The New York City Water and Sewer System

A Component of the City of New York

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30th, 2006

Contents

Covers:

In its early years, the New Croton Dam was an attraction worthy of a day-trip out of the city and a commemorative postcard. In its centennial year, 2006, it continues to function as the first link in the chain of dams and reservoirs that assure New York City's vital water supply.

Letter of Transmittal

December 5, 2006

To:

Members of the Board of the New York City Municipal Water Finance Authority

Member of the Board of the New York City Water Board

The Commissioner of the New York City Department of Environmental Protection

We are pleased to submit to you this Comprehensive Annual Financial Report ("CAFR") of the New York City Water and Sewer System (the "System") for the year ended June 30, 2006.

The CAFR is presented in three major sections: introductory, financial and statistical. The introductory section, which is not audited, includes this letter of transmittal, an organizational chart and a list of the System's principal officials. The financial section includes management's discussion and analysis, the general purpose financial statements and the combining financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules. The statistical section, which is not audited, includes selected financial, System and demographic information, presented on a multi-year basis.

The reporting entity, the System, consists of two separate and independent corporate bodies that are combined for reporting purposes: the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"). In addition, the New York City Department of Environmental Protection ("DEP") operates the System. The passage of the New York City Municipal Finance Authority Act (the "Act") of 1984 by the New York State Legislature authorized this operating and financing relationship. The System is a component unit of the City of New York (the "City") for financial reporting purposes.

The Authority is authorized to issue bonds and other debt instruments for construction and improvement of the System and the acquisition of the System by the Board. The Authority also has the power to refund its bonds and notes and the general obligation bonds of the City issued for water or sewer purposes. The Authority is administered by a Board of Directors composed of seven members, four of whom serve ex officio, two of whom are appointed by the Mayor of the City and one of whom is appointed by the Governor of the State of New York (the "State"). The staff of the Authority operates under the direction of an Executive Director.

The Water Board leases the operating system from the City, sets rates, and collects System revenue. The Lease Agreement (the "Lease"), dated July 1, 1985, provides for a lease term until such time as all the bonds of the Authority are paid in full, or provision for payment has been made. The Lease requires the Water Board to make a payment to the City which is no more than the greater of: i) principal and interest for the fiscal year on City general obligation bonds issued for water and sewer purposes, or ii) fifteen percent of principal and interest on Authority debt for the fiscal year. The Water Board is obligated to allocate the revenues of the System in sequential order of importance to debt service on Authority bonds, DEP's cost of operating and maintaining the System, and rental fees to the City for the use of the System.

The Water Board consists of seven members who are appointed by the Mayor. The Act requires that at least one member have experience in the science of water resource development. Members of the Water Board cannot be members of the Authority. The Chairman is appointed by the Mayor. The staff of the Water Board operates under the direction of an Executive Director.

The operation and maintenance of the System is performed by DEP. DEP is managed by a Commissioner who is appointed by the Mayor and oversees a workforce of over 5,700 people. DEP works to protect the environmental welfare and health of the City's residents and natural resources, manages the City's water supply, transmission and distribution system, and collects, treats, and disposes of waste and storm water. DEP supplies water and sewer service to the Boroughs of the Bronx, Brooklyn, Manhattan, Queens and Staten Island, an area of over 300 square miles, and serves over eight million people. The City is also required by State law to sell water in counties where its water supply facilities are located and currently provides water to approximately one million people located in Westchester, Putnam, Orange and Ulster Counties.

The System provides an average of approximately 1,220 million gallons per day of water. In addition to a system of dams, reservoirs, aqueducts, and water tunnels, DEP maintains approximately 6,200 miles of water mains which distribute water throughout the five boroughs. DEP also maintains approximately 6,600 miles of sewers which collect and transport waste and storm water for treatment at the City's 14 water pollution control plants. The System collects and treats an average of approximately 1,300 million gallons per day of sewage. Sewer service is provided to virtually the entire City, except for significant parts of the Borough of Staten Island, the Borough of Queens communities of Breezy Point and Douglaston, and the Borough of Brooklyn community of Seagate. Sewer service is also provided to certain upstate communities in System watershed areas.

Security

In recent years DEP has taken a number of steps to enhance and augment its security arrangements to protect the water system, including the structures, facilities and reservoirs. These steps include, among others, increasing the size of the DEP police force to a total of approximately 200 officers; obtaining legislation authorizing the DEP police force to function as police officers within the City as well as in the upstate watersheds; purchasing additional police vehicles and surveillance equipment, and further securing facilities through additional locks, fencing and other physical barriers to prevent access by unauthorized persons, restricting vehicular access at certain facilities and more frequent monitoring of the water supply for contaminants. In addition, DEP consults other governmental agencies, including the Federal Bureau of Investigation and the US Army Corps of Engineers on longer-term plans to modernize and improve security systems.

Credit Ratings

During Fiscal Year 2006, for the first time, the Authority issued bonds under its Second Resolution directly to public. In October, 2005, the Authority issued variable rate debt under the Second Resolution. In January, 2006, it sold $100 million of its Second Resolution fixed rate debt. Fitch Ratings, Standard & Poor's Ratings Services and Moody's Investors Service rate Second Resolution bonds AA, AA and Aa3, respectively.

The Authority's First Resolution bonds continue to be highly rated by all three rating agencies. Standard and Poor's Ratings Services carries the First Resolution debt rating at AA+, just one notch below their highest rating, AAA. Fitch Ratings and Moody's Investor Service, rate the Authority's First Resolution debt AA and Aa2, respectively. The Authority's ratings reflect the credit strengths resulting from the strong legal protections provided to bondholders and structural features of the Authority, which provide a true gross pledge of revenue to bondholders for debt payments.

New York State Environmental Facilities Corporation ("EFC") bonds issued for eligible Authority State Revolving Fund projects are rated AAA from all three rating agencies. Bonds which the Authority places with EFC are an element of security for the EFC bonds issued to investors, but are unrated Second Resolution bonds of the Authority.

Internal Controls

The management of the Water Board and the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the System are protected from loss, theft or misuse, and to ensure that accounting policies are complied with and to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The System is subject to the internal control directives and memorandums that originate from the New York City Comptroller's office. These directives establish internal controls and accountability which safeguard City assets. In addition, the System is also subject to the City's internal auditors who periodically check the City's agencies' and component units' adherence to internal control policies and procedures.

Budgetary Controls

The Water Board and the Authority maintain separate control structures for their specific areas of responsibility. The Water Board and the Authority establish separate operating budgets approved by their respective Boards of Directors.

Capital Program Goals

- To maintain the sufficiency, quality and security of the water in the City's watersheds and, where necessary, treat the supply to ensure drinking water continues to be of high quality;
- To maintain and improve the transmission and distribution capabilities of the City's water supply system;
- To maintain and improve the quality of the surrounding waters by upgrading the City's water pollution control plants;
- To remove sanitary sewage and prevent flooding by replacing failing sewers and extending service to underserved areas of the City.

The capital budget of the Authority is appropriated through the City's capital budget. The operation and maintenance budget of the System is appropriated through the City's annual operating budget. The City also maintains an encumbrance accounting system as another technique of accomplishing budgetary control.

Capital Improvement Program and Financing Program

The City's Ten Year Capital Strategy, published in June 2005, and which is updated every two years, includes the projected capital improvements to the System for fiscal years 2007 through 2015. The City's Current Capital Plan is updated three times each Fiscal Year and supersedes the Ten Year Capital Strategy for Fiscal Years 2007 through 2010. The Ten Year Capital Strategy as modified by the Current Capital Plan comprises the System's Capital Improvement Program ("CIP"), with the most recent update released in September 2006. The CIP provides for the rebuilding of the System's infrastructure, including water and sewer facilities.

The CIP, which establishes long range programmatic goals for the System, reflects a review of the present condition and long-term needs of the plant and equipment constituting the System. The CIP incorporates the requirements of legal mandates, the present replacement cycle for these facilities, extensions to the present service area, and programs to enhance and optimize the operation of the System. Allowances are included in the CIP for emergency repair and replacement. An annual allowance for cost escalation due to inflation is also included. The total capital commitments projected to be provided from System funds, most of which will come from the proceeds of notes and bonds of the Authority, is $14.4 billion. The table below reflects the CIP as of September 2006, and is the basis for the System's annual cash flow requirements. For a number of reasons, including unforeseen inflation and changes in plans, actual costs may vary from the estimates set forth below. The CIP is divided into five project types, each discussed below. The capital commitments shown in each year represent capital contracts authorized to be entered into in each year. Actual expenditures from such capital contracts and the issuance of Authority bonds to fund such expenditures occur in the current and subsequent years.

System Funds

(in thousands)	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Water Supply and Transmission	$ 34,455	$ 75,800	$ 204,410	$ 53,048	$ 400,000	$ 616,299	$ 350,000	$ 558,800	$ 655,500	$ 2,948,312
Water Distribution	1,580,238	963,146	318,088	192,324	272,556	194,333	130,595	143,724	149,386	3,944,390
Water Polution Control	1,143,975	587,252	506,626	626,305	535,965	403,489	596,574	368,644	584,119	5,352,949
Sewers	276,459	162,125	119,081	184,435	173,854	119,139	142,042	146,234	150,547	1,473,916
Equipment	141,834	157,253	74,156	88,695	48,453	48,113	48,417	48,131	48,380	703,432
Total	$3,176,961	$1,945,576	$1,222,361	$1,144,807	$1,430,828	$1,381,373	$1,267,628	$1,265,533	$1,587,932	$14,422,999
Projected Authority Bond Issuance (1)	$1,532,083	$1,737,786	$1,812,826	$1,501,466	$1,587,706	$1,514,906	$1,513,786	$1,507,066	$1,521,626	$14,229,254

(1) Excludes refunding bonds

- ***Water Supply and Transmission***

This component of the CIP includes approximately $348.6 million for Stages I and II of the City's Water Tunnel No. 3. Water Tunnel No. 3 will augment the transmission capacity from the watersheds into the City, permit the inspection and rehabilitation of Tunnels 1 and 2, and provide delivery alternatives to the City in the event of disruption in Tunnel 1 or 2. Stage I of Tunnel No. 3 commenced operation in July 1998. Construction of Stage II continues towards its expected operational date of 2012. The remaining section of the Stage II underground excavation includes the Manhattan leg, which stretches across Manhattan from the valve chamber at Central Park. When Stage II comes on line, DEP will have achieved full redundancy of Tunnels No. 1 and 2. This will allow DEP to inspect and repair these tunnels for the first time since they were put into operation in 1917 and 1936, respectively.

The DEP is planning to implement water supply and transmission redundancy projects to enhance the water system and ensure its long term viability. DEP is planning to construct the Kensico-City Tunnel, a 16 mile tunnel from Kensico Reservoir to the Van Cortland Park Valve Chamber, bypassing the Hillview reservoir and providing redundancy for the sections of the Catskill and Delaware Aqueducts that run from the Kensico reservoir to the City. The estimated cost of the design work on the Kensico-City tunnel is included in the CIP. DEP is also researching and developing other alternate conveyance conduits and water supplies for the City, to provide more dependability within the water system. The alternate water supplies could be used during drought situations to augment the City's daily water supply or during repairs and inspections of existing aqueducts and tunnels. The CIP includes $1.1 billion for these projects.

- ***Water Distribution***

The System's drinking water is rated among the best in the country. To ensure its continuing quality, and to comply with federal standards, DEP is pursuing a comprehensive program to halt further environmental deterioration in the increasingly urbanized Croton watershed, and to prevent similar problems in the still relatively pristine Catskill and Delaware watersheds. The CIP projects $3.9 billion for the protection, expansion, and distribution of the City's water supply. This includes approximately $1.4 billion for the construction of a full-scale filtration plant for the treatment of water from the Croton watershed. The program also calls for $842.7 million to be committed to on-going water quality preservation programs to ensure the continued purity of the water supply. This includes ultraviolet disinfection of water from the Catskill and Delaware systems, the acquisition of environmentally sensitive property in the upstate watershed, and the ongoing projects associated with the Filtration Avoidance Determination ("FAD") issued by the US Environmental Protection Agency ("USEPA"), allowing the City to avoid filtering water from the Catskill and Delaware Systems. The FAD will remain in effect until further determinations are made, with the next scheduled for April 2007. USEPA has issued a series of FADs to the City since 1993.

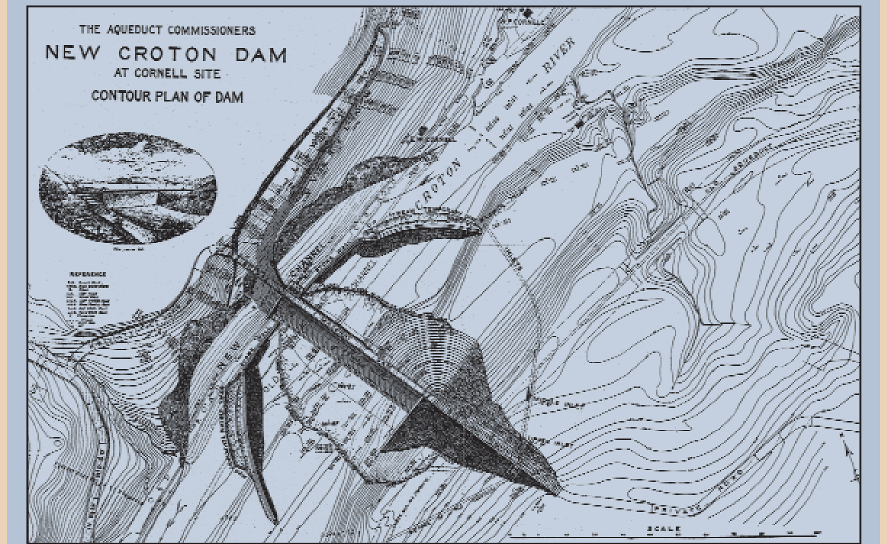
(continued on page 12)

The "New" Croton Dam Turns 100

The arrival of fresh water in New York City from the Croton River's watershed, thirty miles to the north, was cause for enthusiastic celebration in City Hall Park in 1842.

No sooner had the festivities accompanying the arrival of fresh water from the first Croton Aqueduct in1842 quieted, than it began to be clear that the supply would not be adequate for long. Water from the upstate Croton Reservoir quickly transformed New York City from a disease-wracked, fire-ravaged, and frightening place into perhaps the most desirable city on the East Coast of the United States in which to live and do business. Less than a year after the opening of the aqueduct, water consumption had risen from 110 to 165 million gallons a day, and only four years later to 183 million gallons per day. By 1850, the city's population was 300,000 and continued to increase at the rate of 20,000 per year. New industrial activity consumed ever-increasing quantities of water, but in addition, New Yorkers so enjoyed their new luxuries (palatable drinking water, new-fangled indoor plumbing and "water closets") and became so profligate in their wasteful use of water from hydrants that in the summer of 1849 water was being consumed at a rate of 60 gallons per person per day. By 1873 it had become obvious that the capacity of the original aqueduct and its upstate reservoir would have to be expanded. In 1882, a new pipeline was proposed to carry 3.3 times the volume of the original. It would be, when completed and turned over to the Department of Public Works in June of 1891, the longest and largest water conduit in the world. To maintain an adequate supply to feed the water system, several low dams were built during the 1870s and 80s on tributaries higher up in the Croton watershed, but in the early 1880s, as Manhattan's population passed a million, and per-capita consumption reached nearly a hundred gallons, the highest in the world and more than double what Philadelphians used, a new "high" dam was proposed four miles below the original dam on the Croton River where Quaker Bridge crossed at a narrowing of the river's gorge.

The Croton River had been the largest tributary to the Hudson River from the east, gathering water from the brooks, streams, and smaller rivers of a 360.44 square mile watershed reaching north to Dutchess County and as far east as the Connecticut border. The proposed new dam would raise the water level of the Croton Lake more than thirty feet above the original dam, creating a twenty-mile-long, 3,600-acre lake with a capacity of thirty billion gallons.



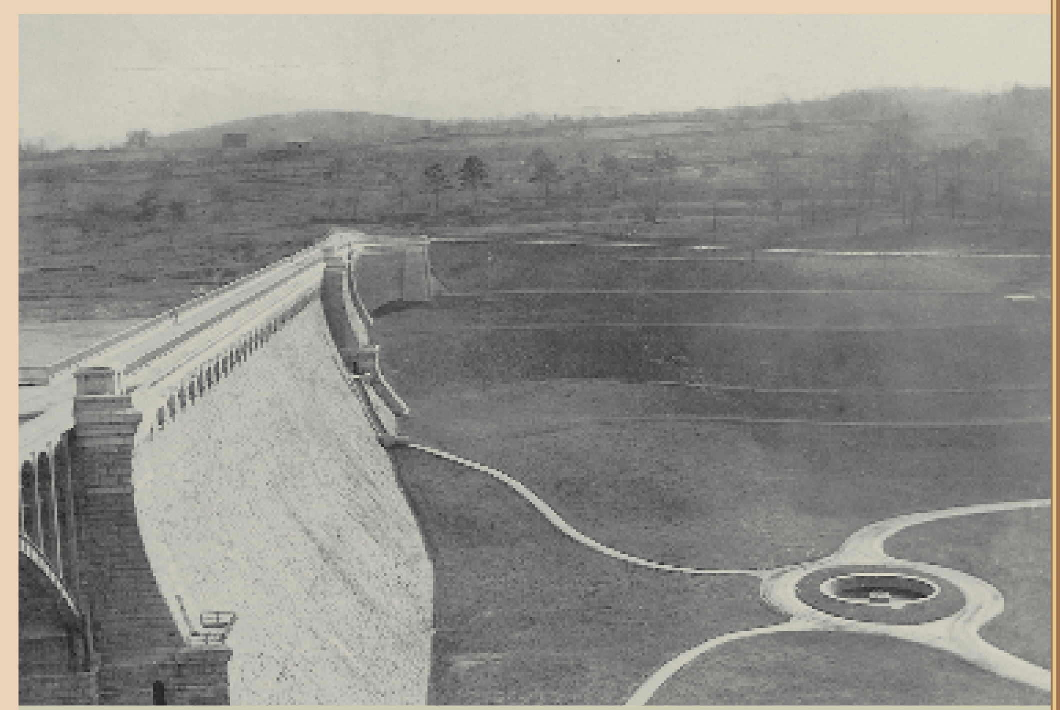
This early site plan for the dam includes the earthen segment that was replaced by masonry in the final plan as well as the course to which the Croton River was diverted during construction.

In addition to local resistance to the proposed site, expert opinions varied on the proposed profile and height of the dam. A new location, at a wider spot in the river's gorge, a mile further upstream, was finally agreed upon, and in 1892 construction began on the 2,168-foot-long, structure that would be, when completed, the tallest dam in the world, and touted as "the largest hand-hewn masonry structure since the pyramids." Originally estimated to be completed in seven years, it would eventually take fourteen, in part because of a reevaluation of the original scheme which called for a 600-foot earthen section with a masonry core. An unprecedented flooding of the Croton River in 1841 had destroyed an earthen section of the nearly completed original 50-foot high dam. The rush of water swept away bridges, mills, and houses for several miles and caused three fatalities — miraculously few considering the violence of the event. The lower river and its estuary were filled with rock, mud, and other debris making them permanently impassable to the commercial watercraft that had long serviced the mills along the river. Questions about the reliability of the earthen segment became more urgent when, in the spring of 1889, the collapse of the earthen South Fork dam resulted in the disastrous inundation of Johnstown, Pennsylvania. When, in 1901, cracks appeared on the partially completed masonry core of the earthen segment at Croton, it was removed and replaced with solid masonry. Excavation began in 1892 to construct a coffer dam to redirect the river during construction, then to reach bedrock for the dam itself. To insure against excessive filtration, the pit would reach nearly 124 feet beneath the level of the riverbed. 1.2 million cubic yards of earth and stone, some boulders weighing as much as ten tons, would be removed by steam shovels, and hauled away by cableway and temporary railway before reliable bedrock was reached. Pumps ran day and night to prevent workers and machinery from being inundated. It would be four years before the bedrock surface was cleared and ready to be pointed with mortar and sealed with grout. Only then did the dam begin to rise.

This image shows the state of construction on August 22, 1900. Each immense stone was washed, lifted, and carefully placed by one of several huge derricks onto a bed of mortar and smaller stones, then lifted again to examine the impression. Material was added or removed as needed to improve the seating of the stone, which was then lowered and reset. Over and over, for each of the thousands of stones in the finished structure, the process was repeated until each fit was perfect.

At the height of the work, more than five hundred pieces of heavy machinery were operating on the site, and 1,500 men were on the payroll. Some 745,000 barrels of cement would be used, and 100,000 tons of coal kept the machinery operating.

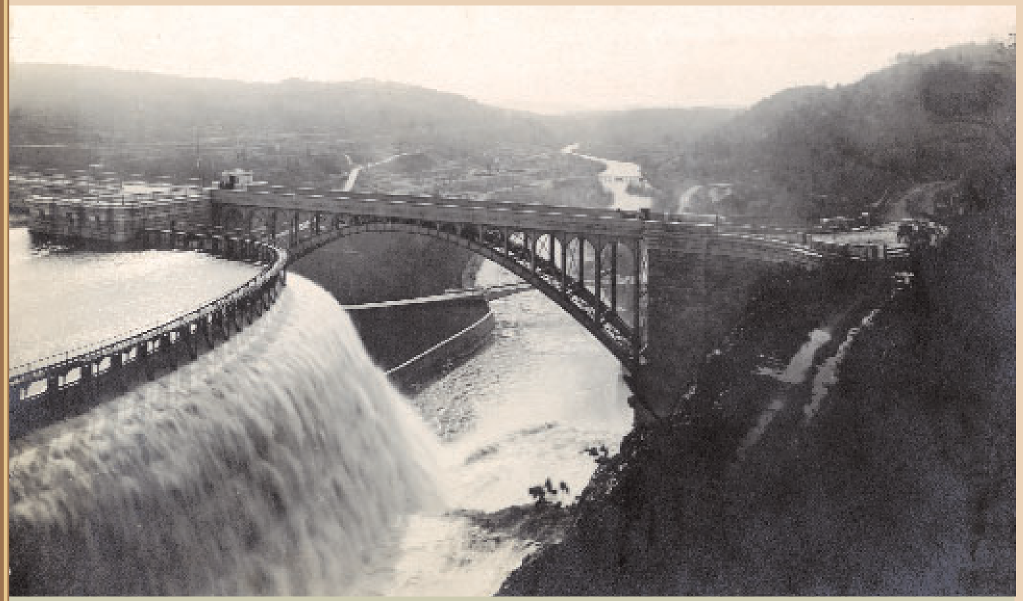
The workforce initially included Swedish, African-American, and others, but was predominantly Irish—many of whose fathers had labored on the Old Croton Dam. Within a year, however, as more and more workers were needed, the crews became more diverse. The great wave of Italian immigration brought many new arrivals right from the dock, attracted by offers of room, board, laundry, and slim but steady wages. The work was physically demanding and often dangerous. Accidents were not uncommon, many resulting in terrible injuries, and some in fatalities. Inevitable dissatisfaction over wages and working conditions raised dissension among the workers, and occasional violence. In the spring of 1900, nearly 1,000 Italian laborers went on strike, demanding a raise to $1.50 per day. They reportedly threatened to blow up the dam, and stationed their armed pickets on the hillsides above the site to keep watch on National Guard troops sent to control the situation. By the time tensions were relieved, one soldier had been fatally shot, the Italian Consul General had been called in to act as an intermediary, and Governor Teddy Roosevelt had made an appearance on horseback.

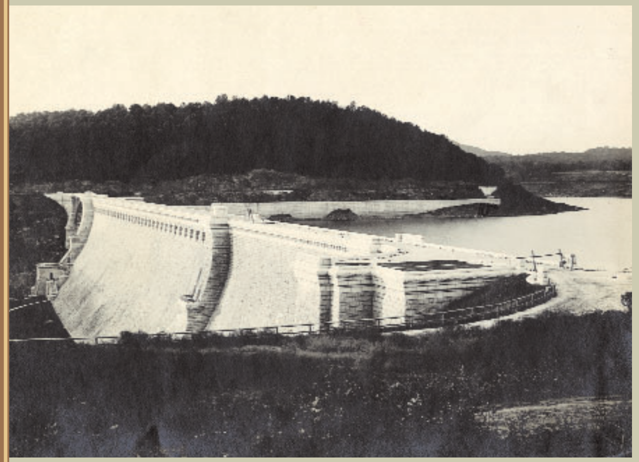


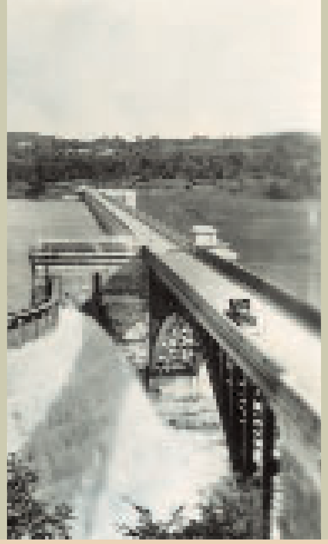
On January 10th, 1906, before a gathering of engineers, contractors, and workers, the 3,200-pound final stone was lowered gently into place onto cement that had been spread with a ceremonial silver trowel. By then, babies born in the community of shacks and shanties that had materialized in the valley below the dam as the project began had grown to maturity, and a quiet, gracefully landscaped park with serpentine walks and a fountain had taken the place of the seemingly chaotic scene in the photograph on the previous page

The photograph at the left, at the site of the original dam, was taken on December 7th, 1909 as the water was still rising behind the new dam. A line can be seen, drawn on the original print to indicate the eventual water level on the wall of the new pumphouse and bridge abutment.
By April 19th, 1912 (right), the lake had reached its maximum depth.

The completed structure (park and fountain in the foreground) appears in a photograph dated May 3, 1909. The landscape in the distance still has the look of open farmland, but much of the surrounding countryside reverted to woodland during the twentiethth century.







The innovative spillway, pouring overflow down a giant granite "stairway" to rough-hewn bedrock on one side at a right angle to the main dam, became a commonly adopted safety feature and a popular destination for a Sunday drive in the country.

The viewpoint from which the 1907 photograph (above) was taken, over the spillway and down the Croton River toward the Hudson, is no longer accessible, but Westchester County maintains a popular park at the base of the dam with a view (opposite) that has changed little in the past one hundred years.

The New Croton Dam was officially declared complete, paved roadway across the top and fountain in the park below, on New Year's Day, 1907. The new lake rising behind the dam had already obscured much of the network of roads and stone walls that had defined the rural landscape of the lower Croton River for more than a hundred years. New long-legged bridges, built to connect relocated roads higher on the hillsides, were already up to their knees in water. When full capacity was reached, the first trickle of water tumbled over the top and soon became a picturesque cascade. The dam, its arching steel bridge, roaring white-water spillway, and the meandering lake spreading twenty miles in length became an instant tourist attraction and destination for weekend drivers anxious to enjoy the pleasures of that new national passion, the motorcar.

More significantly, new standards for gravity dams had been set. At 240 feet total height from the base of its foundation to the roadway across the top, it was the tallest masonry dam in the world. The unique contours of its structure became known and studied worldwide as the "Croton Profile." The original span carrying the roadway over the spillway has been replaced twice, first in the 1970s with a single arch of Cor-ten steel, and again, as the twenty-first century began, with a steel facsimile of the original.

During the first half of the twentieth century, as New York City continued to grow, the Catskill and Delaware reservoir systems were established, but one hundred years after its dedication, and even as expansion and improvements in the delivery and quality of the city's water continue to be planned and built, the New Croton Dam, along with its subordinate dams in the Croton watershed network, is still relied upon to supply as much as ten per cent of New York City's water.

(continued from page 4)

- ***Water Pollution Control***

To improve the quality of the City's estuaries and surrounding waterways and to implement long-range land based solutions to sludge disposal, an end-product of the sewage treatment process, $5.4 billion is allocated to water pollution control programs in the CIP.

The CIP includes nearly $1.2 billion to be used for the reconstruction and modernization of ten water pollution control plants in order for these plants to continue to meet strict guidelines contained in State operating permits. The CIP also allocates $2.7 billion for the upgrade of five wastewater treatments plants discharging into the Long Island Sound or Jamaica Bay, and includes projected funds for biological nutrient removal at these plants which involves enhanced nitrogen removal processes at these plants.

DEP's CIP includes funding for the abatement of Combined Sewer Overflow (“CSO”). CSO is currently a source of pollution in the City's waters. It occurs during and after heavy rainstorms, when the flow of wastewater and storm water in the sewers exceeds the treatment capacity of a sewage treatment plant and therefore enters surrounding waterways. The City is also exploring alternative approaches to CSO problems that focus on cost effective means of protecting water quality.

- ***Sewers***

Approximately $1.5 billion is projected in the CIP to be committed to replace existing sewers in areas requiring increased capacity, to extend sewers to unserved or underserved areas, and to replace failing, flawed, or collapsed sewer mains.

- ***Equipment***

Programs in this category of the CIP include the installation of water meters, the procurement of vehicles and equipment, management information systems, and utility relocation for sewers and water mains. A total of $703.4 million of City funds is projected in the CIP for these projects.

Risk Management

In accordance with the Lease, the Water Board is required to reimburse the City for any judgment or settlement paid by the City arising out of a tort claim to the extent that the City's liability is related to capital improvements to, and the operation or, maintenance of the System. However, the yearly payment made to the City is limited to 5% of the aggregate revenues shown on the last year-end audited financial statements of the System. In addition, the System is required to reimburse the City, to the extent requested by the City, for the payment of any judgment or settlement arising out of a contract claim with respect to the construction of capital improvements. The City has agreed, subject to certain conditions, to indemnify the Authority and the Water Board against any and all liability in connection with any act done or omitted in good faith.

Cash Management

Both the Authority and the Water Board have funds which are invested. The Authority's investments must conform to the policies set forth in the Authority's Investment Guidelines, dated April 17, 1998. Generally, the Authority may invest in any bonds or other obligations which constitute direct obligations of, or are guaranteed by, the federal government, including obligations of any agency, corporation or instrumentality thereof; direct obligations of, or obligations guaranteed by the State or direct obligations of any agency or public authority thereof, provided such obligations are rated in one of the two highest rating categories by a Rating Agency; bankers' acceptances or certificates of deposit issued by a commercial bank with its principal place of business within the State and having capital or surplus in excess of $100 million; corporate securities, including commercial paper and fixed income obligations, rated by a Rating Agency in its highest category for comparable types of obligations; or repurchase agreements collateralized by obligations of the federal government.

The Authority employs various methods for the investment of its funds. The Authority's management is responsible for the investment of certain funds, and utilizes an investment manager for the active management of some funds; additionally, the Authority invests in forward purchase agreements and guaranteed investment contracts. The Water Board makes its own investments through the City Comptroller's investment group.

Funds are invested for periods of one day up to twenty years based upon cash flow requirements and subject to the restrictions on investments set forth in the Authority's General Bond Resolution. Daily cash from user payments is received into a lock box by the Water Board and is transferred daily to the Authority for debt service payments and to the City Comptroller to pay for the operation and maintenance of the System. No cash is retained by the Water Board until all requirements for debt service, operation and maintenance, and rental payments are met. Any surplus cash over these requirements is retained by the Water Board for use in the following year to pay required deposits.

Independent Audit

Section 6.11 (b) of the Financing Agreement by and among the City, the Authority and the Water Board dated as of July 1, 1985 requires that the Authority shall submit to the Mayor, the Comptroller and the Director of Management and Budget of the City audited annual financial statements of the Authority and the Water Board. The financial section of the 2006 Comprehensive Annual Financial Report begins with the report of our independent auditors, Grant Thornton LLP. This report expresses an unqualified opinion as to the fairness of the presentation of our financial statements.

Respectfully submitted,

Alan Anders
Executive Director

Lawrence R. Glantz
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City

Water and Sewer System

New York

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Report of Independent Certified Public Accountants

Grant Thornton

To the Members of the Boards of
New York City Municipal Water Finance Authority
and the New York City Water Board

We have audited the accompanying balance sheets and the related statements of revenues, expenses and changes in net assets, and cash flows of the business-type activities of the New York City Municipal Water Finance Authority and the New York City Water Board, which collectively comprise the New York City Water and Sewer System (the "System"), a component unit of the City of New York, New York, as of and for the years ended June 30, 2006 and 2005. These financial statements, which collectively comprise the basic financial statements of the System, are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the New York City Municipal Water Finance Authority and the New York City Water Board of the System as of June 30, 2006 and 2005, and the respective changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis ("MD&A") is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information comprising the MD&A and express no opinion on it.

Grant Thornton LLP

New York, New York
October 17, 2006

Management's Discussion and Analysis

Overview of the Financial Statements

The following is an overview of the financial activities of the New York City Water and Sewer System (the "System") for the fiscal years ended June 30, 2006 and 2005. The System is a joint operation consisting of two legally separate and independent entities, the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Board").

The basic financial statements of the System, which include the balance sheets, the statements of revenues, expenses and changes in net assets and the statements of cash flows, are presented for the purposes of displaying entity-wide information, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended. These financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Financial Analysis and Results of Operations

The following summarizes the activities of the System for the years 2006, 2005 and 2004.

	2006	2005	2004
		(in thousands)	
Revenues			
Water supply and distribution	$ 735,200	$ 755,693	$ 713,097
Sewer collection and treatment	1,143,424	1,043,575	984,753
Other operating revenues	100,306	85,459	75,283
Total operating revenues	1,978,930	1,884,727	1,773,133
Subsidy income	88,447	78,834	68,311
Investment income, net	105,239	97,362	86,949
Total revenues	2,172,616	2,060,923	1,928,393
Expenses			
Operations and maintenance	1,056,379	944,919	933,736
Bad debt expense	87,222	114,702	116,108
Administration and general	26,727	23,168	19,853
Depreciation and amortization	500,161	515,325	451,585
Loss on retirement of fixed assets	7,046	7,971	25,214
Interest expense	731,563	668,675	612,054
Total expenses	2,409,098	2,274,760	2,158,550
Net loss before capital contributions (distributions)	(236,482)	(213,837)	(230,157)
Capital (distributions) contributions, net	(19,24)	(185,242)	29,875
Change in net assets	(255,723)	(399,079)	(200,282)
Net assets - beginning	3,155,104	3,554,183	3,754,465
Net assets - ending	$2,899,381	$3,155,104	$3,554,183

Management's Discussion and Analysis (continued)

2006 - 2005

Total operating revenues increased by 5%, principally resulting from a rate increase of 3%.

2005 - 2004

Total operating revenues increased by 6.3%, principally resulting from a rate increase of 5.5%.

The following summarizes other operating revenues (in thousands):

	2006	2005	2004
Upstate water fees	$ 42,693	$27,290	$24,611
Late payment fees	45,519	47,810	41,767
Connection fees and permits	12,094	10,359	8,905
Total other revenues	$100,306	$85,459	$75,283

2006 - 2005

The System has collected $15 million of upstate water fees that had been in dispute for several years. These payments resulted in an increase in other fee revenue of nearly 17.6% or $15.0 million.

2005 - 2004

The System has increased its collections of past-due amounts, which resulted in an increase in late payments fee revenue of nearly 14.5% or $6.0 million.

2006 - 2005

Investment income increased by $7.9 million. Investment balances in construction and revenue and debt service funds increased from 2005. Interest rates earned on investments also increased.

Total operations and maintenance expense increased by $111 million or 11.8%. The rental payment to the City for debt service increased by $10 million. Payments for watershed improvements increased by $21 million. All other operations and maintenance costs increased by $80 million or 10%.

Bad debt expense decreased by $27.5 million. Receivable balances have decreased, as the System has collected on past-due amounts.

Interest expense increased by $63 million or 9.4%. Total debt of the System has increased by 9% and interest expense has increased by about the same percentage.

In 2006, the System granted back to the City land that had been purchased with bond proceeds. The total grant was $32.9 million. The System also received grants from other sources of $13.7 million.

Management's Discussion and Analysis *(continued)*

2005 - 2004

Investment income increased by 11.9%. Total investment balances remained about the same, but there were no additional arbitrage rebate expenses in 2005 and interest rates earned on investments increased.

Total operations and maintenance expenses increased by $11.2 million or 1.2%. The rental payment to the City for debt service decreased by over $6 million, and judgments and claims decreased by over $25 million. All other operations and maintenance expenses increased by $44 million or 5.5%.

Bad debt expense decreased by $1.4 million. Receivable balances have decreased, as the System has collected on past-due amounts, and bad debt expense has leveled as a percentage of revenues.

Interest expense increased by $56.6 million or 9.25%. Total debt of the System has increased by 10.2% and interest expense has increased by a similar percentage.

In 2005, the System granted back to the City land that had been purchased with bond proceeds. The total granted was $187.6 million. The System also received grants from other sources of $2.4 million.

A summary of the System's assets, liabilities and net assets follows:

	2006	2005	2004
		(in thousands)	
Current assets	$ 1,954,277	$ 2,436,222	$ 2,423,309
Deferred bond and financing expenses	130,728	125,582	112,540
Capital assets	17,155,603	16,008,960	15,174,128
Total assets	19,240,608	18,570,764	17,709,977
Long-term liabilities	15,306,834	13,955,495	12,565,882
Current liabilities	1,034,393	1,460,165	1,589,912
Total liabilities	16,341,227	15,415,660	14,155,794
Net assets			
Invested in capital assets, net of related debt	2,556,766	2,803,031	3,368,355
Restricted for debt service	171,859	152,544	179,106
Restricted for operations and maintenance	157,806	145,693	135,701
Unrestricted (deficit)	12,950	53,836	(128,979)
Total net assets	2,899,381	3,155,104	3,554,183
Total liabilities and net assets	$19,240,608	$18,570,764	$17,709,977

Management's Discussion and Analysis *(continued)*

2006 - 2005

Current assets decreased by $482 million. This decrease was due primarily to escrow deposits which decreased by $363 million as bonds were paid off by the escrow amounts.

2005 - 2004

Current assets increased by $13 million. Total investments and receivables remained about the same.

Total liabilities increased by $1.3 billion, which was due to the increase in debt payable.

Capital Assets

The System's capital assets include buildings, equipment, water treatment systems and water collection systems. Such amounts are detailed as follows:

	2006	2005	2004
		(in thousands)	
Utility plant construction	$ 4,546,209	$ 4,010,861	$ 3,564,455
Land	—	—	142,409
Buildings	22,266	22,071	22,071
Equipment	472,034	424,673	378,333
Water supply and wastewater treatment systems	10,886,477	10,152,707	9,619,222
Water distribution and sewage collection systems	7,844,126	7,579,881	7,196,035
Total utility plant in service	19,224,903	18,179,332	17,358,070
Less accumulated depreciation	6,615,509	6,181,233	5,748,397
Total, net utility plant in service	12,609,394	11,998,099	11,609,673
Total capital assets	$17,155,603	$16,008,960	$15,174,128

Management's Discussion and Analysis *(continued)*

The net increase in the System's capital assets during fiscal year 2006 was $1,147 million or 7.2 %. Net capital asset additions for 2006 were $1,581 million.

The net increase in the System's capital assets during fiscal year 2005 was $834 million or 5.5 %. Net capital asset additions for 2005 were $1,268 million.

The capital assets of the System are detailed in footnotes 2-d and 3 of the notes to the accompanying financial statements.

Debt Administration

The Authority issues debt to pay for the capital improvements to the System. The debt program of the Authority includes commercial paper and long-term debt of the Authority and subsidized bonds issued through the New York State Environmental Facilities Corporation ("EFC"). The commercial paper program is the main source of financing to reimburse the City for payments made for water and sewer projects. The Authority then issues long-term debt of its own or through EFC to retire outstanding commercial paper. The Authority also issues refunding bonds to refinance higher coupon debt.

At June 30, 2006, the total outstanding debt of the System was $16.3 billon, of which $351 million was commercial paper. The remaining $15.9 billion consisted of variable and fixed rate bonds and notes maturing in varying installments through 2039. The total outstanding long-term debt at June 30, 2006 was as follows:

	(In thousands)
Issue date	
2006	$ 2,608,308
2005	2,811,165
2004	1,687,875
2003	2,803,132
2002	2,119,222
2001 and prior	3,904,649
Total long-term debt	$15,934,351

In the above, bonds retired through refundings in 2006 are removed from the year in which the refunded bonds were issued.

In fiscal year 2006, the Authority issued $1,931,080,000 of water and sewer revenue bonds directly to the public, including $722,590,948 of refunding bonds and $1,208,489,052 in new money financing. The Authority also issued $686,846,759 in Clean Water and Drinking Water State Revolving Fund ("SRF") bonds to EFC, all of which were issued for new money purposes. The new money bond proceeds provided long-term financing of commercial paper notes which had previously financed capital improvements to New York City's Water and Sewer System.

The highlight of the financing program in fiscal year 2006 was the issuance of the Second Resolution bonds directly to the public for the first time. In October 2005, the Authority issued $400 million of the Second Resolution variable rate bonds, and in January 2006, it sold $100 million of fixed rate serial bonds with retail-sector maturities. The Authority also continues to issue the Second Resolution bonds through EFC.

On October 12, 2005, the Authority closed its first transaction of fiscal year 2006. The Fiscal 2006 Series 1 bonds with a par amount of $229,018,261 were sold through EFC. Proceeds were used to defease the Authority's commercial paper Series 7 notes and a portion of the Authority's Series 5 notes, which had funded eligible Clean Water and Drinking Water SRF projects. Proceeds were also used to pay the costs of issuance of the bonds.

Management's Discussion and Analysis *(continued)*

On October 18, 2005, in a common plan of finance with the Fiscal 2006 Series 1 bonds, the Authority issued the Fiscal 2006 Series A with a par amount of $524,530,000. Proceeds from the sale were used to defease all of the Authority's commercial paper Series 6 notes and to refund a portion of the Fiscal 1998 Series B bonds and a portion of the Fiscal 2000 Series A bonds. Proceeds were also applied to fund a portion of the Debt Service Reserve Fund and pay costs of issuance. A portion of the Fiscal 2006 Series 1 bonds was insured by Financial Security Assurance Inc.

On October 27, 2005, the Authority issued its Fiscal 2006 Series AA Bonds as the Second Resolution variable-rate demand bonds, with $100,000,000 offered in the weekly reset mode and $300,000,000 sold in the daily reset mode. Three different remarketing agents were chosen to remarket these bonds. Proceeds were applied to defease all of the Authority's commercial paper Series 1 notes and a portion of the Authority's Series 5 notes, to fund a deposit to the Construction Fund and to pay costs of issuance.

On January 26, 2006, the Authority closed the Fiscal 2006 Series B, BB and C bonds delivered in par amounts of $150,000,000 for the Series B bonds, $100,000,000 for the Series BB bonds and $350,345,000 for the Series C bonds. Proceeds from the combined sale of the Series B, BB and C bonds were used to defease all of the Authority's commercial paper Series 1 notes and a portion of the Authority's Series 5 notes, to refund the Fiscal 2001 Series A bonds, to fund a portion of the Debt Service Reserve Fund and to pay costs of issuance. The Fiscal 2006 Series B and Series C bonds were structured as Term bonds. A portion of the Fiscal 2006 Series C bonds was insured by XL Capital Assurance Inc. The Fiscal 2006 Series BB included serial bonds in years 2007 through 2016.

On March 23, 2006, the Authority issued the Fiscal 2006 Series D bonds. The bonds were sold at a par amount of $406,205,000. Proceeds from the sale were used to defease all of the Authority's commercial paper Series 1 notes and a portion of its Series 5 notes, to refund the Fiscal 2003 Series B bonds, to fund a deposit to the Debt Service Reserve Fund and to pay certain costs of issuance. The 2036 maturity was insured by Ambac Assurance Corporation.

The fiscal year 2006 Series 2 and Series 3 closed on June 22, 2006. $201,440,829 of the FY 2006 Series 2 and $256,387,669 of the fiscal year 2006 Series 3 were issued through EFC to secure senior and subordinate bonds, respectively, issued by EFC for the Authority. Proceeds were used to defease all of the Authority's commercial paper Series 7 notes and a portion of its Series 5 and Series 6 notes and to pay certain costs of issuance.

On June 29, 2006, the Authority legally defeased with revenues $60,135,000 of outstanding General Resolution bonds, including portions of the Fiscal 1996 Series C, Fiscal 1997 Series A, Fiscal 1998 Series A, Fiscal 1998 Series C, Fiscal 1998 Series D, Fiscal 1999 Series B, Fiscal 2001 Series B and Fiscal 2001 Series D bonds. In addition, the Authority economically defeased $70,360,000 of the Fiscal 1993 Series A capital appreciation bonds with current System revenue.

The total of bonds and notes payable are detailed in footnote numbers 7 and 8 of the notes to the financial statements.

Economic Factors and Next Year's Rates

Rates are adopted each year by the Board in May for the following fiscal year. A rate increase of 3.0% for fiscal 2006 became effective July 1, 2005, based on projected revenues and costs.

Request for Information

This financial report is provided as an overview of the System's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Raymond Orlando, Manager of Public Relations, New York City Municipal Water Finance Authority, 75 Park Place, New York, NY 10007. His phone number is (212) 788-5875 and his fax number is (212) 788-9721.

Balance Sheets

Year ended June 30, 2006
(in thousands)

Assets	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
Utility plant in service, less accumulated depreciation of $6,615,509	$12,609,394	$ —	$ —	$12,609,394
Utility plant construction	4,546,209	—	—	4,546,209
Total noncurrent assets	17,155,603	—	—	17,155,603
Current assets				
Cash and cash equivalents	87,723	879,236	—	966,959
Investments	78,753	433,725	—	512,478
Accrued interest receivable	611	2,228	—	2,839
Accounts receivable				
Billed, less allowance for uncollectible receivables of $143,696	308,165	—	—	308,165
Unbilled	155,330	—	—	155,330
Receivable from the City	8,506	—	—	8,506
Total current assets	639,088	1,315,189	—	1,954,277
Revenue requirement due from the Board	—	8,376,317	(8,376,317)	—
Long-term deferred bond and financing expenses	—	130,728	—	130,728
Total assets	$17,794,691	$9,822,234	$(8,376,317)	$19,240,608

The accompanying notes are an integral part of these statements.

Balance Sheets (continued)

Year ended June 30, 2006
(in thousands)

Liabilities and Net Assets	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
Long-term liabilities				
Bonds and notes payable, less current portion	$ —	$15,719,290	$ —	$ 15,719,290
Net discount on bonds and notes payable	—	(42,007)	—	(42,007)
Deferred bond refunding costs	—	(370,449)	—	(370,449)
Revenue requirement payable to the Authority	8,376,317	—	(8,376,317)	—
Total long-term liabilities	8,376,317	15,306,834	(8,376,317)	15,306,834
Current liabilities				
Accounts payable and accrued expenses	6,099	42,820	—	48,919
Revenues received in advance	78,480	—	—	78,480
Current portion of bonds and notes payable	—	566,061	—	566,061
Payable to the City	—	326,124	—	326,124
Refunds payable to customers	14,809	—	—	14,809
Total current liabilities	99,388	935,005	—	1,034,393
Total liabilities	8,475,705	16,241,839	(8,376,317)	16,341,227
Net assets				
Invested in capital assets, net of related debt	17,155,603	(14,598,837)	—	2,556,766
Restricted for debt service	—	171,859	—	171,859
Restricted for operations and maintenance	157,806	—	—	157,806
Unrestricted (deficit)	(7,994,423)	8,007,373	—	12,950
Total net assets (deficit)	9,318,986	(6,419,605)	—	2,899,381
Total liabilities and net assets	$17,794,691	$ 9,822,234	$(8,376,317)	$19,240,608

The accompanying notes are an integral part of these statements.

Balance Sheets

Year ended June 30, 2005

(in thousands)

Assets	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
Utility plant in service, less accumulated depreciation of $6,181,233	$11,998,099	$ —	$ —	$11,998,099
Utility plant construction	4,010,861	—	—	4,010,861
Total noncurrent assets	16,008,960	—	—	16,008,960
Current assets				
Cash and cash equivalents	83,666	1,015,387	—	1,099,053
Investments	72,427	795,875	—	868,302
Accrued interest receivable	282	2,989	—	3,271
Accounts receivable				
Billed, less allowance for uncollectible receivables of $207,239	283,139	—	—	283,139
Unbilled	150,806	—	—	150,806
Receivable from the City	31,390	—	—	31,390
Other	—	261	—	261
Total current assets	621,710	1,814,512	—	2,436,222
Revenue requirement from the Board	—	7,568,568	(7,568,568)	—
Long-term deferred bond and financing expenses	—	125,582	—	125,582
Total assets	$16,630,670	$9,508,662	$ (7,568,568)	$18,570,764

The accompanying notes are an integral part of these statements.

Balance Sheets (continued)

Year ended June 30, 2005

(in thousands)

Liabilities and Net Assets	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
Long-term liabilities				
Bonds and notes payable, less current portion	$ —	$14,396,067	$ —	$14,396,067
Net discount on bonds and notes payable	—	(100,304)	—	(100,304)
Deferred bond refunding costs	—	(340,268)	—	(340,268)
Revenue requirement payable to the Authority	7,568,568	—	(7,568,568)	—
Total long-term liabilities	7,568,568	13,955,495	(7,568,568)	13,955,495
Current liabilities				
Accounts payable and accrued expenses	6,510	38,325	—	44,835
Revenues received in advance	70,482	—	—	70,482
Current portion of bonds and notes payable	—	1,037,984	—	1,037,984
Payable to the City	—	288,136	—	288,136
Refunds payable to customers	18,728	—	—	18,728
Total current liabilities	95,720	1,364,445	—	1,460,165
Total liabilities	7,664,288	15,319,940	(7,568,568)	15,415,660
Net assets				
Invested in capital assets, net of related debt	16,008,960	(13,205,929)	—	2,803,031
Restricted for debt service	—	152,544	—	152,544
Restricted for operations and maintenance	145,693	—	—	145,693
Unrestricted (deficit)	(7,188,271)	7,242,107	—	53,836
Total net assets (deficit)	8,966,382	(5,811,278)	—	3,155,104
Total liabilities and net assets	$16,630,670	$ 9,508,662	$(7,568,568)	$18,570,764

The accompanying notes are an integral part of these statements.

Statements of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2006

(in thousands)

	Water Board	New York City Municipal Water Finance Authority	Total
Operating revenues			
Water supply and distribution	$ 735,200	$ —	$ 735,200
Sewer collection and treatment	1,143,424	—	1,143,424
Other operating revenues	100,306	—	100,306
Total operating revenues	1,978,930	—	1,978,930
Operating expenses			
Operations and maintenance	1,056,379	—	1,056,379
Bad debt expense	87,222	—	87,222
Administration and general	8,670	18,057	26,727
Total operating expenses	1,152,271	18,057	1,170,328
Depreciation and amortization	450,860	49,301	500,161
Operating income (loss)	375,799	(67,358)	308,441
Nonoperating revenue (expense)			
Interest expense	—	(731,563)	(731,563)
Loss on retirement of fixed assets	(7,046)	—	(7,046)
Subsidy income	—	88,447	88,447
Investment income	3,092	102,147	105,239
Net income (loss) before capital contributions (distributions)	371,845	(608,327)	(236,482)
Capital distributions - net	(19,241)	—	(19,241)
Change in net assets	352,604	(608,327)	(255,723)
Net assets (deficit) at beginning of year	8,966,382	(5,811,278)	3,155,104
Net assets (deficit) at end of year	$9,318,986	$(6,419,605)	$2,899,381

The accompanying notes are an integral part of these statements.

New York City Water and Sewer System

Statements of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2005

(in thousands)

	Water Board	New York City Municipal Water Finance Authority	Total
Operating revenues			
Water supply and distribution	$ 755,693	$ —	$ 755,693
Sewer collection and treatment	1,043,575	—	1,043,575
Other operating revenues	85,459	—	85,459
Total operating revenues	1,884,727	—	1,884,727
Operating expenses			
Operations and maintenance	944,919	—	944,919
Bad debt expense	114,702	—	114,702
Administration and general	6,840	16,328	23,168
Total operating expenses	1,066,461	16,328	1,082,789
Depreciation and amortization	460,458	54,867	515,325
Operating income (loss)	357,808	(71,195)	286,613
Nonoperating revenue (expense)			
Interest expense	—	(668,675)	(668,675)
Loss on retirement of fixed assets	(7,971)	—	(7,971)
Subsidy income	—	78,834	78,834
Investment income	782	96,580	97,362
Net income (loss) before capital contributions (distributions)	350,619	(564,456)	(213,837)
Capital distributions - net	(185,242)	—	(185,242)
Change in net assets	165,377	(564,456)	(399,079)
Net assets (deficit) at beginning of year	8,801,005	(5,246,822)	3,554,183
Net assets (deficit) at end of year	$8,966,382	$(5,811,278)	$3,155,104

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

Year ended June 30, 2006
(in thousands)

	New York City		
	Water Board	Municipal Water Finance Authority	Total
Cash flows from operating activities			
Receipts from customers	$1,866,240	$ —	$ 1,866,240
Payments for operations and maintenance	(966,661)	—	(966,661)
Payments for administration	(9,081)	(17,961)	(27,042)
Net cash provided by (used in) operating activities	890,498	(17,961)	872,537
Cash flows from capital and related financing activities			
Proceeds from issuing bonds, notes and other borrowings, net of issuance costs	—	4,018,669	4,018,669
Acquisition and construction of capital assets	—	(1,652,636)	(1,652,636)
Payments by the Board to the Authority	(882,898)	882,898	—
Repayments of bonds, notes and other borrowings	—	(3,190,094)	(3,190,094)
Interest paid on bonds, notes and other borrowings	—	(644,464)	(644,464)
Net cash used in capital and related financing activities	(882,898)	(585,627)	(1,468,525)
Cash flows from investing activities			
Proceeds from sales and maturities of investments	52,334	418,596	470,930
Purchases of investments	(58,660)	(59,289)	(117,949)
Interest on investments	2,783	108,1301	10,913
Net cash (used in) provided by investing activities	(3,543)	467,437	463,894
Net increase (decrease) in cash and cash equivalents	4,057	(136,151)	(132,094)
Cash and cash equivalents, beginning of year	83,666	1,015,387	1,099,053
Cash and cash equivalents, end of year	$ 87,723	$ 879,236	$ 966,959

The accompanying notes are an integral part of these statements.

Statements of Cash Flows *(continued)*

Year ended June 30, 2006
(in thousands)

	New York City		
	Water Board	Municipal Water Finance Authority	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$375,799	$(67,358)	$308,441
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	450,860	49,301	500,161
Bad debt expense	87,222	—	87,222
Operations and maintenance expense paid with bond proceeds	66,833	—	66,833
Changes in net assets and liabilities			
Receivables, net	(116,768)	—	(116,768)
Receivable from the City	22,884	—	22,884
Other	—	(71)	(71)
Accounts payable and accrued expenses	(411)	167	(244)
Revenues received in advance	7,998	—	7,998
Refunds payable to customers	(3,919)	—	(3,919)
Net cash provided by (used in) operating activities	$890,498	$(17,961)	$872,537

The following are the noncash capital and related financing activities:

- Interest expense includes the amortization of premium and discount in the amount of $(3,606) in 2006.
- Capital expenditures in the amount of $326,124 had been incurred but not paid at June 30, 2006.
- The Board received capital assets of $13,700 in 2006, which represented capital contributed by the City.

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

Year ended June 30, 2005
(in thousands)

	New York City Water Board	New York City Municipal Water Finance Authority	Total
Cash flows from operating activities			
Receipts from customers	$1,770,432	$ —	$ 1,770,432
Payments for operations and maintenance	(927,391)	—	(927,391)
Payments for administration	(7,075)	(16,727)	(23,802)
Net cash provided by (used in) operating activities	835,966	(16,727)	819,239
Cash flows from capital and related financing activities			
Proceeds from issuing bonds, notes and other borrowings, net of issuance costs	—	4,480,669	4,480,669
Acquisition and construction of capital assets	—	(1,697,125)	(1,697,125)
Payments by the Board to the Authority	(827,097)	827,097	—
Repayments of bonds, notes and other borrowings	—	(3,136,879)	(3,136,879)
Interest paid on bonds, notes and other borrowings	—	(570,415)	(570,415)
Net cash used in capital and related financing activities	(827,097)	(96,653)	(923,750)
Cash flows from investing activities			
Proceeds from sales and maturities of investments	44,815	—	44,815
Purchases of investments	(52,337)	(35,194)	(87,531)
Interest on investments	985	96,210	97,195
Net cash (used in) provided by investing activities	(6,537)	61,016	54,479
Net increase (decrease) in cash and cash equivalents	2,332	(52,364)	(50,032)
Cash and cash equivalents, beginning of year	81,334	1,067,751	1,149,085
Cash and cash equivalents, end of year	$ 83,666	$ 1,015,387	$ 1,099,053

The accompanying notes are an integral part of these statements.

Statements of Cash Flows *(continued)*

Year ended June 30, 2005
(in thousands)

	New York City Water Board	New York City Municipal Water Finance Authority	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 357,808	$ (71,195)	$ 286,613
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	460,458	54,867	515,325
Bad debt expense	114,702	—	114,702
Operations and maintenance expense paid with bond proceeds	45,595	—	45,595
Changes in net assets and liabilities			
Receivables, net	(106,701)	—	(106,701)
Receivable from the City	(28,067)	—	(28,067)
Other	1	(18)	(17)
Accounts payable and accrued expenses	(235)	(381)	(616)
Revenues received in advance	(7,749)	—	(7,749)
Refunds payable to customers	154	—	154
Net cash provided by (used in) operating activities	$ 835,966	$ (16,727)	$ 819,239

The following are the noncash capital and related financing activities:

- Interest expense includes the amortization of premium and discount in the amount of $10,543.
- Capital expenditures in the amount of $288,136 had been incurred but not paid at June 30, 2005.
- The Board received capital assets of $2,342 in 2005, which represented capital contributed by the City.

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

June 30, 2006 and 2005

Note 1 - Organization

The New York City Water and Sewer System (the "System") provides water supply and distribution, sewage collection, treatment, and disposal for The City of New York (the "City"). The System, as presented in the accompanying financial statements, began operations on July 1, 1985 and is a joint operation consisting of two legally separate and independent entities, the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Board"). The Authority is a public benefit corporation created in accordance with the New York City Municipal Water Finance Act (the "Act"), duly enacted into law as Chapter 513 of the laws of 1984 of the State of New York, as amended by Chapter 514 of the laws of 1984 of the State of New York. The Board was created by Chapter 515 of the laws of 1984 of the State of New York. The Act empowers the Authority to issue bonds or notes to finance the cost of capital improvements to the System, and to refund any and all outstanding bonds and general obligation bonds of the City issued for water and sewer purposes. The Act empowers the Board to lease the System from the City and to fix and collect rates, fees, rents and other charges for the use of, or for services furnished, rendered, or made available by, the System, to produce cash sufficient to pay debt service on the Authority's bonds and to place the System on a self-sustaining basis.

The Financing Agreement (the "Agreement") provides that the Authority will issue bonds to finance the cost of capital investment in the water and sewer system serving the City. It also sets forth the funding priority for the debt service costs of the Authority, operating costs of the water and sewer system, and the rental payment to the City.

The physical operation and capital improvements of the System are performed by the City's Department of Environmental Protection subject to contractual agreements with the Authority and the Board.

In accordance with Statement No. 14, as amended by Statements No. 34 and 39 of the Governmental Accounting Standards Board ("GASB"), the Board and the Authority are considered to be part of the same reporting entity (the "System") since they are fiscally interdependent. Accordingly, the accompanying financial statements for the System present the individual financial statements of the Board and the Authority as major funds. In addition, the accompanying financial statements present a total column which represents the entity-wide financial statements of the System. Transactions and balances between the Board and the Authority are eliminated in the entity-wide financial statements.

Note 2 - Summary of Significant Accounting Policies

The accompanying financial statements of the System have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government

Entities that Use Proprietary Funds," provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The System has elected to follow GASB pronouncements exclusively after that date. Other significant accounting policies are:

a. Investments and Cash Equivalents

Investments and cash equivalents consist principally of securities of the United States and its agencies, certificates of deposit, guaranteed investment contracts, and repurchase agreements. Investments with maturity periods of greater than one year are carried at fair value. Investments with maturities less than one year are carried at cost which approximates fair value. For purposes of the statements of cash flows, the System generally considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

Note 2 *(continued)*

b. Restricted Assets

Proceeds from the issuance of debt and monies set aside for the operation and maintenance of the System are classified as restricted by applicable bond indentures.

c. Bond Discount and Bond Issuance Costs

Bond discount and bond issuance costs are amortized over the life of the related bond issue, using the effective yield method of amortization for bond discount and bond issuance costs.

d. Utility Plant

Utility plant acquired through purchase or internal construction is recorded at cost, net of retirements. It is the Board's policy to capitalize assets over $35,000. Contributed utility plant is recorded at its estimated historical cost based on appraisals or other methods when historical cost information is not available, net of depreciation. Depreciation is computed using the straight-line method based upon estimated useful lives, as follows:

	Years
Buildings	40 – 50
Water supply and wastewater treatment systems	15 – 50
Water distribution and sewage collection systems	15 – 75
Equipment	5 – 35

Maintenance and repairs of property are charged to maintenance expense. Replacements and betterments are recorded as utility plant.

e. Operating Revenues and Operating Expenses

Operating revenues consist of customer payments for services of the System. Revenues are based on billing rates imposed by the Board and upon customers' water and sewer usage. The System records estimated unbilled revenue at year-end. Operating expenses consist of administration, maintenance, repair and operations of the System, administration costs of the Board and the Authority, rental payments to the City, and bad debt expense.

f. Deferred Revenues

Revenues received in advance of the period to which they relate are deferred and recorded as revenue when earned.

g. Deferred Bond Refunding Costs

Deferred bond refunding costs represent the accounting loss incurred in advance refundings of outstanding bonds. In accordance with the provisions of GASB Statement No. 23, "Accounting and Financial Reporting of Debt Reported by Proprietary Activities," gains or losses arising from debt refundings are deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt.

h. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the 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.

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

Note 3 - *Utility Plant*

The following is a summary of utility plant activity for the fiscal years ended June 30, 2006 and 2005 (in thousands):

	Balance at June 30, 2004	Additions	Deletions	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
Nondepreciable assets							
Utility construction	$ 3,564,455	$1,536,441	$1,090,035	$ 4,010,861	$1,704,324	$1,168,976	$ 4,546,209
Land	142,409	–	142,409	–	–	–	–
Depreciable assets							
Buildings	22,071	–	–	22,071	195	–	22,266
Equipment	378,333	46,535	195	424,673	49,430	2,069	472,034
Water supply and wastewater treatment systems	9,619,222	534,474	989	10,152,707	733,770	–	10,886,477
Water distribution and sewage collection systems	7,196,035	418,255	34,409	7,579,881	285,806	21,561	7,844,126
	20,922,525	2,535,705	1,268,037	22,190,193	2,773,525	1,192,606	23,771,112
Less accumulated depreciation	5,748,397	460,458	27,622	6,181,233	450,860	16,584	6,615,509
	$15,174,128	$2,075,247	$1,240,415	$16,008,960	$2,322,665	$1,176,022	$17,155,603

Note 4 - *Investments and Cash Deposits*

a. Investments

Pursuant to the Water and Sewer General Revenue Bond Resolution and the Authority's and the Board's investment guidelines, the Authority and the Board may generally invest in obligations of, or guaranteed by, the U.S. government, certain highly rated obligations of the State of New York or any subdivision or instrumentality thereof, certain certificates of deposit and similar instruments issued by highly rated commercial banks; certain highly rated corporate securities or commercial paper securities, certain repurchase agreements with highly rated institutions; certain investment agreements with highly rated institutions; certain highly rated money market funds; and certain highly rated municipal obligations.

b. Cash Deposits

The System follows the New York City Banking Commission designations for the System's bank depositories. The Commission consists of the Comptroller, the Mayor, and the Finance Commissioner of the City and uses independent bank rating agencies in part to assess the financial soundness of each bank, and the banking relationships are under constant operational and credit reviews. Each bank in which the New York City Water and Sewer System's cash is deposited is required to have its principal office in New York State and have capital stock, surplus, and undivided earnings aggregating at least $100 million. The System had $200 thousand on deposit at June 30, 2006 and 2005, which was covered by Federal depository insurance and the remaining balance was uncollateralized.

At June 30, 2006 and 2005, the carrying amounts of bank deposits were $5.9 million and $6.7 million, respectively, and the bank balances were $7 million and $8.2 million, respectively.
The System had the following investments and maturities (in thousands):

Investment type	2006	2005	Investment maturity
Certificate of Deposit	$ 100	$ 99	Greater than one year
U.S. Government securities	1,018,495	1,138,713	Less than one year
New York State securities	77,230	81,170	Greater than one year
Repurchase agreements	82,259	76,376	Less than one year
Guaranteed investment contracts	298,306	667,616	Greater than one year
	$1,476,390	$1,963,974	

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

***Note 4** (continued)*

All of the System's investments in U.S. agencies carry the explicit guarantee of the U.S. Government. At June 30, 2006, the System's investment in New York State securities was rated AAA by Standard & Poor's and Aaa by Moody's investment services. The System's investments in guaranteed investment contracts are not rated.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System's investments, other than repurchase agreements, are not collateralized. All investments and collateral are held in the Authority's name by the trustee or in the Board's name by the agent.

Note 5 - *Lease Agreement*

The Board is party to a long-term lease (the "Lease") with the City, which transfers all the water and sewer related real and personal property to the Board for the term of the lease. The Lease term commenced on July 1, 1985, and continues until the later of the fortieth anniversary of the commencement of the lease, or the date on which all bonds, notes or other obligations of the Authority are paid in full, or provisions for such payment have been made pursuant to the applicable debt instrument. The Lease provides for payments to the City to cover the following:

(a) an amount sufficient to pay the cost of administration, maintenance, repair and operation of the leased property, which includes overhead costs incurred by the City attributable to the leased property, net of the amount of any Federal, State, or other operating grants received by the City;

(b) an amount sufficient to reimburse the City for capital costs incurred by the City for the construction of capital improvements to the leased property which are not paid or reimbursed from any other source.

In addition to the payments described above, the Board pays rent to the City in each fiscal year in an amount not to exceed the greater of (a) the principal and interest payable on general obligation bonds issued by the City for water and sewer purposes certified by the City to be paid within such fiscal year or (b) 15% of principal and interest payable on the bonds of the Authority to be paid within such fiscal year.

A summary of operation and maintenance expenses for the years ended June 30, 2006 and 2005 is as follows (in thousands)

	2006	2005
Water transmission and distribution	$ 332,174	$291,488
Sewer collection systems	392,071	355,581
City agency support cost	54,387	53,562
Fringe benefits	83,212	83,425
Payments for watershed improvements	66,833	45,595
Judgments and claims	8,241	6,081
	936,918	835,732
Rental payments to the City	119,461	109,187
	$1,056,379	$944,919

Note 6 - *Payable to and receivable from the City*

As of June 30, 2006 and 2005, all utility construction recorded by the System, which has not been reimbursed to the City, has been recorded as a payable to the City, net of the amount of any State or Federal capital grants received by the City.

As of June 30, 2006 and 2005, the System had a net payable of $317.6 million and $256.7 million, respectively, from the City for payments of utility construction and for overpayment of operations and maintenance expense.

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

Note 7 - *Short-Term Liabilities*

In fiscal years 2005 and 2006, the changes in short-term liabilities were as follows (in thousands):

	Balance at June 30, 2004	Additions	Deletions	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
Commercial paper (1)	$800,000	$1,600,700	$1,600,700	$800,000	$1,392,800	$1,841,800	$351,000

(1) Commercial paper is used to pay construction costs in advance of long-term bond financing.

Commercial paper activity comprises the following for the year ended June 30, 2006 (in thousands):

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006
Commercial Paper Series 1 - Variable Rate, Short-term Rolling Maturity Backed by Letter of Credit	$200,000	$ 600,000	$ 600,000	$200,000
Commercial Paper Series 5 - Variable Rate, Short-term Rolling Maturity Backed by Line of Credit	200,000	392,800	452,800	140,000
Commercial Paper Series 6 - Variable Rate, Short-term Rolling Maturity Backed by Line of Credit	200,000	200,000	389,000	11,000
Commercial Paper Series 7 - Variable Rate, Short-term Rolling Maturity	200,000	200,000	400,000	–
Total commercial paper payable	$800,000	$1,392,800	$1,841,800	$351,000

Note 8 - *Long-Term Liabilities*

In fiscal years 2005 and 2006, the changes in long-term liabilities were as follows (in thousands):

Bonds payable	Balance at June 30, 2004	Additions	Deletions	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006	Due within one year
First resolution	$ 9,742,813	$2,227,600	$1,335,817	$10,634,596	$1,431,080	$1,171,123	$10,894,553	$ 40,508
Second resolution	3,490,104	621,034	111,683	3,999,455	1,186,847	146,504	5,039,798	174,553
Total bonds payable	13,232,917	2,848,634	1,447,500	14,634,051	2,617,927	1,317,627	15,934,351	$215,061
Less discounts (net)	197,293	(60,464)	36,525	100,304	(31,866)	26,431	42,007	–
Less deferred refunding costs	265,102	108,924	33,758	340,268	66,222	36,041	370,449	–
Total long-term liabilities	$12,770,522	$2,800,174	$1,377,217	$14,193,479	$2,583,571	$1,255,155	$15,521,895	

With respect to all series, the Board has agreed to maintain rates and charges to provide revenues at levels sufficient to pay principal and interest requirements as well as to meet certain debt service coverage and operating cost funding requirements. All series are specific obligations of the Authority payable solely from and secured by a pledge of and lien on the gross revenue of the System, as defined.

During 2006 and 2005, the Authority issued $720.7 million and $1.2 billion, respectively, of bonds to refund $683.3 million and $1.1 billion, respectively, of outstanding bonds. The advance refundings resulted in an accounting loss of $66.2 million and $108.9 million, respectively. The Authority in effect reduced its aggregate debt service by $56.3 million and $107.4 million, respectively, and obtained an economic benefit of $37.3 million and $62.7 million, respectively.

During 2006, the Authority economically defeased $70.4 million of bonds with current revenue. Bonds economically defeased remain a liability, and the escrow deposited with the Authority's trustee is an asset on the Authority's records.

During 2006 and 2005, the Authority defeased $60.1 million and $183.2 million, respectively, of outstanding bonds with $60.1 million and $159.9 million, respectively, of current revenue, which resulted in an accounting loss of $1.0 million and $13.9 million, respectively.

During 2005, the Authority issued $50 million of bonds that refunded $50 million of principal of the 2003 B issue in June 2006.

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

Note 8 *(continued)*

The Authority has defeased cumulatively $9.056 billion and $7.936 billion of outstanding bonds as of June 30, 2006 and 2005, respectively, by placing proceeds of refunding bonds issued in an irrevocable escrow account to provide for all future debt service payments on defeased bonds. Proceeds were used to purchase U.S. Government securities that were placed in the irrevocable escrow account. Accordingly, the escrow account assets and liabilities for the defeased bonds are not included in the Authority's financial statements.

As of June 30, 2006 and 2005, $6.883 billion and $5.991 billion of the defeased bonds, respectively, had been retired from the assets of the escrow accounts.

Debt service requirements to maturity including amounts relating to commercial paper at June 30, 2006 are as follows (in thousands):

Year ending June 30,	Principal	Interest (1)	Total
2007	$ 566,061	$ 657,357	$ 1,223,418
2008	231,816	648,695	880,511
2009	247,072	642,737	889,809
2010	250,504	636,910	887,414
2011	328,066	629,437	957,503
2012-2016	1,799,996	2,978,798	4,778,794
2017-2021	2,365,410	2,606,692	4,972,102
2022-2026	2,646,230	2,127,089	4,773,319
2027-2031	3,352,250	1,520,028	4,872,278
2032-2036	3,235,770	754,929	3,990,699
2037-2039	1,262,176	136,888	1,399,064
	$16,285,351	$13,339,560	$29,624,911

(1) Includes interest for variable rate bonds estimated at 3.97% which is the rate at the end of the fiscal year. Variable rate bonds are sold daily or weekly and interest rates are determined by the market on the day sold.

Bonds, notes payable, and commercial paper comprise the following for the year ended June 30, 2006 (in thousands):

	Balance at June 30, 2005	Issued	Retired/ defeased	Balance at June 30, 2006
1991 Fiscal Series B - 6.00% to 7.25% Serial and Term Bonds maturing in varying installments through 2012	$ 13,075	$ –	$ 2,820	$ 10,255
1992 Fiscal Series B - 6.66% to 6.86% Serial and Term Bonds maturing in varying installments through 2014	14,242	–	2,924	11,318
1993 Fiscal Series A - 5.875% to 6.0% Serial, Term, and Capital Appreciation Bonds maturing in varying installments through 2013	94,030	–	11,835	82,195
1993 Fiscal Series C - Adjustable Rate Term Bonds maturing 2022	100,000	–	–	100,000
1994 Fiscal Series 1 - 3.00% to 6.00% Serial Bonds maturing in varying installments through 2013	31,805	–	305	31,500
1994 Fiscal Series C - Adjustable Rate Term Bonds maturing in 2023	200,000	–	–	200,000
1994 Fiscal Series G - Adjustable, Auction and Leveraged Reverse Rate Bonds maturing in varying installments through 2024	185,000	–	–	185,000
1995 Fiscal Series A - Adjustable Rate Term Bonds maturing in varying installments through 2025	210,700	–	6,000	204,700
1995 Fiscal Series 1 - 5.25% to 6.875% Serial Bonds maturing in varying installments through 2016	28,930	–	2,435	26,495
1996 Fiscal Series B - 5.75% to 5.875% Serial Bonds maturing in varying installments through 2026	376,610	–	376,610	–
1996 Fiscal Series C - 4.90% to 5.75% Serial Bonds maturing in varying installments through 2017	30,275	–	820	29,455
1997 Fiscal Series A - 4.85% to 6.0% Serial Bonds maturing in varying installments through 2026	131,545	–	1,000	130,545
1997 Fiscal Series B - 5.75% to 5.80% Serial Bonds maturing in varying installments through 2029	100,000	–	–	100,000
1998 Fiscal Series 1 - 4.00% to 5.35% Serial Bonds maturing in varying installments through 2017	32,420	–	$ 1,985	30,435

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

Note 8 *(continued)*

	Balance at June 30, 2005	Issued	Retired/ defeased	Balance at June 30, 2006
1998 Fiscal Series 3 - 4.30% to 6.00% Serial Bonds maturing in varying installments through 2016	$ 348,196	$ –	$ 35,158	$ 313,038
1998 Fiscal Series 4 - 3.60% to 5.20% Serial Bonds maturing in varying installments through 2018	11,105	–	735	10,370
1998 Fiscal Series 6 - 4.827% to 5.125% Serial Bonds maturing in varying installments through 2019	14,447	–	814	13,633
1998 Fiscal Series A - 4.80% to 5.125% Serial Bonds maturing in varying installments through 2022	259,350	–	3,035	256,315
1998 Fiscal Series B - 5.125% to 5.25% Serial Bonds maturing in varying installments through 2030	449,525	–	225,055	224,470
1998 Fiscal Series C - 4.30% to 5.125% Serial Bonds maturing in varying installments through 2021	85,675	–	1,375	84,300
1998 Fiscal Series D - 4.25% to 5.00% Serial and Capital Appreciation Bonds maturing in varying installments through 2025	372,295	–	13,025	359,270
1999 Fiscal Series 2 - 4.00% to 5.25% Serial Bonds maturing in varying installments through 2020	99,258	–	4,693	94,565
1999 Fiscal Series A - 4.75% to 5.00% Serial Bonds maturing in varying installments through 2031	301,470	–	–	301,470
1999 Fiscal Series B - 4.0% to 5.25% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2020	205,870	–	33,960	171,910
2000 Fiscal Series A - 5.50% to 5.75% Serial Bonds maturing in varying installments through 2032	80,000	–	80,000	–
2000 Fiscal Series B - 6.00% to 6.10% Serial Bonds maturing in varying installments through 2033	131,865	–	–	131,865
2000 Fiscal Series C - Adjustable Rate Term Bonds maturing in 2033	107,500	–	–	107,500
2000 Fiscal Series 2 - 3.80% to 5.96% Serial Bonds maturing in varying installments through 2019	10,085	–	505	9,580
2001 Fiscal Series A - 5.50% Term Bonds maturing in varying installments through 2033	328,225	–	328,225	–
2001 Fiscal Series B - 4.5% to 5.125% Serial and Term Bonds maturing in varying installments through 2031	68,100	–	710	67,390
2001 Fiscal Series C - 5.125% Term Bonds maturing in varying installments through 2033	112,040	–	–	112,040
2001 Fiscal Series D - 4.5% to 5.5% Serial and Capital Appreciation Bonds maturing in varying installments through 2025	257,325	–	22,525	234,800
2001 Fiscal Series E - 4.5% to 5.25% Serial and Term Bonds maturing in varying installments through 2031	86,105	–	–	86,105
2001 Fiscal Series F - Adjustable Rate Bonds maturing in varying installments through 2033	184,130	–	–	184,130
2002 Fiscal Series A - 5.00% to 5.75% Serial and Term Bonds maturing in varying installments through 2033	166,305	–	–	166,305
2002 Fiscal Series B - 3.625% to 5.00% Serial and Term Bonds maturing in varying installments through 2026	171,455	–	–	171,455
2002 Fiscal Series C - 4.1% to 5.125% Serial and Term Bonds maturing in varying installments through 2032	46,580	–	–	46,580
2002 Fiscal Series D - 3.0% to 4.90% Serial and Term Bonds maturing in varying installments through 2020	41,665	–	85	41,580
2002 Fiscal Series E - 3.4% to 5.0% Serial and Term Bonds maturing in varying installments through 2026	213,850	–	–	213,850
2002 Fiscal Series F - 3.6% to 5.0% Serial and Term Bonds maturing in varying installments through 2029	105,635	–	–	105,635
2002 Fiscal Series G - 5.00% to 5.125% Term Bonds maturing in varying installments through 2034	216,375	–	–	216,375

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

Note 8 *(continued)*

	Balance at June 30, 2005	Issued	Retired/ defeased	Balance at June 30, 2006
2002 Fiscal Series 1 - 4.82% to 5.25% Serial Bonds maturing in varying installments through 2031	$ 186,229	$ –	$ 5,591	$ 180,638
2002 Fiscal Series 2 - 4.22% to 5.00% Serial Bonds maturing in varying installments through 2031	64,281	–	2,446	61,835
2002 Fiscal Series 3 - 4.65% to 5.00% Serial Bonds maturing in varying installments through 2031	477,213	–	13,903	463,310
2002 Fiscal Series 4 - 5.13% to 6.74% Serial Bonds maturing in varying installments through 2023	208,363	–	7,830	200,533
2002 Fiscal Series 5 - 3.82% to 5.21% Serial Bonds maturing in varying installments through 2031	169,116	–	5,234	163,882
2002 Fiscal Series 6 - 3.82% to 5.21% Serial Bonds maturing in varying installments through 2019	85,980	–	4,661	81,319
2002 Fiscal Series 7 - 7.4% to 7.5% Serial Bonds maturing in varying installments through 2012	7,540	–	1,615	5,925
2003 Fiscal Series A - 4.0% to 6.0% Serial, Term and Muni-CP1 Bonds maturing in varying installments through 2034	689,180	–	–	689,180
2003 Fiscal Series B - 4.0% to 5.25% Refundable Principal Installment Bonds maturing in varying installments through 2006	50,000	–	50,000	–
2003 Fiscal Series C Adjustable Rate Bonds maturing in 2018	300,300	–	–	300,300
2003 Fiscal Series D - 2.0% to 5.25% Serial and Term Bonds maturing in varying installments through 2017	218,145	–	1,790	216,355
2003 Fiscal Series E - 5% Term Bonds maturing in 2034 and 2038	367,265	–	–	367,265
2003 Fiscal Series F - Adjustable Rate Bonds maturing in 2035	201,655	–	–	201,655
2003 Fiscal Series 1 - 4.23% to 4.375% Serial Bonds maturing in varying installments through 2032	141,854	–	4,441	137,413
2003 Fiscal Series 2 - 5.27% Serial Bonds maturing in varying installments through 2028	572,959	–	11,295	561,664
2003 Fiscal Series 3 - 5.15% Serial Bonds maturing in varying installments through 2025	20,490	–	665	19,825
2003 Fiscal Series 4 - 5.18% Serial Bonds maturing in varying installments through 2025	32,615	–	1,070	31,545
2003 Fiscal Series 5 - 4.23% to 4.45% Serial Bonds maturing in varying installments through 2032	286,637	–	8,707	277,930
2004 Fiscal Series A - 5.0% Term Bonds maturing in 2027 and 2035	217,000	–	–	217,000
2004 Fiscal Series B - 2.00% - 5.00% Serial and Term Bonds maturing in varying installments through 2023	340,245	–	1,745	338,500
2004 Fiscal Series C - 2.00% - 5.00% Serial and Term Bonds maturing in varying installments through 2035	596,310	–	565	595,745
2004 Fiscal Series 1 - 4.12% - 4.45% Serial Bonds maturing in varying installments through 2033	294,912	–	7,345	287,567
2004 Fiscal Series 2 - 4.46% Serial Bonds maturing in varying installments through 2026	255,154	–	6,091	249,063
2005 Fiscal Series A - 5.00% Serial Bonds maturing in varying installments through 2039	150,000	–	–	150,000
2005 Fiscal Series B - 2.125% - 5.00% Serial Bonds maturing in varying installments through 2036	922,030	–	1,025	921,005
2005 Fiscal Series C - 3.00% - 5.00% Serial Bonds maturing in varying installments through 2036	576,445	–	710	575,735
2005 Series D - 5.00% Serial Bonds maturing in varying installments through 2039	559,205	–	–	559,205
2005 Fiscal Series 1 - 3.95% - 5.00% Bonds maturing in varying installments through 2034	229,965	–	6,019	223,946
2005 Fiscal Series 2 - 2.567% - 5.00% Bonds maturing in varying installments through 2026	389,900	–	8,626	381,274
2006 Series A - 3.50% - 5.00% Serial Bonds maturing In varying installments through 2039	–	524,530	5,285	519,245

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

***Note 8** (continued)*

	Balance at June 30, 2005	Issued	Retired/ defeased	Balance at June 30, 2006
2006 Series B - 5.00% Term Bonds maturing in 2036	$ –	$ 150,000	$ –	$ 150,000
2006 Series C - 4.50% - 4.75% Term Bonds maturing in 2033	–	350,345	–	350,345
2006 Fiscal Series D - 4.5% - 5.00% Serial Bonds maturing in varying installments through 2038	–	406,205	–	406,205
2006 Fiscal Series AA - Adjustable rate bonds maturing in varying installments through 2032	–	400,000	–	400,000
2006 Fiscal Series BB - 3.25% - 5.00% Serial Bonds maturing in varying installments through 2016	–	100,000	–	100,000
2006 Fiscal Series 1 - Adjustable rate bonds maturing in varying installments through 2036	–	229,018	4,334	224,684
2006 Fiscal Series 2 - Adjustable rate bonds maturing in varying installments through 2036	–	201,441	–	201,441
2006 Fiscal Series 3 - Adjustable rate bonds maturing in varying installments through 2036	–	256,388	–	256,388
Total debt payable	14,634,051	$2,617,927	$1,317,627	15,934,351
Current portion of bonds and notes payable	237,984			215,061
Bonds and notes payable, less current portion	$14,396,067			$15,719,290

Derivatives

In 2004, the Authority entered into a $200 million interest rate exchange agreement under which the Authority receives a fixed rate in exchange for a floating rate based on the BMA Municipal Swap Index. This effectively converted a portion of the Authority's second resolution bonds issued to the New York State Environmental Facilities Corporation to variable rate bonds. The terms of this agreement require the Authority to pay the BMA index and the counterparty to pay 3.567% to the Authority.

In 2003, the Authority sold $20 million of muni-CPI bonds in the 2013 maturity of its Fiscal 2003 Series A issue. In connection with the muni-CPI bonds the Authority entered into an interest rate exchange agreement under which the Authority receives a floating rate tied to the consumer price index, which matches the rate on the bonds, and pays a fixed interest rate. This allowed the Authority to achieve a yield 10 basis points lower than traditional fixed rate debt with a 2013 maturity. The terms of this transaction require the counterparty to pay the Authority the muni-CPI rate, which is set at 1.53% plus a floating rate CPI, with the CPI being equal to the change in the consumer price index for a given period.

In keeping with market standards, the Authority or the counterparty may terminate the swap if the other party fails to perform under its terms as defined in the agreements. The Authority views termination risk to be remote at this time. Depending on the fair value at the time of termination, the Authority may have a liability to the counterparties.

Through the swap agreements the Authority is exposed to credit risk, i.e., the risk that the counterparty fails to perform its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swap. The fair value of the swaps at June 30, 2006 and 2005 was approximately $5.8 million and $2.9 million, respectively, in favor of the counterparty. To mitigate credit risk, the agreement requires the counterparty to post collateral for the Authority's benefit if it is downgraded below a designated threshold, as defined in the agreement.

Restricted Assets

Certain cash and investments, plus accrued interest and other receivables, of the System are restricted as follows *(in thousands)*:

	2006	2005
The Board		
Operation and maintenance reserve account	$ 157,797	$ 145,683
Operation and maintenance reserve general account	10	10
	157,807	145,693
The Authority		
Revenue fund	171,859	152,544
Debt service reserve fund	787,808	754,672
Construction fund	62,097	245,070
Escrow fund	293,394	662,732
	1,315,158	1,815,018
	$1,472,965	$1,960,711

Notes to Financial Statements *(continued)*

June 30, 2006 and 2005

***Note 9** (continued)*

The operation and maintenance reserve account is established as a depository to hold the operations and maintenance reserve fund as required by the Resolution. It is required to hold one-sixth of the operating expenses as set forth in the annual budget. It is funded through the cash receipts of the Board. The operation and maintenance reserve general account is established as a depository to hold all excess funds of the Board after all legally mandated transfers have been made. It is available to meet any deficiencies in the flow of funds including debt service and alternatively can be used as a financing source for capital expenditures.

The revenue fund is established as a depository to fund the debt service, Authority expense, debt service reserve and escrow funds. It is funded through cash transfers from the Board. The debt service reserve fund is established as a depository to hold the maximum annual debt service requirement for the next current or any future fiscal year. It is funded through revenue bond proceeds and the revenue fund.

The debt service fund is established as a depository to pay all principal and interest payments on the Authority's debt for the current fiscal year. It is funded through the revenue fund. The construction fund is established as a depository to pay all capital construction costs incurred by the City and reimbursed by the Authority. It is funded through the proceeds of bond and note sales. The escrow fund is established as a depository to refund debt in future years. It is funded through bond proceeds.

Note 10 - Commitments and Contingencies

a. *Construction*

The System has contractual commitments of approximately $5,058 million and $4,395 million at June 30, 2006 and 2005, respectively, for water and sewer projects.

b. *Claims and Litigation*

In accordance with the Lease, the Board is required to reimburse the City for any judgment or settlement paid by the City arising out of a tort claim to the extent that the City's liability is related to capital improvements and the operation or maintenance of the System. However, in no event shall the payment made to the City, in any fiscal year, exceed an amount equal to 5% of the aggregate revenues shown on the prior year's audited financial statements of the System. In addition, the System is required to reimburse the City, to the extent requested by the City, for the payment of any judgment or settlement arising out of a contract claim with respect to the construction of capital improvements. In addition, the City has agreed, subject to certain conditions, to indemnify the Authority, the Board and their staffs against any and all liability in connection with any act done or omitted in the exercise of their powers which is taken or omitted in good faith in pursuance of their purposes under the Act. Currently, the City is a defendant in a significant number of lawsuits pertaining to the System. The litigation includes, but is not limited to, actions commenced and claims asserted against the City arising out of alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of law. As of June 30, 2006, the potential future liability attributable to the System for claims outstanding against the City was estimated to be $110.5 million. This amount is included in the estimated liability for unsettled claims, which is reported in the City's balance sheet. The potential future liability is the City's best estimate based on available information. The estimate may be revised as further information is obtained and as pending cases are litigated.

c. *Arbitrage Rebate*

To maintain the exemption from Federal income tax of interest on bonds issued subsequent to January 1, 1986, the System will fund amounts required to be rebated to the Federal Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all nonpurpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on

***Note 9** (continued)*

the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. During 2006 and 2005, the System paid $882 thousand and $232 thousand, respectively, in rebates. At June 30, 2006 and 2005, the Authority had a liability of $7.493 million and $7.279 million, respectively.

Note 11 - *Pension Plans*

During 2006, the System employed eleven individuals at the Water Authority. Pension expense for these employees totaled $101,000. All other personnel are employees of the City and are covered under the City's pension plan. The System pays the costs of those employees' pension through an allocation of fringe benefit costs, which are included within operations and maintenance expenses in the accompanying financial statements.

Note 12 - *Other Post-Employment Benefits*

Plan Description

The Authority's policy is to provide certain health and related benefits to eligible retirees of the Authority, which constitute other post-employment benefit ("OPEB") plan (the "Plan") in accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

The Authority's policy is to follow the eligibility criteria applicable to retirees of the City and to provide benefits substantially the same as those provided to City retirees and eligible beneficiaries/dependents. OPEB benefits include health insurance, Medicare Part B reimbursements, and welfare fund contributions.

Funding Policy

The Authority is not required to provide funding for OPEB, other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2006, the Authority had no retirees, and thus made no contribution to the Plan. Plan members are not required to contribute to the plan, although retirees may elect basic health insurance programs and/or optional coverage that require contributions.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount that was actuarially determined in accordance with the parameters of GASB Statement No. 45. The frozen entry age cost method was used in the actuarial valuation prepared as of June 30, 2005, which was the basis for the 2006 ARC calculation.

The following table shows the elements of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation to the Plan for the year ended June 30, 2006:

	Amount
Normal cost	$ 74,354
Amortization of unfunded actuarial liability over one year	308,348
Interest at 4.0%	15,308
Annual required contribution	$398,010
OPEB cost (expense) for fiscal 2006	$398,010
Contributions made	–
Increase in net OPEB obligation	398,010
Net OPEB obligation - beginning of year	–
Net OPEB obligation - end of year	$398,010

***NOTE 12** (continued)*

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2006 were as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2006	$398,010	0%	$398,010

Funded Status and Funding Progress

As of June 30, 2005, the most recent (initial) actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was $308 thousand, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability ("UAAL") of $308 thousand. The covered payroll (annual payroll of active employees covered by the Plan) was $1 million, and the ratio of the UAAL to the covered payroll was 29.6%.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Implementation for Fiscal 2006

As a component unit of the City, the Authority is required to implement GASB No. 45 for its fiscal year ended June 30, 2006, the year for which the City has implemented. As there was no pay-as-you-go OPEB cost during fiscal 2005, no OPEB expense is reported for that year.

The schedule of funding progress, shown as required supplementary information below presents the results of OPEB valuations as of June 30, 2005, and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Required Supplementary Information (unaudited)

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) - entry age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
6/30/05	$ –	$308,348	$308,348	0%	$1,041,223	29%

Note 13- *Subsequent Events*

On October 25, 2006, the Authority issued fiscal 2007 Series AA Second Resolution Bonds in the aggregate amount of $199.9 million to reimburse outstanding commercial paper notes, and to pay certain costs of issuance.

On October 25, 2006, the Authority issued fiscal 2007 Series BB Second Resolution Bonds in the aggregate amount of $134.4 million to refund outstanding bonds and to pay for certain costs of issuance.

Statistics

Revenues Last Ten Fiscal Years

Years Ended June 30, 1997–2006 *(in thousands)*

Year	Water Supply and Distribution	Sewer Collection and Treatment	Other Operating Revenues	Subsidy and Investment Income	Total
1997	543,928	789,516	73,243	68,192	1,474,879
1998	560,956	819,662	102,540	93,883	1,577,041
1999	83,394	857,204	85,903	81,465	1,107,966
2000	610,949	876,455	93,194	70,478	1,651,076
2001	626,364	898,568	96,991	84,534	1,706,457
2002	648,319	907,324	116,512	97,543	1,769,698
2003	690,093	952,985	68,842	162,052	1,873,972
2004	713,097	984,753	75,283	155,260	1,928,393
2005	755,693	1,043,575	85,459	176,196	2,060,923
2006	735,200	1,143,424	100,306	193,686	2,172,616

Expenses Last Ten Fiscal Years

Years Ended June 30, 1997–2006 *(in thousands)*

Year	Operation and Maintenance	Provision for Uncollectibles	Administration and General	Depreciaiton and Amortization	Interest Expense	Total
1997	775,318	189,775	13,374	287,546	407,997	1,674,010
1998	822,791	149,748	11,217	281,943	465,819	1,731,518
1999	777,652	103,960	10,879	380,023	476,675	1,749,189
2000	801,255	89,062	10,092	347,055	492,747	1,740,211
2001	842,401	122,784	11,215	318,709	527,914	1,823,023
2002	857,907	92,481	14,171	320,382	556,784	1,841,725
2003	875,762	89,400	15,181	389,626	584,347	1,954,316
2004	933,736	116,108	19,853	451,585	612,054	2,133,336
2005	944,919	114,702	23,168	515,325	668,675	2,266,789
2006	1,056,378	87,222	26,727	500,161	731,563	2,402,051

Revenue Bond Coverage Last Ten Fiscal Years

Years Ended June 30, 1997–2006 *(in thousands)*

First Resolution	Second Resolution					
	Cash (1)	Debt Service Requiements (2)			Debt Service	Debt Service
Year	Receipts	Principal	Interest	Total	Coverage	Coverage
1997	1,216,503	73,866	339,498	413,364	3.13	2.94
1998	1,411,070	128,555	357,133	485,688	3.37	2.98
1999	1,460,602	136,767	345,397	482,164	3.42	3.03
2000	1,481,532	201,133	317,799	518,932	3.35	2.85
2001	1,527,009	164,843	331,309	496,152	3.13	3.08
2002	1,592,393	90,648	405,745	496,393	3.21	3.21
2003	1,653,733	196,036	300,688	496,724	3.33	3.33
2004	1,754,336	152,132	338,216	490,348	3.58	3.58
2005	1,829,806	175,729	353,408	511,137	3.91	3.58
2006	1,931,927	197,602	439,839	637,441	3.76	3.03

(1) Until 1998, cash receipts as defined in the bond resolution excludes interest received on debt servie and revenue funds and subsidy payments

(2) Debt service requirements include First Resolution debt service and a portion of Second Resolution debt service. Until 1997, all Second Resolution debt service was paid from carry forward amounts and subsidy payments from the New York State Environmental Facilites Corporation.

Statistics *(continued)*

Water and Sewer Rate Increases

Effective Date	Changes in Flat-Rate Water	Changes in Metered Water	Metered Water Rate (per ccf) (1)	Change in Sewer
July 1, 1997	Increased 6.5%	Increased 6.5%	1.13	No change
July 1, 1998	Increased 6.5%	Increased 6.5%	1.20	No change
July 1, 1999	Increased 4.0%	Increased 4.0%	1.25	No change
July 1, 2000	Increased 4.0%	Increased 4.0%	1.30	No change
July 1, 2001	Increased 1.0%	Increased 1.0%	1.31	No change
July 1, 2002	Increased 3.0%	Increased 3.0%	1.35	No change
July 1, 2003	Increased 6.5%	Increased 6.5%	1.44	No change
July 1, 2004	Increased 5.5%	Increased 5.5%	1.53	No change
July 1, 2005	Increased 5.5%	Increased 5.5%	1.60	No change
July 1, 2006	Increased 3.0%	Increased 3.0%	1.65	No change

(1) ccf equals 100 cubic feet or approximately 748 gallons

Average Daily Water Consumption

Fiscal Year	Total (mgd) (1)	Upstate Counties (mgd)	City (mgd)	Per capita (gals/day) (2)
1997	1,334	121	1213	164
1998	1,294	122	1172	160
1999	1,342	129	1213	163
2000	1,359	127	1231	166
2001	1,340	126	1201	166
2002	1,281	124	1157	144
2003	1,232	119	1113	139
2004	1,213	118	1095	138
2005	1,211	118	1093	138
2006	1,088	122	966	121

Statistics *(continued)*

Water System Tunnels and Aqueducts

Length Diameter Transmission In Service

	Connections	Length (miles)	Diameter (feet) (1)	Transmission Capacity (mgd) (2)	In Service Date
Tunnels Upstate					
Shandanken		18.1	11.5 x 10.251	650	1924
West Delaware		44.0	11.33	500	1964
East Delaware		25.0	11.33	700	1955
Neversink		6.0	10	500	1954
Aqueducts					
New Croton	New Croton to Jerome Park	24.0	3.5 x 13.61	300	1893
	Jerome Park to 135 St. Gatehouse	9.0	12.25--10.52	250	1893
Catskill	Ashokan to Kensico	75.0	17 x 17.51	610	1915
	Kensico to Hillview	17.0	17 x 18.1	800	1915
Delaware	Rondout to West Branch	44.2	13.5	890	1944
	West Branch to Kensico	27.2	15	1045	1943
	Kensico to Hillview	13.6	19.5	1450	1942
Tunnels Downstate					
Tunnel 1	Hillview to distribution system	18.0	15-112	1000	1917
Tunnel 1	Hillview to distribution system	18.0	15-112	1000	1917
Tunnel 3, Stage 1	Hillview to distribution system	13.0	24-202	1500	1998
Richmond Tunnel	Tunnel 2 to Staten Island Uptake Shaft	5.0	10	350	

(1) Tunnels are not round
(2) Variable diameter tunnels (mgd=millions of gallons per day)

Water Pollution Control Plants Daily Flow

Plant	Design Flow (mgd) (1)	12 month avg. (mgd) (1) July 04 - July 05	12 month avg. (mgd) (1) July 05 - July 06
Wards Island	275	207	215
North River	170	129	129
Hunts Point	200	124	132
26th Ward	85	60	58
Coney Island	110	92	92
Owls Head	120	102	102
Newtown Creek	310	230	231
Red Hook	60	31	33
Jamaica	100	82	87
Tallmans Island	80	57	62
Bowery Bay	150	126	108
Rockaway	45	21	22
Oakwood Beach	39.9	31.6	29.8
Port Richmond	60	37	31
Total	1,804.90	1,329.60	1,331.8

(1) mgd=millions of gallons of per day

Organizational Chart

New York City Municipal Water Finance Authority

Board of Directors

Mark Page	*ex officio Member*
Charles E. Dorkey III	*Member*
Arthur B. Hill	*Member*
Peter J. Kenny	*Member*
Emily Lloyd	*ex officio Member*
Denise Sheehan	*ex officio Member*
Martha E. Stark	*ex officio Member*

Staff

Alan Anders	*Executive Director*
Marjorie E. Henning	*Secretary*
Lawrence R. Glantz	*Comptroller*
Prescott D. Ulrey	*Assistant Secretary*
Olga Chernat	*Deputy Treasurer*
Jeffrey M. Werner	*Assistant Secretary*
Valerie Mehallow	*Finance Director*

New York City Water Board

Members

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Lilyan H. Affiniyo	*Member*
Donald Capoccia	*Member*
Dawn S. Davis	*Member*
Amaziah Howell	*Member*
Stacey Coleman Morse	*Member*
Maria Santos Valentin	*Member*

Staff

Steven Lawitts	*Executive Director*
William Kusterbeck	*Treasurer*
Carmelo Emilio	*Deputy Treasurer*
Albert F. Moncure, Jr.	*Secretary*

New York City Department of Evironmental Protection

Emily Lloyd	*Commissioner*
Steven Lawitts	*First Deputy Commissioner*

Bureau of Water and Sewer Operations

James Roberts — *Acting Deputy Commissioner*

Bureau of Engineering Design and Construction

Alfonso R. Lopez, P. E. — *Deputy Commissioner*

Bureau of Wastewater Treatment

Douglas S. Greeley, P. E. — *Deputy Commissioner*

Bureau of Water Supply

Paul Rush, P. E. — *Deputy Commissioner*

Bureau of Customer Services

Joseph Singleton — *Deputy Commissioner*

Bureau of Human Resources and Administration

Dana K. Reed — *Deputy Commissioner*

Bureau of Environmental Planning

Angela Licata — *Deputy Commissioner*

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