COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2013

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Allen Y. Lew, *Chairman of the Board* • George S. Hawkins, *General Manager* • Mark T. Kim, *Chief Financial Officer*

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dc water is life

FY 2013

District of Columbia Water and Sewer Authority

Comprehensive Annual Financial Report

Fiscal Year
October 1, 2012 to September 30, 2013

Prepared by:
Department of Finance, Accounting and Budget

Mark T. Kim, Chief Financial Officer

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Introductory Section
(Unaudited)

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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY | 5000 OVERLOOK AVENUE, SW | WASHINGTON, DC 20032

February 21, 2014

Board of Directors
District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Dear Directors:

I am pleased to present the District of Columbia Water and Sewer Authority's (DC Water or the Authority) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2013. The Authority's financial statements were prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and audited by a firm of independent certified public accountants retained by DC Water.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DC Water's management. To the best of my knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary for the reader to gain an understanding of DC Water's financial activity have been included.

DC Water's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. DC Water's MD&A is located immediately following the independent auditors' report.

Overview of DC Water

DC Water provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 625,000 residential, commercial and governmental customers in the District of Columbia, and wholesale wastewater conveyance and treatment to approximately 1.6 million users in Montgomery and Prince George's Counties in Maryland and Fairfax and Loudoun Counties in Northern Virginia and approximately 17.9 million annual visitors.

DC Water is governed by a Board of Directors consisting of eleven principal and eleven alternate members who represent the District of Columbia, Montgomery and Prince George's Counties in Maryland, and Fairfax County in Virginia. The Mayor of the District of Columbia appoints, and the DC Council confirms, all District Board members, including the Chairperson. In addition, the Mayor appoints the five principals and five alternate members who represent the surrounding jurisdictions based on submissions from those jurisdictions. DC Water may only take action on policy matters after it receives a favorable vote of no less than six members of the Board of Directors. All Board members participate in decisions directly affecting the general management of the joint-use facilities. Only the District of Columbia Board members participate in matters that affect District's ratepayers.

In the early history of the District of Columbia (District), there were separate sewer, water and sanitation departments. Over the years, DC Water underwent several name and organizational changes, while remaining committed to its core mission. Between 1935 and 1938, DC Water operated as the District of Columbia Department of Sanitary Engineering. It was during this time that the first sewage treatment plant at Blue Plains was constructed. In the early 1970s, DC Water was known as the District of Columbia Department of Environmental Services. Later, in 1985, the District Government established a new Department of Public Works which included DC Water until 1996.

In 1996, the regional participants in DC Water's service area, including the District, Montgomery and Prince George's Counties in Maryland, Fairfax and Loudoun Counties in Virginia, and the United States Congress, agreed to create an independent, multi-jurisdictional water and wastewater authority from its predecessor agency. In April 1996, the DC Council passed the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996 (as amended)" (the Act), a statute that provided the groundwork for DC Water to become operationally independent on October 1, 1996.

Economic Condition and Outlook

The District is not only known for being the nation's capital, but it is also an international city with a vibrant tourist industry and business climate. It is also the fifth largest metropolitan area in the United States. The US Census Bureau estimated that there were 632,323 residents in the District in 2012, an increase of 2.2% from the same period of the prior year. The Washington Metropolitan

Area has a population of more than 5.8 million individuals and is the seventh largest metropolitan area in the country.

The District's economic base is driven by the federal and local governments and the related diplomatic embassies and international organizations. The federal civilian workforce in the District averaged 228,598 employees, while thousands more are estimated to work elsewhere in the metropolitan area. The District is host to more than 187 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, World Bank, Inter-American Development Bank, and Organization of American States are headquartered in the District. An estimated 17.9 million people visit the Washington Metropolitan Area on an annual basis, not only to do business with federal government and regional firms, but also to visit the national monuments, historic sites, museums and other major cultural attractions.

Income has grown considerably in the District in recent years. Workers in the District saw their hourly wages rise faster than any of the 50 states over the last year. The Bureau of Economic Analysis reported average hourly earnings jumped by 5.5% between the third quarter of 2012 and the third quarter of 2013. Although the unemployment rate in the District increased from 8.4% in October 2012 to 9.9% in October 2013, the District's economy grew consistently faster than the national economy for much of this decade and is expected to continue to grow in 2014. The District's economy is more information and service dependent than most states, accounting for the region's insulation from the national housing and credit centric recession.

Major Initiatives

DC Clean Rivers Project

Approximately one-third of the District is served by a combined sewer system, in which both sanitary sewage and storm water flow through the same pipes. When the collection system and/or the Blue Plains treatment plant reach capacity, typically during periods of heavy rainfall, the system is designed to overflow the excess diluted sewage. These events are referred to as combined sewer overflows (CSO). Combined sewers are not unique to this city and are commonly found in older wastewater collection systems especially in Northeast and Midwest regions of the United States. The DC Clean Rivers Projects (DCCR) is being implemented on a schedule included in a Consent Decree between the United States, the District and DC Water. The Consent Decree was entered by the Court on March 23, 2005, and calls for DC Water to complete the CSO over a twenty-year period that ends in 2025.

The benefits of the DCCR will be significant when fully implemented. Combined sewer overflows into the Potomac River will be reduced by a projected 96 percent (98 percent on the Anacostia River), resulting in improved water quality and a significant reduction in locally generated debris from the combined sewer system in our local waterways. In addition, DCCR serves as a cornerstone of the District's redevelopment initiatives including commercial, residential and other development projects on the Anacostia River.

The DCCR is estimated to cost $2.6 billion and includes a variety of capital improvements throughout the District including three large storage tunnel systems which will accommodate the storage of flows from storm events until they can be conveyed to Blue Plains for treatment.

DC Water has also proposed a Green Infrastructure (GI) initiative as part of DCCR to explore the potential to reduce the size of the tunnels required to serve the Potomac and Rock Creek by implementing new environmental technologies on a significant scale. GI technologies capture, infiltrate, treat and reuse polluted runoff before it enters the sewer system. These practices include rain gardens, porous pavements, green roofs, infiltration planters, trees and tree boxes, and rainwater harvesting for non-potable uses, such as toilet flushing and landscape irrigation.

Enhanced Nitrogen Removal Program

In June 2007, the Environmental Protection Agency (EPA) issued a modification to DC Water's National Pollutant Discharge Elimination System (NPDES) permit, reducing the total nitrogen effluent limit to 4.7 million pounds per year (equivalent to 4.2 milligrams per liter at 370 million gallons per day average annual flow). The Blue Plains Enhanced Nitrogen Removal (ENR) Program provides for new facilities and upgrades to existing facilities that are needed at Blue Plains to meet the new total nitrogen discharge limit that has been included in DC Water's NPDES permit. Projects included in this program were identified through a strategic planning process that resulted in development of DC Water's proposed Total Nitrogen-Wet Weather (TN/WW) Plan, which addresses the requirements of the DCCR, as well as the Chesapeake Bay Tributary Strategies for reducing nitrogen discharged into the Chesapeake Bay. The recommended alternative in the TN/WW Plan removes additional nitrogen from the wastewater prior to discharge and improves the quality of discharge to the Potomac and Anacostia Rivers during wet weather events. Some projects in this program are in the planning or design phase, while construction has started on others. The lifetime budget for this program is approximately $1.0 billion.

Digester Project

DC Water is continuing to implement its Biosolids Management Plan (BMP), originally adopted by the Board in 1999. This plan, which included input from the neighboring jurisdictions, environmental groups, and other stakeholders, evaluated a number of options for long-term biosolids processing and disposal, and identified full biosolids digestion as a common element of all long-term approaches and recommended continuing land application as long as it is financially advantageous. DC Water has performed an extensive analysis of alternatives to identify a cost-effective, long-term and sustainable biosolids management project for the Blue Plains Advanced Wastewater Treatment Plant than can produce a commercial Class A biosolids product, significantly reduce lime use and enhance land application.

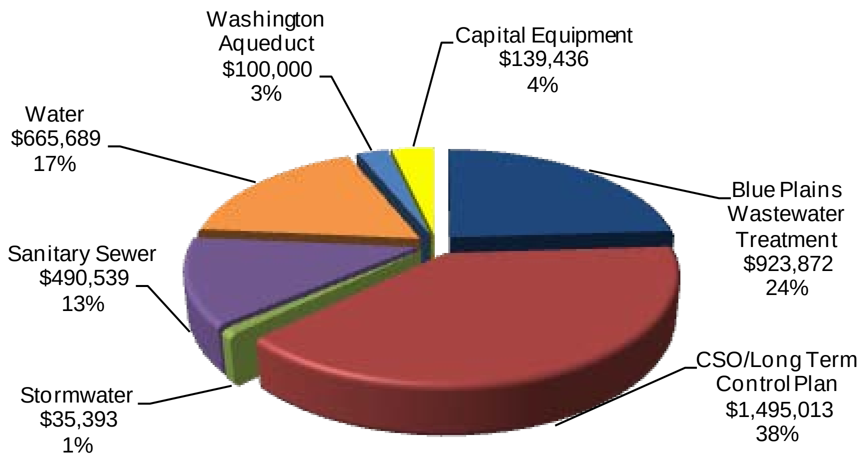
The updated BMP includes construction of four Cambi thermal hydrolysis trains, four digesters, new dewatering equipment, and a combined heat and power plant. The BMP has the potential to significantly mitigate biosolids operating costs when it is placed in operation, as it produces power from digester gas to meet up to one third of DC Water's projected electricity demand at Blue Plains. The digestion process will eliminate nearly one half of the biosolids tonnage produced at Blue Plains, which will result in lower hauling and reuse costs. The digester project is expected to be completed in fiscal year 2015.

Capital Improvement Program

DC Water's ultimate success in achieving its operational goals, customer service goals, and continuing success in regulatory compliance depends in large part on the implementation of its 10-year $3.8 billion capital improvement program. Approximately 41% of the capital improvement program is either federally mandated or required by a court-ordered decree, including the ENR program and DCCR project.

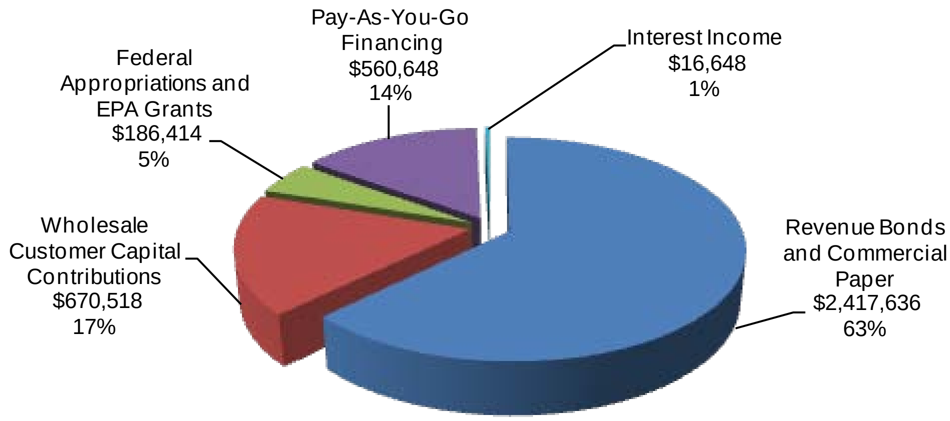
The approved fiscal year 2014 – 2023 capital improvement program is broken into seven service areas, as shown in the following graph.

Capital Improvement Program FY 2014 – FY 2023
Uses of Funds
($ in 000's)



DC Water plans to finance its $3.8 billion capital improvement program from a variety of sources, including the issuance of revenue bonds/commercial paper, Federal appropriations from U.S. Congress and grants from the EPA, capital contributions from wholesale customers and pay-as-you-go financing. Interim financing through issuance of commercial paper notes will be periodically converted to long-term financing through the issuance of bonds. As shown on the following chart, approximately 63% of capital financing will come from debt issuance.

Capital Improvement Program FY 2014 – FY 2023
Sources of Funds
($ in 000's)



Financing Policies

The primary objective of the financing policies is to ensure that DC Water's financial practices result in high quality investment-grade bond ratings to achieve the lowest cost of debt necessary to finance DC Water's capital program. By indenture, DC Water is legally obligated to maintain 1.2 times debt service coverage on its senior lien and establish an operating reserve fund equal to 60 days operations and maintenance. By policy, the Board has established more conservative financial targets and is committed to maintaining 1.4 times debt service coverage on its senior lien and an operating cash reserve requirement equivalent to the greater of 120 days of operations and maintenance or $125.5 million. In addition, DC Water has established policies for utilizing any operating surplus for funding pay-as-you-go capital expenditures (Pay-Go) or the Rate Stabilization Fund (RSF).

Budgetary Control

Budgetary control begins with the preparation of the annual operating and capital budgets, which are developed on an expenditure basis. After a comprehensive review process by the Board's Finance and Budget, Environmental Quality and Sewerage Services, and DC Retail Water and Sewer Rates committees, the budget is approved by the Board of Directors. DC Water's financial management system prevents overspending of the budget without appropriate approvals. The Budget Department prepares monthly management reports for each operating unit as well as for the Board of Directors and its various committees. The reports are reviewed and acted upon each month to ensure DC Water operates within its authorized budget.

Annual Budget Process

After approval by the Board, DC Water is required to submit its annual operating and capital budgets to the District for inclusion in the Mayor's annual budget. The Mayor's budget is in turn submitted to the DC Council for review and comment. Importantly, neither the Mayor nor DC Council has the authority to modify or revise the annual budgets of DC Water. The District then includes DC Water's budgets as an enterprise fund as part of its own budget submission to the United States Congress for approval.

Awards

The Authority's 2012 Comprehensive Annual Financial Report received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting provided by the GFOA, and its attainment represents a significant accomplishment for any State and local government municipality or government agency. To date, DC Water has received the GFOA Award for every year of its existence.

The Authority's 2012 operating and capital budgets received the GFOA's Distinguished Budget Presentation Award, the highest form of recognition in governmental budgeting. In order to qualify for the Distinguished Budget Presentation Award, DC Water's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and a communication device. The Authority has been the recipient of this prestigious award for the last thirteen years.

Acknowledgements

I would like to express my appreciation to the entire Finance, Accounting and Budget (FAB) Team whose professionalism and dedication made possible the preparation of this CAFR and to the General Manager, George S. Hawkins, for his leadership and vision.

Respectfully submitted,

Mark T. Kim

Mark T. Kim
Chief Financial Officer

BOARD OF DIRECTORS

PRINCIPAL MEMBERS

Allen Y. Lew, Chair, District of Columbia

Alan J. Roth, District of Columbia

Ellen O. Boardman, District of Columbia

Rachna Butani, District of Columbia

Robert L. Mallett, District of Columbia

Obiora "Bo" Menkiti, District of Columbia

Bradford Seamon, Prince George's County, MD

Carla Reid, Prince George's County, MD

Timothy L. Firestine, Montgomery County, MD

Robert Hoyt, Montgomery County, MD

Edward L. Long, Jr., Fairfax County, VA

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Howard Gibbs, District of Columbia

Keith Anderson, District of Columbia

Brenda L. Richardson, District of Columbia

Terry Bellamy, District of Columbia

Vacant, District of Columbia

Vacant, District of Columbia

Dawn Hawkins-Nixon, Prince George's County, MD

Adam Ortiz, Prince George's County, MD

Kathleen Boucher, Montgomery County, MD

David W. Lake, Montgomery County, MD

James Patteson, Fairfax County, VA

PRINCIPAL STAFF MEMBERS

GENERAL MANAGER'S STAFF

George S. Hawkins, General Manager

Katrina Wiggins, Chief of Staff

Randy E. Hayman, General Counsel

John Lisle, Chief of External Affairs

Thomas Kuczynski, Chief Information Officer

CHIEF FINANCIAL OFFICER'S STAFF

Mark T. Kim, Chief Financial Officer

John Madrid, Controller

Gail Alexander-Reeves, Budget Director

Robert Hunt, Treasury & Debt Manager

Syed Khalil, Revenue and Financial Planning Manager

OPERATIONS AND SUPPORT SERVICES

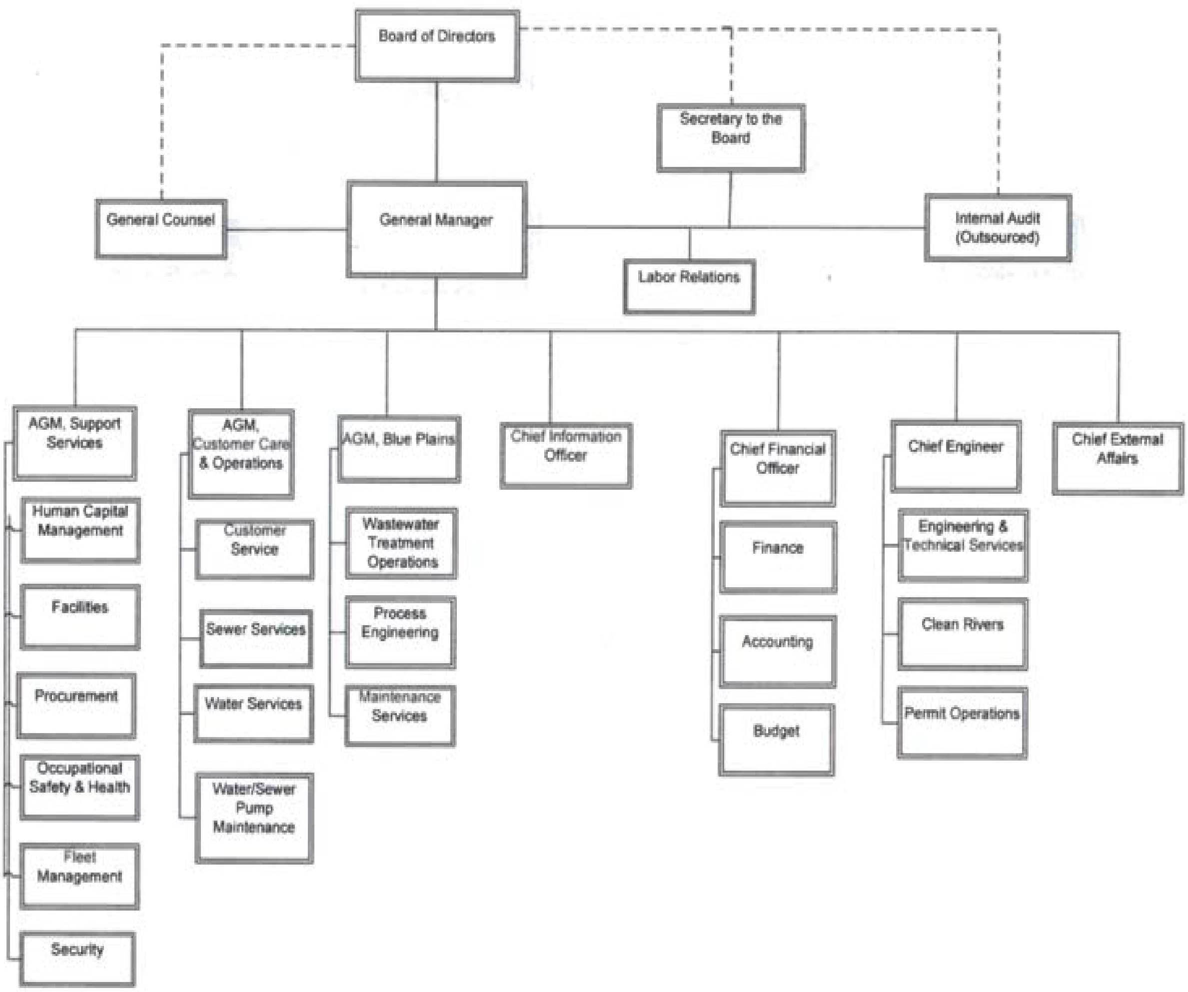
Leonard Benson, Deputy General Manager and Chief Engineer

Charles W. Kiely, Assistant General Manager Consumer Services

Walter M. Bailey, Assistant General Manager Wastewater Treatment

Rosalind Inge, Acting Assistant General Manager, Support Services

Governance and Organizational Structure



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

District of Columbia Water and Sewer Authority

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

DC Water Service Area

DC Water's service area below covers the District of Columbia, most of Montgomery and Prince George's Counties, and parts of Fairfax and Loudoun Counties.

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Financial Section

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KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Board of Directors
District of Columbia Water and Sewer Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia Water and Sewer Authority (the Authority) which comprise the statement of financial position as of September 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the 2013 financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Water and Sewer Authority as of September 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

2012 Financial Statements

The accompanying financial statements of the Authority as of September 30, 2012 and for the year then ended were audited by other auditors whose report, dated January 27, 2014, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 19 through 31 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

January 27, 2014

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial position and changes in financial position as of and for the fiscal years ended September 30, 2013 and 2012. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Authority's basic financial statements and the related notes to the financial statements, which immediately follow this section.

Financial Highlights – Fiscal 2013

- In July 2013, the Authority issued $300.0 million of subordinate lien public utility revenue bonds with interest rates ranging from 4.75% to 5.0%, maturing in 2049. Net proceeds from the bond issuance totaled approximately $299.0 million including $1.0 million of original issue premium and $2.0 million of underwriter's discount and cost of issuance.

- Operating revenues declined by $1.5 million to $439.1 million or 0.3%, due to decreases in revenues from the District government, Federal government and charges from wholesale wastewater treatment offset by increase in revenues from residential, commercial and multi-family customers.

- Operating expenses increased by $10.9 million to $353.9 million or 3.2% due to increases in personnel and contractual services offset by reduction in water purchases.

- Capital assets, net of depreciation and amortization, increased by $574.5 million to $4.3 billion, or 15.5% as a result of capital additions of $652.0 million offset by depreciation and amortization of $77.3 million. Capital additions incurred in 2013 were in line with the Authority's approved $3.8 billion, 10-year capital improvement program.

- Current assets increased by $78.6 million to $500.1 million, or 18.7%, due to increases in cash, investments and receivables from other jurisdictions offset by a decrease in receivables from retail customers.

- The Authority's net position increased by $81.9 million to $1.2 billion, or 7.1%, as a result of current year operations and capital contributions from the Federal government.

- The Authority's long-term debt, including current maturities, increased by $280.7 million to $2.1 billion, or 15.3%, primarily due to the $300.0 million bond issuance in July 2013.

- Effective October 1, 2012, the Authority raised its retail water and wastewater rates by 5.5%.

Financial Highlights – Fiscal 2012

- In March 2012, the Authority issued $440.6 million of subordinate lien public utility revenue bonds with interest rates ranging from 2.0% to 5.0%, maturing in 2044. Gross proceeds from the bond issuance totaled approximately $494.0 million, including $53.3 million of original issue premiums and $2.8 million of underwriter's discount and cost of issuance. Part of the gross proceeds were used to advance-refund $176.2 million of 2003 public utility revenue bonds.

- Operating revenues increased by $32.3 million to $440.6 million or 7.9%, due to increased revenues from residential, commercial and multi-family customers, Federal government and wholesale wastewater charges.

- Operating expenses increased by $1.8 million to $343.0 million or 0.5% due to decreased personnel services, water purchases, and depreciation and amortization expense, partially offset in reductions in contractual services and utilities.

- Capital assets, net of depreciation and amortization, increased by $418.9 million to $3.7 billion, or 12.7% as a result of net capital additions of $493.2 million offset by depreciation and amortization of $74.3 million. Capital additions incurred in 2012 were in line with the Authority's approved $3.8 billion, 10-year capital improvement program.

- Current assets increased by $27.4 million to $421.5 million, or 6.9%, primarily due to an increase in cash and investments, retail customer receivables and receivables from the Federal government, partially offset by a decrease in receivables from jurisdictions.

- The Authority's net position increased by $85.3 million to $1.1 billion, or 8.0%, as a result of fiscal year 2012 operations and capital contributions from the Federal government.

- The Authority's long-term debt, including current maturities, increased by $284.8 million to $1.8 billion, or 18.4%, primarily due to the $440.6 million bond issuance in March 2012.

- Effective October 1, 2011, the Board approved an increase of the Authority's retail water and sewer rates by 4.5%.

Using This Annual Report

This annual report consists of three sections: Management's Discussion and Analysis; the Financial Statements; and Notes to the Financial Statements that explain in more detail some of the information in the Financial Statements.

Required Financial Statements

The Statements of Net Position includes the Authority's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and nature and extent of obligations (liabilities) with the difference between them being reported as net position. It also provides the basis for computing the rates of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

The Statements of Revenues, Expenses, and Changes in Net Position presents the changes in net position from one reporting period to another by accounting for revenues and expenses and measuring the financial results of operations. This statement measures the profitability of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges.

The Statements of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and changes in cash balances during the reporting period.

Notes to the financial statements include information essential to understanding the above statements, such as the Authority's significant accounting policies and information about certain financial statement account balances.

Financial Analysis of the Authority

Net Position

The Authority's total net position at September 30, 2013 was approximately $1.2 billion, an $81.9 million, or 7.1% increase from September 30, 2012. Total assets increased $660.1 million, or 15.0% to $5.1 billion, and total liabilities increased $578.2 million, or 17.7%, to $3.8 billion.

The Authority's total net position at September 30, 2012 was approximately $1.1 billion, an $85.3 million, or 8.0% increase from September 30, 2011. Total assets increased $544.4 million, or 14.1% to $4.4 billion, and total liabilities increased $459.1 million, or 16.3%, to $3.3 billion.

Summary of Net Position
($ in 000's)

	Fiscal Year			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	Amount	%	Amount	%
Current assets	$ 500,142	$ 421,495	$ 394,115	78,647	18.7	27,380	6.9
Restricted assets	236,120	243,356	153,195	(7,236)	(3.0)	90,161	58.9
Capital assets	4,292,765	3,718,243	3,299,346	574,522	15.5	418,897	12.7
Other noncurrent assets	46,216	32,042	24,069	14,174	44.2	7,973	33.1
Total assets	5,075,243	4,415,136	3,870,725	660,107	15.0	544,411	14.1
Current liabilities	412,768	314,219	269,956	98,549	31.4	44,263	16.4
Long-term debt outstanding	2,089,160	1,813,967	1,530,174	275,193	15.2	283,793	18.5
Long-term liabilities	1,345,937	1,141,461	1,010,446	204,476	17.9	131,015	13.0
Total liabilities	3,847,865	3,269,647	2,810,576	578,218	17.7	459,071	16.3
Net investments in capital assets	1,063,362	975,933	891,786	87,429	9.0	84,147	9.4
Restricted	29,010	27,297	26,825	1,713	6.3	472	1.8
Unrestricted	135,006	142,259	141,538	(7,253)	(5.1)	721	0.5
Total net position	$1,227,378	$1,145,489	$1,060,149	81,889	7.1	85,340	8.0

The following is a discussion of the more significant changes in assets, liabilities and net position in 2013.

- Capital assets, net of depreciation and amortization, increased by $574.5 million to $4.3 billion, or 15.5% as a result of capital additions of $652.0 million offset by depreciation and amortization of $77.3 million. Capital additions incurred in 2013 were in line with the Authority's approved $3.8 billion, 10-year capital improvement program which is discussed in more detail on page 29.

- Current assets increased by $78.6 million to $500.1 million, or 18.7%, due to increases in cash, investments and receivables from other jurisdictions offset by a decrease in receivables from retail customers.

- Long-term debt, including current maturities, increased by $280.7 million to $2.1 billion, or 15.3%, primarily due to the $300.0 million bond issuance in July 2013.

- Current liabilities increased by $98.5 million to $412.8 million, or 31.4%, primarily due to a $70.2 million increase in accounts payable and accrued expenses, the majority of which relates to capital additions. The remaining increase is a result of increases in compensation payables, unearned revenues, accrued interest on long-term debt, current maturities of long-term debt and amounts due to jurisdictions.

- The Authority's net position increased by $81.9 million to $1.2 billion, or 7.1%, as a result of fiscal year 2013 operations and capital contributions from the Federal government.

The following is a discussion of the more significant changes in assets, liabilities and net position in 2012.

- Capital assets, net of depreciation and amortization, increased by $418.9 million to $3.7 billion, or 12.7% as a result of capital additions of $493.8 million offset by depreciation and amortization of $74.3 million. Capital additions incurred in 2012 were in line with the Authority's approved $3.8 billion, 10-year capital improvement program.

- Current assets increased by $27.4 million to $421.5 million, or 6.9%, due to increase in cash and investments, and receivables from retail customer and Federal government, partially offset by a decrease in receivables from other jurisdictions.

- The Authority's long-term debt, including current maturities, increased by $284.8 million to $1.8 billion, or 18.4%, primarily due to the $440.6 million bond issuance in March 2012.

- Current liabilities increased by $44.3 million to $314.2 million, or 16.4%, primarily due to a $23.5 million increase in accounts payable and accrued expenses, the majority of which relates to capital additions. The remaining increase is a result of increases in compensation payables, unearned revenues, accrued interest on long-term debt, current maturities of long-term debt and amounts due to jurisdictions.

- The Authority's net position increased by $85.3 million to $1.1 billion, or 8.0%, as a result of fiscal year 2012 operations and capital contributions from the Federal government.

Changes in Net Position

The increase in net position at September 30, 2013 was $81.9 million, or 7.1%, as compared with September 30, 2012. The Authority's total operating revenues decreased by 0.3% to $439.1 million and total operating expenses increased 3.2% to $353.9 million.

The increase in net position at September 30, 2012 was $85.3 million, or 8.0%, as compared with September 30, 2011. The Authority's total operating revenues increased by 7.9% to $440.6 million and total operating expenses increased 0.5% to $343.0 million.

Change in Net Position
($ in 000's)

	Fiscal Year			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	Amount	%	Amount	%
Operating revenues	$ 439,079	$ 440,566	$ 408,255	$ (1,487)	(0.3)	$ 32,311	7.9
Operating expenses	353,945	343,037	341,273	10,908	3.2	1,764	0.5
Net non-operating revenues (expenses)	(61,555)	(71,146)	(69,585)	9,591	(13.5)	(1,561)	2.2
Change in net position before Federal capital contributions	23,579	26,383	(2,603)	(2,804)	(10.6)	28,986	1113.6
Contributions of capital from Federal government	58,310	58,957	47,374	(647)	(1.1)	11,583	24.5
Change in net position	81,889	85,340	44,771	(3,451)	(4.0)	40,569	90.6
Total net position - beginning of year	1,145,489	1,060,149	1,015,378	85,340	8.0	44,771	4.4
Total net position - end of year	$ 1,227,378	$ 1,145,489	$ 1,060,149	$ 81,889	7.1	$ 85,340	8.0

The following provides a discussion as to the primary reasons for the more significant fluctuations in the Authority's revenues and expenses between fiscal years 2013 and 2012, and between fiscal years 2012 and 2011, respectively.

Fiscal Year 2013:

- Operating revenues declined by $1.5 million to $439.1 million or 0.3%, due to decreases in revenues from the District government, Federal government and charges for wholesale wastewater treatment from other jurisdictions offset by increase in revenues from residential, commercial and multi-family customers.

- Operating expenses increased by $10.9 million to $353.9 million or 3.2% due to increases in personnel and contractual services offset by reduction in water purchases.

Fiscal Year 2012:

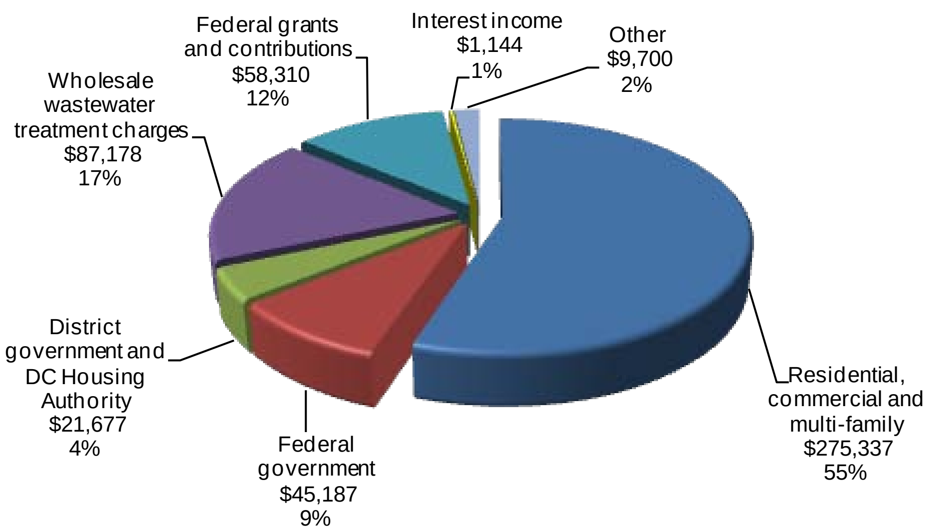
- Operating revenues increased by $32.3 million to $440.6 million or 7.9%, due to increases in revenues from residential, commercial and multi-family customers, Federal government and wholesale wastewater charges from other jurisdictions.

- Operating expenses increased by $1.8 million to $343.0 million or 0.5% due increase in personnel services and water purchases.

2013 Total Revenues

Total revenues decreased $1.7 million or 0.3% to $498.5 million in fiscal year 2013.

Total Revenues
($ in 000's)



- Revenues from residential, commercial and multi-family customers increased by $18.5 million to $275.3 million, or 7.2%, primarily due to a 5.5% rate increase.

- Revenues from the Federal government decreased by $3.2 million to $45.2 million, or 6.6%, primarily due to a 5.5% rate increase offset by 11.3% decrease in consumption.

- Revenues from the District government and the District Housing Authority decreased by $3.0 million to $21.7 million, or 12.3%, primarily due to a billing adjustment of $2.3 million relating to St. Elizabeth Hospital.

- Revenues from wholesale wastewater treatment decreased by $7.4 million to $87.2 million, or 7.8%, primarily due to a $9.7 million adjustment relating to prior year's audit settlement.

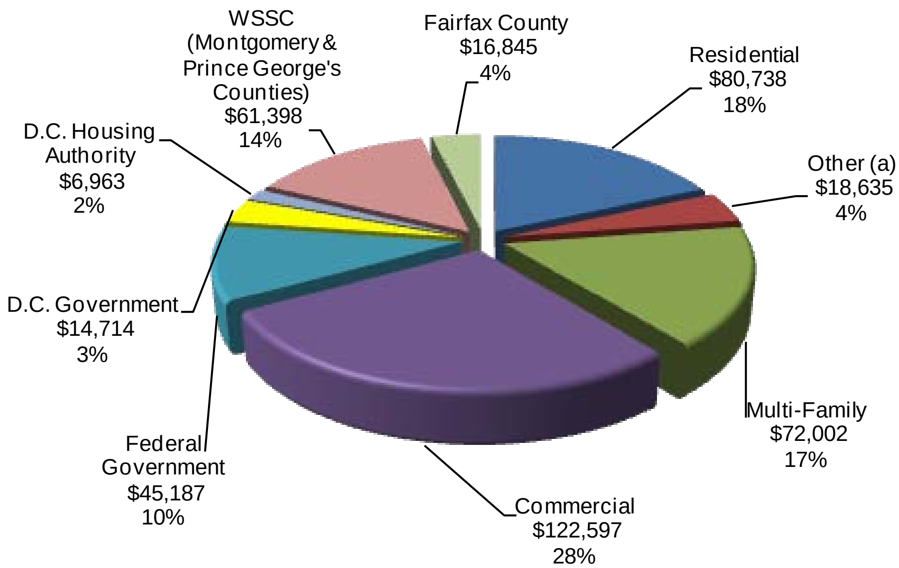
- Other revenues decreased by $6.4 million to $9.7 million, or 39.7%, primarily due to a $2.9 million in rebates given to retail customers and a $2.7 million reduction in special project billings to the District government.

- Contributions of capital from Federal government decreased by $0.6 million or 1.1%, primarily due to decreased capital construction spending on grant-eligible projects.

Diversity and Stability of Operating Revenues

The Authority's operating revenue base is very diverse, including established customers such as the Federal government, the District government, surrounding jurisdictions in Maryland and Virginia, and commercial and residential customers within the District. As shown on the chart below, no one category accounts for more than 28.0% of total revenues.

Operating Revenues by Source
($ in 000's)



(a) Other revenues include $6.9 million from Loudoun County and $2.0 million from Potomac Interceptor.

- Revenues from commercial and multi-family customers in the District comprise approximately 45.0% of the Authority's total operating revenues. Commercial revenues are reliable due to the presence of many national associations, government consulting firms, and colleges and universities in the District. The commercial customer category also includes multi-family dwellings.

- The Authority provides wastewater conveyance and treatment services to Montgomery and Prince George's Counties in Maryland through the Washington Suburban Sanitary Commission ("WSSC") and Fairfax and Loudoun Counties in Northern Virginia. Operating revenues from WSSC and Fairfax County account for 18.0% of the Authority's revenues and are based on their share of operating costs at Blue Plains. Loudoun County and Potomac Interceptor customers account for an additional 2.0% of the Authority's revenues and are included in other revenues.

- Residential customers in the District account for 18.0% of total revenues.

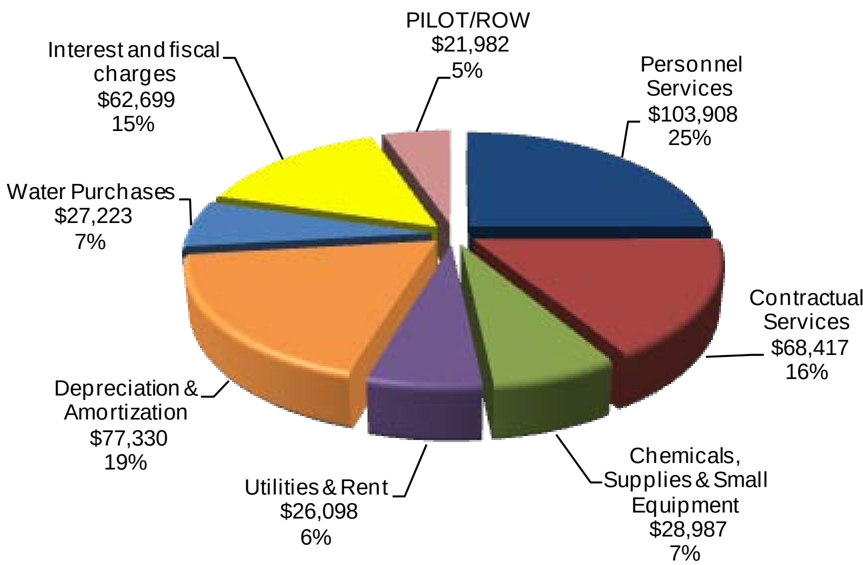
- Payments from the Federal government comprise 10.0% of the Authority's total operating revenues and include customers such as the U.S. Congress, the Smithsonian Institution, and a range of federal departments and agencies.

- Revenues from the Government of the District of Columbia and the District of Columbia Housing Authority make up 5.0% of total operating revenues.

2013 Total Expenses

Total expenses increased $1.7 million or 0.4% to $416.6 million in fiscal year 2013.

Total Expenses
($ in 000's)



- Personnel services increased by $6.1 million to $103.9 million, or 6.3%, primarily due to increases in wages, benefits and number of employees.

- Contractual services increased by $3.5 million to $68.4 million, or 5.4%, primarily due to increase in litigation costs.

- Utilities and rent decreased by $0.7 million to $26.1 million, or 2.6%, primarily due to lower electricity costs.

- Depreciation and amortization increased by $3.0 million to $77.3 million, or 4.0%, primarily due to increase in capital assets in service.

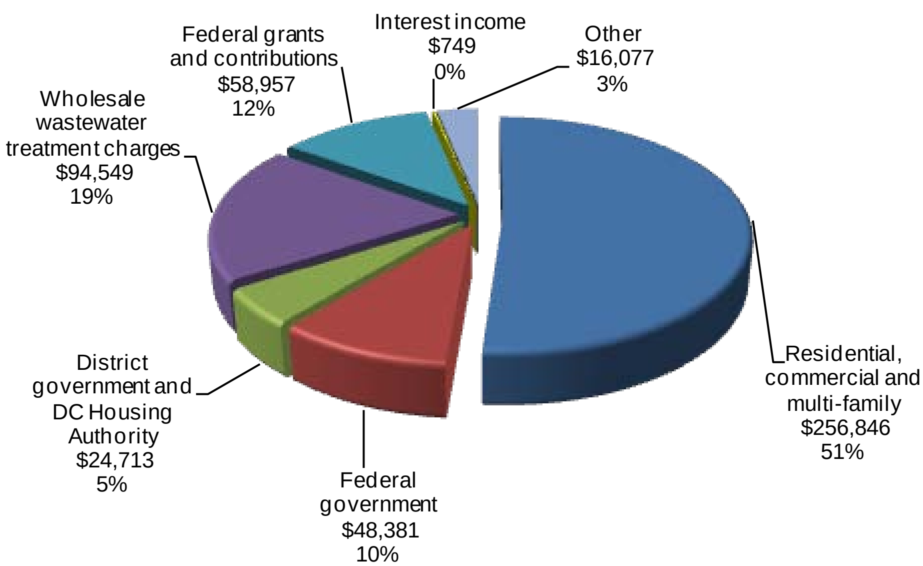
- Water purchases decreased by $1.2 million to $27.2 million, or 4.1%, primarily due to a 6.2% decrease in consumption offset by a 1.8% rate increase from the Washington Aqueduct.

- Interest expense and fiscal charges decreased by $9.2 million to $62.7 million, or 12.8% primarily due to an increase in the amount of capitalized interest related to the Authority's capital improvement program which increased from $15.2 million in fiscal year 2012 to $25.8 million in fiscal year 2013.

2012 Total Revenues

Total revenues increased $42.6 million or 9.3% to $500.3 million in fiscal year 2012.

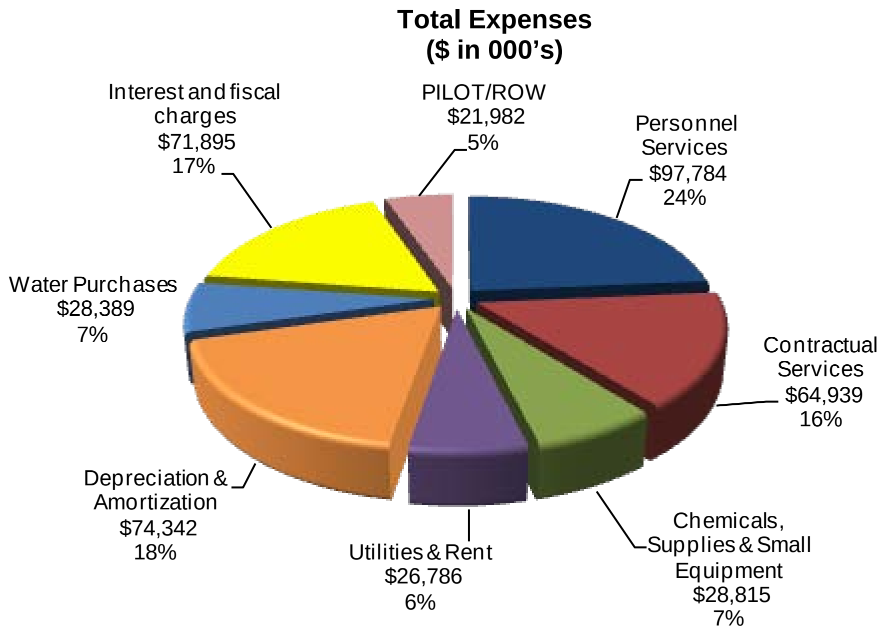
Total Revenues
($ in 000's)



- Revenues from residential, commercial and multi-family customers increased by $15.4 million to $256.8 million, or 6.4%, primarily due to a 4.5% rate increase in fiscal year 2012.
- Revenues from the Federal government increased by $5.3 million to $48.4 million, or 12.4%, primarily due to a 4.5% rate increase in fiscal year 2012.
- Revenues from the District government and the District Housing Authority decreased by $0.4 million to $24.7 million, or 1.6%, primarily due to a 4.5% rate increase offset by a decrease in consumption.
- Revenues from wholesale wastewater treatment charges increased by $4.1 million to $94.5 million, or 4.6% primarily due to increase in estimates for IMA participants.
- Contributions of capital from Federal government increased by $11.6 million or 24.5%, primarily due to increased capital construction spending on grant-eligible projects.

2012 Total Expenses

Total expenses increased $2.0 million or 0.5% to $414.9 million in fiscal year 2012.



- Personnel services increased by $4.5 million to $97.8 million, or 4.9%, primarily due to increases in wages, benefits and number of employees.
- Contractual services decreased by $6.1 million to $64.9 million, or 8.6%, primarily due to decrease in litigation costs.
- Utilities and rent decreased by $2.6 million to $26.8 million, or 9.0%, primarily due to savings in electricity costs attributable to the adopted block purchasing strategy and a decline in influent flows into the treatment facilities.
- Depreciation and amortization increased by $4.1 million to $74.3 million, or 5.9%, primarily due to increase in capital assets in service.
- Water purchases increased by $1.2 million to $28.4 million, or 4.5%, primarily due to a 5.0% rate increase from the Washington Aqueduct.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2013 and 2012, respectively, the Authority had $4.3 billion and $3.7 billion of capital assets (net of depreciation). This includes wastewater collection, wastewater treatment, water distribution systems, purchased capacity, capital equipment and construction in progress. The Authority's net capital assets increased approximately $574.5 million, or 15.5%, during fiscal year 2013, primarily due to continued capital spending in accordance with the Authority's capital improvement program which includes the Combined Sewer Overflow (CSO) projects, the Digester Project and numerous other water and wastewater improvement projects. See note 4 to the financial statements for more information on capital assets.

As of September 30, 2012 and 2011, respectively, the Authority had $3.7 billion and $3.3 billion of capital assets (net of depreciation). This includes wastewater collection, wastewater treatment, water distribution systems, purchased capacity, capital equipment and construction in progress. The Authority's net capital assets increased approximately $418.9 million, or 12.7%, during fiscal year 2012, primarily due to continued capital spending in accordance with the Authority's capital improvement program. See note 4 to the financial statements for more information on capital assets.

Capital Assets
Net of Accumulated Depreciation
($ in 000's)

	Fiscal Year		
	2013	2012	2011
Wastewater treatment plant	$ 1,945,920	$ 1,924,985	$ 1,839,010
Wastewater collection facilities	730,622	716,651	689,575
Water distribution system	920,150	897,077	863,474
Purchased capacity	326,290	319,840	307,593
Capital equipment	178,620	167,641	155,770
Construction in progress	1,381,652	807,430	485,497
Less accumulated depreciation	(1,190,489)	(1,115,381)	(1,041,573)
Net capital assets	$ 4,292,765	$ 3,718,243	$ 3,299,346

The Authority's contractual commitments are primarily associated with the long-term capital improvement program and some IT related projects. Outstanding contractual commitments related to the capital improvement program as of September 30, 2013 and 2012 were $1,016,301 and $1,041,086, respectively which will be financed primarily with unspent bond proceeds, proceeds from future bond issuances, capital contributions from IMA participants, and Federal capital contributions.

Debt Administration

At the end of fiscal year 2013, the Authority had a total of $2.1 billion in long term debt outstanding, an increase of $280.7 million, or 15.3%, over fiscal year 2012. See note 10 to the financial statements for more information on long-term debt outstanding.

At the end of fiscal year 2012, the Authority had a total of $1.8 billion in long term debt outstanding, an increase of $284.8 million, or 18.4%, over fiscal year 2011. See note 10 to the financial statements for more information on long-term debt outstanding.

A schedule of long-term debt activity for the year ended September 30, 2013 is shown below:

Description	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013
Outstanding bonds and notes	1,768,671	300,000	(19,714)	2,048,957
Unamortized bond premiums	79,674	1,014	(1,375)	79,313
Unamortized bond discounts	(2,784)	-	176	(2,608)
Unamortized amount deferred on refunding	(11,902)	-	567	(11,335)
Total bonds and notes	$ 1,833,659	$ 301,014	$ (20,346)	$ 2,114,327

In July 2013, the Authority issued $300.0 million of subordinate lien public utility revenue bonds with interest rates ranging from 4.75% to 5.0%, maturing in 2049. Net proceeds from the bond issuance totaled approximately $299.0 million including $1.0 million of original issue premium and $2.0 million of underwriter's discount and cost of issuance.

The increase (decreases) in outstanding bonds and notes payable were related to new bond issuance and scheduled principal repayments.

A schedule of long-term debt activity for the year ended September 30, 2012 is shown below:

Description	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012
Outstanding bonds and notes	1,522,967	440,645	(194,941)	1,768,671
Unamortized bond premiums	28,805	53,289	(2,420)	79,674
Unamortized bond discounts	(2,877)	-	93	(2,784)
Unamortized amount deferred on refunding	-	(11,902)	-	(11,902)
Total bonds and notes	$ 1,548,895	$ 482,032	$ (197,268)	$ 1,833,659

In March 2012, the Authority issued $440.6 million of subordinate lien public utility revenue bonds with interest rates ranging from 2.0% to 5.0%, maturing in 2044. Gross proceeds from the bond issuance totaled approximately $494.0 million, including $53.3 million of original issue premiums and $2.8 million of underwriter's discount and cost of issuance. Part of the gross proceeds were used to advance-refund $176.2 million of 2003 public utility revenue bonds.

The increase (decreases) in outstanding bonds and notes payable were related to new bond issuance and scheduled principal repayments.

Credit Ratings

Senior Debt Ratings		
Moody's Investors' Service	Aa2	Stable Outlook
Standard & Poor's Corporation	AA+	Stable Outlook
Fitch Ratings	AA	Stable Outlook

Commercial Paper Ratings		
	Series A & B	Series C (taxable)
Moody's Investors' Service	P-1	P-1
Standard & Poor's Corporation	A-1	A-1+
Fitch Ratings	F1	F1+

Rates

Effective October 1, 2012, the Authority raised its retail water and wastewater rates by 5.5%. The Authority's approved ten-year financial plan includes projected annual rate increases of 5.5% and also includes projected revisions to its metering and right-of-way / payment in lieu of taxes pass-through fees.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer at 5000 Overlook Avenue, S.W. Washington D.C. 20032 or call 202-787-2000. A copy of this report is also available on DC Water's web site at www.dcwater.com.

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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Statements of Net Position

September 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents (note 3)	$ 108,459	$ 94,472
Investments (note 3)	95,552	100,489
Restricted cash and cash equivalents (note 3)	70,180	136,151
Restricted investments (note 3)	105,000	—
Customer receivables, net of allowance for doubtful accounts of $9,371 in 2013 and $15,271 in 2012 (note 6)	46,842	50,233
Due from other jurisdictions (note 7)	41,440	7,975
Due from Federal government (note 5)	23,158	23,491
Inventory	6,516	6,674
Due from District government (note 12)	2,152	1,491
Prepaid assets	843	519
Total current assets	500,142	421,495
Noncurrent assets:		
Restricted assets (note 3):		
Cash and cash equivalents	98,934	39,416
Investments	137,186	203,940
Total restricted cash equivalents and investments	236,120	243,356
Capital assets (note 4):		
In-service	4,101,602	4,026,194
Less accumulated depreciation	(1,190,489)	(1,115,381)
Net capital assets in service	2,911,113	2,910,813
Construction-in-progress	1,381,652	807,430
Net capital assets	4,292,765	3,718,243
Other noncurrent assets:		
Unamortized bond issuance costs	20,742	19,536
Due from other jurisdictions (note 7)	25,474	12,506
Total other noncurrent assets	46,216	32,042
Total noncurrent assets	4,575,101	3,993,641
Total assets	5,075,243	4,415,136
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	213,585	143,375
Unearned revenue	51,633	42,875
Accrued interest	45,365	43,841
Commercial paper notes payable (note 9)	41,200	41,200
Current maturities of long-term debt (note 10)	25,167	19,692
Due to jurisdictions	13,831	7,645
Compensation payable (note 8)	13,183	7,843
Other liabilities (note 11)	8,804	7,748
Total current liabilities	412,768	314,219
Noncurrent liabilities:		
Long-term debt, excluding current maturities (note 10)	2,089,160	1,813,967
Unearned revenue	1,283,467	1,071,616
Unearned revenue - combined sewer overflow	31,105	40,041
Other liabilities (note 11)	19,743	19,345
Compensated absences payable (note 8)	11,622	10,459
Total noncurrent liabilities	3,435,097	2,955,428
Total liabilities	3,847,865	3,269,647
Net Position		
Net investments in capital assets	1,063,362	975,933
Restricted for debt service	29,010	27,297
Unrestricted	135,006	142,259
Total net position	$ 1,227,378	$ 1,145,489

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2013 and 2012

(In thousands)

	2013	**2012**
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	$ 275,337	$ 256,846
Federal government	45,187	48,381
District government and D.C. Housing Authority (note 12)	21,677	24,713
Charges for wholesale wastewater treatment	87,178	94,549
Other	9,700	16,077
Total operating revenues	439,079	440,566
Operating expenses:		
Personnel services	103,908	97,784
Contractual services	68,417	64,939
Chemicals, supplies and small equipment	28,987	28,815
Utilities and rent	26,098	26,786
Depreciation and amortization	77,330	74,342
Water purchases	27,223	28,389
Payment in lieu of taxes and right of way fee (note 12)	21,982	21,982
Total operating expenses	353,945	343,037
Operating income	85,134	97,529
Nonoperating revenues (expenses):		
Interest income	1,144	749
Interest expense and fiscal charges	(62,699)	(71,895)
Total nonoperating revenues (expenses)	(61,555)	(71,146)
Change in net position before Federal grants and contributions	23,579	26,383
Contributions of capital from Federal government	58,310	58,957
Change in net position	81,889	85,340
Net position, beginning of year	1,145,489	1,060,149
Net position, end of year	$ 1,227,378	$ 1,145,489

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Statements of Cash Flows
Years Ended September 30, 2013 and 2012
(In thousands)

	2013	2012
Cash flows from operating activities:		
Cash received from customers	$ 438,227	$ 425,174
Cash paid to suppliers for goods and services	(150,754)	(149,123)
Cash paid to employees for services	(97,182)	(96,230)
Cash paid to District for PILOT and ROW	(16,275)	(17,514)
Net cash provided by operating activities	174,016	162,307
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	298,921	491,102
Proceeds from other jurisdictions	193,332	174,259
Repayments of bond principal and notes payable to Federal government	(19,714)	(194,941)
Acquisition of capital assets	(568,987)	(472,377)
Payments of interest and fiscal charges	(86,703)	(96,393)
Contributions of capital from Federal government	49,178	39,560
Proceeds from issuance of commercial paper	282,400	194,000
Repayments of commercial paper	(282,400)	(188,000)
Net cash used in capital and related financing activities	(133,973)	(52,790)
Cash flows from investing activities:		
Cash received for interest	798	1,068
Investment purchases	(540,280)	(730,705)
Investment maturities	506,973	679,161
Net cash used in investing activities	(32,509)	(50,476)
Net increase in cash and cash equivalents	7,534	59,041
Cash and cash equivalents at beginning of year	270,039	210,998
Cash and cash equivalents at end of year	$ 277,573	$ 270,039
Operating income	$ 85,134	$ 97,529
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	77,330	74,342
Change in operating assets and liabilities:		
Decrease (increase) in customer and other receivables	3,043	(3,127)
(Increase) decrease in inventory	(166)	275
Increase in payables and accrued liabilities	18,962	2,718
Decrease in unearned revenue	(10,287)	(9,430)
Net cash provided by operating activities	$ 174,016	$ 162,307
Noncash Capital and Financing Activities:		
Capital asset additions included in accounts payable	$ 163,567	$ 99,527

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

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(1) Background, Governance, Operations and Reporting Entity

(a) Background

The District of Columbia Water and Sewer Enterprise Fund (the "Fund") was established in 1979 and was operated by the Water and Sewer Utility Administration, a division of the Government of the District of Columbia (the "District") Department of Public Works. The District of Columbia Water and Sewer Authority ("DC Water" or the "Authority"), an independent authority of the District, was created in April 1996 and began operating on October 1, 1996 under and pursuant to an act of the Council of the District entitled the "Water and Sewer Authority and Department of Public Works Reorganization Act of 1996 (as amended)", and an Act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996". The Authority is considered a related organization of the District for purposes of presentation in the District's financial statements.

(b) Governance

The Authority is governed by a Board of Directors consisting of eleven principal and eleven alternate members. The Board is composed of six District of Columbia representatives, two each from Montgomery and Prince George's Counties in Maryland, and one from Fairfax County in Virginia. The Mayor of the District of Columbia appoints, and the DC Council confirms, all six District Board members and alternates, including the Chairman. In addition, the Mayor appoints the five principal and alternate members who represent the surrounding jurisdictions based on executive submissions from those jurisdictions.

(c) Operations

The Authority provides water and wastewater services to District residents, businesses, federal and municipal customers, and certain facilities of the Federal government in Virginia and Maryland. DC Water also operates a regional advanced wastewater treatment plant (Blue Plains) and an interceptor trunk line that carries wastewater primarily from Loudoun and Fairfax Counties and Dulles Airport to the Blue Plains wastewater treatment facility.

The Authority's wastewater service territory includes over 2.1 million people in Montgomery and Prince George's Counties in Maryland, Fairfax and Loudoun Counties in Virginia, and the District. The Blue Plains Intermunicipal Agreement ("IMA") between the Authority; the District; Fairfax County, Virginia; and the Washington Suburban Sanitary Commission ("WSSC"), which comprises Montgomery and Prince George's Counties in Maryland (collectively referred to as the Participants) was executed in September 1985 and recently updated in April 2013. The IMA provides for the allocation of capital, operating, and maintenance costs among the Participants. Capital costs of the Plant are allocated among the Participants in proportion to their respective wastewater treatment capacity allocation as defined in the IMA. Operating costs are allocated based on wastewater flows from each participant. The Loudoun County Sanitation Authority and the Potomac Interceptor Group also purchase wastewater services from the Authority. The Potomac Interceptor Group consists of the Town of Vienna, Virginia; the U.S. Park Service; the Department of the Navy; and the Metropolitan Washington Airports Authority (Dulles Airport).

(1) Background, Governance, Operations and Reporting Entity (Continued)

The Authority purchases water from the Washington Aqueduct (the "Aqueduct"), which is owned by the U.S. Government and operated by the U.S. Army Corps of Engineers (USACE) under the direction of the Secretary of the Army. Since 1859, an act of Congress placed the care, management, and superintendence of the Washington Aqueduct under the USACE. Under the Act, USACE was given responsibility for supplying water in the District for use by the Federal Government and for the use and benefit of the inhabitants of the District. The USACE operates two water purification plants at the Aqueduct, Dalecarlia and McMillan, for the exclusive benefit of the Authority, Arlington County, Virginia and the City of Falls Church, Virginia. Approximately 75% of the water produced by the Aqueduct is purchased by the Authority under a Water Sales Agreement between the USACE and the Authority. Under this agreement, which remains in effect until September 30, 2023 and then thereafter until terminated, the Authority is responsible for funding approximately 75% of the Aqueduct's annual operating and capital costs. Additionally, the Authority obtains back-up and peak-day water supply from the Jennings Randolph Reservoir (Bloomington Dam) and Little Seneca Lake. The Jennings Randolph Reservoir was constructed by the Federal government and is operated by the USACE. The Little Seneca Lake was constructed and is operated by the WSSC.

(d) Reporting Entity

A financial reporting entity consists of a primary government and its component units. The criteria used to determine whether organizations are to be included as component units within the Authority's reporting entity are as follows:

- The Authority holds the corporate powers of the organization.
- The Authority appoints a voting majority of the organization's board.
- The Authority is able to impose its will on the organization.
- The organization has the potential to impose a financial burden on, or provide a financial benefit to the Authority.
- It would be misleading to exclude the organization from the Authority's financial statements.

Based on the application of the above criteria the Authority has no component units. Additionally, the Authority is not considered to be a component unit of the District as the District is not able to impose its will on the Authority, and the Authority does not impose a financial burden on or provide a financial benefit to the District.

(2) Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted primary standard-setting body for establishing governmental accounting and financial reporting standards. The Authority's significant accounting policies are described below.

(2) Summary of Significant Accounting Policies (Continued)

(a) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

(b) Cash and Cash Equivalents

The Authority invests all unrestricted cash balances, in excess of the required compensating balances, in interest-bearing accounts. The Authority's cash equivalents consist of unrestricted and restricted investments such as money market funds, U.S. Treasuries, commercial paper, and federal agency discount notes, which have an original maturity of 90 days or less, and are readily convertible to known amounts of cash. For purposes of the accompanying statements of cash flows, cash and cash equivalents also include the Authority's restricted cash and cash equivalents.

(c) Investments

The Authority's investments consist of unrestricted and restricted federal government agency notes, U.S. Treasuries, certificate of deposits and commercial paper which have an original maturity in excess of 90 days. Investments are reported at cost, which approximate fair value.

(d) Inventory

Inventory is recorded at the lower of weighted average cost or market value and consists primarily of operating and maintenance materials.

(e) Restricted Assets

Restricted assets consist of unspent appropriations from the U.S. Congress for combined sewer overflow projects, unspent commercial paper note and revenue bond proceeds, debt service reserves, and funds for the current payment of revenue bond debt service. These assets, which cannot be used for routine operations, are classified as restricted assets since their use is limited by the applicable Federal Appropriations Act and debt covenants.

(f) Capital Assets

The Authority's capital assets are comprised of the wastewater treatment plant, wastewater collection facilities, the water distribution system, purchased capacity, and capital equipment and fleet. Capital assets are reported at historical costs and include all ancillary costs. The wastewater treatment plant, collections facilities and water distribution system include project construction and development costs, internal engineering and construction management personnel costs, and interest costs incurred during the construction period.

(2) Summary of Significant Accounting Policies (Continued)

Normal recurring maintenance and repair costs are charged to operations, whereas major repairs, improvements and replacements, which extend the useful lives of the capital assets, are capitalized. Construction-in-progress is transferred to capital assets in-service upon substantial completion or when placed in service, with related depreciation commencing at that time. The Authority's capitalization thresholds are: $500 thousand for wastewater treatment plant and collection facilities, and water distribution systems improvements; and $5 thousand for capital equipment and fleet.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Wastewater treatment plant	60 years
Wastewater collection facilities	60 years
Water distribition systems	60 years
Purchased capacity	60 years
Capital equipment and fleet	3 - 20 years

The Authority recognizes a half-year of depreciation in the year the capital asset is placed in service and a half-year in the year of disposal.

As discussed in Note 1, the Authority is responsible for approximately 75% of the Aqueduct's operating and capital costs. The Authority records its share of operating costs as water purchases and capital costs as purchased capacity, an intangible asset. The Authority's policy is to capitalize capital cost required to be funded under long-term water purchase agreements and to amortize such costs over the shorter of the term of the contractual agreement or estimated useful life of the assets. For purposes of the Aqueduct, the Authority considers the term of the water purchase agreement to be indefinite as USACE is required by law to provide the Authority with a source of water from the Aqueduct and the Authority has no plans to terminate its Agreement to purchase water from USACE. Additionally, capital cost reimbursements made in prior years under the Authority's participation in the Jennings Randolph Reservoir (Bloomington Dam) and Little Seneca Lake projects are also included in purchased capacity.

(g) Compensated Absences

Employees earn vacation and sick leave based on a prescribed formula, which allows employees to accumulate an unlimited amount of sick leave, and vacation leave up to the maximum amounts shown in the table below. Vacation leave earned but unused by employees' vests and is accrued as a liability. Generally, sick leave does not vest, and accordingly, it is recorded when used. However, as further discussed in Note 13d, the Authority Retirement Health Savings (RHS) Plan allows certain eligible employees to use sick leave that is usually forfeited upon termination, to fund an account that can be used to pay for eligible medical expenses. Eligibility is established upon termination if you have five years of service and 100 hours of sick leave.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

Accordingly, the Authority has recorded an accrual for earned sick leave only to the extent it is probable that the benefits will result in termination payments. In developing this estimate the Authority has taken into consideration past experience in making termination payments for sick leave, adjusted for the effect of changes in our termination payment policy and other current factors.

Length of Service	Annual Carryover Limits
Regular Union employees:	
1-3 years	240 hours
4-14 years	240-320 hours
Over 15 years	240-360 hours
Non-union employees:	
1-2 years	240 hours
3-6 years	320 hours
7 years	360 hours

(h) Bond Premiums, Discounts, and Issuance Costs

Bond premiums, discounts, and issuance costs incurred to issue debt are capitalized and amortized as interest expense over the related bond issue period using the effective interest method.

(i) Net Position

Net position is categorized into three components as follows:

- *Net investments in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization and is reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component.

  Restricted – This component of net assets consists of restrictions placed on net assets as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first and the unrestricted resources when they are needed.

(2) Summary of Significant Accounting Policies (Continued)

- *Unrestricted* – This component consists of net position that does not meet the definition of "restricted" or "net investments in capital assets."

(j) Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations.

The principal operating revenues of the Authority are water and wastewater user charges, and charges for wholesale wastewater treatment. Revenues from user charges and sales of services are recognized as the related services are provided.

Operating expenses include the costs associated with the conveyance of water and wastewater, treatment of wastewater, administrative expenses, District payments-in-lieu-of-taxes (PILOT) and right-of-way (ROW) fee, and depreciation and amortization of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(k) Retail Water and Wastewater User Charges

Retail water and wastewater rates are approved by the Authority's Board of Directors. Charges to the District and the Federal government are the same as those charged to retail customers. Charges for services provided but unbilled at the end of the year are recorded as revenue on an estimated basis, which considers historical usage patterns and current rates. Allowances for customer receivables that ultimately may be uncollectible are estimated and charged to expense. Amounts received in advance or in excess of the user charge for a billing period are recorded as unearned revenues until such time as these amounts are either refunded or applied against future user charges.

(l) Charges for Wholesale Wastewater Treatment and Unearned Revenue

The cost of operating and maintaining the wastewater treatment plant and related collection facilities applicable to non-District users is billed to participating jurisdictions based upon their share of flows in accordance with terms of the IMA agreement discussed in Note 1. The charges for operating and maintenance costs and for overhead costs incurred on capital projects are recorded as charges for wholesale wastewater treatment revenue in the year the costs are incurred. The costs of capital projects required for the joint use facilities are allocated to the participating jurisdictions based on their applicable capacity allocation as set forth in the IMA agreement. The reimbursements for capital related costs are recorded as unearned revenue and are amortized into user charges for wholesale wastewater treatment revenues over the estimated useful lives of the related assets.

(2) Summary of Significant Accounting Policies (Continued)

(m) Contingencies

Liabilities from loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. When the reasonable estimate of the loss is a range, and when no amount within the range is a better estimate than any other amount, the Authority accrues a loss for the minimum amount in the range.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates based on 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.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(p) New Accounting Standards

During the fiscal year ended September 30, 2013, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus – An amendment of GASB Statements No. 14 and 34*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Implementation of these statements had no material impact on the Authority's fiscal year 2013 financial statements.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(q) New Accounting Pronouncements to be Implemented in the Future

The Authority plans to implement the following GASB pronouncements by the required implementation dates:

No.	Title	Required Implementation Date *(Periods Beginning After)*	Authority Fiscal Year
65	Items Previously Reported as Assets and Liabilities	15-Dec-12	2014
66	Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62	15-Dec-12	2014
67	Financial Reporting for Pension Plans—An amendment of GASB Statement No. 25	15-Jun-13	2014
68	Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27	15-Jun-14	2015
69	Government Combinations and Disposals of Government Operations	15-Dec-13	2015
70	Accounting and Financial Reporting for Nonexchange Financial Guarantees	15-Jun-13	2014
71	Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68	15-Jun-14	2015

(3) Cash Deposits and Investments

(a) Authorized Cash Deposits and Investments

The Authority's Investment Policy, which is compliant with the Authority's bond covenants and master indenture, requires that all cash and other deposits maintained in financial institutions be collateralized, including bank deposits and collateralized certificates of deposit. Collateral is required to be secured in accordance with the following policy: a) collateralization on all deposits of Authority in excess of the amount protected by federal deposit insurance; and b) collateralization with any of the following: (i) U.S. Treasury obligations, (ii) Federal Agency obligations, or (iii) a Letter of Credit issued by a Federal Home Loan Bank the amount of which shall be 102% of the deposits held. Collateral shall always be held by an independent third-party custodian in the name of the Authority.

(3) Cash Deposits and Investments (Continued)

The Authority's Investment Policy permits investments in the following securities:

(1) *U.S. Treasury Obligations.* United States Treasury bills, notes, or any other obligation or security issued by or backed by the full faith and credit of the United States Treasury. These securities shall be limited to a maximum maturity of five (5) years at the time of purchase.

(2) *Federal Agency Obligations.* Bonds, notes, debentures, or other obligations or securities issued by a federal government agency or instrumentality, except Collateralized Mortgage Obligations, with a rating of at least "AA" or equivalent from 2 major rating agencies. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.

(3) *Repurchase Agreements.* Contracts shall be invested in only if certain conditions are met, including: a) the Repurchase Agreement has a term to maturity of no greater than ninety (90) days; b) the contract is fully secured by deliverable U.S. Treasury and Federal Agency obligations, having a market value at all times of at least one hundred two percent (102%) of the amount of the contract; and c) the counterparty meets certain criteria specified in the Investment Policy.

(4) *Commercial Paper.* Unsecured short-term debt of U.S. corporations may be purchased if certain conditions are met, including: a) the maturity is no greater than one hundred-eighty days (180) days; and b) the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent).

(5) *Bankers' Acceptances.* Issued by a domestic bank or a federally chartered domestic office of a foreign bank, may be purchased if the following conditions are met: a) the maturity is no greater than two hundred-seventy days (270) days; and b) it is rated not lower than 'A-1' or the equivalent.

(6) *Municipal Obligations.* Municipal bonds, notes and other evidences of indebtedness of the District or any state or local government may be purchased that meet certain criteria, including: a) final maturity on the date of investment not to exceed five (5) years; b) rated in either of the two highest rating categories; and c) the total holdings of any single issue do not represent more than 25% of the total issue.

(7) *Negotiable Certificates of Deposit and Bank Deposit Notes* of domestic banks and domestic offices of foreign banks with: a) ratings of at least 'A-1' or the equivalent; b) for maturities of one year or less; and c) and ratings of least 'AA' or the equivalent for maturities over one year and not exceeding five years.

(8) *Collateralized Certificates of Deposit* in state chartered banks or federally charted banks. Collateralized Certificates of Deposit shall be collateralized at 102%.

(In thousands)

(3) Cash Deposits and Investments (Continued)

(9) *Registered Investment Companies (Mutual Funds).* Shares in open-end, no-load investment funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities permitted under this investment policy, provided that the fund is rated "AAAm" or "AAAm-G" or the equivalent.

(10) *FDIC insured Certificates of Deposit obtained thru Certificate of Deposit placement services including the Certificate of Deposit Account Registry Service (CDARS).* In 2012, the Authority began participating in CDARS program. The program allows the Authority to allocate funds into certificates of deposit in increments, which ensure the funds are eligible for full FDIC insurance.

Additionally, the Authority's Investment Policy has established the following limits as to the maximum percentage of the investment portfolio that is permitted to be invested in each type of eligible security:

Security		Security	
U.S. Treasury Obligations	100%	Negotiable Certificates of Deposit	30%
Federal Agency Obligations	80%	Collateralized Certificates of Deposit	30%
Repurchase Agreements	100%	Registered Mutual Funds	100%
Commercial Paper	35%	Bank Deposits	100%
Bankers' Acceptances	40%	FDIC insured Certificates of Deposit	30%
Municipal Obligations	20%		

The Authority's Investment Policy also stipulates that no more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with following exceptions:

U.S. Treasury	100% maximum
Each Federal Agency	40% maximum
Each Repurchase Agreement Counterparty	50% maximum
Each Mutual Fund	50% maximum

For the years ended September 30, 2013 and 2012, there were no violations of the Authority's Investment Policy.

(b) Cash Deposits

At September 30, 2013 and 2012, the carrying amounts of the Authority's unrestricted and restricted bank deposits were $98,089 and $88,863, respectively. These bank deposits were entirely insured or collateralized with securities or letters of credit at 102% of the market value of principal, plus accrued interest held by the Authority's independent agent in the Authority's name.

(In thousands)

(3) Cash Deposits and Investments (Continued)

(c) Cash Equivalents and Investments

As of September 30, 2013 and 2012, the Authority held the following cash equivalents and investments:

Cash equivalents and investments	2013	Weighted Average Maturity (Years)	2012	Weighted Average Maturity (Years)
Money market funds	$119,472	0.083	$181,176	0.083
U.S. government agencies	207,257	0.880	244,470	1.080
Commercial paper	109,924	0.290	49,959	0.310
Certificate of deposits	20,060	1.470	10,000	1.520
Treasury notes	60,509	0.400	-	0.000
Total cash equivalents and investments	$517,222	0.537	$485,605	0.638

The Authority's exposure to foreign currency risk, interest rate risk, credit risk and custodial risk associated with its cash deposits and investments are described below:

Foreign Currency Risk— Foreign currency risk is the risk that changes in the exchange rates will adversely impact the fair values of an investment. The Authority's investments are not subject to foreign currency risk as the Authority held no investments denominated in foreign currency as of and for the years ended September 30, 2013 and 2012, respectively.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity will have a greater sensitivity to fair value changes that are related to market interest rates. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the Authority's Investment Policy limits the Authority's investment portfolio to investments with certain maximum maturities.

The following are the maximum maturities established by the Authority's investment policy:

Security	Maturities	Security	Maturities
U.S. Treasury Obligations	5 years	Negotiable Certificates of Deposit	5 years
Federal Agency Obligations	5 years	Collateralized Certificates of Deposit	5 years
Repurchase Agreements	90 days	Registered Mutual Funds	NA
Commercial Paper	180 days	Bank Deposits	NA
Bankers' Acceptances	270 days	FDIC insured Certificates of Deposit	5 years
Municipal Obligations	5 years		

Additionally, the Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio of debt instruments.

(3) Cash Deposits and Investments (Continued)

As reflected in the table on the previous page, the weighted average maturity of the Authority's investment portfolio was 0.537 years and 0.638 years as of September 30, 2013 and 2012, respectively. As a result, the Authority's investment portfolio had minimal exposure to interest rate risk.

Credit risk – Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. The Authority manages this risk by establishing minimum credit ratings in its investment policy. As of September 30, 2013 the credit rating of the Authority's investments in money market funds and commercial paper were AAAm, and A-1,A-1+,P-1, respectively. At September 30, 2013, the Authority's investments with exposure to credit risk met the minimum credit ratings required in the Authority's investment policy.

Custodial credit risk – deposits is the risk that, in the event of the failure of the depository financial institution, the Authority will not be able to recover the deposits or collateral securities that are in the possession of an outside party. The Authority had no custodial credit risk associated with cash deposits as all bank deposits were entirely insured or collateralized with securities or letters of credit at 102% of the market value of principal, plus accrued interest and held by the Authority's independent agent in the Authority's name.

Custodial credit risk – investments 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 or collateral securities that are in the possession of the outside party. The Authority has no custodial credit risk as all Authority investments as well as collateral for repurchase agreements are held in the Authority's name by an independent custodial agent for the term of the agreement and investments in obligations of the United States or its agencies are held by the Federal Reserve in a custodial account.

Other Required Disclosures- As of and for the years ended September 30, 2013 and 2012, the Authority did not have any:

- Commitments to resell securities under yield maintenance agreements;
- Losses due to defaults by counterparties or recoveries from prior period losses; and
- Investments in any one issuer that represent 5% or more of total investments, excluding investments explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments that are excluded from this disclosure requirement.

(In thousands)

(3) Cash Deposits and Investments (Continued)

(d) Cash and Investment Schedule

A schedule of cash equivalents and investments as of September 30, 2013 and 2012 follows:

	2013			2012		
Description	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents						
Demand deposits	$ 85,964	12,125	$ 98,089	$ 83,836	5,027	$ 88,863
Money market funds	2,501	116,971	119,472	10,636	170,540	181,176
Commercial paper	19,994	9,998	29,992	-	-	-
U.S. government agencies	-	19,998	19,998	-	-	-
Treasury notes	-	10,022	10,022	-	-	-
Total cash and cash equivalents	108,459	169,114	277,573	94,472	175,567	270,039
Investments						
U.S government agencies	25,537	161,722	187,259	50,527	193,943	244,470
Commercial paper	49,955	29,977	79,932	39,962	9,997	49,959
Certificate of deposit	20,060	-	20,060	10,000	-	10,000
Treasury notes	-	50,487	50,487	-	-	-
Total Investments	95,552	242,186	337,738	100,489	203,940	304,429
Total cash, cash equivalents & investments	$ 204,011	$411,300	$615,311	$ 194,961	$379,507	$574,468

(In thousands)

(3) Cash Deposits and Investments (Continued

(e) Restricted Cash and Investment Schedule

A schedule of restricted cash equivalents and investments as of September 30, 2013 and 2012 follows:

Description	2013	2012
Restricted cash and cash equivalents (current and noncurrent)		
Revenue bonds 2013	$ 81,823	$ -
Combined sewer overflow (CSO) federal appropriations	11,109	10,055
Principal payment, 1998 revenue bonds	11,687	11,081
Interest payment, 2012 A,C revenue bonds	8,334	8,726
Interest payment, 2010 revenue bonds	8,157	8,477
Interest payment, 2009 revenue bonds	7,984	8,034
Interest payment, 2008 revenue bonds	6,857	7,001
Interest payment, 1998 revenue bonds	6,437	6,146
Principal payment, 2008 revenue bonds	6,116	5,746
Interest payment, 2007 revenue bonds	5,677	5,677
Principal payment, 2012 revenue bonds	4,478	-
Debt service reserve account, 1998 revenue bonds	3,174	8,712
Principal payment, 2009 revenue bonds	2,576	2,486
Interest payment, 2013 revenue bonds	2,499	-
Interest payment, 2012 B-1,2 revenue bonds	1,914	2,258
Interest payment, commercial paper	292	-
Revenue bonds 2010 digesters	-	41,011
Revenue bonds 2012 B-2	-	27,067
Revenue bonds 2012 B-1	-	12,295
Revenue bonds 2012 A	-	9,619
Commercial paper	-	1,176
Total restricted cash and cash equivalents	169,114	175,567
Restricted investments (current and noncurrent)		
Revenue bonds 2013	200,261	-
Debt service reserve account, 1998 revenue bonds	20,527	15,335
Combined sewer overflow (CSO) federal appropriation	19,995	29,985
Revenue bonds 2010 cap interest	1,403	4,295
Revenue bonds 2012 A	-	109,338
Revenue bonds 2012 B-1	-	24,993
Revenue bonds 2012 B-2	-	19,994
Total restricted investments	242,186	203,940
Total restricted cash, cash equivalents & investments	$411,300	$379,507

(In thousands)

(4) Capital Assets

The following tables present the activity in capital assets for the years ended September 30, 2013 and 2012:

	Balance 9/30/2012	Additions	Disposals	Transfers	Balance 9/30/2013
Capital Assets					
Wastewater treatment plant	$ 1,924,985	$ -	$ -	$ 20,935	$ 1,945,920
Wastewater collection facilities	716,651	-	-	13,971	730,622
Water distribution system	897,077	-	-	23,073	920,150
Purchased capacity	319,840	6,450	-	-	326,290
Capital equipment	167,641	-	(2,230)	13,209	178,620
Total capital assets in service	4,026,194	6,450	(2,230)	71,188	4,101,602
Less accumulated depreciation:					
Wastewater treatment plant	(484,947)	(31,885)	-	-	(516,832)
Wastewater collection facilities	(217,109)	(11,776)	-	-	(228,885)
Water distribution system	(208,300)	(16,446)	-	-	(224,746)
Purchased capacity	(65,833)	(5,446)			(71,279)
Capital equipment	(139,192)	(11,777)	2,222	-	(148,747)
Total accumulated depreciation	(1,115,381)	(77,330)	2,222	-	(1,190,489)
Net capital asssets in service	2,910,813	(70,880)	(8)	71,188	2,911,113
Construction-in-progress	807,430	645,410	-	(71,188)	1,381,652
Net capital assets	$ 3,718,243	$ 574,530	$ (8)	$ -	$ 4,292,765

	Balance 9/30/2011	Additions	Disposals	Transfers	Balance 9/30/2012
Capital Assets					
Wastewater treatment plant	$ 1,839,010	$ -	$ (629)	$ 86,604	$ 1,924,985
Wastewater collection facilities	689,575	-	-	27,076	716,651
Water distribution system	863,474	-	-	33,603	897,077
Purchased capacity	307,593	12,247	-	-	319,840
Capital equipment	155,770	-	(523)	12,394	167,641
Total capital assets in service	3,855,422	12,247	(1,152)	159,677	4,026,194
Less accumulated depreciation:					
Wastewater treatment plant	(454,216)	(30,742)	11	-	(484,947)
Wastewater collection facilities	(205,642)	(11,467)	-	-	(217,109)
Water distribution system	(192,845)	(15,455)	-	-	(208,300)
Purchased capacity	(60,543)	(5,290)	-	-	(65,833)
Capital equipment	(128,327)	(11,388)	523	-	(139,192)
Total accumulated depreciation	(1,041,573)	(74,342)	534	-	(1,115,381)
Net capital asssets in service	2,813,849	(62,095)	(618)	159,677	2,910,813
Construction-in-progress	485,497	481,610	-	(159,677)	807,430
Net capital assets	$ 3,299,346	$ 419,515	$ (618)	$ -	$ 3,718,243

(In thousands)

(4) Capital Assets (Continued)

For the years ended September 30, 2013 and 2012, total interest expense incurred was $63,744 and $67,922, and total capitalized interest was $25,782 and $15,150, respectively.

The following tables present the activity in purchased capacity for the years ended September 30, 2013 and 2012:

	Balance 9/30/2012	Additions	Balance 9/30/2013
Purchased Capacity			
Washington Aqueduct	$ 287,650	$ 6,450	$ 294,100
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	319,840	6,450	326,290
Less accumulated depreciation:			
Washington Aqueduct	(52,326)	(4,848)	(57,174)
Jennings Randolph Reservoir	(7,858)	(393)	(8,251)
Little Seneca Lake	(5,649)	(205)	(5,854)
Total accumulated depreciation	(65,833)	(5,446)	(71,279)
Purchased capacity, net	$ 254,007	$ 1,004	$ 255,011

	Balance 9/30/2011	Additions	Balance 9/30/2012
Purchased capacity			
Washington Aqueduct	$ 275,403	$ 12,247	$ 287,650
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	307,593	12,247	319,840
Less accumulated depreciation:			
Washington Aqueduct	(47,634)	(4,692)	(52,326)
Jennings Randolph Reservoir	(7,465)	(393)	(7,858)
Little Seneca Lake	(5,444)	(205)	(5,649)
Total accumulated depreciation	(60,543)	(5,290)	(65,833)
Purchased capacity, net	$ 247,050	$ 6,957	$ 254,007

(In thousands)

(5) Due from Federal Government

The amount due from the Federal government consists of the following at September 30, 2013 and 2012, respectively:

Description	2013	2012
Washington Aqueduct advance	$ 16,909	$ 17,434
Federal grants receivable	6,249	6,057
Total	$ 23,158	$ 23,491

The Washington Aqueduct advance consists of unexpended capital advances and an operating escrow of $4,675 required under the Water Sales Agreement. Federal grants receivable represent amounts due from the Environmental Protection Agency related to allowable construction costs incurred but not billed.

(6) Customer Receivables

Customer receivables include unbilled revenues of $15,845 and $15,587 at September 30, 2013 and 2012, respectively.

(7) Due from Other Jurisdictions

The amount due from other jurisdictions under the IMA agreement consists of the following at September 30, 2013 and 2012:

Description	2013	2012
Current:		
Washington Suburban Sanitary Commission	$ 32,953	$ 6,025
Fairfax	5,551	914
Loudoun County Sanitation Authority	2,334	414
Northern Virginia	91	94
Potomac Interceptor	511	528
Total current	41,440	7,975
Noncurrent:		
Washington Suburban Sanitary Commission	17,396	7,129
Northern Virginia	3,259	3,350
Fairfax	3,311	1,389
Loudoun County Sanitation Authority	1,508	638
Total noncurrent	25,474	12,506
Total due from other jurisdictions	$ 66,914	$ 20,481

(In thousands)

(8) Compensated Absences

The following table reflects the activity associated with accrued compensated absences for the years ended September 30, 2013 and 2012, respectively:

	2013			2012		
Description	Vacation	Sick	Total	Vacation	Sick	Total
Beginning of year	$ 6,856	$ 4,878	$ 11,734	$ 6,659	$ 4,570	$ 11,229
Increased (incurred)	1,143	1,157	2,300	987	721	1,708
Decreases	(1,038)	(233)	(1,271)	(790)	(413)	(1,203)
End of year	6,961	5,802	12,763	6,856	4,878	11,734
Less: current portion	882	259	1,141	902	373	1,275
Noncurrent portion	$ 6,079	$ 5,543	$ 11,622	$ 5,954	$ 4,505	$ 10,459

The current portion of compensated absences is included in compensation payable in the accompanying statements of net position.

(In thousands)

(9) Short-Term Debt—Commercial Paper

The Authority has established a commercial paper ("CP") program to provide interim financing for the Authority's capital improvement program. Three series of notes have been issued under the commercial paper program: the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed $75,000; the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed $50,000, and the taxable Series C CP Notes in an aggregate principal amount not to exceed $75,000 (collectively, the "Commercial Paper Notes"), each as subordinate debt to the senior debt discussed in Note 10. To provide liquidity and credit support for the Commercial Paper Notes, the Authority obtained irrevocable, direct-pay letters of credit (the "Letters of Credit") issued by J.P. Morgan Chase Bank and U.S. Bank National Association (collectively, the "Banks") which expire on May 29, 2015. In connection with the Banks' issuance of the Letters of Credit, the Authority and each Bank entered into a Reimbursement Agreement. The Agreements (collectively, the "Reimbursement Agreements"), dated as of June 1, 2010, as summarized by the first Amendment to the Reimbursement Agreement, dated April 15, 2013, obligate the Authority to pay Bank Obligations and Reimbursement Obligations (both as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and Fee Obligations (as defined in each Reimbursement Agreement) to the applicable Bank. The Bank Obligations, the Reimbursement Obligations and Fee Obligations are subordinate debt under the Bond Indenture.

A schedule of Commercial Paper activity for the years ended September 30, 2013 and 2012 follows:

Description	Balance 9/30/2012	2013 Maturities	2013 Re-Issuance	Balance 9/30/2013
Series C, interest from 0.16% to 0.22%, maturties ranged from 1 to 100 days	$ 29,200	$ (204,400)	$ 204,400	$ 29,200
Series B, interest from 0.11% to 0.22%, maturities ranged from 21 to 89 days	12,000	(78,000)	78,000	12,000
	$ 41,200	$ (282,400)	$ 282,400	$ 41,200

Description	Balance 9/30/2011	2012 Maturities	2012 Re-Issuance	Balance 9/30/2012
Series C, interest from 0.15% to 0.28%, maturities ranged from 31 to 97 days	$ 29,200	$ (146,000)	$ 146,000	$ 29,200
Series B, interest from 0.08% to 0.19%, maturities ranged from 7 to 88 days	6,000	(42,000)	48,000	12,000
	$ 35,200	$ (188,000)	$ 194,000	$ 41,200

(In thousands)

(10) Long-Term Debt

A schedule of long-term debt activity for the year ended September 30, 2013 is shown below:

Description	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013	Due Within One Year
2013 Public Utility Revenue Bonds:					
interest at 4.75% to 5.0%, maturing in 2049	$ -	$ 300,000	$ -	$ 300,000	$ -
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2037	177,430	-	-	177,430	4,440
Series B-1 interest at 2.26%, maturing in 2044	52,690	-	-	52,690	-
Series B-2 interest at 2.26%, maturing in 2040	47,310	-	-	47,310	-
Series C interest at 4.0% to 5.0%, maturing in 2033	163,215	-	-	163,215	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2044	300,000	-	-	300,000	-
2009 Series A Public Utility Revenue Bonds:					
interest at 3.0% to 6.0%, maturing in 2039	296,205	-	(2,485)	293,720	2,575
2008 Series A Public Utility Revenue Bonds:					
interest at 4.0% to 5.0%, maturing in 2034	279,955	-	(5,745)	274,210	6,115
2007 Series A Public Utility Revenue Bonds:					
interest at 4.75% to 5.50%, maturing in 2041	218,715	-	-	218,715	-
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2028	218,815	-	(11,080)	207,735	11,685
Notes payable to the Federal Government for Jennings					
Randolph Reservoir (Bloomington Dam):					
interest at 3.25%, maturing in 2041	14,273	-	(341)	13,932	352
Notes payable to WSSC for Little Seneca Lake:					
interest ranges from 5.98% to 6.60% maturing in 2014	63	-	(63)	-	-
Subtotal	1,768,671	300,000	(19,714)	2,048,957	25,167
Unamortized bond premiums	79,674	1,014	(1,375)	79,313	-
Unamortized bond discounts	(2,784)	-	176	(2,608)	-
Unamortized amount deferred on refunding	(11,902)	-	567	(11,335)	-
Total bonds and notes	$ 1,833,659	$ 301,014	$ (20,346)	$ 2,114,327	$ 25,167

(In thousands)

(10) Long-Term Debt (Continued)

A schedule of long-term debt activity for the year ended September 30, 2012 is shown below:

Description	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012	Due Within One Year
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2037	$ -	$ 177,430	$ -	$ 177,430	$ -
Series B-1 interest at 2.26%, maturing in 2044	-	52,690	-	52,690	-
Series B-2 interest at 2.26%, maturing in 2040	-	47,310	-	47,310	-
Series C interest at 4.0% to 5.0%, maturing in 2033	-	163,215	-	163,215	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2044	300,000	-	-	300,000	-
2009 Series A Public Utility Revenue Bonds:					
interest at 3.0% to 6.0%, maturing in 2039	298,225	-	(2,020)	296,205	2,485
2008 Series A Public Utility Revenue Bonds:					
interest at 4.0% to 5.0%, maturing in 2034	285,540	-	(5,585)	279,955	5,745
2007 Series A Public Utility Revenue Bonds:					
interest at 4.75% to 5.50%, maturing in 2041	218,715	-	-	218,715	-
2003 Public Utility Revenue Bonds:					
interest at 5.0% to 5.25%, maturing in 2033	176,220	-	(176,220)	-	-
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2028	229,315	-	(10,500)	218,815	11,080
Notes payable to the Federal Government for Jennings Randolph Reservoir (Bloomington Dam):					
interest at 3.25%, maturing in 2041	14,603	-	(330)	14,273	341
Notes payable to WSSC for Little Seneca Lake:					
interest ranges from 5.98% to 6.60% maturing in 2014	104	-	(41)	63	41
District of Columbia General Obligation Bonds:					
1993; interest ranges from 5.40% to 6.0% maturing in 2012	245	-	(245)	-	-
Subtotal	1,522,967	440,645	(194,941)	1,768,671	19,692
Unamortized bond premiums	28,805	53,289	(2,420)	79,674	-
Unamortized bond discounts	(2,877)	-	93	(2,784)	-
Unamortized amount deferred on refunding	-	(11,902)	-	(11,902)	-
Total bonds and notes	$ 1,548,895	$ 482,032	$ (197,268)	$ 1,833,659	$ 19,692

(10) Long-Term Debt (Continued)

(a) Senior Debt

The 2009 and 1998 public utility revenue bonds are considered senior debt under the related Master Indenture of Trust (Master Indenture). Payment of the principal and interest on Authority's senior debt is secured by a pledge of Authority's gross revenues (excluding any capital contributions or grants) after provisions for payment of operating expenses.

In January 2009, the Authority issued senior lien public utility revenue bonds (Series 2009A Bonds) with a face value of $300,000, consisting of $38,355 Serial Bonds and $261,645 Term Bonds. The Serial Bonds have maturity dates and interest rates ranging from 2010-2030 and 3.0% to 5.4%, respectively. The Term Bonds have maturity dates and interest rates ranging from 2024-2039 and 4.8% to 6.0%, respectively. Debt proceeds were used to refinance $14,800 of the taxable Series A Commercial Paper Notes and $50,000 of the tax exempt Series B Commercial Paper Notes with the remainder used to finance the ongoing capital improvement program.

In April 1998, the Authority issued $266,120 of senior lien public utility revenue bonds (Series 1998 Bonds). Gross proceeds from the Series 1998 Bonds totaled $285,200, including $18,800 of the original issue premium. Approximately $77,200 was used to fund various capital projects; $181,000 was used to repay the outstanding balances of a revolving line of credit and certain notes payable to the Federal government and to advance-refund approximately $152,200 of District general obligation bonds. The refunded bonds have been fully extinguished. The remainder of the gross proceeds, approximately $27,000, was used to fund the debt service reserve fund and to pay the cost of issuance. The payment of principal and interest on the Series 1998 bonds is insured by Financial Security Assurance, Inc.

(b) Subordinate Debt

Payments of the Authority's subordinate debt are made after payments of senior debt and after certain reserves have been funded (see "Bond Covenants" below).

In July 2013, the Authority issued $300,000 of subordinate lien public utility revenue bonds with interest rates ranging from 4.75% to 5.0%, maturing in 2049 to fund the Authority's capital improvement program. Gross proceeds from the Series 2013A bonds totaled $298,921, including $1,014 of original issue premium and $2,093 of underwriter's discount and cost of issuance.

In March 2012, the Authority issued subordinate lien revenue bonds with a face value of $440,645. The bonds were structured in three Series: Series 2012A consisted of $177,430 with interest rates ranging from 2.0% to 5.0% maturing in 2037; Series 2012B consisting of $100,000 with interest rate at 2.26% maturing in 2044; and Series 2012C consisting of $163,215 with interest rates ranging from 4.0% to 5.0% maturing in 2033. Gross proceeds from the three series of 2012 Bonds totaled $493,934, including $53,289 of the original issue premium. Approximately $302,413 was used to fund various capital projects; $188,688 was used to advance-refund series 2003 bonds, and $2,833 was used to pay the underwriter's discount and cost of issuance.

(10) Long-Term Debt (Continued)

The Authority completed its advance-refunding of the series 2003 bonds by using $188,688 of bond proceeds from Series 2012C to purchase securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments by approximately $25,478 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $17,843. The total amount of refunded debt outstanding at September 30, 2013 was $180,665. Such amounts were fully paid off in October of 2013.

In October 2010, the Authority issued the Series 2010A public utility subordinate lien revenue bonds, (Series 2010A Bonds) under the federal government's Build America Bonds program. Under this program, the federal government provides the Authority a federal subsidy in the amount of 35% of the interest paid on the bonds which reduces the Authority's effective interest costs to approximately 3.6%. The $300,000 par amount consisted of $18,550 in serial bonds maturing in 2033 and gross interest rates ranging from 4.1% to 4.6%, $30,950 in term bonds maturing in 2028 and a gross interest rate of 5.4%, and $250,500 in index term bonds maturing in 2044 and a gross interest rate of 5.5%. Approximately $214,640 was issued to fund costs of certain capital improvements, including $2,420 for the cost of issuance and underwriter's discount. In addition, approximately $75,000 was issued to fund the Authority's Digester Project and $10,360 for capitalized interest. The interest subsidy received by the Authority for the years ended September 30, 2013 and 2012 amounted to $5,462 and $5,710, respectively. In fiscal year 2013, the Authority received $248 thousand less than expected due to budget sequester impacts experienced by the Federal government.

In April 2008, the Authority refunded the 2004 and 2007 Series B subordinate public utility revenue bonds for $295,000 and $59,000, respectively. Simultaneously, the Authority issued subordinate lien public utility revenue bonds (Series 2008A) with a face value of $290,375 which are due in 2034. The interest rate on these securities is fixed and will have an effective average rate of 4.7% over the life of the bonds. There was $11,678 of original issue premium and approximately $5,888 for the cost of issuance, bond insurance and underwriter's discount costs associated with this issuance. The scheduled payments of principal and interest on the Series 2008A bonds are guaranteed by a municipal bond insurance policy issued by the Assured Guaranty Program

In June 2007, the Authority issued $218,715 of tax-exempt subordinate lien public utility revenue bonds (Series 2007A bonds) and $59,000 of taxable subordinate lien public utility revenue bonds (Series 2007B bonds). Gross proceeds from the Series 2007A bonds totaled $234,923, including $15,661 of original issue premium. Approximately $30,000 was used to repay outstanding commercial paper, and $2,824 was used to pay the underwriter's discount, insurance and the cost of issuance. The scheduled payments of principal and interest on Series 2007A bonds are guaranteed by a municipal bond insurance policy issued by the Financial Guaranty Insurance Company ("FGIC"). Gross proceeds from the Series 2007B bonds totaled $59,000.

(10) Long-Term Debt (Continued)

Proceeds from the Series 2007B bonds were used entirely to fund the Authority's share of capital improvements to the Washington Aqueduct. The scheduled payments of principal and interest on Series 2007B bonds are guaranteed by a municipal bond insurance policy issued by CIFG Assurance North America, Inc.

In August 2003, the Authority issued $176,220 of subordinate lien public utility revenue bonds (Series 2003 Bonds). Gross proceeds from the Series 2003 bonds totaled $176,220, including $3,449 of original issue discount and $2,771 for the cost of issuance. Approximately $70,000 was used to fund various capital projects and $100,000 was used to repay outstanding commercial paper. The scheduled payments of principal and interest on the Series 2003 bonds are guaranteed by a municipal bond insurance policy issued by FGIC.

The Authority also purchased a surety bond policy from FGIC to meet the debt reserve fund requirement for the Series 2003 bonds. During fiscal year 2008, FGIC was downgraded below investment grade. As a result, the Authority obtained a direct pay letter of credit from TD Bank N.A. to supplement the Series 2003 Subordinate Debt Service Reserve fund surety provided by FGIC.

Notes payable to the Federal government for the Jennings Randolph Reservoir are considered subordinate debt under the Master Indenture and contain no pledge of property, sinking fund provisions, or restrictive covenants. The proceeds of the notes were used to make improvements to the Jennings Randolph Reservoir for back-up and peak-day water supply.

Notes payable to WSSC for the Little Seneca Lake are considered subordinate debt under the Master Indenture and contain no pledge of property, sinking fund provisions, or restrictive covenants. The proceeds of the notes were used by WSSC to construct the Little Seneca Dam and Lake for back-up and peak-day water supply for the Authority.

(c) Bond Covenants

The Master Indenture sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure proper operation and maintenance of the water and wastewater system and payment of debt service. Management believes the Authority was in compliance with all bond covenants as of and for the years ended September 30, 2013 and 2012. The primary requirements of the Master Indenture are summarized below:

(In thousands)

(10) Long-Term Debt (Continued)

Rate Covenant — The Authority has covenanted to establish and maintain rates and charges to produce revenues sufficient to pay operating expenses and annual debt service on senior and subordinate debt, to fund certain required reserves, to fund any payment in lieu of taxes, and to produce net revenues sufficient at least equal to the sum of: (1) 120% of annual debt service on senior debt and (2) 100% of annual debt service on subordinate debt. Net revenues are defined generally as all Authority revenues (excluding capital contributions from wholesale customers, Federal grants, or any proceeds derived from the sale of capital assets), less operating and maintenance expenses (excluding any payment in lieu of taxes, depreciation and amortization charges and certain extraordinary, nonrecurring expenses).

Debt Service Reserve Fund — The Authority has established debt service reserve accounts for certain series of bonds, which are only to be used to pay debt service in the event of insufficient funds. The Series 1998 bonds debt service reserve account balance as of September 30, 2013 and 2012 was $23,701 and 24,047, respectively, and is required to be maintained at 125% of current and future average annual Series 1998 debt service.

(d) Debt Service to Maturity

The future debt-service obligations at September 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 25,167	$ 96,552	$ 121,719
2015	26,473	95,223	121,696
2016	27,870	93,779	121,649
2017	29,317	92,334	121,651
2018	30,840	90,790	121,630
2019 - 2023	190,769	426,852	617,621
2024 - 2028	251,257	374,307	625,564
2029 - 2033	318,319	305,621	623,940
2034 - 2038	411,164	212,013	623,177
2039 - 2043	457,849	104,327	562,176
2044 - 2048	253,252	22,433	275,685
2049 - 2053	26,680	—	26,680
Total	$2,048,957	$1,914,231	$3,963,188

(In thousands)

(11) Commitments and Contingencies – Other Liabilities

A schedule of other liabilities as of September 30, 2013 and 2012 is shown below:

Description	2013	2012
Risk management contingency	$ 11,782	$ 12,453
Rolling owner controlled insurance program	11,827	10,332
Litigation contingency	3,220	2,450
Federal grants disallowance	1,718	1,858
Total other liabilities	28,547	27,093
Less: current portion	8,804	7,748
Noncurrent portion	$ 19,743	$ 19,345

The current portion of other liabilities represents management's estimate of the amounts that will be paid in next fiscal year.

(a) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective April 7, 1998, the Authority purchased certain commercial insurance coverage. Prior to that date, the Authority was either self-insured or covered under District self-insurance programs.

For each of the three most recent years, settlement of claims has not exceeded insurance coverage. Additionally, there has not been a significant reduction in insurance coverage from coverage in the prior year.

The Authority has purchased $1,000,000 property coverage (Property Policy) to protect its owned or leased facilities, buildings and contents. Except for catastrophic on-site protection provided on the Property Policy, the Authority self-insures its fleet of vehicles. The deductible for each claim for buildings and contents is $1,000. Off-site watercraft and specified equipment are insured under an Inland Marine Policy. Deductibles range from $10 to $25 on this policy for each occurrence.

The Authority has purchased liability insurance coverage to protect it from claims alleging damages and injuries caused by automobile accidents, damaged utilities, construction, and other activities. Limits of $100,000 have been secured in excess of a deductible of $1,000 for each occurrence. Public Officials' liability insurance has been secured with limits of $20,000 in excess of a deductible of $250 to $500 per claim.

(In thousands)

(11) Commitments and Contingencies – Other Liabilities (Continued)

The Authority self-insures the first $1,000 of workers' compensation claims costs. In order to mitigate the potential self-insured costs of medical expenses, rehabilitation and lost wages, the Authority purchased an Excess Workers' Compensation Policy with unlimited coverage. The Authority contracts with a third-party administrator to support the workers' compensation claims management program.

Liabilities are recognized when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date and include a provision for allocated and unallocated claim adjustment expenses.

Because actual claims liabilities depend on such complex factors as inflation, changes in governing laws and standards, and court awards, the process used in computing claims liabilities is reevaluated periodically to take into consideration the history, frequency and severity of recent claims and other economic and social factors.

These liabilities are computed using a combination of actual claims experience and statistically estimated amounts. The Authority has not discounted these estimated liabilities to present value.

Changes in the Authority's estimated risk management liabilities related to workers' compensation and general liability claims during the years ended September 30, 2013, 2012 and 2011 were as follows:

Description	2013	2012	2011
Balance, beginning of year	$ 12,453	$ 12,260	$ 12,384
Current year claims and changes in estimates	2,250	2,333	2,318
Claim payments	(2,921)	(2,140)	(2,442)
Balance, end of year	$ 11,782	$ 12,453	$ 12,260

(b) Rolling Owner Controlled Insurance Program

The Authority procures insurance for the majority of its construction contractors through the Authority's Rolling Owner Controlled Insurance Program (ROCIP). Construction contractors who do not participate in the ROCIP are required to procure insurance on their own. Coverage for participating construction contractors includes general liability, umbrella and workers' compensation insurance. Both general liability and workers' compensation have a $500,000 per occurrence deductible. There is also $100 million excess policy in place over general liability. The workers' compensation loss coverage is statutory, and unlimited above the retention. For each of the three most recent years, settlement of claims has not exceeded insurance coverage. Additionally, there has not been a significant reduction in insurance coverage from coverage in the prior year.

(In thousands)

(11) Commitments and Contingencies – Other Liabilities (Continued)

Liabilities for the self-insured exposure for workers' compensation claims and general liability claims under the ROCIP are recognized when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date and include a provision for allocated and unallocated claim adjustment expenses. Because actual claims liabilities depend on such complex factors as inflation, changes in governing laws and standards, and court awards, the process used in computing claims liabilities is reevaluated periodically to take into consideration the history, frequency and severity of recent claims and other economic and social factors.

These liabilities are computed using a combination of actual claims experience and statistically estimated amounts. The Authority has not discounted these estimated liabilities to present value.

Changes in the Authority's estimated ROCIP liabilities related to workers' compensation and general liability claims during the years ended September 30, 2013, 2012 and 2011 were as follows:

Description	2013	2012	2011
Balance, beginning of year	$ 10,332	$ 9,504	$ 631
Current year increase in ROCIP liability	9,498	3,821	11,195
ROCIP administration and claim payments	(8,003)	(2,993)	(2,322)
Balance, end of year	$ 11,827	$ 10,332	$ 9,504

(c) Litigation

The Authority is a party in various administrative proceedings, legal actions and claims brought by or against it in the normal course of operations by employees, contractors, and other parties. The following table reflects the changes in the Authority's estimated liabilities for litigation contingencies where the risk of loss is probable during the years ended September 30, 2013 and 2012:

Description	2013	2012
Balance, beginning of year	$ 2,450	$ 8,291
Current year claims and changes in estimates	1,091	(946)
Claim payments	(321)	(4,895)
Balance, end of year	$ 3,220	$ 2,450

Although the ultimate outcome of these legal proceedings are unknown, in the opinion of the Authority's management and legal counsel, the ultimate resolution of these actions and claims will not materially affect the financial position, results of operations, or cash flows of the Authority.

(In thousands)

(11) Commitments and Contingencies – Other Liabilities (Continued)

(d) Federal Grants

The Authority's federal capital grants are subject to financial and compliance audits by the United States Environmental Protection Agency, the grantor, or its representatives. The Authority's management does not expect that the results of these audits will have a material adverse effect on the accompanying financial statements. As of September 30, 2013 and 2012, the Authority's estimate of the amount of potential grant disallowances on its Federal grant programs are $1,718 and $1,858, respectively.

(e) Construction and Other Significant Commitments

The Authority's contractual commitments are primarily associated with the long-term capital improvement program and some IT related projects. Outstanding contractual commitments related to the capital improvement program as of September 30, 2013 and 2012 were $1,016,301 and $1,041,086, respectively. Outstanding construction commitments are not recorded in the financial statements until goods and services have been received by the Authority in accordance with the terms of the related contracts.

(f) Lease Commitments

The Authority conducts a portion of its operations from leased facilities. Most of the leases contain renewal options. All of the leases for equipment and facilities are operating leases, and the rental payments under these leases are charged to operations as incurred.

The Authority's rental expense for the years ended September 30, 2013 and 2012 were as follows:

Description	2013	2012
Facilities leases	$ 1,150	$ 1,553
Automobile equipment leases	55	20
Machinery leases	51	68
Total	$ 1,256	$ 1,641

(In thousands)

(11) Commitments and Contingencies – Other Liabilities (Continued)

Future minimum non-cancelable lease payments on existing operating leases at September 30, 2013, which have an initial term of one year or more, are as follows.

Future Minimum Lease Payments		
2014	$	1,049
2015		1,081
2016		1,113
2017		1,142
2018		1,170
2019		1,051
Total	$	6,606

(12) Related Party and Similar Transactions

(a) Water and Wastewater User Charges

The enabling legislation, described in Note 1, established that the District would pay for water and wastewater services. The Authority recorded revenues of $14,714 and $18,213 from the District government and $6,963 and $6,500 from the District of Columbia Housing Authority (“DCHA”) for fiscal years 2013 and 2012, respectively. Both the District government and DCHA revenues are included in water and wastewater user charges in the accompanying statements of revenues, expenses and changes in net position.

(b) PILOT and ROW Fees

The Authority recorded an expense of $16,882 for payments-in-lieu-of-taxes (PILOT) to the District for services such as road repairs, fire protection, police protection, and other services for each of the years ended September 30, 2013 and 2012. The Authority also recorded an expense of $5,100 for the District’s right-of-way (ROW) fee, charged to all area utilities for infrastructure occupancy in public streets, for each of the years ended September 30, 2013 and 2012. As of September 30, 2013 and 2012, outstanding balances due to the District related to these fees amounted to $20,175 and $14,468, respectively. Such amounts are included in accounts payable and accrued expenses in the accompanying statements of net position.

(c) Due from District government

The amounts due from the District government as of September 30, 2013 and 2012 were $2,152 and $1,491, respectively. The amount due from the District at September 30, 2013 includes approximately $3,300 billings to the District’s Department of Transportation (DDOT) for job inspections and approximately $1,190 in payables to DDOT for construction of DC Water infrastructure projects. The amounts due from the District also include amounts associated with the Authority’s billing of the District Storm Water Fees.

(In thousands)

(12) Related Party and Similar Transactions (Continued)

(d) Storm Water Fee Billings and Collections

The District of Columbia Council created the Storm Water Compliance Amendment Act of 2000 which established the Authority as the Storm Water Administrator and a fund was established. The administration of the fund was transferred to the District Department of the Environment ("DDOE") in 2007. The Authority continues to bill and collect storm water fees as a separate item and transfers the funds to the DDOE quarterly. During the years ended September 30, 2013 and 2012, the activity associated with the Authority providing this service to the District was as follows:

Description	2013	2012
Due from (to) the District-beginning of year	$ (473)	$ (417)
Collections on behalf of the District	(13,178)	(12,351)
Remittances to the District	12,951	12,370
Expenses incurred by the Authority	1,831	840
Expenses reimbursed by the District	(1,088)	(915)
Due from (to) the District-end of year	$ 43	$ (473)

Billings and collections associated with the District's Storm Water fees are not reflected in the Authority's financial statements as these are not billings and collections of the Authority. However, reimbursable expenses incurred and the related revenues from the District to cover such expenses are reflected in the accompanying statements of revenues, expenses and changes in net position. The due to (from) the District has been reported in Due from District Government on the statement of net position as of September 30, 2013 and 2012, respectively.

(13) Employee Benefits

(a) Defined Benefit Plans

Employees hired prior to October 1, 1987 participate in certain federal benefit plans administered by the federal government's Office of Personnel Management ("OPM"). The plans are cost sharing multi-employer plans, which provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan participants and beneficiaries. In fiscal year 2013, there were 188 DC Water employees covered by these plans. The OPM issues a publically available financial report that includes financial statements and required supplementary information, which may be obtained at www.opm.gov.

Employees and the Authority each contribute 7% of the employees' salaries to OPM. The contribution requirements of the plan members are established by OPM. During fiscal years 2013, 2012 and 2011, the Authority's contributions to the plans were $980, $1,061 and $1,116, respectively. These amounts were 100% of the required contributions under the plans for each of the fiscal years presented.

(13) Employee Benefits (Continued)

(b) Defined Contribution Plans

Defined Contribution Plan - Employees who were hired after September 30, 1987, participate in the U.S. Social Security system and a defined contribution plan sponsored by the Authority. The District of Columbia Water and Sewer Authority Defined Contribution Plan is a qualified trust under Internal Revenue Code Section 401(a). During fiscal years 2013, 2012 and 2011, the Authority's contribution was 7% of base pay up to the social security wage base, plus 5% of base pay in excess of the social security wage base for each eligible employee. Employees do not contribute to the plan. Employees become 100% vested in their account balance after three years of service.

457(b) Plan - Starting in January 2000, employees who were hired after September 30, 1987, participate in the U.S. Social Security system and a 457(b) Deferred Compensation plan sponsored by the Authority. The District of Columbia Water and Sewer Defined Contribution Plan is a qualified trust under Internal Revenue Code Section 401.

The Authority makes a matching contribution of 100% of the amount that the employee defers to the 457(b) Deferred Compensation Plan; up to a maximum contribution of 5% of base pay for eligible employees.

There is no waiting period before an employee can elect to become a participant of this plan and employees are always 100% vested in their contributions. The Authority's matching contribution is vested after three years of service. During fiscal years 2013, 2012 and 2011, the Authority's contributions to both defined contribution plans were $6,260, $5,453 and $5,225, respectively.

(c) Post-Employment Insurance Plans

The Authority does not provide post employment health and life insurance benefits to any post-1987 employees. The federal government provides healthcare and life insurance benefits to certain retired employees under the Federal Employees' Health Benefits Program and the Federal Employee's Group Life Insurance Program at no cost to the Authority.

(d) Retirement Health Savings Plan

In fiscal year 2007 the Authority implemented a Retirement Health Savings Plan for post-1987 non-union employees. The Plan allows eligible employees to receive a benefit for their unused sick leave upon separation of service. Funds are transferred to a third party (Maritain) to pay for post-employment medical expenses at the termination of employment.

Statistical Section
(Unaudited)

This section contains statistical tables that reflect financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. These tables differ from the basic financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The statistical section is divided into five sections as follows:

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic and Economic Information
- Operating Information

1. Financial Trends

These schedules contain trend information to better understand how the Authority's financial performance and well-being have changed over time.

EXHIBIT 1
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
($000)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating revenues										
Residential, commercial and multi-family customers	$ 275,337	$ 256,846	$ 241,475	$ 209,796	$ 191,543	$ 183,553	$ 182,327	$ 174,159	$ 166,045	$ 159,165
Federal government	45,187	48,381	43,033	37,845	35,195	35,888	30,751	31,100	24,770	26,444
District government and DC Housing Authority	21,677	24,713	25,123	21,947	16,804	16,193	17,266	16,463	15,436	15,464
Charges for wholesale wastewater treatment	87,178	94,549	90,414	87,505	85,519	82,854	73,378	67,966	62,126	60,834
Other	9,700	16,077	8,210	6,655	3,337	3,846	2,735	3,845	4,366	2,427
Total Operating Revenues	439,079	440,566	408,255	363,748	332,398	322,334	306,457	293,533	272,743	264,334
Operating expenses										
Personnel services	103,908	97,784	93,240	88,210	82,248	75,838	70,956	66,942	64,038	62,449
Contractual services	68,417	64,939	71,055	69,497	64,513	58,730	56,568	54,188	57,835	65,446
Chemicals, supplies and small equipment	28,987	28,815	28,188	29,003	29,074	28,816	24,510	23,482	22,062	17,384
Utilities and rent	26,098	26,786	29,429	29,929	32,813	37,843	32,238	31,151	25,562	22,217
Depreciation and amortization	77,330	74,342	70,209	64,425	59,291	54,418	49,355	44,149	41,069	40,500
Water purchases	27,223	28,389	27,170	27,587	25,371	25,746	24,042	22,745	19,625	20,692
Payment in lieu of taxes and right of way fee	21,982	21,982	21,982	20,474	19,183	17,525	17,514	16,923	16,307	15,778
Total operating expenses	353,945	343,037	341,273	329,125	312,493	298,916	275,183	259,580	246,498	244,466
Operating income	85,134	97,529	66,982	34,623	19,905	23,418	31,274	33,953	26,245	19,868
Non-operating revenue (expenses)										
Interest income	1,144	749	2,036	1,343	1,704	11,444	16,224	13,080	11,281	2,856
Interest expense and fiscal charges	(62,699)	(71,895)	(71,621)	(58,370)	(51,431)	(39,342)	(30,524)	(20,881)	(25,415)	(26,060)
Total non-operating revenue (expenses)	(61,555)	(71,146)	(69,585)	(57,027)	(49,727)	(27,898)	(14,300)	(7,801)	(14,134)	(23,204)
Change in net position before Federal grants and contributions	23,579	26,383	(2,603)	(22,404)	(29,822)	(4,480)	16,974	26,152	12,111	(3,336)
Contributions of capital from Federal government	58,310	58,957	47,374	30,403	27,752	42,208	25,083	24,927	34,578	31,455
Change in net position	81,889	85,340	44,771	7,999	(2,070)	37,728	42,057	51,079	46,689	28,119
Net position, beginning of year	1,145,489	1,060,149	1,015,378	1,007,379	1,009,449	971,721	929,664	878,585	831,896	803,777
Net position, end of year	$ 1,227,378	$ 1,145,489	$ 1,060,149	$ 1,015,378	$ 1,007,379	$ 1,009,449	$ 971,721	$ 929,664	$ 878,585	$ 831,896

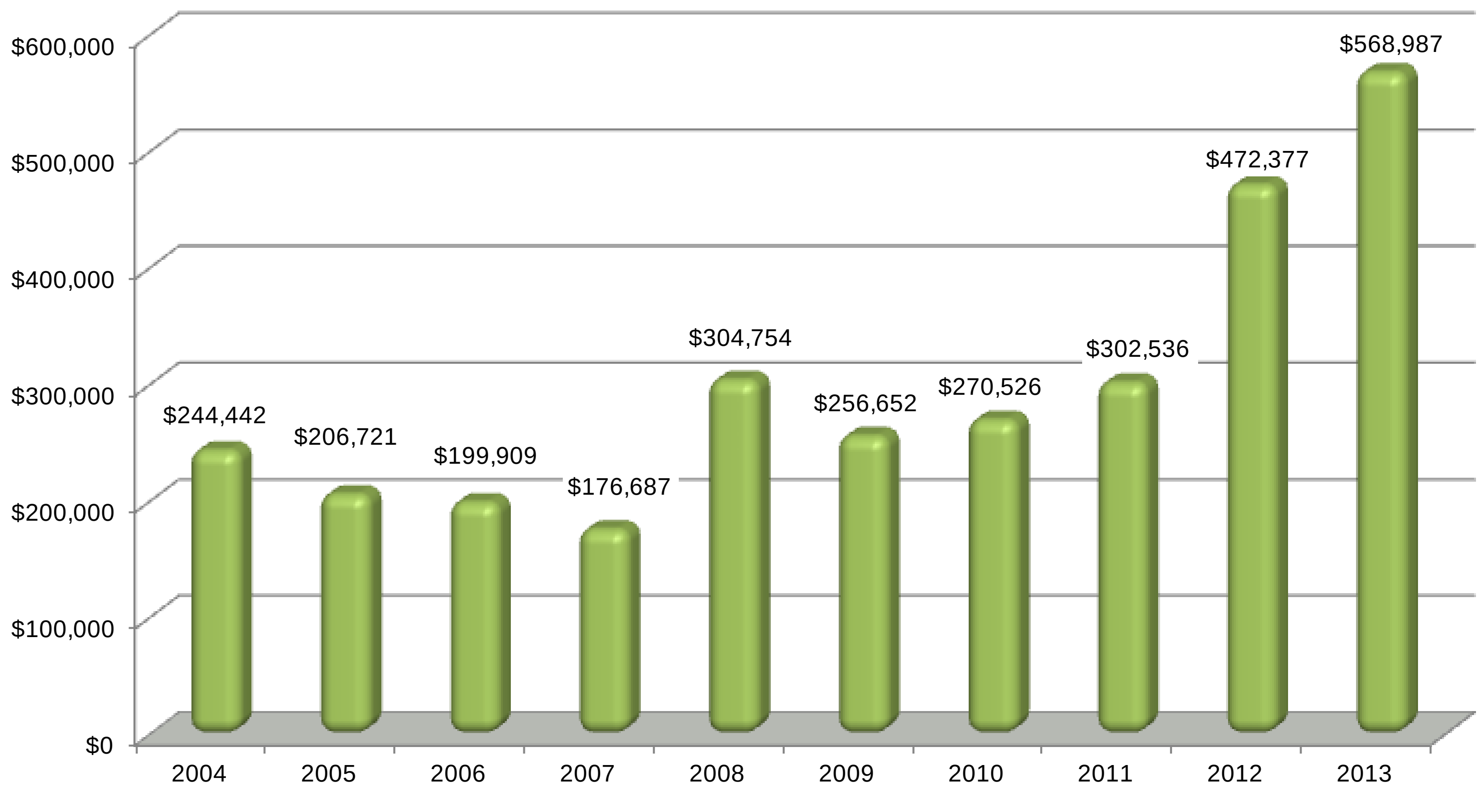
Source: FY 2004 - 2013 Statements of Revenues, Expenses and Changes in Net Position.

EXHIBIT 2
SUMMARY OF NET POSITION
LAST TEN FISCAL YEARS
($000)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net investments in capital assets	$1,063,362	$ 975,933	$ 891,786	$ 833,717	$ 782,316	$ 741,588	$775,964	$748,181	$718,899	$655,546
Restricted	29,010	27,297	26,825	17,257	10,244	8,297	6,267	1,323	307	-
Unrestricted	135,006	142,259	141,538	164,404	214,819	259,564	189,490	180,160	159,379	176,350
Total net postion	$1,227,378	$1,145,489	$1,060,149	$1,015,378	$1,007,379	$1,009,449	$971,721	$929,664	$878,585	$831,896

Source: FY 2004 - 2013 Statements of Net Position.

EXHIBIT 3
CAPITAL DISBURSEMENTS
LAST TEN FISCAL YEARS
($000)



Note: These disbursements include DC Water's share of Washington Aqueduct's capital disbursements.

Source: FY 2004 – 2013 Statements of Cash Flows.

2. Revenue Capacity

These schedules contain information regarding the Authority's most significant revenue sources.

EXHIBIT 4
OPERATING REVENUES AND RATE INCREASES
LAST TEN FISCAL YEARS
($000)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues										
Retail Customers										
Residential, Commercial and Multifamily	$275,337	$256,846	$241,475	$209,796	$191,543	$183,553	$182,327	$174,159	$166,045	$159,165
Federal Government	45,187	48,381	43,033	37,845	35,195	35,888	30,751	31,100	24,770	26,444
DC Government	14,714	18,213	17,827	15,628	10,116	9,391	10,580	9,617	8,968	9,129
DC Housing Authority	6,963	6,500	7,296	6,319	6,688	6,802	6,686	6,846	6,468	6,335
Other Revenues	9,700	16,077	8,210	6,655	3,337	3,846	2,735	3,845	4,366	2,427
Total Retail Customers	351,901	346,017	317,841	276,243	246,879	239,480	233,079	225,567	210,617	203,500
Wholesale Customers	87,178	94,549	90,414	87,505	85,519	82,854	73,378	67,966	62,126	60,834
Total Operating Revenues	$439,079	$440,566	$408,255	$363,748	$332,398	$322,334	$306,457	$293,533	$272,743	$264,334
Retail Rate Increases	5.50%	4.50%	12.50%	9.00%	7.50%	5.50%	5.00%	5.50%	5.00%	2.50%

Source: FY 2004 - 2013 Statements of Revenues, Expenses and Changes in Net Position

EXHIBIT5
NUMBER AND TYPE OF CUSTOMER ACCOUNTS
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Retail Accounts										
Residential	104,477	103,887	103,857	103,315	103,665	103,674	103,263	102,655	102,418	102,188
Commercial (A)	19,343	19,242	19,165	19,049	19,060	18,528	18,513	18,489	18,337	18,283
Governmental										
Federal	542	538	549	546	540	533	531	526	526	529
District of Columbia	630	605	607	603	606	590	589	582	565	569
DC Housing Authority	1,460	1,435	1,431	1,431	1,220	1,218	1,175	1,173	1,179	1,196
Total Retail Accounts	126,452	125,707	125,609	124,944	125,091	124,543	124,071	123,425	123,025	122,765
DC Water	36	36	35	35	30	30	30	29	29	29
Washington Aqueduct	2	2	2	1	2	2	1	1	1	1
Wholesale	7	7	7	7	7	7	7	7	7	7
Total Number of Accounts	126,497	125,752	125,653	124,987	125,130	124,582	124,109	123,462	123,062	122,802

(A) Included in commercial are multi-family and exempt accounts

Source: D.C. Water Department of Customer Service

EXHIBIT 6
TEN LARGEST COMMERCIAL CUSTOMERS
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Howard University	$ 2,699,376	$ 2,596,564	$ 1,862,880	$ 1,735,598	$ 1,640,815	$ 1,706,124	$ 1,751,425	$ 1,584,501	$ 1,612,565	$ 1,744,217
George Washington University	2,161,183	2,530,632	2,122,176	1,618,618	1,777,659	2,020,849	1,609,061	1,519,286	1,601,369	1,382,116
Georgetown University	1,865,068	1,842,860	2,238,766	2,100,705	2,135,768	2,055,644	841,585	618,575	414,589	583,335
William C Smith & Co	1,782,719	1,787,150	1,709,334	1,505,145	-	-	-	-	-	-
Washington Hospital Center	1,693,655	933,027	1,270,788	1,113,672	823,743	514,275	606,120	782,404	800,082	741,166
Horning Brothers	1,258,995	1,163,586	1,122,879	993,115	-	-	-	-	-	-
American University	1,253,038	869,211	-	694,565	1,524,262	773,109	689,676	678,900	738,628	-
Georgetown University Hospital	1,053,659	1,643,380	1,371,035	-	-	-	1,070,099	723,604	971,014	1,373,516
Amtrak	1,004,177	937,430	903,475	761,235	963,925	795,825	-	-	-	-
Metropolitan Wash Airport	716,929	661,509	-	-	-	-	-	-	-	-
The Barac Company	-	-	927,022	776,134	-	-	-	-	-	-
Marriott Wardman Park Hotel	-	-	-	-	1,037,663	681,480	592,663	555,216	547,509	466,612
Shoreham Hotel	-	-	-	-	656,182	458,828	-	430,412	437,971	471,282
JW Marriott Hotel	-	-	-	-	556,985	-	-	-	-	
Washington Hilton Hotel	-	-	-	-	-	792,227	756,085	716,612	580,002	397,495
L'Enfant Plaza Properties	-	-	-	-	-	-	533,726	611,283	547,509	506,282
Children's Hospital	-	-	-	-	-	841,774	676,570	-	-	-
Soldiers Home	-	-	897,121	804,533	818,641	948,708	-	-	-	410,221

Source: DC Water Department of Customer Service

EXHIBIT 7
TEN LARGEST GOVERNMENT CUSTOMERS
LAST TEN FISCAL YEARS

	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004
U.S. General Services Administration	$ 7,184,034	$ 7,443,691	$ 6,877,787	$ 6,575,977	$ 6,773,195	$ 8,199,985	$ 7,324,115	$ 7,916,072	$ 8,092,600	$ 8,577,887
D.C. Housing Authority	5,879,383	5,669,475	6,277,722	5,750,927	6,266,786	6,339,434	6,122,875	6,514,112	6,036,527	5,871,752
U.S. Congress	4,926,790	5,225,952	4,214,640	3,559,903	4,028,564	4,096,695	2,668,328	3,320,538	2,655,930	3,014,968
Department Defense VA	3,275,936	3,527,613	2,873,310	2,759,264	2,136,653	2,425,139	1,998,095	1,737,849	-	1,760,774
Smithsonian Institution	3,038,455	2,681,705	3,997,326	2,564,033	3,605,478	4,325,576	3,196,837	3,443,695	1,839,654	2,518,991
National Park Service	2,577,096	2,481,144	2,217,698	2,384,771	2,844,549	2,257,749	1,958,612	1,877,269	1,467,178	-
Bolling Air Force Base	2,265,348	2,925,847	-	-	2,279,861	-	-	-	1,505,786	1,394,792
D.C. Board of Education	2,092,748	2,213,636	2,142,907	2,534,044	2,292,454	3,062,431	3,344,959	2,934,220	2,669,214	2,728,892
Federal Naval Research Lab	1,833,491	1,788,497	-	-	-	-	-	-	-	-
Department of the Navy	1,521,264	1,886,750	3,832,568	2,851,611	3,504,547	3,011,883	2,835,280	2,699,653	2,184,982	1,900,730
D.C. Department of Human Services	-	-	3,272,747	2,047,213	-	1,914,251	1,741,170	1,636,053	1,507,906	1,622,760
Department of Defense DC	-	-	2,151,529	1,608,642	2,248,076	3,292,402	3,907,312	1,521,220	2,187,206	2,168,938

Source: DC Water Department of Customer Service

EXHIBIT 8
RETAIL WATER AND SEWER RATES
LAST TEN FISCAL YEARS

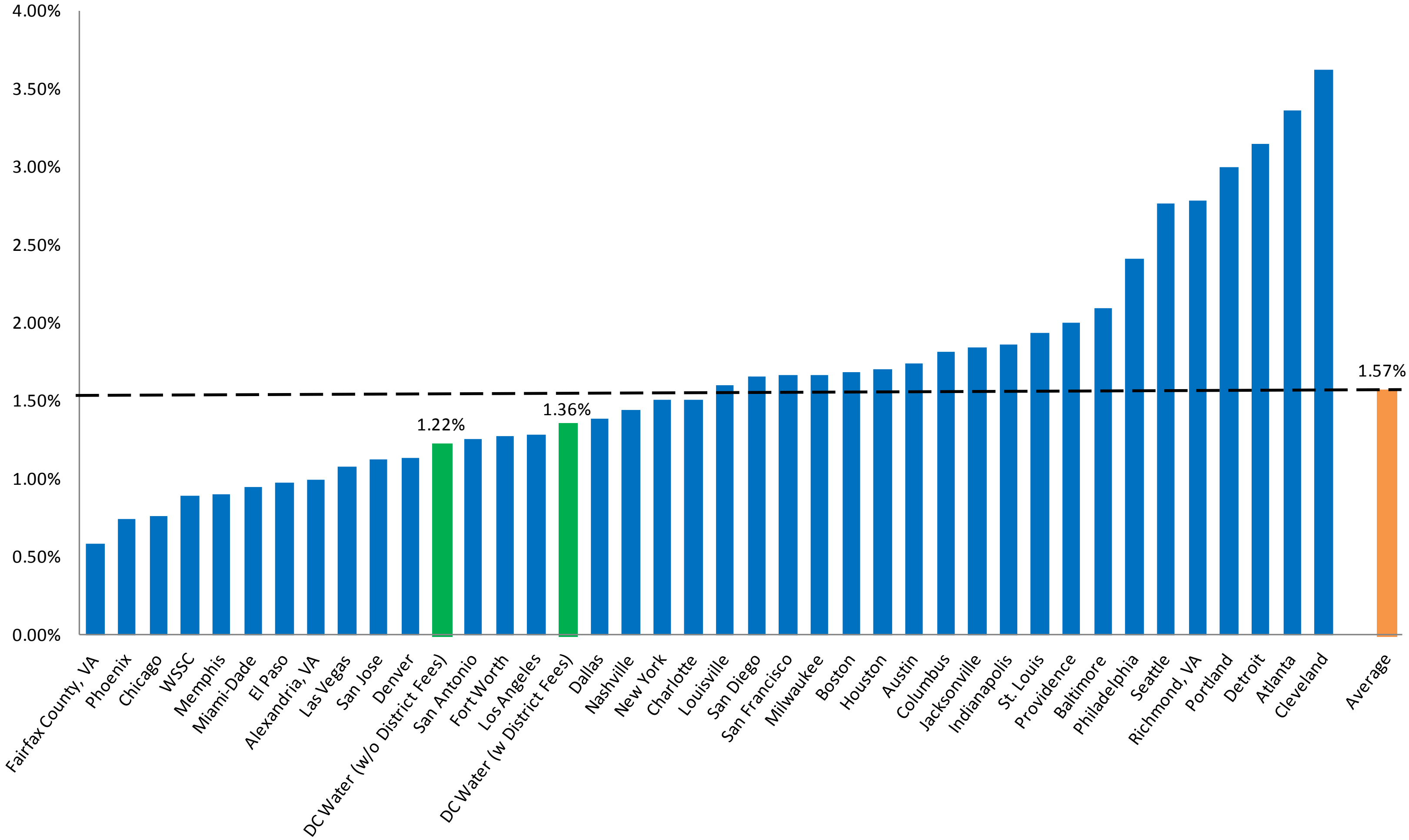
FISCAL YEARS	METERING FEE	DISTRICT PUBLIC SPACE OCCUPANCY FEE AND PILOT	WATER CONSUMPTION RATE	SEWER CONSUMPTION RATE	COMBINED CONSUMPTION RATE	IMPERVIOUS SURFACE AREA CHARGE [2]	AVERAGE MONTHLY BILL [1]
2004	$ 2.010	$ 0.360	$ 1.740	$ 2.630	$ 4.370	$ -	$ 33.654
2005	2.010	0.360	1.830	2.760	4.590	-	35.126
2006	2.010	0.420	1.930	2.910	4.840	-	37.199
2007	2.010	0.440	2.030	3.060	5.090	-	39.006
2008	2.010	0.470	2.140	3.230	5.370	-	41.080
2009	2.010	0.520	2.300	3.310	5.610	1.240	44.260
2010	2.010	0.570	2.510	3.610	6.120	2.200	48.966
2011	3.860	0.630	3.100	3.790	6.890	3.450	57.619
2012	3.860	0.640	3.240	3.960	7.200	6.640	62.950
2013	3.860	0.660	3.420	4.180	7.600	9.570	68.689

[1] Average residential customer consumption is 6.69 Ccf per month.

[2] Per Equivalent Residential Unit (ERU).

Source: D.C. Water Department of Finance & Budget

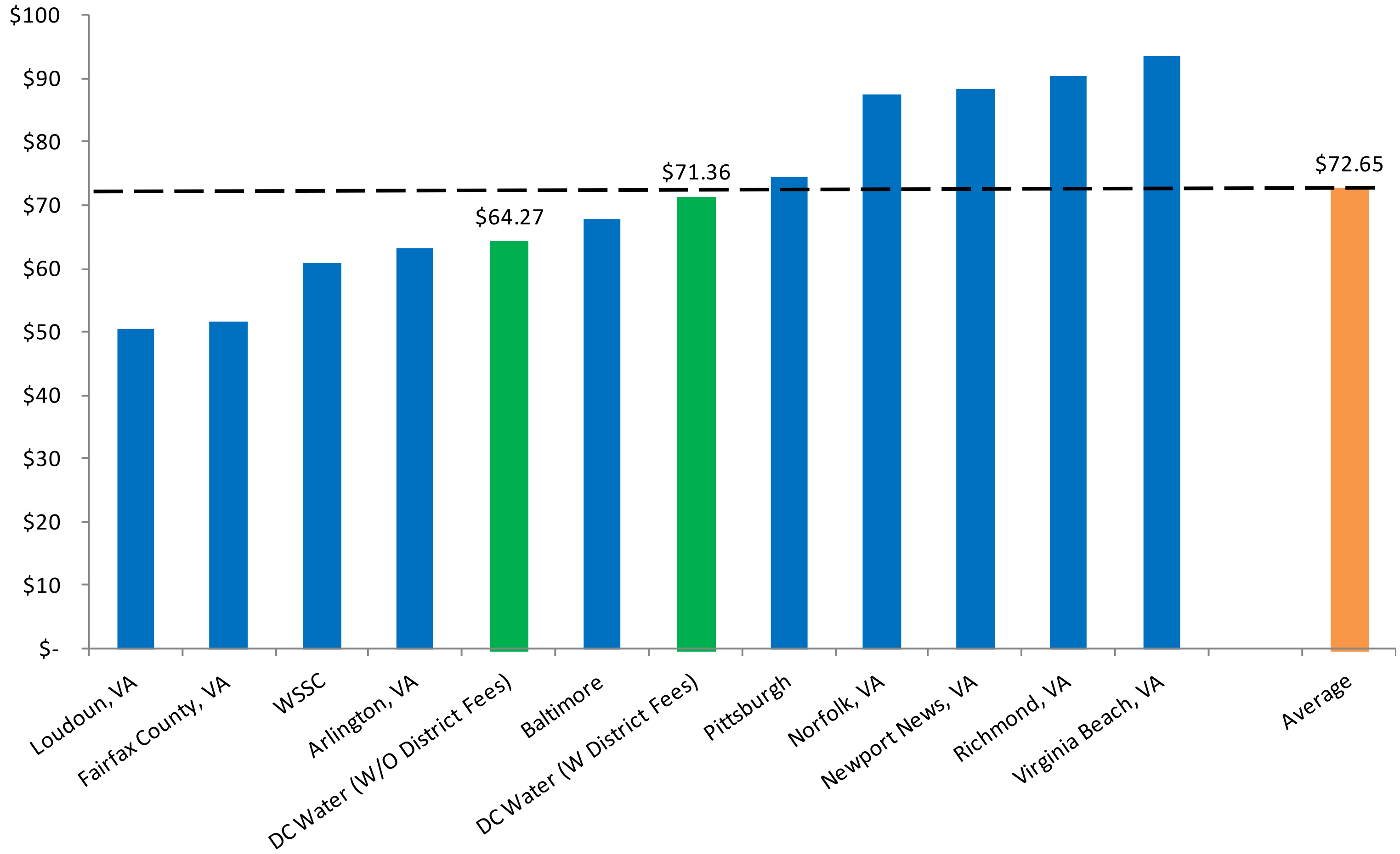
EXHIBIT 9
RESIDENTIAL WATER AND WASTEWATER BILL COMPARISONS AS A PERCENTAGE OF MEDIAN HOUSEHOLD INCOME (1)



(1) This analysis is based on a single family residential monthly bill as a percentage of median household income for large national utilities based on rates in effect fall 2013.

Source: DC Water Department of Finance & Budget

EXHIBIT 10
RESIDENTIAL WATER AND WASTEWATER BILL COMPARISONS
TO LOCAL AND REGIONAL UTILITIES (1)



(1) This analysis represents single family residential average monthly bill based on rates in effect fall 2013.

Source: DC Water Department of Finance & Budget

3. Debt Capacity

These schedules present information showing the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future.

EXHIBIT 11
OUTSTANDING DEBT AND DEBT RATIOS
LAST TEN FISCAL YEARS
($000, EXCEPT PER CAPITA)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Senior Debt:										
1998 Public Utility Revenue Bonds	$ 207,735	$ 218,815	$ 229,315	$ 239,270	$ 248,705	$ 257,645	$ 266,120	$ 266,120	$ 266,120	$ 266,120
2009 Series A Public Utility Revenue Bonds	293,720	296,205	298,225	300,000	300,000	-	-	-	-	-
Total Senior Debt	501,455	515,020	527,540	539,270	548,705	257,645	266,120	266,120	266,120	266,120
Subordinate Debt:										
2013 Series A Public Utility Revenue Bonds	300,000	-	-	-	-	-	-	-	-	-
2012 Series A Public Utility Revenue Bonds	177,430	177,430	-	-	-	-	-	-	-	-
2012 Series B-1 Public Utility Revenue Bonds	52,690	52,690	-	-	-	-	-	-	-	-
2012 Series B-2 Public Utility Revenue Bonds	47,310	47,310	-	-	-	-	-	-	-	-
2012 Series C Public Utility Revenue Bonds	163,215	163,215	-	-	-	-	-	-	-	-
2010 Series A Public Utility Revenue Bonds	300,000	300,000	300,000	-	-	-	-	-	-	-
2008 Series A Public Utility Revenue Bonds	274,210	279,955	285,540	290,000	290,375	290,375	-	-	-	-
2007 Series A Public Utility Revenue Bonds	218,715	218,715	218,715	218,715	218,715	218,715	218,715	-	-	-
2007 Series B Public Utility Revenue Bonds	-	-	-	-	-	-	59,000	-	-	-
2004 Public Utility Revenue Bonds	-	-	-	-	-	-	295,000	295,000	295,000	295,000
2003 Public Utility Revenue Bonds	-	-	176,220	176,220	176,220	176,220	176,220	176,220	176,220	176,220
Notes Payable to the Federal Government for Bloomington Dam	13,932	14,273	14,603	14,922	15,232	15,532	15,823	16,104	16,376	16,640
DC General Obligation Bonds	-	-	245	1,490	5,180	9,905	15,060	22,299	35,385	51,215
Notes Payable to WSSC for Little Seneca	-	63	104	142	179	216	251	285	317	357
Total Subordinate Debt	1,547,502	1,253,651	995,427	701,489	705,901	710,963	780,069	509,908	523,298	539,432
Total Debt	$ 2,048,957	$ 1,768,671	$ 1,522,967	$ 1,240,759	$ 1,254,606	$ 968,608	$ 1,046,189	$ 776,028	$ 789,418	$ 805,552
Debt - per capita	N/A	$ 2,797	$ 2,464	$ 2,051	$ 2,118	$ 1,669	$ 1,821	$ 1,360	$ 1,392	$ 1,419
Debt - percentage of personal income	N/A	3.74%	3.34%	2.88%	3.11%	2.36%	2.79%	2.23%	2.47%	2.71%

N/A: population and personal income not available

See exhibits 13 and 14 for per capita personal income and population data.

Total debt doesn't include outstanding debt associated with DC Water's short-term debt (commercial paper) program.

Source: D.C. Water Department of Finance & Budget

EXHIBIT 12
CALCULATION OF DEBT SERVICE COVERAGE
FY 2013 ($000)

Prepared in accordance with the Authority's Master Trust Indenture, which corresponds closely to the cash basis of accounting.

Calculation of Debt Service Coverage:		
Cash Receipts (Revenues)		
Retail	$	328,361
Wholesale		75,009
Other Non-Operating		51,088
(Contributions to/Transfer from Rate Stabilization Fund)		(1,000)
Total Cash Receipts (A)	$	453,458
Cash Disbursements (Operating Expenses) (B)		252,329
Cash Receipts Less Cash Disbursements (C=A-B)	$	201,129
Debt Service:		
Senior Debt Service (D)	$	41,904
Subordinate Debt Service (E)		65,796
Total Outstanding and Projected Debt Service (F=D+E)	$	107,700
Calculation of Net Cash Receipts Available for Senior Debt Service:		
Cash Receipts Less Cash Disbursements (C)	$	201,129
Prior Year Federal Billing Reconciliation		(5,105)
(Refund to)/Payment from Wholesale Customers		(5,800)
(Additions to)/Transfers from DC PILOT Fund		(7,900)
Customer Rebate		(3,298)
Net Cash Receipts Available for Senior Debt Service (G)	$	179,026
Senior Debt Service Coverage (G/D)		**4.27**
Calculation of Subordinate Debt Service Coverage:		
Net Cash Receipts Available for Senior Debt Service	$	179,026
Less Senior Debt Service (D)		(41,904)
Net Cash Receipts Available for Subordinate Debt Service (G-D)	$	137,122
Subordinate Debt Service Coverage ((G-D)/E)		**2.08**
Combined Debt Service Coverage (G/F)		**1.66**

Source: D.C. Water Department of Finance & Budget

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4. Demographic and Economic Information

These schedules offer demographic and economic data to help explain the environment within which the Authority's financial activities take place.

EXHIBIT 13
POPULATION OF SERVICE AREA JURISDICTIONS
LAST TEN CALENDAR YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
District of Columbia	N/A	632,323	617,996	604,912	592,228	580,236	574,404	570,681	567,136	567,754
Montgomery County	N/A	1,004,709	989,794	975,439	959,013	942,748	931,694	926,492	921,531	914,991
Prince George's County	N/A	881,138	871,233	865,219	856,161	850,167	849,916	852,097	853,271	845,950
Fairfax County	N/A	1,155,292	1,135,992	1,121,054	1,099,347	1,077,509	1,060,356	1,051,240	1,051,190	1,042,687
Loudoun County	N/A	336,898	325,405	315,305	303,661	292,570	279,704	267,194	254,909	238,299

N/A: Not Available

Source: U.S. Department of Commerce, Bureau of Economic Analysis

EXHIBIT 14
PERSONAL INCOME OF SERVICE AREA JURISDICTIONS
LAST TEN CALENDAR YEARS
($000)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
District of Columbia	N/A	$ 47,280,666	$ 45,597,835	$ 43,082,099	$ 40,326,374	$ 41,014,705	$ 37,525,123	$ 34,786,968	$ 31,964,976	$ 29,728,668
Montgomery County	N/A	73,551,167	69,050,166	65,904,393	62,962,957	65,845,731	62,643,745	60,372,289	55,846,295	52,238,928
Prince George's Count	N/A	38,481,250	35,036,640	33,888,631	33,156,357	33,026,742	31,753,583	30,306,871	29,434,782	28,115,765
Fairfax County	N/A	82,727,342	78,392,046	75,161,493	71,954,372	75,302,775	73,256,103	69,554,932	65,598,555	60,930,780
Loudoun County	N/A	20,107,077	18,626,729	16,971,112	15,340,608	15,147,096	13,875,373	12,394,528	10,854,613	9,384,197

N/A: Not Available

Source: U.S. Department of Commerce, Bureau of Economic Analysis

EXHIBIT 15
PER CAPITA PERSONAL INCOME OF SERVICE AREA JURISDICTIONS
LAST TEN CALENDAR YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
District of Columbia	N/A	$ 74,773	$ 73,783	$ 71,220	$ 69,093	$ 70,686	$ 65,329	$ 60,957	$ 56,362	$ 52,362
Montgomery County	N/A	73,206	69,762	67,564	65,654	69,844	67,236	65,162	60,602	57,092
Prince George's County	N/A	43,672	40,215	39,168	38,727	38,847	37,361	35,567	34,496	33,236
Fairfax County	N/A	71,607	69,008	67,045	65,452	69,886	69,086	66,165	62,404	58,436
Loudoun County	N/A	59,683	57,242	53,824	50,519	51,773	49,607	46,388	42,582	39,380

N/A: Not Available

Source: U.S. Department of Commerce, Bureau of Economic Analysis

EXHIBIT 16
UNEMPLOYMENT RATES
LAST TEN CALENDAR YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
District of Columbia	7.3%	8.2%	10.2%	10.1%	9.7%	6.6%	5.5%	5.7%	6.5%	7.5%
Montgomery County	4.5%	4.7%	5.2%	5.8%	5.6%	3.2%	2.6%	2.8%	3.1%	3.2%
Prince George's County	6.2%	6.5%	7.0%	7.7%	7.3%	4.4%	3.6%	4.1%	4.5%	4.5%
Fairfax County	3.7%	3.6%	4.3%	4.9%	4.9%	2.9%	2.2%	2.2%	2.5%	2.7%
Loudoun County	3.9%	3.7%	4.2%	4.8%	4.8%	2.8%	2.1%	2.1%	2.4%	2.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics

EXHIBIT 17
EMPLOYMENT BY SECTOR

	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	FAIRFAX COUNTY	LOUDOUN COUNTY
Agriculture, Forestry, Mining, etc.	0.07%	0.27%	0.22%	0.13%	0.86%
Construction	1.77%	5.36%	8.02%	4.75%	8.93%
Manufacturing	0.18%	2.00%	2.11%	1.01%	2.74%
Transportation & Public Utilities	0.96%	1.38%	3.51%	1.58%	6.25%
Wholesale & Retail Trade	3.19%	9.88%	13.74%	8.03%	12.78%
Finance, Insurance & Real Estate	5.66%	12.09%	7.52%	10.05%	8.77%
Services	56.26%	54.46%	41.79%	61.12%	47.39%
Government (Federal, State & Local)	29.69%	13.51%	21.22%	12.37%	11.74%
Military	2.20%	1.06%	1.86%	0.95%	0.55%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

Source: U.S. Department of Commerce, Bureau of Economic Analysis
Latest available data is for 2011

5. Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the activities it perform.

EXHIBIT 18
WATER DELIVERED (PUMPED) AND BILLED (SOLD)
LAST TEN FISCAL YEARS

FISCAL YEAR	TREATED WATER DELIVERED (MG)	WATER BILLED (MG)	SOLD/PUMPED RATIO
2004	46,725	31,634	67.70%
2005	45,057	31,179	69.20%
2006	41,541	31,717	76.35%
2007	41,687	31,581	75.76%
2008	40,755	30,603	75.09%
2009	39,998	29,344	73.36%
2010	38,589	29,004	75.16%
2011	37,556	29,040	77.32%
2012	36,930	27,988	75.79%
2013	34,714	26,316	75.81%

Source: DC Water Department of Customer Service

EXHIBIT 19
WATER DEMAND
LAST TEN FISCAL YEARS

FISCAL YEAR	ANNUAL DELIVERIES TO SYSTEM (MG)	AVERAGE DAY (MG)	MAXIMUM MONTH AVERAGE (MGD)	MAXIMUM DAY (MGD)	TOTAL ANNUAL WATER SOLD (MG)	AVERAGE DAY (MGD)
2004	46,725	128.0	146.5	164.6	31,634	86.7
2005	45,057	123.4	133.7	149.6	31,179	85.4
2006	41,541	113.8	137.8	161.6	31,717	86.9
2007	41,687	114.2	133.7	156.5	31,581	86.5
2008	40,755	111.7	130.1	150.5	30,603	83.8
2009	39,998	109.6	123.2	150.4	29,344	80.4
2010	38,589	105.7	130.5	146.9	29,004	79.5
2011	37,556	102.9	121.6	143.7	29,040	79.6
2012	36,930	100.9	125.3	142.9	27,988	76.5
2013	34,714	95.1	111.3	129.7	26,316	72.1

Source: DC Water Department of Water Services and Washington Aqueduct

EXHIBIT 20
MISCELLANEOUS STATISTICS ABOUT AUTHORITY OPERATIONS
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Utilities and supplies per day at Blue Plains										
Electric power (kwh)	700,000	700,000	700,000	700,000	700,000	745,000	745,000	745,000	745,000	745,000
Natural gas (cf)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Sodium hypochlorite (gallons)	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850
Sodium bisulfite (pounds)	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
Water (gallons)	525,000	525,000	525,000	525,000	525,000	525,000	525,000	525,000	525,000	525,000
Lime (tons, pounds)	72,050	72,050	72,050	72,050	72,050	72,050	72,050	72,050	72,050	72,050
Sodium hydroxide (pounds)	26,100	26,100	26,100	26,100	26,100	26,100	26,100	26,100	26,100	26,100
Methanol (gallons)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Ferric chloride (10% Iron) (gallons)	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900
Wastewater treatment capacity										
Average day (mgd)	370	370	370	370	370	370	370	370	370	370
Peak 4 hour flow, through complete process (mgd)	740	740	740	740	740	740	740	740	740	740
Excess storm flow, primary treatment only (mgd)	336	336	336	336	336	336	336	336	336	336
Peak flow (mgd)	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076
DC Water employees	1,080	1,051	1,032	1,004	1,000	961	948	920	923	931

EXHIBIT 20
MISCELLANEOUS STATISTICS ABOUT AUTHORITY OPERATIONS
(CONTINUED)

Wastewater Plant Permit Limitations

Parameter	Monthly	Weekly
Biochemical Oxygen Demand (carbonaceous)	5.0 mg/L (15,429 lbs/day)	7.5 mg/L (23,143 lbs/day)
Total Suspended Solids (TSS)	7.0 mg/L (21,600 lbs./day)	10.5 mg/L (32,400 lbs/day)
Ammonia Nitrogen		
Summer (5/1 – 10/31)	4.2 mg/L (12,960 lbs/day)	6.1 mg/L (18,823 lbs/day)
Winter 1 (11/1 – 2/14)	11.1 mg/L (34,253 lbs/day)	14.8 mg/L (45,670 lbs/day)
Winter 2 (2/15 – 4/30)	12.8 mg/L (39,500 lbs/day)	17.0 mg/L (52,460 lbs/day)
Total Phosphorus (annual average)	0.18 mg/L (555 lbs/day)	0.35 mg/L (1080 lbs/day)
Dissolved Oxygen		
Minimum daily average	5.0 mg/L	
Not less than	4.0 mg/L	
pH		
Minimum	6.0 units	
Maximum	8.5 units	
Total Chlorine	Non detectable at any time	
Fecal Coliform	200/100 ml	400/100 ml
Chesapeake Bay Voluntary Agreement		
Total Nitrogen (Annual Average)	7.5 mg/L	

Wastewater Plant Processes

Primary Treatment

Influent Pumping Capacity	1,300 MGD
Number of bar screens	13
Number of aerated grit chambers	16
Total volume of aerated grit chambers	2.3 MG
Number of primary clarifers	36
Average detention time (clarifiers)	2.5 hours
Average hydraulic loading (clarifiers)	1008 gallons/square foot/day
Maximum hydraulic loading (clarifiers)	2,929 gallons/square foot/day

EXHIBIT 20
MISCELLANEOUS STATISTICS ABOUT AUTHORITY OPERATIONS
(CONTINUED)

Secondary Treatment

Number of reactors	6
Total reactor volume	27.7 MG
Number of clarifiers	24
Average reactor detention time	1.6 hours
Average clarifier hydraulic loading	763 gal/sq ft/day
Number of centrifugal blowers	6
Total blower capacity	280,000 cu ft/minute
Average MLSS	2,200 mg/L
Average SRT	1.6 days
Average SVI	80-100 ml/g
Effluent dissolved oxygen	2-3 mg/L
Effluent alkalinity	140 mg/L as $CaC0_3$

NIitrification/Denitrification

Number of reactors	12
Total reactor volume	55.2 MG
Aerobic Volume	33.1-44.2MG
Anoxic Volume	11.0-22.1MG
Number of clarifiers	28
Average reactor detention time	3.3 hours
Average clarifier hydraulic loading	755-gal/sq ft/day
Number of centrifugal blowers	5
Total blower capacity	291,500 cu ft/minute
Number of turbine aerators	120
Average MLSS	1,800 mg/L
Average reactor pH	7.3
Average SRT	21 days
Average SVI	80 – 110 ml/g
Effluent alkalinity	110 mg/L as $CaC0_3$
Effluent dissolved oxygen (Post - Aeration)	6.8 – 7.2 mg/L
Dual purpose sedimentation tanks (in either secondary treatment or nitrification)	8
Total Dual Purpose Surface Area	197,160 sq ft

Filtration & Disinfection

Number of filters	40
Total filter area	83,200 sq ft
Average filtration rate	3.4 gal/ minute/sq ft
Average filter run time	55 hours
Depth of anthracite media	24 inches
Depth of sand media	12 inches
Depth of Gravel Support Layer	12 inches
Number of chlorine contact tanks	4
Average contact time	42 minutes

EXHIBIT 21
SCHEDULE OF INSURANCE
AS OF SEPTEMBER 30, 2013

TYPE OF COVERAGE	COMPANY	POLICY PERIOD	COVERAGE LIMITS
Blanket Property and Boiler & Machinery	AlliantPublic Entity Property Insurance Program (PEPIP)	July 1, 2013– July 1, 2014	$1,000,000,000 Blanket Buildings and Contents – (Specified Locations) and Mobile Equipment $100,000,000 Boiler and Machinery $25,000,000 Miscellaneous Locations $100,000,000 Earth Movement $100,000,000 Flood, except $25,000,000 Locations within 100 Year Flood Zone (e.g. Blue Plains) Terrorism: $550,000,000 per occurrence, $850,000,000 annual aggregate ($100,000,000 of occurrence and aggregate limit dedicated solely to DC Water) $25,000,000 Transit Per Shipment Deductibles: $1,000,000 Any Loss, except $10,000 Equipment
Fidelity & Crime Insurance	Travelers Insurance	July 1, 2013– July 1,2014	$10,000,000 - Employee Dishonesty, Forgery, Funds Transfer Fraud, Money & Securities Deductible: $200,000 Per Occurrence
Commercial General Liability	Self-Funded		$1,000,000 each occurrence
Commercial Automobile	Self-Funded		$1,000,000 any one accident 100% Physical Damage - self-funded
Worker's Compensation	Self-Funded		$1,000,000 each accident Statutory WC Benefits Employer's Liability - $1,000,000 Each Accident; $1,000,000 Disease/ Employee
Excess Worker's Compensation Insurance	Safety National	July 1,2013 – July 1,2014	Unlimited - WC Benefits; $3,000,000 - Employer's Liability (Included - Terrorism) Retentions: $1,000,000/accident; $1,000,000 Disease/ Employee.
Excess General Liability, Automobile Liability, and Employers Liability Insurance	Alliant National Municipal Liability (A.N.M.L.) Program	July 1, 2013 – July 1, 2014	$25,000,000 in excess of $1,000,000 (Included - Terrorism)
Excess Liability	Alliant Catastrophe Liability Insurance Program (C.L.I.P.)	July 1, 2013 – July 1,2014	$75,000,000 in excess of $25,000,000 ($25,000,000 - Terrorism sublimit)
Public Official Liability	RSUI Indemnity / Hiscox Insurance Company	July 1, 2013 – July 1,2014	$20,000,000 Each Loss / Aggregate Retentions: $250,000 per wrongful act
Fiduciary Liability	Travelers Insurance	July 1,2013 – July 1, 2014	$5,000,000 Each Loss / Aggregate Deductible: $0 per claim

EXHIBIT 22
SUMMARY OF MAJOR PERMITS AND ADMINISTRATIVE ORDERS
AS OF SEPTEMBER 30, 2013

Wastewater	Description	Expiration Date	Current Status
National Pollutant Discharge Elimination System Permit # DC0021199	Authorizes discharge of treated wastewater from Blue Plains into the Potomac River and from the combined sewer system into Rock Creek, the Anacostia River, and the Potomac River. Prescribes operating conditions for the plant and sewer system.	September 30, 2015	In Compliance
National Pollutant Discharge Elimination System Municipal Separate Strom Sewer (MS4) Permit # DC0000221	Permit issued to Government of District of Columbia which prescribes certain actions to DC Water including: Responding to sanitary sewer overflows (SSO) Reporting SSOs that overflow to MS4 system to public health agencies Cleaning catch basins and removing trash from waterbodies Maintaining storm sewer system infrastructure Collection of stormwater fees	October 7, 2016	In Compliance
1995 Consent Decree Civil Action No.: 90-1643-JGP and 84-2842-JGP	Requires certain actions including: Review procurement practices & maintenance procedures Undertake Operational Capability Review Conduct a pilot project for biological nitrogen reduction	N/A	In Compliance All items completed; awaiting action to terminate decree
1996 Stipulated Agreement & Order Civil Action No.: 96-669-TFH	Requires certain actions including: Rehabilitate and maintain certain facilities and capital equipment in good operating condition Maintain certain records and data for status reports and prepare monthly reports on status of compliance Maintain user fees in separate accounts and make timely payment of invoices	N/A	In Compliance All items completed; awaiting action to terminate agreement and order
2003 Consent Decree Civil Action No.: 1:00CV00183TFH Civil Action No.: 02-2511 (TFH)	Requires certain actions including: Replacement/repair of control structures Cleaning/inspection of catch basins Rehabilitation of pumping stations Rehabilitation of Blue Plains grit chambers and influent screens Inspection of certain sewers and siphons Public education/outreach activities Payment of civil penalty of $250,000 Conduct/support of supplemental environmental projects	N/A	In Compliance
2005 Consent Decree for CSS LTCP Consolidate Civil Action No; 1:00CV00183TFH	Requires implementing various components of the combined sewer system (CSS) long term control plan (LTCP)	March 18, 2025	In Compliance
DC Department of Environment	Permit to construct the enhanced nitrogen removal facility	N/A	In Compliance
DC Department of Environment	Permit to construct biosolids project – main process train/combined heat & power/final dewatering facility	N/A	In Compliance

EXHIBIT 23
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR 2013

	Revised Budget	Actual Expenditures	Variance
Expenditures			
Personnel services	$ 116,609	$ 118,567	$ (1,958)
Contractual services	82,350	68,430	13,920
Water purchases	31,513	27,223	4,290
Chemicals and supplies	31,360	27,120	4,240
Utilities and rent	34,185	26,098	8,087
Small equipment	993	1,192	(199)
Interest and fiscal charges (debt service)	121,330	105,811	15,519
Payment in lieu of tax & right of way fee	21,982	21,982	-
Total budgetary basis expenditures	$ 440,321	$ 396,423	$ 43,899

Reconciliation between total budgetary basis expenditures and toal expenses reported in statements of revenues, expenses and changes in net position

Capitalized personnel expenditures	(14,659)
Depreciation expense	77,330
Long-term debt - principal payments	(19,714)
Long-term debt - capitalized interest	(25,782)
Build America Bonds subsidy	5,462
Inventory issuances	675
Non-budgeted expenses	(3,091)
Total expenses reported in statements of revenues, expenses and changes in net position	$ 416,644

EXHIBIT 23
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR 2013
(CONTINUED)

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The Authority prepares its operating and capital budgets under the provisions of its enabling legislation. In accordance with those provisions, the following process is used to adopt the annual budget.

- Development of the 10-year financial plan
- Development of individual departmental operating budgets, based on the financial framework in the 10-year financial plan
- Review and development of the Authority wide proposed budget by the General Manager
- Presentation of proposed budget to the Board of Directors
- Review and development of proposed budget by the Board of Directors
- Adoption of proposed budget by the Board of Directors
- Submission of proposed budget to the District of Columbia for inclusion in its budget
- District of Columbia budget submission to U.S. Congress
- Approval of proposed budget by U.S. Congress and President

Budgetary Accounting

The Authority is a single enterprise fund and maintains accounting records using the accrual basis of accounting, in accordance with generally accepted accounting principles (GAAP) in the United States of America. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when goods and services are received. The Authority's expenditure budget is prepared on a comparable basis to GAAP, with the exception of debt service, which is budgeted in full when due, including principal and interest. Depreciation is not budgeted; depreciation is recorded as an expense for financial statement purposes. Certain other items are also not budgeted such as bad debt expense or (recovery) and loss (gain) on disposals of fixed assets or inventory.

Budgetary Requirements

After the U.S. Congress approves the budget, the operating and capital budgets are loaded into the Authority's financial management system, which prevents overspending without appropriate approvals. The Department of Finance, Accounting and Budget prepares monthly management reports for each operating unit, management staff, the Board of Directors, and its various committees. The reports are consistently reviewed each month to ensure the Authority complies with its authorized budget levels.