WMATA Board Audit and Performance Committee

Board Action Item III.A.
January 18, 2007

Review and Acceptance of FY06 External Audit Deliverables

Washington Metropolitan Area Transportation Authority
Board Action/Information Summary

☒ Action ☐ Information	MEAD Number:	Resolution: ☐ Yes ☒ No

PURPOSE

To seek Board approval for FY06 External Audit Deliverables.

DESCRIPTION

The FY06 External Audit Deliverables includes:

- Financial Statements
- Single Audit Report
- Management Letter
- National Transit Database Agreed Upon Procedures
- Report on Applying Agreed Upon Procedures

FUNDING IMPACT

N/A

RECOMMENDATION

To approve acceptance of the FY06 External Audit Deliverables from KPMG/F.S. Taylor.

KPMG

Washington Metropolitan Area Transit Authority

Results of June 30, 2006 Financial Statement Audit

January 18, 2007

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Audit Team

• Dan Kovlak	KPMG Partner
• Rachel Locus	F.S. Taylor Partner
• Irfan Satriadhi	KPMG Manager
• LaTonja Thompson-Belsches	F.S. Taylor Manager

Agenda

- Our Audit Approach
- Audit Results
- Single Audit
- Required Communications

Our Audit Approach

- Integrated KPMG and F.S. Taylor & Associates professionals
- Team – Integrated and multidisciplinary (auditors, IT specialists, actuary, and tax specialist)
- Approach – Risk based
- Communication – Frequent, formal, and informal

Audit Results

- **Auditors' Report on Financial Statements** – Unqualified
- **OMB Circular A-133 (Single Audit) Results:**
  - Report on internal control over financial reporting – Unqualified
  - Report on compliance with laws and regulations – Unqualified
- **Agreed-upon Procedures Results:**
  - National Transportation Database – No findings
  - Capital Program Funding Schedule – One finding $70 million difference between the schedule and the general ledger. (Total Balance is $14 billion)
- **Management Letter Comments:**
  - Control over Check Payments
  - Inventory Cycle Counts
  - Controls Automated Payment System
  - Mortality Table Should Be Updated for Retirement Plan
  - Documentation of the Review over Year end Journal Entries
  - IT Controls
- **Management concurred with all comments.**
- **6 Prior Year Comments**
  - 3 Resolved
  - 3 Repeated

Audit Results (cont.)

- There were six unrecorded audit adjustments in FY 2006.

(1) Revenue	$575,443	
Net Assets (Equity)		$575,443
- To correct FY06 PEPCO refund revenue that should have been recognized in FY02.		
(2) Revenue	$6,000,000	
Net Assets (Equity)		$6,000,000
- To correct FY06 Health and Welfare refund revenue that should have been recognized in FY05.		
(3) Deferred Revenue	$2,900,520	
Salaries Payable		$2,900,520
- To reclassify accrued salaries expense related to salary increase from Deferred Revenue to Salaries Payable.		
(4) Accounts Receivable	$308,270	
Deferred Revenue		$308,270
- To record deposit for fiber optic services in deferred revenue, which was incorrectly recorded as a credit to accounts receivable.		
(5) FICA Expense	$661,820	
FICA Payable		$661,820
- To accrue for unrecorded FICA liability.		
(6) Cash	$266,858	
Estimated Liability for Injury and Claims		$266,858
- To record undistributed cash for injury claims held by third party.		

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- Since management determined, and the auditors agreed, that these items were **considered to be immaterial**, these audit differences were not recorded.

  (Total assets $10.49 billion. Total Liabilities $2.20 billion. Operating revenue $607 million. Operating Expense $1.46 billion)

Single Audit

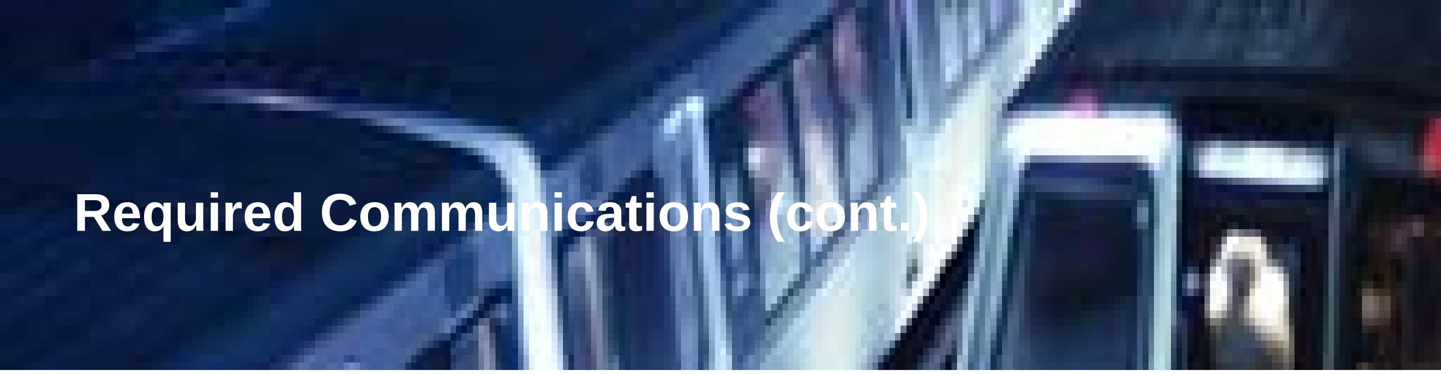
- **Single Audit Reports Issued**
  - Report on internal control over financial reporting – Unqualified
  - Report on compliance – Unqualified
- **Findings and Questioned Costs**
  - Security Improvement Needed at Bus Facilities
- **Major Programs**
  - DOT Highway Planning and Construction
  - DOT Federal Transit Capital Investment Grants
  - DOT Federal Transit Formula Grants

- **WMATA does not qualify as a low-risk auditee due to the current year and prior year findings of noncompliance.**

- **Management concurs with the Single Audit finding.**

Required Communications

- The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 61 established requirements for independent public accountants to communicate certain matters to those who have responsibility for oversight of the financial reporting process. We have summarized the results of our audit of WMATA for the year ended June 30, 2006 by addressing each of these required communications.
- **Auditors' Responsibility Under Generally Accepted Auditing Standards**
  - The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS which provides for reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audits and to determine the nature and extent of testing performed.
- **Significant Accounting Policies**
  - WMATA's accounting policies and methods are appropriate and in accordance with industry standards.
  - No significant changes in the current fiscal year.
- **Judgments and Accounting Estimates**
  - The preparation of the financial statements requires that certain estimates and judgments be made by management. These judgments and estimates include:
    - Deferred revenues
    - Pension benefit assumptions
    - Liability for injury and damage claims
  - We concluded that management has a reasonable basis for significant judgments and estimates that impact the financial statements.



Required Communications (cont.)

- **Significant Audit Adjustments**
  - Management consults with us on significant accounting or reporting matters.
  - Unrecorded audit adjustments (discussed earlier).
- **Disagreements with Management**
  - We had no disagreements with management over the application of accounting principles or management's judgments about accounting estimates.
- **Consultation with Other Accountants**
  - We are not aware of any situations in which management consulted with other accountants on accounting or financial reporting matters.
- **Major Issues Discussed with Management Prior to Retention**
  - We discussed the application of accounting principles and auditing standards, however, our responses were not a condition to our retention.
- **Difficulties Encountered in Performing the Audit**
  - We encountered no significant difficulties in dealing with management in performing our audit.

Required Communications (cont.)

- **Significant Written Communications Between Auditor and Management**
  - Engagement Letter;
  - Management representation letter; and
  - Management letter.
- **Independence**
  - We confirm that we are independent accountants with respect to WMATA.

Open Discussions / Questions

- **Internal Control Definitions (Appendix)**
- **Questions ?**

Appendix – Categories of Reporting Control Findings

2006 Categories for Reporting Control Findings

- **Material Weaknesses** are matters in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
- **Reportable Conditions** are matters coming to our attention relating to <u>significant deficiencies</u> in the design or operation of the internal control over financial reporting <u>that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions</u> by management in the consolidated statements.
- **Management Letter** comments include other matters involving internal controls and operations.

2007 Categories for Reporting Control Findings

- **Material Weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.
- **Significant Deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
- **Control Deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Deficiencies – Comparison 2006 to 2007

Old Definitions	New Definitions– SAS 112
• Material weakness (*GAGAS* paragraph 5.14 and AU 325.15)	• Material weakness
• Reportable condition (*GAGAS* paragraph 5.13 and AU 325.02)	• Significant deficiency
• Management letter comment (*GAGAS* paragraph 5.16)	• Other matters related to internal control

KPMG

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Basic Financial Statements

Years ended June 30, 2006 and 2005 with Independent Auditors' Report

KPMG

F.S. TAYLOR & ASSOCIATES, P.C.
Certified Public Accountants

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

To the Board of Directors
Washington Metropolitan Area Transit Authority:

We have audited the accompanying statements of net assets of the Washington Metropolitan Area Transit Authority (Authority) as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2006 and 2005 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2006 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 audits.

The Management's Discussion and Analysis and Required Supplementary Information on pages 3 through 13 and 43 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP

F. S. Taylor & Associates, P.C.

September 30, 2006

Management's Discussion and Analysis

As management of the Washington Metropolitan Area Transit Authority (Authority), we offer readers of the basic financial statements this narrative overview and analysis of the financial activities of the Authority as of June 30, 2006, 2005 and 2004 and for the years ended June 30, 2006 and 2005. 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 2006 Financial Highlights

- Capital contributions to the Authority increased by $173.8 million or 58.5 percent, primarily due to delayed receipt of prior year federal grants and an increase in jurisdictional billings.
- Restricted net assets decreased by $193.4 million or 33.8 percent, which is mainly attributable to a reduction in advance contributions for bus procurement and other reimbursable projects.
- Capital assets increased by $336.3 million or 4.3 percent, largely attributable to bus purchases, facilities enhancements and rail rehabilitation.
- Operating revenues increased by $34.9 million or 6.1 percent, due to an increase in ridership. Special events such as the immigrants' rights rally, Washington area sporting events, national capital events such as the Independence Day celebration and the Cherry Blossom Festival also contributed to the rise in ridership. Additionally, record gas prices helped drive the increase in ridership.
- Operating expenses increased by $121.7 million or 9.1 percent, due primarily to increase in overtime cost to cover vacancies and additional safety and security activities. The cost associated with the increase use of the Authority's paratransit service and rising fuel cost also contributed to this increase.

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 accounting principles generally accepted 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 14-18 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 19-42 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 to its employees. Required supplementary information can be found on page 43 of this report.

Financial Analysis

Statements of Net Assets

As noted earlier, net assets may serve over time as an indicator of the Authority's financial position. This is only one measure; however, the reader should consider other indicators, such as the age and condition of the Authority's three-decade system, as well as its need for increasing operating subsidies and ridership levels. The following table provides an overview of the Authority's financial position for the years ended June 30, 2006, 2005 and 2004:

Table 1
Condensed Statements of Net Assets
June 30, 2006, 2005 and 2004
(in thousands)

	2006	2005	2004
Current and other assets	$2,351,726	$ 2,485,329	$ 2,590,642
Capital assets	8,136,494	7,800,188	7,692,128
Total assets	10,488,220	10,285,517	10,282,770
Current liabilities	552,638	444,055	421,755
Noncurrent liabilities	1,651,760	1,721,722	1,738,776
Total liabilities	2,204,398	2,165,777	2,160,531
Net assets:			
Investment in capital assets, net of related debt	7,904,568	7,547,065	7,414,886
Restricted	379,254	572,675	707,353
Total net assets	$ 8,283,822	$ 8,119,740	$ 8,122,239

Current Year

Net assets increased by $164.1 million or 2.0 percent during the current fiscal year, due mainly to an increase in capital contributions that were used to fund facility enhancements and rehabilitations, and purchase of transportation vehicles.

The largest portion of the Authority's net assets,$7.9 billion or 95.4 percent, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to

Management's Discussion and Analysis

Statements of Net Assets (Continued)

Current Year (Continued)

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, $379.3 million or 4.6 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets increased by $336.3 million or 4.3 percent, largely attributable to bus purchases, facilities enhancements and rail rehabilitation.

Current liabilities increased by $108.6 million or 24.5 percent, mainly due to increases in account payables for purchases and injury and damage claims.

Noncurrent liabilities decreased by $70.0 million or 4.1 percent, largely due to transit bond repayments and decreases in outstanding lease agreement obligations.

Restricted net assets decreased by $193.4 million or 33.8 percent, which is mainly attributable to a reduction in advance contributions for bus procurement and other reimbursable projects.

Prior Year

Net assets decreased by $2.5 million or 0.03 percent, which largely reflected a decrease in contributions receivable relating to capital grants and declining investment portfolio balances.

The largest portion of the Authority's net assets, $7.5 billion or 92.9 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 by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's net assets, $572.7 million or 7.1 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets increased by $108.1 million or 1.4 percent, largely attributable to the opening of three new metro rail stations at Largo Town Center, Morgan Boulevard and New York Avenue-Florida Avenue-Gallaudet University, rail rehabilitation and facilities enhancements.

Noncurrent liabilities decreased by $17.1 million or 0.1 percent, largely due to a decrease in outstanding transit bonds.

Restricted net assets decreased by $134.7 million or 19.0 percent, which is mainly attributable to the use of advance contributions for rail car procurement and other reimbursable projects as programmed.

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, 2006, 2005 and 2004
(in thousands)

	2006	2005	2004
OPERATING REVENUES			
Passenger revenue	$ 555,262	$ 522,475	$ 453,043
Charter and contract revenue	3,909	3,395	3,806
Advertising revenue	30,000	29,000	26,002
Rental revenue	17,108	16,466	15,786
Other revenue	1,199	1,206	1,348
Total operating revenues	607,478	572,542	499,985
NONOPERATING REVENUES			
Investment income	3,981	5,011	1,450
Interest income from leasing transactions	88,548	91,924	88,562
Income from pension plans	-	16,687	-
Other	9,413	3,790	3,277
Total nonoperating revenues	101,942	117,412	93,289
Total revenues	709,420	689,954	593,274
OPERATING EXPENSES			
Labor	536,439	498,865	485,124
Fringe benefits	271,577	272,756	250,784
Services	102,081	77,063	67,696
Materials and supplies	123,439	105,560	89,586
Utilities	67,010	61,517	52,681
Casualty and liability costs	44,688	16,869	12,467
Leases and rentals	3,999	4,096	1,913
Miscellaneous	5,205	3,253	2,778
Depreciation and amortization	306,955	299,707	296,485
Total operating expenses	1,461,393	1,339,686	1,259,514
NONOPERATING EXPENSES			
Expense from pension plan	14,514	-	23,808
Interest expense	98,526	102,535	101,079
Total nonoperating expenses	113,040	102,535	124,887
Total expenses	1,574,433	1,442,221	1,384,401
Loss before capital grants/subsidies	(865,013)	(752,267)	(791,127)
Jurisdictional subsidies:			
Operations	546,132	441,949	482,172
Interest	11,926	10,611	12,517
Capital contributions	471,037	297,208	220,247
Change in net assets	164,082	(2,499)	(76,191)
Net assets, beginning of year	8,119,740	8,122,239	8,198,430
Net assets, ending of year	$ 8,283,822	$ 8,119,740	$ 8,122,239

Management's Discussion and Analysis

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

Revenues

Current Year

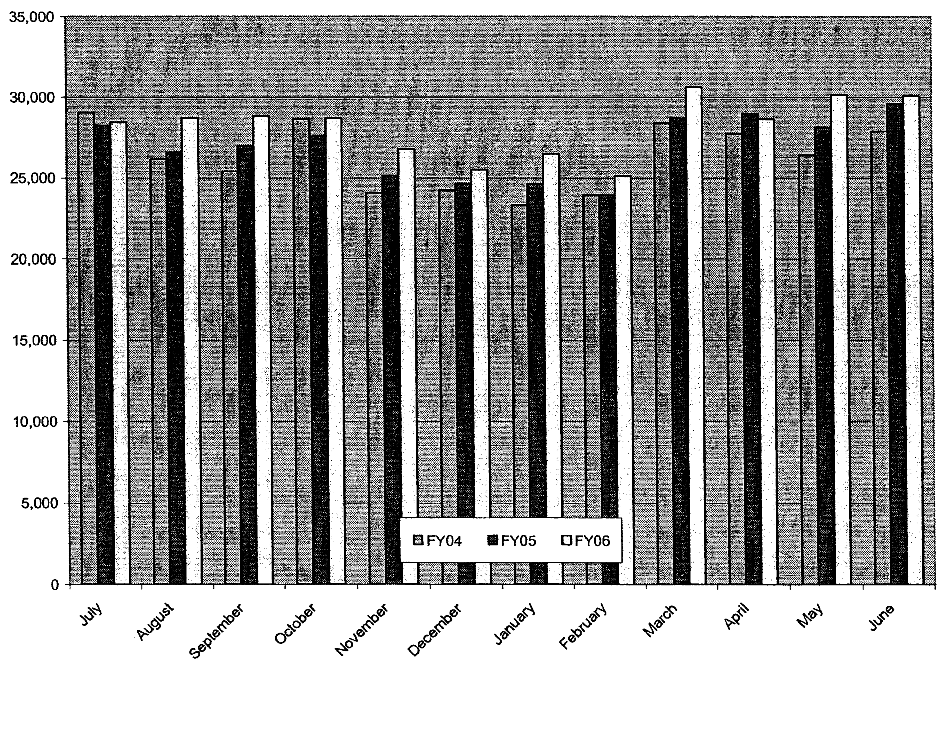
Total revenues, which include passenger revenue, increased by $19.5 million or 2.8 percent. Operating revenues totaled $607.5 million, as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $32.8 million or 6.3 percent. This increase can be attributed to higher ridership, Washington National games, and the utilization of parking facilities, including a new garage that opened at the New Carrollton metro station.

Metrorail ridership climbed to a record level of over 206 million annual trips for an increase of 5.3 percent. Metrobus ridership grew to 131 million annual trips resulting in an increase of 2.7 percent. Sporting events, such as the Washington Redskins and the Washington Nationals' home games, and national capital events, such as the Independence Day Celebration and the Cherry Blossom Festival, contributed to the increase in passenger revenue and ridership. Record gas prices also helped drive this increase.

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

Passenger Trips
(in thousands)



Management's Discussion and Analysis

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

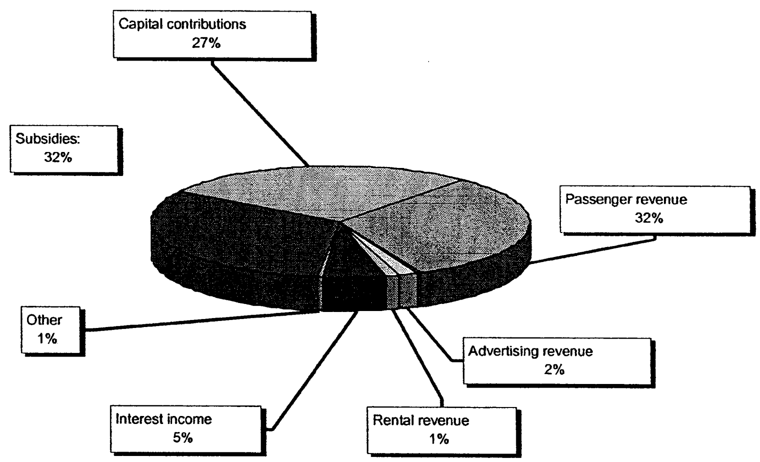
Revenues (Continued)

Charter and contract revenue for bus increased by $0.5 million or 15.1 percent, primarily due to increases in new and existing contracts and in special service on the College Park – Bethesda and the Lee Highway – Farragut Square bus routes.

Nonoperating revenues decreased by $15.5 million or 13.2 percent, primarily due to an increase in pension plan expenses.

Capital contributions to the Authority increased by $173.8 million or 58.5 percent, primarily due to delayed receipt of prior year federal grants and an increase in Metro Matters jurisdictional billings. Metro Matters is a partnership between the Authority and the Washington metropolitan area jurisdictions to maintain and improve the three-decade old transit system.

Fiscal Year 2006 Revenues



Prior Year

Total revenues, which include passenger revenue, increased by $96.7 million or 16.6 percent. Operating revenues totaled $572.5 million, as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $69.4 million or 15.3 percent. This increase was due to a combination of factors that included an 8.8 percent fare increase and a 3.8 percent increase in ridership.

Metrorail ridership grew to a record level of over 195 million annual trips for an increase of 2.7 percent, and Metrobus ridership climbed to over 126 million revised annual trips resulting in an increase of 2.1 percent. Special events such as the Presidential Inauguration, the opening of the National Museum of the American Indian and the return of baseball to the nation's capital contributed to the record ridership. Several other factors impacted ridership including the opening of two new parking garages at the Grovesnor-Strathmore and West Falls Church-VT/UVA metro stations and the opening of three new metro stations at Largo Town Center, Morgan Boulevard and New York Avenue-Florida Avenue-Gallaudet University.

Management's Discussion and Analysis

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

Revenues (Continued)

A strong regional economy, new customer service initiatives and the Authority's ability to attract and retain riders contributed to higher transit usage. Charter and contract revenue for bus decreased by $0.4 million or 10.8 percent, due to the declining demand from out-of-state customers.

Advertising revenues increased by $3.0 million or 11.5 percent, due to a contract that substantially increased the guaranteed payment to the Authority.

Nonoperating revenues increased by $24.1 million or 25.9 percent, primarily due to an increase in the fair value of the investments in the pension plans.

Capital contributions to the Authority increased by $77.0 million or 35.0 percent, primarily due to current receipt of federal grants delayed from the prior year, including grants for rolling stock and infrastructure modernization.

Expenses

Current Year

Total expenses increased by $132.2 million or 9.2 percent to $1.6 billion in fiscal year 2006 as compared to $1.4 billion for fiscal year 2005. A review of significant changes in operating expenses is described below.

Salaries and benefits increased by $36.4 million or 4.7 percent. Salaries and benefits were driven by increased levels of overtime for bus and rail personnel to cover vacancies. Additional Transit Police were added for general safety and security as well as for Washington sporting events, national capital events and festivals.

Services increased by $25.0 million or 32.5 percent. Costs were $102.1 million as compared to fiscal year 2005 with costs of $77.1 million. The increase in costs was primarily driven by the increased usage of Metro Access and contract services for the DC Circulator bus. The lease buyout of the Authority's former paratransit service contract also contributed to the increase.

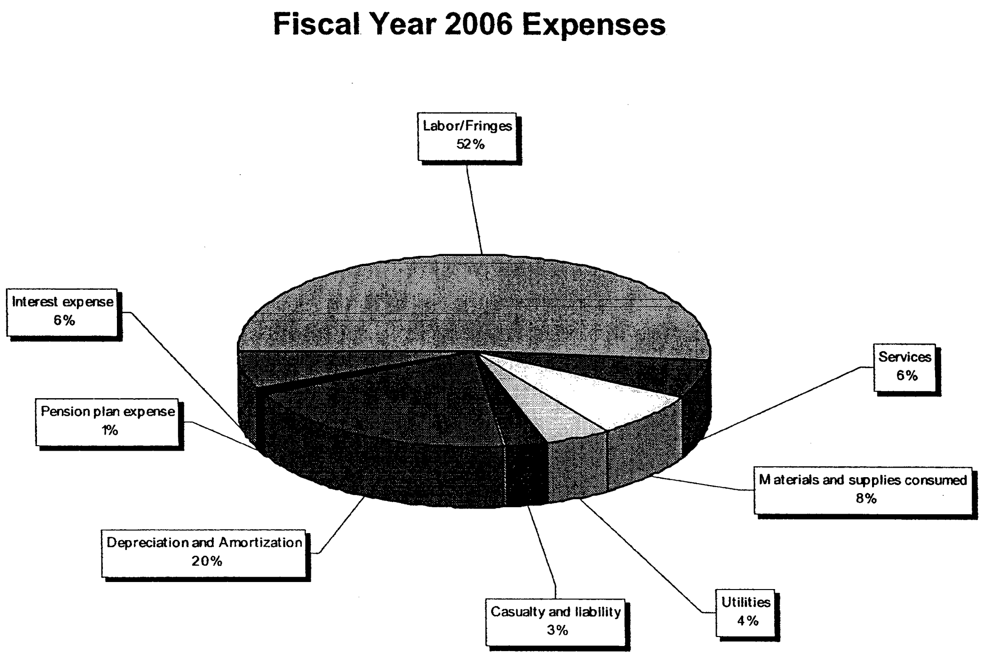
Materials and supplies increased by $17.9 million or 16.9 percent. The steadily increasing cost for fuel accounted for the largest portion of this increase.

Utilities increased by $5.5 million or 8.9 percent, due to increased propulsion usage to operate eight-car passenger trains and higher natural gas costs.

Management's Discussion and Analysis

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

Expenses (Continued)



__Prior Year__

Total expenses increased by $57.8 million or 4.2 percent to $1,442.2 million in fiscal year 2005 as compared to $1,384.4 million for fiscal year 2004. A review of significant changes in operating expenses is described below.

Salaries and benefits increased by $35.7 million or 4.9 percent in total. Salaries and benefits expenses were driven by contractually negotiated wage increases for bus and rail operating personnel and support staff. In addition, increased levels of overtime for general safety and security in the aftermath of the global terrorist attacks as well as added Transit Police coverage associated with the new Washington National's baseball games and overall increases in ridership, also contributed to the increase in salaries and benefits.

Expenses for services increased by $9.4 million or 13.8 percent, in fiscal year 2005. Costs were $77.1 million as compared to fiscal year 2004 with costs of $67.7 million. The increase in costs for services was primarily driven by an increase in MetroAccess ridership. In an effort to address rapidly increasing costs associated with paratransit service and to provide improved management oversight, the Authority is contracting with a new MetroAccess provider for the coming fiscal year.

Materials and Supplies expense increased to $105.6 million in fiscal year 2005 from $89.6 million in fiscal year 2004. Rising costs for diesel fuel accounted for the largest portion of the $16.0 million or 17.8 percent increase.

Management's Discussion and Analysis

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

Expenses (Continued)

Prior Year (Continued)

Utilities costs for fiscal year 2005 were $61.5 million versus $52.7 million in fiscal year 2004, an increase of 16.8 percent, due primarily to higher rates for electric and propulsion power.

Capital Assets and Debt Administration

The following table shows the capital assets of the Authority:

Table 3
Schedules of Capital Assets
June 30, 2006, 2005 and 2004
(in thousands)

	2006	2005	2004
Land	$ 431,291	$ 431,291	$ 431,291
Buildings and improvements	448,921	436,820	408,331
Transit facilities	7,126,154	7,211,193	6,620,890
Revenue vehicles	1,745,241	1,619,357	1,582,224
Other equipment	1,205,935	1,131,154	1,070,335
Construction in progress	1,033,335	540,618	869,762
Intangible costs	1,157,217	1,157,217	1,157,217
	13,148,094	12,527,650	12,140,050
Less accumulated depreciation and amortization	5,011,600	4,727,462	4,447,922
Net capital assets	$ 8,136,494	$ 7,800,188	$ 7,692,128

Capital Assets

Current Year

Net capital assets increased by $336.3 million or 4.3 percent, as described below.

Revenue vehicles increased by $125.9 million or 7.8 percent, as a result of hybrid-electric and clean natural gas transportation vehicle purchases.

Construction in progress increased by $492.7 million or 91.1 percent, due to facilities enhancements and rehabilitation costs for track and power distribution facilities, railcars, escalators and elevators. Ongoing costs related to transportation vehicle purchases also contributed to the increase.

Additional information on the Authority's capital assets can be found in note 5 on pages 28-29 of this report.

Management's Discussion and Analysis

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

Prior Year

Net capital assets increased by $108.1 million or 1.4 percent, as described below.

Buildings and improvements increased by $28.5 million or 7.0 percent, as a result of rehabilitation activities.

Transit facilities increased by $590.3 million or 8.9 percent, as a result of rehabilitation activities, station enhancements, and the completion of the Largo Town Center, Morgan Boulevard and New York Avenue–Florida Avenue–Gallaudet University rail stations.

Revenue vehicles increased by $37.1 million or 2.3 percent, as a result of placing new rail cars into service and the effects of the railcar rehabilitation.

Construction in progress decreased by $329.1 million or 37.8 percent, due to the completion of the Largo Town Center extension and New York Avenue-Florida Avenue-Gallaudet University in-fill stations of the rail system.

Future Capital Plans

During fiscal year 2006, approximately 70 percent of the Authority's comprehensive bus program was funded through Metro Matters. All of the 167 replacement buses ordered during fiscal year 2005 have been delivered. In June 2006, the Authority resolved to revise the bus requirements to a new 100-buses-per-year procurement strategy designed to achieve and maintain an average fleet age of 7.5 years. Implementation of this plan will begin in fiscal year 2007. In order to accommodate fleet expansion, the Authority and Fairfax County executed a Joint-Use Lease Agreement for the new West Ox Bus Facility. Construction of the facility will begin in fiscal year 2007. The Authority's share of the capital costs has two funding sources: joint development proceeds and Metro Matters, which the Board is advancing until the former is received.

Transit Bonds

The Authority's total outstanding bond debt as of June 30, 2006 and 2005 was $203.5 million and $227.9 million, respectively. By insuring its transit bonds, the Authority has obtained a AAA rating from Standard and Poor's for existing issuances. The transit bonds' uninsured rating is A minus.

Additional information on the Authority's transit bonds can be found in note 6 on pages 30-32 of this report.

Lease Obligations

Information on these transactions can be found in note 10 on pages 40-41 of this report.

Management's Discussion and Analysis

Economic Factors

Employment in the Washington, D.C. metropolitan area was fairly constant throughout the fiscal year at a pace well above that of the national average. According to the George Mason University, Center for Regional Analysis, the employed labor force was 2.9 million at June 2006, as compared to 2.8 million at June 2005. This is an increase of 81.0 thousand jobs from period to period, or 2.9 percent. The unemployment rate started at 3.8 percent at June 2005 and ended at 3.3 percent at June 2006. This compares favorably with the national unemployment rate of 4.6 percent at June 2006.

Subsequent Events

On August 8, 2006, the Authority issued $55 million of the $330 million commercial paper authorized by the Board for the purpose of funding Metro Matters.

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) 962-1605.

Statements of Net Assets

June 30, 2006, and 2005

(in thousands)

	2006	2005
ASSETS		
Current assets:		
Cash and deposits (note 3)	$ 7,462	$ 7,521
Investments (note 3)	395,126	539,886
Contributions receivable (note 4)	62,896	62,024
Accounts receivable and other assets (net of $1.4 million in uncollectible accounts)	21,130	30,857
Current portion of prefunded lease commitments (note 10)	145,066	93,139
Materials and supplies inventory (net of allowance of $8,639 in 2006 and $8,835 in 2005)	79,746	79,266
Total current assets	711,426	812,693
Noncurrent assets:		
Long-term portion of contributions receivable (note 4)	119,745	85,724
Prepaid pension expense (note 7)	186,397	200,911
Prefunded lease commitments (notes 10 and 11)	1,334,158	1,386,001
Capital assets (note 5):		
Construction in progress	1,033,335	540,618
Land	431,291	431,291
Transit facilities and equipment, net	6,671,868	6,828,279
Total noncurrent assets	9,776,794	9,472,824
Total assets	10,488,220	10,285,517

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

Statements of Net Assets (Continued)

June 30, 2006 and 2005

(in thousands)

	2006	2005
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	203,627	155,408
Accrued salaries and benefits	68,443	70,917
Accrued interest payable	4,896	5,260
Deferred revenue	69,220	69,379
Current portion of estimated liability for injury and damage claims (notes 9 and 11)	29,995	20,719
Current portion of retainage on contracts (note 11)	2,057	724
Current portion of deferred lease revenue (note 11)	5,469	5,469
Current portion of transit bonds payable (notes 6 and 11)	23,865	23,040
Current portion of obligations under lease agreements (notes 10 and 11)	145,066	93,139
Total current liabilities	552,638	444,055
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 9 and 11)	55,177	44,240
Retainage on contracts (note 11)	26,388	24,499
Deferred lease revenue (note 11)	56,421	62,122
Transit bonds payable (notes 6 and 11)	179,616	204,860
Obligations under lease agreements (notes 10 and 11)	1,334,158	1,386,001
Total noncurrent liabilities	1,651,760	1,721,722
Total liabilities	2,204,398	2,165,777
Commitments and contingencies (notes 7,8,9 and 10)		
NET ASSETS		
Invested in capital assets, net of related debt	7,904,568	7,547,065
Restricted	379,254	572,675
Total net assets	$ 8,283,822	$ 8,119,740

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, 2006 and 2005

(in thousands)

	2006	2005
OPERATING REVENUES		
Passenger revenue	$ 555,262	$ 522,475
Charter and contract revenue	3,909	3,395
Advertising revenue	30,000	29,000
Rental revenue	17,108	16,466
Other revenue	1,199	1,206
Total operating revenues	607,478	572,542
OPERATING EXPENSES		
Labor	536,439	498,865
Fringe benefits	271,577	272,756
Services	102,081	77,063
Materials and supplies	123,439	105,560
Utilities	67,010	61,517
Casualty and liability costs	44,688	16,869
Leases and rentals	3,999	4,096
Miscellaneous	5,205	3,253
Depreciation and amortization	306,955	299,707
Total operating expenses	1,461,393	1,339,686
Operating loss	(853,915)	(767,144)
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,981	5,011
Interest income from leasing transactions	88,548	91,924
Interest expense from leasing transactions	(88,548)	(91,924)
Interest expense (note 6)	(9,978)	(10,611)
Income (expense) from pension plans	(14,514)	16,687
Other	9,413	3,790
Jurisdiction subsidies:		
Operations	546,132	441,949
Interest	11,926	10,611
Total nonoperating revenues (expenses), net	546,960	467,437
Loss before capital contributions	(306,955)	(299,707)
Revenue from capital contributions	471,037	297,208
Change in net assets	164,082	(2,499)
Total net assets, beginning of year	8,119,740	8,122,239
Total net assets, ending of year	$ 8,283,822	$ 8,119,740

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

Statements of Cash Flows

For the Years Ended June 30, 2006 and 2005

(in thousands)

	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	$ 617,046	$ 577,922
Cash paid to suppliers	(250,834)	(241,331)
Cash paid to and on behalf of employees	(810,490)	(766,712)
Cash paid for operating claims	(24,475)	(12,259)
Net cash used in operating activities	(468,753)	(442,380)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from jurisdiction subsidies	448,764	434,329
Net cash provided by noncapital financing activities	448,764	434,329
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets	(536,769)	(409,109)
Capital contributions	420,736	260,308
Interest paid on revenue bonds	(10,340)	(12,294)
Principal paid on revenue bonds	(23,040)	(21,890)
Interest subsidy for revenue bonds	9,978	10,611
Net cash used in capital and related financing activities	(139,435)	(172,374)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	424,506	408,183
Purchases of investments	(274,898)	(238,440)
Interest received from operational investments	9,757	7,470
Net cash provided by investing activities	159,365	177,213
Net change in cash and deposits	(59)	(3,212)
Cash and deposits, beginning of year	7,521	10,733
Cash and deposits, end of year	$ 7,462	$ 7,521

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

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2006 and 2005

(in thousands)

	2006	2005
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (853,915)	$ (767,144)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	306,955	299,707
Decrease (increase) in accounts receivables (net) and other assets	9,727	(9,089)
Increase in materials and supplies inventory	(480)	(6,086)
Increase in accounts payable and accrued expenses	48,158	17,131
(Decrease) increase in accrued salaries and benefits	(2,474)	4,909
Increase in estimated liability for injury and damage claims	20,213	4,612
(Decrease) increase in deferred revenue	(159)	14,469
Increase (decrease) in retainage on contracts	3,222	(889)
Total adjustments	385,162	324,764
Net cash used in operating activities	$ (468,753)	$ (442,380)

	2006	2005
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ 5,096	$ (3,490)
Other (expense) income from pension	$ (14,514)	$ 16,687
Interest from leasing transaction	$ 88,548	$ 91,924

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

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

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

(b) Financial Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units which 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, 2006 and 2005

(1) Summary of Significant Accounting Policies (Continued)

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

(c) Basis of Accounting

The Authority prepares its basic financial statements using the accrual basis of accounting. The activities of the Authority are similar to those of proprietary funds of local jurisdictions and, therefore, are reported in conformity with governmental accounting and financial reporting principles issued by GASB. The Authority has elected to apply 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.

(d) Receivables and Payables

The major components of the accounts receivable balance are payments due from governmental agencies (81.8 percent), companies (18.0 percent) and other receivables (0.2 percent).

The major components of the accounts payable balance are payments due to vendors and contractors (82.3 percent), governmental agencies (17.4 percent) and other payables (0.3 percent).

(e) Revenues and Expenses

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

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

Nonoperating revenues (expenses) include investment income (expense) from the Authority's pension assets which represents the excess (shortage) of contributions over the annual required contributions.

(f) Investments

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies (Continued)

(g) Materials and Supplies Inventory

Materials and supplies inventory is stated at average cost, net of an allowance for obsolete and excess inventory.

(h) Transit Facilities and Equipment

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

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

Transit facilities and equipment in service are depreciated or amortized using the straight-line method over the estimated useful lives of the assets. The useful lives employed in computing depreciation and amortization on principal classes of transit facilities and equipment are as 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	40 years

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

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

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

(i) Grants

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

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies (Continued)

(j) Investment Income

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

(k) Restricted Net Assets

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

(l) Fuel Price Swap Arrangement

The Authority enters into agreements to fix the price associated with the purchase of fuel for specified periods of time. These agreements enable the Authority to plan its fuel costs for the year and to protect itself against increases in the market price of fuel. These agreements are reported at fair value. However, for fiscal year 2006 and 2005, the Authority did not participate in any fuel swap agreements.

(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 2006, adopted the following GASB Statements:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The adoption of this GASB statement had no material effect on the basic financial statements of the Authority.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, revises the statistical section of the CAFR and requires new disclosures regarding the source of information, methodologies, and assumptions used. The adoption of the GASB statement had no material effect on the basic financial statements of the Authority.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, clarifies the definition of a legally enforceable enabling legation restriction on net assets. The adoption of this GASB statement had no material effect on the basic financial statements of the Authority.

Notes to Basic Financial Statements

June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies (Continued)

GASB Statement No. 47, *Accounting for Termination Benefits*, provides guidance to employers regarding benefits offered to employees, such as early retirement incentives or severance that are involuntarily terminated. The adoption of this GASB statement had no material effect on the basic financial statements of the Authority.

(o) Tax Status

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

(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 original federal funding for construction of the metrorail system was provided by authority of the National Capital Transportation Act of 1969 (Public Law 91-143). This Act was subsequently amended on January 3, 1980 by Public Law 96-184, "The National Capital Transportation Amendment of 1979" (also known as the Stark-Harris Act) which authorized additional funding and on November 15, 1990 by Public Law 101-551, "The National Capital Transportation Amendments of 1990" which authorized funding for completion of a 103-mile metrorail system. The Authority has also obtained funding under certain agreements to cover debt service on its transit bond obligations as more fully explained in note 6.

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 (see note 4). Any excess funding is credited to individual jurisdictional accounts for refund or for use as payment on current or future obligations as determined by the funding jurisdiction.

The Authority's Capital Improvement Program (CIP) consisting of the Infrastructure Renewal Program (IRP), System Access/Capacity Program (SAP) and System Expansion Program (SEP) 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 contributing jurisdictions have approved the Metro Matters program, which funds the IRP, the security program, and adds bus and rail capacity. The Authority's capital budget is funded by grants that use federal funds and substantial local contributions provided by participating jurisdictions, in excess of federal match requirements.

Notes to Basic Financial Statements

June 30, 2006 and 2005

(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 a nationally recognized bond rating agency.

(a) Cash and Deposits

The Authority's bank balances as of June 30, 2006 and 2005 are grouped to give an indication of the level of custodial risk assumed by the Authority as follows (in thousands):

	2006		2005	
Cash and Deposits	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured or collateralized	$ 385	$ 530	$ 446	$ 747
Deposits uninsured or uncollateralized	735	764	606	2,289
Total deposits	1,120	1,294	1,052	3,036
Cash on hand	6,342	-	6,469	-
Total cash and deposits	$ 7,462	$ 1,294	$ 7,521	$ 3,036

Notes to Basic Financial Statements

June 30, 2006 and 2005

(3) Cash, Deposits and Investments (Continued)

(b) Investments

As of June 30, 2006, the Authority had the following investments and maturities (in thousands):

		Investment Maturities			
Investment Type	Fair Value	Less than 6 Months	7 Months - 1 Year	1-3 Years	More than 3 Years
Money market funds	$ 9,577	$ 9,577	$ -	$ -	$ -
Repurchase agreements	68,802	68,802	-	-	-
United States treasuries	53,781	24,879	21,808	4,928	2,166
United States agencies	260,838	118,283	45,510	75,772	21,273
	392,998	221,541	67,318	80,700	23,439
Accrued interest	2,128	2,128	-	-	-
Total	$ 395,126	$ 223,669	$ 67,318	$ 80,700	$ 23,439

As of June 30, 2005, the Authority had the following investments and maturities (in thousands):

		Investment Maturities			
Investment Type	Fair Value	Less than 6 Months	7 Months - 1 Year	1-3 Years	More than 3 Years
Money market funds	$ 11,447	$ 11,447	$ -	$ -	$ -
Repurchase agreements	75,378	75,378	-	-	-
United States treasuries	102,808	23,870	26,608	49,893	2,437
United States agencies	347,300	35,144	86,202	185,516	40,438
	536,933	145,839	112,810	235,409	42,875
Accrued interest	2,953	2,953	-	-	-
Total	$ 539,886	$ 148,792	$ 112,810	$ 235,409	$ 42,875

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's practice is to structure its investment portfolio maturities to meet cash flow requirements. This results in short term maturities for investments for operations and medium/intermediate maturities for capital projects investments. On average, maturities are less than two years at June 30, 2006 and June 30, 2005.

Notes to Basic Financial Statements

June 30, 2006 and 2005

(3) Cash, Deposits and Investments (Continued)

(b) Investments

Credit Risk

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

Custodial Credit Risk

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

(4) 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, 2006 and 2005 (in thousands):

	2006	2005
Jurisdictional operating subsidy per financial statements	$ 546,132	$ 441,949
Add (deduct) operating costs (not) requiring current funding:		
Preventive maintenance subsidy	(20,700)	(20,700)
Prepaid pension cost adjustment	(14,514)	16,687
Unrealized (loss) gain from investments	(5,096)	(3,300)
Agreed-upon funding of employee vacations liability and related taxes	3,735	(2,522)
Agreed-upon funding of claims for injuries and damages	(38,042)	(23,981)
Rail repairable parts	395	299
Increase in prior year obligations and commitments	1,490	3,748
Maximum fare assistance	4,695	4,497
Operating expenses funded by capital grants	(46,254)	(31,269)
Jurisdictional operating subsidy - funding basis	$ 431,841	$ 385,408

Notes to Basic Financial Statements

June 30, 2006 and 2005

(4) Jurisdictional Operating Subsidy (Continued)

The cumulative effects of the different agreed-upon basis are as follow at June 30, 2006 and 2005 (in thousands):

	2006	2005
Agreed-upon funding of employee vacation liability and related taxes	$ 37,463	$ 41,484
Agreed-upon funding of claims for injuries and damages	82,282	44,240
Total accumulated difference	$ 119,745	$ 85,724

The current portion of contributions receivable at June 30, 2006 and 2005 of $62,896,000 and $62,024,000, respectively are related primarily to federal grants.

Notes to Basic Financial Statements

June 30, 2006 and 2005

(5) Capital Assets

Capital assets activity for the years ended June 30, 2006 and 2005, was as follows (in thousands):

	June 30, 2005	Additions	Reductions	June 30, 2006
Capital assets not being depreciated:				
Land	$ 431,291	$ -	$ -	$ 431,291
Construction in progress	540,618	515,181	(22,464)	1,033,335
Total capital assets not being depreciated	971,909	515,181	(22,464)	1,464,626
Capital assets being depreciated:				
Buildings and improvements	436,820	12,101	-	448,921
Transit facilities	7,211,193	-	(85,039)	7,126,154
Revenue vehicles	1,619,357	144,809	(18,925)	1,745,241
Other equipment	1,131,154	79,997	(5,216)	1,205,935
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	110,178	-	-	110,178
Total capital assets being depreciated	11,555,741	236,907	(109,180)	11,683,468
Less accumulated depreciation and amortization for:				
Buildings and improvements	177,919	20,766	-	198,685
Transit facilities	1,869,851	139,571	-	2,009,422
Revenue vehicles	848,986	72,556	(18,925)	902,617
Other equipment	912,211	58,918	(5,160)	965,969
Intangible costs	918,495	16,412	-	934,907
Total accumulated depreciation and amortization of intangible costs	4,727,462	308,223	(24,085)	5,011,600
Total capital assets being depreciated, net	6,828,279	(71,316)	(85,095)	6,671,868
Total capital assets, net	$ 7,800,188	$ 443,865	$ (107,559)	$ 8,136,494

Notes to Basic Financial Statements

June 30, 2006 and 2005

(5) Capital Assets (continued)

	June 30, 2004	Additions	Reductions	June 30, 2005
Capital assets not being depreciated:				
Land	$ 431,291	$ -	$ -	$ 431,291
Construction in progress	869,762	189,354	(518,498)	540,618
Total capital assets not being depreciated	1,301,053	189,354	(518,498)	971,909
Capital assets being depreciated:				
Buildings and improvements	408,331	28,489	-	436,820
Transit facilities	6,620,890	590,303	-	7,211,193
Revenue vehicles	1,582,224	48,266	(11,133)	1,619,357
Other equipment	1,070,335	71,643	(10,824)	1,131,154
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	110,178	-	-	110,178
Total capital assets being depreciated	10,838,997	738,701	(21,957)	11,555,741
Less accumulated depreciation and amortization for:				
Buildings and improvements	158,315	19,604	-	177,919
Transit facilities	1,729,086	140,765	-	1,869,851
Revenue vehicles	791,086	69,033	(11,133)	848,986
Other equipment	867,352	55,683	(10,824)	912,211
Intangible costs:	902,083	16,412	-	918,495
Total accumulated depreciation and amortization of intangible costs	4,447,922	301,497	(21,957)	4,727,462
Total capital assets being depreciated, net	6,391,075	437,204	-	6,828,279
Total capital assets, net	$ 7,692,128	$ 626,558	$ (518,498)	$ 7,800,188

Notes to Basic Financial Statements

June 30, 2006 and 2005

(6) Transit Bonds Payable

Pursuant to the Compact and the Transit Bond Resolution of the Authority, the following transit bonds were outstanding at June 30, 2006 and 2005 (in thousands):

	2006			2005
	Principal	Unamortized Issuance Cost Net of Premium	Net	Net
Series 1993, 5.18% dated November 1, 1993, due semi-annually through July 1, 2010	$ 42,150	$ (904)	$ 41,246	$ 41,246
Series 2003, 4.60% dated October 23, 2003, due semi-annually through July 1, 2014	128,195	6,320	134,515	153,983
Series 2003B, 4.06% dated November 20, 2003, due semi-annually through July 1, 2010	26,010	1,710	27,720	32,671
	$196,355	$ 7,126	$ 203,481	$ 227,900

The Authority is required to make semi-annual payments of principal and interest on each Series of Transit Bonds (see note 11). The Authority must comply with certain covenants associated with these outstanding transit bonds; the more significant of which are:

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

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(6) Transit Bonds Payable (Continued)

(a) Debt Service Requirements

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

Fiscal Year	Principal	Interest	Total
2007	$ 23,865	$ 9,508	$ 33,373
2008	25,025	8,325	33,350
2009	26,380	6,960	33,340
2010	27,815	5,520	33,335
2011	29,330	4,000	33,330
2012-2015	63,940	5,247	69,187
	196,355	39,560	235,915
Plus unamortized premium net of issuance cost	7,126	-	7,126
	$203,481	$39,560	$243,041

(b) 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 5.18 percent, to refund $332,333,000 of outstanding A, B, C, D, and E Series Transit Bonds. The federal government provided the Authority with the funds necessary to redeem the remaining $664,667,000 of such bonds. As a result, the outstanding A, B, C, D, and E Series Transit Bonds were retired.

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

On November 20, 2003, the Authority issued $35,640,000 of Series 2003B Gross Revenue Transit Bonds, with an average interest rate of 4.06 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, 2006 and 2005, the unamortized cost of refunding the bonds was $3,427,000 and $3,794,000, respectively. This unamortized cost relates primarily to the call premium on the Series E Transit Bond, and the Series 1993 Gross Revenue Transit Refunding Bonds, which are being amortized over the life of the outstanding bonds.

Notes to Basic Financial Statements

June 30, 2006 and 2005

(6) Transit Bonds Payable (Continued)

(c) Interest Expense

Interest expense on transit bonds for the years ended June 30, 2006 and 2005 was $9,978,000 and $10,611,000.

(7) Pension Plans

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

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

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

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

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

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

(a) Plan Descriptions

(i) Salaried Personnel Plan

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(7) 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 pension plan also provides death and disability benefits. 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. 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 vesting requirement is 10 years.

(iii) Union Local 689 Plan

Any regular full-time or part-time Authority employee, who is a member of Union Local 689 of the Amalgamated Transit Union (Local 689), after a 90-day probationary period is eligible to participate in the Union Local 689 Plan. The plan is governed by the terms of the employees' collective bargaining agreement. Employees are eligible for the normal retirement allowance upon either attainment of age 70; attainment of age 65 and the completion of 10 years of continuous service; upon completion of 27 years of continuous service regardless of age; or after the sum of years of service plus attained age is 83 or more. The normal retirement monthly pension is 1.85 percent of the highest 4-year average monthly total compensation times years of service with a minimum benefit of $600 monthly. Employees participating in the plan are not required to contribute to the plan. For each fiscal year, the Authority shall contribute that percentage of total covered payroll determined necessary to pay the normal cost of the plan plus an additional amount necessary to amortize the unfunded actuarial accrued liability over 30 years from January 1, 1983, as determined by the Plan Actuary. The pension plan also provides pre-retirement death and disability benefits. The vesting requirement is 10 years.

(iv) Union Local 922 Plan

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(7) Pension Plans (Continued)

(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 services, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability, and terminated employment. The Authority contributes the total cost of the plan. The vesting requirement is 5 years.

(b) Funding Status and Annual Pension Cost

(i) Salaried Personnel Plan

The Salaried Personnel Plan's funding policy, as approved by the Board of Directors, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarial cost method is the individual entry age normal cost method. The surplus at July 1, 2003 is amortized over 15 years. Subsequent gains or losses will also be amortized over 15 years.

(ii) Transit Police Plan

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

(iii) Union Local 689 Plan

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(7) Pension Plans (Continued)

(iv) Union Local 922 Plan

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

(v) Union Local 2 Plan

The Local 2 Plan's funding policy, as approved by the Board of Directors, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarial cost method is the individual entry age normal cost method. The surplus at July 1, 2003 is amortized over 15 years. Future gains or losses will also be amortized over 15 years.

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

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan
Contribution rates:*					
Authority	22.5%	24.7%	0.0%	14.8%	16.3%
Employees (Plan Members)	0.0%	7.3%	0.0%	0.0%	0.0%
Annual pension cost	$ 9,156	$ 5,427	$ 14,483	$ 3,228	$ 3,065
Contributions made:					
Authority	$ 9,156	$ 5,427	$ -	$ 3,197	$ 3,065
Actuarial valuation date	7/1/2005	1/1/2005	1/1/2006	1/1/2005	7/1/2005
Actuarial cost method	Individual entry age	Aggregate cost	Aggregate entry age	Entry age	Individual entry age
Amortization method	Level dollar	N/A	Level dollar	Level dollar	Level dollar
Remaining amortization period	Open	N/A	Closed	Open	Open
Asset valuation method	Smoothed market value	Smoothed market value	3-yr assumed yield	Smoothed market value	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%	4.75-9%	3.5%	4.5%	3.5-8%
Post-retirement benefit	3.5%	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, 2006 and 2005

(7) Pension Plans (Continued)

The Authority decided to split the Salaried Pension Plan into two pension plans. On September 30, 2003, a separate pension plan was created for Union Local 2 employees. The new plan is a mirror of the first. Contribution requirements after the split were calculated separately for each plan.

The Salaried Pension Plan and the Union Local 2 Plan had a change in the mortality assumption from the GAM83 table to the RP-2000 mortality table projected to 2005. The effect of this change in the mortality assumption was increases in the recommended contributions to the Salaried Pension Plan and Union Local 2 of $845,720 and $170,974, respectively.

The Transit Police Plan had changes in the following assumptions: mortality, salary scale, cost-of-living, disability, retirement rate, withdrawal and remarriage. The effect of these changes in actuarial assumptions was an increase of $13,913,000 in the present value of future benefits and an increase of $1,082,000 in the recommended contribution (payable mid-year).

There were no significant assumption changes from prior year valuation for the Local 922 Plan.

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

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan
	7/1/2005	1/1/2005	1/1/2005	1/1/2005	7/1/2005
Net pension assets beginning of year	$ -	$ -	$ (198,047)	$ (2,864)	$ -
Annual required contribution	9,156	5,427	-	3,213	3,065
Interest on net pension assets	-	-	(15,844)	(201)	-
Adjustment to annual required contribution	-	-	30,327	216	-
Annual pension cost	9,156	5,427	14,483	3,228	3,065
Net pension obligations (assets) before contributions	9,156	5,427	(183,564)	364	3,065
Contributions made	(9,156)	(5,427)	-	(3,197)	(3,065)
Net pension assets end of year	$ -	$ -	$ (183,564)	$ (2,833)	$ -
	7/1/2004	1/1/2004	1/1/2004	1/1/2004	7/1/2004
Net pension assets beginning of year	$ -	$ -	$ (180,838)	$ (3,386)	$ -
Annual required contribution	8,385	3,900	-	2,857	3,098
Interest on net pension assets	-	-	(16,992)	(211)	-
Adjustment to annual required contribution	-	-	(217)	600	-
Annual pension cost (income)	8,385	3,900	(17,209)	3,246	3,098
Net pension obligations (assets) before contributions	8,385	3,900	(198,047)	(140)	3,098
Contributions made	(8,385)	(3,900)	-	(2,724)	(3,098)
Net pension assets end of year	$ -	$ -	$ (198,047)	$ (2,864)	$ -

Notes to Basic Financial Statements

June 30, 2006 and 2005

(7) Pension Plans (Continued)

(c) Trend Information

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

	Year Ending	Annual Pension Cost	Percentage of APC Contribution	Net Pension Asset
Salaried Personnel Plan	7/01/05	$ 9,156	100.0%	-
	7/01/04	$ 8,385	100.0%	-
	7/01/03	$ 5,384	100.0%	-
Transit Police Plan	1/01/05	$ 5,427	100.0%	-
	1/01/04	$ 3,900	100.0%	-
	1/01/03	$ 4,138	100.0%	
Union Local 689	1/01/05	$ 14,483	N/A	$ (183,564)
	1/01/04	$ (17,209)	N/A	$ (198,047)
	1/01/03	$ 23,908	N/A	$ (180,838)
Union Local 922	1/01/05	$ 3,228	99.0%	$ (2,833)
	1/01/04	$ 3,246	95.3%	$ (2,864)
	1/01/03	$ 2,539	103.9%	$ (3,386)
Union Local 2	7/01/05	$ 3,065	100.0%	$ -
	7/01/04	$ 3,098	100.0%	$ -

(d) Defined Contribution Retirement Plan

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

The Authority contributed $2,698,000 and $2,426,000 for June 2006 and 2005, respectively.

Notes to Basic Financial Statements

June 30, 2006 and 2005

(7) Pension Plans (Continued)

(e) Deferred Compensation

The Authority offers a deferred compensation plan for salaried employees under the terms of the Internal Revenue Section 457(g). Under the 457 plan, employees are permitted to defer up to 100 percent of salary not to exceed $15,000 annually on a pre-tax basis. Deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority does not match employees' contributions to the 457 plan.

(8) Post-Retirement Benefits

In addition to providing pension benefits, the Authority provides certain health care and life insurance benefits for retired employees, in accordance with labor agreements and Board of Directors' approved policy. Substantially all of the Authority's employees may become eligible for these benefits if they reach retirement age while working for the Authority. These and similar benefits for active employees are provided through insurance companies whose premiums are based on the benefits provided during the year.

The Authority recognizes the cost of providing these benefits by expensing the annual insurance premiums, which were approximately $118,695,000 and $106,240,000 for June 30, 2006 and 2005, respectively. The cost of providing benefits for approximately 3,600 retirees and beneficiaries is not separable from the cost of providing benefits for approximately 10,000 active participating employees and cannot be reasonably estimated.

(9) Commitments and Contingencies

(a) Litigation and Claims

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

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(9) Commitments and Contingencies (Continued)

Changes in the estimated liability for the years ended June 30, 2006 and 2005 are as follows (in thousands):

	2006	2005
Estimated liability for injury and damage claims, beginning of year	$ 64,959	$ 60,347
Incurred new claims	30,710	23,895
Changes in estimate for claims of prior periods	16,685	5,261
Payments on claims	(27,182)	(24,544)
Estimated liability for injury and damage claims, end of year	$ 85,172	$ 64,959
Due within one year	$29,995	$ 20,719

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.

The Authority is a party in various legal actions and claims brought by or against it. At June 30, 2006, the Authority had claims totaling between $9,900,000 and $41,900,000 which were reasonably possible that a loss may be incurred.

The Tax Increase Prevention and Reconciliation Act of 2005 established a new excise tax to be imposed on tax-exempt and governmental entities that engage in various transactions classified by the Internal Revenue Service as "listed transactions". WMATA is uncertain whether the tax will apply to it for various reasons, including the absence of implementing regulations from the Internal Revenue Service. Therefore, the financial impact is not determinable at this time.

(b) Leasing Commitment

In September 1999, the Authority entered into a 10-year operating lease for office space. The terms of the lease set forth scheduled rent increases to occur annually. Lease payments for years ended June 30, 2006 and 2005 are $686,000 and $666,000, respectively. The Authority's minimum lease payments as of June 30, 2006 are as follows (in thousands):

Fiscal Year	Total
2007	$ 706
2008	727
2009	749
2010	189
	$ 2,371

Notes to Basic Financial Statements

June 30, 2006 and 2005

(9) Commitments and Contingencies (Continued)

(c) Other

Construction and capital improvement costs are funded by federal grants, local matching funds, and third party agreements. As of June 30, 2006, the Authority is committed to expend approximately $155,878,000 (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.

(10) Leasing Transactions

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

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

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

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

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

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

Notes to Basic Financial Statements

June 30, 2006 and 2005

(10) Leasing Transactions (Continued)

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:	
2007	$ 145,066
2008	132,264
2009	162,925
2010	127,917
2011	152,778
2012-2016	886,772
2017-2021	467,583
2022-2026	142,830
2027-2030	122,611
Total future minimum payments	2,340,746
Less imputed interest	861,522
Present value of minimum lease payments	$ 1,479,224

Notes to Basic Financial Statements

June 30, 2006 and 2005

(11) Changes in Long-Term Liabilities

Long-term liabilities activity for the years ended June 30, 2006 and 2005, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Transit Bonds Payable	Obligations Under Lease Agreements
Beginning balance, July 1, 2004	$ 60,347	$ 26,111	$ 73,293	$ 251,131	$ 1,483,511
Additions	29,156	9,231			
Reductions	(24,544)	(10,119)	(5,702)	(23,231)	(4,371)
Contractual changes		-	-	-	-
Balance June 30, 2005	64,959	25,223	67,591	227,900	1,479,140
Additions	47,395	13,225	-	-	84
Reductions	(27,182)	(10,003)	(5,701)	(24,419)	-
Contractual changes	-	-	-	-	-
Ending balance, June 30, 2006	$ 85,172	$ 28,445	$ 61,890	$ 203,481	$ 1,479,224
Due within one year	$ 29,995	$ 2,056	$ 5,469	$ 23,865	$ 145,066
Noncurrent portion	$ 55,177	$ 26,389	$ 56,421	$ 179,616	$ 1,334,158

(12) Subsequent Events

On August 8, 2006, the Authority issued $55,000,000 of the $330,000,000 commercial paper authorized by the Board for the purpose of funding Metro Matters.

Required Supplementary Information

Historical Trend Information – Pension Plans

Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (Funding Excess)
Salaried Personnel Plan	7/1/2005	$ 343,657	$ 395,416	$ 51,759	86.9%	$ 40,750	127.0%
	7/1/2004	$ 330,582	$ 376,905	$ 46,323	87.7%	$ 42,756	108.3%
	7/1/2003	$ 451,290	$ 448,484	$ (2,806)	100.6%	$ 67,494	(4.2)%
Local 2	7/1/2005	$ 104,006	$ 112,051	$ 8,045	92.8%	$ 18,754	42.9%
	7/1/2004	$ 96,727	$ 105,016	$ 8,289	92.1%	$ 20,384	40.7%
Union Local 689 Plan	1/1/2005	$ 1,977,425	$ 1,710,543	$ (266,882)	115.6%	$ 437,399	(61.0)%
	1/1/2004	$ 1,877,321	$ 1,596,968	$ (280,353)	117.6%	$ 425,147	(65.9)%
	1/1/2003	$ 1,908,497	$ 1,484,930	$ (423,567)	128.5%	$ 412,210	(102.8)%
Union Local 922 Plan	1/1/2005	$ 91,191	$ 103,395	$ 12,204	88.2%	$ 21,085	57.9%
	1/1/2004	$ 86,317	$ 95,233	$ 8,916	90.6%	$ 19,176	46.5%
	1/1/2003	$ 84,267	$ 91,496	$ 7,229	92.1%	$ 17,985	40.2%

Notes:

The Transit Police plan was not included in this schedule, because it used the aggregate actuarial cost method.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Single Audit Report

Year ended June 30, 2006

(With Independent Auditors' Report Thereon)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Single Audit Report

Year ended June 30, 2006

Table of Contents

F.S. TAYLOR & ASSOCIATES, P.C.
Certified Public Accountants

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Washington Metropolitan Area Transit Authority:

We have audited the financial statements of Washington Metropolitan Area Transit Authority (the Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 30, 2006. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by an error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Authority in a separate letter dated September 30, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, the board of directors, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP F. S. Taylor & Associates, P.C.

September 30, 2006

KPMG

KPMG LLP
2001 M Street, NW
Washington, DC 20036

F.S. TAYLOR & ASSOCIATES, P.C.
Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Washington Metropolitan Area Transit Authority:

Compliance

We have audited the compliance of Washington Metropolitan Area Transit Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs, as item 2006-1.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Authority as of and for the year ended June 30, 2006 (not presented herein), and have issued our report thereon dated September 30, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information of the audit committee, the board of directors, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP F. S. Taylor & Associates, P.C.

November 6, 2006

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Period Ending June 30, 2006

Major Programs	CFDA Number		FY 06 Expenditures
Federal Expenditures:			
U.S. Department of Defense:			
Procurement Technical Assistance For Business Firms	12.002	$	238,526
U.S. Department of Transportation			
Highway Planning and Construction	20.205		34,899,487
Job Access Reverse Commute	20.516		38,643
Federal Transit Cluster:			
Federal Transit Administration:			
Federal Transit Capital Investment Grants	20.500		86,862,471
Federal Transit Formula Grants	20.507		117,657,376
U.S. Department of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004		756,031
Urban Areas Security Initiative	97.008		1,445,233
Homeland Security Grant Program	97.067		39,917
Total federal expenditures		$	241,937,684

See accompanying Notes to Schedule of Expenditures of Federal Awards

(1) Single Audit Reporting Entity

All federal award programs administered by the Washington Metropolitan Area Transit Authority (the Authority) are included in the accompanying schedule of expenditures of federal awards.

(2) Basis of Accounting

The schedule of expenditures of federal awards has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

(3) Relationship to Financial Statements

The categorization of expenditures by program included in the schedule of expenditures of federal awards is based on the Catalog of Federal Domestic Assistance (CFDA).

Federal grant expenditures are reported in the Authority’s financial statements as follows:

- Metrorail and Metrobus capital grant expenditures are recorded as construction in progress when expended.
- Operating assistance grant expenditures are recognized in the Authority’s statement of revenue, expenses, and changes in net assets.
- State and local expenses are the nonfederal portion of the grant expenditures for which stipulated percentages are identified in each grant document.

Schedule I – Summary of Auditors' Results

Financial Statements

	Yes	No
Type of auditors' report issued:		**Unqualified**
Internal control over financial reporting:		
• Material weakness(es) identified?		**X**
• Reportable condition(s) identified that are not considered to be material weakness(es)?		**X**
Noncompliance material to financial statements noted?		**X**

Federal Awards

	Yes	No
Internal control over major programs:		
• Material weakness(es) identified?		**X**
• Reportable condition(s) identified that are not considered to be material weakness(es)?		**X**
Type of auditors' report issued on compliance for major programs:		**Unqualified**
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section 510(a))?	**X**	

Identification of Major Programs:

CFDA number	Name of federal program
20.205	DOT Highway Planning and Construction
20.500	DOT Federal Transit Capital Investment Grants
20.507	DOT Federal Transit Formula Grants

Dollar threshold used to determine Type A programs: $3,000,000

	Yes	No
Auditee qualified as low-risk auditee?		**X**

Schedule II – Financial Statement Findings

No findings were reported.

Schedule III - Federal Award Findings and Questioned Costs

General

2006-1 Highway Planning and Construction - CFDA No. 20.205; Grant No. DC-90-X075
Federal Transit Capital Investment Grants and Federal Transit Formula Grants – CFDA No. 20.500/20.507; Grant No.'s DC-90-X076, X078, X079, X080, X081, X082, and X083

Condition and Criteria

The Four Mile Run, Landover, Montgomery, and Bladensburg Bus Divisions lack certain security controls to prevent or detect unauthorized entry to the facility and/or access to federally funded property. Although the Authority indicates that it provides systematic patrols at the bus divisions, requires the use of identification badges, and trains its employees to question persons not wearing WMATA uniforms and badges, our access to federal property was not impeded or restricted upon arrival at the bus divisions. OMB Circular A-102 requires the existence of an appropriate control system to ensure that equipment purchased with federal funds is adequately safeguarded to prevent loss, damage, or theft of equipment.

Effect

Federally funded equipment may not be adequately safeguarded to prevent loss, damage, or theft.

Cause

Although the Authority provides systematic patrol at the bus divisions (once per eight hour shift), it has not implemented and installed security controls such as perimeter fencing, surveillance equipment, video monitors, restrictive entry equipment, and/or security guards that would enable it to appropriately safeguard and monitor federally funded equipment.

Questioned Costs

Not ascertainable.

Auditors' Recommendation

This is a repeat comment from fiscal years 2004 and 2005. We continue with the recommendation that the Authority update and modify the security controls at the bus divisions.

Management Response

During FY 2006, an internal audit was conducted to identify potential security issues at the Bus Divisions. Subsequently, the Metro Police, Bus Maintenance, Plant Maintenance and Systems Maintenance representatives conducted bus facility and security assessments to address short-term and long-term actions needed to increase visibility and security of property, facilities and employees at all bus divisions. A plan has been developed and distributed to responsible departments for implementation. In addition, the police requested an additional 41 Special Police Officers and four Special Police Sergeants for FY 2007 to increase security at all bus divisions with a Special Police presence.

Due to budgetary restraints, the request was not approved or funded. In the meantime, Metro Special Police Officers on limited duty are stationed at Northern, Four Mile and Landover bus divisions. Also, Metro Special Police Sergeants make periodic checks to all bus divisions and police officers routinely check bus facilities while on patrol.

In addition, WMATA employees are required to wear ID badges on the property and Bus employees have been trained and encouraged to question people on the property if not in WMATA uniform or carrying proper ID. We will continue to reinforce this with Bus employees.

Funding for additional security and special police staff will be discussed as part of the FY 2008 budget but sufficient resources is still an issue.

We reviewed the status of the Authority's implementation of the recommendations on the audit findings reported in the fiscal year 2005 single audit report and noted the following:

Finding 2005-1

Inspection of Northern Bus Division revealed a lack of certain security controls to prevent or detect unauthorized entry to the facility and/or access to federally funded property. OMB Circular A-102 requires the existence of an appropriate control system to ensure that equipment purchased with federal funds is adequately safeguarded to prevent loss, damage, or theft of equipment.

Comments

We recommend that the Authority update and modify the security controls at the bus divisions. In fiscal year 2006, there was a similar finding noted as Finding 2006-1 for the lack of certain security controls.

KPMG LLP
2001 M Street, NW
Washington, DC 20036

The Members of the Board of Directors
Washington Metropolitan Area Transit Authority:

We have audited the financial statements of the Washington Metropolitan Area Transit Authority (WMATA), for the year ended June 30, 2006, and have issued our report thereon dated September 30, 2006. In planning and performing our audit of the financial statements of WMATA, we considered internal control in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are presented in Appendix A. Appendix B presents the current status of the prior year's management letter comments.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of WMATA gained during our fiscal year 2006 audit to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the board of directors of the Washington Metropolitan Area Transit Authority and the management of WMATA, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 30, 2006

Appendix A

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-01 Improvements are Needed in the Documentation of the Review Performed over Check Payments in Excess of $2 Million.

Observation

KPMG noted there was no signature on four of ten cancelled checks in excess of $2 million.

Criteria

WMATA's policy states that for checks in excess of $2 million, the Treasurer's signature should be affixed by stamp to the check.

Cause

WMATA staff did not ensure that the checks in excess of $2 million were stamped with the Treasurer's signature prior to mailing.

Effect

WMATA is not consistently complying with its own policy regarding management review and approval of checks in excess of $2 million, which is an added internal control for disbursements.

Recommendation

KPMG recommends that WMATA comply with its policy regarding signature on checks in excess of $2 million.

Management Response

Management concurs with the finding and recommendation. WMATA is reviewing the existing policy and will consider modification if appropriate and if such a change would be consistent with industry best practices. WMATA staff has been cautioned to be more attentive to existing policy and procedures with regard to these items. While concerned with this finding, WMATA is confident that proper controls are in place to safeguard payments.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-02 Improvements Are Needed in Inventory Cycle Counts.

Observation

KPMG noted that a key control related to the inventory control process was not being performed. There have not been cycle counts for the Metro Supply Facility (MSF) warehouse since May 1, 2006, the implementation date for the new inventory system, Maintenance Materials Management System (MMMS) also known as Maximo. The MSF is the main storeroom for materials and supplies and has approximately 60% of WMATA's inventory at year end.

Also, items are transferred to other WMATA warehouse locations without the MSF inventory balance being adjusted in MMMS for the Metro Supply Facility until receiving locations process a receiving report. This means that the MSF inventory reflects items as in stock until the receiving location processes a receiving report. If a receiving location never processes a receiving report, inventory is not properly accounted for.

Criteria

Daily cycle counts of selected inventory items improve internal controls over inventory balances. By frequently comparing the amount on hand to the recorded inventory balance, managers are able to more closely monitor and resolve any circumstances that are detrimental to the inventory control process.

Cause

Management has indicated that the daily cycle counts continue at all locations except for the Metro Supply Facility. Daily cycle counts are not occurring at the MSF because the Warehouse Control System (WCS) and the MMMS are not compatible. WCS controls warehouse functions and allows for bar coding, the use of bar code readers, maintains quantity on hand, etc., and the MMMS is a base inventory system that generates reports, such as reorder notices, details regarding stock numbers and item transfers, and quantity on hand. MMMS interfaces with the general ledger. In addition, until May 1, 2006, issues from the MSF warehouse were entered into the WCS and the information uploaded to the MMMS. The lack of interface between the WCS and MMMS prevents the systems from sharing data.

Effect

MSF loses its control of its stock balances and must contact the other 22 warehouse locations to follow up on the processing of the receiving reports when attempting to reconcile its balances in MMMS to the actual stock on hand. In addition, MSF has to rely on other warehouse locations to verify that inventory has been released.

Recommendation

KPMG recommends that WMATA address daily cycle counts for the MSF and develop a mechanism for reconciling issues from the MSF warehouse with the receipts entered by the other warehouse locations for transfers from the MSF.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

Management Response

Management concurs with the finding and recommendation. Due to unanticipated priorities requiring Office of Information Technology's (OIT) resources, implementing the integration process between Maximo and the Warehouse Control System has taken longer than expected. We expect the integration process to be completed by the end of December 2006, at which time cycle counts will resume. In the meantime, all WMATA warehouse locations have been instructed to process all incoming transfers by the close of business each Friday to ensure that all receiving reports are processed timely and accurately. This weekly reconciliation process will continue to be monitored by supervisors and superintendents of both MSF and WMATA warehouse stores.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-03 Improvements are Needed for Formal Documentation of Policies, Procedures, and Internal Controls Related to Disbursements of Funds Using the Bank's Automated Payment System.

Observation

KPMG noted that there is no formal documentation of policies and procedures, including internal controls, related to the disbursements of funds using the bank's automated payment system (ACH payment). Moreover, the use of ACH payments is increasing and according to WMATA staff, will continue to rise in the future.

Criteria

The Standards for Internal Control, established by the United States Government Accountability Office (GAO) requires that "internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

Cause

Management has overlooked providing written policies and procedures for these disbursements of funds.

Effect

The failure to properly document policies, procedures, and internal controls over ACH payments, limits WMATA's ability to show that internal controls were in place and operating effectively throughout the entire fiscal year.

Recommendations

KPMG recommends that WMATA document the performance of its control for ACH payments. These records should be easily accessible for reviews and audits.

Management Response

Management concurs with the finding and recommendation. WMATA notes that the policy and procedures have not been updated to reflect ACH technology, which WMATA is promoting to replace check writing. WMATA is in the process of drafting policies as well as researching industry best practice implementation and control of ACH payments. While concerned with this finding, WMATA is confident that proper controls are in place to safeguard payments.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-04 More Updated Mortality Table should be used for the Local 922 Retirement Plan.

Observation

During our review of the retirement plans sponsored by WMATA, we noted that the 1983 Group Annuity Mortality Table (GAMT), which is now two generations old, continues to be used for the Local 922 Retirement Plan.

Criteria

Statement No. 27 of the Governmental Accounting Standards Board, Paragraph 10, states that actuarial assumptions should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Cause

The 1983 GAMT table was used by WMATA's actuary.

Effect

While not necessarily unreasonable, the 1983 GAMT table has become out of date for most benefit plan participant population.

Recommendations

KPMG recommends that WMATA use the RP-2000 Mortality Table for the actuarial valuation of the Local 922 Retirement Plan.

Management Response

Management concurs with the finding and recommendation.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-05 Improvements Are Needed Relating to Documentation of Review over Year End Journal Entries.

Observation

WMATA prepares year end journal entries in order to properly prepare the financial statements. These entries are signed by the preparer and signed by a reviewer. In addition, the Comptroller is familiar with, and reviews all of the entries. During our audit, we had to obtain explanations for certain entries from the Comptroller. However, there was no documentation of additional approval of the top side entry by the Comptroller.

Criteria

GAO's Standards for Internal Control in the Federal Government defines internal control as "an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations." Standards for Internal Control in the Federal Government examples of control activities include reviews be performed by management at the functional or activity level and appropriate documentation of transactions and internal control.

Cause

It is not a requirement for the Comptroller to document her review of the year end journal entries being posted.

Effect

Improper preparation, review or approvals of journal entries pose a risk of financial statement misstatement.

Recommendations

KPMG recommends the Comptroller should document her review by signing each journal entry.

Management Response

Management concurs with the finding and recommendation.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-06 Improvements Are Needed Related to Segregation of Duties.

Observation

WMATA does not have any formal policies regarding proper segregation of duties.

Criteria

Control Objective for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that senior management implement a division of roles and responsibilities that should exclude the possibility for a single individual to subvert a critical process. Management should also make sure that personnel are performing only those duties stipulated for their respective jobs positions.

Cause

WMATA uses job descriptions and organization charts to define how jobs and duties are segregated, but there is no policy stating that employees should not perform functions outside of their job description.

Effect

Work responsibilities should be segregated to ensure that one individual does not perform all critical stages of a process. If duties are not properly segregated, there is a risk of employees performing functions beyond their responsibility.

Recommendations

We recommend that WMATA create a policy regarding proper segregation of duties and ensure that it is maintained and followed.

Management Response

Management concurs with the finding and recommendation. WMATA will include a policy statement regarding segregation of duties in the PI 15.1 when that policy is revised. Office of Information Technology (OIT) is also seeking funding for a formal security assessment and review.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-07 Improvements Are Needed Related to Program Changes.

Observation

While WMATA has an informal change management process, KPMG found no formalized process that governs a consistent, uniform approach for change management for the existing WMATA environment

Criteria

The NIST SP 800-64, Security Considerations in the Information System Development Life Cycle, states that "Configuration management and configuration control procedures are critical to establishing an initial baseline of hardware, software, and firmware components for the information system and subsequently controlling and maintaining an accurate inventory of any changes to the system."

The GAO "Evaluating Internal Controls In Computer Based Systems" (Black Book) states that "Effective program change controls help maintain the integrity of applications and can be used to develop a list of changes which provide an audit trail of the computer-based system's evolution. Even though these controls may frustrate programmers and sometimes cause delays in fixing applications, they are beneficial because they encourage data processing personnel to exercise more caution over changes to accepted production systems."

Cause

There are no formal policies or procedures governing the change management process because of WMATA's Information Technology Renewal Program (ITRP) which is essentially overhauling WMATA's current IT environment.

Effect

The lack of a formal change management process leaves room for ITSV to maintain, change, and develop software and related systems in an ad-hoc, non-uniform manner. Such an environment is conducive to numerous risks to adequately controlling, documenting, and tracking software engineering efforts and the quality of the resulting product. Lack of detailed documentation may make future system maintenance more difficult.

Recommendations

We recommend that WMATA create a formal change management process in order to minimize the impact of changes on operations and users. The process should include, but not be limited to advance notification to users, change request forms, testing, and emergency change procedures.

Management Response

Management concurs with the finding and recommendation. WMATA has a Change Management Committee (CMC) that prioritizes, assigns, schedules, and tracks reported issues.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-08 Improvements Are Needed Related to Access Control. (Repeat Comment)

Observations

- With the implementation of PeopleSoft systems, a limited auditing trail exists with the administrative privileges of the Accounting Systems Group. Inappropriate access exists in this group's administrative privilege to the PeopleSoft financial application.

- WMATA does not always deactivate and remove network user IDs and access to applications in a timely manner due to non-receipt of information.

- Password protected screensavers are not automatically used.

- Password policy should firmly emphasize the requirement for passwords of appropriate length to meet COBIT DS 5 IT standards for strong passwords when possible (for systems that will accept password changes).

- WMATA does not regularly review system user access lists for inappropriate access permissions.

- WMATA has granted excessive access to the headquarters' computer room. Proxy readers were recently installed on the computer room doors and that all ITSV employees would have access to the room. There are approximately 110 employees in ITSV.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that an organization have logical access controls that ensure that access to the systems, data, and programs is restricted to authorized users. In addition, COBIT calls for strong passwords of appropriate length.

Cause

- PeopleSoft systems do not track what has changed, only who has made a change and when the change was made. The Accounting Systems Group, part of the Accounting Department, has administrative privilege due to initial set ups.

- ITSV does not always receive notification from supervisors when an employee has been terminated. Additionally, HR does not notify ITSV when an employee has been terminated. Without notification, ITSV has no official way of knowing that an employee has been terminated.

- Password protected screensavers are recommended but cannot be monitored and are not set by default. Individual users may change personal settings on their computer to activate or deactivate password protection on screensavers.

- Due to older legacy systems and platforms, passwords are restricted in some situations to 4 characters. As a result, the current policy is to have passwords with a minimum of 4 characters with 6 characters recommended, when possible. The policy does not appear to firmly require a 6 character minimum, when feasible.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

- PeopleSoft user profiles do not indicate an employees department or supervisor. Therefore, it would be very time consuming to find this information for each employee and then compare it to their access information on PeopleSoft to perform periodic user access reviews.

- WMATA is transitioning security from cipher locks to proxy readers. While cipher locks use codes that can be easily transferred throughout the organization, proxy reader access will require the use of an electronic disk the size of a quarter. During the transition, these disks will be given to all employees in the ITSV Department (approximately 100 employees).

Effect

- Network User IDs that are not deactivated may allow employees who have been terminated to have access to potentially significant software systems within a WMATA facility. Users with remote access that has not been removed can potentially access the system from outside and harm the network.

- Screensavers that are not password protected may allow unauthorized users easy access to potentially sensitive systems and information.

- Passwords to systems and software with a minimum of 4 characters are less effective and more prone to potential harm and unauthorized access.

- Unauthorized access may still be possible for terminated employees or for those who have access permissions that are not essential to their job function.

- By not performing a review of user accounts on a regular basis to ensure that all access levels are appropriate for a given user's job description, WMATA creates the risk that employees may have access to the system that is outside the realm of their job responsibilities. This access could allow a person to use various functions to alter the integrity of the data within the application.

- Without adequate physical controls to sensitive areas, personnel that do not have a legitimate need to access the computer room may gain access to valuable assets and sensitive information which may result in loss, damage, or theft of valuable information and/or resources.

Recommendations

We recommend the following:

- Human Resources should send weekly reports to ITSV listing employees who have been terminated and those who have changed job functions. Supervisors of employees who have been terminated in unfavorable circumstances should immediately contact the appropriate ITSV staff to remove employee access.

- A policy regarding password protected screensavers should be initiated where all users are expected to use protected screensavers when away from their computer. The default setting of all newly purchased computer equipment should have a password screensaver set up.

- The IT Security Policy should be updated so that a policy exists where all passwords are required to have 6 alphanumeric characters, when possible. Passwords with fewer characters should be exceptions based on system requirements and not a minimum requirement for all systems.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

- WMATA develop an efficient process for maintaining system access approvals, requests, changes and terminations. Additionally, WMATA should perform periodic system user access reviews.

- WMATA only grant computer room access to those employees whose job functions require them to access this sensitive area.

Management Response

Management concurs with the finding and recommendation.

- IT Security now uses a query to identify terminated individuals. Employees are not formally terminated in the PeopleSoft HRPR application quickly. This is true of retirements and voluntary terminations. Involuntary terminations are entered more quickly. The Division of Workforce Development and Administration (WFDA) will need to change its business process for terminating employees with an effective date prior to actual termination date before the problem is fully resolved.

- All new deployed Windows XP machines since early 2006 have a password protected screensaver that has a locked down period of inactivity that the user cannot change. It will take 3-4 years for all PCs to be replaced.

- WMATA will change the password policy to require 6 alphanumeric characters for all applications. Legacy applications will be exempt from this requirement. PI15.1 will include this when it is refreshed.

- Application users will have their access recertified at periodic intervals until the automated employee provisioning system is available to accommodate this requirement. Funding is being requested for Identity Management & Employee provisioning software.

- WMATA IT Security developed a plan that grants access to only those individuals that need it.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-09 Improvements Are Needed Related to Service Continuity. (Repeat Comment)

Observation

- WMATA's Continuity of Operations Plan (COOP) does not include detailed information on emergency procedures where general evacuation is not feasible.

- WMATA's procedures for non-emergencies do not include sufficient means of delivering information to employees. Currently, no intercom system is in place, requiring that in non-emergencies instructions are delivered by telephone tree to supervisors or by word of mouth on each floor.

- A plant irrigation system is located above the Jackson Graham Building (JGB) computer room.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that an organization make sure IT services are available as required and ensure a minimum business impact in the event of a major disruption. This includes proper development of emergency evacuation procedures.

Cause

- Emergency and non-emergency response procedures are continually being developed and considered though not fully implemented.

- The location of the plant irrigation system to the JGB computer room was not considered when the system was implemented.

Effect

- Different types of emergency situations may require different policies. Immediate evacuation is not always an option.

- There is a lack of immediate notification in non-emergency situations. It is possible that there will be personnel that are not available when the phone tree is started, restricting the dissemination of information or employees that may be missed during a word of mouth distribution of information.

- The plant irrigation system has the potential to rupture and cause damage to the level beneath it which is the JGB computer room.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

Recommendations

- WMATA should initiate a more robust written emergency response plan that considers variable plans to cover distinct situation types that may require specific ways to be handled. A general evacuation will not always be a feasible plan. An intercom system may also aid in situations where fire alarms are not activated and evacuation is not required or is restricted.
- During a non-emergency broadcast, messaging should be in place. Broadcast messages can occur through the implementation of an intercom system to adequately implement full awareness and understanding of emergency procedures.
- Plant irrigation system should be regularly monitored and maintained to limit any potential leakage, and possible damage to the data center.

Management Response

Management concurs with the findings and recommendations.

- A plan is underway to develop an Emergency Management Program Plan which should be in place by the end of fiscal year 2007.
- Currently, there is no plan to install an intercom system. However, WMATA has developed a Shelter-in-Place brochure that instructs employees to follow instructions from Metro Transit Police. Metro Transit Police can also send an authority-wide voice mail and e-mail to employees instructing them on non-emergency instructions.
- Representatives from Chief Engineering – Facilities (CENF), Contract Maintenance/Station Enhancement (CMSE), and OIT have met and reviewed the potential risk of damage to the data center due to the placement of the plant irrigation system being located above the JGB computer room. Based upon this review, Engineering has recommended the installation of the drip pans under the critical piping with flexible or hard piping attached to the lowest point of the drip pan. Once we investigate further on the feasibility of implementing Engineering's recommendation with respect to accessibility and safety, we will proceed accordingly. Additionally, we plan to commission a detailed study of the existing building drawings and piping layout with respect to computer equipment to regularly monitor the plant irrigation system to limit any potential damage to the data center.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-10 Improvements Are Needed Related to Security Program. (Repeat Comment)

Observation

- WMATA has no security awareness training in place for its employees.
- WMATA's violation reports are not regularly reviewed by Information and Technology Services (ITSV) staff.
- WMATA does not conduct periodic risk assessments for the general support systems or the major applications.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that an IT security awareness program communicate the IT security policy to each IT user and assure a complete understanding of the importance of IT security.

Cause

- Employees are not required by management or by the security policy to undergo security awareness training as part of an annual security briefing or activity.
- Although violation reports are produced, there is no formal requirement for them to be reviewed periodically.
- WMATA has not expended the necessary time and resources required to conduct a formal risk assessment for the general support systems or the major applications.

Effect

- Without security training in place, there is a potential for employees to have a lack of understanding regarding security and safe actions. This may result in reactive procedures to combat potential malicious intrusions. Inappropriate use may occur more frequently resulting in potential damage to the Authority.
- Without regular review and monitoring of violation reports, there is a possibility that unauthorized users can systematically test the system for weaknesses. Violation reports are also an indicator of potential limitations or difficulty employees are having with the system.
- Risk assessments are necessary to ensure that all threats and vulnerabilities are considered and identified. They should identify those risks posed by authorized internal and external users, as well as unauthorized outsiders who may try to break into the systems. Periodic observation and testing of existing security controls should also be completed.

Recommendations

- The Authority should initiate security training for employees. Security training is a proactive measure that the Authority can take to safeguard systems and sensitive information. It will also make employees more aware of potential risks and ways to increase personal safety.
- Violation reports should be consistently monitored for possible deficiencies and attacks to the system.

(Continued)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

- WMATA periodically perform formal and comprehensive risk assessments of the general support systems and major applications. Risk assessments should also be completed when systems, facilities, or other conditions change.

Management Response

Management concurs with the finding and recommendation.

- Although no formal comprehensive program exists, IT Security does place security awareness posters on the elevator bay bulletin boards at JGB, provide hints/tips on the OIT newsletter, and plans to evaluate commercial of-the-shelf (COTS) security awareness software to be implemented.
- PeopleSoft does not have violation reports as a component of its software. In the future, when WMATA evaluates Identity Management and Employee provisioning software, it will include this type of reporting in its evaluation process.
- WMATA will institute a practice to perform formal risk assessments prior to new module implementation, prior to application upgrades, and other major events based on the National Institute of Science and Technology (NIST) guidelines. Once funding has been approved, OIT is requesting a formal assessment and policy review. The assessment should lay out the best practice guidelines for WMATA.

Appendix B

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2005-01 Improvements Are Needed in Rail Revenue Cash Reconciliations and Records Retention	Resolved.
2005-02 Improvements Are Needed in Recording Accounts Payable	Resolved.
2005-03 Improvements Are Needed Related to Access Controls	Repeated. See comment 2006-8.
2005-04 Improvements Are Needed Related to Service Continuity	Repeated. See comment 2006-9.
2005-05 Improvements Are Needed Related to the IT Security Program	Repeated. See comment 2006-10.
2005-06 Improvements Are Needed Related to Segregation of Duties	Resolved.

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Report of Independent Accountants
on Applying Agreed-Upon Procedures

Board of Directors
Washington Metropolitan Area Transit Authority:

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of the Washington Metropolitan Area Transit Authority (the Authority) and specified in the Federal Transit Administration's (FTA) *National Transit Database 2006 Reporting Manual,* solely to assist the users in evaluating management's assertion about the Authority's compliance with the *Uniform System of Accounts and Records and Reporting System Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, during the fiscal year ended June 30, 2006. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures and the associated findings are as follows:

a. We read the procedures relating to the system for reporting and maintaining data in accordance with the National Transit Database (NTD) requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2006 Reporting Manual*.

b. We discussed the procedures, set forth in step (a) above, with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data and were informed that the Authority followed the procedures on a continuous basis and that it believes such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 Part 630, *Federal Register*, January 15, 1993, and as presented in the *2006 Reporting Manual*.

c. We inquired of the personnel assigned responsibility for supervising the preparation and maintenance of the NTD data concerning the retention policy that is followed by the Authority with respect to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA-10). The Authority follows a retention policy of three years.

d. Based on the description of the Authority's procedures obtained in items (a) and (b) above, we identified all source documents which the FTA requires the Authority to retain for a minimum of three years.

The procedures below (e.–k.) were applied separately to each of the information systems used to develop the reported vehicle revenue miles, fixed guideway directional route miles, passenger miles, and operating expenses of the Authority for the fiscal year ended June 30, 2006, for each of the following modes:

- Rail Service (Heavy Rail) – Directly Operated
- Bus Service (Motorbus) – Directly Operated
- Bus Service (Motorbus) – Purchased Transportation
- Demand Response – Purchased Transportation

We selected a sample of each type of source document and observed that each type of source document exists for the Heavy Rail, Motorbus, and Demand Response modes, respectively.

e. We discussed the system of internal controls with the person responsible for supervising and maintaining the NTD data. We inquired whether individuals, independent of the individuals preparing the source documents and posting data summaries, reviewed the source documents and data summaries for completeness, accuracy, and reasonableness. Additionally, we inquired about the frequency of such reviews. We noted that individuals independent of the individuals preparing the source documents and posting the data summaries reviewed the source documents and data summaries for completeness, accuracy, and reasonableness.

f. We selected a judgmental sample of the source documents for each mode, and determined that formal documentation of the review exists as required by the system of internal controls, as discussed in step (e) above for all source documents sampled.

g. We obtained the worksheets utilized by the Authority to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10). We noted no exceptions when we compared the periodic data included on the worksheets to the periodic summaries prepared by the Authority and we tested the arithmetical accuracy of the summaries.

h. We discussed the Authority’s procedure for accumulating and recording passenger mile data in accordance with NTD requirements with the Authority’s staff. We were informed that passenger mile data accumulation is completed by a 100% count of actual passenger miles for Demand Response and Heavy Rail and an estimate based on statistical sampling for Motorbus Directly Operated. For Motorbus Purchased Transportation, passenger mile data is calculated based on 100% count of actual passenger times average trip length per passenger. The average trip length per passenger was determined by a customer survey of average miles per trip. We were informed that the Authority uses a sampling method that is one of the two procedures suggested by the FTA, and described in FTA Circulars 2710.1A or 2710.2A.

i. We discussed with the Authority’s staff the Authority’s eligibility to conduct statistical sampling for passenger mile data every third year. We determined that the Authority does not meet any of the three criteria that would allow it to conducts statistical sampling for accumulating passenger mile data every third year. Therefore, the Authority conducts statistical sampling annually. The criteria for this election are as follows:

- According to Census reporting, the public transit agency serves an urbanized area of less than 500,000 population.

- The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any-size urbanized area).
- The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service, and is included in the public transit agency's NTD report.

j. We obtained a description of the sampling procedure for estimation of passenger mile data used by the Authority for its Motorbus mode and a copy of the Authority's working papers and methodology used to select the actual sample of runs for recording passenger mile data.

k. We selected a judgmental sample of source documents for accumulating passenger mile data for each of the modes, ensured the sample items were properly documented, and tested the accuracy of the computations. Data was selected for following days:

- Heavy Rail Directly Operated: November 16, 2005; November 19, 2005; November 20, 2005; May 17, 2006; May 20, 2006; and May 21, 2006.
- Motorbus Directly Operated: July 19, 2005; July 21, 2005; July 23, 2005; October 17, 2005, October 19, 2005, October 21, 2005, October 23, 2005; February 6, 2006; February 8, 2006; February 10, 2006; February 12, 206; May 1, 2006; May 3, 2006; May 5, 2006; and May 7, 2006.
- Motorbus Purchased Transportation: Annual summary of accumulated miles
- Demand Response Purchased Transportation: November 5, 2005; November 12, 2005; November 19, 2005; November 26, 2005; November 30, 2005; January 7, 2006; January 14, 2006; January 21, 2006; January 28, 2006; and January 31, 2006.

We noted the following exceptions for Motorbus – Directly Operated:

- The February 6, 2006 summary data for all elements during the AM peak trip included data from a mid-day trip.
- In the February 6, 2006 Survey Trip Sheets, we noted the following footing errors:
  - The total distance of passenger miles for the mid-day trip should be 154.7 miles instead of 155.2 miles.
- In the February 8, 2006 Survey Trip Sheets, we noted the following footing errors:
  - The total passengers on board for the mid-day trip should be 233 instead of 208.
  - The total distance between miles should be 8.3 miles instead of 8.1 miles.

l. We discussed the procedures for the systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority's staff, and determined that the stated procedures were followed. We selected a sample of the source documents used to record charter and school bus mileage, and tested the arithmetical accuracy of the computations. We noted no exceptions in these recalculations.

m. For vehicle revenue miles data, we reviewed the collection and recording methodology. We inspected the monthly summaries of completed trips, noting that deadhead miles are systematically excluded from the computation. We also recomputed the missed trip factor without exception.

n. For rail modes, we reviewed the recording and accumulation sheets for vehicle revenue miles and noted that locomotive miles were not included in the computation.

o. For fixed guideway directional route miles that were reported, we inquired of the Authority's staff responsible for maintaining, and reporting the NTD data whether the operations meet the FTA's definition of fixed guideway, noting that operations do meet FTA's requirements.

p. We discussed the measurement of fixed guideway directional route miles with the Authority's staff responsible for reporting the NTD data and were informed that the mileage was computed in accordance with FTA's definitions of fixed guideway and directional route miles, without exception.

   We inquired whether there were service changes during the year that resulted in an increase or decrease in directional route miles. For a service change that resulted in a change in overall directional route miles, we recomputed the average monthly directional route miles and agreed the total to the fixed guideway directional route miles reported on the Federal Funding Allocation Statistics Form (FFA-10), without exception.

q. We measured fixed guideway directional route miles from maps by retracing routes. No exceptions were noted.

r. We inquired of the Authority's staff responsible for reporting the NTD data whether other public transit agencies operate service over the same fixed guideway as the Authority and were informed that while other transit agencies operate on the same fixed guideway segments as the Authority, no other FTA-funding recipient claims the same miles that are claimed by the Authority.

s. We observed the Fixed Guideway Segments Form (S-20) in Internet reporting, and determined that the information had been accurately entered. We discussed the commencement date of revenue service for each fixed guideway segment with the Authority's staff responsible for reporting the NTD data and determined that the date is reported as when revenue service began.

t. We compared operating expenses on the Operating Summary Form (F-40) with audited financial data, after reconciling items were removed, noting agreement of the totals.

u. For the Authority's purchase of transportation services from private providers in the Demand Response and Motorbus mode, we obtained supporting documentation for the amount of purchased transportation-generated fare revenues, and agreed the amount to the amount reported on the Contractual Relationship Identification Form (B-30), noting agreement of the totals.

v. Since the Authority report noted in step (u) above contains data for purchased transportation services, we inquired of the Authority's staff responsible for reporting the NTD data as to whether the Authority received assurances of the data for those services. We were informed by the Authority's internal auditors that assurances over purchased transportation were received.

w. For the Authority's purchase of transportation services in the Demand Response and Motorbus mode, we obtained a copy of the purchase transportation contract and noted that the contract (1) specifies the specific mass transportation services to be provided; (2) specifies the monetary consideration obligated by the Authority contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of the period covered by the Authority's NTD report; and (4) is signed by representatives of both parties to the contract. We inquired of the person responsible for maintaining the NTD data regarding the retention of the executed contract, and were informed that copies of the contracts are retained for three years.

x. We inquired of the Authority's staff responsible for maintaining the NTD data regarding the procedures for allocating of statistics between urbanized areas and nonurbanized areas. We obtained worksheets, route maps and urbanized area boundaries used for allocating the statistics and noted that 100% of the Authority's operations fall within an urbanized area.

y. We compared the data reported on the Federal Funding Allocations Statistics Form (FFA-10) to comparable data from the prior report year and calculated the percentage change from prior year to the current year. For vehicle revenue miles, passenger miles or operating expense data that increased or decreased by more than 10%, and for fixed guideway directional route mile data that increased or decreased by more than 1%, we inquired of the Authority's management regarding the specifics of operations that led to the variances in the data. The Authority was able to provide explanations for all variances noted. The following were components that increased or decreased by the stated levels above.

   Demand Response:

   – Operating Expenses

   Motorbus Purchased Transportation:

   – Directional Route Miles
   – Vehicle Revenue Miles
   – Passenger Miles
   – Operating Expenses

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and the FTA, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

October 30, 2006

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Report of Independent Accountants

Board of Directors
Washington Metropolitan Area Transit Authority:

We have examined management's assertion that the Washington Metropolitan Area Transit Authority's (the Authority) reporting forms listed in Exhibit A and included in the Authority's National Transit Database Report submission for the year ended June 30, 2006, required under Title 40 U.S.C. 5335(a), complied with the requirements of the Federal Transit Administration as set forth in its applicable National Transit Database *Uniform System of Accounts* for the year ended June 30, 2006. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion that the Authority complied with the aforementioned requirements for the year ended June 30, 2006, is fairly stated, in all material respects in conformity with the requirements of the Federal Transit Administration as set forth in its applicable National Transit Database *Uniform System of Accounts*.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and the FTA, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

October 30, 2006

Exhibit A

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Financial Reporting Forms Included in Management's Assertion

- Sources of Funds–Funds Expended and Fund Earned – (F-10)
- Uses of Capital – (F-20)
- Operating Expense Form – (F-30)
- Operating Expense Summary Form – (F-40)
- Operators' Wages Form – (F-50)

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report
on Applying Agreed-Upon Procedures

Management
Washington Metropolitan Area Transit Authority:

We have performed the procedures enumerated below, which were agreed to by the management of the Washington Metropolitan Area Transit Authority (the Authority), solely to assist you in evaluating the accompanying Capital Program Funding Schedule of the Authority as of June 30, 2006. The Authority's management is responsible for the Capital Program Funding Schedule. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures:

a. We agreed each of the "funds received" and each of the "funds collected" amounts to the Cost Management Information System database.

   We found no exceptions as a result of this procedure.

b. We agreed the total gross cost and the total retention amounts to the Authority's general ledger as of June 30, 2006.

   We noted that the total gross cost amount of $14,293 million in the Capital Program Funding Schedule did not agree to the Authority's general ledger amount of $14,216 million.

c. We recalculated each "total funds" amount by adding the "funds received" amount to the "fund collected" amount.

   We found no exceptions as a result of this procedure.

d. We recalculated each "net cost" amount by adding the "gross cost" balance to the "retention" amount.

   We found no exceptions as a result of this procedure.

e. We recalculated each "fund balance" amount by subtracting the "net cost" amount from the "total funds" amount.

   We found no exceptions as a result of this procedure.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Capital Program Funding Schedule. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Authority, and is not intended to be and should not be used by anyone other than this specified party.

KPMG LLP

December 20, 2006

Washington Metropolitan Area Transit Authority
Capital Program Funding Status
As of: 6-30-2006

Fund Code	Fund Description	Fund ID	Funds Received	Funds Collected	Total Funds	Gross Cost	Retention	Net Cost	Funds Balance
(None)	(None)	(None)	0	0	0	49,487,231	(15,104)	49,472,127	(49,472,127)
10000	1/3-2/3 Appropriations	1/3-2/3	2,811,232,556	0	2,811,232,556	2,806,430,225	(100)	2,806,430,125	4,802,431
10001	Handicapped Program	Handicap	65,000,000	0	65,000,000	65,000,000	0	65,000,000	0
10002	A Grant	IT239001	883,419,412	0	883,419,412	883,419,412	0	883,419,412	0
10003	B Grant	IT239003	1,086,325,305	0	1,086,325,305	1,086,325,305	0	1,086,325,305	0
10004	Insurance/F Grant	IT239008	100,900,000	0	100,900,000	100,900,000	0	100,900,000	0
10005	Shortfall/Closeout Grant	IT239005	86,999,529	0	86,999,529	86,999,529	0	86,999,529	0
10006	Project Mgmt/D Grant	IT239006	582,533,773	0	582,533,773	582,533,773	0	582,533,773	0
10007	E Grant	IT239007	1,988,535,843	0	1,988,535,843	1,988,515,925	0	1,988,515,925	19,918
10012	C Grant	IT751701	113,500,000	0	113,500,000	113,500,000	0	113,500,000	0
10013	CJ Grant	IT751702	1,955,627,971	0	1,955,627,971	1,955,627,971	0	1,955,627,971	0
10014	Federal Highway	FedHighway	3,682,000	0	3,682,000	3,682,000	0	3,682,000	0
10015	King Str Station Improvements	DC030043	3,204,243	0	3,204,243	3,204,243	0	3,204,243	0
10016	Crystal City Canopies	DC030045	347,375	0	347,375	174,248	(11,794)	162,454	184,921
10017	Safety & Security Improvmnt	DC40X001	10,000,000	0	10,000,000	9,007,283	0	9,007,283	992,717
10018	DOD Safety & Security Improve	DD02	39,100,000	0	39,100,000	37,141,890	0	37,141,890	1,958,110
10019	Shirlington Bus Trf Facility	DC90X063	1,023,579	0	1,023,579	412,738	0	412,738	610,841
10020	Job Accs/Rev Cmute Spgfd Cltr	DC37X004	16,705,320	0	16,705,320	2,849,699	0	2,849,699	13,855,621
10021	FY99 Flexible Funds	DC900049	7,297,198	0	7,297,198	7,297,198	0	7,297,198	0
10022	FY00 Flexible Funds	DC90X055	8,054,000	0	8,054,000	8,054,000	0	8,054,000	0
10023	Job Access/Reverse Commute	DC37X001	2,015,000	0	2,015,000	2,015,000	0	2,015,000	0
10024	DC Bus Replacement	IT239901	252,117	0	252,117	252,117	0	252,117	0
10025	Rosslyn Livable Commun. II	DC90X056	500,000	0	500,000	344,022	0	344,022	155,978
10026	FY00 Bus Purchase Sfield Circ	DC030034	807,625	0	807,625	807,625	0	807,625	0
10027	Largo Town Center Extension	DC030039	433,868,605	0	433,868,605	416,980,675	(264,533)	416,716,142	17,152,463
10028	Dulles Corridor Prelim Engr	DC030037	40,000,000	0	40,000,000	40,000,000	0	40,000,000	0
10029	FY01 Joint Bus/Rail Projects	DC90X054	98,478,159	0	98,478,159	98,478,159	(11,531)	98,466,628	11,531
10030	FY01 Rail Capital Program	DC030036	55,818,075	0	55,818,075	55,818,075	(100)	55,817,975	100
10031	DC Urban Area Bus Replace	DC90X057	812,500	0	812,500	812,500	0	812,500	0
10032	E	DC030035	1,506,435	0	1,506,435	1,506,435	0	1,506,435	0
10033	FY01 Flexible Funds	DC90X059	8,054,000	0	8,054,000	8,054,000	0	8,054,000	0
10034	Clarendon Improvements	DC030038	305,374	0	305,374	50,000	0	50,000	255,374
10035	Metrochek Support System	DC260025	400,000	0	400,000	400,000	0	400,000	0
10036	FY01 Dulles Bus Purchase	DC030041	3,053,739	0	3,053,739	3,053,739	0	3,053,739	0
10037	Job Accs/Rev Cmute Gtown	DC370002	1,300,000	0	1,300,000	1,300,000	0	1,300,000	0
10038	Regional ITS Projects	DC267107	1,562,500	0	1,562,500	1,065,719	0	1,065,719	496,781

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10039	FY02 Joint Bus/Rail Projects	DC90X058	105,662,331	0	105,662,331	105,662,331	(69,920)	105,592,411	69,920
10040	FY02 Rail Capital Program	DC030040	60,873,756	0	60,873,756	60,873,756	(90,166)	60,783,590	90,166
10041	FY73 Approved Program	IT030019	105,891,574	0	105,891,574	105,891,574	0	105,891,574	0
10042	Metrobus Capital Grant	IT030022	11,244,402	0	11,244,402	11,244,402	0	11,244,402	0
10043	FY75 Approved Program	IT030029	19,652,970	0	19,652,970	19,652,970	0	19,652,970	0
10044	FY76 & 77 Approved Program	IT030031	26,648,254	0	26,648,254	26,648,254	0	26,648,254	0
10045	FY74 Approved Program	IT030032	5,120,486	0	5,120,486	5,120,486	0	5,120,486	0
10046	FY78 Approved Program	IT030034	16,389,589	0	16,389,589	16,389,589	0	16,389,589	0
10047	FY75 Bus Capital Program	DC050001	12,213,037	0	12,213,037	12,213,037	0	12,213,037	0
10048	FY74 Bus Capital Program	DC030005	2,136,499	0	2,136,499	2,136,499	0	2,136,499	0
10049	FY79 & 80 Bus Capital Program	DC030007	3,755,334	0	3,755,334	3,755,334	0	3,755,334	0
10050	FY79 & 80 Bus Capital Program	DC030006	7,999,755	0	7,999,755	7,999,755	0	7,999,755	0
10051	FY80 Bus Capital Program	DC050003	9,630,500	0	9,630,500	9,630,500	0	9,630,500	0
10052	FY80 Bus Capital Program	DC030008	1,899,659	0	1,899,659	1,899,659	0	1,899,659	0
10053	FY81 Bus Capital Program	DC050004	5,307,589	0	5,307,589	5,307,589	0	5,307,589	0
10054	FY82 Bus Capital Program	DC050005	11,941,380	0	11,941,380	11,941,380	0	11,941,380	0
10055	FY82 Bus Capital Program	DC030011	29,816,950	0	29,816,950	29,816,950	0	29,816,950	0
10056	FY82 Bus Capital Program	DC030010	1,986,110	0	1,986,110	1,986,110	0	1,986,110	0
10057	FY83 Bus Capital Program	DC030013	12,384,212	0	12,384,212	12,384,212	0	12,384,212	0
10058	Construct Glenmont Pkg Facil	DC030021	22,000,000	0	22,000,000	22,000,000	0	22,000,000	0
10059	Addison Road Parking Facility	DC030022	6,150,667	0	6,150,667	6,150,667	0	6,150,667	0
10060	Suburban Mobility Initiatives	DC030024	5,279,333	0	5,279,333	5,279,333	0	5,279,333	0
10061	FY93 Rail Capital Program	DC030025	7,098,750	0	7,098,750	7,098,750	0	7,098,750	0
10062	Suburban Mobility Grant	DC030023	6,533,333	0	6,533,333	6,533,333	0	6,533,333	0
10063	FY94 Rail Capital Program	DC030026	17,638,465	0	17,638,465	17,638,465	0	17,638,465	0
10064	FY95 Rail Capital Program	DC030028	21,611,888	0	21,611,888	21,611,888	0	21,611,888	0
10065	FY96 Rail Capital Program	DC030029	21,521,149	0	21,521,149	21,521,149	0	21,521,149	0
10066	Rosslyn Livable Commun. I	VA030057	1,625,000	0	1,625,000	1,625,000	0	1,625,000	0
10067	FY97 Rail Capital Program	DC030030	17,480,824	0	17,480,824	17,480,824	(19,010)	17,461,814	19,010
10068	FY98 Rail Capital Program	DC030031	22,930,690	0	22,930,690	22,930,690	0	22,930,690	0
10069	FY99 Rail Capital Program	DC030032	27,659,546	0	27,659,546	27,659,546	(334,615)	27,324,931	334,615
10070	FY00 Rail Capital Program	DC030033	39,747,449	0	39,747,449	39,747,449	0	39,747,449	0
10071	FY83 Bus/Rail Capital Program	DC900001	14,042,000	0	14,042,000	14,042,000	0	14,042,000	0
10072	FY84 Bus/Rail Capital Program	DC90X003	42,753,650	0	42,753,650	42,753,650	0	42,753,650	0
10073	Advance Design Brake System	DC030009	2,294,833	0	2,294,833	2,294,833	0	2,294,833	0
10074	FY85 Bus/Rail Capital Program	DC90X004	49,154,475	0	49,154,475	49,154,475	0	49,154,475	0
10075	FY86 Bus/Rail Capital Program	DC90X006	33,186,493	0	33,186,493	33,186,493	0	33,186,493	0

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10076	FY87 Bus/Rail Capital Program	DC90X008	37,225,000	0	37,225,000	37,225,000	0	37,225,000	0
10077	FY87 Section 3 Grant	DC033001	6,663,977	0	6,663,977	6,663,977	0	6,663,977	0
10078	FY88 Bus/Rail Capital Program	DC90X010	38,037,000	0	38,037,000	38,037,000	0	38,037,000	0
10079	FY89 Bus/Rail Capital Program	DC90X012	32,041,250	0	32,041,250	32,041,250	0	32,041,250	0
10080	FY90 Bus/Rail Capital Program	DC90X014	36,400,000	0	36,400,000	36,400,000	0	36,400,000	0
10081	FY91 Bus/Rail Capital Program	DC90X016	38,042,000	0	38,042,000	38,042,000	0	38,042,000	0
10082	FY93 Bus/Rail Capital Program	DC90X017	41,313,750	0	41,313,750	41,313,750	0	41,313,750	0
10083	FY93 ISTEA VA Transfer	DC90X018	5,750,000	0	5,750,000	5,750,000	0	5,750,000	0
10084	FY94 Bus/Rail Capital Program	DC90X019	34,690,125	0	34,690,125	34,690,125	0	34,690,125	0
10085	FY95 Bus/Rail Capital Program	DC90X026	58,161,727	0	58,161,727	58,161,727	0	58,161,727	0
10086	Uniform Fare Technology	DC260005	997,899	0	997,899	997,899	0	997,899	0
10087	FY96 ISTEA Gallery Place	DC90X034	15,000,000	0	15,000,000	14,982,722	0	14,982,722	17,278
10088	FY96 Bus/Rail Capital Program	DC90X030	59,945,974	0	59,945,974	59,945,974	0	59,945,974	0
10089	FY95 ISTEA Funds	DC90X011	27,553,535	0	27,553,535	27,553,535	0	27,553,535	0
10090	FY96 & 97 ISTEA Funds	DC90X036	17,625,470	0	17,625,470	17,625,470	0	17,625,470	0
10091	FY97 Bus/Rail Capital Program	DC90X040	55,400,821	0	55,400,821	55,400,821	(73,134)	55,327,687	73,134
10092	FY00 Joint Bus/Rail Projects	DC90X050	83,740,916	0	83,740,916	83,740,916	(9,188)	83,731,728	9,188
10093	FY97 Flexible Funds	DC90X043	7,127,004	0	7,127,004	7,127,004	0	7,127,004	0
10094	FY93 & 94 Section 9 Flexible	DC90X020	25,107,801	0	25,107,801	25,107,801	0	25,107,801	0
10095	FY98 Bus/Rail Capital Program	DC90X044	59,538,935	0	59,538,935	59,538,935	(193,563)	59,345,372	193,563
10096	FY99 Bus/Rail Capital Program	DC90X045	78,709,809	0	78,709,809	78,709,809	(108,776)	78,601,033	108,776
10097	VA Service Enhancements	DC90X047	3,000,000	0	3,000,000	2,555,704	0	2,555,704	444,296
10098	DC Rail Enhancements	DC90X048	95,000	0	95,000	0	0	0	95,000
10099	FY98 Section 9 Flexible	DC90X046	6,790,500	0	6,790,500	6,790,500	0	6,790,500	0
10100	FY03 Rail Capital Program	DC030042	72,698,911	0	72,698,911	72,698,911	(51,512)	72,647,399	51,512
10101	Ballston Station Improvement	DC90X062	2,500,000	0	2,500,000	2,500,000	0	2,500,000	0
10102	W. Falls Church Bus Bays	DC90X069	1,000,000	0	1,000,000	607,553	0	607,553	392,447
10103	Sfield Ciculator Demo Project	DC90X070	611,279	0	611,279	611,279	0	611,279	0
10104	Clarendon Improvements	DC90X071	22,393	0	22,393	0	0	0	22,393
10105	Safety & Security Improvement	DC40X002	50,000	0	50,000	28,234	0	28,234	21,766
10106	FY02 Flexible Funds	DC90X061	31,439,659	0	31,439,659	30,780,482	0	30,780,482	659,177
10107	Regional ITS Projects	DC267213	4,664,210	0	4,664,210	4,664,210	(60,556)	4,603,654	60,556
10108	FY03 Joint Bus/Rail Projects	DC90X060	118,833,206	0	118,833,206	118,833,206	(123,300)	118,709,906	123,300
10109	Bus Bike Rack Carrier Program	DC90X072	622,000	0	622,000	622,000	0	622,000	0
10110	DC Light Rail Priority Study	DC90X068	961,032	0	961,032	852,007	0	852,007	109,025
10111	CNG Bus Purchase	DC030046	19,348,890	0	19,348,890	18,411,338	0	18,411,338	937,552
10112	Articulated Bus Replacement	DC90X065	5,625,000	0	5,625,000	5,625,000	0	5,625,000	0

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10113	FY04 Joint Bus/Rail Projects	DC90X073	123,778,861	0	123,778,861	123,770,632	(1,552,159)	122,218,473	1,560,388
10114	FY04 Rail Capital Program	DC030047	78,098,074	0	78,098,074	78,098,074	(628,892)	77,469,182	628,892
10115	Fair Lakes Bus Purchase	DC030049	856,553	0	856,553	0	0	0	856,553
10116	Spgfield Station Park Improve	DC030050	611,279	0	611,279	611,279	0	611,279	0
10117	Sfield/TAGS Shtle Bus Purchase	DC030051	611,279	0	611,279	0	0	0	611,279
10118	PROTECT Project	TKTX0001	1,400,000	0	1,400,000	1,261,846	0	1,261,846	138,154
10119	Safety & Security Improvement	EUTX0060	3,709,839	0	3,709,839	1,848,567	(30,722)	1,817,844	1,891,995
10120	Falls Church Bus Purchase	DC030048	910,056	0	910,056	0	0	0	910,056
10121	Rail Modernization	DC030052	74,044,670	0	74,044,670	74,095,036	(1,250,364)	72,844,672	1,199,998
10122	Formula Grant 5307	DC90X074	125,257,017	0	125,257,017	125,257,017	(1,136,473)	124,120,544	1,136,473
10123	DC Security Grant	04-TU-01	2,792,738	0	2,792,738	616,479	(6,903)	609,575	2,183,163
10124	Shirlington Bus Transfer Facil	DC030053	614,799	0	614,799	0	0	0	614,799
10125	FF 2005 Rail Modernization	DC030054	73,023,976	0	73,023,976	73,018,246	(1,118,604)	71,899,641	1,124,335
10126	MD/VA CMAQ Flexible Funds	DC90X075	39,449,280	0	39,449,280	35,189,877	0	35,189,877	4,259,403
10127	FF 2005 5307 Formula Grant	DC90X076	138,732,628	(86)	138,732,542	138,732,567	(3,018,722)	135,713,845	3,018,697
10128	White Oak Transit Planning	DC030056	0	245,920	245,920	0	0	0	245,920
10129	Potomac Yard to Crystal City	DC030057	0	983,679	983,679	124,383	0	124,383	859,296
10130	Rosslyn Metro Access Improvem	DC90X078	0	300,000	300,000	0	0	0	300,000
10131	WMATA Communications Upgrade	4E2UAS5	3,672,000	0	3,672,000	0	0	0	3,672,000
10132	FFY 06 Maryland CMAQ	DC90X080	4,100,000	0	4,100,000	4,100,000	0	4,100,000	0
10133	Transit Sec. Sub Grant	5TG01	8,500,000	0	8,500,000	0	0	0	8,500,000
10134	5309 Rail Modernization	DC-05-0001	0	0	0	113,540	0	113,540	(113,540)
20000	Planning & Administration	PlanAdmin	10,957,140	0	10,957,140	10,957,140	0	10,957,140	0
20001	Tax Advantage Lease	TaxAdvLse	123,169,908	815,446	123,985,354	100,674,348	(4,464,191)	96,210,158	27,775,196
20002	TIIF	TIIF	58,216,516	13,915,506	72,132,022	33,206,221	(958)	33,205,263	38,926,758
20003	PG County Parking Surcharge	PGCoSurc	8,000,000	0	8,000,000	8,000,000	0	8,000,000	0
20005	FF Co Parking Surcharge	FFCoSurc	6,800,000	38,791	6,838,791	4,554,617	0	4,554,617	2,284,174
20006	Mont Glenmont West	MontGlnWst	2,825,000	0	2,825,000	2,813,679	(15,916)	2,797,763	27,237
20007	Insurance Escrow Acct	Escrow	2,481,936	0	2,481,936	2,481,936	0	2,481,936	0
20008	IGF Construction	IGFConstr	206,550,124	2,260,575	208,810,698	184,378,115	(9,184,564)	175,193,550	33,617,148
20009	Joint Reserve (JRF)	JointResv	41,035,825	0	41,035,825	41,035,825	0	41,035,825	0
20010	Executive Management	ExConsMgt	10,447,421	0	10,447,421	10,447,421	0	10,447,421	0
20011	Local Contribution Fund	LocalCont	21,511,152	0	21,511,152	21,511,152	0	21,511,152	0
20012	CIP Internally Generated Funds	IGFCIP	60,000,873	(5,970,794)	54,030,079	46,788,981	(180,610)	46,608,371	7,421,708
20013	Transit Bonds	TranBonds	72,696,463	1,922	72,698,385	68,664,228	(105,674)	68,558,554	4,139,831
20014	Riders Bebchick Fund	RiderBchck	23,776,712	24,783	23,801,495	22,748,127	0	22,748,127	1,053,368
20015	Gross Revenue Transit Bonds	GRevTsntBd	39,273,049	0	39,273,049	37,296,312	(159,400)	37,136,912	2,136,137

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20016	1993 SERIES BONDS	1993SERBND	10,766,496	0	10,766,496	10,693,299	(62,029)	10,631,270	135,226
20018	Int'l Borrowing/Commcial Paper	Com Paper	127,000,000	0	127,000,000	114,862,215	(2,219,871)	112,642,345	14,357,655
20019	TIIF Land Resale	LandResale	0	6,790,053	6,790,053	0	0	0	6,790,053
20020	Debt Serv Int. Metro Matters	MMInterest	0	16,758,675	16,758,675	12,181,000	(38,106)	12,142,894	4,615,781
20021	Metro Matters Local Additional	MMLocAdd	2,600,000	68,967,376	71,567,376	65,740,256	(720,320)	65,019,937	6,547,439
20022	Repairable Parts Reserve	Repairable	105,301,868	0	105,301,868	89,823,938	0	89,823,938	15,477,930
20023	IRP Local Additional	IRPLocal	71,317,716	0	71,317,716	71,317,716	(385,806)	70,931,910	385,806
20024	Northern Bus Garage	NorthBus	5,000,000	0	5,000,000	4,902,514	0	4,902,514	97,486
20025	IRP Flex Funds MD & VA	IRPFlex	9,199,434	0	9,199,434	9,199,434	0	9,199,434	0
20026	IRP Misc Funds	IRPMisc	2,729,403	0	2,729,403	1,834,872	0	1,834,872	894,532
20027	Information Technology Reserve	ITReserve	8,500,000	0	8,500,000	130,459	0	130,459	8,369,541
20028	AAI/CAF Late Pymt 5000 Rail Ca	AAI/CAF	4,975,520	0	4,975,520	4,132,185	0	4,132,185	843,335
20030	Commercial Paper Issued	CP Issued	0	0	0	5,188,102	0	5,188,102	(5,188,102)
30000	VRE Platform Design & Const	VREPlat	174,639	0	174,639	174,639	0	174,639	0
30001	Third Party Reimbursement	ThdPtyRemb	4,482,364	0	4,482,364	4,541,323	0	4,541,323	(58,959)
30002	PG Parking Garage MD Grant I	MDOTGRNT1	1,000,000	0	1,000,000	1,000,000	0	1,000,000	0
30003	PG Parking Garage MD Grant II	MDOTGRNT2	3,000,000	0	3,000,000	3,000,000	0	3,000,000	0
30004	MDOT Bonds	MDOTBOND	34,229,691	1,014,105	35,243,796	34,837,882	0	34,837,882	405,914
30005	Reg Fare Integrat/Smart Trip	Smart Trip	5,936,577	0	5,936,577	4,296,931	(1,288)	4,295,644	1,640,933
30007	Minnesota Ave Public Hearings	MinnAve	50,000	0	50,000	20,388	0	20,388	29,612
30008	DC Light Rail High Prior Study	LightRail	13,982,691	194,852	14,177,543	8,087,696	0	8,087,696	6,089,847
30009	Purple Line Beltway Study	Purplne	841,672	0	841,672	841,672	0	841,672	0
30010	Ballston Name Change	BallNamChg	26,205	0	26,205	26,205	0	26,205	0
30011	Twinbrook Stormwater Connect	TwnbrkConn	1,500	0	1,500	1,500	0	1,500	0
30012	Silver Spring TPSS	SilSprTPSS	19,321	0	19,321	19,321	0	19,321	0
30014	Potomac Yard Drainage	PYdDrain	26,900	0	26,900	26,900	0	26,900	0
30015	Reloc Fire lines-Andrews Prop	AndrFreLn	2,523	0	2,523	2,455	0	2,455	69
30016	VRE-Franconia-Sfield Startup	FrnSfdStup	122,160	0	122,160	122,160	0	122,160	0
30019	Virginia Square Condominiums	VASqCond	5,479	0	5,479	5,479	0	5,479	0
30020	PG County Beautification	PGCBeauty	100,000	0	100,000	100,000	0	100,000	0
30021	Rockville MARC Station	RvlMARCStn	48,685	0	48,685	20,977	0	20,977	27,708
30023	Station Trailblazer Signs	StTlbzSgn	130,785	0	130,785	93,938	0	93,938	36,847
30025	Shirlington Bus Station	ShrBusStn	7,000	0	7,000	6,799	0	6,799	201
30026	Cycle-Safe Disassembl&Reinstal	CycleSafe	25,000	0	25,000	11,737	0	11,737	13,263
30028	Construction Drawings & Hdwe	ConsDrwHdw	49,500	0	49,500	49,500	0	49,500	0
30029	Georgetown Streetscape	GtownStr	1,454,994	0	1,454,994	1,411,858	0	1,411,858	43,136
30032	6000 Rail Car Procurement	6000RalCar	105,120,137	14,438,014	119,558,151	63,247,882	0	63,247,882	56,310,269

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30033	National Airport Mezz/Cnpy	NtlArpt	9,404,369	0	9,404,369	9,010,158	0	9,010,158	394,211
30034	DC Arena	DCArena	2,178,306	0	2,178,306	2,150,946	0	2,150,946	27,360
30035	Blue Line Largo Town Center	LargoExt	10,756,512	0	10,756,512	10,198,009	0	10,198,009	558,503
30037	Potomac Yard Station	PotomacYd	200,752	0	200,752	187,103	0	187,103	13,648
30038	Silver Spring Transit Center	SilSpgCtr	216,863	0	216,863	216,863	0	216,863	0
30039	King Street Platform Ext.	KingStrEnt	13,372,791	0	13,372,791	12,566,075	(140,906)	12,425,169	947,622
30040	New DC Convention Center	DCConvCtr	30,099,624	41,097	30,140,722	29,822,056	0	29,822,056	318,665
30041	DC Station Enhancements	DCStatEnh	430,180	0	430,180	429,483	0	429,483	697
30042	MD Station Enhancements	MDStatEnh	514,390	0	514,390	296,439	0	296,439	217,951
30043	MD Bike Lockers	MDBikeLock	399,463	0	399,463	379,555	0	379,555	19,908
30047	Glenmont Parking Garage	GlenPkGarg	600,000	0	600,000	208,846	0	208,846	391,154
30048	Arlngton Cap Prjcts Pgrm Admn	ArlCapAdmn	637,500	150,000	787,500	687,099	0	687,099	100,401
30049	Shirlington Bus Trf Facility	ShirBusFac	0	277,040	277,040	0	0	0	277,040
30050	Clarendon Cnpy&Metro Pk Improv	ClarStnImp	33,000	0	33,000	9,118	0	9,118	23,882
30051	Ballston Station Mezz & Entr	BallStnImp	12,283,366	189,733	12,473,099	10,568,427	(266,933)	10,301,495	2,171,604
30052	W. Falls Church Parking Garage	WFChPkGarg	14,571,280	57,535	14,628,815	12,919,180	(25,000)	12,894,180	1,734,635
30054	Huntington Station Pkg Garage	HuntPkGarg	0	6,000,000	6,000,000	0	0	0	6,000,000
30055	Vienna Parking Study/Garage	VienPkGarg	27,136,091	0	27,136,091	26,162,291	0	26,162,291	973,800
30056	Dulles Corridor Study/PE	DullesExt	10,665,000	2,400,000	13,065,000	12,350,393	0	12,350,393	714,607
30057	White Flint Parking Garage	WhFltPkGar	15,942,774	0	15,942,774	15,942,774	(60,000)	15,882,773	60,000
30058	New York Avenue Rail Station	NwYorkAve	106,105,140	4,048,788	110,153,928	103,200,274	(233,356)	102,966,918	7,187,010
30060	DCDPW	DCDPW	0	0	0	216,000	0	216,000	(216,000)
30061	Fran/Sfield Supp Parking	FrSpgPkGar	13,197,744	291	13,198,035	13,181,130	0	13,181,130	16,906
30062	MD Project Development	MDProjDev	5,324,301	1,068,426	6,392,727	3,756,182	0	3,756,182	2,636,545
30063	Regional Bus Study	RegBusStdy	299,347	0	299,347	299,347	0	299,347	0
30064	DC Project Development	DCProjDev	5,571,552	1,095,188	6,666,740	4,326,397	(200)	4,326,197	2,340,543
30065	VA Project Development	VAProjDev	4,095,451	936,390	5,031,841	3,812,428	0	3,812,428	1,219,413
30067	Alexandria Yard Expansion	Alex Yard	0	200,000	200,000	69,892	0	69,892	130,108
30069	Arlington Grants Interest	Arl. Int.	0	54,532	54,532	0	0	0	54,532
			14,418,989,461	137,297,837	14,556,287,297	14,292,715,152	(28,444,869)	14,264,270,283	292,017,015