

New York City Water and Sewer System

Combined Balance Sheets: June 30, 2000 and 1999 (in thousands)

Assets, June 30, 2000 and 1999 (in thousands)

	2000	1999
Utility plant in service, less accumulated depreciation of \$4,302,707 in 2000 and \$3,986,940 in 1999 (notes 2, 5 and 7)	\$ 9,627,344	9,550,064
Construction work-in-progress	3,196,302	2,855,474
	12,823,646	12,405,538
CURRENT ASSETS:		
Unrestricted cash and cash equivalents (note 6)	8,734	35,854
Investments (note 6)	-	3,425
ACCOUNTS RECEIVABLE:		
Billed, less allowance for uncollectible water and sewer receivables of \$293,888 in 2000 and \$287,085 in 1999	316,800	286,055
Unbilled	105,000	105,000
Receivable from the City (note 8)	47,140	69,673
Other	5,751	12
Total current assets	483,425	500,019
RESTRICTED ASSETS (NOTES 6 AND 11):		
Cash and cash equivalents	874,851	509,507
Investments	98,333	499,594
Accrued interest receivable	1,476	1,775
Total restricted assets	974,660	1,010,876
Deferred bond and financing expenses	102,917	103,963
Total assets	\$ 14,384,648	14,020,396

See accompanying notes to combined financial statements.

New York City Water and Sewer System

Combined Balance Sheets : June 30, 2000 and 1999 (in thousands)

Liabilities and Equity, June 30, 2000 and 1999 (in thousands)

	2000	1999
LONG-TERM LIABILITIES:		
Bonds and notes payable, less current portion (note 9)	\$ 9,417,797	8,623,232
Net discount on bonds and notes payable	(331,840)	(336,988)
Deferred bond refunding costs (note 2)	(210,388)	(237,149)
Total long-term liabilities	8,875,569	8,049,095
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	27,718	22,718
Revenues received in advance	67,798	80,262
Current portion of bonds and notes payable (note 9)	358,575	748,478
Payable to the City (note 8)	252,911	235,143
Refunds payable to customers	15,375	14,500
Total current liabilities	722,377	1,101,101
Total liabilities	9,597,946	9,150,196
EQUITY:		
Contributed capital, net of allocated depreciation (note 2)	4,571,775	4,696,778
Retained earnings	214,927	173,422
Total equity	4,786,702	4,870,200
Total liabilities and equity	\$ 14,384,648	14,020,396

See accompanying notes to combined financial statements.

New York City Water and Sewer System

Statement of Revenues, Expenses, and Changes in Retained Earnings

Years ended June 30, 2000 and 1999 (in thousands)

	2000	1999
OPERATING REVENUES:		
Water supply & distribution	\$ 610,949	583,394
Sewer collection & treatment	876,455	857,204
Other operating revenues	93,194	85,903
Total operating revenues	1,580,598	1,526,501
OPERATING EXPENSES:		
Operation & maintenance (notes 3 & 7)	801,255	777,652
Provision for bad debts	89,062	103,960
Administration & general	10,092	10,879
Total operating expenses	900,409	892,491
Excess of operating revenues over operating expenses before depreciation & amortization	680,189	634,010
Depreciation and amortization	347,055	380,023
Operating income	333,134	253,987
NONOPERATING REVENUES (EXPENSES):		
Interest expense	(492,747)	(476,675)
Investment income	70,478	81,465
Net loss	(89,135)	(141,223)
Depreciation allocated to contributed capital (note 2)	130,640	128,279
Retained earnings at beginning of year	173,422	186,366
Retained earnings at end of year	\$ 214,927	173,422

See accompanying notes to combined financial statements.

New York City Water and Sewer System

Combined Statement of Cash Flows

Years ended June 30, 2000 and 1999 (in thousands)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 333,134	253,987
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation and amortization	347,055	380,023
Provision for bad debts	89,062	103,960
CHANGES IN ASSETS AND LIABILITIES:		
(Increase) in receivables	(119,807)	(113,987)
Decrease (Increase) in receivable from the City	22,533	(34,300)
(Increase) decrease in other assets	(5,739)	965
Increase in payable to the City	17,768	36,296
Increase (Decrease) in accounts payable and accrued expenses	5,000	(95)
(Decrease) in revenues received in advance	(12,464)	(7,316)
Increase (Decrease) in refunds payable to customers	875	(2,000)
Total adjustments	344,283	363,546
Net cash provided by operating activities	677,417	617,533
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuing bonds, notes and other borrowings, net of issue costs	1,515,293	1,284,953
Repayments of bonds, notes and other borrowings	(1,112,623)	(831,343)
Interest paid on bonds, notes and other borrowings	(481,945)	(464,319)
Acquisition and construction of capital assets	(739,072)	(822,471)
Net cash used in capital and related financing activities	(818,347)	(833,180)

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New York City Water and Sewer System

Combined Statement of Cash Flows

(continued), Years ended June 30, 2000 and 1999 (in thousands)

	2000	1999
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	\$ 503,019	1,007,812
Purchases of investments	(98,333)	(1,107,651)
Interest on investments	74,468	83,604
Net cash provided by (used in) investing activities	479,154	(16,235)
Net increase (decrease) in cash and cash equivalents	338,224	(231,882)
Cash and cash equivalents, beginning of year	545,361	777,243
Cash and cash equivalents, end of year	\$ 883,585	545,361

RECONCILIATION OF CASH AND CASH EQUIVALENTS

PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:

	Assets		
	Unrestricted	Restricted	Total
Cash and cash equivalents—beginning	\$ 35,854	509,507	545,361
Net increase (decrease)	(27,120)	365,344	338,224
Cash and cash equivalents—ending	\$ 8,734	874,851	883,585

The following are the noncash capital and related financing activities:

- Interest expense includes the accretion of capital appreciation bonds discount in the amount of \$7,429 in 2000 and \$10,547 in 1999.
- Capital expenditures in the amount of \$252,911 and \$235,143 had been incurred but not paid at June 30, 2000 and 1999 respectively.
- The System received capital assets of \$5,637 in 2000 and \$7,389 in 1999 which represent capital contributed by the City.

See accompanying notes to combined financial statements.



New York City Water and Sewer System

Notes to Combined Financial Statements: June 30, 2000 and 1999

1. Organization

The New York City Water and Sewer System (the "System") provides water supply and distribution, and sewage collection, treatment, and disposal for The City of New York (the "City"). The System, as presented in the accompanying combined 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 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 Board.

In accordance with Statement 14 of the Governmental Accounting Standards Board (GASB), the Board and the Authority are combined for general purpose external reporting purposes since the Board and the Authority are fiscally interdependent. The System, in turn, is included for reporting purposes as a discretely presented component unit in the City's financial statements.

2. Summary of Significant Accounting Policies

The accompanying combined financial statements of the System have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. GASB Statement 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

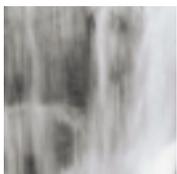
Investments and cash equivalents consist principally of securities of the United States and its agencies, certificates of deposit, and repurchase agreements with maturity periods of one year or less, and are carried at amortized cost, which approximates fair value. For purposes of the combined statements 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.

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 the straight-line method for bond issuance costs.





Lincoln Center Plaza Fountain

D. Utility Plant in Service

Utility plant in service acquired through purchase or internal construction is recorded at cost net of retirements. Contributed utility plant in service 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 & waste water treatment systems	15-50
Water distribution & sewage collection systems	15-75
Equipment	5-35

Depreciation on contributed utility plant in service is allocated to contributed capital after the determination of net income.

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

E. Operating Revenues

Revenues are based on billing rates imposed by the Board based upon customers' water and sewer usage. The System records estimated unbilled revenue at its year end.

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 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. Contributed Capital

In accordance with the lease of the System from the City to the Board, the City transferred its water and sewer-related physical assets at historical cost, net of depreciation, and all work-in-progress, at cost, to the Board at July 1, 1985. Capital improvements financed by sources other than the proceeds of Authority revenue bonds (e.g., capital grants) are recorded as additions to contributed capital.

Changes in contributed capital for the fiscal years ended June 30, 2000 and 1999 are as follows:

(in thousands)	2000	1999
Contributed capital, beginning of year	\$ 4,696,778	4,817,668
Plant and equipment contributed	5,637	7,389
Depreciation allocated to contributed capital	(130,640)	(128,279)
Contributed capital, end of year	\$ 4,571,775	4,696,778

I. Reclassifications

Certain reclassifications to the 1999 figures have been made in order to conform to the 2000 combined financial statement presentation.

J. Use of Estimates

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

3. Financing Agreement

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.

4. Cumulative Retained Earnings

At June 30, 2000 and 1999, the Authority had a cumulative deficit of approximately \$3,369 million and \$2,959 million, respectively, which amount is less than the approximate \$3,584 million and \$3,133 million cumulative retained earnings of the Board at June 30, 2000 and 1999, respectively.

5. Utility Plant in Service

Utility plant in service at June 30, 2000 and 1999 is comprised as follows:

(in thousands)	2000	1999
Buildings	\$ 5,677	5,677
Water supply and waste water treatment systems	6,840,021	6,643,497
Water distribution and sewage collection systems	6,955,100	6,758,577
Equipment	129,253	129,253
	13,930,051	13,537,004
Less accumulated depreciation	4,302,707	3,986,940
	\$ 9,627,344	9,550,064

6. Investments, Cash Equivalents and Cash Deposits

The Water and Sewer General Revenue Bond Resolution (the "Resolution") authorizes the investment of bond proceeds. The guidelines issued by the Office of the New York State Comptroller and the Resolution establish the criteria for permissible investments of the System. In addition, the Water Board and the Water Authority have investment guidelines approved by their respective Boards of Directors. The System may invest in Federal government obligations or any subdivision or instrumentality thereof, obligations of the State of New York or any subdivision or instrumentality thereof provided that they are in the two highest rating categories of a rating agency, bankers' acceptances or certificates of deposit (CDs) issued by a New York State commercial bank with capital or surplus in excess of \$100 million, corporate securities or commercial paper rated highest by a rating agency when compared to similar-type securities, or repurchase agreements that are collateralized by obligations of the Federal government.

Investments and deposits held by the System at June 30, 2000 and 1999 comprised:

(in thousands)	2000	1999
Unrestricted cash, cash equivalents and investments (plus accrued interest)	\$ 8,734	39,279
Restricted cash, cash equivalents and investments (plus accrued interest)	974,660	1,010,876
	\$ 983,394	1,050,155

This amount is comprised of:

Carrying amount of deposits (includes CDs)	\$ 4,803	243,207
Investments (plus accrued interest)	978,591	806,948
	\$ 983,394	1,050,155

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 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 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 \$35.6 thousand and \$200 thousand on deposit at June 30, 2000 and 1999, respectively, which were covered by Federal depository insurance.

Investments

The System's investments are categorized to give an indication of the level of risk assumed by the System at year end. Category 1, the lowest risk, includes investments that are insured or registered, or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3, the highest risk, includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the System's name.

Investments (inclusive of certain investments reported as cash equivalents) held by the System at June 30, 2000 and 1999 were classified as Category 1 investments and non-categorized investments, and are comprised of:

(in thousands)	2000* Cost	2000* Fair Value	1999* Cost	1999* Fair Value
Categorized:				
U.S. Treasury securities	\$ —	—	49,397	49,398
Federal agency issues	813,710	814,965	647,923	649,514
Commercial paper	—	—	55,888	55,888
Repurchase agreements	122,602	122,822	—	—
Non-categorized:				
Mutual Funds	—	—	11,162	11,162
Guaranteed Investment Contract	40,803	40,803	40,803	40,803
	\$ 977,115	978,590	805,173	806,765

**Includes \$878,783 at cost and \$879,345 at market (2000) and, \$302,154 at cost and \$302,154 at market (1999) of investments reported as cash equivalents.*

7. 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, to the extent requested by the City;

C. an amount sufficient to pay the cost of other services provided by the City;

D. an amount sufficient to pay the cost of legal services provided by the City;

Bethesda Fountain (Central Park)



E. an amount sufficient to reimburse the City for the costs of the services of any city officer and employee provided on a full-time or part-time basis to the Board; and

F. the amount of any reconciliation payments, as defined.

In addition to the payments described above, the Board pays rent to the City to the extent requested by 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. After all amounts certified by the City have been paid and all other required payments have been made, any surplus funds received by the Board in the current fiscal year are to be placed into the Board's general account in the operating and maintenance reserve fund.

A summary of operation and maintenance expenses at June 30, 2000 and 1999 is as follows:

(in thousands)	2000	1999
Water transmission and distribution	\$ 227,066	233,221
Sewer collection systems	317,980	300,406
City agency support cost	32,967	31,879
Fringe benefits	64,923	58,950
Judgments and claims	7,844	5,330
	650,780	629,786
Rental payments to the City	150,475	147,866
	\$ 801,255	777,652

Untermyer Memorial Fountain

8. Payable to and Receivable from the City

As of June 30, 2000 and 1999, all construction work-in-progress 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, 2000 and 1999, the System had a receivable from the City for overpayment of operations and maintenance expenses.

9. Bonds and Notes Payable

The Authority issues revenue bonds to finance a portion of the costs of the capital renovation and improvements program to the System, to fund certain reserves, to pay costs of issuance and to advance refund certain outstanding principal amounts of bonds.

Bonds, notes payable, and commercial paper comprise the following for the year ended June 30, 2000:



(in thousands)	Balance at June 30, 1999	Issued	Retired	Balance at June 30, 2000
1987 Fiscal Series A - 5.00% to 7.00% Serial and Term Bonds maturing in varying installments through 2017	69,690	—		69,690
1987 Fiscal Series B - 5.00% to 7.90% Serial and Capital Appreciation Bonds maturing in varying installments through 2017	13,255	—		13,255
1989 Fiscal Series B - 5.75% to 7.50% Serial, Term, and Capital Appreciation Bonds maturing in varying installments through 2013	6,506	—	4,551	1,995
1990 Fiscal Series A - 6.00% to 7.375% Serial, Term, and Capital Appreciation Bonds maturing in varying installments through 2019	9,628	—	9,628	—
1990 Fiscal Series B - 6.70% to 7.60% Serial and Term Bonds maturing in varying installments through 2020	132,070	—	6,390	125,680
1991 Fiscal Series B - 6.00% to 7.25% Serial and Term Bonds maturing in varying installments through 2012	51,165	—	12,215	38,950
1992 Fiscal Series A - 5.30% to 7.10% Serial and Term Bonds maturing in varying installments through 2021	182,945	—	2,705	180,240
1992 Fiscal Series B - 5.20% to 6.875% Serial and Term Bonds maturing in varying installments through 2014	56,338	—	12,915	43,423
1993 Fiscal Series A - 3.10% to 6.15% Serial, Term, and Capital Appreciation Bonds maturing in varying installments through 2020	1,053,165	—	15,065	1,038,100
1993 Fiscal Series C - Adjustable rate Term Bonds maturing 2022	100,000	—	—	100,000
1994 Fiscal Series 1 - 3.00% to 6.00% Serial and Term Bonds maturing in varying installments through 2015	542,474	—	43,750	498,724
1994 Fiscal Series B - 4.625% to 5.40% Fixed Rate Bonds maturing in varying installments through 2008	655,280	—	50,630	604,650
1994 Fiscal Series C - Adjustable Rate term bonds maturing in 2023	200,000	—	—	200,000
1994 Fiscal Series D - Auction Rate Bonds maturing in varying installments through 2013	83,500	—	—	83,500
1994 Fiscal Series E - Inverse Rate Bonds maturing in varying installments through 2013	83,500	—	—	83,500
1994 Fiscal Series F - 4.75% to 6.00% Serial Bonds maturing in varying installments through 2021	212,950	—	675	212,275
1994 Fiscal Series G - 5.50% to 5.678% Adjustable, Auction and Leveraged Reverse Rate Bonds maturing in varying installments through 2024	205,000	—	—	205,000

(in thousands)	Balance at June 30, 1999	Issued	Retired	Balance at June 30, 2000
1995 Fiscal Series A - Adjustable Rate Term Bonds maturing in varying installments through 2025	216,700	—	—	216,700
1995 Fiscal Series 1 - 5.25% to 6.875% Serial and Term Bonds maturing in varying installments through 2016	56,056	—	5,132	50,924
1996 Fiscal Series 1 - 4.3% to 6.00% Serial Bonds maturing in varying installments through 2017	101,790	—	4,115	97,675
1996 Fiscal Series 2 - 2.95% to 5.20% Serial Bonds maturing in varying installments through 2017	25,875	—	1,125	24,750
1996 Fiscal Series 3 - 3.60% to 5.85% Serial Bonds maturing in varying installments through 2015	40,205	—	1,465	38,740
1996 Fiscal Series A - 4.1% to 6.00% Serial Bonds maturing in varying installments through 2009	238,740	—	9,410	229,330
1996 Fiscal Series B - 5.75% to 6.25% Serial Bonds maturing in varying installments through 2026	520,100	—	—	520,100
1996 Fiscal Series C - 4.2% to 5.75% Serial Bonds maturing in varying installments through 2012	77,900	—	295	77,605
1997 Fiscal Series A - 4.85% to 6.00% Serial Bonds maturing in varying installments through 2026	365,125	—	—	365,125
1997 Fiscal Series B - 5.50% to 5.75% Serial Bonds maturing in varying installments through 2029	700,000	—	—	700,000
1998 Fiscal Series 1 - 4.00% to 5.35% Serial Bonds maturing in varying installments through 2017	42,465	—	1,480	40,985
1998 Fiscal Series 2 - 4.00% to 6.00% Serial Bonds maturing in varying installments through 2019	108,420	—	3,389	105,031
1998 Fiscal Series 3 - 4.30% to 6.00% Serial Bonds maturing in varying installments through 2016	450,035	—	—	450,035
1998 Fiscal Series 4 - 3.60% to 5.20% Serial Bonds maturing in varying installments through 2018	15,179	—	644	14,535
1998 Fiscal Series 5 - 4.61% to 5.10% Serial Bonds maturing in varying installments through 2019	286,790	—	2,985	283,805
1998 Fiscal Series 6 - 4.70% to 5.10% Serial Bonds maturing in varying installments through 2019	18,669	—	647	18,022
1998 Fiscal Series A - 4.25% to 5.125% Serial Bonds maturing in varying installments through 2022	283,850	—	—	283,850

(in thousands)	Balance at June 30, 1999	Issued	Retired	Balance at June 30, 2000
1998 Fiscal Series B - 5.125% to 5.25% Serial Bonds maturing in varying installments through 2030	449,525	—	—	449,525
1998 Fiscal Series C - 4.00% to 5.125% Serial Bonds maturing in varying installments through 2021	88,075	—	240	87,835
1998 Fiscal Series D - 4.25% to 5.00% Serial Bonds maturing in varying installments through 2025	397,120	—	2,985	394,135
1999 Fiscal Series 1 - 4.00% to 5.25% Serial Bonds maturing in varying installments through 2020	118,583	—	3,462	115,121
1999 Fiscal Series 2 - 4.00% to 5.25% Serial Bonds maturing in varying installments through 2020	158,203	—	372	157,831
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 - 3.80% to 5.25% Serial and Capital Appreciation Bonds maturing in varying installments through 2020	245,865	—	—	245,865
1999 Fiscal Series C - 5.00% to 5.75% Serial Bonds maturing in varying installments through 2001	8,770	—	4,145	4,625
2000 Fiscal Series A - 5.50% to 5.75% Serial Bonds maturing in varying installments through 2032	—	275,735	—	275,735
2000 Fiscal Series B - 6.00% to 6.50% Serial Bonds maturing in varying installments through 2033	—	323,730	—	323,730
2000 Fiscal Series C - Adjustable Rate Term Bonds maturing in 2033	—	107,500	—	107,500
2000 Fiscal Series 1 - 2.56% Direct Loan maturing in 2022	—	286,801	945	285,886
2000 Fiscal Series 2 - 3.80% to 5.96% Serial Bonds maturing in varying installments through 2020	—	12,689	400	12,289
Commercial Paper Series 1 - Variable Rate, Short-term Rolling Maturity Backed by L.O.C.	200,000	—	200,000	—
Commercial Paper Series 3 - Variable Rate, Short-term Rolling Maturity Backed by L.O.C.	75,000	—	—	75,000
Commercial Paper Series 4 - Variable Rate, Short-term Rolling Maturity Backed by L.O.C.	125,000	—	—	125,000
Commercial Paper Series 5 - Variable Rate, Short-term Rolling Maturity Backed by L.O.C.	200,000	—	200,000	—
Total debt payable	9,371,710	1,006,455	601,793	9,776,372
Current portion of bonds and notes payable	748,478	5,415	(395,318)	358,575
Bonds and notes payable, less current portion	\$ 8,623,232	1,001,040	206,475	9,417,797

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.

Certain bonds issued by the Authority involve the concurrent issuance of long-term variable rate securities that are matched with long-term floating rate securities. These obligations, taken together as a whole, yield a fixed rate of interest at all times. These securities have been issued to achieve a lower prevailing fixed rate of interest in relation to traditional fixed rate bonds.

During 2000 the Authority defeased \$41.8 million of outstanding bonds with \$40 million of current revenue. During 1999, the Authority issued \$259.2 million of bonds to advance refund \$213 million of outstanding bonds. The advance refundings resulted in an accounting gain of \$729 thousand and a loss of \$17.1 million for the years ended June 30, 2000 and June 30, 1999, respectively, the Authority in effect reduced its aggregate debt service by approximately \$56.6 million and \$143.9 million respectively, and obtained an economic gain of \$1.8 million and \$100.8 million respectively.

The Authority has defeased cumulatively \$4.129 billion and \$4.087 billion of outstanding bonds as of June 30, 2000 and 1999, respectively, by placing proceeds of refunding bonds issued in an irrevocable escrow account to provide for all future debt service payments. Proceeds were used to purchase U.S. Government Securities that were placed in the irrevocable escrow account. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matured. Accordingly, the escrow account assets and liability for the defeased bonds are not included in the Authority's financial statements.

As of June 30, 2000 and 1999, \$2.702 billion and \$2.435 billion of the defeased bonds respectively had been retired from the assets of the escrow accounts.

Debt service requirements to maturity at June 30, 2000 are as follows:

Year ending June 30 (in thousands)			
	Principal	Interest	Total
2001	\$ 358,575	502,993	861,568
2002	170,492	494,438	664,930
2003	181,986	485,498	667,484
2004	191,875	475,924	667,799
2005	208,869	465,656	674,525
Thereafter until 2033	8,664,575	6,879,880	15,544,455
Total	\$9,776,372	9,304,389	19,080,761

10. Segment Information

The System is comprised of two entities, the Water Authority which issues bonds to finance the cost of capital improvements, and the Water Board which leases the System from the City and fixes and collects rates, fees and other charges for the use of the System. Segment information for these entities as of June 30, 2000 is as follows:

(in thousands)	New York City Water Board	New York City Municipal Water Finance Authority
Total Operating Revenues	1,534,862	45,736
Depreciation and Amortization	326,601	20,454
Income from Operations	316,366	16,768
Net Income (Loss)	320,305	(409,440)
Utility Plant in Service Additions	403,882	—
Utility Plant in Service Deletions	10,835	—
Long Term Liabilities	5,180,710	8,875,569
Total Equity	8,155,401	(3,368,699)
Net Working Capital	394,259	(274,636)
Total Assets	13,419,522	6,145,836

11. Restricted Assets

Certain cash and investments, plus accrued interest, of the System are restricted as follows:

(in thousands)	2000	1999
THE BOARD		
Operation and maintenance reserve account	\$ 118,196	116,243
Operation and maintenance reserve general account	10	10
	118,206	116,253
THE AUTHORITY		
Revenue fund	124,712	32,803
Debt service reserve fund	580,775	540,511
Construction fund	144,466	321,309
Arbitrage rebate fund	6,501	—
	856,454	894,623
	\$ 974,660	1,010,876

The operation and maintenance reserve account is established as a depository to hold the operations and maintenance reserve fund as required by the General Bond 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 arbitrage funds. It is funded through cash transfers from the Water 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 arbitrage rebate fund is established to provide for arbitrage rebate payments to the U.S. Department of Treasury. It is funded through the revenue fund.

12. Commitments and Contingencies

Construction

The System has contractual commitments of approximately \$2.389 and \$2.319 billion at June 30, 2000 and June 30, 1999, respectively, for water and sewer projects.

Contingencies

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 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. 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, 2000, the potential future liability attributable to the System for claims outstanding against the City was estimated to be \$ 8.2 million. This amount is included in the City's General Long-Term Obligations



Foley Square Fountain (Triumph of the Human Spirit)

Account Group. 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.

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 non-purpose 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 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. Issues with respect to which all gross proceeds are expended for the governmental purpose of the issue within six months after the date of issue and debt service funds with annual gross earnings of less than \$100,000 are exempt from 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. At June 30, 2000 and 1999, the System has accrued \$3.7 million and \$0 for such liability.

New York City Water and Sewer System

Schedule I

Combined Schedule of Receipts and Disbursements

Years ended June 30, 2000 and 1999 (in thousands)

	2000	1999
CASH RECEIPTS:		
Water supply & distribution & sewer collection & treatment	\$ 1,326,802	1,279,729
Other operating revenues	47,458	40,075
Revenues received in advance	42,882	54,386
Investment income	74,468	83,604
Subsidy income	45,736	45,828
Total cash receipts	1,537,346	1,503,622
CASH DISBURSEMENTS:		
Operation & maintenance	777,025	814,316
Administration & general	10,018	10,836
Interest payments	481,945	464,319
Amounts refunded to customers	15,375	14,454
Total cash disbursements	1,284,363	1,303,925
Excess of cash receipts over cash disbursements before financing uses	252,983	199,697
FINANCING SOURCES (USES):		
Proceeds from bond & note sales, net of issuance cost	1,515,293	1,284,953
Investments	38,531	162,150
Construction payments	(721,305)	(786,175)
Repayment of bonds & notes	(1,112,622)	(831,343)
Total financing uses	(280,103)	(170,415)
Excess (deficiency) of cash receipts over cash disbursements	(27,120)	29,282
Unrestricted cash & cash equivalents at beginning of year	35,854	6,572
Unrestricted cash & cash equivalents at end of year	\$ 8,734	35,854

See accompanying independent auditors' report.

New York City Water and Sewer System

Combining Balance Sheets: June 30, 2000 (in thousands)

Schedule II

ASSETS:	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
Utility plant in service, less accumulated depreciation of \$4,302,707	\$ 9,627,344	—	—	9,627,344
Construction work-in-progress	3,196,302	—	—	3,196,302
	12,823,646	—	—	12,823,646
CURRENT ASSETS:				
Unrestricted cash and cash equivalents	8,730	4	—	8,734
ACCOUNTS RECEIVABLE:				
Billed, less allowance for uncollectible water & sewer receivables of \$293,888	316,800	—	—	316,800
Unbilled	105,000	—	—	105,000
Receivable from the city	47,140	—	—	47,140
Other	—	5,751	—	5,751
Total current assets	477,670	5,755	—	483,425
RESTRICTED ASSETS:				
Cash & cash equivalents	117,985	756,866	—	874,851
Investments	—	98,333	—	98,333
Accrued interest receivable	221	1,255	—	1,476
Total restricted assets	118,206	856,454	—	974,660
Revenue requirement to be billed by & received from the Board	—	5,180,710	(5,180,710)	—
Deferred bond & financing expenses	—	102,917	—	102,917
Total Assets	\$ 13,419,522	6,145,836	(5,180,710)	14,281,731

See accompanying independent auditors' report.

New York City Water and Sewer System

Schedule II

Combining Balance Sheets: June 30, 2000 (in thousands)

LIABILITIES AND EQUITY	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
LONG-TERM LIABILITIES:				
Bonds & notes payable, less current portion	\$ —	9,417,797	—	9,417,797
Net discount on bonds & notes payable	—	(331,840)	—	(331,840)
Deferred bond refunding costs	—	(210,388)	—	(210,388)
Revenue requirements payable to the Authority	5,180,710	—	(5,180,710)	—
Total long-term liabilities	5,180,710	8,875,569	(5,180,710)	8,875,569
CURRENT LIABILITIES:				
Accounts payable & accrued expenses	238	27,480	—	27,718
Revenues received in advance	67,798	—	—	67,798
Current portion of bonds & notes payable	—	358,575	—	358,575
Payable to the city	—	252,911	—	252,911
Refunds payable to customers	15,375	—	—	15,375
Total current liabilities	83,411	638,966	—	722,377
Total liabilities	5,264,121	9,514,535	(5,180,710)	9,597,946
EQUITY:				
Contributed capital, net of allocated depreciation	4,571,775	—	—	4,571,775
Retained earnings (deficit)	3,583,626	(3,368,699)	—	214,927
Total equity	8,155,401	(3,368,699)	—	4,786,702
Total liabilities & equity	\$ 13,419,522	6,145,836	(5,180,710)	14,384,648

See accompanying independent auditors' report.

New York City Water and Sewer System

Combining Balance Sheets: June 30, 1999 (in thousands)

Schedule III

ASSETS	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
Utility plant in service, less accumulated depreciation of \$3,986,940	\$ 9,550,064	—	—	9,550,064
Construction work-in-progress	2,855,474	—	—	2,855,474
	12,405,538	—	—	12,405,538
CURRENT ASSETS:				
Unrestricted cash & cash equivalents	35,851	3	—	35,854
Investments	3,425	—	—	3,425
ACCOUNTS RECEIVABLE:				
Billed, less allowance for uncollectible water & sewer receivables of \$287,805	286,055	—	—	286,055
Unbilled	105,000	—	—	105,000
Receivable from the city	69,673	—	—	69,673
Other	—	12	—	12
Total current assets	500,004	15	—	500,019
RESTRICTED ASSETS:				
Cash & cash equivalents	116,111	393,396	—	509,507
Investments	—	499,594	—	499,594
Accrued interest receivable	142	1,633	—	1,775
Total restricted assets	116,253	894,623	—	1,010,876
Revenue requirement to be billed by & received from the Board	—	5,097,277	(5,097,277)	—
Deferred bond & financing expenses	—	103,963	—	103,963
Total Assets	\$ 13,021,795	6,095,878	(5,097,277)	14,020,396

See accompanying independent auditors' report.

New York City Water and Sewer System

Schedule III

Combining Balance Sheets: June 30, 1999 (in thousands)

LAIBILITIES AND EQUITY	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
LONG-TERM LIABILITIES:				
Bonds & notes payable, less current portion	\$ —	8,623,232	—	8,623,232
Net discount on bonds & notes payable	—	(336,988)	—	(336,988)
Deferred bond refunding costs	—	(237,149)	—	(237,149)
Revenue requirements payable to the Authority	5,097,277	—	(5,097,277)	—
Total long-term liabilities	5,097,277	8,049,095	(5,097,277)	8,049,095
CURRENT LIABILITIES:				
Accounts payable & accrued expenses	297	22,421	—	22,718
Revenues received in advance	80,262	—	—	80,262
Current portion of bonds & notes payable	—	748,478	—	748,478
Payable to the city	—	235,143	—	235,143
Refunds payable to customers	14,500	—	—	14,500
Total current liabilities	95,059	1,006,042	—	1,101,101
Total liabilities	5,192,336	9,055,137	(5,097,277)	9,150,196
EQUITY:				
Contributed capital, net of allocated depreciation	4,696,778	—	—	4,696,778
Retained earnings (deficit)	3,132,681	(2,959,259)	—	173,422
Total equity	7,829,459	(2,959,259)	—	4,870,200
Total liabilities & equity	\$ 13,021,795	6,095,878	(5,097,277)	14,020,396

See accompanying independent auditors' report.

New York City Water and Sewer System

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
Year ended June 30, 2000 (in thousands)

Schedule IV

	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
OPERATING REVENUES:				
Water supply and distribution	\$ 610,949	—	—	610,949
Sewer collection and treatment	876,455	—	—	876,455
Other operating revenues	47,458	45,736	—	93,194
Total operating revenues	1,534,862	45,736	—	1,580,598
OPERATING EXPENSES:				
Operation and maintenance	801,255	—	—	801,255
Provision for bad debts	89,062	—	—	89,062
Administration and general	1,578	8,514	—	10,092
Total operating expenses	891,895	8,514	—	900,409
Excess of operating revenues over operating expenses before depreciation and amortization	642,967	37,222	—	680,189
Depreciation and amortization	326,601	20,454	—	347,055
Operating income	316,366	16,768	—	333,134
NONOPERATING REVENUE (EXPENSE):				
Interest expense	—	(492,747)	—	(492,747)
Investment income	3,939	66,539	—	70,478
Net income (loss)	320,305	(409,440)	—	(89,135)
Depreciation allocated to contributed capital	130,640	—	—	130,640
Retained earnings (deficit) at beginning of year	3,132,681	(2,959,259)	—	173,422
Retained earnings (deficit) at end of year	\$ 3,583,626	(3,368,699)	—	214,927

See accompanying independent auditors' report.

New York City Water and Sewer System

Schedule V Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
Year ended June 30, 1999 (in thousands)

	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
OPERATING REVENUES:				
Water supply and distribution	\$ 583,394	—	—	583,394
Sewer collection and treatment	857,204	—	—	857,204
Other operating revenues	40,075	45,828	—	85,903
Total operating revenues	1,480,673	45,828	—	1,526,501
OPERATING EXPENSES:				
Operation and maintenance	777,652	—	—	777,652
Provision for bad debts	103,960	—	—	103,960
Administration and general	1,891	8,988	—	10,879
Total operating expenses	883,503	8,988	—	892,491
Excess of operating revenues over operating expenses before depreciation and amortization	597,170	36,840	—	634,010
Depreciation and amortization	354,353	25,670	—	380,023
Operating income	242,817	11,170	—	253,987
NONOPERATING REVENUE (EXPENSES):				
Interest expense	—	(476,675)	—	(476,675)
Investment income	3,174	78,291	—	81,465
Net income (loss)	245,991	(387,214)	—	(141,223)
Depreciation allocated to contributed capital	128,279	—	—	128,279
Retained earnings (deficit) at beginning of year	2,758,411	(2,572,045)	—	186,366
Retained earnings (deficit) at end of year	\$ 2,889,864	(2,959,259)	—	173,422

See accompanying independent auditors' report.

New York City Water and Sewer System

Combining Statement of Cash Flows: Year ended June 30, 2000 (in thousands)

Schedule VI

	New York City Water Board	New York City Municipal Water Finance Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 316,366	16,768	333,134
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Depreciation and amortization	326,601	20,454	347,055
Provision for uncollectible accounts	89,062	—	89,062
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) in receivables	(119,807)	—	(119,807)
Decrease in receivable from the City	22,533	—	22,533
(Increase) in other	—	(5,739)	(5,739)
Increase in payable to the City	—	17,768	17,768
(Decrease) increase in accounts payable and accrued expenses	(59)	5,059	5,000
(Decrease) in revenues received in advance	(12,464)	—	(12,464)
Increase in refunds payable to customers	875	—	875
Increase (decrease) in payable to the Authority (receivable from the Board)	83,433	(83,433)	—
Total adjustments	390,174	(45,891)	344,283
Net cash provided by (used in) operating activities	706,540	(29,123)	677,417
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuing bonds, notes and other borrowings, net of issuance costs	—	1,515,293	1,515,293
Repayments of bonds, notes and other borrowings	—	(1,112,623)	(1,112,623)
Interest paid on bonds, notes and other borrowings	—	(481,945)	(481,945)
Acquisition and construction of capital assets	(739,072)	—	(739,072)
Net cash (used in) capital and related financing activities	(739,072)	(79,275)	(818,347)

See accompanying independent auditors' report.

New York City Water and Sewer System

Schedule VI

Combining Statement of Cash Flows: Year ended June 30, 2000 (in thousands)

	New York City Water Board	New York City Municipal Water Finance Authority	Total
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	3,425	499,594	503,019
Purchases of investments	-	(98,333)	(98,333)
Interest on investments	3,860	70,608	74,468
Net cash provided by investing activities	7,285	471,869	479,154
Net (decrease) increase in cash and cash equivalents	(25,247)	363,471	338,224
Cash and cash equivalents, beginning of year	151,962	393,399	545,361
Cash and cash equivalents, end of year	\$ 126,715	756,870	883,585

**RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:**

	Assets		Total
	Unrestricted	Restricted	
Cash and cash equivalents—beginning	35,854	509,507	545,361
Net (decrease) increase	(27,120)	365,344	338,224
Cash and cash equivalents—ending	\$ 8,734	874,851	883,585

The following are the noncash capital and related financing activities:

- Interest expense includes the accretion of capital appreciation bonds discount in the amount of \$7,429.
- Capital expenditures in the amount of \$252,911 had been incurred but not paid at June 30, 2000.
- The Water Board received capital assets of \$5,637 in 2000 which represent capital contributed by the City.

See accompanying independent auditors' report.

New York City Water and Sewer System

Combining Statement of Cash Flows: Year ended June 30, 1999 (in thousands)

Schedule VII

	New York City Water Board	New York City Municipal Water Finance Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 242,817	11,170	253,987
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Depreciation and amortization	354,353	25,670	380,023
Provision for bad debts	103,960	—	103,960
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) in receivables	(113,987)	—	(113,987)
(Increase) in receivable from the City	(34,300)	—	(34,300)
Decrease in other	—	965	965
Increase in payable to the City	—	36,296	36,296
Increase (Decrease) in accounts payable and accrued expenses	164	(259)	(95)
(Decrease) in revenues received in advance	(7,316)	—	(7,316)
(Decrease) in refunds payable to customers	(2,000)	—	(2,000)
Increase in payable to the Authority (receivable from the Board)	313,412	(313,412)	—
Total adjustments	614,286	(250,740)	363,546
Net cash provided by (used in) operating activities	857,103	(239,570)	617,533
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuing bonds, notes and other borrowings, net of issuance cost	—	1,284,953	1,284,953
Repayments of bonds, notes and other borrowings	—	(831,343)	(831,343)
Interest paid on bonds, notes and other borrowings	—	(464,319)	(464,319)
Acquisition and construction of capital assets	(822,471)	—	(822,471)
Net cash (used in) capital and related financing activities	(822,471)	(10,709)	(833,180)

See accompanying independent auditors' report.

New York City Water and Sewer System

Schedule VII

Combining Statement of Cash Flows: Year ended June 30, 1999 (in thousands)

	New York City Water Board	New York City Municipal Water Finance Authority	Total
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	—	1,007,812	1,007,812
Purchases of investments	(3,425)	(1,104,226)	(1,107,651)
Interest on investments	3,218	80,386	83,604
Net cash provided by (used in) investing activities	(207)	(16,028)	(16,235)
Net (decrease) increase in cash and cash equivalents	34,425	(266,307)	(231,882)
Cash and cash equivalents, beginning of year	117,537	659,706	777,243
Cash and cash equivalents, end of year	\$ 151,962	393,399	545,361

**RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:**

	Assets		Total
	Unrestricted	Restricted	
Cash and cash equivalents—beginning	6,572	770,671	777,243
Net (decrease) increase	29,282	(261,164)	(231,882)
Cash and cash equivalents—ending	\$ 35,854	509,507	545,361

The following are the noncash capital and related financing activities:

- Interest expense includes the accretion of capital appreciation bonds discount in the amount of \$10,547.
- Capital expenditures in the amount of \$235,143 had been incurred but not paid at June 30, 1999.
- The Water Board received capital assets of \$7,389 in 1999 which represent capital contributed by the City.

See accompanying independent auditors' report.

New York City Water and Sewer System

Combining Statement of Cash Receipts and Disbursements:
Year ended June 30, 2000 (in thousands)

Schedule VIII

	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
CASH RECEIPTS:				
Water supply & distribution & sewer collection & treatment	\$ 1,326,802	—	—	1,326,802
Other operating revenues	47,458	—	—	47,458
Revenues received in advance	42,882	—	—	42,882
Investment income	3,860	70,608	—	74,468
Subsidy income	—	45,736	—	45,736
Total cash receipts	1,421,002	116,344	—	1,537,346
CASH DISBURSEMENTS:				
Operation & maintenance	777,025	—	—	777,025
Administration & general	1,636	8,382	—	10,018
Interest payments	—	481,945	—	481,945
Amounts refunded to customers	15,375	—	—	15,375
Total cash disbursements	794,036	490,327	—	1,284,363
Excess (deficit) of cash receipts over cash disbursements before financing sources (uses)	626,966	(373,983)	—	252,983
FINANCING SOURCES (USES):				
Proceeds from bond & note sales, net of issuance cost	—	1,515,293	—	1,515,293
Transfers from the Board, net	—	655,639	(655,639)	—
Investments	1,552	36,979	—	38,531
Construction payments	—	(721,305)	—	(721,305)
Repayment of bonds & notes	—	(1,112,622)	—	(1,112,622)
Transfers to the Authority, net	(655,639)	—	655,639	—
Total financing sources (uses)	(654,087)	373,984	—	(280,103)
(Deficit) of cash receipts over cash disbursements	(27,121)	1	—	(27,120)
Unrestricted cash & cash equivalents at beginning of year	35,851	3	—	35,854
Unrestricted cash & cash equivalents at end of year	\$ 8,730	4	—	8,734

See accompanying independent auditors' report.

New York City Water and Sewer System

Schedule IX

Combining Statement of Cash Receipts and Disbursements
Year ended June 30, 1999 (in thousands)

	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
CASH RECEIPTS:				
Water supply and distribution and sewer collection and treatment	\$ 1,279,729	—	—	1,279,729
Other operating revenues	40,075	—	—	40,075
Revenues received in advance	54,386	—	—	54,386
Investment income	3,218	80,386	—	83,604
Subsidy income	—	45,828	—	45,828
Total cash receipts	1,377,408	126,214	—	1,503,622
CASH DISBURSEMENTS:				
Operation and maintenance	814,316	—	—	814,316
Administration and general	1,727	9,109	—	10,836
Interest payments	—	464,319	—	464,319
Amounts refunded to customers	14,454	—	—	14,454
Total cash disbursements	830,497	473,428	—	1,303,925
Excess (deficit) of cash receipts over disbursements before financing sources (uses)	546,911	(347,214)	—	199,697
FINANCING SOURCES (USES):				
Proceeds from bond and note sales, net of issuance costs	—	1,284,953	—	1,284,953
Transfers from the Board, net	—	509,060	(509,060)	—
Investments	(8,570)	170,720	—	162,150
Construction payments	—	(786,175)	—	(786,175)
Repayment of bonds and notes	—	(831,343)	—	(831,343)
Transfers to the Authority, net	(509,060)	—	509,060	—
Total financing sources (uses)	(517,630)	347,215	—	(170,415)
Excess of cash receipts over cash disbursements	29,281	1	—	29,282
Unrestricted cash and cash equivalents at beginning of year	6,570	2	—	6,572
Unrestricted cash and cash equivalents at end of year	35,851	3	—	35,854

See accompanying independent auditors' report.

Statistics

New York City Water and Sewer System

Revenues Last Ten Fiscal Years, Years Ended June 30, 1991-2000 (in thousands)

Year	Water Supply and Distribution	Sewer Collection and Treatment	Other Operating Revenues	Investment Income	Total
1991	402,860	487,895	17,527	49,912	958,194
1992	455,554	583,696	42,816	53,711	1,135,777
1993	444,764	591,978	50,627	45,433	1,132,802
1994	468,957	676,924	58,542	32,955	1,237,378
1995	504,596	717,533	78,326	57,511	1,357,966
1996	532,171	765,808	72,251	67,646	1,437,876
1997	543,928	789,516	93,243	68,192	1,494,879
1998	560,956	819,662	102,540	93,883	1,577,041
1999	583,394	857,204	85,903	81,465	1,607,966
2000	\$ 610,949	876,455	93,194	70,478	1,651,076

Expenses Last Ten Fiscal Years, Years Ended June 30, 1991-2000 (in thousands)

Year	Operation and Maintenance	Provision for Uncollectibles	Administration and General	Depreciation and Amortization	Interest Expense	Loss from Early Extinguishment of Debt	Total
1991	596,540	59,869	1,625	94,036	199,756	—	951,826
1992	644,265	67,662	4,444	153,674	256,735	26,034	1,152,814
1993	709,360	(28,580)	9,811	166,080	281,226	109,423	1,247,320
1994	718,650	51,586	17,290	208,078	296,083	—	1,291,687
1995	738,561	95,989	15,047	293,052	328,364	—	1,471,013
1996	730,963	317,051	14,490	240,949	368,422	—	1,671,875
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

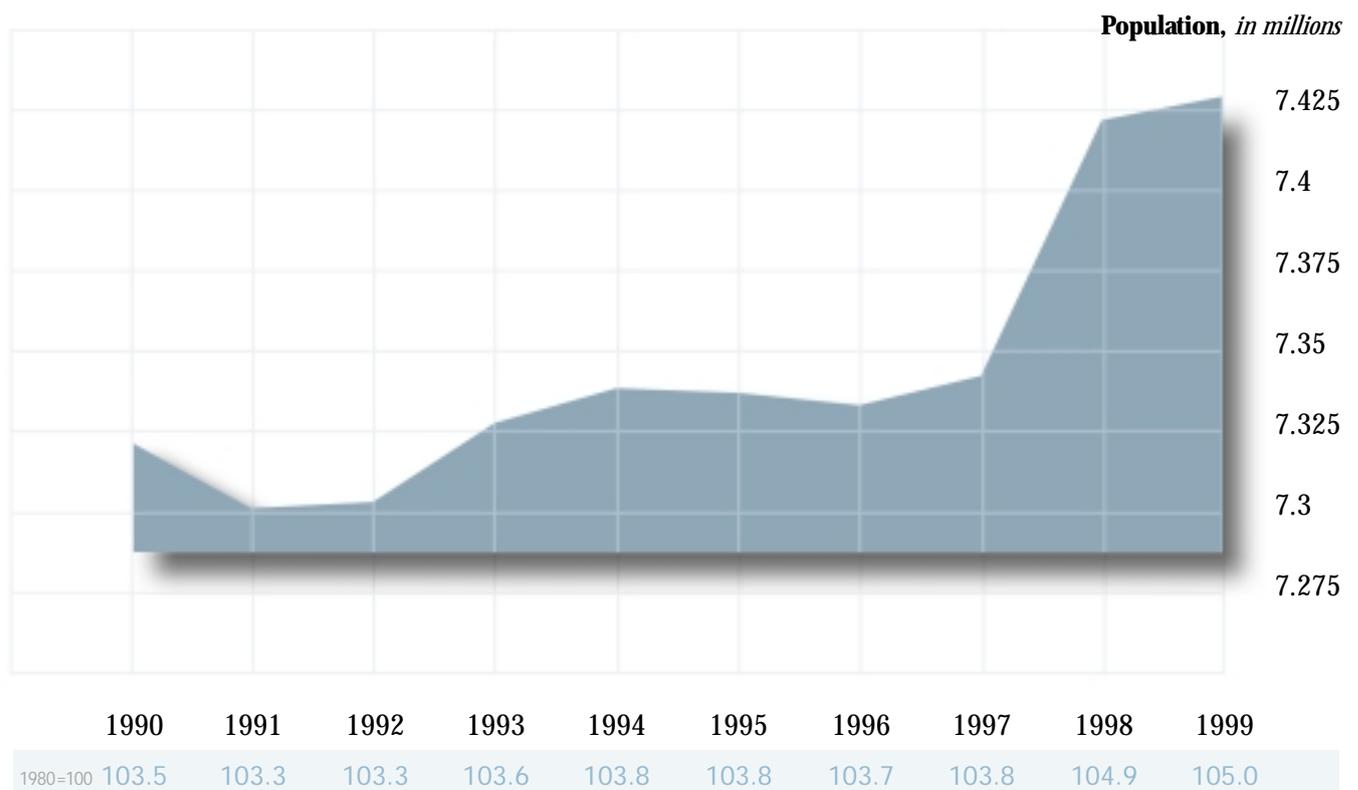
Revenue Bond Coverage Last Ten Fiscal Years, Years Ended June 30, 1991-2000 (in thousands)

Fiscal Year	Cash (1) Receipts	Debt Service Requirements (2)			First Resolution Debt Service Coverage	Debt Service Coverage
		Principal	Interest	Total		
1991	813,415	42,080	178,693	220,773	3.68	—
1992	1,007,377	45,730	249,171	294,901	3.41	—
1993	1,009,044	79,699	251,932	331,631	3.09	—
1994	1,137,886	77,018	234,297	311,315	3.66	—
1995	1,069,725	74,770	256,196	330,966	3.23	—
1996	1,167,038	71,217	275,217	346,434	3.37	—
1997	1,216,503	73,866	339,498	413,364	3.13	2.96
1998	1,411,070	128,555	357,133	485,288	3.37	2.91
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

(1) Until 1998, cash receipts as defined in the Bond Resolution excludes interest received on debt service 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 Facilities Corporation.

Population of New York City, Last Ten Calendar Years



Sources: U.S. Department of Commerce, Bureau of the Census, and the City of New York, Department of City Planning.

Statistics

New York City Water and Sewer System

Water and Sewer Rate Increases, Last Ten Fiscal Years

Effective Date	Changes in Flat-Rate Water	Change in Metered Water	Metered Water Rate	Change in Sewer
July 1, 1991	Increased 6.4%	Increased 6.4%	\$1.01 per ccf	Increased to 136% of water charge
July 1, 1992	No change	No change	\$1.01 per ccf	Increased to 159% of water charge
July 1, 1993	No change	No change	\$1.01 per ccf	No change
July 1, 1994	No change	No change	\$1.01 per ccf	No change
July 1, 1995	Increased 5%	Increased 5%	\$1.06 per ccf	No change
July 1, 1996	Increased 6.5%	Increased 6.5%	\$1.13 per ccf	No change
July 1, 1997	Increased 6.5%	Increased 6.5%	\$1.20 per ccf	No change
July 1, 1998	Increased 4%	Increased 4%	\$1.25 per ccf	No change
July 1, 1999	Increased 4%	Increased 4%	\$1.30 per ccf	No change
July 1, 2000	Increased 1%	Increased 1%	\$1.31 per ccf	No change

(1) ccf, one hundred cubic feet, approximately 748 gallons.

System Customer Classifications

Type of Account	Percentage of Total Accounts	Percentage of Total Billings
One-Family Dwellings	37.5%	9.6%
Two-Family Dwellings	27.3	10.3
Walk-up Apartments (1)	15.9	19.0
Elevator Apartments (1)	2.7	25.7
Factories and Industrial	1.9	5.2
Stores	6.3	8.3
Office Buildings	0.9	5.6
Utility Properties	0.2	2.8
Lofts	0.9	2.6
Hospitals and Health Facilities	0.2	1.5
Hotels	0.2	2.3
Other	6.0	7.1
Total	100.0%	100.0%

(1) Certain accounts and billings under this type of account relate to commercial establishments located in apartment buildings.

Average Daily Water Consumption, Last Ten Fiscal Years

Fiscal Year	Total (mgd) ¹	Upstate Counties (mgd)	City (mgd)	Per Capita ² (gals/day)
1990	1,500	118	1,382	189
1991	1,546	124	1,422	195
1992	1,530	121	1,409	193
1993	1,457	115	1,342	183
1994	1,476	119	1,357	185
1995	1,426	121	1,305	178
1996	1,445	123	1,322	183
1997	1,334	121	1,213	164
1998	1,294	122	1,172	160
1999	1,342	129	1,213	163
2000	1,359	127	1,231	166

(1) mgd=millions of gallons per day.

(2) Population source: U.S. Department of Commerce, Bureau of the Census.

Water System Tunnels and Aqueducts

Tunnels and Aqueducts	Connections	Length (miles)	Diameter (feet)	Transmission Capacity (mgd)	In Service Date
Tunnels Upstate					
Shandaken	Schoharie to Ashokan	18.1	11.5 x 10.25 (1)	650	1924
West Delaware	Cannonsville to Rondout	44.0	11.33	500	1964
East Delaware	Pepacton to Rondout	25.0	11.33	700	1955
Neversink	Neversink to Rondout	6.0	10	500	1954
Aqueducts					
New Croton	New Croton to Jerome Park	24.0	13.5 x 13.6 (1)	300	1893
	Jerome Park to 135th St. Gatehouse	9.0	12.25-10.5 (2)	250	1893
Catskill	Ashokan to Kensico	75.0	17 x 17.5 (1)	610	1915
	Kensico to Hillview	17.0	17.5 x 18 (1)	800	1915
Delaware	Rondout to West Branch	44.2	13.5	890	1944
	West Branch to Kensico	27.2	15	1,045	1943
	Kensico to Hillview	13.6	19.5	1,450	1942
Tunnels Downstate					
Tunnel 1	Hillview to distribution system	18.0	15-11 (2)	1,000	1917
Tunnel 2	Hillview to distribution system	20.0	17-15 (2)	1,000	1936
Richmond Tunnel	Tunnel 2 to Staten Isl. Uptake Shaft	5.0	10	350	1970

(1) Tunnels are not round.

(2) Variable diameter tunnels.

Statistics

New York City Water and Sewer System

Largest System Customers

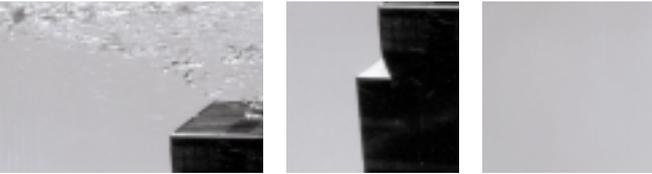
The New York City Housing Authority
The City of New York
The New York City Health and Hospitals Corporation
Consolidated Edison Company of New York, Inc.
The Board of Education of the City of New York
The Riverbay Corporation (Co-op City)

Water Pollution Control Plants Dry Flow

Plant	Design Flow (mgd) ¹	12 month avg. July 99-June 00	12 month avg. July 98-June 99
Wards Island	250	190	194
North River	170	132	136
Hunts Point	200	114	111
26th Ward	85	59	61
Coney Island	100	94	95
Owls Head	120	103	105
Newtown Creek	310	215	222
Red Hook	60	31	32
Jamaica	100	77	77
Tallmans Island	80	51	53
Bowery Bay	150	109	103
Rockaway	45	20	19
Oakwood Beach	40	25	25
Port Richmond	60	31	33
Total	1,770	1,250	1,266

(1) mgd=millions of gallons per day.

The New York City Municipal Water Finance Authority



All photographs by: Enrico Ferorelli

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