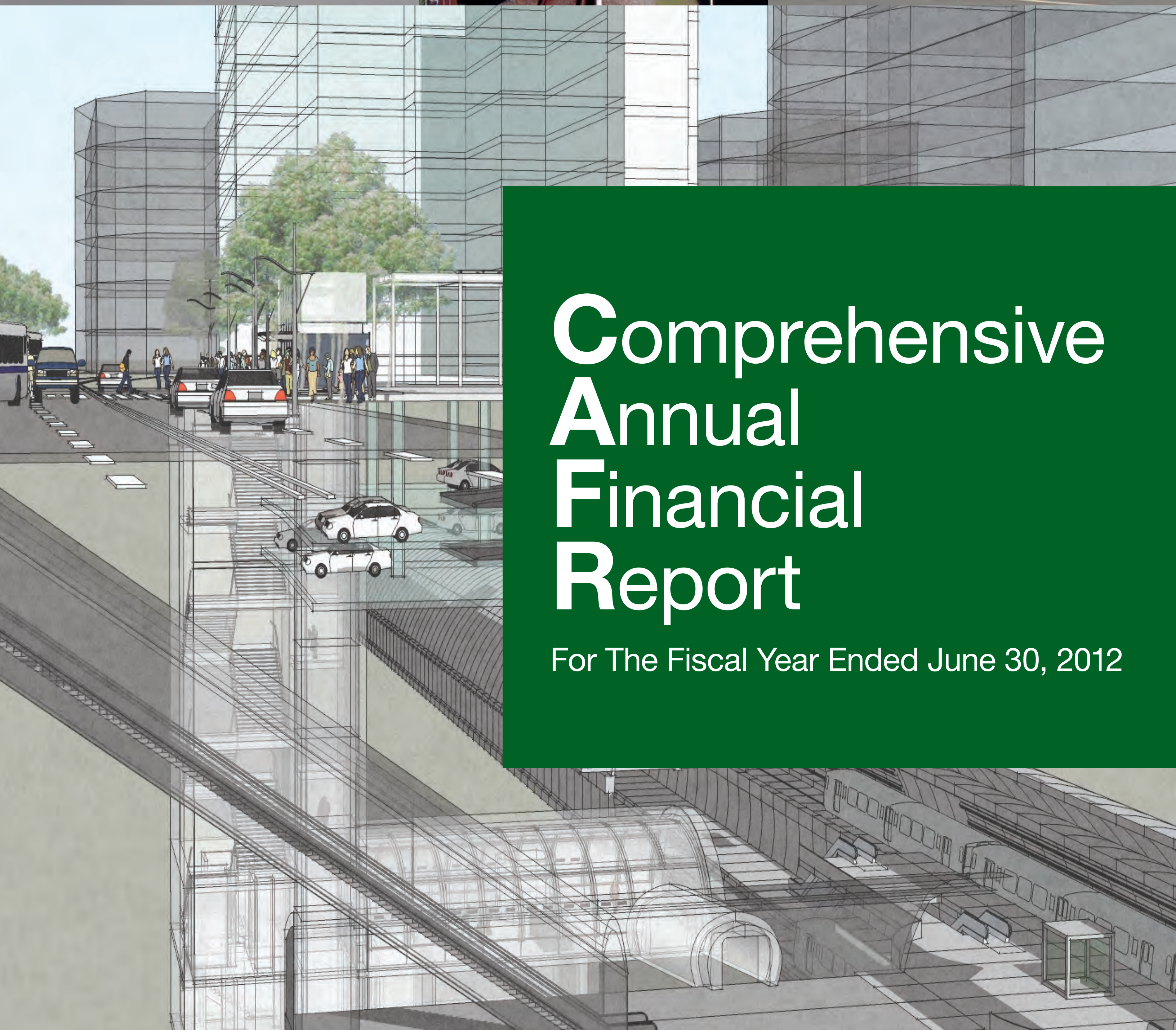
Washington Metropolitan Area Transit Authority



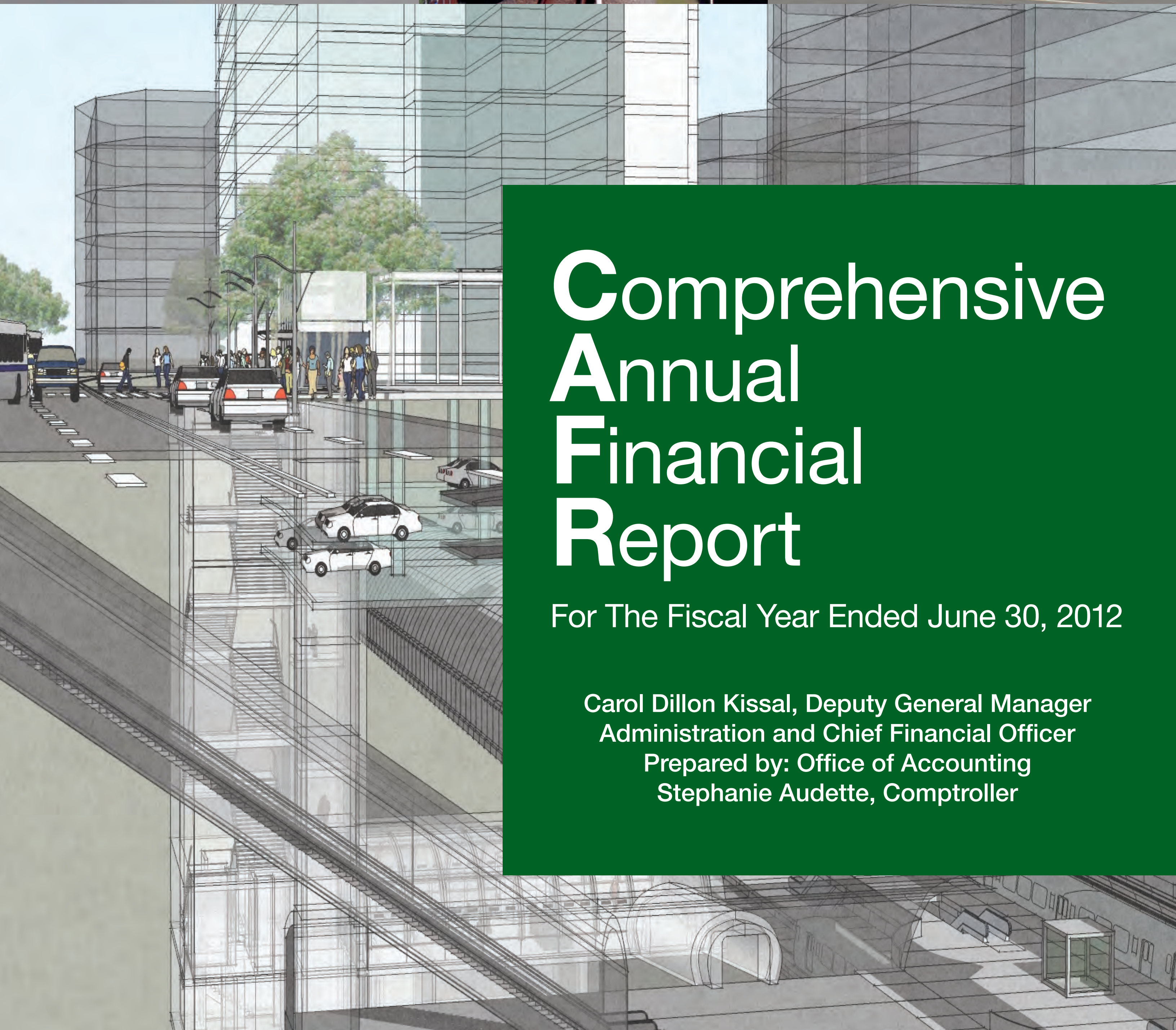
Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

Rebuilding the Foundation

Washington, D.C.

Washington Metropolitan Area Transit Authority



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

Carol Dillon Kissal, Deputy General Manager
Administration and Chief Financial Officer
Prepared by: Office of Accounting
Stephanie Audette, Comptroller

Rebuilding the Foundation

Washington, D.C.

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2012

Table of Contents

SECTION ONE – INTRODUCTORY (Unaudited)

December 21, 2012

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, 2012 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.

CliftonLarsonAllen 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 Authority's 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.

Profile of the Authority

The Authority was created in 1967 by an Interstate Compact (the Compact) through legislation passed by the District of Columbia, the State of Maryland, the Commonwealth of Virginia and the United States Congress. The Authority's mission is to plan, build, finance and operate a transportation system in the National Capital area. In fulfillment of this goal, the Authority provides the region with three coordinated types of transportation services: bus (Metrobus), rail (Metrorail) 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.

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 on January 13, 2001. 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

Washington
Metropolitan Area
Transit Authority

600 Fifth Street, NW
Washington, DC 20001
202/962-1234

By Metrorail:
Judiciary Square—Red Line
Gallery Place-Chinatown—
Red, Green and
Yellow Lines
By Metrobus:
Routes D1, D3, D6, P6,
70, 71, 80, X2

A District of Columbia,
Maryland and Virginia
Transit Partnership

of 86 stations, approximately 106.1 miles of track and five Metrorail lines (Blue, Green, Orange, Yellow and Red).

Metrorail carries the second largest number of passengers and Metrobus carries the sixth largest number of passengers in the nation. 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, Prince George's, portions of Charles and Anne Arundel, and the Northern Virginia counties of Arlington, Fairfax, Loudoun and Prince William as well as the Northern Virginia cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park.

Organizational Structure

The Board of Directors (Board) governs and determines policy for the Authority. The Board is composed of eight voting Directors and eight alternate Directors from each signatory to the compact and from the Federal government. The Directors and Alternates for Virginia are appointed by the Northern Virginia Transportation Commission; for the District of Columbia, by the City Council; and, for Maryland, by the Washington Suburban Transit Commission and for the Federal Government, by the Administrator of General Services. The Board determines policy for the Authority.

Subject to policy direction and delegations from the Board, the General Manager/ Chief Executive Officer (GM/CEO) is responsible for the operations and functions of the Authority. The GM/CEO directs staff in implementing and carrying out the 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 annual budget consists of two budgets: an operating budget and a capital budget.

For fiscal year 2012, the Authority had an approved annual budget of approximately $2.6 billion with the largest portion, $1.5 billion, dedicated to operating the system. The budget contained approximately 11,300 authorized staff positions.

It is the responsibility of each department to administer its operation in such a manner as 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.

Economic Condition

Local Economy

Located in the nation's capital, the Authority's operations are influenced by the economic conditions of the District of Columbia (DC) and the surrounding jurisdictions of Maryland and Virginia. Transit ridership is strongly correlated with DC's population and with the number of jobs located in the District. During fiscal year 2012, the region's economy improved and outperformed earlier expectations. However, the region still faces significant uncertainty regarding the trajectory of future federal government spending.

The unemployment rate has steadily declined since mid-2011 despite a growing labor force (i.e., the total number of people employed or actively seeking work). According to Moody's Analytics (September 2012), initial jobless claims are also declining consistently, and layoffs have subsided. The long-term outlook for population growth in both the District and the region also remains positive, and the Washington area has not experienced as much of a drag on growth from housing as many other regions. Foreclosure volumes, particularly in closer-in jurisdictions, have been low and have cleared quickly. Housing is also expected to be the primary driver of construction activity in the near term, with developers moving to balance the low supply of multi-family residences with the strong demand for these units.

The economies of the District of Columbia and the Washington region are heavily dependent on federal government spending. Spending has slowed recently as the 2009 stimulus projects are completed and as spending to support military actions in Iraq and Afghanistan also winds down. The more immediate concern is the "fiscal cliff" and the potential for sequestration beginning in January 2013. Agencies have intensified cost-cutting plans over the last year via staffing reductions and real estate consolidation, but these efforts would only be a first step if the current law remains unchanged. The additional cuts triggered by sequestration would be a worst-case scenario for the Washington region and would very likely send the region (and potentially the entire U.S.) back into recession. The impact on Authority ridership and revenue could be severe, given the number of federal employees and federal contractors who potentially could be furloughed and no longer traveling to work on Metrobus and Metrorail. Metrorail has also been negatively impacted by recent changes to the federal transit benefit subsidy, which is utilized by a majority of Metrorail riders.

The longer-term outlook for the Washington region is mixed. Even if the immediate risks of sequestration are avoided, federal government spending is not expected to grow as strongly as it did during the previous decade. This will remove some of the insulation that the Washington region has had recently from broader macroeconomic trends. However, healthcare and high-tech start-ups are expected to be bright spots in the region's economy, with the former in particular providing a buffer to future recessions. Accordingly, the Authority is projecting relatively flat growth in passenger ridership in 2013. Ridership is expected to increase in 2014 with the opening of the new Metrorail Silver Line to Tysons Corner in Virginia.

Long-term Financial Planning

Capital Improvement Program

The Authority and the local jurisdictions that provide funding for capital improvements executed a formal and comprehensive Capital Funding Agreement (CFA) for capital improvements, commonly known as the "Capital Improvement Program". The Capital Improvement Program (CIP) uses an expenditure based strategy and has the following nine main components:

Vehicles / Vehicle Parts is replacement or purchase of new rail cars, buses, paratransit vehicles and/or service vehicles, rehabilitation of rail cars and buses and replacement parts to maintain the vehicle fleet.

Rail System Infrastructure Rehabilitation is multiple systems and equipment within the rail stations and tunnels that enable safe, reliable service.

Maintenance Facilities is rehabilitation, maintenance, replacement and/or new bus garages and rail yards to support repairs to vehicle fleet.

Systems and Technology is technology systems, software and equipment supporting transit operations and business functions.

Track and Structures is steel running rail that guides the train cars, the cross ties and fasteners that hold the rail in place, the ballast bed that supports the cross ties, and the third rail that provides power to the train. Structures include the retaining walls that protect the track bed and underground tunnels, the concrete pads that keep the track bed properly elevated and the bridges that span roads and bodies of water.

Passenger Facilities are facilities at the Authority's 86 Metro rail stations, including bus loops, bus stops, parking garages, surface lots, Kiss-and-Ride spaces, access roads, bike racks and bike lockers.

Maintenance Equipment is equipment to rehabilitate track and maintain the vehicle fleet (rail and bus).

Other Facilities are facilities that house administrative offices, training rooms, revenue processing activities, material storage, police work and a print shop.

Project Management and Support is a line of credit that provides the Authority with the ability to finance capital projects.

The CIP includes funding from two Federal Transit Administration formula grant programs and dedicated federal funds. The dedicated federal funds were approved under the Passenger Rail Investment and Improvement Act (PRIIA) of 2008 (P.L. 110-432, sometimes known as the "dedicated funding bill"). It authorized $1.5 billion over ten years for the Authority's capital and preventive maintenance projects, to be matched dollar-for-dollar by the Authority Compact jurisdictions.

The CIP is a rolling six-year program which was derived from the Authority's 10-year $13.0 billion Capital Needs Inventory which is a prioritized list of the Authority's' investment needs for the ten year period from fiscal year 2011 through fiscal year 2020. The Authority is advancing the largest capital budget since the construction of the Metrorail system. In fiscal year 2011, $770 million was invested through CIP projects, a significant increase over the previous year. The Authority is planning to invest approximately $5.3 billion through the fiscal year 2013 – fiscal year 2018 CIP.

Due to the "fiscal cliff" and the potential for sequestration beginning in January 2013, the Authority faces uncertainty regarding the level of future CIP investments as CIP is heavily dependent on the annual appropriation of Federal formula program funding and PRIIA funding.

Awards and Acknowledgements

Awards

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, 2011. The Authority has received this prestigious award for twenty-five consecutive years.

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.

Distinguished Budget Presentation Award

The Authority received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2011 budget document. To qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

Acknowledgement
The preparation of this CAFR would not have been possible without the leadership of the Comptroller and the knowledgeable and dedicated staff of the Office of Accounting. A special note of appreciation is extended to the many diligent employees who gave their time and efforts to the production of this CAFR. We would also like to thank the Board and the officers of the Authority for their continuing support in planning and conducting the financial operations of the Authority in a responsible manner.

Respectfully submitted,

Richard R. Sarles
General Manager and
Chief Executive Officer

Carol Dillon Kissal
Deputy General Manager,
Administration and
Chief Financial Officer

As of June 30, 2012

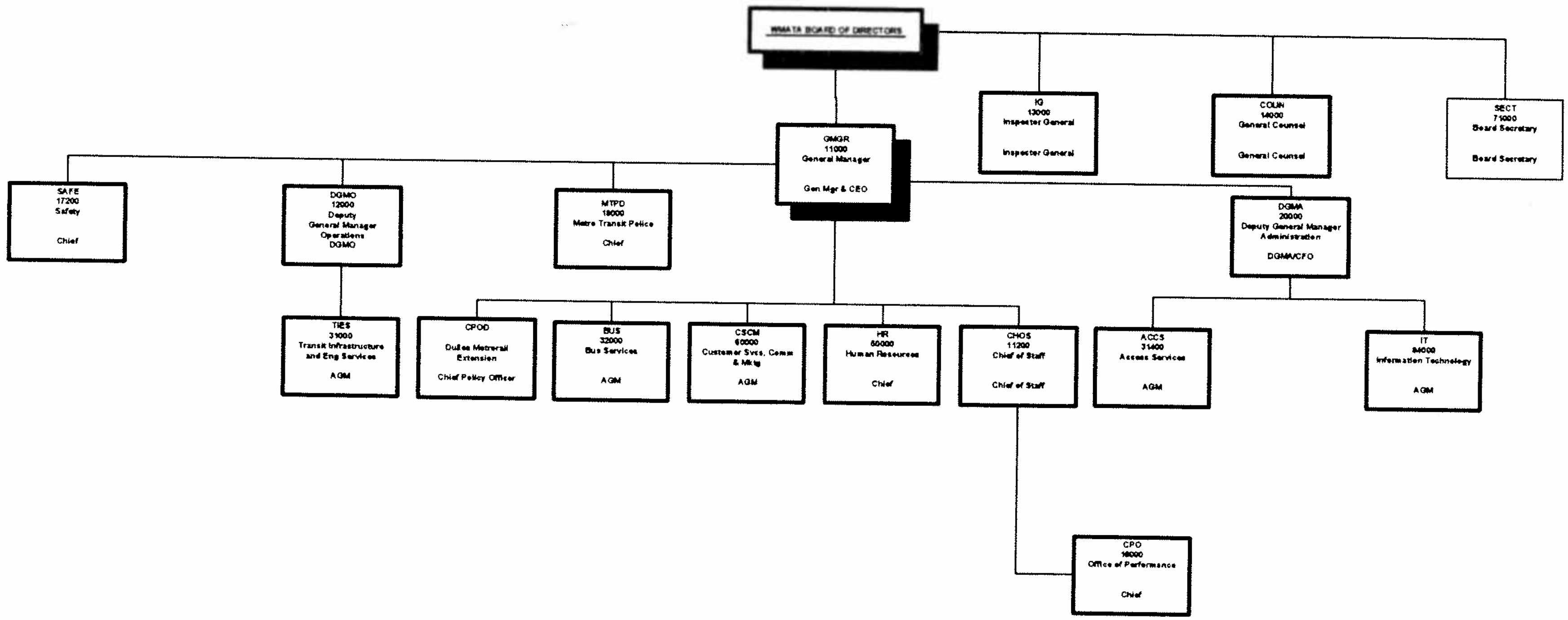
Board of Directors

Chairman	Catherine Hudgins Virginia
First Vice-Chairman	Tom Downs District of Columbia
Second Vice-Chairman	Mortimer L. Downey Federal Government
Directors	
	Muriel Bowser District of Columbia
	Marcel C. Acosta Federal Government
	Michael Barnes Maryland
	Alvin J. Nichols Maryland
	James Dyke Virginia
Alternate Directors	
	Terry Bellamy District of Columbia
	Tom Bulger District of Columbia
	Anthony R. Giancola Federal Government
	Artis Hampshire-Cowan Maryland
	Kathy Porter Maryland
	William D. Euille Virginia
	Mary Hynes Virginia

As of June 30, 2012

General Manager's Executive Leadership Team

General Manager/CEO	Richard R. Sarles
Chief of Staff	Barbara Richardson
Chief Human Resources Officer	Gary Baldwin
Assistant General Manager, Information Technology	Kevin Borek
Assistant General Manager, Customer Service, Communications and Marketing	Lynn Bowersox
Chief Performance Officer	Andrea Burnside
Chief Safety Officer	James Dougherty
Assistant General Manager, Access Services	Christian T. Kent
Deputy General Manager, Administration and Chief Financial Officer	Carol D. Kissal
Deputy General Manager, Operations	Dave Kubicek
Inspector General	Helen Lew
General Counsel	Carol B. O'Keeffe
Assistant General Manager, Bus Services	John P. Requa
Chief, Metro Transit Police Dept	Michael A. Taborn
Assistant General Manager, Infrastructure and Engineering Services	A. Robert Troup


WMATA BOARD OF DIRECTORS
IG 13000 Inspector General Inspector General
COUN 14000 General Counsel General Counsel
SECT 71000 Board Secretary Board Secretary
GMGR 11000 General Manager Gen Mgr & CEO
SAFE 17200 Safety Chief
DGMO 12000 Deputy General Manager Operations DGMO
MTPD 18000 Metro Transit Police Chief
DGMA 20000 Deputy General Manager Administration DGMA/CFO
TIES 31000 Transit Infrastructure and Eng Services AGM
CPOD Dulles Metrorail Extension Chief Policy Officer
BUS 32000 Bus Services AGM
CSCM 60000 Customer Svcs, Comm & Mktg AGM
HR 50000 Human Resources Chief
CHOS 11200 Chief of Staff Chief of Staff
ACCS 31400 Access Services AGM
IT 84000 Information Technology AGM
CPO 16000 Office of Performance Chief

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington Metropolitan Area Transit Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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 years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. 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 audits. 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 audits 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 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 audits provide 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, 2012 and 2011, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information on pages 12 through 21 and 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables listed in the table of contents 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.

CliftonLarsonAllen LLP

Calverton, Maryland
October 19, 2012

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, 2012, 2011 and 2010 and for the years then ended June 30, 2012 and 2011. 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 2012 Financial Highlights

- Net assets decreased by $112.3 million or 1.3 percent due primarily to decreased capital contributions.
- Capital assets before depreciation and amortization increased by $757.2 million, largely attributable to purchases of hybrid electric bus, power distribution equipment, rail equipment, and service vehicles and station, track and tunnel rehabilitation. Capital contributions were $505.2 million, including funding from the Passenger Rail Investment and Improvement Act.
- Operating revenues increased by $12.2 million or 1.5 percent, due to increased ridership on rail and bus as well as increases in non-passenger revenue sources.
- Operating expenses increased by $54.8 million or 2.6 percent, due primarily to an increase in overtime completing system maintenance and repairs and higher material and supplies cost.

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

The basic financial statements can be found on pages 22-26 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 27-60 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 Post Employment Benefits Other Than Pensions (OPEB) to its employees. Required supplementary information can be found on pages 61-62 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 old 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, 2012, 2011 and 2010:

Table 1
Condensed Statements of Net Assets
June 30, 2012, 2011 and 2010
(in thousands)

	2012	2011	2010
Current and other assets	$ 1,760,286	$ 2,038,898	$ 1,863,345
Capital assets	8,500,548	8,240,116	8,071,783
Total assets	10,260,834	10,279,014	9,935,128
Current liabilities	676,583	618,682	614,557
Noncurrent liabilities	1,319,011	1,282,767	1,250,618
Total liabilities	1,995,594	1,901,449	1,865,175
Net assets:			
Investment in capital assets, net of related debt	7,939,835	8,051,479	7,772,110
Restricted			
Net Pension Trust Assets	136,370	148,858	153,143
Capital Projects	146,073	164,211	135,985
Contingency	32,815	5,040	50
Smart Card Reserve	8,131	6,165	6,494
Other	2,016	1,812	2,171
Total net assets	$ 8,265,240	$ 8,377,565	$ 8,069,953

Current Year

Net assets decreased by $112.3 million, or 1.3 percent, due primarily to decreased capital contributions.

Management's Discussion and Analysis

Statements of Net Assets (Continued)

Current Year (Continued)

The largest portion of the Authority's net assets, $7.9 billion or 96.1 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 are 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, $325.4 million or 3.9 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include net pension assets, advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets before depreciation and amortization increased by $757.2 million, largely attributable to the purchase of new buses, equipment installation and repairs to current bus fleet including cameras, data and network infrastructure enhancements as well as the opening of a new parking facility. Capital contributions were $505.2 million, including funding from the Passenger Rail Investment and Improvement Act.

Noncurrent liabilities increased by $36.2 million or 2.8 percent, due mostly to increases in the unfunded OPEB liability and the liability for injury and damage claims, partially offset by a decrease in obligations under lease agreements.

Prior Year

Net assets increased by $307.6 million, or 3.8 percent, due primarily to increased capital contributions. The largest portion of the Authority's net assets, $8.1 billion or 96.1 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, $326.1 million or 3.9 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include net pension assets, advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets before depreciation and amortization increased by $623.2 million, largely attributable to purchase of new hybrid electric bus, power distribution equipment, rail equipment, service vehicles and station, track and tunnel rehabilitation. Capital contributions were $886.6 million, including funding from the Passenger Rail Investment and Improvement Act.

Noncurrent liabilities increased by $32.1 million or 2.6 percent, due mostly to the unfunded OPEB liability, partially offset by a decrease in obligations under lease agreements. As of June 30, 2011, nine of the

Management's Discussion and Analysis

Prior Year (Continued)

sixteen rail car leasing transactions were terminated reducing both assets and liabilities, but with minimal cost to the Authority, this slightly offsets the increase.

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, 2012, 2011 and 2010
(in thousands)

	2012	2011	2010
OPERATING REVENUES			
Passenger	$ 777,528	$ 763,900	$ 660,319
Advertising	18,284	17,518	42,104
Rental	20,604	22,335	24,161
Other	254	751	1,248
Total operating revenues	816,670	804,504	727,832
NONOPERATING REVENUES			
Investment income	1,309	1,377	1,578
Interest income from leasing transactions	34,882	38,452	40,114
Other	18,812	15,135	34,321
Total nonoperating revenues	55,003	54,964	76,013
Total revenues	871,673	859,468	803,845
OPERATING EXPENSES			
Labor	647,835	640,132	592,842
Fringe benefits	495,742	541,808	501,450
Services	214,309	195,316	188,713
Materials and supplies	139,418	109,812	139,817
Utilities	79,413	84,747	94,284
Casualty and liability costs	24,764	19,727	14,015
Leases and rentals	4,000	3,726	3,355
Miscellaneous	2,495	4,463	3,724
Depreciation and amortization	526,692	480,150	466,745
Total operating expenses	2,134,668	2,079,881	2,004,945
NONOPERATING EXPENSES			
Interest expense	51,377	56,390	59,694
Total expenses	2,186,045	2,136,271	2,064,639
Loss before capital grants/subsidies	(1,314,372)	(1,276,803)	(1,260,794)
Jurisdictional subsidies:			
Operations	680,385	679,880	682,545
Interest	16,495	17,938	19,580
Capital contributions	505,167	886,597	680,227
Change in net assets	(112,325)	307,612	121,558
Net assets, beginning of year	8,377,565	8,069,953	7,948,395
Net assets, ending of year	$ 8,265,240	$ 8,377,565	$ 8,069,953

Management's Discussion and Analysis

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

Revenues

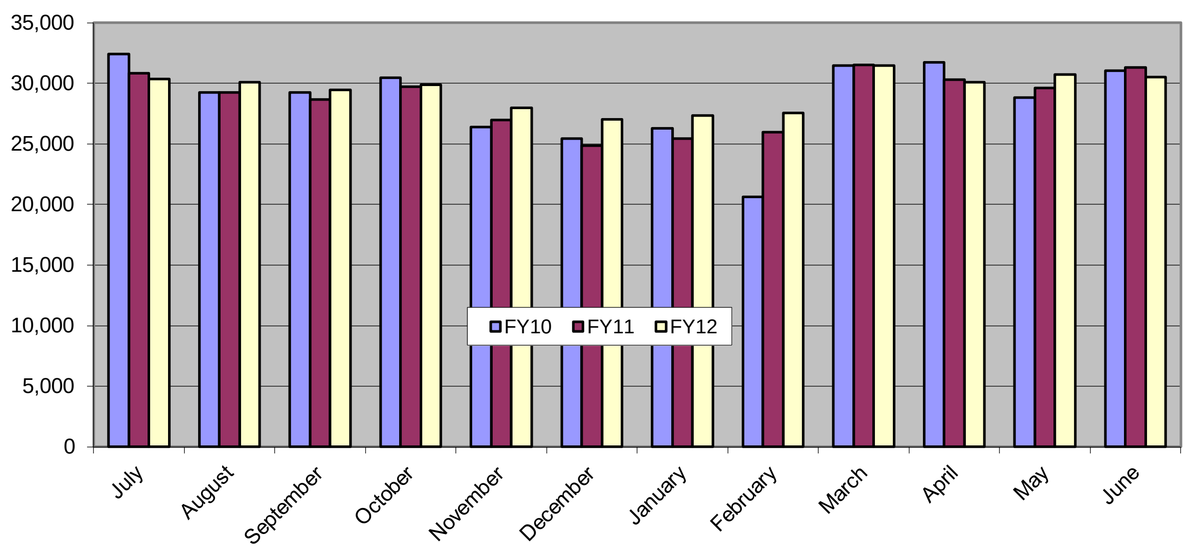
Current Year

Total revenues for fiscal year 2012 totaled $871.7 million. Operating revenues, which include passenger revenue, totaled $816.7 million, an increase of $12.2 million or 1.5 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $13.6 million or 1.8 percent. The passenger revenue increase can be attributed mostly to a system wide fiscal year increase in ridership of 3.0 percent.

Passenger trips for the last three years are shown below:

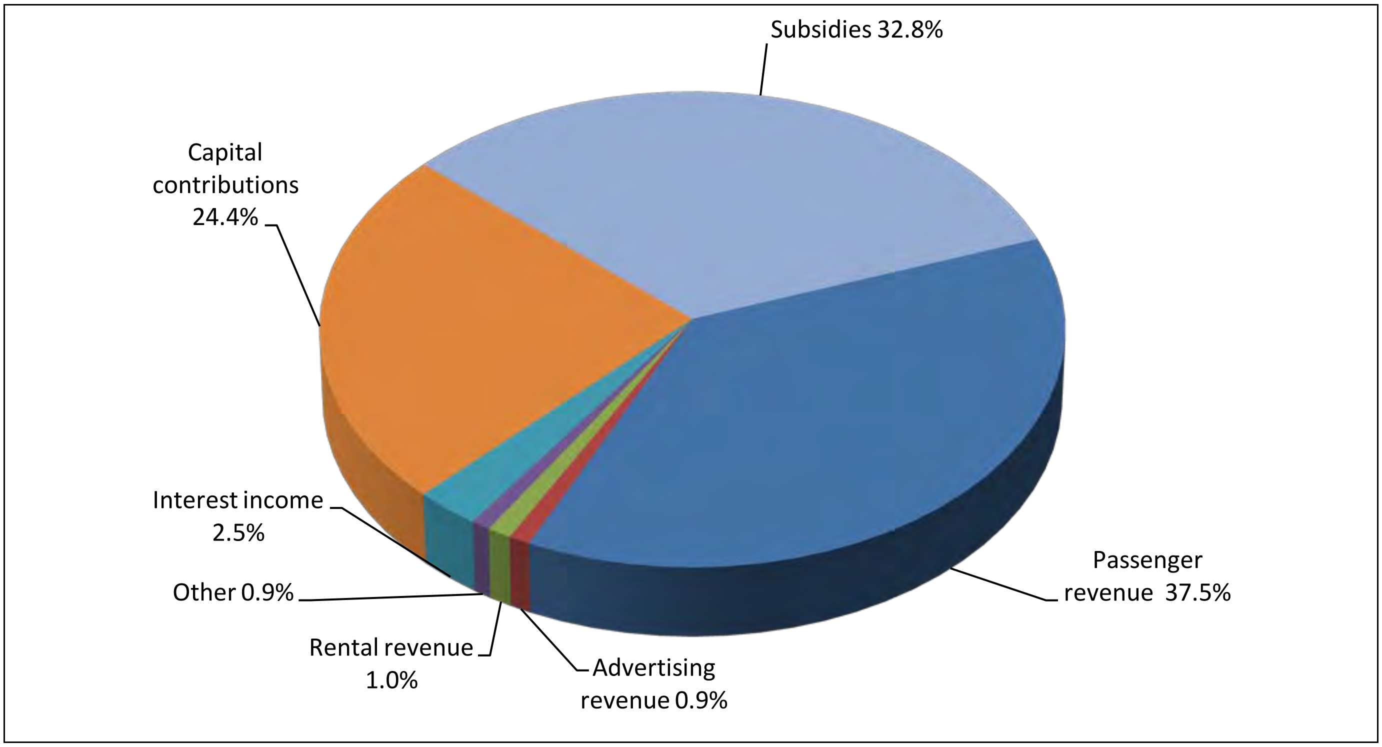
Passenger Trips
(in thousands)



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

Revenues (Continued)

Fiscal Year 2012 Revenues



Prior Year

Total revenues for fiscal year 2011 totaled $859.5 million. Operating revenues, which include passenger revenue, totaled $804.5 million, an increase of $76.7 million or 10.5 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $103.6 million or 15.7 percent. The increase can be attributed to a fare increase implemented on June 27, 2010, for all modes of passenger transportation the Authority provides.

Management's Discussion and Analysis

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

Expenses

Current Year

Total expenses increased slightly to $2.2 billion in fiscal year 2012 when compared to prior fiscal year 2011. Operating expenses increased by $54.8 million or 2.6 percent as compared to fiscal year 2011. A review of significant changes is described below.

Salaries and benefits overall decreased by $38.4 million or 3.2 percent, influenced by lower than expected pension cost and lower worker's compensation cost that compared favorable to prior years. However, Salaries experienced increases due to overtime related to system enhancements and repairs.

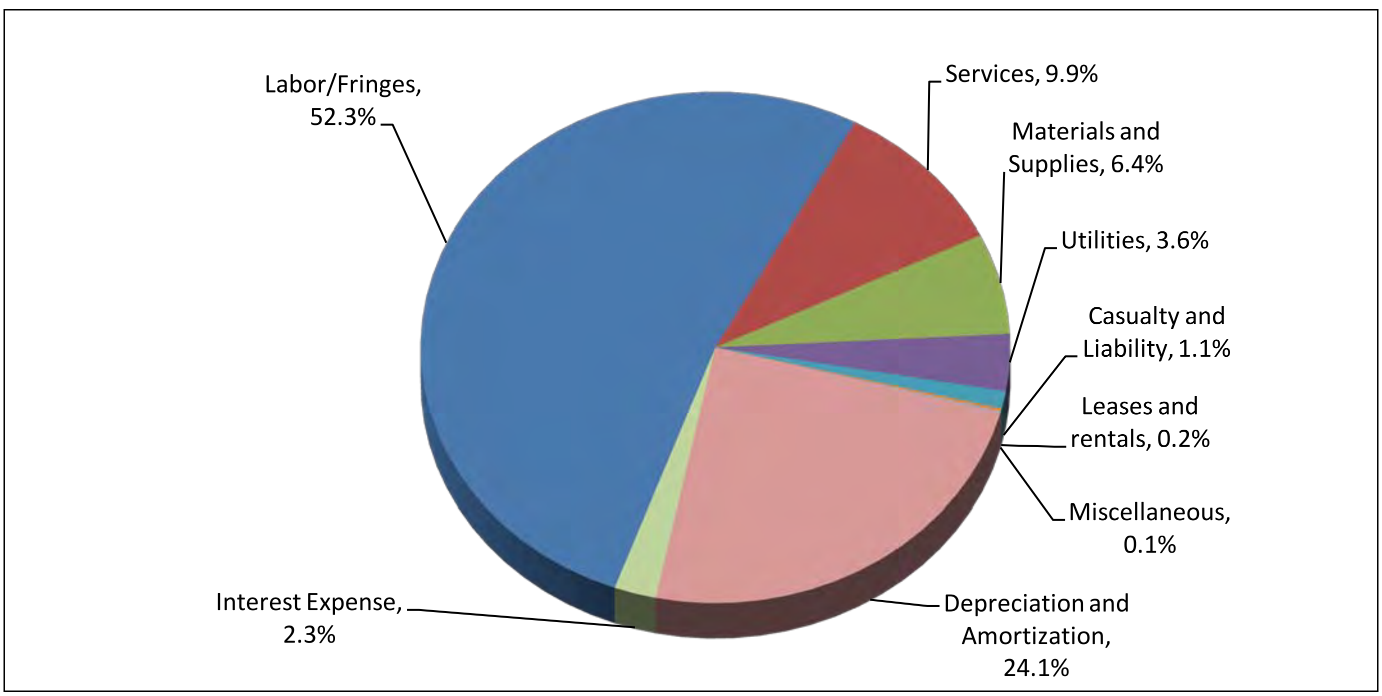
Services for the year increased by $19.0 million or 9.7 percent. The rise in service expenses were attributed to decreased utilization of paratransit and delays in initiating service contracts.

Materials and supplies increased by $29.6 million or 27.0 percent. Higher material and supplies cost, as well as purchasing non-capitalizable parts contributed to the increase in cost.

Utilities decreased by $5.3 million or 6.3 percent, due to decreased electricity rates, and the results of certain favorable power hedging agreements.

Depreciation and amortization expenses increased by $46.5 million or 9.7 percent due largely to an additional $756.6 million in depreciable assets placed into service in fiscal year 2012.

Fiscal Year 2012 Expenses



Management's Discussion and Analysis

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

Expenses (Continued)

Prior Year

Total expenses remained relatively flat at $2.1 billion in fiscal year 2011 when compared to prior fiscal year 2010. Operating expenses increased by $74.9 million or 3.7 percent as compared to fiscal year 2010. A review of significant changes is described below.

Salaries and benefits increased by $87.6 million or 8.0 percent. Salaries and benefits were influenced by non-cash expenses, including an increase in OPEB.

Services for the year increased by $6.6 million or 3.5 percent. The rise in service expenses were attributed to increased usage of paratransit and professional services cost.

Materials and supplies decreased by $30.0 million or 21.5 percent. The Authority was able to better manage cost due to significant outlays in fiscal year 2010 to rehabilitate and retrofit buses and rail cars.

Utilities decreased by $9.5 million or 10.1 percent, due to decreased electricity rates, and the results of certain favorable power hedging agreements.

Depreciation and amortization expenses increased by $13.4 million or 2.9 percent due largely to an additional $240 million in depreciable assets placed into service in fiscal year 2011.

Capital Assets and Debt Administration

The following table shows the capital assets of the Authority:

Table 3
Schedules of Capital Assets
June 30, 2012, 2011 and 2010
(in thousands)

	2012	2011	2010
Land	$ 456,727	$ 456,727	$ 447,314
Buildings and improvements	715,935	681,629	657,866
Transit facilities	8,134,324	7,785,921	7,531,417
Revenue vehicles	2,726,122	2,571,021	2,419,188
Other equipment	2,425,296	2,233,467	2,203,974
Construction in progress	351,289	323,748	179,837
Intangible costs	1,209,357	1,209,357	1,199,067
	16,019,050	15,261,870	14,638,663
Less accumulated depreciation and amortization	7,518,502	7,021,754	6,566,880
Net capital assets	$ 8,500,548	$ 8,240,116	$ 8,071,783

Management's Discussion and Analysis

Capital Assets and Debt Administration (Continued)

Capital Assets

Current Year

The Authority's net capital asset balance was $8,500.5 million (net of accumulated depreciation and amortization) as of June 30, 2012, an increase of $260.4 million or 3.2 percent. Capital assets before depreciation and amortization increased by $757.2 million as described below.

Transit facilities increased by $348.4 million or 4.5 percent as a result of the new Glenmont parking facility, rail station, tunnel and parking rehabilitation activities.

Other equipment increased by $191.8 million or 8.6 percent as a result of new station and bus repair equipment, bus cameras, parking lot readers, data, network and communication equipment.

Revenue vehicles increased by $155.1 million or 6.0 percent, as a result of placing new buses into service. In addition, costs associated with rail car rehabilitation contributed to the increase.

Additional information on the Authority's capital assets can be found in note 5 on pages 36-37 of this report.

Prior Year

The Authority's net capital asset balance was $8,240.1 million (net of accumulated depreciation and amortization) as of June 30, 2011, an increase of $168.3 million or 2.1 percent. Capital assets before depreciation and amortization increased by $623.2 million as described below.

Buildings and Improvements increased by $23.8 million or 3.6 percent as a result of rehabilitation activities.

Transit facilities increased by $254.5 million or 3.4 percent as a result of rail station, tunnel and parking rehabilitation activities.

Revenue vehicles increased by $151.8 million or 6.3 percent, as a result of placing new hybrid electric buses into service. In addition, costs associated with rail car rehabilitation contributed to the increase.

Construction in Progress increased by $143.9 million or 80.0 percent. This increase can be attributed to the acquisition of power distribution equipment, rail equipment and service vehicles.

Management's Discussion and Analysis

Future Capital Plans

On June 24, 2010, the Authority's Board of Directors approved a six-year, $5.0 billion Capital Funding Agreement (CFA) with the Authority's jurisdictional partners. The prior six-year agreement expired on June 30, 2010. The new agreement provides the Authority with the resources to, among other things, enter into multi-year agreements to procure new rail cars to replace the oldest cars in the fleet, advance safety initiatives, replace deteriorated or damaged track, repair and upgrade stations and tunnels, replace obsolete communications and train control equipment, perform general building maintenance at many Authority facilities, and procure new buses to replace the oldest vehicles in the fleet.

As part of the agreement, the Board of Directors is responsible for approving a new six-year capital plan prior to the start of each fiscal year. On May 24, 2012, the Board approved a new six-year plan, that includes $5.0 billion in capital investments by Authority's jurisdictional partners. Under the terms of the agreement, the Authority is required to update the jurisdictions and the Board of Directors quarterly about the progress of the capital program.

Bonds and Other Debt

The Authority's total outstanding bond debt as of June 30, 2012 and 2011 was $337.8 million and $370.6 million, respectively. By insuring some of its bonds, the Authority had obtained at the time of issuance, AAA rating from Standard and Poor's for those issuances. The bonds' uninsured rating is A from Standard and Poor's and Aa3 by Moody's.

Additional information on the Authority's bonds and other debt can be found in note 6 on pages 38-40 of this report.

Lease Obligations

Information on these transactions can be found in notes 10 and 11 on pages 58-60 of this report.

Economic Factors

Employment in the Washington, D.C. metropolitan area has felt the impact of the economic downturn, however, remains stronger than the national job market. According to the U.S. Department of Labor, Bureau of Labor Statistics, the employed labor force added nearly 65.0 thousand jobs or 2.2 percent pushing the employed workforce for the region over 3.0 million workers as June 30, 2012. The regional unemployment rate of 5.7 percent compares favorably with the national unemployment rate of 8.2 percent at June 2012. The region is the seat of the federal government, which accounts for more than 30.0 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, 2012 and 2011

(in thousands)

	2012	2011
ASSETS		
Current assets:		
Cash and deposits (note 3)	$ 137,564	$ 461,384
Investments (note 3)	174,818	149,261
Contributions receivable (note 4)	426,625	354,860
Accounts receivable and other assets (net of uncollectible accounts of $0.0 million in 2012 and $0.0 million in 2011)	60,556	67,331
Current portion of prefunded lease commitments (notes 10 and 11)	59,036	73,547
Materials and supplies inventory (net of allowance of $4,085 in 2012 and $3,527 in 2011)	112,582	100,142
Total current assets	971,181	1,206,525
Noncurrent assets:		
Long-term portion of contributions receivable (note 4)	188,191	180,418
Net pension asset (note 8)	136,370	148,858
Prefunded lease commitments, net of current portion (notes 10 and 11)	464,544	503,097
Capital assets (note 5):		
Construction in progress	351,289	323,748
Land	456,727	456,727
Transit facilities and equipment, net	7,692,532	7,459,641
Total noncurrent assets	9,289,653	9,072,489
Total assets	$ 10,260,834	$ 10,279,014

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

Statements of Net Assets (Continued)

June 30, 2012 and 2011

(in thousands)

	2012	2011
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 248,002	$ 212,884
Accrued salaries and benefits	114,347	125,489
Accrued interest payable	8,766	9,545
Unearned revenue	181,792	101,133
Current portion of estimated liability for injury and damage claims (notes 9 and 11)	30,792	54,871
Current portion of retainage on contracts (note 11)	2,253	5,133
Current portion of deferred lease revenue (note 11)	2,445	2,533
Current portion of bonds payable and other debt (notes 6 and 11)	29,150	33,547
Current portion of obligations under lease agreements (notes 10 and 11)	59,036	73,547
Total current liabilities	676,583	618,682
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 9 and 11)	109,561	97,900
Retainage on contracts (note 11)	21,892	20,334
Unearned lease revenue (note 11)	12,206	14,982
Bonds payable and other debt (notes 6 and 11)	308,697	337,042
Obligations under lease agreements (notes 10 and 11)	464,544	503,097
Unfunded OPEB Liability (note 8)	402,111	309,412
Total noncurrent liabilities	1,319,011	1,282,767
Total liabilities	1,995,594	1,901,449
Commitments and contingencies (notes 7, 8, 9 and 10)		
NET ASSETS		
Invested in capital assets, net of related debt	7,939,835	8,051,479
Restricted		
Net Pension Trust Assets	136,370	148,858
Capital Projects	146,073	164,211
Contingency	32,815	5,040
Smart Card Reserve	8,131	6,165
Other	2,016	1,812
Total net assets	$ 8,265,240	$ 8,377,565

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2012 and 2011

(in thousands)

	2012	2011
OPERATING REVENUES		
Passenger	$ 777,528	$ 763,900
Advertising	18,284	17,518
Rental	20,604	22,335
Other	254	751
Total operating revenues	816,670	804,504
OPERATING EXPENSES		
Labor	647,835	640,132
Fringe benefits	495,742	541,808
Services	214,309	195,316
Materials and supplies	139,418	109,812
Utilities	79,413	84,747
Casualty and liability costs	24,764	19,727
Leases and rentals	4,000	3,726
Miscellaneous	2,495	4,463
Depreciation and amortization	526,692	480,150
Total operating expenses	2,134,668	2,079,881
Operating loss	(1,317,998)	(1,275,377)
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,309	1,377
Interest income from leasing transactions	34,882	38,452
Interest expense from leasing transactions	(34,882)	(38,452)
Interest expense	(16,495)	(17,938)
Other	18,812	15,135
Jurisdiction subsidies:		
Operations	680,385	679,880
Interest	16,495	17,938
Total nonoperating revenues (expenses), net	700,506	696,392
Loss before capital contributions	(617,492)	(578,985)
Capital Contributions	505,167	886,597
Change in net assets	(112,325)	307,612
Total net assets, beginning of year	8,377,565	8,069,953
Total net assets, ending of year	$ 8,265,240	$ 8,377,565

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

Statements of Cash Flows

For the Years Ended June 30, 2012 and 2011

(in thousands)

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	$ 904,103	$ 826,436
Cash paid to suppliers	(418,278)	(412,601)
Cash paid to employees	(1,049,532)	(1,053,445)
Cash (paid) received for operating claims	(37,182)	3,094
Net cash used in operating activities	(600,889)	(636,516)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from jurisdictional subsidies	687,016	722,506
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets	(767,700)	(645,777)
Capital contributions	396,493	889,668
Interest paid on bonds and other debt	(17,275)	(18,755)
Principal paid on bonds, commercial paper and other debt	(31,210)	(34,705)
Interest subsidy for revenue bonds	16,495	17,938
Net cash provided by (used in) capital and related financing activities	(403,197)	208,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	10,725,441	8,580,351
Purchases of investments	(10,750,947)	(8,601,296)
Interest received from operational investments	18,756	15,377
Net cash used in investing activities	(6,750)	(5,568)
Net change in cash and deposits	(323,820)	288,791
Cash and deposits, beginning of year	461,384	172,593
Cash and deposits, end of year	$ 137,564	$ 461,384

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

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2012 and 2011

(in thousands)

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (1,317,998)	$ (1,275,377)
Adjustments to reconcile operating loss to net cash used in Operating activities:		
Depreciation and amortization expense	526,692	480,150
Effect of changes in operating assets and liabilities		
Accounts receivables (net) and other assets	6,775	(6,187)
Materials and supplies inventory	(12,440)	(10,176)
Net pension asset	12,488	4,285
Accounts payable and accrued expenses	35,118	(7,547)
Accrued salaries and benefits	(11,142)	25,374
Deferred revenue	80,659	28,120
Estimated liability for injury and damage claims	(12,418)	22,822
Retainage on contracts	(1,322)	3,185
OPEB obligation	92,699	98,835
Total adjustments	717,109	638,861
Net cash used in operating activities	$ (600,889)	$ (636,516)
Noncash operating, investing, capital and financing activities:		
Increase (decrease) in fair value of investments	$ 1,345	$ 1,141
Interest expense from leasing transaction	$ (34,882)	$ (38,452)
Interest income from leasing transaction	$ 34,882	$ 38,452

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

Notes to Basic Financial Statements

June 30, 2012 and 2011

(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 eight voting Directors and eight alternate Directors from each signatory to the compact and from the Federal government. The Directors and Alternates for Virginia are appointed by the Northern Virginia Transportation Commission; for the District of Columbia, by the City Council; and, for Maryland, by the Washington Suburban Transit Commission and for the Federal Government, by the Administrator of General Services.

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 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, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

(b) Financial Reporting Entity (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, are therefore, reported in conformity with governmental accounting and financial reporting principles issued by GASB. The Authority records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of the cash flows. Revenues collected in advance are deferred until the period in which it is earned. The Authority applies 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 do not conflict with or contradict GASB pronouncements. The Authority 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 (86.3 percent), companies (13.6 percent) and other receivables (0.1 percent).

The major components of the accounts payable balance are payments due to vendors and contractors (87.7 percent), governmental agencies (12.2 percent) and other payables (0.1 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 that 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, and expenses contributed to pension plans administered by the Authority.

Nonoperating revenues include jurisdictional subsidies, investment income and interest income from leasing transactions and nonoperating expenses include interest expenses.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

(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.

(g) Materials and Supplies Inventory

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

Buildings and improvements	20-45 years
Rail transit facilities	10-75 years
Revenue vehicles	12-35 years
Other equipment	2-20 years
Intangible costs	3-40 years

Capital assets include repairable assets, which are replacement parts with a unit cost of $500 or more and an estimated useful life in excess of one year. 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 or the non-cash amount of OPEB. As a result, the Authority’s change in net assets represents revenues from capital grants and subsidies,

Notes to Basic Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

(i) Grants (Continued)

less depreciation expense and the non-cash amount of Post Employment Benefits Other than Pensions (OPEB).

(j) Investment Income

Interest income is generated from the following sources: advance 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 it is 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 the Authority's net pension asset, advance contributions for future construction programs, reimbursable projects, contingency, Smart Card reserves and other targeted programs.

(l) Master Commodity Swap Arrangements

The Authority enters into agreements to fix the price associated with the purchase of fuel and electricity for specified periods of time. These agreements enable the Authority to plan its fuel and electricity costs for the year and to protect itself against increases in the market price of fuel and electricity. These agreements are reported 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 2012, adopted the following GASB Statement:

GASB Statement No. 64, Derivative Instruments Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this GASB Statement had no material impact on the basic financial statements of the Authority.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

(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) Reclassifications

Certain reclassifications were made to fiscal year 2012 financial statements to conform to the fiscal year 2011 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 up to one percent of operating expenses is held as a contingency to be used as directed by the Board; any amount above the one percent 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 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, and the issuance of debt.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011 are grouped to give an indication of the level of custodial risk assumed by the Authority as follows (in thousands):

	2012		2011	
Cash and Deposits	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured or collateralized	$ 131,098	$ 135,477	$ 453,939	$ 456,785
Cash on hand	6,466	-	7,445	-
Total cash and deposits	$ 137,564	$ 135,477	$ 461,384	$ 456,785

All funds in the current year were fully insured or collateralized. The Dodd-Frank Deposit Insurance Provision provides a temporary change to the FDIC insurance coverage, and fully covers all noninterest-bearing transactions and accounts from December 31, 2010 through December 31, 2012.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(3) Cash, Deposits and Investments (Continued)

(b) Investments

As of June 30, 2012, 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
Certificates of Deposit	$ 10,180	$ 10,180	$ -	$ -	$ -
Repurchase agreements	84,289	84,289	-	-	-
United States treasuries	2,932	-	-	-	2,932
United States agencies	77,309	57,996	18,271	1,042	-
	174,710	152,465	18,271	1,042	2,932
Accrued interest	108	108	-	-	-
Total	$ 174,818	$ 152,573	$ 18,271	$ 1,042	$ 2,932

As of June 30, 2011, 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	$ 170	$ 170	$ -	$ -	$ -
Repurchase agreements	108,691	108,691	-	-	-
United States treasuries	2,491	-	-	-	2,491
United States agencies	37,827	28,271	-	9,556	-
	149,179	137,132	-	9,556	2,491
Accrued interest	82	82	-	-	-
Total	$ 149,261	$ 137,214	$ -	$ 9,556	$ 2,491

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. However, 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 intermediate maturities for capital projects investments. On average, maturities are less than two years at June 30, 2012 and 2011.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(3) Cash, Deposits and Investments (Continued)

Credit Risk

The Authority's Compact, Article XVI, section 69(b), signed by the governing jurisdictions, includes, but is not limited to, investments that are direct obligations of or obligations guaranteed by the United States of America as well as evidences of indebtedness issued by agencies of the United States of America or indebtedness issued by a domestic corporation, provided that such obligations are rated at the time of purchase in the highest rating categories by a nationally recognized bond rating agency. The Authority's investments 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

The Authority does not have a formal policy for custodial credit risk, however, the Authority selects custodians with at least a A+ rating by one or more of the nationally recognized rating organizations: Standard and Poor's, Moody's Investor Service or Fitch Ratings. 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 agent of the Authority. 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 regards to cash, is mitigated by the Dodd-Frank Deposit Insurance Provision which provides a temporary change to the FDIC insurance coverage, and fully covers all noninterest-bearing transactions accounts from December 31, 2010, through December 31, 2012.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011 (in thousands):

	2012	2011
Jurisdictional operating subsidy per financial statements	$ 680,385	$ 679,880
Add (deduct) operating costs (not) requiring current funding:		
Preventive maintenance subsidy	(30,668)	(60,487)
Prepaid pension cost adjustment	12,488	(4,285)
Unrealized gain from investments	1,345	1,141
Agreed-upon funding of employee vacations liability and related taxes	(5,621)	(2,272)
Agreed-upon funding of claims for injuries and damages	(1,551)	(7,784)
Rail repairable parts	-	2
Adjustments to operating expenses and interest	(3,820)	3,820
Maximum fare assistance	10,267	5,497
Operating expenses funded by capital grants	(68,727)	(64,990)
Jurisdictional operating subsidy - funding basis	$ 594,098	$ 550,522

The cumulative effects of the different agreed-upon bases, which result in long-term contributions receivable, are as follows at June 30, 2012 and 2011 (in thousands):

	2012	2011	Change
Agreed-upon funding of employee vacation liability and related taxes	$ 60,211	$ 53,989	$ 6,222
Agreed-upon funding of claims for injuries and damages	127,980	126,429	1,551
Total accumulated difference	$ 188,191	$ 180,418	$ 7,773

The current portion of contributions receivable at June 30, 2012 and 2011 of $426,625 and $354,860, respectively are related primarily to federal grants.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(5) Capital Assets

Capital assets activity for the years ended June 30, 2012 and 2011 was as follows (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012
Capital assets not being depreciated:				
Land	$ 456,727	$ -	$ -	$ 456,727
Construction in progress	323,748	784,173	(756,632)	351,289
Total capital assets not being depreciated	780,475	784,173	(756,632)	808,016
Capital assets being depreciated:				
Buildings and improvements	681,629	34,306	-	715,935
Transit facilities	7,785,921	348,403	-	8,134,324
Revenue vehicles	2,571,021	179,390	(24,289)	2,726,122
Other equipment	2,233,467	194,533	(2,704)	2,425,296
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	152,028	-	-	152,028
Systems Software	10,290	-	-	10,290
Total capital assets being depreciated	14,481,395	756,632	(26,993)	15,211,034
Less accumulated depreciation and amortization for:				
Buildings and improvements	330,364	28,796	-	359,160
Transit facilities	2,810,126	191,021	-	3,001,147
Revenue vehicles	1,294,934	126,959	(24,289)	1,397,604
Other equipment	1,564,781	160,078	(2,704)	1,722,155
Intangible costs	1,021,549	16,887	-	1,038,436
Total accumulated depreciation and amortization of intangible costs	7,021,754	523,741	(26,993)	7,518,502
Total capital assets being depreciated, net	7,459,641	232,891	-	7,692,532
Total capital assets, net	$ 8,240,116	$ 1,017,064	$ (756,632)	$ 8,500,548

Notes to Basic Financial Statements

June 30, 2012 and 2011

(5) Capital Assets (Continued)

	June 30, 2010	Additions	Reductions	June 30, 2011
Capital assets not being depreciated:				
Land	$ 447,314	$ 9,413	$ -	$ 456,727
Construction in progress	179,837	635,356	(491,445)	323,748
Total capital assets not being depreciated	627,151	644,769	(491,445)	780,475
Capital assets being depreciated:				
Buildings and improvements	657,866	23,763	-	681,629
Transit facilities	7,531,417	254,504	-	7,785,921
Revenue vehicles	2,419,188	172,203	(20,370)	2,571,021
Other equipment	2,203,974	31,693	(2,200)	2,233,467
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	152,028	-	-	152,028
Systems Software	-	10,290	-	10,290
Total capital assets being depreciated	14,011,512	492,453	(22,570)	14,481,395
Less accumulated depreciation and amortization for:				
Buildings and improvements	300,984	29,380	-	330,364
Transit facilities	2,642,546	167,580	-	2,810,126
Revenue vehicles	1,202,764	112,540	(20,370)	1,294,934
Other equipment	1,417,067	149,914	(2,200)	1,564,781
Intangible costs	1,003,519	18,030	-	1,021,549
Total accumulated depreciation and amortization of intangible costs	6,566,880	477,444	(22,570)	7,021,754
Total capital assets being depreciated, net	7,444,632	15,009	-	7,459,641
Total capital assets, net	$ 8,071,783	$ 659,778	$ (491,445)	$ 8,240,116

Notes to Basic Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011 (in thousands):

	2012			2011
	Principal	Unamortized Issuance Cost Net of Premium	Net	Net
Series 2003, 4.60% dated October 23, 2003, due semi-annually through July 1, 2014	$ 39,285	$ 1,410	$ 40,695	$ 66,696
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	230,745	12,316	243,061	249,802
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(909)	54,091	54,091
	$ 325,030	$ 12,817	$ 337,847	$ 370,589

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.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(6) Bonds Payable and Other Debt (Continued)

(a) Bonds Payable (Continued)

- 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.

(b) Bonds Debt Service Requirements

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

Fiscal Year	Principal	Interest	Total
2013	$ 27,360	$ 17,049	$ 44,409
2014	20,335	15,858	36,193
2015	13,240	14,934	28,174
2016	7,900	14,429	22,329
2017	8,285	14,035	22,320
2018-2022	48,040	63,355	111,395
2023-2027	61,865	49,119	110,984
2028-2032	79,860	30,695	110,555
2033-2035	58,145	6,197	64,342
	325,030	225,671	550,701
Plus unamortized premium net of issuance cost	12,817	-	12,817
	$337,847	$ 225,671	$ 563,518

(c) Issuance and Refunding of Debt

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.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(6) Bonds Payable and Other Debt (Continued)

(c) Issuance and Refunding of Debt (Continued)

On June 9, 2009, the Authority issued $242,675,000 of the Series 2009A Gross Revenue Transit Bonds, with an average interest rate of 4.67 percent, to retire a portion of the Commercial Paper Notes Payable. The Authority also issued $55,000,000 of the 2009B Gross Revenue Transit Bonds, with an average net interest rate of 4.79 percent. The 2009B Funds are being used to finance capital cost components for the Authority's Metro Matters Programs. The 2009B Gross Revenue Transit Bonds were issued under the Build America Bond (BAB) Program.

The American Recovery and Reinvestment Act of 2009 created the Build America Bond program, which authorizes state and local governments (Municipal Issuers) to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt governmental bonds. The Municipal Issuers receive a direct federal subsidy payment for a portion of their borrowing costs on BABs equal to 35 percent of the total coupon interest paid to investors.

(d) Lines of Credit

Pursuant to the Compact and the Line of Credit Resolution of the Authority, a 364-day Line of Credit for $100,000,000 was renewed and subsequently increased to $125,000,000 during fiscal year 2010. In addition, two new Lines of Credit were secured for $125,000,000 and $50,000,000. The total amounts available under the three 364-day Lines of Credit were reduced from $300,000,000 to $200,000,000 in fiscal year 2012. The availability fees and accrued interest were payable either monthly or quarterly, depending on the terms of the agreements, commencing July 2010. The six-year Credit Facility for $300,000,000 secured during fiscal year 2010, specifically to support the procurement of the 7000 Series rail cars, was terminated during fiscal year 2012. All principal and interest are computed based on the London Interbank Offered Rate (LIBOR) plus a margin ranging from 80 basis points to 120 basis points and will be due and payable in June 2013. The one-month LIBOR rate was 0.25 percent and 0.19 percent for June 30, 2012 and June 30, 2011, respectively. For year ending June 30, 2012 and 2011, there was no outstanding debt balance on the Lines of Credit.

(e) Interest Expense

Interest expense on bonds for the years ended June 30, 2012 and 2011 was $16,495,000 and $17,938,000, respectively.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) 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, and 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 eligibility is age 65 with 5 years of credited service. The annual normal retirement benefit shall equal items (a) plus (b) below: (a) 1.6% of final average compensation multiplied by years of credited service(including any unused sick leave as credited service for purpose of normal retirement benefit), plus (b) 0.9% of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit amount) not in excess of 20 years. Early retirement benefits are available upon reaching age 55 with 10 years of credited service or 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 vested employment. The Authority contributes the total cost of the plan. After five years of service, participants are 100 percent vested.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) Pension Plans (Continued)

(a) Plan Descriptions (Continued)

(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 no later than 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 .50 percent of final average earnings for each year of credit service. 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 vested employment disability benefits. After ten years of service, participants are 100 percent vested.

(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 or 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 the required contribution as determined by the plan actuary. The plan also provides early retirement, disability and pre-retirement spouse death benefits. After ten years of service, participants are 100 percent vested.

(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 83 or more.

(7) Pension Plans (Continued)

(a) Plan Descriptions (Continued)

(iv) Union Local 922 Plan (Continued)

Effective for employees retiring on or after November 1, 2007, the annual retirement benefits are equal to 1.85% of the average compensation for each year (or fraction thereof based on completed months) of service up to 27 years at retirement, plus 1.95 % of average compensation for each year (or fraction thereof based on completed months) of service in excess of 27 years at retirement plus 1.0 percent for years of service prior to May 1, 1973. The minimum benefit is $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. After ten years of service participants, are 100 percent vested.

(v) Union Local 2 Plan

All full-time employees covered by the 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 eligibility is age 65 with 5 years of credited service. The annual normal retirement benefit shall equal items (a) plus (b) below: (a) 1.6% of final average compensation multiplied by years of credited service(including any unused sick leave as credited service for purpose of normal retirement benefit), plus (b) 0.9% of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit amount) not in excess of 20 years. Early retirement benefits are available upon reaching age 55 with 10 years of credited service or meeting the "Rule of 83" with years. 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 vested employment. The Authority contributes the total cost of the plan. After five years of service, participants are 100 percent vested.

(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.

As of July 1, 2011, the plan was 73.7 percent funded. The actuarial accrued liability for benefits was $468.8 million, and the actuarial value of assets was $345.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $123.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $27.2 million, and the ratio of UAAL to covered payroll was 453.1 percent.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) Pension Plans (Continued)

(b) Funding Status and Annual Pension Cost (Continued)

(i) Salaried Personnel Plan (Continued)

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(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. The entry age actuarial cost method is used as a surrogate for calculating information related to the plan's funding progress.

As of January 1, 2011, the plan was 75.6 percent funded. The actuarial accrued liability for benefits was $181.0 million, and the actuarial value of assets was $136.9 million, resulting in a UAAL of $44.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $31.5 million, and the ratio of UAAL to covered payroll was 140.0 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(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 current year's normal cost. The actuarial funding method used to compute the contribution requirements is the aggregate cost method. The entry age actuarial cost method is used as a surrogate for calculating information related to the plan's funding progress.

As of January 1, 2011, the plan was 86.6 percent funded. The actuarial accrued liability for benefits was $2.5 billion, and the actuarial value of assets was $2.2 billion, resulting in a UAAL of $0.3 billion. The covered payroll (annual payroll of active employees covered by the plan) was $548.7 million, and the ratio of UAAL to covered payroll was 61.3 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) Pension Plans (Continued)

(b) Funding Status and Annual Pension Cost (Continued)

(iv) Union Local 922 Plan (Continued)

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 contribution requirements is the projected unit credit method.

As of January 1, 2011, the plan was 84.0 percent funded. The actuarial accrued liability for benefits was $143.9 million, and the actuarial value of assets was $120.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $23.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $26.5 million, and the ratio of UAAL to covered payroll was 87.0 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(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 method of funding.

As of July 1, 2011 the plan was 80.1 percent funded. The actuarial accrued liability for benefits was $149.5 million, and the actuarial value of assets was $119.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $29.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $12.9 million, and the ratio of UAAL to covered payroll was 231.6 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) Pension Plans (Continued)

(b) Funding Status and Annual Pension Cost (Continued)

(vi) The Authority's annual pension cost (APC) and related assumptions for the current year are as 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	56.9%	23.6%	10.7%	22.3%	31.9%
Employees (Plan Members)	0.0%	7.3%	0.0%	0.0%	0.0%
Annual pension cost	$ 18,416	$ 7,719	$ 67,090	$ 5,937	$ 4,966
Contributions made:					
Authority	$ 15,469	$ 7,719	$ 58,515	$ 5,927	$ 4,094
Actuarial valuation date	7/1/2011	1/1/2011	1/1/2011	1/1/2012	7/1/2011
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	Actuarial value of assets	Smoothed market value
Actuarial assumptions:					
Investment rate of return	8.0%	8.0%	7.9%	7.0%	8.0%
Projected salary increases	3.5-8.0%	4.75-9.0%	3.5%	4.5%	3.5-8.0%
Post-retirement benefit	3.5%	up to 6.0%	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, 2012 and 2011

(7) Pension Plans (Continued)

(b) Funding Status and Annual Pension Cost (Continued)

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

	Salaried Personnel Plan 7/1/2011	Transit Police Plan 1/1/2011	Union Local 689 Plan 1/1/2011	Union Local 922 Plan 1/1/2012	Union Local 2 Plan 7/1/2011	Total
Net pension assets beginning of year	$ (4,878)	$ (307)	$ (140,527)	$ (1,955)	$ (1,191)	$ (148,858)
Annual required contribution	18,416	7,719	60,036	5,927	4,966	97,064
Interest on net pension assets	-	-	(11,242)	(137)	-	(11,379)
Adjustment to annual required contribution	-	-	18,296	147	-	18,443
Annual pension cost (income)	18,416	7,719	67,090	5,937	4,966	104,128
Net pension obligations (assets) before contributions	13,538	7,412	(73,437)	3,982	3,775	(44,730)
Adjustments to beginning balance	72	-	-	-	12	84
Contributions made	(15,469)	(7,719)	(58,515)	(5,927)	(4,094)	(91,724)
Net pension assets end of year	$ (1,859)	$ (307)	$ (131,952)	$ (1,945)	$ (307)	$ (136,370)

	7/1/2010	1/1/2010	1/1/2010	1/1/2011	7/1/2010	Total
Net pension assets beginning of year	$ (2,080)	$ (307)	$ (148,447)	$ (1,965)	$ (344)	$ (153,143)
Annual required contribution	17,884	7,862	53,984	5,375	5,103	90,208
Interest on net pension assets	-	-	(11,876)	(138)	-	(12,014)
Adjustment to annual required contribution	-	-	19,373	148	-	19,521
Annual pension cost (income)	17,884	7,862	61,481	5,385	5,103	97,715
Net pension obligations (assets) before contributions	15,804	7,555	(86,966)	3,420	4,759	(55,428)
Adjustments to beginning balance	150	-	-	-	25	175
Contributions made	(20,832)	(7,862)	(53,561)	(5,375)	(5,975)	(93,605)
Net pension assets end of year	$ (4,878)	$ (307)	$ (140,527)	$ (1,955)	$ (1,191)	$ (148,858)

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) 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	7/01/11	$ 18,416	84.0%	$ (1,859)
	7/01/10	$ 17,884	116.5%	$ (4,878)
	7/01/09	$ 17,716	100.0%	$ (2,080)
Transit Police Plan	1/01/11	$ 7,719	100.0%	$ (307)
	1/01/10	$ 7,862	100.0%	$ (307)
	1/01/09	$ 6,580	100.0%	$ (307)
Union Local 689	1/01/11	$ 67,090	87.2%	$ (131,952)
	1/01/10	$ 61,481	87.1%	$ (140,527)
	1/01/09	$ 47,524	84.1%	$ (148,447)
Union Local 922	1/01/11	$ 5,937	99.8%	$ (1,945)
	1/01/10	$ 5,385	99.8%	$ (1,955)
	1/01/09	$ 5,187	100.0%	$ (1,965)
Union Local 2	7/01/11	$ 4,966	82.4%	$ (307)
	7/01/10	$ 5,103	117.1%	$ (1,191)
	7/01/09	$ 5,456	100.0%	$ (344)

Schedules related to the funded status of the pension plans included in this footnote are located in the Required Supplementary Information located on page 52 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.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(7) Pension Plans (Continued)

(d) Defined Contribution Retirement Plan (Continued)

The Authority contributed $5,859,000 and $4,924,000 for the years ended June 30, 2012 and 2011, respectively.

(e) Deferred Compensation

The Authority offers a deferred compensation plan for all active 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, on a pre-tax basis, not to exceed limits prescribed in the Internal Revenue Code. 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.

(8) 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. Union Local 2, Transit Police and Non-represented provide healthcare, prescription drug and life insurance benefits to retirees and their dependents. Union Local 689 provides healthcare, prescription drug and life insurance benefits to employees hired before January 1, 2010.

The Union Local 689, Union Local 2, and Transit Police plans are governed by the terms of their respective 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.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(8) Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Funding policy and Annual OPEB Cost (Continued)

The Authority's annual OPEB cost for the years ended June 30, 2012 and 2011, and the related information are as follows (dollar amounts in thousands):

	Union Local 689	Union Local 2	Transit Police	Non-Represented	Total
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	$ 82,187	$ 13,528	$ 7,844	$ 33,229	$ 136,788
Interest on net OPEB obligation	7,807	1,230	746	2,593	12,376
Adjustment to annual required contribution	(7,459)	(1,175)	(712)	(2,477)	(11,823)
Annual OPEB cost	$ 82,535	$ 13,583	$ 7,878	$ 33,345	$ 137,341
Contribution made	(28,919)	(3,368)	(1,827)	(10,528)	(44,642)
Increase in net OPEB obligation	53,616	10,215	6,051	22,817	92,699
Net OPEB obligation - July 1, 2011	195,203	30,742	18,649	64,818	309,412
Net OPEB obligation - June 30, 2012	$ 248,819	$ 40,957	$ 24,700	$ 87,635	$ 402,111

Notes to Basic Financial Statements

June 30, 2012 and 2011

(8) Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Funding policy and Annual OPEB Cost (Continued)

	Union Local 689	Union Local 2	Transit Police	Non-Represented	Total
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	$ 83,605	$ 12,679	$ 8,561	$ 29,854	$ 134,699
Interest on net OPEB obligation	5,435	825	456	1,707	8,423
Adjustment to annual required contribution	(5,192)	(789)	(436)	(1,630)	(8,047)
Annual OPEB cost	$ 83,848	$ 12,715	$ 8,581	$ 29,931	$ 135,075
Contribution made	(24,520)	(2,610)	(1,334)	(7,776)	(36,240)
Increase in net OPEB obligation	59,328	10,105	7,247	22,155	98,835
Net OPEB obligation - July 1, 2010	135,875	20,637	11,402	42,663	210,577
Net OPEB obligation - June 30, 2011	$ 195,203	$ 30,742	$ 18,649	$ 64,818	$ 309,412

Notes to Basic Financial Statements

June 30, 2012 and 2011

(8) 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 years 2012, 2011 and 2010 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	6/30/2012	$ 82,535	35.0%	$ 248,819
	6/30/2011	$ 83,848	29.2%	$ 195,203
	6/30/2010	$ 79,502	28.2%	$ 135,875
Union Local 2	6/30/2012	$ 13,583	24.8%	$ 40,957
	6/30/2011	$ 12,715	20.5%	$ 30,742
	6/30/2010	$ 12,044	24.7%	$ 20,637
Transit Police	6/30/2012	$ 7,878	23.2%	$ 24,700
	6/30/2011	$ 8,581	15.5%	$ 18,649
	6/30/2010	$ 8,102	20.2%	$ 11,402
Non-Represented	6/30/2012	$ 33,345	31.6%	$ 87,635
	6/30/2011	$ 29,931	26.0%	$ 64,818
	6/30/2010	$ 28,507	32.4%	$ 42,663

Funded Status and Funding Progress. The funded status of the plans, as of June 30, 2012, was as follows (dollar amounts in thousands):

	Union Local 689	Union Local 2	Transit Police	Non-Represented	Total
Actuarial accrued liability (a)	$ 1,190,044	$ 178,474	$ 102,334	$ 477,719	$ 1,948,571
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 1,190,044	$ 178,474	$ 102,334	$ 477,719	$ 1,948,571
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	$ 841,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll {(a)-(b)}/ (c)	N/A	N/A	N/A	N/A	231.7%

Notes to Basic Financial Statements

June 30, 2012 and 2011

(8) Postemployment Benefits Other Than Pensions (OPEB) (Continued)

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 basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the financial accrued liabilities for benefits.

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	7/1/2011	7/1/2011	7/1/2011	7/1/2011
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-30 years	Open-30 years	Open-30 years	Open-30 years
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%
Healthcare cost trend rate:				
Pre-65 Years Old	9.5%	9.5%	9.5%	9.5%
65 Years and older	8.0%	8.0%	8.0%	8.0%

Notes to Basic Financial Statements

June 30, 2012 and 2011

(8) Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Defined Contribution Plan

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

Effective November 1, 2007, the Authority contributed to the 922 Employees Health Trust on behalf of each employee on its payroll covered by the Union Local 922 agreement and each retiree under age 65, a monthly contribution of $800. The Health Trust determines the extent of any employee and retiree contributions necessary to fund the remaining cost of the benefits. The Authority's contributions were $4,135,000, $4,143,000, and $4,092,000 for the years ended June 30, 2012, 2011 and 2010, respectively.

Schedules related to the funded status of the OPEB plans included in this footnote are located in the Required Supplementary Information located on page 53 of these financial statements.

(9) Commitments and Contingencies

(a) Litigation and Claims

The Authority is exposed to liability for bodily injury and property damage; physical damage to and loss of its property; and liability for financial loss suffered by employees and others as a result of decisions and judgments made by the Authority. The Authority self-insures and adjusts:

(1) Third party bodily injury and property damage liability claims up to $8 million for Metro Bus and $5 million for all other
(2) Workers compensation claims up to $2.5 million per occurrence
(3) Employment practices liability claims up to $250,000 per occurrence
(4) First party property or business interruption loss up to $5 million for loss or damage to railcars caused by the perils of collision and derailment, and for loss or damage to named stations and tunnels; and up to $1 million for all other loss or damage

In fiscal year 2009, the Authority purchased Excess Liability insurance with an annual aggregate limit of $95.0 million for claims whose value exceeded the maximum of $5.0 million per occurrence covered by the self-insured retention. In fiscal year 2010, the Authority purchased:

(1) An additional $50.0 million in aggregate limits in the Excess Liability insurance program taking the total limits to $145.0 million excess of a $8.0 million for Metro Bus and MetroAccess liability and excess of $5 million for all other liability
(2) Excess Workers compensation insurance with statutory limits in excess of a $2.5 million per occurrence self-insured retention (SIR) (i.e. it pays whatever the statute requires)
(3) Directors' and Officers' Liability/Employment Practices Liability insurance with aggregate limits of $10.0 million excess of a $250,000 SIR

Claim settlements/ judgments have not penetrated into the attachment point of Excess Liability insurance during any of the past three fiscal years. In fiscal year 2009 the Authority suffered two severe loss occurrences both of which are expected to penetrate the attachment point of insurance. The first loss was a Metro Bus collision with a taxi, which resulted in a death and three serious injuries. The second loss was a Metro Rail car collision, which occurred on June 22, 2009 and resulted in the deaths of eight passengers and one employee and multiple passenger injuries. As described below, these cases were included in the case reserves evaluated by an independent actuary and is included in the estimated

Notes to Basic Financial Statements

June 30, 2012 and 2011

(9) Commitments and Contingencies (Continued)

(a) Litigation and Claims (Continued)

liability for injury and damage claims which totaled $126.1 million as of June 30, 2010. A discount rate of two percent was applied by the independent actuary when evaluating the estimated liability for injury and damage claims. In fiscal year 2009, the Authority was completely self-insured for its workers' compensation obligations; in fiscal year 2010, the Authority purchased Excess Workers' Compensation insurance capping the Authority's exposure at $2.5 million per incident.

Loss occurrences are reported to the commercial insurers when it is determined that the loss is covered by insurance and when the loss results in severe bodily injury (e.g. death, dismemberment, brain damage, paralysis, etc) or when the loss is valued at 50.0 percent or more of the SIR. When a third party liability or workers compensation claim is either made against the Authority or when there is sufficient reason to believe that the Authority may be liable for the loss, a dollar amount is reserved for that claim (i.e. a case reserve is established). Case values are adjusted as the claims develop. Total case reserves are evaluated by an independent actuary who develops the total liability to be included in the basic financial statements.

Changes in the actuarially developed liability for years ended June 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Estimated net present value of the liability for injury and damage claims, beginning of year	$ 152,770	$ 129,949
Incurred new claims	30,107	27,276
Changes in estimate for claims of prior periods	5,953	26,921
Payments on claims	(48,477)	(31,376)
Estimated net present value of the liability for injury and damage claims, end of year	$ 140,353	$ 152,770
Due within one year	$ 30,792	$ 54,871

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 August 2009, the Authority entered into a new 10-year three month operating lease for office space in Hyattsville, MD. The terms of the lease set forth a scheduled minimum annual rent of $880,000 with an escalating increase of three percent annually. Lease payments for years ended June 30, 2012 and 2011 were $1,249,000 and $908,000 respectively.

(9) Commitments and Contingencies (Continued)

(b) Leasing Commitment (Continued)

The Authority's minimum lease payments as of June 30, 2012 are as follows (in thousands):

Fiscal Year	Total
2013	$ 1,316
2014	1,303
2015	1,144
2016	1,174
2017	1,206
2018	1,238
2019	1,271
2020	317
2021	125
2022	125
2023	125
2024	125
	$ 9,469

(c) Master Commodity Swap Agreements

Objective: The Authority enters into master commodity swap agreements or contracts as a hedge against the price volatility of diesel fuel and electricity. In fiscal year 2012, the Authority maintained five electricity swap agreements and one diesel fuel swap agreement. The swap agreements allowed the Authority to plan and manage its diesel fuel and electricity costs, reduce risk, and improve budget stability.

Payment between the swap parties is the difference between the swap price per megawatt and gallon respectively and the unweighted arithmetic mean of each of the closing settlement prices. The settlement price for electricity swap is based on the PJM-West Peco Zone daily trading figures for the electricity futures. The monthly price is based on all the prices for hours of each day of the month for the particular hedge time period (On-Peak, Off-Peak, 24x7). The fuel swap is based on the closing settlement prices quoted by the NYMEX, on each NYMEX trading day, during the settlement period for the No.2. heating oil futures.

Fair Value: As of June 30, 2012 the swap agreements had a fair value of $136,204 as shown in Table 1. The fair value is estimated by a mathematical approximation of the market, derived from proprietary models as of a given date, and based on certain assumptions regarding past, present and future market conditions, as well as certain financial information.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(9) Commitments and Contingencies (Continued)

(c) Master Commodity Swap Agreements (Continued)

Table 1: Diesel fuel swap (included in Accounts receivable and other assets on the Statements of Net Assets)

Per Calculation Effective Date	Period Maturity Date	Gallons	Total Quantity (gallons)	Fair Market Value as 6/30/11
07/01/2012	06/30/2013	650,000	7,800,000	$ 136,204
				$ 136,204

Credit Value: The Authority is exposed to credit risk in the amount of the fair market value. To mitigate the credit risk, the Authority entered into swap agreements with counterparties with long-term investment grade ratings by Standard and Poor's, Moody's, and Fitch.

Termination Risk: The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Also, if at the time of the termination the swap has negative fair market value, the Authority would be liable to the counterparty for a payment equal to the fair market value.

(d) Labor Contracts

Approximately 85.0 percent of the Authority's labor force is covered by five labor contracts. As of June 30, 2012, three of these contracts which represent approximately 81.0 percent of the labor force are expired and currently either in arbitration or negotiation. At June 30, 2012 the accrued salaries and benefits liability includes an estimated amount related to the settlement of these contracts.

(9) Commitments and Contingencies (Continued)

(e) Other

Construction and capital improvement costs are funded by federal grants, local matching funds, and third party agreements. As of June 30, 2012, the Authority was committed to expend approximately $297,763,100 (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.

(10) Leasing Transactions

(a) Leasing Historical Information

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.

Notes to Basic Financial Statements

June 30, 2012 and 2011

(10) Leasing Transactions

(a) Leasing Historical Information (Continued)

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.

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

Future minimum payments due:	
2013	$ 59,036
2014	90,188
2015	151,781
2016	54,732
2017	29,237
2018-2022	231,278
2023-2027	69,264
2028-2031	51,961
Total future minimum payments	737,477
Less imputed interest	213,897
Present value of minimum lease payments	$ 523,580

(b) Leasing Disclosure

The lease agreements, described above, 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 other mutually acceptable solution cannot be reached, accelerated payment of the liability could be requested. Due to events in the financial markets, certain specified downgrades had occurred for all 16 lease agreements. To date, the Authority has terminated ten lease agreements, one in fiscal year 2012, one in fiscal 2011, three in fiscal year 2010 and five in fiscal year 2009. Termination payments on nine of the ten leases were paid from the defeasance accounts with no or very minimal additional liability to the Authority. After reaching a settlement with the one equity investor, which had demanded accelerated payment of the full liability, the lease agreement was terminated. As part of the settlement, all parties agreed not to discuss the terms of the settlement.

To date, two of the equity investors have not exercised their rights and have not notified the Authority to request a change in the defeasance provider. One equity investor waived the Authority's obligation to replace the defeasance provider. The remaining three equity investors have granted extensions, with

Notes to Basic Financial Statements

June 30, 2012 and 2011

(10) Leasing Transactions

(b) Leasing Disclosure (Continued)

approved extension dates ranging from October 31, 2012 to June 30, 2014. The remaining period of these agreements ranges from approximately four to twenty years.

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

(11) Changes in Long-Term Liabilities

Long-term liabilities activity for the years ended June 30, 2012 and 2011, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Bonds Payable		Obligations Under Lease Agreements
Beginning balance, July 1, 2010	$ 129,949	$ 22,282	$ 20,755	$ 406,935		$ 670,754
Additions	89,504	43,295	-	619	*	-
Reductions	(66,683)	(40,110)	(3,240)	(36,965)	**	(94,110)
Balance, June 30, 2011	152,770	25,467	17,515	370,589		576,644
Additions	66,489	133,601	2,533	496	*	-
Reductions	(78,906)	(134,923)	(5,397)	(33,238)	**	(53,064)
Ending balance, June 30, 2012	$ 140,353	$ 24,145	$ 14,651	$ 337,847		$ 523,580
Due within one year	$ 30,792	$ 2,253	$ 2,445	$ 29,150		$ 59,036
Noncurrent portion	$ 109,561	$ 21,892	$ 12,206	$ 308,697		$ 464,544

*This amount includes amortization of bond premiums of $496,000 and $619,000 for the years ended June 30, 2012 and 2011, respectively.

**This amount includes bond debt principal payments of $31,210,000 and $34,705,000 and accretion of bond discounts of $2,028,000 and $2,261,000 for the years ended June 30, 2012 and 2011, respectively.

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)	Actuarial Accrued Liability (UAAL) (Funding	Funded Ratio	Covered Payroll	Percentage of Covered Payroll (Funding Excess)
Salaried Personnel Plan	7/1/2011	$ 345,530	$ 468,769	$ 123,239	73.7%	$ 27,201	453.1%
	7/1/2010	$ 340,635	$ 463,459	$ 122,824	73.5%	$ 29,321	418.9%
	7/1/2009	$ 342,628	$ 467,269	$ 124,641	73.3%	$ 31,343	397.7%
Union Local 2	7/1/2011	$ 119,718	$ 149,483	$ 29,765	80.1%	$ 12,852	231.6%
	7/1/2010	$ 114,767	$ 146,504	$ 31,737	78.3%	$ 13,764	230.6%
	7/1/2009	$ 110,861	$ 146,021	$ 35,159	75.9%	$ 14,933	235.4%
Union Local 689 Plan	1/1/2011	$ 2,182,029	$ 2,518,549	$ 336,520	86.6%	$ 548,720	61.3%
	1/1/2010	$ 2,192,165	$ 2,399,238	$ 207,073	91.4%	$ 544,629	38.0%
	1/1/2009	$ 2,235,108	$ 2,325,622	$ 90,514	96.1%	$ 549,381	16.5%
Union Local 922 Plan	1/1/2011	$ 120,844	$ 143,925	$ 23,081	84.0%	$ 26,543	87.0%
	1/1/2010	$ 117,332	$ 136,208	$ 18,876	86.1%	$ 25,400	74.3%
	1/1/2009	$ 112,348	$ 129,105	$ 16,757	87.0%	$ 25,498	65.7%
Transit Police Plan	1/1/2011	$ 136,903	$ 181,011	$ 44,108	75.6%	$ 31,507	140.0%
	1/1/2010	$ 128,445	$ 174,735	$ 46,290	73.5%	$ 31,083	148.9%
	1/1/2009	$ 123,238	$ 158,677	$ 35,438	77.7%	$ 28,017	126.5%

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	**7/1/2011**	$ -	$ 1,190,044	$ 1,190,044	0.0%	N/A	N/A
Union Local 2	**7/1/2011**	$ -	$ 178,474	$ 178,474	0.0%	N/A	N/A
Transit Police	**7/1/2011**	$ -	$ 102,334	$ 102,334	0.0%	N/A	N/A
Non-Represented	**7/1/2011**	$ -	$ 477,719	$ 477,719	0.0%	N/A	N/A
Fiscal Year 2012 Total [1]			**1,948,571**	**1,948,571**	**0.0%**	**841,000**	**231.7%**
Union Local 689	**7/1/2011**	$ -	$ 1,054,747	$ 1,054,747	0.0%	N/A	N/A
Union Local 2	**7/1/2011**	$ -	$ 162,252	$ 162,252	0.0%	N/A	N/A
Transit Police	**7/1/2011**	$ -	$ 103,215	$ 103,215	0.0%	N/A	N/A
Non-Represented	**7/1/2011**	$ -	$ 419,475	$ 419,475	0.0%	N/A	N/A
Fiscal Year 2011 Total [1]			**1,739,689**	**1,739,689**	**0.0%**	**733,000**	**237.3%**
Union Local 689	**6/30/2011**	$ -	$ 997,951	$ 997,951	0.0%	N/A	N/A
Union Local 2	**6/30/2011**	$ -	$ 153,227	$ 153,227	0.0%	N/A	N/A
Transit Police	**6/30/2011**	$ -	$ 96,766	$ 96,766	0.0%	N/A	N/A
Non-Represented	**6/30/2011**	$ -	$ 400,324	$ 400,324	0.0%	N/A	N/A
Fiscal Year 2010 Total			**1,648,268**	**1,648,268**	**0.0%**	**733,000**	**224.9%**

[1] The Annual Required Contribution (ARC), Annual OPEB Cost (AOC) and Actuarial Accrued Liability (AAL) are based on the results as of July 1, 2009 valuation actuarially projected to June 30, 2011 and June 30, 2010.

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 2003 to Fiscal Year 2012
(amounts expressed in thousands)

	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	2011	2012
Invested in capital assets, net of related debt	$ 7,368,413	$ 7,414,886	$ 7,547,065	$ 7,904,568	$ 7,839,778	$ 7,643,846	$ 7,636,661	$ 7,772,110	$ 8,051,479	$ 7,939,835
Restricted	830,017	707,353	572,675	379,254	265,884	210,999	311,734	297,843	326,086	325,405
Total Net Assets	$ 8,198,430	$ 8,122,239	$ 8,119,740	$ 8,283,822	$ 8,105,662	$ 7,854,844 *	$ 7,948,395	$ 8,069,953	$ 8,377,565	$ 8,265,240

* Rounding difference
Note: Details on Restricted Net Assets not available prior to Fiscal Year 2008.

Source: The Authority's Audited Financial Statements.

Changes in Net Assets
For Fiscal Year 2003 to Fiscal Year 2012
(amounts expressed in thousands)

	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	2011	2012
Operating Revenues	$ 451,105	$ 499,985	$ 572,542	$ 607,478	$ 625,092	$ 690,572	$ 745,303	$ 727,832	$ 804,504	$ 816,670
Nonoperating revenues	128,689	93,289	117,412	101,942	104,873	102,198	74,924	76,013	54,964	55,003
Total Revenues	579,794	593,274	689,954	709,420	729,965	792,770	820,227	803,845	859,468	871,673
Operating expenses	1,181,668	1,259,514	1,339,686	1,461,393	1,606,408	1,803,396	1,905,047	2,004,945	2,079,881	2,134,668
Nonoperating expenses	92,266	124,887	102,535	113,040	99,712	90,335	61,473	59,694	56,390	51,377
Total Expenses	1,273,934	1,384,401	1,442,221	1,574,433	1,706,120	1,893,731	1,966,520	2,064,639	2,136,271	2,186,045
Jurisdictional subsidies, capital grants and capital subsidies	933,527	714,936	749,768	1,029,095	838,385	869,894	1,239,844	1,382,352	1,584,415	1,202,047
Adjustment to restate	-	-	-	-	(40,390)	(19,751)	-	-	-	-
Increase in Net Assets	**$** 239,387	**$** (76,191)	**$** (2,499)	**$** 164,082	**$** (178,160)	**$** (250,818)	**$** 93,551	**$** 121,558	**$** 307,612	**$** (112,325)

In Fiscal Year 2008, the Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Source: The Authority's Audited Financial Statements.

Revenue Base
For Fiscal Year 2003 to Fiscal Year 2012
(amounts expressed in thousands)

	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	2011	2012
Operating Revenues										
Passenger revenue	$ 404,211	$ 453,043	$ 522,475	$ 555,262	$ 563,356	$ 625,607	$ 683,302	$ 660,319	$ 763,900	$ 777,528
Charter and contract revenue	9,597	3,806	3,395	3,909	6,767	8,047	255	-	-	-
Advertising revenue	23,001	26,002	29,000	30,000	33,000	35,296	38,319	42,104	17,518	18,284
Rental revenue	13,101	15,786	16,466	17,108	20,777	20,451	22,179	24,161	22,335	20,604
Other revenue	1,195	1,348	1,206	1,199	1,192	1,171	1,248	1,248	751	254
Total operating revenues	451,105	499,985	572,542	607,478	625,092	690,572	745,303	727,832	804,504	816,670
Nonoperating revenues										
Investment income	26,975	1,450	5,011	3,981	4,718	5,068	2,494	1,578	1,377	1,309
Interest income from leasing transactions	80,560	88,562	91,924	88,548	87,874	80,802	52,430	40,114	38,452	34,882
Income from pension plans	17,610	-	16,687	-	-	-	-	-	-	-
Other	3,544	3,277	3,790	9,413	12,281	16,328	20,000	34,321	15,135	18,812
Total nonoperating revenues	128,689	93,289	117,412	101,942	104,873	102,198	74,924	76,013	54,964	55,003
Total Revenues	$ 579,794	$ 593,274	$ 689,954	$ 709,420	$ 729,965	$ 792,770	$ 820,227	$ 803,845	$ 859,468	$ 871,673

In Fiscal Year 2008, the Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Passenger Fare Structure
For Fiscal Year 2003 to Fiscal Year 2012

Fiscal Year	Metrobus			Metrorail			
	Peak/Off Peak			Peak		Off Peak	
	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile	Boarding Charge	Each Additional Composite Mile
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
2009	$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
2010	$1.35	$1.35	$1.35 *	$1.75	$.26 (3-6miles)	$1.45 (0-7miles)	n/a
					$.23 (6+ miles)	$1.95 (7-10miles)	n/a
					$4.60(Max. fare)	$2.45 (10+ miles)	n/a
2011	$1.50	$1.50	$1.50	$1.95	$.299 (3-6miles)	$1.60 (0-7miles)	n/a
					$.265 (6+ miles)	$2.15 (7-10miles)	n/a
					$5.00(Max. fare)	$2.75 (10+ miles)	n/a
2012	$1.50	$1.50	$1.50	$1.95	$.299 (3-6miles)	$1.60 (0-7miles)	n/a
					$.265 (6+ miles)	$2.15 (7-10miles)	n/a
					$5.00(Max. fare)	$2.75 (10+ miles)	n/a

* Metrobus cash boarding fare is $1.70, effective June 27, 2010.

Effective February 27, 2011,the paratransit (MetroAccess) fare is twice the equivalent fixed route SmarTrip fare based on fastest trip.

For more details on the Authority's fare structure, refer to www.wmata.com

Source: Tariff of The Washington Metropolitan Area Transit Authority

Ratios of Outstanding Debt by Type
For Fiscal Year 2003 to Fiscal Year 2012

(amounts expressed in thousands)

Fiscal Year	Gross Revenue Transit Refunding Bonds	Gross Revenue Transit Refunding Bonds Series 2003	Gross Revenue Transit Bonds Series 2003B	Gross Revenue Transit Bonds Series 2009A	Gross Revenue Transit Bonds Series 2009B	Total	Percentage of Annual Passenger Unlinked Trips*
2003	$ 218,620	$ -	$ -	$ -	$ -	$ 218,620	55.8%
2004	$ 42,150	$ 163,495	$ 35,640	$ -	$ -	$ 241,285	60.7%
2005	$ 42,150	$ 146,665	$ 30,580	$ -	$ -	$ 219,395	53.0%
2006	$ 42,150	$ 128,195	$ 26,010	$ -	$ -	$ 196,355	48.2%
2007	$ 42,150	$ 109,075	$ 21,265	$ -	$ -	$ 172,490	42.1%
2008	$ 32,465	$ 98,670	$ 16,330	$ -	$ -	$ 147,465	34.9%
2009	$ 22,230	$ 87,705	$ 11,150	$ 242,675	$ 55,000	$ 418,760	96.8%
2010	$ 11,420	$ 76,140	$ 5,710	$ 242,675	$ 55,000	$ 390,945	94.5%
2011	$ -	$ 63,940	$ -	$ 237,300	$ 55,000	$ 356,240	86.0%
2012	$ -	$ 39,285	$ -	$ 230,745	$ 55,000	$ 325,030	77.7%

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.
* Annual Passenger Unlinked trip data can be found on the Operating Indicators data on page 71.

Source: The Authority's Audited Financial Statements and National Transit Database.

Pledged-Revenue Coverage
For Fiscal Year 2003 to Fiscal Year 2012

(amounts expressed in thousands)

Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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%
2009	$ 1,455,715	1,420,292	$ 35,423	$ 26,380	9,043	$ 35,423	100%
2010	$ 1,493,671	1,446,276	$ 47,395	$ 27,815	19,580	$ 47,395	100%
2011	$ 1,553,539	1,500,896	$ 52,643	$ 34,705	17,938	$ 52,643	100%
2012	$ 1,564,881	1,515,277	$ 49,604	$ 31,210	16,495	$ 47,705	104%

Revenues consist 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.

Debt Service consist of principal paid on revenue bonds and interest paid on revenue bonds.

Source: The Authority's Audited Financial Statements.

Major Private Employers

Employer (2011)	Rank	Area Employees	Percentage of Total Employment	Employer (2005)	Rank	Area Employees	Percentage of Total Employment
MedStar Health	1	15,559	0.5%	McDonald's Corp.	1	32,000	1.1%
Inova Heath System	2	15,534	0.5%	Ahold USA	2	21,000	0.7%
Northrop Grumman	3	15,053	0.5%	Northrop Grumman Corp.	3	19,100	0.7%
Science Applications International Corp	4	15,000	0.5%	Science Applications International Corp.	4	15,814	0.5%
McDonald's	5	14,980	0.5%	Verizon Communications Inc.	5	14,500	0.5%
Booz Allen Hamilton	6	14,000	0.5%	Computer Sciences Corp.	6	14,000	0.5%
Marriott International	7	13,330	0.5%	Wal-Mart Stores Inc.	7	10,293	0.4%
Verizon	8	13,100	0.5%	Safeway Inc.	8	9,000	0.3%
Lockheed Martin	9	12,800	0.4%	May Department Stores Co.	9	8,500	0.3%
Safeway	10	10,700	0.4%	International Business Machines Corp.	10	7,818	0.3%
		140,056	4.8%			152,025	5.3%

Note: The Authority implemented GASB Statement 44 in FY 2005 and was not required to report data before implementation.
Source: Washingtonpost.com - 2011 Top DC Companies This is the latest available data.
Washingtonpost.com - 2005 Post 200 Top DC-Area Employers
See the **Demographic Statistics** schedule for employment data.

Demographic Statistics

Fiscal Year	Employed labor force (in millions)*	Unemployment Rate*
2003	2.8	3.7%
2004	2.9	3.2%
2005	2.8	3.8%
2006	2.9	3.3%
2007	2.9	3.3%
2008	2.9	3.9%
2009	2.8	6.5%
2010	2.8	6.3%
2011	2.9	6.2%
2012	3.0	5.7%

*: Employment numbers and unemployment rates are as of June 30 of the indicated fiscal years.
Source: The Authority's Comprehensive Annual Financial Report

Authorized Employee Positions
For Fiscal Year 2003 to Fiscal Year 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-Union	1,586	1,457	1,540	1,640	1,673	1,669	1,718	1,633	1,650	1,814
AFL-CIO/OPIEU Local - 2	689	739	785	794	818	778	771	730	740	879
Teamsters Local - 639	75	90	89	89	89	89	89	102	126	126
AFL-CIO ATU Local - 689	7,133	7,042	7,207	7,237	7,809	8,203	7,911	7,650	7,731	7,768
Teamsters Local - 922	368	368	352	355	357	385	367	370	370	375
FOP Transit Police	305	319	321	336	356	359	376	368	357	357
Total Authority Positions	10,156	10,015	10,294	10,451	11,102	11,483	11,232	10,853	10,974	11,319

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 (FY 2002 - 2009)
The Authority's Office of Management and Budget Services (FY 2010-2012)

Operating Indicators
For Fiscal Year 2003 to Fiscal Year 2012

Fiscal Year	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Passenger Trips	Passenger Miles Traveled
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
Total	105,154,668	6,306,633	391,992,038	1,909,194,648
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
Total	108,137,102	6,469,549	397,782,682	1,955,778,889
2005				
Metrobus	38,458,955	3,422,983	153,392,000	453,290,328
Metrorail	62,152,936	2,460,432	259,430,055	1,401,105,192
Metro Access	12,179,777	765,719	1,253,948	13,686,293
Total	112,791,668	6,649,134	414,076,003	1,868,081,813
2006				
Metrobus	38,364,771	3,557,212	131,339,808	419,809,944
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	13,683,293
Total	114,077,485	7,086,961	407,447,281	2,011,282,501
2007				
Metrobus	38,431,274	3,396,732	131,489,651	410,761,850
Metrorail	67,029,516	2,636,654	276,440,693	1,590,316,851
Metro Access	14,861,434	1,270,731	1,462,604	14,861,435
Total	120,322,224	7,304,117	409,392,948	2,015,940,136
2008				
Metrobus	38,875,286	3,555,114	132,848,806	445,952,733
Metrorail	69,792,997	2,749,921	288,039,725	1,639,628,551
Metro Access	17,332,239	1,452,709	1,712,537	20,036,683
Total	126,000,522	7,757,744	422,601,068	2,105,617,967
2009				
Metrobus	41,168,424	3,797,304	133,773,567	418,038,773
Metrorail	71,803,305	2,823,870	296,857,158	1,667,899,731
Metro Access	19,476,367	1,833,296	2,107,775	17,192,565
Total	132,448,096	8,454,470	432,738,500	2,103,131,069
2010				
Metrobus	37,647,546	3,465,216	123,847,193	394,906,087
Metrorail	66,699,259	2,653,498	287,304,340	1,635,967,269
Metro Access	22,734,212	2,086,624	2,377,423	19,247,346
Total	127,081,017	8,205,338	413,528,956	2,050,120,702
2011				
Metrobus	38,397,186	3,579,459	125,089,229	382,103,348
Metrorail	67,234,252	2,731,796	286,620,549	1,624,750,032
Metro Access	22,387,399	2,101,395	2,336,219	19,334,010
Total	128,018,837	8,412,650	414,045,997	2,026,187,390
2012*				
Metrobus	39,226,293	3,714,074	130,889,914	408,162,738
Metrorail	70,867,572	2,883,528	285,306,675	1,584,631,040
Metro Access	19,537,817	1,896,856	2,082,882	16,655,420
Total	129,631,682	8,494,458	418,279,471	2,009,449,198

* Preliminary Data
Metrobus does not include DC Circulator.
Source: National Transit Database

Washington Metropolitan Area Transit Authority
600 5th Street, NW
Washington, D.C. 20001