

ALBANY WATER BOARD  
ALBANY MUNICIPAL WATER  
FINANCE AUTHORITY

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2007

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# Albany Water Board

## Albany Municipal Water Finance Authority

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Albany, New York 12207  
(518) 434-5300

### Board Members

Anthony J. Ferrara, CHAIR  
David R. McGuire, VICE CHAIR  
John M. Prenderville, TREASURER  
Leo P. Dean, SECRETARY  
Joseph Bogdanowicz

### Authority Members

Joseph T. Montimurro, CHAIR  
Gardner D. Lerner, VICE CHAIR  
Fowler J. Riddick, TREASURER  
Patricia Shultis, SECRETARY  
Michael A. Nardolillo  
Jerry Spicer

## Management's Discussion and Analysis 2007

The following Management's Discussion and Analysis (MD&A) presents a brief narrative of the Board and Authority's financial performance for the year ended December 31, 2007. Management has prepared the combined financial statements and related footnote disclosures along with this MD&A. This information should be read in conjunction with the combined financial statements and accompanying notes.

In summary, the year ended December 31, 2007 showed signs of improvement. The Board and Authority, working together with the City, increased system revenues and decreased operating expenses. As a result, the Board and Authority realized an operating gain for the first time in several years.

**Required Financial Statements:** The combined financial statements of the Board and Authority are prepared under generally accepted accounting principles and contain three combined statements that provide information on the Board and Authority's financial position and results of the operations as of and for the years ended December 31, 2007 and 2006. A description of these combined statements follows:

- The Combined Balance Sheets include all assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The combined balance sheets present the financial position of the Board and Authority at December 31, the end of its fiscal year.
- The Combined Statements of Revenues, Expenses, and Changes in Fund Balance report all of the year's revenues and expenses and results of operations.
- The Combined Statements of Cash Flows provide information about cash receipts and cash payments during the reporting period. The combined statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, capital, financing, and investing activities.

**Operating Revenues:** Operating Revenues for 2007 increased by approximately \$4,958,000 (or by 21%), principally due to an increase in the System's rate structure. Operating revenue was slightly higher than budget. Beginning February 1, 2007, the System rate structure was increased by approximately 9% for substantially all users. In addition, subsequent to year-end, beginning March 1, 2008, rates were increased in amounts ranging from 6% to 20% for substantially all users.

**Operating Expenses:** Operating expenses for 2007 decreased by approximately \$1,635,000 (or by 7.50%), reflecting decreased costs in many areas of the System's operations. On the water side, 2007 costs were slightly lower than 2006. On the sewer side, costs totaled over \$8.5 million, which was \$960,000 (10%) less than the previous year and almost \$690,000 under budget. Approximately two-thirds of the under budget amount is due to a lower than expected county sewer bill. Taxes paid to municipalities decreased by \$179,000 (8.7%). It is likely that these decreases are the result of a one time adjustment, and we expect future bills will reflect an increase. Unexpended vehicle and equipment budgets and unfilled vacant positions also contributed to the cost savings.

**Other Revenue and Expense Items:** Depreciation and amortization expenses increased from 2006 to 2007 principally reflecting increased expenses associated with the Board and Authority's ongoing capital plan. Interest expense increased by \$222,000, a reflection of lower interest rates received through an interest subsidy at Environmental Facilities Corporation.

**Assets:** Capital assets increased from December 31, 2006 to December 31, 2007 as the Board and Authority committed approximately \$700,000 to capital projects in 2007. In 2006, the commitment related to capital projects approximated \$2.7 million. Cash and investments decreased from 2006 to 2007 by approximately \$333,000 as construction fund borrowings under the 2003 bond refunding continued to be expended for capital projects and other uses. Receivables, principally billed receivables, increased by approximately \$470,000 (or 4%).

**Liabilities:** During July 2003, the Authority took advantage of the low interest rate environment, and issued \$70,350,000 of Revenue Bonds for the purpose of providing the Authority with the funds required to refund its then outstanding (higher interest rate) Revenue Bonds, to fund the costs of certain future improvements to the System and to fund certain reserve accounts. As a result of payments during 2007, total bond debt decreased by \$916,000 from December 31, 2006 to 2007. Obligations due to the City decreased by approximately \$2,447,000 from December 31, 2006 to December 31, 2007. Operating expenses were under budget approximately the same amount, resulting in excess cash available for transfer to the City.

**Looking Ahead:** In late 2004, the Board completed a multi-year \$5 million meter project under which substantially all system users received new electronic radio-read meters. The revenue impact of this project, parts of which were realized in both 2005 and 2004, was fully realized by the end of 2005. In addition, the Board initiated a rate increase, approximating 14.5% for all system users beginning in January 2006. In February 2007, the Board implemented a rate increase ranging from 10% to 40% for all system users. In March 2008, the Board increased rates approximately 6% for most users. Increased revenue and decreased expenses resulted in an operating gain for 2007.

Although facing increased financial obligations, the Board is committed to controlling costs and investigating new potential revenue sources including new and expanded sales to neighboring municipalities. The possibility exists that a new ethanol plant, to be located at the Port of Albany, will generate in excess of \$2 million in water sales annually beginning some time in 2010. At the same time, the Authority is facing increased debt service payments beginning in 2009. A continued commitment to control costs and fully realize revenue should position the Board and Authority to enhance its financial position in 2008 and in the future. As important, despite the financial challenges, the Board and Authority actions ensure system users will have access to a clean, safe, plentiful, and low cost water supply for many generations. In 2007, Albany Water won first prize as the best tasting drinking water in New York State, and also continues to receive accolades from the National League of Cities and others, as one of the most technologically advanced water systems in New York State.

*Questions about this report may be directed to the Board and Authority at 518-434-5300 or at 35 Erie Boulevard, Albany, New York 12204.*

To The Members  
Albany Water Board  
Albany Municipal Water Finance Authority  
Albany, New York

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**Independent Auditors' Report**

We have audited the accompanying combined balance sheet of Albany Water Board and Albany Municipal Water Finance Authority (a component reporting unit of the City of Albany) as of December 31, 2007, and the related combined statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended. These combined financial statements are the responsibility of the Board and Authority. Our responsibility is to express an opinion on the combined financial statements based on our audit. The combined financial statements as of December 31, 2006, were audited by other accountants whose report dated October 1, 2007 expressed an unqualified opinion on those combined statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of Albany Water Board and Albany Municipal Water Finance Authority as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008 on our consideration of the Board and Authority's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages one through three is not a required part of the basic combined 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Albany, New York  
September 12, 2008

*Teal Becker & Chiaramonte CPAs P.C.*

**ALBANY WATER BOARD**  
**ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**COMBINED BALANCE SHEETS**  
**December 31, 2007 and 2006**

<b>ASSETS</b>	<u>2007</u>	<u>2006</u>
Capital Assets, at cost, net of accumulated depreciation	<u>\$ 37,147,556</u>	<u>\$40,496,529</u>
Cash and Investments		
Cash and cash equivalents	1,766,378	1,060,288
Investments	<u>6,578,980</u>	<u>7,618,395</u>
Total cash and investments	<u>8,345,358</u>	<u>8,678,683</u>
Receivables (Net)		
Billed	8,171,874	7,893,672
Unbilled	4,994,067	4,798,878
Accrued interest	<u>2,295</u>	<u>5,732</u>
Total receivables	<u>13,168,236</u>	<u>12,698,282</u>
Prepaid Expenses	<u>757,041</u>	<u>834,376</u>
Construction Deposits	<u>1,942,983</u>	<u>1,942,983</u>
Other Assets	<u>1,794,224</u>	<u>1,733,570</u>
<b>Total Assets</b>	<b><u>\$ 63,155,398</u></b>	<b><u>\$66,384,423</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Bonds and notes payable	\$ 73,255,084	\$74,580,912
Accrued expenses	2,332,712	2,373,691
Obligations to the City of Albany	9,571,413	12,018,379
Deferred revenue	<u>1,084,383</u>	<u>1,184,384</u>
Total liabilities	<u>86,243,592</u>	<u>90,157,366</u>
Fund Balance (Deficiency)		
Invested in capital assets, net of related debt	(36,107,528)	(34,084,383)
Unrestricted fund balance	<u>13,019,334</u>	<u>10,311,440</u>
Total fund balance (deficiency)	<u>(23,088,194)</u>	<u>(23,772,943)</u>
<b>Total Liabilities And Fund Balance</b>	<b><u>\$ 63,155,398</u></b>	<b><u>\$66,384,423</u></b>

**ALBANY WATER BOARD**  
**ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND BALANCE**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Operating Revenues (Net)</b>	<b>\$ 27,873,780</b>	<b>\$ 22,915,769</b>
<b>Operating Expenses</b>		
<i>Operation and maintenance of water system:</i>		
Water supply, power and pumping	1,669,887	1,720,501
Water purification	2,091,780	2,063,138
Water transmission and distribution	3,219,993	3,393,666
Taxes paid to municipalities	1,887,902	2,067,105
<i>Operation and maintenance of sewer system:</i>		
Sewer services	1,856,979	2,933,668
Albany County sewer contract	6,034,726	5,874,612
Sewer pumping stations	619,822	662,534
<i>Administration and general</i>	<u>2,798,077</u>	<u>3,099,061</u>
Total operating expenses	<u>20,179,166</u>	<u>21,814,285</u>
<b>Operating Income, before depreciation and amortization</b>	<b>7,694,614</b>	<b>1,101,484</b>
Depreciation and amortization	<u>(4,121,768)</u>	<u>(3,994,282)</u>
<b>Operating Gain (Loss)</b>	<b>3,572,846</b>	<b>(2,892,798)</b>
Interest expense	(3,380,205)	(3,158,337)
Interest income	<u>492,108</u>	<u>533,622</u>
<b>Increase (Decrease) in Fund Balance</b>	<b>684,749</b>	<b>(5,517,513)</b>
<b>Fund Balance (Deficiency), Beginning Of Year</b>	<u>(23,772,943)</u>	<u>(18,255,430)</u>
<b>Fund Balance (Deficiency), End Of Year</b>	<u>\$ (23,088,194)</u>	<u>\$ (23,772,943)</u>

**ALBANY WATER BOARD**  
**ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 28,303,826	\$ 21,960,914
Cash payments to suppliers for goods and services	<u>(21,142,809)</u>	<u>(21,826,304)</u>
Net cash provided by operating activities	<u>7,161,017</u>	<u>134,610</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Interest income	492,108	533,622
Interest expense	<u>(3,380,205)</u>	<u>(3,158,337)</u>
Net cash used in noncapital financing activities	<u>(2,888,097)</u>	<u>(2,624,715)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	705,082	(2,747,464)
Net advances from (payments to) City of Albany	<u>(2,446,966)</u>	<u>5,782,905</u>
Principal payments on bonds and notes	<u>(916,966)</u>	<u>(933,803)</u>
Net cash (used in) provided by capital and related financing activities	<u>(2,658,850)</u>	<u>2,101,638</u>
<b>Cash Flows From Investing Activities</b>		
Net (purchases) proceeds from the sale of investments	<u>(907,980)</u>	<u>250,139</u>
Net cash (used in) provided by investing activities	<u>(907,980)</u>	<u>250,139</u>
<b>Net increase (decrease) in cash</b>	<b>706,090</b>	<b>(138,328)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,060,288</b>	<b>1,198,616</b>
<b>Cash And Cash Equivalents, End Of Year</b>	<b>\$ 1,766,378</b>	<b>\$ 1,060,288</b>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used By) Operating Activities</b>		
Operating gain (loss)	<u>\$ 3,572,846</u>	<u>\$ (2,892,798)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,054,056	3,926,570
Amortization	67,712	67,712
Changes in:		
Receivables	(469,954)	(854,855)
Prepaid expenses	77,336	41,896
Construction deposits	-	913
Accrued expenses	<u>(140,979)</u>	<u>(154,828)</u>
Total adjustments	<u>3,588,171</u>	<u>3,027,408</u>
Net Cash Provided By Operating Activities	<u>\$ 7,161,017</u>	<u>\$ 134,610</u>

**ALBANY WATER BOARD**  
**ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The City of Albany Water and Sewer System (the System) provides water supply and distribution, and the collection and disposal of sewage, principally for the City of Albany (the City). The System, as presented in the accompanying combined financial statements, began operations in 1988, and consists of two legally separate, but interdependent, entities: Albany Water Board (the Board) and Albany Municipal Water Finance Authority (the Authority). The System is a component reporting unit of the City of Albany and, as such, is also included in the City of Albany's general purpose financial statements.

The Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Board is to charge, collect, and enforce rates and other charges for the System. The Board consists of five members who are appointed by the Mayor of the City.

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Authority consists of seven members, two members of which are appointed by the Governor of New York State and five members of which are appointed by the Mayor of the City.

**Bond Resolutions**

The Authority has entered into two Water and Sewer System General Revenue Bond Resolutions: the 1988 General Revenue Bond Resolution and, in 2003, the Second General Revenue Bond Resolution. These resolutions provide that the Authority pledge, for the payment of the bonds, all System revenues, the proceeds from the sale of bonds, and all monies and securities in any funds and accounts. Additionally, the Bond Resolutions provide for the assignment and transfer of all of the Authority's rights and interests relative to the collection of revenues and the payment of debt service to an authorized trustee. Certain restricted funds and accounts (see Note 5) have been established with the trustee to assure the Board and Authority's compliance with the Bond Resolutions.

**Operation Agreement**

The Board is a party to an operation agreement with the City whereby the City provides the Board with management, operational and administrative personnel, and certain services, supplies and equipment for the operation and maintenance of the System. Direct costs under this agreement, including substantially all operation, maintenance, payroll, and payroll related costs, are charged to the Board (by the City) as incurred. Certain indirect costs, including certain legal services and accounting and engineering support, were charged to the Board (by the City), in the amounts of \$275,000 and \$300,000 in 2007 and 2006, respectively. Other indirect costs have been assumed by the City in lieu of the City paying water and sewer charges. Revenues and expenses relating to the City's use of the System, which have not been quantified and recorded in the combined financial statements, are not believed to be significant relative to the total operations of the System.

**ALBANY WATER BOARD**  
**ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

**Financing Agreement**

The City, Board, and Authority are parties to a financing agreement which authorized the issuance of bonds by the Authority to finance the purchase of the System (from the City). The financing agreement requires the Board to maintain a rate structure which adequately funds debt service (see Note 11), requires the Board to provide for the monthly transfer of revenues to the Authority for debt service payments, and stipulates other administrative requirements for the Board, Authority, and City. The financing agreement also requires the Board to prepare an annual budget for the funding of debt service costs of the Authority and the operation and maintenance costs of the System.

**Combined Financial Statements**

The Board and the Authority, as fiscally interdependent entities, are combined for financial reporting purposes. Additionally, both the Board and the Authority are included in the City's financial statements as a component reporting unit (an enterprise fund) of the City.

**Basis of Presentation**

The Board and Authority follow the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and GASB Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus." Statement No. 34, as amended by Statement No. 37, established standards for external reporting for all state and local government entities, which includes a balance sheet, statement of revenues, expenses and changes in fund balance, and a statement of cash flows. Statement No. 34 also requires the classification of fund balance into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

***Invested in capital assets, net of related debt:*** This component of fund balance consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in fund balance as unspent proceeds.

***Restricted:*** This component of fund balance consists of constraints placed on fund balance use through external constraints imposed by contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The Board and Authority had no restricted fund balance at either December 31, 2007 or 2006.

***Unrestricted:*** This component of fund balance consists of fund balance that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**ALBANY WATER BOARD  
ALBANY MUNICIPAL WATER FINANCE AUTHORITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
December 31, 2007 and 2006**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles for governmental entities, as prescribed by GASB. In accordance with the provisions promulgated by GASB, the Authority has elected not to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued after November 1989.

The operations of the Board and Authority are reported as an enterprise fund and, as such, are accounted for on a flow of economic resources measurement focus under the accrual basis of accounting. Within this measurement focus, all assets and liabilities associated with operations are included on the combined balance sheet with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**Capital Assets**

Capital assets, acquired through either purchase or construction, are recorded at cost. Depreciation is computed using the straight-line method based upon estimated depreciable lives as follows:

Buildings	20-40 Years
Water supply and waste water treatment systems	5-50 Years
Water distribution and sewage collection systems	5-50 Years
Equipment, furniture, and fixtures	5-10 Years

Maintenance and repairs are charged to current operations. Major replacements and improvements, including all costs associated with the Board/Authority capital plan, are capitalized as capital assets.

**Investments**

As further described in Note 3, investments principally consist of obligations of the United States and its agencies, and are carried at amortized cost, which approximates market.

**Receivables**

Net receivables include all unpaid customer bills for System related services and, also, include estimated amounts earned for unbilled usage which relate to billing cycles which end subsequent to December 31 of each year. The Board records estimated unbilled revenue based on historic billing trends and, when applicable, considers the effect of rate structure changes which may have been implemented during the year. The combined balance sheet at December 31, 2007 reflects billed receivables net of an allowance for potentially uncollectible accounts in the amount of \$1,000,000. At December 31 of each year, substantially all delinquent accounts are transferred to the City and placed on the City's general property tax rolls. These accounts are subject to the City's collection procedures (which subsequently provide for full collection by Albany County).

**ALBANY WATER BOARD**  
**ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

**Restrictions on Cash and Investments**

As further described in Note 5, certain proceeds from bond issues, including monies set aside for future capital expenditures or debt reserve purposes, are restricted under various provisions of the bond resolution and financing agreement.

**Other Assets**

As further described in Note 7, other assets include bond issuance and insurance costs which are being amortized over the respective terms of the bonds. It is the policy of the Authority to utilize the bonds outstanding method of amortization (a method which does not materially differ from the effective yield method).

**Deferred Revenue**

As further described in Note 11, deferred revenue has been recorded to reflect the Board's receipt of funds from the Town of Guilderland and a related commitment to sell water to Guilderland at a below market rate under a 1998 inter-municipality agreement.

**Employee Benefit Plans**

Certain employee benefit plans are provided (by the City) for System employees and reimbursed (by the Board) under the operation agreement. In this regard, employees earn vacation time credits as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination, or death, may be compensated for such accumulated time. In addition, substantially all full-time employees of the City are members of the New York State Employees' Retirement System, a multi-employer defined benefit pension plan. Participant contributions are mandatory for those employed after June 1976. The majority of participants employed before that date do not contribute. Under the operation agreement, all employee benefits are recorded in the combined financial statements at the time they are billed by the City.

**Operating Revenues**

Net operating revenues include all water and sewer user charges billed to customers, including penalties relating to late payments, service income, and connection and repair charges, net of an allowance (applied in 2007 only) for potentially uncollectible accounts in the amount of \$1,000,000. The System had approximately 29,000 water and sewer customer accounts at December 31, 2007. Approximately 80% of the customer base is comprised of residential customers, substantially all of which are within the City of Albany. Water services are billed based on meter readings or at flat rate charges; sewer charges are generally billed at 100% of water charges. Revenues, which are based on billing rates imposed by the Board, were last increased in February 2007 (and, subsequent to year-end, in March 2008) (see Note 11). Approximately 20% of operating revenues are derived from the System's 40 largest customers, which also include certain inter-municipality agreements.

