

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2011



Rebuilding The Foundation

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2011



Rebuilding The Foundation

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

**Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2011**

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(Unaudited)

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SECTION ONE – INTRODUCTORY (Unaudited)

Letter of Transmittal

Board of Directors

General Manager’s Executive Leadership Team

Organizational Chart

Certificate of Achievement for Excellence in Financial Reporting



December 20, 2011

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, 2011 prepared by the Authority's Office of Accounting.

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

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

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

The 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.

**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

Profile of the Authority

On February 20, 1967, the Authority was created by an interstate compact (the Compact) through legislation passed by the District of Columbia, the State of Maryland, the Commonwealth of Virginia and the 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 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 2011, the Authority had an approved annual budget of approximately \$2.2 billion with the largest portion, \$1.5 billion, dedicated to operating the system. The budget contained approximately 11,000 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 correlates directly with DC's population and the number of jobs located in the District.

During fiscal year 2011, the region's economy stalled. By the end of the second quarter of the calendar year (June 2011), the DC unemployment rate remained high at 9.9 percent, the same as June 2010. Over the past five years unemployment has climbed steadily. Employment, which reflects the number of available jobs, improved in 2010 when additional jobs were created, but the employment growth rate was near zero in 2011. State and local employment, as well as construction jobs, decreased. Fewer construction projects reflect the flat economic outlook. In fiscal year 2011, regional population growth slowed, directly impacting bus and rail ridership. (Moody's Analytics September 2011)

The DC economy is heavily impacted by federal government spending, which has slowed over the past year as the stimulus spending for the recession winds down. Additionally, issues concerning the federal debt ceiling add a high level of uncertainty to the regional outlook. Accordingly, confidence among consumers and private sector businesses is down as people worry about slowing federal spending in the region.

Current economic indicators are not favorable for the region. According to Moody's Analytics, September 2011, federal government payrolls and discretionary spending are expected to be reduced during fiscal year 2012. The region is highly dependent on federal spending as a result of the large number of federal employees and private sector businesses contracted by the federal government. Employment is forecasted to stagnate through 2013. Accordingly, the Authority is projecting flat growth in passenger ridership in 2012 and a slight loss in ridership the following year.

Long-term Financial Planning

Capital Improvement Program

The Authority and the local jurisdictions developed and executed a formal long-range comprehensive funding agreement for capital improvements, commonly known as the "Capital Improvement Program". This is the first year of the six-year Capital Funding Agreement (CFA), which will expire on June 30, 2016. The Capital Improvement Program (CIP) uses an expenditure based funding 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 Metro'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 Metro with the ability to finance capital projects.

In fiscal year 2011, \$611 million was expended on CIP projects, a significant increase over the previous year.

The CIP includes Federal appropriations from two Federal Transit Administration formula grants 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 Metro's capital and preventive maintenance projects, to be matched dollar-for-dollar by the Metro Compact jurisdictions. The Appropriations Act placed certain conditions on the use of those funds, requiring that Metro place the highest priority on "investments that will improve the safety of the system, including but not limited to fixing the track signal system, replacing the 1000 series rail cars, installing guarded turnouts, buying equipment for wayside worker protection, and installing rollback protection on cars that are not equipped with this safety feature."

The CIP is a rolling six-year program which was derived from the 10-year \$11.4 billion Capital Needs Inventory. The projected expenditures for the six year period covered in the fiscal year 2012 – fiscal year 2017 CIP is approximately \$5.1 billion, as is the six year period covered by the Capital Funding Agreement (fiscal year 2011 – fiscal year 2016). The Authority has put forth the largest capital budget since the construction of the Metrorail system.

The end result of this higher level of capital expenditures under the CFA will result in a higher state of good repair system-wide. A well maintained system will take some of the pressure off of the Operating budget. In addition to reduced operating costs resulting from a state of good repair, a well maintained system will continue to attract additional passenger ridership revenue.

The Authority has bolstered its ability to manage these financial resources, but faces uncertainty in the prospect of receiving the full revenue commitment due to the current political and economic climate. Federal formula funds may be subject to budget cuts and PRIIA funds require annual inclusion in the Federal budget.

American Recovery and Reinvestment Act of 2009

The Authority has received a commitment of nearly \$202 million from the American Recovery and Reinvestment Act of 2009 to fund 31 projects, of which approximately \$56 million was unexpended at the conclusion of fiscal year 2011 and is available for use in fiscal year 2012. This program as a whole is more than 99% obligated. The Authority's projects are focused on stimulating the local and national economy by creating jobs and building a stronger regional transit system. All of the projects are linked to the Authority's strategic goals of ensuring safety, delivering quality service, improving reliability and using resources wisely.

The projects target improved passenger and maintenance facilities, safety and security, information technology, operations and equipment. Some examples of stimulus projects include:

- Replacing crumbling platforms,
- Rehabilitating the oldest stretch of track in the rail system,
- Replacing the oldest diesel buses with new hybrid-electric buses,
- Installing SmarTrip purchase capabilities at more fare vending machines,
- Enhancing bus garage security,
- Installing technologies to improve bus route and schedule information,
- Replacing the Southeastern bus garage,
- Updating train arrival signs on platforms and mezzanines, and
- Expanding and replacing vehicles for paratransit service.

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, 2010. The Authority has received this prestigious award for twenty-three 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 Distinguished Budget Presentation Award for its fiscal year 2010 budget document from GFOA. This is the first time the Authority has received this prestigious award.

Acknowledgement

Completion 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, 2011

Board of Directors

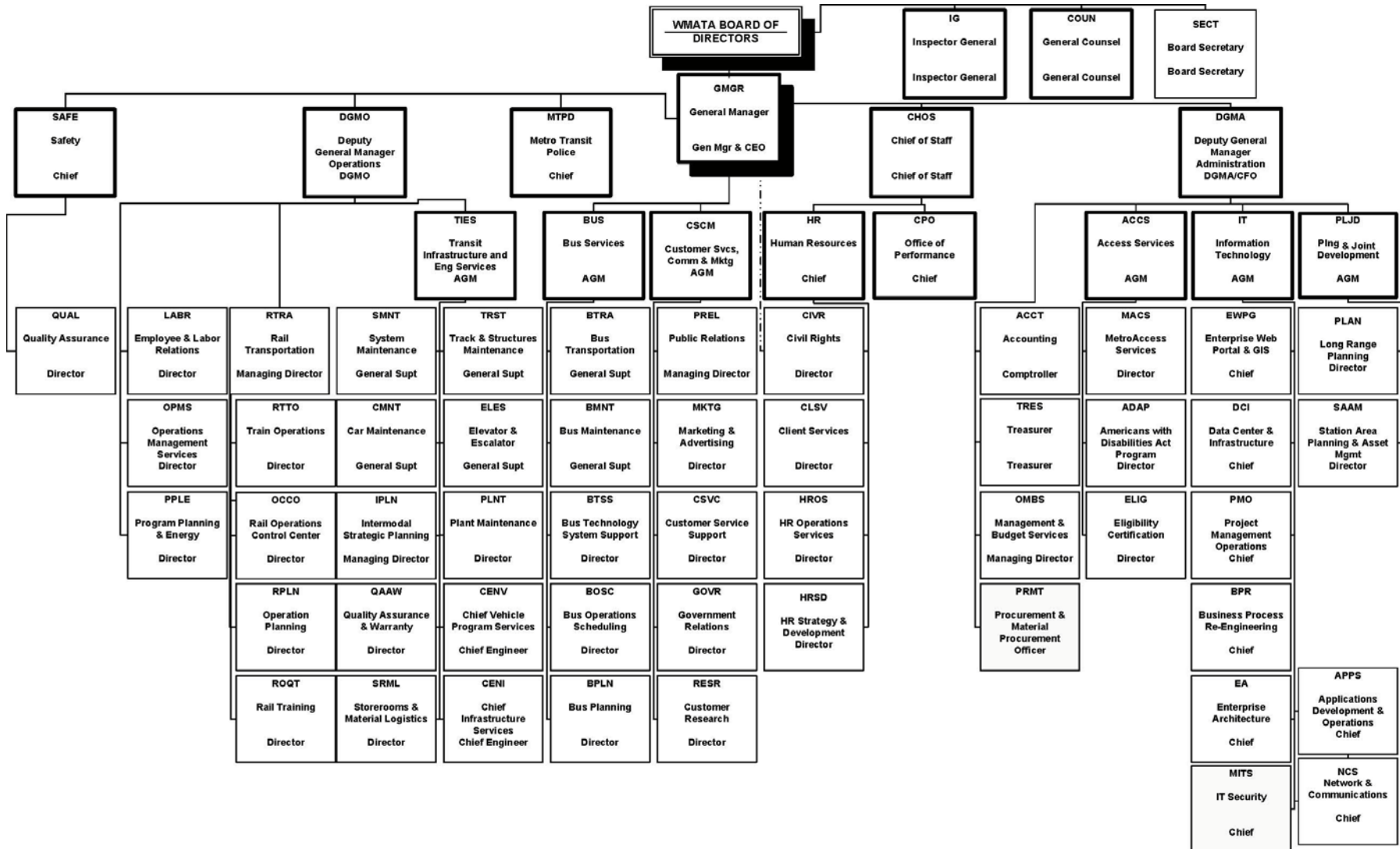
Chairman	Catherine Hudgins Virginia
First Vice-Chairman	Tom Downs District of Columbia
Second Vice-Chairman	Mortimer L. Downey Federal Government
Directors	Tommy Wells District of Columbia
	Marcel C. Acosta Federal Government
	Michael Barnes Maryland
	Alvin J. Nichols Maryland
	Mary Hynes Virginia
Alternate Directors	Anthony R. Giancola Federal Government
	Artis Hampshire-Cowan Maryland
	Kathy Porter Maryland
	William D. Euille Virginia
	Jeffrey C. McKay Virginia

As of June 30, 2011

General Manager's Executive Leadership Team

General Manager/CEO	Richard R. Sarles
Chief of Staff	Shiva Pant
Chief Human Resources Officer	Gary Baldwin
Assistant General Manager, Information Technology	Kevin Borek
Assistant General Manager, Planning and Joint Development	Nat Bottigheimer
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
Assistant General Manager, Customer Service, Communications and Marketing	Barbara Richardson
Chief, Metro Transit Police Dept	Michael A. Taborn
Assistant General Manager, Infrastructure and Engineering Services	Vacant

Organizational Chart
As of June 30, 2011



***Certificate of
Achievement for
Excellence in
Financial
Reporting***

**Washington Metropolitan Area
Transit Authority District of
Columbia**

For its Comprehensive Annual
Financial Report

for the Fiscal Year Ended

June 30, 2010

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.



JHR
Jeffrey R. Emer

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SECTION TWO - FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Financial Statements:

Statement of Net Assets

Statements of Revenues, Expenses, and Changes in Net Assets

Statements of Cash Flows

Notes to Basic Financial Statements

Required Supplementary Information:

Schedules of Funding Progress – Pension Plans

Schedules of Funding Progress – Postemployment Benefits Other than Pensions

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, 2011 and 2010. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not jointly audit the financial statements of the pension plans of the Authority. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for those pension plans, is based solely on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information on pages 12 through 21 and 62 and 63 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clifton Henderson LLP

Calverton, Maryland
October 13, 2011

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, 2011, 2010 and 2009 and for the years then ended June 30, 2011, 2010 and 2009. 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 2011 Financial Highlights

- Net assets increased by \$307.6 million or 3.8 percent due primarily to increased capital contributions.
- Capital assets before depreciation and amortization increased by \$623.2 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 \$886.6 million, including funding from the Passenger Rail Investment and Improvement Act.
- Operating revenues increased by \$76.7 million or 10.5 percent, due to a Board of Directors approved fare increase implemented June 27, 2010.
- Operating expenses increased by \$74.9 million or 3.7 percent, due primarily to an increase in wages, pensions and medical benefit costs.

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 27-61 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 62-63 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, 2011, 2010 and 2009:

Table 1
Condensed Statements of Net Assets
June 30, 2011, 2010 and 2009
(in thousands)

	2011	2010	2009
Current and other assets	\$ 2,038,898	\$ 1,863,345	\$ 1,789,547
Capital assets	8,240,116	8,071,783	8,107,460
Total assets	10,279,014	9,935,128	9,897,007
Current liabilities	618,682	614,557	537,094
Noncurrent liabilities	1,282,767	1,250,618	1,411,518
Total liabilities	1,901,449	1,865,175	1,948,612
Net assets:			
Investment in capital assets, net of related debt	8,051,479	7,772,110	7,636,661
Restricted			
Capital Projects	164,211	135,985	161,321
Net Pension Trust Assets	148,858	153,143	131,026
Other	13,017	8,715	19,387
Total net assets	\$ 8,377,565	\$ 8,069,953	\$ 7,948,395

Current Year

Net assets increased by \$307.6 million, or 3.8 percent, due primarily to increased capital contributions.

Management's Discussion and Analysis

Statements of Net Assets (Continued)

Current Year (Continued)

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

Prior Year

Net assets increased by \$121.6 million or 1.5 percent due primarily to increased capital contributions. The largest portion of the Authority's net assets, \$7.7 billion or 96.3 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, \$297.8 million or 3.7 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets before depreciation and amortization increased by \$382.7 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 \$680.2 million, including funding from the American Recovery Reinvestment Act.

Current liabilities increased by \$77.5 million or 14.4 percent, due mostly to deferred revenue and the current portion of obligations under lease agreements. As of June 30, 2010, eight of the sixteen rail car leasing transactions were terminated reducing both assets and liabilities, but with minimal cost to the Authority, this slightly offsets the increase.

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Assets

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

Table 2
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2011, 2010 and 2009
(in thousands)

	2011	2010	2009
OPERATING REVENUES			
Passenger	\$ 763,900	\$ 660,319	\$ 683,302
Charter and contract	-	-	255
Advertising	17,518	42,104	38,319
Rental	22,335	24,161	22,179
Other	751	1,248	1,248
Total operating revenues	<u>804,504</u>	<u>727,832</u>	<u>745,303</u>
NONOPERATING REVENUES			
Investment income	1,377	1,578	2,494
Interest income from leasing transactions	38,452	40,114	52,430
Other	15,135	34,321	20,000
Total nonoperating revenues	<u>54,964</u>	<u>76,013</u>	<u>74,924</u>
Total revenues	<u>859,468</u>	<u>803,845</u>	<u>820,227</u>
OPERATING EXPENSES			
Labor	640,132	592,842	587,175
Fringe benefits	541,808	501,450	471,173
Services	195,316	188,713	170,336
Materials and supplies	109,812	139,817	117,559
Utilities	84,747	94,284	110,635
Casualty and liability costs	19,727	14,015	16,132
Leases and rentals	3,726	3,355	3,106
Miscellaneous	4,463	3,724	3,581
Depreciation and amortization	480,150	466,745	425,350
Total operating expenses	<u>2,079,881</u>	<u>2,004,945</u>	<u>1,905,047</u>
NONOPERATING EXPENSES			
Interest expense	56,390	59,694	61,473
Total expenses	<u>2,136,271</u>	<u>2,064,639</u>	<u>1,966,520</u>
Loss before capital grants/subsidies	(1,276,803)	(1,260,794)	(1,146,293)
Jurisdictional subsidies:			
Operations	679,880	682,545	654,293
Interest	17,938	19,580	7,245
Capital contributions	886,597	680,227	578,306
Change in net assets	<u>307,612</u>	<u>121,558</u>	<u>93,551</u>
Net assets, beginning of year	<u>8,069,953</u>	<u>7,948,395</u>	<u>7,854,844</u>
Net assets, ending of year	<u>\$ 8,377,565</u>	<u>\$ 8,069,953</u>	<u>\$ 7,948,395</u>

Management’s Discussion and Analysis

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

Revenues

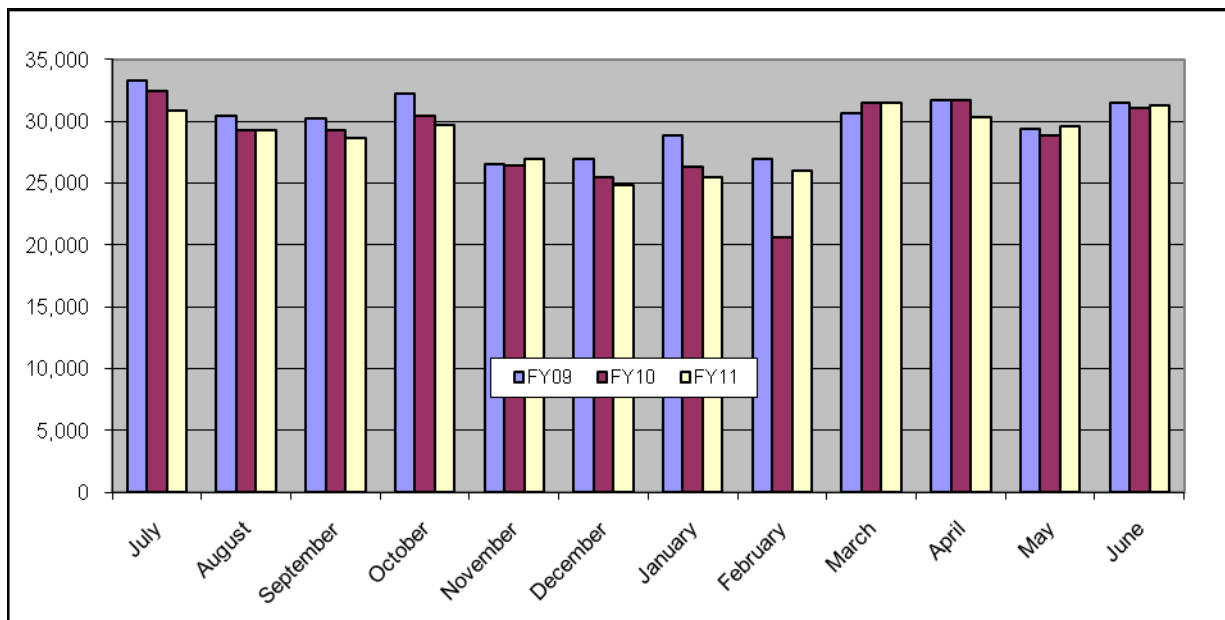
Current Year

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.

Passenger trips for the last three years are shown below:

Passenger Trips
(in thousands)

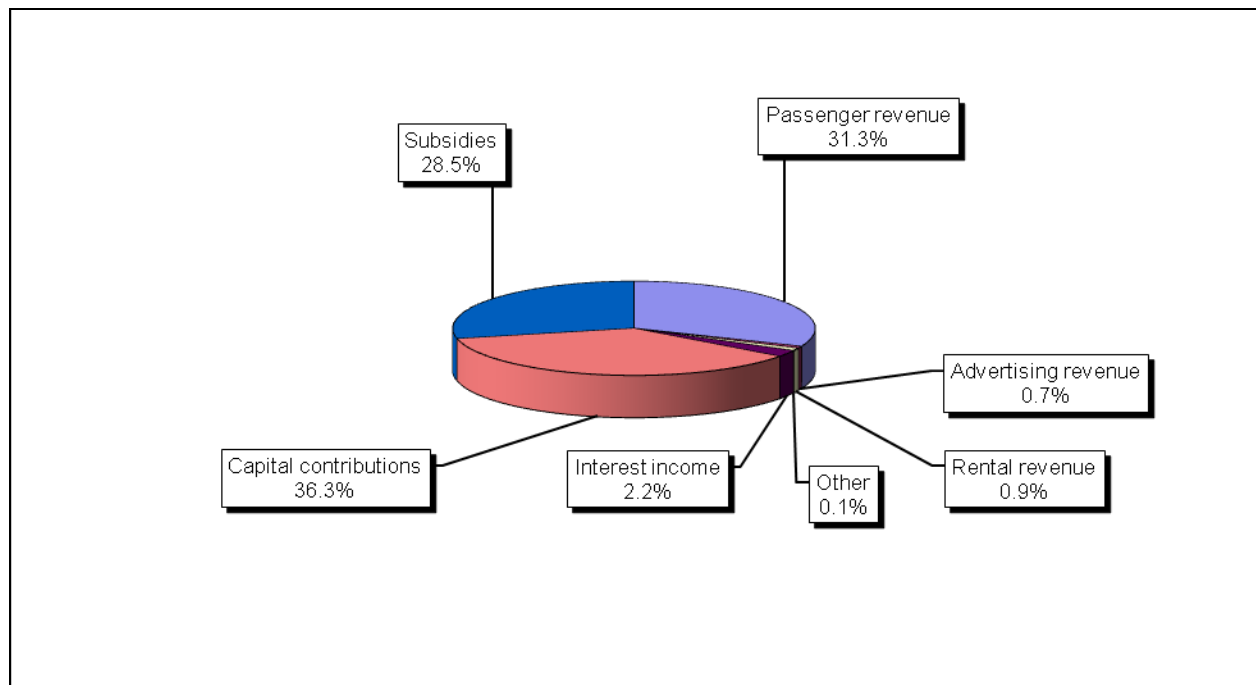


Management's Discussion and Analysis

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

Revenues (Continued)

Fiscal Year 2011 Revenues

**Prior Year**

Total revenues for fiscal year 2010 totaled \$803.8 million. Operating revenues, which include passenger revenue, totaled \$727.8 million, a decrease of \$17.5 million or 2.3 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, decreased by \$23.0 million or 3.4 percent. The decrease can be attributed to the decline in passenger trips, in particular during the winter blizzards that forced closure of the federal government and many businesses in the region.

Metrorail ridership decreased below last years' record level by 5.6 million annual trips or 2.5 percent. Metrobus ridership declined by 10.1 million annual trips resulting in a decrease of 7.6 percent. The Authority saw significant decrease in ridership for the year after experiencing growth the past few years. Severe winter weather in the region with several paralyzing blizzards closed the federal government and many businesses for days also causing the Authority to close all above ground rail stations and cancel certain bus service routes.

The effects of a weaker regional economy and the June 22, 2009 rail car accident negatively impacted the fourth quarter of fiscal year 2009 and the first quarter of fiscal year 2010.

Management’s Discussion and Analysis

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

Expenses

Current 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.

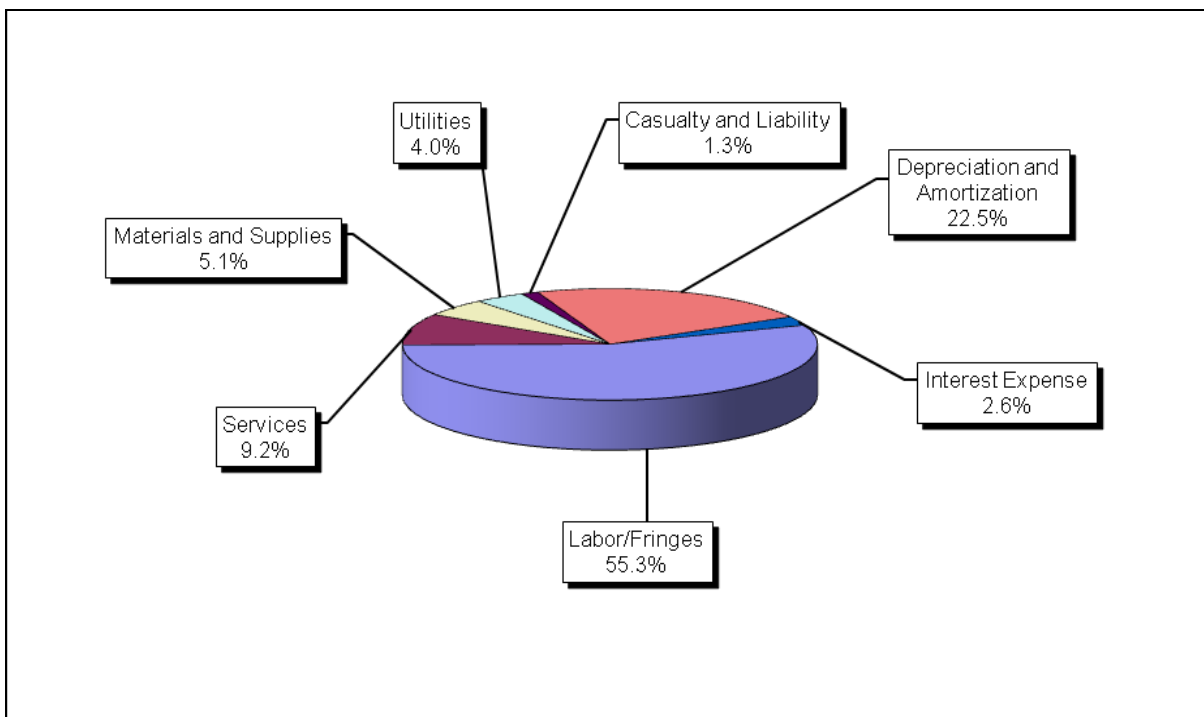
Services for the year increased by \$6.6 million or 3.5 percent. The rise in service expenses were attributed to increased usage of paratransit and professional services cost.

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 railcars.

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

Fiscal Year 2011 Expenses



Management's Discussion and Analysis

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

Expenses (Continued)

Prior Year

Total expenses increased to \$2.1 billion in fiscal year 2010. Operating expenses increased by \$99.9 million or 5.2 percent as compared to fiscal year 2009. A review of significant changes is described below.

Salaries and benefits increased by \$35.9 million or 3.4 percent. Salaries and benefits were influenced by increases in wages, pension, and medical benefit costs.

Services increased by \$18.4 million or 10.8 percent. Service expenses were \$188.7 million as compared to fiscal year 2009 with costs of \$170.3 million. The rise in costs was primarily driven by the increased usage of MetroAccess.

Materials and supplies increased by \$22.3 million or 18.9 percent due to an increase in clean natural gas costs attributable to operating more clean natural gas vehicles and increased overhaul repairs to escalators and elevators throughout the rail system.

Utilities decreased by \$16.4 million or 14.8 percent, due to decreased electricity rates, and the results of certain favorable power hedging agreements.

Capital Assets and Debt Administration

The following table shows the capital assets of the Authority:

Table 3
Schedules of Capital Assets
June 30, 2011, 2010 and 2009
(in thousands)

	2011	2010	2009
Land	\$ 456,727	\$ 447,314	\$ 447,314
Buildings and improvements	681,629	657,866	644,753
Transit facilities	7,785,921	7,531,417	7,463,111
Revenue vehicles	2,571,021	2,419,188	2,347,628
Other equipment	2,233,467	2,203,974	1,985,175
Construction in progress	323,748	179,837	168,965
Intangible costs	1,209,357	1,199,067	1,199,067
	15,261,870	14,638,663	14,256,013
Less accumulated depreciation and amortization	7,021,754	6,566,880	6,148,553
Net capital assets	\$ 8,240,116	\$ 8,071,783	\$ 8,107,460

Management's Discussion and Analysis

Capital Assets and Debt Administration (Continued)

Capital Assets

Current 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 railcar 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.

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 \$8,071.8 million (net of accumulated depreciation and amortization) as of June 30, 2010, a slight decrease from the prior year. Capital assets before depreciation and amortization increased by \$382.7 million as described below.

Buildings and Improvements increased by \$13.1 million or 2.0 percent as a result of rehabilitation activities.

Transit facilities increased by \$68.3 million or 0.9 percent as a result of rail station, tunnel and parking rehabilitation activities.

Revenue vehicles increased by \$71.6 million or 3.0 percent, as a result of placing new hybrid electric buses into service. In addition, costs associated with railcar rehabilitation also contributed to the increase.

Other equipment increased by \$218.8 million or 11.0 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 funding agreement with its jurisdictional partners. The previous six-year agreement expired on June 30, 2010. The new agreement will allow the Authority to enter into multi-year agreements to procure new rail cars to replace the oldest cars in the fleets, advance safety initiatives, replace deteriorated or damaged track, repair cracks and leaks in stations and tunnels, replace obsolete communications and train control equipment, and perform general building maintenance at many Authority facilities. As part of the agreement, the Authority will update the jurisdictions and the Board of Directors quarterly about the progress of the capital program. Each year, the Board of Directors work to approve a new six-year plan. Our current six-year plan, approved June 23, 2011, includes a \$5.2 billion funding agreement with its jurisdictional partners.

Bonds and Other Debt

The Authority's total outstanding bond debt as of June 30, 2011 and 2010 was \$370.6 million and \$406.9 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 38-41 of this report.

Lease Obligations

Information on these transactions can be found in note 11 on pages 59-61 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 remained flat at 2.9 million as June 30, 2011. The regional unemployment rate of 6.2 percent compares favorably with the national unemployment rate of 9.2 percent at June 2011. 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, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and deposits (note 3)	\$ 461,384	\$ 172,593
Investments (note 3)	149,261	128,880
Contributions receivable (note 4)	354,860	416,674
Accounts receivable and other assets (net of uncollectible accounts of \$0.0 million in 2011 and \$.02 million in 2010)	67,331	61,144
Current portion of prefunded lease commitments (note 11)	73,547	111,811
Materials and supplies inventory (net of allowance of \$3,527 in 2011 and \$3,000 in 2010)	100,142	89,966
Total current assets	<u>1,206,525</u>	<u>981,068</u>
Noncurrent assets:		
Long-term portion of contributions receivable (note 4)	180,418	170,191
Net pension asset (note 8)	148,858	153,143
Prefunded lease commitments, net of current portion (notes 11 and 12)	503,097	558,943
Capital assets (note 5):		
Construction in progress	323,748	179,837
Land	456,727	447,314
Transit facilities and equipment, net	7,459,641	7,444,632
Total noncurrent assets	<u>9,072,489</u>	<u>8,954,060</u>
Total assets	<u>\$ 10,279,014</u>	<u>\$ 9,935,128</u>

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

Statements of Net Assets (Continued)

June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 212,884	\$ 220,431
Accrued salaries and benefits	125,489	100,115
Accrued interest payable	9,545	10,363
Deferred revenue	101,133	73,014
Current portion of estimated liability for injury and damage claims (notes 10 and 12)	54,871	53,907
Current portion of retainage on contracts (note 12)	5,133	4,928
Current portion of deferred lease revenue (note 12)	2,533	2,694
Current portion of bonds payable and other debt (notes 6 and 12)	33,547	37,294
Current portion of obligations under lease agreements (notes 11 and 12)	73,547	111,811
Total current liabilities	<u>618,682</u>	<u>614,557</u>
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 10 and 12)	97,900	76,042
Retainage on contracts (note 12)	20,334	17,354
Deferred lease revenue (note 12)	14,982	18,061
Bonds payable and other debt (notes 6 and 12)	337,042	369,641
Obligations under lease agreements (notes 11 and 12)	503,097	558,943
Unfunded OPEB Liability (note 9)	309,412	210,577
Total noncurrent liabilities	<u>1,282,767</u>	<u>1,250,618</u>
Total liabilities	<u>1,901,449</u>	<u>1,865,175</u>
Commitments and contingencies (notes 8, 9, 10 and 11)		
NET ASSETS		
Invested in capital assets, net of related debt	8,051,479	7,772,110
Restricted		
Capital Projects	164,211	135,985
Net Pension Trust Assets	148,858	153,143
Other	13,017	8,715
Total net assets	<u>\$ 8,377,565</u>	<u>\$ 8,069,953</u>

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

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Passenger	\$ 763,900	\$ 660,319
Advertising	17,518	42,104
Rental	22,335	24,161
Other	751	1,248
Total operating revenues	<u>804,504</u>	<u>727,832</u>
OPERATING EXPENSES		
Labor	640,132	592,842
Fringe benefits	541,808	501,450
Services	195,316	188,713
Materials and supplies	109,812	139,817
Utilities	84,747	94,284
Casualty and liability costs	19,727	14,015
Leases and rentals	3,726	3,355
Miscellaneous	4,463	3,724
Depreciation and amortization	480,150	466,745
Total operating expenses	<u>2,079,881</u>	<u>2,004,945</u>
Operating loss	<u>(1,275,377)</u>	<u>(1,277,113)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,377	1,578
Interest income from leasing transactions	38,452	40,114
Interest expense from leasing transactions	(38,452)	(40,114)
Interest expense	(17,938)	(19,580)
Other	15,135	34,321
Jurisdiction subsidies:		
Operations	679,880	682,545
Interest	17,938	19,580
Total nonoperating revenues (expenses), net	<u>696,392</u>	<u>718,444</u>
Loss before capital contributions	<u>(578,985)</u>	<u>(558,669)</u>
Capital Contributions	<u>886,597</u>	<u>680,227</u>
Change in net assets	<u>307,612</u>	<u>121,558</u>
Total net assets, beginning of year	<u>8,069,953</u>	<u>7,948,395</u>
Total net assets, ending of year	<u>\$ 8,377,565</u>	<u>\$ 8,069,953</u>

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

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	\$ 826,436	\$ 717,407
Cash paid to suppliers	(412,601)	(426,241)
Cash paid to employees	(1,053,445)	(985,519)
Cash paid for operating claims	<u>3,094</u>	<u>(10,210)</u>
Net cash used in operating activities	<u>(636,516)</u>	<u>(704,563)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from jurisdictional subsidies	<u>722,506</u>	<u>630,712</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets	(645,777)	(430,427)
Capital contributions	889,668	437,849
Interest paid on bonds and other debt	(18,755)	(13,201)
Principal paid on bonds, commercial paper and other debt	(34,705)	(27,815)
Interest subsidy for revenue bonds	17,938	19,580
Net cash provided by (used in) capital and related financing activities	<u>208,369</u>	<u>(14,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	8,580,351	5,146,015
Purchases of investments	(8,601,296)	(5,110,635)
Interest received from operational investments	<u>15,377</u>	<u>34,600</u>
Net cash provided by investing activities	<u>(5,568)</u>	<u>69,980</u>
Net change in cash and deposits	288,791	(17,885)
Cash and deposits, beginning of year	<u>172,593</u>	<u>190,478</u>
Cash and deposits, end of year	<u>\$ 461,384</u>	<u>\$ 172,593</u>

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

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	<u>\$ (1,275,377)</u>	<u>\$ (1,277,113)</u>
Adjustments to reconcile operating loss to net cash used in Operating activities:		
Depreciation and amortization expense	480,150	466,745
Effect of changes in operating assets and liabilities		
(Increase) decrease in accounts receivables (net) and other assets	(6,187)	(23,134)
(Increase) decrease in materials and supplies inventory	(10,176)	5,126
(Increase) decrease in net pension asset	4,285	8,178
Increase (decrease) in accounts payable and accrued expenses	(7,547)	5,607
Increase (decrease) in accrued salaries and benefits	25,374	8,671
Increase (decrease) in deferred revenue	28,120	12,709
Increase (decrease) in estimated liability for injury and damage claims	22,822	3,806
Increase (decrease) in retainage on contracts	3,185	(7,082)
Increase (decrease) in OPEB obligation	98,835	91,924
Total adjustments	<u>638,861</u>	<u>572,550</u>
Net cash used in operating activities	<u>\$ (636,516)</u>	<u>\$ (704,563)</u>
 Noncash operating, investing, capital and financing activities:		
Increase (decrease) in fair value of investments	<u>\$ 1,141</u>	<u>\$ 1,406</u>
Interest expense from leasing transaction	<u>\$ (38,452)</u>	<u>\$ (40,114)</u>
Interest income from leasing transaction	<u>\$ 38,452</u>	<u>\$ 40,114</u>

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

Notes to Basic Financial Statements

June 30, 2011 and 2010

(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, 2011 and 2010

(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 (73.9 percent), companies (25.7 percent) and other receivables (0.4 percent).

The major components of the accounts payable balance are payments due to vendors and contractors, governmental agencies and other payables. For fiscal year 2011 there were no outstanding payables balance.

(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 non operating expenses include interest expenses.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(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, 2011 and 2010

(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 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 2011, adopted the following GASB Statement:

GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The adoption of this GASB Statement is not applicable to the basic financial statements of the Authority.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies (Continued)

(n) Recent Pronouncements (Continued)

GASB Statement No. 59, Accounting and Financial Reporting for Derivative Instruments, updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The adoption of this GASB Statement had no effect on the basic financial statements of the Authority.

(o) Tax Status

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

(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, 2011 and 2010

(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, 2011 and 2010 are grouped to give an indication of the level of custodial risk assumed by the Authority as follows (in thousands):

	2011		2010	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
<u>Cash and Deposits</u>				
Deposits insured or collateralized	\$ 453,939	\$ 456,785	\$ 145,512	\$ 145,460
Deposits uninsured or uncollateralized	-	-	18,490	25,429
Total deposits	453,939	456,785	164,002	170,889
Cash on hand	7,445	-	8,591	-
Total cash and deposits	<u>\$ 461,384</u>	<u>\$ 456,785</u>	<u>\$ 172,593</u>	<u>\$ 170,889</u>

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, 2011 and 2010

(3) Cash, Deposits and Investments (Continued)**(b) Investments**

As of June 30, 2011, the Authority had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>Investment Maturities</u>				
	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>7 Months - 1 Year</u>	<u>1-3 Years</u>	<u>More than 3 Years</u>
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	-
	<u>149,179</u>	<u>137,132</u>	<u>-</u>	<u>9,556</u>	<u>2,491</u>
Accrued interest	82	82	-	-	-
Total	<u>\$ 149,261</u>	<u>\$ 137,214</u>	<u>\$ -</u>	<u>\$ 9,556</u>	<u>\$ 2,491</u>

As of June 30, 2010, the Authority had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>Investment Maturities</u>				
	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>7 Months - 1 Year</u>	<u>1-3 Years</u>	<u>More than 3 Years</u>
Money market funds	\$ 293	\$ 293	\$ -	\$ -	\$ -
Repurchase agreements	100,211	100,211	-	-	-
United States treasuries	10,575	8,000	-	-	2,575
United States agencies	17,713	8,024	-	8,597	1,092
	<u>128,792</u>	<u>116,528</u>	<u>-</u>	<u>8,597</u>	<u>3,667</u>
Accrued interest	88	88	-	-	-
Total	<u>\$ 128,880</u>	<u>\$ 116,616</u>	<u>\$ -</u>	<u>\$ 8,597</u>	<u>\$ 3,667</u>

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, 2011 and 2010.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(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 AA 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, 2011 and 2010

(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, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Jurisdictional operating subsidy per financial statements	\$ 679,880	\$ 682,545
Add (deduct) operating costs (not) requiring current funding:		
Preventive maintenance subsidy	(60,487)	(41,787)
Prepaid pension cost adjustment	(4,285)	(8,178)
Unrealized gain from investments	1,141	1,406
Agreed-upon funding of employee vacations liability and related taxes	(2,272)	(2,781)
Agreed-upon funding of claims for injuries and damages	(7,784)	1,684
Rail repairable parts	2	4
Reserve contingency application to current year deficit	-	(19,543)
Adjustments to operating expenses and interest	3,820	219
Maximum fare assistance	5,497	5,417
Operating expenses funded by capital grants	<u>(64,990)</u>	<u>(55,886)</u>
Jurisdictional operating subsidy - funding basis	<u>\$ 550,522</u>	<u>\$ 563,100</u>

The cumulative effects of the different agreed-upon basis, which result in long-term contributions receivable, are as follows at June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Agreed-upon funding of employee vacation liability and related taxes	\$ 53,989	\$ 51,546	\$ 2,443
Agreed-upon funding of claims for injuries and damages	<u>126,429</u>	<u>118,645</u>	<u>7,784</u>
Total accumulated difference	<u>\$ 180,418</u>	<u>\$ 170,191</u>	<u>\$ 10,227</u>

The current portion of contributions receivable at June 30, 2011 and 2010 of \$354,860 and \$416,674, respectively are related primarily to federal grants.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(5) Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010, was as follows (in thousands):

	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	<u>627,151</u>	<u>644,769</u>	<u>(491,445)</u>	<u>780,475</u>
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	<u>14,011,512</u>	<u>492,453</u>	<u>(22,570)</u>	<u>14,481,395</u>
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	<u>6,566,880</u>	<u>477,444</u>	<u>(22,570)</u>	<u>7,021,754</u>
Total capital assets being depreciated, net	<u>7,444,632</u>	<u>15,009</u>	<u>-</u>	<u>7,459,641</u>
Total capital assets, net	<u>\$ 8,071,783</u>	<u>\$ 659,778</u>	<u>\$ (491,445)</u>	<u>\$ 8,240,116</u>

Notes to Basic Financial Statements

June 30, 2011 and 2010

(5) Capital Assets (Continued)

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 447,314	\$ -	\$ -	\$ 447,314
Construction in progress	168,965	429,609	(418,737)	179,837
Total capital assets not being depreciated	<u>616,279</u>	<u>429,609</u>	<u>(418,737)</u>	<u>627,151</u>
Capital assets being depreciated:				
Buildings and improvements	644,753	13,113	-	657,866
Transit facilities	7,463,111	68,306	-	7,531,417
Revenue vehicles	2,347,628	109,745	(38,185)	2,419,188
Other equipment	1,985,175	228,391	(9,592)	2,203,974
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
Total capital assets being depreciated	<u>13,639,734</u>	<u>419,555</u>	<u>(47,777)</u>	<u>14,011,512</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	271,683	29,301	-	300,984
Transit facilities	2,476,768	165,778	-	2,642,546
Revenue vehicles	1,127,400	113,549	(38,185)	1,202,764
Other equipment	1,286,641	140,018	(9,592)	1,417,067
Intangible costs	986,061	17,458	-	1,003,519
Total accumulated depreciation and amortization of intangible costs	<u>6,148,553</u>	<u>466,104</u>	<u>(47,777)</u>	<u>6,566,880</u>
Total capital assets being depreciated, net	<u>7,491,181</u>	<u>(46,549)</u>	<u>-</u>	<u>7,444,632</u>
Total capital assets, net	<u>\$ 8,107,460</u>	<u>\$ 383,060</u>	<u>\$ (418,737)</u>	<u>\$ 8,071,783</u>

Notes to Basic Financial Statements

June 30, 2011 and 2010

(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, 2011 and 2010 (in thousands):

	2011			2010
	Principal	Unamortized Issuance Cost Net of Premium	Net	Net
Series 1993, 5.18% dated November 1, 1993, due semi-annually through July 1, 2010	\$ -	\$ -	\$ -	\$ 11,420
Series 2003, 4.60% dated October 23, 2003, due semi-annually through July 1, 2014	63,940	2,756	66,696	80,182
Series 2003B, 4.06% dated November 20, 2003, due semi-annually through July 1, 2010	-	-	-	5,710
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	237,300	12,502	249,802	255,533
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(909)	54,091	54,090
	<u>\$ 356,240</u>	<u>\$ 14,349</u>	<u>\$ 370,589</u>	<u>\$ 406,935</u>

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, 2011 and 2010

(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):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 31,210	\$ 18,622	\$ 49,832
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
2017-2021	45,740	65,732	111,472
2022-2026	58,780	52,286	111,066
2027-2031	75,910	34,730	110,640
2032-2035	75,765	10,655	86,420
	<u>356,240</u>	<u>244,295</u>	<u>600,535</u>
Plus unamortized premium net of issuance cost	14,349	-	14,349
	<u>\$370,589</u>	<u>\$ 244,295</u>	<u>\$ 614,884</u>

(c) Issuance and Refunding of Debt

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

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

Notes to Basic Financial Statements

June 30, 2011 and 2010

(6) Bonds Payable and Other Debt (Continued)

(c) Issuance and Refunding of Debt (Continued)

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

The Authority refunded the A, B, C, D and E Series Transit Bonds to reduce its total debt service payments over the next 20 years by approximately \$288,000,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$4,700,000. The Authority partially refunded the Series 1993 Gross Revenue Transit Refunding Bonds to reduce its total debt service payments over the next 10 years by approximately \$13,000,000 and to obtain an economic gain of approximately \$1,697,000. As of June 30, 2011 and 2010, the unamortized cost of refunding the bonds was \$1,015,227 and \$1,254,005, respectively. This unamortized cost relates primarily to the call premium on the Series E Transit Bond, and the Series 1993 Gross Revenue Transit Refunding Bonds, which are being amortized over the life of the outstanding bonds. Bond Series 1993 Gross Revenue Transit Refunding Bonds and Series 2003 B Gross Revenue Transit Bonds were retired in 2011.

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, the three 364 day Lines of Credit for \$125,000,000, \$125,000,000 and \$50,000,000 were renewed during fiscal year 2011. The availability fees and accrued interest are payable either monthly or quarterly, depending on the terms of the agreements, and commencing June 2011. A six-year Credit Facility for \$300,000,000 was also secured during fiscal year 2010, specifically to support the procurement of the 7000 Series rail cars. The availability fees and accrued interest are payable quarterly and commenced September 2010. 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 2012 for the 364 day Lines of Credit and June 2016 for the six-year Credit Facility. The one-month LIBOR rate, was 0.19 percent and 0.35 percent for June 30, 2011 and June 30, 2010, respectively

Notes to Basic Financial Statements

June 30, 2011 and 2010

(6) Bonds Payable and Other Debt (Continued)

(d) Lines of Credit (Continued)

For the year ending June 30, 2011 and 2010, there was no outstanding debt balance on the Lines of Credit.

(e) Interest Expense

Interest expense on bonds for the years ended June 30, 2011 and 2010 was \$17,938,000 and \$19,580,000, respectively.

(7) Termination Benefits

The General Manager may authorize a general reduction in the work force, which is accomplished by a reduction in positions and may result in the termination of personnel. This course of action is approved by the Authority's Board of Directors and outlined in the Authority's Personnel Policies and Procedures Manual, which details the basis for severance pay to be made to employees subject to a reduction-in-force. The basic financial statements of the Authority contained a liability (included in the Accrued Salaries on the Statements of Net Assets) and expense (included in the Labor and Fringe Benefits on the Statements of Revenues, Expenses and Changes in Net Assets) of \$0 and \$801,541, representing benefits to be paid to employees affected by a reduction-in-force implemented in the fiscal years ended June 30, 2011 and 2010, respectively.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(8) Pension Plans

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

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

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

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

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

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

(a) Plan Descriptions**(i) Salaried Personnel Plan**

All full-time regular management and non-union employees hired prior to January 1, 1999, 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 age is 65, and such retirees are entitled to annual retirement benefits equal to 1.6 percent of final average compensation multiplied by years of credited services, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated 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, 2011 and 2010

(8) Pension Plans (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 in no event later than the attainment of age 65. The normal retirement benefit is 2.56 percent of final average earnings multiplied by years of credited service. The resulting benefit, if paid following the participant's 66th birthday, will be reduced by .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 of average compensation time continuous service in excess of 27 years of service. The minimum benefit is \$600 monthly. The Authority contributes the total cost of the plan. For each fiscal year, the Authority shall contribute 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.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(8) Pension Plans (Continued)

(iv) Union Local 922 Plan (Continued)

The normal retirement monthly pension is the sum of 1.0 percent for years of service prior to May 1, 1973 plus 1.85 percent for years of service after May 1, 1973 of the highest 4-year average earnings with a minimum benefit of \$175 monthly. The plan provides retired participants annual cost-of-living increases, permits early retirement, and provides for benefits in the event of death, disability and terminated employment. The Authority contributes that amount required to fund the normal cost of the plan plus an additional amount necessary to amortize the unfunded actuarial accrued liability as required by the collective bargaining agreement between the Authority and Union Local 922. 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 age is 65, and such retirees are entitled to annual retirement benefits equal to 1.6 percent of final average compensation multiplied by years of credited service, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability, and terminated vested employment. The Authority contributes the total cost of the plan. After five years of service, participants were 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, 2010, the plan was 73.5 percent funded. The actuarial accrued liability for benefits was \$463.4 million, and the actuarial value of assets was \$340.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$122.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$29.3 million, and the ratio of UAAL to covered payroll was 418.9 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, 2011 and 2010

(8) Pension Plans (Continued)

(ii) Transit Police Plan

The Transit Police Plan's funding policy, as set forth in the collective bargaining agreement, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the current year's normal cost. The percentage of payroll that the Authority contributes is actuarially determined using the aggregate cost funding method. 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, 2010, the plan was 73.5 percent funded. The actuarial accrued liability for benefits was \$174.7 million, and the actuarial value of assets was \$128.4 million, resulting in a UAAL of \$46.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$31.0 million, and the ratio of UAAL to covered payroll was 148.9 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, 2010, the plan was 91.4 percent funded. The actuarial accrued liability for benefits was \$2.4 billion, and the actuarial value of assets was \$2.2 billion, resulting in a UAAL of \$0.2 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$544.6 million, and the ratio of UAAL to covered payroll was 38.0 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.

(iv) Union Local 922 Plan

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

Notes to Basic Financial Statements

June 30, 2011 and 2010

(8) Pension Plans (Continued)

(iv) Union Local 922 Plan (Continued)

As of January 1, 2010, the plan was 86.1 percent funded. The actuarial accrued liability for benefits was \$136.2 million, and the actuarial value of assets was \$117.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$25.4 million, and the ratio of UAAL to covered payroll was 74.3 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.

(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, 2010 the plan was 78.3 percent funded. The actuarial accrued liability for benefits was \$146.5 million, and the actuarial value of assets was \$114.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$31.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.8 million, and the ratio of UAAL to covered payroll was 230.6 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, 2011 and 2010

(8) Pension Plans (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	71.0%	25.3%	9.8%	21.2%	43.4%
Employees (Plan Members)	0.0%	7.3%	0.0%	0.0%	0.0%
Annual pension cost	\$ 17,884	\$ 7,862	\$ 61,481	\$ 5,385	\$ 5,103
Contributions made:					
Authority	\$ 20,832	\$ 7,862	\$ 53,561	\$ 5,375	\$ 5,975
Actuarial valuation date	7/1/2010	1/1/2010	1/1/2010	1/1/2011	7/1/2010
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	Closed	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%	8.0%	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, 2011 and 2010

(8) Pension Plans (Continued)

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

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan	Total
	<u>7/1/2010</u>	<u>1/1/2010</u>	<u>1/1/2010</u>	<u>1/1/2011</u>	<u>7/1/2010</u>	
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	<u>\$ (4,878)</u>	<u>\$ (307)</u>	<u>\$ (140,527)</u>	<u>\$ (1,955)</u>	<u>\$ (1,191)</u>	<u>\$ (148,858)</u>
	<u>7/1/2009</u>	<u>1/1/2009</u>	<u>1/1/2009</u>	<u>1/1/2009</u>	<u>7/1/2009</u>	Total
Net pension assets beginning of year	\$ (2,080)	\$ (307)	\$ (156,614)	\$ (1,976)	\$ (344)	\$ (161,321)
Annual required contribution	17,716	6,580	39,929	5,187	5,456	74,868
Interest on net pension assets	-	-	(12,480)	(138)	-	(12,618)
Adjustment to annual required contribution	-	-	20,075	149	-	20,224
Annual pension cost (income)	17,716	6,580	47,524	5,198	5,456	82,474
Net pension obligations (assets) before contributions	15,636	6,273	(109,090)	3,222	5,112	(78,847)
Adjustments to beginning balance	-	-	617	-	-	617
Contributions made	(17,716)	(6,580)	(39,974)	(5,187)	(5,456)	(74,913)
Net pension assets end of year	<u>\$ (2,080)</u>	<u>\$ (307)</u>	<u>\$ (148,447)</u>	<u>\$ (1,965)</u>	<u>\$ (344)</u>	<u>\$ (153,143)</u>

Notes to Basic Financial Statements

June 30, 2011 and 2010

(8) Pension Plans (Continued)**(c) Trend Information**

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

	Fiscal Year Ended	Annual Pension Cost (Income)	Percentage of APC Contribution	Net Pension Asset
Salaried Personnel Plan	7/01/10	\$ 17,884	116.5%	\$ (4,878)
	7/01/09	\$ 17,716	100.0%	\$ (2,080)
	7/01/08	\$ 16,177	100.0%	\$ (2,080)
Transit Police Plan	1/01/10	\$ 7,862	100.0%	\$ (307)
	1/01/09	\$ 6,580	100.0%	\$ (307)
	1/01/08	\$ 5,134	106.0%	\$ (307)
Union Local 689	1/01/10	\$ 61,481	87.1%	\$ (140,527)
	1/01/09	\$ 47,524	84.1%	\$ (148,447)
	1/01/08	\$ 33,511	69.0%	\$ (156,614)
Union Local 922	1/01/10	\$ 5,385	99.8%	\$ (1,955)
	1/01/09	\$ 5,187	100.0%	\$ (1,965)
	1/01/08	\$ 4,305	84.4%	\$ (1,976)
Union Local 2	7/01/10	\$ 5,103	117.1%	\$ (1,191)
	7/01/09	\$ 5,456	100.0%	\$ (344)
	7/01/08	\$ 4,982	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 pages 62 and 63 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, 2011 and 2010

(8) Pension Plans (Continued)

(d) Defined Contribution Retirement Plan (Continued)

The Authority contributed \$4,924,000 and \$4,591,000 for the years ended June 30, 2011 and 2010 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.

(9) Postemployment Benefits Other Than Pensions (OPEB)

Plan Descriptions

The Authority contributes to four single-employer defined benefit healthcare plans: Union Local 689, Union Local 2, Transit Police and Non-represented. 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, 2011 and 2010

(9) 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, 2011 and 2010, and the related information are as follows (dollar amounts in thousands):

	<u>Union Local 689</u>	<u>Union Local 2</u>	<u>Transit Police</u>	<u>Non- Represented</u>	<u>Total</u>
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	<u>\$ 83,848</u>	<u>\$ 12,715</u>	<u>\$ 8,581</u>	<u>\$ 29,931</u>	<u>\$ 135,075</u>
Contribution made	(24,520)	(2,610)	(1,334)	(7,776)	(36,240)
Increase in net OPEB obligation	<u>59,328</u>	<u>10,105</u>	<u>7,247</u>	<u>22,155</u>	<u>98,835</u>
Net OPEB obligation - July 1, 2010	<u>135,875</u>	<u>20,637</u>	<u>11,402</u>	<u>42,663</u>	<u>210,577</u>
Net OPEB obligation - June 30, 2011	<u><u>\$ 195,203</u></u>	<u><u>\$ 30,742</u></u>	<u><u>\$ 18,649</u></u>	<u><u>\$ 64,818</u></u>	<u><u>\$ 309,412</u></u>

Notes to Basic Financial Statements

June 30, 2011 and 2010

(9) Postemployment Benefits Other Than Pensions (OPEB) (Continued)**Funding policy and Annual OPEB Cost (Continued)**

	<u>Union Local 689</u>	<u>Union Local 2</u>	<u>Transit Police</u>	<u>Non- Represented</u>	<u>Total</u>
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	\$ 79,361	\$ 12,024	\$ 8,094	\$ 28,465	\$ 127,944
Interest on net OPEB obligation	3,150	463	197	936	4,746
Adjustment to annual required contribution	(3,009)	(443)	(189)	(894)	(4,535)
Annual OPEB cost	<u>\$ 79,502</u>	<u>\$ 12,044</u>	<u>\$ 8,102</u>	<u>\$ 28,507</u>	<u>\$ 128,155</u>
Contribution made	(22,381)	(2,979)	(1,636)	(9,235)	(36,231)
Increase in net OPEB obligation	<u>57,121</u>	<u>9,065</u>	<u>6,466</u>	<u>19,272</u>	<u>91,924</u>
Net OPEB obligation - July 1, 2009	<u>78,754</u>	<u>11,572</u>	<u>4,936</u>	<u>23,391</u>	<u>118,653</u>
Net OPEB obligation - June 30, 2010	<u><u>\$ 135,875</u></u>	<u><u>\$ 20,637</u></u>	<u><u>\$ 11,402</u></u>	<u><u>\$ 42,663</u></u>	<u><u>\$ 210,577</u></u>

Notes to Basic Financial Statements

June 30, 2011 and 2010

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

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations for fiscal years 2011, 2010 and 2009 for each of the plans were as follows (dollar amounts in thousands):

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Union Local 689	6/30/2011	\$ 83,848	29.2%	\$ 195,203
	6/30/2010	\$ 79,502	28.2%	\$ 135,875
	6/30/2009	\$ 71,010	44.4%	\$ 78,754
Union Local 2	6/30/2011	\$ 12,715	20.5%	\$ 30,742
	6/30/2010	\$ 12,044	24.7%	\$ 20,637
	6/30/2009	\$ 7,749	25.9%	\$ 11,572
Transit Police	6/30/2011	\$ 8,581	15.5%	\$ 18,649
	6/30/2010	\$ 8,102	20.2%	\$ 11,402
	6/30/2009	\$ 2,660	4.5%	\$ 4,936
Non-Represented	6/30/2011	\$ 29,931	26.0%	\$ 64,818
	6/30/2010	\$ 28,507	32.4%	\$ 42,663
	6/30/2009	\$ 16,160	27.8%	\$ 23,391

Funded Status and Funding Progress. The funded status of the plans, as of June 30, 2011, was as follows (dollar amounts in thousands):

	<u>Union Local 689</u>	<u>Union Local 2</u>	<u>Transit Police</u>	<u>Non- Represented</u>	<u>Total</u>
Actuarial accrued liability (a)	\$ 1,054,747	\$ 162,252	\$ 103,215	\$ 419,475	\$ 1,739,689
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u>\$ 1,054,747</u>	<u>\$ 162,252</u>	<u>\$ 103,215</u>	<u>\$ 419,475</u>	<u>\$ 1,739,689</u>
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	\$ 733,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll {(a)-(b)}/ (c)	N/A	N/A	N/A	N/A	237.3%

Notes to Basic Financial Statements

June 30, 2011 and 2010

(9) 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 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	7/1/2009	7/1/2009	7/1/2009	7/1/2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	Open	Open	Open	Open
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Discount Rate	4.0%	4.0%	4.0%	4.0%
Projected salary increases	4.5%	4.5%	4.5%	4.5%
Healthcare cost trend rate	8.5-10.0%	8.5-10.0%	8.5-10.0%	8.5-10.0%

Notes to Basic Financial Statements

June 30, 2011 and 2010

(9) 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 \$4,143,000, \$4,092,000, and \$4,113,400 for the years ended June 30, 2011, 2010 and 2009, respectively.

(10) 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 Metro Access and \$5million 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 \$5.0 million self-insured retention (SIR)
- (2) Excess Workers compensation insurance with statutory limits in excess of a \$2.5 million per occurrence 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 8 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 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'

Notes to Basic Financial Statements

June 30, 2011 and 2010

(10) Commitments and Contingencies (Continued)**(a) Litigation and Claims (Continued)**

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 it's reasonable to suspect that the value of the loss may penetrate the attachment point of insurance. 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 financial statements.

Changes in the actuarially developed liability for years ended June 30, 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Estimated net present value of the liability for injury and damage claims, beginning of year	\$ 129,949	\$ 126,143
Incurred new claims	27,276	25,998
Changes in estimate for claims of prior periods	16,882	7,328
Payments on claims	<u>(31,376)</u>	<u>(29,520)</u>
Estimated net present value of the liability for injury and damage claims, end of year	<u>\$ 142,731</u>	<u>\$ 129,949</u>
Due within one year	<u>\$ 54,871</u>	<u>\$ 53,907</u>

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, 2011 and 2010 were \$908,252 and \$293,333 respectively.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(10) Commitments and Contingencies (Continued)**(b) Leasing Commitment (Continued)**

The Authority's minimum lease payments as of June 30, 2011 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Total</u>
2012	\$ 933
2013	961
2014	989
2015	1,019
2016	1,049
2017	1,081
2018	1,113
2019	1,146
2020	192
	<u>\$ 8,483</u>

(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 2011, the Authority entered into two diesel fuel agreements and eleven electricity swap agreements. This allowed the Authority to plan and manage its diesel fuel and electricity costs, reduce risk and improve budget stability.

Settlement: The settlement price for diesel fuel is represented by No. 2 heating oil closing prices quoted by the NYMEX, on each NYMEX trading day, during the settlement period. Payment between the Authority and its counterparties for the fuel swap agreements are calculated based on the difference between the swap price per gallon and the unweighted arithmetic mean of the closing settlement price.

The settlement price for electricity is based on the PJM-West PEPCO Zone daily trading prices for electricity futures. The Payment between the Authority and its counterparties for the electricity swap agreements are calculated based on the difference between the swap price per megawatt hour and the unweighted arithmetic mean of the closing settlement price.

Fair Value: As of June 30, 2011 the swap agreements had a fair value of (\$0.07) million for the diesel fuel swap and \$19.4 million for electricity swaps, shown below in Tables 1 and 2. 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, 2011 and 2010

(10) 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)

07/01/2010	12/31/2010	250,000	1,500,000	\$	-
04/01/2011	06/30/2011	500,000	1,500,000		(73)
				\$	<u>(73)</u>

Table 2: Electricity swap (included in Accounts receivable and other assets on the Statements of Net Assets)

07/01/2010	06/30/2011	30	123,360	\$	-
07/01/2010	06/30/2011	15	69,720		-
07/01/2010	06/30/2011	30	123,360		-
07/01/2010	06/30/2011	2	17,520		-
07/01/2011	06/30/2012	30	122,400		6,626
07/01/2011	06/30/2012	2	17,568		799
07/01/2011	06/30/2012	15	70,560		2,688
07/01/2011	06/30/2012	15	70,560		2,688
07/01/2011	06/30/2012	30	122,400		6,626
				\$	<u>19,427</u>

Credit Value: The Authority is exposed to credit risk in the amount of the fair value. To mitigate the credit risk, the Authority entered into swap agreements with counterparties with long-term deposit ratings of at least Aa2 and AA by Moody's and Fitch, respectively.

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, 2008, three of these contracts which represent approximately 81.0 percent of the labor force expired and are currently either in arbitration or negotiation. The June 30, 2011 accrued salaries and benefits liability that is comprised of pension related obligation includes an estimated amount related to the settlement of these contracts.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(10) 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, 2011, the Authority was committed to expend approximately \$318,285,000 (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.

(11) 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 under the

Notes to Basic Financial Statements

June 30, 2011 and 2010

(11) Leasing Transactions**(a) Leasing Historical Information (Continued)**

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:	
2012	\$ 73,547
2013	60,266
2014	92,341
2015	155,759
2016	55,835
2017-2021	246,064
2022-2026	75,525
2027-2031	<u>66,085</u>
Total future minimum payments	825,422
Less imputed interest	<u>248,778</u>
Present value of minimum lease payments	<u>\$ 576,644</u>

(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 nine lease agreements, one in fiscal year 2011, three in fiscal year 2010 and five in fiscal year 2009. Termination payments on eight of the nine 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 four equity investors have granted extensions, with approved extension dates ranging from September 30, 2011 to June 30, 2014.

Notes to Basic Financial Statements

June 30, 2011 and 2010

(11) Leasing Transactions**(b) Leasing Disclosure (Continued)**

The remaining period of these agreements ranges from approximately five to twenty-one 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 investors requests will be to the Authority, and as such, no liability has been recognized.

(12) Changes in Long-Term Liabilities

Long-term liabilities activity for the years ended June 30, 2011 and 2010, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Bonds Payable	Obligations Under Lease Agreements
Beginning balance, July 1, 2009	\$ 126,143	\$ 29,364	\$ 27,905	\$ 435,871	\$ 840,118
Additions	78,295	6,849	-	524 *	-
Reductions	<u>(74,489)</u>	<u>(13,931)</u>	<u>(7,150)</u>	<u>(29,460)</u> **	<u>(169,364)</u>
Balance, June 30, 2010	129,949	22,282	20,755	406,935	670,754
Additions	89,505	43,295	-	619 *	-
Reductions	<u>(66,683)</u>	<u>(40,110)</u>	<u>(3,240)</u>	<u>(36,965)</u> **	<u>(94,110)</u>
Ending balance, June 30, 2011	<u>\$ 152,771</u>	<u>\$ 25,467</u>	<u>\$ 17,515</u>	<u>\$ 370,589</u>	<u>\$ 576,644</u>
Due within one year	<u>\$ 54,871</u>	<u>\$ 5,133</u>	<u>\$ 2,533</u>	<u>\$ 33,547</u>	<u>\$ 73,547</u>
Noncurrent portion	<u>\$ 97,900</u>	<u>\$ 20,334</u>	<u>\$ 14,982</u>	<u>\$ 337,042</u>	<u>\$ 503,097</u>

*This amount includes amortization of bond premiums of \$619,000 and \$524,000 for the years ended June 30, 2011 and 2010, respectively.

**This amount includes bond debt principal payments of \$34,705,000 and \$27,815,000 and accretion of bond discounts of \$2,261,000 and \$1,645,000 for the years ended June 30, 2011 and 2010, 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)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (Funding)
Salaried Personnel Plan	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%
	7/1/2008	\$ 340,288	\$ 455,318	\$ 115,030	74.7%	\$ 33,497	343.4%
Union Local 2	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%
	7/1/2008	\$ 107,022	\$ 138,077	\$ 31,055	77.5%	\$ 16,533	187.8%
Union Local 689 Plan	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%
	1/1/2008	\$ 2,284,506	\$ 2,193,491	\$ (91,015)	104.1%	\$ 515,245	(17.7)%
Union Local 922 Plan	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%
	1/1/2008	\$ 118,282	\$ 123,746	\$ 5,464	95.6%	\$ 23,787	23.0%
Transit Police Plan	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%
	1/1/2008	\$ 122,958	\$ 145,859	\$ 22,901	84.3%	\$ 24,950	91.8%

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	7/1/2009	\$ -	\$ 1,054,747	\$ 1,054,747	0.0%	N/A	N/A
Union Local 2	7/1/2009	\$ -	\$ 162,252	\$ 162,252	0.0%	N/A	N/A
Transit Police	7/1/2009	\$ -	\$ 103,215	\$ 103,215	0.0%	N/A	N/A
Non-Represented	7/1/2009	\$ -	\$ 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	7/1/2009	\$ -	\$ 997,951	\$ 997,951	0.0%	N/A	N/A
Union Local 2	7/1/2009	\$ -	\$ 153,227	\$ 153,227	0.0%	N/A	N/A
Transit Police	7/1/2009	\$ -	\$ 96,766	\$ 96,766	0.0%	N/A	N/A
Non-Represented	7/1/2009	\$ -	\$ 400,324	\$ 400,324	0.0%	N/A	N/A
Fiscal Year 2010 Total	¹		1,648,268	1,648,268	0.0%	733,000	224.9%
Union Local 689	6/30/2009	\$ -	\$ 1,015,846	\$ 1,015,846	0.0%	N/A	N/A
Union Local 2	6/30/2009	\$ -	\$ 103,363	\$ 103,363	0.0%	N/A	N/A
Transit Police	6/30/2009	\$ -	\$ 34,569	\$ 34,569	0.0%	N/A	N/A
Non-Represented	6/30/2009	\$ -	\$ 237,038	\$ 237,038	0.0%	N/A	N/A
Fiscal Year 2009 Total			1,390,816	1,390,816	0.0%	663,000	209.8%

¹The 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 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
Financial Trends These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	64
Revenue Capacity These schedules contain information to help the reader assess the Authority's most significant local revenue source, passenger revenue.	66
Debt Capacity These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	68
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader to understand the environment within which the Authority's financial activities take place.	70
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	71

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

Net Assets by Component
For Fiscal Year 2002 to Fiscal Year 2011

(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	2011
Invested in capital assets, net of related debt	\$ 7,148,786	\$ 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
Restricted										
Capital Projects							32,766	161,321	135,985	164,211
Net Pension Trust Assets							172,651	131,026	153,143	148,858
Other							5,582	19,387	8,715	13,017
Total Restricted	<u>810,257</u>	<u>830,017</u>	<u>707,353</u>	<u>572,675</u>	<u>379,254</u>	<u>265,884</u>	<u>210,999</u>	<u>311,734</u>	<u>297,843</u>	<u>326,086</u>
Total Net Assets	<u>\$ 7,959,043</u>	<u>\$ 8,198,430</u>	<u>\$ 8,122,239</u>	<u>\$ 8,119,740</u>	<u>\$ 8,283,822</u>	<u>\$ 8,105,662</u>	<u>\$ 7,854,844</u>	<u>\$ 7,948,395</u>	<u>\$ 8,069,953</u>	<u>\$ 8,377,565</u>

* 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 2002 to Fiscal Year 2011
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	2011
Operating Revenues	\$ 436,999	\$ 451,105	\$ 499,985	\$ 572,542	\$ 607,478	\$ 625,092	\$ 690,572	\$ 745,303	\$ 727,832	\$ 804,504
Nonoperating revenues	153,637	128,689	93,289	117,412	101,942	104,873	102,198	74,924	76,013	54,964
Total Revenues	<u>590,636</u>	<u>579,794</u>	<u>593,274</u>	<u>689,954</u>	<u>709,420</u>	<u>729,965</u>	<u>792,770</u>	<u>820,227</u>	<u>803,845</u>	<u>859,468</u>
Operating expenses	1,115,289	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
Nonoperating expenses	90,592	92,266	124,887	102,535	113,040	99,712	90,335	61,473	59,694	56,390
Total Expenses	<u>1,205,881</u>	<u>1,273,934</u>	<u>1,384,401</u>	<u>1,442,221</u>	<u>1,574,433</u>	<u>1,706,120</u>	<u>1,893,731</u>	<u>1,966,520</u>	<u>2,064,639</u>	<u>2,136,271</u>
Jurisdictional subsidies, capital grants and capital subsidies	1,077,138	933,527	714,936	749,768	1,029,095	838,385	869,894	1,239,844	1,382,352	1,584,415
Adjustment to restate	-	-	-	-	-	(40,390)	(19,751)	-	-	-
Increase in Net Assets	<u>\$ 461,893</u>	<u>\$ 239,387</u>	<u>\$ (76,191)</u>	<u>\$ (2,499)</u>	<u>\$ 164,082</u>	<u>\$ (178,160)</u>	<u>\$ (250,818)</u>	<u>\$ 93,551</u>	<u>\$ 121,558</u>	<u>\$ 307,612</u>

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 2002 to Fiscal Year 2011
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	2011
Operating Revenues										
Passenger revenue	\$ 394,153	\$ 404,211	\$ 453,043	\$ 522,475	\$ 555,262	\$ 563,356	\$ 625,607	\$ 683,302	\$ 660,319	\$ 763,900
Charter and contract revenue	7,746	9,597	3,806	3,395	3,909	6,767	8,047	255	0	0
Advertising revenue	20,001	23,001	26,002	29,000	30,000	33,000	35,296	38,319	42,104	17,518
Rental revenue	12,536	13,101	15,786	16,466	17,108	20,777	20,451	22,179	24,161	22,335
Other revenue	2,563	1,195	1,348	1,206	1,199	1,192	1,171	1,248	1,248	751
Total operating revenues	<u>436,999</u>	<u>451,105</u>	<u>499,985</u>	<u>572,542</u>	<u>607,478</u>	<u>625,092</u>	<u>690,572</u>	<u>745,303</u>	<u>727,832</u>	<u>804,504</u>
Nonoperating revenues										
Investment income	19,830	26,975	1,450	5,011	3,981	4,718	5,068	2,494	1,578	1,377
Interest income from leasing transactions	78,181	80,560	88,562	91,924	88,548	87,874	80,802	52,430	40,114	38,452
Income from pension plans	53,702	17,610	-	16,687	-	-	-	-	-	-
Other	1,924	3,544	3,277	3,790	9,413	12,281	16,328	20,000	34,321	15,135
Total nonoperating revenues	<u>153,637</u>	<u>128,689</u>	<u>93,289</u>	<u>117,412</u>	<u>101,942</u>	<u>104,873</u>	<u>102,198</u>	<u>74,924</u>	<u>76,013</u>	<u>54,964</u>
Total Revenues	<u>\$ 590,636</u>	<u>\$ 579,794</u>	<u>\$ 593,274</u>	<u>\$ 689,954</u>	<u>\$ 709,420</u>	<u>\$ 729,965</u>	<u>\$ 792,770</u>	<u>\$ 820,227</u>	<u>\$ 803,845</u>	<u>\$ 859,468</u>

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.

Passenger Fare Structure For Fiscal Year 2002 to Fiscal Year 2011

Fiscal Year	Metrobus			Metrorail			
	Peak/Off Peak			Boarding Charge	Peak Each Additional Composite Mile	Off Peak	
	DC Base	MD Base	VA Base			Boarding Charge	Each Additional Composite Mile
2002	\$1.10	\$1.10	\$1.10	\$1.10	\$.19 (3-6miles) \$.165 (6+miles) \$3.25 (Max.fare)	\$1.10 (0-7miles) \$1.60 (7-10miles) \$2.10 (10 miles)	n/a n/a n/a
2003	\$1.20	\$1.20	\$1.20	\$1.20	\$.21 (3-6miles) \$.185 (6+miles) \$3.60 (Max. fare)	\$1.20 (0-7miles) \$1.70 (7-10miles) \$2.20 (10+ miles)	n/a n/a n/a
2004	\$1.25	\$1.25	\$1.25	\$1.35	\$.22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2005	\$1.25	\$1.25	\$1.25	\$1.35	\$.22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2006	\$1.25	\$1.25	\$1.25	\$1.35	\$.22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2007	\$1.25	\$1.25	\$1.25	\$1.35	\$.22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2008	\$1.25	\$1.25	\$1.25	\$1.65	\$.26 (3-6miles) \$.23 (6+ miles) \$4.50(Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2009	\$1.25	\$1.25	\$1.25	\$1.65	\$.26 (3-6miles) \$.23 (6+ miles) \$4.50(Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2010	\$1.35	\$1.35	\$1.35 *	\$1.75	\$.26 (3-6miles) \$.23 (6+ miles) \$4.60(Max. fare)	\$1.45 (0-7miles) \$1.95 (7-10miles) \$2.45 (10+ miles)	n/a n/a n/a
2011	\$1.50	\$1.50	\$1.50	\$1.95	\$.299 (3-6miles) \$.265 (6+ miles) \$5.00(Max. fare)	\$1.60 (0-7miles) \$2.15 (7-10miles) \$2.75 (10+ miles)	n/a n/a 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 www.wmata.com

Source: Tariff of The Washington Metropolitan Area Transit Authority

Ratios of Outstanding Debt by Type For Fiscal Year 2002 to Fiscal Year 2011

(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*
2002	\$ 234,035	\$ -	\$ -	\$ -	\$ -	\$ 234,035	59.8%
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	86.3%

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 72.

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

Pledged-Revenue Coverage
For Fiscal Year 2002 to Fiscal Year 2011
(amounts expressed in thousands)

Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2002	\$ 866,539	839,393	\$ 27,146	\$ 14,735	12,411	\$ 27,146	100%
2003	\$ 914,489	887,368	\$ 27,121	\$ 15,415	11,706	\$ 27,121	100%
2004	\$ 1,175,871	986,837	\$ 189,034	\$ 176,470	12,517	\$ 188,987	100%
2005	\$ 1,072,480	1,039,979	\$ 32,501	\$ 21,890	10,611	\$ 32,501	100%
2006	\$ 1,201,970	1,168,952	\$ 33,018	\$ 23,040	9,978	\$ 33,018	100%
2007	\$ 1,280,970	1,245,267	\$ 35,703	\$ 23,865	11,838	\$ 35,703	100%
2008	\$ 1,354,648	1,320,090	\$ 34,558	\$ 25,025	9,533	\$ 34,558	100%
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%

Revenues consists of operating revenues, non-operating revenues, jurisdictional subsidies and principal paid on revenue bonds. Income from leasing transactions is excluded.

Operating expenses consist of operating expenses, excluding depreciation and amortization and other unfunded operating expenses.

Source: The Authority's Audited Financial Statements.

Major Private- Sector Employers

Employer	2010			Employer	2005		
	Rank	Area Employees	Percentage of Total Employment		Rank	Area Employees	Percentage of Total Employment
McDonald's Corp.	1	13,684	0.5%	McDonald's Corp.	1	32,000	1.1%
Verizon Communications Inc.	2	13,500	0.5%	Ahold USA	2	21,000	0.7%
Safeway Inc.	3	10,000	0.3%	Northrop Grumman Corp.	3	19,100	0.7%
United Parcel Service	4	8,650	0.3%	Science Applications International Corp.	4	15,814	0.5%
Macy's	5	8,000	0.3%	Verizon Communications Inc.	5	14,500	0.5%
Wal-Mart	6	8,000	0.3%	Computer Sciences Corp.	6	14,000	0.5%
Target	7	5,524	0.2%	Wal-Mart Stores Inc.	7	10,293	0.4%
AT&T	8	5,357	0.2%	Safeway Inc.	8	9,000	0.3%
Raytheon	9	4,800	0.2%	May Department Stores Co.	9	8,500	0.3%
FedEx	10	4,300	0.1%	International Business Machines Corp.	10	7,818	0.3%
		<u>81,815</u>	<u>2.8%</u>			<u>152,025</u>	<u>5.3%</u>

Note: The Authority implemented GASB Statement 44 in FY 2005 and was not required to report data before implementation.

Source: Washingtonpost.com - 2010 Post 200 Top DC-Area employers. 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*
2002	2.7	3.9%
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%

*: 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 2002 to Fiscal Year 2011**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Non-Union	1,511	1,525	1,586	1,457	1,540	1,640	1,673	1,669	1,718	1,633	1,650
AFL-CIO/OPIEU Local - 2	622	662	689	739	785	794	818	778	771	730	740
Teamsters Local - 639	65	70	75	90	89	89	89	89	89	102	126
AFL-CIO ATU Local - 689	6,580	7,064	7,133	7,042	7,207	7,237	7,809	8,203	7,911	7,650	7,731
Teamsters Local - 922	370	339	368	368	352	355	357	385	367	370	370
FOP Transit Police	271	305	305	319	321	336	356	359	376	368	357
Total Authority Positions	<u>9,419</u>	<u>9,965</u>	<u>10,156</u>	<u>10,015</u>	<u>10,294</u>	<u>10,451</u>	<u>11,102</u>	<u>11,483</u>	<u>11,232</u>	<u>10,853</u>	<u>10,974</u>

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- FY 2011)

Operating Indicators For Fiscal Year 2002 to Fiscal Year 2011

Fiscal Year	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Passenger Unlinked Trips	Passenger Miles Traveled
2002				
Metrobus	37,934,187	3,349,152	147,771,191	450,768,806
Metrorail	52,192,185	2,269,529	242,794,078	1,438,336,161
Metro Access	8,021,812	505,105	738,284	8,021,812
Total	98,148,184	6,123,786	391,303,553	1,897,126,779
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

*Preliminary Data

Metrobus does not include DC Circulator.

Source: National Transit Database

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