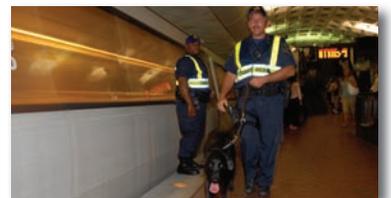


# Comprehensive Annual Financial Report

for the fiscal year ended  
June 30, 2010

Washington, D.C.





Washington Metropolitan Area Transit Authority  
Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2010  
Washington, D.C.

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



R E B U I L D I N G   T H E   F O U N D A T I O N

**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2010**

**Table of Contents**

**SECTION ONE - INTRODUCTORY**

(Unaudited)

<b>Letter of Transmittal</b>	1
<b>Board of Directors</b>	5
<b>General Manager's Executive Leadership Team</b>	6
<b>Organizational Chart</b>	7
<b>Certificate of Achievement for Excellence in Financial Reporting</b>	8

**SECTION TWO - FINANCIAL**

<b>Independent Auditor's Report</b>	9
<b>Management's Discussion and Analysis</b>	11
<b>Financial Statements:</b>	
Statements of Net Assets	21
Statements of Revenues, Expenses and Changes in Net Assets	23
Statements of Cash Flows	24
Notes to Basic Financial Statements	26
<b>Required Supplementary Information</b>	
Schedules of Funding Progress – Pension Plans	61
Schedules of Funding Progress – Postemployment Benefits Other than Pensions	62

**SECTION THREE - STATISTICAL**

(Unaudited)

<b>Net Assets by Component</b>	63
<b>Changes in Net Assets</b>	64
<b>Revenue Base</b>	65
<b>Passenger Fare Structure</b>	66
<b>Ratios of Outstanding Debt by Type</b>	67
<b>Pledged-Revenue Coverage</b>	68
<b>Major Private Employers and Demographic Statistics</b>	69
<b>Authorized Employee Positions</b>	70
<b>Operating Indicators</b>	71

**SECTION ONE – INTRODUCTORY (Unaudited)**

**Letter of Transmittal**

**Board of Directors**

**General Manager’s Executive Leadership Team**

**Organizational Chart**

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



December 21, 2010

Chairman and Members of the Board of Directors:

We are submitting the Comprehensive Annual Financial Report (CAFR) of the Washington Metropolitan Area Transit Authority (Authority) for the fiscal year ended June 30, 2010 prepared by the Authority's Office of Accounting.

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

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

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

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

**Washington  
Metropolitan Area  
Transit Authority**

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

[www.metroopensdoors.com](http://www.metroopensdoors.com)

*A District of Columbia,  
Maryland and Virginia  
Transit Partnership*

## **Profile of the Authority**

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

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

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

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

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

### **Organizational Structure**

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

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

### **Budget**

The Authority's annual budget serves as the foundation for its financial planning and control. The GM and staff prepare and submit the budget to the Board for approval. The annual budget consists of two budgets: an operating budget and a capital budget.

For fiscal year 2010, the Authority had an approved annual budget of approximately \$2.10 billion with the largest portion, \$1.36 billion, including debt service, dedicated to operating the system. The budget contained approximately 10,800 authorized staff positions.

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

## **Economic Condition**

### **Local Economy**

Located in the nation's capital, the Authority's operations are influenced by the economic conditions of the District of Columbia (DC), and the surrounding jurisdictions of Maryland and Virginia.

During fiscal year 2010, the region continued to experience a loss of private sector jobs, with significant losses in retail sector jobs. By the third quarter of the fiscal year, the DC unemployment rate increased to 11.8 percent compared to 8.8 percent during the same period the prior year, directly impacting bus and rail ridership. Economic insecurity throughout United States resulted in decreased tourists visiting the DC area, which also impacts rail ridership (Moody's Analytics September 2010). Rail and bus capacity and ridership were also impacted by two large snowstorms that occurred in December and February, resulting in limited services for multiple days.

Current economic indicators are mixed. While the impact of the recession is lessened by the presence of the federal government, the unemployment rate will continue to impact the region's economy and Authority's ridership. According to Moody's Analytics, September 2010, the federal government - and spending - is anticipated to contract slightly. Overall unemployment is projected to stagnate this year, improving slowly in 2012; not falling below nine percent until late in fiscal year 2013. Tourism began to rebound during the fourth quarter of the fiscal year 2010, but increases will likely be gradual and uneven during the next two fiscal years due to weakening in the national recovery of the recession.

## **Long-term Financial Planning**

### **Capital Improvement Program**

The Authority and the local jurisdictions developed and executed a formal long-range comprehensive funding agreement for capital improvements, commonly known as "Capital Improvement Program". This is the first year of the six-year capital funding agreement. The current version of the Capital Improvements Program will expire on June 30, 2016. The Capital Improvement Program uses an expenditure based funding strategy and has the following nine main components:

- Vehicle/ Vehicle Parts: including rehabilitation, replacement and fleet expansion of rail cars, buses, and other vehicles;
- Rail System Infrastructure Rehabilitation: including rehabilitation of three main rail line segments;
- Maintenance Facilities: including maintenance of bus and rail facilities, and replacement of three bus garages;
- Systems and Technology: including power system upgrades for rail and operations support software;
- Track and Structures: including rehabilitation of tracks and mitigation of tunnel leaks;
- Passenger Facilities: including rehabilitation of elevator and escalator facilities and rail stations;
- Maintenance Equipment: including implementation of NTSB recommendations and track maintenance equipment;
- Other Facilities: including renovations of business support facilities; and
- Project Management and Support.

### **American Recovery and Reinvestment Act of 2009**

The Authority has received a commitment of nearly \$202 million from the American Recovery and Reinvestment Act of 2009 to fund 29 projects, of which approximately \$150 million is unexpended for use in fiscal year 2011. The Authority's projects are focused on stimulating the local and national economy by creating jobs and building a stronger regional transit system. All of the projects

are linked to the Authority's strategic goals of ensuring safety, delivering quality service, improving reliability and using resources wisely.

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

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

### **Awards and Acknowledgements**

#### **Award**

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

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate) to the Authority for its CAFR for the fiscal year ended June 30, 2009. The Authority has received this prestigious award for twenty-three consecutive years.

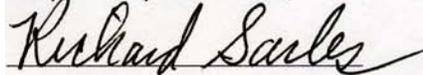
In order to be awarded a Certificate the Authority had to publish an easily readable and efficiently organized CAFR. The content of the CAFR had to satisfy both generally accepted accounting principles and applicable legal requirements.

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

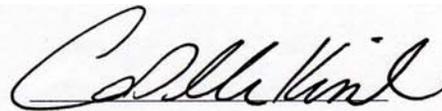
#### **Acknowledgement**

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

Respectfully submitted,



Richard R. Sarles  
Interim General Manager



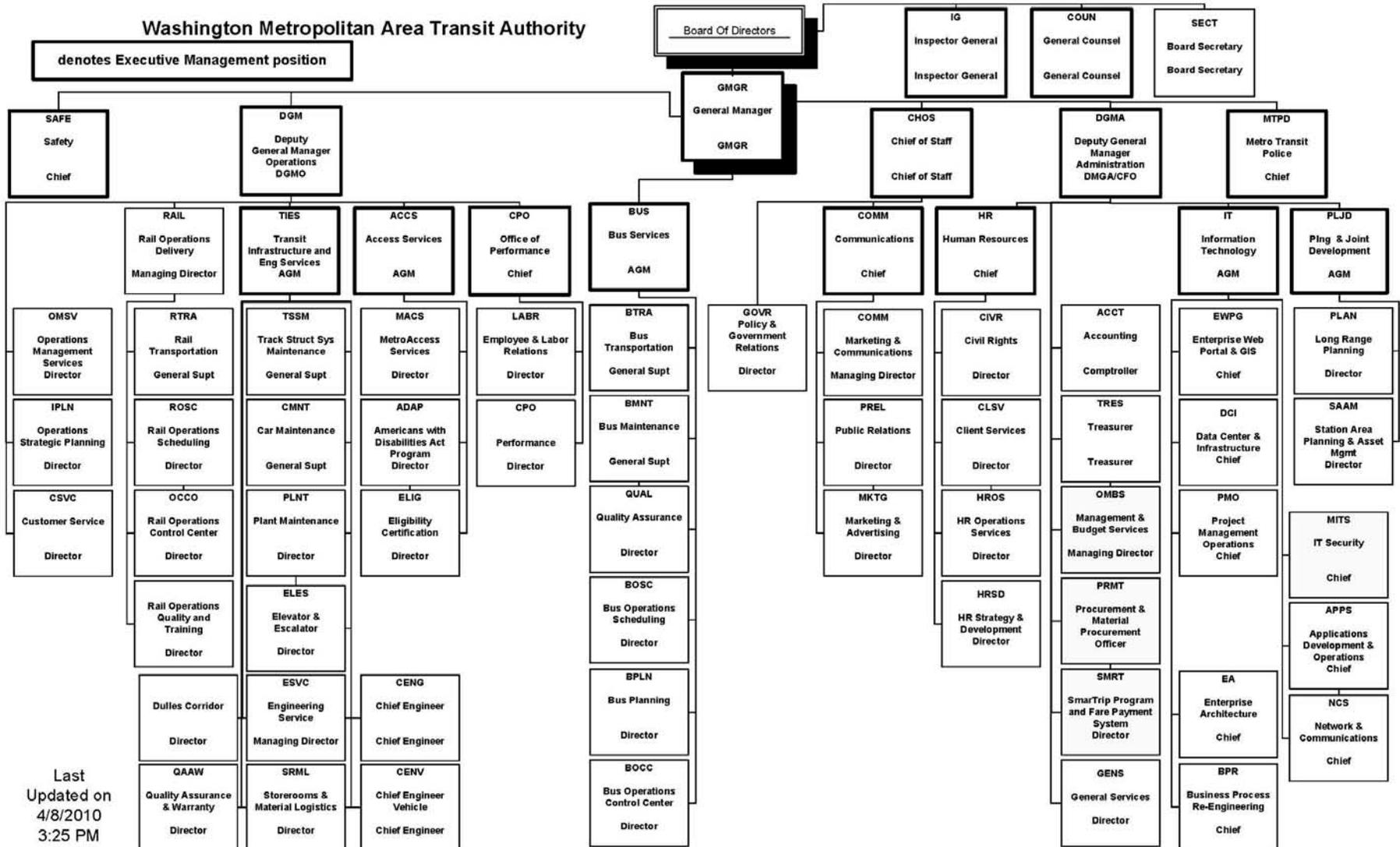
Carol Dillon Kissal  
Deputy General Manager,  
Administration and  
Chief Financial Officer

**Board of Directors**

Chairman	Peter Benjamin Maryland
Vice-Chairman	Catherine Hudgins Virginia
Second Vice-Chairman	Neil Albert District of Columbia
Directors	Jim Graham District of Columbia
	Mortimer L. Downey Federal Government
	Elizabeth M. Hewlett Maryland
	Christopher Zimmerman Virginia
Alternate Directors	Anthony R. Giancola District of Columbia
	Marcel C. Acosta Federal Government
	Gordon Linton Maryland
	Jeffrey C. McKay. Virginia
	Michael A. Brown District of Columbia
	Marcell Solomon Maryland
	William D. Euille Virginia

**General Manager's Executive Leadership Team**

Interim General Manager	Richard R. Sarles
Chief of Staff	Shiva Pant
Chief Human Resources Officer	Gary Baldwin
Assistant General Manager, Planning and Joint Development	Nat Bottigheimer
Chief Performance Officer	Andrea Burnside
Chief Safety Officer	James Dougherty
Assistant General Manager, Access Service	Christian T. Kent
Deputy General Manager, Administration and Chief Financial Officer	Carol D. Kissal
Deputy General Manager, Operation	Dave Kubicek (Acting)
Assistant General Manager, Infrastructure and Engineering Services	Dave J. Kubicek
Inspector General	Helen Lew
General Counsel	Carol B. O'Keeffe
Assistance General Manager, Information Technology	Suzanne Peck
Assistant General Manager, Bus Services	John P. Requa
Assistance General Manager, Customer Service, Communication and Marketing	Barbara Richardson
Chief, Metro Transit Police Dept	Michael A. Taborn



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

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

For its Comprehensive Annual  
Financial Report

for the Fiscal Year Ended

June 30, 2009

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



  
Jeffrey R. Emer

This Page Intentionally Left Blank

**SECTION TWO - FINANCIAL**

**Independent Auditor's Report**

**Management's Discussion and Analysis**

**Financial Statements:**

Statement of Net Assets

Statements of Revenues, Expenses, and Changes in Net Assets

Statements of Cash Flows

Notes to Basic Financial Statements

**Required Supplementary Information:**

Schedules of Funding Progress – Pension Plans

Schedules of Funding Progress – Postemployment Benefits Other than Pensions

## Independent Auditor's Report

To the Board of Directors  
Washington Metropolitan Area Transit Authority

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets of Washington Metropolitan Area Transit Authority (Authority) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not jointly audit the financial statements of the pension plans of the Authority. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for those pension plans, is based solely on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010 and 2009, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

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

The Management's Discussion and Analysis and Required Supplementary Information on pages 11 through 20 and 61 and 62 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Clifton Henderson LLP*

Calverton, Maryland  
October 19, 2010

## Management's Discussion and Analysis

As management of the Washington Metropolitan Area Transit Authority (Authority), we offer readers of the basic financial statements this overview and analysis of the financial activities of the Authority as of June 30, 2010, 2009 and 2008 and for the years then ended June 30, 2010, 2009 and 2008. 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 2010 Financial Highlights

- Net assets increased by \$121.6 million or 1.5 percent due primarily to increased capital contributions.
- Capital assets before depreciation and amortization increased by \$382.7 million, largely attributable to hybrid electric bus purchases, power distribution equipment, rail equipment, service vehicles and station, track and tunnel rehabilitation. Capital contributions were \$680.2 million, including funding from the American Recovery Reinvestment Act.
- Current liabilities increased by \$77.5 million or 14.4 percent, due mostly to deferred revenue and the current portion of obligations under lease agreements.
- Operating revenues decreased by \$17.5 million or 2.3 percent, due to a decrease in passenger revenues, which can be attributed to the decline in passenger trips, in particular during the winter blizzards that forced closure of the federal government and many businesses in the region.
- Operating expenses increased by \$99.9 million or 5.2 percent, due primarily to an increase in wages, pensions and medical benefit costs. In addition, the continuous growth of the Authority's paratransit service and an increase in clean natural gas costs attributable to operating more clean natural gas vehicles contributed to this increase in expenses.

### Overview of the Basic Financial Statements

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

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

The Authority's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the 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 21-25 of this report.

## Management's Discussion and Analysis

### Overview of the Basic Financial Statements (Continued)

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 26-60 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits and other post employment benefits (OPEB) to its employees. Required supplementary information can be found on pages 61-62 of this report.

### Financial Analysis

#### Statements of Net Assets

As noted earlier, net assets may serve over time as an indicator of the Authority's financial position. This is only one measure; however, the reader should consider other indicators, such as the age and condition of the Authority's three-decade old system, as well as its need for increasing operating subsidies and ridership levels. The following table provides an overview of the Authority's financial position for the years ended June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$1,863,345	\$1,789,547	\$2,175,759
Capital assets	8,071,783	8,107,460	8,193,220
Total assets	<u>9,935,128</u>	<u>9,897,007</u>	<u>10,368,979</u>
Current liabilities	614,557	537,094	969,625
Noncurrent liabilities	1,250,618	1,411,518	1,544,510
Total liabilities	<u>1,865,175</u>	<u>1,948,612</u>	<u>2,514,135</u>
Net assets:			
Investment in capital assets, net of related debt	7,772,110	7,636,661	7,643,846
Restricted			
Net Pension Assets	153,143	161,321	172,651
Capital Projects	135,985	131,026	32,766
Other	8,715	19,387	5,582
Total net assets	<u>\$ 8,069,953</u>	<u>\$ 7,948,395</u>	<u>\$ 7,854,844</u>

### Current Year

Net assets increased by \$121.6 million or 1.5 percent due primarily to increased capital contributions.

---

## Management's Discussion and Analysis

### Statements of Net Assets (Continued)

#### Current Year (Continued)

The largest portion of the Authority's net assets, \$7.7 billion or 96.3 percent, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to acquire those assets. The Authority uses these capital assets to provide public transportation services for the metropolitan area. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's net assets, \$297.8 million or 3.7 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include net pension assets, advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets before depreciation and amortization increased by \$382.7 million, largely attributable to purchase of new hybrid electric bus, power distribution equipment, rail equipment, service vehicles and station, track and tunnel rehabilitation. Capital contributions were \$680.2 million, including funding from the American Recovery Reinvestment Act.

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

#### Prior Year

Net assets increased by \$93.6 million or 1.2 percent due primarily to increased capital contributions.

The largest portion of the Authority's net assets, \$7.6 billion or 96.2 percent, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to acquire those assets. The Authority uses these capital assets to provide public transportation services for the metropolitan area. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's net assets, \$306.0 million or 3.8 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net assets include advance contributions for future construction, reimbursable projects and other targeted programs.

Capital assets before depreciation and amortization increased by \$323.6 million, largely attributable to new rail car purchases, clean natural gas bus purchases, facilities enhancements, and rail rehabilitation. Capital contributions were \$578.3 million.

Current liabilities decreased by \$432.5 million or 44.6 percent, decrease due to the repayment of the line of credit debt and replacement of commercial paper, with long-term bonds. In addition as of June 30, 2009 five of the sixteen rail car leasing transactions were terminated reducing both assets and liabilities, but with minimal cost to the Authority.

## 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, 2010, 2009 and 2008**  
**(in thousands)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>			
Passenger	\$ 660,319	\$ 683,302	\$ 625,607
Charter and contract	-	255	8,047
Advertising	42,104	38,319	35,296
Rental	24,161	22,179	20,451
Other	1,248	1,248	1,171
Total operating revenues	<u>727,832</u>	<u>745,303</u>	<u>690,572</u>
<b>NONOPERATING REVENUES</b>			
Investment income	1,578	2,494	5,068
Interest income from leasing transactions	40,114	52,430	80,802
Other	34,321	20,000	16,328
Total nonoperating revenues	<u>76,013</u>	<u>74,924</u>	<u>102,198</u>
Total revenues	<u>803,845</u>	<u>820,227</u>	<u>792,770</u>
<b>OPERATING EXPENSES</b>			
Labor	592,842	587,175	571,589
Fringe benefits	501,450	471,173	415,453
Services	188,713	170,336	143,816
Materials and supplies	139,817	117,559	148,467
Utilities	94,284	110,635	84,725
Casualty and liability costs	14,015	16,132	23,445
Leases and rentals	3,355	3,106	2,349
Miscellaneous	3,724	3,581	1,211
Depreciation and amortization	466,745	425,350	412,341
Total operating expenses	<u>2,004,945</u>	<u>1,905,047</u>	<u>1,803,396</u>
<b>NONOPERATING EXPENSES</b>			
Interest expense	59,694	61,473	90,335
Total expenses	<u>2,064,639</u>	<u>1,966,520</u>	<u>1,893,731</u>
Loss before capital grants/subsidies	(1,260,794)	(1,146,293)	(1,100,961)
Jurisdictional subsidies:			
Operations	682,545	654,293	610,001
Interest	19,580	7,245	7,654
Capital contributions	680,227	578,306	252,239
Change in net assets	<u>121,558</u>	<u>93,551</u>	<u>(231,067)</u>
Net assets, beginning of year	7,948,395	7,854,844	8,105,662
Adjustment to restate	-	-	(19,751)
Net assets, beginning of year	<u>7,948,395</u>	<u>7,854,844</u>	<u>8,085,911</u>
Net assets, ending of year	<u>\$ 8,069,953</u>	<u>\$ 7,948,395</u>	<u>\$ 7,854,844</u>

Management’s Discussion and Analysis

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

Revenues

Current Year

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

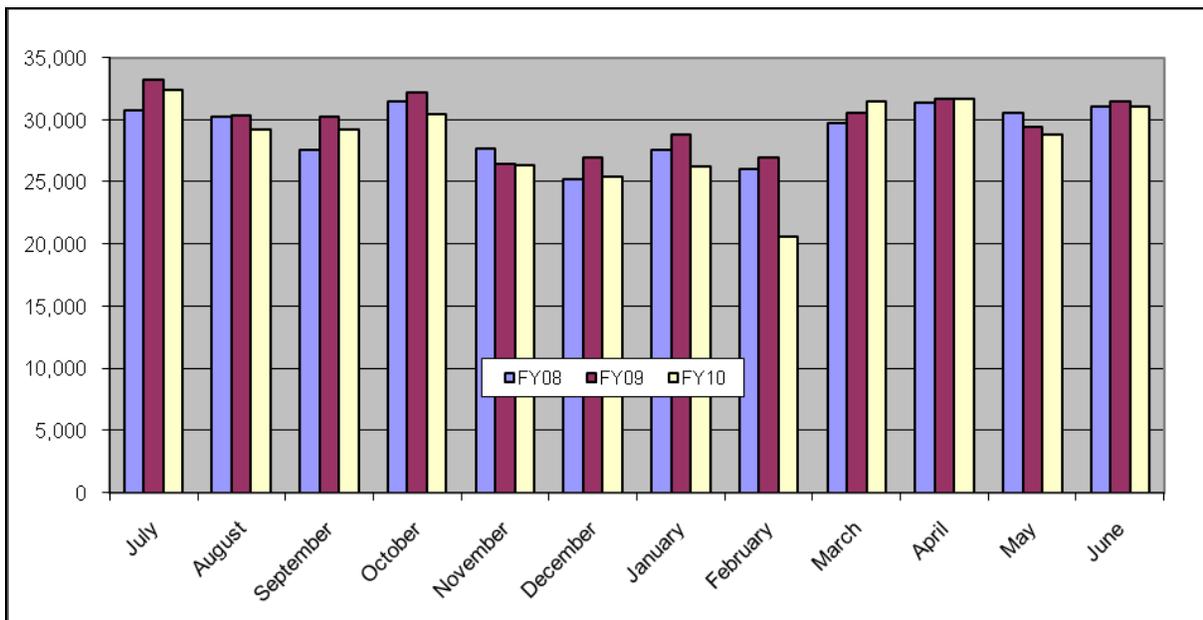
Passenger revenue, a significant portion of the Authority’s operating revenues, decreased by \$23.0 million or 3.4 percent. The decrease can be attributed to the decline in passenger trips, in particular during the winter blizzards that forced closure of the federal government and many businesses in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

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

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

Passenger trips for the last three years are shown below:

Passenger Trips  
(in thousands)

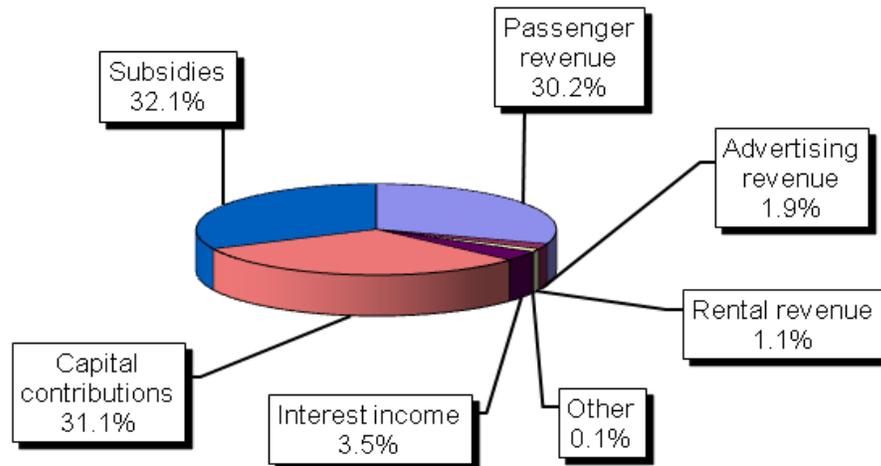


## Management's Discussion and Analysis

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

## Revenues (Continued)

## Fiscal Year 2010 Revenues

**Prior Year**

Total revenues for fiscal year 2009 totaled \$820.2 million. Operating revenues, which include passenger revenue, totaled \$745.3 million, an increase of \$54.7 million or 7.9 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by \$57.7 million or 9.2 percent. The increase can be attributed to a mid-year fare increase effective January 2008 as well as higher ridership, which reached record levels in fiscal year 2009.

Metrorail ridership climbed to a record level of over 222.9 million annual trips for an increase of 3.7 percent. Metrobus ridership grew to 133.8 million annual trips resulting in an increase of 0.8 percent. National capital events, such as the 2009 Presidential Inauguration, which set historic ridership records, the Independence Day Celebration, the Cherry Blossom Festival, and regional professional sporting events contributed to the increase in passenger revenue and ridership.

A strong regional economy and the Authority's ability to attract and retain riders for the first three quarters of fiscal year 2009 contributed to higher transit usage. The effects of a weaker regional economy and the June 22, 2009 rail car accident negatively impacted the fourth quarter.

Management’s Discussion and Analysis

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

Expenses

Current Year

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

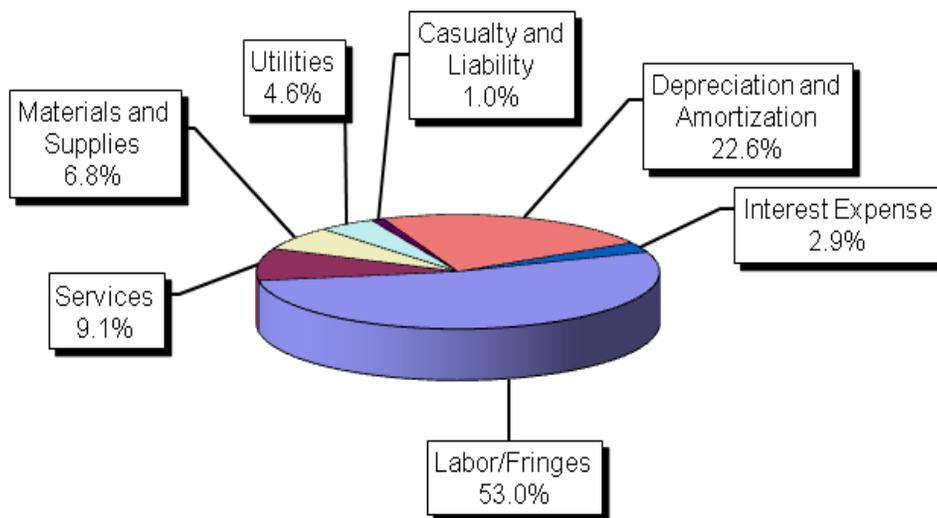
Salaries and benefits increased by \$35.9 million or 3.4 percent. Salaries and benefits were influenced by increases in wages, pension, and medical benefit costs.

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

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

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

**Fiscal Year 2010 Expenses**



## Management's Discussion and Analysis

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

#### Expenses (Continued)

##### Prior Year

Total expenses remained relatively flat at \$1.9 billion in fiscal year 2009 when compared to prior fiscal year 2008. Operating expenses of \$101.7 million or 5.6 percent partially offset by a decrease in interest expense. A review of significant changes is described below.

Salaries and benefits increased by \$71.3 million or 7.2 percent. Salaries and benefits were influenced by increases in wages, pension plan contributions, an adjustment to workers compensation claims reserves, investments in risk and safety assessments.

Services increased by \$26.5 million or 18.4 percent. Service expenses were \$170.3 million as compared to fiscal year 2008 with costs of \$143.8 million. The rise in costs was primarily driven by the increased usage of MetroAccess, and the Authority wide upgrade of computer equipment and operating system platforms.

Materials and supplies decreased by \$30.9 million or 20.8 percent. The Authority was able to better manage cost due to significant outlays last year to restock bus supplies, propulsion parts and PC equipment and replace obsolete inventory.

Utilities increased by \$25.9 million or 30.6 percent, due to increased propulsion usage to operate eight-car passenger trains and an increase in electricity rates.

Interest expense decreased \$28.9 million reflecting the termination of the five rail car leasing transactions.

#### Capital Assets and Debt Administration

The following table shows the capital assets of the Authority:

**Table 3**  
**Schedules of Capital Assets**  
**June 30, 2010, 2009 and 2008**  
**(in thousands)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 447,314	\$ 447,314	\$ 448,586
Buildings and improvements	657,866	644,753	611,867
Transit facilities	7,531,417	7,463,111	7,365,743
Revenue vehicles	2,419,188	2,347,628	2,212,266
Other equipment	2,203,974	1,985,175	1,832,165
Construction in progress	179,837	168,965	262,685
Intangible costs	1,199,067	1,199,067	1,199,067
	<u>14,638,663</u>	<u>14,256,013</u>	<u>13,932,379</u>
Less accumulated depreciation and amortization	6,566,880	6,148,553	5,739,159
Net capital assets	<u>\$ 8,071,783</u>	<u>\$ 8,107,460</u>	<u>\$ 8,193,220</u>

## Management's Discussion and Analysis

### Capital Assets and Debt Administration (Continued)

#### Capital Assets

##### Current Year

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

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

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

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

Other equipment increased by \$218.8 million or 11.0 percent. This increase can be attributed to the acquisition of power distribution equipment, rail equipment and service vehicles.

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

##### Prior Year

The Authority's net capital asset balance was \$8,107.5 million (net of accumulated depreciation and amortization) as of June 30, 2009, a decrease of \$85.8 or 1.0 percent. Capital assets before depreciation and amortization increased by \$323.6 million as described below.

Buildings and Improvements increased by \$32.9 million or 5.4 percent as a result of rehabilitation activities.

Transit facilities increased by \$97.4 million or 1.3 percent as a result of the completion of the West Ox bus garage and rehabilitation costs.

Revenue vehicles increased by \$135.4 million or 6.1 percent, as a result of placing new rail cars and clean natural gas bus transportation vehicles into service. In addition, costs associated with railcar rehabilitation also contributed to the increase.

Other equipment increased by \$153.0 million or 8.4 percent. This increase can be attributed to the acquisition of service vehicles and maintenance shop equipment. In addition, rehabilitation costs associated with power distribution facilities, passenger stations, and revenue vehicle control equipment contributed to the increase.

## Management's Discussion and Analysis

### **Future Capital Plans**

On June 24, 2010, the Authority's Board of Directors approved a six-year, \$5.0 billion funding agreement with its jurisdictional partners. The previous six-year agreement expired on June 30, 2010. The new agreement will allow the Authority to enter into multi-year agreements to procure new rail cars to replace the oldest cars in the fleets, advance safety initiatives, replace deteriorated or damaged track, repair cracks and leaks in stations and tunnels, replace obsolete communications and train control equipment, and perform general building maintenance at many Authority facilities. As part of the agreement, the Authority will update the jurisdictions and the Board of Directors quarterly about the progress of the capital program. Each year, the Board of Directors will be asked to approve a new six-year plan.

### **Bonds and Other Debt**

The Authority's total outstanding bond debt as of June 30, 2010 and 2009 was \$406.9 million and \$435.9 million, respectively. By insuring some of its bonds, the Authority had obtained at the time of issuance, AAA rating from Standard and Poor's for those issuances. The bonds' uninsured rating is A from Standard and Poor's and Aa3 by Moody's.

Additional information on the Authority's bonds and other debt can be found in note 6 on pages 37-40 of this report.

### **Lease Obligations**

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

### **Economic Factors**

Employment in the Washington, D.C. metropolitan area, although performing better than the national average, felt the impact of the economic downturn. According to the U.S. Department of Labor, Bureau of Labor Statistics, the employed labor force remained flat at 2.8 million as June 30, 2010. The regional unemployment rate of 6.3 percent compares favorably with the national unemployment rate of 9.5 percent at June 2010. The region is the seat of the federal government, which accounts for more than 30.0 percent of the region's economy, according to George Mason University Center for Regional Analysis.

### **Requests for Information**

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

## Statements of Net Assets

June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash and deposits (note 3)	\$ 172,593	\$ 190,478
Investments (note 3)	128,880	164,088
Contributions receivable (note 4)	416,674	131,549
Accounts receivable and other assets (net of uncollectible accounts of \$.02 million in 2010 and \$.08 million in 2009)	61,144	38,011
Current portion of prefunded lease commitments (note 11)	111,811	83,543
Materials and supplies inventory (net of allowance of \$3,000 in 2010 and \$4,641 in 2009)	89,966	95,092
Total current assets	<u>981,068</u>	<u>702,761</u>
Noncurrent assets:		
Long-term portion of contributions receivable (note 4)	170,191	168,890
Net pension asset (note 8)	153,143	161,321
Prefunded lease commitments, net of current portion (notes 11 and 12)	558,943	756,575
Capital assets (note 5):		
Construction in progress	179,837	168,965
Land	447,314	447,314
Transit facilities and equipment, net	7,444,632	7,491,181
Total noncurrent assets	<u>8,954,060</u>	<u>9,194,246</u>
Total assets	<u>\$ 9,935,128</u>	<u>\$ 9,897,007</u>

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

## Statements of Net Assets (Continued)

June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 220,431	\$ 214,825
Accrued salaries and benefits	100,115	91,444
Accrued interest payable	10,363	3,984
Deferred revenue	73,014	60,305
Current portion of estimated liability for injury and damage claims (notes 10 and 12)	53,907	47,462
Current portion of retainage on contracts (note 12)	4,928	2,437
Current portion of deferred lease revenue (note 12)	2,694	3,401
Current portion of bonds payable and other debt (notes 6 and 12)	37,294	29,693
Current portion of obligations under lease agreements (notes 11 and 12)	111,811	83,543
Total current liabilities	<u>614,557</u>	<u>537,094</u>
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 10 and 12)	76,042	78,681
Retainage on contracts (note 12)	17,354	26,927
Deferred lease revenue (note 12)	18,061	24,504
Bonds payable and other debt (notes 6 and 12)	369,641	406,178
Obligations under lease agreements (notes 11 and 12)	558,943	756,575
Unfunded OPEB Liability (note 9)	210,577	118,653
Total noncurrent liabilities	<u>1,250,618</u>	<u>1,411,518</u>
Total liabilities	<u>1,865,175</u>	<u>1,948,612</u>
Commitments and contingencies (notes 8, 9, 10 and 11)		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,772,110	7,636,661
Restricted		
Net Pension Assets	153,143	161,321
Capital Projects	135,985	131,026
Other	8,715	19,387
Total net assets	<u>\$ 8,069,953</u>	<u>\$ 7,948,395</u>

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

## Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Passenger	\$ 660,319	\$ 683,302
Charter and contract	-	255
Advertising	42,104	38,319
Rental	24,161	22,179
Other	1,248	1,248
Total operating revenues	<u>727,832</u>	<u>745,303</u>
<b>OPERATING EXPENSES</b>		
Labor	592,842	587,175
Fringe benefits	501,450	471,173
Services	188,713	170,336
Materials and supplies	139,817	117,559
Utilities	94,284	110,635
Casualty and liability costs	14,015	16,132
Leases and rentals	3,355	3,106
Miscellaneous	3,724	3,581
Depreciation and amortization	466,745	425,350
Total operating expenses	<u>2,004,945</u>	<u>1,905,047</u>
Operating loss	<u>(1,277,113)</u>	<u>(1,159,744)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	1,578	2,494
Interest income from leasing transactions	40,114	52,430
Interest expense from leasing transactions	(40,114)	(52,430)
Interest expense	(19,580)	(9,043)
Other	34,321	20,000
Jurisdiction subsidies:		
Operations	682,545	654,293
Interest	19,580	7,245
Total nonoperating revenues (expenses), net	<u>718,444</u>	<u>674,989</u>
Loss before capital contributions	<u>(558,669)</u>	<u>(484,755)</u>
Revenue from capital contributions	<u>680,227</u>	<u>578,306</u>
Change in net assets	121,558	93,551
Total net assets, beginning of year	7,948,395	7,854,844
Total net assets, ending of year	<u>\$ 8,069,953</u>	<u>\$ 7,948,395</u>

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

## Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ 717,407	\$ 751,202
Cash paid to suppliers	(426,241)	(407,012)
Cash paid to employees	(985,519)	(977,163)
Cash paid for operating claims	(10,210)	(1,514)
<b>Net cash used in operating activities</b>	<u>(704,563)</u>	<u>(634,487)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from jurisdictional subsidies	<u>630,712</u>	<u>595,098</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Construction of capital assets	(430,427)	(340,022)
Capital contributions	437,849	553,798
Interest paid on bonds and other debt	(13,201)	(9,687)
Principal paid on bonds, commercial paper and other debt	(27,815)	(4,670,581)
Proceeds from commercial paper and other debt	-	4,584,115
Interest subsidy for revenue bonds	19,580	7,245
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(14,014)</u>	<u>124,868</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	5,146,015	15,891,411
Purchases of investments	(5,110,635)	(15,821,697)
Interest received from operational investments	<u>34,600</u>	<u>21,615</u>
<b>Net cash provided by investing activities</b>	<u>69,980</u>	<u>91,329</u>
Net change in cash and deposits	(17,885)	176,808
Cash and deposits, beginning of year	<u>190,478</u>	<u>13,670</u>
Cash and deposits, end of year	<u>\$ 172,593</u>	<u>\$ 190,478</u>

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

## Statements of Cash Flows (Continued)

For the Years Ended June 30, 2010 and 2009

(in thousands)

	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (1,277,113)	\$ (1,159,744)
Adjustments to reconcile operating loss to net cash used in Operating activities:		
Depreciation and amortization expense	466,745	425,350
Effect of changes in operating assets and liabilities		
(Increase) decrease in accounts receivables (net) and other assets	(23,134)	14,803
(Increase) decrease in materials and supplies inventory	5,126	(6,676)
(Increase) decrease in net pension asset	8,178	11,330
Increase (decrease) in accounts payable and accrued expenses	5,607	7,657
Increase (decrease) in accrued salaries and benefits	8,671	10,448
Increase (decrease) in deferred revenue	12,709	(8,904)
Increase (decrease) in estimated liability for injury and damage claims	3,806	14,618
Increase (decrease) in retainage on contracts	(7,082)	(2,775)
Increase (decrease) in OPEB obligation	91,924	59,406
Total adjustments	<u>572,550</u>	<u>525,257</u>
Net cash used in operating activities	<u>\$ (704,563)</u>	<u>\$ (634,487)</u>
 <b>Noncash operating, investing, capital and financing activities:</b>		
Increase (decrease) in fair value of investments	<u>\$ 1,406</u>	<u>\$ 1,127</u>
Interest expense from leasing transaction	<u>\$ (40,114)</u>	<u>\$ (52,430)</u>
Interest income from leasing transaction	<u>\$ 40,114</u>	<u>\$ 52,430</u>

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

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(1) Summary of Significant Accounting Policies**

**(a) Organization**

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

The Authority is governed by a Board of eight voting Directors and eight alternate Directors from each signatory to the compact and from the Federal government. The Directors and Alternates for Virginia are appointed by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the City Council from among its members and mayoral nominees; and, for Maryland, by the Washington Suburban Transit Commission from among its members.

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

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

**(b) Financial Reporting Entity**

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

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

---

**Notes to Basic Financial Statements**  
**June 30, 2010 and 2009**

**(1) Summary of Significant Accounting Policies (Continued)**

**(b) Financial Reporting Entity (Continued)**

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

**(c) Basis of Accounting**

The Authority prepares its basic financial statements using the accrual basis of accounting. The activities of the Authority are similar to those of proprietary funds of local jurisdictions, and, are therefore, reported in conformity with governmental accounting and financial reporting principles issued by GASB. The Authority records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of the cash flows. Revenues collected in advance are deferred until the period in which it is earned. The Authority applies all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The government has elected not to follow subsequent private sector guidance.

**(d) Receivables and Payables**

The major components of the accounts receivable balance are payments due from governmental agencies (73.9 percent), companies (25.7 percent) and other receivables (0.4 percent).

The major components of the accounts payable balance are payments due to vendors and contractors (64.8 percent), governmental agencies (30.0 percent) and other payables (5.2 percent).

**(e) Revenues and Expenses**

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

Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, or investing activities, and expenses contributed to pension plans administered by the Authority.

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

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(1) Summary of Significant Accounting Policies (Continued)**

**(f) Investments**

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

**(g) Materials and Supplies Inventory**

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

**(h) Transit Facilities and Equipment**

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

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

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

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

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

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

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

**(i) Grants**

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

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

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(1) Summary of Significant Accounting Policies (Continued)**

**(i) Grants (Continued)**

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

**(j) Investment Income**

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

**(k) Restricted Net Assets**

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

**(l) 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 and amounts due to the Authority are included in "Accounts receivable and other assets" and amounts owed by the Authority are included in "Accounts payable and accrued expenses".

**(m) Use of Estimates**

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

**(n) Recent Pronouncements**

The Authority, in fiscal year 2010, adopted the following GASB Statement:

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, establishes accounting and financial reporting standards for the recognition and classification of intangible assets. The adoption of this GASB Statement had no material effect on the basic financial statements of the Authority.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(1) Summary of Significant Accounting Policies (Continued)**

**(n) Recent Pronouncements (Continued)**

by state and local governments. The adoption of this GASB Statement had no effect on the basic financial statements of the Authority.

GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The adoption of this GASB Statement had no effect on the basic financial statements of the Authority.

GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies, establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The adoption of this GASB Statement had no effect on the basic financial statements of the Authority.

**(o) Tax Status**

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

**(p) Reclassifications**

Certain reclassifications were made to fiscal year 2009 financial statements to conform to the fiscal year 2010 financial statement presentation.

**(2) Plans of Financing**

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

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

Funding of these subsidy payments is authorized by the participating jurisdictions through their budgeting processes. Any subsequent operations funding requirements in excess of the initially budgeted estimates are due two years thereafter, and are included in the accompanying basic financial statements as contributions receivable. Any excess funding up to one percent of operating expenses is held as a contingency to be used as directed by the Board; any amount above the one percent is credited to individual jurisdictional accounts for refund or for use as payment on current or future obligations as determined by the funding jurisdiction.

The Authority's Capital Improvement Program is based on the results of an extensive needs assessment and

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(2) Plans of Financing (Continued)**

the requirement to align resources to rehabilitate the existing systems adequately and to grow ridership. The Authority's capital budget is funded by grants that use federal funds and substantial local contributions provided by participating jurisdictions, in excess of federal match requirements, and the issuance of debt.

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

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

- 1) Direct obligation of, or obligations guaranteed by, the United States;
- 2) Bonds, debentures, notes, or other evidences of indebtedness issued by agencies of the United States;
- 3) Domestic and Eurodollar certificates of deposit;
- 4) Securities that qualify as lawful investments and may be accepted as security for fiduciary, trust and public funds under the control of the United States or any officer or officers thereof or securities eligible as collateral for deposits of monies of the United States; or
- 5) Bonds, debentures, notes or other evidences of indebtedness issued by a domestic corporation provided that such obligations are nonconvertible and at the time of their purchase are rated in the highest rating categories by one or more nationally recognized bond rating agency.

**(a) Cash and Deposits**

The Authority's bank balances as of June 30, 2010 and 2009 are grouped to give an indication of the level of custodial risk assumed by the Authority as follows (in thousands):

	2010		2009	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
<u>Cash and Deposits</u>				
Deposits insured or collateralized	\$ 145,512	\$ 145,460	\$ 169,953	\$ 176,050
Deposits uninsured or uncollateralized	18,490	25,429	10,404	10,404
Total deposits	164,002	170,889	180,357	186,454
Cash on hand	8,591	-	10,121	-
Total cash and deposits	<u>\$ 172,593</u>	<u>\$ 170,889</u>	<u>\$ 190,478</u>	<u>\$ 186,454</u>

The Authority's interest bearing checking account balances are Federal Deposit Insurance Corporation (FDIC) insured up to \$250,000, any excess amounts are secured, at 102 percent, by the pledge of eligible collateral. The depository bank pledges collateral to the Authority, which is held in a restricted account at the Federal Reserve.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

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

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

As of June 30, 2009, the Authority had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>Investment Maturities</u>				
	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>7 Months - 1 Year</u>	<u>1-3 Years</u>	<u>More than 3 Years</u>
Money market funds	\$ 19,600	\$ 19,600	\$ -	\$ -	\$ -
Repurchase agreements	118,301	118,301	-	-	-
United States treasuries	12,408	9,997	-	-	2,411
United States agencies	13,584	2,013	-	2,107	9,464
	<u>163,893</u>	<u>149,911</u>	<u>-</u>	<u>2,107</u>	<u>11,875</u>
Accrued interest	195	195	-	-	-
Total	<u>\$ 164,088</u>	<u>\$ 150,106</u>	<u>\$ -</u>	<u>\$ 2,107</u>	<u>\$ 11,875</u>

**Interest Rate Risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. However, as a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's practice is to structure its investment portfolio maturities to meet cash flow requirements. This results in short term maturities for investments for operations and intermediate maturities for capital projects investments. On average, maturities are less than two years at June 30, 2010 and 2009.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

**Credit Risk**

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

The Authority does not have a formal policy for custodial credit risk, however the Authority selects custodians with at least a AA rating by one or more of the nationally recognized rating organizations: Standard and Poor's, Moody's Investor Service or Fitch Ratings. In the event of failure of the counterparty, the Authority will be able to recover the value of its investments or collateral securities that are in the possession of an agent of the Authority. The Authority is not exposed to custodial risk because all securities are in the Authority's name and held exclusively for the use of the Authority. The custodial risk, in regards to cash, is mitigated up to the FDIC limit.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

Since inception, the Authority has operated at a loss, which has been fully subsidized each year by the participating jurisdictions. For purposes of determining the current year's operating loss to be funded by the local participating jurisdictions, the Authority calculates the results of transit operations on an agreed-upon basis different from that reflected in the Statements of Revenues, Expenses and Changes in Net Assets, as follows at June 30, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Jurisdictional operating subsidy per financial statements	\$ 682,545	\$ 654,293
Add (deduct) operating costs (not) requiring current funding:		
Preventive maintenance subsidy	(41,787)	(20,700)
Prepaid pension cost adjustment	(8,178)	(11,330)
Unrealized gain from investments	1,406	1,127
Agreed-upon funding of employee vacations liability and related taxes	(2,781)	(5,180)
Agreed-upon funding of claims for injuries and damages	1,684	(13,818)
Rail repairable parts	4	58
Reserve contingency application to current year deficit	(19,543)	
Adjustments to operating expenses and interest	219	-
Maximum fare assistance	5,417	5,389
Fare Increase	-	(36,200)
Operating expenses funded by capital grants	<u>(55,886)</u>	<u>(42,730)</u>
Jurisdictional operating subsidy - funding basis	<u>\$ 563,100</u>	<u>\$ 530,909</u>

The cumulative effects of the different agreed-upon basis, which result in long-term contributions receivable, are as follows at June 30, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Agreed-upon funding of employee vacation liability and related taxes	\$ 51,546	\$ 48,561	\$ 2,985
Agreed-upon funding of claims for injuries and damages	<u>118,645</u>	<u>120,329</u>	<u>(1,684)</u>
Total accumulated difference	<u>\$ 170,191</u>	<u>\$ 168,890</u>	<u>\$ 1,301</u>

The current portion of contributions receivable at June 30, 2010 and 2009 of \$416,674 and \$131,549, respectively are related primarily to federal grants.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(5) Capital Assets**

Capital assets activity for the years ended June 30, 2010 and 2009, was as follows (in thousands):

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 447,314	-	-	\$ 447,314
Construction in progress	168,965	429,609	(418,737)	179,837
Total capital assets not being depreciated	<u>616,279</u>	<u>429,609</u>	<u>(418,737)</u>	<u>627,151</u>
Capital assets being depreciated:				
Buildings and improvements	644,753	13,113	-	657,866
Transit facilities	7,463,111	68,306	-	7,531,417
Revenue vehicles	2,347,628	109,745	(38,185)	2,419,188
Other equipment	1,985,175	228,391	(9,592)	2,203,974
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	152,028	-	-	152,028
Total capital assets being depreciated	<u>13,639,734</u>	<u>419,555</u>	<u>(47,777)</u>	<u>14,011,512</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	271,683	29,301	-	300,984
Transit facilities	2,476,768	165,778	-	2,642,546
Revenue vehicles	1,127,400	113,549	(38,185)	1,202,764
Other equipment	1,286,641	140,018	(9,592)	1,417,067
Intangible costs	986,061	17,458	-	1,003,519
Total accumulated depreciation and amortization of intangible costs	<u>6,148,553</u>	<u>466,104</u>	<u>(47,777)</u>	<u>6,566,880</u>
Total capital assets being depreciated, net	<u>7,491,181</u>	<u>(46,549)</u>	<u>-</u>	<u>7,444,632</u>
Total capital assets, net	<u>\$ 8,107,460</u>	<u>\$ 383,060</u>	<u>\$ (418,737)</u>	<u>\$ 8,071,783</u>

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(5) Capital Assets (Continued)**

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 448,586	-	(1,272)	\$ 447,314
Construction in progress	262,685	340,160	(433,880)	168,965
Total capital assets not being depreciated	<u>711,271</u>	<u>340,160</u>	<u>(435,152)</u>	<u>616,279</u>
Capital assets being depreciated:				
Buildings and improvements	611,867	35,969	(3,083)	644,753
Transit facilities	7,365,743	111,142	(13,774)	7,463,111
Revenue vehicles	2,212,266	145,838	(10,476)	2,347,628
Other equipment	1,832,165	155,838	(2,828)	1,985,175
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	152,028	-	-	152,028
Total capital assets being depreciated	<u>13,221,108</u>	<u>448,787</u>	<u>(30,161)</u>	<u>13,639,734</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	245,314	29,452	(3,083)	271,683
Transit facilities	2,318,043	158,725	-	2,476,768
Revenue vehicles	1,039,341	98,535	(10,476)	1,127,400
Other equipment	1,167,858	121,611	(2,828)	1,286,641
Intangible costs:	968,603	17,458	-	986,061
Total accumulated depreciation and amortization of intangible costs	<u>5,739,159</u>	<u>425,781</u>	<u>(16,387)</u>	<u>6,148,553</u>
Total capital assets being depreciated, net	<u>7,481,949</u>	<u>23,006</u>	<u>(13,774)</u>	<u>7,491,181</u>
Total capital assets, net	<u>\$ 8,193,220</u>	<u>\$ 363,166</u>	<u>\$ (448,926)</u>	<u>\$ 8,107,460</u>

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(6) Bonds Payable and Other Debt****(a) Bonds Payable**

Pursuant to the Compact and the Bond Resolution of the Authority, the following bonds were outstanding at June 30, 2010 and 2009 (in thousands):

	2010			2009
	Principal	Unamortized Issuance Cost Net of Premium	Net	Net
Series 1993, 5.18% dated November 1, 1993, due semi-annually through July 1, 2010	\$ 11,420	-	\$ 11,420	\$ 21,985
Series 2003, 4.60% dated October 23, 2003, due semi-annually through July 1, 2014	76,140	4,042	80,182	92,362
Series 2003B, 4.06% dated November 20, 2003, due semi-annually through July 1, 2010	5,710	-	5,710	11,609
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	242,675	12,858	255,533	255,824
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(910)	54,090	54,091
	<u>\$ 390,945</u>	<u>\$ 15,990</u>	<u>\$ 406,935</u>	<u>\$ 435,871</u>

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

- The Authority must punctually pay principal and interest according to provisions in the bond document.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(6) Bonds Payable and Other Debt (Continued)****(a) Bonds Payable (Continued)**

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

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

**(b) Bonds Debt Service Requirements**

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

Fiscal Year	Principal	Interest	Total
2011	\$ 34,705	\$ 20,103	\$ 54,808
2012	31,210	18,622	49,832
2013	27,360	17,049	44,409
2014	20,335	15,858	36,193
2015	13,240	14,934	28,174
2016-2020	43,580	67,960	111,540
2021-2025	55,850	55,295	111,145
2026-2030	72,135	38,591	110,726
2031-2035	92,530	15,986	108,516
	<u>390,945</u>	<u>264,398</u>	<u>655,343</u>
Plus unamortized premium net of issuance cost	<u>15,990</u>	-	<u>15,990</u>
	<u>\$406,935</u>	<u>\$ 264,398</u>	<u>\$ 671,333</u>

**(c) Issuance and Refunding of Debt**

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

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

---

**Notes to Basic Financial Statements**  
**June 30, 2010 and 2009**

**(6) Bonds Payable and Other Debt (Continued)**

**(c) Issuance and Refunding of Debt (Continued)**

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

The Authority refunded the A, B, C, D and E Series Transit Bonds to reduce its total debt service payments over the next 20 years by approximately \$288,000,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$4,700,000. The Authority partially refunded the Series 1993 Gross Revenue Transit Refunding Bonds to reduce its total debt service payments over the next 10 years by approximately \$13,000,000 and to obtain an economic gain of approximately \$1,697,000. As of June 30, 2010 and 2009, the unamortized cost of refunding the bonds was \$1,254,005 and \$2,013,000, 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.

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

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

**(d) Lines of Credit**

Pursuant to the Compact and the Line of Credit Resolution of the Authority, a 364 day Line of Credit for \$100,000,000 was renewed and subsequently increased to \$125,000,000 during fiscal year 2010. In addition, two new Lines of Credit were secured for \$125,000,000 and \$50,000,000. The availability fees and accrued interest are payable either monthly or quarterly, depending on the terms of the agreements, commencing July 2010. A six-year Credit Facility for \$300,000,000 was also secured during fiscal year 2010, specifically to support the procurement of the 7000 Series rail cars. The availability fees and accrued interest are payable quarterly commencing September 2010. All principal and interest are computed based on the London Interbank Offered Rate (LIBOR) plus a margin ranging from 80 basis points to 120 basis points and will be due and payable in June 2011 for the 364 day Lines of Credit and June 2016 for the six-year Credit Facility. The one-month LIBOR rate, was 0.35 percent and 0.32 percent for June 30, 2010 and June 30, 2009, respectively.

For the year ending June 30, 2010 and 2009, there was no outstanding debt balance on the Lines of Credit.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(6) Bonds Payable and Other Debt (Continued)**

**(e) Interest Expense**

Interest expense on bonds for the years ended June 30, 2010 and 2009 was \$19,580,000 and \$7,244,000, respectively.

**(7) Termination Benefits**

The General Manager may authorize a general reduction in the work force, which is accomplished by a reduction in positions and may result in the termination of personnel. This course of action is approved by the Authority's Board of Directors and outlined in the Authority's Personnel Policies and Procedures Manual, which details the basis for severance pay to be made to employees subject to a reduction-in-force. The basic financial statements of the Authority contained a liability (included in the Accrued salaries on the Statements of Net Assets) and expense (included in the Labor and Fringe Benefits on the Statements of Revenues, Expenses and Changes in Net Assets) of \$801,541 and \$700,065, representing benefits to be paid to employees affected by a reduction-in-force implemented in the fiscal years ended June 30, 2010 and 2009, respectively.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans**

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

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

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

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

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

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

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

All full-time regular management and non-union employees hired prior to January 1, 1999, and certain Transit Police Officials and Special Police Officers represented by Teamsters Union Local 639 are eligible to participate in the Salaried Personnel Plan. The plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement age is 65, and such retirees are entitled to annual retirement benefits equal to 1.6 percent of final average compensation multiplied by years of credited services, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated vested employment. The Authority contributes the total cost of the plan. After five years of service, participants were 100 percent vested.

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

**(ii) Transit Police Plan**

Transit Police Officers and Transit Police Officials of the Authority are eligible to participate in the Transit Police Plan. The plan is governed by the terms of the employees' collective bargaining agreement. The normal retirement age is upon completing 25 years of credited service, but in no event later than the attainment of age 65. The normal retirement benefit is 2.56 percent of final average earnings multiplied by years of credited service. The resulting benefit, if paid following the participant's 66<sup>th</sup> birthday, will be reduced by .50 percent of final average earnings for each year of credit service. Employees are required to contribute 7.27 percent of compensation beginning October 1, 2003. The Authority is responsible for contributions required in excess of the employee contribution level. The Authority may limit the amount of contribution to 17.05 percent of gross earnings in any plan year and defer any balance. This deferral can be for no more than three consecutive plan years or for no more than four plan years out of any consecutive seven years. The benefit provisions and employee contribution obligations are established pursuant to a collective bargaining agreement between the Authority and the Fraternal Order of Police. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated vested employment disability benefits. After ten years of service, participants are 100 percent vested.

**(iii) Union Local 689 Plan**

Any regular full-time or part-time Authority employee, who is a member of Union Local 689 of the Amalgamated Transit Union (Local 689), after a 90-day probationary period is eligible to participate in the Union Local 689 Plan. The plan is governed by the terms of the employees' collective bargaining agreement. Employees are eligible for the normal retirement allowance upon either attainment of age 70; attainment of age 65 and the completion of 10 years of continuous service; upon completion of 27 years of continuous service regardless of age; or after the sum of years of service plus attained age is 83 or more. The normal retirement monthly pension is 1.85 percent of the highest 4-year average monthly total compensation times the number of years of continuous service up to 27 years; plus 1.95 percent of average compensation time continuous service in excess of 27 years of service. The minimum benefit is \$600 monthly. The Authority contributes the total cost of the plan. For each fiscal year, the Authority shall contribute the required contribution as determined by the plan actuary. The plan also provides early retirement, disability and pre-retirement spouse death benefits. After ten years of service, participants are 100 percent vested.

**(iv) Union Local 922 Plan**

All regular full-time and part-time employees, who are members of Union Local 922, after a 90-day probationary period, are eligible to participate in the Union Local 922 Plan. The plan is governed by the terms of the employees' collective bargaining agreement. Employees are eligible for the normal pension benefits after attaining age 65 and 10 years of service; upon completion of 27 years of service regardless of age; or after the sum of years of service plus attained age is 83 or more.

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

**(iv) Union Local 922 Plan (Continued)**

The normal retirement monthly pension is the sum of 1.0 percent for years of service prior to May 1, 1973 plus 1.85 percent for years of service after May 1, 1973 of the highest 4-year average earnings with a minimum benefit of \$175 monthly. The plan provides retired participants annual cost-of-living increases, permits early retirement, and provides for benefits in the event of death, disability and terminated employment. The Authority contributes that amount required to fund the normal cost of the plan plus an additional amount necessary to amortize the unfunded actuarial accrued liability as required by the collective bargaining agreement between the Authority and Union Local 922. After ten years of service participants, are 100 percent vested.

**(v) Union Local 2 Plan**

All full-time employees covered by the Local 2 bargaining agreement hired prior to January 1, 1999 are eligible to participate in the Local 2 Plan. The plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement age is 65, and such retirees are entitled to annual retirement benefits equal to 1.6 percent of final average compensation multiplied by years of credited services, plus 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service not in excess of 20 years. Unreduced retirement benefits are available upon reaching age 55 and meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability, and terminated vested employment. The Authority contributes the total cost of the plan. After five years of service, participants were 100 percent vested.

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

**(i) Salaried Personnel Plan**

The Salaried Personnel Plan's funding policy, as approved by the Board of Directors, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarial cost method is the individual entry age normal method of funding.

As of July 1, 2009, the plan was 73.3 percent funded. The actuarial accrued liability for benefits was \$467.3 million, and the actuarial value of assets was \$342.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$124.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$31.3 million, and the ratio of UAAL to covered payroll was 397.7 percent.

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

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

**(ii) Transit Police Plan**

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

As of January 1, 2009, the plan was 77.7 percent funded. The actuarial accrued liability for benefits was \$158.7 million, and the actuarial value of assets was \$123.2 million, resulting in a UAAL of \$35.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$28.0 million, and the ratio of UAAL to covered payroll was 126.5 percent.

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

**(iii) Union Local 689 Plan**

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

As of January 1, 2009, the plan was 96.1 percent funded. The actuarial accrued liability for benefits was \$2.3 billion, and the actuarial value of assets was \$2.2 billion, resulting in a UAAL of \$90.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$549.4 million, and the ratio of UAAL to covered payroll was 16.5 percent.

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

**(iv) Union Local 922 Plan**

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

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

**(iv) Union Local 922 Plan (Continued)**

As of January 1, 2009, the plan was 87.0 percent funded. The actuarial accrued liability for benefits was \$129.1 million, and the actuarial value of assets was \$112.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$16.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$25.5 million, and the ratio of UAAL to covered payroll was 65.7 percent.

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

**(v) Union Local 2 Plan**

The Union Local 2 Plan's funding policy, as approved by the Board of Directors, provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarial cost method is the individual entry age method of funding.

As of July 1, 2009, the plan was 75.9 percent funded. The actuarial accrued liability for benefits was \$146.0 million, and the actuarial value of assets was \$110.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$35.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.9 million, and the ratio of UAAL to covered payroll was 235.4 percent.

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

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

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

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan
Contribution rates:*					
Authority	56.5%	22.6%	7.3%	20.3%	36.5%
Employees (Plan Members)	0.0%	7.3%	0.0%	0.0%	0.0%
Annual pension cost	\$ 17,716	\$ 6,580	\$ 47,524	\$ 5,198	\$ 5,456
Contributions made:					
Authority	\$ 17,716	\$ 6,580	\$ 39,974	\$ 5,187	\$ 5,456
Actuarial valuation date	7/1/2009	1/1/2009	1/1/2009	1/1/2009	7/1/2009
Actuarial cost method	Individual entry age	Aggregate cost	Aggregate cost	Projected unit credit	Individual entry age
Amortization method	Level dollar	N/A	N/A	Level dollar	Level dollar
Amortization period	15 years	N/A	N/A	30 years	15 years
Remaining amortization period	Open	N/A	Closed	Open	Open
Asset valuation method	Smoothed market value	Smoothed market value	5-yr assumed yield	Actuarial value of assets	Smoothed market value
Actuarial assumptions:					
Investment rate of return	8.0%	8.0%	8.0%	7.0%	8.0%
Projected salary increases	3.5-8.0%	4.75-9.0%	3.5%	4.5%	3.5-8.0%
Post-retirement benefit	3.5%	up to 6.0%	3.0%	4.0%	3.5%
Inflation rate	2.5%	2.5%	3.0%	3.0%	2.5%

\*As a percentage of covered payroll

The Salaried Plan had a change to the actuarial cost method. The actuarial value was subjected to a corridor of 80 percent to 120 percent of the market value. This measurement was suspended for the 2009 valuation resulting in decreases in the unfunded actuarial liability by \$23,884,000 and the recommended contribution by \$2,790,000.

The Local 2 Plan had a change to the actuarial cost method. The actuarial value was subjected to a corridor of 80 percent to 120 percent of the market value. This measurement was suspended for the 2009 valuation resulting in decreases in the unfunded actuarial liability by \$4,871,000 and the recommended contribution by \$569,000.

The Union Local 689 had a change in the asset valuation method. The asset valuation method was changed from a 3-year smoothing method to a 5-year smoothing method valuation. This change was a contributing factor to the reduction in cost of \$1,031,000.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

There were no significant changes in actuarial methods and assumptions for the Transit Police Plan and Union 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 <u>7/1/2009</u>	Transit Police Plan <u>1/1/2009</u>	Union Local 689 Plan <u>1/1/2009</u>	Union Local 922 Plan <u>1/1/2009</u>	Union Local 2 Plan <u>7/1/2009</u>	<u>Total</u>
Net pension assets beginning of year	\$ (2,080)	\$ (307)	\$ (156,614)	\$ (1,976)	\$ (344)	\$ (161,321)
Annual required contribution	17,716	6,580	39,929	5,187	5,456	74,868
Interest on net pension assets	-	-	(12,480)	(138)	-	(12,618)
Adjustment to annual required contribution	-	-	20,075	149	-	20,224
Annual pension cost (income)	17,716	6,580	47,524	5,198	5,456	82,474
Net pension obligations (assets) before contributions	15,635	6,273	(109,090)	3,222	5,112	(78,848)
Adjustments to beginning balance	77	-	617	-	13	617
Contributions made	(17,716)	(6,580)	(39,974)	(5,187)	(5,456)	(74,913)
Net pension assets end of year	<u>\$ (2,004)</u>	<u>\$ (307)</u>	<u>\$ (148,447)</u>	<u>\$ (1,965)</u>	<u>\$ (331)</u>	<u>\$ (153,144)</u>
	<u>7/1/2008</u>	<u>1/1/2008</u>	<u>1/1/2008</u>	<u>1/1/2008</u>	<u>7/1/2008</u>	<u>Total</u>
Net pension assets beginning of year	\$ (2,160)	\$ -	\$ (167,010)	\$ (3,124)	\$ (357)	\$ (172,651)
Annual required contribution	16,177	5,134	25,208	4,291	4,982	55,792
Interest on net pension assets	-	-	(13,361)	(185)	-	(13,546)
Adjustment to annual required contribution	-	-	21,664	199	-	21,863
Annual pension cost (income)	16,177	5,134	33,511	4,305	4,982	64,109
Net pension obligations (assets) before contributions	14,017	5,134	(133,499)	1,181	4,625	(108,542)
Adjustments to beginning balance	80	-	-	475	13	568
Contributions made	(16,177)	(5,441)	(23,115)	(3,632)	(4,982)	(53,347)
Net pension assets end of year	<u>\$ (2,080)</u>	<u>\$ (307)</u>	<u>\$ (156,614)</u>	<u>\$ (1,976)</u>	<u>\$ (344)</u>	<u>\$ (161,321)</u>

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

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

	Fiscal Year Ended	Annual Pension Cost (Income)	Percentage of APC Contribution	Net Pension Asset
Salaried Personnel Plan	7/01/09	\$ 17,716	100.0%	\$ (2,080)
	7/01/08	\$ 16,177	100.0%	\$ (2,080)
	7/01/07	\$ 11,327	100.0%	\$ (2,160)
Transit Police Plan	1/01/09	\$ 6,580	100.0%	\$ (307)
	1/01/08	\$ 5,134	106.0%	\$ (307)
	1/01/07	\$ 5,441	100.0%	\$ -
Union Local 689	1/01/09	\$ 47,524	84.1%	\$ (148,447)
	1/01/08	\$ 33,511	69.0%	\$ (156,614)
	1/01/07	\$ 26,524	87.0%	\$ (167,010)
Union Local 922	1/01/09	\$ 5,187	100.0%	\$ (1,965)
	1/01/08	\$ 4,305	84.4%	\$ (1,976)
	1/01/07	\$ 3,495	102.7%	\$ (3,124)
Union Local 2	7/01/09	\$ 5,456	100.0%	\$ (344)
	7/01/08	\$ 4,982	100.0%	\$ (344)
	7/01/07	\$ 4,037	100.0%	\$ (357)

Schedules related to the funded status of the pension plans included in this footnote are located in the Required Supplementary Information located on pages 53 and 54 of these financial statements.

**(d) Defined Contribution Retirement Plan**

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

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(8) Pension Plans (Continued)**

**(d) Defined Contribution Retirement Plan (Continued)**

The Authority contributed \$4,591,000 and \$4,262,000 for the years ended June 30, 2010 and 2009, respectively.

**(e) Deferred Compensation**

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

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

**Plan Descriptions**

The Authority contributes to four single-employer defined benefit healthcare plans: Union Local 689, Union Local 2, Transit Police and Non-represented. Union Local 2, Transit Police and Non-represented provide healthcare, prescription drug and life insurance benefits to retirees and their dependents. Union Local 689 provides healthcare, prescription drug and life insurance benefits to employees hired before January 1, 2010.

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

**Funding policy and Annual OPEB Cost**

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

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

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

The Authority's annual OPEB cost for the years ended June 30, 2010 and 2009, and the related information are as follows (dollar amounts in thousands):

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

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

	Union Local 689	Union Local 2	Transit Police	Non- Represented	Total
Contributions rates					
Authority	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	-
Employees ( Plan Members)	N/A	N/A	N/A	N/A	-
Annual required contribution	\$ 70,954	\$ 7,741	\$ 2,656	\$ 16,143	\$ 97,494
Interest on net OPEB obligation	1,572	233	96	469	2,370
Adjustment to annual required contribution	(1,516)	(225)	(92)	(452)	(2,285)
Annual OPEB cost	<u>\$ 71,010</u>	<u>\$ 7,749</u>	<u>\$ 2,660</u>	<u>\$ 16,160</u>	<u>\$ 97,579</u>
Contribution made	(31,552)	(2,006)	(121)	(4,494)	(38,173)
Increase in net OPEB obligation	<u>39,458</u>	<u>5,743</u>	<u>2,539</u>	<u>11,666</u>	<u>59,406</u>
Net OPEB obligation - July 1, 2008	<u>39,296</u>	<u>5,829</u>	<u>2,397</u>	<u>11,725</u>	<u>59,247</u>
Net OPEB obligation - June 30, 2009	<u>\$ 78,754</u>	<u>\$ 11,572</u>	<u>\$ 4,936</u>	<u>\$ 23,391</u>	<u>\$ 118,653</u>

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations for fiscal years 2010, 2009 and 2008 for each of the plans were as follows (dollar amounts in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Union Local 689	6/30/2010	\$ 79,502	28.2%	\$ 135,875
	6/30/2009	\$ 71,010	44.4%	\$ 78,754
	6/30/2008	\$ 67,894	42.1%	\$ 39,296
Union Local 2	6/30/2010	\$ 12,044	24.7%	\$ 20,637
	6/30/2009	\$ 7,749	25.9%	\$ 11,572
	6/30/2008	\$ 7,333	20.5%	\$ 5,829
Transit Police	6/30/2010	\$ 8,102	20.2%	\$ 11,402
	6/30/2009	\$ 2,660	4.5%	\$ 4,936
	6/30/2008	\$ 2,499	4.1%	\$ 2,397
Non-Represented	6/30/2010	\$ 28,507	32.4%	\$ 42,663
	6/30/2009	\$ 16,160	27.8%	\$ 23,391
	6/30/2008	\$ 15,348	23.6%	\$ 11,725

**Funded Status and Funding Progress.** The funded status of the plans, as of June 30, 2009, was as follows (dollar amounts in thousands):

	Union Local 689	Union Local 2	Transit Police	Non- Represented	Total
Actuarial accrued liability ( a )	\$ 997,951	\$ 153,227	\$ 96,766	\$ 400,234	\$ 1,648,178
Actuarial value of plan assets ( b )	-	-	-	-	-
Unfunded actuarial accrued liability ( funding excess) ( a ) - ( b )	<u>\$ 997,951</u>	<u>\$ 153,227</u>	<u>\$ 96,766</u>	<u>\$ 400,234</u>	<u>\$ 1,648,178</u>
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	0.0%	0.0%
Covered payroll ( c )	N/A	N/A	N/A	N/A	\$ 733,000
Unfunded actuarial accrued liability ( funding excess) as a percentage of covered payroll {(a)-(b)}/ ( c )	N/A	N/A	N/A	N/A	224.9%

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

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

**Actuarial Methods and Assumptions**

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

	<u>Union Local 689</u>	<u>Union Local 2</u>	<u>Transit Police</u>	<u>Non- Represented</u>
Actuarial valuation date	7/1/2009	7/1/2009	7/1/2009	7/1/2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	Open	Open	Open	Open
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Discount Rate	4.0%	4.0%	4.0%	4.0%
Projected salary increases	4.5%	4.5%	4.5%	4.5%
Healthcare cost trend rate	8.5-10.0%	8.5-10.0%	8.5-10.0%	8.5-10.0%

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

**Defined Contribution Plan**

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

Effective November 1, 2007, the Authority contributed to the 922 Employees Health Trust on behalf of each employee on its payroll covered by the Union Local 922 agreement and each retiree under age 65, a monthly contribution of \$800. The Health Trust determines the extent of any employee and retiree contributions necessary to fund the remaining cost of the benefits. The Authority's contributions were \$4,092,000, \$4,113,400, and \$4,381,200 for the years ended June 30, 2010, 2009 and 2008, respectively.

**(10) Commitments and Contingencies**

**(a) Litigation and Claims**

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

- (1) Third party bodily injury or property damage liability claims up to \$5 million per occurrence
- (2) Workers compensation claims up to \$2.5 million per occurrence
- (3) Employment practices liability claims up to \$250,000 per occurrence
- (4) First party property or business interruption loss up to \$5 million per occurrence.

In fiscal year 2009, the Authority purchased Excess Liability insurance with an annual aggregate limit of \$95 million for claims whose value exceeds the maximum of \$5 million per occurrence covered by the self-insured retention. In fiscal year 2010, the Authority purchased:

- (1) An additional \$50 million in aggregate limits in the Excess Liability insurance program taking the total limits to \$145 million excess of a \$5 million self-insured retention (SIR)
- (2) Excess Workers compensation insurance with statutory limits in excess of a \$2.5 million per occurrence SIR (i.e. it pays whatever the statute requires)
- (3) Directors' and Officers' Liability/Employment Practices Liability insurance with aggregate limits of \$10 million excess of a \$250,000 SIR.

Claim settlements/ judgments have not penetrated into the attachment point of Excess Liability insurance during any of the past three fiscal years. In fiscal year 2009 the Authority suffered two severe loss occurrences both of which are expected to penetrate the attachment point of insurance. The first loss was a Metro Bus collision with a taxi, which resulted in a death and three serious injuries. The second loss was a Metro Rail car collision which occurred on June 22, 2009 and resulted in the deaths of 8 passengers and one employee and multiple passenger injuries. As described below, these cases were included in the case reserves evaluated by an independent actuary and is included in the estimated liability for injury and damage claims which totaled \$126.1 million as of June 30, 2010. A discount rate of two percent was applied by the independent actuary when evaluating the estimated liability for injury and damage claims. In fiscal year 2009, the Authority was completely self-insured for its workers' compensation obligations; in fiscal year 2010, the Authority purchased Excess Workers' Compensation insurance capping the Authority's exposure at \$2.5 million per incident.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

Loss occurrences are reported to the commercial insurers when it is determined that the loss is covered by insurance and it's reasonable to suspect that the value of the loss may penetrate the attachment point of insurance. When a third party liability or workers compensation claim is either made against the Authority or when there is sufficient reason to believe that the Authority may be liable for the loss, a dollar amount is reserved for that claim (i.e. a case reserve is established). Case values are adjusted as the claims develop. Total case reserves are evaluated by an independent actuary who develops the total liability to be included in the financial statements.

Changes in the actuarially developed liability for years ended June 30, 2010 and 2009 are as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Estimated net present value of the liability for injury and damage claims, beginning of year	\$ 126,143	\$ 111,525
Incurred new claims	25,998	39,365
Changes in estimate for claims of prior periods	7,328	11,110
Payments on claims	<u>(29,520)</u>	<u>(35,857)</u>
Estimated net present value of the liability for injury and damage claims, end of year	<u>\$ 129,949</u>	<u>\$ 126,143</u>
Due within one year	<u>\$ 53,907</u>	<u>\$ 47,462</u>

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

**(b) Leasing Commitment**

In August 2009, the Authority entered into a new 10-year three month operating lease for office space in Hyattsville, MD. The terms of the lease set forth a scheduled minimum annual rent of \$880,000 with an escalating increase of three percent annually. Lease payments for year ended June 30, 2010 are \$293,333.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

The Authority's minimum lease payments as of June 30, 2010 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Total</u>
2011	906
2012	929
2013	957
2014	986
2015	1,015
2016	1,046
2017	1,077
2018	1,109
2019	1,143
2020	191
	<u>\$ 9,359</u>

**(c) Master Commodity Swap Agreements**

**Objective:** The Authority enters into master commodity swap agreements or contracts as a hedge against the price volatility of diesel fuel and electricity. In fiscal year 2010, the Authority entered into one diesel fuel swap agreement and eight electricity swap agreements. This allowed the Authority to plan and manage its diesel fuel and electricity costs, reduce risk and improve budget stability.

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

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

**Fair Value:** As of June 30, 2010 the swap agreements had a fair value of (\$0.01) million for the diesel fuel swap and \$21.9 million for electricity swaps, shown below in Tables 1 and 2. The fair value is estimated by a mathematical approximation of the market, derived from proprietary models, as of a given date, and based on certain assumptions regarding past, present and future market conditions, as well as certain financial information.

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(10) Commitments and Contingencies (Continued)****(c) Master Commodity Swap Agreements (Continued)**

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

Per Calculation Effective Date	Period Maturity Date	Gallons	Total Quantity (gallons)	Fair Market Value as 6/30/10
07/01/2010	12/31/2010	250,000	1,500,000	(13)
				<u>(13)</u>

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

Per Calculation Effective Date	Period Maturity Date	Megawatts (MW/hr)	Total Quantity (MWh's)	Fair Market Value as 6/30/10
07/01/2010	06/30/2010	55	94,160	-
07/01/2010	06/30/2010	30	56,610	-
07/01/2010	06/30/2011	30	123,360	7,393
07/01/2010	06/30/2011	2	17,520	899
07/01/2010	06/30/2011	15	69,720	2,995
07/01/2010	06/30/2011	30	123,360	7,393
07/01/2010	06/30/2011	15	69,720	2,995
07/01/2010	09/30/2010	5	5,920	260
				<u>\$ 21,935</u>

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

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

**(d) Labor Contracts**

Approximately 85.0 percent of the Authority's labor force is covered by five labor contracts. As of June 30, 2008, three of these contracts which represent approximately 81.0 percent of the labor force expired and are currently either in arbitration or negotiation. The June 30, 2010, accrued salaries and benefits liability includes an estimated amount related to the settlement of these contracts.

---

Notes to Basic Financial Statements  
June 30, 2010 and 2009

**(10) Commitments and Contingencies (Continued)**

**(e) Other**

Construction and capital improvement costs are funded by federal grants, local matching funds, and third party agreements. As of June 30, 2010, the Authority was committed to expend approximately \$359,593,200 (unaudited) on future construction, capital improvement and other miscellaneous projects. The federal funding is subject to audit by the U.S. Government; in the opinion of management, disallowed costs, if any, will not have a material effect on the financial position of the Authority.

**(11) Leasing Transactions**

**(a) Leasing Historical Information**

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

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

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

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

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

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

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

sublease, the Authority has recorded the amounts held by the payment undertakers as a prefunded lease commitment on the Statements of Net Assets.

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

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

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

Future minimum payments due:	
2011	\$ 111,811
2012	75,636
2013	61,860
2014	95,130
2015	160,912
2016-2020	286,446
2021-2025	86,225
2026-2030	70,761
2031	<u>9,385</u>
Total future minimum payments	958,166
Less imputed interest	<u>287,412</u>
Present value of minimum lease payments	<u>\$ 670,754</u>

**(b) Leasing Disclosure**

The lease agreements, described above, allow the equity investors to replace the companies specified in the agreements as equity payment undertakers (EPU) in the event that the EPU's financial ratings are downgraded below a specified level. In the event a suitable replacement or other mutually acceptable solution cannot be reached, accelerated payment of the liability could be requested. Due to events in the financial markets, certain specified downgrades had occurred for all 16 lease agreements. To date, the Authority has terminated eight lease agreements, three in fiscal year 2010 and five in fiscal year 2009. Termination payments on seven of the eight leases were paid from the defeasance accounts with no or very minimal additional liability to the Authority. After reaching a settlement with the one equity investor, which had demanded accelerated payment of the full liability, the lease agreement was terminated. As part of the settlement, all parties agreed not to discuss the terms of the settlement.

To date, three of the equity investors have not exercised their rights and have not notified the Authority to request a change in the defeasance provider. One equity investor waived the Authority's obligation to replace the defeasance provider. The remaining three equity investors have granted extensions, with approved extension dates ranging from October 31, 2010 to March 31, 2011. The Authority is in discussions with one

Notes to Basic Financial Statements  
June 30, 2010 and 2009

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

equity investor for an extension. The remaining period of these agreements ranges from approximately six to twenty-two years.

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

**(12) Changes in Long-Term Liabilities**

Long-term liabilities activity for the years ended June 30, 2010 and 2009, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Bonds Payable	Obligations Under Lease Agreements
Beginning balance, July 1, 2008	\$ 111,525	\$ 32,139	\$ 50,487	\$ 153,126	\$ 1,375,610
Additions	39,365	4,657	-	311,320 *	-
Reductions	(24,747)	(7,432)	(22,582)	(28,575) **	(535,492)
Balance, June 30, 2009	126,143	29,364	27,905	435,871	840,118
Additions	78,295	6,849	-	524 *	-
Reductions	(74,489)	(13,931)	(7,150)	(29,460) **	(169,364)
Ending balance, June 30, 2010	<u>\$ 129,949</u>	<u>\$ 22,282</u>	<u>\$ 20,755</u>	<u>\$ 406,935</u>	<u>\$ 670,754</u>
Due within one year	<u>\$ 53,907</u>	<u>\$ 4,928</u>	<u>\$ 2,694</u>	<u>\$ 37,294</u>	<u>\$ 111,811</u>
Noncurrent portion	<u>\$ 76,042</u>	<u>\$ 17,354</u>	<u>\$ 18,061</u>	<u>\$ 369,641</u>	<u>\$ 558,943</u>

\*This amount includes bond debt additions of \$0 and \$310,824,000 and amortization of bond premiums of \$524,000 and \$497,000 for the years ended June 30, 2010 and 2009, respectively.

\*\*This amount includes bond debt principal payments of \$27,815,000 and \$27,289,000 and accretion of bond discounts of \$1,645,000 and \$1,286,000 for the years ended June 30, 2010 and 2009, respectively.

Required Supplementary Information  
 Historical Trend Information – Pension Plans  
 Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (Funding
Salaried Personnel Plan	7/1/2009	\$ 342,628	\$ 467,269	\$ 124,641	73.3%	\$ 31,343	397.7%
	7/1/2008	\$ 340,288	\$ 455,318	\$ 115,030	74.7%	\$ 33,497	343.4%
	7/1/2007	\$ 364,954	\$ 434,709	\$ 69,755	84.0%	\$ 35,598	196.0%
Union Local 2	7/1/2009	\$ 110,861	\$ 146,021	\$ 35,159	75.9%	\$ 14,933	235.4%
	7/1/2008	\$ 107,022	\$ 138,077	\$ 31,055	77.5%	\$ 16,533	187.8%
	7/1/2007	\$ 112,544	\$ 126,949	\$ 14,405	88.7%	\$ 17,893	80.5%
Union Local 689 Plan	1/1/2009	\$ 2,235,108	\$ 2,325,622	\$ 90,514	96.1%	\$ 549,381	16.5%
	1/1/2008	\$ 2,284,506	\$ 2,193,491	\$ (91,015)	104.1%	\$ 515,245	(17.7)%
	1/1/2007	\$ 2,184,472	\$ 2,184,472	\$ -	100.0%	\$ 483,010	0.0%
Union Local 922 Plan	1/1/2009	\$ 112,348	\$ 129,105	\$ 16,757	87.0%	\$ 25,498	65.7%
	1/1/2008	\$ 118,282	\$ 123,746	\$ 5,464	95.6%	\$ 23,787	23.0%
	1/1/2007	\$ 113,133	\$ 116,139	\$ 3,006	97.4%	\$ 22,462	13.4%
Transit Police Plan	1/1/2009	\$ 123,238	\$ 158,677	\$ 35,438	77.7%	\$ 28,017	126.5%
	1/1/2008	\$ 122,958	\$ 145,859	\$ 22,901	84.3%	\$ 24,950	91.8%
	1/1/2007	N/A	N/A	N/A	N/A	N/A	N/A

Required Supplementary Information

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

Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (Funding Excess) ((b-a))/c
Union Local 689	6/30/2010	\$ -	\$ 997,951	\$ 997,951	0.0%	N/A	N/A
Union Local 2	6/30/2010	\$ -	\$ 153,227	\$ 153,227	0.0%	N/A	N/A
Transit Police	6/30/2010	\$ -	\$ 96,766	\$ 96,766	0.0%	N/A	N/A
Non-Represented	6/30/2010	\$ -	\$ 400,324	\$ 400,324	0.0%	N/A	N/A
TOTAL			1,648,268	1,648,268	0.0%	-	-
Union Local 689	6/30/2009	\$ -	\$ 1,015,846	\$ 1,015,846	0.0%	N/A	N/A
Union Local 2	6/30/2009	\$ -	\$ 103,363	\$ 103,363	0.0%	N/A	N/A
Transit Police	6/30/2009	\$ -	\$ 34,569	\$ 34,569	0.0%	N/A	N/A
Non-Represented	6/30/2009	\$ -	\$ 237,038	\$ 237,038	0.0%	N/A	N/A
TOTAL			1,390,816	1,390,816	0.0%	663,000	209.8%
Union Local 689	6/30/2008	\$ -	\$ 975,740	\$ 975,740	0.0%	N/A	N/A
Union Local 2	6/30/2008	\$ -	\$ 97,425	\$ 97,425	0.0%	N/A	N/A
Transit Police	6/30/2008	\$ -	\$ 32,128	\$ 32,128	0.0%	N/A	N/A
Non-Represented	6/30/2008	\$ -	\$ 225,066	\$ 225,066	0.0%	N/A	N/A
TOTAL			1,330,359	1,330,359	0.0%	663,000	200.7%

## SECTION THREE – STATISTICAL (Unaudited)

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.	63
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Authority’s most significant local revenue source, passenger revenue.	65
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future.	67
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader to understand the environment within which the Authority’s financial activities take place.	69
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.	70

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

**Net Assets by Component**  
**For Fiscal Year 2002 to Fiscal Year 2010**  
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	
Invested in capital assets, net of related debt	\$ 7,148,786	\$ 7,368,413	\$ 7,414,886	\$ 7,547,065	\$ 7,904,568	\$ 7,839,778	\$ 7,643,846	\$ 7,636,661	\$ 7,772,110	
Restricted										
Net Pension Assets							172,651	161,321	153,143	
Capital Projects							32,766	131,026	135,985	
Other							5,582	19,387	8,715	
Total Restricted	<u>810,257</u>	<u>830,017</u>	<u>707,353</u>	<u>572,675</u>	<u>379,254</u>	<u>265,884</u>	<u>210,999</u>	<u>311,734</u>	<u>297,843</u>	
Total Net Assets	<u>\$ 7,959,043</u>	<u>\$ 8,198,430</u>	<u>\$ 8,122,239</u>	<u>\$ 8,119,740</u>	<u>\$ 8,283,822</u>	<u>\$ 8,105,662</u>	<u>\$ 7,854,844</u>	<u>\$ 7,948,395</u>	<u>\$ 8,069,953</u>	

\* Rounding difference

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

The Authority implemented GASB Statement 34 in Fiscal Year 2002.

Source: The Authority's Audited Financial Statements.

**Changes in Net Assets**  
**For Fiscal Year 2002 to Fiscal Year 2010**

(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	Restated 2007	Restated 2008	2009	2010	
Operating Revenues	\$ 436,999	\$ 451,105	\$ 499,985	\$ 572,542	\$ 607,478	\$ 625,092	\$ 690,572	\$ 745,303	\$ 727,832	
Nonoperating revenues	153,637	128,689	93,289	117,412	101,942	104,873	102,198	74,924	76,013	
<b>Total Revenues</b>	<u>590,636</u>	<u>579,794</u>	<u>593,274</u>	<u>689,954</u>	<u>709,420</u>	<u>729,965</u>	<u>792,770</u>	<u>820,227</u>	<u>803,845</u>	
Operating expenses	1,115,289	1,181,668	1,259,514	1,339,686	1,461,393	1,606,408	1,803,396	1,905,047	2,004,945	
Nonoperating expenses	90,592	92,266	124,887	102,535	113,040	99,712	90,335	61,473	59,694	
<b>Total Expenses</b>	<u>1,205,881</u>	<u>1,273,934</u>	<u>1,384,401</u>	<u>1,442,221</u>	<u>1,574,433</u>	<u>1,706,120</u>	<u>1,893,731</u>	<u>1,966,520</u>	<u>2,064,639</u>	
Jurisdictional subsidies, capital grants and capital subsidies	1,077,138	933,527	714,936	749,768	1,029,095	838,385	869,894	1,239,844	1,382,352	
Adjustment to restate	-	-	-	-	-	(40,390)	(19,751)	-	-	
<b>Increase in Net Assets</b>	<u>\$ 461,893</u>	<u>\$ 239,387</u>	<u>\$ (76,191)</u>	<u>\$ (2,499)</u>	<u>\$ 164,082</u>	<u>\$ (178,160)</u>	<u>\$ (250,818)</u>	<u>\$ 93,551</u>	<u>\$ 121,558</u>	

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

Note: The Authority implemented GASB Statement 34 in Fiscal Year 2002.

Source: The Authority's Audited Financial Statements.

**Revenue Base**  
**For Fiscal Year 2002 to Fiscal Year 2010**

(amounts expressed in thousands)

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

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

Note: The Authority implemented GASB Statement 34 in Fiscal Year 2002.

Source: The Authority's Audited Financial Statements.

## Passenger Fare Structure For Fiscal Year 2001 to Fiscal Year 2010

Fiscal Year	Metrobus			Metrorail			
	Peak/Off Peak			Peak		Off Peak	
	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile	Boarding Charge	Each Additional Composite Mile
2001	\$1.10	\$1.10	\$1.10	\$1.10	\$ .19 (3-6miles) \$.165 (6+miles) \$3.25 (Max.fare)	\$1.10 (0-7miles) \$1.60 (7-10miles) \$2.10 (10 miles)	n/a n/a n/a
2002	\$1.10	\$1.10	\$1.10	\$1.10	\$ .19 (3-6miles) \$.165 (6+miles) \$3.25 (Max.fare)	\$1.10 (0-7miles) \$1.60 (7-10miles) \$2.10 (10 miles)	n/a n/a n/a
2003	\$1.20	\$1.20	\$1.20	\$1.20	\$ .21 (3-6miles) \$.185 (6+miles) \$3.60 (Max. fare)	\$1.20 (0-7miles) \$1.70 (7-10miles) \$2.20 (10+ miles)	n/a n/a n/a
2004	\$1.25	\$1.25	\$1.25	\$1.35	\$ .22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2005	\$1.25	\$1.25	\$1.25	\$1.35	\$ .22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2006	\$1.25	\$1.25	\$1.25	\$1.35	\$ .22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2007	\$1.25	\$1.25	\$1.25	\$1.35	\$ .22 (3-6miles) \$.195 (6+miles) \$3.90 (Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2008	\$1.25	\$1.25	\$1.25 *	\$1.65	\$ .26 (3-6miles) \$.23 (6+ miles) \$4.50(Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2009	\$1.25	\$1.25	\$1.25	\$1.65	\$ .26 (3-6miles) \$.23 (6+ miles) \$4.50(Max. fare)	\$1.35 (0-7miles) \$1.85 (7-10miles) \$2.35 (10+ miles)	n/a n/a n/a
2010	\$1.35	\$1.35	\$1.35 **	\$1.75	\$ .26 (3-6miles) \$.23 (6+ miles) \$4.60(Max. fare)	\$1.45 (0-7miles) \$1.95 (7-10miles) \$2.45 (10+ miles)	n/a n/a n/a

\* Metrobus cash boarding fare is \$1.35, effective January 6, 2008.

\*\*The paratransit (MetroAccess) fare, per Tariff number 26, is \$2.60 or double the regular base fare, if less.

Source: Tariff of The Washington Metropolitan Area Transit Authority

### Ratios of Outstanding Debt by Type For Fiscal Year 2001 to Fiscal Year 2010

(amounts expressed in thousands)

Fiscal Year	Gross Revenue Transit Refunding Bonds	Gross Revenue Transit Refunding Bonds Series 2003	Gross Revenue Transit Bonds Series 2003B	Gross Revenue Transit Bonds Series 2009A	Gross Revenue Transit Bonds Series 2009B	Total	Percentage of Annual Passenger Unlinked Trips*
2001	\$ 248,770	\$	\$	\$	\$	\$ 248,770	65.6%
2002	\$ 234,035	\$	\$	\$	\$	\$ 234,035	59.8%
2003	\$ 218,620	\$	\$	\$	\$	\$ 218,620	55.8%
2004	\$ 42,150	\$ 163,495	\$ 35,640	\$	\$	\$ 241,285	60.7%
2005	\$ 42,150	\$ 146,665	\$ 30,580	\$	\$	\$ 219,395	53.0%
2006	\$ 42,150	\$ 128,195	\$ 26,010	\$	\$	\$ 196,355	48.2%
2007	\$ 42,150	\$ 109,075	\$ 21,265	\$	\$	\$ 172,490	42.1%
2008	\$ 32,465	\$ 98,670	\$ 16,330	\$	\$	\$ 147,465	34.9%
2009	\$ 22,230	\$ 87,705	\$ 11,150	\$ 242,675	\$ 55,000	\$ 418,760	96.8%
2010	\$ 11,420	\$ 76,140	\$ 5,710	\$ 242,675	\$ 55,000	\$ 390,945	94.5%

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

\* Annual Passenger Unlinked trip data can be found on the Operating Indicators schedule on page 71.

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

**Pledged-Revenue Coverage**  
**For Fiscal Year 2001 to Fiscal Year 2010**  
(amounts expressed in thousands)

Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2001	\$ 838,899	811,734	\$ 27,165	\$ 14,095	13,070	\$ 27,165	100%
2002	\$ 866,539	839,393	\$ 27,146	\$ 14,735	12,411	\$ 27,146	100%
2003	\$ 914,489	887,368	\$ 27,121	\$ 15,415	11,706	\$ 27,121	100%
2004	\$ 1,175,871	986,837	\$ 189,034	\$ 176,470	12,517	\$ 188,987	100%
2005	\$ 1,072,480	1,039,979	\$ 32,501	\$ 21,890	10,611	\$ 32,501	100%
2006	\$ 1,201,970	1,168,952	\$ 33,018	\$ 23,040	9,978	\$ 33,018	100%
2007	\$ 1,280,970	1,245,267	\$ 35,703	\$ 23,865	11,838	\$ 35,703	100%
2008	\$ 1,354,648	1,320,090	\$ 34,558	\$ 25,025	9,533	\$ 34,558	100%
2009	\$ 1,455,715	1,420,292	\$ 35,423	\$ 26,380	9,043	\$ 35,423	100%
2010	\$ 1,493,671	1,446,276	\$ 47,395	\$ 27,815	19,580	\$ 47,395	100%

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

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

Source: The Authority's Audited Financial Statements.

### Major Private Employers 2009

Employer	Rank	Area Employees	Percentage of Total Employment
McDonald's Corp.	1	33,050	1.2%
Northrop Grumman Corp.	2	20,700	0.7%
Science Applications International Corp.	3	17,425	0.6%
Verizon Communications Inc.	4	16,100	0.6%
Safeway	5	11,500	0.4%
Ahold USA	6	11,452	0.4%
Wal-Mart Stores Inc.	7	10,602	0.4%
Macy's	8	8,000	0.3%
Citigroup	9	7,700	0.3%
United parcel Service	10	5,185	0.2%
		<u>141,714</u>	<u>5.1%</u>

### 2005

Employer	Rank	Area Employees	Percentage of Total Employment
McDonald's Corp.	1	32,000	1.1%
Ahold USA	2	21,000	0.7%
Northrop Grumman Corp.	3	19,100	0.7%
Science Applications International Corp.	4	15,814	0.5%
Verizon Communications Inc.	5	14,500	0.5%
Computer Sciences Corp.	6	14,000	0.5%
Wal-Mart Stores Inc.	7	10,293	0.4%
Safeway Inc.	8	9,000	0.3%
May Department Stores Co.	9	8,500	0.3%
International Business Machines Corp.	10	7,818	0.3%
		<u>152,025</u>	<u>5.3%</u>

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

Source: Washingtonpost.com - 2009 Post 200 Top DC-Area Employers. This is the most current data.

Washingtonpost.com - 2005 Post 200 Top DC-Area employers

See the **Demographic Statistics** schedule for employment data.

### Demographic Statistics

Fiscal Year	Employed labor force (in millions)*	Unemployment Rate*
2002	2.7	3.9%
2003	2.8	3.7%
2004	2.9	3.2%
2005	2.8	3.8%
2006	2.9	3.3%
2007	2.9	3.3%
2008	2.9	3.9%
2009	2.8	6.5%
2010	2.8	6.3%

\*: Employment numbers and unemployment rates are as of June 30 of the indicated fiscal years.

Source: The Authority's Comprehensive Annual Financial Report

**Authorized Employee Positions  
For Fiscal Year 2001 to Fiscal Year 2010**

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

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

Source: The Authority's Approved Annual Budgets ( FY 2002 - 2009)  
The Authority's Office of Management and Budget Services ( FY 2010)

### Operating Indicators For Fiscal Year 2001 to Fiscal Year 2010

Fiscal Year	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Passenger Unlinked Trips	Passenger Miles Traveled
2001				
Metrobus	36,447,570	3,247,015	142,647,640	457,028,244
Metrorail	51,553,445	2,316,049	235,731,726	1,362,866,338
Metro Access	5,569,594	357,000	556,982	5,419,598
Total	93,570,609	5,920,064	378,936,348	1,825,314,180
2002				
Metrobus	37,934,187	3,349,152	147,771,191	450,768,806
Metrorail	52,192,185	2,269,529	242,794,078	1,438,336,161
Metro Access	8,021,812	505,105	738,284	8,021,812
Total	98,148,184	6,123,786	391,303,553	1,897,126,779
2003				
Metrobus	38,897,499	3,433,521	147,831,547	447,551,132
Metrorail	56,470,216	2,241,771	243,188,066	1,451,856,563
Metro Access	9,786,953	631,341	972,425	9,786,953
Total	105,154,668	6,306,633	391,992,038	1,909,194,648
2004				
Metrobus	38,901,318	3,458,658	146,010,344	436,436,653
Metrorail	58,205,365	2,312,490	250,659,980	1,507,072,928
Metro Access	11,030,419	698,401	1,112,358	12,269,308
Total	108,137,102	6,469,549	397,782,682	1,955,778,889
2005				
Metrobus	38,458,955	3,422,983	153,392,000	453,290,328
Metrorail	62,152,936	2,460,432	259,430,055	1,401,105,192
Metro Access	12,179,777	765,719	1,253,948	13,686,293
Total	112,791,668	6,649,134	414,076,003	1,868,081,813
2006				
Metrobus	38,364,771	3,557,212	131,339,808	419,809,944
Metrorail	63,577,383	2,513,934	274,767,272	1,577,789,264
Metro Access	12,135,331	1,015,815	1,340,201	13,683,293
Total	114,077,485	7,086,961	407,447,281	2,011,282,501
2007				
Metrobus	38,431,274	3,396,732	131,489,651	410,761,850
Metrorail	67,029,516	2,636,654	276,440,693	1,590,316,851
Metro Access	14,861,434	1,270,731	1,462,604	14,861,435
Total	120,322,224	7,304,117	409,392,948	2,015,940,136
2008				
Metrobus	38,875,286	3,555,114	132,848,806	445,952,733
Metrorail	69,792,997	2,749,921	288,039,725	1,639,628,551
Metro Access	17,332,239	1,452,709	1,712,537	20,036,683
Total	126,000,522	7,757,744	422,601,068	2,105,617,967
2009				
Metrobus	41,168,424	3,797,304	133,773,567	418,038,773
Metrorail	71,803,305	2,823,870	296,857,158	1,667,899,731
Metro Access	19,476,367	1,833,296	2,107,775	17,192,565
Total	132,448,096	8,454,470	432,738,500	2,103,131,069
2010*				
Metrobus	37,647,546	3,465,216	123,847,193	394,906,087
Metrorail	66,699,259	2,653,498	287,304,340	1,635,967,269
Metro Access	22,734,212	2,086,624	2,377,423	19,247,346
Total	127,081,017	8,205,338	413,528,956	2,050,120,702

\*Preliminary Data

Source: National Transit Database

Metro operates and maintains a safe, reliable and effective transit system that enhances mobility, improves the quality of life and stimulates economic development in the Washington Metropolitan area.





WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY  
600 FIFTH STREET, NW  
WASHINGTON, DC 20001