



Financial Section

**INDEPENDENT PUBLIC ACCOUNTANTS REPORT
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Board of Directors
District of Columbia Water and Sewer Authority

Opinion

We have audited the financial statements of District of Columbia Water and Sewer Authority (the Authority), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of September 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The financial statements of the Authority as of and for the year ended September 30, 2024, before the restatement described in Note 16 for the adopted new accounting guidance as issued by the Government Accounting Standards Board (GASB) for Statement No. 101, *Compensated Absences*, were audited by another auditor whose report dated January 9, 2025, expressed an unmodified opinion on those statements. As part of our audit of the September 30, 2025, financial statements, we also audited the adjustment described in Note 16 that was applied to restate the 2024 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2024 financial statements of the Authority other than with respect to this adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Authority's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

December 19, 2025
Washington, D.C.

*SB * Company, LLC*

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

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, 2025, and 2024. 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 2025

- In August 2025, the Authority issued three series of subordinate lien revenue bonds totaling \$392.1 million in face value. Series 2025A (\$55.5 million), Series 2025B (\$160.6 million) and Series 2025C (\$176.0 million). Interest rate ranges from 5.0% to 5.3%, maturing in 2061. The proceeds were used to partially refund the 2015A and fully refund the 2015B bonds, respectively, and to finance the Clean Rivers Project and other capital construction activities.
- Operating revenues increased by \$26.3 million to \$1.0 billion or 2.7%, primarily due to the retail water rate increase of 8.0% and offset by a 2.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC) rate.
- Operating expenses increased by \$25.2 million to \$585.9 million, or 4.5%, primarily due to increases in cost of personnel services, electricity, water purchases and depreciation.
- Capital assets, net of depreciation and amortization increased by \$461.2 million to \$9.0 billion, or 5.4%, as a result of net capital additions of \$625.5 million, offset by depreciation and amortization of \$164.3 million. Capital additions incurred in 2025 were in line with the Authority's approved 10-year capital improvement program
- Current assets increased by \$47.2 million to \$954.5 million or 5.2% primarily due to increases of \$41.2 million in cash and cash equivalents, investments and increase of \$6.8 million in inventory.
- The Authority's net position increased by \$345.9 million to \$3.8 billion, or 10.0%, as a result of the current year operations and capital contributions.
- Effective October 1, 2024, the Authority increased its retail water and wastewater rates by 8.0% and decreased its CRIAC rate by 2.8%.

Financial Highlights – Fiscal 2024

- In July 2024, the Authority issued subordinate lien revenue refunding bonds with a face value of \$506.4 million. The bonds consist of Series 2024A with \$506.4 million and interest rate at 5.0% and maturing in 2045.
- Also, in July 2024, the Authority issued subordinate lien multimodal revenue refunding bonds, series 2024B, with a face value of \$99.5 million, consisting of subseries 2024B-1, in the original principal amount of \$49.8 million and subseries 2024B-2 in the original principal amount of \$49.8 million. Gross proceeds totaled \$100.1 million, including \$0.58 million of the Authority's contribution.
- Operating revenues increased by \$79.2 million to \$978.0 million or 8.8%, primarily due to the retail water rate increase of 3.25% and by the 5.4% increase in the Clean Rivers Impervious Area Charge (CRIAC) rate.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

- Operating expenses increased by \$15.4 million to \$560.7 million, or 2.8%, primarily due to increases in costs for personnel services, chemicals, water purchases and depreciation.
- Capital assets, net of depreciation and amortization, increased by \$374.3 million to \$8.6 billion, or 4.6%, as a result of net capital additions of \$522.9 million, offset by depreciation and amortization of \$154.9 million. Capital additions incurred in 2024 were in line with the Authority's approved 10-year capital improvement program.
- Current assets increased by \$59.3 million to \$907.3 million or 7.0% primarily due to an increase of \$35.4 million in unrestricted cash and equivalents, a \$14.0 million increase in receivables from the Federal government offset by a \$11.9 million decrease in receivables from other jurisdictions.
- The Authority's net position increased by \$319.4 million to \$3.4 billion, or 10.2%, as a result of the current year operations and capital contributions.
- Effective October 1, 2023, the Authority increased its retail water and wastewater rates by 3.25% and increased its CRIAC rate by 5.4%.

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 include 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 present 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 provide 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 understand the above statements, such as the Authority's significant accounting policies and information about certain financial statement account balances.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

Financial Analysis of the Authority

Net Position

The Authority's total net position as of September 30, 2025 was \$3.8 billion, a \$345.9 million, or a 10.0%, increase from September 30, 2024. Total assets increased by \$663.6 million, or 6.9%, to \$10.3 billion and total liabilities increased by \$312.0 million, or 5.0%, to \$6.5 billion.

The Authority's total net position as of September 30, 2024 was \$3.4 billion, a \$319.4 million, or a 10.2%, increase from September 30, 2023. Total assets increased by \$249.8 million, or 2.7%, to \$9.6 billion and total liabilities decreased by \$123.2 million, or 2.0%, to \$6.2 billion.

Summary of Net Position (In thousands)

Description	As of September 30,			2025 vs 2024		2024 vs 2023	
	2025	2024 restated	2023 restated	Amount	%	Amount	%
Current assets	\$ 954,492	\$ 907,260	\$ 847,979	\$ 47,232	5.2	\$ 59,281	7.0
Restricted assets	302,714	148,398	325,839	154,316	104.0	(177,441)	(54.5)
Capital assets	9,021,279	8,560,058	8,185,753	461,221	5.4	374,305	4.6
Other noncurrent assets	6,897	6,054	12,402	843	13.9	(6,348)	(51.2)
Total assets	10,285,382	9,621,770	9,371,973	663,612	6.9	249,797	2.7
Deferred outflows of resources	76,372	80,980	85,588	(4,608)	(5.7)	(4,608)	(5.4)
Current liabilities	484,109	458,423	499,799	25,686	5.6	(41,376)	(8.3)
Long-term debt outstanding	4,012,046	3,758,742	3,876,155	253,304	6.7	(117,413)	(3.0)
Long-term liabilities	1,999,859	1,966,811	1,931,226	33,048	1.7	35,585	1.8
Total liabilities	6,496,014	6,183,976	6,307,180	312,038	5.0	(123,204)	(2.0)
Deferred inflows of resources	76,630	75,591	26,617	1,039	1.4	48,974	184.0
Net investments in capital assets	3,189,837	2,875,021	2,622,251	314,816	11.0	252,770	9.6
Restricted for:							
Capital projects	13,177	13,005	7,958	172	1.3	5,047	63.4
Debt service	77,719	73,727	76,260	3,992	5.4	(2,533)	(3.3)
Unrestricted	508,377	481,430	417,297	26,947	5.6	64,135	15.4
Total net position	\$3,789,110	\$3,443,183	\$3,123,766	\$ 345,927	10.0	\$319,419	10.2

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

The following is a discussion of the more significant changes in assets, liabilities, and net position in 2025.

- Capital assets, net of depreciation and amortization, increased by \$461.2 million to \$9.0 billion as a result of capital additions of \$625.5 million offset by depreciation and amortization of \$164.3 million. Capital additions incurred in 2025 were in line with the Authority's approved 10-year capital improvement program, which is discussed in more detail on page 14.
- Current assets increased by \$47.2 million to \$954.5 million or 5.2%, primarily due to increases of \$41.2 million in cash and cash equivalents, investments and increase of \$6.8 million in inventory.
- Long-term debt, including current maturities, increased by \$256.9 million to \$4.1 billion, or 6.7%, primarily due to issuance of the 2025 bonds.
- Current liabilities increased by \$25.7 million to \$484.1 million, or 5.6%, primarily due to an increase of \$23.8 million in accounts payable and \$7.5 million in accrued interest.
- The Authority's net position increased by \$345.9 to \$3.8 billion, or 10.0%, as a result of the current year operations and capital contributions.

The following is a discussion of the more significant changes in assets, liabilities, and net position in 2024.

- Capital assets, net of depreciation and amortization, increased by \$374.3 million to \$8.6 billion as a result of capital additions of \$522.9 million offset by depreciation and amortization of \$154.9 million. Capital additions incurred in 2024 were in line with the Authority's approved 10-year capital improvement program, which is discussed in more detail on page 14.
- Current assets increased by \$59.3 million to \$907.3 million or 7.0% primarily due to an increase of \$35.4 million in unrestricted cash and equivalents, a \$14.0 million increase in receivables from the Federal government offset by a \$11.9 million decrease in receivables from other jurisdictions.
- Long-term debt, including current maturities, decreased by \$118.6 million to \$3.8 billion, or 3.0%, primarily due to repayments of current maturities refunds and offset by proceeds from the WIFIA loan.
- Current liabilities decreased by \$41.4 million to \$458.4 million, or 8.3%, primarily due to a decrease of \$29.2 million in commercial paper notes payable and a \$18.7 million decrease in unearned revenue and a \$11.0 million decrease in accrued interest offset by a \$18.3 million increase in accounts payable and accrued expenses.
- The Authority's net position increased by \$319.4 million to \$3.4 billion, or 10.2%, as a result of the current year operations and capital contributions.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

Changes in Net Position

The increase in net position as of September 30, 2025 was \$345.9 million, or 10.0%, as compared with September 30, 2024. The Authority's total operating revenues increased by 2.7% to \$1.0 billion and total operating expenses increased by 4.5% to \$585.9 million.

The increase in net position as of September 30, 2024 was \$319.4 million, or 10.2%, as compared with September 30, 2023. The Authority's total operating revenues increased by 8.8% to \$978.0 million and total operating expenses increased by 2.8% to \$560.7 million.

Change in Net Position (In thousands)

Description	Fiscal Years			2025 vs 2024		2024 vs 2023	
	2025	2024	2023	Amount	%	Amount	%
Operating revenues	\$ 1,004,284	\$ 977,982	\$ 898,763	\$ 26,302	2.7	\$ 79,219	8.8
Operating expenses	585,919	560,698	545,310	25,221	4.5	15,388	2.8
Net non-operating revenues (expenses)	(119,021)	(133,698)	(125,513)	14,677	(11.0)	(8,183)	6.5
Change in net position before capital contributions	299,344	283,586	227,940	15,758	5.6	55,648	24.4
Capital contributions	46,583	35,831	29,519	10,752	30.0	6,312	21.4
Change in net position	345,927	319,417	257,459	26,510	8.3	61,960	24.1
Net position - beginning of year, as restated	3,443,183	3,123,766	2,866,307	319,417	10.2	257,459	9.0
Net position - end of year	<u>\$3,789,110</u>	<u>\$3,443,183</u>	<u>\$3,123,766</u>	<u>\$345,927</u>	<u>10.0</u>	<u>\$319,419</u>	<u>10.2</u>

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 2025 and 2024, and between fiscal years 2024 and 2023, respectively.

Fiscal Year 2025:

- Operating revenues increased by \$26.3 million to \$1.0 billion or 2.7%, primarily due to the retail water rate increase of 8.0% and offset by 2.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC) rate.
- Operating expenses increased by \$25.2 million to \$585.9 million, or 4.5%, primarily due to increases in cost of personnel services, electricity, water purchases and depreciation.

Fiscal Year 2024:

- Operating revenues increased by \$79.2 million to \$978.0 million or 8.8%, primarily due to the retail water rate increase of 3.25% and a 5.4% increase in the CRIAC rate and increase in consumption.
- Operating expenses increased by \$15.4 million to \$560.7 million, or 2.8%, primarily due to increases in costs for personnel services, chemicals and contractual services, depreciation and amortization, water purchases offset by a decrease in utilities and rent.

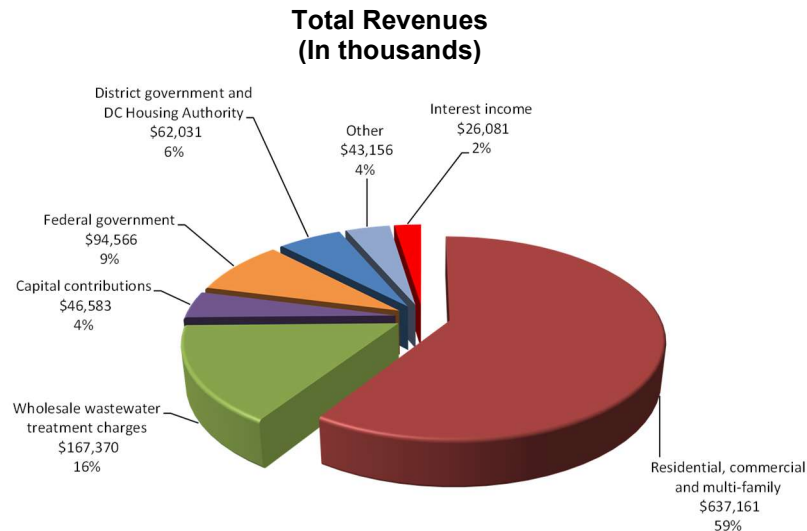
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

2025 Total Revenues

Total revenues increased by \$35.4 million, or 3.4%, to \$1.1 billion in fiscal year 2025.



- Revenues from residential, commercial, and multi-family customers increased by \$25.2 million to \$637.2 million, or 4.1%, primarily due to a 8.0% water and wastewater rate increase and offset by a reduction of 2.8% in the Clean Rivers Impervious Area (CRIAC) rate.
- Revenues from the Federal government decreased by approximately \$11.9 million to \$94.6 million, or 11.2%, primarily due to normalized consumption in 2025 following leak repairs that had temporarily increased usage in 2024 and a decrease in CRIAC rate.
- Revenues from the District of Columbia government and the District of Columbia Housing Authority increased by \$3.6 million to \$62.0 million or 6.1%, primarily due to increase of \$6.1 million in fire protection services fee offset by a \$2.5 million decrease in regular water and sewer revenues due to lower consumption.
- Revenues from wholesale wastewater treatment increased by \$14.7 million, to \$167.4 million or 9.6%, primarily due to an increase in shareable costs for wastewater treatment.
- Other revenues decreased by \$5.2 million to \$43.2 million, or 10.8%, primarily due to no receipts of the annual Build America Bonds (BABs) subsidy.
- Capital contributions increased by approximately \$10.8 million to \$46.6 million, or 30.0%, primarily due to an increase in Federal grants and appropriations from EPA for the Lead Free DC project.

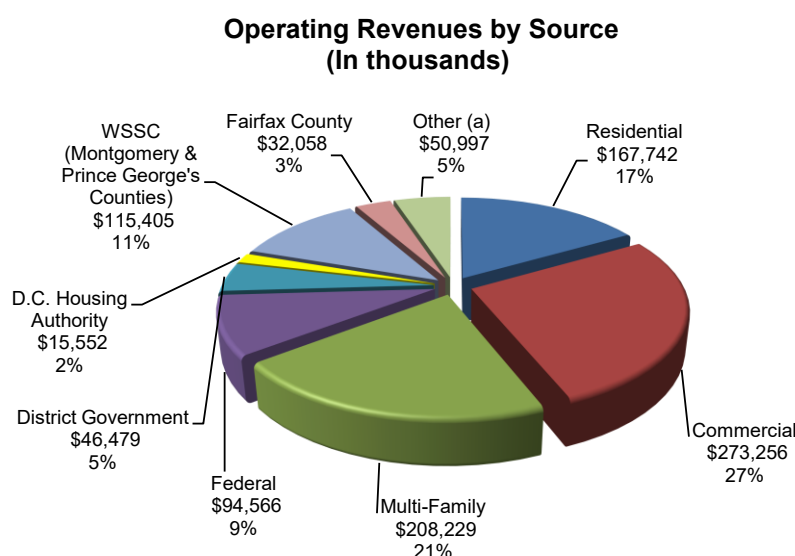
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

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 27% of the Authority's total operating revenues of \$1.0 billion for the fiscal year ended September 30, 2025.



(a) Other revenues include \$16.2 million from Loudoun County and \$3.7 million from Potomac Interceptor.

- Revenues from commercial and multi-family customers in the District comprise approximately 48% of the Authority's total operating revenues. Commercial revenues are reliable due to the presence of many national associations, law firms, consulting firms, colleges and universities and foreign embassies in the District.
- 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 14% 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 17.0% of total operating revenues.
- Revenues from the Federal government comprise 9.0% 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

Revenues by Major Source

Description	Fiscal Year			2025 vs 2024		2024 vs 2023	
	2025	2024	2023	Amount	%	Amount	%
Operating revenues:							
Water and wastewater user charges:	\$ 793,758	\$ 776,912	\$ 701,804	\$ 16,846	2.2%	\$ 75,108	10.7%
Charges for wholesale wastewater treatment	167,370	152,701	152,755	14,669	9.6%	(54)	0.0%
Other	43,156	48,369	44,204	(5,213)	-10.8%	4,165	9.4%
Total operating revenues	1,004,284	977,982	898,763	26,302	2.7%	79,219	8.8%
Nonoperating revenues							
Interest income	26,081	27,757	20,878	(1,676)	-6.0%	6,879	32.9%
Total revenue before capital contributions	1,030,365	1,005,739	919,641	24,626	2.4%	86,098	9.4%
Capital contributions	46,583	35,831	29,519	10,752	30.0%	6,312	21.4%
Total revenues	<u>\$1,076,948</u>	<u>\$ 1,041,570</u>	<u>\$ 949,160</u>	<u>\$ 35,378</u>	<u>3.4%</u>	<u>\$ 92,410</u>	<u>9.7%</u>

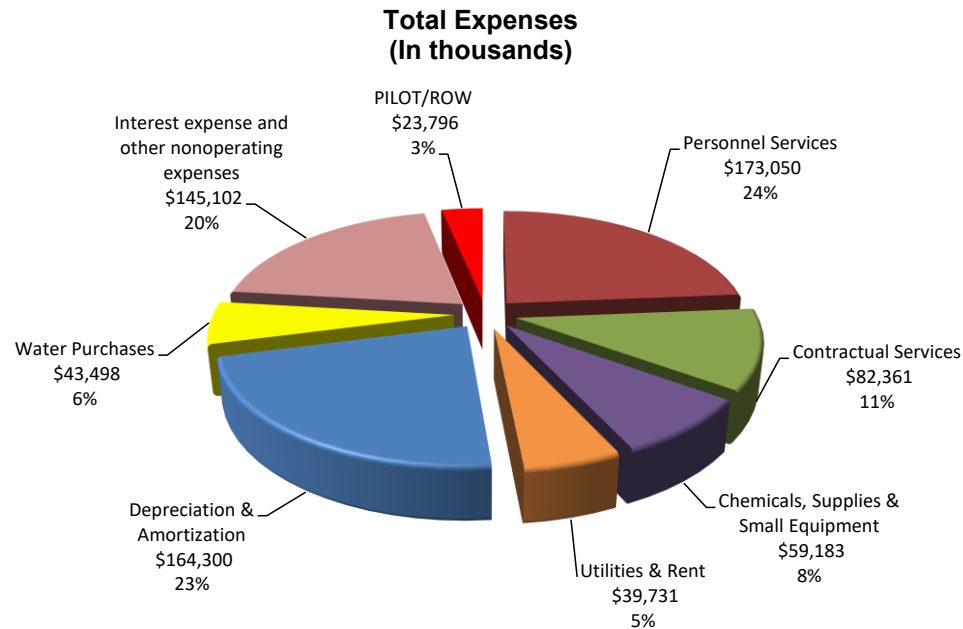
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

2025 Total Expenses

Total expenses increased by \$8.9 million or 1.2%, to \$731.0 million in fiscal year 2025.



- Personnel services increased by \$5.8 million to \$173.1 million, or 3.5%, primarily due to increase in wages and benefits costs.
- Contractual services increased by \$0.7 million to \$82.4 million, or 0.9%, primarily due to increase in professional fees and services.
- Chemicals, supplies, and small equipment decreased by \$1.2 million to \$59.2 million, or 2.0%, primarily due to decrease in supplies and parts.
- Utilities and rent increased by \$5.5 million to \$39.7 million, or 16.2%, primarily due to increase in electricity and natural gas offset in part by decrease in water usage.
- Depreciation and amortization increased by \$9.4 million to \$164.3 million, or 6.1%, primarily due to an increase in capital assets in service.
- Water purchases increased by \$4.6 million to \$43.5 million, or 11.8%, primarily due to increase in the water rate.
- Payment in lieu of taxes and right of way fee (PILOT/ROW) increased by \$0.4 million to \$23.8 million, or approximately 1.6%, which is in line with the PILOT/ROW agreement.
- Interest expenses and other nonoperating expenses decreased by \$16.4 million to \$145.1 million, or 10.1%, primarily due to \$10.7 million in arbitrage payments and loss of \$6.3 million on disposal of fixed assets in 2024.

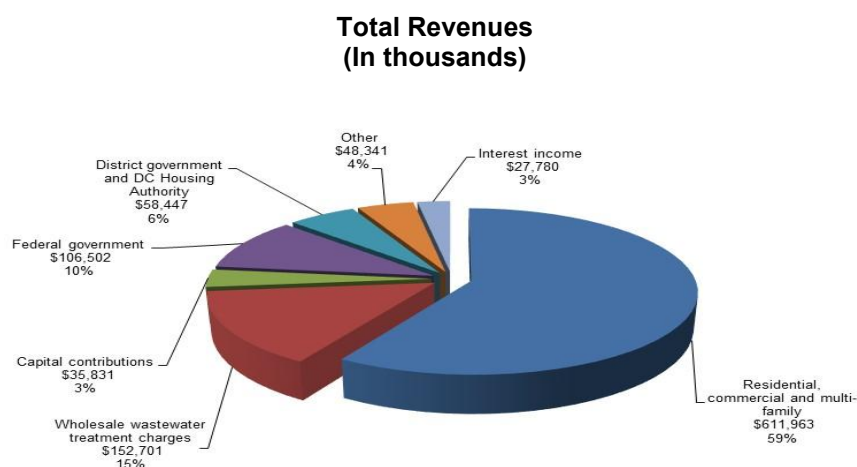
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

2024 Total Revenues

Total revenues increased by \$92.4 million, or 9.7%, to \$1.0 billion in fiscal year 2024.



- Revenues from residential, commercial, and multi-family customers increased by \$49.6 million to \$612.0 million, or 8.8%, primarily due to a 3.25% water and wastewater rate increase and 5.4% increase in the Clean Rivers Impervious Area Charge (CRIAC) and an increase in consumption due to the effects of the post COVID-19 pandemic.
- Revenues from the Federal government increased by approximately \$20.8 million to \$106.5 million, or 24.3%, primarily due to a 5.4% increase in the CRIAC and increase in consumption and a 3.25% water and wastewater rate increase.
- Revenues from the District of Columbia government and the District of Columbia Housing Authority increased by \$4.7 million to \$58.4 million or 8.8%, primarily due to a 3.25% water and wastewater rate increase and an increase in consumption and a 5.4% increase in the Clean Rivers Impervious Area Charge (CRIAC).
- Revenues from wholesale wastewater treatment decreased by \$0.54 million, to \$152.7 million or 0.04%, primarily due to decrease of \$3.2 million in shareable costs for wastewater treatment, and for pumping and sewer processing.
- Other revenues increased by \$4.1 million to \$48.4 million, or 9.4%, primarily due to a increase in customer late fees and special billings.
- Capital contributions increased by approximately \$6.3 million to \$35.8 million, or 21.4%, primarily due a increase in Federal grants and appropriations.

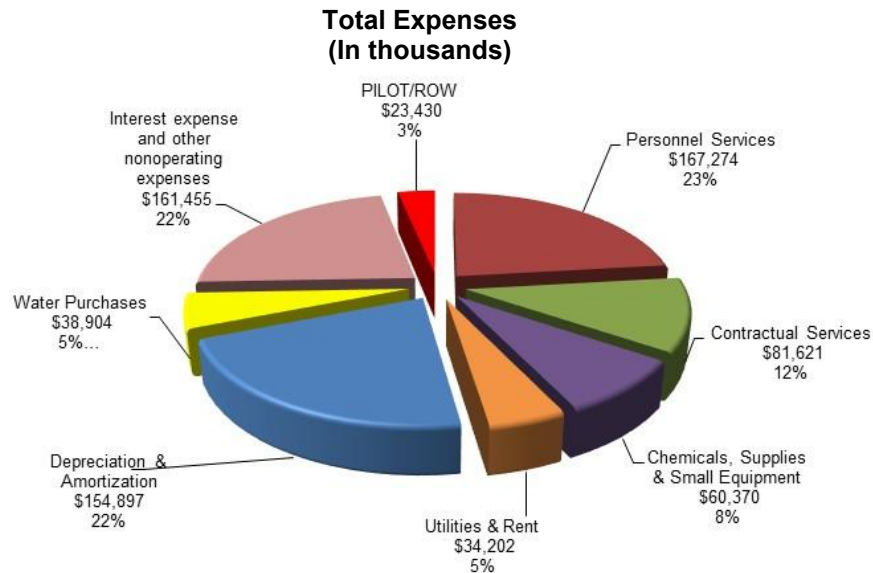
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

2024 Total Expenses

Total expenses increased by \$39.2 million or 5.7%, to \$722.1 million in fiscal year 2024.



- Personnel services increased by \$10.9 million to \$167.3 million, or 6.9%, primarily due to increases in hiring, health benefits and overtime.
- Contractual services increased by \$0.50 million to \$81.6 million, or 0.6%, primarily due to an increase in rates and fees for various contractual services and an increase in the use of contractors to fill vacant positions earlier in the year.
- Chemicals, supplies, and small equipment increased by \$4.8 million to \$60.4 million, or 8.7%, primarily due to increased unit prices in major chemicals and equipment rental costs.
- Utilities and rent decreased by \$3.1 million to \$34.2 million, or 8.5%, due to the Authority's departments, such as the permit operation moved from leased office space to HQO
- Depreciation and amortization increased by \$5.4 million to \$154.9 million, or 3.6%, primarily due to an increase in capital assets in service.
- Water purchases increased by \$5.3 million to \$38.9 million, or 15.8%, primarily due to 23.5% increase in the water rate.
- Payment in lieu of taxes and right of way fee (PILOT/ROW) increased by \$0.4 million to \$23.4 million, or approximately 1.6%, which is in line with the PILOT/ROW agreement.
- Interest expenses and other nonoperating expenses increased by \$15.1 million to \$161.5 million, or 10.3%, primarily due to higher interest incurred in long-term debt.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2025 and 2024

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2025, 2024, and 2023, respectively, the Authority had \$9.0 billion, \$8.6 billion and \$8.2 billions, respectively of capital assets (net of depreciation). This includes wastewater collection, wastewater treatment, water distribution systems, deep tunnel systems, purchased capacity, buildings, capital equipment, right to use assets and construction in progress. The Authority's net capital assets increased by approximately \$461.2 million or 5.4%, during fiscal year 2025 and increased by approximately \$374.3 million or 4.6%, during fiscal year 2024. and increased by approximately \$225.5 million or 2.8% during fiscal year 2023, primarily due to continued capital spending in accordance with the Authority's capital improvement program. See note 4 to the financial statements for more information on capital assets.

Capital Assets Net of Accumulated Depreciation (In thousands)

Description	As of September 30,		
	2025	2024	2023
Wastewater treatment plant	\$ 3,498,674	\$ 3,458,793	\$ 3,425,716
Wastewater collection facilities	1,134,279	1,124,918	1,113,072
Water distribution system	1,679,731	1,571,735	1,326,108
Deep tunnel system	2,382,554	1,269,654	1,269,654
Purchased capacity	475,077	454,759	425,995
Buildings	146,847	84,926	84,903
Capital equipment	480,248	457,252	433,426
Right to use assets (SBITA)	69,786	60,949	52,892
Construction in progress	1,819,890	2,582,242	2,410,601
Less accumulated depreciation	(2,665,807)	(2,505,170)	(2,356,614)
Net capital assets	<u>\$ 9,021,279</u>	<u>\$ 8,560,058</u>	<u>\$ 8,185,753</u>

The Authority's contractual commitments are primarily associated with the long-term capital improvement program. Outstanding contractual commitments related to the capital improvement program as of September 30, 2025 were \$274.8 million which will be financed primarily with unspent bond proceeds, proceeds from future bond issuances, capital contributions from IMA participants, Federal capital contributions and PAY-GO capital contributions from the Authority.

Debt Administration

As of the end of fiscal year 2025, the Authority had a total of \$4.1 billion in long term debt outstanding, an increase of \$256.9 million, or 6.7%, over the fiscal year 2024.

As of the end of fiscal year 2024, the Authority had a total of \$3.8 billion in long term debt outstanding, a decrease of \$118.6 million, or 3.0%, over the fiscal year 2023.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

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September 30, 2025 and 2024

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2025 is shown below:

Description	(In thousands)			Balance 9/30/2025
	Balance 9/30/2024	Increases	Decreases	
Outstanding bonds and notes	\$ 3,597,195	\$ 417,733	\$ (152,477)	\$ 3,862,451
Unamortized bond premiums	237,175	7,613	(16,072)	228,716
Unamortized bond discounts	(1,191)	-	128	(1,063)
Total bonds and notes	<u>\$ 3,833,179</u>	<u>\$ 425,346</u>	<u>\$ (168,421)</u>	<u>\$ 4,090,104</u>

In August 2025, the Authority issued three series of subordinate lien revenue bonds totaling \$392.1 million in face value: Series 2025A (\$55.5 million), Series 2025B (\$160.6 million), and Series 2025C (\$176.0 million).

The Series 2025A subordinate lien revenue refunding bonds bear interest at 5.0% and mature in 2044. Proceeds were used to fully refund the 2015 Series B bonds and to pay issuance costs. Total gross proceeds were \$59.8 million, including an original issue premium of \$4.3 million. Of this amount, \$59.4 million was deposited into the Series 2025A escrow account and \$0.4 million was applied to underwriters' discount and issuance costs. The refunding resulted in an economic gain of \$6.8 million.

The Series 2025B subordinate lien revenue refunding bonds bear interest rates ranging from 5.0% to 5.3% and mature in 2054. Proceeds will be used to finance a portion of the Clean Rivers Project, partially refund the 2015 Series A bonds, and pay issuance costs. Total gross proceeds were \$170.1 million, including an original issue premium of \$9.5 million. Of this amount, \$18.9 million was deposited into the Series 2025B escrow account, \$150.0 million was used to finance the Clean Rivers Project, and \$1.2 million was applied to underwriters' discount and issuance costs. The refunding resulted in an economic gain of \$0.7 million.

The Series 2025C subordinate lien multimodal revenue bonds with a total face value of \$176.0 million consists of Subseries 2025C-1 and 2025C-2, each with an original principal amount of \$88.0 million, maturing in 2060. The bonds initially bear interest at a daily rate and are subject to mandatory sinking fund redemption prior to final maturity. Total gross proceeds of \$176.0 million will be used to finance system-related costs, and \$1.0 million was applied to underwriters' discount and issuance costs.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2024 is shown below:

Description	(In thousands)			Balance 9/30/2024
	Balance 9/30/2023	Increases	Decreases	
Outstanding bonds and notes	\$ 3,717,967	\$ 631,914	\$ (752,686)	\$ 3,597,195
Unamortized bond premiums	235,144	67,582	(65,551)	237,175
Unamortized bond discounts	(1,320)	-	129	(1,191)
Total bonds and notes	<u>\$ 3,951,791</u>	<u>\$ 699,496</u>	<u>\$ (818,108)</u>	<u>\$ 3,833,179</u>

In July 2024, the Authority issued subordinate lien revenue refunding bonds with a face value of \$506.4 million. The bonds consist of Series 2024A with \$506.4 million and interest rate at 5.0% and maturing in 2045. The proceeds of Series 2024A Bonds will be used to purchase the Tender Offer Bonds for purchase, refund certain

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management’s Discussion and Analysis (unaudited)

September 30, 2025 and 2024

of the Authority’s 2014C Bonds and to pay the cost of issuing the Series 2024A bonds. Gross proceeds of the 2024A Bonds totaled \$588.7 million, including \$67.6 million of the original issue premium. \$155.3 million was deposited to Series 2024A escrow account, \$429.7 million was deposited to the Tender Purchase Fund and \$3.7 million was used for underwriters’ discount and for the cost of issuance.

Also, in July 2024, the Authority issued subordinate lien multimodal revenue refunding bonds, series 2024B with a face value of \$99.5 million, consisting of subseries 2024B-1, in the original principal amount of \$49.8 million and subseries 2024B-2 in the original principal amount of \$49.8 million. Gross proceeds totaled \$100.1 million, including \$0.6 million of the Authority’s contribution. \$99.5 million was deposited to series 2024B escrow account and \$0.7 million was used for underwriter’s fee and other cost of issuance. The series 2024B bonds will initially be bearing interest at a daily rate. Both subseries 2024B-1 and 2024B-2 are subject to mandatory sinking fund redemption prior to final maturity in 2055. The proceeds of the series 2024B bonds will be used to refund the Authority’s outstanding subordinate lien multimodal revenue bonds series 2019C and to pay the costs of issuance.

Credit Ratings

Short Term Credit Ratings		
Moody's Investors' Service	P-1	
Standard & Poor's Global Ratings	A-1+	
Fitch Ratings	F1+	
Long Term Credit Ratings		
Moody's Investors' Service	Aa1	Stable Outlook
Standard & Poor's Global Ratings	AAA	Stable Outlook
Fitch Ratings	AA+	Stable Outlook

Rates

Effective October 1, 2024, the Authority raised its retail water and wastewater rates by 8.0%. The Authority’s approved ten-year financial plan includes projected annual retail water and wastewater rate increases each year. The plan also includes projected revisions to its right-of-way fee and payment-in-lieu of taxes pass-through, the Clean River Impervious Area Charge (CRIAC), and the Water System Replacement Fee (WSRF) remains at \$40.7 million.

Contacting the Authority’s Financial Management

This financial report is designed to provide our customers and other stakeholders with a general overview of the Authority’s finances. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer at 1385 Canal Street, S.E., Washington D.C. 20003 or call 202-787-2000. A copy of this report is also available on the Authority’s web site at www.dcwwater.com

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Statements of Net Position

As of September 30, 2025 and 2024

(In thousands)

	2025	2024 Restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 226,104	\$ 223,200
Investments	172,672	165,689
Restricted cash and cash equivalents	247,353	226,080
Restricted investments	10,114	—
Customer receivables, net of allowance for doubtful accounts		
of \$39,456 in 2025 and \$39,315 in 2024	115,986	112,950
Due from other jurisdictions	11,934	9,705
Due from Federal government	120,836	121,854
Due from District government	1,431	8,515
Inventory	28,623	21,857
Prepaid assets	19,439	17,410
Total current assets	954,492	907,260
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	—	143,953
Investments	302,714	4,445
Total restricted cash and cash equivalents and investments	302,714	148,398
Capital assets:		
In-service	9,867,196	8,482,986
Less accumulated depreciation	(2,665,807)	(2,505,170)
Net capital assets in service	7,201,389	5,977,816
Construction-in-progress	1,819,890	2,582,242
Net capital assets	9,021,279	8,560,058
Other noncurrent assets:		
Due from other jurisdictions	6,897	6,054
Total noncurrent assets	9,330,890	8,714,510
Total assets	10,285,382	9,621,770
Deferred Outflows of Resources		
Deferred loss on debt refunding	76,372	80,980
Total assets and deferred outflows of resources	10,361,754	9,702,750
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	171,098	147,319
Unearned revenue	55,780	61,239
Accrued interest	72,330	64,852
Commercial paper notes payable	50,000	50,000
Current maturities of long-term debt	78,058	74,437
Due to jurisdictions	11,343	13,071
Compensation payable	29,266	32,879
Other liabilities	16,234	14,626
Total current liabilities	484,109	458,423
Noncurrent liabilities:		
Long-term debt, excluding current maturities	4,012,046	3,758,742
Unearned revenue	1,942,872	1,912,156
Other liabilities	10,160	9,419
Long-term SBITA payable, excluding current maturities	21,237	19,308
Compensated absences payable	25,590	25,928
Total noncurrent liabilities	6,011,905	5,725,553
Total liabilities	6,496,014	6,183,976
Deferred Inflows of Resources		
Deferred gains on debt refunding	76,630	75,591
Total liabilities and deferred inflows of resources	6,572,644	6,259,567
Net Position		
Net investments in capital assets	3,189,837	2,875,021
Restricted for:		
Capital projects	13,177	13,005
Debt service	77,719	73,727
Unrestricted	508,377	481,430
Total net position	\$ 3,789,110	\$ 3,443,183

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

As of Years Ended September 30, 2025 and 2024

(In thousands)

	2025	2024 Restated
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	\$ 637,161	\$ 611,963
Federal government	94,566	106,502
District government and D.C. Housing Authority	62,031	58,447
Charges for wholesale wastewater treatment	167,370	152,701
Other	43,156	48,369
Total operating revenues	1,004,284	977,982
Operating expenses:		
Personnel services	173,050	167,274
Contractual services	82,361	81,621
Chemicals, supplies and small equipment	59,183	60,370
Utilities and rent	39,731	34,202
Depreciation and amortization	164,300	154,897
Water purchases	43,498	38,904
Payment in lieu of taxes and right of way fee	23,796	23,430
Total operating expenses	585,919	560,698
Operating income	418,365	417,284
Nonoperating revenues (expenses):		
Interest income	26,081	27,757
Interest expense and other nonoperating expenses	(145,102)	(161,455)
Net nonoperating expenses	(119,021)	(133,698)
Change in net position before capital contributions	299,344	283,586
Capital contributions	46,583	35,831
Change in net position	345,927	319,417
Net position, beginning of year	3,443,183	3,123,766
Net position, end of year	\$ 3,789,110	\$ 3,443,183

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

As of Years Ended September 30, 2025 and 2024

(In thousands)

	2025	2024
Cash flows from operating activities:		
Cash received from customers	\$ 946,466	\$ 898,285
Cash received from customers for Storm Water fees	13,708	12,826
Cash paid to suppliers for goods and services	(217,382)	(200,156)
Cash paid to employees for services	(177,003)	(163,095)
Cash paid to District of Columbia for Storm Water fees	(12,877)	(12,931)
Cash paid to District for PILOT and ROW	(23,796)	(23,431)
Net cash from operating activities	529,116	511,498
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	431,404	698,668
Proceeds from other jurisdictions	75,998	83,050
Repayments of bond principal and notes payable to Federal government	(150,548)	(752,392)
Acquisition of capital assets	(610,343)	(521,613)
Payments of interest and fiscal charges	(154,465)	(187,353)
Contributions of capital from Federal and District governments	54,863	27,513
Proceeds from issuance of commercial paper	200,000	358,400
Repayments of commercial paper	(200,000)	(387,600)
Net cash from capital and related financing activities	(353,091)	(681,327)
Cash flows from investing activities:		
Cash received for interest	18,964	29,324
Investment purchases	(408,307)	(201,874)
Investment maturities	93,542	467,912
Net cash from investing activities	(295,801)	295,362
Net (decrease) increase in cash and cash equivalents	(119,776)	125,533
Cash and cash equivalents, at beginning of year	593,233	467,700
Cash and cash equivalents, at end of year	\$ 473,457	\$ 593,233
Operating income	\$ 418,365	\$ 417,284
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	164,300	154,897
Effect of changes in noncash operating assets and liabilities:		
Customer and other receivables	5,549	(11,359)
Inventory and Prepaid assets	(8,795)	(5,791)
Payables and accrued liabilities	(2,493)	13,615
Unearned revenue	(47,810)	(57,148)
Net cash from operating activities	\$ 529,116	\$ 511,498
Noncash investing, capital and financing activities:		
Capital asset additions included in accounts payable	137,144	113,391
Net (decrease) increase in the fair value of investments	\$ (971)	\$ 3,490

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(1) Background, Governance, Operations and Reporting Entity

(a) *Background*

On June 14, 1980, the Council of the District of Columbia authorized the Mayor of the District of Columbia Government ("the District") to establish the District of Columbia Water and Sewer Enterprise Fund (the "Fund"), which was managed by the Water and Sewer Utility Administration, a division of the Department of Public Works. The District of Columbia Water and Sewer Authority ("DC Water" or the "Authority"), an independent authority of the District, was established on April 18, 1996 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 has a separate legal existence within the District and 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 representatives from both Montgomery and Prince George's Counties in Maryland, and one representative 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 recommendations 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 or, "the Plant") 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 1.8 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 between the District; Fairfax County, Virginia; Montgomery County, Maryland; Prince George's County, Maryland; and the Washington Suburban Sanitary Commission ("WSSC"), was executed on September 5, 1985 (the "1985 IMA").

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 original signatories to the 1985 IMA and the Authority (collectively referred to as the "Participants"). 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 2012 IMA. Operating costs are allocated based on wastewater flows from each participant.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(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 U.S. 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 Federal government and operated by the U.S. Army Corps of Engineers (the "USACE") under the direction of the Secretary of the Army. Since 1852, an act of Congress placed the care, management, and superintendence of the Aqueduct under the USACE. Under the Act, USACE was given responsibility for supplying water to the District for use by the Federal government and for the use and benefit of the inhabitants of the District. The USACE manages the operation of two water purification plants at the Aqueduct, Dalecarlia and McMillan, which supply treated water to distribution systems of the Authority, Arlington County, Fairfax Water, the Federal government, and other parts of northern Virginia. As of January 3, 2014, Fairfax Water 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 storage, pumping and distribution Water System that serves the District and several other governmental customers outside the District. The Authority currently purchases approximately 74% of the finished water produced by the Aqueduct, and Arlington County and the FCWA purchase the remainder. Under this agreement, which remained in effect until September 30, 2023, and then thereafter until terminated by one of the parties, the Authority is responsible for funding approximately 75% of the Aqueduct's annual operating and capital costs. Additionally, the Aqueduct 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

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

Based on the application of the above criteria, Blue Drop, LLC, a separate not-for-profit organization created by DC Water in November, 2016 by the Board Resolution #16-90, is considered to be a component unit of the Authority. Blue Drop, LLC which is legally separate from the Authority was established as a pilot program to provide the following:

- Relief from rising rates, fees, and charges to DC Water's customers in the District of Columbia, to other participating jurisdictions and to users of the joint-use sewage facilities,
- Advancing and promoting innovative strategies and technologies in the treatment and delivery of potable water, the treatment and collection of wastewater, and related products and services,
- Improving the state of the water and wastewater treatment sectors by sharing knowledge, research, and expertise throughout the country and the world,
- Promoting resource recovery and conservation; and
- Other purposes consistent with and complementary to the principles described in this Resolution.

A component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- The component unit's governing body is substantively the same as the governing body of the primary government *and* (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit.
- The component unit provides entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.
- The component unit's total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with resources of the primary government.
- The component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws.

Blue Drop, LLC is a blended component unit because it is organized as a not-for-profit corporation in which the Authority is the sole corporate member, as identified in Blue Drop, LLC's articles of incorporation and bylaws. The inclusion of Blue Drop, LLC as a blended component unit did not have a material effect on the fiscal year 2025 or 2024 financial statements. Separate audited financial statements for Blue Drop, LLC are available from the Blue Drop, LLC Office at 1385 Canal Street SE, Washington, DC 20003. Condensed financial statements of Blue Drop, LLC as of and for the years ended September 30, 2025 and 2024, are also included in Note 15.

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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(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 grantor have been met.

(b) *Cash and Cash Equivalents*

The Authority invests all unrestricted cash balances, more than 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 funds 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, corporate notes, supranational bonds and municipal bonds which have an original maturity more than 90 days. Money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are reported at fair value as of September 30, 2025, and 2024.

(d) *Inventory*

Inventory is recorded at cost and consists primarily of operating and maintenance materials.

(e) *Restricted Assets*

Restricted assets represent unspent revenue bond proceeds, funds for the current payment of debt service, and unspent Federal capital appropriations. 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(f) Capital Assets

The Authority's capital assets are comprised of the wastewater treatment plant, wastewater collection facilities, the water distribution systems, deep tunnel systems, 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, water distribution systems and deep tunnel systems 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 improve the attributes 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 for wastewater treatment plant and collection facilities, and water distribution systems improvements, Subscription-Based Information Technology Arrangements (SBITA) \$100 in the aggregate, by subscription term, and \$5 for capital equipment and fleet.

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

<u>Asset class</u>	<u>Estimated useful lives</u>
Wastewater treatment plant	60 years
Wastewater collection facilities	60 years
Water distribution systems	60 years
Deep tunnel systems	100 years
Purchased capacity	60 years
Buildings	60 years
Capital equipment and fleet	3 - 20 years

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 costs required to be funded under long-term water purchase agreements and to amortize such costs over the shorter of the term of the contractual agreement or estimated useful life of the assets. For purposes of the Aqueduct, the Authority considers the term of the water purchase agreement to be indefinite as USACE is required by law to provide the Authority with a source of water from the Aqueduct and the Authority has no intent 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(g) *Deferred Outflows and Inflows of Resources*

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

(h) *SBITA*

A subscription-based information technology arrangements (SBITA) is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period in exchange or exchange-like transaction.

The Authority recognizes a right-to-use subscription asset – an intangible asset – and corresponding subscription liability for its subscription-based information technology arrangements. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets over 12 months including any renewals periods expected to be exercised.

(i) *Compensated Absences*

Employees earn vacation and sick leave based on a prescribed formula, which allows employees to accumulate an unlimited amount of sick leave, and vacation leave up to the maximum amounts shown in the table below. Vacation leave earned but unused by employees vests and is accrued as a liability. Generally, sick leave does not vest, and the Authority records a liability for its estimate of how much sick leave will be 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

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

<u>Length of Service</u>	<u>Annual Carryover Limits</u>
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

(j) **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. Bond issuance costs are expensed in the period incurred.

(k) **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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

- *Restricted* – This component of net position consists of restrictions placed on net position 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".

(l) **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) fees, and depreciation and amortization of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(m) **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 based on the current five years weighted average rate 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(n) *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 2012 IMA. 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.

(o) *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.

(p) *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 as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) *Adoption of New Accounting Standards*

During the fiscal year ended September 30, 2025, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB); Statement No. 101, Compensated Absences and Statement No. 102 Certain Risk Disclosures.

In compliance with GASB 101, the Authority, for the first time, recorded an accrual for an estimate of the unused sick leave for its union staff, which was the value of their accrued sick leave that is more likely than not to be used by the end of their end-of-service date. As a result of this adoption, beginning net position of fiscal year 2024 decreased by \$8,740.

Implementation of GASB Statement No. 102 had no material impact on the Authority's fiscal year 2025 financial statement.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(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
103	Financial Reporting Model Improvements	June 15, 2025	2026
104	Disclosure of Certain Capital Assets	June 15, 2025	2026
105	Subsequent Events	June 15, 2026	2027

(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 the 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.

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

- (1) *U.S. Treasury Obligations.* U.S. Treasury bills, notes, or any other obligation or security issued by or backed by the full faith and credit of the US Treasury.
- (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 by a NRSRO. The mutual fund must comply with the diversification, quality and maturity requirements of Rule 17 C.F.R. § 270.2a-7, or any successor rule, of the United States Securities and Exchange Commission.
- (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 fair 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(3) Cash Deposits and Investments (Continued)

- (4) *Federal Agency Obligations.* Bonds, notes, debentures, or other obligations or securities issued by a Federal government agency or instrumentality, with a rating of at least "AA" or equivalent from two (2) NRSROs.
- (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) the short-term paper of which is rated not lower than 'A-1' or the equivalent by a NRSRO.
- (6) *Commercial Paper.* Unsecured short-term debt of corporations may be purchased if certain conditions are met, including: a) the maturity is no greater than one (1) year; 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 NRSROs; and c) the total holdings of an issuer's paper do not represent more than ten percent (10%) of the issuing corporation's total outstanding commercial paper.
- (7) *Collateralized Certificates of Deposit* in state chartered banks or federally chartered banks. Deposits with savings and loans associations or District and Federal Credit Unions shall not exceed the greater of the total net worth or \$500,000. Collateralized Certificates of Deposit shall be collateralized at 102%. Please refer to the DC Water's collateralization policies under Collateralization of Bank Deposits.
- (8) *Corporate Notes.* High quality corporate notes that meet the following criteria: 1) a rating of at least 'A' (or its equivalent) from at least two NRSROs; and 2) the final maturity shall not exceed a period of five (5) years from the time of purchase.
- (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.* 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) by two (2) NRSROs for maturities of one (1) year or less; and c) the final maturity shall not exceed a period of five (5) years from the time of purchase.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(3) Cash Deposits and Investments (Continued)

- (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 exceed five (5) years; and 2) have a rating of at least 'A' (or its equivalent) from at least two (2) NRSROs.
- (13) *Municipal Obligations.* Municipal bonds, notes and other evidences of indebtedness of the District or of any state or local government upon which there is no default that meet the following criteria; a) have a final maturity on the date of investment not to exceed five (5) years; b) a rating of at least 'AA' (or equivalent) by two (2) NRSROs; 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%	Bankers' Acceptances	40%
U.S. Treasury Obligations	100%	Corporate Notes	40%
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%	Collateralized Certificates of Deposit	30%
Negotiable Certificate of Deposit	50%	Supranational Bonds	30%
Commercial Paper	50%	Municipal Obligations	30%

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, 2025 and 2024, the Authority was in full compliance with the Investment policy.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(3) Cash Deposits and Investments (Continued)

(b) Cash Deposits

As of September 30, 2025 and 2024, the carrying amounts of the Authority's unrestricted and restricted bank deposits were \$226,104 and \$223,852, respectively. These bank deposits were entirely insured or collateralized with securities or letters of credit at 102% of the fair value of principal, plus accrued interest held by the Authority's independent agent in the Authority's name.

(c) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Authority is required to classify certain assets and liabilities based on the following fair value hierarchy:

Level 1: Quoted price in active markets for identical assets.

Level 2: Inputs other than quoted prices included in level 1 that are observable, either directly or indirectly. Debt securities are priced based on a compilation of primarily observable market information or broker quote in a non-active market.

Level 3: Inputs are significant unobservable inputs.

As noted in the following table, all of the Authority's investments that are reported at fair value have been measured using Level 2 inputs as of September 30, 2025 and 2024, respectively:

	Fair Value Measurement at Reportable Date Using Significant Other Observable Inputs (Level 2)	
Investments by fair value level	2025	2024
U.S. Treasury notes	\$ 297,100	\$ 87,680
Commercial paper	101,830	-
Corporate notes	53,309	50,256
Federal Agency Mortgage-Backed Securities	10,535	9,377
Negotiable certificates of deposit	2,150	2,882
Municipal bonds	2,117	2,108
Supranational bonds	1,386	1,395
Total investments at fair value	468,427	153,698
Investments and cash equivalents carried at amortized cost	264,521	385,817
Total investments and cash equivalents	<u>\$ 732,948</u>	<u>\$ 539,515</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(3) Cash Deposits and Investments (Continued)

(d) Cash Equivalents and Investments

As of September 30, 2025 and 2024, the Authority held the following cash equivalents and investments:

Cash equivalents and investments	2025	Weighted Average Maturity (Years)	2024	Weighted Average Maturity (Years)
U.S. Treasury notes	\$ 342,611	1.163	\$ 253,191	1.926
Registered money market mutual	197,433	0.083	203,891	0.083
Commercial paper	106,335	0.557	-	0.000
Corporate notes	53,309	2.008	50,256	2.118
FDIC-insured certificates of deposit	17,072	0.369	16,416	0.376
Federal Agency Mortgage-Backed Securities	10,535	1.853	9,377	2.462
Negotiable certificates of deposit	2,150	1.155	2,882	1.918
Municipal bonds	2,117	1.446	2,108	1.074
Supranational bonds	1,386	1.340	1,395	2.372
Total cash equivalents and investments	<u>\$ 732,948</u>	<u>0.838</u>	<u>\$ 539,516</u>	<u>1.207</u>

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, 2025 and 2024.

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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(3) Cash Deposits and Investments (Continued)

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	1 year	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 0.838 years and 1.207 years as of September 30, 2025 and 2024, 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.

As of September 30, 2025, the Authority's investments with exposure to credit risk met the minimum credit ratings required in the Authority's investment policy.

Investment Type	Credit Quality Rating												Total
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	A-1	A-1+	AAAm	Not Rated	
U.S. government agency Obligations													0.0%
Commercial paper									10.0%	4.5%			14.5%
Registered Money Market Mutual											26.7%		26.7%
U.S. Treasury notes	6.2%	29.0%								10.0%			45.2%
FDIC-Insured certificates of deposit												2.5%	2.5%
Federal Agency Mortgage-Backed Securities	1.5%												1.5%
Corporate notes			0.1%	1.0%	2.5%	1.0%	1.1%	1.0%					6.7%
Negotiable certificates of deposit					0.6%				0.2%			0.1%	0.9%
Supranational bonds	1.2%												1.2%
Municipal bonds		0.6%	0.1%									0.1%	0.8%
	8.9%	29.6%	0.2%	1.0%	3.1%	1.0%	1.1%	1.0%	10.2%	14.5%	26.7%	2.7%	100.0%

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(3) Cash Deposits and Investments (Continued)

Custodial Credit Risk – Deposits is the risk that, in the event of the failure of the depository financial institution, the Authority will not be able to recover the deposits or collateral securities that are in the possession of an outside party. The Authority had no custodial credit risk associated with cash deposits as all other bank deposits were entirely insured or collateralized with securities or letters of credit at 102% of the fair 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.

A schedule of cash, cash equivalents and investments as of September 30, 2025 and 2024, follows:

Description	2025			2024		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents						
Demand Deposit	\$ 225,638	\$ 371	\$ 226,009	\$ 222,931	\$ 920	\$ 223,851
Registered money market mutual	466	196,967	197,433	290	203,602	203,892
U.S. Treasury notes	-	45,511	45,511	-	165,511	165,511
Commercial paper	-	4,505	4,505	-	-	-
Total cash and cash equivalents	226,104	247,354	473,458	223,221	370,033	593,254
Investments						
U.S. Treasury notes	86,103	210,997	297,100	83,235	4,445	87,680
Commercial paper	-	101,830	101,830	-	-	-
Corporate notes	53,309	-	53,309	50,256	-	50,256
FDIC-insured certificates of deposit	17,072	-	17,072	16,416	-	16,416
Federal Agency Mortgage-Backed Securities	10,535	-	10,535	9,377	-	9,377
Negotiable certificates of deposit	2,150	-	2,150	2,882	-	2,882
Municipal bonds	2,117	-	2,117	2,108	-	2,108
Supranational bonds	1,386	-	1,386	1,394	-	1,394
Total Investments	172,672	312,827	485,499	165,668	4,445	170,113
Total cash, cash equivalents & investments	\$ 398,776	\$ 560,181	\$ 958,957	\$ 388,889	\$ 374,478	\$ 763,367

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(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, 2025 and 2024, follows:

Description	2025	2024
Restricted cash and cash equivalents (current and noncurrent)		
2022 E Bond-Construction Account	\$ 45,868	\$ 100,972
2022 A Bond Subordinate-Principal Account	23,739	31,648
2025 B Bond-Construction Fund	19,829	-
2022 D Bond-Construction Account	16,815	48,648
Water Mains at Mass Ave	12,987	12,125
2024 A Subordinate Bond-Refunding Principal Subaccount	12,903	-
2024 A Subordinate Bond-Refunding Interest Subaccount	12,737	-
2015 A and B Bond Subordinate-Principal Account	9,117	8,533
2014 A Bond-Interest Account	8,476	8,490
2010 Bond-Interest Account	7,623	7,895
2022 D Bond-Principal Account	6,747	6,649
1998 Bond-Principal Account	6,654	6,329
2022 B and C Bond Subordinate-Interest Account	6,578	6,589
2018 A and B Senior Lien Bond-Interest Account	6,071	6,346
2016 A Bond-Interest Account	5,852	5,819
2017 A and B Senior Lien Bond-Principal Account	5,275	5,025
2010 A Bond-Principal Account	5,090	4,988
2017 A and B Senior Lien Bond-Interest Account	4,752	5,454
2018 A and B Senior Lien Bond-Principal Account	4,526	4,330
2019 D Bond Subordinate-Interest Account	4,464	4,636
2019 A and B Bond Subordinate-Interest Account	3,834	3,839
2019 A and B Subordinate Bond-Principal Account	3,458	-
2022 A Bond Subordinate-Interest Account	2,670	2,948
2022 D Bond Subordinate-Interest Account	1,534	1,683
2022 E Bond Subordinate-Interest Account	1,454	1,456
2019 D Bond Subordinate-Principal Account	1,432	1,741
2014 C Bond-Interest Account	1,387	2,748
2015 A and B Bond Subordinate-Interest Account	910	3,020
2021 WIFIA-Interest Account	899	573
1998 Bond-Interest Account	787	960
2025 C1and C2 Bond-Construction Fund	501	-
2025 C1and C2 Subordinate Bond Interest Subaccount	403	-
2025 B Bond-Refunding Cost of Issuance Subaccount	402	-
Cash-Fleet & Sewer Relocation	365	880
2025 C1 and C2 Bond Cost of Issuance Subaccount	348	-
2024 B Subordinate Bond-Refunding Interest Subaccount	280	268
2014 B Bond-Interest Account	225	268
2014 C Bond-Principal Account	161	6,032
1998 Bond-Debt Service Reserve	119	4,240
Lead Service Program 2	34	-
2025 A Bond-Refunding Cost of Issuance Subaccount	27	-
2021 WIFIA-Principal Account	11	-
Combined sewer overflow (CSO) federal appropriations	6	40
CRIAC Emergency Residential COVID19	4	10
2024 A Bond-Refunding Cost of Issuance Subaccount	-	59
2022 C1 Bond-Construction Account	-	64,539
Interest payment, 2019C revenue bonds	-	155
2024 B Bond-Refunding Costs of Issuance Subaccount	-	96
2021 WIFIA-Principal Account	-	2
Total restricted cash and cash equivalents	247,354	370,033
Restricted investments (current and noncurrent)		
2025 C1and C2 Bond-Construction Fund	173,568	-
2025 B Bond-Construction Fund	130,659	-
1998 Bond-Debt Service Reserve	8,600	4,445
Total restricted investments	312,827	4,445
Total restricted cash, cash equivalents & investments	\$ 560,181	\$ 374,478

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(4) Capital Assets

The following tables present the activity in capital assets for the years ended September 30, 2025 and 2024:

	Balance 9/30/2024	Additions	Disposals	Transfers	Balance 9/30/2025
Capital assets					
Wastewater treatment plant	\$3,458,793	\$ -	\$ -	\$ 39,881	\$3,498,674
Wastewater collection facilities	1,124,918	-	-	9,361	1,134,279
Water distribution system	1,571,735	-	-	107,996	1,679,731
Deep tunnel systems	1,269,654	-	-	1,112,900	2,382,554
Purchased capacity	454,759	20,318	-	-	475,077
Buildings	84,926	-	-	61,921	146,847
Capital equipment	457,252	-	(3,705)	26,701	480,248
Right to use assets (SBITA)	60,949	8,837	-	-	69,786
Total capital assets in service	8,482,986	29,155	(3,705)	1,358,760	9,867,196
Less accumulated depreciation:					
Wastewater treatment plant	(1,061,612)	(60,914)	-	-	(1,122,526)
Wastewater collection facilities	(415,291)	(19,325)	-	-	(434,616)
Water distribution system	(411,776)	(26,042)	-	-	(437,818)
Deep tunnel systems	(78,132)	(13,563)	-	-	(91,695)
Purchased capacity	(145,844)	(7,569)	-	-	(153,413)
Buildings	(11,548)	(1,421)	-	-	(12,969)
Capital equipment	(346,434)	(27,869)	3,663	-	(370,640)
Right to use assets (SBITA)	(34,533)	(7,597)	-	-	(42,130)
Total accumulated depreciation	(2,505,170)	(164,300)	3,663	-	(2,665,807)
Net capital assets in service	5,977,816	(135,145)	(42)	1,358,760	7,201,389
Construction-in-progress	2,582,242	596,408	-	(1,358,760)	1,819,890
Net capital assets	\$8,560,058	\$ 461,263	\$ (42)	\$ -	\$9,021,279

	Balance 9/30/2023	Additions	Disposals	Transfers	Balance 9/30/2024
Capital assets					
Wastewater treatment plant	\$3,425,716	\$ -	\$ (9,694)	\$ 42,771	\$3,458,793
Wastewater collection facilities	1,113,072	-	-	11,846	1,124,918
Water distribution system	1,326,108	-	-	245,627	1,571,735
Deep tunnel systems	1,269,654	-	-	-	1,269,654
Purchased capacity	425,995	28,764	-	-	454,759
Buildings	84,903	-	-	23	84,926
Capital equipment	433,426	179	(2,979)	26,626	457,252
Right to use assets (SBITA)	52,892	8,057	-	-	60,949
Total capital assets in service	8,131,766	37,000	(12,673)	326,893	8,482,986
Less accumulated depreciation:					
Wastewater treatment plant	(1,004,602)	(60,371)	3,361	-	(1,061,612)
Wastewater collection facilities	(395,854)	(19,437)	-	-	(415,291)
Water distribution system	(389,533)	(22,243)	-	-	(411,776)
Deep tunnel systems	(65,496)	(12,636)	-	-	(78,132)
Purchased capacity	(138,746)	(7,098)	-	-	(145,844)
Buildings	(10,212)	(1,336)	-	-	(11,548)
Capital equipment	(323,421)	(25,992)	2,979	-	(346,434)
Right to use assets (SBITA)	(28,750)	(5,783)	-	-	(34,533)
Total accumulated depreciation	(2,356,614)	(154,896)	6,340	-	(2,505,170)
Net capital assets in service	5,775,152	(117,896)	(6,333)	326,893	5,977,816
Construction-in-progress	2,410,601	498,534	-	(326,893)	2,582,242
Net capital assets	\$8,185,753	\$ 380,638	\$ (6,333)	\$ -	\$8,560,058

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(4) Capital Assets (Continued)

The following tables present the activity in purchased capacity for the years ended September 30, 2025 and 2024:

	Balance 9/30/2024	Additions	Balance 9/30/2025
Purchased capacity			
Washington Aqueduct	\$ 422,569	\$ 20,318	\$ 442,887
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	<u>454,759</u>	<u>20,318</u>	<u>475,077</u>
Less accumulated depreciation:			
Washington Aqueduct	(125,112)	(6,958)	(132,070)
Jennings Randolph Reservoir	(12,605)	(401)	(13,006)
Little Seneca Lake	(8,127)	(210)	(8,337)
Total accumulated depreciation	<u>(145,844)</u>	<u>(7,569)</u>	<u>(153,413)</u>
Purchased capacity, net	<u>\$ 308,915</u>	<u>\$ 12,749</u>	<u>\$ 321,664</u>
	Balance 9/30/2023	Additions	Balance 9/30/2024
Purchased capacity			
Washington Aqueduct	\$ 393,805	\$ 28,764	\$ 422,569
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	<u>425,995</u>	<u>28,764</u>	<u>454,759</u>
Less accumulated depreciation:			
Washington Aqueduct	(118,624)	(6,488)	(125,112)
Jennings Randolph Reservoir	(12,204)	(401)	(12,605)
Little Seneca Lake	(7,918)	(209)	(8,127)
Total accumulated depreciation	<u>(138,746)</u>	<u>(7,098)</u>	<u>(145,844)</u>
Purchased capacity, net	<u>\$ 287,249</u>	<u>\$ 21,666</u>	<u>\$ 308,915</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(4) Capital Assets (Continued)

SBITA Assets

During fiscal year 2025, capitalized SBITA assets increased to \$69,786, an increase of \$8,837 over fiscal year 2024. Accumulated amortization on SBITA assets were \$42,130 and \$34,533, as of 2025 and 2024, respectively.

(5) Capital Contributions

Capital contributions consist of the following for the years ended September 30, 2025 and 2024:

Description	2025	2024
Federal grants and appropriations	\$ 46,104	\$ 34,154
Contributions from District government	479	1,677
Total	<u>\$ 46,583</u>	<u>\$ 35,831</u>

Capital contributions consist principally of Federal grants and appropriations and certain capital costs incurred by the Authority in fiscal years 2025 and 2024 to be reimbursed by the District government pursuant to the Memorandum of Understanding between the Authority and the District.

(6) Due from Federal Government

The amount due from the Federal government consists of the following as of September 30, 2025 and 2024:

Description	2025	2024
Washington Aqueduct advance	\$ 113,485	\$ 111,743
Federal grants receivable	6,341	8,869
Washington Aqueduct MacMillan Filter Backwash	1,010	1,242
Total	<u>\$ 120,836</u>	<u>\$ 121,854</u>

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 represents amounts due from federal grantors related to allowable construction costs incurred but not billed and/or reimbursed as of the fiscal year end. Washington Aqueduct MacMillan Filter Backwash consists of amounts billed for industrial wastewater discharged into the Authority's Sewer System but not yet received under the Wastewater Discharge Permit issued to the Aqueduct authorizing filter backwash discharges to the Blue Plains Wastewater Treatment Plant.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(7) Customer Receivables

The following is a summary of customer receivables, net as of September 30, 2025 and 2024:

Description	2025	2024
Billed customer receivables	\$ 120,597	\$ 120,984
Unbilled customer receivables	34,845	31,281
Total customer receivables	155,442	152,265
Less: allowance for doubtful accounts	39,456	39,315
Customer receivables, net	<u>\$ 115,986</u>	<u>\$ 112,950</u>

(8) Due from Other Jurisdictions

The amount due from other jurisdictions under the 2012 IMA consists of the following at September 30, 2025 and 2024:

Description	2025	2024
Current:		
Washington Suburban Sanitary Commission	\$ 7,577	\$ 5,212
Fairfax	1,826	1,830
Loudoun County Sanitation Authority	1,407	1,595
Northern Virginia	124	120
Potomac Interceptor	1,000	948
Total current	<u>11,934</u>	<u>9,705</u>
Noncurrent:		
Washington Suburban Sanitary Commission	3,548	2,878
Fairfax	854	676
Loudoun County Sanitation Authority	491	373
Northern Virginia	2,004	2,127
Total noncurrent	<u>6,897</u>	<u>6,054</u>
Total due from other jurisdictions	<u>\$ 18,831</u>	<u>\$ 15,759</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(9) Compensated Absences

The following table reflects the activity associated with accrued compensated absences for the years ended September 30, 2025 and 2024.

Description	2025			2024		
	Vacation	Sick	Total	Vacation	Sick Restated	Total
Beginning of year	\$ 11,871	\$ 31,005	\$42,876	\$11,896	\$29,791	\$41,687
Increased (incurred)	12,971	9,061	22,032	12,647	7,269	19,916
Decreases	(12,980)	(8,124)	(21,104)	(12,672)	(6,055)	(18,727)
End of year	11,862	31,942	43,804	11,871	31,005	42,876
Less: current portion	11,862	6,352	18,214	11,871	5,077	16,948
Noncurrent portion	\$ -	\$ 25,590	\$25,590	\$ -	\$ 25,928	\$25,928

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(10) Short-Term Debt—Commercial Paper and Extendable Municipal Commercial Paper

The Authority's commercial paper notes payable are comprised of the following as of September 30, 2025 and 2024:

Description	Balance 9/30/2025	Balance 9/30/2024
Extendable Municipal Commercial Paper	\$ 50,000	\$ 50,000
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

(a) *Commercial Paper*

The Authority has established a commercial paper ("CP") program to provide interim financing for the Authority's capital improvement program. Two series of notes have been issued under the commercial paper program: the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed \$100,000, and the taxable Series C CP Notes in an aggregate principal amount not to exceed \$50,000, (collectively, the "Commercial Paper Notes"), each as subordinate debt to the senior debt discussed in Note 11. In May 2020, the Authority replaced the expiring direct-pay letters of credit issued by Landesbank Hessen-Thüringen Girozentrale, New York Branch with new irrevocable, direct-pay letters of credit, issued by TD Bank, NA to continue to provide liquidity and credit support for the Commercial Paper Notes.

In connection with the Bank's issuance of the Letters of Credit, the Authority and the Bank entered into a Reimbursement Agreement for each series of CP Notes, each dated as of May 1, 2015, each as amended (collectively, the "Reimbursement Agreements") that obligates 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 Bank. The Bank Obligations, the Reimbursement Obligations and Fee Obligations are Subordinate Debt under the Indenture. The Series B and Series C Commercial Paper Notes were retired during the fiscal year ended September 30, 2024.

In August 2024, the Authority partnered with Goldman Sachs & Co. and JPMorgan Securities to modernize and expand its Commercial Paper Program. The program's capacity increased from \$150 million (Series B and C) to \$250 million (2024 Series D), enhancing financial flexibility and supporting capital improvements. This expansion ensures ongoing access to taxable and tax-exempt capital markets and optimizes long-term debt issuance timing, with TD Bank, NA continuing to provide liquidity and credit support for the next five years.

As of September 30, 2025, the unspent amount related to the Series D Commercial Paper Notes was \$250,000.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(10) Short-Term Debt—Commercial Paper and Extendable Municipal Commercial Paper (Continued)

(b) *Extendable Municipal Commercial Paper*

A schedule of Extendable Municipal Commercial Paper activity for the years ended September 30, 2025 and 2024, is shown below:

Description	Balance	2025		Balance
	9/30/2024	Maturities	Re-Issuance	9/30/2025
EMCP Series A, interest from 2.72% to 3.25%, maturities ranged from 28 to 184 days	\$ 50,000	\$ (200,000)	\$ 200,000	\$ 50,000

Description	Balance	2024		Balance
	9/30/2023	Maturities	Re-Issuance	9/30/2024
EMCP Series A, interest from 3.40% to 3.86%, maturities ranged from 27 to 125 days	\$ 50,000	\$ (300,000)	\$ 300,000	\$ 50,000

The Authority has authorized a \$100,000 Extendable Municipal Commercial Paper (EMCP) Program. The program consists of one series - A, in the amount of \$100,000. This program will provide interim financing for a portion of the Authority's Capital Improvement Program. Under this program the notes are issued backed by the liquidity and credit rating of the Authority.

Each Series A EMCP Note will mature on its respective "Original Maturity Date", which may range from one to 90 days from the date of issuance, unless its maturity is extended on the "Original Maturity Date" to the "Extended Maturity Date", which will be the date that is 270 days after the date of issuance of the Series A EMCP Note. The notes are payable from and secured by a subordinate lien on the Authority's net revenues, as further described in the Authority's master trust indenture as supplemented.

As of September 30, 2025, the unspent amount related to the Series A EMCP Notes was \$50,000.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt

A schedule of long-term debt activity for the year ended September 30, 2025, is shown below:

Description	Balance 9/30/2024	Increases	Decreases	Balance 9/30/2025	Due Within One Year
2025 Public Utility Revenue Bonds:					
Series A interest at 5%, maturing in 2045	\$ -	\$ 55,495	\$ -	\$ 55,495	\$ -
Series B interest at 5.0%, maturing in 2055	-	160,615	-	160,615	-
Series C -1 interest at daily rate, maturing in 2061	-	87,975	-	87,975	-
Series C-2 interest at daily rate, maturing in 2061	-	87,975	-	87,975	-
2024 Public Utility Revenue Bond:					
Series A interest at 5% , maturing in 2045	506,360	-	-	506,360	12,695
Series B -1 interest at daily rate, maturing in 2055	49,770	-	-	49,770	-
Series B - 2, interest at daily rate, maturing in 2055	49,770	-	-	49,770	-
2022 Public Utility Revenue Bonds:					
Series A interest at 1.56% to 2.53%, maturing in 2037	284,085	-	(31,090)	252,995	23,345
Series B interest at 5.0%, maturing in 2048	79,585	-	-	79,585	-
Series C -1 interest at 4% to 5%, maturing in 2052	206,730	-	-	206,730	-
Series C-2 interest at 4%, maturing in 2041	4,418	-	-	4,418	-
Series D interest at 1.7% to 3.5%, maturing in 2045	111,635	-	(6,515)	105,120	6,635
Series E interest at 3%, maturing in 2028	96,350	-	-	96,350	-
2019 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2050	104,010	-	-	104,010	-
Series B interest at 5.0%, maturing in 2038	58,320	-	-	58,320	3,420
Series C interest at 1.75%, maturing in 2055	-	-	-	-	-
Series D interest at 1.7% to 3.2%, maturing in 2049	282,090	-	(1,710)	280,380	1,410
2018 Public Utility Revenue Bonds:					
Series A interest at 5.0%, maturing in 2050	79,465	-	-	79,465	-
Series B interest at 5.0%, maturing in 2050	166,220	-	(4,245)	161,975	4,455
2017 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2053	100,000	-	-	100,000	-
Series B interest at 4.0 % to 5.0%, maturing in 2045	111,150	-	(5,025)	106,125	5,275
2016 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2040	261,860	-	-	261,860	-
2015 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2046	57,425	-	(27,205)	30,220	8,755
Series B interest at 5.0 % to 5.25%, maturing in 2045	59,200	-	(59,200)	-	-
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2115	350,000	-	-	350,000	-
Series B-1 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series B-2 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series C interest at 3.0 % to 5.0%, maturing in 2044	74,570	-	(5,900)	68,670	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2045	281,450	-	(4,885)	276,565	5,005
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2029	34,645	-	(6,205)	28,440	6,550
Subtotal	3,509,108	392,060	(151,980)	3,749,188	77,545
Direct Placement & Borrowings of Debt:					
Notes payable to the Federal Government					
interest at 3.25%, maturing in 2041	9,474	-	(497)	8,977	513
2021 WIFIA Loan Payable:					
Interest at 1.9% to 2.3%, maturing in 2060	78,613	25,673	-	104,286	-
Subtotal	88,087	25,673	(497)	113,263	513
Total	3,597,195	417,733	(152,477)	3,862,451	78,058
Unamortized bond premiums	237,175	7,613	(16,072)	228,716	-
Unamortized bond discounts	(1,191)	-	128	(1,063)	-
Grand total bonds and notes	\$ 3,833,179	\$ 425,346	\$ (168,421)	\$ 4,090,104	\$ 78,058

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

A schedule of long-term debt activity for the year ended September 30, 2024, is shown below:

Description	Balance 9/30/2023	Increases	Decreases	Balance 9/30/2024	Due Within One Year
2024 Public Utility Revenue Bond:					
Series A interest at 5% , maturing in 2045	\$ -	\$ 506,360	\$ -	\$ 506,360	\$ -
Series B - 1 interest at daily rate, maturing in 2055	-	49,770	-	49,770	-
Series B - 2, interest at daily rate, maturing in 2055	-	49,770	-	49,770	-
2022 Public Utility Revenue Bonds:					
Series A interest at 1.56% to 2.53%, maturing in 2037	294,305	-	(10,220)	284,085	31,090
Series B interest at 5.0%, maturing in 2048	79,585	-	-	79,585	-
Series C - 1 interest at 4% to 5%, maturing in 2052	206,730	-	-	206,730	-
Series C-2 interest at 4%, maturing in 2041	4,418	-	-	4,418	-
Series D interest at 1.7% to 3.5%, maturing in 2045	148,925	-	(37,290)	111,635	6,515
Series E interest at 3%, maturing in 2028	96,350	-	-	96,350	-
2019 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2050	104,010	-	-	104,010	-
Series B interest at 5.0%, maturing in 2038	58,320	-	-	58,320	-
Series C interest at 1.75%, maturing in 2055	99,505	-	(99,505)	-	-
Series D interest at 1.7% to 3.2%, maturing in 2049	338,235	-	(56,145)	282,090	1,710
2018 Public Utility Revenue Bonds:					
Series A interest at 5.0%, maturing in 2050	100,000	-	(20,535)	79,465	-
Series B interest at 5.0%, maturing in 2050	185,670	-	(19,450)	166,220	4,245
2017 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2053	100,000	-	-	100,000	-
Series B interest at 4.0 % to 5.0%, maturing in 2045	180,735	-	(69,585)	111,150	5,025
2016 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2040	377,575	-	(115,715)	261,860	-
2015 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2046	74,000	-	(16,575)	57,425	8,365
Series B interest at 5.0 % to 5.25%, maturing in 2045	173,090	-	(113,890)	59,200	-
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2115	350,000	-	-	350,000	-
Series B-1 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series B-2 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series C interest at 3.0 % to 5.0%, maturing in 2044	242,755	-	(168,185)	74,570	5,900
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2045	286,215	-	(4,765)	281,450	4,885
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2029	54,990	-	(20,345)	34,645	6,205
Subtotal	3,655,413	605,900	(752,205)	3,509,108	73,940
Direct Placement & Borrowings of Debt:					
Notes payable to the Federal Government					
interest at 3.25%, maturing in 2041	9,955	-	(481)	9,474	497
2021 WIFIA Loan Payable:					
Interest at 1.9% to 2.3%, maturing in 2060	52,599	26,014	-	78,613	-
Subtotal	62,554	26,014	(481)	88,087	497
Total	3,717,967	631,914	(752,686)	3,597,195	74,437
Unamortized bond premiums	235,144	67,582	(65,551)	237,175	-
Unamortized bond discounts	(1,320)	-	129	(1,191)	-
Grand total bonds and notes	\$3,951,791	\$ 699,496	\$ (818,108)	\$3,833,179	\$ 74,437

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

(a) *Senior Debt*

The 2018 Series A and B, 2017 Series A and B, 2014 Series A, 2009 Series A and 1998 Series public utility revenue bonds are considered senior debt under the related Master Indenture of Trust ("Master Indenture"). Payment of the principal and interest on the 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 April 2018, the Authority issued senior lien revenue bonds with a face value of \$300,000. The bonds were structured in two Series: 2018 Series A (Green Bonds) consisting of \$100,000 with interest rates at 5.0% maturing in 2050; 2018 Series B consisting of \$200,000 with interest rates at 5.0% maturing in 2050. Gross proceeds from the two series of 2018 Bonds totaled \$348,644 including \$48,644 of the original issue premium. Approximately \$115,086 of 2018 series A (Green Bonds) was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; \$146,586 of the 2018 series B was used to fund various capital improvements to the system; \$85,000 of 2018 series B was used to pay principal of and interest on all or a portion of the Authority's outstanding commercial paper notes, Series B (the "Series B CP Notes) and \$1,972 was used to pay the underwriter's discount and cost of issuance.

In January 2017, the Authority issued senior lien revenue bonds with a face value of \$300,000. The bonds were structured in two Series: 2017 Series A (Green Bonds) consisting of \$100,000 with interest rates ranging from 4.0% to 5.0% maturing in 2053; 2017 Series B consisting of \$200,000 with interest rates ranging from 4.0% to 5.0% maturing in 2045. Gross proceeds from the two series of 2017 Bonds totaled \$334,345, including \$34,345 of the original issue premium. Approximately \$107,966 of 2017 series A (Green Bonds) was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; \$224,406 of the 2017 series B was used to fund various capital improvements to the system and \$1,972 was used to pay the underwriter's discount and cost of issuance.

In July 2014, the Authority issued \$350,000 of senior lien public utility revenue bonds 2014 Series A. The 2014 Series A bonds are federally taxable green bonds with a fixed rate of 4.81% and a 100 year final maturity in 2115. 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 \$346,000 including \$4,000 of underwriter's discount and cost of issuance.

In April 1998, the Authority issued \$266,120 of senior lien public utility revenue bonds 1998 Series. Gross proceeds from the Series 1998 Series 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

(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 August 2025, the Authority issued three series of subordinate lien revenue bonds totaling \$392,060 in face value: Series 2025A (\$55,495), Series 2025B (\$160,615), and Series 2025C (\$175,950).

The Series 2025A subordinate lien revenue refunding bonds bear interest at 5% and mature in 2044. Proceeds were used to fully refund the 2015 Series B bonds and to pay issuance costs. Total gross proceeds were \$59,781, including an original issue premium of \$4,286. Of this amount, \$59,350 was deposited into the Series 2025A escrow account and \$431 was applied to underwriters' discount and issuance costs. The refunding resulted in an economic gain of \$6,817.

The Series 2025B subordinate lien revenue refunding bonds bear interest rates ranging from 5.00% to 5.25% and mature in 2054. Proceeds will be used to finance a portion of the Clean Rivers Project, partially refund the 2015 Series A bonds, and pay issuance costs. Total gross proceeds were \$170,099, including an original issue premium of \$9,484. Of this amount, \$18,885 was deposited into the Series 2025B escrow account, \$150,000 was used to finance the Clean Rivers Project, and \$1,214 was applied to underwriters' discount and issuance costs. The refunding resulted in an economic gain of \$652.

The Series 2025C subordinate lien multimodal revenue bonds with a total face value of \$175,950 consists of Subseries 2025C-1 and 2025C-2, each with an original principal amount of \$87,975, maturing in 2060. The bonds initially bear interest at a daily rate and are subject to mandatory sinking fund redemption prior to final maturity. Total gross proceeds of \$175,950 will be used to finance system-related costs, and \$950 was applied to underwriters' discount and issuance costs.

In July 2024, the Authority issued subordinate lien revenue refunding bonds with a face value of \$506,360. The bonds consist of Series 2024A with a face value of \$506,360 and interest rate at 5% and maturing in 2045. The proceeds of Series 2024A Bonds will be used to purchase the Tender Offer Bonds accepted to partially refund the 2015 Series A, 2015 Series B, 2016 Series A, 2017 Series B, 2018 Series B, 2019 Series D, and 2022 Series D bonds, refund certain of the Authority's 2014C Bonds and to pay the cost of issuing the Series 2024A bonds. Gross proceeds of the 2024A Bonds totaled \$588,722, including \$67,582 of the original issue premium. \$155,314 was deposited to Series 2024A escrow account, \$429,704 was deposited to the Tender Purchase Fund and \$3,703 was used for underwriters' discount and for the cost of issuance.

The 2024 Series A Bonds partially refunded \$153,310 of the 2014 Series C, \$8,550 of the 2015 Series A, \$113,890 of the 2015 Series B, \$115,715 of 2016 Series A, \$64,800 of the 2017 Series B, \$20,535 of the 2018 Series A, \$15,405 of the 2018 Series B, \$54,465 of the 2019 Series D and \$30,875 of the 2022 Series 2022 D bonds. Details of this refunding are discussed above. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from the refunded bonds is \$80,705.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

Also, in July 2024, the Authority issued subordinate lien multimodal revenue refunding bonds, series 2024B with a face value of \$99,540, consisting of subseries 2024B-1, in the original principal amount of \$49,770 and subseries 2024B-2 in the original principal amount of \$49,770. Gross proceeds totaled \$100,116, including \$575 of the Authority's contribution. \$99,432 was deposited to series 2024B escrow account and \$684 was used for underwriter's fee and other cost of issuance. The series 2024B bonds will initially be bearing interest at a daily rate. Both subseries 2024B-1 and 2024B-2 are subject to mandatory sinking fund redemption prior to final maturity in 2055. The proceeds of the series 2024B bonds will be used to refund the Authority's outstanding subordinate lien multimodal revenue bonds series 2019C and to pay the costs of issuance.

The 2024 Series B bonds fully refunded \$99,505 of the 2019 Series C bond; details of this refunding are discussed above. This refund resulted in a deferred gain of \$689.

In February 2022, the Authority issued subordinate lien revenue bonds with a face value of \$439,658. The bonds were structured in four Series: 2022 Series B (Green Bonds) consisted of \$79,585, with average interest rates at 5.0% maturing in 2048; revenue and revenue refunding bonds 2022 Series C-1 consisting of \$206,730 with average interest rates ranging from 4% to 5% maturing in 2052; revenue refunding bonds 2022 Series C-2 consisting of \$4,418 with average interest rates at 4% maturing in 2041; revenue and revenue refunding bonds 2022 Series D consisting of \$148,925 with average interest rates ranging from 1.7% to 3.5% maturing in 2045.

Gross proceeds from the four series of 2022 Bonds totaled \$499,136, including \$59,774 of the original issue premium. Approximately \$79,585 of 2022 series B, was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; Series 2022 C-1 and D will be used to pay a portion of the Authority's share of capital improvements to the Washington Aqueduct and a portion of the costs of capital improvements to the system; \$25,000 of the 2022 series C-1 was used to fund CP notes principal and interest subaccounts.

A portion of the series C-1 proceeds was used to refund \$106,850 Subordinate Lien Revenue Refunding Bonds, Series 2014C, \$13,780 Subordinate Lien Revenue Bonds, Series 2015A and \$76,910 Subordinate Lien Revenue Bonds, Series 2015B; \$121,622 of the 2022 series C-1 was deposited to series 2022C-1 tender purchase account; \$74,727 of the 2022 series D was deposited to series 2022D Escrow Account; \$4,418 of the 2022 Series C-2 will be issued in exchange for the tendered bonds and therefore no proceeds will be received by the Authority, and \$2,787 was used to pay the underwriter's discount and cost of issuance.

In March 2022, the Authority issued \$96,350 of tax-exempt 2022 Series E variable rate multimodal subordinate lien revenue bonds, maturing in 2028 to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately \$100,653 including \$653 of underwriter's discount and cost of issuance. Initially, the 2022 Series E bonds will bear interest at a soft tender long term rate. Upon expiration of the initial interest period, the bonds may be converted into a daily, weekly, index, short term, or fixed rate period, or a subsequent long term rate period.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

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(In thousands)

(11) Long-Term Debt (Continued)

In April 2020, DC Water entered into an agreement with DNT Asset Trust (an affiliate of JPMorgan Chase Bank, N.A.) to purchase a Subordinate Lien Revenue Refunding Bond, Series 2022A in the amount of \$294,305 to (a) refund \$127,375 Subordinate Lien Revenue Bonds, Series 2012A and \$163,215 Subordinate Lien Revenue Refunding Bonds, Series 2012C; and (b) pay the costs of issuance of the bond. In July 2022, the Authority issued the 2022 Series A bonds for \$294,305 with interest rates ranging from 1.56% and 2.53% and maturing in 2037. The refunding provided an annual debt service savings averaging \$3,800 annually from fiscal year 2022 to fiscal year 2037.

In October 2019, the Authority issued subordinate lien revenue bonds with a face value of \$505,490. The bonds were structured in three Series: 2019 Series A consisted of \$104,010 with average interest rates ranging from 4.0% to 5.0% maturing in 2050; 2019 Series B consisting of \$58,320 with average interest rates at 5.0% maturing in 2038; revenue refunding bonds 2019 Series D consisting of \$343,160 with average interest rates ranging from 1.7% to 3.2% maturing in 2049. Gross proceeds from the three series of 2019 Bonds totaled \$544,170, including \$38,680 of the original issue premium. Approximately \$125,000 of 2019 series A was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; \$75,000 of the 2019 series B was used to fund various capital improvements to the system; \$342,471 of 2019 series D was used to refund all or portion of the authority's outstanding subordinated lien revenue bonds 2013 Series A, and \$2,948 was used to pay the underwriter's discount and cost of issuance.

In October 2019, the Authority issued \$99,505 of tax-exempt 2019 Series C variable rate multimodal subordinate lien revenue bonds, maturing in 2055 to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately \$100,617 including \$617 of underwriter's discount and cost of issuance. Initially, the 2019 Series C bonds will bear interest at a soft tender long term rate. Upon expiration of the initial interest period, the bonds may be converted into a daily, weekly, index, short term, or fixed rate period, or a subsequent long term rate period.

In September 2016, the Authority issued \$25,000 of tax-exempt public utility subordinate lien revenue bonds, 2016 Series B (Environmental Impact Bonds) (the "2016 Series B Bonds"). The 2016 Series B Bonds are multimodal variable rate bonds, initially issued bearing a 3.43% fixed rate through the mandatory tender date, April 1, 2021. The net proceeds (after payment of \$472 of issuance expenses) of \$24,528 of the 2016 Series B Bonds will be used for construction of green infrastructure (GI) in Rock Creek Project A (RC-A). The GI practices are designed to mimic natural processes to absorb and slow surges of stormwater during periods of heavy rainfall, reducing the incidence and volume of combined sewer overflows (CSOs) that pollute the District's waterways.

The 2016 Series B Bonds were designated as Environmental Impact Bonds and, as such, included provisions for the possibility of an Outcome Payment by the Authority to the Original Purchasers of the 2016 Series B Bonds of \$3,300 in the event of a runoff reduction greater than 41.3%, and for the possibility of a Risk Share Payment by the Original Purchasers to the Authority of \$3,300 in the event of a runoff reduction less than 18.6%. Runoff reduction means the percentage reduction of storm water runoff in RC-A per impervious acre treated to manage the volume of runoff produced by 1.2 inches of rain as compared to the existing conditions runoff in RC-A as defined in the Private Placement Agreement between the Authority and Original Purchasers.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

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(In thousands)

(11) Long-Term Debt (Continued)

Post-construction monitoring found the green infrastructure reduced stormwater runoff by nearly 20 percent from previous levels. This fell within the 'as expected' outcome range established by the EIB and means no outcome payment was due to the investors and no risk share or underperformance penalty was due from the investors.

In February 2016, the Authority issued subordinate lien revenue refunding bonds 2016 Series A for \$389,110. The proceeds from these bonds were used to advance refund \$67,295 of the remaining portion of subordinated lien revenue bonds 2007 Series A, \$141,555 of subordinate lien revenue bonds 2008 Series A, \$144,810 of senior lien revenue bonds 2009 Series A and current refund the remaining portion of \$48,285 of subordinated lien revenue bonds 2007 Series A.

The proceeds from 2016 Series A were used to purchase securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007 Series A, 2008 Series A and 2009 Series A bonds. As a result, the bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The interest rates on the refunded bonds range from 3.0% to 6.0%. The cash flow required to make principal and interest payments on the refunding bonds is approximately \$78,672 less than the debt service requirements of the refunded bonds. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from the advance refunding is \$56,831.

In October 2015, the Authority issued subordinate lien revenue bonds with a face value of \$350,000. The bonds were structured in two Series: 2015 Series A (Green Bonds) consisted of \$100,000 with interest rates ranging from 2.0% to 5.0% maturing in 2046; 2015 Series B consisting of \$250,000 with interest rates ranging from 5.0% to 5.25% maturing in 2045. Gross proceeds from the two series of 2015 Bonds totaled \$406,587, including \$56,587 of the original issue premium.

Approximately \$115,869 of 2015 series A (Green Bonds) was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; \$226,584 of the 2015 series B was used to fund various capital improvements to the system; \$62,000 of 2015 series B was used to pay principal of and interest on all or a portion of the Authority's outstanding commercial paper notes, Series B (the "Series 2015 B CP Notes"), and \$2,134 was used to pay the underwriter's discount and cost of issuance.

In November 2014, the Authority issued subordinate lien revenue refunding bonds 2014 Series C for \$377,700. The proceeds from these bonds were used to advance refund \$103,135 of subordinated lien revenue bonds 2007 Series A, \$93,560 of subordinate lien revenue bonds 2008 Series A, and \$128,835 of senior lien revenue bonds 2009 Series A; and to current refund \$52,690 of subordinate lien multimodal revenue bonds 2012 Subseries B-1.

The proceeds from 2014 Series C were used to purchase securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007 Series A, 2008 Series A and 2009 Series A bonds. As a result, the bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The interest rates on the refunded bonds range from 2.26% to 6.0%. The cash flow required to make principal and interest payments on the refunding bonds is approximately \$50,356 less than the debt service requirements of the refunded bonds.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from the advance refunding is \$35,266.

In July 2014, the Authority issued \$100,000 of tax-exempt 2014 Series B 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 \$99,500 including \$500 of underwriter's discount and cost of issuance. Initially, the 2014 Series B 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.

In October 2010, the Authority issued the 2010 Series A public utility subordinate lien revenue bonds, 2010 Series A under the Federal Government's Build America Bonds program. Under this program, the Federal government provides the Authority with 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 2045 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 fiscal years ended September 30, 2024 and 2023, amounted to \$2,559 and \$2,596, respectively. In fiscal year 2024, the Authority received \$2,583 less than expected due to budget sequester impacts experienced by the Federal government.

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, 2025 and 2024. The primary requirements of the Master Indenture are summarized below:

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

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

Debt Service Reserve Fund — The Authority has established debt service reserve accounts for certain series of bonds, which are only to be used to pay debt service in the event of insufficient funds. The 1998 Series bonds debt service reserve account balance as of September 30, 2025, and 2024 was \$8,719 and \$8,684, respectively, and is required to be maintained at the least of (a) maximum principal and interest due on the Series 1998 Bonds in the current or any future fiscal year, (b) 10% of the original stated principal amount of the 1998 bonds, or (c) 125% of current and future average annual 1998 Series debt service.

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 of \$125,500 which is in excess of that required by the Master Indenture.

Events of default with finance related consequences — If the Trustee is required to draw moneys from the Debt Service Reserve Fund to pay principal or interest on the Bonds and the Authority fails to begin replenishing the Debt Service Fund within 60 days, the Trustee shall send a notice of default to Holders of Senior Debt that have related Debt Service Reserve Accounts notifying them of the Authority's failure to replenish such draws.

Termination of Proceedings — Where default proceedings have been discontinued or abandoned for any reason or shall have been determined adversely to the trustee, the Authority and the Trustee shall be restored to their former positions and rights under the terms of the Master Indenture, and all rights, remedies and power of the Trustee shall continue as if no such proceedings had taken place.

Acceleration — Where the Trustee declares by written notice to the Authority, that the entire unpaid principal of the Bonds due and payable, the Authority shall forthwith pay to the holders of the Bonds the entire unpaid principal of, premium, if any, and accrued interest on the Bonds, but only from Net Revenues and other moneys specifically pledged for payments of Bondholders under the terms of the Master Indenture.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**Notes to the Financial Statements****September 30, 2025 and 2024****(In thousands)**

(11) Long-Term Debt (Continued)**(d) Debt Service to Maturity**

The future debt-service obligations on September 30, 2025, are as follows:

Fiscal years	Principal	Interest	Total
2026	\$ 78,058	\$ 164,166	\$ 242,224
2027	84,695	160,703	245,398
2028	187,252	156,931	344,183
2029	98,733	151,455	250,188
2030	98,911	147,934	246,845
2031 - 2035	553,262	677,276	1,230,538
2036 - 2040	672,141	539,309	1,211,450
2041 - 2045	802,932	376,328	1,179,260
2046 - 2050	505,539	236,693	742,232
2051 - 2055	234,784	156,954	391,738
2056 - 2060	166,813	120,968	287,781
2061 - 2065	29,330	84,245	113,575
2066 - 2070	-	84,245	84,245
2071 - 2075	-	84,245	84,245
2076 - 2080	-	84,245	84,245
2081 - 2085	-	84,245	84,245
2086 - 2090	-	84,245	84,245
2091 - 2095	-	84,245	84,245
2096 - 2100	-	84,245	84,245
2101 - 2105	-	84,245	84,245
2106 - 2110	154,524	62,627	217,151
2111 - 2115	195,477	19,704	215,181
	<u>\$ 3,862,451</u>	<u>\$ 3,729,253</u>	<u>\$ 7,591,704</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(11) Long-Term Debt (Continued)

(e) *Outstanding Debt Defeased*

The Authority defeased certain revenue bonds in current years by placing cash or the proceeds of new revenue bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the Trust account assets and the liability for the defeased bonds are not reflected in the Authority's financial statements. As of September 30, 2025, the following outstanding revenue bonds are considered defeased:

Bond issue	2025
2015 A Public Utility Revenue Bond :	
interest at 2.00% to 5.00%, Maturing in 2045	\$ 18,840
2015 B Public Utility Revenue Bond :	
interest at 5.00% to 5.25%, Maturing in 2044	59,200
Total Principal Outstanding	<u>\$ 78,040</u>

(f) *WIFIA Loan Agreement*

On March 12, 2021, DC Water entered into a WIFIA Loan Agreement with the United States Environmental Protection Agency for an amount up to \$156,367. The WIFIA Loan is expected to provide partial funding for infrastructure repair, rehabilitation, and replacement projects within the District of Columbia. Payment of the WIFIA Loan will be secured by a senior lien pledge of net revenues, with final maturity on October 1, 2060. On September 17, 2021, DC Water and EPA re-executed the WIFIA Loan Agreement to lower the fixed interest rate to 1.87%, with all other terms remaining unchanged.

DC Water has submitted requests for loan disbursements and there is an outstanding balance of \$104,286, loan principal as of September 30, 2025.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(12) Commitments and Contingencies – Other Liabilities

A schedule of other liabilities as of September 30, 2025 and 2024, is shown below:

Description	2025	2024
Risk management contingency	\$ 5,537	\$ 4,910
Rolling owner controlled insurance program	3,487	4,298
Litigation contingency	1,861	1,770
Contractual obligations	1,258	1,259
Retirement Health Savings Plan	14,251	11,808
Total other liabilities	26,394	24,045
Less: current portion	16,234	14,626
Noncurrent portion	<u>\$ 10,160</u>	<u>\$ 9,419</u>

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

For each of the three most recent years, settlement of claims has not exceeded insurance coverage. Additionally, there have not been any significant changes in insurance coverage in comparison to 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 per occurrence. A lower deductible of \$10 per occurrence applies to scheduled watercraft and mobile equipment.

The Authority has purchased excess liability insurance coverage to protect it from claims alleging damages and injuries caused by automobile accidents, damaged utilities, construction, cyber and other activities. Limits of \$100,000 have been secured in excess of a self-insured retention 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 per claim. Additional insurance includes professional liability, which provides protection for errors or omissions arising from engineering, consulting or testing services provided to third parties for a fee.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

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

Crime & Fidelity/Employee insurance provides dishonesty coverage and miscellaneous crime coverage. Fiduciary liability provides protection for wrongful acts that are actually or allegedly caused by trustees and employees of the DC Water sponsored Employee Benefit Plans. The retention for fiduciary liability is \$0, Professional liability is \$10 and crime is \$25.

The Authority self-insures the first \$1,000 per occurrence of workers' compensation claims costs. 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, 2025 and 2024, were as follows:

Description	2025	2024
Balance, beginning of year	\$ 4,910	\$ 4,654
Current year claims and changes in estimates	2,202	1,274
Claim payments	(1,575)	(1,018)
Balance, end of year	<u>\$ 5,537</u>	<u>\$ 4,910</u>

(b) *Rolling Owner Controlled Insurance Program*

The Authority procures insurance for most 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, pollution liability, builder's risk and workers' compensation insurance. Both general liability and workers' compensation have a \$500 per occurrence deductible. There is also \$100,000- \$200,000 excess general liability coverage in place. 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

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

Additionally, there has not been a significant reduction in insurance coverage from coverage in the prior year.

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, 2025 and 2024, were as follows:

Description	2025	2024
Balance, beginning of year	\$ 4,298	\$ 4,729
Current year increase in ROCIP liability	6,724	23,211
ROCIP administration and claim payments	(7,535)	(23,641)
Balance, end of year	<u>\$ 3,487</u>	<u>\$ 4,299</u>

(c) *Litigation*

The Authority is a party to 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, 2025, and 2024:

Description	2025	2024
Balance, beginning of year	\$ 1,770	\$ 1,765
Current year claims and changes in estimates	526	165
Claim payments	(435)	(160)
Balance, end of year	<u>\$ 1,861</u>	<u>\$ 1,770</u>

Although the ultimate outcome of these legal proceedings is 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(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 federal grantors or their 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.

(e) Construction and Other Significant Commitments

The Authority's contractual commitments are primarily associated with the long-term capital improvement program. Outstanding contractual commitments related to the capital improvement program as of September 30, 2025 were \$274,858. 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) SBITA

Total SBITA payable as of September 30, 2025 and 2024, were \$27,858 and \$25,721, respectively. Of these amounts, current SBITA payables included in accounts payables and accrued expenses on the Statements of Net Position as of September 30, 2025 and 2024, were \$6,621 and \$6,413, respectively.

DC Water uses an individual discount rate for each lease based upon the associated AAA tax-exempt interest rate for a borrowing of the same average life. This approximates the rate at which DC Water could achieve on a similar financing in the public markets.

DC Water has 13 and 19 capitalizable technology contracts for the years ended September 30, 2025 and 2024, respectively. The range of the lengths of the agreements is from 3 to 13 years, including extension periods. These include 1 Billing Systems, 1 ERP Systems, and 11 Management Application Systems.

The following table presents activity in SBITA liability by major class as of September 30, 2025:

Description	Balance 9/30/2024	2025		Balance 9/30/2025
		Increases	Decreases	
Management applications	\$ 12,687	\$ 8,849	\$ (4,107)	\$ 17,429
ERP systems	3,916	-	(967)	2,949
Billing systems	9,118	-	(1,638)	7,480
Total	<u>\$ 25,721</u>	<u>\$ 8,849</u>	<u>\$ (6,712)</u>	<u>\$ 27,858</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

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

Future SBITA commitments as of September 30, 2025, are as follows:

Fiscal Years	Principal	Interest Expense and Accrued Interest	Payments
2026	\$ 6,621	\$ 760	\$ 7,381
2027	7,101	570	7,671
2028	6,964	507	7,471
2029	6,211	191	6,402
2030	704	16	720
2031	257	11	268
	<u>\$ 27,858</u>	<u>\$ 2,055</u>	<u>\$ 29,913</u>

(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 \$46,479 and \$40,726, from the District government and \$15,552 and \$17,721, from the District of Columbia Housing Authority ("DCHA") for fiscal years 2025 and 2024, 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. Since the parties have not executed a new memorandum, the terms of 2014 memorandum remain in effect until a replacement agreement is executed. 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 stipulates that the Authority is entitled to offset this payment for services rendered to the District under our fire protection program.

The Authority recorded an expense of \$18,696 and \$18,329 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, 2025, and 2024, respectively.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(13) Related Party and Similar Transactions (Continued)

The Authority also recorded an expense of \$5,100 for the District's right-of-way (ROW) fee charged to all area utilities for infrastructure occupancy in public streets, for each of the years ended September 30, 2025 and 2024. As of September 30, 2025, there was no outstanding balance due to the District related to these fees.

(c) Due from District Government (Net)

The amounts due from the District government as of September 30, 2025 and 2024 were \$1,430 and \$8,515, respectively. Such amounts were comprised of the following at September 30, 2025 and 2024, respectively:

Description	2025	2024
Northeast Boundary Neighborhood Protection Project	\$ -	\$ 5,858
Storm Water Fees (13d)	(2,211)	(790)
Other miscellaneous items	3,641	3,447
Total due from District government	<u>\$ 1,430</u>	<u>\$ 8,515</u>

On September 11, 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. Amendment No. 1 of the MOU dated September 1, 2015, calls for ten (10) equal installment payments of \$5,858. The parties agreed that each installment payment is due on January 15th of each year until the costs are paid in full. Final payment under Final payment under this memorandum was paid by the District to the Authority in 2025.

(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, 2025 and 2024, the activity associated with the Authority providing this service to the District was as follows:

Description	2025	2024
Due to the District-beginning of year	\$ (790)	\$ (919)
Collections on behalf of the District	(15,075)	(12,826)
Remittances to the District	13,708	12,931
Expenses incurred by the Authority	938	1,301
Expenses reimbursed by the District	(992)	(1,277)
Due to the District-end of year	<u>\$ (2,211)</u>	<u>\$ (790)</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(13) Related Party and Similar Transactions (Continued)

Billings and collections associated with the District's Storm Water fees are not reflected in the Authority's financial statements as these are not billings and collections of the Authority. However, reimbursable expenses incurred and the related revenues from the District to cover such expenses are reflected in the accompanying statements of revenues, expenses and changes in net position.

The due (to) from the District has been reported in Due from District Government on the Statements of Net Position as of September 30, 2025 and 2024, respectively.

(14) Employee Benefits

(a) *Federal Benefit Plans*

Certain DC Water employees who were previously employed by the District of Columbia government prior to October 1, 1987, are eligible to continue to participate in certain federal benefit plans administered by the federal government's Office of Personnel Management ("OPM"). The plans provide retirement and death benefits to plan participants and beneficiaries. In fiscal years 2024 there were 39 and in 2025 there were 35 DC Water employees covered by these plans, respectively.

The OPM issues a publicly 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 2025, 2024, and 2023, the Authority's contributions to the plans were \$263, \$292 and \$342, respectively. These amounts were 100% of the required contributions under the plans for each of the fiscal years presented.

DC Water is only responsible for funding the employer contributions for participating employees while employed by the Authority. DC Water is not responsible for any unfunded liability for this plan. Under current law, this liability will be paid off eventually through the series of 30-year amortizations payments from the general fund of the U.S. Treasury to the Civil Service Retirement and Disability Fund.

(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 administered 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).

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(14) Employee Benefits (Continued)

The Authority established a retirement plan committee that oversees the 401(a) and 457(b) retirement plans. The committee meets on a semiannual basis to make decisions regarding the plan. Pursuant to the 401(a) plan, employees not reaching the 100% vesting period of three years of service will forfeit amounts related to Basic, Matching, and Discretionary Contributions and may be used to pay for plan expenses or reduce future Authority contributions. There are no amounts of forfeitures reflected in the pension expense reported in fiscal years 2025, 2024, and 2023.

As Plan Administrator, the Authority maintains the plans' records, determines issues related to eligibility as they relate to participation and benefits, interprets the plans, communicates with participants and their beneficiaries and responsible for the plans' operations. Fidelity Investments is the Plan Trustee.

Defined Contribution Plan - During fiscal years 2025, 2024 and 2023, 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.

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 administered by the Authority. The District of Columbia Water and Sewer Defined Contribution Plan is a qualified trust under Internal Revenue Code Section 401.

The Authority makes a matching contribution of 100% of the amount that the employee defers to the 457(b) Deferred Compensation Plan; up to a maximum contribution of 5% of base pay for eligible employees. There is no waiting period before an employee can elect to become a participant of this plan and employees are always 100% vested in their contributions.

The Authority's matching contribution is vested after three years of service. During fiscal years 2025, 2024, and 2023, the Authority's contributions to both defined contribution plans were \$13,552 \$12,828 and \$12,197, respectively.

(c) Post-Employment Insurance Plans

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. The Authority does not provide post-employment health and life insurance benefits to any employees hired after September 30, 1987.

(d) Retirement Health Savings Plan

In fiscal year 2007, the Authority implemented a Retirement Health Savings Plan for non-union employees hired after September 30, 1987. 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.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(15) Blended Component Unit Condensed Financial Statements

The following are the condensed financial statements of Blue Drop, LLC as of and for the years ended September 30, 2025 and 2024. As required, all intra-entity activities between Blue Drop and the Authority have been eliminated in the consolidation of Blue Drop, LLC's financial statements with those of the Authority. Such intra-entity activities were comprised of \$1,632 and \$1,412, of support provided by DC Water to Blue Drop for fiscal years 2025 and 2024 as noted in the following table.

Description	2025	2024
Marketing fees	\$ 942	\$ 711
DC Water support - land application	632	649
Donated employee time	31	25
Donated office space	27	27
Total	<u>\$ 1,632</u>	<u>\$ 1,412</u>

Condensed Statement of Net Position - Blended Component Unit - Blue Drop, LLC as of September 30, 2025 and 2024:

Description	2025	2024
Current assets	\$ 14,370	\$ 17,579
Property and equipment - net	176	211
Total assets	<u>14,546</u>	<u>17,790</u>
Current liabilities	179	366
Total liabilities	<u>179</u>	<u>366</u>
Unrestricted net position	<u>\$ 14,367</u>	<u>\$ 17,424</u>

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(15) Blended Component Unit Condensed Financial Statements (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position - Blended Component Unit - Blue Drop, LLC for the years ended September 30, 2025 and 2024:

Description	2025	2024
Product and IP revenue	\$ 7,020	\$ 5,407
Marketing fees, DC Water	942	711
DC Water support-land application	632	649
Event Rental	593	623
Bloom revenue, net of cost of goods sold	292	237
Interest Income	265	294
Other	70	4
In-kind contributions	59	52
Total revenues	9,873	7,977
Personnel services	1,068	999
Contractual services	1,027	1,079
Supplies	247	176
Donations	35	-
Depreciation	35	38
Utilities and rent	27	27
Bad debt	(24)	60
Total operating expenses	2,415	2,379
Change in net position	7,458	5,600
Partners rebate	(10,514)	-
Net position, beginning of year	17,423	11,823
Net position, end of year	\$ 14,367	\$ 17,423

Condensed Statement of Cash Flows - Blended Component Unit - Blue Drop, LLC for the years ended September 30, 2025 and 2024:

Description	2025	2024
Net cash provided by operating activities	\$ (3,468)	\$ 5,801
Net cash used in investing activities	-	2,188
Net (decrease) increase in cash	(3,468)	7,989
Cash at beginning of year	17,391	9,402
Cash at end of year	\$ 13,923	\$ 17,391

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Notes to the Financial Statements

September 30, 2025 and 2024

(In thousands)

(16) Fiscal Year 2024 Restatement

The adoption of GASB Statement No. 101, "Compensated Balances," requires that changes adopted to conform to the provisions of this statement be applied retroactively by restating the financial statements for all prior years presented. As a result of this adoption, beginning net position of fiscal year 2024 decreased by \$8,740.

Description	Restated Statement of Net Position		
	As previously Reported	Restated as of September 30, 2024	2024 (Restated)
Compensated absence payable	\$ 17,190	\$ 8,740	\$ 25,930
Net position, beginning of year	3,132,504	(8,740)	3,123,764
Net Position, end of year	<u>\$3,451,921</u>	<u>\$ (8,740)</u>	<u>\$3,443,181</u>

(17) Subsequent Events

The Authority has evaluated events subsequent to September 30, 2025, through December 19, 2025, the date the financial statements were available to be issued. During this period, the Authority has determined there have not been any events that have occurred that would require adjustments to the financial statements.