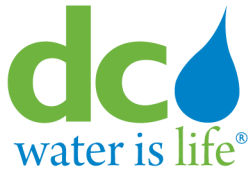




**Introductory Section
(Unaudited)**



March 3, 2021

Board of Directors
District of Columbia Water and Sewer Authority
1385 Canal Street, SE
Washington, D.C. 20003

Dear Members of the Board:

I am pleased to present the District of Columbia Water and Sewer Authority's ("DC Water" or the "Authority") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2020. The Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by DC Water. In accordance with the Authority's enabling legislation, DC Water is required to perform an annual audit of its financial statements and submit it to the District of Columbia's Mayor, Chief Financial Officer, and District of Columbia Council.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DC Water's management. To the best of my knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary for the reader to gain an understanding of DC Water's financial activity have been included.

DC Water's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of my knowledge and belief, DC Water's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

KPMG LLP, Certified Public Accountants, has been retained by DC Water to serve as its independent auditors and has issued an unmodified ("clean") opinion on DC Water's financial statements for the years ended September 30, 2020 and 2019. The independent auditors' report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. DC Water's MD&A is located immediately following the independent auditors' report.

Overview of DC Water

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 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.

DC Water provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 706,000 residential, commercial and governmental customers in the District of Columbia, and wholesale wastewater conveyance and treatment services to approximately 1.6 million users in Montgomery and Prince George's Counties in Maryland, and Fairfax and Loudoun Counties in Northern Virginia.

DC Water is governed by a Board of Directors consisting of eleven principal and eleven alternate members who represent the District of Columbia, Montgomery and Prince George's Counties in Maryland, and Fairfax County in Virginia.

Budgets are prepared annually and reviewed and approved by The Authority's Board of Directors. After approval by the Board, DC Water submits its annual budget to the District for inclusion in the Mayor's annual budget. The District then includes DC Water's budget as an enterprise fund as part of its own budget submission to the U.S. Congress for approval.

Economic Condition

Washington, D.C., is not only known as being the nation's capital, but it is also an international city with a vibrant tourist industry and business climate. The U.S. Census Bureau estimated that there were 705,749 residents in Washington, D.C. in 2019, an increase of 0.5% from the same period of the prior year. The Washington Metropolitan Region has a population of more than 6.3 million individuals and is the sixth largest metropolitan area in the country.

The District's economic base is driven by the federal and local governments as well as diplomatic embassies and international organizations. The federal civilian workforce in the District averaged 234,153 employees, while thousands more are estimated to work elsewhere in the metropolitan area. The District is host to more than 180 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, World Bank, Inter-American Development Bank and Organization of American States are headquartered in the District. An estimated 24.6 million people visit the Washington Metropolitan Region on an annual basis, not only to do business with the federal government and local firms, but also to visit the national monuments, historic sites, museums and other major cultural attractions.

Income has grown considerably in the District in recent years. The unemployment rate in the District decreased from 10.2% in 2011 to 9.2% in 2020. The District's economy grew consistently faster than the national economy for much of this decade and is expected to continue to grow in 2020. The District's economy is relatively more information and service industry dependent than most states, accounting for the region's relative insulation from the most recent national housing and credit centric recession.

Major Initiatives

Capital Improvement Program

DC Water's ultimate success in achieving its mission of providing world-class water and wastewater services as a leading steward of the environment depends in large part on the implementation of its 10-year \$5.5 billion capital improvement program ("CIP"). Approximately 22.3% of the CIP is either federally mandated or required by a court-ordered consent decree, including the Clean Rivers Project. DC Water plans to finance its \$5.5 billion capital improvement program from a variety of sources, including the issuance of revenue bonds, grants from the U.S. Environmental Protection Agency ("EPA"), the U.S. Federal Emergency Management Agency ("FEMA"), federal appropriations, capital contributions from wholesale customers, and Pay-Go.

Northeast Boundary Tunnel

DC Water's Clean Rivers (DCCR) Project has initiated construction of the Northeast Boundary Tunnel (NEBT). The NEBT is the largest component of the Clean Rivers Project and starts south of RFK Stadium and extends north to Rhode Island Avenue NE and west to 6th Street NW. The Clean Rivers Project will reduce combined sewer overflow volume annually by 96 percent system-wide and provide flood relief at the Northeast Boundary.

In order to protect DC Water stakeholders, DC Water issued the industry's first Environmental Impact Bond. Similar in nature to "pay for success" bonds, the borrowing is designed to pay bondholders for successful results achieved in the clean rivers projects or pay bondholders less in the event that successful results are not achieved. This historic issuance is expected to introduce the wastewater industry to alternative sources of funding for a national issue regarding EPA required effluent composition reductions to the nation's waterways.

DC Water's roles as public servant and environmental steward are well served by the green bond certification provided by Vigeo's independent second party opinion of DC Water's sustainable management of the DCCR project. Vigeo is a leading European sustainability consultant and was commissioned by DC Water to provide an opinion on its practices and performance on internationally accepted environmental, social and governance standards. The Authority welcomes the transparency and accountability provided by Vigeo's green bond opinion, which can be found at www.dewater.com.

Consent Decree Update

The Clean Rivers Consent Decree was amended in 2016 to include Green Infrastructure (GI) for the Potomac and Rock Creek and to extend the time required to implement the projects from 2025 to 2030. The modification required DC Water to construct initial GI projects in the Potomac and Rock Creek sewersheds and to evaluate these projects to determine their practicability. If GI was determined to be practicable, then the remaining GI projects would be constructed, otherwise gray infrastructure projects would be implemented. DC Water has completed the practicability assessments and determined the following:

For Rock Creek, DC Water determined that full scale implementation of GI is impracticable primarily due to high cost to ratepayers over the long term. Instead, DC Water recommended a hybrid approach, combining the best of both green and gray infrastructure to optimize the benefits of each while lowering capital costs. The proposed hybrid approach in the Rock Creek practicability assessment recommends constructing GI to manage 92 impervious acres, as well as construction of a 4.2 million gallon storage facility to control Combine Sewer Overflow 049 in Piney Branch. The Rock Creek practicability assessment was approved by the DC Water Board on June 6, 2020 and submitted to EPA on June 12, 2020.

For Potomac, DC Water determined that GI is impracticable due to cost and community/approval agency concerns about constructing GI in the Georgetown historic district. Therefore, per the terms of the Consent Decree, the Potomac practicability assessment recommended extending the Potomac Tunnel to intercept additional flows. The Potomac practicability assessment was approved by the DC Water Board on June 6, 2020 and submitted to EPA on August 13, 2020.

Water Meter Rehabilitation Project

The DC Water Meter Rehabilitation Project is focusing on replacing meters and meter transmitting units that are nearing the end of their useful life in various locations throughout the District of Columbia. This project supports the rehabilitation of DC Water's Automated Meter Reading (AMR) system, which uses radio transmitters wired to water meters to convey data to a network of radio receivers, also referred to as Advanced Metering Infrastructure (AMI). These new meters and transmitting units have improved capabilities compared to the last series of meters and promote timely and accurate monthly bills for customers. DC Water completed Phase 1 of this project in March of 2019 and Phase 2 of this project in September of 2020 for a total of 91,888 meters exchanged. These changes were completed successfully with limitations due to the pandemic, including a 4-month project pause and the inability to continue meter exchanges inside residential locations. The project closed under budget based on the scope changes accepted by the Board in February 2020. There are over 3,000 locations remaining to be changed, a third of which are inside customers' homes and cannot be addressed until the conclusion of the public health emergency.

COVID-19 Pandemic Response

This year, the world faced the unprecedented coronavirus (COVID-19) pandemic and DC Water continues to lead the way in providing ongoing essential services and financial support to our customers. DC Water implemented policies, such as suspending disconnections for non-payment, reconnecting disconnected customers, providing payment plans and working with District government to expand financial assistance for customers. DC Water took proactive steps to curtail spending and prioritize critical and COVID-related expenditures and achieved budget savings through the reduced reliance on consultants including the Enterprise Resource Planning (ERP) project, prioritizing critical repair and maintenance work for sewer and water infrastructure, transferring work in-house for maintenance electrical services, and lower estimated costs for worker's compensation claims, legal matters, and Authority-wide travel and training.

New Customer Assistance Programs

DC Water joined DC Government in assisting customers who were impacted by the COVID-19 pandemic. This financial assistance program provides emergency relief to District residents struggling with unpaid DC Water bills during the public health emergency and 105 days thereafter. Eligible households may receive bill assistance up to \$2,000 as a one-time emergency benefit. DC Water is also launching a new program for relief for residents of multi-family buildings.

Oracle Cloud Enterprise Resource Planning

In November 2019, DC Water began implementation of a new ERP system, Oracle Cloud ERP. This project is an enterprise-wide effort to modernize DC Water's financial, procurement, budgeting, and human capital systems to reduce manual efforts and lead-time, improve efficiency and quality, and increase productivity. On October 1, 2020, DC Water went live with the Core Financials and Procurement modules (phase I) and Advance Procurement module (phase II). The remaining three phases are expected to be implemented within the next year. The implementation team worked seamlessly to stay on schedule even after the COVID-19 pandemic forced full remote implementation of this system.

Relocation of Fleet and Sewer Services Facilities

In 2018, the District and DC Water entered into a Relocation Funding Agreement whereby the District has agreed to fund up to \$29.7 million of costs associated with the Authority's relocation of its Fleet and Sewer Service facilities, which is scheduled to be completed in phases starting in February 2018 through September 2021. As of September 30, 2020, the District has disbursed \$27.8 million to DC Water pursuant to this agreement and DC Water has incurred \$4.7 million in eligible costs.

BLOOM

DC Water produces Class A Exceptional Quality biosolids at our Blue Plains Advanced Wastewater Treatment Plant that can be added to the soil and can help plants grow. Some of the biosolids produced at Blue Plains are exported and applied to farms in Maryland and Virginia as a soil amendment. Applying biosolids to the land helps capture carbon and prevents it from being released to the atmosphere, helps to recycle important nutrients like phosphorous and nitrogen back into the soil instead of releasing them into our waterways, and reduces our carbon footprint and saves energy when compared to conventional petroleum-based fertilizers.

BLOOM is sold by Blue Drop, LLC, the Authority's non-ratepayer revenue affiliate. In FY 2020, 44,210 tons of BLOOM were sold resulting in \$186,000 of revenue and over \$1.3 million in net savings. BLOOM has resulted in a total net savings of \$3 million since production started in 2017.

Strong Credit Ratings

In October 2019, DC Water issued \$104.0 million of Public Utility Subordinate Lien Revenue Bonds, 2019 Series A (Green Bonds), \$58.3 million of Public Utility Subordinate Lien Revenue Bonds, 2019 Series B, \$343.2 million of Public Utility Subordinate Lien Revenue Refunding Bonds, 2019 Series D (Federally Taxable), and \$99.5 million of Public Utility Subordinate Lien Multimodal Revenue Bonds, 2019 Series C.

DC Water leveraged its AAA credit rating by S&P and its GB1 rating, Moody's highest possible green bond assessment. Combined, these two ratings made DC Water's bonds highly desirable. Strong credit ratings enable the Authority to issue debt at lower borrowing costs, which in turn reduces ratepayer costs in the long run.

Awards and Acknowledgements

CAFR Award

The Authority's 2019 CAFR received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting. The CAFR was judged based on its conformity to GAAP and its compliance with other financial, legal and contractual provisions. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment for any municipality or government agency. To date, DC Water has received the GFOA's CAFR award for every year of its existence as an independent Authority, for a total of 23 consecutive awards.

Acknowledgements

With deep appreciation, I wish to recognize the outstanding leadership and personal commitment of Controller Genes Malasy through fiscal year 2020 as well as DC Water's dedicated team of finance professionals for their collective effort in drafting DC Water's FY 2020 Comprehensive Annual Financial Report.

Respectfully submitted,



Matthew T. Brown
Chief Financial Officer and Executive Vice President
Finance and Procurement



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MATTHEW T. BROWN, CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT, FINANCE AND PROCUREMENT
WAYNE GRIFFITH, CHIEF STRATEGY AND PERFORMANCE OFFICER AND EXECUTIVE VICE PRESIDENT, STRATEGY AND PERFORMANCE
KISHIA L. POWELL, CHIEF OPERATING OFFICER AND EXECUTIVE VICE PRESIDENT
LISA STONE, CHIEF PEOPLE AND INCLUSION OFFICER AND EXECUTIVE VICE PRESIDENT, PEOPLE AND TALENT

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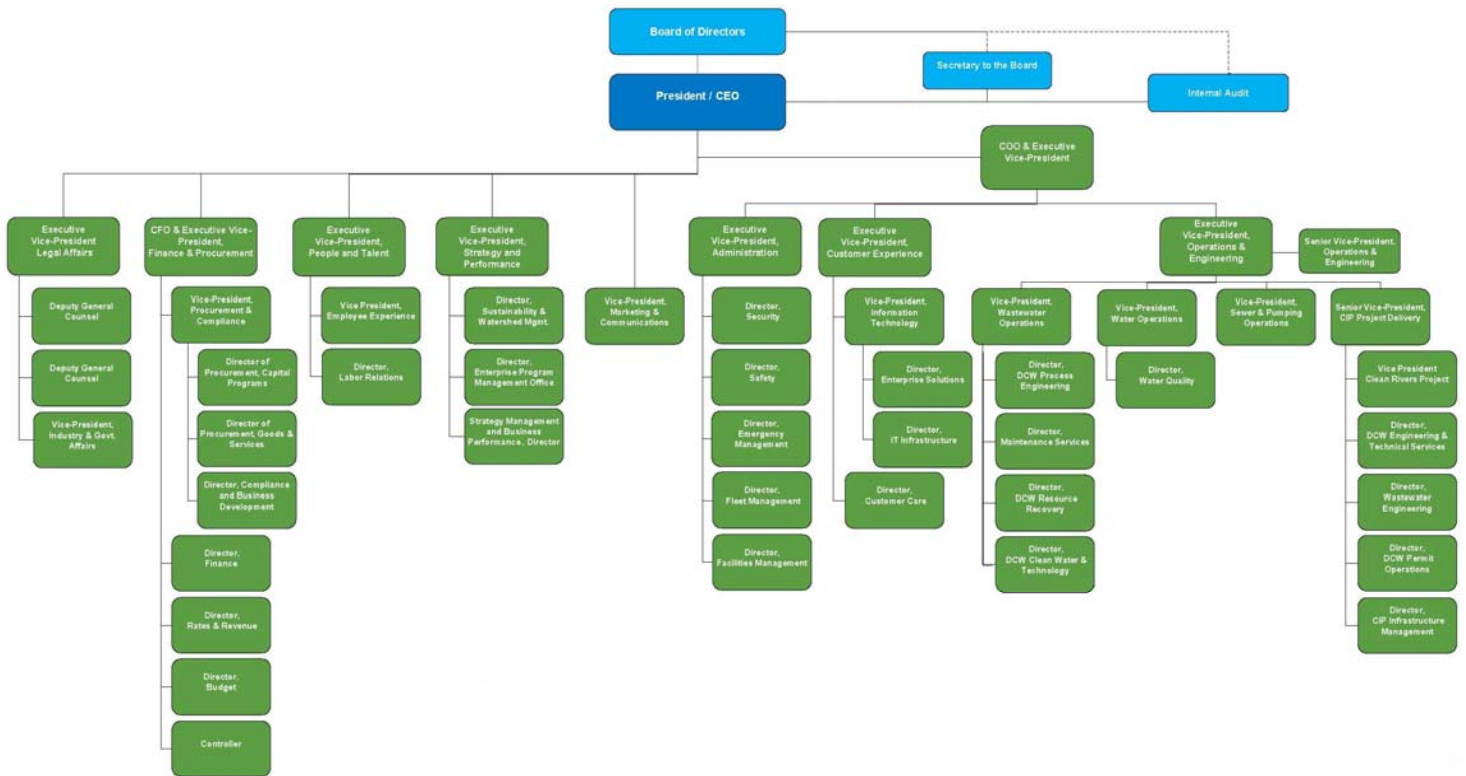
DAN BAE, VICE PRESIDENT, PROCUREMENT AND COMPLIANCE
IVAN BOYKIN, FINANCE DIRECTOR
SYED KHALIL, DIRECTOR, RATES AND REVENUE
GENES MALASY, CONTROLLER
LOLA OYEYEMI, BUDGET DIRECTOR

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ARMON CURD, EXECUTIVE VICE PRESIDENT, CUSTOMER EXPERIENCE
BIJU GEORGE, EXECUTIVE VICE PRESIDENT, OPERATIONS AND ENGINEERING
MAUREEN HOLMAN, EXECUTIVE VICE PRESIDENT, ADMINISTRATION
JASON HUGHES, VICE PRESIDENT, WATER OPERATIONS
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Governance and Organizational Structure





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**District of Columbia
Water and Sewer Authority**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO