Washington Aqueduct

Annual Financial Report

FY 2009

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Fiscal Year 2009

1 October 2008 through 30 September 2009

Prepared by:
Vikas Singhal, CFA, PMP
Budget and Finance Section
Washington Aqueduct

The Wholesale Customer Board

Mr. Wyatt Shields, City Manager, City of Falls Church, Virginia
(Current chair)

Mr. George S. Hawkins, General Manager, District of Columbia Water and Sewer Authority
(Chair effective May 4, 2010)

Ms. Barbara Donnellan, Acting County Manager, Arlington County, Virginia
(Chair effective May 4, 2011)

Washington Aqueduct Management

Thomas P. Jacobus, P.E.	General Manager
Patricia A. Gamby	Deputy General Manager
Lloyd D. Stowe, P.E.	Director, Plant Operations
Nathan H. Cole, P.E.	Director, Engineering Services
Leo J. Nolan	Director, Maintenance Services
Vikas Singhal, CFA, PMP	Manager, Budget and Finance

Baltimore District, U.S. Army Corps of Engineers

Colonel David E. Anderson	Baltimore District Engineer
Gregory E. Johnson, P.E.	Chief Financial Officer

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1. Mission

The mission of the Washington Aqueduct is to reliably provide safe and cost-effective potable water in sufficient quantity to its wholesale customers.

Washington Aqueduct fulfills its mission by achieving the following strategic goals:

- Provide an adequate supply of high quality potable water (includes firefighting needs).
- Provide potable water at an equitable, economical rate that covers all costs.
- Protect the consumer from adverse health effects due to contaminants in the drinking water.

2. Fiscal Year 2009 Highlights

- Washington Aqueduct produced and delivered 55,930 million gallons of water, with a peak-day demand of 195.6 million gallons and an average-day demand of 153.2 million gallons.
- Washington Aqueduct's Operations expenses were $33,837,870.
- FY2009 actual cost of water production (including collection of raw water from the Potomac River, treatment and pumping) was $605 per million gallons (excluding debt service and capital costs) and $948 per million gallons (all inclusive), which is one of the lowest in the nation.
- Washington Aqueduct's certified water quality laboratory performed approximately 61,000 analyses to ensure microbial and chemical safety of the supplied water.
- The Planning and Engineering department managed and supervised projects worth over $120 million in support of Washington Aqueduct's mission. These projects include the Residuals Collection and Treatment Facilities, the Sodium Hypochlorite and Associated Facilities, the Future Treatment Alternatives Study and the second phase of the Lead Pipe Loop Study.

3. Corporate Information

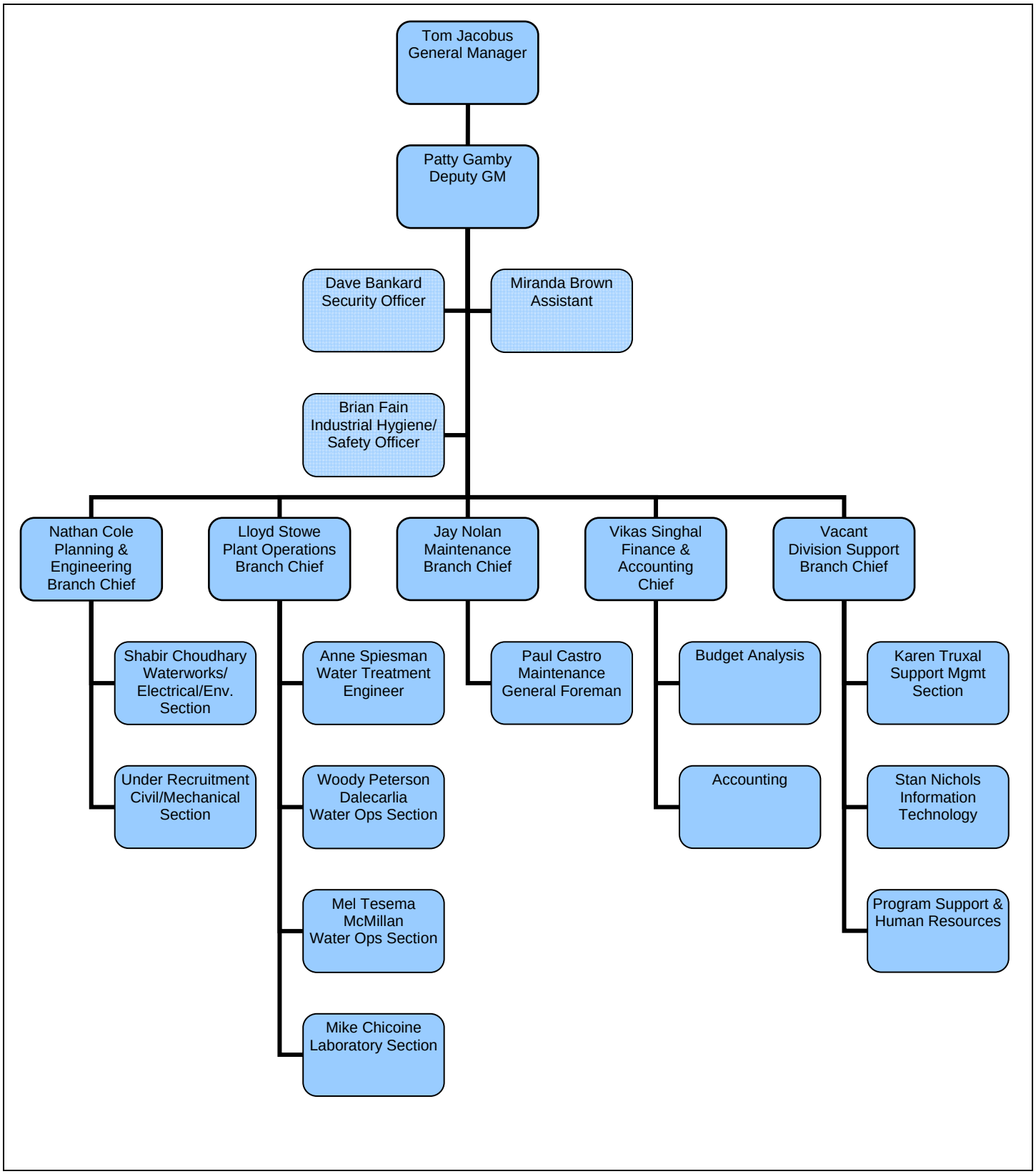
Washington Aqueduct is owned and operated by the U.S. Army Corps of Engineers and is governed by the Washington Aqueduct Wholesale Customer Board. It sells water to three wholesale customers: the District of Columbia Water and Sewer Authority; Arlington County, Virginia; and the City of Falls Church, Virginia. In FY 2009, Washington Aqueduct treated and provided 55,930 million gallons of purified water to its customers.

Washington Aqueduct owns and operates a number of structures and facilities, including intake facilities on the Potomac River at Great Falls and at Little Falls, Maryland; two 10-mile long gravity conduit systems with a combined 200 million gallons per day capacity; a 525 million gallons per day raw water pumping station and transmission system; two major treatment plants with 320 million gallons per day combined capacity; one raw water and two partially-treated water booster pumping stations; a 480 million gallons per day finished water pumping station; seven finished water reservoirs; and several large diameter transmission mains.

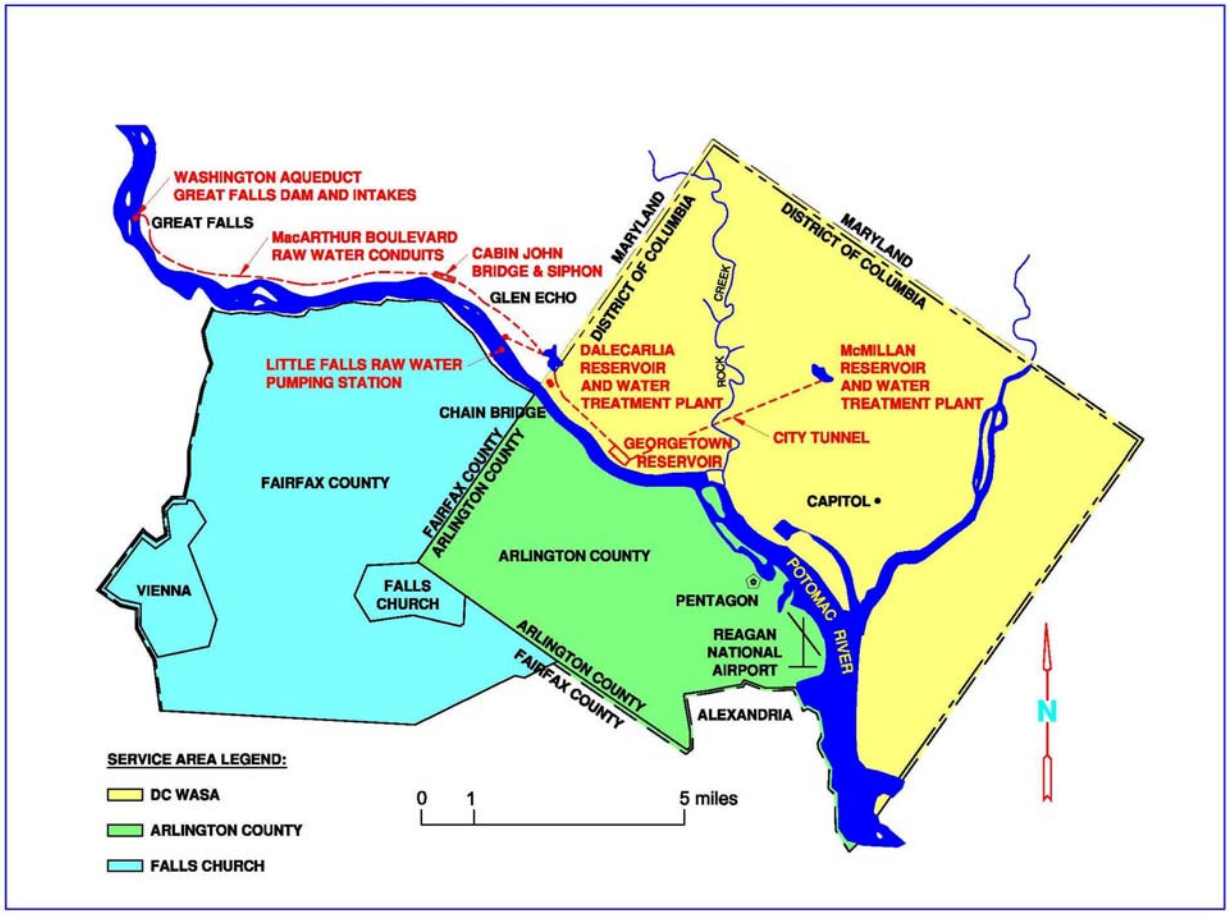
Washington Aqueduct produces drinking water for approximately one million individuals living, working, or visiting in the District of Columbia, Arlington County, Virginia, and the City of Falls Church, Virginia, and its service area. On average, approximately 153 million gallons of water is produced daily at the two treatment plants located in the District of Columbia. All funding for operations, maintenance, and capital improvements comes from Washington Aqueduct's three wholesale customers.

The Washington Aqueduct Wholesale Customer Board was established in 1998 by a memorandum of understanding. The Board has approval authority over Washington Aqueduct’s capital improvement and operations budgets. The Board members are the General Manager of the D.C. Water and Sewer Authority, the County Manager of Arlington County, and the City Manager of the City of Falls Church. The chair rotates annually effective May 4. A Wholesale Customer Technical Committee, including financial, operations and engineering staff from each of the three customers, meets at least quarterly and may meet more often with Washington Aqueduct management to consider factors such as cost, quality, and reliability of the water service. At the September meeting, Wholesale Customer Board Principals approve the operations budget as well as the capital improvements budget.

Organizational Structure



4. Service Area and Facilities Map



FY 2009 Key Customer Metrics

	DC WASA	Arlington County	City of Falls Church
Water Sold to Customer (MG/Year)	41,245	8,531	6,154
Peak Day Demand (MG/Day)	142.41	35.44	24.70
Average Demand (MG/Day)	113.00	23.37	16.86
Cost of Service* ($/MG)	$622	$795	$745
Peak Day Share	70.3%	17.5%	12.2%
Average Day Share	73.7%	15.3%	11.0%

*Cost of service does not include capital improvements. MG = Million Gallons

5. Key Accounting Policies

Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Washington Aqueduct, along with cost allocation and status of capital program. These financial statements should be read as supplemental to the U.S. Army Corps of Engineers' financial statements, which makes them compliant with the Department of Defense Financial Management Regulation, Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, and generally accepted accounting principles for federal entities, as detailed by Federal Accounting Standards Advisory Board (FASAB), Chief Financial Officers Act of 1990 and expanded by the Government Management Reform Act of 1994.

Fund Accounting

Washington Aqueduct does not receive federal funding. All funding for operations comes from its customers, who are billed based on the amount of water sold. Customers provide funding for capital improvements in the ratio of water purchases. In 1996, the U.S. Army Corps of Engineers received one time borrowing authority from the U.S. Treasury to finance capital improvements at Washington Aqueduct in fiscal years 1997 though 1999.

Washington Aqueduct uses fund accounting to track budget, obligations and expenditures of different streams. These appropriation symbols are summarized below:

Appropriation Dept	Transfer Dept	Appropriation FY	Symbol	Purpose
99	NA	X	9829	Operations and Maintenance
99	NA	X	9883	Capital Improvements
96	NA	X	3128	Treasury Loan

Basis of Accounting

Financial statements are presented on the accrual basis of accounting as required by generally accepted accounting principles. Revenues are recognized when earned; expenses are recognized when a liability is incurred without receipt or payment of cash. The Corps of Engineers Financial Management System fully implements United States Government generally accepted accounting principles.

Property, Plant and Equipment

Property, Plant, and Equipment are capitalized at the historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost exceeds $25,000. Construction in Progress (CIP) is used to accumulate the cost of construction or additions and betterments to fixed assets. Project costs are transferred from CIP to the placed-in-service accounts when an asset or addition or betterment is determined to be substantially complete and ready for its intended use. Accumulated costs remain in CIP until these criteria are met.

Unexpended Obligations

Washington Aqueduct obligates funds to provide goods and services for outstanding orders not yet delivered. The financial statements do not reflect this liability for payment for goods and services not yet delivered, unless title passes.

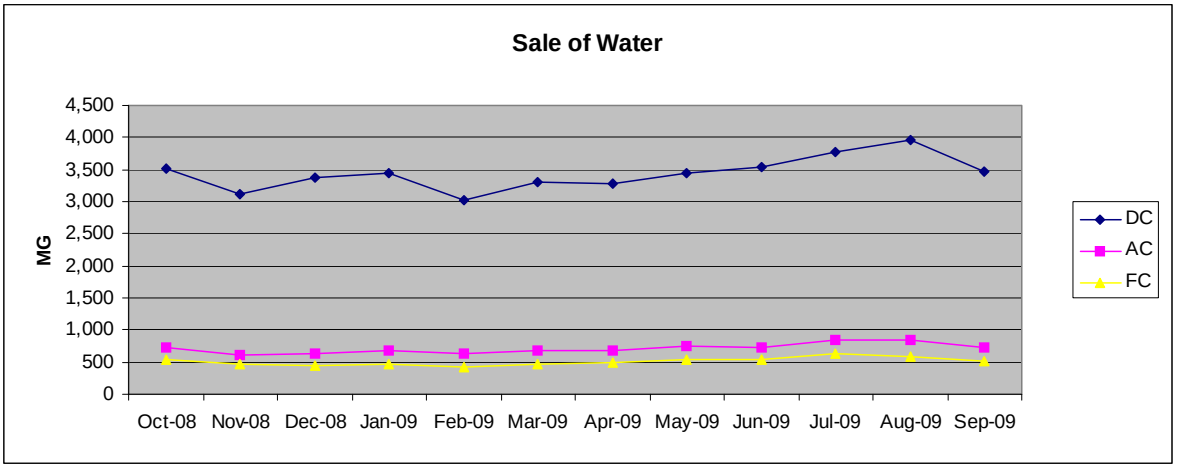
6. Water Production and Demand

- In FY 2009, Washington Aqueduct produced and delivered 55,930 million gallons of water. This production was 1.6% lower as compared to FY 2008, resulting from lower water demand from all three customers.
- Peak-day demand was 195.6 million gallons (on July 17, 2009), lower than FY 2008 peak day of 209.2 million gallons. This was primarily driven by reduced peak-day by DC WASA.
- Average-day demand was 153.2 million gallons, marginally lower than FY 2008 average-day demand of 155.3 million gallons.
- Pumping to the 2nd high service from DC WASA's Bryant Street pump station was limited; hence Washington Aqueduct increased pumping from the Dalecarlia plant to the 2nd high service to meet customers' needs.

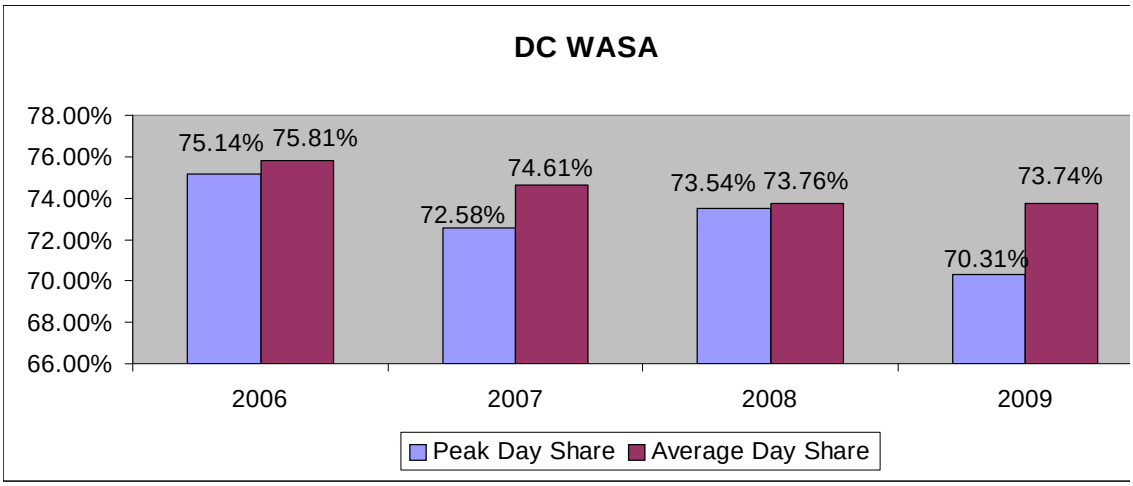
Water Delivered to Customers (MG)

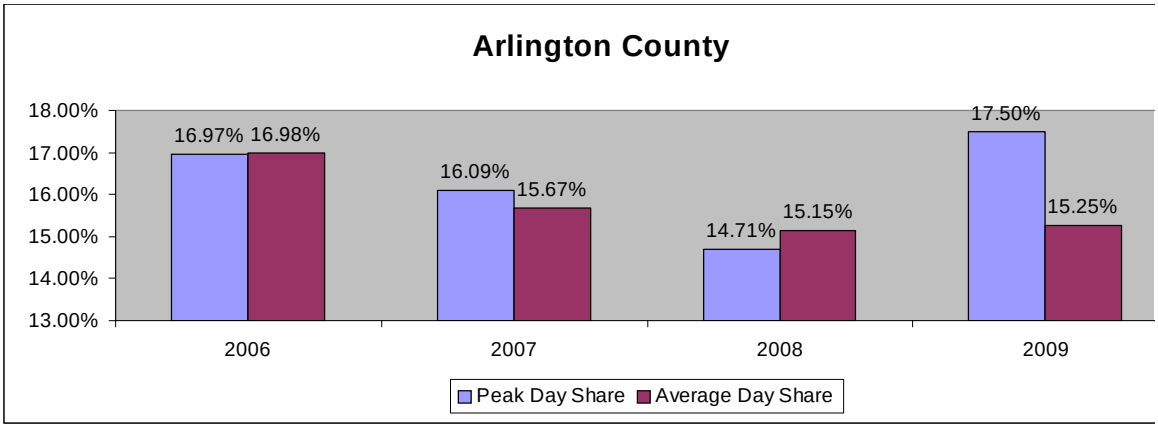
	DC	AC	FC	
FY 2009	41,245.20	8,531.21	6,153.87	55,930.28
FY 2008	41,929.41	8,612.21	6,304.52	56,846.14
Change	-1.6%	-0.9%	-2.4%	-1.6%

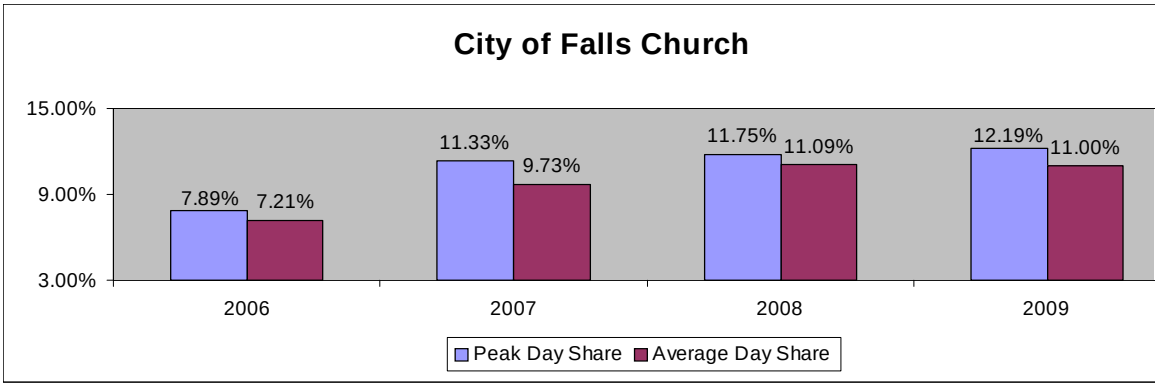
Monthly Water Sale to Customers



Key factors in water cost allocation are peak-day share and average-day share. Relative share of average day and peak day, along with historic data, is given below:





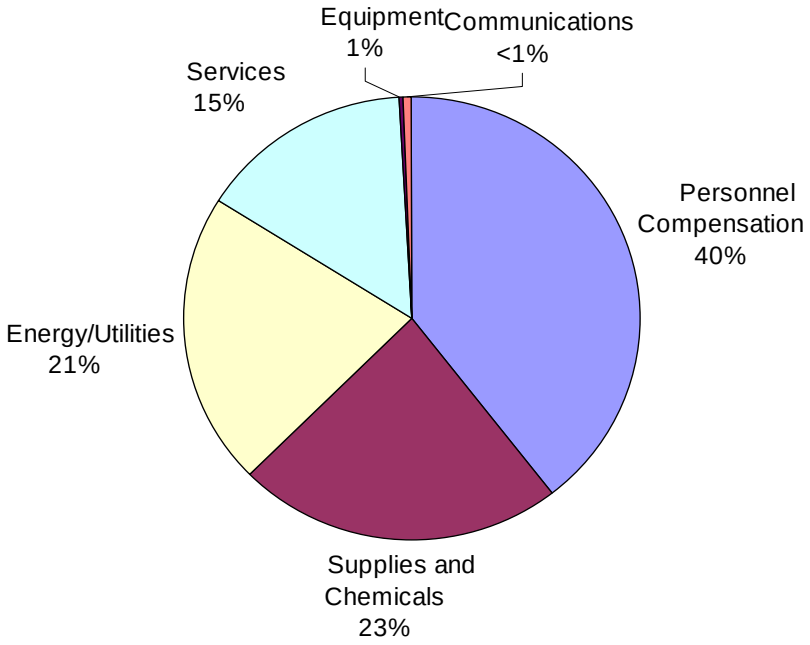


In the historical data shown above peak day share and average day share do not vary greatly. However differences between peak day share and average day share could be more significant in any given year.

7. Operating Cost Analysis

Washington Aqueduct's total operating expenditures were $33,837,870.00. Major components were personnel compensation (40%), supplies and chemicals (23%), services (15%) and energy (21%). These ratios have remained consistent year-to-year with market-driven variations in chemical costs.

Expenses by Category



Total operating expenditures were $33.8 million as compared to the budget authority of $36.7 million. This represents 92% execution rate.

Category	Full yr Budget	YTD 09 Actuals	Execution Rate	overrun/(underrun)
Personnel	$ 15,529,000	$ 13,352,088	86.0%	$ (2,176,912)
Supplies and Material	$ 6,789,000	$ 7,806,344	115.0%	$ 1,017,344
Energy	$ 6,875,000	$ 7,187,130	104.5%	$ 312,130
Services	$ 7,027,000	$ 5,175,173	73.6%	$ (1,851,827)
Equipment	$ 328,000	$ 172,406	52.6%	$ (155,594)
Communications	$ 177,000	$ 144,729	81.8%	$ (32,271)
Total	**$ 36,725,000**	**$ 33,837,870**	**92.1%**	**$ (2,887,130)**

Personnel

Washington Aqueduct ended the fiscal year with 149 full time employees. The authorized strength was 175. This is attributed to recruitment shortfalls for hard-to-fill positions, management's process of carefully evaluating each vacant position to determine if that position is needed in its current form or should be modified or eliminated and the intentional delay in hiring certain positions. At the end of fiscal year 2008 there was a dramatic rise in the cost of some water treatment chemicals. At the beginning of fiscal year 2009 it appeared that the approved budget could be exceeded by as much as $2 million due to this rise in chemical prices. One action to mitigate this was to delay hiring certain positions. Several key positions remain unfilled. In order to maintain a sustainable organization, optimally meet mission requirements and serve customer needs, attracting and retaining talent remains a key priority in the coming year and beyond.

Supplies and Material

Supplies and material primarily consist of chemicals, parts/supplies, small IT purchases and other miscellaneous items. Washington Aqueduct spent $7,806,344 as compared to the budget of $6,789,000 and FY 2008 costs of $7,037,869, due to a higher cost of chemicals. These chemicals are used in coagulation/flocculation (alum, polymer), disinfection (liquid chlorine, ammonia) and corrosion control (phosphoric acid, lime). Other uses of chemicals are for filtration aid (polyaluminum chloride), algae control (sodium permanganate, copper sulfate), dental prophylaxis (hydrofluosilicic acid) and taste/odor control (carbon). Washington Aqueduct continues to monitor chemical prices and takes action to acquire better chemical pricing, when appropriate. In FY 2009, Washington Aqueduct renegotiated the phosphoric acid contract, resulting in a savings of $600,000. This was accomplished by executing a contract clause that allowed the contract to be terminated for the benefit of government.

Energy

Energy costs consist of electricity, natural gas, heating oil, diesel fuel and gasoline. Electrical expenses were more than projected due to a relatively dry summer and higher pumpage to the 2nd high service area. This year the Dalecarlia plant pumped a greater percentage to the 2nd high service area than in previous years, resulting in higher electricity costs to Washington Aqueduct. If DC WASA's Bryant Street pump station pumps to the 2nd high service area in excess of DC WASA's needs, a credit is issued to the DC WASA for the pumping costs.

Equipment

Equipment consists of fixed equipment (circuit boards, machining equipment, pumps, analyzers, turbidity meters, etc.); IT equipment (SCADA RTUs, servers, large-scale printers and Laboratory Information Management System equipment); and various other equipment (safety devices, hand tools, process equipment, gauges, survey equipment, laboratory instruments etc.) In FY 2009, management curtailed spending in equipment,

deferring some equipment purchases to help offset increased chemical costs. A total of $172,406 (52.6% of its budget of $328,000) was spent.

Services

Washington Aqueduct spent $5,175,173 in services. These costs represent regional water agreements, administrative services, Architect/Engineer services and operations & maintenance services. A breakdown of the Services expenditure follows.

Category	Definition	Costs
Regional Water Agreements and Water related programs.	Regional water agreements with upstream organizations including U.S. Army Corps of Engineers (for Jennings Randolph Reservoir), WSSC (for Little Seneca Reservoir), Allegany County (for Savage River Reservoir) and ICPRB. Water Research Foundation membership on behalf of all three customers and AMWA etc.	$ 687,476
Shared Admin Services	Accounting systems, human resources, payroll support, procurement, audit, internet hosting, software licenses, office of counsel and worker's compensation claims.	$1,271,228
Facilities	Guards contract, grounds maintenance, janitorial contract, trash and disposal contracts.	$1,270,929
AE Services/Studies	Architect and engineer services for feasibility studies	$ 637,541
Operations and Maintenance Services	O&M contracts for lab equipments, leased vehicles, external analyses, transportation, rental of equipment, software and hardware maintenance contracts, emergency repairs, HVAC and other miscellaneous maintenance contracts.	$1,307,999

The shared admin services arrangement with the US Army Corps of Engineers provides the best value to our wholesale customers while complying with federal regulations. If Washington Aqueduct were to setup its own accounting systems, human resources, payroll, procurement, audit, internet hosting, software licenses, office of counsel and worker's compensation claims, total cost would far exceed $1,271,228.

Communications

Communication services include local, long distance, mobile phone services provided by GSA contractors and private companies. Communication costs have been stable with no major variances.

8. Customer Share

Operating costs (total $33,837,869.86) were allocated to customers using the methodology developed by Haskins and Sells in 1977. The primary factors used in establishing the cost allocation are peak day share, volume of water purchased, and pumping locations.

Cost Allocation

	DC WASA	Arlington County	City of Falls Church
	71.4%	17.0%	11.6%
O&M	$ 24,163,372.12	$ 5,740,549.22	$ 3,933,948.52
Debt Service Payment to Treasury	$ -	$ 3,886,232.35	$ 470,397.10
Debt Service Payment to DC WASA	$ 1,509,889.48	$ 298,004.50	$ 178,802.70
Total Cost Share	$ 25,673,261.60	$ 9,924,786.07	$ 4,583,148.32
Debt Service payment to DC WASA	$ (1,986,697)		
Total Due	$ 23,686,564.91	$ 9,924,786.07	$ 4,583,148.32

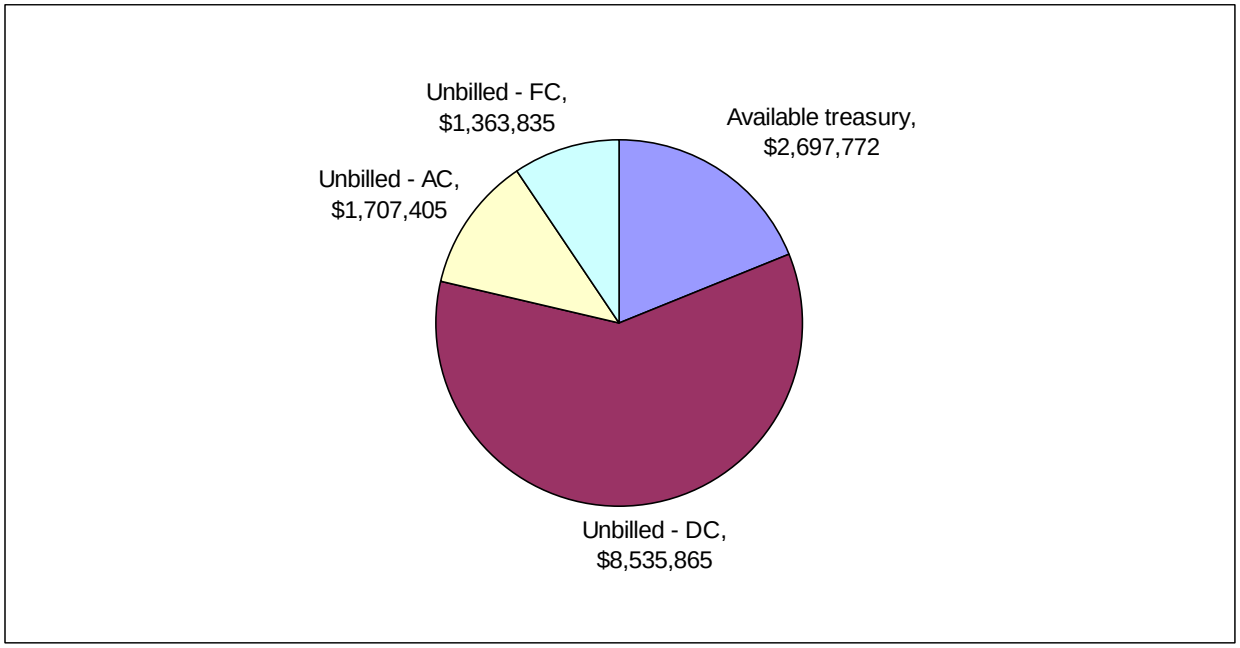
9. Capital Projects

All financing of capital projects is provided by the customers using a “pay-as-you-go” process. Washington Aqueduct bills customers every quarter for the amount it expects to obligate in coming quarter. This allows customers to keep their funds until the contracts are advertised.

In FY 2009, customers provided $21.3 million most of which was attributed to the Residuals Treatment Facilities and the Hypochlorite and Associated Facilities projects. A detailed schedule of capital funding is provided as part of financial statements.

Overall, $11.6 million of authorizations remain unbilled to customers. Details of unbilled amounts by customer and by project are as follows:

Status of Uncommitted Funds by Source



Status of Uncommitted Funds by Projects

Category	Project	Uncommitted	less Funds Available	Unbilled
Regulatory Compliance				
	Residuals	$ 6,035,240	$ 1,010,736	$ 5,024,504
Improved Infrastructure				
	Booster Pumping Station Renovation	$ 482,160	$ 160,172	$ 321,988
	McMillan P. S. Motor Drives upgrades	$ 2,239,582	$ 239,582	$ 2,000,000
	Filter Media & Valve Replacement	$ 182,141	$ 182,141	$ -
	DPS HVAC Improvements	$ 906,814		$ 906,814
	McMillan - HVAC Improvements	$ 132,194	$ 132,194	$ -
	Flume and Gatehouse Improvements	$ 918,671	$ 122,814	$ 795,857
	Traveling Water Screen Replacement	$ 605,898	$ -	$ 605,898
Water Quality				
	Dalecarlia Instrumentation	$ 29,246	$ 29,246	$ -
Safety/Security				
	Dalecarlia Hypochlorite/Caustic Soda Imps	$ 1,332,374	$ 107	$ 1,332,267
	McMillan Hypochlorite/Caustic Soda Imps	$ 106,594	$ 19,974	$ 86,620
	Security Improvements, Dalecarlia	$ 904,406	$ 800,806	$ 103,600
	Security Improvements, McMillan	$ 241,150		$ 241,150
	Fire Alarm System Improvements	$ 188,408		$ 188,408
Miscellaneous				
	Renovation of Old P.S. - Visitor Center	$ -		
		$ 14,304,877	**$ 2,697,772**	**$ 11,607,105**

The following projects remain active under the Capital Improvements Program.

- **Residuals Collection & Treatment Facility**: Under the Washington Aqueduct's NPDES permit and a related Federal Facilities Compliance Agreement (FFCA - the federal agency equivalent of an administrative order), Washington Aqueduct will no longer be permitted to return the sediment and coagulant to the Potomac River. The FFCA deadline for compliance is November 30, 2010. This project involves the construction of a new residuals processing facility on Washington Aqueduct's property across from Sibley Memorial Hospital and several associated structures and facilities. With the construction of this facility sedimentation basin cleanings and discharges to the Potomac River will be eliminated. The construction started in April 2008. The project is currently 47% complete.

- **Hypochlorite System & Associated Facilities** (McMillan WTP and the Dalecarlia WTP): In this project facilities will be constructed to enable Washington Aqueduct to switch the form of chlorine used for disinfection from liquid pure chlorine to bulk sodium hypochlorite and to add caustic soda for pH trimming. At the Dalecarlia WTP a new building for hypochlorite and caustic soda storage and feed system will be constructed adjacent to the existing chlorine building. At the McMillan WTP the chloramines building will be converted to store and feed hypochlorite and the existing chlorine storage room will store and feed caustic soda. The construction started in November 2008, with completion at both facilities expected in October 2010. The project is currently 53% complete.

- **Booster Pumping Station Renovation**: The Booster Pumping Station is the point where raw water from the conduits from Great Falls is pumped to the main body of the Dalecarlia Reservoir. This project will involve the replacement of the building's slate roof, exhaust fans, windows, doors, lighting and the installation of a new driveway, a new ventilation system, security upgrades and painting. Work in the electrical substation includes electrical upgrades; the replacement of transformers, switchgears and feeder cable; and the installation of a new 600KW emergency generator. The contract has been awarded and the Notice to Proceed (NTP) issued.

- **Security Improvements, Phase II** This project includes improvements to the main entrances at both the Dalecarlia and McMillan water treatment plants as well as the Great Falls and the Little Falls intake buildings. The project also includes security hardening at these facilities and the high service reservoirs with security surveillance and cameras using intelligent video. Design is currently 90% complete with construction expected to start in the spring 2010.

- **McMillan Pumping Station Upgrades**: The McMillan Pumping Station contains three 900 HP induction motors manufactured by Yaskawa. The existing motor drives and power recovery system are over 20 years old and the original manufacturer has gone out of business. Therefore, parts are getting increasingly difficult to obtain and may not be available within five years. In order to ensure full reliability, a new drive system is required to be installed. Other needed electrical, mechanical and architectural upgrades are also part of this project. The A-E is finalizing their study report with recommendations.

- **McMillan Traveling Water Screen Replacement**: At the intake to the McMillan Pumping Station a set of traveling water screens are in place to prevent leaves and twigs from entering the treatment process. This project involves the replacement of all three traveling water screens, their wash water lines, power and control wiring, floor grates and four 100+ yr old intake sluice gates. It also includes repairs to the concrete floor, the provision for stop logs and other miscellaneous work. Due to issues with the DC WASA Cross Town main, the McMillan plant cannot be shut down; hence the outage required for this project cannot occur until repairs are completed on the Cross Town main, which is currently projected for fall 2010.

- **Dalecarlia Instrumentation**: Under this contract the Washington Aqueduct has procured and installed turbidity and pH meters, chlorine and fluoride analyzers and

spectrophotometers. Six Streaming Current Monitors for process optimization, an oil-on-water monitor for the Great Falls Intake and four new fluoride flow meters where also purchased as part of this project. All equipment is being installed by the Washington Aqueduct Maintenance Branch.

- **Dalecarlia Pumping Station HVAC Improvements**: The HVAC system that serves the Dalecarlia Pumping Station is over 50 years old and needs to be upgraded. This project involves the replacement of all four air handling units, duct cleaning, asbestos abatement, re-insulation of ducts and pipes, painting and labeling of piping in the basement and tie-in of the chiller discharge to the raw water conduit. The design documents are scheduled to be completed January 2010 and construction is scheduled to begin spring 2010.

- **McMillan Chemical Building HVAC Improvements**: The McMillan Chemical Building was constructed in 1986 with no major improvements or upgrades since then. This project involves the replacement of boilers, a water softening system, an air handling unit, a chiller, pneumatic controls and in-line pumps as well as duct cleaning, painting, etc. Improvements to the ventilation system in the filter building and the pilot plant room are also included. The project is currently 95% complete.

- **McMillan Filter Media and Valve Replacements**: The McMillan filter building was constructed in 1986 and since then there have been no major improvements or upgrades. This project involves the renovation of the filters, including the replacement of filter media, backwash troughs, surface wash lines, flow control (effluent) valves, and repairs to the filter boxes and lighting improvements. The construction is currently 95% complete.

- **McMillan Flume and Gatehouse Building Improvements**: The North Clearwell gatehouse, South Clearwell gatehouse and the Flume Building are structures that provide access to and contain monitoring equipment for the McMillan clearwells. These structures date back to 1905 and have deteriorated over time. This project involves, among other things, roof repair and replacement, brick wall repairs and extensive electrical conduit re-routing. The design documents are scheduled to be completed January 2010 and construction is scheduled for early next year.

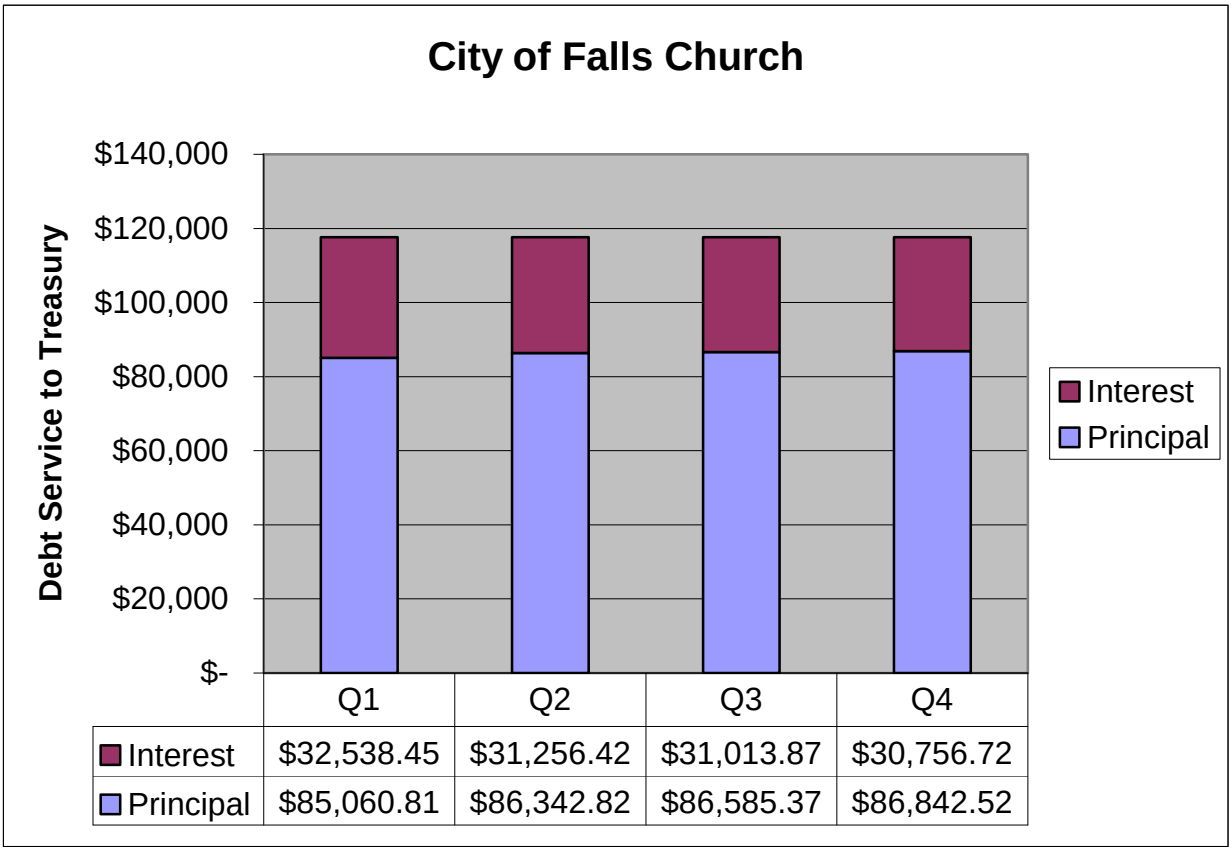
- **Fire Alarm System Improvements:** The Washington Aqueduct has several structures that are equipped with fire alarm and detection systems. These systems were installed at various times and are from different manufacturers. Some of the systems' components are obsolete in that they are no longer supported by the manufacturer; hence new replacement parts can not be obtained. Also these fire alarm systems are not connected to a central fire alarm reporting system, nor do they summon the fire department. This project will bring all fire protection systems up to current code and ensure they meet industry standards. The project design is approximately 10% complete.

- **Washington Aqueduct Visitors Center (Renovation of Old Dalecarlia Pumping Station):** This project is a lower priority than other capital projects and is presently on hold. It includes the design and construction of displays for the newly renovated Visitors Center. Anticipated time for re-starting of work is fall 2010.

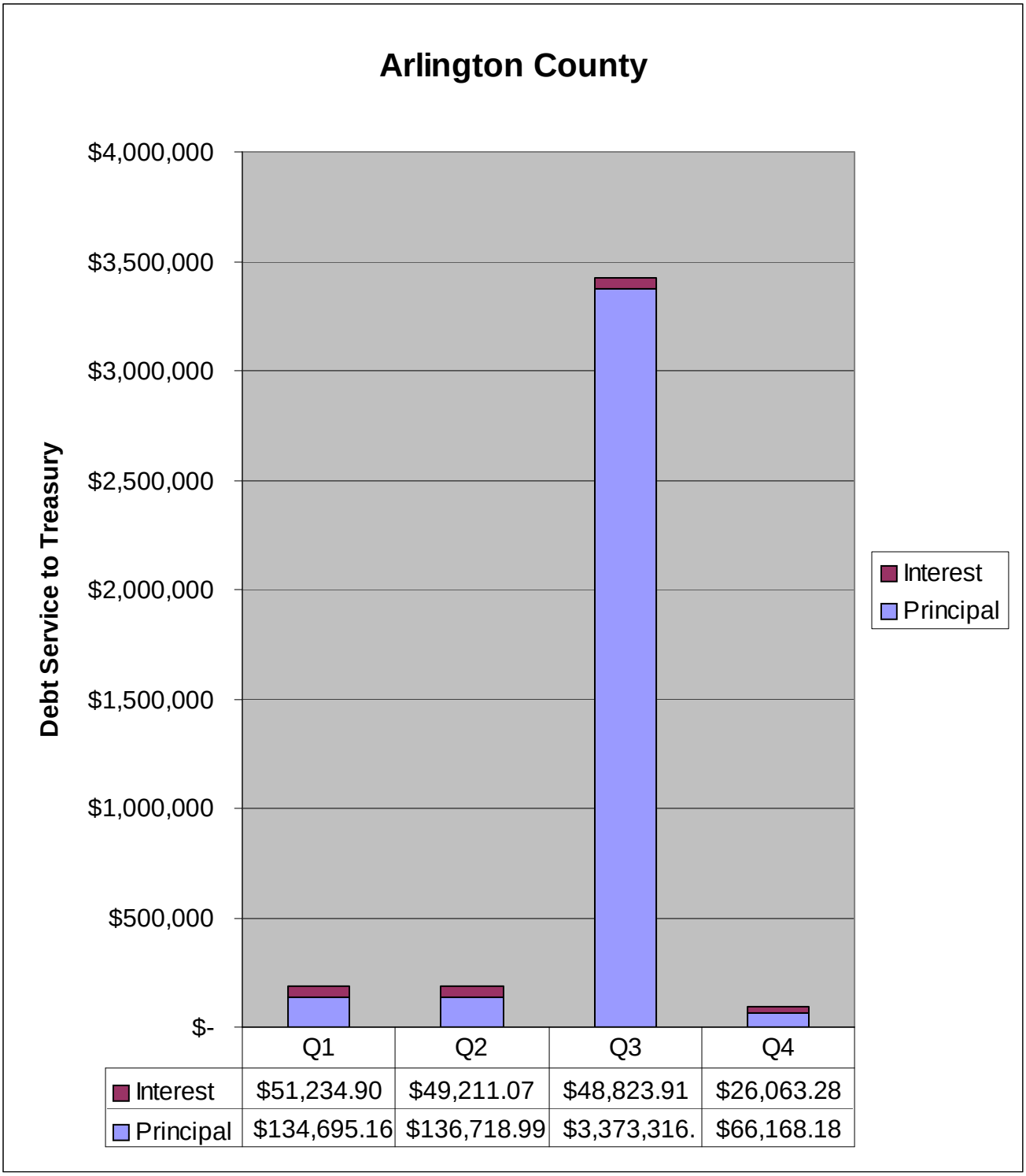
10. Treasury Loan

U.S. Army Corps of Engineers received borrowing authority from the U.S. Treasury to finance FY 1997, FY 1998 and FY 1999 capital improvements through amendments to the Safe Drinking Water Act. Three promissory notes totaling $75.0 million were executed. In turn, the U.S. Army Corps of Engineers entered into agreements with the District of Columbia, Arlington County and the City of Falls Church, Virginia to provide funding to the U.S. Army Corps of Engineers to repay the debt. Washington Aqueduct continues to pay treasury loan on behalf of Arlington County and City of Falls Church. DC WASA has fully paid their portion of the debt. Key notes about the loan follow:

- The outstanding principal at the end of fiscal year 2009 was $8,074,256. This amount is recognized as receivables from Arlington County and City of Falls Church, Virginia. DC WASA does not have any remaining treasury loan debt.
- The remaining debt balance is scheduled to be paid off in FY 2023.
- Weighted average cost of these borrowings was 2.74% in year FY 2009. This is based on credit worthiness rating of Arlington County and City of Falls Church as determined by rating agencies.
- In FY 2009, total payments of $4,356,629 were made. Total principal payments were $4,055,731 and there was no capitalized interest.



	Q1	Q2	Q3	Q4
Interest	$32,538.45	$31,256.42	$31,013.87	$30,756.72
Principal	$85,060.81	$86,342.82	$86,585.37	$86,842.52



- There was a prepayment of $3.3 million on behalf of Arlington County. These prepayments bring customers withdrawals equal based on each customer's fair-share. This strategy of early retirement of debt brings down water rates for future years and helps Arlington County at large.

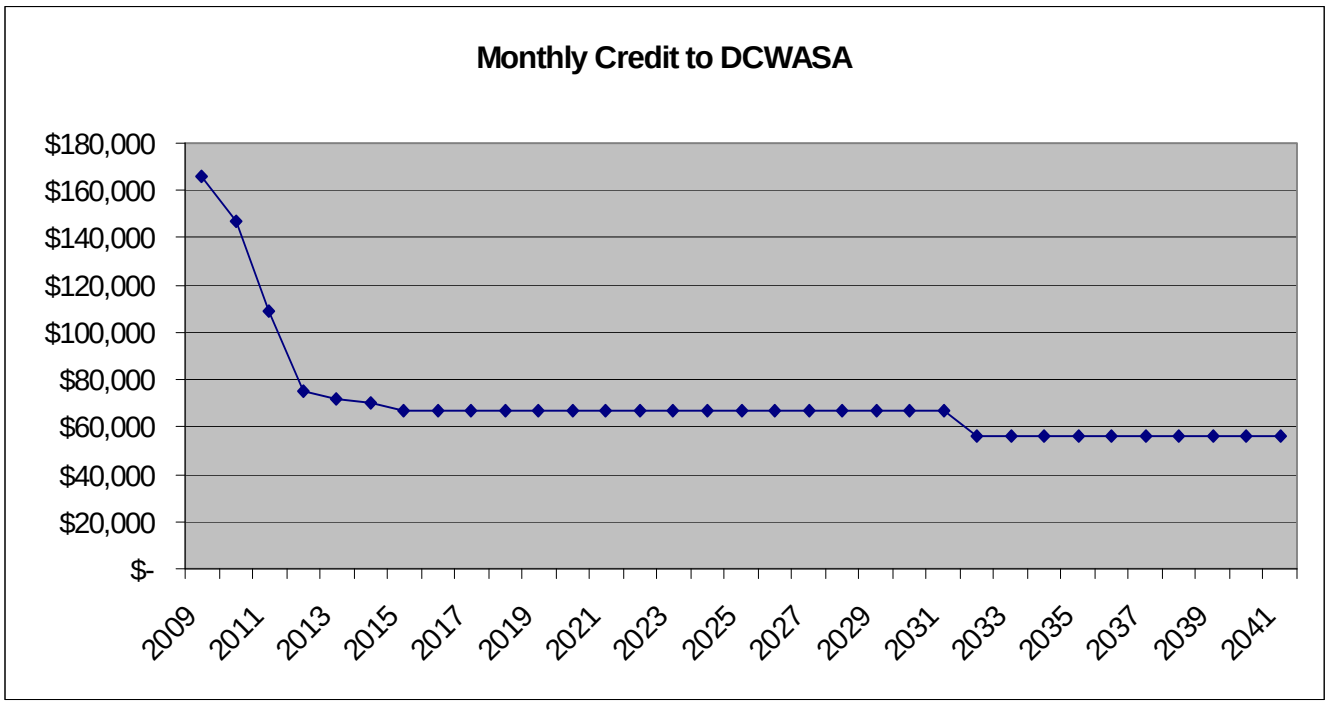
11. Loan Payable to DC WASA

Washington Aqueduct also makes a debt service payment to DC WASA. This loan covers all capital financing required for the Washington Aqueduct through FY 1991. Key features of these debt service payments follow.

- The loan payment, payable to DC WASA, is charged to all three customers as part of the calculated water rate. This loan is allocated as: DC WASA (76%), Arlington County (15%) and the City of Falls Church (9%).
- In FY 2009, Washington Aqueduct paid $1,986,696.69 to DC WASA by way of a monthly credit to their water bill of $165,558.06. This amount was allocated as follows.

DC WASA	Arlington County	City of Falls Church
$1,509,889.48	$ 298,004.50	$ 178,802.70

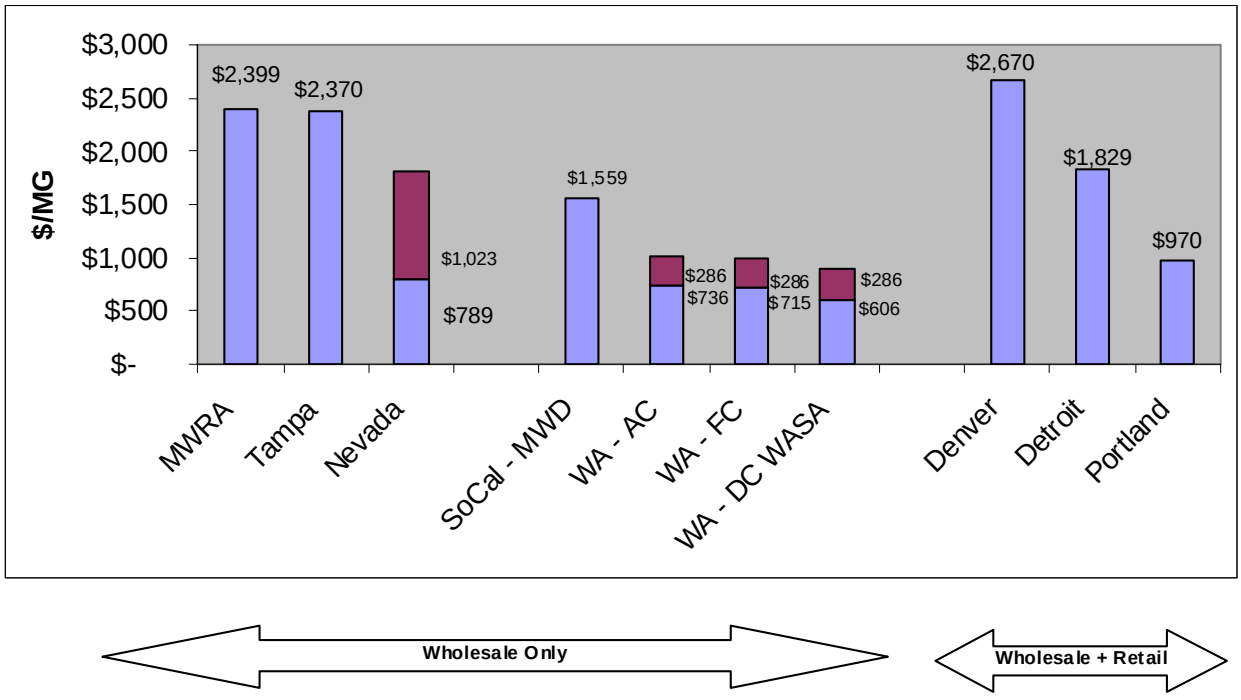
- Starting in 2015, only Jennings Randolph's debt service remains on DC WASA's books. This loan is paid by DC WASA to the US Army Corps of Engineers (Baltimore District) on an annual basis. The US Army Corps of Engineers borrowed from treasury at 3.25% to cover capital costs for Jennings Randolph reservoir construction.
- Final payment (in the form of a credit) will be made to DC WASA in FY 2041.
- A detailed schedule of the monthly credit and charge to customers is included as part of financial statements.



12. Water Rate Comparison

Washington Aqueduct's wholesale water rates are highly competitive when compared on a national level with utilities of similar size and capacity. Even though Washington Aqueduct is located in a high cost area, management works to produce cost-effective water service. These attractive rates are primarily attributed to a lean organizational structure, low debt service payments, the ability to get preferred rates through GSA contractors, being a tax-exempt entity, distance to source of water (Potomac River), use of gravity to collect raw water and shared services from the U.S. Army Corps of Engineers. A summary of water rates for FY 2008 (obtained from publicly available sources) is included here as a reference:

				Water Rate ($/MG)		
Entity	**Utility Company/Organization**	**Wholesale Customers**	**Production (MGD)**	**O&M**	**Capital**	**Total**
Wholesale Only						
MWRA	Massachusetts Water Resources Authority (MWRA)	49	202.5	$2,399	included	$ 2,399
Tampa	Tampa Bay Water	6	176.3	$2,370	included	$ 2,370
Nevada	Southern Nevada Water Authority	7	428.0	$ 789	$ 1,023	$ 1,812
SoCal - MWD	Metropolitan Water District of Southern California	26	1,167.7	$1,559	included	$ 1,559
WA - AC	Washington Aqueduct (sale to Arlington County)	3	23.6	$ 736	$ 286	$ 1,022
WA - FC	Washington Aqueduct (sale to City of Falls Church)	3	17.3	$ 715	$ 286	$ 1,001
WA - DC WASA	Washington Aqueduct (sale to DC WASA)	3	114.9	$ 606	$ 286	$ 892
Wholesale + Retail						
Denver	Denver Water	25	44.2	$2,670	included	$ 2,670
Detroit	Detroit Water and Sewage Department	100+	380.0	$1,829	included	$ 1,829
Portland	Portland (OR) Water Bureau	20	40.08	$ 970	included	$ 970



13. Business Risks

Washington Aqueduct's constant focus is to produce safe, reliable, and cost effective water for delivery to its customers. Like every water utility in the country, Washington Aqueduct is not free from operational and business risks. Electronic alerts and procedures for personal notification are in place to detect and mitigate any operational excursion due to equipment malfunction, external environmental effects of weather, or of accidental or intentional external interference with the quality of the source water or the treatment process. In addition, Washington Aqueduct is aware of the challenges of retaining a talented workforce and executing effective succession planning and capturing and institutionalizing the wealth of individual knowledge that could otherwise be lost. Stricter regulation may require process changes that could be costly to the wholesale customers. The infrastructure must be revitalized at a constant rate to ensure it is not compromised. Washington Aqueduct as a federal entity carries no insurance and in the case of a catastrophic event would rely on its customers and the federal government for the financial means to recover. Operating reserves are carried in escrow accounts to mitigate any short term customer financial issues. Washington Aqueduct is fully aware of the range of business risks and takes necessary action to mitigate them. Not all risks can be fully mitigated internally.

14. Recognition

- Thomas P. Jacobus was presented the George Warren Fuller Award, the most prestigious award given by the American Water Works Association - Chesapeake Section, for distinguished service in the field of water supply.
- Patricia A. Gamby was selected as one of the four trustees on the board of directors for American Waterworks Association – Chesapeake Section.
- Mike Robinson, Dalecarlia Water Treatment Plant Operator, received the Operator of the Year Award from the American Water Works Association - Chesapeake Section.
- Patricia A. Gamby presented a white paper on “The Evolution of Residuals Disposal in Washington, DC” at the annual AWWA conference in San Diego.
- Washington Aqueduct was recognized by the North Atlantic Division Commander, US Army Corps of Engineers for superior project management status reporting metrics.
- Washington Aqueduct chaired the Source Water Protection Committee of the Interstate Commission on the Potomac River Basin (ICPRB), where initiatives included a literature review of best management practices to reduce Cryptosporidium from agricultural sources, the establishment of alliances with several agricultural researchers and the launch of an agricultural webpage.

15. Outlook

Washington Aqueduct is a well-run, efficient organization with a very capable management team; a staff of dedicated professional, technical and trades and crafts employees; and outstanding operational and funding support by its customers. Washington Aqueduct looks forward to keeping up with infrastructure upgrades, regulatory compliance and the security and safety of its employees as well as the surrounding neighborhoods. Some major milestones Washington Aqueduct anticipates are discussed below:

- The completion of the **Residuals Collection & Treatment Facilities**. Implementation of this project constitutes a best management practice in protecting the environment and will have a positive impact on water quality and reliability.
- The completion of the **Sodium Hypochlorite System & Associated Facilities** will enable Washington Aqueduct to switch from liquid chlorine to sodium hypochlorite for disinfection. The switch to this safer form of chlorine will result in the increased safety of its employees and the surrounding community. The completion of this project will also introduce the use of caustic soda in addition to lime, currently used for pH adjustment, to allow tighter control of the finished water pH thereby further optimizing corrosion control. The McMillan WTP plant will begin the switch to sodium hypochlorite and caustic soda in spring 2010, and the Dalecarlia plant will begin its switch in summer 2010.
- The completion of the **Future Treatment Alternatives Study** will give the Washington Aqueduct a look into the future with a forecast for regulatory and emerging issues that could pose a challenge to the current treatment operations. With the completion of this study, currently scheduled for October 2010, Washington Aqueduct in consultation with various stakeholders will have developed water treatment objectives in a rational and scientific manner and will have a comprehensive roadmap that lists ranks and screens new or additional treatment processes that may be implemented in order to meet the objectives.
- The completion of the **Second Phase of the Lead Pipe Loop Study** will provide among other things a determination of the optimum phosphate dose needed for long-term effective corrosion control. Optimizing the phosphate dose is important for maintaining effective corrosion control as cost-effectively as possible.
- Use of the new **Water Rate Model** started on October 1, 2009. Washington Aqueduct is now using an “average-day model” for calculating cost shares for its three wholesale customers, replacing the original methodology developed by Haskins and Sells. This new model was selected among the several considered, including a modified Haskins & Sells, Base-Extra, Commodity/Demand and 100% commodity models. After several rounds of discussions, reviews and discovery sessions with consultants and internally the three customers reached consensus on the average-day model.

  The average-day model (also known as 100% commodity) was selected as peak day is not a factor in the rate computation. This is most appropriate because

Washington Aqueduct is a mature, demand-driven system with significant redundancy. Most of the projects and operations are to maintain existing capacity. With the 100% demand model noise in the demand (i.e. a peak day event) does not penalize a customer. In addition, there is better predictability and continuity in rates.

During the process of considering various rate models Washington Aqueduct and its customers discussed the logic of considering the Washington Aqueduct system a "one plant" system rather than assign the cost of treating water at the Dalecarlia plant and the McMillan plant separately. The customers agreed that it is more appropriate to consider the Washington Aqueduct system as one plant. In the "one plant" model the cost to treat the water is uniform no matter at which plant the water is produced. This is important as the McMillan plant is critical for growth and contingency. Thus, customers will pay same treatment cost for same quality water. Water rate differences between the three customers, however, remain due to different pumping needs and debt service payments.

Adoption of the new model will increase customer satisfaction and benefit all customers in long run.

- Washington Aqueduct's participation in **Water Research Projects** illustrates its commitment to water industry. Research projects in which Washington Aqueduct is actively participating are:

    - Washington Aqueduct, along with four other local water utilities in the Potomac River basin, serves as a case study for the project "Water Utility Framework for Responding to Emerging Contaminant Issues". This on-going project will provide information on best practices based on current knowledge on these contaminants and will include recommendations for monitoring programs, analytical methods, treatment processes and treatment enhancement options, source protection efforts, risk assessment, and effective communication strategies. As a participant, Washington Aqueduct's commitment level includes participation in workshops, interview inquiries, sharing of water quality data on Endocrine Disruptors, Pharmaceuticals and Personal Care Products (EDCs/PPCPs) and sharing experiences with media interaction on EDCs/PPCPs.

    - Washington Aqueduct serves as a case study for the project "Developing a Roadmap and a Vision for Source Water Protection for U.S. Drinking Water Utilities." The purpose of these case studies is to describe the source water protection programs of over a dozen water utilities across the country. Each case study highlights the utility's use of the six primary elements of a source water protection program as defined in the American Water Works Association (AWWA) Standard for Source Water Protection; discusses the successes, shortcomings and failures of the program and the reasons for each; and provides suggestions of how the shortcomings and failures could potentially be overcome. As a participant, Washington Aqueduct completed inquires for the case study and is in the process of reviewing the first draft report and is currently working on the planning committee team for the spring 2010 workshop.

- Washington Aqueduct submitted a commitment letter to provide in-kind services for project “Building a National Utility Network to Address EDCs/PPCPs Issues”. This project will focus specifically on how water utilities can cooperate and collaborate to improve their response to the issues of EDCs and PPCPs through a nation-wide network. Washington Aqueduct commitment level includes participation in workshops, submission of water quality data on EDCs/PPCPs, sharing experiences in media interactions, and providing pertinent information in the electronic database.

- Washington Aqueduct serves as a case study for an on-going project “Minimizing Water Treatment Residuals Discharges to Surface Water”. This project focuses on strategies for reducing water treatment residuals. As a participant, Washington Aqueduct provided their Residuals Environmental Impact Statement and Feasibility Study and providing general information about the utility.

- Serves as a project advisory committee member for an on-going project “Effect of Coagulant Changeover on Release of Lead From Plumbing Materials”. The purpose of this project is to the understand impacts of alternative coagulants on corrosion control.

Financial Manager's Report

Washington Aqueduct adheres to policies, principles and procedures established in regulation 40 USC 95 and ER 37-1-30 Ch 10. The Resource Management Office of the Baltimore District and the U. S. Army Corps of Engineers Finance Center provide oversight and assistance on the financial programs in use at the Washington Aqueduct. Budget and Finance section of Washington Aqueduct has a goal of providing fact-based timely analysis and reporting to customers, management and other stakeholders, to help achieve sound and meaningful business decisions. We are committed to run Washington Aqueduct as a world class organization.

In FY 2009, the Washington Aqueduct continued to make significant progress across its financial management program. We implemented the action plan to ensure all escrow withdrawals are made in a fair-share. We provided quarterly status and projections to customers and adopted new Capital Projects Financial Reporting framework which provides easier-to-explain reports on capital allocation, cumulative project status, spending plan and overall CIP status. We enhanced our close-out processes and closed out multiple completed projects. We worked closely with our customers and consultants, to reach consensus on the new rate model, which sets the framework for O&M allocation going forward. As FY 2010 progresses, we look forward to working with our customers, continuing to provide timely quarterly updates and working towards mitigating funding risks. We will continue to ensure that all customers' interests are protected and water rates are set on newly adopted "one-plant" and "average-day model".

Washington Aqueduct participated in U.S Army Corps of Engineers-wide audit, which was conducted by Department of Defense Inspector General (D.O.D.I.G.) and KPMG. We supported more than 100 samples related to accruals, revenue recognition, non-fed funding, prompt-payment act, cost accounting, undelivered orders, property plant and equipment (PPE) and construction-in-progress arena. The Agency ("USACE") obtained an unqualified "clean" opinion. The financial statements in this report were prepared using multiple reports extracted from the Corps of Engineers Financial Management System (CEFMS), Project Management System (P2), bank statements from Wells Fargo Bank and various internal reports. They are truthful and represent the best information available.

Vikas Singhal

Vikas Singhal, CFA, PMP
Manager, Budget and Finance
December 15, 2009

FINANCIAL STATEMENTS

Balance Sheet

As of Sep 30, 2009
(Nearest dollar)

Assets			
Cash or Cash Equivalents		$	**93,781,380**
Funds with U.S. Treasury			
Accounts Receivable:		$	**13,650,052**
Water Bill(s) - DCWASA	$ 4,168,426		
Water Bill(s) - Arlington County	$ 541,515		
Water Bill(s) - City of Falls Church	$ 855,665		
Treasury loan due from Arlington County	$ 3,707,673		
Treasury loan due from City of Falls Church	$ 4,366,584		
Other Governmental	$ 10,190		
Construction-in-Progress:		$	**72,875,318**
In-house	$ 758,131		
Contractors	$ 58,504,434		
Other Government Activities	$ 13,612,753		
Inventory and Related Property:		$	**1,232,175**
Warehouse Stock	$ 404,997		
Chemicals	$ 827,178		
Property, Plant and Equipment		$	**81,523,079**
Land	$ 1,264,636		
Building, net of depreciation	$ 49,260,652		
Other Structure, net of depreciation	$ 30,324,307		
Equipment, net of depreciation	$ 673,484		
Total Assets		$	**263,062,003**
Liabilities			
Treasury loan		$	**8,074,256**
Accounts Payable:		$	**3,165,960**
Intragovernmental	$ 625,284		
Public	$ 2,540,676		
Misc		$	**37,732**
Total Liabilities		$	**11,277,948**
Net position			
Unexpended Appropriations		$	85,456,401
Cumulative Results of Operations		$	**166,327,654**

1) Operating Cash Reserves remain at $12,351,599, which is not shown in balance sheet. Washington Aqueduct does not have title in these accounts, however, has sole withdrawal rights.

2) The financial statements do no reflect liability for goods and services for outstanding orders not yet delivered, until title passes.

Non-Appropriated Funding/Escrow withdrawals

(for period ending Sep 30, 2009)

	DC WASA	Arlington County	City of Falls Church	Total
Operating withdrawals				
10/14/2008	$ 1,578,966.13	$ 481,081.80	$ 396,788.50	$ 2,456,836.43
10/23/2008	$ 1,708,838.73	$ 584,301.60	$ 500,267.50	$ 2,793,407.83
11/17/2008	$ 3,432,349.26	$ -	$ 2,142,059.50	$ 5,574,408.76
12/2/2008	$ 1,804,105.33	$ -	-	$ 1,804,105.33
1/13/2009	$ 1,083,616.91	$ -	-	$ 1,083,616.91
1/14/2009	$ 2,003,121.29	$ -	$ 412,262.50	$ 2,415,383.79
2/5/2009	$ 2,125,597.93	$ -	$ 364,938.60	$ 2,490,536.53
3/2/2009	$ 2,068,420.81	$ -	$ 348,294.70	$ 2,416,715.51
4/1/2009	$ 1,920,856.25	$ -	$ 360,720.10	$ 2,281,576.35
5/4/2009	$ 1,965,290.17	$ -	$ 319,455.50	$ 2,284,745.67
6/9/2009	$ 1,731,907.80	$ -	$ 366,856.10	$ 2,098,763.90
7/2/2009	$ 1,885,731.31	$ 514,642.50	$ 373,452.30	$ 2,773,826.11
8/3/2009	$ 1,923,827.87	$ 562,500.00	$ 410,498.40	$ 2,896,826.27
9/1/2009	$ 1,661,694.18	$ 546,765.00	$ 416,941.20	$ 2,625,400.38
Total	**$ 26,894,323.97**	**$ 2,689,290.90**	**$ 6,412,534.90**	**$ 35,996,149.77**
Treasury loan related withdrawals				
12/11/2008	$ -	$ 185,930.06	$ 117,599.38	$ 303,529.44
3/12/2009	$ -	$ 182,497.23	$ 115,439.73	$ 297,936.96
3/13/2009	$ -	$ 3,432.83	$ 2,159.51	$ 5,592.34
6/9/2009	$ -	$ 3,422,140.77	$ 117,599.24	$ 3,539,740.01
9/1/2009	$ -	$ 92,231.46	$ 117,599.24	$ 209,830.70
Total	**$ -**	**$ 3,886,232.35**	**$ 470,397.10**	**$ 4,356,629.45**
Capital related withdrawals				
10/6/2008	$ 11,169,868.08	$ -	$ -	$ 11,169,868.08
1/13/2009	$ 375,342.16	$ 83,278.56	$ 53,232.76	$ 511,853.48
1/22/2009	$ -	$ 1,014,497.63	$ -	$ 1,014,497.63
2/5/2009	$ 4,649,448.46	$ -	$ -	$ 4,649,448.46
2/11/2009	$ -	$ -	$ 667,100.76	$ 667,100.76
8/17/2009	$ 2,402,262.29	$ 480,517.79	$ 372,276.13	$ 3,255,056.21
Total	**$ 18,596,920.99**	**$ 1,578,293.98**	**$ 1,092,609.65**	**$ 21,267,824.62**
Total Fiscal Year Withdrawals	**$ 45,491,244.96**	**$ 8,153,817.23**	**$ 7,975,541.65**	**$ 61,620,603.84**
Ending Escrow Account Balance (As of 9/30/2009)	**$ 7,685,361.19**	**$ 2,670,684.55**	**$ 1,995,552.93**	**$ 12,351,598.67**

Note: Goal is to minimize trueup amount and variance among customers.

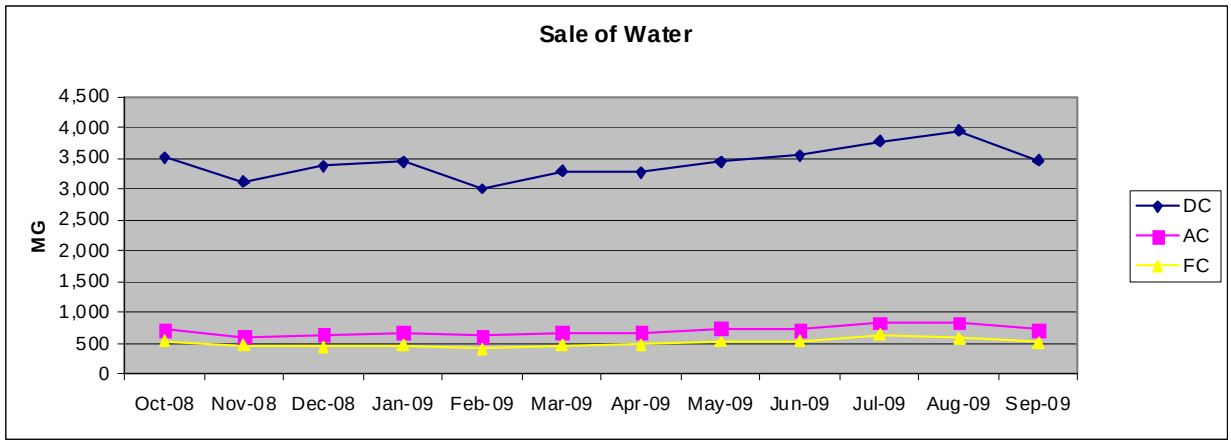
OPERATING SCHEDULES

Sale of Water/Statement of Revenue

(for period ending Sep 30, 2009)

	Water Sold (MG)			
	DC	AC	FC	Total
Oct-08	3,513.70	721.34	537.50	4772.54
Nov-08	3,128.86	615.78	475.80	4220.44
Dec-08	3,382.51	641.49	454.10	4478.1
Jan-09	3,445.33	678.10	470.30	4593.73
Feb-09	3,013.08	622.22	416.50	4051.8
Mar-09	3,299.72	688.27	478.30	4466.29
Apr-09	3,272.48	686.19	486.90	4445.57
May-09	3,446.37	750.00	535.20	4731.57
Jun-09	3,548.20	729.02	543.60	4820.82
Jul-09	3,775.35	840.11	640.07	5255.53
Aug-09	3,949.78	836.67	594.40	5380.85
Sep-09	3,469.82	722.02	521.20	4713.04
	DC	AC	FC	
FY 2009	41,245.20	8,531.21	6,153.87	55,930.28
FY 2008	41,929.41	8,612.21	6,304.52	56,846.14
Change	-1.6%	-0.9%	-2.4%	-1.6%

	Revenue			
	DC	AC	FC	Total
Oct-08	$ 2,130,848.23	$ 584,285.40	$ 412,262.50	$ 3,127,396.13
Nov-08	$ 1,897,465.86	$ 498,781.80	$ 364,938.60	$ 2,761,186.26
Dec-08	$ 2,051,289.36	$ 519,606.90	$ 348,294.70	$ 2,919,190.96
Jan-09	$ 2,089,385.93	$ 508,575.00	$ 360,720.10	$ 2,958,681.03
Feb-09	$ 1,827,252.24	$ 466,665.00	$ 319,455.50	$ 2,613,372.74
Mar-09	$ 2,001,082.20	$ 516,202.50	$ 366,856.10	$ 2,884,140.80
Apr-09	$ 1,984,562.77	$ 514,642.50	$ 373,452.30	$ 2,872,657.57
May-09	$ 2,090,016.62	$ 562,500.00	$ 410,498.40	$ 3,063,015.02
Jun-09	$ 2,151,770.41	$ 546,765.00	$ 416,941.20	$ 3,115,476.61
Jul-09	$ 2,289,523.25	$ 630,082.50	$ 490,933.69	$ 3,410,539.44
Aug-09	$ 2,395,304.58	$ 627,502.50	$ 455,904.80	$ 3,478,711.88
Sep-09	$ 2,104,237.64	$ 541,515.00	$ 399,760.40	$ 3,045,513.04
	$ 25,012,739.09	$ 6,517,124.10	$ 4,720,018.29	$ 36,249,881.48



Statement of Operations

For period ending September 30, 2009
(Nearest dollar)

Operating Expenses:

Personnel Compensation			$	13,352,088
Supplies and Chemicals			$	7,806,344
Energy/Utilities			$	7,187,130
Services			$	5,175,173
Regional Water Agreements & Water related programs	$	687,476		
Administrative Support	$	1,271,228		
Facilities related services	$	1,270,929		
Architect/Engineering Services	$	637,541		
Operations and Maintenance services	$	1,307,999		
Equipment			$	172,406
Communications			$	144,729
Total Operating & Maintenance Expenses			**$**	**33,837,870**
Debt Service:				
Debt Service Payment - Treasury			$	4,356,629
Debt Service Payment - DCWASA			$	1,986,697
Total Operating Expenses			**$**	**40,181,196**

Cost Allocation/FY 2009 Trueup

(for period ending Sep 30, 2009)

Washington Aqueduct's O&M expenses	$	33,837,869.86

Cost Allocation

	DC WASA	Arlington County	City of Falls Church
	71.4%	17.0%	11.6%
O&M	$ 24,163,372.12	$ 5,740,549.22	$ 3,933,948.52
Debt Service Payment to Treasury	$ -	$ 3,886,232.35	$ 470,397.10
Debt Service Payment to DC WASA	$ 1,509,889.48	$ 298,004.50	$ 178,802.70
Total Cost Share	$ 25,673,261.60	$ 9,924,786.07	$ 4,583,148.32
Debt Service payment to DC WASA	$ (1,986,697)		
Total Due	$ 23,686,564.91	$ 9,924,786.07	$ 4,583,148.32

O&M Trueup

	DC WASA	Arlington County	City of Falls Church
Start of year position (as of 10/1/2008)	$ (1,083,616.91)	$ 3,540,454.07	$ (1,440,344.72)
Trueup withdrawal	$ 1,083,616.91		
Due from customer	$ (23,686,564.91)	$ (9,924,786.07)	$ (4,583,148.32)
Operating withdrawals	$ 25,810,707.06	$ 2,689,290.90	$ 6,412,534.90
Debt Service withdrawal		$ 3,886,232.35	$ 470,397.10
End of year position (as of 9/30/2009)	**$ 2,124,142.15**	**$ 191,191.25**	**$ 859,438.96**

- End of the year position represents existing obligations, not yet paid out. They are mainly for Future treatment Alternatives Studies, Lead Pipe Loop Study and ongoing chemical contracts.

O&M Expenditures Comparison

	FY 2008 Actuals	FY 2009 Actuals	FY 2010 Budgeted	FY 2011 Budgeted
Employees	**152**	**149**	**179**	**179**
Personnel	**13,297,176**	**13,352,088**	**15,743,000**	**15,743,045**
Regular labor & Benefits	11,977,148	**12,217,829**	14,650,000	14,807,945
Recruitment incentives	150,945	**37,475**	50,000	100,000
Overtime	611,239	**709,219**	250,000	250,000
Awards	199,116	**182,068**	375,000	250,000
Training	48,286	**69,515**	250,000	200,000
Staff Augmentation	310,442	**135,982**	168,000	135,100
Supplies and Material	**7,037,869**	**7,806,344**	**11,648,000**	**12,425,400**
Chemicals	5,519,997	6,874,475	11,048,000	11,611,400
Other Supplies	1,517,872	931,869	600,000	814,000
Energy	**5,594,741**	**7,187,130**	**7,094,000**	**6,831,950**
Utilities	5,426,668	**7,070,511**	6,362,000	6,482,700
Heating Oil #2	150,367	**95,716**	625,000	308,750
Diesel	12,536	**13,161**	63,000	31,500
Gasoline	5,170	**7,742**	12,000	7,500
Propane	-	**-**	32,000	1,500
Services	**6,350,160**	**5,175,173**	**7,900,000**	**9,516,888**
Regional Agreements	497,966	**687,476**	805,000	845,250
Shared Admin Services	1,723,262	**1,271,228**	1,596,000	1,720,000
Facilities related services	1,922,054	**1,270,929**	1,546,574	1,617,143
AE Services/Studies/Engineering projects	665,485	**$637,541**	1,919,500	2,424,500
Operations and Maintenance services	1,541,393	**1,307,999**	2,032,926	2,909,995
Equipment	**231,223**	**172,406**	**450,000**	**595,000**
Communications	**166,734**	**144,729**	**202,000**	**230,000**
Total	**32,677,903**	**33,837,870**	**43,037,000**	**45,342,283**
vs. Budget	**$ 35,736,000**	**$ 36,725,000**	**$ 43,037,000**	**$ 45,342,283**
O&M Execution	**91.4%**	**92.1%**		
Increase vs prior year	**3.4%**	**3.5%**		

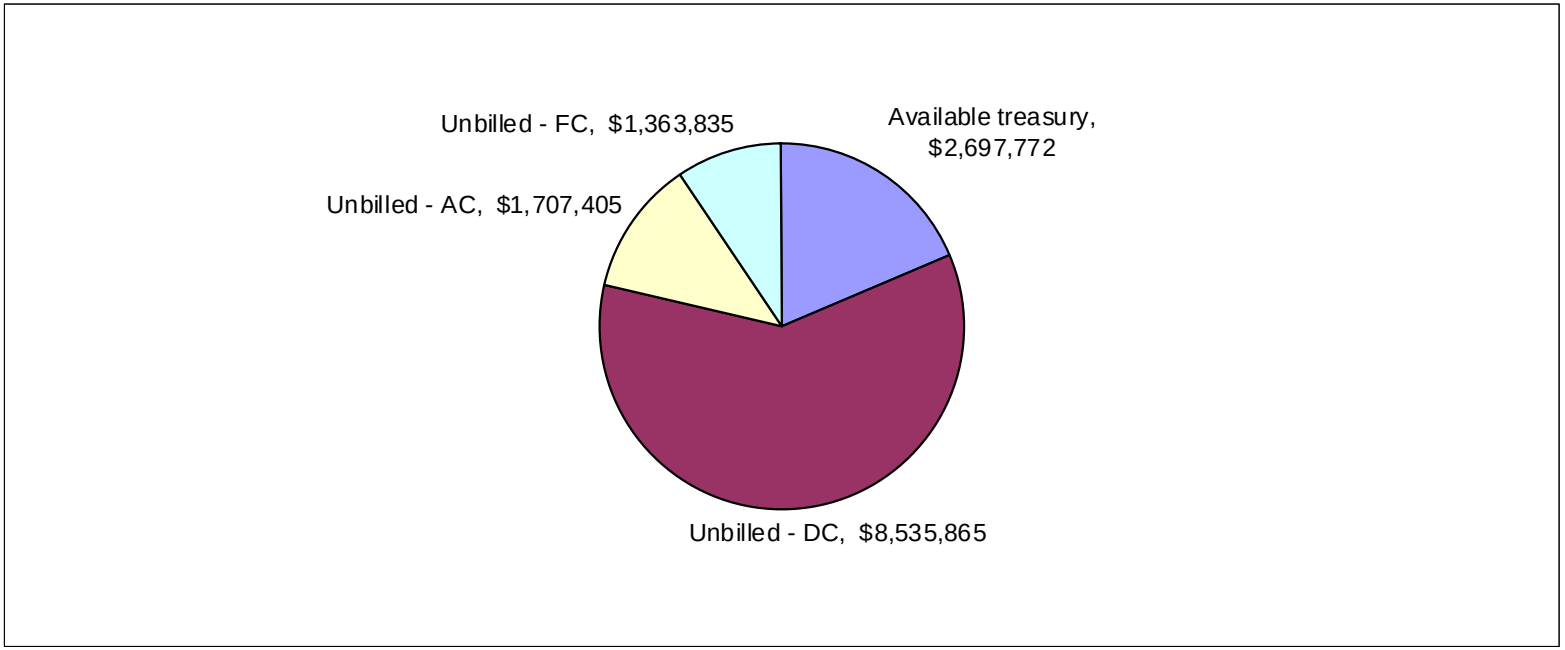
CAPITAL IMPROVEMENTS
PROGRAM SCHEDULES

CIP Status

(As of 9/30/2009)

Year	Authorized	Expended	Undelivered Orders	Total Obligated	Execution	Uncommitted
Prior	$ 1,644,141.06	$ 1,644,141.06	$ -	$ 1,644,141.06	100.0%	$ -
2000	$ 6,300,000.00	$ 6,300,000.00	$ -	$ 6,300,000.00	100.0%	$ -
2001	$ 4,850,000.00	$ 4,850,000.00	$ -	$ 4,850,000.00	100.0%	$ -
2002	$ 7,900,000.00	$ 7,900,000.00	$ -	$ 7,900,000.00	100.0%	$ -
2003	$ 10,650,000.00	$ 9,984,431.88	$ 136,267.98	$ 10,120,699.86	95.0%	$ 529,300.14
2004	$ 16,400,000.00	$ 15,743,390.94	$ 579,095.10	$ 16,322,486.04	99.5%	$ 77,513.96
2005	$ 9,700,000.00	$ 5,828,267.84	$ 2,626,673.15	$ 8,454,940.99	87.2%	$ 1,245,059.01
2006	$ 11,600,000.00	$ 11,488,727.34	$ 11,272.66	$ 11,500,000.00	99.1%	$ 100,000.00
2007	$ 105,480,000.00	$ 44,452,318.59	$ 59,863,269.22	$ 104,315,587.81	98.9%	$ 1,164,412.19
2008	$ 10,000,000.00	$ 2,070,607.94	$ 7,360,564.28	$ 9,431,172.22	94.3%	$ 568,827.78
2009	$ 15,992,000.00	$ -	$ 5,372,235.83	$ 5,372,235.83	33.6%	$ 10,619,764.17
Totals	**$ 200,516,141**	**$ 110,261,886**	**$ 75,949,378**	**$ 186,211,264**		**$ 14,304,877**

Status of Uncommitted Funds



Capital Allocation/Authorizations

(As of 9/30/2009)

	Authorizations											
	prior	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Completed projects												
Prior projects till 2004	1,644,092	6,250,184	4,735,949	7,415,841	9,459,259	5,558,378						$ 35,063,705
30 MG Clearwell Cleaning									822,702			$ 822,702
DPS Scada Upgrade							255,920					$ 255,920
Dale Scada upgrade							223,368					$ 223,368
Little Falls P.S. Electrical Renovation			$ 84,499	$ 275,634	$ 99,467	$ 2,689,621						$ 3,149,221
Process Testing & Studies							708,151					$ 708,151
McMillan Instrumentation (PACL)							100,000		377,186			$ 477,186
Active projects												
Regulatory Compliance												
Residuals					334,938	7,232,507	2,565,000	1,000,000	97,380,000	5,992,000	8,092,000	$ 122,596,445
Revitalization/ Infrastructure Improvements												
122- Dalecarlia Pumping station												
DPS HVAC Improvements					590,857	77,514			300,000			$ 968,371
126 - McMillan WTP Improvements												
Filter Media & Valve Replacement							400,000	3,800,000	500,000			$ 4,700,000
Flume and Gatehouse Improvements							626,629		422,814			$ 1,049,443
McMillan - HVAC Improvements							1,850,000					$ 1,850,000
McMillan P. S. Motor Drives upgrades										500,000	2,000,000	$ 2,500,000
Traveling Water Screen Replacement							530,000		77,298			$ 607,298
127 - Appurtenant Transmission & Storage Facilities												
Booster Pumping Station Renovation	49	49,816	29,552	164,772	165,479	258,515	2,105,931		200,000	300,000		$ 3,274,113
Process Improvements												
Dalecarlia Instrumentation								100,000		100,000		$ 200,000
Security/Safety												
Dalecarlia Hypochlorite/Caustic Soda Imps								4,300,000	4,000,000	1,865,000	2,000,000	$ 12,165,000
McMillan Hypochlorite/Caustic Soda Imps								2,300,000	1,400,000	1,243,000	2,000,000	$ 6,943,000
Security Improvements, Dalecarlia				31,260		230,987	50,000				1,300,000	$ 1,612,247
Security Improvements, McMillan				12,492			185,000				600,000	$ 797,492
Fire Alarm System Improvements							100,000	100,000				$ 200,000
Public Education												
Renovation of Old P.S. - Visitor Center						352,478						$ 352,478
	1,644,141	**6,300,000**	**4,850,000**	**7,900,000**	**10,650,000**	**16,400,000**	**9,700,000**	**11,600,000**	**105,480,000**	**10,000,000**	**15,992,000**	**$ 200,516,141**

Status of Capital Projects (Cumulative)

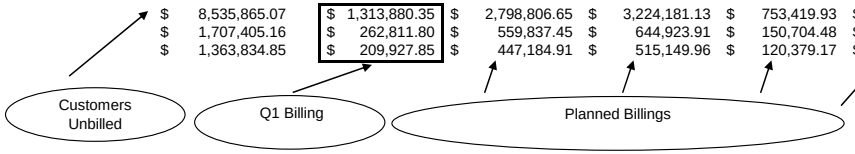
(As of 9/30/2009)

Category	Project	Authorized	Execution			
			Expended	Undelivered Orders	Burn Rate	Uncommitted
Completed projects						
	Prior projects till 2004	$ 35,063,705	$ 35,063,705	$ -	100.0%	$ -
	30 MG Clearwell Cleaning (Dale WTP)	$ 822,702	$ 822,702	$ -	100.0%	$ -
	DPS Scada	$ 255,920	$ 255,920	$ -	100.0%	$ -
	Dale Scada	$ 223,368	$ 215,036	$ 8,332	100.0%	$ -
	Little Falls P.S. Electrical Renovation	$ 3,149,221	$ 3,146,751	$ 2,470	100.0%	$ -
	Process Testing & Studies (Mixing Improvements)	$ 708,151	$ 706,013	$ 2,138	100.0%	$ -
	McMillan Instrumentation (PACL)	$ 477,186	$ 465,173	$ 12,013	100.0%	$ (0)
Active projects						
Regulatory Compliance						
	Residuals	$ 122,596,445	$ 55,079,049	$ 61,482,157	95.1%	$ 6,035,240
Revitalization/ Infrastructure Improvements						
122- Dalecarlia Pumping station						
	Dale HVAC Improvements	$ 968,371	$ 61,557	$ -	6.4%	$ 906,814
126 - McMillan WTP Improvements						
	Filter Media & Valve Replacement	$ 4,700,000	$ 4,188,727	$ 329,132	96.1%	$ 182,141
	Flume and Gatehouse Improvements	$ 1,049,443	$ 125,395	$ 5,377	12.5%	$ 918,671
	McMillan - HVAC Improvements	$ 1,850,000	$ 1,320,936	$ 396,870	92.9%	$ 132,194
	McMillan P. S. Motor Drives upgrades	$ 2,500,000	$ 1,507	$ 258,911	10.4%	$ 2,239,582
	Traveling Water Screen Replacement	$ 607,298	$ 1,400	$ -	0.2%	$ 605,898
127 - Appurtenant Transmission & Storage Facilities						
	Booster Pumping Station Renovation	$ 3,274,113	$ 273,399	$ 2,518,554	85.3%	$ 482,160
Process Improvements						
	Dalecarlia Instrumentation	$ 200,000	$ 168,701	$ 2,053	85.4%	$ 29,246
Security/Safety						
	Dalecarlia Hypochlorite/Caustic Soda Imps	$ 12,165,000	$ 5,038,742	$ 5,793,884	89.0%	$ 1,332,374
	McMillan Hypochlorite/Caustic Soda Imps	$ 6,943,000	$ 2,879,498	$ 3,956,907	98.5%	$ 106,594
	Security Improvements, Dalecarlia	$ 1,612,247	$ 264,415	$ 443,426	43.9%	$ 904,406
	Security Improvements, McMillan	$ 797,492	$ 137,300	$ 419,042	69.8%	$ 241,150
	Fire Alarm System Improvements	$ 200,000	$ 11,592	$ -	5.8%	$ 188,408
Public Education						
	Renovation of Old P.S. - Visitor Center	$ 352,478	$ 34,368	$ 318,110	100.0%	$ -
Totals		**$ 200,516,141**	**$ 110,261,886**	**$ 75,949,378**		**$ 14,304,877**

Spending Plan/PAY AS YOU GO

(As of 9/30/2009)

Category	Project	Uncommitted	Less (Funds available)	Unbilled	Projected Billing FY 2010 Q1	Q2	Q3	Q4	FY 2011
Regulatory Compliance									
	Residuals	$ 6,035,240	$ 1,010,736	$ 5,024,504	$ 1,000,000	$ 1,500,000	$ 1,500,000	$ 1,024,504	
Improved Infrastructure									
	Booster Pumping Station Renovation	$ 482,160	$ 160,172	$ 321,988			$ 321,988		
	McMillan P. S. Motor Drives upgrades	$ 2,239,582	$ 239,582	$ 2,000,000			$ 2,000,000		
	Filter Media & Valve Replacement	$ 182,141	$ 182,141	$ -					
	Dale HVAC Improvements	$ 906,814		$ 906,814	$ 100,000	$ 806,814			
	McMillan - HVAC Improvements	$ 132,194	$ 132,194	$ -					
	Flume and Gatehouse Improvements	$ 918,671	$ 122,814	$ 795,857	$ 100,000	$ 695,857			
	Traveling Water Screen Replacement	$ 605,898	$ -	$ 605,898					$ 605,898
Water Quality									
	Dalecarlia Instrumentation	$ 29,246	$ 29,246	$ -					
Safety/Security									
	Dalecarlia Hypochlorite/Caustic Soda Imps	$ 1,332,374	$ 107	$ 1,332,267	$ 500,000	$ 270,000	$ 562,267		
	McMillan Hypochlorite/Caustic Soda Imps	$ 106,594	$ 19,974	$ 86,620	$ 86,620				
	Security Improvements, Dalecarlia	$ 904,406	$ 800,806	$ 103,600		$ 103,600			
	Security Improvements, McMillan	$ 241,150		$ 241,150		$ 241,150			
	Fire Alarm System Improvements	$ 188,408		$ 188,408		$ 188,408			
Misc									
	Renovation of Old P.S. - Visitor Center	$ -							
		$ 14,304,877	**$ 2,697,772**	**$ 11,607,105**	**$ 1,786,620**	**$ 3,805,829**	**$ 4,384,255**	**$ 1,024,504**	**$ 605,898**
	DCWASA	73.54%		$ 8,535,865.07	$ 1,313,880.35	$ 2,798,806.65	$ 3,224,181.13	$ 753,419.93	$ 445,577.02
	Arlington County	14.71%		$ 1,707,405.16	$ 262,811.80	$ 559,837.45	$ 644,923.91	$ 150,704.48	$ 89,127.52
	City of Falls Church	11.75%		$ 1,363,834.85	$ 209,927.85	$ 447,184.91	$ 515,149.96	$ 120,379.17	$ 71,192.96
FY 2010 Projects				**$ 8,250,000**	**$ -**	**$ 4,900,000**	**$ 225,000**	**$ -**	**$ 3,125,000**
	Residuals			$ 3,125,000					$ 3,125,000
	Little Falls Motor Control Upgrades			$ 200,000		$ 100,000	$ 100,000		
	Pump Motor Control Conversions			$ 250,000		$ 125,000	$ 125,000		
	Security Improvements, Dalecarlia			$ 3,605,000		$ 3,605,000			
	Security Improvements, McMillan			$ 1,070,000		$ 1,070,000			
	DCWASA	73.54%		$ 6,067,050.00	$ -	$ 3,603,460.00	$ 165,465.00	$ -	$ 2,298,125.00
	Arlington County	14.71%		$ 1,213,575.00	$ -	$ 720,790.00	$ 33,097.50	$ -	$ 459,687.50
	City of Falls Church	11.75%		$ 969,375.00	$ -	$ 575,750.00	$ 26,437.50	$ -	$ 367,187.50



FINANCING SCHEDULES

Debt Service Payment - Payable to DC WASA

Fiscal Year	Total Due (to DCWASA)	Customer Allocation			Monthly Credit (to DCWASA)
		DC WASA 76%	Arlington County 15%	City of Falls Church 9%	
1999	$ 8,231,849.45	$ 6,256,205.59	$ 1,234,777.42	$ 740,866.45	$ 685,987.45
2000	$ 8,240,821.14	$ 6,263,024.07	$ 1,236,123.17	$ 741,673.90	$ 686,735.10
2001	$ 8,746,345.89	$ 6,647,222.87	$ 1,311,951.88	$ 787,171.13	$ 728,862.16
2002	$ 8,238,851.10	$ 6,261,526.84	$ 1,235,827.67	$ 741,496.60	$ 686,570.93
2003	$ 7,951,505.34	$ 6,043,144.05	$ 1,192,725.80	$ 715,635.48	$ 662,625.44
2004	$ 7,627,442.05	$ 5,796,855.96	$ 1,144,116.31	$ 686,469.78	$ 635,620.17
2005	$ 7,479,836.12	$ 5,684,675.45	$ 1,121,975.42	$ 673,185.25	$ 623,319.68
2006	$ 6,512,435.85	$ 4,949,451.25	$ 976,865.38	$ 586,119.23	$ 542,702.99
2007	$ 3,280,063.35	$ 2,492,848.14	$ 492,009.50	$ 295,205.70	$ 273,338.61
2008	$ 2,291,681.63	$ 1,741,678.04	$ 343,752.24	$ 206,251.35	$ 190,973.47
2009	$ 1,986,696.69	$ 1,509,889.48	$ 298,004.50	$ 178,802.70	$ 165,558.06
2010	$ 1,760,508.11	$ 1,337,986.16	$ 264,076.22	$ 158,445.73	$ 146,709.01
2011	$ 1,305,603.37	$ 992,258.56	$ 195,840.51	$ 117,504.30	$ 108,800.28
2012	$ 905,721.86	$ 688,348.61	$ 135,858.28	$ 81,514.97	$ 75,476.82
2013	$ 859,268.42	$ 653,044.00	$ 128,890.26	$ 77,334.16	$ 71,605.70
2014	$ 837,293.23	$ 636,342.85	$ 125,593.98	$ 75,356.39	$ 69,774.44
2015	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2016	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2017	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2018	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2019	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2020	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2021	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2022	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2023	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2024	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2025	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2026	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2027	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2028	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2029	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2030	$ 805,191.29	$ 611,945.38	$ 120,778.69	$ 72,467.22	$ 67,099.27
2031	$ 805,191.23	$ 611,945.33	$ 120,778.68	$ 72,467.21	$ 67,099.27
2032	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2033	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2034	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2035	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2036	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2037	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2038	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2039	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2040	$ 669,171.23	$ 508,570.13	$ 100,375.68	$ 60,225.41	$ 55,764.27
2041	$ 669,171.53	$ 508,570.36	$ 100,375.73	$ 60,225.44	$ 55,764.29

* Amount represented in "total due" column is included in water rate model.

* Washington Aqueduct issues a credit to DC WASA in monthly water bill.

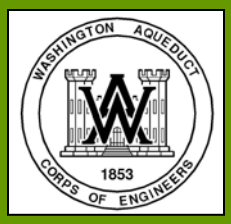
* Starting 2015, only Jennings Randolph's debt remain in DCWASA's books.

Status of Treasury Loan
as of
9/30/2009

	Principal		
	Original	Repaid	UPB
WASA			
FY 97 Note	22,171,905.63	22,171,905.63	0.00
FY 98 Note	18,121,320.29	18,121,320.29	0.00
FY 99 Note	16,755,201.40	16,755,201.40	0.00
Subtotal	57,048,427.32	57,048,427.32	0.00
Arlington County	Original	Repaid	UPB
FY 97 Note	4,196,067.80	4,196,067.80	0.00
FY 98 Note	3,657,819.91	2,090,705.94	1,567,113.97
FY 99 Note	3,090,999.00	950,440.27	2,140,558.73
Subtotal	10,944,886.71	7,237,214.01	3,707,672.70
Falls Church			
FY 97 Note	2,558,033.22	1,068,502.55	1,489,530.67
FY 98 Note	2,190,859.80	809,476.09	1,381,383.71
FY 99 Note	2,153,799.60	658,130.46	1,495,669.14
Subtotal	6,902,692.62	2,536,109.10	4,366,583.52
Totals			
FY97 Note	28,926,006.65	27,436,475.98	1,489,530.67
FY98 Note	23,970,000.00	21,021,502.32	2,948,497.68
FY99 Note	22,000,000.00	18,363,772.13	3,636,227.87
Total	**74,896,006.65**	**66,821,750.43**	**8,074,256.22**

Treasury Loan Roll-off Profile

	Matures 2018	Matures 2019	Matures 2020	Matures 2021	Matures 2022	Matures 2023	Totals
1997 Loan							
Total Borrowed	$ 12,100,668.00	$ 12,004,937.00	$ 433,815.00	$ 4,386,586.65	$ -	$ -	$ 28,926,006.65
Principal Repaid	$ 11,523,743.67	$ 11,378,208.23	$ 409,558.34	$ 4,124,965.74			$ 27,436,475.98
Unpaid Principal	$ 576,924.33	$ 626,728.77	$ 24,256.66	$ 261,620.91	$ -	$ -	$ 1,489,530.67
1998 Loan							
Total Borrowed	$ 506,000.00	$ 7,709,534.00	$ 7,574,500.00	$ 7,600,418.00	$ 579,548.00	$ -	$ 23,970,000.00
Principal Repaid	$ 480,962.32	$ 7,294,798.40	$ 6,411,948.36	$ 6,355,782.49	$ 478,010.75	$ -	$ 21,021,502.32
Unpaid Principal	$ 25,037.68	$ 414,735.60	$ 1,162,551.64	$ 1,244,635.51	$ 101,537.25	$ -	$ 2,948,497.68
1999 Loan							
Total Borrowed		$ 306,000.00	$ 2,198,000.00	$ 8,252,000.00	$ 9,714,000.00	$ 1,530,000.00	$ 22,000,000.00
Principal Repaid		$ 263,162.93	$ 1,868,348.35	$ 6,931,534.89	$ 8,051,002.81	$ 1,249,723.15	$ 18,363,772.13
Unpaid Principal		$ 42,837.07	$ 329,651.65	$ 1,320,465.11	$ 1,662,997.19	$ 280,276.85	$ 3,636,227.87
Totals							
Total Borrowed	$ 12,606,668.00	$ 20,020,471.00	$ 10,206,315.00	$ 20,239,004.65	$ 10,293,548.00	$ 1,530,000.00	$ 74,896,006.65
Principal Repaid	$ 12,004,705.99	$ 18,936,169.56	$ 8,689,855.05	$ 17,412,283.12	$ 8,529,013.56	$ 1,249,723.15	$ 66,821,750.43
Unpaid Principal	$ 601,962.01	$ 1,084,301.44	$ 1,516,459.95	$ 2,826,721.53	$ 1,764,534.44	$ 280,276.85	$ 8,074,256.22



WASHINGTON AQUEDUCT

5900 MacArthur Boulevard, NW, Washington, DC 20016

202.764.2753 • 202.764.2593 (fax)

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