

NFPWA June 13, 2024 Meeting Agenda

1	NFPWA June 13, 2024 Meeting Agenda	2
2	Annual Board Evaluation Form - Authority	4
3	Authority Financial Disclosure Form	5
4	Draft NFPWA June 13, 2023 Meeting Minutes	9
5	Resolution 2024-01 - Replacement of Resolution 2023-01 by the Superseding Terms of Resolution 2024-02	11
6	Resolution 2024-02 - Authorizing the Issuance of the Authority's Sewer System Revenue Bonds and Execution of Related Documents	13
7	Resolution 2024-03 - 2023 Performance Measurement and Operations Reports	18
8	2023 Continuing Disclosure Report	21
9	2023 Audited Financial Statements - Report to the Board	50
10	2023 Audited Financial Statements, Independent Auditor's Report and Investment Report	53
11	2023 Management Letter	108

NFPWA

Niagara Falls Public Water Authority

MEETING AGENDA

June 13, 2024 at 2:00 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 - <https://www.abo.ny.gov/training/onlinetraining.html>
- B. Approval of Minutes from June 13, 2023
- C. Resolution 2024-01 - Replacement of Resolution 2023-01 by the Superseding Terms of Resolution 2024-02
- D. Resolution 2024-02 - Authorizing the Issuance of the Authority's Sewer System Revenue Bonds and Execution of Related Documents
- E. Resolution 2024-03 – Report on Operations and Accomplishments and Performance Measurement Report
 - a. 2023 Continuing Disclosure Report
 - b. 2023 Independent Audit
 - i. Report to the Board
 - ii. Independent Auditor’s Report and Investment Report
 - iii. Management Letter

4. Additional Items for Action

5. Unfinished Business

6. New Business & Additional Items

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 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.

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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
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- 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
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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
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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
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MINUTES

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

June 13, 2023 at 1:00 p.m.
Michael C. O’Laughlin Municipal Water Plant
5815 Buffalo Avenue, Niagara Falls, NY 14304

Authority Members Present: Jason Murgia
Michael Monaco
Daniel Weiss

Authority Members Absent: None

Also Present: Sean W. Costello, Authority Secretary and Niagara Falls
Water Board General Counsel
Brian Majchrowicz, Niagara Falls Water Board Director of
Financial Services
Erin Holody, Niagara Falls Water Board Confidential Secretary

1. Call to Order

Chairman Murgia called the meeting to order at 4:00 p.m.

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. Approval of Minutes – December 20, 2022 Meeting

Motion by Mr. Weiss seconded by Mr. Monaco to approve the December 20, 2022 minutes.

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

Motion carried, 3-0.

B. RESOLUTION 2023-01 – Authorizing the Issuance of the Authority’s Sewer System Revenue Bonds and the Approval and Execution of Related Documents

a. Background Documents:

- i. Niagara Falls Water Board Resolution 2023-05-004 – Application for Financing for Wastewater Treatment Plant Conversion Work and SEQR Type II
- ii. PowerPoint Presentation, “Niagara Falls WWTP Modification & Conversion to Biological Process: Importance and Challenges”

Motion by Mr. Weiss seconded by Mr. Monaco to approve Resolution 2023-01.

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

Motion carried, 3-0.

4. Additional Items for Action

5. Unfinished Business

6. New Business & Additional Items

7. Adjournment of Meeting

NIAGARA FALLS PUBLIC WATER AUTHORITY RESOLUTION # 2024-01

**REGARDING THE INCORPORATION OF RESOLUTION 2023-01
INTO THE SUPERSEDING TERMS OF RESOLUTION 2024-02**

WHEREAS, the Niagara Falls Public Water Authority (“Authority”) by way of Resolution 2023-01 duly authorized the issuance of revenue bonds in the amount of \$20,000,000 to fund an initial phase of capital improvements to be undertaken to the Niagara Falls Water Board (“Water Board”) System consisting of the conversion of the wastewater treatment plant to a biological treatment process (the “Project”); and

WHEREAS, the Water Board now seeks to apply for grant funding for the Project, including through the NYS Water Infrastructure Improvement Act (WIIA) grant program, application for which requires a certified bond resolution for the total Project cost; and

WHEREAS, in order for the Water Board to obtain grant funding necessary for the completion of the Project, it is necessary for the Authority to authorize the issuance of bonds for the full \$263,224,352 cost of the project, which the Authority proposes to do by way of Resolution 2024-02; and

WHEREAS, in order to keep clear and accurate records of its activities and proceedings, the Authority desires to pass a resolution to make clear that the bonds authorized by Resolution 2024-02 are inclusive of and not in addition to the bonds authorized by Resolution 2013-01;

NOW THEREFORE BE IT

RESOLVED, that Niagara Falls Public Water Authority Resolution 2023-01 is rescinded except to the extent of any expenditures or encumbrances made thereunder; and

IT IS FURTHER RESOLVED, that the Niagara Falls Public Water Authority hereby declares that the bond issuance approved by Resolution 2023-01 shall be incorporated and subsumed into the bond issuance that is the subject of Resolution 2024-02, with total bonds authorized by the two resolutions limited to \$263,224,352, plus any amounts necessary to fund reserves and to pay costs of issuance (with such amount to be reduced by grants).

On June 13, 2024, 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
Daniel Weiss	[]	[]	[]	[]
Michael Monaco	[]	[]	[]	[]
Jason Murgia	[]	[]	[]	[]

Signed By:

Vote Witnessed By:

Jason Murgia, Chairperson

Sean W. Costello, Secretary to the Board

NIAGARA FALLS PUBLIC WATER AUTHORITY RESOLUTION 2024-02

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 conversion of the wastewater treatment plant to a biological treatment process (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 \$263,224,352 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 14304, at 2:00 o'clock P.M., on the 13th day of June, 2024, 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

**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 2023 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 2023:
 - 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 June 13, 2024, 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 2023 activities, the Authority adopts the following as its Annual Report on Operations and Accomplishments:

In 2023, the Water Authority acted favorably on a request by the Niagara Falls Water Board to authorize the issuance of bonds not exceeding \$20,000,000 for a project to improve the wastewater treatment plant. The Authority maintained its “A” credit rating.

6. **RESOLVED**, that the following constitutes the Authority’s 2023 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.

2023 Result: Goal achieved.

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

2023 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.

2023 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 2023 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 2023 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, 2023.

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 June 13, 2024, 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 2023 Continuing Disclosure Report, prepared in September 2023 (the “2023 CDR” or the “2023 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, the 2021 Continuing Disclosure Report prepared in September 2021, and the 2022 Continuing Disclosure Report prepared in September 2022, collectively referred to as the “Prior Reports”. Except where noted, the table numbers and titles used in the 2023 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 2023 CDR. Throughout the 2023 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 served as Executive Director of the Niagara Falls Water Board from June 2021 until his resignation on September 8, 2023. He had more than 25 years of water/wastewater treatment system experience and 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. Effective on Dr. Zehraoui’s resignation, the Water Board appointed Michael S. Eagler, Sr., to serve as Acting Executive Director. Mr. Eagler’s permanent position is Chief of Outside Infrastructure, and he has been with the Water Board for over 13 years, with progressive management experience in a number of roles. The Water Board is recruiting a permanent Executive Director through local/national employment resources and water and wastewater industry trade groups. As of September 22, 2023, it has received 68 applications, conducted 9 screening interviews, and three candidates are scheduled for in-person interviews.

The table presented below illustrates the staffing levels for the System as of June 30, 2023.

Table 1 – System Staffing

	<u>Staff Positions *</u>
Water Facilities Division	35.0
Wastewater Facilities Division	<u>52.0</u>
Total System	<u><u>87.0</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 \$100,000 per year for the services it receives.

Water Treatment

The average daily output from the Board’s water treatment plant for 2019 through 2022 is shown in the following table.

Table 2 – Average Daily Production of Treated Water

<u>Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Flow (MGD)	21.53	22.57	21.26	19.82

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 66% percent or more of treated water for the last five years, a percentage that is higher than typical industry averages. This percentage has been relatively the same since 2018 though efforts to identify and to repair leaks and to test, calibrate, and replace large meters over the past three years appear to have had modest success, and the percentage of unbilled water is trending downward, lower in 2022 than in any of the preceding four years. The table presented below shows the average percentages of unbilled water by year.

Table 5 – Unbilled Water

Year	Percent of Treated Water
2018	68%
2019	71%
2020	72%
2021	68%
2022	66%

The marginal cost to the Board of treating and pumping water that is not sold is relatively low; mostly the cost of treatment chemicals and electricity, as other fixed costs of production such as personnel, treatment facilities, and distribution piping may be attributed to the billed water and are not increased to provide the unsold water. Notwithstanding the absence of a significant cost

incentive, the CIP for the Water System is focused primarily on improvements to the distribution system that will maintain system reliability and, 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, in 2017, the NFWB identified out-of-service fire hydrants as a major issue, and an aggressive program has been undertaken by the NFWB to repair or replace all out-of-service fire hydrants. The objective was to return all fire hydrants to a fully functional status, and having accomplished that goal in 2019, repairs/replacements now focus on hydrants that either are newly damaged or that are older models which are nearing the end of their useful service life. Many of these hydrants that are being replaced were also a source of water leakage. The system includes 2,236 fire hydrants. Since 2018, fire hydrants repair/replacements have been as follows:

	<u>Replaced</u>	<u>Repaired</u>
2018	91	36
2019	58	34
2020	100	21
2021	68	38
2022	41	44
2023*	44	29

* As of August 31, 2023.

Water System Staffing

The table on the following page illustrates the number of personnel in each of the seven (7) sections of the Water System as of June 30, 2023.

Table 6 – Water System Staffing

<u>Section</u>	<u>Staff Positions</u>
Laboratory	3.0
Information Technology	2.0
Engineering	3.0
Purification Operations	7.0
Inside Water Maintenance	6.0
Outside Water Maintenance	10.0
Meter Shop	<u>4.0</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 following table identifies the historical flows through the wastewater treatment plant (“WWTP”).

Table 7 – Average Daily Wastewater Volume Treated

<u>Year</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Flow (MGD)	26.78	24.10	24.24	23.54

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, 2023:

Table 9 – Wastewater System Staffing

<u>Section</u>	<u>Staff Positions</u>
Monitoring and Compliance	5.0
Analytical Services	3.0
Sewer Collection System Maintenance (1)	11.0
Administrative / Technical	1.0
Plant Operations	17.0
Plant Maintenance	15.0
Total Wastewater System Staff	52.0

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.

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 below 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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential/Commercial					
Consumption (CCF)	1,299,934	1,252,451	1,236,314	1,240,942	1,237,586
Number of Accounts	17,917	17,918	17,920	17,880	17,811
Revenues	\$ 6,693,730	\$ 6,613,490	\$ 6,631,300	\$ 6,876,161	\$ 8,006,756
Industrial					
Consumption (CCF)	926,684	912,621	887,571	966,867	930,581
Number of Accounts	245	244	258	256	255
Revenues	\$ 4,197,516	\$ 3,879,443	\$ 3,165,994	\$ 3,752,812	\$ 4,251,287
Significant Industrial Users (SIU)					
Consumption (CCF)	876,822	890,139	930,712	1,115,955	1,090,861
Number of Accounts	24	23	23	23	23
Revenues	\$ 8,379,467	\$ 7,917,883	\$ 10,811,521	\$ 12,733,281	\$ 11,709,705
Total					
Consumption (CCF)	3,103,440	3,055,211	3,054,597	3,323,764	3,259,028
Number of Accounts	18,186	18,185	18,201	18,159	18,089
Revenues	\$ 19,270,713	\$ 18,410,816	\$ 20,608,815	\$ 23,362,254	\$ 23,967,748
Plus: Other Departmental Revenues	1,188,385	1,374,123	396,687	942,727	590,863
Less: Adjustments	(44,948)	-	-	-	-
Total Departmental Revenue	<u>20,414,150</u>	<u>19,784,939</u>	<u>21,005,502</u>	<u>24,304,981</u>	<u>24,558,611</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 2023 through 2027. The CIP is updated periodically. The updated CIP as presented herein was most recently updated by the executive staff as of August 31, 2023 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	2023	2024	2025	2026	2027	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	2,500,000	1,000,000	-	-	-	3,500,000
WWTP Rehab Phase 4C	250,000	750,000	-	-	-	1,000,000
WWTP Rehab Phase 4E	750,000	750,000	-	-	-	1,500,000
WWTP SCADA Improvements	100,000	50,000	-	-	-	150,000
WWTP Roof Repairs	-	250,000	250,000	-	-	500,000
WWTP Chemical Bulk Storage	150,000	300,000	-	-	-	450,000
WWTP Structural / Masonry Repairs	-	425,000	425,000	-	-	850,000
WWTP Building and Site Projects	750,000	750,000	750,000	750,000	750,000	3,750,000
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)	130,000	300,000	300,000	300,000	-	1,030,000
Sewer /GPA Infrastructure Projects - Miscellaneous	100,000	100,000	100,000	100,000	100,000	500,000
WATER TREATMENT PLANT INFRASTRUCTURE PROJECTS						
WTP Pump and Piping Replacements	100,000	30,000	30,000	30,000	30,000	220,000
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	500,000	50,000	50,000	50,000	50,000	700,000
WTP Roofing Work	500,000	500,000	500,000	-	-	1,500,000
WTP Chlorine System Upgrades	100,000	400,000	-	-	-	500,000
WTP Emergency Backup Generator Upgrades	250,000	250,000	-	-	-	500,000
WTP Fluoride System Upgrades	50,000	200,000	200,000	-	-	450,000
WTP Infrastructure Projects	200,000	200,000	200,000	200,000	200,000	1,000,000

(continued)

(concluded)

Description	2023	2024	2025	2026	2027	Total
WATER INFRASTRUCTURE PROJECTS						
10th Street and Michigan Avenue Mains	-	415,000	415,000	-	-	830,000
18th Street Main - Ontario Avenue to Whitney Avenue	550,000	-	-	-	-	550,000
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	-	232,500	697,500	-	-	930,000
McKoon Avenue Main - DeVeaux Ave to James Ave	-	-	440,000	440,000	-	880,000
Military Road Main - Jacob Place to Bollier Avenue	200,000	-	-	-	-	200,000
Ontario Avenue Main - 13th Street to Main Street	-	-	440,000	440,000	-	880,000
Van Rensselaer Ave - 900 Block	-	150,000	-	-	-	150,000
West Rivershore Drive	125,000	375,000	-	-	-	500,000
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	-	500,000	1,000,000	500,000	-	2,000,000
Leak Detection/Distribution Modeling	-	50,000	-	-	-	50,000
Witkop Avenue and 85th Street Loop (all 8")	-	420,000	420,000	-	-	840,000
Water Infrastructure Projects - Miscellaneous	120,000	120,000	120,000	120,000	120,000	600,000
Total	\$8,305,000	\$10,247,500	\$8,292,500	\$3,785,000	\$2,105,000	\$32,735,000

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.

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 2023 through 2025. 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 basins #4 and #5 have been basically completed.
 - Currently, sedimentation basin #3 work is ongoing.
 - There have been some ongoing change orders that have slowed the progress of the work.
 - 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 was closed out by the end of March 2023.

 - **Capital Project #3 Screenings and Grit Conveyance Improvements**
 - Design and bidding phases have concluded.
 - Currently construction is nearly completed to the 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 extending into 2024.

 - **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 anticipated to begin in September of 2023 that includes the replacement of power center no. 2 and no. 5 transformers.
 - Construction completion is currently anticipated for November 2024.

 - **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 on Phase 1 work.
 - Design work began in August 2023 for Phase 2 work that includes replacement of sodium hypochlorite tank no. 2016, chemical feed pumps and controls.
 - Construction is anticipated to be completed in Spring 2024.
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- **Capital Project #7 Heating and Ventilation System Upgrades.**
 - Design and bidding phases have concluded.
 - Construction has concluded 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 was completed by the end of June 2023.

- **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 was completed in Spring 2023.

- **Capital Project #12 Intermediate Pumps Assessment**
 - Study phase has been completed.
 - Design report was received in January 2023.
 - RFP for engineering design, bidding and construction services may be issued, after maintenance work is completed on the 42” suction piping from the wet well to intermediate pump no. 1. This maintenance work will be necessary and critical to complete, if the (4) intermediate pumps are to be fully replaced in the future.
 - 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.
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- 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 City of Niagara assists with providing design, contract administration and inspection services on both projects.

The CIP also includes funds for 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) was a high priority project that was awarded in June of 2022 with construction started in the spring of 2023. The Whitney Avenue watermain replacement project was bid out in May of 2023 but was not awarded due to the bid amount being well over budgeted costs. The 77th Street and West Rivershore watermain replacement projects have been under design and will be put out to bid in the near future. The NFWB continues to prioritize and assess the water distribution system to determine which mains need to be replaced. The continued implementation of a water main replacement program should, over time, reduce the level of unaccounted-for water in the Water System.

The NFWB also continues to prioritize and access the LaSalle area sewer system improvements in response to the Order on Consent, entered with the NYDEC in 2008.

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

	2023	2024	2025	2026	2027
Opening balance, January 1:					
Remaining funds restricted for capital projects*	\$ 786,581	\$ 6,607,616	\$ 8,728,329	\$ 6,651,679	\$ 4,271,679
Sources of CIP funds:					
Prior year coverage	1,085,000	1,035,000	1,035,000	1,035,000	1,035,000
Grants	7,449,533	6,424,840	3,158,510	222,000	222,000
Matching funds**	5,591,502	4,908,373	2,022,340	148,000	148,000
Use of CIP funds:					
CIP spending (per Table 11)	<u>(8,305,000)</u>	<u>(10,247,500)</u>	<u>(8,292,500)</u>	<u>(3,785,000)</u>	<u>(2,105,000)</u>
Ending balance, December 31	<u>\$ 6,607,616</u>	<u>\$ 8,728,329</u>	<u>\$ 6,651,679</u>	<u>\$ 4,271,679</u>	<u>\$ 3,571,679</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 2023-2027 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, 2022.

Table 13 –Outstanding Debt

Debt Instrument	Principal Balance December 31, 2022
Niagara Falls Public Water Authority Bonds:	
Series 2022A Bonds	\$ 35,930,000
Series 2013B Bonds	1,475,000
Series 2016A Bonds	20,130,000
NYSEFC Water Revolving Funds Revenue Bonds:	
Series 2013B - Clean Water	8,805,000
Series 2013B - Drinking Water	2,370,000
Series 2014B - Drinking Water	3,170,000
Series 2012B - Clean Water	4,660,000
New York State Power Authority:	
Series 2019 Mortgage Loan	1,362,419
Total Amount	\$ 77,902,419

The outstanding debt decreased by \$2,579,744 from 2021 to 2022 as a result of the issuance of \$35,930,000 in refunding bonds, which refunded the 2013A bonds of \$34,120,000 and 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, 2020, December 31, 2021, and December 31, 2022 is provided in Table 14 on the following page.

Table 14 –Historical Financial Performance

Line	Description	2020	2021	2022
1	Receipts from customers, users and grants	\$ 32,526,018	\$ 35,410,495	\$ 41,746,447
2	Interest earnings	644,697	445,245	357,879
3	Proceeds from sales of assets	<u>308,397</u>	<u>122,743</u>	<u>108,160</u>
4	Total cash receipts	33,479,112	35,978,483	42,212,486
5	Payments to employees	11,915,979	11,413,328	12,226,030
6	Payments to suppliers	<u>12,620,781</u>	<u>13,625,496</u>	<u>16,293,046</u>
7	Total operating expenses	24,536,760	25,038,824	28,519,076
8	Cash available for debt service (line 4 - line 7)	<u>8,942,352</u>	<u>10,939,659</u>	<u>13,693,410</u>
9	Interest payment	3,225,126	3,087,532	2,030,159
10	Principal payment	<u>4,332,897</u>	<u>4,485,326</u>	<u>4,449,598</u>
11	Total debt service	\$ 7,558,023	\$ 7,572,858	\$ 6,479,757
12	Surplus (line 8 - line 11)	\$ 1,384,329	\$ 3,366,801	\$ 7,213,653
13	Debt service coverage (line 8/line 11)	1.18	1.44	2.11

The preceding table has been prepared based on cash flow information presented in the annual financial statements of the Board. The financial statements of the Board for the years ended December 31, 2022, 2021 and 2020 were audited by the firm Bonadio & Co., LLP.

The results for the year ending December 31, 2020 indicate that the actual debt service coverage achieved by the Board was 118%, 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. The results for the year ending December 31, 2022 indicate that the actual debt service coverage achieved by the Board was 211%, 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 agreements resulted in substantial savings in healthcare costs for the Board 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 online, at 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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Service Billings	\$ 30,512,619	\$ 29,973,753	\$ 31,874,002	\$ 34,048,559	\$ 35,969,824
Penalties	331,107	405,651	430,808	637,524	588,687
Invoice Adjustments	18,045	(67,164)	169,058	953,024	719,764
Total Billed	\$ 30,861,771	\$ 30,312,240	\$ 32,473,868	\$ 35,639,107	\$ 37,278,275
Total Cash Collections - Billings	29,531,100	28,481,104	31,302,901	32,896,275	36,563,334
Total Cash Collections - Property Tax Bill	1,281,664	1,530,987	1,223,117	1,370,344	1,487,440
Total Collections	\$ 30,812,764	\$ 30,012,091	\$ 32,526,018	\$ 34,266,619	\$ 38,050,774
% of Total Cash Collections to Total Billed	99.8%	99.0%	100.2%	96.1%	102.1%

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, 2022 are in compliance with the requirements of the Financing Agreement. The Board expects to continue to be in compliance with these requirements during 2023.

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 2023 through 2027 assume that the Board will enact increases in water and wastewater rates and charges of 2% annually from 2024 through 2027. The projection indicates

that under the conditions reflected herein, the System will generate operating revenues of approximately \$40.7 million in 2023, which is expected to increase to \$43.5 million through 2027.

Taking into consideration non-operating revenues, total revenues available for debt service and expenses are projected to be \$13.6 million in 2023, decreasing to \$13.3 million in 2027. 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 \$27.1 million in 2023 to \$30.1 million in 2027. Operating expenses in 2023 through 2027 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. 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 2023 through 2027 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				
		2023	2024	2025	2026	2027
	Revenues					
1	Operating revenues	40,713,416	41,002,684	41,807,738	42,628,893	43,466,471
2	Total	40,713,416	41,002,684	41,807,738	42,628,893	43,466,471
	Operations and Maintenance Expenses					
3	Salaries and benefits	12,540,403	12,791,211	13,047,035	13,307,975	13,574,134
4	Chemicals/sludge	7,562,095	7,820,455	8,087,217	8,362,654	8,647,049
5	Insurance/safety	549,080	567,839	587,209	607,208	627,858
6	Maintenance	1,037,047	1,072,478	1,109,061	1,146,834	1,185,835
7	Utilities	3,294,312	3,406,862	3,523,073	3,643,063	3,766,955
8	Other expenses	1,129,271	1,167,852	1,207,689	1,248,821	1,291,290
9	Equipment	286,189	295,966	306,062	316,486	327,249
10	PILOT payment to City	700,000	700,000	700,000	700,000	700,000
11	Total	27,098,397	27,822,664	28,567,345	29,333,040	30,120,370
12	Revenues available for debt service	13,615,019	13,180,021	13,240,393	13,295,853	13,346,100
	Debt Service					
13	Debt service on outstanding bonds	7,916,793	7,963,410	8,332,243	8,307,885	8,286,262
14	Debt service on future Authority bonds	-	-	-	-	-
15	Total	7,916,793	7,963,410	8,332,243	8,307,885	8,286,262
16	Surplus (line 12 - line 15)	5,698,226	5,216,611	4,908,150	4,987,968	5,059,838
17	Debt Service Coverage (minimum 1.15)	1.72	1.66	1.59	1.60	1.61
18	Actual/Proposed Rate Increase	8.9%	2.0%	2.0%	2.0%	2.0%

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	2019	2020	2021	2022
1st billing	100,028	96,480	95,192	95,586
2nd billing	102,006	93,876	96,296	103,064
3rd billing	100,227	95,253	97,686	98,794
4th billing	<u>107,348</u>	<u>108,183</u>	<u>106,845</u>	<u>106,703</u>
Total	<u>409,609</u>	<u>393,792</u>	<u>396,019</u>	<u>404,147</u>
District 2 - Residential				
1st billing	115,362	112,723	117,401	111,954
2nd billing	119,916	109,077	107,758	109,012
3rd billing	122,680	124,671	121,515	119,215
4th billing	<u>128,268</u>	<u>137,452</u>	<u>126,723</u>	<u>126,578</u>
Total	<u>486,226</u>	<u>483,923</u>	<u>473,397</u>	<u>466,759</u>
District 3 - Residential				
1st billing	89,117	86,070	84,767	89,466
2nd billing	84,898	84,925	94,939	89,557
3rd billing	91,686	97,608	100,138	94,433
4th billing	<u>90,915</u>	<u>89,996</u>	<u>91,682</u>	<u>93,224</u>
Total	<u>356,616</u>	<u>358,599</u>	<u>371,526</u>	<u>366,680</u>
District - Industrial				
1st billing	220,964	229,987	232,518	257,908
2nd billing	187,131	210,701	206,858	199,982
3rd billing	211,761	180,448	251,887	206,656
4th billing	<u>292,765</u>	<u>266,435</u>	<u>275,604</u>	<u>266,035</u>
Total	<u>912,621</u>	<u>887,571</u>	<u>966,867</u>	<u>930,581</u>
District - SIU				
1st billing	236,512	210,440	207,284	263,932
2nd billing	213,396	225,585	295,772	258,084
3rd billing	210,400	248,179	320,257	303,606
4th billing	<u>229,831</u>	<u>246,508</u>	<u>292,642</u>	<u>265,239</u>
Total	<u>890,139</u>	<u>930,712</u>	<u>1,115,955</u>	<u>1,090,861</u>
District - NR				
1st billing	527	339	243	492
2nd billing	391	248	625	590
3rd billing	406	1,489	393	570
4th billing	<u>423</u>	<u>402</u>	<u>523</u>	<u>427</u>
Total	<u>1,747</u>	<u>2,478</u>	<u>1,784</u>	<u>2,079</u>
Grand Total ccf	3,056,958	3,057,075	3,325,548	3,261,107
% Change from Prior Year	-1.58%	0.00%	8.78%	-1.94%

As illustrated by Table 17, water consumption was fairly level in 2019 and 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 following the COVID-19 pandemic with a slight decline during 2022.

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>	<u>12/31/2022</u>	<u>% of</u>	<u>6/30/2023</u>
		<u>Revenue</u>	<u>Total</u>	<u>YTD</u>
1	Norampac Industries #50	\$ 8,894,207	54.52%	\$ 3,425,911
2	Niacet Corporation #17	1,205,128	7.39%	737,608
3	Covanta Niagara, LP #32	1,136,605	6.97%	468,283
4	Seneca NF Gaming - Hotel	1,012,720	6.21%	456,961
5	Occidental Chemical #22	925,673	5.67%	302,548
6	Olin Corp #23	833,178	5.11%	439,465
7	Olin Corp	717,617	4.40%	386,409
8	Town of Niagara	613,236	3.76%	432,128
9	NF Medical Facilities Management	499,064	3.06%	230,672
10	Goodyear Tire & Rubber Co.	475,354	2.91%	285,785
		<u>\$ 16,312,782</u>	<u>100%</u>	<u>\$ 7,165,770</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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Residential/Commercial										
Consumption (CCF)	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	1,237,586
Number of Accounts	18,470	18,249	18,379	17,954	17,835	17,917	17,944	17,920	17,880	17,811
Revenues	\$ 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	\$ 6,013,741
Industrial										
Consumption (CCF)	849,504	745,073	741,580	804,241	852,457	926,684	912,621	887,571	966,867	930,581
Number of Accounts	253	255	256	248	261	245	245	258	256	255
Revenues	\$ 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	\$ 2,989,506
Significant Industrial Users (SIU)										
Consumption (CCF)	1,123,975	1,362,443	1,209,147	1,065,322	971,721	876,822	890,139	930,712	1,115,955	1,090,861
Number of Accounts	24	24	24	23	23	24	22	23	23	23
Revenues	\$ 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	\$ 2,923,470
Non-Resident Users*										
Consumption (CCF)	11,452	3,467	3,862	4,876	3,586	2,605	1,747	2,478	1,784	2,019
Number of Accounts	27	27	27	27	27	27	26	26	26	26
Revenues	\$ 289,239	\$ 22,750	\$ 35,981	\$ 46,376	\$ 30,912	\$ 22,467	\$ 22,232	\$ 30,633	\$ 42,265	\$ 43,455
Total										
Consumption (CCF)	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	3,261,047
Number of Accounts	18,774	18,555	18,686	18,252	18,146	18,213	18,237	18,227	18,185	18,115
Revenues	\$ 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	11,970,172
Plus: Other Departmental Revenues	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	1,031,646
Less: Adjustments	(149,000)	(100,245)	(82,143)	(311,134)	(304,026)	(25,013)	(10,629)	(1,124)	-	-
Total Departmental Revenue	<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>	<u>\$ 13,001,818</u>

Rates for Water Service and Wastewater Service

The rates for water service and wastewater service in 2023 increased 8.9% 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. The consumption-related water rates of the Board for 2022-23 are shown in Table 17C below. Historical rate increases for water and wastewater customers are presented in Table 18 that follows.

Table 17C – 2023 Rates for Water Customers

	Inside City (\$/ccf)	Outside City (\$/ccf)
First 20,000 CF	4.48	11.97
Next 60,000 CF	3.88	10.45
Next 120,000 CF	3.29	8.70
> 200,000 CF	2.72	7.33

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

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
4.40%	0.00%	2.40%	2.00%	0.00%	2.99%	16.90%	8.90%

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 2023 wastewater user charges for the CSIRU class of customers are summarized in Table 19.

Table 19 – 2023 Wastewater Rates for CSIRU Customers

<u>Minimum Charge</u>	<u>Volume Charge</u>
All meter sizes and flow up to 1,300 cf \$77.09	Usage in excess of 1,300 cf per quarter (per 100 cf) \$5.93

Three of the wastewater user charges for the SIU class of customers in 2023 are summarized in Table 20.

Table 20 – 2023 Wastewater Rates & Charges for SIU Customers

Flow Charge (\$/MG)	Solids Charge (\$/lb)	SOC Charge (\$/lb)
4,169	1.34	2.31

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 2023.

Table 21 – Estimated Interest Earnings - 2023

Fund	Average End of Month Balance	Interest Earnings Rate	Estimated Annual Earnings
Debt Service restricted cash	\$ 14,860,678	Varies	\$ 594,427
Unrestricted investments	10,341,475	Varies	\$ 413,659
Capital Project restricted cash	786,581	0.35%	2,753
Operations and maintenance restricted cash	5,198,450	0.35%	18,195
Operating cash	13,053,285	0.15%	19,580
			<u>\$ 1,048,614</u>

Interest earnings have increased throughout 2023, as compared to the most recent three 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 2023 are shown in Table 22

Table 22 – Major Components of Expenses Other Than Labor - 2023

Item	Amount
Chemicals	\$ 7,562,095
Utilities	3,294,312
Maintenance	1,037,047
Computer Service Contracts / Supplies / Professional Services	1,829,271
Insurance	549,080
Equipment	286,189

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 2020, 2021 and 2022 were approximately \$31.2 million, \$31.3 million and \$31.2 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

<u>City / County</u>	<u>Employer</u>	<u>Employees</u>
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</u> <u>2000-2010</u>	<u>% of Change</u> <u>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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City	20.9	20.6	21.2	20.2	20.4
County	98.9	98.2	98.1	96.8	97.3
State	9,511.2	9,507.1	9,289.2	9,519.5	9,594.4

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>
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%
2022	4.8%	3.8%	4.3%

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, 2023	6.0%	4.9%	4.6%
February	5.6%	4.5%	4.5%
March	5.0%	4.0%	4.0%

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)

REPORT TO THE BOARD

March 25, 2024

The Board of Directors, Niagara Falls Water Board:
Michael J. Asklar
Nicholas J. Forster
Rena Kimble
Colleen Low Larkin
Gretchen Leffler

Dear Board Members:

We have audited the financial statements of Niagara Falls Water Board (the Board), as of and for the year ended December 31, 2023 and have issued our report thereon dated March 25, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the Board are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2023. 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

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 Board of Directors, Niagara Falls Water Board:
Michael J. Asklar
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Renae Kimble
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Gretchen Leffler
Page 2

For the year ended December 31, 2023, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this report, 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 auditors' 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.

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 auditors' 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.

The Board of Directors, Niagara Falls Water Board:
Michael J. Asklar
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Page 3

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 our appointment 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 appointment.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the other 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 other supplementary information, which accompanies the financial statements but is 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.

* * * * *

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

Very truly yours,

EFPR Group, CPAs, PLLC
EFPR GROUP, CPAs, PLLC

NIAGARA FALLS WATER BOARD
Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report
December 31, 2023 and 2022

NIAGARA FALLS WATER BOARD

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 10
Basic Financial Statements:	
Statements of Net Position	11 - 12
Statements of Revenue, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 44
Required Supplementary Information:	
Schedule of Changes in the Board's Total OPEB Liability and Related Ratios	45
Schedule of the Board's Proportionate Share of the Net Pension Asset/Liability	46
Schedule of the Board's Pension Contributions	47
Other Supplementary Information:	
Schedule 1 - Niagara Falls Water Authority (a Blended Component Unit) - Statements of Net Position	48
Schedule 2 - Niagara Falls Water Authority (a Blended Component Unit) - Statements of Revenue, Expenses and Changes in Net Position	49
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	50 - 51
Report on Investment Compliance with Section 201.3 of Title Two of the <u>Official Compilation of Codes, Rules and Regulations of the State of New York</u>	52 - 53

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara Falls Water Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Niagara Falls Water Board (the Board), as of and for the year ended December 31, 2023, 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 financial position of the Board, as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' 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.

Prior Period Financial Statements

The financial statements of the Board as of December 31, 2022, were audited by other auditor's whose report dated March 30, 2023, expressed an unmodified opinion on those statements.

Correction of Error

As discussed in note 14 to the financial statements, an error resulting in the misstatement of the Board's deferred outflows of resources - OPEB at December 31, 2022 was discovered in the current year. As a result, amounts reported for deferred outflows of resources - OPEB, unrestricted net position (deficit) and employee benefits as of and for the year ended December 31, 2022, have been restated to correct the error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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.

Required Supplementary Information

GAAP requires that management's discussion and analysis and the other required supplementary information 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 GASB 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 GAAS, 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 other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2024 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 25, 2024

NIAGARA FALLS WATER BOARD
Management's Discussion and Analysis
December 31, 2023 and 2022

As management of the Niagara Falls Water Board (the Board), we offer readers of the Board's financial statements this narrative and analysis of the financial activities of the Board for the years ended December 31, 2023 and 2022.

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

- Total net position of the Board was \$11,802,060 and \$7,386,072 at December 31, 2023 and 2022 (as restated), respectively. At December 31, 2023 and 2022 the unrestricted net position (deficit) was, \$(53,557,839) and \$(61,682,726), respectively, which, may be used to meet the Board's ongoing obligations.
- The Board's operating income for the years ended December 31, 2023 and 2022 was \$4,743,272 and \$9,297,865, respectively.
- The Board's total bond indebtedness decreased by \$4,670,211 and \$2,709,498 during the years ended December 31, 2023 and 2022, respectively.
- The Board reflected a liability for other postemployment benefits of \$81,404,487 and \$76,183,820 at December 31, 2023 and 2022, respectively.
- Net position was restated as of December 31, 2022 as described in note 14.

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 revenue and System conditions
* Sets rates and collects revenue	
* Pays debt service on bonds	

NIAGARA FALLS WATER BOARD
Management's Discussion and Analysis, Continued

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

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

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 \$11,802,060 at December 31, 2023, as compared to \$7,386,072 at December 31, 2022, as presented as follows:

<u>Condensed Statements of Net Position</u>			
	December 31,		
	<u>2023</u>	<u>2022*</u>	<u>2021</u>
Current assets	\$ 31,800,960	26,832,221	27,745,805
Noncurrent assets	<u>163,743,878</u>	<u>161,850,009</u>	<u>157,906,675</u>
Total assets	<u>195,544,838</u>	<u>188,682,230</u>	<u>185,652,480</u>
Deferred outflows	<u>10,652,401</u>	<u>8,724,024</u>	<u>8,668,717</u>
Current liabilities	22,426,405	13,752,927	14,805,848
Noncurrent liabilities	<u>153,109,322</u>	<u>149,221,515</u>	<u>171,072,687</u>
Total liabilities	<u>175,535,727</u>	<u>162,974,442</u>	<u>185,878,535</u>
Deferred inflows	<u>18,859,452</u>	<u>27,045,740</u>	<u>8,330,875</u>
Net investment in capital assets	45,416,014	48,223,089	40,935,506
Restricted	19,943,885	20,845,709	20,075,669
Unrestricted (deficit)	<u>(53,557,839)</u>	<u>(61,682,726)</u>	<u>(60,899,388)</u>
Total net position	\$ <u>11,802,060</u>	<u>7,386,072</u>	<u>111,787</u>

*Restated as described in note 14.

NIAGARA FALLS WATER BOARD
Management's Discussion and Analysis, Continued

The Board's net investment in capital assets was \$45,416,014 and \$48,223,089 at December 31, 2023 and 2022, 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 \$(53,557,839) and \$(61,682,726) at December 31, 2023 and 2022, respectively. The restricted debt service portion of the Board's net position, \$6,079,649 and \$7,736,729 at December 31, 2023 and 2022, 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 at December 31, 2023 and 2022, represents funds that are set aside primarily for the reconstruction of the Falls Street Tunnel and capital projects. The restricted debt reserve fund portion of the Board's net position, \$7,452,474 and \$7,123,949 at December 31, 2023 and 2022, respectively, represents funds for future debt service payments. The restricted operating and maintenance reserve fund portion of the Board's net position, \$5,625,181 and \$5,198,450 at December 31, 2023 and 2022, respectively, represents funds to pay the cost of extraordinary repairs to and maintenance of the system.

The Board's unrestricted net position is the remainder of total net position after taking net investment in capital assets, restricted for capital projects, restricted for operations and maintenance and restricted for debt related reserves into account. Unrestricted net position (deficit) increased in 2023 by \$8,124,887 because of a decrease in net investment in capital assets of \$2,807,075 and a decrease of \$901,824 in restricted net position. Unrestricted net position (deficit) decreased in 2022 by \$783,338 because of an increase in net investment in capital assets of \$7,287,583 and an increase of \$770,040 in restricted net position.

A comparison of current assets to current liabilities of the Board at December 31, 2023, 2022 and 2021 follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ <u>31,800,960</u>	<u>26,832,221</u>	<u>27,745,805</u>
Current liabilities	\$ <u>22,426,405</u>	<u>13,752,927</u>	<u>14,805,848</u>
Ratio of current assets to current liabilities	1.42	1.95	1.87

The Board's total net position increased by \$4,415,988 and \$7,274,285, respectively, during the years ended December 31, 2023 and 2022. Key elements of the changes in net position is as follows:

	<u>Changes in Net Position</u>		
	<u>2023</u>	<u>2022*</u>	<u>2021</u>
Total operating revenue	\$ 39,367,536	41,093,715	38,433,425
Total operating expenses	(34,624,264)	(31,795,850)	(31,328,973)
Operating income	4,743,272	9,297,865	7,104,452
Total nonoperating expenses	<u>(327,284)</u>	<u>(2,023,580)</u>	<u>(1,983,605)</u>
Change in net position	\$ <u>4,415,988</u>	<u>7,274,285</u>	<u>5,120,847</u>

* Restated as described in note 14.

NIAGARA FALLS WATER BOARD
Management’s Discussion and Analysis, Continued

The Board’s major sources of operating revenue are charges for water and sewer services which comprise approximately 98% and 88% of total operating revenue at December 31, 2023 and 2022, respectively. This was a \$2,187,781 increase from 2022 to 2023 and an increase of \$1,605,162 from 2021 to 2022. 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 2023 and approved rates for 2024.

The Board’s largest operating expense area is for contractual expenses which were approximately 41% and 44% of total operating expenses for the years ended December 31, 2023 and 2022, respectively. In 2023, these costs totaled approximately \$14.3 million as compared to \$12.8 million in 2022, representing an approximate \$1.5 million increase in this area.

In 2022, these costs totaled approximately \$14.3 million as compared to \$12.0 million, representing an approximate \$2.3 million increase in this area.

Within the nonoperating revenue (expenses) category, interest expense is by far the largest expense item and represents the cost of carrying serial bonds, which totaled \$73,361,962 and \$77,902,419, at December 31, 2023 and 2022, respectively.

The following is a summary of the Board’s cash flow activities for the years ended December 31, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows provided by (used in):			
Operating activities	\$ 11,900,748	13,227,371	10,371,671
Capital and related financing activities	(7,669,342)	(14,046,325)	(11,168,031)
Investing activities	<u>(616,701)</u>	<u>362,606</u>	<u>4,690,071</u>
Change in cash and equivalents	3,614,705	(456,348)	3,893,711
Cash and equivalents at beginning of year	<u>13,053,285</u>	<u>13,509,633</u>	<u>9,615,922</u>
Cash and equivalents at end of year	\$ <u>16,667,990</u>	<u>13,053,285</u>	<u>13,509,633</u>

The Board’s available cash and equivalents increased by \$3,614,705 during the year ended December 31, 2023, as compared to a decrease of \$456,348 during the year ended December 31, 2022. Cash provided by operating activities reflected a positive balance was \$11,900,748 and \$13,227,371, respectively, for the years ended December 31, 2023 and 2022.

Capital Assets and Debt Administration

Capital Assets - The Board’s investment in capital assets (net of accumulated depreciation) as of December 31, 2023 and 2022, amounted to \$129,505,080 and \$128,133,165, respectively. 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 \$8,430,482.

NIAGARA FALLS WATER BOARD
Management's Discussion and Analysis, Continued

- Additions to construction in progress totaled \$8,430,482. Completed capital projects transferred to depreciable asset categories totaled \$10,809,240.
- The Board recorded total depreciation and amortization of \$7,038,507 and \$6,878,867 for the years ended December 31, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 463,713	463,713	463,713
Construction in progress	13,794,125	16,172,883	9,903,918
Plant and transmission assets (water system)	36,436,072	37,319,932	40,202,634
Plant and transmission assets (wastewater system)	72,210,553	67,504,102	68,869,250
Machinery and equipment	6,451,546	6,389,726	5,742,230
Right to use lease assets	<u>149,071</u>	<u>262,749</u>	<u>284,125</u>
Total	\$ <u>129,505,080</u>	<u>128,113,105</u>	<u>125,465,870</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 note 4 to financial statements.

Bonds - At December 31, 2023 and 2022, the Board had outstanding bonds totaling \$73,361,962 and \$77,902,419, respectively. During the years ended December 31, 2023 and 2022, the Board made principal payments of \$4,540,457 and \$38,509,774, respectively, 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. In the future, the Board may utilize bond debt issuances as a primary source of funds for construction, renovations and system improvements.

Other Postemployment Benefits - Upon retirement, the Board's employees are entitled to continuous health insurance coverage. At December 31, 2023 and 2022, the liability recorded for these benefits amounted to \$81,404,487 and \$76,183,820, 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, 2023 and 2022, is \$672,585 and \$605,405, respectively. 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 \$33,629 and \$36,271 of such liability is current at December 31, 2023 and 2022, respectively.

NIAGARA FALLS WATER BOARD
Management's Discussion and Analysis, Continued

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 2023 and approved rates to be charged for 2024 are as follows:

<u>Amount Consumed</u>	<u>2024</u>		<u>2023</u>	
	Amount to be charged (per 100 cubic feet)		Amount to be charged (per 100 cubic feet)	
	<u>Inside city</u>	<u>Outside city</u>	<u>Inside city</u>	<u>Outside city</u>
First 20,000 cubic feet per quarter	4.48	11.97	4.48	11.97
Next 60,000 cubic feet per quarter	3.88	10.45	3.88	10.45
Next 120,000 cubic feet per quarter	3.29	8.70	3.29	8.70
Over 200,000 cubic feet per quarter	2.75	7.33	2.75	7.33
Minimum charge for water consumption per quarter	58.24	155.61	58.24	155.61

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>Size and Type</u>	<u>2024 Rate (per quarter)</u>	<u>2023 Rate (per quarter)</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, Continued

Sewer rates for the CSIRU class are determined by the total metered water consumption in each quarter. Rates charged for 2023 and rates to be charged during 2024 are as follows:

<u>Amount Consumed</u>	<u>2024</u>	<u>2023</u>
Minimum charge per quarter (up to 1,300 cubic feet)	\$ 77.09	77.09
Additional usage in excess of 1,300 cubic feet (\$/cubic feet)	5.93	5.93

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, 2023 and approved for 2024 were \$416,521 per million gallons for wastewater flow; \$1.34 per pound for all suspended solids discharged; and \$2.31 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.

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 Plant, 5815 Buffalo Avenue, Niagara Falls, New York 14304.

NIAGARA FALLS WATER BOARD
 Statements of Net Position
 December 31, 2023 and 2022

	<u>Assets</u>	<u>2023</u>	<u>2022*</u>
Current assets:			
Cash and equivalents		\$ 16,667,990	13,053,285
Accounts receivable, net of allowance for uncollectible accounts		10,825,192	9,869,836
Due from City of Niagara Falls, net of allowance for uncollectible accounts		2,918,203	2,500,569
Grants receivable		663,530	701,135
Current portion, lease receivable		168,634	184,790
Prepaid expenses		<u>557,411</u>	<u>522,606</u>
Total current assets		<u>31,800,960</u>	<u>26,832,221</u>
Noncurrent assets:			
Investments, unrestricted		19,952,151	22,287,346
Investments, restricted		13,532,123	8,899,838
Lease receivable		754,524	902,406
Net pension asset, proportionate share		-	1,647,314
Capital assets, net		<u>129,505,080</u>	<u>128,113,105</u>
Total noncurrent assets		<u>163,743,878</u>	<u>161,850,009</u>
Total assets		<u>195,544,838</u>	<u>188,682,230</u>
<u>Deferred Outflows of Resources</u>			
Loss on refunding		1,714,055	1,869,854
Pension		3,002,030	3,494,251
OPEB		<u>5,936,316</u>	<u>3,359,919</u>
Total deferred outflows of resources		<u>10,652,401</u>	<u>8,724,024</u>

(Continued)

* Restated as described in note 14.

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
Statements of Net Position, Continued

<u>Liabilities</u>	<u>2023</u>	<u>2022*</u>
Current liabilities:		
Accounts payable	\$ 2,441,633	2,914,218
Accrued liabilities	1,653,583	1,977,901
EFC short-term financing	10,358,810	1,584,352
Current portion of noncurrent liabilities:		
Lease liability	64,868	76,216
Compensated absences	33,629	30,271
Total OPEB liability	2,707,159	2,629,512
Bonds payable	<u>5,166,723</u>	<u>4,540,457</u>
Total current liabilities	<u>22,426,405</u>	<u>13,752,927</u>
Noncurrent liabilities:		
Lease liability	119,010	183,878
Compensated absences	638,956	575,134
Net pension liability, proportionate share	4,042,310	-
Total OPEB liability	78,697,328	73,554,308
Bonds payable	<u>69,611,718</u>	<u>74,908,195</u>
Total noncurrent liabilities	<u>153,109,322</u>	<u>149,221,515</u>
Total liabilities	<u>175,535,727</u>	<u>162,974,442</u>
<u>Deferred Inflows of Resources</u>		
Pension	484,759	5,911,542
OPEB	16,823,828	19,340,387
Leases	884,995	1,066,945
Gain on refunding	<u>665,870</u>	<u>726,866</u>
Total deferred inflows of resources	<u>18,859,452</u>	<u>27,045,740</u>
<u>Net Position</u>		
Net investment in capital assets	45,416,014	48,223,089
Restricted	19,943,885	20,845,709
Unrestricted (deficit)	<u>(53,557,839)</u>	<u>(61,682,726)</u>
Total net position	<u>\$ 11,802,060</u>	<u>7,386,072</u>

* Restated as described in note 14.

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022*</u>
Operating revenue:		
Water rents and charges	\$ 12,842,591	12,219,614
Sewer rents and charges	25,572,184	24,007,380
Licenses and permits	211,989	234,068
Grants	734,746	4,600,664
Other services	<u>6,026</u>	<u>31,989</u>
Total operating revenue	<u>39,367,536</u>	<u>41,093,715</u>
Operating expenses:		
Personnel costs	6,809,309	6,551,398
Contractual expenses	14,331,060	12,847,649
Employee benefits	6,445,388	5,517,936
Depreciation expense	6,924,829	6,777,057
Amortization expense	<u>113,678</u>	<u>101,810</u>
Total operating expenses	<u>34,624,264</u>	<u>31,795,850</u>
Total operating income	<u>4,743,272</u>	<u>9,297,865</u>
Nonoperating revenue (expenses):		
Amortization of bond premium	34,951	190,750
Debt issuance costs	-	(353,518)
Use of money and property	1,680,389	357,879
Gain on sale of property	85,084	47,582
Interest expense	<u>(2,127,708)</u>	<u>(2,266,273)</u>
Total nonoperating expenses	<u>(327,284)</u>	<u>(2,023,580)</u>
Change in net position	4,415,988	7,274,285
Net position at beginning of year	<u>7,386,072</u>	<u>111,787</u>
Net position at end of year	<u>\$ 11,802,060</u>	<u>7,386,072</u>

* Restated as described in note 14.

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
 Statements of Cash Flows
 Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 37,241,888	36,714,635
Receipts from grants	772,351	5,031,812
Payments to suppliers	(13,808,747)	(16,293,046)
Payments to employees	<u>(12,304,744)</u>	<u>(12,226,030)</u>
Net cash provided by operating activities	<u>11,900,748</u>	<u>13,227,371</u>
Cash flows from capital and related financing activities:		
Issuance of lease liability	-	80,435
Payments on lease liability	(76,216)	(104,465)
Purchases of capital assets	(9,388,331)	(7,297,180)
Proceeds from insurance recoveries	-	31,331
Proceeds on sale of assets	85,084	76,829
Repayments of capital debt	(4,572,457)	(38,509,744)
Issuance of capital debt	8,806,458	35,930,000
Deferred loss on refunding	-	(1,869,854)
Interest paid on capital debt	(2,523,880)	(2,030,159)
Payment of debt issuance costs	<u>-</u>	<u>(353,518)</u>
Net cash used in capital and related financing activities	<u>(7,669,342)</u>	<u>(14,046,325)</u>
Cash flows from investing activities:		
Interest received	1,680,389	357,879
Change in restricted cash and investments	<u>(2,297,090)</u>	<u>4,727</u>
Net cash provided by (used in) investing activities	<u>(616,701)</u>	<u>362,606</u>
Change in cash and equivalents	3,614,705	(456,348)
Cash and equivalents at beginning of year	<u>13,053,285</u>	<u>13,509,633</u>
Cash and equivalents at end of year	<u>\$ 16,667,990</u>	<u>13,053,285</u>

(Continued)

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD
Statements of Cash Flows, Continued

	<u>2023</u>	<u>2022*</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,743,272	<u>9,297,865</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,924,829	6,777,057
Amortization	113,678	101,810
Allowance for doubtful accounts	1,152,265	809,798
Changes in:		
Accounts receivable	(971,531)	975,014
Due from City of Niagara Falls	(1,553,724)	(1,542,977)
Grants receivable	37,605	431,148
Lease receivable	164,038	161,699
Prepaid expenses	(34,805)	(30,957)
Net pension asset, proportionate share	1,647,314	(1,647,314)
Accounts payable	485,264	(3,414,440)
Accrued liabilities	71,854	(129,086)
Compensated absences	67,180	(88,812)
Total OPEB liability	5,220,667	(19,044,520)
Net pension liability, proportionate share	4,042,310	(19,321)
Deferred outflows of resources - pension	492,221	1,099,670
Deferred outflows of resources - OPEB	(2,576,397)	714,877
Deferred inflows of resources - pension	(5,426,783)	69,937
Deferred inflows of resources - OPEB	(2,516,559)	18,887,873
Deferred inflows of resources - leases	(181,950)	(181,950)
Total adjustments	<u>7,157,476</u>	<u>3,929,506</u>
Net cash provided by operating activities	<u>\$ 11,900,748</u>	<u>13,227,371</u>
Supplemental schedule of cash flow information:		
Adjustment for capital assets financed by accounts payable	<u>\$ 1,331,651</u>	<u>2,289,500</u>

* Restated as described in note 14.

See accompanying notes to financial statements.

NIAGARA FALLS WATER BOARD

Notes to Financial Statements

December 31, 2023 and 2022

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

Currently there are approximately 17,647 residential, 259 commercial and 22 large industrial type customers. Total population served by the water system is estimated at 47,993. The average daily demand is 19.0 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 23.9 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 WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Reporting Entity, Continued

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

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

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

The Authority is considered a component unit since the Board is obligated to pay debt service and fund other accounts of the Authority. Thus, the Authority is “fiscally dependent” upon the Board to establish rates and collect fees necessary to pay these debts. Further, the Authority is “blended” with the Board in the financial statements because the Authority exists solely to provide services that predominantly benefit the Board. The Authority has no employees of its own.

(b) Measurement Focus and Basis of Accounting

The financial statements of the Board have been prepared in accordance with GAAP as applied to governmental units. The Governmental 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, revenue, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

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

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Budgets

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

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

- Cash and Equivalents - The Board's cash and equivalents represent cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
- Restricted Cash and Investments - 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. The total amount restricted for debt service fund amounted to \$6,079,649 and \$7,736,729, at December 31, 2023 and 2022, 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. The total amount restricted for debt service reserve fund amounted to \$7,452,474 and \$7,123,949, at December 31, 2023 and 2022, 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. The total amount restricted for operating and maintenance amounted to \$5,625,181 and \$5,198,450, at December 31, 2023 and 2022, 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.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

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

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2023.

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

Certificates of deposit - Valued at the closing price reported on the active market in which the individual securities are traded.

Corporate securities (commercial paper and bonds) - Valued at the closing price reported on the active market in which the individual securities are traded.

U.S. Government securities and bonds - Valued at the closing price reported on the active markets in which the individual securities are traded.

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

- Accounts Receivable - All receivables, 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.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

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

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

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

<u>Assets</u>	<u>Years</u>	<u>Threshold</u>
Land	N/A	N/A
Water and wastewater systems	20 - 50	\$20,000
Machinery and equipment	3 - 15	\$15,000

- Compensated Absences - Board employees are granted vacation and sick leave, and certain employees are permitted to earn compensatory absences in lieu of overtime. The amount of vacation and sick leave granted varies based on date of hire. In the event of termination or upon retirement, all union employees are entitled to payment for unused accumulated accruals, with limitations defined by their respective collective bargaining agreements. No employee is allowed to carry over more than 12 weeks’ of paid vacation from year to year, which limits the Board’s total deferred liability for this item. Nonunion employees receive 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.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

In addition to providing pension benefits, the Board provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the Board's employees may become eligible for these benefits if they reach normal retirement age while working for the Board. Health care benefits are provided through the Board's self-insurance plan. The Board pays 100% of the cost for retiree's health care insurance, excluding co-pays which are the sole responsibility of the retirees. 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. All retirees will be enrolled in a "Medicare Advantage Plan" at age 65. The Board recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

- Bond and Note Discounts/Premiums - Discounts and premiums are presented as components of bonds or notes payable. The discounts/premiums are amortized over the life of the bonds and notes on a straight-line interest method.
- Long-term Obligations - Long-term debt obligations are reported as liabilities in the accompanying statement 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 9.
- 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) 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 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.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

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 \$19,943,885 and \$20,845,709 as of December 31, 2023 and 2022, respectively.

Restricted for Capital Projects - Amounts restricted for capital projects is \$786,581 at December 31, 2023 and 2022. 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 represent the remainder of the settlement funds and 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 for debt service were \$6,079,649 and \$7,736,729 at December 31, 2023 and 2022, respectively.

Restricted for Debt Service Reserve Fund - Amounts restricted for the debt service reserve fund were \$7,452,474 and \$7,123,949 at December 31, 2023 and 2022, 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 \$6,232,913 and \$6,407,934 at December 31, 2023 and 2022, respectively. This resulted in excess reserves of \$1,219,651 and \$716,015 at December 31, 2023 and 2022, respectively.

Restricted for Operations and Maintenance - Amounts restricted for operations and maintenance were \$5,625,181 and \$5,198,450 at December 31, 2023 and 2022, 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 the fiscal years' budgeted operating expenses which equates to \$4,861,056 and \$4,900,942 at December 31, 2023 and 2022, respectively. There were excess reserves of \$764,125 and \$297,508 at December 31, 2023 and 2022, respectively.

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.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Use of Estimates

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

(f) Income Taxes

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

(g) Subsequent Events

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

(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.

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, 2023 and 2022, 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.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(2) Cash and Equivalents and Investments, Continued

The Board's collateral related to the above is as follows for the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Book balance	\$ <u>16,667,990</u>	<u>13,053,285</u>
Bank balance	\$ <u>16,682,689</u>	<u>13,689,617</u>
Insured cash - FDIC	500,000	500,000
Uninsured - collateralized with securities held by pledging financial institution	<u>16,922,749</u>	<u>14,266,588</u>
Total insured and collateralized cash and equivalents	\$ <u>17,422,749</u>	<u>14,766,588</u>

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, 2023, 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, 2023, consist of the following:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Cash and equivalents	N/A	\$ 3,777,743
Federal Home Mortgage Corp.	8/2024 - 9/2025	4,456,495
U.S. Treasury notes and bonds	1/2024 - 7/2024	12,827,287
Taxable money market funds	N/A	10,424,254
Certificates of deposit	1/2024 - 9/2024	<u>1,998,495</u>
Total investments		\$ <u>33,484,274</u>

These investments are classified as Level 1.

The Board's investments at December 31, 2022, consist of the following:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Cash and equivalents	N/A	\$ 7,335,361
Federal Home Mortgage Corp.	2/2023 - 6/2025	13,145,041
U.S. Treasury notes and bonds	1/2023 - 7/2024	7,063,140
Taxable money market funds	1/2023 - 6/2023	2,243,770
Certificates of deposit	2/2024 - 7/2024	1,237,350
Income	N/A	<u>162,522</u>
Total investments		\$ <u>31,187,184</u>

These investments are classified as Level 1.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(2) Cash and Equivalents and Investments, Continued

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, 2023, the Board held 11% in cash and equivalents, 13% in Federal Home Mortgage Corp., 39% in U.S. Treasury Notes and Bonds, and 37% in Taxable Commercial Paper.

(3) Receivables

Major revenue accrued by the Board at December 31, 2023 and 2022 include the following:

(a) Accounts Receivable

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

Customers are billed either on a monthly or quarterly basis depending on the type of user (industrial or residential), and the level of water and sewer usage. Customers may make payments without penalty on current charges up until 20 days after the date of issue. 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.

For the years ended December 31, 2023 and 2022, \$1,290,479 and \$1,274,304, respectively, were included in allowance for uncollectible accounts to account for receivable balances that may not be collected.

(b) Due from City of Niagara Falls

Due from City of Niagara Falls represents amounts due from the City for the tax transfer. The amount accrued at December 31, 2023 and 2022, net of allowance for uncollectible amounts, were \$2,918,203 and \$2,500,569, respectively.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(3) Receivables, Continued

(b) Due from City of Niagara Falls, Continued

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 charges at year-end. Charges from all previous years' water and sewer operations transferred to the City that are not collected totaled \$10,574,844 and \$9,021,120 at December 31, 2023 and 2022, respectively. Management has recorded an allowance for uncollectible accounts with respect to these balances of \$7,656,641 and \$6,520,551 at December 31, 2023 and 2022, respectively.

(4) Capital Assets

The Board's capital asset activity for the year ended December 31, 2023 is summarized as follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2023</u>
Capital assets, not being depreciated and amortized:				
Land	\$ 463,713	-	-	463,713
Construction in progress	<u>16,172,883</u>	<u>8,430,482</u>	<u>(10,809,240)</u>	<u>13,794,125</u>
Total capital assets not being depreciated and amortized	<u>16,636,596</u>	<u>8,430,482</u>	<u>(10,809,240)</u>	<u>14,257,838</u>
Capital assets, being depreciated and amortized:				
Plant and transmission costs:				
Water system	92,183,878	2,148,131	-	94,332,009
Wastewater system	103,958,676	7,658,084	-	111,616,760
Machinery and equipment	13,985,290	1,003,025	-	14,988,315
Right to use lease assets	<u>364,559</u>	<u>-</u>	<u>-</u>	<u>364,559</u>
Total capital assets being depreciated and amortized	<u>210,492,403</u>	<u>10,809,240</u>	<u>-</u>	<u>221,301,643</u>
Less accumulated depreciation and amortization:				
Plant and transmission costs:				
Water system	(54,863,946)	(3,031,991)	-	(57,895,937)
Wastewater system	(36,454,574)	(2,951,633)	-	(39,406,207)
Machinery and equipment	(7,595,564)	(941,205)	-	(8,536,769)
Right to use lease assets	<u>(101,810)</u>	<u>(113,678)</u>	<u>-</u>	<u>(215,488)</u>

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	<u>Balance</u> <u>12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2023</u>
Total accumulated depreciation and amortized	\$ <u>(99,015,894)</u>	<u>(7,038,507)</u>	<u>-</u>	<u>(106,054,401)</u>
Total capital assets being depreciated and amortized, net	<u>111,476,509</u>	<u>3,770,733</u>	<u>-</u>	<u>115,247,242</u>
Capital assets, net	\$ <u>128,113,105</u>	<u>12,201,215</u>	<u>(10,809,240)</u>	<u>129,505,080</u>

The Board's capital asset activity for the year ended December 31, 2022 is summarized as follows:

	<u>Balance</u> <u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2022</u>
Capital assets, not being depreciated and amortized:				
Land	\$ 463,713	-	-	463,713
Construction in progress	<u>9,903,918</u>	<u>9,202,627</u>	<u>(2,933,662)</u>	<u>16,172,883</u>
Total capital assets not being depreciated and amortized	<u>10,367,631</u>	<u>9,202,627</u>	<u>(2,933,662)</u>	<u>16,636,596</u>
Capital assets, being depreciated and amortized:				
Plant and transmission costs:				
Water system	92,041,188	142,690	-	92,183,878
Wastewater system	102,493,699	1,464,977	-	103,958,676
Machinery and equipment	12,876,530	1,629,613	(520,853)	13,985,290
Right to use lease assets	<u>284,124</u>	<u>80,435</u>	<u>-</u>	<u>364,559</u>
Total capital assets being depreciated and amortized	<u>207,695,541</u>	<u>3,317,715</u>	<u>(520,853)</u>	<u>210,492,403</u>
Less accumulated depreciation and amortization:				
Plant and transmission costs:				
Water system	(51,838,554)	(3,025,392)	-	(54,863,946)
Wastewater system	(33,624,449)	(2,830,125)	-	(36,454,574)
Machinery and equipment	(7,134,300)	(921,540)	460,276	(7,595,564)
Right to use lease assets	<u>-</u>	<u>(101,810)</u>	<u>-</u>	<u>(101,810)</u>

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	<u>Balance</u> <u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2022</u>
Total accumulated depreciation and amortized	\$ <u>(92,597,303)</u>	<u>(6,878,867)</u>	<u>460,276</u>	<u>(99,015,894)</u>
Total capital assets being depreciated and amortized, net	<u>115,098,238</u>	<u>(3,561,152)</u>	<u>(60,577)</u>	<u>111,476,509</u>
Capital assets, net	\$ <u>125,465,869</u>	<u>5,641,475</u>	<u>(2,994,239)</u>	<u>128,113,105</u>

(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 Environmental Facilities Corporation (EFC) Note used to fund North Gorge Interceptor Capacity Restoration Project. These bonds are due in 2041 and bear interest at rates between 0.26-4.27%.

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

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

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

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(5) Indebtedness, Continued

During 2016, net proceeds of the Series A bonds were used to entirely refund the Series 2005 bonds of \$23,115,000 specifically reducing the interest to be paid by approximately \$4,100,000. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the Board financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$4.1 million. The accounting gain on this refunding was originally \$1,097,923 which will be amortized through 2034. The unamortized gain on refunding amounted to \$665,870 at December 31, 2023.

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

During 2022, net proceeds of the Water and Sewer System Revenue Refunding Bonds Series 2022A totaling \$35,930,000 were used to entirely refund the Series 2013A Serial Bonds of \$34,120,000. The discount on this refunding was \$1,869,854 which is being amortized beginning in 2024 through 2034. The Series 2022A bond will be repaid over 10 years beginning in 2024 with interest rates ranging from 2.00% - 3.375%.

Indebtedness activity for the year ended December 31, 2023 is presented as follows:

	Principal Outstanding <u>12/31/2022</u>	<u>Issued</u>	<u>Paid</u>	Principal Outstanding <u>12/31/2023</u>	Due Within <u>One Year</u>
EFC 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%	\$ 4,660,000	-	(185,000)	4,475,000	185,000
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%	8,805,000	-	(670,000)	8,135,000	695,000
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%	2,370,000	-	(2,370,000)	-	-
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>3,170,000</u>	<u>-</u>	<u>(190,000)</u>	<u>2,980,000</u>	<u>200,000</u>
Total EFC Water Revolving Funds					
Revenue Bonds - Direct Borrowings	<u>19,005,000</u>	<u>-</u>	<u>(3,415,000)</u>	<u>15,590,000</u>	<u>1,080,000</u>

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(5) Indebtedness, Continued

	<u>Principal Outstanding 12/31/2022</u>	<u>Issued</u>	<u>Paid</u>	<u>Principal Outstanding 12/31/2023</u>	<u>Due Within One Year</u>
Serial Bonds:					
Series 2013B bonds issued in 2013 for \$8,415,000 and maturing in 2024 bearing interest paid semi-annually at 4.309%	\$ 1,475,000	-	(925,000)	550,000	550,000
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	2,750,000
Series 2022A bonds issued in 2022 for \$35,930,000 and maturing in 2034 bearing interest paid semi-annually at 2.0% to 3.375%	35,930,000	-	-	35,930,000	575,000
Unamortized premium on bonds issued in 2016 for \$2,335,569 and maturing in 2034	<u>1,546,233</u>	<u>-</u>	<u>(129,754)</u>	<u>1,416,479</u>	<u>129,754</u>
Total Serial Bonds	<u>59,081,233</u>	<u>-</u>	<u>(1,054,754)</u>	<u>58,026,479</u>	<u>4,004,754</u>
NYS 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%	<u>1,362,419</u>	<u>-</u>	<u>(200,457)</u>	<u>1,161,962</u>	<u>211,723</u>
Total	<u>\$79,448,652</u>	<u>-</u>	<u>(4,670,211)</u>	<u>74,778,441</u>	<u>5,296,477</u>
	<u>Principal Outstanding 12/31/2021</u>	<u>Issued</u>	<u>Paid</u>	<u>Principal Outstanding 12/31/2022</u>	<u>Due Within One Year</u>
EFC 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%	\$ 4,840,000	-	(180,000)	4,660,000	185,000
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%	9,455,000	-	(650,000)	8,805,000	670,000
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%	4,660,000	-	(2,290,000)	2,370,000	2,370,000
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>3,355,000</u>	<u>-</u>	<u>(185,000)</u>	<u>3,170,000</u>	<u>190,000</u>
Total EFC Water Revolving Funds Revenue Bonds - Direct Borrowings	<u>22,310,000</u>	<u>-</u>	<u>(3,305,000)</u>	<u>19,005,000</u>	<u>3,415,000</u>

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(5) Indebtedness, Continued

	<u>Principal Outstanding 12/31/2021</u>	<u>Issued</u>	<u>Paid</u>	<u>Principal Outstanding 12/31/2022</u>	<u>Due Within One Year</u>
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%.	\$34,120,000	-	(34,120,000)	-	-
Series 2013B bonds issued in 2013 for \$8,415,000 and maturing in 2024 bearing interest paid semi-annually at 4.309%.	\$ 2,350,000	-	(875,000)	1,475,000	925,000
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	-
Series 2022A bonds issued in 2022 for \$35,930,000 and maturing in 2034 bearing interest paid semi-annually at 2.0% to 3.375%	-	35,930,000	-	35,930,000	-
Unamortized premium on bonds issued in 2016 for \$2,335,569 and maturing in 2034	<u>1,675,987</u>	<u>-</u>	<u>(129,754)</u>	<u>1,546,233</u>	<u>-</u>
Total Serial Bonds	<u>58,275,987</u>	<u>35,930,000</u>	<u>(35,124,754)</u>	<u>59,081,233</u>	<u>925,000</u>
NYS 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%	<u>1,572,163</u>	<u>-</u>	<u>(209,744)</u>	<u>1,362,419</u>	<u>200,457</u>
Total	<u>\$82,158,150</u>	<u>35,930,000</u>	<u>(38,639,498)</u>	<u>79,448,652</u>	<u>4,540,457</u>

The annual maturities of long-term debt as of December 31, 2023 are as follows:

NYS EFC Revolving Fund Revenue Bonds - Direct Borrowings:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,180,000	560,702	1,740,702
2028	1,215,000	505,215	1,720,215
2029-2033	6,710,000	1,632,036	8,342,036
2034-2038	1,905,000	436,155	2,341,155
2039-2041	<u>1,245,000</u>	<u>126,576</u>	<u>1,371,576</u>
	<u>\$ 15,590,000</u>	<u>5,249,622</u>	<u>20,839,622</u>

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(5) Indebtedness, Continued

Serial Bonds:

<u>Year</u>	<u>Premium on bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 129,754	3,875,000	2,026,192	5,901,192
2025	129,754	4,435,000	1,853,492	6,288,492
2026	129,754	4,620,000	1,659,517	6,279,517
2027	129,754	4,820,000	1,455,427	6,275,427
2028	129,754	5,035,000	1,239,337	6,274,337
2029-2033	648,770	27,385,000	3,832,364	31,217,364
2034	<u>118,939</u>	<u>6,440,000</u>	<u>237,988</u>	<u>6,677,988</u>
	<u>\$ 1,416,479</u>	<u>56,610,000</u>	<u>12,304,317</u>	<u>68,914,317</u>

NYS Power Authority - Direct Borrowing:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 211,723	58,410	270,133
2025	223,621	46,512	270,133
2026	236,188	33,945	270,133
2027	249,461	20,672	270,133
2028	<u>240,969</u>	<u>6,653</u>	<u>247,622</u>
	<u>\$ 1,161,962</u>	<u>166,192</u>	<u>1,328,154</u>

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

Interest paid:	\$ 2,523,880
Plus: Interest accrued in the current year	1,003,477
Less: Interest accrued in the prior year	(1,399,649)
Total interest expense	\$ <u>2,127,708</u>

Financing Agreement Covenants

The financing agreement between the Authority and the Board relating to all current and future bonding contain various covenants pertaining to the use and maintenance of the trust funds established from the proceeds of each bonding. At December 31, 2023, management believes the Board was in compliance with the following loan covenants:

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

- (1) 115% of the estimated aggregate debt service and projected debt service payable in such fiscal year;
 - (2) 100% of Board operating expenses and Authority expenses payable in such fiscal year;
- and

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(5) Indebtedness, Continued

Financing Agreement Covenants, Continued

(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.

The Board's direct borrowings with EFC contain a provision that in the event of default, 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, or requiring the Board to immediately redeem the bonds in whole together with all other sums due to EFC. The Board may also owe to EFC interest accrued on the overdue balance.

On April 1, 2021, the Authority issued a Bond Anticipation Note (BAN) Series 2021 through EFC for a maximum amount of \$27,000,000 for the planning, design and construction of improvements to the wastewater treatment plant (WWTP) and Gorge Pump Station. This BAN included \$13,500,000 of interest-free financing and \$13,500,000 of market-rate sum financing. The initial interest rate is 0.00% per annum for the interest-free portion and 0.00% per annum for the market-rate portion under a NYS EFC short-term financing program, which is considered a direct borrowing. This BAN has a maturity date of April 1, 2026.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(5) Indebtedness, Continued

Remedies for Default, Continued

The following is a summary of changes in short-term debt for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 1,584,352	1,584,352
Borrowings	8,806,458	-
Payments	<u>(32,000)</u>	<u>-</u>
Balance at December 31	\$ <u>10,358,810</u>	<u>1,584,352</u>

(6) Leases

(a) Receivable

The Board's leasing operations consist of the leasing of land for cellular towers to telecommunication companies. All leases are subject to public procurement requirements, and each has a different mechanism for determining rates and charges. The lease receivables were discounted to a net present value at December 31, 2023 and 2022 using a 2.05% interest rate. Activity of lease inflows for the years ended December 31, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Lease principal	\$ 164,038	181,950
Interest	<u>20,752</u>	<u>20,752</u>
Total lease inflows	\$ <u>184,790</u>	<u>202,702</u>

Future minimum lease payments due to the Board are related deferred inflows of resources as of December 31, 2023 were as follows:

	<u>Premium</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows of Resources</u>
<u>Year</u>	<u>on bonds</u>				
2024	\$ 129,754	3,875,000	2,026,192	5,901,192	181,800
2025	129,754	4,435,000	1,853,492	6,288,492	146,594
2026	129,754	4,620,000	1,659,517	6,279,517	146,594
2027	129,754	4,820,000	1,455,427	6,275,427	70,940
2028	129,754	5,035,000	1,239,337	6,274,337	70,940
2029-2033	648,770	27,385,000	3,832,364	31,217,364	223,489
2034	<u>118,939</u>	<u>6,440,000</u>	<u>237,988</u>	<u>6,677,988</u>	<u>44,638</u>
	<u>\$ 1,416,479</u>	<u>56,610,000</u>	<u>12,304,317</u>	<u>68,914,317</u>	<u>884,995</u>

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(6) Leases, Continued

(b) Payable

Activity of lease liability for the year ended December 31, 2023 is summarized as follows:

<u>Principal</u> <u>Outstanding</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal</u> <u>Outstanding</u> <u>12/31/2023</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
\$ 260,094	-	(76,216)	183,878	64,868

Activity of lease liability for the year ended December 31, 2022 is summarized as follows:

<u>12/31/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2022</u>
\$ 284,124	80,435	(104,465)	260,094

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	64,868	3,158	68,026
2025	59,881	1,856	61,737
2026	46,533	697	47,230
2027	12,596	108	12,704
	<u>\$ 183,878</u>	<u>5,819</u>	<u>189,697</u>

(7) 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.

<u>12/31/2021</u>	<u>Deletions</u>	<u>12/31/2022</u>	<u>Additions</u>	<u>12/31/2023</u>	<u>Due within</u> <u>one year</u>
\$ 694,217	(88,812)	605,405	67,180	672,585	33,629

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB)

(a) Plan Description and Benefits

Plan Description - The Board provides continuation of medical, prescription drug, dental, vision and chiropractic coverage for employees who retire and are at least age 50 and have an age, plus years of service, of at least 70. All retirees and future retirees hired prior to 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, 2023, the current portion of the postemployment benefits liability was \$2,707,159. The noncurrent portion of the postemployment benefits liability amounted to \$78,697,328 at December 31, 2023.

(b) Employees covered by benefit terms

At December 31, 2023, the following employees were covered by the benefit terms:

Current retirees	110
Active employees	<u>113</u>
	<u>223</u>

(c) Total OPEB Liability

At December 31, 2023 and 2022, the Board reported a liability of \$81,404,487 and \$76,183,820, respectively, for its total OPEB liability. The OPEB liability was measured as of December 31, 2023 with roll forward calculation to the measurement date, and was determined by an actuarial valuation as of January 1, 2022.

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	3.88%
Healthcare cost trend rates	7.0% for 2023, decreasing to an ultimate rate of 4.5% for 2033

Mortality rates were based on the Society of Actuaries Mortality Improvement Scale MP-2021.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB), Continued

(e) Changes in the Total OPEB Liability

Total OPEB liability at beginning of year	\$ 76,183,820
Changes for the year:	
Service cost	1,228,756
Interest on total OPEB liability	2,904,920
Changes in assumptions	3,716,503
Benefit payments	<u>(2,629,512)</u>
Total changes	<u>5,220,667</u>
Total OPEB liability at end of year	\$ <u>81,404,487</u>

(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage point higher (4.88%) than the current discount rate:

		Current Discount Rate (3.88%)		1% Increase (4.88%)
Total OPEB liability	\$	<u>95,558,871</u>	<u>81,404,487</u>	<u>70,407,317</u>

(g) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rates

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

		Current Trend Rate		1% Increase
Total OPEB liability	\$	<u>68,909,176</u>	<u>81,404,487</u>	<u>97,634,560</u>

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

For the years ended December 31, 2023 and 2022, the Board recognized OPEB expense of \$2,757,223 and \$3,226,131, respectively. At December 31, 2023 and 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB), Continued

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

	2023		2022	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ <u>5,936,316</u>	<u>16,823,828</u>	<u>3,359,919</u>	<u>19,340,387</u>

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

<u>Year ending</u>	
2024	\$ (1,376,453)
2025	(1,376,453)
2026	(1,376,453)
2027	(1,590,919)
2028	(2,071,071)
Thereafter	<u>(3,096,163)</u>
Total	\$ <u>(10,887,512)</u>

(9) Pension Plan

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

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

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(9) Pension Plan

(a) Plan Descriptions and Benefits Provided, Continued

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 ERS 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.

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

At December 31, 2023 and 2022, the Board reported an asset (liability) of (\$4,042,310) and \$1,647,314, respectively, for its proportionate share of the net pension asset (liability). The total net pension liability was measured as of March 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2023 and 2022. The Board's proportion of the net pension liability was based on projections of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2023 and 2022, the Board's proportionate share of the net asset (liability) was 0.0188505% and 0.0201517%. The Board's proportionate share of the net asset (liability) increased (decreased) (0.0013012) and 0.0007478 from the March 31, 2022 and 2021 measurement date, respectively.

For the years ended December 31, 2023 and 2022, the Board recognized pension expense of \$1,359,423 and \$79,274, respectively. At December 31, 2023 and 2022, the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(9) Pension Plan, Continued

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

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 430,538	113,523	124,753	161,812
Changes of assumptions	1,963,206	21,697	2,749,183	46,389
Net difference between projected and actual investment earnings on pension plan investments	-	23,748	-	5,394,265
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	133,720	325,791	219,479	309,076
Board's contributions subsequent to the measurement date	<u>474,566</u>	<u>-</u>	<u>400,836</u>	<u>-</u>
Total	\$ <u>3,002,030</u>	<u>484,759</u>	<u>3,494,251</u>	<u>5,911,542</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:

<u>Year ending</u>	
2024	\$ 473,264
2025	(266,953)
2026	768,795
2027	<u>1,067,599</u>
	\$ <u>2,042,705</u>

(c) Actuarial Assumptions

The total pension liability as of the March 31, 2023 measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(9) Pension Plan, Continued

(c) Actuarial Assumptions, Continued

Measurement date	March 31, 2023
Actuarial valuation date	April 1, 2022
Inflation	2.9%
Salary increases	4.4%
Investment rate of return, (net of investment expense, including inflation)	5.9%
Cost-of-living adjustments	1.5%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. The previous actuarial valuation as of April 1, 2021 used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long-term expected 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 the arithmetic real rates of return for each major asset class are summarized as follows:

Measurement date	March 31, 2023	
	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected</u>
		<u>real rate</u>
Asset type:		<u>of return*</u>
Domestic equity	32.00%	4.30%
International equity	15.00%	6.85%
Private equity	10.00%	7.50%
Real estate	9.00%	4.60%
Opportunistic/ARS portfolio	3.00%	5.38%
Credit	4.00%	5.43%
Real assets	3.00%	5.84%
Fixed income	23.00%	1.50%
Cash	<u>1.00%</u>	0.00%
	<u>100.00%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.50%.

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(9) Pension Plan, Continued

(d) Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 determined. Based upon those assumptions, the System'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.

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

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 5.9%, 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:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Board's proportionate share of the net pension asset (liability)	\$ <u>(9,768,529)</u>	<u>(4,042,310)</u>	<u>742,612</u>

(f) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Measurement date	3/31/2023	3/31/2022
Employers' total pension liability	\$ (232,627)	(223,875)
Plan fiduciary net position	<u>211,183</u>	<u>232,049</u>
Employers' net pension asset (liability)	\$ <u>(21,444)</u>	<u>8,174</u>
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	90.78%	103.65%

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(9) Pension Plan, Continued

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2023 and 2022 represent the projected employer contribution for the period of April 1, 2023 through March 31, 2024 and April 1, 2022 through March 31, 2023, respectively, based on paid ERS wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as deferred outflows of resources in the accompanying financial statements.

(10) Labor Relations

The majority of the Board's employees are represented by various unions under four collective bargaining units agreements, with the balance governed by Board policies. Contracts for all of the bargaining units covered a seven year term, contracts with three units expire on May 31, 2024 and the fourth contract expires December 31, 2024.

(11) Risk Management and Contingent Liabilities

(a) Insurance

The Board is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters, for which the Board carries commercial insurance. There were no settlements that significantly exceeded insurance coverage for the year ended December 31, 2023.

(b) Litigation

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

(12) Significant Events

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

NIAGARA FALLS WATER BOARD
Notes to Financial Statements, Continued

(13) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

Statement No. 102 - Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

(14) Correction of Error

Net position as of December 31, 2022 was restated for a correction of error as follows:

Deferred outflows of resources - OPEB, as originally stated	\$ 5,989,431
Correction of error	<u>(2,629,512)</u>
Deferred outflows of resources - OPEB, as restated	\$ <u>3,359,919</u>
Unrestricted net position (deficit), as originally stated	\$ (59,053,214)
Correction of error	<u>(2,629,512)</u>
Unrestricted net position (deficit), as restated	\$ <u>(61,682,726)</u>
Employee benefits, as originally stated	\$ 2,888,424
Correction of error	<u>2,629,512</u>
Employee benefits, as restated	\$ <u>5,517,936</u>

NIAGARA FALLS WATER BOARD
 Required Supplementary Information
 Schedule of Changes in the Board's Total OPEB Liability and Related Ratios
 Year ended December 31, 2023

Total OPEB liability:	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,228,756	1,103,028	1,377,099	1,349,028	556,876	540,656
Interest on total OPEB liability	2,904,920	3,924,785	1,921,160	1,769,731	3,280,087	3,234,085
Changes in assumptions	3,716,503	(21,404,432)	(520,053)	5,504,550	-	-
Benefit payments	<u>(2,629,512)</u>	<u>(2,667,901)</u>	<u>(2,530,010)</u>	<u>(2,507,223)</u>	<u>(2,581,965)</u>	<u>(2,546,361)</u>
Net change in total OPEB liability	5,220,667	(19,044,520)	248,196	6,116,086	1,254,998	1,228,380
Total OPEB liability - beginning	<u>76,183,820</u>	<u>95,228,340</u>	<u>94,980,144</u>	<u>88,864,058</u>	<u>87,609,060</u>	<u>86,380,680</u>
Total OPEB liability - ending	<u>\$ 81,404,487</u>	<u>76,183,820</u>	<u>95,228,340</u>	<u>94,980,144</u>	<u>88,864,058</u>	<u>87,609,060</u>
Covered payroll	\$ 5,433,874	5,433,874	4,310,662	4,310,662	3,900,691	3,900,691
Total OPEB liability as a percentage of covered payroll	1498.1%	1402.0%	2209.1%	2203.4%	2278.2%	2246.0%

Notes to schedule:

There are no assets accumulated in a trust that meet the criteria of GASB Statement No. 75, paragraph 4.

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

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
3.88%	4.18%	2.05%	2.02%	3.80%	3.80%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Board is presenting information for those years for which information is available.

NIAGARA FALLS WATER BOARD
 Required Supplementary Information
 Schedule of the Board's Proportionate Share of the Net Pension Asset/Liability
 Year ended December 31, 2023

ERS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Board's proportion of the net pension asset (liability)	0.0188505%	0.0201517%	0.0194039%	0.0178786%	0.0160886%	0.0147209%	0.0137476%	0.0134405%	0.0141606%
The Board's proportionate share of the net pension asset (liability)	\$ (4,042,310)	1,647,314	(19,321)	(4,734,365)	(1,139,930)	(475,108)	(1,291,751)	(2,157,242)	(478,381)
The Board's covered payroll	\$ 5,814,126	5,609,483	5,609,604	5,463,366	4,917,159	4,374,241	4,719,361	4,397,005	4,082,614
The Board's proportionate share of the net pension asset (liability) as a percentage of covered payroll	69.53%	29.37%	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	90.78%	103.65%	99.95%	86.39%	96.27%	98.29%	94.70%	90.70%	97.95%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Board is presenting information for those years for which information is available.

NIAGARA FALLS WATER BOARD
 Required Supplementary Information
 Schedule of the Board's Pension Contributions
 Year ended December 31, 2023

ERS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 632,755	534,448	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>632,755</u>	<u>534,448</u>	<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>	<u>-</u>	<u>-</u>
Board's covered payroll	\$ 5,814,126	5,609,483	5,609,604	5,463,366	4,917,159	4,374,241	4,719,361	4,397,005	4,082,614	4,483,962	4,442,277
Contributions as a percentage of covered payroll	10.88%	9.53%	12.94%	11.72%	11.52%	13.34%	13.97%	14.70%	17.76%	19.27%	20.27%

NIAGARA FALLS WATER BOARD
 Other Supplementary Information
 Niagara Falls Water Authority (a Blended Component Unit)
 Statements of Net Position
 December 31, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets - cash and equivalents	\$ 244,329	196,329
Noncurrent assets - due from Water Board	<u>84,089,066</u>	<u>75,626,198</u>
Total assets	<u>84,333,395</u>	<u>75,822,527</u>
 <u>Deferred Outflows of Resources</u> 		
Loss on refunding	<u>1,714,055</u>	<u>1,869,854</u>
 <u>Liabilities</u> 		
Current liabilities:		
EFC short-term financing	10,358,810	1,584,352
Current portion, bonds payable	<u>5,166,723</u>	<u>4,540,457</u>
Total current liabilities	15,525,533	6,124,809
Noncurrent liabilities - bonds payable	<u>69,611,718</u>	<u>74,908,195</u>
Total liabilities	<u>85,137,251</u>	<u>81,033,004</u>
 <u>Deferred Inflows of Resources</u> 		
Gain on refunding	<u>665,870</u>	<u>726,866</u>
 <u>Net Position</u> 		
Unrestricted (deficit)	<u>\$ 244,329</u>	<u>(4,067,489)</u>

NIAGARA FALLS WATER BOARD
 Other Supplementary Information
 Niagara Falls Water Authority (a Blended Component Unit)
 Statements of Revenue, Expenses and Changes in Net Position
 Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue - transfers in	\$ 6,402,043	463,371
Operating expense - contractual	<u>2,000</u>	<u>-</u>
Total operating income	<u>6,400,043</u>	<u>463,371</u>
Nonoperating revenue (expenses):		
Amortization of bond premium	34,951	190,750
Debt issuance costs	-	(353,518)
Interest expense	<u>(2,123,176)</u>	<u>(2,261,162)</u>
Total nonoperating expenses	<u>(2,088,225)</u>	<u>(2,423,930)</u>
Change in net position	4,311,818	(1,960,559)
Net position at beginning of year (deficit)	<u>(4,067,489)</u>	<u>(2,106,930)</u>
Net position at end of year (deficit)	<u>\$ 244,329</u>	<u>(4,067,489)</u>

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

The Board of Directors
Niagara Falls Water Board:

We have audited, in accordance with 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 Niagara Falls Water Board (the Board), as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 25, 2024.

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 Board's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 25, 2024

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

The Board of Directors
Niagara Falls Water Board:

We have examined the Niagara Falls Water Board's (the Board), compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York (Section 201.3) during the year ended December 31, 2023. Management is responsible for the Board's compliance with Section 201.3. Our responsibility is to express an opinion on the Board's compliance with Section 201.3 based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about the Board's compliance with Section 201.3. An examination involves performing procedures to obtain evidence about the Board's compliance with Section 201.3. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Board's compliance with Section 201.3, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with ethical requirements relating to the engagement.

In our opinion, the Board complied in all material respects with Section 201.3 during the year ended December 31, 2023.

In accordance with Government Auditing Standards, we are required to report significant deficiencies in internal control, violations of provisions of laws, regulations, contracts, or grant agreements, and abuse that are material to the Board's compliance with Section 201.3 and any fraud or illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain views of management on those matters. We performed our examination to express an opinion on the Board's compliance with Section 201.3 and not for the purpose of expressing an opinion on internal control over compliance with Section 201.3 or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

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

EFPR Group, CPAs, PLLC

Williamsville, New York
March 25, 2024

March 25, 2024

CONFIDENTIAL

The Board of Directors, Niagara Falls Water Board:
Michael J. Asklar
Nicholas J. Forster
Rena Kimble
Colleen Low Larkin
Gretchen Leffler

We have completed our audit of the financial statements of Niagara Falls Water Board (the Board) for the year ended December 31, 2023. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal controls as your principal safeguard against irregularities which a test examination might not disclose. We now present for your consideration our observations and recommendations noted during our audit.

This report is solely for the information and use of the Members of the Board of Directors, management and others within the Board.

Manual Spreadsheets

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.

We recommend that the 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.

The Board of Directors, Niagara Falls Water Board:
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Page 2

Uncollectible Billings

The 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 (the City) from one year prior to December 31, 2023, are reserved as uncollectible. Of that, an unknown percentage of the amounts transferred are ultimately collected through the City 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 \$8.9 million has been deemed uncollectible as of December 31, 2023. The Board, in various bond issuances, has covenanted that it will enforce the payment of any and all charges owed to the Board for use of the system. 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 Board from the City.

We recommend that the Board 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 Board should consider working with the City or the County of Niagara (the County) to use American Recovery Plan Act 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 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 Board.

Segregation of Duties

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 Board has undergone a significant amount of turnover in recent years which has led to a concentration of certain duties.

We recommend that the 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 Board should ensure that key controls are identified and documented for all accounting transaction cycles within the organization.

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Page 3

Bank Reconciliations

During our audit of cash and the accompanying bank reconciliations, we noted bank reconciliations are being prepared by the Director of Financial Services and, therefore, are not reviewed each month. In addition, there are old outstanding checks that were being carried over on an annual basis.

We recommend that management review the bank reconciliation and the associated 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 Board's cash.

* * * * *

We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the Board during our audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

EFPR Group, CPAs, PLLC

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