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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2014

George S. Hawkins, *CEO and General Manager*

Mark T. Kim, *Chief Financial Officer*

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

PARTNERSHIP for SUSTAINABILITY

"When you put your hand in a flowing stream, you touch the last that has gone before and the first of what is still to come."

– Leonardo da Vinci

photo: Courtesy of David Kidd

FY 2014

District of Columbia Water and Sewer Authority

Comprehensive Annual Financial Report

Fiscal Year
October 1, 2013 to September 30, 2014

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 10, 2015

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

Dear Members of the Board:

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, 2014. 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. In accordance with the Authority's enabling legislation, DC Water is required to perform an annual audit of its financial statements and submit it to the District of Columbia's Mayor, Chief Financial Officer, and District Council.

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, the information contained in 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. To the best of my knowledge and belief, DC Water's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions.

KPMG LLP, Certified Public Accountants, has been retained by DC Water to serve as its independent auditors and has issued an unmodified ("clean") opinion on DC Water's financial statements for the years ended September 30, 2014 and 2013. The independent auditors' report is located at the front of the financial section of this report.

GAAP requires 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 646,449 residential, commercial and governmental customers in the District of Columbia, and wholesale wastewater conveyance and treatment services to approximately 1.6 million users in Montgomery and Prince George's Counties in Maryland, and Fairfax and Loudoun Counties in Northern Virginia.

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 District 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 ratepayers.

In the early history of the 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, DC Water became a part of the District of Columbia Department of Public Works.

In 1996, the regional participants in DC Water's service area, including the District of Columbia, 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 Council of the District of Columbia passed the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996 (as amended)" (the "Act"), a statute that established DC Water as an operationally, financially, and legally independent authority on October 1, 1996.

In accordance with the Act, the District authorized DC Water to use all of the property and assets related to its water distribution and wastewater treatment and conveyance services and transferred to DC Water any liabilities that were directly attributable to those assets. The District has retained full legal title to these assets. The assets will remain under the control of DC Water for as long as any revenue bonds remain outstanding.

The Act also requires DC Water to establish rates, fees and other charges for all services provided by DC Water. These rates, fees and charges, in addition to certain wholesale wastewater treatment contracts, are projected to generate revenues adequate to pay all of the costs of operating DC Water. DC Water's rate setting powers are not subject to the oversight of, or regulation by, the District or any other agency or authority.

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

Accounting and Budget Processes

Basis of Accounting

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. DC Water prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Financing Policies

The primary objective of DC Water's financing policies is to ensure that its financial practices result in high quality investment-grade bond ratings to achieve the lowest cost of capital necessary to finance DC Water's capital improvement program. By indenture, DC Water is legally obligated to maintain 1.2 times debt service coverage on its senior lien debt and establish an operating reserve fund equal to 60 days of operation 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 debt and an operating cash reserve requirement equivalent to the greater of 120 days of operations and maintenance costs 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 contributing such amounts to the Rate Stabilization Fund (RSF).

Budgetary Control

Budgetary control begins with the preparation of 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, Water Quality and Water Services, and DC Retail Water and Sewer Rates Committees, the budget is approved by the Board of Directors. DC Water's financial management system is designed to prevent 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 complies with 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 District Council for its review and comment. Importantly, neither the Mayor nor

District Council has the authority to modify or revise the annual budgets of DC Water. The District then includes DC Water's budget as an enterprise fund as part of its own budget submission to the U.S. Congress for approval.

Economic Condition and Outlook

Washington, D.C., is not only known as being the nation's capital, but it is also an international city with a vibrant tourist industry and business climate. The U.S. Census Bureau estimated that there were 646,449 residents in Washington, D.C. in 2013, an increase of 2.2% from the same period of the prior year. The Washington Metropolitan Region has a population of more than 5.9 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 as well as diplomatic embassies and international organizations. The federal civilian workforce in the District averaged 236,021 employees, while thousands more are estimated to work elsewhere in the metropolitan area. The District is host to more than 176 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 19.0 million people visit the Washington Metropolitan Area on an annual basis, not only to do business with the federal government and local 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. The unemployment rate in the District decreased from 8.2% in 2012 to 7.0% in 2014. The District's economy grew consistently faster than the national economy for much of this decade and is expected to continue to grow in 2015. The District's economy is more information and service dependent than most states, accounting for the region's insulation from the most recent national housing and credit centric recession.

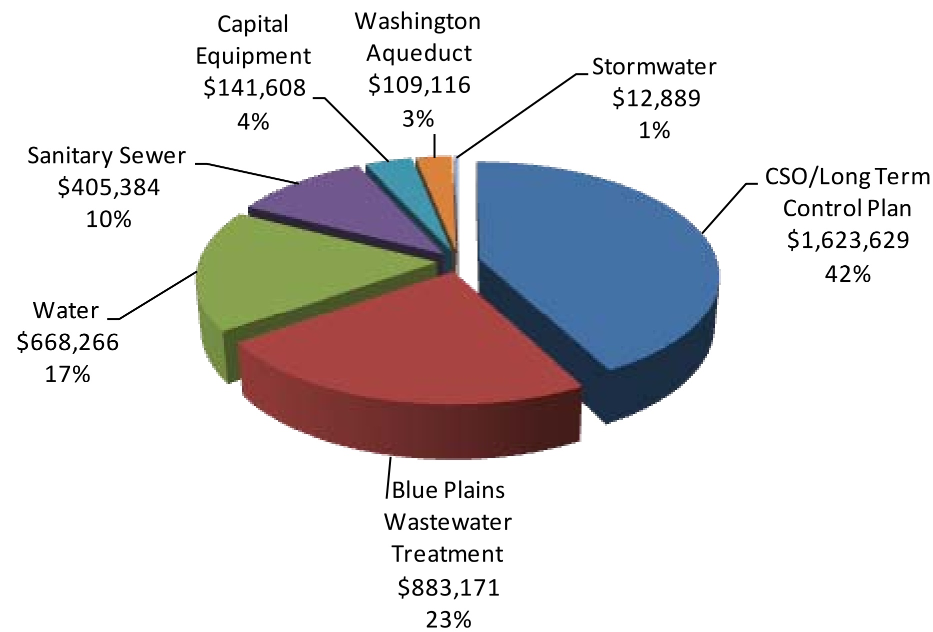
Major Initiatives

Capital Improvement Program

DC Water's ultimate success in achieving its mission of providing world-class water and wastewater services as a leading steward of the environment depends in large part on the implementation of its 10-year $3.8 billion capital improvement program ("CIP"). Approximately 43% of the CIP is either federally mandated or required by a court-ordered consent decree, including the Enhanced Nitrogen Removal Facilities ("ENRF") and the DC Clean Rivers Project ("DCCR").

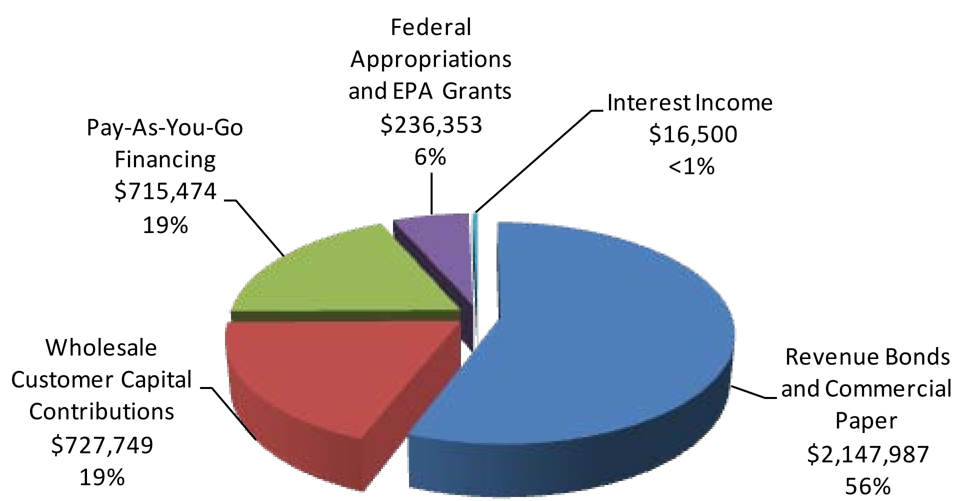
The Board approved Fiscal Year 2015 – 2024 CIP is broken into seven service areas, as shown in the following graph.

Capital Improvement Program FY 2015 – FY 2024
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, grants from the U.S. Environmental Protection Agency ("EPA"), federal appropriations, capital contributions from wholesale customers and Pay-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 56% of capital financing will come from debt issuances.

Capital Improvement Program FY 2015 – FY 2024
Sources of Funds ($ in 000's)



DC Clean Rivers Project

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

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

The DCCR is a $2.6 billion plan that includes a variety of capital improvements throughout the District including three massive, deep tunnel systems which will capture and store CSOs from storm events until they can be conveyed to Blue Plains for treatment.

DC Water has also proposed a Green Infrastructure (“GI”) initiative to reduce the size of or even potentially eliminate the need for some portion of the tunnels required to serve the Potomac River 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.

An essential component of DC Water’s mission is to serve as an environmental steward and to protect our shared natural resources. The GI initiative is one prime example in which we continuously challenge ourselves to address the optimal balance between “grey” infrastructure projects such as DCCR and more environmentally beneficial “green” infrastructure projects. These can be exemplified by implementation of GI at DC Water facilities: Fort Reno Reservoir green roof; Anacostia Water Pumping Station bio-retention project; East Side Pumping Station green roof; and Irving Street green infrastructure project.

Another core element of DC Water’s mission is to ensure that its rates remain affordable for its customers. During this fiscal year we made significant progress in this regard, with the successful sale of our inaugural green century bonds in the amount of $350 million in July 2014. The net proceeds of these 100-year bonds are for the exclusive use of the DCCR project and will serve to more closely match the useful life of the project (150 years) with the repayment term of the bonds. This financing structure allowed DC Water to spread the costs of this project across the successive generations of ratepayers who will benefit from it, thereby lowering the financial burden of the current generation of ratepayers and making their rates more affordable. This historic transaction marked the first sale of a century bond by a municipal water and sewer utility, the first certified green bond issued in the U.S and the first 100-year green bond issued globally.

DC Water's roles as public servant and environmental steward are well served by the green bond certification provided by Vigeo's independent second party opinion of DC Water's sustainable management of the DCCR project. Vigeo is a leading European sustainability consultant and was commissioned by DC Water to provide an opinion on its practices and performance on internationally accepted environmental, social and governance standards. We welcome the transparency and accountability provided by Vigeo's green bond opinion which can be found at www.dcwater.com. Additionally, DC Water's first annual Green Bond Report on environmental, social and governance indicators has been included as an addendum to this transmittal letter.

Enhanced Nitrogen Removal Program

In June 2007, the 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). DC Water's ENRF program provides for new facilities and upgrades in order to meet the new total nitrogen discharge limit in DC Water's NPDES permit. Projects included in the ENFR program were identified through a strategic planning process that resulted in the 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 Program's Tributary Strategies for reducing nitrogen discharged into the Chesapeake Bay. This project is now complete.

Digester Project

DC Water's Biosolids Management Program ("BMP") is nearing completion with start-up activities occurring in the summer of 2014 with commissioning anticipated by the fall of 2015. Once in service, the BMP is expected to generate up to one-third of the electricity needs for Blue Plains as well as produce Class A biosolids resulting in a reduction in biosolids hauling costs of approximately 50%, significantly reduced lime usage for biosolids, lower biosolids land application costs, and potential for revenue generation through commercialization of Class A biosolids.

Government Finance Officer Association Awards

CAFR Award

The Authority's 2013 CAFR received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting. The CAFR was judged based on its conformity to GAAP and its compliance with other financial, legal and contractual provisions. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment for any municipality or government agency. To date, DC Water has received the GFOA's CAFR award for every year of its existence as an independent Authority, for a total of seventeen consecutive awards.

Budget Award

The Authority's 2013 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 fourteen years.

ACKNOWLEDGEMENTS

With deep appreciation, I wish to recognize the outstanding leadership and personal commitment of Controller John Madrid and his talented staff for their collective accomplishment in drafting DC Water's FY 2014 Comprehensive Annual Financial Report.

Respectfully submitted,

Mark T. Kim
Chief Financial Officer

FY 2014 GREEN BOND REPORT

In July 2014, DC Water issued its inaugural green bond (Public Utility Senior Lien Revenue Bonds, Series 2014A or the "Series 2014A Bonds") to finance a portion of the DC Clean Rivers Project. This historic $350 million issuance marked the first certified green bond in the United States to be supported by an independent sustainability opinion. DC Water retained Vigeo to provide the "Second Party Opinion" on its green bond in accordance with Vigeo's environmental, social and governance (ESG) assessment methodology, which is based upon criteria aligned with public international standards in compliance with the ISO 26000 guidelines. The green bond certification process included the establishment of certain ESG performance indicators and the commitment to undertake annual reporting on those indicators by DC Water in its CAFR. This FY 2014 Green Bond Report is intended to fulfill DC Water's commitment to its investors and other stakeholders to report on the (1) use of proceeds of the green bond for the DC Clean Rivers Project; (2) environmental and social outcomes achieved by the project; and (3) responsible management of the project.

Use of Proceeds

On July 23, 2014, the net proceeds of the Series 2014A Bonds after paying costs of issuance totaled $346,002,729.21 and were deposited into a segregated account of the Construction Fund for the Series 2014A Project (i.e., DC Clean Rivers Project), which is established and maintained under DC Water's Indenture. The proceeds are invested pursuant to the Indenture and DC Water's Investment Policy.

In FY 2014, two draws were made from the Construction Fund for the Series 2014A Project totaling $82,284,065.55, leaving an ending balance of $263,718,663.66 on September 30, 2014. Table 1 details the use of green bond proceeds for the DC Clean Rivers Project.

Table 1: DC Clean Rivers Project Construction Fund Draws for Series 2014A Bonds ($)

	Beginning Balance	Draws	Ending Balance
07/23/2014	346,002,729.21	--	346,002,729.21
07/23/2014	346,002,729.21	37,556,477.78	308,446,251.43
09/24/2014	308,446,251.43	44,727,587.77	263,718,663.66
09/30/2014	263,718,663.66	--	263,718,663.66

Environmental and Social Outcomes

The DC Clean Rivers Project is designed and engineered to achieve the following core environmental and social outcomes: (1) water quality; (2) climate resilience; and (3) quality of life. The associated objectives and indicators of each outcome are detailed in Table 2 below.

Table 2: Environmental and Social Outcomes, Objectives and Indicators

Core Outcomes	Final objectives	Initial Indicators
Water Quality	Reduce CSOs by 96% system wide (98% in Anacostia River)	1. Reduction of CSOs (%) 2. Tunnel construction progress (linear feet)
Climate Resilience	Relieve and mitigate flooding	1. Flood relief and mitigation ($ spent)
Quality Of Life	Remove contaminants and pollutants in District's waterways	1. Nitrogen and phosphorous removal (lbs) 2. Suspended solids removal (lbs)

Water Quality

A core outcome and principal purpose of the DC Clean Rivers Project is to improve water quality by treating combined sewer overflows before entering the District's rivers and waterways. The initial indicators of performance and progress for water quality are (1) reduction in CSOs and (2) tunnel construction progress. Tables 3 and 4 report on these indicators.

Table 3: Estimated CSO Volume (million gallons/year)

	Pre-DC Clean Rivers Project	FY 2014	Reduction (%)
Anacostia River	2,142	1,282	40.1%
Potomac River	1,063	638	39.9%
Rock Creek	49	43	12.2%
Total	3,254	1,963	39.6%

Table 4: Tunnel Construction Progress (linear feet)

	Tunnel Length	Length Mined	Progress (%)
Blue Plains Tunnel	24,207	11,222	46%
Anacostia River Tunnel	12,483	--	--
First Street Tunnel	2,700	--	--

Climate Resilience

A second core outcome of the DC Clean Rivers Project is to promote climate resilience, with the objective of relieving and mitigating flooding. These climate resilience efforts are principally directed in the Bloomingdale and LeDroit Park neighborhoods of Northwest Washington, which experience chronic and severe overland flooding and sewer backups during intense storm events. Table 5 reports on the major flood relief and mitigation related programs contained within the DC Clean Rivers Project and their respective progress towards completion as indicated by the percentage of dollars spent to total program budget.

Table 5: Flood Relief and Mitigation Programs ($)

	Activity Budget	Budget Spent	Progress (%)
McMillan Stormwater Storage	12,000,000	8,919,111	74%
Irving Street Green Infrastructure	3,522,259	2,588,587	73%
First Street Tunnel	157,675,000	36,277,869	23%
Northeast Boundary Tunnel	479,885,644		--
Total	653,082,903	47,785,567	7%

Quality of Life

A third core outcome of the DC Clean Rivers Project is to enhance the quality of life associated with restoring the District's waterways and waterfront areas by removing harmful contaminants and pollutants, such as nitrogen and phosphorus. The initial indicators of performance and progress for quality of life are the removal of (1) nitrogen and phosphorous and (2) suspended solids. Table 6 reports on these indicators.

Table 6: Estimated Removal and Reduction in Total Nitrogen (TN), Total Phosphorous (TP), and Total Suspended Solids (TSS) at Blue Plains and CSO Outfalls (lbs)

	Blue Plains Outfalls			CSO Outfalls		
	Influent	Effluent	Removal (%)	Pre-DC Clean Rivers Project	FY 2014	Reduction (%)
TN	18,070,871	4,014,571	78%	100,301	60,181	40%
TP	2,208,593	64,457	97%	21,341	12,804	40%
TSS	136,206,158	993,505	99%	2,774,287	1,664,572	40%

Responsible Management

The green bond certification process included an assessment of the responsible management of the DC Clean Rivers Project on the degree of implementation of certain ESG criteria at the project level. The criteria are organized in five ESG domains: (1) human rights; (2) human resources; (3) environment; (4) business behavior; and (5) community involvement. Table 7 details the indicators selected to report on the responsible management of the DC Clean Rivers Project under each of the five ESG domains.

Table 7: ESG Domains and Indicators for Responsible Management

ESG Domain	ESG Indicators
Human Rights	1. Employee breakdown by gender, age group, minority group membership, and other indicators of diversity 2. Total number of incidents of discrimination and actions taken
Human Resources	1. Health and Safety: accidents, frequency and severity rate 2. Employees receiving regular performance reviews and career development opportunities
Environment	1. Biodiversity: habitats protected or restored and impact on fauna and flora 2. Volume of CSO discharged per average year of rainfall
Business Behavior	1. Billing and payment metrics 2. Procurement criteria in selection stage
Community Involvement	1. Local Employment: % of resident workers 2. Number of public meetings, meetings with neighborhood groups and interactions with the public

Human Rights

The indicators selected to report on the ESG domain of human rights are the diversity of employees and number of incidents of discrimination. The DC Clean Rivers Project employees 13 full time employees (FTEs) with the following indicators of diversity: gender, 10 male FTEs and 3 female FTEs; age, 3 FTEs aged 18-44 years, 9 FTEs aged 45-64 years, 1 FTE aged 65 years and above; race, 11 FTEs White (non-Hispanic) and 2 FTEs African-American. There were no reported incidents of discrimination.

Human Resources

The indicators selected to report on the ESG domain of human resources are the percent of employees receiving regular performance reviews and career development opportunities, and the health and safety record of the project. 100% of DC Clean Rivers Project FTEs received their performance reviews and were given career development opportunities. From project inception to September 30, 2014, a total of 1.88 million project person hours were spent on the DC Clean Rivers Project by FTEs and contractors which included 159 safety committee meetings and 119 safety observation reports. The following health and safety incidents were reported during this period: 1 lost time injury; 1 OSHA inquiry; 21 recorded injuries; 28 first aid injuries; 61 near miss incidents; 3 recorded spills; 31 utility strikes; and 10 incidents of property damage. The DC Clean Rivers Project incident rate equals 1.91.

Environment

The indicators selected to report on the ESG domain of environment are biodiversity and volume of CSOs discharged. The successful completion of the DC Clean Rivers Project will result in significant environmental improvements, including the promotion of subaqueous vegetation, marine life, and other plants and wildlife through the restoration of natural habitats. Impacts during construction to fauna and flora will be temporary and restored upon completion of the project. In FY 2014, the projected volume of CSOs discharged totaled approximately 1.963 billion gallons, with approximately 1.282 billion gallons in the Anacostia River, 638 million gallons in the Potomac River, and 43 million gallons in the Rock Creek.

Business Behavior

The indicators selected to report on the ESG domain of business behavior are billing and payment metrics and procurement selection criteria. In FY 2014, DC Water paid over 99.1% of its invoices within 30 days and over 99.5% within 45 days. Procurement for the DC Clean Rivers Project is typically done on a design-build model, with the cost proposal weighted at 65% and the technical proposal weighted at 35%. The technical proposal includes project management and organization; design and construction plan; M/WBE business development plan; DC Water Works employment plan; and sub-contacting plan. For the Poplar Point pumping station, a Request for Qualifications was issued with the three most qualified contractors shortlisted based upon the following weighting: 40% performance history; 30% qualifications and experience of key personnel; 20% conceptual management plan; and 10% safety program and safety record.

Community Involvement

The indicators selected to report on the ESG domain of community involvement are the local employment percentages, number of public meetings, meetings with neighborhood groups and interactions with the public. The DC Clean Rivers Project employed a total of 1,599 contractors. Approximately 881 or 55% of the contractors reside within the District of Columbia or DC Water's service territory encompassing the suburban jurisdictions of Montgomery and Prince George's Counties in Maryland and Fairfax and Loudoun Counties in Virginia. In FY 2014, the DC Clean Rivers Project held a total of 87 public meetings, including meetings with neighborhood groups, elected officials, civic associations, local businesses, community groups and public town halls.

dc water is life

BOARD OF DIRECTORS

PRINCIPAL MEMBERS

Matthew Brown, Chair, 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

Alan J. Roth, District of Columbia

Timothy L. Firestine, Montgomery County, MD

Vacant, Montgomery County, MD

Nicholas Majett, Prince George's County, MD

Vacant, Prince George's County, MD

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

ALTERNATE MEMBERS

Howard Gibbs, District of Columbia

Brenda Richardson, District of Columbia

Vacant, District of Columbia

Vacant, District of Columbia

Vacant, District of Columbia

Vacant, District of Columbia

David W. Lake, Montgomery County, MD

Bonnie Kirkland, Montgomery County, MD

Shirley Branch, Prince George's County, MD

Adam Ortiz, Prince George's County, MD

James Patteson, Fairfax County, VA

PRINCIPAL STAFF MEMBERS

GENERAL MANAGER'S STAFF

George S. Hawkins, CEO and General Manager

Randy E. Hayman, General Counsel

Thomas Kuczynski, Chief Information Officer

John Lisle, Chief of External Affairs

CHIEF FINANCIAL OFFICER'S STAFF

Mark T. Kim, Chief Financial Officer

John Madrid, Controller

Robert Hunt, Finance Director

Gail Alexander-Reeves, Budget Director

Syed Khalil, Revenue and Financial Planning Manager

Val Blinkoff, Financial Systems and Controls Manager

OPERATIONS AND ADMINISTRATION

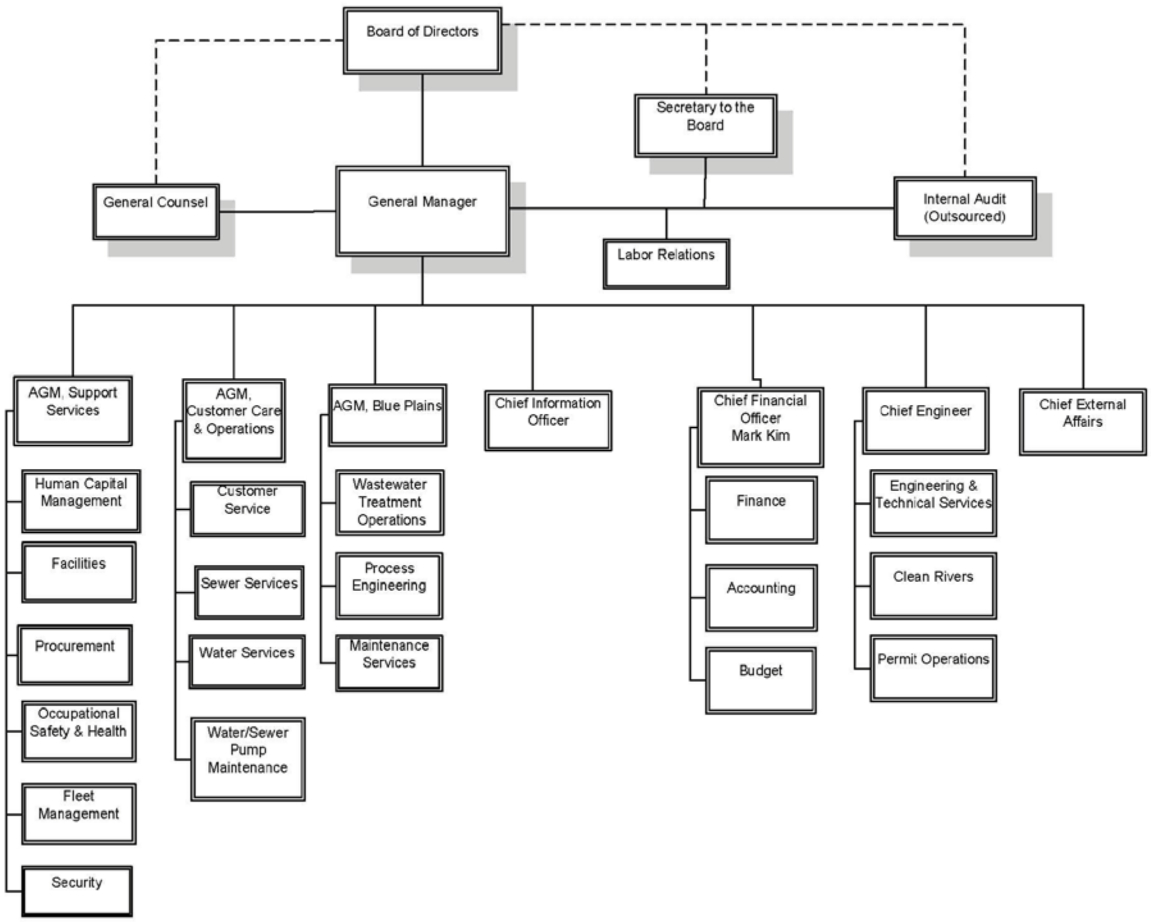
Walter M. Bailey, Assistant General Manager Wastewater Treatment

Leonard Benson, Deputy General Manager and Chief Engineer

Rosalind Inge, Assistant General Manager, Support Services

Charles W. Kiely, Assistant General Manager Consumer 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, 2013

Executive Director/CEO

Financial Section

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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) as of and for the years ended September 30, 2014 and 2013, 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 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 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.

Opinion

In our opinion, the 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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective October 1, 2012 the Authority adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Implementation of this new accounting standard required a restatement of net position as of September 30, 2012 and 2013 in previously issued financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 25 through 37 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 16, 2015

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, 2014 and 2013. 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 2014

- In July 2014, the Authority issued $350.0 million of 2014A fixed rate at 4.81% senior lien and $100 million of 2014B variable rate subordinate lien bonds. The 2014A green century bonds have a 100 year maturity and are being used to fund the Clean Rivers Project. The 2014B bonds mature in 2050 and will be used to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $445.5 million including $4.5 million of underwriter's discount and cost of issuance. The Authority's long-term debt, including current maturities, increased by $421.7 million to $2.5 billion, or 19.8%, primarily due to the $450.0 million bond issuance.

- Operating revenues increased by $34.7 million to $473.8 million or 7.9%, primarily due to the rate increase of 5.5%.

- Operating expenses increased by $2.1 million to $356.0 million or 0.6% primarily due to increases in personnel, utilities and rent, chemicals and supplies, and water purchase expenses offset by a decrease in payments-in-lieu-of-taxes (PILOT) and right-of-way fee.

- Capital assets, net of depreciation and amortization, increased by $641.3 million to $4.9 billion, or 14.9% as a result of capital additions of $719.1 million offset by depreciation and amortization of $77.8 million. Capital additions incurred in 2014 were in line with the Authority's approved $3.8 billion, 10-year capital improvement program.

- Current assets increased by $82.5 million to $582.8 million, or 16.5%, due to increases in cash, investments and receivables from other jurisdictions.

- The Authority's net position increased by $144.2 million to $1.4 billion, or 11.9%, as a result of current year operations and capital contributions.

- Effective October 1, 2013, the Authority raised its retail water and wastewater rates by 5.5%.

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 $78.8 million to $500.3 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 $80.7 million to $1.2 billion, or 7.2%, 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 $280.1 million to $2.1 billion, or 15.2%, 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%.

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, 2014 was approximately $1.4 billion, a $144.2 million, or 11.9% increase from September 30, 2013. Total assets increased $751.9 million, or 14.9% to $5.8 billion, and total liabilities increased $607.1 million, or 15.7%, to $4.5 billion.

The Authority's total net position at September 30, 2013 was approximately $1.2 billion, an $80.7 million, or 7.2% increase from September 30, 2012. Total assets increased $658.9 million, or 15.0% to $5.1 billion, and total liabilities increased $577.7 million, or 17.6%, to $3.9 billion.

Summary of Net Position
($ in 000's)

	Fiscal Year			2014 vs 2013		2013 vs 2012	
	2014	2013	2012	Amount	%	Amount	%
Current assets	$ 582,782	$ 500,250	$ 421,495	82,532	16.5	78,755	18.7
Restricted assets	230,114	236,012	243,356	(5,898)	(2.5)	(7,344)	(3.0)
Capital assets	4,934,018	4,292,765	3,718,243	641,253	14.9	574,522	15.5
Other noncurrent assets	59,449	25,474	12,506	33,975	133.4	12,968	103.7
Total assets	5,806,363	5,054,501	4,395,600	751,862	14.9	658,901	15.0
Deferred outflows of resources	10,768	11,335	11,902	(567)	(5.0)	(567)	(4.8)
Current liabilities	434,141	412,768	314,219	21,373	5.2	98,549	31.4
Long-term debt outstanding	2,520,935	2,100,495	1,825,869	420,440	20.0	274,626	15.0
Long-term liabilities	1,511,240	1,345,937	1,141,461	165,303	12.3	204,476	17.9
Total liabilities	4,466,316	3,859,200	3,281,549	607,116	15.7	577,651	17.6
Net investments in capital assets	1,130,952	1,042,620	956,397	88,332	8.5	86,223	9.0
Restricted	28,863	29,010	27,297	(147)	(0.5)	1,713	6.3
Unrestricted	191,000	135,006	142,259	55,994	41.5	(7,253)	(5.1)
Total net position	$ 1,350,815	$ 1,206,636	$ 1,125,953	144,179	11.9	80,683	7.2

The following is a discussion of the more significant changes in assets, liabilities and net position in 2014.

- Capital assets, net of depreciation and amortization, increased by $641.3 million to $4.9 billion, or 14.9% as a result of capital additions of $719.1 million offset by depreciation and amortization of $77.8 million. Capital additions incurred in 2014 were in line with the Authority's approved $3.8 billion, 10-year capital improvement program which is discussed in more detail on page 35.

- Current assets increased by $82.5 million to $582.8 million, or 16.5%, due to increases in cash, investments and receivables from other jurisdictions.

- Long-term debt, including current maturities, increased by $421.7 million to $2.5 billion, or 19.8%, primarily due to the $450.0 million bond issuance in July 2014.

- Current liabilities increased by $21.4 million to $434.1 million, or 5.2%, primarily due to $17.8 million increase in unearned revenues from retail customers. The remaining increase is primarily a result of an increase in accrued interest payable on long-term debt offset by decreases in compensation payable and amounts due to jurisdictions.

- The Authority's net position increased by $144.2 million to $1.4 billion, or 11.9%, as a result of fiscal year 2014 operations and capital contributions.

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 35.

- Current assets increased by $78.8 million to $500.3 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 $280.1 million to $2.1 billion, or 15.2%, 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 $80.7 million to $1.2 billion, or 7.2%, as a result of fiscal year 2013 operations and capital contributions.

Changes in Net Position

The increase in net position at September 30, 2014 was $144.2 million, or 11.9%, as compared with September 30, 2013. The Authority's total operating revenues increased by 7.9% to $473.8 million and total operating expenses increased 0.6% to $356.0 million.

The increase in net position at September 30, 2013 was $80.7 million, or 7.2%, 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.

Change in Net Position
($ in 000's)

	Fiscal Year			2014 vs 2013		2013 vs 2012	
	2014	2013	2012	Amount	%	Amount	%
Operating revenues	$ 473,824	$ 439,079	$ 440,566	$ 34,745	7.9	$ (1,487)	(0.3)
Operating expenses	356,024	353,945	343,037	2,079	0.6	10,908	3.2
Net non-operating revenues (expenses)	(68,311)	(62,761)	(73,252)	(5,550)	8.8	10,491	(14.3)
Change in net position before capital contributions	49,489	22,373	24,277	27,116	121.2	(1,904)	(7.8)
Capital contributions	94,690	58,310	58,957	36,380	62.4	(647)	(1.1)
Change in net position	144,179	80,683	83,234	63,496	78.7	(2,551)	(3.1)
Net position - beginning of year, as restated	1,206,636	1,125,953	1,042,719	80,683	7.2	83,234	8.0
Net position - end of year	$ 1,350,815	$ 1,206,636	$ 1,125,953	$ 144,179	11.9	$ 80,683	7.2

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 2014 and 2013, and between fiscal years 2013 and 2012, respectively.

Fiscal Year 2014:

- Operating revenues increased by $34.7 million to $473.8 million or 7.9%, primarily due to the rate increase of 5.5%.

- Operating expenses increased by $2.1 million to $356.0 million or 0.6% due to increase in personnel, utilities and rent, chemicals and supplies, and water purchase expenses offset by a decrease in PILOT and right-of-way fee.

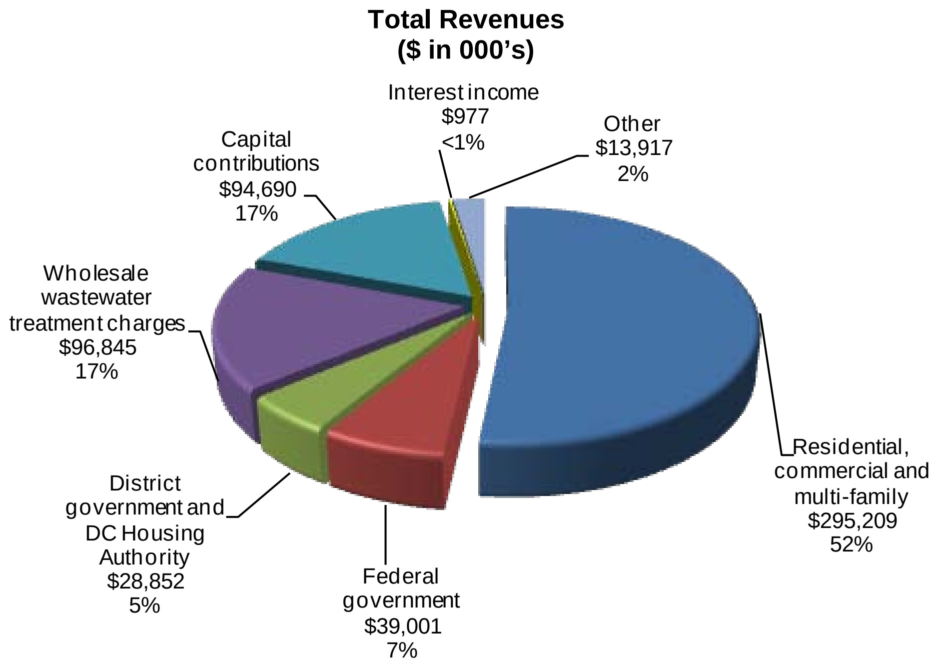
Fiscal Year 2013:

- 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.

2014 Total Revenues

Total revenues increased $71.0 million or 14.2% to $569.5 million in fiscal year 2014.



- Revenues from residential, commercial and multi-family customers increased by $19.9 million to $295.2 million, or 7.2%, primarily due to a 5.5% rate increase.

- Revenues from the Federal government decreased by $6.2 million to $39.0 million, or 13.7%, primarily due to a 5.5% rate increase offset by a 31.1% decrease in consumption resulting from Federal government shutdown and billing adjustments.

- Revenues from the District government and the District Housing Authority increased by $7.2 million to $28.9 million, or 33.1%, primarily due to a $2.3 million billing adjustment in fiscal year 2013 relating to the St. Elizabeth Hospital and a 5.5% rate increase.

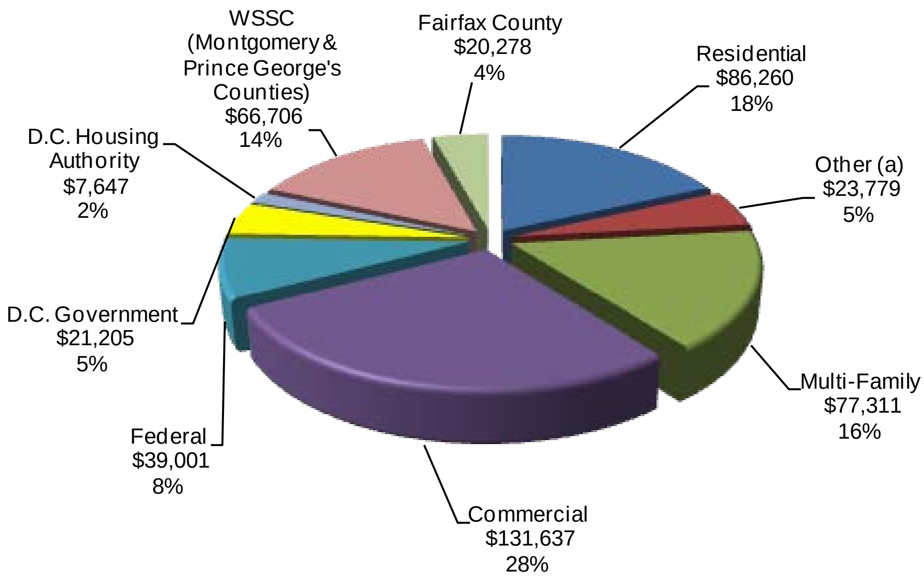
- Revenues from wholesale wastewater treatment increased by $9.7 million to $96.8 million, or 11.1%, primarily due to a 6.1% increase in Intermunicipal agreement (IMA) shareable operating costs of the Blue Plains Plant.

- Other revenues increased by $4.2 million to $13.9 million, or 43.5%, primarily due to a fiscal year 2013 reduction in other revenues attributable 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.

- Capital contributions increased by $36.4 million or 62.4%, primarily due to a $38.8 million capital contribution from the District government for the Northeast Boundary Neighborhood project.

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.



(a) Other revenues include $7.8 million from Loudoun County and $2.0 million from Potomac Interceptor.

- Revenues from commercial and multi-family customers in the District comprise approximately 44.0% 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.

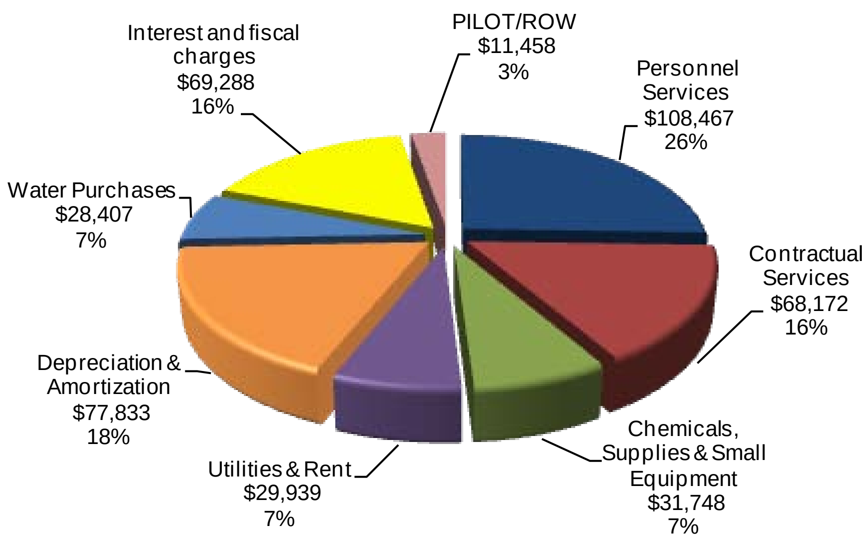
- Revenues from the Federal government comprise 8.0% of the Authority's total operating revenues and include customers such as the U.S. Congress, the Smithsonian Institution, and a range of federal departments and agencies.

- Revenues from the Government of the District of Columbia and the District of Columbia Housing Authority make up 7.0% of total operating revenues.

2014 Total Expenses

Total expenses increased $8.7 million or 2.1% to $425.3 million in fiscal year 2014.

Total Expenses
($ in 000's)

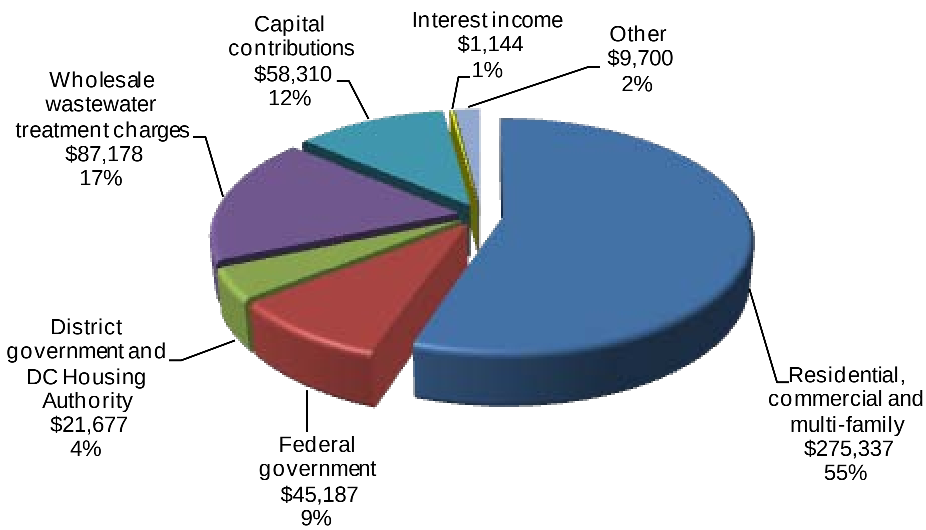


- Personnel services increased by $4.6 million to $108.5 million, or 4.4%, primarily due to increases in wages, benefits and number of employees.
- Contractual services decreased by $0.2 million to $68.2 million, or 0.4%, primarily due to a decrease in litigation costs.
- Chemicals, supplies and small equipment increased by $2.8 million to $31.7 million, or 9.5%, primarily due to a general increase in unit cost of chemicals by 5.0%.
- Utilities and rent increased by $3.8 million to $29.9 million, or 14.7%, primarily due to an increase in electricity costs.
- Depreciation and amortization increased by $0.5 million to $77.8 million, or 0.7%, primarily due to increase in capital assets in service.
- Water purchases increased by $1.2 million to $28.4 million, or 4.4%, primarily due to a 0.2% increase in consumption and a 9.0% rate increase from the Washington Aqueduct. These were offset by a $1.3 million operating cost credit adjustment received from the Washington Aqueduct.
- Interest expense and fiscal charges increased by $5.4 million to $69.3 million, or 8.4% primarily due to a $20.1 million increase in interest costs incurred in fiscal year 2014 as a result of the increase in borrowings, offset by a $14.5 million increase in the amount of capitalized interest related to the Authority's capital improvement program during fiscal year 2014.

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.

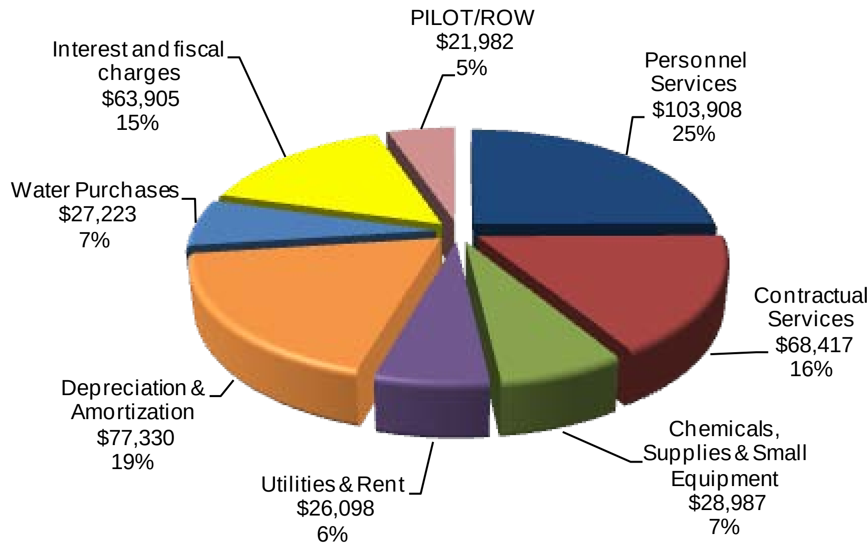
- Other revenues decreased by $6.4 million to $9.7 million, or 39.7%, primarily due to a $2.9 million in rebates given to retail customers and a $2.7 million reduction in special project billings to the District government.

- Capital contributions decreased by $0.6 million to $58.3 million or 1.1%, primarily due to decreased capital construction spending on grant-eligible projects.

2013 Total Expenses

Total expenses increased $0.8 million or 0.2% to $417.9 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 $10.1 million to $63.9 million, or 13.6% 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.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2014 and 2013, respectively, the Authority had $4.9 billion and $4.3 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 $641.3 million, or 14.9%, during fiscal year 2014, 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, 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.

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

	As of September 30,		
	2014	2013	2012
Wastewater treatment plant	$ 2,057,116	$ 1,945,920	$ 1,924,985
Wastewater collection facilities	758,603	730,622	716,651
Water distribution system	981,047	920,150	897,077
Purchased capacity	334,174	326,290	319,840
Capital equipment	191,409	178,620	167,641
Construction in progress	1,879,678	1,381,652	807,430
Less accumulated depreciation	(1,268,009)	(1,190,489)	(1,115,381)
Net capital assets	$ 4,934,018	$ 4,292,765	$ 3,718,243

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, 2014 and 2013 were $1,255,496 and $1,016,301, 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 2014, the Authority had a total of $2.5 billion in long term debt outstanding, an increase of $421.7 million, or 19.8%, over fiscal year 2013. See note 11 to the financial statements for more information on long-term debt outstanding.

At the end of fiscal year 2013, the Authority had a total of $2.1 billion in long term debt outstanding, an increase of $280.1 million, or 15.2%, over fiscal year 2012. See note 11 to the financial statements for more information on long-term debt outstanding.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2014 is shown below:

Description	Balance 9/30/2013	Increases	Decreases	Balance 9/30/2014
Outstanding bonds and notes	$ 2,048,957	$ 450,000	$ (25,167)	$ 2,473,790
Unamortized bond premiums	79,313	-	(3,215)	76,098
Unamortized bond discounts	(2,608)	-	128	(2,480)
Total bonds and notes	$ 2,125,662	$ 450,000	$ (28,254)	$ 2,547,408

In July 2014, the Authority issued $350.0 million of 2014A fixed rate at 4.81% senior lien and $100 million of 2014B variable rate subordinate lien bonds. The 2014A green century bonds have a 100 year maturity and are being used to fund the Clean Rivers Project. The 2014B bonds mature in 2050 and will be used to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $445.5 million including $4.5 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 including current year maturities 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)
Total bonds and notes	$ 1,845,561	$ 301,014	$ (20,913)	$ 2,125,662

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.

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, 2013, 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 5.0% to 7.5% 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, 2014 and 2013

(In thousands)

Assets and Deferred Outflows of Resources	**2014**	**2013**
Current assets:		
Cash and cash equivalents (note 3)	$ 149,927	$ 108,459
Investments (note 3)	89,998	95,552
Restricted cash and cash equivalents (note 3)	96,525	152,003
Restricted investments (note 3)	97,370	23,285
Customer receivables, net of allowance for doubtful accounts of $10,255 in 2014 and $9,371 in 2013 (note 7)	49,501	46,842
Due from other jurisdictions (note 8)	59,423	41,440
Due from Federal government (note 6)	29,914	23,158
Due from District government (note 13)	—	2,152
Inventory	6,805	6,516
Prepaid assets	3,319	843
Total current assets	582,782	500,250
Noncurrent assets:		
Restricted assets (note 3):		
Cash and cash equivalents	16,226	17,111
Investments	213,888	218,901
Total restricted cash equivalents and investments	230,114	236,012
Capital assets (note 4):		
In-service	4,322,349	4,101,602
Less accumulated depreciation	(1,268,009)	(1,190,489)
Net capital assets in service	3,054,340	2,911,113
Construction-in-progress	1,879,678	1,381,652
Net capital assets	4,934,018	4,292,765
Other noncurrent assets:		
Due from District government (note 13)	37,669	—
Due from other jurisdictions (note 8)	21,780	25,474
Total other noncurrent assets	59,449	25,474
Total noncurrent assets	5,223,581	4,554,251
Total assets	5,806,363	5,054,501
Deferred Outflows of Resources		
Deferred loss on debt refunding	10,768	11,335
Total assets and deferred outflows of resources	5,817,131	5,065,836
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	216,015	213,585
Unearned revenue	69,451	51,633
Accrued interest	52,933	45,365
Commercial paper notes payable (note 10)	41,200	41,200
Current maturities of long-term debt (note 11)	26,473	25,167
Due to jurisdictions	9,038	13,831
Compensation payable (note 9)	9,158	13,183
Other liabilities (note 12)	9,873	8,804
Total current liabilities	434,141	412,768
Noncurrent liabilities:		
Long-term debt, excluding current maturities (note 11)	2,520,935	2,100,495
Unearned revenue	1,472,700	1,283,467
Unearned revenue - combined sewer overflow	13,426	31,105
Other liabilities (note 12)	11,675	19,743
Compensated absences payable (note 9)	13,439	11,622
Total noncurrent liabilities	4,032,175	3,446,432
Total liabilities	4,466,316	3,859,200
Net Position		
Net investments in capital assets	1,130,952	1,042,620
Restricted for debt service	28,863	29,010
Unrestricted	191,000	135,006
Total net position	$ 1,350,815	$ 1,206,636

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, 2014 and 2013

(In thousands)

	2014	2013
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	$ 295,209	$ 275,337
Federal government	39,001	45,187
District government and D.C. Housing Authority (note 13)	28,852	21,677
Charges for wholesale wastewater treatment	96,845	87,178
Other	13,917	9,700
Total operating revenues	473,824	439,079
Operating expenses:		
Personnel services	108,467	103,908
Contractual services	68,172	68,417
Chemicals, supplies and small equipment	31,748	28,987
Utilities and rent	29,939	26,098
Depreciation and amortization	77,833	77,330
Water purchases	28,407	27,223
Payment in lieu of taxes and right of way fee (note 13)	11,458	21,982
Total operating expenses	356,024	353,945
Operating income	117,800	85,134
Nonoperating revenues (expenses):		
Interest income	977	1,144
Interest expense and fiscal charges	(69,288)	(63,905)
Total nonoperating revenues (expenses)	(68,311)	(62,761)
Change in net position before capital contributions	49,489	22,373
Capital contributions (note 5)	94,690	58,310
Change in net position	144,179	80,683
Net position, beginning of year, as restated (note 2q)	1,206,636	1,125,953
Net position, end of year	$ 1,350,815	$ 1,206,636

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, 2014 and 2013
(In thousands)

	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 466,713	$ 438,227
Cash paid to suppliers for goods and services	(160,212)	(150,754)
Cash paid to employees for services	(110,675)	(97,182)
Cash paid to District for PILOT and ROW	(12,079)	(16,275)
Net cash provided by operating activities	183,747	174,016
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	445,524	298,921
Proceeds from other jurisdictions	212,899	193,332
Repayments of bond principal and notes payable to Federal government	(25,168)	(19,714)
Acquisition of capital assets	(701,998)	(568,987)
Payments of interest and fiscal charges	(100,090)	(86,703)
Contributions of capital from Federal government	33,094	49,178
Proceeds from issuance of commercial paper	200,800	282,400
Repayments of commercial paper	(200,800)	(282,400)
Net cash used in capital and related financing activities	(135,739)	(133,973)
Cash flows from investing activities:		
Cash received for interest	615	798
Investment purchases	(517,008)	(540,280)
Investment maturities	453,490	506,973
Net cash used in investing activities	(62,903)	(32,509)
Net (decrease) increase in cash and cash equivalents	(14,895)	7,534
Cash and cash equivalents at beginning of year	277,573	270,039
Cash and cash equivalents at end of year	$ 262,678	$ 277,573
Operating income	$ 117,800	$ 85,134
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	77,833	77,330
Change in operating assets and liabilities:		
Decrease in customer and other receivables	1,094	3,043
Increase in inventory	(2,765)	(166)
(Decrease) increase in payables and accrued liabilities	(7,705)	18,962
Decrease in unearned revenue	(2,510)	(10,287)
Net cash provided by operating activities	$ 183,747	$ 174,016
Noncash Capital and Financing Activities:		
Capital asset additions included in accounts payable	$ 168,005	$ 163,567

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.

The 1985 IMA was replaced in 2012 and became effective on April 3, 2013 by a new Intermunicipal Agreement (the "2012 IMA"), which was negotiated, approved and executed by each of the signatories to the 1985 IMA, in addition to the Authority. 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.

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

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).

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 1852, 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 and Fairfax County Water Authority ("FCWA"). The Aqueduct facilities supply treated water to distribution systems of the Authority, Arlington County, FCWA, the federal government, and other parts of northern Virginia.

As of January 3, 2014, FCWA assumed ownership and operation of the water distribution system previously owned and operated by the City of Falls Church. The Authority is responsible for managing the treated Water System that serves the District and several other governmental customers outside the District. The Authority currently purchases approximately 73% of the finished water produced by the Aqueduct, and Arlington County and the FCWA purchase the remainder. 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, and
- The Authority appoints a voting majority of the organization's board, and
- The Authority is able to impose its will on the organization, or
- The organization has the potential to impose a financial burden on, or provide a financial benefit to the Authority, or
- It would be misleading to exclude the organization from the Authority's financial statements.

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

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.

(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 at year end consist of unrestricted and restricted investments such as registered money market mutual and U.S. government agency obligations, 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 at year end consist of unrestricted and restricted U.S. government agency obligations, U.S. Treasury notes, commercial paper, FDIC insured and negotiable certificates of deposit and corporate notes 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.

(2) Summary of Significant Accounting Policies (Continued)

(e) Restricted Assets

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

(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.

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

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

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) Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets. Deferred loss on bond refunding result from the difference between the carrying value of the refunded debt and its reacquisition price. Net loss are deferred and amortized over the life of the refunded or refunding debt whichever is shorter.

(h) 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 leaves 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 14d, the Authority Retirement Health Savings (RHS) Plan allows non-union, non-federal 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 an employee has five years of service and 100 hours of sick leave.

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

(2) Summary of Significant Accounting Policies (Continued)

(i) Bond Premiums, Discounts and Issuance Costs

Bond premiums and discounts incurred to issue debt are capitalized and amortized as interest expense over the related bond issue period using the effective interest method. As discussed in Note (2) (q), bond issuance costs are expensed in the period incurred.

(j) 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 inflows 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 position 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.

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

(k) 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.

(2) Summary of Significant Accounting Policies (Continued)

(l) 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.

(m) 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 1c. 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.

(n) 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.

(o) Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(p) Reclassifications

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

(q) Adoption of New Accounting Standards and Restatement

During the fiscal year ended September 30, 2014, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 65, *Items Previously Reported as Assets and Liabilities;* Statement No. 66, *Technical Corrections — 2012 (an amendment of GASB Statements No. 10 and No. 62)*; Statement No. 67, *Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25)*; and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

Implementation of GASB Statement Nos. 66, 67 and 70 had no impact on the Authority's fiscal year 2014 financial statements. The Authority's implementation of GASB Statement No. 65 did not have a material impact but did result in the restatement of net position as of September 30, 2012 and 2013 as reflected in the following paragraph.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASBS Statement No. 65 resulted in the reclassification of the deferred loss on debt refunding which was previously reported as a component of long-term debt, and required the write-off of deferred bond issuance costs that were previously classified as assets. Therefore, the Authority’s beginning net position as of September 30, 2013 and 2012, and change in net position for the year ended September 30, 2013, have been restated as follows:

Restatement of Net Position as of September 30, 2012 and 2013	
Net Position, September 30, 2012, as previously reported	$1,145,489
Adjustment for Accounting Change	(19,536)
Net Position, September 30, 2012, as restated	$1,125,953
Net Position, September 30, 2013, as previously reported	$1,227,378
Adjustment for Accounting Change	(20,742)
Net Position, September 30, 2013, as restated	$1,206,636

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

Restatement of Change in Net Position for the Year Ended September 30, 2013	
Change in Net Position, as previously reported	$ 81,889
Adjustment for Accounting Change	(1,206)
Change in Net Position, as restated	$ 80,683

(r) 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 *(Period Beginning After)*	Authority Fiscal Year
68	Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)	June 15, 2014	2015
69	Government Combinations and Disposals of Government Operations	December 15, 2013	2015
71	Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)	June 15, 2014	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) *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.

(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) *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.

(5) *Bankers' Acceptances.* Issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, may be purchased if the following conditions are met: a) the maturity is no greater than one hundred-eighty days (180) days; and b) it is rated not lower than 'A-1' or the equivalent.

(6) *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 two hundred-seventy days (270) days; and b) the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the Nationally Recognized Statistical Rating Organizations ("NRSRO").

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

(8) *Corporate Notes.* High quality corporate notes that meet the following criteria: 1) a rating of at least ' AA' (or its equivalent) from at least one NRSRO and a rating of at least 'A' (or its equivalent) from a second NRSRO; and 2) the final maturity shall not exceed a period of five (5) years from the time of purchase.

(In thousands)

(3) Cash Deposits and Investments (Continued)

(9) *FDIC insured Certificates of Deposit obtained through 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.

(10) *Federal Agency Mortgage-Backed Securities*. Issued by Fannie Mae, Freddie Mac, or the Government National Mortgage Association (GNMA) that meet the following criteria: 1) a rating of at least "AA" (or its equivalent) by two NRSROs; 2) The weighted average life (WAL) shall not exceed a period of five (5) years from the time of purchase.

(11) *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 its equivalent) by two NRSROs for maturities of one (1) year or less; b) a rating of at least ‘AA’ (or its equivalent) from at least one NRSRO and a rating of at least ‘A’ (or its equivalent) from a second NRSRO for maturities over one (1) year; and c) the final maturity shall not exceed a period of five (5) years from the time of purchase.

(12) *Supranational Bonds*. Obligations, participations or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise, including those issued or fully guaranteed as to the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, provided that: 1) at time of purchase the maturity does not to exceed five (5) years; and 2) have a rating of at least ' A' (or its equivalent) from at least two NRSROs.

(13) *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 by a NRSRO; and c) the total holdings of any single issue do not represent more than 25% of the total issue.

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	
Collateralized Bank Deposits	100%	Collateralized Certificates of Deposit	30%
U.S. Treasury Obligations	100%	Corporate Notes	30%
Registered Money Market Mutual Funds	100%	FDIC-insured Certificates of Deposit	30%
Repurchase Agreements	100%	Federal Agency Mortgage-Backed Securities	30%
Federal Agency Obligations	80%	Negotiable Certificates of Deposit	30%
Bankers’ Acceptances	40%	Supranational Bonds	30%
Commercial Paper	35%	Municipal Obligations	20%

(In thousands)

(3) Cash Deposits and Investments (Continued)

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 Mutual Fund	50% maximum
Each Repurchase Agreement Counterparty	50% maximum
Each Federal Agency	40% maximum

For the years ended September 30, 2014 and 2013, there were no violations of the Authority's Investment Policy.

(b) Cash Deposits

At September 30, 2014 and 2013, the carrying amounts of the Authority's unrestricted and restricted bank deposits were $153,176 and $98,089, respectively. With the exception of approximately $999 as of September 30, 2014, 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.

(c) Cash Equivalents and Investments

As of September 30, 2014 and 2013, the Authority held the following cash equivalents and investments:

Cash equivalents and investments	2014	Weighted Average Maturity (Years)	2013	Weighted Average Maturity (Years)
U.S. government agency obligations	$209,351	0.530	$207,257	0.547
Commercial paper	121,865	0.421	109,924	0.259
Registered money market mutual	94,504	0.083	119,472	0.083
U.S. Treasury notes	46,377	1.966	60,509	0.287
FDIC-insured certificates of deposit	30,196	0.243	20,060	0.475
Corporate notes	4,867	2.396	-	0.000
Negotiable certificates of deposit	3,598	1.323	-	0.000
Total cash equivalents and investments	$510,758	0.558	$517,222	0.345

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, 2014 and 2013, respectively.

(3) Cash Deposits and Investments (Continued)

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	Corporate Notes	5 years
Registered Money Market Mutual Funds	NA	FDIC-insured Certificates of Deposit	NA
Repurchase Agreements	90 days	Federal Agency Mortgage-Backed Securities	5 years
Federal Agency Obligations	5 years	Negotiable Certificates of Deposit	5 years
Bankers' Acceptances	180 days	Supranational Bonds	5 years
Commercial Paper	270 days	Municipal Obligations	5 years
Collateralized Certificates of Deposit	NA		

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

As reflected in the table on the previous page, the weighted average maturity of the Authority's investment portfolio was 0.558 years and 0.345 years as of September 30, 2014 and 2013, respectively.

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.

(In thousands)

(3) Cash Deposits and Investments (Continued)

The table below reflects the allocation of the Authority's investments by credit quality rating as of September 30, 2014:

	Credit Quality Rating						
Investment Type	AA+	AA-	A+	A-1	A-1+	AAAm	Not Rated
U.S. government agency obligations	21.1%				19.9%		
Commercial paper				13.8%	10.1%		
Registered money market mutual						18.5%	
U.S. Treasury notes	9.1%						
FDIC-Insured certificates of deposit							5.9%
Corporate notes	0.2%	0.2%	0.5%				
Negotiable certificates of deposit	0.2%			0.5%			
	30.6%	0.2%	0.5%	14.3%	30.0%	18.5%	5.9%

At September 30, 2014, 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. With the exception of approximately $999 in a disbursement account as of September 30, 2014, the Authority had no other custodial credit risk associated with cash deposits as all other 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 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, 2014 and 2013, 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 its agencies 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, cash equivalents and investments as of September 30, 2014 and 2013 follows:

	2014			2013		
Description	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents						
Demand deposits	$ 139,750	$ 13,426	$ 153,176	$ 85,964	$ 12,125	$ 98,089
Registered money market mutual	10,177	84,327	94,504	2,501	116,971	119,472
U.S. government agency obligations	-	14,998	14,998	-	19,998	19,998
Commercial paper	-	-	-	19,994	9,998	29,992
U.S. Treasury notes	-	-	-	-	10,022	10,022
Total cash and cash equivalents	149,927	112,751	262,678	108,459	169,114	277,573
Investments						
U.S. government agency obligations	8,559	185,794	194,353	25,537	161,722	187,259
Commercial paper	4,793	117,072	121,865	49,955	29,977	79,932
U.S. Treasury notes	37,985	8,392	46,377	-	50,487	50,487
FDIC-insured certificates of deposit	30,196	-	30,196	20,060	-	20,060
Negotiable certificates of deposit	3,598	-	3,598	-	-	-
Corporate notes	4,867	-	4,867	-	-	-
Total Investments	89,998	311,258	401,256	95,552	242,186	337,738
Total cash, cash equivalents & investments	$ 239,925	$ 424,009	$ 663,934	$ 204,011	$ 411,300	$ 615,311

(In thousands)

(3) Cash Deposits and Investments (Continued)

(e) Restricted Cash and Investment Schedule

A schedule of restricted cash, cash equivalents and investments as of September 30, 2014 and 2013 follows:

Description	2014	2013
Restricted cash and cash equivalents (current and noncurrent)		
Revenue bonds 2014A	$ 5,646	$ -
Revenue bonds 2014B	15,018	-
Combined sewer overflow (CSO) federal appropriations	13,426	11,109
Principal payment, 1998 revenue bonds	12,393	11,687
Interest payment, 2012 A,C revenue bonds	8,237	8,334
Interest payment, 2010 revenue bonds	8,157	8,157
Interest payment, 2009 revenue bonds	7,943	7,984
Interest payment, 2008 revenue bonds	6,708	6,857
Interest payment, 1998 revenue bonds	6,087	6,437
Principal payment, 2008 revenue bonds	6,346	6,116
Interest payment, 2007 revenue bonds	5,678	5,677
Principal payment, 2012 revenue bonds	4,585	4,478
Debt service reserve account, 1998 revenue bonds	47	3,174
Principal payment, 2009 revenue bonds	2,790	2,576
Interest payment, 2013 revenue bonds	7,529	2,499
Interest payment, 2012 B-1,2 revenue bonds	1,697	1,914
Interest payment, commercial paper	464	292
Revenue bonds 2013	-	81,823
Total restricted cash and cash equivalents	112,751	169,114
Restricted investments (current and noncurrent)		
Revenue bonds 2014A	257,698	-
Revenue bonds 2014B	29,991	-
Debt service reserve account, 1998 revenue bonds	23,569	20,527
Revenue bonds 2013	-	200,261
Combined sewer overflow (CSO) federal appropriation	-	19,995
Revenue bonds 2010 cap interest	-	1,403
Total restricted investments	311,258	242,186
Total restricted cash, cash equivalents & investments	$424,009	$411,300

(In thousands)

(4) Capital Assets

The following tables present the activity in capital assets for the years ended September 30, 2014 and 2013:

	Balance 9/30/2013	Additions	Disposals	Transfers	Balance 9/30/2014
Capital Assets					
Wastewater treatment plant	$1,945,920	$ -	$ -	$ 111,196	$2,057,116
Wastewater collection facilities	730,622	-	-	27,981	758,603
Water distribution system	920,150	-	-	60,897	981,047
Purchased capacity	326,290	7,884	-	-	334,174
Capital equipment	178,620	-	(313)	13,102	191,409
Total capital assets in service	4,101,602	7,884	(313)	213,176	4,322,349
Less accumulated depreciation:					
Wastewater treatment plant	(516,832)	(33,651)	-	-	(550,483)
Wastewater collection facilities	(228,885)	(12,076)	-	-	(240,961)
Water distribution system	(224,746)	(15,243)	-	-	(239,989)
Purchased capacity	(71,279)	(5,565)			(76,844)
Capital equipment	(148,747)	(11,298)	313	-	(159,732)
Total accumulated depreciation	(1,190,489)	(77,833)	313	-	(1,268,009)
Net capital asssets in service	2,911,113	(69,949)	-	213,176	3,054,340
Construction-in-progress	1,381,652	711,202	-	(213,176)	1,879,678
Net capital assets	$4,292,765	$641,253	$ -	$ -	$4,934,018

	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

(In thousands)

(4) Capital Assets (Continued)

For the years ended September 30, 2014 and 2013, total interest expense incurred was $65,262 and $62,538, and total capitalized interest was $40,327 and $25,782, respectively.

The following tables present the activity in purchased capacity for the years ended September 30, 2014 and 2013:

	Balance 9/30/2013	Additions	Balance 9/30/2014
Purchased capacity			
Washington aqueduct	$ 294,100	$ 7,884	$ 301,984
Jennings randolph reservoir	19,863	-	19,863
Little seneca lake	12,327	-	12,327
Total in service	326,290	7,884	334,174
Less accumulated depreciation:			
Washington aqueduct	(57,174)	(4,967)	(62,141)
Jennings randolph reservoir	(8,251)	(393)	(8,644)
Little seneca lake	(5,854)	(205)	(6,059)
Total accumulated depreciation	(71,279)	(5,565)	(76,844)
Purchased capacity, net	$ 255,011	$ 2,319	$ 257,330

	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

(In thousands)

(5) Capital Contributions

Capital contributions consist of the following at September 30, 2014 and 2013, respectively:

Description	2014	2013
Federal grants and appropriations	$ 55,908	$ 58,310
Contributions from District government	38,782	-
Total	$ 94,690	$ 58,310

Capital contributions consist principally of Federal grants and appropriations and capital costs incurred by the Authority in fiscal year 2014 on the Northeast Boundary Neighborhood protection project to be subsequently reimbursed by the District government pursuant to the agreement discussed in more detail in Note 13 (c).

(6) Due from Federal Government

The amount due from the Federal government consists of the following at September 30, 2014 and 2013, respectively:

Description	2014	2013
Washington aqueduct advance	$ 20,282	$ 16,909
Federal grants receivable	9,632	6,249
Total	$ 29,914	$ 23,158

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.

(7) Customer Receivables

Customer receivables include unbilled revenues of $15,248 and $15,845 at September 30, 2014 and 2013, respectively.

(In thousands)

(8) Due from Other Jurisdictions

The amount due from other jurisdictions under the IMA agreement consists of the following at September 30, 2014 and 2013:

Description	2014	2013
Current:		
Washington Suburban Sanitary Commission	$ 46,068	$ 32,953
Fairfax	8,749	5,551
Loudoun County Sanitation Authority	4,012	2,334
Northern Virginia	87	91
Potomac Interceptor	507	511
Total current	59,423	41,440
Noncurrent:		
Washington Suburban Sanitary Commission	14,499	17,396
Northern Virginia	3,172	3,259
Fairfax	2,818	3,311
Loudoun County Sanitation Authority	1,291	1,508
Total noncurrent	21,780	25,474
Total due from other jurisdictions	$ 81,203	$ 66,914

(9) Compensated Absences

The following table reflects the activity associated with accrued compensated absences for the years ended September 30, 2014 and 2013, respectively:

	2014			2013		
Description	Vacation	Sick	Total	Vacation	Sick	Total
Beginning of year	$ 6,961	$ 5,802	$ 12,763	$ 6,856	$ 4,878	$ 11,734
Increased (incurred)	1,608	1,158	2,766	1,143	1,157	2,300
Decreases	(886)	(63)	(949)	(1,038)	(233)	(1,271)
End of year	7,683	6,897	14,580	6,961	5,802	12,763
Less: current portion	905	236	1,141	882	259	1,141
Noncurrent portion	$ 6,778	$ 6,661	$ 13,439	$ 6,079	$ 5,543	$ 11,622

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

(In thousands)

(10) 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 11. 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, 2014 and 2013 follows:

	Balance	2014		Balance
Description	9/30/2013	Maturities	Re-Issuance	9/30/2014
Series C, interest from 0.16% to 0.18%, maturties ranged from 84 to 112 days	$ 29,200	$ (116,800)	$ 116,800	$ 29,200
Series B, interest from 0.05% to 0.11%, maturities ranged from 20 to 126 days	12,000	(84,000)	84,000	12,000
	$ 41,200	$ (200,800)	$ 200,800	$ 41,200

	Balance	2013		Balance
Description	9/30/2012	Maturities	Re-Issuance	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

(In thousands)

(11) Long-Term Debt

A schedule of long-term debt activity for the year ended September 30, 2014 is shown below:

Description	Balance 9/30/2013	Increases	Decreases	Balance 9/30/2014	Due Within One Year
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2114	$ -	$ 350,000	$ -	$ 350,000	-
Series B-1 variable interest rate, maturing in 2050	-	50,000	-	50,000	-
Series B-2 variable interest rate, maturing in 2050	-	50,000	-	50,000	-
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	-	(4,440)	172,990	4,585
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	293,720	-	(2,575)	291,145	2,790
2008 Series A Public Utility Revenue Bonds:					
interest at 4.0% to 5.0%, maturing in 2034	274,210	-	(6,115)	268,095	6,345
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	207,735	-	(11,685)	196,050	12,390
Notes payable to the Federal Government for Jennings Randolph Reservoir (Bloomington Dam):					
interest at 3.25%, maturing in 2041	13,932	-	(352)	13,580	363
Subtotal	2,048,957	450,000	(25,167)	2,473,790	26,473
Unamortized bond premiums	79,313	-	(3,215)	76,098	-
Unamortized bond discounts	(2,608)	-	128	(2,480)	-
Total bonds and notes	$ 2,125,662	$ 450,000	$ (28,254)	$ 2,547,408	$ 26,473

(In thousands)

(11) Long-Term Debt (Continued)

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)	-
Total bonds and notes	$ 1,845,561	$ 301,014	$ (20,913)	$ 2,125,662	$ 25,167

(11) Long-Term Debt (Continued)

(a) Senior Debt

The 2014 (Series A), 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 July 2014, the Authority issued $350.0 million of senior lien public utility revenue bonds (Series 2014A). The Series 2014 bonds are federally taxable green bonds with a fixed rate of 4.81% and a 100 year final maturity in 2114. The proceeds of the issuance will be used to help finance the construction of the Authority's DC Clean Rivers Project. Net proceeds from the bond issuance totaled approximately $346.0 million including $4.0 million of underwriter's discount and cost of issuance.

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 2014, the Authority issued $100 million of tax-exempt 2014B variable rate multimodal subordinate lien revenue bonds, maturing in 2050 to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $99.5 million including $0.5 million of underwriter's discount and cost of issuance. Initially, the Series 2014B bonds will bear interest in a weekly rate period but may be converted to daily, index, short term, long term or fixed rate. Funds for the purchase of tendered bonds that are not remarketed will be provided initially by TD Bank, N.A. for a period of three years pursuant to a Standby Bond Purchase Agreement dated July 23, 2014.

(11) Long-Term Debt (Continued)

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.

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 refunded bonds have been fully extinguished.

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, 2014 and 2013 amounted to $5,299 and $5,462, respectively. In fiscal years 2014 and 2013, the Authority received $411 and $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.

(11) Long-Term Debt (Continued)

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.

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.

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.

(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, 2014 and 2013. The primary requirements of the Master Indenture are summarized below:

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, 2014 and 2013 was $23,616 and 23,701, respectively, and is required to be maintained at 125% of current and future average annual Series 1998 debt service.

(In thousands)

(11) Long-Term Debt (Continued)

Operating Reserve Fund — The Master Indenture creates an Operating Reserve Fund in which the Authority must maintain a balance equal to at least 60 days of operating and maintenance expenses of the prior year. Moneys in the Operating Reserve Fund shall be used to pay, to the extent necessary, operating expenses of the Authority. In addition, to the extent that moneys on deposit in the Bond Fund are insufficient to make the required interest and principal payments, moneys in the Operating Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Board has adopted a policy of funding operating reserves to a level in excess of that required by the Master Indenture.

(d) Debt Service to Maturity

The future debt-service obligations at September 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 26,473	$ 113,072	$ 139,545
2016	27,870	112,630	140,500
2017	29,317	112,430	141,747
2018	30,840	110,889	141,729
2019	32,413	109,262	141,675
2020 - 2024	203,891	517,290	721,181
2025 - 2029	263,626	462,635	726,261
2030 - 2034	333,654	390,509	724,163
2035 - 2039	431,444	290,481	721,925
2040 - 2044	479,031	183,120	662,151
2045 - 2049	242,590	104,432	347,022
2050 - 2054	22,640	84,619	107,259
2055 - 2059	—	84,245	84,245
2060 - 2064	—	84,245	84,245
2065 - 2069	—	84,245	84,245
2070 - 2074	—	84,245	84,245
2075 - 2079	—	84,245	84,245
2080 - 2084	—	84,245	84,245
2085 - 2089	—	84,245	84,245
2090 - 2094	—	84,245	84,245
2095 - 2099	—	84,245	84,245
2100 - 2104	—	84,245	84,245
2105 - 2109	120,647	70,066	190,713
2110 - 2114	186,498	29,115	215,613
2115 - 2119	42,856	—	42,856
Total	$ 2,473,790	$3,533,000	$6,006,790

(In thousands)

(12) Commitments and Contingencies – Other Liabilities

A schedule of other liabilities as of September 30, 2014 and 2013 is shown below:

Description	2014	2013
Risk management contingency	$ 11,645	$ 11,782
Rolling owner controlled insurance program	5,242	11,827
Litigation contingency	2,990	3,220
Federal grants disallowance	-	1,718
Retirement Health Savings Plan	1,671	-
Total other liabilities	21,548	28,547
Less: current portion	9,873	8,804
Noncurrent portion	$ 11,675	$ 19,743

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)

(12) 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, 2014, 2013 and 2012 were as follows:

Description	2014	2013	2012
Balance, beginning of year	$ 11,782	$ 12,453	$ 12,260
Current year claims and changes in estimates	2,842	2,250	2,333
Claim payments	(2,979)	(2,921)	(2,140)
Balance, end of year	$ 11,645	$ 11,782	$ 12,453

(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 per occurrence deductible. There is also $100,000 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)

(12) 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, 2014, 2013 and 2012 were as follows:

Description	2014	2013	2012
Balance, beginning of year	$ 11,827	$ 10,332	$ 9,504
Current year increase (decrease) in ROCIP liability	(2,410)	9,498	3,821
ROCIP administration and claim payments	(4,175)	(8,003)	(2,993)
Balance, end of year	$ 5,242	$ 11,827	$ 10,332

(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, 2014 and 2013:

Description	2014	2013
Balance, beginning of year	$ 3,220	$ 2,450
Current year claims and changes in estimates	962	1,091
Claim payments	(1,192)	(321)
Balance, end of year	$ 2,990	$ 3,220

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)

(12) 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 this has been the case since fiscal year 2001. As result the Authority no longer maintains the reserve for grant revenues.

(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, 2014 and 2013 were $1,255,496 and $1,016,301, 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, 2014 and 2013 were as follows:

Description	2014	2013
Facilities leases	$ 1,360	$ 1,150
Automobile equipment leases	27	55
Machinery leases	95	51
Total	$ 1,482	$ 1,256

(In thousands)

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

Future minimum non-cancelable lease payments on existing operating leases at September 30, 2014, which have an initial term of one year or more, are as follows.

Fiscal Year	Amount
2015	$1,081
2016	1,113
2017	1,142
2018	1,170
2019	1,051
2020	1,082
Total	$6,639

13) 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 $21,205 and $14,714 from the District government and $7,647 and $6,963 from the District of Columbia Housing Authority (“DCHA”) for fiscal years 2014 and 2013, 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

On October 2, 2014, DC Water entered into a Right-of-Way memorandum of understanding (ROW MOU) establishing an annual payment of $5,100 to the District in fiscal years 2015 through 2024. DC Water will make the payment in four equal quarterly installments of $1,275 due on the 15th of November, February, May and August of each year.

On December 15, 2014, DC Water entered into a Payment In Lieu of Taxes memorandum of understanding (PILOT MOU) establishing a fiscal year 2015 PILOT payment of $15,337 to the District for services provided in fiscal year 2015. In fiscal years 2016 through 2024, DC Water will increase the PILOT payment by 2.0% per annum based upon the amount of the prior fiscal year’s annual PILOT payment. In addition the MOU stipulate that the Authority is entitled to offset this payment for services rendered to the District under our fire protection program. The PILOT MOU also calls for the Authority to make a payment in the amount of $15,022 within 30 days of the execution of the agreement as full payment for any outstanding amounts due and claimed for services rendered by the District prior to fiscal year 2015.

The Authority recorded an expense of $6,358 and $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, 2014 and 2013. The Authority also recorded an expense of $5,100 for the District’s right-of-way (ROW) fee, respectively charged to all area utilities

(In thousands)

(13) Related Party and Similar Transactions (Continued)

for infrastructure occupancy in public streets, for each of the years ended September 30, 2014 and 2013. As of September 30, 2014 and 2013, outstanding balances due to the District related to these fees amounted to $20,122 and $20,175, 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, 2014 and 2013 were $37,669 and $2,152, respectively. The amount due from the District at September 30, 2014 also includes approximately $1,349 billings to the District's Department of Transportation (DDOT) for job inspections and approximately $1,191 in payables to DDOT for construction of the Authority's infrastructure projects. The amounts due from the District also include amounts associated with the Authority's billing of the District Storm Water Fees.

In September 2014, the District and the Authority entered into a Memorandum of Understanding (MOU) whereby the District agreed to fund up to $58,579 of costs incurred by the Authority on the Northeast Boundary Neighborhood Protection Project. Amounts due from the District as of September 30, 2014 under this agreement amounted to $38,782. The MOU calls for a payment of $500 in January 2015. Payment terms related to the remaining amounts due from the District under the agreement are currently being finalized between the District and the Authority.

(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, 2014 and 2013, the activity associated with the Authority providing this service to the District was as follows:

Description	2014	2013
Due from (to) the District-beginning of year	$ 43	$ (473)
Collections on behalf of the District	(14,109)	(13,178)
Remittances to the District	13,814	12,951
Expenses incurred by the Authority	1,115	1,831
Expenses reimbursed by the District	(1,633)	(1,088)
Due (to) from the District-end of year	$ (770)	$ 43

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.

(13) Related Party and Similar Transactions (Continued)

The due (to) from the District has been reported in Due from District Government on the statement of net position as of September 30, 2014 and 2013, respectively.

(14) 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 2014, there were 168 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 2014, 2013 and 2012, the Authority's contributions to the plans were $931, $980 and $1,061, respectively. These amounts were 100% of the required contributions under the plans for each of the fiscal years presented.

(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 2014, 2013 and 2012, 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.

(14) Employee Benefits (Continued)

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 2014, 2013 and 2012, the Authority's contributions to both defined contribution plans were $7,053, $6,260 and $5,453, 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.

(15) Subsequent Events

The Authority has evaluated events subsequent to September 30, 2014 through January 16, 2015, the date the financial statements were available to be issued. During this period, The Authority has refunded approximately $377.7 million of public utility senior/subordinate lien revenue bonds.

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Statistical Section
(Unaudited)

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues										
Residential, commercial and multi-family customers	$ 295,209	$ 275,337	$ 256,846	$ 241,475	$ 209,796	$ 191,543	$ 183,553	$ 182,327	$ 174,159	$ 166,045
Federal government	39,001	45,187	48,381	43,033	37,845	35,195	35,888	30,751	31,100	24,770
District government and DC Housing Authority	28,852	21,677	24,713	25,123	21,947	16,804	16,193	17,266	16,463	15,436
Charges for wholesale wastewater treatment	96,845	87,178	94,549	90,414	87,505	85,519	82,854	73,378	67,966	62,126
Other	13,917	9,700	16,077	8,210	6,655	3,337	3,846	2,735	3,845	4,366
Total Operating Revenues	473,824	439,079	440,566	408,255	363,748	332,398	322,334	306,457	293,533	272,743
Operating expenses										
Personnel services	108,467	103,908	97,784	93,240	88,210	82,248	75,838	70,956	66,942	64,038
Contractual services	68,172	68,417	64,939	71,055	69,497	64,513	58,730	56,568	54,188	57,835
Chemicals, supplies and small equipment	31,748	28,987	28,815	28,188	29,003	29,074	28,816	24,510	23,482	22,062
Utilities and rent	29,939	26,098	26,786	29,429	29,929	32,813	37,843	32,238	31,151	25,562
Depreciation and amortization	77,833	77,330	74,342	70,209	64,425	59,291	54,418	49,355	44,149	41,069
Water purchases	28,407	27,223	28,389	27,170	27,587	25,371	25,746	24,042	22,745	19,625
Payment in lieu of taxes and right of way fee	11,458	21,982	21,982	21,982	20,474	19,183	17,525	17,514	16,923	16,307
Total operating expenses	356,024	353,945	343,037	341,273	329,125	312,493	298,916	275,183	259,580	246,498
Operating income	117,800	85,134	97,529	66,982	34,623	19,905	23,418	31,274	33,953	26,245
Non-operating revenue (expenses)										
Interest income	977	1,144	749	2,036	1,343	1,704	11,444	16,224	13,080	11,281
Interest expense and fiscal charges	(69,288)	(63,905)	(74,001)	(73,335)	(57,479)	(53,197)	(44,338)	(33,667)	(20,654)	(32,344)
Total non-operating revenue (expenses)	(68,311)	(62,761)	(73,252)	(71,299)	(56,136)	(51,493)	(32,894)	(17,443)	(7,574)	(21,063)
Change in net position before capital contributions	49,489	22,373	24,277	(4,317)	(21,513)	(31,588)	(9,476)	13,831	26,379	5,182
Capital contributions	94,690	58,310	58,957	47,374	30,403	27,752	42,208	25,083	24,927	34,578
Change in net position	144,179	80,683	83,234	43,057	8,890	(3,836)	32,732	38,914	51,306	39,760
Net position, beginning of year	1,206,636	1,125,953	1,042,719	999,662	990,772	994,608	961,876	922,962	871,656	831,896
Net position, end of year	$ 1,350,815	$ 1,206,636	$ 1,125,953	$ 1,042,719	$ 999,662	$ 990,772	$ 994,608	$ 961,876	$ 922,962	$ 871,656

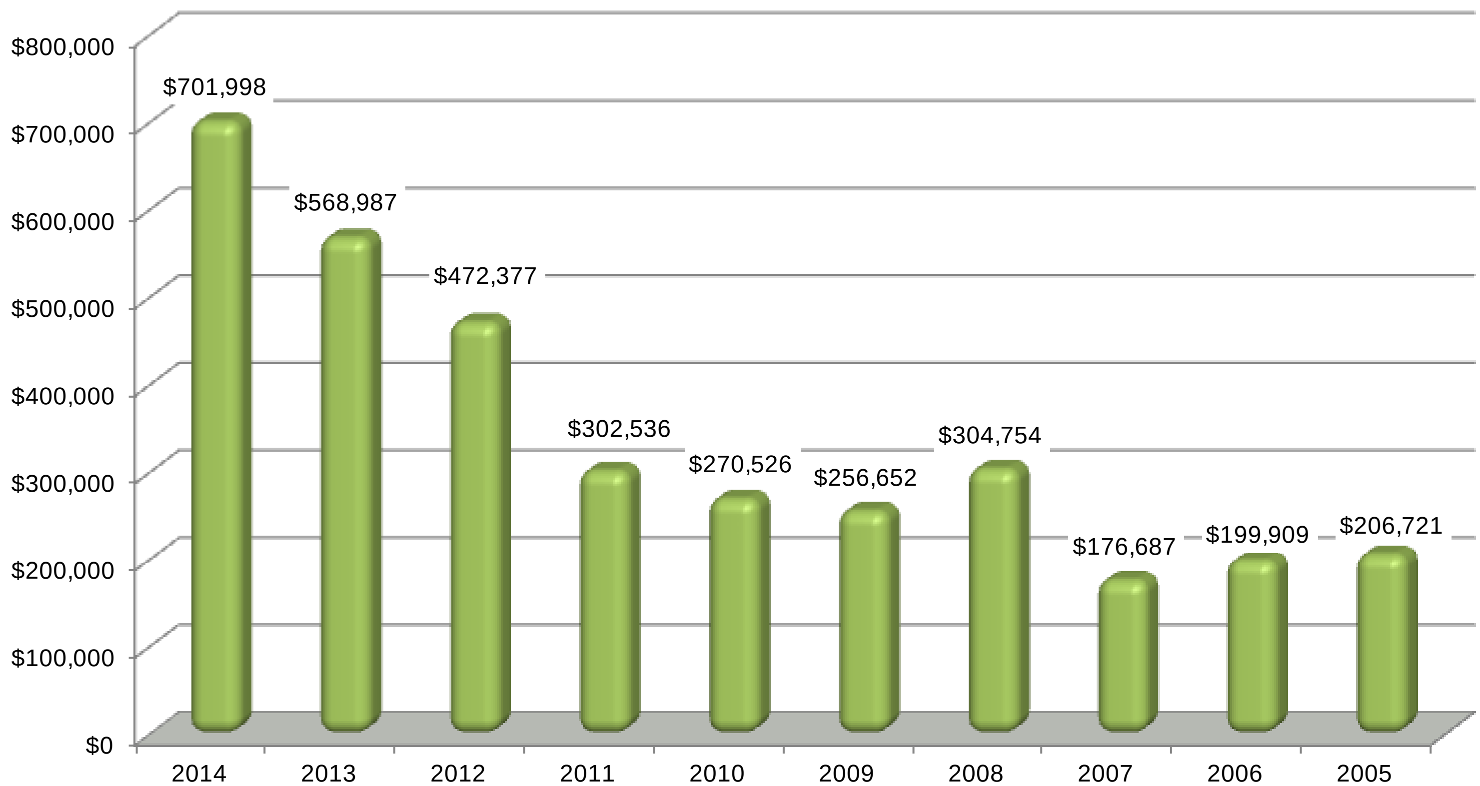
Source: FY 2005 - 2014 Statements of Revenues, Expenses and Changes in Net Position.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investments in capital assets	$1,130,952	$1,042,620	$ 956,397	$ 874,356	$ 818,001	$ 765,709	$ 726,747	$766,119	$741,479	$711,970
Restricted	28,863	29,010	27,297	26,825	17,257	10,244	8,297	6,267	1,323	307
Unrestricted	191,000	135,006	142,259	141,538	164,404	214,819	259,564	189,490	180,160	159,379
Total net postion	$1,350,815	$1,206,636	$1,125,953	$1,042,719	$ 999,662	$ 990,772	$ 994,608	$961,876	$922,962	$871,656

Source: FY 2005 - 2014 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 2005 – 2014 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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues										
Retail Customers										
Residential, Commercial and Multifamily	$295,209	$275,337	$256,846	$241,475	$209,796	$191,543	$183,553	$182,327	$174,159	$166,045
Federal Government	39,001	45,187	48,381	43,033	37,845	35,195	35,888	30,751	31,100	24,770
DC Government	21,205	14,714	18,213	17,827	15,628	10,116	9,391	10,580	9,617	8,968
DC Housing Authority	7,647	6,963	6,500	7,296	6,319	6,688	6,802	6,686	6,846	6,468
Other Revenues	13,917	9,700	16,077	8,210	6,655	3,337	3,846	2,735	3,845	4,366
Total Retail Customers	376,979	351,901	346,017	317,841	276,243	246,879	239,480	233,079	225,567	210,617
Wholesale Customers	96,845	87,178	94,549	90,414	87,505	85,519	82,854	73,378	67,966	62,126
Total Operating Revenues	$473,824	$439,079	$440,566	$408,255	$363,748	$332,398	$322,334	$306,457	$293,533	$272,743
Retail Rate Increases	5.50%	5.50%	4.50%	12.50%	9.00%	7.50%	5.50%	5.00%	5.50%	5.00%

Source: FY 2005 - 2014 Statements of Revenues, Expenses and Changes in Net Position

EXHIBIT5
NUMBER AND TYPE OF CUSTOMER ACCOUNTS
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Retail Accounts										
Residential	104,965	104,477	103,887	103,857	103,315	103,665	103,674	103,263	102,655	102,418
Commercial (A)	19,433	19,343	19,242	19,165	19,049	19,060	18,528	18,513	18,489	18,337
Governmental										
Federal	542	542	538	549	546	540	533	531	526	526
District of Columbia	641	630	605	607	603	606	590	589	582	565
DC Housing Authority	1,452	1,460	1,435	1,431	1,431	1,220	1,218	1,175	1,173	1,179
Total Retail Accounts	127,033	126,452	125,707	125,609	124,944	125,091	124,543	124,071	123,425	123,025
DC Water	37	36	36	35	35	30	30	30	29	29
Washington Aqueduct	2	2	2	2	1	2	2	1	1	1
Wholesale	7	7	7	7	7	7	7	7	7	7
Total Number of Accounts	127,079	126,497	125,752	125,653	124,987	125,130	124,582	124,109	123,462	123,062

(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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Howard University	$ 2,662,949	$ 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
George Washington University	2,609,611	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
Georgetown University	2,605,884	1,865,068	1,842,860	2,238,766	2,100,705	2,135,768	2,055,644	841,585	618,575	414,589
William C Smith & Co	2,277,833	1,782,719	1,787,150	1,709,334	1,505,145	-	-	-	-	-
Washington Hospital Center	1,671,855	1,693,655	933,027	1,270,788	1,113,672	823,743	514,275	606,120	782,404	800,082
Horning Brothers	1,347,287	1,258,995	1,163,586	1,122,879	993,115	-	-	-	-	-
American University	1,125,050	1,253,038	869,211	-	694,565	1,524,262	773,109	689,676	678,900	738,628
Amtrak	984,336	1,004,177	937,430	903,475	761,235	963,925	795,825	-	-	-
Georgetown University Hospital	955,353	1,053,659	1,643,380	1,371,035	-	-	-	1,070,099	723,604	971,014
Metropolitan Wash Airport	807,803	716,929	661,509	-	-	-	-	-	-	-
The Barac Company	-	-	-	927,022	776,134	-	-	-	-	-
Soldiers Home	-	-	-	897,121	804,533	818,641	948,708	-	-	-
Marriott Wardman Park Hotel	-	-	-	-	-	1,037,663	681,480	592,663	555,216	547,509
Shoreham Hotel	-	-	-	-	-	656,182	458,828	-	430,412	437,971
JW Marriott Hotel	-	-	-	-	-	556,985	-	-	-	-
Children's Hospital	-	-	-	-	-	-	841,774	676,570	-	-
Washington Hilton Hotel	-	-	-	-	-	-	792,227	756,085	716,612	580,002
L'Enfant Plaza Properties	-	-	-	-	-	-	-	533,726	611,283	547,509
Total	$ 17,047,961	$ 15,488,799	$ 14,965,349	$ 14,425,476	$ 12,103,320	$ 11,935,643	$ 11,588,843	$ 9,127,010	$ 8,220,793	$ 8,251,238
% of Total Operating Revenues	3.60%	3.53%	3.40%	3.53%	3.33%	3.59%	3.60%	2.98%	2.80%	3.03%

Source: DC Water Department of Customer Service

EXHIBIT 7
TEN LARGEST GOVERNMENT CUSTOMERS
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
U.S. General Services Administration	$ 7,598,077	$ 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
D.C. Housing Authority	6,308,902	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
U.S. Congress	4,019,627	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
Department Defense VA	3,275,936	3,275,936	3,527,613	2,873,310	2,759,264	2,136,653	2,425,139	1,998,095	1,737,849	-
Smithsonian Institution	2,810,786	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
D.C. Board of Education	2,391,393	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
Bolling Air Force Base	1,928,617	2,265,348	2,925,847	-	-	2,279,861	-	-	-	1,505,786
Federal Naval Research Lab	1,542,370	1,833,491	1,788,497	-	-	-	-	-	-	-
National Park Service	1,363,657	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
DC Recreation and Parks	1,216,398	-	-	-	-	-	-	-	-	-
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
D.C. Department of Human Services	-	-	-	3,272,747	2,047,213	-	1,914,251	1,741,170	1,636,053	1,507,906
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
Total	$ 32,455,763	$ 34,594,545	$ 35,844,310	$ 37,858,234	$ 32,636,385	$ 35,980,163	$ 38,925,545	$ 35,097,583	$ 33,600,681	$ 30,146,983
% of Total Operating Revenues	6.85%	7.88%	8.14%	9.27%	8.97%	10.82%	12.08%	11.45%	11.45%	11.05%

Source: DC Water Department of Customer Service

EXHIBIT 8
RETAIL WATER AND SEWER RATES
LAST TEN FISCAL YEARS

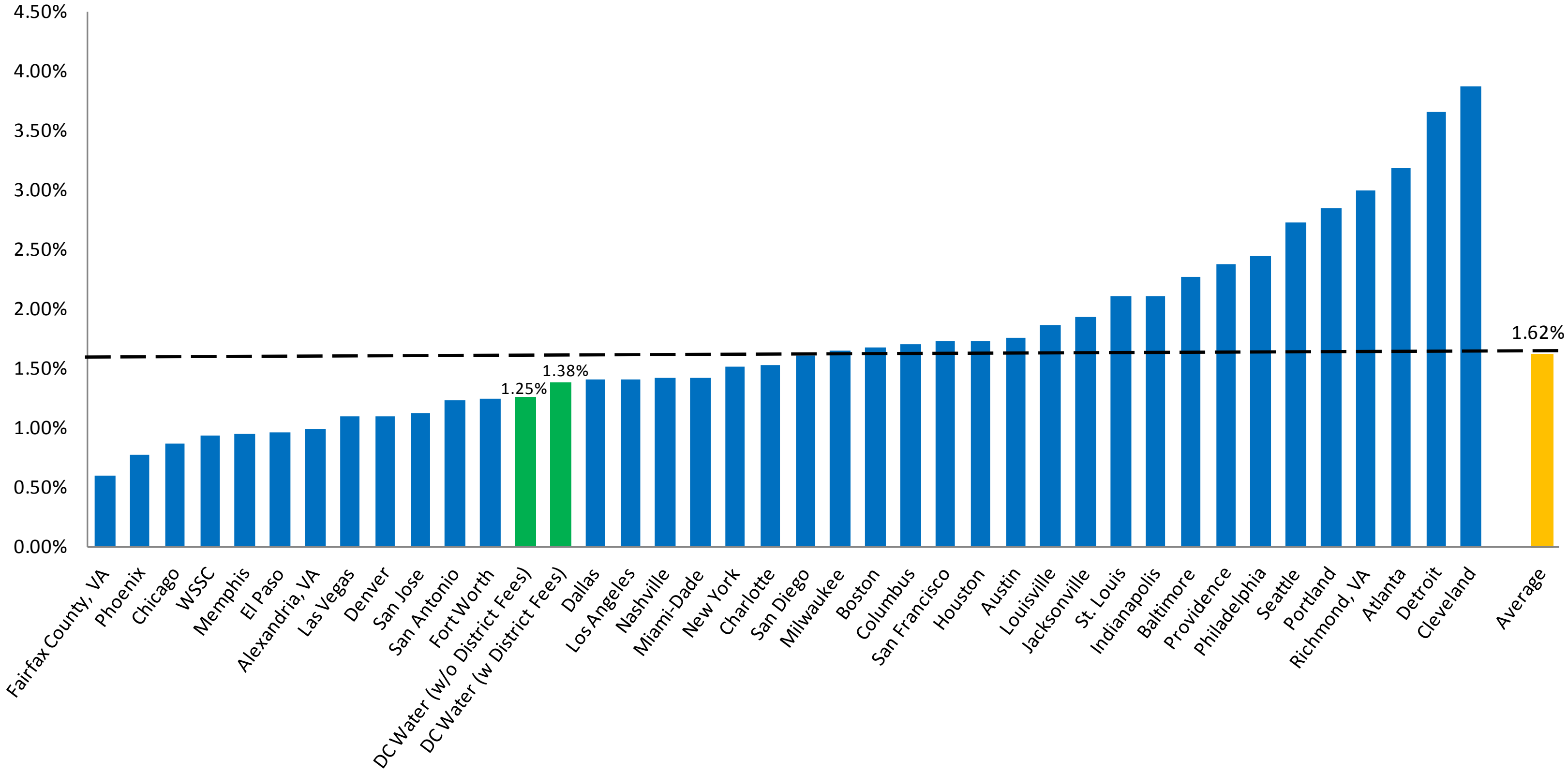
FISCAL YEARS	METERING FEE	DISTRICT PUBLIC SPACE OCCUPANCY FEE AND PILOT	WATER CONSUMPTION RATE	SEWER CONSUMPTION RATE	COMBINED CONSUMPTION RATE	IMPERVIOUS SURFACE AREA CHARGE [2]	AVERAGE MONTHLY BILL [1]
2005	2.010	0.360	1.830	2.760	4.590	-	35.126
2006	2.010	0.420	1.930	2.910	4.840	-	37.199
2007	2.010	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
2014	3.860	0.700	3.610	4.410	8.020	11.850	74.047

[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

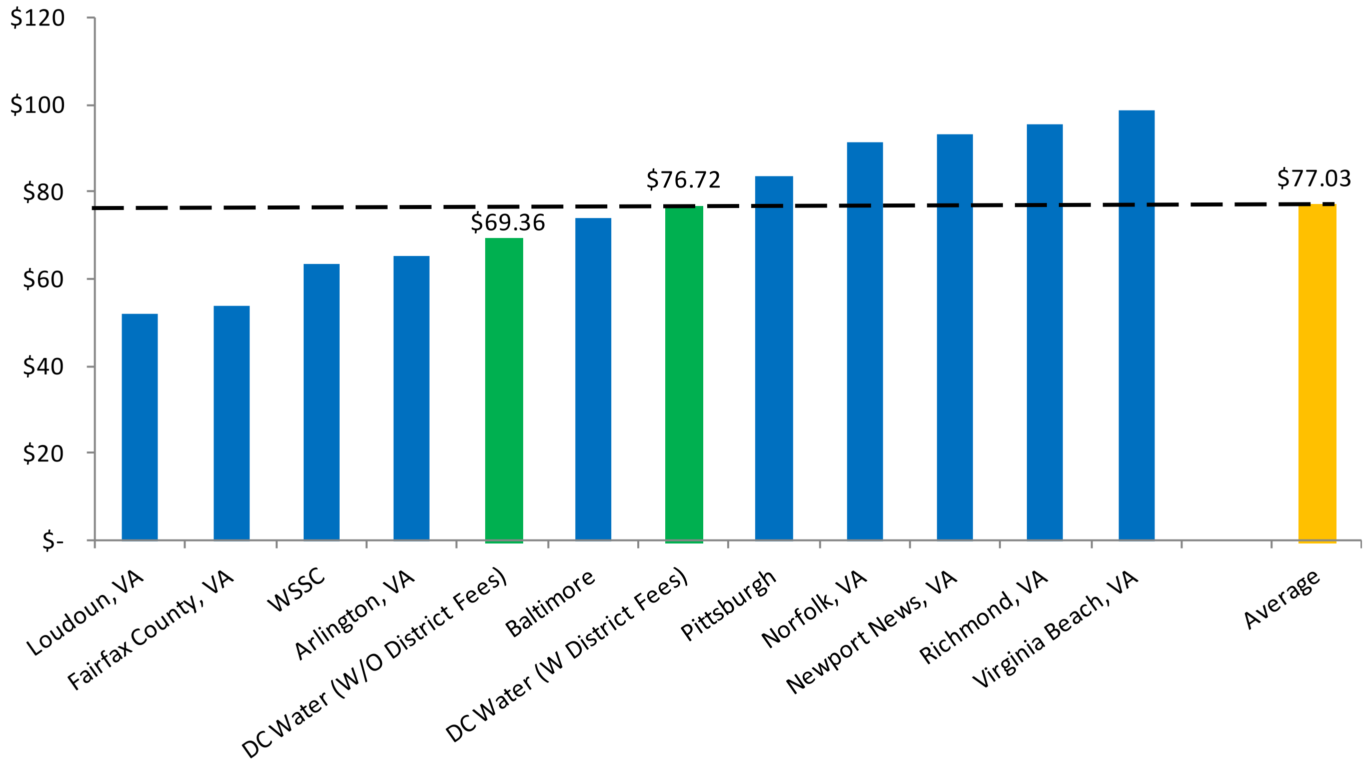
EXHIBIT 9
RESIDENTIAL WATER AND WASTEWATER BILL COMPARISONS
AS A PERCENTAGE OF MEDIAN HOUSEHOLD INCOME (1)



(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 2014.

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Senior Debt:										
2014 Public Utility Revenue Bonds	$ 350,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2009 Series A Public Utility Revenue Bonds	291,145	293,720	296,205	298,225	300,000	300,000	-	-	-	-
1998 Public Utility Revenue Bonds	196,050	207,735	218,815	229,315	239,270	248,705	257,645	266,120	266,120	266,120
Total Senior Debt	837,195	501,455	515,020	527,540	539,270	548,705	257,645	266,120	266,120	266,120
Subordinate Debt:										
2014 Series A Public Utility Revenue Bonds	100,000	-	-	-	-	-	-	-	-	-
2013 Series A Public Utility Revenue Bonds	300,000	300,000	-	-	-	-	-	-	-	-
2012 Series A Public Utility Revenue Bonds	172,990	177,430	177,430	-	-	-	-	-	-	-
2012 Series B-1 Public Utility Revenue Bonds	52,690	52,690	52,690	-	-	-	-	-	-	-
2012 Series B-2 Public Utility Revenue Bonds	47,310	47,310	47,310	-	-	-	-	-	-	-
2012 Series C Public Utility Revenue Bonds	163,215	163,215	163,215	-	-	-	-	-	-	-
2010 Series A Public Utility Revenue Bonds	300,000	300,000	300,000	300,000	-	-	-	-	-	-
2008 Series A Public Utility Revenue Bonds	268,095	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	218,715	-	-
2007 Series B Public Utility Revenue Bonds	-	-	-	-	-	-	-	59,000	-	-
2004 Public Utility Revenue Bonds	-	-	-	-	-	-	-	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
Notes Payable to the Federal Government for Bloomington Dam	13,580	13,932	14,273	14,603	14,922	15,232	15,532	15,823	16,104	16,376
DC General Obligation Bonds		-	-	245	1,490	5,180	9,905	15,060	22,299	35,385
Notes Payable to WSSC for Little Seneca		-	63	104	142	179	216	251	285	317
Total Subordinate Debt	1,636,595	1,547,502	1,253,651	995,427	701,489	705,901	710,963	780,069	509,908	523,298
Total Senior and Subordinate debt	2,473,790	2,048,957	1,768,671	1,522,967	1,240,759	1,254,606	968,608	1,046,189	776,028	789,418
Unamortized bond premiums	76,098	79,313	79,674	28,255	29,929	31,102	31,255	20,051	4,746	5,084
Unamortized bond discounts	(2,480)	(2,608)	(2,784)	(2,879)	(2,968)	(3,053)	(3,134)	(3,211)	(3,283)	(3,352)
Total Debt	$ 2,547,408	$ 2,125,662	$ 1,845,561	$ 1,548,343	$ 1,267,720	$ 1,282,655	$ 996,729	$ 1,063,029	$ 777,491	$ 791,150
Debt - per capita	N/A	$ 3,288	$ 2,919	$ 2,505	$ 2,096	$ 2,166	$ 1,718	$ 1,851	$ 1,362	$ 1,395
Debt - percentage of personal income	N/A	4.37%	3.90%	3.40%	2.94%	3.18%	2.43%	2.83%	2.24%	2.48%

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 2014 ($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	$ 351,148
Wholesale	70,763
Other Non-Operating	56,082
(Contributions to/Transfer from Rate Stabilization Fund)	6,500
Total Cash Receipts (A)	$ 484,493
Cash Disbursements (Operating Expenses) (B)	281,918
Cash Receipts Less Cash Disbursements (C=A-B)	$ 202,575
Debt Service:	
Senior Debt Service (D)	$ 42,041
Subordinate Debt Service (E)	78,124
Total Outstanding and Projected Debt Service (F=D+E)	$ 120,165
Calculation of Net Cash Receipts Available for Senior Debt Service:	
Cash Receipts Less Cash Disbursements (C)	$ 202,575
Prior Year Federal Billing Reconciliation	(6,000)
(Refund to)/Payment from Wholesale Customers	(10,069)
(Additions to)/Transfers from DC PILOT Fund	(7,676)
(Additions to)/Transfers from DC ROW Fund	(5,100)
Customer Rebate	-
Net Cash Receipts Available for Senior Debt Service (G)	$ 173,730
Senior Debt Service Coverage (G/D)	**4.13**
Calculation of Subordinate Debt Service Coverage:	
Net Cash Receipts Available for Senior Debt Service	$ 173,730
Less Senior Debt Service (D)	(42,041)
Net Cash Receipts Available for Subordinate Debt Service (G-D)	$ 131,689
Subordinate Debt Service Coverage ((G-D)/E)	**1.69**
Combined Debt Service Coverage (G/F)	**1.45**

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District of Columbia	N/A	646,449	632,323	617,996	604,912	592,228	580,236	574,404	570,681	567,136
Montgomery County	N/A	1,016,677	1,004,709	989,794	975,439	959,013	942,748	931,694	926,492	921,531
Prince George's County	N/A	890,081	881,138	871,233	865,219	856,161	850,167	849,916	852,097	853,271
Fairfax County	N/A	1,168,405	1,155,292	1,135,992	1,121,054	1,099,347	1,077,509	1,060,356	1,051,240	1,051,190
Loudoun County	N/A	349,679	336,898	325,405	315,305	303,661	292,570	279,704	267,194	254,909

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District of Columbia	N/A	$48,696,519	$ 47,280,666	$ 45,597,835	$ 43,082,099	$ 40,326,374	$ 41,014,705	$ 37,525,123	$ 34,786,968	$ 31,964,976
Montgomery County	N/A	73,958,785	73,551,167	69,050,166	65,904,393	62,962,957	65,845,731	62,643,745	60,372,289	55,846,295
Prince George's Count	N/A	38,595,921	38,481,250	35,036,640	33,888,631	33,156,357	33,026,742	31,753,583	30,306,871	29,434,782
Fairfax County	N/A	83,835,355	82,727,342	78,392,046	75,161,493	71,954,372	75,302,775	73,256,103	69,554,932	65,598,555
Loudoun County	N/A	20,886,046	20,107,077	18,626,729	16,971,112	15,340,608	15,147,096	13,875,373	12,394,528	10,854,613

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District of Columbia	N/A	$ 75,329	$ 74,773	$ 73,783	$ 71,220	$ 69,093	$ 70,686	$ 65,329	$ 60,957	$ 56,362
Montgomery County	N/A	72,746	73,206	69,762	67,564	65,654	69,844	67,236	65,162	60,602
Prince George's County	N/A	43,362	43,672	40,215	39,168	38,727	38,847	37,361	35,567	34,496
Fairfax County	N/A	71,752	71,607	69,008	67,045	65,452	69,886	69,086	66,165	62,404
Loudoun County	N/A	59,729	59,683	57,242	53,824	50,519	51,773	49,607	46,388	42,582

N/A: Not Available

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

EXHIBIT 16
UNEMPLOYMENT RATES
LAST TEN CALENDAR YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District of Columbia	7.0%	7.3%	8.2%	10.2%	10.1%	9.7%	6.6%	5.5%	5.7%	6.5%
Montgomery County	4.1%	4.5%	4.7%	5.2%	5.8%	5.6%	3.2%	2.6%	2.8%	3.1%
Prince George's County	5.5%	6.2%	6.5%	7.0%	7.7%	7.3%	4.4%	3.6%	4.1%	4.5%
Fairfax County	3.6%	3.7%	3.6%	4.3%	4.9%	4.9%	2.9%	2.2%	2.2%	2.5%
Loudoun County	3.6%	3.9%	3.7%	4.2%	4.8%	4.8%	2.8%	2.1%	2.1%	2.4%

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%	0.33%	0.20%	0.24%	0.83%
Construction	2.01%	5.51%	8.22%	4.90%	8.21%
Manufacturing	0.20%	1.91%	1.85%	0.81%	3.39%
Transportation & Public Utilities	1.07%	1.59%	3.76%	1.90%	5.75%
Wholesale & Retail Trade	3.41%	9.73%	13.44%	7.99%	12.35%
Finance, Insurance & Real Estate	5.84%	11.84%	7.41%	10.13%	8.75%
Services	57.63%	54.49%	42.49%	60.43%	48.79%
Government (Federal, State & Local)	27.96%	13.38%	20.79%	12.45%	11.37%
Military	1.79%	1.22%	1.83%	1.13%	0.57%
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 2013

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
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%
2014	34,708	25,374	73.11%

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)
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	76.7
2013	34,714	95.1	111.3	129.7	26,316	72.1
2014	34,708	95.1	106.6	123.7	25,374	69.5

Source: DC Water Department of Water Services and Washington Aqueduct

EXHIBIT 20
MISCELLANEOUS STATISTICS ABOUT AUTHORITY OPERATIONS
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Utilities and supplies per day at Blue Plains										
Electric power (kwh)	700,000	700,000	700,000	700,000	700,000	700,000	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	1,079	1,080	1,051	1,032	1,004	1,000	961	948	920	923

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 $CaC0_3$

Nlitrification/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, 2014

TYPE OF COVERAGE	COMPANY	POLICY PERIOD	COVERAGE LIMITS
Blanket Property and Boiler & Machinery	Alliant Public Entity Property Insurance Program (PEPIP)	July 1, 2014– July 1, 2015	$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, 2014– July 1, 2015	$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, 2014– July 1, 2015	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, 2014– July 1, 2015	$25,000,000 in excess of $1,000,000 (Included - Terrorism)
Excess Liability	Alliant Catastrophe Liability Insurance Program (C.L.I.P.)	July 1, 2014– July 1, 2015	$75,000,000 in excess of $25,000,000 ($25,000,000 - Terrorism sublimit)
Public Official Liability	RSUI Indemnity / Hiscox Insurance Company	July 1, 2014– July 1, 2015	$20,000,000 Each Loss / Aggregate Retentions: $250,000 per wrongful act
Fiduciary Liability	Travelers Insurance	July 1, 2014– July 1, 2015	$5,000,000 Each Loss / Aggregate Deductible: $0 per claim

EXHIBIT 22
SUMMARY OF MAJOR PERMITS AND ADMINISTRATIVE ORDERS
AS OF SEPTEMBER 30, 2014

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	2/20/2015	In Compliance
DC Department of Environment	Permit to construct biosolids project – main process train/combined heat & power/final dewatering facility	3/15/2015	In Compliance

EXHIBIT 23
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR 2014

	Revised Budget	Actual Expenditures	Variance
Expenditures			
Personnel services	$ 119,765	$ 125,756	$ (5,991)
Contractual services	76,044	68,172	7,872
Water purchases	27,991	28,407	(416)
Chemicals and supplies	30,909	30,718	191
Utilities and rent	30,715	29,939	776
Small equipment	993	317	676
Interest and fiscal charges (debt service)	130,120	127,068	3,052
Payment in lieu of tax & right of way fee	25,181	11,458	13,723
Total budgetary basis expenditures	$ 441,717	$ 421,835	$ 19,883

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

Capitalized personnel expenditures	(17,289)
Depreciation expense	77,833
Long-term debt - principal payments	(25,168)
Long-term debt - capitalized interest	(40,327)
Build America Bonds subsidy	5,299
Inventory issuances	713
Non-budgeted expenses	2,416
Total expenses reported in statements of revenues, expenses and changes in net position	$ 425,312

EXHIBIT 23
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR 2014
(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.