Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Washington Metropolitan Area Transit Authority ■ Washington, D.C.

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Carol Dillon Kissal, Chief Financial Officer

Prepared By: Office of Accounting

Stephanie Audette, Comptroller

Washington Metropolitan Area Transit Authority ■ Washington, D.C.

Vision

The Best Ride in the Nation

Mission

Provide the nation's best transit service
to our customers and
improve the quality of life in
the Washington metropolitan area

Values

Safety and Security
Professionalism
Integrity
Continuous Improvement
Respect for All

Goals

Retain and Attract the Best and Brightest
Create a Safety Culture
Deliver Quality Service
Use Every Resource Wisely
Maintain and Enhance Authority's Image

Comprehensive Annual Financial Report
Year Ended June 30, 2008

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SECTION ONE – INTRODUCTORY (Unaudited)

January 15, 2009

Chairman and Members of the Board of Directors:

We are submitting the Comprehensive Annual Financial Report (CAFR) of the Washington Metropolitan Area Transit Authority (Authority) for the fiscal year ended June 30, 2008 prepared by the Authority's Office of Accounting.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the Authority's management has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to gather sufficient reliable information for the preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

The cost of internal controls should not outweigh their benefits; consequently, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Clifton Gunderson LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the Authority's financial statements. The independent auditors' report is located at the front of the financial section of this report.

The management discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The Authority's MD&A complements this letter of transmittal and should be read in conjunction with it.

Washington
letropolitan Area
Transit Authority

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metroopensdoors.com

District of Columbia,
laryland and Virginia
Transit Partnership

Profile of the Authority

On February 20, 1967, the Authority was created by an interstate compact (the Compact) through legislation passed by the District of Columbia, the State of Maryland, the Commonwealth of Virginia and the U.S. Congress. The Authority's purpose is to plan, build, finance and operate a balanced transportation system in the National Capital area. In fulfillment of this goal, the Authority provides the region with three coordinated types of transportation services: rail (Metrorail), bus (Metrobus) and paratransit (MetroAccess).

Construction of the Metrorail system began in December 1969. Later, by February 1973, four area bus companies were acquired forming the basis for the Metrobus system. And in May 1994, MetroAccess, the paratransit service for mobility impaired passengers unable to use fixed route transit service, began operation.

On January 13, 2001, the Authority completed the original 103-mile Metrorail system with the opening of the 6.5 miles extension of the Green Line from Anacostia to Branch Avenue. And in the second quarter of fiscal year 2005, three Metrorail stations and approximately 3.2 miles of track were added to the Metrorail system resulting in a total of 86 stations and approximately 106.1 miles of track.

The Authority serves a population of approximately 3.4 million within a 1,500-square–mile area. Its transit zone consists of the District of Columbia, the suburban Maryland counties of Montgomery and Prince George's and the Northern Virginia counties of Arlington, Fairfax and Loudoun, as well as the Northern Virginia cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park.

Metrorail carries the second largest number of passengers and Metrobus carries the fifth largest number of passengers in the nation.

Organizational Structure

The Authority is governed by a board of six Directors and six Alternates, composed of two Directors and two Alternates from the states of Maryland and Virginia, and the District of Columbia. The Board of Directors (Board) determines policy for the Authority.

Subject to policy direction and delegations from the Board, the General Manager (GM) is responsible for all activities and functions of the Authority. The GM directs staff in implementing and carrying out programs and initiatives of the Authority.

Budget

The Authority's annual budget serves as the foundation for its financial planning and control. The GM and staff prepare and submit the budget to the Board for approval. The budget is divided in two broad categories: operating and capital costs.

It is the responsibility of each cost center to administer its operation in such a manner to ensure that the use of the funds is consistent with the goals and programs authorized by the Board and that approved spending levels are not exceeded.

For fiscal year 2008, the Authority had an approved budget of approximately $2.2 billion with the largest portion, $1.18 billion, including debt service, dedicated to operating the system. The budget contained approximately 11,000 authorized staff positions.

Economic Condition

Local Economy

The Authority is located in the nation's capital and therefore, its operation is influenced by the economic conditions of the Maryland and Virginia jurisdictions in the Washington metro area. The area is benefiting from increased investment in telecommunications and government spending, which enable the economy to avoid a recession. The local economic indicators are mixed. Payroll employment growth is accelerating. However, turmoil in financial markets and the rapid cooling of a once red-hot housing market are weighing heavily on growth.

The increase in federal outlays geared toward defense and life sciences is driving renewed growth in both the adjacent Maryland jurisdictions and the District of Columbia. Northern Virginia is posting stable growth, despite the significant housing correction, due to increased investment in telecommunications and government consumption.

Economic forecasters predict that the housing correction will be an obstacle to the area through the near term, but the elevated flow of the federal dollars will keep the economic engine from stalling. The presence of the federal government, a highly educated workforce, recovering housing affordability, relatively favorable population trends and strength as a distribution, technology, and life-sciences hub will enable this area to maintain above average growth with respect to its Northeast counterparts over the forecast horizon.

Long-term Financial Planning

The Authority and the local jurisdictions developed and executed a formal long-range comprehensive funding agreement for capital improvements, commonly known as "Metro Matters". This is the fifth year of the six-year $4.3 billion Metro Matter program. Metro Matters uses a pay-as-you-go funding strategy and has the following six main components:

- Infrastructure Renewal Program: including Metrorail and Metrobus maintenance and rehabilitation,
- Rail Car Program: including purchase of new rail cars, the upgrade of power and signal systems required for eight-car train operations and modifications to facilities to create additional maintenance capacity for fleet expansion,
- Bus Program: including purchase of advanced technology buses to address overcrowding, regional bus stop database, maps and stop improvements, and analysis of future service requirements,
- Security Program: including providing a continuity of operations, mainly in the form of a alternative operations control center
- System Expansion Program: including providing for future investments,
- Credit facility: including providing funds as required.

Awards and Acknowledgements

Award

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate) to the Authority for its CAFR for the fiscal year ended June 30, 2007. This is the twenty-first consecutive year that the Authority has received this prestigious award.

In order to be awarded a Certificate the Authority had to publish an easily readable and efficiently organized CAFR. The content of the CAFR had to satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for only one year. We believe that this current CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgement

The production of this report could not have been accomplished without the leadership of the Comptroller and the professional, knowledgeable and dedicated staff of the Office of Accounting. A special note of appreciation is extended to the many employees who gave their time and effort to the presentation of this CAFR. We would also like to thank the Board and the officers of the Authority for their continued support in planning and conducting the financial operations of the Authority in a creditable manner.

Respectfully submitted,

John B. Catoe, Jr.
General Manager

Carol Dillon Kissal
Chief Financial Officer

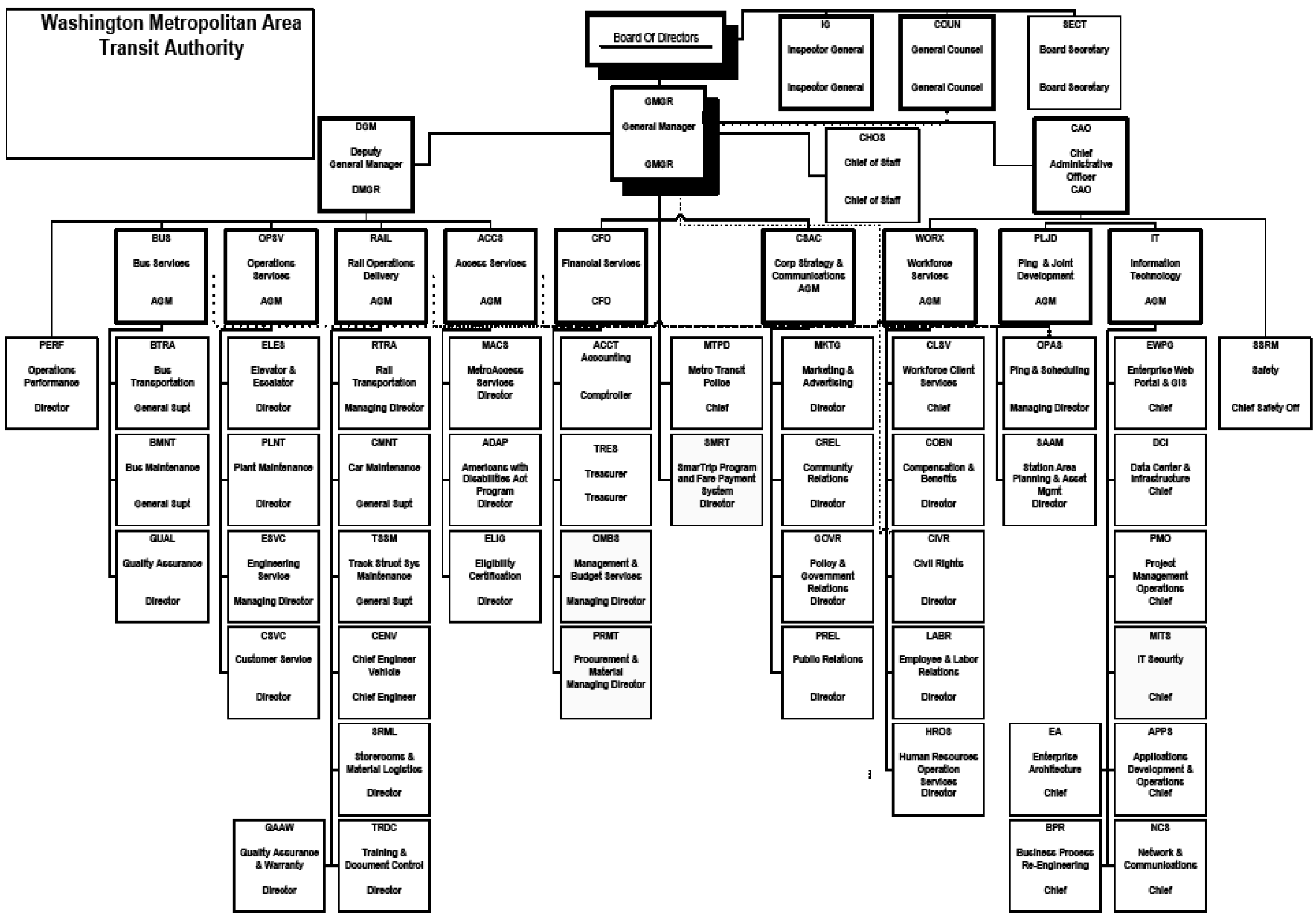
Board of Directors

Chairman	Christopher Zimmerman Virginia
Vice-Chairman	Jim Graham District of Columbia
Second Vice-Chairman	Peter Benjamin Maryland
Directors	Catherine Hudgins Virginia
	Emeka C. Moneme District of Columbia (Until July 2008)
	Neil Albert District of Columbia (Started November 2008)
	Elizabeth M. Hewlett Maryland
Alternate Directors	William D. Euille Virginia
	Jeffrey C. McKay Virginia
	Marion Barry District of Columbia
	Anthony Giancola, P.E. District of Columbia
	Gordon Linton Maryland
	Marcell Solomon Maryland

General Manager's Executive Leadership Team

General Manager	John B. Catoe, Jr.
Deputy General Manager, Chief Operating Officer	Gerald Francis
Chief of Staff	Shiva Pant
Assistant General Manager, Planning and Joint Development	Nat Bottigheimer
Assistant General Manager, Workforce Services	Andrea Burnside
Assistant General Manager, Access Services	Christian T. Kent
Assistant General Manager, and Chief Financial Officer	H. Charles Woodruff (Until July 2008)
	Carol Dillon Kissal (Started July 2008)
Assistant General Manager, Rail Operations Delivery	Dave J. Kubicek
Inspector General	Helen Lew
Chief Administrative Officer	Emeka C. Moneme (Started August 2008)
General Counsel	Carol B. O'Keeffe
Assistance General Manager, Information Technology and Information Officer	Suzanne Peck
Assistant General Manager, Operations Services	Jack Requa
Assistance General Manager, Bus Operations	Milo Victoria
Assistant General Manager, Corporate Strategy and Communication	Sara Procacci Wilson

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington Metropolitan Area Transit Authority

District of Columbia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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SECTION TWO - FINANCIAL

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors
Washington Metropolitan Area Transit Authority

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets of Washington Metropolitan Area Transit Authority (Authority) as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2007 financial statements. Those financial statements were audited by other auditors whose report dated September 28, 2007, expressed an unqualified opinion. We did not jointly audit the financial statements of the pension plans of the Authority. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for those pension plans, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, subsequent to June 30, 2008, the Authority's tax leases have been impacted by events in the financial markets. This subsequent event and its effects are not reflected in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information on pages 11 through 20 and 52 and 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The accompanying introductory section and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Calverton, Maryland
October 28, 2008

Management's Discussion and Analysis

As management of the Washington Metropolitan Area Transit Authority (Authority), we offer readers of the basic financial statements this overview and analysis of the financial activities of the Authority as of June 30, 2008, 2007 and 2006 and for the years ended June 30, 2008, 2007 and 2006. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any noteworthy changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Fiscal Year 2008 Financial Highlights

- Net assets decreased by $231.1 million or 2.8 percent due to increased capital borrowing and a decrease in the investment portfolio in support of the capital improvement program (CIP).
- Capital assets before depreciation increased by $418.2 million, largely attributable to new rail car purchases, facilities enhancements, and rail rehabilitation. Capital contributions were $240.5 million.
- Current liabilities increased by $202.0 million or 26.3 percent, largely due to the increase in the usage of commercial paper required to support the capital improvements program and an outstanding line of credit balance.
- Operating revenues increased by $65.5 million or 10.5 percent, due to an increase in ridership, and a mid-year fare increase. Special capital region events such as sporting events, the Papal Mass, as well as an increase in gas prices all contributed to the increase in revenue and ridership.
- Operating expenses increased by $197.0 million or 12.3 percent, due primarily to an increase in certain non-cash expenses, including an increase in Postemployment Benefits Other than Pensions (OPEB) due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 45; a prepaid pension cost adjustment; and depreciation and amortization. Additionally, the upsurge of the Authority's paratransit service, propulsion power usage and rising fuel costs also contributed to this increase in expenses.

Overview of the Basic Financial Statements

This required annual report consists of three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The basic financial statements also include notes that provide in more detail some of the information in the basic financial statements.

Basic Financial Statements. The Authority's basic financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to an enterprise using the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

The Authority's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Statements of Net Assets report the Authority's net assets. Net assets, the difference between assets and liabilities, are one way to measure the financial position of the Authority. This is only one measure, however, and the reader should consider other indicators, such as the rate of growth of operating subsidies, passenger fare levels, ridership, general economic conditions in the metropolitan area and the age and condition of capital assets used by the Authority.

The Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues earned and expenses incurred during the reporting periods.

The Statement of Cash Flows provide information on cash receipts and cash payments during the reporting periods.

The basic financial statements can be found on pages 21-24 of this report.

Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 26-56 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits and OPEB to its employees. Required supplementary information can be found on pages 57-58 of this report.

Financial Analysis

Statements of Net Assets

As noted earlier, net assets may serve over time as an indicator of the Authority's financial position. This is only one measure; however, the reader should consider other indicators, such as the age and condition of the Authority's three-decade system, as well as its need for increasing operating subsidies and ridership levels. The following table provides an overview of the Authority's financial position for the years ended June 30, 2008, 2007 and 2006:

Table 1
Condensed Statements of Net Assets
June 30, 2008, 2007 and 2006
(in thousands)

	2008	2007	2006
Current and other assets	$2,175,759	$2,270,758	$ 2,351,726
Capital assets	8,253,361	8,234,163	8,136,494
Total assets	10,429,120	10,504,921	10,488,220
Current liabilities	969,625	767,616	552,638
Noncurrent liabilities	1,544,510	1,591,253	1,651,760
Total liabilities	2,514,135	2,358,869	2,204,398
Net assets:			
Investment in capital assets, net of related debt	7,709,648	7,880,168	7,904,568
Restricted	205,337	265,884	379,254
Total net assets	$ 7,914,985	$ 8,146,052	$ 8,283,822

Current Year

Net assets decreased by $231.1 million or 2.8 percent due to increased capital borrowing and a decrease in the investment portfolio in support of the capital improvement program (CIP).

Management's Discussion and Analysis

Statement of Net Assets (Continued)

Current Year (Continued)

The largest portion of the Authority's net assets, $7.7 billion or 97.4 percent, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to acquire those assets. The Authority uses these capital assets to provide public transportation services for the metropolitan area. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's net assets, $205.3 million or 2.6 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets before depreciation increased by $418.2 million, largely attributable to new rail car purchases, facilities enhancements, and rail rehabilitation. Capital contributions were $240.5 million.

Current liabilities increased by $202.0 million or 26.3 percent, largely due to increase in usage of commercial paper required to support the capital improvements program and an outstanding line of credit balance.

Prior Year

Net assets decreased by $137.7 million or 1.7 percent during the current fiscal year, due to an increase in spending for capital expenditures and the method of jurisdictional funding for such capital expenditures.

The largest portion of the Authority's net assets, $7.9 billion or 96.7 percent, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to acquire those assets. The Authority uses these capital assets to provide public transportation services for the metropolitan area. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's net assets, $265.9 million or 3.3 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets increased by $97.7 million or 1.2 percent, largely attributable to bus purchases, facilities enhancements and rail rehabilitation.

Current liabilities increased by $215.0 million or 38.9 percent, mainly due to the issuance of commercial paper notes for the purpose of funding Metro Matters.

Noncurrent liabilities decreased by $60.5 million or 3.7 percent, largely due to bond repayments and decreases in outstanding lease agreement obligations.

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Assets

The following financial information was derived from the Statements of Revenues, Expenses, and Changes in Net Assets and reflects how the Authority's net assets changed during the fiscal year:

Table 2
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2008, 2007 and 2006
(in thousands)

	2008	2007	2006
OPERATING REVENUES			
Passenger revenue	$ 625,607	$ 563,356	$ 555,262
Charter and contract revenue	8,047	6,767	3,909
Advertising revenue	35,296	33,000	30,000
Rental revenue	20,451	20,777	17,108
Other revenue	1,171	1,192	1,199
Total operating revenues	690,572	625,092	607,478
NONOPERATING REVENUES			
Investment income	5,068	4,718	3,981
Interest income from leasing transactions	80,802	87,874	88,548
Other	16,328	12,281	9,413
Total nonoperating revenues	102,198	104,873	101,942
Total revenues	792,770	729,965	709,420
OPERATING EXPENSES			
Labor	571,589	573,514	536,439
Fringe benefits	415,453	302,416	271,577
Services	143,816	117,867	102,081
Materials and supplies	148,467	144,584	123,439
Utilities	84,725	72,286	67,010
Casualty and liability costs	23,445	28,223	44,688
Leases and rentals	2,349	2,925	3,999
Miscellaneous	1,211	3,452	5,205
Depreciation and amortization	412,341	361,141	306,955
Total operating expenses	1,803,396	1,606,408	1,461,393
NONOPERATING EXPENSES			
Interest expense	90,335	99,712	98,526
Total nonoperating expenses	90,335	99,712	98,526
Total expenses	1,893,731	1,706,120	1,559,919
Loss before capital grants/subsidies	(1,100,961)	(976,155)	(850,499)
Jurisdictional subsidies:			
Operations	610,001	606,031	531,618
Interest	7,654	8,983	11,926
Capital contributions	252,239	223,371	471,037
Change in net assets	(231,067)	(137,770)	164,082
Net assets, beginning of year	8,146,052	8,283,822	8,119,740
Net assets, ending of year	$ 7,914,985	$ 8,146,052	$ 8,283,822

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Assets (Continued)

Revenues

Current Year

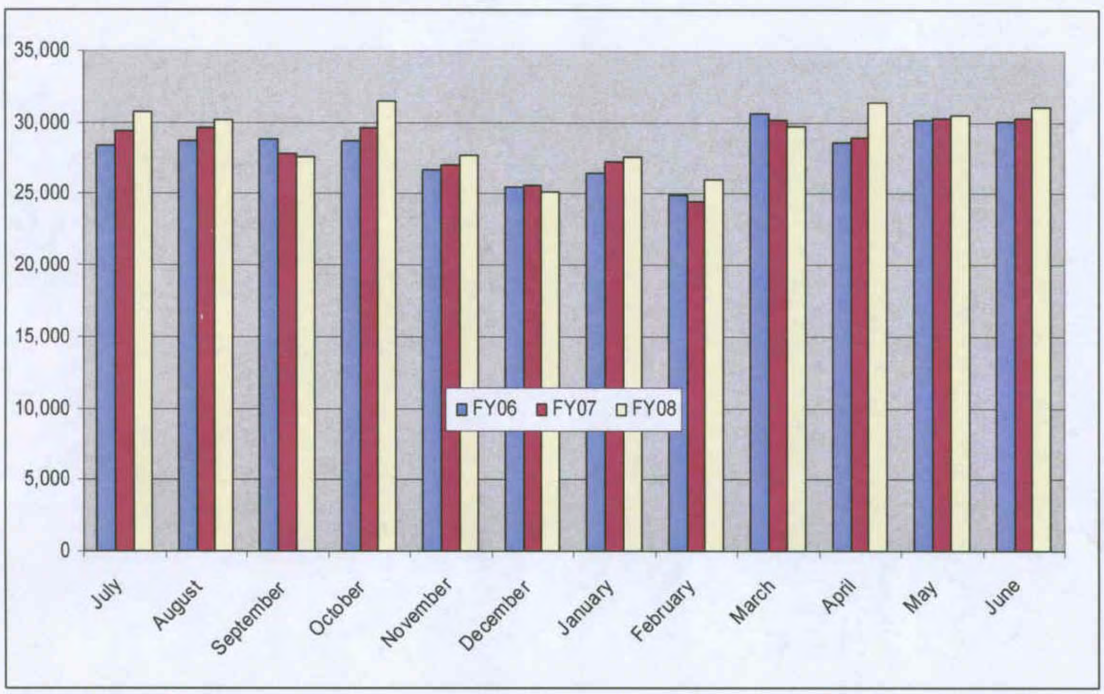
Total revenues for Fiscal Year 2008 totaled $792.8 million. Operating revenues, which include passenger revenue, totaled $690.6 million, an increase of $65.5 million or 10.5 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $62.3 million or 11.1 percent. The increase can be attributed to a mid-year fare increase as well as higher ridership, which reached record levels in Fiscal Year 2008.

Metrorail ridership climbed to a record level of over 215.0 million annual trips for an increase of 3.9 percent. Metrobus ridership grew to 132.8 million annual trips resulting in an increase of 1.0 percent. Sporting events, such as the Washington Wizards and the Washington Redskins home games, and national capital events, such as the Independence Day Celebration, the Cherry Blossom Festival, and the Papal Mass contributed to the increase in passenger revenue and ridership. Additionally, record gas prices also contributed to the increase in annual trips.

A strong regional economy and the Authority's ability to attract and retain riders contributed to higher transit usage. Passenger trips for the last three years are shown below:

Passenger Trips
(in thousands)



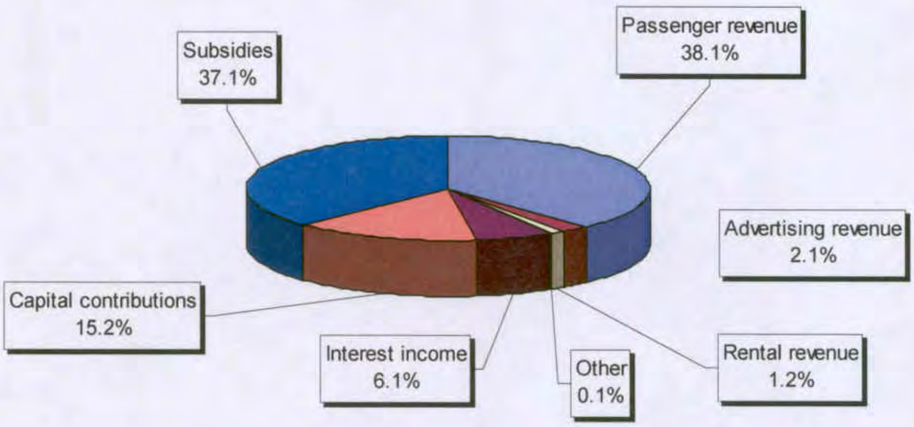
Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Assets (Continued)

Revenues (Continued)

Charter and contract revenue for rail increased by $1.3 million or 18.9 percent, primarily due to new reimbursable projects such as the yellow line to Fort Totten rail service extension, and the red line Grosvenor Turnback.

Fiscal Year 2008 Revenues



Prior Year

Total revenues for Fiscal Year 2007 totaled $730.0 million. Operating revenues, which include passenger revenue, totaled $625.1 million, an increase of $17.6 million or 2.9 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $8.1 million or 1.5 percent. The increase can be attributed to higher ridership, which reached record levels in Fiscal Year 2007.

Metrorail ridership climbed to a record level of over 207 million annual trips for an increase of 1.1 percent. Metrobus ridership grew to 131.5 million annual trips resulting in an increase of 0.5 percent. Sporting events, such as the Washington Redskins and the Washington Nationals home games, and national capital events, such as the Independence Day Celebration and the Cherry Blossom Festival, contributed to the increase in passenger revenue and ridership. Additionally, record gas prices and construction or closure of several main roadways leading into the District of Columbia also attributed to the increase in annual trips.

Charter and contract revenue for bus increased by $2.9 million or 73.1 percent, primarily due to new contracts for the DC Circulator, the yellow line to Fort Totten rail service extension, the red line Grosvenor Turnback and the Metro Extra 79 Georgia Avenue bus route.

Capital contributions to the Authority decreased by $247.7 million or 52.6 percent, primarily due to a decrease in funding for transit construction projects.

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Assets (Continued)

Expenses

Current Year

Total expenses increased by $187.6 million or 11.0 percent to $1.9 billion in Fiscal Year 2008 as compared to $1.7 billion for Fiscal Year 2007. A review of significant changes in operating expenses is described below.

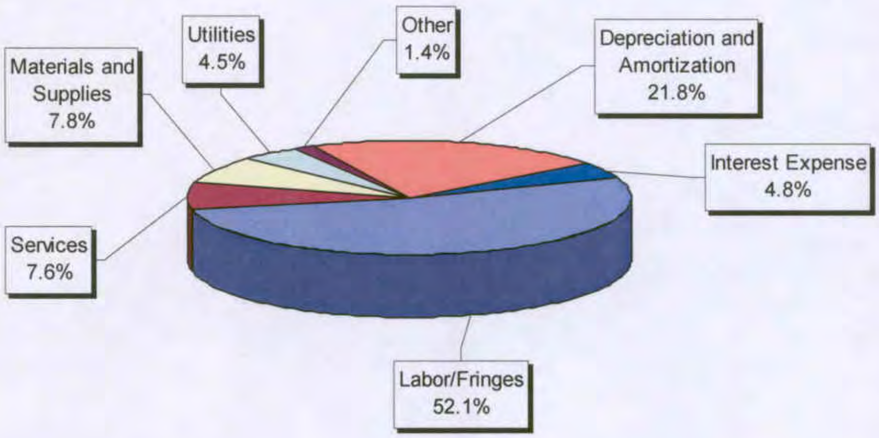
Salaries and benefits increased by $111.1 million or 12.7 percent. Salaries and benefits were driven by increased workers compensation claims, pension plan contributions, including a prepaid pension cost adjustment, and an increase in OPEB as a result of the adoption of GASB Statement 45.

Services increased by $25.9 million or 22.0 percent. Service expenses were $143.8 million as compared to Fiscal Year 2007 with costs of $117.9 million. The increase in costs was primarily driven by the increased usage of MetroAccess and transportation consultation services.

Materials and supplies increased by $3.9 million or 2.7 percent. The largest rise in expenses for materials and supplies can be attributed to purchases of bus tires and write-offs of obsolete inventory. Additionally, increased outlays for pc equipment, propulsion parts and brake parts also helped drive expenses.

Utilities increased by $12.4 million or 17.2 percent, due to increased propulsion usage to operate eight-car passenger trains and higher natural gas costs.

Fiscal Year 2008 Expenses



Statements of Revenues, Expenses, and Changes in Net Assets (Continued)

Expenses (Continued)

Prior Year

Total expenses increased by $131.7 million or 8.4 percent to $1.7 billion in Fiscal Year 2007 as compared to $1.6 billion for Fiscal Year 2006. A review of significant changes in operating expenses is described below.

Salaries and benefits increased by $67.9 million or 8.4 percent. Salaries and benefits were driven by contractual wage increases and increased levels of revenue vehicle maintenance and system enhancements. Additional Transit Police were added for general safety and security as well as for Washington sporting events, national capital events and festivals.

Services increased by $15.8 million or 15.5 percent. Service Expenses were $117.9 million as compared to Fiscal Year 2006 with costs of $102.1 million. The increase in costs was primarily driven by the increased usage of MetroAccess, SmartCard service and transportation consultation services.

Materials and supplies increased by $21.1 million or 17.1 percent. The steadily increasing cost for fuel accounted for the largest portion of this increase.

Utilities increased by $5.3 million or 7.9 percent, due to increased propulsion usage to operate eight-car passenger trains and higher natural gas costs.

Capital Assets and Debt Administration

The following table shows the capital assets of the Authority:

Table 3
Schedules of Capital Assets
June 30, 2008, 2007 and 2006
(in thousands)

	2008	2007	2006
Land	$ 448,586	$ 431,291	$ 431,291
Buildings and improvements	611,867	453,633	448,921
Transit facilities	7,365,743	7,431,297	7,126,154
Revenue vehicles	2,212,266	1,933,396	1,745,241
Other equipment	1,832,165	1,296,290	1,205,935
Construction in progress	322,826	871,245	1,033,335
Intangible costs	1,199,067	1,157,217	1,157,217
	13,992,520	13,574,369	13,148,094
Less accumulated depreciation and amortization	5,739,159	5,340,206	5,011,600
Net capital assets	$ 8,253,361	$ 8,234,163	$ 8,136,494

Management's Discussion and Analysis

Capital Assets and Debt Administration (Continued)

Capital Assets

Current Year

Net capital assets increased by $19.2 million or 0.2 percent, as described below.

Revenue vehicles increased by $278.9 million or 14.4 percent, as a result of placing new rail cars into service. In addition, costs associated with railcar rehabilitation also contributed to the increase.

Construction in progress decreased by $548.4 million or 62.9 percent, as a result of transferring a number of completed projects to transit facilities and equipment.

Additional information on the Authority's capital assets can be found in note 5 on pages 35-36 of this report.

Prior Year

Net capital assets increased by $97.7 million or 1.2 percent, as described below.

Revenue vehicles increased by $188.1 million or 10.8 percent, as a result of placing into service rail cars and clean natural gas transportation vehicles. In addition, costs associated with railcar rehabilitation also contributed to the increase.

Construction in progress decreased by $162.1 million or 15.7 percent, as a result of transferring a number of completed projects to transit facilities and equipment.

Future Capital Plans

During Fiscal Year 2008, Metro Matters funds were used for the maintenance of the Authority's infrastructure. Maintenance includes such work as replacing deteriorated or damaged track, repairing cracks and leaks in stations and tunnels, replacing obsolete communications and train control equipment, and performing general building maintenance at many WMATA facilities.

The Metro Matters Rail Cars and Facilities program will allow Metrorail to have an estimated fifty percent of its trains operating in an eight-car configuration during peak hour. To achieve these goals, WMATA is procuring 122 rail cars (6000-series), and expanding and making other necessary improvements to rail yards and maintenance facilities. By December 2008, eight-car train operations are expected to achieve a 50 percent service rate.

Bonds and Other Debt

The Authority's total outstanding bond debt as of June 30, 2008 and 2007 was $153.1 million and $178.9 million, respectively. By insuring its bonds, the Authority has obtained a AAA rating from Standard and Poor's for existing issuances. The bonds' uninsured rating is A minus.

The Authority's total outstanding Commercial Paper Notes, Series A debt as of June 30, 2008 was $330 million.

Management's Discussion and Analysis

Bonds and Other Debt (Continued)

Additional information on the Authority's bonds and other debt can be found in note 6 on pages 37-39 of this report.

Lease Obligations

Information on these transactions can be found in note 11 on pages 53-54 of this report.

Economic Factors

Employment in the Washington, D.C. metropolitan area was stable throughout the Fiscal Year performing above the national average. According to the U.S. Department of Labor, Bureau of Labor Statistics, the employed labor force was 2.9 million at June 2008, an increase of 25,000 jobs or 0.8 percent. The region benefits from a low unemployment rate of 3.9 percent at June 2008. This compares favorably with the national unemployment rate of 6.1 percent at June 2008. The region is the seat of the federal government, which accounts for more than 32.0 percent of the region's economy, according to George Mason University Center for Regional Analysis.

Requests for Information

This financial report is designed to provide interested readers with a general overview of the Authority's finances. Questions concerning this report or requests for additional financial information should be directed to the Office of Accounting, Washington Metropolitan Area Transit Authority, 600 Fifth St., NW, Washington, D.C. 20001, telephone number (202) 962-1602.

Statements of Net Assets

June 30, 2008 and 2007

(in thousands)

	2008	2007
ASSETS		
Current assets:		
Cash and deposits (note 3)	$ 13,670	$ 9,576
Investments (note 3)	232,481	280,872
Contributions receivable (note 4)	90,611	102,443
Accounts receivable and other assets (net of uncollectible accounts of $.06 million in 2008 and $.05 million in 2007)	52,814	26,676
Current portion of prefunded lease commitments (note 11)	162,925	132,264
Materials and supplies inventory (net of allowance of $10,000 in 2008 and $8,441 in 2007)	88,416	82,603
Total current assets	640,917	634,434
Noncurrent assets:		
Long-term portion of contributions receivable (note 4)	149,506	138,727
Net pension asset (note 8)	172,651	202,789
Prefunded lease commitments (notes 11 and 12)	1,212,685	1,294,808
Capital assets (note 5):		
Construction in progress	322,826	871,245
Land	448,586	431,291
Transit facilities and equipment, net	7,481,949	6,931,627
Total noncurrent assets	9,788,203	9,870,487
Total assets	10,429,120	10,504,921

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

Statements of Net Assets (Continued)

June 30, 2008 and 2007

(in thousands)

	2008	2007
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	207,168	189,227
Accrued salaries and benefits	80,996	77,920
Accrued interest payable	4,628	5,177
Deferred revenue	69,209	77,881
Current portion of estimated liability for injury and damage claims (notes 10 and 12)	39,220	34,394
Current portion of retainage on contracts (note 12)	1,847	4,508
Current portion of deferred lease revenue (note 12)	5,469	5,469
Current portion of bonds payable and other debt (notes 6 and 12)	398,163	240,776
Current portion of obligations under lease agreements (notes 11 and 12)	162,925	132,264
Total current liabilities	969,625	767,616
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 10 and 12)	72,305	62,870
Retainage on contracts (note 12)	30,292	29,729
Deferred lease revenue (note 12)	45,018	50,720
Bonds payable and other debt (notes 6 and 12)	124,963	153,126
Obligations under lease agreements (notes 11 and 12)	1,212,685	1,294,808
Unfunded OPEB Liability	59,247	-
Total noncurrent liabilities	1,544,510	1,591,253
Total liabilities	2,514,135	2,358,869
Commitments and contingencies (note 8, 9, 10 and 11)		
NET ASSETS		
Invested in capital assets, net of related debt	7,709,648	7,880,168
Restricted	205,337	265,884
Total net assets	$ 7,914,985	$ 8,146,052

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

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2008 and 2007

(in thousands)

	2008	2007
OPERATING REVENUES		
Passenger revenue	$ 625,607	$ 563,356
Charter and contract revenue	8,047	6,767
Advertising revenue	35,296	33,000
Rental revenue	20,451	20,777
Other revenue	1,171	1,192
Total operating revenues	690,572	625,092
OPERATING EXPENSES		
Labor	571,589	573,514
Fringe benefits	415,453	302,416
Services	143,816	117,867
Materials and supplies	148,467	144,584
Utilities	84,725	72,286
Casualty and liability costs	23,445	28,223
Leases and rentals	2,349	2,925
Miscellaneous	1,211	3,452
Depreciation and amortization	412,341	361,141
Total operating expenses	1,803,396	1,606,408
Operating loss	(1,112,824)	(981,316)
NONOPERATING REVENUES (EXPENSES)		
Investment income	5,068	4,718
Interest income from leasing transactions	80,802	87,874
Interest expense from leasing transactions	(80,802)	(87,874)
Interest expense	(9,533)	(11,838)
Other	16,328	12,281
Jurisdiction subsidies:		
Operations	610,001	606,031
Interest	7,654	8,983
Total nonoperating revenues (expenses), net	629,518	620,175
Loss before capital contributions	(483,306)	(361,141)
Revenue from capital contributions	252,239	223,371
Change in net assets	(231,067)	(137,770)
Total net assets, beginning of year	8,146,052	8,283,822
Total net assets, ending of year	$ 7,914,985	$ 8,146,052

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

Statement of Cash Flows

For the Years Ended June 30, 2008 and 2007

(in thousands)

	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	$ 655,763	$ 628,206
Cash paid to suppliers	(370,539)	(352,578)
Cash paid to employees	(894,580)	(866,453)
Cash paid for operating claims	(9,185)	(16,132)
Net cash used in operating activities	(618,541)	(606,957)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from jurisdictional subsidies	623,299	547,503
Net cash provided by noncapital financing activities	623,299	547,503
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets	(431,952)	(459,212)
Capital contributions	233,953	202,400
Interest paid on bonds and other debt	(10,082)	(11,558)
Principal paid on bonds and other debt	(1,186,825)	(548,865)
Proceeds from commercial paper	1,316,800	740,000
Interest subsidy for revenue bonds	7,654	8,983
Net cash used in capital and related financing activities	(70,452)	(68,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	356,875	368,881
Purchases of investments	(307,513)	(254,630)
Interest received from operational investments	20,426	16,815
Net cash provided by investing activities	69,788	131,066
Net change in cash and deposits	4,094	2,114
Cash and deposits, beginning of year	9,576	7,462
Cash and deposits, end of year	$ 13,670	$ 9,576

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

Statement of Cash Flows (Continued)

For the Years Ended June 30, 2008 and 2007

(in thousands)

	2008	2007
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$(1,112,824)	$ (981,316)
Adjustments to reconcile operating loss to net cash used in Operating activities:		
Depreciation and amortization expense	412,341	361,141
On behalf of payments by jurisdictions	-	16,392
(Increase) decrease in accounts receivables (net) and other assets	(26,138)	(5,547)
(Increase) decrease in materials and supplies inventory	(5,813)	(2,858)
(Increase) decrease in net pension asset	30,138	(16,392)
Increase (decrease) in accounts payable and accrued expenses	17,941	(14,400)
Increase (decrease) in accrued salaries and benefits	3,076	9,477
Increase (decrease) in estimated liability for injury and damage claims	14,261	12,092
Increase (decrease) in deferred revenue	(8,671)	8,661
Increase (decrease) in retainage on contracts	(2,099)	5,793
Increase (decrease) in OPEB obligation	59,247	-
Total adjustments	494,283	374,359
Net cash used in operating activities	$ (618,541)	$ (606,957)

	2008	2007
Noncash operating, investing, capital and financing activities:		
Increase (decrease) in fair value of investments	$ 528	$ (1,663)
Interest expense from leasing transaction	$ (80,802)	$ (87,874)
Interest income from leasing transaction	$ 80,802	$ 87,874

Notes to Basic Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies

(a) Organization

The Washington Metropolitan Area Transit Authority (Authority) was created, effective February 20, 1967, by the Interstate Compact (Compact) by and between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89-774, approved November 6, 1966. The Authority was created to plan, construct, finance and operate a public transit system serving the Washington Metropolitan Area Transit Zone (Zone). The Zone includes the following participating local jurisdictions: the District of Columbia; the cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park; and the counties of Arlington, Fairfax, Loudoun and Prince William in Virginia, and Montgomery, Anne Arundel, Charles and Prince George's in Maryland.

The Authority is governed by a Board of six Directors and six Alternates, composed of two Directors and two Alternates from each signatory to the Compact. The Directors and Alternates for Virginia are appointed by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the City Council from among its members and mayoral nominees; and, for Maryland, by the Washington Suburban Transit Commission from among its members.

The Board of Directors (Board) governs and sets policy for the Authority. Subject to policy direction and delegations from the Board, the General Manager is responsible for all activities of the Authority. The staff carries out these activities through the approved organizational structure of the Authority.

Based upon the provisions of GAAP, as applicable to government entities in the United States of America, management of the Authority has determined that it is a joint venture of the participating local jurisdictions.

(b) Financial Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units that may fall within the Authority's oversight and control and, as such, be included within the Authority's basic financial statements. As defined by GAAP, established by the Governmental Accounting Standards Board (GASB), a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

The relative importance of each criterion must be evaluated in light of specific circumstances. The decision to include or exclude a potential component unit is left to the professional judgment of management. Included within the Authority's financial reporting entity are the planning, development and operation of the transit facilities serving the Washington, D.C. metropolitan area which are funded from the combined resources of the U.S. Government, the State of Maryland, the Commonwealth of Virginia, the District of Columbia, the participating local jurisdictions, and the Authority's operations. The Authority does not report any component units within its financial reporting entity.

(c) Basis of Accounting

The Authority prepares its basic financial statements using the accrual basis of accounting. The activities of the Authority are similar to those of proprietary funds of local jurisdictions and, therefore, are reported in conformity with governmental accounting and financial reporting principles issued by GASB. The Authority had applied all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, issued on or before November 30, 1989 that did not conflict with or contradict GASB pronouncements. The government has elected not to follow subsequent private sector guidance.

(d) Receivables and Payables

The major components of the accounts receivable balance are payments due from governmental agencies (50.7 percent), companies (49.1 percent) and other receivables (0.2 percent).

The major components of the accounts payable balance are payments due to vendors and contractors (64.9 percent), governmental agencies (26.3 percent) and other payables (8.8 percent).

(e) Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with the Authority's principal ongoing operation. The principal operating revenues of the Authority are charges to customers for transportation which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services that have not been performed are recorded as deferred revenue.

Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, or investing activities.

Nonoperating revenues and expenses include investment income and expense from the Authority's pension assets that represents the excess or shortage of contributions over the annual required contributions.

(f) Investments

Investments are stated at fair value, which is based on quoted market prices. Investments consist primarily of advanced contributions and interest earned on such contributions. These advanced contributions are restricted for specific future capital projects.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

(g) Materials and Supplies Inventory

Materials and supplies inventory is stated at the lower of cost or market using average cost, net of an allowance for obsolete and excess inventory.

(h) Transit Facilities and Equipment

Transit facilities and equipment are stated at cost, less accumulated depreciation and amortization.

Determinations of the cost of rapid rail assets placed in service are made with the assistance of the Authority's consulting engineers. Such cost determinations are based upon the historical costs of the project provided by the Modular Input Output System (MIOS) reports. Interest expense related to construction and amounts expended in operating and testing each phase of the rail system prior to commencement of revenue-producing operations are capitalized as intangible costs.

Transit facilities and equipment in service are depreciated or amortized using the straight-line method over the estimated useful lives of the assets. The useful lives employed in computing depreciation and amortization on principal classes of transit facilities and equipment are as follows:

Buildings and improvements	20-45 years
Rail transit facilities	10-75 years
Revenue vehicles	12-35 years
Other equipment	2-20 years
Intangible costs	40 years

Capital assets include repairable assets, which are replacement parts with a unit cost of $500 or more. Other capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Any donated capital assets are recognized at their fair value on the date of donation.

The Authority's policy is to expense maintenance and repair costs as incurred.

(i) Grants

Capital grants and operating grants, such as jurisdictional, operating and interest subsidies, are recognized as revenue when all applicable eligibility requirements have been met.

The determination of the Authority's jurisdictional subsidies is based on its operating loss and nonoperating revenues, and does not include depreciation expense and OPEB expense. As a result, the Authority's change in net assets represents revenues from capital grants and subsidies, less depreciation expense.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

(j) Investment Income

Interest income is generated from the following sources: advanced contributions for capital and operating needs, construction grant funds and capital improvement grant funds. Interest from these sources is recognized when earned and is included in the Statements of Revenues, Expenses and Changes in Net Assets. Interest earned on construction grant funds is classified as restricted net assets until used for the designated capital projects at which time it is transferred to "Invested in capital assets, net of related debt."

(k) Restricted Net Assets

The Authority separates net assets that are subject to external restrictions based on individual agreements. The restrictions are established by the Authority's governing jurisdictions. These restricted net assets include advance contributions for future construction programs, reimbursable projects and other targeted programs.

(l) Fuel Price Swap Arrangement

The Authority enters into agreements to fix the price associated with the purchase of fuel for specified periods of time. These agreements enable the Authority to plan its fuel costs for the year and to protect itself against increases in the market price of fuel. These agreements are disclosed at fair value and amounts due to the Authority are included in "Accounts receivable and other assets" and amounts owed by the Authority are included in "Accounts payable and accrued expenses."

(m) Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Recent Pronouncements

The Authority, in fiscal year 2008, adopted the following GASB Statements:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, provided guidance on all aspects of other postemployerment benefits (OPEB) reported by employers. The adoption of this GASB statement had an effect on the basic financial statements of the Authority.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, established criteria for ascertaining whether certain transactions should be regarded as sales or a collateralized borrowings. This Statement also includes disclosure requirements for future revenues that are pledged or sold. The adoption of this GASB statement had no material effect on the basic financial statements of the Authority.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

(n) Recent Pronouncements (Continued)

GASB Statement No. 50, *Pension Disclosures*, provided guidance to more closely align the financial reporting requirements for pensions with those for other postemployment benefits. The adoption of this GASB statement had no material effect on the basic financial statements of the Authority.

(o) Tax Status

The Authority is not subject to federal, state, or local income taxes and accordingly, no provision for income taxes is recorded.

(p) Reclassificiations

Certain reclassifications were made to Fiscal Year 2007 financial statements to conform to the Fiscal Year 2008 financial statement presentation.

(2) Plans of Financing

The planning, development and operation of the transit facilities serving the Washington, D.C. metropolitan area are funded from the combined resources of the U.S. Government, the State of Maryland, the Commonwealth of Virginia, the District of Columbia, the participating local jurisdictions, and the Authority's operations.

The Authority's operations are funded primarily by farebox revenues from passengers and operating subsidy payments from participating jurisdictions. In establishing its budget each year, the Authority makes an estimate of the revenues it expects to receive from operation of the system based on the current or projected fare schedule and ridership. The majority of the balance of the Authority's operating budget is provided through operating subsidy payments from the participating jurisdictions.

Funding of these subsidy payments is authorized by the participating jurisdictions through their budgeting processes. Any subsequent operations funding requirements in excess of the initially budgeted estimates are due two years thereafter and are included in the accompanying basic financial statements as contributions receivable. Any excess funding is credited to individual jurisdictional accounts for refund or for use as payment on current or future obligations as determined by the funding jurisdiction.

The Authority's Capital Improvement Program (CIP) is based on the results of an extensive needs assessment and the requirement to align resources to rehabilitate the existing systems adequately and to grow ridership. The Authority's capital budget is funded by grants that use federal funds and substantial local contributions provided by participating jurisdictions, in excess of federal match requirements.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(3) Cash, Deposits and Investments

As provided in the amended Compact, any monies of the Authority may, at the discretion of the Board and subject to any agreement or covenant between the Authority and the holders of its obligations limiting or restricting classes of investments, be invested in the following:

1) Direct obligation of, or obligations guaranteed by, the United States;

2) Bonds, debentures, notes, or other evidences of indebtedness issued by agencies of the United States;

3) Domestic and Eurodollar certificates of deposit;

4) Securities that qualify as lawful investments and may be accepted as security for fiduciary, trust and public funds under the control of the United States or any officer or officers thereof or securities eligible as collateral for deposits of monies of the United States; or

5) Bonds, debentures, notes or other evidences of indebtedness issued by a domestic corporation provided that such obligations are nonconvertible and at the time of their purchase are rated in the highest rating categories by one or more nationally recognized bond rating agency.

(a) Cash and Deposits

The Authority's bank balances as of June 30, 2008 and 2007 are grouped to give an indication of the level of custodial risk assumed by the Authority as follows (in thousands):

	2008		2007	
Cash and Deposits	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured or collateralized	$ 487	$ 674	$ 604	$ 674
Deposits uninsured or uncollateralized	6,745	7,857	2,656	3,138
Total deposits	7,232	8,531	3,260	3,812
Cash on hand	6,438	-	6,316	-
Total cash and deposits	$ 13,670	$ 8,531	$ 9,576	$ 3,812

Notes to Basic Financial Statements

June 30, 2008 and 2007

(3) Cash, Deposits and Investments (Continued)

(b) Investments

As of June 30, 2008, the Authority had the following investments and maturities (in thousands):

		Investment Maturities			
Investment Type	Fair Value	Less than 6 Months	7 Months - 1 Year	1-3 Years	More than 3 Years
Money market funds	$ 19,330	$ 19,330	$ -	$ -	$ -
Repurchase agreements	161,350	161,350	-	-	-
United States treasuries	7,344	5,000	-	-	2,344
United States agencies	44,014	6,012	11,019	9,069	17,914
	232,038	191,692	11,019	9,069	20,258
Accrued interest	443	443	-	-	-
Total	$ 232,481	$ 192,135	$ 11,019	$ 9,069	$ 20,258

As of June 30, 2007, the Authority had the following investments and maturities (in thousands):

		Investment Maturities			
Investment Type	Fair Value	Less than 6 Months	7 Months - 1 Year	1-3 Years	More than 3 Years
Money market funds	$ 8,506	$ 8,506	$ -	$ -	$ -
Repurchase agreements	129,410	129,410	-	-	-
United States treasuries	12,169	4,997	-	4,987	2,185
United States agencies	129,352	39,294	37,847	26,521	25,690
	279,437	182,207	37,847	31,508	27,875
Accrued interest	1,435	1,435	-	-	-
Total	$ 280,872	$ 183,642	$ 37,847	$ 31,508	$ 27,875

Additional information on the Authority's investments can be found in note 13 on page 47 of this report.

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's practice is to structure its investment portfolio maturities to meet cash flow requirements. This results in short term maturities for investments for operations and medium/intermediate maturities for capital projects investments. On average, maturities are less than two years at June 30, 2008 and 2007.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(3) Cash, Deposits and Investments (Continued)

Credit Risk

The Authority's investments in repurchase agreements and issues of governmental agencies, which have the implicit guarantee of the United States government, were, at the time of purchase, awarded the highest rating by one or more of the nationally recognized rating organizations: Standard and Poor's, Moody's Investor Service or Fitch Ratings.

Custodial Credit Risk

In the event of failure of the counterparty, the Authority will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority is not exposed to custodial risk because all securities are in the Authority's name and held exclusively for the use of the Authority. The custodial risk, in regard to cash, is mitigated up to the FDIC limit.

(4) Contributions Receivable (including Jurisdictional Operating Subsidy)

Since inception, the Authority has operated at a loss, which has been fully subsidized each year by the participating jurisdictions. For purposes of determining the current year's operating loss to be funded by the local participating jurisdictions, the Authority calculates the results of transit operations on an agreed-upon basis different from that reflected in the Statements of Revenues, Expenses and Changes in Net Assets, as follows at June 30, 2008 and 2007 (in thousands):

	2008	2007
Jurisdictional operating subsidy per financial statements	$ 610,001	$ 606,031
Add (deduct) operating costs (not) requiring current funding:		
Preventive maintenance subsidy	(20,700)	(20,700)
Prepaid pension cost adjustment	(30,138)	-
Unrealized (loss) gain from investments	528	(1,663)
Agreed-upon funding of employee vacations liability and related taxes	(1,532)	(3,999)
Agreed-upon funding of claims for injuries and damages	(9,247)	(14,982)
Rail repairable parts	130	252
Maximum fare assistance	5,484	4,870
Fare Increase	36,200	-
Operating expenses funded by capital grants	(103,100)	(88,883)
Jurisdictional operating subsidy - funding basis	$ 487,626	$ 480,926

Notes to Basic Financial Statements

June 30, 2008 and 2007

(4) Contributions Receivable (including Jurisdictional Operating Subsidy) (Continued)

The cumulative effects of the different agreed-upon basis, which result in long-term contributions receivable, are as follows at June 30, 2008 and 2007 (in thousands):

	2008	2007
Agreed-upon funding of employee vacation liability and related taxes	$ 42,995	$ 41,463
Agreed-upon funding of claims for injuries and damages	106,511	97,264
Total accumulated difference	$ 149,506	$ 138,727

The current portion of contributions receivable at June 30, 2008 and 2007 of $90,611 and $102,443 respectively are related primarily to federal grants.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(5) Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007, was as follows (in thousands):

	June 30, 2007	Additions	Reductions	June 30, 2008
Capital assets not being depreciated:				
Land	$ 431,291	17,295	$ -	$ 448,586
Construction in progress	871,245	430,887	(979,306)	322,826
Total capital assets not being depreciated	1,302,536	448,182	(979,306)	771,412
Capital assets being depreciated:				
Buildings and improvements	453,633	158,234	-	611,867
Transit facilities	7,431,297	-	$ (65,554)	7,365,743
Revenue vehicles	1,933,396	286,040	(7,170)	2,212,266
Other equipment	1,296,290	546,637	(10,762)	1,832,165
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	110,178	41,850	-	152,028
Total capital assets being depreciated	12,271,833	1,032,761	(83,486)	13,221,108
Less accumulated depreciation and amortization for:				
Buildings and improvements	220,196	25,118	-	245,314
Transit facilities	2,185,270	132,773	-	2,318,043
Revenue vehicles	954,656	91,855	(7,170)	1,039,341
Other equipment	1,028,765	145,724	(6,631)	1,167,858
Intangible costs	951,319	17,284	-	968,603
Total accumulated depreciation and amortization of intangible costs	5,340,206	412,754	(13,801)	5,739,159
Total capital assets being depreciated, net	6,931,627	620,007	(69,685)	7,481,949
Total capital assets, net	$ 8,234,163	$1,068,189	$(1,048,991)	$ 8,253,361

Notes to Basic Financial Statements

June 30, 2008 and 2007

(5) Capital Assets (Continued)

	June 30, 2006	Additions	Reductions	June 30, 2007
Capital assets not being depreciated:				
Land	$ 431,291	$ -	$ -	$ 431,291
Construction in progress	1,033,335	345,984	(508,074)	871,245
Total capital assets not being depreciated	1,464,626	345,984	(508,074)	1,302,536
Capital assets being depreciated:				
Buildings and improvements	448,921	4,712	-	453,633
Transit facilities	7,126,154	305,143	-	7,431,297
Revenue vehicles	1,745,241	217,130	(28,975)	1,933,396
Other equipment	1,205,935	94,316	(3,961)	1,296,290
Intangible costs:				-
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	110,178	-	-	110,178
Total capital assets being depreciated	11,683,468	621,301	(32,936)	12,271,833
Less accumulated depreciation and amortization for:				
Buildings and improvements	198,685	21,511	-	220,196
Transit facilities	2,009,422	175,848	-	2,185,270
Revenue vehicles	902,617	81,014	(28,975)	954,656
Other equipment	965,969	66,757	(3,961)	1,028,765
Intangible costs:	934,907	16,412	-	951,319
Total accumulated depreciation and amortization of intangible costs	5,011,600	361,542	(32,936)	5,340,206
Total capital assets being depreciated, net	6,671,868	259,759	-	6,931,627
Total capital assets, net	$ 8,136,494	$ 605,743	$ (508,074)	$ 8,234,163

Notes to Basic Financial Statements

June 30, 2008 and 2007

(6) Bonds Payable and Other Debt

(a) Bonds Payable

Pursuant to the Compact and the Bond Resolution of the Authority, the following bonds were outstanding at June 30, 2008 and 2007 (in thousands):

	2008			2007
	Principal	Unamortized Issuance Cost Net of Premium	Net	Net
Series 1993, 5.18% dated November 1, 1993, due semi-annually through July 1, 2010	$ 32,465	$ (476)	$ 31,989	$ 41,454
Series 2003, 4.60% dated October 23, 2003, due semi-annually through July 1, 2014	98,670	5,241	103,911	114,870
Series 2003B, 4.06% dated November 20, 2003, due semi-annually through July 1, 2010	16,330	896	17,226	22,578
	$147,465	$ 5,661	$ 153,126	$ 178,902

The Authority is required to make semi-annual payments of principal and interest on each Series of Bonds. The Authority must comply with certain covenants associated with these outstanding bonds; the more significant of which are:

- The Authority must punctually pay principal and interest according to provisions in the bond document.
- Except for certain instances, the Authority cannot sell, mortgage, lease, or otherwise dispose of transit system assets without filing a certification by the General Manager and Treasurer with the Trustee and Bond Insurers that such action will not impede or restrict the operation of the transit system.
- The Authority must at all times maintain certain insurance or self-insurance covering the assets and operations of the transit system.

The Authority is in full compliance with all significant bond covenants.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(6) Bonds Payable and Other Debt (Continued)

(b) Bonds Debt Service Requirements

Debt service requirements for the bonds payable are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2009	$ 26,380	$ 6,960	$ 33,340
2010	27,815	5,520	33,335
2011	29,330	4,000	33,330
2012	24,655	2,818	27,473
2013	20,475	1,570	22,045
2014-2015	18,810	859	19,669
	147,465	21,727	169,192
Plus unamortized premium net of issuance cost	5,661	-	5,661
	$153,126	$21,727	$174,853

(c) Refunding of Debt

On November 30, 1993, the Authority issued $334,015,000 of Series 1993 Gross Revenue Transit Refunding Bonds, with an average interest rate of 5.2 percent, to refund $332,333,000 of outstanding A, B, C, D, and E Series Transit Bonds. The federal government provided the Authority with the funds necessary to redeem the remaining $664,667,000 of such bonds. As a result, the outstanding A, B, C, D, and E Series Transit Bonds were retired.

On October 23, 2003, the Authority issued $163,495,000 of Series 2003 Gross Revenue Transit Refunding Bonds, with an average interest rate of 4.6 percent, to refund $168,490,000, the callable amount of outstanding Series 1993 Gross Revenue Transit Refunding Bonds.

On November 20, 2003, the Authority issued $35,640,000 of Series 2003B Gross Revenue Transit Bonds, with an average interest rate of 4.1 percent, to accelerate the Authority's Vertical Transportation Modernization Program and other capital projects.

The Authority refunded the A, B, C, D and E Series Transit Bonds to reduce its total debt service payments over the next 20 years by approximately $288,000,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $4,700,000. The Authority partially refunded the Series 1993 Gross Revenue Transit Refunding Bonds to reduce its total debt service payments over the next 10 years by approximately $13,000,000 and to obtain an economic gain of approximately $1,697,000. As of June 30, 2008 and 2007, the unamortized cost of refunding the bonds was $2,510,000 and $2,981,000, respectively. This unamortized cost relates primarily to the call premium on the Series E Transit Bond, and the Series 1993 Gross Revenue Transit Refunding Bonds, which are being amortized over the life of the outstanding bonds.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(6) Bonds Payable and Other Debt (Continued)

(d) Commercial Paper Notes Payable, Series A

Pursuant to the Compact and the Note resolution of the Authority, Commercial Paper Notes, (Series A) were issued during Fiscal Year 2008. The Series A Notes activity for the year ended June 30, 2008 was as follows (amounts in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
Commercial Paper Notes, Series A	$215,000	$1,276,800	$1,161,800	$330,000

The Series A Notes are authorized to be issued and reissued from time to time in denominations of any integral multiple of $5,000 equal to, or, in excess of $100,000 and to mature no later than 270 days from the respective dates of issuance. The maximum principal amount of Series A Notes currently authorized to be outstanding at any time is $330,000,000. The principal and redemption price of and interest on the Series A Notes are special obligations of the Authority payable solely from and secured solely by the funds pledged pursuant to the Note Resolution including the proceeds of sale of Series A Notes and Gross Revenues of the Authority. Such pledge of Gross Revenues is subject and subordinate to pledges securing certain outstanding and future indebtedness of the Authority. The Series A Notes are further secured by an irrevocable direct pay letter of credit issued by a major national bank. The issuance of Series A Notes does not constitute a debt or legal obligation and will not create a lien upon the revenues of the participating jurisdictions or the Federal Government or Federal Government agencies.

(e) Letter of Credit

Pursuant to the Compact and the Letter of Credit Resolution of the Authority, a 364 day Letter of Credit for $100,000,000 was secured during fiscal year 2008. The note is due and payable in consecutive monthly payments of accrued interest only commencing on June 1, 2008. All principal and accrued interest, computed based on the London Interbank Offered Rate (LIBOR), will be due and payable 364 days from the date of the note. The LIBOR rate at June 30, 2008 was 2.46 percent.

For the year ending June 30, 2008, the outstanding debt on the Letter of Credit was $40,000,000.

(f) Interest Expense

Interest expense on bonds for the years ended June 30, 2008 and 2007 was $7,654,000 and $8,983,000.

Interest expense on the Series A Notes for the year ended June 30, 2008 was $7,763,000 and $5,884,000 was capitalized.

The interest expense for the Letter of Credit was $46,000.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(7) Termination Benefits

The General Manager may authorize a general reduction, in the work force, which is accomplished by a reduction in positions and may result in the termination of personnel. This course of action is approved by the Authority's Board of Directors and outlined in the Authority's Personnel Policies and Procedures Manual which details the basis for severance pay to be made to employees subject to a reduction-in-force. On June 30, 2008, the financial statements of the Authority contained a liability and expense of $744,080 representing benefits to be paid to employees affected by a reduction-in-force implemented in the fiscal year ended June 30, 2008.

(8) Pension Plans

The Authority is the administrator of five defined benefit, single-employer retirement plans covering substantially all of its employees: Salaried Personnel, Transit Police, Union Local 689, Union Local 922 and Union Local 2. Each plan issues an available financial report which may be obtained by writing or calling the plan administrator.

WMATA Retirement Plan
c/o WMATA, HRMP, Benefits Branch
600 Fifth Street, N.W.
Washington, D.C. 20001
(202) 962-1076

WMATA Transit Employees' Retirement Plan
c/o WMATA, HRMP, Benefits Branch
600 Fifth Street, N.W.
Washington, D.C. 20001
(202) 962-1076

WMATA Transit Police Retirement Plan
c/o WMATA, HRMP, Benefits Branch
600 Fifth Street, N.W.
Washington, D.C. 20001
(202) 962-1076

WMATA Local 922 Retirement Plan
c/o WMATA, HRMP, Benefit Branch
600 Fifth Street, N.W.
Washington, D.C. 20001
(202) 962-1076

WMATA Local 2 Retirement Plan
c/o WMATA, HRMP, Benefit Branch
600 Fifth Street, N.W.
Washington, D.C. 20001
(202) 962-1076

(a) Plan Descriptions

(i) Salaried Personnel Plan

All full-time regular management and non-union employees hired prior to January 1, 1999, certain Transit Police Officials and Special Police Officers represented by Teamsters Union Local 639 are eligible to participate in the Salaried Personnel Plan. The plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement age is 65, and such retirees are entitled to annual retirement benefits equal to 1.6 percent of final average compensation multiplied by years of credited services, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

(i) Salaried Personnel Plan (Continued)

retirement, and provides for benefits in the event of death, disability and terminated employment. The Authority contributes the total cost of the plan. The vesting requirement was five years.

(ii) Transit Police Plan

Transit Police Officers and Transit Police Officials of the Authority are eligible to participate in the Transit Police Plan. The plan is governed by the terms of the employees' collective bargaining agreement. The normal retirement age is upon completing 25 years of credited service, but in no event later than the attainment of age 65. The normal retirement benefit is 2.56 percent of final average earnings multiplied by years of credited service. The resulting benefit, if paid following the participant's 66th birthday, will be reduced by 0.5 percent of final average earnings for each year of credited service. Additionally, a Deferred Retirement Option Program (DROP) was instituted and remained in effect until September 30, 2007. Employees are required to contribute 7.27 percent of compensation beginning October 1, 2003. The Authority is responsible for contributions required in excess of the employee contribution level. The Authority may limit the amount of contribution to 17.05 percent of gross earnings in any plan year and defer any balance. This deferral can be for no more than three consecutive plan years or for no more than four plan years out of any consecutive seven years. The benefit provisions and employee contribution obligations are established pursuant to a collective bargaining agreement between the Authority and the Fraternal Order of Police. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated employment disability benefits. The vesting requirement is 10 years.

(iii) Union Local 689 Plan

Any regular full-time or part-time Authority employee, who is a member of Union Local 689 of the Amalgamated Transit Union (Local 689), after a 90-day probationary period is eligible to participate in the Union Local 689 Plan. The plan is governed by the terms of the employees' collective bargaining agreement. Employees are eligible for the normal retirement allowance upon either attainment of age 70; attainment of age 65 and the completion of 10 years of continuous service; upon completion of 27 years of continuous service regardless of age; or after the sum of years of service plus attained age is 83 or more. The normal retirement monthly pension is 1.85 percent of the highest 4-year average monthly total compensation times the number of years of continuous service up to 27 years; plus 1.95 percent of average compensation time continuous service in excess of 27 years of service. The minimum benefit is $600 monthly. The Authority contributes the total cost of the plan. For each fiscal year, the Authority shall contribute that percentage of total covered payroll determined necessary to pay the normal cost of the plan as determined by the plan actuary. The plan also provides early retirement, disability and pre-retirement spouse death benefits. The vesting requirement is 10 years.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

(iv) Union Local 922 Plan

All regular full-time and part-time employees, who are members of Union Local 922, after a 90-day probationary period, are eligible to participate in the Union Local 922 Plan. The plan is governed by the terms of the employees' collective bargaining agreement. Employees are eligible for the normal pension benefits after attaining age 65 and 10 years of service; upon completion of 27 years of service regardless of age; or after the sum of years of service plus attained age is not less than 83. The normal retirement monthly pension is the sum of 1.0 percent for years of service prior to May 1, 1973 plus 1.85 percent for years of service after May 1, 1973 of the highest 4-year average earnings with a minimum benefit of $175 monthly. The plan provides retired participants annual cost-of-living increases, permits early retirement, and provides for benefits in the event of death, disability and terminated employment. The Authority contributes that amount required to fund the normal cost of the plan plus an additional amount necessary to amortize the unfunded actuarial accrued liability as required by the collective bargaining agreement between the Authority and Union Local 922. The vesting requirement is 10 years.

(v) Union Local 2 Plan

All full-time employees covered by the Union Local 2 bargaining agreement hired prior to January 1, 1999 are eligible to participate in the Local 2 Plan. The plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement age is 65, and such retirees are entitled to annual retirement benefits equal to 1.6 percent of final average compensation multiplied by years of credited services, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability, and terminated employment. The Authority contributes the total cost of the plan. The vesting requirement is 5 years.

(b) Funding Status and Annual Pension Cost

(i) Salaried Personnel Plan

The Salaried Personnel Plan's funding policy, as approved by the Board of Directors, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarial cost method is the individual entry age normal method of funding . The surplus at July 1, 2003 is amortized over 15 years. Any subsequent changes in the unfunded actuarial accrued liability due to changes in plan benefits, actuarial methods, actuarial assumptions, or actuarial gains and losses are amortized over a 15-year period from the date of the change.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

(ii) Transit Police Plan

The Transit Police Plan's funding policy, as set forth in the collective bargaining agreement, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the current year's normal cost. The percentage of payroll that the Authority contributes is actuarially determined using the aggregate cost funding method.

(iii) Union Local 689 Plan

The Union Local 689 Plan's funding policy, as set forth in the collective bargaining agreement, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the normal cost of the plan. The actuarial funding method used to compute the contribution requirements is the aggregate cost method.

(iv) Union Local 922 Plan

The Union Local 922 Plan's funding policy, as set forth in the collective bargaining agreement, provides for periodic contributions, expressed both in dollar amounts and as a percentage of covered payroll, sufficient to cover normal costs and amortize any unfunded actuarial accrued liability over the 30-year period that began on the valuation date. The actuarial method used to compute the contribution requirements is the projected unit credit method.

(v) Union Local 2 Plan

The Union Local 2 Plan's funding policy, as approved by the Board of Directors, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarial cost method is the individual entry age normal method of funding. The surplus at July 1, 2003 is amortized over 15 years. Any subsequent changes in the unfunded actuarial accrued liability due to changes in plan benefits, actuarial methods, actuarial assumptions, or actuarial gains and losses are amortized over a 15-year period from the date of the change.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

(vi) The Authority's annual pension cost (APC) and related assumptions for the current year follows (dollars in thousands):

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan
Contribution rates:*					
Authority	31.8%	21.3%	4.2%	15.6%	17.2%
Employees (Plan Members)	0.0%	7.3%	0.0%	0.0%	0.0%
Annual pension cost	$ 11,327	$ 5,441	$ 26,524	$ 3,495	$ 4,037
Contributions made:					
Authority	$ 11,327	$ 5,441	$ 23,011	$ 3,590	$ 4,037
Actuarial valuation date	7/1/2007	1/1/2007	1/1/2007	1/1/2007	7/1/2007
Actuarial cost method	Individual entry age	Aggregate cost	Aggregate cost	Projected unit credit	Individual entry age
Amortization method	Level dollar	N/A	N/A	Level dollar	Level dollar
Amortization period	15 years	N/A	N/A	30 years	15 years
Remaining amortization period	Open	N/A	N/A	Open	Open
Asset valuation method	Smoothed market value	Smoothed market value	3-yr assumed yield	Acturial value of assets	Smoothed market value
Actuarial assumptions:					
Investment rate of return	8.0%	8.0%	8.0%	7.0%	8.0%
Projected salary increases	3.5-8.0%	4.75-9%	3.5%	4.5%	3.5-8.0%
Post-retirement benefit	3.5%	up to 6%	3.0%	4.0%	3.5%
Inflation rate	2.5%	2.5%	3.0%	3.0%	2.5%

*As a percentage of covered payroll

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

The significant components of the APC and changes in the net pension obligation (asset) are as follows (in thousands):

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan
	7/1/2007	1/1/2007	1/1/2007	1/1/2007	7/1/2007
Net pension assets beginning of year	$ (1,145)	$ -	$ (198,249)	$ (3,029)	$ (366)
Annual required contribution	11,327	5,441	18,724	3,495	4,037
Interest on net pension assets	-	-	(13,642)	-	-
Adjustment to annual required contribution	-	-	21,442	-	-
Annual pension cost (income)	11,327	5,441	26,524	3,495	4,037
Net pension obligations (assets) before contributions	10,182	5,441	(171,725)	466	3,671
Adjustments to beginning balance	(1,015)	-	27,726	-	9
Contributions made	(11,327)	(5,441)	(23,011)	(3,590)	(4,037)
Net pension assets end of year	$ (2,160)	$ -	$ (167,010)	$ (3,124)	$ (357)
	7/1/2006	1/1/2006	1/1/2006	1/1/2006	7/1/2006
Net pension assets beginning of year	$ -	$ -	$ (183,564)	$ (2,833)	$ -
Annual required contribution	10,373	5,098	6,001	3,377	3,035
Interest on net pension assets	(179)	-	(14,685)	(220)	(30)
Adjustment to annual required contribution	262	-	-	237	43
Annual pension cost (income)	10,456	5,098	(8,684)	3,394	3,048
Net pension obligations (assets) before contributions	10,456	5,098	(192,248)	561	3,048
Adjustments to beginning balance	(2,243)	-	-	(315)	(370)
Contributions made	(9,358)	(5,098)	(6,001)	(3,275)	(3,044)
Net pension assets end of year	$ (1,145)	$ -	$ (198,249)	$ (3,029)	$ (366)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

(c) Trend Information

A summary of trend information for each plan follows (dollars in thousands):

	Fiscal Year Ended	Annual Pension Cost (Income)	Percentage of APC Contribution	Net Pension Asset
Salaried Personnel Plan	7/01/07	$ 11,327	100.0%	$ (2,160)
	7/01/06	$ 10,456	89.5%	$ (1,145)
	7/01/05	$ 9,156	100.0%	$ -
Transit Police Plan	1/01/07	$ 5,441	100.0%	$ -
	1/01/06	$ 5,098	100.0%	$ -
	1/01/05	$ 5,427	100.0%	$ -
Union Local 689	1/01/07	$ 26,524	87.0%	$ (167,010)
	1/01/06	$ (8,684)	N/A	$ (198,249)
	1/01/05	$ 14,483	N/A	$ (183,564)
Union Local 922	1/01/07	$ 3,495	102.7%	$ (3,124)
	1/01/06	$ 3,394	96.5%	$ (3,029)
	1/01/05	$ 3,228	99.0%	$ (2,833)
Union Local 2	7/01/07	$ 4,037	100.0%	$ (367)
	7/01/06	$ 3,048	100.0%	$ (366)
	7/01/05	$ 3,065	100.0%	$ -

Schedules related to the funded status of the pension plans included in this footnote are located in the Required Supplementary Information located on pages 49 and 50 of these financial statements.

(d) Defined Contribution Retirement Plan

The Authority offers a defined contribution retirement plan, Washington Metropolitan Area Transit Authority Defined Contribution Retirement Plan and Trust, for salaried employees under the terms of the Internal Revenue Code 401(a). The 401(a) plan, adopted on December 10, 1998 for employees hired on or after January 1, 1999, provides for the Authority to contribute an amount equivalent to 4 percent of the employee's base salary into a trust. The employee is not required to make contributions into the 401(a) plan; however, if the employee contributes up to 3 percent of base salary to the 457 Deferred Compensation plan, the Authority will contribute an additional amount of up to 3 percent to the 401(a) plan to equal the employee's contribution to the 457 plan. Employees are 100 percent vested after three years of service. A year of vesting is 1,000 hours of service in a calendar year. There is no interim vesting. Accrued 401(a) benefits will be paid to the employee (or rolled over) upon leaving Authority employment any time after full vesting. The provisions of the plan can be amended by the Board of Directors. This right to amend the plan is subject to the condition that all of the plan assets be used exclusively for the benefit of the participants, retired participants and their beneficiaries under the plan.

The Authority contributed $3,697,000 and $3,209,600 for the years ended June 30, 2008 and 2007, respectively.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(8) Pension Plans (Continued)

(e) Deferred Compensation

The Authority offers a deferred compensation plan for salaried employees under the terms of the Internal Revenue Section 457(g). Under the 457 plan, employees are permitted to defer up to 100 percent of salary not to exceed $15,500 annually on a pre-tax basis. Deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority does not match employees' contributions to the 457 plan.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(9) Postemployment Benefits Other than Pensions (OPEB)

Plan Descriptions

The Authority contributes to four single-employer defined benefit healthcare plans: Union Local 689, Union Local 2, Transit Police and Non-represented. Each plan provides healthcare, prescription drug and life insurance benefits to retirees and their dependents.

The Union Local 689, Union Local 2, and Transit Police plans are governed by the terms of the employees' collective bargaining agreements. The Non-represented plan is governed by the Authority's Board of Directors.

Funding policy and Annual OPEB Cost

For the Union Local 689, Union Local 2, and Transit Police plans, contribution requirements of the plan members and the Authority are established and may be amended through negotiation between the Authority and the unions. For the Non-represented plan, the Board of Directors established and may amend the contribution requirements for the plan members and the Authority.

The Authority's OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

	Union Local 689	Union Local 2	Transit Police	Non-Represented
Contributions rates				
Authority	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Employees (Plan Members)	N/A	N/A	N/A	N/A
Annual required contribution	$ 67,894	$ 7,333	$ 2,499	$ 15,348
Interest on net OPEB obligation	-	-	-	-
Adjustment to annual required contribution	-	-	-	-
Annual OPEB cost	$ 67,894	$ 7,333	$ 2,499	$ 15,348
Contribution made	(28,598)	(1,504)	(102)	(3,623)
Increase in net OPEB obligation	39,296	5,829	2,397	11,725
Net OPEB obligation - beginning of year	-	-	-	-
Net OPEB obligation - end of year	$ 39,296	$ 5,829	$ 2,397	$ 11,725

Notes to Basic Financial Statements

June 30, 2008 and 2007

(9) Postemployment Benefits Other than Pensions (OPEB) (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations for Fiscal Year 2008 for each of the plans were as follows (dollar amounts in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Union Local 689	6/30/2008	$ 67,894	42.1%	$ 39,296
Union Local 2	6/30/2008	$ 7,333	20.5%	$ 5,829
Transit Police	6/30/2008	$ 2,499	4.1%	$ 2,397
Non-Represented	6/30/2008	$ 15,348	23.6%	$ 11,725

Funded Status and Funding Progress. The funded status of the OPEB plans, as of June 30, 2008, was as follows (dollar amounts in thousands):

	Union Local 689	Union Local 2	Transit Police	Non-Represented	Total
Actuarial accrued liability (a)	$ 975,740	$ 97,425	$ 32,128	$ 225,066	$ 1,330,359
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 975,740	$ 97,425	$ 32,128	$ 225,066	$ 1,330,359
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	N/A	N/A	N/A	N/A	$ 663,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll {(a)-(b)}/ (c)	N/A	N/A	N/A	N/A	200.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time

Notes to Basic Financial Statements

June 30, 2008 and 2007

(9) Postemployment Benefits Other than Pensions (OPEB) (Continued)

relative to the financial accrued liabilities for benefits. The Authority's first OPEB actuarial valuation was performed for Fiscal Year 2008, therefore the schedule of funding progress reflects only one year.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits in force at the valuation date and pattern of sharing benefits costs between the Authority and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The Authority's significant methods and assumptions were as follows:

	Union Local 689	Union Local 2	Transit Police	Non-Represented
Actuarial valuation date	7/1/2007	7/1/2007	7/1/2007	7/1/2007
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	Open	Open	Open	Open
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Discount Rate	4.0%	4.0%	4.0%	4.0%
Projected salary increases	4.5%	4.5%	4.5%	4.5%

Defined Contribution Plans

The Authority contributes to two cost-sharing multiple-employer defined contribution healthcare plans: Union Local 922 and Union Local 639. Each plan provides healthcare, prescription drug and life insurance benefits to retirees and their dependents.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(9) Postemployment Benefits Other than Pensions (OPEB) (Continued)

Union Local 922 Plan

Effective November 1, 2005, the Authority, contributed to the 922/Employees Health Trust on behalf of each employees on its payroll covered by the Union Local 922 agreement and each retiree, a monthly contribution of $750. The Health Trust determines the extent of any employee and retiree contributions necessary to fund the remaining cost of the benefits. The Authority contributed $4,381,200 for the year ended June 30, 2008.

Union Local 639 (Metro Special Police)

The Authority contributes, to the Teamsters Local 639 Employers' Health Trust on behalf of each active employee covered by the Union Local 639 agreement, a monthly contribution of $653.25. The Authority contributed $271,800 for the year ended June 30, 2008.

(10) Commitments and Contingencies

(a) Litigation and Claims

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The Authority has a self-insurance program for third-party public liability and property damage up to $5,000,000 per occurrence. The Authority purchases commercial insurance for liabilities exceeding the self-insurance limits up to a maximum of $100,000,000 per occurrence. Additionally, the Authority has a wholly self-insured program for workers' compensation. Settled claims have not exceeded this commercial coverage during any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. When a claim is either made against the Authority or when there is a sufficient reason to believe an incident has resulted in bodily injury or property damage for which the Authority may be liable, a dollar amount is reserved for that claim. Management calculates the "potential worth" of each claim and adjusts the reserves as the claim develops. Liabilities include an amount for losses that have been incurred but not reported.

Changes in the estimated liability for the years ended June 30, 2008 and 2007 are as follows (in thousands):

	2008	2007
Estimated liability for injury and damage claims, beginning of year	$ 97,264	$ 85,172
Incurred new claims	23,826	42,383
Changes in estimate for claims of prior periods	18,191	(10,637)
Payments on claims	(27,756)	(19,654)
Estimated liability for injury and damage claims, end of year	$ 111,525	$ 97,264
Due within one year	$ 39,220	$ 34,394

Notes to Basic Financial Statements

June 30, 2008 and 2007

(10) Commitments and Contingencies (Continued)

(a) Litigation and Claims (Continued)

The Authority is a party to a number of claims arising from the construction of the transit system. These matters principally relate to contractor claims for additional compensation in excess of the original contract price. In the opinion of management, including its General Counsel, the ultimate resolution of these matters will not have a material effect on the Authority's financial position and results of operations.

(b) Leasing Commitment

In September 1999, the Authority entered into a 10-year operating lease for office space. The terms of the lease set forth scheduled rent increases to occur annually. Lease payments for years ended June 30, 2008 and 2007 are $727,000 and $706,000, respectively.

The Authority's minimum lease payments as of June 30, 2008 are as follows (in thousands):

Fiscal Year	Total
2009	$ 749
2010	189
	$ 938

In August 2008, the Authority entered into an agreement with Prince George Center I, Inc. to lease approximately 40,000 square feet of office space in Hyattsville, Maryland. The 10-year, $10 million lease will begin April 1, 2009.

(c) Fuel Price Swap Agreement

The Authority entered into fuel price swap agreements to plan its fuel costs for the year and to protect itself against increases in the market price of fuel. The Authority executed six swap agreements with an effective date of July 01, 2007 and maturity dates not to extend beyond June 30, 2008. The fuel price swap agreement resulted in a savings of $3,288,185, for year ended June 30, 2008, with an additional calculated savings receivable of $3,017,624.

(d) Other

Construction and capital improvement costs are funded by federal grants, local matching funds, and third party agreements. As of June 30, 2008, the Authority is committed to expend approximately $144,369,400 (unaudited) on future construction, capital improvement and other miscellaneous projects. The federal funding is subject to audit by the U.S. Government, in the opinion of management, disallowed costs if any, will not have a material effect on the financial position of the Authority.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(11) Leasing Transactions

During fiscal year 1999, the Authority entered into 13 transactions to lease 680 rail cars to 13 equity investors (the "headlease") and simultaneously subleased the rail cars back (the "sublease"). Trusts were created coincident to these transactions to serve as the lessee/sublessor. Under the headlease agreements, the Authority retains the right to use the rail cars and is also responsible for their continued maintenance and insurance.

During fiscal year 2003, the Authority entered into two additional transactions to lease 78 rail cars. These transactions resulted in a net payment to the Authority in fiscal year 2003 of approximately $8,700,000, which will be amortized over the life of the lease. Subsequent to the execution of the fiscal year 2003 leases, $1,000,000 of the proceeds was reserved to cover any potential liabilities, in the event that the Authority is required to obtain a new lender.

In August 2003, the Authority entered into a lease transaction for 48 rail cars. This transaction resulted in a net payment to the Authority of approximately $10,000,000, which was recorded as deferred lease revenue and will be amortized over the life of the lease. Of this amount, $500,000 was reserved for any contingencies.

The Authority's sublease arrangements have been recorded similar to a capital lease arrangement in that the present value of the future lease payments have been recognized on the Statements of Net Assets as obligations under lease agreements.

At closing, the rail cars for fiscal year 1999 leases had a fair value of approximately $1,200,000,000 and a net book value of approximately $226,301,000. The rail cars for fiscal year 2003 leases had a fair value of approximately $194,100,000 and a net book value of approximately $66,834,000. The rail cars for the fiscal year 2004 lease had a fair value of $130,780,000 and a net book value of approximately $78,800,000.

As part of the headlease agreements, the Authority received prepayments equivalent to the net present value of the headlease obligations. The Authority transferred a portion of these proceeds to third party lenders/undertakers in accordance with the terms of debt and equity payment undertaking agreements. These agreements constitute commitments by the debt and equity payment undertakers to pay the Authority's sublease and buy-out options under the terms of the subleases. The debt and equity payment undertakers' performance under the agreement is guaranteed by their parent company. As the debt and equity payment undertaking agreements have been structured to meet all future obligations under the sublease, the Authority has recorded the amounts held by the payment undertakers as a prefunded lease commitment on the Statements of Net Assets.

The obligation under lease agreements and the prefunded lease commitment are adjusted annually to reflect the change in the net present value of the related sublease and buy-out options.

The excess of the prepayments received over the prepayment paid to the lease payment undertakers was recorded as deferred lease revenue and will be recognized by the Authority over the life of the lease.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(11) Leasing Transactions (Continued)

The following table sets forth the aggregate amounts due under the sublease agreements (in thousands):

Future minimum payments due:	
2009	$ 162,925
2010	127,917
2011	152,778
2012	146,733
2013	117,690
2014-2018	867,675
2019-2023	290,352
2024-2028	127,989
2029-2031	69,359
Total future minimum payments	2,063,418
Less imputed interest	687,808
Present value of minimum lease payments	$ 1,375,610

Additional information on the Authority's leases can be found in note 13 on page 47 of this report.

(12) Changes in Long-Term Liabilities

Long-term liabilities activity for the years ended June 30, 2008 and 2007, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Bonds Payable	Obligations Under Lease Agreements
Beginning balance, July 1, 2006	$ 85,172	$ 28,445	$ 61,890	$ 203,481	$ 1,479,224
Additions	42,383	17,414	-	-	-
Reductions	(30,291)	(11,622)	(5,701)	(24,579)	(52,152)
Balance, June 30, 2007	97,264	34,238	56,189	178,902	1,427,072
Additions	23,826	24,165	-	-	-
Reductions	(9,565)	(26,264)	(5,702)	(25,776)	(51,462)
Ending balance, June 30, 2008	$111,525	$ 32,139	$ 50,487	$ 153,126	$ 1,375,610
Due within one year	$ 39,220	$ 1,847	$ 5,469	$ 28,163	$ 162,925
Noncurrent portion	$ 72,305	$ 30,292	$ 45,018	$ 124,963	$ 1,212,685

Notes to Basic Financial Statements

June 30, 2008 and 2007

(13) Subsequent Events

(a) Investment Market Uncertainty

During 2008, financial markets as a whole have incurred significant declines in values. As of June 30, 2008, the Authority's investment portfolio has not incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Authority will recognize in its future financial statements, if any, cannot be determined.

(b) Leasing Disclosure

The lease agreements, described in note 11, allow the equity investors to replace the companies specified in the agreements as equity payment undertakers (EPU) in the event that the EPU's financial ratings are downgraded below a specified level. In the event a suitable replacement or federal government assistance cannot be obtained or other mutually acceptable solution cannot be reached, accelerated payment of the liability could be requested. Due to recent events in the financial markets, certain specified downgrades have occurred for all 16 lease agreements. To date, four of the equity investors have not exercised their rights and have not notified the Authority to request a change in the defeasance provider. Of the remaining 12 equity investors, eight have granted at least one extension and the Authority is negotiating additional extensions to allow time to find an additional defeasance provider or other mutually acceptable solution, two have agreed to terminate the agreement by accepting payments from the defeasance accounts, one has demanded a fee for the granting of an extension, and one has made demand for accelerated payment of the full liability as of the date of technical default (10/29/08).

The eight extensions are in various stages of negotiation with approved extension dates ranging from the end of October to December. Six of the equity investors are presently reviewing these requests for further extensions with approval pending. All eight have previously granted extension requests to date.

The two equity investors agreeing to terminate the agreements will be paid from the defeasance accounts with no or very minimal additional liability to the Authority. These termination agreements are expected to be executed prior to the end of December 2008.

The Authority is in the process of negotiating with the equity investor who demanded payment for the grant of an extension. Although not material to the financial statements, the Authority is disputing the requirement of payment to grant the waiver and is currently requesting reconsideration of this demand.

Management of the Authority intends to vigorously defend against the claim for accelerated payment as of the date of default with the remaining equity investor. Given the stage of this claim, and the fact that the technical default has not actually occurred, it cannot be determined if accelerated payments, in addition to the balance in the defeasance account will be required to be paid. As part of the extension and negotiation process, management of the Authority has obtained a commitment from another suitable guarantee provider for a five year period.

Notes to Basic Financial Statements

June 30, 2008 and 2007

(13) Subsequent Events (Continued)

(b) Leasing Disclosure (Continued)

The remaining period of these agreements ranges approximately from eight to twenty-four years. In addition, as a result of the impact of events in the financial markets, and on other major metropolitan transportation authorities, management is also pursuing discussion of assistance with this situation with the federal government. It is not known at this time what form that assistance would take.

In summary, as a result of the events described above it is currently unknown what the cost of the resolutions to the equity investors requests will be to the Authority, and as such, no liability has been recognized.

Required Supplementary Information

Historical Trend Information – Pension Plans

Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (Funding Excess)
Salaried Personnel Plan	7/1/2007	$ 364,954	$ 434,709	$ 69,755	84.0%	$ 35,598	196.0%
	7/1/2006	349,796	412,855	63,059	84.7%	37,769	167.0%
	7/1/2005	343,657	395,416	51,759	86.9%	40,750	127.0%
Union Local 2	7/1/2007	$ 112,544	$ 126,949	$ 14,405	88.7%	$ 17,893	80.5%
	7/1/2006	109,041	116,915	7,874	93.3%	17,628	44.7%
	7/1/2005	104,006	112,051	8,045	92.8%	18,754	42.9%
Union Local 689 Plan	1/1/2007	$ 2,184,472	$ 2,184,472	$ -	100.0%	$ 483,010	0.0%
	1/1/2006	2,068,831	2,068,831	-	100.0%	465,458	0.0%
	1/1/2005	1,977,425	1,710,543	(266,882)	115.6%	437,399	(61.0)%
Union Local 922 Plan	7/1/2007	$ 113,133	$ 116,139	$ 3,006	97.4%	$ 22,462	13.4%
	7/1/2006	99,332	113,544	14,212	87.5%	22,267	63.8%
	7/1/2005	91,191	103,395	12,204	88.2%	21,085	57.9%

Notes:

*** The Transit Police plan was not included in this schedule, because its actuarial valuation date was before June 15, 2007.

Required Supplementary Information

Historical Trend Information – Postemployment Benefits Other than Pensions (OPEB)

Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (Funding Excess) ((b-a))/c
Union Local 689	6/30/2008	$ -	$ 975,740	$ 975,740	0.0%	N/A	N/A
Union Local 2	6/30/2008	$ -	$ 97,425	$ 97,425	0.0%	N/A	N/A
Transit Police	6/30/2008	$ -	$ 32,128	$ 32,128	0.0%	N/A	N/A
Non-Represented	6/30/2008	$ -	$ 225,066	$ 225,066	0.0%	N/A	N/A
TOTAL			1,330,359	1,330,359	0.0%	663,000	200.7%

SECTION THREE – STATISTICAL (Unaudited)

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Assets by Component
For Fiscal Year 2002 to Fiscal Year 2008
(amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Invested in capital assets, net of related debt	$7,148,786	$7,368,413	$7,414,886	$7,547,065	$7,904,568	$7,880,168	$7,709,648
Restricted	810,257	830,017	707,353	572,675	379,254	265,884	205,337
Total Net Assets	$7,959,043	$8,198,430	$8,122,239	$8,119,740	$8,283,822	$8,146,052	$7,914,985

Source: The Authority's Audited Financial Statements.
Note: The Authority implemented GASB Statement 34 in FY 2002.

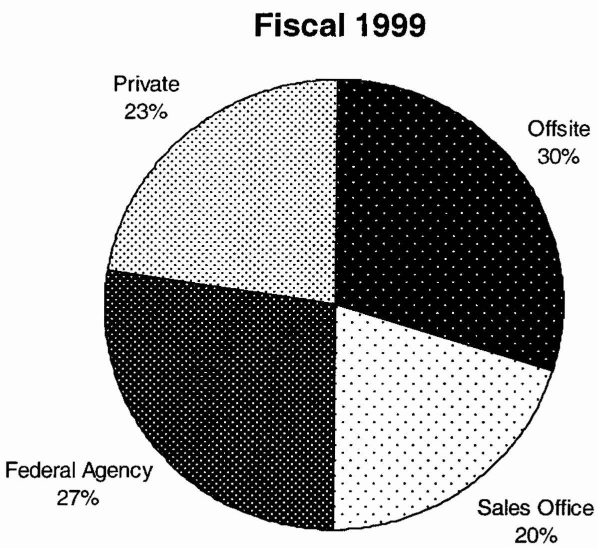
Changes in Net Assets
For Fiscal Year 2002 to Fiscal Year 2008
(amounts expressed in thousands)

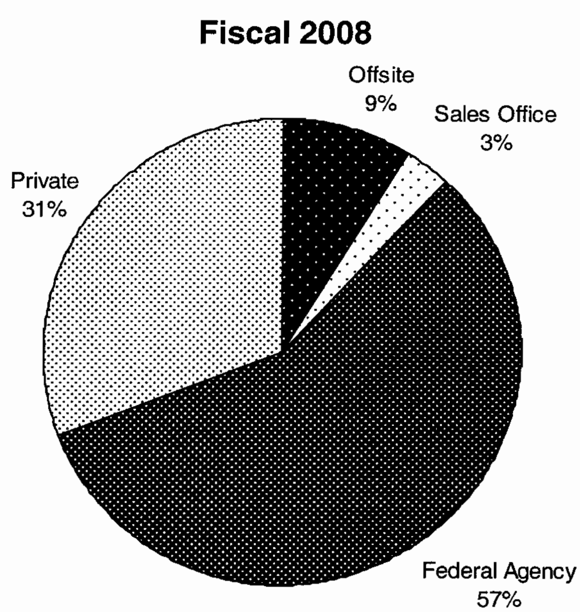
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
)perating Revenues							
Passenger revenue	394,153 $	404,211 $	453,043 $	522,475 $	555,262 $	563,356 $	625,607
Charter and contract revenue	7,746	9,597	3,806	3,395	3,909	6,767	8,047
Advertising revenue	20,001	23,001	26,002	29,000	30,000	33,000	35,296
Rental revenue	12,536	13,101	15,786	16,466	17,108	20,777	20,451
Other revenue	2,563	1,195	1,348	1,206	1,199	1,192	1,171
Total operating revenues	436,999	451,105	499,985	572,542	607,478	625,092	690,572
lonoperating revenues							
Investment income	19,830	26,975	1,450	5,011	3,981	4,718	5,068
Interest income from leasing transactions	78,181	80,560	88,562	91,924	88,548	87,874	80,802
Income from pension plans	53,702	17,610	-	16,687	-		
Other	1,924	3,544	3,277	3,790	9,413	12,281	16,328
Total nonoperating revenues	153,637	128,689	93,289	117,412	101,942	104,873	102,198
otal Revenues	590,636	579,794	593,274	689,954	709,420	729,965	792,770
'perating expenses							
Labor	437,380	460,435	485,124	498,865	536,439	573,514	571,589
Fringe benefits	201,061	215,878	250,784	272,756	271,577	302,416	415,453
Services	64,140	62,192	67,696	77,063	102,081	117,867	143,816
Materials and supplies	76,721	87,418	89,586	105,560	123,439	144,584	148,467
Utilities	46,843	49,758	52,681	61,517	67,010	72,286	84,725
Casualty and liability costs	4,842	4,871	12,467	16,869	44,688	28,223	23,445
Leases and rentals	3,042	3,067	1,913	4,096	3,999	2,925	2,349
Miscellaneous	5,364	3,749	2,778	3,253	5,205	3,452	1,211
Depreciation and amortization	275,896	294,300	296,485	299,707	306,955	361,141	412,341
Total operating expenses	1,115,289	1,181,668	1,259,514	1,339,686	1,461,393	1,606,408	1,803,396
onoperating expenses							
Interest expense from leasing transactions	78,181	80,560	88,562	91,924	88,548	87,874	80,802
Interest expense	12,411	11,706	12,517	10,611	9,978	11,838	9,533
Pension plans expense	-	-	23,808	-	14,514	-	-
Total nonoperating expenses	90,592	92,266	124,887	102,535	113,040	99,712	90,335
otal Expenses	1,205,881	1,273,934	1,384,401	1,442,221	1,574,433	1,706,120	1,893,731
ırisdictional subsidies, capital grants and :apital subsidies	1,077,138	933,527	714,936	749,768	1,029,095	838,385	869,894
ıcrease in Net Assets	461,893 $	239,387 $	(76,191) $	(2,499) $	164,082 $	(137,770) $	(231,067)

ertain reclassifications were made to Fiscal Year 2007 financial statements to conform to the Fiscal Year 2008 financial statement presentation.
Fiscal Year 2008, the Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment enefits Other Than Pensions.*

›urce: The Authority's Audited Financial Statements.
ote: The Authority implemented GASB Statement 34 in Fiscal Year 2002.

Principal Revenue Pay Categories
For Fiscal Year 1999 and Fiscal Year 2008





Federal Agency pay category consists of federal agencies in the Washington Metropolitan area.
Offsite pay category consists of private and county retail sales outlets.
Private pay category consists of private sector employers.
Sales Office pay category consists of Authority owned and operated sales outlets.

Source: The Authority's Office of Customer and Media

Passenger Fare Structure
For Fiscal Year 1999 to Fiscal Year 2008

Fiscal Year	Metrobus Peak/Off Peak			Metrorail Peak		Metrorail Off Peak	
	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile	Boarding Charge	Each Additional Composite Mile
1999	$1.10	$1.10	$1.10	$1.10	$.19 (3-6miles)	$1.10 (0-7miles)	n/a
					$.165 (6+miles)	$1.60 (7-10miles)	n/a
					$3.25 (Max.fare)	$2.10 (10 miles)	n/a
2000	$1.10	$1.10	$1.10	$1.10	$.19 (3-6miles)	$1.10 (0-7miles)	n/a
					$.165 (6+miles)	$1.60 (7-10miles)	n/a
					$3.25 (Max.fare)	$2.10 (10 miles)	n/a
2001	$1.10	$1.10	$1.10	$1.10	$.19 (3-6miles)	$1.10 (0-7miles)	n/a
					$.165 (6+miles)	$1.60 (7-10miles)	n/a
					$3.25 (Max.fare)	$2.10 (10 miles)	n/a
2002	$1.10	$1.10	$1.10	$1.10	$.19 (3-6miles)	$1.10 (0-7miles)	n/a
					$.165 (6+miles)	$1.60 (7-10miles)	n/a
					$3.25 (Max.fare)	$2.10 (10 miles)	n/a
2003	$1.20	$1.20	$1.20	$1.20	$.21 (3-6miles)	$1.20 (0-7miles)	n/a
					$.185 (6+miles)	$1.70 (7-10miles)	n/a
					$3.60 (Max. fare)	$2.20 (10+ miles)	n/a
2004	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles)	$1.35 (0-7miles)	n/a
					$.195 (6+miles)	$1.85 (7-10miles)	n/a
					$3.90 (Max. fare)	$2.35 (10+ miles)	n/a
2005	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles)	$1.35 (0-7miles)	n/a
					$.195 (6+miles)	$1.85 (7-10miles)	n/a
					$3.90 (Max. fare)	$2.35 (10+ miles)	n/a
2006	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles)	$1.35 (0-7miles)	n/a
					$.195 (6+miles)	$1.85 (7-10miles)	n/a
					$3.90 (Max. fare)	$2.35 (10+ miles)	n/a
2007	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles)	$1.35 (0-7miles)	n/a
					$.195 (6+miles)	$1.85 (7-10miles)	n/a
					$3.90 (Max. fare)	$2.35 (10+ miles)	n/a
2008	$1.25	$1.25	$1.25	$1.65	$.26 (3-6miles)	$1.35 (0-7miles)	n/a
					$.23 (6+ miles)	$1.85 (7-10miles)	n/a
					$4.50(Max. fare)	$2.35 (10+ miles)	n/a

Source: Tariff of The Washington Metropolitan Area Transit Authority

*The paratransit (MetroAccess) fare, per Tariff number 23, is $2.50 or double the regular base fare, if less.

Pledged-Revenue Coverage
For Fiscal Year 1999 to Fiscal Year 2008
(amounts expressed in thousands)

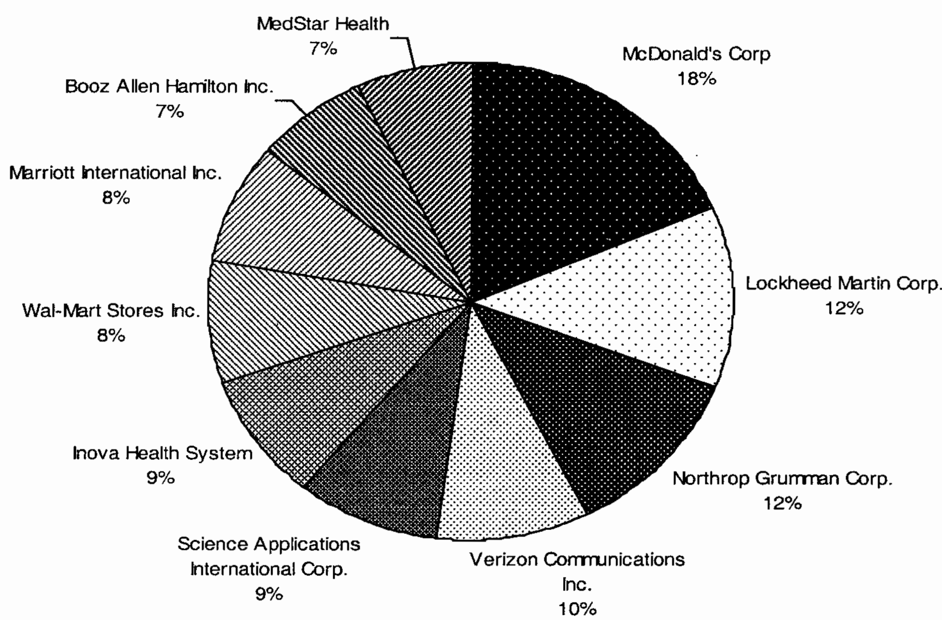
Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1999	$ 702,269	675,115	$ 27,154	$ 12,780	14,374	$ 27,154	100%
2000	$ 754,423	727,296	$ 27,127	$ 13,440	13,687	$ 27,127	100%
2001	$ 838,899	811,734	$ 27,165	$ 14,095	13,070	$ 27,165	100%
2002	$ 866,539	839,393	$ 27,146	$ 14,735	12,411	$ 27,146	100%
2003	$ 914,489	887,368	$ 27,121	$ 15,415	11,706	$ 27,121	100%
2004	$ 1,175,871	986,837	$ 189,034	$ 176,470	12,517	$ 188,987	100%
2005	$ 1,072,480	1,039,979	$ 32,501	$ 21,890	10,611	$ 32,501	100%
2006	$ 1,201,970	1,168,952	$ 33,018	$ 23,040	9,978	$ 33,018	100%
2007	$ 1,280,970	1,245,267	$ 35,703	$ 23,865	11,838	$ 35,703	100%
2008	$ 1,354,648	1,320,090	$ 34,558	$ 25,025	9,533	$ 34,558	100%

Revenues consists of operating revenues, non-operating revenues. jurisdictional subsidies and principal paid on revenue bonds. Income from leasing transactions is excluded.
Operating expenses consist of operating expenses, excluding depreciation and amortization, and other unfunded operating expenses.

Source: The Authority's Audited Financial Statements.

Major Private Employers
For Fiscal Year 2008

Employer	Rank	Area Employees	Industry
McDonald's Corp.	1	33,993	Hospitality and travel
Lockheed Martin Corp.	2	22,600	Aerospace and defense
Northrop Grumman Corp.	3	21,100	Aerospace and defense
Verizon Communications Inc.	4	17,800	Telecommunications
Science Applications International Corp.	5	16,120	Information technology
Inova Health System	6	15,871	Healthcare
Wal-Mart Stores Inc.	7	15,400	Retail
Marriott International Inc.	8	14,512	Hospitality and travel
Booz Allen Hamilton Inc.	9	13,000	Government and professional services
MedStar Health	10	13,000	Healthcare



Source: Washingtonpost.com - 2008 Post 200 Top DC-Area Employers

Authorized Employee Positions
For Fiscal Year 1999 to Fiscal Year 2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Non-Union	1,266	1,313	1,511	1,525	1,586	1,457	1,540	1,640	1,673	1,669
AFL-CIO/OPIEU Local - 2	639	601	622	662	689	739	785	794	818	778
FOP Transit Police	252	257	271	305	305	319	321	336	356	359
Teamsters Local - 639	65	65	65	70	75	90	89	89	89	89
AFL-CIO ATU Local - 689	6,071	6,310	6,580	7,064	7,133	7,042	7,207	7,237	7,809	8,203
Teamsters Local - 922	317	321	370	339	368	368	352	355	357	385
Total Authority Positions	8,610	8,867	9,419	9,965	10,156	10,015	10,294	10,451	11,102	11,483

Note: Non-Union positions are salaried positions in the management, administrative, supervisory or clerical work force that have been exempted from union participation.

Source: The Authority's Approved Annual Budgets.

Operating Indicators
For Fiscal Year 1999 to Fiscal Year 2008

Fiscal Year	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Trips	Annual Passenger Trips
1999				
Metrobus	33,168,939	2,979,136	143,240,114	474,556,951
Metrorail	46,166,860	2,165,262	212,620,976	1,044,703,469
Metro Access	2,528,931	173,872	210,078	2,018,976
2000				
Metrobus	34,192,726	3,065,946	129,524,241	452,855,175
Metrorail	48,243,553	2,260,586	218,273,257	1,190,448,841
Metro Access	3,643,119	238,648	246,071	2,498,629
2001				
Metrobus	36,447,570	3,247,015	142,647,640	457,028,244
Metrorail	51,553,445	2,316,049	235,731,726	1,362,866,338
Metro Access	5,569,594	357,000	556,982	5,419,598
2002				
Metrobus	37,934,187	3,349,152	147,771,191	450,768,806
Metrorail	52,192,185	2,269,529	242,794,078	1,438,336,161
Metro Access	8,021,812	505,105	738,284	8,021,812
2003				
Metrobus	38,897,499	3,433,521	147,831,547	447,551,132
Metrorail	56,470,216	2,241,771	243,188,066	1,451,856,563
Metro Access	9,786,953	631,341	972,425	9,786,953
2004				
Metrobus	38,901,318	3,458,658	146,010,344	436,436,653
Metrorail	58,205,365	2,312,490	250,659,980	1,507,072,928
Metro Access	11,030,419	698,401	1,112,358	12,269,308
2005				
Metrobus	38,458,955	3,422,983	153,392,000	453,290,328
Metrorail	62,152,936	2,460,432	259,430,086	1,401,105,158
Metro Access	12,179,777	765,719	1,253,948	13,686,293
2006				
Metrobus	38,869,844	3,657,092	132,880,812	423,501,766
Metrorail	63,577,383	2,513,934	274,767,272	1,577,789,264
Metro Access	12,135,331	1,015,815	1,340,201	14,318,204
2007				
Metrobus	38,939,524	3,500,518	133,695,295	416,055,395
Metrorail	66,988,010	2,635,021	207,907,332	1,588,657,621
Metro Access	12,469,267	1,123,848	1,276,870	17,442,601
2008*				
Metrobus	38,038,841	3,659,962	132,848,806	445,952,733
Metrorail	68,455,275	2,916,819	288,039,725	1,639,628,551
Metro Access	15,000,435	1,303,915	1,712,537	20,036,683

*Preliminary Data

Source: National Transit Database

System Map

metro

MetroOpensDoors.com
Customer Information Service: 202/637-6000
TTY Phone: 202/638-3780

Legend

- Red Line • Glenmont to Shady Grove
- Orange Line • New Carrollton to Vienna/Fairfax-GMU
- Blue Line • Franconia-Springfield to Largo Town Center
- Green Line • Branch Avenue to Greenbelt
- Yellow Line • Huntington to Fort Totten

Station in Service
Commuter Rail
Virginia Railway Express
MARC
Bus to Airport
Transfer Station
Parking

REV 10/27/06

No Smoking

No Eating or Drinking

No Animals (except service animals)

No Audio (without earphones)

No Litter or Spitting

No Dangerous or Flammable Items

Washington Metropolitan Area Transit Authority
600 Fifth Street NW • Washington, D.C. 20001