Financial Section

KPMG LLP
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Independent Auditors' Report

Board of Directors
District of Columbia Water and Sewer Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia Water and Sewer Authority (the Authority) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Water and Sewer Authority as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 14 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

Washington, D.C.
December 21, 2021

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Management's Discussion and Analysis (unaudited)

September 30, 2021 and 2020

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, 2021 and 2020. 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 2021

- Operating revenues increased by $33.7 million to $770.6 million, or 4.6%, primarily due to the retail rate increase of 9.9% offset by the 6.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and the effects of the COVID-19 pandemic.

- Operating expenses increased by $18.2 million to $471.9 million, or 4.0%, primarily due to increases in personnel services, chemicals, supplies, and small equipment, utilities and rent, depreciation expense, and water purchases.

- Capital assets, net of depreciation and amortization, increased by $261.1 million to $7.7 billion, or 3.5%, as a result of capital additions of $399.2 million offset by depreciation and amortization of $138.1 million. Capital additions incurred in 2021 were in line with the Authority's approved 10-year capital improvement program.

- Current assets decreased by $17.0 million to $711.8 million, or 2.4%, primarily due to a $12.2 million decrease in restricted cash and investments, an $8.3 million decrease in receivables from other jurisdictions, a $5.9 million decrease in receivables from the Federal government offset by an $8.7 million increase in unrestricted cash and investments and a $4.7 million increase in customer receivables.

- The Authority's net position increased by $187.8 million to $2.7 billion, or 7.6%, as a result of current year operations and capital contributions.

- Effective October 1, 2020, the Authority raised its retail water and wastewater rates by 9.9% and decreased its CRIAC by 6.8%.

Financial Highlights – Fiscal 2020

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

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

- In 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. The purchase of the bond will occur July 5, 2022, and final maturity is October 1, 2036. The refunding is expected to provide annual debt service savings averaging $3,800 annually from fiscal year 2022 to fiscal year 2037.

- Operating revenues increased by $31.7 million to $736.8 million, or 4.5%, primarily due to the retail rate increase of 11.5% offset by the 9.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and the effects of the COVID-19 pandemic.

- Operating expenses decreased by $7.2 million to $453.7 million, or 1.6%, due to decreases in personnel services, chemicals, supplies, and small equipment, contractual services, utilities and rent, and water purchases offset by an increase in depreciation expense.

- Capital assets, net of depreciation and amortization, increased by $250.4 million to $7.5 billion, or 3.5%, as a result of capital additions of $386.0 million offset by depreciation and amortization of $135.6 million. Capital additions incurred in 2020 were in line with the Authority's approved 10-year capital improvement program.

- Current assets increased by $78.1 million to $694.8 million, or 12.7%, primarily due to a $47.1 million increase in unrestricted cash and investments, an $11.8 million increase in receivables from the Federal government, a $10.0 million increase in customer receivables, and a $4.3 million increase in restricted cash and investments.

- The Authority's net position increased by $223.0 million to $2.5 billion, or 9.9%, as a result of current year operations and capital contributions.

- Effective October 1, 2019, the Authority raised its retail water and wastewater rates by 11.5% and decreased its CRIAC by 9.0%.

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, 2021 was approximately $2.7 billion, a $187.8 million, or 7.6%, increase from September 30, 2020. Total assets increased $141.5 million, or 1.7%, to $8.6 billion and total liabilities decreased $50.9 million, or 0.8%, to $6.0 billion.

The Authority's total net position at September 30, 2020 was approximately $2.5 billion, a $223.0 million, or 9.9%, increase from September 30, 2019. Total assets increased $536.6 million, or 6.8%, to $8.4 billion and total liabilities increased $349.5 million, or 6.1%, to $6.1 billion.

Summary of Net Position
($ in 000's)

	Fiscal Year			2021 vs 2020		2020 vs 2019	
	2021	2020	2019	Amount	%	Amount	%
Current assets	$ 711,797	$ 694,776	$ 616,690	17,021	2.4	78,086	12.7
Noncurrent restricted assets	101,972	233,172	22,524	(131,200)	(56.3)	210,648	935.2
Capital assets	7,735,722	7,474,561	7,224,123	261,161	3.5	250,438	3.5
Other noncurrent assets	28,332	33,774	36,394	(5,442)	(16.1)	(2,620)	(7.2)
Total assets	8,577,823	8,436,283	7,899,731	141,540	1.7	536,552	6.8
Deferred outflows of resources	94,804	99,412	63,523	(4,608)	(4.6)	35,889	56.5
Current liabilities	497,849	474,538	437,493	23,311	4.9	37,045	8.5
Long-term debt outstanding	3,616,698	3,716,204	3,438,695	(99,506)	(2.7)	277,509	8.1
Long-term liabilities	1,896,811	1,871,520	1,836,611	25,291	1.4	34,909	1.9
Total liabilities	6,011,358	6,062,262	5,712,799	(50,904)	(0.8)	349,463	6.1
Net investments in capital assets	2,305,799	2,129,340	1,935,786	176,459	8.3	193,554	10.0
Restricted	39,223	35,222	43,762	4,001	11.4	(8,540)	(19.5)
Unrestricted	316,247	308,871	270,907	7,376	2.4	37,964	14.0
Total net position	$ 2,661,269	$ 2,473,433	$2,250,455	187,836	7.6	222,978	9.9

The following is a discussion of the more significant changes in assets, liabilities, and net position in 2021.

- Capital assets, net of depreciation and amortization, increased by $261.1 million to $7.7 billion, or 3.5%, as a result of capital additions of $399.2 million offset by depreciation and amortization of $138.1 million. Capital additions incurred in 2021 were in line with the Authority's approved 10-year capital improvement program which is discussed in more detail on page 25.

- Current assets decreased by $17.0 million to $711.8 million, or 2.4%, primarily due to a $12.2 million decrease in restricted cash and investments, an $8.3 million decrease in receivables from other jurisdictions, a $5.9 million decrease in receivables from the Federal government offset by an $8.7 million increase in unrestricted cash and investments and a $4.7 million increase in customer receivables.

- Long-term debt, including current maturities, decreased by $92.0 million to $3.7 billion, or 2.4%, primarily due to principal payments of $76.3 million.

- Current liabilities increased by $23.3 million to $497.9 million, or 4.9%, primarily due to a $28.8 million increase in commercial paper notes payable, an $8.6 million increase in accounts payable and accrued expenses, and a $7.5 million increase in current maturities of long-term debt offset by an $24.2 million decrease in unearned revenue.

- The Authority's net position increased by $187.8 million to $2.7 billion, or 7.6%, as a result of current year operations and capital contributions.

The following is a discussion of the more significant changes in assets, liabilities and net position in 2020.

- Capital assets, net of depreciation and amortization, increased by $250.4 million to $7.5 billion, or 3.5%, as a result of capital additions of $386.0 million offset by depreciation and amortization of $135.6 million. Capital additions incurred in 2020 were in line with the Authority's approved 10-year capital improvement program which is discussed in more detail on page 25.

- Current assets increased by $78.1 million to $694.8 million, or 12.7%, primarily due to a $47.1 million increase in unrestricted cash and investments, an $11.8 million increase in receivables from the Federal government, a $10.0 million increase in customer receivables, and a $4.3 million increase in restricted cash and investments.

- Long-term debt, including current maturities, increased by $285.8 million to $3.8 billion, or 8.2%, primarily due to the issuance of $104.0 million of 2019 Series A, $58.3 of 2019 Series B, $99.5 of 2019 Series C, and $343.2 2019 Series D subordinate lien revenue bonds in October 2019 offset by principal payments of $343.0 million.

- Current liabilities increased by $37.0 million to $474.5 million, or 8.5%, primarily due to a $33.5 million increase in unearned revenue, an $8.3 million increase in current maturities of long-term debt, a $6.4 million increase in due to jurisdictions offset by an $11.3 million decrease in accounts payable and accrued expenses.

- The Authority's net position increased by $223.0 million to $2.5 billion, or 9.9%, as a result of current year operations and capital contributions.

Changes in Net Position

The increase in net position at September 30, 2021 was $187.8 million, or 7.6%, as compared with September 30, 2020. The Authority's total operating revenues increased by 4.6% to $770.6 million and total operating expenses increased by 4.0% to $471.9 million.

The increase in net position at September 30, 2020 was $223.0 million, or 9.9%, as compared with September 30, 2019. The Authority's total operating revenues increased by 4.5% to $736.8 million and total operating expenses decreased by 1.6% to $453.7 million.

Change in Net Position
($ in 000's)

	Fiscal Year			2021 vs 2020		2020 vs 2019	
	2021	2020	2019	Amount	%	Amount	%
Operating revenues	$ 770,557	$ 736,828	$ 705,147	$ 33,729	4.6	$ 31,681	4.5
Operating expenses	471,902	453,699	460,883	18,203	4.0	(7,184)	(1.6)
Net non-operating revenues (expenses)	(152,912)	(82,878)	(95,323)	(70,034)	84.5	12,445	(13.1)
Change in net position before capital contributions	145,743	200,251	148,941	(54,508)	(27.2)	51,310	34.4
Capital contributions	42,093	22,727	16,313	19,366	85.2	6,414	39.3
Change in net position	187,836	222,978	165,254	(35,142)	(15.8)	57,724	34.9
Net position - beginning of year	2,473,433	2,250,455	2,085,201	222,978	9.9	165,254	7.9
Net position - end of year	$ 2,661,269	$ 2,473,433	$ 2,250,455	$ 187,836	7.6	$ 222,978	9.9

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 2021 and 2020, and between fiscal years 2020 and 2019, respectively.

Fiscal Year 2021:

- Operating revenues increased by $33.7 million to $770.6 million, or 4.6%, primarily due to the retail rate increase of 9.9% offset by the 6.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and the effects of the COVID-19 pandemic.

- Operating expenses increased by $18.2 million to $471.9 million, or 4.0%, primarily due to increases in personnel services, chemicals, supplies, and small equipment, utilities and rent, depreciation expense, and water purchases.

Fiscal Year 2020:

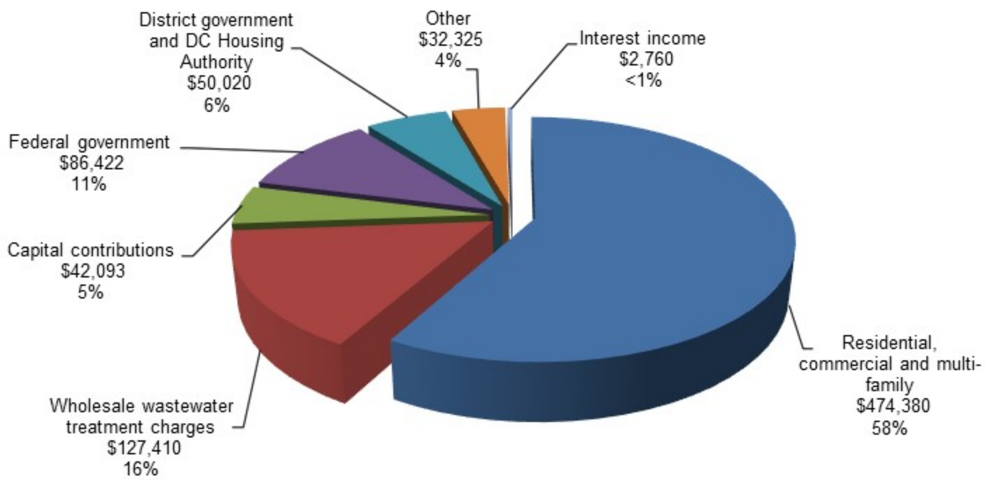
- Operating revenues increased by $31.7 million to $736.8 million, or 4.5%, primarily due to the retail rate increase of 11.5% offset by the 9.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and the effects of the COVID-19 pandemic.

- Operating expenses decreased by $7.2 million to $453.7 million, or 1.6%, due to decreases in personnel services, chemicals, supplies, and small equipment, contractual services, utilities and rent, and water purchases offset by an increase in depreciation expense.

2021 Total Revenues

Total revenues increased $47.0 million, or 6.1%, to $815.4 million in fiscal year 2021.

Total Revenues
($ in 000's)



- Revenues from residential, commercial and multi-family customers increased by $14.8 million to $474.4 million, or 3.2%, primarily due to a 9.9% water and wastewater rate increase offset by a 6.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and a decrease in consumption due to the effects of the COVID-19 pandemic.

- Revenues from the Federal government increased by $6.3 million to $86.4 million, or 7.9%, primarily due to a 9.9% water and wastewater rate increase and an increase in consumption offset by a 6.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC).

- Revenues from the District of Columbia government and the District of Columbia Housing Authority increased by $3.2 million to $50.0 million, or 6.9%, primarily due to a 9.9% water and wastewater rate increase and an increase in consumption offset by a 6.8% decrease in the Clean Rivers Impervious Area Charge (CRIAC).

- Revenues from wholesale wastewater treatment increased by $10.2 million to $127.4 million, or 8.7%, primarily due to a $6.3 million increase in the Intermunicipal Agreement (IMA) shareable operating costs of the Blue Plains Plant and a $2.4 million increase in IMA capital reimbursement revenues recognized in fiscal year 2021.

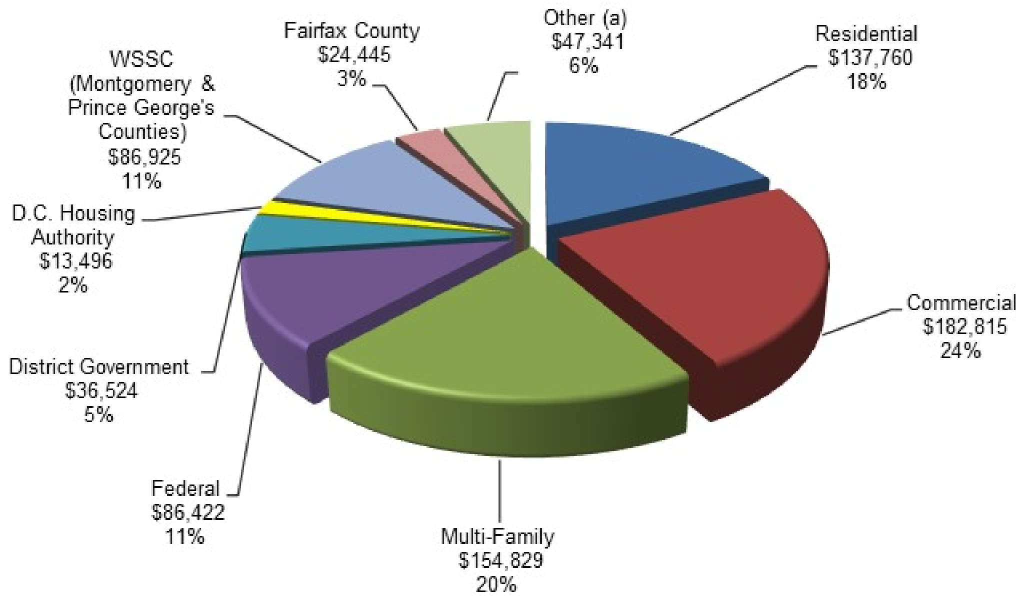
- Other revenues decreased by $0.9 million to $32.3 million, or 2.6%, primarily due to a decrease in special billings.

- Capital contributions increased by $19.4 million to $42.1 million, or 85.2%, primarily due to recognition of revenue from the District government related to the relocation of the Fleet facilities.

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 24% of the Authority's total operating revenues of $770.5 million for the fiscal year ended September 30, 2021.

Operating Revenues by Source
($ in 000's)



(a) Other revenues include $12.6 million from Loudoun County and $3.4 million from Potomac Interceptor.

- Revenues from commercial and multi-family customers in the District comprise approximately 44% 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 14% of the Authority's revenues and are based on their share of operating costs at Blue Plains. Loudoun County and Potomac Interceptor customers account for an additional 2% of the Authority's revenues and are included in other revenues.

- Residential customers in the District account for 18% of total operating revenues.

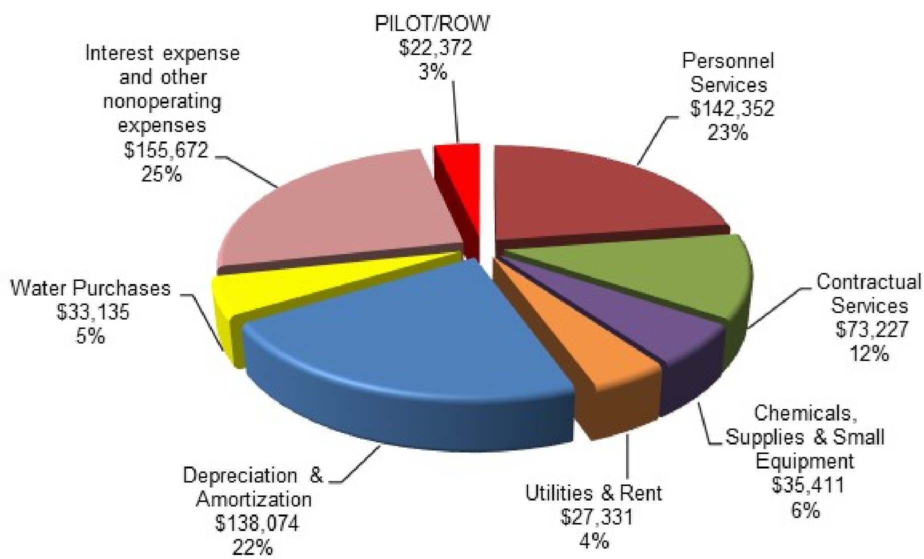
- Revenues from the Federal government comprise 11% of the Authority's total operating revenues and include customers such as the U.S. Congress, the Smithsonian Institution, and a range of federal departments and agencies.

- Revenues from the Government of the District of Columbia and the District of Columbia Housing Authority make up 7% of total operating revenues.

2021 Total Expenses

Total expenses increased by $82.1 million, or 15.1%, to $627.5 million in fiscal year 2021.

Total Expenses
($ in 000's)



- Personnel services increased by $7.3 million to $142.4 million, or 5.4%, primarily due to increases in headcount, annual leave, and holiday pay.

- Contractual services decreased by $0.8 million to $73.2 million, or 1.1%, primarily due to a decrease in fees for various outside consulting services.

- Chemicals, supplies and small equipment increased by $4.8 million to $35.4 million, or 15.7%, primarily due to increased unit prices in major chemicals.

- Utilities and rent increased by $2.6 million to $27.3 million, or 10.6%, due to increases in water and electricity costs.

- Depreciation and amortization increased by $2.4 million to $138.1 million, or 1.8%, primarily due to an increase in capital assets in service.

- Water purchases increased by $1.4 million to $33.1 million, or 4.5%, primarily due to a 14% increase in the water rate.

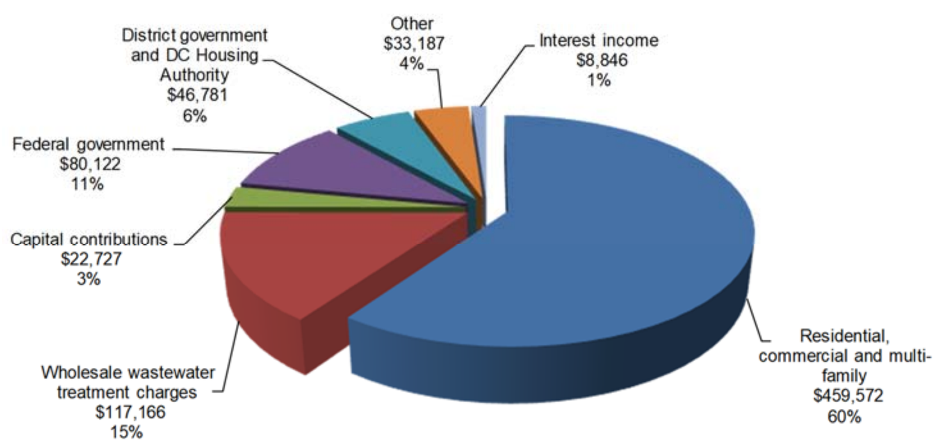
- Payment in lieu of taxes and right of way fee (PILOT/ROW) increased by $0.3 million to $22.4 million, or 1.5%, which is in line with the PILOT/ROW agreement.

- Interest expense and other nonoperating expenses increased by $63.9 million to $155.7 million, or 69.7%, primarily due to early adoption of GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*.

2020 Total Revenues

Total revenues increased $37.6 million, or 5.1%, to $768.4 million in fiscal year 2020.

Total Revenues
($ in 000's)



- Revenues from residential, commercial and multi-family customers increased by $16.1 million to $459.6 million, or 3.6%, primarily due to an 11.5% water and wastewater rate increase offset by a 9.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and a decrease in consumption due to the effects of the COVID-19 pandemic.

- Revenues from the Federal government increased by $6.7 million to $80.1 million, or 9.2%, primarily due to an 11.5% water and wastewater rate increase and an increase in consumption offset by the 9.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC).

- Revenues from the District of Columbia government and the District of Columbia Housing Authority increased by $1.0 million to $46.8 million, or 2.1%, primarily due to an 11.5% water and wastewater rate increase offset by a 9.0% decrease in the Clean Rivers Impervious Area Charge (CRIAC) and a decrease in consumption.

- Revenues from wholesale wastewater treatment increased by $2.4 million to $117.2 million, or 2.1%, primarily due to an increase in amortization revenue related to IMA capital asset additions.

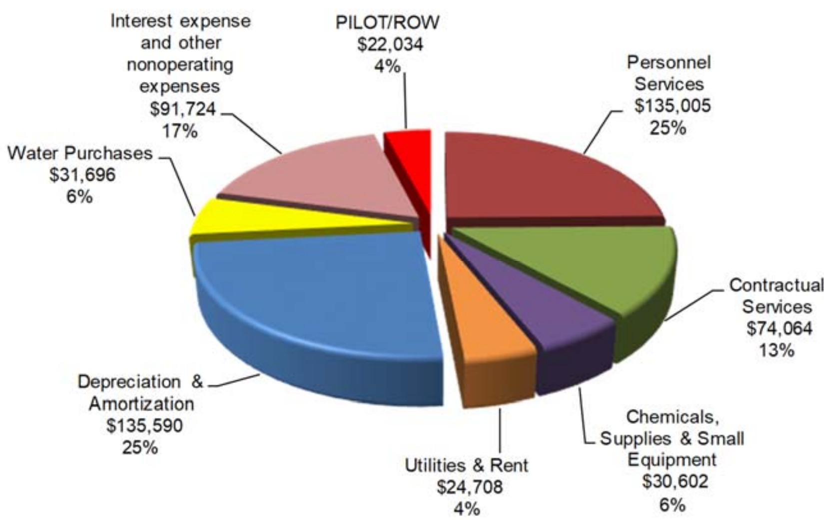
- Other revenues increased by $5.5 million to $33.2 million, or 19.9%, primarily due to an increase in special billings and an increase in Blue Drop revenue.

- Capital contributions increased by $6.4 million to $22.7 million, or 39.3%, primarily due to a $7.1 million increase in federal grants.

2020 Total Expenses

Total expenses decreased by $20.1 million, or 3.6%, to $545.4 million in fiscal year 2020.

Total Expenses
($ in 000's)



- Personnel services decreased by $6.0 million to $135.0 million, or 4.3%, primarily due to decreases in overtime pay, severance pay, and headcount.

- Contractual services decreased by $1.8 million to $74.1 million, or 2.3%, primarily due to a decrease in fees for various outside consulting services.

- Chemicals, supplies and small equipment decreased by $6.0 million to $30.6 million, or 16.3%, primarily due to reduced unit prices in major chemicals.

- Utilities and rent decreased by $1.1 million to $24.7 million, or 4.2%, due to reduced lease payments as a result of full relocation to headquarters office, improved efficiency in water usage in the wastewater treatment process as well as reduced automotive fuel prices.

- Depreciation and amortization increased by $8.1 million to $135.6 million, or 6.3%, primarily due to an increase in capital assets in service.

- Water purchases decreased by $0.7 million to $31.7 million, or 2.3%, primarily due to an 8.8% decrease in the water rate.

- Payment in lieu of taxes and right of way fee (PILOT/ROW) increased by $0.3 million to $22.0 million, or 1.5%, which is in line with the PILOT/ROW agreement.

- Interest expense and other nonoperating expenses decreased by $12.9 million to $91.7 million, or 12.3%, primarily due to a decrease in interest incurred on long-term debt of $9.3 million and an increase in the amount of capitalized interest related to the Authority's capital improvement program which increased from $50.6 million in fiscal year 2019 to $60.7 million in fiscal year 2020.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2021, 2020, and 2019, respectively, the Authority had $7.7 billion, $7.5 billion, and $7.2 billion of capital assets (net of depreciation). This includes wastewater collection, wastewater treatment, water distribution systems, deep tunnel systems, purchased capacity, buildings, capital equipment, and construction in progress. The Authority's net capital assets increased by approximately $261.2, or 3.5%, during fiscal year 2021 and increased by approximately $250.4 million, or 3.5%, during fiscal year 2020, 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,		
	2021	2020	2019
Wastewater treatment plant	$ 3,327,554	$ 3,275,198	$ 3,233,698
Wastewater collection facilities	1,045,919	1,087,554	937,315
Water distribution system	1,218,468	1,183,800	1,138,598
Deep tunnel system	1,269,271	1,268,779	1,027,954
Purchased capacity	399,651	385,133	375,164
Buildings	84,904	-	-
Capital equipment	381,431	368,796	314,667
Construction in progress	2,057,773	1,830,830	1,966,037
Less accumulated depreciation	(2,049,249)	(1,925,529)	(1,769,310)
Net capital assets	$ 7,735,722	$ 7,474,561	$ 7,224,123

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, 2021 and 2020 were $192.4 million and $637.9 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 2021, the Authority had a total of $3.7 billion in long term debt outstanding, a decrease of $92.0 million, or 2.4%, over fiscal year 2020.

At the end of fiscal year 2020, the Authority had a total of $3.8 billion in long term debt outstanding, an increase of $285.8 million, or 8.2%, over fiscal year 2019.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2021 is shown below:

Description	Balance 9/30/2020	Increases	Decreases	Balance 9/30/2021
Outstanding bonds and notes	$ 3,499,065	$ -	$ (76,272)	$ 3,422,793
Unamortized bond premiums	270,117	-	(15,833)	254,284
Unamortized bond discounts	(1,706)	-	129	(1,577)
Total bonds and notes	$ 3,767,476	$ -	$ (91,977)	$ 3,675,499

The decreases in outstanding bonds and notes payable were related to scheduled principal repayments.

A schedule of long-term debt activity including current year maturities for the year ended September 30, 2020 is shown below:

Description	Balance 9/30/2019	Increases	Decreases	Balance 9/30/2020
Outstanding bonds and notes	$ 3,237,089	$ 604,995	$ (343,019)	$ 3,499,065
Unamortized bond premiums	246,460	38,950	(15,293)	270,117
Unamortized bond discounts	(1,835)	-	129	(1,706)
Total bonds and notes	$ 3,481,714	$ 643,945	$ (358,183)	$ 3,767,476

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

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

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

A more detailed discussion of long-term debt is provided in the Notes to the Financial Statements on page 56.

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, 2020, the Authority raised its retail water and wastewater rates by 9.9%. 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 stakeholder with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer at 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, 2021 and 2020

(In thousands)

Assets and Deferred Outflows of Resources	**2021**	**2020**
Current assets:		
Cash and cash equivalents (note 3)	$ 193,732	$ 186,962
Investments (note 3)	118,743	116,796
Restricted cash and cash equivalents (note 3)	222,464	208,384
Restricted investments (note 3)	—	1,924
Customer receivables, net of allowance for doubtful accounts of $29,030 in 2021 and $24,398 in 2020 (note 7)	93,178	88,495
Due from other jurisdictions (note 8)	4,408	12,678
Due from Federal government (note 6)	43,965	49,840
Due from District government (note 13)	8,720	6,220
Inventory	14,572	13,230
Prepaid assets	12,015	10,247
Total current assets	711,797	694,776
Noncurrent assets:		
Restricted assets (note 3):		
Cash and cash equivalents	76,937	155,383
Investments	25,035	77,789
Total restricted cash and cash equivalents and investments	101,972	233,172
Capital assets (note 4):		
In-service	7,727,199	7,569,260
Less accumulated depreciation	(2,049,250)	(1,925,529)
Net capital assets in service	5,677,949	5,643,731
Construction-in-progress	2,057,773	1,830,830
Net capital assets	7,735,722	7,474,561
Other noncurrent assets:		
Due from District government (note 13)	17,574	23,432
Due from other jurisdictions (note 8)	10,758	10,342
Total other noncurrent assets	28,332	33,774
Total noncurrent assets	7,866,026	7,741,507
Total assets	8,577,823	8,436,283
Deferred Outflows of Resources		
Deferred loss on debt refunding	94,804	99,412
Total assets and deferred outflows of resources	8,672,627	8,535,695
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	144,813	136,223
Unearned revenue	64,336	88,544
Accrued interest	76,411	77,920
Commercial paper notes payable (note 10)	107,952	79,200
Current maturities of long-term debt (note 11)	58,802	51,272
Due to jurisdictions	12,783	12,661
Compensation payable (note 9)	22,165	18,594
Other liabilities (note 12)	10,587	10,124
Total current liabilities	497,849	474,538
Noncurrent liabilities:		
Long-term debt, excluding current maturities (note 11)	3,616,698	3,716,204
Unearned revenue	1,865,734	1,842,718
Other liabilities (note 12)	13,946	13,648
Compensated absences payable (note 9)	17,131	15,154
Total noncurrent liabilities	5,513,509	5,587,724
Total liabilities	6,011,358	6,062,262
Net Position		
Net investments in capital assets	2,305,799	2,129,340
Restricted for debt service	39,223	35,222
Unrestricted	316,247	308,871
Total net position	$ 2,661,269	$ 2,473,433

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, 2021 and 2020

(In thousands)

	2021	2020
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	$ 474,380	$ 459,572
Federal government	86,422	80,122
District government and D.C. Housing Authority (note 13)	50,020	46,781
Charges for wholesale wastewater treatment	127,410	117,166
Other	32,325	33,187
Total operating revenues	770,557	736,828
Operating expenses:		
Personnel services	142,352	135,005
Contractual services	73,227	74,064
Chemicals, supplies and small equipment	35,411	30,602
Utilities and rent	27,331	24,708
Depreciation and amortization	138,074	135,590
Water purchases	33,135	31,696
Payment in lieu of taxes and right of way fee (note 13)	22,372	22,034
Total operating expenses	471,902	453,699
Operating income	298,655	283,129
Nonoperating revenues (expenses):		
Interest income	2,760	8,846
Interest expense and other nonoperating expenses	(155,672)	(91,724)
Total nonoperating expenses	(152,912)	(82,878)
Change in net position before capital contributions	145,743	200,251
Capital contributions (note 5)	42,093	22,727
Change in net position	187,836	222,978
Net position, beginning of year	2,473,433	2,250,455
Net position, end of year	$ 2,661,269	$ 2,473,433

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, 2021 and 2020

(In thousands)

	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 692,376	$ 691,436
Cash received from customers for Storm Water fees	15,338	13,723
Cash paid to suppliers for goods and services	(158,109)	(145,564)
Cash paid to employees for services	(136,804)	(132,369)
Cash paid to District of Columbia for Storm Water fees	(14,279)	(12,498)
Cash paid to District for PILOT and ROW	(22,372)	(22,034)
Net cash provided by operating activities	376,150	392,694
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	—	643,946
Proceeds from other jurisdictions	74,879	67,336
Repayments of bond principal and notes payable to Federal government	(76,272)	(343,019)
Acquisition of capital assets	(387,108)	(354,688)
Payments of interest and fiscal charges	(159,295)	(200,086)
Contributions of capital from Federal and District governments	29,060	47,215
Proceeds from issuance of commercial paper	470,552	496,000
Repayments of commercial paper	(441,800)	(496,000)
Net cash used in capital and related financing activities	(489,984)	(139,296)
Cash flows from investing activities:		
Cash received for interest	3,509	8,610
Investment purchases	(268,825)	(398,587)
Investment maturities	321,555	333,121
Net cash used in investing activities	56,239	(56,856)
Net increase (decrease) in cash and cash equivalents	(57,595)	196,542
Cash and cash equivalents at beginning of year	550,728	354,186
Cash and cash equivalents at end of year	$ 493,133	$ 550,728
Operating income	$ 298,655	$ 283,129
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	138,074	135,590
Change in operating assets and liabilities:		
(Increase) decrease in customer and other receivables	(16,652)	(12,751)
Increase in inventory and prepaid assets	(3,112)	(1,506)
Increase (decrease) in payables and accrued liabilities	5,393	13,407
Decrease in unearned revenue	(46,208)	(25,174)
Net cash provided by operating activities	$ 376,150	$ 392,695
Noncash Investing, Capital and Financing Activities:		
Capital asset additions included in accounts payable	$ 111,649	$ 102,899
Net increase (decrease) in the fair value of investments	(1,492)	800

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 73% of the Aqueduct's annual operating and capital costs. Additionally, the Authority obtains back-up and peak-day water supply from the Jennings Randolph Reservoir (Bloomington Dam) and Little Seneca Lake. The Jennings Randolph Reservoir was constructed by the Federal government and is operated by the USACE. The Little Seneca Lake was constructed and is operated by the WSSC.

(d) Reporting Entity

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

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

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

Based on the application of the above criteria, 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 2021 or 2020 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, 2021 and 2020 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, 2021 and 2020, 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.

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

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

Asset class	Estimated useful lives
Wastewater treatment plant	60 years
Wastewater collection facilities	60 years
Water distribution systems	60 years
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.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(g) Deferred Outflows of Resources

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

(h) Compensated Absences

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

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

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

(2) Summary of Significant Accounting Policies (Continued)

(i) Bond Premiums, Discounts and Issuance Costs

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

(j) Net Position

Net position is categorized into three components as follows:

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

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

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

(k) Revenues and Expenses

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

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

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

(2) Summary of Significant Accounting Policies (Continued)

(l) Retail Water and Wastewater User Charges

Retail water and wastewater rates are approved by the Authority's Board of Directors. Charges to the District and the Federal government are the same as those charged to retail customers. Charges for services provided but unbilled at the end of the year are recorded as revenue on an estimated basis, which considers historical usage patterns and current rates. Allowances for customer receivables that ultimately may be uncollectible are estimated 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.

(m) Charges for Wholesale Wastewater Treatment and Unearned Revenue

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

(n) Contingencies

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

(o) Use of Estimates

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

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(p) Adoption of New Accounting Standards

During the fiscal year ended September 30, 2021, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 84, *Fiduciary Activities*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

Implementation of GASB Statement Nos. 90, 93, and 97 had no impact on the Authority's fiscal year 2021 financial statements. Implementation of GASB 84 resulted in the addition of two line items on the Cash Flow Statement related to the Authority's storm water billings and collections on behalf of the District. Implementation of GASB Statement 89 had a material impact on Capital Assets and Interest Expense.

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

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

No.	Title	Required Implementation Date *(Period Beginning After)*	Authority Fiscal Year
87	Leases	June 15, 2021	2022
91	Conduit Debt Obligations	December 15, 2021	2023
92	Omnibus 2020	June 15, 2021	2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	June 15, 2022	2023
96	Subscription-Based Information Technology Arrangements	June 15, 2022	2023

(3) Cash Deposits and Investments

(a) Authorized Cash Deposits and Investments

The Authority's Investment Policy, which is compliant with the Authority's bond covenants and master indenture, requires that all cash and other deposits maintained in financial institutions be collateralized, including bank deposits and collateralized certificates of deposit. Collateral is required to be secured in accordance with the following policy: a) collateralization on all deposits of the Authority in excess of the amount protected by federal deposit insurance; and b) collateralization with any of the following: (i) U.S. Treasury obligations, (ii) Federal agency obligations, or (iii) a Letter of Credit issued by a Federal Home Loan Bank the amount of which shall be 102% of the deposits held. Collateral shall always be held by an independent third-party custodian in the name of the Authority.

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

(1) *U.S. Treasury Obligations.* U.S Treasury bills, notes, or any other obligation or security issued by or backed by the full faith and credit of the US Treasury. These securities shall be limited to a maximum maturity of five (5) years at the time of purchase.

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

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

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

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

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

(3) Cash Deposits and Investments (Continued)

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

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

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

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

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

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

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

(In thousands)

(3) Cash Deposits and Investments (Continued)

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

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

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

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

For the years ended September 30, 2021 and 2020, the Authority was in full compliance with the Investment Policy.

(b) Cash Deposits

At September 30, 2021 and 2020, the carrying amounts of the Authority's unrestricted and restricted bank deposits were $209,138 and $211,761 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, 2021 and 2020, respectively:

	Fair Value Measurement at Reportable Date Using	
	Significant Other Observable Inputs (Level 2)	
Investments by fair value level	2021	2020
U.S. Treasury notes	$ 38,053	$ 67,498
U.S. government agency obligations	31,569	36,866
Corporate notes	17,858	20,187
Municipal bonds	8,514	8,286
Supranational Bonds	7,480	3,242
Negotiable certificates of deposit	2,965	3,724
Federal Agency Mortgage-Backed Securities	2,939	2,250
Total investments at fair value	109,378	142,053
Investments and cash equivalents carried at amortized cost	318,396	393,424
Total investments and cash equivalents	$ 427,774	$ 535,477

(In thousands)

(3) Cash Deposits and Investments (Continued)

(d) Cash Equivalents and Investments

As of September 30, 2021 and 2020, the Authority held the following cash equivalents and investments:

Cash equivalents and investments	2021	Weighted Average Maturity (Years)	2020	Weighted Average Maturity (Years)
Registered money market mutual	$ 283,996	0.083	$ 338,968	0.083
U.S. Treasury notes	38,053	2.040	92,156	0.760
U.S. government agency obligations	31,569	1.793	36,866	2.490
Corporate notes	17,858	2.414	20,187	2.000
FDIC-insured certificates of deposit	15,916	0.303	16,796	0.140
Commercial paper	13,298	0.145	13,002	0.180
Municipal bonds	8,514	1.423	8,286	2.130
Negotiable certificates of deposit	8,151	0.647	3,724	1.690
Supranational Bonds	7,480	2.278	3,242	2.365
Federal Agency Mortgage-Backed Securities	2,939	10.280	2,250	9.072
Total cash equivalents and investments	$ 427,774	0.636	$ 535,477	0.536

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, 2021 and 2020, respectively.

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

(In thousands)

(3) Cash Deposits and Investments (Continued)

The following are the maximum maturities established by the Authority's investment policy:

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

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

As reflected in the table on the previous page, the weighted average maturity of the Authority's investment portfolio was 0.636 years and 0.536 years as of September 30, 2021 and 2020, 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, 2021:

	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		7.4%											7.4%
Commercial paper									2.4%	0.7%			3.1%
Registered Money Market Mutual											66.9%		66.9%
U.S. Treasury notes		8.9%											8.9%
FDIC-Insured certificates of deposit												3.7%	3.7%
Federal Agency Mortgage-Backed Securities		0.7%											0.7%
Corporate notes	0.1%	0.1%	0.5%	1.0%	0.5%	0.8%	0.9%	0.2%					4.1%
Negotiable certificates of deposit									1.1%	0.3%			1.4%
Supranational Bonds	1.8%												1.8%
Municipal bond	0.5%	0.3%	0.3%	0.2%								0.7%	2.0%
	2.4%	17.4%	0.8%	1.2%	0.5%	0.8%	0.9%	0.2%	3.5%	1.0%	66.9%	4.4%	100.0%

At September 30, 2021, 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, 2021 and 2020, 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, 2021 and 2020 follows:

	2021			2020		
Description	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents						
Demand deposits	$ 193,103	$ 16,035	$ 209,138	$ 186,125	$ 25,636	$211,761
Registered money market mutual	630	283,366	283,996	837	338,131	338,968
Total cash and cash equivalents	193,733	299,401	493,134	186,962	363,767	550,729
Investments						
U.S. Treasury notes	36,639	1,414	38,053	34,776	57,380	92,156
U.S. government agency obligations	21,246	10,323	31,569	26,535	10,331	36,866
Corporate notes	17,858	-	17,858	20,187	-	20,187
FDIC-insured certificates of deposit	15,916	-	15,916	16,796	-	16,796
Commercial paper	-	13,298	13,298	1,000	12,002	13,002
Municipal bonds	8,514	-	8,514	8,286	-	8,286
Negotiable certificates of deposit	8,151	-	8,151	3,724	-	3,724
Supranational Bonds	7,480	-	7,480	3,242	-	3,242
Federal Agency Mortgage-Backed Securities	2,939	-	2,939	2,250	-	2,250
Total Investments	118,743	25,035	143,778	116,796	79,713	196,509
Total cash, cash equivalents & investments	$ 312,476	$324,436	$ 636,912	$ 303,758	$443,480	$747,238

(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, 2021 and 2020 follows:

Description	2021	2020
Restricted cash and cash equivalents (current and noncurrent)		
Revenue bonds 2019C	$ 86,858	$ 34,376
Revenue bonds 2019A	50,659	102,309
Principal payment, 1998 revenue bonds	18,425	17,475
Cash-Fleet & Sewer Relocation	16,033	25,636
Principal payment, 2014 revenue bonds	13,448	12,888
Interest payment, 2010 revenue bonds	12,324	10,416
Interest payment, 2015A,B revenue bonds	8,692	8,712
Interest payment, 2016A revenue bonds	8,520	8,520
Interest payment, 2014C revenue bonds	8,469	8,727
Interest payment, 2014A revenue bonds	8,425	8,425
Interest payment, 2012A,C revenue bonds	7,498	7,609
2015 A & B Lien Revenue Bonds	7,362	2,015
2018 A&B Senior Bond Interest	7,330	7,417
Debt service reserve account, 1998 revenue bonds	6,935	7,703
Interest payment, 2017 A&B Senior Lien Interest	6,754	6,857
Interest payment, 2019D revenue bonds	5,342	5,362
Principal payment, 2012 revenue bonds	5,089	4,895
2017 A&B Senior Lien Principal	4,340	4,130
Interest payment, 2019A,B revenue bonds	3,812	3,812
2018 A&B Senior Bond Principal	3,696	3,521
Interest payment, 1998 revenue bonds	2,545	3,021
DC Government Customer Assistance Program 3	1,792	2,437
Principal payment, 2019D revenue bonds	1,626	1,651
Water Mains at Mass Ave	1,545	-
Interest payment, 2019C revenue bonds	871	871
Lead Service Program 1	552	1,195
Lead Service Program 2	213	807
CRIAC Emergency Residential Relief Fund COVID 19	166	1,329
Interest payment, 2012C revenue bonds	39	39
Interest payment, 2013 revenue bonds	29	29
Interest payment, EMCP Series A	8	-
Combined sewer overflow (CSO) federal appropriations	2	-
Interest payment, 2014B revenue bonds	1	8
2012 B-2 Bond Interest Accoun, 2018 B Cost of Issuance	1	1
Commercial Paper Series B Interest	1	-
Revenue bonds 2019B	-	60,987
Interest payment, 2016 B EIB	-	429
Revenue bonds 2014C	-	65
2019 C Revenue Bonds Cost of Issuance	-	51
2019 A Revenue Bonds Cost of Issuance	-	17
Commercial Paper Debt Service	-	16
Extendable municipal commercial paper	-	4
Commercial Paper Notes Investment	-	3
DC Water Customer Assistance Program 2	-	1
2019 D Bond-Refunding Escrow	-	1
Total restricted cash and cash equivalents	299,401	363,767
Restricted investments (current and noncurrent)		
Revenue bonds 2019C	13,298	66,807
Debt service reserve account, 1998 revenue bonds	11,737	12,906
Total restricted investments	25,035	79,713

(In thousands)

(4) Capital Assets

The following tables present the activity in capital assets for the years ended September 30, 2021 and 2020:

	Balance 9/30/2020	Additions	Disposals	Transfers	Balance 9/30/2021
Capital Assets					
Wastewater treatment plant	$3,275,198	$ (4,205)	$ -	$ 56,562	$3,327,555
Wastewater collection facilities	1,087,554	(80,256)	-	38,621	1,045,919
Water distribution system	1,183,800	-	-	34,668	1,218,468
Deep tunnel systems	1,268,779	-	-	492	1,269,271
Purchased capacity	385,133	14,518	-	-	399,651
Buildings	-	84,461	-	442	84,903
Capital equipment	368,796	42	(14,353)	26,947	381,432
Total capital assets in service	7,569,260	14,560	(14,353)	157,732	7,727,199
Less accumulated depreciation:					
Wastewater treatment plant	(833,210)	(53,629)	-	-	(886,839)
Wastewater collection facilities	(341,362)	(16,297)	-	-	(357,659)
Water distribution system	(329,224)	(19,656)	-	-	(348,880)
Deep tunnel systems	(27,604)	(12,627)	-	-	(40,231)
Purchased capacity	(118,886)	(6,400)	-	-	(125,286)
Buildings	-	(7,540)	-	-	(7,540)
Capital equipment	(275,243)	(21,925)	14,353	-	(282,815)
Total accumulated depreciation	(1,925,529)	(138,074)	14,353	-	(2,049,250)
Net capital asssets in service	5,643,731	(123,514)	-	157,732	5,677,949
Construction-in-progress	1,830,830	384,675	-	(157,732)	2,057,773
Net capital assets	$7,474,561	$ 261,161	$ -	$ -	$7,735,722

	Balance 9/30/2019	Additions	Disposals	Transfers	Balance 9/30/2020
Capital Assets					
Wastewater treatment plant	$3,233,698	$ -	$ -	$ 41,500	$3,275,198
Wastewater collection facilities	937,315	-	-	150,239	1,087,554
Water distribution system	1,138,598	-	(8,975)	54,177	1,183,800
Deep tunnel systems	1,027,954	-	-	240,825	1,268,779
Purchased capacity	375,164	9,969	-	-	385,133
Capital equipment	314,667	29,916	(1,054)	25,267	368,796
Total capital assets in service	7,027,396	39,885	(10,029)	512,008	7,569,260
Less accumulated depreciation:					
Wastewater treatment plant	(783,558)	(47,912)	-	(1,740)	(833,210)
Wastewater collection facilities	(292,293)	(16,891)	-	(32,178)	(341,362)
Water distribution system	(338,257)	(9,236)	8,975	9,294	(329,224)
Deep tunnel systems	(16,128)	(11,476)	-	-	(27,604)
Purchased capacity	(106,598)	(6,336)	-	(5,952)	(118,886)
Capital equipment	(232,476)	(43,739)	1,054	(82)	(275,243)
Total accumulated depreciation	(1,769,310)	(135,590)	10,029	(30,658)	(1,925,529)
Net capital asssets in service	5,258,086	(95,705)	-	481,350	5,643,731
Construction-in-progress	1,966,037	346,143	-	(481,350)	1,830,830
Net capital assets	$7,224,123	$ 250,438	$ -	$ -	$7,474,561

(In thousands)

(4) Capital Assets (Continued)

For the years ended September 30, 2021 and 2020, total interest expense incurred was $153,588 and $85,043, and total capitalized interest was $0 and $60,658, respectively.

The following tables present the activity in purchased capacity for the years ended September 30, 2021 and 2020:

	Balance 9/30/2020	Additions	Balance 9/30/2021
Purchased capacity			
Washington Aqueduct	$352,943	$14,518	$367,461
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	385,133	14,518	399,651
Less accumulated depreciation:			
Washington Aqueduct	(100,596)	(5,789)	(106,385)
Jennings Randolph Reservoir	(11,002)	(401)	(11,403)
Little Seneca Lake	(7,288)	(210)	(7,498)
Total accumulated depreciation	(118,886)	(6,400)	(125,286)
Purchased capacity, net	$266,247	$ 8,118	$274,365

	Balance 9/30/2019	Additions	Balance 9/30/2020
Purchased capacity			
Washington Aqueduct	$342,974	$ 9,969	$352,943
Jennings Randolph Reservoir	19,863	-	19,863
Little Seneca Lake	12,327	-	12,327
Total in service	375,164	9,969	385,133
Less accumulated depreciation:			
Washington Aqueduct	(88,906)	(11,690)	(100,596)
Jennings Randolph Reservoir	(10,609)	(393)	(11,002)
Little Seneca Lake	(7,083)	(205)	(7,288)
Total accumulated depreciation	(106,598)	(12,288)	(118,886)
Purchased capacity, net	$268,566	$ (2,319)	$266,247

(In thousands)

(5) Capital Contributions

Capital contributions consist of the following for the years ended September 30, 2021 and 2020, respectively:

Description	2021	2020
Federal grants and appropriations	$ 22,291	$ 20,506
Contributions from District government	19,802	2,221
Total	$ 42,093	$ 22,727

Capital contributions consist principally of Federal grants and appropriations and certain capital costs incurred by the Authority in fiscal year 2021 and 2020 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, 2021 and 2020, respectively:

Description	2021	2020
Washington Aqueduct advance	$ 41,845	$ 46,776
Federal grants receivable	2,120	3,064
Total	$ 43,965	$ 49,840

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, 2021 and 2020:

Description	2021	2020
Billed customer receivables	$ 96,043	$ 86,887
Unbilled customer receivables	26,164	26,006
Total customer receivables	122,207	112,893
Less: Allowance for doubtful accounts	(29,030)	(24,398)
Customer receivables, net	$ 93,177	$ 88,495

(In thousands)

(8) Due from Other Jurisdictions

The amount due from other jurisdictions under the 2012 IMA consists of the following at September 30, 2021 and 2020:

Description	2021	2020
Current:		
Washington Suburban Sanitary Commission	$ 3,243	$ 10,115
Fairfax	191	1,098
Loudoun County Sanitation Authority	-	398
Northern Virginia	109	106
Potomac Interceptor	865	961
Total current	4,408	12,678
Noncurrent:		
Washington Suburban Sanitary Commission	5,975	6,065
Fairfax	1,517	1,127
Loudoun County Sanitation Authority	790	564
Northern Virginia	2,476	2,586
Total noncurrent	10,758	10,342
Total due from other jurisdictions	$ 15,166	$ 23,020

(9) Compensated Absences

The following table reflects the activity associated with accrued compensated absences for the years ended September 30, 2021 and 2020, respectively:

	2021			2020		
Description	Vacation	Sick	Total	Vacation	Sick	Total
Beginning of year	$ 10,696	$ 13,964	$ 24,660	$ 8,741	$ 12,547	$ 21,288
Increases (incurred)	13,985	3,527	17,512	9,375	2,305	11,680
Decreases	(12,347)	(1,412)	(13,759)	(7,420)	(888)	(8,308)
End of year	12,334	16,079	28,413	10,696	13,964	24,660
Less: current portion	9,498	1,784	11,282	7,304	2,202	9,506
Noncurrent portion	$ 2,836	$ 14,295	$ 17,131	$ 3,392	$ 11,762	$ 15,154

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, 2021 and 2020, respectively:

Description	Balance 9/30/2021	Balance 9/30/2020
Commercial Paper	$ 57,952	$ 29,200
Extendable Municipal Commercial Paper	50,000	50,000
	$107,952	$79,200

(a) *Commercial Paper*

A schedule of Commercial Paper activity for the years ended September 30, 2021 and 2020 is shown below:

Description	Balance 9/30/2020	2021 Maturities	2021 Re-Issuance	Balance 9/30/2021
Series B, interest from 0.08% to 0.14%, maturities ranged from 90 to 184 days	-	(25,000)	53,752	28,752
Series C, interest from 0.10% to 2.05%, maturities ranged from 30 to 126 days	29,200	(116,800)	116,800	29,200
	$29,200	$ (141,800)	$ 170,552	$ 57,952

Description	Balance 9/30/2019	2020 Maturities	2020 Re-Issuance	Balance 9/30/2020
Series C, interest from 0.22% to 2.23%, maturities ranged from 30 to 114 days	29,200	(146,000)	146,000	29,200
	$29,200	$ (146,000)	$ 146,000	$ 29,200

(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, 2021 and 2020, the unspent amount related to the Series B and Series C Commercial Paper Notes was $92,048 and $120,800, respectively.

(b) Extendable Municipal Commercial Paper

A schedule of Extendable Municipal Commercial Paper activity for the years ended September 30, 2021 and 2020 is shown below:

Description	Balance 9/30/2020	2021 Maturities	2021 Re-Issuance	Balance 9/30/2021
EMCP Series A, interest from 0.19% to 1.85%, maturities ranged from 6 to 90 days	$ 50,000	$ (300,000)	$ 300,000	$ 50,000

Description	Balance 9/30/2019	2020 Maturities	2020 Re-Issuance	Balance 9/30/2020
EMCP Series A, interest from 0.19% to 1.85%, maturities ranged from 6 to 90 days	$ 50,000	$ (350,000)	$ 350,000	$ 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 revenues bonds, 2012 series B-2 (3) pay $355 associated cost of issuance of the Series A EMCP Note and (4) the remaining $2,334 were contributed to the Construction Account.

As of September 30, 2021 and 2020, 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, 2021 is shown below:

Description	Balance 9/30/2020	Increases	Decreases	Balance 9/30/2021	Due Within One Year
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	343,160	-	(1,650)	341,510	1,625
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	196,675	-	(3,490)	193,185	3,665
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	193,760	-	(4,130)	189,630	4,340
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	97,420	-	(2,000)	95,420	7,350
Series B interest at 5.0 % to 5.25%, maturing in 2045	250,000	-	-	250,000	-
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	376,580	-	(12,850)	363,730	13,410
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2038	142,665	-	(4,875)	137,790	5,090
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	300,000	-	(4,515)	295,485	4,595
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2029	109,870	-	(17,325)	92,545	18,275
Subtotal	3,462,755	-	(50,835)	3,411,920	58,350
Direct Placement & Borrowings of Debt:					
2016 Public Utility Revenue Bonds:					
Series B interest at 3.4%, maturing in 2047	25,000	-	(25,000)	-	-
Notes payable to the Federal Government					
interest at 3.25%, maturing in 2041	11,310	-	(437)	10,873	452
Subtotal	36,310	-	(25,437)	10,873	452
Total	3,499,065	-	(76,272)	3,422,793	58,802
Unamortized bond premiums	270,117	-	(15,833)	254,284	-
Unamortized bond discounts	(1,706)	-	129	(1,577)	-
Grand total bonds and notes	$3,767,476	$ -	$ (91,976)	$3,675,500	$ 58,802

(In thousands)

(11) Long-Term Debt (Continued)

A schedule of long-term debt activity for the year ended September 30, 2020 is shown below:

Description	Balance 9/30/2019	Increases	Decreases	Balance 9/30/2020	Due Within One Year
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	-	343,160	-	343,160	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	200,000	-	(3,325)	196,675	3,490
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	196,955	-	(3,195)	193,760	4,130
2016 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2040	389,110	-	(11,535)	377,575	-
2015 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2046	99,420	-	(2,000)	97,420	2,000
Series B interest at 5.0 % to 5.25%, maturing in 2045	250,000	-	-	250,000	-
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	377,110	-	(530)	376,580	12,850
2013 Public Utility Revenue Bonds:					
interest at 4.75% to 5.0%, maturing in 2049	300,000	-	(300,000)	-	-
2012 Public Utility Revenue Bonds:					
Series A interest at 2.0 % to 5.0%, maturing in 2038	148,255	-	(5,590)	142,665	4,875
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	300,000	-	-	300,000	4,515
1998 Public Utility Revenue Bonds:					
interest ranges from 5.5% to 6.0%, maturing in 2029	126,290	-	(16,420)	109,870	17,325
Subtotal	3,200,355	604,995	(342,595)	3,462,755	50,835
Direct Placement & Borrowings of Debt:					
2016 Public Utility Revenue Bonds:					
Series B interest at 3.4%, maturing in 2047	25,000	-	-	25,000	-
Notes payable to the Federal Government					
interest at 3.25%, maturing in 2041	11,734	-	(424)	11,310	437
Subtotal	36,734	-	(424)	36,310	437
Total	3,237,089	604,995	(343,019)	3,499,065	51,272
Unamortized bond premiums	246,460	38,950	(15,293)	270,117	-
Unamortized bond discounts	(1,835)	-	129	(1,706)	-
Grand total bonds and notes	$3,481,714	$ 643,945	$ (358,183)	$3,767,476	$ 51,272

(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 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.

(11) Long-Term Debt (Continued)

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

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

(11) Long-Term Debt (Continued)

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

The proceeds from 2014 Series C were used to purchase securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007 Series A, 2008 Series A and 2009 Series A bonds. As a result, the bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The interest rates on the refunded bonds 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.

(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, 2021 and 2020 amounted to $8,037 and $2,687, respectively. In fiscal year 2021, the Authority received $2,687 more than expected due to IRS delays as a result of the COVID-19 pandemic in FY 2020. In fiscal year 2021, the Authority received $463 less than expected due to budget sequester impacts experienced by the Federal government. In fiscal year 2020 the Authority received $2,687 less than expected due to IRS delays as a result of the COVID-19 pandemic.

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, 2021 and 2020. 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, 2021 and 2020 was $18,672 and $20,609, 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, 2021 are as follows:

Fiscal year		Principal	Interest	Total
2022	$	58,802	148,769	207,571
2023		61,566	145,859	207,426
2024		64,571	142,793	207,365
2025		167,182	139,749	306,931
2026		74,333	135,173	209,506
2027 - 2031		425,763	617,249	1,043,012
2032 - 2036		537,488	506,084	1,043,572
2037 - 2041		630,038	368,665	998,703
2042 - 2046		693,715	225,304	919,019
2047 - 2051		333,955	119,055	453,010
2052 - 2056		25,380	85,530	110,910
2057 - 2061		-	84,245	84,245
2062 - 2066		-	84,245	84,245
2067 - 2071		-	84,245	84,245
2072 - 2076		-	84,245	84,245
2077 - 2081		-	84,245	84,245
2082 - 2086		-	84,245	84,245
2087 - 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
	$	3,422,793	$ 3,542,164	$ 6,964,959

(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, 2021 and 2020, the following outstanding revenue bonds are considered defeased:

	Principal Outstanding	
Bond issue	2021	2020
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) Forward Direct Purchase Agreement

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. The purchase of the bond will occur July 5, 2022, and final maturity is October 1, 2036. The refunding is expected to provide annual debt service savings averaging $3,800 annually from fiscal year 2022 to fiscal year 2037.

(g) 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. 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 not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of September 30, 2021.

(In thousands)

(12) Commitments and Contingencies – Other Liabilities

A schedule of other liabilities as of September 30, 2021 and 2020 is shown below:

Description	2021	2020
Risk management contingency	$ 10,288	$ 12,068
Rolling owner controlled insurance program	5,497	4,455
Litigation contingency	428	355
Contractual obligations	1,334	1,334
Retirement health savings plan	6,985	5,560
Total other liabilities	24,532	23,772
Less: current portion	10,587	10,124
Noncurrent portion	$ 13,945	$ 13,648

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, 2021, 2020 and 2019 were as follows:

Description	2021	2020	2019
Balance, beginning of year	$ 12,068	$ 12,033	$ 12,966
Current year claims and changes in estimates	374	2,659	1,258
Claim payments	(2,154)	(2,624)	(2,191)
Balance, end of year	$ 10,288	$ 12,068	$ 12,033

(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, 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, 2021, 2020 and 2019 were as follows:

Description	2021	2020	2019
Balance, beginning of year	$ 4,455	$ 5,582	$ 6,667
Current year increase (decrease) in ROCIP liability	11,031	3,637	6,953
ROCIP administration and claim payments	(9,989)	(4,764)	(8,038)
Balance, end of year	$ 5,497	$ 4,455	$ 5,582

(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, 2021 and 2020:

Description	2021	2020
Balance, beginning of year	$ 355	$ 348
Current year claims and changes in estimates	229	1,148
Claim payments	(156)	(1,141)
Balance, end of year	$ 428	$ 355

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, 2021 and 2020 were $192,422 and $637,878, 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, 2021 and 2020 were as follows:

Description	2021	2020
Facilities leases	$ 449	$ 517
Automobile equipment leases	46	25
Machinery leases	377	603
Total	$ 872	$ 1,145

Future minimum non-cancelable lease payments on existing operating leases at September 30, 2021, which have an initial term of one year or more, are as follows:

Fiscal Year	Amount
2022	$ 304
2023	310
2024	317
2025	168
2026	-
2027-2031	-
Total	$1,099

(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 $36,524 and $34,439 from the District government and $13,496 and $12,342 from the District of Columbia Housing Authority ("DCHA") for fiscal years 2021 and 2020, 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 $17,272 and $16,934 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, 2021 and 2020.

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, 2021 and 2020. As of September 30, 2021 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, 2021 and 2020 were $26,294 and $29,652 respectively. Such amounts were comprised of the following at September 30, 2021 and 2020, respectively:

Description	2021	2020
Northeast Boundary Neighborhood Protection Project	$ 23,432	$ 29,290
Storm Water Fees (Note 13d)	(783)	(2,600)
Other miscellaneous items	3,645	2,962
Total due from District government	26,294	29,652
Less: current portion	8,720	6,220
Noncurrent portion	$ 17,574	$ 23,432

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, 2021 and 2020 under this agreement amounted to $17,574 and $23,432 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, 2021 and 2020, the activity associated with the Authority providing this service to the District was as follows:

Description	2021	2020
Due from (to) the District-beginning of year	$ (2,600)	$ (2,662)
Collections on behalf of the District	(13,432)	(13,743)
Remittances to the District	15,338	13,723
Expenses incurred by the Authority	1,059	1,225
Expenses reimbursed by the District	(1,148)	(1,143)
Due from (to) the District-end of year	$ (783)	$ (2,600)

(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, 2021 and 2020, 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 is scheduled to be completed in phases starting in February 2018 through September 2021. However, due to soil contamination on the area; the relocation has been delayed until August 2022. As of September 30, 2021, the District has disbursed $27,831 to DC Water pursuant to this agreement and the Authority has incurred $22,101 (net of interest earned) in eligible costs to date that are included in capital contributions on the statement of changes in net position. The balance of $5,730 is reflected in unearned revenue on the statement of net position as of September 30, 2021.

(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 2021 and 2020, there were 61 and 73 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 2021, 2020, and 2019, the Authority's contributions to the plans were $442, $465, and $514, 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 2021, 2020, and 2019.

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 2021, 2020, and 2019, 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 2021, 2020, and 2019, the Authority's contributions to both defined contribution plans were $10,740, $10,036, and $9,963, respectively. The amount of the Authority's outstanding liability at the end of fiscal years 2021, 2020, and 2019 were $1,426, $1,054, and 1,357, 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, 2021 and 2020. 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: $1,112 and $1,184 of support provided by DC Water to Blue Drop for fiscal years 2021 and 2020 as noted in the following table.

Description	2021	2020
DC Water support - land application	$ 637	$ 633
Marketing fees	445	510
Donated office space	27	24
Donated employee time	3	16
Total	$1,112	$ 1,183

During fiscal years ended September 30, 2021 and 2020 intra-entity receivables and payables were $190 and $0 and $136 and $2, 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, 2021 and 2020:

	2021	2020
Current assets	$4,475	$ 2,712
Property and Equipment - Net	47	8
Due from DC Water	190	136
Total assets	4,712	2,856
Current liabilities	191	148
Due to DC Water	-	2
Deferred Rental Revenue	31	24
Total liabilities	222	174
Unrestricted net position	$4,490	$ 2,682

(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, 2021 and 2020:

	2021	2020
DC Water support	$ 667	$ 674
Product and IP Revenue	2,109	1,497
Sales of Bloom, Net of cost of sales	162	176
Marketing fees, DC Water	445	510
Interest Income	3	3
Event Rental	22	20
Other	15	3
Total revenues	3,423	2,883
Personnel services	717	683
Contractual services	733	882
Supplies	134	54
Utilities and rent	29	27
Depreciation	2	2
Bad debt	-	4
Total operating expenses	1,615	1,652
Change in net position	1,808	1,231
Net position, beginning of year	2,682	1,451
Net position, end of year	$4,490	$ 2,682

Condensed Statement of Cash Flows - Blended Component Unit - Blue Drop, LLC for the year ended September 30, 2021 and 2020:

	2021	2020
Net cash provided by operating activites	$2,115	$ 1,389
Net cash used in investing activites	(1,043)	(899)
Increase in cash	1,072	490
Cash at beginning of year	1,099	609
Cash at end of year	$2,171	$ 1,099

(16) Subsequent Events

The Authority has evaluated events subsequent to September 30, 2021 through December 21, 2021, 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.