Financial Section

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

Independent Auditors' Report

Board of Directors
District of Columbia Water and Sewer Authority

We have audited the accompanying financial statements of the District of Columbia Water and Sewer Authority (the Authority) as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Water and Sewer Authority as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 19 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

KPMG LLP

Washington, D.C.
December 20, 2016

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2016 and 2015

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial position and changes in financial position as of and for the fiscal years ended September 30, 2016 and 2015. 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 2016

- In October 2015, the Authority issued $100.0 million of 2015 Series A and $250.0 million of 2015 Series B subordinate lien revenue bonds with fixed interest rates ranging from 2.0% to 5.25%. The 2015 Series A green bonds mature in 2045 and are being used to fund the Clean Rivers Project. The 2015 series B bonds mature in 2044 and $62.0 million is being used to make principal and interest payments on all or a portion of the Authority's outstanding commercial paper notes and the balance is being used to fund the Authority's capital improvement program. Gross proceeds from the bond issuance totaled approximately $406.6 million, including $56.6 million original issue premium.

  In February 2016, the Authority issued the subordinate lien revenue refunding bonds, 2016 Series A in the amount of $389.1 million. The proceeds from the bonds were used to refund $401.9 million of the Authority's outstanding bonds. The interest on the bonds are at fixed rates ranging from 2.0% to 5.0%.

  In September 2016, the Authority issued $25.0 million of 2016 Series B (Environmental Impact Bonds) subordinate lien revenue 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 issuance proceeds (after payment of $0.5 million of issuance expenses) of $24.5 million will be used for construction of Green Infrastructure (GI) for the Rock Creek Project A (RC-A).

  The Authority's long-term debt, including current maturities, increased by $381.1 million to $2.9 billion, or 14.9%, primarily due to the $350.0 million and $25.0 million bond issuances described above.

- Operating revenues increased by $45.9 million to $595.8 million or 8.3%, primarily due to the retail rate increase of 6.5%, a 21.2% increase in Clean Rivers Impervious Area Charges (CRIAC) and the introduction of the new Water System Replacement Fee (WSRF) which resulted in $39.6 million of new operating revenues in fiscal year 2016, offset by an 18.4% decrease in wholesale waste water charges.

- Operating expenses increased by $9.7 million to $388.4 million or 2.6%, primarily due to increases in personnel, depreciation expense and contractual services expense offset by a decrease in chemicals and supplies, utilities and water purchases.

- Capital assets, net of depreciation and amortization, increased by $518.0 million to $6.0 billion, or 9.5%, as a result of capital additions of $607.5 million offset by depreciation and amortization of $89.5 million. Capital additions incurred in 2016 were in line with the Authority's approved 10-year capital improvement program.

- Current assets increased by $37.3 million to $549.5 million, or 7.3%, primarily due to an increase in cash and investments offset by a decrease in receivables from other jurisdictions.

- The Authority's net position increased by $173.3 million to $1.7 billion, or 11.3%, as a result of current year operations and capital contributions.

- Effective October 1, 2015, the Authority raised its retail water and wastewater rates by 6.5% and its CRIAC by 21.2%.

Financial Highlights – Fiscal 2015

- In November 2014, the Authority issued the subordinate lien revenue refunding bonds, 2014 Series C in the amount of $377.7 million. The proceeds from the bonds were used to refund $378.2 million of the Authority's outstanding bonds. The interest on the bonds are at fixed rates ranging from 3.0% to 5.0%.

- Operating revenues increased by $76.1 million to $549.9 million or 16.1%, primarily due to the retail rate increase of 7.5% and a 16.2% increase in wholesale waste water charges.

- Operating expenses increased by $22.6 million to $378.7 million or 6.4%, primarily due to increases in personnel, chemicals and supplies, depreciation expense, and payments-in-lieu of taxes (PILOT) and right-of-way fee offset by a decrease in contractual services expense.

- Capital assets, net of depreciation and amortization, increased by $543.3 million to $5.5 billion, or 11.0%, as a result of capital additions of $627.2 million offset by depreciation and amortization of $83.9 million. Capital additions incurred in 2015 were in line with the Authority's approved 10-year capital improvement program.

- Current assets decreased by $70.6 million to $512.2 million, or 12.1%, due to a decrease in cash, investments and receivables from other jurisdictions.

- The Authority's net position increased by $179.1 million to $1.5 billion, or 13.3%, as a result of current year operations and capital contributions.

- Effective October 1, 2014, the Authority raised its retail water and wastewater rates by 7.5%.

Using This Annual Report

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

Required Financial Statements

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

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

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

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

Financial Analysis of the Authority

Net Position

The Authority's total net position at September 30, 2016 was approximately $1.7 billion, a $173.3 million, or 11.3% increase from September 30, 2015. Total assets increased $583.2 million, or 9.6% to $6.7 billion, and total liabilities increased $437.8 million, or 9.5%, to $5.0 billion.

The Authority's total net position at September 30, 2015 was approximately $1.5 billion, a $179.1 million, or 13.3% increase from September 30, 2014. Total assets increased $277.1 million, or 4.8% to $6.1 billion, and total liabilities increased $132.5 million, or 3.0%, to $4.6 billion.

Summary of Net Position
($ in 000's)

	Fiscal Year			2016 vs 2015		2015 vs 2014	
	2016	2015	2014	Amount	%	Amount	%
Current assets	$ 549,496	$ 512,226	$ 582,782	37,270	7.3	(70,556)	(12.1)
Restricted assets	56,992	23,249	230,114	33,743	145.1	(206,865)	(89.9)
Capital assets	5,995,347	5,477,327	4,934,018	518,020	9.5	543,309	11.0
Other noncurrent assets	64,920	70,696	59,449	(5,776)	(8.2)	11,247	18.9
Total assets	6,666,755	6,083,498	5,806,363	583,257	9.6	277,135	4.8
Deferred outflows of resources	73,157	45,246	10,768	27,911	61.7	34,478	320.2
Current liabilities	440,888	471,766	434,141	(30,878)	(6.5)	37,625	8.7
Long-term debt outstanding	2,900,329	2,520,046	2,520,935	380,283	15.1	(889)	(0.0)
Long-term liabilities	1,695,406	1,606,990	1,511,240	88,416	5.5	95,750	6.3
Total liabilities	5,036,623	4,598,802	4,466,316	437,821	9.5	132,486	3.0
Net investments in capital assets	1,491,925	1,348,056	1,130,952	143,869	10.7	217,104	19.2
Restricted	33,135	27,054	28,863	6,081	22.5	(1,809)	(6.3)
Unrestricted	178,229	154,832	191,000	23,397	15.1	(36,168)	(18.9)
Total net position	$ 1,703,289	$ 1,529,942	$ 1,350,815	173,347	11.3	179,127	13.3

The following is a discussion of the more significant changes in assets, liabilities and net position in 2016.

- Capital assets, net of depreciation and amortization, increased by $518.0 million to $6.0 billion, or 9.5%, as a result of capital additions of $607.5 million offset by depreciation and amortization of $89.5 million. Capital additions incurred in 2016 were in line with the Authority's approved 10-year capital improvement program which is discussed in more detail on page 13.

- Current assets increased by $37.3 million to $549.5 million, or 7.3%, primarily due to an increase in cash and investments offset by a decrease in receivables from other jurisdictions.

- Long-term debt, including current maturities, increased by $381.1 million to $2.9 billion, or 14.9%, primarily due to the issuance of $100.0 million of 2015 Series A (Green Bonds) and $250.0 million of 2015 series B subordinate lien revenue bonds for a total of $350.0 million in October 2015, and the issuance of $25.0 million of 2016 Series B (Environmental Impact Bonds) subordinate lien revenue bonds in September 2016.

- Current liabilities decreased by $30.9 million to $440.9 million, or 6.5%, primarily due to a $28.6 million decrease in accounts payable and accrued expenses and a $12.0 million decrease in commercial paper notes offset by a $8.2 million increase in accrued interest.

- The Authority's net position increased by $173.3 million to $1.7 billion, or 11.3%, as a result of fiscal year 2016 operations and capital contributions.

The following is a discussion of the more significant changes in assets, liabilities and net position in 2015.

- Capital assets, net of depreciation and amortization, increased by $543.3 million to $5.5 billion, or 11.0%, as a result of capital additions of $627.2 million offset by depreciation and amortization of $83.9 million. Capital additions incurred in 2015 were in line with the Authority's approved 10-year capital improvement program which is discussed in more detail on page 13.

- Current assets decreased by $70.6 million to $512.2 million, or 12.1%, due to a decrease in cash, investments and receivables from other jurisdictions.

- Long-term debt, including current maturities, increased by $1.1 million to $2.5 billion, or 0.04%, primarily due to the $377.7 million bond refunding in November 2014, which resulted in a net increase in long-term debt of approximately $27.6 million, offset by scheduled principal payments on long-term debt of approximately $26.5 million.

- Current liabilities increased by $37.6 million to $471.8 million, or 8.7%, primarily due to a $50.0 million increase in commercial paper notes offset by a $27.4 million decrease in accounts payable and accrued expenses, the majority of which relates to capital additions. The remaining increase is a result of increase in unearned revenues and accrued interest on long term debt.

- The Authority's net position increased by $179.1 million to $1.5 billion, or 13.3%, as a result of fiscal year 2015 operations and capital contributions.

Changes in Net Position

The increase in net position at September 30, 2016 was $173.3 million, or 11.3%, as compared with September 30, 2015. The Authority's total operating revenues increased by 8.3% to $595.8 million and total operating expenses increased by 2.6% to $388.4 million.

The increase in net position at September 30, 2015 was $179.1 million, or 13.3%, as compared with September 30, 2014. The Authority's total operating revenues increased by 16.1% to $549.9 million and total operating expenses increased 6.4% to $378.7 million.

Change in Net Position
($ in 000's)

	Fiscal Year			2016 vs 2015		2015 vs 2014	
	2016	2015	2014	Amount	%	Amount	%
Operating revenues	$ 595,789	$ 549,915	$ 473,824	$ 45,874	8.3	$ 76,091	16.1
Operating expenses	388,384	378,660	356,024	9,724	2.6	22,636	6.4
Net non-operating revenues (expenses)	(66,489)	(60,093)	(68,311)	(6,396)	10.6	8,218	(12.0)
Change in net position before capital contributions	140,916	111,162	49,489	29,754	26.8	61,673	124.6
Capital contributions	32,431	67,965	94,690	(35,534)	(52.3)	(26,725)	(28.2)
Change in net position	173,347	179,127	144,179	(5,780)	(3.2)	34,948	24.2
Net position - beginning of year, as restated	1,529,942	1,350,815	1,206,636	179,127	13.3	144,179	11.9
Net position - end of year	$ 1,703,289	$ 1,529,942	$ 1,350,815	$ 173,347	11.3	$ 179,127	13.3

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 2016 and 2015, and between fiscal years 2015 and 2014, respectively.

Fiscal Year 2016:

- Operating revenues increased by $45.9 million to $595.8 million or 8.3%, primarily due to a 6.5% rate increase on retail water, the 21.2% increase CRIAC and the introduction of the new WSRF, offset by an 18.4% decrease in wholesale waste water charges.

- Operating expenses increased by $9.7 million to $388.4 million or 2.6% due to increases in personnel, contractual services expense and depreciation expense offset by a decrease in chemicals and supplies, utilities and water purchases.

Fiscal Year 2015:

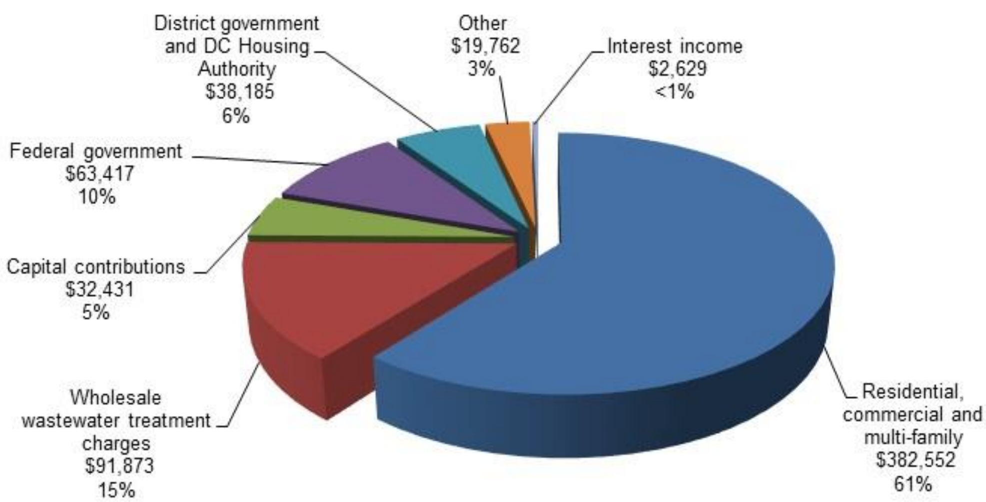
- Operating revenues increased by $76.1 million to $549.9 million or 16.1%, primarily due to a 7.5% rate increase on retail water and wastewater charges and $15.7 million increase in wholesale wastewater charges.

- Operating expenses increased by $22.6 million to $378.7 million or 6.4% due to increase in personnel, utilities and rent, chemicals and supplies, and water purchase expenses offset by a decrease in PILOT and right-of-way fee.

2016 Total Revenues

Total revenues increased $11.7 million or 1.9% to $630.9 million in fiscal year 2016.

Total Revenues
($ in 000's)



- Revenues from residential, commercial and multi-family customers increased by $46.8 million to $382.6 million, or 13.9%, primarily due to a 6.5% water and wastewater rate increase 21.2% increase in the Clean Rivers Impervious Area Charges (CRIAC) and introduction of new Water System Replacement Fee (WSRF).

- Revenues from the Federal government increased by $9.1 million to $63.4 million, or 16.9%, primarily due to a 6.5% rate increase, the introduction of the new WSRF, and a 21.2% increase in the CRIAC offset by consumption adjustments for several Federal agencies during fiscal year 2016.

- Revenues from the District government and the District of Columbia Housing Authority increased by a $5.2 million to $38.2 million, or 15.9%, primarily due to a 6.5% rate increase, new meter-based WSRF and 21.2% increase in CRIAC offset by a decrease in consumption and disputed payment from DC government for CRIAC.

- Revenues from wholesale wastewater treatment decreased by $20.6 million to $91.9 million, or 18.4%, primarily due to a decrease in the Intermunicipal agreement (IMA) shareable operating costs of the Blue Plains Plant.

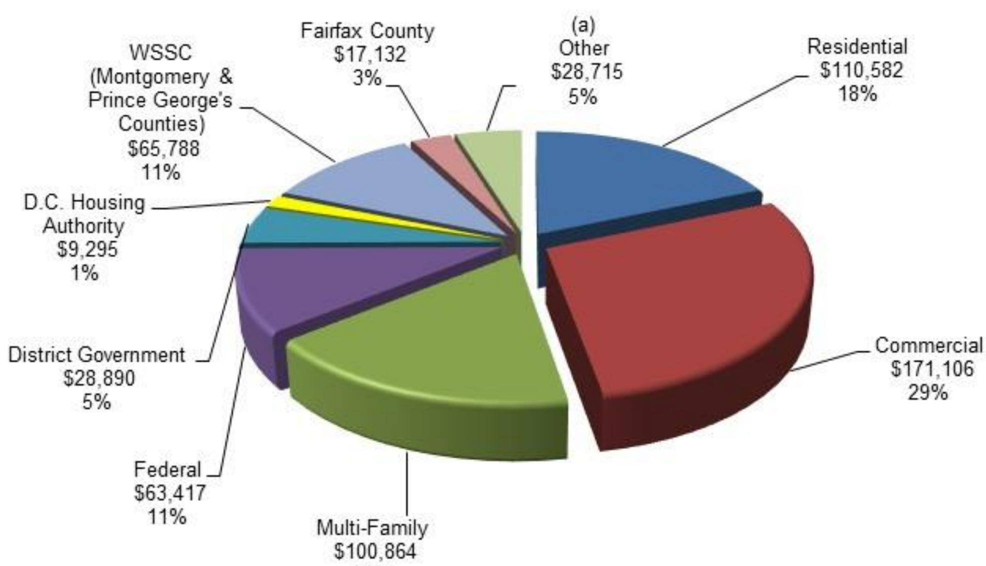
- Other revenues increased by $5.3 million to $19.8 million, or 36.7%, primarily due to an increase in miscellaneous revenues from the Authority's other activities such as special projects billings.

- Capital contributions decreased by $35.5 million or 52.3%, primarily due to an $18.5 million reduction in federal grants and an $18.4 million reduction in capital contributions from the District government for the Northeast Boundary Neighborhood project.

Diversity and Stability of Operating Revenues

The Authority's operating revenue base is very diverse, including established customers such as the Federal government, the District government, surrounding jurisdictions in Maryland and Virginia, and commercial and residential customers within the District. As shown on the chart below, no one category accounts for more than 29% of total revenues.

Operating Revenues by Source
($ in 000's)



(a) Other revenues include $6.7 million from Loudoun County and $2.2 million from Potomac Interceptor.

- Revenues from commercial and multi-family customers in the District comprise approximately 46% of the Authority's total operating revenues. Commercial revenues are reliable due to the presence of many national associations, law firms, consulting firms, and colleges and universities and foreign embassies in the District. The commercial customer category also includes multi-family dwellings.

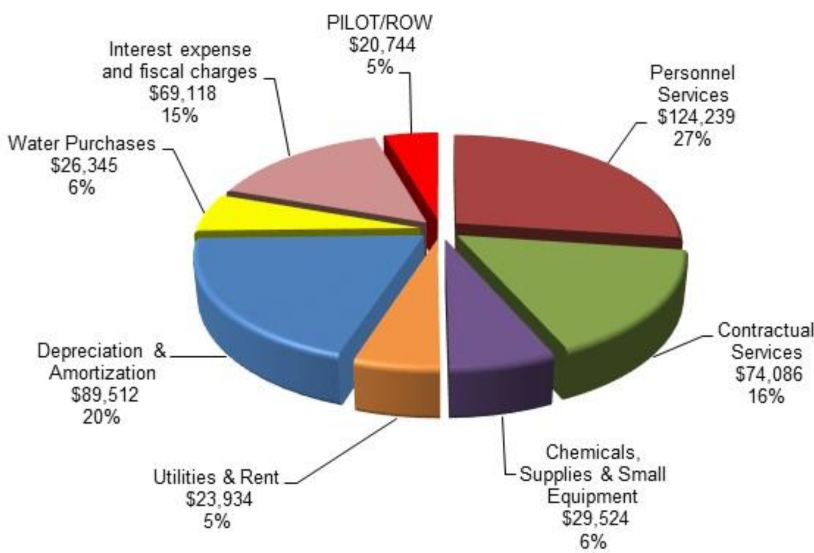
- The Authority provides wastewater conveyance and treatment services to Montgomery and Prince George's Counties in Maryland through the Washington Suburban Sanitary Commission ("WSSC") and Fairfax and Loudoun Counties in Northern Virginia. Operating revenues from WSSC and Fairfax County account for 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 1.5% of the Authority's revenues and are included in other revenues.

- Residential customers in the District account for 18% of total revenues.
- Revenues from the Federal government comprise 11% 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 6% of total operating revenues.

2016 Total Expenses

Total expenses increased by $17.4 million or 4.0% to $457.5 million in fiscal year 2016.

Total Expenses
($ in 000's)



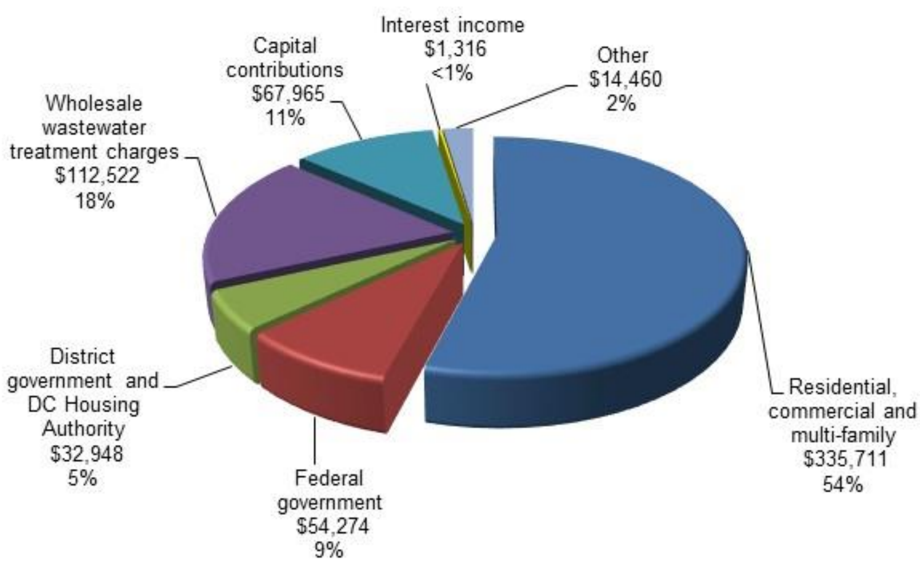
- Personnel services increased by $9.0 million to $124.2 million, or 7.8%, primarily due to increases in wages, benefits and number of employees.
- Contractual services increased by $7.8 million to $74.1 million, or 11.8%, due to an increase in litigation costs offset by a reduction in biosolids hauling costs stemming from newly installed digester operations at the Blue Plains facility.
- Chemicals, supplies and small equipment decreased by $3.4 million to $29.5 million, or 10.4%, primarily due to lower unit prices and changes in the treatment process that utilizes less chemicals and uses thermal hydrolysis and the digester system's intense heat and pressure to treat wastewater.
- Utilities and rent decreased by $6.9 million to $23.9 million, or 22.4%, primarily due to onsite electricity generation from the Combine Heat Power (CHP) project, which became operational in the summer of 2015.

- Depreciation and amortization increased by $5.7 million to $89.5 million, or 6.7%, primarily due to an increase in capital assets in service.
- Water purchases decreased by $2.8 million to $26.3 million, or 9.5%, primarily due to fiscal year 2015 billing adjustment and 2.6% decrease in unit cost per million gallons in fiscal year 2016.
- Interest expense and fiscal charges increased by $7.7 million to $69.1 million, or 12.6% primarily due to a $7.8 million increase in interest costs incurred in fiscal year 2016 as a result of the increase in borrowings, offset by a $10.8 million increase in the amount of capitalized interest related to the Authority's capital improvement program during fiscal year 2016.

2015 Total Revenues

Total revenues increased $49.7 million or 8.7% to $619.2 million in fiscal year 2015.

Total Revenues
($ in 000's)



- Revenues from residential, commercial and multi-family customers increased by $40.5 million to $335.7 million, or 13.7%, primarily due to a 7.5% water and wastewater rate increase and a 41.0% increase in impervious area charges.
- Revenues from the Federal government increased by $15.3 million to $54.3 million, or 39.2%, primarily due to a 7.5% rate increase and due to the fiscal year 2014 revenues being impacted by a Federal government shutdown and consumption adjustments for several Federal agencies during fiscal year 2014.
- Revenues from the District government and the District Housing Authority increased by $4.1 million to $32.9 million, or 14.2%, primarily due to a 7.5% rate increase coupled with a 4.0% increase in consumption.

- Revenues from wholesale wastewater treatment increased by $15.7 million to $112.5 million, or 16.2%, primarily due to a 22.7% increase in the Intermunicipal agreement (IMA) shareable operating costs of the Blue Plains Plant offset by reduced indirect cost charges.

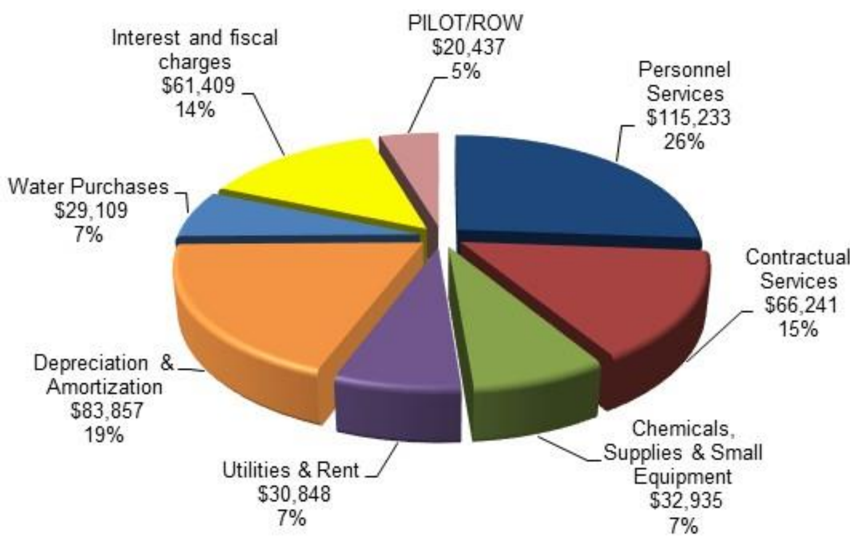
- Other revenues increased by $0.5 million to $14.5 million, or 3.9%, primarily due to increased stormwater management fees.

- Capital contributions decreased by $26.7 million or 28.2%, primarily due to a $18.8 million reduction in capital contributions from the District government for the Northeast Boundary Neighborhood project and a $8.0 million reduction in federal grants.

2015 Total Expenses

Total expenses increased $14.8 million or 3.5% to $440.1 million in fiscal year 2015.

Total Expenses
($ in 000's)



- Personnel services increased by $6.8 million to $115.2 million, or 6.2%, primarily due to increases in wages, benefits and number of employees.

- Contractual services decreased by $1.9 million to $66.2 million, or 2.8%, due to a decrease in biosolids hauling costs stemming from newly installed digester operations at the Blue Plains facility.

- Chemicals, supplies and small equipment increased by $1.2 million to $32.9 million, or 3.7%, primarily due to an increase in methanol usage attributable to a change in sewage treatment process.

- Utilities and rent increased by $0.9 million to $30.8 million, or 3.0%, primarily due to an increase in gas usage in producing steam converted to electricity for the Combined Heat Power (CHP) process.

- Depreciation and amortization increased by $6.0 million to $83.9 million, or 7.7%, primarily due to an increase in capital assets in service.
- Water purchases increased by $0.7 million to $29.1 million, or 2.5%, primarily due to a 9.9% increase in consumption offset by a reduction in unit cost per million gallons purchased.
- Interest expense and fiscal charges decreased by $7.9 million to $61.4 million, or 11.4% primarily due to an increase in the amount of capitalized interest related to the Authority's capital improvement program which increased from $40.3 million in fiscal year 2014 to $52.0 million in fiscal year 2015.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2016, 2015 and 2014, respectively, the Authority had $6.0 billion, $5.5 billion and $4.9 billion of capital assets (net of depreciation). This includes wastewater collection, wastewater treatment, water distribution systems, purchased capacity, capital equipment and construction in progress. The Authority's net capital assets increased by approximately $518.0 million, or 9.5%, during fiscal year 2016, and increased by approximately $543.3 million, or 11%, during fiscal year 2015, primarily due to continued capital spending in accordance with the Authority's capital improvement program. See note 4 to the financial statements for more information on capital assets.

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

	As of September 30,		
	2016	2015	2014
Wastewater treatment plant	$ 2,383,176	$ 2,367,163	$ 2,057,116
Wastewater collection facilities	843,095	828,130	758,603
Water distribution system	1,095,216	1,054,046	981,047
Purchased capacity	349,210	341,974	334,174
Capital equipment	220,584	203,573	191,409
Construction in progress	2,544,698	2,033,657	1,879,678
Less accumulated depreciation	(1,440,632)	(1,351,216)	(1,268,009)
Net capital assets	$ 5,995,347	$ 5,477,327	$ 4,934,018

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, 2016 and 2015 were $861.7 million and $967.0 million, respectively, 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

At the end of fiscal year 2016, the Authority had a total of $2.9 billion in long term debt outstanding, an increase of $381.1 million, or 14.9%, over fiscal year 2015.

At the end of fiscal year 2015, the Authority had a total of $2.5 billion in long term debt outstanding, an increase of $1.0 million, or 0.04%, over fiscal year 2014. See note 11 to the financial statements for more information on long-term debt outstanding.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2016 is shown below:

Description	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016
Outstanding bonds and notes	$ 2,446,797	$ 764,110	$ (477,716)	$ 2,733,191
Unamortized bond premiums	104,060	111,329	(16,712)	198,677
Unamortized bond discounts	(2,351)	-	129	(2,222)
Total bonds and notes	$ 2,548,506	$ 875,439	$ (494,299)	$ 2,929,646

In October 2015, the Authority issued $100.0 million of 2015 Series A and $250.0 million of 2015 Series B subordinate lien revenue bonds with fixed interest rates ranging from 2.0% to 5.25%. The 2015 Series A green bonds maturing in 2045 and are being used to fund the Clean Rivers Project. The 2015 series B bonds maturing in 2044 and will be used to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $406.6 million including $2.1 million of underwriter's discount and cost of issuance.

In February 2016, the Authority issued the subordinate lien revenue refunding bonds, 2016 Series A in the amount of $389.1 million. The proceeds from the bonds were used to refund $401.9 million of the Authority's outstanding bonds. The interest on the bonds are at fixed rates ranging from 2.0% to 5.0%.

In September 2016, the Authority issued $25.0 million of 2016 Series B (Environmental Impact Bonds) subordinate lien revenue 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 issuance proceeds (after payment of $0.5 million of issuance expenses) of $24.5 million will be used for construction of GI for the RC-A.

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

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2015 is shown below:

Description	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015
Outstanding bonds and notes	$ 2,473,790	$ 377,700	$ (404,693)	$ 2,446,797
Unamortized bond premiums	76,098	51,085	(23,123)	104,060
Unamortized bond discounts	(2,480)	-	129	(2,351)
Total bonds and notes	$ 2,547,408	$ 428,785	$ (427,687)	$ 2,548,506

In November 2014, the Authority issued the subordinate lien revenue refunding bonds, 2014 Series C in the amount of $377.7 million. The proceeds from the bonds were used to refund $378.2 million of the Authority's outstanding bonds. The interest on the bonds are at fixed rates ranging from 3.0% to 5.0%.

The increases (decreases) in outstanding bonds and notes payable were related to a bonds refunding and scheduled principal repayments.

Credit Ratings

Long Term Credit Ratings		
Moody's Investors' Service	Aa1	Stable Outlook
Standard & Poor's Corporation	AAA	Stable Outlook
Fitch Ratings	AA	Stable Outlook

Short Term Credit Ratings	
Moody's Investors' Service	P-1
Standard & Poor's Corporation	A-1+
Fitch Ratings	F1+

Rates

Effective October 1, 2015, the Authority raised its retail water and wastewater rates by 6.5%. The Authority's approved ten-year financial plan includes projected annual rate increases of 5.0% for each of the fiscal years 2017 to 2026 and also includes projected revisions to its metering, 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).

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and other stakeholder 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 5000 Overlook Avenue, S.W., Washington D.C. 20032 or call 202-787-2000. A copy of this report is also available on DC Water's web site at www.dcwater.com.

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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Statements of Net Position

September 30, 2016 and 2015

(In thousands)

Assets and Deferred Outflows of Resources	2016	2015
Current assets:		
Cash and cash equivalents (note 3)	$ 112,283	$ 81,326
Investments (note 3)	106,982	115,758
Restricted cash and cash equivalents (note 3)	96,674	152,323
Restricted investments (note 3)	98,803	—
Customer receivables, net of allowance for doubtful accounts of $15,042 in 2016 and $12,364 in 2015 (note 7)	67,015	62,653
Due from other jurisdictions (note 8)	14,960	44,399
Due from Federal government (note 6)	28,373	32,478
Due from District government (note 13)	6,411	10,022
Inventory	12,309	9,234
Prepaid assets	5,686	4,033
Total current assets	549,496	512,226
Noncurrent assets:		
Restricted assets (note 3):		
Cash and cash equivalents	29,041	—
Investments	27,951	23,249
Total restricted cash and cash equivalents and investments	56,992	23,249
Capital assets (note 4):		
In-service	4,891,281	4,794,886
Less accumulated depreciation	(1,440,632)	(1,351,216)
Net capital assets in service	3,450,649	3,443,670
Construction-in-progress	2,544,698	2,033,657
Net capital assets	5,995,347	5,477,327
Other noncurrent assets:		
Due from District government (note 13)	46,864	51,711
Due from other jurisdictions (note 8)	18,056	18,985
Total other noncurrent assets	64,920	70,696
Total noncurrent assets	6,117,259	5,571,272
Total assets	6,666,755	6,083,498
Deferred Outflows of Resources		
Deferred loss on debt refunding	73,157	45,246
Total assets and deferred outflows of resources	6,739,912	6,128,744
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	160,025	188,600
Unearned revenue	74,866	79,370
Accrued interest	65,677	57,447
Commercial paper notes payable (note 10)	79,200	91,200
Current maturities of long-term debt (note 11)	29,317	28,460
Due to jurisdictions	7,906	8,344
Compensation payable (note 9)	11,971	9,116
Other liabilities (note 12)	11,926	9,230
Total current liabilities	440,888	471,767
Noncurrent liabilities:		
Long-term debt, excluding current maturities (note 11)	2,900,329	2,520,046
Unearned revenue	1,667,284	1,578,504
Other liabilities (note 12)	12,769	13,891
Compensated absences payable (note 9)	15,353	14,594
Total noncurrent liabilities	4,595,735	4,127,035
Total liabilities	5,036,623	4,598,802
Net Position		
Net investments in capital assets	1,491,925	1,348,056
Restricted for debt service	33,135	27,054
Unrestricted	178,229	154,832
Total net position	$ 1,703,289	$ 1,529,942

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2016 and 2015

(In thousands)

	2016	2015
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	$ 382,552	$ 335,711
Federal government	63,417	54,274
District government and D.C. Housing Authority (note 13)	38,185	32,948
Charges for wholesale wastewater treatment	91,873	112,522
Other	19,762	14,460
Total operating revenues	595,789	549,915
Operating expenses:		
Personnel services	124,239	115,233
Contractual services	74,086	66,241
Chemicals, supplies and small equipment	29,524	32,935
Utilities and rent	23,934	30,848
Depreciation and amortization	89,512	83,857
Water purchases	26,345	29,109
Payment in lieu of taxes and right of way fee (note 13)	20,744	20,437
Total operating expenses	388,384	378,660
Operating income	207,405	171,255
Nonoperating revenues (expenses):		
Interest income	2,629	1,316
Interest expense and fiscal charges	(69,118)	(61,409)
Total nonoperating (expenses)	(66,489)	(60,093)
Change in net position before capital contributions	140,916	111,162
Capital contributions (note 5)	32,431	67,965
Change in net position	173,347	179,127
Net position, beginning of year	1,529,942	1,350,815
Net position, end of year	$ 1,703,289	$ 1,529,942

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Statements of Cash Flows
Years Ended September 30, 2016 and 2015
(In thousands)

	2016	2015
Cash flows from operating activities:		
Cash received from customers	$ 565,997	$ 517,940
Cash paid to suppliers for goods and services	(176,871)	(145,835)
Cash paid to employees for services	(120,625)	(114,120)
Cash paid to District for PILOT and ROW	(20,744)	(40,560)
Net cash provided by operating activities	247,757	217,425
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	875,439	428,785
Proceeds from other jurisdictions	146,722	154,886
Repayments of bond principal and notes payable to Federal government	(477,716)	(404,693)
Acquisition of capital assets	(549,018)	(609,172)
Payments of interest and fiscal charges	(168,182)	(166,393)
Contributions of capital from Federal government	33,470	35,893
Proceeds from issuance of commercial paper	612,800	332,400
Repayments of commercial paper	(624,800)	(282,400)
Net cash used in capital and related financing activities	(151,285)	(510,694)
Cash flows from investing activities:		
Cash received for interest	2,607	1,994
Investment purchases	(488,542)	(252,076)
Investment maturities	393,812	514,322
Net cash provided by (used in) investing activities	(92,123)	264,240
Net increase (decrease) in cash and cash equivalents	4,349	(29,029)
Cash and cash equivalents at beginning of year	233,649	262,678
Cash and cash equivalents at end of year	$ 237,998	$ 233,649
Operating income	$ 207,405	$ 171,255
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	89,512	83,857
Change in operating assets and liabilities:		
Increase in customer and other receivables	(143)	(18,249)
Increase in inventory and prepaid assets	(4,728)	(3,143)
Decrease in payables and accrued liabilities	(15,168)	(3,352)
Decrease in unearned revenue	(29,121)	(12,943)
Net cash provided by operating activities	$ 247,757	$ 217,425
Noncash Investing, Capital and Financing Activities:		
Capital asset additions included in accounts payable	$ 135,176	$ 144,651
Net increase (decrease) in the fair value of investments	270	(232)

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

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(1) Background, Governance, Operations and Reporting Entity

(a) Background

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

(b) Governance

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

(c) Operations

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

The Authority’s wastewater service territory includes over 2.1 million people in Montgomery and Prince George’s Counties in Maryland, Fairfax and Loudoun Counties in Virginia, and the District. The Blue Plains Intermunicipal Agreement between the Authority; the District; Fairfax County, Virginia; and the Washington Suburban Sanitary Commission (“WSSC”), which comprises Montgomery and Prince George’s Counties in Maryland (collectively referred to as the “Participants”), was executed in September 1985 (the “1985 IMA”).

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. 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.

(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 (USACE) under the direction of the Secretary of the Army. Since 1852, an act of Congress placed the care, management, and superintendence of the Washington Aqueduct under the USACE. Under the Act, USACE was given responsibility for supplying water in the District for use by the Federal government and for the use and benefit of the inhabitants of the District. The USACE operates two water purification plants at the Aqueduct, Dalecarlia and McMillan, for the exclusive benefit of the Authority, Arlington County and Fairfax County Water Authority ("FCWA"). The Aqueduct facilities supply treated water to distribution systems of the Authority, Arlington County, FCWA, the Federal government, and other parts of northern Virginia.

As of January 3, 2014, FCWA assumed ownership and operation of the water distribution system previously owned and operated by the City of Falls Church. The Authority is responsible for managing the treated Water System that serves the District and several other governmental customers outside the District. The Authority currently purchases approximately 73% of the finished water produced by the Aqueduct, and Arlington County and the FCWA purchase the remainder. Under this agreement, which remains in effect until September 30, 2023 and then thereafter until terminated, the Authority is responsible for funding approximately 73% of the Aqueduct’s annual operating and capital costs. Additionally, the Authority obtains back-up and peak-day water supply from the Jennings Randolph Reservoir (Bloomington Dam) and Little Seneca Lake. The Jennings Randolph Reservoir was constructed by the Federal government and is operated by the USACE. The Little Seneca Lake was constructed and is operated by the WSSC.

(d) Reporting Entity

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

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

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

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

(2) Summary of Significant Accounting Policies

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

(a) Measurement Focus and Basis of Accounting

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

(b) Cash and Cash Equivalents

The Authority invests all unrestricted cash balances, in excess of the required compensating balances, in interest-bearing accounts. The Authority's cash equivalents at year end consist of unrestricted and restricted investments, such as registered money market mutual 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 in excess of 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, 2016 and 2015, respectively.

(d) Inventory

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

(2) Summary of Significant Accounting Policies (Continued)

(e) Restricted Assets

Restricted assets 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.

(f) Capital Assets

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

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

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

Asset class	Estimated useful lives
Wastewater treatment plant	60 years
Wastewater collection facilities	60 years
Water distribution systems	60 years
Purchased capacity	60 years
Capital equipment and fleet	3 - 20 years

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

As discussed in Note 1, the Authority is responsible for approximately 73% 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.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(g) Deferred Outflows of Resources

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

(h) Compensated Absences

Employees earn vacation and sick leave based on a prescribed formula, which allows employees to accumulate an unlimited amount of sick leave, and vacation leave up to the maximum amounts shown in the table below. Vacation leave earned but unused by employees vests and is accrued as a liability. Generally, sick leave does not vest, and accordingly, it is recorded when used. However, as further discussed in Note 14d, the Authority Retirement Health Savings (RHS) Plan allows non-union, non-federal employees to use sick leave that is usually forfeited upon termination, to fund an account that can be used to pay for eligible medical expenses. Eligibility is established upon termination if an employee has five years of service and 100 hours of sick leave.

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

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

(2) Summary of Significant Accounting Policies (Continued)

(i) Bond Premiums, Discounts and Issuance Costs

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

(j) Net Position

Net position is categorized into three components as follows:

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

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

(k) Revenues and Expenses

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

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

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

(2) Summary of Significant Accounting Policies (Continued)

(l) Retail Water and Wastewater User Charges

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

(m) Charges for Wholesale Wastewater Treatment and Unearned Revenue

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

(n) Contingencies

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

(o) Use of Estimates

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

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(p) Adoption of New Accounting Standards

During the fiscal year ended September 30, 2016, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 72, *Fair Value Measurement and Application;* Certain provisions of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 79, *Certain External Investment Pools and Pool Participants*

Implementation of GASB Statement Nos. 73, 76 and 79 had no impact on the Authority's fiscal year 2016 financial statements. The Authority's implementation of GASB Statement No. 72 did not have a material impact but did result in additional required disclosures surrounding the inputs used to estimate fair value of the Authority's investments which are included in a new note to the financial statements. See note 3(c).

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

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

No.	Title	Required Implementation Date *(Period Beginning After)*	Authority Fiscal Year
73	Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	June 15, 2015 and 2016	2016 and 2017
74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	June 15, 2016	2017
75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	June 15, 2017	2018
77	Tax Abatement Disclosures	December 15, 2015	2017
78	Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans	December 15, 2015	2017
80	Blending Requirements for Certain Component Units	June 15, 2016	2017
81	Irrevocable Split-Interest Agreements	December 15, 2016	2018
82	Pension Issues	June 15, 2016	2017

(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. These securities shall be limited to a maximum maturity of five (5) years at the time of purchase.

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

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

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

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

(6) Commercial Paper. Unsecured short-term debt of U.S. corporations may be purchased if certain conditions are met, including: a) the maturity is no greater than two hundred-seventy days (270) days; and b) the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the Nationally Recognized Statistical Rating Organizations ("NRSRO").

(3) Cash Deposits and Investments (Continued)

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

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

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

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

(11) *Negotiable Certificates of Deposit and Bank Deposit Notes of domestic banks and domestic offices of foreign banks with:* a) ratings of at least 'A-1' (or its equivalent) by two NRSROs for maturities of one (1) year or less; b) a rating of at least 'AA' (or its equivalent) from at least one NRSRO and a rating of at least 'A' (or its equivalent) from a second NRSRO for maturities over one (1) year; and c) the final maturity shall not exceed a period of five (5) years from the time of purchase.

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

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

(In thousands)

(3) Cash Deposits and Investments (Continued)

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

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

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, 2016 and 2015, the Authority was in full compliance with the Investment Policy.

(b) Cash Deposits

At September 30, 2016 and 2015, the carrying amounts of the Authority's unrestricted and restricted bank deposits were $112,215 and $71,214 respectively. These bank deposits were entirely insured or collateralized with securities or letters of credit at 102% of the market value of principal, plus accrued interest held by the Authority's independent agent in the Authority's name.

(In thousands)

(3) Cash Deposits and Investments (Continued)

(c) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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, 2016 and 2015, respectively:

	Fair Value Measurement at Reportable Date Using	
	Significant Other Observable Inputs (Level 2)	
Investments by fair value level	2016	2015
U.S. Treasury notes	$ 37,997	$ 54,610
Corporate notes	25,044	26,313
U.S. government agency obligations	67,184	15,365
Negotiable certificates of deposit	12,012	11,986
Supranational Bonds	3,755	-
Municipal bonds	4,743	120
Total investments at fair value	150,735	108,394
Investments and cash equivalents carried at amortized cost	208,784	193,048
Total investments and cash equivalents	$ 359,519	$ 301,442

(In thousands)

(3) Cash Deposits and Investments (Continued)

(d) Cash Equivalents and Investments

As of September 30, 2016 and 2015, the Authority held the following cash equivalents and investments:

Cash equivalents and investments	2016	Weighted Average Maturity (Years)	2015	Weighted Average Maturity (Years)
Registered money market mutual	$125,783	0.083	$162,435	0.083
U.S. government agency obligations	67,184	1.191	18,965	0.965
Commercial paper	62,792	0.257	1,792	0.589
U.S. Treasury notes	43,009	1.270	54,610	1.596
Corporate notes	25,044	1.772	26,313	2.153
FDIC-insured certificates of deposit	15,197	0.326	25,220	0.214
Negotiable certificates of deposit	12,012	0.839	11,987	1.168
Municipal bonds	4,743	2.324	120	2.033
Supranational Bonds	3,755	2.584	-	0.000
Total cash equivalents and investments	$359,519	0.671	$301,442	0.651

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, 2016 and 2015, respectively.

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

(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	270 days	Municipal Obligations	5 years
Collateralized Certificates of Deposit	NA		

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

As reflected in the table on the previous page, the weighted average maturity of the Authority's investment portfolio was 0.671 years and 0.651 years as of September 30, 2016 and 2015, 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.

The table below reflects the allocation of the Authority's investments by credit quality rating as of September 30, 2016:

	Credit Quality Rating										
Investment Type	AAA	AA+	AA	AA-	A+	A	A-1	A-1+	AAAm	Not Rated	Total
U.S. government agency obligations		18.7%									18.7%
Commercial paper							13.3%	4.2%			17.5%
Registered money market mutual									35.0%		35.0%
U.S. Treasury notes		12.0%									12.0%
FDIC-Insured certificates of deposit										4.2%	4.2%
Corporate notes	0.2%	0.9%	0.5%	3.6%	1.0%	0.8%					7.0%
Negotiable certificates of deposit				0.8%			1.5%	1.0%			3.3%
Supranational Bonds	1.0%										1.0%
Municipal bond			1.0%	0.3%							1.3%
	1.2%	31.6%	1.5%	4.7%	1.0%	0.8%	14.8%	5.2%	35.0%	4.2%	100.0%

At September 30, 2016, the Authority's investments with exposure to credit risk met the minimum credit ratings required in the Authority's investment policy.

(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 market value of principal, plus accrued interest and held by the Authority's independent agent in the Authority's name.

Custodial Credit Risk – Investments is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Authority has no custodial credit risk as all Authority investments are held in the Authority's name by an independent custodial agent for the term of the agreement and investments in obligations of the United States or its agencies are held by the Federal Reserve in a custodial account.

Other Required Disclosures – As of and for the years ended September 30, 2016 and 2015, the Authority did not have any:

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

(In thousands)

(3) Cash Deposits and Investments (Continued)

(d) Cash and Investment Schedule

A schedule of cash, cash equivalents and investments as of September 30, 2016 and 2015 follows:

	2016			2015		
Description	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents						
Demand deposits	$ 112,215	$ -	$ 112,215	$ 71,214	$ -	$ 71,214
Registered money market mutual	68	125,715	125,783	10,112	152,323	162,435
Total cash and cash equivalents	112,283	125,715	237,998	81,326	152,323	233,649
Investments						
U.S. Treasury notes	16,118	26,891	43,009	41,396	13,214	54,610
Corporate notes	25,044	-	25,044	26,313	-	26,313
FDIC-insured certificates of deposit	15,197	-	15,197	25,220	-	25,220
U.S. government agency obligations	28,323	38,861	67,184	8,930	10,035	18,965
Negotiable certificates of deposit	12,012	-	12,012	11,987	-	11,987
Commercial paper	1,790	61,002	62,792	1,792	-	1,792
Supranational Bonds	3,755	-	3,755	-	-	-
Municipal bonds	4,743	-	4,743	120	-	120
Total Investments	106,982	126,754	233,736	115,758	23,249	139,007
Total cash, cash equivalents & investments	$ 219,265	$ 252,469	$ 471,734	$ 197,084	$ 175,572	$ 372,656

(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, 2016 and 2015 follows:

Description	2016	2015
Restricted cash and cash equivalents (current and noncurrent)		
2016 B EIB Construction Funds	$ 24,500	$ -
Principal payment, 1998 revenue bonds	13,924	13,138
Interest payment, 2016A revenue bonds	10,500	-
Interest payment, 2015A,B revenue bonds	8,760	-
Interest payment, 2014C revenue bonds	8,739	8,763
Interest payment, 2014A revenue bonds	8,431	8,426
Interest payment, 2010 revenue bonds	8,398	5,511
Interest payment, 2012A,C revenue bonds	8,079	8,156
Interest payment, 2009 revenue bonds	236	4,284
Interest payment, 2013 revenue bonds	7,534	7,529
Principal payment, 2008 revenue bonds	6,604	6,435
Interest payment, 2008 revenue bonds	506	4,205
Interest payment, 1998 revenue bonds	5,587	5,981
Principal payment, 2012 revenue bonds	4,919	4,751
Interest payment, 2007 revenue bonds	-	2,840
Principal payment, 2009 revenue bonds	3,498	3,175
Extendable municipal commercial paper	2,326	-
Revenue bonds 2015B	1,833	-
Interest payment, commercial paper	637	-
Revenue bonds 2015A	233	-
Debt service reserve account, 1998 revenue bonds	211	218
Revenue bonds 2014C	124	-
Interest payment, 2014B revenue bonds	96	34
Interest payment, 2012B-1,2 revenue bonds	38	60
Revenue bonds 2014A	1	67,604
Interest payment, commercial paper	-	642
Principal payment, 2014C revenue bonds	-	570
Combined sewer overflow (CSO) federal appropriations	1	1
Total restricted cash and cash equivalents	125,715	152,323
Restricted investments (current and noncurrent)		
Debt service reserve account, 1998 revenue bonds	23,382	23,249
Revenue bonds 2015A	78,402	-
Revenue bonds 2015B	24,970	-
Total restricted investments	126,754	23,249
Total restricted cash, cash equivalents & investments	$252,469	$175,572

(In thousands)

(4) Capital Assets

The following tables present the activity in capital assets for the years ended September 30, 2016 and 2015:

	Balance 9/30/2015	Additions	Disposals	Transfers	Balance 9/30/2016
Capital Assets					
Wastewater treatment plant	$ 2,367,163	$ -	$ -	$ 16,013	$ 2,383,176
Wastewater collection facilities	828,130	-	-	14,965	843,095
Water distribution system	1,054,046	-	-	41,170	1,095,216
Purchased capacity	341,974	7,236	-	-	349,210
Capital equipment	203,573	(35)	(96)	17,142	220,584
Total capital assets in service	4,794,886	7,201	(96)	89,290	4,891,281
Less accumulated depreciation:					
Wastewater treatment plant	(588,392)	(40,880)	-	-	(629,272)
Wastewater collection facilities	(253,807)	(13,465)	-	-	(267,272)
Water distribution system	(256,622)	(17,807)	-	-	(274,429)
Purchased capacity	(82,540)	(5,820)			(88,360)
Capital equipment	(169,855)	(11,540)	96	-	(181,299)
Total accumulated depreciation	(1,351,216)	(89,512)	96	-	(1,440,632)
Net capital asssets in service	3,443,670	(82,311)	-	89,290	3,450,649
Construction-in-progress	2,033,657	600,331	-	(89,290)	2,544,698
Net capital assets	$ 5,477,327	$ 518,020	$ -	$ -	$ 5,995,347

	Balance 9/30/2014	Additions	Disposals	Transfers	Balance 9/30/2015
Capital Assets					
Wastewater treatment plant	$ 2,057,116	$ -	$ -	$ 310,047	$ 2,367,163
Wastewater collection facilities	758,603	-	-	69,527	828,130
Water distribution system	981,047	-	-	72,999	1,054,046
Purchased capacity	334,174	7,800	-	-	341,974
Capital equipment	191,409	(12)	(651)	12,827	203,573
Total capital assets in service	4,322,349	7,788	(651)	465,400	4,794,886
Less accumulated depreciation:					
Wastewater treatment plant	(550,483)	(37,909)	-	-	(588,392)
Wastewater collection facilities	(240,961)	(12,846)	-	-	(253,807)
Water distribution system	(239,989)	(16,633)	-	-	(256,622)
Purchased capacity	(76,844)	(5,696)			(82,540)
Capital equipment	(159,732)	(10,774)	651	-	(169,855)
Total accumulated depreciation	(1,268,009)	(83,858)	651	-	(1,351,216)
Net capital asssets in service	3,054,340	(76,070)	-	465,400	3,443,670
Construction-in-progress	1,879,678	619,379	-	(465,400)	2,033,657
Net capital assets	$ 4,934,018	$ 543,309	$ -	$ -	$ 5,477,327

(In thousands)

(4) Capital Assets (Continued)

For the years ended September 30, 2016 and 2015, total interest expense incurred was $65,183 and $57,341, and total capitalized interest was $62,800 and $52,028, respectively.

The following tables present the activity in purchased capacity for the years ended September 30, 2016 and 2015:

	Balance 9/30/2015	Additions	Balance 9/30/2016
Purchased capacity			
Washington Aqueduct	$ 309,784	$ 7,236	$ 317,020
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	341,974	7,236	349,210
Less accumulated depreciation:			
Washington Aqueduct	(67,239)	(5,223)	(72,462)
Jennings Randolph Reservoir	(9,037)	(393)	(9,430)
Little Seneca Lake	(6,264)	(204)	(6,468)
Total accumulated depreciation	(82,540)	(5,820)	(88,360)
Purchased capacity, net	$ 259,434	$ 1,416	$ 260,850

	Balance 9/30/2014	Additions	Balance 9/30/2015
Purchased capacity			
Washington Aqueduct	$ 301,984	$ 7,800	$ 309,784
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	334,174	7,800	341,974
Less accumulated depreciation:			
Washington Aqueduct	(62,141)	(5,098)	(67,239)
Jennings Randolph Reservoir	(8,644)	(393)	(9,037)
Little Seneca Lake	(6,059)	(205)	(6,264)
Total accumulated depreciation	(76,844)	(5,696)	(82,540)
Purchased capacity, net	$ 257,330	$ 2,104	$ 259,434

(In thousands)

(5) Capital Contributions

Capital contributions consist of the following for the years ended September 30, 2016 and 2015, respectively:

Description	2016	2015
Federal grants and appropriations	$ 29,470	$ 47,943
Contributions from District government	2,961	20,022
Total	$ 32,431	$ 67,965

Capital contributions consist principally of Federal grants and appropriations and certain capital costs incurred by the Authority in fiscal year 2016 and 2015 to be reimbursed by the District government pursuant to the Memorandum of Understanding between the Authority and the District discussed in Note 13(c).

(6) Due from Federal Government

The amount due from the Federal government consists of the following at September 30, 2016 and 2015, respectively:

Description	2016	2015
Washington Aqueduct advance	$ 24,150	$ 24,233
Federal grants receivable	4,223	8,245
Total	$ 28,373	$ 32,478

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

(7) Customer Receivables

The following is a summary of customer receivables, net as of September 30, 2016 and 2015:

Description	2016	2015
Billed customer receivables	$ 60,616	$ 55,975
Unbilled customer receivables	21,441	19,042
Total customer receivables	82,057	75,017
Less: Allowance for doubtful accounts	(15,042)	(12,364)
Customer receivables, net	$ 67,015	$ 62,653

(In thousands)

(8) Due from Other Jurisdictions

The amount due from other jurisdictions under the 2012 IMA consists of the following at September 30, 2016 and 2015:

Description	2016	2015
Current:		
Washington Suburban Sanitary Commission	$ 10,872	$ 31,971
Fairfax	2,472	8,368
Loudoun County Sanitation Authority	937	3,121
Northern Virginia	92	90
Potomac Interceptor	587	849
Total current	14,960	44,399
Noncurrent:		
Washington Suburban Sanitary Commission	11,703	12,149
Northern Virginia	2,989	3,082
Fairfax	2,333	2,601
Loudoun County Sanitation Authority	1,031	1,153
Total noncurrent	18,056	18,985
Total due from other jurisdictions	$ 33,016	$ 63,384

(9) Compensated Absences

The following table reflects the activity associated with accrued compensated absences for the years ended September 30, 2016 and 2015, respectively:

	2016			2015		
Description	Vacation	Sick	Total	Vacation	Sick	Total
Beginning of year	$ 8,253	$ 7,805	$ 16,058	$ 7,683	$ 6,897	$ 14,580
Increased (incurred)	2,112	2,201	4,313	1,963	1,688	3,651
Decreases	(2,050)	(933)	(2,983)	(1,393)	(780)	(2,173)
End of year	8,315	9,073	17,388	8,253	7,805	16,058
Less: current portion	1,443	592	2,035	1,105	359	1,464
Noncurrent portion	$ 6,872	$ 8,481	$ 15,353	$ 7,148	$ 7,446	$ 14,594

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

(In thousands)

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

The Authority's commercial paper notes payable are comprised of the following as of September 30, 2016 and 2015, respectively:

Description	9/30/2015	9/30/2016
Commercial Paper	$ 91,200	$ 29,200
Extendable Municipal Commercial Paper	-	50,000
	$ 91,200	$ 79,200

(a) Commercial Paper

A schedule of Commercial Paper activity for the years ended September 30, 2016 and 2015 is shown below:

Description	Balance 9/30/2015	2016 Maturities	2016 Re-Issuance	Balance 9/30/2016
Series C, interest from 0.24% to 0.60%, maturties ranged from 34 to 95 days	$ 29,200	$ (262,800)	$ 262,800	$ 29,200
Series B, interest from 0.03% to 0.07%, maturities ranged from 17 to 71 days	62,000	(87,000)	25,000	-
	$ 91,200	$ (349,800)	$ 287,800	$ 29,200

Description	Balance 9/30/2014	2015 Maturities	2015 Re-Issuance	Balance 9/30/2015
Series C, interest from 0.15% to 0.24%, maturties ranged from 1 to 97 days	$ 29,200	$ (204,400)	$ 204,400	$ 29,200
Series B, interest from 0.03% to 0.12%, maturities ranged from 36 to 89 days	12,000	(78,000)	128,000	62,000
	$ 41,200	$ (282,400)	$ 332,400	$ 91,200

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. To provide liquidity and credit support for the Commercial Paper Notes, the Authority obtained irrevocable, direct-pay letters of credit (the "Letters of Credit") issued by Landesbank Hessen-Thüringen Girozentrale, New York Branch (the "Bank") which currently expire on May 15, 2020.

(In thousands)

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

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.

(b) Extendable Municipal Commercial Paper

A schedule of Extendable Municipal Commercial Paper activity for the year ended September 30, 2016 is shown below:

Description	Balance 9/30/2015	2016 Maturities	2016 Re-Issuance	Balance 9/30/2016
EMCP Series A, interest from 0.06% to 0.55%, maturties ranged from 27 to 90 days	$ -	$ (275,000)	$ 325,000	$ 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. On December 1, 2015, the Authority issued the Series A EMCP Notes in the amount of $50,000. The proceeds were used to (1) redeem $47,310 of currently outstanding Commercial Paper (2) pay $1 of accrued interest on the Commercial Paper as well as the interest associated with the Authority's public utility subordinate lien multimodal revenues bonds, 2012 series B-2 (3) pay $355 associated cost of issuance of the Series A EMCP Note and (4) the remaining $2,334 were contributed to the Construction Account.

(In thousands)

(11) Long-Term Debt

A schedule of long-term debt activity for the year ended September 30, 2016 is shown below:

Description	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016	Due Within One Year
2016 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2039	$ -	$ 389,110	$ -	$ 389,110	$ -
Series B interest at 3.4%, maturing in 2047	-	25,000	-	25,000	-
2015 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2045	-	100,000	-	100,000	-
Series B interest at 5.0 % to 5.25%, maturing in 2044	-	250,000	-	250,000	-
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2114	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	377,700	-	(590)	377,110	-
2013 Public Utility Revenue Bonds:					
interest at 4.75% to 5.0%, maturing in 2048	300,000	-	-	300,000	-
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2037	168,405	-	(4,750)	163,655	4,915
Series B-2 interest at 2.26%, maturing in 2040	47,310	-	(47,310)	-	-
Series C interest at 4.0% to 5.0%, maturing in 2033	163,215	-	-	163,215	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2044	300,000	-	-	300,000	-
2009 Series A Public Utility Revenue Bonds:					
interest at 3.0% to 6.0%, maturing in 2019	159,520	-	(147,985)	11,535	3,495
2008 Series A Public Utility Revenue Bonds:					
interest at 4.0% to 5.0%, maturing in 2019	168,190	-	(147,990)	20,200	6,600
2007 Series A Public Utility Revenue Bonds:					
interest at 4.75% to 5.50%, maturing in 2041	115,580	-	(115,580)	-	-
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2028	183,660	-	(13,135)	170,525	13,920
Notes payable to the Federal Government for Jennings Randolph Reservoir (Bloomington Dam):					
interest at 3.25%, maturing in 2041	13,217	-	(376)	12,841	387
Subtotal	2,446,797	764,110	(477,716)	2,733,191	29,317
Unamortized bond premiums	104,060	111,329	(16,712)	198,677	-
Unamortized bond discounts	(2,351)	-	129	(2,222)	-
Total bonds and notes	$ 2,548,506	$ 875,439	$ (494,299)	$ 2,929,646	$ 29,317

(In thousands)

(11) Long-Term Debt (Continued)

A schedule of long-term debt activity for the year ended September 30, 2015 is shown below:

Description	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015	Due Within One Year
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2114	$ 350,000	$ -	$ -	$ 350,000	$ -
Series B-1 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	-	377,700	-	377,700	590
2013 Public Utility Revenue Bonds:					
interest at 4.75% to 5.0%, maturing in 2048	300,000	-	-	300,000	-
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2037	172,990	-	(4,585)	168,405	4,750
Series B-1 interest at 2.26%, maturing in 2044	52,690	-	(52,690)	-	-
Series B-2 interest at 2.26%, maturing in 2040	47,310	-	-	47,310	-
Series C interest at 4.0% to 5.0%, maturing in 2033	163,215	-	-	163,215	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2044	300,000	-	-	300,000	-
2009 Series A Public Utility Revenue Bonds:					
interest at 3.0% to 6.0%, maturing in 2039	291,145	-	(131,625)	159,520	3,175
2008 Series A Public Utility Revenue Bonds:					
interest at 4.0% to 5.0%, maturing in 2034	268,095	-	(99,905)	168,190	6,435
2007 Series A Public Utility Revenue Bonds:					
interest at 4.75% to 5.50%, maturing in 2041	218,715	-	(103,135)	115,580	-
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2028	196,050	-	(12,390)	183,660	13,135
Notes payable to the Federal Government for Jennings Randolph Reservoir (Bloomington Dam):					
interest at 3.25%, maturing in 2041	13,580	-	(363)	13,217	375
Subtotal	2,473,790	377,700	(404,693)	2,446,797	28,460
Unamortized bond premiums	76,098	51,085	(23,123)	104,060	-
Unamortized bond discounts	(2,480)	-	129	(2,351)	-
Total bonds and notes	$2,547,408	$428,785	$(427,687)	$2,548,506	$ 28,460

(11) Long-Term Debt (Continued)

(a) Senior Debt

The 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 Authority's senior debt is secured by a pledge of Authority's gross revenues (excluding any capital contributions or grants) after provisions for payment of operating expenses.

In July 2014, the Authority issued $350,000 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 2114. The proceeds of the issuance will be used to help finance the construction of the Authority's DC Clean Rivers Project. Net proceeds from the bond issuance totaled approximately $346,000 including $4,000 of underwriter's discount and cost of issuance.

In February 2009, the Authority issued senior lien public utility revenue bonds 2009 Series A with a face value of $300,000, consisting of $38,355 in Serial Bonds and $261,645 in Term Bonds. The Serial Bonds have maturity dates and interest rates ranging from 2010-2030 and 3.0% to 5.4%, respectively. The Term Bonds have maturity dates and interest rates ranging from 2024-2039 and 4.8% to 6.0%, respectively. Debt proceeds were used to repay $14,800 of the taxable Series A Commercial Paper Notes and $50,000 of the tax exempt Series B Commercial Paper Notes with the remainder used to finance the ongoing capital improvement program. During fiscal years 2015 and 2016, the Authority advance refunded $128,835 and $144,810, of the 2009 Series A bonds respectively. Details of the advance refunding are discussed below. The remaining undefeased 2009 Series A bonds outstanding as of September 30, 2016 will mature in fiscal years 2017 through 2019

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.

(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 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 are designated

(11) Long-Term Debt (Continued)

as Environmental Impact Bonds and, as such, include 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. The potential obligation of the Authority to pay the Outcome Payment is an unsecured obligation. No provision has been included in these financial statements for the potential obligation related to the Outcome Payment due to the uncertainties surrounding the effectiveness of GI in RC-A, which will be independently assessed prior to the mandatory tender date.

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 ranges 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 2045; 2015 Series B consisting of $250,000 with interest rates ranging from 5.0% to 5.25% maturing in 2044. 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.

(11) Long-Term Debt (Continued)

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 ranges 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. 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 July 2013, the Authority issued $300,000 of subordinate lien public utility revenue bonds with interest rates ranging from 4.75% to 5.0%, maturing in 2048 to fund the Authority's capital improvement program. Gross proceeds from the 2013 Series A bonds totaled $298,921, including $1,014 of original issue premium and $2,093 of underwriter's discount and cost of issuance.

In March 2012, the Authority issued subordinate lien revenue bonds with a face value of $440,645. The bonds were structured in three Series: 2012 Series A consisted of $177,430 with interest rates ranging from 2.0% to 5.0% maturing in 2037; 2012 Series B consisting of $100,000 with interest rate at 2.26% maturing in 2044; and 2012 Series C consisting of $163,215 with interest rates ranging from 4.0% to 5.0% maturing in 2033. Gross proceeds from the three series of 2012 Bonds totaled $493,934, including $53,289 of the original issue premium. Approximately $302,413 was used to fund various capital projects; $188,688 was used to advance-refund series 2003 Series bonds, and $2,833 was used to pay the underwriter's discount and cost of issuance. During fiscal years 2016 and 2015, the Authority current refunded $47,310 and advance refunded $52,690 of the series 2012 Series B-2 and 2012 Series B-1 bonds respectively. Details of the current and advance refunding are discussed above.

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

(11) Long-Term Debt (Continued)

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 a federal subsidy in the amount of 35% of the interest paid on the bonds which reduces the Authority's effective interest costs to approximately 3.6%. The $300,000 par amount consisted of $18,550 in serial bonds maturing in 2033 and gross interest rates ranging from 4.1% to 4.6%, $30,950 in term bonds maturing in 2028 and a gross interest rate of 5.4%, and $250,500 in index term bonds maturing in 2044 and a gross interest rate of 5.5%. Approximately $214,640 was issued to fund costs of certain capital improvements, including $2,420 for the cost of issuance and underwriter's discount. In addition, approximately $75,000 was issued to fund the Authority's Digester Project and $10,360 for capitalized interest. The interest subsidy received by the Authority for the fiscal years ended September 30, 2016 and 2015 amounted to $7,969 and $2,647, respectively. In fiscal years 2016 and 2015, the Authority received $597 and $208 less than expected due to budget sequester impacts experienced by the Federal government.

In April 2008, the Authority refunded the 2004 and 2007 Series B subordinate public utility revenue bonds for $295,000 and $59,000, respectively. Simultaneously, the Authority issued subordinate lien public utility revenue bonds 2008 Series A with a face value of $290,375 which are due in 2034. The interest rate on these securities is fixed and will have an effective average rate of 4.7% over the life of the bonds. There was $11,678 of original issue premium and approximately $5,888 for the cost of issuance, bond insurance and underwriter's discount costs associated with this issuance. The scheduled payments of principal and interest on the 2008 Series A bonds are guaranteed by a municipal bond insurance policy issued by the Assured Guaranty Program. During fiscal years 2015 and 2016, the Authority advance refunded $93,560 and $141,555 of the series 2008 Series A bonds respectively. Details of the advance refunding are discussed above. The remaining undefeased 2008 Series A bonds outstanding as of September 30, 2016 will mature in fiscal years 2017 through 2019.

In June 2007, the Authority issued $218,715 of tax-exempt subordinate lien public utility revenue bonds 2007 Series A and $59,000 of taxable subordinate lien public utility revenue bonds 2007 Series B. Gross proceeds from the 2007 Series A bonds totaled $234,923, including $15,661 of original issue premium. Approximately $30,000 was used to repay outstanding commercial paper, and $2,824 was used to pay the underwriter's discount, insurance and the cost of issuance. The scheduled payments of principal and interest on 2007 Series A bonds are guaranteed by a municipal bond insurance policy issued by the Financial Guaranty Insurance Company ("FGIC"). Gross proceeds from the 2007 Series B bonds totaled $59,000. Proceeds from the 2007 Series B bonds were used entirely to fund the Authority's share of capital improvements to the Washington Aqueduct. The scheduled payments of principal and interest on 2007 Series B bonds are guaranteed by a municipal bond insurance policy issued by CIFG Assurance North America, Inc. During fiscal year 2015, the Authority advance refunded $103,135 of the 2007 Series A bonds. During fiscal year 2016, the Authority advance refunded $67,295 of the 2007 Series A bonds and current refunded $48,285 of the remaining portion of 2007 series A bonds. Details of the advance refunding and current refunding are discussed above.

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.

(11) Long-Term Debt (Continued)

(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, 2016 and 2015. The primary requirements of the Master Indenture are summarized below:

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

Debt Service Reserve Fund — The Authority has established debt service reserve accounts for certain series of bonds, which are only to be used to pay debt service in the event of insufficient funds. The 1998 Series bonds debt service reserve account balance as of September 30, 2016 and 2015 was $23,594 and $23,467, respectively, and is required to be maintained at 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 in excess of that required by the Master Indenture.

(In thousands)

(11) Long-Term Debt (Continued)

(d) Debt Service to Maturity

The future debt-service obligations at September 30, 2016 are as follows:

Fiscal year	Principal	Interest	Total
2017	$ 29,317	$ 126,764	$ 156,081
2018	30,840	123,888	154,728
2019	32,993	122,283	155,276
2020	36,502	120,603	157,105
2021	42,005	118,741	160,746
2022 - 2026	270,896	558,653	829,549
2027 - 2031	342,917	486,171	829,088
2032 - 2036	433,888	396,370	830,258
2037 - 2041	496,838	287,927	784,765
2042 - 2046	529,955	164,094	694,049
2047 - 2051	137,040	91,933	228,973
2052 - 2056	—	84,245	84,245
2057 - 2061	—	84,245	84,245
2062 - 2066	—	84,245	84,245
2067 - 2071	—	84,245	84,245
2072 - 2076	—	84,245	84,245
2077 - 2081	—	84,245	84,245
2082 - 2086	—	84,245	84,245
2087 - 2091	—	84,245	84,245
2092 - 2096	—	84,245	84,245
2097 - 2101	—	84,245	84,245
2102 - 2106	28,069	82,894	110,963
2107 - 2111	161,963	54,831	216,794
2112 - 2116	159,968	12,004	171,972
	$ 2,733,191	$ 3,589,606	$ 6,322,797

(In thousands)

(11) Long-Term Debt (Continued)

(e) Outstanding Debt Defeased

The Authority defeased certain revenue bonds in current and prior 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. At September 30, 2016, the following outstanding revenue bonds are considered defeased.

Bond issue	Principal Outstanding 9/30/2016
2009 Series A Public Utility Revenue Bonds:	
interest at 3.0% to 6.0%, maturing in 2039	$ 273,645
2008 Series A Public Utility Revenue Bonds:	
interest at 4.0% to 5.0%, maturing in 2034	235,115
2007 Series A Public Utility Revenue Bonds:	
interest at 4.75% to 5.50%, maturing in 2041	170,430
Total Principal Outstanding	$ 679,190

(12) Commitments and Contingencies – Other Liabilities

A schedule of other liabilities as of September 30, 2016 and 2015 is shown below:

Description	2016	2015
Risk management contingency	$ 11,818	$ 11,615
Rolling owner controlled insurance program	6,518	5,702
Litigation contingency	2,998	3,024
Contractual obligations	825	825
Retirement health savings plan	2,536	1,955
Total other liabilities	24,695	23,121
Less: current portion	11,926	9,230
Noncurrent portion	$ 12,769	$ 13,891

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

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

(a) Risk Management

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

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

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

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

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

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

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

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

(In thousands)

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

Changes in the Authority's estimated risk management liabilities related to workers' compensation and general liability claims during the years ended September 30, 2016, 2015 and 2014 were as follows:

Description	2016	2015	2014
Balance, beginning of year	$ 11,615	$ 11,645	$ 11,782
Current year claims and changes in estimates	2,935	2,796	2,842
Claim payments	(2,732)	(2,826)	(2,979)
Balance, end of year	$ 11,818	$ 11,615	$ 11,645

(b) Rolling Owner Controlled Insurance Program

The Authority procures insurance for the majority of its construction contractors through the Authority's Rolling Owner Controlled Insurance Program (ROCIP). Construction contractors who do not participate in the ROCIP are required to procure insurance on their own. Coverage for participating construction contractors includes general liability, umbrella and workers' compensation insurance. Both general liability and workers' compensation have a $500 per occurrence deductible. There is also $100,000-$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. 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, 2016, 2015 and 2014 were as follows:

Description	2016	2015	2014
Balance, beginning of year	$ 5,702	$ 5,242	$ 11,827
Current year increase (decrease) in ROCIP liability	12,239	5,163	(2,410)
ROCIP administration and claim payments	(11,423)	(4,703)	(4,175)
Balance, end of year	$ 6,518	$ 5,702	$ 5,242

(In thousands)

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

(c) Litigation

The Authority is a party in various administrative proceedings, legal actions and claims brought by or against it in the normal course of operations by employees, contractors, and other parties. The following table reflects the changes in the Authority's estimated liabilities for litigation contingencies where the risk of loss is probable during the years ended September 30, 2016 and 2015:

Description	2016	2015
Balance, beginning of year	$ 3,024	$ 2,990
Current year claims and changes in estimates	2,050	502
Claim payments	(2,076)	(468)
Balance, end of year	$ 2,998	$ 3,024

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

(d) Federal Grants

The Authority's federal capital grants are subject to financial and compliance audits by the U.S Environmental Protection Agency, the grantor, or its representatives. The Authority's management does not expect that the results of these audits will have a material adverse effect on the accompanying financial statements.

(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, 2016 and 2015 were $861,685 and $966,985, respectively. Outstanding construction commitments are not recorded in the financial statements until goods and services have been received by the Authority in accordance with the terms of the related contracts.

(f) Lease Commitments

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

(In thousands)

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

The Authority's rental expense for the years ended September 30, 2016 and 2015 were as follows:

Description	2016	2015
Facilities leases	$ 1,396	$ 1,362
Automobile equipment leases	65	70
Machinery leases	216	211
Total	$ 1,677	$ 1,643

Future minimum non-cancelable lease payments on existing operating leases at September 30, 2016, which have an initial term of one year or more, are as follows.

Fiscal Year	Amount
2017	$1,142
2018	1,170
2019	1,063
2020	1,082
2021	219
2022-2026	800
Total	$5,476

(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 $28,890 and $24,452 from the District government and $9,295 and $8,496 from the District of Columbia Housing Authority ("DCHA") for fiscal years 2016 and 2015, respectively. Both the District government and DCHA revenues are included in water and wastewater user charges in the accompanying statements of revenues, expenses and changes in net position.

(b) PILOT and ROW Fees

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

(In thousands)

(13) Related Party and Similar Transactions (Continued)

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 $15,644 and $15,337 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, 2016 and 2015.

The Authority also recorded an expense of $5,100 for the District's right-of-way (ROW) fee, respectively charged to all area utilities for infrastructure occupancy in public streets, for each of the years ended September 30, 2016 and 2015. As of September 30, 2016 there was no outstanding balance due to the District related to these fees.

(c) Due from District Government

The amounts due from the District government as of September 30, 2016 and 2015 were $53,275 and $61,733, respectively. Such amounts were comprised of the following at September 30, 2016 and 2015, respectively:

Description	2016	2015
Northeast Boundary Neighborhood Protection Project	$ 52,271	$ 58,579
Storm Water Fees (13 d)	(1,123)	3,335
Other miscellaneous items	2,127	(181)
Total due from District government	53,275	61,733
Less: current portion	6,411	10,022
Noncurrent portion	$ 46,864	$ 51,711

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. Amounts due from the District as of September 30, 2016 and 2015 under this agreement amounted to $52,721 and $58,579, respectively. 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 15 of each year until the costs are paid in full.

(In thousands)

(13) Related Party and Similar Transactions (Continued)

(d) Storm Water Fee Billings and Collections

The District of Columbia Council created the Storm Water Compliance Amendment Act of 2000 which established the Authority as the Storm Water Administrator and a fund was established. The administration of the fund was transferred to the District Department of the Environment ("DDOE") in 2007. The Authority continues to bill and collect storm water fees as a separate item and transfers the funds to the DDOE quarterly.

During the years ended September 30, 2016 and 2015, the activity associated with the Authority providing this service to the District was as follows:

Description	2016	2015
Due from (to) the District-beginning of year	$ 3,335	$ (770)
Collections on behalf of the District	(15,567)	(12,386)
Remittances to the District	11,123	16,674
Expenses incurred by the Authority	934	887
Expenses reimbursed by the District	(948)	(1,070)
Due (to) from the District-end of year	$ (1,123)	$ 3,335

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

The due (to) from the District has been reported in Due from District Government on the statement of net position as of September 30, 2016 and 2015, respectively.

(14) Employee Benefits

(a) Defined Benefit Plans

Employees hired prior to October 1, 1987, participate in certain federal benefit plans administered by the federal government's Office of Personnel Management ("OPM"). The plans are cost sharing multi-employer plans, which provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan participants and beneficiaries. In fiscal years 2016 and 2015, there were 133 and 156 DC Water employees covered by these plans, respectively.

The OPM issues a publically available financial report that includes financial statements and required supplementary information, which may be obtained at www.opm.gov.

(14) Employee Benefits (Continued)

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 2016, 2015 and 2014, the Authority's contributions to the plans were $791, $924 and $931, 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).

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 2016, 2015, and 2014.

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 2016, 2015 and 2014, 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.

(14) Employee Benefits (Continued)

The Authority's matching contribution is vested after three years of service. During fiscal years 2016, 2015 and 2014, the Authority's contributions to both defined contribution plans were $8,357, $7,519 and $7,053 respectively. The amount of the Authority's outstanding liability at the end of fiscal years 2016, 2015 and 2014 were $638, $1,122 and $989, respectively.

(c) Post-Employment Insurance Plans

The Authority does not provide post employment health and life insurance benefits to any employees hired after September 30, 1987. The federal government provides healthcare and life insurance benefits to certain retired employees under the Federal Employees' Health Benefits Program and the Federal Employee's Group Life Insurance Program at no cost to the Authority.

(d) Retirement Health Savings Plan

In fiscal year 2007, the Authority implemented a Retirement Health Savings Plan for 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.

(15) Subsequent Events

The Authority has evaluated events subsequent to September 30, 2016 through December 20, 2016, 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.