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**DISTRICT OF COLUMBIA  
STORM WATER PERMIT COMPLIANCE  
ENTERPRISE FUND**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

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# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Financial Statements

**September 30, 2004 and 2003**

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### Independent Auditor's Report

The Advisory Committee of the District of Columbia Storm Water Permit Compliance Enterprise Fund and Members of the District of Columbia City Council:

We have audited the accompanying statements of net assets of the District of Columbia Storm Water Permit Compliance Enterprise Fund (the Fund) (a component unit of the District of Columbia) as of September 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Storm Water Permit Compliance Enterprise Fund as of September 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages two through five is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on pages 14 and 15 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Washington, DC *Thompson, Cobb, Bazilio & Associates, P.C.*  
December 31, 2004

## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Management's Discussion and Analysis

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This section of the Storm Water Permit Compliance Enterprise Fund's ("Fund") financial statements presents the analysis of the Fund's financial performance during the fiscal year that ended on September 30, 2004. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Fund's basic financial statements (beginning on page 6).

#### Financial Highlights

- The Fund's net assets increased by \$1.1 million, or 21.9 percent, as a result of this year's operations.
- Operating revenues remained stable at \$3.1 million.
- Operating expenses increased by \$0.32 million, or 22.3 percent primarily due to higher contractual expenses by all participating district agencies.
- The Fund's cash balance increased by \$1.6 million, or 38.5 percent.

#### USING THIS ANNUAL REPORT

This annual report consists of three parts: Management's Discussion and Analysis; the Financial Statements; and, Required Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

#### Required Financial Statements

The financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector companies. These statements offer short-term (current) and long-term (non current) financial information about its activities. The *Statement of Net Assets* includes all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing operating results, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Fund's operations over the past year, and can be used to determine whether the Fund has successfully recovered all its costs through its user fees and other charges, and to assess its profitability, and credit worthiness. The final required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Fund's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Management's Discussion and Analysis

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#### FINANCIAL ANALYSIS OF THE FUND AS A WHOLE

The *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Net Assets* report information about the Fund's financial condition. The Fund's net assets, i.e., the difference between assets and liabilities, are a measure of financial health or financial position. Over time, increases or decreases in the Fund's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in economic conditions, population growth, and new or changed legislation, also need to be considered in assessing the Fund's financial condition.

The Fund's financial performance was strong in FY 2004, with total net assets increasing by \$1.1 million. Further indications of the strong financial performance of the Fund includes the cash balance of \$5.8 million and restricted net assets of about \$6.1 million on September 30, 2004.

The analysis below focuses on the Fund's net assets (Table 1) and changes in net assets (Table 2) during the year.

**Table 1**  
**Condensed Statements of Net Assets**  
**(In Thousands)**

	9/30/2004	9/30/2003	9/30/2002
Current and other assets	\$ 6,758	\$ 5,380	\$ 3,587
Capital equipment, net	57	70	83
Total assets	6,815	5,450	3,670
Current liabilities	620	370	310
Total liabilities	620	370	310
Net assets			
Invested in capital assets	57	70	83
Restricted	6,138	5,010	3,277
Total net assets	\$ 6,195	\$ 5,080	\$ 3,360

#### Analysis of Net Assets

The Fund's total assets exceeded liabilities by \$6.2 million at the close of fiscal year 2004. The Fund's net assets include investment of \$0.1 million in capital assets (fleet equipment). The remaining balance of \$6.1 million is restricted.

# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Management's Discussion and Analysis

**Table 2**  
**Condensed Statements of Revenues,**  
**Expenses, and Changes in Net Assets**  
**(In Thousands)**

	9/30/2004	9/30/2003	9/30/2002
Revenues			
Stormwater fees	\$ 3,117	\$ 3,146	\$ 3,443
Interest income	41	26	18
Other	—	—	165
Total revenues	3,158	3,172	3,626
Expenses			
WASA	879	844	527
Dept of Public Works	674	567	462
Dept of Health	210	28	—
Bad debt expense	267	—	—
Depreciation expense	13	13	6
Total expenses	2,043	1,452	995
Changes in net assets	1,115	1,720	2,631
Net assets at beginning of year	5,080	3,360	729
Net assets at end of year	\$ 6,195	\$ 5,080	\$ 3,360

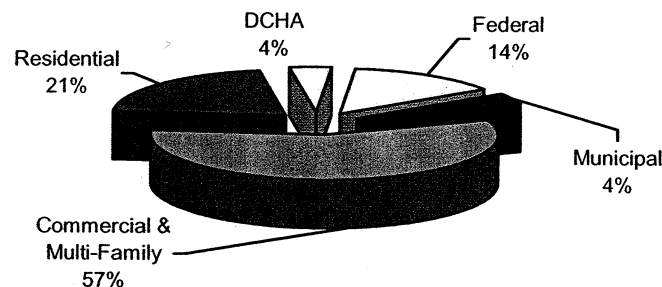
### Analysis of Changes in Net Assets

#### Operating and Non-operating Revenues

Total operating and non-operating revenues was stable at \$3.1 million in fiscal year 2004, approximating the same level as fiscal year 2003.

The Chart below shows the percentage of the Fund's operating revenues generated by each customer class in FY 2004. The principal operating revenues of the Fund are from storm water fees charged to the District of Columbia Water and Sewer Authority's ("WASA") retail customers.

**Operating Revenues by Customer Class**  
**Year Ended September 30, 2004**



## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Management's Discussion and Analysis

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#### **Expenses**

For the fiscal year ended September 30, 2004, the Fund's expenses were approximately \$1.8 million, compared to a projected budget of \$3.8 million. Besides WASA, the three District agencies responsible for incurring expenditures for the Fund are: the Department of Public Works (DPW), the Department of Health (DOH), and the Department of Transportation (DOT). While WASA and DPW expended most of its budgeted expenditures, both DOH and DOT had lower than budgeted expenditures. DOH was unable to award a contract for its proposed monitoring activities; hence, its expenditures were below what was planned. DOT has not established an internal program for utilizing the storm water funds. This is expected to change in the next fiscal year.

#### **CAPITAL ASSETS**

On September 30, 2004, the Fund had \$89,000 invested in three "Vacuum Sweepers" (trucks). The following table summarizes the Fund's capital assets, net of accumulated depreciation for the fiscal years ended September 30, 2004 and 2003:

**Table 4.**  
**Capital Assets**  
**September 30, 2004 and 2003**  
**(In Thousands)**

	Balance 9/30/2003	Additions	Disposals	Balance 9/30/2004
Capital equipment	\$ 89	\$ -	\$ -	\$ 89
Less: accumulated depreciation	(19)	(13)	-	(32)
Capital equipment, net	<u>\$ 70</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 57</u>

#### **CONTACTING THE FUND'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers and creditors with a general overview of the Fund's finances and to demonstrate the Fund'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.

**DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE  
ENTERPRISE FUND**

Statements of Net Assets  
September 30, 2004 and 2003  
(In thousands)

	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 5,842	\$ 4,217
Customer receivables, net of allowance for doubtful accounts of \$267	623	1,009
Due from WASA (note 3)	293	154
<b>Total current assets</b>	<b>6,758</b>	<b>5,380</b>
Non-current assets:		
Capital equipment (note 4)	89	89
Less accumulated depreciation	(32)	(19)
<b>Net capital equipment</b>	<b>57</b>	<b>70</b>
<b>Total Assets</b>	<b>6,815</b>	<b>5,450</b>
<b>Liabilities</b>		
Current liabilities:		
Due to other District Agencies (note 5)	620	370
<b>Total current liabilities</b>	<b>620</b>	<b>370</b>
<b>Net assets</b>		
Invested in capital assets	57	70
Restricted	6,138	5,010
<b>Total net assets</b>	<b>\$ 6,195</b>	<b>\$ 5,080</b>

See accompanying notes to financial statements.



**DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE  
ENTERPRISE FUND**

**Statements of Revenues, Expenses and Changes in Net Assets**

Years Ended September 30, 2004 and 2003

(In thousands)

	2004	2003
Operating revenue:		
Stormwater fees (note 2)	\$ 3,117	\$ 3,146
Total operating revenue	3,117	3,146
Operating expenses:		
Contractual services	1,763	1,439
Depreciation expense	13	13
Total operating expenses	1,776	1,452
Operating income	1,341	1,694
Nonoperating revenue (expense):		
Interest income	41	26
Bad debt expense	(267)	-
Total nonoperating revenue (expense)	(226)	26
Change in net assets	1,115	1,720
Total net assets, beginning of year	5,080	3,360
Total net assets, end of year	\$ 6,195	\$ 5,080

See accompanying notes to financial statements.

**DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE  
ENTERPRISE FUND**

Statements of Cash Flows

Years Ended September 30, 2004 and 2003

(In thousands)

	2004	2003
Cash flows from operating activities:		
Cash received from customers	\$ 3,097	\$ 3,169
Cash paid to suppliers for goods and services	(1,513)	(1,379)
Net cash provided by operating activities	1,584	1,790
Cash flows from investing activities:		
Cash received for interest	41	26
Net cash provided by investing activities	41	26
Net increase in cash	1,625	1,816
Cash at beginning of year	4,217	2,401
Cash at end of year	\$ 5,842	\$ 4,217
Operating income	\$ 1,341	\$ 1,694
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	13	13
Change in operating assets and liabilities:		
Decrease in customer and other receivables	(20)	23
Increase in payables and accrued liabilities	250	60
Net cash provided by operating activities	\$ 1,584	\$ 1,790

See accompanying notes to financial statements.

# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Notes to Financial Statements

September 30, 2004 and 2003

(In thousands)

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### (1) Reporting Entity

The District of Columbia Storm Water Permit Compliance Enterprise Fund ("Fund") was established on October 18, 2000, by the District of Columbia City Council pursuant to the Clean Water Act, 33 U.S.C. §1251. The City Council legislation was entitled *Storm Water Permit Compliance Amendment Act of 2000 (the Act)*. The Act established the District of Columbia Water and Sewer Authority ("WASA"), as the Storm Water Administrator, whose responsibility includes monitoring and coordinating activities of all District agencies, including the activities of the Administrator, which are required to maintain compliance with the Storm Water Permit. The legislation also required the Water and Sewer Authority to charge and collect a Storm Water fee on its water bill to its retail customers.

All revenues collected for the Fund shall only be used to pay for any District agency's costs of complying with the Storm Water Permit, including all administrative, operating and capital costs, and WASA's cost of billing and collecting the Storm Water fees.

### (2) Summary of Significant Accounting Policies

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

#### (a) Measurement Focus And Basis of Accounting

The term "measurement focus" is used to denote what is being measured and reported in the Fund's operating statements. The Fund is accounted for on the flow of "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported and equity is reported as net assets.

The term "basis of accounting" is used to determine when a transaction or event is recognized in the Fund's statements. The Fund uses full accrual basis of accounting, with revenues recorded when earned and expenses recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Fund has elected, as allowed in paragraph 7 of *GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, not to follow FASB pronouncements issued subsequent to November 30, 1989. Therefore, the Fund follows all GASB pronouncements; and FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Notes to Financial Statements

September 30, 2004 and 2003

(In thousands)

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### (2) Summary of Significant Accounting Policies (Continued)

Starting in fiscal year 2002, the Fund adopted provisions of Governmental Accounting Standards Board Statement No. 34 “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*” Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components as described below:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *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.
- *Unrestricted net assets* – This component of net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### (b) 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 Fund’s principal ongoing operations. The principal operating revenues of the Fund are storm water fees charged on WASA’s water bill to its retail customers.

Operating expenses are any District agency’s costs of complying with the Storm Water Permit, including all administrative, operating and capital costs, and WASA’s cost of billing and collecting the Storm Water fees.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### (c) Cash

The Fund’s cash is maintained in a bank account separate from the District government and the Water and Sewer Authority’s cash in accordance with the Act. This account is insured or fully collateralized.

## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Notes to Financial Statements

September 30, 2004 and 2003

(In thousands)

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#### (2) Summary of Significant Accounting Policies (Continued)

##### (d) Capital Equipment

Capital Equipment is defined as an item that has a useful life of at least three years and a cost of more than \$5,000. Capital Equipment is stated at original cost. Normal recurring maintenance and repair costs are charged to operations, whereas major repairs and improvements and replacements, which materially extend the useful lives of the assets, are capitalized. Capital equipment is depreciated on a straight-line basis over an estimated useful life of three to ten years, using the half-year convention.

The following estimated useful lives are used to compute depreciation:

Description	Years
Office equipment	3-5
Computers	5
Fleet	7
Heavy machinery	10

##### (e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### (3) Due From WASA

These are amounts due from WASA for Storm Water permit fees collected but not transferred to the Fund at September 30, 2004 and 2003. The amount due is net of administrative expenses due to WASA as discussed in note 5.

	2004	2003
Due from WASA	\$ 693	\$ 290
Due to WASA	(400)	(136)
Net due from WASA	<u>\$ 293</u>	<u>\$ 154</u>

# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Notes to Financial Statements

September 30, 2004 and 2003

(In thousands)

### (4) Capital Equipment

The net capital equipment of \$57 consists of the following at September 30, 2004:

	Balance 9/30/2003	Additions	Disposals	Balance 9/30/2004
Capital equipment	\$ 89	\$ -	\$ -	\$ 89
Less: accumulated depreciation	(19)	(13)	-	(32)
Capital equipment, net	<u>\$ 70</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 57</u>

### (5) Due To Other District Agencies

The following schedules list authorized and approved amounts incurred by other District agencies for Storm Water permit compliance activities not yet reimbursed by the Fund at September 30, 2004 and 2003. Amounts due WASA are subtracted from the gross payable, consistent with note 3 "Due from WASA".

	2004	2003
Due to WASA	\$ 400	\$ 136
Due to Dept of Public Works	410	342
Due to Dept of Health	210	28
Gross Due to other District Agencies	<u>1,020</u>	<u>506</u>
Less: Due to WASA	400	136
Due to other District Agencies, net	<u>\$ 620</u>	<u>\$ 370</u>

### (6) Related Party and Similar Transactions

During years ended September 30, 2004 and September 30, 2003, WASA collected \$3,117 and \$3,146, respectively, in fees for the Storm Water Fund from its customers. The Fund also recognized the following administrative expenses for years ended September 30, 2004 and September 30, 2003.

	2004	2003
WASA	\$ 879	\$ 844
Dept of Public Works	674	567
Dept of Health	210	28
Total administrative expenses	<u>\$ 1,763</u>	<u>\$ 1,439</u>

**DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND**

**Supplementary Information**

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**SUPPLEMENTARY INFORMATION**

# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Supplementary Information

### BUDGETARY COMPARISON SCHEDULE For the Year Ended September 30, 2004

	Original Budget	Actual	Variance
<b>Operating revenues:</b>			
Storm water fees	\$ 3,100	\$ 3,117	\$ 17
<b>Total operating revenues</b>	<u>3,100</u>	<u>3,117</u>	<u>17</u>
<b>Operating expenses:</b>			
Dept of Public Works	700	674	26
DC Water and Sewer Authority	1,000	879	121
Dept of Health	1,000	210	790
Dept of Transportation	1,082	-	1,082
<b>Total operating expenses</b>	<u>3,782</u>	<u>1,763</u>	<u>2,019</u>
Revenues over (under) expenses	<u>\$ (682)</u>	<u>\$ 1,354</u>	<u>\$ 2,036</u>
Increase (decrease) to reconcile budgetary to GAAP			
Bad debt expense		(267)	
Depreciation expense		(13)	
Interest income		41	
<b>Change in net assets</b>		<u>\$ 1,115</u>	



## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Supplementary Information

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#### NOTE TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2004

#### BUDGETARY ACCOUNTING AND CONTRIOL

##### Budget Law

The Fund prepares its annual operating budget 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 Department of Public Works, Department of Transportation, Department of Health and the Water & Sewer Authority's operating budgets
- Review and development of proposed budget by the Fund Administrator and the District's Storm Water Task Force
- Adoption of proposed budget by the "WASA" 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

##### Budget Accounting

The Fund 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 Fund's expenditure budget is prepared on a comparable basis to GAAP. Depreciation, Bad debt expense, interest income and expense are not budgeted; depreciation, bad debt expense, interest income and expense are recorded as expenses for financial statement purposes.

##### Budget Requirements

After the U.S. Congress approves the budget, the budget is loaded into the Fund's financial management system, which prevents overspending without appropriate approvals. The Department of Finance and Budget prepares management reports that are consistently reviewed to ensure the Fund complies with its authorized budget levels.