

Washington Aqueduct

Proudly Providing Water to the Nation's Capital Since 1853



FY 2011 Annual Financial Report

Safe, Reliable and Cost-Effective Water





Washington Aqueduct Annual Financial Report

Fiscal Year 2011

October 1, 2010 through September 30, 2011

Prepared by:
Finance and Accounting Office
Washington Aqueduct

Table of Contents

| | |
|--|--------|
| Wholesale Customer Board and Washington Aqueduct Management..... | - 1 - |
| Service Area and Major Facilities Map | - 2 - |
| Message from the General Manager | - 3 - |
| Washington Aqueduct Overview | - 4 - |
| Principal Financial Statements and Notes..... | - 11 - |
| Financial Manager’s Report..... | - 11 - |
| Balance Sheet..... | - 12 - |
| Statement of Net Costs | - 13 - |
| Note 1: Significant Accounting Policies..... | - 14 - |
| Note 2: Purchaser Escrow Account | - 15 - |
| Note 3: Sale of Water..... | - 16 - |
| Note 4: Cost Allocation | - 17 - |
| Note 5: Treasury Loan | - 17 - |
| Note 6: Loan Payable to DC Water | - 20 - |
| Note 7: Capital Schedules..... | - 21 - |

Wholesale Customer Board and Washington Aqueduct Management

The Wholesale Customer Board

Ms. Barbara A. Donnellan, County Manager, Arlington County, Virginia
(Current chair)

Mr. Wyatt Shields, City Manager, City of Falls Church, Virginia
(Chair effective May 4, 2012)

Mr. George S. Hawkins, General Manager, D.C. Water
(Chair effective May 4, 2013)

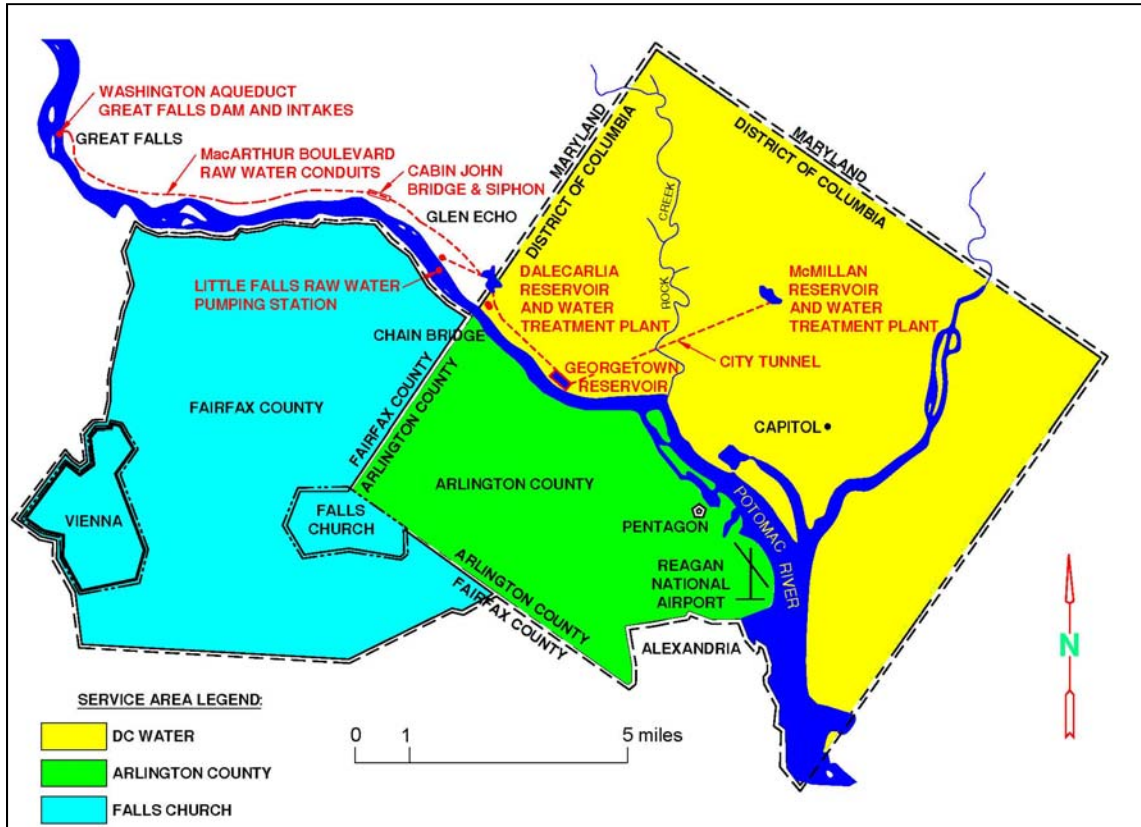
Washington Aqueduct Management

| | |
|-------------------------|---------------------------------|
| Thomas P. Jacobus, P.E. | General Manager |
| Patricia A. Gamby | Deputy General Manager |
| Lloyd D. Stowe, P.E. | Chief, Plant Operations |
| Nathan H. Cole, P.E. | Chief, Planning and Engineering |
| Leo J. Nolan | Chief, Maintenance Services |
| Sargeant D. Bankard | Chief, Administrative Services |
| Vikas Singhal, CFA, PMP | Chief, Finance and Accounting |

Baltimore District, U.S. Army Corps of Engineers

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

Service Area and Major Facilities Map



| FY 2011 Key Customer Metrics | | | |
|---|------------|------------------|----------------------|
| | DC Water | Arlington County | City of Falls Church |
| Water Sold to Customer (MG/Year) | 37,556 | 8,259 | 5773 |
| Peak Day Demand (MG/Day) | 147.66 | 34.32 | 24.00 |
| Average Day Demand (MG/Day) | 102.89 | 22.63 | 15.82 |
| Water Rate* (\$/MG) | \$748.72** | \$903.00** | \$907.00** |
| Average Day Share | 72.8% | 16.0% | 11.2% |

*Water Rate does not include capital improvements. MG = Million Gallons

**Customer rates vary due to demand from different service elevations, DC Water owning and pumping from Bryant Street Pumping Station and debt service payments.

Message from the General Manager



We put a photograph of the new Residuals Processing Facility on the cover of this year's annual report.

The river sediment that is removed during Washington Aqueduct's drinking water treatment process will no longer be routinely returned to the Potomac River.

The option that was selected as a result of the Environmental Impact Statement completed in 2005 relies on facilities that have been built at the Dalecarlia treatment plant, the sediment basins by the castle on MacArthur Boulevard, and to the north of Sibley Hospital along Little Falls Road. The sediment will be pumped to the major facility pictured on the cover, and in that building thickeners and centrifuges will create a product similar to the consistency of a bag of top soil. Routinely there will be about seven truck loads a day that will leave the facility. The material will be taken to sites chosen for it to be reapplied to the land.

The construction costs to bring all of the pieces of the project into reality are approximately \$104 million, which was necessary to comply with permits issued under the Clean Water Act. While the Potomac River benefits from this new process, there is also a benefit to the water treatment operations. By continually removing the sediment as it collects in the basins the entire water treatment process is improved because the flow of the water through the basins is not affected by months of sediment build-up.

During fiscal year 2011 we also completed the facilities at both the Dalecarlia and the McMillan water treatment plants that allow the use of sodium hypochlorite as the disinfectant. This form of chlorine is much safer to transport, store, and use. It is equally as effective as the gaseous form of chlorine used previously.

Operations during fiscal year 2011 have been excellent with daily water quality continuing to be better than the standards set by the Environmental Protection Agency.

All of the employees of Washington Aqueduct are committed to continue to deliver safe, reliable, and cost effective water to our customers.

Thomas P. Jacobus

Thomas P. Jacobus
General Manager
Washington Aqueduct
January 30, 2012

Washington Aqueduct Overview

Washington Aqueduct provides high quality water to its three wholesale customers who serve the District of Columbia, Arlington County, Virginia and the City of Falls Church service area in Virginia. It has been serving the national capital region since 1853.

It is regulated by Region 3 of the United States Environmental Protection Agency. In performing its daily functions it collaborates with other federal agencies, state and local authorities as well as neighbors and public advocacy groups.

Washington Aqueduct is part of the U.S. Army Corps of Engineers. In 1998 via a memorandum of understanding, the Army and the wholesale customers agreed to form a Wholesale Customer Board for the purpose of addressing the cost, quality and availability of water furnished by Washington Aqueduct. Through the ongoing activities of the Board and Washington Aqueduct, technical and financial topics are addressed and resolved.

Performance Measures: Performance measures have been established to address nine key areas.

Goal 1: Provide an adequate supply of potable water.

| Measure 1.1: Number of days water is provided as demanded by Washington, DC | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 366 | 365 | 365 | 365 | 366 |
| Actual | 366 | 365 | 365 | 365 | |

| Measure 1.2: Number of days water is provided as demanded by Arlington County, VA | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 366 | 365 | 365 | 365 | 366 |
| Actual | 366 | 365 | 365 | 365 | |

| Measure 1.3: Number of days water is provided as demanded by Falls church, VA | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 366 | 365 | 365 | 365 | 366 |
| Actual | 366 | 365 | 365 | 365 | |

Goal 2: Protect the drinking water consumer from both microbial risk and adverse health effects due to chemicals in the drinking water.

| Measure 2.1: Days Average Filtered Water Turbidity is less than 0.1 NTU (regulatory limit is 0.3 NTU) | | | | | |
|--|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 346 | 346 | 346 | 346 | 346 |
| Actual | 366 | 365 | 359 | 365 | |

| Measure 2.2: Percentage of treated water samples in compliance with regulatory requirements | | | | | |
|--|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 100 | 100 | 100 | 100 | 100 |
| Actual | 100 | 100 | 100 | 100 | |

| Measure 2.3: Number of chemical substance monitored for presence in the water supply system-wide | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 178 | 178 | 163 | 174 | 170 |
| Actual | 213 | 213 | 216 | 239 | |

Note: FY 2008 and 2009 target increased due to additional monitoring required by Unregulated Contaminant Monitoring Rule 2. FY 2011 target increased from 163 to 174 due to additional monitoring for radiologicals, asbestos and nitrosamines

| Measure 2.4: Number of months per year EPA water quality report is completed by the tenth of the month | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 10 | 10 | 10 | 10 | 10 |
| Actual | 12 | 12 | 12 | 10 | |

| Measure 2.5: Number of months per year required bacteriological samples are analyzed within holding times and with appropriate quality control | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 12 | 12 | 12 | 12 | 12 |
| Actual | 12 | 12 | 12 | 12 | |

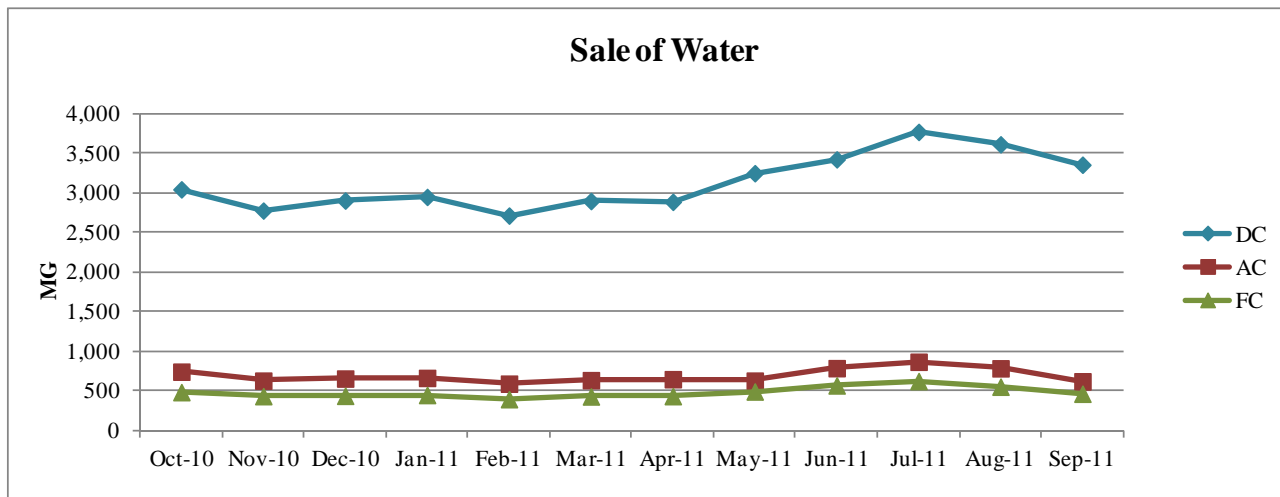
| Measure 2.6: Number of months per year required chemical samples are analyzed within holding time and with appropriate quality control | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Target | 12 | 12 | 12 | 12 | 12 |
| Actual | 12 | 12 | 12 | 12 | |

Water Demand and Supply to Wholesale Customers: Demand for water is declining slightly. During FY 2011, Washington Aqueduct produced and delivered 51,588 million gallons of water. This production was 3% lower as compared to FY 2010. The peak day was July 29, 2011 when 198 million gallons were delivered. Overall average daily demand was 141 million gallons.

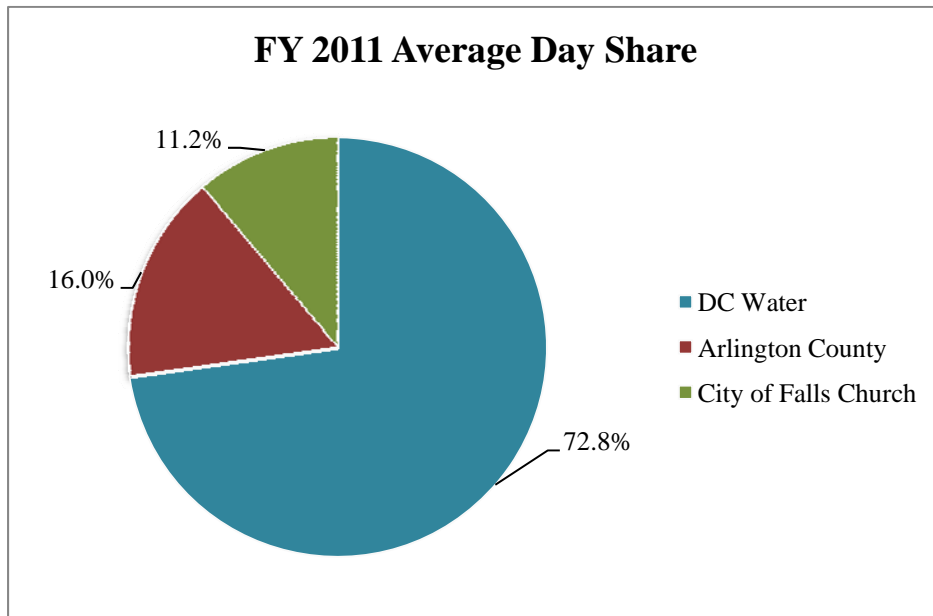
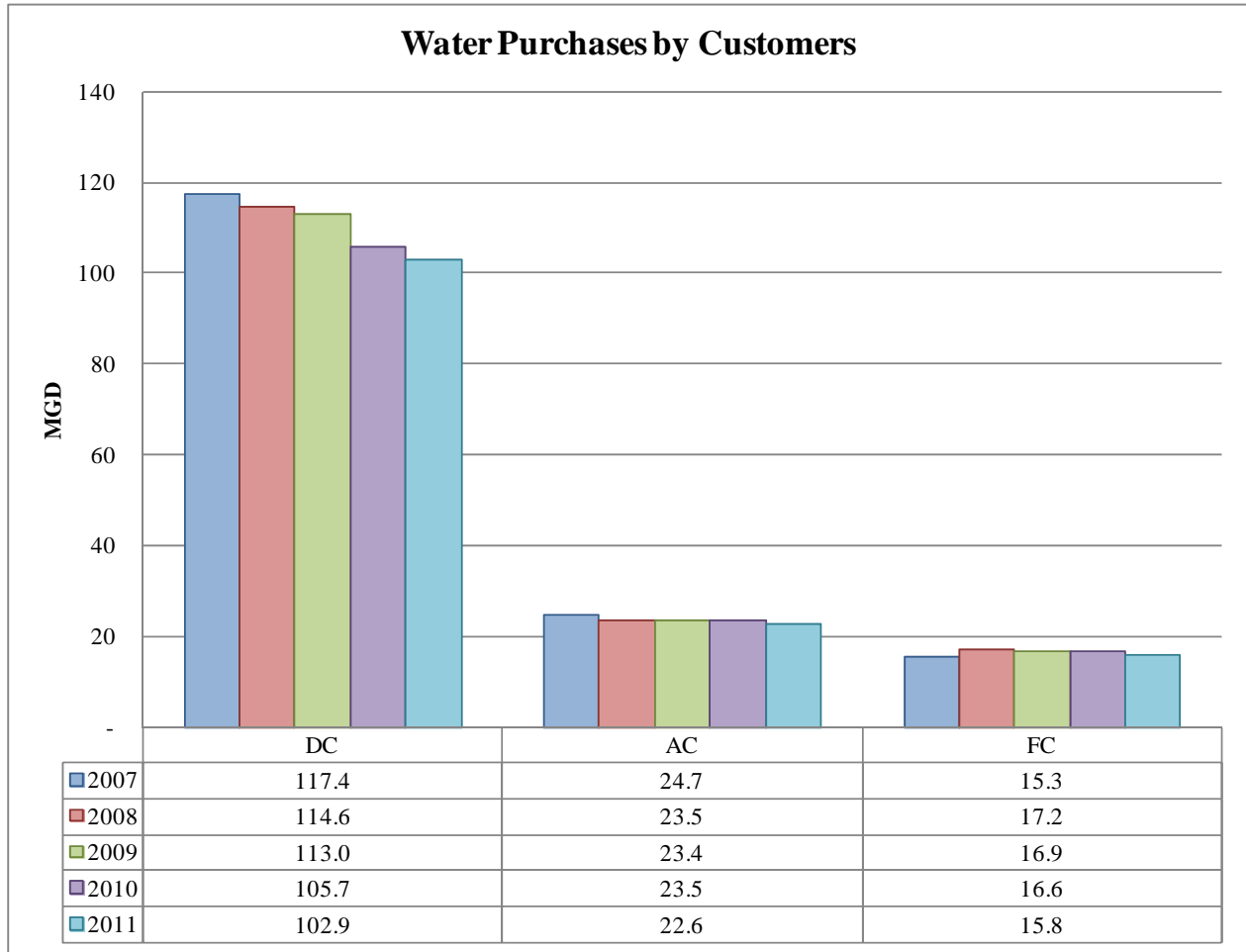
Water Delivered to Customers (MG)

| | DC | AC | FC | Total |
|----------------|-----------|----------|----------|-----------|
| FY 2011 | 37,566.23 | 8,259.04 | 5,771.92 | 51,588.19 |
| FY 2010 | 38,589.00 | 8,566.45 | 6,054.90 | 53,210.35 |
| Change | -2.7% | -3.6% | -4.7% | -3.0% |

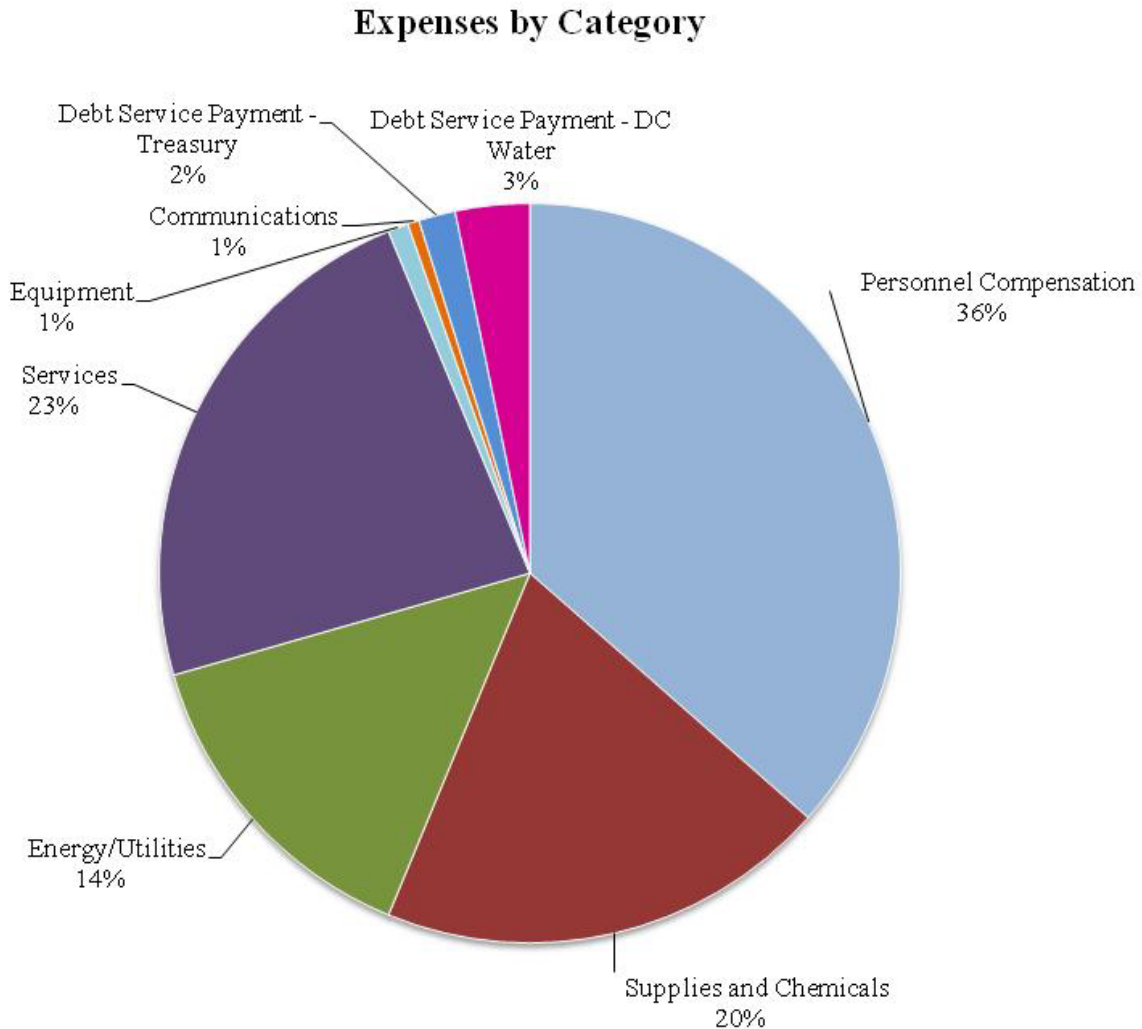
Water demand varies by the month as consumers tend to use more water in summer months. Water purchase by each wholesale customer can change due to population changes, water conservation practices, consumer habits, reliability of transmission infrastructure etc. However, significant rainfall this summer and fall, attributed to below-normal demand this year.



The relative share of each customer and water purchases are given below:



Operating Cost Analysis: Washington Aqueduct’s total operating expenditures were \$40,290,956 for FY 2011. Major components were personnel compensation (36%), services (23%), supplies and chemicals (20%) and energy (14%).



FY 2011 operating budget was approved to be \$47.6 million, which was further revised to \$42.9 million while setting the water rates. FY 2011 expenditures were \$2.6 million lower than the revised budget, primarily attributed to partial year of Hypochlorite operations, energy savings and lower production due to lower demand.

O&M Expenses were higher by \$4.5 million as compared to last year, primarily attributed to use of Hypochlorite, dredging of McMillan reservoir, and higher level of Architect-Engineer service engagements.

| Category | FY 11 Approved Budget | Revised FY 11 Budget (for Water Rates) | Actuals | Actual-to-Budget | Overrun/ (Underrun) |
|------------------------------------|-----------------------|--|----------------------|------------------|-----------------------|
| Revenue (Water Sales) | \$ 47,628,886 | \$ 42,922,188 | \$ 40,813,060 | 95% | \$ (2,109,129) |
| Operating Expenses | | | | | |
| Personnel | \$ 15,743,045 | \$ 14,899,175 | \$ 14,705,951 | 99% | \$ (193,224) |
| Supplies and Material | \$ 12,425,400 | \$ 10,425,400 | \$ 7,952,151 | 76% | \$ (2,473,249) |
| Energy | \$ 6,831,950 | \$ 6,353,725 | \$ 5,769,377 | 91% | \$ (584,348) |
| Services | \$ 9,516,888 | \$ 8,288,555 | \$ 9,350,887 | 113% | \$ 1,062,332 |
| Equipment | \$ 595,000 | \$ 595,000 | \$ 359,375 | 60% | \$ (235,625) |
| Communications | \$ 230,000 | \$ 230,000 | \$ 202,117 | 88% | \$ (27,883) |
| Total O&M Expenses | \$ 45,342,283 | \$ 40,791,855 | \$ 38,339,857 | 94% | \$ (2,451,998) |
| Debt Service Payment - US Treasury | \$ 981,000 | \$ 824,730 | \$ 645,495 | 78% | \$ (179,235) |
| Debt Service Payment - DC Water | \$ 1,305,603 | \$ 1,305,603 | \$ 1,305,603 | 100% | \$ - |
| Total Operating Expenses | \$ 47,628,886 | \$ 42,922,188 | \$ 40,290,956 | 94% | \$ (2,631,232) |

Personnel: As of Sep 30, 2011, Washington Aqueduct employed 150 full-time employees. The authorized strength was 179. This variance is attributed to recruitment shortfalls for hard-to-fill positions and unexpected retirements. In order to maintain a sustainable organization, optimally meet mission requirements and enhance capabilities in certain area, 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 \$7,952,151 as compared to the budget of \$10,425,400 and FY 2010 costs of \$7,480,367, due to partial year of hypochlorite operations. 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 (powder activated carbon). Washington Aqueduct continues to monitor chemical prices and takes actions to acquire better chemical pricing, when appropriate.

Energy: Energy costs consist of electricity, natural gas, heating oil, diesel fuel and gasoline. Energy expenses were \$5,769,377 as compared to budgeted \$6,353,725. This is attributed to improvement in electricity prices as we procured a government-negotiated rate, which includes at least 5% electricity from renewable sources. Washington Aqueduct has adopted a three-prong approach towards energy: lower costs, lower indirect emissions and optimized usage.

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.) A total of \$359,375 was spent with no major variance.

Services: Washington Aqueduct spent \$9,350,887 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), Washington Suburban Sanitary Commission (for Little Seneca Reservoir), Allegany County (for Savage River Reservoir) and Interstate Commission on the Potomac River Basin. Water Research Foundation membership on behalf of all three customers and participation in the Association of Metropolitan Water Agencies. | \$560,498 |
| Shared Administrative Services | Accounting systems, human resources, payroll support, procurement, audit, internet hosting, software licenses, office of counsel and worker's compensation claims. | \$1,539,566 |
| Facilities Services | Guard contract, grounds maintenance, janitorial contract, trash and disposal contracts. | \$1,503,074 |
| AE Services/ Studies | Architect and engineer services for feasibility studies. | \$1,436,746 |
| Operations and Maintenance Services | O&M contracts for dredging, laboratory equipment, leased vehicles, external analyses, transportation, rental of equipment, software and hardware maintenance contracts, emergency repairs, HVAC and other miscellaneous maintenance contracts. | \$4,311,002 |

The shared administrative services arrangement with the US Army Corps of Engineers provides the best value to our wholesale customers while complying with federal regulations.

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

Capital Expenditure: 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 the coming quarter. This allows customers to keep budgeted funds in their possession until the contracts are advertised. This way, customers can plan and time the funding mechanism to fund capital projects.

Principal Financial Statements and Notes

Financial Manager's Report



FY 2011 was a significant year where Washington Aqueduct Financial Management team was busier than ever planning, allocating, issuing, tracking, analyzing and reporting on expenses exceeding \$76 million in both operating and capital funds.

We obtained fourth consecutive “clean” audit opinion based on an extensive United States Army Corps of Engineers-wide audit conducted by Department of Defense Inspector General and KPMG. The main focus of audit was internal controls, compliance with U.S. Generally Accepted Accounting Principles for federal entities, and accountability of funds. Audit samples included property plant and equipment (PPE), construction-in-progress, cost accounting, accruals, revenue recognition, non-fed funding, prompt-payment act, commitments and undelivered orders. The memo from Auditor, report on internal controls and compliance with laws and regulation can be found in U.S. Army Corps of Engineers –civil works annual report, which is available from the USACE website.

I am proud of Financial Management team that is responsible for effective management of financial resources, fair and equitable treatment of all customers, compliance with applicable laws and regulations, and instituting financial models and business processes to run Washington Aqueduct as a business-like entity. We are committed to provide fact-based timely analysis and reporting to customers, management and other stakeholders, to help achieve sound and meaningful business decisions.

I am happy to present the financial statements and schedules, which were prepared using the corporate-wide Oracle-based Corps of Engineers Financial Management System (CEFMS). They are truthful and present fairly, in all material aspects, the financial position of the Washington Aqueduct as of September 30, 2011.

Vikas Singhal

Vikas Singhal, CFA, PMP
Finance and Accounting Officer
December 30, 2011

Balance Sheet

As of Sep 30, 2011
(Nearest dollar)

| Assets | | |
|---|-----------------|-----------------------|
| Cash or Cash Equivalents (Note 2) | | \$ 37,410,944 |
| Funds with U.S. Treasury | | |
| Accounts Receivable: | | \$ 11,236,044 |
| Water Bill(s) - DC Water | \$ 4,996,298 | |
| Water Bill(s) - Arlington County | \$ 560,528 | |
| Water Bill(s) - City of Falls Church | \$ 421,483 | |
| Treasury loan due from Arlington County | \$ 2,164,080 | |
| Treasury loan due from City of Falls Church | \$ 2,949,545 | |
| Misc | \$ 144,109 | |
| Travel Advances | | \$ 750 |
| Inventory (Warehouse Stock) | | \$ 729,450 |
| Property, Plant and Equipment | | |
| Land | | \$ 1,264,636 |
| Construction-in-Progress: | | \$ 129,581,536 |
| In-house | \$ 643,429 | |
| Contractors | \$ 111,328,757 | |
| Other Government Activities | \$ 17,609,349 | |
| Buildings, Improvements and Renovations | | \$ 91,275,050 |
| Acquisition Cost | \$ 163,172,054 | |
| Accumulated Depreciation | \$ (71,897,004) | |
| Other Structures and Facilities | | \$ 49,279,245 |
| Acquisition Cost | \$ 127,717,894 | |
| Accumulated Depreciation | \$ (78,438,649) | |
| Equipment | | \$ 1,148,358 |
| Acquisition Cost | \$ 2,643,035 | |
| Accumulated Depreciation | \$ (1,494,676) | |
| Total Assets | | \$ 321,926,013 |
| Liabilities | | |
| Treasury Loan (Note 5) | | \$ 5,113,626 |
| Accounts Payable | | \$ 5,790,686 |
| Contract Holdbacks | | \$ 284,254 |
| Misc | | \$ 52,907 |
| Total Liabilities | | \$ 11,241,472 |
| Net Position/ Cumulative Results of Operations | | \$ 310,684,540 |

Statement of Net Costs

For period ending September 30, 2011

(Nearest dollar)

Operating and Maintenance Costs:

| | | | |
|--|----|-----------|--------------------------|
| Personnel Compensation | | \$ | 14,705,951 |
| Supplies and Chemicals | | \$ | 7,952,151 |
| Energy/Utilities | | \$ | 5,769,377 |
| Services | | \$ | 9,350,887 |
| Operation and Maintenance Services | \$ | 4,311,002 | |
| Shared Admin Services | \$ | 1,539,566 | |
| Facilities Services | \$ | 1,503,074 | |
| Architect/Engineering Services | \$ | 1,436,746 | |
| Regional Water Agreements & Water Related Programs | \$ | 560,498 | |
| Equipment | | \$ | 359,375 |
| Communications | | \$ | 202,117 |
| Subtotal | | \$ | <u>38,339,857</u> |

Financing Costs:

| | | | |
|---------------------------------|--|-----------|-------------------------|
| Debt Service Payment - DC Water | | \$ | 1,305,603 |
| Debt Service Payment - Treasury | | \$ | 645,495 |
| Subtotal | | \$ | <u>1,951,099</u> |

Capital Improvements:

| | | | |
|---|--|-----------|--------------------------|
| Residuals Processing Facilities | | \$ | 28,511,320 |
| Sodium Hypochlorite and Casutic Soda | | \$ | 2,762,210 |
| Security Improvements Phase II | | \$ | 2,355,754 |
| Booster Pumping Station Upgrades | | \$ | 1,973,513 |
| McMillan PS Motor Upgrades | | \$ | 1,885,072 |
| DPS HVAC Improvements | | \$ | 542,040 |
| Sample Line Replacement | | \$ | 103,001 |
| McMillan HVAC Improvements | | \$ | 65,750 |
| LFPS Motor Upgrades | | \$ | 54,014 |
| McMillan Chemical Building Renovations | | \$ | 16,284 |
| Visitor Center | | \$ | 14,665 |
| McMillan Filter Media/Valve Replacement | | \$ | 11,180 |
| 1st High Reservoir Improvements | | \$ | 780 |
| McMillan Flume and Gatehouse Improvements | | \$ | 202 |
| Fire Alarm System Improvements | | \$ | 164 |
| Subtotal | | \$ | <u>38,295,950</u> |

| | | |
|---|-----------|--------------------------|
| Overall Costs (O&M, Capital and Financing) | \$ | <u>78,586,906</u> |
|---|-----------|--------------------------|

Note 1: Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations, cost allocation and status of capital program of the Washington Aqueduct, as required by the Memorandum of Understanding of Wholesale Customer Board. The financial statements have been prepared from the books and records of USACE in accordance with the Department of Defense (DoD) Financial Management Regulation (FMR) and are presented on the accrual basis of accounting as required by GAAP for federal entities governed by Federal Accounting Standards Advisory Board (FASAB).

Basis of Accounting

These financial statements are prepared from Corps of Engineers Financial Management System (CEFMS) and uses United States Standard General Ledger (USSGL) which provides a uniform Chart of Accounts and technical guidance to be used in standardizing accounting of a federal agency. CEFMS meets all of the requirements for accrual accounting. All transactions are recorded on an accrual accounting basis required by GAAP. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting is accomplished through specific general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds.

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 contributing to the mission. 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 to the government.

Fund Accounting

Washington Aqueduct does not receive federal funding. Washington Aqueduct generates its O&M funding by sale of water to its three wholesale customers. Capital funding also comes from wholesale customers who share in project costs according to the formulas established by the Water Rate Model. 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 through 1999.

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

| Department | Transfer Dept. | Appropriation FY | Symbol | Purpose |
|------------|----------------|------------------|--------|----------------------------|
| 99 | N/A | X | 9829 | Operations and Maintenance |
| 99 | N/A | X | 9883 | Capital Improvements |
| 99 | N/A | X | 3128 | Treasury Loan |
| 96 | N/A | X | 4902 | Payroll Reconciliation |

Note 2: Purchaser Escrow Account

As part of the water sales agreements, escrow accounts were established with each customer. Escrow accounts are not only a mechanism to mitigate financial risks but also allow customers to earn interest on balances. Washington Aqueduct has sole withdrawal authority on these accounts and withdraws funds for operations and capital improvements.

Customers own the initial deposits and interest earned on balances. Collective balance as of September 30, 2011 was \$15,433,842 and is not shown as an asset on balance sheet. This table gives information on withdrawals from escrow accounts as well as ending balances as of September 30, 2011.

Statement of Funding

(for period ending Sep 30, 2011)

| | DC Water | Arlington County | City of Falls Church | Total |
|---|-------------------------|-------------------------|------------------------|-------------------------|
| Operating withdrawals | | | | |
| 10/4/2010 | \$ 2,883,735.19 | \$ 756,423.00 | \$ 556,695.00 | \$ 4,196,853.19 |
| 11/4/2010 | \$ 2,549,439.20 | \$ 746,973.00 | \$ 499,023.00 | \$ 3,795,435.20 |
| 12/1/2010 | \$ 2,333,605.68 | \$ 738,585.00 | \$ 503,206.00 | \$ 3,575,396.68 |
| 12/24/2010 | \$ 2,169,382.47 | \$ 670,179.51 | \$ 439,622.90 | \$ 3,279,184.88 |
| 1/24/2011 | \$ 1,968,942.64 | \$ 568,564.92 | \$ 394,545.00 | \$ 2,932,052.56 |
| 2/28/2011 | \$ 2,063,266.39 | \$ 592,756.29 | \$ 397,900.90 | \$ 3,053,923.58 |
| 3/21/2011 | \$ 2,097,550.28 | \$ 599,808.72 | \$ 406,608.10 | \$ 3,103,967.10 |
| 4/25/2011 | \$ 1,921,967.95 | \$ 534,946.23 | \$ 359,172.00 | \$ 2,816,086.18 |
| 5/25/2011 | \$ 2,058,676.74 | \$ 574,461.51 | \$ 390,554.20 | \$ 3,023,692.45 |
| 6/23/2011 | \$ 2,051,399.18 | \$ 585,396.84 | \$ 394,000.80 | \$ 3,030,796.82 |
| 7/23/2011 | \$ 2,321,327.71 | \$ 568,248.87 | \$ 447,513.80 | \$ 3,337,090.38 |
| 8/22/2011 | \$ 2,452,466.02 | \$ 710,986.08 | \$ 515,720.20 | \$ 3,679,172.30 |
| Subtotal | \$ 26,871,759.45 | \$ 7,647,329.97 | \$ 5,304,561.90 | \$ 39,823,651.32 |
| Treasury loan related withdrawals | | | | |
| 12/7/2010 | \$ - | \$ 65,805.95 | \$ 99,140.09 | \$ 164,946.04 |
| 3/1/2011 | \$ - | \$ 60,049.18 | \$ 91,244.89 | \$ 151,294.07 |
| 6/9/2011 | \$ - | \$ 65,679.45 | \$ 98,948.19 | \$ 164,627.64 |
| 9/1/2011 | \$ - | \$ 65,679.44 | \$ 98,948.19 | \$ 164,627.63 |
| Subtotal | \$ - | \$ 257,214.02 | \$ 388,281.36 | \$ 645,495.38 |
| Capital related withdrawals | | | | |
| 10/4/2010 | \$ 5,113,000.03 | \$ 1,049,015.85 | \$ 778,137.12 | \$ 6,940,153.00 |
| 2/1/2011 | \$ 2,508,174.67 | \$ 520,140.93 | \$ 373,521.74 | \$ 3,401,837.34 |
| 4/4/2011 | \$ 1,393,460.00 | \$ 294,500.00 | \$ 212,040.00 | \$ 1,900,000.00 |
| 6/27/2011 | \$ 3,006,940.00 | \$ 635,500.00 | \$ 457,560.00 | \$ 4,100,000.00 |
| 9/27/2011 | \$ 2,581,568.00 | \$ 545,600.00 | \$ 392,832.00 | \$ 3,520,000.00 |
| Subtotal | \$ 14,603,142.70 | \$ 3,044,756.78 | \$ 2,214,090.86 | \$ 19,861,990.34 |
| Total Fiscal Year Withdrawals | \$ 41,474,902.15 | \$ 10,949,300.77 | \$ 7,906,934.12 | \$ 60,331,137.04 |
| Escrow Account Balance (as of 9/30/2011) | \$ 10,788,707.06 | \$ 2,645,805.17 | \$1,999,329.52 | \$ 15,433,841.75 |
| Operating Coverage (in months) | 4.8 | 4.2 | 4.5 | 4.7 |

Escrow balances along with O&M true-up plays an important role in setting water rates for next year. Washington Aqueduct works with customers to ensure that water rate increases are gradual and continuous with no major spikes.

Note 3: Sale of Water

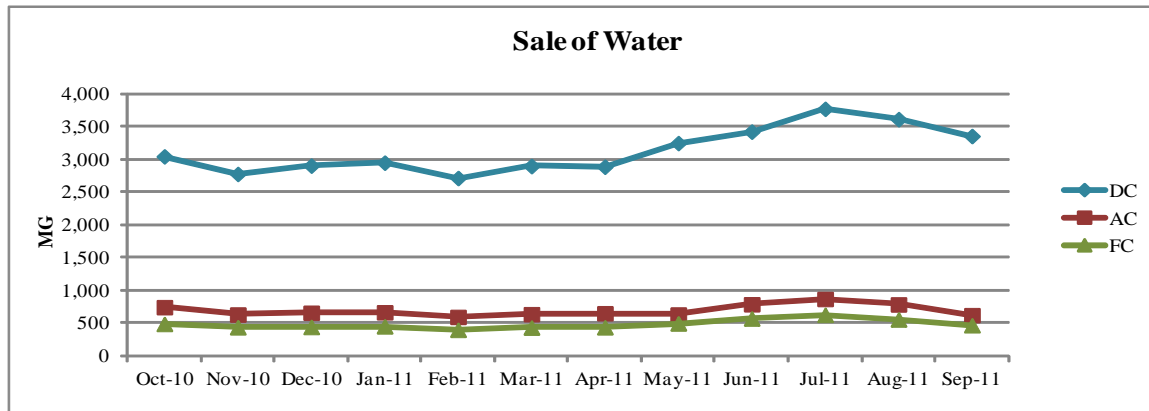
Sale of Water/Statement of Revenue

(for period ending Sep 30, 2011)

| Water Sold (MG) | | | | |
|-----------------|-----------|----------|----------|-----------|
| | DC | AC | FC | Total |
| Oct-10 | 3,042.77 | 742.17 | 484.70 | 4,269.64 |
| Nov-10 | 2,775.06 | 629.64 | 435.00 | 3,839.70 |
| Dec-10 | 2,901.04 | 656.43 | 438.70 | 3,996.17 |
| Jan-11 | 2,946.83 | 664.24 | 448.30 | 4,059.37 |
| Feb-11 | 2,712.32 | 592.41 | 396.00 | 3,700.73 |
| Mar-11 | 2,894.91 | 636.17 | 430.60 | 3,961.68 |
| Apr-11 | 2,885.19 | 648.28 | 434.40 | 3,967.87 |
| May-11 | 3,245.71 | 629.29 | 493.40 | 4,368.4 |
| Jun-11 | 3,420.86 | 787.36 | 568.60 | 4,776.82 |
| Jul-11 | 3,767.80 | 867.67 | 624.70 | 5,260.17 |
| Aug-11 | 3,610.80 | 784.64 | 553.82 | 4,949.26 |
| Sep-11 | 3,352.95 | 620.74 | 464.70 | 4,438.39 |
| FY 2011 | 37,556.24 | 8,259.04 | 5,772.92 | 51,588.20 |
| FY 2010 | 38,589.00 | 8,566.45 | 6,054.90 | 53,210.35 |
| Change | -2.7% | -3.6% | -4.7% | -3.0% |

MGD 102.89 22.63 15.82 141.34

| Water Revenue (\$) | | | |
|--------------------------------------|-----------------|-----------------|-------------------|
| DC | AC | FC | Total |
| \$ 2,278,182.75 | \$ 670,179.51 | \$ 439,622.90 | \$ 3,387,985.16 |
| \$ 2,077,742.92 | \$ 568,564.92 | \$ 394,545.00 | \$ 3,040,852.84 |
| \$ 2,172,066.67 | \$ 592,756.29 | \$ 397,900.90 | \$ 3,162,723.86 |
| \$ 2,206,350.56 | \$ 599,808.72 | \$ 406,608.10 | \$ 3,212,767.38 |
| \$ 2,030,768.23 | \$ 534,946.23 | \$ 359,172.00 | \$ 2,924,886.46 |
| \$ 2,167,477.02 | \$ 574,461.51 | \$ 390,554.20 | \$ 3,132,492.73 |
| \$ 2,160,199.46 | \$ 585,396.84 | \$ 394,000.80 | \$ 3,139,597.10 |
| \$ 2,430,127.99 | \$ 568,248.87 | \$ 447,513.80 | \$ 3,445,890.66 |
| \$ 2,561,266.30 | \$ 710,986.08 | \$ 515,720.20 | \$ 3,787,972.58 |
| \$ 2,821,027.22 | \$ 783,506.01 | \$ 566,602.90 | \$ 4,171,136.13 |
| \$ 2,703,478.18 | \$ 708,529.92 | \$ 502,314.74 | \$ 3,914,322.84 |
| \$ 2,510,420.72 | \$ 560,528.22 | \$ 421,482.90 | \$ 3,492,431.84 |
| \$ 28,119,108.01 | \$ 7,457,913.12 | \$ 5,236,038.44 | \$ 40,813,059.57 |
| Less Debt Service Credit to DC Water | | | |
| \$ (1,305,603.37) | | | \$ (1,305,603.37) |
| Total Water Billing | | | |
| \$ 26,813,504.64 | \$ 7,457,913.12 | \$ 5,236,038.44 | \$ 39,507,456.20 |



Note 4: Cost Allocation

Operating costs were allocated to customers using the average-day model (also known as 100% commodity) and one-plant model. This model was adopted effective October 1, 2009. In this model, peak day is not a factor, rates are more predictable and cost of the treated water is

uniformly distributed no matter which plant is used for production. Adoption of this new model increases customer satisfaction and is expected to benefit all three customers in the long run.

| | | Cost Allocation | | |
|---|-------------------------|----------------------|---------------------|----------------------|
| | | DC Water | Arlington County | City of Falls Church |
| Total Operating & Maintenance Expenses | \$ 38,339,857 | \$ 27,016,502 | \$ 6,762,183 | \$ 4,561,172 |
| | | 70.5% | 17.6% | 11.9% |
| Debt Service: | | | | |
| Debt Service Payment - Treasury | \$ 645,495 | \$ - | \$ 257,214 | \$ 388,281 |
| Debt Service Payment - DC Water | \$ 1,305,603.37 | \$ 992,259 | \$ 195,841 | \$ 117,504 |
| Allocated Customer Share | \$ 40,290,956 | \$ 28,008,760 | \$ 7,215,238 | \$ 5,066,958 |
| Debt Service payment to DC Water | \$ (1,305,603) | \$ (1,305,603) | | |
| Customer Share (net of Debt Service to DC Water) | \$ 38,985,352.54 | \$ 26,703,157 | \$ 7,215,238 | \$ 5,066,958 |

Once costs are allocated to customers and their share is determined (including any debt service payments), total costs are compared against withdrawals from escrow account. This approach ensures that escrow withdrawals are

consistent with customer share. Combining customer share, escrow withdrawals, and beginning of the year trueup positions, gives the end-of-the-year true-up position, which is a factor in rate setting for the next fiscal year.

Note 5: Treasury Loan

The 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,

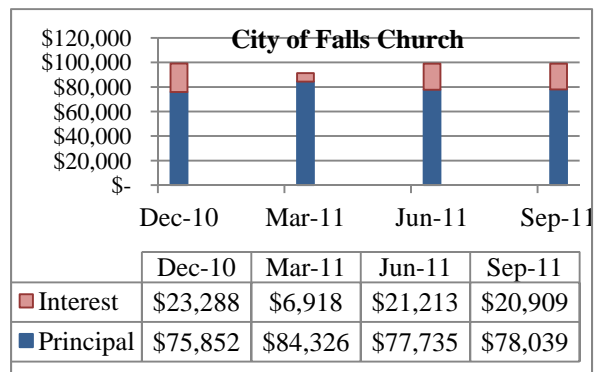
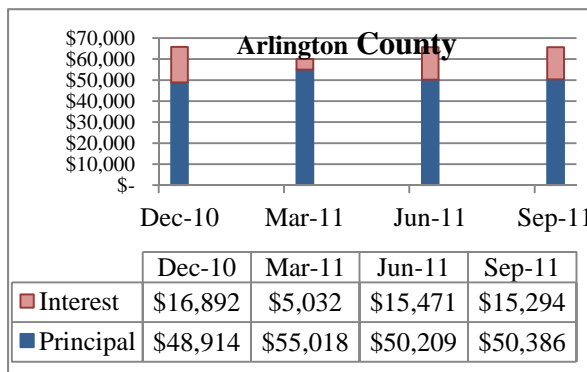
Arlington County and the City of Falls Church, Virginia to provide funding to the U.S. Army Corps of Engineers to repay the debt. Washington Aqueduct continues to pay Treasury loan on behalf of Arlington County and City of Falls Church. DC Water has fully paid their portion of the debt.

Status of Treasury Loan
as of
9/30/2011

| | Principal | | |
|-------------------------|-------------------------|-------------------------|------------------------|
| | Original | Repaid | UPB |
| DC Water | | | |
| FY 97 Note | \$ 22,171,905.63 | \$ 22,171,905.63 | \$ - |
| FY 98 Note | \$ 18,121,320.29 | \$ 18,121,320.29 | \$ - |
| FY 99 Note | \$ 16,755,201.40 | \$ 16,755,201.40 | \$ - |
| Subtotal | \$ 57,048,427.32 | \$ 57,048,427.32 | \$ - |
| Arlington County | | | |
| FY 97 Note | \$ 4,196,067.80 | \$ 4,196,067.80 | \$ - |
| FY 98 Note | \$ 3,657,819.91 | \$ 2,336,677.36 | \$ 1,321,142.55 |
| FY 99 Note | \$ 3,090,999.00 | \$ 2,248,061.43 | \$ 842,937.57 |
| Subtotal | \$ 10,944,886.71 | \$ 8,780,806.59 | \$ 2,164,080.12 |
| Falls Church | | | |
| FY 97 Note | \$ 2,558,033.22 | \$ 1,349,017.53 | \$ 1,209,015.69 |
| FY 98 Note | \$ 2,190,859.80 | \$ 1,039,502.80 | \$ 1,151,357.00 |
| FY 99 Note | \$ 2,153,799.60 | \$ 1,564,626.85 | \$ 589,172.75 |
| Subtotal | \$ 6,902,692.62 | \$ 3,953,147.18 | \$ 2,949,545.44 |
| Totals | | | |
| FY 97 Note | \$ 28,926,006.65 | \$ 27,716,990.96 | \$ 1,209,015.69 |
| FY 98 Note | \$ 23,970,000.00 | \$ 21,497,500.45 | \$ 2,472,499.55 |
| FY 99 Note | \$ 22,000,000.00 | \$ 20,567,889.68 | \$ 1,432,110.32 |
| Total | \$ 74,896,006.65 | \$ 69,782,381.09 | \$ 5,113,625.56 |

Key notes about treasury loan are:

- The outstanding principal at the end of Fiscal Year 2011 was \$5,113,625.56. This amount is shown as receivables from Arlington County and City of Falls Church, Virginia. DC Water does not have any remaining Treasury loan debt.
- The remaining debt balance is scheduled to be paid off in FY 2022. A roll-off profile is included in the financing schedule.
- Average cost of these borrowings was 2.28% in year FY 2011. This is based on credit worthiness rating of Arlington County and City of Falls Church as determined by rating agencies.
- In FY 2011, total payments of \$645,495 were made. Total principal payments were \$520,479 and there was no capitalized interest.



9/30/2011

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 | <u>\$ 11,644,640.92</u> | <u>\$ 11,494,543.05</u> | <u>\$ 413,588.92</u> | <u>\$ 4,164,218.07</u> | | | <u>\$ 27,716,990.96</u> |
| Unpaid Principal | \$ 456,027.08 | \$ 510,393.95 | \$ 20,226.08 | \$ 222,368.58 | \$ - | \$ - | \$ 1,209,015.69 |
| 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 | <u>\$ 486,209.11</u> | <u>\$ 7,371,782.56</u> | <u>\$ 6,605,121.17</u> | <u>\$ 6,542,521.49</u> | <u>\$ 491,866.12</u> | <u>\$ -</u> | <u>\$ 21,497,500.45</u> |
| Unpaid Principal | \$ 19,790.89 | \$ 337,751.44 | \$ 969,378.83 | \$ 1,057,896.51 | \$ 87,681.88 | \$ - | \$ 2,472,499.55 |
| 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 | | <u>\$ 271,114.50</u> | <u>\$ 1,923,124.21</u> | <u>\$ 7,129,650.97</u> | <u>\$ 9,714,000.00</u> | <u>\$ 1,530,000.00</u> | <u>\$ 20,567,889.68</u> |
| Unpaid Principal | | \$ 34,885.50 | \$ 274,875.79 | \$ 1,122,349.03 | \$ - | \$ - | \$ 1,432,110.32 |
| 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 | <u>\$ 12,130,850.03</u> | <u>\$ 19,137,440.11</u> | <u>\$ 8,941,834.30</u> | <u>\$ 17,836,390.53</u> | <u>\$ 10,205,866.12</u> | <u>\$ 1,530,000.00</u> | <u>\$ 69,782,381.09</u> |
| Unpaid Principal | \$ 475,817.97 | \$ 883,030.89 | \$ 1,264,480.70 | \$ 2,402,614.12 | \$ 87,681.88 | \$ - | \$ 5,113,625.56 |

Note 6: Loan Payable to DC Water

Washington Aqueduct also makes a debt service payment to DC Water. This loan covers all capital financing required for the Washington Aqueduct before treasury loan was issued. Key features of these debt service payments follow.

- The loan payment, payable to DC Water, is charged to all three customers as part of their calculated water rate. This loan is allocated as: DC Water (76%), Arlington County (15%) and the City of Falls Church (9%).
- In FY 2011, Washington Aqueduct issued \$108,800.28 monthly credit to DC Water in the water bills.
- Starting in FY 2015, only Jennings Randolph’s debt service remains in DC Water’s books. This loan is paid by DC Water to the US Army Corps of Engineers (Baltimore District) on an annual basis. This will conclude in FY 2041.
- A detailed schedule of customer allocation and monthly credit is shown below:

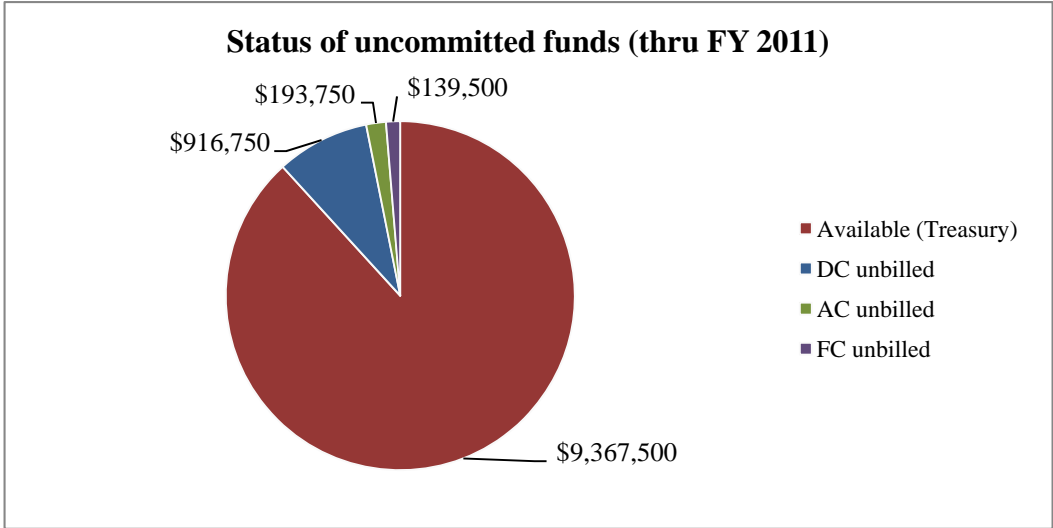
Debt Service (payable to DC Water)

| Fiscal Year | Total Debt Service | Customer Allocation | | | Monthly Credit (to DC Water) |
|-------------|--------------------|---------------------|-------------------------|----------------------------|------------------------------|
| | | DC Water 76% | Arlington County 15% | City of Falls Church 9% | |
| 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 | \$ 805,191.18 | \$ 611,945.30 | \$ 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 | \$ 669,171.85 | \$ 508,570.61 | \$ 100,375.78 | \$ 60,225.47 | \$ 55,764.32 |

Note 7: Capital Schedules

CIP Status (by Year)
(As of 9/30/2011)

| Year | Authorized | Expended | Undelivered Orders | % Obligated | Uncommitted |
|---------------|-----------------------|-----------------------|---------------------|-------------|----------------------|
| Prior | \$ 1,644,141 | \$ 1,644,141 | \$ - | 100.0% | \$ - |
| 2000 | \$ 6,300,000 | \$ 6,300,000 | \$ - | 100.0% | \$ - |
| 2001 | \$ 4,850,000 | \$ 4,850,000 | \$ - | 100.0% | \$ - |
| 2002 | \$ 7,900,000 | \$ 7,900,000 | \$ - | 100.0% | \$ - |
| 2003 | \$ 10,650,000 | \$ 10,650,000 | \$ - | 100.0% | \$ - |
| 2004 | \$ 16,400,000 | \$ 16,354,805 | \$ 45,195 | 100.0% | \$ - |
| 2005 | \$ 9,700,000 | \$ 9,043,745 | \$ 656,255 | 100.0% | \$ - |
| 2006 | \$ 11,600,000 | \$ 11,600,000 | \$ - | 100.0% | \$ - |
| 2007 | \$ 105,480,000 | \$ 105,029,158 | \$ 265,253 | 99.8% | \$ 185,589 |
| 2008 | \$ 10,000,000 | \$ 9,858,546 | \$ 90,115 | 99.5% | \$ 51,340 |
| 2009 | \$ 15,992,000 | \$ 14,704,811 | \$ 1,125,662 | 99.0% | \$ 161,527 |
| 2010 | \$ 8,250,000 | \$ 1,127,342 | \$ 6,327,675 | 90.4% | \$ 794,983 |
| 2011 | \$ 10,770,000 | \$ 571,857 | \$ 774,082 | 12.5% | \$ 9,424,061 |
| Totals | \$ 219,536,141 | \$ 199,634,406 | \$ 9,284,235 | | \$ 10,617,501 |



Capital Allocation/Authorizations

(As of 9/30/2011)

| | Authorized | | | | | | | | Total |
|--|-------------------|------------------|-------------------|--------------------|-------------------|-------------------|------------------|-------------------|-----------------------|
| | Prior | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Active projects | | | | | | | | | |
| 1a: Legal Obligations | | | | | | | | | |
| Residuals Collection and Processing Facilities | 7,567,445 | 2,565,000 | 1,000,000 | 97,380,000 | 5,992,000 | 8,092,000 | 3,125,000 | 3,000,000 | \$ 128,721,445 |
| 1b: Safe Water in a Safe Manner | | | | | | | | | |
| Hypochlorite/Caustic Soda Imps, Dalecarlia | | 88,408 | 4,400,000 | 4,225,638 | 1,865,135 | 1,960,272 | | 1,400,000 | \$ 13,939,454 |
| Hypochlorite/Caustic Soda Imps, McMillan | | | 2,300,000 | 1,400,000 | 1,243,000 | 2,039,728 | | | \$ 6,982,728 |
| Security Improvements Ph II, Dalecarlia | 550,666 | 50,000 | | | | 1,300,000 | 3,605,000 | 500,000 | \$ 6,005,666 |
| Security Improvements Ph II, McMillan | 12,492 | 185,000 | | 258,856 | | 600,000 | 1,070,000 | | \$ 2,126,348 |
| Fire Alarm System Improvements | | 11,592 | | | | | | 600,000 | \$ 611,592 |
| DPS Building Renovation (Incl Roof) | | | | | | | | 700,000 | \$ 700,000 |
| McMillan Transformer/Switchgear Building Renovation | | | | | | | | 150,000 | \$ 150,000 |
| L.F.P.S. Motor Control Upgrades | | | | | | | 200,000 | 500,000 | \$ 700,000 |
| Reservoir Maintenance & Improvements - 1st High | | | | | | | | 1,470,000 | \$ 1,470,000 |
| 2: Process Improvements and Public Confidence | | | | | | | | | |
| Georgetown Reservoir Building Improvements | | | | | | | | 300,000 | \$ 300,000 |
| 3a: Reliable Water Service | | | | | | | | | |
| Booster Pumping Station Upgrades | 668,182 | 2,105,931 | | 200,000 | 300,000 | | | | \$ 3,274,113 |
| McMillan P. S. Motor Upgrades | 15,026 | 498,568 | | 163,958 | 529,246 | 2,000,000 | | | \$ 3,206,797 |
| McMillan Chemical Building Renovations | | | | | | | | 600,000 | \$ 600,000 |
| McMillan East Shaft Pumping Station Renovation | | | | | | | | 200,000 | \$ 200,000 |
| McMillan Sample Line Replacement | | | | | | | | 200,000 | \$ 200,000 |
| Dalecarlia Sample Line Replacement | | | | | | | | 1,150,000 | \$ 1,150,000 |
| 3b: Sustain Infrastructure | | | | | | | | | |
| DPS HVAC Improvements | 668,371 | 654,016 | | 377,298 | | | 250,000 | | \$ 1,949,685 |
| Active Projects Subtotal | 9,482,182 | 6,158,515 | 7,700,000 | 104,005,750 | 9,929,381 | 15,992,000 | 8,250,000 | 10,770,000 | \$ 172,287,828 |
| Completed Projects Subtotal | 38,261,959 | 3,541,485 | 3,900,000 | 1,474,250 | 70,619 | 0 | 0 | 0 | \$ 47,248,313 |
| All Projects Total | 47,744,141 | 9,700,000 | 11,600,000 | 105,480,000 | 10,000,000 | 15,992,000 | 8,250,000 | 10,770,000 | \$ 219,536,141 |

Status of Capital Projects (Cumulative)

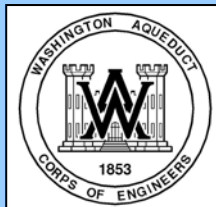
(As of 9/30/2011)

| Category | Project | Authorized | Undelivered | | | % Complete | Status | Target completion |
|--|---|-----------------------|-----------------------|---------------------|----------------------|------------|-----------------------|-------------------|
| | | | Expended | Orders | Uncommitted | | | |
| Active projects | | | | | | | | |
| 1a: Legal Obligations | | | | | | | | |
| | Residuals Collection and Processing Facilities | \$ 128,721,445 | \$ 122,990,082 | \$ 2,734,538 | \$ 2,996,825 | 96% | Construction underway | Mar 2012 |
| 1b: Safe Water in a Safe Manner | | | | | | | | |
| | Hypochlorite/Caustic Soda Imps, Dalecarlia | \$ 13,939,454 | \$ 12,937,231 | \$ 190,372 | \$ 811,851 | 93% | In closeout | Nov 2011 |
| | Hypochlorite/Caustic Soda Imps, McMillan | \$ 6,982,728 | \$ 6,902,407 | \$ 80,321 | \$ - | 99% | In closeout | Nov 2011 |
| | Security Improvements Ph II, Dalecarlia | \$ 6,005,666 | \$ 2,634,371 | \$ 2,592,657 | \$ 778,638 | 44% | Construction underway | Mar 2012 |
| | Security Improvements Ph II, McMillan | \$ 2,126,348 | \$ 834,083 | \$ 1,225,919 | \$ 66,346 | 39% | Construction underway | Mar 2012 |
| | Fire Alarm System Improvements | \$ 611,592 | \$ 11,592 | \$ - | \$ 600,000 | 2% | Planning | TBD |
| | DPS Building Renovation (Incl Roof) | \$ 700,000 | \$ - | \$ - | \$ 700,000 | 0% | Design underway | Dec 2012 |
| | McMillan Transformer/Switchgear Building Renovation | \$ 150,000 | \$ - | \$ - | \$ 150,000 | 0% | Planning | Sep 2013 |
| | L.F.P.S. Motor Control Upgrades | \$ 700,000 | \$ 54,014 | \$ 287,221 | \$ 358,765 | 8% | Design underway | Sep 2012 |
| | Reservoir Maintenance & Improvements - 1st High | \$ 1,470,000 | \$ 780 | \$ - | \$ 1,469,220 | 0% | Design underway | Apr 2013 |
| 2: Process Improvements and Public Confidence | | | | | | | | |
| | Georgetown Reservoir Building Improvements | \$ 300,000 | \$ - | \$ - | \$ 300,000 | 0% | Planning | TBD |
| 3a: Reliable Water Service | | | | | | | | |
| | Booster Pumping Station Upgrades | \$ 3,274,113 | \$ 3,134,577 | \$ 88,196 | \$ 51,340 | 98% | In closeout | Sep 2011 |
| | McMillan P. S. Motor Upgrades | \$ 3,206,797 | \$ 2,222,194 | \$ 823,076 | \$ 161,527 | 69% | Construction underway | Dec 2011 |
| | McMillan Chemical Building Renovations | \$ 600,000 | \$ 16,284 | \$ 123,483 | \$ 460,233 | 3% | Design underway | Mar 2012 |
| | McMillan East Shaft Pumping Station Renovation | \$ 200,000 | \$ - | \$ - | \$ 200,000 | 0% | Planning | Sep 2013 |
| | Dalecarlia Sample Line Replacement | \$ 1,150,000 | \$ 103,001 | \$ 136,569 | \$ 910,431 | 9% | Design underway | Dec 2012 |
| | McMillan Sample Line Replacement | \$ 200,000 | \$ - | \$ 33,262 | \$ 166,738 | 0% | Design underway | Dec 2012 |
| 3b: Sustain Infrastructure | | | | | | | | |
| | DPS HVAC Improvements | \$ 1,949,685 | \$ 625,647 | \$ 888,449 | \$ 435,589 | 38% | Construction underway | Mar 2012 |
| | Subtotal - Completed Projects | \$ 47,248,313 | \$ 47,168,142 | \$ 80,171 | \$ - | | | |
| | Subtotal - Active Projects | \$ 172,287,828 | \$ 152,466,264 | \$ 9,204,063 | \$ 10,617,501 | | | |
| Grand Total - All Projects | | \$ 219,536,141 | \$ 199,634,406 | \$ 9,284,235 | \$ 10,617,501 | | | |

Status of Capital Billing

(As of 9/30/2011)

| | DC Water | Arlington County | City of Falls Church | Total |
|---|---------------------------|---------------------------|-----------------------------|--------------------|
| Unbilled Capital Authority (as of 9/30/2010) | \$ 2,508,174.66 | \$ 520,140.93 | \$ 373,521.75 | \$ 3,401,837.34 |
| FY 2011 portion of capital authority | \$ 7,898,718.00 73.34% | \$ 1,669,350.00 15.50% | \$ 1,201,932.00 11.16% | \$ 10,770,000.00 |
| PAY GO Q1 | \$ (2,508,174.67) | \$ (520,140.93) | \$ (373,521.74) | \$ (3,401,837.34) |
| PAY GO Q2 | \$ (1,393,460.00) | \$ (294,500.00) | \$ (212,040.00) | \$ (1,900,000.00) |
| PAY GO Q3 | \$ (3,006,940.00) | \$ (635,500.00) | \$ (457,560.00) | \$ (4,100,000.00) |
| PAY GO Q4 | \$ (2,581,568.00) | \$ (545,600.00) | \$ (392,832.00) | \$ (3,520,000.00) |
| Total Billing FY 2011 | \$ (9,490,142.67) | \$ (1,995,740.93) | \$ (1,435,953.74) | \$ (12,921,837.34) |
| Unbilled Carryover Authority (as of 8/31/2011) | \$ 916,749.99 | \$ 193,750.00 | \$ 139,500.01 | \$ 1,250,000.00 |



WASHINGTON AQUEDUCT

5900 MacArthur Boulevard, NW, Washington, DC 20016

202.764.2753 • 202.764.2593 (fax)

<http://washingtonaqueduct.nab.usace.army.mil>