Erie County Water Authority
2009 Annual Report

Providing Water You Can Trust

COMMISSIONERS' MESSAGE

For 57 years, the Erie County Water Authority (ECWA) has enhanced the quality of life throughout Western New York by supplying its customers with safe, high-quality drinking water at an affordable rate. In recent years, the ECWA has come to be regarded as a regional and statewide leader among public water utilities for continuously investing in its infrastructure and exceeding stringent government mandated water quality regulations while maintaining the 2nd lowest water rate in Western New York. As a result, more and more local municipalities are getting out of the highly regulated water business and are consolidating their water systems with the ECWA.

Although demand decreased in 2009 as a result of a record setting cool and rainy summer, ECWA facilities still produced 24.9 billion gallons of high-quality water for its more than 550,000 consumers. Because the population of Western New York continues to decline, the average age of ECWA customers is increasing, and appliances that use less water are becoming more standard in homes and businesses, water consumption within ECWA's service district is projected to trend downward for the foreseeable future. The ECWA Board of Commissioners and management team have worked hard to prepare for this by implementing industry best practices that increase operational efficiencies and improve worker productivity. These measures will ensure that ratepayers will continue to be provided the product and service they have come to know and expect from the ECWA well into the future.

Capital improvements to the Sturgeon Point Treatment Plant in Derby, New York, accounted for the majority of the $30 million invested by the ECWA in infrastructure upgrades in 2009. Investing in this production facility will ensure ratepayers in the southern portion of ECWA's service district will continue to be provided with high-quality water. The high quality work at this facility has attracted the recognition of the engineering and public works industries. The ECWA and its independent engineering consultant were awarded the Silver Award for Engineering Excellence from the American Council of Engineering Companies of New York and the Environmental Project of the Year Award from the American Public Works Association – New York Chapter. The ECWA also expended resources upgrading its distribution system. These significant investments were made as part of the ECWA's 5-year, $113 million capital improvement plan, which will be completed in 2011.

The ECWA's Consolidated Annual Financial Report, including the audited financial report for the fiscal year ending December 31, 2009, performed by the independent accounting firm of Lumsden & McCormick, LLP, and contained on the enclosed CD, reaffirms ECWA's transparent and sound financial reporting and management practices and the fact that we continue to be financially well positioned for the future.

It is in celebration of our continued efforts at reliably delivering an affordable, high quality product to our ratepayers and our contributions to the quality of life in Western New York that we submit the 57th Annual Report of the Erie County Water Authority.

Respectfully,

Board of Commissioners
Frank E. Swiatek, Chair
Kelly M. Vacco, Vice-Chair
Francis G. Warthling, Treasurer

LEADERSHIP

The Erie County Water Authority is an organization of dedicated professionals who take great pride in creating a work environment that achieves excellence through rewarding dedication, professionalism and a progressive vision. The Board of Commissioners and senior management would like to thank all of ECWA's employees for another year of dedicated, professional service.

ECWA Board of Commissioners

Frank E. Swiatek
Chairperson

Kelly Vacco
Vice-Chair

Francis G. Warthling
Treasurer

ECWA Management Team

Robert A. Mendez
Executive Director

Robert J. Lichtenthal, Jr.
Deputy Director

Wesley Dust
Executive Engineer

FAST FACTS

Highlights of the Past Decade

	1999	2009
Number of Customers	134,656	158,069
Number of Employees	284.7	264.8
Number of Customers per Employee	473.0	596.9
Outstanding Debt Service	$161,670,995	$148,583,389
Debt Service per Customer	$1,200.62	$939.99
Capital Spending Program	$12,979,211	$29,858,780
Number of Fire Hydrants	12,604	17,177
Miles of Water Main	2,727	3,383
Water Rate (per 1,000 gallons)	$2.22	$2.86

Financial Summary

	2008	2009
Operating Revenue	$56,584,871	$54,688,581
Operating Expenses	$45,830,369	$46,428,407
Total Assets	$417,239,560	$419,378,108

Organization Profile

The Erie County Water Authority is an independent, public benefit corporation created in 1949 under the jurisdiction of the Public Authoritiess Law of the State of New York.

The ECWA is not an agency of New York State nor Erie County government. The organization functions as a self-sustaining business enterprise and pays for all operating expenses from revenues generated from the sale of water to its customers. As a not-for-profit entity, all evenues received must be used for operating expenses, capital improvements and paying outstanding debts.

The ECWA was created and olperates soley for the benefit of the more than 550,000 customers throughout Western New York that rely on its product and dependable service 24 hours a day, 365 days a week.

Erie County Water Authority
295 Main Street | Room 350
Buffalo, New York 14203

Phone: **(716) 849-8484** | Fax: **(716) 849-8467**
E-Mail: **questionscomments@ecwa.org**
Web Site: **www.ECWA.org**

Erie County Water Authority

Comprehensive Annual Financial Report

For the Years Ended December 31, 2009 and 2008

Erie County, New York

ERIE COUNTY WATER AUTHORITY

Comprehensive Annual Financial Report

For the Years Ended December 31, 2009 and 2008

295 Main Street
Room 350
Buffalo New York 14203

Prepared By:
The Finance Department
Erie County Water Authority

ERIE COUNTY WATER AUTHORITY

Comprehensive Annual Financial Report

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INTRODUCTORY SECTION

Erie County Water Authority

350 Ellicott Square Building • 295 Main Street • Buffalo, NY 14203-2494
716-849-8484 • Fax 716-849-8467

May 30, 2010

The Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Honorable Mark C. Poloncarz
Erie County Comptroller
95 Franklin Street
Buffalo, New York 14202

Dear Honorable Members of the Erie County Legislature and County Comptroller Poloncarz:

The Comprehensive Annual Financial Report ("CAFR") of the Erie County Water Authority for the years ended December 31, 2009 and 2008 is respectfully submitted.

INTRODUCTION

Management Representation. This report was prepared by the Finance Department of the Erie County Water Authority (the "Authority") in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB"). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Board of Commissioners and management of the Authority.

Lumsden & McCormick, LLP have issued an unqualified ("clean") opinion on the Erie County Water Authority's financial statements for the year ended December 31, 2009. The independent auditor's report is located at the front of the financial section of this report. Similarly, Drescher & Malecki, LLP issued an unqualified opinion for the year ended December 31, 2008.

We believe the information as presented is accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position and results of operation of the Authority. We further acknowledge the Authority's responsibility for the design and implementation of programs and internal controls to provide reasonable assurance that fraud is prevented and detected. There are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Authority's ability to record, process, summarize and report financial data.

The Management Discussion and Analysis beginning on page 11 provides complementary information not included in this introduction.

ORGANIZATION PROFILE

The Erie County Water Authority is a Public-Benefit Corporation formed in 1949 to provide a potable water supply to the residents of Erie County. The Authority was created by an Act of the New York State Legislature, codified in Sections 1050 through 1073 of Title 3 (the "Erie County Water Authority Act") of Article 5 of the Public Authorities Law of the State of New York (as amended), to, among other things, finance, construct, operate and maintain a water supply and distribution system to benefit the residents of the County of Erie, New York. The Authority became operational in 1953.

The Authority is financially self-sustaining, paying all operating expenses from revenues generated from the sale of water to 158,069 customers. The Erie County Water Authority is not an agency of New York State, nor an agency of Erie County government. The Authority is completely independent with respect to budgeting, bonding authority, debt management and credit rating.

The Erie County Water Authority is governed by a Board of Commissioners. The Board consists of three members appointed by the Chairman of the Legislature of Erie County, subject to confirmation by a majority of said Legislature. Each Board member is appointed for a three-year term and continues to hold office until a successor is confirmed. The three-year terms of office are staggered. The enabling state legislation provides that the members of the Authority shall consist of a Chair, a Vice-Chair and Treasurer who shall be members of the Board of Commissioners, and a Secretary, who need not be a member of the Board of Commissioners. The Board establishes policy and is responsible for the overall operations of the Authority.

The Erie County Water Authority is organized into the following departments: Production, Water Quality, Distribution, Engineering, Finance, Administration, Legal and Office of the Secretary. The Legal Department and the Office of the Secretary answer directly to the Board of Commissioners. The remaining departments are under the supervision and administrative control of the Executive Director.

The Erie County Water Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority leases the assets from a municipality and is responsible for the operation and maintenance of the assets while the municipality is responsible for the improvement and replacement of assets; and on a bulk sale basis where the Authority contracts with the municipal customer to provide water while the municipality owns the assets and is responsible for their operation, maintenance, improvements and replacement, as well as billings and customer collections.

The Erie County Water Authority's water supply comes from Lake Erie and the Niagara River. Annually, the Authority treats and distributes approximately 25 billion gallons of high-quality water for residential, commercial, and industrial use in thirty-five municipalities as well as the Seneca Nation of Indians. The municipalities are located in Erie County and parts of Chautauqua, Cattaraugus, Wyoming and Western Genesee Counties. Before water is delivered, the Authority rigorously treats it to remove harmful contaminants. Two treatment plants handle that process; the Sturgeon Point Water Treatment Plant in the Town of Evans, New York and the Van de Water Treatment Plant on the upper Niagara River in the Town of Tonawanda, New York. These two water treatment plants, along with 38 pump stations, 40 water tanks, 4 process tanks, 3,383 miles of distribution piping, 17,177 fire hydrants and a water quality laboratory, serve approximately 550,000 people in Western New York, 24 hours a day, 365 days a year. The water produced and delivered by the Erie County Water Authority has always met or exceeded the most stringent water quality standards mandated by federal, state, and local government regulations.

FINANCIAL INFORMATION

Budgetary Controls. Although not obligated to legally adopt a budget, the Authority believes that budget preparation and implementation are important in maintaining fiscal responsibility and accountability, and it is a good business practice to conduct the budgetary process annually. Operating and capital budgets are prepared by management and approved by the Board of Commissioners. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Each department head evaluates and specifically identifies their operating and maintenance needs for the coming year. A capital budget is also prepared for the coming year and the next succeeding four years. A series of budget hearings are held with each department head, the Executive Director, the Deputy Director and the Budget Director. A final budget is prepared for review by the Board of Commissioners, and subsequently approved by the Board of Commissioners.

Financial Reporting. Financial statements, consisting of a Balance Sheet, Income Statement and Cash Flow Statement, and an Investment Report are prepared monthly, usually within two weeks of the last day of the month. A monthly presentation is made to the Board of Commissioners, comparing actual results of operations with budget. If unforeseen circumstances arise which alter the projections used in the budget process, a revision may be prepared by the Budget Director at the request of the Executive Director for consideration and approval by the Board of Commissioners.

The Authority retains an independent audit firm to review the Authority's financial statements at the end of the fiscal year. A copy of the independent audit firm's opinion on the Authority's financial statements is contained in this report on page 10.

OTHER RELEVANT INFORMATION

Meetings of the Board of Commissioners. The Board of Commissioners takes an active role in establishing policy and in carrying out its responsibility of oversight of the Authority. The Board of Commissioners holds public meetings on a regular schedule. The Board of Commissioners schedules work sessions with management as needed.

External Oversight. In addition to annual review by an independent audit firm, the Authority is subject to periodic audits by the Office of the New York State Comptroller and the Erie County Comptroller. The Authority also reports annually to the New York State Public Authority Office as required by the Public Authorities Accountability Act of 2005.

During 2005, the New York State Legislature passed, and the Governor signed into law, the Public Authorities Accountability Act of 2005 ("PAAA"). The provisions of the law became effective during 2006. Amendments were passed and signed into law in 2009 as part of the Public Authorities Reform Act of 2009 (PARA). The overall effect of these changes was to create an independent Authorities Budget Office, with increased oversight of public authorities through additional reporting and management requirements. The Authority has been implementing the necessary changes to meet its obligations in a timely manner.

Operations. The Authority publishes a Board approved Tariff which establishes policies relating to water service. It includes charges and fees for water and provisions relating to system hookups, extensions of mains, public and private fire protection services and such other matters of importance in servicing its customers and accounts.

In addition to departmental policy and procedures manuals, an Authority-wide internal policy and procedures manual is maintained. It contains sections relating to employment policies, compensation, fringe benefits, cash management, By-Laws of the Erie County Water Authority, code of ethics, insurance requirements for vendors, procurement and rules of the work environment. These policies have been approved by the Board of Commissioners by formal resolution and are implemented by all operating units of the Authority.

The procurement policy outlines procedures which must be followed for construction contracts, purchasing materials and supplies and obtaining professional services. The Authority's enabling state legislation requires that all construction projects exceeding $5,000 must be competitively bid. The Board of Commissioner's intent is to openly promote fair competition and to acquire the best quality of goods and services at the most reasonable price from responsible providers. During 2006, the Authority amended its procedures to fully comply with the enacted provisions of the New York State Finance Law with respect to the procurement of goods, services and construction work and activity relating to real property.

The Authority has adopted "Management by Objectives" and each department has established goals and objectives. The status of the goals and objectives are reviewed with the Board of Commissioners periodically.

The Authority applied for, and received, upgrades from all three rating agencies in 2008. Fitch Ratings rated the 2008 bonds and parity debt a long-term underlying rating of AA, Standard and Poor's Rating Services rating is AA+, and Moody's Investors Services rating is Aa3. The Authority expects these ratings to be revised in 2010 as the major credit rating agencies move toward global rating scales.

ECONOMIC CONDITION AND OUTLOOK

The Authority service area within Erie County encompasses some of the most affluent, growing communities in Western New York. While the Western New York area as a whole faces a number of economic challenges, the Authority's suburban service area has continued to sustain moderate economic growth.

Due primarily to migration from urban areas, which are not in the Authority's service territory, the Authority experiences a modest growth rate in its customer base. This normal growth has been augmented when the Authority has acquired village, town and city systems. The growth in its account base has been offset, however, by a steady decrease in overall consumption due to individual conservation efforts and changes in Federal and State laws and regulations which require appliances to use less water.

In order to help stabilize water rates, the Authority, over the past decade, has been able to use its unrestricted cash to reduce the total amount of outstanding debt, either by executing bond call provisions or in-substance defeasances. Current unrestricted and internally restricted cash balances, along with resources obtained from the 2007 revenue bonds issued in September of 2007 are being used to fund a five year capital plan, which indicates a need of over $100 million in new investment and improvements. The prudent practices of the Erie County Water Authority are reflected in the operating results, reported over a ten year period in the Statistical Section of this report.

LONG TERM FINANCIAL PLANNING

The Authority has been exposed to cost increases primarily for employee health care costs and pension costs. To mitigate the negative cost pressures, the Authority has reduced its workforce from 284.8 budgeted full-time equivalents in 2000 to 264.8 budgeted full-time equivalents in 2009. Through its membership in the Labor Management Healthcare Coalition, which negotiates with and selects healthcare providers for Coalition members, the Authority has converted to a single health care provider for medical coverage – BlueCross BlueShield of WNY and a single provider for prescription coverage – MedImpact. Consequently, the trend in health care costs has stabilized. The Authority maintains a seat on the Labor Management Healthcare Coalition, giving the Authority more control over its future healthcare costs. Personnel and fringe benefit costs account for approximately sixty percent of the Authority's operating and maintenance expenses.

The Authority has joined a consortium of other municipal power users in an effort to lower costs. The consortium was formed to secure lower prices for electricity purchases through aggregation of purchases in the open market. Erie County, which acts as the lead agency in the consortium, purchases electricity by competitive bid and bills the Authority on a monthly basis.

Security risks, disasters, and power outages have highlighted a need for infrastructure enhancements and redundancy throughout the system. The biggest fiscal challenge on the horizon is to generate sufficient cash flow to help meet the infrastructure needs of the system. As a result, the Authority issued water revenue bonds in 2007 to complete necessary improvements. Federal appropriations have been, and will continue to be, sought from various legislative committees to assist in installing such infrastructure in vital areas.

MAJOR INITIATIVES

Internally, departments are encouraged to establish standards for providing excellent customer service, and to set and monitor goals each year. The Authority regularly participates in an industry wide benchmarking survey prepared by the American Productivity and Quality Center using Qualserve performance indicators for water and wastewater utilities. The survey compared water utilities from the northeast, midwest, south and western regions of the United States, as well as one water utility in Canada. The Authority's participation in the survey is an excellent opportunity to determine what aspects of the operation are working well and where attention needs to be focused to achieve more favorable results.

The Authority believes that it is very important to make sure that its customers are provided the most efficient service possible. To that end, the Authority has commissioned several customer surveys since 2001 – the most recent was completed in October 2009. The focus of the surveys is customer perception of the service they receive from the Authority as well as their opinion on emerging issues relevant to their experience with us.

The Erie County Water Authority has promoted consolidation of water systems to those municipalities who have either managed or owned separate water treatment and/or delivery systems. The Authority believes that through the economy-of-scale, the cost of potable water can be kept at a reasonable price for its rate payers and as an attractive tool for economic development purposes. Work is currently being completed in the Town of Evans to convert their system from a bulk sale basis to a lease managed environment and in the Town of Hamburg to convert their system from lease managed to direct service.

AWARDS AND ACKNOWLEDGEMENTS

The Authority has received the Association of Metropolitan Water Agencies' ("AMWA") 2005 Gold Award for Competitiveness Achievement. The award, which is AMWA's top utility management honor, recognizes the accomplishments of public water utilities that apply competitive business strategies and effective management practices to meet the expectations of drinking water consumers and municipal leaders.

In order to provide meaningful financial and operational data for its operations, the Authority, starting with fiscal year 2004, has prepared and issued a Comprehensive Annual Financial Report. The Authority has received recognition for its financial reporting efforts. The Certificate of Achievement for Excellence in Financial Reporting was presented to the Authority by the Government Finance Officers Association of the United States and Canada for fiscal years 2004, 2005, 2006, 2007 and 2008.

The preparation of this report would not have been possible without the dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to the Finance Department staff and all other members of the Authority who assisted and contributed to the preparation of this report. We would also like to extend our congratulations on the receipt of a Certificate of Achievement for Excellence in Financial Reporting for the 2008 report, which is presented on page 7.

As it looks toward the future, the Erie County Water Authority is well positioned to continue to efficiently meet the demand for safe, clean drinking water in the communities that it serves.

Respectfully Submitted,

Frank E. Swiatek, Chair

Kelly M. Vacco., Vice-Chair

Francis G. Warthling, Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Erie County Water Authority
New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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.

President

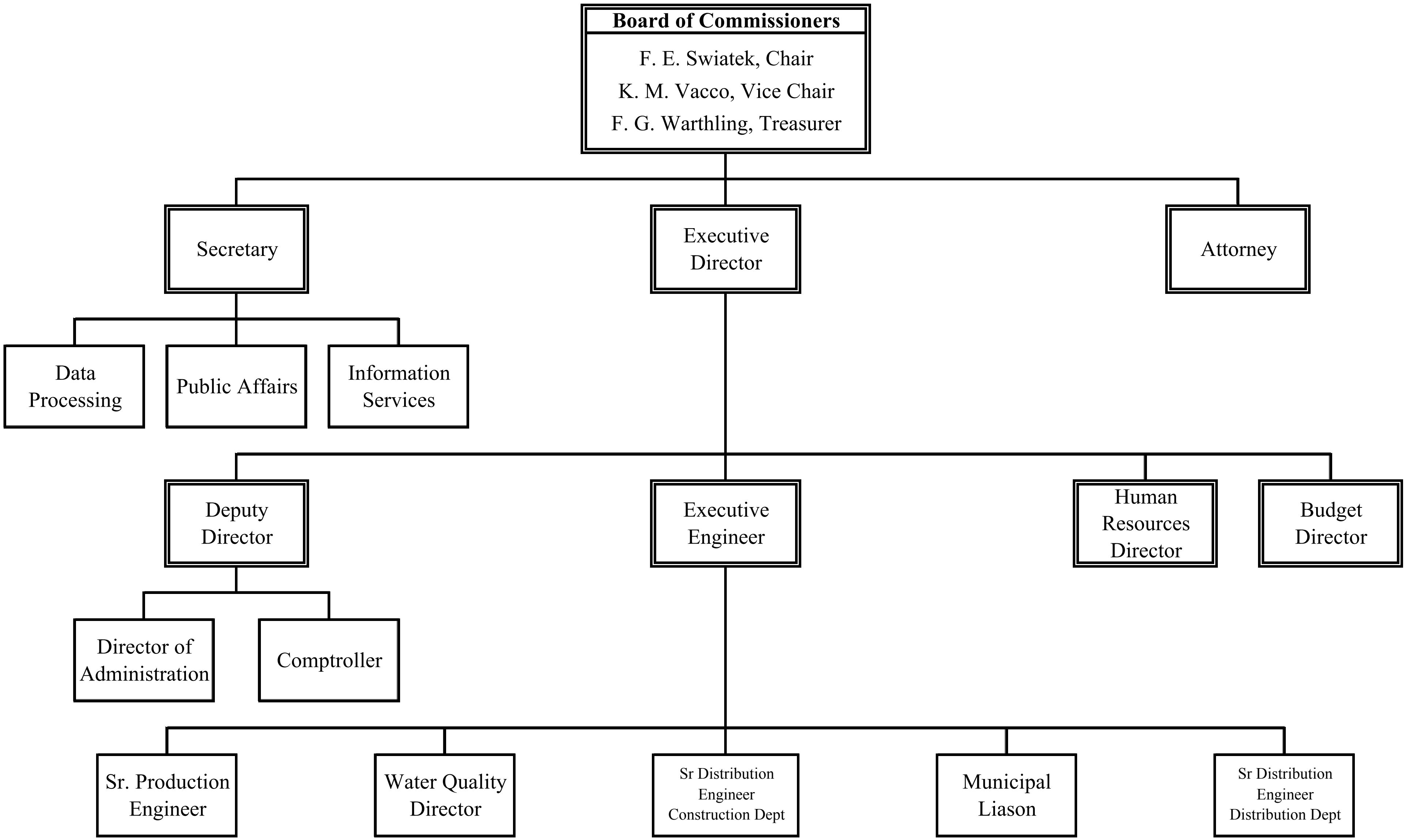
Executive Director

ERIE COUNTY WATER AUTHORITY
Members of the Board of Commissioners

Members of the Board of the Erie County Water Authority are appointed by the Chairman of the Erie County Legislature upon receiving nominations from the majority of the Majority Caucus or the Minority Caucus, subject to confirmation by a majority of the Legislature. Each Member is appointed to a three year term; and, not more than two members of the Authority's Board of Commissioners, at any time, shall belong to the same political party.

Board Members on 12/31/2009	Most Recent Appointment Date
Frank E. Swiatek, Chair	April 2007
Kelly M. Vacco, Vice-Chair	April 2008
Francis G. Warthling, Treasurer	April 2009

ERIE COUNTY WATER AUTHORITY
Members of the Board of Commissioners



FINANCIAL SECTION

Lumsden & McCormick, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Erie County Water Authority
Buffalo, New York

We have audited the accompanying financial statements of Erie County Water Authority (the Authority), a business-type activity, as of and for the year ended December 31, 2009, which comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of December 31, 2008 were audited by other auditors whose report dated March 26, 2009 expressed an unqualified opinion on those 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above presents fairly, in all material respects, the financial position of the Authority as of December 31, 2009, and the changes in its net assets and 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 March 24, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis preceding the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lumsden & McCormick, LLP

March 24, 2010

www.lumsdencpa.com 403 Main St., Suite 430 · Buffalo, New York 14203 716-856-3300 · Fax 716-856-2524

ERIE COUNTY WATER AUTHORITY
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
Unaudited

Management provides the following discussion and analysis ("MD&A") of the Erie County Water Authority's (the "Authority") financial activities and statements for the years ended December 31, 2009 and 2008. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements all of which follow this narrative on the subsequent pages. The Authority is not required to legally adopt a budget; therefore, comparative budgetary information is not included in this report.

Financial Highlights

- The Authority's net assets increased $5,791,877 and $8,761,969 as a result of activity for the years ended December 31, 2009 and 2008, respectively. For 2009 $5,168,490 is net income and $623,387 represents capital contributions, comparatively for 2008 $8,006,427 is net income and $755,542 represents capital contributions (contributions in aid of construction).
- The assets of the Authority exceeded its liabilities by $295,347,229 and $289,555,352, representing net assets at December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, unrestricted net assets were $35,762,611 and $52,453,216, respectively, and may be used to meet the Authority's ongoing obligations.
- The Authority's bonded indebtedness, net of deferred amounts for bond premiums and issuance costs, decreased $5,776,915 compared to a decrease of $1,009,252 during 2008.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The financial statements are organized as follows:

- The ***Statement of Net Assets*** presents information on all of the Authority's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The ***Statement of Revenue, Expenses and Changes in Net Assets*** presents information showing how the Authority's net assets changed during the most recent reporting period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in prior or future periods (e.g., earned but unused vacation leave and depreciation expense on capital assets).
- The ***Statement of Cash Flows*** presents information depicting the Authority's cash flow activities for the reporting period ended and the effect that these activities had on the Authority's cash and cash equivalent balances.
- The ***Notes to Financial Statements*** present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements section of this report.

Financial Analysis

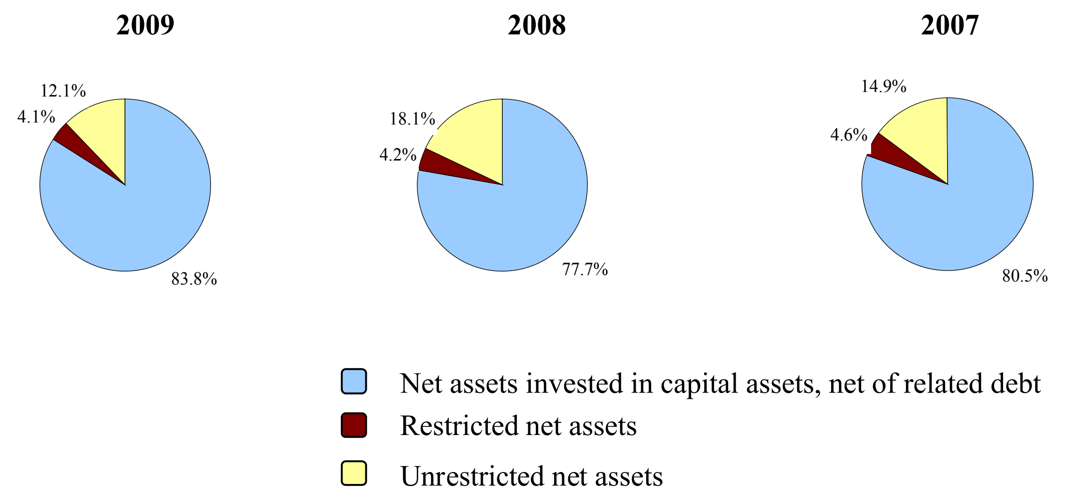
As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $295,347,229 at December 31, 2009 as compared to $289,555,352 at December 31, 2008, as presented below in Table 1:

Table 1 - Condensed Statement of Net Assets

	2009	2008	Increase/(Decrease) Dollars	Percent
Current assets	$ 34,091,966	$ 34,305,092	$ (213,126)	(0.6)
Noncurrent assets:				
Other noncurrent assets	33,426,598	51,120,519	(17,693,921)	(34.6)
Capital assets	351,859,544	331,813,950	20,045,594	6.0
Total assets	419,378,108	417,239,561	2,138,547	0.5
Current liabilities	19,575,321	20,760,295	(1,184,974)	(5.7)
Noncurrent liabilities	104,455,558	106,923,914	(2,468,356)	(2.3)
Total liabilities	124,030,879	127,684,209	(3,653,330)	(2.9)
Invested in capital assets, net of related debt	247,452,433	224,964,824	22,487,609	10.0
Restricted	12,132,185	12,137,312	(5,127)	(0.0)
Unrestricted	35,762,611	52,453,216	(16,690,605)	(31.8)
Total net assets	$ 295,347,229	$ 289,555,352	$ 5,791,877	2.0

	2008	2007	Increase/(Decrease) Dollars	Percent
Current assets	$ 34,305,092	$ 33,511,253	$ 793,839	2.4
Noncurrent assets:				
Other noncurrent assets	51,120,519	63,091,209	(11,970,690)	(19.0)
Capital assets	331,813,950	308,884,804	22,929,146	7.4
Total assets	417,239,561	405,487,266	11,752,295	2.9
Current liabilities	20,760,295	16,547,767	4,212,528	25.5
Noncurrent liabilities	106,923,914	108,146,116	(1,222,202)	(1.1)
Total liabilities	127,684,209	124,693,883	2,990,326	2.4
Invested in capital assets, net of related debt	224,964,824	226,024,527	(1,059,703)	(0.5)
Restricted	12,137,312	12,837,742	(700,430)	(5.5)
Unrestricted	52,453,216	41,931,114	10,522,102	25.1
Total net assets	$ 289,555,352	$ 280,793,383	$ 8,761,969	3.1

At December 31, 2009, the largest portion of the Authority's net assets (83.8%) consists of the Authority's investment in capital assets, as compared to 77.7% and 80.5% at December 31, 2008 and 2007, respectively. This amount is presented net of any outstanding debt which was used to acquire such capital assets. The second portion of net assets, 12.1% at December 31, 2009, as compared to 18.1% and 14.9%, at December 31, 2008, and 2007, respectively consists of unrestricted net assets. These assets are not limited in any way with regards to how and what they may be used for. The remainder of net assets (4.1%, 4.2% and 4.6% at December 31, 2009, 2008 and 2007, respectively) is restricted for various purposes.



The Authority's liabilities totaled $124,030,879, $127,684,209, and $124,693,883, at December 31, 2009, 2008 and 2007 respectively. The largest component of liabilities is outstanding water revenue bonds.

The Authority had current ratios of 1.74, 1.65, and 2.03, at December 31, 2009, 2008 and 2007, respectively. Such a ratio implies that the Authority has sufficient assets on hand to cover its liabilities that will come due in the ensuing year.

A comparison of current assets as compared to current liabilities of the Authority at December 31, 2009, 2008, and 2007 follows:

Table 2 - Comparison of current assets and current liabilities

	2009	2008	2007
Current assets	$ 34,091,966	$ 34,305,092	$33,511,253
Current liabilities	19,575,321	20,760,295	16,547,767
Ratio of current assets to current liabilities	1.74	1.65	2.03

Table 3 shows the changes in net assets for the years ended December 31, 2009, 2008, and 2007:

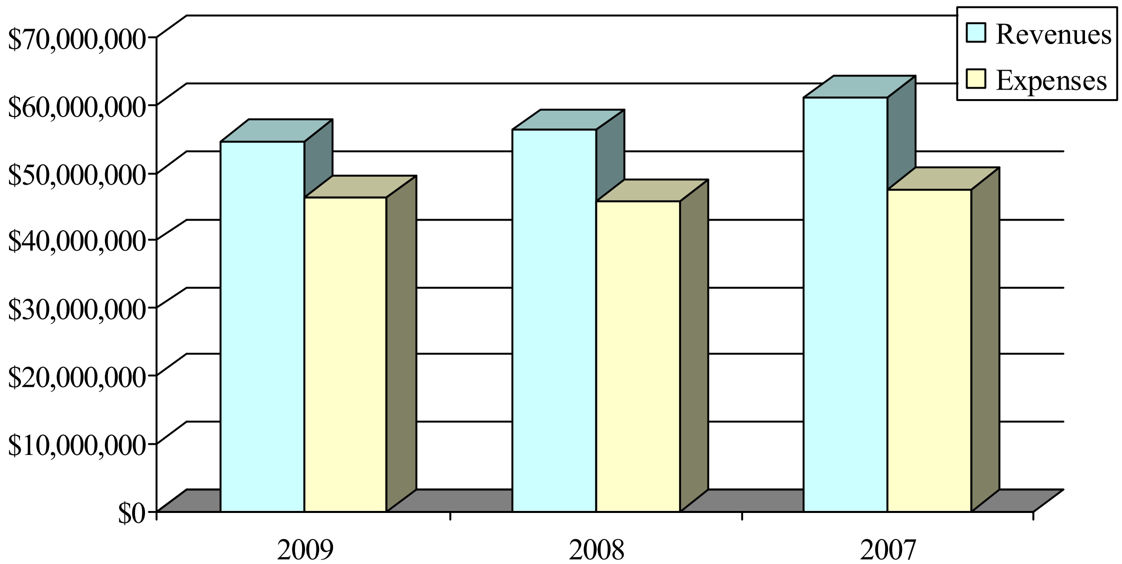
Table 3 – Erie County Water Authority's Changes in Net Assets

	Year Ended December 31, 2009	2008
Operating revenue	$ 54,688,581	$ 56,284,871
Operating expenses:		
Operation and administration	21,592,955	22,892,786
Maintenance	10,261,401	9,148,964
Depreciation and amortization	11,104,642	10,383,433
Other postemployment benefits	3,469,409	3,405,184
Total operating expenses	46,428,407	45,830,367
Operating income	8,260,174	10,454,504
Nonoperating revenues (expenses):		
Interest income	871,878	2,353,043
Interest capitalization during construction	643,393	273,651
Interest expense	(4,606,955)	(5,074,771)
Total nonoperating revenues (expenses)	(3,091,684)	(2,448,077)
Net income before contributions in aid of construction	5,168,490	8,006,427
Contributions in aid of construction	623,387	755,542
Change in net assets	5,791,877	8,761,969
Total net assets - beginning of year	289,555,352	280,793,383
Total net assets - end of year	$ 295,347,229	$ 289,555,352

	2008	2007
Operating revenue	$56,284,871	$61,227,617
Operating expenses:		
Operation and administration	22,892,786	24,927,064
Maintenance	9,148,964	9,434,577
Depreciation and amortization	10,383,433	10,075,578
Other postemployment benefits	3,405,184	3,054,071
Total operating expenses	45,830,367	47,491,290
Operating income	10,454,504	13,736,327
Nonoperating revenues (expenses):		
Interest income	2,353,043	3,138,936
Interest capitalization during construction	273,651	159,197
Interest expense	(5,074,771)	(4,035,419)
Total nonoperating revenues (expenses)	(2,448,077)	(737,286)
Net income before contributions in aid of construction	8,006,427	12,999,041
Contributions in aid of construction	755,542	992,087
Change in net assets	8,761,969	13,991,128
Total net assets - beginning of year	280,793,383	266,802,255
Total net assets - end of year	$ 289,555,352	$ 280,793,383

The following chart depicts a 2.8% operating revenue decline from $56,284,871 in 2008 to $54,688,581 in 2009, compared to an 8.1% decline from $61,227,617 in 2007 to $56,284,871 in 2008. Operating expenses increased 1.3% from $45,830,367 in 2008 to $46,428,407 in 2009 and decreased 3.5% from $47,491,290 in 2007 to $45,830,367 in 2008.

Comparison of Operating Revenue and Expenses



A summary of operating revenue for the years ended December 31, 2009, 2008, and 2007 is presented below in Table 4:

Table 4 - Summary of Operating Revenue

			Increase/(Decrease)	
	2009	2008	Dollars	Percent
Water sales:				
Residential	$ 33,301,075	$ 34,520,149	$ (1,219,074)	(3.5)
Commercial	6,859,468	7,003,921	(144,453)	(2.1)
Industrial	1,664,086	1,901,354	(237,268)	(12.5)
Public authorities	1,988,592	2,052,689	(64,097)	(3.1)
Fire protection	3,783,547	3,799,498	(15,951)	(0.4)
Sales to other utilities	4,966,093	4,920,668	45,425	0.9
Other water sales	1,598,547	1,584,878	13,669	0.9
Total water sales	54,161,408	55,783,157	(1,621,749)	(2.9)
Other operating income:				
Rents from water towers	504,254	492,929	11,325	2.3
Miscellaneous	22,919	8,785	14,134	160.9
Operating revenue	$ 54,688,581	$ 56,284,871	$ (1,596,290)	(2.8)

	2008	2007	Increase/(Decrease) Dollars	Percent
Water sales:				
Residential	$34,520,149	$ 38,059,827	$ (3,539,678)	(9.3)
Commercial	7,003,921	7,402,558	(398,637)	(5.4)
Industrial	1,901,354	1,917,907	(16,553)	(0.9)
Public authorities	2,052,689	2,170,407	(117,718)	(5.4)
Fire protection	3,799,498	3,774,006	25,492	0.7
Sales to other utilities	4,920,668	4,992,582	(71,914)	(1.4)
Other water sales	1,584,878	2,353,620	(768,742)	(32.7)
Total water sales	55,783,157	60,670,907	(4,887,750)	(8.1)
Other operating income:				
Rents from water towers	492,929	547,075	(54,146)	(9.9)
Miscellaneous	8,785	9,635	(850)	(8.8)
Operating revenue	$56,284,871	$ 61,227,617	$ (4,942,746)	(8.1)

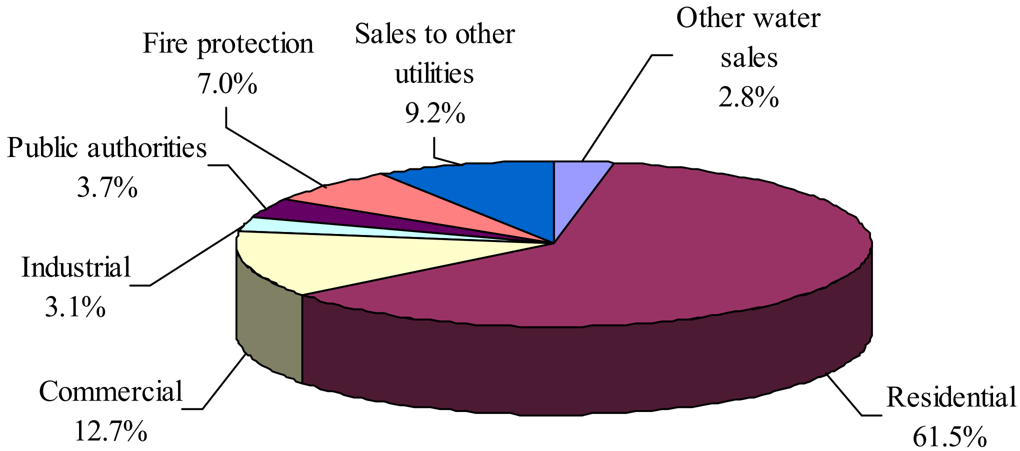
Water sales represent the vast majority of revenue for the Authority, 99%, for the year ended December 31, 2009, and 99.1% for the years ended December 31, 2008 and 2007.

The 3.5 % decrease in residential water sales from $34,520,149 in 2008 to $33,301,075 in 2009 resulted from a decrease in billed consumption of 2.1%, or $870,870. Industrial sales decreased 12.5%, or $237,268 almost entirely due to the closing of ArcelorMittal – a steel finishing company located in Lackawanna. The closing was announced in December of 2008, and water use declined throughout 2009. Rents from water towers continue a steady increase in revenue due to contractual escalation clauses at renewal.

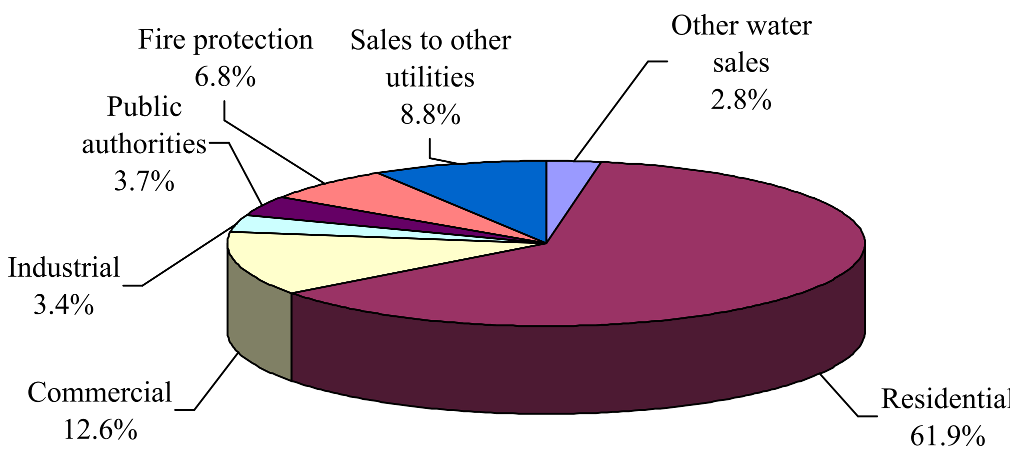
The 9.3% decrease in residential water sales from $38,059,827 in 2007 to $34,520,149 in 2008 resulted from a decrease in billed consumption of 9.4%, or $4,523,375. This was partially offset by a 1.8% rate increase effective January 1, 2008. Rents from water towers decreased due to a one-time termination payment of $48,125 from AT&T in 2007. Their lease was assumed by another wireless company at a lower rate. These reductions were somewhat offset by contractual escalation increases in lease payments.

As presented in the illustration on the following page, residential water sales represent the largest portion of water sales for the Authority, which was 61.5%, 61.9%, and 62.7% of total water sales for the years ended December 31, 2009, 2008, and 2007, respectively. The next largest water sales revenue component for the Authority is commercial water sales, which was 12.7%, 12.6%, and 12.2%, respectively, of total water sales for the years ended December 31, 2009, 2008, and 2007.

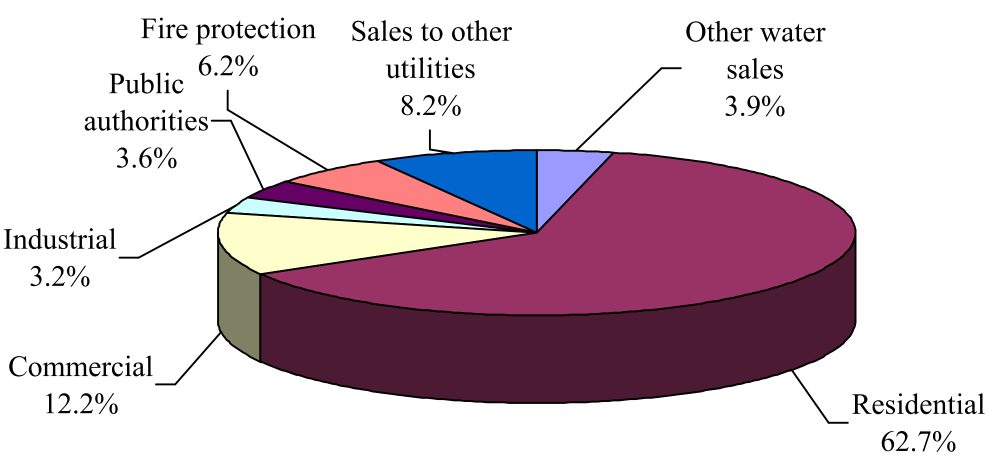
2009 Water Sales Revenue



2008 Water Sales Revenue



2007 Water Sales Revenue

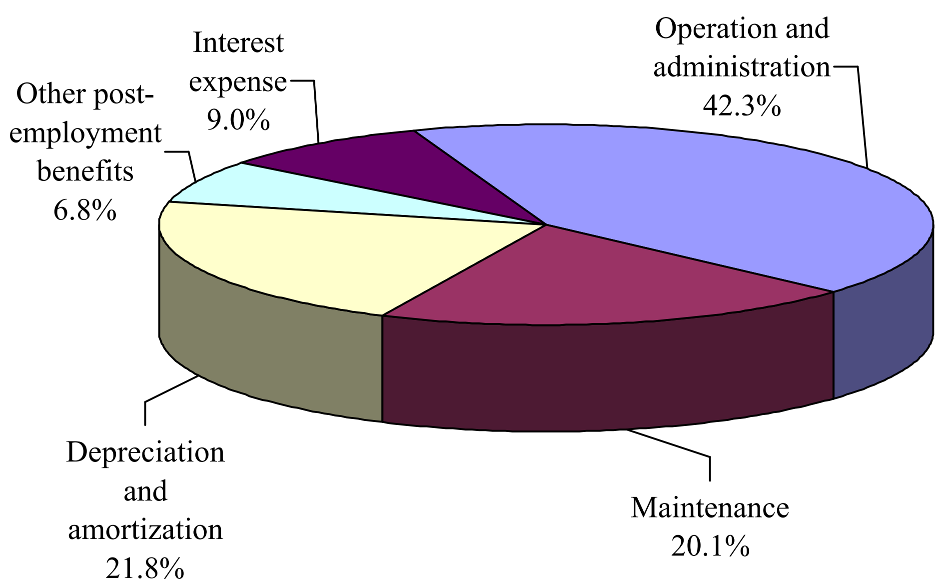


As illustrated below, operation and administration expenses are the largest expense and account for 42.3%, 44.9%, and 48.4%, of the Authority's expenses for the years ended December 31, 2009, 2008, and 2007, respectively. The second largest expense for the Authority are the expenses associated with depreciation and amortization, which were, 21.8%, 20.4%, and 19.6%, for the years ended December 31, 2009, 2008, and 2007, respectively.

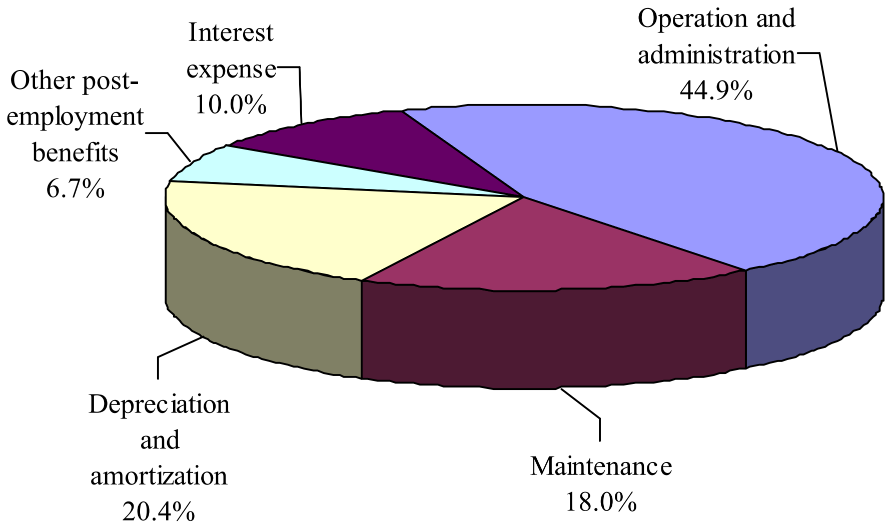
			Increase/(Decrease)	
	2009	2008	Dollars	Percent
Operation and administration	$21,592,955	$22,892,786	$ (1,299,831)	(5.7)
Maintenance	10,261,401	9,148,964	1,112,437	12.2
Depreciation and amortization	11,104,642	10,383,433	721,209	6.9
Interest expense	4,606,955	5,074,771	(467,816)	(9.2)
Other postemployment benefits	3,469,409	3,405,184	64,225	1.9
Total	$51,035,362	$50,905,138	$ 130,224	0.3

			Increase/(Decrease)	
	2008	2007	Dollars	Percent
Operation and administration	$22,892,786	$24,927,064	$ (2,034,278)	(8.2)
Maintenance	9,148,964	9,434,577	(285,613)	(3.0)
Depreciation and amortization	10,383,433	10,075,578	307,855	3.1
Interest expense	5,074,771	4,035,419	1,039,352	25.8
Other postemployment benefits	3,405,184	3,054,071	351,113	11.5
Total	$50,905,138	$51,526,709	$ (621,571)	(1.2)

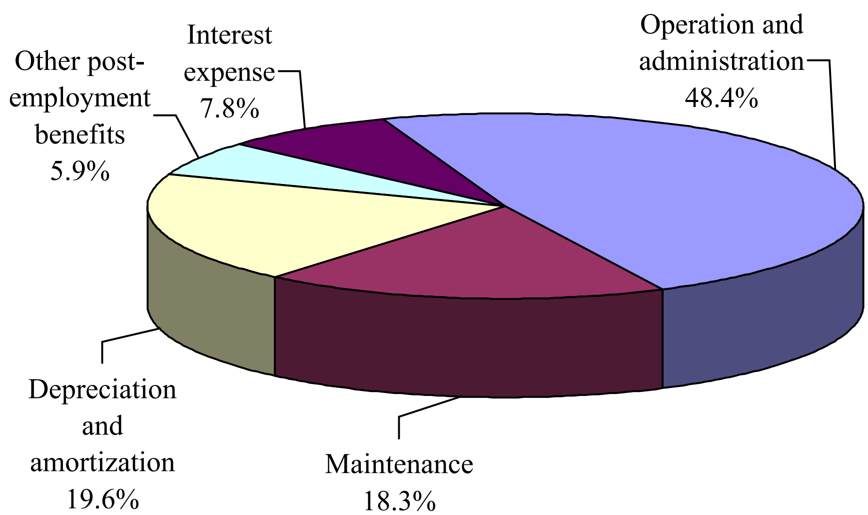
2009 Expenses



2008 Expenses



2007 Expenses



Operating and administrative expenses decreased $1,299,831 or 5.7%, from $22,892,786 in 2008 to $21,592,955 in 2009 due, almost entirely, to a $1,840,967, or 32%, decrease in power purchased. The average cost per kilowatt hour decreased 38% – from .07204¢ per hour in 2008 to .04668¢ in 2009. Transportation costs also contributed to the decrease. The decrease in the cost of gasoline and diesel in 2009 – an average of $1.18 and $1.29 per gallon respectively – lowered transportation costs a total of $122,058 or 29.4%. Corporate and fiscal expenses decreased $225,598 due to the cost of remarketing, maintaining a standby repurchase agreement and finally, redeeming the 1993A&B series bonds in 2008. These decreases were offset by a 30.7% increase in chemical costs and a 14.4% increase in fringe benefit costs. Chemical costs continued to increase in 2009 due to the cost of fluoride – $538 per ton in October of 2007; $599 per ton in October of 2008; $715 per ton in October of 2009. Fringe benefit costs were higher in 2009 due to an average 13.7% increase in health and prescription payments.

Maintenance expenses increased 12.2% or $1,112,437 from $9,148,964 in 2008 to $10,261,401 in 2009 due primarily to increases in payments to contractors for repairs and restorations in 2009. The cost of repairs by contractors increased 11.8% from an average of $1,344 per repair in 2008 to $1,503 per repair in 2009. A new repair contract at increased unit costs was entered into in August of 2009. Similarly, a new restoration contract began in April of 2008 which contained an estimated 9% increase in costs. The overall increase in payments to contractors for repairs and restorations was $372,978.

Operating and administrative expenses decreased $2,034,278 or 8.2%, from $24,927,064 in 2007 to $22,892,786 in 2008 due, in part, to a 51.0% increase in the amount of capitalized expenses resulting from the completion of several large capital projects in 2008. Construction of capital projects increased from $15,961,948 in 2007 to $22,454,999 in 2008 generating an increase of $1,986,094 in capitalized expenses. Fringe benefit costs decreased 10.0%, or $467,394 in 2008 due to a change in insurance carriers for workers' compensation, life and disability insurance. Other insurance costs decreased 22.0%, or $179,160 due to a change in carriers. These decreases in insurance and fringe benefits were partially offset by a 10.0% increase in health insurance costs and a 34.2% increase in chemical costs. Chemical costs increased $254,963 due largely to an increase in the cost of fluoride which went from $210/ton in October of 2006 to $538/ton in October of 2007.

Generator lease expense increased $555,597 to $1,179,550 in 2008 which represents a full year of lease payments compared to five-months of payments in 2007. This increase was somewhat offset by a $543,294 decrease in the cost of personal computers and peripheral data processing equipment. In 2007 the Authority purchased 105 new computers, 2 new servers and 26 laptops. These purchases were not repeated in 2008.

Maintenance expenses decreased 3.0% or $285,613 from $9,434,577 in 2007 to $9,148,964 in 2008 due largely to a 7.9% decrease in the number of leaks in 2008 – 1,943 as compared to 2,109 in 2007. This resulted in reductions of overtime costs, material and supply costs, and payments to contractors for repairs and restorations totaling $523,676. These reductions were somewhat offset by an $116,491, or 27.5% increase in transportation costs resulting from increased gasoline and diesel prices. The average price per gallon in 2008 was $2.79/gallon for gasoline and $3.18/gallon for diesel. The average price in 2007 was $2.04/gallon and $2.19/gallon respectively.

Table 5 presents a summary of the Authority's cash flow activities for the years ended December 31, 2009, 2008, and 2007:

Table 5 - Summary of Cash Flow Activities

	2009	2008	Increase/(Decrease) Dollars
Cash flows provided (used) by:			
Operating activities	$22,880,734	$25,308,187	$ (2,427,453)
Capital and related financing activities	(39,765,152)	(38,481,479)	(1,283,673)
Investing activities	(3,961,875)	2,958,623	(6,920,498)
Net decrease in cash and cash equivalents	(20,846,293)	(10,214,669)	(10,631,624)
Cash and cash equivalents, beginning of year	72,574,083	82,788,752	(10,214,669)
Cash and cash equivalents, end of year	$51,727,790	$72,574,083	$ (20,846,293)

Table 5 - Summary of Cash Flow Activities (cont'd)

	2008	2007	Increase/(Decrease) Dollars
Cash flows provided (used) by:			
Operating activities	$ 25,308,187	$ 26,638,354	$ (1,330,167)
Capital and related financing activities	(38,481,479)	5,736,139	(44,217,618)
Investing activities	2,958,623	5,644,787	(2,686,164)
Net increase/(decrease) in cash and cash equivalents	(10,214,669)	38,019,280	(48,233,949)
Cash and cash equivalents, beginning of year	82,788,752	44,769,472	38,019,280
Cash and cash equivalents, end of year	$ 72,574,083	$ 82,788,752	$ (10,214,669)

At December 31, 2009, 2008, and 2007, cash and cash equivalents were restricted for various purposes as presented below:

Table 6 - Summary of Cash and Cash Equivalents

	2009	2008	2007
Unrestricted	$ 15,545,811	$ 18,620,470	$ 15,987,015
Restricted	36,181,979	53,953,613	66,801,737
Total	$ 51,727,790	$ 72,574,083	$ 82,788,752

Total cash and cash equivalents decreased $20,846,293 from $72,574,083 in 2008 to $51,727,790 in 2009 due primarily to increased capital spending at the water treatment plants. The coagulation basins at the Sturgeon Point treatment plant represent a $29,000,000 investment over the last two years. No long term capital financing was undertaken in 2009 – additions to water plant were made using money previously restricted for capital improvements.

Total cash and cash equivalents decreased $10,214,669 from $82,788,752 in 2007 to $72,574,083 in 2008 due to the increase in capital spending using bond funds from the 2007 issue. The $12,848,124 decrease in restricted cash and cash equivalents was somewhat off set by a $2,633,455 increase in unrestricted cash and cash equivalents due to the use of more bond funds and less operating funds for capital projects.

Capital Assets

The Authority's investment in capital assets, as of December 31, 2009 amounted to $351,859,544 (net of accumulated depreciation), as compared to $331,813,950 and $308,884,804 as of December 31, 2008 and 2007, respectively. This investment includes land, buildings and structures, mains and hydrants, equipment, construction in progress and other (service installations, leasehold improvements, etc.). The Authority's greatest investment in capital assets is in mains and hydrants and buildings and structures.

Presented in Table 7 is a comparative summary of capital assets. Additional information on the Authority's capital assets can be found in Note 4 of the financial statements.

Table 7 - Summary of Capital Assets (Net of Depreciation)

	2009	2008	Increase/(Decrease) Dollars	Percent
Land	$ 2,218,274	$ 2,218,274	$ -	-
Construction work in progress	1,950,305	13,135,714	(11,185,409)	(85.2)
Total capital assets, not being depreciated	4,168,579	15,353,988	(11,185,409)	(72.9)
Buildings and structures	242,896,817	209,058,723	33,838,094	16.2
Mains and hydrants	216,363,788	214,333,344	2,030,444	0.9
Equipment	43,377,501	40,137,616	3,239,885	8.1
Other	49,963,188	48,031,909	1,931,279	4.0
Total capital assets, being depreciated	552,601,294	511,561,592	41,039,702	8.0
Less accumulated depreciation	204,910,329	195,101,630	9,808,699	5.0
Total capital assets, being depreciated, net	347,690,965	316,459,962	31,231,003	9.9
Total capital assets	$ 351,859,544	$ 331,813,950	$ 20,045,594	6.0

	2008	2007	Increase/(Decrease) Dollars	Percent
Land	$ 2,218,274	$ 2,218,274	$ -	-
Construction work in progress	13,135,714	6,650,443	6,485,271	97.5
Total capital assets, not being depreciated	15,353,988	8,868,717	6,485,271	73.1
Buildings and structures	209,058,723	193,942,053	15,116,670	7.8
Mains and hydrants	214,333,344	208,849,255	5,484,089	2.6
Equipment	40,137,616	36,904,786	3,232,830	8.8
Other	48,031,909	46,607,176	1,424,733	3.1
Total capital assets, being depreciated	511,561,592	486,303,270	25,258,322	5.2
Less accumulated depreciation	195,101,630	186,287,183	8,814,447	4.7
Total capital assets, being depreciated, net	316,459,962	300,016,087	16,443,875	5.5
Total capital assets	$ 331,813,950	$ 308,884,804	$ 22,929,146	7.4

Debt Administration

At December 31, 2009 the Authority had $98,638,446 in water revenue bond principal outstanding, net of deferred amounts for bond premium and issuance costs, as compared to $104,415,361 and $105,424,613 at December 31, 2008 and 2007. Water revenue bonds outstanding, net of deferred amounts from bond premium and issuance costs, decreased $5,776,915 during the year ended December 31, 2009, compared to a $1,009,252 decrease during the year ended December 31, 2008, as a result of making principal payments, as shown below.

	2009	2008
Series 1992	$ -	$ 149,756
Series 1993A	-	27,500,000
Series 1993B	-	15,000,000
Series 1998B	395,000	380,000
Series 1998D	805,000	775,000
Series 2003F	625,000	625,000
Series 2007	635,000	295,000
Series 2008	3,755,000	-
Total water revenue bond payments	6,215,000	44,724,756
Add (subtract) deferred amounts:		
For bond premiums	302,235	154,334
For issuance costs	(740,320)	(831,378)
Total water revenue bond payments, net of deferred amounts	$ 5,776,915	$ 44,047,712

On June 25, 2008, the Series 2008 bonds were issued to refund the Authority's Series 1993A & B bonds, to fund a reserve account for the Series 2008 bonds, to pay costs associated with terminating the swap agreement and to pay a portion of the Series 2008 bond issuance costs.

The Authority's issuances of Series 1998B, Series 1998D and Series 2003F were through the New York State Environmental Facilities Corporation and are rated based on the Environmental Facilities Corporation's rating.

In 2008 the Authority applied for, and received upgrades from all three rating agencies. Moody's assigned the 2008 bonds and parity debt a long-term underlying rating of Aa3. S&P assigned the 2008 bonds and parity debt a long-term underlying rating of AA+. Fitch Ratings assigned the 2008 bonds and parity debt a long-term underlying rating of AA.

Economic Factors

The local community has been experiencing the same economic difficulties that have impacted New York State and the nation. Concurrently, the Authority's customer base grew by less than one percent this past year. Additionally, there has been a steady decrease in overall consumption due to individual conservation efforts and changes in Federal and State laws and regulations which require appliances to use less water. Therefore, significant increases in water sales other than those caused by weather conditions, such as the dry summer in 2007, are not expected.

As noted earlier, the Authority's largest sources of operating revenues are water sales to customers. These revenues result from rates charged based on water usage by the individual customer. Rates can be adjusted accordingly in order to help meet the expenses of the Authority. Tariff rates are shown below:

Meters read and billed quarterly (To Nearest 1,000 Gallons)			
	2010	2009	
First 300,000 gallons per quarter	$ 2.96	$ 2.86	per 1,000 gallons
Next 1,950,000	2.63	2.54	per 1,000 gallons
Next 5,250,000	2.41	2.33	per 1,000 gallons
Over 7,500,000	2.12	2.05	per 1,000 gallons

Meters read and billed monthly (To Nearest 1,000 Gallons)			
	2010	2009	
First 100,000 gallons per month	$ 2.96	$ 2.86	per 1,000 gallons
Next 650,000	2.63	2.54	per 1,000 gallons
Next 1,750,000	2.41	2.33	per 1,000 gallons
Over 2,500,000	2.12	2.05	per 1,000 gallons

Size of Meter (inches)	Quarterly Minimum Charge ($) 2010	Quarterly Minimum Charge ($) 2009	Allowance per Quarter (gallons)	Monthly Minimum Charge ($) 2010	Monthly Minimum Charge ($) 2009
5/8	$ 26.64	$ 25.74	9,000	$ 8.88	$ 8.58
3/4	35.52	34.32	12,000	11.84	11.44
1	62.16	60.06	21,000	20.72	20.02
1 1/4	79.92	77.22	27,000	26.64	25.74
1 1/2	115.44	111.54	39,000	38.48	37.18
2	186.48	180.18	63,000	62.16	60.06
3	355.20	343.20	120,000	118.40	114.40
4	586.08	566.28	198,000	195.36	188.76
6	1,124.70	1,086.60	390,000	374.90	362.20
8	1,755.90	1,696.20	630,000	585.30	565.40
10	2,466.00	2,382.00	900,000	822.00	794.00
12	3,333.90	3,220.20	1,230,000	1,111.30	1,073.40
20	7,390.20	7,139.10	2,820,000	2,463.40	2,379.70
24	9,848.40	9,515.70	3,840,000	3,282.80	3,171.90

For 2010, the Authority will impose a minimum charge of $160.80 per hydrant per annum for lease managed districts and $229.08 per hydrant per annum for direct service areas - the same amounts as 2009.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert J. Lichtenthal, Jr., Deputy Director, Erie County Water Authority, 295 Main Street, Rm. 350, Buffalo, New York 14203-2494.

BASIC FINANCIAL STATEMENTS

ERIE COUNTY WATER AUTHORITY

Statements of Net Assets

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$ 15,545,811	$ 18,620,470
Investments	5,000,000	160,223
Restricted cash and cash equivalents	2,755,381	2,833,094
Customer accounts receivable, less allowance for doubtful accounts	4,275,871	5,416,006
Materials and supplies	2,146,065	1,906,966
Interest receivable and other assets	4,368,838	5,368,333
Total current assets	34,091,966	34,305,092
Noncurrent assets:		
Restricted cash and cash equivalents	33,426,598	51,120,519
Capital assets, not being depreciated	4,168,579	15,353,988
Capital assets, being depreciated, net of accumulated depreciation	347,690,965	316,459,962
Total noncurrent assets	385,286,142	382,934,469
Total assets	419,378,108	417,239,561
LIABILITIES		
Current liabilities:		
Accounts payable	5,502,686	7,498,369
Advances for construction	307,556	440,541
Construction retention	1,549,594	884,272
Interest and other accrued liabilities	5,128,028	5,067,731
Compensated absences	1,125,542	1,092,467
Water revenue bonds - current portion	5,961,915	5,776,915
Total current liabilities	19,575,321	20,760,295
Noncurrent liabilities:		
Compensated absences	1,850,363	1,826,213
Long term other postemployment benefit liability	9,928,664	6,459,255
Water revenue bonds - long term	92,676,531	98,638,446
Total noncurrent liabilities	104,455,558	106,923,914
Total liabilities	124,030,879	127,684,209
NET ASSETS		
Invested in capital assets, net of related debt	247,452,433	224,964,824
Restricted		
Debt service reserve account	10,249,263	10,237,887
Debt service account	1,882,922	1,899,425
Unrestricted	35,762,611	52,453,216
Total net assets	$ 295,347,229	$ 289,555,352

The notes to the financial statements are an integral part of these statements.

ERIE COUNTY WATER AUTHORITY

Statements of Revenue, Expenses and Changes in Net Assets

	Year Ended December 31, 2009	2008
Operating revenue	$ 54,688,581	$ 56,284,871
Operating expenses:		
Operation and administration	21,592,955	22,892,786
Maintenance	10,261,401	9,148,964
Depreciation and amortization	11,104,642	10,383,433
Other postemployment benefit expense	3,469,409	3,405,184
Total operating expenses	46,428,407	45,830,367
Operating income	8,260,174	10,454,504
Nonoperating revenues (expenses):		
Interest income	871,878	2,353,043
Interest capitalization during construction	643,393	273,651
Interest expense	(4,606,955)	(5,074,771)
Total nonoperating revenues (expenses)	(3,091,684)	(2,448,077)
Net income before contributions in aid of construction	5,168,490	8,006,427
Contributions in aid of construction	623,387	755,542
Change in net assets	5,791,877	8,761,969
Total net assets - beginning of year	289,555,352	280,793,383
Total net assets - end of year	$ 295,347,229	$ 289,555,352

The notes to the financial statements are an integral part of these statements.

ERIE COUNTY WATER AUTHORITY

Statement of Cash Flows

	December 31, 2009	December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 56,190,096	$ 56,718,692
Payments to contractors	(12,195,852)	(11,239,514)
Payments to employees including fringe benefits	(21,113,510)	(20,170,991)
Net cash provided by operating activities	22,880,734	25,308,187
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquistion and construction of capital assets, net	(30,046,829)	(32,533,240)
Bond issuance and principal repayment	(6,215,000)	(1,295,153)
Interest paid on revenue bonds, net of amount capitalized	(3,993,722)	(5,423,394)
Advances for construction	(132,988)	14,766
Contributions in aid of construction	623,387	755,542
Net cash used by capital and related financing activities	(39,765,152)	(38,481,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(10,000,000)	(13,118,059)
Proceeds from sale or maturity of investments	5,160,223	13,673,420
Interest received	877,902	2,403,262
Net cash provided (used) by investing activities	(3,961,875)	2,958,623
Net decrease in cash and cash equivalents	(20,846,293)	(10,214,669)
Cash and cash equivalents - beginning of year	72,574,083	82,788,752
(including amounts restricted for future construction, debt service reserve, and debt service, reserve for compensated absences, and customer deposits)		
Cash and cash equivalents - end of year	$ 51,727,790	$ 72,574,083
(including amounts restricted for future construction, debt service reserve, and debt service, reserve for compensated absences, and customer deposits)		

(continued)

ERIE COUNTY WATER AUTHORITY

Statement of Cash Flows

(concluded)

	Year Ended December 31, 2009	2008
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	$ 8,260,174	$ 10,454,504
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	10,666,557	10,097,532
Amortization expense	438,085	285,901
Other postemployment benefits expense	3,469,409	3,405,184
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,140,135	635,563
(Increase) decrease in material and supplies	(239,099)	(39,386)
(Increase) decrease in other assets	993,474	(239,575)
Increase (decrease) in accounts payable	(1,995,683)	1,119,289
Increase (decrease) in other accrued liabilities	123,532	(463,983)
Increase (decrease) in accrued sick pay	24,150	53,158
Total adjustments	14,620,560	14,853,683
Net cash provided by operating activities	$ 22,880,734	$ 25,308,187

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity—The Erie County Water Authority (the "Authority") is a public benefit corporation created in 1949 by the State of New York. The accounts of the Authority are maintained generally in accordance with the Uniform System of Accounts prescribed by the New York State Public Service Commission ("PSC"), although the Authority is not subject to PSC rules and regulations or those of any other state or federal regulatory agency. The rates established by the Authority do not require PSC approval.

The Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority leases the assets and is responsible for the operation and maintenance of the assets while the lessor is responsible for the improvement and replacement of assets; and on a bulk sales basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvement and replacement as well as billings and customer collections.

The Authority began with a mandate to provide potable water to all locations within Erie County, except the City of Buffalo and Town of Tonawanda, including the Village of Kenmore; and, has fulfilled this mandate by providing water to over 550,000 residents of Erie County operating on one of the three arrangements set forth above - direct service, leased managed service or bulk service. The Authority has had a regional outlook for many years as evidenced by service expansion throughout the county and by the Inter-Community Transmission main built in the early 1990's to expand water service to the Cattaraugus Indian Reservation and some Chautauqua County customers. In 2002, the Authority began providing water to parts of Western Genesee County and in 2007 began to serve parts of Wyoming County. In the past ten years, the Authority has partnered with a number of systems to transition them from bulk sales customers to direct service customers so as to eliminate redundancies and increase operational efficiency. At the present time, the Authority is in various stages of similar integrations with a number of communities.

Basis of accounting—The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to apply all Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The activities of the Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from providing water services are reported as operating revenues. Operating revenues are recorded as water service is supplied. Water supplied, but not billed, as of the calendar year-end is estimated based upon historical usage and has been accounted for as earned but unbilled revenue.

Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the system are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Budgets—The Authority is not required to have a legally adopted budget.

Vacation accruals and compensated absences—Authority employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, union employees are entitled to payment for accrued vacation and sick time limited to amounts defined under their respective collectively bargained agreements. All non-union employees are entitled to benefits as defined by Authority policy.

Payments of accrued vacation time and sick leave are dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management estimates $1,125,542 is a current liability, with the remaining $1,850,363 as a long-term liability, and believes that sufficient resources will be available for the payments of accrued vacation time and sick leave when such payments become due.

Retirement plan—The Authority provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, some of which require employee contributions.

Cash and cash equivalents—For purposes of the statement of cash flows, the Authority considers cash and cash equivalents to be all unrestricted and restricted cash accounts and short-term investments purchased with an original maturity of generally three months or less.

Current investments—The Authority considers investments that mature in more than three months but less than a year as current investments.

Investment securities—Investments are carried at market value based on quoted market prices for those investments subject to market forces and at amortized cost for investments not subject to market forces. The cost of investments sold is determined using the specific identification method and then adjusted to market value changes to reflect the combined net change in these elements in the income statement.

Customer accounts receivable—All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority has adopted a policy of recognizing water revenues in the period in which the service is provided. Billings to customers generally consist of revenues earned from the prior three months for quarterly billed customers and revenues earned from the prior month for monthly-billed customers.

Materials and supplies—Materials and supplies are stated at the lower of cost or market, cost being determined on the basis of moving-average cost.

Interest receivable and other assets—This account consists primarily of interest earned from securities and investments not yet received and prepayments. Prepayments are certain payments reflecting costs applicable to future accounting periods.

Capital assets—Capital assets are defined by the Authority as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. The cost of additions to capital assets, including purchased or contributed property, and replacements of retired units of property, is capitalized. Cost includes direct material, labor, overhead and an allowance for funds used during construction equivalent to the cost of borrowed funds advanced for construction purposes. Overhead is added proportionately to the cost of a project monthly. The cost of retirements of capital assets is charged against accumulated depreciation. Maintenance and repairs are charged to expenses as incurred, and major betterments are capitalized.

Depreciation of capital assets is computed using the straight-line method based upon annual rates established in accordance with PSC guidelines: buildings and structures, 15 to 76 years; mains and hydrants, 64 to 100 years; equipment, 5 to 43 years; and other, 4 to 50 years. Depreciation expense approximated 2.1% of the original cost of average depreciable property for the years ended December 31, 2009 and 2008.

Long-term obligations—In the financial statements long-term debt is reported as a liability in the statement of net assets. Bond premiums and bond discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Debt issuance costs—Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method. During 2009 and 2008, $740,320 and $440,235, respectively, was amortized as an expense.

Advances for construction—Advances for construction primarily represent amounts received from contractors for water main extensions. Upon completion of the extension, the remaining advance is transferred to contributions in aid of construction.

Contributions in aid of construction—Contributions in aid of construction represent amounts received from individuals, governmental agencies, and others, to reimburse the Authority for construction costs incurred on capital projects or the original cost of water plant systems conveyed to the Authority by municipalities and others.

Risk management—The Authority limits its risk exposure to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters through various insurance policies. Insurance coverage and "deductibles" have remained relatively stable from the previous year. Insurance expense for the years ended December 31, 2009 and 2008 totaled $558,517 and $635,062, respectively. There were no settlements that significantly exceeded insurance coverage for each of the last three years. There were no significant unpaid claims outstanding as of December 31, 2009 and 2008.

Reclassifications—Certain amounts relating to the financial statements as of and for the year ended December 31, 2008 have been reclassified in order to be consistent with the current year's presentation.

Use of estimates—The preparation of the financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impacts of accounting pronouncements—The Authority has not completed the process of evaluating the impact, if any, that will result from adopting GASB Statements No. 51, *Accounting and Financial Reporting for Intangible Assets*, No. 53, *Accounting and Financial Reporting for Derivative Instruments,* and No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies,* effective for the year ending December 31, 2010; GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the year ending December 31, 2011; and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, effective for the year ending December 31, 2012. The Authority is therefore unable to disclose the impact that adopting these statements will have on its financial position and results of operations when such statements are adopted.

During the year ended December 31, 2009, the Authority implemented GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for the year ended December 31, 2009, as well as GASB Statements No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, both effective upon issuance. The implementation of these statements had no impact on the Authority's financial position or results of operations.

2. CASH AND INVESTMENTS

Deposits—All uninsured bank deposits are fully collateralized.

Investments—The Authority's bond resolutions and investment guidelines allow for monies to be invested in the following instruments:

- Obligations of the United States Government;
- Obligations of Federal Agencies which represent full faith and credit of the United States Government;
- Bonds issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- Time deposits and money market accounts;
- Commercial paper which matures not more than 270 days after the date of purchase; and
- Municipal obligations of any state, instrumentality, or local governmental unit of such state.

As of December 31, 2009 and 2008, the Authority had the following unrestricted cash and cash equivalents:

	December 31, 2009		December 31, 2008	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Unrestricted cash and cash equivalents	$ 15,545,811	$ 15,545,811	$ 18,620,470	$ 18,620,470

Restricted cash, cash equivalents, and investments—Cash has been deposited into various trust accounts with a fiscal agent to satisfy certain legal covenants. Further, the amounts have been invested into various investments in compliance with the Authority's investment guidelines. The following is a brief synopsis of restricted cash:

Restricted for future construction—Cash restricted for future construction was established to maintain a construction reserve account, which has been committed for future capital expenditures.

Restricted for debt service reserve—The Authority restricts cash for the debt service reserve account as required by various bond resolutions to maintain a specified amount to meet future debt service requirements.

Restricted for debt service—Cash restricted for debt service was established to fulfill the debt service requirements on the outstanding water revenue bonds as and when they become due and payable.

Restricted for sick pay reserve—Cash restricted for sick pay was established to set funds aside to pay employee sick pay benefits as eligible employees retire or otherwise terminate their employment.

Restricted for customer deposits—Cash restricted for customer deposits was established to keep customer deposits for future work to be performed and deposits taken from customers to guarantee their water bills segregated from the Authority's operating cash.

As of December 31, 2009 and 2008, the Authority had the following restricted cash and cash equivalents:

	December 31, 2009		December 31, 2008	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Restricted for debt service:				
Cash and cash equivalents	$ 622,606	$ 622,606	$ 1,587,519	$ 1,587,519
U.S. Treasury securities	1,260,280	1,260,316	311,961	311,906
Total restricted for debt service	1,882,886	1,882,922	1,899,480	1,899,425
Restricted for sick pay reserve, current portion:				
Cash and cash equivalents	97,388	97,388	96,116	96,116
Restricted for customer deposits:				
Cash and cash equivalents	775,071	775,071	837,553	837,553
Current restricted cash and cash equivalents	$ 2,755,345	$ 2,755,381	$ 2,833,149	$ 2,833,094
Restricted for future construction:				
Cash and cash equivalents	$ 21,326,972	$ 21,326,972	$ 35,014,499	$ 35,014,499
Discounted commericial paper	-	-	4,028,302	4,041,919
Total restricted for future construction	21,326,972	21,326,972	39,042,801	39,056,418
Restricted for debt service reserve:				
Cash and cash equivalents	27,652	27,652	6,970,771	6,970,771
U.S. Treasury securities	3,267,116	3,267,116	3,267,116	3,267,116
Discounted commericial paper	6,943,086	6,954,495	-	-
Total restricted for debt service reserve	10,237,854	10,249,263	10,237,887	10,237,887
Restricted for sick pay reserve, long term:				
Cash and cash equivalents	1,850,363	1,850,363	1,826,214	1,826,214
Noncurrent restricted cash and cash equivalents	$ 33,415,189	$ 33,426,598	$ 51,106,902	$ 51,120,519
Total resticted cash and cash equivalents	$ 36,170,534	$ 36,181,979	$ 53,940,051	$ 53,953,613

Custodial credit risk—In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. For investments, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2009 and 2008, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institutions' trust departments or agents in the Authority's name and all of the Authority's restricted cash in the form of investments was registered in the Authority's name.

Interest rate risk—In the case of investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. The Authority follows a policy to specifically identify the maturity for each individual investment and evaluate risk accordingly.

Current investments—As of December 31, 2009 and December 31, 2008 there were current investments of $5,000,000 and $160,223, respectively.

Credit risk—As of December 31, 2009 the Authority has commercial paper investments with Ford Credit Auto Receivables Trust I maturing March 4, 2010. This investment was purchased on November 4, 2009 with an S&P credit rating of A-1+ and a Moody's credit rating of P-1. As of December 31, 2008 the Authority had a commercial paper investment with Citigroup Funding maturing January 12, 2009. This investment was purchased on November 20, 2008 with an S&P credit rating of A-1+ and a Moody's credit rating of P-1. The Authority's investment policy limits investments in commercial paper to the top rating issued by NRSROs.

3. ACCOUNTS RECEIVABLE

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

Customers are billed either on a monthly or quarterly basis depending on the type of customer (industrial or residential), and the level of water usage. Customers are provided a fifteen day (15) payment period from the billing date to pay their current water charges. A late penalty of 10% is assessed on any unpaid balance 10 days after the due date. An account will receive a collection letter if the account is active, has a receivable balance greater than $75, has a receivable that is 90 days or greater in arrears and has no current collections activity. The collection letter indicates that the customer could be subject to the discontinuance of their water service and additional delinquent charges.

Following fifteen (15) days from the collection letter date, an unpaid account is sent to a collector who schedules a visit to the customer with an "unpaid bill" notice. At the visit, the account is "posted", and the customer has three (3) working days to either pay the bill in full, or submit a partial payment (25%-33%) with a signed promissory agreement for the remaining balance. The agreement is normally kept to a term of 90 days, with some exceptions to 180 days. A final bill that remains unpaid in a direct service area is referred to an outside collection agency. The agency keeps a predetermined portion of any collected monies. In agreements with lease managed water districts, unpaid water bills are referred to municipalities for payment per the terms of a lease management agreement. The outstanding balances of an unpaid final bill in a lease managed area are not referred to an outside agency, instead they are sent to the proper town for payment. Allowances for doubtful accounts at December 31, 2009 and 2008 total $708,721 and $667,711, respectively.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 1/1/2009	Additions	Deletions	Balance 12/31/2009
Capital assets, not being depreciated:				
Land	$ 2,218,274	$ -	$ -	$ 2,218,274
Construction work in progress	13,135,714	29,670,976	(40,856,385)	1,950,305
Total capital assets, not being depreciated	15,353,988	29,670,976	(40,856,385)	4,168,579
Capital assets in service, being depreciated:				
Buildings and structures	209,058,723	33,838,094		242,896,817
Mains and hydrants	214,333,344	2,279,022	(248,578)	216,363,788
Equipment	40,137,616	3,875,928	(636,043)	43,377,501
Other	48,031,909	1,931,279	-	49,963,188
Total capital assets, being depreciated	511,561,592	41,924,323	(884,621)	552,601,294
Less accumulated depreciation:				
Buildings and structures	97,891,487	5,396,144	-	103,287,631
Mains and hydrants	46,643,778	2,138,798	(305,833)	48,476,743
Equipment	21,992,402	1,982,330	(552,025)	23,422,707
Other	28,573,963	1,149,285	-	29,723,248
Total accumulated depreciation	195,101,630	10,666,557	(857,858)	204,910,329
Total capital assets being depreciated, net	316,459,962	31,257,766	(26,763)	347,690,965
Total capital assets, net	$ 331,813,950	$ 60,928,742	$ (40,883,148)	$ 351,859,544

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008
Capital assets, not being depreciated:				
Land	$ 2,218,274	$ -	$ -	$ 2,218,274
Construction work in progress	6,650,443	33,397,273	(26,912,002)	13,135,714
Total capital assets, not being depreciated	8,868,717	33,397,273	(26,912,002)	15,353,988
Capital assets in service, being depreciated:				
Buildings and structures	193,942,053	15,721,213	(604,543)	209,058,723
Mains and hydrants	208,849,255	5,952,549	(468,460)	214,333,344
Equipment	36,904,786	3,878,693	(645,863)	40,137,616
Other	46,607,176	1,462,982	(38,249)	48,031,909
Total capital assets, being depreciated	486,303,270	27,015,437	(1,757,115)	511,561,592
Less accumulated depreciation:				
Buildings and structures	93,492,727	5,002,902	(604,142)	97,891,487
Mains and hydrants	44,548,981	2,080,571	14,226	46,643,778
Equipment	20,874,429	1,828,943	(710,970)	21,992,402
Other	27,371,046	1,185,116	17,801	28,573,963
Total accumulated depreciation	186,287,183	10,097,532	(1,283,085)	195,101,630
Total capital assets being depreciated, net	300,016,087	16,917,905	(474,030)	316,459,962
Total capital assets, net	$ 308,884,804	$ 50,315,178	$ (27,386,032)	$ 331,813,950

Depreciation expense for the years ended December 31, 2009 and 2008 totaled $10,666,557 and $10,097,532 respectively. As noted in Note 1, in accordance with PSC guidelines, the cost of retirements of capital assets is charged against accumulated depreciation.

5. LONG-TERM DEBT

Summary of long-term debt—the following is a summary of the Authority's water revenue bonds at December 31, 2009:

Series	Final Annual Installment Payment Due	Year of Earliest Principal Payment	Interest Rate	Original Issue	Principal Outstanding 12/31/2009
Series 1998B	12/15/2017	1998	3.65-5.20% (*)	$ 7,780,931	$ 3,695,000
Series 1998D	10/15/2019	2000	3.90-5.15% (*)	16,859,700	9,880,000
Series 2003F	7/15/2023	2004	.79-4.50% (*)	15,544,443	11,930,000
Series 2007	12/1/2037	2008	4.50-5.00%	35,000,000	34,070,000
Series 2008	12/1/2018	2009	4.00-5.00%	45,770,000	42,015,000
					101,590,000
Less portion due within one year					(6,400,000)
					$ 95,190,000

(*) Gross rates subject to subsidy from the New York State Environmental Facilities Corporation

The Current Interest Series 1998B and 1998D Series Bonds were issued to the EFC under their aggregate pool financings identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds Series 1998B and Series 1998D in 1998. The 1998B and 1998D bonds in the amounts of $7,780,931 and $16,859,700, respectively, representing the Authority's portion of these financings, were issued to cover the costs of the construction of two new clearwell water tanks and a new pumping station at the Authority's Sturgeon Point plant. Payments are made to the bondholders as follows:

Issue	Interest	Principal
1998B	June 15 and December 15	December 15
1998D	April 15 and October 15	October 15

The bonds bear different rates of interest ranging from 3.65% to 5.20% over their respective installment payment dates ending on December 15, 2017 and October 15, 2019, respectively.

On July 24, 2003 the 2003F Series Bonds were issued to the EFC under their aggregate pool financings identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds Series 2003F. The 2003F bonds in the amount of $15,544,443 representing the Authority's portion of this financing were issued to cover the following:

Description	Amount
Town of Lancaster pump station	$ 2,005,360
Harris Hill pump station & main construction	4,826,239
City of Tonawanda - meters, transmission main, pump station & tank	7,158,404
Debt service reserve account	1,554,440
	$ 15,544,443

Interest on the 2003F bonds ranges from .79% to 4.50% and is payable semi-annually on January 15 and July 15. Principal is payable on July 15. The final maturity of the bonds is July 15, 2023.

The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which the EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

On September 13, 2007, the 2007 Series Bonds were issued for $35,194,288, which includes a premium of $194,288 that is amortized over the life of the bonds. The purpose of these bonds is to provide funds for the costs of acquisition and construction of various projects undertaken by the Authority as part of it capital improvement program. This includes the replacement of various water mains and valves in the distribution system, construction of new pump stations, and upgrades to the coagulation basins and the replacement of electrical equipment and installation of standby emergency generators at the Authority's Sturgeon Point and Van de Water Treatment Plants.

Interest on the 2007 Series Bonds ranges from 4.50% to 5.00% and is payable semi-annually on June 1 and December 1. The principal is payable on December 1. The final maturity of the bonds is December 1, 2037.

On June 25, 2008 the Authority issued $45,770,000 of Water Revenue Refunding Bonds, Series 2008 ("Series 2008 Bonds"). The Series 2008 Bonds carry an interest rate of 4.0% and 5.0% and mature December 1 of each year through December 1, 2018. The proceeds of the issue, including a $3,081,304 premium which will be amortized over the life of the Series 2008 Bonds, were used to refund principal of the Series 1993A and Series 1993B Bonds, $27,500,000 and $15,000,000, respectively. A portion of the proceeds from the issuance covered the costs resulting from a fee in connection with the termination of the swap agreement related to the Series 1993A and Series 1993B Bonds. This cost of the swap termination, $5,058,208, and other costs of refunding of $391,137 will be amortized over the life of the redeemed bonds. Additional costs of $363,499 were a result of the issuance and will be amortized over the life of the Series 2008 Bonds. The remaining portion of the proceeds, after the total $5,894,523 cost of refunding the bonds, including the final interest payment on the swap agreement of $81,679, were deposited into the Series 2008 Debt Service Reserve Account. The Series 1993A and Series 1993B Bonds were redeemed on July 25, 2008. The issuance of the Series 2008 refunding bonds reduces the debt service by $7,481,572 and has a net present value cash flow savings of $8,393,467.

As a result of the redemption of the Series 1993A and Series 1993B, all of the current outstanding bonds have been issued under the Authority's Fourth Resolution. Therefore, all of the current bondholders have equal claims against the Authority's revenues.

Prior to 1993, the Authority completed a plan of restructuring a significant portion of its debt through a series of bond issuances. The net proceeds from these issuances and certain existing funds were deposited with an escrow agent pursuant to refunding agreements, and invested in U.S. Government securities. The maturities of these invested funds and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased bonds as they mature. These advance refunding transactions effectively released the Authority from its obligation to repay these bonds and constituted in-substance defeasances. The principal outstanding on the bonds defeased prior to 1993 is $7,225,000 at December 31, 2009 with maturities ranging from the year 2010 to the year 2014.

Long-term debt requirements—Long-term debt requirements are summarized as follows:

Year ending December 31,	Bond Principal
2010	$ 6,400,000
2011	6,635,000
2012	6,920,000
2013	7,180,000
2014	7,505,000
2015-2019	35,870,000
2020-2024	10,270,000
2025-2029	6,640,000
2030-2034	8,255,000
2035-2037	5,915,000
	101,590,000
Less portion due within one year	6,400,000
	$ 95,190,000

Annual interest payments due on water revenue bonds:

	Interest Due on Bonded Debt
2010	$ 4,759,540
2011	4,498,827
2012	4,185,628
2013	3,899,139
2014	3,555,875
2015-2019	12,018,283
2020-2024	6,383,649
2025-2029	4,398,874
2030-2034	2,689,525
2035-2037	600,250
	46,989,590
Less portion due within one year	4,759,540
	$ 42,230,050

Summary of changes in long-term debt—the following is a summary of changes in water revenue bonds, compensated absences, and other long-term debt for the year ended December 31, 2009:

	Balance 1/1/2009	Additions and Appreciation	Deletions	Balance 12/31/2009	Due Within One Year
Series 1998B	$ 4,090,000	$ -	$ (395,000)	$ 3,695,000	$ 405,000
Series 1998D	10,685,000	-	(805,000)	9,880,000	830,000
Series 2003F	12,555,000	-	(625,000)	11,930,000	635,000
Series 2007	34,705,000	-	(635,000)	34,070,000	660,000
Series 2008	45,770,000	-	(3,755,000)	42,015,000	3,870,000
Bonds payable	$ 107,805,000	$ -	$ (6,215,000)	$ 101,590,000	$6,400,000
Add (subtract) deferred amounts:					
For bond premiums	3,119,346	-	(302,235)	2,817,111	302,236
For issuance costs	(6,508,985)	-	740,320	(5,768,665)	(740,321)
Total bonds payable	$ 104,415,361	$ -	$ (5,776,915)	$ 98,638,446	$5,961,915
Compensated absences	$ 2,918,680	$ 262,409	$ (205,184)	$ 2,975,905	$1,125,542

6. PENSION PLAN

Plan Description—The Authority participates in the New York State and Local Employees' Retirement System ("State Plan"), which is a cost-sharing, multiple-employer, public employee retirement system. The State Plan provides retirement, disability, and death benefits to members as authorized by the New York State Retirement and Social Security Law. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as the sole trustee and administrative head of the State Plan. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the State Plan and for the custody and control of their funds. The State Plan issues publicly available financial reports that contain financial statements and required supplementary information for the State Plan. The State Plan report may be obtained by writing to the New York State and Local Retirement Systems – Employees' Retirement System, 110 State Street, Albany, New York 12244 or on the Internet at www.osc.state.ny.us.

Funding Policy—Plan members who joined the State Plan before July 27, 1976 are not required to make contributions. Those joining on or after July 27, 1976 are required to contribute 3% of their annual salary for the first ten years of their membership, or credited service. For members hired after January 1, 2010, an additional tier was added which will require a 3% contribution for the duration of their membership. Additionally, members who meet certain eligibility requirements will receive one month additional service credit for each completed year of service, subject to certain limitations. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The Authority's required contributions and rates over the past three years were:

	Amount	Rate
2009	$ 961,939	8.1%-10.0%
2008	1,123,063	9.0%-11.2%
2007	1,332,308	9.9%-12.3%

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the State Plan: requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible, and changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2009 would be based on the pension value as of March 31, 2008).

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule: for State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of the employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted, for SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries, and for SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries.

Legislation requires participating employers to make payments on a current basis. The Authority contributed 100% of the required contributions each year, and has not bonded or amortized any of the excess amounts.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description—The Authority provides retiree health plans through Labor Management Healthcare Fund ("LMHF"). Retirees must meet age and years of service requirements to qualify for health benefits under this single-employer defined benefit healthcare plan (the Plan). Retiree benefits continue for the lifetime of the retiree and spousal benefits continue for their lifetime until they remarry. There were 133 and 128 retirees receiving health care benefits, at December 31, 2009 and December 31, 2008. The Plan is not required to and does not issue a publicly available financial report.

Funding Policy—Authorization for the Authority to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Authority's Board of Commissioners or through union contracts, which are ratified by the Board of Commissioners. Employees that meet the age and years of service requirements that are enrolled in any healthcare plan prior to June 1, 2004 are required to make no contribution. New retirees enrolling in the Traditional Blue PPO 812 plan after June 1, 2004 are required to pay contributions equal to the difference between the Traditional Blue PPO 812 plan premium and the highest premium of any other plan offered to that retiree. No current retirees contribute to their healthcare coverage.

The Authority's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation for 2009 and 2008.

	2009	2008	2007
Annual required contribution	$ 4,829,105	$ 4,579,161	$ 4,301,381
Interest on net OPEB obligation	290,667	137,434	-
Adjustment to annual required contribution	(396,544)	(187,494)	-
Annual OPEB costs (expense)	4,723,228	4,529,101	4,301,381
Contributions made	(1,253,819)	(1,123,917)	(1,247,310)
Increase in net OPEB obligation	3,469,409	3,405,184	3,054,071
Net OPEB obligation - beginning of year	6,459,255	3,054,071	-
Net OPEB obligation - end of year	$ 9,928,664	$ 6,459,255	$ 3,054,071

Funding Status and Funding Progress—As of January 1, 2009, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was $46,932,442.

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. Examples include 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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Authority's Schedule of Funding Progress is presented below, and presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
January 1, 2007	$ -	$ 41,426,643	$ 41,426,643	-	$ 14,736,405	2.81
January 1, 2008	-	44,227,440	44,227,440	-	15,340,957	2.88
January 1, 2009	-	46,932,442	46,932,442	-	15,321,994	3.06

The Schedule of the Authority's Contributions is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2007	$ 4,301,381	$ 1,247,310	29.0%
2008	4,579,161	1,123,917	24.5%
2009	4,829,105	1,253,819	26.0%

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

Retirement age for active employees – New York State Employees' Retirement System with ages beginning at 55 through age 70
Marital status – Assumed 80% married, with male spouses assumed to be three years older than female spouses unless actual ages provided for current retirees
Mortality **–** RP 2000 mortality tables, separate for males and females
Turnover **–** Non-group-specific age-based turnover data as obtained from the New York State Employees' Retirement System
Healthcare cost trend rate – For health insurance, a rate of 10.0% initially, reduced to an ultimate rate of 5.0% after ten years for pre-65 retirees and 8.0% initially reduced to an ultimate rate of 5.0% after ten years for post-65 retirees; for prescription drug coverage, an initial rate of 12.0% reduced to 5.0% after ten years
Actuarial cost method – Projected Unit Credit
Discount rate **–** 4.5%
Consumer price index **–** 3.25%

Amortization method – 30 years, level dollar, open basis
Investment rate of return – 0.0% on Plan assets, 4.5% on the Authority's general assets

8. LABOR RELATIONS

Certain Authority employees are represented by two bargaining units, American Federation of State, County and Municipal Employees ("AFSCME") and Civil Service Employees Association, Inc. ("CSEA"). Both the CSEA and AFSCME contracts expired on March 31, 2008 and are currently under negotiation.

9. NET ASSETS, RESERVES AND DESIGNATIONS

The Authority financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Investment in capital assets, net of related debt—This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

	December 31, 2009		December 31, 2008	
Capital assets, net of accumulated depreciation		$ 351,859,544		$ 331,813,950
Related debt:				
Water revenue bonds:				
Total water revenue bonds issued	(101,590,000)		(107,805,000)	
Unspent debt proceeds	-		4,075,220	
Water revenue bonds issued for capital assets		(101,590,000)		(103,729,780)
Bond premium		(2,817,111)		(3,119,346)
Investment in capital assets, net of related debt		$ 247,452,433		$ 224,964,824

Restricted net assets—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

For the years ended December 31, 2009 and 2008, net assets were restricted for the following purposes:

- ***Debt Service Reserve Account*** — During 1998, the Authority established a Debt Service Reserve Account as required by the Series 1998B and 1998D bond resolutions. During 2003, per the 2003F bond resolution the Authority established a Debt Service Reserve Account from a portion of the 2003F bond proceeds. For the Series 1998B and Series 1998D bonds, the Authority established the debt service reserve as the average of the annual installments of debt service per the bond resolutions. For the Series 2003F bonds, the Authority established the debt service reserve based on ten percent of the total principal of the loan. The required amount was determined by EFC and must remain on deposit until the bonds mature.

During 2007, the Authority established a Debt Service Reserve Account as required by the Series 2007 bond resolution to maintain a specified amount of funds to meet future debt service requirements. The Authority established the Debt Service Reserve Account based on the maximum amount of principal and interest coming due in any succeeding calendar year on the outstanding Series 2007 bonds.

During 2008, the Authority established a Debt Service Reserve Account as required by the Series 2008 bond resolution to maintain a specified amount of funds to meet future debt service requirements. The Authority established the Debt Service Reserve Account based on ten percent of the total principal of the loan.

- ***Debt Service Account*** — The 1992 Fourth Resolution, 1998B, 1998D, 2003F, 2007 and 2008 Supplemental Fourth Resolution bond resolutions require that a specified amount of funds be maintained in the Debt Service Account. The requirements of the Debt Service Account state that the Authority must deposit funds to provide for monthly interest and principal payments to start not later than six months prior to the payment of interest and twelve months prior to the payment of principal.

Unrestricted net assets—This category represents net assets of the Authority not restricted for any project or other purpose. Management intends to utilize unrestricted net assets to partially finance the Authority's projected five-year capital spending, which will require future financing in excess of $75 million.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy concerning which to apply first varies with the intended use and associated legal requirements. Management typically makes this decision on a transactional basis.

10. COMMITMENTS AND CONTINGENCIES

The Authority maintains and operates certain facilities employed in the sale and distribution of water which it leases from various local municipal water districts pursuant to lease management agreements. Such agreements generally are for at least ten-year terms and automatically renew for additional ten-year terms unless terminated by either party one year prior to expiration of the term, the agreements provide that the municipalities obtain water exclusively from the Authority. Future maintenance and operating costs to be incurred by the Authority under such arrangements presently in effect are not determinable.

The Authority is subject to various laws and regulations, which primarily establish uniform minimum national water quality standards. The Authority has established procedures for the on-going evaluation of its operations to identify potential exposures and assure continued compliance with these regulatory standards.

The Authority is also committed under various operating leases for the use of certain equipment and office space. Rental expense for 2009 and 2008 aggregated $320,269 and $327,054. Future minimum annual rentals to be paid under such leases are not significant.

The Authority is involved in litigation and other matters arising in its normal operating, financing, and investing activities. While the resolution of such litigation or other matters could have a material effect on earnings and cash flows in the year of resolution, the Authority has obtained various liability, property, and workers' compensation insurance policies which would reduce exposure to loss on the part of the Authority. Management has made provisions for anticipated losses, if any, on the accompanying statement of net assets as advised by legal counsel. None of this litigation and none of these other matters are expected to have a material effect on the financial condition of the Authority at this time.

STATISTICAL SECTION

(UNAUDITED)

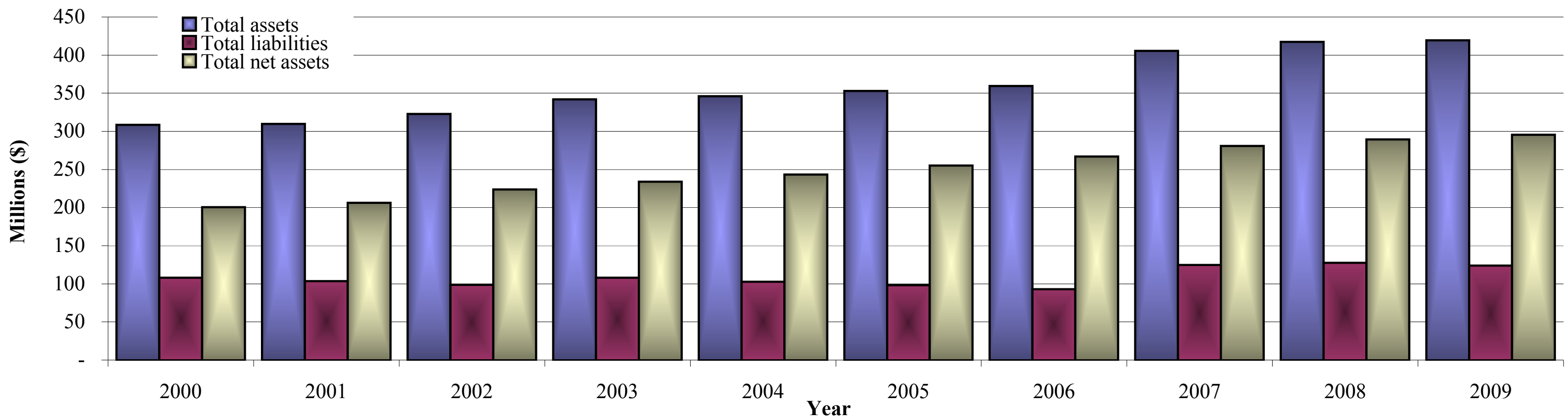
This section of the Erie County Water Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents **Page**

ERIE COUNTY WATER AUTHORITY

Summary Comparison of the Statement of Net Assets
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Current assets	$ 32,291,609	$ 34,101,790	$ 37,770,731	$ 33,704,255	$ 37,231,424	$ 39,318,337	$ 41,073,115	$ 29,800,725	$ 34,305,092	$ 34,091,966
Noncurrent assets	276,261,656	275,773,688	284,872,862	308,317,224	308,849,860	313,858,623	318,546,124	375,686,541	382,934,469	385,286,142
Total assets	308,553,265	309,875,478	322,643,593	342,021,479	346,081,284	353,176,960	359,619,239	405,487,266	417,239,561	419,378,108
Current liabilities	14,441,120	14,640,158	15,007,426	14,940,648	17,638,491	18,809,409	20,013,673	16,547,767	20,760,295	19,575,321
Noncurrent liabilities	93,614,150	88,843,783	83,817,621	93,016,537	85,048,501	79,331,568	72,803,311	108,146,116	106,923,914	104,455,558
Total liabilities	108,055,270	103,483,941	98,825,047	107,957,185	102,686,992	98,140,977	92,816,984	124,693,883	127,684,209	124,030,879
Invested in capital assets, net of related debt	163,638,247	168,492,470	176,744,270	177,687,304	191,922,943	208,606,705	224,456,645	227,552,045	224,964,824	247,452,433
Restricted	14,648,635	13,768,476	14,551,908	24,758,568	19,892,507	16,644,478	15,516,546	22,874,616	12,137,312	12,132,185
Unrestricted	22,211,113	24,130,591	32,522,368	31,618,422	31,578,842	29,784,800	26,829,064	30,366,722	52,453,216	35,762,611
Total net assets	$200,497,995	$206,391,537	$223,818,546	$234,064,294	$243,394,292	$255,035,983	$266,802,255	$280,793,383	$289,555,352	$295,347,229



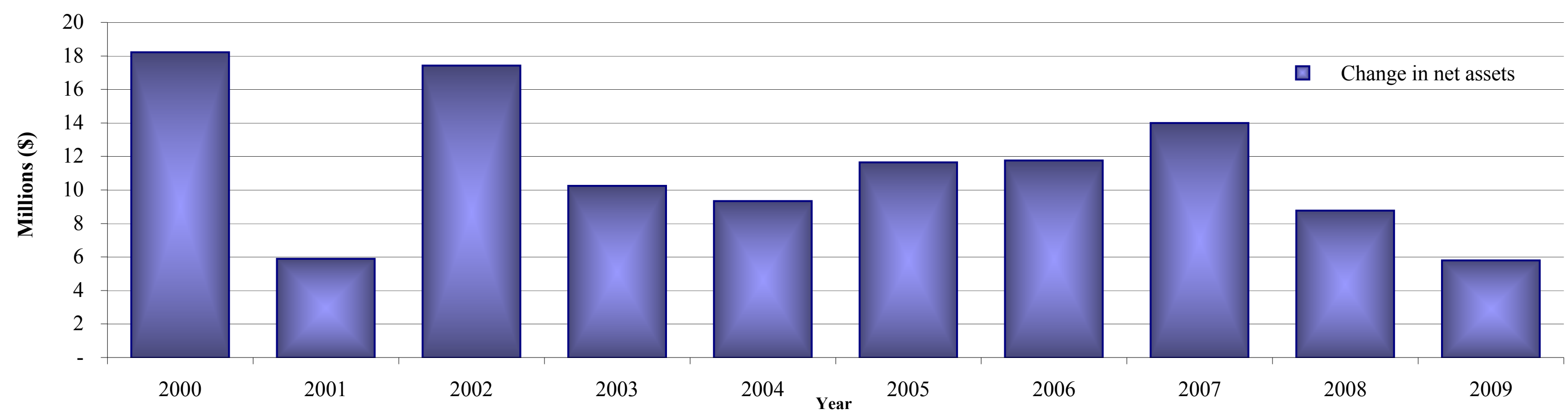
(Source: Annual Audited Financial Statements)

ERIE COUNTY WATER AUTHORITY

Changes in Net Assets

Last Ten Fiscal Years

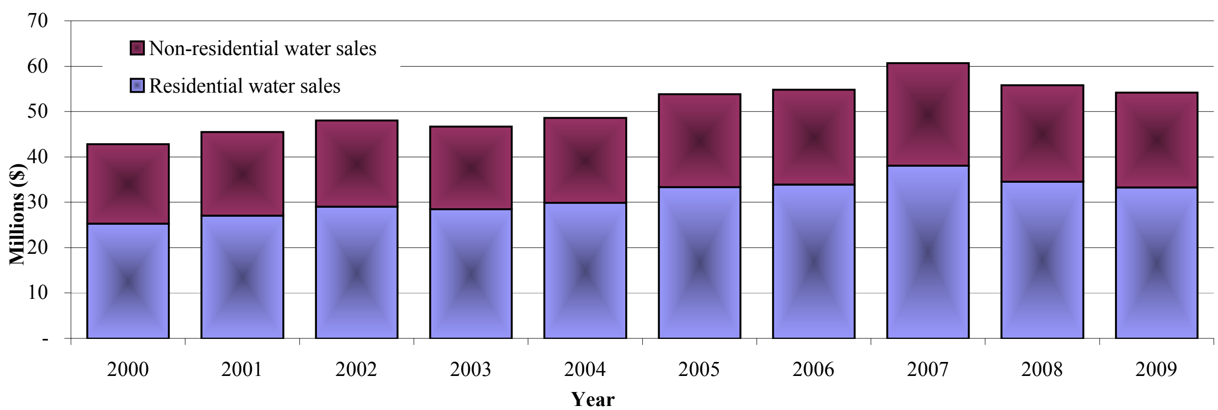
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenue	$ 43,013,977	$ 45,633,628	$ 48,362,387	$ 47,073,542	$ 48,982,522	$ 54,238,666	$ 55,744,905	$ 61,227,617	$ 56,284,871	$ 54,688,581
Operating expenses	34,554,244	37,954,241	37,318,985	37,204,461	39,654,104	41,831,636	43,929,734	47,491,290	45,830,367	46,428,407
Operating income	8,459,733	7,679,387	11,043,402	9,869,081	9,328,418	12,407,030	11,815,171	13,736,327	10,454,504	8,260,174
Nonoperating revenue(expenses)	(2,423,233)	(2,825,164)	(2,791,602)	(3,047,463)	(3,169,326)	(2,254,436)	(1,224,085)	(737,286)	(2,448,077)	(3,091,684)
Net income before contributions in aid of construction	6,036,500	4,854,223	8,251,800	6,821,618	6,159,092	10,152,594	10,591,086	12,999,041	8,006,427	5,168,490
Contributions in aid of construction	12,183,166	1,039,319	9,175,209	3,424,130	3,170,906	1,489,097	1,175,186	992,087	755,542	623,387
Change in net assets	18,219,666	5,893,542	17,427,009	10,245,748	9,329,998	11,641,691	11,766,272	13,991,128	8,761,969	5,791,877
Total net assets - beginning of year	182,278,329	200,497,995	206,391,537	223,818,546	234,064,294	243,394,292	255,035,983	266,802,255	280,793,383	289,555,352
Total net assets - end of year	$200,497,995	$206,391,537	$223,818,546	$234,064,294	$243,394,292	$255,035,983	$266,802,255	$280,793,383	$289,555,352	$295,347,229



(Source: Annual Audited Financial Statements)

ERIE COUNTY WATER AUTHORITY
Operating Revenue by Source
Last Ten Fiscal Years

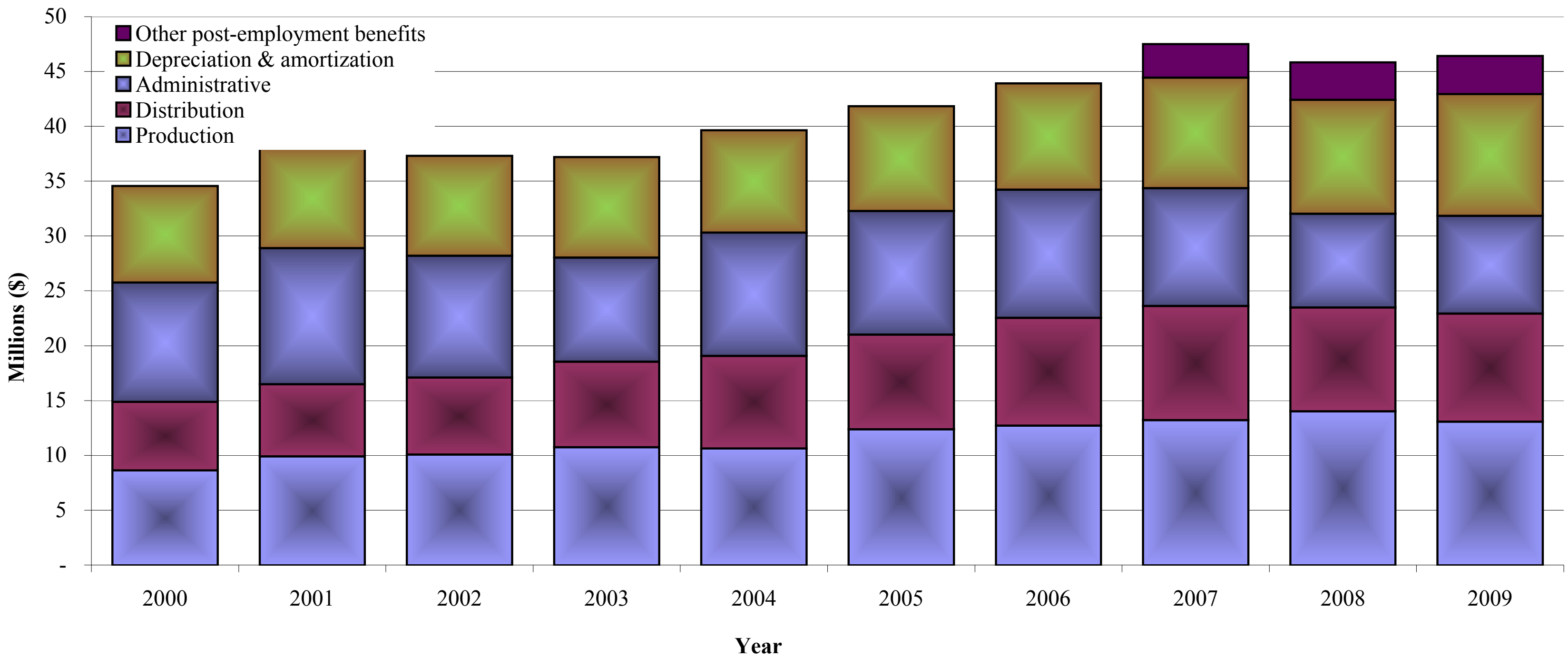
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water sales										
Residential	$25,265,112	$27,042,922	$29,052,911	$28,482,355	$29,894,743	$33,370,134	$33,915,574	$38,059,827	$34,520,149	$33,301,075
Commercial	5,845,693	5,963,131	5,918,519	5,757,113	6,096,444	6,589,277	6,845,706	7,402,558	7,003,921	6,859,468
Industrial	1,596,887	1,472,354	1,577,883	1,490,969	1,639,787	1,847,582	1,825,446	1,917,907	1,901,354	1,664,086
Public authorities	1,594,522	1,710,179	1,829,221	1,673,422	1,708,476	1,980,744	2,033,007	2,170,407	2,052,689	1,988,592
Fire protection	2,843,889	2,912,188	3,038,519	3,172,430	3,348,559	3,560,805	3,718,934	3,774,006	3,799,498	3,783,547
Sales to other utilities	4,620,601	4,871,991	5,072,600	4,681,735	4,674,682	4,550,195	4,690,210	4,992,582	4,920,668	4,966,093
Other water revenue	1,044,501	1,488,505	1,542,886	1,419,298	1,251,430	1,906,305	1,801,691	2,353,620	1,584,878	1,598,547
Total water sales	42,811,205	45,461,270	48,032,539	46,677,322	48,614,121	53,805,042	54,830,568	60,670,907	55,783,157	54,161,408
Rents from water towers	132,667	159,614	299,550	326,573	353,887	419,872	446,806	547,075	492,929	504,254
Other operating revenue	70,105	12,744	30,298	69,647	14,514	13,752	467,531	9,635	8,785	22,919
Total operating revenue	$43,013,977	$45,633,628	$48,362,387	$47,073,542	$48,982,522	$54,238,666	$55,744,905	$61,227,617	$56,284,871	$54,688,581
Water sales as a percent of total operating revenue	99.5%	99.6%	99.3%	99.2%	99.2%	99.2%	98.4%	99.1%	99.1%	99.0%
Non-residenital water sales	17,546,093	18,418,348	18,979,628	18,194,967	18,719,378	20,434,908	20,914,994	22,611,080	21,263,008	20,860,333



(Source: Annual Audited Financial Statements)

ERIE COUNTY WATER AUTHORITY
Operating Expenses
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Production	$ 8,647,310	$ 9,915,731	$10,088,719	$10,732,803	$10,619,126	$12,393,279	$12,721,482	$13,215,672	$14,020,769	$13,069,199
Distribution	6,230,632	6,568,349	6,999,349	7,825,476	8,462,789	8,629,594	9,822,375	10,418,967	9,471,675	9,866,044
Administrative	10,883,134	12,408,260	11,118,955	9,478,095	11,240,637	11,260,014	11,676,905	10,727,002	8,549,306	8,919,113
Depreciation & amortization	8,793,168	9,061,901	9,111,962	9,168,087	9,331,552	9,548,749	9,708,972	10,075,578	10,383,433	11,104,642
Other post-employment benefit	-	-	-	-	-	-	-	3,054,071	3,405,184	3,469,409
Total operating expenses	$34,554,244	$37,954,241	$37,318,985	$37,204,461	$39,654,104	$41,831,636	$43,929,734	$47,491,290	$45,830,367	$46,428,407

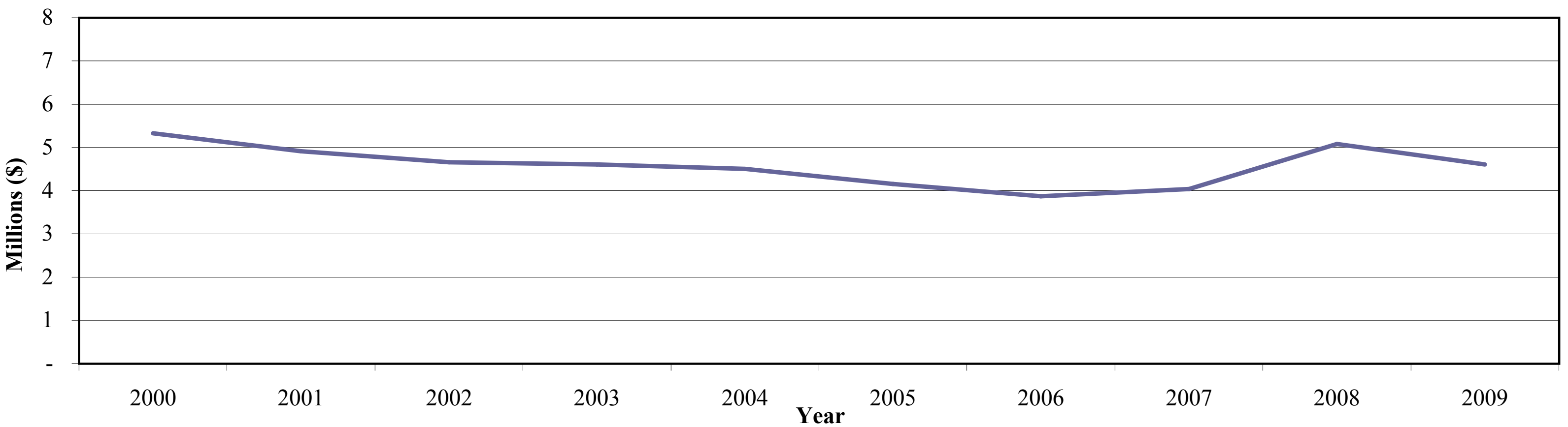


(Source: Annual Audited Financial Statements)

ERIE COUNTY WATER AUTHORITY
Nonoperating Revenue and Expense
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nonoperating revenue and expense										
Interest expense	$ 5,327,781	$ 4,911,337	$ 4,657,045	$ 4,605,235	$ 4,501,527	$ 4,149,699	$ 3,868,064	$ 4,035,419	$ 5,074,771	$ 4,606,955
Interest revenue	2,886,249	2,046,764	1,803,904	1,191,949	1,188,823	1,796,187	2,498,889	3,138,936	2,353,043	871,878
Interest capitalized during construction	18,299	39,409	61,539	365,823	143,378	99,076	145,090	159,196	273,651	643,393
Net nonoperating expense	$ 2,423,233	$ 2,825,164	$ 2,791,602	$ 3,047,463	$ 3,169,326	$ 2,254,436	$ 1,224,085	$ 737,287	$ 2,448,077	$ 3,091,684

Interest Expense

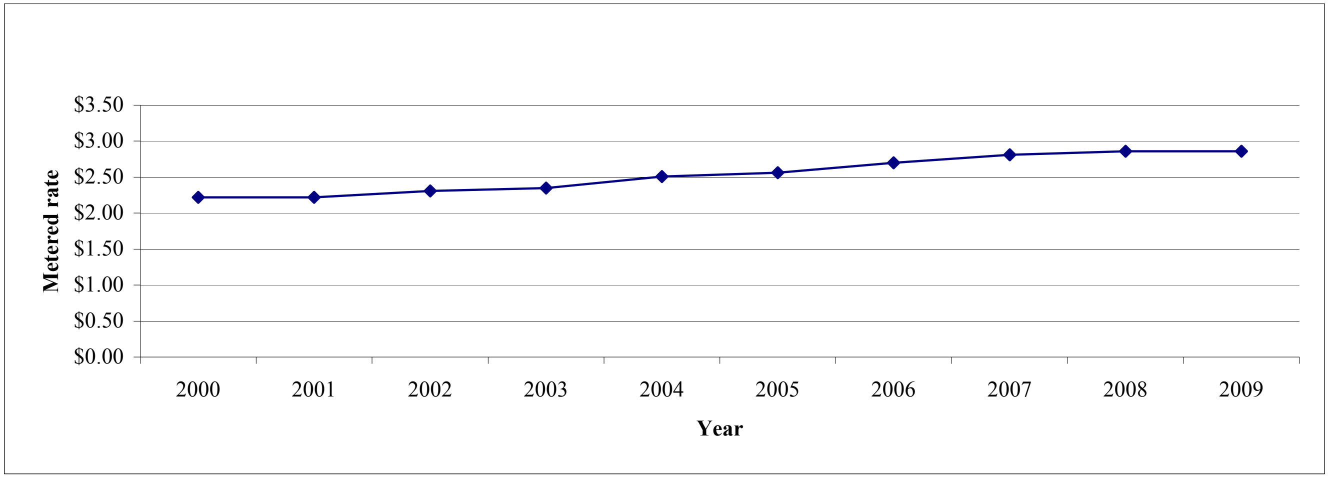


(Source: Annual Audited Financial Statements)

ERIE COUNTY WATER AUTHORITY
Metered Water Rate History
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	(Base Year)										
Metered water rates[1]	$2.22	$2.22	$2.22	$2.31	$2.35	$2.51	$2.56	$2.70	$2.81	$2.86	$2.86
Percentage increase (%)		0.00%	0.00%	4.05%	1.73%	6.81%	1.99%	5.47%	4.07%	1.78%	0.00%

[1]Metered water rates represent the cost per 1,000 gallons for the first 300,000 gallons per quarter



(Source: Erie County Water Authority Tariff)

ERIE COUNTY WATER AUTHORITY

Largest Customers

Current Year and Nine Years Ago

Year End December 31, 2009		Year End December 31, 2000	
Non-Municipal Customers		Non-Municipal Customers	
State University of NY at Buffalo	$ 477,740	Bethlehem Steel Corporation	$701,377
Upstate Farms Cooperative	233,804	State University of NY at Buffalo	477,941
Seneca Nation of Indians	219,288	Benderson Development Co.	251,943
ArcelorMittal	208,227	Seneca Nation of Indians	162,097
Developers Diversified	194,880	Republic Technologies International	154,799
Mayer Bros. Apple Products, Inc.	182,606	Delta Sonic	118,038
Benderson Development Co.	175,204	West Seneca Developmental Center	113,114
Rosina Food Products, Inc.	173,831	Ford Motor Co.	95,276
Republic Engineered Products	142,965	New York State Department of Corrections	94,582
BGMHC, LLC	134,837	Rosina Food Products, Inc.	76,651
Total of Largest Non-Municipal Customers	$ 2,143,382	Total of Largest Non-Municipal Customers	$ 2,245,818
Percent of total billings	3.9%	Percent of total billings	5.2%
Municipal Customers		Municipal Customers	
Town of Elma	$ 1,185,209	Town of Elma	$836,816
Town of Evans	992,798	Town of Evans	729,584
Village of Williamsville	536,587	Village of Lancaster*	694,709
Village of East Aurora	493,127	Village of East Aurora	463,609
Village of Angola	338,414	Village of Williamsville	370,263
Village of Blasdell	306,334	Village of Orchard Park	305,955
Village of Orchard Park	269,767	Village of Angola	257,973
Monroe County Water Authority	260,810	Village of Blasdell	283,723
Village of Silver Creek	186,058	Village of Silver Creek	207,036
Town of Hanover	132,292	Town of Orchard Park*	192,344
Total of Largest Municipal Customers	$ 4,701,396	Total of Largest Municipal Customers	$ 4,342,012
Percent of total billings	8.5%	Percent of total billings	10.1%

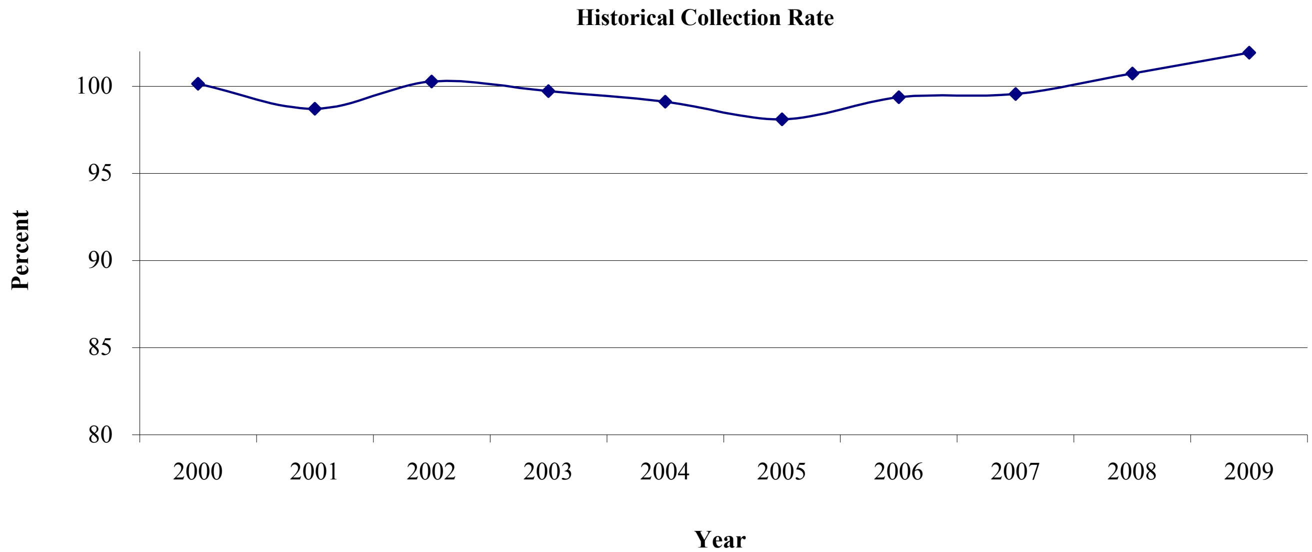
* These municipalities converted from bulk sale to direct service customers in 2002 and 2004 respectively.

(Source: Authority Business Office Records)

ERIE COUNTY WATER AUTHORITY
Collection Rates
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total billings	$ 42,843,574	$ 45,899,993	$ 48,056,813	$ 47,039,093	$ 49,015,948	$ 54,078,921	$ 55,170,872	$ 60,437,396	$ 55,914,021	$ 55,043,152
Collections*	$ 42,906,211	$ 45,310,705	$ 48,183,792	$ 46,905,832	$ 48,577,905	$ 53,053,993	$ 54,821,020	$ 60,170,133	$ 56,320,787	$ 56,103,083
Collection rate (%)	100.15	98.72	100.26	99.72	99.11	98.10	99.37	99.56	100.73	101.93

*collections include collections of current year billings and prior year billings

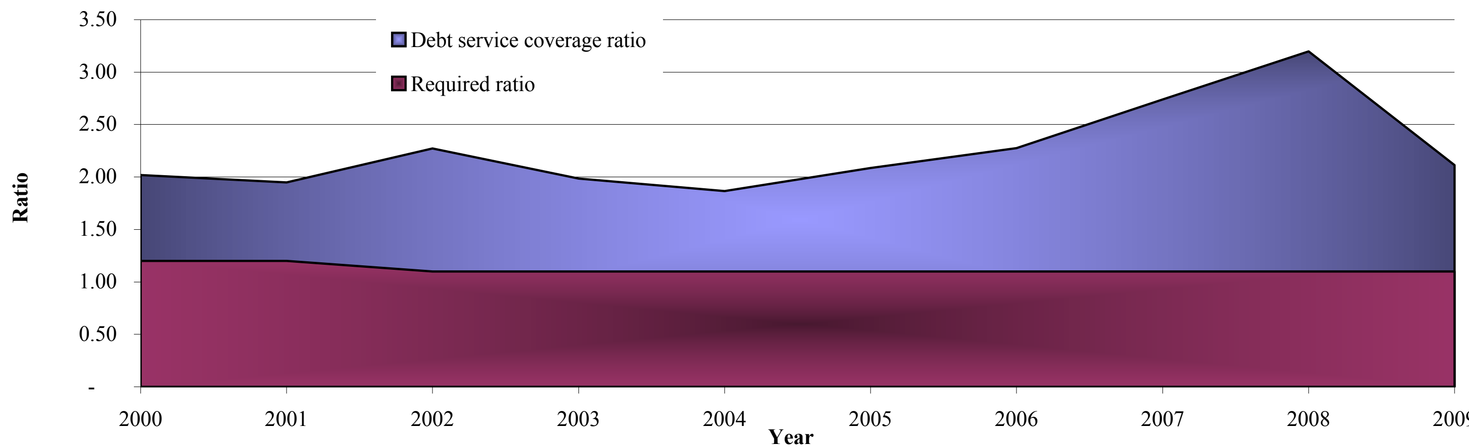


(Source: Authority Financial and Business Office Records)

ERIE COUNTY WATER AUTHORITY

Debt Service Coverage Ratio
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenue	$ 43,013,977	$ 45,633,628	$ 48,362,387	$ 47,073,542	$ 48,982,522	$ 54,238,666	$ 55,744,905	$ 61,227,617	$ 56,284,871	$ 54,688,581
Interest income	2,886,249	2,054,934	1,810,853	1,191,949	1,188,823	1,796,186	2,498,889	3,138,936	2,353,043	871,878
Operating expense less non-cash expenses	(25,761,076)	(28,892,340)	(28,207,023)	(28,036,374)	(30,322,552)	(32,282,887)	(34,220,762)	(34,361,641)	(32,041,750)	(31,854,356)
Net revenue	$ 20,139,150	$ 18,796,222	$ 21,966,217	$ 20,229,117	$ 19,848,793	$ 23,751,965	$ 24,023,032	$ 30,004,912	$ 26,596,164	$ 23,706,103
Debt service	$ 9,979,103	$ 9,644,694	$ 9,661,533	$ 10,190,804	$ 10,642,769	$ 11,379,335	$ 10,563,883	$ 10,958,058	$ 8,320,776	$ 11,223,798
Debt service coverage ratio	2.02	1.95	2.27	1.99	1.87	2.09	2.27	2.74	3.20	2.11
Required ratio	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1



(Source: Authority Financial Records)

ERIE COUNTY WATER AUTHORITY

Debt Service Maturity Schedule

	Issued Directly by the Authority				EFC Financings		
	2007 Fourth Resolution Bonds		2008 Fourth Resolution Bonds		Serial Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal & Interest
2010	$ 660,000	$ 1,592,989	$ 3,870,000	$ 2,019,800	$ 1,870,000	$ 1,146,751	$ 11,159,540
2011	685,000	1,563,289	4,025,000	1,865,000	1,925,000	1,070,538	11,133,827
2012	710,000	1,532,464	4,225,000	1,663,750	1,985,000	989,414	11,105,628
2013	740,000	1,500,514	4,395,000	1,494,750	2,045,000	903,875	11,079,139
2014	770,000	1,467,214	4,615,000	1,275,000	2,120,000	813,662	11,060,876
2015	800,000	1,432,564	4,845,000	1,044,250	2,190,000	718,007	11,029,821
2016	835,000	1,396,564	5,090,000	802,000	2,270,000	617,037	11,010,601
2017	865,000	1,358,989	5,340,000	547,500	2,345,000	510,565	10,967,054
2018	905,000	1,320,064	5,610,000	280,500	1,885,000	399,318	10,399,882
2019	940,000	1,279,339	-	-	1,950,000	311,588	4,480,927
2020	980,000	1,237,039	-	-	805,000	218,604	3,240,643
2021	1,025,000	1,192,939	-	-	830,000	183,869	3,231,808
2022	1,065,000	1,146,814	-	-	855,000	147,432	3,214,246
2023	1,115,000	1,098,889	-	-	2,430,000	109,350	4,753,239
2024	1,165,000	1,048,714	-	-	-	-	2,213,714
2025	1,215,000	996,289	-	-	-	-	2,211,289
2026	1,270,000	941,614	-	-	-	-	2,211,614
2027	1,325,000	882,876	-	-	-	-	2,207,876
2028	1,385,000	821,595	-	-	-	-	2,206,595
2029	1,445,000	756,500	-	-	-	-	2,201,500
2030-2034	8,255,000	2,689,525	-	-	-	-	10,944,525
2035-2037	5,915,000	600,246	-	-	-	-	6,515,246
Total	$ 34,070,000	$ 27,857,030	$ 42,015,000	$ 10,992,550	$ 25,505,000	$ 8,140,010	$ 148,579,590

(Source: Official Statements from Bond Issues and Authority Business Office Records)

ERIE COUNTY WATER AUTHORITY
Principal Debt Outstanding by Issue

	Principal Outstanding by Issue					
	Series 1998A	Series 1998B	Series 2003F	Series 2007	Series 2008	Total
2010	$ 405,000	$ 830,000	$ 635,000	$ 660,000	$ 3,870,000	$ 6,400,000
2011	420,000	860,000	645,000	685,000	4,025,000	6,635,000
2012	435,000	890,000	660,000	710,000	4,225,000	6,920,000
2013	450,000	925,000	670,000	740,000	4,395,000	7,180,000
2014	470,000	960,000	690,000	770,000	4,615,000	7,505,000
2015	485,000	1,000,000	705,000	800,000	4,845,000	7,835,000
2016	505,000	1,040,000	725,000	835,000	5,090,000	8,195,000
2017	525,000	1,080,000	740,000	865,000	5,340,000	8,550,000
2018	-	1,125,000	760,000	905,000	5,610,000	8,400,000
2019	-	1,170,000	780,000	940,000	-	2,890,000
2020	-	-	805,000	980,000	-	1,785,000
2021	-	-	830,000	1,025,000	-	1,855,000
2022	-	-	855,000	1,065,000	-	1,920,000
2023	-	-	2,430,000	1,115,000	-	3,545,000
2024	-	-	-	1,165,000	-	1,165,000
2025	-	-	-	1,215,000	-	1,215,000
2026	-	-	-	1,270,000	-	1,270,000
2027	-	-	-	1,325,000	-	1,325,000
2028	-	-	-	1,385,000	-	1,385,000
2029	-	-	-	1,445,000	-	1,445,000
2030	-	-	-	1,510,000	-	1,510,000
2031	-	-	-	1,575,000	-	1,575,000
2032	-	-	-	1,650,000	-	1,650,000
2033	-	-	-	1,720,000	-	1,720,000
2034	-	-	-	1,800,000	-	1,800,000
2035	-	-	-	1,885,000	-	1,885,000
2036	-	-	-	1,970,000	-	1,970,000
2037	-	-	-	2,060,000	-	2,060,000
Total	$ 3,695,000	$ 9,880,000	$ 11,930,000	$ 34,070,000	$ 42,015,000	$ 101,590,000

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Total principal debt outstanding	$ 91,244,219	$ 87,333,747	$ 83,607,830	$ 93,347,273	$ 86,847,273	$ 79,507,273	$ 75,664,253	$ 106,759,756	$ 107,805,000	$ 101,590,000
Outstanding debt per customer	$ 577	$ 553	$ 529	$ 591	$ 549	$ 503	$ 479	$ 675	$ 682	$ 643

ERIE COUNTY WATER AUTHORITY

Demographic and Economic Statistics

Last Ten Years

	Population[2]	Erie County Per Capita Income[3]	Erie County Aggregate Income[4]	Unemployment Rate[1] Erie County	Unemployment Rate[1] New York State	Labor Force[1]
2000	949,461	27,833	$ 19,181,203,026	4.2%	4.1%	575,475
2001	945,205	28,459	19,459,796,053	5.7%	6.0%	572,861
2002	940,800	29,154	19,348,895,930	5.6%	6.3%	579,977
2003	937,298	30,311	20,807,948,091	5.8%	6.0%	581,781
2004	932,637	31,914	20,743,073,400	5.5%	5.2%	586,080
2005	924,748	32,746	21,396,921,200	5.1%	4.8%	584,877
2006	917,209	34,584	21,730,920,800	4.7%	4.1%	582,479
2007	912,158	36,116	23,742,483,500	5.4%	4.7%	582,921
2008	909,845	n/a	24,056,490,100	7.1%	6.5%	585,449
2009	909,247	n/a	n/a	8.5%	8.8%	579,285

(n/a: not available)

Sources:

[1]US Department of Labor - Bureau of Labor Statistics

[2]US Bureau of the Census

[3]US Bureau of Economic Analysis

[4]US Bureau of the Census - American Community Survey

ERIE COUNTY WATER AUTHORITY
Largest Employers in Western New York
Last Ten Years

	2009			2000		
Employer	Employees	Percentage of Total Labor Force	Rank	Employees	Percentage of Total Labor Force	Rank
State of New York	16,755	2.9%	1	18,845	3.3%	1
University at Buffalo	10,066	1.7%	2	5,058	0.9%	7
Kaleida Health	10,000	1.7%	3	6,896	1.2%	4
United States of America	10,000	1.7%	4	13,000	2.3%	2
HSBC Bank USA N.A. (formerly Marine Midland Bank)	5,848	1.0%	5	4,633	0.8%	8
Buffalo City School District	5,389	0.9%	6	5,785	1.0%	6
Catholic Health System	5,191	0.9%	7	4,458	0.8%	9
Employer Services Corp.	5,033	0.9%	8	-	-	
Erie County	4,775	0.8%	9	7,545	1.3%	3
Tops Markets, LLC	4,600	0.8%	10	-	-	
Delphi Harrison Thermal Systems	-	-		6,100	1.1%	5
City of Buffalo	-	-		4,414	0.8%	10
Total of Largest Employers	77,657	13.4%		76,734	13.3%	

(Source: Business First of Buffalo 2009 Book of Lists; Business First of Buffalo 2000 Book of Lists)

ERIE COUNTY WATER AUTHORITY
Operating Statistics
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total number of customers	136,359	137,403	138,752	144,464	153,418	154,505	156,579	157,163	157,571	158,069
Number of employees	284.8	280.9	276.0	272.0	270.8	269.4	261.8	262.8	267.0	264.8
Customers per employee	478.8	489.2	502.7	531.1	566.5	573.5	598.1	598.0	590.2	596.9
Total water output (MG)	24,208.1	25,555.2	25,855.7	25,489.3	24,189.9	26,401.9	25,096.4	27,291.5	25,174.7	24,676.8
Output per customer (gallons)	177,532.1	185,987.2	186,344.7	176,440.5	157,673.2	170,880.6	160,279.5	173,650.9	159,767.3	156,114.1
Total water sales (MG)	18,434.7	19,395.1	19,438.9	18,440.2	17,849.3	19,203.3	18,491.3	19,474.0	17,637.5	17,269.6
Sales per customer (gallons)	135,192.4	141,154.9	140,098.2	127,645.6	116,344.2	124,289.2	118,095.7	123,909.6	111,933.7	109,253.6
Percentage of water sold	76.2%	75.9%	75.2%	72.3%	73.8%	72.7%	73.7%	71.4%	70.1%	70.0%
Total operating expenses	$ 34,554,244	$ 37,954,241	$ 37,318,985	$ 37,204,461	$ 39,654,104	$ 41,831,636	$ 43,929,734	$ 47,491,290	$ 45,830,367	$ 46,428,407
Operating expense per customer	$ 253	$ 276	$ 269	$ 258	$ 258	$ 271	$ 281	$ 302	$ 291	$ 294
Total operating revenue	$ 43,013,977	$ 45,633,628	$ 48,362,387	$ 47,073,542	$ 48,982,522	$ 54,238,666	$ 55,744,905	$ 61,227,617	$ 56,284,871	$ 54,688,581
Operating revenue per customer	$ 315	$ 332	$ 349	$ 326	$ 319	$ 351	$ 356	$ 390	$ 357	$ 346

(Source: Authority Financial, Production and Business Office Records)

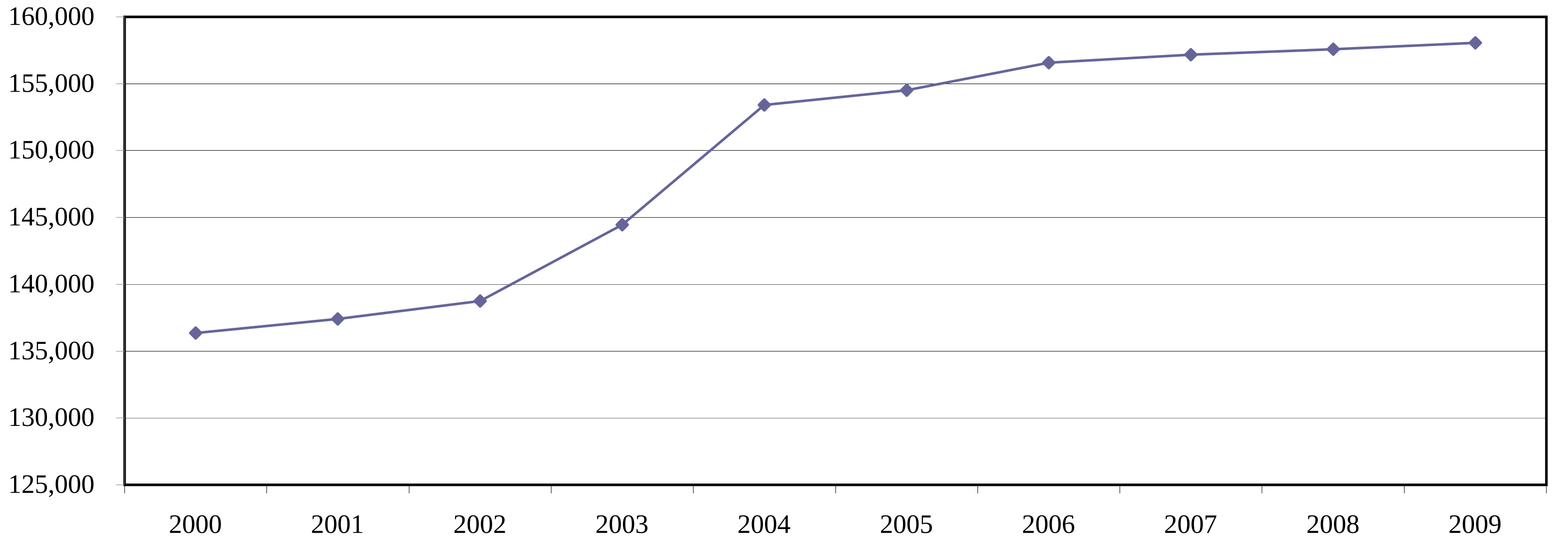
ERIE COUNTY WATER AUTHORITY

Number of Customers by Classification

Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of customers:										
Residential	128,190	129,202	130,743	136,122	144,252	145,312	147,326	147,850	148,218	148,697
Commercial	6,450	6,474	6,289	6,547	7,210	7,188	7,197	7,224	7,244	7,240
Industrial	253	252	247	268	327	328	333	327	333	322
Public authorities	571	550	539	563	601	596	605	609	595	593
Fire protection	875	904	916	946	1,010	1,062	1,098	1,133	1,161	1,197
Bulk sales	20	21	18	18	18	19	20	20	20	20
Total number of customers	136,359	137,403	138,752	144,464	153,418	154,505	156,579	157,163	157,571	158,069

Total Number of Customers



(Source: Authority Financial, and Business Office Records)

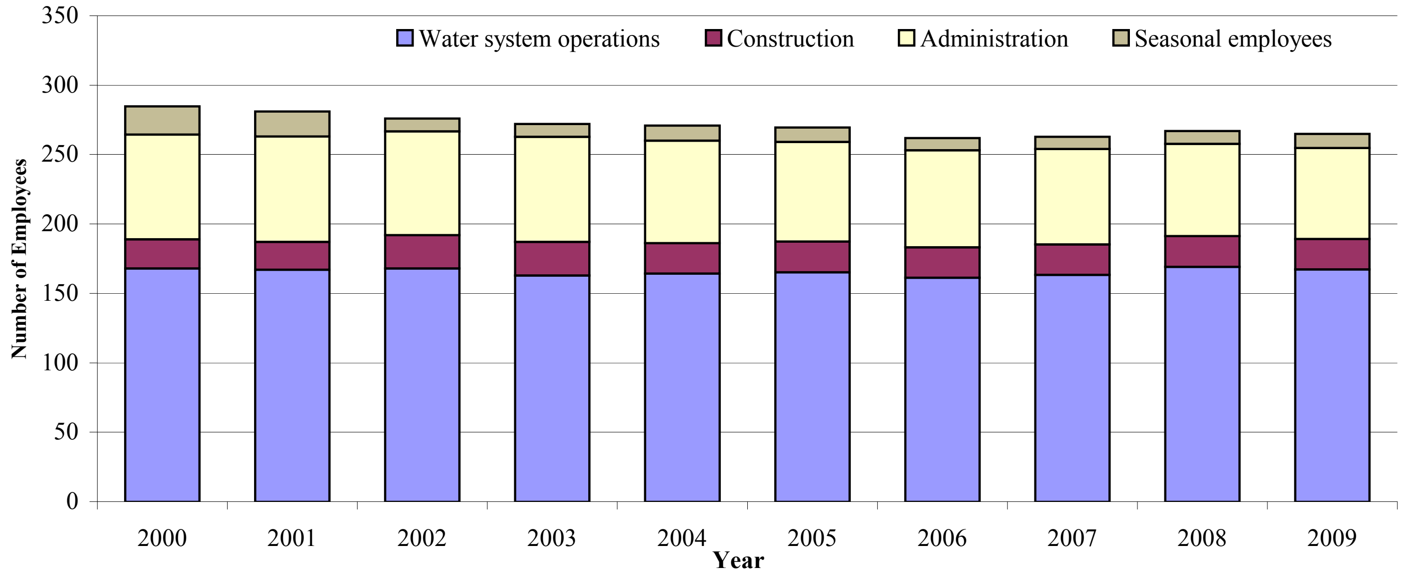
ERIE COUNTY WATER AUTHORITY

Number of Employees[1] by Function

Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water system operations	168.0	167.0	168.0	163.0	164.3	165.3	161.3	163.3	169.2	167.3
Construction	21.0	20.0	24.0	24.0	22.0	22.0	22.0	22.0	22.0	22.0
Administration	75.4	76.1	74.6	75.8	73.7	71.7	69.7	68.7	66.4	65.4
Seasonal employees	20.4	17.8	9.4	9.2	10.8	10.4	8.8	8.8	9.4	10.1
Total Number of employees	284.8	280.9	276.0	272.0	270.8	269.4	261.8	262.8	267.0	264.8

[1]Number of employees represents the number of full time equivalents based on 2,080 hours.



(Source: Authority Internal Financial Records)

ERIE COUNTY WATER AUTHORITY

Operating and Capital Indicators

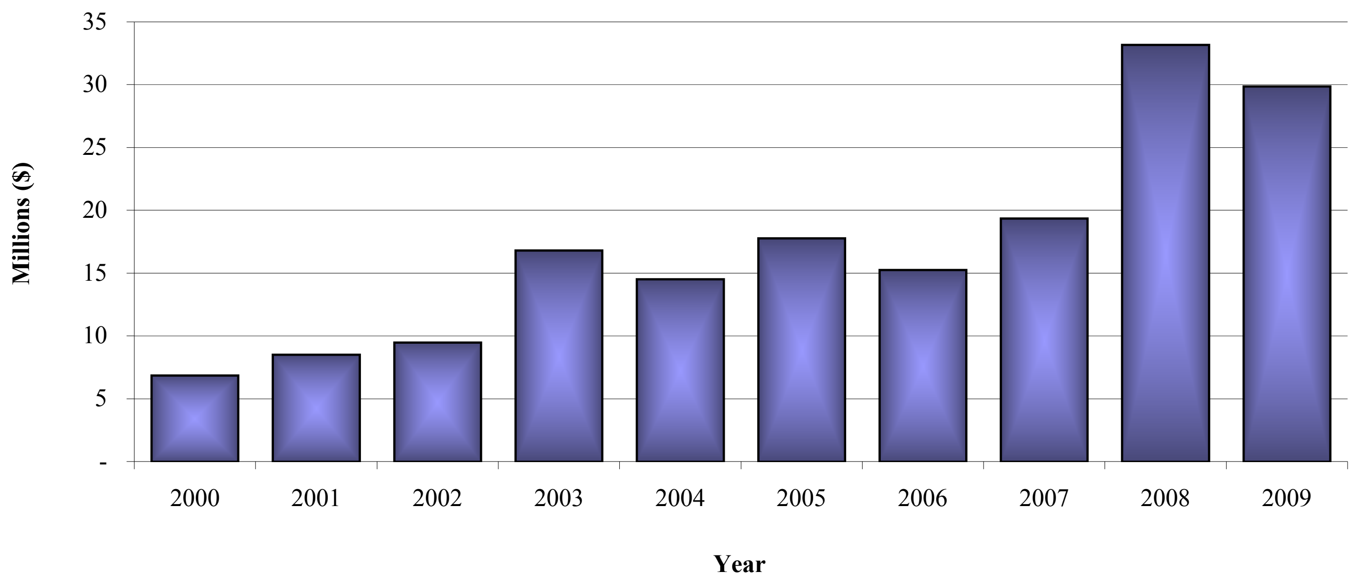
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total miles of distribution piping	2,939	2,967	3,017	3,057	3,190	3,267	3,329	3,372	3,380	3,383
Number of hydrants	14,439	14,350	14,480	15,080	15,742	16,000	16,792	17,126	17,134	17,177
Number of water tanks	32	32	32	33	37	37	40	40	40	40
Storage capacity of water tanks (million gallons)	66.3	66.3	66.3	67.0	72.7	72.7	74.9	74.9	74.9	74.9
Number of pump stations	26	26	26	29	32	33	37	38	38	38
Number of new service taps	1,034	1,261	1,290	1,210	949	800	673	730	551	541

(Source: Authority Internal Financial Records)

ERIE COUNTY WATER AUTHORITY
Annual Capital Project Expenditures
Last Ten Years

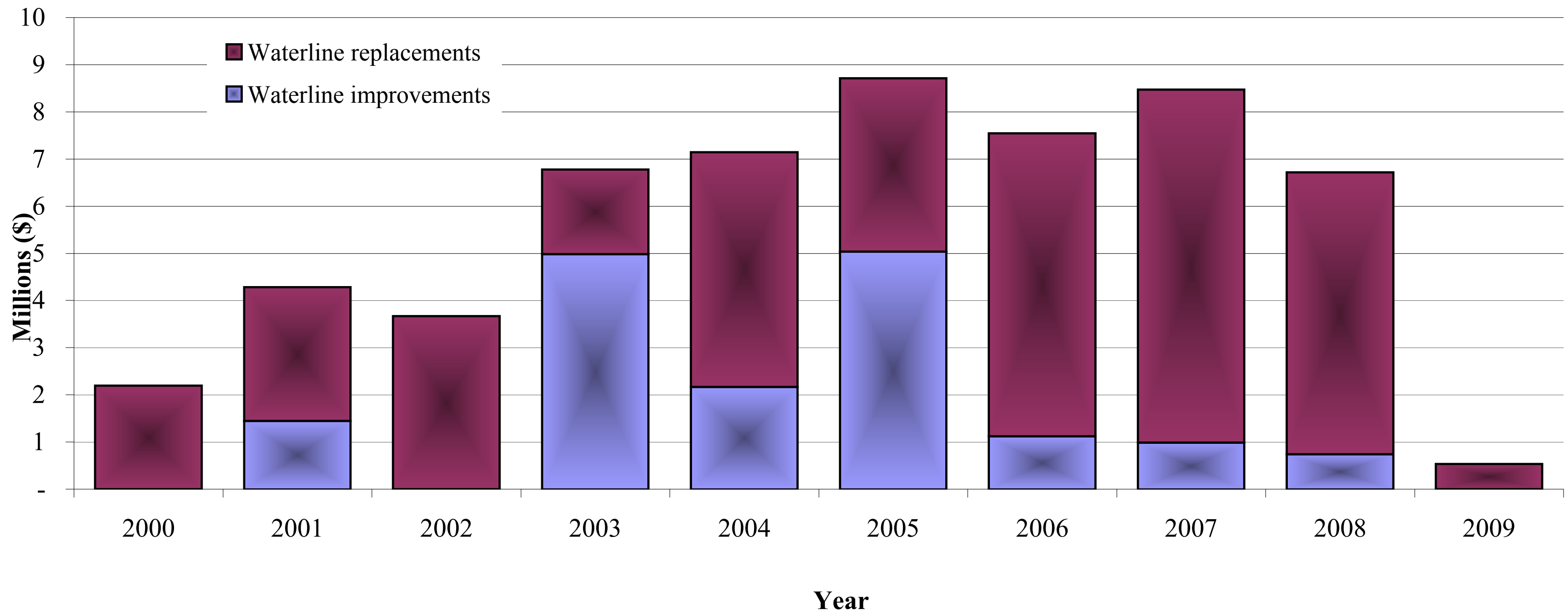
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Capital project expenditures	$ 6,848,116	$ 8,489,478	$ 9,478,977	$16,802,468	$14,518,527	$ 17,778,175	$ 15,242,944	$ 19,348,363	$ 33,160,174	$ 29,858,780
Capital project expenditures per customer	$ 50	$ 62	$ 68	$ 116	$ 95	$ 115	$ 97	$ 123	$ 210	$ 189



(Source: Authority Internal Financial Records)

ERIE COUNTY WATER AUTHORITY
Waterline Replacements and Improvements
Last Ten Years

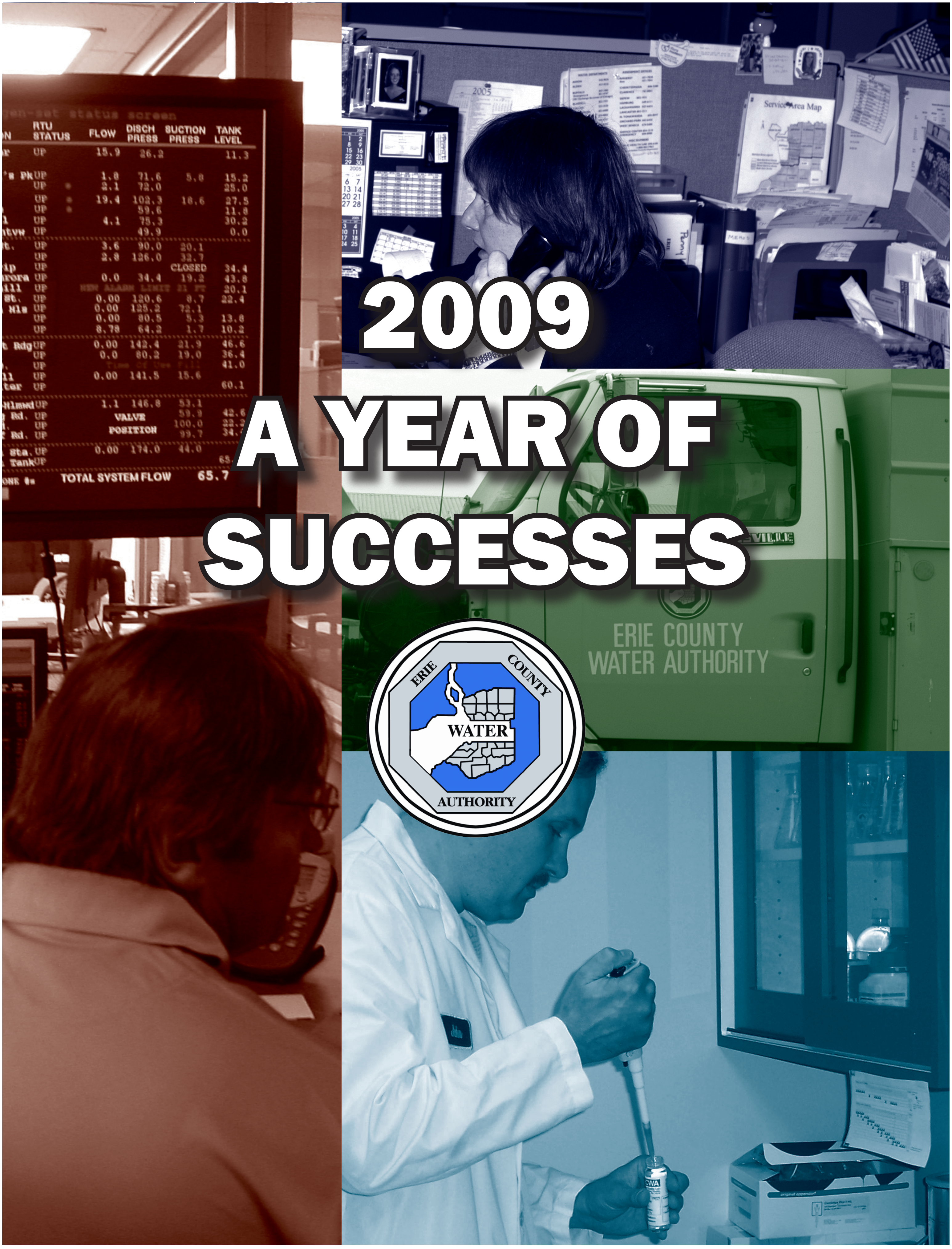
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Waterline replacements	$2,194,000	$2,838,000	$3,672,000	$1,793,000	$4,979,000	$3,671,787	$6,424,712	$7,485,895	$5,980,572	$ 534,380
Waterline improvements	$ -	$1,446,000	$ -	$4,986,000	$2,168,000	$5,038,033	$1,117,537	$ 984,638	$ 737,481	$ -



(Source: Authority Geographic Information System and Construction Records)

2009

A YEAR OF SUCCESSES



ERIE COUNTY WATER AUTHORITY

ECWA Goes Green

While producing drinking water from raw water drawn from Lake Erie and the Niagara River, the ECWA experiences many challenges as a result of individuals and organizations not being good stewards of the environment. In response, the ECWA is committed to being a model citizen by advocating for and enacting environmental conscious policies. In September, the ECWA testified at a public hearing to the State Senate Standing Committee of Environmental Conservation urging state government to take additional steps to safeguard the state's drinking water sources. The ECWA also advocated for passage of the "Bigger, Better Bottle Bill", a measure designed to reduce pollution and improve the infrastructure for collecting and recycling bottles and cans. In addition to advocating for state action protecting the environment, the ECWA moved forward on several "green" initiatives of its own.

In 2009, the Administration Department revised the Authority's Purchasing Guidelines, Policies and Procedures. One key update to this manual was codification of ECWA's commitment to procuring materials and products that are better for the environment. The ECWA is now purchasing more energy efficient and sustainable products as buyers are now instructed to consider the entire lifecycle costs of a product - such as energy and disposal costs - in determining the best value for ratepayers. Personnel are also instructed to purchase products that are safer for the environment, such as green cleaning supplies, when it is economical to do so. This policy compliments the Authority's recycling program and results in the ECWA having a complete product management program that is beneficial to the environment.

A desire to reduce greenhouse gases emitted into the atmosphere and reduce fuel expenditures has resulted in the Distribution Department enacting a vehicle idling policy that limits the amount of time ECWA vehicles sit idle. Studies have shown that a vehicle sitting idle for one hour consumes approximately one gallon of fuel and is equivalent to approximately 33 miles of engine wear. By reducing unnecessary idling, the new policy has significantly impacted the amount of fuel consumed and decreased the amount of greenhouse gases emitted into the atmosphere. This policy is also expected to lengthen the life of ECWA vehicles.

The ECWA successfully partnered with the Buffalo Urban Development Corporation (BUDC) on a revitalization project at Lakeside Commerce Park, which is adjacent to the Union Ship Canal in Buffalo. The ECWA has a beneficial use determination that permits its water plant residuals to be blended with topsoil in land application processes. The ECWA was able to reduce its disposal costs for 13,984 cubic yards of this residual product while reducing BUDC's acquisition costs for these materials. This brownfield remediation project will provide recreational access near the waterfront by creating a public park along the south and east end of the canal.

ECWA Becomes Better Prepared

In recent years, the ECWA has become better prepared to respond to emergencies. After the 2001 terrorist attacks in New York City and the 2006 October Storm, the ECWA implemented additional precautions to prepare for worst case scenarios. While many of these projects have been both costly and time consuming, having access to potable water for sanitary and fire-fighting purposes can be vital during catastrophic events and thus represents a wise investment.

The Engineering Department has installed permanent back-up power generators at ECWA's most critical sites, which augment the numerous system redundancies that were already in place. These generators have made the ECWA better prepared to produce and deliver potable water during a large-scale power outage. These generators will enable these facilities to be operational shortly after a power-outage has occurred. In addition, the Production Department completed enhanced security measures designed to maintain continuous operations of the water distribution system during emergencies. Several improvements were also made to the ECWA's Supervisory Control And Data Acquisition (SCADA) system that operates the Authority's remote stations and tanks. These investments have made key production and distribution facilities less likely to become impaired during an emergency.

The Municipal Liaison office has worked with local public safety officials to improve coordination of efforts during an emergency situation. In November, the Liaison represented the ECWA at the Vigilant Guard New York 2009 exercise, where a 5.9 earthquake was simulated. This table-top exercise will help the ECWA anticipate the challenges and logistics of coordinating with military, public safety and medical personnel to orchestrate a response to a catastrophic event. In addition, the Municipal Liaison also became a member of the United States Coast Guard Area Maritime Security Committee, Western New York Region and participated in several working groups. In addition to protecting area waterways, this committee is focused on protecting vital infrastructure that is in close proximity to the waterfront, such as our water treatment facilities.

The Human Resources and Data Processing Departments worked together to issue new security cards to ECWA employees. The new cards will enable employees to verify they are emergency personnel while commuting to an ECWA facility during a driving ban. The ability for ECWA employees to travel during a driving ban is needed to ensure the delivery of high-quality drinking water during emergency situations.

ECWA Increases Efficiencies

The ECWA continues to find new ways to become a more efficient organization. Since 1996, the Authority has reduced its workforce by 22% while increasing its customer base by 29%. This dramatic increase in productivity was been accomplished by eliminating waste, implementing new technologies and making smart capital investments. In 2009, the ECWA implemented several initiatives that will further reduce costs and increase productivity.

The Distribution Department has continued implementation of its long-range initiative of upgrading the ECWA's entire meter system inventory to include radio read capabilities. Radio-read meters allow personnel to quickly read a customers meter by remote from the street rather than having to manually read every meter. This time-saving conversion reduces labor costs and increases accuracy in meter reading. Since beginning the conversion early 2008, the department has successfully converted over 25,000 meters, representing approximately 16% of the ECWA's current inventory.

Having a healthy workforce is a proven way to reduce personnel expenses. The Human Resources Department held several events in 2009 to help promote employee wellness. The ECWA held four safety-meetings to instruct employees on ways to injury prevention while performing routine tasks. The department also offered informational meetings regarding its employee assistance program, flu shot clinics and health screenings for employees.

The Stores and Inventory unit, a division of the Administration Department, is responsible for warehousing most of the ECWA's supplies. In addition to providing storage, this unit also manages the ECWA's physical inventory of materials and supplies, including tracking and disbursing these items to personnel. In 2009, the unit's tracking system was improved by consolidating materials; this measure provided personnel with quicker access to parts and inventory. An additional tracking system was also implemented, providing an additional safeguard that materials were being used properly. An outstanding annual inventory was evidence of improved efficiencies.

The Finance Department successfully merged the Accounts Payable and Payroll areas into a single consolidated Accounting unit. The consolidated unit's staff was cross-trained to perform all the ECWA's accounting needs. This merger allows more flexibility in assigning responsibilities to staff and better equips the ECWA to complete important and pressing projects in a timely manner.

The Business Office significantly improved its accounts receivable management and delinquent account collection efforts. Through increased follow-up of past due accounts and more stringent application of the Authority's current rules and regulations, the outstanding Accounts receivable balance at December 31, 2009 was reduced by over $1,000,000 from December 31, 2008 levels. In addition to improving the Authority's cash flow, these efforts encouraged customers with delinquent accounts to work with the ECWA on a payment agreement before accumulating additional penalties.

ECWA Improves Water Quality

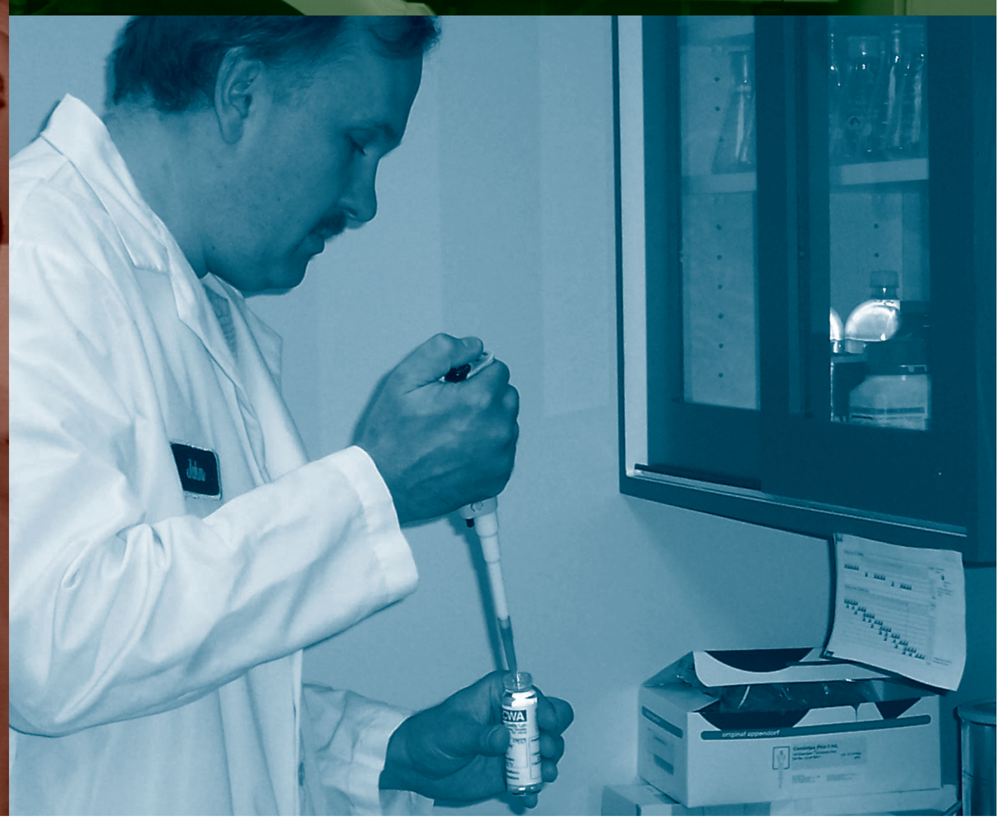
Providing our customers with high-quality drinking water is the most important job of the ECWA. The ECWA has been on the cutting edge of water quality for several years, having a water-quality laboratory that was one of the first in the country to gain Environmental Protection Agency (EPA) approval for the analysis of Cryptosporidium and Giardia. For the past several years, the ECWA has been proud to have met or exceeded EPA and New York State Department of Health water quality regulations. In addition to testing for regulated contaminants, the ECWA also tests for some unregulated contaminants to ensure its customers receive the cleanest, safest and best-tasting water possible. Our success was reflected in a customer survey taken in August 2009 performed by the well-respected polling-firm Zogby International when 84% of those surveyed indicated they had a positive opinion of the safety of ECWA drinking water and 85% had a positive opinion of the quality of our water.

In 2009, the ECWA took additional steps to improve the water quality for customers residing in southern portions of its service district. Disinfection byproducts are formed when disinfectants such as chlorine, used in the water treatment process, react with the natural organic matter present in the source water. The extent to which the disinfection byproducts form is often based on how long the water remains in the distribution system. Although still well within the acceptable range of federal and state water quality standards, the ECWA identified proactive measures it could take to further reduce the level of these disinfection byproducts in the already high-quality drinking water it delivered to affected customers in this service area. Recirculation systems were designed and installed at the Trevett Road and Rice Hill Road storage tanks to re-circulate and agitate the water within them causing a decrease in the levels of these compounds. Water quality tests confirm that this measure effectively reduced the disinfection byproduct levels in these areas of our southern service district by as much as 60%.

In addition, the water-quality department updated the distribution system sampling sites to its GIS system. The updated system now allows the water quality laboratory to quickly identify available sample locations in the event of a planned or unplanned disruption of service, compliance issue or security-based problem that might require emergency sampling within the water system. This useful tool complements both our regulatory compliance testing program as well as our security-based water quality surveillance program, which provides toxicity testing seven days per week throughout our water system.


RTU STATUS
FLOW
DISCH PRESS
SUCTION PRESS
TANK LEVEL
CLOSED
VALVE POSITION
TOTAL SYSTEM FLOW 65.7

2005
Service Area Map

LOUISVILLE
ERIE COUNTY
WATER AUTHORITY
NO STEP

ECWA