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District of Columbia  
Stormwater Permit  
Compliance  
Enterprise Fund

Financial Statements  
Fiscal Year: October 1, 2002 to  
September 30, 2003

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

## **Financial Statements**

**September 30, 2003 and 2002**

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**Independent Auditor's Report**

The Advisory Committee District of Columbia Storm Water Permit Compliance Enterprise Fund and Members of 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, 2003 and 2002, 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.

The Management's Discussion and Analysis on pages two through six 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.

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, 2003 and 2002, 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.

Washington, DC  
December 31, 2003

*Thompson, Cobb, Bazilio & Associates, P.C.*

## 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") annual financial report presents the analysis of the Fund's financial performance during the fiscal year that ended on September 30, 2003. 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 \$1.7 million, or 51.2 percent, as a result of this year's operations.
- Operating revenues decreased slightly by \$0.3 million, or 8.6 percent in FY 2003, primarily due to lower consumption.
- Operating expenses increased by \$0.46 million, or 31.5 percent in FY 2003 primarily due to higher contractual expenses by all related district agencies.
- The Fund's cash balance increased by \$1.8 million, or 43.0 percent in FY 2003.

#### 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 and long-term 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 rate of return, 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 2003, with total net assets increasing by \$1.7 million. Further indications of the strong financial performance of the Fund in FY 2003 include a cash balance of \$4.2 million and unrestricted net assets of about \$5.0 million on September 30, 2003.

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**  
**September 30, 2003 and 2002**  
**(In Thousands)**

	<u>9/30/2003</u>	<u>9/30/2002</u>
Current and Other Assets	\$ 5,380	\$ 3,587
Capital Equipment, net	<u>70</u>	<u>83</u>
Total Assets	<u>5,450</u>	<u>3,670</u>
Current Liabilities	<u>370</u>	<u>310</u>
Total Liabilities	<u>370</u>	<u>310</u>
Net Assets		
Invested in capital equipment	70	83
Unrestricted	<u>5,010</u>	<u>3,277</u>
Total Net Assets	<u>\$ 5,080</u>	<u>\$ 3,360</u>

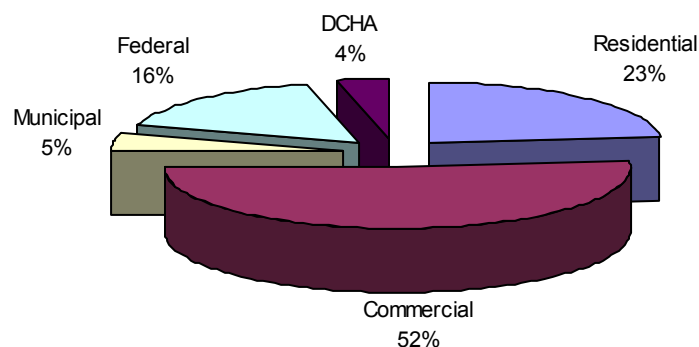
# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Management's Discussion and Analysis

**Table 2**  
**Condensed Statements of Revenues, Expenses and Changes in Net Assets**  
**Years ended September 30, 2003 and 2002**  
**(In Thousands)**

	FY 2003	FY 2002
Operating Revenues		
Stormwater fees	\$ 3,146	\$ 3,443
Other	—	165
Interest Income	26	18
Total Revenues	<u>3,172</u>	<u>3,626</u>
Operating Expenses		
WASA	844	527
Dept of Public Works	567	462
Dept of Health	28	—
Depreciation Expense	13	6
Total Expenses	<u>1,452</u>	<u>995</u>
Changes in Net Assets	1,720	2,631
Net Assets at Beginning of Year	<u>3,360</u>	<u>729</u>
Net Assets at End of Year	<u>\$ 5,080</u>	<u>\$ 3,360</u>

**Operating Revenues by Customer Class**  
**Year ended September 30, 2003**



## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Management's Discussion and Analysis

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The chart above shows the percentage of the Fund's operating revenues generated by each customer class in FY 2003. The principal operating revenues of the Fund are from storm water fees charged to the Water and Sewer Authority ("WASA") retail customers. For the period ended September 30, 2003 the fund recognized \$3.1 million in operating revenues.

For fiscal year ending September 30, 2003, the Fund's expenditures were approximately \$1.4 million compared to a budget of \$3 million dollars. The three district agencies responsible for incurring expenditures for the Fund were WASA, the Department of Public Works (DPW) and the Department of Health (DOH), each with budgeted expenditures of \$1 million. While WASA expended most of its budgeted expenditures, both DPW and DOH had relatively low expenditures compared to their budgets. The DPW expended about half of its budget primarily due to a re-organization that created Department of Transportation (DOT) as a separate agency. The \$1 million budget for DPW was split between DPW and DOT. The DPW expended its share while DOT did not. The Department of Health incurred minimal costs. The agency had planned to hire new staff members to manage its Storm Water program in FY 2003, but did not.

### CAPITAL ASSETS

On September 30, 2003, 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, 2003 and 2002:

**Table 4.**  
**Capital Assets**  
**September 30, 2003 and 2002**  
**(In Thousands)**

	Balance 9/30/2002	Additions	Disposals	Balance 9/30/2003
Capital equipment	\$ 89	\$ -	\$ -	\$ 89
Less: accumulated depreciation	(6)	(13)	-	(19)
Capital equipment, net	<u>\$ 83</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 70</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 Fund Administrator at 5000 Overlook Avenue, S.W. Washington D.C. 20032

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

Statements of Net Assets  
September 30, 2003 and 2002  
(In thousands)

	2003	2002
<b>Assets</b>		
Current assets:		
Cash	\$ 4,217	\$ 2,401
Customer receivables	1,009	1,037
Due from WASA (note 3)	154	149
Total current assets	5,380	3,587
Non-current assets:		
Capital equipment (note 4)	89	89
Less accumulated depreciation	(19)	(6)
Net capital equipment	70	83
Total non-current assets	70	83
<b>Total Assets</b>	<b>5,450</b>	<b>3,670</b>
<b>Liabilities</b>		
Current liabilities:		
Due to other District Agencies (note 5)	370	310
Total current liabilities	370	310
<b>Net assets</b>		
Investment in capital assets	70	83
Unrestricted	5,010	3,277
<b>Total net assets</b>	<b>\$ 5,080</b>	<b>\$ 3,360</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, 2003 and 2002

(In thousands)

	2003	2002
Operating revenue:		
Stormwater fees (note 2)	\$ 3,146	\$ 3,443
Other	-	165
Total operating revenue	3,146	3,608
Operating expenses:		
Contractual services	1,439	989
Depreciation expense	13	6
Total operating expenses	1,452	995
Operating income	1,694	2,613
Nonoperating revenue:		
Interest income	26	18
Total nonoperating revenue	26	18
Change in net assets	1,720	2,631
Total net assets, beginning of year	3,360	729
Total net assets, end of year	\$ 5,080	\$ 3,360

See accompanying notes to financial statements.

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

Statements of Cash Flows

Year ended September 30, 2003 and 2002

(In thousands)

	2003	2002
Cash flows from operating activities:		
Cash received from customers	\$ 3,169	\$ 2,898
Cash paid to suppliers for goods and services	(1,379)	(737)
Net cash provided by operating activities	1,790	2,161
Cash flows from capital and related financing activities:		
Acquisition of capital equipment	-	(89)
Net cash used in capital and related financing activities	-	(89)
Cash flows from investing activities:		
Cash received for interest	26	18
Net cash provided by investing activities	26	18
Net increase in cash and cash equivalents	1,816	2,090
Cash at beginning of year	2,401	311
Cash at end of year	\$ 4,217	\$ 2,401
Operating income	\$ 1,694	\$ 2,613
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	13	6
Change in operating assets and liabilities:		
Increase in customer and other receivables	23	(412)
Increase in payables and accrued liabilities	60	119
Increase (decrease) in deferred revenue	-	(165)
Net cash provided by operating activities	\$ 1,790	\$ 2,161

See accompanying notes to financial statements.

# DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

## Notes to Financial Statements

September 30, 2003 and 2002

(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 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 Water and Sewer Authority'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 on the Fund's operating 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, 2003 and 2002

(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 and fully collateralized.

## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Notes to Financial Statements

September 30, 2003 and 2002

(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:

<u>Description</u>	<u>Years</u>
Office equipment	3 -5
Computers	5
Fleet	5 - 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, 2003 and 2002. The amount due is net of administrative expenses due to WASA as discussed in note 6 "Related Party and Similar Transactions".

#### (4) Capital Equipment

The net capital equipment of \$70 consists of the following at September 30, 2003:

	<u>Balance</u> <u>9/30/2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2003</u>
Capital equipment	\$ 89	\$ -	\$ -	\$ 89
Less: accumulated depreciation	(6)	(13)	-	(19)
Capital equipment, net	<u>\$ 83</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 70</u>

## DISTRICT OF COLUMBIA STORM WATER PERMIT COMPLIANCE ENTERPRISE FUND

### Notes to Financial Statements

September 30, 2003 and 2002

(In thousands)

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#### (5) Due To Other District Agencies

These are authorized and approved amounts incurred by other District agencies in Storm Water permit compliance activities not yet reimbursed by the Fund at September 30, 2003 and 2002. These amounts are shown below for the two years.

	2003	2002
Due to WASA	\$ 136	\$ 132
Due to Dept of Public Works	342	310
Due to Dept of Health	28	-
Gross Due to other District Agencies	<u>506</u>	<u>442</u>
Less: Due to WASA	136	132
Due to other District Agencies, net	<u>\$ 370</u>	<u>\$ 310</u>

#### (6) Related Party and Similar Transactions

During years ended September 30, 2003 and September 30, 2002, WASA collected \$3,146 and \$3,443, respectively, in fees for the Storm Water Fund from its customers. The Fund also recognized following administrative expenses for years ended September 30, 2003 and September 30, 2002.

	2003	2002
WASA	\$ 844	\$ 527
Dept of Public Works	567	462
Dept of Health	28	-
Total administrative expenses	<u>\$ 1,439</u>	<u>\$ 989</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

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### BUDGETARY COMPARISON SCHEDULE For the year ended September 30, 2003

	Original* Budget	Actual	Variance
Operating Revenues			
Storm water Fees	\$ 3,100	\$ 3,146	\$ 46
<b>Total Operating Revenues</b>	<u>3,100</u>	<u>3,146</u>	<u>46</u>
Operating Expenses			
Contractual Services	3,000	1,439	1,561
Depreciation Expense	-	13	(13)
<b>Total Operating Expenses</b>	<u>3,000</u>	<u>1,452</u>	<u>1,548</u>
<b>Operating income</b>	100	1,694	1,594
Interest income	-	26	26
<b>Increase in net assets</b>	<u>\$ 100</u>	<u>\$ 1,720</u>	<u>\$ 1,620</u>

\* Original budget was not amended



## **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, 2003**

#### **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 Health and the Water & Sewer Authority's operating budgets, based on their financials
- Review and development of proposed budget by the Fund Administrator
- 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

##### **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). 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 is not budgeted; depreciation and interest 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 daily and 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 Fund complies with its authorized budget levels.