Rebuilding the Foundation

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Washington Metropolitan Area Transit Authority
Washington, D.C.

Rebuilding the Foundation

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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


Washington Metropolitan Area Transit Authority
Washington, D.C.

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2013

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SECTION ONE – INTRODUCTORY (Unaudited)

Washington
Metropolitan Area
Transit Authority

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

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

A District of Columbia, Maryland and Virginia Transit Partnership

December 24, 2013

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, 2013 prepared by the Authority's Office of Accounting.

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

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

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

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

Profile of the Authority

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

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

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

Metrorail carries the second largest number of passengers and Metrobus carries the sixth largest number of passengers in the nation. The Authority serves a population of approximately 3.4 million within a 1,500-square–mile area. Its transit zone consists of the District of Columbia, the suburban Maryland counties of Montgomery, Prince George's, portions of Charles and Anne Arundel, and the Northern Virginia counties of Arlington, Fairfax, Loudoun and Prince William as well as the Northern Virginia cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park.

Organizational Structure

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

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

Budget

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

For fiscal year 2013, the Authority had an approved annual budget of approximately $2.5 billion with the largest portion, $1.6 billion, dedicated to operating the system. The budget contained approximately 12,300 authorized staff positions.

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

Economic Condition

Local Economy

Located in the nation's capital, the Authority's operations are directly influenced by the economic conditions of the District of Columbia (DC) and the surrounding jurisdictions of Maryland and Virginia. Overall growth in the Authority's transit ridership is strongly correlated with population and employment growth in DC and the region. During fiscal year 2013, the region's economy underperformed most other metro areas in the country as a result of the fiscal drag from sequestration and federal budget uncertainty; however, the local economy did not tip into recession as had been feared. But the region still faces significant uncertainty regarding the trajectory of future federal government spending.

Strengths and weaknesses: The long-term outlook for population growth in both DC and the region as a whole remains positive, particularly as revitalized downtown neighborhoods continue to draw young professionals. The region boasts a highly educated workforce that commands above-average salaries, and employment continues to grow in non-government sectors such as technology, healthcare, and education as DC becomes a hub for the east coast of the United States. DC also benefits from a steady supply of tourists to the nation's capital, as well as convention and business visitors. Residential construction has moderated after several years of rapid growth, particularly in the multifamily segment, but the real estate market overall remains strong. The region's weaknesses include relatively high business and regulatory costs as well as income inequality and a high cost of living, but the greatest risk currently facing the region is the reliance on the federal government.

Reliance on federal government: The economies of the District of Columbia and the Washington region are heavily dependent on federal government spending. After showing steady improvement since mid-2011, the region's employment picture has clouded recently as a result of sequestration and repeated federal budget crises and shutdowns.

Metrorail weekday ridership dropped by 15-20 percent during the October 2013 government shutdown. In December 2013, Congress approved a two-year budget deal, defusing the threat of a partial government shutdown like the one that occurred in October 2013.

Long-term outlook: The longer-term outlook for the Washington region is mixed. Even if the immediate risks of sequestration are mitigated, federal government spending is not expected to grow as strongly in the future as it did during the previous two decades. This will remove some of the insulation that the Washington region has had in the past from broader macroeconomic trends. However, healthcare and technology start-ups are expected to be bright spots in the region's economy, with the former in particular providing a buffer to future recessions. Accordingly, the Authority is projecting only minimal growth in passenger ridership in 2014 on its existing system. However, overall ridership is expected to increase in 2014 with the opening of the new Metrorail Silver Line to Tysons Corner in Virginia.

Long-term Financial Planning

Capital Improvement Program

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

> **Vehicles/Vehicle Parts** is replacement or purchase of new rail cars, buses, paratransit vehicles and/or service vehicles, rehabilitation of rail cars and buses and replacement parts to maintain the vehicle fleet.
>
> **Rail System Infrastructure Rehabilitation** is multiple systems and equipment within the rail stations and tunnels that enable safe, reliable service.
>
> **Maintenance Facilities** is rehabilitation, maintenance, replacement and/or new bus garages and rail yards to support repairs to vehicle fleet.
>
> **Systems and Technology** is technology systems, software and equipment supporting transit operations and business functions.
>
> **Track and Structures** is steel running rail that guides the train cars, the cross ties and fasteners that hold the rail in place, the ballast bed that supports the cross ties, and the third rail that provides power to the train. Structures include the retaining walls that protect the track bed and underground tunnels, the concrete pads that keep the track bed properly elevated and the bridges that span roads and bodies of water.

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

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

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

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

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

The CIP is a rolling six-year program which was derived from the Authority's 10-year $13.0 billion Capital Needs Inventory which is a prioritized list of the Authority's investment needs for the ten year period from fiscal year 2011 through fiscal year 2020. The Authority is advancing the largest capital budget since the construction of the Metrorail system. In fiscal year 2013, $846 million was invested through CIP projects, a significant increase over the previous year. The Authority is planning to invest approximately $5.5 billion in the fiscal year 2014 through fiscal year 2019 CIP.

Awards and Acknowledgements

Awards

Certificate of Achievement for Excellence in Financial Reporting
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate) to the Authority for its CAFR for the fiscal year ended June 30, 2012. The Authority has received this prestigious award for twenty-six consecutive years.

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

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

Distinguished Budget Presentation Award
The Authority received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2012 annual budget document. In order to receive this budget award, the Authority had to satisfy nationally recognized guidelines for effective budget presentation.

Acknowledgement

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

Respectfully submitted,

Richard R. Sarles
General Manager and
Chief Executive Officer

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

As of June 30, 2013

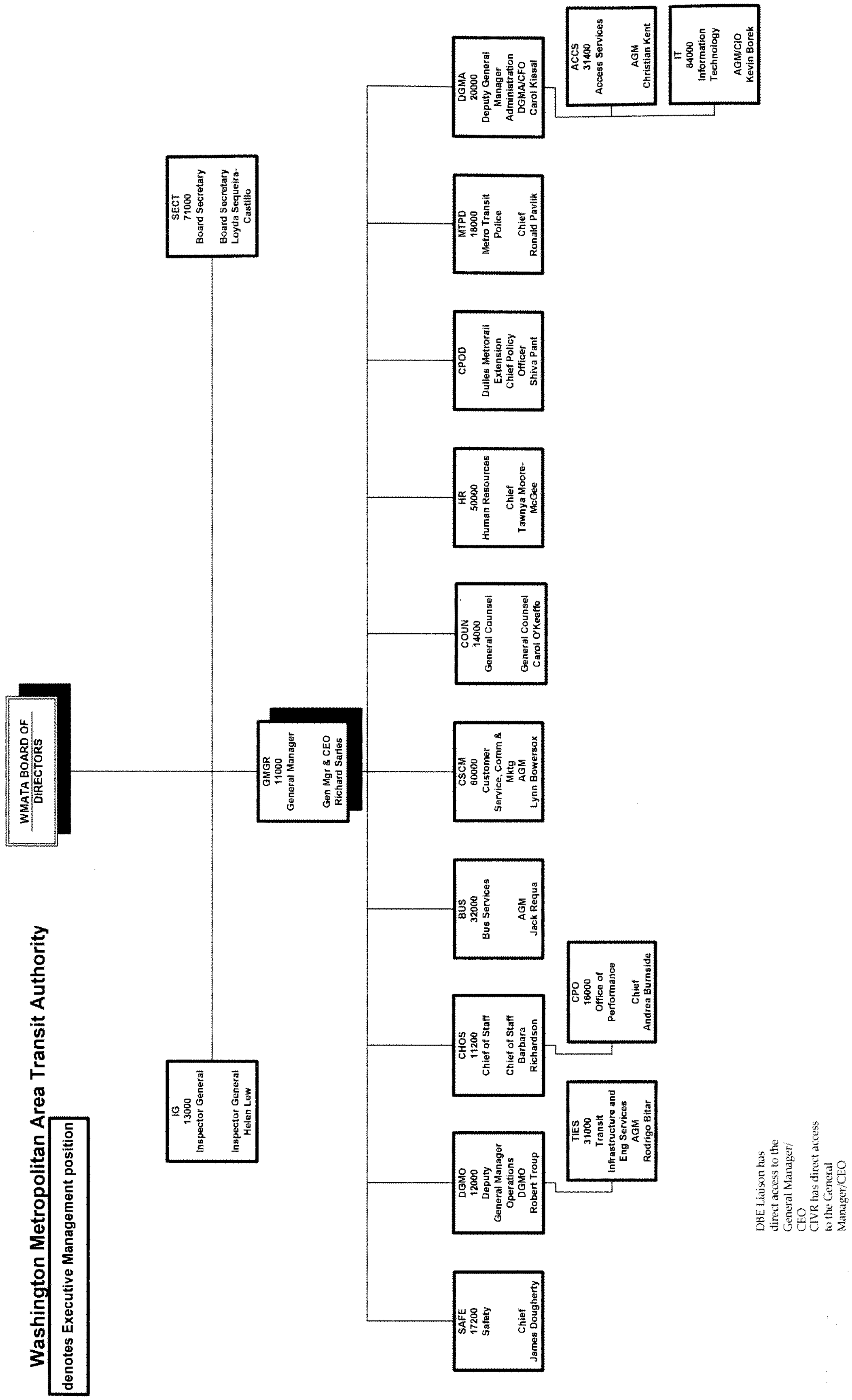
Board of Directors

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

As of June 30, 2013

General Manager's Executive Leadership Team

General Manager/CEO	Richard R. Sarles
Chief of Staff	Barbara Richardson
Chief Human Resources Officer	Tawnya Moore-McGee
Assistant General Manager, Information Technology	Kevin Borek
Assistant General Manager, Customer Service, Communications and Marketing	Lynn Bowersox
Chief Performance Officer	Andrea Burnside
Chief Safety Officer	James Dougherty
Assistant General Manager, Access Services	Christian T. Kent
Deputy General Manager, Administration and Chief Financial Officer	Carol D. Kissal
Deputy General Manager, Operations	Robert Troup
Inspector General	Helen Lew
General Counsel	Carol O'Keeffe
Assistant General Manager, Bus Services	John P. Requa
Chief, Metro Transit Police Dept.	Ronald Pavlik
Assistant General Manager, Infrastructure and Engineering Services	Rodrigo Bitar
Office of the Board Secretary	Loyda Sequeira


Washington Metropolitan Area Transit Authority
denotes Executive Management position
WMATA BOARD OF DIRECTORS
GMGR 11000 General Manager
Gen Mgr & CEO Richard Sarles
IG 13000 Inspector General
Inspector General Helen Lew
SECT 71000 Board Secretary
Board Secretary Loyda Sequeira-Castillo
SAFE 17200 Safety
Chief James Dougherty
DGMO 12000 Deputy General Manager Operations DGMO Robert Troup
TIES 31000 Transit Infrastructure and Eng Services AGM Rodrigo Bitar
CHOS 11200 Chief of Staff
Chief of Staff Barbara Richardson
CPO 19000 Office of Performance
Chief Andrea Burnside
BUS 32000 Bus Services
AGM Jack Requa
CSCM 60000 Customer Service, Comm & Mktg AGM Lynn Bowersox
COUN 14000 General Counsel
General Counsel Carol O'Keeffe
HR 50000 Human Resources
Chief Tawnya Moore-McGee
CPOD Dulles Metrorail Extension Chief Policy Officer Shiva Pant
MTPD 18000 Metro Transit Police
Chief Ronald Pavlik
DGMA 20000 Deputy General Manager Administration DGMA/CFO Carol Kissal
ACCS 31400 Access Services
AGM Christian Kent
IT 84000 Information Technology
AGM/CIO Kevin Borek
DBE Liaison has direct access to the General Manager/CEO
CIVR has direct access to the General Manager/CEO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington Metropolitan Area Transit Authority

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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SECTION TWO - FINANCIAL

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

To the Board of Directors
Washington Metropolitan Area Transit Authority

Report on the Financial Statements

We have audited the accompanying statements of net position, and the related statements of revenues, expenses and changes in net position, cash flows and the related notes to the financial statements of Washington Metropolitan Area Transit Authority (the Authority) as of and for the years ended June 30, 2013 and 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013 and 2102, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of Funding Progress – Pension Plan and Post Retirement Benefits Other Than Pensions on pages 12 through 22 and 64 and 65 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical tables listed in the table of contents are presented for purposes 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Calverton, Maryland
October 15, 2013

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, 2013, 2012 and 2011 and for the years then ended June 30, 2013 and 2012. 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 2013 Financial Highlights

- Capital assets before depreciation and amortization increased by $828.8 million, largely attributable to purchases of buses, the opening of the new Shepherd Parkway bus garage facility, and system wide rehabilitation of track and track circuitry, rail yards, rail line segments and infrastructure, escalators, bus and rail facility rehabilitations. Capital contributions were $704.6 million, including funding from the Passenger Rail Investment and Improvement Act.
- Operating revenues increased by $40.2 million or 4.9 percent, largely attributable to a new fare schedule effective on July 1, 2012, creating a higher average adult fare per passenger trip.
- Operating expenses increased by $165.6 million or 7.8 percent, due primarily to an increase in depreciation, pension cost and health benefits.

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 Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Statements of Net Position presents financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position; however, the reader should also consider other indicators, such as the rate of growth of operating subsidies, passenger fares, ridership levels, 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 Position reports all of the revenues earned and expenses incurred during the reporting periods.

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

The basic financial statements can be found on pages 23-27 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 28-63 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits and Post Employment Benefits Other Than Pensions (OPEB) to its employees. Required supplementary information can be found on pages 64-65 of this report.

Financial Analysis

Statements of Net Position

As noted earlier, net position 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, 2013, 2012 and 2011:

Table 1
Condensed Statements of Net Position
June 30, 2013, 2012 and 2011
(in thousands)

	2013	2012	2011
Current and other assets	$ 1,552,770	$ 1,760,368	$ 2,038,971
Capital assets	8,732,548	8,500,548	8,240,116
Total assets	10,285,318	10,260,916	10,279,087
Total deferred outflows of resources	-	(82)	(73)
Current liabilities	708,455	676,583	618,896
Noncurrent liabilities	1,322,406	1,319,011	1,282,767
Total liabilities	2,030,861	1,995,594	1,901,663
Total deferred inflows of resources	(117)	-	(214)
Net Position:			
Net investment in capital assets	8,413,072	8,341,946	8,360,891
Restricted			
Capital projects	124,340	146,073	164,211
Contingency	60,899	32,815	5,040
Smart card reserve	12,540	8,131	6,165
Other	759	2,016	1,812
Unrestricted	(357,036)	(265,741)	(160,554)
Total net position	$ 8,254,574	$ 8,265,240	$ 8,377,565

Management's Discussion and Analysis

Statements of Net Position (Continued)

Current Year

The largest portion of the Authority's net position, $8.4 billion, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to acquire those assets. The Authority uses these capital assets to provide public transportation services for the metropolitan area. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted balance of the Authority's net position, $198.5 million or 2.4 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net position includes advance contributions for future construction, reimbursable projects and other targeted programs. Net position also has an unrestricted component, which represents the net pension trust assets and the unfunded OPEB liability.

Capital assets before depreciation and amortization increased by $828.8 million, largely attributable to the purchases of buses, the opening of a new bus garage facility, and system wide rehabilitation of track and track circuitry, rail yards, rail line segments and infrastructure, escalators, bus and rail facility rehabilitations. Capital contributions were $704.6 million, including funding from the Passenger Rail Investment and Improvement Act.

Noncurrent liabilities decreased by $3.4 million or 0.3 percent, due mostly to decrease in obligations under lease agreements, bonds payable and other debt, partially offset by an increase in unfunded OPEB liability.

Prior Year

The largest portion of the Authority's net position, $8.3 billion, reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles), less any related debt used to acquire those assets. The Authority uses these capital assets to provide public transportation services for the metropolitan area. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's net position, $189.0 million or 2.9 percent, represents resources that are subject to external restrictions set by the governing jurisdictions. Restricted net position includes advance contributions for future construction, reimbursable projects and other targeted programs. Net position also has an unrestricted component, which represents the net pension trust assets the unfunded OPEB liability.

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

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Table 2
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2013, 2012 and 2011
(in thousands)

	2013	2012	2011
OPERATING REVENUES			
Passenger	$ 817,615	$ 777,528	$ 763,900
Advertising	16,732	18,284	17,518
Rental	22,246	20,604	22,335
Other	236	254	751
Total operating revenues	856,829	816,670	804,504
NONOPERATING REVENUES			
Investment income	818	1,309	1,377
Interest income from leasing transactions	32,936	34,882	38,452
Other	16,300	18,812	15,135
Total nonoperating revenues	50,054	55,003	54,964
Total revenues	906,883	871,673	859,468
OPERATING EXPENSES			
Labor	655,141	647,835	640,132
Fringe benefits	537,361	495,742	541,808
Services	227,379	214,309	195,316
Materials and supplies	145,155	139,418	109,812
Utilities	81,561	79,413	84,747
Casualty and liability costs	26,461	24,764	19,727
Leases and rentals	4,969	4,000	3,726
Miscellaneous	2,604	467	4,463
Depreciation and amortization	619,608	528,720	480,150
Total operating expenses	2,300,239	2,134,668	2,079,881
NONOPERATING EXPENSES			
Interest expense	48,050	51,377	56,390
Total expenses	2,348,289	2,186,045	2,136,271
Loss before capital grants/subsidies	(1,441,406)	(1,314,372)	(1,276,803)
Jurisdictional subsidies:			
Operations	711,103	680,385	679,880
Interest	15,087	16,495	17,938
Capital contributions	704,550	505,167	886,597
Change in net position	(10,666)	(112,325)	307,612
Net position, beginning of year	8,265,240	8,377,565	8,069,953
Net position, ending of year	$ 8,254,574	$ 8,265,240	$ 8,377,565

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

Revenues

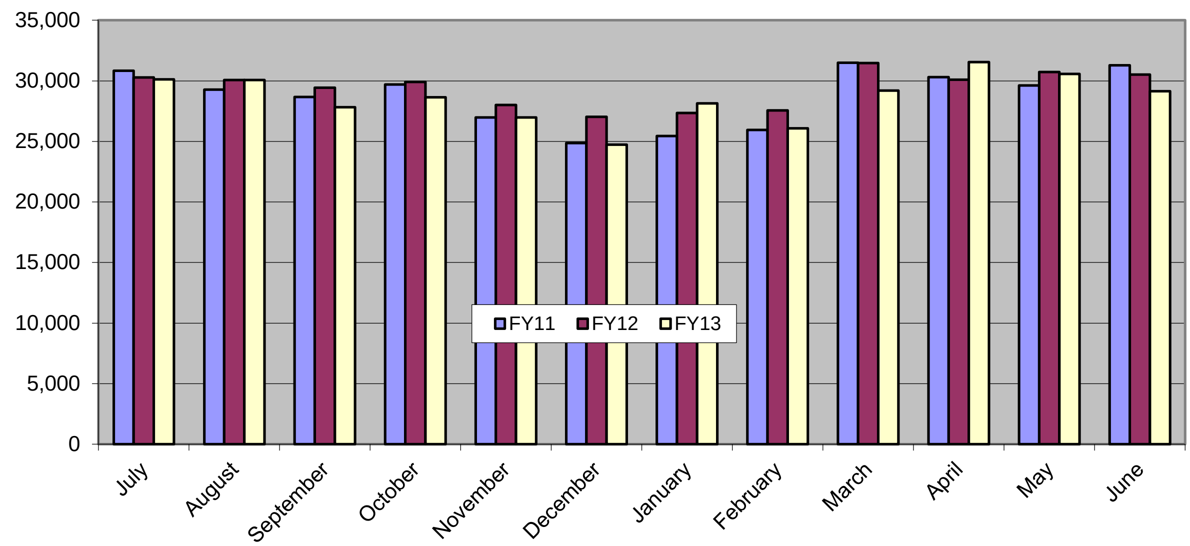
<u>Current Year</u>

Total revenues for fiscal year 2013 totaled $906.9 million. Operating revenues, which include passenger revenue, totaled $856.8 million, an increase of $40.2 million or 4.9 percent as described below.

Passenger revenue, a significant portion of the Authority's operating revenues, increased by $40.1 million or 5.2 percent. The passenger revenue increase can be attributable to a new fare schedule effective on July 1, 2012, creating a higher average adult fare per passenger trip; however, the revenue increase was slightly offset by decreases in total passenger trips.

Passenger trips for the last three years are shown below:

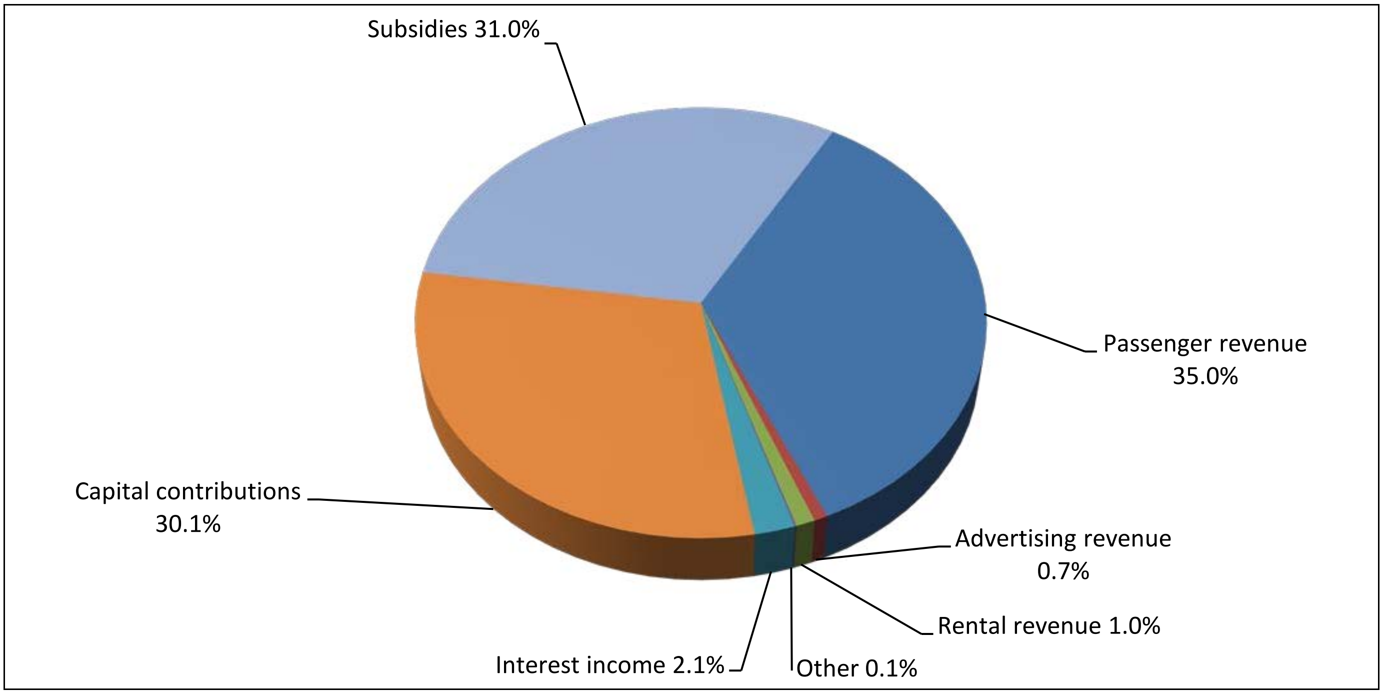
Passenger Trips
(in thousands)



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

Revenues (Continued)

Fiscal Year 2013 Revenues



Prior Year

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

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

Management's Discussion and Analysis

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

Expenses

Current Year

Total expenses increased by $162.2 million in fiscal year 2013 when compared to prior fiscal year 2012. Operating expenses increased by $165.6 million or 7.8 percent as compared to fiscal year 2012. A review of significant changes is described below.

Salaries and benefits overall increased by $48.9 million or 4.3 percent. Salaries and benefits were influenced by increases in wages, pension costs and higher health benefits.

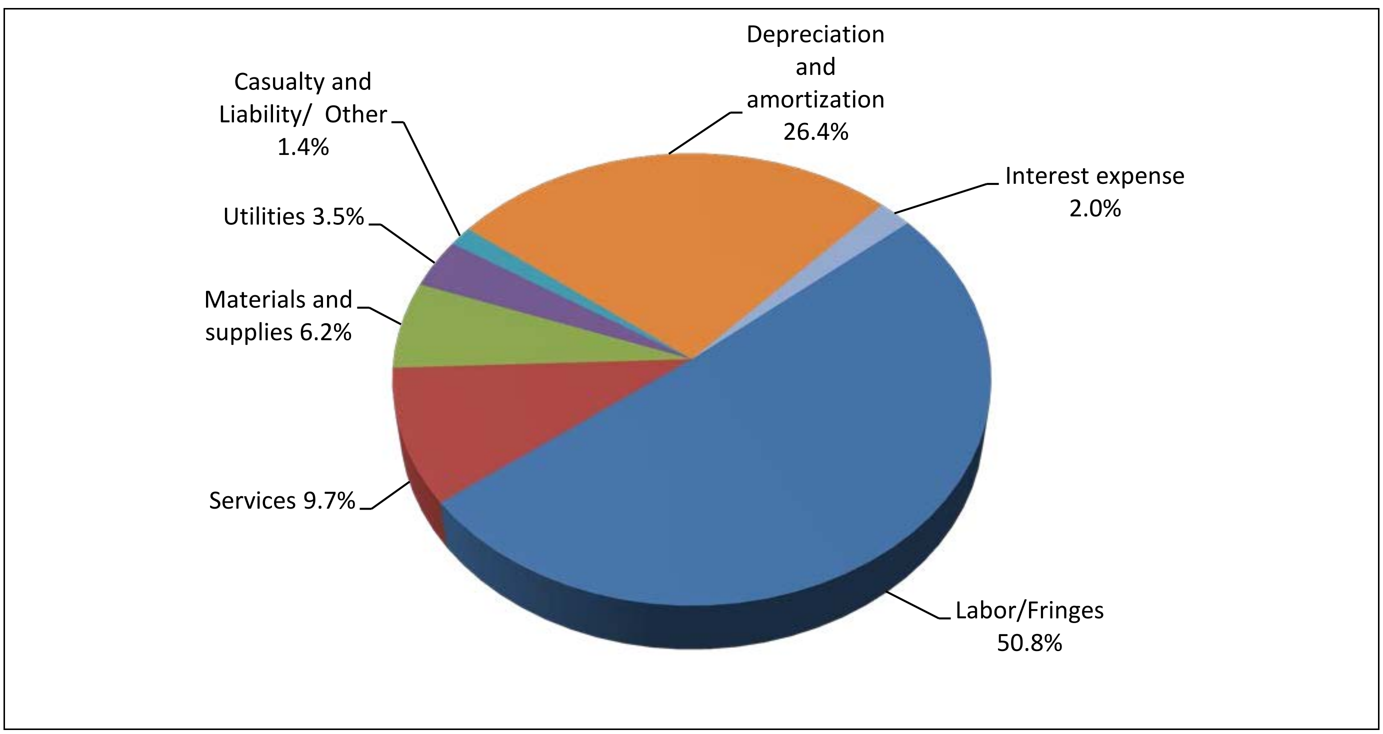
Services for the year increased by $13.1 million or 6.1 percent. The rise in service expenses were attributed to an increase use of contractors and consultants relating to safety initiatives, rail operations, and elevator and escalator maintenance.

Materials and supplies increased by $5.7 million or 4.1 percent. Higher material and supplies cost, as well as purchasing parts for vehicle maintenance.

Utilities increased by $2.1 million or 2.7 percent, due to an increase in electricity rates.

Depreciation and amortization expenses increased by $90.9 million or 17.2 percent due largely to an additional $828.8 million in depreciable assets placed into service in fiscal year 2013.

Fiscal Year 2013 Expenses



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

Expenses (Continued)

Prior Year

Total expenses increased by $49.8 million in fiscal year 2012 when compared to prior fiscal year 2011. Operating expenses increased by $54.8 million or 2.6 percent as compared to fiscal year 2011. A review of significant changes is described below.

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

Overall expense for services increased by $19.0 million from fiscal year 2011 to fiscal year 2012. This change consists of a combination of increased expenses for buildings and grounds, vehicles, escalators and elevators, track inspections and bus planning, offset by a decrease in costs associated with operating paratransit service.

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

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

Depreciation and amortization expenses increased by $48.6 million or 10.1 percent due largely to an additional $756.6 million in depreciable assets placed into service in fiscal year 2012.

Capital Assets and Debt Administration

The following table shows the capital assets of the Authority:

Table 3
Schedule of Capital Assets
June 30, 2013, 2012 and 2011
(in thousands)

	2013	2012	2011
Land	$ 456,727	$ 456,727	$ 456,727
Buildings and improvements	807,967	715,935	681,629
Transit facilities	8,564,259	8,134,324	7,785,921
Revenue vehicles	2,848,894	2,726,122	2,571,021
Other equipment	2,657,592	2,425,296	2,233,467
Construction in progress	303,068	351,289	323,748
Intangible costs	1,209,357	1,209,357	1,209,357
	16,847,864	16,019,050	15,261,870
Less accumulated depreciation and amortization	8,115,316	7,518,502	7,021,754
Net capital assets	$ 8,732,548	$ 8,500,548	$ 8,240,116

Capital Assets and Debt Administration (Continued)

Capital Assets

Current Year

The Authority's net capital asset balance was $8,732.5 million (net of accumulated depreciation and amortization) as of June 30, 2013, an increase of $232.0 million or 2.7 percent. Capital assets before depreciation and amortization increased by $828.8 million as described below.

Transit facilities increased by $429.9 million or 5.3 percent as a result of the opening of the new Shepherd Parkway bus garage and bus and rail station, tunnel and parking rehabilitation activities.

Other equipment increased by $232.3 million or 9.6 percent as a result of new equipment for station and bus repair, bus cameras, parking lot readers, data network and communication equipment.

Revenue vehicles increased by $122.8 million or 4.5 percent, as a result of placing new hybrid electric buses into service. In addition, costs associated with rail car rehabilitation contributed to the increase.

Additional information on the Authority's capital assets can be found in note 5 on pages 38-39 of this report.

Prior Year

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

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

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

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

Management's Discussion and Analysis

Future Capital Plans

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

As part of the agreement, the Board of Directors is responsible for approving a new six-year capital plan prior to the start of each fiscal year. On April 25, 2013, the Board approved a new six-year plan, which includes $5.5 billion in capital investments by Authority's jurisdictional partners. Under the terms of the agreement, the Authority is required to update the jurisdictions and the Board of Directors quarterly about the progress of the capital program.

Rail Expansion

The Dulles Corridor Metrorail Project (also known as the "Silver Line") under the direction of the Metropolitan Washington Airports Authority (MWAA) will expand the current 106.3 miles to a total of 129.4 miles in two phases.

The first phase adds 11.7 miles to the existing Metrorail system from west of the existing East Falls Church Metrorail station to Wiehle Avenue in the Reston area of Fairfax County along the Dulles corridor. The expansion includes construction of five new stations, a large park-and-ride lot at Wiehle Avenue and expanded storage capacity at the West Falls Church rail yard.

The second phase of the project includes extending the Metrorail system beginning at Wiehle Avenue to Reston Town Center, Herndon, Dulles International Airport and terminating in Eastern Loudoun County in Ashburn. Phase II of the rail expansion project is slated to be operational by 2018.

During fiscal year 2014, MWAA will transfer ownership of approximately $3.0 billion of assets to the Authority that includes, but is not limited to, rail infrastructure and trains. In addition, the Authority will assume operational responsibility of the 11.7-mile extension of the region's Metrorail system. This phase of the of the Silver line rail service, projects an annualized increase in the range from four to five percent in passenger revenue, passenger trips and operational expenses when fully operational.

Bonds and Other Debt

The Authority's total outstanding bond debt as of June 30, 2013 and 2012 was $309.1 million and $337.8 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 40-42 of this report.

Management's Discussion and Analysis

Lease Obligations

Information on these transactions can be found in notes 10 and 11 on pages 60-62 of this report.

Economic Factors

The Washington, D.C. metropolitan area (D.C. Metro) economy and job market, supported in large part by the federal government, remained strong in comparison to national results. The federal government is the largest employer in the region and accounts for more than 30.0 percent of the regional economy, according to the George Mason University Center for Regional Analysis. Based on statistics from the Department of Labor - Bureau of Labor and Statistics, the regional unemployment rate of 6.0 percent compares favorably to the national unemployment rate of 7.6 percent as of June 2013. D.C. Metro added nearly 51.0 thousand new jobs from July 2012 to June 2013 ranking in the top ten among all major job markets; additionally, the region has a very strong jobs to population ratio of 7.3 for every 10 residents versus a 6.0 average ratio when compared to other large metropolitan areas.

Requests for Information

This financial report is designed to provide interested readers with a general overview of the Authority's finances. Questions concerning this report or requests for additional financial information should be directed to the Office of Accounting, Washington Metropolitan Area Transit Authority, 600 Fifth St., NW, Washington, D.C. 20001, telephone number (202) 962-1605.

Statements of Net Position

June 30, 2013 and 2012

(in thousands)

	2013	2012
ASSETS		
Current assets:		
Cash and deposits (note 3)	$ 94,663	$ 137,564
Investments (note 3)	103,598	174,818
Contributions receivable (note 4)	357,618	426,625
Accounts receivable and other assets	62,114	60,638
Current portion of prefunded lease commitments (notes 10 and 11)	90,188	59,036
Materials and supplies inventory (net of allowance of $3,688 in 2013 and $4,085 in 2012)	117,399	112,582
Total current assets	825,580	971,263
Noncurrent assets:		
Long-term portion of contributions receivable (note 4)	180,780	188,191
Net pension asset (note 7)	139,118	136,370
Prefunded lease commitments (notes 10 and 11)	407,292	464,544
Capital assets (note 5):		
Construction in progress	303,068	351,289
Land	456,727	456,727
Transit facilities and equipment, net	7,972,753	7,692,532
Total noncurrent assets	9,459,738	9,289,653
Total assets	10,285,318	10,260,916
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	-	(82)
Total deferred outflows of resources	$ -	$ (82)

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

Statements of Net Position (Continued)

June 30, 2013 and 2012
(in thousands)

	2013	2012
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 293,493	$ 248,002
Accrued salaries and benefits	119,628	114,347
Accrued interest payable	8,092	8,766
Unearned revenue	133,614	181,792
Current portion of estimated liability for injury and damage claims (notes 9 and 11)	39,857	30,792
Current portion of retainage on contracts (note 11)	803	2,253
Current portion of unearned lease revenue (note 11)	2,445	2,445
Current portion of bonds payable and other debt (notes 6 and 11)	20,335	29,150
Current portion of obligations under lease agreements (notes 10 and 11)	90,188	59,036
Total current liabilities	708,455	676,583
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 9 and 11)	97,373	109,561
Retainage on contracts (note 11)	23,057	21,892
Unearned lease revenue (note 11)	9,761	12,206
Bonds payable and other debt (notes 6 and 11)	288,769	308,697
Obligations under lease agreements (notes 10 and 11)	407,292	464,544
Unfunded OPEB liability (note 8)	496,154	402,111
Total noncurrent liabilities	1,322,406	1,319,011
Total liabilities	2,030,861	1,995,594
Commitments and contingencies (notes 7, 8, 9 and 10)		
Deferred inflows of resources:		
Accumulated increase in fair value of hedging derivatives	(117)	-
Total deferred inflows of resources	(117)	-
NET POSITION		
Net investment in capital assets	8,413,072	8,341,946
Restricted		
Capital projects	124,340	146,073
Contingency	60,899	32,815
Smart card reserve	12,540	8,131
Other	759	2,016
Unrestricted	(357,036)	(265,741)
Total net position	$ 8,254,574	$ 8,265,240

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

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2013 and 2012

(in thousands)

	2013	2012
OPERATING REVENUES		
Passenger	$ 817,615	$ 777,528
Advertising	16,732	18,284
Rental	22,246	20,604
Other	236	254
Total operating revenues	856,829	816,670
OPERATING EXPENSES		
Labor	655,141	647,835
Fringe benefits	537,361	495,742
Services	227,379	214,309
Materials and supplies	145,155	139,418
Utilities	81,561	79,413
Casualty and liability costs	26,461	24,764
Leases and rentals	4,969	4,000
Miscellaneous	2,604	467
Depreciation and amortization	619,608	528,720
Total operating expenses	2,300,239	2,134,668
Operating loss	(1,443,410)	(1,317,998)
NONOPERATING REVENUES (EXPENSES)		
Investment income	818	1,309
Interest income from leasing transactions	32,936	34,882
Interest expense from leasing transactions	(32,936)	(34,882)
Interest expense	(15,114)	(16,495)
Other	16,300	18,812
Jurisdiction subsidies:		
Operations	711,103	680,385
Interest	15,087	16,495
Total nonoperating revenues (expenses), net	728,194	700,506
Loss before capital contributions	(715,216)	(617,492)
Capital contributions	704,550	505,167
Change in net position	(10,666)	(112,325)
Total net position, beginning of year	8,265,240	8,377,565
Total net position, ending of year	$ 8,254,574	$ 8,265,240

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

Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

(in thousands)

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	$ 806,975	$ 904,103
Cash paid to suppliers	(422,959)	(418,278)
Cash paid to employees	(1,095,925)	(1,049,532)
Cash paid for operating claims	(29,584)	(37,182)
Net cash used in operating activities	(741,493)	(600,889)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from jurisdictional subsidies	716,000	687,016
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets	(851,108)	(767,700)
Capital contributions	773,602	396,493
Interest paid on bonds and other debt	(15,787)	(17,275)
Principal paid on bonds, commercial paper and other debt	(27,360)	(31,210)
Interest subsidy for revenue bonds	15,087	16,495
Net cash used in capital and related financing activities	(105,566)	(403,197)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	9,331,844	10,725,441
Purchases of investments	(9,261,225)	(10,750,947)
Interest received from operational investments	17,539	18,756
Net cash provided by (used in) investing activities	88,158	(6,750)
Net change in cash and deposits	(42,901)	(323,820)
Cash and deposits, beginning of year	137,564	461,384
Cash and deposits, ending of year	$ 94,663	$ 137,564

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

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2013 and 2012

(in thousands)

	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (1,443,410)	$ (1,317,998)
Adjustments to reconcile operating loss to net cash used in Operating activities:		
Depreciation and amortization expense	619,608	528,720
Bond premium accretion	(1,680)	(2,028)
Effect of changes in operating assets and liabilities		
Accounts receivables (net) and other assets	(1,476)	6,552
Accumulated fair value of hedging derivatives	(199)	223
Materials and supplies inventory	(4,817)	(12,440)
Net pension asset	(2,748)	12,488
Accounts payable and accrued expenses	45,491	35,118
Accrued salaries and benefits	5,281	(11,142)
Unearned revenue	(48,178)	80,659
Estimated liability for injury and damage claims	(3,123)	(12,418)
Retainage on contracts	(285)	(1,322)
OPEB obligation	94,043	92,699
Total adjustments	701,917	717,109
Net cash used in operating activities	$ (741,493)	$ (600,889)

Noncash operating, investing, capital and financing activities:

	2013	2012
Increase (decrease) in fair value of investments	$ (389)	$ 1,345
Interest expense from leasing transaction	$ (32,936)	$ (34,882)
Interest income from leasing transaction	$ 32,936	$ 34,882
Capital contributions	$ (69,052)	$ 108,674

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

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

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

(b) Financial Reporting Entity

In evaluating the Authority as a reporting entity, management has analyzed 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, a legally separate organization should be reported as a component unit of the Authority if any of the following criteria are met:

1) The Authority appoints the voting majority of the separate organization's Board, and the Authority has either:

    a. a financial benefit or burden relationship with the separate organization

    b. or, the Authority is able to impose its will upon the separate organization.

2) The separate organization is fiscally dependent upon the Authority, and also has a financial benefit or burden relationship with the Authority.

3) It would be misleading to exclude the separate organization from the financial statements of the Authority due to the nature and significance of the organization's relationship with the Authority.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(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 government 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 cash flows. Revenues collected in advance are deferred until the period in which it is earned.

The Authority is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

The Agency has elected not to follow any FASB pronouncements issued after November 30, 1989.

(d) Receivables and Payables

The major components of the accounts receivable balance are payments due from governmental agencies (96.0 percent) and companies (4.0 percent).

The major components of the accounts payable balance are payments due to vendors and contractors (66.5 percent), governmental agencies (29.1 percent) and other payables (4.4 percent).

(e) Revenues and Expenses

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

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

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies (Continued)

(f) Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(g) 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. The advanced contributions for capital are restricted for specific future projects.

(h) 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.

(i) Transit Facilities and Equipment

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

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

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

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

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

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

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies (Continued)

(j) Master Commodity Swap Arrangements

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 "Deferred outflows of resources" and amounts owed by the Authority are included in "Deferred inflows of resources".

(k) Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense) until that time. These items are reported as a category below the assets on the statement of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and as such will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below the liabilities on the statement of net position.

The Authority has one item that qualifies for this type of reporting: the accumulated change in the fair value component of the master commodity swap agreement for diesel fuel (the fuel swap).

The accumulated increase in fair value for the fuel swap as of the fiscal year ended June 30, 2013 was $117,000, and is reported as a deferred inflow of resources on the statement of net position. The accumulated decrease in fair value for the fuel swap as of the fiscal year ended June 30, 2012 was $82,000, and is reported as a deferred outflow of resources on the statement of net position.

(l) 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 position represents revenues from capital grants and subsidies, less depreciation expense and the non-cash amount of Post Employment Benefits Other than Pensions (OPEB).

(m) 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 Statement of Revenues, Expenses and Changes in Net Position. Interest earned on construction grant funds is classified as restricted net position until it is used for the designated capital projects, at which time it is transferred to "Net Investment in Capital Assets."

Notes to Basic Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies (Continued)

(n) Net Position

The Authority's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* - This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net position* - This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of the Authority's governing jurisdictions. These restricted components of net position include advance contribution for future construction programs, contingency, Smart Card reserves and other targeted programs.
- *Unrestricted net position* - This category presents the net position of the Board, not restricted for any purpose.

When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first.

(o) 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.

(p) Recent Pronouncements

The Authority, in fiscal year 2013, adopted the following GASB Statements:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangement*s provides guidance on issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The adoption of this GASB Statement had no impact on the basic financial statements of the Authority.

GASB Statement No. 61, *Financial Instruments Omnibus* modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. The adoption of this GASB Statement had no impact on the basic financial statements of the Authority.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of this GASB Statement had no impact on the basic financial statements of the Authority.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies (Continued)

(p) Recent Pronouncements (Continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The effect of adoption of this GASB Statement was a change in the format of the Basic Financial Statements to include the concept of net position, and to capture the deferred inflows and outflows of resources related to the fair value of hedge derivatives.

(q) Tax Status

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

(r) Reclassifications

Certain reclassifications were made to the fiscal year 2012 financial statements to conform to the fiscal year 2013 financial statement presentation. The reclassifications did not have an effect on the net position or changes thereto.

(2) Plans of Financing

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

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

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

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012 are grouped to give an indication of the level of custodial risk assumed by the Authority as follows (in thousands):

	2013		2012	
Cash and Deposits	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured or collateralized	$ 88,077	$ 89,814	$ 131,098	$ 135,477
Cash on hand	6,586	-	6,466	-
Total cash and deposits	$ 94,663	$ 89,814	$ 137,564	$ 135,477

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 banks pledge collateral to the Authority, which is held in a restricted account at the Federal Reserve Bank as a custodian and Bank of New York Mellon as a custodian and collateral agent, respectively.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(3) Cash, Deposits and Investments (Continued)

(b) Investments

As of June 30, 2013, the Authority had the following investments and maturities (in thousands):

		Investment Maturities			
Investment Type	Fair Value	Less than 6 Months	7 Months - 1 Year	1-3 Years	More than 3 Years
Money market funds	$ 197	$ 197	$ -	$ -	$ -
Repurchase agreements	99,648	99,648	-	-	-
United States treasuries	2,685	-	-	-	2,685
United States agencies	1,002	1,002	-	-	-
	103,532	100,847	-	-	2,685
Accrued interest	66	66	-	-	-
Total	$ 103,598	$ 100,913	$ -	$ -	$ 2,685

As of June 30, 2012, the Authority had the following investments and maturities (in thousands):

		Investment Maturities			
Investment Type	Fair Value	Less than 6 Months	7 Months - 1 Year	1-3 Years	More than 3 Years
Certificates of Deposit	$ 10,180	$ 10,180	$ -	$ -	$ -
Repurchase agreements	84,289	84,289	-	-	-
United States treasuries	2,932	-	-	-	2,932
United States agencies	77,309	57,996	18,271	1,042	-
	174,710	152,465	18,271	1,042	2,932
Accrued interest	108	108	-	-	-
Total	$ 174,818	$ 152,573	$ 18,271	$ 1,042	$ 2,932

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, 2013 and 2012.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(3) Cash, Deposits and Investments (Continued)

Credit Risk

The Authority's Compact, Article XVI, section 69(b), signed by the governing jurisdictions, includes, but is not limited to, investments that are direct obligations of or obligations guaranteed by the United States of America as well as evidences of indebtedness issued by agencies of the United States of America or indebtedness issued by a domestic corporation, provided that such obligations are rated at the time of purchase in the highest rating categories by a nationally recognized bond rating agency. The Authority's investments which have the implicit guarantee of the United States government, were, at the time of purchase, awarded the highest rating by one or more of the nationally recognized rating organizations: Standard and Poor's, Moody's Investor Service or Fitch Ratings.

Custodial Credit Risk

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(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 Statement of Revenues, Expenses and Changes in Net Position, as follows at June 30, 2013 and 2012 (in thousands):

	2013	2012
Jurisdictional operating subsidy per financial statements	$ 711,103	$ 680,385
Add (deduct) operating costs (not) requiring current funding:		
Preventive maintenance subsidy	(30,700)	(30,668)
Prepaid pension cost adjustment	(2,768)	12,488
Unrealized gain from investments	759	1,345
Agreed-upon funding of employee vacations liability and related taxes	(3,498)	(5,621)
Agreed-upon funding of claims for injuries and damages	11,001	(1,551)
Adjustments to operating expenses and interest	-	(3,820)
Maximum fare assistance	8,633	10,267
Operating expenses funded by capital grants	(53,246)	(68,727)
Jurisdictional operating subsidy - funding basis	$ 641,284	$ 594,098

The cumulative effects of the different agreed-upon bases, which result in long-term contributions receivable, are as follows at June 30, 2013 and 2012 (in thousands):

	2013	2012	Change
Agreed-upon funding of employee vacation liability and related taxes	$ 63,801	$ 60,211	$ 3,590
Agreed-upon funding of claims for injuries and damages	116,979	127,980	(11,001)
Total accumulated difference	$ 180,780	$ 188,191	$ (7,411)

The current portion of contributions receivable at June 30, 2013 and 2012 of $357,618 and $426,625, respectively are related primarily to federal grants.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows (in thousands):

	June 30, 2012	Additions	Reductions	June 30, 2013
Capital assets not being depreciated:				
Land	$ 456,727	$ -	$ -	$ 456,727
Construction in progress	351,289	851,108	(899,329)	303,068
Total capital assets not being depreciated	808,016	851,108	(899,329)	759,795
Capital assets being depreciated:				
Buildings and improvements	715,935	92,032	-	807,967
Transit facilities	8,134,324	429,935	-	8,564,259
Revenue vehicles	2,726,122	141,440	(18,668)	2,848,894
Other equipment	2,425,296	235,922	(3,626)	2,657,592
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	152,028	-	-	152,028
Systems Software	10,290	-	-	10,290
Total capital assets being depreciated	15,211,034	899,329	(22,294)	16,088,069
Less accumulated depreciation and amortization for:				
Buildings and improvements	359,160	34,221	-	393,381
Transit facilities	3,001,147	246,597	-	3,247,744
Revenue vehicles	1,397,604	139,678	(18,668)	1,518,614
Other equipment	1,722,155	181,154	(3,626)	1,899,683
Intangible costs	1,038,436	17,458	-	1,055,894
Total accumulated depreciation and amortization of intangible costs	7,518,502	619,108	(22,294)	8,115,316
Total capital assets being depreciated, net	7,692,532	280,221	-	7,972,753
Total capital assets, net	$ 8,500,548	$ 1,131,329	$ (899,329)	$ 8,732,548

Notes to Basic Financial Statements

June 30, 2013 and 2012

(5) Capital Assets (Continued)

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

	June 30, 2011	Additions	Reductions	June 30, 2012
Capital assets not being depreciated:				
Land	$ 456,727	$ -	$ -	$ 456,727
Construction in progress	323,748	784,173	(756,632)	351,289
Total capital assets not being depreciated	780,475	784,173	(756,632)	808,016
Capital assets being depreciated:				
Buildings and improvements	681,629	34,306	-	715,935
Transit facilities	7,785,921	348,403	-	8,134,324
Revenue vehicles	2,571,021	179,390	(24,289)	2,726,122
Other equipment	2,233,467	194,533	(2,704)	2,425,296
Intangible costs:				
Bond interest capitalized	244,358	-	-	244,358
Construction supervision and consulting	480,765	-	-	480,765
Project and executive management	321,916	-	-	321,916
Pre-rail operations and testing	152,028	-	-	152,028
Systems Software	10,290	-	-	10,290
Total capital assets being depreciated	14,481,395	756,632	(26,993)	15,211,034
Less accumulated depreciation and amortization for:				
Buildings and improvements	330,364	28,796	-	359,160
Transit facilities	2,810,126	191,021	-	3,001,147
Revenue vehicles	1,294,934	126,959	(24,289)	1,397,604
Other equipment	1,564,781	160,078	(2,704)	1,722,155
Intangible costs	1,021,549	16,887	-	1,038,436
Total accumulated depreciation and amortization of intangible costs	7,021,754	523,741	(26,993)	7,518,502
Total capital assets being depreciated, net	7,459,641	232,891	-	7,692,532
Total capital assets, net	$ 8,240,116	$ 1,017,064	$ (756,632)	$ 8,500,548

Notes to Basic Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012 (in thousands):

	2013			2012
	Principal	Unamortized Premium Net of Issuance Cost	Net	Net
Series 2003, 4.60% dated October 23, 2003, due semi-annually through July 1, 2014	$ 18,810	$ 604	$ 19,414	$ 40,695
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	223,860	11,739	235,599	243,061
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(909)	54,091	54,091
	$ 297,670	$ 11,434	$ 309,104	$ 337,847

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, 2013 and 2012

(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
2014	$ 20,335	$ 15,858	$ 36,193
2015	13,240	14,934	28,174
2016	7,900	14,429	22,329
2017	8,285	14,035	22,320
2018	8,690	13,618	22,308
2019-2023	50,490	60,826	111,316
2024-2028	65,115	45,785	110,900
2029-2033	83,985	26,332	110,317
2034-2035	39,630	2,805	42,435
	297,670	208,622	506,292
Plus unamortized premium net of issuance cost	11,434	-	11,434
	$ 309,104	$ 208,622	$ 517,726

(c) Issuance and Refunding of Debt

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(6) Bonds Payable and Other Debt (Continued)

(c) Issuance and Refunding of Debt (Continued)

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

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

(d) Lines of Credit

Pursuant to the Compact and the Line of Credit Resolution of the Authority, a 364-day Line of Credit for $100,000,000 was renewed and subsequently increased to $125,000,000 during fiscal year 2010. In addition, two new Lines of Credit were secured for $125,000,000 and $50,000,000. The total amounts available under the three 364-day Lines of Credit were reduced from $300,000,000 to $200,000,000 in fiscal year 2012. The total amounts available under the three lines of credit were further reduced to $150,000,000 in fiscal year 2013. The availability fees and accrued interest were payable either monthly or quarterly, depending on the terms of the agreements, commencing July 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 2014. The one-month LIBOR rate was 0.19 percent and 0.25 percent for June 30, 2013 and June 30, 2012, respectively. For year ending June 30, 2013 and 2012, there was no outstanding debt balance on the Lines of Credit.

(e) Interest Expense

Interest expense on bonds for the years ended June 30, 2013 and 2012 was $15,087,000, and $16,495,000, respectively.

Interest expense for the Line of Credit for the years ended June 30, 2013 and 2012 was $27,000 and $0, respectively.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(7) Pension Plans

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

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

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

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

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

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

(a) Plan Descriptions

(i) Salaried Personnel Plan

All full-time regular management and non-union employees hired prior to January 1, 1999, and certain Transit Police Officials who are not covered by any other WMATA pension plan, and Special Police Officers represented by Teamsters Union Local 639 are eligible to participate in the Salaried Personnel Plan. The plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement eligibility is age 65 with 5 years of credited service. The annual normal retirement benefit shall equal items (a) plus (b) below: (a) 1.6 percent of final average compensation multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit), plus (b) 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit amount) not in excess of 20 years. Early retirement benefits are available upon reaching age 55 with 10 years of credited service or meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated vested employment. The Authority contributes the total cost of the plan. After five years of service, participants are 100 percent vested.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(7) Pension Plans (Continued)

(a) Plan Descriptions (Continued)

(ii) Transit Police Plan

Transit Police Officers and Transit Police Officials of the Authority are eligible to participate in the Transit Police Plan. The plan is governed by the terms of the employees' collective bargaining agreement. The normal retirement age is upon completing 25 years of credited service, but no later than age 65. The normal retirement benefit is 2.56 percent of final average earnings multiplied by years of credited service. The resulting benefit, if paid following the participant's 66th birthday, will be reduced by 0.50 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 times 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, 2013 and 2012

(7) Pension Plans (Continued)

(a) Plan Descriptions (Continued)

(iv) Union Local 922 Plan (Continued)

Effective for employees retiring on or after November 1, 2007, the annual retirement benefits are equal to 1.85 percent of the average compensation for each year (or fraction thereof based on completed months) of service up to 27 years at retirement, plus 1.95 percent of average compensation for each year (or fraction thereof based on completed months) of service in excess of 27 years at retirement plus 1.0 percent for years of service prior to May 1, 1973. The minimum benefit is $175 monthly. The plan provides retired participants annual cost-of-living increases, permits early retirement, and provides for benefits in the event of death, disability and terminated employment The Authority contributes that amount required to fund the normal cost of the plan plus an additional amount necessary to amortize the unfunded actuarial accrued liability as required by the collective bargaining agreement between the Authority and Union Local 922. After ten years of service participants, are 100 percent vested.

(v) Union Local 2 Plan

All full-time employees covered by the Local 2 bargaining agreement hired prior to January 1, 1999 and not covered by any other WMATA pension plan are eligible to participate in the Local 2 Plan. The plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement eligibility is age 65 with 5 years of credited service. The annual normal retirement benefit shall equal items (a) plus (b) below: (a) 1.6 percent of final average compensation multiplied by years of credited service(including any unused sick leave as credited service for purpose of normal retirement benefit), plus (b) 0.9 percent of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit amount) not in excess of 20 years. Early retirement benefits are available upon reaching age 55 with 10 years of credited service or meeting the "Rule of 83" with years of service and age. The maximum normal retirement benefit is not to exceed 80 percent of final average compensation. The plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability, and terminated vested employment. The Authority contributes the total cost of the plan. After five years of service, participants are 100 percent vested.

(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, 2012, the plan was 72.7 percent funded. The actuarial accrued liability for benefits was $480.3 million, and the actuarial value of assets was $349.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $131.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $26.6 million, and the ratio of UAAL to covered payroll was 494.1 percent.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(7) Pension Plans (Continued)

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

(i) Salaried Personnel Plan (Continued)

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

(ii) Transit Police Plan

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

As of January 1, 2012, the plan was 73.4 percent funded. The actuarial accrued liability for benefits was $198.8 million, and the actuarial value of assets was $146.0 million, resulting in a UAAL of $52.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $30.4 million, and the ratio of UAAL to covered payroll was 173.9 percent.

The schedule of funding progress, presented as 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, 2012, the plan was 75.8 percent funded. The actuarial accrued liability for benefits was $2,799.9 million, and the actuarial value of assets was $2,122.2 million, resulting in a UAAL of $677.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $586.2 million, and the ratio of UAAL to covered payroll was 115.6 percent.

The schedule of funding progress, presented as 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, 2013 and 2012

(7) Pension Plans (Continued)

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

(iv) Union Local 922 Plan (Continued)

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

As of January 1, 2012, the plan was 88.1 percent funded. The actuarial accrued liability for benefits was $153.6 million, and the actuarial value of assets was $135.4 million, resulting in an UAAL of $18.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $27.1 million, and the ratio of UAAL to covered payroll was 67.5 percent.

The schedule of funding progress, presented as 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, 2012 the plan was 81.2 percent funded. The actuarial accrued liability for benefits was $150.7 million, and the actuarial value of assets was $122.3 million, resulting in an UAAL of $28.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $11.5 million, and the ratio of UAAL to covered payroll was 246.4 percent.

The schedule of funding progress, presented as 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, 2013 and 2012

(7) Pension Plans (Continued)

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

(vi) The Authority's annual pension cost (APC) and related assumptions for the current year are as follows, based upon the most recent actuarial valuation (dollars in thousands):

	Salaried Personnel Plan	Transit Police Plan	Union Local 689 Plan	Union Local 922 Plan	Union Local 2 Plan
Contribution rates:*					
Authority	75.3%	26.0%	16.1%	21.1%	41.9%
Employees (Plan Members)	0.0%	7.3%	0.0%	0.0%	0.0%
Annual pension cost	$ 20,067	$ 7,885	$ 91,460	$ 5,709	$ 4,833
Contributions made:					
Authority	$ 19,998	$ 7,885	$ 94,299	$ 5,698	$ 4,822
Actuarial valuation date	7/1/2012	1/1/2012	1/1/2012	1/1/2012	7/1/2012
Actuarial cost method	Individual entry age	Aggregate cost	Aggregate cost	Projected unit credit	Individual entry age
Amortization method	Level dollar	N/A	N/A	Level dollar	Level dollar
Amortization period	15 years	N/A	N/A	30 years	15 years
Remaining amortization period	Open	N/A	N/A	Open	Open
Asset valuation method	Smoothed market value	Smoothed market value	5-yr assumed yield	Actuarial value of assets	Smoothed market value
Actuarial assumptions:					
Investment rate of return	8.0%	7.5%	7.9%	7.0%	8.0%
Projected salary increases	3.5-8.0%	4.75-9.0%	3.5%	4.5%	3.5-8.0%
Post-retirement benefit	3.9%	up to 6.0%	3.0%	4.0%	3.9%
Inflation rate	2.5%	2.5%	3.0%	3.0%	2.5%

*As a percentage of covered payroll

Notes to Basic Financial Statements

June 30, 2013 and 2012

(7) Pension Plans (Continued)

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

The significant components of the APC and changes in the net pension asset are as follows, based upon the most recent actuarial valuation (in thousands):

	Salaried Personnel Plan 7/1/2012	Transit Police Plan 1/1/2012	Union Local 689 Plan 1/1/2012	Union Local 922 Plan 1/1/2012	Union Local 2 Plan 7/1/2012	Total
Annual required contribution	19,998	7,885	85,481	5,698	4,822	123,884
Interest on net pension assets	(148)	-	(10,358)	(136)	(25)	(10,667)
Adjustment to annual required contribution	217	-	16,337	147	36	16,737
Annual pension cost	20,067	7,885	91,460	5,709	4,833	129,954
Contributions made	(19,998)	(7,885)	(94,299)	(5,698)	(4,822)	(132,702)
Decrease (Increase) in net Pension Asset	69	-	(2,839)	11	11	(2,748)
Net pension asset, beginning of year	(1,859)	(307)	(131,952)	(1,945)	(307)	(136,370)
Net pension assets, end of year	$ (1,790)	$ (307)	$ (134,791)	$ (1,934)	$ (296)	$ (139,118)

	7/1/2011	1/1/2011	1/1/2011	1/1/2011	7/1/2011	Total
Annual required contribution	18,416	7,719	60,036	5,927	4,966	97,064
Interest on net pension assets	-	-	(11,242)	(137)	-	(11,379)
Adjustment to annual required contribution	-	-	18,296	147	-	18,443
Annual pension cost	18,416	7,719	67,090	5,937	4,966	104,128
Contributions made	(15,469)	(7,719)	(58,515)	(5,927)	(4,094)	(91,724)
Adjustments to beginning balance	72	-	-	-	12	84
Decrease in net pension asset	3,019	-	8,575	10	884	12,488
Net pension asset, beginning of year	(4,878)	(307)	(140,527)	(1,955)	(1,191)	(148,858)
Net pension assets, end of year	$ (1,859)	$ (307)	$ (131,952)	$ (1,945)	$ (307)	$ (136,370)

Notes to Basic Financial Statements

June 30, 2013 and 2012

(7) Pension Plans (Continued)

(c) Trend Information

A summary of trend information for each plan follows, based upon the most recent actuarial valuation (dollars in thousands):

	Fiscal Year Ended	Annual Pension Cost (Income)	Percentage of APC Contribution	Net Pension Asset
Salaried Personnel Plan	7/01/12	$ 20,067	99.7%	$ (1,790)
	7/01/11	$ 18,416	84.0%	$ (1,859)
	7/01/10	$ 17,884	116.5%	$ (4,878)
Transit Police Plan	1/01/12	$ 7,885	100.0%	$ (307)
	1/01/11	$ 7,719	100.0%	$ (307)
	1/01/10	$ 7,862	100.0%	$ (307)
Union Local 689	1/01/12	$ 91,460	103.1%	$ (134,791)
	1/01/11	$ 67,090	87.1%	$ (131,952)
	1/01/10	$ 61,481	87.2%	$ (140,527)
Union Local 922	1/01/12	$ 5,709	99.8%	$ (1,934)
	1/01/11	$ 5,937	99.8%	$ (1,945)
	1/01/10	$ 5,385	100.0%	$ (1,955)
Union Local 2	7/01/12	$ 4,833	99.8%	$ (296)
	7/01/11	$ 4,966	82.4%	$ (307)
	7/01/10	$ 5,103	117.1%	$ (1,191)

Schedules related to the funded status of the pension plans included in this footnote are located in the Required Supplementary Information located on page 55 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, 2013 and 2012

(7) Pension Plans (Continued)

(d) Defined Contribution Retirement Plan (Continued)

The Authority contributed $6,808,000, and $5,859,000 for the years ended June 30, 2013 and 2012, respectively.

(e) Deferred Compensation

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

(8) Postemployment Benefits Other Than Pensions (OPEB)

Plan Descriptions

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

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

Funding policy and Annual OPEB Cost

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

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

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

Funding policy and Annual OPEB Cost (Continued)

The Authority's annual OPEB cost for the years ended June 30, 2013, 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	$ 85,946	$ 13,891	$ 8,260	$ 34,779	$ 142,876
Interest on net OPEB obligation	9,953	1,638	988	3,505	16,084
Adjustment to annual required contribution	(9,508)	(1,565)	(944)	(3,349)	(15,366)
Annual OPEB cost	86,391	13,964	8,304	34,935	143,594
Contribution made	(31,942)	(3,922)	(2,021)	(11,666)	(49,551)
Increase in net OPEB obligation	54,449	10,042	6,283	23,269	94,043
Net OPEB obligation - July 1, 2012	248,819	40,957	24,700	87,635	402,111
Net OPEB obligation - June 30, 2013	$ 303,268	$ 50,999	$ 30,983	$ 110,904	$ 496,154

Notes to Basic Financial Statements

June 30, 2013 and 2012

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

Funding policy and Annual OPEB Cost (Continued)

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

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

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

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations for fiscal years 2013, 2012 and 2011 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	6/30/2013	$ 86,391	37.0%	$ 303,268
	6/30/2012	$ 82,535	35.0%	$ 248,819
	6/30/2011	$ 83,848	29.2%	$ 195,203
Union Local 2	6/30/2013	$ 13,964	28.1%	$ 50,999
	6/30/2012	$ 13,583	24.8%	$ 40,957
	6/30/2011	$ 12,715	20.5%	$ 30,742
Transit Police	6/30/2013	$ 8,304	24.3%	$ 30,983
	6/30/2012	$ 7,878	23.2%	$ 24,700
	6/30/2011	$ 8,581	15.5%	$ 18,649
Non-Represented	6/30/2013	$ 34,935	33.4%	$ 110,904
	6/30/2012	$ 33,345	31.6%	$ 87,635
	6/30/2011	$ 29,931	26.0%	$ 64,818

Funded Status and Funding Progress. The funded status of the plans, as of June 30, 2013, was as follows (dollar amounts in thousands):

	Union Local 689	Union Local 2	Transit Police	Non-Represented	Total
Actuarial accrued liability (a)	$ 1,240,733	$ 179,529	$ 108,046	$ 498,778	$ 2,027,086
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 1,240,733	$ 179,529	$ 108,046	$ 498,778	$ 2,027,086
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	N/A	N/A	N/A	N/A	$ 841,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll {(a)-(b)}/ (c)	N/A	N/A	N/A	N/A	241.0%

Notes to Basic Financial Statements

June 30, 2013 and 2012

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

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

Actuarial Methods and Assumptions

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

	Union Local 689	Union Local 2	Transit Police	Non-Represented
Actuarial valuation date	7/1/2012	7/1/2012	7/1/2012	7/1/2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	Open-30 years	Open-30 years	Open-30 years	Open-30 years
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Discount Rate	4.0%	4.0%	4.0%	4.0%
Projected salary increases	4.5%	4.5%	4.5%	4.5%
Healthcare cost trend rate:				
Pre-65 Years Old	9.5%	9.5%	9.5%	9.5%
65 Years and older	8.0%	8.0%	8.0%	8.0%

Notes to Basic Financial Statements

June 30, 2013 and 2012

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

Defined Contribution Plan

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

Effective November 1, 2007, the Authority contributed to the 922 Employees Health Trust on behalf of each employee on its payroll covered by the Union Local 922 agreement and each retiree under age 65, a monthly contribution of $800. The Health Trust determines the extent of any employee and retiree contributions necessary to fund the remaining cost of the benefits. The Authority's contributions were $3,966,000, $4,135,000, and $4,143,000 for the years ended June 30, 2013, 2012 and 2011, respectively.

Schedules related to the funded status of the OPEB plans included in this footnote are located in the Required Supplementary Information located on page 56 of these financial statements.

(9) Commitments and Contingencies

(a) Litigation and Claims

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

(1) Third party bodily injury and property damage liability (BI/PD) 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 $1,000,000 per occurrence,
(4) First party property or business interruption loss up to $10.0 million for loss or damage to railcars caused by the perils of collision and derailment, and $5.0 million for loss or damage to named stations and tunnels; up to $1.0 million for all other loss or damage; and up to 5 percent of TIV (total insurable value) for the perils of flood and earthquake.

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

(1) An additional $50.0 million in aggregate limits in the Excess Liability insurance program taking the total limits to $145.0 million excess of a self-insured retention (SIR) of $8.0 million for Metro Bus and MetroAccess liabilities and excess of a $5.0 million SIR for all other liability. In fiscal year 2012, while maintaining the total limits at $145 million in excess of SIR, the Excess Liability insurance program was restructured to establish a uniform $5.0 million SIR for all liability.
(2) Excess Workers compensation insurance with statutory limits in excess of a $2.5 million per occurrence self-insured retention (SIR) (i.e. it pays whatever the statute requires).
(3) Directors' and Officers' Liability/Employment Practices Liability (D&O/EPL) insurance with aggregate limits of $10.0 million excess of a $250,000 SIR. In fiscal year 2013, the D&O/EPL aggregate limits were increased to $15.0 million excess of a $1.0 million SIR

In fiscal year 2012, the Authority purchased Cyber liability insurance with an annual aggregate limit of $10.0 million excess of a $100,000 SIR; and Medical Facility Liability insurance with an annual aggregate limit of $5.0 million excess of a $10,000 SIR.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(9) Commitments and Contingencies (Continued)

(a) Litigation and Claims (Continued)

In fiscal year 2013, the Authority purchased Blended Excess Liability insurance layer with an annual aggregate limit of $5.0 million applying over three insurance programs, the D&O/EPL, the Fiduciary Liability and the Cyber Liability.

Prior to fiscal year 2009, no claim settlements/judgments penetrated into the attachment point of Excess Liability insurance. In fiscal year 2009, the Authority suffered two severe loss occurrences both of which penetrated the attachment point of insurance. The first loss was a Metro Bus collision with a taxi, which resulted in a death and three serious injuries. The second loss was a Metro Rail car collision, which occurred on June 22, 2009 and resulted in the deaths of eight passengers and one employee and multiple passenger injuries. As described below, these cases were included in the case reserves evaluated by an independent actuary and is included in the estimated liability for injury and damage claims which totaled $66.4 million as of June 30, 2013. A discount rate of two percent was applied by the independent actuary when evaluating the estimated liability for injury and damage claims. In fiscal year 2009, the Authority was completely self-insured for its workers' compensation obligations; in fiscal year 2010, the Authority purchased Excess Workers' Compensation insurance capping the Authority's exposure at $2.5 million per incident.

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

Changes in the actuarially developed liability for years ended June 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Estimated net present value of the liability for injury and damage claims, beginning of year	$ 140,353	$ 152,770
Incurred new claims	33,839	30,107
Changes in estimate for claims of prior periods	(8,580)	5,953
Payments on claims	(28,382)	(48,477)
Estimated net present value of the liability for injury and damage claims, end of year	$ 137,230	$ 140,353
Due within one year	$ 39,857	$ 30,792

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.

Notes to Basic Financial Statements

June 30, 2013 and 2012

9) Commitments and Contingencies (Continued)

(b) Leasing Commitment (Continued)

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. In August 2009, the Authority entered into a four year operating lease for warehouse space in Hyattsville, MD. The terms of the lease set forth a scheduled annual lease payment of $46,200 with an escalating increased of three percent annually. In July 2004, the Authority entered into a new twenty year operating lease for office space for the Medical Services department in Washington, DC. The terms of the lease set forth scheduled annual lease payments of $267,100 with a reduction at year eleven to $125,000 annually. Lease payments for years ended June 30, 2013 and 2012 were $1,327,000 and $1,249,000 respectively.

The Authority's minimum lease payments as of June 30, 2013 are as follows (in thousands):

Fiscal Year	Total
2014	$ 1,308
2015	1,144
2016	1,174
2017	1,206
2018	1,238
2019	1,271
2020	317
2021	125
2022	125
2023	125
2024	125
	$ 8,158

(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. In fiscal year 2013, the Authority maintained one diesel fuel swap agreement. The swap agreement allowed the Authority to plan and manage its diesel fuel, reduce risk, and improve budget stability.

Payment between the swap parties is the difference between the swap price per gallon respectively and the unweighted arithmetic mean of each of the closing settlement prices. The fuel swap is based on the closing settlement prices quoted by the NYMEX, on each NYMEX trading day, during the settlement period for the No.2. heating oil futures.

Fair Value: In fiscal year 2013, the Authority entered into a diesel swap agreement to manage its diesel fuel price risk, for fiscal year 2014. As of June 30, 2013, the swap agreement had a fair value of $249,113 as shown in Table 1. The fair value is estimated by a mathematical approximation of the market, derived from proprietary models as of a given date, and based on certain assumptions regarding past, present and future market conditions, as well as certain financial information.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(9) Commitments and Contingencies (Continued)

(c) Master Commodity Swap Agreements (Continued)

Table 1: Diesel fuel swap

Per Calculation Effective Date	Period Maturity Date	Gallons	Total Quantity (gallons)	Fair Market Value as 6/30/13	
07/01/2013	06/30/2014	416,667	5,000,000	$	249,113
				$	249,113

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

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

(d) Labor Contracts

Approximately 85.0 percent of the Authority's labor force is covered by five labor contracts. As of June 30, 2013, three of these contracts which represent approximately 81.0 percent of the labor force are expired and currently either in arbitration or negotiation. At June 30, 2013, the accrued salaries and benefits liability includes an estimated amount related to the settlement of these contracts.

(e) Other

Construction and capital improvement costs are funded by federal grants, local matching funds, and third party agreements. As of June 30, 2013, the Authority was committed to expend approximately $130,721,500 (unaudited) on future construction, capital improvement and other miscellaneous projects. The federal funding is subject to audit by the U.S. Government; in the opinion of management, disallowed costs, if any, will not have a material effect on the financial position of the Authority.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(10) Leasing Transactions

(a) Leasing Historical Information

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

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

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

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

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

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(10) Leasing Transactions (Continued)

(a) Leasing Historical Information (Continued)

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

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

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

Future minimum payments due:	
2014	$ 90,188
2015	151,781
2016	54,732
2017	29,237
2018	93,253
2018-2022	153,762
2023-2027	68,110
2028-2031	37,377
Total future minimum payments	678,440
Less imputed interest	180,960
Present value of minimum lease payments	$ 497,480

(b) Leasing Disclosure

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

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

Notes to Basic Financial Statements

June 30, 2013 and 2012

(10) Leasing Transactions (Continued)

(b) Leasing Disclosure (Continued)

extension dates ranging from October 31, 2013 to June 30, 2014. The remaining period of these agreements ranges from approximately three to nineteen years.

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

(11) Changes in Long-Term Liabilities

Long-term liabilities activity for the years ended June 30, 2013 and 2012, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Bonds Payable		Obligations Under Lease Agreements
Beginning balance, July 1, 2011	$ 152,770	$ 25,467	$ 17,515	$ 370,589		$ 576,644
Additions	66,489	133,601	2,533	496	*	-
Reductions	(78,906)	(134,923)	(5,397)	(33,238)	**	(53,064)
Ending balance, June 30, 2012	$ 140,353	$ 24,145	$ 14,651	$ 337,847		$ 523,580
Due within one year	$ 30,792	$ 2,253	$ 2,445	$ 29,150		$ 59,036
Noncurrent portion	$ 109,561	$ 21,892	$ 12,206	$ 308,697		$ 464,544
Beginning balance, July 1, 2012	$ 140,353	$ 24,145	$ 14,651	$ 337,847		$ 523,580
Additions	53,577	14,074	-	297	*	645,974
Reductions	(56,700)	(14,359)	(2,445)	(29,040)	**	(672,074)
Ending balance, June 30, 2013	$ 137,230	$ 23,860	$ 12,206	$ 309,104		$ 497,480
Due within one year	$ 39,857	$ 803	$ 2,445	$ 20,335		$ 90,188
Noncurrent portion	$ 97,373	$ 23,057	$ 9,761	$ 288,769		$ 407,292

*This amount includes amortization of bond premiums of $297,000 and $496,000 for the years ended June 30, 2013 and 2012, respectively.

**This amount includes bond debt principal payments of $27,360,000 and $31,210,000 and accretion of bond discounts of $1,680,000 and $2,028,000 for the years ended June 30, 2013 and 2012, respectively.

Notes to Basic Financial Statements

June 30, 2013 and 2012

(12) Subsequent Events

(a) Collective Bargaining Settlement

On July 25, 2013, the Authority's Board of Directors approved a four-year collective bargaining agreement with Union Local 689 covering the period of July 1, 2012 through June 30, 2016. This agreement included wage increases and a requirement for contributions to the defined benefit pension plan. The impact of these changes to the plan is reflected in the basic financial statements.

(b) Silver Line Operations

The Authority's Board of Directors had previously amended WMATA Adopted Regional System (ARS) to incorporate a 23.1 mile Dulles Metrorail Extension into ARS. The construction of this extension has been undertaken in two phases and has been under the direction of the Metropolitan Washington Airports Authority (MWAA). Following the completion of each phase, the constructed assets will be transferred from MWAA to the Authority. The transfer of the first phase, includes approximately $3.0 billion in assets, and is scheduled to occur in fiscal year 2014.

Required Supplementary Information

Historical Trend Information – Pension Plans

Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) Funding Excess	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll Funding Excess
Salaried Personnel Plan	7/1/2012	$ 349,099	$ 480,283	$ 131,183	72.7%	$ 26,551	494.1%
	7/1/2011	$ 345,530	$ 468,769	$ 123,239	73.7%	$ 27,201	453.1%
	7/1/2010	$ 340,635	$ 463,459	$ 122,824	73.5%	$ 29,321	418.9%
Union Local 2	7/1/2012	$ 122,311	$ 150,696	$ 28,384	81.2%	$ 11,520	246.4%
	7/1/2011	$ 119,718	$ 149,483	$ 29,765	80.1%	$ 12,852	231.6%
	7/1/2010	$ 114,767	$ 146,504	$ 31,737	78.3%	$ 13,764	230.6%
Union Local 689 Plan	1/1/2012	$ 2,122,240	$ 2,799,940	$ 677,700	75.8%	$ 586,202	115.6%
	1/1/2011	$ 2,182,029	$ 2,518,549	$ 336,520	86.6%	$ 548,720	61.3%
	1/1/2010	$ 2,192,165	$ 2,399,238	$ 207,073	91.4%	$ 544,629	38.0%
Union Local 922 Plan	1/1/2012	$ 135,355	$ 153,614	$ 18,259	88.1%	$ 27,065	67.5%
	1/1/2011	$ 120,844	$ 143,925	$ 23,081	84.0%	$ 26,543	87.0%
	1/1/2010	$ 117,332	$ 136,208	$ 18,876	86.1%	$ 25,400	74.3%
Transit Police Plan	1/1/2012	$ 146,047	$ 198,840	$ 52,793	73.4%	$ 30,351	173.9%
	1/1/2011	$ 136,903	$ 181,011	$ 44,108	75.6%	$ 31,507	140.0%
	1/1/2010	$ 128,445	$ 174,735	$ 46,290	73.5%	$ 31,083	148.9%

Required Supplementary Information

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

Schedules of Funding Progress

(dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (Funding Excess) ((b-a))/c
Union Local 689	**7/1/2011**	$ -	$ 1,240,733	$ 1,240,733	0.0%	N/A	N/A
Union Local 2	**7/1/2011**	$ -	$ 179,529	$ 179,529	0.0%	N/A	N/A
Transit Police	**7/1/2011**	$ -	$ 108,046	$ 108,046	0.0%	N/A	N/A
Non-Represented	**7/1/2011**	$ -	$ 498,778	$ 498,778	0.0%	N/A	N/A
Fiscal Year 2013 Total [1]			**2,027,086**	**2,027,086**	**0.0%**	**841,000**	**241.0%**
Union Local 689	**7/1/2011**	$ -	$ 1,190,044	$ 1,190,044	0.0%	N/A	N/A
Union Local 2	**7/1/2011**	$ -	$ 178,474	$ 178,474	0.0%	N/A	N/A
Transit Police	**7/1/2011**	$ -	$ 102,334	$ 102,334	0.0%	N/A	N/A
Non-Represented	**7/1/2011**	$ -	$ 477,719	$ 477,719	0.0%	N/A	N/A
Fiscal Year 2012 Total [1]			**1,948,571**	**1,948,571**	**0.0%**	**841,000**	**231.7%**
Union Local 689	**7/1/2009**	$ -	$ 1,054,747	$ 1,054,747	0.0%	N/A	N/A
Union Local 2	**7/1/2009**	$ -	$ 162,252	$ 162,252	0.0%	N/A	N/A
Transit Police	**7/1/2009**	$ -	$ 103,215	$ 103,215	0.0%	N/A	N/A
Non-Represented	**7/1/2009**	$ -	$ 419,475	$ 419,475	0.0%	N/A	N/A
Fiscal Year 2011 Total [2]			**1,739,689**	**1,739,689**	**0.0%**	**733,000**	**237.3%**

[1] The Annual Required Contribution (ARC), Annual OPEB Cost (AOC) and Actuarial Accrued Liability (AAL) are based on the results as of July 1, 2011 valuation actuarially projected to June 30, 2013 and June 30, 2012.

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

SECTION THREE – STATISTICAL (Unaudited)

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

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Net Position by Component
For Fiscal Year 2004 to Fiscal Year 2013
(amounts expressed in thousands)

	2004	2005	2006	2007	Restated 2008	Restated 2009	2010	2011	2012	2013
Net investment in capital assets	$ 7,414,886	$ 7,547,065	$ 7,904,568	$ 7,880,168	$ 7,708,754	$ 7,755,314	$ 7,982,687	$ 8,360,891	$ 8,341,946	$ 8,413,072
Restricted	523,129	371,764	192,857	63,095	32,686	180,708	144,700	177,228	189,035	198,538
Unrestricted	184,224	200,911	186,397	202,789	113,404	12,373	(57,434)	(160,554)	(265,741)	(357,036)
Total Net Position	$ 8,122,239	$ 8,119,740	$ 8,283,822	$ 8,146,052	$ 7,854,844 *	$ 7,948,395	$ 8,069,953	$ 8,377,565	$ 8,265,240	$ 8,254,574

* Rounding difference

Certain reclassifications were made to fiscal year 2004 through 2012 to conform to the fiscal year 2013 financial statement presentation. The reclassifications did not have an effect on the net position or changes thereto.

Source: The Authority's Audited Financial Statements.

Changes in Net Position
For Fiscal Year 2004 to Fiscal Year 2013
(amounts expressed in thousands)

	2004	2005	2006	2007	Restated 2008	Restated 2009	2010	2011	2012	2013
Operating Revenues	$ 499,985	$ 572,542	$ 607,478	$ 625,092	$ 690,572	$ 745,303	$ 727,832	$ 804,504	$ 816,670	$ 856,829
Nonoperating revenues	93,289	117,412	101,942	104,873	102,198	74,924	76,013	54,964	55,003	50,054
Total Revenues	593,274	689,954	709,420	729,965	792,770	820,227	803,845	859,468	871,673	906,883
Operating expenses	1,259,514	1,339,686	1,461,393	1,606,408	1,803,396	1,905,047	2,004,945	2,079,881	2,134,668	2,300,239
Nonoperating expenses	124,887	102,535	113,040	99,712	90,335	61,473	59,694	56,390	51,377	48,050
Total Expenses	1,384,401	1,442,221	1,574,433	1,706,120	1,893,731	1,966,520	2,064,639	2,136,271	2,186,045	2,348,289
Jurisdictional subsidies, capital grants and capital subsidies	714,936	749,768	1,029,095	838,385	869,894	1,239,844	1,382,352	1,584,415	1,202,047	1,430,740
Adjustment to restate	-	-	-	(40,390)	(19,751)	-	-	-	-	-
Increase (decrease) in Net Position	$ (76,191)	$ (2,499)	$ 164,082	$ (178,160)	$ (250,818)	$ 93,551	$ 121,558	$ 307,612	$ (112,325)	$ (10,666)

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

Source: The Authority's Audited Financial Statements.

Revenue Base
For Fiscal Year 2004 to Fiscal Year 2013
(amounts expressed in thousands)

	2004	2005	2006	2007	Restated 2008	Restated 2009	2010	2011	2012	2013
Operating Revenues										
Passenger revenue	$ 453,043	$ 522,475	$ 555,262	$ 563,356	$ 625,607	$ 683,302	$ 660,319	$ 763,900	$ 777,528	$ 817,615
Charter and contract revenue	3,806	3,395	3,909	6,767	8,047	255	-	-	-	-
Advertising revenue	26,002	29,000	30,000	33,000	35,296	38,319	42,104	17,518	18,284	16,732
Rental revenue	15,786	16,466	17,108	20,777	20,451	22,179	24,161	22,335	20,604	22,246
Other revenue	1,348	1,206	1,199	1,192	1,171	1,248	1,248	751	254	236
Total operating revenues	499,985	572,542	607,478	625,092	690,572	745,303	727,832	804,504	816,670	856,829
Nonoperating revenues										
Investment income	1,450	5,011	3,981	4,718	5,068	2,494	1,578	1,377	1,309	818
Interest income from leasing transactions	88,562	91,924	88,548	87,874	80,802	52,430	40,114	38,452	34,882	32,936
Income from pension plans	-	16,687	-	-	-	-	-	-	-	-
Other	3,277	3,790	9,413	12,281	16,328	20,000	34,321	15,135	18,812	16,300
Total nonoperating revenues	93,289	117,412	101,942	104,873	102,198	74,924	76,013	54,964	55,003	50,054
Total Revenues	$ 593,274	$ 689,954	$ 709,420	$ 729,965	$ 792,770	$ 820,227	$ 803,845	$ 859,468	$ 871,673	$ 906,883

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

Source: The Authority's Audited Financial Statements.

Passenger Fare Structure
For Fiscal Year 2004 to Fiscal Year 2013

Fiscal Year	Metrobus Peak/Off Peak			Metrorail Peak		Metrorail Off Peak	
	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile	Boarding Charge	Each Additional Composite Mile
2004	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles) $.195 (6+miles) $3.90 (Max. fare)	$1.35 (0-7miles) $1.85 (7-10miles) $2.35 (10+ miles)	n/a n/a n/a
2005	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles) $.195 (6+miles) $3.90 (Max. fare)	$1.35 (0-7miles) $1.85 (7-10miles) $2.35 (10+ miles)	n/a n/a n/a
2006	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles) $.195 (6+miles) $3.90 (Max. fare)	$1.35 (0-7miles) $1.85 (7-10miles) $2.35 (10+ miles)	n/a n/a n/a
2007	$1.25	$1.25	$1.25	$1.35	$.22 (3-6miles) $.195 (6+miles) $3.90 (Max. fare)	$1.35 (0-7miles) $1.85 (7-10miles) $2.35 (10+ miles)	n/a n/a n/a
2008	$1.25	$1.25	$1.25	$1.65	$.26 (3-6miles) $.23 (6+ miles) $4.50(Max. fare)	$1.35 (0-7miles) $1.85 (7-10miles) $2.35 (10+ miles)	n/a n/a n/a
2009	$1.25	$1.25	$1.25	$1.65	$.26 (3-6miles) $.23 (6+ miles) $4.50(Max. fare)	$1.35 (0-7miles) $1.85 (7-10miles) $2.35 (10+ miles)	n/a n/a n/a
2010	$1.35	$1.35	$1.35 *	$1.75	$.26 (3-6miles) $.23 (6+ miles) $4.60(Max. fare)	$1.45 (0-7miles) $1.95 (7-10miles) $2.45 (10+ miles)	n/a n/a n/a
2011	$1.50	$1.50	$1.50	$1.95	$.299 (3-6miles) $.265 (6+ miles) $5.00(Max. fare)	$1.60 (0-7miles) $2.15 (7-10miles) $2.75 (10+ miles)	n/a n/a n/a
2012	$1.50	$1.50	$1.50	$1.95	$.299 (3-6miles) $.265 (6+ miles) $5.00(Max. fare)	$1.60 (0-7miles) $2.15 (7-10miles) $2.75 (10+ miles)	n/a n/a n/a
2013	$1.60	$1.60	$1.60	$2.10	$.316 (3-6miles) $.280 (6+ miles) $5.75(Max. fare)	$1.70 (0-3miles)	$.237 (3-6 miles) $.210 (6 + miles) $3.50(Max. fare

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

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

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

Source: Tariff of The Washington Metropolitan Area Transit Authority

Ratios of Outstanding Debt by Type
For Fiscal Year 2004 to Fiscal Year 2013

(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*
2004	$ 42,150	$ 163,495	$ 35,640	$ -	$ -	$ 241,285	58.3%
2005	$ 42,150	$ 146,665	$ 30,580	$ -	$ -	$ 219,395	53.0%
2006	$ 42,150	$ 128,195	$ 26,010	$ -	$ -	$ 196,355	48.2%
2007	$ 42,150	$ 109,075	$ 21,265	$ -	$ -	$ 172,490	42.1%
2008	$ 32,465	$ 98,670	$ 16,330	$ -	$ -	$ 147,465	34.9%
2009	$ 22,230	$ 87,705	$ 11,150	$ 242,675	$ 55,000	$ 418,760	96.8%
2010	$ 11,420	$ 76,140	$ 5,710	$ 242,675	$ 55,000	$ 390,945	94.5%
2011	$ -	$ 63,940	$ -	$ 237,300	$ 55,000	$ 356,240	86.0%
2012	$ -	$ 39,285	$ -	$ 230,745	$ 55,000	$ 325,030	77.7%
2013	$ -	$ 18,810	$ -	$ 223,860	$ 55,000	$ 297,670	73.0%

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

* Annual Passenger Unlinked trip data can be found on the Operating Indicators data on page 75.

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

Pledged-Revenue Coverage
For Fiscal Year 2004 to Fiscal Year 2013

(amounts expressed in thousands)

Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ 1,175,871	986,837	$ 189,034	$ 176,470	12,517	$ 188,987	100%
2005	$ 1,072,480	1,039,979	$ 32,501	$ 21,890	10,611	$ 32,501	100%
2006	$ 1,201,970	1,168,952	$ 33,018	$ 23,040	9,978	$ 33,018	100%
2007	$ 1,280,970	1,245,267	$ 35,703	$ 23,865	11,838	$ 35,703	100%
2008	$ 1,354,648	1,320,090	$ 34,558	$ 25,025	9,533	$ 34,558	100%
2009	$ 1,455,715	1,420,292	$ 35,423	$ 26,380	9,043	$ 35,423	100%
2010	$ 1,493,671	1,446,276	$ 47,395	$ 27,815	19,580	$ 47,395	100%
2011	$ 1,553,539	1,500,896	$ 52,643	$ 34,705	17,938	$ 52,643	100%
2012	$ 1,564,881	1,515,277	$ 49,604	$ 31,210	16,495	$ 47,705	104%
2013	$ 1,627,497	1,586,588	$ 40,909	$ 27,360	15,114	$ 42,474	96% *

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

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

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

* Reflects timing difference in recognition of revenues.

Source: The Authority's Audited Financial Statements.

Demographic Statistics and Economic Statistics

Fiscal Year	Population	Personal Income	Per Capital Personal Income	Unemployment Rate
2002	5,012,020	$217,159,440	$43,328	3.9%
2003	5,079,312	226,592,529	44,611	3.7%
2004	5,152,911	243,786,393	47,310	3.2%
2005	5,224,299	262,193,123	50,187	3.8%
2006	5,267,465	281,199,125	53,384	3.3%
2007	5,319,975	297,457,960	55,913	3.3%
2008	5,391,607	312,910,563	58,037	3.9%
2009	5,494,326	306,115,716	55,715	6.5%
2010	5,609,150	321,520,810	57,321	6.3%
2011	5,609,150	$338,498,235	$59,345	6.2%

Unemployment rates are as of June 30 of the indicated fiscal years.
Source: The Authority's Comprehensive Annual Financial Report

1/ Census Bureau midyear population estimates. Estimates for 2000-2011 reflect county population estimates available as of April 2012.
2/ Per capita personal income was computed using Census Bureau midyear population estimates.
Estimates for 2000-2011 reflect county population estimates available as of April 2012.

Last updated: November 26, 2012 - new estimates for 2011; revised estimates for 2009-2010.

Sources: Bureau of Economic Analysis
Metropolitan Statistical Area

Major Private Employers

Employer	2012 Rank	2012 Area Employees	2012 Percentage of Total Employment	Employer	2005 Rank	2005 Area Employees	2005 Percentage of Total Employment
MedStar Health	1	15,773	0.5%	McDonald's Corp.	1	32,000	1.1%
Marriott International	2	15,000	0.5%	Ahold USA	2	21,000	0.8%
Science Applications International Corp	3	15,000	0.5%	Northrop Grumman Corp.	3	19,100	0.7%
Northrop Grumman Corp.	4	14,451	0.5%	Science Applications International Corp.	4	15,814	0.6%
Booz Allen Hamilton	5	13,900	0.5%	Verizon Communications Inc.	5	14,500	0.5%
University of Maryland at College Park	6	13,451	0.4%	Computer Sciences Corp.	6	14,000	0.5%
Inova Health System	7	12,963	0.4%	Wal-Mart Stores Inc.	7	10,293	0.4%
Verizon	8	12,600	0.4%	Safeway Inc.	8	9,000	0.3%
Lockheed Martin	9	11,000	0.4%	May Department Stores Co.	9	8,500	0.3%
Safeway	10	9,432	0.3%	International Business Machines Corp.	10	7,818	0.3%
		133,570	4.5%			152,025	5.4%

Note: The Authority implemented GASB Statement 44 in FY 2005 and was not required to report data before implementation.
Source: Washingtonpost.com - 2012 Top DC Companies This is the latest available data.
Washingtonpost.com - 2005 Post 200 Top DC-Area Employers
See the **Demographic Statistics** schedule for employment data.

Authorized Employee Positions
For Fiscal Year 2004 to Fiscal Year 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Non-Union	1,457	1,540	1,640	1,673	1,669	1,718	1,633	1,650	1,814	2012
AFL-CIO/OPIEU Local - 2	739	785	794	818	778	771	730	740	879	980
Teamsters Local - 639	90	89	89	89	89	89	102	126	126	164
AFL-CIO ATU Local - 689	7,042	7,207	7,237	7,809	8,203	7,911	7,650	7,731	7,768	8,408
Teamsters Local - 922	368	352	355	357	385	367	370	370	375	378
FOP Transit Police	319	321	336	356	359	376	368	357	357	390
Total Authority Positions	10,015	10,294	10,451	11,102	11,483	11,232	10,853	10,974	11,319	12,332

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 2010-2013)

Operating Indicators
For Fiscal Year 2004 to Fiscal Year 2013

Fiscal Year	Vehicle Operated In Maximum Service	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Passenger Trips	Passenger Miles Traveled
2004					
Metrobus	1,236	38,901,318	3,458,658	146,010,344	436,436,653
Metrorail	750	58,205,365	2,312,490	250,659,980	1,507,072,928
Metro Access	235	11,030,419	698,401	1,112,358	12,269,308
Total	2,221	108,137,102	6,469,549	397,782,682	1,955,778,889
2005					
Metrobus	1,236	38,458,955	3,422,983	153,392,000	453,290,328
Metrorail	758	62,152,936	2,460,432	259,430,055	1,401,105,192
Metro Access	252	12,179,777	765,719	1,253,948	13,686,293
Total	2,246	112,791,668	6,649,134	414,076,003	1,868,081,813
2006					
Metrobus	1,249	38,364,771	3,557,212	131,339,808	419,809,944
Metrorail	758	63,577,383	2,513,934	274,767,272	1,577,789,264
Metro Access	334	12,135,331	1,015,815	1,340,201	13,683,293
Total	2,341	114,077,485	7,086,961	407,447,281	2,011,282,501
2007					
Metrobus	1,261	38,431,274	3,396,732	131,489,651	410,761,850
Metrorail	782	67,029,516	2,636,654	276,440,693	1,590,316,851
Metro Access	406	14,861,434	1,270,731	1,462,604	14,861,435
Total	2,449	120,322,224	7,304,117	409,392,948	2,015,940,136
2008					
Metrobus	1,261	38,875,286	3,555,114	132,848,806	445,952,733
Metrorail	830	69,792,997	2,749,921	288,039,725	1,639,628,551
Metro Access	452	17,332,239	1,452,709	1,712,537	20,036,683
Total	2,543	126,000,522	7,757,744	422,601,068	2,105,617,967
2009					
Metrobus	1,273	41,168,424	3,797,304	133,773,567	418,038,773
Metrorail	850	71,803,305	2,823,870	296,857,158	1,667,899,731
Metro Access	996	19,476,367	1,833,296	2,107,775	17,192,565
Total	3,119	132,448,096	8,454,470	432,738,500	2,103,131,069
2010					
Metrobus	1,242	37,647,546	3,465,216	123,847,193	394,906,087
Metrorail	850	66,699,259	2,653,498	287,304,340	1,635,967,269
Metro Access	1,071	22,734,212	2,086,624	2,377,423	19,247,346
Total	3,163	127,081,017	8,205,338	413,528,956	2,050,120,702
2011					
Metrobus	1,260	38,397,186	3,579,459	125,089,229	382,103,348
Metrorail	860	67,234,252	2,731,796	286,620,549	1,624,750,032
Metro Access	729	22,387,399	2,101,395	2,336,219	19,334,010
Total	2,849	128,018,837	8,412,650	414,045,997	2,026,187,390
2012					
Metrobus	1,281	39,226,293	3,714,074	130,889,914	408,162,738
Metrorail	868	70,867,572	2,883,528	285,306,675	1,584,631,040
Metro Access	800	19,537,817	1,896,856	2,082,882	16,655,420
Total	2,949	129,631,682	8,494,458	418,279,471	2,009,449,198
2013*					
Metrobus	1,293	39,176,488	3,750,556	132,064,874	413,821,534
Metrorail	878	75,884,602	3,094,597	273,828,461	1,552,619,378
Metro Access	646	19,112,536	1,775,602	2,008,686	16,375,823
Total	2,817	134,173,626	8,620,755	407,902,021	1,982,816,735

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

Washington Metropolitan Area Transit Authority
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Washington, D.C. 20001