dc water is life

Financial Section

KPMG LLP
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Washington, DC 20006

Independent Auditors' Report

Board of Directors
District of Columbia Water and Sewer Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the District of Columbia Water and Sewer Authority (the Authority) as of and for the years ended September 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2023 and 2022, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2.q to the basic financial statements, in 2023, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Washington, D.C.
December 21, 2023

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, 2023 and 2022. 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 2023

- On March 12, 2021 DC Water entered into a WIFIA Loan Agreement with the United States Environmental Protection Agency for an amount up to $156.4 million. The WIFIA Loan is expected to provide partial funding for infrastructure repair, rehabilitation, and replacement projects within the District of Columbia. Payment of the WIFIA Loan will be secured by a senior lien pledge of net revenues. The March 2021 loan bore interest at a fixed interest rate of 2.33%, with final maturity on October 1, 2060. On September 17, 2021 DC Water and EPA re-executed the WIFIA Loan Agreement to lower the fixed interest rate to 1.87%, with all other terms remaining unchanged. DC Water has submitted requests for loan disbursements and there is outstanding balance of $52.6 million loan principal as of September 30, 2023.

- Operating revenues increased by $66.5 million to $898.8 million or 8.0%, primarily due to the retail water rate increase of 9.5% and by the 6.0% increase in the Clean Rivers Impervious Area Charge (CRIAC) rate and the post effects of Covid-19 pandemic.

- Operating expenses increased by $36.0 million to $536.6 million, or 7.2%, primarily due to increases in costs for personnel services, chemicals and contractual services.

- Capital assets, net of depreciation and amortization, increased by $225.6 million to approximately $8.2 billion, or 2.8%, as a result of capital additions of $375.0 million offset by depreciation and amortization of $149.4 million. Capital additions incurred in 2023 were in line with the Authority's approved 10-year capital improvement program.

- Current assets increased by $125.3 million to $847.9 million or 17.3% primarily due to an increase of $27.5 million in unrestricted cash and investments, a $16.4 million increase in receivables from other jurisdictions, a $60.8 million increase in receivables from the Federal government.

- The Authority's net position increased by $266.2 million to $3.1 billion, or 9.3%, as a result of the current year operations and capital contributions.

- Effective October 1, 2022, the Authority increased its retail water and wastewater rates by 9.5% and increased its CRIAC rate by 6.0%.

Financial Highlights – Fiscal 2022

- In February 2022, the Authority issued subordinate lien revenue bonds with a face value of $439.7 million. The bonds were structured in four Series: 2022 Series B (Green Bonds) consisted of $79.6 million, with average interest rates at 5.0% maturing in 2048; revenue and revenue refunding bonds 2022 Series C-1 consisting of $206.7 million with average interest rates ranging from 4% to 5% maturing in 2052; revenue refunding bonds 2022 Series C-2 consisting of $4.4 million with average interest rates at 4% maturing in 2041; revenue and revenue refunding bonds 2022 Series D consisting of $148.9 million with average interest rates ranging from 1.7% to 3.5% maturing in 2045. Gross proceeds from the four series of 2022 Bonds totaled $499.1 million including $59.8 million of the original issue premium.

- In March 2022, the Authority issued $96.3 million of tax-exempt 2022 Series E variable rate multimodal subordinate lien revenue bonds, maturing in 2027 to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $100.7 million including $0.7 million of underwriter's discount and cost of issuance. Initially, the 2022 Series E bonds will bear interest at a soft tender long term rate. Upon expiration of the initial interest period, the bonds may be converted into a daily, weekly, index, short term, or fixed rate period, or a subsequent long term rate period.

- In April 2020, DC Water entered into an agreement with DNT Asset Trust (an affiliate of JPMorgan Chase Bank, N.A.) to purchase a Subordinate Lien Revenue Refunding Bond, Series 2022A in the amount of $294.3 million to (a) refund $127.4 million Subordinate Lien Revenue Bonds, Series 2012A and $163.2 million Subordinate Lien Revenue Refunding Bonds, Series 2012C; and (b) pay the costs of issuance of the bond. July 2022, the Authority issued the 2022 Series A bonds for $294.3 million, with interest rates ranging from 1.56% and 2.53% and maturing in 2037. The refunding provided an annual debt service savings averaging $3.8 million annually from fiscal year 2022 to fiscal year 2037.

- Operating revenues increased by $61.7 million to $832.2 million or 8%, primarily due to the retail rate increase of 7.8% offset by the 6.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and the post effects of Covid-19 pandemic.

- Operating expenses increased by $28.6 million to $500.5 million, or 6.1%, primarily due to increases in costs for personnel services, chemicals and electricity.

- Capital assets, net of depreciation and amortization, increased by $224.5 million to $8.0. billion, or 2.9%, as a result of capital additions of $368.5 million offset by depreciation and amortization of $146.4 million. Capital additions incurred in 2022 were in line with the Authority's approved 10-year capital improvement program.

- Current assets increased by $10.9 million to $722.7 million or 1.5% primarily due to an increase of $2.7 million in unrestricted cash and investments, a $6.8 million increase in receivables from customers, a $3.0 million increase in receivables from the Federal government.

- The Authority's net position increased by $205.0 million to $2.9 billion, or 7.7%, as a result of the current year operations and capital contributions.

- Effective October 1, 2021, the Authority raised its retail water and wastewater rates by 7.8% and decreased its CRIAC by 6.0%.

Using This Annual Report

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

Required Financial Statements

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

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

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

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

Financial Analysis of the Authority

Net Position

The Authority's total net position at September 30, 2023 was $3.1 billion, a $266.2 million, or a 9.3%, increase from September 30, 2022. Total assets increased by $225.9 million, or 2.5%, to $9.4 billion and total liabilities decreased by $43.7 million, or 0.7%, to $6.3 billion.

The Authority's total net position on September 30, 2022 was approximately $2.9 billion, a $205 million, or 7.7%, increase from September 30, 2021. Total assets increased $568.1 million, or 6.6%, to $9.1 billion and total liabilities increased $330.8 million, or 5.5%, to $6.3 billion.

Summary of Net Position
(In thousands)

	Fiscal Year			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	Amount	%	Amount	%
Current assets	$ 847,979	$ 722,685	$ 711,797	$ 125,294	17.3	$ 10,888	1.5
Noncurrent restricted assets	325,839	442,980	101,972	(117,141)	(26.4)	341,008	334.4
Capital assets	8,185,753	7,960,224	7,735,722	225,529	2.8	224,502	2.9
Other noncurrent assets	12,402	20,099	28,332	(7,697)	(38.3)	(8,233)	(29.1)
Total assets	9,371,973	9,145,988	8,577,823	225,985	2.5	568,165	6.6
Deferred outflows of resources	85,588	90,196	94,804	(4,608)	(5.1)	(4,608)	(4.9)
Current liabilities	491,059	503,352	497,849	(12,293)	(2.4)	5,503	1.1
Long-term debt outstanding	3,876,155	3,914,155	3,616,698	(38,000)	(1.0)	297,457	8.2
Long-term liabilities	1,931,226	1,924,666	1,896,811	6,560	0.3	27,855	1.5
Total liabilities	6,298,440	6,342,173	6,011,358	(43,733)	(0.7)	330,815	5.5
Deferred inflows of resources	26,617	27,706	-	1,088	3.9	27,706	100.0
Net investments in capital assets	2,622,251	2,480,216	2,305,799	142,035	5.7	174,417	7.6
Restricted for:							
Capital Projects	7,958	7,287	-	672	9.2	7,287	100.0
Debt Service	76,260	62,586	39,223	13,674	21.8	23,363	60.0
Unrestricted	426,035	316,216	316,582	109,819	34.7	(366)	(0.1)
Total net position	$ 3,132,504	$ 2,866,305	$ 2,661,604	$ 266,199	9.3	$ 204,701	7.7

The following is a discussion of the more significant changes in assets, liabilities, and net position in 2023.

- Capital assets, net of depreciation and amortization, increased by $225.5 million to $8.2 billion as a result of capital additions of $375.0 million offset by depreciation and amortization of $149.4 million. Capital additions incurred in 2023 were in line with the Authority's approved 10-year capital improvement program which is discussed in more detail on page 26.

- Current assets increased by $125.3 million to $848.0 million or 17.3% primarily due to an increase of $27.5 million in unrestricted cash and investments, a $6.2 million increase in receivables from customers, a $60.8 million increase in receivables from the federal government, $16.4 million increase in receivables from other jurisdictions.

- Long-term debt, including current maturities, decreased by $23.9 million to $3.9 billion, or 0.6%, primarily due to repayments of current maturities and offset by proceeds from the WIFIA loan.

- Current liabilities decreased by $12.3 million to $491.0 million, or 2.4%, primarily due to a decrease of $20.4 million, in commercial paper notes payable and a $11.2 million decrease in accounts payable and accrued expenses offset by a $14.1 million increase in current maturities of long-term debt.

- The Authority's net position increased by $266.2 million to $3.1 billion, or 9.3%, as a result of the current year operations and capital contributions.

The following is a discussion of the more significant changes in assets, liabilities, and net position in 2022.

- Capital assets, net of depreciation and amortization, increased by $224.5 million to $8.0 billion as a result of capital additions of $370.9 million offset by depreciation and amortization of $146.4 million. Capital additions incurred in 2022 were in line with the Authority's approved 10-year capital improvement program which is discussed in more detail on page 14.

- Current assets increased by $10.9 million to $722.7 million or 1.5% primarily due to an increase of $2.7 million in unrestricted cash and investments, a $6.8 million increase in receivables from customers, a $3.0 million increase in receivables from the federal government, offset by an $3.9 million increase in restricted cash and cash equivalents.

- Long-term debt, including current maturities, increased by $300.2 million to $3.9 billion, or 8.2%, primarily due to the issuance of $294.3 million of 2022 series A, $79.5 million of 2022 series B, $206.7 million of series C-1, $4.4 million of series C-2, $148.9 million of 2022 series D and $96.3 million of 2022 series E subordinate lien revenue bonds in fiscal year 2022 offset by principal payments of $525.7 million.

- Current liabilities increased by $5.5 million to $503.4 million, or 1.1%, primarily due to a $4.6 million decrease in accounts payable and accrued expenses and a decrease of $8.3 million in commercial paper notes payable and a $4.2 million decrease in amounts due to other jurisdictions, offset by a $16.4 million increase in unearned revenue.

- The Authority's net position increased by $205.0 million to $2.9 billion, or 7.7%, as a result of the current year operations and capital contributions.

Changes in Net Position

The increase in net position on September 30, 2023 was $266.2 million, or 9.3%, as compared with September 30, 2022. The Authority's total operating revenues increased by 8.0% to $898.8 million and total operating expenses increased by 7.2% to $536.6 million.

The increase in net position on September 30, 2022 was $205.0 million, or 7.7%, as compared with September 30, 2021. The Authority's total operating revenues increased by 7.2% to $832.2 million and total operating expenses increased by 6.0% to $500.2 million.

Change in Net Position
(In thousands)

	Fiscal Year			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	Amount	%	Amount	%
Operating revenues	$ 898,763	$ 832,210	$ 770,557	$ 66,553	8.0	$ 61,653	8.0
Operating expenses	536,570	500,533	471,902	36,037	7.2	28,631	6.1
Net non-operating revenues (expenses)	(125,513)	(158,410)	(152,912)	32,897	(20.8)	(5,498)	3.6
Change in net position before capital contributions	236,680	173,267	145,743	63,413	36.6	27,524	18.9
Capital contributions	29,519	31,434	42,093	(1,915)	(6.1)	(10,659)	-25.3
Change in net position	266,199	204,701	187,836	61,498	30.0	16,865	9.0
Net position - beginning of year	2,866,305	2,661,604	2,473,768	204,701	7.7	187,836	7.6
Net position - end of year	$ 3,132,504	$ 2,866,305	$ 2,661,604	$ 266,199	9.3	$ 204,701	7.7

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 2023 and 2022, and between fiscal years 2022 and 2021, respectively.

Fiscal Year 2023:

- Operating revenues increased by $66.6 million to $898.8 million or 8.0%, primarily due to the retail water rate increase of 9.5% and a 6.0% increase in the Clean Rivers Impervious Area Charge (CRIAC) rate and post effects of the Covid-19 pandemic.

- Operating expenses increased by $36.0 million to $536.6 million, or 7.2%, primarily due to increases in costs for personnel services, chemicals and contractual services.

Fiscal Year 2022:

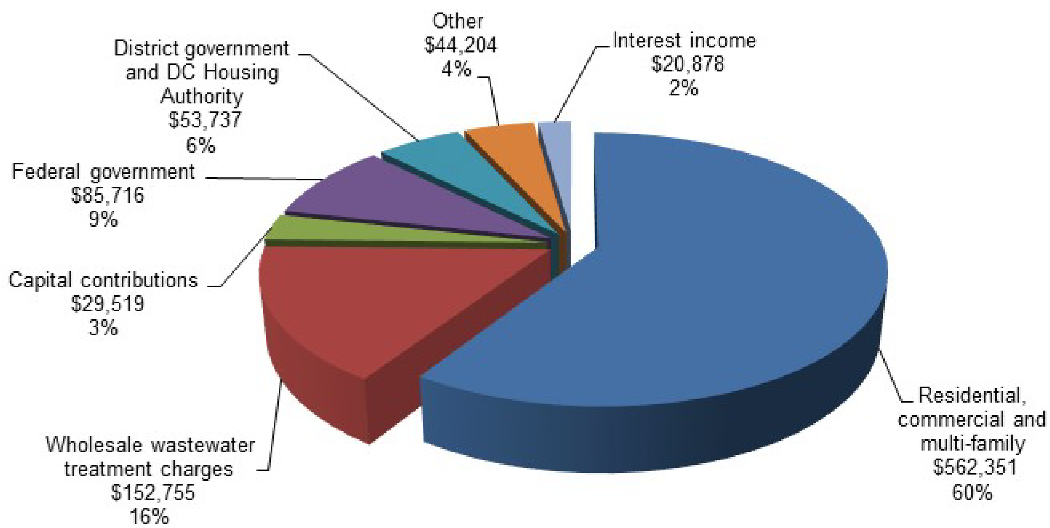
- Operating revenues increased by $61.7 million to $832.2 million or 8.0%, primarily due to the retail rate increase of 7.8% offset by the 6.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and post effects of the Covid-19 pandemic.

- Operating expenses increased by $28.3 million to $500.2 million, or 6.0%, primarily due to increases in costs for personnel services, chemicals and electricity.

2023 Total Revenues

Total revenues increased by $81.1 million, or 9.3%, to $949.2 million in fiscal year 2023.

Total Revenues
(In thousands)



- Revenues from residential, commercial, and multi-family customers increased by $40.3 million to $562.4 million, or 7.7%, primarily due to a 9.5% water and wastewater rate increase and 6.0% increase in the Clean Rivers Impervious Area Charge (CRIAC) and an increase in consumption due to the effects of the post COVID-19 pandemic.

- Revenues from the Federal government increased by approximately $9.0 million to $85.7 million, or 11.8%, primarily due to a 6.0% increase in the CRIAC and increase in consumption and a 9.5% water and wastewater rate increase.

- Revenues from the District of Columbia government and the District of Columbia Housing Authority increased by $2.3 million to $53.7 million or 4.5%, primarily due to a 9.5% water and wastewater rate increase and an increase in consumption and a 6.0% increase in the Clean Rivers Impervious Area Charge (CRIAC).

- Revenues from wholesale wastewater treatment increased by $17.5 million, to $152.8 million or 13%, primarily due to increase of $19.9 million in costs for chemical and energy for wastewater treatment, and for pumping and sewer processing, off set by $3.4 million of refunding accordance with the Intermunicipal Agreement (IMA) shareable operating costs of the Blue Plains Plant IMA capital reimbursement revenues recognized in fiscal year 2023.

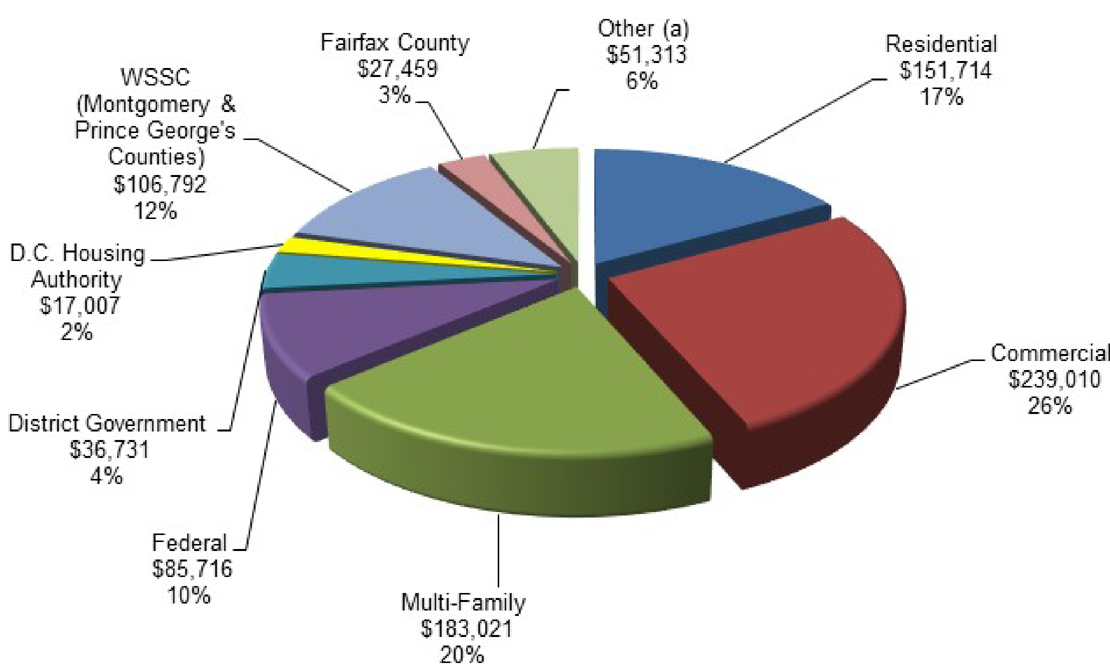
- Other revenues decreased by $2.6 million to $44.2 million, or 5.5%, primarily due to a decrease in customer late fees and special billings.

- Capital contributions decreased by approximately $1.9 million to $29.5 million, or 6.0%, primarily due a decrease in capital contributions from the District of Columbia

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 26% of the Authority's total operating revenues of $898.8 million for the fiscal year ended September 30, 2023.

Operating Revenues by Source
(In thousands)



(a) Other revenues include $14.1 million from Loudoun County and $4.4 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, 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 15.0% of the Authority's revenues and are based on their share of operating costs at Blue Plains. Loudoun County and Potomac Interceptor customers account for an additional 2.1% of the Authority's revenues and are included in other revenues.

- Residential customers in the District account for 17.0% of total operating revenues.

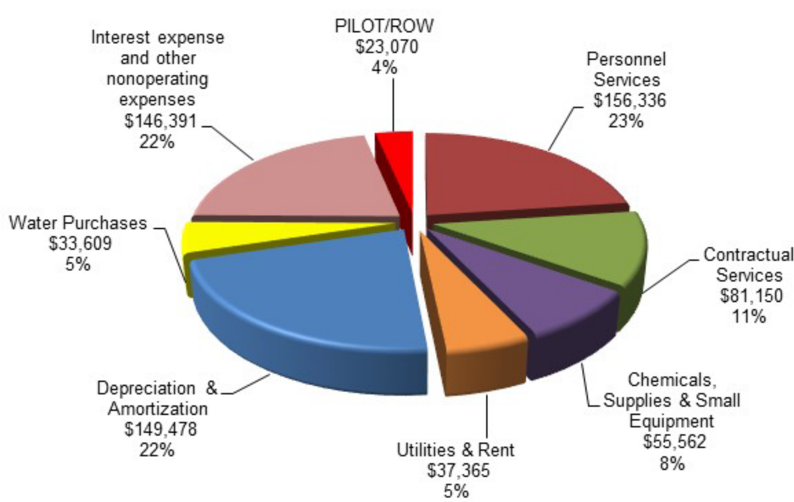
- Revenues from the Federal government comprise 10.0% of the Authority's total operating revenues and include customers such as the U.S. Congress, the Smithsonian Institution, and a range of federal departments and agencies.

- Revenues from the Government of the District of Columbia and the District of Columbia Housing Authority make up 6.0% of total operating revenues.

2023 Total Expenses

Total expenses increased by $19.5. million, or 2.9%, to $682.9 million in fiscal year 2023.

Total Expenses (In thousands)



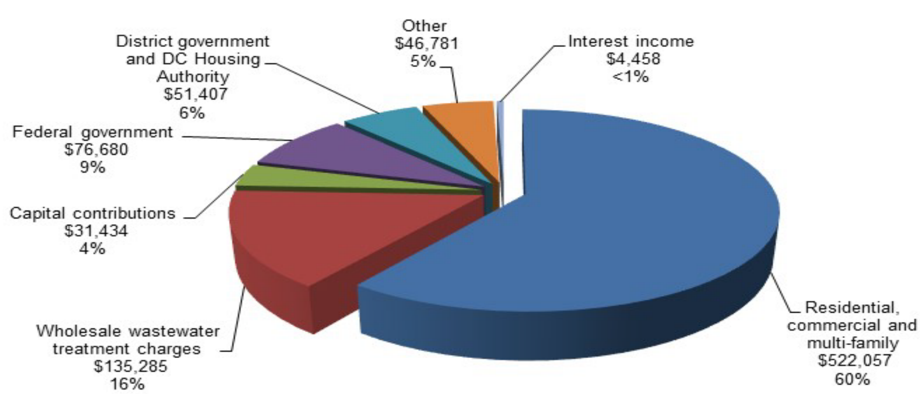
- Personnel services increased by $6.7 million to $156.3 million, or 4.5%, primarily due to increases in hiring, health benefits, overtime, and employee bonuses.

- Contractual services increased by $11.8 million to $81.2 million, or 17.1%, primarily due to an increase in fees for various contractual services and an increase in the use of contractors to fill vacant positions earlier in the year.
- Chemicals, supplies, and small equipment increased by $14.6 million to $55.6 million, or 35.6%, primarily due to increased unit prices in major chemicals and equipment rental costs.
- Utilities and rent decreased by $0.8 million to $37.4 million, or 2.1%, due to the Authority's departments, such as the engineering department moved from leased office space to HQO.
- Depreciation and amortization increased by $3.1 million to $149.4 million, or 2.1%, primarily due to an increase in capital assets in service and the implementation of GASB 96.
- Water purchases increased by $0.3 million to $33.6 million, or 0.8%, primarily due to an increase in consumption. There was no change in the rate from fiscal year 2022.
- Payment in lieu of taxes and right of way fee (PILOT/ROW) increased by $0.4 million to $23.1 million, or approximately 1.6%, which is in line with the PILOT/ROW agreement.
- Interest expenses and other nonoperating expenses decreased by $16.4 million to $146.4 million, or 10.1%, primarily due to lower interest incurred in long-term debt.

2022 Total Revenues

Total revenues increased $52.7 million, or 6.5%, to $868.1 million in fiscal year 2022.

Total Revenues
(In thousands)



- Revenues from residential, commercial, and multi-family customers increased by $47.7 million to $522.1 million, or 10.1%, primarily due to a 7.8% water and wastewater rate increase and offset by a 6.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and an increase in consumption due to the effects of the post COVID-19 pandemic.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2023 and 2022

- Revenues from the Federal government decreased by $9.7 million to $76.7 million, or 11.3%, primarily due to a 6.0% decrease in the CRIAC and decrease in consumption offset by a 7.8% water and wastewater rate increase.

- Revenues from the District of Columbia government and the District of Columbia Housing Authority increased by $1.4 million to $51.4 million or 2.8%, primarily due to a 7.8% water and wastewater rate increase and an increase in consumption offset by a 6.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC).

- Revenues from wholesale wastewater treatment increased by $7.9 million, to $135.3 million or 6.2%, primarily due to a $6.8 million increase in the Intermunicipal Agreement (IMA) shareable operating costs of the Blue Plains Plant and a $0.9 million increase in IMA capital reimbursement revenues recognized in fiscal year 2022.

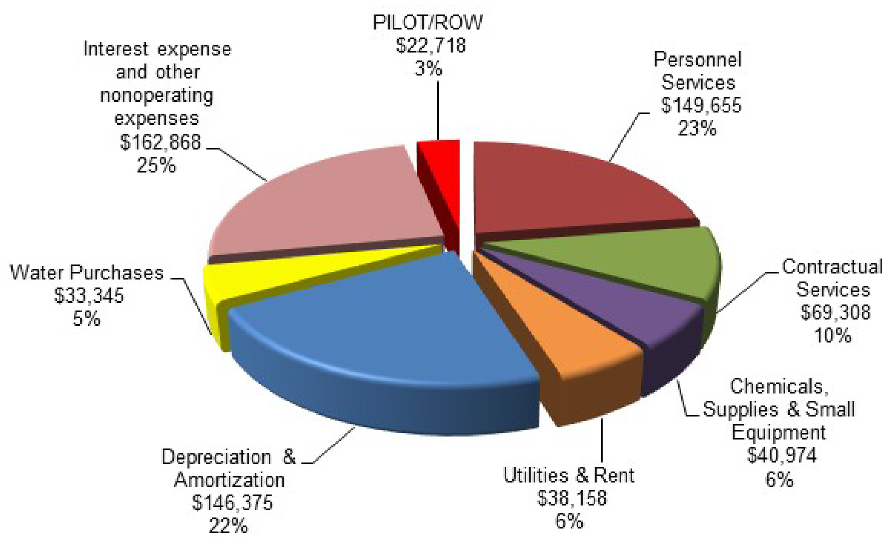
- Other revenues increased by $14.5 million to $46.8 million, or 44.9%, primarily due to reinstatement of customer late fees and an increase in special billings.

- Capital contributions decreased by $10.7 million to $31.4 million, or 25.4%, primarily due to a decrease in capital contributions from the District of Columbia and offset by an increase in federal grants contributions.

2022 Total Expenses

Total expenses increased by $35.8 million, or 5.8%, to $663.4 million in fiscal year 2022.

Total Expenses (In thousands)



- Personnel services increased by $7.3 million to $149.7 million, or 5.1%, primarily due to increases in health benefits, overtime, and employee bonuses.

- Contractual services decreased by $3.9 million to $69.3 million, or 5.3%, primarily due to a decrease primarily due to the GASB 96 implementation.
- Chemicals, supplies, and small equipment increased by $5.6 million to $40.9 million, or 15.9%, primarily due to increased unit prices in major chemicals.
- Utilities and rent increased by $10.8 million to $38.1 million, or 39.6%, due to increases in water and electricity costs.
- Depreciation and amortization increased by $8.3 million to $146.4 million, or 6.0%, primarily due to an increase in capital assets in service and restatement of GASB 96.
- Water purchases increased by $0.2 million to $33.3 million, or 0.6%, primarily due to an increase in consumption. There was no change in the rate from fiscal year 2021.
- Payment in lieu of taxes and right of way fee (PILOT/ROW) increased by $0.3 million to $22.7 million, or approximately 1.3%, which is in line with the PILOT/ROW agreement.
- Interest expenses and other nonoperating expenses decreased by $7.2 million to $162.9 million, or 4.2%, primarily due to interest incurred in long term debt and GASB 96 implementation.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2023, 2022, and 2021, respectively, the Authority had $8.2 billion, $8.0, billion, and $7.7 billion of capital assets (net of depreciation). This includes wastewater collection, wastewater treatment, water distribution systems, deep tunnel systems, purchased capacity, buildings, capital equipment, right to use assets and construction in progress. The Authority's net capital assets increased by approximately $225.5 million or 2.8%, during fiscal year 2023 and increased by approximately $224.5 million or 2.9%, during fiscal year 2022. and increased by approximately $261.2 million or 3.5% during fiscal year 2021, 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,		
	2023	2022	2021
Wastewater treatment plant	$ 3,425,716	$ 3,334,860	$ 3,327,554
Wastewater collection facilities	1,113,072	1,092,373	1,045,919
Water distribution system	1,326,108	1,231,610	1,218,468
Deep tunnel system	1,269,654	1,269,356	1,269,271
Purchased capacity	425,995	410,457	399,651
Buildings	84,903	84,903	84,904
Capital equipment	433,426	405,367	381,431
Right to use assets (SBITA)	52,892	51,206	47,860
Construction in progress	2,410,601	2,289,874	2,057,773
Less accumulated depreciation	(2,356,614)	(2,209,782)	(2,065,763)
Net capital assets	8,185,753	7,960,224	7,767,068

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, 2023 and 2022 were $274.0 million and $256.7 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 2023, the Authority had a total of $4.0 billion in long term debt outstanding, a decrease of $23.9 million, or 0.6%, over the fiscal year 2022.

At the end of fiscal year 2022, the Authority had a total of $4.0 billion in long term debt outstanding, an increase of $300.2 million, or 8.2%, over fiscal year 2021.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2023 is shown below:

(In thousands)

Description	Balance 9/30/2022	Increases	Decreases	Balance 9/30/2023
Outstanding bonds and notes	$ 3,726,934	$ 52,599	$ (61,566)	$ 3,717,967
Unamortized bond premiums	250,235	-	(15,091)	235,144
Unamortized bond discounts	(1,448)	-	128	(1,320)
Total bonds and notes	$ 3,975,721	$ 52,599	$ (76,529)	$ 3,951,791

On March 12, 2021 DC Water entered into a WIFIA Loan Agreement with the United States Environmental Protection Agency for an amount up to $156.4 million. The WIFIA Loan is expected to provide partial funding for infrastructure repair, rehabilitation, and replacement projects within the District of Columbia. Payment of the WIFIA Loan will be secured by a senior lien pledge of net revenues. The March 2021 loan bore interest at a fixed interest rate of 2.33%, with final maturity on October 1, 2060. On September 17, 2021 DC Water and EPA re-executed the WIFIA Loan Agreement to lower the fixed interest rate to 1.87%, with all other terms remaining unchanged. DC Water has submitted requests for loan disbursements and there is outstanding balance of $52.6 million loan principal as of September 30, 2023.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2022 is shown below:

(In thousands)

Description	Balance 9/30/2021	Increases	Decreases	Balance 9/30/2022
Outstanding bonds and notes	$ 3,422,793	$ 830,313	$ (526,172)	$ 3,726,934
Unamortized bond premiums	254,284	64,479	(68,528)	250,235
Unamortized bond discounts	(1,577)	-	129	(1,448)
Total bonds and notes	$ 3,675,500	$ 894,792	$ (594,571)	$ 3,975,721

In February 2022, the Authority issued subordinate lien revenue bonds with a face value of $439.7 million The bonds were structured in four Series: 2022 Series B (Green Bonds) consisted of $79.6 million, with average interest rates at 5.0% maturing in 2048; revenue and revenue refunding bonds 2022 Series C-1 consisting of $206.7 million with average interest rates ranging from 4% to 5% maturing in 2052; revenue refunding bonds 2022 Series C-2 consisting of $4.4 million with average interest rates at 4% maturing in 2041; revenue and revenue refunding bonds 2022 Series D consisting of $148.9 million with average interest rates ranging from 1.7% to 3.5% maturing in 2045. Gross proceeds from the four series of 2022 Bonds totaled $499.1 million including $59.8 of the original issue premium.

In March 2022, the Authority issued $96.3 million of tax-exempt 2022 Series E variable rate multimodal subordinate lien revenue bonds, maturing in 2027 to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $100.7 million including $0.7 of underwriter's discount and cost of issuance. Initially, the 2022 Series E bonds will bear interest at a soft tender long term rate. Upon expiration of the initial interest period, the bonds may be converted into a daily, weekly, index, short term, or fixed rate period, or a subsequent long term rate period.

In April 2020, DC Water entered into an agreement with DNT Asset Trust (an affiliate of JPMorgan Chase Bank, N.A.) to purchase a Subordinate Lien Revenue Refunding Bond, Series 2022A in the amount of $294.3 million to (a) refund $127.4 million Subordinate Lien Revenue Bonds, Series 2012A and $163.2 million Subordinate Lien Revenue Refunding Bonds, Series 2012C; and (b) pay the costs of issuance of the bond. In July 2022, the Authority issued the 2022 Series A bonds for $294.3 million with interest rates ranging from 1.56% and 2.53% and maturing in 2037. The refunding provided an annual debt service savings averaging $3.8 million annually from fiscal year 2022 to fiscal year 2037.

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

A more detailed discussion of long-term debt is provided in the Notes to the Financial Statements on page 60.

Credit Ratings

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

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

Rates

Effective October 1, 2022, the Authority raised its retail water and wastewater rates by 9.5%. The Authority's approved ten-year financial plan includes projected annual retail water and wastewater rate increases each year. The plan also includes projected revisions to its 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 stakeholders with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer at 1385 Canal Street, S.E., Washington D.C. 20003 or call 202-787-2000. A copy of this report is also available on DC Water's web site at www.dcwater.com

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Statements of Net Position

September 30, 2023 and 2022

(In thousands)

Assets and Deferred Outflows of Resources	**2023**	**2022 Restated**
Current assets:		
Cash and cash equivalents (note 3)	$ 187,773	$ 160,274
Investments (note 3)	158,102	154,967
Restricted cash and cash equivalents (note 3)	223,197	218,518
Restricted investments (note 3)	306	—
Customer receivables, net of allowance for doubtful accounts of $34,502 in 2023 and $32,344 in 2022 (note 7)	106,230	99,979
Due from other jurisdictions (note 8)	21,605	5,181
Due from Federal government (note 6)	107,805	46,975
Due from District government (note 13)	9,486	9,103
Inventory	19,180	15,823
Prepaid assets	14,295	11,865
Total current assets	847,979	722,685
Noncurrent assets:		
Restricted assets (note 3):		
Cash and cash equivalents	56,730	232,750
Investments	269,109	210,230
Total restricted cash and cash equivalents and investments	325,839	442,980
Capital assets (note 4):		
In-service	8,131,766	7,880,132
Less accumulated depreciation	(2,356,614)	(2,209,782)
Net capital assets in service	5,775,152	5,670,350
Construction-in-progress	2,410,601	2,289,874
Net capital assets	8,185,753	7,960,224
Other noncurrent assets:		
Due from District government (note 13)	5,858	11,716
Due from other jurisdictions (note 8)	6,544	8,383
Total other noncurrent assets	12,402	20,099
Total noncurrent assets	8,523,994	8,423,303
Total assets	9,371,973	9,145,988
Deferred Outflows of Resources		
Deferred loss on debt refunding	85,588	90,196
Total assets and deferred outflows of resources	9,457,561	9,236,184
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	128,987	140,183
Unearned revenue	79,943	80,820
Accrued interest	75,904	75,996
Commercial paper notes payable (note 10)	79,200	99,633
Current maturities of long-term debt (notes 11)	75,636	61,566
Due to jurisdictions	11,027	8,491
Compensation payable (note 9)	32,011	26,256
Other liabilities (note 12)	8,351	10,407
Total current liabilities	491,059	503,352
Noncurrent liabilities:		
Long-term debt, excluding current maturities (note 11)	3,876,155	3,914,155
Unearned revenue	1,885,882	1,871,828
Other liabilities (note 12)	12,451	12,174
Long-term SBITA payable, excluding current maturities (note 12)	19,014	22,841
Compensated absences payable (note 9)	13,879	17,823
Total noncurrent liabilities	5,807,381	5,838,821
Total liabilities	6,298,440	6,342,173
Deferred Inflows of Resources		
Deferred gains on debt refunding	26,617	27,706
Total liabilities and deferred inflows of resources	6,325,057	6,369,879
Net Position		
Net investments in capital assets	2,622,251	2,480,216
Restricted for:		
Capital projects	7,958	7,287
Debt service	76,260	62,586
Unrestricted	426,035	316,216
Total net position	$ 3,132,504	$ 2,866,305

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, 2023 and 2022

(In thousands)

	2023	2022 Restated
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	$ 562,351	$ 522,057
Federal government	85,716	76,680
District government and D.C. Housing Authority (note 13)	53,737	51,407
Charges for wholesale wastewater treatment	152,755	135,285
Other	44,204	46,781
Total operating revenues	898,763	832,210
Operating expenses:		
Personnel services	156,336	149,655
Contractual services	81,150	69,308
Chemicals, supplies and small equipment	55,562	40,974
Utilities and rent	37,365	38,158
Depreciation and amortization	149,478	146,375
Water purchases	33,609	33,345
Payment in lieu of taxes and right of way fee (note 13)	23,070	22,718
Total operating expenses	536,570	500,533
Operating income	362,193	331,677
Nonoperating revenues (expenses):		
Interest income	20,878	4,458
Interest expense and other nonoperating expenses	(146,391)	(162,868)
Total nonoperating expenses	(125,513)	(158,410)
Change in net position before capital contributions	236,680	173,267
Capital contributions (note 5)	29,519	31,434
Change in net position	266,199	204,701
Net position, beginning of year	2,866,305	2,661,604
Net position, end of year	$ 3,132,504	$ 2,866,305

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, 2023 and 2022
(In thousands)

	2023	2022 Restated
Cash flows from operating activities:		
Cash received from customers	$ 840,862	$ 776,747
Cash received from customers for Storm Water fees	13,580	13,560
Cash paid to suppliers for goods and services	(202,840)	(168,728)
Cash paid to employees for services	(154,527)	(144,871)
Cash paid to District of Columbia for Storm Water fees	(13,148)	(12,481)
Cash paid to District for PILOT and ROW	(23,070)	(22,718)
Net cash provided by operating activities	460,857	441,509
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	52,599	894,792
Proceeds from other jurisdictions	41,516	55,512
Repayments of bond principal and notes payable to Federal government	(65,392)	(526,174)
Acquisition of capital assets	(448,865)	(368,949)
Payments of interest and fiscal charges	(137,120)	(184,206)
Contributions of capital from Federal and District governments	28,193	41,011
Proceeds from issuance of commercial paper	536,866	517,651
Repayments of commercial paper	(557,299)	(525,970)
Net cash used in capital and related financing activities	(549,502)	(96,333)
Cash flows from investing activities:		
Cash received for interest	17,485	3,188
Investment purchases	(500,605)	(490,527)
Investment maturities	427,923	260,572
Net cash used in investing activities	(55,197)	(226,767)
Net increase (decrease) in cash and cash equivalents	(143,842)	118,409
Cash and cash equivalents at beginning of year	611,542	493,133
Cash and cash equivalents at end of year	$ 467,700	$ 611,542
Operating income	$ 362,194	$ 331,845
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	149,478	146,375
Change in operating assets and liabilities:		
(Increase) decrease in customer and other receivables	(13,537)	(10,396)
Increase in inventory and prepaid assets	(5,782)	(1,094)
Increase (decrease) in payables and accrued liabilities	2,756	1,888
Decrease in unearned revenue	(34,252)	(27,109)
Net cash provided by operating activities	$ 460,857	$ 441,509
Noncash Investing, Capital and Financing Activities:		
Capital asset additions included in accounts payable	92,661	97,023
Net increase (decrease) in the fair value of investments	$ 5,942	$ (8,082)

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

(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 or, “the Plant”) and an interceptor trunk line that carries wastewater primarily from Loudoun and Fairfax Counties and Dulles Airport to the Blue Plains wastewater treatment facility.

The Authority’s wastewater service territory includes over 2.5 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 74% of the finished water produced by the Aqueduct, and Arlington County and the FCWA purchase the remainder. Under this agreement, which remains in effect until September 30, 2023 and then thereafter until terminated, the Authority is responsible for funding approximately 75% of the Aqueduct's annual operating and capital costs. Additionally, the Authority obtains back-up and peak-day water supply from the Jennings Randolph Reservoir (Bloomington Dam) and Little Seneca Lake. The Jennings Randolph Reservoir was constructed by the Federal government and is operated by the USACE. The Little Seneca Lake was constructed and is operated by the WSSC.

(d) Reporting Entity

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

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

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

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

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

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

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

Blue Drop, LLC is a blended component unit because it is organized as a not-for-profit corporation in which the Authority is the sole corporate member, as identified in Blue Drop, LLC's articles of incorporation and bylaws. The inclusion of Blue Drop, LLC as a blended component unit did not have a material effect on the fiscal year 2023 or 2022 financial statements. Separate audited financial statements for Blue Drop, LLC are available from the Blue Drop, LLC Office at 1385 Canal Street SE, Washington, DC 20003. Condensed financial statements of Blue Drop, LLC as of and for the years ended September 30, 2023 and 2022 are also included in Note 15.

Additionally, the Authority is not considered to be a component unit of the District as the District is not able to impose its will on the Authority, and the Authority does not impose a financial burden on or provide a financial benefit to the District.

(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, 2023 and 2022, respectively.

(d) Inventory

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

(e) Restricted Assets

Restricted assets represent unspent revenue bond proceeds, funds for the current payment of debt service, and unspent Federal capital appropriations. These assets, which cannot be used for routine operations, are classified as restricted assets since their use is limited by the applicable debt covenants and Federal Appropriations Act.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(f) Capital Assets

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

Normal recurring maintenance and repair costs are charged to operations, whereas major repairs, improvements and replacements, which improve the attributes of the capital assets, are capitalized. Construction-in-progress is transferred to capital assets in-service upon substantial completion or when placed in service, with related depreciation commencing at that time. The Authority's capitalization thresholds are: $500 for wastewater treatment plant and collection facilities, and water distribution systems improvements, Subscription-Based Information Technology Arrangements (SBITA) $100 in the aggregate, by subscription term, and $5 for capital equipment and fleet.

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

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

As discussed in Note 1, the Authority is responsible for approximately 74% 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.

(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) SBITA

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

Under GASB Statement No. 96, a government generally should recognize a right-to-use subscription asset – an intangible asset – and corresponding subscription liability. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets over 12 months.

(i) Compensated Absences

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

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

Accordingly, the Authority has recorded an accrual for earned sick leave only to the extent it is probable that the benefits will result in termination payments. 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

(j) Bond Premiums, Discounts and Issuance Costs

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

(k) Net Position

Net position is categorized into three components as follows:

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

(2) Summary of Significant Accounting Policies (Continued)

- *Restricted* – This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first and the unrestricted resources when they are needed.

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

(l) Revenues and Expenses

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

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

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

(m) Retail Water and Wastewater User Charges

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

(2) Summary of Significant Accounting Policies (Continued)

(n) Charges for Wholesale Wastewater Treatment and Unearned Revenue

The cost of operating and maintaining the wastewater treatment plant and related collection facilities applicable to non-District users is billed to participating jurisdictions based upon their share of flows in accordance with terms of the IMA agreement discussed in Note 1c. The charges for operating and maintenance costs and for overhead costs incurred on capital projects are recorded as charges for wholesale wastewater treatment revenue in the year the costs are incurred. The costs of capital projects required for the joint use facilities are allocated to the participating jurisdictions based on their applicable capacity allocation as set forth in the 2012 IMA. The reimbursements for capital relate costs are recorded as unearned revenue and are amortized into user charges for wholesale wastewater treatment revenues over the estimated useful lives of the related assets.

(o) Contingencies

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

(p) Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities 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.

(q) Adoption of New Accounting Standards

Government Accounting Standard Board (GASB) issued Statement No. 96 in May 2020, effective for the reporting period beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting SBITAs for government end users. It defines a SBITA, establishes that a SBITA results in a right- to-use subscription assets and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The requirements of this Statement should be applied retrospectively. DC Water implemented GASB Statement No. 96 in fiscal year 2023, and therefore restated its FY2022 financial statements, see Note 16.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

To comply with GASB Statement No. 96, fiscal year 2022 ending balances were restated resulting in $.525 million change in net position as of September 30, 2022.

Government Accounting Standard Board (GASB) issued Statement No. 94 in March 2020, effective for the reporting period beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public- public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The adoption of GASB 94 did not have any impact on the Authority's financial statements, as it did not enter into any material PPP arrangements applicable to this statement.

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

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

No.	Title	Required Implementation Date *(Period Beginning After)*	Authority Fiscal Year
99	Extension of the use of LIBOR, accounting for SNAP distributions - Omnibus 2022	June 15, 2023	2024
100	Accounting changes and corrections	June 15, 2023	2024
101	Compensated Absences	December 15, 2023	2025

(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 by a NRSRO. The mutual fund must comply with the diversification, quality and maturity requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission.

(3) *Repurchase Agreements.* Contracts shall be invested in only if certain conditions are met, including: a) the Repurchase Agreement has a term to maturity of no greater than ninety (90) days; b) the contract is fully secured by deliverable U.S. Treasury and Federal Agency obligations, having a 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 (2) NRSROs. 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) the short-term paper of which is rated not lower than 'A-1' or the equivalent by a NRSRO.

(3) Cash Deposits and Investments (Continued)

(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 one (1) year; b) the issuing corporation, or its guarantor, has a short-term debt rating of no less than “A-1” (or its equivalent) by at least two of the NRSROs; and c) the total holdings of an issuer’s paper do not represent more than ten percent (10%) of the corporation’s outstanding commercial paper.

(7) *Collateralized Certificates of Deposit* in state chartered banks or federally charted banks. Deposits with savings and loans associations or District and Federal Credit Unions shall not exceed the greater of the total net worth or $500,000. Collateralized Certificates of Deposit shall be collateralized at 102%. Please refer to the DC Water’s collateralization policies under Collateralization of Bank Deposits.

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

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

(10) *Federal Agency Mortgage-Backed Securities*. 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) by two (2) NRSOs for maturities of one (1) year or less; 2) and a rating of at least ‘A’ (or its equivalent) from at least two (2) NRSROs 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 exceed five (5) years; and 2) have a rating of at least 'A' (or its equivalent) from at least two (2) NRSROs.

(In thousands)

(3) Cash Deposits and Investments (Continued)

(13) Municipal Obligations. Municipal bonds, notes and other evidences of indebtedness of the District or of any state or local government upon which there is no default that meet the following criteria; a) have a final maturity on the date of investment not to exceed five (5) years; b) a rating of at least ‘AA’ (or equivalent) by two (2) NRSROs; and c) the total holdings of any single issue do not represent more than 25% of the total issue.

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

Security		Security	
Collateralized Bank Deposits	100%	Collateralized Certificates of Deposit	30%
U.S. Treasury Obligations	100%	Corporate Notes	40%
Registered Money Market Mutual Funds	100%	FDIC-insured Certificates of Deposit	30%
Repurchase Agreements	100%	Federal Agency Mortgage-Backed Securities	30%
Federal Agency Obligations	80%	Negotiable Certificates of Deposit	50%
Bankers’ Acceptances	40%	Supranational Bonds	30%
Commercial Paper	50%	Municipal Obligations	30%

The Authority’s Investment Policy also stipulates that no more than 5% of the Authority’s portfolio will be invested in the securities of any single issuer with following exceptions:

U.S. Treasury	100% maximum
Each Mutual Fund	50% maximum
Each Repurchase Agreement Counterparty	50% maximum
Each Federal Agency	40% maximum

For the years ended September 30, 2023 and 2022, the Authority was in full compliance with the Investment Policy.

b. Cash Deposits

At September 30, 2023 and 2022, the carrying amounts of the Authority’s unrestricted and restricted bank deposits were $188,485 and $160,012 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 GAAP. The Authority is required to classify certain assets and liabilities based on the following fair value hierarchy:

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

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

Level 3: Inputs are significant unobservable inputs.

As noted in the following table, all of the Authority's investments that are reported at fair value have been measured using Level 2 inputs as of September 30, 2023 and 2022, respectively:

	Fair Value Measurement at Reportable Date Using Significant Other Observable Inputs (Level 2)	
Investments by fair value level	2023	2022
U.S. Treasury notes	$ 207,757	$ 122,926
Corporate notes	54,095	48,240
U.S. government agency obligations	3,862	23,566
Supranational Bonds	3,265	7,138
Municipal bonds	3,779	3,822
Federal Agency Mortgage-Backed Securities	7,700	3,173
Negotiable certificates of deposit	7,720	1,050
Total investments at fair value	288,178	209,915
Investments and cash equivalents carried at amortized cost	418,554	606,809
Total investments and cash equivalents	$ 706,732	$ 816,724

(In thousands)

(3) Cash Deposits and Investments (Continued)

d. Cash Equivalents and Investments

As of September 30, 2023 and 2022, the Authority held the following cash equivalents and investments:

Cash equivalents and investments	2023	Weighted Average Maturity (Years)	2022	Weighted Average Maturity (Years)
Registered money market mutual	$ 244,266	0.083	$ 451,529	0.083
U.S. Treasury notes	365,939	0.828	191,575	0.814
Commercial paper	-	0.000	67,538	0.180
Corporate notes	54,095	1.971	48,240	2.517
U.S. government agency obligations	3,862	1.325	23,566	0.929
FDIC-insured certificates of deposit	16,106	0.217	15,931	0.218
Supranational Bonds	3,265	0.834	7,138	1.253
Municipal bonds	3,779	1.558	3,822	1.732
Federal Agency Mortgage-Backed Securities	7,700	3.753	3,173	6.919
Negotiable certificates of deposit	7,720	1.370	4,212	1.906
Total cash equivalents and investments	$ 706,732	0.686	$ 816,724	0.487

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, 2023 and 2022, 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	1 year	Municipal Obligations	5 years
Collateralized Certificates of Deposit	NA		

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

As reflected in the table on the previous page, the weighted average maturity of the Authority's investment portfolio was 0.686 years and 0.487 years as of September 30, 2023 and 2022, 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, 2023:

	Credit Quality Rating												
Investment Type	AAA	AA+	AA	AA-	A+	A	A-	BBB+	A-1	A-1+	AAAm	Not Rated	Total
U.S. government agency Obligations		0.5%											0.5%
Commercial paper									0.0%	0.0%			0.0%
Registered Money Market Mutual											34.7%		34.7%
U.S. Treasury notes		51.9%											51.9%
FDIC-Insured certificates of deposit												2.3%	2.3%
Federal Agency Mortgage-Backed Securities		1.1%											1.1%
Corporate notes			0.3%	1.2%	1.3%	1.8%	2.4%	0.7%					7.7%
Negotiable certificates of deposit				0.1%		0.1%			0.5%				0.7%
Supranational Bonds	0.5%												0.5%
Municipal bonds		0.2%	0.2%	0.1%								0.1%	0.6%
	0.5%	53.7%	0.5%	1.4%	1.3%	1.9%	2.4%	0.7%	0.5%	0.0%	34.7%	2.4%	100.0%

At September 30, 2023, 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, 2023 and 2022, 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; or
- 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, 2023 and 2022 follows:

	2023			2022		
Description	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents						
Registered money market mutual	$ 20	$ 244,247	$ 244,267	$ 262	$ 451,268	$ 451,530
Demand Deposit	187,731	754	188,485	160,012	-	160,012
U.S. Treasury notes	-	34,806	34,806	-	-	-
Total cash and cash equivalents	187,751	279,807	467,558	160,274	451,268	611,542
Investments						
U.S. Treasury notes	61,598	269,535	331,133	58,876	132,699	191,575
Commercial paper	-	-	-	-	67,538	67,538
Corporate notes	54,095	-	54,095	48,240	-	48,240
U.S. government agency obligations	3,862	-	3,862	13,573	9,993	23,566
FDIC-insured certificates of deposit	16,106	-	16,106	15,931	-	15,931
Supranational Bonds	3,265	-	3,265	7,138	-	7,138
Negotiable certificates of deposit	7,719	-	7,719	4,214	-	4,214
Municipal bonds	3,779	-	3,779	3,822	-	3,822
Federal Agency Mortgage-Backed Securities	7,700	-	7,700	3,173	-	3,173
Total Investments	158,124	269,535	427,659	154,967	210,230	365,197
Total cash, cash equivalents & investments	$ 345,875	$ 549,342	$ 895,217	$ 315,241	$ 661,498	$ 976,739

(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, 2023 and 2022 follows:

Description	2023	2022
Restricted cash and cash equivalents (current and noncurrent)		
Revenue bonds 2019C	$ -	$ 100,456
2022 B Bond-Construction Fund	37,605	100,432
2022 C1 Bond-Construction Account	4,874	60,213
Debt service reserve account, 1998 revenue bonds	10,808	1,402
Revenue bonds 2019A	-	13,897
Principal payment, 2014 revenue bonds	15,155	13,625
Interest payment, 2010 revenue bonds	7,864	12,636
2022 E Bond-Construction Account	10,593	10,629
Interest payment, 2015A,B revenue bonds	6,308	8,563
Interest payment, 2016A revenue bonds	8,582	8,534
Interest payment, 2014A revenue bonds	8,489	8,442
2022 D Bond-Construction Account	52,915	7,985
Water Mains at Mass Ave	7,287	7,287
2018 A&B Senior Bond Interest	7,194	7,250
2022 B and C Bond Subordinate-Interest Account	6,589	6,844
Interest payment, 2017 A&B Senior Lien Interest	6,644	6,668
Interest payment, 2014C revenue bonds	5,510	6,460
2015 A & B Lien Revenue Bonds	8,168	5,654
Principal payment, 1998 revenue bonds	20,334	19,326
Principal payment, 2012 revenue bonds	-	5,342
Interest payment, 2019D revenue bonds	5,351	5,335
2017 A&B Senior Lien Principal	4,785	4,555
2018 A&B Senior Bond Principal	4,117	3,860
Interest payment, 2019A,B revenue bonds	3,840	3,818
Lead Service Program 1	-	3,152
2022 D Bond Subordinate-Interest Account	2,228	2,220
Cash-Fleet & Sewer Relocation	672	-
Interest payment, 1998 revenue bonds	1,534	2,046
Lead Service Program 2	2,741	5,788
Principal payment, 2019D revenue bonds	1,709	1,653
DC Government Customer Assistance Program 3	23	1,600
2022 E Bond Subordinate-Interest Account	1,478	1,513
2022 A Bond Subordinate-Interest Account	3,045	1,446
Interest payment, 2012A,C revenue bonds	-	1,336
Interest payment, 2019C revenue bonds	877	872
Interest payment, 2014B revenue bonds	319	148
Commercial Paper Series B Interest	-	68
CRIAC Emergency Residential Relief Fund COVID 19	43	67
2022 E Cost of Issuance	-	46
Interest payment, 2012C revenue bonds	-	39
Interest payment, 2013 revenue bonds	-	29
2022 A Cost of Issuance	-	19
Commercial Paper Notes Investment	19	10
2022 B Cost of Issuance	-	1
2012 B-2 Bond Interest Accoun, 2018 B Cost of Issuance	-	1
Combined sewer overflow (CSO) federal appropriations	83	-
Interest payment, EMCP Series A	130	-
2022 D Bond-Principal Account	6,415	-
2022 A Bond Subordinate-Principal Account	10,408	-
2010 A Bond-Principal Account	4,842	-
2021 WIFIA-Interest Account	229	-
Total restricted cash and cash equivalents	279,807	451,267
Restricted investments (current and noncurrent)		
Debt service reserve account, 1998 revenue bonds	3,030	13,816
2022 B Bond-Construction Fund	55,097	-
2022 C1 Bond-Construction Account	94,063	40,303
2022 D Bond-Construction Account	25,273	67,087
2022 E Bond-Construction Account	92,072	89,024
Total restricted investments	269,535	210,230
Total restricted cash, cash equivalents & investments	$ 549,342	$ 661,497

(In thousands)

(4) Capital Assets

The following tables present the activity in capital assets for the years ended September 30, 2023 and 2022

	Balance 9/30/2022	Additions	Disposals	Transfers	Balance 9/30/2023
Capital Assets					
Wastewater treatment plant	$ 3,334,860	$ -	$ -	$ 90,856	$ 3,425,716
Wastewater collection facilities	1,092,373	-	-	20,699	1,113,072
Water distribution system	1,231,610	-	-	94,498	1,326,108
Deep tunnel systems	1,269,356	-	-	298	1,269,654
Purchased capacity	410,457	15,538	-	-	425,995
Buildings	84,903	-	-	-	84,903
Capital equipment	405,368	-	(2,645)	30,703	433,426
Right to use assets (SBITA)	51,206	1,686	-	-	52,892
Total capital assets in service	7,880,133	17,224	(2,645)	237,054	8,131,766
Less accumulated depreciation:					
Wastewater treatment plant	(945,611)	(58,991)	-	-	(1,004,602)
Wastewater collection facilities	(376,480)	(19,374)	-	-	(395,854)
Water distribution system	(369,049)	(20,484)	-	-	(389,533)
Deep tunnel systems	(52,863)	(12,633)	-	-	(65,496)
Purchased capacity	(131,923)	(6,823)	-	-	(138,746)
Buildings	(8,876)	(1,336)	-	-	(10,212)
Capital equipment	(302,356)	(23,662)	2,597	-	(323,421)
Right to use assets (SBITA)	(22,624)	(6,126)	-	-	(28,750)
Total accumulated depreciation	(2,209,782)	(149,429)	2,597	-	(2,356,614)
Net capital assets in service	5,670,351	(132,205)	(48)	237,054	5,775,152
Construction-in-progress	2,289,874	357,781	-	(237,054)	2,410,601
Net capital assets	$ 7,960,225	$ 225,576	$ (48)	$ -	$ 8,185,753

	Balance 9/30/2021 Restated	Additions	Disposals	Transfers	Balance 9/30/2022 Restated
Capital Assets					
Wastewater treatment plant	$ 3,327,555	$ -	$ -	$ 7,305	$ 3,334,860
Wastewater collection facilities	1,045,919	-	-	46,454	1,092,373
Water distribution system	1,218,468	-	-	13,142	1,231,610
Deep tunnel systems	1,269,271	-	-	85	1,269,356
Purchased capacity	399,651	10,806	-	-	410,457
Buildings	84,903	-	-	-	84,903
Capital equipment	381,432	61	(2,355)	26,229	405,367
Right to use assets (SBITA)	47,860	3,346	-	-	51,206
Total capital assets in service	7,775,059	14,213	(2,355)	93,215	7,880,132
Less accumulated depreciation:					
Wastewater treatment plant	(886,839)	(58,774)	-	-	(945,613)
Wastewater collection facilities	(357,659)	(18,821)	-	-	(376,480)
Water distribution system	(348,880)	(20,169)	-	-	(369,049)
Deep tunnel systems	(40,231)	(12,632)	-	-	(52,863)
Purchased capacity	(125,286)	(6,637)	-	-	(131,923)
Buildings	(7,540)	(1,336)	-	-	(8,876)
Capital equipment	(282,815)	(21,897)	2,358	-	(302,354)
Right to use assets (SBITA)	(16,513)	(6,111)	-	-	(22,624)
Total accumulated depreciation	(2,065,763)	(146,377)	2,358	-	(2,209,782)
Net capital assets in service	5,709,296	(132,164)	3	93,215	5,670,350
Construction-in-progress	2,057,773	325,316	-	(93,215)	2,289,874
Net capital assets	$ 7,767,069	$ 193,152	$ 3	$ -	$ 7,960,224

(In thousands)

(4) Capital Assets (Continued)

For the years ended September 30, 2023 and 2022, total interest expense incurred was $154,800 and $155,192, respectively.

SBITA Assets

SBITA assets of $51.2 million were capitalized retrospectively for fiscal year 2022 through GASB Statement No. 96 implementation in fiscal year 2023. For fiscal year 2023, the capitalized SBITA assets increased to $52.9 million. SBITA assets, net of accumulated amortization, were $28.7 and $22.6 in fiscal year 2023 and 2022, respectively. For details, please refer to Note 16.

The following tables present the activity in purchased capacity for the years ended September 30, 2023 and 2022:

	Balance 9/30/2022	Additions	Balance 9/30/2023
Purchased capacity			
Washington Aqueduct	$ 378,267	$ 15,538	$ 393,805
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	410,457	15,538	425,995
Less accumulated depreciation:			
Washington Aqueduct	(112,411)	(6,213)	(118,624)
Jennings Randolph Reservoir	(11,804)	(400)	(12,204)
Little Seneca Lake	(7,708)	(210)	(7,918)
Total accumulated depreciation	(131,923)	(6,823)	(138,746)
Purchased capacity, net	$ 278,534	$ 8,715	$ 287,249

	Balance 9/30/2021	Additions	Balance 9/30/2022
Purchased capacity			
Washington Aqueduct	$ 367,461	$ 10,806	$ 378,267
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	399,651	10,806	410,457
Less accumulated depreciation:			
Washington Aqueduct	(106,385)	(6,026)	(112,411)
Jennings Randolph Reservoir	(11,403)	(401)	(11,804)
Little Seneca Lake	(7,498)	(210)	(7,708)
Total accumulated depreciation	(125,286)	(6,637)	(131,923)
Purchased capacity, net	$ 274,365	$ 4,169	$ 278,534

(In thousands)

(5) Capital Contributions

Capital contributions consist of the following for the years ended September 30, 2023 and 2022, respectively:

Description	2023	2022
Federal grants and appropriations	$ 29,495	$ 25,148
Contributions from District government	24	6,286
Total	$ 29,519	$ 31,434

Capital contributions consist principally of Federal grants and appropriations and certain capital costs incurred by the Authority in fiscal years 2023 and 2022 to be reimbursed by the District government pursuant to the Memorandum of Understanding between the Authority and the District discussed in Note 13(e).

(6) Due from Federal Government

The amount due from the Federal government consists of the following at September 30, 2023 and 2022, respectively:

Description	2023	2022
Washington Aqueduct advance	$105,092	$ 45,722
Federal grants receivable	2,713	1,253
Total	$107,805	$ 46,975

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

(7) Customer Receivables

The following is a summary of customer receivables, net as of September 30, 2023 and 2022:

Description	2023	2022
Billed customer receivables	$ 111,925	$ 105,008
Unbilled customer receivables	28,807	27,315
Total customer receivables	140,732	132,323
Less: Allowance for doubtful accounts	(34,502)	(32,344)
Customer receivables, net	$ 106,230	$ 99,979

(In thousands)

(8) Due from Other Jurisdictions

The amount due from other jurisdictions under the 2012 IMA consists of the following at September 30, 2023 and 2022:

Description	2023	2022
Current:		
Washington Suburban Sanitary Commission	$ 11,436	$ 4,253
Fairfax	5,540	-
Loudoun County Sanitation Authority	3,527	-
Northern Virginia	116	113
Potomac Interceptor	986	815
Total current	21,605	5,181
Noncurrent:		
Washington Suburban Sanitary Commission	3,052	4,686
Fairfax	798	917
Loudoun County Sanitation Authority	446	416
Northern Virginia	2,248	2,364
Total noncurrent	6,544	8,383
Total due from other jurisdictions	$ 28,149	$ 13,564

(9) Compensated Absences

The following table reflects the activity associated with accrued compensated absences for the years ended September 30, 2023 and 2022, respectively:

	2023			2022		
Description	Vacation	Sick	Total	Vacation	Sick	Total
Beginning of year	$ 12,110	$ 19,079	$ 31,189	$ 12,334	$ 16,079	$ 28,413
Increases (incurred)	11,461	6,850	$ 18,311	13,506	7,300	20,806
Decreases	(11,675)	(4,876)	$ (16,551)	(13,730)	(4,300)	(18,030)
End of year	11,896	21,053	32,949	12,110	19,079	31,189
Less: current portion	11,896	7,174	19,070	11,166	2,200	11,282
Noncurrent portion	$ -	$ 13,879	$ 13,879	$ 944	$ 16,879	$ 19,907

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 and Extendable Municipal Commercial Paper

The Authority's commercial paper notes payable are comprised of the following as of September 30, 2023 and 2022, respectively:

Description	Balance 9/30/2023	Balance 9/30/2022
Commercial Paper	$ 29,200	$ 49,633
Extendable Municipal Commercial Paper	50,000	50,000
	$ 79,200	$ 99,633

(a) Commercial Paper

A schedule of Commercial Paper activity for the years ended September 30, 2023 and 2022 is shown below:

Description	Balance 9/30/2022	2023 Maturities	2023 Re-Issuance	Balance 9/30/2023
Series B, interest rates from 1.35% to 2.75 with maturities ranged from 14 to 90 days	$ 20,433	$ (61,299)	$ 40,866	$ -
Series C, interest from 2.88 to 5.48%, maturities ranged from 30 to 90 days	29,200	(146,000)	146,000	29,200
	$ 49,633	$ (207,299)	$ 186,866	$ 29,200

Description	Balance 9/30/2021	2022 Maturities	2022 Re-Issuance	Balance 9/30/2022
Series B, interest from 0.08% to 0.42%, maturities ranged from 90 to 184 days	$ 28,752	$ (138,370)	$ 130,051	$ 20,433
Series C, interest from 0.10% to 2.88%, maturities ranged from 30 to 126 days	29,200	(87,600)	87,600	29,200
	$ 57,952	$ (225,970)	$ 217,651	$ 49,633

(In thousands)

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

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

In connection with the Bank's issuance of the Letters of Credit, the Authority and the Bank entered into a Reimbursement Agreement for each series of CP Notes, each dated as of May 1, 2015, each as amended (collectively, the "Reimbursement Agreements") that obligates the Authority to pay Bank Obligations and Reimbursement Obligations (both as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and Fee Obligations (as defined in each Reimbursement Agreement) to the Bank. The Bank Obligations, the Reimbursement Obligations and Fee Obligations are Subordinate Debt under the Indenture.

As of September 30, 2023 and 2022, the unspent amount related to the Series B and Series C Commercial Paper Notes was $120,800 and $100,367, respectively.

(b) Extendable Municipal Commercial Paper

A schedule of Extendable Municipal Commercial Paper activity for the years ended September 30, 2023 and 2022 is shown below:

Description	Balance 9/30/2022	2023 Maturities	2023 Re-Issuance	Balance 9/30/2023
EMCP Series A, interest from 2.08% to 3.51%, maturities ranged from 27 to 85 days	$ 50,000	$ (350,000)	$ 350,000	$ 50,000

Description	Balance 9/30/2021	2022 Maturities	2022 Re-Issuance	Balance 9/30/2022
EMCP Series A, interest from 0.09% to 2.08%, maturities ranged from 27 to 92 days	$ 50,000	$ (300,000)	$ 300,000	$ 50,000

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

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 revenue 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.

As of September 30, 2023 and 2022, the unspent amount related to the Series A EMCP Notes was $50,000

(In thousands)

(11) Long-Term Debt

A schedule of long-term debt activity for the year ended September 30, 2023 is shown below:

Description	Balance 9/30/2022	Increases	Decreases	Balance 9/30/2023	Due Within One Year
2022 Public Utility Revenue Bonds:					
Series A interest at 1.56% to 2.53%, maturing in 2037	$ 294,305	$ -	$ -	$ 294,305	$ 10,220
Series B interest at 5.0%, maturing in 2048	79,585	-	-	79,585	-
Series C -1 interest at 4% to 5%, maturing in 2052	206,730	-	-	206,730	-
Series C-2 interest at 4%, maturing in 2041	4,418	-	-	4,418	-
Series D interest at 1.7% to 3.5%, maturing in 2045	148,925	-	-	148,925	6,415
Series E interest at 3%, maturing in 2028	96,350	-	-	96,350	-
2019 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2050	104,010	-	-	104,010	-
Series B interest at 5.0%, maturing in 2038	58,320	-	-	58,320	-
Series C interest at 1.75%, maturing in 2055	99,505	-	-	99,505	-
Series D interest at 1.7% to 3.2%, maturing in 2049	339,885	-	(1,650)	338,235	1,680
2018 Public Utility Revenue Bonds:					
Series A interest at 5.0%, maturing in 2050	100,000	-	-	100,000	-
Series B interest at 5.0%, maturing in 2050	189,520	-	(3,850)	185,670	4,045
2017 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2053	100,000	-	-	100,000	-
Series B interest at 4.0 % to 5.0%, maturing in 2045	185,290	-	(4,555)	180,735	4,785
2016 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2040	377,575	-	-	377,575	-
2015 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2046	81,640	-	(7,640)	74,000	8,025
Series B interest at 5.0 % to 5.25%, maturing in 2045	173,090	-	-	173,090	-
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2115	350,000	-	-	350,000	-
Series B-1 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series B-2 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series C interest at 3.0 % to 5.0%, maturing in 2044	256,880	-	(14,125)	242,755	14,875
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2038	5,325	-	(5,325)	-	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2045	290,890	-	(4,675)	286,215	4,765
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2029	74,270	-	(19,280)	54,990	20,345
Subtotal	3,716,513	-	(61,100)	3,655,413	75,155
Direct Placement & Borrowings of Debt:					
Notes payable to the Federal Government					
interest at 3.25%, maturing in 2041	10,421	-	(466)	9,955	481
2021 WIFIA Loan Payable:					
Interest at 1.9% to 2.3%, maturing in 2060	-	52,599	-	52,599	-
Subtotal	10,421	52,599	(466)	62,554	481
Total	3,726,934	52,599	(61,566)	3,717,967	75,636
Unamortized bond premiums	250,235	-	(15,091)	235,144	-
Unamortized bond discounts	(1,448)	-	129	(1,320)	-
Grand total bonds and notes	$ 3,975,721	$ 52,599	$ (76,528)	$ 3,951,792	$ 75,636

(In thousands)

(11) Long-Term Debt (Continued)

A schedule of long-term debt activity for the year ended September 30, 2022 is shown below:

Description	Balance 9/30/2021	Increases	Decreases	Balance 9/30/2022	Due Within One Year
2022 Public Utility Revenue Bonds:					
Series A interest at 1.56% to 2.53%, maturing in 2037	$ -	$ 294,305	$ -	$ 294,305	$ -
Series B interest at 5.0%, maturing in 2048	-	79,585	-	79,585	-
Series C -1 interest at 4% to 5%, maturing in 2052	-	206,730	-	206,730	-
Series C-2 interest at 4%, maturing in 2041	-	4,418	-	4,418	-
Series D interest at 1.7% to 3.5%, maturing in 2045	-	148,925	-	148,925	-
Series E interest at 3%, maturing in 2028	-	96,350	-	96,350	-
2019 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2050	104,010	-	-	104,010	-
Series B interest at 5.0%, maturing in 2038	58,320	-	-	58,320	-
Series C interest at 1.75%, maturing in 2055	99,505	-	-	99,505	-
Series D interest at 1.7% to 3.2%, maturing in 2049	341,510	-	(1,625)	339,885	1,650
2018 Public Utility Revenue Bonds:					
Series A interest at 5.0%, maturing in 2050	100,000	-	-	100,000	-
Series B interest at 5.0%, maturing in 2050	193,185	-	(3,665)	189,520	3,850
2017 Public Utility Revenue Bonds:					
Series A interest at 4.0 % to 5.0%, maturing in 2053	100,000	-	-	100,000	-
Series B interest at 4.0 % to 5.0%, maturing in 2045	189,630	-	(4,340)	185,290	4,555
2016 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2040	377,575	-	-	377,575	-
2015 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2046	95,420	-	(13,780)	81,640	7,640
Series B interest at 5.0 % to 5.25%, maturing in 2045	250,000	-	(76,910)	173,090	-
2014 Public Utility Revenue Bonds:					
Series A interest at 4.81%, maturing in 2115	350,000	-	-	350,000	-
Series B-1 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series B-2 interest at 3.25%, maturing in 2050	50,000	-	-	50,000	-
Series C interest at 3.0 % to 5.0%, maturing in 2044	363,730	-	(106,850)	256,880	14,125
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2038	137,790	-	(132,465)	5,325	5,325
Series C interest at 4.0% to 5.0%, maturing in 2034	163,215	-	(163,215)	-	-
2010 Series A Public Utility Revenue Bonds:					
interest at 4.1% to 5.5%, maturing in 2045	295,485	-	(4,595)	290,890	4,675
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2029	92,545	-	(18,275)	74,270	19,280
Subtotal	3,411,920	830,313	(525,720)	3,716,513	61,100
Direct Placement & Borrowings of Debt:					
Notes payable to the Federal Government					
interest at 3.25%, maturing in 2041	10,873	-	(452)	10,421	466
Subtotal	10,873	-	(452)	10,421	466
Total	3,422,793	830,313	(526,172)	3,726,934	61,566
Unamortized bond premiums	254,284	64,479	(68,528)	250,235	-
Unamortized bond discounts	(1,577)	-	129	(1,448)	-
Grand total bonds and notes	$ 3,675,500	$ 894,792	$ (594,571)	$ 3,975,721	$ 61,566

(11) Long-Term Debt (Continued)

(a) Senior Debt

The 2018 Series A and B, 2017 Series A and B, 2014 Series A, 2009 Series A and 1998 Series public utility revenue bonds are considered senior debt under the related Master Indenture of Trust ("Master Indenture"). Payment of the principal and interest on the Authority's senior debt is secured by a pledge of Authority's gross revenues (excluding any capital contributions or grants) after provisions for payment of operating expenses.

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

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

In July 2014, the Authority issued $350,000 of senior lien public utility revenue bonds 2014 Series A. The 2014 Series A bonds are federally taxable green bonds with a fixed rate of 4.81% and a 100 year final maturity in 2115. The proceeds of the issuance will be used to help finance the construction of the Authority's DC Clean Rivers Project. Net proceeds from the bond issuance totaled approximately $346,000 including $4,000 of underwriter's discount and cost of issuance.

In 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. As of September 30, 2019, the bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements.

(11) Long-Term Debt (Continued)

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 February 2022, the Authority issued subordinate lien revenue bonds with a face value of $439,658. The bonds were structured in four Series: 2022 Series B (Green Bonds) consisted of $79,585, with average interest rates at 5.0% maturing in 2048; revenue and revenue refunding bonds 2022 Series C-1 consisting of $206,730 with average interest rates ranging from 4% to 5% maturing in 2052; revenue refunding bonds 2022 Series C-2 consisting of $4,418 with average interest rates at 4% maturing in 2041; revenue and revenue refunding bonds 2022 Series D consisting of $148,925 with average interest rates ranging from 1.7% to 3.5% maturing in 2045. Gross proceeds from the four series of 2022 Bonds totaled $499,136, including $59,774 of the original issue premium. Approximately $79,585 of 2022 series B, was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; Series 2022 C-1 and D will be used to pay a portion of the Authority's share of capital improvements to the Washington Aqueduct and a portion of the costs of capital improvements to the system; $25,000 of the 2022 series C-1 was used to fund CP notes principal and interest subaccounts. A portion of the series C-1 proceeds was used to refund $106,850 Subordinate Lien Revenue Refunding Bonds, Series 2014C, $13,780 Subordinate Lien Revenue Bonds, Series 2015A and $76,910 Subordinate Lien Revenue Bonds, Series 2015B; $121,622 of the 2022 series C-1 was deposited to series 2022C-1 tender purchase account; $74,727 of the 2022 series D was deposited to series 2022D Escrow Account; $4,418 of the 2022 series C-2 will be issued in exchange for the tendered bonds and therefore no proceeds will be received by the Authority, and $2,787 was used to pay the underwriter's discount and cost of issuance.

In March 2022, the Authority issued $96,350 of tax-exempt 2022 Series E variable rate multimodal subordinate lien revenue bonds, maturing in 2027 to fund the Authority's capital improvement program. Net proceeds from the bond issuance totaled approximately $100,653 including $653 of underwriter's discount and cost of issuance. Initially, the 2022 Series E bonds will bear interest at a soft tender long term rate. Upon expiration of the initial interest period, the bonds may be converted into a daily, weekly, index, short term, or fixed rate period, or a subsequent long term rate period.

(11) Long-Term Debt (Continued)

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

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

The Authority completed its refunding of the 2013 Series A bonds by using $342,470 of bond proceeds from 2019 Series D 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 $77,712 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $50,847. The refunded bonds have been fully extinguished.

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

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

(11) Long-Term Debt (Continued)

The 2016 Series B Bonds were designated as Environmental Impact Bonds and, as such, included provisions for the possibility of an Outcome Payment by the Authority to the Original Purchasers of the 2016 Series B Bonds of $3,300 in the event of a runoff reduction greater than 41.3%, and for the possibility of a Risk Share Payment by the Original Purchasers to the Authority of $3,300 in the event of a runoff reduction less than 18.6%. Runoff reduction means the percentage reduction of storm water runoff in RC-A per impervious acre treated to manage the volume of runoff produced by 1.2 inches of rain as compared to the existing conditions runoff in RC-A as defined in the Private Placement Agreement between the Authority and Original Purchasers. Post-construction monitoring found the green infrastructure reduced stormwater runoff by nearly 20 percent from previous levels. This fell within the 'as expected' outcome range established by the EIB and means no outcome payment was due to the investors and no risk share or underperformance penalty was due from the investors.

In February 2016, the Authority issued subordinate lien revenue refunding bonds 2016 Series A for $389,110. The proceeds from these bonds were used to advance refund $67,295 of the remaining portion of subordinated lien revenue bonds 2007 Series A, $141,555 of subordinate lien revenue bonds 2008 Series A, $144,810 of senior lien revenue bonds 2009 Series A and current refund the remaining portion of $48,285 of subordinated lien revenue bonds 2007 Series A. The proceeds from 2016 Series A were used to purchase securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007 Series A, 2008 Series A and 2009 Series A bonds. As a result, the bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The interest rates on the refunded bonds 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 2046; 2015 Series B consisting of $250,000 with interest rates ranging from 5.0% to 5.25% maturing in 2045. Gross proceeds from the two series of 2015 Bonds totaled $406,587, including $56,587 of the original issue premium. Approximately $115,869 of 2015 series A (Green Bonds) was used to fund a portion of the costs of the Authority's DC Clean Rivers Project; $226,584 of the 2015 series B was used to fund various capital improvements to the system; $62,000 of 2015 series B was used to pay principal of and interest on all or a portion of the Authority's outstanding commercial paper notes, Series B (the "Series 2015 B CP Notes), and $2,134 was used to pay the underwriter's discount and cost of issuance.

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

(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 2049 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. During fiscal year 2019, the Authority refunded $300,000 of the series 2013 Series A bonds. Details of the refunding are discussed above. As of September 30, 2020, the bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements.

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 2038; 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 2034. 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.

During fiscal year 2022, the Authority complete refunded $163,215 of the series 2012 Series C bonds and partially refunded $142,665 of the series 2012 Series A bonds. Details of the refunding are discussed above. As of September 30, 2022, 2012 Series C bonds are fully extinguished, and the liability has been removed from the financial statements and the 2012 Series A bonds are partially extinguished and the liability is partially removed from the financial statements.

(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 2045 and a gross interest rate of 5.5%. Approximately $214,640 was issued to fund costs of certain capital improvements, including $2,420 for the cost of issuance and underwriter's discount. In addition, approximately $75,000 was issued to fund the Authority's Digester Project and $10,360 for capitalized interest.

The interest subsidy received by the Authority for the fiscal years ended September 30, 2023 and 2022 amounted to $2,596 and $5,259, respectively. In fiscal year 2023, the Authority received $2,615 less than expected due to budget sequester impacts experienced by the Federal government.

Notes payable to the Federal government for the Jennings Randolph Reservoir are considered subordinate debt under the Master Indenture and contain no pledge of property, sinking fund provisions, or restrictive covenants. The proceeds of the notes were used to make improvements to the Jennings Randolph Reservoir for back-up and peak-day water supply.

(c) Bond Covenants

The Master Indenture sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure proper operation and maintenance of the water and wastewater system and payment of debt service. Management believes the Authority was in compliance with all bond covenants as of and for the years ended September 30, 2023 and 2022. 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, 2023 and 2022 was $13,838 and $15,218, respectively, and is required to be maintained at 125% of current and future average annual 1998 Series debt service.

(11) Long-Term Debt (Continued)

Operating Reserve Fund — The Master Indenture creates an Operating Reserve Fund in which the Authority must maintain a balance equal to at least 60 days of operating and maintenance expenses of the prior year. Moneys in the Operating Reserve Fund shall be used to pay, to the extent necessary, operating expenses of the Authority. In addition, to the extent that moneys on deposit in the Bond Fund are insufficient to make the required interest and principal payments, moneys in the Operating Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Board has adopted a policy of funding operating reserves to a level of $125,500 which is in excess of that required by the Master Indenture.

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

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

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

(In thousands)

(11) Long-Term Debt (Continued)

(d) Debt Service to Maturity

The future debt-service obligations at September 30, 2023 are as follows:

Fiscal year	Principal	Interest	Total
2024	75,636	146,166	221,802
2025	173,942	143,199	317,141
2026	84,478	139,564	224,042
2027 - 2031	570,457	635,219	1,205,676
2032 - 2036	573,203	531,720	1,104,923
2037 - 2041	673,790	399,825	1,073,615
2042 - 2046	749,916	248,008	997,924
2047 - 2051	407,849	131,124	538,973
2052 - 2056	49,487	87,174	136,661
2057 - 2061	9,209	84,681	93,890
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 - 2071	—	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
	$ 3,717,967	$3,370,369	$7,088,336

(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, 2023 and 2022, the following outstanding revenue bonds are considered defeased:

	Principal Outstanding	
Bond issue	2023	2022
2013 Public Utility Revenue Bonds:		
interest at 4.75% to 5.0%, maturing in 2049	$300,000	$300,000
Total Principal Outstanding	$300,000	$300,000

(f) WIFIA Loan Agreement

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

DC Water has submitted requests for loan disbursements and there is outstanding balance of $52,599 loan principal as of September 30, 2023.

(In thousands)

(12) Commitments and Contingencies – Other Liabilities

A schedule of other liabilities as of September 30, 2023 and 2022 is shown below:

Description	2023	2022
Risk management contingency	$ 4,653	$ 6,742
Rolling owner controlled insurance program	4,728	6,408
Litigation contingency	1,765	1,766
Contractual obligations	1,259	1,258
Retirement health savings plan	8,397	6,406
Total other liabilities	20,802	22,580
Less: current portion	10,436	10,407
Noncurrent portion	$ 10,366	$ 12,173

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

(a) *Risk Management*

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

For each of the three most recent years, settlement of claims has not exceeded insurance coverage. Additionally, there has not been any significant changes in insurance coverage in comparison to coverage in the prior year.

The Authority has purchased $1,000,000 property coverage (Property Policy) to protect its owned or leased facilities, buildings and contents. Except for catastrophic on-site protection provided on the Property Policy, the Authority self-insures its fleet of vehicles. The deductible for each claim for buildings and contents is $1,000 per occurrence. A lower deductible of $10 per occurrence applies to scheduled watercraft and mobile equipment.

The Authority has purchased liability insurance coverage to protect it from claims alleging damages and injuries caused by automobile accidents, damaged utilities, construction, cyber and other activities. Limits of $100,000 have been secured in excess of a self-insured retention of $1,000 for each occurrence. Public Officials' liability insurance has been secured with limits of $20,000 in excess of a deductible of $250 per claim. Additional insurance includes professional liability, which provides protection for errors or omissions arising from engineering, consulting or testing services provided to third parties for a fee. Crime & Fidelity/Employee insurance provides dishonesty coverage and miscellaneous crime coverages. Fiduciary liability provides protection for wrongful acts that are actually or allegedly caused by trustees and employees of the DC Water sponsored Employee Benefit Plans.

(In thousands)

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

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

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

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

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

Changes in the Authority's estimated risk management liabilities related to workers' compensation and general liability claims during the years ended September 30, 2023, 2022 and 2021 were as follows:

Description	2023	2022	2021
Balance, beginning of year	$ 6,742	$ 10,288	$ 12,068
Current year claims and changes in estimates	1,201	602	374
Claim payments	(3,289)	(4,148)	(2,154)
Balance, end of year	$ 4,654	$ 6,742	$ 10,288

(b) Rolling Owner Controlled Insurance Program

The Authority procures insurance for most of its construction contractors through the Authority's Rolling Owner Controlled Insurance Program (ROCIP). Construction contractors who do not participate in the ROCIP are required to procure insurance on their own. Coverage for participating construction contractors includes general liability, umbrella, pollution liability, builder's risk and workers' compensation insurance. Both general liability and workers' compensation have a $500 per occurrence deductible. There is also $100,000- $200,000 excess general liability coverage in place. The workers' compensation loss coverage is statutory, and unlimited above the retention. For each of the three most recent years, settlement of claims has not exceeded insurance coverage. 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.

(In thousands)

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

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, 2023, 2022 and 2021 were as follows:

Description	2023	2022	2021
Balance, beginning of year	$ 6,409	$ 5,497	$ 4,455
Current year increase (decrease) in ROCIP liability	1,686	5,430	11,031
ROCIP administration and claim payments	(3,366)	(4,519)	(9,989)
Balance, end of year	$ 4,729	$ 6,408	$ 5,497

(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, 2023 and 2022:

Description	2023	2022
Balance, beginning of year	$ 1,766	$ 428
Current year claims and changes in estimates	2,307	1,654
Claim payments	(2,308)	(316)
Balance, end of year	$ 1,765	$ 1,766

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 federal grantors or their representatives. The Authority's management does not expect that the results of these audits will have a material adverse effect on the accompanying financial statements.

(In thousands)

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

(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, 2023 and 2022 were $274,034 and $256,795, respectively. Outstanding construction commitments are not recorded in the financial statements until goods and services have been received by the Authority in accordance with the terms of the related contracts.

(f) Lease Commitments

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

The Authority's rental expense for the years ended September 30, 2023 and 2022 were as follows:

Description	2023	2022
Facilities leases	$ 699	$ 170
Automobile equipment leases	239	179
Machinery leases	801	702
Total	$ 1,739	$ 1,051

***(g)* SBITA**

Total SBITA payable as of September 30, 2023 and 2022 were $24,362 and $28,919, respectively. Of these amounts, current SBITA payables included in accounts payable and accrued expenses on the Statement of Net Position as of September 30, 2023 and 2022 were $5,348 and $5,976 respectively.

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

DC Water has 16 and 15 capitalizable contracts for the years ended September 30, 2023, and 2022 respectively. The range of the lengths of the agreements are from 3 to 13 years, including extension periods. These include 3 Billing Systems, 4 ERP Systems, and 9 Management Application Systems.

(In thousands)

Future SBITA commitments as of September 30, 2023 are as follows:

Fiscal Year	Payments	Interest Expense	Liability Deduction and Accrued Interest
2024	5,924	586	5,337
2025	5,706	441	5,265
2026	5,176	298	4,878
2027	3,258	213	3,045
2028	3,227	132	3,094
2029-2034	3,145	76	3,069
	26,434	1,746	24,688

(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 $36,731 and $36,657 from the District government $17,007 and $14,750 from the District of Columbia Housing Authority ("DCHA") for fiscal years 2023 and 2022, respectively. Both the District government and DCHA revenues are included in water and wastewater user charges in the accompanying statements of revenues, expenses and changes in net position.

(b) PILOT and ROW Fees

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

On December 15, 2014, DC Water entered into a Payment In Lieu of Taxes memorandum of understanding (PILOT MOU) establishing a fiscal year 2015 PILOT payment of $15,337 to the District for services provided in fiscal year 2015. In fiscal years 2016 through 2024, DC Water will increase the PILOT payment by 2.0% per annum based upon the amount of the prior fiscal year's annual PILOT payment. In addition, the MOU 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 $17,970 and 17,618 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, 2023 and 2022.

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, 2023 and 2022. As of September 30, 2023 there was no outstanding balance due to the District related to these fees.

(In thousands)

(13) Related Party and Similar Transactions (Continued)

(c) Due from District Government (Net)

The amounts due from the District government as of September 30, 2023 and 2022 were $15,344 and $21,010 respectively. Such amounts were comprised of the following at September 30, 2023 and 2022, respectively:

Description		2023	2022
Northeast Boundary Neighborhood Protection Project		$11,716	$17,574
Storm Water Fees (13d)		(475)	(475)
Other miscellaneous items		4,103	3,720
Total due from District government	$	15,344	$ 20,819
Less: current portion		9,486	9,103
Noncurrent portion	$	5,858	11,716

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, 2023 and 2022 under this agreement amounted to $5,858 and $11,716 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 15th of each year until the costs are paid in full.

(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, 2023 and 2022, the activity associated with the Authority providing this service to the District was as follows:

Description		2023		2022
Due from (to) the District-beginning of year	$	(475)	$	(783)
Collections on behalf of the District		(13,580)		(13,224)
Remittances to the District		13,148		13,560
Expenses incurred by the Authority		1,026		1,617
Expenses reimbursed by the District		(1,038)		(1,645)
Due (to) from the District-end of year	$	(919)		(475)

(13) Related Party and Similar Transactions (Continued)

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

The due (to) from the District has been reported in Due from District Government on the statement of net position as of September 30, 2023 and 2022, respectively.

(e) Fleet and Sewer Service Relocation Funding Agreement

On January 4, 2018, the District and the Authority entered into a Relocation Funding Agreement whereby the District has agreed to fund up to $29,681 of costs associated with the Authority's relocation of its Fleet Maintenance and Sewer Service operations, which was scheduled to be completed in phases starting in February 2018 through September 2021. However, due to soil contamination on the area; the relocation was delayed until August 2022. As of September 30, 2023, the District has disbursed $27,842 to DC Water pursuant to this agreement and the Authority has incurred $27,842 (net of interest earned) in eligible costs to date that are included in capital contributions on the statement of changes in net position. There is no unearned revenue balance on the statement of net position as of September 30, 2023.

(14) Employee Benefits

(a) Federal Benefit Plans

Certain DC Water employees who were previously employed by the District of Columbia government prior to October 1, 1987, are eligible to continue to participate in certain federal benefit plans administered by the federal government's Office of Personnel Management ("OPM"). The plans provide retirement and disability benefits, annual cost-of- living adjustments, and death benefits to plan participants and beneficiaries. In fiscal years 2023 and 2022, there were 42 and 56 DC Water employees covered by these plans, respectively.

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

Employees and the Authority each contribute 7% of the employees' salaries to OPM. The contribution requirements of the plan members are established by OPM. During fiscal years 2023, 2022, and 2021, the Authority's contributions to the plans were $342, $395 and $442, 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.

(14) Employee Benefits (Continued)

(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 2023, 2022, and 2021.

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 2023, 2022 and 2021, the Authority's contribution was 7% of base pay up to the social security wage base, plus 5% of base pay in excess of the social security wage base for each eligible employee. Employees do not contribute to the plan.

457(b) Plan - Starting in January 2000, employees who were hired after September 30, 1987, participate in the U.S. Social Security system and a 457(b) Deferred Compensation plan administered by the Authority. The District of Columbia Water and Sewer Defined Contribution Plan is a qualified trust under Internal Revenue Code Section 401.

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

The Authority's matching contribution is vested after three years of service. During fiscal years 2023, 2022, and 2021, the Authority's contributions to both defined contribution plans were $12,197 $11,273; and $10,740, respectively. The amount of the Authority's outstanding liability at the end of fiscal years 2023, 2022, and 2021 were $1,168, $1,769; and $1,426, 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.

(In thousands)

(14) Employee Benefits (Continued)

(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) Blended Component Unit Condensed Financial Statements

The following are the condensed financial statements of Blue Drop, LLC as of and for the year ended September 30, 2023 and 2022. As required, all intra-entity activities between Blue Drop and the Authority have been eliminated in the consolidation of Blue Drop, LLC's financial statements with those of the Authority. Such intra-entity activities were comprised of: $1,358 and $1,512 of support provided by DC Water to Blue Drop for fiscal years 2023 and 2022 as noted in the following table.

Description	2023	2022
DC Water support - land application	$ 718	$ 715
Marketing fees	625	712
Donated office space	14	27
Donated employee time	2	57
Total	$1,358	$ 1,512

During fiscal years ended September 30, 2023 and 2022 intra-entity receivables and payables were $0 and $0 and $0 and $0, respectively.

(In thousands)

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

Condensed Statement of Net Position - Blended Component Unit - Blue Drop, LLC as of September 30, 2023 and 2022:

	2023	2022
Current assets	$ 11,901	$ 8,634
Property and Equipment - Net	247	102
Total assets	12,148	8,736
Current liabilities	276	273
Deferred Rental Revenue	49	75
Total liabilities	325	348
Unrestricted net position	$ 11,823	$ 8,388

(In thousands)

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

Condensed Statement of Revenues, Expenses, and Changes in Net Position - Blended Component Unit - Blue Drop, LLC for the year ended September 30, 2023 and 2022:

	2023	2022
DC Water support-Land application	$ 718	$ 715
Product and IP Revenue	3,453	4,319
Marketing fees, DC Water	625	712
In-kind contributions	15	85
Interest Income	169	4
Event Rental	443	332
Other	6	6
Bloom revenue, net of cost of goods sold	217	(15)
Total revenues	5,646	6,157
Personnel services	877	867
Contractual services	1,222	1,137
Supplies	135	104
Utilities and rent	16	30
Depreciation	34	9
Bad debt	29	10
Total operating expenses	2,313	2,157
Change in net position	3,333	4,000
Net position, beginning of year	8,490	4,490
Net position, end of year	$ 11,823	$ 8,490

Condensed Statement of Cash Flows - Blended Component Unit - Blue Drop, LLC for the year ended September 30, 2023 and 2022:

	2023	2022
Net cash provided by operating activites	$ 3,612	$ 3,889
Net cash used in investing activites	797	(1,067)
Increase in cash	4,408	2,823
Cash at beginning of year	4,994	2,171
Cash at end of year	$ 9,402	$ 4,994

(In thousands)

(16) Fiscal Year 2022 Restatement

Paragraph 63 of GASB Statement No. 96 requires that changes adopted to conform to the provisions of this Statement be applied retroactively by restating financial statements, if practicable, for all prior periods presented. To comply with GASB Statement No. 96, fiscal year 2022 ending balances were restated resulting in $0.53 million increase in net position as of September 30, 2022. Details of Restated Statement of Net Position and Restated Statement of Revenues, Expenses, and Changes in Net Position are presented below:

	Restated Statement of Net Position		
Description	As previously Reported	Restated as of September 30, 2022	2022 Restated
Capital assets in-service	$ 7,828,927	$ 51,205	$7,880,132
Accumulated Depreciation	(2,187,158)	(22,624)	(2,209,782)
Accounts payable and accrued expenses	134,207	5,976	140,183
Long-term SBITA payable	-	22,841	22,841
Accrued interest	75,707	289	75,996
Unrestricted Net Position	$ 316,741	$ (525)	$ 316,216

	Restated Statement of Revenues, Expenses and Changes in Net Position		
Description	As previously Reported	Restated as of September 30,2022	2022 Restated
Depreciation and amortization expense	$ 140,263	$ 6,111	$ 146,375
Interest expense and other non-operating expenses	(162,176)	(692)	(162,868)
Contractual services expense	75,587	(6,279)	69,308
Change in Net Position	205,561	(860)	204,701
Net Position Beginning of year	2,661,269	335	2,661,604
Net Position, End Year	$ 2,866,830	$ (525)	$2,866,305

(17) Subsequent Events

The Authority has evaluated events subsequent to September 30, 2023, through December 21, 2023, 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.