$ 7,570,484</u>	<u>\$ 7,963,261</u>	<u>\$ 7,963,938</u>
10 Debt Service Coverage (minimum 1.15)	1.75	1.20	1.22	1.20	1.24
11 DMLLP Recommended Rate Increase for O&M	16.9%*	7.5%	4.0%	3.0%	3.0%
12 NFWB's Capital Contribution		\$ 1,408,935			
13 Rate increase including O&M + capital contribution		10.5%			

* Approved in the prior year.

Key Findings

- **Contractual costs (~\$5M increase):**
 - Based on year-to-date figures, 21% increase projected in 2022.
 - An additional \$5.0M added in 2023 related to hypochlorite solutions (\$4.5M) and sludge disposal (\$500k) in accordance with contracts.
 - 3.2% increase beyond 2023 based on pre-COVID 10 year average.

Key Findings

- **Projecting Revenues - Customer Changes:**
 - Occidental closure. Projected impact of \$800,000.
 - Additional billings in 2021 and 2022 (Cascades) not expected in 2023.
- **Salaries and Benefits (~\$1.4M increase):**
 - Step increases
 - Additional employees
 - Health insurance and other qualifying benefits
- **Rate Increase:**
 - Based on the results of our financial projection model, the Board should achieve a 1.20 debt ratio on its O&M budget with a 7.5% rate increase in 2023.
 - To fund the Board's 2023 capital plan contribution in addition the O&M budget, we recommend a minimum rate increase of 10.5%.

2023 Leadership Budget*

	<u>Rounded</u>
Revenues	
Operating revenues	<u>\$ 40,872,078</u>
Total	<u>40,872,078</u>
 Operations and Maintenance Expenses	
Salaries and benefits	12,599,986
Contractual	<u>19,796,381</u>
Total	<u>32,396,367</u>
 Revenues available for debt service	8,475,711
 Debt Service	
Debt service on outstanding bonds	7,066,776
Debt service on future Authority bonds	-
Total	<u><u>\$ 7,066,776</u></u>

* Differences between Independent cash flow projections and Proposed Budget are expected. However, the proposed rate increase appears to be above the DMLLP recommended minimum rate increase per the cash flow model.